

# Unified Procurement Services Team (UPST) Strategic Procurement and Procure to Pay Workshop

August 27, 2019



University of Massachusetts

Amherst • Boston • Dartmouth • Lowell • Medical School • UMassOnline

# Agenda

## Introductions & Goals for Today

- ◆ **UPST: Background and High Level Overview**
- ◆ **Next Steps**
- ◆ **Split Sessions – Choose your own path**

### **ROOM A**

- **Strategic Sourcing**
- **Procure to Pay**

### **ROOM B**

- **Procure to Pay**
- **Strategic Sourcing**

# Introductions

## ■ UPST Transition Team:

- **David Nero**, Assistant Vice President, Innovation and Operational Services  
***DNero@umassp.edu***
- **Gary Nolan**, Director of Procurement Services, UMass Lowell  
***Gary\_Nolan@uml.edu***
- **GEP**: Procurement and Supply Chain Consultancy
- **Workshop Attendees**: High volume Purchase Requisitioners across campuses
- **Mike LaGrassa**, Assistant Vice Chancellor, Administrative Services, UMass Dartmouth  
***mlagrassa@umassd.edu***
- **Brian Girard**, Director of Procurement and Accounts Payable, UMass Medical School  
***Brian.Girard@umassmed.edu***

# Shared Services Background

*The Shared Services project was launched at the request of the President with the support of the Board to assess the potential of a shared services model at UMass*

- Objectives
  - Evolve A&F organization to provide world-class service across the entire system
  - Modernize functions to provide services at lower cost
  - Re-invest savings back to academic programs and ensuring continued affordability
  
- Shared Services planning project should build on momentum of past initiatives:
  - 2011 Procure-to-Pay Study
  - Business Process Review (BPR)
  - Efficiency & Effectiveness Taskforce (E&E)
  
- Delivery of comprehensive plan by January 2019\*
  - Refresh 2011 study on Procure-to-Pay and perform initial assessment of payroll
  - Collaborate with campus leadership, faculty, and staff
  - Focus on accounts payable, procurement, and payroll

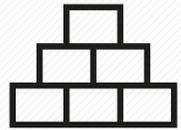
\* Originally December 2018 but extension granted to allow for more analysis on Procurement

# Planning Phase Approach



## Face fiscal challenges

- With higher education facing a challenging environment, effective and efficient management of resources is imperative
- The University embarked on a plan to prepare for current and future challenges, exploring the shared service delivery model to achieve improved service at a reduced cost



## Build on a strong foundation

- The University has established a solid foundation by leveraging common technology and working “Better Together” (Efficiency & Effectiveness and Business Process Redesign)
- Alternative service delivery models, such as shared services, present opportunities to build on the foundation and bring significant benefits to all campuses
- Initial focus on accounts payable, procurement, and payroll



## Plan collaboratively

- Commitment, direction, and support from the Board, President, and Chancellors
- Involvement and input from campus subject matter experts
- Analysis of FTE and spend data to quantify efficiency and savings opportunities
- Examination of peer systems to understand characteristics of leading service organizations

# Plan Highlights

## Key Findings



- Campus procurement organizations work collaboratively but are limited in their impact
- Accounts payable processes vary across campuses leading to missed efficiency opportunities
- Payroll runs successfully but resources are fractional and ownership is unclear

## Key Recommendations



- Establish a Unified Procurement Services Team responsible for system-wide procurement and accounts payable led by a Chief Procurement Officer (CPO)
- Establish a governance structure to ensure strong campus customer relationships
- Establish Service Level Agreements (SLAs) to manage service quality
- Continue to analyze payroll and time and labor to develop a future service delivery model

## Key Benefits



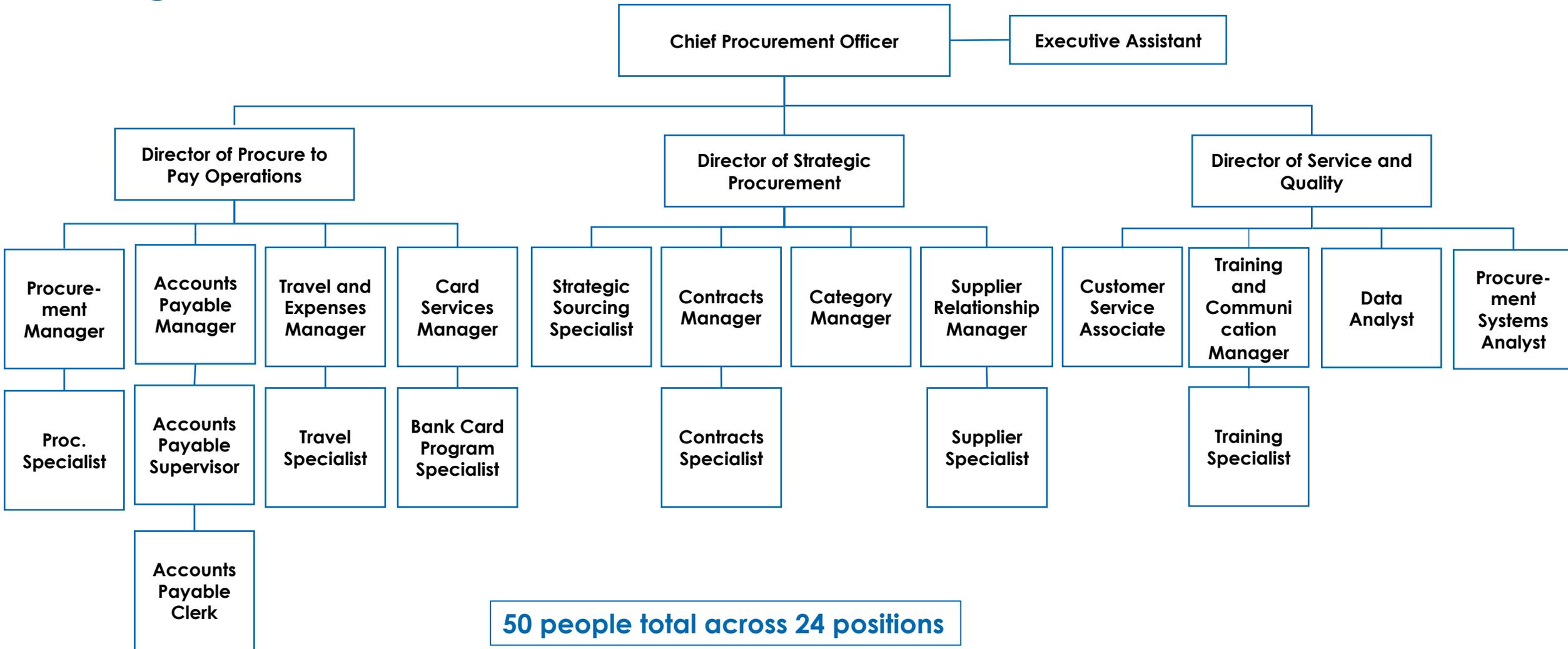
- Responsive, consistent, high-quality customer service
- Cost savings (mid-range estimate of \$16.5 million) achieved through a focus on efficiency and strategic sourcing/category management
- Professional development opportunities through a shift to a unified organizational structure

**Implementation Timeline – FY19 – FY 21**

# UMass Procurement Volumes

- \$1.2B in total annual spend
- 17,000 active suppliers
- \$37 million in ProCard
- 150,000 purchase orders processed each year, 69% via catalog
- 40,000 TE authorizations
- 1,900 requisitioners

# Future Unified Procurement Service Team Organization Structure

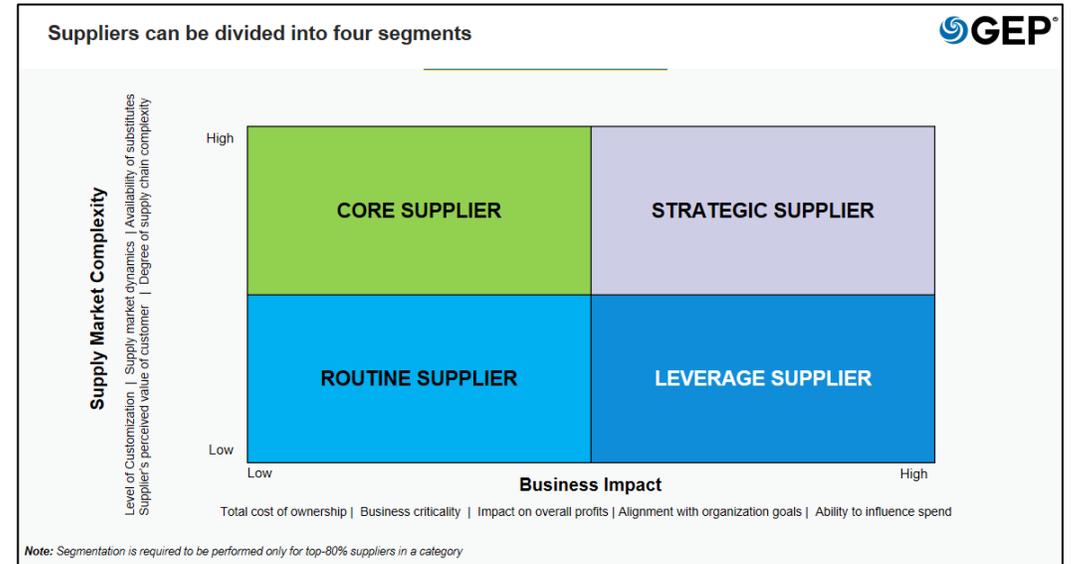
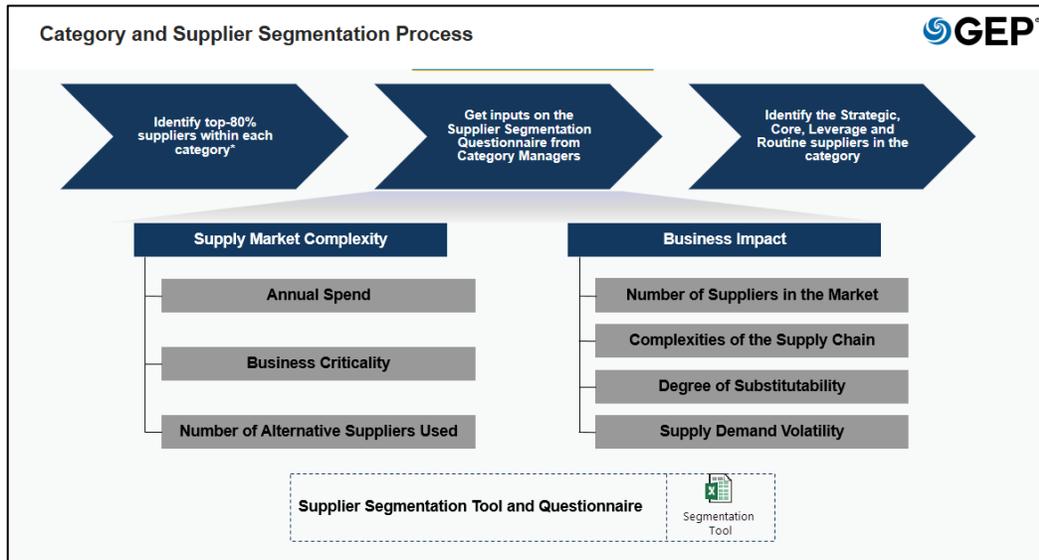
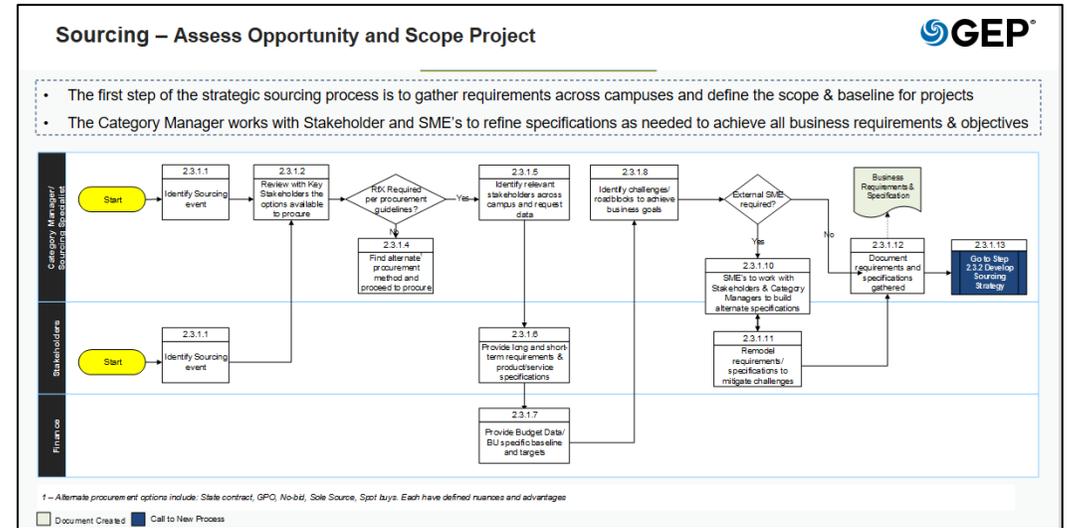


# Next Steps

- Validate the future state processes through additional workshops and stakeholder interviews – Adjust as needed
- Finalize Identification of Roles – End of October
- Shift to Unified Structure with minor changes to existing processes – through January
- Implement Process and System Changes – January through June
- Communication plan for this group

# UPST Playbooks

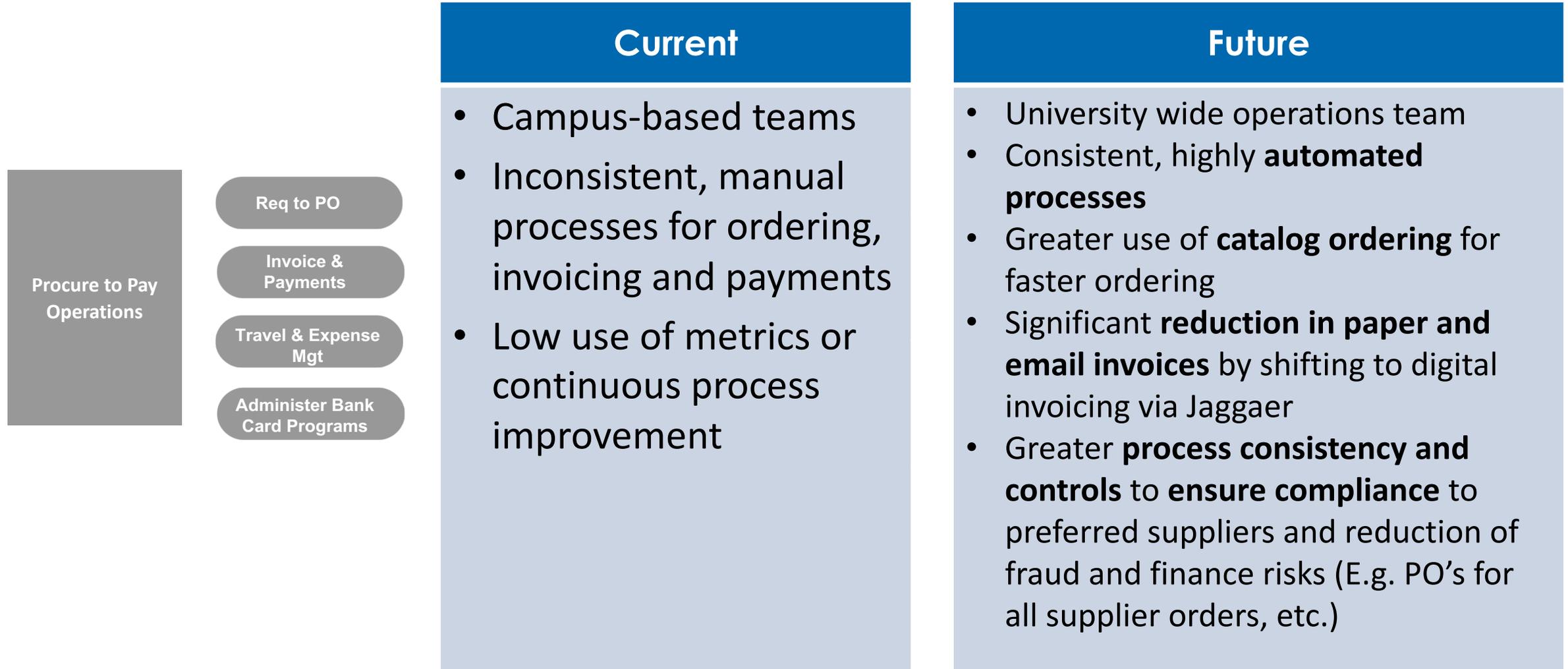
- Service & Quality Assurance
- Strategic Procurement
- Procurement Operations (P2P)



# UPST – Staffing Update

- Labor negotiations completed
  - Agreement reached; letters to Impacted Staff Members issued on August 23
  - Campus “open hours” meetings underway
  - Working through issues with unions as they arise; ranked options due September 6
- Staffing the UPST
  - Transfer process for impacted staff members to follow ranking
  - CPO search nearing completion

# What's changing in Procure to Pay Operations?



# What's changing in Strategic Procurement?

Strategic Procurement

- Community Partnering
- Category Strategy Development
- Sourcing
- Contract Management
- Supplier Management

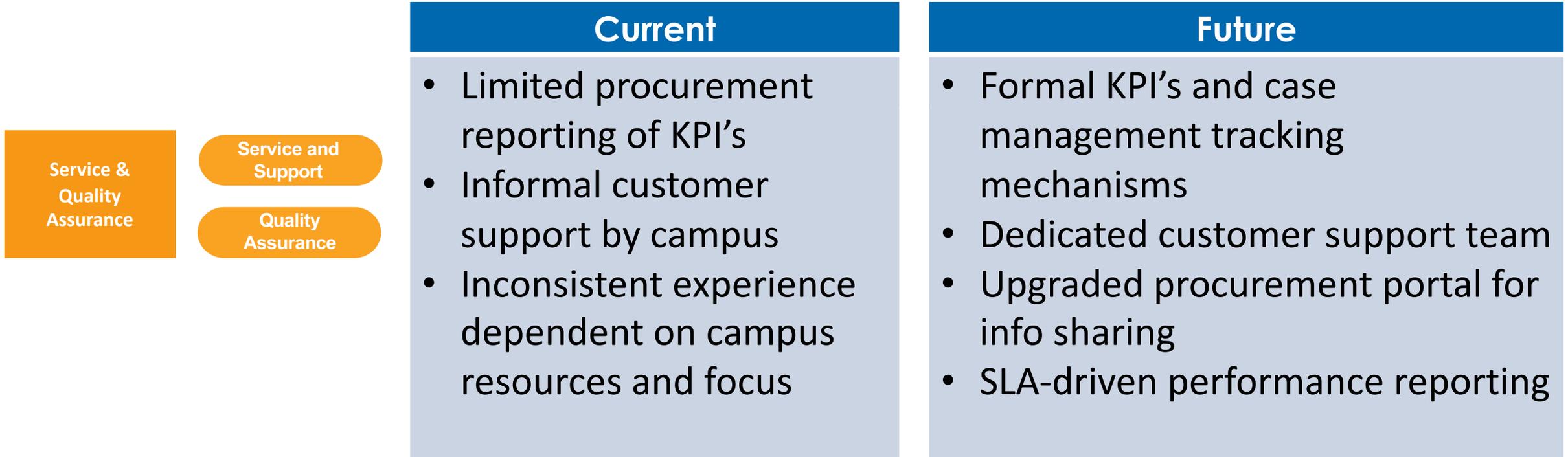
## Current

- Campus-based Procurement Leads
- Reactive approach to sourcing projects constrained by resources and lack of consensus
- Not fully leveraging UMass spend or getting best price in most cases
- Low visibility into organization wide sourcing results and savings achieved
- Low focus on supplier performance management / issue-driven

## Future

- Category-based Procurement Teams supporting all locations, developing specialized skills
- Multi-year Category Strategies to analyze market trends, leverage full system spend and then source more proactively
- Common approach to savings tracking and reporting
- Formal Supplier Performance Reviews for top strategic suppliers speaking with a single voice for UMass
- Performance scorecard reviews and year-on-year improvement plans

# What's changing in Service & Quality Assurance?



# Primary Responsibilities of Service & Quality Team



## Mission Statement

*To ensure that high quality and efficient procurement services are delivered to the UMass community with a high level of professionalism, customer service, and commitment.*



## Team Goals and Primary Responsibilities

- Serve as a UPST customer service team for the UMass system
- Lead communication and training programs to ensure robust/seamless transition to the UPST model
- Provide full visibility to supplier spend data and analysis support to the UPST team
- Produce KPI, Progress and Risk reports, including maintaining an overall UPST Performance Dashboard
- Develop and maintain data-driven insight capabilities that enhance UPST performance
- Maintain Procurement Policies, Process Standards and Technology landscape and drive continuous improvements

# Key Customer Service Elements

Status, Updates, Closing the Loop



## UPST Service and Quality

**One Phone Number**  
**One Email Address**  
**Knowledgebase**  
**Self-Service**

**Multi-channel**



## Unified Procurement Services Customer Service Team

- Log inquiries as cases
- Work with customer to understand and attempt to resolve the case
- Escalate as needed



## Unified Procurement Services Functional Teams

- Manage cases that can't be resolved by Customer Service Team
- Work with customer and Customer Service Team to resolve the case

Escalation and Feedback

# Service & Quality Team Roles and Responsibilities

## Customer Service

- Manage daily activity of the Procurement Customer Service Operation for UMass
- Accept requests from stakeholders, assign to appropriate team and follow up to ensure timely completion

## Training and Communications

- Provide effective communications related to procurement activities and performance
- Identify need for training development based on daily call volume and stakeholder input
- Develop training materials and delivery methods consistent with the needs of the procurement stakeholders

## Systems and Process Management

- Provide accurate and timely data analytics and reporting
- Serve as business liaison for technology improvements and new implementations
- Work with suppliers to improve use of technology in on-boarding and transaction processing

## Policy and Governance

- Assist campus stakeholders with management of Audits
- Periodically review procurement policies and advocate for improvements
- Publish procurement KPI's

# Primary Responsibilities of Strategic Procurement



## Mission Statement

To align the performance of the supply base with the objectives of the UMass leadership and campus stakeholders through sourcing and supplier management excellence



## Team Goals and Primary Responsibilities

- Maximize supplier performance and encourage partnering relationships with suppliers
- Achieve and document cost savings through aggressive sourcing campaigns incorporating requirements from across the UMass organization
- Drive acceptance with sourcing results through community partnering and communications
- Evaluate requirements for formal supplier contracts and execute contracts where deemed appropriate
- Gather requirements from UMass stakeholders, incorporate those requirements into long term strategies and execute those strategies through sourcing and supplier improvement campaigns

# Core processes of Strategic Procurement

<b>Community Partnering</b>	Community Engagement	Community Planning & Target Setting	Demand Management & Forecasting	Category Governance	
<b>Category Strategy Development</b>	Develop Category Overview	Establish Business Goals & Requirements	Gather Market Intelligence	Identify Value Creation Opportunities	Develop Category RoadMap
<b>Sourcing</b>	Assess Opportunity & Scope Project	Develop Sourcing Strategy	Conduct Competitive Evaluation	Negotiate & Select Suppliers	Implement Sourcing Decisions
<b>Contract Management</b>	Draft Contracts	Negotiate and Execute Contracts	Contract Administration	Manage Contract Changes / Closures	
<b>Supplier Management</b>	Supplier Enablement & On-boarding	Develop Segmentation Strategy	Optimize Supplier Performance	Manage Supplier Risk	Drive Supplier Innovation

# Strategic Procurement - Category Alignment



Annual volumes:

- 650 people assisted in evaluations
- 800 contracts (loaded in system)
- 1200 vendor proposals
- 350 bid events

# Team Roles and Responsibilities

## Category Management

- Lead person for a defined category of spend
- Understand University wide supply requirements through direct interaction with campus stakeholders
- Publish comprehensive strategic plans for achieving supplier performance and cost savings objectives
- Develop innovative approaches to maximizing the value delivered from a designated spend category
- Direct the activities of the sourcing, contract management and supplier relationship team members associated with defined categories

## Strategic Sourcing

- Develop deep expertise related to the supply base capabilities and cost structures in assigned categories
- Plan and execute discrete sourcing projects within a defined category of spend
- Communicate and negotiate effectively with stakeholders and suppliers
- Secure approvals for award decisions
- Achieve stakeholder satisfaction and cost savings objectives
- Meet or exceed supplier performance objectives

# Team Roles and Responsibilities

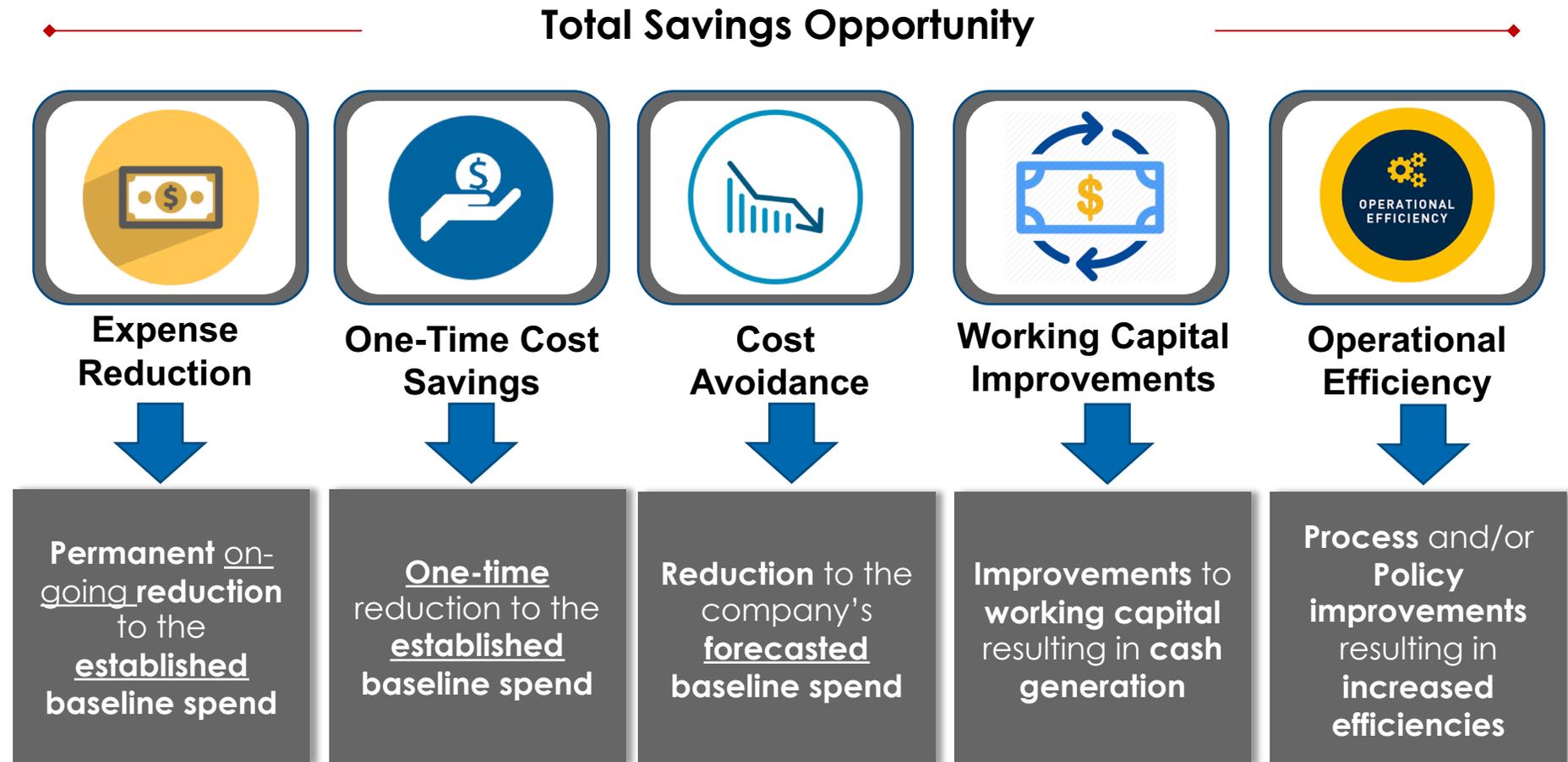
## Contract Management

- Manage contract from development to execution
- Assist campus stakeholders with contract requests as needed in an effective manner
- Accept output from sourcing project award decisions, negotiate and execute supplier contracts
- Understand the legal requirements for commodities and implementing specific clauses to meet University requirements
- Interface with UMass Legal team to resolve issues
- Management of central repository of contracts
- Proactively manage expiring contracts

## Supplier Relationship Management

- Manage the supplier on-boarding and updating process
- Manage supplier performance against SLA's/KPI's with engagement of stakeholders
- Participate in Category Management and Strategic Sourcing activities
- Gain value through improved supplier relationships
- Manage day to day supplier questions and issues with escalation to Category Manager

# Aligning with the University Mission



# Key Performance Indicators for the Strategic Procurement Team

Key Strategic Measures	Description
Customer Satisfaction	Level of satisfaction from stakeholder community
Spend Under Management	Percentage of addressable spend that is under contract or pricing agreement
Realized Savings	Resultant, verified cost reduction from procurement activities

Supporting Measures	Description
Innovation and continuous improvement	Additional benefits beyond savings resulting from procurement activity
Supplier Performance	Set of metrics including on-time delivery and user satisfaction
Sourcing Event Cycle time	Time duration from beginning of sourcing project to award
Contract Cycle time	Time duration from contract request to completion
Supplier Consolidation	Decrease in number of active suppliers

# Primary Responsibilities of Procure to Pay



## Mission Statement

*To enable members of the UMass community to purchase goods and services through efficient and cost effective policies and procedures, put in place to ensure compliance, risk and budget management, and strong usability for team members throughout our organization.*



## Primary Goals and Responsibilities of P2P

- Enable a quick and efficient **process for UMass staff members to raise requisitions to purchase goods and services**,
- Drive our staff toward **use of contracted suppliers** when possible.
- Ensure that whenever possible, our staff will **create a PO proactively** for all purchasing requests.
- An efficient and transparent procedure in place **to match POs to invoices driving compliance**, and enhancing supplier relationships.
- **Implement T&E policies and procedures** that ensure UMass staff will be paid quickly, accurately, and in an efficient manner utilizing the best available systems.
- Drive training and compliance to a **ProCard program** designed to maximize benefit for both department users and the UMass institution.

# Core Processes: Procure to Pay (P2P)

<b>Purchase Request to Purchase Order</b>	<b>Requisitioning, PO Management, Spot Buying</b>	<b>Receiving</b>	<b>Catalog Management</b>	
<b>Invoicing &amp; Payments</b>	<b>Managing Invoices</b>	<b>Reconciling Invoices</b>	<b>Creating and Transferring OK-to-Pay File</b>	<b>Manage Direct Payments</b>
<b>Travel &amp; Expense</b>	<b>Travel Program Administration</b>	<b>Processing Expense Reports</b>	<b>Auditing Expense Reports</b>	
<b>Bank Card Management</b>	<b>Administer ProCard Program</b>	<b>Administer Other Card Programs</b>		

# Team Roles and Responsibilities

## Procurement

- Manage daily activity of the Procurement Operations Group for UMass
- Responsible for enforcing delegations of authority and policies of the university
- Provide support to the UMass user community on purchasing related activities

## Travel and Expense Management

- Ensure an efficient Expense Reporting process that provides users with prompt and accurate payments with strong reporting capabilities
- Evaluate marketplace for available tools to enable a best-in-class experience for UMass users
- Ensure that all T&E related expenses are within the policies laid out by the UMass Board of Trustees

## Accounts Payable

- Establish internal controls and procedures to protect UMass assets
- Provide payment support for all incoming invoices across campuses and supplier bases
- Work with UMass Treasury to ensure proper payment and terms are met for all business transactions
- Conduct regular evaluations using tools available to ensure an efficient and transparent matching and payments process

## Bank Card Management

- Ensure compliance with all bank card procedures and that other payment methods are considered first whenever possible
- Provide UMass user training on a regularly scheduled basis
- Enable users to have access to bank card systems to drive ease-of-use and transparency when allocating bank card expenses

# Procure to Pay Process (High Level)



## Requisitioning

- No change to current purchase requisitioning (PR) process
- First check if catalog ordering is available for your item
- Raise a PR or request a Spot buy if supplier and price are not known



## PO

- Purchase Requests (PR) will follow a standardized approval workflow
- Approved PR's are automatically converted to POs and issued to suppliers
- No change to approval rules or workflows

## Receiving

- No change to current receiving processes or requirements
- You can still add receiving requirement to a PR in BuyWays

## Invoicing

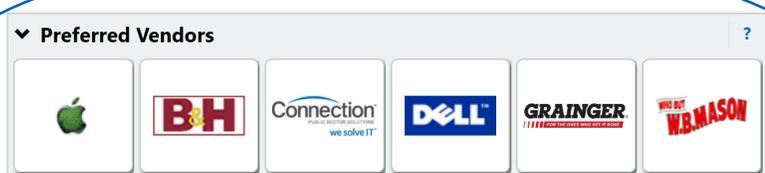
- Invoices will be sent by suppliers to a centralized AP department/mailbox for scanning and processing for payment
- Requestors will have the ability to approve invoices and access invoice history in BuyWays

## Supplier Payments

- UPST team reconciles invoices against PO's and clear all blocked invoices
- Then UPST team provides Treasury team with an "OK-to-Pay" status
- Treasury maintains responsibility for all UMass disbursements and supplier payments

# Increasing use of Procurement Catalogs

- Online Catalogs are in place to allow for quick, easy ordering from our preferred/contracted suppliers
- UPST will set up and manage a wider range of supplier catalogs (30 Catalogs in place today)
- Drive efficiency for our organization and to enhance the user purchasing experience:
  - Formally integrate with our highest volume suppliers with standardized pricing and products
  - Provide the fastest purchasing process possible for requesters
  - Automate requisitioning, PO creation, and invoicing/payment
  - Current Catalog utilization (percentage of total Reqs.): **46.55%**



# Spot Buying

- A “Spot buy” or “tactical buy” is when an unplanned purchase has to be made and a supplier is not known
  - For example: dealing with equipment failure or to address a specific business need of the organization or individuals, or for special, unplanned events.

## Email or submit web form

with requirements for the purchase request (i.e. timing, quantity, location, etc.)

UPST Customer Service will triage this **request to procurement staff** who begin the process of supporting your purchase request

The procurement team will **work with requestor to finalize the decision** on the of spot buy request

Once there is agreement, a **req will be raised in BuyWays** by either the procurement team member or requestor for processing

★ ***The UPST team will support spot buy requests from requestors across the UMass organization***

# Requisitioning

- Raising a requisition to purchase goods and services will start in BuyWays.
  - Check catalog first!
  - Start requisition in BuyWays, for example:
    1. Gather purchase requirements/specifications
    2. Supplier information
    3. Budget requirements/Speedtype
- General turn around time for a requisition can be as fast as a single business day

*How quickly a purchase request is approved and processed **depends on the thoroughness and accuracy of the submitted request**, along with the **approval workflow** that is in place for the requestor.*

# Requisitioning – Expedited Requests

- The standard procedure should be followed whenever possible.
- Sometimes, due to the needs of our business, there are exceptional requests
  - *For example – Emergency orders, sensitive materials or equipment, etc.*
- If there is an urgent request – you should work hand-in-hand with the UPST to completely and accurately fill out the purchase request so that PR can be pushed through the approval system as fast as possible.

# Receiving

- Most goods and services purchased for the UMass business do not require a mandatory receipt in order to process an invoice and pay a supplier
  - Receiving required for:
    - Computers/IT
    - Hazardous Materials (primarily for research purposes)
    - Capital Equipment
- Any requisitioner can request a receipt for goods purchases during the processes of raising the req. in BuyWays.

# Bank Card Management

- There will be little change at this point to the bank card program
- An RFP is underway for the university to select an ongoing banking partner and program
- ProCards should be used for all non-BuyWays vendors only, or for emergency purchases

## **Future State:**

- Centrally managed program
- Standardized training, compliance, and auditing processes
- Electronic card application and approval process
- Improved reconciliation process – BuyWays Form; electronic workflow approvals, centralized management, auditing, and storage.

# Continuous Improvement in Procure to Pay

- Standardize and optimize use of **BuyWays Direct Payments** for appropriate, defined transactions
- Increase **BuyWays Punch-Out Catalogs**, CXML and vendor portal for matches to be paid with no manual effort (electronic)
- Implement **electronic workflow for invoices** in match exceptions, eliminate the manual handling done today across the system
- Investigate improved technology to automate AP efforts utilizing efficient and cost effective **optical character recognition** “OCR” solutions
- Implement an **enhanced travel booking** tool, optimizing user experience and increasing benefits to UMass
- Identify and put into operation a new, **improved expense reporting** tool
- **New bank card provider** selection and implementation

