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CDW-G REFERENCE GUIDE

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Our Reference Guides are designed to provide you with an in-depth look at topics that relate directly to the IT challenges you face. Consider them an extension of your account manager's knowledge and expertise. We hope you find this guide to be a useful resource.



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FOR THE GREATER GOOD

In Ohio, institutions turn to e-procurement to realize major cost savings and produce better data on purchasing power.

Ohio higher education officials have long understood the value of cooperation, especially when it comes to buying things. Since 1963, when the Ohio Inter-University Council established its Purchasing Group (the IUCPG), the state's 14 public colleges and universities have worked together to aggregate their spend numbers and negotiate high-volume discounts from vendors on common goods and services, including office supplies, research equipment, dormitory mattresses and pharmaceuticals.

Recently, though, IUCPG members decided to step up their efforts by adding automation to their procurement process. Since 2006, some of the schools began implementing SciQuest, a cloud-based e-procurement system that automates the purchasing process, enables more transparency and enforces contract compliance – all while eliminating paperwork and streamlining administrative tasks.

Currently, SciQuest is in place at seven universities – Ohio University, Bowling Green State, Miami, Kent

State, Youngstown State, Shawnee State and Wright State – while the other seven schools are still mulling if and when to invest in the system.

The SciQuest-enabled schools are already realizing significant monetary savings individually, but all 14 IUCPG members stand to benefit. All of the electronically generated data will automatically roll up into a centralized web-based system that is also hosted at SciQuest but coordinated by Ohio University (OU), Athens, Ohio. This individual school data can then be quickly aggregated by the central system and processed for very granular reports and numbers on statewide purchasing patterns.

Laura Nowicki, OU's chief procurement officer, says that the automation will enable cost savings well beyond anything that IUCPG members could realize under its more manual reporting system.

"The technology is going to afford us just unbelievable opportunities to enhance the effectiveness of consortium buying," she states. "And that's because

we're collecting data that we probably never had before and never had the ability to share in the way that we can now and as the program progresses."

Gene Stephens, director of strategic procurement for the IUCPG, says that having specific, hard spending numbers gives consortium officials a much stronger hand when negotiating volume-based pricing with potential vendors.

"Knowledge really is power in negotiations," he explains. "Before we had this, we knew we had a lot of purchasing volume. But we had no way to prove it to potential vendors because not all schools were able to pull their data together easily or with much accuracy. Now, we can show exactly what we're doing with confidence year after year and leverage that knowledge to get really deep pricing discounts for our membership."

Benefits Galore

Even without the promise of better cooperative pricing down the road, Bowling Green State University (BGSU), Bowling Green, Ohio, was committed to



GREEN TIP: REDUCE THE BULK

If a university orders 500 computers, it typically receives 500 boxes and 500 manuals as well. This wastes a lot of extra paper, as well as extra time opening boxes and disposing manuals. Some computer manufacturers now offer the option of shipping their order in multimachine packs with just one manual. Does yours?

investing in an e-procurement system. For Andy Grant, the school's director of business operations, the decision was all about improving efficiency, since purchasing had long been predominantly decentralized and lacking structure.

"We didn't have the ability to be proactive," he recalls. "Everything that came in kind of took us by surprise and we had to scramble."

With SciQuest, the BGSU purchasing department was able to migrate all steps involved in the procurement of goods and services to a single, centralized tool. For the bulk of university shoppers, the system is not unlike Amazon.com or other e-commerce sites.

Buyers go online to access the purchasing system, known as "Falcon's Purch," browse individual catalogs or search for products across university-specific or IUCPG-negotiated contracts, place their items in their online shopping basket, and check out. On the back end, the funds are taken out of the appropriate budget and any purchases that require approvals are automatically routed and signed off on electronically.

"The best part is that we see all the data now," Grant says. "I can not only tell you how much the Arts and Sciences Department is spending on office supplies, but I can tell you how many No. 2 pencils they bought. We never had that kind of visibility before, and we can definitely use that to our advantage when we go to negotiate better pricing."

Grant says that his school is projecting a 10 to 15 percent savings on its overall procurement costs in the first year. By its very nature, the system significantly reduces or eliminates all wasteful steps and spending. "There's one place to go now for purchasing, so you don't have people out there shopping for their own products, you don't have people spending days on end trying to find the cheapest widgets," he explains.

"You have your efficiencies between accounts payable and the purchasing offices with e-invoicing and everything else going to the electronic methods. There's less time spent touching every piece of paper,"

Grant continues.

For OU, the addition of SciQuest has enabled the school to leapfrog into 21st century procurement methods. "A year ago, we were doing paper requisitions," Nowicki states, noting that OU's purchasing department was the last of the seven schools to go live with its individual e-procurement system, known as Bobcat Buy.

For OU, e-procurement is not only cutting the time and costs associated with requisitions and invoicing, but it is also discouraging what Nowicki terms "maverick spend" – when buyers opt for other, more expensive buying options, such as using their purchasing card to run out and pick up a few items at an off-contract supplier.

Another advantage, she says, is transparency at all levels in the process, "from the shopper to the requester to the approver to grants to legal to environmental health to IT," Nowicki says. "Anyone with a need to know can see what's being bought and where it is in the workflow process."

Taking It to the Limit

And it's not just procurement and finance officers touting consortium buying. The leadership in the state of Ohio is so convinced of the value of e-procurement that it has tied the system's performance to a larger goal: attracting the best and brightest students and keeping them in Ohio.

The Lumina Foundation, which is tasked with increasing higher education among Americans to meet future economic demand, awarded the state of Ohio a grant in late 2009 to test the concept at several levels. This gave Ohio the funds it needed to develop the SciQuest central system and operate it for the next four years.

"It might seem like a stretch, but the premise is that if you're able to reduce supply and service costs and you're able to do it as a state, both institutionally first and then in collaboration with your peers, you can divert those monies back into the mission of the institutions," explains Nowicki, adding that procurement is typically the second largest

budget item for higher education institutions, after payroll.

Enabling those kinds of major savings will require an even larger percentage of the higher education community of Ohio to act in concert. This means not just the 14 public institutions but also the state's 51 private colleges and universities and its 23 community colleges.

Unfortunately, at this point, schools can't rely on existing e-procurement systems or manual processes to automatically feed their procurement data into the central system. Because the central system utilizes SciQuest, the institutions also have to implement the software.

"You have to have a common system, whether that's SciQuest or a competitor," explains Nowicki. "If not the ordering system, you at least need a warehouse solution so you can share the data in a way that's meaningful and standardized. Without that, your results can get really skewed."

Even without hard and fast buying numbers available for all those potential sales, some vendors already recognize the value proposition of encouraging a statewide level of aggregation. For example, some have already agreed to provide Tier 2 discounted pricing on its IT products to all IUCPG institutions in Ohio.

"It's the best pricing available right now and it helps everybody," explains Grant. "Under this deal, the local community college that has just 1,000 students will get the same price as Ohio State, which is one of the biggest schools in the country."

Nowicki notes that the IUCPG is exploring a number of models to lower the price-entry requirements for smaller schools; for example, regionalizing the system, with a four-year school acting as a hub and smaller two-year schools acting as spokes, is one possibility.

Member schools are also figuring out how to extend the capabilities of SciQuest to entice other schools to implement the solution. Miami and OU have started utilizing an electronic bid and request for proposal (RFP) distribution module, which would provide other schools an opportunity to aggregate their volume on specialized products.

"There are lots of possibilities and we're open to figuring out what will work," Nowicki says. "We'd like to have as many schools on board as possible."

The larger challenge, she admits, is a cultural one: getting all of the higher education institutions to work together for the greater good.

"We have all been very good at looking out for our own institution's interest, which is part of our job. But now I think the job also becomes looking out for the other institutions and for the state as a whole," states Nowicki.

"It's not an easy change and it will probably take the support of school leadership and not just procurement staff and finance staff to encourage everyone to realize that Ohio schools are part of a bigger plan," she says. ■

IN WITH THE NEW

Andy Grant, director of business operations for Bowling Green State University (BGSU), says that cultural resistance was the biggest challenge he faced when he began implementing SciQuest in late 2009.

"Everyone in the purchasing department may recognize that this is a much better way of doing things, but you can't assume that people out in the departments that need to buy things are going to automatically say, 'Oh this is going to be great,'" he says. "People often have a natural resistance to change, regardless of the benefits."

Grant describes the following steps that enabled his school to go live with SciQuest in June 2010 and almost immediately begin experiencing significant process efficiencies and cost savings:

- **Involve your customers.** Before planning the deployment, Grant worked with a strategic focus group of departments with high volume, some of which typically bought the majority of their items off contract. He asked for their requirements in a procurement solution and also ran reports to determine exactly what products and services each department purchased on a regular basis.
- **Map the purchasing process.** "We went back and started at the beginning with Purchasing 101," Grant explains. That meant performing a vendor cleanup in the existing enterprise resource planning (ERP) system; detailing all manual workflow and approval steps and determining how purchases should be routed within the electronic system; and resolving what the SciQuest system should handle versus the ERP system.
- **Develop an effective training strategy.** BGSU required in-person training for all 450 requesters and approvers over a six-week period. For shoppers, BGSU provided online documentation in a step-by-step process. The toughest part? Convincing people to stop relying on their purchasing card. "In their mind, it's just a lot easier to use that, and they're right – it is easier," Grant says. "We had to show them why using the new system would ultimately be better for everyone – including them."

FINDING SAVINGS WHILE SPENDING

Upgrading to an e-procurement solution has numerous benefits for institutions, including impressive savings.

Procurement usually means pushing money out to pay vendors, but can procurement also bring money in? It is at Emory University. Just ask Loette King, senior director of procurement and contract administration for the 13,381-student university in Atlanta.

Before fully modernizing their procurement system, the university's process was "very labor intensive, inconsistent and generally paper-based," she says. After automating to a closed-loop e-procurement solution from SciQuest, the university was able to tighten control of and increase its visibility into the procurement process.

"The implementation of e-procurement has enabled the university to save approximately \$2.5 million annually," says King. About 30 percent of this savings was from process efficiencies (tightening control) and 70 percent came from negotiated discounts and contract compliance (increasing visibility).

Another way of putting it: universities can't afford not to modernize procurement; Emory was

able to achieve six dollars of benefit for every dollar it paid to SciQuest.

Searching for Savings

Emory is not the only university reviewing its procurement process. Over the last several years, universities have been seeing a decrease in their operating budgets and a need to gain control over what they are spending, according to Julie Hepner, product marketing director for higher education at SciQuest. "By driving spending to negotiated contracts, organizations can buy more at reduced rates," says Hepner.

With a modernized procurement process, those routine (or supposedly routine) procurement activities such as catalog shopping, placing purchase orders, purchasing, tracking, receiving, invoicing and settling can all be conducted in a time- and cost-efficient closed-loop electronic process that's simple enough to ensure end-user compliance.

Changing the Game

In choosing an e-procurement

provider, Emory reviewed several solutions and chose SciQuest "because of its focus on the higher education market, ease of use and SciQuest's willingness to listen to its customers to implement enhancements," says King.

Before Emory's modernization of its procurement processes, customers would search for goods and services by various means, receive different prices for the same items and had no budgetary oversight of their activities, says King, who has been with the university for more than ten years.

Purchase orders were only required for items over \$1,499 – in line with single-purchase limits for individual purchasing cards, according to King. "Even in this atmosphere, our customers felt that they had more control of purchasing what they wanted when they wanted," she says. "This was our biggest hurdle to overcome."

Also, prior to the implementation, procurement only had visibility over about 25 percent of the overall spending, which was being tracked

4 SECRETS TO E-PRO SUCCESS

Having helped usher in a new procurement process at Emory University, Loette King, senior director of procurement and contract administration, gained a wealth of experience in successfully rolling out this kind of program. Here are some of her best practice tips.

Abolish mavericks. Gain control over the off-contract spending that takes place through old practices such as “invoice the university.” Maverick purchasing introduces more risk to the university because, in almost all cases, the buyer assumes liability for the purchase and use of a product that could be faulty.

Engage customers in the process. Engage customers (end users – both those who would be requesting goods and services and those who have financial approval authority over those purchases) in the process of designing and implementing the system. “This was key” to Emory University’s procurement upgrade, says King. “It was very important to involve the end users so that they were a part of the process and could understand what it is we were trying to accomplish.”

Market the program. Establish a communications group to provide the campuswide communications and marketing required to ensure widespread adoption of the e-procurement system. One of Emory’s key innovations was to establish a call center to provide real-time operational support to customers and serve as a high-touch service for acquisitions with unique requirements to connect customers to a professional buyer or commodity manager for more complex purchases.

Gain external insight to achieve goals. Consider hiring a consulting group to provide outside expertise into procurement operations and offer insights into the strengths and weaknesses of the procurement department. Consultants can also assist in determining what technologies and processes need to change within the department in order for it to achieve its goals.

through manual procurement processes, according to King.

“We needed a solution that was easy to use, achieved total visibility for all relevant spending, provided the campus with the goods and services it needed, ensured that everyone received the same price and allowed the business officers to have more control and insight on the financial obligations that were being made,” she says.

In short, the procurement team wanted to completely transform its purchasing processes and redefine its role to be one of savings and service, not simply completing bureaucratic tasks and general oversight. “If successful,” says King, “we knew this endeavor would build on the first step in the procurement transformation – renegotiating key contracts – and ultimately empower procurement to realize even greater savings as well as incremental gains on the contracts already in place.”

Think Holistic

While many universities have made the transformation from paper to some type of online ordering process, according to SciQuest’s Hepner, the challenge with many of these tools is that users can’t make all of their purchases through them. As a result, processes remain disjointed and, consequently, the ability to analyze, spend and negotiate better contracts doesn’t exist.

Implementing a solution that is as holistic as possible is ideal. “I highly recommend including the entire procure-to-pay functional spectrum in solution selection and design,” says Derek Smith, managing director of higher education practice for the Huron Consulting Group, which was hired by Emory to guide it through the procurement modernization process. “Institutions should also consider incorporating strategic sourcing efforts into the program to maximize savings and increase user adoption.”

More generally, Smith says, it’s very important to focus on upfront planning efforts for all aspects of the initiative. “These efforts should include developing a comprehensive plan broad enough to cover activities beyond the actual technology implementation, such as change management, business process transformation, training and post go-live support plans.”

Other important components of planning include defining the end-state solution to include financial systems integration requirements and establishing adequate resources for the project, Smith says.

Measuring Success

Emory’s procurement plans were ambitious to say the least and, once realized, provided more consistency, an easy-to-use process and addressed the complete procure-to-pay cycle.

"The e-procurement system automated the entire process, eliminating the error-prone 'invoice-the-university' practice. And it automatically matches the invoice with the purchase order, issuing an alert if there's a problem," says King.

There are a number of ways that Emory's Procurement Services is measuring its success, King says. Asking and digging out answers to these questions can help determine how well a procurement process is working:

- **How much of the university's business is electronic?** In other words, how many invoices and payments are now processed electronically compared to the manual processes that used to be in place?
- **How many vendors does the college still write checks to, and where can improvements be made?** Related to this is the number of purchase orders processed.

At Emory, prior to being fully automated to the e-procurement system, approximately 18,000 purchase orders were processed annually (which included significant manual data entry), according to King. Today, more than 140,000 purchase orders and 230,000 invoices are processed annually via Emory Express, "creating new levels of efficiency through the elimination of manual processes, and helping to avoid the type of maverick, off-contract spending that occurs when purchases are made outside of the e-procurement system," King says.

- **How much spending is being driven to preferred suppliers and is there an opportunity to drive further savings?** "Whereas, in the past, there was no effective way to ensure spending was being driven to contracted suppliers," says King, "e-procurement has empowered a new level of compliance, tracking and visibility."

Another indicator of success has been the numerous comments made by many of Emory's suppliers that the system in place makes doing business with Emory much more efficient. King says she actually has suppliers coming to her asking how they can become a part of Emory Express.

As a top research university, Emory purchases lab equipment, instrumentation, chemicals and supplies. Kris Schoolfield, director for Fisher Scientific, is responsible for the Emory/Fisher contract and interfaces daily with her sales team at Emory to ensure that the company meets its contract commitments. On a weekly basis, she talks with Emory purchasing to resolve any issues and work toward maintaining a successful contract for both sides.

Before e-procurement and online "punch out" (moving transparently from a buyer's procurement app to a vendor's web storefront), purchase options were provided via glossy, paper-based or web-based catalogs. "The punch out solution is much easier to maintain than a hosted catalog," says Schoolfield. "It provides real-time data, pricing and availability." This approach to purchasing offers other benefits as well, says Schoolfield, including the following:

- The customer can see the correct price immediately, without waiting for a catalog update to be reviewed and approved.
- Better descriptions and pictures for the product are available via punch out.
- Punch out shows whether a product is in stock and what warehouse it's shipping from.

Another key benefit is that frustrated shoppers don't have to call the procurement department to determine where they can buy. They simply use the system and it's all taken care of, a wholly different atmosphere than before. "Procurement and finance teams can now be proactive instead of

reactive," says SciQuest's Hepner. The accounts payable team isn't bogged down with manually keying invoices, and procurement can negotiate contracts they know the campus will use.

Customer Focus

An important result of Emory's procurement upgrade has been what King calls an incredible improvement in the university's customer relationships. In the past, when someone didn't receive a product on time or there was a problem with approvals, procurement was immediately singled out, because of its gatekeeper role in the process, King says.

"This us vs. them mentality is changing thanks to the transparency provided by Emory Express. It's facilitated a new level of communication and respect between procurement services and its customers," she continues.

With the majority of spending being driven through Emory Express, procurement services now has the visibility, down to the line-item detail, required to manage how money is being spent and to drive savings.

Above and beyond cost savings are the improvements that the procurement team has affected at Emory, says King. "The majority of spending is now under management, an enormous improvement from just a few short years ago when 75 percent of spending went unmanaged."

In total, more than \$190 million is processed through Emory Express annually. "The right processes, committees and communications are in place to ensure that customers are empowered to do their jobs and support Emory's commitment to excellence as an internationally recognized liberal arts college and research university," King says. ■

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