

# Proving the Concept works: The Lean Diagnostic

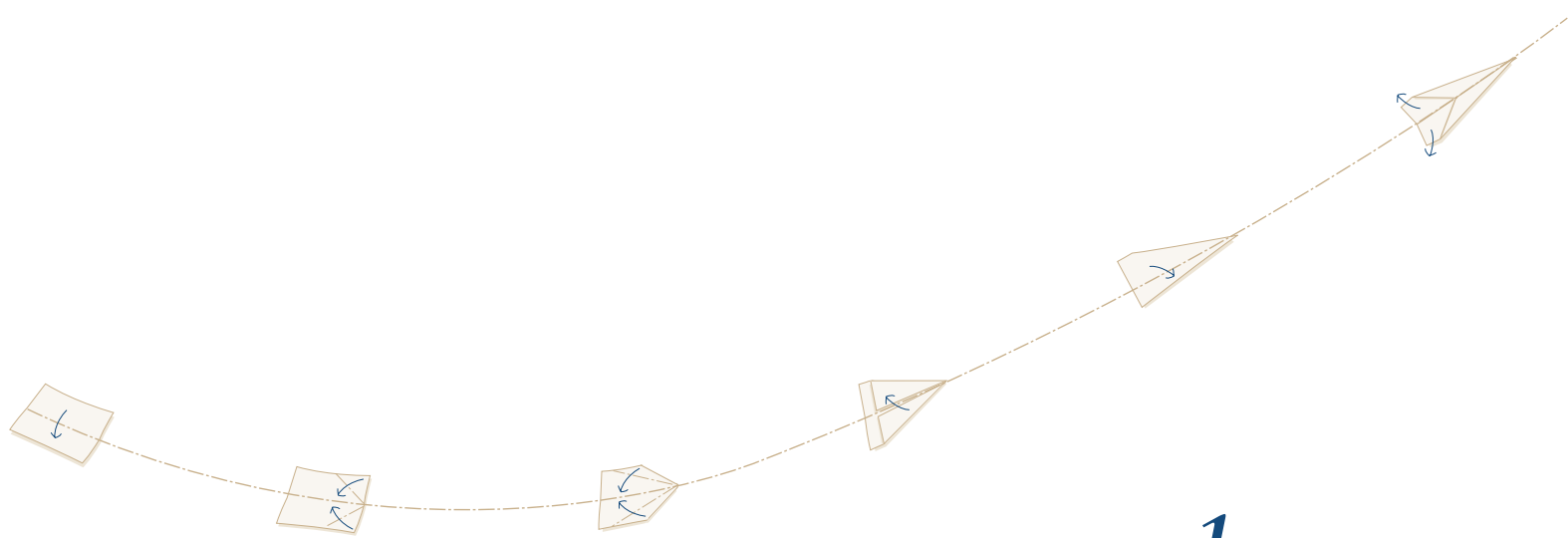
## BACKGROUND

All Public Sector organisations are facing a tough financial outlook for the next 3-5 years, and difficult decisions need to be made about how best to allocate resources to continue to offer a service that makes a difference. That would be difficult enough on its' own, but it has come after a decade or more of efficiency drives, restructuring, process re-engineering, re-organisations and changing central structures. You are probably not alone in asking where these additional financial savings are going to come from, and what impact that will have on a workforce already suffering from change fatigue.

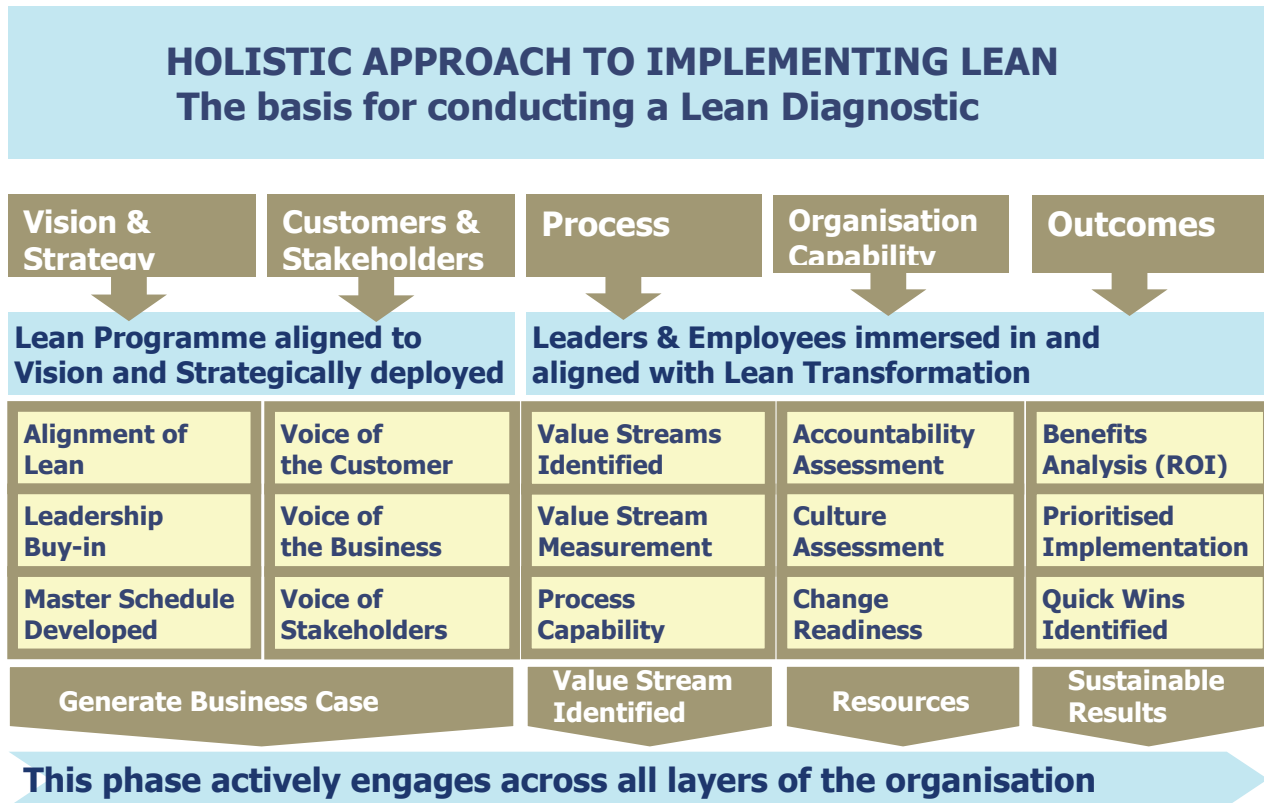
The word "Lean" is being bandied about as a possible solution, but many senior managers are rightly sceptical, wondering what benefits Lean can really deliver, and concerned that this is just another rebranding of techniques that have produced considerable pain and limited results over the last several years. We at Ad Esse believe passionately that Lean can offer a tangible way of achieving cost savings and improving processes to a degree you may never have thought possible because it is a fundamentally different way of working and thinking about how your organisation is managed. We also understand the reservations senior managers might have, and their reluctance to commit to a full Lean implementation without proof of what it can do for them. This is why we developed the Lean Diagnostic, which we have now used successfully in a number of organisations. We have recently used these **concept-proving** diagnostics in criminal justice, local government, housing association and fire & rescue organisations.

## HOW DOES A DIAGNOSTIC WORK?

The aim of the diagnostic is to conduct a rapid, relatively low impact assessment of the current state of your organisation. We then assess the possible benefits and improvements you could derive from applying Lean tools to your processes, and the Lean philosophy and management culture to the way the organisation is managed. We do not apply a set template, or generic solution although we do have a structured approach. The diagnostic is based around understanding the way your processes work and the unique environment in which you operate.



The diagram below illustrates our approach to running a Lean diagnostic:



Typical activities we would conduct would be:

- Voice of the Customer – conducting primary research on a sample basis to determine what is important to the users of your service and for them to assess how well you currently perform against these criteria
- Value Stream Mapping – mapping your processes, from the core Operations through to Finance, HR and MIS, as well as multi-agency processes. This enables us to assess how much of your process time consists of value-added activity and how much is waste or waiting time – you will normally be shocked by the results
- Accountability & Culture Assessment – an assessment of how team performance is managed, how information flows up and down the organisation, the extent to which the culture allows and encourages innovation and bottom-up ideas for improvement
- Benefits Analysis – intensive analysis of current performance data as well as activity volumes, process cycle times, demand and capacity for services and staffing levels. This enables us to estimate the financial and operational benefits that implementing Lean could deliver.

Key to our diagnostic approach is our belief that implementing Lean is far more than applying a set of tools. In most Public Sector environments which essentially offer a service, the true benefits of Lean come from becoming a Lean organisation that focuses much more on management and cultural issues although applying tools is still important. The process does require a commitment of time from your staff, typically to be involved in value stream mapping workshops and interviews with our consultants. It is also critical that you are able to supply good quality process and performance data.

### WHAT ARE YOU LEFT WITH?

We have found that senior management support for the Lean process is vital if it is to succeed and deliver the results. The final step of our process is a day-long management workshop where we present our findings, and work with the senior team to develop what we call a Master Schedule. This sets out a prioritised implementation plan for a full Lean implementation over a 12 to 18 month period based on the diagnostic results. The key products you would be left with would be:

- A full set of value stream maps for all your processes identifying value-added and non-value added activities, waiting times, capacity and wastes
- An assessment of the effectiveness of current team management and the impact this is having on performance
- Analysis of your staff utilisation showing how time is divided between different activities, and the proportion of time spent on actual value-adding activity
- A qualified business case for the financial and operational benefits Lean could deliver
- A plan for implementation showing you where to start and where to focus most of your effort

## TYPICAL FINDINGS IN PUBLIC SECTOR ORGANISATIONS

From our experience of conducting Lean diagnostics in a number of public service organisations, there are a number of common themes which emerge:

- The management culture is generally top-down and driven by senior management with little scope for performance improvement to be driven bottom-up. Even where channels exist for staff to make suggestions these are bureaucratic and are not seen to deliver results;
- Management at team level lacks a strong performance focus, and there is very little evidence of effective visual management and use of daily meetings. Teams have become dependent on MIS to provide performance data, usually retrospectively, rather than being in control of their own performance and measuring leading indicators
- All processes contain significant amounts of waste. Most organisations operate a “push” system where all work coming in is fed into the organisation resulting in the build-up of work in progress. This results in errors, delays and the resulting rework. There is a noticeable lack of error-proofing, and significant time is spent correcting errors, for example chasing up documentation from external organisations which is not provided correctly or on time
- Because processes do not flow, there is significant and highly variable waiting time leading to process efficiency ratios of on average 5%. This means that only 5% of the total process time is actually spent with someone doing something – the rest is waiting
- There are multiple hand-offs between staff at different grades which cause delays in processes, build-ups of work in progress and opportunities for errors
- IT systems which have been implemented to make processes more efficient create wastes of their own, either because system performance is poor or because bad processes have simply been automated without being improved first
- Key front-line staff spend relatively low proportions of their time in direct contact with service users, usually around 30%. Significant time is spent on administrative tasks, updating systems and dealing with mistakes and errors from other agencies
- The utilisation of staff is generally not actively managed, with no visibility of staff diaries for managers. This means that workload is measured by rough approximations such as caseload or length of to-do list and does not accurately reflect what staff are doing every day. There is strong cultural resistance to more visibility of individual workloads
- Managers are spending relatively little time actually managing. Significant portions of their time is spent either getting involved in tasks their staff should be able to resolve, or resolving non-compliance with targets which is in many cases caused by IT system errors. This means little time to focus on forward-looking performance and staff development.

## HOW CAN AD ESSE HELP?

You may well recognise some of the general findings set out above. The real value and potential benefits of Lean to your organisation can only really be assessed when applied specifically to your processes. Ad Esse combines expertise in Lean brought from a number of different sectors, both private and public. We have recent experience of conducting Lean Diagnostics in Probation Areas, the Fire Service, Housing Services and Mental Health organisations.

The benefit we bring is that we already have a good understanding of your environment so can quickly make sense of what your people are telling us. This means we can do extensive analysis in a relatively short period of time and with minimal disruption to your organisation. We won't need to ask the stupid questions and can get straight to the important issues. We also understand how important it is for organisations to really understand what Lean is all about before they implement, so skills transfer for senior managers is a key element of our approach

We are confident in the financial benefits Lean can deliver, and we will show you how they can be achieved rather than just making empty promises. Based on our previous work we are confident that you can achieve double-digit savings and return on investment within a year. In the last year, using Lean, Ad Esse have helped:

- a London borough ALMO find £270k savings in their Repairs function in two months with much more to come
- a large government department make 20% savings in staff
- a business bank reduce staff costs by 23%

A diagnostic is an easy way to get on the front foot with Lean with a relatively small investment, and then decide how to go forward from a position of knowledge and insight into your organisation.

If you think a Lean Diagnostic would help you make sense of the harsh financial realities of the next few years, please contact Philippe Lacey on 07843 309165, or [philippe.lacey@ad-esse.com](mailto:philippe.lacey@ad-esse.com). We would be happy to come and talk to you about how Lean could make a difference to you.



## FURTHER INFORMATION

If you would like to discuss this article, if you want to learn more about how a Lean diagnosis can help your organisation, please contact us at [seriousfun@ad-esse.com](mailto:seriousfun@ad-esse.com).

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