AE Initiative Summary Business Case – Computer Bundles

Business Sponsorship & Ownership

Project Name:	Strategic Purchasing – Computer Bundles
Team Members	Brian Busby (team lead), Lori Voss, Brian Kishter, Eric Giefer, Mike Warren, Paul Jelle, Steve Carrola, Geoff Cohn
Business Unit(s):	Vice Chancellor for Administration – Administrative Excellence
Business Process Owner(s):	UW-Madison Purchasing
Preliminary Cost Estimate:	$82K initial investment and $24K annual recurring cost
Preliminary Savings Estimate:	$4.3M over 5-years

Background

The Administrative Excellence (AE) Phase 1 assessment indicated that the University had the opportunity to generate savings by changing practices relating to computer purchases (both laptops and desktops). In January 2012, the AE Steering Committee, comprised of the Interim Chancellor, the Provost, and the Vice Chancellor for Administration, chartered a team to validate the opportunity and deliver detailed, action-oriented recommendations. The specific charge, as articulated in the team's charter, described the objective as follows:

> "Identify a suite of no more than four (4) competitively priced standardized desktop and laptop computer bundles with a single vendor for administrative use campus-wide. Maximize savings through implementation of strategies to consolidate vendors and require an articulated business need for purchase of non-bundle configurations."

The team was asked to develop an understanding of the current drivers and processes attendant to the purchases of computers and to use that knowledge to formulate an actionable plan for implementation.

The team conducted its work over 16 weeks, recently presented its recommendations to the AE Advisory and Steering Committees, and received Advisory Committee endorsement and Steering Committee approval.

Approach

The team focused its efforts around three primary activities: (1) defining "administrative use" as articulated in the charter; (2) collecting and analyzing institutional data regarding purchases of computers; and (3) engaging computer purchasers across campus to understand their needs.

Defining "Administrative Use"

The team considered several approaches to defining administrative use for computer purchases including evaluating the Program Code used for computer purchases, identifying administrative effort through job titles and prorating purchases by department based on proportional effort, and evaluating the applications loaded onto computers as a means to identifying computers intended for administrative use.

Ultimately, through a comprehensive analysis of the distribution of computers purchased across campus, the team determined that bundles, if appropriately configured, could meet the vast majority of campus desktop and laptop computing needs for all purposes, negating the need for an administrative distinction.

Collecting and Analyzing Purchasing Data

The team collected internal and external transactional data from the vendors from which UW-Madison has purchased the most computers over the preceding 18 months. These data were normalized to correct for the inclusion of monitors and other peripheral devices. This data was then used to conduct an analysis of current purchases and to evaluate the impact of institution-wide bundles on anticipated purchase costs. The team's recommendations were informed by this detailed review and analysis of purchasing data, as well as transactional data that resides in systems internal to UW-Madison (e.g., individual purchase orders). This information was then combined to analyze the financial impact and quantify the cost/savings opportunities of the team's recommendations.

Approach to Evaluating Stakeholder Impact

The team engaged a range of campus stakeholders, through focus groups and surveys, in order to understand the current cultures across campus regarding computer purchases, the needs for computers, and institutional readiness for change. The team conducted listening sessions with IT support staff across a range of departments, with purchasing and administrative staff in the same departments, and with representatives from units that currently bundle computer purchases (e.g., AIMS and DoIT). In addition to the listening sessions, the team surveyed approximately 1,400 campus IT support staff, purchasers, and end-users.

Recognizing the critical role of policies and procedures to support successful implementation and maximization of savings, the team also researched computer hardware policies and procedures at other institutions that have adopted a bundled-purchasing model to identify the best approach for UW-Madison.

The findings from these stakeholder engagement efforts allowed the team to achieve a more comprehensive understanding of the current state of both computing needs and purchasing processes and policies across the University. This ultimately enabled the team to craft recommendations that were sensitive and appropriate to the current operating environment.

Observations

UW-Madison spent more than $8.7M on the purchases of approximately 7,500 desktop and laptop computers in FY2011.

There are departments and divisions currently employing bundling practices, but there are no explicit policies requiring the purchase of a bundled computer institutionally. The current bundling that does exist is often not coordinated across departments, but may limit the magnitude of efficiencies recognized, however, sets a clear precedent for bundling.

The University Purchasing Department has established relationships with multiple vendors and has multiple channels through which purchases can be made. There is no campus policy in place that requires purchasers to use these vendor relationships and sales channels. There are no clear University-wide standards in place to identify a common set of desktop and laptop computers that would be appropriate for the majority of campus computing. Each of these factors contributes to the current environment in which computer purchases are often driven by individual and personal preference rather than on needs.

Core Recommendations

The team recommended that UW-Madison adopt a two-vendor solution, with a clearly-articulated primary vendor for desktop and laptop purchases, and the ability to purchase from a secondary vendor, provided a specific functional need is demonstrated. The University would negotiate pricing with each vendor for two (2) desktop and two (2) laptop standard configuration bundles. These configurations would be selected to meet end-user needs. By following this approach, the team estimated savings of approximately $4.3 million over five years, with $745,000 in the first year.

To achieve these savings, the team identified the following mechanisms:

1. Buying the Right Computer – matching computing specifications to functional need
2. Paying Less for Computers – better ability to negotiate pricing based on institution-wide purchases
3. Establishing Primary Vendor – shifting purchases to the primary vendor

The team did not quantify, but anticipated additional savings in the following areas:

1. Keeping Computers Longer – setting policy around replacement and refresh cycles
2. Creating an Institutional Strategy for Warranty Purchases

To successfully implement the team's recommendations, UW-Madison would need to create a Technical Advisory Committee (the "TAC"), which would be charged with determining the optimal configurations and regularly re-evaluating configuration to ensure alignment with evolving needs and emerging technologies. This group's involvement will help to inform decisions relating to warranty, lifecycle, computing requirements and current technology standards, as well as contract negotiations and opportunities.

The team identified two important mechanisms to support this change: (1) the simplification of business processes to make purchasing of bundled computers easier; and (2) the creation of policy to clearly articulate expected behaviors. Implementation of the team's recommendations should take both of these mechanisms into account.

Customer Readiness and Change Management

The team identified that the majority of computer purchases are currently made on only a handful of models, which suggests an environment that is receptive to the concept of bundling. As indicated in the core recommendations, the team recognized the following as critical to successful implementation:

1. Regularly updated bundles – periodic review of computing needs and available bundles to ensure computers purchased continue to meet campus needs;
2. Simple and clear policies – policy language is unambiguous and policies are known across campus;
3. Simplification of bundle purchases – make it easy to purchase bundles;
4. Mechanism to use secondary vendor when appropriate – create a clear and consistent process through which use of secondary vendor is allowed when appropriate; and
5. Established metrics to measure performance – create consistent campus-wide metrics to assist with measuring initiative success and participation, and with monitoring policy compliance