



HM Revenue  
& Customs

# Evaluation of PaceSetter Lean, Senior Leadership & Operational Management within HMRC Processing

Final Report September 2007

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# Table of contents

Glossary	4
Executive Summary	5
1 Introduction	9
2 The Pacesetter Programme and Capability Delivery in HMRC	10
3 Methodology	13
4 Perceptions and Understanding	19
4.1 Perceptions and Understanding of Pacesetter	19
4.2 Perceptions and Understanding of Lean	20
4.3 Perceptions and Understanding of OM/SL	21
4.4 Links between Lean and OM/SL	22
4.5 Raising Awareness/Communication	23
4.6 Summary	24
5 Implementation	25
5.1 Interviewee involvement during the implementation	25
5.2 Impact on Performance	26
5.3 Positive and Negative Elements	28
5.3.1 Positive Elements	28
5.3.2 Negative Elements	31
5.4 Problems and Issues Encountered	32
5.5 Summary	35
6 Outcomes	36
6.1 Changes in the Duties of Leaders	36
6.2 Process View	38
6.3 Teamworking	39
6.4 Customer Focus	41
6.5 Problem Solving	43
6.6 Summary	44
7 Operational Management/Senior Leadership Programme	46
7.1 Summary	49
8 Sustainability	50
8.1 Difference of Pacesetter	50
8.2 Sustainability	51
8.3 Summary	53
9 Discussion	54
9.1 Perceptions and Understanding of Pacesetter, Lean and OM/SL	54
9.2 Issues and Successes of Implementation	57
9.3 Impact and Outcomes	60
9.4 OM/ SL	62
9.5 Sustaining Lean and OM/SL	62
10 Implementing Capability Delivery in HMRC: Summary, Conclusions and Recommendations	64
10.1 Summary of Key Findings	64
10.2 Capability Delivery and Lean Thinking	67
10.2.1 What is Lean?	67
10.2.2 Is Capability Delivery a Lean approach?	68
10.3 Conclusions and Recommendations	69
Annex 1 : Biographies	72
Annex 2 : PaceSetter Timeline	73
Annex 3 : Interview Schedules	75



# Executive Summary

This report highlights the findings from the evaluation of Capability Delivery Projects in HM Revenue and Customs (HMRC) Processing Directorate undertaken by AtoZ Business Consultancy between January and June 2007. The remit of the evaluation was to focus on Lean implementation, Operational Management and Senior Leadership (OM/SL). The report highlights opinions obtained from HMRC staff and provides discussion focusing on:

- Staff understanding of the main elements of Lean and OM/SL.
- The impact and outcomes of the Lean implementation and the OM/SL events.
- The views of staff on benefits obtained from the OM/SL events.
- How the changes are being embedded and sustained over the longer term.

The method of data capture used during the evaluation was site visits to ten HMRC sites, which had undertaken a combination of Lean implementation and delivery of OM/SL events. The sites included five large processing offices (LPOs), two distributed processing offices (DPOs) and three national processing centres. There was also a visit to the PaceSetter Programme Office in London. Data gathering methods included semi-structured interviews and focus groups with a broad range of individuals using an interview schedule that was tailored to the different grades of staff and the collection of documentation and material. At the end of each site visit, a site report was prepared which summarised the main findings of the interviews and focus groups. These reports were amalgamated and common issues grouped together to develop emergent findings from which conclusions and recommendations were generated.

The main findings from the evaluation are:

- There was a direct correlation between the engagement of the Senior Manager and Management Teams and the attitude of staff towards capability, delivery and Lean in particular.
- Capability Delivery through Lean and OM/SL has impacted upon tools, structure, practices and behaviours. This has improved quality and productivity, made processes and practices clearer and led to new ways of working. However it has also generated uncertainty and anxiety amongst some staff.
- Senior managers had a better understanding of PaceSetter, Lean and Operational Management, compared to front line staff. The perception of Lean amongst front line staff was influenced by union documentation, which fuelled their concern.
- Staff, at all levels, appreciated the engagement associated with OM/SL events. There was a huge difference between sites in the amount of time involved in follow up actions from these events. Additionally the connection between OM/SL and Lean was not always understood.
- The diagnostic process included the timings of the process and the agreeing of team targets. The achievement of targets was recorded hourly and the progress of individuals was aggregated to a team status. This led to a concern amongst staff that targets would be used to monitor individual performance.

- Targets were set to drive up productivity, increase quality and reduce lead times. Some staff felt the productivity targets were not achievable although in practice many teams were achieving them. However there was little evidence that learning on how targets were achieved was being transferred across the teams and sites. The timings were carried out by staff in the teams on the understanding that re-timings could occur later.
- The main principle of Lean was seen to be customer focus but few front line staff linked this with the improved quality and productivity that had occurred. Also many staff did not associate the people, whom HMRC delivers a service to, to be customers because they had no choice of provider.
- It is very clear that Lean has resulted in an increase in the quality of the work at all sites. Quality has improved in part due to the support by in-flight checks, but in-flight checks are a “cost of failure”.
- For managers there were more meetings on a daily and weekly basis to review the performance of the previous day. These meetings focused on what output had been achieved and on why the target had not been achieved, rather than on how improvement could be made.
- There is a more structured approach to problem solving, which was welcomed by many staff, but was seen to be frustrating when actions were not followed through.
- The Lean Academies were seen as useful by both Local and Central Lean Experts but the response to the content was mixed especially for Lean Academy 2.
- It was noted that the roles and tasks of many staff had changed. Whilst some support was given to learn the new ways of working, no skills analysis took place to evaluate what staff development was needed to support the change. Thus staff did not always have the required skills to perform the tasks required to implement Lean.
- The processes in LPOs and DPOs are owned by a strategic site and have a process owner, which has rotated over the past 18 months. However, the perception was that processes were owned by the projects office and they were difficult to change. However there were examples of where processes had changed and improved.
- AA and AO grades felt that it was more obvious to see who in the team worked well and who did not. This led in some sites the better performers in the team trying to compensate for their colleagues who did not perform so well.
- People were much more accountable regarding the way that they manage. Managerial staff have become more visible and accountable. Lean has made the managers manage by collecting statistical information, looking at productivity and challenging performance. There were now more channels than before that enabled staff to speak to people at higher levels
- Teamworking was generally acknowledged to be better under Lean and there was a better team spirit. At some sites competition between teams was driving improvements rather than demoralising teams.
- Some staff felt that working in a process was a negative aspect of Lean leading to deskilling and inflexibility.

## Conclusions and Recommendations

The main conclusions and recommendations from the evaluation are:

- The OM/SL element of Capability Delivery engaged and challenged people but it was not the foundation for Lean it was designed to be. However there is potential for it to re-engage and achieve some of its initial aims.
- HMRC currently is not applying all the principles of Lean and still has a long way to go before it can describe itself as a Lean organisation. However, this does not mean that 'Lean' is not working, but that there is some way to go on the journey with the evidence indicating that HMRC is moving in the right direction.
- The Lean element of Capability Delivery is driving a process view, improving quality and productivity, removing waste and addressing problems through a structured approach. Time, support and commitment for culture and behaviours to be embedded is required, with better communication and the benchmarking of practices in other process and service organisations. Only when culture and behaviours are significantly more customer focused can HMRC truly become a Lean organisation.

Other recommendations which would develop and embed the approach further include:

- Developing an understanding of capacity planning and control, and demand amongst the experts through the Lean Academies.
- Continuing to investigate and develop the idea of runners, repeaters and strangers where appropriate.
- Developing quality in the process through better awareness of the impact of poor quality and the introduction of Statistical Process Control and pokayoke. There is also the need to develop a plan which removes the reliance on inspection.
- Creating a better understanding of the tools used in problem solving, supported by monitoring the outcomes to illustrate that the changes have taken place.
- Reassessing how the time is spent in meetings and developing clearer guidelines and training on how to use the meetings to look at improvement.
- Consider introducing core hours at sites so that work schedules and meetings can be managed more proactively.
- Creating a better understanding of the customer (external and internal) and what they require. This implies asking the customer what their requirements are and publicising the results.
- Developing stronger links between HR/Learning and Lean, supported by skills matrices for all levels of staff to ensure the required skills are present.
- Developing training for front line staff that is more relevant to their situation.
- Managing the communication better and the spreading of "rumours" through disseminating some of the success stories.
- Defining and better understanding cycle time, takt time, end to end time and lead time by the wider implementation and use of the lead time KPI.

- Know how long customer requirements have been in the process and how long they take to process, so that work load and customer expectations can be managed.
- Develop robust stable processes which have the flexibility to absorb variety.
- Creating more formal processes for Lean Experts to meet and discuss experiences and spread good practice across and outside HMRC.

Therefore, to develop and sustain Lean, Capability Delivery and even PaceSetter, there is a need for; greater senior management commitment, developing an understanding of the process, linking the improvements to strategy, developing a stronger link and understanding the customer view. Importantly Lean should not be seen as a quick fix with resources and finances committed only in the short to medium term. There is a need to continue the support over the longer term, until behaviours are more firmly embedded and stable processes have been created.

*Lean should not be seen as a quick fix with resources and finances committed only in the short to medium term*

# 1 Introduction

This final report highlights the main findings from the evaluation of Capability Delivery Projects in HM Revenue and Customs (HMRC) Processing Directorate undertaken by AtoZ Business Consultancy between January and June 2007. The evaluation was carried out by experts from AtoZ Business Consultancy, one of whom is associated with Warwick Business School<sup>2</sup>. Both are independent, external organisations.

HMRC Processing Directorate<sup>3</sup> is in the process of implementing Capability Delivery Projects, as part of the Pacesetter Programme, which aims to achieve £5 million of efficiency gains by March 2008. As part of these projects, HMRC is focusing on Lean implementation, Operational Management (OM), Senior Leadership (SL) and the Model Office. The remit of the evaluation was to focus on Lean implementation, OM and SL (OM/SL). The aim of this report is to outline the main findings from site visits to National Processing Centres, Self Assessment Centres and the Capability Delivery Projects Office<sup>4</sup>. The report will present the following:

- The evaluators understanding of the aims of Capability Delivery and its various elements.
- The methodology employed for the evaluation including site tours, semi structured interviews, focus groups and the collection of relevant data and documentation.
- Staff understanding of the aims of Pacesetter and their understanding of the main elements of Lean and OM/SL.
- The impact of the Lean implementation and the OM/SL events highlighting what was seen as good and not so good, as well as highlighting any problems encountered and how these were resolved.
- The outcomes of the implementation and events including changes in the roles of different grades of staff, performance and quality improvements, the impact of process working and teamworking and the understanding of the customer and their requirements.
- The views of staff on the OM/SL events that they were involved in and the benefits they obtained from being involved in these.
- How the changes brought about as a result are being embedded and across HMRC and how they can be sustained over the longer term.
- Discussion summarising the above sections and bringing together common issues and comments from across the findings.
- A concluding section drawing out the key findings and recommendations for implementing and sustaining Capability Delivery in HMRC.

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<sup>2</sup> The evaluation team were supported in the evaluation by two employees of HMRC, a central lean expert and a member of the operational management/senior leadership team. They helped to organise the site visits and accompanied the evaluation team on many site visits. Their assistance was very useful and is much appreciated.

<sup>3</sup> HMRC Processing Directorate will be referred to as HMRC from hereon in.

<sup>4</sup> The Capability Delivery Projects Office will be referred to as the Programme Office from hereon in.

## 2 The Pacesetter Programme and Capability Delivery in HMRC<sup>5</sup>

The Pacesetter Programme has been developed by HMRC in response to the challenges that its Processing Directorate faces over the next few years. These challenges are:

- Improving efficiency and customer service by delivering a 30% improvement in productivity.
- Reducing backlogs and the level of inconsistency across Processing.
- Ensuring that Processing in HMRC is amongst the best UK processors and becomes the UK Government's Processor of choice.

The four main elements of Pacesetter, which are being rolled out across Processing between April 2006 and March 2008, are:

- Leadership Development.
- Operational Management.
- Lean.
- Workforce Strategy and Capacity Management.

The objectives of Pacesetter are directly related to the challenges faced and are to:

- Deliver 30% efficiencies in terms of headcount by the end of the 2007/2008 financial year, whilst improving the customer experience, quality and effectiveness.
- Capture information, use it consistently and produce correct and intelligible outputs for customers quickly and cheaply.
- Meet agreed targets for unit cost, customer experience and quality effectiveness across the different HMRC offices and locations.
- Ensure that HMRC becomes the Government's processor of choice.

The programme aims to achieve its objectives by:

- Articulating clearly what results are expected to be delivered and to commit to these.
- Engaging staff in the changes at all levels throughout the organisation.
- Fostering new leadership behaviours and developing new management capability.
- Carrying out detailed redesign of processes using Lean principles.
- Developing a performance management culture and embedding business improvement into the culture of the organisation.
- Sharing good practice across the organisation.

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5 Information for this section has been taken from internal HMRC Pacesetter presentations and documents.

Capability Delivery is one of the two main themes<sup>6</sup> of Pacesetter. It includes three of the elements of Pacesetter mentioned; Lean, Operational Management and Senior Leadership (OM/SL). The first of these, Lean is a three pronged approach that will enable a transformation of HMRC by:

- Redesigning service delivery processes so as to eliminate waste and variability and maximise flexibility. This will improve productivity, quality and reduce lead time.
- Changing current management processes to create appropriate management infrastructure to sustain improvements.
- Changing mindsets and behaviours of leaders and front line staff to support the new systems and deliver continuous improvement.

Lean is currently being implemented in all HMRC Processing strategic sites. These are the larger sites that will incorporate the work of the smaller sites over a period of time and will use Lean as the way of working. In order to implement Lean across these sites, there are a number of dedicated Local Lean Experts based in local offices. These are supported by dedicated Central Lean Experts who generally rotate over three-month periods between sites. In addition, these internal HMRC staff have been supported by external consultants since Lean was originally trialled and implemented in 2004. Consultants involved with the Lean implementation have included McKinsey Consultants, PA Consulting and since January 2006, the Unipart Group<sup>7</sup>. During the period of the evaluation, many sites still had Unipart consultants on site working with the Central and Local Lean experts in order to transfer learning and good practice.

OM/SL aims to ensure leadership successfully address cultural and behavioural challenges as a key to the ongoing sustainability of Lean. It focuses on performance improvement through developing management capability, fostering new leadership behaviours and engaging staff. Ideally OM/SL events are planned and undertaken as pre elements prior to the Lean implementation. The key components of OM/SL include the following events:

- Kick off Events: to establish an operational performance focus with leadership teams.
- Performance Improvement Event (PIE): two day events for front line grades of staff, referred to as PIEs, where leaders engage front line staff in activities to address front line issues, with solution being implemented within 90 days of the PIE.
- Deep Dive Events: leaders prioritise and focus on a few performance issues.
- Launch Events: leaders launch their own programme driven by local needs.
- PIE training: a programme to develop capability to run local PIE events.

There have also been two leadership workshops for senior managers; Leading in a Lean Environment and Learning to Lead in a Lean Environment. In these events senior managers have spent time away from their respective sites focusing on process mapping, problem solving, coaching skills and a competence framework for leaders.

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<sup>6</sup> The other theme of Pacesetter is Business Change, which is beyond the scope of this evaluation.

<sup>7</sup> Background information on Unipart's Lean Philosophy (The Unipart Way) was obtained from a Case Study undertaken by Warwick Business School. This information was very useful in understanding the Lean implementation that had taken place at HMRC sites.

In addition to this and in order to stimulate further senior leadership in HMRC, a visit was organised to the Unipart site in Cowley for grade 7 staff and above to look at the Unipart Way in action and the way that senior leaders engage in this process.

In order to facilitate OM/SL across HMRC sites, there are a number of Advocates, who receive training and then facilitate local PIEs at sites other than the one in which they are based. The number of Advocates varied across the sites visited, with some sites have one or two Advocates while others developed teams of Advocates. The Advocates are not solely dedicated to this role, but undertake their functions in addition to other duties they have.

Pacesetter has a top-down and bottom up approach to improving performance and the Lean and OM/SL elements are very much linked together. Lean drives performance from the processes up into the wider organisation. It focuses on improvements through reducing the waste in key processes and supporting the individual leaders in addressing the challenges of driving ongoing improvements, setting motivating targets and giving effective feedback. OM/SL drives performance from the leadership team down into the wider organisation. It focuses on the leadership's performance agenda in addressing the challenges of improving the performance of the leadership teams, re-engaging with front line staff and leading in a manner that sustains the improvements generated by Lean.

A timeline of the Pacesetter programme, in particular the Lean implementations is outlined at Annex 1.

*Pacesetter has a top-down  
and bottom up approach  
to improving performance*

## 3 Methodology

In order to undertake the evaluation of Capability Delivery projects, ten HMRC strategic sites were identified by the Pacesetter Programme Office, as appropriate sites, having undertaken a combination of Lean implementation and delivery of OM/SL events. The ten sites included five large processing offices (LPO), two distributed processing offices (DPOs) and three national processing centres. There was also a visit to the Pacesetter Programme Office in London, prior to starting the site visits. In the majority of the site visits, the evaluation team were accompanied by HMRC staff from the Pacesetter Programme.

The site visits were undertaken between January and May 2007 (See Table 1 below). There were five LPOs visited across the country and two DPOs visited. DPOs deal with the same work as LPOs but in smaller management units. These site visits, with one exception were undertaken over a two day period. As well as collecting data and material from the sites, semi-structured interviews and focus groups were undertaken with a broad range of individuals using an interview schedule that was tailored to the different grades of staff. The actual numbers and profiles of those interviewed across the sites varied due to the different size and nature of the specific sites.

The LPO and DPO sites visited were in various stages of implementing Lean and delivering OM/SL events. Some of the LPOs had trialled Lean in 2004 and 2005, prior to embarking upon the OM/SL events. Across all sites with one exception, the key processes that were going through the Lean implementation were Self Assessment, Employee Maintenance, Open Cases/Customer Reviews and Post/Customer Correspondence<sup>8</sup>. The aim was to implement a standard solution across all sites for each of these processes. The three national processing centres had their own site specific processes that were going through the Lean implementation and they were also at different stages of the implementation. All sites, with one exception had also undertaken OM/SL events (See Table 2 below).

The purpose of the site visits was to gain an understanding of the following aspects of Capability Delivery:

1. When did the Lean implementation start and what proportion of the site had been affected by it?
2. What OM/SL events had taken place and how many people had been involved?
3. What was the understanding by staff of Pacesetter, Lean and OM/SL and the links between them?
4. The qualitative and quantitative impact of the Lean implementation and the OM/SL events?
5. What problems had been incurred or what had worked well during the implementation or the events?
6. What had changed as a result of the implementation or the OM/SL in terms of individual roles, the processes, the interaction with the customer and the working of individual teams?

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<sup>8</sup> The terms Customer Reviews and Customer correspondence are being tested in the Model Office in Portsmouth. The aim is to determine whether or not these alternative terms help team members better understand the impact on the customer of how they do their work.

7. What aspects of the Lean implementation and OM/SL events would or would not be sustained over the longer period and why?

The personnel interviewed at every site included the senior managers (SMs), senior officers (SOs), higher officers (HOs), band Os (Os) and team members consisting of admin officers (AOs) and admin assistants (AAs). In addition, to support the evaluation, interviews were also carried out with HMRC staff including one national PCS rep and several Local Lean Experts, OM/SL Advocates and Strand Leaders. Finally an interview was conducted with two Unipart consultants, who had been involved in aspects of the implementation of Lean at HMRC sites<sup>9</sup>.

Four semi-structured interview schedules were prepared depending on the interview being undertaken (See Annex 2). As a result separate schedules were prepared for the senior managers (HO and above), for the focus groups (band Os and below), Lean Experts/Advocates and Strand Leaders. Each schedule was divided into key topic headings with key questions to be asked. The schedules also highlighted follow up topics for the evaluation team to pick up on as key words were mentioned. Notes were taken of all interviews and the majority were recorded on a digital recorder and then transcribed so a full record was available.

Secondary data was also collected from the sites and the Programme Offices to aid the evaluation including Pacesetter Programme documents and Lean Academy handbook. Data was also collected from the sites including the organisation chart for the site, current and future state maps for the processes concerned<sup>10</sup> and information on performance collated over a period of time to identify trends. In addition, there was also correspondence from a PCS national rep.

At the end of each site visit, a site report was prepared by the visiting evaluator for the sole purpose of the evaluation team. This report summarised the main responses to the questions asked during the interviews and focus groups and highlighted the site specific reflective notes of the visiting evaluator. These reports were amalgamated at the end of the evaluation and common issues were chunked together and coded so that the evaluation team were aware of which sites had raised the issues. The chunked data was used to develop emergent findings. These findings are presented in this report under the specific topics discussed during the interviews and focus groups. The findings are supported by anonymous quotes from individuals and focus groups.

**It is important to highlight that sections 4 to 8 of the report are based solely on the information provided to the evaluators during the visits to the ten strategic sites. These sections do not reflect the view of the evaluators. Sections 9 and 10 outlining the discussion, conclusions and recommendations reflect the views of the evaluators.**

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9 The evaluation team would like to acknowledge Unipart for this contribution and thank the consultants interviewed.

10 The future state maps were similar across LPOS and DPOs but differed across the national processing centres visited.

Table 1 Overview of HMRC Site Visits

Site	Date Visited 2007	Site Type	No of Staff	Staff Interviewed
Chapel Wharf	22nd January 26th January	LPO	~970	Senior Manager Senior Officer 3 Higher Officers Local Lean Expert 4 Band Os 8 Admin Officers 8 Admin Assistants
NOS Wolverhampton	8th February 9th February	National Processing	~250	Senior Manager Senior Officer 2 Higher Officers Local Lean Expert 2 Band Os 6 Admin Officers 9 Admin Assistants
Child Benefit Office	27th February 28th February	National Processing	~1,200	Senior Manager 3 Senior Officers 3 Higher Officers Local Lean Expert OM/SL Advocate Strand Leader 8 Band Os 4 Admin Officers 9 Admin Assistants
Ipswich	13th March	DPO	~120	Senior Manager 2 Higher Officers 2 Local Lean Experts OM/SL Advocate 3 Officers 5 Admin Officers 2 Admin Assistants
Birmingham	14th March 15th March	DPO	~300	Senior Manager 3 Higher Officers Local Lean Expert Strand Leader 5 Band Os 12 Admin Officers 6 Admin Assistants
Lothians	21st March 22nd March	LPO	~800	Senior Manager Senior Officer 3 Higher Officers Local Lean Expert 9 Band Os 10 Admin Officers 9 Admin Assistants

[continued >](#)

Table 1 Overview of HMRC Site Visits continued

Site	Date Visited 2007	Site Type	No of Staff	Staff Interviewed
South Wales	27th March 28th March	LPO	~900	Senior Manager Senior Officer 3 Higher Officers Local Lean Expert Strand Leader 8 Band Os 8 Admin Officers 8 Admin Assistants
East Hampshire and Wight <sup>11</sup>	25th April 26th April	LPO	~650	Senior Officer 3 Higher Officers Local Lean Expert Trade Union Representative 10 Band Os 10 Admin Officers 7 Admin Assistants
West Yorkshire and Craven	8th May 16th May	LPO	~400	Senior Manager Senior Officer 3 Higher Officers Local Lean Expert 10 Band Os 11 Admin Officers 11 Admin Assistants
National Insurance Contributions Office	29th May 30th May	National Processing	~3,500	Senior Director Assistant Director Lead Advocate Lean Coordinator 2 Senior Officers 2 Local Lean Experts 9 Band Os 12 Admin Officers 7 Admin Assistants

<sup>11</sup> This is the Pacesetter Model Office. Some of the processes at this site had different names. Open Cases was referred to as Customer Reviews and Post was referred to as Customer Correspondence.

Table 2 Lean Implementation and OM/SL Events at Sites<sup>12</sup>

Site	Lean and % Staff Involved		OM/SL and % Staff Involved	
	Processes	Staff	Events	Staff
Chapel Wharf	Self Assessment (March 2006) Employee Maintenance (May 2006) Open Cases (June 2006) Post (August 2006)	~75%	Kick Off Event (June 2006) Deep Dive (September 2006) Band O Launch (October 2006) 3 PIEs (July, December 2006, January 2007)	~20%
NOS Wolverhampton	Deregistration (June 2006) Registration (November 2006)	~50%	None at time of visit	N/A
Child Benefit Office	Claims Receipt (August 2006) Post (Proportion November 2006)	~10%	Kick Off Event (April 2006) Deep Dive (May 2006) Band O Launch (September 2006) 3 PIEs (May, October and November 2006)	~15%
Ipswich	Self Assessment (June 2006)	~50%	Kick Off Event (October 2005) Deep Dive (November 2005) Band O Launch (December 2005) 1 PIE (December 2005) 12 mini PIE events (2006)	~100%
Birmingham	Self Assessment Employee Maintenance Post (July 2006)	~80%	Kick Off Event Deep Dive Band O Launch 2 PIEs	~20%
Lothians	Self Assessment (December 2004) Post (June 2005) Open Cases (June 2005) Employee Maintenance (December 2005)	~60%	Kick Off Event (June 2006) Deep Dive (July 2006) Band O Launch (September 2006) 2 PIEs (September 2006)	~10%
South Wales	Self Assessment (December 2005) Employee Maintenance (March 2006) Open Cases (April 2006) Post (May 2006) Death Team (January 2007)	~80%	Kick Off Event (April 2006) Deep Dive (June 2006) Band O Launch (July 2006) 1 PIE (June 2006)	<10%

continued ›

<sup>12</sup> These were the processes which had gone through the Lean implementation and the OM/SL events that had taken place at the time of the site visit.

Table 2 Lean Implementation and OM/SL Events at Sites continued

Site	Lean and % Staff Involved		OM/SL and % Staff Involved	
	Processes	Staff	Events	Staff
East Hampshire and Wight	Self Assessment (November 2005) Employee Maintenance (December 2005) Customer Reviews (January 2006) Customer Correspondence (May 2006)	~85%	Kick Off Event (May 2006) Deep Dive (August 2006) Band O Launch (September 2006) 3 PIEs (June, September, December 2006)	~20%
West Yorkshire and Craven	Self Assessment (December 2005) Employee Maintenance (March 2006) Open Cases (March 2006) Post (September 2006)	~60%	Kick Off Event (May 2006) Deep Dive (December 2006) Band O Launch (February 2007) 2 PIEs (July 2006)	~25%
National Insurance Contributions Office	Refunds (January 2006)	~20%	Deep Dive 11 PIEs (2006 and 2007)	~10%

## 4 Perceptions and Understanding

The views of staff were obtained regarding their understanding and perceptions of the overall aims and objective of the Pacesetter Programme, as well as their understanding and perceptions of what was meant by Lean and OM/SL. The term Pacesetter was used instead of Capability Delivery as it was believed that staff would be more familiar with this term. Staff were asked to name the main elements of Lean and to highlight which they considered to be the most important element, as well as identifying the key events associated with OM/SL. Staff were then asked to outline whether they saw a link between Pacesetter, the Lean implementation and the OM/SL events. As part of these questions, staff opinions on communication regarding the Lean implementation and the OM/SL events were also sought.

### 4.1 Perceptions and Understanding of Pacesetter

Generally the SMs, with two exceptions, were familiar with the overall programme, its aims and objectives and could see the link between OM/SL and Lean. Generally Pacesetter was seen as the programme to take HMRC forward to meet its 5 year challenges of achieving capacity, improving customer service and developing leadership potential.

*“Pacesetter to my mind is the umbrella organisation that is driving forward the business change programmes across HMRC, with the emphasis on development, particularly with the senior managers then working through to provide skills to key managers all the way down the line”*

At one site, there was no knowledge of Pacesetter and at another site, Pacesetter was associated only with OM/SL. This site saw Lean as having come along and replaced Pacesetter.

There was not such a clear understanding of Pacesetter from the HOs and SO, who seemed to link Pacesetter only with Lean. In some cases, this referred to the efficiency savings associated with Lean i.e. removing waste, delivering services with less staff and to improving customer service. Only at one national processing site and one LPO, was there a good understanding of what this programme was at HO and SO level as well as SM level. They could make the link between the aims of the programme and the improvements required in HMRC.

*“Pacesetter is helping us achieve where we need to be in the future and particularly around the 5-year ambition, the changes we need to get to were we want to be. To work more efficiently, achieve the 30% efficiency savings, give the managers the capability to manage and lead in the new environment, using the new Lean tool”*

The Pacesetter programme was recognised by a small proportion of the band Os, but hardly any AAs and AOs. Some staff had read information on the intranet or newsletters but admitted to not paying too much attention, except in preparation for the focus groups. Generally band Os, AAs and AOs associated Pacesetter with Lean.

There were some differences in the timeframe of when staff had first heard of Pacesetter through an official meeting. In the majority of sites the SM heard via an official communication between one and two years ago. In the five LPOs, the implementation of Lean had started before the development of the Pacesetter programme and was then integrated into this programme. As a result, Lean was often blamed for everything bad even if these were not Lean or Pacesetter related.

## 4.2 Perceptions and Understanding of Lean

There was a very good understanding of the background to Lean and to many of its principles across all sites and across all grades of staff. The most commonly cited principles of Lean are listed in Table 3.

Table 3 Lean Principles Cited by Sites

Principle	No of Sites
Improving productivity and quality	9
Removing waste	8
Customer focus	7
Developing and Improving the Standard Process	7
Increasing efficiency	4
Added Value	1

*“For a long time [in HMRC] we have been focused on staff and things like hours of attendance and when people want leave, we have always looked at it from the staff perspective, whereas under Lean we are looking at it from the customers focus”*

There were differences across sites with regard to which of the Lean principles was seen as the most important. The most important principle of Lean, as highlighted by sites is shown in Table 4.

Table 4 The Most Important Principles of Lean Cited by Sites

Principle	No of Sites
Customer focus	9
Standard process	2
Increasing efficiency	2
Removing waste	1
Increasing productivity and quality	1
All principles are equally important under Lean	1

In all sites, at least one member of staff mentioned that customer focus was the main element of Lean. This was usually the senior manager or staff from the senior management team. In four sites, the AAs and AOs understood the principle of customer focus but did not associate it with the way that they were working the Lean processes or believed that the site had lost the focus on the customer, sometimes as a result of Lean.

*“Customer service is supposed to improve under Lean, but it hasn’t here, not with what we are doing”*

Also in some sites, where customer focus was considered the most important aspect of Lean, this was believed to be achieved if the site was hitting its productivity and quality targets.

*“We keep being told that by increasing our productivity and removing the waste, the applications are done quicker. This means improved customer service”*

Other views of Lean included:

- Change in culture from top down mentioned by three sites
- Creating headroom/capacity mentioned by two sites
- Hands on management/go and see mentioned by two sites
- Uniting staff against the management mentioned by one site
- Deskillling and a breakdown in the process mentioned by one site
- Lean develops staff/improves the workforce mentioned by one site
- Better job satisfaction mentioned by one site
- Producing cost savings mentioned by one site
- Collecting statistical information mentioned by one site
- Transparency of information mentioned by one site

In the majority of sites (generally at AO and AA level) the background to Lean and its development was seen as purely relevant to a manufacturing environment and irrelevant to an office based environment.

*“We went to the workshop where we did stickle bricks and that was quite good in terms of getting to the end result. It was good in the workshop but didn’t work when we came back to the desks. We do our jobs differently because every return is different. We can’t see the principles working in here”*

*“Lean can’t work in a tax office. The consultants have come in from a car manufacturer or a hospital, but not a tax office”*

### 4.3 Perceptions and Understanding of OM/SL

There was a lot of difference between sites and within sites regarding their understanding of the OM/SL events of Pacesetter. The main definitions given for OM/SL are provided in Table 5.

Table 5 The Understanding of OM/SL

Definition of OM/SL	No of Sites
Enhance skills of managers and staff further down	8
Improve leadership beyond just management	4
Change the behaviour/way the managers need to work in the new environment	4
Top down approach to support Lean or Pacesetter	3
Enable managers to take responsibility/challenge	1
Being able to mange together	1

OM/SL was only really understood by the senior managers or staff from the senior management team. In the five LPOs, staff had to be prompted by mentioning the kick off, deep dive and management launch events before they were able to comment upon them. Only one national processing centre had a consistent view across the organisation of what OM/SL meant, stating that it was about realising and developing managerial capability across all levels of staff.

*“[OM/SL] looks at the way that we lead, the different behaviours that we need in our new business to support the managers. In terms of Pacesetter, it is aimed at Grades 6 and 7, but then it is my job to support and coach my people here, in my senior team, and for them to support downwards throughout the management, all the way down to the front line staff”*

There was also a significant number of staff at three sites at HO and SO level who appeared uncertain about what OM/SL meant. At one national processing site, OM/SL was not understood by the SM in the context of what it really meant because this senior manager had had very little involvement in these aspects of Pacesetter. As a result, attempts to answer this question were in relation to general leadership regarding Lean i.e. making work more efficient. At another site the terms OM/SL meant nothing. Most people saw this element as the Pacesetter Programme.

When speaking to staff from further down the site hierarchy in the LPOS sites, this term was associated only with PIEs. At all sites, the staff that had attended the PIE events had enjoyed the two day events very much. The events were seen as very useful for encouraging all staff to highlight problems, research issues, present findings and implement changes. Some front line staff had developed more confidence in presenting and talking to their peers as a result of attending PIEs.

*“I enjoyed [the PIE] and I learnt lots of new things.... A few changes that were picked up did go ahead and were actually implemented”*

The number of PIE events undertaken had been limited by Union work to rule action at three sites. At some sites, even those where PIE events had been viewed positively, many of the improvements suggested at the PIEs had not been implemented and the reasons for not doing so were reasons that should have been identified at the PIE stage i.e. financial or IT reasons.

*“The improvements envisaged through the PIE were supposedly going to be massive and everybody in the senior management team took a step back, and thought this is going to be difficult to implement based on what we know of how the business works and therefore [the improvement] didn't actually come off in the end. Then you get the situation where staff say that it wasn't ever going to happen and you get negativity creeping in”*

#### 4.4 Links between Lean and OM/SL

At all sites that had been involved in OM/SL events, the senior managers could see the link between OM/SL and Lean and recognise the role that OM/SL had in changing the way that HMRC needed to work.

*“OM/SL is crucial for the long term sustainability of Lean. It is linked to improving the capability of managers and staff to deliver a better customer service. Without OM/SL Lean does not have a chance”*

*“Lean requires behavioural changes to make it work and there is a lot of staff still managing the old way. Managers need to drive change by changing their behaviour”*

*“HMRC cannot achieve the new targets the way it used to manage so therefore there needs to be a change. [This site] originally started Lean without the OM events and it was hard to implement Lean in this environment”*

However at five LPOs and DPOs, there was no understanding of how these two aspects of Pacesetter linked together from some of the HOs and SOs on the senior management team. In most of these cases, these individuals appeared to see the OM/SL events as part of Lean leading to increased efficiency and productivity.





# 5 Implementation

When the discussions moved into obtaining views and evidence on the implementation and impact of the changes, the majority of staff considered these as being part of Lean so many of the comments now refer to Lean rather than OM/SL. However those individuals who had attended OM/SL events did provide feedback on what they thought of these events. The majority of the views of staff were obtained regarding the impact on performance as a result of implementing Lean. They were also asked to highlight what they considered to be positive elements and negative elements of Lean. Finally problems or issues encountered during implementation were also explained, as well as any solutions made to resolve the problems or issues.

## 5.1 Interviewee involvement during the implementation

With regard to the Lean implementation, there first had to be a diagnostic undertaken for each of the processes, in order to define and plan the Lean implementation. The diagnostic stage considered the current state of the processes, looked at the set up of the teams, considered the demand at the site and designed the future state process which included the targets to be achieved by the site. Pilot teams were established to trial the future state process. However there was significant variation between the LPOs/DPOs and the national processing centres, with regard to the diagnostics. For LPOs, DPOs, there was not significant staff involvement in the diagnostics development of the processes. This included the Central and Local Lean Experts. As a result many staff at all grades were unable to comment upon this aspect of Lean. At the national processing centres however, a greater proportion of staff, including the Central and Local Lean Experts were involved at the diagnostic stage.

Generally staff from the senior management team (mainly SM and SOs and some HOs), were involved in:

- Agreeing site Key Performance Indicators (KPIs) after the location and business diagnostic.
- Attending the Kick Off and Deep Dive events and many were involved in the management launch.
- Maintaining contact with the programme office, one of the main elements of this being to communicate elements associated with the Lean implementation through the site.
- Participating in the PIE events as sponsors, advisors or on the decision making panels.
- Maintaining links with the PCS rep and informing them of what was going on every step of the way.
- Reassuring the staff who were being transferred to Lean that the rumours they had heard elsewhere were not true and reassuring staff not on Lean teams that they have a future in HMRC.

*“On some floors there was panic over going onto the Lean teams. This is the problem we have had all along trying to win over their hearts and minds, at least a couple of people were petrified of going onto the Lean team. I was trying to reassure them it was just the same work and trying to give a positive slant on everything”*





In open cases, there was also variety in the performance of teams across the sites, with no one site consistently hitting their targets. Generally, it was outlined that in open cases, the more experienced teams were performing better and that across all the sites, teams had increased their productivity and quality since Lean was implemented. The teams working in open cases were usually the first teams to flip to other processes.

In post, the 20 week productivity target (which as in the other processes varied between sites and teams) in many sites was not being achieved, though there was evidence to highlight that productivity was increasing. The quality targets (range between 85%-90% correct) were also not being achieved by many teams though large increases in quality had been achieved at some sites. In addition no site was achieving the minimum lead time target of 3 days and although production lead time decreased in all sites, it appears that sites were still very far from achieving this target. In addition to production lead time, the aged lead time (the number of days since the oldest piece of post was received) had increased at some sites, who were having to allocate resources from other processes to reduce the volume of work on hand. There did appear to be a large difference in the performance of teams, with some teams performing better. Where this was the case, HOs described the attitude or experience of these teams as better than in others.

*“We have had a backlog for a while and the implementation of Lean hasn’t helped it. We maybe could have planned better in the transition of going Lean. We had a staged role out plan of 3 teams at a time, with 15 teams in total. As the first 3 teams came on, they were pulling the work for the teams. As more and more teams came online, we weren’t managing the backlog very well. This didn’t give us a good start”*

The targets varied across the national processing sites visited because each site worked different processes from LPOs and DPOs. One of the national processing centres visited had not long been working Lean methods and as a result were achieving their targets very easily because these targets had not been increased to the twenty week figure. However at the other two national processing sites, which were approaching or had passed their twenty week trial period, performance varied, with some teams achieving their targets, whilst others were not. However both these sites did have post processes, which had Lean targets and in both cases, it was highlighted that, as in LPOs and DPOs, these processes were the ones that were struggling to hit their targets and backlogs were being created. At one national processing site, the Lean post teams were being backfilled with staff from other areas of post to help work the post.

## 5.3 Positive and Negative Elements

### 5.3.1 Positive Elements

Quality has improved in all sites and this had been recognised by all teams. There were more quality checks being undertaken and feedback was immediate. However at two LPOs it was highlighted that there was some inconsistency between the quality managers, but they were trying to remedy this. This inconsistency was felt to be because quality managers had received no training or guidance on their new role and also because in many processes they did not get together to meet and discuss their work.

*“A good thing is having quality managers. Some people do things and are not sure if its right or wrong. Now the quality manager will pick up on whether things are wrong and if they are, he will show you what to do. Next time it pops up, you know”*

At seven of the sites, it was mentioned that teamworking was also better, with teams becoming more sociable or have more of a team spirit. At one national processing site, there was better self management within teams. An example of this was the power-hour. One of the elements of the process required extensive/pressurised work for an hour each day. The teams decided that all individuals on the team would do this work for one hour each day. This benefited team morale. At one site, the front line managers and quality managers were working together more. At some sites competition between teams was driving improvements rather than demoralising teams.

*“On the two better performing teams, a good team spirit exists, they are very engaged, take accountability for things and actually want to do a good job”*

It was stated particularly by AAs and AOs that it was more obvious to see who in the team worked well and who did not. This had a different impact across the sites. In some sites the better performers in the team tried to compensate for their colleagues who did not perform so well, while in other sites the poorer performers were being exposed.

*“Some people are having to compensate for those that don’t work so well. You are not supposed to pinpoint people who are not working because it’s a team effort, but when people slack off, it can really annoy other people, in the team”*

*“The challenge then becomes identifying the poorer performers and giving them support to improve quality through training”*

Two sites highlighted that more problem solving was being undertaken. The problem solving sessions provided improvements that everyone could relate to and that were shared across teams.

*“Problem solving has been good but there has not been enough of it”*

The OM/SL events have had a positive impact, where they have been embraced. They have given some managers the skills to tackle difficult issues. There are examples of PIEs being used to make real improvements e.g. data entry of employees. Some staff appear to have become more focused as a result of attending PIEs.

*“[As a result of the OM/SL events], I am much more reflective now, so after an event, I will have a look and say, is that the best way I could have done that, could I do it differently? I am constantly trying to strive to get better ways to communicate as well”*

There was more structure to the working day. The standard work instructions brought benefits to the way that teams worked. Where there were once different practices across and within sites, there was more of a structure to enable all sites to undertake the work in the same way.

*“For me, it’s simplified the work. I don’t think about what cases I have to do. My day is mapped out for me and it’s structured. I can concentrate on the process I am assigned to do at a set time”*

Some elements associated with Lean worked well, especially where the senior manager led by example and demonstrated the appropriate action e.g. 5S and moving desks. Visual management also improved the management of the work, where it was used in the right way. Team members felt very precious about their boards and in some teams, staff took responsibility for completing the boards. The daily meetings were useful for stimulating communication within teams across some sites.







*“One of the problems we had in going from the old way of doing the post to the new way was the set up. We have changed how people sit at their desks and how the post gets to their desks”*

There were skills issues highlighted at some sites. Some O Band managers did not feel too secure with the new duties under Lean e.g. holding daily meetings, either for political issues or because they lacked the appropriate skills. Some O grade staff could obtain the skills but the will was not there or there was a general reluctance to change. AAs could not do AOs work and therefore could not show competences and acquire new skills even if they wanted to.

*“One team leader was not comfortable with talking to people and holding daily meetings, so this person moved to a quality role. Another team leader also worked part-time and when [this person] left, the performance of the team worsened. This person was also moved to a quality role”*

*“Some managers feel they do not have the requisite skills to manage in that environment. So when that happens, you revert to what you used to do before so you are back in your comfort zone”*

Some senior managers saw Lean as a fad and did not expect it to last, although many have bought into the idea since the implementations. However at one site the senior managers were very uncooperative with the local experts and did not participate fully in the Lean training sessions or in the OM/SL events. This site had not fully engaged with the OM/SL aspect of Pacesetter.

*“The Lean experts are there to be used by the senior managers. But in fact, we were not consulted, business decisions were made without talking to any of the Lean experts. Since the new senior manager came, we have been more involved”*

Some staff at one site felt left out of the Lean implementation and wondered whether they had a future in HMRC. Some band O staff, at another site, felt a bit detached from the process. Lean maybe missed out the process owners when it was first implemented and this explained the issues that the LPO had around introducing some aspects of Lean such as problem solving, which required significant HO buy-in.

The issue of Fixed Term Appointments (FTAs) was raised as the major problem in many sites. In theory all FTAs in HMRC will not have their contracts renewed after September 2007, thereby leading to a large reduction in headcount. Many staff were therefore, not sure where their future was and this had a big impact on morale. As these individuals were generally the better performers, their loss would leave only the poorer performers.

*“A major problem we had was that staff not on Lean teams were uncertain about their future. We believed they had a future here but we could not say for certain what that future would be. Because we could not tell staff that next week they would be doing this or that, then staff focused on this element of uncertainty and were unhappy about it”*

Lean was seen as time consuming by some HO managers and some things that had to be done, did not add value e.g. monthly management report, repetitive copying of information and the daily meeting between the HO and band Os. Lean did not also lean the role of managers. It was time consuming for managers to complete boards, especially when they had to cover for other band O managers and were not getting done some of the jobs they were doing before e.g. sick reports. There were also too many meetings. As a result of all these additional duties, both the band Os and AAs and AOs felt that the band Os were spending less time with the teams and were not able to give more individual support to team members.

*“They hold more meetings, and they don’t have time to be the people managers, which is what we want and we need. The people aspect has gone”*

*“You feel as if you are fighting for their time, they are trying to hit their targets, and while you are speaking to them you are not hitting yours either”*

The following specific staff perceptions were highlighted around the Lean tools:

- There were issues around the standardisation of processes. The standard working instructions were not fit for purpose for the teams. Staff recommended changes, but the process for change was too bureaucratic and stopped staff from expressing an opinion. There was a lack of decision making, because the standard process meant that there was no thinking on an individual level<sup>16</sup>.
- Issues around the performance boards, with some teams not having bought into this concept and ignoring the information on the boards. The purpose of the performance boards was to see how the team was performing but there was too much information on them and some staff found this confusing.
- On post, it was difficult to identify exception items of post that required a longer working time but staff were not given additional time to do this extra work and were therefore not hitting their targets<sup>17</sup>.
- There was an expectation that improvements would occur faster. Problem solving should have come in earlier to facilitate improvements.

Staff also highlighted that there were some issues with the external assistance that some sites received. Some of the diagnostics were consultant rather than business led and the handover of consultants occurred at a difficult time.

*“At times, Unipart were inconsistent and their understanding of the business was poor”*

*“The business has been transformed to fit Lean rather than other way around”*

One LPO was hampered by the lack of a Central Lean Expert for a long time. At some sites the band O on the post process felt that they could have learnt from the experiences of other teams on other processes which had gone through lean before them. They felt there was an element of duplication. There should have been more learning between sites, even if there was resistance to this initially.

*“Someone from the model office could have come to talk about problem solving and mention how it could work here”*

Some staff, particularly at the LPO/DPOs, believed that the speed of the Lean implementation made it difficult for people to change and adapt quickly. At one site there was a loss of momentum on the OM/SL side because of too much pressure to change. The pressure to change overnight (internally from HMRC and externally from Government) was also seen as possibly undermining the sustainment of Lean.

*“The pace of change felt relentless at times and sometimes felt out of control. This was difficult for people who like to get things right first time”*

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<sup>16</sup> See comment on Footnote 11.

<sup>17</sup> At the interim report stage, the evaluation team suggested undertaking an initial sift of the post into “runners, repeaters and strangers”. Whilst the post process should be able to accommodate runners and repeaters, the exceptions in post should be considered as “strangers” and sifted out of the process to save time. As a result of this, the standard process has been revised and improvements have been made.

## 5.5 Summary

It was evident from the interviews and focus groups that a significant proportion of staff have been involved in both Lean and the OM/SL events. With regard to Lean, whereas the front line staff have seen changes to the process they work in, there has been a significant amount of management time involved in planning the implementation, creating teams and trying to reassure staff prior to the actual implementation. Significant staff time has also been taken up preparing for and undertaking the OM/SL events. However there has been a huge difference between sites in the amount of time involved in follow up actions from these events.

The Lean implementation has impacted upon the performance of teams at sites. It is very clear that Lean has resulted in an increase in the quality of the work at all sites. However it is not so clear whether there has been a similar increase in productivity or decrease in lead time across all sites. Some teams do achieve their twenty week productivity targets, but a significant proportion do not. However a majority of sites have indicated that productivity is increasing under Lean.

There were a lot of positive and negative elements associated with the implementation of Lean in particular. As highlighted above quality has increased, but there have also been additional positive elements such as better teamworking, more problem solving, and greater accountability for work. The significant negatives mentioned include the perceived deskilling of staff in Self Assessment, pressure to hit targets and problems with the standard work instructions.

*There have also been significant other factors that though not related to Lean have impacted upon attitudes towards it. There have been problems with the Unions over pay and conditions. This has resulted in negative press about Lean affecting the views of staff. Other issues affecting Lean related to the potential loss of staff on fixed term contracts, the time taken to undertake duties associated with Lean that staff perceive as not necessarily adding value and the pace of change, which has been described as “relentless” at some sites.*



*“I’ve got more confidence to make decisions, to challenge both up and down. I have confidence in my own ability to know when to say I need help or no I know what I’m doing. That is something I have just learnt”*

Not all staff agreed that the change in duties had been positive and in some sites, it was noted that senior leaders were no more visible under Lean than before and were only really seen when they were checking the targets and outputs. In addition at two LPO sites, the senior management team were not known by some band Os.

*“Not sure HO and SO managers are managing better. They are possibly focusing more on undertaking the workplace audits and ticking boxes rather than using the information to manage the teams”*

*“Some managers seem to have lost any management experience/knowledge they previously had although Lean has highlighted a number of managers who are not best suited to this role”*

*“I am less proactive now because I have less of a planning role than before. I would have liked to be more proactive under Lean”*

The following changes in duties of O band managers were noted by all grades of staff:

- As mentioned, the role of the band O managers had seen the greatest change and is now completely different. They were now more involved in completing and maintaining the performance boards and had less time working with their teams. There was also a recognition that O Bands needed to manage the work as well as manage the people on the teams.
- The O bands were focusing more on team performance, especially at the daily meetings. During the daily meetings, the O Band focused on not hitting targets rather than looking at whether performance had increased over time. At some sites, however there were examples of quality being discussed first at the daily meetings.
- O bands were having to resource plan but this was difficult because of flexitime arrangements, with staff on teams starting at different times. When running the daily meetings, O band managers had to wait until all staff were available (usually only between 10am and 3pm) before they could start.

*“[Lean] does not work in this office especially with flexitime. Flexitime will have to go to make it work, but if flexitime goes, half of the people will walk. Managers can’t plan resources with flexitime”*

- The role of the O band quality manager changed from being one which offered support for staff making mistakes to one which was more of a checking role. These in flight checks had a zero tolerance on errors and the quality manager was responsible for enforcing this through constructive feedback. It was suggested at one site that there should be forum for quality managers to share experiences between staff and to ensure consistency between quality managers.
- Band Os are now using the information on the performance boards to challenge staff and in some cases actively managing staff. Some band Os have found this change in their duties awkward.
- Many band O managers felt they were under a lot more pressure and withdrawn from their teams. They felt this pressure was passed onto them from HOs and even SOs. They also believed that in many cases they unintentionally passed this pressure onto their teams.









*“Because [HMRC] doesn’t have a competitor, we can turn around and be more difficult with customers. The bottom line is they can’t go anywhere else”*

*No individual at any site could point to any evidence or survey that highlighted what the customer/claimant/trader wanted of their service from HMRC. They all claimed to know i.e. “it’s what I would expect” or “it’s obvious” and highlighted that HMRC carries out does carry out surveys, although no one claimed to have seen one.*

When asked whether Lean had impacted upon customer service, the following was noted:

- Staff had made the link between the service they offer and the customer but had not made the larger leap into understanding how this would link into the government’s policy agendas.
- The impact on the customer at one national processing site has been negligible because the process that was Leaned has less contact with customers than other areas. There may be more of an impact when other processes are Leaned.
- There was a recognition that in some LPOs and DPOs, that the focus on targets was affecting focus on delivering a customer service. Because taxpayers did not have a choice, HMRC were allowed to maybe forget about the customer. However many AAs and AOS did not accept that made them treat taxpayers differently.

*“Our people do think about the customer, but sometimes as a result of this constant daily push for numbers, it gets pushed back”*

- There was an acknowledgement in all sites that Lean had increased the quality for the customer.
- Lean was an attempt to try and address delays and inaccuracies in providing the customer with an accurate and quick claim.

With regard to the concept of internal and external customers, the following types of comments were made:

- The senior managers and many HOs and SOs at many sites acknowledged that there were external and internal customers. The claimant/taxpayer is the external customer, while other HMRC offices, other processes or colleagues would be the internal customers. Both should expect a level of service. Some HOs were more aware of the concept of the internal customer than others.
- Only in some sites was this view shared by band Os, AAs and AOs. In many sites, the internal customer was called a colleague. Many staff at these sites did not accept the concept of an internal customer.
- At one DPO and one national processing site, many AAs and AOs agreed that they were internal customers of their IT service provider, even when they had no choice of who this service provider was. This was similar to the taxpayer/trader situation where they had no choice of supplier but should still be considered as a customer, because it was the level of service that defines the customer and not whether they have a choice or not.

*“There are also customers in other departments that we deal with. This includes anything from our visiting officers. They have information we don’t have and vice versa. So we have to get information from them and have to cooperate and communicate with them or else there is no service to the ultimate customer. This [internal] customer is as important as the [external] customer we deal with”*

## 6.5 Problem Solving

Under Lean and OM/SL, there are several methods for undertaking problem solving. There is the 3Cs<sup>18</sup> document where staff highlight and share with other teams, issues they had come across and how these had been resolved. There are also dedicated problem solving meetings where teams or HOs and band O get together to look at and resolve through evidence specific issues. Finally there are the PIE events where issues are looked into in detail and solutions discussed, costs produced and implemented. Both these approaches were attempts to make problem solving more structured.

The majority of sites agreed that front line staff were in the best position to spot where improvements were needed. However in some sites, the pressure of achieving targets meant that there was no time to look at problem solving. Due to the fact that the process has been standardised, there was no flexibility to make improvements as this would disrupt the flow of the process. However in other sites where Lean appeared to have been embraced more, it was easier to spot problems and have a problem solving meetings and this was taken into account when hitting the targets.

*“The managers have to actively seek and get staff involved in solving problems, since they are the ones actually doing the work, I think that is key with Lean. Staff have a say and can improve process themselves by working through problems”*

*“We can’t take time out to have an instant meeting about problems. We are encouraged to do this, but the stats targets don’t change. There isn’t time to do this”*

Some sites were undertaking problem solving and implementing solutions. There were examples of how staff were more willing to get involved in problem solving. And there were more tools available to problem solve. This formal structured problem solving meant that problem solving has improved beyond recognition at some sites. At other sites, problem solving has been aided by PIE events, which had generated improvements. At one national processing site, there was a problem solving area, where teams had weekly problem solving sessions. Problem solving was also mentioned at daily meetings at this site. Teams also sought to transfer solutions to other teams.

*“If a problem is solved, we would share this best practice. The HO asks for best practice and that is shared. There is also a problem solving area where the problems and solutions are shown”*

At another site, teams were spotting problems and using the 3Cs document. Generally problems were being solved at team level. Where they could not be, they were moved to the HOs problem solving board. The way the teams worked and the performance boards provided evidence for managers to spot the poorer performers as well as giving them the tools to improve performance.

*“We use problem solving to find what the possible solution could be and what causes that problem. We have regular problem solving meetings, for example looking at raising our KPIs. I had a problem solving event with my duty managers to look at the issues and follow up with an action plan in terms of what are we going to do to make those changes”*

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<sup>18</sup> This is tool used by Unipart, where issues are broken down into Concern, Cause and Countermeasure. Although HMRC trialled several tools before deciding to use 3Cs.

At other sites, staff had been very proactive in raising problems at meetings, but it became clear that these issues were not being resolved. This made the process demotivating to take part in. Specific examples were given:

- Problems kept being mentioned and staff were becoming sceptical about who should be resolving them.
- The mechanism used for problems solving was good but the problems themselves were not being resolved quickly enough.
- Staff saw problem solving as part of the PIE events or saw PIE events as being the same as problem solving sessions. Neither was considered to be very useful.

*“You have got PIE versus problem solving under lean, and if you are not careful, you’ll have everybody doing nothing but talking about it and nobody getting anything done. Problem solving is one thing, these events are another, there is an inherent tension between the two”*

- There was no feedback on the improvements from within the site as well as from other sites. This information would be useful to spread best practice.
- Even though it had become easier to spot poor performers, they were not being put forward for additional training.

There was a large difference between the LPO sites in particular in their ability to undertake problem solving sessions and in their ability to implement solutions from these sessions. At one site, there was no support for carrying out improvements. Teams had little exposure to problem solving and only in Self Assessment were some teams starting to become aware of problems solving techniques. However at another site in three of the processes in it was acknowledged that there was no great evidence that problems solving was occurring more under Lean than pre Lean. At one LPO site, problem solving under Lean had stalled. Even though staff did have problem solving sessions and had exposure to the 3Cs document, there was general agreement that it hadn’t really worked so far. In addition, staff had received very little training in problem solving and had a bad experience of a problem solving session with a Unipart consultant. The Lean Experts were in the process of resurrecting the process at the time of the site visit. However at one LPO, there had been too much problem solving and there was a need to manage this better.

*“If we solve the problems that are stopping us hitting the targets or stop us working more efficiently, then this is fine, but if we are constantly having meetings to solve problems and we are not hitting the targets and the problems aren’t being resolved or aren’t affecting the targets, then this we are creating a problem rather than solving a problem”*

## 6.6 Summary

There have been some major changes in the roles of certain grades of staff as a result of Lean. Whilst senior managers, SOs and HOs are all undertaking different tasks, the grade of staff that has been most affected by Lean was the band O managers. The role of the band O front line manager has changed to one which focuses more on management tasks and challenging staff regarding performance and less on managing people. Naturally this change has required a change in behaviour from the band O managers and this was the aim of the band O launch events under OM/SL. Sites where band Os have adapted better to Lean have been those sites which followed through on the outcomes of the band O launch.

With regard to whether staff had a process view under Lean, AA and AO staff acknowledged that they were part of a process and did appreciate that their actions impacted upon the process. In LPOs and DPOs, staff in Self Assessment teams only did part of the process rather than seeing a case from start to finish. Additionally staff on teams in some processes would sometimes flip to work in other processes in periods of increased demand. Some staff felt that working in a process was a negative aspect of Lean leading to deskilling and inflexibility.

Teamworking is one of the success stories from the Lean implementation in many of the sites visited. A lot of staff highlighted this as a positive aspect of Lean and could not envisage a time when teams would again operate as they did before Lean. The composition of the smaller teams under Lean enables teamworking to develop to the extent that individuals on teams have become interdependent on one another. The very fact that teams are meeting on a daily basis to discuss performance also aids teamworking.

The attitude towards customers was fairly consistent across staff in LPOs and DPOs, in that there was a clear distinction between senior managers and front line managers. Senior managers talked about improving the customer service, while front line staff talked about taxpayers who had no choice about their service provider. The majority of front line thought about customers as individuals who have a choice rather than individuals who can expect a level of service. This distinction was less prevalent in national processing centres.

There was a large difference between sites with regard to problem solving. At its more advanced, some sites were undertaking problem solving sessions regularly using a variety of tools, implementing solutions and spreading solutions across the site. Staff were more willing to get involved in problem solving and highlighted this as a positive of Lean and OM/SL. At the other extreme, there was no or very little support for carrying out improvements in some sites. At these sites, staff at SO and HO had not bought into the idea of problem solving and as a result front line staff had had little exposure to problem solving tools and techniques.

*Staff were more willing to get involved in problem solving and highlighted this as a positive of Lean and OM/SL*

# 7 Operational Management/ Senior Leadership Programme

There are three elements of Capability Delivery as highlighted in Section 2 of the evaluation report. As well as Lean, there is an additional focus on promoting Operational Management/Senior Leadership development across HMRC. It was anticipated, prior to the site visits, that most of the comments from staff would focus mainly on the Lean implementations that had taken place. Though equally important, it was acknowledge that there would be less knowledge and less of an involvement by staff in the OM/SL events. As a result, a specific section of the interview schedules asked staff at all sites, with one exception where there had been no OM/SL events at the time of the site visit, what their thoughts were about these events.

The general views regarding the OM/SL events were:

- Initially their purpose was unclear, but then they gathered momentum. They were good events that brought teams together and it was very useful to focus on the different specific roles at each grade.
- The OM/SL events had been excellent and were crucial for the success of Pacesetter.
- Corven were very professional and the events have made the site look at itself and be a bit more reflexive. But because of pressing business needs, the impact of the OM/SL events had been reduced. However there was still a need to look at the action plans of the deep dive and engage staff more.

*“In the immediate couple of months after the kick off and deep dive events, [the managers] were very much into having a look at how we were operating and how we behaved. Now we know we should be using what we learnt from the kick off and deep dive events, but I suppose the business needs have taken priority over what we learnt from these events”*

- The OM/SL events had been very professional and well organised, even the one that was not led by Corven. Staff were fired up by attending the OM/SL events. Action points were taken forward and the events had been generally useful. There has been a lot of support for leadership coaching with a dedicated resource between December 2006 and January 2007. This was now being rolled out to the business managers.
- The Trade Union had no real concern with OM but advised their members that participation in the events was voluntary. Generally it was better received than Lean.
- There were some delays for the OM/SL events. There was mixed opinion about these events. In general because the OM/SL events were seen as generating no real outcomes, it was difficult to see a future for them.

*“That side of the programme, deep dive, kick off event and so on were not successful in my view at all. There was a lack of reality. In the first place, with the senior management team, it was successful enough, but they didn’t get down to the issues that they should have done. The PIEs, which were very good for engaging with the staff, but were not necessarily realistic. The result is that there was supposed to be vast savings but in reality the saving simply were not there”*













*“I don’t know if PIEs will continue in that structured format. With a lot of the problem solving, much of what you want to improve is identified through LEAN”*

- One LPO had strong concerns about problem solving and especially the time taken to undertake problem solving sessions. It was highlighted that time taken to undertake problem solving sessions would not be acceptable when the pressure was on to complete work.

In general many staff across the sites felt that Lean would be sustained by:

- A strong leadership element from the top. Additionally there was the need for a senior management ethos to be embedded down through the sites so that when managers move up or away, then the site can carry on with the same approach.
- Staff and sites seeing the benefits over a longer period of time. It became apparent that sites visited towards the end of the evaluation were less negative about Lean and had witnessed more benefits from this way of working.
- Not watering Lean down or changing it too much, especially at the end of the Pacesetter and/or if the programme office was disbanded. Without this central driving force, then there was a risk that elements would not continue.
- Continuous review being undertaken in order to ensure that staff are continually involved and engaged in the process and continually seeking to improve the way that they work.

*“The sustainment of Pacesetter will depend on HMRC’s commitment to it, the investment and support for it because if [HMRC] wants it to last they will have to continue with the support. If there is the investment in the central experts and the local experts then we are in with a chance, but the risk is we will pull it because of the financial constraints. I hope there is a future role for Unipart because we will lose what Lean is really about. Unless we keep the professionalism, commitment, and detached judgment of the Unipart consultants”*

## 8.3 Summary

Almost all staff at all sites stated that the Pacesetter Programme was different from other programmes that had been implemented over the years. The main reasons given for the differences were that it had lasted longer, had greater resources and had resulted in a greater impact. The involvement of outside organisations giving an external perspective was also considered to be a differentiating factor of the Pacesetter programme.

With regard to the elements of the Pacesetter that would remain over time, there was general agreement that many of the Lean elements such as visual management, daily meetings, teamworking and problem solving would remain. There was concern workplace assessment<sup>19</sup> would not be sustained if staff do not properly understand the purpose of it. In addition there was concern that many of the OM/SL events would not be sustained. Staff outlined that there was merit in taking staff away from the office environment to discuss issues, but doubted whether this would be possible with other business pressures. More importantly staff highlighted that these events could not continue, unless outcomes from the events were seen to be taken forward and implemented.

Finally, to sustain Pacesetter, commitment through resources, money and senior leadership were seen as critical to allow the concepts, practices and behaviours to be embedded.

<sup>19</sup> Workplace Assessment is a tool used by managers of all grades to regularly check that a Lean approach is being consistently adopted on all teams.

## 9 Discussion

This section reflects on the findings presented in Sections 4 to 8 of the report as well as other data collected during the evaluation in order to address the questions set out in the methodology (section 3). There is more of a focus on Lean that emerged through the data collection. However Section 9.4 draws out some particular points related to OM/SL.

### 9.1 Perceptions and Understanding of Pacesetter, Lean and OM/SL

Across all sites visited there was a greater recognition of Lean than Operational Management, Senior Leadership, Capability Delivery and even Pacesetter. The level of understanding also differed across the grades with senior management having a much clearer concept of the difference between the various elements than the AA and AO staff. This is not necessarily an issue except that all the changes which are currently being introduced are labelled with 'Lean'.

There was a mixture of positive and negative views on the Lean implementations and OM/SL events that had taken place. Some LPO/DPO sites were very negative about Lean with many members of staff stating that they wanted to go back to the previous way of working. However, when they were asked to focus on certain elements, i.e. visual management, quality, teamworking, they recognised that there were some good practices which they would want to keep.

It was apparent that two groups of sites were visited. The first group consisted of 4 sites which were overall particularly negative towards Lean. Staff at one particular site felt they had gone through the Lean process twice with two sets of consultants and felt that the handover between consultants could have been handled better. Interestingly, reflecting on the evaluation as a whole the sites in the group visited nearer the end of the evaluation, though still negative, were less negative than those visited towards the start of the evaluation. The intervening months were possibly months when staff had become more accustomed to Lean working as the norm. This is supported by the fact that when the Model Office site was re-visited towards the end of the evaluation it was apparent that some of the concerns and learning had been addressed and embedded thereby making Lean/ Capability Delivery appear to be driving a better working environment and also customer service. This shows that time makes a real difference.

The other group including all the national processing sites and a couple of LPOs and DPOs, had in general a more positive attitude towards Lean and OM/SL. Any dissenters were less vocal. There was barely any mention of the problems with the PCS Unions. At two of these sites, no one said that they would go back to the old way of working. Staff genuinely believed they were working better than before and delivering better customer service. Interestingly on the site tours, it was noted that Lean teams were hitting their targets with no more frequency than teams in the other group of sites who were more negative. This could indicate two things, either that staff at the more positive group of sites were not being honest or, more likely, that the tools including the performance boards, daily meetings and workplace assessments were being used as "tools" by all grades of staff rather than "a stick". There was a direct correlation between the attitudes of the Senior Management and their SOs/HOs and the attitude of staff.

Staff at the more positive sites, were more switched onto the business benefits of Lean and OM/SL, and the need to improve. At these sites, the views of all staff were not too dissimilar and there was a lot of agreement on the benefits of Lean and attitudes to some of the OM/SL events. Across the majority of sites the positives of Lean were cited as greater accountability and the use of structured problem solving.

At most sites, the senior management team were fully behind Lean and the OM/SL events and could appreciate the business benefit they brought. It was noted that at these sites, where senior management was on board, the attitude was more positive towards Lean. For example, even teams who were not hitting targets felt they were not criticised for not doing so. At two sites, who are amongst the more negative sites, it was apparent that the senior leaders (SO and grade 7 level) appeared uninterested and removed from Lean and OM/SL. At these sites they did not even consider the OM/SL events as useful and did therefore not take forward actions resulting from the Kick Off event, Deep Dive and PIE stating business pressures as a reason or even not giving a reason. They also appeared not too interested in their duties under Lean e.g. walking the floor, 'go and see' and workplace assessment. This attitude then filtered down to the other grades who when interviewed made it clear that they found Lean a "command and control" system. This illustrates the importance of senior management commitment and influence on any change within a site and, with a programme as far reaching as Pacesetter then senior management commitment is critical.

There was a wide variety of opinion at the HO level with probably half being in favour and half not favouring the implementation of the Lean concepts. The view of some band Os was negative. They felt that their role had completely changed due to the introduction of Lean. Many highlighted that they could only manage the tasks and no longer had time to manage the individuals on their teams and that they received pressure from above to hit targets. It was noted that not only the band Os but the AOs and AAs commented how much busier the front line band O managers were. They were now, having to spend a lot of time collecting data, completing charts and attending meetings leaving less time to spend with their team members. Within the documents sent by the PCS rep it was noted that a significant issue was the pressure on band Os to collate data.<sup>20</sup> However, it should be noted that during the interviews a significant proportion acknowledged that their new duties were more in line with management duties and that their teams were managing themselves better. It is interesting to note that in the majority of major change programmes staff and managers often run and use the 'old' ways of working/process as well as the new one. This was evident in some sites visited where extra pressure could be due to some people working two systems.

The attitudes of the AAs and AOs at the more positive sites were interesting to note. Some teams did hit their targets but many did not. They had genuine concerns but they did acknowledge that productivity was either the same or better under Lean and that quality had increased. The main issues and concerns mentioned across the site visits and in the PCS documents point to the timings, which are meant to reflect the time taken to do the work. These link to the pressure to hit the associated targets set, which leads to concern over health and safety issues, deskilling, boredom, lack of trust and control over their own work as well as increased reporting (hourly, daily and weekly) much of which was seen as unnecessary or factual. Although it was acknowledged that they AAs/AOs often put pressure on themselves to hit targets and that the pressure which came down from managers was not always intentional. Also, despite the fact that many of the staff had heard

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20 Documents collected by the PCS Assistant Group Secretary regarding Lean were sent to the Evaluation team in May 2007. Some of the information in the documents will be referred to in the discussion.

a lot of bad press about Lean before they went through the implementation, many of these stories were not realised when Lean was implemented.

There were other aspects that were not related to Lean that were impacting upon the attitudes of staff towards Lean:

- From a management perspective the issue of flexitime made it difficult to manage resources and plan team activities and some staff felt pressured to give exact timings of when they would be in the office. This meant that the daily meetings had to wait until after everyone was present, which at times made it difficult to run the meetings with a focus on improvement rather than just reporting.
- The issue of moving desks, hot desking and standard desks had been contentious at some sites. The purpose of having standard desks (linked to the 5S) and the connection with 'flipping' teams was obviously not apparent and in some sites the degree of enforcement of some of the workplace practices was at times a little high. When discussing tools across the sites in the focus groups 'workplace assessment' was often described as "a waste of time". However, at the Model Office it was interesting to note that one HO commented:

*"I didn't used to understand why I was doing it [workplace assessment] so it didn't matter if I missed it. Then I realised it was an audit, a way to ensure that things were being sustained and I had a 'light bulb' moment."*

This again illustrates the importance of giving tools time to embed.

- There was a recognition that Lean had been easier to implement with the fixed term appointments (FTAs) or those on temporary promotion, as opposed to many other staff who had been in HMRC for a while. The main difference was that these staff often had a more positive attitude, whilst the staff that had been in HMRC for a period of time would often have the attitude of "it was better before".
- The involvement of the PCS Union and the 'non-compliance' approached taken by this Union was offered as a reason for not undertaking many OM/SL events or activities associated with Lean.

At some sites, staff associated a lot of changes they thought were bad, with Lean. The specific examples of where staff confused specific elements of Lean or OM/SL were:

- HOs and Os were often not so sure about the use of the charts surrounding the performance boards. They could not see how and why they would be used.
- Some staff expressed ignorance as to why they had to work in a process. From the focus groups, it became evident that only the pilot team had been given a full explanation as to why this was the case.
- The AAs, AOs and Os confused many things that they did not like with the implementation of Lean and blamed lots of things on Lean such as appraisal processes, flexitime and job cuts/efficiency savings.
- Some staff confused PIE events with problem solving under Lean and thought that PIE principles could be achieved via problem solving sessions under Lean.

In many sites views were primarily influenced by press from the PCS Union. It was apparent that apart from a short presentation by Senior Management through the Programme Office many sites did nothing to counteract this press. As a result of this a lot of staff formed negative opinions of Lean before it started. It was mentioned

by some front line staff that they would have liked to have had more detail in when their site, and even team, would be going through Lean. There are examples of where sites, which had initially formed a negative view of Lean, found the implementation to be more positive than they had expected. In two of the national processing sites the senior management team did actively seek to anticipate what the general concerns would be, regarding Lean and tried to dispel some of the fears and rumours that staff had heard.

Referring to the findings in sections 4.5 and 5.4 it could be suggested that much more could have been done to communicate positive messages about not only what Lean was but why and how it would be implemented. Some good examples of communication seen on site visits included:

- Having Pacesetter/Lean/PIE information much more visible around the site.
- Having performance boards, information and the HMRC challenges even at senior management level evident in two of the large national processing offices and the Model Office.
- More advertising and awareness raising to raise interest in PIE events.
- Communicating to inform staff what changes would be required e.g. changes to performance boards, regarding the inclusion of planned hours.
- Summary Board to summarise information at the entrance to the Self Assessment processing room. It summarised information such as total claims processes and running total of claims, total performance and quality results.
- The use of a good news board, where the senior manager would write down praise for the team and let them know that they were doing a good job. This was very visible and updated about every two weeks by the senior manager.
- Giving out Pacesetter awards (a certificate presented by the Senior Manager) at a teams performance meeting. The recipient having gained the award through nomination from their team and peers.

## 9.2 Issues and Successes of Implementation

The staff at the LPO/DPOs mentioned that the implementation of Lean felt to be 'relentless' in its pace at times. This did not appear to be such an issue at the national processing sites where maybe the staff were used to change due to the number experienced over the past few years. On reflection, the pace has been probably necessary in order to implement the scale of change planned. Related to this, again national processing sites appear to have less issues in rolling out the concepts maybe because they are based on one site unlike SA/PAYE who are based over a number of sites within regions sometimes with remote senior leadership.

Lean has had an impact upon the performance of sites. In some sites, there was an acceptance that Lean had increased productivity in some of the processes. In all sites there had been quality improvements. At all LPO/DPO sites, the Post process was the one where Lean had very little positive impact on productivity. The general view across all LPO and DPO sites was that Post was the process least adaptable to Lean and that in fact the volume of work has increased in the Post process since the implementation of Lean. Some sites have trialled a method of sifting out exceptions in Post in order to save time and resources.<sup>21</sup>

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<sup>21</sup> It should be noted that due to, in part, some suggestions made at interim report stage the Post standard process has been revised to allow a greater degree of sifting. The approach has been influenced by the idea of Runners, Repeaters and Strangers to smooth the capacity.









## 9.4 OM/ SL

There was a difference in what was understood by OM/SL across the sites. Other than the senior manager, many other staff were vague about OM/SL. The senior management team across seven sites recognised the need for the OM/SL aspect of Pacesetter. Many had been involved in the training courses (Leading in a Lean Environment), the Kick Off event and the Deep Dive. Furthermore many had contributed to the band O launch and acted as advisors in the PIE events. They all believed that OM/SL was crucial to sustaining the changes brought about by Lean. However a lack of communication meant that this message was not always transferred to the lower grades of staff. As a result there was very little knowledge of the purpose of OM/SL from band O downwards.

Attitudes towards the OM/SL events differed between sites. The majority of sites were very positive about the OM/SL events and the Kick Off events, Deep Dive and management launch were initially very inspiring. However in many cases this initial inspiration was not sustained. Therefore where senior staff were supportive of Lean and there was a willingness to change behaviour and culture, there was not much evidence of how this was happening. At two LPOs the OM/SL events had neither inspired the leaders nor engaged the staff. Additionally, these sites offered no other method for engaging with their staff, nor had they consulted the programme office about other potential methods. It is not surprising therefore that there has been no lasting impact from these events at these sites.

Staff that had attended PIEs did not necessarily associate them with the OM/SL elements of Pacesetter, but rather saw them as part of the Lean implementation. Further communication to staff, on how this type of engagement could encourage changes in behaviours and support the Lean implementation should have been more readily provided. The majority of attendees at PIEs across all sites appear to have enjoyed the events and acknowledge that they have benefited from participation. There was a lot of good feedback. At some sites senior leaders outlined that some staff had developed as a result of attending PIEs. PIEs have therefore been successful in engaging staff in improvement activities and in some cases identifying leadership potential.

However there have been some problems implementing some of the improvements suggested at the PIE events. In those circumstances where improvements were not taken forward, this has contributed to the view that very little outcomes were forthcoming from PIEs and that the PIE events may not be sustainable over the longer period. Additionally by not taking forward some of the improvements from the PIE events, staff that may have enjoyed their involvement in defining solutions for an improvement at the PIE have been left feeling disappointed and would possibly not attend future PIE events.

## 9.5 Sustaining Lean and OM/SL

Reflecting on the elements of Capability Delivery, Lean was felt by staff to have had the greatest impact. They also felt that Lean was “here to stay” due to the money having been spent on it and also the extent of its implementation. Those sites who had engaged with OM/SL noted how important, even critical, this element was to support the changes within HMRC, in particular Lean. The speed, focus and extent of Lean has certainly led to a significant impact across processing. The momentum of the change has led to widespread engagement but also ‘fear’ due to the degree of change in many aspects of the working environment.

When asked which elements of Lean would be sustained once the focus on the programme had reduced, the response was; some of the language, visual management particularly the performance boards, workplace assessment in some form, teamworking and hopefully the structured problem solving approach. In terms of what would probably disappear this would include the number of meetings, including a reduction in some of the daily meetings, the standard work instructions and OM/SL. This illustrates which elements of Lean the workforce currently find useful and can see the benefits of the approach. It also illustrates the areas which need to be addressed if they are to become embedded. The relationship between Lean and OM/SL also needs clearer explanation and exploitation.

In order to sustain Lean the factors which would allow this were expressed as commitment in terms of resource and money as well as visible senior leadership support. The focus on senior leadership with the recent workshops and training are therefore critical in ensuring that management have the skills and knowledge to sustain the programme.

*The majority of sites were very positive about the OM/SL events and the Kick Off events, Deep Dive and management launch were initially very inspiring*





On analysis of the content and speaking to the experts it appeared that some knowledge on the concepts of operations planning and control (particularly the relationships and terminology around capacity and demand) appear to be missing. To include some of this in the academies would be advantageous. Also, the training of front line staff included a number of exercises aimed at a manufacturing environment. It would have been of more use for the learning and understanding if, an exercise was used related to a service context as well as addressing what the concepts of Lean are, so that individuals can make their own judgement.

It was noted that the roles and tasks of nearly all leaders, managers and staff have changed considerably due to Capability Delivery, from the problem solving to leadership style to the activities within the process. Whilst some support was given to learn the new ways of working no real skill analysis took place to evaluate what staff development was needed to support the change. This meant that often front line staff did not have the skills to perform tasks and senior managers did not really understand the impact or have skills required to implement Lean.

Each of the four processes in the LPO/DPO is owned by a strategic site and has a process owner. Both the site and owner have rotated over the past 18 months. However, there was still a perception that the processes are owned by the programme office and that they were difficult to change. Recently the standard post process was changed illustrating that there is a process to change and improve a process. However, this process as well as the location of the process owner needs to be made more accessible and transparent to all members of staff.

Other important findings include:

- At some sites competition between teams was driving improvements rather than demoralising teams.
- AAs and AOs felt that it was more obvious to see who in the team worked well and who did not. This had a different impact across the sites. In some sites the better performers in the team tried to compensate for their colleagues who did not perform so well, while in other sites the poorer performers were being exposed.
- People are much more accountable regarding the way that they manage. Staff in managerial positions had become more visible and accountable. Lean has made the managers manage by collecting statistical information, looking at productivity and challenging performance.
- There were now more channels than before that enabled staff to speak to people at higher levels.
- The removal of waste had been successful in some sites.
- Teamworking was generally acknowledged to be better under Lean and there was a better team spirit.
- Some staff felt that working in a process was a negative aspect of Lean leading to deskilling and inflexibility.
- There was concern workplace assessment would not be sustained if staff do not properly understand the purpose of it.





The approach taken by HMRC Processing has been rapid in its implementation which has caused a number of issues to surface as individuals are taken out of their familiar working practices. This needs to be managed and the positive elements built upon. When asked only a handful of staff said they would 'go back' completely to the work arrangements they had previously. The majority would want at least the visual management and structured problem solving to stay which are two major elements of the Lean approach. The main issues are around standard work and the way the KPIs are monitored and managed. These reflections and these issues do not mean that 'Lean' is not working it means that there is some way to go on the journey, but HMRC is moving in the right direction. Or in the words of a member of the Programme Board *"we have made some big strides on our Lean journey and still have a long way to go but we are well beyond the point of no return."*

### 10.3 Conclusions and Recommendations

In conclusion the OM/SL element of Capability Delivery within Pacesetter has engaged and challenged people but has not been the foundation for Lean it was designed to be although there is potential (as seen with the latest Senior Leadership events) for it to re-engage and achieve some of its initial aims.

The Lean element of Capability Delivery is not yet fully consistent with the five principles of Womack and Jones. However, the approach taken is driving a process view, improved quality and productivity, removing waste and challenging problems and issues through a structured approach. The tools have been embraced and many are being used. However many staff are using the tools but not really engaging emotionally with the approach. This could be because there is not really a 'need to survive' both at an individual or organisational level (often cited as important when embarking on large scale change). Therefore, it is important that time, support and commitment is given for culture and behaviours to be embedded so more opportunities can be realised. To help this better, clearer and honest communication is needed from HMRC which is supported by a process of benchmarking of practices elsewhere in process and service organisations.

Other recommendations which should be considered in developing and embedding the approach further include:

- Develop an understanding of capacity planning and control as well as types of demand (including failure demand) amongst the senior leaders and experts through the Lean Academies.
- Continue to investigate and develop the idea of runners, repeaters and strangers<sup>28</sup> on the high variety lines.
- Develop quality in the process/line through developing an awareness of the impact of poor quality and, the introduction of tools such as Statistical Process Control (SPC) and pokayoke. Additionally there is a need to develop a plan which removes the reliance on inspection (in-flight checks) in the short to medium term.
- Develop a better understanding about what should be on the 3Cs document and what tools can be effectively used in problem solving. This should be supported by better monitoring and management of problem solving outcomes (both from the PIEs and weekly meetings) to illustrate that the changes or activities have taken place to address the problems.

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<sup>28</sup> Runners repeaters and strangers is a technique that groups products or product families with varying volumes

- Re-assess how the time (not the amount of time) is spent in meetings. Develop clearer guidelines and training on how to create meetings that consider how rather than the what and why. Look for mechanisms to support the band Os so that they can both support their team at a task and emotional level.
- Consider introducing core hours at sites so that work schedules and meetings can be managed more proactively. Allowing managers to manage resource efficiently including implementing methods such as using Takt time.
- Create a better understanding of who the customer is (both external and internal) and what they really require (this could be done simply by asking the customer and publicising the results). Also look at ways which HMRC as a whole can become more process based.
- Develop a stronger link between HR/Learning and Lean. Consider developing skills matrices at the diagnostic stages for all levels of staff to ensure the skills are there within the team and with managers to implement Lean.
- Develop training on Lean tools and techniques for the front line staff that is more relevant and realistic to their situation.
- Better communication is needed and HMRC needs to manage the spreading of “rumours” through disseminating some of the lessons from the initial role out of Lean. This communication needs to highlight the ‘why’ as well as the ‘what’, the problems as well as the successes, the concerns as well as the celebrations.
- Understand and define the time measure. Currently the terms cycle time, takt time, end to end time and lead time are all used interchangeably. However, not only are definitions needed but the concepts of each understood and used. This can be achieved initially by the wider implementation and use of the Lead time KPI. In a Lean environment it is critical to understand how long something (e.g. a customer requirement) has been in the process (not only how long it takes to process) so that the work load and customer expectations can be managed.
- When HMRC formed there were a huge number of practices and processes in place across the sites. One of the main aims of Pacesetter and Lean has been to rationalise these practices through the introduction of the Standard Process. For Self Assessment PAYE this has been focusing on four processes whereas in the national processing centres these are relevant to the particular service and products. Within manufacturing standard processes are often used to produce ‘modularised’ products which can be configured in a number of ways to produce a ‘customised’ product. This means that the product has absorbed the variety required. However, in a service environment it is difficult for the product to manage the variety so it has to be the process i.e. the process has to be flexible to absorb variety. So, maybe rather than set rigid standard process it may be more appropriate to consider/develop robust stable processes.

- Stable processes could be developed by creating an understanding that standard work is about improvement which use the individual's knowledge and experience. Many of the staff may feel bored because they see their job as processing and not as improving. However, in a Lean environment the job involves both the task of processing and improvement. It is critical that for the standard process not to become imposed work standards, as in a Taylorist approach, but that they need to become "the property of the people doing the job. They prepare it, work to it, and are responsible for improving it.....(to) combine thinking and doing, and thus achieve a high level of involvement and commitment."<sup>29</sup> If this is achieved then the 'stretch' targets may start to become a motivator to drive further improvement rather than a distraction.
- Create more formal processes for Local and Central Lean Experts to meet and communicate changes and developments of the approach and also benchmark good practice across and outside HMRC.

The findings support the point acknowledged by a member of the Programme Board *"To think that less than 18 months ago we had just a few hundred people working on Lean teams and today we have about 8000 and rising. The speed of our journey has been unbelievable and whilst we still have a long way to go there has been significant progress."*

In order to develop and sustain Lean, Capability Delivery and even Pacesetter, there is a need for greater senior management commitment at all strategic sites, further developing of the understanding of the process, linking the improvements to strategy and developing a stronger link and understanding the customer view. Importantly Lean should not be seen as a quick fix solution with resources and finances committed only in the short to medium term. There is a need to continue the support implementations over the longer term, until behaviours are more firmly embedded and stable processes have been created.

# Annex 1 :

## Biographies

### Dr Zoe Radnor

Dr Zoe Radnor wrote her doctoral thesis on the concept of Lean Working which is a development of Lean Manufacturing concepts. Since then she has taught and discussed 'Lean Thinking' ideas, concepts, tools and techniques to a range of audiences from undergraduates, postgraduates (including Public Sector Managers) and, organisations including Northern Foods and Local Government Managers. She was recently the Deputy Project Director on a 3 year project which is evaluating the Beacon Council Scheme in relation to understanding if it an appropriate means of learning and improvement. She was also Project Manager of the Evaluation commissioned by the Scottish Executive before this one for HM Revenue and Customs. Her main responsibilities and tasks across the projects included:

- Managing the carrying out, writing up and analysis work for the Case Studies
- Writing reports for the Government departments e.g. HMRC, Scottish Executive, CLG and IDeA
- Organising, attending and presenting at the Steering, Project and Management meetings with the contractors.

Zoe has also been heavily involved with the Clinical Systems Improvement (CSI) programme, where a training course in advanced operations management was developed for its application in health processes. Since the publishing of the Scottish Executive report Zoe has presented extensively on the Lean application within Public Services to a wide range of audiences including Health, Government, Police and Education. Finally, she is currently co-editor of a themed edition of Public Money and Management (a CIPFA publication) on the application of Lean in Public Services.

### Giovanni Bucci

Giovanni Bucci is an economics graduate with experience of desk-based and internet based research for both public and private sector organisations. He was involved in this project evaluating the Lean implementation in HM Revenue and Customs as well as the development of a Unipart Case Study. He was involved in two aspects of the work undertaken for the Scottish Executive. As well as contributing the Literature review undertaken, he was responsible for the survey of Scottish public sector organisations, which had implemented or were planning to implement Lean.

Previous experience of similar work involves a review of literature that contributed to evaluations for European Commission funded research projects focusing on patient mobility within the European Union and a project looking to establish a trans-European network of academics working in the operations and supply chain management field.

Other experience of working with Central Government includes research for the DTI on the impact of initiatives to increase participation on science and technology related courses in primary and secondary schools and research for the DWP looking into the impact of a performance related pay scheme for employees.

## Annex 2 : PaceSetter Timeline

The following is a chronology of the Lean implementations and the development of the PaceSetter programme from July 2004 until the evaluation team was engaged by HMRC in January 2007.

<b>Date</b>	<b>Activity</b>
July to November 2004	<ul style="list-style-type: none"> <li>• Definition of the Lean trial period and agreement on Lothian as the trial site.</li> </ul>
November 2004	<ul style="list-style-type: none"> <li>• McKinsey Consultants start a diagnostic exercise on the Self Assessment process at Lothians.</li> </ul>
January 2005	<ul style="list-style-type: none"> <li>• First Lean Self Assessment team set up at Lothians.</li> </ul>
February 2005	<ul style="list-style-type: none"> <li>• Two more Lean Self Assessment team set up at Lothians.</li> </ul>
April 2005	<ul style="list-style-type: none"> <li>• HMRC comes into existence on 18th April.</li> <li>• PA Consulting starts trials on the Self Assessment processes at East Hants and Wight and South Wales. McKinseys extend Lothians trial to other Self Assessment teams.</li> </ul>
April to December 2005	<ul style="list-style-type: none"> <li>• Regular meetings held between LPO Director and PCS reps.</li> </ul>
May 2005	<ul style="list-style-type: none"> <li>• Lothians Lean trial extends to other Lothian sites and processes beyond Self Assessment.</li> </ul>
June 2005	<ul style="list-style-type: none"> <li>• PCS conference passes a motion of non cooperation across the Lean trial and members are asked to ballot on industrial action.</li> <li>• PCS suggests that the roll out of Lean is already determined and that LPO Director's team are not being open about this.</li> <li>• Trial teams for SA were set up in Cardiff and Portsmouth</li> </ul>
August 2005	<ul style="list-style-type: none"> <li>• A Business Case is prepared to support the roll out of Lean across LPOs.</li> </ul>
September 2005	<ul style="list-style-type: none"> <li>• PCS national reps request that the roll out be stopped outlining that there would be industrial action over Lean.</li> </ul>
Autumn 2005	<ul style="list-style-type: none"> <li>• PaceSetter Programme established</li> </ul>
November 2005	<ul style="list-style-type: none"> <li>• Senior Leadership &amp; Operational Management interventions commenced in NICO and PAYE &amp; SA LPO</li> </ul>
December 2005	<ul style="list-style-type: none"> <li>• Lean workshop run in London by LPO Director's Team and attended by five PCS reps.</li> </ul>
January 2006	<ul style="list-style-type: none"> <li>• Lean implementation commences in NICO</li> </ul>
February 2006	<ul style="list-style-type: none"> <li>• A visit to Unipart is organised where the PCS rep observe that Lean worked at Unipart</li> <li>• Senior Leadership &amp; Operational Management interventions commenced in NOS, TCO &amp; CBO</li> </ul>

[continued >](#)

<b>Date</b>	<b>Activity</b>
March 2006	<ul style="list-style-type: none"> <li>• A formal declaration of a dispute between PCS and HMRC is issued.</li> <li>• Senior Leadership &amp; Operational Management interventions commenced in and PAYE &amp; SA DPO</li> </ul>
April 2006	<ul style="list-style-type: none"> <li>• Letter from PCS to Sir David Varney to formally inform the results of the ballot on industrial action.</li> <li>• One day strike in Lothians with 529 people taking strike action.</li> </ul>
May 2006	<ul style="list-style-type: none"> <li>• Lean implementation commences in NOS</li> </ul>
June 2006	<ul style="list-style-type: none"> <li>• Letter from PCS to Sir David Varney formally declaring an industrial dispute.</li> <li>• Lean implementation commences in CBO</li> </ul>
July 2006	<ul style="list-style-type: none"> <li>• Strike action involves 4,268 people from the LPO sites.</li> </ul>
August 2006	<ul style="list-style-type: none"> <li>• Letter from PCS to Sir David Varney, about the roll out of Lean to DPO sites.</li> <li>• Sir David Varney responds to PCS outlining that the Lean management tools are consistent with the reasonable requirements of an employer to successfully manage a Processing business.</li> </ul>
September 2006	<ul style="list-style-type: none"> <li>• Lean implementation commences in TCO</li> </ul>
September 2006 to April 2007	<ul style="list-style-type: none"> <li>• Negotiations between HMRC and PCS continue</li> <li>• Monthly update meetings between PaceSetter Programme and DTUS</li> </ul>
January 2007	<ul style="list-style-type: none"> <li>• PMG visits Portsmouth Model Office and was sufficiently impressed to recommend a visit to TSC</li> <li>• Civil-Service wide strike on jobs. No reference to Lean.</li> </ul>
April 2007	<ul style="list-style-type: none"> <li>• 29 Strategic Sites (LPO/DPO) been exposed to, and in the process of implementing or have implemented Lean.</li> </ul>

## Annex 3 : Interview Schedules

The following interview schedules were used during the site visits as a guide for the evaluators when undertaking the interviews. There were four types of interview schedules for:

- Senior Manager/Senior Officer/Higher Officer
- Focus Groups
- Lean Expert or OM/SL Advocate
- Lean Strand Leaders

# Evaluation of Capability Delivery in HMRC

## Interview outline/schedule for Senior Manager/Senior Officer/Higher Officer

### Introduction

Thank you for agreeing to take part in this evaluation that AtoZ Business Consultancy is conducting on behalf of HMRC. The aim of the evaluation is to give an independent assessment of some the elements within the Pacesetter programme – mainly Operational Management/Senior Leadership and Lean. The work has been commissioned so that HMRC can continue to make informed decisions and responses about the development and use of Lean and Operational management as possible efficiency improvement methodologies.

We are especially interested in understanding how the methodology used has improved your working environment and processes as well as the sustainability of these interventions. We are looking at the methodology of what you have done, the process by which it has been implemented and its impact. The interview will last approximately 45-60 minutes.

- Use of tape (check the interviewee is happy about this – explain for our purposes only!)
- Open by inviting interviewee to briefly describe their job and role (also write down site, the date, their full name, job title).
- Make note of any documents that will be needed to pick up on i.e. showing levels of quality and productivity improvements.
- Try to get examples all the way through!

### Across the tour and interviews at each site with SM/SO/HO level find the following (descriptive) information:

- Have all the elements of Operational management (Kick-off event, PIEs, Deep Dive and Wider Management launch) all taken place?
- When were they carried out, who and how many were involved in each (especially how many PIEs and the involvement of people within them)?
- How many processes have been involved in Lean? (what other processes exist on site? Will these be 'leaned'? If not, why?)
- What % of personnel on site have been involved in Lean?
- Which Lean tools and techniques have been used on site?
- What training has been carried out for both OM and Lean?























