Faculty Senate Meeting
Procurement Initiative

November 11, 2009
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Procurement Savings

$ Millions

FY 10 | FY 11 | FY 12 | FY 13 | FY 14
---|---|---|---|---
4.5 | 7.5 | 12.0 | 24.0 | 30.0
Draft Goals FY10 & FY11

- Organizational changes identified and implemented by June 2010
- 95% of spend with eShop enabled suppliers goes through eShop by June 2011
- Improve the dollar volume of spend under contract by 50% by June 2011
- Achieve $7.5 million savings by June 2011
Sources for Savings

**Near-term (quick-wins)**
- Focused on near-term cost reduction efforts
- Require minimal/no capital investment
- Less lead-time to implement
- Lower level of organizational process change required

~25-35% of savings opportunity*

**Long-term (capability building)**
- Focused on fundamental changes in the way procurement is executed at Cornell
- May require capital investment (e.g. technology)
- Often requires process redesign
- Organization improvement to enable savings capture required

~65-75% of savings opportunity*

*Note: Opportunity represents savings identification, not cash realization*
## Levers to Obtain Savings

**Required policy change**

<table>
<thead>
<tr>
<th>Ease of implementation</th>
<th>Low</th>
<th>High</th>
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<tr>
<td><strong>Low</strong></td>
<td><strong>High</strong></td>
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### Spend aggregation
- Aggregate spend
  - Across disparate campus units
  - Across spend category
- Drive e-Shop and preferred contract utilization

### Vendor negotiation
- Improve contracts relationships
- Offer volume commitments, contract incentives
- Introduce competition and auctions

### Spend standards and regulation
- Design regulation to standardize non-core spend types
  - Segment spend based on item, user, & expected use
- Introduce mechanisms tied to upgraded systems to ensure contract compliance
- Limit discretionary purchases (e.g. travel, cell phone, special events, etc.)

### Post-contract tracking
- Limit spend in targeted non-academic areas; unit procurement budget cuts

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Source: Bain Analysis; Cornell Interviews

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Organizational Improvements

- Strategic planning process outlines verifiable goals
- Alignment between purchasing goals and university strategy
- Cross-university teaming to balance objectives across administration and faculty
- Decision-driven roles and organizational structure

- Talent recruitment and development
- Sufficient resource allocation to drive high-performance culture
- Data tracking and repository
- Integrated ERP system
- Superior execution of ‘mission critical’ activities
  - Strategic sourcing
  - Supplier development
  - Ordering
  - Innovation

- Process, Tools & Systems
  - Decision-driven roles
  - Organizational structure

- People, Skills & Training
  - Cross-functional teams
  - Professional development programs
  - Training and development initiatives

- Process, Tools & Systems
  - Data tracking and repository
  - Integrated ERP system
  - Superior execution of ‘mission critical’ activities
  - Decision-driven roles
  - Innovation

- Strategic Planning
  - Strategic goals
  - Alignment with university strategy
  - Balanced objectives across administration and faculty

- Policy and Support
  - Decision-driven roles
  - Organizational structure
  - Cross-functional teams
  - Professional development programs
  - Training and development initiatives
eShop

**Opportunities**

- Best practice schools use eShop
  - Detail spend data
  - Efficient process
  - Pricing compliance tool

**Challenges**

- Implemented within DFA, not yet supported as institutional system
  - Needs better search tool
  - Better return process
  - eInvoicing for better unit information