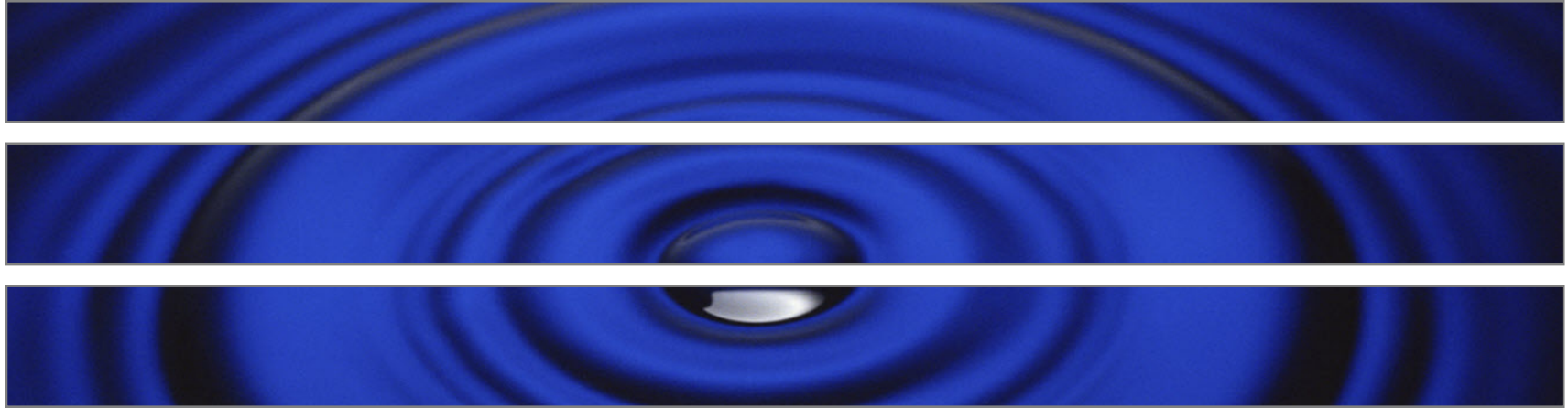


Spotlight on...

Lean in the Public Sector
a Wired-GOV Special Report



Welcome to Wired-GOV's Spotlight on Lean.

This is the first in a series of features we will be running, the aim of which is to focus on a significant part of public sector management, to examine the philosophy behind it, the drivers which underpin it and to assess the impact of its implementation across the public sector. This provides an ideal opportunity for all parties to take stock of some of the most important policy initiatives of the day, to delve deep into how different approaches are being applied and to extract best practice examples from across government. In this we will be inviting the leading figures and thinkers from government and academia, as well as bringing the views and opinions of the best and most innovative minds from the private sector.

The first Spotlight on... looks at Lean, a discipline which has been mistakenly thought to be a thinly veiled ruse to reduce headcount and cut spending. On the contrary, for those who understand its true intentions and outcomes, Lean can deliver huge benefits to the organisation, its staff and customers and can become the keystone in the management of the severe budget reductions all public bodies are now facing. We aim to explode the myths surrounding Lean, to reveal the real value that its successful application can bring, and

to highlight how Lean is having dramatic effects within certain departments and agencies today.

And Lean is a subject to which government is committed to and, in the main, wholeheartedly embracing. Its principles are endorsed within the Operational Efficiency Programme Final Report, stating that "*public service organisations that are introducing ongoing cycles of continuous improvement, often based on the Lean approach, are improving cost effectiveness, quality of services, timeliness of services and are engaging more successfully with their workforce.*" (www.hm-treasury.gov.uk/oepep_final_report_210409_pu728.pdf)

So what's it all about? To pin down one clear definition of Lean is not easy but in essence Lean is a systemic approach to reducing costs and cutting waste whilst driving up quality and improving services for the customer. From its roots in the car manufacturing industry, Lean has developed through the analysis of operational data, with the use of business intelligence technologies, innovative workflow processes, the productivity of the workforce is enhanced for the benefit of all – the organisation, the staff and the customer. Achieving this in a public sector context

will, almost certainly, soften the blow of the spending cuts.

The stresses now placed on departmental budgets are clear. But, whilst putting these tight fiscal measures in place, the Government is looking for minimal impact on service delivery, with the focus being entirely on the value provided to the customer. Lean principles seek to address operational process inefficiencies at their source – very often at the frontline delivery of services – so issues such as organisational performance measures, culture, skills, technology and location must all be looked at from a Lean perspective.

In most organisations this means re-shaping people's roles and the way they behave – two change factors that are notoriously difficult to manage and which require strong and astute leadership, to inspire and support staff in doing things differently – and doing things better. To successfully embed Lean into an organisation sometimes takes something of a leap of faith but, as the following articles and case studies reveal, with careful planning, strong leadership and a dedicated and informed workforce, the long-term strategic goals of the organisation can be reached to the ultimate satisfaction of us all.



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Lean: Efficiency and Effectiveness?

Now that the Spending Review has been published, government departments are working on the detail of how budget cuts will be implemented. One key element to this must be a focus on Lean processes, according to **Professor Zoe Radnor**, a leading academic thinker on the subject. She points to several projects she has worked on which highlight the myriad benefits that Lean can deliver for the public sector.



"Is Lean just about cutting job and costs?" is something I am frequently asked especially at the moment in the public sector. My answer is "No – the spending review and budget cuts direct where and decide when cuts are made - not Lean." If used properly, Lean can help public sector organisations to maintain the high standard of services that they currently deliver, despite the cuts.

The call is to do 'more with less' – in other words, to be more efficient. But care must be taken to ensure that the focus is not solely on taking the money out – this to a degree is the easy bit. There are, in fact, two ways in which to increase value: one, by reducing waste and thus the cost of a product or service; the other, by increasing value-adding activities. The challenge for public sector organisations is to reduce spend whilst retaining or even improving service delivery. Getting 'the same or better for less' is to be effective as well as efficient!

I am an Advanced Institute of Management (AIM) Research Fellow considering the sustainability of Lean in Public Services. I have worked with the Scottish Government, HM Revenue & Customs (HMRC) and health trusts and am aiming to develop my thinking through further work with HMRC as well as HM Courts Services (HMCS), Department of Work and Pensions and local government. In this article, I want to share some highlights from my findings.

Evaluation of Pacesetter, Lean, Senior Leadership and Operational Management within HMRC Processing Radnor and Bucci, 2007¹

In 2006, HMRC began to roll out an organisation-wide programme across processing areas with the help of management consultants. In my study of this programme, it became clear that there was a direct correlation between how senior management engaged in Lean and how their staff then perceived it.

Where there was negative engagement or poor communication by senior management, staff were less likely to link Lean with improved quality and productivity, and customers were more likely to have a mixed understanding of the potential outcomes.

Where senior managers showed positive engagement, staff and customers were more likely to perceive increased quality, a structured approach to problem solving, better teamworking, as well as a well-supported process for transferring capabilities from the consultancy to HMRC.

Evaluation of the Lean Programme in HMCS Radnor and Bucci, 2010²

The HMCS Lean three-year programme was launched in Autumn 2008 and will have carried out an 'initial touch' of all jurisdictions of courts in England and Wales by December 2011. The programme, designed to be consultant-free, is developing internal capability in the form of change agents; HMCS staff having undergone training through a Lean Academy.

Each court starts with a Lean event to introduce the revised processes and new practices through

Standard Operating Procedures (SOPs). Like HMRC and DWP these practices include the introduction of Team Information or Performance Boards to manage workload allocation, identify problems within the skills of team members and report successes. There are also daily team meetings.

My main findings show that the Lean programme is having an exceptional impact – with break-even within six months. The positive elements are immediate or 'quick win' improvements in processes, with the use of performance boards and trays highlighting the current state of work. The role of the internal change agents is making a huge difference at sites where they spend significant amounts of time. As a result of these improvements, many staff have stated that they do not want to go back to the pre-programme processes.

Pan-government perceptions

Across government Lean is being introduced to improve service delivery by eliminating waste, simplifying processes and creating capacity to do more work with fewer resources. However, in my research into the effectiveness of Lean in the public services³, I found that there are a number of recurrent issues which could be better addressed:

1. Recognition of the importance of the commitment and understanding of senior managers. In all cases there is a direct correlation between the enthusiasm and drive of senior managers and the positive experience of Lean across the organisation.

2. Many staff, whilst acknowledging that Lean has improved their own working environment, could not quite see the impact it was having upon the delivery of the service to the customer.

3. Staff often used phrases such as “when Lean was here” or “after Lean had gone”, giving the impression that Lean is something external to the organisation, carried out by the change agents or management consultants. It is important to recognise that Lean is a long-term programme and not a short-term fix; it is about both tools and behaviours.

4. Lean is not a ‘one-off’ process redesign, Lean event or a Rapid Improvement Event (RIE). A series of RIEs does not Lean make! Although these events can result in a radical process redesign removing ‘low hanging’ waste (eg, moving from 14 shift

patterns to three, reducing six forms to one, removing tons of rubbish), if other Lean tools are not employed - particularly visual management and ongoing problem solving tools - then inefficiencies may slowly return.

The key elements of organisational readiness may well include: the engagement of staff through appropriate training and development; having an improvement strategy; having a process view; understanding customer requirements; strong, committed leadership; and understanding demand, capacity and variation.

Figure 1 below illustrates how these elements support the principles of Lean and the delivery of value. Together with a clear communication strategy and supported by a steering group and project team, they are the bedrock and foundation of developing Lean in Public Services.

Success Factors

Five key success factors have consistently emerged during my work on Lean in the Public Services. The most effective programmes are those where:

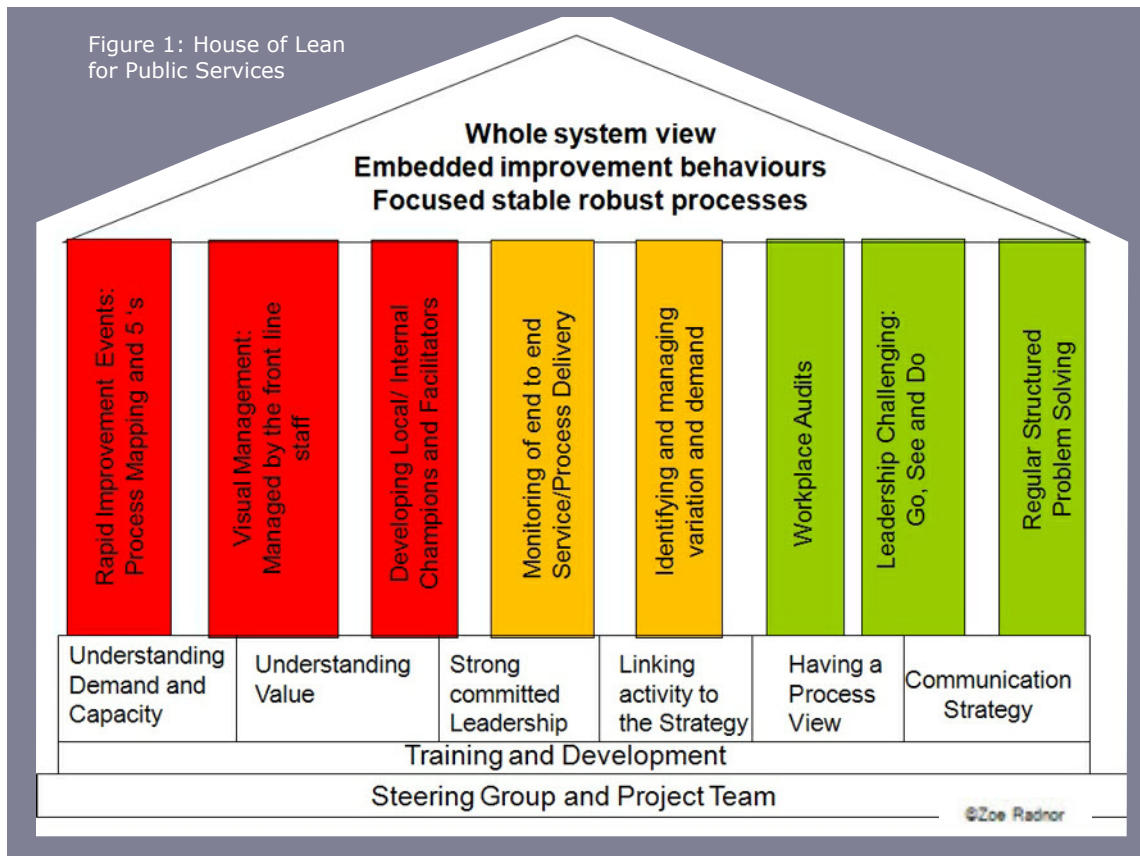
- a culture of continuous improvement has been developed
- there is senior management commitment and leadership throughout the organisation, in actions as well as words
- time and adequate, capable resources are committed
- a clear communication strategy has been developed and implemented through appropriate channels to ensure messages penetrate
- (perhaps the most significant) ensuring organisational readiness is in place to support the implementation.

In Conclusion

There is enormous pressure on the public sector to reduce costs and to become more efficient and there is no doubt that Lean can contribute to this. But, importantly, this must not give the wrong message about the aims of Lean. It should be seen instead as an approach which could turn a difficult situation into an organisational opportunity, allowing the ways in which public services are delivered to be re-structured.

The challenges outlined in the Spending Review can be addressed by Lean programmes across government - systematically and effectively.

Figure 1: House of Lean for Public Services



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- ²Radnor Z. and Bucci, G., (2007), *Evaluation of Pacesetter, Lean, Senior Leadership and Operational Management within HMRC Processing*, HMRC, London.
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A lean approach to the public sector

The impact of the Comprehensive Spending Review on the public sector is now being played out across the UK.

Government programmes, services and entire levels of infrastructure are in danger of fast disappearing as local authorities and public sector organisations search for ways to reduce public expenditure.



Many will slice and dice ruthlessly for short term goals or quick returns. Others, who might try to 'wait out the storm' will be seen as complacent and unresponsive. In either case, it is most likely that their 'customers' ultimately will lose out.

A number of UK private sector organisations have found a solution to addressing cost pressures and deliver more and better for less for their customers.

'Lean thinking' was, until recently, seen as the province of manufacturing companies that were able to reduce costs and increase value by improving the quality of their products and the efficiencies of their processes. But a few companies have taken the lessons from the factory floor and applied them in sales, marketing, finance and other parts of the business.

The Lean process involves educating employees about how to implement improvements. It means retraining employees in structured problem solving to reduce waste. It means changing the style of management to give employees greater independence to make decisions. And it means working on small scale improvements that gradually build confidence to really embed change.

Some people suggest that a malaise exists in public service delivery; an accepted mind set that Britain must pay more for public services as costs escalate.

An alternative view - often found at the operational level - is that many people are aware of barriers that inhibit their performance, but are still unable to address them.

Our work with central government, health trusts and local authorities has confirmed to us that there is a commitment to delivering the most efficient service at the lowest possible cost. However, that commitment is stifled by a lack of understanding of improvement tools and confidence in using them. Civil servants recognise the need to provide better value for taxpayers, but they don't always have the knowledge and operational framework to achieve this.

Talking to public sector workers it is clear that engagement has been poor, some are disillusioned and previous programmes have often been unsustainable. But it is easy to teach those working in the public services how to create their own models of operational excellence including how to adopt a systematic process for solving problems,

how to implement a method for determining and delivering precisely what the 'customer' requires and how to eliminate activity that does not add value.

Parts of the Public Sector have already borrowed these ideas from industry. HMRC's PaceSetter programme, which sought to transform the efficiency of the department and bed down the merger between the Inland Revenue and Customs and Excise, used Lean techniques and practices that were based on our own architecture, The Unipart Way.

With our support in building the architecture for change and the capability of the PaceSetter practitioners, PaceSetter has generated a return of over £900m savings for the department. On average, productivity has increased by at least 30%, lead times for customers have reduced and the quality of work through reduced errors has vastly improved (from 49 to 99% in some cases).

This has led to increased debt recovery in mainstream taxes and work and error and fraud returns in HMRC's Benefits and Credits business. Productivity improvements have allowed for more headroom to be created to take in new work.



We also worked with the Department of Communities and Local Government to implement Lean. It was falling short of its Public Service agreement targets, but by working closely with civil servants over a 12 week period, Lean techniques were used to both meet the PSA targets and to save £146,000 per annum as well.

There have been similar experiences in the NHS. South Central Strategic Health Authority used Lean methods to meet the Government's target that no patient would wait longer than 18 weeks from GP referral to hospital treatment. We helped the Health Authority engage clinical staff, build capacity in new ways of working, standardise practices and ensure cost reduction. As a result, waiting times were reduced from 8 to 2 weeks and there was a 20% reduction in inappropriate referrals – saving time and money.

In addition, our work with the high performing Countess of Chester NHS Foundation Trust, is enabling the Trust to transform its culture. Organisational restructuring, reductions in absence, improved materials management and workforce redesign have resulted in cost savings of £2.5m. By engaging employees, the Trust now has the highest

staff attendance rates in the North West and one of the best for an acute hospital in the country. In November, the Trust won the Lean Healthcare Academy Project of the Year award 2010 for the *Countess Way* transformation programme, supported by Unipart.

But the best way of implementing Lean in the public sector can be through an industrial partnership. In practice, this means a commercial organisation co-operating, co-ordinating and collaborating with the public sector as Unipart is doing with a partnership of government departments, NHS organisations, universities, local authorities and not for profit organisations in Thames Valley.

Together, the public and private sectors can work together and learn from one another. Adopting Lean methods might just give government the chance to reform without the need for excessive cuts. And it could just help the public sector make efficiencies without services being harmed.

A lean approach can help deliver public services that Britain can sustain financially. And of which we can all be proud.



David Whale

Head of Public Sector
Unipart

Unipart Expert Practices(UEP) partner with a wide range of public sector clients to help them achieve more and better for less.

[Click here](#) to receive a selection of our pan-government and public sector case studies.



What makes Lean work?

Despite a number pioneering government departments being several years into their lean journeys, and seeing significant changes in staff engagement and step changes in performance, it is clear that there is still more to learn about lean than was originally thought.

Daniel Jones, Chairman of the influential Lean Enterprise Academy and author of two of the most influential books on lean, outlines his recipe for future success.

One of the most significant consequences of the UK government's recent spending review may well be the acceleration in the use of lean thinking to improve both the quality and productivity of the delivery of public services.

Car manufacturer Toyota's lasting contribution to the practice of management is that it created a unique synthesis of three fundamental approaches to improvement: the analysis of quality and the use of the scientific method learnt from Walter Shewhart and Edwards Deming; process thinking about organising the flow of work inspired by the early Henry Ford and honed through Taiichi Ohno's own experiments at Toyota; and how people learn by doing, drawn from the Training Within Industry programme developed by the US Government during World War II.

Many organisations have experienced the power of engaging employees in using lean tools to eliminate waste in their workplaces. Others have gone on to use the lean principles to streamline the flow of work. But in fact these are only part of a very different way of managing and leading change. While a lot has been written recently about Toyota's management tools, such as A3 thinking and strategy deployment, it is equally important to understand the purpose (or the glue) that makes them effective.

The key is not the tools themselves but how you use them. A good way of seeing this is by asking four fundamental questions.

1. How can you focus everyone on the vital few improvements that will make the biggest difference to the organisation?

The lean answer to this is to use the scientific method to understand the choices and to dig down beyond what are, in many cases, symptoms to the underlying causes, many of which are

common. Addressing these causes is much more effective than jumping to many different solutions and launching hundreds of projects, in the hope that some of them succeed.

It is no accident that the first things given to a new manager by their superior when they join Toyota are a problem and an A3 form. (See over-page)

The A3 frames the dialogue between the manager and the superior, and ensures that no step is missed in finding a solution to the problem. This begins by defining the problem, gathering facts (rather than just relying on past data), establishing a target condition or the gap to be closed, understanding the root causes of a problem, proposing a series of countermeasures (not just one), checking whether these worked and reflecting on the lessons learnt. Throughout this process the superior is asking questions rather than telling the subordinate the answers.

Defining the problem, understanding the root causes and coming up with alternative ways of addressing the problem isn't always easy, yet can be a truly formative experience which can lay the basis for a deeper understanding of more complicated problems as managers rise through the ranks of the organisation.

This experience greatly facilitates the tough discussions about which of the vital few issues that need to be focused on when drawing up the strategy. It also helps to frame the deployment discussions with each level down the organisation in order to translate these vital few 'goals' into the vital few 'actions' that will close the important performance gaps.

The significant point of using this scientific method to focus on the vital few is that everyone **learns to think in the right way about the right things.**

2. How can you close the performance gaps which are critical for the organisation?

The lean answer to this is to remove the obstacles to the flow of work that creates the value for which customers are paying, which lean thinkers call a 'value stream'. This involves combining activities which were once separately managed into an integrated value stream, eliminating the sources of unnecessary variation, optimising the whole rather than the parts, removing queues, bottlenecks and handoffs as they cross from one department to another, and aligning the flow of work with the rate of demand.

In most organisations, no one sees or is responsible for these horizontal, end-to-end value streams. There is now a wealth of experience in using the right lean principles and tools in the right sequence to redesign all kinds of value streams.

However, exactly the same principles are needed to streamline and synchronise all the support activities that enable the primary value streams to flow, such as delivering the right drawings and parts to assemble an aircraft or delivering the right test results, take-home drugs and therapies to be able to discharge a patient from hospital.

The third critical dimension to enable value streams to flow is aligning the management decision-making processes with the heart-beat of the value stream, so problems are escalated and responded to quickly and projects are not held up waiting for infrequently held review meetings.

Quite simply, this means seeing and managing the organisation as a collection of inter-connected processes or value streams as well as the traditional, vertical organisation chart.

THE **LEAN**
ENTERPRISE
ACADEMY

Title:	Version:	Date:
Author:		
What is the problem?	Proposed countermeasures:	
Current condition:	Plan:	
Target condition:	Follow Up:	
Root Cause Analysis:	Agreed by:	
Responsible:	Date:	

By taking a value stream perspective one is **learning to see the whole and where to act** to close the critical performance gaps.

3. How can you change behaviour in order to work together more effectively along these value streams?

The lean answer is to plan not only what should happen to every product or patient as they progress through the value stream but exactly **when** this should happen - and to make any progress and/or deviations from this plan as visible as possible. Reviewing progress on an hourly or daily basis enables teams to respond quickly so as to get back on plan and also ensures that recurrent problems are tracked to their root causes.

Making progress and problems visible in a no-blame environment is much more productive than hiding them from view or in a computer system. It is also essential to be able to manage a much more interdependent process to ensure that any interruptions have less impact on the overall system performance.

Anyone who has been part of a value stream mapping exercise will have witnessed the dramatic change in behaviour as participants stand in front of the map and see for the first time how to fix their broken process rather than blaming each other. Managers also begin to recognise that their role is to support frontline staff in doing their work and to help

them resolve the most important hindrances to doing so.

This is equally true in a project environment. Toyota's *Oobeya* (visual project room) is an effective way to gain agreement from different departments on common actions and to agree the few common metrics on which the project will be measured. Breaking the work into daily or weekly increments and reviewing progress daily means that slippages and issues that arise can be dealt with quickly, rather than waiting for the next gate review meeting.

Capturing these issues also provides a rich source of learning for future projects. Making everything visual is vitally important in **learning to work together to optimise the whole system**.

4. How can you sustain the gains?

The lean answer is to build new knowledge through learning and by *doing*. We have already described the power of organisational mentoring using A3s but, in a complicated social environment where causality is not always clear, real learning comes from doing a number of controlled experiments to see what works and what does not. Very often problems do not occur where people think they do and the root causes are also not always obvious. Establishing a common language for all kinds of problem-solving makes it possible to capture and share not only what works but also how problems can be solved, so others can learn from them.

Learning by doing is also the basis for a very different approach to lean transformation. Instead of spending a lot of time planning and then deploying a centrally designed training programme across the organisation, that is quickly forgotten when the experts move on, a lean transformation begins with a series of controlled experiments in key activities to build an experience base as quickly as possible.

This then forms the basis of further experiments and for building communities of practice to share results and experiences. These may also be consolidated on an intranet accessible to everyone in the organisation and reinforced by competitions and recognition ceremonies for the winning projects. This experimental, evidence-based approach ensures that everyone **learns how to learn by doing and reflecting**.

The Government's recent Spending Review not only focused on 'out-of-the-box' thinking about where cuts could be made, but it also challenged the assumption that improvements in public services can only come about by spending more. Increased spending over the last decade on the NHS, for instance, has not lead to vastly improved productivity.

The Lean Enterprise Academy's work in several NHS hospitals has shown that it is possible to reduce a patient's length of stay by over 50% within 50 days if frontline staff are shown how to redesign and manage the end-to-end patient journey from admission to discharge. But we have also learned that this can only be sustained if management is liberated from the blizzard of policy initiatives,

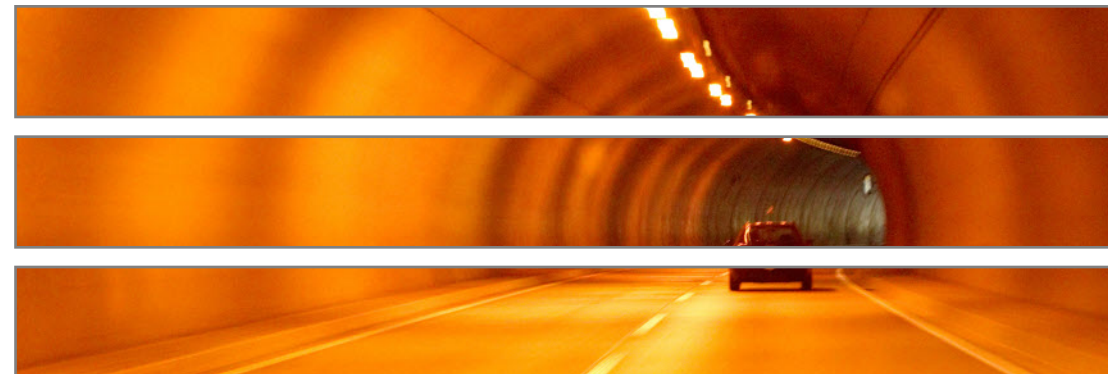
and to focus on the vital few improvements that would make the biggest difference to their hospital.

Lean thinking is the way the public sector can follow private sector service delivery organisations in steadily improving the services they deliver without any additional resources. Given this change in mindset, and the similarity of much of the work being done, there is no intrinsic reason why productivity growth should be any different in the public sector than it is in the private sector. Indeed, the opportunities are probably greater in the public sector over the next few years.

Daniel T Jones is the author of *The Machine that Changed the World* and *Lean Thinking* and the Chairman of the Lean Enterprise Academy - www.leanuk.org.

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Taking a lean approach in the UK public sector

Taking a lean approach to cost reduction is the only way to make a real difference and MasterCard believes that the third generation Government Procurement Card (GPC III) can make a really significant contribution.

The message is clear. With the current deficit the Public Sector must reduce cost if it is to continue to provide effective services with limited budgets. And it is also clear that progress is being made at an, unusually, fast pace. The ERG is certainly making a mark and is quite right to be putting considerable emphasis on government expenditure, which, of course, is huge.

Re-negotiating contracts with major suppliers and moving towards centralised category procurement makes perfect sense but, to make a real difference, the Public Sector will, probably, be taking a lean approach to cost reduction across the whole of their supply chains. In this they will be looking at the demand for and specification of the services they provide and the way that they are delivered or commissioned; they will be looking at the optimisation of processes to deliver these front-office services; and they will be looking also at how they can make back-office processes more effective. They will be looking at procurement in terms of specifications and demand, pricing and total cost and supplier development – for long-term, sustainable cost management. Or will they? Surely, beating up the big suppliers and centralising strategic sourcing is not where it will stop!

The target operating model for centralising category procurement requires the right management information, effective enabling technology and efficient payment processing if it is to deliver and it is to be expected that GPC III will play a major role in both the effectiveness of the operating model and lean procurement.

GPC III is not simply a set of tools for processing low value orders. Deployed strategically in a total lean approach it can make a contribution to improving procurement processes and in supplier management and development.

There is no doubt that the GPC improves payment processing but it can be used to achieve much more. There is scope to use GPC functionality not only for low value transactions but also for much higher proportions of expenditure, notably with embedded, lodged and prepaid cards, and achieve much higher levels of process efficiency and headcount reduction or redeployment. Position GPC functionality within an overall settlement or eProcurement strategy, potentially through an eSettlement hub, and the benefits will be even greater.

GPC III embedded within the new category contracts will ensure that suppliers are paid within four days, reduce their own internal costs by decreasing the costs of invoice errors and debt collection and, in turn, drive compliance with the negotiated contracts. Suppliers will always prefer the hassle-free route to the maverick route. Reducing total cost in this way will have a positive effect on price especially if new contracts are going to be volume-bound. And, of course, the bigger the volume through the GPC the bigger the issuer rebate.

This also contributes to Government's prompt payment and support to SME initiatives. This can go even further if linked to Supply Chain Finance.



Taking a strategic approach to settlements will improve management information and control. The third generation of GPC includes ancillary products such as MasterCard's Smart Data and InControl which are being deployed to provide better management information and greater visibility and control in transactions. The old obstacles of potential lack of control and visibility have been taken away.

To make maximum use of the management information it will be beneficial if groups of like-minded bodies adopt a collaborative approach to GPC III, also avoiding the cost of multiple re-tendering exercises. Putting groups of organisations on the same GPC III platform will have provide consolidated information as well as contract compliance and through-put rebate.

MasterCard have recently produced a paper in collaboration with Cap Gemini Consulting on how, in the current economic environment, an efficient procurement process can be instrumental in driving efficiency improvements and reducing cost.

[Click here](#) to find out more and receive the paper in full.

If you would like further information on MasterCard's approach to GPC and strategic eSettlements please visit the website: www.mastercard.co.uk/publicsector

or e-mail us at: ukpublicsector@mastercard.com.

We look forward to hearing from you.



Case Study: The Pace of Change

Groundbreaking PaceSetter, HMRC's innovative Lean project, continues to provide the department with significant savings and efficiencies and this is only set to increase as 95 percent of the workforce plan to use PaceSetter in their work by 2013. But it's not all been plain sailing, according to **Alison McDonald**, Deputy Director for PaceSetter, who highlights some important lessons that HMRC has learned.



For some time now, continuous improvement techniques, such as Lean, have been seen as key driving forces for transforming public services for customers. Its particular attraction now, in this climate of austerity, is that while years may be needed to fully embed a high performance culture, high initial returns can be achieved in a relatively short space of time.

This is certainly the case for HMRC which began implementing Lean in 2005 to drive efficiencies in its volume-processing work. Early successes in tax-form handling reported a 50 percent reduction in processing time and a reported uplift from 55 percent to 98 percent in quality, reducing the need for re-work. However, it soon became clear that introducing Lean was not enough by itself to maintain momentum. As a result, the PaceSetter brand was created to ensure future implementations focused on developing leadership capability alongside system change.

With nearly 50 percent of HMRC now operating in a PaceSetter way, the business has reported over £600m in additional tax yield and an average 30 percent increase in productivity, leading to reported gross salary savings of well over £300m. And this success is only set to continue, with HMRC's ambition of 95 percent of its workforce using PaceSetter by 2013.

"PaceSetter has transformed the way that DGs and ExCom manage performance. They are now passionate about releasing the talents of those who do the work, enabling them to continuously improve what they do every day as part of their everyday activities."

Steve Lamey, DG Benefits and Credits HMRC

But it has not been an easy ride for HMRC in implementing PaceSetter. The department has learned, and continues to learn, valuable lessons about how to embed and sustain its tools, techniques and behaviours – and to be flexible in adapting these to the needs of different business areas.

We'll now focus on some of the key lessons learned and the steps that HMRC is taking to continually improve PaceSetter for its staff and customers.

Leaders are the most critical success factor, along with disciplined adoption of tools and techniques

Back in 2005, HMRC's attention was focused on driving efficiency in the frontline, with minimal senior leadership engagement. This balance was soon readdressed, and PaceSetter started to engage leaders at all levels with continuous improvement tools and techniques.

A series of 'Top Layer Programmes' continue to help leaders to understand the pivotal role they play in making PaceSetter a success. Today, upwards of 1,000 leaders across HMRC have taken part in these programmes - including the Executive Committee, DGs and Directors - with many using PaceSetter to aid their decision

making. They now view PaceSetter as one of the key ways that HMRC can achieve its Vision and deliver better outcomes for its customers.

Develop a strong internal cadre of practitioners, reducing the reliance on consultants

Although reliant on consultants for specialist knowledge in the early days of the project, HMRC soon developed a structured academy and coaching programme to help staff become PaceSetter Practitioners. It recognised that a key risk was putting too much stock in consultancy support for too long, with insufficient skills transfer to HMRC staff, particularly for delivering leadership development programmes and challenging management teams.

Now accredited by Cardiff University's Lean Enterprise Resource Centre (LERC), the PaceSetter Academy Programme has helped over 300 staff become Practitioners so far, helping HMRC to be largely independent of external consultancy resource.

Performance improvements need to be translated into clear benefits and be visible to everyone

After the Capability Review in November 2007, HMRC began to develop a robust Performance Management Framework, consolidating over 70 performance frameworks into one set of Key Performance Indicators. These have streamlined data collection, reporting and decision making. As PaceSetter became recognised as one of the key mechanisms to improve performance, HMRC began to develop a Benefits Realisation Framework to both measure and report the effect PaceSetter was having on these metrics.

This Framework continues to help those business areas which are implementing PaceSetter to understand the effect on productivity, quality, customer experience, staff engagement and leadership. Importantly, this creates the evidence needed for future resourcing and staff buy-in.

Performance Hubs and Boards, implemented at management and team levels, are also helping everyone to visualise performance and benefits, with a clear line of sight from the Executive Committee to the frontline.

Give your staff a Voice

Whatever method of continuous improvement is used, it is critical that staff feel that they have the opportunity to have a voice in their work. By actively engaging them in performance meetings around the hub - problem solving and creating new standards - HMRC has seen overall improvements in staff engagement in PaceSetter areas.

Of PaceSetter, HMRC staff say:

"We are now able to put our points across in an open environment."

"It's a natural part of our working life and culture."

HMRC Managers say:

"Our people are now seeing the big picture and getting actively involved in continuously improving what they do."

"The success of PaceSetter is really attributable to the management teams and frontline staff. Of course, there is a way to go yet, but staff are really taking the initiative to continually look at ways to improve what they do."

'One size does not fit all'

As PaceSetter began to be implemented in less transactional areas, HMRC recognised that there were certain business areas that needed to adapt rather than simply adopt the existing standards and tools of PaceSetter.

Working closely with the policy teams in Personal Tax and Business Tax revealed that almost 80 percent of the existing PaceSetter tools were applicable to these environments. The remaining 20 percent were either adapted or new tools developed which could be used again in other areas of its business.

Tackling these 'considerative' areas from the start helps avoid the prejudice that continuous improvement only works in 'processing' areas.

Greater accountability in the business

As the organisation matures, individual business areas should be given greater accountability for translating performance improvements into benefits realised. However, they should be supported by a common operating model, from front-line practitioner through to senior teams.

Assure the benefits

Change control and assurance are required to maintain the integrity of implementations, along with a strong, consistent brand image.

Substantial benefits can be derived by looking at the end-to-end enterprise level

To reach a 'tipping point' of credibility and understanding, HMRC initially focused on re-engineering sub-processes in organisational pockets. This generated 'quick wins' and clearly demonstrated the value of PaceSetter to the organisation.

However, HMRC recognised early on that substantial benefits would come from identifying 'hot spots' of waste at enterprise level, focusing on end-to end processes and customer journeys.

Work closely with enabling functions and initiatives

A key priority for PaceSetter has been the integration of its work with other key programmes of activity. This includes the HMRC Strategy (for which it is a key enabler), Leadership Behaviours and Corporate and Social Responsibility.

In the Leadership space, PaceSetter has aligned and integrated its core management behaviours, with the newly launched HMRC-wide Leadership Behaviours. This avoids any conflicting messages and (perceived) competing management training or reward systems across the department.

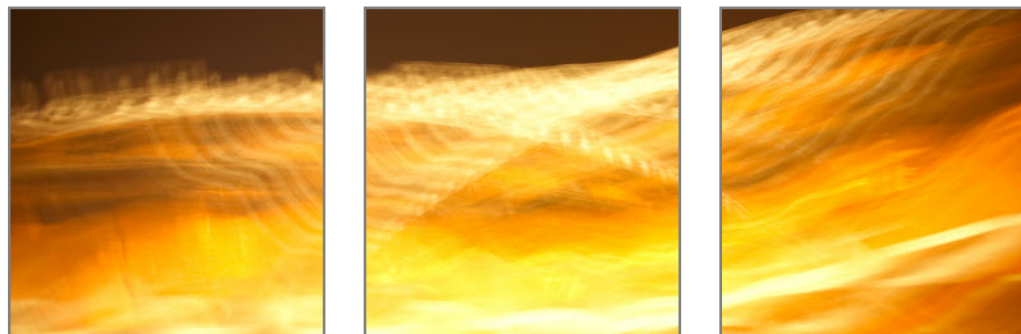
But it's not only HR initiatives to which PaceSetter is aligned. It continues to work closely with other enabling functions, such as Finance for performance management, IT for information management and our customer strategy work.

Greater cross-government working

Reduced funding, as well as pressure to improve efficiency across government, must lead to greater cross-department working, sharing experiences, best practice and methodologies.

This is exactly what is being encouraged with PaceSetter Practitioners and specialist staff within HMRC. Over 600 internal staff are now accessing a workspace portal, sharing knowledge, experience and new approaches. This is something that could be replicated across government, to share knowledge and expertise.

HMRC still has a way to go to achieve its aim of the majority of its workforce to be using PaceSetter by 2013, but it continues to nurture a culture that is open to change, realising that continuous improvement is not just a management fad - it is here to stay.



Alison McDonald OBE Deputy Director, Central PaceSetter

With 25 years' operational and management experience gained in the civil service, Alison McDonald leads the implementation of PaceSetter across HMRC.

Joining the Inland Revenue in 1985, Alison worked in a variety of technical and management roles in Sussex local offices, whilst completing her BSc (Hons) degree and Tax Inspector training.

In 2003, Alison became the senior manager in Portsmouth - one of the largest processing offices in HMRC. Introducing Lean tools and techniques to redesign their processes, Alison and her team developed pioneering techniques for wider application and became the first PaceSetter model office for HMRC.

Her strong advocacy of Lean tools and techniques, coupled with her wealth of operational experience, proved invaluable in May 2008, when she became the Deputy Director of Central PaceSetter in HMRC.

Now with nearly half of the department working in a PaceSetter way and over £900m savings, it is widely recognised as one of HMRC's key enablers for continually improving outcomes for customers and delivering its Spending Review challenge.

PaceSetter combines lean tools and techniques with active leadership engagement - helping to create a culture that is genuinely open to change and continuous improvement.

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An impending storm: the new public sector environment

A review of public expenditure over the period 1900–2010 shows that it has increased from less than 15% of the UK gross domestic product (GDP) to over 48% in 2009–10. Much of the increase over this period has been driven by tremendous changes in the scale and type of publicly funded services available, including the introduction of the NHS, social care reforms and expansion of investment in education.

However, the current public sector spend as a percentage of GDP is among the highest over this period, only being exceeded by the peaks during the First and Second World Wars and during the social and economic disruption of the mid-1970s. More worrying is that public sector spend has been increasing at a rate not matched at any point in the recent past, increasing from less than 40% of GDP in 2004 to the 2010 level of 48%.

Public sector expenditure 2010 Major Categories

Total budget: £661 billion

Pensions £117 billion
Welfare £105 billion
Health £104 billion
Education £86 billion
Defence £44 billion
General Government £25 billion

The interest that the country needs to pay to service the debt that underpins this spend is already £43 billion a year, and this is before we factor in the additional liabilities for public sector pensions and any costs that arise from the former Government's commitment to underwrite mortgages.

It is against this backdrop that the Coalition Government announced the emergency budget in May 2010 and with it an initial £6.25 billion worth of efficiency savings. However, this figure was dwarfed by the Institute of Fiscal Studies' statement that the UK public sector needs to find an initial £35 billion of efficiency savings in the next 18 months, adding that all of the initiatives undertaken so far have only delivered £8.5 billion to date.

The fact that there is also around an 11% gap between the Government's income and expenditure means that without significant efficiency savings the UK will need to borrow even more, adding to our current £930 billion worth of public debt – approximately £14,000 for every man, woman and child in the UK.

It is against this backdrop that the Comprehensive Spending Review was published in October 2010, with the aim of bringing the deficit under control and cut the gap in funding from its current 11% to 1.1% by 2014–15, as well as setting it on a downward trend beyond 2015.

This equates to an average cut in spending across all departments of 19%, although this varies significantly from areas such as the NHS and international development that will actually see an increase to cuts of up to 33% for other departments, with HM Treasury, local government and the Home Office being hit by cuts of greater than the average.

This reform of public sector finances is not just restricted to administrative costs but also affects the public sector capital budgets, which will see a net reduction of 29% between 2010 and 2015 across all areas.

Collectively, this means we face the need for an almost unprecedented level of transformational change within the public sector, bringing radical changes to the way services are commissioned and managed and the disappearance or merger of non-core and inefficient services.

If you think this is just a problem for the public sector, then think again. As the public sector is the largest purchaser of products and services in

the UK, the impending storm will also impact on tens of thousands of private sector businesses, from suppliers of pharmaceuticals to outsourced services providers.

The need for a completely different approach to transformation in the public sector can be summed up in the words of one public sector Chief Executive: *'We are not going to achieve this level of saving by buying paperclips more cheaply or banning the purchase of Post-It notes.'*



Lean: at the heart of public sector efficiency improvements for a decade

The need for massive efficiency improvements in the public sector does not mean that services can just be cut unilaterally. Most people want to see improving performance in public services, whether this means faster access to a GP, a faster turnaround on their passport application or improving standards within education. Lean has found its way into a wide range of public sector programmes to help deliver the improvements people have wanted with their public service operations from local and central government to public healthcare and the armed forces. Reported achievements have often been impressive, with improvements in the performance of specific services being accompanied by financial savings that exceed the currently required 15% as can be seen in the accompanying three short case studies.

Whilst there are many more case studies of the successful application of lean in the public sector of all different sizes and scales, it can be seen that lean has mostly been applied on small to medium-scale projects with easily standardised processes that experience relatively low levels of variability. Many of the examples of lean in the public sector have also been internal and have avoided cutting across organisational borders.

In the public sector, many of the most important and highest cost processes are complex and have high levels of variability. These strategic and complex processes often also cut across the borders of departments and external organisations. The maximum value of lean will only come when it is applied strategically to these more complex pathways.

This can be a problem because public sector organisations are frequently structured like a multinational conglomerate, with many separate corporations engaged in different activities under a single management structure, making co-ordination much harder to achieve.

Summary case studies

1. Housing association

Effective management of gas servicing of properties is essential to ensure the safety of properties and also to control costs. A short, high-impact programme reduced the associated costs by more than 25% and reduced the number of properties that were not being serviced within a 12-month period by just under 75%.

2. Local council

Swift processing of Disabled Facilities Grants, which are provided to help people adapt their home to enable them to continue to live there, impacts directly on the quality of lives of many people. Focusing lean on the end-to-end process helped to reduce the overall lead-time from application to grant by 85%, whilst reducing the associated administration costs by 38%.

3. Community healthcare

In the absence of a safe and effective choice, ambulance crews will often convey a vulnerable patient to hospital rather than leave him or her at risk at home. This leads to many unnecessary admissions and excessive cost. Working with an NHS Community Healthcare organisation to provide an out of hours rapid response service has given ambulance crews the options they need and reduced the overall costs associated with these patients by 45% whilst enabling more patients to remain in their own home.

This can be complicated further when multiple organisations are involved in the delivery of a single value stream as each organisation can be funded from a different pot and has different corporate objectives.

This leads to the first requirement of any successful lean programme in the public sector being the need for all parties to decide what they are trying to deliver for the benefit of the customer, whether that is a member of the public, the wider society or another agency. One maxim that will be important in

the new public sector environment will be an acceptance that it will not be possible for every organisation to win every time.

Real efficiencies will come by ensuring that services are delivered by the most efficient organisation and that will mean changes to the way that money flows in the public sector. This will be complicated by organisations attempting to retain budgets when the best value approach would be achieved by transferring the funds to a different organisation.

Another core lean concept that needs to be understood for any project to be successful in the public sector is the customer's perspective on which activities are value-adding. Whereas in the private sector this will include all activities that a customer is prepared to pay for we need to take a wider view of value-add in the public sector. For one thing, many customers do not pay directly for the public services they receive, and for another some services do not benefit any individual person, instead benefiting society as a whole. It is this wider concept of public value that means we cannot just consider the direct impact of services delivered.

Value-adding activities in the public sector

An activity is value-adding if you can answer yes to the following three questions:
Does the customer experience it?
Does the customer want it to happen?
Would the customer or the wider society if it were significantly changed or dropped?

The lack of a financial crisis and a general increase in the level of funding within the public sector as a whole over the last 10 years has meant that there has often been a lack of will to apply lean to efficiency improvements that cut across whole systems. The lack of a perceived financial crisis in the public sector, despite such things as the 2004 Gershon Report and other, more localised efficiency

reports has meant that most of the lean projects undertaken to date have tackled point issues without the strategic will being present to look at whole systems.

In the new public sector environment, we will need to see a greater focus on whole-system transformation, where organisations look at the core services they deliver as a whole rather than using lean to address small-scale projects in isolation. To achieve this will require a change in the way that senior teams think and work within the public sector, with a reduction in the amount of time spent managing the status quo and the need to allocate more time to transformational change and to dealing with the people, political and funding issues that will inevitably arise.

The problems that will arise with the wider application of lean across the public sector will not be in the use of the tools and concepts that are as applicable in the public sector as anywhere else, but in creating and managing the right environment for lean to be applied and embedded, and this needs to tackle many of the limiting beliefs that prevent public sector organisations doing anything other than delivering the services the way they have done it previously. Therefore, a key skill for people looking to lead lean programmes in the public sector will be their ability to overcome some of the limiting factors that are preventing the widespread adoption of lean to tackle whole-system transformation.

Lean limiting factors in the public sector

Without the profit motive that drives efficiency within the private sector, it is not surprising that there is not the same sense of urgency for transformation programmes in the public sector. For nearly all public sector employees, there is not the same risk that their salaries will not be paid at the end of the month that there is in an under-performing private sector organisation. Another limiting factor is the different attitude to perceived risk in the public sector and in particular what might end up on the front page of local and national

media if mistakes are made. This is one of the reasons why there is often a committee approach to decision-making that means that decisions can take a long time to reach and are then difficult to change if, for example, the situation changes rapidly.

This need for group consensus in decision-making is one of the reasons that public sector managers can spend up to twice as long in meetings each week as their private sector counterparts. The consensus approach to decision-making also manifests itself in another limiting factor, namely the need for reports and analysis. Many transformation programmes have either been thwarted or delayed by an extended period of data gathering and analysis followed by periods of strategising and further planning. This need for analysis is not aided by the difficulties of accessing reliable information on historic performance and potential future demand within most public sector organisations and is also complicated by competing budgets between different organisations and a legacy of poor working relationships, all of which need to be overcome to enable lean to be successful.

I would like to emphasise the limiting environment that exists in most public sector organisations by adapting a statement made by Jim Easton when he was CEO of an NHS Strategic Health Authority – he is now the NHS National Director for Efficiency & Improvement – to enable it to apply to the whole public sector:

The lack of a 'burning platform' in the public sector can be traced back to three limiting beliefs:

1. *An aspiration to mediocrity*
2. *The desire to blame others for failings in the system*
3. *A belief in a normative level of performance*

It will take a different approach to leading lean programmes in the public sector if organisations are to be able to rise to the challenge in the new environment and overcome these limiting beliefs.

Lean transformation in the new public sector environment

Lean has already been shown to work within the public sector in small and medium-scale transformation projects, whether it is reducing the costs associated with managing vacant properties, reducing the time from referral to treatment in the NHS or improving the processes associated with home fire risk assessments.

Delivering the whole-system transformational change that will be required by the current financial crisis will only be possible if limiting beliefs are tackled head on, mostly through a change in the behaviour of senior leaders in the public sector through five distinct actions:

1. Put transformation as a core business function

The first step will be to allocate as much air time in management meetings to the transformational change process as is allocated to managing day to day operations. This will need to be preceded by the creation of a transformation map that looks at the whole system and puts together a roadmap of the steps that will be taken over a one to three-year period. In addition, it may be necessary to invest in establishing a transformation management office to rival current project management offices.

2. Cut through the politics

Some of the drive for this will need to come from the very highest parts of Government, but at a local level this is about building effective relationships between organisations and getting to grips with the tough decisions, especially those that are likely to lead to significant financial cuts and even staff losses. It will not be acceptable to repeat the words of one Chief Operating Officer entering a strategic planning meeting who said:

'If we are going to talk about any cuts, I'm leaving right now.'

3. Manage perceptions of stakeholders

Staff will need to understand the scale and scope of the changes that are required and also how important the need for transformational change is. This requires effective, regular and high-impact communications. The perceptions of customers and other stakeholders also need to be managed in a more proactive way if you are to avoid significant levels of adverse feedback when changes do start to happen on a large scale.

4. Share information to reduce variation

Looking for transformation partners who you can learn from and educate, as well as being prepared to share information more openly on how you have achieved what you have – or the problems you have encountered – will speed up the learning process.

5. Focus end-to-end

Focusing on the end-to-end process and involving all the various parties in the redesign of services or changes to the commissioning processes is the key to avoiding the creation of islands of excellence that are swamped by problems and issues created by organisations upstream or downstream of your organisation.

Perhaps the biggest challenge for senior teams will be to encourage staff and managers at all levels within the public sector to develop three key lean behaviours:

- Be obsessive about finding better and more efficient ways of doing things
- Constantly search for the hidden part of the organisation that is adding no value and eliminate it
- Tackle limiting beliefs that prevent the organisation from becoming more efficient.

Organisations that can successfully get staff to adopt these three behaviours will be the winners in the new public sector environment.

Mark Eaton FIOM is an active Fellow of The Institute of Operations Management.

He has been leading transformational change programmes in and for the public sector for over 10 years and has led flagship publicly funded programmes and worked with major public sector organisations across the UK. In addition, his experience of working within the manufacturing and service sectors has led to him being asked to write a number of public sector strategies focused on supporting and developing UK industry, for which he was awarded the Viscount Nuffield Medal in 2004.

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The Institute of Operations Management (IOM) is the principal UK professional society for operations management in manufacturing, service industries and the public sector. IOM is a membership body within The Chartered Institute of Logistics and Transport (UK) – CILT(UK); and International Associate for APICS in Great Britain. IOM is a not for profit organisation, run as an educational charity to help develop its members. IOM provides learning and career opportunities in four key ways:

Networking: Events, connections and industry insights

Knowledge: Access to exclusive industry intelligence

Career: Personal advice, support and information

Development: Workshops, training and qualifications

Why not find out more about lean in the public sector through the Institute's new lean for public sector workshop programme? IoM's forthcoming lean programme is dedicated to local authorities and the public sector.

[Click here](#) to find out more and to register.

Lean is not the only (nor maybe even the best) systems approach

Systems ideas are a crucial part of determining how public services – especially those provided by local authorities – are delivered. But, as **Brendan McCarron**, an associate with CIPFA Training and Development examines here, the tricky issues of value measurement and the choice of system approaches need careful consideration by all public sector organisations.

Apart from the public sector, my professional life includes working in the aerospace and high-tech manufacturing industries. Systems ideas have been thoroughly internalised by these industries, in which manufacturers are lucky in that they deal in tangible products which can be easily understood and measured. They have ridden successive waves of innovative approaches to improving manufacturing operations to arrive at state-of-the-art facilities that are well thought-through to maximise long-term profitability.

As the social sciences are the source of many systems ideas, it is not surprising that public sector organisations have also been using systems ideas for many years. But they are saddled with the problem of producing services which are less intangible than products which makes understanding and measuring these services more difficult. In addition, there is no public sector equivalent of long-term profitability as an aim or as a measure in the public sector. Instead, we are faced with a confused not-quite-consensus about what public sector organisations exist to provide and lots of possible ways of measuring how well the services are provided.

What is 'value'?

Lean is based on a relentless focus on optimising profitability by systematically improving the way value is created for customers with the minimum of wasted effort. Central to this approach is the idea of value. In the commercial world, where customers pay for products, value is fairly easy to determine. In the public sector, the 'not-quite-consensus' and payment through taxes and grants makes determining value harder.

In the public services, lean and systems ideas have been used by assuming that the user of a service is the 'customer' and that whatever benefits them must therefore add 'value'. I have just started working with a group of services for local

authorities, in which staff are making this assumption. This works because they are drawing the boundaries of the systems they are working on very tightly. For example, consider a planning function of a local authority as a system. If you include in the 'planning system' everything from political policy through planning application processing to enforcement, then there will be many potential customers who value different things. By reducing the scope of the system it is possible to be fairly clear about customers and what they value. The danger of breaking a service function into a series of smaller systems is that you risk sub-optimising the whole system.

The Choice of Systems Ideas

The complexity of the system and the level of agreement about its purpose can be used to identify where various systems ideas can be used. Lean systems ideas are useful in situations where the work systems are fairly straightforward, where there is a clear customer and where there is a consensus about the purpose of the system. Where services are complex and there is little agreement about the purpose or even who the customer is, then other systems approaches such as Soft Systems Methodology (SSM) may provide more insight.

The limitations on the type of system where lean systems ideas can be used are not an issue in most manufacturing, and indeed most of the profitability-focused private sector organisations, because their purpose, to make money, is clear. But this is a serious issue in the public sector because, as Henry Mintzberg continually points out, many services are in the public sector because of measurement problems and these are themselves caused by the intangibility and disagreement about the desired outcome.

Brendan McCarron is a Senior Associate with CIPFA Training and Development where he runs CIPFA's open courses on lean systems approaches in public services as well as courses on performance management and the application of the balanced scorecard. He also consults, writes and teaches widely in the areas of performance management, leadership and improvement.

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Lean post-Spending Review

At the moment, in the wake of the Spending Review, the public sector is concerned with how to make significant cuts to spending while, at the same time, it is under pressure to maintain or even expand services. A local authority using lean ideas to improve the processing of planning applications is not going to solve this political dilemma. The big savings will only come from profound changes to large systems. The Government's proposals on changing the housing benefit cap and other tax changes are examples of decisions that profoundly alter the system; whether for better or worse we will see.

Thinking differently about what we want the state to do, and the goals we set for public services, has a large impact throughout the machinery of government. Higher political goals shape the objectives for public sector organisations which, in turn, determine the type and volume of services required. These requirements determine the specifications of services which are straightforward enough in terms of the number of competing requirements users and stakeholders place on them and in terms of their complexity, that it is possible to use lean systems ideas to help design, manage and improve them.

I am not setting out a manifesto for inaction; I just want to recommend some care before applying any systems idea - not just lean systems thinking to the public sector. The purpose of the larger system (and there always is a larger system) needs thinking-through before embarking on reducing the system scope, so that hard systems ideas like lean can be applied to a manageable area of work. Knowing what the overall purpose is will be a useful check on any changes made to the manageable area to ensure improvements are really made.



Case Study: A Noble QUEST

While spending cuts dominate the headlines and police chiefs contemplate how to equip themselves for the future, it is tempting and dangerous to forget the importance of improving services. Operation QUEST has helped seventeen police forces and law enforcement organisations over the last 3 years to generate more than £100m per annum of operational efficiency savings, whilst simultaneously transforming the performance of frontline services. **James Brady**, who has been involved in the development of QUEST since its inception, explains how this ongoing programme is having a dramatic effect on staff and the delivery of services alike.

Operation QUEST was first introduced by the Home Office in 3 police forces during 2006, once the concept that business process re-engineering techniques could be successfully applied to frontline operational policing had been proven. Since then some 15 forces have been involved in the QUEST programme and it is anticipated that others will also become involved in the months and years to come.

The Home Office's pioneering work with Operation QUEST drew its inspiration from some of the most successful organisations in the UK and overseas, in which those bodies had set out to achieve a programme of continuous improvement based on systematic reform of 'nuts-and-bolts' processes. QUEST's strong focus on internal co-operation, with its implied reversal of traditional hierarchy and unremitting focus on quantified analysis and implementation of what works, is fairly uncharacteristic in large UK organisations generally, including in the public sector and in the Police Service.

By allowing officers and staff to work out (through the rigour of the best in process and change methodology) how they can best use their time,

and that of their colleagues, to make the biggest impact, QUEST has harnessed the power of the frontline to deliver public sector reform. The Chief Constable of a large force says:

"One of the most profound outcomes...has been the personal and professional development of the staff from the Force in delivering QUEST. ...[The team has] been careful to understand and fit with our values and have been mentors to the representatives of the customer. I expect QUEST to make a significant difference to our business processes but the real legacy is in the learning of the people who have been involved."

QUEST incorporates a rapid upfront diagnostic to quickly identify priority areas in terms of performance and cost to focus on the larger organisational opportunities. The approach uses detailed cost modelling and frontline demand analysis to develop robust business cases that clearly articulate the scale of benefit, both in terms of cost saving and productivity. Robert Arnott, sponsor of the work, and Head of Value for Money at the Home Office, comments:

"QUEST takes the simple concepts of rigour and vigour and applies them to the management of day-to-day tasks. We have seen profound results where a focus on what matters and delivers positive outcome is understood and prioritised".

Programme performance is managed at force level as that is where ownership lies. During the course of a force engagement with QUEST, the programme works to develop the benefits management frameworks and supporting infrastructure. Forces report performance and benefits to the Home Office, while the department, in turn, provides benefits management oversight and post-implementation assurance to help secure sustainability.

QUEST Around the UK

Operation QUEST is a national programme. However, each project demonstrates a local priority or focus linking into the strategic objectives of the organisation. The thread that joins them is sustainable improvements in

capability and performance. Suffolk Constabulary has now sustained substantially better customer service for over two years. Sussex police officers, who joined the work in 2007, have acquired the skills and applied it to a range of policing activities, so that the QUEST-way is impacting simultaneously on custody waiting times, the time in attending scenes and the quality of victim care.

West Yorkshire police have significantly reduced the time in investigating a crime, reinvesting that capacity into problem-solving neighbourhood policing and serving the needs of the vulnerable, while also reducing predictable demand on the service. These solutions centred on improving the standard of initial investigation with frontline officers and on simplifying and managing the investigation process more effectively, focusing precious investigative time on productive investigative tasks and on crimes with clear 'solvability'. The project has resulted in reducing the average time to investigate low-level crime by 85%.

Greater Manchester Police (GMP) has initiated its vulnerable people workstream, introducing a broad-ranging training package for staff and rigorous performance management. The Force has also worked to implement incident and crime management changes that can be rolled out across 12 divisions. Kevin Mulligan, a Chief Superintendent in GMP, says:

"QUEST...has lifted the mist around a whole range of previously intractable management and resourcing decisions. The bottom line is that, thanks to the work of Salford Division and QUEST, the service we provide to our community has greatly improved".

Quiet revolutions

QUEST takes officers and staff with a variety of different skills and experiences and shows them how to effect 'quiet revolutions'. Officers learn how to draw on 'canteen culture' – the idea that casual conversations can be used to spread the word - to persuade and influence. They sell the benefits of productivity, value for money and culture change to their peers and then feel honour and obligation to deliver a better service for their colleagues and

service users. QUEST also re-ignites the role of leaders as listeners and facilitators. Senior management must take responsibility for fostering the adoption of an organisational culture in which working level staff are expected constantly to identify new ideas for improvement, while line managers are expected to embrace and progress those ideas and realise measurable benefits.

This is the keystone to QUEST's success; it is built on the premise that frontline staff know what stands in the way of their doing the best possible job. Katherine Govier, Assistant Chief Constable in Bedfordshire was struck by the empowering nature of the work:

"I am delighted with the response of officers...it's allowing them to use their discretion to resolve issues and will increase victim satisfaction and public confidence".

This element of the work is supported by a relentless focus on building skills. Long-term sustainability rests on an organisation's ability to replicate improvement itself. To help build this capacity QUEST incorporates:

- (i) individual coaching and skills development through supported, hands-on learning;
- (ii) the establishment of robust benefits management regimes,
- (iii) development of the supporting mechanisms and processes required to implement and manage new projects.

QUEST Moving Forward

The success of QUEST points the way for other public sector organisations to follow and we are developing the programme further to support forces in a flexible manner.

The emphasis, however, will remain on local ownership and not national mandation.

The revolutionary programme challenges traditional practices and this is something David Crompton, ACPO lead for Continuous Improvement and a Deputy Chief Constable, believes can have dramatic effects on the organisation.

He concludes by describing the culture that sweeps through the organisation:

"when the force first used QUEST, there was mystery amongst divisional commanders. Positive results filtered back. A demand was created. Eventually there was a bidding war. Everyone wanted to be the next to implement it".

James Brady joined the Home Office in 2004 and has worked predominantly on improving policing efficiency. For the last three years he has worked to embed QUEST across the Police Service and has also worked with colleagues in the Treasury and Cabinet Office to deliver a cross-public sector strategy on continuous improvement.

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Making Lean Sustainable

With its wealth of experience and internal knowledge the Lean Enterprise Research Centre (LERC) is perfectly placed to comment on the whys and wherefores on lean thinking and how the various approaches can be applied in the public sector. **Simon Elias**, a director of LERC, promotes the idea of Sustainable Lean, plus the work of the LERC's innovative Public Sector Think Tank.



About LERC

Formed in 1994 by *The Machine that Changed the World* and *Lean Thinking* co-author Dan Jones, the Lean Enterprise Research Centre (LERC) It is the largest dedicated academic lean research centre in the world and has established an international reputation and strong presence in its role of researching, applying and communicating lean thinking.

LERC's strategy has evolved over the past 16 years, and its activities now encompasses master's degree education (for executives) and a range of engagement activities, which include knowledge transfer activities, short courses, lean networks, conferences, workshops and elearning. Such activities are channels through which research outputs and new lean knowledge are disseminated to the practitioner communities. They also play an important role in feeding back key issues and trends which inform LERC's evolving research agenda and degree programme syllabus. The linkage among these three activities is important and provides LERC with a unique perspective and offering.

Position on Lean

LERC generally promotes a holistic, 'systems' approach to lean improvement, acknowledging that lean is much more than simply improving processes through the application of tools and prescriptive principles. Lean is primarily positioned as a means for organisations to create capacity, enhance value-adding activities and improve the flow of productive activities. Successful lean organisations employ lean strategies, lean leadership and understand the need for an engaged, empowered workforce. LERC's strength stems from an understanding of the many different 'lean' methodologies and an appreciation that different organisations require their own, bespoke solutions for sustained implementation - in other words, they need to adopt a *contingent approach* to lean.

As lean thinking has rapidly spread in recent years into both consumer services and the public sector, it has become evident that while the underlying principles are highly relevant in a service context, there have been several examples of implementation failures, highlighting a lack of

understanding of the unique nature of services compared to manufacturing – and the implications of these for 'going lean'. Furthermore, in the public sector notions of 'value' and 'the customer' can differ significantly from the private world and this further complicates the application of 'traditional' lean thinking in this area and reinforces the need for this contingent approach.

LERC's recent research has focused on Sustainable Lean - that is, how lean thinking can be implemented in a way that ensures lasting, organisational change. The findings of this work have been published in *Staying Lean* (which can be downloaded as a PDF from LERC's website).

The Public Sector

LERC's projects and activities have followed lean's expansion in many different sectors, starting with automotive and manufacturing sectors and then, since the turn of the 21st century, in consumer services and the public sector - the latter including defence, healthcare, government agencies, higher education, local government and central government. From a research perspective, the challenge is to understand how to successfully translate and apply the lean philosophy within complex public organisations.

It is clear that despite some problems, lean is having a significant impact in many parts of the public sector, and there are several documented success stories (for example, see *Leaner and Fitter - Boosting Productivity in Public Services*, CBI, 2010). However, it can be argued that success does vary considerably. For instance, many parts of the armed forces have been implementing lean for much of the past decade, though the focus has largely been 'cost down' which, while leading to undoubted financial savings, has not endeared the approach to service personnel and has meant that



sustainability of change has been questionable. Healthcare has seen many highly successful examples of lean-related implementations, while the local authority sector is a recent convert to lean, though again driven largely by a cost saving agenda.

Some of the biggest lean implementations in the public sector have been the large government departments, such as Her Majesty's Revenue & Customs and the Department of Work & Pensions, which have implemented highly structured programmes, focusing on improving transactional effectiveness.

Having observed lean's impact on the public sector, researchers in LERC have concluded that there is still a degree of confusion among public sector managers on not only what lean is, but how it should be applied in their particular environments. There have also been several challenges to the traditional lean orthodoxy, which has complicated the situation further.

LERC's research project 'Systems Thinking in the Public Sector', commissioned by the Wales Audit Office (available from: www.leanenterprise.org.uk), is a recent attempt to demonstrate how a particular

improvement approach can be highly effective in achieving real and tangible change for citizens, though it is clear more research evidence is required to help understanding and clarify many of the issues.

The idea for LERC's Public Sector Think Tank emerged out of this apparent lack of clarity and the desire from public sector managers for an independent network to debate and discuss lean related issues, where they could learn from each others' experiences and share a dialogue about lean in their environments.

An initial meeting took place to scope out the network's *modus operandi*, which will be characterised by events hosted at members' organisations, which will provide an opportunity to witness first hand the results of a range of business improvement approaches. The first of these was hosted by the Ministry of Justice's Court Services (HMCS), at Liverpool County Court, which provided an opportunity to learn more about how HMCS delivered its improvement programme, to discover what results it has achieved and to talk to staff about the experience.

Membership of the network is free and open to any public sector manager interested or involved improvement activities.

Those interested in joining the Public Sector network should contact Sarah Lethbridge (lethbridgesl@cardiff.ac.uk)

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Case Study: Lean Transformation for Courts

HM Courts Service has been at the forefront of Lean in the public sector, developing a robust Lean programme throughout the organisation. When it was introduced it was estimated that it would take over three years to break even between the investment made and the benefits returned – in fact it took just a year. **Lisa Nother**, HMCS' Lean Programme Manager, explains how this has been achieved and looks at how the Programme has brought other benefits to the agency too.



HMCS first became acquainted with Lean in early 2007 when the South East region began trialling short Lean improvement (kaizen) events as a means of enabling courts to manage their business better in spite of financial limitations. This achieved quick results and a small number of other parts of the agency also adopted the approach.

There was an increasing need for the Ministry of Justice (HMCS's parent organisation) to reduce operating costs and to preserve service standards, avoid falling service standards. HMCS needed to find out if Lean could benefit the wider business. To this end, a three-month pilot study was undertaken in May 2008 – led by consultants – at three large court centres, covering administrative functions in the civil, magistrates' and Crown court jurisdictions. The study identified substantial opportunity for improvement, resulting in an HMCS-wide Lean programme being set up in Autumn 2008.

HMCS Change Agents

To avoid spending excessive amounts of money on Lean consultancy, it was decided that HMCS would build its own Lean capability. Each region has trained a number of staff as Lean change agents using the Ministry of Justice's Lean Academy. This has been a significant achievement, ensuring that we have the know-how to keep improving in the longer term.

Change agents have driven Lean change in the business. Their role is to lead Lean implementation events in courts lasting from two to eight weeks, depending on the court's size. They work with a small team of staff within each court, using a set of Lean tools to identify waste in processes, and to work towards improving the quality of the service the court delivers.

Visual Management and Standardisation of Procedures

Two important tools used by change agents are visual management and standardisation of work processes.

Team Information Boards (TIBs) visually display information about team workload, performance and plans for improvement. They highlight any issues and so are excellent management tools. TIBs are also a good means of communication within a team – and courts use them to hold daily team meetings to discuss handling of work.

The Lean programme has introduced Standard Operating Procedures (SOPs), which document administrative processes, taking best practice from across the business and sharing it to reduce wasteful activity. This has raised standards to a common platform, upon which improvement can be based. SOPs are mandatory. Resulting cases in the magistrates' courts has improved so that within a month of implementing the SOP, the average time-saving for courts per month is around eighty hours of staff time. This is a huge improvement for HMCS, and for court users.

As well as introducing Lean tools, change agents have played an important role in engaging staff and encouraging problem solving. Developing a culture of continuous improvement and increasing the quality of the service delivered to court users is crucial for the sustainability of Lean within HMCS.

Lean is being introduced in all 500 courts over three years. Covering such a large number of sites over such a short space of time (more than 320 courts in the 21 months so far) has been a challenge and a steep learning curve for all involved.

Once courts have begun using Lean, progress is monitored. The 'tipping point' measure has been devised to show when courts are at a stage in their journey where they no longer require intensive support.

Courts that reach the tipping point can begin to refer to the Shingo* Model for Operational Excellence to define their next steps for ongoing improvement.

As the agency's financial position has become more stringent, it has been essential to demonstrate the impact of Lean. At the outset, it was estimated that it would take over three years to break even between the investment made and the benefits returned. In actuality, the programme broke even after a year.

While Lean has undoubtedly brought financial benefits, it has also yielded a range of qualitative benefits. Standardising work has improved productivity and helped focus more on activities that add value, while staff feel more engaged and empowered by having the chance to shape decisions about the way they work.

*Shingo is a prestigious Lean award seen as an international 'gold standard'.

For more information, visit:
<http://www.shingoprize.org/>

Lean Innovation

There are countless examples of local Lean innovation.

In the South West region, staff and change agents brought together a range of problem-solving tools to create a space for staff to take time out to focus on improvement. This is now used across HMCS.

A magistrates' court in the Midlands documented its own approach to processing legal aid means-testing applications, which formed the basis of what is now a SOP.

A South East magistrates' court removed duplicate checking from one process and stopped using auto-generated letters with a resultant saving of £4,000.

All courts have revised the way files are archived following the initiative of one court with large savings in space and financial terms.

A model Lean court has been developed, offering a powerful 'go and see' opportunity. Every team in the court uses a TIB, problem solving is a routine part of the approach to working, standard processes are in place and the entire office is structured to improve the way that work flows in order to maximise productivity and the service provided to court users.

In 2009, HMCS began working with a small number of Local Criminal Justice Boards to assess the potential for Lean improvement across the Criminal Justice System. This showed huge scope to improve system capacity and further work has been done since towards developing a 'toolkit' for other LCJBs wishing to do the same.

Staff Commitment Key to Success

It has not all been plain sailing, however. There was early concern that Lean meant reducing staff numbers, but clear messages and positive experiences helped staff to understand that Lean is about improving the way we work and helping the courts to live within reduced means.

More recently, a challenge has been to match resources to demand for events and new SOPs. This has been handled by offering more guidance and materials for courts to use before their official Lean implementation event, refining the SOP development process.

Lean is a powerful methodology, but the commitment of staff has been key to its success within HMCS, and is viewed as vital to enabling HMCS to meet financial and operational challenges by both the past Chief Executive, Chris Mayer, and her successor, Peter Handcock. Also invaluable has been the sponsorship of Keith Budgen, Regional Director for the South East, who has championed Lean from the start. The central programme team and change agents - who have devoted working and personal time to implementing and learning about Lean - have driven the programme "relentlessly" forward, as Zoe Radnor observed in her evaluation of our approach to implementing Lean.

Our greatest future challenges are making Lean sustainable, and embedding it in our culture. We will do this by ensuring staff at all levels have a proper understanding of Lean principles and how to manage Lean systems. We also need to ensure Lean permeates all parts of the organisation - not just the frontline, as the focus has been hereto. Lean must become part of our organisational strategy for the future.

Lisa has been a part of HMCS's Lean Programme since 2008, playing a key role in the development of Standard Operating Procedures, and she has been Programme Manager since August 2010. Prior to this, Lisa was an operational court manager in the South West of England.

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Wired-GOV Needs Your Feedback...

Your comments and suggestions are most important to us so please let us know your thoughts (good and bad!) about the inaugural 'Spotlight on Lean' and what hot topics you would like us to cover in 2011.

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