Iowa Board of Regents

Iowa State University
University of Iowa
University of Northern Iowa

Final Deliverable
July 21, 2015
Index

- Project Overview
- Our Approach
- Industry Perspectives
- Savings Opportunities
- Procurement Transformation
  - Current State
  - Culture, Philosophies, and Purpose
  - Technology
  - Organization
  - Policy
Objective and Scope

Iowa Board of Regents Objective

Analyze and provide recommendations for the sourcing and procurement functions at the University of Iowa, Iowa State University and University of Northern Iowa, consistent with the overall Board of Regents mission and strategy to achieve additional fund reductions and reallocations by consolidating spend across all three institutions to maximize contract savings.

Project Scope

- Analyze and validate potential cost savings by specific categories. Compare pricing to current benchmarks. Explain, in detail, the strategies that could be used to realize additional savings through strategic sourcing processes specific to each spend category. Recommendations to include specific requirements for standardization opportunities, vendor consolidation, master agreements, and contract compliance, as well as address positive and negative impacts on faculty, staff and students.

- Analyze current procurement policies (institutional and Board), make recommendations for policy changes to enable successful sourcing strategies and best procurement practices to achieve maximum net savings.

- Assess current procurement operations, staffing and utilized technology to provide recommendations for the creation of a more efficient and cost effective sourcing and procurement operation.
Create a final report and transformation roadmap including:

- actionable recommendations for policy, process, organizational and technological change;
- communications plan to support the findings and recommendations;
- measurement process and templates for tracking performance improvements;

Provide detailed business cases for 7 mutually agreed upon commodity areas (Office Supplies, Desktops/Laptops, MRO, Janitorial, IT Peripherals, Scientific Supplies and Prime Food Vendor) including the following components:

- Conduct current state and pricing level analysis for all three institutions;
- Benchmark current pricing level against market and Huron experiences;
- Identify cost savings opportunities;
- Develop action plan and timeline for achievement of cost savings, including quick wins, mid-term and long-term actions;
- Determine preferred sourcing approach for each assessed category, as well as key risks and considerations associated with the strategies;
- Determine key service and other non-cost factors that are important to the Iowa institutions;
- Compile a summary of key change management items that would contribute to or hinder implementation success;
- Develop communication plans, metrics and measurement to capture benefits; and
- Identify procurement best practices applicable for each assessed category.

Develop a high level assessment for 3 additional commodity areas (Travel, Audio/Visual, MFDs)
- Present final report onsite to the Board and other constituents; and
- Facilitate workshop(s) to support knowledge transfer to project stakeholders.

Gather Info
Best Practices Identification & Develop Recommendations and Roadmap
Present Final Deliverable
Our Approach

Guiding Principles

**Collaborative Approach:** Huron works collaboratively with the client team throughout the engagement to understand the client’s history, unique environment, and key objectives in order to create actionable recommendations to maximize savings and efficiencies.

**Total Cost Reduction Focused:** Our primary focus is reducing the total cost of goods and services to our client by examining all cost drivers and exploring pricing improvements, demand management, product substitution, process improvement, contract compliance, category management, and knowledge transfer.

**Conduct Fact Based Analyses:** Huron’s recommendations are validated by our experience, data analysis and benchmarking.

**Maintain or Enhance Quality:** Opportunities for improvement are identified with consideration of the current standard of service and quality.

**Facilitate Behavior Change:** By understanding our client’s situation and needs, we are able to develop solutions that positively impact the institution.

**Incorporate Strategic Sourcing with Broader Procurement Operations:** Huron will incorporate strategic sourcing objectives with general procurement operations such as category management strategies, policies and procedures, procurement processes and technology utilization to maximize and sustain benefits.

**Strengthen Relationships:** Throughout the engagement efforts, our client will enhance their relationships with customers and suppliers by focusing on open communication and relationship building with key stakeholders.
Industry Perspectives
Office Related Products

The Office Related Products (ORP) market share is highly commoditized and competitive including national, regional, local and online distributors. The industry covers a wide array of supplies, copy paper, toner, and other products.

- The ORP space is highly competitive and is becoming a very consolidated marketplace through recent mergers
  - OfficeDepot acquired OfficeMax and Staples is in the process of acquiring OfficeDepot
  - Non-contract maverick spend can be high as end users seek out short term bargain deals from Walmart, Amazon, etc.
- All suppliers offer similar products and services including office supplies, technology products, cleaning and break-room supplies and office furniture under various brands
  - Sales of traditional office supply products have been in decline for the past decade plus, as a result suppliers are increasingly pushing non-traditional products and services such as printing, technology products, janitorial supplies, etc., in an attempt to diversity and sustain business viability
- Major distributors emphasize the value of long-term formalized business relationships
  - Upfront and ongoing financial incentives are often available to establish long-term strategic or preferred relationships
- Various contract structures are available based on customer spending and needs. Industry standard structure consists of two major components:
  - Core List Pricing: A list of customized and aggressively priced items for high spend and high quantity items
  - Category Discount: Range of discounts off list prices for non-core product purchases
- Organizations can employ demand management in conjunction with strategic sourcing efforts to maximize savings potential; for example, reduce the varieties of total SKUs purchased, especially for non-core list items
Industry Perspectives

Desksops / Laptops

The personal computer market is a highly competitive landscape; spend within higher education is typically concentrated among a few vendors: Dell, HP, and Lenovo.

- The PC market is has become consolidated through mergers and acquisitions
  - Dell, HP and Lenovo are the major manufacturers in the market
  - Lenovo recently overtook HP in 2013 to claim the largest PC market share, by a fraction, in the global market
  - Desktops and laptops can also be purchased through major national IT distributors such as CDW-G and GovConnection
  - Typical PC lifecycles span 3 to 5 years; most Higher Education institutions employ a 4 year PC lifecycle

- Continuous cycle of commoditization and technology improvements creates challenges in contract optimization
  - New and improved technology, frequently introduced into the market, often carries a pricing premium during initial release

- Pricing for computer hardware products is driven by several key factors; vendors place high value on long-term preferred / primary status contract relationships
  - Standardization: bundled configurations provide deep discounts to universities; many universities have developed preferred supplier relationships that offer standard/bundled configurations for specific products
  - Product configuration and customization: premium pricing for component upgrades
  - Volume: buying in bulk provides leverage in pricing negotiations

- Apple, a higher cost option compared to PCs, has seen an increase in end user preference on college campuses among students, faculties, and staff members, especially for their iPad line of products
The IT peripheral industry is a commoditized market consisting of many traditional and online only distributors that enable easy access to computer components, accessories, and office equipment to end users.

- Primary national distributors servicing higher education include CDW-G and GovConnection, both offering a broad selection of products, including peripherals, computers, enterprise products, software, office equipment, etc.
- Equipment and supplies are also purchased from manufacturers directly such as Dell, HP, etc.
- Due to the diverse types of products and brand selections, maverick spend outside of main contracted vendors is common in this category, often through suppliers such as Amazon, Best Buy, TigerDirect, Newegg, etc.
  - Small peripherals, accessories, and equipment such as toner, printers, keyboards, etc. are also purchased through office supplies vendors
- IT peripherals is a commoditized industry in which major vendors are capable of offering similar contract structures, products, pricing, and services
  - Most IT peripheral suppliers offer a contract structure of either a discount off list/retail price or a markup based on product categories
The janitorial supplies commodity consists of many product subcategories including janitorial towels, toilet tissues, soaps, cleaning chemicals, floor care products, waste cans and liners, and other cleaning related supplies.

- The janitorial supplies market is fairly consolidated yet still competitive, with few manufacturers and many distributors at the national, regional, and local level
  - Major manufacturers include Kimberly Clark, Georgia Pacific, Rubbermaid, 3M, Diversey, Spartan, etc.
- Pricing for major subcategories are dependent on commodity pricing including the paper index for towels and tissue products and petroleum pricing for waste liner costs
- Large manufacturers try to decommodify their products by introducing unique / proprietary product sizes, dispensing systems, and through product branding
  - Distributors and manufacturers are often willing to negotiate on dispensers and installation costs with the objective of getting the customers to purchase the same brand name and lines of proprietary products over longer term
- Demand for Green cleaning has increased dramatically over the past few decades and all major manufacturers have their own Green product line(s) or offerings with GreenSeal and Design for the Environment Program (DfE), an EPA program, being the most prominent Green labeling programs in janitorial supplies
  - Green cleaning refers to cleaning methods and products with environmentally friendly ingredients, such as recycled materials and less toxic chemicals, designed to preserve human health and environmental quality
- Utilization of custodial workforce optimization software is also on the rise, often offered by major manufacturers, that combines (proprietary) product utilization and training, with workforce scheduling, cost estimation, performance tracking, reporting, etc., for more visibility and control over the entire janitorial operation
  - Examples include Game Plan (Diversey), CompuClean (Spartan), CCAP (Hillyard)
Industry Perspectives
Maintenance, Repair, & Operations

The Maintenance, Repair, & Operations (MRO) products market is a highly fragmented landscape; spend within higher education is typically spread out amongst a large number of vendors.

- MRO is a compilation of product lines related to campus maintenance that are predominantly purchased by the facilities and housing departments; including product categories such as plumbing, electrical, HVAC, etc.
- No single distributor dominates the industry or has significant pricing power; the largest American companies: Grainger, MSC Industrial Direct, HD Supply, and Fastenal each have market shares less than 8% and all distribute a broad array of products by numerous manufacturers.
- The market is fragmented with high product proliferation in university consumption; spend is typically split between large distributors and many local and specialty suppliers.
- Higher education buildings range in age, making it especially difficult to standardize MRO products.
- Utilization of cooperative and consortium contracts for MRO are common within higher education institutions including ones by WSCA and E&I, as well as State agreements.
- As of 2014, Grainger ranks as the 3rd largest MRO Products company in the world; it typically has the largest presence, out of all MRO Products vendors, on higher education campuses as a primary distributor for general products.
- The nature of the area is much larger than the product itself; there are servicing, tracking, storage components, and overall maintenance operations that make this a complex area.

Source: 2014 Industrial Distribution report
Industry Perspectives
Scientific Supplies

The scientific supplies commodity area has continued to consolidate over the past decades, as major distributors continue to acquire and merge with competitors and complementary suppliers.

- National and regional scientific distributors generally carry a large selection of product SKUs by a wide range of manufacturers
- Market dominated primarily by Fisher, especially after its acquisition of Life Technologies in 2014; VWR offers the second largest product offering in the industry
- Fisher and VWR both strive to obtain Primary / Preferred status on campuses
  - While spend consolidation generates greater cost savings and overall benefits, many universities are hesitant to leverage too much spend with one distributor, due to a perceived fear of decreasing competition
  - Additionally, exclusive agreements across the entire scientific/lab category generally do not provide the flexibility and coverage to meet all research needs
- Long term agreements are highly valued by vendors
  - Fisher and VWR are increasingly encouraging universities to drive more spend to the preferred supplier, including asking to be the only distributor with an eProcurement punch-out, having the opportunity to review pricing on equipment provided by other vendors, etc.
- Niche suppliers / manufacturers successfully captures researcher spend and loyalty through often highly differentiated proprietary products and cutting edge solutions
- Other elements in addition to pricing are also important to optimize in a preferred agreement such as financial incentives, shipping terms, storeroom / freezer programs, etc.
Industry Perspectives
Prime Food

The prime food industry is a volatile market with merger and acquisition activity reducing competition and ever-changing supply and demand levels fluctuating the costs of food.

- The food distribution market includes some national broad line distributors such as Sysco, Martin Brothers, and Gordon Food Service, as well as a large number of small, specialty distributors for items such as free range chicken, local products, organic foods, etc.
- Sysco proposed merger with US Foods in 2014, but is currently undergoing court proceedings to challenge the proposed merger. According to the FTC, these two companies would control 75% of the national market and will leave restaurants and businesses with higher food costs and limited distributor choices
- The Higher Education sector employs various models of food distribution, with some schools using a prime food vendor and others choosing to outsource the dining function or purchase directly from a multitude of sources
- Leveraging a prime food vendor is considered by the food industry to be a top cost-savings method, however additional concepts like recipe costing cards, menu engineering, and maintaining waste sheets are also critical concepts in managing food costs
- Prime food vendor contracts are structured in a variety of ways including cost-plus, net priced, and market-pricing. Varying contract structures make it difficult to compare pricing
- Industry standard commitments to prime food distributors is typically between 80-90% of food purchased through the prime food vendor
- There has been and continues to be a spotlight on sustainability in the food industry, with the National Restaurant Association’s 2015 Restaurant Industry Forecast Report indicating that, “46 percent of all consumers said they would dine at a restaurant offering sustainable or organic food and more than half of respondents ages 18 to 24 said they look to frequent restaurants that practice sustainability*
Industry Perspectives

Travel

Visibility into true travel spend is often a challenge for many universities as a large portion of travel spend is usually hidden under travel and expense reimbursement and does not go through the appropriate travel booking channels.

- Many higher education institutions do not have any formalized travel management program nor strategically negotiated vendor contracts; generally university travelers are at liberty to book their own travel through their sources of preference, either for perceived cost reasons, habit, ease of use, or a combination of these.

- Universities are beginning to manage all components of travel including policy, compliance, technology utilization, approvals, sourcing, expense processes, and data analysis/reporting.

- Leading universities have also begun to adopt an “end-to-end” travel management concept where all process components from travel request to reimbursement payments are joined together in one system or tightly integrated systems and processes, to optimize customer services, ease of use, contract and policy compliance, duty of care, and cost savings.

- Strategic sourcing efforts will be more successful within a more mature travel program where spend can be effectively directed to the preferred vendor to achieve spend concentration and visibility.

Illustration of a Fully Integrated End-to-End T&E Program

- Steps 2, 5, and 6 impact strategic sourcing efforts related to travel.
Multifunctional devices (MFDs) and managed print is a complex and competitive area with various key components, including: equipment selection, financing, fleet maintenance and repair, reporting, and usage management.

- The copiers / MFDs market consists of international manufacturers, and national, regional and local distributors, often capable of distributing equipment from more than one manufacturer.
- The “Big 4” copier / MFD manufacturers, Canon, Ricoh, Xerox, and Konica Minolta, dominate the office equipment market, accounting for over 80% of market share combined; HP and Brother are key players in the monochrome device market; other prominent manufacturers include Toshiba, Sharp, and Kyocera.
- The market has been suffering a slight decline in recent years due to a decrease in demand.
- When managed well, a fleet of multifunctional devices can help the university consolidate and direct document output traffic, eliminate unnecessary individual machines, and reduce the institution’s carbon footprint.
- A multitude of cost structure options are available in the market, which can make understanding cost drivers / comparing agreements difficult; options include:
  - Equipment Options: purchase, capital lease, operational lease, rental
  - Maintenance Options: monthly minimums, actual usage
  - Other: combined cost per page (CPP) including equipment and service
- Refresh cycle for equipment is usually 36-60 months, or longer if it is purchased upfront.
- There has been an increased interest in “Managed Print Services” which is an all-encompassing solution combining hardware, such as MFDs, with printers and software solutions to provide a complete supplier managed service that covers all document production to generate significant cost savings and reduce overall document output equipment and print volume.
The audio / visual (A/V) industry is a highly segmented market that offers a variety of equipment and services designed to enhance communication, collaboration, and entertainment.

- The A/V industry includes: visual displays, audio reproduction, video and audio recording, production and post production equipment, control systems, interactive displays, audio presentation systems, and miscellaneous items such as cabling, connectors and racks that are used for installation and maintenance purposes
- It currently generates $91 billion annually and is projected to be a $114 billion global industry by 2016, with growth projected at 9.6% annually over the next 5 years*
- Due to the increasing demands of collaboration and communication within and between organizations, government agencies, corporations, along with educational institutions comprise the three largest consumers of audio / visual products and services
- Higher education relies on A/V solutions to incorporate technology in classrooms, enhancing initiatives such as MOOCs, distance learning, hybrid classes, virtual meetings, and webinars
- A/V is a complex area going beyond equipment purchase and repairs, to also include building/classroom planning/design, technology consultation/integration, ongoing maintenance/support, etc, which often cost more than the initial equipment investment
- Various contract structures are available based on consumer needs and requirements. Most A/V contracts include the following major components:
  - Core List Pricing: Customized list of high quantity and high spend items that are aggressively priced
  - Manufacturer Discounts: Range of manufacturer discounts for branded items
  - Service Components: Consulting / planning costs, installation charges, maintenance / repair services, etc.

Source: InfoComm 2014 Global AV Market Definition and Strategy Study
The seven business case areas and three high level assessment areas were selected based on initial spend categorization; the savings opportunity ranges for each category area were defined based on detailed transactional data and contract analysis, and Huron benchmarking based on experience with other similar clients.

While the Regents universities are already benefiting from competitive pricing and incentives in many of the focus areas, experience indicates that additional opportunities can be achieved through collaboration, further spend leverage, and contract and pricing optimization.

Change management, executive support, and category/contract management will be required to achieve the higher end of the savings ranges over time.

To achieve the high end of the identified opportunity ranges, collaboration and joint decision making between Purchasing and key stakeholder groups such as IT, Facilities, Dining Services, Research, and campus key stakeholders is required. BOR and universities’ leadership support is also critical to savings achievement and ongoing realization success.
Maximizing achievable savings for the Regents schools will depend on executive support at the Board and university levels, institutional decisions and willingness to collaborate on contract negotiation, implementing demand management practices and leveraging technology, driving change management appropriately, and revising relevant procurement policies.
Iowa State University

- Leverages a managed service for catalog management: ESM Solutions.
- Has a formal catalog audit in place; this is a best practice to proactively hold suppliers accountable to their contract content and pricing.
- Has good online tutorials and training guides for purchasing tools and offers individual training for these tools.
- Works with non-compliant departments to drive contract utilization.
- Collaborates with state agencies for monthly vendor orientations.
- Updates a savings tracker to document savings on a periodic basis.

University of Iowa

- Leverages a managed service for catalog management: SciQuest.
- Created a “dashboard” program for departments with the intention of driving compliance and operational improvements.
- Has a strategic sourcing function in place.
- Has comprehensive system training guides online.
- Encourages contract utilization through visibility of contracts in PeopleSoft.
- Updates a savings tracker to document savings on a periodic basis.

University of Northern Iowa

- Actively working on standardization of bid and contract templates across the Purchasing team.
- Continuously improving procurement technology (example: iProcurement is coming soon).

Collective

- Regents schools’ Purchasing Directors meet quarterly with each other and other state agencies to identify areas for collaboration and joint negotiation.
- Interviews indicated that the Cultural Insurance Services Incorporated (CISI) negotiation was an example of a successful joint bid across the Regents schools.
- Policies reflect conflict of interest (COI) requirements
## Key Finding

| Campus leadership has different priorities and objectives for their respective Purchasing organizations. |

### Observations

- Leaders at each institution responded to the statement, “Prioritize the following business drivers for Procurement at your institution: cost savings, customer service, process efficiencies, and risk mitigation.” The results are below and indicate a different priority for each institution, and often within an institution, given their University culture, roles and perspectives, maturity in procurement technology and competencies, expectations of campus, inter-relationships between each of these business drivers, etc.
- All leaders agreed that each of these business drivers was a high priority and dependent on the others.

### Bottom Line

- Each of the Regents universities indicated a different priority, which is not inherently bad. Rather, this is indicative of differences in priorities at each of the Regents schools, as well as differences in purposes (i.e. research vs healthcare vs teaching), expectations, cultures, and business needs across each Regents institution. These differences will impact sourcing requirements and outcomes.
- As priorities vary across the Regents schools, so do expectations of outcomes. Huron’s recommendations are based on best practices, taking into consideration the unique priorities, business drivers, cultures, and expectations at each Regents institution.
### Key Finding Observations

| Each Regent institution uses a different financial system and corresponding procurement technologies. |
|---|---|
| **Iowa State University** |
| Uses Kuali Financials as the “backbone” of the encumbrances and payments, however custom interfaces have been developed for requisition workflow and PO creation. |
| ISU currently uses the requisitioning tool for contract administration by indicating contract start and end dates within the requisitioning tool. |
| Integrates the custom e-requisitioning tool with ESM for catalog management. |
| A custom quote tool and supplier registration tool was also developed at ISU. |
| **University of Iowa** |
| Uses PeopleSoft Financials, Contracts, and Inventory modules for procurement purposes, but also has a custom e-Pro toolset for eVouchers, requisitions, eBuy catalog orders and travel expenses. |
| Integrates the custom eBuy application with SciQuest for catalog management. |
| Leverages SciQuest for all PO distribution to vendors. |
| Uses IonWave for sourcing events and has a custom supplier tool where suppliers can upload invoices and check payment status. |
| **University of Northern Iowa** |
| Uses Oracle E-Business Suite (EBS) for financials |
| UNI is in the process of implementing Oracle iProcurement. |
| All schools have licensed EAB Spend Compass for spend analytics. |

### Bottom Line

- As illustrated on the following slide, multiple financial systems and corresponding procurement technologies make it difficult for operational synergies across the Regents schools.
Procurement Transformation

Procurement Technologies

Functional Components
- Supplier Enablement
- Catalog Loading
- Shopping
- Requisition/Workflow
- Order Dispatch
- Receipt
- Matching
- Invoice/eInvoice
- Payment/ePayables
- Spend Analysis
- Compliance
- Supplier Perf Mgmt
- Self-Service supplier registration
- eSource/eRFX
- Contract Authoring
- Contract Repository
- Supplier Enablement
- Catalog Loading

ISU: Current Technology Landscape
- CyBuy (ESM)
- eForms workflow
- P-Card
- Requisitioning
- Invoice
- PO
- Kuali Financials

UNI: Current Technology Landscape
- Oracle iProcurement*
- ProTrav
- Spend Compass
- P-Card

SUI: Current Technology Landscape
- VendorTrac
- VendorTrac
- eBid (IonWave)
- eBuy (SciQuest)
- ProTrav
- PReqs
eVouchers
- PeopleSoft Contracts / Inventory
- Workflow
- PeopleSoft Financials (9.1)

* UNI is open to a managed service catalog provider.
## Key Finding Observations

<table>
<thead>
<tr>
<th>Key Finding</th>
<th>Observations</th>
</tr>
</thead>
</table>
| Regents schools have opportunities for collaboration across sourcing, contract management, and catalog management. | • Two schools have technology in place for online sourcing, but they are on different technologies: one is using IonWave and the other a home-grown application.  
• One school has a contract management system in place, one has start and end date functionality within their requisitioning tool for contract administration, and the other does not have contract management technology. Contract management functionality typically includes a contract repository for procurement and non-procurement contracts, contract authoring and workflow, contract management, and providing an opportunity for end users to easily buy from a contract. Additionally, interviews indicated that Regents contracts are in place but other Regents schools do not have visibility or access to them.  
• Two schools are using a managed service provider for catalog management, but they are two different companies: ISU uses ESM Solutions and SUI uses SciQuest. Huron understands that the third school is not currently evaluating a managed service provider for catalog management. |

## Bottom Line

- Evaluate electronic sourcing technologies to facilitate the automation of strategic sourcing processes. This sourcing tool would also allow the Regents schools to have a common list of suppliers for solicitations and provide a common registration process to bid on work across the Regents schools. This is inline with the current BOR policy 7.06 C.1.: “Each institutional purchasing department shall maintain a master list of prospective suppliers.”
- Consider standardizing on a common catalog management platform that also provides the opportunity for end users across the Regents schools to search for and purchase from Regents contracts. This would also more easily accommodate a routine, scheduled audit of contract prices within the catalog for all Regents schools.
- Evaluate contract management technologies to provide contract authoring, contract management, and contract repository functionality. Ideally, the contract management technology would:
  - Integrate with the eSourcing tool to seamlessly convert an awarded solicitation into an editable contract; and
  - Provide authoring and contract workflow functionality; and
  - Provide eSignature capabilities to automate the signature process as much as possible; and
  - Manage and house contracts for retention and administration purposes; and
  - Integrate with the catalog management tool so end users can search for and purchase from contracts.
### Key Finding

Regents schools have an opportunity for greater collaboration to drive greater process efficiencies.

### Observations

- Each Regents institution has a different organizational structure and varying ways of dividing responsibilities among procurement staff, however all three procurement organizations manage similar functions, including but not limited to:
  - Developing formal solicitations
  - Pursuing informal solicitations
  - Negotiating terms and conditions

- Additionally, purchasing and payables roll-up to the same Director at SUI and UNI, whereas purchasing and payables have separate reporting lines at ISU (purchasing reports to the Vice President of Business Services and payables reports to the Controller). If there is not a high degree of collaboration between purchasing and payables, Universities’ will not be as successful in directing user behavior, driving contract utilization to realize savings associated with that contract, efficiently processing match exceptions, and realizing the benefits of settlement strategies.

- Huron understands that Chazey Partners is evaluating functions within the procure-to-pay process and working with each school to categorize associated tasks with (a) procurement services; (b) University Center of Excellence; and (c) departments.

### Bottom Line

- Define an organizational structure that fosters greater collaboration and efficiencies. Procurement organizational structures vary greatly and some are more frequently used in Higher Education than others. See following slides for details.
- Create new job descriptions for any newly defined roles and responsibilities within the new organizational structure. Each Regents university should also update their Purchasing job descriptions, as needed, to align with the roles and responsibilities of the new organizational structure.
Best-In-Class organizations tend to demonstrate a center-led organizational model for procurement*. Center-led organizational structures in Higher Education are marked by the provision of standard procurement policies and guiding principles, thought leadership, category expertise, contract management and strategic sourcing.

- Higher education institutions are typically a hybrid of decentralized and centralized models, with departments independently making many of the buying decisions and central procurement providing standard policies and procedures to drive regulatory compliance and realize cost savings where possible.
- Regional models are typically not applicable in higher education, as they are usually “country” based.
- Business unit models are used in higher education, but are atypical.
- Outsourced models are not used in higher education largely due to federal and state legislation and/or preferences for local economic support.

Three procurement organizations (one at each institution) manage similar functions including, but not limited to, developing formal solicitations, pursuing informal solicitations, negotiating terms and conditions, administering P-Card programs, and processing purchase orders, etc.

University procurement organizations manage transactional functions for their respective Universities, however strategic functions such as strategic sourcing, developing formal solicitations, contract negotiation and management are led by a central organization.

One procurement organization is responsible for both transactional and strategic activities for all Universities and subsequent University Departments. This model can only be effective if all Universities are using common procurement systems. As previously noted, Regents institutions are not currently using common procurement systems.
"Best-In-Class companies are 47% more likely to have collaboration in place than all other organizations and...companies currently instituting collaboration between procurement / sourcing and other key internal units have experienced nearly 31% higher realized / implemented cost savings than those companies that have not instituted this type of collaboration."

*Source: Aberdeen Group. The State of Strategic Sourcing. April 2011*
# Key Finding Observations

Regents schools have an opportunity to streamline policy and procedure documentation and communication.

- Policies and procedures are not clearly differentiated within each Regents schools’ respective policy and procedure documentation. This causes confusion between what is policy versus suggested procedure. For example, at one school, the Regents $25,000 competitive bid threshold policy is written in the purchasing guidelines and procedures, not within University policies.
- Policies and procedure documentation is repetitive (versus centralized and accessible through multiple channels) and language within documentation is inconsistent. This reduces users’ ability to understand policies and requires additional work for Purchasing to update multiple documents.
  - For example, at one school, the competitive selection documentation is available via the policy and procedure section of the purchasing website and also within the procurement procedure manual, however details of the competitive selection thresholds vary within the documentation.
  - Another school has an operational manual with purchasing policies dated August 2014 and a Purchasing Policy & Purchasing Guide dated July 2014 with varying structures and content.

## Bottom Line

- Define purchasing policies and document procedures that support each policy. Huron understands that some Regents schools have a procedure-based culture instead of a policy-based culture, however best practice is to define the difference between the two and communicate each effectively.
- Eliminate redundancies in policy and procedure documentation. The following slide highlights different policy and procedure documents at each school that can be consolidated. This will empower end users to find the procurement policy and procedure documentation they need more quickly and easily. This will also eliminate the need to update multiple documents when a policy or procedure changes and reduces the risk of policy misalignment or disagreements.
Overview of Policy and Procedure Documents: Opportunities to Streamline Documentation at each Regents University

- Iowa Code Chapter 8A: Department of Administrative Services
- Iowa Code Chapter 262: Board of Regents
- Iowa Board of Regents Policy: 7.06 Purchasing
- ISU: Procurement Manual
- ISU: Policy Library
- ISU: Website Procedures
- SUI: Operations Manual
- SUI: Procure to Pay Manual
- SUI: Policies and Procedures List
- SUI: Purchasing Policy and Procedure Guide
- UNI: Policies
- UNI: Guidelines and Procedures
- ISU: Website Procedures
- ISU: Policy Library
- ISU: Procurement Manual
- SUI: Operations Manual
- SUI: Purchasing Policy and Procedure Guide
- SUI: Policies and Procedures List
- SUI: Procure to Pay Manual
- UNI: Guidelines and Procedures
- UNI: Policies
### Procurement Transformation

#### Policies

<table>
<thead>
<tr>
<th>Key Finding</th>
<th>Observations</th>
</tr>
</thead>
</table>
| Purchasing policies across the Regents schools vary and are not consistently aligned with Board of Regents policies. |  - Policy variances across Regents schools are not inherently bad and, in fact, may be necessary given the differences in focus and purpose. Variances are, however, indicative of differences in procurement philosophies and procedures that may impact sourcing efforts. See following slides for details.  
- Policy misalignments with BOR policies are likely related to BOR policy version controls and Universities’ capacity to manage policy revisions in a timely fashion. This is typical at higher education institutions.  
- Board policy indicates that bid and PO terms and conditions should be the same across Regents schools. Interviews indicated that terms and conditions were not standardized.  
- In one instance, a University has a policy directly aligned with the Iowa Code. Huron understands that the Iowa Code should inform the Iowa Board of Regents policies and that the Iowa Board of Regents policies should inform the Regents schools’ policies. |

### Bottom Line

- Update BOR policies to reflect all relevant Iowa Code policies that Regents universities need to comply with to avoid the need for schools to refer to the Iowa Code; rather, Regents universities can refer to the Iowa BOR policies only.  
- Consider establishing a policy to require the use of Regents-established contracts to support strategic sourcing efforts and realize cost savings.  
- Evaluate the upcoming changes related to Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards from the Office of Management and Budget (2 C.F.R. § 200 Procurement standards 200.317 – 200.326) and determine its impact on campus-specific policies and procedures. An example of this could be UG policy 200.318d which indicates that “The non-Federal entity’s procedures must avoid acquisition of unnecessary or duplicative items. Consideration should be given to consolidating or breaking out procurements to obtain a more economical purchase. Where appropriate, an analysis will be made of lease versus purchase alternatives, and any other appropriate analysis to determine the most economical approach.” This type of policy has procedural implications, and potentially technological implications, on the way in which each Regents university operationalizes this policy.