

Demystifying 'Lean Culture Change' and continuous improvement

Successful applications of Lean and Culture Change tend to revolve around profit making commercial organisations. Here, Philip Atkinson and Lance Nicholls explain how Lean Culture Change can be achieved for a variety of organisations in the private and the not for profit sector. They contend that Lean has long been misinterpreted, as solely a 'cost reduction tactic', whereas it is a positive strategic and operational approach to build genuine and robust processes to better serve customers and end users, and can significantly improve the competitive edge.

Demystifying Lean – simple, strategic and straightforward

Lean is a strategic and an operational issue that can bring about significant and long lasting change. Lean Culture Change is a sustained commitment to drive continuous and never-ending improvement. Strategically, Lean should be focused on developing competitive advantage that delivers precisely in many ways to the VOC, (voice of the customer), by providing effective and efficient service delivery. This principle of Lean is critical whether you provide point of sale finance for motor vehicles, insurance services, health and education or influencing government policy as an environmental pressure group. Lean thinking transcends all business sectors with a simple methodology to 'focus on the end in mind' and 'seeing through the eyes of the customer' to generate and shape error and waste free processes that support delivery to our customers, internal and external to the organisation.

Fundamentally, Lean is about customer retention and acquisition and the penetration of new and existing markets

The purpose of Lean Culture Change goes way beyond simple cost reduction strategies associated with

the 'eight wastes' of Lean. Further, an overarching emphasis on Lean in manufacturing (and in particular the automotive sector) has alienated many change practitioners who operate outside those sectors. OD and other change management professionals recognise that Lean methodologies and culture change in particular, can have a profound effect if directed towards customer loyalty and growth in; customer acquisition and retention, the penetration in and of existing and potential markets that will harness income growth and profitability. (See applications in the public sector later in this article).

The purpose of Lean Culture Change is to secure the future of the entity by uniting its people to deliver to the voice of the customer. In the not for profit sector, Lean Culture Change drives organisational success by adding value to existing consumers, clients and service users and winning loyalty and pride. It is about developing resilient service provision, developing core staff competencies, attracting, and retaining the best people. Lean Culture Change invests in anticipating service delivery issues, developing a preventative culture of continuous improvement and implementing best practise.

We find that healthy, positive,

"Lean Leadership is about developing an inspiring vision, enabling people to take action, managing by example and rewarding continuous improvement"

organisational cultures are characterised by a long-term continuity perspective, with a focus on tactics to resolve immediate short-term problems. The dominant culture should facilitate, support and reward cross-organisational working by undertaking a 'discovery review' that documents and diagnoses what ails the current culture.

Persistent barriers to installing Lean Culture Change

• Unhealthy negative cultures

This 'mindset' is the result of many failed change initiatives in recent years. Staff have adopted a pessimistic mindset, are cynical of new initiatives, and dwell in the past, which manifests itself in an unhealthy attitude of resistance to change. Until attitude changes, nothing changes. We must focus on changing the mindset and the attitude. It starts with leadership at the top and means working closely with the top team to develop sound and sensible implementation plans.

• Visionary leadership

No organisation has too much leadership. In reality, few organisations really plan more than a year in advance and their planning tends to be functional rather than organisation wide. Promoting what we refer to as 'Lean Thought Leadership' at all levels drives a positive change in how the organisation operates.

• Lack of confidence and self esteem

As the force or pressure to change increases, an organisation slows down the process of managerial decision making – in terms of

confidence and self-esteem. What worked in the past is no longer applicable – so a prevalence of learned helplessness tends to permeate managerial and supervisory ranks, resulting in failing to respond to challenges. This apparent lack of confidence in decision-making is projected to staff and may become evident to customers and clients. Management teams devote more time to thinking and prevaricating rather than taking action and doing. The 'thinking – doing' balance is weighted towards procrastination and everyone waits for others to take the lead.

As the need for change and re-evaluating structures, cultures and systems increases, organisational leaders fail to make a commitment to encourage people to seek solutions outside functional silos, to get them to work together as cross-organisational members and improving critical consumer and end user facing business processes.

• Glass half-empty or half-full

When you chart the dynamics in some organisations, you may find the split between optimism in 'planning and prevention' and pessimism of reactive 'fire fighting and fixing' is heavily geared towards the latter. This translates into focusing on yesterday's problems rather than shaping the organisation to become more robust and resilient for the future.

Unsurprisingly, the common factor to the resistors outlined is the absence, rather than the presence, of leadership. You might want to consider whether the Transformational Leadership

Model for Lean Leadership or Lean Culture Change is the change management strategy that will provide the organisation with the certainty and confidence to shape future performance?

Lean – a low risk strategy for change

Lean and its related methodologies are the closest you will ever get to a series of approaches that will sustain continuous improvement. Lean is a low risk change strategy. Let's put this in context. There are two approaches at the opposite ends of the change continuum that organisations may adopt. 'Big bang' is at one end and Lean Continuous Improvement at the other.

'Big Bang' changes are usually strategic projects and driven by major changes in the temporal environment that affect political, economic, socio cultural, technical, environmental (green issues) and legal functions of the system and infrastructure through re-engineering, IT solutions and major CRM requiring a fundamental rethink in how the business operates. Because you cannot always predict how effective the 'Big Bang' change will be when things do go wrong, you can experience massive amounts of failure from which the organisation may not recover. 'Big Bang' changes, unless expertly fool proofed, invariably have problems with their installation and implementation. If anything can go wrong in that major strategic change – it usually does!

Big Bang often does not work because there is a failure to align all stakeholders, as well as attracting inherent organisational baggage and

inherited cultural inertia, staff resistance and customer believability. It is 'high risk' because the scale and scope for project implementation requires so much depth that project managers may not have planned the way around the socio-cultural barriers, managerial roadblocks and inherent pitfalls that previous change initiatives left unresolved.

For 'Big Bang' strategies to work requires a superior Lean management and business system based on 'best practise' that is equally reliant on process as well as cultural improvement. To resolve these issues requires change and project managers to be expert practitioners in cultural and behavioural change.

The great thing about Lean is that it is a revolution through evolution. It provides great value for customers, clients and service users because it 'believes' in constant and never-ending improvement through the most valued resource – your people! It is flexible and pragmatic. It works using the 'Discovery Review' on the gap between services currently provided 'current state' and focused on improvements for 'future state' desired service delivery.

It focuses on evolutionary planned and gradual persistent change for improvement – concentrating on how we can do things better.

- How can we reduce the cycle time of our processes whilst reducing error rates?
- How can we improve the quality of decision-making?
- How can we reduce error rates whilst speeding up delivery to the customer?

Lean focuses on the 'value stream' using basic principles of process and value stream mapping to explore current

"The really big issue is that senior leaders and managers often do not understand the nature of cultural and behavioural change."

Training: ROI of Lean for managers

- Start with the end in mind
- Demystifying Lean Six Sigma
- Benefits that accrue – Finance and ROI – Service user – Staff – Service delivery
- Discovery review
- Map your readiness for change
- 'Vital few' projects – implementing that work
- Pre-requisites for introducing Lean
- Your leadership
- Lean pilot projects
- Communication Lean
- Controlling and monitoring ROI

practise, and resolve how to traverse the gap to service excellence. The nature of Lean focuses on developing a culture of engagement and participation. It is about listening to those who work in core business processes and give them equal weight in decision-making (short Interval Leadership) to those who may manage the process.

So how can you start on your journey to Lean?

No route is ideal because different organisations occupy different locations on the 'transition curve' or readiness for change. What works in a medium sized commercial organisation working in FMCG, will not work for a public sector organisation that is under intense pressure to change. What all organisations have in common is a need to educate and develop their staff at all levels in adapting to change. For instance, it may be appropriate to focus on outlining how an implementation strategy can unfold – and that must be based on a serious diagnosis or 'discovery review' that documents and outlines the core issues that have to be addressed to ensure that implementation of Lean Culture Change (LCC) is maximised and is as pain free as possible.

Facilitation and learning

The acquisition of advanced facilitator and internal consulting skills, together with advanced Lean methodologies using the Plan, Do, Check, Act cycle is central to driving continuous improvement. It is about getting people to work on perfecting core processes that span the myriad of functions in your organisation. It is about transcending functional boundaries and working to deliver best value to the voice of the consumer

or end user.

It is imperative that organisations equip their staff with Lean skills, but Lean is not only about getting associated Six Sigma yellow, green or black belt accreditation for your people. It is so much more than that! What is important is how you apply the training. Theory can be great but success is dependent on implementation. Having 50 people as green belts and one or two black belts who have been trained in Lean is going to give you benefits – but real success comes from the confidence to apply the methodologies and tools in practise.

Implementing Lean Culture Change

Lean is a 'low risk' change strategy as long as the readiness for change has been evaluated and several pilot projects undertaken. The culture change comes about by using Lean methodologies with enthusiasm and confidence. The whole idea of Lean is to establish best value and practise in everything you do and it is useful at

this stage to start thinking about everything you do as a process. Central to Lean is value stream mapping that focuses on concentrating on where you add most value for the consumer or service user.

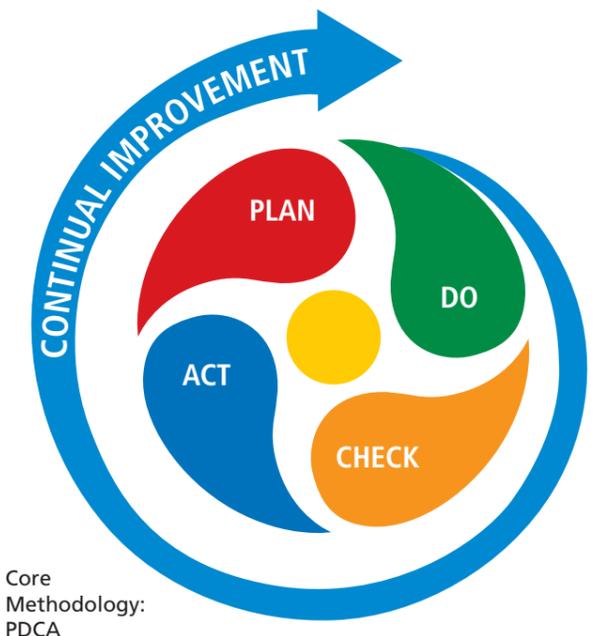
Developing a process mindset

Right from the start, it is critical to get people to start their own 'system thinking' mindset with every issue they will explore. Everything we do is a process – whether we are running a training session or completing a procurement request. We can always do something – cheaper, quicker or in a shorter cycle time, using resources more effectively and adopting an error free or right first time mindset.

Imagine the power of engaging all your staff to adopt this mindset. Here are examples of how this could work in a commercial organisation

The commercial world: Processes out of control

Too many processes are out of control and stay out of control because people are not aware



of the implications of failure to the whole system. The continuity of the core business activity is at risk. Imagine the dangers associated with processes being out of control that relate to:

- Inability to break down profitability according to clients and market segments;
- Ambiguous cost estimates of provision of core services to clients;
- Inability to develop a robust recruitment process for core staff in a call centre;
- Unclear escalation processes for dealing with serious client complaints;
- Poorly monitored warning system identifying potential 'high value' client defections to competitors;
- Undocumented policies on diversity and equal opportunities;
- Ineffective competitive monitoring on price, value, after service delivery;
- Procurement of major IT spend based on personal preference or ease of supply
- Unreliable data and records of employee absence, sickness and holidays, discipline;
- Accuracy of appraisal documents for performance management;
- Failure to check for accuracy with external communications with investor and press releases;
- Error proofing across functional silos.

Too many processes are not measured, and this becomes even more critical in complex interactions with multiple stakeholders where we need to ensure that the whole supply chain understands what information, decisions and standards have to be applied in each stage of the process. By focusing on detail, we can agree requirements and stop making assumptions.

Just by looking through these issues, we can better understand how Lean

Culture Change is the best way to introduce continuous improvement focused entirely on the consumer of the service.

Public sector focusing on Lean Culture Change

For instance, how could local authorities and other public or third sector organisations start their journey to Lean Culture Change? There are a myriad of processes, which, if explored, could yield significant benefit for service users and consumers, as well as eradicating wasted activity, time, errors, and rework. More than that, this exercise would remove 'non value added' activities from their staff, not with the purpose of reducing headcount, but, rather, provide more sophisticated value-added services for the end user or citizens.

Local authorities commitment to continuous improvement

Many authorities are pursuing Lean Culture Change as a valuable exercise and have made significant improvements just by working through, and learning from case examples of how similar organisations, in the same sector and providing similar services in different locations and geographies, have tackled common problems. This list of processes common to all local authorities (currently 433 in England, 22 in Wales, 26 in Northern Ireland and 32 in Scotland with a gross expenditure of £175 billion per year) illustrates how small Pilot projects could be used to significantly improve overall performance and generate value for money.

Services and processes common to all 513 local authorities – UK and NI

Processing of planning applications and building

warrants; provision of care – scheduling care visits and integration with local NHS Trusts; tendering for Council work; calculating teacher; pupil ratios, resources and classroom assistants; monitoring students and pupils records of achievement; providing housing repair; governance and control of internal Council processes; Council induction process; development of Council risk management appetite; repairing roads and potholes; career guidance for school leavers; dealing with complaints to the Council; IT and consumer helpdesk; commercial waste collection and billing; landfill and hazardous waste disposal; coordinating waste management and household waste; salting roads; educating citizens on household waste and green policies; welfare fund applications; applying for Council Tax relief and discounts; allocating Council houses and coordinating with housing associations and similar clients; distribution and control of blue badges; meals on wheels; applying for various grants; food safety inspections; dealing with ROI on Council projects; homelessness; debt management; billing of rates and Council tax; pest control; rent collection; Council Tax collection; parking fines.

Bearing in mind that local authorities are responsible for £175 billion expenditure in services in the UK (that's over £2900 per head) consider how service delivery improvements in the provision of public service could be made by committing to Lean Culture Change.

Further, consider that £175 billion represents only 24% of total managed government expenditure in 2011/2 (imagine the figure in 2014) with central government

spending a further 74% of the total of near £750 billion in public expenditure. Also consider the vast sums that commercial organisations waste in developing new ventures and reworking core processes.

I think we can all see that whatever the sector of the economy, organisations can commit and improve service delivery by adopting

Lean Culture Change. What is central to this process is leadership in the process and a focus on implementation of continuous improvement.

Review and summary

Lean Culture Change can be a reality in all variety of industries, from financial services, banking, process engineering, genetics, retail operations, logistics

and manufacturing to the provision of professional services including accountancy, audit and legal services. There is also additional scope for immediate improvement in the other than profit sector, including health and educational provision. For instance, in the healthcare sector, many NHS Trusts in England, Wales and Northern Ireland and NHS Boards in

Scotland have implemented Lean methodology and generated significant success in improving the patient pathway.

In the private sector, commercial organisations are generating a myriad of benefits from installing Lean practise into their customer focus strategies. Lean has been introduced as a strategic initiative, but also

has been easily implemented initially as a 'bottom-up' OD intervention and used as a tactical methodology to prove how engagement at the local level in problem solving and continuous improvement can permeate up through organisations.

The methodology of Lean is concerned with investing in the prevention of errors, not correcting them or inspecting them out of the process. Only by committing to this cycle of improvement can we develop a preventative organisational culture, which adds significant value for end users and customers.

There is real scope for re-engineering of service provision using Lean Culture Change to bring about continuous improvement. We can witness the realities and practicalities of larger Lean Culture Change, and its impact on customer service, retention and acquisition if we embark on the journey by demystifying the whole concept and application of Lean and use it as a process for continuous improvement.



“Developing engagement strategies is the key enabler behind Lean”

About the authors

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