

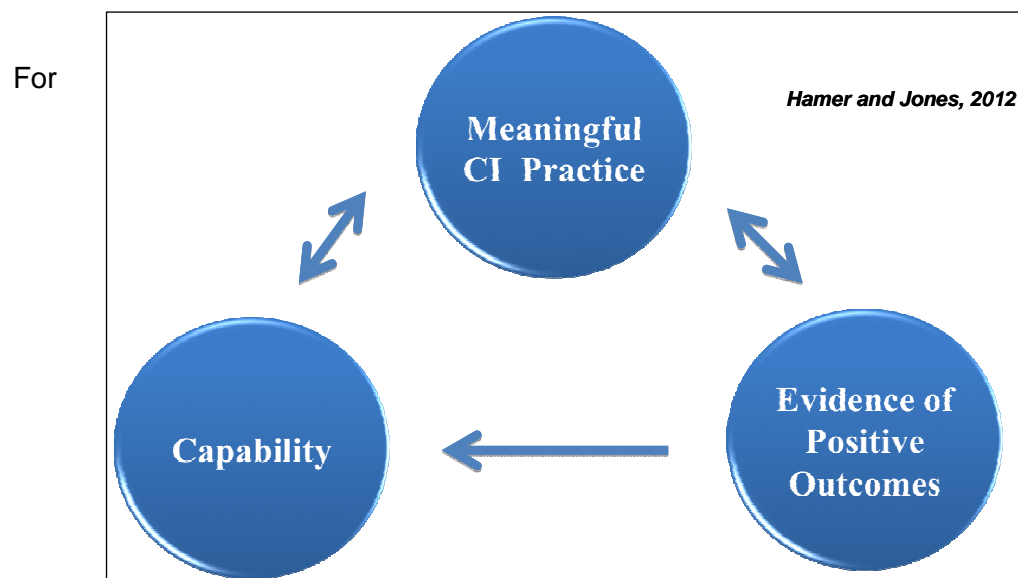
LEAN in the Public Sector: Capability, Practice and Outcomes

Introducing new ways of working into both public and private organisations can be tricky. Some organisations have persistent cultures that are resistant to change, undermine innovative approaches and have a tendency to return to what they know best. It is hardly surprising then that two thirds of change initiatives fail to sustain long-term benefits and truly transform roles and responsibilities, processes and procedures.

The government believes that many current systems are too complex. More and more focus has been placed on improving the way public services are delivered to the public. Transformation and Reform are key topics, and many government departments are turning to LEAN as an enabler of change.

However, transformational change within government requires an understanding of public value and more importantly, an appetite to deliver key business outcomes that enhance value. This need can often conflict with the inertia that maintains established patterns and routines of work. Understanding public value requires public consultation - something government often struggles with. When was the last time that we, as citizens were actively engaged around the public services we receive? Mechanisms for gathering the “voice of the citizen” are often non-existent.

I believe that there are three key elements for sustainable LEAN transformation within public sector organisations. These are set out in the model below:



LEAN to transform the public sector a balanced contribution of capability, meaningful practice and evidence of positive outcomes is required. Note the relationships between these three elements. There is, of course, a reciprocal relationship between capability and meaningful practice – the more we practice LEAN, the more we learn by doing so. Similarly the more we establish that LEAN leads to positive outcomes such as improved customer experience, cost reductions or staff satisfaction the greater the appetite will be. In this way practice and evidencing positive outcomes should be mutually reinforcing. Also note that the route from capability to positive outcomes is not direct; capability alone will not deliver results.

Capability

Capability indicates the organisation's understanding, readiness and commitment to transformation, together with its skilled resources to do so. A "capable" organisation should have the right people, in the right number, with the right skills, in the right place, at the right time.

Unfortunately, organisations fail to develop real capability because they believe, despite the evidence, that capability is achieved by training. Training is excellent at providing delegates with facts quickly and cheaply. It is also the best way for managers to demonstrate their competence in organising activities for workers. However, real capability is about changing the way leaders and workers think about our work and the extent of how this thinking increases productivity and performance.

Training alone does not equal capability. Learning facts, skills and building knowledge that are not practised is wasteful in itself – indeed this is part of the argument which the Capability, Practice, Outcomes model is based around. Without doubt every organisation needs time to develop LEAN capability, which changes over time. Typically, organisations start by focusing on developing knowledge and experience across the organisation. There are different approaches to developing capability; arguably the most effective LEAN programmes focus on developing Line Managers capability by putting the learning into practice through problem solving those processes which the Line Managers are responsible for. Learning by doing and mentoring is key.

To strengthen or enhance this capability and learning even further, some organisations choose to rotate their line managers to other parts of the organisation so that they learn to apply the thinking to new areas of the business – helping to close any capability gap across the organisations. Capable line managers and frontline workers have the ability to solve problems for themselves, in line with true business outcomes. It should not be about certification in LEAN practice or accreditation against a certain level or belt.

At an organisational level there is a need for LEAN capability to be distributed across teams and departments. It goes without saying that different roles require different skill sets and therefore capability building will be different at each “level” of the organisational hierarchy. For systemic change this capability must be distributed across the network or system, and this must be properly aligned.

Technological advances, global markets and increasingly sophisticated customers have resulted in many organisations working across networks, with boundaries becoming blurred and agendas becoming more integrated than ever before. Effective, efficient supply chains require improvement at a holistic level and therefore LEAN capability must be developed with this in mind. Arguably LEAN needs to start somewhere and, as already mentioned, typically at a local level. However, the more joined-up and integrated this capability becomes across the supply network or system, then the greater the opportunity to truly transform organisations and deliver services differently. Communities of practice are a great way to build capability across networks and systems.

Building real LEAN capability is more difficult than it sounds. Training alone will not lead to capability. Learning by doing is essential, and Leaders need to accept that learning comes from mistakes as well as successes. Capable LEAN line managers and frontline workers have the ability to solve problems for themselves, in line with business outcomes. Put simply, you can only measure LEAN capability by changes in the way that people think – their cognitive attributes, which is evidenced by the way that they behave – their normative commitments. Training and accrediting tens, hundreds, or thousands of employees is irrelevant and indeed an archetypal example of waste, if there is little behavioural change.

Meaningful Practice

Practice constitutes the heart of LEAN, however the key word is *meaningful*. To be meaningful, practice must be intended and allowed to make material changes to the way that organisations operate. In other words, it should make a difference to management thinking, behaviours, practices and outcomes.

Organisations train many people, put them 'back into the business' with big expectations and then slowly watch them lose heart as they fail to influence practice. The result is disillusionment, frustration, and the retrenchment of established patterns of thinking, behaviour and outcome that we wanted LEAN to change in the first place.

This pattern points to a deeper question. Do decision makers really intend LEAN to disrupt established ways of working? The logic of LEAN is to organise around the practice of continuous improvement. However, many organisations are organised around control, status and protecting established identities and unfortunately, when push comes to shove, managers and leaders who express support for LEAN are often unwilling to disrupt those established patterns of control, status and identity.

There are five specific tests that I invite LEAN Leaders and Practitioners to take, which can be summarised:

1. Practice must be non-trivial

LEAN should be linked to the organisation's strategic goals. Stakeholders, customers or beneficiaries should care about the work being carried out - whether it be fixing a problem for service end users, or making the process more efficient. Clearly, LEAN Leaders and Practitioners need to balance gaining buy-in and engagement from quick wins versus the efforts involved in making significant systemic change; nevertheless, the final improvement should be significant enough that someone, somewhere is interested in the intended outcome.

2. Meaningful practice should be cross-functional

Cross-functional teams are often set up as temporary working groups, designed to make decisions and deliver against specific goals. Processes and services typically pass between teams, business units and departments; any improvement work requires cooperation between these people to work together. Meaningful LEAN work encourages representatives from every function that the process touches to work collectively. Decisions are based on improving the coordination and integration of the end-to-end service experience, rather than whether it's the responsibility of the current process owner or business unit. Personal and departmental motivations are put to one side and focus is upon seeing the service from the user's perspective.

3. Meaningful improvement should be inter-organisational

Meaningful LEAN practice takes into account that organisations typically work as networks, with blurred boundaries and integrated agendas. Improvement and change at such a holistic level requires co-operation and leadership commitment to enable systemic change. It may also require organisations to make compromises or 'give up' control to enable improved service delivery or enhanced value for the citizen. One example of this is the recent health and social integration agenda, wherein it is recognised that preventing and resolving issues identified with social care benefits the wider National Health Service – as well as society itself.

4. Meaningful practice should be participative

LEAN requires key decisions to be made, and where possible those people affected by the decisions should be included and invited to input. Employees and service users should be actively involved in the improvement work and encouraged to have a voice. Sharing the power through decision making is essential for buy-in and sustainability.

However we need to remember what participative really means – that leaders co-operate with 'other ranks' to deliver the decisions that only they, due to their elevated position within the organisational hierarchy have the bureaucratic authority to make. The responsibility for change should not be placed on operational staff, who may feel uncomfortable or unable to take decisions on organisational strategy that they do not believe they own and who do not have the authority to make the decisions necessary to implement improvement plans.

5. Meaningful practice should be acted upon

Finally meaningful LEAN practice should be acted upon, not just talked about. Strategies and implementation plans are one thing, delivery is another! The proof is in the pudding and whilst part of the role of Leaders and practitioners is often to drive the improvement or change, meaningful practice is achieved through ownership and a commitment by others to do something differently. Too often the 'out-brief' is the death of the LEAN project when it should be its birth. The number of LEAN plans that remain 'on the shelf' is the dark secret of the continuous improvement movement.

Outcomes

Positive Outcomes represent the *raison d'être* of continuous improvement. Outcomes can be defined as the changes brought about by LEAN practice, and should be the measure of its effectiveness. Understanding the intended business outcomes from LEAN activity should be paramount from the start of any improvement journey.

However, many LEAN programmes fail to produce credible evidence of positive outcomes. Instead they describe success in vague terms such as improved capacity, productivity or staff satisfaction. Alternatively, they fail to explain how local improvement activities make a difference to the effectiveness of the overall organisation or customer experience. The consequence is that, sadly, the industry is frequently unable to provide rigorous evidence for positive outcomes and unable to evaluate the return on its investment.

As part of this research I asked 30 Leaders to answer two "so what" questions: What do you think will be different as a result of implementing LEAN? What business benefits do you expect from LEAN activity? The results are interesting – 45% of respondents claim that the main reason for LEAN is to drive efficiency and reduce overall costs; 35% are using LEAN to drive an improvement culture and expect staff to be more empowered to make changes to their work; only 20% of respondents view the primary benefit of LEAN as improving customer satisfaction.

Outcomes must be balanced and represent the true purpose of the LEAN. For example, LEAN approaches which focus on achieving better operational practices

(such as an increase in productivity, less hand-offs between teams, and an increase in getting work right first-time) are likely to lead to internal efficiency gains, but less likely to deliver transformational change in line with public value. Organisational structures often need to be re-designed around the path that the work follows, regardless of departmental silos.

So what counts as evidence of positive outcomes.....

1. Customer satisfaction – without doubt this should be the starting point. Understanding what matters to service users and delivering against this purpose should underpin improvement. Satisfaction (and the way it is measured) should be determined by the customer or service user. For public sector organisations this is likely to involve public engagement to understand current service failures.
2. Employee satisfaction – there is lots of evidence to suggest that happier staff lead to better service delivery. Passion, commitment and discretionary effort are important, particularly in people-centred services where users and providers service co-produce delivery outcomes.
3. Changes in system outcomes – performance measures such as sales, customer retention, suicide rates, bedsores, waiting times etc. should be tracked and monitored.

Evidence of positive outcomes should be clear to those who buy or benefit from the services of the organisation and those who deliver the services. Recourse to sophisticated academic evaluations to “evidence” positive outcomes are perhaps indicators that the differences made by LEAN programmes are negligible.

And what doesn't count.....

1. Opportunities don't count until they are realised. It is difficult to complete current / target state projects that don't identify significant opportunities for improvement. Few of the potential “target states” are ever realised. In the worst cases, the focus turns to constructing positive narratives rather than achieving intended gains.
2. Unsustainable implementations don't count. LEAN Leaders and practitioners need to be satisfied that established practices do not reassert themselves in

the absence of the active input of an improvement team. Too often improvements are not sustained in the long term and regression to established patterns of working nullify any benefits of delivering improved ways of working.

3. Pilots don't count. Pilotism is the scourge of LEAN. The central claim of LEAN is that the competitive advantage or public value will be transformed through changing the thinking and practice of the organisation. Starting in one place to demonstrate proof of concept is fine, but only if you go on to transform the remainder of the organisation. Implementing LEAN in one place, having a fanfare of publicity and then failing to "roll out" or "roll in" is not success. It is failure and should be presented as such.

LEAN in the Public Sector

For the public sector the story on capability could hardly be more positive. Over the last decade Lean Academies have been established, resulting in tens of thousands of practitioners being developed with LEAN and Leadership skills. In 2012 the Cabinet Office commissioned every government department to develop LEAN strategies and implementation plans. More recently, there has been a drive to conduct cross-departmental assessments, evaluating improvement programmes and sharing best practice. **There is evidence that the public sector has the LEAN capability to transform its departments and services.**

On the other hand, observations of LEAN work carried out within public sector departments, are that it often focuses upon the "low-hanging fruit". The re-engineering of trivial processes such as "post-opening" is frequently the starting point. There remains little evidence of LEAN work that spans across public sector departments or that takes a holistic view of the services being delivered. Many public sector LEAN case studies detail work that is still confined within the walls of the immediate organisation, whether that be a job centre, office or court house. In my respectful opinion there is not enough LEAN practice that is non-trivial, participative and includes inter-organisational activity. Public sector Leaders face the danger that LEAN Practitioners are becoming disillusioned by a lack of meaningful practice, and that it is being replaced by policy and technology-led change. **There is not enough**

evidence of MEANINGFUL LEAN practice in the public sector leading to systemic-change.

Understanding the intended business outcomes from any change or LEAN activity should be paramount from the start. Many LEAN strategies and projects describe success as “improved capability”, the “sharing of best practice” or the general “reduction of wasteful work”. There is a real need to quantify intended results in terms of business outcomes, whether that be customer satisfaction, staff engagement or potential savings. Public Sector Leaders should be asking themselves - Are we evaluating the effectiveness of LEAN Programmes? Are business outcomes being ignored? **There is little rigorous evidence for the positive business outcomes of LEAN across public sector organisations.**

Conclusion

In summary, I believe that the public sector has the LEAN capability required to transform public services. Many government departments are organisationally ready for change, they have developed transformation strategies and detailed change implementation plans. They have skilled resources, developed and mentored through Lean Academies.

The challenge for Leaders in the public sector is to use LEAN more systematically across the public sector, so that organisational boundaries and constraints can be demolished. There is a need to re-design public services with the public consumer in mind, better understand demand and empower staff so that change and improvement is participative and enacted at the point of delivery. Understanding what service users, typically citizens, value and delivering improvement against this, should be the goal.

Without doubt, a different approach to capturing and measuring intended outcomes is required – one that focusses on measuring against what matters rather than what is convenient.