LANDMARKS OF IMPLEMENTING LEAN MANAGEMENT IN PUBLIC SERVICES

Amalia Venera TODORUȚ
University “Constantin Brâncuși” from Târgu-Jiu

Abstract:
In this work I have approached aspects related to analysing the possibility of implementing the Lean Management method in public services, taking into account the particularities of these services. Throughout my paper I have presented the Lean Management principles from the perspective of applying them in public services, as well as the analysis of flows, value-added, costs and losses in the course of specific processes for identifying the measures of improving the quality of services for citizens and increasing their quality of life. Lean approach is focused on customer’s concerns and on activities that add value by a long-term improvement of processes, by respecting people, having as core objectives to eliminate losses and to create value for the end customers.
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Introduction

The use of practices and methodologies that can be found under the concept of Lean Management has recently become a usual reality for companies in Romania, too, given the fact that only a few years ago they had a distant echo. Whether its work in production or services, large companies with thousands of employees or small firms which prefer collaborating to employing, whether they follow to get a profit or they are non-profit organizations, the organizations have become more and more interested in finding simpler and more direct methods of optimizing the activities and processes they develop on one hand, and on the other hand in identifying some instruments that allow them a better relation with the customers by satisfying their needs and desires manifested in different contexts.
The term of Lean is used to indicate a set of concepts, principles and instruments used to identify and eliminate systematically the losses from the flows of processes, to create and deliver a maximum value to the customer, with a minimum consumption of resources (space, stocks, people, and time).
The Lean Management method is structured on two global principles such as:
➢ Long-term improvement – which supposes daily activities using specific processes and instruments to improve the business processes, as a response to environmental changes. The improvement of quality supposes new and intelligent solutions, sometimes even huge jumps, to bring a decisive advantage to the firm, because the other competitors also improve their quality. The long-term improvement is explained by Kaizen strategy, which supposes a better, continual change.
➢ Respect for people – this expresses the fact that the stakeholders as well as the shareholders, customers, suppliers, investors or community members are valuable resources to whom a business owes a living.
This method also has as key objectives: eliminating the losses, which supposes eliminating the behaviours and activities that add costs but no value, perceived by the end customer and creating value for the end customers, which means focusing on activities and processes involved in creating the value desired by the end customer.
In Lean sense, value is defined from the perspective of the end customer as being what the customer is willing to pay. Any activity that does not add value for the customer but generates only costs is identified as being waste. Thus, internal processes must be analysed from the viewpoint of value added and of losses and waste – of those actions and decisions which either add value for the customer or increase the production cost. Therefore, the improvement of performances is obtained either from the maximizing of the processes effects that add value or from the minimizing of those that cause losses, or by the simultaneous action of the both categories of processes.

In any firm the activities can be divided in:
- Activities which add value: are those activities which, in the eyes of the end customer make a product or service more valuable;
- Activities which do not add value: are those activities which, in the eyes of the end customer do not make a product or a service more valuable even if resources are consumed for their accomplishment; all these are classified as waste and losses.

However, from the provider’s point of view not all the activities which do not add value for the client can be entirely eliminated. We can thus distinguish (Muşat, C., 2010):
- Activities which do not add value but are considered to be useful, normal and even indispensable, produce obvious losses (invoicing, inspection, the safety of work, etc.);
- Activities which do not add value and are not necessary, produce hidden losses (it is stated that they can be avoided generally, but they occur due to inertia, habit, lack of adequate skills or because of “this is how it works in our company”);

Once seen and identified, the losses represent a real potential of improvement, and the causes’ analyse can attract and involve the entire staff of the organization to reduce and remove them. Thus, it is possible to provide more value to the customer.

**Lean principles**

Lean thinking is continually expanding its area of influence, the principles of long-term improvement and respect for the people who govern it, being applied successfully in a wide area of activities of services in administrative and support processes, in hospitals, banks, logistics, in education and public administration. Lean principles can be applied wherever there is a necessity for productivity and processes, competitiveness, low costs, short durations of satisfying the customers’ requirements, minimum stocks, flexibility and the personalization of products or services depending on the customer’s requirements and needs, without significant investments, meaning any type of organization, in more and more varied fields of activity.

Thus, public administration is a field where Lean concepts started proving to be more and more useful lately, with good results in improving the processes and making the activity more efficient, with a lower consumption of resources – time, material resources, stress – in terms of a visible increasing of the involved ones satisfaction (satisfactions for those from the system, but especially for the beneficiaries of these services).
The entire Lean process is structured on five principles underlay by Womack and Jones (Womack, J., P., Jones, D., T., 1990) thus:

- Specify what customer Value – value is what the customer wants and only what the customer wants. This requires a precise understanding of the specific needs of the customer. It is said that up to 95% of process activities are non-value adding. (McCarron, B., 2006). This is probably true, depending on your definition of value adding vs supporting and waste in a system.

- Understanding the value stream. The value stream are those activities that, when done correctly and in the right order, produce the product or services that the customer value. A Lean organization traces and manages all the activities in the organization that deliver value wherever they are and whichever department they are in. Activities can be: in whole or part unnecessary and wasteful (and therefore, should be eliminated); supporting the value adding activities (which should be reduced as far as possible); and customer value-adding (which should be continuously improved).

- Improve the flow. In a lean organization work should flow steadily and without interruption from one value adding or supporting activity to the next. This is contrasted with the “batching” of work where, for instance a week’s expenses claims are collected for a manager to authorize in one go. Where it is suitable, flow significantly speeds the processing and every effort should be made to eliminate obstacles and bottlenecks that prevent flow.

- Pull. The system should react to customer demand, in other words, customers pull the work through the system at the convenience of the operators and so you produce outputs that are not required. Most services react to customer demand and so pull the work through the system.

- Perfection. As the first four principles are implemented we should get to understanding the system ever better and from this understanding we should generate ideas for more improvement. A lean system becomes yet more leaner and faster and waste is ever easier to identify and eliminate. A perfect process delivers just the right amount of value to the customer. In a perfect process every step is valuable- adding, capable (produces a good result every time), available (produces the desired output, not just the desired quality, every time), adequate (does not cause delay), flexible and linked by the continuous flow. If one of these factors fails some waste is produced.

Womack and Jones (Womack, J., P., Jones, D., T., 2005) have set out six additional principles of what they call lean consumption that correspond closely with those of lean production:

- Solve the customer’s problem completely by ensuring that all goods and services work, and work together.
- Don’t waste the customer’s time.
- Provide exactly what the customer wants.
- Provide what’s wanted exactly where is wanted.
- Continually aggregate solutions to reduce the customer’s time and hassle.

These principles recast traditional lean thinking principles to make a customer eyed-view of our services. Rewriting lean principles in this way makes them easier to understand and apply to services.

**Public services and Lean**

However, in public service organization these principles need some additional explanation because of the nature of the services. Therefore it is necessary to answer a series of questions related to the processes in public services area.
Such a question refers to “What flows in the public service?”
Public sector service organizations provide direct services to the public or others bodies and some of these services are mainly the provision of information. Like all organizations, public organizations have a supporting infrastructure that feeds the front-line direct service or information service providers. There is a temptation, reading the lean principles, to apply them to the most factories – like processes that exist in the public services, such as benefits administration where documents can be understood to flow through an understandable system.
However, the greatest gains are likely to be made to focusing on how to ensure that information flows actually convey the necessary information in an unambiguous and complete format that is easily understood by all staff and customers. This opens the door to applying the lean principles at the heart of organizations.

Another question is „what is the value in the public sector”?
Value is sometimes difficult to specify in some areas. Many public services deliver important intangible benefits alongside the tangible benefits. For instance the perceived value of a piece of legal advice, and the action taken as a result of it, often depends on the trust with which the customer views the provider. Trust is difficult to quantify, but the speed of response to a request for advice and its intelligibility may be measurable. The danger, in these circumstances, is that improvement efforts focus on the short-term, easily measured aspects of the services and neglect the intangible outcomes. It is necessary to balance short-term, proxy-markers of value with some estimation of the true value of services, even if wholly qualitative, in order that the whole system can be identified and improved.
The next question is” how does lean deal with high variability of customer demand and service provision?”
A defining characteristic of services is that the tasks that deliver them can very in time and standards. In manufacturing, standardisation of tasks is used to overcome this, but much of the variability of services comes from the variability of input from customers (customers needing the help of social services tend to make complex and variable demands on local authorities). In lean services this variability is reduced by reducing the variability in performance between individual members of staff while relying on their flexibility, intelligence and judgement to work effectively.

A common feature of public services is a relatively high variation in customer demand by volume and type of services. A significant proportion of this demand is likely to be generated by an earlier unsatisfactory experience (i.e. an earlier failure to deliver the service effectively). There is also likely to be a degree of missed demand where people give up trying to get through on busy telephone or modify their demand downwards because of low expectations of our capability to help them. This requires that service providers really understand who their customers are and the patterns in their demands. When the demand is the really understood, patterns can be identified that help the organisation respond and improve.

All these reviews and check, in lean terms, represent unnecessary work caused by the poor design system.
The specialists (McCarron, B., 2006) are identified five types of costs:
1. Costs of work, done right first time, that actually delivers services people want and governments demand;
2. Costs in supporting the work that delivers people want an governments demand, such as managing staff, reporting results, accounting for costs, etc.;
3. Costs of correcting work of type (1) or (2) until it is “right”;
4. Costs of doing work that is necessary to actually delivering services people want and governments demand;
5. Costs in supporting work of type (4);
Only type (1) work is worthwhile. All other costs are consequential of poor design on execution of type (1) work. If you could eliminate this “hidden town hall”, “hidden department” we would very significantly reduce the bill. Lean is the way of thinking about work that is designed to improve the ratio of type (1) work over all other work. The aim of applying lean principles is to improve the quality of outcome for the customer while reducing cost and headcount through waste reduction. At the strategic level there is a kind of vicious circle of waste:

In this model, excess capacity to produce means that you do produce even if it is not needed. This overproduction is seen in delivering of services that are wanted at all or delivering services as that the wrong time (and where a tangible output is produced in excessive stock). We may also over produce if we are simply in a position to deliver services that are not required, so an example is having too many staff available so that some are not working. Overproduction is the result of us pushing the flow of work thorough our system, rather than allowing the customer to pull work through the system by their demand. Excess stock lead to capital being tied up and the final problem of unnecessary capital investments which leads to asset costs in interest, depreciation, maintenance and other overheads.

In lean, waste is broken down into seven specific types:
- Over – delivering – volume;
- Waiting for the work to be ready for the next process;
- Conveyance or transportation;
- Over processing – because of poor design;
- Inventory levels that are too high;
- Human motion;
- Correction of defects.

Another huge source of variability and errors in services derives from the many units or compartments, inside and outside an organisation, that are involved in service provision. This leads to many hand-over of work and therefore chances of error, delay, misunderstanding or variation. Because of the variety of organisation and people that are involved, and because these risks are well known, there are often many reviews and checks built into delivery system.
Conclusions

The elimination of waste has been a management imperative for years. Lean offers new ways to think about waste and this can lead to people becoming obsessed with waste reduction or “industrial house keeping”. Lean organisations only do what they need to do meet customer and organisational requirements. They manage streams of work that add value – system, rather than discreet units. This challenges traditional unit-based cost allocation approaches such as standard costing. This throws up new challenges in identifying costs, and allocating them to these values stream system.
Lean is also concerned with speeding the flow of work through the system and improving quality. This may impact on traditional cost control system that may be simply too slow to keep up with the demands placed upon them.

References

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