Shared Services Update

Amherst Campus – November 18, 2019
Topics

- Background/Introductions
- Unified Procurement Services Team (UPST)
- What’s Changing?
- Transition to UPST
- 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
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

University of Massachusetts
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)

- Amherst
  - Accounts Payable (Controller)
  - Procurement

- Boston
  - Accounts Payable (Controller)
  - Procurement

- Dartmouth
  - Procurement

- Lowell
  - Accounts Payable and Procurement

- Medical School
  - Accounts Payable and Procurement

- President’s Office
  - Accounts Payable (Controller)
  - Procurement
Unified Procurement Services Team

- 50 FTEs (36 filled)
- 4 locations: Shrewsbury, Boston (One Beacon St), Amherst, Lowell

David Cho
Chief Procurement Officer

Governance
UPST Council
Customer Advisory Committee

Brian Girard
Procurement Operations

Strategic Procurement

- Accounts Payable
- Req to PO
- Travel/Expense
- Bank Card
- Sourcing/Category Management
- Contract Management
- Supplier Management
- Customer Service
- Data/Systems
- Training/Communication

Service and Quality Assurance

• 50 FTEs (36 filled)
• 4 locations: Shrewsbury, Boston (One Beacon St), Amherst, Lowell

University of Massachusetts
UPST Shrewsbury Office Space Progress

Before

During

After

Open November 4
What’s changing?
### What’s changing in Procure to Pay Operations?

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

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<tr>
<th>Current</th>
<th>Future</th>
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<tr>
<td>• Limited procurement reporting of KPI’s</td>
<td>• Formal KPI’s and case management</td>
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<tr>
<td>• Informal customer support by campus</td>
<td>• Dedicated customer support team</td>
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<tr>
<td>• Inconsistent experience dependent on campus resources and focus</td>
<td>• Available, responsive, high-quality customer service</td>
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Transition to UPST
Transition to UPST

How long is the Transition Period?
 The UPST Transition Period officially kicked off on November 13. The staff is now in their new roles and the transition of procurement and AP functions has begun and will continue through December 31.

What’s involved in the transition to the UPST?
 The UPST leadership team is working closely with campuses to ensure a smooth transition. Over the next few months all accounts payable and procurement functions will be transitioned from campuses to UPST.
 During the Transition Period, the focus is on training the UPST staff on their new roles and supporting campuses to meet their procurement and AP needs. No significant changes in processes are expected to occur during the transition.
Transition to UPST

How do you get assistance during the Transition Period?

- In the short term, if you need procurement or AP assistance, contact the campus AP or procurement staff members that you’ve worked with in the past. Many are now members of the UPST. The UPST staff can still access their campus email accounts and also have a President’s Office email account (first initial lastname@umassp.edu)

- If you don’t have a campus contact or aren’t sure who to work with, email UPST@umassp.edu. A UPST staff member will connect back with you promptly
CPO Introduction
Listen & Learn Today → Build the Roadmap for Tomorrow

**AP and Procurement Phase**
- Establish Organization, Processes, Enabling Technology
- Procure to Pay Operations Design
- Strategic Procurement Design
- Service and Quality Design
- Payroll Deep Dive Analysis

**Socialization & Mobilization Phase 1-3 months**
- Transition to UPST

**Payroll Phase**
- Payroll Processing Design
- Employee Data Mgmt Design

**FY 2019**
- Establish Organization, Processes, Enabling Technology

**FY 2020**
- Procure to Pay Operations Design
- Transition to UPST
- Strategic Procurement Design
- Transition to UPST
- Service and Quality Design
- Transition to UPST

**FY 2021**
- Procure to Pay Operations Implementation
- Strategic Procurement Implementation
- Service and Quality Implementation
- Establish Organization, Processes
- Payroll Processing Implementation
- Employee Data Mgmt Implementation
- Time and Labor Design
- Time and Labor Implementation
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)
### Activities

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

**Benchmark**
- Assess financials TCO/ROI/unit costs/discounts/variances/volumes/categories/contract terms/plans/other
- Assess service delivery for product profiles/ performance/over/ avg/cost/ demand/vendor governance & controls/ program management & PMO/organisic automation/processes/other
- Assess vendors for product & service delivery/alignment to requirements/client satisfaction/price/ risk/ticks & issues/ processes/organization alignment

**RFP Issuance (Bidders Conference)**
- Review existing risk assessment documentation and conduct interviews
- Identify, aggregate and analyze existing and emerging risks

**Evaluations**
- Reference industry trends
- Consider business requirements & future directions
- Reference market comparison and current state assessment

**Negotiations / Contract Execution**
- Present high level view of UMass spend against different Categories and Inventory to participants
- Identify tactical solutions for quick hit opportunities

**Migration; Measure Savings Realization**
- 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

**Deliverables**
- Baselines
- TCO’s
- Current State vs competitive mark

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### University of Massachusetts

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
A Much Simpler View:
What UPST Is Striving to Achieve – “Better, Faster, Cheaper”

*Dave’s Simpler View of Providing Value to UMass Organizations
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

Representative

University of Massachusetts
What are some trends in the marketplace lately?
Thank You!
Questions/ Discussion

Stay Connected
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David Cho dcho@umassp.edu

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