# LEAN GOVERNMENT

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# BACKGROUND

Better education, better health care, better pensions, better transportation services... governments around the world want to deliver better services to their citizens. For decades, government agencies have been concerned with their institutional and human capacity to improve the livelihoods of their people, the delivery of basic public services and trust in regulatory institutions. As part of broad reforms, many countries have been developing and reviewing their governance institutions, frameworks and tools.

Against a backdrop of increasing citizens' expectations, the need to get value for money from all levels of government is therefore under greater scrutiny than ever before. However, cost-cutting programmes are risky as they may endanger the quality of service. Faced with an urgent imperative to do more with less, Lean strategies can instead preserve government services and programmes. Typically, today's government structures are not focused on their citizens' needs, resulting in unsatisfied citizens and civil servants, long processing times, frustration, re-work, lack of accountability and capacity constraints.

Lean methods are applicable to a wide range of government service and administrative processes - from rule-making to the processing of grants and contracts. Many government agencies are therefore now engaged in Lean transformation programmes, achieving impressive results by dramatically improving the quality, transparency and speed of their processes. Using Lean strategies helps government organisations to re-design their working methods, creating new capacities and skills as well as increasing their organisational ability to better serve their citizens.

As a result of these Lean methods, resources are freed up - enabling government organisations to focus on higher value activities and reduce capital expenditure (CAPEX). This, in turn, allows governments to gain the flexibility and power they need to further invest and innovate. In some cases, a country is highly dependent on the incomes from one single commodity. These countries face the challenge of diversifying their economy through the development of other sectors and services, with the aim of creating new jobs and long-term sustainability. Take the example of Saudi Arabia's 2030 Vision. Alongside improving the efficiency of its government services, Saudi Arabia has decided to diversify and strengthen other economic areas, such as mining, religious tourism, banking, finance and services, with the aim of reducing its dependence on the energy sector and alleviating youth unemployment. Lean will be the key vehicle to release capital from current government operations for investment in the build-up of its new economic focus areas. At the same time, Lean will help cultivate the continuous improvement culture necessary to support the long-term sustainability of its reforms.

Australia, Canada, Denmark, Finland, France, Ireland, Netherlands, South Africa, Sweden, the United Kingdom and United States of America are just some of the countries whose governments are now successfully promoting Lean programmes.

# CHALLENGES

There are many challenges to applying Lean in government. These include the bureaucratic and extremely hierarchical structure of the workforce, aversion to risk-taking at all levels, and constrained resources. Further issues include complex processes and customer relationships, frequent changes of leadership and policy objectives, a general unwillingness to challenge the status quo and stakeholders' resistance to change.

Governmental resistance to Lean stems mainly from the misconception that Lean is only a manufacturing methodology. In reality, Lean principles apply to any process or industry - especially in government, where processes are complex and waste is often hidden behind bureaucracy and across multiple, disparate individuals. For this reason, the application of Lean methods to governmental processes can be of highly effective.

One of the most difficult changes facing government agencies is the transition to becoming a customer-focused organisation.

Another significant challenge for Lean transformation in the public sector is bureaucracy, which becomes a particular problem when a process cuts across government agencies. For instance, Berlin's state government, which is barred by law from firing its workers, took an innovative approach - people no longer needed in one area were placed in labour pools where they could be selected for new assignments in others. Even in the United Kingdom, where workforce rules are more flexible, the government reinvests much of the money saved through efficiencies in new services, with workers often taking on new roles. When talking about reforming governments, one size doesn't fit all. It is necessary to consider any given country's unique history and social background. At the same time, the pursuit of wide-ranging economic reforms has to be accompanied by organisational restructuring.

With these factors in mind, Lean management is one of the most practical and effective ways for leaders to create positive and sustainable change.

# FOCUS AREAS

Although governments mainly produce intangible products and services, waste in government processes can be identified, classified, minimised and eliminated. Defining value from a citizen's viewpoint, combined with the application of Lean principles, Kaizen methods and re-engineering approaches will improve the government's information flow and reduce total process leadtimes. These strategies will also increase service quality, ultimately allowing governments to achieve service excellence whilst simultaneously making sustainable reductions in their operational costs, thereby releasing pressure on public budgets.

Lean methods are highly adaptable and can be used in any number of processes, ranging from rule-making to the processing of grants and contracts. Using Lean, government agencies have improved quality, cost effectiveness, service delivery and responsiveness to their citizens.

## THE FOLLOWING PARAGRAPHS DETAIL EXAMPLE AREAS OF APPLICATION:

### AREAS OF WASTE OFTEN IDENTIFIED IN GOVERNMENT DEPARTMENTS

- **Defects:** Mistakes in tax or benefit calculations, mistakes in shipping the correct supplies and equipment, incomplete maintenance, poor response to emergencies, damage to facilities and equipment and injury to employees or the public. For instance, some years ago Portugal faced a chaotic allocation of teachers in state schools. Insufficiently tested, the newly released IT system placed individual teachers in more than one school - a physical impossibility - while at the same time leaving many teachers unplaced and some schools without any allocated teachers at all.

- **Overproduction:** This occurs when a product or service is provided in greater amounts than necessary or before it is necessary – for example, unneeded reports and copies, excess email messages, performance of unrequested work. In a governmental context, there may be unused services or a surplus of documents and forms that are expensive to print, but which go unused or become obsolete quickly. Excessive email can be seen as overproduction if it has no purpose or if it is used when meetings or teleconferences would be more appropriate.

- **Waiting:** Idle time created when employees (or customers) are kept waiting for information or physical items. In government organisations, the result of all this waiting can range from being a nuisance or a major inconvenience to becoming life threatening. Either way, it is certainly costly. Consider the waiting stages in a process of a trial. An effective process must deliver the defendant and all the relevant case information to court at the right time. As a minimum, the activities of the arresting officer, prison officials, prosecutors, victims, witnesses and defence lawyers must be coordinated. However, failures of coordination are common, leading to postponements, delayed judgments and high opportunity costs.

As another example, an American government agency had a problem with excess waiting times for cashiers who needed direction on situations that required exception from standard processes. The root cause of the problem was that these exceptions required approval from a designated person in a different department and building. Furthermore, the designated approver had many other job responsibilities, resulting in delays and excessive waiting for both cashiers and citizens.

**Movement:** Trips to printers and copiers, unnecessary movement to find files or supplies, travel to meetings... the delays caused when a civil servant (or citizen) goes from one place to another to get information, process paperwork, or tell the same story to several people in order to get a decision.

- **Transportation & Handling:** Transporting anything that does not directly add value to a final product or service is a form of waste. Whether transporting people, equipment, ships or spacecraft, transportation can be expensive and subject to delays, unnecessary movement, lost and damaged items or miscommunicated orders. On top of this, each agency must look into its own processes for areas that can be streamlined and improved. A bad office layout may be a cause of this type of waste. For instance, in the same government agency, cashiers were transporting cash deposits to the finance department, which was in another part of the building, where the deposits were then picked up by an armoured car service.

- **Inventory:** The backlog of work permits and plan approvals, excess materials and information, obsolete databases, files and folders. As an example, a mail-sorting facility set a target for dealing with incoming mail - the target diverted attention from outgoing mail, which sat in out trays for over two days. This type of waste also includes physical inventory. For example, there is an effort in the US to sell or rent excess facilities and other assets. Each government agency can look internally to identify real estate, warehouses, supplies, equipment and other types of asset that may be obsolete or no longer needed.

- **Over-processing:** Over-processing is putting more work into a product or service than is necessary to meet customer requirements. Inspection and checking is a particularly prevalent form of this waste, especially in government, where it manifests itself in unnecessary process steps, excessive signature levels and unclear job descriptions. For instance, one American city council found that its back-office finance staff were recreating the cashier staff's spreadsheet in order to balance cash with the receipts for each deposit.

- **Unused skills:** Failure to make use of employees' full talents, skills and knowledge, narrowly defined jobs and expectations, lack of teamwork and poor management results in unused civil servants' skills. An example in police departments is the use of sworn police officers to perform administrative tasks that could be carried out by civilian personnel. This type of waste also includes making insufficient use of citizens' abilities. Online self-service is a common example of making good use of citizens to successfully complete a process - providing this option allows citizens to enter their own data, reducing staff time and errors in data entry.

# LEAN SOLUTIONS

Lean focuses on the key processes of all government agencies, the services they are delivering and identifying how much of what is being done is value-add (or what the citizen truly needs) as opposed to non value-add. The focus is on meeting customer needs.

Value stream mapping, for instance, helps experts involved in a process to better understand the needs and requirements of groups upstream and downstream of themselves. In this way, they can learn how processes can be better coordinated to eliminate bottlenecks and re-work.

Bottom-up organisational redesign to facilitate an optimised process flow and improved customer service delivery is essential. It should be supported by a performance-tracking system that breaks down top-level objectives into clear, measurable targets which workers at every level can understand, accept and meet. Lean solutions predominantly used in government sectors include the improvement of information flow between teams through process mapping and re-design, elimination of waste and standardisation of tasks and processes. Further Lean strategies comprise structured problem solving, quality tools for the services provided, as well as mapping and improving citizen experience and interaction.

We implement Lean solutions in government processes in a similar way to other functions. The solutions must fit the challenges, thereby ultimately improving the citizen experience.

## PULL

- Enable FIFO at the batch level
- Reduce inventory levels throughout processes
- Avoid over-production
- Increase visibility of bottlenecks in the process

## ONE PIECE FLOW

- Enable FIFO to a single product / service level
- Create transparency of the real process lead time
- Reduce lead time
- Reduce inventory levels throughout process
- Increase quality
- Reorganise the processes in the right sequence

## TAKT

- Process transparency
- Balanced distribution of the workload across resources
- Process flexibility
- Ability to plan resource capacity and / or improve forecasting
- Optimal efficiency in resource utilisation

## ZERO DEFECTS

- Enables problem root cause analysis and solving
- Prevents problems snowballing through the process
- Increases quality
- Enables an open culture of problem solving vs. finger pointing

When improving long-term performance is the goal, changing the process or the operating system is not enough - the organisation's culture must also change. Lean is a mindset or philosophy of continuous improvement, striving for a state of perfection where every action creates value for customers and citizens.

# TANGIBLE IMPROVEMENTS

## LEAD TIME

- The Swedish Migration Board used Lean management to reduce average processing times from 267 days to 85 days, saving over USD 160 million annually in subsistence funding and reducing the direct processing costs from USD 115 million to USD 100 million.

- In the City of Irving, Texas, a Lean transformation reduced the plan review time for a commercial permit process by 76% (15.7 to 3.7 days). The cycle time of a legal services request was reduced by 72% (18.5 to 5 days) and error re-work was reduced by 50%. Additionally, the cycle time of street repairs was reduced from average of 14 weeks to less than 6 weeks.

- In a UK government office that processes large volumes of standard documents, Lean techniques improved customer service by reducing lead times from 40 days to less than 12 days, whilst the proportion of documents processed correctly the first time increased by roughly 3%. Lead times to process incoming mail decreased from 15 to 2 days.

- The US government shortened its security clearance process from 446 days to 40 days.

- In one European city's central purchasing department, the implementation of Lean reduced purchasing process lead times by 30%. The lead time for processing and payment of salaries was reduced by 50%.

- In Iowa, the Department of Natural Resources reduced air-quality permit time from 62 days to 6 days.

- In Georgia, Kaizen teams reduced child healthcare approval from 113 to 15 days.

## QUALITY

- In the city of Irving, Texas, utility workers applied the Lean technique of "5S" to their utility trucks, increasing the productive hours per year by 330 hours per employee.

- In the UK, a Lean transformation in an armoured vehicle repair shop generated a 44% increase in the availability of equipment, a 16% reduction in turnaround times and more than a 40% increase in "right the first time" production. The repair shop progressed from constantly missing its vehicle delivery deadlines to never missing them.

- The US Department of Social and Health Services re-engineered its community service offices, moving staff to the frontline to serve clients whilst consolidating 63 call centres into one state-wide call centre. Since then, DSHS has seen a 99% reduction in waiting times for community services – from 4 weeks to between 5 and 45 minutes, whilst the number of dissatisfied customers has dropped from 98% to less than 1%.

- In one of Europe's biggest cities, the level of service to citizens visiting museums was improved by means of a 13% increase in opening hours - without increasing staff requirements. This was achieved through improvements in planning, re-design of the organisational structure and the creation of indicators to keep teams informed.

- In the US, the HUD Federal Housing Authority MFHA Lean Program achieved a 35% improvement in productivity (decisions per FTE per month), a 70% reduction in loans-in-process over 90 days and a 10% increase in employee engagement scores.

## COSTS

- The US Department of Social and Health Services increased its outreach to encourage more parents to use online resources to make payments and obtain child support remittances. As a result, more clients are shifting to online payments and distribution – saving the agency USD 600,000 and improving accuracy and efficiency.

- The US Department of Corrections avoided spending USD 1.3 million in additional food costs by standardising its menu at all 12 prisons across the state.

- One city's Housing Finance Agency went through a Kaizen-inspired improvement project, saving the agency USD 16,000 annually in materials and labour.

- The space occupied in one major European city agency's server was reduced by 20% through standardisation and applying 5S in the database.

- In the City of Roanoke, Virginia, the accounts payable operation converted more than 150 vendors from cheque payments to Electronic Funds Transfer payments, yielding savings of USD 63,000 per annum. Permits that formerly took 18 days to be issued now take six.

- In a European government agency's purchasing department, task runtime in purchasing processes was reduced by 30%, whilst process costs were cut by 20% through elimination of unnecessary tasks.

Should you be interested to know more about our Lean services regarding this topic, then please contact us:


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