

Strategic Planning for Procurement

Setting a Foundation for E-Procurement at Notre Dame

by James Cope

Heading into his third year as Assistant Vice President of Procurement Services at the University of Notre Dame, Tim Gibney now realizes how fortunate he was to have revamped procurement processes in other settings prior to joining the world-class Catholic institution. He describes the project as his “second time to have a ‘once-in-a life-time opportunity’ to work with a department and create it anew.” Leading the renovation of Notre Dame’s procurement processes and building a team to fast-track e-Procurement has been for Gibney an opportunity to again leverage his consulting experience and knowledge of leading procurement practices to effect change.

The decision to examine and subsequently replace the fragmented purchasing process with leading purchasing practices and the e-procurement initiative was spurred by a study conducted by consulting firm McKinsey & Co. beginning in 2000. Fr. Timothy Scully, CSC, former Executive Vice President of Notre Dame requested the study to better understand University purchasing, says Ben Mathews, a McKinsey Engagement Manager and one of the consulting firm’s primary contacts with Notre Dame. Scully along with Jim Lyphout, Vice President for Business Operations, recognized that Notre Dame like most other universities was facing diminishing returns on endowments as a result of the economic downturn. Finding new ways to improve business practices would save money, ultimately making additional funds available for other needs.

There has to be an easier way

“The first insight we had (from the study),” says Mathews, “was a pretty big opportunity to rethink the way Notre Dame was approaching purchasing.” Colleges and departments

within Notre Dame had different purchasing methods. Moreover, Mathews notes, “Procurement was phone and paper intense and there was minimal aggregation of purchasing through contracted sources.”

Based on McKinsey’s recommendations, a Notre Dame steering committee recommended creating a new post, Assistant Vice President of Procurement Services charged with driving costs down and implementing leading procurement practices. Notre Dame chose Gibney to fill the new job starting in May 2001.

Building the team

Gibney’s first order of business was building a team that would facilitate a strategic approach to procurement. “The existing procurement organization was good at processing transactions, but it lacked experience in searching for preferred contract suppliers,” Gibney says.

Gibney took talent already there and added very talented people who would have an immediate impact in helping Notre Dame through the change. He also aligned his departmental needs with the knowledge pool at Notre Dame’s Mendoza College of Business. That resulted in identifying MBA students with real-world business experience who would work as interns. In fact, the use of this “learning laboratory” for the MBA students and the opportunity to create new processes and implement an e-procurement system provided Gibney with a feeder-system for new hires. The first two MBA interns are now full-time Procurement Services employees and the MBA intern program continues to provide additional talent to the department.

Dan Traub, one of those interns had been an Engagement Manager at the consulting firm of Cap Gemini Ernst & Young before entering the MBA program at Notre Dame.

Traub, upon completing his MBA, moved from part-time intern to full-time Director of Procurement Systems. In May 2002, Gibney assigned Traub to manage Notre Dame’s e-procurement project.

The other MBA intern was Vaibhav Agarwal, who transitioned from intern to Procurement Systems Senior Analyst. He brought with him IT consulting experience and a background in hands-on application development. That corporate experience coupled with Agarwal's business process knowledge gained through his MBA gave Gibney a formidable resource that would help integrate vendor e-procurement capabilities to the SciQuest/HigherMarket system.

Kevin Kessinger, CPA and MBA candidate, who was a Senior Auditor, joined the department as its Business Manager. His charge was to supervise the MBA interns and provide data analysis, quality assurance/control, and planning in addition to normal budgeting duties. "That has made a tremendous difference", says Gibney, "because the analysis supports procurement specialists in planning and designing their initiatives, which is all tied back to the aggregation of spend."

Gibney asked Procurement Specialists to think and act beyond previous expectations to become what he terms "mini-project managers," responsible for **planning** (understanding the need), **designing** (RFP development), **implementing** (award & contract implementation across campus) and **managing** (contract management) a specific targeted spend.

For example, Gibney had professionals like Nancy Fulcher, who had never initiated requests for proposals, follow this process to make an immediate impact to aggregate spend in direct support of the blueprint created by McKinsey.

Fulcher, a Procurement Specialist, sent an RFP to eight vendors of office supplies toward the first of November 2001. As the proposals came in, Fulcher moved forward to build consensus among Notre Dame's customers on the value of aggregating purchases through a preferred contract vendor.

She set up focus groups comprised of representatives from Notre Dame's major colleges and business units who helped evaluate the vendor proposals based on predetermined criteria, including next-day delivery to the customer's desktop and the ability to accommodate on-line ordering.

After many discussions and vendor presentations to the focus group, Procurement Services signed a contract with Office Depot Inc. in May 2002. "Office Depot comprised 20% of our business in May. Today, over 80% of the orders for office supplies now go to this preferred provider," Fulcher says, noting "Office Depot has been able to provide next-day delivery directly to customers throughout the Notre Dame campus at a lower cost."

Laying the foundation for an e-procurement fast track

Before Traub and Gibney arrived at Notre Dame, a steering committee made up of high-ranking University officials, representatives of Notre Dame's Office of Information Technologies and McKinsey & Co. consultants concluded that it would be faster and more cost effective to contract with an outside e-procurement application service provider (ASP) than to launch a complete system in house.

The group issued Requests for Information (RFIs) and then Gibney assigned Fulcher the duty of managing the subsequent RFP to elicit proposals from ASPs and systems integrators with the intent of implementing the system within a six-month time frame. From the proposals submitted, the steering committee selected San Francisco-based HigherMarkets, Inc., now a business unit of SciQuest, Inc., as the application service provider (ASP) and IBM to provide system integration assistance.

With each contract negotiation finalized, the team began to put the e-Procurement project in motion.

Traub quickly assembled a Core Team of subject-matter experts from different areas of the University who had a passion for improvement and who were enabled to make

decisions quickly. Core Team members included individuals from the Controller's Group and Office of Information Technologies (OIT) as well as from Procurement Services. He wanted to focus on what his University customers wanted, but within the context of what was reasonable and doable.

Other resources were falling into place, too.

Key OIT resources were provided as a result of the support provided to Procurement Services by CIO Gordon Wishon. A direct report to Wishon was Program Manager for Strategic Systems, Bill Bosler, who acted as liaison and insured that IT resources were provided as needed. Mike Geglio, Manager of Application Support for Financial Systems, provided the necessary historical perspective and knowledge about the current financial system. This was essential since the Core Team made the decision to not use the procurement card as the payment method, but instead agreed to integrate the HigherMarkets system into our current financial system.

Make mine vanilla, please

“E-procurement technology is infinitely flexible and customizable,” Agarwal says, which he notes, “is ultimately a benefit in refining and adding new functionality to an existing e-procurement system.”

But in the early stages of a program, it is often best to stick to a “plain vanilla” solution or the project can become bogged down in customization. Traub constantly challenged the team to stay true to the “vanilla approach”, making decisions to adapt the business to the software, not the other way around.

Still, fast-tracking a complex solution like e-procurement involves what appear to be conflicting goals: to serve the needs of the customer and simultaneously limit customer choices.

To navigate this conundrum, Procurement Services created a project team of subject matter experts made up of University departmental representatives and consultants from IBM and HigherMarkets. Selection of IBM as the prime contractor and systems integrator working with HigherMarkets provided a comfort level among University constituents. “Combining consultants and Notre Dame experts on the same team proved to be powerful and effective in determining what the initial e-procurement implementation would do and what it would not do,” Gibney says.

The group determined, to web enable Office Depot, Newark Electronics, Fisher Scientific and Sigma Aldrich in the first iteration of e-procurement. That made sense because all areas of the University ordered office supplies and the other suppliers would be used by the College of Engineering, Notre Dame’s first implementation.

Traub and Gibney agreed that the end user experience should be as simple as possible; they boiled down the process to three areas: provide a positive shopping experience, provide on-line requisition submission/approval (with workflow) and provide on-line receiving.

Automation of workflow is a major component in the system, and has proven itself as a major customer benefit as well, Gibney says. The HigherMarkets system enables departmental managers to specify by user who can initiate purchases, who can approve them and at what dollar levels. For example, requisitions for research products can be automatically routed to principle investigators, risk management and fund accounting. Customers can track approval progress at any time during the process. “One recent research transaction went from requisitioning through approval to order placement in about 30 minutes,” Gibney says.

Going live

Six weeks before going live in November 2002, the e-procurement project team met weekly with a group of early adopters that among others included the College of Engineering, Human Resources, and the Controller's Group.

The early adopters, says Traub, helped the project team drive to a campus baseline, which established common business processes based on business requirements and user feedback.

Strong relationships with campus leaders made a huge difference, such as that with Robert Cunningham, Director of Budget and Operations in the College of Engineering and one of the members of the original e-procurement steering committee. When issues arose during development, Traub could count on the Engineering's early adopters to stay focused on the end goal.

Moving forward

Agarwal says, while Notre Dame Procurement Services is working to Web-enable additional vendor contracts, a lack of e-procurement standards and the technical limitations of some vendors pose ongoing challenges. Enabling a vendor requires detailed analysis of their systems and an understanding of any technical limitations, he explains. That requires answers to a lot of questions: Does the vendor, for example, offer personalized features in their catalog? Is sending order confirmations possible? How do users interact if there is exception processing? Does the vendor have electronic invoicing capabilities?

Resolving the technical issues and providing the same functionality across disparate order processing systems may not always be possible in the near term or to the degree that the customer would prefer. But Notre Dame Procurement Services found it is possible with a strong commitment to make changes from executive management, a compelling ROI business case, and the decision to use an ASP model and "vanilla approach" to be able to

quickly launch a functioning e-procurement program that, after only a few months, is streamlining the purchasing process.

Jam Sessions

Some members of the e-procurement project team were familiar with the project management disciplines; others were not. Moreover, the HigherMarkets developers and systems analysts were located in three different cities, Raleigh, N.C., San Francisco and Philadelphia. The IBM systems integrators worked both on and off site. To accommodate the various levels of project management experience and geographic dispersion, the project team relied on teleconferencing, project management tools from Seattle-based eProject, Inc. and an innovative meeting style.

Traub established weekly meetings to enhance communications and called them Jam Sessions, a name that brought home the concept that everyone on the team was a player.

Every Jam Session followed the same agenda:

- Victories
- Education
- Plans
- Problems, concerns, questions

That regular format provided a familiar framework and a resulting sense of stability in a frenzied atmosphere where people worked odd and long hours.

“We didn’t rehash problems of the past week; we looked forward,” Traub says. Every effort was made to think tactically about the week ahead and strategically beyond that. Traub says the meetings involved constant education on terminology and how an individual’s work would fit into the project plan.

Even now, what the project team learns they teach to their customers through an ongoing user training and feedback program.

About the author

James Cope is the Communications Administrator in the Office of Information Technologies at Notre Dame. Prior to joining Notre Dame late last year, Cope was a Senior Writer at the IT publication *Computerworld* in Framingham, Mass. He also was a freelance writer for several years. In addition to *Computerworld*, Cope's articles have appeared in *Network World*, *Smart Computing*, *Inc. Technology*, *American City and County* and others. Cope served in both creative and account management positions at several advertising and public relations agencies. He is the author of *Y2K: Lessons Learned from World-Class Companies*, published by Macmillan in 1999. Cope is a graduate of the University of Kansas, and he served as a commissioned officer in the U.S. Navy specializing in communications.