Topics

- Background/Introductions
- Unified Procurement Services Team (UPST)
- What’s Changing?
- CPO Introduction
- Questions/Discussion
**Background**

**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
Shared Services Timeline

Campus Engagement

- Develop plan
- Present plan to Board
- Campus Town Halls
- Design Phase
- Staff UPST
- Transition to UPST
- UPST Go-Live

- Sept-Jan '18
- March '19
- Apr-May '19
- June-Aug '19
- Sept-Oct '19
- Nov-Dec '19
- Jan-June '20
Unified Procurement Services Team (UPST)
Current Procure to Pay Structure

- 6 separate campus procurement and AP functions (75 FTEs)
- 3 campuses with procurement and AP separate, 2 combined (Dartmouth AP managed by President’s Office)
Unified Procurement Services Team

David Cho
Chief Procurement Officer

Brian Girard
Procurement Operations

Accounts Payable
Req to PO
Travel/Expense
Bank Card

Strategic Procurement
Sourcing/Category Management
Contract Management
Supplier Management

Service and Quality Assurance

Governance
UPST Council
Customer Advisory Committee

Customer Service
Data/Systems
Training/Communication

University of Massachusetts
Unified Procurement Services Team (UPST)

Staffing by Current Campus

<table>
<thead>
<tr>
<th>Campus</th>
<th>Staff</th>
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<tbody>
<tr>
<td>Amherst</td>
<td>12</td>
</tr>
<tr>
<td>Boston</td>
<td>9</td>
</tr>
<tr>
<td>Dartmouth</td>
<td>1</td>
</tr>
<tr>
<td>Lowell</td>
<td>8</td>
</tr>
<tr>
<td>President's Office</td>
<td>7</td>
</tr>
<tr>
<td>Medical School</td>
<td>8</td>
</tr>
</tbody>
</table>

- Majority of UPST positions will be based in Shrewsbury (new space being prepared)
- Some positions will require staff to travel frequently to campuses
- Some positions allowed for a location modification (process ongoing)
- Several vacancies—available to UPST staff then open if unfilled
UPST Shrewsbury Office Space Progress

Before

During

Scheduled to open Oct 31
Procure to Pay by the Numbers

- $1.2B in total annual spend
- 17,000 active suppliers
- 190,000 purchase orders
- 40,000 travel authorizations

Unified Procurement Services Team

- 50 FTEs/24 positions
- 3 divisions
- $16.5 million (12-18 months savings)
What’s changing?
## What's changing in Procure to Pay Operations?

<table>
<thead>
<tr>
<th>Current</th>
<th>Future</th>
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</thead>
<tbody>
<tr>
<td>• Campus-based teams</td>
<td>• University wide operations team</td>
</tr>
<tr>
<td>• Manual processes</td>
<td>• Automated processes</td>
</tr>
<tr>
<td>• Low use of metrics or continuous process improvement</td>
<td>• Greater use of catalog ordering for faster ordering</td>
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<td></td>
<td>• Significant reduction in paper</td>
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<td>• Process consistency and controls to ensure compliance</td>
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## What’s changing in Strategic Procurement?

<table>
<thead>
<tr>
<th>Current</th>
<th>Future</th>
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</thead>
<tbody>
<tr>
<td>• Campus-based Procurement Leads</td>
<td>• Category-based Procurement Teams</td>
</tr>
<tr>
<td>• Reactive approach to sourcing projects</td>
<td>• Multi-year Category Strategies</td>
</tr>
<tr>
<td>• Not fully leveraging UMass spend</td>
<td>• Common approach to savings tracking and reporting</td>
</tr>
<tr>
<td>• Low visibility into organization wide sourcing</td>
<td>• University-wide pipeline</td>
</tr>
<tr>
<td>• Low focus on supplier performance management</td>
<td>• Formal Supplier Performance Reviews for top strategic suppliers</td>
</tr>
<tr>
<td></td>
<td>speaking with a single voice for UMass</td>
</tr>
</tbody>
</table>
What’s changing in Service & Quality Assurance?

<table>
<thead>
<tr>
<th>Current</th>
<th>Future</th>
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</thead>
<tbody>
<tr>
<td>• Limited procurement reporting of KPI’s</td>
<td>• Formal KPI’s and case management</td>
</tr>
<tr>
<td>• Informal customer support by campus</td>
<td>• Dedicated customer support team</td>
</tr>
<tr>
<td>• Inconsistent experience dependent on campus resources and focus</td>
<td>• Available, responsive, high-quality customer service</td>
</tr>
</tbody>
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CPO Introduction
## AP and Procurement Phase

### FY 2019
- Establish Organization, Processes, Enabling Technology
- Procure to Pay Operations Design
- Strategic Procurement Design
- Service and Quality Design

### FY 2020
- Transition to UPST
- Transition to UPST
- Transition to UPST

### FY 2021
- Procure to Pay Operations Implementation
- Strategic Procurement Implementation
- Service and Quality Implementation

## Socialization & Mobilization Phase 1-3 months

- Payroll Deep Dive Analysis
- Payroll Processing Design
- Employee Data Mgmt Design

## Payroll Phase

- Payroll Processing Implementation
- Employee Data Mgmt Implementation
- Time and Labor Design
- Time and Labor Implementation

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Activities

- Collect all baseline data
- Collection of current state information, documentation and data points
- Qualify information with stakeholders
- Sources: A/P; Data supplied by Vendor; Internal sources

- Assess financials TCO/ROI/unit costs/discounts/variances/volumes/categories/contract terms/plans/other
- Review existing risk assessment documentation and conduct interviews
- Identify, aggregate and analyze existing and emerging risks
- Reference industry trends
- Consider business requirements & future directions
- Reference market competition and current state assessment
- Present high level view of UMass spend against different Categories and Inventory to participants
- Identify tactical solutions for quick hit opportunities
- Consider current state assessment: market comparison report and Future State Definition report
- Establish observations across categories; pricing; vendors; service delivery and processes
- Reference industry-leading practices
- Establish recommendations
- Integrate stakeholder collaboration and feedback
- Post Contract Reporting (homeostasis)

Deliverables

- Baselines
- TCO’s
- Current State vs. competitive market

A Broad Array of Processes, Methodologies, Policies

- Global Data Collection
- Benchmark
- RFP Issuance (Bidders Conference)
- Evaluations
- Negotiations / Contract Execution
- Migration; Measure Savings Realization

A Considerable Operation facilitated by Procurement Operations, Strategic Procurement, Accounts Payable / Travel and Customer Service to support UMass Constituents:

- ~$1.2B in annual expenditures
- ~21K Invoices in September
- 1,800 contracts per year
- Across 17K payees/vendors

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A Longer Term View of Continuous Improvement @UPST

While we believe there is a strong cost reduction opportunity related to acquisition costs in the short term, there is an even greater set of ancillary benefits where the UMass system can reap significant soft cost benefits over the longer term.

- Harvest the Low Hanging Fruit
  - Predetermined Margins/Markups
  - Volume based pricing / Rebates
  - Market Intelligence to utilize competitive benchmarks, etc.
  - Pre-emptive pricing offers

- Continue Capturing Tactical Benefits
  - Approved Cost+ based product catalogues
  - Software Asset Management (SAM)
  - Enterprise wide services
  - POC’s (Proof of concept)

- Stickier Partnerships with Strategic Providers
  - Streamlined PO’s, etc.
  - Vendor SLA’s and Meaningful KPI’s
  - Timelines institutionalized in contracts
  - Robust warranties
  - Supplier Diversity / Environmental Sustainability
What are some trends in the marketplace lately?
Thank You!
Questions/Discussion

Stay Connected
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www.umassp.edu/better-together/projects/shared-services-project