

Praise for *Seeing Excellence*

“I wish I could have read this book years ago. It contains ideas and solutions to challenges that I faced and every team member and leader faces... Change is the new constant in government and its velocity is accelerating. Jobs and skills are changing to meet new demands. Do you have the skills needed to be effective? Example by example, this book will help you improve your personal effectiveness and the effectiveness of those around you. If you want to make a difference in government, read this book.”

From the Foreword by Dugan Petty,
Senior Fellow, the Center for Digital Government and the Governing Institute,
Former Oregon CIO and Purchasing Director,
Past President, National Association of State Chief Information Officers and
National Association of State Procurement Officials

“What a terrific tribute to those in public procurement who have been role models for excellence! I really liked the way you blended the theoretical understanding with proven implementation by agencies and teams. You have tons of examples and do a very nice job of lifting up these champions. This is an incredible piece of work.”

Rick Grimm
Chief Executive Officer
NIGP – The Institute For Public Procurement

“I love this . . . What a wealth of information and great ideas!”

Carol Wills
Contract Specialist
P-Card Administrator
Academy School District 20, Colorado Springs, Colorado

“I started with the Art in the Procurement Manual story. Reading through it engaged me to read more. Sometimes most simplistic common sense approaches or creative approaches can make a huge difference in our ‘perceived’ bureaucratic environment. I especially liked the emphasis on the ‘Art of Question,’ the importance of talking to our customers, and face-to-face communication.”

Carol Wilson
Director of Procurement, State of Connecticut
President, National Association of State Procurement Officials

“This is a great contribution to the body of knowledge for the profession. Well-written, Seeing Excellence contains valuable information. I would use it as a reference and pull from it advice and tools when conducting projects. I was already familiar with a number of tools presented in the book such as Deming, Total Quality Management, Six Sigma—but the book presents new advice and tools that are very useful, some I had not heard of before. I wish I had this years ago.”

Ron Bell
Captain (U.S. Navy, retired)
Director, Virginia Division of Purchases and Supply
Immediate Past President, National Association of State Procurement Officials

“This is amazing! Learning is brought to life through memorable ‘excellent’ examples that instruct and inspire.”

Barb Johnson
Public Procurement Instructor and Practitioner
Former Board Director, NIGP-The Institute for Public Procurement
Creative force behind the book’s Purchasing Gone Wild! story

“I’m very, very impressed! The book offers the reader a significant number of tools, techniques, stories, ideas, and more. The book is a solid mix of theory, research from many sources, and practical insights. I especially like how the book mixes in the various quality and project management tools. I could go on and on. An excellent book!”

Dr. Dan Price, D.M.
Project Management Professional
President, Winning Ways Management LLC.

“This is excellent! This book provides a timely addition to the professional procurement literature. As individuals and teams contemplate the concepts and real world examples, their professional skills will certainly be enhanced. Public entities and taxpayers across the nation will benefit as they apply these lessons. It makes me proud of the profession!”

Douglas Richins, C.P.M.
CEO, WSCA-NASPO Cooperative Purchasing Organization LLC
Past President of NASPO
Former Utah State Purchasing Director

“I thoroughly enjoyed Seeing Excellence. Thank you for bringing to light so many examples of the prodigious work that is taking place in public sector procurement. You have successfully melded great stories of leadership and team excellence with a foundation of academic research and ultimately created an inspirational resource for everyone.”

John Utterback
former Colorado State Purchasing Director
former Purchasing Director, Colorado State University

Seeing EXCELLENCE

Learning from Great Procurement Teams

Richard Pennington



HUGO HOUSE PUBLISHERS, LTD.

Seeing Excellence: Learning from Great Procurement Teams, by Richard Pennington

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ISBN 978-1-936449-50-7

Library of Congress Control Number: 2013947047

Cover design: NZ Graphics

Interior Design: Taylor by Design



Hugo House Publishers

Denver, Colorado

Austin, Texas

www.HugoHousePublishers.com

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Preface

The idea for this book started in the Summer of 2002 when the newly formed Colorado Division of Finance and Procurement was creating its own continuous improvement model: SCOPE—Systematic Controls, Oversight, and Policy Evaluation. I owe a special thank you to my colleagues there for helping develop the idea—Art Barnhart, the State Controller; Kay Kishline, State Purchasing Director; Larry Friedberg, State Architect; and Verneeda White and Greg Mechem, the Central Collections managers.

As we talked about the elements of continuous improvement and problem solving, we had some fun with scope imagery. I am an aviator, so the radarscope worked for me for project management. The gyroscope is also an especially important instrument in aircraft and to me symbolizes stability and purpose. The periscope came to symbolize the need to surface periodically and look around—an especially important concept in internal service organizations in government.

After we finished mapping out SCOPE over a few months, I recall Verneeda saying, “Richard, you should write a book.” Well, it only took two tries and ten years. What started as a linear description of how organizations can improve ended up as a book about “seeing” excellence in teams. I used the scopes to look at great stories and learn from them.

To all my colleagues in the division, I owe a deep debt of gratitude. They endured a continuous improvement project during a national economic downturn that was making us do more with less, a common malady in state and local government offices.

I owe a special thanks to Sandy Montanez, our office manager, who helped create SCOPE. I still remember thinking we were on to something when Sandy asked me one day, “Richard, how do you get on the radarscope?” Sandy provided gyroscopic stability to me as we worked through difficult economic times in a new division finding its way. The division taught me a lot about purpose and life. Keep purpose in mind.

Fast forward to the summer of 2010, after I had left state service and retired (I thought) from the practice of law. The idea of the book’s purpose was cemented at the annual conference of the National Association of State Procurement Officials (NASPO). That was when I heard Thomas Linley’s presentation about the state of Ohio’s multifunctional office machine project. Dr. Jack

Pitzer, like me a NASPO life member but unlike me a co-author of an NIGP foundational text *Fundamentals of Leadership and Management in Public Procurement*, heard the presentation also.

As serendipity would have it, I got a phone call while sitting in the NASPO audience from the staff at the National Institute of Governmental Purchasing (NIGP) asking if I'd be interested in submitting a story for their upcoming issue of *Government Procurement* magazine: we had a one week deadline! "Find opportunities," I say in this book. Well, this opportunity found me sitting alongside Jack. That story written with Jack about the Ohio project was my first. I'd like to thank Jack and Thomas for helping mold the basic approach to this book.

The stories about excellence are the heart of this book. To each of the "stars" in those stories who let me peer through my figurative telescope and spoke with me about their projects, thank you for letting me learn from you.

One integrating thread of excellence throughout this book is the role played by the national associations in promoting the profession and the professionals showcased here. I count the National Association of State Procurement Officials as the best professional association I have ever been in. The persistence, resilience, and commitment to excellence of state chief procurement officials is humbling, and NASPO's support to chief procurement officials is exceptional.

NIGP—The Institute for Public Procurement—has a first-class training program that satisfies the daunting task of educating procurement professionals from hundreds of government entities each having their own laws, policies, and culture. Among my best decisions ever was to get a certified public procurement officer (CPPO) certification that I proudly use along with my J.D. Rick Grimm, NIGP's CEO, offered special encouragement about whether this book added to NIGP's already robust professional library. Thanks Rick for your support.

The National Procurement Institute, an affiliate of the Institute for Supply Management, helps bridge the gap between government and our commercial supply chain colleagues. They helped me develop the lessons in this book by permitting me to speak at their annual conference in Denver. All of these associations supported the story spotting in this book and the evolution of the ideas in various ways. They exemplify the spirit of excellence illustrated here.

I had some special help sharpening the message of this book. Dugan Petty graciously agreed to write the foreword. He introduced me to catalytic leadership and spent considerable time helping me get the project management pieces of the book right. Thanks, Dugan, for sharing your time and special insight. So did Dr. Dan Price, a fellow Air Force Academy alumnus and B-52 pilot who I have worked with for about a decade. Dan in fact was my first co-instructor in a seminar—Launch!—where we test-piloted many of these ideas seven years ago.

Keep learning, this book counsels. Barb Johnson is a master contract instructor for NIGP and taught me how to engage classes without directive (make that "traditional PowerPoint") training. Barb gives back to the profession while she is incredibly busy practicing it, and she models effective learning and training like few others. Barb is a lateral leader.

I'd like to thank a few other lateral leaders. Douglas Richins, now the chief executive officer of the WSCA-NASPO Cooperative Purchasing Organization LLC, taught me what facilitative

leadership means. Doug was at my side during what I call my successful failure, our innovative attempt at a two-state e-procurement system. Thanks for being a friend and mentor.

Ron Bell, thanks for your special leadership in NASPO and encouragement on this book. John Utterback, thank you for showing me how to experiment with new ideas. I'll never forget your 1996 call asking what a "BAFO" was! Or your support on the Colorado/Utah e-procurement project. Art Barnhart, I admired your resolute integrity in the face of trying challenges. Tom Jeter, I owe you a special thanks for the encouragement and time you spent the first time around on this book.

The middle of the book talks about focusing. It's funny where you find project management excellence. I was fortunate to practice law for about five years in the Denver office of the McKenna Long & Aldridge LLP. Not only is that firm chock full of gifted and smart professionals—I was awestruck really with their talent—Lisa King and her colleagues there taught me about organization, team work, and planning ahead. MLA supported me in my first book, the *Colorado Procurement Handbook*, and I thank them for doing what they do so well.

And thanks to my Mom and Dad, who not only endured the early flirtation with scopes. Dad also served in the Air Force and previewed an early version of the leadership chapter. He and Mom both exemplify the leadership principles in chapter 10. Mom and Dad have been special role models for my sisters and me.

About six months ago, I had my first conference call with my publisher, Dr. Patricia Ross, and my editor, Kay Kishline. They both have degrees in writing and bonded right away. My memory has jettisoned most of the details of that first call, except for one. During a conversation about inverted triangles (a writing thing) and my writing style, the word I do remember is: "circuitous." Thank you Patricia for reaching out at my first Colorado Independent Publishers Association meeting and making me feel I belonged. And thanks for bringing Chandra Wheeler to the team; her copyediting brought needed discipline to my writing. You and your design team were great finds!

And Kay, you gave the book a soul and made the stories dance off the page! Thanks for making this book so much better.

And finally, to my wife Maggie. I apologize publicly for the 2:00 a.m. wake-ups! Thanks for understanding and being so supportive. I went searching for excellence in procurement offices—I had it right at home.

Foreword

Richard Pennington was sitting on the other side of the bus during the NASPO conference in 1999 talking with a fellow Air Force Academy graduate. He was the new Colorado Procurement Director and faced a steep learning curve.

As I listened to them talk, I thought to myself, “Did this new procurement director know what he was getting into? Did he have the background and the patience to succeed in a state government environment that was more about finding consensus than being in command and in control?”

Since then Richard and I have worked together on several projects. First as our careers followed a similar path as state procurement officials and later as Richard moved into private law practice and my career path moved through Risk Management and ultimately into Information Technology as Oregon’s State CIO.

However, as we moved toward the inevitable retirement, something became very clear to me: no matter what we do, Richard and I share a passion for excellence in public service and a deep commitment to public procurement that efficiently and effectively serves the public’s interest.

Richard’s leadership style and team-building skills became apparent to me in 1999. Doug Richins, the Utah Purchasing Director and Richard formed a strong collaborative partnership for the procurement of a system. It made great sense—leverage a single system in multiple states and aggregate the transaction volume to pay for the system. This provided an opportunity for both states to share project management resources, technology resources and build a system that was extensible to others.

As Oregon looked at joining the project, I found Richard to be inclusive, accommodating, and committed to the success of the project. He understood collaboration and practiced it. He was committed to achieving Colorado’s needs, but he also understood the project had to be successful for each of the participating states. Richard was modeling the lateral leadership he writes about in this book.

You can find out more about this innovative exploration into multi-state IT system development procurement in chapter 7. While the example is nearly 15 years old, the concept is fresh and relevant today as states explore and pilot shared system partnerships.

I was fortunate to receive or sometimes choose a number of challenging and varied assignments during my public service in Alaska and Oregon. Ranging from facilities, procurement, risk management, and eventually to information technology, the successes were always due the work of effective groups or teams. One of the keys to team success in an ever-changing government environment is a positive shared vision of the future. While easy to talk about, the day-to-day execution is hard work. Chapter 8 provides helpful tools and examples.

In Alaska, I had my earliest opportunities to work with diverse stakeholder groups to achieve shared outcomes. Often each group from within or outside government had their unique interests and beliefs of what should happen. Finding consensus and reaching a shared solution was challenging. The principles and examples in chapter 4 on paying special attention to the early meetings to get the group off to a good start and decision making can make the difference between a successful group outcome and group that just spends and ultimately loses momentum and fails.

Another early lesson learned was that individually generated ideas seldom survived as solutions in government. Lasting solutions are developed in concert with people who care most and can act to make a solution happen. The early success of the Western State Contracting Alliance (WSCA) in the early 1990s is because of the collaborative decision model we followed. In more recent years, the rewrite of Oregon's procurement statute in 2002 would not have been possible without the hard work of a collaborative work group. Along the way, I learned from both success and failure. I wish I could have read this book years ago. It contains ideas and solutions to challenges that I faced and every team member and leader faces.

The best leaders I've seen in government are not necessarily the most polished or best communicators. They have the ability to adapt their approach to the situation, engender trust, and enable a group with different and often conflicting interests to achieve enduring outcomes that all can live with. Few if any people are born with those abilities. Leadership skills are acquired and perfected over time. Chapter 10 provides insight into many leadership models that can help tailor the right approach to meet a leadership challenge.

So what does it take to lead effective teams to move a project or initiative forward? It is not just luck. There are key ingredients that make teams successful.

As a reader, you will find insightful, practical examples mixed with just enough theory to help you or your team excel.

As Richard and I worked together through the years, the answer to the question I had on the bus years ago is a resounding yes. Richard's skills and ability go beyond his deep knowledge of procurement. This book is a result of that commitment and skill.

I know him as a collaborative leader who knows how to find consensus and achieve results. He is also an inquiring student of management and team dynamics. This book reflects more than just his interest in procurement but his understanding of what it takes for leaders and teams to excel in any field or discipline.

Above all, this book shines a light on excellence in public service delivered by effective teams with strong team leadership.

Change is the new constant in government and its velocity is accelerating. Jobs and skills are changing to meet new demands. Do you have the skills needed to be effective? Example by example, this book will help you improve your personal effectiveness and the effectiveness of those around you. If you want to make a difference in government, read this book.

Dugan Petty

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Senior Fellow, Governing Institute

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Founding Member and Past Chair, Western States Contracting Alliance

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Giulio Mazzone Distinguished Service Award—NASPO, 2004

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 as 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. It 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.

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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 state⁵ 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.

About the Author



Richard Pennington, J.D., CPPO, C.P.M. is a retired U.S. Air Force Colonel who began his career flying B-52s and ended it as a judge advocate specializing in federal procurement. He was a Colorado state purchasing director and director of the Colorado division of finance and procurement, where SCOPE was born as a continuous improvement model. He later served as counsel in the Denver government contracts department of McKenna Long & Aldridge, LLP.

After two years consulting, researching, and writing *Seeing Excellence*, Richard returned to the practice of law in April 2013 as General Counsel for WSCA-NASPO Cooperative Purchasing Organization LLC. WSCA-NASPO is the nonprofit subsidiary of the National Association of State Procurement Officials that supports cooperative purchasing by the states and the consortium known as the Western States Contracting Alliance.

Richard teaches for NIGP and writes for *Government Procurement* and *Contract Management* magazines. His articles and blogs also can be found on the websites of American City & County and the Colorado Bar Association.

Richard is a graduate of the United States Air Force Academy, the University of Denver College of Law, and The George Washington University (Government Procurement Law). In 2005, he was selected as Manager of the Year by the Colorado State Managers Association. He was the 2009 recipient of NASPO's Giulio Mazzone Distinguished Service Award. Richard lives in Denver, Colorado, with his wife Maggie.

Richard primarily teaches for the national associations highlighted in *Seeing Excellence*. If you are interested in knowing more about *Seeing Excellence*, where it can be purchased, and how the ideas in the book evolve, please visit www.seeingexcellence.com.