Seeing EXCELLENCE

Learning from Great Procurement Teams

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Introduction

Look around you. Learn from colleagues whose stories demonstrate the essential elements of effective project and quality management.

Have you ever just opened a procurement manual and looked, really looked, at what was in it? Does anything catch your eye?

Public procurement is one of the most hidden and misunderstood functions in all of government. It operates at all levels of government: federal, state, and local levels. The public procurement function (sometimes called purchasing, acquisition, or government contracting) has a variety of organizational structures. It can be a small as an "additional duty" in a small city, to as large as thousands of people in the Department of Defense.

Somewhere in the middle, many states and larger municipalities have offices with dozens of procurement professionals. There are significant differences between government purchasing and that done by the American public who rarely sees these professionals. The amount of money involved is sometimes staggering. Statutes and rules are enacted to control funds and to promote fairness for industry, which competes for the contracts issued by federal, state, and local governments.

These laws and rules are commonly found in the manuals developed by these offices. They are some of the driest reads imaginable.

However, some procurement officer somewhere in the heart of the United States saw the potential in that most lowly of documents. That person asked what if I put art—literally—in that manual. So she did. The Procurement & Contracts Administrator in Montrose County, Colorado, had some kids enter a drawing contest, she put the best in the manual, and the results that manual produced were staggering.

That's the essence of "seeing excellence," in every aspect of the procurement process, and that is the heart of the matter of this book.

Story Spotting for Excellence

For the past two years, I have been spotting stories that illustrate project excellence. In chapter 10, I tell the Montrose County story about children who participated in a "request for poster" project that taught them about public procurement. They eventually contributed art to the county's procurement manual, which in turn had county commissioners seeking it out. Who would have thought!

For the most part, the stories I discovered are derived from procurement offices. Those offices are often unsung parts of government, but they, like perhaps no other offices, bridge organizational boundaries.

This book focuses on teams and small group excellence. Even readers who are not practicing public procurement can glean useful ideas from these professionals. If you are involved with groups where members have no formal supervisory or management authority, you are more like public procurement offices than you imagine!

There are several stories told here of groups that are not technically in government procurement offices, but they are familiar to those who are. The California Office of Systems Integration publishes best practices that touch many of the project management, quality management, and organization learning topics in this book. Other stories also resonate: A 501(c)(3) nonprofit organization that counsels companies on government procurement, an accounting team that forged a new way of organizing teamwork, and even a law firm that works in government contracting and helps educate companies about doing business with the government. All these stories have universal lessons.

The stories sharpen the lessons about effective teams, continuous improvement, and project management. I have told the Montrose County story in presentations at annual conferences of NIGP—The Institute for Public Procurement, the National Association of State Procurement Officials (NASPO), the National Procurement Institute (NPI), and the National Contract Management Association (NCMA). That story and others in this book illustrate many lessons, including the overarching theme of how all of us can be lateral leaders in the profession: leaders even though we may not be supervisors or appointed as formal team leaders. Almost all of the stories told here were written after talking to the leaders of those teams or observing first-hand what they have done.

The Focus of This Book

This book is a compilation of those stories and the lessons I have learned from them. Chip Heath and Dan Heath, co-authors of one of my favorite books *Made to Stick*, talk about the power of storytelling as a way of getting ideas to stick. I hope these stories give you some ideas about how to keep getting better as a team and an organization.

The surprising thing about this project was how well the stories and accomplishments illustrate timeless principles that others have researched and written about. I build on the learning available from the story narratives by providing references to other resources that I have found particularly

useful. They provide the schema or conceptual structure for the lessons in these stories. I also identify practical behaviors to get you beyond theory to tools and practices you can use.

Ten years ago, the Colorado Division of Finance and Procurement developed visual metaphors of scopes, such as telescopes and gyroscopes, as a problem-solving approach in the division's Systematic Controls, Oversight, and Policy Evaluation process (SCOPE). I am not in procurement operations any longer, but I've continued to use these scopes as a framework for studying the essential elements of continuous improvement and effective projects. In this book, we see the metaphor in expanding the universe of ideas with the telescope, focusing on the details with the microscope, and sustaining success with the gyroscope.

As this book unfolded, there were expected and unexpected lessons. First, not unexpectedly, teams and collaboration are at the center of all of these stories. Nothing much is accomplished in today's organizations without groups and teams. Collective effort is the key to continuous improvement, managed change, and transformation of procurement offices. Collaborative effort is a key ingredient in activities like competitive procurements. We all work in groups, and a team is a type of workgroup commonly associated with continuous improvement and projects.

Second, while this book is organized generally in the order in which these considerations occur in a project, continuous improvement is not a linear process. You may start with a clear understanding of purpose, as on a procurement project. On the other hand, you may be looking for ideas about how to organize a function such as centralized versus decentralized procurement and want to start talking to people who have done it before. You may want to assemble a team to get a kaleidoscopic variety of perspectives and brainstorm ideas, or you may identify an important opportunity and then assemble a team. However, you are not likely to jump into sophisticated process mapping and other analysis at the beginning. Measurement sometimes is used at the beginning to identify opportunities. At other times, though, measures are used for analysis during the project or even become a "purpose" when a team develops measurement systems.

Still, there are overarching patterns in these stories that led to the book's three parts. Effective teams have a phase in which they expand the team's thinking. The team starts with expansive thinking during formation, eventually pivots to focusing the team's attention, and typically ends with a decision. The team's shared leadership, learning strategies, and risk and change management approaches help sustain the team's efforts. While these elements are not linear, successful teams touch each at some point in their life cycle.

The lessons here boil down to a few key concepts. Along with the indispensability of teams and the need not to be too linear in one's thinking, "focus on purpose" finally cemented itself as the gyroscopic, central concept throughout. Purpose is at the center of deciding who should be on a team. The purpose illuminates how and when project management is integrated into the group norms and how the component tasks are broken down to start making progress. The purpose of a project frames the relevance of measurement, what is measured, and how to approach analysis. The project's purpose also affects how risk management is addressed and whether the project

implicates broader considerations of change management as well as the ultimate decision made or recommended by the team.

Another central concept is the importance of asking good questions. In the early stages of a team's formation, the ability to engage in humble inquiry—a term coined by MIT professor and psychologist Edgar Schein (2009)—is often the touchstone for engagement with stakeholders and customers. Early stages of team formation are fraught with some uncertainty that team leaders help mitigate through facilitative inquiry. "Stepping to their side" also involves the use of questions. This approach helps build trust in a team and permits stakeholders and customers to understand, anticipate, and control some aspects of change.

These themes weave themselves through the book and into the final chapter on lateral leadership. They are also important to a team's effective management of a traditional procurement project or efforts to improve their processes.

Develop Your Own Approach to Continuous Improvement

NASPO, NIGP, and NPI have accreditations or awards for organizational excellence and have established criteria that highlight essential elements of continuous improvement. Their standards value strategic planning, emphasize proper placement of the procurement office in the overall organization, and assess the use of procurement best practices by the agencies. They also consider the use of measurement by the agency, the use of automation, and evidence of continuous improvement. These accreditation and award standards are a good source for the elements of outstanding procurement organizations.

At its core, this book is about getting better as an organization from the team perspective. It looks at improvement in three dimensions. Chapters 1 through 8 examine the managed-change aspects of organization life: defining purpose, finding opportunities, looking for best practices, assembling teams, managing projects, performing analysis, measuring, and managing risk and change. These are commonly considered elements of problem solving, broadly moving organizations through change.

We also look at learning and leadership in the context of small group work. These dimensions have larger scales for bigger organizations, but we will focus on the small group or team. Chapter 9 provides food for thought on how to keep learning as a team and organization. Chapter 10 rounds out the book by looking at lateral leadership, which is particularly relevant to the team environment but also raises important issues for leaders where the scope of the leadership is greater.

For the most part, this book keeps its focus one level deeper than broad organizational performance. It looks at small group practices that illustrate how procurement offices continuously improve. Your office may use tools for identifying opportunities for improvement, mapping out a strategy for getting there, and then assembling a team to get the work done. This book uses stories to show how it is done.

Organizations sometimes have their own approaches to planning, execution, reporting, and improvement. NIGP refers to Total Quality Management (TQM) in its definition of "continuous improvement." TQM was a well-known quality management system used in the early 1990s. I was first introduced to systemic continuous improvement, what I call *quality management* in this book, through the ideas of Dr. W. Edwards Deming in the early 1990s with the Air Force's foray into Total Quality Management.

At about the same time, Motorola developed a process known as Six Sigma for improving manufacturing operations, and Six Sigma has been widely adopted in various industries. Japanese approaches to automobile manufacturing became synthesized into *Lean* principles, and before long, a more comprehensive approach to improvement, Lean Six Sigma, began to be used by industry and governments. It integrated the concepts of both Six Sigma and Lean.

The city of Punta Gorda, Florida, used Lean and Six Sigma in a procurement improvement project: looking at its payables process and eventually implementing a procurement card program.

Lean Six Sigma in Punta Gorda, Florida

"We are in the improve phase!" That's how Marian Pace, Procurement Manager for the city of Punta Gorda, Florida, described the status of their city's Six Sigma project. The Punta Gorda City Manager had hired a business management consultant to train city employees on Lean and Six Sigma principles and to help them select projects. Punta Gorda employees were challenged with finding ways to increase city revenues, improve efficiencies, and reduce costs, waste, and non-value added processes. Projects selected included commercial solid waste and fire department non-emergency services, and Marian saw an opportunity to apply these sophisticated techniques to procurement. In effect, she aligned with the city's chosen method of improving its operations in order to examine transaction processes and to evaluate the potential for a procurement card program.

Six Sigma is a business-improvement methodology developed by Motorola that uses rigorous processes to systematically eliminate defects and inefficiencies. Along with its cousin "Lean," it has moved into government.

The term "six sigma" is a statistical concept (sigma signifies the standard deviation) describing near perfection in process performance. The phases of Six Sigma are known as DMAIC: Define, Measure, Analyze, Improve, and Control. Lean principles were an outgrowth of manufacturing approaches used in Japan. Lean emphasizes process flow, waste, and time.

This detailed examination of the process resulted in a better understanding of the city's payables process and the identification of opportunities for improvement. Eventually, the project led to implementation of a procurement card program to streamline payments. In addition to the significant process efficiencies, Marian's team estimated that the city would receive between $49,000 and $57,000 in rebates under the card program. As will be told in chapters 7 and 8, Marian Pace is a fan of the Lean Six Sigma process!

Both NIGP and NPI place a great deal of importance on having a continuous improvement focus as an element of excellent organizations. Yet they do not promote any particular approach. The city of Fort Wayne, Indiana, was one of the earliest government agencies reported to use Six Sigma.[1] Colorado, Ohio, and Washington reportedly are now implementing Lean.[2] Effective continuous improvement does not require use of any of these models. In 2002, when the Colorado Division of Finance and Procurement was searching for an approach to continuous improvement, Six Sigma training was only just starting nationally. However, it was fairly expensive, and the division opted for a more "common sense" approach that used visual imagery to integrate these steps. As the division director at the time, I felt that we did not have the resources or time necessary to train people on the elements of Six Sigma, then receiving a lot of attention among quality professionals. We had a diverse group of managers and employees: attorneys, accountants, architects, procurement professionals, and debt collectors. I wasn't sure that Six Sigma's teaching about manufacturing process statistical variation, or grafting Japanese Lean manufacturing principles into a financial internal services organization, was going to be accepted by our people. So we developed SCOPE, Systematic Controls, Oversight and Policy Evaluation, as an adaptation of other quality management systems. SCOPE was our division's approach to revising the state's internal controls policies in a systematic way.

Nor did the Colorado state government use an agency-wide approach like Lean Six Sigma. The state used strategic planning and performance-based budgeting for performance measurement, but it did not have a statewide approach to organizational performance improvement and measurement that was widely taught and accepted.

In the three years that we used SCOPE, we revisited our small purchase procedures, mapped debt collection processes in central collections, and wrote statutory revisions. We also began revisions to the state's contracting policy and procedures, which first involved looking at contract-approval process measures. We'll learn more about that project in chapter 6.

Most of the structure to *quality management* comes from quality professionals. The American Society for Quality has a rich history of training and scholarship with regard to various quality management approaches. Perhaps the flagship publication of ASQ, now in its second edition, is Nancy Tague's *The Quality Handbook* (2005) that contains descriptions of various tools. The book describes, for example, brainstorming, some project management tools like project charter checklists, prioritization matrices, and process flowcharts. Many of the tools—especially the statistical tools—were created for manufacturing operations. But the second edition of *The Quality Handbook* reflects the growth of quality management system use in services and government.

In this book, we distinguish between continuous improvement and other kinds of projects undertaken by procurement teams. The next chapter draws that distinction, for example. The discussion explains how finding opportunities for improvement in procurement office operations is different than overseeing procurement planning on a request for proposal. While project management involving well-defined processes presents opportunities for improvement, there is a difference when compared to more traditional continuous improvement projects like that undertaken by Punta Gorda, Florida.

While we'll keep an eye on project management, the heart of this book is about continuous improvement. Not all projects involve the structured approach of Six Sigma, though. In 2012, the state of Oregon won the NASPO George Cronin Award for Procurement Excellence.[3] The award is based on assessment of a project's innovation, transferability to other states, extent of service improvement, and cost savings and efficiencies. Oregon teaches many lessons in this book, but the 2012 Cronin Award project is an excellent example of how to dive into continuous improvement.

Oregon's "Direct Dealership" Fleet Price Agreements

Oregon, like many other states, had a fleet problem. They spent an inordinate amount of administrative time managing fleet price agreements. The old approach to vehicle model year roll-over and bidding involved countless overtime hours. The procurement and program offices incurred significant legal costs executing almost 100 vehicle price agreements, and they had recurring customer complaints (an estimated 9–14 per day) from state agencies that claimed they were able to "beat" the agreement pricing. During the early evaluation phase of the project, the state learned that it cost approximately $2,000 per year to manage each price agreement. It took three months just to add a new vehicle to the contract, and it took three employees to manage the large number of statewide contracts.

One of the team's initial steps was to dig deeply into the industry practices and pricing structures. Through significant market research discussions with dealers, manufacturers, and agency fleet users, they learned that the traditional practice of annually bidding fixed vehicle specifications had downsides. The state did not have the flexibility to add new models introduced during the model year without significant administrative costs associated with contract amendments. Even more importantly, prices tended to be highest early in the model year. Prices declined as the model year went on, but the decrease was not reflected in contract rates. Moreover, throughout the course of the year, special pricing packages were available that provided often equivalent functionality at significantly reduced prices. Yet, the standard state price agreement format did not provide the flexibility to take advantage of these special value deals.

When the fleet program and the purchasing office started to discuss changing the contracting approach, they encountered resistance. Yet as the procurement analysts describe it, they benefited from the resistance. They became very data oriented, using: administrative costs, benchmarked costs, and tables showing how prices are broken down among dealers and vehicle models. The program credited the data-driven approach for overcoming the resistance among users.

They freely acknowledged that the program required additional work purchasing vehicles, but there was an offsetting advantage. The contracts included an "evolving technology" clause that permitted ordering of any models carried by a dealer. The solicitation permitted disclosure of pricing elements by individual dealers that enabled more effective negotiation. A key success of the project was a contractual mechanism allowing spot requests for quotations using the manufacturer's "build your own vehicle" websites for vehicle configuration. State fleet buyers could request quotes known as "price verifications" from dealers and take advantage of the most recent favorable pricing.

Oregon's project included clearly articulated goals. They sought to minimize administrative costs and reduce total cost of ownership by implementing largely self-managing, long-term fleet relationships.

(continued on next page)

Oregon's "Direct Dealership" Fleet Price Agreements, cont'd.

Their published goals emphasized customer focus and communication. Goals included: improvements in collaboration (especially with dealers in economically disadvantaged areas); better access to alternative fuel vehicles (the new approach facilitated purchases of more "green" vehicles); limiting to the extent possible over-specification of vehicles that reduced competition; and using "micro-level competition" that took advantage of favorable pricing available at the time of ordering (including purchasing "off the lot").

Continuous improvement was baked into the new system. The program created a customer "complaint" mechanism for continuous feedback. The purchasing office monitored purchase prices and compared pricing with that available in other states and derived from other market analysis tools. As a result, Oregon's pricing averaged 3% less than that in other states studied by the project. Moreover, other states participated in Oregon's contracts because of its favorable pricing and innovative approach.

The project required continuous analysis of pricing disparities, and how state-purchasing practices affected the overall value proposition. As those familiar with fleet operations know, the pricing structures for vehicles is complex and constantly evolving. Notably, Oregon succeeded in achieving a first: a manufacturer-direct contract that Oregon hopes will encourage other major manufacturers to do the same.

The Oregon project illustrates well the elements of continuous improvement. The project also demonstrates how these elements are nonlinear, in the sense that some are encountered earlier in the project than one might expect. The project team started by asking the question, "How can we improve?" Early on, before other teams might ever think about looking at measurement and data, they realized the value of collecting objective information about pricing and inefficiencies. They also cemented the project direction using clearly articulated goals, highlighted in this book as an early factor key in successful projects. Oregon's project may not have unfolded in the order of chapters in this book, but the elements are all there.

Your organization's approaches may vary. But most importantly, get started using an approach to continuously learning and getting better. Do not let the sophistication of these other models deter action. Starting can be as simple as documenting your processes.[4] Whatever the approach, it will have these elements:

1. Assessment of the current state[5] by periodically reviewing of the "as is" through some engagement with customers and stakeholders and comparison to the "should be" of the system.
2. Collaborative engagement to analyze the reasons for the gap.
3. Identification of barriers to improvement.
4. A plan for making the decisions and implementing the actions necessary to reducing that gap.
5. Development of an approach to monitoring those actions and the results to assess the need for further adjustment or change.

Six Sigma, Lean, Lean Six Sigma, business process engineering, and Total Quality Management are specific continuous improvement models. They may come and go. This book attempts to

identify the underlying skills and strategies that teams and their leaders need that are common to all of these models.

Collaboration, having a clear purpose, and the effective use of questions are central concepts in this book. But at the end of the day, in any project, you will have at least touched on all of the considerations described in this book's chapters. The stories provide context, and the references give you more material for study if you like.

This book ends where the most personal exploration still needs to be done: sustaining our operations through effective organizational learning and cultivating leadership skills. Also called knowledge management, the challenge of organizational learning, for a while, was equated with information technology systems. Now, organizational culture and informal learning are more front and center. And this evolution requires the leader to keep at the process of improvement and learning. This book shows actual teams and their leaders who have achieved excellent results by using tools to connect knowledge to practice.

This book is about stories that illustrate excellence in action. And there was one final lesson that may be obvious to all readers. Building effective teams takes time and patience, as well as leadership contributions from everyone. We hope that this book may give you some ideas about how you can help your team succeed.

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