UC Berkeley’s Operational Excellence Program: Advancing Effectiveness, Efficiency and Financial Sustainability

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Founding Director, Operational Excellence (previous role)
University of California, Berkeley
UC Berkeley’s Operational Excellence Program: Advancing Effectiveness, Efficiency and Financial Sustainability

APPENDIX: Lessons Learned from other UC Efficiency Initiatives
History of the Operational Excellence Program

WHAT TO DO
Identify and prioritize opportunities to improve efficiency and effectiveness

HOW TO DO IT
Develop detailed plans to achieve desired outcomes and realize benefits

DOING IT
Implement work streams; drive change; achieve desired outcomes

SUSTAINING IT
Achieve run-rate savings; operate efficiently and effectively; continuously improve

SEPT 2009
April 2010
APR 2011
FY 16

TODAY
Our Revenue Sources Changed Significantly

From 28% in 2004, to just under 12% in 2012, declining state support is being offset by increasing reliance on student tuition, gifts and research.

- 2003-04:
  - 28% State support
  - Gifts/Other
  - Student Fees
  - Research

- 2011-12:
  - 12% State support
  - Gifts/Other
  - Student Fees
  - Research

88%
The change is long term...

The Traditional Financial Model is Under Stress

State Appropriations as Percent of Total Revenue Indexed to 2002
Excludes investment income

- Illinois*
- Michigan*
- Texas
- UC Berkeley
- Virginia*
- Wisconsin*

*Includes medical school
...and our administrative environment made it very difficult to get our work done

<table>
<thead>
<tr>
<th>Issue</th>
<th>Quotation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of Financial Data</td>
<td>&quot;Grant funds information is at least two months behind [making it impossible] to plan...&quot;</td>
</tr>
<tr>
<td>Fragmented Systems</td>
<td>&quot;Data is &quot;siloed“ and other departments that want access are treated like they are from another company&quot;</td>
</tr>
<tr>
<td>Duplication of Effort</td>
<td>&quot;I see a lot duplication of effort and maintenance of shadow systems...&quot;</td>
</tr>
<tr>
<td>Lack of Standardization</td>
<td>&quot;With...multiple systems...it is difficult to collaborate and get support in specific areas&quot;</td>
</tr>
<tr>
<td>Manual Processes</td>
<td>&quot;Reimbursements and hiring are... more arduous than they should be. Every six months I spend a...day filling out ...forms&quot;</td>
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<tr>
<td>Misaligned Incentives</td>
<td>&quot;Anything that crosses domains requires endless attention. [There’s no] responsibility for the problem as a whole...&quot;</td>
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</tbody>
</table>

Quotations were collected from academic employee and staff surveys conducted in Summer 2012, to provide benchmarks prior to the implementation of OE projects.
We had a unique opportunity

- Aligned and committed campus leadership
- Momentum and energy on campus
- Aligned and committed OP leadership
- Financial imperative
Berkeley's role as a model public university is so important that we must summon ourselves to its highest aspirations.

Any failure to lead as a pre-eminent research and teaching university not only diminishes Berkeley but also diminishes the standards to which public education in this nation aspires.

Chancellor Robert J. Birgeneau
UC Berkeley Chancellor 2004 - 2013
How we began - Diagnostic Phase

• Collaborated with a management consultancy to **evaluate current operations** and recommend areas with the greatest potential for savings

• A **comprehensive study** of the cost and quality of administrative activities

• Developed concrete options to **improve administrative operations while reducing long term costs**
Diagnostic Outcome: High Level Recommendation

Five areas of savings
- Energy Management
- Information Technology
- Organizational Simplification
- Procurement
- Student Services

Two foundational requirements
- Financial Sustainability
- High Performance Culture
Operational Excellence Vision

World-Class Teaching and Research, Supported by World-Class Operations

Preeminent Academic Leadership
Public Charter Maintained
Internationally Recognized Researchers and Teachers

Effective Organizational Performance
- Alignment on priorities, with resources allocated appropriately
- Clear decision-making roles and accountabilities
- Appropriate measures and incentives
- High-performing employees with clear goals and career paths

Financial Stability
- Streamlined organization structure, optimized with a pan-university view
- Highly productive workforce using efficient processes and tools
- Appropriate, consistent service levels to meet functional needs
- Lowest cost for quality goods and services
Three Key Objectives

- Reduce administrative costs by at least $75 million annually
- Improve the quality of administrative services
- Instill an environment of continuous improvement
Design Phase

Given our desired outcomes of effective organizational performance and financial sustainability, we created:

• **A governing process** that engages leadership all the way to the Chancellor and keeps leaders actively involved in the progress of the program

• **An implementation discipline** to engage all sectors of the campus in the exploration and design of proposed projects to achieve OE objectives

• **A program office** to educate and enable effective project management that delivers results

• **New models** for financing projects, and for realizing and sharing of savings
Cascade Enrollment Down “Leadership Spine” of Organization

- Begins at the top, where the change is sanctioned
- Involves leaders whose direct reports are implementers
- Builds sufficient commitment for leaders to perform as sponsors
- Ensures that all implementers hear consistent messages from credible, committed messengers
- Establishes re-usable channel for real-time, two-way feedback
- Accelerates positive momentum
Engaged Hundreds of Campus Community Members

7 Initiatives
1. Energy Management
2. Financial Management
3. High Performance Culture
4. Information Technology
5. Organizational Simplification
6. Procurement
7. Student Services

~ 50 Proposals

25 Approved Projects
Criteria for Approving Proposals

• Return on Investment
• Probability of realizing or attaining the described solution
• Populations benefitted
• Units benefitted
• Committed and active sponsorship of the impacted populations and units
• Efficiencies gained
• Creates an effective operating environment
• Instills a culture of continuous improvement
• Creates a financially sustainable future
• Promotes an aligned organization
• Workload shifts from staff to faculty
• Human resources are available
• Redeploys money or people
• Generates cost avoidance
• Enhances student experience
• Reduces risk for campus (impact and probability)
OE Project Examples

- Online energy management system (Pulse Energy)
- Common desktop tools (Google calendar/email, Microsoft suite)
- Timekeeping (Kronos)
- Student business services one-stop-shop
- Financial planning tool (Hyperion)
- Metrics model
- Enterprise data warehouse
- eProcurement system (Sciquest) *(More information in appendix)*
- Shared Services Center *(More information in appendix)*
Our Beliefs About Change

- Avoid collapsing over the wrong finish line
- Target behavior change to realize full potential
- Co-create to drive better outcomes and deepen commitment
- Change risks are predictable yet different in every case – customize the change plan
- Change is enduring – build in repeatability and adaptability
Accountability and Oversight

- **Executive Committee** (Chancellor, EVCP, VCAF, OE Faculty Head) provides overall direction and makes high level decisions

- **Coordinating Committee** (Faculty, Staff, Student representation) addresses overarching challenges and opportunities; recommends strategic and project-related actions

- **Sponsors** for each project are accountable to Executive Committee to achieve project objectives

- **OE Program Office** coordinates overall governance, portfolio management, and communications, and provides support to project teams

- **Project Managers** manage all aspects of projects, collaborate with OEPO on management of risks, communications and success metrics, and report project progress to the campus community
How are we doing - Savings

Cumulative Annual Savings: $112,593,600

<table>
<thead>
<tr>
<th>Project</th>
<th>Approved Budget</th>
<th>Expenses as of 12/31/14</th>
<th>Projected Annual Savings (Long-Term)</th>
<th>Actual Annual Savings in FY 2014</th>
<th>Cumulative Actual Savings Through Dec. 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advising Council</td>
<td>559,000</td>
<td>514,000</td>
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<td>Application Support Center</td>
<td>588,000</td>
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<td>BearBuy</td>
<td>4,354,000</td>
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<td>Cal Student Central</td>
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<td>CalTime</td>
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<td>12,315,000</td>
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<td>Campus Shared Services (CSS)</td>
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<td>Car Sharing*</td>
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<td>Consolidated Financial View</td>
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<td>Energy Program</td>
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<td>IT Governance</td>
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<td>Operating Principles</td>
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<td>Tools for Reducing Cost of Meal Plans*</td>
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<td>814,000</td>
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<td>Unit Restructuring</td>
<td>3,371,000</td>
<td>2,233,000</td>
<td>20,500,000</td>
<td>20,500,000</td>
<td>61,500,000</td>
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<td><strong>Total</strong></td>
<td><strong>74,962,000</strong></td>
<td><strong>68,591,000</strong></td>
<td><strong>72,064,000</strong></td>
<td><strong>39,971,000</strong></td>
<td><strong>112,593,600</strong></td>
</tr>
</tbody>
</table>

http://oe.berkeley.edu/financials
Progress on OE Goal: Reduce administrative costs by $75m annually

Guiding Principles
1. Retain majority of savings in units
2. Keep tracking/administration as simple as possible
3. Centrally recapture at least enough savings to pay back UCOP ($50m) loan
4. Transparently and regularly report on savings to campus and OE leadership

Types of Savings
— Hard Savings: Reduction in expenses
— Soft Savings: Increased efficiency--allowing reallocation of resources to more valuable activities
OE projects are on track to achieve annual savings. To date, these projects have saved $63.7m.

OE project investments of $43.7m are within plan.

Savings primarily returned to units to support core mission

Data as of May 31, 2013
Progress on Goal: Create more efficient, effective administrative operations

- **IT Productivity Suite** enhancing collaboration between faculty, staff, and students by offering access to standardized, best-in-class IT tools from Google, Microsoft, and Adobe
- **CalPlanning** enabling units to submit department-level operating budgets, enabling richer budget discussions by campus leaders and strategic prioritization
- **Unit Restructuring** streamlining the campus organization, unit by unit, to create a flatter, more effective organizational structure with well-defined roles and career paths for individual contributors and supervisors, and increasing span of managerial control
- **Procure-to-Pay Reporting** improving procurement and payment processing, compliance, vendor relationships and vendor diversity
- **Campus Shared Services/Application Support Center** providing consistent, high-quality tier 1 support for new campus applications (e.g., BearBuy, bConnected, CalPlanning)
- **Energy Management Program** showing reductions in electricity consumption
- **Cal Student Central** providing a one-stop source of information and assistance for student business transactions
Progress on Goal: Establish a culture of continuous improvement

- Integrating principles into daily operations
- Feedback loops in place to continually evaluate and make course corrections
- Implementing a clear decision process – making decisions in a more nimble manner
- Establish a scalable governance model for managing end-to-end processes
- Leveraging the strengths we developed in OE in new ways – Revenue Generation Projects
- Leveraging purchasing data to negotiate improved contractual terms - BearBuy
Current State of Operational Excellence Program

- Integrating principles into daily operations
- Feedback loops in place to continually evaluate and make course corrections
- Implementing a clear decision process – making decisions in a more nimble manner
- Establish a scalable governance model for managing end-to-end processes
- Leveraging the strengths we developed in OE in new ways – Revenue Generation Projects
Lessons Learned

• Deploying new technology is **not** success
• Changing mindsets and behaviors in order to realize the full potential of new technology **is** success
• Project management must be coupled with change management in order to achieve desired results
• Changing behavior takes **time and effort**
• Leverage the strengths of the organization to achieve behavior changes (strong culture, clear mission, committed workforce)
• Leadership must be fully and visibly engaged in the program
• Face-to-face communications is the most effective form of communicating
More Lessons Learned

• Feedback loops must be built into every phase of the program and the projects
• Iterative and incremental development approach works best
• Program management oversight provided consistency, rigor, view to the big picture, momentum
• Communicate, communicate, communicate
• The results of OE must be realized by the units for OE to be successful
• Consider long-term impact of multiple system implementations including organizational stress and long-term costs
Strategy

Lessons Learned: Developed a Strategy

1. Diagnosis of the challenge you’re trying to overcome - **Diagnostic Phase, Case for Change**

2. Guiding policy for your approach to overcoming the challenge - **Design Phase, Governance, Rigorous Management**

3. Action plan – concrete steps you will take to overcome the challenge in accordance with the guiding policy – **Implementation, Communications, Collecting Input, Measuring**

*Good Strategy / Bad Strategy* by UCLA business professor Richard Rumelt
OE: Campus Shared Services
Campus Shared Services (CSS)

CSS is building a client-service-focused organization to provide consistent, high-quality campus-wide administrative support for functions in Business and Financial Services, Human Resources and Academic Personnel Support, Information Technology and Research Administration. Staffed by functional subject matter experts and professionals, CSS is creating a high performance culture that embraces continuous learning and attends to the professional development of all CSS staff.

<table>
<thead>
<tr>
<th>OE Planned One-Time Investment: $20.7M</th>
<th>Expected Run Rate Savings: $6.9M (2016; more later)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What it was like before...</strong></td>
<td><strong>What it is/will be after...</strong></td>
</tr>
<tr>
<td>- Admin services were provided at department / unit level, resulting in uneven services quality and great cost</td>
<td>- CSS serves as catalyst for campus-wide improvements in service culture and performance management</td>
</tr>
<tr>
<td>- Redundant and decentralized processes prohibit economies of scale, make standardization difficult and compliance monitoring challenging</td>
<td>- CSS provides professional development opportunities</td>
</tr>
<tr>
<td>- Staff are often isolated and without peers to rely upon for consultation, support, and backup for sickness or vacation</td>
<td>- Campus has scalable model for efficiently delivering high quality administrative services</td>
</tr>
<tr>
<td>- Environment does not facilitate sharing of best practices or foster professional growth and development</td>
<td>- CSS deploys best practices for service delivery and continuous improvement, and creates opportunities to benefit from economies of scale</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Significant Decisions...</th>
<th>Concerns you may hear...</th>
</tr>
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<tbody>
<tr>
<td>- A single, off campus location on 4th street</td>
<td>- Shared Services is never go to achieve savings.</td>
</tr>
<tr>
<td>- Participation is mandatory</td>
<td>- I have no staff left in my department to support faculty. I am going to have to rehire.</td>
</tr>
<tr>
<td>- Funding model, staffing plan, inclusion of research administration, governance</td>
<td>- I signed up to work at UC Berkeley; working at 4th street is demotivating.</td>
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</table>
Shared Services at Berkeley: History

Campus Shared Services ("CSS") began as a part of UC Berkeley’s Operational Excellence effort, a multi-year, multi-project effort to make the operations of UC Berkeley more efficient so that the University may direct more resources toward teaching and research.

Case for shared services at UC Berkeley:

UC Berkeley’s operational challenges include

- Highly distributed administrative functions
- Varying types and quality of technology used across campus
- Inefficient or redundant processes
- Fragmented quality control
- Multiple interpretations of policy

These challenges have resulted in problems such as service disparities and gaps, a tendency toward reactive, ad-hoc solutions, and a high administrative burden on faculty and staff in departments.

Additionally, Berkeley needs an administrative structure that is scalable, nimble, and allows us to remain competitive.

Objectives:

- Make it easier to get things done – by simplifying and standardizing certain common administrative tasks and processes across the entire campus.
- Direct more resources toward Berkeley’s teaching, research and public service mission – by generating significant savings for the campus.
- Meet the unique needs of departments, labs, units, and our campus – by drawing from the expertise of staff and faculty throughout the design and implementation.
Designing shared services for UC Berkeley

Key design recommendations:

• Serve all departments and colleges on campus.
• Engage academic and administrative leaders, faculty, staff, and students in design.
• Move shareable work to one shared services center.

Services: 4 functional areas

<table>
<thead>
<tr>
<th>BUSINESS AND FINANCIAL SERVICES</th>
<th>HR AND ACADEMIC PERSONNEL SUPPORT</th>
<th>INFORMATION TECHNOLOGY</th>
<th>RESEARCH ADMINISTRATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Purchasing &amp; Procurement</td>
<td>• Recruitment and Appointments</td>
<td>• End User Device Support</td>
<td>• Proposal pre-award</td>
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<tr>
<td>• Travel &amp; Entertainment</td>
<td>• Benefits and Leaves</td>
<td>• Application Support</td>
<td>• Negotiation support</td>
</tr>
<tr>
<td>Reimbursements</td>
<td>• Compensation</td>
<td>• Device Procurement</td>
<td>• Award set-up</td>
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<tr>
<td>• Recharge</td>
<td>• Pre-Employment Activities and Onboarding</td>
<td>• Device Provisioning</td>
<td>• Award fund management</td>
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<td>• Records Management</td>
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<td>• Award close-out</td>
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<td>• Payroll and Timekeeping</td>
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<td></td>
<td>• Advisory and Employee Relations</td>
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<td></td>
<td>• Visas and Immigration</td>
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Guiding Principles

Toward a more
together
innovative
simplified
accountable &
service-oriented
workplace.

OperatingPrinciples.berkeley.edu
UC Berkeley approach

Implementation approach:

- Moved work, as is, into shared services.
- Reassigned the ~500 staff who performed 50% or more of “sharable work.”
- Significant engagement with units to ready them for transition.
- Phased functions (IT first); units in waves (administrative first).
- Highly collaborative funding model design.
- Consistent leadership support changed the conversation from “why?” to “how?”

Model:

- One shared services center.
- 2.5 miles from campus, with campus-based satellite offices.
- Serve almost all of the campus (except the few units with no sharable work).
- Matrixed organization, with 4 functional and 6 service directors (visual on next slide).
Single matrixed organization, service team structure

1 Includes CFO, AVC HR, CIO, AVC RA & Compliance, and Director Academic Personnel
Berkeley’s Transition to Shared Services

2011
- Hire exec director

2012
- Financial model began
- Method/tools to reassign staff and work

2013
- Day 1 processes

2014

2015

IMPLEMENTATION PHASE
in waves or “cohorts”

Final cohorts transitioned in March 2015

STABILIZATION PHASE

Completed implementation phase in March 2015.
Now working to improve service and lower the cost, where possible.
Lessons Learned: Design and Implementation

• Cost of inherited lack of standardization (time recording, T&E reimbursement) and inherited risks (backlog of work, varied skill level of staff who were reassigned).

• Ongoing participation of leadership was critical. Top governance body included the top leaders on campus.

• Campus engagement requirements were substantial (very active roster of meetings with a wide variety of stakeholders, high volume of email inquiries).

• CSS combined countless workplace norms and required a new overarching service culture.

• Importance of information flow within CSS (leaders to staff, cross-functionally) and between CSS and the campus (CSS and peer service units, CSS and customers).

From the implementation team:

• In process design, instead of focusing on as-is processes, gather customer requirements and design a new, efficient process that makes the most sense.

• Tell the story of the concrete benefits of shared service (enhanced recruiting support, reducing risk by centralizing paperwork that is often done inaccurately).

• Hire Functional Directors, managers, and supervisors as early as possible.

• Explore lessons learned with each wave of implementation.

• Manage expectations; don’t promise more than you can deliver.

• Be patient. And keep positive.
Current Focus

People

- Strengthening partnerships and feedback loops with other areas of service delivery on campus and the campus community.
- Investing in development of the workforce to improve service.

Processes

- Reviewing business processes to achieve efficiency gains.
- Standardizing more work.

Technology

- Automating manual work where it makes sense and is possible.
Evaluating our services

Demand
• What is the impact?
• What are the current incentives to constrain consumption?

Scope
• What is the quality of our processes?
• Are roles & responsibilities clearly defined?

Efficiency
• Is there a positive return to scale?
• Does CSS have the unique capacity and expertise to add value to this service?
The University of California’s Procurement Partnership & Collaboration Success Story
The University of California comprises 10 campuses spanning a total of 500 miles from north to south. Today, UC enrolls over 244,000 students and is one of the largest employers in the state, with 138,000 faculty and staff members. Calling the system big is an understatement.

In addition to the massive undertaking of running this operation smoothly, the UC system has been faced with both significant budget cuts and vociferous public objection to tuition increases. In response to these pressures, the UC community coalesced around administrative and operational effectiveness as a key tenet of long-term viability.
Invested (C3 loan) in $200M in people, upgrades, data, processes. Move to virtual/service org.

- **People**: skills assessment. Paying for everyone in a systemwide sourcing role: Cert. procurement and supply chain management; next local people will be encouraged.
- **Upgrades/Tech tools/Data**: Spend Analytics (Spend Radar). AP info. “What did we spend with vendor x in x period of time?” Helps prioritize work of the people. Identifies spend we don’t know about/to surface redundant vendors (without contracts)... like outside ergonomics assessments.
- **Processes**: systemwide processes. New standard expectations for completion times. Defining when the experts can make local calls on buying to take advantage of local opportunities (especially in food).

Expectations of campuses (by UCOP): Campuses are strongly advised, but not mandated, to make changes. There are local/system-wide commitments and plans.

**Is it operationalized?** Very close to 1st year of 200M savings. = end of the project. (P200 project will conclude next fiscal year.) “This is just the way that we work.” Some funding for dedicated headcount and/or $ for tools.
# UC Procurement Contribution to University’s Core Missions

## P200 Program Challenge

Redirect $200 million in benefit annually to teaching, research and public service through the sourcing, implementation, and utilization of competitive contracts and innovative supply chain strategies for procured goods and services.

## P200 Program Projects

<table>
<thead>
<tr>
<th>Procurement Operating Model</th>
<th>Spend Analytics</th>
<th>Sourcing Technology</th>
<th>Strategic Sourcing</th>
<th>Client Benefit Realization</th>
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<tr>
<th>Program Management</th>
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<tbody>
<tr>
<td>Change Management</td>
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</table>
P200 Program Timeline

5-year Strategic Plan developed

- Procurement Management Board established, CPO hired
- Strategic Plan approved, funded
- Procurement receives Additional COE funding
- Final stage Strategic Plan investment

Leadership & Strategy Alignment

Operating Model Optimization

2012 2013 2014 2015 2016 ...

Operating Infrastructure Implementation

- COE expansion into non-traditional categories
- P200 goes operational

Maturation; Steady State

- Strategic Sourcing COE pilots established
- Technology Tools launch
- Technology roadmaps defined
P200 Program Estimated Benefit Plan

<table>
<thead>
<tr>
<th>Period</th>
<th>Baseline</th>
<th>Actual</th>
<th>YOY Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY12-13</td>
<td>$100</td>
<td></td>
<td>+20%</td>
</tr>
<tr>
<td>FY13-14</td>
<td>$128</td>
<td></td>
<td>+16%</td>
</tr>
<tr>
<td>FY14-15</td>
<td>$140</td>
<td>$146</td>
<td>+??%</td>
</tr>
<tr>
<td>FY15-16</td>
<td>$165</td>
<td></td>
<td>+17%</td>
</tr>
<tr>
<td>FY16-17</td>
<td>$200</td>
<td></td>
<td>+21%</td>
</tr>
</tbody>
</table>

Estimated benefit in millions

Updated as of end April 2015
# P200 Program Estimated Benefit Plan by Source

## Systemwide Sourcing

<table>
<thead>
<tr>
<th></th>
<th>FY12-13</th>
<th>FY13-14</th>
<th>FY14-15</th>
<th>FY15-16</th>
<th>FY16-17</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Existing Contracts</strong></td>
<td>$60</td>
<td>$63.5</td>
<td>$49</td>
<td>$36</td>
<td>$28</td>
</tr>
<tr>
<td><strong>New Contracts</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Traditional Categories</td>
<td>$10.2</td>
<td>$48</td>
<td>$51</td>
<td>$51</td>
<td>$51</td>
</tr>
<tr>
<td>Non-Traditional Categories</td>
<td>$0.9</td>
<td></td>
<td>$24</td>
<td>$51</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$60</td>
<td>$74.6</td>
<td>$97</td>
<td>$121</td>
<td>$130</td>
</tr>
</tbody>
</table>

## Local Campus

<table>
<thead>
<tr>
<th></th>
<th>FY12-13</th>
<th>FY13-14</th>
<th>FY14-15</th>
<th>FY15-16</th>
<th>FY16-17</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Procurement &amp; Supply Chain</strong></td>
<td>$35</td>
<td>$46.3</td>
<td>$37</td>
<td>$48</td>
<td>$64</td>
</tr>
<tr>
<td><strong>Payment Incentives</strong></td>
<td>$5</td>
<td>$6.3</td>
<td>$6</td>
<td>$6</td>
<td>$6</td>
</tr>
<tr>
<td><strong>Efficiency</strong></td>
<td></td>
<td>$0.9</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$40</td>
<td>$53.5</td>
<td>$43</td>
<td>$54</td>
<td>$70</td>
</tr>
</tbody>
</table>
Local Campus Targets/Benefits through Q3

<table>
<thead>
<tr>
<th>Campus</th>
<th>FY '15 Target*</th>
<th>Q1,Q2,Q3 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>UCB/UCSF</td>
<td>$20.5</td>
<td>$24.8</td>
</tr>
<tr>
<td>UCD</td>
<td>$3.0</td>
<td>$3.9</td>
</tr>
<tr>
<td>UCI</td>
<td>$3.5</td>
<td>$7.3</td>
</tr>
<tr>
<td>UCLA</td>
<td>$8.3</td>
<td>$7.8</td>
</tr>
<tr>
<td>UCM</td>
<td>$2.0</td>
<td>$2.0</td>
</tr>
<tr>
<td>UCR</td>
<td>$2.0</td>
<td>$2.9</td>
</tr>
<tr>
<td>UCSB</td>
<td>$1.6</td>
<td>$4.7</td>
</tr>
<tr>
<td>UCSC</td>
<td>$1.4</td>
<td>$3.3</td>
</tr>
<tr>
<td>UCSD</td>
<td>$1.5</td>
<td>$1.5</td>
</tr>
</tbody>
</table>

Estimated benefit in millions
Next steps towards $200M in benefit...

- **Make P200 operational**
  - Transitioning from Program structure to an ongoing operation key to overall success
  - Scale operations by enhancing the collaboration model and process efficiency
  - Optimize the Procurement organization

- **Establish Construction Center of Excellence**
  - UC spends $1.7 billion in this category alone; 2-10% savings potential across various Construction sectors
  - There is $5 billion untapped spend overall in non-traditional categories; Procurement is currently only operating in traditional categories, which comprise $2 billion in source-able spend

- **Build up currently understaffed Centers of Excellence**
  - Large savings can be seen relatively quickly and with minimal effort by adding capability to:
    - IT – each additional COE member adds $5M in Benefit
    - Professional Services – 2nd largest traditional spend category with no dedicated COE
    - Transportation & Logistics – potential >$35M in Benefit in 5 years
Evolving - Focus on People

To date we have focused on implementation of performance management, strategic sourcing, and common technologies.

Our next step is to focus further on developing our people and our organization to fully realize our objectives and sustain meaningful changes to our operating model.

A recent example: The Certified Professional in Supply Management (CPSM) is considered to be the gold standard in Supply Management professional certification. In addition to significant work experience in Supply Chain, applicants to CPSM must take and pass three, three hour exams in 30 days, covering a broad range of Supply Management topics. A CPSM Boot Camp held at UC Riverside prepared 36 UC Procurement Professionals to successfully pass the CPSM certification exams.
OE: Procurement Initiative

- Consolidation of UC San Francisco & UC Berkeley procurement offices
- Implementation of Sciquest eProcurement system
Significant Customer Satisfaction Improvements were realized in the very first year of operation

<table>
<thead>
<tr>
<th>Satisfaction Rate</th>
<th>2011</th>
<th>2013</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>PO Cycle Time</td>
<td>54%</td>
<td>76%</td>
<td>22%</td>
</tr>
<tr>
<td>Accuracy in Delivery</td>
<td>72%</td>
<td>89%</td>
<td>17%</td>
</tr>
<tr>
<td>Ease of Purchasing</td>
<td>40%</td>
<td>62%</td>
<td>22%</td>
</tr>
<tr>
<td>Disbursements</td>
<td>44%</td>
<td>78%</td>
<td>34%</td>
</tr>
<tr>
<td>On Line Resources</td>
<td>28%</td>
<td>64%</td>
<td>36%</td>
</tr>
<tr>
<td>Support Responsiveness</td>
<td>37%</td>
<td>80%</td>
<td>43%</td>
</tr>
</tbody>
</table>

For measurement purposes only, comparable data between surveys was used.
Bear Buy has delivered $8MM in increased procurement efficiency

<table>
<thead>
<tr>
<th>Annual BearBuy Transactions</th>
<th>120,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Processing efficiency improvement (Estimated minutes of effort saved per transaction)</td>
<td>30</td>
</tr>
<tr>
<td>Estimated total annual time savings</td>
<td>60</td>
</tr>
<tr>
<td>Estimated FTEs effort freed per year</td>
<td>60,000</td>
</tr>
<tr>
<td>Annual $ value of freed FTEs</td>
<td>$2,666,667.00</td>
</tr>
<tr>
<td>Total $ value since implementation</td>
<td>$8,000,000.00</td>
</tr>
</tbody>
</table>
BearBuy was a major enabler of the nearly $35MM in Hard Benefits delivered by Supply Chain since 2012

Excludes the $8MM in process efficiency benefits
Lessons Learned: Bearbuy

• Better protect the privacy of sensitive data including both that which campus is legally required to protect and data that the campus community is sensitive about protecting. (at the beginning people attached documents with private personal finance information)

• Need to better estimate the duration and resources of the project to realistically evaluate the time and money to complete the project and achieve better buy-in of key stakeholders and project team members. (go more slowly for better adoption.)

• High reliance on project consultants made it challenging to transfer the project into operations. (try to more yourselves internally, even if it takes longer. Do a good job of tech transfer between consultants and ops; start with the transition in mind. Change man teams had ops people on them: good.)

• Improve project training. Users have difficulty determining which forms to use for which procurement activities. (too many forms. Implementing dynamic form this summer. Ongoing training: realize there’s a lot of turnover of staff = need to train new employees. YouTube and online training, plus in person where necessary. We shouldn’t have to train people on the forms; they should be good/intuitive. Most complaints are here.)
Lessons Learned: Bearbuy

- The change management team was formed late in the project and took time to come up to speed on BearBuy business processes. Had the change management team members joined the project earlier, they could have helped improve the design of the business processes. (underestimated how much change man it would take)

- The BearBuy Pilot was not identified as a requirement at the beginning of the project. (rolling implementation: pilot and 3 cohorts because there was a diverse user base).

- Did not have sufficient reporting available at the launch of the project to provide all users, particularly academic departmental users, with sufficient information to report on the aggregate results of BearBuy transactions. (when we moved to $1k threshold, autopay under 1k. Major stakeholder concern: demanded reporting before launch so we produced it for the sake of change management. Should have been more thoughtful about minimum # of reports. Reports to further goals of procurement (units better understand their spend and get more savings): about a dozen.

- NEXT PHASE: TAKING 1-5K, move approvals back to departments. Outreach/change management to units: reports that allow them to monitor activity.)