

# Improving Service and Reducing Waste

## APPLYING SYSTEMS THINKING AND "LEAN" PRINCIPLES WITHIN HOUSING ASSOCIATIONS TO TACKLE THE FIVE WASTES

Reducing waste, red tape and bureaucracy that gets in the way of delivering superior customer service is going to be the focus for many Housing Associations over the next few years.

The Northern Housing Consortium's October 2006 Update Report on the application of Systems Thinking in Housing Associations mirrors our own experience of enabling organisations to deliver sustainable performance improvement. It concludes:

*"The work in the pilots has shown that systems thinking requires a clear and ongoing commitment to make it sustainable. Keeping to systems thinking principles involves hard work throughout the organisation. The ability of organisations to make that commitment, and the work to be done to carry it through, depends on a range of factors."*

These factors include culture (especially leadership), structure and organisational stability.

As with all improvement approaches, there is no "quick fix". The pilot projects in the report had achieved a wide range of improvements, including:

- Tenant satisfaction ratings of 10/10 with Repairs Service up by 14 percentage points to 75%.
- Efficiency savings of £80,000 through fewer repair jobs going to outside contractors
- Savings on reduced Void Loss of over £300,000

Our own work with clients' property and facilities management processes has shown that, conservatively, there is 20% waste in most processes and this can easily be as high as 40%. The potential for efficiency savings is enormous, but the neat thing is, process improvement also improves customer service.

During 15 years of improvement consulting we've seen Compulsory Competitive Tendering, Best Value, Better Quality Services, Modernising Government and CPA (and more!) attempting to improve efficiency and effectiveness in the public sector. Yet, the waste is clearly still there!



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As I'm sure many of our readers did, we stopped taking any notice of the three letter acronyms many years ago. We realised that regardless of the politics, or latest flavour of the month approach, an enduring question was always:

*"How do we deliver the most effective service for our customers, at the very best cost to those who provide our funding?"*

That's why the tools and techniques of improvement have been so enduring for us and many of our clients. The difference between "reducing waste" and "making cuts to services" constantly gets muddled, for political reasons and sheer lack of understanding. Experience has shown us that at least 20-30% of all activities and tasks performed within processes add no value to the end customer and that most organisations would not breach statutory or regulatory requirements if they didn't perform those activities. Equally, we have found that in the days or weeks that many processes take to go from start to finish, anything between 70 to 90% of the time nothing is happening at all.

Not convinced? Let's look at an example...

"Checking" is a non-value-added activity (it doesn't add value to the customer who expects you to get things right first time and you probably wouldn't breach regulations if you stopped it). Whilst we're not trying to say you can get rid of every check, most have been built into processes because something has gone wrong in the past, or some "Review" said (mistakenly) more checking would improve quality. The classic example is expense claims.

An organisation recently introduced a *third* check on expenses on the advice of their auditors (regardless of the value of expenses claimed!). This approach already assumes that the other two checks are not working effectively. It also assumes that at least two other processes are fundamentally flawed:

1. The recruitment process is producing (as an outcome) inherently dishonest staff,
2. The leadership / management development process and / or the promotion process is producing inherently stupid managers (why is the first check not right?!).

The application of systems thinking to this process would ensure that we would not add an extra, duplicate, step to the process, but would look at the first two checks to identify why these were not felt to be working effectively. It would also attempt to eliminate both of the first checks as well.

The key reason why Lean works is because there is a set of principles and tools that provide a revolutionary, but practical, way of eliminating waste and cost in all organisations. Although initially used in manufacturing organisations, the principles have been applied in many service and administrative processes, including many public sector organisations and some Housing Associations.

One of the key tools in the Lean toolkit is the identification and reduction of the "Five Wastes". Waste is anything that does not add value to your product, or service. Reducing waste gives you more resource to meet your customer requirements and makes processes faster and more efficient.

It is impossible to eliminate all waste in your processes. Waste will always be present. This means that there is always something that you can do to improve your performance. "Lean" forces you to compare your operation against perfection and thus enables you to identify all the waste in your processes.....this may not be a comfortable experience!

When working in manufacturing companies, we usually talk about the Seven Wastes, although some consultancies have identified up to 14! In public sector organisations we generally use the Five Wastes:

- Over-production
- Waiting
- Excess processing
- Motion - people, or paperwork, moving
- Producing and coping with failures and rework

Once you understand what each of these looks like, a walk around your offices, or a look at how you serve residents, soon makes everything look like it's waste!

**Over-production** is the cardinal sin of using resources to produce something that will not be used in the near future (or at all in many cases) and includes:

- Making more than is required (e.g. making multiple photocopies of forms)
- Making faster, or sooner, than is required (e.g. ordering materials and holding large stocks)

**Waiting** might include people, materials or paperwork. For example, contractors waiting to gain access to a property before they can carry out repairs; or piles of application forms sat on a desk waiting to be processed.

**Excess processing** often means carrying out unnecessary steps (perhaps some of the Checking activities we mentioned earlier), or completing paperwork that never gets used for anything else.

**Motion** might be people, materials or paperwork moving from one place to another and there are probably lots of examples in your processes, such as customers having to come in to central offices to report problems or pay rent, repair staff having to travel to and from stores to get parts, or files and forms being moved from office to office.

**Failures and Rework** are, in theory, obvious. But, in many organisations, dealing with them is seen as the core day-job. For example, complaints handling is 100% failure activity. It adds no value to the customer, or the organisation. Anywhere you find activities having to be repeated (e.g. non Right First Time fault fixes), dealing with queries, or having to apologise for missed deadlines and missed appointments, visiting a property to carry out a repair when the resident isn't at home. These are all about failure.

These are just some of the examples of waste you can easily identify. By working with in-house teams of staff and managers on improvement projects we start to transfer the philosophy and mindset required for people to think "Lean", at all times. That's the first part of making these improvements sustainable.

Most forward-thinking Housing Associations will already have done some work to identify their key business processes (e.g. Managing Applications, Letting Property, Collecting Rent, Doing Repairs and Maintaining Property), so will already have a good foundation for applying Lean tools such as the Five Wastes. For those who are still in the early stages of understanding and improving their business processes, the Lean toolkit offers a very practical way to get started and to deliver very tangible performance gains.

*"The reasonable man adapts himself to the world: the unreasonable one persists in trying to adapt the world to himself. Therefore all progress depends upon the unreasonable man."*

George Bernard Shaw

Replace 'unreasonable' with 'dissatisfied' and you have the Lean philosophy. Developing staff and managers who are "dissatisfied" with the way their processes operate and giving them the tools to make change happen will play an essential role in delivering more effective and efficient services to your tenants.

And, we end with another quote from the NHC Report:

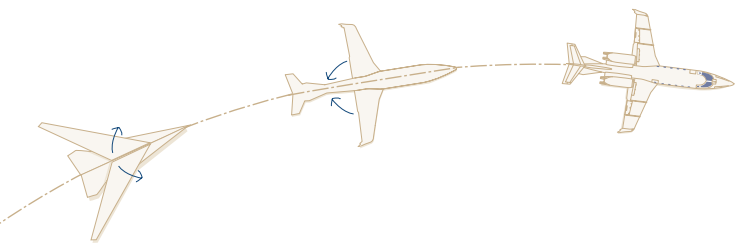
*"Change to a systems thinking approach is a long-term commitment and the resources required to sustain the approach are an important factor. The systems thinking work needs to be supported from the top and owned by those doing the work if it is to be maintained."*

Ad Esse Consulting can help you to understand and develop a sustainable improvement approach in a number of ways. From our innovative programme "Lean Leadership" for managers and leaders, to developing a Lean programme across your organisation, or hands-on improvement of key processes.

Skilled in all of the Lean techniques, our consultants have extensive experience of implementing these across many different areas of the Public and Private Sectors. We have worked with Housing Associations, including working with 'hard to reach' residents to identify their specific customer needs, and private sector Facility/Property Management organisations to deliver tangible improvements in cost and service.

We understand the challenges of implementing improvements in complex and political environments and work with people in the organisation to make sustainable change happen.

Contact us: If you want to discuss how we can help your organisation to create sustainable performance improvement, give us a call on 0870 458 6162, or e-mail us at [seriousfun@ad-esse.com](mailto:seriousfun@ad-esse.com)



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