

Ohio Attorney General

Purchasing Process Kaizen Event Report-Out

June 20-24, 2011

FROM 'CLIPS TO CARS



THE TEAM

- **TEAM LEADER: Kathy McNeal, Procurement Manager**
- **Doug Armbrust, Facilities Manager**
- **Jennifer Biedenharn, BCI Business Manager**
- **Joselynn Burnett, Asst. Deputy Finance Director**
- **Lewis Maddox, Crime Lab Director, Richfield**
- **Rebecca Brackney, Purchasing Coordinator**
- **Denise Peterman, Facilities Services Superintendent**
- **Carol Schubert, Statewide Mgt. Quality Coordinator, ODOT**
- **Scott Weimer, OPOTA Business Manager**
- **Daveen Goodman, QAR Coordinator, ODOT**

FACILITATORS: Gloria Calcara, Bill Demidovich, Steve Wall, Tom Terez

BACKGROUND

The Purchasing Office is responsible for initiating efficient and cost-effective purchases with the Attorney General's Office.

In addition to securing quotes for the best price, the staff facilitates the Payment Card and Staples Link programs, offers direct billing of hotels, and focuses on providing optimal customer service.

SCOPE OF EVENT

Purchasing Process:

The process begins when an employee initiates a purchase and ends when the product/service is paid for and any adjustments/returns are made.

Overarching Theme:

To establish a purchasing process that is standardized across divisions, improves processing time, and reduces the amount of returned items.

OUT OF SCOPE

Areas that will not change as a result of the Kaizen event:

- **No one loses their job because of the Kaizen event, but duties may be modified.**
- **Need for additional staff is not dependent on improvement process**
- **Need for additional monies is not dependent on improvement of process**
- **No legislative changes or changes related to collective bargaining.**
- **No IT solutions until it is determined that an IT solution is needed.**

GOALS & OBJECTIVES

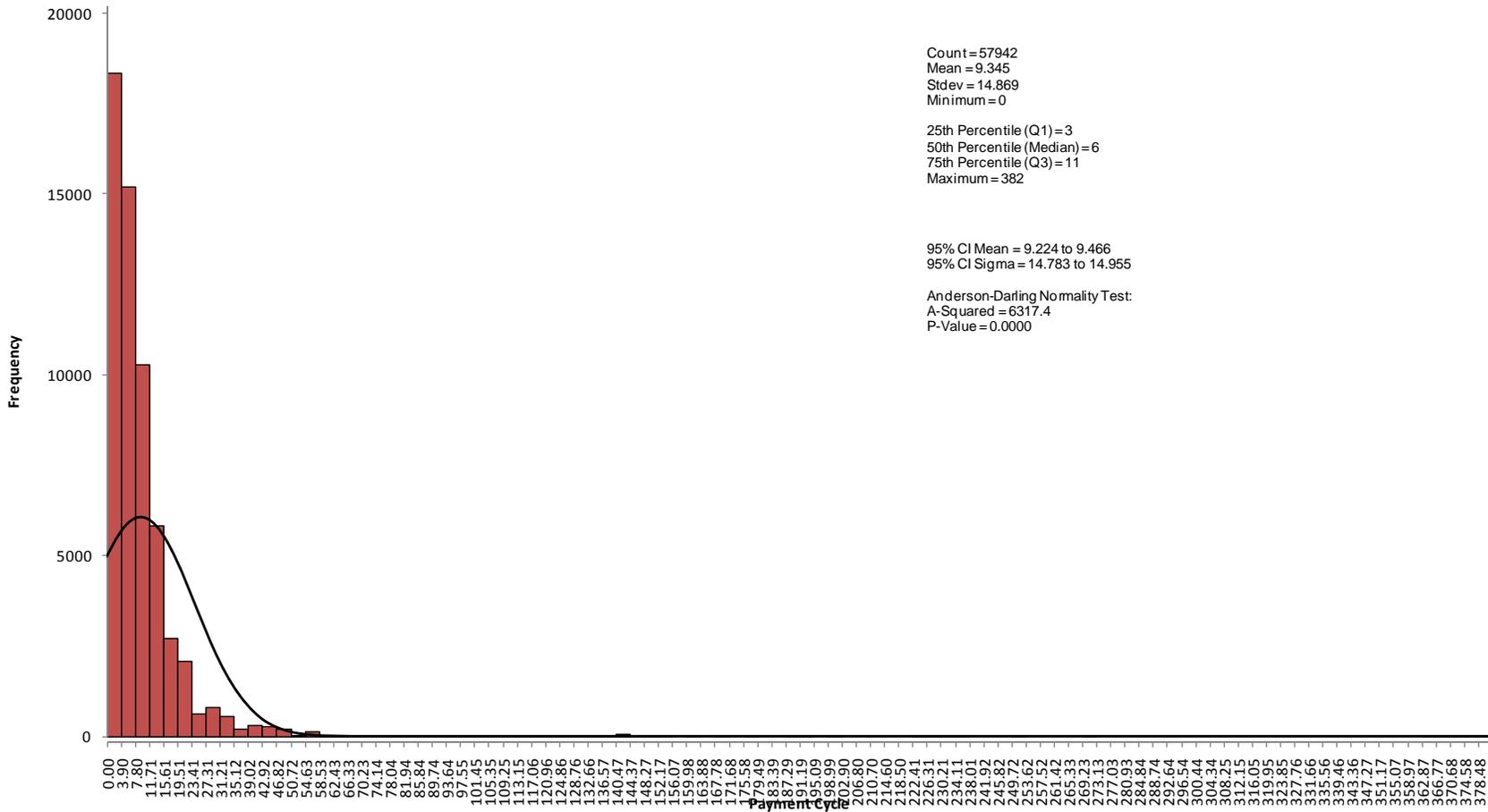
- **Streamline the purchasing process by reducing the number of steps required to make a purchase**
- **Standardize the purchasing process across the agency**
- **Increase customer satisfaction**

BASELINE DATA

**Number payments
for purchases processed:
22,799**

**Average time
from P.O. to Payment:
25.6 days**

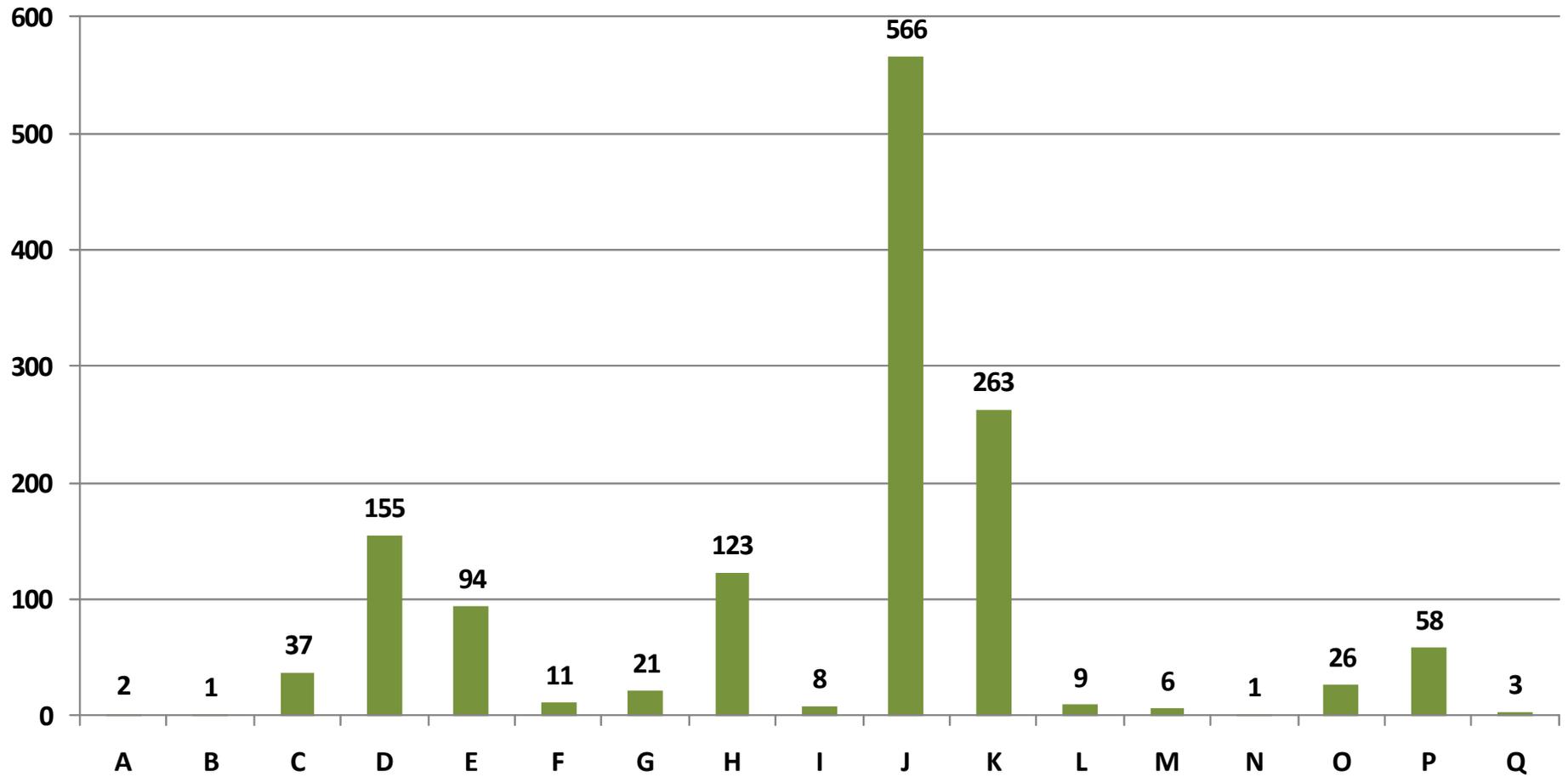
BASELINE DATA



P-Card Transactions

- FY 2011 P card transactions: 1,384
- Total Dollar transactions: \$250,000
- Average transaction amount: \$200
- Number AG authorized users: 17
- Average days from Order to Payment approval: 8.6 days

Total Transaction Count by Employee



Carol Schubert

THE KAIZEN APPROACH

**Team-based energy and creativity
drives immediate process improvement**

| DAY 1 | DAY 2 | DAY 3 | DAY 4 | DAY 5 |
|--------------|--|---|--|--|
| Learning | Discovery And Developing Improvement Ideas | Improvement and Creating the New process | Design Implementation and Documentation | Celebration and Results Schedule 30-60-90-day follow-ups |

**At the end of the week, each Kaizen team
has designed dramatic operational improvements**

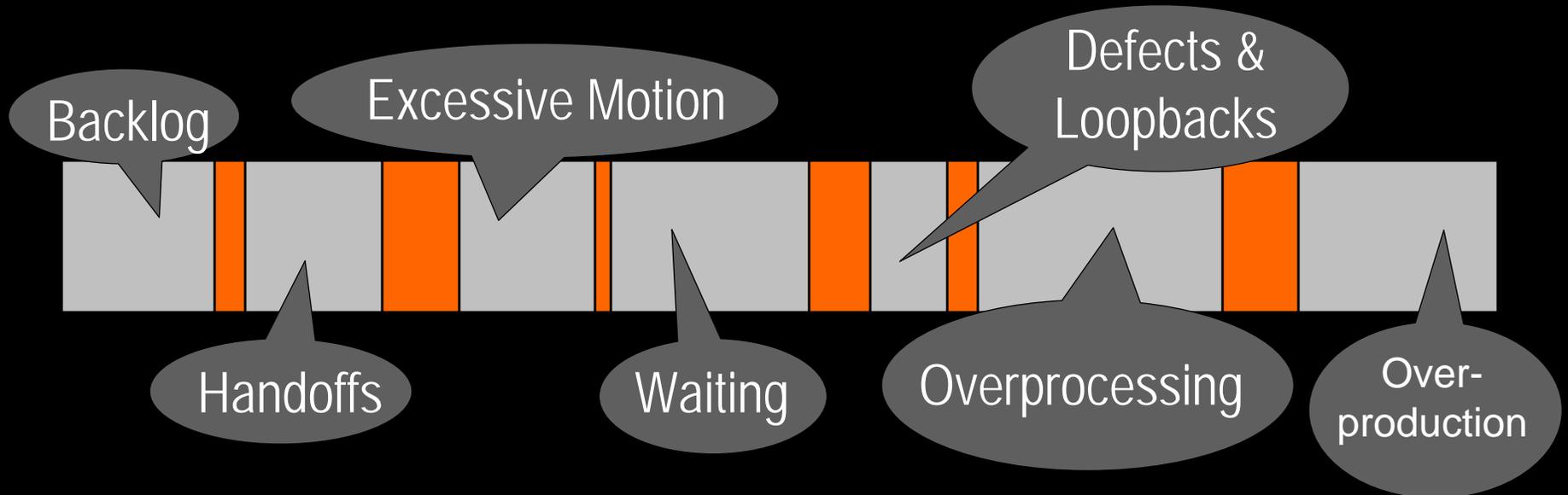
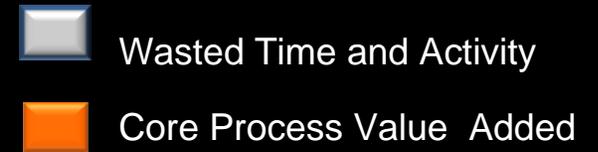


To Break Apart for the Better



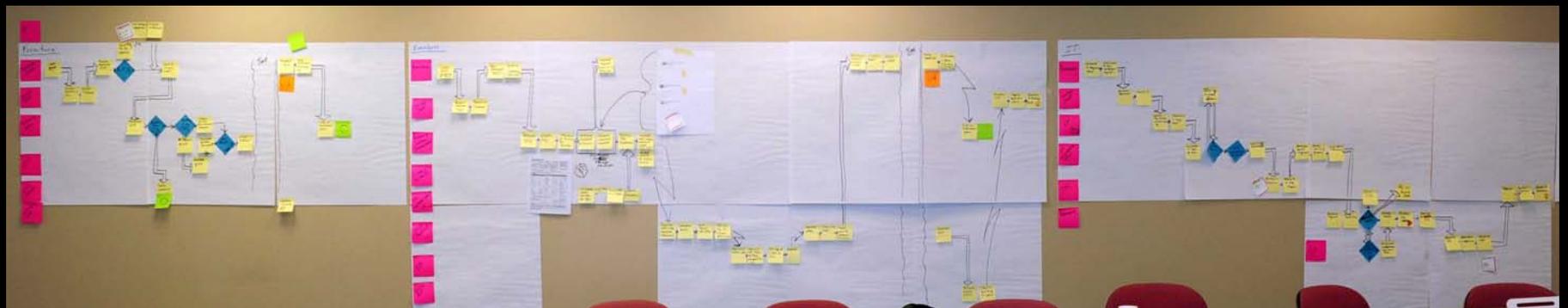
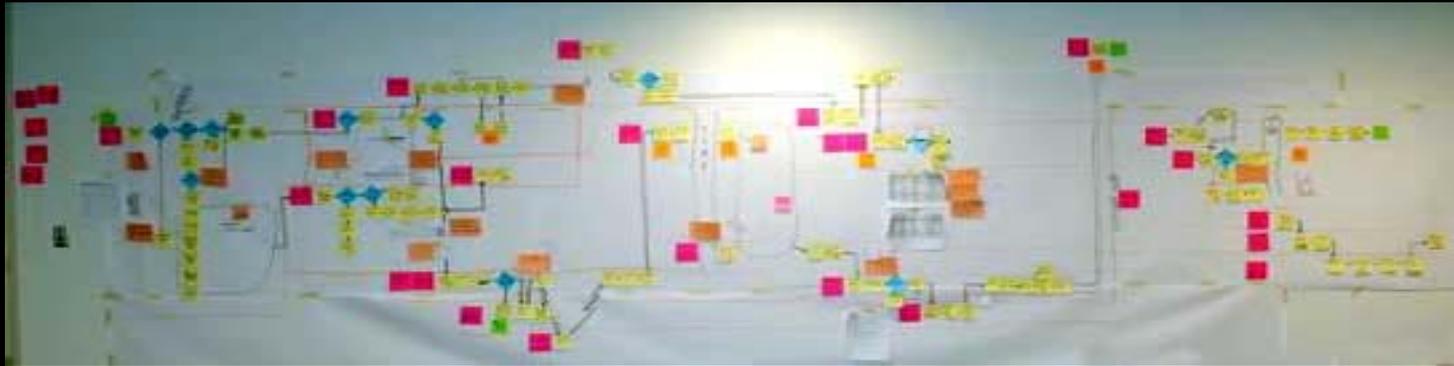
- Clear objectives
- Team process
- Tight focus on time (one week)
- Quick and simple, action first
- Necessary resources available right away
- Immediate results (new process functioning by end of week)

LEAD-TIME REDUCTION



Doug Armbrust

Current-State Process Map



3-D version of original process



Identifying the issues



The original process had:

- Too many loopbacks and handoffs
- Too many redundant steps
- Subprocesses for specific goods (11)
- 3 separate forms (PO, contract request, request to purchase)

Jennifer Biedenharn

The team brainstormed 50+ improvement ideas

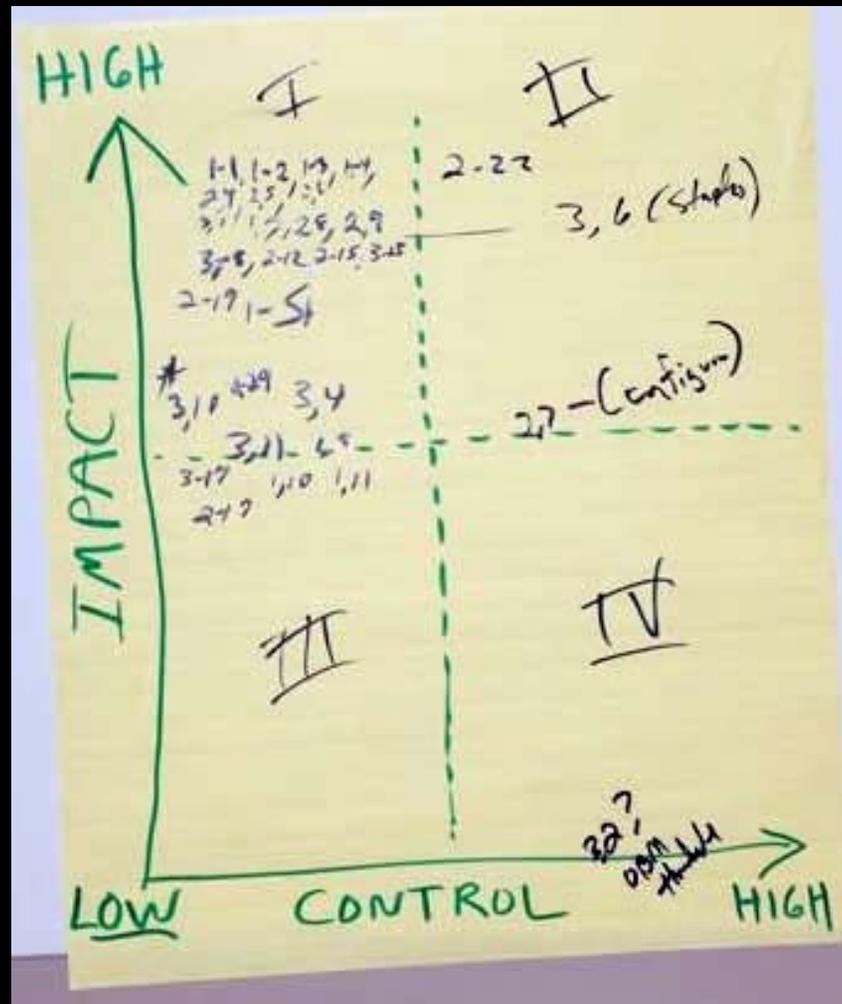
- One approval at beginning of process
- Increase signature authority
- "Shopping List" from Staples Link
- If not on "Shopping List", must provide justification
- Streamline Payment card verification
- Clarify need for quotes
- Check into business card vendors
- Print name plates in-house
- Clarify use of State Term vendors

- No routing twice (one touch process)
- Increase contract threshold
- Increase number of people with signature authority
- No AG contract if State Term Schedule
- Small IT items through Payment card
- Define when quotes are required
- Improve communication on process
- Move to paperless routing POs and invoices
- Free Denise
- Consolidate / combine finance departments
- Allow more direct purchasing
- Spending reports to more people
- Pre-approved list of items
- Purchasing shouldn't code PO's
- Better communication on order statuses
- Make section ID is what they want
- Don't rout form until filled out

- Specialized purchasing agents
- Ability to direct purchasing agents
- Ability to direct purchase on STS
- Getting more vendors on STS
- Guidance from purchasing on approved vendors
- Proper planning / lead time by department
- People in departments shouldn't order and receive (2nd check)
- Generic envelopes

- Facilities Superintendent orders own stuff and does own P.O's
- Increase threshold limit from \$500 to \$2,500 (OBM control \$500 level)
- Eliminate redundant signatures
- Eliminate Supervisor sign-off for Law Enforcement
- One AGO – better communication (No Silos / Envelopes)
- Research # of Staples Link submitters for direct ordering (Eliminate Purch. Coordinator step)
- More Purchase Card users (with training and communication)
- Invoice Tracker
- Standardize to one envelope/no name/ one logo
- Evaluate Centralized vs De-centralized Purchasing
- Purchasing in Finance
- Eliminate redundant checklist/questioning
- Combine or Standardize form (purchasing request/ contract request/ PO request)
- Build segregation of duties into process
- Move to SharePoint (less Outlook)
- Clarify fleet manager role
- Standard Vendor list

Ranking and Rating the Ideas



Clean Sheet Redesign



COMMON GROUND



1 form

P-Card holder increases

**P-Card threshold
increases**

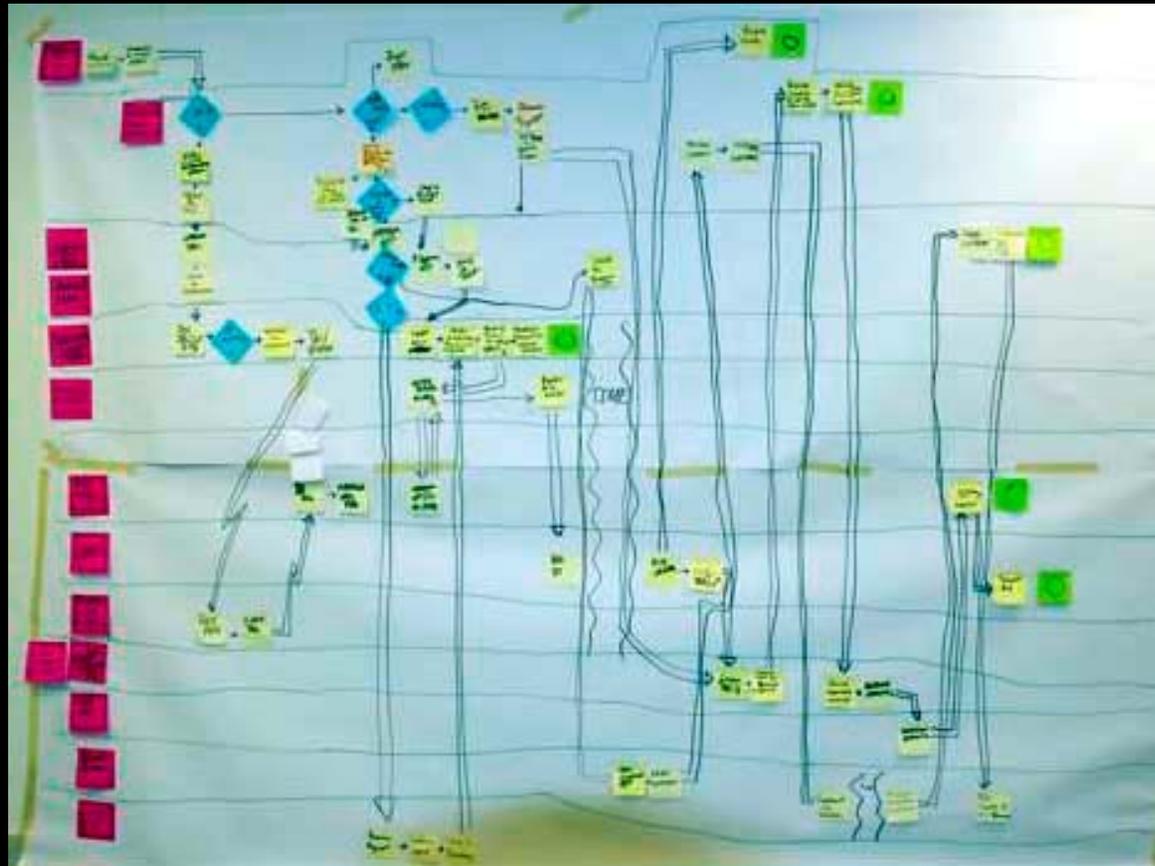
**Appraisal up front – and
only once**

No services on P-Card

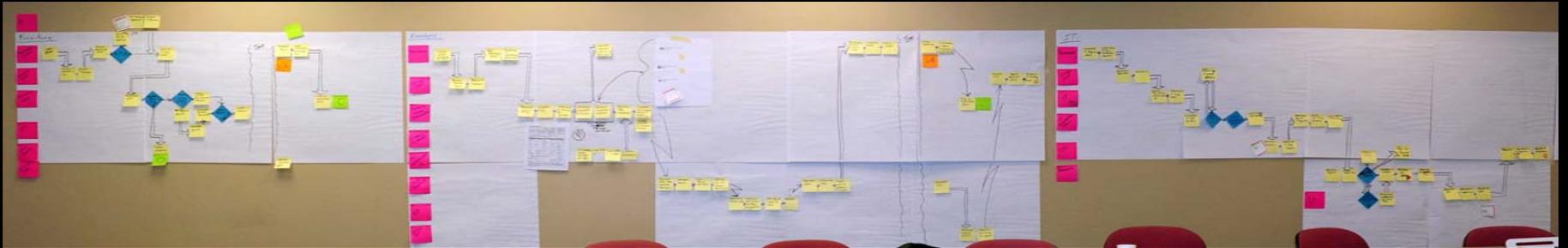
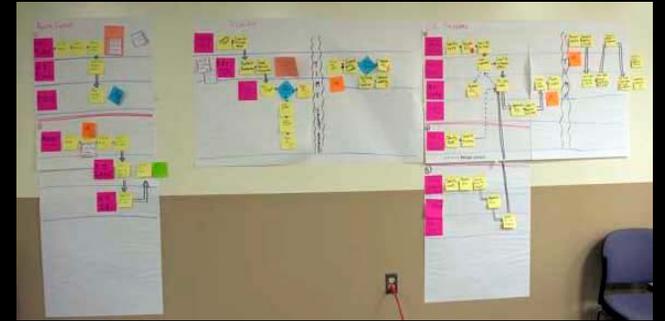
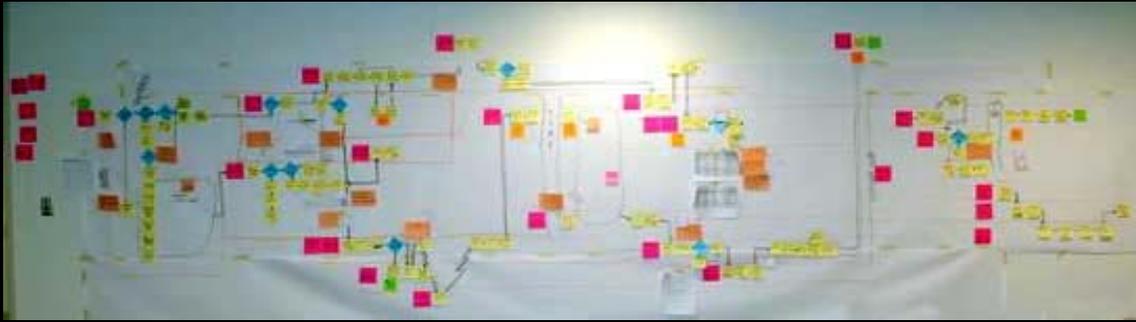
**Electronic as much as
possible**

Joselynn Burnett

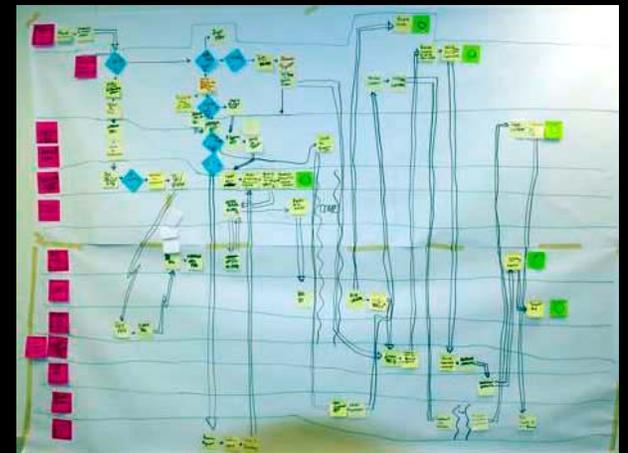
The New, Improved Process



Old Process



New Process



THE RESULTS

| Measure | Before | Projected After | Difference |
|-------------------------|---------------|-----------------|---|
| Number of Processes | 12 | 2 | 11 processes standardized to 1 |
| Steps | 96 → 125 | 47 | 38 → 67 fewer steps Reduction of 40-53% |
| Decisions | 12 → 16 | 6 | 5 → 9 fewer decisions Reduction of 42-56% |
| Handoffs | 25 → 42 | 24 | 1 → 14 fewer handoffs Reduction of 12-33% |
| Overall Processing Time | 31 → 103 days | 13 → 36 days | 18 → 67 fewer days Reduction of 58-65% |

Scott Weimer

BENEFITS

- Combine 3 forms into 1
- Fewer approvals
- Time savings
- Empowering employees to make purchasing decisions
- 9 months to full implementation: Upgrade SharePoint to 2010 version, to go hand in hand with new work flow. (Tracks approvals, allows for easy tracking, further speeds up cycle time)
- Better understanding among staff of requirements and process
- Expanded use of P-Card will expedite purchases and increase internal customer satisfaction



PROJECTED COST SAVINGS

COST AVOIDANCE:

From PO to P-Card \$500 → \$2,500

Average cost to prepare a PO = \$8.63

2011 PO quantity = 555

Approximate cost avoidance = \$5,000

DAS charges for PO processing = 0.7% of PO amount

Average PO amount = \$1,250

2011 PO quantity = 555

Approximate cost avoidance = \$5,000

Savings as a result of consolidating to one form:

Number of contracts per year = 900

Average staff cost to prepare each form = \$8.43

Approximate cost avoidance = \$7,500

PROJECTED COST SAVINGS

Additional cost avoidance

Cost of supervisory approvals

Simplification:

Less staff time asking questions to clarify process

Staff is free up to focus the saved time on value-added work

| Key Issues | Major Improvements |
|--|--|
| Threshold Limitation | Increased to \$2,500 per purchase (P-Card) without prior approval |
| Multiple Processes | Consolidation of 11 different processes into 1 |
| Individual sections were using their own approaches and workarounds, adding to the variation | Standardized, simplified process eliminates the need for improvisation and variation |
| Multiple approvals (up to 4 times) | Eliminated duplicative signature approvals |
| Too many decisions, loopbacks, rework, overprocessing | Purchaser provides all required information on the front end |

Becky Brackney

ACTION PLANS

ACTION REGISTER

PROCESS TRAINING

| <u>WHAT</u> | <u>WHO</u> | <u>BY WHEN</u> |
|--|--|--|
| <ul style="list-style-type: none"> • WillFM - explain Kaizen process & changes made & why | <p style="text-align: center;"><small>TRAINERS</small> All Finance & Purchasing Staff</p> | <p style="text-align: center;">July 1 June 24</p> |
| <ul style="list-style-type: none"> • Value of improved process | <p style="text-align: center;"><small>TRAINERS</small> Kaizen Team Leader + Implementation</p> | |
| <ul style="list-style-type: none"> • Explain roles & responsibilities | <p style="text-align: center;"><small>TRAINERS</small> Who is affected</p> | <p style="text-align: center;">30 days</p> |
| <ul style="list-style-type: none"> • Step-by-step explanation from beginning to end | <p style="text-align: center;"><small>TRAINERS</small> Finance & Purchasing</p> | <p style="text-align: center;">(revise when)</p> |
| <ul style="list-style-type: none"> • Who to contact for assistance/clarification? | <p style="text-align: center;"><small>TRAINERS</small> Neil Browne Sharepoint</p> | <p style="text-align: center;">Available and in support for Purchasing</p> |
| <ul style="list-style-type: none"> • Can use Friday Presentation to all staff | | |

ACTION Register

PAY CARD TRAINING

| <u>WHAT</u> | <u>WHO</u> | <u>BY WHEN</u> |
|---|---|---|
| <ul style="list-style-type: none"> • Why use pcard? (willFM) | <p style="text-align: center;"><small>TRAINERS</small> All Pcard holders</p> | <p style="text-align: center;">30-60 days</p> |
| <ul style="list-style-type: none"> • Responsibilities of p card holders: do's & don'ts, timelines, acctg rules | <p style="text-align: center;"><small>TRAINING PREP</small> Product Purchasing Analysts / TRAINERS: Neil Browne</p> | <p style="text-align: center;">(Jointly, jointly)</p> |
| <ul style="list-style-type: none"> • How & when to use p card / policy & procedures | | |
| <ul style="list-style-type: none"> • Step-by-step manual | | |
| <ul style="list-style-type: none"> • Subject matter experts must be patient but don't do it for them! (balance) who to call for help | | |

PHASED-IN CHANGES...

July

- New form – update in progress
- Communicate with Section chiefs on identifying new P-Card users
- Post new process in work area
- Communicate with Staples on process
- Share Kaizen report with staff
- AG weekly newsletter

In Nine Months.....

Fully upgraded and deployed sharepoint site that will allow for easier/faster tracking and simultaneous processing

Daveen Goodman

PERSONAL LESSONS LEARNED

- Processes *can* be changed
- You can lead a horse to water *and* make 'em drink
- Old dogs, new tricks
- Very draining...but energizing because of new ideas
- It's challenging
- Transformation is exhausting
- Can't make change happen alone
- All backgrounds must participate to make change and attain buy-in
- We applied 165.5 years of cumulative experience

Daveen Goodman
Lewis Maddox

What it's like...

Life as a member of a Kaizen event Team...



**QUESTIONS
&
COMMENTS**

Special THANKS to...

- **Attorney General Mike DeWine**
- **Senior Leadership:** Kim Murnieks
- **Sponsor:** John Levitt
- **Leadership Champions:** Christina Frass, Everett Ross
- **Event Coordinator:** Shavkat Nasirov
- **DAS:** Jennifer Leymaster, John Yoho, Crystal Rudy
- **Subject Matter Experts:** Carly Albert, Jackie Snyder, Julie Hackett, Karen Ansel, Stacey Bennett, Cindy Gullett, Neal Brower, Sue Hamilton, Gary Taylor
- ...and all those who were just a phone call away