



# LEAN PROCUREMENT

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# 70% FASTER WITH NO HEROICS



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## Summary

A public regulator used Lean thinking to transform their competitive Request for Services (RFS) process (>\$99k) to consistently deliver a signed contract in just three (3) weeks from first contact by client, including the following steps:

- development of RFS documents (SOW, evaluation criteria, etc.)
- posting period
- Q&A, interviews
- evaluation, legal review... through to final signature on the contract

This process previously took 3-5 months – a reduction of 70% for their now-delighted clients. Their improvements dramatically reduced the need for Procurement Specialists and Clients to rely on heroics, while their ongoing continuous improvement habits energized the Procurement Team and made them more agile and self-sufficient – successfully improving their Contract Administration process as their next step.

The Procurement function at a Canadian regulatory agency was in trouble. They were stuck under a seemingly permanent backlog of requests, bombarded with status inquiries from clients, and the work was heavy, cumbersome, and frustrating – with over 100 handoffs in a medium-complexity/value competitive RFS. Further, the slow speed of the procurement process (3-5 months) began to hold back the delivery of the agency’s core business, making their process a focus of the Senior Executive group, adding further pressure.

Months later they consistently delivered the same RFS in just three weeks, with happier clients and no heroics required.

This case study outlines the story of this improvement project and suggests steps that others can take to achieve similar results.

**Specific Problems**

This agency faced a set of problems frequently experienced in procurement functions across all levels of government – Federal, Provincial, Municipal and Crown Corporations.

<p>Problem 1 - Prepare for Procurement (Client) and Initial Discussion with Procurement</p>	<ul style="list-style-type: none"> <li>• Clients often do not yet fully understand, or know how to express, their business requirements and scope, so requirements are poorly defined, causing many cycles of back and forth later in the process.</li> <li>• Intake form not always used, and if it is, it does not guide client to submit their request with sufficient detail and clarity, correctly, resulting in more back and forth to establish the appropriate procurement method.</li> <li>• Requests could be submitted via multiple channels, even verbally, with little visual tracking of the work, making it difficult to manage the workflow.</li> </ul>
<p>Problem 2 - Draft RFX</p>	<ul style="list-style-type: none"> <li>• RFX drafted with unclear inputs, causing rework (failure demand) later in the process when the pressure is on to deliver the product, increasing stress on all participants.</li> </ul>
<p>Problem 3 - Review and Finalize RFX</p>	<ul style="list-style-type: none"> <li>• Reviews done via email, many cycles of back and forth, often over a month or more; as time elapses, requirements and scope may change, momentum lost.</li> </ul>
<p>Problem 4 - Posting Period, Q&amp;A</p>	<ul style="list-style-type: none"> <li>• Posting periods longer than necessary, causing excessive waiting.</li> <li>• Because RFX details are unclear, both Procurement and Client spend considerable time drafting responses to questions, with multiple rounds of Q&amp;A, further delaying the evaluation and later steps.</li> </ul>
<p>Problem 5 - Evaluate bids</p>	<ul style="list-style-type: none"> <li>• Could take 2-4 weeks to evaluate bids; struggle to book time with evaluators; Procurement Specialists spent excessive time and effort on low value scheduling/re-scheduling activities.</li> </ul>
<p>Problem 6 - Draft and Review Contract (Legal Services)</p>	<ul style="list-style-type: none"> <li>• Typically, between 3-8 cycles of review between Legal Services and Procurement/Clients because Legal involved so late in the process.</li> </ul>
<p>Problem 7 - Negotiate and Sign Contract</p>	<ul style="list-style-type: none"> <li>• Multiple cycles of negotiation between vendor and the agency owing to unclear requirements.</li> </ul>
<p>Problem 8 - Complete Contract Info Form</p>	<ul style="list-style-type: none"> <li>• The role of the form was unclear – treated like another approval document requiring senior management sign-off and waiting to get their attention – meanwhile the purpose of the document was to provide an audit record of the file, not to introduce a separate set of unnecessary approvals.</li> <li>• More than 50% of the forms required back and forth to correct errors and omissions and to provide clarifications.</li> </ul>

**Impact: A slow, heavy process results in an even slower, heavier process**

Because these challenges slowed the process to a crawl, a set of problems that happen almost uniquely to slow-moving work often made the procurement go even slower. Following are some problems that happen to 3-to-5-month-old files that do not typically happen to 3-week-old files:

- Client has time to reconsider, so changes mind on scope and details = redrafting, re-approving documentation.

- Overtaken by events – the client’s situation and requirements change = the RFX needs to be significantly re-written and re-approved, or cancelled, wasting the effort invested to date.
- Turnover in clients – clients leave and are replaced = Procurement spends time briefing new clients/stakeholders to get them up to speed.
- “Where’s My Stuff?” / Progress-Chasing – A 3-week file requires virtually no status updating or progress reporting. The slower the file, the more effort Procurement spends responding to status inquiries, and providing progress reporting = Procurement spends time on status updating and responding to inquiries instead of doing the work that is the subject of the status update/inquiry.

## Improvement Approach

The team and its leaders engaged Lean Agility to guide them through a multi-step 20-day improvement project. They chose this approach to maximize the buy-in and to ensure that the analysis and solutions would increase their chances of success compared to a superficial, hasty exercise that provides solutions that don’t solve the key issues, and don’t get implemented.

### 1. Project Charter:

- Define the problems to be solved, objectives, constraints (e.g., can’t spend money on a new digital system, or hire more people – solve the process issues first). Create a project plan and protect the core project team from daily work so that they can focus on the project and get quick results.
- Identify a small group of knowledgeable Procurement Specialists and clients to engage with as a core project team. In this case, the IT department was the biggest, most-motivated client – they signed on to this journey with two key Procurement Specialists and their manager.

### 2. Map the Process:

- Gather data on the current process – how long do different types of files typically take from start to end? At each major process phase? What types of errors do clients most often make? Which months are the highest intake months? Why? How can high seasons be managed/influenced?
- Create a value stream map of the current process, for a specific, important type of file. In this case, focusing on the path taken by a \$100k+ Cloud Software competitive purchase process was the one that the sponsors expected would teach the organization the most about its procurement processes in general.

### 3. Analyze the Process:

- Seek to deeply understand the root causes of why the process underperforms. For example:
  - Why are peak months so busy? What can be done to level out the work? [Hint: poor or no planning]
  - Why do clients submit documents that are unclear and that require so much back and forth? [Hint: the forms and tools are designed by Procurement experts using expert language, not for busy, distracted managers who might only use the process once per year]
  - Why do the document reviews take so long and consume so much effort? [Hint: they’re done in slow motion, and rarely do the stakeholders get together face to face to collaborate in a “one-and-done” fashion]

### 4. Create and Quickly Try Out Solution Experiments that are likely to solve the key issues:

- Treat solutions as “experiments”, by trying the new idea out on a handful of files, then doing a quick retrospective to learn what works and what does not, and then quickly trying another iteration, creates an evidence-driven, fast, way to improve a process. Plus, getting senior management approval to try an “experiment” on a handful of files is often 80% faster than asking for the green light to completely change a process (without providing any evidence that it will work) – requiring less governance to negotiate resulting in faster implementation.
- Create psychological safety – treating the solutions as experiments means that the emphasis is put on learning what works, and stumbling, but then adjusting/fine tuning to quickly solve the problem. This helps create a culture where it is comfortable, and even expected, to try new ways of working.
- Create a visible project plan and regular improvement meetings. Carving the time out of the daily work to do this is critical to implement improvements that work, and to build a culture where improvement is part of how the work is done.



**5. Continuous Improvement**

- Create a simple dashboard that measures the health of the process and continue running regular improvement huddles so that the team adjusts to new challenges. It is hard to manage what you cannot see. Some examples of what a dashboard might show:
  - Where is the work piling up?
  - Who is overloaded?
  - What kind of errors are we seeing?
  - What new work will be coming into the pipeline?

This Procurement team, once they had improved their process, continued to solve problems at a tempo of 4-5 per week, while also celebrating their wins. Less heroics and more appreciation.

**Improvement Principles and Solutions**

The improvements that led to a much faster, less frustrating process were centred around three principles:

**CLARITY**

- Gather critical basic info early to clarify needs & requirements. Hold a kickoff meeting with client, with a specific agenda and error-proofed forms to guide the client to define their needs in an accurate and actionable manner, the first time through.
- Simplify forms and instructions and test with real users to make sure that they are intuitive and written in the language of the user. The measure of a successful form? If 19 out of 20 first-time users can fill it in correctly and completely the first time without assistance, then it is a good form.

**CALENDAR**

- At the kickoff meeting, create a project plan using a simple template with dates, roles, and responsibilities – book everything into calendars from Day 1 to virtually eliminate schedule-chasing, freeing up the Procurement Specialists from this low-value activity.
- Shorten posting periods appropriately and book a Q&A conference where vendors can get answers on the spot instead of letting the Q&A sub-process extend the posting period and the procurement unnecessarily.

**COLLABORATION**

- Structured “one-and-done” kickoff meeting right after request is received by Procurement to get everyone on the same page, to create a project plan, assign roles and responsibilities. Book dates into calendar during this meeting to avoid schedule chasing later.
- Half-day, structured, RFX writing workshop and working session where the Procurement Specialist arrives with relevant examples from previous similar procurements in hand. Put the document on the screen and get it done, together, in one sitting instead of going through many cycles of back and forth my email.
- Legal review (if required) at very start – involved early in kickoff – signal check to create alignment and to signal potential legal issues. Clarify role of Legal and other reviewers to ensure that they only address issues in their respective lanes.
- 10-minute meeting with the procurement team and its leader: Who needs help? Who can take on new files? Who can't be interrupted today and when? Is anything new coming up? Does anyone need anything today? Is there a problem that needs to be escalated?
- Regular (weekly) meetings with Legal and high-volume clients to maintain alignment (what's coming down the pipeline, what's coming outside of the pipeline).
- Weekly Continuous Improvement huddle with the other major stakeholders in the process (e.g. Legal Services, IT, etc.) to check in on the health and flow of the end-to-end process and answer the questions: what's working well, what isn't, what should we do differently?

**Work with client via email**



- Effort: 7 hours
- Elapsed Time: 20 - 40 days

**Work with client face-to-face, “live”**



- Effort: 3 hours
- Elapsed Time: 1 day

- 1. Fast**
- 2. Low effort**
- 3. Promotes understanding and learning**
- 4. Boosts confidence**

**Conclusion**

With a faster-moving process based on “one-and-done” face-to-face meetings between Procurement and their internal stakeholders/clients, this group virtually eliminated status inquiries from clients (e.g., “Do you know when this will be ready?”) and were able to focus on high-value collaboration and advice work.

Further, freeing up their capacity allowed them to continue to improve their tools and services, and to cross-train and finally build Procurement into the annual business planning exercise – flattening out demand during the year and avoiding year-end rushes. This experience proved the concept and next the Agency improved their Contract Administration process.