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## Spend and Save

Universities with multiple campuses are moving to centralized purchasing.

BY SHERRIE NEGREA

**F**OR DECADES, THE SEVEN campuses administered by Indiana University each had purchasing offices that would buy office equipment, lab supplies, and other products for their faculty and staff. But in 2010, that process changed when the university system consolidated its procurement into one office.

Since then, Indiana University has saved \$162M in contracting costs, plus an additional \$17.3M from transitioning to electronic invoicing and purchase orders.

“We’ve really been able to do a much better job of benchmarking, looking at our savings across the institution, and leveraging the use of our contracts across all the campuses,” says Jill M. Schunk, associate vice president in the Office of Procurement at Indiana University.

As large university systems face tightening budgets, they are restructuring their purchasing operations by consolidating them and leveraging their spending to lower costs. While some university systems such as Indiana have moved to a com-

plete centralization of purchasing, others have developed other models that allow individual campuses some autonomy over spending decisions.

“Leveraging system-wide spending to achieve optimum value is a major change in higher education,” says William Cooper, associate vice president and chief procurement officer for the University of California Office of the President. “Procurement has not been an area where there has been a consolidated and streamlined approach. The sourcing decisions were made out on

the campuses and even within individual departments. Now we're saying, 'Let's look at this in a more disciplined and strategic manner.'"

### Consolidating Contracts

Since 1995, the University of California system has realized savings of \$335M by consolidating contracts for products and services across its 10 campuses wherever possible. Cooper, the former chief procurement officer at Stanford, was hired by the University of California in January to determine how the system can further optimize its procurement program.

As the system has started to leverage its purchasing and negotiating, it has also embarked on an initiative called the P200 program, with the goal of reaching annual savings of \$200M within the next five years. One initiative that will be launched as part of the program is the creation of "Centers of Excellence" at various campuses that would handle procurement for specific commodities, such as lab equipment, for the entire system.

While moving to centralized purchasing, other university systems have opted to invest campuses and even departments with the authority to purchase a certain quantity of goods and services. The University of Colorado, for example, consolidated its purchasing in 1999 but continues to allow individual departments on its four campuses to spend up to \$5,000 without using the central procurement office. Departments can also purchase up to \$10,000 from the system's electronic catalogues, which include the University's negotiated contracts.

Overall, consolidating its purchasing has allowed the University of Colorado to reduce its procurement staff from 125 to 45 and to negotiate better pricing with its contractors. "Our suppliers see us as one customer instead of four," says Sandy Hicks, assistant vice president and chief procurement officer at the University of Colorado Office of the President. "I think it just creates economies of scale, rather



**ALL TOGETHER NOW.** The University of Massachusetts is in the process of implementing an e-procurement tool to drive compliance with University contracts on its five campuses.

than having to replicate everything on each campus."

### Supply Chain Alliance

Another procurement model has been developed in The University of Texas System, which includes nine universities and six health institutions. In 2008, the public university system created a supply chain alliance, in which it instituted shared services among its campuses and began the process by negotiating contracts with suppliers of research equipment for all its health campuses.

## Many universities that have adopted centralized purchasing still use contracts offered by cooperative purchasing organizations because of the savings they can generate.

Since then, The University of Texas System has developed system-wide contracts for its academic campuses for other products such as office supplies and computers, which has resulted in a savings of \$68M. Besides attempting to guarantee a certain volume of supplies for its contractors, the system has also negotiated better pricing by narrowing the number of choices for particular products.

"In office supplies, instead of having 15 manila pads that you can buy, maybe you buy only one or two," says Scott Kelley, executive vice chancellor for business affairs at The University of Texas System. "In doing that, you become more efficient, but you have to get agreement from the campuses. Using a shared-services approach made it easier for us to get buy-in from the campuses to make those savings efficiently."

### E-Procurement

What has allowed many universities to monitor their spending and identify potential savings is the adoption of a software system that tracks purchasing. The University of Massachusetts system, for example, is in the process of implementing *SciQuest*, a procurement tool that will help to drive compliance with university contracts on its five campuses.

The software will establish a University of Massachusetts marketplace for all campus faculty and staff to purchase from contracted vendors. Though the software will consolidate purchase orders from the five campuses, it will not establish one procurement office for the University system.

"We've come to the conclusion that this is what is best for the University at this time," says John Healey, senior director of enterprise procurement for the University of Massachusetts System Office. "There's a consensus out there that there's value in campus-level servicing. There are enough unique purchases at the campus level that the University feels it's important to provide that level of servicing."

**Cooperative Purchasing**

Cooperative purchasing is another area that large university systems have traditionally relied on to obtain better contract pricing for supplies and services. Many universities that have adopted centralized purchasing still use contracts offered by cooperative purchasing organizations because of the savings they can generate.

Working with more than 2,600 education member institutions of all sizes, E&I Cooperative Purchasing, based on Long Island, serves the largest higher educational institutions in the country, such as the University of California and Texas A&M. “We’ve seen a lot more usage in the last couple of years,” says Mary Sue Goldwater, E&I’s central regional director of contracts. “We believe it’s because universities are being stretched really thin with the resources on their campuses. And even though large campuses may have the volume to get good



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**LET’S POOL OUR RESOURCES.** A benefit of cooperative purchasing is access to expertise. Each participant may not be an expert in phone systems, technology solutions, or complex equipment, and even if you are able to draft the RFP, do you have the knowledge to confidently evaluate the responses? Cooperative agreements have undergone strict review and have been selected based on their merits to meet industry needs.

contracts on their own, they find the E&I contracts save them both time and money by avoiding the RFP process.”

Another cooperative that works with multi-campus universities is Keystone Purchasing Network (KPN), based in Milton, PA. One of KPN’s services for the Pennsylvania State University system is job order contracting, which assigns firms that do construction and renovation work at campuses that request them. “KPN can be an effective tool for universities with multiple campuses to use when they need to purchase supplies or construction-related products,” says Mary Beth Brennan, a cooperative purchasing representative for KPN.

In a twist on the cooperative purchasing model, the University of Colorado has in the past three years begun to invite other higher educational institutions to join in two of its own agreements with suppliers — for multifunction devices and green janitorial chemicals. In return for serving as a cooperative, the University of Colorado receives incentives from the suppliers based on the number of products sold.

“We hit the market with really great pricing,” says Hicks, Colorado’s chief

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procurement officer. "Other universities can use these agreements to capitalize on better pricing. We did the work upfront, so everybody is a winner." **PHI**

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ONE FOR ALL

## Centralized Purchasing at Work

UNIVERSITY OF CINCINNATI



At Ohio's University of Cincinnati (UC), the Central Purchasing Department is responsible for procurement of goods and services for the entire University, including the Uptown West, Uptown East (Academic Health Center) and Reading Campuses, and Blue Ash and Clermont Colleges. Expenditures exceed \$250M annually.

UC is a state institution with its own Board of Trustees. Much of what UC buys is competitively bid. Generally, bidding is conducted electronically (phone, fax, email) for small-dollar purchases, and in writing for larger requirements. Buyers select prospective bidders in a number proportionate to each expenditure, ordinarily choosing firms that they evaluate as offering a maximum effort in competition and service. At \$50,000, advertisements are placed in two local newspapers. As a state institution, UC is privileged to use state contracts. The University also participates in joint purchase agreements with the State Universities Council, the City of Cincinnati, and others.

UC's Central Purchasing Department employs four buying teams, each responsible for a specific selection of goods and services. Buying Team A, for example, is responsible for audio-visual equipment, office furniture, office machines, office supplies, lab and medical supplies and equipment, carpeting, drapes, temporary office help, temporary payroll services, telecommunications, consultants, athletic agreements, and drugs and pharmaceuticals.

Since the University must provide for administrative, academic, medical, research, and individual student needs, almost every product and service imaginable is purchased for the multi-campus system. **PHI**

## Two Cooperative Purchasing Programs Under One Roof

*Schools, government agencies and other nonprofit institutions can piggyback on money-saving contracts from KPN and PEPPM.*

*All contracts are publicly and competitively bid and awarded.*



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