



Why aren't we all lean?

Why the practical application of systems thinking is more difficult than the theory – and what you can do about it!

Systems thinking, the principle that underpins lean manufacturing, has been effectively applied in many commercial organisations. Successful use of lean techniques is credited with having made Toyota the world's largest car manufacturer, with revolutionising the aerospace industry and with improving productivity in many other sectors.

The relevance of these principles to the service sector, and to public services in particular, is not really in doubt. Many public sector activities operate as systems for which a 'value stream' can be readily identified – simply one which delivers a service rather than a product. This particularly applies to transactional areas such as taxation, benefits payment, maintenance functions and the processing of other service requests, where the same overall procedure is applied with variations to meet particular customer needs. There are plenty of examples, including our own experience with clients, which show that these principles can be successfully applied in practice, with benefits that include:

- Faster response times, exceeding targets
- Reductions in waste and unnecessary work
- A flexible approach to process management that more closely matches workforce resources to service demands
- Substantial financial savings
- Staff released to improve service elsewhere – or to reduce headcount if this is the priority

- Increased customer satisfaction, with feedback used to drive further improvement
- More effective working relationships with contractors and suppliers

But it isn't easy. Research and practical experience elsewhere has demonstrated that not all lean projects succeed as they should, and that there can be practical difficulties in applying these principles in public sector organisations.

These difficulties, perhaps better described as 'symptoms', include:

- Lack of appreciation – some lean concepts may seem counter-intuitive, particularly where they challenge large-scale batch processing methods
- Limited understanding of existing processes – how they work, what they achieve and how to improve them
- Unclear strategic priorities – for example in balancing real customer needs with financial and stakeholder requirements
- Seeing cost cutting as the answer, rather than cost reduction
- Management resistance, where existing roles and authorities are challenged
- Staff resistance, particularly where lean is perceived as a means of cutting jobs

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These symptoms can be addressed in various ways – training, awareness programmes, communications, senior management development and so forth. But this does not always get to the heart of the problem, and for this reason these initiatives do not always succeed. To really tackle these issues we need to look beyond the problems themselves and ask what causes these problems to arise.

Root causes

Differences between the public and private sectors are not as great as some would have us believe, but one difference that does exist is that of monopoly supply. Government departments and local authorities have defined areas of responsibility and do not generally compete with one another (or shouldn't anyway!), hence are in little danger of 'going out of business' if they under-perform.

Politicians have long recognised this issue and the associated perception (right or wrong) that the private sector operates more efficiently than the public sector. As a result recent decades have seen a series of policies that seek to remedy this by trying to simulate, in a public sector environment, some of the pressures that make private companies competitive. Examples include CCT, outsourcing, best value, CPA, capability reviews, external inspections by OFSTED, Audit Commission and the Healthcare Commission, and of course the plethora of performance targets that impact on virtually every public service organisation today.

The problem with this kind of 'quasi-competition' is that it produces quasi-solutions. Set – as currently exists – an annual efficiency savings target of 2.5% for the public sector, and people will aim to achieve just that target. They may even exceed it, and cheer loudly if 3% or 3.5% can be claimed. But there's no incentive to go way beyond this and seek, for example, savings in excess of 25%. That would be really hard work, and why bother? So the driver for truly radical efficiency improvement does not exist.

The other root cause lies in management education – or lack thereof. Look around the public sector and you will be hard-pressed to find any organisation that is not doing something to enhance its leadership and management. Programmes, both in-house and externally-led, abound and the importance of leadership in transforming public services is widely recognised. Laudable though this is, why are we having to do this so extensively? Why are recognised best practice techniques of

organisation leadership and management not instilled within our education system at a much earlier stage, so that a culture of continuous change and improvement develops naturally rather than having to be learned?

We should stress that these leadership and education issues are not confined to the public sector. Evidence that the UK private sector lags behind its foreign counterparts exists from the continuing productivity gap, at least part of which has been linked to a lower take-up of lean manufacturing techniques.

Tackling causes not symptoms

So what is the solution? We suggest two ways forward:

Firstly, the issue of targets needs to be addressed, not by abolishing them but by designing them with behaviours rather than numbers in mind. Experience clearly demonstrates that people given a target will respond by finding ways to meet that target, not necessarily by meeting the intention behind the target. (Improving train punctuality by altering timetables rather than reducing delays is a classic example.) So, why not take advantage of this by designing targets that influence the way people behave rather than using proxy measures that can be – and are – manipulated?

For example, just suppose that instead of that fixed percentage efficiency savings target, local authorities were charged with delivering the maximum efficiency improvement they could – using efficiency in its true sense, not just cost cutting. And, in addition, ask them to be in the top quartile of all authorities in terms of the efficiency savings (properly measured and audited) that they achieve. Of course, it would be impossible for all of them to meet this target, but no more so than for every private company to be the most profitable in its sector.

Yes, there would be practical difficulties and fierce resistance to this approach, but these would not be insurmountable. And think about how it might affect the way people respond to the efficiency agenda, and to the take-up of lean ideas in particular.

Secondly, a change in attitudes on management education is needed. The government's present approach of 'letting a thousand flowers bloom' to encourage the sharing of knowledge and ideas, needs to be replaced by a more explicit commitment to proven best practice management. For comparison, the British Quality Foundation in the UK is an independent non-profit

organisation, while its US counterpart, the Baldrige National Quality Programme, is run by the National Institute of Science and Technology, a federal agency within the US Department of Commerce. In Japan, the Deming Prize was established in 1951, a full 41 years before our own UK Quality Award (now UK Business Excellence Award). Whilst neither of these examples is specific to lean management they give an indication of relative attitudes to the importance of management thinking and education. Real government commitment is needed if UK attitudes are to change.

Pushing the boundaries

For public sector organisations themselves, the way forward lies in radical leadership, both at the political and the executive level. Systems Thinking and lean methods offer the potential to go beyond the conventional models of incremental improvement, and this has to be accompanied by leadership and vision that challenges the traditional parameters of public sector operations. Public bodies need to think beyond simply 'living within budget' and demonstrate how they can deliver far better services with fewer resources even than their current allocation.

All this should not be regarded as threatening, either in terms of cutting jobs or changing individuals' roles. If lean methods are perceived simply as cost cutting tools then they are being misunderstood and not being applied intelligently. Better public services at lower cost is as legitimate a consumer expectation as better cars at lower cost, and a more efficient public sector can stimulate wider economic growth as well as delivering direct benefits to society.

Fundamentally, lean should not be viewed as a stand-alone improvement activity, but as an integral part of managing change and of an overall strategy that transforms organisations into true 21st-century deliverers of public services. Creating this understanding, both within government and within public service organisations themselves, is the foundation on which this change can be built.

Next steps

Such radical change can never be achieved overnight, and we fully recognise that challenging aspirations have to be balanced with practical reality. "We are where we are" as a certain ex-Prime Minister was fond of saying. So what can you, as an individual public sector organisation, do now? We suggest a number of steps:

- Gain a full understanding of lean concepts and how they relate to the public sector
- Test the implication for your own organisation, for example by piloting lean methods in a suitably identified area of business activity
- Don't do this as a 'quick fix', but as a means of understanding the potential of lean, and the practical issues your organisation will face in trying to fully implement these methods
- Recognise that lean concepts will only achieve their full potential when backed by strong, visionary leadership and by changes in people's behaviours. Prepare to address these fundamental issues of change, both in the short term and long term.

The journey of lean transformation will take time (Toyota started some 40 years ago and still regard the task as unfinished). But the prize is great, and the effective application of lean concepts has the potential to truly revolutionise our public services and enhance the quality of life for all citizens.

Teal Consulting is a management consultancy specialising in performance improvement. Its business is about helping public and private sector to improve their performance and achieve better results. Teal uses a range of services and solutions including lean systems, EFQM excellence model, the balanced scorecard and performance management to achieve clients' goals. To find out more please visit www.tealconsulting.co.uk.



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