

Cash on the Barrel with Lean



BY BERT TEEUWEN

Lean is hot. Many people have come to see Lean as a persuasive set of improvement tools that incorporate a compelling philosophical approach. A number of government organizations are interested in using this improvement program, or are already doing so. However, managers often say Lean programs ultimately don't deliver quite what they were expected to. Controllers often wonder why department heads are waxing lyrical about Lean's results when the final numbers don't show anything significant. Does that mean it doesn't work, after all?

Too often, staff enthusiasm for Lean implementation is temporary. In practice, the redesigned processes are frequently left on the drawing board, or the predicted improvements in performance don't materialize. But this doesn't mean that Lean isn't a powerful improvement tool. There are plenty of examples of successful organizations, including government organizations, that can call themselves Lean, not only in their approach, but in their results as well.

There are many possible reasons why Lean might be unsuccessful, or only partially successful. This article deals with three scenarios the public sector often observes after starting Lean:

1. Our improvement plans never got off the drawing board.
2. Colleagues put up too much resistance to the improvement plans resulting from a Lean event.
3. We expected the new process to save us a lot of time, but we haven't seen any quantifiable benefit.

The key to addressing these challenges is to think of the Lean journey in the context of the Plan-Do-Check-Act cycle. Plan-Do-Check-Act is at the heart of Lean thinking. If you think of Lean as a series of Kaizen events (in which a team makes improvements to a process), you are more likely to experience the issues described above. Plan-Do-Check-Act completes an entire circle of Lean activities, beyond just the Kaizen event. This article reviews the Plan-Do-Check-Act cycle and then, in that context, examines specific issues that can prevent your organization from creating real value with Lean.

THE CYCLE OF LEAN THINKING

Theoretically, Lean process improvements should follow the eight steps of the Plan-Do-Check-Act cycle, which are explained below. (See Exhibit 1.)

Plan. This is the thinking process, which starts by thoroughly defining the assignment, including the reasons why the process needs to be improved. A team produces a value stream map to illustrate the process as it is now and to specify all its deficiencies, and then it designs the ideal process from the client's point of view. After that, the team draws a value stream map of the desired situation and produces an action plan that includes all the concrete solutions needed to make that redesign a practical reality. (This is Steps 1-5 of the cycle of improvement.)

Do. In this phase, the participants perform all the actions listed in the action plan or delegate them to others. (Step 6.)

Check. In the Check phase, participants evaluate the effects of the improvements that have been carried out. They compare the results of new measurements with old ones and with the goals set for the improvement assignment. (Step 7.)

Act. In the Act phase, participants adjust the redesign based on their assessment of the effects they've observed. The art of improvement is to make things run better, and to ensure that they continue to run better. Team members think of ways to make sure the redesigned arrangements continue working in practice. (Step 8.)

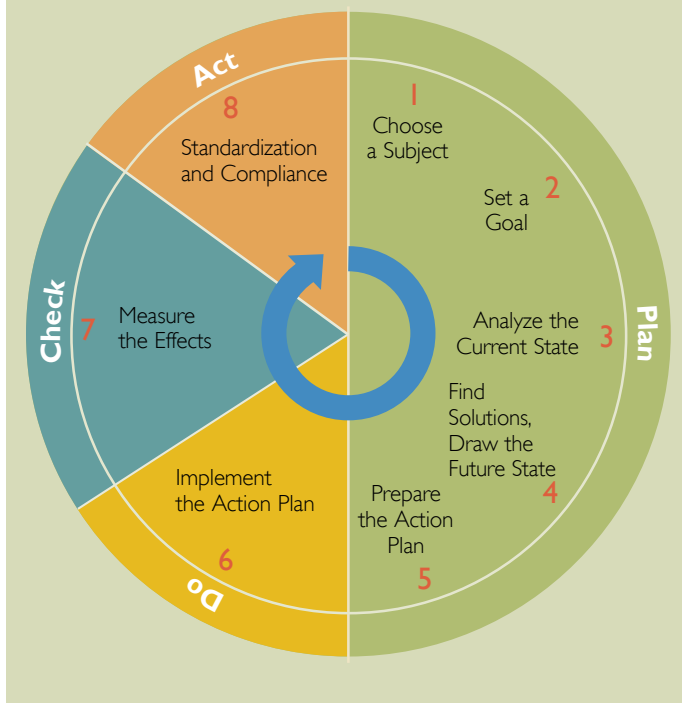
The ideas for improvement generated by Lean can languish, however, even when participants follow the Plan-Do-Check-Act cycle. Below are two common solutions: Using the Kaizen team to get Lean off the drawing board, and getting everyone involved in Lean to avoid "not invented here" syndrome.

OFF THE DRAWING BOARD

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Exhibit I: The Plan-Do-Check-Act Cycle of Improvement



plan has been created. Lean initiatives tend to get stranded after the Plan phase — that’s because the Do-Check-Act portions of the improvement cycle take the most time. The plan can get stuck on the drawing board because no one takes the initiative to implement it, or because it is no longer a priority.

Any assignment that uses a Kaizen team to improve a process needs to be treated as a project, no matter how small it is, and projects have a project manager and a formal assignment. The project team stays in place until the assignment has been completed — when the redesigned process is stable and functional. Avoid scenarios in which the improvement team hands over the redesign on paper to the line employees, along with the responsibility for implementing the action plan. Under this scenario, the improvement will be delayed or abandoned because the line organization doesn’t feel sufficient ownership of the plans.

To generate maximum support for improvements, make it a standard rule that improvement teams will work with the cycle of improvement, devise with solutions, and make sure

those solutions are implemented. Team members feel more responsible for the improvement ideas when they have to ensure the implementation and stability themselves. This fundamental rule also influences the kind of solutions the team will formulate, making them pay more attention to the extent to which the solutions can be implemented and supported. And this, in turn, makes it more likely that their colleagues will accept the solutions.

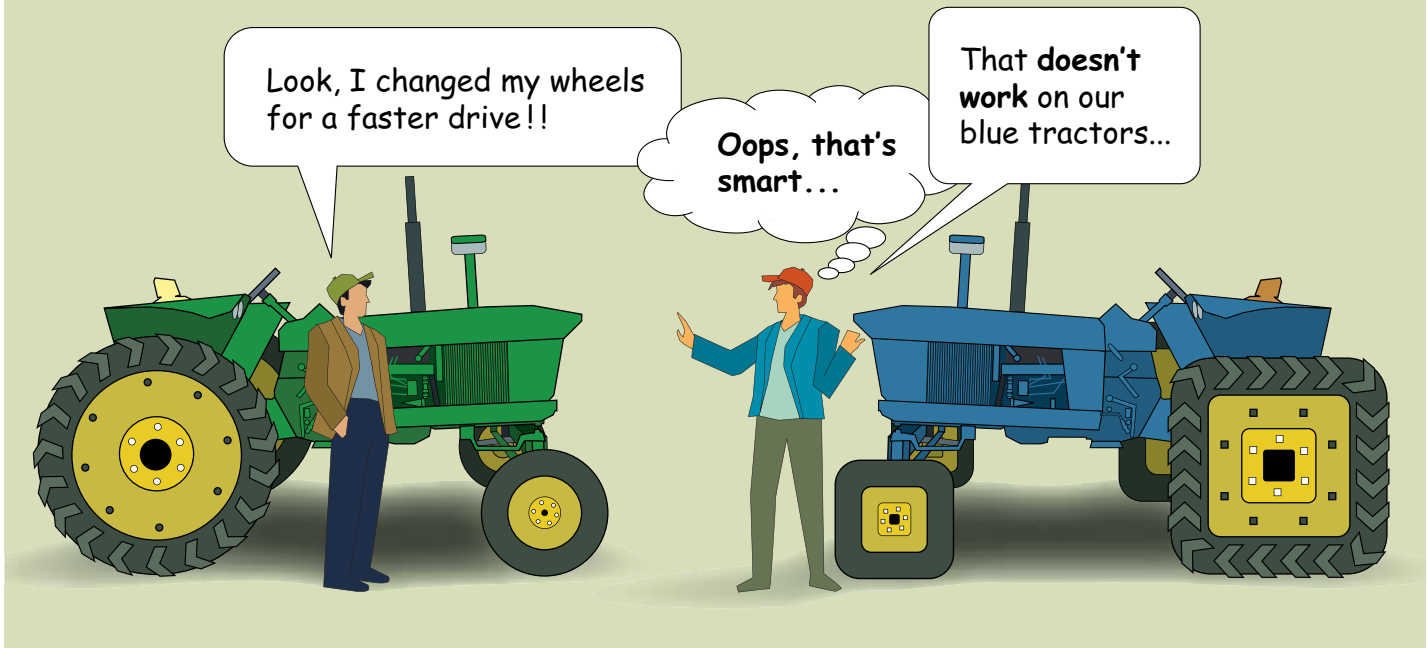
GET COLLEAGUES INVOLVED

Resistance to improvement ideas can arise over the course of the improvement process among management or staff. A Kaizen team is most effective when it is not too large, which means more staff members will be outside the improvement team than on it. As a result, the teams often have to fight against the current because their colleagues start to suffer from “not-invented-here” syndrome” (see Exhibit 2 for an illustration). The axiom that good ideas speak for themselves is a myth — even the best ideas come up against resistance.

To avoid this situation as much as possible, involve colleagues early on in the analysis and solutions. For example, the person commissioning the assignment can work with the management team to draft the assignment document, which improves the odds that they will support it. The Kaizen team should communicate its progress periodically in newsletters or noticeboards and in regular working



Exhibit 2: Not-Invented-Here Syndrome



discussions. The best time for team members to discuss the solutions with their colleagues is just at the moment those solutions are beginning to take shape. And these methods don't just boost support — they also prevent the team from becoming isolated and succumbing to tunnel vision or thinking all their ideas are perfect. Colleagues help the team by pointing out possible blind spots in their analysis.

Another thing to keep in mind: Although open communication will reduce resistance to the plans, the goal is not an endless quest for consensus. Everyone must be free to respond to the proposals the improvement team makes, but it must be clear that the improvement team has the final say in selecting the solutions. After all, it is their assignment.

There is a potential for improvements to dissipate as time passes, and the process can regress to previous levels. When the Kaizen team is

disbanded, the solutions are passed on to the line organization, which is then responsible for maintaining the solutions. To address this problem, the Kaizen team needs to concentrate on developing smart solutions and a straightforward working method that is easy to teach and pass on, along with ways to ensure constant monitoring of the results. In this way, the results will remain visible to all involved and adjustments can be made whenever necessary.

CREATING REAL VALUE WITH LEAN

Lean is a tool that can make government processes more efficient and effective, freeing up employees from a number of activities they no longer need to perform — unnecessary inspections, transporting materials to locations across town, writing reports that no one ever reads. But how to best take advantage of the time saved is another question. Imagine that a particular process now takes 50 minutes per request instead of 150 minutes.

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What can be done with those extra 100 minutes?

The answer lies in one of the central tenants of Lean: Maximize value to the customer. Value is a product of the benefit customers receive and the cost they pay. Hence, Lean delivers value in the public sector by either increasing the benefit citizens receive from government services or by reducing the cost of government. Some of the most important challenges in realizing value through Lean are explained below.

THE EMPTY GARAGE EFFECT

Improving processes can be compared to cleaning out the garage. Junk keeps accumulating, and eventually it all has to be cleared out. The result is a practically empty garage that contains only necessary items, but this state is only temporary. If you do not reduce the amount of empty space or use it for something constructive, it will start to fill up with junk again. In the same way, any time that is saved by removing unnecessary activities from a process must be immediately allocated to activities that are useful and create value, or you must remove the extra capacity. Otherwise, this extra capacity will be taken up by activities that do not add value for the public

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The first step in avoiding the empty garage effect is near the very beginning of the Plan-Do-Check-Act cycle: Know your goal for improving the process. Will you increase value by reducing the cost of the process or by increasing the benefit it produces? Then, in the Check phase, measure to make sure that newfound capacity is not being absorbed by new

activities that don't add value. It is often difficult to take these measurements in the public sector, however, because government bodies don't usually know how much their processes cost. If the 100 minutes of time saved per application in the example above were converted into costs per application, what effect would that have on departmental costs? And on the number of employees in the department? The organization can demonstrate and benefit from the working hours saved if the financial department makes calculations in terms of process costs or if they can make a conversion. Hence, the finance officer can support Lean by developing measurement methods to gauge process costs and savings.

LEAN AND LAYOFFS

If there is no demand for providing additional benefit to the public, the only way to increase value is by providing the same level of benefit with a smaller workforce. Are layoffs and Lean compatible?



The primary function of Lean is to eliminate wastes and maximize value, rather than cutting costs or laying people off. Lean is about mobilizing employees and getting them to analyze their own processes. Who is going to do that if it means they might lose their jobs? In the private sector, Lean is about maximizing value and minimizing losses, which perfectly suits corporate growth objectives. Government bodies are not growth oriented, however; for governments, Lean is about minimizing losses, but not necessarily about maximizing value — although it isn't always obvious from whose perspective value is determined. Many citizens would consider streamlining government to be a valuable endeavor. After all, it means that they have to pay less tax in the long run.

Organizations that work with Lean must determine the importance of hard-dollar savings and reducing the budget as an objective of Lean. For jurisdictions that have already cut staffing to the bone or beyond, Lean may just be a way to provide public services effectively with the people who are left. Other organizations may need to reduce the costs of government in the face of shrinking budgets. Be clear about the organization's goals in all communications with employees. They usually already know if staff costs have to be cut; after all, they read the papers too, especially in times of fiscal crisis.

Make sure staff understands how the efficiency savings from each improvement project will be used. If the idea is to create more benefit, specify exactly what that will be. If trimming the workforce is the objective, then make this clear, as well. Most civil servants are willing to work toward making their processes Lean even when they know that cutbacks have to be made and their own jobs hang in the balance — if the organization needs to reduce its workforce by 10 percent, there is a 90 percent chance you will keep your job. In such cases, however, it is best to employ Lean processes only to make the work feasible with fewer employees.

Also keep in mind that any reduction to the workforce must be sustainable. Organizations can create

temporary savings simply by letting people go instead of addressing wastes and making the processes Lean, but those gains will soon be wiped out by other wastes. The result is fluctuations in workforce numbers that resemble saw teeth when plotted on a graph: following every trough (following cutbacks) is a peak that is slightly higher than the last one. In this way, staff numbers gradually increase as time goes by.

CASH ON THE BARREL

Why is it so difficult for the public sector to convert time savings into cash savings? A number of forces stand in the way, starting with the instinct for self-preservation — protecting the safety and security of one's own function and status. Not all managers are willing to allow significant cuts to their workforce as a result of more efficient processes, and even fewer are willing to actively suggest such cuts. Team size indicates managerial status and thus corresponds directly with a manager's sense of job security.

This is why Lean activities can save a great deal of time but fail to save any money. No valuable activities are added to fill the newly available time, and departments still rack up the same number of hours. This behavior is particularly apparent in large government bodies with notable divisions of labor and departments that feel disconnected from the organization as a whole.

For every process under examination, the members of the Kaizen team need to measure the actual time needed for each step in the process so they can determine the actual working hours needed for the new process. The manager then needs to specify what should be done with the time saved. If the workforce is reduced, the manager

converts the time saved into the number of full-time equivalent positions reduced, either by not replacing staff members who leave or by laying staff off. Sometimes organizations achieve significant savings by using Lean processes, and sometimes they save only 0.3 or 0.4 FTEs here and there. To capitalize on smaller savings, a manager can use the project

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overview to make concrete decisions about redistributing and reducing the workforce. The manager who is responsible for realizing the savings needs to regularly report back to upper management, perhaps in the form of a Lean steering committee, on whether hard-dollar savings have been realized. It is the manager's job to keep track of the progress of all Lean events and to know how the department is capitalizing on the savings.

CONCLUSIONS

Lean implementations often seem to perform poorly in relation to measurable benefits, largely because organizations fail to carry out the action plans for the redesigned processes. In effect, they Plan but fail to Do, Check, and Act. Another reason benefits aren't realized is a failure to clarify and capitalize on desired source of value from Lean. To avoid these failures, organizations need to manage Lean through the Plan-Do-Check-Act cycle and keep up to date on what phase Lean activities are in. Then, when the Plan-Do-Check-Act cycle is complete, they need make the value derived from Lean activities visible in terms of better service and the same amount of work being done with fewer employees. The eventual result of Lean is therefore a smaller yet more effective government that can continue to create more value, as needed. |

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