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Achieving Financial Sustainability through Procurement Optimization

**As Revenues Continue to be Challenged, Higher Ed Institutions Must Focus
on Controlling Costs**

As the financial pressure in higher education continues to mount, and revenues continue to be challenged, all higher ed institutions are being forced to look internally to find effective ways to save. The safety net once provided by state funds, appropriations, gifts, high returns and tuition increases have been ripped away. The reality is, institutions must learn to sustain themselves.

Easier said than done, right?

In order for schools to truly thrive in this economic environment, they've got to focus on controlling costs. There's a clear correlation between supply chain efficiency, cost management, and financial sustainability. Here are six key areas I believe are most important to achieve procurement optimization on campus:

- **Information/Insight/Intelligence** – To begin, institutions must have a real handle on analytics/data across the entire enterprise. Quality data is fundamental to the success of any procurement organization.
- **Strategy/Policy** – Institutions must have a defined policy in place to ensure they are not only strategic in their sourcing efforts, but that the policy is being adopted cross-functionally across the entire organization.
- **People/Culture** – It's important to review staff expertise levels and conduct a skill level assessment to identify gaps or overlaps in these resources.
- **Process/Organization** – How does the procurement function operate and how is it organized? All things must be aligned so that people, process and technology are optimized toward efficiency.
- **Adoption of technologies** – This includes p-card utilization, P2P automation, and e-commerce initiatives. An effective e-procurement system can significantly improve process efficiencies by eliminating paperwork, expediting contract fulfillment, and controlling compliance.
- **Monitoring & controls** – Institutions must identify ways to monitor and measure these efforts in order to determine ROI. This ROI should be benchmarked against business objectives to drive cost containment, revenue enhancement and performance metrics management.

At E&I, we work with a number of institutions that have been forced to re-evaluate one or more of these areas in order to not only better optimize their procurement function, but ultimately, improve their ROI. One example is Rensselaer Polytechnic Institute (RPI). RPI was recently faced with the unforeseen challenge of transforming its entire sourcing and procurement process. In short, the University's p-card program was cancelled, creating a 600% surge in the volume of transactions processed through the purchasing department.

Together with the team at RPI, we implemented a plan that in just over a year, successfully transformed the procurement function into a more effective strategic sourcing model. This transformation included, among other things, a detailed spend analytics program, a reorganization of staff based upon skillsets and expertise, implementation of a streamlined procure-to-pay process, improved supplier enablement on the institution's e-marketplace, and development of a cost containment program with a reporting tool. As a result, the University realized significant cost savings and an ROI exceeding 50%.

RPI is a powerful example of an institution that sought to reposition its procurement organization into a valuable revenue generating resource. It's exactly the kind of strategic thinking we encourage other organizations to consider in response to decreasing revenues and dwindling state funds. With school mergers, and even school closures on the rise, higher ed institutions can no longer deny that the danger is real. Effective supply chain management and procurement processes can provide these institutions with the competitive advantage necessary to help them navigate the treacherous financial landscape.



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