

# Lean Thinking In Public Procurement





# Lean Thinking

From

*doing more with less*

to

***providing more value***

***with less work***



# Procurement Transformation

## Need to maintain

- Accountability
- Transparency
- Fairness
- Economic Efficiency
- Overall Process Effectiveness

(Schiele)



# Need to Satisfy

## All Stakeholders

- Politicians
- Government Administrators
- Procurement
- Other Public Departments
- Public at Large

(Schiele)



# What If?

## **Change Problems to Goals:**

- Less human time
- Less equipment
- Less activities
- Less materials



How?

Focus on the Customer  
and  
Belief in Continuous  
Improvement



# Lean - A definition

“...practice that considers the expenditure of resources for any goal other than the creation of value for the end customer to be wasteful, and thus a target for elimination.”

(Wikipedia)



# 5 Lean Fundamentals

- Specify ***value***
- Identify the ***value stream***
- Make value ***flow*** continuously
- Let customers ***pull*** value
- Pursue ***perfection***



# Specify *Value*

A Value Added Activity:

- 
- Transforms information/people
  - Is done right the first time
  - The customer wants it



# Non-Value Add Activities

## **Necessary “Waste”**

- No value created, but required by law or policy

## **Pure Waste**

- Consumes resources, but creates no value in the eyes of the customer
- Examples: idle/wait time, rework, excess approvals



# Identify the Value Stream

- ALL activities that create value
- Starts with initial information
- Ends with the customer



# The 7 Wastes In IFB

1. Over-production - Unnecessary Ts & Cs
2. Inventory - left-over paper copies
3. Transportation - mailing costs
4. Unnecessary Movement - Pre-Bids
5. Waiting - Manual Bid Tabs
6. Defective Outputs - Rebids
7. Over-processing - Less than threshold



# Make value *flow* continuously

- Understanding of Time
- Process control
- Eliminating bottlenecks and stoppages
- Eliminating unplanned rework
- Don't be limited by organizational or functional boundaries



# Let Customers *Pull* Value



Do not provide a service or  
processes information until  
someone downstream has  
requested it



# Creating *Pull*



Start with the customer  
and work backwards so  
cycle time = or < lead  
time



# Visual Control

- Helps identify the status of the process at a glance
- Makes the process apparent to all involved



Pursue *Perfection*

Through  
Continuous  
Improvement



# Favorite Lean Tools

## **Kaizen**

- Japanese for Improvement
- A philosophy and practices focusing on continuous improvement



# Favorite Lean Tools

## 5 WHYS



Asking why the problem occurred 5 times until you get to the root cause of a problem.



# Favorite Lean Tools

## **Standard Work Instructions (SWIs)**

- Visual method of structuring every job while allowing for continuous improvement.



# Why Standardize Work?

- Provides a basis for employee training
- Establishes process stability
- Assists audit and problem solving
- Creates baseline for *kaizen*
- Enables effective employee involvement
- Maintains organizational knowledge



# Favorite Lean Tools

## **Value Stream Mapping**



A tool used to improve a process by identifying added value and eliminating waste



# Create Value Stream Map

1. Determine value to customers
2. Create a “current state” map
3. Analyze map for opportunities for improvement
4. Map your Vision
5. Create action plans to move towards the Vision

# NIGP Lean Readiness Survey

1. Customer Focus
2. Procurement Management
3. Education, Training & Support
4. Communication & Awareness
5. Process Focus
6. Measurement & Improvement



# Customer Focus

- Meetings with clients
- Seek feedback for improvements
- Improvements to increase satisfaction
- Customers involved in improvements
- Collaboration with suppliers
- Quality more important than defense



# Customer Focus Findings

**79%**

**Improvements to increase satisfaction**

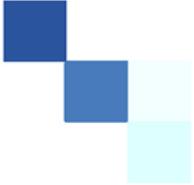


**50%**

**Customers involved with improvements**

**34%**

**Quality more important than defense**



# Procurement Management

- Sets clear improvement goals
- Focused on improving satisfaction
- Clearly defined value stream
- Ensures available resources
- Champions improvement efforts
- Removes barriers to change



# Management Findings

**74%**

**Focused on improving satisfaction**



**50%**

**Clearly defined value stream**

**50%**

**Ensures available resources**



# Education, Training & Support

- Supports professional development
- Funds training for process improvements
- Teamwork is supported through training
- Training includes problem-solving skills
- Training is improved regularly



# Education & Support Findings

**81%**

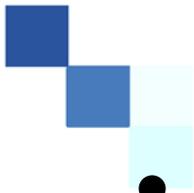
**Support professional development**

**40%**

**Training is improved regularly**

**17%**

**Training focused on lean tools**



# Communication & Awareness

- Purchasing knows what needs to change
- People understand how Purchasing will change
- Accept their role in the change
- Staff meets regularly to discuss goals
- Team work / collaboration is encouraged
- Real-time data exists to support efforts



# Awareness Findings

**84%**

**Purchasing knows it needs to improve**

**59%**

**Understands what needs to change**

**25%**

**People understand how Procurement  
will change**



# Process Focus

- Improvement initiatives underway
- Value stream is well-understood
- Processes are measurable & repeatable
- Customers are unique and treated so
- Easy to understand, standardized processes
- Staff acts/thinks as process owners



# Process Focus Findings

**73%**

**Easy to understand, standardized processes**

**41%**

**Staff acts/thinks as process owners**

**29%**

**Value stream is well-understood**



# Measurement & Improvement

- Regular self-assessment
- Goals aligned to client needs
- Staff understands improvement goals
- Goals are part of evaluations
- Mistakes re: improvements allowed
- Improvements are rewarded



# Measurement Findings

**53%**

**Goals are part of staff evaluations**



**48%**

**Mistakes re: improvements allowed**

**39%**

**Procurement regular self-assessment**



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