



HM Revenue
& Customs

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

Final Report September 2007

Dr Zoe Radnor
Giovanni Bucci
AtoZ Business Consultancy

If you would like to know more about the evaluation please email Dr Zoe Radnor at Zoe.Radnor@wbs.ac.uk

If you are interested in receiving another copy of the report or would like to know more about PaceSetter please contact pacesetter.programme@hmrc.gsi.gov.uk

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 School². Both are independent, external organisations.

HMRC Processing Directorate³ 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 Office⁴. 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.

² 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.

³ HMRC Processing Directorate will be referred to as HMRC from hereon in.

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

2 The Pacesetter Programme and Capability Delivery in HMRC⁵

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.

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

Capability Delivery is one of the two main themes⁶ 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 Group⁷. 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.

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

⁷ 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 Correspondence⁸. 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?

⁸ 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 sites⁹.

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 concerned¹⁰ 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.

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 ¹¹	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

¹¹ 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 Sites¹²

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 ›

¹² 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 mangle 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.

