DESIGN PHASE BUSINESS CASE

University of California, Berkeley

SPONSORSHIP

Initiative

INITIATIVE	**Procurement**		
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OE PROGRAM OFFICE SIGNATURE		**DATE**	
Notes			

SUMMARY OF RECOMMENDATIONS

UC Berkeley procurement is ready for the next step change in its evolution, migrating from an organization which historically focused on compliance and was in a state of service crisis, to one which today focuses on compliance and is considered customer-oriented, and into one which aspires to be a procurement exemplar in higher education characterized by:

- Focus on cost savings and very satisfied customers
- Vast majority of spending covered by quality contracts
- Demand-management focused culture
- Campus-driven policy compliance
- Enhanced technology and data analytics

To do so, the procurement initiative is recommending three projects:

1) **The Commodity Project**: An assessment study to review the campus-wide spending base in key commodity categories and to identify strategies to purchase these goods and services for less money and with lower transaction costs. The Overall Commodity solution recommendation promotes the following steps:

    - Review and renegotiate existing agreements.
    - Identify opportunities for additional, new agreements for items not currently under contract.
    - Invest in developing commodity expertise in targeted commodity categories.

- Implement several administrative changes to help streamline how the University currently purchases commodities.
- Actively manage vendors and contracts once negotiated to insure campus is receiving optimal pricing and terms from vendors

At present, three commodity categories have been thoroughly reviewed and two additional categories are under review:

- Lab Supplies and Equipment (Lab Supplies)
- Maintenance, Repairs and Operations (MRO)
- Travel and Entertainment (T&E)
- Food and Beverage (in process)
- Information Technology, goods and services (in process)

2) **The BearBuy Project:** Implementation of technology based procurement workflow system for the campus. This project is based on the implementation of the commercially available Software as a Service (SaaS) eprocurement software platform, SciQuest.

3) **The UCB/UCSF Collaborative Procurement-Center of Excellence (CP-COE) Project**: Plan, pilot and implement an integrated/shared procurement operational organization designed to maximize administrative efficiency across UC Berkeley and UCSF to enhance service levels while achieving savings.

FINANCIAL ANALYSIS

Conservative Benefits Model

In the conservative benefits model, over the first five years, the three Procurement Initiative projects are expected to cost UC Berkeley approximately $23..7 million and are expected to return benefits of approximately $24.5 million. After the Procurement Initiative projects are fully implemented, they are expected to have an annual cost to UC Berkeley of $4.1 million and to return conservative annual benefits of $7.9 million. These benefits are hard dollars only: price savings or cost avoidance for end users, and centrally collected supplier incentives. Estimates do not include any departmental or central time savings through streamlined processes and easy to use technologies- UCSF estimates up to 100FTE's of capacity annually could be freed.

Central Benefits / Supplier Incentives generated from the projects will be re-invested to cover a portion of the expenses. Below is a summary of UC Berkeley's combined expenses and benefits for all the Procurement projects included in this proposal under the conservative benefits model.

PROCUREMENT INITIATIVE EXPENSES AND BENEFITS - UCB ONLY, CONSERVATIVE BENEFITS

EXPENSES - UCB ONLY

	PROJECTED					Cumulative	
	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY14-15	Total	RUN RATE
BEARBUY + OBIEE							
Software licenses/upgrades/maintenance	$507,000	$190,000	$76,000	$80,000	$85,000	**$938,000**	$85,000
Hardware purchase and refresh	$50,000	$50,000	$50,000	$50,000	$50,000	**$250,000**	$50,000
Contract/consulting services (non-salary)	$1,792,000	$1,777,000	$162,000	$65,000	$65,000	**$3,861,000**	$65,000
TOTAL	**$2,349,000**	**$2,017,000**	**$288,000**	**$195,000**	**$200,000**	**$5,049,000**	**$200,000**
CP-COE							
Salaries	$1,828,000	$2,004,000	$1,928,000	$2,030,000	$2,158,000	**$9,948,000**	$2,167,000
Benefits	$548,000	$601,000	$578,000	$609,000	$647,000	**$2,983,000**	$650,000
Supply & Expense	$1,050,000	$984,000	$975,000	$986,000	$1,001,000	**$4,996,000**	$1,002,000
TOTAL	**$3,426,000**	**$3,589,000**	**$3,481,000**	**$3,625,000**	**$3,806,000**	**$17,927,000**	**$3,819,000**
COMMODITIES (expenses in addition to those in CP-COE)							
Salaries	$0	$175,000	$145,000	$90,000	$90,000	**$500,000**	$90,000
Benefits	$0	$53,000	$44,000	$27,000	$27,000	**$151,000**	$27,000
Contract/consulting services (non-salary)	$0	$85,000	$0	$0	$0	**$85,000**	$0
TOTAL	**$0**	**$313,000**	**$189,000**	**$117,000**	**$117,000**	**$736,000**	**$117,000**
TOTAL UCB PROCUREMENT EXPENSES	**$5,775,000**	**$5,919,000**	**$3,958,000**	**$3,937,000**	**$4,123,000**	**$23,712,000**	**$4,136,000**

BENEFITS GENERATED - UCB ONLY

	PROJECTED					Cumulative	
	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY14-15	Total	RUN RATE
CENTRAL BENEFITS/SUPPLIER INCENTIVES							
Strategic sourcing patronage incentive	$450,000	$450,000	$500,000	$550,000	$650,000	**$2,600,000**	$750,000
PCard incentive	$682,000	$682,000	$625,000	$600,000	$550,000	**$3,139,000**	$500,000
Fast pay incentive	$0	$25,000	$50,000	$100,000	$200,000	**$375,000**	$300,000
TOTAL	**$1,132,000**	**$1,157,000**	**$1,175,000**	**$1,250,000**	**$1,400,000**	**$6,114,000**	**$1,550,000**
END USER BENEFITS							
Sourcing	$500,000	$1,000,000	$2,000,000	$2,500,000	$3,000,000	**$9,000,000**	$3,500,000
Procurement	$500,000	$1,500,000	$2,000,000	$2,000,000	$2,000,000	**$8,000,000**	$2,000,000
Other	$0	$100,000	$250,000	$400,000	$600,000	**$1,350,000**	$800,000
TOTAL	**$1,000,000**	**$2,600,000**	**$4,250,000**	**$4,900,000**	**$5,600,000**	**$18,350,000**	**$6,300,000**
TOTAL UCB PROCUREMENT BENEFITS	**$2,132,000**	**$3,757,000**	**$5,425,000**	**$6,150,000**	**$7,000,000**	**$24,464,000**	**$7,850,000**
TOTAL UCB PROCUREMENT BENEFITS LESS EXPENSE	**($3,643,000)**	**($2,162,000)**	**$1,467,000**	**$2,213,000**	**$2,877,000**	**$752,000**	**$3,714,000**

Moderate Benefits Model

In the Moderate benefits model, over the first five years, the three Procurement Initiative projects are expected to cost UC Berkeley approximately $23.7 million and are expected to return benefits of approximately $30.2 million. After the Procurement Initiative projects are fully implemented, they are expected to have an annual cost to UC Berkeley of $4.1 million and to return annual benefits of $13.8 million. The moderate benefits scenario assumes full implementation of BearBuy at UCB by end of calendar year 2011, with rapid adoption to over 90% by June of 2012. It also assumes key sourcing and commodity positions are filled by July at UCB/UCSF, and that good progress is made on UCOP Procurement Services reengineering effort.

Central Benefits / Supplier Incentives generated from the projects will be re-invested to cover a portion of the expenses. Below is a summary of UC Berkeley's combined expenses and benefits for all the Procurement projects included in this proposal, under the moderate benefits model.

PROCUREMENT INITIATIVE EXPENSES AND BENEFITS - UCB ONLY, MODERATE MODEL

EXPENSES - UCB ONLY

	PROJECTED					Cumulative	
	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY14-15	Total	RUN RATE
BEARBUY + OBIEE							
Software licenses/upgrades/maintenance	$507,000	$190,000	$76,000	$80,000	$85,000	**$938,000**	$85,000
Hardware purchase and refresh	$50,000	$50,000	$50,000	$50,000	$50,000	**$250,000**	$50,000
Contract/consulting services (non-salary)	$1,792,000	$1,777,000	$162,000	$65,000	$65,000	**$3,861,000**	$65,000
TOTAL	**$2,349,000**	**$2,017,000**	**$288,000**	**$195,000**	**$200,000**	**$5,049,000**	**$200,000**
CP-COE							
Salaries	$1,828,000	$2,004,000	$1,928,000	$2,030,000	$2,158,000	**$9,948,000**	$2,167,000
Benefits	$548,000	$601,000	$578,000	$609,000	$647,000	**$2,983,000**	$650,000
Supply & Expense	$1,050,000	$984,000	$975,000	$986,000	$1,001,000	**$4,996,000**	$1,002,000
TOTAL	**$3,426,000**	**$3,589,000**	**$3,481,000**	**$3,625,000**	**$3,806,000**	**$17,927,000**	**$3,819,000**
COMMODITIES (expenses in addition to those in CP-COE)							
Salaries	$0	$175,000	$145,000	$90,000	$90,000	**$500,000**	$90,000
Benefits	$0	$53,000	$44,000	$27,000	$27,000	**$151,000**	$27,000
Contract/consulting services (non-salary)	$0	$85,000	$0	$0	$0	**$85,000**	$0
TOTAL	**$0**	**$313,000**	**$189,000**	**$117,000**	**$117,000**	**$736,000**	**$117,000**
TOTAL UCB PROCUREMENT EXPENSES	**$5,775,000**	**$5,919,000**	**$3,958,000**	**$3,937,000**	**$4,123,000**	**$23,712,000**	**$4,136,000**

BENEFITS GENERATED - UCB ONLY

	PROJECTED					Cumulative	
	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY14-15	Total	RUN RATE
CENTRAL BENEFITS/SUPPLIER INCENTIVES							
Strategic sourcing patronage incentive	$450,000	$550,000	$700,000	$800,000	$950,000	**$3,450,000**	$1,100,000
PCard incentive	$682,000	$682,000	$625,000	$600,000	$550,000	**$3,139,000**	$500,000
Fast pay incentive	$0	$25,000	$75,000	$150,000	$225,000	**$475,000**	$350,000
TOTAL	**$1,132,000**	**$1,257,000**	**$1,400,000**	**$1,550,000**	**$1,725,000**	**$7,064,000**	**$1,950,000**
END USER BENEFITS							
Sourcing	$500,000	$1,250,000	$2,500,000	$4,000,000	$5,250,000	**$13,500,000**	$7,500,000
Procurement	$500,000	$1,000,000	$1,500,000	$2,250,000	$3,000,000	**$8,250,000**	$3,500,000
Other	$0	$100,000	$250,000	$400,000	$600,000	**$1,350,000**	$800,000
TOTAL	**$1,000,000**	**$2,350,000**	**$4,250,000**	**$6,650,000**	**$8,850,000**	**$23,100,000**	**$11,800,000**
TOTAL UCB PROCUREMENT BENEFITS	**$2,132,000**	**$3,607,000**	**$5,650,000**	**$8,200,000**	**$10,575,000**	**$30,164,000**	**$13,750,000**
TOTAL UCB PROCUREMENT BENEFITS LESS EXPENSE	**($3,643,000)**	**($2,312,000)**	**$1,692,000**	**$4,263,000**	**$6,452,000**	**$6,452,000**	**$9,614,000**

Very Aggressive Benefits Model

As part of the CPCOE strategy, we modeled a very aggressive scenario which could deliver 8 figure annual net benefits to both UCB and UCSF within 5 years. These estimates track more closely with the Bain projections.
Requirements/prerequisites to achieving such benefits are significant and would include:

- Implement mandates (e.g. E-pro adoption, sourcing contract usage, EMI, RFPs vs. Sole Source, etc);
- Increased investment and rollout of sourcing and commodity expertise, technologies, and processes;
- Reengineered UCOP Procurement Services model fully funded and implemented;
- Equipment self insurance fully implemented;
- Inbound Freight program fully implemented;
- Procurement/sourcing allowed to migrate into non-traditional spend areas including construction, utilities, benefits, etc;

- UCB and UCSF migrate to single Chart of Accounts and single PSFT and SciQuest instances.

This degree of rapid change at UCB and UC overall does not seem likely in the short-term; however these can serve as stretch goals. In any case, implementation and adoption of BearBuy, launching of commodity programs, and rollout of CPCOE structural changes are essential before these more aggressive targets can be considered.

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
End User Benefits Generated							
UCB	$ 2.5	$ 6.5	$ 9.5	$ 15.0	$ 23.0	$ 28.0	$ 35.0
UCSF	$ 4.3	$ 11.3	$ 16.3	$ 22.0	$ 27.0	$ 32.0	$ 40.0
Total	$ 6.8	$ 17.8	$ 25.8	$ 37.0	$ 50.0	$ 60.0	$ 75.0
Central Benefits/Supplier incents generated							
UCB	$ 1.3	$ 3.4	$ 5.0	$ 5.0	$ 5.0	$ 5.0	$ 5.0
UCSF	$ 1.3	$ 3.4	$ 4.9	$ 5.0	$ 5.0	$ 5.0	$ 5.0
Total	$ 2.6	$ 6.8	$ 9.9	$ 10.0	$ 10.0	$ 10.0	$ 10.0
Total Benefits generated							
UCB	$ 3.8	$ 9.9	$ 14.5	$ 20.0	$ 28.0	$ 33.0	$ 40.0
UCSF	$ 5.6	$ 14.7	$ 21.2	$ 27.0	$ 32.0	$ 37.0	$ 45.0
Total	$ 9.4	$ 24.6	$ 35.7	$ 47.0	$ 60.0	$ 70.0	$ 85.0
Total costs							
UCB	$ 3.2	$ 4.0	$ 4.5	$ 5.0	$ 5.0	$ 5.0	$ 5.0
UCSF	$ 3.3	$ 4.0	$ 4.5	$ 5.0	$ 5.0	$ 5.0	$ 5.0
Total	$ 6.5	$ 8.0	$ 9.0	$ 10.0	$ 10.0	$ 10.0	$ 10.0
Funding							
UCB implied central funding	$ 1.9	$ 0.6	$ -	$ -	$ -	$ -	$ -
UCSF Implied central funding	$ 2.0	$ 0.6	$ -	$ -	$ -	$ -	$ -
Total implied central funding	$ 3.8	$ 1.2	$ -	$ -	$ -	$ -	$ -
ROI Gross							
UCB	120%	248%	323%	400%	560%	660%	800%
UCSF	171%	368%	471%	540%	640%	740%	900%
Total	146%	308%	397%	470%	600%	700%	850%

PROBLEM STATEMENT/NEEDS ASSESSMENT

- Objectives
- Situation
- Opportunity

Overarching Objective: The procurement organization's overarching vision is to deliver procurement processes that operate and support on the same world class level as UC Berkeley's renowned contributions in research, education, and public service. This objective is further articulated within each of the three followings projects:

1. **The Commodity Project**:

Objectives:

- The Commodity Project assessment will review the lifecycle of procurement activities with the objective of identifying and testing strategies to reduce the costs of commodities in three key categories. The focus of the assessment team will include two major streams:
  - Cross-organizational opportunities requiring sponsorship, campus buy-in and coordination
    - Consolidated Storeroom management/systems

        - Establishment of list serv or online searchable forums
        - Increase purchase authority threshold for department buyers
        - Consolidated volume purchases, including analysis of campus-wide demand forecasting, creation of functional owner for certain goods,
        - Evaluate vendor managed inventory opportunities
        - Leverage supplier inventory management expertise
        - Use of GSA and other limits for domestic lodging and transportation/parking
        - Use of web/video conferencing alternatives to travel for short conferences and meetings
        - Enablers to promote use of BearBuy, such as training, process redesign, policy communication
    - Central Procurement / Strategic Sourcing opportunities, with collaboration from campus departments
        - Appointment of a Commodity Manager for Lab Supplies
        - Identify campus commodity expert for MRO
        - Streamline sole sourcing process for use where appropriate
        - Increase competitive bids (and decrease sole sourcing)
        - Renegotiate current and increase volume of strategic contracts
        - Improve training and communication with campus buyers
        - Improve communication and feedback mechanisms with subject matter experts in departments
        - Improve account and commodity codes to better capture spend
        - Improve campus based efficiency opportunities such as insurance certificate issuance, event planner card program, inclusion of invoice numbers on vendor payments, upgrade of the Faculty Club billing systems, and budget friendly menus on internal websites.

      Work activities to address several of these objectives have commenced.

    - Additionally, the next wave of analysis in the areas of Food and Beverage, and the procurement of IT goods and services is underway.

Situation:

- The Procurement Commodity team has identified the current situation on campus:
    - Demand for commodities across departments is neither optimally aggregated nor consolidated for contracting and purchasing to support best pricing. Lack of standardized usage of account and commodity codes exacerbates this problem.
    - Strategic sourcing contracts are few and underleveraged. Pricing across campus buyers/departments varies widely with the same vendors
    - Access to information regarding purchasing processes and procedures is difficult to find making it time consuming for campus users to find reliable information.
    - Campus storerooms each use their own processes and systems missing an opportunity for standardizing services, optimizing inventory efficiency and pricing, and providing better services to campus units.
    - In-house commodity expertise for select sub-categories is not adequate or effectively coordinated with the procurement organization.
    - Scientific storerooms on campus are managed by the different departments operating under a variety of management models (vendor run, fully costed employee run, department managed and either fully or partially subsidized, and cost redistribution), leading to inefficiency and loss of consolidated purchasing power.
    - Campus customers view central procurement as a bottleneck instead of a partner.
    - A significant portion of our travel expenses are handled through reimbursements to individuals for travel purchased and paid for on their personal credit cards. As a result of this practice, we cannot easily capture our expenditures with individual vendors – for example in the areas of airfare and hotels. We need a better system so we can negotiate better contracts with our frequently used vendors and reduce our overall travel and entertainment costs.

- Within each of the three commodity areas, the Bain study, and then further campus-based analysis has reported the following:

  - **Lab Supplies**: Lab Supplies and equipment account for $51M or approximately 14% of the total annual Berkeley procurement spend. The initial estimated savings opportunity from the OE diagnostics phase ranged from $3.3-4.0M. Based upon further analysis, the Lab Supplies and equipment team is recommending changes that will result in savings ranging from $.7-3.1M.
  - **MRO**: MRO accounts for ~$4.5M of campus spend, or ~1% of the total amount spent with external suppliers of goods and services. However, it is believed that there is additional spend (not yet quantified) in this category, incorrectly accounted for in other spend categories. Of the $4.5M spend, $3.8M is readily sourceable as this is the MRO spend for PPCS and RSSP. The Diagnostic data showed a possible savings of $0.1M in this category based on $2.4M spend. The MRO team is recommending changes that are expected to exceed these savings; however most of this increase is due to the revised estimate of MRO spending data.
  - **T&E:** T&E costs account for $45M, or 12%, of the total amount spent in Purchasing/Procurement activities. Initial estimated savings opportunity from the OE diagnostics phase ranged from $3.2-6.5M. Our travel and entertainment team is recommending changes that will result in savings range of $1.0-3.3M.
- In addition, across these commodity areas, the procurement function is without commodity specialists tasked to develop and implement commodity sourcing strategies for campus.

Opportunities:

- Based upon the work during the Design Phase, opportunities for financial savings exist in the three commodity categories under review through the following activities:

  - Lab Supplies:
    - Appointment of a Commodity Manager
    - Consolidate Storeroom management/systems
    - Establish a list serv and/or online searchable forum for lab managers
    - Establish an ongoing feedback forum for better communication with the lab managers/purchasing agents to better understand the needs of the labs
    - Increase Purchase Authority (threshold) for Department Buyers
    - Aggregate demand and aggressively negotiate additional discounts on targeted transactions
    - Streamline sole sources
    - Bid out more sole sources
    - Renegotiate Current Strategic Contracts and Negotiate Additional Strategic Contracts
    - Improve and expand training and communication with campus buyers at all levels

  - MRO:
    - Consolidate Storeroom management/systems
    - Designate one department as campus-wide functional owner for MRO supplies and to actively manage MRO spend
    - Aggregate demand and aggressively negotiate additional discounts on targeted transactions
    - Vendor managed inventory for select consumables
    - Better leverage supplier inventory management expertise
    - Renegotiate Strategically Sourced contracts to reflect UCB Requirements
    - Conduct RFP's for select MRO sub-categories
    - Standardize and improve account and/or category codes to better capture MRO spend

  - T&E:
    - Encourage use of Connexxus
    - Implement GSA caps for domestic lodging in select high cost, frequently traveled cities

- Negotiate strategic agreements for ground transportation to and from airports, and airport parking and implement caps (to match the agreement amounts) on reimbursements for these services.
- Improve contracts with airlines so refundable travel arrangements to be made less than 30 days in advance when possible
- Encourage people to make travel arrangements as far in advance as possible (to save late fees)
- Negotiate fares with additional airlines (i.e. United)
- Encourage use of web/video conferencing for short conferences or meetings
- Streamline and centralize collection and access to vendor Insurance Certificates
- Negotiate strategic contracts for catering, off-campus conference facilities, event supplies and audio visual service and encourage use of them
- Event Planner Card Program (EPC)

Each of these items is discussed in detail in the Procurement Commodity Resource Request Application. As described in the Resource Request Application, further exploration is required to realize these potential savings.

- The following campus leaders have been identified as the champions of the proposed assessment, and have expressed a willingness to serve in this capacity.
  - Lab supplies – Associate Vice Chancellor Ron Coley, Executive Director Jim Hine, Dean Dennis Levi, and the departmental managers responsible for the scientific stockrooms for Biological Sciences Divisional Services, Chemistry, and Research Enterprise Services
  - MRO – Associate Vice Chancellor Ron Coley, Executive Director Jim Hine, Vice Chancellor Ed Denton, and Vice Chancellor Harry Le Grande
  - T&E – Associate Vice Chancellor Ron Coley, Executive Director Jim Hine, and Associate Vice Chancellor Erin Gore
  - IT – Associate Vice Chancellor Ron Coley, Executive Director Jim Hine, and Associate Vice Chancellor Shel Waggener
  - Food and Beverage: Associate Vice Chancellor Ron Coley, Executive Director Jim Hine, and Vice Chancellor Harry Le Grande

2. **The BearBuy Project:**

Objectives:

- Campus- based work efficiency
  - Creation of a single, easy to use online procurement system with easy to use workflow, available to users campus wide, serving the needs of individual purchasers, academic and non-academic departments, and Central administrative offices, while promoting compliance with campus procurement policy and diminishing frustration
  - Reduction in time and money that departments currently spend on procuring goods and services,
  - Reduction in the number of central resources (AP, Purchasing) expending support for the current systems, and in working around its limitations (e.g., analytics)
- Spending efficiency and cost reduction
  - Encourage and promote system use with substantial campus spend through preferred vendors, while providing appropriate choices to shoppers, with lower negotiated pricing resulting in substantial savings
- Infrastructure to support other projects
  - Creation of the infrastructure needed to enable the benefits of the strategic sourcing efforts (i.e., the Commodity Project and procurement analytics).

Situation:

- UC Berkeley's current operating environment hinders efficient sourcing and is characterized by:
  - Fragmented Spending
  - Little or no leverage with vendors
  - Sub-optimal pricing in contracts
  - Users purchasing off-contract
- Benchmark comparison and campus studies support these characterizations
  - In FY2008-09, UCB total OPEX procurement expenditure was $410M, of which $175 was for addressable spend on goods and services which procurement could negotiate contracts. However, only $35m of this addressable spend was actually managed through a centralized procurement process; the remaining $140m of spend is through department negotiated contracts.
  - Additionally, in the same period, Operating Expense (OPEX) and Capital Expense (CAPEX) procurement spend of $578M is highly fragmented across 18,000 vendors, yielding an average of $32k spend per vendor compared to industry relevant benchmarks of $140k.
  - Identical products are being bought at different prices.
  - Lack of standardization makes it difficult to aggregate spending.
  - Individual reimbursements create additional inefficiencies, both in terms of "off-contact" purchases and use of staff time.
- Indicators such as these point to a need to:
  - Bring more expenditure under management by negotiating contracts to cover more product categories and ensuring high contract utilization
  - Ensure that managed expenditure is getting the best pricing from vendors by leveraging system or university-wide buying power
  - In ~2007, after evaluation of several e-procurement software packages, UCB set out to implement SciQuest's Spend Director model, a component of SciQuest's e-procurement suite of offerings. During the implementation, the procurement community came to the realization that the then-current "sandwich" implementation path would not deliver on the full promise and vision of purchasing made easy. A second plan to implement expanded "full suite" of SciQuest's offerings was developed. The two approaches were evaluated: evaluation criteria and pain points were developed, and the criteria were assigned relative degrees of importance. Each criteria and pain point was evaluated for relative importance against the sandwich and full suite approach. By a considerable margin, the Full Suite solution was the preferred approach.

Opportunities:

- UC Berkeley and UC San Francisco (see related the CP-COE Project) have combined their procurement operations to:

  - Make the purchasing process faster and easier for faculty, staff and authorized students
  - Provide a single point of entry for purchasing goods and services
  - Give shoppers the opportunity to easily compare prices with catalog vendors
  - Allow all users to track the status of their orders.
  - Provide detailed data to obtain better pricing from vendors
  - Improve the efficiency of purchasing staff

- As part of this effort, UCB and UCSF will both deploy the SciQuest e-procurement system which will enable members of each campus community to purchase goods and services via online catalogs with vendors with which we've negotiated strategic contracts. In addition to catalog vendors, users will also be able to purchase from all other authorized non-catalog vendors by using a special online request form. The SciQuest service will be called BearBuy at both UCB and UCSF.

- The BearBuy system will allow us to:

- Save time for faculty, staff, and students by making the process more effective and efficient
- Shop online
- Create purchase orders and encumber funds
- Electronically dispatch purchase orders to catalog vendors
- Automate receiving and payment for goods and services
- Paying vendors more quickly

- The BearBuy project was initiated in November, 2010 with a C3 loan from UCOP. At the request of UCB sponsors and the PO, all UCB related funding needs are now being routed through the UCB OE funding model.

- As part of this initiative, the BearBuy project team is developing both change management and communication plans to prepare the campus community for the introduction of the service. The team will:

  - Engage with the faculty and staff to identify their business needs and confirm that BearBuy will be able to meet those requirements and provide multiple opportunities for feedback
  - Deliver training -- both online and classroom -- to prepare our community to use the system
  - Design training materials to address the needs of both high volume and casual users

- Implementation of BearBuy at UCB is scheduled to be launched in Fall 2011. Deliverables of the project will include business metrics to both campuses within eighteen months after the BearBuy system is put into production. Target metrics have been established to:

  - Improve user satisfaction with the purchasing process to at least an average rating of Satisfactory.
  - Reduce the purchase of goods and services from higher-price vendors by 50%
  - Increase the purchase of goods and services through strategic contracts by 80%
  - Increase the use the of BearBuy system so 75% of all transactions are processed by it.

  The project team will recommend revisions to policy and business processes as may be needed to achieve these metrics.

3. **The CP-COE Project**:

Objectives:

- UC Berkeley and UCSF are creating a Collaborative Procurement Center of Excellence with the objectives of:
  - Leveraging the combined purchasing power of the two campus through strategic sourcing
  - Optimizing procurement effectiveness through improved usage of RFPs, expansion and extension of programs such as freight and warehouse management
  - Streamlined operations through enhanced usage of technology
  - Expanded organizational delivery capacity through streamlined management with ability to meet resource needs especially in times of constrained budgets

Situation:

- In July, 2010, UC Office of the President issued a Resolution seeking opportunities for maximizing administrative efficiency and providing encouragement for the campuses to consider shared services and administrative commonality requirements for reaching the efficiency objective.
- As of the Fall of 2010, UC Berkeley has been without a Procurement Director for six months, and its Strategic Sourcing group has been significantly under-resourced.
- In November, 2010, UC Berkeley and UCSF came together to ratify “Core Operating Principles for

Collaboration between UC Berkeley and UCSF Procurement – Pilot Phase," under which the two universities would explore sharing select resources in order to serve joint needs. In the short term, the pilot was intended to remedy UC Berkeley's deficiencies (lack of a Director and under-resourced Strategic Sourcing Group) while testing the sharing of resources across 4 key areas:

- Procurement leadership
- Strategic Sourcing group
- eProcurement implementation: see the BearBuy Project
- Commodity Expertise: see the Commodity Project

The Core Operating Principles delineated governance structure, reporting relationships, the pilot organizational structure, ongoing roles and responsibilities, and funding for the pilot phase of the Collaborative Procurement – Center of Excellence.

Opportunities:

- Together, UC Berkeley and UCSF have a combined annual spend in excess of $1 Billion. The CP-COE has identified the following significant benefits:

Target Area	Key Element
Sourcing	Improve terms/pricing from consolidated UCB/UCSF volumes to system-wide vendors
	Regional agreements with joint vendors
Procurement	Increased "strategic procurement" RFPs, negotiated agreements for transactional procurement
	Expansion/extension of specialty programs (e.g., EMI, equipment DB, incoming freight, warehouse, auctions)
Ops/ Tech	Consolidated catalog management
	Consolidated systems (e.g., e-pro, PeopleSoft)
Organization	Streamlined/Shared management
	Bridge resources gaps

RECOMMENDATIONS (Extended; summary above.)

- Deliverables
- Rationale
- Costs/Benefits/Risks
- Key assumptions

For each of the three projects, the details of the Deliverables, Rationale, Cost/Benefits/Risks, and Key Assumptions are provided below.

1. **The Commodity Project**:

Deliverables and Rationale

- Lab Supplies:
  - For the storeroom:
    - Deliverable: The creation and ongoing maintenance and support of a storeroom working group.
    - Deliverable: A team of storeroom managers and an informed third party review of existing storeroom policies, pricing, and procedures
    - Key Assumption: We have already contacted the largest departments with scientific storerooms on campus. They see the benefits and have given their support for this analysis.
    - Constraint: Obtaining final buy in from the existing departmental leadership groups. Providing the time required to participate.
    - Constraint: Having the resources available to implement future changes. However, the future benefits to the departments and their customers should outweigh the cost of implementation.
  - A collaborative forum for the purchasing community within the labs campuswide to share information and communicate with each other and with central procurement
    - Key Assumption: By improving information sharing between labs and with the central procurement organization will allow central procurement to negotiate better contracts and provide improved vendor management.
  - Increased transparency into stock available on campus and identification of a single system for sharing data
    - Deliverable: By allowing departments to easily find stock available on campus, we can reduce the cost for overnight shipping and increase the turn of goods purchased by stockrooms.
  - Appropriate and streamlined utilization of sole sources
    - Deliverable: Save time and frustration when sole sources are required
  - Hiring a Commodity Specialist
  - Training to buyers to effectively use common processes and technology

- MRO: Given the current budget situation, the campus is at financial risk if it does not improve its administrative systems for overseeing the MRO inventory and the buying process. Staff cuts are being felt at every level. There is also strong undercurrent opinion with staff that things need to improve.

  The deliverables include:

  - Common Storeroom processes and procedures to allow more transparency and sharing of stock
  - Establishing an ongoing forum for primary MRO users to collaborate and cooperate
  - Increased transparency into stock available on campus and identification of a single system for sharing data
  - More items available under contract at standard prices
  - Active management of negotiated contracts
  - Common account and commodity codes
  - Functional Owner / Commodity Specialist

- T&E:
  - Effective and consistent implementation of travel policy for areas such as domestic lodging in select cities, parking and airport transportation

- Increased utilization of web/video conferencing services as an alternative to short duration trips
- Strategic contracts for catering and other entertainment needs
- Strategic contracts with additional airlines (United)
- Re-establish a more effective event planning card program
- Enable and encourage adoption of Connexxus

Costs/Benefits/Risks:

- Across these commodity areas there are opportunities for benefit capture:
  - lower costs of good purchased by leveraging the campus's aggregated spend and through new and improved use of purchasing agreements
  - Increased buyer efficiency lowering transaction through excellence in process, effective use of technology, and collaboration across organizational lines
  - Lower costs of goods and efficiency of operations through consolidation of storeroom operations
  - Reductions of travel and entertainment –related administrative costs through better pricing from external suppliers and more efficient use of internal resources.
  - Soft cost savings through the implementation of more efficient systems and processes
- Implementation and execution costs (primarily the Commodity Managers funded by central procurement; and potentially implementation of systems and processes to support warehouse consolidation) for many of these initiatives are modest, but require campus collaboration, both between end-user buying departments, and between central procurement and departments. The risks and barriers to successful implementation would derive from cross-unit leadership and unwillingness of the departments and central procurement to collaborate.

Key assumptions:

- Willingness of campus units to collaborate
- Functional ownership by procurement to lead the implementation
- With the effective management of MRO and lab stock on campus, we will reduce the overall investment in stock on hand, reduce the amount invested in expired/obsolete stock, and allow the trades and lab staff to spend more time on repairs and research and less time on obtaining the parts.

2. **The BearBuy Project**:

Deliverables:

- An integrated and automated Procure to Pay system which:
  - Enables end users, with minimal training, to complete or at least start virtually every type of procurement within the system
  - Directs spend to preferred vendors with preferred pricing and supplier incentives while simultaneously meeting the requirements of the end-user buyer
  - Is easy for central units to manage, maintain and upgrade

Rationale and Costs:

- A successful implementation of BearBuy (SciQuest full suite) is necessary to drive spending to strategically managed contracts, substantially reduce procurement-related transaction costs, minimize cycle time for orders, and greatly simplify the procure-to-pay process. BearBuy is a critical component of the Procurement Initiative to achieve cost savings.
- BearBuy will be integrated to the existing UCB 9.0 PeopleSoft Financial system providing a procure-to-pay

buying environment.

- SciQuest is the leading provider of e-procurement systems to Higher Education and research with close to 100 campuses and clients, including 5 of the 10 UC campuses. The implementation of BearBuy aligns UCB with UC direction, enabling increased leverage of UCOP resources (e.g., catalog management via the SciQuest consortium).
- The BearBuy Project is being implemented in coordination with UCSF, with joint program management and project teams. BearBuy provides the IT and process infrastructure to help enable the broader CP –COE Project. The collaborative project synchronizes UCB platform and processes with UCSF's procurement operations, enabling increased collaboration and eventual systems and organizational consolidation across the two campuses. The collaborative implementation reduces software acquisition, implementation and on-ongoing costs.
- BearBuy will provide:
  - A single, easy to use online procurement system available to users campus wide.
  - A system that will save the campus money by helping channel purchases to vendor contracts, but that also offers choices to shoppers.
  - A system that serves the needs of individual purchasers, academic and non-academic departments, and Central administrative offices.
  - A new purchasing workflow that is easier to use and more efficient than the current process to save money and staff time, while also significantly reducing risk of non-compliance and diminishing frustration.

Benefits and Risks:

- Benefits and Key Performance Indicators:

Benefit	KPI	Unit of Measure	Expected benefit		Target Date
			As Is	To Be	
Increased effectiveness of procurement services	Customer satisfaction	Customer survey rating (e.g., order cycle time, system ease of use, product selection)	n/a	above average	June 2013
Higher level of procurement system adoption	User adoption	% of applicable campus purchase transactions made through electronic procurement system (via catalog shopping, requisitioning, and special request forms)	<1%	75%	Dec. 2012
Reduced transaction costs	Utilization by channel	Reduction in # of transactions through higher cost alternative channels	0%	75%	Jun 2013
Increased spend under contract	Strategic contract Utilization	% of applicable campus spend through strategic contracts	n/a	80%	Jun 2013

- Risks: The Project team is using a risk management tracking system to identify and develop strategies to address critical risks.. The risk analysis will be updated monthly to ensure that the risk activities (mitigations, monitoring, and contingency) are still adequate and that the risk priorities are still true. New risks may be identified, older risks might be minimized, and mitigations may need to be updated. Ideally, a continuous risk management approach should be used to ensure that the most relevant risks to this project will be monitored, tracked, and mitigated. Each risk is assigned a value for the probability (how likely) and the impact (consequences). In this risk assessment, the probability is given the value of 1 (low), 2 (medium), or 3

(high). The impact is also rated on the same scale. The rating is derived by multiplying the value in probability and impact to give a value of 1 through 9, where 1 is a low probability/low impact risk and 9 is a high probability/high impact risk.

Current risk tracker below:

Risk Matrix for UCB and UCSF BearBuy Implementation

		Probability			Impact					
Risk ID	Risk	L	M	H	L	M	H	Rating	Risk Owner	Mitigating Recommendation
1	Project team does not understand project vision, objectives, and desired outcome	X					X	3	Ron Coley Jim Hine	Executive sponsors to reiterate project vision to project team, confirm u
2	Campus stakeholders lack confidence in success of project, low adoption.		X				X	6	Vanessa Wong Jon Conhaim	Conduct outreach, understand user needs, and will validate user requi
3	Commitment of effort (%) in functional resources are inadequate.	X					X	3	Ron Coley Jim Hine	Secure functional resources as top priority.
4	Technical resources lack confidernce project will be a success due to experience in BFS and that the project is deadline driven.		X				X	6	Ron Coley Jim Hine	Restore confidence by demonstrating solutions are being implemente
5	Ineffective change management, training approach, inappropriate level of communication and wrong target audience.		X				X	6	Vanessa Wong Jon Conhaim	Fill Change Manager position asap and plan an aggressive and effecti executing change management activities and end users communicatio
6	SciQuest team is not responsive; does not deliver tasks on time.	X					X	3	Jim Hine	Escalate to executive level of SciQuest to correct situation by augmentir and technical support.
7	Liens are not correct related to ineffective PO Export integration (e.g. Change Order, chartfields)		X				X	6	JR Schulden Jane Wong	Engage and leverage Skybridge PeopleSoft expertise to achieve seaml Functional specs are being developed to achieve solutions.
8	Project level of effort and timeline are underestimated, resulting in unrealistic expectation, false sense of slippage and harm in team credibility.		X				X	6	Vanessa Wong Jon Conhaim	Re-align project schedules according to realistic deadlines and SciQue hours or level of effort for each task.
9	Team has knowledge gap in customizing PeopleSoft to integrate to SciQuest.	X				X		2	Skybridge Global	Consult with Skybridge Global on best approach and guidance on integ
10	Program management support (consultants) lack expertise and experience in implementing in client environment of similar size and complexity.			X		X		6	Derek Smith (Huron)	Augment the consulting team with consultant with the right expertise. E actions as necessary.
11	Progress and project rollout at different pace between two campuses.			X		X		6	Ron Coley Jim Hine	Stay in lockstep as much as possible. Establish contingency plan and
12	Inability to share commonality in business processes, configuration, workflow, catalog strategy.			X		X		6	Ron Coley Jim Hine	Staff project members with thorough knowledge in procure-to-pay busi view of organizational goals to implement a solution that works for end
13	Insufficient communication focus or resources on BearBuy initiative			X			X	9	Ron Coley Jim Hine	Change managers to access communication resource needs, plan co audience segmentation, and deliver solid communication plan. Develo

We track progress against this grid each month, to ensure we are migrating toward green:

March/April Update:

	From	To	
1			Project team gained understanding of project objectives. Project packet distributed with cover letter from Ron Coley and signed by Executive Steering Committee, Mission Statement, Org Chart, R & R, and Risk Analysis.
3			Project team effort secured in functional resource and change management resource.
4			Technical resources received valuable guidance from Skybridge Global Consulting and is able to program with proper approach and technique.
5			Hired two change managers as of March 22. Change Management planning in progress.
6			SciQuest has made changes to team workload and was able to improve responsiveness at the expected level in both campuses.
8			Project plan recast with more realistic timelines. Refinement still needed to properly reflect number of days required to complete each technical task (both UC and SciQuest)

Key assumptions:

- The BearBuy project is fully funded by UCB and UCSF .
- Supplier incentives are fully available to Procurement to adequately support systems/operations, procurement and sourcing efforts to deliver projected benefits
- Communications, training and stakeholder management efforts are sufficient to overcome UCB resistance to change

3. **The CP-COE Project**:

Deliverables:

- The CP-COE will deliver the combined procurement entity over time through a series of phased releases, defined as follows:

Release 1	Release 2	Release 3	Release 4 (Wave 1)	Release 5 (Wave 2)
Timing: Complete	Timing: In Process	Timing: Post BearBuy	New Unit	End State
Shared Resources			Co-Op COE Resources	
▪ Executive Director / Materiel Manager ▪ Strategic Sourcing team	▪ Executive Director / Materiel Manager ▪ Strategic Sourcing team ▪ Commodity Specialists ▪ Catalog Management	▪ Executive Director / Materiel Manager ▪ Strategic Sourcing team ▪ Commodity Specialists ▪ Catalog Management ▪ Shared Operations / ▪ Technology Management	▪ Executive Director / Materiel Manager ▪ Strategic Sourcing team ▪ Commodity Specialists ▪ Catalog Management	▪ Executive Director / Materiel Manager ▪ Strategic Sourcing team ▪ Procurement team ▪ Commodity Specialists ▪ Catalog Management ▪ Operations / Tech Management and team
Campus / Department Resources				
▪ Procurement team ▪ Operations team ▪ Technology team ▪ Campus Buyers	▪ Procurement team ▪ Operations team ▪ Technology team ▪ Campus Buyers	▪ Procurement team ▪ Operations team under Shared management ▪ Technology team under Shared management ▪ Campus Buyers	▪ Procurement team ▪ Operations team under Co-Op management ▪ Technology team under Co-Op management ▪ Campus Buyers	▪ Campus Buyers

Rationale:

- The approach described above creates the opportunity for a deliberate, smooth evolution from our current state to the desired end state of a single procurement organization serving UC Berkeley and UCSF in an efficient, cost effective way.

Costs/Benefits/Risks:

- Costs: already imbedded in operating budgets of UCB.
- Benefits: helps enable overall business results as outlined above
- Risks: Support for collaboration wanes with senior management on either campus

Key assumptions:

- Senior management on both campuses continue to support the collaboration

ALTERNATIVES CONSIDERED (including status quo)

- Costs/Benefits/Risks
- Key assumptions

1. **The Commodity Project**:

Costs/Benefits/Risks/Key assumptions

- Lab Supplies:
  - For the Storeroom recommendation, the subgroup considered and rejected:
    - Physical consolidation of existing storerooms into a single central facility. The proximity of existing storerooms to their customers, both physically and organizationally, constitutes much of the value they bring to campus.
    - Recommending the outsourcing of all storeroom operations to commercial vendors. The potential sales volume and existing value of our storerooms does not seem to support this recommendation. It is the subgroup's current view that both vendor and departmentally managed solutions have their place on campus and can be complimentary. The development of a long term strategic plan along with continuous review is suggested.
  - With regard to the remaining recommendations, as the solutions presented here are recommendations for further analysis, alternative approaches will be explored.

- MRO: As the solutions presented here are recommendations for further analysis, alternative approaches will be explored within the following areas:
  - Degree to which primary MRO departments will share a storeroom/share inventory information
  - Naming of a Functional Owner of MRO, and whether this individual will also serve as the MRO Commodity Specialist
  - Appropriate model for managing inventory (i.e., university managed storeroom or vendor managed inventory model)

- T&E: For the items in the T&E category, the alternative is largely to stick with the current process. The recommendations set forth above result from evaluation of the current processes and related shortcomings.

2. **The BearBuy Project**:

Costs/Benefits/Risks

- The BearBuy Project initially pursued a limited use, single module implementation of SciQuest which subsequently was deemed inadequate for achieving the promise of a full lifecycle procure-to-pay eprocurement system. The approach would have led to a less effective procurement service with a significantly reduced probability of achieving the OE Procurement Initiative's target cost savings. Under this approach, the status quo, UC Berkeley would continue to have a limited ability to drive spending under management and obtain favorable prices for procured goods and services.
- As a result, this proposal for a "full suite" implementation is being pursued.
- The risk of unsuccessful implementation is the low adoption of the SciQuest system/BearBuy which would compromise the University's ability to reduce procurement spending.

3. The CP-COE Project:

Costs/Benefits/Risks: UCB does not have the current procurement leadership to pursue the aggressive strategy recommended by Bain, the OE team and the BearBuy team. Would have to hire new leadership which would take

time, money and reduce the opportunity for collaboration with UCSF.

IMPLEMENTATION PLAN

- Implementation activities
- Functional ownership
- Timeline

1. **The Commodity Project**:

   Implementation activities: During the period of November 2010 and April 2011, the project teams in the Lab Supply, MRO, and T&E categories have been actively pursuing implementation of the recommendations. The MRO team has coordinated visits to the campus from our strategic vendors to investigate opportunities for more effectively managing stock on campus, the T&E team has been closely collaborating with the controller's office to support the implementation of the Connexxus system and provide feedback on the new T&E website, and the lab supply team has prepared information to facilitate the implementation of an electronic communication network for lab managers as well as initiating discussions about coordinating management of stock with the primary lab supply stockrooms on campus.

OE Procurement Team Integrated Workplan: April 29, 2011

Description	Start	End	Owner	Calendar: Dec Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
LAB SUPPLIES AND EQUIPMENT TEAM (Implementation Plan)				
Hire a commodity manager	Dec 2010	TBS	Procurement	
Strategic Sourcing: expand and improve contracts				
Establish communcation network	Dec 2009	ongoing	Lab Supply co-leads	
Consolidate Storeroom management/systems	May 2011		PO/Procurement/Campus Departments (Div Bio Sci, RES, Chem etc)	
Improve spend data entry	May 2011	4/4	Procurement / Finance	
Streamline sole sources	June 2011	ongoing	Procurement	
Bid out more sole sources	June 2011	ongoing	Procurement	
MRO TEAM (Implementation Plan)				
Strategic Sourcing: expand and improve contracts	Dec 2010	ongoing	Procurement colloboration with RSSP and PPCS	
Aggregate demand and aggressively negotiate additional discounts on targeted transactions	Feb 2011	on going	Procurement colloboration with RSSP and PPCS	
Explore vendor managed inventory solutions for select consumables (e.g., fasteners)	Dec 2011	on going	Procurement colloboration with RSSP and PPCS	
Better leverage supplier inventory management expertise	May 2011	on going	Procurement colloboration with RSSP and PPCS	
Channel spend to strategic suppliers for subcategories not contracted separately	Dec 2010	on going	Procurement colloboration with RSSP and PPCS	
TRAVEL & ENTERTAINMENT				
Hire a project manager to coordinate policy change recommendations with Procurement and the Controllers Office	TBD	TBD	Program Office	
Coordinate with Controller's Office and departments to facilitate and support adoption of Connexxus	TBD	TBD	PO/Procurement/Controller's Office	
Pursue additional strategic contracts with airlines, parking, and shuttle vendors.	TBD	TBD	PO/Procurement	
Event Planner Card reimplementation and expansion	TBD	TBD	Procurement	
QUICK WINS - "BUDGET FRIENDLY" MENUS, REPOSITORY FOR INSURANCE CERTIFICATE,FACULTY CLUB BILLING SYSTEM, VENDOR PAYMENT INQUIRY, IMPROVE SPEND TRACKING	TBD	TBD	Program Manager, Procurement, BearBuy and Connexxus implementation.	

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Functional ownership

- Procurement for strategic sourcing initiatives and ongoing coordination and collaboration with the campus
- Controller's Office for policy related to travel
- Departments with laboratory stockrooms and MRO stockrooms

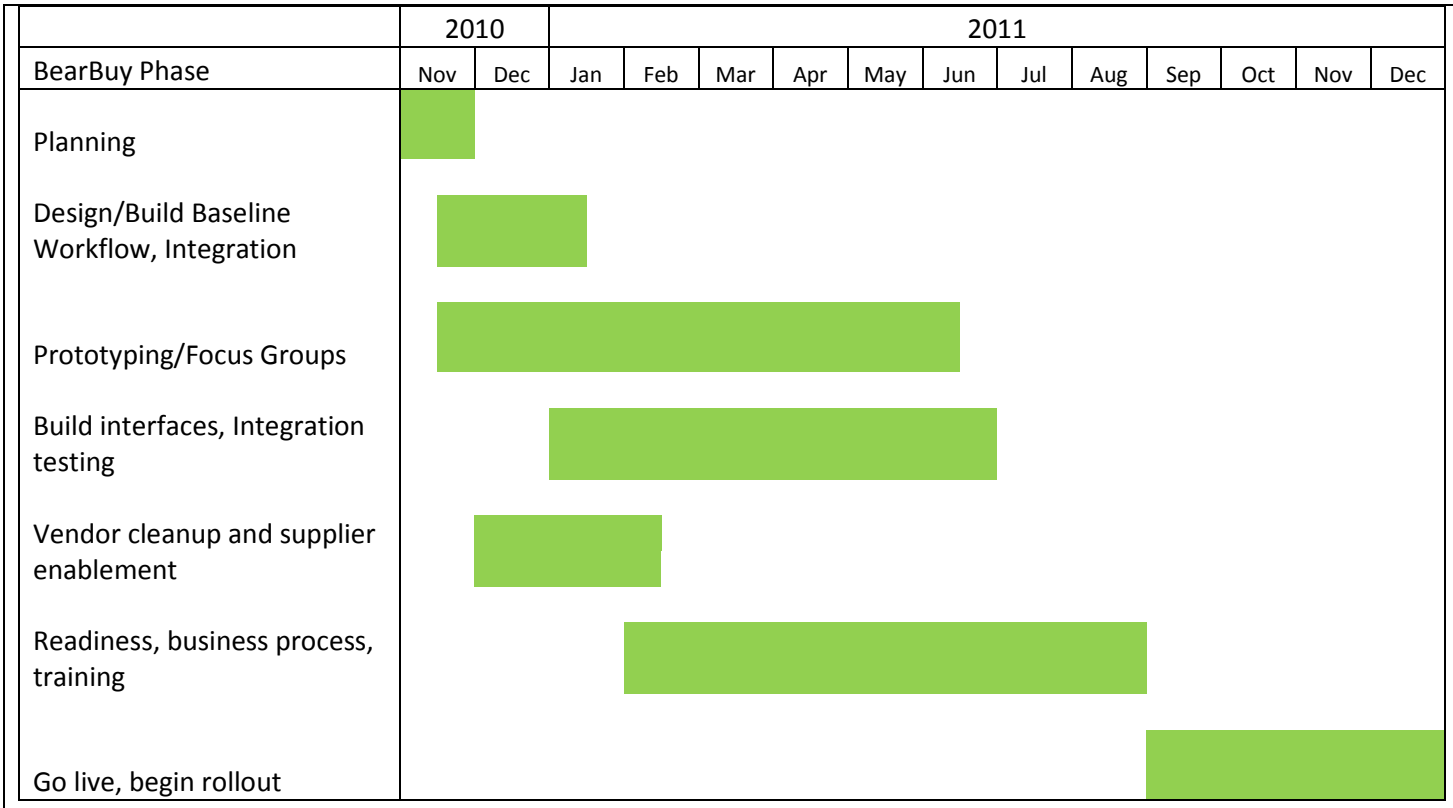
Timeline

- The timeline for the initial implementation is December 2010-December 2011. However, in order to achieve the maximum savings overall, we assume that changes will be ongoing.

2. **The BearBuy Project**:

Implementation activities and Timeline

- The BearBuy implementation began in November 2010. The team is working to the following work plan and timeline.



Functional ownership:

- Jim Hine is the functional owner for this project.

3. **The CP-COE Project**:

Implementation activities

	MILESTONE	**TIMELINE**
1.	Combine Sourcing Operations	Complete: 2010
2.	Hire shared commodity experts for IT and Life Sciences	June 2011
3.	Initiate UCOP Procurement Services Reengineering	May 2011
4.	Complete joint BearBuy implementation	December 2011
5.	Implement shared Ops/Technology management	Jan. 2012
6.	Implement single instance PSFT/SciQuest	TBD
7.		

Functional ownership: John Wilton (UCB), Ron Coley (UCB), John Plotts (UCSF), Eric Vermillion (UCSF), Jim Hine (UCB and UCSF)