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# POLICY FOCUS

# Development & Efficiency

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## A lean, mean, production machine

How the civil service is adopting 'lean' management techniques



## A lean approach to the public sector is in everyone's interest.

Procurement using competitive dialogue has long been seen as overly bureaucratic, wasteful and time consuming for all parties. So when the Cabinet Office's Efficiency and Reform Group (ERG) challenged Unipart Expert Practices (UEP) to work as part of team to improve the process we jumped at the chance to get involved. With a tidal-wave of long-term contracts set for renewal in 2011, the benefit of reduced dialogue timeframes and outcome focused processes could be huge.

With our project partners - HMRC's Paossetter team, and the ICT trade association Intellect - our task was to use Lean principles to analyse competitive dialogue, and to refine and standardise internal processes. HMRC's Paossetter was an earlier Unipart supported project. To date Paossetter has generated over £900m savings for HMRC, average productivity has increased by more than 30%, and quality indicators have improved.

'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 many successful companies have taken the lessons from the factory floor and applied them in sales, marketing, finance and other parts of the business. And in recent years Unipart has been working with more and more public sector organisations including Whitehall departments, NHS trusts and local authorities.

Our approach to Lean is heavily focused on employee engagement. This means changing the style of management to give employees greater independence to make decisions, retraining employees in structured problem solving to reduce waste, and 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. This isn't true. People are aware of barriers that inhibit their performance, but they are simply unable to address them. Too many public sector workers are 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 haven't been given 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.

We found that up to 30% of competitive dialogue procurement should have been undertaken via a different procurement route. We also discovered 56 opportunities, or hypotheses, for improving the competitive dialogue process.

We are now working with the Cabinet Office to design a new streamlined procurement process. Better, faster and cheaper the new process will see the current average number of weeks taken to complete a competitive procedure reduce from 68 to just 27 weeks. As a result, Government can anticipate savings of £12m annually, while suppliers' costs will be reduced by a staggering £53m.

The impressive results of this short project show once again how the public and private sectors can work together and learn from one another. Lean methods have the potential to deliver efficiencies without the need for aggressive cuts and harm to services. But public bodies will need to act fast and learn from private sector companies that have been through this process themselves. In practice, this means a commercial organisation co-operating, co-ordinating and collaborating with the public sector. Unipart has done this with a partnership of NHS organisations, universities, local authorities and not for profit organisations in Thames Valley, with truly impressive results.

*"I am delighted with the work the Unipart team has achieved in such a short space of time; their hands-on approach to this important piece of work has drawn out a robust set of findings."*

Sally Collier

Executive Director Policy & Capability,  
Efficiency and Reform Group

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**UNIPART** EXPERT  
PRACTICES

# From welders to Whitehall

'Lean' management techniques have long been deployed to improve the efficiency of manufacturing industry – and now the same methods are coming to a government department near you. **Joshua Chambers** reports



**Forged in** the car plants of Japan after the Second World War, 'lean' techniques allow companies to continuously cut waste out of a process while actively improving the customers' experience. What does this have to do with the civil service? Already used with success by organisations including HMRC and the Ministry of Justice, lean management can help civil servants squeeze good services into smaller budgets: just last week, cabinet secretary Gus O'Donnell praised the approach at the Public Administration Select Committee, noting that it taps into the expertise of frontline staff to yield efficiency savings.

Toyota is credited with creating the lean method in its manufacturing systems, by engaging employees and asking them to think of ways to cut costs and improve processes. Even today, every step of its car production lines are assessed by workers to ensure that cars are manufactured in the most efficient manner possible.

Other manufacturing companies have also taken up the idea, including Unipart: an engineering firm, created after the breakup of British Leyland in the

1980s, which has launched a consultancy wing to sell its business experience. The head of performance at Unipart Expert Practices, John Coulston, explains that "essentially lean is all about building quality into processes so that it's impossible to get an activity wrong. At the same time, you take waste out of the process and make it more efficient."

Lean saves money not only by looking for avoidable costs in manufacturing processes, but also by focusing only on what the customer really wants, Coulston explains: "The start of any lean programme is to work out what are the customers' needs, and go on from there." Unwanted parts of a service are cut out and its most valuable elements improved.

Given that lean techniques were developed in manufacturing, their value in the public sector is not immediately obvious. However, IT company Wipro Technologies found that the process could easily be applied in other industries. Wipro's head of public sector, Geoff Llewellyn, says that "going from the world of metal-bashing to the world of IT was a leap of faith,

**Building a lean machine:** Industries have already utilised lean techniques to create more efficient manufacturing processes

but when we applied the techniques, we did find the road-across was very good." Llewellyn explains that Wipro used lean to identify a huge amount of waste and duplication in software development processes.

## Public sector potential

Lean differs from traditional consultancy because rather than tapping into external expertise, it trains and engages staff to find the waste for themselves. Some government departments have already started to use the techniques, and are reaping the benefits. One such organisation is the Tribunals Service.

Its chief executive Kevin Sadler is an evangelist for lean, having found the technique valuable in his organisation. Last year, he said in an interview with CSW (16 June 2010, p15) that one team increased its productivity by 136 per cent in one year by streamlining processes and cutting out duplication. Updating CSW on his organisation's progress, Sadler says that every month the service saves 7,000 working hours "through improvements identified by lean." He adds: "That's the equivalent of 60 staff, and it's making a big difference."

Another organisation which has used lean techniques to great effect is HMRC. It spent £54m on setting up its lean programme, called the Pacesetter Programme, and has achieved over £900m of savings since 2005 – £300m from gross salary savings, and £600m from additional yields in taxation realised as a result of improved productivity. The programme's deputy director, Ms Chris Simpson, notes that HMRC has also "seen real benefits for the customer in terms of the quality of the work that we do. Customer waiting time has reduced and productivity has increased".

Some other departments also run their own lean programmes – and now the Cabinet Office has joined in. Late last year it commissioned a report by lean experts that identified potential savings in complex government procurement processes.

## What forms of waste are lean techniques designed to eliminate?

'Lean' identifies seven types of waste that should be minimised in any process:

- **Transport** is the physical distance involved in a process. John Coulston of Unipart explains that, for example, an HMRC office in Preston may start a tax return but some work may need to be done by an office in Leicester – perhaps even with a third stage, involving work being done in London.
- **Inventory** is the amount of stock an office holds that isn't being processed. Geoff Llewellyn of Wipro explains that car plants used to have a stock of components at each point of the production line. Central management can help minimise these stockpiles.
- **Motion** is the motion of people in an office. Even the distance an employee has to travel to pick up a fax will make a difference to productivity, Coulston says.
- **Waiting time** is the delay faced by an employee while someone ahead of them works on a process.
- **Overproduction** is the production of part of a service that is not required. If a benefits office has peaks and troughs in seasonal unemployment, for example, it needs to factor this into its planning rather than keeping its staffing levels the same throughout the year.
- **Overprocessing** is the provision of a service which is over and above customers' expectations. Coulston explains that service providers must "establish what the customer requires and then do everything within your power to do that, without exceeding it."
- **Defects** mean wastage due to mistakes by service users or providers. Ideally, processes should ensure that it's impossible for users to make a mistake. For example, an online form could ask for someone's postcode and then provide a list of possible addresses in the correct format.

Not only is the Cabinet Office using lean, but it also wants other departments to do so. So far departments have been hiring lean consultants independently and training their own staff in these techniques; but this looks set to change, with reports that the Cabinet Office has plans to establish a central 'lean academy' to train civil servants from all departments. So what will any future students be learning? CSW has looked at how two departments (and an NHS trust – see box) have applied lean.

## The Tribunals Service

The Tribunals Service is an executive agency of the Ministry of Justice (MoJ) and consequently has been able to use the MoJ's 'lean academy' – a training body that teaches civil servants to become dedicated in-house experts on finding and eliminating waste. Starting in 2009, the Tribunals Service has trained 25 lean experts through the MoJ academy.

Sadler is clear on the benefits, and in an interview last year with CSW said that "to get the enthusiasm, you do need to use your own people. I think everybody working in public services has seen consultants come up with a set of ideas, then – because the consultants have gone and something else comes along – those ideas get neglected. We can't afford to do that."

Frontline workers are key to the process. "Lean is all about getting the people operating the processes to work out how to do them better and eliminate waste. The people who get most frustrated about waste are those at the frontline," Sadler says.

There are two major costs, however. First, the direct cost of running the academy. Second, the indirect cost of taking frontline staff away from their work – particularly at a time when redundancies are putting the frontline under additional pressure. This latter problem can exacerbate manpower shortages, Sadler says. "We're taking people out of hard-pressed offices running the processes, and training them and putting them back – but we took the view that we have to spend to save here. Given the tight financial circumstances, the only way we can make the savings we require is by investing in this way," he says.

A key lesson learned by Sadler is that lean practitioners should be encouraged to follow processes wherever they lead, rather than stopping at departmental boundaries. The Tribunals Service recently had to tackle a surge in unemployment tribunals and, instead of just looking at how to make the tribunal more efficient, Sadler's lean team worked with the Department for Work and Pensions to reduce the number of people seeking appeals.

The team designed and piloted a process of telephoning people to explain tribunal decisions to them. This has reduced the number of appeals, and also makes people more satisfied with the service they receive, Sadler says. The Tribunals Service is now planning to use its team of lean experts to reduce the number of appeals against decisions made by the UK Borders Agency.



**Multiple applications:** The Tribunals Service's Kevin Sadler (top left) is a fan of lean, as is Unipart – which uses it to improve manufacturing and distribution systems

## HMRC's Pacesetter Programme

HMRC first started using lean in 2005, but initially found it difficult to win the support of senior management. Consequently, efforts to communicate the scheme's aims were expanded and it was rebranded as the HMRC Pacesetter Programme.

The programme's deputy director Chris Simpson explains that rebranding the project as an internal scheme won over senior staff who'd previously seen lean as something being imposed by outside consultants. HMRC's lean team now make sure that "senior management are very much involved in the programme," she says. "It's the connection between senior managers understanding what's happening, being visible, and allowing people who do the work and serve the customer to find savings."

Currently, half of the department works in an environment using lean principles, and Simpson says that the target is to have reached everyone in HMRC by 2013. As part of the lean team's efforts to build internal support for the scheme, the department has been keen to take over the work of training staff in lean techniques. "Our academies used to be run by external consultants; now they are wholly run by internal practitioners," Simpson says; 300 lean practitioners are

being trained this year. Further, she says that HMRC expects to be consultant-free by the end of this year.

The department is proud of the waste it has eliminated by using lean techniques – in particular, by making more intelligent use of its property so that work is completed more quickly. "In one particular process, a self-assessment return travelled about half a mile around a building before it was worked on," Simpson says. "It now goes into the post room and then straight to the team member who is going to work on the case."

## A central government lean academy

Both HMRC and the MoJ have their own lean academies, but now the Cabinet Office is looking at the lessons learned from these programmes and wants to ensure that departments collaborate more when training staff in lean skills.

Work is underway to set up a single central lean academy, says Simpson; this will "contain all the generic tools: the lean and leadership aspects, so that [departments] can use them in their business". She adds that HMRC has "been working closely with DWP, MoJ, and the National School of Government and demonstrated that there is scope for one academy across government."

However, the Cabinet Office is reticent on its plans: a spokesperson says that there is "no active plan in place" and that "it might be a bit premature to talk about any of the specifics."

## The case for lean

Despite lean's origins in manufacturing, the technique's champions believe it can make a real difference in government departments as they seek to reach their spending review settlements. In particular, Simpson says that lean techniques have enabled HMRC to take on more work without requiring extra staff, and will help it to cope with staffing reductions. "Pacesetter will be a huge enabler in reaching our spending review savings," she says.

Tax collectors and, indeed, benefits appeals courts are a long way removed from the automotive plants in post-war Japan, but Sadler and Simpson are certain that departments need to use lean more in the future. "I think it's absolutely necessary," Sadler says. "Departments with big frontline operations – and even departments which are more policy-orientated – can always benefit from looking at their processes and reducing waste." ■

## The experience of East Kent Hospitals University NHS Foundation Trust

East Kent Hospitals University NHS Foundation Trust started a service improvement programme which incorporates lean techniques in April 2009. The aim was to improve the capability of the hospitals and deliver a better service to the patient, explains acting deputy director of strategic development Anne Neal. "It has been challenging, as any service improvement programme is, but we remain committed to it," she says. Initially, the programme struggled to overcome staff cynicism about the value of lean methods. "You always get lots of cynicism and people who object to lean," Neal advises, "but the people that are involved and trained in it are very enthusiastic."

Neal says that the programme is designed to create cultural change in the hospitals over the long term, rather than seeking a quick fix. The trust employs 7500 people over five sites, three of them large district general hospitals with their own ways of working.

The lean programme has sought to get everyone involved in finding waste across those different sites, and has had some success. Examining the patient experience, the hospitals discovered that patients with multiple complaints were often referred separately for each complaint, resulting in a long string of doctor's appointments and much time wasted all round. Now the hospitals have simplified the way patients are diagnosed and referred, and they're getting appointments more quickly with the relevant specialists. "They're seen by the right person at the right time," Neal says, "and this reduces the number of follow-up appointments."



Warding off waste: Lean has been used to improve the patient experience

On 31 March, Civil Service World is hosting a round table on the use of lean techniques in the civil service. For details email [roundtables@civilservicenetwork.com](mailto:roundtables@civilservicenetwork.com)