



Securing buy-in to solve a \$500m problem

14 Jun 2017

by Richard Edwards

6 minute read



Part one of this case study series looks at how the procurement function at the University of California secured buy-in for a wide-ranging savings project. Executive-level support for any savings project is essential to its success and the institution is now reaping the benefits of that support.

Check back on Procurement Leaders to find out how the function used data analytics (part two) to drive progress and how it introduced strategic sourcing (part three).

The challenge

After the 2008 global financial crisis, the University of California (UC), an academic research institution comprising ten campuses and contributing \$46bn annually to the Californian economy, faced a 27% reduction in state funding. This saw the university's procurement function called into action, as it searched for ways to limit the impact of those cuts.

While the funding situation posed a challenge, it also provided an opportunity for the function to implement change and prove its standing as a key partner to the business.

"In government, public service or higher education, it takes a burning

FEEDBACK

platform for change to take place,” says Bill Cooper, the university’s CPO.

With cuts of \$1.5bn, it was about far more than trying to find some low-hanging fruit, procurement required a long-term strategic shift.

In response, in 2012, the university initiated the “Working Smarter Program”, which aimed to redirect \$500m a year from overall administrative expenses to support the university’s core areas of teaching, research and public service by the end of 2017.

Procurement would be a primary contributor to the cause, pledging to redirect \$200m through a holistic transformation programme called P200.

To ensure the success of the project, Cooper and the team knew they had to gain executive-level sponsorship and engage key stakeholders across the business; establish common frameworks for data analysis, reporting and performance management; and develop strategic sourcing category management practices and a collaborative organisational model.

The P200 programme has proved a resounding success, exceeding its target savings each year since inception, surpassing the five-year target one year early by achieving savings totalling \$269m by the end of the 2015/2016 financial year. This sum is primed to exceed \$310m by 30 June this year.

FEEDBACK

But, that would not have been possible without the team establishing strong relationships across the business.

Part one of this case study will examine the way UC’s procurement organisation went about building support for this project with finance, the board and the rest of the institution. The function would ultimately win that support and deliver multimillion-dollar savings.

Building a relationship with finance

To begin the project, Cooper had to win the support of key stakeholders and decision makers. At the time, sourcing was primarily carried out by different departments, while procurement was confined almost entirely to transactional activity.

“We had to redefine what the capabilities were for procurement as a strategic partner,” he says.

“That has never been truly appreciated in higher education, simply because of the fact we’re not motivated by the profit and loss

because of the fact we were not motivated by the profit and loss statement. We had to come in and elevate the view of procurement but that took a redefinition and the communication of a new value proposition.”

Cooper worked closely with UC’s CFOs, Peter Taylor, who had hired the procurement chief; and Nathan Brostrom, who took over in 2014 and had come from a commercial investment banking background, offering a different view of the function to those with a more academic background.

“Their experience was one of a return on investment (ROI) approach and they had experience and an understanding of the role that procurement could play,” Cooper explains.

“They recognised that a \$500m problem wasn’t going to be answered by little tweaks and cuts. They wanted to focus on the areas with the greatest impact.”

Their research found 65% of UC’s budget was made up of salaries, and the remaining 35% in supply and services. It was there that Taylor, and later Brostrom looked to invest, reasoning that cutting expenditure in supply and services would enable the UC to maintain core costs elsewhere.

For the strategic plan to deliver, the system-wide procurement team needed a \$13m upfront investment, which was a difficult argument to make at the time. Yet, with the promise of a potential \$200m in annual savings, achieving executive-level sponsorship and support from the president and board of regents was reasonably straightforward.

The procurement team delivered a common message and vision for the P200 programme and of the benefits it could bring. Doing that presented the function with the buy-in it needed to drive deeper.

“It’s all about your ability to communicate that value proposition”

Building relationships across the institution

With procurement and finance aligned and executive support secured, the next stage was to get the rest of the institution on board to try and centralise as much spend as possible.

Like many businesses, UC is a myriad of parts with campuses,

schools and departments, all of which have some level of independent funding. At the time, many of the university's ten campuses were buying from the same suppliers, but with different contractual arrangements. Accordingly, it became quite clear that a formalised shared governance structure was necessary.

"We recognised that historically, to get the adoption and buy-in from the various campuses, you need a different organisational structure," says Cooper.

The Procurement Leadership Council (PLC) was established; a new "one UC" organisational model comprising the ten CPOs and Cooper, who each have an equal vote on any businesses cases brought forward (see *What is the PLC?, below*).

The CFO and the system-wide procurement leaders communicated with the different campuses that the organisation would benefit from aligning this spend under the management of procurement.

This was no easy task given the autonomy enjoyed by these largely separate entities.

"Higher education doesn't operate on mandate at all, it's all about influence and value proposition," says Cooper.

"It's all about your ability to communicate that value proposition to different stakeholders who are motivated by different factors.

"You have financial interests, service interests, and quality interests and it's all about recognising what is the critical success factor to that group of stakeholders and ensuring you communicate that value proposition directly to them."

The key to getting individuals from across the different campuses on board was to tailor each conversation to the specific audience. When talking to the financial chiefs of the various campuses, for example, Cooper ensured the conversation centred on ROI.

The focus for each faculty changed, with reassurances that they would be able to continue their teaching and research with little change.

Communicating the wins

Getting people on side is easier when you have examples of quick wins and early returns to showcase the benefits. Here, this was demonstrated through consolidated cross-campus agreements in

technology, maintenance, professional services, and equipment.

To this end, the PLC implemented system-wide contracts that would immediately reduce cost in major spend areas.

“You can then build on the attention that these results give you and you can market that,” Cooper says.

Procurement also began publishing ‘Brag Books’, later given the more genteel name of Impact Reports, which illustrated where and how the function was making a difference and influencing spend. These are sent out periodically to the various academic and administrative departments across UC, showing how they can benefit from collaborating with procurement.

From \$2bn spend under influence before the launch of the P200 programme, the PLC and the One UC Procurement Services team are currently involved in as much as \$7.9bn and have influence in areas of spend such as insurance, building and construction services, as well as health and welfare.

Establishing relationships, building trust, having some clear goals and communicating wins can clearly create new areas of influence for procurement and increase its impact further.

FEEDBACK

What is the PLC?

With Bill Cooper, CPO at the University of California, trying to unify spend and procurement across all campuses, there was a risk of alienating purchasing staff at the campuses. Such teams were, as a result of these changes, losing some of their autonomy. The Procurement Leadership Council (PLC) was formed to convince procurement teams across every campus that they could all benefit if the buying organisation’s total power could be leveraged and to show them that they would still be in a position of power and influence over events relating to their respective campuses.

The council is made up of the ten CPOs based at each individual campus, along with Cooper.

“It’s almost impossible to achieve buy-in through a centralised model so we have a unique shared-governance model,” explains Cooper.

“That is now the governing body for procurement for the system as a whole.”

The PLC has virtual meetings weekly and in-person meetings quarterly. In these meetings, business cases and initiatives are presented to the group and then voted on, with each campus having an equal vote, regardless of size. For example, the UCLA has 45,000 students while UC Merced has 6,800, but each has an equal say. Once approved, initiatives move forward and there is no opting out.

“Even if you’re UCLA, if you had 100% of your spend and you maximised that but still had to achieve greater savings, the only way you could do that is by virtue of the spend of your sister campuses,” he says.

The project in numbers

- **10** – The number of campuses at the University of California (UC), each of which were acting as primarily autonomous business units
- **\$13m** – The upfront investment needed by the UC
- **\$200m** – The return that the upfront investment has the potential to deliver each year
- **920%** - Return on investment

If you would like to learn more/connect, please get in touch with your account manager

This article is a piece of independent journalism, written by an experienced journalist and commissioned exclusively by Procurement Leaders.

FEEDBACK

Did you find this content useful?

YES

NO