

Case Study: The Pace of Change

Groundbreaking PaceSetter, HMRC's innovative Lean project, continues to provide the department with significant savings and efficiencies and this is only set to increase as 95 percent of the workforce plan to use PaceSetter in their work by 2013. But it's not all been plain sailing, according to **Alison McDonald**, Deputy Director for PaceSetter, who highlights some important lessons that HMRC has learned.



For some time now, continuous improvement techniques, such as Lean, have been seen as key driving forces for transforming public services for customers. Its particular attraction now, in this climate of austerity, is that while years may be needed to fully embed a high performance culture, high initial returns can be achieved in a relatively short space of time.

This is certainly the case for HMRC which began implementing Lean in 2005 to drive efficiencies in its volume-processing work. Early successes in tax-form handling reported a 50 percent reduction in processing time and a reported uplift from 55 percent to 98 percent in quality, reducing the need for re-work. However, it soon became clear that introducing Lean was not enough by itself to maintain momentum. As a result, the PaceSetter brand was created to ensure future implementations focused on developing leadership capability alongside system change.

With nearly 50 percent of HMRC now operating in a PaceSetter way, the business has reported over £600m in additional tax yield and an average 30 percent increase in productivity, leading to reported gross salary savings of well over £300m. And this success is only set to continue, with HMRC's ambition of 95 percent of its workforce using PaceSetter by 2013.

"PaceSetter has transformed the way that DGs and ExCom manage performance. They are now passionate about releasing the talents of those who do the work, enabling them to continuously improve what they do every day as part of their everyday activities."

Steve Lamey, DG Benefits and Credits HMRC

But it has not been an easy ride for HMRC in implementing PaceSetter. The department has learned, and continues to learn, valuable lessons about how to embed and sustain its tools, techniques and behaviours – and to be flexible in adapting these to the needs of different business areas.

We'll now focus on some of the key lessons learned and the steps that HMRC is taking to continually improve PaceSetter for its staff and customers.

Leaders are the most critical success factor, along with disciplined adoption of tools and techniques

Back in 2005, HMRC's attention was focused on driving efficiency in the frontline, with minimal senior leadership engagement. This balance was soon readdressed, and PaceSetter started to engage leaders at all levels with continuous improvement tools and techniques.

A series of 'Top Layer Programmes' continue to help leaders to understand the pivotal role they play in making PaceSetter a success. Today, upwards of 1,000 leaders across HMRC have taken part in these programmes - including the Executive Committee, DGs and Directors - with many using PaceSetter to aid their decision

making. They now view PaceSetter as one of the key ways that HMRC can achieve its Vision and deliver better outcomes for its customers.

Develop a strong internal cadre of practitioners, reducing the reliance on consultants

Although reliant on consultants for specialist knowledge in the early days of the project, HMRC soon developed a structured academy and coaching programme to help staff become PaceSetter Practitioners. It recognised that a key risk was putting too much stock in consultancy support for too long, with insufficient skills transfer to HMRC staff, particularly for delivering leadership development programmes and challenging management teams.

Now accredited by Cardiff University's Lean Enterprise Resource Centre (LERC), the PaceSetter Academy Programme has helped over 300 staff become Practitioners so far, helping HMRC to be largely independent of external consultancy resource.

Performance improvements need to be translated into clear benefits and be visible to everyone

After the Capability Review in November 2007, HMRC began to develop a robust Performance Management Framework, consolidating over 70 performance frameworks into one set of Key Performance Indicators. These have streamlined data collection, reporting and decision making. As PaceSetter became recognised as one of the key mechanisms to improve performance, HMRC began to develop a Benefits Realisation Framework to both measure and report the effect PaceSetter was having on these metrics.

This Framework continues to help those business areas which are implementing PaceSetter to understand the effect on productivity, quality, customer experience, staff engagement and leadership. Importantly, this creates the evidence needed for future resourcing and staff buy-in.

Performance Hubs and Boards, implemented at management and team levels, are also helping everyone to visualise performance and benefits, with a clear line of sight from the Executive Committee to the frontline.

Give your staff a Voice

Whatever method of continuous improvement is used, it is critical that staff feel that they have the opportunity to have a voice in their work. By actively engaging them in performance meetings around the hub - problem solving and creating new standards - HMRC has seen overall improvements in staff engagement in PaceSetter areas.

Of PaceSetter, HMRC staff say:

"We are now able to put our points across in an open environment."

"It's a natural part of our working life and culture."

HMRC Managers say:

"Our people are now seeing the big picture and getting actively involved in continuously improving what they do."

"The success of PaceSetter is really attributable to the management teams and frontline staff. Of course, there is a way to go yet, but staff are really taking the initiative to continually look at ways to improve what they do."

'One size does not fit all'

As PaceSetter began to be implemented in less transactional areas, HMRC recognised that there were certain business areas that needed to adapt rather than simply adopt the existing standards and tools of PaceSetter.

Working closely with the policy teams in Personal Tax and Business Tax revealed that almost 80 percent of the existing PaceSetter tools were applicable to these environments. The remaining 20 percent were either adapted or new tools developed which could be used again in other areas of its business.

Tackling these 'considerative' areas from the start helps avoid the prejudice that continuous improvement only works in 'processing' areas.

Greater accountability in the business

As the organisation matures, individual business areas should be given greater accountability for translating performance improvements into benefits realised. However, they should be supported by a common operating model, from front-line practitioner through to senior teams.

Assure the benefits

Change control and assurance are required to maintain the integrity of implementations, along with a strong, consistent brand image.

Substantial benefits can be derived by looking at the end-to-end enterprise level

To reach a 'tipping point' of credibility and understanding, HMRC initially focused on re-engineering sub-processes in organisational pockets. This generated 'quick wins' and clearly demonstrated the value of PaceSetter to the organisation.

However, HMRC recognised early on that substantial benefits would come from identifying 'hot spots' of waste at enterprise level, focusing on end-to end processes and customer journeys.

Work closely with enabling functions and initiatives

A key priority for PaceSetter has been the integration of its work with other key programmes of activity. This includes the HMRC Strategy (for which it is a key enabler), Leadership Behaviours and Corporate and Social Responsibility.

In the Leadership space, PaceSetter has aligned and integrated its core management behaviours, with the newly launched HMRC-wide Leadership Behaviours. This avoids any conflicting messages and (perceived) competing management training or reward systems across the department.

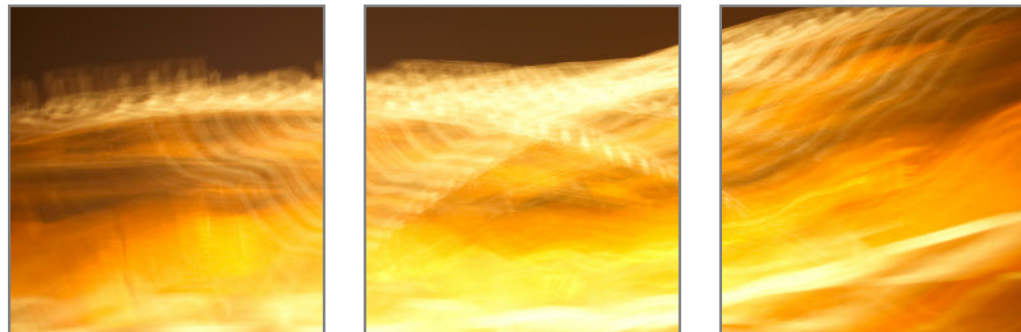
But it's not only HR initiatives to which PaceSetter is aligned. It continues to work closely with other enabling functions, such as Finance for performance management, IT for information management and our customer strategy work.

Greater cross-government working

Reduced funding, as well as pressure to improve efficiency across government, must lead to greater cross-department working, sharing experiences, best practice and methodologies.

This is exactly what is being encouraged with PaceSetter Practitioners and specialist staff within HMRC. Over 600 internal staff are now accessing a workspace portal, sharing knowledge, experience and new approaches. This is something that could be replicated across government, to share knowledge and expertise.

HMRC still has a way to go to achieve its aim of the majority of its workforce to be using PaceSetter by 2013, but it continues to nurture a culture that is open to change, realising that continuous improvement is not just a management fad - it is here to stay.



Alison McDonald OBE Deputy Director, Central PaceSetter

With 25 years' operational and management experience gained in the civil service, Alison McDonald leads the implementation of PaceSetter across HMRC.

Joining the Inland Revenue in 1985, Alison worked in a variety of technical and management roles in Sussex local offices, whilst completing her BSc (Hons) degree and Tax Inspector training.

In 2003, Alison became the senior manager in Portsmouth - one of the largest processing offices in HMRC. Introducing Lean tools and techniques to redesign their processes, Alison and her team developed pioneering techniques for wider application and became the first PaceSetter model office for HMRC.

Her strong advocacy of Lean tools and techniques, coupled with her wealth of operational experience, proved invaluable in May 2008, when she became the Deputy Director of Central PaceSetter in HMRC.

Now with nearly half of the department working in a PaceSetter way and over £900m savings, it is widely recognised as one of HMRC's key enablers for continually improving outcomes for customers and delivering its Spending Review challenge.

PaceSetter combines lean tools and techniques with active leadership engagement - helping to create a culture that is genuinely open to change and continuous improvement.

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