



EAB

RESEARCH BRIEF

Supporting University System Procurement Units

University System Forum

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Table of Contents

1) Executive Overview	4
2) Organizational Structure and Staff Credentials	5
University System Procurement Unit Structure	5
Procurement Delegated Authority	6
.....	7
Hiring Procurement Staff	7
Procurement Staff Job Descriptions.....	8
3) Implementing a University System Procurement Unit	9
Creating a University System Procurement Unit.....	9
Purchasing Procurement Technology	10
Overcoming Procurement Technology Challenges	11
4) Impact Assessment of University System Procurement Units	11
Determining University System Procurement Impact.....	11
Soliciting Feedback from Institutions.....	11
5) Research Methodology.....	13
Project Challenge	13
Project Sources	13
Research Parameters	14

1) Executive Overview

Key Observations

Employ procurement specialists to purchase department-specific commodities. Procurement specialists develop expertise in commodity purchases specific to certain units (e.g., information technology, dining, athletics). University system administrators typically hire between seven and 16 procurement specialists, depending on the number of institutions in the system. The chief procurement officer or equivalent oversees a team of procurement specialists and reports to the chief financial officer or vice chancellor of facilities.

The university system procurement unit¹ approves institutional procurement processes over \$10,000. Institutions within each university system establish their own procurement units to oversee procurement processes and purchases. Staff in the system procurement unit oversee institutional procurement units and intervene when purchases exceed their delegated purchasing authority (e.g., \$10,000). The vice chancellor for facilities at the university system or administrators in the state procurement bureau determine institutions' delegated authority levels.

Hire procurement staff with bachelor's degrees and strong communication, critical thinking, and customer service skills. Chief procurement directors at university systems seek to hire procurement staff with soft skills that will benefit them in the role (e.g., project management, interpersonal skills). University system procurement administrators do not require that new employees have previous procurement experience because they can teach new hires procurement content and processes. The chief procurement director writes job descriptions and collaborates with human resources (HR) units to advertise jobs on the university system website and external employment websites (e.g., Monster, Indeed).

Recruit procurement personnel and purchase procurement technology to launch a university system procurement unit. Procurement directors at profiled institutions estimate that it takes six months to one year to build a university system procurement unit. Contacts indicate that the most challenging aspect of creating procurement units is hiring qualified procurement staff who possess strong communication and project management skills, and ensuring that the procurement unit has experienced leadership. University system administrators must also anticipate upfront costs to purchase procurement technology (e.g., spend analytics tools, software to electronically document contracts) when establishing a procurement unit.

Administrators evaluate institutional budget surplus and increased procurement process efficiencies to determine university system procurement unit impact. The purpose of the university system procurement unit is to help institutions maintain their budgets through efficient purchasing of commodities. Administrators note that a university system procurement unit achieves success when they not only help institutions balance their budget, but generate surplus revenue. At **University System C**, senior leadership in the System procurement unit send surveys to procurement staff in institutional procurement units to identify their greatest challenges.

1) Note: Contacts at profiled university systems indicate that the procurement and contract units are not separate units; rather, procurement staff manage and oversee contract processes and operations.

2) Organizational Structure and Staff Credentials

University System Procurement Unit Structure

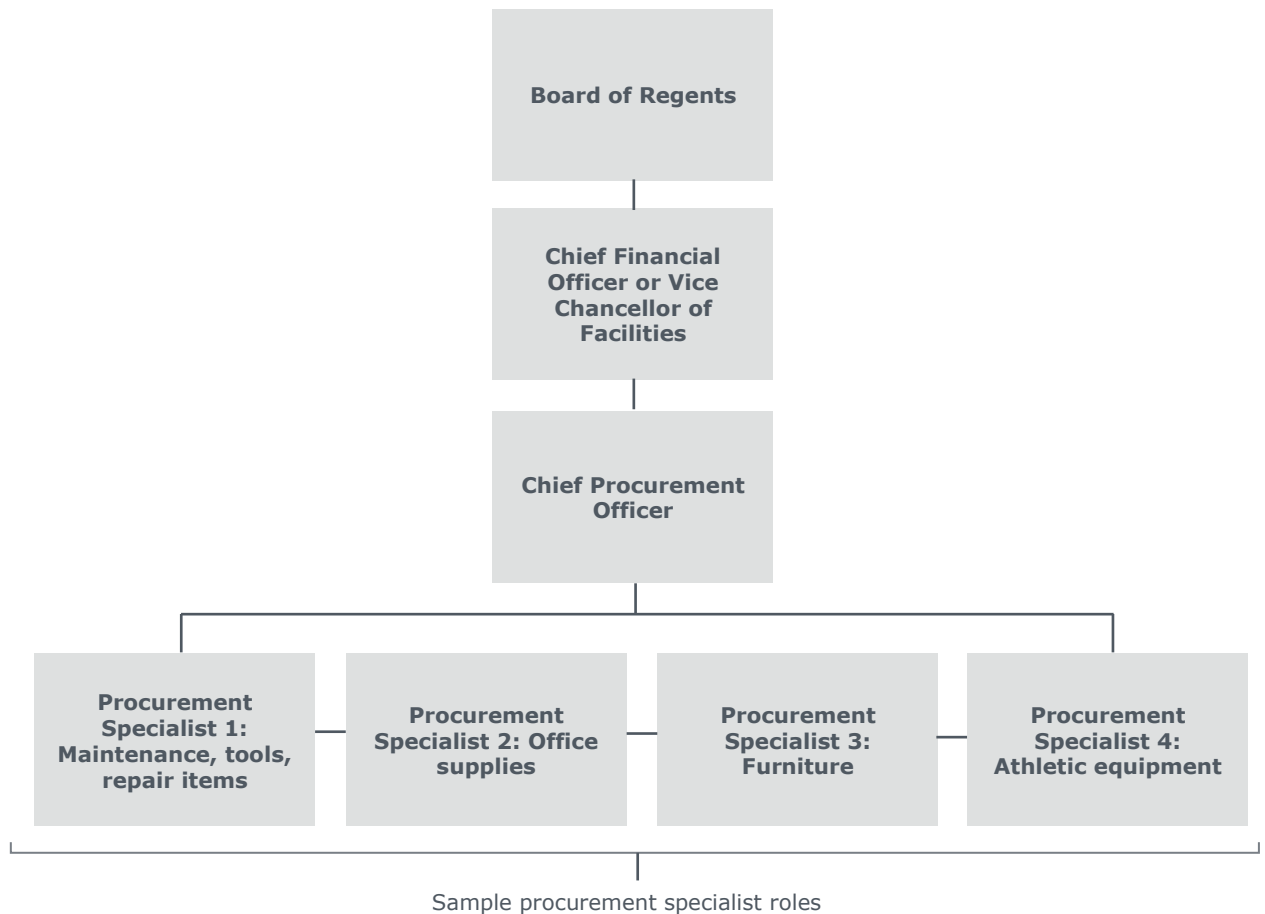
University Systems Hire Procurement Specialists to Purchase Industry-Specific Commodities

Procurement and contract units at profiled university systems typically employ between seven and 16 staff members. The number of procurement and contract staff that system administrators hire depends upon the number of universities in the system. Staff members are procurement specialists who manage commodity purchases for specific departments and units (e.g., information technology, dining, furniture).

Profiled institutions do not hire FTE contract staff because procurement staff typically execute contract responsibilities. However, contacts at **University System B** indicate that hiring FTE contract staff would allow procurement staff to have a greater impact on the university system budget by dedicating more time to strategic purchasing.

The university system procurement and contract unit is part of the university system finance and administration department.

Procurement and Contract Unit Structure




Create a Decentralized Procurement Structure to Preserve Institutional Autonomy over Purchasing Activity


University procurement staff typically request that the general counsel review contracts when they exceed the delegated authority, or if the contract details are particularly complex.


Contacts at all profiled institutions indicate that each institution in the university system has its own procurement unit in addition to the system procurement unit. The extent of institutional autonomy over procurement activity depends upon the amount of delegated purchasing authority each institution receives (i.e., the maximum dollar amount that institutional procurement teams may purchase without oversight from the system procurement unit).

Advantages and Disadvantages of a Decentralized University System Procurement Process


Advantages

Greater institutional purchasing autonomy. 

Less oversight results in increased efficiency (e.g., executing purchasing orders quickly). 

Institutional procurement staff have the best understanding of institutional needs and can obtain procurement quotas more quickly than the system. 

Disadvantages

Lack of central oversight may result in unnecessary purchases and drain university resources. 

Procurement Delegated Authority

Assist Institutions with Procurement Operations When Purchase Bids Exceed Delegated Authority Standards

The system procurement unit oversees and supports institutional procurement units when procurement bids exceed delegated purchasing authority levels. Contacts at profiled institutions note that procurement staff in the system unit typically have more expertise and experience than procurement staff at the institution level. Consequently, they can assist institutional procurement staff with challenging procurement processes (e.g., serving as a mediator to reconcile value discrepancies on procurement quotas).

The vice chancellor of facilities typically designates delegated authority standards, and the amount differs among profiled institutions.

Delegated Authority Standards at Profiled Institutions

University System/Institution	System/Central Procurement Involvement
University System B	Bid ≥ \$10,000
Institution E ²	Bid ≥ \$25,000
University System D	Bid ≥ \$50,000

Institution E is the only profiled institution that receives delegated authority from the state as opposed to the university system.

2) Institution E is part of a university system.

Assign Institutions Delegated Authority Depending on Institutional Procurement Staff Capacity and Expertise

At **University System C**, the Vice Chancellor of Facilities designates the amount of delegated authority for each institution on an annual basis, but this amount may change year-to-year. For example, institutional administrators may request more delegated authority if they anticipate higher-than-average purchasing volume due to plans to consolidate buildings. The Vice Chancellor of Facilities assigns a level of one to four to the procurement unit at each institution, which corresponds with the amount of delegated authority for that institution. Contacts indicate that smaller institutions typically employ procurement staff with less experience than procurement staff at larger institutions, and therefore they receive a lower delegated authority level.

Delegated Authority Levels at University System C³

Level	Project Authorization (construction cost not to exceed)	Other Professional Services and Contracting Fee Limit	Construction Contracting Limit
1	N/A	\$50,000	\$300,000
2	\$300,000	\$75,000	\$600,000
3	\$750,000	\$120,000	\$1,000,000
4	\$1,000,000	\$600,000	\$500,000

Institutions that have an R1 Carnegie classification typically receive a delegated authority level of four.

Hiring Procurement Staff

Hire Procurement Staff with Strong Communication, Interpersonal, and Project Management Skills

Contacts at profiled institutions indicate that prior work experience in procurement or contract review is beneficial, but it is not essential for success in the role. Contacts seek the following qualifications when hiring procurement staff:

Resume

- Bachelor's degree
- Strong interpersonal skills
- Excellent verbal and written communication skills
- Commitment to customer service
- Ability to meet and set deadlines
- Attention to detail
- Demonstrated strategic/critical thinking ability

3) Source: Campus Levels of Delegated Authority. Real Estate and Facilities. *University System C*. Accessed 6 April 2016.

Contacts indicate that they prefer to hire candidates that already possess these credentials, skills and qualities; directors can teach new hires how to conduct procurement responsibilities and processes, but soft skills are more difficult to impart.



Train Procurement Staff Early in their Tenure to Increase Employee Proficiency

At **Institution E**, all new procurement staff must attend a three-day training session with the State Procurement Bureau. In addition to state training, the Purchasing Director at the institution directs University procurement training, but it is not mandatory. The Purchasing Director leads these workshops and creates the curriculum, and typically conducts the workshops through lectures. Topics include procurement law and how to secure purchases when a bid is not necessary. The Purchasing Director also conducts customized workshops for procurement staff at satellite campuses and other System institutions when they request additional training.

Procurement Staff Job Descriptions

Procurement Directors Write Job Descriptions and Collaborate with Human Resources to Publicly Post Jobs

University system procurement directors typically create procurement job descriptions. If a new employment will not report to the university system procurement director, the director writes the job description in conjunction with the hiring manager. The university system procurement director and hiring manager review job descriptions before advertising positions to ensure that descriptions are current and accurate.

Procurement directors collaborate with human resources units to advertise open positions on university system websites and external employment websites (e.g., Indeed, Monster).

Procurement Job Description at *University System B*⁴

Title:	
eBusiness Manager	
Description of responsibilities:	% of time:
Conduct periodic supplier pricing audits and spend analysis	50%
Facilitate the management of supplier contract documents	25%
Assist in automation of sourcing processes	15%
Develop and maintain internal operations procedures	10%
Required Competencies:	
Ability to communicate effectively verbally and in writing; effective customer service skills	
Ability to demonstrate critical thinking based upon in-depth data substantiating information while considering and respecting others' input.	
Required Education:	
Bachelor's degree; preferably in information technology or a related field	

3) Implementing a University System Procurement Unit

Creating a University System Procurement Unit

Because funding for procurement units typically comes from the university system operational budget, contacts do not cite challenges in securing funding.

Anticipate Personnel Salary and Technology Costs when Launching a University System Procurement Unit

Contacts at profiled institutions indicate that the greatest initial costs when launching a procurement unit are personnel salaries and benefits, and technology to electronically track contracts and analyze university system spending trends. The annual university system procurement budget varies among institutions; contacts at **University System A** report that the System procurement budget was \$150,000 during the 2015-2016 academic year. At **University System B**, the System procurement unit oversees approximately \$400 million in purchases annually.

Although contacts at profiled systems and institutions were not yet employed at their institution during the launch of the procurement unit, contacts recommend allocating approximately six months to one year to develop and launch a university system procurement unit (provided that administrators have already designated building space for the unit). Contacts indicate that the most challenging aspect of creating a procurement unit is hiring and training qualified procurement staff.

4) Note: Adapted from internal materials contacts shared.

Sample Timeline to Launch a University System Procurement Unit



Support On-Going Contracting by Offering Workshops for Procurement Staff



At **University System A**, administrators offer additional training for procurement staff about contracting. Administrators offer these workshops once per quarter, and they are not mandatory. The Director of Procurement Services or other procurement managers lead these workshops, and topics include how to identify the components of an effective contract, and how to recognize when not to sign a contract.

Purchasing Procurement Technology

Purchase Electronic Procurement Technology to Track Processes and Analyze Purchasing Trends

Procurement staff utilize technology to electronically sign and document procurement contracts, track procurement processes (e.g., log vendor quotas), and analyze spending patterns. Contacts select their software based on price and usability.

Procurement Technology Recommendations from Procurement Directors at Profiled Institutions

 Product	 Use
SciQuest	Electronically track procurement processes; spend analytics
PeopleSoft	Electronically track procurement processes
Rosslyn Analytics	Spend analytics
ESM Solutions	Electronically track procurement processes
DocuSign	Electronically sign and document procurement contracts
ImageNow	Electronically sign and document procurement contracts

Overcoming Procurement Technology Challenges

Create Monthly Technology Training Workshops for Procurement Staff

Common challenges in implementing procurement technology include training procurement staff to use the technologies, and integrating the technologies with pre-existing university system infrastructure.

At **University System C**, administrators spent approximately 18 months training procurement staff to effectively use procurement technologies. The Director of Contracts and Services led training sessions with procurement staff on how to use the tool, ImageNow. These trainings occurred once per month for 18 months. Contacts indicate that the most effective way to teach procurement staff how to use new tools and software is to assign homework (e.g., retrieving data to generate a report), and then reviewing the assignment as a group during the following training session. Directors explain that training procurement staff via monthly workshops is the most effective way to increase staff engagement, which encourages staff use of procurement technology.

4) Impact Assessment of University System Procurement Units

Determining University System Procurement Impact

Measure Institutional Budget Surplus and Increased Process Efficiencies to Determine Unit Impact

Administrators use spend analytics technology to determine the amount of money institutions save through the procurement process. The goal of university system procurement units is to help institutions stay within their budgets and, if possible, generate a surplus. University system procurement staff also use the spend analytics tool to determine the vendors on which they are most dependent.

Procurement directors also measure impact by identifying increases in process efficiencies. For example, contacts at **University System A** note that the time to secure bids and purchase commodities has decreased because staff now use procurement technology on a daily basis.

Soliciting Feedback from Institutions

Send an Annual Survey to Institutional Procurement Unit Staff to Identify Challenges and Prioritize Resources

Procurement unit administrators at **University System C** send annual surveys to institutional procurement staff to identify and address their greatest challenges. Understanding institutional procurement unit challenges helps System leadership allocate resources and dedicate staff to the institutions that require the most assistance.

System procurement administrators also incorporate feedback from the surveys to design workshops or conferences that educate procurement staff on topics of interest. For example, procurement leadership from University System C hosted a conference about LEED certification and sustainability. The workshops or conferences are typically lecture-style, and the speakers include both System leaders and external speakers. Hosting conferences and events also creates networking opportunities for procurement staff at institutions.

Ensure that the survey is anonymous to increase the chance of receiving transparent feedback.

Sample Survey to Send to Institutional Procurement Units

Please rank the following challenges:

1= Greatest importance

4= Least importance

Challenge	Rank
Training procurement staff to use technology	
Analyzing spend analytics	
Maintaining relationships with vendors	
Procuring quotas	
What topics would you like to see in future System-wide procurement events, conferences, or workshops?	

5) Research Methodology

Project Challenge

Leadership at a member institution approached the Forum with the following questions:

- How do administrators structure procurement/contract offices within the university system?
- What is the relationship between the system office and individual institutions? To what degree are contract offices centralized or decentralized? Why did administrators choose their structures, and what benefits and drawbacks do they identify with these structures?
- What connection, if any, exists between procurement/contract offices and legal counsel?
- How do contacts staff the procurement/contract office?
- How many staff members work full-time on contracts?
- What credentials and skill sets must staff possess to support the contracting function?
- What job descriptions do contacts use to recruit staff? Where do they advertise open positions to recruit new staff?
- What are the benefits of having staff dedicated to the contracting function?
- What upfront investments do procurement/contract offices require? What is the cost of establishing and maintaining a procurement/contract office? What challenges did administrators face in securing this funding?
- What is the typical timeline to create a procurement/contract office? What aspects of the process took longer than anticipated?
- Once established, how do procurement/contract offices support on-going contracting?
- What vendors or technologies do systems use to support contracting?
- What criteria do contacts use to choose their vendors/technologies?
- What challenges have they faced in implementing and using these technologies?
- How have contract offices and staff demonstrated success? Have they met contacts' goals for efficient contracting across the system?
- What metrics do administrators use to determine the success of procurement/contract offices?
- How do administrators measure which institutions need greater support?
- What challenges have administrators faced in creating contract offices? How did they overcome these challenges?

Project Sources

The Forum consulted the following sources for this report:

- EAB's internal and online research libraries (eab.com)
- The Chronicle of Higher Education (<http://chronicle.com>)
- National Center for Education Statistics (NCES) (<http://nces.ed.gov/>)
- University system websites:
 - University System C

The Forum interviewed procurement and contract officers at the following institutions:

A Guide to Institutions Profiled in this Brief⁵

Institution	Location	Approximate Institutional Enrollment (Undergraduate/Total)	Classification
University System A	Southeast	NA	NA
University System B	Southeast	NA	NA
University System C	Southeast	NA	NA
University System D	Midwest	NA	NA
Institution E	Midwest	13,300 / 15,000	Research universities