



DATE: February 19, 2019

TO: Mayor and City Council

FROM: City Manager

SUBJECT: Adoption of a Resolution Authorizing the City Manager to Execute a Master Professional Service Agreement with Moves the Needle for Various Lean Innovation Trainings

RECOMMENDATION

The City Council approves the attached resolution (Attachment II) authorizing the City Manager to execute a professional services agreement for various Lean Innovation trainings for departmental workload assessments and prioritizations for an amount not to exceed one hundred thousand dollars (\$100,000).

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 in existing corporations in a way that eliminates waste during the pursuit for scalable business models. Facing a persistent structural budget deficit and competitive human capital market, the City is engaging Moves the Needle to help facilitate ongoing trainings to help staff identify ways to more efficiently and effectively conduct business, as well as help department directors and their managers assess and prioritize their departmental and divisional workloads.

BACKGROUND

Since 2015, the City has been in the process of facilitating 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 framework teaches employees how to search for innovative opportunities by 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 to the Lean Innovation philosophy is the cultivation of customer empathy--generating information and data from the real behavior of customers to be used in order to make more informed decisions. The methodology affords staff the ability 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 even work.

Moves the Needle (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 that led to the education, enablement, and empowerment of thousands of Intuit employees. The team has facilitated bootcamps with a variety of organizations like Intuit, CapitalOne, General Electric, LexisNexis and many other private sector companies. The City of Hayward was their first municipal client.

Prior City Engagements

Fiscal Year 2016

In September of 2015, the City engaged Moves the Needle 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 Moves the Needle 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 Moves the Needle 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 Moves the Needle 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 a number of staff led initiatives, like downtown parking signage and development services project noticing.

Fiscal Year 2018

In the summer of 2017, the City engaged Moves the Needle to complete an evaluation of the City's progress 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, Moves the Needle staff completed interviews with several Executive Team members to better identify barriers to the cultural transformation and steps to overcome them.

Fiscal Year 2019

The City has spent a total of \$73,627 to date on the Workload Prioritization Sprints for the Development Services Department and the Public Works Department. These sprints are helping departments catalog and prioritize existing workloads in preparation for the Council's anticipated goal setting and prioritization retreat this spring.

Industry Awareness of Hayward's Lean Startup Culture

Over the past four years, several staff members have been given the opportunity to share the City's journey and progress in implementing Lean Startup methods to other professional organizations and communities. In October 2016, City Manager McAdoo presented at the 2016 Lean Startup Conference in San Francisco. She also was a keynote speaker at the Turner Construction annual innovation summit in Philadelphia in late 2016. In the fall of 2018, certified lean-startup coaches and Management Analysts John Stefanski and Laurel James presented at the Municipal Management Association of Northern California (MMANC) Annual Conference on the organizational rollout of these methods.

These external presentations continue to elevate Hayward's brand as an innovative municipal organization and employer. This assists the City in the recruitment for top talent in a highly competitive and limited municipal labor market.

DISCUSSION

While the total cost of these services to date is below the \$75,000 City Manager signing authority threshold, staff wishes to proceed with a Council authorized master contract for a total amount of \$100,000 in this fiscal year to complete additional prioritization sprints. Future expenditures will be considerably less as the City now employs four certified lean innovation coaches, each assigned to specific departments to assist their staff in the continued organizational rollout of these methods.

For Fiscal Year 2019, Moves the Needle and staff have developed a process to help assess and prioritize workloads within each department, known as "Prioritization Sprints." The information gleaned from these sprints is then utilized to analyze total headcount needs and to inform budget requests. To date, these workload prioritizations have taken place in the Development Services Department and Public Works Department. The Departments of

Human Resources, City Clerk, Finance, and City Manager will undergo similar workload prioritization processes in the Spring of this year.

In addition to these sprints, the City and Moves the Needle have developed scalable standard operating procedures for conducting the sprints, along with training the City's four innovation coaches. Each sprint has been or will be funded out of the participating department's budget, and therefore does not require a budget appropriation.

The results of this work will be shared at a Council Retreat later this Spring.

The Value Proposition?

There are a number of reasons why the City needs, and is embarking on, an organizational cultural transformation utilizing Lean Innovation. The first of which is purely financial—facing a persistent structural deficit over the near future, the City must find a way to provide services and programs in a more efficient manner. This also means identifying 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. This creates 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.)

The City's Lean innovation cultural change initiatives were one of several reasons the City was selected to be a Bloomberg Philanthropy What Works City.

STRATEGIC INITIATIVES

This is a routine business item and does not directly pertain to the Council's Strategic Initiatives. The use of Lean Innovation principles does assist in the accomplishment of the Strategic Initiatives.

FISCAL IMPACT

To date the City has spent a total of \$73,627 in FY 2019 on the Prioritization Sprints for the Development Services Department and the Public Works Department. This contract is for an amount not to exceed one hundred thousand dollars (\$100,000), for the \$73,627 already spent and for an additional \$26,373.

Over the last four years, the City has expended a total of \$444,295 towards lean startup trainings for line staff, managers, department directors, and executives.

While in some cases it is difficult to quantify the efficiency savings that the City is able to recognize, staff believes that the long-term fiscal impact of these trainings will exceed the cost of these trainings. For example, in FY 2016, the City completed a Lean Innovation driven Hoarding Policy Accelerator project with financial analysis revealing that the process saved over 1,800 hours of cumulative staff time, which translates into a savings of at least \$164,000 (assuming the average salary/benefit hourly wage per each employee in the calculation).

Having a workforce well versed in Lean Innovation will help the City provide more effective services at a higher level of efficiency.

NEXT STEPS

Following contract execution, the additional prioritization sprints are tentatively scheduled to commence in February and March.

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Approved by:



Kelly McAdoo, City Manager