## Purchasing Process Improvement

### STAGE Concept

<table>
<thead>
<tr>
<th>Primary Contact</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brian O'Connor</td>
<td><a href="mailto:brian.oconnor@montana.edu">brian.oconnor@montana.edu</a></td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Title/Department</th>
<th>Phone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchasing Director</td>
<td>(406) 994-5016</td>
</tr>
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</table>

### Problem Statement

The OpenMSU Service Provider Survey indicates dissatisfaction with purchases that flow through the central office in 3 categories: paper-based systems; compliance-driven rather than value-add; personnel issues. A 100% turnover presents an opportunity to address both process and organizational issues.

### Proposed Solution

Hold a purchasing summit to collaborate on purchasing processes and organizational structure, including appropriate level of support staff. Implement electronic workflow processes to alleviate paper-based delays. Implement more collaborative shared purchasing contracts.

### Key Performance Indicators or Outcome Measures

- Reduced time to approve a purchase
- Employee satisfaction with ease of use
- Increased savings from collaborative purchasing.

### General Time & Effort Required

SMALL-MEDIUM. Dependent on Doc Mgt and Workflow. Exact figures to be determined upon Concept clearance. Moderate implementation and training on new software. Limited communication and adoption management within the Purchasing Department and distributed purchasing on campus.

### Alternative Solutions

Hire an external consultant to evaluate processes and recommend solutions.

### Alignment

**Data Support**
- Surveys
- Focus Groups
- Professional Expertise

**Initiative Objectives**
- Operational Efficiency
- Employee Satisfaction

**Departments Served**
- Academic Depts
- IT Central
- Purchasing Central
- Sponsored Programs

**Constituents Served**
- Service Users
- Service Providers

**Problems Addressed**
- Paper process
- Redundancy
- Customer service
- Staff expertise
- Central/Dist model
- Lack of integration
- Staff capacity
- Allocation/prioritization
- Comm/Coord
- Compensation

**Processes / Services Addressed**
- HR Recruiting
- Purchasing
- IT Support
- Sponsored Programs
- Web Dev & Content

### Cost-Effectiveness

**DISCLAIMER:** This solution requires minimal time and effort by staff, cost-benefit analysis was not conducted.

<table>
<thead>
<tr>
<th>Upfront Real Cost</th>
<th>$</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Ongoing Annual Cost</td>
<td>$</td>
<td>-</td>
</tr>
<tr>
<td>Benefits</td>
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<td>Estimated New Net $</td>
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### Comments and Recommendations

<table>
<thead>
<tr>
<th>Alignment Rating</th>
<th>Cost-Effectiveness Rating</th>
<th>Probability of Success Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>0%</td>
<td>0%</td>
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Purchasing Process Improvement

<table>
<thead>
<tr>
<th>REF</th>
<th>CATEGORY</th>
<th>FACTOR</th>
<th>METRIC</th>
<th>VALUE</th>
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</thead>
<tbody>
<tr>
<td>A.1</td>
<td>Institutional:</td>
<td>Mission</td>
<td>Outcome aligns directly to support of MSU discovery, creativity, service mission.</td>
<td>0</td>
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<tr>
<td>A.2</td>
<td>Initiative:</td>
<td>Increased efficiency</td>
<td>Outcome results in optimized process, productivity, and throughput.</td>
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<tr>
<td>A.3</td>
<td>Initiative:</td>
<td>Improved satisfaction</td>
<td>Outcome results in improved employee job satisfaction.</td>
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<tr>
<td>A.4</td>
<td>Scope:</td>
<td>Horizontal problems</td>
<td>Outcome addresses all the identified horizontal problems of the organization</td>
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</tr>
<tr>
<td>A.5</td>
<td>Scope:</td>
<td>Processes/services</td>
<td>Outcome addresses all the identified process or service problems</td>
<td>0</td>
</tr>
<tr>
<td>A.6</td>
<td>Scope:</td>
<td>Functional areas</td>
<td>Outcome addresses all of the functional area departments in the initiative scope</td>
<td>0</td>
</tr>
<tr>
<td>A.7</td>
<td>Constituents:</td>
<td>Constituent reach</td>
<td>Outcome directly addresses deepest identified constituent needs.</td>
<td>0</td>
</tr>
<tr>
<td>A.8</td>
<td>Constituents:</td>
<td>Constituent span</td>
<td>Outcome directly addresses needs of the widest number of constituents.</td>
<td>0</td>
</tr>
</tbody>
</table>

**Cost-Effectiveness**

| C.1 | Cost: | Ongoing | Ongoing cost is minimal or none. | 0 |
| C.2 | Cost: | Upfront | Upfront cost is minimal or none. | 0 |
| C.3 | Fiscal: | Cost Savings | Outcome reduces cash outflow. | 0 |
| C.4 | Functional: | Time Savings | Outcome reduces time on process. | 0 |
| C.5 | Opportunity: | Resource Availability | Necessary FTE and other resources are available and underutilized. | 0 |
| C.6 | Opportunity: | Alternatives Availability | Time & effort cannot be better spent on any possible alternative. | 0 |

**Probability of Success**

| P.1 | Institutional: | Critical Success Factors | CSFs are achievable with a high probability of occurring easily. | 0 |
| P.2 | Institutional: | Funding Availability | Upright and ongoing funding is sufficient for the life of the project. | 0 |
| P.3 | Institutional: | Cultural willingness | The institutional culture is ready and willing to adopt this solution over alternatives. | 0 |
| P.4 | Planning: | Training | Training needed is minimal and has been adequately planned for. | 0 |
| P.5 | Planning: | Measurement | Outcome performance is measurable and will be reported. | 0 |
| P.6 | Planning: | Stakeholders | Stakeholders are identified; expectations are reasonable and manageable. | 0 |
| P.7 | Scope: | Complexity | Complexity is minimal; scope is defined and manageable. | 0 |
| P.8 | Sustainability: | Ongoing Support | Ongoing support needed is minimal or readily available at low cost. | 0 |
OpenMSU Objectives Addressed

- **Reduce cycle times** - reduce time for purchasing processes.
- **Coordinate activities** - implement processes that improve coordination between central and distributed service providers.
- **Increase capacity** - implement processes that take less service provider time to create additional service provider capacity.
- **Improve service provider satisfaction** - meet campus demand for improved purchasing processes.
- **Improve service customer satisfaction** - meet campus demand for improved purchasing processes.

Supporting Data

- In response to the OpenMSU Service Provider Survey:
  - 7% of responses (32 comments) commented that purchasing processes were activities that took significantly longer than they should at MSU. This was the third most comments for any activity in response to this question.
  - 4% of responses (15 comments) commented that purchasing processes were the most critical processes to change and/or streamline at MSU. This was the fifth most comments for any process in response to this question.
- In response to the OpenMSU Service Customer Survey, 21 out of 80 process overall (take too long, too difficult, duplicate effort, paper/manual) themed comments were about the purchasing function.
- Purchasing at MSU is fragmented across about 11,400 vendors with spending of about $8,800 per vendor. According to UC Berkeley's Operational Excellence Diagnostic Report, an external benchmark for university purchasing functions is 6,000 vendors with spending of about $140,000 per vendor.

Detailed Problem Statement

According to the OpenMSU surveys, there is significant campus demand for improved purchasing processes.

There are two separate and distinct avenues for purchasing at MSU—those purchases that need to be approved by the central Purchasing Department and those that do not.

Concerns voiced by in the OpenMSU Service Provider Survey indicate dissatisfaction with purchases that flow through the central office in three main areas:

- Paper-based systems that lend themselves to version control issues, lost paperwork, lack of timeliness and inefficiency in general.
- The Purchasing Departments is perceived as only a compliance office instead of a value-added office because of state guidelines that do not always align with the goals that MSU is looking to achieve.
- Personnel and staffing issues, including difficulty interpreting varying levels of regulation (state law, policy, procedure, and preference).
100% turnover in Purchasing Department staff presents the opportunity for a fresh perspective.

Furthermore, the large number of vendors that MSU uses (as can be seen in the supporting data section) is due to the decentralized nature of purchasing at MSU and is beyond the control of the Purchasing Department. This large number of vendors leads to inefficiencies such as time spent by MSU employees shopping for commonly purchased goods from multiple vendors and missed opportunities for university-wide, best priced strategic vendor contracts.

**Detailed Solution Statement**

Assign a cross-functional project team to assess and design new purchasing processes, prior to investigating opportunities for more university-wide strategic purchasing.

- Hold a purchasing summit to better identify the concerns of campus and collaborate on new purchasing processes and organizational structure, including appropriate level of support staff.
- Implement electronic workflow processes to alleviate delays caused by paper-based processes.
- Investigate a purchasing workflow module or alternative software to support the process.
- As a secondary phase, investigate more university-wide strategic purchasing to decrease the number of vendors used for similar purchases through tactics such as making better use of purchasing cooperatives and master contracts.

**Alternative solutions**

- Implement an e-procurement solution such as SciQuest prior to process evaluation. Emory University has realized a 6-to-1 return on its investment in SciQuest’s procurement automation software. It found that of the savings realized, approximately 45% was driven from process efficiencies and 55% from negotiated discounts and contract compliance.

- Other ideas for improving purchasing can be found on the UC Berkeley Operational Excellence site at: [http://oe.berkeley.edu/dpreports/documents/P_BusCase_050211_v11.pdf](http://oe.berkeley.edu/dpreports/documents/P_BusCase_050211_v11.pdf)

**Cost-Benefit Analysis**

A cost-benefit analysis was not conducted for the primary solution because the project is less defined and therefore not quantifiable. The primary solution involves minimal time and effort of purchasing staff both central and distributed.

A cost-benefit analysis was conducted for the secondary phase e-procurement solution.