Administrative Excellence Advisory Committee

Date: Thursday, June 2, 2011
Start/End Time: 10 am to 11:30 am
Location: 260 Bascom

Present:
Members: Brad Barham (Chair), Aaron Crandall, JoBeth Dudley, Julie Underwood, Anne Mekschun, Bethany Pluymers
Ex Officio: John Krogman, Joanne Berg, Kim Moreland, Don Miner, Bob Lavigna
Staff: Alice Gustafson, Scott Hildebrand, Barb Burchfield, Maury Cotter
Huron Representatives: Greg Bedell, Scott Friedman, Dana Erf

Unable to attend:
Mark Bugher, Irwin Goldman, Jeff Shokler, Brandon Williams, Alan Fish

----- MEETING NOTES-----

Highlighted Activities:

Agenda Review and Announcements –
Brad Barham said today’s meeting would focus on a discussion of strategic sourcing. He announced that the Steering Committee has approved the Guiding Principles, which have been posted on the Administrative Excellence website (http://adminexcellence.wisc.edu/wp-content/uploads/2011/06/Guiding-principles-for-Administrative-Excellence-v2-5.5.11.pdf).

Huron updates –
Scott Friedman distributed and reviewed a calendar of Phase I activity. It included a timeline of each functional activity plotted through August. On the Information Technology workstream, Huron is still gathering information on the portion of DoIT revenue that comes from outside of UW-Madison. John Krogman said the information is readily available. Scott also said Huron is releasing an IT services survey to the campus.

Strategic sourcing –
Huron reported on the Strategic Sourcing business cases, both for office supplies and scientific supplies. Scott Friedman said their methodology is guided by fact-based analyses that maintain or enhance quality and provide a “total delivered cost-reduction” focus. The approach identifies savings opportunities related to price improvements, demand management, and vendor consolidation. John Krogman asked, “Where does quality and service come into the equation?” He said we don’t always just buy the cheapest items. Scott said we need to find the right balance between quality and cost-saving opportunities.

Office Supplies –
Scott said the office supplies commodity area, which includes office supplies, toner and copy paper, is a highly competitive industry that lends itself to demand management savings opportunities. UW-Madison is governed in this area by various mandatory state contracts. Scott said Madison has done a good job of controlling “maverick” spending, or purchases made outside of the contracts. He said several sourcing strategies can result in savings for UW-
However, savings will depend greatly on procurement flexibilities. UW-Madison can capture additional savings by implementing a “core list,” or a list of high-spend, high-volume frequently purchased items.

Using the example of black pen purchases, Huron found that more than 700 types of pens, including 285 types of black pens, were purchased from Staples during the previous 12 months. The university could save up to $35,000 by reducing black pen purchases to one type. Julie Underwood said that may seem like a trivial amount, but it’s enough to save one person’s job. Scott also gave examples of how demand management could lead to additional savings in toner and paper purchases.

In total, purchasing flexibilities and university strategies could produce office supply savings ranging from $385,000 to $2.3 million, according to Huron. Julie said we need to communicate to the campus that we can provide good, but limited choices and achieve substantial savings without being draconian. She said the communication challenge is to translate these savings into jobs saved, scholarship money generated, and sustainability gains for the campus. JoBeth Dudley cautioned that there sometimes are hidden costs. She said staff currently feel like they’re not getting a lot of support from the state, and there may be resistance if we make it more difficult for people to do their jobs. Bethany Pluymers said that with many new leaders coming on board at UW-Madison, we need to get these issues on their agenda.

Scientific Supplies –

Huron reported that UW-Madison’s purchasing of scientific supplies is not governed by mandatory state contracts. This creates opportunities to pursue university-specific pricing and management of independent vendor relationships. In fiscal year 2010, UW-Madison purchased scientific-related supplies and equipment from more than 400 different vendors, consisting of both large and small distributors and niche manufacturers. Thermo Fisher and VWR are UW-Madison’s highest-volume suppliers, accounting for 19% of annual spending on scientific supplies. Agreements through the CICPC (Committee on Institutional Cooperation Purchasing Consortium), which is made up of Big 10 universities plus the University of Chicago, are used for UW-Madison purchases of Thermo Fisher and VWR supplies and equipment.

Various strategies could produce savings ranging from $555,000 to $2 million. These strategies include:

- improving core list and discount pricing through effective negotiations, and improving hand-priced item pricing through effective pricing quotes and negotiations.
- driving spending with scientific supplies general distributors to primary distributors.
- negotiating with major distributors to achieve most competitive pricing and discounts, pursuing opportunities to improve financial incentives (signing bonuses, rebates, scholarships, etc.), and implementing user guidelines and demand management.

Communication Strategies –

Alice Gustafson said the Administrative Excellence initiative includes a commitment to be transparent to the campus. She said the initiative will be successful only after we figure out how to build a message around what we’re discovering. A small group including Alice, Barb Burchfield, Scott Hildebrand and representatives of University Communications will begin developing a communications strategy so the campus can begin understanding the AE initiative and partner with us. Alice referred to one-page summaries of the office and scientific supplies business cases and asked for feedback from committee members. She said these summaries and summaries of other activities can be posted on the AE website and shared with the campus. Joanne Berg said we need to roll out some “what does this mean to me” communication pieces
for the campus at times throughout the initiative so people understand the potential impact of various recommendations.

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<td>1. Brad Barham asked that in preparation for the June 16 Advisory Committee meeting 20 minutes be set aside to discuss a communications strategy.</td>
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**NEXT MEETING WILL BE:**
Thursday, June 16  10 am to 11:30 am  Room 260 Bascom