

The Untapped Government Stimulus Right Under Our Noses

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By applying concepts such as Lean and Six Sigma \$200 billion a year can be saved in delivering government services. It's about time.

With the economy struggling to regain its footing and a two-year recession still impeding the nation's economic growth, our government must change the way it operates. The challenges facing our public sector are immense—from the federal government to municipalities. For example in 2009, many local governments will see a 2 percent to 10 percent revenue drop from sales and property taxes alone. This puts pressure on staffing and resources while at the same time increasing demand and expectations in areas such as social services. With the heightened focus on the government's operating methods, comes pressure for increased accountability in spending.

Fortunately, it is within the power of government entities to change the way they operate, and realize huge gains in efficiency and saved dollars for taxpayers. There are numerous examples of government agencies which have transitioned from being the poster children for inefficiency to becoming the benchmark for excellence in organizational effectiveness and delivery of value.

It's nothing new to declare there's waste in government. At some point, most everyone in the country has probably thought, "There is so much waste in government. I wonder how much we would all save, and how much more the government could do for taxpayers if they were as efficient as possible using our tax dollars."

Discussions about waste in the way government operates and spends its funds is pervasive in the media. A recent episode of the popular NBC TV series 30 Rock features corporate titan Jack Donaghy (Alec Baldwin) on his first day after leaving General Electric and joining the government's Homeland Security Department as Director of Extreme Weather Preparedness, and the War on the Poor. He walks into a room and speaks to long time government employee Cooter Burger (Matthew Broderick).

Jack Donaghy: We got to crack the whip around here, Cooter. You don't have pens. Your roof is leaking.

Cooter Burger: It's not. I'll show you the study.

Cooter goes on to talk about how well things have been going since they've been "streamlined."

There's a lot packed into this one little exchange. The federal government collected \$2.4 trillion in income taxes in fiscal year 2007 and yet can't get a pen purchase through the bureaucracy. And while the roof leaks, someone in the bureaucracy wrote a study to the contrary, thus no one takes action to solve the problem. Parody though it might be, the reality is essentially true. Opportunities abound across government agencies, departments, and functions—from federal to state to local—to improve efficiency.

To make the improvements that are just waiting to be implemented, public sector leaders should adopt tools and methods from the commercial sector such as Lean and Six Sigma. More specifically, they should focus on:

1. Reducing the time it takes to provide services for constituents
2. Creating Lean processes—processes that deliver maximum value while simultaneously consuming the fewest resources and money
3. Empowering people on the front lines responsible for delivering value to create solutions
4. Using technology as an enabler to improve performance and provide transparency and accountability

Great People; Great Obstacles

Without question, great people in government are working long days to make the country a better place. Among those innovative leaders in public service today is Stephen P. Lisauskas, who was until just recently the Director of the Springfield Financial Control Board in the Commonwealth of Massachusetts.

Several years ago the City of Springfield, in financial and managerial disrepair, was taken over by the Commonwealth of Massachusetts. The state's directive: Clean up the finances while, at the same time, getting the city back on its feet. For the last several years Lisauskas was in the lead, charged with righting the ship. He applied Lean concepts, while remaining true to the government's stewardship of fairness and protection of rights. The secret to his success was understanding why government so often gets in its own way.

On why government is inefficient Lisauskas says, "One of the underlying principles of government is to guarantee fairness, and this can lead to process for process sake, creating multiple layers of activity and bureaucracy not necessary to do the daily work of serving the people." In the name of protecting people's rights, government can lose sight of delivering value to taxpayers.

Lisauskas also notes, "Often times in government there's little cross pollination of ideas. What was done extraordinarily well by one entity doesn't usually translate to other areas in government that could, indeed, benefit from it."

Lean and Six Sigma: The Keys to Government Efficiency

One of the potential keys to creating efficiency in government lies in the application of the concepts of Lean and Six Sigma or LeanSigma. It would be cavalier to say that how you should apply these methods in government should be the same as how they are applied in business, but the concepts lend themselves perfectly to the problems faced in the public sector.

First, let's look at LEAN. At its core, government is essentially a service operation. Lean tools and techniques are a proven and effective way to speed up every part of service operations and reduce time and effort. Lean principles focus on the elimination of any activity that does not create value for the end customer. Any process step or consumption of resources that does not create value for the customer is wasteful, and that waste should be eliminated.

Turn to the example of Springfield to see Lean techniques in action. With Springfield's health insurance purchasing and administration in shambles, Lisauskas started to ask questions that would improve the end-result outcome for the city's health insurance "customers" and the taxpayers who supplied the funds. "When we got started," says Lisauskas, "the city didn't have enough measurement on what the health insurance purchasing and administration did, how much of it actually was done, and how much it cost." Without this data, not only were they unable to make improvements, they weren't able to report where funds were spent.

Making it an imperative to begin to measure spending, activity, and outcomes, Lisauskas (first as assistant director and then director) and his team saved \$96 million over five years by removing waste from processes and improving the outcomes.

In combination with Lean is Six Sigma, a highly mathematical and analytical approach to removing variation and improving process capability to add value for customers. Practitioners of Six Sigma apply a rigorous set of tools and process science to identify root causes of defects and then put in place solutions that attack those causes and eliminate them.

Technology supplements LeanSigma to further eliminate time-consuming paper process and capture relevant performance data. In the City of Springfield, not long ago it took 28 manual steps to approve a purchase order in the school department, and each purchase order took several weeks or more to work its way to approval. Lisauskas and his team not only improved the process using LeanSigma but also saw that technology could be an enabler to better speed and better quality. They implemented the city's first integrated financial management system at a cost of approximately \$2 million. Now, instead of 28 manual steps, there are a maximum of six steps performed online. Instead of weeks, about half of the school department's 15,000 invoices are processed within three hours. Lisauskas says, "The new process and technology system has paid for itself many times over, and continues to do so day after day."

Tools and methods like LeanSigma that focus on improving processes and outcomes are essential for government organizations to realize gains over the long-term. As Lisauskas puts it, "Highly functioning organizations, whether they be in the private or public sector, can often take a one-time event and keep building on it. Most government entities, however,

need a process that, as it's engaged, actually leads to better results, and not more process for the sake of process.”

Leadership—The Catalyst to LeanSigma Success

Along with sweeping Barack Obama into office in early 2009, the country swept a new cadre of leadership into various government agencies. As Stephen Chu assumed the role of Secretary of Energy, he learned that the department had been authorized by Congress four years earlier to provide about \$80 billion in loan guarantees for various energy initiatives in the public and private sector.

The department had the appropriation from Congress in their hands years ago, but none of the loan guarantees had actually made it from the department to any end users. When Chu inquired about when the funds might actually be dispersed to the end users, he learned it was going to take another year and a half or so.

He wasn't having any of it. Like Lisauskas, business as usual was not acceptable to Chu. He asked why they couldn't be allocating funds within 90 days and heard a litany of reasons in response: “There's this approval process, and that double check process,” and so on. It's likely these process steps were created to ensure fairness and protect against errors. But they went too far and instead wasted time and money while the public (the customer) didn't get the value that was intended from the program.

Using the concepts of both Lean and Six Sigma, Chu charged his team to tear apart the process by which these funds were to be disbursed. He also made it clear the team was to work cross-functionally to first understand, and then to redesign, the way they operated. He got people involved! Quickly, the team discovered they had great leeway—within the law and the bounds of ethics—to speed up the process significantly, and within their 90-day timeframe they made their first distributions. Not only that, they set a goal, and seemed to be well on their way, to continue dispersing funds at a clip of a few disbursements a month.

Without leaders like Lisauskas and Chu, LeanSigma initiatives won't take hold. Leaders break down the barriers to improvement—such as culture, internal policies, and legacy thinking—to allow empowered and creative employees to solve problems and eliminate waste.

LeanSigma—The Stimulus That's Always Been There

Opportunities to improve processes abound within the public sector. From getting the maximum value from the \$787 billion stimulus plan to improving day-to-day government operations, LeanSigma can improve efficiency and effectiveness, rapidly reduce cost, and save taxpayers money. Freeing up taxpayer funds by applying LeanSigma—which by some estimates may total as much as \$200 billion per year—can stimulate the economy in its own right. These redeployed funds can support infrastructure projects, unemployment and Medicaid gaps, and other value-added projects now propped up through the American Recovery and Reinvestment Act. In essence, LeanSigma can be the stimulus that's been right under our noses all along.

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About Guidon Performance Solutions:

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