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**Sustaining lean improvement  
Practical lessons from a UK Government  
department benchmarking study**

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**Her Majesty's Revenue and Customs (HMRC)**

- **HMRC employs over 96,000 people - that's 18% of all civil servants - in more than 300 locations and over 500 offices**
- **In 2006/07 HMRC gathered £423 billion in tax and duties, £25bn more than the previous year**
- **In 2006/07 HMRC paid out tax credits of over £18.5 billion gross**



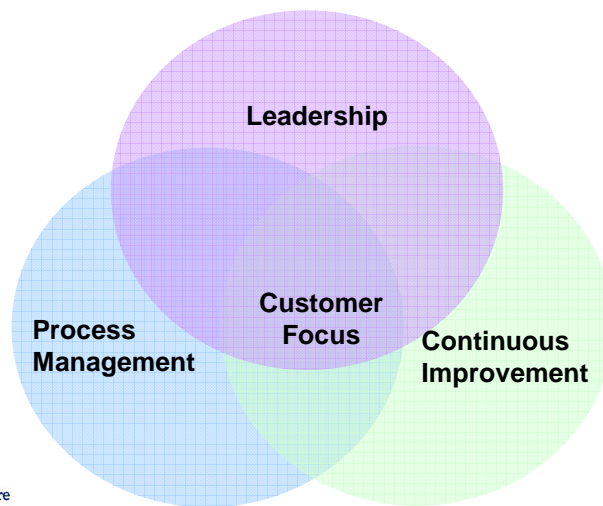
## Background

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- In the autumn of 2005 the PaceSetter (Processing) Programme was established with the aim of transforming processing operations, continuously improving the business in terms of efficiency, productivity and quality and to provide a better customer experience
- To date, Pacesetter has taken approximately 30% of the cost out of Processing. HMRC are now also getting Customer Service Improvements
- The aims of the study were to understand the enablers of process performance improvement and to benchmark HMRC Processing's performance against other organisations



## PaceSetter (Processing) Principles



## The Study

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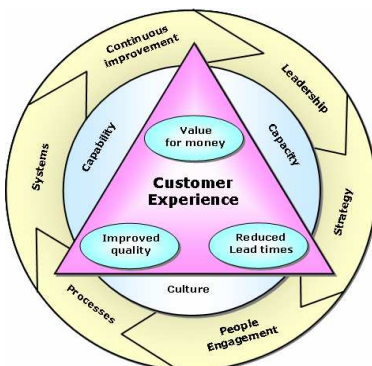
- Initial interviews with stakeholders and a review of both internal and external documentation
- Screening survey with 35 respondents from around the globe. Organisations were chosen because they were good performers and not because they were 'lean' implementers
- 5 site visits to collect detailed approaches (plus one mini-visit)
- Analysis involving the extended project team



## Initial stakeholders' views

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- Developed framework reflecting key components & requirements of project



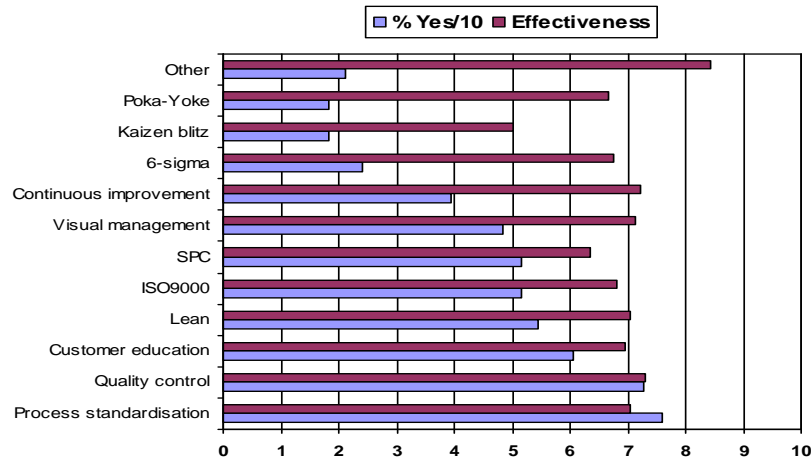
•At the heart of PaceSetter and the External Benchmarking Project is improving the customer experience

•To achieve this we must build the right capacity, capability, and culture

•These improvements will be enabled through effective leadership, business strategies, systems and processes, people engagement and continuous improvement



## Continuous improvement techniques



## Screening survey conclusions

- **Leadership drives success.** We found that many of the attributes of a successful organisation were related to the quality of the leadership.
- **Engaging staff requires open and honest communication plus ensuring that they are involved at an early stage in change.** The most frequent methods of engaging people included holding regular team meetings, distributing internal communications and running employee surveys.
- **Process management requires doing many things well.** These include identifying and understanding key processes, particularly the ones that deliver customer services.
- **Don't throw out the quality basics.** Traditional approaches to improvement such as process standardisation and quality assurance are used frequently to manage improvement.
- **Learning from others is not easy.** Organisations may find it difficult to adopt the practices they capture from other organisations, or perhaps they do not collect the practices in a systematic manner.
- **A culture supportive of change goes a long way.** Leadership capability was found to be related to having a supportive culture, and having such a culture had many benefits.
- **Expect change to hit your people satisfaction.** More organisations reported change as having a negative impact on people satisfaction than a positive impact.
- **Improve your processes and customer service and cost reductions will follow.** When implementing a change programme organisations aim to hit all these three aspects.
- **Comparing transactional performance has its problems.** Whereas many organisations have a view on their level of customer satisfaction and quality level, few were able to provide results for processes related to time and value for money.
- **The performance of public sector organisations is not as strong as for the private sector.** This comment relates to areas such as leadership, levels of people engagement and the effectiveness of various improvement techniques.

## Some other points

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- Even though some organisations did not report using particular techniques in the survey, they were found to be used in practice.
- It was common for organisations to use their own language to describe techniques, mix and matching what was appropriate for their organisations.
- Improvement requires a mix of people engagement/ continuous improvement and managed projects.
- None of the six organisations that have been site visited use Kaisen Blitz/ RIE
- 'Lean' means different things to different organisations. Two modes have been detected:
  - Lean enterprise
  - Lean engineering

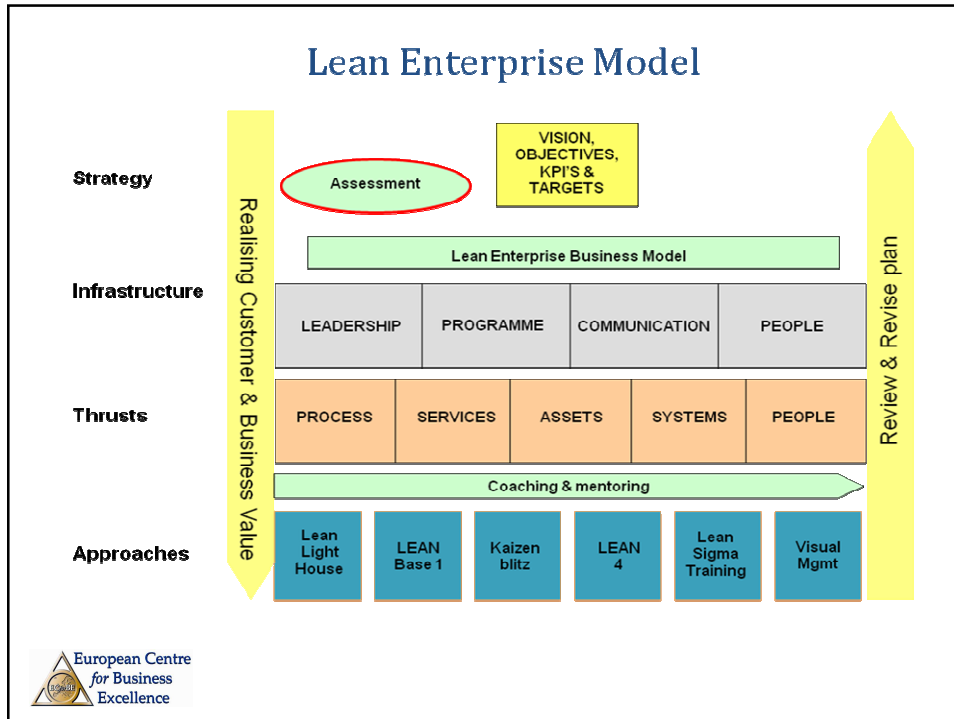


## Being controversial

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Lean in Service = TQM + 5S's + 8 wastes





### Lean engineering - Lean '4'

- Getting going needs something that will appeal to a smaller target audience such as a department
- Short duration – High impact approach that first re-engineers a process and then seeks to introduce continuous improvement to promote sustainability
- 4 came from:
  - 4 weeks
  - 4 stakeholders considered
  - 4 time ROI

## What are the 4 Stages of Transformation?

### Stage 1

#### Formulating Plans

By the end of stage one staff will share a common vision of objectives and knowledge of the tools and techniques required to analyse the process flows within the organisation. Linkages between customer Service, quality, costs and non value adding activity will have been formed.

### Stage 2

#### Organising Resources

Detailed process mapping, time and cost information. Time based mapping of current processes provides identification of opportunities with the benefit of presentation in a visual format. Discussion of outputs with staff and management with agreement. Alignment to customer needs and performance measures.

### Stage 3

#### Uplifting Performance

Measurement of outcomes, comparisons of before change/after change. Visual mappings of the new process and calendar time consumed. Process and service output improvements. Staff and managers are involved and experienced in a range of lean improvement tools and techniques.

### Stage 4

#### Reinforcing Benefits

Before and after wall maps to communicate changes to all staff. Understanding the new ways of working and feeling in control ensure staff can monitor and develop continuous improvements.

- Typical benefits -
- 50% reduction in throughput time
  - 20% reduction in staff non value adding time
  - 10% reduction in costs
  - Improved staff morale and higher levels of customer service
  - Higher levels of customer satisfaction and service.



## 4 The Lean Schedule of Activity

← Midday Monday ----- to ----- Midday Friday →

Set-up and preparation	Launch presentation and Readiness for Change analysis	Workshops and Staff Training	Process definition and mapping	Agree scope and improvement goals
Clarify internal and external customer needs	Analysis of performance gaps	Creativity workshop	Vision and map 'to be' process	Validate with Senior Management
Plan Implementation	Identify obstacles and barriers	Breakthrough	Pilot with process users	Optimise new process design
Implementation	Implementation and Measurement	Record changes	Feedback presentations to leaders	Review and recognition of team achievements



## Top good practices for sustaining lean

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- Hydraulics model to predict cause and effect relationships
- Using the 'Honest Conversations' as an approach to drive up management performance, capability and confidence
- Exposing the leaders' to change helps them address 'fears, facts and feelings'.
- Employee surveys can be key enabler to improving people engagement when feedback is very fast
- Greater consistency of direction can be achieved through the introduction of a structure of fixed Senior Leader tenure
- Encouraging the development of a 'pull' culture that embraces change through establishing a 'burning platform'
- Establishing a clear "line of sight" between strategic objectives and individual goals to support the deployment of top level strategic goals down to an operational level
- 'Town Hall sessions' using technology to broadcast key communications



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