

Cornell University
Supply Management Services



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**Supply Management Services
Presentation to DFA Managers
March 27, 2009**



Introduction

- The vision for supply management at Cornell
- The current Office for Supply Management Services (SMS) organization
- Four strategic objectives
- Sample initiatives in support of our strategic objectives
- Interactions within DFA
- Summary
- One Page Strategy Summary



Vision for Supply Management at Cornell University

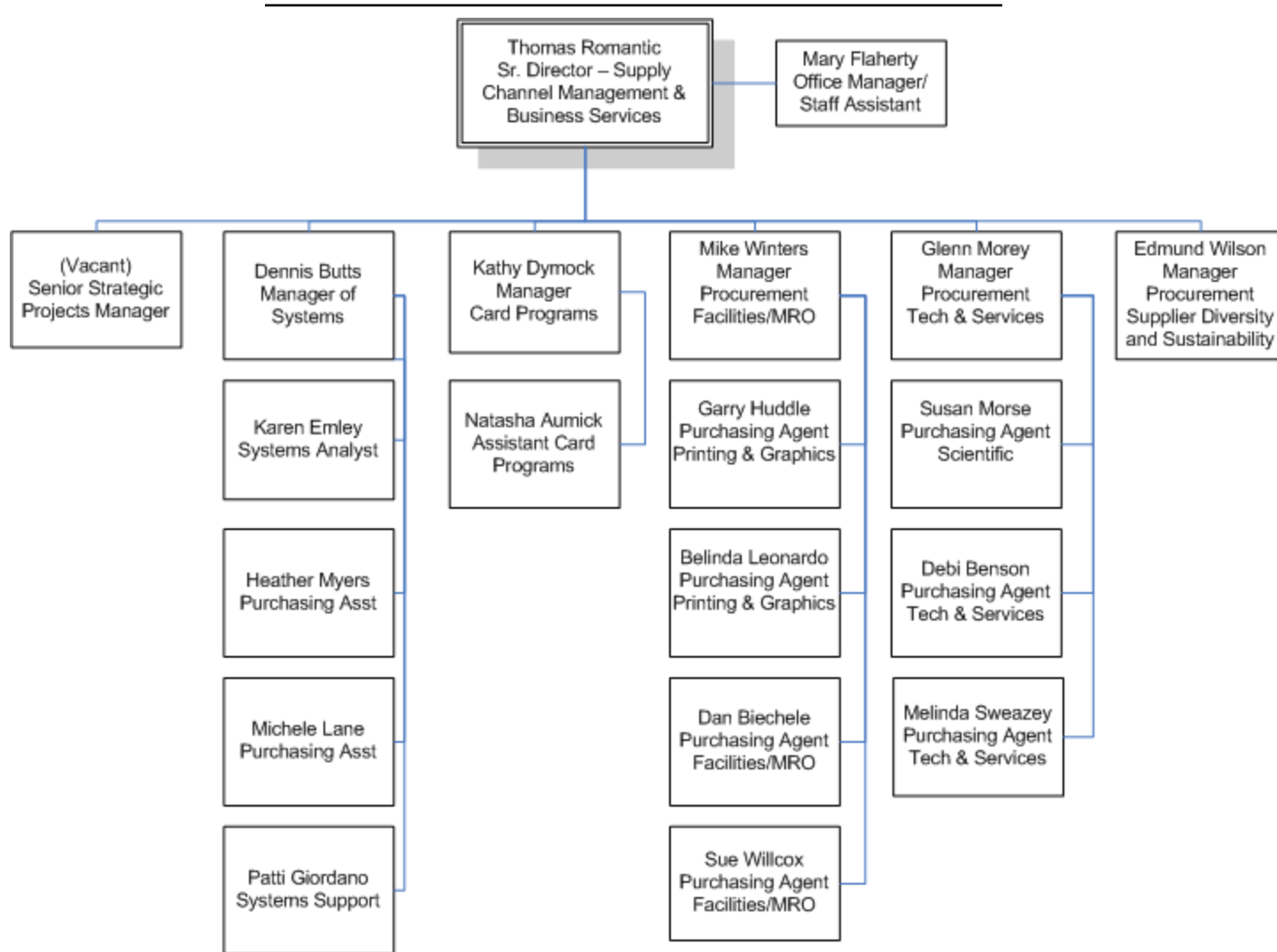
“To develop a world-class supply management function, to support Cornell University’s fostering of initiative, integrity, inclusiveness, and excellence.”

This vision was established from a review of Cornell’s mission and the recently distributed Senior Staff Priorities. In particular our supply management vision addresses the following priority:

“Make Cornell the workplace of choice by enhancing business processes and practices and building an inclusive and supportive environment.”



2008 Office for Supply Management Services Org Chart





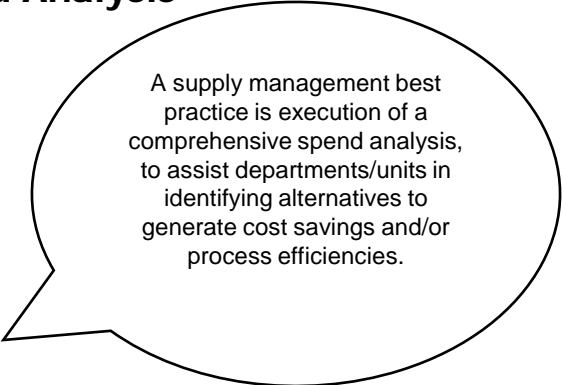
Four Strategic Objectives

In consideration of Cornell's mission, our supply management vision, we have established 4 strategic objectives.

- **Financial** – Add value to the University-wide spend through strategic sourcing.
- **Customer** – Respect, understand and meet the needs of Cornell University departments and business units.
- **Process** – Enable efficient purchasing processes.
- **Staff** – Create an environment that fosters professional development.

Strategic Objective/Financial: Add Value to the University-wide spend through strategic sourcing.

Sample Initiative: Business Unit-Specific Spend Analysis



Strategic sourcing is the process of working in a collaborative and organized manner to manage enterprise spend and drive savings and efficiencies. We are developing a strategic sourcing plan, in collaboration with our internal clients, to identify opportunities within the Cornell supplier base. In addition we are assembling a “sourcing toolkit” with components including spend analysis, market intelligence, negotiations strategy, e-Sourcing, cost transparency and others.

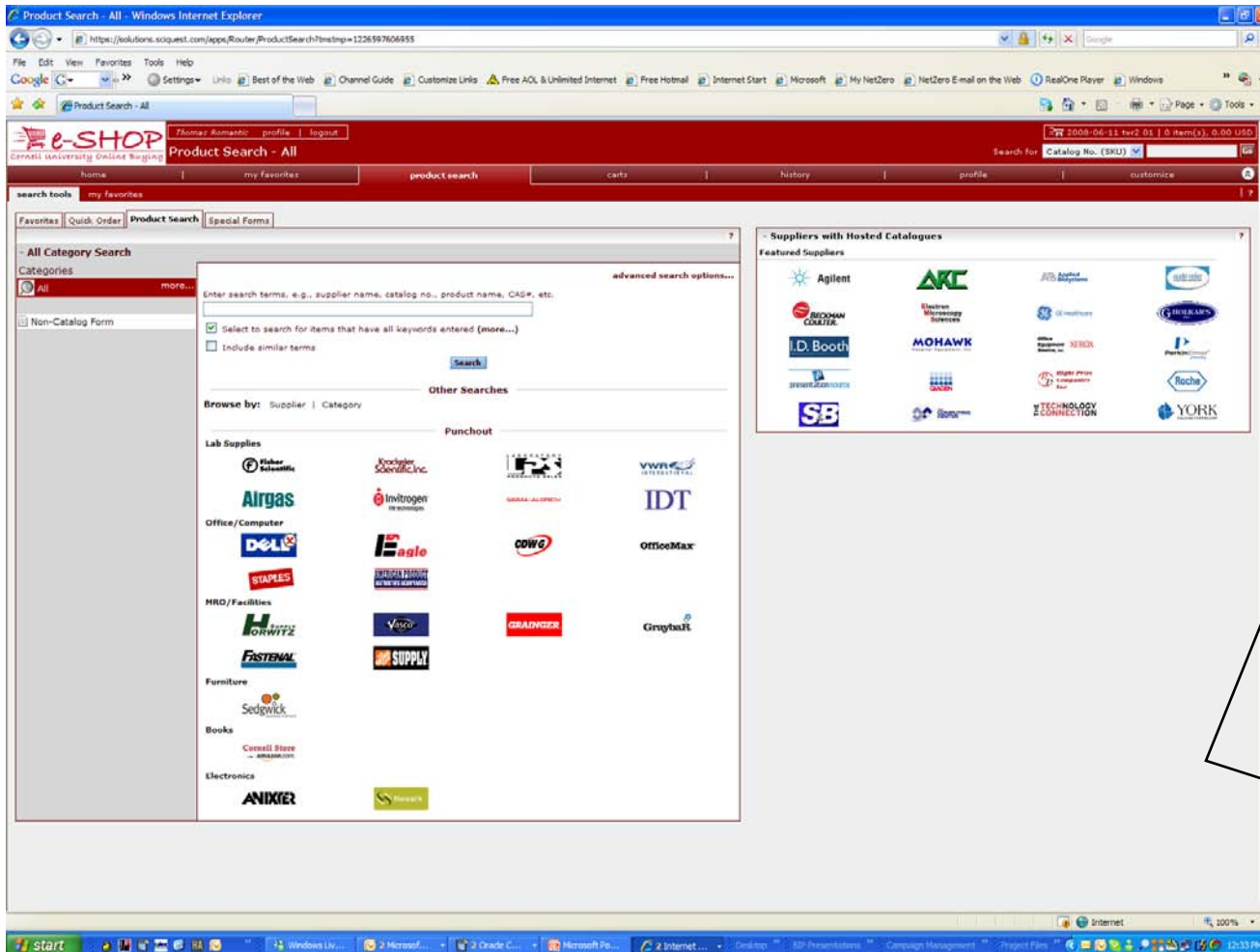


| Category | Spend | Sourced | Proposed Savings | % Savings | Savings Classification | Description of Proposed Savings | Savings Source |
|--------------------------|---------------------|---------------------|--------------------|------------------|-------------------------|----------------------------------------------------------------------------------------------------------------|-------------------|
| Food Distribution | \$5,250,000 | \$5,250,000 | \$90,000 | 1.7% | Substitution Savings | <i>Proposed substitution savings from Manes proposal</i> | <i>Sourcing</i> |
| Natural Gas | \$4,886,000 | \$4,886,000 | \$0 | 0.0% | Cost Avoidance | <i>n/a</i> | <i>Sourcing</i> |
| Relocation | \$775,000 | \$775,000 | \$35,000 | 4.5% | Efficiency Savings | <i>Efficiency savings based on electronic req. and less FTE involvement</i> | <i>Sourcing</i> |
| Temporary Staffing | \$4,005,000 | \$4,005,000 | | 0.0% | Cost Savings (Standard) | <i>In process</i> | <i>n/a</i> |
| Hertz | \$500,000 | \$500,000 | \$13,500 | 2.7% | Cost Avoidance | <i>Cost avoidance from transparency review</i> | <i>Sourcing</i> |
| Graybar | \$150,000 | \$150,000 | \$5,700 | 3.8% | Cost Avoidance | <i>Cost avoidance from transparency review</i> | <i>Sourcing</i> |
| Electrical Supplies | \$2,788,365 | \$2,788,365 | \$278,837 | 10.0% | Cost Savings (Standard) | <i>Proposed savings from supplier RFP proposals</i> | <i>Sourcing</i> |
| Plumbing Supplies | \$916,012 | \$916,012 | \$91,601 | 10.0% | Cost Savings (Standard) | <i>Proposed savings from supplier RFP proposals</i> | <i>Sourcing</i> |
| Hardware Supplies | \$1,348,134 | \$1,348,134 | \$134,813 | 10.0% | Cost Savings (Standard) | <i>Proposed savings from supplier RFP proposals</i> | <i>Sourcing</i> |
| Laboratory Case Goods | \$2,400,000 | \$2,400,000 | | | Cost Savings (Standard) | <i>In process</i> | <i>Sourcing</i> |
| IT Software | \$2,000,000 | \$2,000,000 | \$40,000 | 2.0% | Cost Savings (Standard) | <i>Microsoft Negotiation & VM Ware</i> | <i>Sourcing</i> |
| IT Hardware | \$9,099,181 | \$9,099,181 | \$200,000 | 2.0% | Cost Savings (Standard) | <i>Dell renegotiation</i> | <i>Sourcing</i> |
| Scientific Supplies | \$2,725,848 | \$2,725,848 | \$136,292 | 5.0% | Cost Savings (Standard) | <i>New PSA agreements</i> | <i>Sourcing</i> |
| Office Supplies | \$2,200,000 | \$2,200,000 | \$44,000 | 2.0% | Cost Savings (Standard) | <i>Renegotiate existing agreements</i> | <i>Sourcing</i> |
| Liquid Helium | \$675,340 | \$582,316 | \$93,024 | 13% | Cost Avoidance | <i>Negotiated savings</i> | <i>Sourcing</i> |
| *Operations Team Savings | | | \$131,500 | | Not Applicable | <i>Accumulated savings of Life Science project to Sedgwick, & new contracts to CDWG & Newark Inone</i> | <i>Operations</i> |
| Total Impact | \$39,718,880 | \$39,625,856 | \$1,294,267 | 0.0326622 | | | |

| Savings Classification | Description |
|----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Capital Savings (one-time) | Savings on a one-time purchase of equipment from original RFP pricing |
| Cost Avoidance | Negotiated reduction from a price increase through use of transparency or indexing tools, or exchanging items in the bargaining mix |
| Cost Savings (Standard) | Negotiated savings on exact items, or savings from a switch in supply for the identical items. |
| Efficiency Savings | Savings from the elimination of non-valued added processes, or the introduction of new/streamlined processes, adjustment of resources or utilization |
| Inventory Savings | Savings from reduction of DOH (day on hand) inventory as it relates to cost of capital (use 15%). In addition, savings related to space reduction or efficiencies. |
| Substitution Savings | Savings derived from product or service substitution, in addition to savings generated from extended product lifecycle, energy efficiencies etc. |
| Standardization Savings | Savings generated through standardizing your purchase profile and aggregating volumes, in addition to streamlined maintenance, order processing etc. |



Strategic Objective/Processes: Enable efficient purchasing processes.
Sample Initiative: e-Procurement



Through cross-functional collaboration, the e-SHOP e-Procurement initiative went "live" in October 2006. with 100 pilot users.

e-SHOP is similar to "amazon.com" functionality and users can choose from thousands of supplies items, from SMS selected suppliers, and tax exemption.

e-Procurement is a supply management best practice, intended to improve the front-end requisitioning experience for faculty and staff, while better directing University spend in a strategic manner.

e-SHOP also includes readily identifiable diverse suppliers, in support of Cornell's inclusiveness and diversity initiatives.

Campus-wide roll-out began in December 2007



Interactions within DFA

- Accounting – invoice processing, vendor set-up, electronic payments, transition e-SHOP, pcard suppliers
- UBSC – e-SHOP implementation, order processing, bid solicitations, BSC Director's Group
- OSP – subcontracting plans, reporting, SBA
- Disbursement review – independent contractors, 1099 requirements
- Treasurer's Office – internal lease program
- The Cornell Store – e-SHOP supplier, leveraging of Visual Ratex capabilities

Summary

- The Office for Purchasing Services has developed an improved strategic vision, focusing more on supply management excellence while continuing to provide stewardship over funding and serving the Universities mission.
- The Office for Supply Management Services organization is structured to align with these strategic initiatives while continuing to provide a high service level to the campus.
- In support of our vision we have developed 4 strategic initiatives. Our initiatives address Cornell's focus of transforming the procurement function, the findings in the Huron study and the 2006 customer survey.

Our vision:

“To develop a world-class supply management function, to support Cornell University’s fostering of initiative, integrity, inclusiveness, and excellence.”

The next slide is a 1-page summary of our strategic plan



2008 Strategy Summary

Our vision: "To develop a world-class supply management function that supports Cornell University's fostering of initiative, integrity, inclusiveness, and excellence."

Strategic Objectives

Financial – Add value to the University-wide spend through strategic sourcing

Customer – Deliver an outstanding level of service to Cornell customers

Process – Enable efficient purchasing processes

Staff – Drive professional development and accountability

2008 Priorities

- Generate cost savings in collaboration with stakeholders while ensuring quality and social responsibility

- Update Purchasing web site, policies, procedures
- Solicit and address customer feedback
- Actively collaborate with customers and suppliers



- Deploy e-SHOP campus-wide
- Standardize and optimize existing processes

- Promote accountability against achieving established goals
- Focus on professional development

2008 Supply Management Staff Key Activities

- Establish a process to action savings opportunities
- Develop savings methodology
- Supplier excellence guide
- Drive supplier diversity, sustainability, and ethical purchasing.

- Complete website redesign
 - Implement new policy
- Build a comprehensive buying manual to accompany policy
- Implement a systematic process for customer feedback
- Establish metrics for customer treatment

- Successful roll out of e-shop
 - Actively pursue supplier enablement
- Utilize six Sigma tools to drive re-engineering through process improvements
- Supplier qualification process

- Align organization with best practices in procurement
- Create development plans
- Establish clear, actionable, goals and success metrics
- Implement a plan to meet training and development needs

Potential Measures

Savings-to-cost ratio

% of customer feedback w/good-to-excellent grades

% of spend through e-SHOP

% of staff completing annual development plan



General Q&A

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