Applying Lean in the Public Sector: Must Do Better

Lean Thinking has a long history in manufacturing industry. It is newer to the service industry and more specifically the public sector, with few examples before 2000. However, in my opinion the majority of applications in the public sector to date are rather shallow and have, or will, suffer from significant issues around sustainability. This may be due to inappropriate advice received from third party agencies offering ‘quick win’ solutions.

This raises two questions:

Why is this?
What can be done?

In order to answer these questions we will make reference to the Lean Iceberg Model which is drawn from our Staying Lean1 book. The model depicts two ‘above the water’ features that are generally visible in successful Lean Transformations: Technology, Tools & Techniques and Processes as well as three ‘below the water’ features of Strategy & Alignment, Leadership and Behaviour & Engagement. These ‘below the water’ features are usually invisible in successful Lean Transformations but are the basis of embedding Lean and creating a sustainable Lean Transformation.

We will explore each of these five features and discuss how typical Lean applications in the public sector measure up.

Above the Water

Technology, Tools & Techniques

The majority of books on Lean Thinking are focused on technologies, tools and techniques. As a result most implementations tend to have a wide array of tools to choose from. These generally fall into three categories: new technologies particularly in the IT area, diagnostic tools (including various types of mapping) and implementation tools (including flow and pull tools). Unfortunately, many people start with the tools in complete isolation of the needs of the customer (taxpayer, patient or student), the strategic need for change and the needs of their employees.

As a result far too many Lean initiatives fail to deliver significant value to the customer (indeed there may not even have been an understanding of what the customers’ needs are), are mis-aligned to the organisation’s needs and often fail to engage the workforce. Unfortunately, in many cases the workforce are actively disengaged as evidenced by the recent PCS publication ‘Lean and Job Design’. This is not due to the fact that Lean Thinking does not apply but the poor application of largely tool-based solutions.
To explore a little further, Lean Thinking is, or should be, based on three main tenets:

- Waste Removal (where waste is defined by the customer)
- Levelling Activity (and hence reducing peaks and troughs)
- Removing Overburden (and hence making life easier for the employee)

Unfortunately many organisations only focus on the first of these which can feel very alienating to the workforce. However, in our experience, in a people based environment such as an office, hospital or even a university, it is essential to start with the third area of Removing Overburden. Hence, a first question to ask might be ‘what are the frustrations you currently have in your job’. For example, when we have applied Lean into our own university environment we have done so under the banner of: ‘Lean University: Lightening the Load’.

### What We Often Find: Technology, Tools & Techniques

Poor sustainability, especially of a kaizen blitz (only) approach  
Technology, Tools and Techniques (TTT) used without understanding customer needs  
TTT used without understanding business needs  
TTT thrown at problems, often in the wrong order  
People don’t understand the quality side of lean  
Used on ‘shop floors’ only  
...a lot of wasted opportunities as people become ‘tool heads’ without realising these are just tools (a means/end reversion)

### Processes

The second important element ‘above the water’ is a focus on processes rather than traditional functional thinking. Our experience here is that there may be around 30% inefficiency in many organisations purely due to how they are organised and managed in traditional silos. In addition, even if organisations have adopted a process view they may have failed to define who their customers are or seek to understand their needs both in terms of the process and the human aspects. For example, if you ask a patient what they want from a hospital they are more likely to respond in terms of human aspects such as ‘to be treated with courtesy and dignity’ rather than technical aspects such as improving the process flow.
Another failing in this area is the ‘one process fits all’ approach where an organisation focuses merely on one process or system such as Call Management in a contact centre or Patient Pathway in a hospital. Although this might be a good start, it will be only that. To give one example, in Flinders Medical Centre in Adelaide, the best example of Lean Healthcare that I know, where 25% (bed) capacity has been created since 2007, the major bottleneck now is in the nursing staff where 40% of their time is walking in corridors. Why? It is because they are working on other processes (especially failures in these processes), such as Stores Replenishment. Hence, Flinders is now moving on to address other important processes that are essential to their success.

### What We Often Find: Processes

People work on the four lean principles (ignoring Customer Value)
A lot of functional conflict at all levels
90%+ of companies only work on one process e.g. Patient Pathway
There is rarely any attempt to even identify key business processes
90%+ of companies assume ‘Lean = Reduce Cost’ only

....a lot of wasted opportunities as people tend to only try to improve their own silo area, often causing problems to others

### Below the Water

In researching how to create and sustain a true Lean Enterprise one of my PhD students John Lucey looked at a number of organisations who were at various points of their lean journey to see what the most important factors were in their success (or failure). His observations are quite telling:

### 10 Reasons for Failure

1. Lack of a clear executive vision.
2. Lack of an effective communication strategy.
3. Failure to create and communicate a real sense of urgency.
4. Poor consultation with stakeholders.
5. Lack of structured methodology and project management.
6. Failure to monitor and evaluate the outcome.
7. Failure to mobilise change champions.
8. Failure to engage employees.
9. Absence of a dedicated and fully resourced implementation team.
10. Lack of sympathetic and supportive Human Resources policies.
The interesting point is that none of these factors are to do with the ‘above the water’ factors so favoured by the consulting world. They are all to do with the much more difficult ‘below the water’ areas. We will explore each of the three areas in turn.

2 Supervisors: Dr Nicola Bateman & Professor Peter Hines

**Strategy & Alignment**

The first of these is Strategy & Alignment. Many organisations we come across fail to establish a coherent strategy, vision and purpose. However, even if you in your organisation do, this is not enough in itself. What you need is a strategy that is fully communicated and deployed throughout the organisation. It needs to describe **what** you want to do and **why** this is important. This will guide your staff in **how** to focus their change activity.

I offer two questions to test whether this is the case today:

1. Can all of the people in your organisation clearly articulate what your strategy is?
2. Can they demonstrate what they are doing themselves in their normal job to help the organisation achieve this strategy?

If your answers aren’t clear, you need to pay greater attention to strategy and alignment. In our experience, in a typical organisation, no more than 20% of staff can articulate the strategy and no more than 20% of these are able to show how they are directly contributing. This may mean than less than 5% of people are directly contributing to effective change. Imagine what the potential might be if the 5% was 50% or higher?

A key part to this alignment is having a small set of appropriate, meaningful and engaging metrics (or KPIs) at each level of the organisation (Board level, Process level and Local level). Unfortunately this is rarely the case with organisations overwhelmed by huge numbers of inappropriate metrics. Sadly we often see a response from organisations and consultants alike is to put this in the ‘too difficult’ box and hence fail to create an appropriate framework for organisational alignment.
What We Often Find: Strategy & Alignment

Little or no visual management at operational levels  
People not knowing what they are really trying to achieve  
Frustrated lean coaches ‘pushing’ solutions on reluctant busy line staff  
Frustrated senior managers not understanding why people ‘don’t get it’  
Most measures are backward looking  
Around 50% of KPIs get changed  
Frequently gaps in the strategy

....a lot of wasted opportunities as only a low percentage of people are aligned to strategy

Leadership

The second ‘below the water’ element is leadership. Many organisations possess good managers but not necessarily good leaders. Leaders are usually characterised as having a guiding vision, passion and integrity. When leading change they must have high energy levels, be innovative, focus on people, inspire trust, have a long range perspective and challenge the status quo.

The role of the leader is to inspire with words, deeds and actions. This involves allowing everyone in the organisation to take part in the strategy process and encouraging everyone to get involved in delivering the actual change and reducing fire-fighting and non-value-adding work. A leader inspires their organisation to change from a typical organisation to a sustainable one.

The key point here is: are we inspiring people to want to change or mandating them to deliver projects or initiatives that have been defined by senior management people who may not be close to the daily work of other colleagues and may be perceived as being out of touch. We find a useful way to measure this is to undertake a Lean Road-mapping exercise by assessing yourself against a cultural Lean Maturity Assessment (to create a Current State) and then developing a desired Ideal State before establishing at least the first of a series of Roadmaps to achieve sequential Future States along the journey.
Framework for Lean Maturity Assessment

The Milestones of LEAN MATURITY

Stage 1 Reactive
1. Reactive Approach
2. Little/No Involvement
3. Adhoc Learning

Stage 2 Formal
1. Formal Structure
2. Only Specialists
3. Team Learning

Stage 3 Deployed
1. Goal Oriented
2. Majority Involvement
3. X-Process Learning

Stage 4 Autonomous
1. Autonomous Habit
2. Full Empowerment
3. External Learning

Stage 5 Way of Life
1. Key Characteristics
   1. Ways of Working
   2. Employee Engagement
   3. Learning Best Practice

Framework for Lean Road-mapping

Performance Level

Ideal State

2) Back off to what is currently possible

Targeted Roadmap 2

3) Back off to chosen target

Implement Roadmap

Achieve Roadmap 1

Revised Roadmap 2

4) Establish new target

Current State

1) Envision the most advanced position
What We Often Find: Leadership

Organisations have trained people to manage but rarely to lead
Most people only exhibit one leadership style: push not engage
We fail to inspire our people
We don’t listen to the voice of the employees
‘Managers know best’ thinking

….a lot of wasted opportunities as few are inspired to change, certainly not in a sustainable way

Behaviour and Engagement

The engagement of people on a Lean journey is essential. It will predict their behaviour and your ultimate success. There are many steps on the engagement journey but effective strategy, alignment and leadership are a good start. Other key elements are partly due to the characteristics of the individuals themselves, how they are communicated with and how they are trained. The general social norms of your organisation will also impact on the journey.

Another important area is making sure that HR policies are aligned with the organisation’s strategy and direction. When we look closely we often find that reward and recognition systems, promotion mechanisms and communications are often pulling in different directions. In addition they often don’t align well with the strategy nor the metrics used to measure organisational success. This is a recipe for employee confusion, office politics and low engagement. All this will result in slow and unsustainable change. Lean will only work if a large percentage of our people not only believe it will work, see the benefit for themselves and are inspired to consider the most important thing in their job is to make tomorrow better than today for themselves, the organisation and the customers.

What We Often Find: Behaviour & Engagement

Low levels of engagement: maybe 10%
Assumed high levels of engagement
Surprise when there is resistance
Most or all initiatives driven top down (pushed discontinuous change)
Little change driven bottom up (pulled continuous improvement)
Little or no reflection on past changes

….a lot of wasted opportunities as only a low percentage of people are engaged in the organisation’s purpose
To Sum Up
In conclusion, successfully and sustainably applying Lean to an organisation is about achieving a common Purpose, managing key Processes and leading your People. To do this we have found that the secret is not in the ‘above the water’ tools, processes and systems but in the ‘below the water’ areas of alignment, engagement and sustainability.

Good luck on your Lean journey!!

For More Information:
You can find Professor Peter Hines at:
Website: http://www.linkedin.com/in/professorpeterhines
Telephone: +44 (0)7778 840979
Email:peter.hines@LeanBS.com

Or join Peter, LinkedIn at one of his LinkedIn groups:

Lean Business System: http://www.linkedin.com/groups?gid=1801885
Lean Business System Asia Pacific: http://www.linkedin.com/groups?gid=1819060
Lean Business System Benelux: http://www.linkedin.com/groups?gid=1842070
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Lean & Green: http://www.linkedin.com/groups?gid=1826144