

High-Performance Procurement

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Institutions are employing strategies for procurement officers to actively advance campus missions, values, and goals.

Higher education institutions spend about 25 percent of their

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“Procurement is usually the second-largest addressable bucket of money that business officers can leverage,” explains NAEP President Nichol Luoma. “The first is the labor force.”

Responsible for a huge spend, every procurement officer has an obligation to actively advance his or her institution’s overall mission, values, and goals, says Luoma, who is also the associate vice president of university business services, chief sustainability operations officer, and chief procurement officer, Arizona State University, Tempe. “We need to develop a strategic [procurement] plan that covers people, processes, and technology, and ways to optimize these three levers to support the institution’s mission and goals,” she says.

For this reason, Luoma believes that procurement officers should report directly to the CFO or—at the very least—have regular and direct contact with the CFO. “We’re all looking for ways to improve the student experience and increase accessibility, while most likely dealing with declining resources, such as public funding,” she says. “We have to look at our procurement office as a strategic

partner that can help advance our mission and goals.”

Size Shouldn't Matter

Mary A. Dukakis, associate vice president, administration and strategic sourcing, Southern New Hampshire University, Manchester, agrees that the role of procurement has progressed from tactical to strategic.

Starting From Scratch

Business officers need to understand what procurement offices on campuses can—and should—do, explains Nichol Luoma, president, National Association of Educational Procurement, Columbia, Md.

“I’ve had many discussions with CBOs at NACUBO events, and I tell them that they need to expect their procurement departments to be able to communicate their return on investment,” she says. “They should be expected to say, ‘Here’s your investment in procurement, and here’s what you’re getting.’”

Luoma believes that procurement professionals should produce key performance indicators that include the basics, such as the total spend they were

able to affect, cost avoidance/savings numbers, and risk management strategies. “They should also be able to articulate *total value*, which includes concrete examples of how they were able to advance their institution’s mission through strategic partnerships with cross-functional unit alignment.”

Luoma, who is the associate vice president of university business services, chief sustainability operations officer, and also chief procurement officer, Arizona State University, Tempe, recalls that a business officer recently asked her, “We don’t have a procurement office, but we want to start one. What should we do?”

Her reply: “Starting from ground zero with only one person is difficult because that person will be sitting at his or her desk issuing purchase orders all day if you centralize procurement. That’s not a high-level job. If you want to elevate that experience, implement e-procurement technology that lets the end user buy products off an established contract.

“If you don’t have contracts,” she continued, “there are group purchasing organizations or cooperatives that you can leverage that are e-procurement ready. Use your minimal resources to run spend reports to

understand where your money is going and if strategic contracts can be put in place. As you are able to recognize value, you can make incremental investments over time.”



“SNHU is extremely mission- and goal-driven,” she says. “Our university is really all about student success. We measure our success by the success of our learners. We support that by understanding the mission, making sure that we’re nimble enough to respond to a new partnership or product, and looking at how the university can reduce its costs.”

The institution’s size is irrelevant to the critical role of procurement, Dukakis says. “Sometimes small schools don’t place much importance on procurement—but they should,” she says. “Whether your institution is small or large, it shouldn’t matter. The reality is that at smaller schools you end up with smaller teams who wear more hats, sometimes handling procurement as well as auxiliary services or business services.”

At SNHU, the nine-person procurement team is divided into three areas:

1. **Strategic sourcing** handles RFPs and data analytics. “The sourcing process determines the best way to buy our goods and services,” she says. “What are we getting? How much are we going to pay?”

For example, when the institution decided to negotiate new exclusive soda pouring rights, replacing an agreement that had been in place for years, strategic sourcing researched what was important to the campus community. “We also reached out to area public institutions for copies of agreements, so that we could develop a detailed analysis and come up with a benchmark and a negotiation strategy,” Dukakis says. “The result was that we ended up with a 482 percent improvement. Some of the money will be placed back into an initiative that directly impacts a new program for students on campus.”

2. Contracts ensures that SNHU has good agreements with appropriate business terms and risk management policies in place. “We add value in terms of the business services, which can be anything from how often we pay, our escalators, and whether we pay for goods and services before they arrive.”

To mitigate risk, team members ensure that contracts allow flexibility for future growth, as well as possible declines. “We don’t want to sign agreements that are so restrictive that they tie our hands.”

3. Procurement operations manages universitywide contracts, the purchase order process, and the procurement system.

CFOs Set The Tone

It requires support from the top for procurement

departments to function at optimum levels. So what steps can CFOs take to ensure that the procurement team reaches its full potential?

“Set the tone,” advises Ken Lee, executive vice president, finance and administration, chief financial officer and treasurer, Southern New Hampshire University, Manchester. “Ensure that other departments recognize that you follow a disciplined procurement process. Try to rein in all of the rogue spending that might be occurring and make sure that other business leaders recognize this is a process to follow.”

Although it might take time for other departments to trust in the value of an untried procurement team, you can leverage your support and authority. “I can deal with other department heads as a peer,” he says. “Once departments experience the value that a professional procurement team can bring, it’s a lot easier to ensure a seat at the table.”

According to Lee, his institution’s procurement department implements a very disciplined process of strategic sourcing that yields cost savings as well as strong partnerships with vendors.

“The department is professional and brings in people with a strategic sourcing process who can leverage data to help drive better decisions,

introduce technology to streamline the procurement process, and create cost savings beyond just the unit price. The staff have become consultants to other departments and influencers in the process of large purchases.”

Kyle Clark, vice president for finance and administration, Florida State University (FSU), Tallahassee, also acknowledges the institution’s procurement team. “Procurement has added a great deal of innovation, automation, and best practices throughout the university,” he says. “The staff are leaders in our continuous improvement area. They work collaboratively with departments, not only across the institution but also throughout the state. We help assist with the shared services initiative for the entire state, which combines all 12 institutions. The staff have effectively helped the state to save resources that can be repurposed for additional faculty, scholarships, and student services.”

When Hurricane Michael struck Florida in 2018, members of the FSU procurement office played a vital role in preparation and recovery efforts, Clark says. “Without their assistance, we would not have had our campus up and running in such a short time,” he emphasizes. “I cannot say enough thanks for their Herculean efforts in this regard.”

The two CFOs offer this advice to business officers interested in setting a successful procurement operation:

- **Hire experienced professionals.** “Make an investment in your procurement staff by bringing on the right talent and providing the right training,” Lee says. “Try to get procurement a seat at the table in the departments with a large spend, so they can be consultants throughout the process. As we professionalize procurement, the magnitude of external spend that we can influence and the degree to which we have gotten involved have increased.”
- **Minimize contract risk.** Involving your experienced procurement professionals in contract administration will increase transparency, capture value, and minimize risk, Clark says. “I make sure that the procurement staff reviews contracts before they are sent for signature, so I know that the appropriate reviews for statutory and contractual compliance have been completed. That saves me time I can use to focus on other areas.”
- **Encourage, if not require, benchmarking.** “Make sure that you are benchmarking your

spend and revenue to ensure that you are achieving the very best deal possible for your institution,” Clark says.

- **Automate routine functions.** “Invest in automation for tactical transactions,” Clark adds. “Give staff the tools to be successful and turn them loose to help transform business practices. Encourage colleagues to make the department a first stop when looking for a solution.”
- **Jump in.** Both CFOs occasionally get involved in high-level negotiations with vendors. “There are times when having the CFO at the table reinforces with the partner the importance of the partnership to the organization,” Lee says.

Clark enthusiastically endorses that notion. “I oversee the procurement and contract administration areas on behalf of the board and president,” he says. “On larger projects, where requested or where I may have specific knowledge, I do participate as a team member for negotiations. I enjoy working with our procurement team. I think it is important that they know and understand my desire and commitment.”



“We changed the procurement process five years ago when I joined SNHU,” Dukakis explains. “The CFO recognized that the university was experiencing rapid growth and making significant purchases without guidance from business-to-business experts. Our CFO believes that a strong procurement team can add a lot of value to the process.”

When people sometimes say, “But I can get that light bulb cheaper,” Dukakis explains that the purchase price is only one factor her team considers. “We look at the total cost of acquisition. We make sure that we get the right light bulb; that we get it just in time so that we don’t have to stock and store it; that we get it here quickly and efficiently so that our electricians are not spending time on the order process, but can be out in the field doing their work; that we can quickly and effectively pay for it; and that the contract terms and conditions allow flexibility in case volume grows, and we want additional discounts.”

At SNHU, which has a \$750 million budget, purchases that cost more than \$50,000 require involvement by procurement staff. The department is currently gathering data on purchases in order to find that “sweet spot” where team members can say, “If you handle these things on your own with our guidance, you will probably be fine. It’s the big-ticket items or the high-risk contracts where we want to make sure procurement is at the table. We’re trying to define when it makes sense for us to get involved.”

The biggest challenge is usually getting departments to seek assistance, says Dukakis. “I have worked on four campuses. At one

campus, we had a department that did not want to work with procurement. We finally got brought into one project, and the director said, ‘I didn’t understand that this would be a collaborative process, and I would still have a say in the decision making. I thought you were going to come in and tell us what to do.’”

Dukakis believes that this is a common misperception. “We listen to your needs and find out what you’re trying to accomplish,” she says. “Only then we can figure out together how to best help you get to your end result.”

Benefits of Benchmarking

Florida State University (FSU), Tallahassee, recently added benchmarking as a mandatory step in procurement, says Rosey Murton, chief procurement officer. “We need to be able to tell our constituents—faculty, students, and taxpayers—that we are getting a good deal. How do you do that if you don’t benchmark?”

She believes that one beneficial characteristic of higher education institutions versus private industry is the willingness of campus leaders to share information with each other. “It all goes back to data, which is key to the future of how we negotiate and what we negotiate,” Murton says. “Most vendors will negotiate with you if they truly value a partnership, but you have to say to the vendor, ‘We think you can do better.’ If the vendor says that it can’t do better than that, then you can respond with data that shows that the vendor *can* actually do better.”

FSU follows state law and university regulations for procurement. In Florida, departments are free to buy what they want if the purchase costs less than \$10,000. A purchase of more than \$10,000 requires three quotes, while a purchase of more than \$75,000 needs a formal procurement process that includes an RFP. “On the purchase order approval side, we review the quotes, but departments can get their own quotes for products and services that cost from \$10,000 to \$75,000, or we can help get the quotes,” Murton says.

Procuring Partners

Not just any supplier can become a strategic partner at the University of Colorado (CU), Denver, explains Sandy Hicks, associate vice president and chief procurement officer. “This designation is highly valuable to the supplier and will set in motion a whole series of activities that require work on both ends of the relationship,” she says. “First, procurement and the supplier must agree to pursue mutually beneficial goals aligned with the CU mission.”

CU guidelines specify that the relationship must be long term and thoughtfully structured, involve the sharing of resources, and be built on a trusted business adviser model for each party.

“We’ve identified 13 partners in our supplier relationship management program,” Hicks says. “We have three different levels of suppliers in the program.”

- **Strategic partners** represent high transaction and spend volume; impact a vast majority of university departments; and align with the university’s core business, academic, and research activities. These relationships are actively managed by the procurement services center (PSC). Key components of these partnerships include business reviews, mutually agreed-upon goals, contract management and support, and relationship management.
- **Strategic suppliers** support multiple university departments, providing products and services at a level significant enough to warrant PSC management. Business reviews are typically conducted once or twice per year. Contract compliance is monitored as appropriate, and goals focus primarily on operational effectiveness.
- **Catalog suppliers** sell goods to departments on the university’s e-procurement platform. Business reviews are conducted as needed, with a focus on transactional and operational

efficiencies.



For purchases that cost less than \$10,000, the procurement department reviews the purchase order to make sure that the university has everything it needs. “Where we provide the real value is with negotiations above \$75,000,” she says. “Instead of an RFP process, we have an invitation-to-negotiate process in Florida. It’s similar to an RFP, but we can negotiate with the successful finalist. That’s where we capture value.”

The procurement department recently saved 18 percent—or \$133,968—on a confocal microscope purchase that was originally quoted at \$712,450. “We sent the specs over to our contracted vendors, and they came back with \$642,344,” Murton says. “We then reached out directly to a vendor to negotiate, and the company was willing to extend the savings. Combined, we were able to get the final amount down to \$578,482.”

One key to the FSU procurement department’s successes is the support provided by the CFO. “If you don’t have that support, it’s harder to be successful,” Murton says, “because people think they can go off and do whatever they want and you’re left cleaning up. I have a CFO who likes to negotiate. His involvement signals to the vendors that we are serious and that we want a top-level partnership.”

Like many campuses, FSU has added category managers for IT and

facilities who have become trusted consultants. The managers reach out to various departments to offer their services and inquire about the departments' strategic plans and the products and services they need in the next year. Murton predicts that institutions will hire category managers for another specialized portfolio—construction—in the future.

“Across the board—whether public or private—collaboration is key,” Murton says. “In order to be successful, you have to have a plan, a vision, a strong leader, and the support of senior management.”

Relationships Count

“You can’t just implement technology and forget to build relationships with both suppliers and customers,” says Sandy Hicks, associate vice president and chief procurement officer, University of Colorado, Denver. “Building and maintaining relationships is critical to keeping procurement running like a well-oiled machine because people like doing business with people they know.”

That’s one reason why the procurement department has sponsored a supplier showcase each September for the past 13 years. “We bring in about 50 suppliers so that staff from various departments, including procurement, can meet them,” Hicks explains. “Last year, we also offered TSA Precheck to those who came to the showcase, and we had more than 500 people sign up.”

In addition to servicing four campuses, the 50-person

procurement department also produces an annual year-in-review video that explains procurement's contribution to the institution. "The video delivers a consistent message of what we have accomplished in the past year by working with other departments," Hicks says. "If you work in a department and have a \$25,000 order, you're not really thinking, 'I'm part of a billion-dollar machine.' The video describes the whole magnitude of what's happening."



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—Nichol Luoma, National Association of Educational Procurement

For example, the current video points out that the procurement department, using prenegotiated contracts, saved the institution \$5 million in the last fiscal year. "We also save money by trying to affect people's behavior," Hicks says. "Last year, we saved about \$500,000 by encouraging people to book their airline tickets 20-plus days out."

In 2011, the institution, which has 67,000 students and a \$4.5 billion budget, implemented an e-procurement system called CU Marketplace that includes as many as 45 catalogs. If a purchase is less than \$10,000, departments can browse the catalogs and place an order, automatically getting the university pricing. If the invoice matches the purchase order, the acquisition is paid

through the system.

“A procurement professional gets involved when a purchase is more than \$10,000,” Hicks says. “If it’s a good, we will prepare for a solicitation if we don’t already have a preapproved contract. If it’s a service, we conduct a solicitation above \$50,000. We manage more than a billion dollars a year in spend.”

Hicks explains that the department relies on SaaS (software as a service) systems for managing procurement. Every year, it conducts customer satisfaction surveys on the CU Marketplace and the travel and expense system. “We’re in a continuous improvement cycle, and we want to know if staff are satisfied with the changes we have made,” Hicks says. “I’m a firm believer—especially with SaaS systems that are continually being improved—if you’re not looking at your processes to determine how you can implement improvements, you’re not optimizing your software investment.”

MARGO VANOVER PORTER, Locust Grove, Va., covers higher education business issues for *Business Officer*.

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