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Letter from the CEO

4 Never Waste a Crisis
Doreen Murner, CEO, NAEP

The current economic crisis is impacting us all. NAEP is doubly focused on delivering the collaboration, content, and communication needed for Purchasing to serve a leadership role in institutional survival and success.

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6 Dealing with “Difficult” People?
Bob Mudge, C.P.M.

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7 Selection of an Access Control System – A Case Study For Standardization
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Snail mail or e-mail, it doesn’t matter, getting off any distribution list can be a comical challenge.
For more information on any of our programs or to register, go to www.NAEPnet.org.

**Regional Meeting Schedule**

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<tr>
<td>Florida</td>
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88th Annual Meeting
April 19–22, 2009
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Registration for our “LIVE FROM PROVIDENCE WITH NAEP’S VIRTUAL EDUCATION” is now open!

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- Opening Keynote: Digitizing Knowledge, presented by Jaime Casap (Project Manager, Google, Inc.)
- Proactively Promoting Procurement, presented by Sandy Hicks, CPPB (NAEP’s 1st Vice President, and Assistant VP & Chief Procurement Officer at the University of Colorado)
- Benchmarking Performance Outcomes, presented by Nancy S. Brooks, MPA (NAEP’s President and Director of Purchasing at Iowa State University)
- Unleashing Your Organizations Green Potential – Sustainable Procurement Strategies for a Global Economy, presented by Mark Buckley (VP of Environmental Affairs, Staples, Inc.)

**FREE WITH ANY SESSION OR PACKAGE PURCHASE:** Methodologies, Tools, Process and Outcomes – E & I’s Strategic Sourcing Process, presented by Vincent Patriarco (Executive Director, Strategic Sourcing and Business Development, E & I Cooperative Purchasing) and Fernando Prieto (Manager, Strategic Sourcing, E & I Cooperative Purchasing)

- Import / Export Compliance Workshop, presented by Thomas A. Cook (CEO, American River International)

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Never Waste a Crisis

Doreen Murner
CEO, NAEP

Over the past months, we have all watched the major ups and downs of our entire economy. It has hit us all, from investors to homeowners, to consumers and yes, to Members. Our recent Member survey showed that 35% of our Members are experiencing in-state travel restrictions for 2009 and anticipate that 2010 will be about the same. And over 50% of Members are experiencing out-of-state travel restrictions for 2009 and for 2010. Seventy-one percent have freezes on new hires, and 66% are not filling existing vacancies. And 51% of Members are experiencing salary freezes. While NAEP’s renewal rate is currently experiencing 83% (does not include “new” Member applications), we are very aware, concerned and not resting on our laurels.

Most associations’ core competencies reside in meetings. While at a recent CHEMA (Council of Higher Education Management Associations) meeting in Washington, D.C., NAEP along with NACUBO, APPA, NACAS, and all the other groups concurred that this is the case. Many of these associations, which support the various functions on campus, are canceling or reducing the number of face-to-face meetings (not annual meetings) for 2009 and 2010. We, too, will be looking at alternative methods of delivering content for our Sustainability and Diversity Institutes through webcasting and on-demand learning in 2009.

NAEP’s premier event, our 88th Annual Meeting in Providence, RI, April 19–22, 2009, is on track to be a successful meeting with cutting – edge content. And, well, it’s just like they say location, location, location. Our 2009 Annual Meeting is located within one of the most densely institutionally populated areas of the country. We’ve built a forum where attendees can connect with other attendees looking to reduce costs by sharing a ride or a room.

What are we doing for you? If you haven’t already noticed, NAEP has taken several steps to help Members:

- 2009 dues held at 2008 rates for payments received by 12/31/08
- 2009 Annual Meeting registration held at 2008 rates for early registration, which was extended by an additional 30 days to enable more folks to attend
- Growing our portfolio of Web-based professional development and on-demand offerings (www.NAEPnet.org)
- You can host an NAEP Procurement Academy at your location. Reduce or eliminate your staff travel and per diem expenses, and market the event to local schools to help cover the cost
- Offering five of the Annual Meeting sessions virtually
- Access to best-value E&I contracts

We don’t know yet how hard this crisis will be or how long it will last. One bit of optimism I can share is, within this crisis, there are opportunities for Procurement to step up to the plate with solutions and strategies that mean business. Your Membership in NAEP delivers those best practices you need to navigate the current economic storm. You need to figure out how to survive. Do you have a plan that allows you to move fast and be nimble? Then ask yourself what you can do today that you couldn’t do yesterday. Find that hidden opportunity. How can you position yourself today that will put you in a better place than before the crisis? I recently heard Rahm Emanuel say, “Never waste a crisis”. It couldn’t ring more true.
Just kidding. You actually have to try. But wouldn’t it be nice if it did work like the 1967 movie with the similar title? As easy as reading a manual? Rising from the mailroom to vice president by following the instructions?

My gut reaction when I was asked to write this submission was that I had no clue how to guide people starting out in Purchasing. But then I recalled what helped me in the career I’ve had.

I realized then that the difficulty is not in knowing how to succeed, but in following through with the hard work, time, hard decisions, and patience it takes to get there.

So unless you are lucky enough to be born a genius or to invent something that changes the world… here are my six suggestions for succeeding in Purchasing in higher education.

Say “Yes”

I know this sounds obvious to the point of silly, but too many people say no or hide out when the boss needs a volunteer to take on a new challenge. The best way to make an impression is to attack the hard project or jump at the chance at a new solicitation. Saying “yes” can also mean being the first to volunteer. Managers love people who step up when needed, the team players who are always willing to help.

Be Responsible

This doesn’t just mean being the one who shows up on time, ready to go. It’s that, but also getting yourself labeled as the one who gets things done. Take projects and make them your own. They’re your time to shine. This doesn’t mean that you always do things fast, but it does mean doing things well.

Communication is critical. Talk with your key contacts and keep them posted on timelines, schedules, and any delay-causing factors. Ask for more responsibility when you are ready for it. If you have more to offer and time to do it, ask your boss for more. Managers are drawn to those who want to do more.

Get Involved Professionally

Join a professional organization and play an active role. Volunteer for positions and committees. Network, write articles or blogs. It can never hurt to know others in your profession, letting them get to know you as well.

Learn, Learn, Learn

Learn as much as you can about your profession and your department’s mission. This could include research in your commodity area, professional reading, enrolling in school, or attending seminars. Grab every opportunity to know more about Purchasing and the challenges facing your department.

Find a Mentor

Find someone successful whom you admire and trust. Find out what they did to get where they are. A good mentor will pass on knowledge and tips for success. A mentor can not only teach you but also introduce you to others who can help you succeed. He/ she may open up doors or opportunities for you that you otherwise might not recognize. Don’t wait for that person to come to you. Seek him/her out and do some serious “brain-picking.” NAEP and other professional organizations are rich with experienced professionals who would be great and willing mentors.

Be Willing to Go Where the Opportunities Are

This may be the hardest one, but sometimes it may be the key to gaining the highest levels in Purchasing. If you’re lucky, there may be plenty of opportunities where you are, but sometimes you have to look around when you are ready to climb. Of course, this is not to suggest that the only way to succeed is to change employers, but leave the option open if the avenues where you work are limited.

Thank you for reading this thoughtfully. I hope it may help a few of you, my colleagues, to succeed in this great profession. NAEP

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Cory Harms is the Associate Director of Purchasing at Iowa State University. He is President of the MINK (Missouri, Iowa, Nebraska, and Kansas) Region and serves on the NAEP Editorial Board. He has presented at both regional and national NAEP meetings and has spoken for the Missouri Association of Public Purchasing (MAPP).

e-Mail: ccharms@iastate.edu
I am confident that most procurement-related communications with individuals across your campus are normally (but certainly not always) positive in nature. However, let's be honest... occasionally, interaction with some individuals can be difficult and can test your patience. If this occurs frequently with a particular colleague, it may lead you to label a person as “difficult to work with,” along with other, shall we say, observations. While this may appear to be the case, perhaps you should step back to evaluate the situation with the following factors in mind, to objectively assess the situation before you attempt to address it. Remember, the goal is to create a positive and effective working environment that benefits the institution.

First, does the individual have the experience, training, or education to effectively handle the work requiring interaction with you or your department? There could be a learning curve involved with a new employee, or training on a particular aspect of a system or procedure may need review. Job descriptions used in hiring people don’t always place priority in procurement or financial experience. Departments often overlook that aspect and place greater emphasis on other needs. Systems, policies, and procedures constantly change, and this should be timely and properly conveyed to “core user” groups. Errors and delays with even routine procedures may be the result of inadequate training or miscommunication.

Next, is the person receiving good supervisor and/or peer support so that data entry or documentation is handled accurately and timely? Basically, is he/she the messenger or the message? If material is given at the last minute or accounts are incorrect, the source of the problem may be with someone else. The individual you are trying to help may not be the root of the problem.

Workload! Now here is a commonly used term, but one that is not easy to measure from a distance. "Downsizing" in the workplace is not unusual, and the number of employees in an area can remain static while the volume of work increases. The time available for colleagues to devote and focus on interaction with procurement is often just one piece of the daily routine people fit into a hectic day.

Could there be a personal problem or situation that is a distraction preventing a co-worker from performing at his/her highest level? Medical situations and other personal events can often reduce the effectiveness of even the best employee. Reaction and recovery to these types of situations are unique to each person, and the effects often last longer than imagined.

If you take some time to reflect on just these four points, are you really dealing with a difficult person? Any one of these situations or a combination could lead to poor work relations. It isn’t always easy to determine the root of the problem, but it is time well spent before formulating a response. Because these scenarios often involve an employee from a different department (with that person reporting to someone else), determining what might be the true problem requires patience and discretion. Quick judgment and the label of "difficult employee" may not be warranted.

I attest that, during my professional career, the label “difficult individual” was often erroneous. Over time, my interaction with these people developed into productive and rewarding business relationships.
More than ever, security is a top priority for campuses. Part of that security mix typically includes some type of access control system. Standardizing on a single access control manufacturer to meet diverse campus requirements can be overwhelming. It requires involvement of many key campus Departments and numerous personnel. To help bring together these efforts, the Purchasing department takes on a valuable role.

Such was the case at the University of Iowa when we were asked to assist in guiding the selection process for an access control manufacturer and a certified installer/integrator.

Background Information

The University of Iowa was founded February 25, 1847. It is Iowa’s first public institution of higher learning and has a long-standing commitment to teaching, research, and community service. It was the first U.S. public university to admit men and women on an equal basis, and the first university to accept creative work in theater, writing, music, and art on an equal basis with academic research. The current enrollment approaches 30,000 students. The campus covers 1,900 acres and includes 125 major buildings, 266 educational buildings, and 10 residence halls, all of which represent over 16 million square feet.

The Challenge

Currently, the University uses access-control-system products and services from three different manufacturers (Von Duprin, Software House, and Millennium [Marlok]). This means we must work with different pricing matrices, separate bidding processes, and no standardization. Aggregation through a single contract could achieve economies of scale and provide better overall management. But what’s the best approach – RFI, IFB, RFQ, RFP, phone quotes?

The Action

We attacked the challenge in two phases. In the first phase, we used a Request for Qualification (RFQ) process to identify a limited number of manufacturers as “acceptable alternates.” In the second phase, we used a Request for Proposal (RFP) process to select a certified/licensed installer/integrator.

Phase One – RFQ

Early in August 2006, representatives from Facilities Management and Purchasing began discussions regarding the selection of an access control system. An RFQ was developed and then issued to manufacturers only. The objective was to identify a list of “acceptable alternate” manufacturers from which the University, through the phase-two RFP process, would select a single manufacturer and supporting installer/integrator as the University standard.

To accomplish this, we formed a core team comprising representatives from Purchasing, Facilities Management, Facilities Management Information Technology, Public Safety, Medical Laboratories, Information Technology Services, Engineering Computer Network, University Housing, University Police, and an outside independent consulting firm.

The following November, we issued an RFQ to ten manufacturers (AMAG Technology, Andover, GE Security, Honeywell, Johnson Controls, Lenel Systems International, Matrix Systems, Millennium Group, Sielox Systems, and
Software House). Based on the responses and the team's review, the top three manufacturers (AMAG Technology, Lenel Systems International, and Software House) were selected to undergo in-depth evaluations. These follow-up investigations included oral presentations relative to system overviews, demonstrations of technologies, and responses to supplementary questions (each manufacturer was provided four hours). The team also reviewed expanded lists of references.

**Phase One – Software Testing**

We formed a sub-team comprising of personnel from Facilities Management Information Technology, College of Engineering Information Technology Services, and University Security Systems to conduct a comprehensive assessment of each manufacturer's software application. The testing was organized into two categories: Software Functionality and Technical Functionality.

- **Software Functionality.** This testing looked at daily functions, ease of navigation, ease of access management, ease of managing door schedules, the handling of bulk changes, and reporting. To provide hands-on experience, department users worked with and evaluated each application.

- **Technical Functionality.** This segment looked at the technical aspects of each system: development platform, database, segmentation of data, integration with University systems, and capability to lock down one or more buildings.

**Phase Two – RFP**

The evaluation team was comprised of representatives from Purchasing, Facilities Management, and the outside independent consulting firm. The objective was to identify qualified installers/integrators that could support the system chosen as a University standard. The Phase One finalists identified a total of seven licensed and certified candidates. We issued the RFP in September 2007. The following month, we received responses from five of the seven candidates.

**Phase Two – Recommendation**

The evaluation team determined that the University would be best served by standardizing on those products and services offered by a single manufacturer (AMAG Technology was selected) and supported by a single certified and licensed installer/integrator.

**Lesson Learned**

While this two-phased approach worked well for us, a less-robust process may be a better fit for your institution. The time required, from initial discussions to final selection of the manufacturer and installer/integrator, was in excess of 16 months.

**Bottom Line**

Whatever procurement tool and approach is used in tackling complex acquisitions that target a standardized solution, Purchasing can make the invaluable difference. Through our innovation and expertise, higher education procurement professionals have what it takes to align projects with strategic goals, especially when standardization makes the best sense.

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**John Stephen Klopp**

Since 1985 John has worked in the Purchasing Department at the University of Iowa and is responsible for the procurement of numerous products and services for the University and University Hospitals and Clinics. He currently holds the position of Purchasing Agent IV and actively contributes to the overall administrative and operational leadership for the University’s Purchasing Department.
The Pennsylvania State System of Higher Education (PASSHE) has a long history of tactical procurement processes searching for “low bid.” The Pennsylvania procurement code, Act 57, applies to organizations as well as to a formal system of delegated authority with thresholds based on responsibility, corresponding to individual transactions. The purchasing operations at individual universities have traditionally taken a governmental/legalistic approach, which in turn has fed a gate-keeper culture that still exists in some areas.

Updates to Act 57 allow qualitatively evaluated procurements such as Request for Proposals (RFP), Invitation to Qualify (ITQ), and Request for Quotes (RFQ). This has provided the opportunity for a procurement operation to evolve away from the tactical and toward the strategic.

The change in vision and a quasi-mandate from administrative leaders, the Board of Governors, and the Commonwealth of PA has enabled the successful implementation of the PASSHE Strategic Sourcing Initiative (SSI). The initiative aggregates spend across several categories and has changed the expectation of internal customers in many situations. The premise of this center-led procurement operation is that the SSI will benefit the individual procurement operations as well as the campuses. By raising the profile and appreciation of procurement/supply chain management and by consolidating the burden of contracting for many spend categories, procurement resources can be redeployed to provide better value to their customers. This paper provides empirical data that compares the post-SSI procurement practices at PASSHE Universities with best practices identified in the IBM study, *Benchmarking Procurement Practices in Higher Education*, published in 2007.
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In the previous two articles in this series we talked generally about the Time Value of Money (TVM), leading up to a useful example of the hardest type of TVM problem to learn: the Present Value of an Annuity (PVA). One of the important points was that the words “Present Value” are somewhat misleading because, in the example that we worked (a retirement scenario), the Present Value we were trying to find was actually an amount — our retirement nest egg — we want to have accumulated in the future. So, for learning purposes, we used the term “Starting-Out Amount” instead, because that more realistically described the amount we would need to have saved up in order to fund our monthly cash needs in our retirement years. Still, the type of TVM problem we used to find this amount is known as PVA. It’s unfortunate that the accounting and finance folks insist on using the term “Present Value,” but that’s the standard, so we just have factor it into our thinking.

The PVA type of problem, in addition to helping us estimate what our retirement nest egg needs to be, can be used for other purposes more directly related to Purchasing. In this article, we’ll talk about its use in certain lease situations.

Our question here might be something like, “If I want to pay off my lease in total today, what amount would I offer my lessor?” Let’s use the following facts to illustrate.

1. We have 3 years (36 months) remaining on our lease.
2. Our monthly payment is $650.
3. We have enough (we think!) cash available in a savings account ($23,000) to make an offer. The account pays us 3% interest, compounded monthly (remember: the 3%, unless specifically stated otherwise, is assumed to be an annual rate).

This is a PVA problem because if we put ourselves in the shoes of our lessor, his/her question would be, “What amount (the Starting-Out Amount, or the PVA) would I need to have in an account today, with the account paying 3% interest, compounded monthly, so that I could make a $650 withdrawal at the end of each month, for the next 36 months?” Let’s recall how this looks in a picture sort of way, in the figure below (but for a 4-period situation).

As for “compounding,” let’s quickly recall that it is the earning of interest upon interest and how frequently that computation is performed. Compounding can happen daily, monthly, quarterly, semi-annually, and annually. Most savings accounts have monthly compounding. In the example below, we’re assuming an annual rate of 4%, compounded monthly.

Now, back to our problem. We know that TVM problems are generally 4-variable problems and that, by knowing (or sometimes assuming or developing) any three variables, we can solve the fourth. Here is what we know:

\[ i = 3\% \text{, compounded monthly} \]
\[ (0.25\% \text{ each month } \frac{3\%}{12}) \]
\[ n = 36 \text{ (3 years } \times 12 = 36 \text{ months)} \]

\[ pmt = \$650 \]

### Table 1

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<th>Month 2</th>
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**Figure 1**
Let's go back to the Excel spreadsheet from our problem in the previous issue (I'll wait right here. Go get the article.) The final answer looked like this:

Because we already have the PVA formula – see it in the display line? “=PV(D2,D3,-D4)” – in cell D5, we don’t have to do anything difficult... just change the values in the “feeder” cells. (See Figure 3.)

Note that we put “3.00%” in cell C1. We leave cell D2 alone because we had previously put a formula in it, and we want to let that formula remain for future problems. (See Figure 4.)
That formula converts the annual percentage in cell C1 to a monthly percentage in cell D2 ("=+C1/12"). We need the monthly percentage since our bank account pays interest monthly. We then put “36” in cell D3, and “$650” in cell D4. That’s all the hard work.

The PVA formula in cell D5 returns an answer of $22,351. If our three input assumptions are correct, our lessor could accept $22,351 from us today, put it in an account that pays 3%, compounded monthly, and then make withdrawals of $650 at the end of each month for the next 36 months, after which the account balance would be $0.

Notice that $22,351 is less than $23,400 ($650 x 36). A quick lesson here is that, now that we know about the Time Value of Money, we would never offer a buy out that simply multiplies the monthly payment by the number of months remaining. That would be foolish because it ignores the reality that money actually does have time-value.

So, what is our professional interpretation of this information? That given the time-value (3%, compounded monthly) of our money, $22,351 would be the most we would offer our lessor to buy out of the lease. If we offered any amount higher than that, we would receive a time-value of less than 3%.

Well, let’s play a little bit. Let’s say we want to assume that we could find someone (say, a bank or credit union) who could give us a 5% rate, compounded monthly…in other words, increase our money’s time-value. Do you think it would return a present value greater than or less than $22,351? The answer is easy enough. By going back to our Excel spreadsheet (See Figure 5.) and changing the interest rate in cell C1 from 3% to 5%, we now see that the present value in cell D5 changed from $22,351 to $21,688.

While at first it may seem wrong that a higher interest rate would return a lower present value, it’s actually correct because the higher rate means that the money is “working harder” than at the lower rate. Therefore, you don’t need as much money starting out in order to achieve the same result.

Now, this gives us something really interesting to think about because we might decide to be a little bolder and offer our lessor the lower number as the buyout. Have we saved our institution money if he/she accepts that lower number? Of course we have.

This is just a tiny glimpse of the value-added stuff you can do for your organization if you have the knowledge. We will pursue this further in the next issue. See you then.

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One of the most urgent and popular current initiatives on all campuses is to reduce the campus dependence on gas—and to save money at the same time. The University of North Carolina at Charlotte has found a creative and fun way to do both by using GEM electric vehicles. Their students give the cars high marks, and they won the Centralina Clean Fuels Coalition Clean Cities Award “for demonstrating excellence in clean transportation and fuel activities.”

UNC Charlotte bought 24 GEM cars over the past five years, after working diligently through the school’s design services departments, including testing the cars, doing extensive research, and exploring maintenance issues with GEM technicians.

The 100% battery-electric, zero-emission GEM cars were chosen because they provide versatility to meet multiple campus needs, including quiet, clean, comfortable, and reliable electric vehicles that are easy and inexpensive to maintain. GEM cars help the campuses fulfill state mandates to reduce petroleum usage by 20% by 2010, along with their other electric vehicles, saving about 10,000 gallons per year so far.

Larry Lane of UNC Charlotte described their use of GEM cars this way: “We use the GEM vehicles all over campus. We have a Facilities Management fleet of 7 GEM units to transport design, planning, and business office personnel throughout the campus. We have several set up with tool boxes and ladder racks for electricians, carpenters, plumbers, and HVAC personnel to use in the performance of their job functions. We use one for the Steam Plant personnel to inspect the boilers throughout the campus on a 24/7 basis.”

Regarding maintenance, Lane said, “It costs a couple of dollars a week to charge a GEM car, and they require much less maintenance than their gas-powered counterparts.” Charging the cars overnight helps by using surplus electricity that power plants generate at night. Facilities Management purchased the cars initially, and other departments are ordering their own after seeing them on campus.
The Audacity of Change

Our new President, Barrack Obama, ran for office on the platform that this country needed “change.” Americans of all political persuasions agreed with him. Well, OK, let me say that at least “most” Americans agreed with him. For sure, there was an element that decried that change was needed. I agree that this country’s dire financial straits require that we either do something different so the USA is perceived, both at home and abroad, as part of the solution not the problem, or we continue to decline in economic stature.

But we in the Supply Management profession must change also. We have to accept that in today’s economic environment we must move away from being “purchasers” to being “supply managers.” One of my favorite writers, Thomas Friedman, writes often about how the world is shrinking, how it is becoming flat, i.e., we are becoming an interdependent economic world, and how we have to either adjust or be left behind.

What does this have to do with certification in general and the C.P.M. and the CPSM in particular? As I have noted in articles and e-blasts, the C.P.M. (Certified Purchasing Manager) professional designation is being replaced – no further test registrations are being accepted – by the CPSM. Since a college degree is required just to take the tests, those with degrees can test for the CPSM (Certified Professional in Supply Management) or CPPP (Certified Public Purchasing Professional), but, as I have asked before, what are the non degreed folks going to do? They are going to be left in the dust by this “change.”

In the last issue of the digital NAEP Journal, I quoted Darwin saying, “It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change.” (For more on

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Darwin’s take on “change”, refer back to that issue of the digital Journal.) For those not liking that ISM has made this “change,” Darwin also said, “Our expectations cannot be what we wish it was, but, rather, what is real.” Yes, “change” is real, and we can either adjust to it and be part of the solution, or we can fight it and be part of the problem. Or as my daughter says, “It’s reality, Dad, deal with it!”

Also, in that last digital Journal, I noted that the current management guru, Peter F. Drucker, said, “Today, knowledge is power. It controls access to opportunity and advancement.” Nothing could be truer in today’s economic world. You either learn and change, or you gain no new knowledge and you lose your power. Don’t have any power, you say? Of course you do. In today’s environment, you must either be a contributor to the team or you will be cut from the team. “Change” will happen. And it will happen with you or without you.

How much “change” is going to be expected of you? As noted previously, I read in our local newspaper that the University of Chicago, among others, is now requiring PowerPoint-style presentations as an entrance requirement because they acknowledge PowerPoint, along with similar but lesser-known programs, has become a common business tool and that this level of education is a must for those entering the business world today.

Don’t have a degree? Then you cannot obtain your certification. This, in today’s business environment, might mean that you will not even get the interview for that job or that promotion. But it might mean that you will get that interview for who gets downsized. Non degreed folks must start seriously thinking about obtaining their degree. What? You say, it will take four years to do that? To paraphrase a Dear Abby column, how old will you be in four years if you do not start on your degree today?

As part of this adapting to change, this column will now appear in the digital Journal as well as the hard-copy Journal. I am pleased to see that I will also be allowed to answer your questions in the digital Journal. Start asking. I’ll start answering.

Also, adjusting to this change, at the Annual Conference in Rhode Island in April, we will present the CPSM Bridge Exam Review. Those with college degrees and in agreement with Darwin and Peter F. Drucker should sign up for this review workshop. For non degreed persons, let me repeat that it is time for you to start pursuing your dream of obtaining a college degree. Your future demands it.

Have questions? Contact me at ashbybob@embarqmail.com.
As the notion of sustainability on campus has become a major topic on campus—finally!—it behooves us to begin examining some of the issues around the initiative. Among the biggest is reconciling the economic relationship of sustainability with the financial concept of return on investment (ROI)...a particularly difficult undertaking since the two notions are so grounded in opposite worlds.

As a starting point, let's define ROI. It is generally accepted that ROI is the profit or loss resulting from an investment (the notion is useful for both actual and projected values). This is a totally conventional definition. It is not, however, the only way to look at the world. While typically measured only in economic terms, ROI can also include the costs and benefits associated with human and natural capital. This is a broader and more sustainable understanding of the term. Thus, it could be said:

\[ ROI = \frac{\text{final value}}{\text{initial value}} \]

This would be entirely reconcilable with the prevalent perspectives of sustainability.

Sustainability is most often defined as development that meets the needs of current generations without harming the ability of future generations to meet their needs as well. To operationalize the definition for ease of understanding, the phrase "triple bottom line" is frequently used. Triple bottom line is understood to comprise three components:

1. Economy
2. Environment
3. Equity

It follows then that no development, project, or major undertaking should be pursued without considering all three elements.

This sets up the dynamic that is being faced across the globe, as sustainable thinking pervades cultures that are substantially entrenched in conventional thinking, which is that expenditure decisions need only meet the economic test of profit or loss. The conflict encourages the wrong framing of the issue as "it is either the economy or the environment," resulting in a sort of a bipolar disease. The U.S. and higher education have rocked along in this mode for the last 15 years.

But “the times, they are a-changing.” More and more, day by day, institutions are beginning to value the third component: equity. In ever-growing numbers, they are embracing the notion of sustainability. When students, faculty, alumni, and supporters began to advocate for socially responsible investing, insisting on transparent financial dealings, the pendulum began swinging back. Happily, diversity programs that had languished in obscurity are being reenergized. Community service is emerging as a specific and foundational focus in mission statements.

The notion that sustainability will be an integral part of higher education for decades was becoming abundantly obvious. Perhaps this is because academe claims to involve the best, brightest, and newest minds (students, faculty, and staff) in America.

At the same time, the world was arriving in a different place also. The 1990s were the decade of globalization. Globalization delivered a mindset similar to the Renaissance that allowed people to start thinking about the planet much more holistically. In crowded, dense Europe, people experienced
Sustainability

by Brian Yeoman
NAEP

numerous human fatalities from the hottest summers on record. The academe’s scientists had been telling the world for years that climate change was a reality and had been progressing faster and stronger than they had earlier believed. Europe stepped forward following the Kyoto protocol and began to take action. It was an imperative that American multinational corporations could not ignore any longer.

As Fortune 500 companies began to adopt sustainability, they turned to academe for advice. Where else could they go? (Yet, puzzlingly, on campus, sustainability remained a pursuit buried in the arts and sciences.) As the business community adopted ever-wider and deeper sustainability efforts – requiring capital – it came to the great business schools for assistance. Here they were introduced to the idea of the triple bottom line versus the traditional ROI that so dominated the 20th century. They were advised that a more-inclusive definition was required to understand the sustainability movement.

Amazingly, business got it; higher education did not. Not until the launch of the Association for the Advancement of Sustainability in Higher Education (AASHE) and the American College and University Presidents Climate Commitment (ACUPCC) was there anything approaching a movement on campus. The founding of these organizations forced the issue into the mainstream. Now we have supporting organizations such as the Higher Education Association’s Sustainability Consortium (HEASC), which includes as founding members:

- The National Association of College and University Business Officers (NACUBO),
- The Association of Physical Plant Administrators (APPA),
- The Society of College and University Planners (SCUP), and
- The National Association of Educational Procurement (NAEP).

Everyone in higher education is being touched by the movement. The broadening of the ROI definition to include environment and equity still has a way to go, but the trend is encouraging and the direction is clear.

Returning to our more-comprehensive definition of ROI, it should be no surprise that we are experiencing a rebirth of cost-benefit analysis and the notion of life-cycle costing. I submit that, in part, the sustainability movement is responsible for this change. Further, there are many professionals in our business schools who understand the bigger picture and are working hard to illustrate different ways for leaders to comfortably deploy the broader ROI definition.

Conventional accounting is quite comfortable with the notion of ROI as generally defined. It understands direct costs and benefits. It also understands indirect costs and benefits. These are the hallmarks of conventional business as we know it. The notion of ROI neatly fits into this understanding.

Over time, it has been well-illustrated that there are reasonably predictable intangible costs and benefits that link to an investment. As such, the notion of “total cost assessment” has gained substantial ground for analysis purposes. However, this step did not go far enough. As pressure built for the need of a broader understanding, a number of areas – particularly the green building sector – began to advocate for a total cost of ownership model (TCO). The underlying notion was that there are external costs and benefits that need to be considered as well.

Think of it as a ladder.

1. The first step is Direct Costs/Benefits;
2. The second step is Indirect Costs/ Benefits, the operations and maintenance costs required to make the capital perform;
3. The third step is Intangible Costs/ Benefits, which are realized as a result of the investment, productivity of personnel; and
4. The fourth step is the External Costs/ Benefits that are borne frequently by society: emissions of CO₂, NOX, CO, VOCs, and SO₂.

As an amusing aside, the concept of ROI is being hijacked by many in society. In a recent issue of the Houston Chronicle, a local, well-known furniture store headlined its half-page ad with “Return on Investment,” and then displayed three head shots and three quotations:

- “Because of Gallery Furniture, the Tempur-Pedic mattress changed my life” – Larry
- “A Tempur-Pedic mattress is an investment you do for yourself, with definite value added to your life.” – Susie
- “My back is back to where it was 30 years ago, and I’ve actually taken up ballroom dancing.” – Billy

Is this the type of ROI you were expecting? I doubt it, but there is a lot of that going on out there. I have some good case studies that I will share with you in the future. For now, I hope this discussion has helped create a link between these two concepts so that you can think about how they will work on your campus. I need you to Do Great Things(!) in this arena because it is new and because we, as a profession, can add value.
Johnny Carson quipped once, “For two weeks after you die, your hair and nails continue to grow, but your phone calls taper off.” The purchasing version should read, “For years after you retire, your 401(k) will continue to vanish, but the company to whom you placed your very first order will continue to send you catalogs forever.”

I don’t understand it. Why don’t companies that spend large sums publishing and mailing expensive catalogs invest in cleaning up their mailing lists? Having received eight catalogs, each the same with a price of $10 on the cover, I returned them in protest to the offender and asked for $70 back. I didn’t get a penny nor did they bother to change their process.

After being bombarded with multiple mailings – after placing just one order with a software vendor – I offered our receptionist $20 to get me off their mailing list. She gave up in frustration; she found eight people who could add me to the list but no one knew how to remove me.

You enter an e-mail address incorrectly, and the software program scolds you with “undeliverable” notices, but make a mistake on an address label and it becomes canonized into perpetuity. Our main address at Brigham Young University is in the Abraham Smoot Building. What shows up on some address labels? “Abe Snoot Building,” “Abrama Smott Building,” you name it.

Whether human- or computer-caused, address labels are often unforgettable. Mistaken titles caused a who-is-more-important debate between buyers… Susan Lindford, President, BYU vs. Karla Ehlers, Owner, BYU.

A national pen company mailed us a sample stamped with “Brigham Young Univ.” The accompanying letter read, “Dear Mr. Univ, I bet you were surprised to see your name on the enclosed pen . . .” Borrowing a movie line from Chevy Chase, “Surprised!? I couldn’t be more surprised if I woke up tomorrow morning with my face sewn to the carpet!”

Here’s one. A supplier of ours, in Payson (that’s Utah, not Arizona or Illinois), is an expert in balancing airflow in heating/ventilation/air conditioning (HVAC) systems. The name, Payson Sheet Metal Company, was incorrectly entered as Payson SHEEP Metal Company. “What do we buy from them?” someone asked. Another dryly remarked, “That’s who we get our steel wool from.”

During a convention, I signed up for an international catalog. My business card read “Craig Passey, Purchasing Manager, The Church of Jesus Christ of Latter-day Saints.” That was condensed on the catalog to “Craig Passey, Manager of Jesus Christ.” I called the company president relishing his reaction. He apologized and explained that the address was condensed by a non-English-speaking Buddhist in Singapore. He kept the humor coming in subsequent catalog mailings with new titles like “Friend of the Pope,” “Buddha’s Best Buyer,” and “Soldier of Islam.”

I have bought one forklift in my career. Each December for three years, the vendor delivered a case of grapefruit to my home. Each time, I asked the company to stop. The sales rep was upset at me for pointing out his mistake but continues to send me Christmas cards.

I am convinced that a lucrative opportunity awaits someone who successfully addresses, uh, addresses.
EVEN THE TORTOISE KNEW HE NEEDED A NEW STRATEGY

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