

New Development: Leading Lean Action to Transform Housing Services

David McQuade

How could anything the Toyota car company is doing have a hugely positive impact on a social housing group operating in the east of England? This article highlights an impressive Lean journey and some significant performance improvement.

The executive team of Flagship Housing Group started to hear snippets about system thinking in early 2005. A small number of housing associations and local authorities had started pilot reviews. We became curious and wondered whether system thinking might offer a better method to drive continuous improvement, not only in a distinct service area but across our entire operation. We were not familiar with the work of Deming (1982), Ackoff (1994) or Scholtes (1998). Many of us leased Toyota company cars (as we knew they were reliable!), but we had no knowledge of the Toyota Production System (TPS) nor Toyota's status as an exemplar in the car-manufacturing sector.

We had pursued business improvement through various quality tools such as best value, ISO9000, charter mark, Investors in People, the balanced scorecard and the business excellence model. Traditional efforts led to improvements, but we had not managed to transform the organization in the way that we had hoped, i.e. to be more responsive to our customers and genuinely stronger than our competitors.

Flagship Housing Group

The group owns and manages 20,000 social rented homes across the east of England providing housing and care services through three subsidiary housing associations: Peddars Way, Suffolk Heritage and Kings' Forest. All of the associations are not-for-profit, regulated by the Housing Corporation and, in terms of service delivery, inspected by the Audit Commission.

Our operating environment has never been more challenging as a result of current government policy, social and demographic trends, financial pressures, merger mania, group structures and competition from the private sector. Consequently the group's

executive team wanted to look at new ways to establish a competitive edge.

Learning from System Thinking

The senior team started a learning programme in September 2005. We were introduced to the work of Deming and his system of profound knowledge. We studied Deming's 1982 book *Out of the Crisis* focusing on his criticism of command-and-control leadership, short-term thinking, management focus on individual business functions and the use of local arbitrary targets. We studied Toyota's culture of organizational learning, identifying root causes of problems, the focus on clean work in end-to-end flows and their drive for continuous improvement (Liker, 2004). At this early stage we employed Vanguard Consulting to support our senior team in learning to think about the organization as a system; and how might we translate key ingredients of the TPS into our service offering.

We started to understand that if we wanted to significantly improve performance we needed to think differently about the design and management of work. We needed to change our perspective (and methods) from the traditional command-and-control style. In learning to take a systems view, starting 'outside in' (that is, from the customer's rather than the organization's point of view) we began to see huge waste caused by the current organization design.

We used Vanguard's 'Check' model (see figure 1), which helps to identify scope for improvement in the current system that had previously been hidden (Seddon, 2003).

Our early system thinking work was focused on core service operations in each of the three housing associations. Service areas like lettings, maintenance, voids (empty properties) and rent income. We used cross-functional group-

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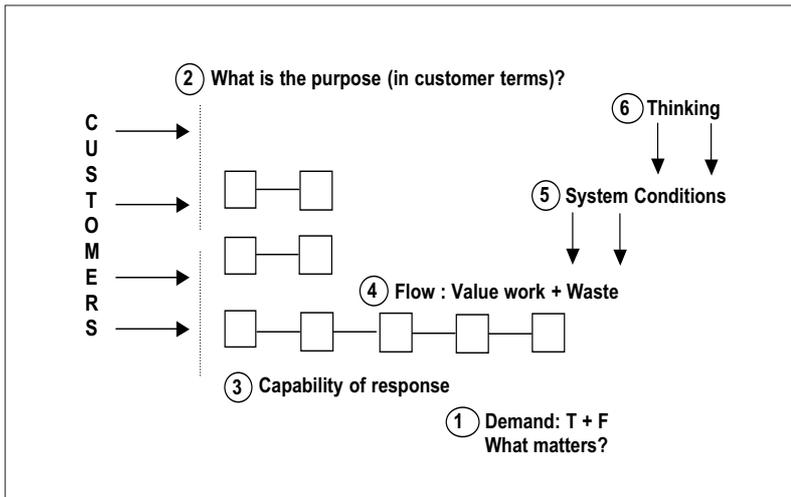


Figure 1. Vanguard's 'Check' model.

wide teams to do 'check'. Taking a system thinking perspective we learned about:

- Customer demand, including an insight into value demand (what we are here for) and failure demand (caused by failure to do something or do something right for the customer). We had not analysed the type and frequency of demand in this way previously. We were stunned by the amount of failure demand.
- Our current capability (linked to purpose).

We introduced new measures, including end-to-end time of the completion of key services from the customer's point of view (different to our internally focused targets or KPIs from our regulators). This measurement offered very different learning about the actual service being delivered.

- Detailed workflow through mapping (on numerous flip charts which was visually powerful in terms of the learning experience). This highlighted value and waste, offering a fascinating new insight into the reality of what was going on in our systems.
- The waste driven into current systems due to current policy, procedures, structures, and regulation. Perversely, we found some 'budget' controls actually built in cost.
- Targets and bonus systems driving the wrong behaviours—the priority was to make the numbers rather than continuously improve the way that the work works, from a customer's point of view.
- Managers typically paying attention to top-down imposed targets, regulation and best practice; offering management edicts based on opinion not data; significant time spent on performance management of individuals rather than a focus on what was going on in the work. Most managers, even in small

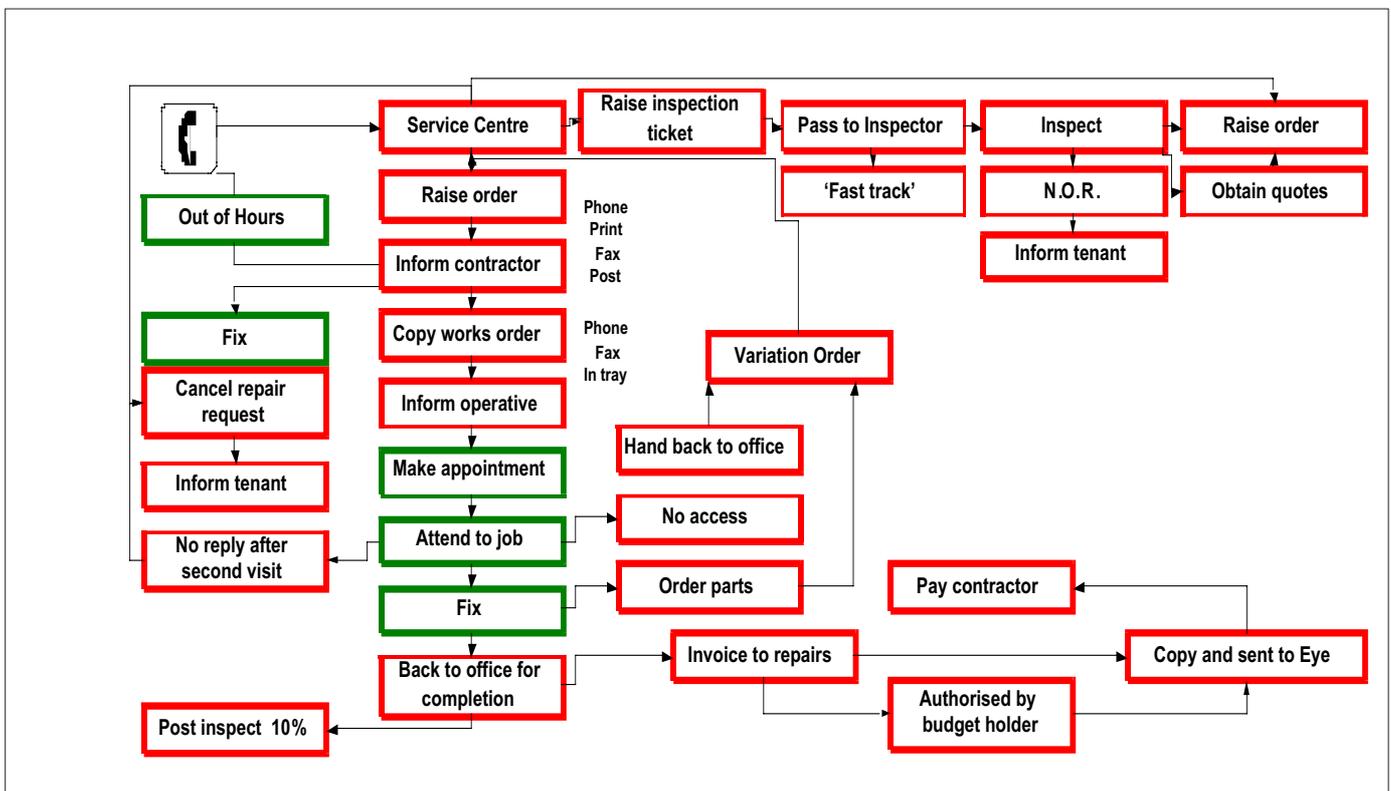


Figure 2. Example of repairs system before redesign (found during check). Responsive repairs beforehand: 31 processes; 26 waste; 5 value.

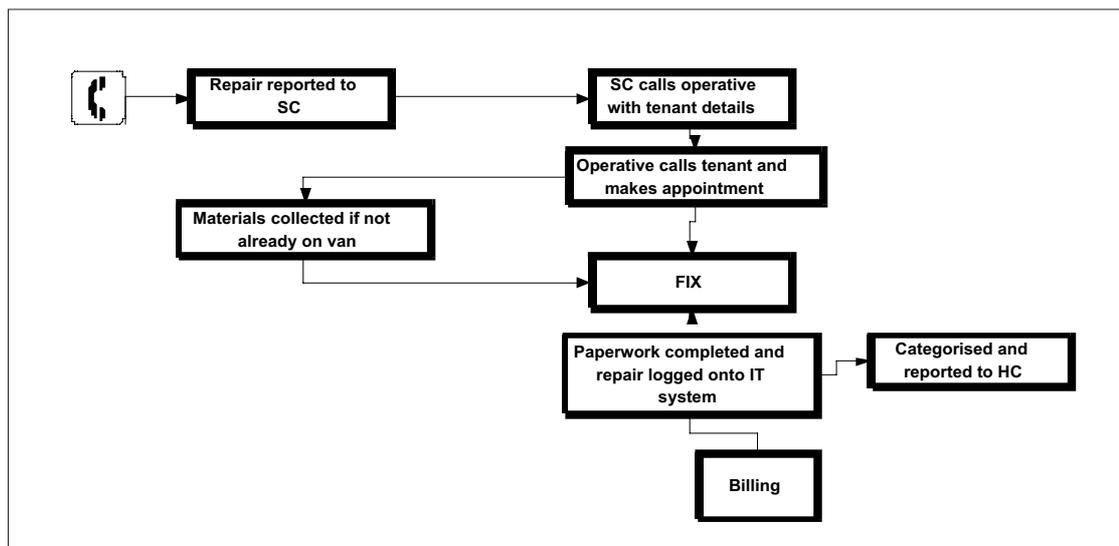


Figure 3. Example of repairs system before redesign (found during check). Responsive repairs after we redesigned the system: 8 processes; 3 waste; 5 value.

teams, were remote from the actual work.

General Findings

We found 80% waste in all systems from a customer's point of view. We found checking, duplication, re-work, backlogs, queuing, inventory, handoffs (passing work between teams), functional silos doing their bit—all causing sub-optimal performance.

Results and Impact

Just over two years on since we started this journey, we have begun to secure some tremendous results. Customers are very satisfied with new service redesigns that offer improved performance from their point of view:

- Failure demand reduced from 70% to 30%.
- Total end-to-end time on repairs reduced from 129 days to 7.7 days.
- Repairs demand reduced by 25% due to getting more jobs right, first time.
- Repairs staying fixed 99.21%.
- Voids re-let quicker with 80% within one week, down from four weeks.
- Thirty per cent of voids re-let back to back (within one day), not achieved in old system, only after redesign.
- Thirty five per cent handoffs via service centre reduced to 17%.

Senior managers are learning to see the organization as a system. In doing this, they understand that variation in performance is due to the system—Deming (1982) said that 95% variation in performance is due to the system and 5% to the individual.

Managers, staff and partners are now thinking differently about the work, working in end-to-end flows rather than just focusing on their 'bit'. And people understand the importance of working up and down stream. Not only is the thinking different in our organization, but managers are better equipped (Check–Plan–Do) to realize the scope for improvement.

In terms of financial impact, we are achieving some excellent outcomes:

- Overall maintenance costs have reduced to September 2003 levels, with a £1 million operational saving against budget in 2006/07.
- Gross rent arrears were reduced by £500,000 at the end of 2006/07.
- Printing, postage, stationery costs, and office-running costs have dropped to September 2003 levels.

Leadership

Our journey has fundamentally changed senior management thinking about the design and management of work. Leading system thinking in a service organization like Flagship means managers being in the actual work—not hands'-off, behind the desk, always in meetings, doing one-on-one appraisals with staff setting targets they will never achieve, but hands'-on, looking at capability measures, basing decisions on good knowledge/data rather than opinion, designing our service response on real demand and most critically, understanding and delivering 'what matters to our customers'.

Managers are now unblocking blockages so that staff can add value to our customers; they are working on the causes of cost and waste in the system, which gives them actual control—not the illusion of control as before. The new job of the manager is to ‘act on the system’.

While we are just getting started we now understand that the key ingredients of the TPS can be successfully translated to an English Housing Group. We plan to use this learning, the perspective and methods to become an exemplar in our sector. ■

Acknowledgements

My thanks to Professor John Seddon, Managing Director, Vanguard Consulting, for his support

and expertise during Flagship’s journey. The models and diagrams used in this article are Vanguard designs.

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Public Service Consumerism

Public Money & Management will be publishing a themed issue on public service consumerism in February 2009 (Vol. 29, No. 1), focusing on how government requirements to conceive of the user as a consumer or customer have transformed service delivery.

If you would like to submit an article for consideration, please send an abstract by 31 March 2008 to the guest editor: Catherine Needham (Queen Mary, University of London) : c.e.needham@qmul.ac.uk. Full papers will be required by 31 July 2008.

Themed Issues: Notes for Guest Editors

Public Money & Management’s editors are pleased to consider proposals for themes from potential guest editors. Our themes are collections of articles around a topical issue that are of interest across the public sector and where there are lessons to be learned easily from research. Recent and forthcoming themes have included topics like sustainable development; evidence-based learning; consumerism; financial reporting; and regulation.

Themes are based on about five core articles at about 5,000 words each, plus an editorial from the guest editor(s). Core articles must be suitable for both academic and reflective practitioner readers and must be double-blind refereed. The Editor will help to organize this process. There is also room for ‘debate’ pieces (typically up to 1,000 words) and ‘new development’ pieces (typically 2,500 words). Debate articles will offer distinctive, provocative comments and arguments (so long as they are also considered), perhaps from the world of practice. New development pieces will describe innovations or changes to practice. *Public Money & Management’s* editors reserve the right to decide on the publication of all copy, regardless of whether it has been accepted by guest editors.

Guest editors will have a timetable to work to once a theme is approved. Where the articles have not been based on an existing conference, seminar or workshop, guest editors will be expected to produce a call for papers. The journal editors will advise on its content and help to circulate it.

Proposals should be emailed to the Editor: Professor Andrew Gray—profandrewgray@talktalk.net