Shared Services Update

Dartmouth Campus – November 6, 2019
Topics

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

University of Massachusetts
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

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

David Cho  
Chief Procurement Officer

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

Governance
UPST Council  
Customer Advisory Committee
UPST Shrewsbury Office Space Progress

Before

During

After

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

<table>
<thead>
<tr>
<th>Current</th>
<th>Future</th>
</tr>
</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>
</tr>
<tr>
<td></td>
<td>• Significant reduction in paper</td>
</tr>
<tr>
<td></td>
<td>• Process consistency and controls to ensure compliance</td>
</tr>
</tbody>
</table>
What’s changing in Strategic Procurement?

**Current**
- Campus-based Procurement Leads
- Reactive approach to sourcing projects
- Not fully leveraging UMass spend
- Low visibility into organization wide sourcing
- Low focus on supplier performance management

**Future**
- Category-based Procurement Teams
- Multi-year Category Strategies
- Common approach to savings tracking and reporting
- University-wide pipeline
- Formal Supplier Performance Reviews for top strategic suppliers speaking with a single voice for UMass
What’s changing in Service & Quality Assurance?

**Current**
- Limited procurement reporting of KPI’s
- Informal customer support by campus
- Inconsistent experience dependent on campus resources and focus

**Future**
- Formal KPI’s and case management
- Dedicated customer support team
- Available, responsive, high-quality customer service
Transition to UPST
Transition to UPST

- Transition period between November 13 and December 31
  - UPST staff officially begin in their new roles on November 10
  - Kickoff day for UPST staff on November 13
  - Transition of procurement and AP functions will continue through the end of December
  - For Dartmouth, A/P, payroll, and the processing of Student Bills had been transitioned prior to UPST—remaining functions have been transitioned more recently and will continue through 12/31

- Additional details about the transition coming in the form of Newsletters, Bulletins, and targeted emails
CPO Introduction
Listen & Learn  Today → Build the Roadmap for Tomorrow

<table>
<thead>
<tr>
<th>AP and Procurement Phase</th>
<th>FY 2019</th>
<th>FY 2020</th>
<th>FY 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish Organization, Processes, Enabling Technology</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Procure to Pay Operations Design</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategic Procurement Design</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service and Quality Design</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payroll Phase</td>
<td>Payroll Deep Dive Analysis</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Socialization &amp; Mobilization Phase 1-3 months</td>
<td></td>
<td>Transition to UPST</td>
<td></td>
</tr>
<tr>
<td>Procure to Pay Operations Design</td>
<td></td>
<td>Transition to UPST</td>
<td></td>
</tr>
<tr>
<td>Strategic Procurement Design</td>
<td></td>
<td>Transition to UPST</td>
<td></td>
</tr>
<tr>
<td>Service and Quality Design</td>
<td></td>
<td>Transition to UPST</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Procure to Pay Operations Implementation</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Strategic Procurement Implementation</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Service and Quality Implementation</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Establish Organization, Processes</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Payroll Processing Implementation</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Employee Data Mgmt Implementation</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Time and Labor Design</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Time and Labor Implementation</td>
</tr>
</tbody>
</table>

University of Massachusetts
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

- 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

Deliverables

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

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

A Broad Array of Processes, Methodologies, Policies

- 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

University of Massachusetts
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.

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

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

3. **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

---

**A Longer Term View of Continuous Improvement @UPST**

In the long term, focus on:

- **Cost Discipline** (CHEAPER)
- **Ease of Administration** (FASTER)
- **Process Enhancements** (BETTER)

---

**Representative**

---

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

Stay Connected
David Nero dnero@umassp.edu
David Cho dcho@umassp.edu

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