

Key Insights from the NAEP
Innovators Forum and
Recommended Strategies for
Procurement Leaders

2012

This paper provides an overview of the 2012 NAEP Innovators Forum along with a distillation of key discussion points and findings regarding the major issues impacting Higher Education procurement departments and policies today. It also outlines the top eight strategies recommended by Forum attendees that senior administrators and educational procurement professionals can leverage to approach these complex problems and concerns.

**Higher Education
Industry Report**

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HIGHER EDUCATION INDUSTRY REPORT: Key Insights from the 2012 NAEP Innovators Forum and Recommended Strategies for Procurement Leaders

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EXECUTIVE SUMMARY

Today's Higher Education institutions are battling a myriad of mounting social, demographic, and fiscal challenges – and procurement leaders are positioned squarely on the front lines. Within an environment of contracted resources and compelling change, the responsibilities of educational procurement professionals have intensified dramatically. As the global economic downturn continues, colleges and universities can expect fixed or shrinking budgets, and procurement executives will continue to be tasked with doing more with less.

To succeed, procurement professionals working in Higher Ed must understand and address the critical challenges within their own departments while demonstrating their distinct value within the rapidly evolving contemporary university climate. They must also be able to articulate exactly how their departments contribute to the overarching goals of the institutions they serve. However, some educational procurement professionals are struggling to keep up with their departments' tactical responsibilities and drive the strategic change necessary to support their institutions' vision, mission, or future direction.

The National Association of Educational Procurement created the NAEP Innovators Forum in direct response to these mounting challenges and in accordance with its mission to facilitate the development, exchange, and practice of

effective and ethical procurement principles and techniques within Higher Education and associated communities, through continuing education, networking, public information, and advocacy. With sponsorship by SciQuest and Huron Consulting, the first NAEP Innovators Forum was held in Miami, Florida in February 2012. The purpose of this event was to engage key thought

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leaders in a discussion and analysis of the major issues impacting Higher Education, and to better inform institutional stakeholders and procurement leaders on alternative ways to approach these challenging issues.

This paper presents an overview of the 2012 NAEP Innovators Forum along with a distillation of key discussion points and findings regarding the major issues impacting Higher Education procurement departments and policies today. We also share and explore the top eight strategies recommended by Forum attendees that senior administrators and educational procurement professionals can leverage to approach these complex problems and concerns moving forward. The top eight (8) strategies identified by 2012 Forum attendees are:

- 1) *Calculate ROI and Communicate Procurement's Value Proposition*
- 2) *Manage Cost Savings and Revenue Generation*
- 3) *Leverage Technology*
- 4) *Establish a Strategic Plan*
- 5) *Manage Supply Chain and Total Cost of Ownership (TCO)*
- 6) *Move from Tactical to Strategic Procurement*
- 7) *Engage Users*
- 8) *Prepare Staff and Develop Leadership*

2012 NAEP INNOVATORS FORUM OBJECTIVES

The role of procurement has changed and is much more strategic than ever before. As Aberdeen Group analysts noted in *The CFO's View of Procurement*: "This decade (2000-2010) has witnessed first-hand the broad transformation of the procurement function from a tactical back-office department to a strategic function that can deliver strategic value across a wide-range of areas and is worthy of a 'C-level' leader." ⁱ The NAEP and its partners couldn't agree more.

The primary objective of the 2012 NAEP Innovators Forum was to help procurement professionals succeed in their expanding role as strategic leaders in Higher Education by identifying and creating an informed understanding of the key challenges today as well as the anticipated drivers of change in Higher Education over the next five to ten years. Attendees worked together to identify the primary strengths, weaknesses, opportunities, and threats leaders foresee for this industry sector, as well as outline the functional requirements perceived as most important by senior educational procurement professionals. Our key goals were to:

- Identify and understand the key issues facing Higher Education today and over the next five years.
- Document the magnitude of those issues and their impact across an institution.
- Develop recommendations that provide institutions with information and a starting point for addressing these issues.
- Gain perspectives from different areas and functions of Higher Education.
- Continue to learn from each other and exchange ideas.
- Provide insight to key strategic issues so that other institutions can benefit.
- Deliver key knowledge and insights back to NAEP members.

The 2012 Innovators Forum brought together Higher Education community leaders and educational procurement professionals for participation in a two-day workshop centered on creating a dialogue about the future of Higher Education and procurement, with special focus on current trends, issues, and concerns. During the first day of the 2012 Forum, attendees were assembled into small groups for brainstorming and discussion sessions in which they worked to identify, analyze, and report on the trends for the educational enterprise and correspondingly, procurement management. From this information and dialogue, a smaller group of educational procurement professionals worked together to develop a focused list of eight key strategies for procurement leaders to positively impact the future state of procurement at Higher Education institutions.

ATTENDEES

NAEP assembled a select group of Higher Education thought leaders and educational procurement professionals to participate in the two-day Innovators Forum held in Miami, Florida. Attendees included procurement leaders, business and HR officers, and representatives from professional organizations in the U.S. and Canada.

CAROL BARNHILL

Director of Procurement Services
Arkansas State University-Jonesboro

ANDY BRANTLEY

President and CEO
College and University Professional Association for Human Resources (CUPA-HR)

BRUCE CHERRIN

Chief Procurement Officer
University of New Mexico - Main Campus

BILL COOPER

Associate VP, Chief Purchasing Officer
Stanford University

TRUDY POUND CURTIS

Assistant Vice-President, Finance and Chief Financial Officer
York University

JOYCE HANEY

Director of Procurement Services
Pennsylvania State University

MIKE HARDIMAN

Director of Purchasing
University of Wisconsin - Madison

SCOTT HESS

Managing Director
Huron Consulting Group

SANDY HICKS

Chair, NAEP Innovators Forum & Past President
National Association of Educational Procurement (NAEP) Representatives
AVP & CPO University of Colorado

JIM HINE

Assistant Vice Chancellor/Chief Procurement Officer
University of California - San Francisco



DAN HURLEY

Policy Director
American Association of State Colleges and Universities (AASCU)

TOM KALOUPEK

Director of Materials Management
Virginia Tech

ALAN KUEBLER

Assistant Vice Chancellor & Executive Director for Resource Management
Washington University

MAX LEISTEN

Director of Product Marketing
SciQuest

JOHN MAYES

Associate VP & Chief Procurement Officer
Yale University

LANDER MEDLIN

Chief Executive Officer
APPA

DOREEN MURNER

Chief Executive Officer
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ROSEY MURTON

Director of University Sourcing
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JOHN RILEY

Executive Director of Purchasing
Arizona State University

DEREK SMITH

Managing Director
Huron Consulting Group

DAN TRAUB

Sr. Solutions Engineer
SciQuest

JACK ZENCHECK

Chief Procurement Officer
Yeshiva University

SWOT ANALYSIS

To establish a foundation for a focused discussion of procurement issues, Forum attendees were first asked to identify key Strengths, Weaknesses, Opportunities, and Threats (SWOT) to Higher Education. Group insights have been aggregated to discern the top five most pressing issues in each category, which are detailed below.

Strengths

- *Strong Commitment to Higher Education*
- *Steady Consumer Demand*
- *Attractive and Respected Brands*
- *Positive Impact on Local Economy*
- *Collaboration, Diversity and Inclusion*

Weaknesses

- *Heavy Reliance on Government Funding*
- *Lack of Focus/Dilution*
- *Resistance to Change*
- *Keeping Up with the Competition and Student Demands*
- *Chasing Rankings*

Opportunities

- *Incorporate Corporate Experience, Manpower and Thought Leadership*
- *Publicize Value to Community*
- *Deregulate while Embracing Shared Services and Outsourcing*
- *Sell Higher Education as a Service*
- *Continue to Embrace Technology*

Threats


- *Affordability*
- *Technology Fears and Fatigue*
- *Failure to Leverage Outsourcing, Collaboration and Shared Services*
- *Continued Reliance on Government Funding*
- *Increasing Global Competition, Particularly from Online Alternatives*

Strengths

Strong Commitment to Higher Education – While institutions are facing multiple challenges, leadership, from elected officials to corporate America, remains passionate about the social, economic, and societal value of Higher Education and has a sincere interest in supporting the success of institutions devoted to developing critical thinkers.

Steady Consumer Demand – Students across the globe continue to enroll in U.S.-based institutions at very high rates to serve their educational desires and requirements. Regardless of rising tuition costs, consumer demand for Higher Education and enrollment continues to be very high. According to Pew Research Center, “As of October 2008, 11.5 million students, or 39.6% of all young adults ages 18 to 24 [in the U.S.], were enrolled in either a two- or four-year college. Both the total number and the share of young adults enrolled in college are at all-time highs.”ⁱⁱ

Attractive and Respected Brands – America’s college and universities remain strong and vital with powerful global brands. Having an attractive and respected brand serves as a magnet for intellectual talent and scientific innovation. Institutions can leverage strong branding to capitalize on the resources that they already have, including intellectual capital, to foster further growth.



Positive Impact on Local Economy – Universities are a powerful asset for local communities as they employ citizens, drive tourism, and support economic growth. Policy makers who recognize the power of strong ties between local universities and the communities they serve are supporting and benefitting from Higher Education’s ability to serve as an economic growth engine.

Collaboration, Diversity, and Inclusion – Higher Ed is arguably the most intellectually collaborative environment among all types of organizational entities. Building on longstanding accepted practices for fostering collaboration, particularly in research and teaching, leadership clearly remains committed to supporting collaboration as an essential element in developing leading-edge institutions. Higher Education institutions are also cultural centers of diversity and inclusion. They are leaders of change, quick to address and bring attention to social issues, such as environmentalism, equality, and movements such as Occupy Wall Street.

Weaknesses

Heavy Reliance on Government Funding – With the current economic challenges and rising public debt, government funding is increasingly under scrutiny. Public colleges and universities in several states are expecting or have already experienced extreme government funding cuts. According to a 2011 report from the Center on Budget and Policy Priorities, “At least 43 states have cut assistance to public colleges and universities, resulting in reductions in faculty and staff in addition to tuition increases.”ⁱⁱⁱ Reliance on government funding obviously impacts budgets, but it also limits institutional flexibility and control. If they can’t reduce reliance on government funding, public institutions in particular must do a better job measuring and improving student performance and institutional success rates to comply with government mandates in order to avoid penalties and further decreases in funding.

Lack of Focus/Dilution – Institutional focuses are becoming diluted. In some part, this is the negative side of inclusion and diversity. The quest to answer every cause and build programs or create offerings in response to the demands of multiple social groups or issues is costly and time consuming. Specialization is needed to maximize value.

Resistance to Change – Fixed institutional organizational structures, tenure, and fixed approaches to management all contribute to Higher Education’s resistance to change. Unlike the corporate sector, Higher Education does not seem eager to embrace change, and it shows, as institutions are just beginning to examine and implement technology and solutions that automate manual processes, increase efficiency, and improve productivity.

Keeping Up with the Competition and Student Demands – Many organizations are struggling to keep up with the competition from both brick-and-mortar as well as online educational resources. As tuition costs increase and students begin searching for educational alternatives, traditional colleges and universities must create and implement new ways to meet the needs of an evolving market to distinguish themselves from for-profit “degree mills” that are not interested in supporting research or truly developing the next generation of leaders.

Chasing Rankings – Too many universities are focusing on improving their standings in *U.S. News & World Report* as well as other college rankings, instead of delivering a quality education. Money is often spent on “beauty contents,” which have no bearing or value on Higher Education’s core mission.

Opportunities

Incorporate Corporate Experience, Manpower, and Thought Leadership – Incorporating corporate experience, ideas, and entrepreneurs may revive, refresh, and renew Higher Education. Institutions should expand recruitment into other industry sectors to fill holes and bring in corporate executives with fresh ideas. Forum attendees and industry experts agree that Higher Education must also run its departments more like businesses, with established and measurable key performance indicators (KPIs) and more strategic thinking. New leadership from the corporate world may help us to rethink how services are delivered to customers and stakeholders – and better leverage public-private partnerships.

Publicize Value to Community – Collaboration between communities and institutions is critical. Both public and private colleges and universities must work to publicize their value proposition to the communities they serve. They can do this by engaging local community leaders through one-on-one discussions as well as town halls, forums, and meetings on a regular basis, rather than just in times of emergency or crisis. Leadership can build and cement these valuable community ties by promoting the fact that institutes of Higher Education are economic engines for the community and becoming involved in community issues such as diversity and sustainability.

Deregulate while Embracing Shared Services and Outsourcing – Duplicating on-campus efforts wastes time and money. Internal deregulation can help to ensure policies are streamlined to support much needed change across colleges and universities. Developing and embracing shared services also allows Higher Education professionals to increasingly leverage resources across their campus, system, and community. By outsourcing non-critical functions, Higher Education professionals can focus on their mission, develop core competencies, and gain greater efficiencies outside of teaching and research.

Sell Higher Education as a Service – Traditional Higher Education is facing stiff competition and the market is changing. Colleges and universities must recognize that students have more options and accommodate their demands for online learning while differentiating themselves from degree mills with engaging experiences, time sharing, distance and mobile learning, continuous education, classes on social media sites such as Facebook, and even free offerings such as those offered by MITx. By delivering Higher Education as a Service, educators can deliver “just-in-time-knowledge,” reach a wider global audience, strengthen brands, engage students, and enhance the value of offerings and institutions.

Continue to Embrace Technology – Colleges and universities must continue to make smart technology decisions to move forward and increase technology ROI. By automating transactional processes and implementing efficiency-oriented technology, Higher Education professionals can focus on meeting more important strategic goals. Technology can streamline supplier interactions, placing and approving orders, invoicing, and much more. By turning laborious tasks over to technology, Higher Education professionals can free time and resources for strategic thinking, create space in their departments for more strategic hires, and focus on their mission-critical demands.

Threats

Affordability – The costs of education are rising faster than inflation and patience with student loans is wearing thin. As tuition increases continue and education becomes less affordable, students are scrutinizing the long-term value and ROI of Higher Education. Affordability plays a role in the current poor record of student retention and graduations as many students decide that they can self-educate or pursue fast testing or certification options without investing additional time and money into the traditional educational process only to receive a degree for a career track that may be obsolete upon graduation.

Technology Fears and Fatigue – Universities have been slow to implement new technology. In some cases, they don't understand what the technology can do and they're tired of purchasing and implementing solutions that don't truly meet their needs. Many delay purchasing technology due to the worry that they're going to make a huge investment in technology, which will require hardware purchases and upkeep to protect that investment. There is also a very reasonable level of fear regarding making technology purchases that will be difficult to implement or integrate. Moreover, technologies are evolving quickly. Rapid cycles of innovation are putting significant pressure on universities.

Failure to Leverage Outsourcing, Collaboration, and Shared Services – Too many resources are dedicated to managing tasks that are not central to Higher Education's true mission. Universities need to take a hard look at what can be outsourced as well as reexamine policies and procedures to better support collaboration. By outsourcing processes that are not central to our higher mission, collaborating across administrative and support functions, and leveraging shared services, we can improve efficiencies, lower costs, and focus on teaching, research, attracting and retaining top talent, and more.

Continued Reliance on Government Funding – Reliance on government funding only serves to increase financial stress. Colleges and universities are already dealing with significant budget cuts, unfunded mandates, and less public grant funding. Should the economy worsen, funding cuts will increase as will regulations that threaten to cut off funding if institutions don't maintain absolute compliance with government mandates. For public universities, regulations frequently slow or hinder positive movement toward best practices.

There is an opportunity to maintain affordability while meeting aggressive student demands in the face of declining public financial support – and to provide life-long learners who will thrive in a challenging future.

Increasing Global Competition, Particularly from Online Alternatives –

Online for-profit alternatives with strong marketing departments are popping up around the globe and students are increasing turning to online learning options to serve their needs for Higher Education. In 2011, nearly one-third of all U.S. students in Higher Education took at least one online course and the rate of growth in online enrollment is ten times that of the rate in all Higher Education.^{iv} Traditional colleges and universities must focus on academic quality to tap into the global market and differentiate themselves from less credible online alternatives.

SWOT ANALYSIS SUMMARY

The Higher Education industry and its institutions offer a valued product. And consumer demand for Higher Education continues to increase despite increasing tuition costs. Yet, there are significant changes occurring within Higher Education that threaten its ability to sustain a reputation as offering a value proposition to taxpayers, students, employers, and thought leaders. Regardless, these key stakeholders realize that Higher Education must not fail, and all are exerting their influence to force institutions to react to their interests, or risk being left behind.

Past and current successes do not guarantee the future of Higher Ed. The threat of decreasing affordability for large segments of the population that are under economic stress should be taken very seriously. If the standard of living for large segments of the U.S. population continues to stagnate, leveraging student loans is a risky strategy for Higher Education. Alternatively, Higher Education needs to become serious about cost containment and more carefully

measuring the value of their investments in expensive physical plant and systems. The professional procurement organization can help to reduce or mitigate costs.

The SWOT analysis shows there is an opportunity to maintain affordability while meeting aggressive student demands in the face of declining public financial support – and to produce life-long learners who will thrive in a challenging future. Innovative procurement departments can seize this opportunity.

FOCUS ON PROCUREMENT IN HIGHER EDUCATION

Following the discussion on issues in Higher Education, Forum attendees shifted their focus to procurement. They noted that today's procurement professionals are facing a myriad of mounting expectations, which cannot be ignored. Budgets are tight and resources are limited, yet multiple departments are demanding that they get what they want, when they want it – and fast! Not only do CFO's want to see demonstrable savings, but there also is an assumed expectation that procurement officers will accomplish this while at the same time navigating increasing government desires to influence aspects of procurement, such as: Directing purchases among various SBA channels; increased accountability reporting; legislating processes intended to ensure ethical contracting; and, attempts to develop local preferences. These influences come in legislative and rule-making forms at the local, state, and federal levels.


The role of procurement is expanding... Never before have procurement departments been asked to do so much with so little.

The role of procurement is expanding. Aside from managing traditional procurement functions, university leadership often looks to procurement to answer questions about subjects that used to be seen as well outside of procurement, such as facilities management and advertising policies. Procurement professionals are expected to serve as an answer hub and step in to solve problems. Never before have procurement departments been asked to do so much with so little.

There is no question that procurement is involved in a myriad of strategic initiatives, which relate to our institutions' over-arching missions of teaching, research, and patient care among others. Beyond tactical issues, procurement plays a key role in:

- Working with Student Organizations Interested in Understanding Endowment Investments
- Championing Supplier Diversity Initiatives
- Leading and Supporting Sustainability Initiatives
- Promoting Local Spend Initiatives
- Working with Local Unions and Trade Associations
- Identifying Process Changes within Our Colleges and Universities to Improve Outcomes and Drive Savings
- Other Critical Issues

Procurement leaders must balance all of these strategies with financial goals to promote positive university-wide financial health and growth. Yet, amidst these mounting expectations, hiring is at a virtual standstill. When hiring is approved, budget restrictions make it difficult to secure strategic talent. Hiring restrictions also limit succession planning and serve as a barrier to change.



Forum attendees agreed that procurement departments must clarify roles and authority, including clearly defining internal job titles and responsibilities. Moreover, they felt strongly that the role of procurement should be at a chief executive or C-level. However, some procurement officers have difficulty defining and communicating the strategic value of procurement to appropriate university leadership. Once leadership determines clear metrics and has a better understanding of procurement's overall ROI, procurement officers must strengthen and leverage communication networks to emphasize the expanding strategic role and value of procurement.

KEY STRATEGIES FOR MOVING PROCUREMENT FORWARD

NAEP Innovator Forum attendees identified eight (8) recommendations to help procurement leaders guide conversations at their institutions and provide a framework so that they can impact their institution's strategy and response to the issues highlighted during the 2012 Forum and address key challenges facing Higher Education today.

EIGHT KEY PRIORITIES FOR PROCUREMENT LEADERS

1) Calculate ROI and Communicate Procurement's Value Proposition

Procurement must define and calculate its ROI using standardized metrics to track efficacy and improvement in spending, purchasing, strategic sourcing, and supply base management – then leverage real data to communicate its value proposition to the university system.

Unfortunately, procurement in Higher Education is often viewed as little more than an expense, which may be due in part to a general lack of visibility and limited metrics. Lack of visible procurement strategies by leadership contributes to confusion and can even create an environment of distrust across campus. Within procurement, manual processes don't easily translate to a clear understanding of spending trends. Disparate purchasing procedures across various departments make data collection and cost analysis even more difficult. Without a clear understanding of institutional strategies, departments may even withhold information from procurement out of fear that they will get something less than what they want or need.

Managing increasing daily operational demands on resources, procurement departments often have difficulty collecting and reporting key metrics that are available. There is also a general lack of connection between ROI measures, budget performance, measures of excellence, and the resources used to achieve them across departments and universities. Without KPIs and standardized metrics, it is impossible for procurement departments to demonstrate compliance, cost savings, Return on Investments (ROI) and departmental efficacy, which are all essential elements in promoting the overall value of procurement.

Procurement leaders can look to industry analysts for guidance on how to identify and measure success, track departmental efficacy, and better establish the value of procurement across campuses. Aberdeen Group has distinguished Best-in-Class Enterprises by the following two key performance criteria:

- 1) Percentage of spend actively managed by the Procurement Organization; and
- 2) Percent of formally negotiated savings realized (The ability to convert those savings that translate to an organization's bottom line).^v

Results from Aberdeen’s 2011 survey of over 120 financial, operations, procurement, and supply chain professionals showed that firms enjoying Best-in-Class performance were also:

- 44% more likely than Laggards to track identified savings against implemented and/or booked savings.
- 41% more likely than Laggards to actively monitor supplier performance.
- 40% more likely to have a fully-integrated procure-to-pay application.^{vi}

To make a better business case for the value of procurement, industry analysts recommend tracking both process and strategic KPIs to measure departmental improvements along with procurement’s contributions to the university’s overall financial objectives.

Attendees recommend becoming experts in creating visual metrics and using ROI to better articulate the value of procurement across multiple levels of faculty, staff, and university leadership.

Forum attendees agree that procurement leaders must do a better job of defining and aligning KPIs with enterprise-wide goals to illustrate the effectiveness and value of procurement within the larger university system. Attendees recommend becoming experts in creating visual metrics and using ROI to better articulate the value


of procurement across multiple levels of faculty, staff, and university leadership. By preparing themselves with key messages of value and engagement, procurement leaders can show that they are good stewards of university resources and potentially secure funding for more strategic hires and the implementation of modern procurement applications to further enhance performance and departmental, as well as institutional, success.

2) Manage Cost Savings and Revenue Generation

Behind payroll, spending on goods and services often consumes the largest portion of a school’s annual operating budget. Despite the fact that Purchasing Operations can impact reduction in these cost areas, they are often perceived as an expense, along with most other administrative functions of the University. To prosper in today’s competitive environment for adequate resources, procurement departments must demonstrate that they are generating revenue as well as managing spend and delivering hard dollar savings. With adequate resources and skills that allow procurement departments to move beyond just tactical response, they can not only ensure cost savings, but can also play a larger role in competing and negotiating revenue opportunities.

To prosper in today’s competitive environment, procurement departments must demonstrate that they are generating revenue as well as managing spend and delivering hard dollar savings.

Industry analysts have been quick to point out that procurement departments may also lag behind in implementing critical strategies and key enablers of cost-cutting required to offset inflationary pressures, such as spend analysis, supplier management, eSourcing, Contract Lifecycle Management, eProcurement, Category Specific Solutions (MSP, VMS, Expense, Strategic Meetings), ePayables and eInvoicing, Supplier Portals, and Supplier Networks.^{vii}



To fulfill their missions and respond to top-down directives to identify and cut costs, procurement leaders must maintain and communicate demonstrable costs savings by tracking managed spend through to bottom-line savings. Procurement officials should not underestimate the impact of aggressive cost cutting measures on everyday goods and services, including office supplies, laboratory and science equipment, chemicals, MRO (maintenance, repair, and operations), computer, software, and other technologies.

Procurement must provide overall cost savings by expanding sourcing strategies, enhancing supplier diversity and rationalization, leveraging co-op purchasing and collective buying, as well as contract compliance rewards and negotiated discounts. They must also generate new lines of revenue by becoming more involved in contracts that generate revenue (sponsorships, vending, leasing, etc.) or perhaps allowing revenue generating auxiliary units to retain more revenue by reduction in costs.

Rather than focusing on short-term savings, procurement leaders must find ways to promote and implement long-term efficiencies such as procurement automation and technology solutions, which increase visibility and enable staff to pursue more strategic avenues to generate revenue and contribute to the overarching financial success of the college or university they serve.

3) Leverage Technology

Education is lagging in innovation and technology. Yet, technology drives efficiencies and compliance, as well as creates a foundation for change by serving as a key pillar for good strategy. During the past decade, Higher Education has begun to incorporate and see the value of technology. Modern universities recognize that IT is essential for education, research, and administration. And the majority of Higher Education institutions have incorporated e-learning platforms, digital research databases, and ERP systems into their IT ecosystems.

Understanding change management is an essential element in successfully leveraging technology, particularly when you are altering or retiring established business process. Investing money and resources in training and user adoption will optimize new systems and increase overall ROI. Researchers from the Center for American Progress noted in a 2012 report: “Innovations in business models have occurred in most sectors of our economy, from manufacturing (Nucor Corp.) to music (iTunes) and from health care (Minute Clinics) to retail (Amazon and eBay). In each, technology drove new ways of doing business to create more value for customers. Recent reports have highlighted emerging business models that may have similar potential in Higher Education, including those represented by Western Governors University, MITx, Carnegie Mellon’s Open Learning Initiative, and the leading for-profit institutions.”^{viii} Procurement leaders should continue to research emerging technology solutions that can save time, automate transactional processes, improve departmental efficiency, enhance visibility, and contribute to bottom line savings as well as revenue generation.

Cloud-based technology is one avenue that procurement leaders can leverage to streamline processes and optimize efficiency. In their 2012 report, *Supplier Networks v2.0: A Look at Commerce in the Cloud*, Aberdeen Group notes that electronic exchange via cloud-based supplier networks is increasingly replacing manual and paper-based transactions. Their survey results showed that, among firms demonstrating best-in-class performance, 45% of supplier credentials and compliance documents were exchanged on a supplier network, 45% use online supplier discovery over the supplier network, and 60% of purchase orders are transmitted electronically through a supplier network.^{ix}

Including stakeholders and end users in design and development increases adoption rates and should be a first step when considering implementation of new solutions. Procurement leaders should develop a collaborative technology program management structure. Ideally, the CPO, CFO, and CIO should work together with a steering committee to outline joint aspirations and define critical success criteria before implementing any technology. This team can work together to ensure that the right project management resources are available for the technology deployment and implementation. Once implementations are complete, investing money and resources in training will also support user adoption, optimize the use of solutions, and contribute to the overall value of new technology solutions.

Procurement officers should also continually evaluate the value of implemented solutions and eliminate redundant or disruptive technology. Establishing and measuring performance metrics will help procurement decide which solutions should remain and which should be retired. TCO and ROI metrics are also essential in making the business case for technology investment.

4) Establish a Strategic Plan

Forum attendees unanimously agreed that procurement departments should have an established strategic plan. As Aberdeen Group's 2009 CPO Agenda, *Smart Strategies for Tough Times*, stated, "CPOs that continue to operate their departments without a strategic plan that ties into a larger enterprise plan do themselves and, by association, their organizations a huge disservice."^x Lack of knowledge about what is strategic management prevents many CPO's from developing such plans. Many small universities and community colleges are supported by one-man offices or are not staffed by "procurement" people and that in itself is a challenge.

Strategic plans should present a clear vision of procurement's plans, outline steps for achieving and supporting key objectives, and align procurement's mission to the institution's top strategic goals and higher missions of teaching, research, and service.

To achieve Best-in-Class performance, educational procurement professionals can leverage recommendations from Aberdeen Group's 2010 report, *From Preservation to Prosperity: The CPO's Agenda for a New Decade* by incorporating the following objectives into their strategic plans:

- Ensure compliance with established policies, while continually reevaluating whether such policies are aligned with corporate objectives.
- Collaborate with other functional areas to provide visibility and maximize procurements ability to improve overall enterprise performance.
- Keep a close eye on procurement KPIs to ensure that hard-fought savings from negotiation are preserved and realized to bolster the bottom line.^{xi}

One Forum attendee suggested that to get started, CPOs should look to senior leadership for guidance on what they view as the desired alignment of the procurement function, and then look laterally to the leaders of major internal customer groups to obtain their views. Hopefully, there will be some intersections of direction and these could form the basis for strategic objectives and planning. Next, have a conversation with IT leadership to determine what resources could be made available. Once there is a basis for a strategic plan, partnerships with IT, senior leadership, and major customers need to be confirmed. It is likely that the plan will contain action steps that can be done without significant systems/software investment and some that will require investment. Obtaining investment funding will require the awareness support of senior leadership who will need to make the procurement strategic plan a personal priority.

5) Manage Supply Chain and Total Cost of Ownership (TCO)

Procurement is much more than purchasing. And, as noted in Aberdeen Group's 2010 report, *From Preservation to Prosperity: The CPO's Agenda for a New Decade*: "Translating procurement performance into enterprise value requires strategic alignment, streamlined processes, and managerial visibility into the spend data to support informed decision making."^{xii}

Forward-thinking procurement departments are taking their cues from the business world by actually managing and optimizing the entire university supply chain to positively impact and demonstrate enterprise value. By effectively

managing suppliers, coordinating with multiple operations groups across the university system, and incorporating innovative technologies, procurement can enhance TCO across the supply chain and deliver significant value to the university system. This is a key message that should be communicated to university leadership.

Forward-thinking procurement departments are taking their cues from the business world by actually managing and optimizing the entire university supply chain to positively impact and demonstrate enterprise value.

Procurement must become more proactive in managing the supply chain. Aberdeen's 2011 report on supply chain transformation points to growing complexity of global operations, escalating demand for service from customers as well as rising supply chain management costs as the top business pressures driving supply chain optimization today.^{xiii} They also recognize that, "Transformations to address costs, complexity, and service demands in the supply chain require an understanding of your organization – its people, process, and technology."^{xiv} Forum attendees echoed this assessment and noted that institutionalizing supplier diversity, exploring capital and operating projects, being more knowledgeable about all sourcing spend, delivering lifecycle management services, and expanding partnerships as well as departmental reach beyond tactical management into supply chain optimization strategy are all essential. If done well, all of these elements serve to elevate the value proposition of procurement, and have a direct positive impact on the overall performance of colleges and universities.

6) Move from Tactical to Strategic Procurement

There will always be a tactical arm of procurement, but procurement leaders must become more strategic. Unfortunately, Forum attendees noted that some procurement departments are still having difficulty balancing increasing tactical responsibilities with strategic thinking and action. While many procurement officers recognize that they must become more strategic, some are struggling to identify a clear path to do so. Instead of re-engineering processes or effectively implementing cost and time-saving technology, procurement departments have a tendency to hire more people to do transaction-based tasks (i.e. AP clerks). Moreover, compression of salaries is leading to hiring compromises and a general lack of strategic thinking and action in procurement.

Attendees stressed that procurement must perfect tactical operations in order to focus resources on strategic actions. Instead of trying to hire additional people to manage a growing task list, procurement leaders can reduce or even eliminate time consuming manual processes via outsourcing and technology to free up resources for strategic action.

Developing a strategic plan, investing in strategic partnerships and engaging vendors to be creative in providing services are important. Procurement leaders can also involve buyers in cooperative procurement projects with other institutions or organizations as a means to create a vision of strategic action.

Procurement must be positioned and communicated as a leader in positive transformation across colleges and

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universities. This was emphasized by Forum attendees and also highlighted in a recent article, *Transformational Change in Procurement on Two Campuses*, which appeared in the June 2012 issue of NAEP's *Purchasing Link*.

The article may serve as a guidepost for procurement leaders as it outlines

specific examples and best practices for leading and navigating transformational change in procurement services. The authors note that, "Transformation begins with a re-definition of the role and identity of the University Procurement function. In other words, a *New Vision* of Procurement as not merely a back office 'order shop' but as a strategic player essential to the long term success of the University. Procurement must be inextricably linked to the University's strategic objectives and core missions of teaching, research, service, and economic development. Procurement must be known as an organization that employs procurement strategies that are aligned with those of internal customers and that understands and analyzes supply market dynamics, establishing collaborative supplier relationships that result in maximum added value. Procurement must be seen as a major contributor to the financial health of the institution."^{xv}

7) Engage Users

Procurement departments must partner with faculty and staff across multiple departments to meet and even anticipate their needs, then leverage partnerships and buying power while containing costs to strategically impact the institution's bottom line. But many university departments are often unclear of what procurement actually does and how they can help rather than hinder sourcing. In some cases, departments are reluctant to tell procurement officials what products and services they actually need as they don't believe that a procurement professional will understand their unique commodities or may impede required purchasing. Procurement officers must engage users by defining and communicating procurement's role and value.

Forum attendees stressed the importance of engaging users to foster sustainability and supplier diversity. Procurement should be seen as service- and support-oriented. Procurement officers must communicate that they can stretch budgets, reduce costs, and maximize resources and time. They are encouraged to reach out to other departments to demonstrate initiative and create a customer-centric experience. Making new systems easy to use can encourage technology adoption, as does educating users on the direct value of procurement processes and technology to them. And user policies should be kept up-to-date to encourage compliance.

8) Prepare Staff and Develop Leadership

Regardless of budget cuts, procurement officers must prepare their staff to support the shift from tactical to strategic and develop procurement leaders by enhancing professional development opportunities. Because of the rapidly changing nature of procurement, departments are carrying staff that may not have appropriate skill sets or even the ability to take on current or upcoming challenges. Some staff members are currently focused on manual tasks that will eventually be eliminated and they must be retrained in order to remain within procurement and deliver value to the organization. Moreover, we must educate and empower a future generation of procurement leaders.

Forum attendees noted that procurement leaders must possess specific leadership characteristics and abilities.

Attendees identified the following ideal characteristics of a procurement officer:

- Adaptable, Flexible
- Future-Oriented
- Good Planning Skills
- Willing to Make a Decision
- Good Listener
- Firm and Decisive
- Endurance and Patience
- Perseverance
- Politically Savvy
- Good Communicator
- Strong Marketing Skills
- Ability to Teach Staff How to Navigate the Education and Government Systems

To address the evolving challenges of procurement and embrace opportunities to effect change, current staff members and new hires should be educated regarding best practices in supply chain management and receive additional training in business areas critical to the evolving nature of procurement, including data collection and analysis, risk identification and management, business case development, as well as communications and marketing. Cross-functional coordination between procurement teams is also encouraged. Web casts, lunch and learn sessions, peer training, and networking experiences can assist staff in discovering and learning what they need to know in order to move their departments forward.

Forum attendees identified key areas in which skills and training are currently lacking within procurement departments. To facilitate the evolving role of procurement professionals, skills development and training are needed in all of the following areas:

- Data Collection, Statistical Analysis and Reporting
- Negotiating
- Leadership
- Relationship Management
- Holistic Understanding of the Role of Procurement
- Risk Identification and Management
- Business Case Development
- Communications and Marketing skills
- Leadership and Succession Training/Planning
- Conflict Resolution Skills
- Partnership Skills
- Legal Skills

Procurement staff can also benefit from professional certifications and accreditations, which typically involve achieving a certain level of procurement experience and successfully completing a set of prescribed courses specific to procurement. Research based in part on results of the National Council for Public Procurement and Contracting's (NCPPC) *Survey on the Value of Public Procurement Certification* has demonstrated that professional certificate training for procurement officers improves knowledge and skills, is recognized by critical audiences who provide meaningful recognition, and contributes to career advancement.^{xvi}

SUMMARY

The role of procurement in Higher Education is expanding and evolving. Procurement leaders themselves must embrace

Procurement leaders themselves must embrace new responsibilities as strategic opportunities to support the overall success of the colleges and universities they serve.

their new responsibilities as strategic opportunities to support the overall success of the colleges and universities they serve. It is our hope that by documenting these driving industry forces and highlighting specific suggestions to improve the critical role procurement plays in addressing current

challenges, today's procurement leaders can become true drivers of change who shape their institutions' future and enhance Higher Education's ability to meet its mission-critical goals.

For America's colleges and universities to remain strong and vital, for our myriad research programs to prosper, and for our great contributions to the nation's economic development to continue, we feel strongly that senior institutional officers and educational procurement professionals must connect and converse in an informed, meaningful, and practical way to address our most pressing concerns. Hence, we hope to make the NAEP Innovator's Forum an established annual event.

END NOTES

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^{xii} Ibid.

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^{xvi} Georgia State University. Andrew Young School of Policy Studies. "Professional Associations and Public Administration Excellence: The Case of Public Procurement." Greg Streib and Hyunghoon Kim. March 31, 2010.

ABOUT US

NAEP is the association of choice for educational procurement professionals dedicated to their continued professional development and to reinforcing the strategic role of procurement in education. Since the 1920's, NAEP has been the non-profit professional association primarily dedicated to serving Higher Education purchasing officers in the U.S. and Canada. Members of the Association founded the E&I Cooperative Service as an important benefit of NAEP Membership. Currently, over 1,500 colleges and universities are members. NAEP is a member-focused Association providing progressive knowledge management in strategic sourcing, supply chain, materials, and logistics for procurement professionals. NAEP provides professional development and networking opportunities regionally and nationally. These meetings, workshops and seminars provide knowledge transfer in procurement ranging from beginning to advanced professionals and are conducted throughout the year and across the nation. Visit www.NAEPnet.org to learn more.

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