



Lean Thinking in the Public Sector

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Who are we?



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Ian is a Partner within the Local and Regional Government Team at Deloitte, based in Leeds. He has over 20 years experience in local government consultancy.

Ian is the UK lead for Deloitte's work on cost reduction within local government, and leads a national team in this area. He specialises in large scale transformation and efficiency programmes, with a particular focus on cost reduction and service and organisational redesign.

As well as an extensive track record within local government, Ian has also worked with central government, the health service, police and fire.



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Carol-Ann is a senior manager from the Newcastle office and has 13 years experience. She is an MBA graduate, lean six sigma blackbelt trained and has considerable experience in the Public Sector, with a Northern regional emphasis in a range of areas including: Lean improvement, service reviews, health checks, HR and workforce due diligence, organisational development, programme & change management design and delivery, Board development, capability and competency assessment and framework definition, workforce and talent strategies, vision / strategy, target operating model formulation and organisational design.

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Introduction

Introduction

Deloitte has experience in delivering sustainable cost, value and quality improvement through using and embedding lean practices and philosophy, strategically and organisationally, moving away from the traditional process orientation.

Being a 'lean organisation' is essential in the current economic climate and particularly in the public sector.

We'll be talking about the concept of lean, what's needed to make it work and also how to look at this strategically, at a regional level for all public sector partners.

Current public sector challenges

Current Public Sector Challenges

A current issue:

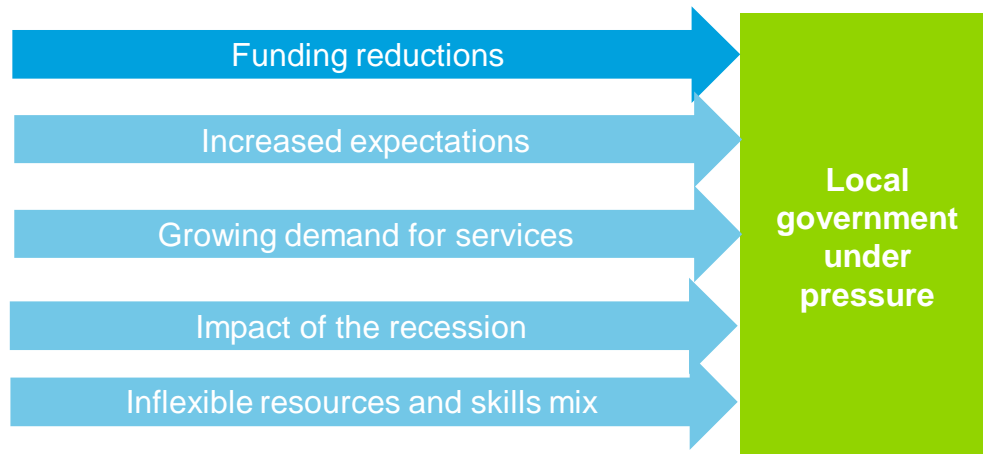
Public Sector clients are telling us that there are key challenges in interpreting Outcomes to tangible, measurable targets, having clear cross-partner accountability.

We'll be looking at this in the context of lean; who is the 'Voice of the Customer' in the public sector and how can we truly be lean until we understand this?

But first, what exactly is lean?

The Government's Spending review requires local government to make tough choices on how services are delivered within reduced allocations. With grant funding being cut by 28.4% and an average 7.1% annual fall in government formula grant over the next four years. The impact will be felt differentially, with some Councils facing much tougher settlements.

These funding changes will drive increasing diversity of provision in public services, removing barriers to greater independent provision and supporting communities to play a bigger role in shaping and providing services.



“To address these pressures and embrace opportunities, local authorities need to take radical steps to become leaner, more streamlined entities that are closer to their customers and able to swiftly respond to changing circumstances”.

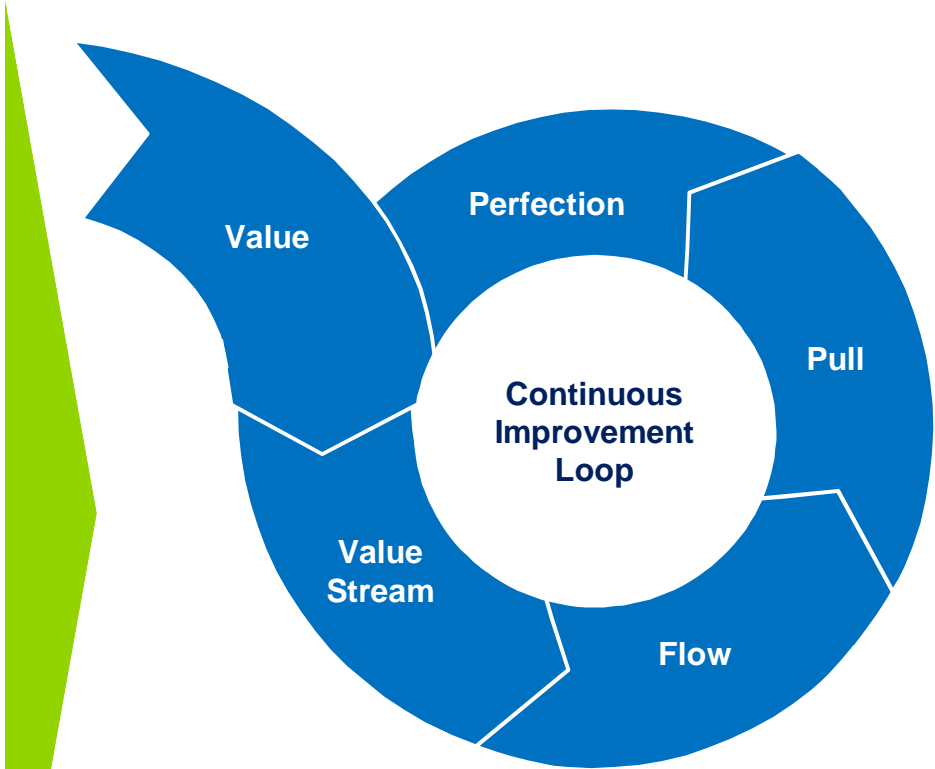
Focusing upon Continuous Improvement, using Lean Thinking, can be an important element in helping authorities to respond to this challenge

What is lean?

What is Lean?: Core principles

Lean thinking originated with 5 core principles used to drive continuous improvement

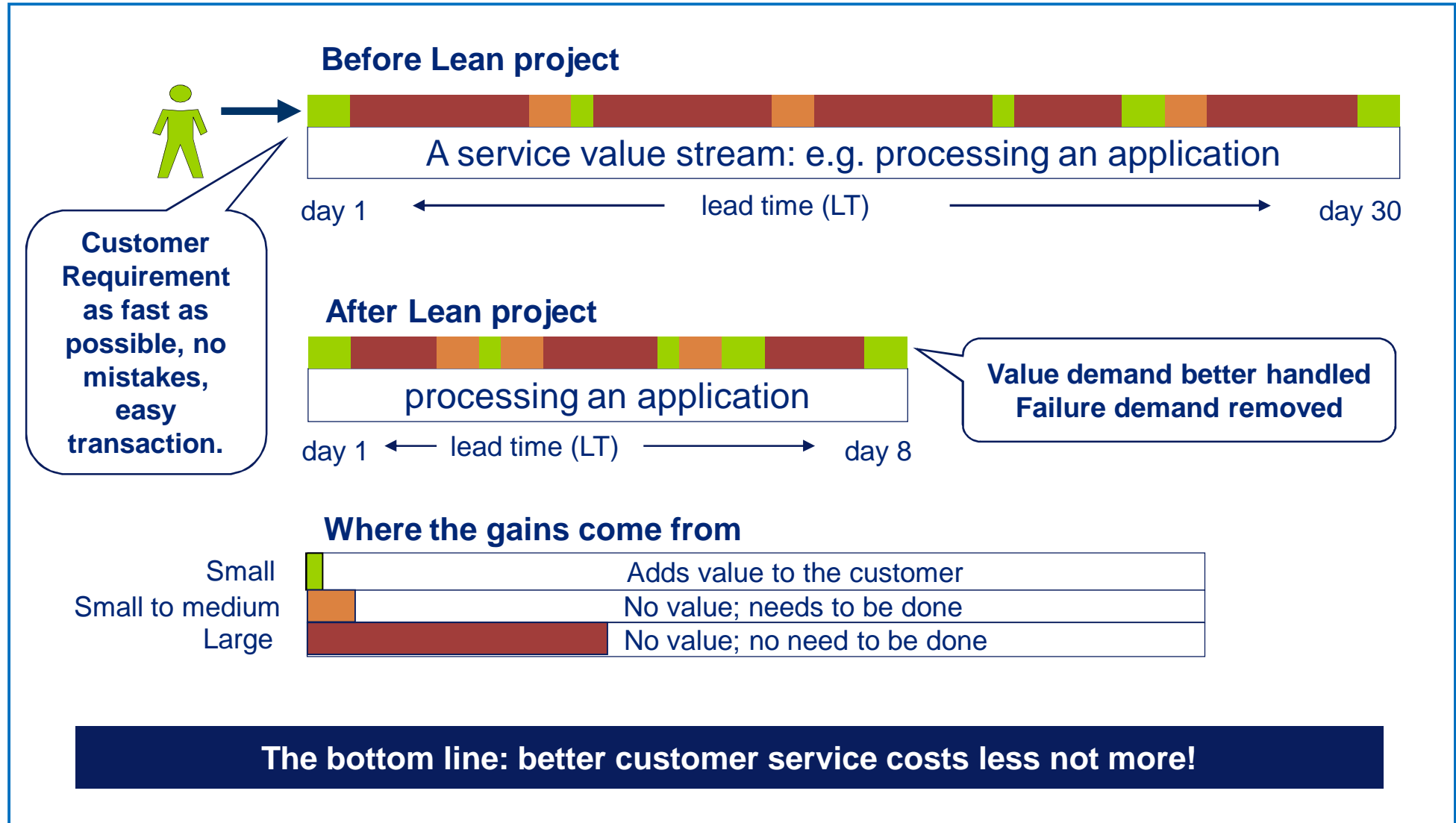
Value	Precisely specify value from the customer's perspective
Value Stream	Identify the value stream for each product or service
Flow	Make value flow without interruptions
Pull	Let the customer pull value from the producer
Perfection	Pursue perfection



**Reducing waste
Increasing speed & efficiency**

The Lean goal

The Lean goal is to achieve more customer value using less resource by eliminating waste & reducing end-to-end time

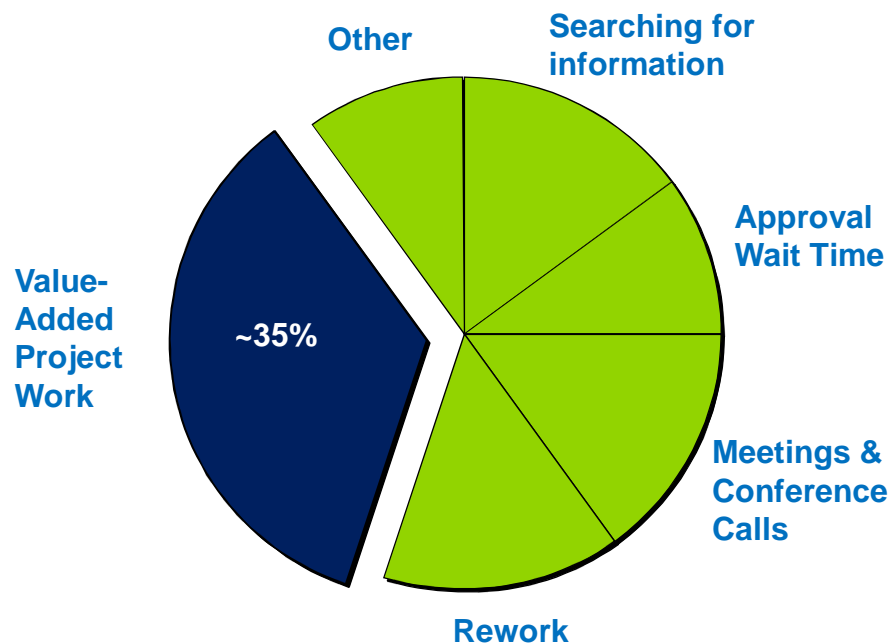


Identify waste

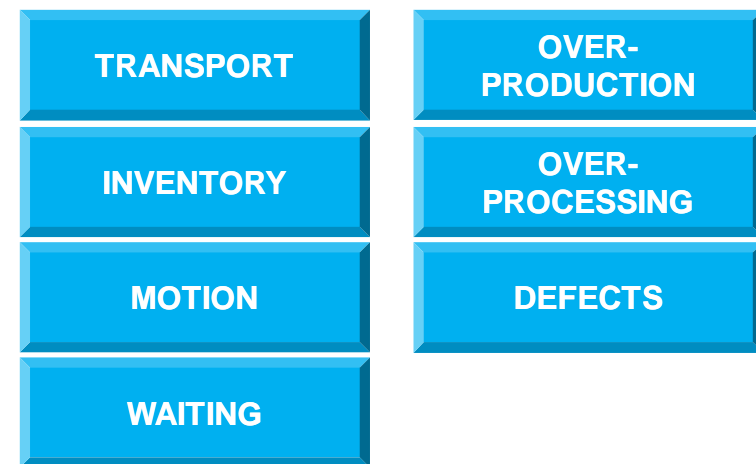
Waste can be defined as any aspect of an activity, task or process that adds no value to the final product or service

Categorising waste allows us to quantify it and make it tangible

Service Environment



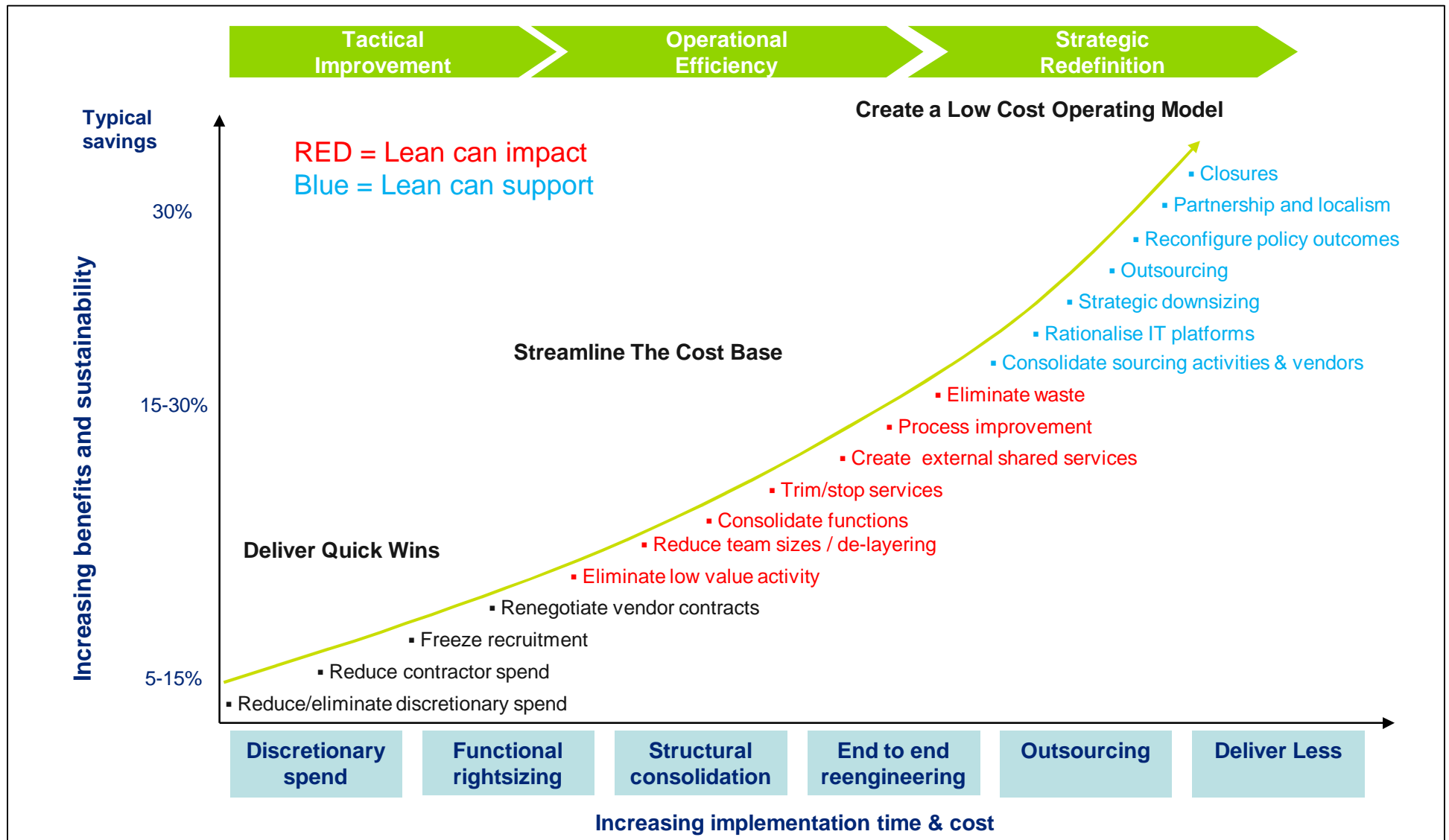
Seven wastes



- ❖ Waste is a **symptom** rather than a root cause of the problem
- ❖ Waste points to problems within the **system**
- ❖ A rule of thumb is to expect that **40-60%** of what we do adds no value

Lean is an integral part of a transformation programme

Achieving sustainable savings



How does lean fit?

Voice of the Customer

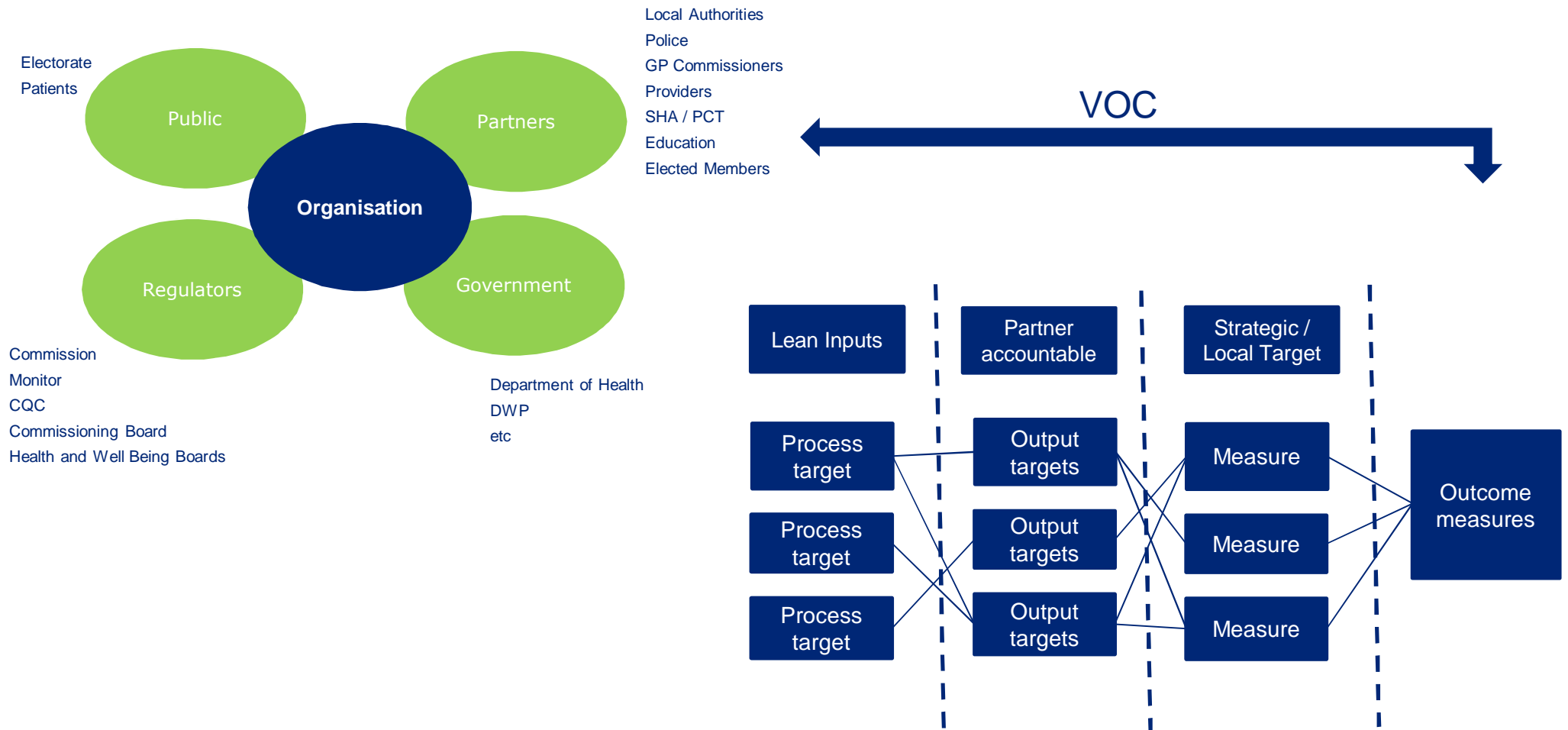
The 'Voice of the Customer' in the public sector

You can't lean and transform effectively without first answering these questions...

- ❖ Is the VOC clear?
- ❖ Can you measure the VOC?
- ❖ How confident that are you that your efforts are fully aligned to VOC?
- ❖ How do you know who's responsible for what across the region in relation to outcome delivery?
- ❖ How responsive is your organisation and regional partnership?
- ❖ Can it support continuous improvement?

The 'Voice of the Customer' in the public sector: Leaning the whole system

This is a complex set of interrelated relationships, cross-system to realise outcomes and is an ongoing partnership exercise.



How does Lean 'fit' in an organisation?

It consists of three elements:

- ❖ leadership approach
- ❖ thinking, learning and ways of working
- ❖ tools and techniques

Strategic Lean is the operational delivery of strategic goals.

It focuses on providing what the customer values, with minimum waste

VOC? → Strategy



Value

These 3 in combination delivers transformational change

How is Success determined?

Lean Success Levers*

What creates a productive, Lean organisation?

- Organisations need to focus on three levers.
- Strengths need to be leveraged; areas for development worked upon. Together this creates the basis for how the organisation is developed.



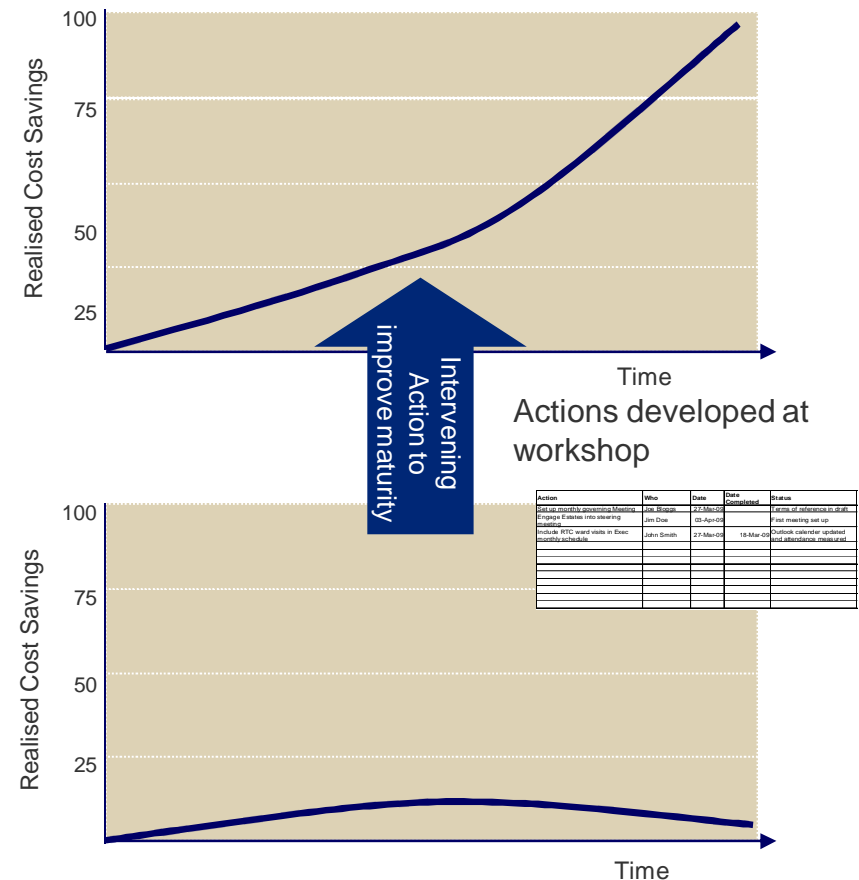
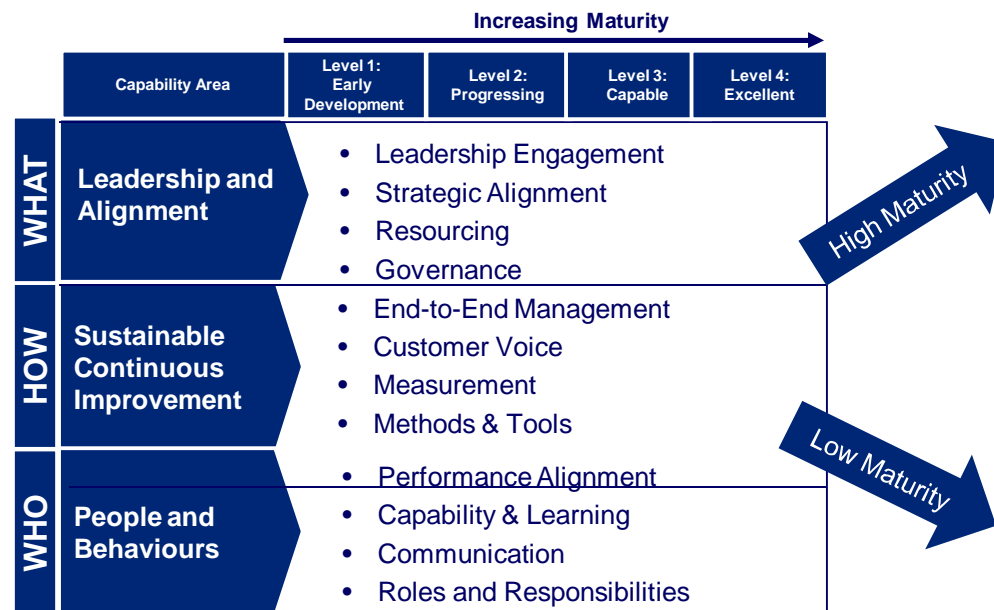
Lean Thinking, Method and Tools

How functions, processes and pathways are designed and improved

* = based upon Deloitte research and experience in over 100 public and private organisations

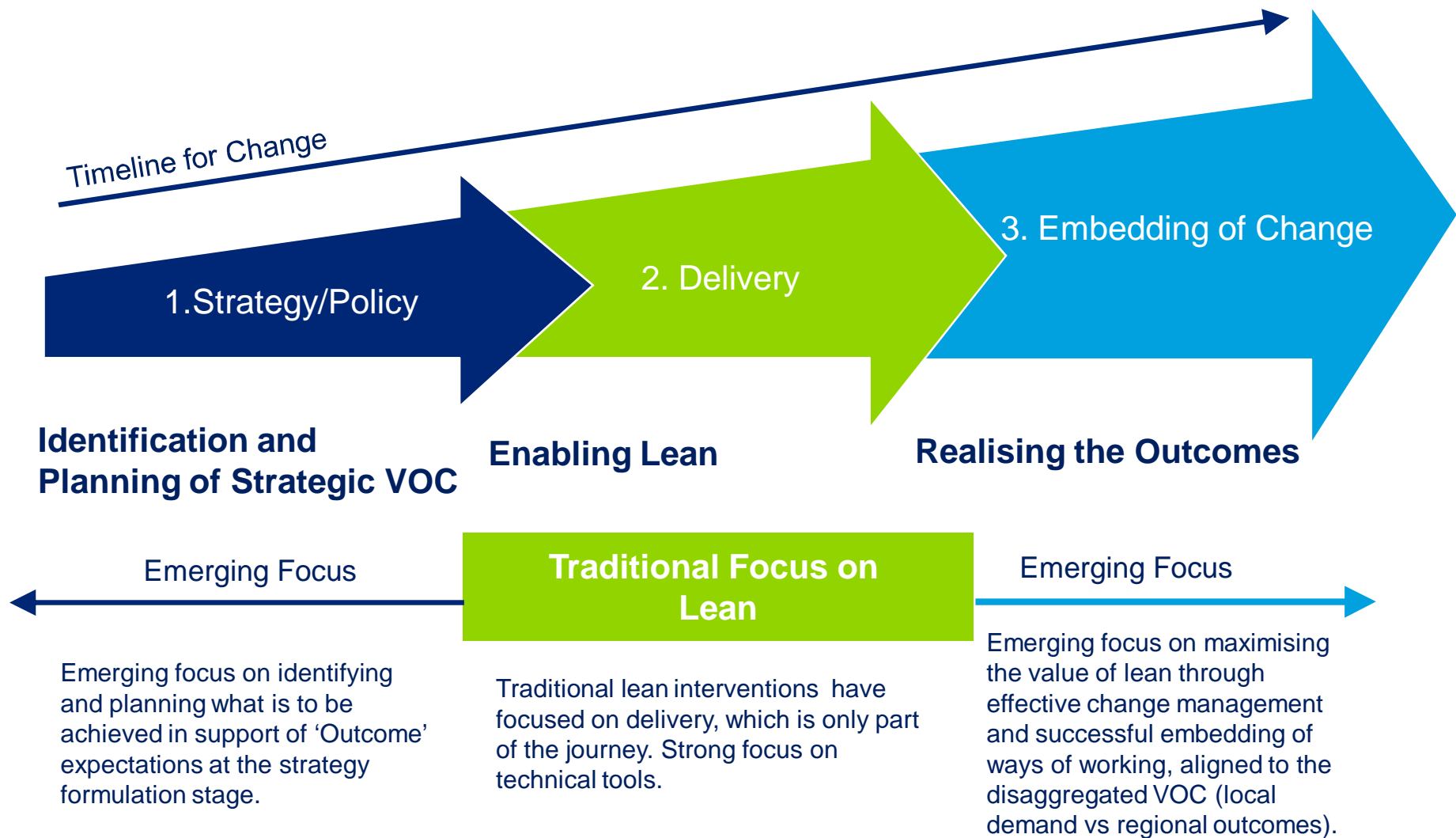
Understanding the factors will allow you to shape your programme

Each factor is measured against four maturity levels, forming a diagnostic to establish whether organisations are actively sustaining their lean programme or intervening action is required



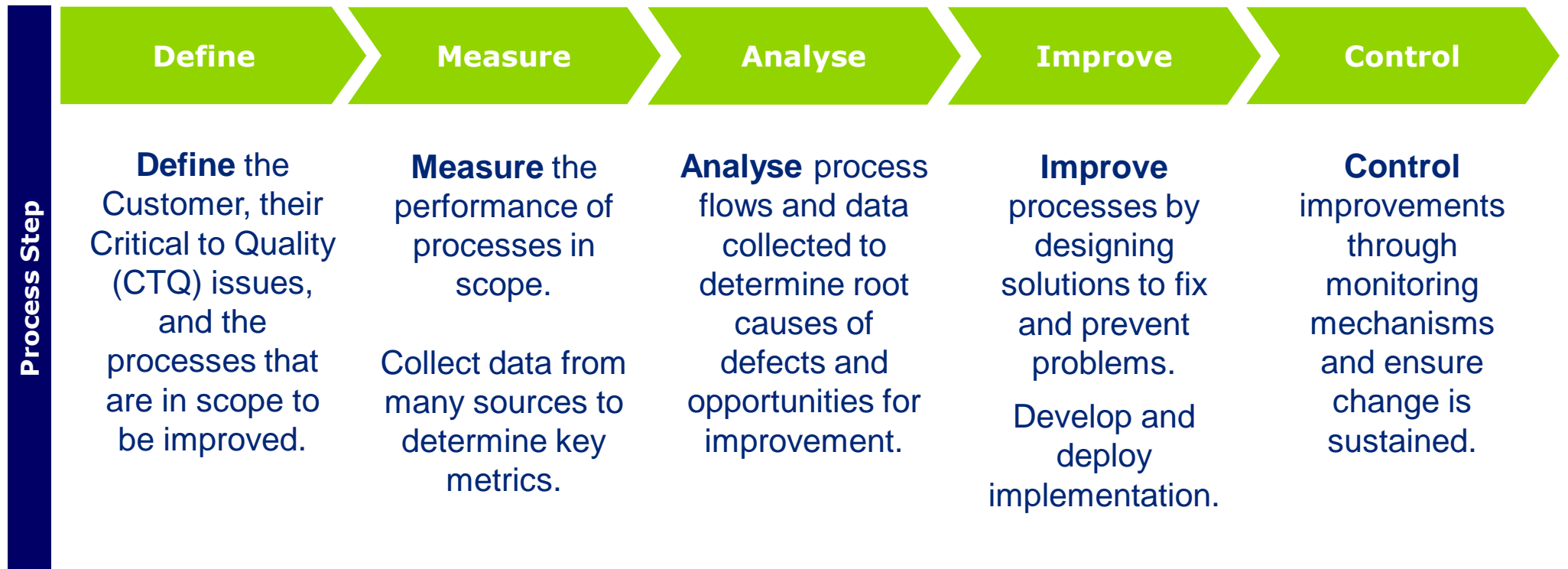
Leadership Engagement focuses on how the organisation leaders interact with the programme to establish its importance. This interaction is observed and emulated by the organisation workforce.

Lean: *Embedding the Change and Transforming*



Overview of the Approach to Lean

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A series of enablers are available to help complete each phase of the approach:

The approach using a series of workshops

Focus is on enabling people to demonstrate change and quick hits

	M - Mobilisation Workshop	CS1 - As-Is High level Workshop	CS2 - As-Is Detail Workshop	FS1 - Future State Workshop	FS2 - Implementation Planning Workshop	WP - Running the Work Pilot
Outputs	<ul style="list-style-type: none"> Project Kick-off Finalised Scope High-level process Team Selected High level plan agreed 	<ul style="list-style-type: none"> Customer requirements Plan interviews and current state mapping 	<ul style="list-style-type: none"> Current State map Report back to key stakeholders 	<ul style="list-style-type: none"> Future State map Report back to key stakeholders 	<ul style="list-style-type: none"> Implementation plan & charters Final Report back 	<ul style="list-style-type: none"> Rapid execution of the quick hits and improvement opportunities identified Confirm expected benefits
	<ul style="list-style-type: none"> Initial identification of the quick hits to be refined and designed, ready to be executed 					
Key Activities	<ul style="list-style-type: none"> Lean Awareness Validation of end to end process scope Value tree analysis Refine charter Confirm data requirements Identify design boundaries 	<ul style="list-style-type: none"> Lean education by "doing" in a practical environment - team building Review charter, SIPOC and demand Understand who the customers are (VOC) and their requirements Value Stream Flow Plan for 'seeing is believing' 	<ul style="list-style-type: none"> Seeing is Believing - Walk the process to understand what really happens, how long it takes, and what the key issues are Construct the current end to end value stream map 	<ul style="list-style-type: none"> Conduct value and waste analysis; identify what is preventing the value to flow Define blue sky vision and agree future state lean design principles Map the future state Highlight benefits 	<ul style="list-style-type: none"> Identify the implementation work packages and draft charters Prioritise work packages Define a high-level implementation plan Agree pilot content Agree governance and get stakeholder buy-in 	<ul style="list-style-type: none"> Test & refine new streamlined process in a safe environment Implement visual management Develop standardised operating procedures Measure new KPIs Up-date front line knowledge base, Plan transfer to BAU

People 'leaning' and cost reduction

Our framework provides a structured approach for organisations to reduce people related costs, through both tactical and strategic initiatives, rapidly or over the longer term

What are the opportunities to reduce your people cost base?

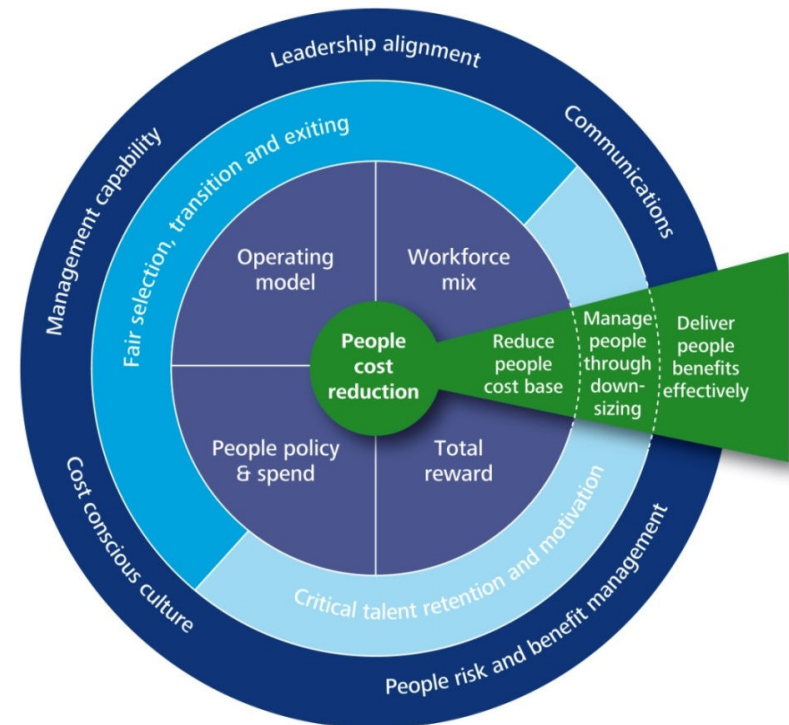
- Radically reshape the operating model in line with organisation strategy
- Identify opportunities for optimising the workforce mix
- Re-assess remuneration, pensions and benefits
- Maximise the return on investment in key people management processes, including training, recruitment and recognition

How can you best manage people through a period of downsizing and uncertainty?

- Implement strategies to identify, motivate and retain critical talent
- Develop fair selection processes to support rapid headcount reduction, consultation and smooth exit of people

How do you deliver cost reduction in a way that maintains performance and realises people benefits effectively?

- Deploy effective change management to minimise the impact on business as usual operations and embed a cost conscious culture
- Ensure benefits are tracked and delivered



Summary & close

Summary

- ❖ Lean isn't just about removing cost, it's about sustainable efficiencies and continuous improvement.
- ❖ It's about a new way of working that needs embedding, internally and across the region.
- ❖ It has to have full and clear support from leadership.
- ❖ It needs to be supported by a performance management system to maintain new ways of working and continuous improvement.
- ❖ Lean isn't just about end to end processes, it's about transformation.
- ❖ Lean can deliver outcomes through continuous regional appraisal requiring strong partnership working and clear accountabilities



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