



DATE: September 26, 2017

TO: Mayor and City Council

FROM: City Manager

SUBJECT: Request for an Appropriation of \$75,000 from General Fund Reserves and Adoption of a Resolution Authorizing the City Manager to Execute a Professional Service Agreement with Moves the Needle for Lean Innovation Trainings

RECOMMENDATION

That the City Council approves an appropriation in the amount of \$75,000 from General Fund Reserves and adopts a resolution authorizing the City Manager to execute a professional services agreement with Moves the Needle (MTN) for Lean Innovation trainings.

SUMMARY

The City is in the process of facilitating an organizational cultural shift toward utilizing Lean Innovation methods and values to drive program development and evaluation. Lean innovation encompasses developing values, processes, and an overall philosophy to eliminate waste during the pursuit for scalable business models. Facing a persistent structural budget deficit and competitive human capital market, the City is engaging MTN to help facilitate four upcoming trainings relating to the Council's Strategic Priorities of Complete Streets, Complete Communities, and the Tennyson Corridor.

BACKGROUND

Over the past two years, the City leadership has facilitated an organizational culture shift toward utilizing Lean Innovation methods and values to drive program development and evaluation. "Lean Innovation" encompasses developing values, processes, and an overall philosophy in existing corporations in a way that eliminates waste during the pursuit for scalable business models. The Lean Innovation methodology teaches employees how to search for innovative opportunities by promoting combining aspects of design thinking, business management, entrepreneurship and the scientific method. Put simply, it enables employees to quickly search for tactics that work and immediately test those tactics through rapid experimentation and feedback.

A fundamental component of the Lean Innovation philosophy is the cultivation of customer empathy--generating information and data from the real behavior of customers to be used to make more informed decisions. The methodology affords staff to fail small through rapid experimentation to determine whether they should persevere, pivot, or abandon their proposed solution rather than spend the resources to fully develop a solution that may not work.

MTN is a firm dedicated to helping organizations implement Lean Innovation principles and strategies to “act bolder, move faster and become more customer-focused.” The group was founded by Brant Cooper, author of the New York Times Bestseller “The Lean Entrepreneur,” and Aaron Eden, who co-founded Intuit’s internal LeanStartIn which led to the education, enablement, and empowerment of thousands of Intuit employees. MTN has facilitated bootcamps with a variety of corporations like Intuit, CapitalOne, General Electric, LexisNexis and many other private sector companies. The City of Hayward is their only municipal client.

Prior City Engagements

Fiscal Year 2016

In September of 2015, the City engaged MTN to conduct the first Lean Innovation Boot Camp. The Boot Camp took place over three days and involved 25 employees in seven smaller project based teams. Over these three days, employees worked their ideas through the Lean Innovation process of program development.

In the spring of 2016, the City engaged MTN for two 12-week Lean Accelerator programs addressing internal Employee Engagement and Hoarding problems in the community. The Accelerator paired each team with a dedicated coach who led them through a longer process to develop and implement programmatic changes.

Fiscal Year 2017

In the fall of 2016, the City engaged MTN to hold a second three-day bootcamp for 25 staff members as well as a one-day bootcamp for the City’s Executive Team. This was the Executive Team’s first training focusing on Lean Innovation principles. Additionally, the bootcamp provided the opportunity to train an additional 25 staff members who did not attend the first bootcamp. Projects in this bootcamp focused on a variety of topics ranging from internal budget development processes to illegal dumping.

In the Spring of 2017, the City engaged MTN to create a Lean Innovation “Coach on Retainer” to consult staff groups on their Lean projects outside of the bootcamp. This coach helped to troubleshoot and provide guidance on several staff led initiatives, like downtown parking signage and development services project noticing.

From FY2016 through today, the organization has conducted over 20 lean approaches to various projects or problems. These empathy outreach efforts are now known as HEART (Hayward Empathy Action Response Team) activations. Although these tasks range from small to large, each carries with it significant insights, efficiencies, and both short and long term and creative solutions. One such example includes a recent development project where empathy interviews ultimately changed the project from residential to mixed use and various key design changes that would have not been otherwise adopted.

In addition, an efficiency example of HEART was demonstrated during the consideration of a Community Preservation Ordinance amendment. Once staff surveyed the community, it was concluded that a new or amended Ordinance was not needed but instead more education to the community about what Code Enforcement does and how to report concerns. The pivot was not to revise an ordinance but an education campaign. Colorful mailers were sent out with area inspector photos. The response to the city-wide flyer was a success, and the tradeoff was approximately \$100,000 in savings by not

moving forward with an ordinance revision, and the opportunity to educate our residents on the program that resulted in a stronger connection to the community. The cost of the flyers was \$2,500.

Fiscal Year 2018

Earlier this summer, the City engaged MTN to complete an evaluation of the City's progress in scaling Lean Innovation throughout the organization and recommendations for ensuring the continuing success of this initiative. The report was then presented to the City Manager and Assistant City Manager as well as the Executive Team in a two-hour presentation. As a component of this work, MTN staff completed interviews with several Executive Team members to better identify barriers to the cultural transformation and steps to overcome them.

DISCUSSION

The Lean Innovation process has created a greater understanding among the trained Lean Innovation facilitators of the importance of testing ideas for program or service delivery improvements in small scale prior to broader scale implementation to ensure the solution(s) identified is the most viable one. The process also ensures that staff seek feedback from key stakeholders and customers to better understand the barriers. With the development of the 3 Council Strategic Priorities, the goal is to deploy Lean Innovation principles to ensure the strategy teams charged with the implementation of the two-year action plans have the tools needed to ensure implementation strategies are congruent with the community needs. This would create the result of the highest and best use of limited resources amongst a multitude of community priorities. Additionally, our goal is to begin developing the training capacity internally by creating internal coaches so that the City does not have to continue to rely on MTN moving forward while building middle management support for lean innovation.

The objective is to:

- Help the strategic initiative teams apply Lean Innovation to more efficiently gain deep customer insights, uncover new opportunities, and drive deep impact around the initiatives through a two-day bootcamp and 12-week accelerator;
- Increase middle management buy in and ownership of the cultural transformation, current barriers, and how they can support the strategic initiatives team and the organizational transformation through a two-hour working session, and
- Develop the ability to internally teach, coach and mentor the strategic initiative teams and other employees in Lean Innovation to reduce the need for external support and accelerate the cultural transformation.

Therefore, this training package includes four components as follows::

1. Lean Innovation Coach Certification for 4 People
2. Two-Day Lean Innovation Bootcamp
3. 12-Week Lean Innovation Accelerator
4. Two-Hour Management Update Lean Innovation Session.

The next steps in developing internal capacity for Lean Innovation is the training of staff to coach and lead other staff through the process, rather than rely on MTN. Under this contract, the City will identify four staff members to coach four staff teams through the bootcamp and accelerator over the next three months. These coaches will be able to coach future Lean Innovation projects as well as train additional staff in Lean Innovation.

Why Is This Worth It?

There are several reasons why the City needs, and is embarking on, an organizational cultural transformation utilizing Lean Innovation. The first of which is the recognition that with scarce resources, a need exists to maximize the use of these resources and to find innovative, efficient solutions. This requires staff to identify programs and services that are not providing efficient and effective value for our residents. Developing a culture of Lean Innovation values and expectations will help city staff, managers, and executives identify ways to iterate, fine tune, or eliminate programs and services in a manner that saves time and resources.

Second, the reliance on customer empathy means that staff will be crafting solutions to resident issues (i.e. customer issues) by getting out of City Hall, rather than staying inside, and into the community directly interacting and interviewing those residents who are experiencing issues and therefore gaining more understanding of the specific pain points that staff need to address.

Third, developing a fast paced, start-up like culture with roots in Lean methodologies will help to make the City an attractive workplace, making it easier for the City to recruit and retain top talent, especially in the Bay Area's hyper-competitive municipal staff market.

Lastly, as evidenced by numerous comments from managers down to line staff, rolling out Lean Innovation initiatives through the City has sparked curiosity and excitement through all levels of the organization. Staff want to learn these methods because they recognize Lean Innovation's value. It will help them do their jobs better, save time and stress, and engage employees with their work in a way they have not engaged before (i.e. customer empathy, rapid experimentation, etc.)

STRATEGIC PRIORITIES

This agenda item supports the implementation of the Complete Streets, Complete Communities and the Tennyson Corridor strategic initiatives, as the trainings outlined in this contract focus primarily on the successful and efficient implementation of the three Council strategic initiative's two-year action plans.

FISCAL IMPACT

The total cost of the training package is \$158,850, which includes a 5% municipal discount and a 5% discount for the City agreeing to be a part of a case study. A portion of this amount, \$83,850, is available in the 2018 approved budgets for the City Manager's and Human Resources Departments. The General Fund impact is \$75,000 for this one time additional appropriation request.

Previous Lean Innovation projects are yielding savings. The FY2016 Hoarding Policy Accelerator project financial analysis revealed that the process saved over 1,800 hours of cumulative staff time, which translates into a savings of at least \$164,000. The Development Service Department has recognized, conservatively, \$300,000 in savings from various Lean Projects, and because of that, staff anticipates that the long term fiscal impact of these trainings will recover the cost of this training. Lastly, the training of staff as coaches will help the City reduce its reliance on MTN as internal capacity expands.

NEXT STEPS

Following contract execution, the additional training sessions are tentatively scheduled to commence in October.

Prepared and Recommended by: John Stefanski, Management Analyst II

Approved by:

A handwritten signature in black ink, appearing to read 'K. McAdoo', is positioned above a horizontal line.

Kelly McAdoo, City Manager