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# More Than Lean

*Raising the Quality of Public Services*

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## *Raising the Quality of Public Services*

**L**ean programs have been yielding significant operating improvements in private-sector organizations for many years. Yet governments and other public bodies have been slower to adopt such strategies. At a time when government budgets are under increasing pressure, however, lean optimization can improve the effectiveness of public services and help generate more value for taxpayers' money.

The introduction of lean reforms is often seen as difficult in the public sector, which faces challenges that are more complex in some respects than those in the private sector. But a commonsense approach to the basics of operations, combined with good engagement with employees and other stakeholders, can help overcome these challenges. If lean transformation follows a fundamental review of strategy and operating models, real step change can be achieved, helping governments meet the rising demands and expectations of citizens while ensuring that scarce resources are deployed more efficiently.

### **Lean Government: An Idea Whose Time Has Come**

Lean optimization originated with manufacturers such as Toyota and later spread to service industries such as banks and retailers. At their simplest, lean production strategies help companies to boost productivity by eliminating waste, reinforcing quality, and fostering a culture of sustainable, continuous improvement that focuses on problem solving. The benefits of a lean approach can also include customer satisfaction and employee engagement. The results are magnified when lean initiatives follow a fundamental review of the strategic environment and operating model of the organization.

More recently, the lean approach has also been applied in the public sector, where it has been achieving similar results for the benefit of users, employees, and taxpayers. There are significant long- and short-term pressures that make lean optimization an idea whose time has come for governments and other public bodies. One of the long-term factors is demographic change: the aging of populations will increase the demand for a variety of public services, while the falling birthrate in many countries is weakening tax revenues and creating future shortages of workers. Another long-term factor is the rising expectations of citizens, who now demand high-quality, tailor-made public services that match the best in the private sector—"one size fits all" government services are no longer acceptable.

In the shorter term, the financial crisis has raised public-debt levels in many countries, further limiting the ability to increase government spending to meet the increasing demand for public services. Even if governments would like to spend more, they have less ability to do so because globalization and demographic change continue to shrink national tax bases. The financial crisis has also added to the demands on public services, with governments intervening to support the economic recovery and strengthen regulation. As new agencies and programs are created, there is an opportunity to adopt lean principles that can optimize their operations.

### **But Government Is Different—Isn't It?**

It is often thought that the lean approach is hard to adopt in government. Apart from the complications created by the political process at the heart of public services, there are three factors shared by government organizations that are not present in the private sector:

- ◇ *The Equity Principle.* With most public services, a core principle is that every user should be treated equally in order to prevent bias, discrimination, or the arbitrary exercise of power. However, rules and

systems created to enforce this principle can make government organizations more inflexible, slow their decision making, and reduce their ability to foster innovative approaches that are customized to the varying needs of citizens. In some cases, they can discourage the individual initiative and cooperative endeavor needed to create the learning culture that underpins the lean approach.

- ◇ *Lack of Competition.* Few government organizations operate in a competitive arena. Some public services are provided by what are, in effect, monopolies—while others, such as health and education, do not operate in true “markets.” The normal incentives that drive innovation and performance improvement in the private sector are weak or nonexistent.
- ◇ *Perverse Incentives.* Public-sector managers are often not rewarded for efficiency improvements—and may even suffer as a result of such improvements if the resulting savings lead to reductions in public-sector budgets rather than being plowed back into improved services. And because the electoral cycle encourages politicians to focus on short-term gains rather than long-term efficiency, career advancement for those in public service may be blighted by taking actions that deliver short-term pain for long-term gain.

These characteristics add to the complexity of lean strategies in the public sector, but they are not insuperable. Government organizations that recognize these constraints can work within them to make real improvements in the services vital to citizens and taxpayers, while empowering their employees to improve service quality—which is the aim of most people working in the public sector. And, as in the private sector, the impact is even greater when lean reforms follow a strategic review.

## Applying Lean Principles in the Public Sector

The key to lean optimization in government is getting the basics right. There are operational aspects, such as improving processes by finding and eliminating bottlenecks, that would be familiar to those who have been involved in private-sector lean projects. (See the sidebar “Common Success Factors in Lean Projects.”) In the public sector, however, there are two critical factors: asking the right questions to formulate an appropriate strategy and create an effective operating model, and engaging with employees to identify and implement the changes needed to create a culture of continuous quality improvement.

Lean government projects are often most successful when they start by examining the fundamental structure of the public service in question. Many will be using old operating models that should be replaced with models that put the service user’s needs first and eliminate duplicated effort. Organization structures that separate different public services—for example, services related to health care in hospitals versus services that support patients after treatment when they are back in the community—may need to be changed to break down existing silos. It is essential to involve the people in the organization in developing new operating models, because they have intimate knowledge of what works in practice.

### Common Success Factors in Lean Projects

In interviews with The Boston Consulting Group, executives at a wide range of organizations with lean experience identified seven common elements that contribute to successful lean projects:<sup>1</sup>

- ◇ Choose strategic, customer-centered projects.
- ◇ Think big, but start small.

- ◇ Involve everyone—from top managers to front-line employees.

- ◇ Tailor your approach to your culture.
- ◇ Assign dedicated, experienced resources.
- ◇ Use metrics to drive progress.
- ◇ Communicate, communicate, communicate.

1. See *Getting More from Lean: Seven Success Factors*, BCG Focus, September 2008.

Once an effective operating model is in place, lean optimization can ensure that it operates at maximum efficiency for the benefit of users. Again, employee involvement is key: their cooperation is necessary both to introduce new working patterns and to reassure other stakeholders, such as users. To achieve a successful lean transformation, it is crucial to recognize the “moments of truth” identified by employees and clients and ensure that they are reflected in priorities and key performance indicators (KPIs). Without continuing committed employee engagement, a change program is unlikely to be sustained beyond the short term. With it, the results will be much more impressive, staff satisfaction will increase, and users will appreciate the improved services.

It is essential with lean optimization to show from the start that the organization is prepared to support the staff and give them the power to find and implement solutions. Identifying some early wins that can be implemented quickly will convince the frontline staff that their initiatives can bear fruit, and will give the project momentum. Successful engagement with employees also allows organizations to accelerate the pace of change—achieving results in weeks and months rather than years.

In the longer term, the right performance-management systems are necessary to reinforce ongoing lean optimization. Bold but achievable targets will motivate staff, whose successes should be rewarded through appropriate incentives. The staff must be centrally involved in both setting the targets and devising incentive structures. The human resources department has a vital role to play and should be involved from the start. In the public sector, change may need to be reinforced through legislative or administrative reforms to remove the causes of waste and inefficiency—for example, by making it easier for small and medium-size contractors to play a role without excessive red-tape requirements.

In our experience, lean projects that start with a relentless focus on the quality of service have a better chance of engaging and motivating employees to eliminate waste and duplication—and will result in more sustainable improvements in efficiency.

## Real Step Change Is Possible

The lean approach is delivering results around the world in a variety of public services, including health, welfare, policing, courts, and transport systems. Two case studies illustrate the approach and the gains. The first shows the benefits to the effectiveness of a national police service from a review of the strategy and operating model that was undertaken in consultation with leading police officers. The second demonstrates the considerable efficiency gains in a large hospital when employees were involved in devising ways to improve service.

### Case Study A: Less Police Time Wasted, More Officers on the Streets

The experience of a European police department highlights the value of a thorough review of the operating model in delivering fundamental efficiency improvements through a leaner organization. An earlier overhaul had created a national organization by merging previously autonomous districts into 12 regions under a central headquarters. But the mergers had created larger units without taking advantage of operational synergies—and had failed to produce the expected productivity improvements necessary to put more officers on the streets. The government decided that the police service needed further reforms in order to release the additional resources needed to tackle crime better.

The review began by examining why the previous reform had failed to generate the anticipated efficiencies. It identified the need for changes in the operating model to centralize certain administrative tasks while building up management capabilities at the district level to allow greater freedom for local police stations to set priorities. Proposals to achieve these improvements were developed with the regional unit heads, whose contribution ensured that the changes were effective and that the efficiencies could be achieved. By helping the districts to use their resources more effectively, this partnership has led to a significant improvement in the quality of police services without requiring any increases in funding.

### Case Study B: Faster Treatment, More Operations

Reforms at a major European teaching hospital illustrate the benefits of lean change driven by the engagement of staff. With more than 8,500 employees and 1,900 beds, this medium-size institution

subjected patients to unacceptable delays, underutilized the expensive resources invested in it, and constantly demanded extra resources from a budget already straining at the seams.

Three objectives were set:

- ◇ *Emergency room:* reduce waiting times, which often exceeded five hours, by 30 percent
- ◇ *Operating rooms:* increase the utilization rate, which was well below best-practice levels, by 20 percent
- ◇ *Financial resources:* release more than €10 million (by reducing waste) to support other improvements in the hospital's performance

Emergency room waiting times were analyzed to identify bottlenecks, which showed several unnecessary delays as patients moved through the process. A study of the use of operating rooms found that the failure to use them properly in the afternoon wasted one-quarter of their capacity, while operations often started later than scheduled in the morning. These findings were shared with the physicians, surgeons, nurses, and other staff, who were formed into 16 *kaizen* continuous-improvement working groups tasked with tackling these problems by formulating changes in working practices.

Their efforts removed the bottlenecks that led to long delays for emergency room patients, tightened up start times for operations, and increased the use of operating rooms in the afternoon. The preliminary results confirmed that the ambitious service targets were attainable and allowed the closure of some of the underused operating rooms. Similar approaches have now been implemented in other hospitals to encourage staff to identify the appropriate changes for their institutions and to motivate them to implement those changes successfully. Because the staff devise the solutions, their commitment to delivering them is real and sustainable.

## An Opportunity Waiting to Be Grasped

The pressures on public services will intensify as populations age and expectations rise. And in the current economic environment—which is unlikely to become more benign in the near future—extra resources will be hard to find. Governments must therefore look for ways to get more from existing levels of public spending if they are to satisfy the users of public services.

The techniques and tools of lean optimization have transformed the operations of successful organizations in the private sector. They can do the same for public services, provided managers understand the importance of focusing on people and incentives in their organizations. Technical tools can help in identifying the operational and process changes necessary to improve the quality of services. In government, of course, the engagement of employees is critically important for achieving results that are acceptable to the many different stakeholders.

In the final analysis, lean optimization in government is not about theories or macho management. It is about asking the right questions with regard to strategies and operating models, working with people to solve the problems that their organizations face, and helping to create structures that sustain continuous improvement. When done properly, lean initiatives can achieve the quality improvements and step changes in efficiency that governments—and their citizens—want to see.

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