

Operations Management

V39

www.iomnet.org.uk

Number 3 June 2013



THE INSTITUTE OF
OPERATIONS
MANAGEMENT

Protecting your operations from the storm waves
of forecast-induced demand volatility



Implementation of lean culture change and continuous improvement

Most of the successful applications of lean and culture change tend to revolve around profit-making commercial organisations, neglecting the significant improvement in creating a positive culture change that can be achieved in the public and third sector. Philip Atkinson explains how lean culture change (LCC) can be achieved for a variety of organisations in the not-for-profit sector for their service-users and citizens. He says we should replace cost reduction exercises with lean, which is a positive approach to building genuine and robust processes to serve better our communities, service-users and citizens. His firm opinion is that the public sector has a very complex role to play in the provision of services to all citizens and that improvements can be made if we shift our attention to develop a culture based on implementing added value rather than cost reduction.

Lean culture change demystified

I find it interesting running workshops on LCC, because one can always be sure that participants will occupy different points on the scale of understanding what culture change and, more importantly, LCC is all about. A key issue for me when running such workshops is to bring everybody rapidly up to speed and to the same level of knowledge as quickly as possible. This enables us to introduce a common language and explore the issues at a much deeper level. This means exploring people's beliefs about change, what it means to them, and how particular approaches work. There are many misconceptions on the role of change and this is no surprise as we move slowly through this period of austerity.



The lean culture reverses the polarity of the organisation shifting from a fire-fighting mode to a planning mode, where prevention of problems rather than reacting after the event of failure becomes the norm.

It is not helpful when exploring the positive sides of change management that many examples of reform of current public service provision focus entirely on cost reduction – with the mantra of achieving more with less. This is not lean. The change in culture to lean requires more than a cost-cutting mentality. Cost reduction strategies are short-term in nature. There is a limit to their effectiveness when they fail to take into account the voice of the customer.

Purpose of LCC beyond cost reduction

Successful organisations do not prosper by devoting a ruthless approach to chip away at costs, relentlessly reducing all decision-making to a reduction in head count. The purpose of LCC 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, LCC drives organisational success by adding value to existing consumers and winning loyalty. It is about developing resilient service provision, developing core staff competencies and attracting and retaining the best people. The lean culture reverses the polarity of the organisation shifting from a fire-fighting mode to a planning mode, where prevention of problems rather than reacting after the event of failure becomes the norm.

Healthy, positive, 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 support and reward cross-organisational working.

Five core factors hold back progress towards LCC:

■ Unhealthy negative cultures

In the age of austerity, the focus is on the negative rather than the positive. This mindset is pessimistic, dwells in the past, focuses on failure and generally feeds the attitude of resistance to change. Until attitude changes, behaviours remain the same. We must focus on changing the mindset and the attitude. It starts with leadership.

■ Leadership: short-term tactics

There is little strategic thinking. Few organisations really plan more than a year in advance. Organisations are devoting more time to real-time tactics, rather than planning their way out of the crisis. Without thought leadership there will be no change.

■ Decision-making

As the force or pressure to change increases, an organisation slows down the process of decision-making, failing to respond to the challenges. Lack of confidence in decision-making is evident to staff and service-users. Management teams devote time to thinking and prevaricating, rather than taking action and doing. The thinking-doing balance is poorly weighted into procrastination. Again, no leadership.

■ Silo or 'no' thinking

As the need for change and re-evaluating structures, cultures and systems increases, organisational leaders make little commitment to moving people out of the hierarchies of the functional silos and have them work together as cross-organisational members on critical consumer and end-user facing business processes.

■ Reactivity and fire-fighting

When you chart the dynamics in some organisations, you may find the split between 'planning and prevention' and 'fire fighting and fixing' is heavily geared towards the latter. This translates into solving yesterday's problems today, but failing to learn from the experience for tomorrow.

Unsurprisingly, that the common factor to the five resistors above is the absence, rather than the presence of leadership. Therefore, you might be asking is lean leadership or LCC the way out of difficulties in the public sector?

Is lean a panacea for public sector organisations?

Lean and its related methodologies probably are the closest you will ever get to a series of approaches that will bring continuous improvement. I say that because lean is what I term a low-risk change strategy. There are two approaches that organisations have adopted over the years: the Big Bang approach; and lean continuous improvement, known also as kaizen or good change.

Big Bang change strategies are usually CRM or IT driven and require a fundamental rethink in how you do business. Because you cannot always predict when things will go wrong, you can attract massive amounts of failure. Big Bang issues always have problems with implementation. If something can go wrong it usually does!

Big Bang often does not work because there is a failure in the public sector to align all stakeholders, as well as attracting cultural inertia, staff and consumer resistance. It is high risk because the scale and scope for the project is so deep that someone has not planned the way around the barriers, roadblocks and pitfalls.

For Big Bang to work you need a rather excellent project management system, which is equally reliant on process and cultural improvement. The really big issue is that people and project managers do not understand the nature of cultural and behavioural change.

If you consider our model of continuous improvement, which is based on lean, you will find there are many benefits that accrue not just for the organisation and its management team, but also for core stakeholders, those employed in arm's-length management organisations – that is, the supply chain that has often been outsourced – and the end or service-users and citizens.



Outline of the session	
■ Start with the end in mind	■ Map your readiness for change
■ Demystifying lean Six Sigma	■ Low-hanging fruit – implementing projects that work
■ Benefits that accrue	■ Pre-requisites for introducing lean
■ Finance and ROI	■ Your choice of journey
■ Service-user	■ First steps and pilot projects
■ Staff	■ Communicating lean
■ Service delivery	■ Controlling and monitoring ROI
■ Case studies	

A typical lean workshop session

Figure 1

The great thing about lean is that it is a revolution through evolution. It provides great value for consumers because it believes in constant and never-ending improvement. It is flexible and pragmatic. It works on the gap between services currently provided as is and is focused on improvements to become desired service delivery.

It focuses on gradual change, concentrating on how we can do this better – for example, how can we reduce the cycle time of our responses, decision-making or modifications, reduce error rates or speed up delivery? Lean focuses on the value stream using basic principles of process mapping to explore current practice and resolve how to leap the gap to service improvement.

Mostly importantly, the nature of lean focuses on developing a culture of engagement and participation. It is about listening to those who work processes and give them equal weight in decision-making to those who may manage the process, albeit from a distance without local hands-on experience.

Journey to lean

Where you start depends on your readiness for change. Most organisations focus on some degree of training or education – for example, I provide either half-day or full-day session on lean for top teams and those interested in incorporating lean into line management – see Figure 1.

You will be familiar with the history of lean evolving from the Toyota Production System (TPS). James Womack first coined the term¹. Many of us had known the process and system as the TPS and I had been applying it as an alternative to Big Bang TQM² in manufacturing and service organisations such as TI Group, Dow, GE Plastics, GE Capital Chemical, Lloyds, Bass Brewers, and other blue-chip companies, as well as public sector organisations.

Lean is not only about accreditation; it is also much more than that. It matters not how many people you have in your organisation who have been through training; what is important is how you apply the training. Theory can be great, but success is dependent on implementation. Having 100 people as Green Belts and one or two Black Belts who have been trained in lean is going to give you a huge advantage, but real success comes from the confidence to apply the methodologies and tools. It does not matter how much you understand about Taguchi methodology; if you cannot run a problem-solving session, interject when delegates start disagreeing with lean ideas, or handle people who are just plain resistant to change, then no amount of training in techniques is going to fix things.

The acquisition of advanced facilitator and internal consulting skills, together with advanced lean methodologies using the DMAIC process (using the scientific method), is central to driving continuous improvement. It is about getting people to work on perfecting core processes that span the myriad 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 – see Figure 2.

Implementing LCC

The culture change comes about by using lean methodologies with enthusiasm and confidence. It is a low risk strategy as long as readiness for change has been evaluated and several pilot projects undertaken. The whole idea of lean is to establish best value and practice in everything you do. It is useful at this stage to start thinking about everything you do as a process because central to lean is value stream mapping that focuses on reducing non-value-added activities and concentrating on where you add most value for the consumer or service-user.

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 buttering toast or completing a procurement request. Central to making lean work is communicating that everything has a beginning and end and can be improved. 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.

In many organisations, how things are done is undocumented or there is confusion over the sequence of stages and events that are linked in a cause-effect process. Process mapping is a way of thinking about what happens before and will happen after you complete your work. It is about thinking of all the links in a supply chain and how all the tasks come together to deliver a quality service.

Imagine the power of engaging the whole of the workforce to adopt this mindset. We have uncovered core business processes that are failing because the details of the process are not documented, and the information and standards reside in people's heads and are undocumented.



Core methodology: DMAIC

Figure 2

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 for the system overall. When processes are out of control the continuity of the core business activity is put at risk. Then, it may be a matter for risk management. Imagine the dangers associated with processes being out of control that relate to:

- Screening of teachers, teaching assistants and other staff who come into contact with young people
- Allocation of pupils to primary schools
- Compulsory, statutory repairs of property
- Road maintenance of potholes
- Monitoring of major Capex projects
- Recording of unexpected incidents in social work with at-risk clients
- Record of employee absence, sickness and holidays
- Accuracy of appraisal documents for performance management

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 the detail we can agree requirements and stop making assumptions.

Some of the issues that have led to radical improvement focus on the following questions:

- Where does a process begin and end?
- Have we identified all the actors in the process?
- Have we identified all the decision points?
- What happens before we move on in the sequence?
- What checking is undertaken to ensure that each stage of the process is thoroughly checked before moving on in the sequence?
- What documentation exists to support the integrity of the process, what is the purpose of the documentation and how do others make use of it?
- How much time is taken to perform each task or activity?
- Are there any activities that are unnecessarily repeated?
- Is there any duplication of effort and, if so, where does this happen?
- Are there any shortcuts of which you might not be aware that others are making on a regular basis?
- Are there any unnecessary tasks being completed and using resource or uncompleted tasks that need to be fully reviewed?
- How do you know that the series of activities has reached satisfactory completion?
- Which activities add value and which do not?
- Are any activities redundant or missing?

Just by looking through these issues we can better understand that LCC is the best way to introduce continuous improvement focused entirely on the consumer of the service.

Local authorities and the public sector

It is an interesting theme that some of the media seem to display about the commitment of the public sector to meet the challenges of austerity. Knowing now that unemployment will not change in the significant future and that the provision of public services and funding is being squeezed very tightly one does wonder what is going to happen to front line delivery for us all.

How could local authorities and other public or third sector organisations start their journey to LCC? There are myriad processes that, if explored, could yield significant added value 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.

Further, pursuing LCC is a valuable exercise that many local authorities can and often do benchmark to see how other organisations compare to their own. Many authorities 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. For instance, this list of processes illustrates how small pilot projects could be used to improve overall performance:

- Purchase-to-pay systems and exploring the procurement process for all areas in a local authority
- Processing of planning applications and building warrants
- Provision of care – scheduling care visits and integration with local NHS trusts or boards
- Tendering for council work
- Allocating pupils to schools
- 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
- Chasing council debt
- Council induction process
- Development of council risk management appetite
- Repairing roads and potholes
- Invoicing for hall rents and school lets
- Processing licences
- Career guidance for school-leavers
- Dealing with complaints
- IT helpdesk
- Commercial waste collection and billing
- Landfill and hazardous waste disposal
- Co-ordinating waste management and household waste
- Salting roads
- Catering services



- Educating citizens on household waste and green policies
- Welfare fund applications
- Applying for Council Tax relief and discounts
- Allocating council houses and co-ordinating with housing associations and similar clients
- Issuing ASBOs
- 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 and their collection
- Pest control
- Property enquiry certificates
- Rent collection
- Burials
- Taxi-card system
- Parking fines

Case studies in lean³

Systems thinking approach to highways maintenance

The Highways Department of this unitary council in central England decided to carry out a review of its reactive maintenance service, following concerns about the quality of service and the potential pressures in the future. The review began in 2009 and was supported by funding from Improvement and Efficiency West Midlands. Key improvements included:

- Average time to complete a repair reduced from 36 days to two days
- Average cost of repair reduced from £68 to £59 – for potentially 11,500 repairs, this is a saving of over £100,000
- Reduction from three months' backlog of work to no backlog
- Reduction from 10% of first visits being aborted to no jobs aborted

Establishing a change management and innovation unit

As part of its approach to deliver efficiencies, this council in South Wales has developed a Change Management and Innovation Unit delivering transformational change across the council. The council has undertaken at least 15 reviews ranging from development and control to child protection. The first systems review was in the Development Control service, where despite already being a good performing service, the average time it took to make a decision on planning application was reduced from 86 days to 31 days.

Road drainage improvements

This Scottish local authority has used an approach to redesign its gully cleaning process. The main changes introduced included:

- More and better focused performance measures
- Introduction of IT systems, including vehicle-based equipment
- Changes in geographical boundaries to match Neighbourhood Management
- Annual, city-wide scheduling
- Co-ordination of routine cleaning, high-pressure jetting and traffic management

The results have included:

- Average response time to customers reduced from 53 to 11 days
- 93% blocked gullies reported by customers cleaned on the first visit
- Proportion of all gullies successfully cleaned first time increased from 60% to 75%

Rethinking support services

This metropolitan council in northern England has used lean thinking for its support services. Improvements have included:

- An increase in the percentage of people who contacted the IT helpdesk who could be dealt with immediately from 17% to 85%
- In HR and payroll, the percentage of people who could be dealt with immediately has increased from none to 85%

Lean thinking in housing/council tax benefits

This council in South Wales has applied a systems thinking approach to Housing and Council Tax Benefits. Redesign commenced in 2009 and benefits to the service-user included that they now only have to complete a maximum of five pages to inform the council of a change in circumstances rather than 36 pages. The end-to-end time has been reduced from 45 days to 12 days for new claims and 35 days to 8.6 days for changes to circumstances.

Summary

LCC can be a reality in all variety of industries from process engineering, genetics, retail and manufacturing operations to the provision of financial services. The greatest scope for immediate improvement can be in the other than profit sector, including health and educational provision. Most NHS Trusts in England, Wales and Northern Ireland and NHS Boards in Scotland have grasped the lean projects in culture change and have found some success in their applications. There are many case studies that can be found through The NHS Institute of Innovation & Improvement where projects have been undertaken to reduce waiting time for hospital beds, to lean procurement, accuracy of prescriptions and patient records, transportation of patients, integration of NHS services with local authorities.

The contention of many observers on the public service delivery to citizens, consumers and service-users is that comparatively very few organisations that rely on the public purse to support what they do have committed to the lean evolution or revolution that could reap them fantastic rewards.

Currently, we are seeing mergers of the police service in Scotland where eight police authorities have been merged into a larger service. Similar activities are taking place in fire and

rescue authorities in Scotland with also the integration of NHS and local authorities in the provision of adult health care. We can only see this trend increasing in all areas of the UK with the further merging of NHS Boards and hospitals, local authorities, the reform of many Government agencies and departments.

There now is real scope for re-engineering of public service provision using lean. We can at last see the possibilities of larger culture change, and its impact on service provision for end-users can be radically improved. However, there is an important consideration to be made and that is that LCC is not seen as a cost reduction exercise geared to achieving more with less: because if it is it will fail. Lean is about releasing waste so one can achieve more with the same. Only when that mantra is truly reflected in policy and actual practice can we expect those that work in the public and third sector grasp and commit to the process of improvement.

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 that adds significant value for end-users and citizens alike.

About the author



Philip Atkinson specialises in strategic, behavioural and cultural change. He is a member of various training consortia and has recently focused on creating innovative business simulations through learning strategies. He consults in the UK, Europe and USA, has written seven business books and published over 300 articles in management journals. He is a speaker at conferences and runs workshop sessions for a variety of organisations.

Contact, tel: 0131 346 1276. Email: philip@philipatkinson.com Website: www.philipatkinson.com

References

1. WOMACK, JAMES and JONES, DANIEL et al, *The Machine that Changed the World*, Simon & Schuster, 1990, and WOMACK, JAMES and JONES, DANIEL, *Lean Thinking*, Simon & Schuster, 1996
2. ATKINSON, PHILIP, *Creating Culture Change: Implementing TQM*, IFS Publications, 1990
3. These case studies are examples from the work of the Association for Public Service Excellence. Further examples, website: www.apse.org.uk

Interested in this topic?

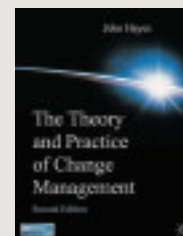
Why not find out more about successfully implementing culture change using the Institute's Knowledge Centre?

The Theory and Practice of Change Management

Author: John Hayes

ISBN: 9780230210691

Price: £38.69 plus postage and packing (UK)



This is the second edition of this core textbook for modules in change management. It examines all of the key theories on organisational change and applies them to organisational settings to demonstrate how strategies can be devised and employed to help manage organisational change and the issues arising from such change. Taking quite a practical approach, readers are helped to apply theoretical modules to real-world scenarios, through the use of experiential learning and cases.

Available from <http://ciltuk.hostedbyamazon.co.uk/>

Or contact: The Knowledge Centre. Tel: 015136 740105. Email: books@iomnet.org.uk