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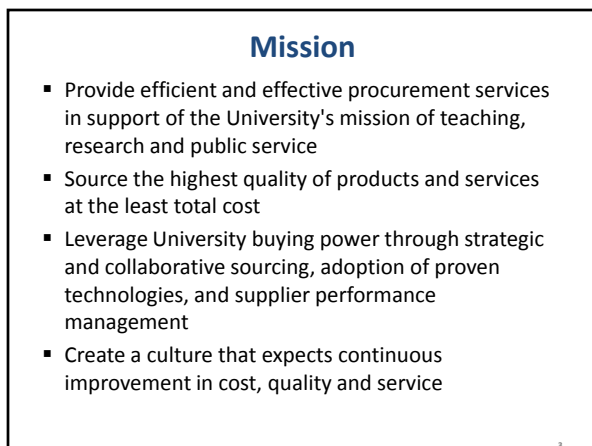
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### Guiding Principles

- Support the University's missions of teaching, research and public service
- Take a university-wide view when making financial and strategic decisions
- Always look for new ways to make the sourcing of goods and services more cost-effective and efficient for the University
- Actively manage suppliers to the University, holding each to appropriate standards of price competitiveness, quality, responsiveness and innovation
- Operate in accordance with all applicable University policies, State and Federal Laws and Governor's Executive Orders

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### Critical Success Factors

- Focus on Total Cost of Ownership (TCO)
- Pursue suppliers that deliver the best overall value (cost, quality and service)
- End User focus and involvement
- Simplified, streamlined and automated processes
- Customer Satisfaction

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### UC Strategic Sourcing Initiative

#### Cost Savings (\$ in millions)

	<u>Spend</u>	<u>Savings</u>	<u>US Bank Rebates</u>	<u>Total Savings</u>
FY 2006/07	\$211.3	\$25.0	\$3.7	\$28.7
FY 2007/08	\$273.1	\$41.6	\$5.2	\$46.8
FY 2008/09	\$301.9	\$49.0	\$4.9	\$53.9
FY 2009/10	\$326.0	\$47.2	\$5.6	\$52.8
FY 2010/11	\$411.7	\$55.8	\$5.6	\$61.4
FY 2011/12	\$517.3	\$82.0	\$10.2	\$92.2
<b>TOTAL</b>	<b>\$2,041.3</b>	<b>\$300.6</b>	<b>\$35.2</b>	<b>\$335.8</b>

1. The Strategic Sourcing Initiative currently underway at the University of California has been designed as a comprehensive program to reduce the total cost of purchased products and services by fully leveraging the University's combined purchasing power without compromising quality or service and to build an internal infrastructure at UCOP and campuses that can sustain and continuously improve the process.

2. Incentives include patronage/earned incentives from 146 strategic sourcing agreements. US Bank rebates (P-Card program) do not include additional \$4.2 million in signing bonuses negotiated with US Bank.

3. From Program inception through June 2006 the UC Strategic Sourcing Program generated over \$78 million in total cost savings.

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### IT Procurement Services

- Responsible for system-wide:
  - IT contracts & licenses (new, renewals/extensions)
  - IT RFP's, RFQ's and RFI's
  - IT central purchasing/recharges
- FY 2011/12 Accomplishments:
  - Spend Under Contract - \$225 million
  - Incentives - \$5.7 million
  - Savings - \$40 million

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### IT Procurement Services – Stakeholders

- Materiel Management & Campus Strategic Sourcing
- Extensive collaboration and consultation with system-wide IT communities sponsored by the ITLC (IT Leadership Counsel of UC CIO's)
  - TAS (Technical Acquisition & Support)
  - ITPS (IT Privacy & Security)
  - JDCMG (Joint Data Center Management Group)
  - CPG (Communications Planning Group)
  - ITAG (IT Architecture Work Group)
  - EALT (Electronic Accessibility Leadership Team)
  - CTG (Collaboration Tools Group)
  - ETLG (Educational Technology Leadership Group)

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### IT Procurement Services – Ongoing Activity

- 103 system-wide IT contracts
  - Hardware
  - Software Licenses
  - IT Professional Services
  - IT Temp Labor
  - IT Audit Services
- System-wide support, maintenance and license renewals
- Hardware “sweet-spot” refreshes

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### Procurement Services Responsibilities

- Non-IT Sourcing and Commodity Management
  - Life Sciences
  - Food Service Operations
  - Facilities, MRO, Flooring, Janitorial & Fleet
  - HR, Benefits & Professional Services
  - Office Environment and "Other"
- UC Procurement Policy Coordination
- Contract Compliance and Management
- Electronic RFP/RFI Systems
- Equipment Management Coordination
- Legislative Impact Analysis/Change

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### Procurement Services - Responsibilities

- Materiel Management Policies
- Procurement Technology and Systems
- Small Business Coordination
- Sustainable Procurement
- Systemwide Support and Coordination for all UC Procurement operations (Campuses and Medical Centers)
- UCOP Procurement Support
  
- **FY 2011/12 Accomplishments:**
  - Spend Under Contract \$292.0 million
  - Incentives \$ 5.9 million
  - Savings \$ 30.4 million
  - US Bank Incentives \$ 10.2 million
  - Total Non-IT Contracts 215

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### Analytics and Reporting - Responsibilities

- Systemwide Reporting
- RFP support
- Contract Analytics
- Ad hoc requests
- Project support
- P200

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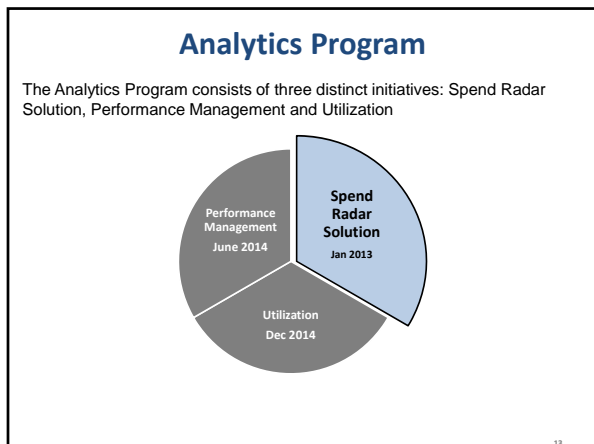
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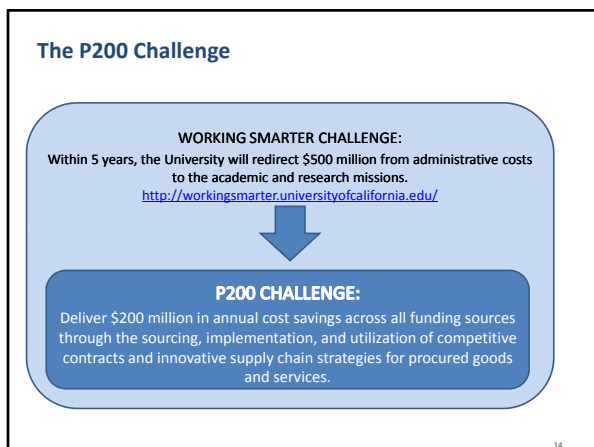
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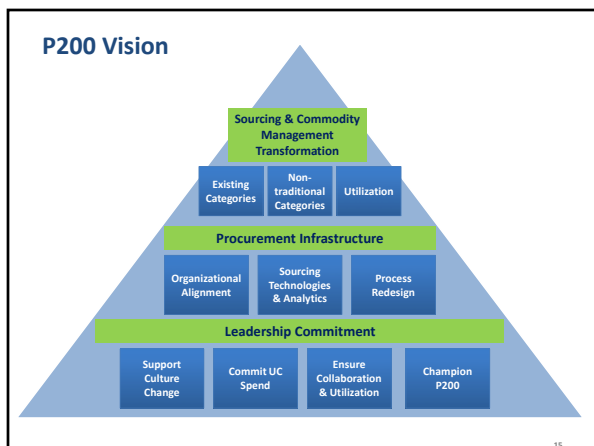
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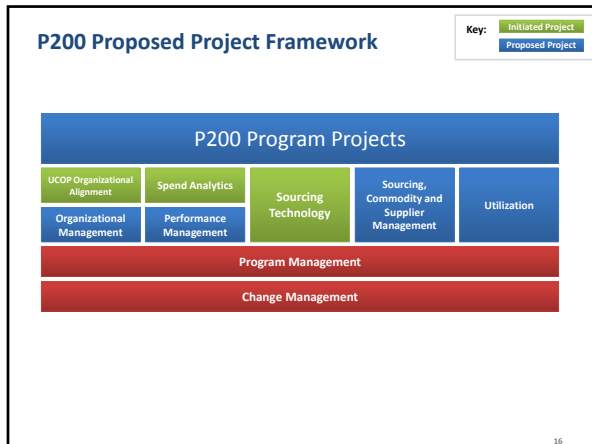
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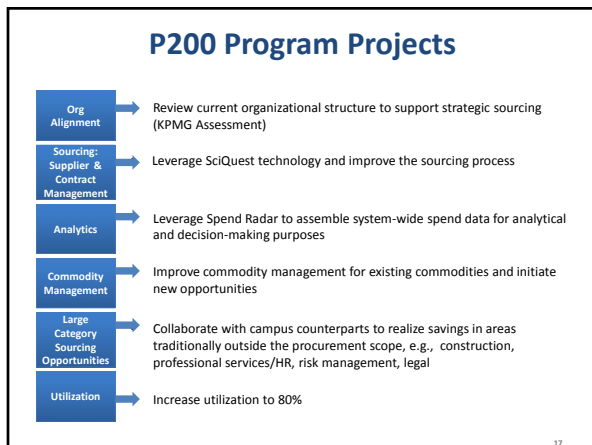
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### P200 Progress to Date

Key: ■ Initiated Project ■ Proposed Project

- Three projects were initiated in FY11-12

Project	Description	Current Status
UCOP Organizational Alignment	Align the UCOP procurement organization to deliver services under a new sourcing and commodity management model	Completed KPMG assessment in July 2012
Spend Analytics	Deploy the Spend Radar analytics solution systemwide with 2+ years of spend data to support sourcing, performance management and utilization	Data from each campus has been normalized, classified and validated. Phase 1 went live for all campuses January 2013
Sourcing Technology	Implement the SciQuest supplier management and sourcing event management solution systemwide	Phase 1 went live for all campuses November 2012

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### P200 Future Projects/Phases

Key: ■ Initiated Project ■ Proposed Project

- These projects will build the procurement foundation

Project	Description
Spend Analytics	Phase 2 (2013): expand Spend Radar analytics capabilities - a) identify business process changes to improve data quality, b) integrate line-item detail from other systems, and c) expand user access to other procurement stakeholders. <b>Participate in the sourcing and commodity management redesign to incorporate analytics.</b>
Performance Management	Develop common definitions for <b>key performance indicators</b> , and then build the functionality in Spend Radar to support these KPIs and other performance management tools and reports.
Sourcing Technology	In subsequent phases deploy functionality to address contract management, a contract repository, campus-specific configurations, and integrations between campus ERP systems and the SciQuest vendor master. This will allow us to <b>quickly source all campus, regional and systemwide events using the same technology, processes and templates.</b>

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### P200 Future Projects/Phases

Key: ■ Initiated Project ■ Proposed Project

- These projects will leverage the technology and organizational foundation to drive the \$200m in annual savings

Project	Description
Sourcing, Commodity and Supplier Management	<b>Develop the capacity to conduct and contract at least 50 sourcing events per year (nearly 3x highest historical output) and manage hundreds of contracts.</b> Consistent with KPMG's recommendations, this will require defining and deploying category-specific and process/technology Centers of Excellence, and working with UCOP and campus partners who manage large, complex spend categories such as construction, benefits, and financial services.
Utilization	<b>Increase systemwide utilization of existing contracts from ~65% today to 80% (an increase of 24%).</b> Phase 1 will address utilization roadblocks. Phase 2 will identify and adopt P2P best practices that streamline and improve the end user experience.

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### P200 Proposed Timeline

Project	FY 12-13				FY 13-14				FY 14-15				FY 15-16	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
UCOP Org Alignment	→													
Org Management	→													
Spend Analytics	→													
Performance Management	→													
Utilization	→													
Sourcing Technology	→													
Sourcing/Commodity Mgmt	→													
Program Management	→													
Change Management	→													

→ In Progress   
 → Starts FY 12-13   
 → Starts after FY12-13

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**P200 Program Critical Success Factors**

- The success of this program requires the commitment from UCOP, campus executive leadership, the Procurement Management Board, and the Procurement Leadership Council (PLC) to:

- ✓ Change the culture from one that supports the use of multiple vendors, products, payment options to fewer
- ✓ Source commodities using small, expert teams
- ✓ Evaluate and pursue sourcing opportunities in non-traditional areas
- ✓ Secure external expertise with best-practice procurement knowledge
- ✓ Build a highly-effective and efficient procurement organization
- ✓ Implement and utilize enabling technologies

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