



2017 Report on the State of Procurement in Higher Education

Researched and produced by
Rosslyn Data Technologies to help
university and college leaders
navigate and succeed with new
found insight and ideas

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Only **36%**
of school leaders
in American
universities and
colleges are very
confident that they
will meet their
savings targets this
year

Executive Summary

The Rosslyn Data Technologies team is excited to launch the most comprehensive report on the state of procurement at universities and colleges in the United States. Based on completed surveys from 72 higher educational institutions, it sets out our views of the major trends impacting the higher education market, and the key issues likely to influence the future success and transformation of procurement organisations as schools look for ways to shore up and strengthen their finances.

Among its many findings, the survey reveals a major misalignment between American educational institutions' strategic priorities and their current procurement focus. Many of the people that participated in the survey told us that they regarded cost cutting as a core strategic priority. But when we asked them to list their procurement priorities for the next 12-18 months, only a small percentage said that they were focused on identifying savings opportunities. Cost reduction is the top priority for Chief Procurement Officers working in the private sector¹ however, judging from the findings from our survey, this focus on cost cutting has not yet filtered down to the educational sector.

The procurement executives we spoke to, did not appear to be overwhelmingly committed to stripping cost out of their institutions. The top priority for our respondents turned out to be compliance management with savings creation lagging some distance behind. Nor were we left with the impression that our respondents intended to change their practices to focus more on cost cutting.

Spend analytics is a must-have for any educational establishment. It can allow schools and colleges to identify different categories of spend; work out areas where cost efficiencies can be made; improve cash flow; get visibility into tail end spending and crack down on overpayments. But as our independent survey makes clear, many US educational institutions are a long way from realizing these benefits.

¹ <https://www2.deloitte.com/content/dam/Deloitte/nl/Documents/operations/deloitte-nl-operations-global-cpo-survey-print-pdf.pdf>

Key Findings

Our exclusive survey of US higher educational institutions reveals that:

- **Only a quarter of educational procurement leaders are focused on making savings**
- **A staggering 38% of school leaders rely on Excel to analyze data**
- **Only 36% of respondents are very confident that they will meet their saving targets this year**
- **Three out of five educational procurement professionals do not have a tool for spend management**
- **Only 17% of educational procurement leaders are planning to invest in spend analytics technology**
- **75% of educational procurement leaders do not have a common taxonomy in place, which is important to organizing and making sense of data for reporting and analysis**
- **More than a third of the procurement professionals said that they didn't have the right data to make informed decisions**



Analysis of Research Findings

Between January and March 2017, Rosslyn Data Technologies carried out an exclusive survey of procurement executives at 72 American universities and colleges. The executives were questioned extensively about their strategic priorities and attitudes towards procurement technology.

We have organized this report around key themes based on the survey results.

You will also find an in-depth overview of the key findings for each question we put to our procurement leaders, at the back of this report.

Strategic priorities

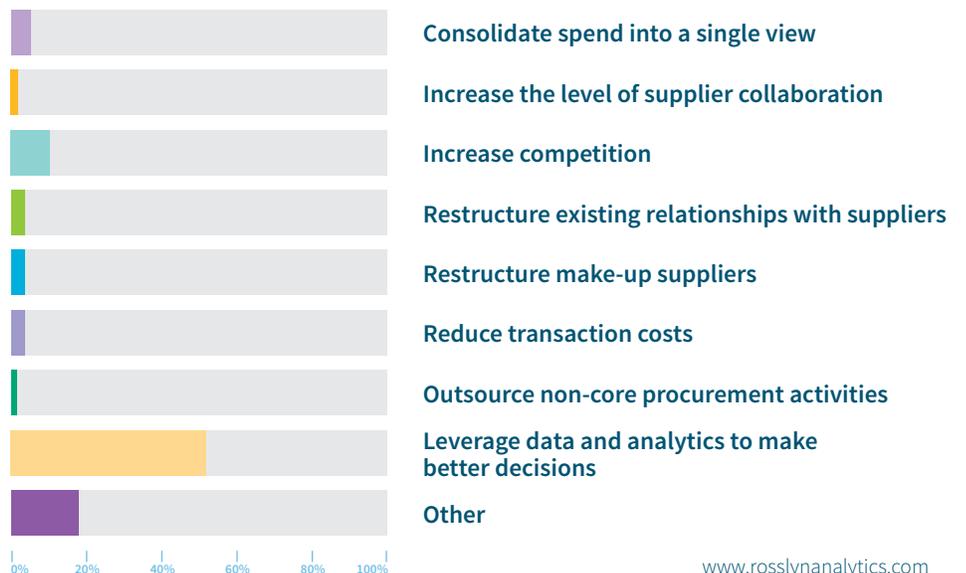
The executives were first asked about their strategic priorities for the next three years. More than three quarters (78%) said that they wanted to enhance their students’ experiences and improve operational efficiencies. Just over half (59%) said that they wanted to reduce costs, while 41% said that they planned to invest further in their technological infrastructure.

The interviewees were then quizzed about their strategic procurement priorities for the next 12-18 months. Just over a third said that they wanted to improve operational efficiencies, while more than 25% said that they wanted to identify savings opportunities. Smaller numbers of respondents said that they intended to:

- Modernise procurement’s capabilities through data and technology (20%)
- Elevate the role of procurement (5%)
- Increase stakeholder satisfaction (5%)

Judging by the responses to these questions, it would appear that higher education procurement leaders’ strategic priorities are not completely aligned with their procurement priorities.

Fig 1
How will you, as a procurement professional, achieve your strategic goals?



66% say cost reduction is a priority to their institutions

Cost reduction

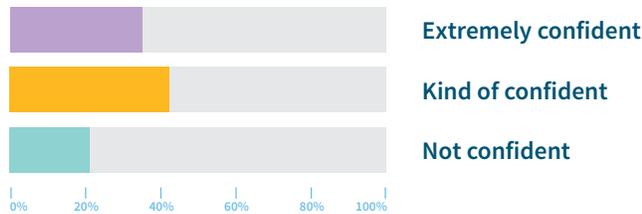
We then asked our respondents a series of questions relating to costs. Unsurprisingly, a large percentage – 66% – said that cost reduction was a priority to their institutions. We then asked our interviewees to list their savings targets for the year. One in five said that they hoped to save between \$100,000 and \$500,000 per annum; while a sizeable percentage (18%) said that they intended to cut costs by between \$1 million and \$5 million. 7% said that they intended to make savings of \$5 million to \$10 million.

From these findings, we can make two inferences. Firstly, it is clear higher education procurement leaders hope to make significant costs savings over the next 12 months. However, despite their voiced enthusiasm for cost cutting, many do not regard it as a top strategic procurement priority.

Perhaps this may explain why many of our respondents were not massively optimistic about hitting their savings targets for the year. When asked how confident they were about achieving their goals, 43% said that they were ‘kind of confident’, while 21% said that they were ‘not confident’. Only 36% said that they were ‘extremely confident’ (Fig 2.)

Fig 2

How confident are you in achieving your savings target this year?



Half <



One in three



13%



Procurement operations

Our respondents hailed from a wide range of different educational institutions. We were keen to build up a more comprehensive overview of their procurement operations. First of all, we asked our interviewees to tell us how many people they employed within their procurement organisations. Half told us that they employed fewer than ten people. Of the remainder, almost one in three said that they employed 10-15 individuals, while 13% said that they employed 25-30 people. Only a very few respondents said that they employed several hundred people to manage their procurement operations.

We can extrapolate from these findings that procurement doesn't have the necessary resources and executive support to deliver what is expected of it. 56% of procurement departments were found to be managing spend of between \$25 million and \$500 million. Given this discrepancy between budgets and headcount, it is hardly surprising that many institutions are failing to enjoy the savings that can be gleaned from procurement.

Next, we asked our respondents whether they intended to hire, reduce or keep the same number of employees. More than three quarters (78%) said that they planned to keep the same number of employees. Only 15% indicated that they intended to hire more people.

Today's higher educational institutions are being tasked to do much more with less resource. Yet if these findings are to be taken at face value, few institutions intend to increase their procurement resources. Likely, this will make it even harder for them to meet their ambitious goals.

Next, we asked our respondents who they reported to within their institutions. Almost all (83%) of the interviewees told us that they reported in to finance while only 5% reported in to operations and 1% into IT.

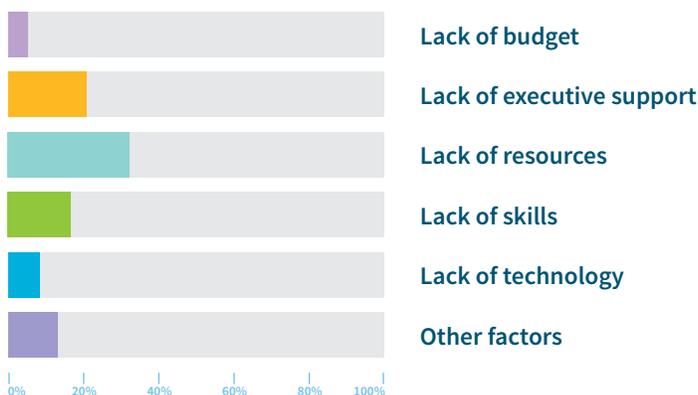
Procurement leaders can only achieve so much with limited funds, so we were interested in knowing the size of our respondents' budgets. What we found was;

- Just under a quarter (24%) said that they had budgets of between \$1 million and \$5 million
- 12% told us that they had budgets of between \$500,000 to \$1 million
- 17% said that they had funding of between \$100,000 to \$500,000

We then asked our interviewees to list the major challenges in their jobs. A third said that they suffered from a lack of resources, while just over one in five said that they experienced a lack of executive support. 17% of the respondents said that they faced challenges from a lack of skills; a lack of technology (10%) and a lack of budget (6%). The fact that many respondents identified a lack of resource as a significant challenge was a particularly illuminating finding. It is clear that educational procurement executives are aware that they need additional resource to meet their day-to-day challenges, but are unwilling or unable to increase headcount (Fig 3).

Fig 3

What challenges do you face in your role as head of procurement?



Judging by our respondents' focus on cost, we naturally thought that they would regard cost cutting as their number one priority. Much to our surprise, the top priority for our interviewees turned out to be compliance management, listed by 40 % as their biggest concern. Savings creation came in second place, with 36.54% identifying it as their top priority. Lagging was risk management, identified by under 10% of respondents.

Educational procurement executives can only make informed decisions if they have access to the right data. We were interested to know if our interviewees had high quality information at their fingertips. Just over half (56%) said that they sourced data from existing internal sources such as ERP systems. But rather disconcertingly, more than a third said that they didn't have the right data to make informed decisions (Fig 4).

Fig 4

Of the below listed areas, what data do you require to make informed decisions?



External support

Many procurement professionals in the educational field use external consultants and third parties to help them in their work. We were interested in finding out more about the professional arrangements our respondents had in place. The clear majority – 84% – did not have any external procurement consultants, while the remaining 16% said that they used a partner (Fig 5).

Fig 5

What procurement consultancies do you work with?



PeopleSoft
& Banner
Ellucian
Oracle
SAP

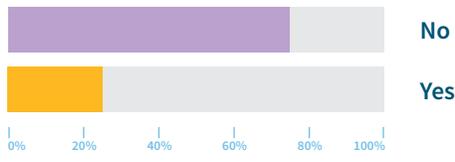
Procurement technologies

Educational procurement executives in the US use a variety of different procurement technologies to do their jobs. We were interested in investigating which technologies our interviewees used. First of all, we asked the respondents to list the ERP systems that they used in their institutions. Almost two out of five said that they used solutions from PeopleSoft and Banner, while 25% said that they utilised software from Ellucian. Smaller numbers reported using technology from SAP and Oracle (2% and 18% respectively).

We then queried our interviewees about the types of technology that they had within their organisations. Almost three out of five reported using spend analytics, contract management and electronic payment technology, while almost half reported using eSourcing technology. The other technologies that our interviewees reported using included supplier performance management (21%); supplier relationship management (5%) and savings tracker (23%). 15%, equating to a significant number of institutions, reported using unspecified types of technology. Spend analytics is a particularly important procurement technology, so we were naturally gratified to discover that most of our respondents had a tool in their institution to analyse spending. However, when we asked our interviewees to list the primary tools they had in their organisations to analyse spend, a worrying trend emerged. Almost 40% told us that they relied upon Excel to carry out spend analysis. While Excel has its benefits, it cannot carry out the kind of complicated spend calculations that procurement teams need to make. Only 20% of respondents told us that they had a point solution in place like Rosslyn Data Technologies (aka Rosslyn Analytics) to carry out spend analysis. The remainder said that they used visualisation tools (4%); ERP systems (10%); and P2P systems (16 %).

Another worrying finding emerged when we asked our survey participants if they had a common taxonomy to classify and manage spend data. In the absence of a common taxonomy, it is not possible to make meaningful spend decisions. Yet, 75% of our respondents told us that they did not have a data classification system in place (Fig 6).

Fig 6
Do you have a common taxonomy in place?



Use of tools

Even with a common taxonomy in place, procurement professionals need to have discrete tools to manage spend, compliance and risk mitigation. It was alarming to discover that many of our participants did not have these tools in their organizations. Almost three out of five interviewees said that they did not have a tool for spend management (Fig 7); none had a tool for compliance management; and almost 20% did not have a tool for risk management. In the absence of such technology, it is hard to see how educational procurement professionals in the US stand any realistic chance of achieving their goals.

Fig 7

What tool(s) do you use to manage spend management?





Data analysis

Higher educational procurement operations collect reams of information. But, judging from our survey responses, it appears that many US educational procurement leaders are struggling to extract meaningful value from their data. We wanted to investigate the causes of this problem. It quickly became apparent that poor data quality was a major factor for our participants, with approximately 45% citing it as an issue. Fragmented data was selected as a major factor by 28% of respondents, while 8% said that they lacked the requisite skills to analyse their data. Only 8% said that they had no problem conducting spend analysis, a truly remarkable figure given the importance of the practice.

We then asked our respondents a series of questions to determine their philosophy towards data analysis. Just over half admitted that they had sufficient access to data, but were not using it for decision making as effectively as they could. More than a fifth said that they had sufficient access to data, but did not have sufficient analytical resources within their institution and had to use outside vendors and partners to conduct analysis for them. Only 23% said that they had sufficient resources in-house to analyse data and use it for strategic and operating decisions (Fig 8).

Fig 8

Which of the following statements best describes your procurement organization regarding data and analytics?

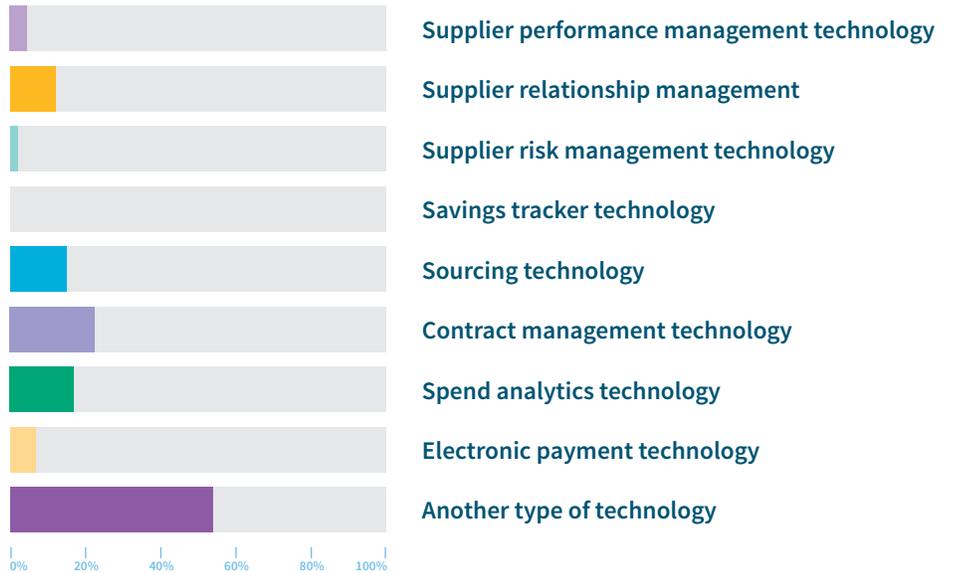


Lastly, we asked our participants whether they incorporated third party sources of information into their analysis. The overwhelming majority – 75% – said that they did not.

Purchase of technology

Given the prime importance of spend analytics and contract management for procurement, one would think that technologies associated with these practices would be top of the list for US educational procurement professionals. In fact, this is not the case. Just under 20% of respondents said that they planned to invest in spend analytics technology, while the comparable figure for contract management was 23%. The leaders that we interviewed for the survey seemed more interested in purchasing other, unspecified, technologies (Fig 9).

Fig 9
What procurement technologies do you plan to purchase in the next 12 months?





The cloud

The cloud is having a disruptive effect on many sectors, with the procurement industry being just one among many. We were intrigued to find out whether or not our respondents were embracing cloud technology, which promises to offer reduced cost, improved performance and enhanced collaboration. To our relief, we found that almost three quarters of survey participants had purchased some cloud-based technologies. However, a significant minority – a mere 18% – told us that they had yet to embrace cloud technology.

When questioned about why they had chosen to purchase cloud technology, 33% said that they liked the versatility and mobility of cloud solutions, while 25% said that they liked the fact that cloud technology involved less technological management. Other reasons given for moving to the cloud included:

- Flexibility (15%)
- Affordability (12%)
- Independence from IT (5%)

Lastly, we asked those participants who had outed themselves as cloud sceptics why they were not attracted to the technology. The vast majority said that they were worried about security, while only 13% voiced concerns about integration. Cost and a lack of specialised functionality were identified as significant issues by 10% of participants (Fig 10).

Fig 10

What is the most compelling reason not to embrace cloud computing/ cloud-based technologies?



Survey Questions and Results

Listed below are the survey questions that we asked our interviewees together with a summary of the findings.

1 What are your institution's strategic priorities for the next three years?

When asked to select any number of strategic priorities for their school, most procurement professionals (approx. 80%) said **enhancing the student experience** and **improving operational efficiencies** were the primary focus areas of their schools. Other competing priorities viewed by the survey respondents included:

- 58% will reduce costs
- 41% will invest in technology infrastructure
- 37% will increase research funding
- 25% will increase corporate partnerships
- 14% will introduce new products/services/enter new markets
- 14% will invest in information
- 26% will invest in digital technology to assist teaching
- 5% will invest in estates
- 5% will expand by acquisition and merger
- 3% will reduce fraud

2 What are your strategic procurement priorities for the next 12-18 months?

32% of procurement heads will be focused on **improving operational efficiencies in the near future** while 26% said that they wanted to identify savings opportunities. A fifth of the research participants said they wanted to modernize procurement's capabilities through data and technology. Other responses included:

- 5% will elevate the role of procurement
- 5% will increase internal stakeholder satisfaction
- 5% listed another factors such as changing the role of procurement from tactical to strategic, and increasing sustainability
- 3% will reduce supply chain risks
- 1% will increase compliance management capabilities

With much talk in the private sector of working with suppliers to innovate, none chose this area as a priority in the next 12 to 18 months.

3 How will you, as a procurement professional, achieve your strategic goals?

Many procurement leaders plan to use **data and analytics to make better decisions** which will result in them **achieving their strategic goals**. For the remainder of the respondents, there is little agreement on how they will achieve their strategic goals, according to the research findings. 17% of respondents ticked "another factor," which was predominately focused on assessing current organizational capabilities, processes and procedures in order to increase efficiencies and savings. Other chosen methods of achieving strategic goals:

- a. 10% will increase competition
- b. 5% will consolidate spend into a single view
- c. 3% will restructure existing relationships with suppliers
- d. 3% will restructure make-up of suppliers
- e. 3% will reduce transaction costs
- f. 1% will outsource non-core procurement activities
- g. 1% will increase the level of supplier collaboration

4

How important is cost reduction in your institution?

66% said that it was a strong priority; 30% said it was somewhat of a priority while only 3% said it was not.

What is your savings target for the next financial year?

Some (**26%**) procurement heads **don't know their savings target**, which is worrying for institutions looking for savings. 21% of respondents said their savings target was between \$100,00 and \$500,000 in the next financial year while two equal groups of 17% said it was either between \$500,000 and \$1 million or between \$1 million and \$5 million. 7% said it was \$5 million to \$10 million; 3% had a target between \$10 million and \$50 million. 3% said their savings target was more than \$50 million; 1% said it was less than \$100,000.

5

How confident are you in achieving your savings target this year?

42% of procurement leaders said that they were **"kind of confident"** that they will hit their savings target this year. 35% remarked they were "extremely confident" while 21% said that they were "not confident" at all.

6

What is your institution's total spend with suppliers?

Most (**30%**) departments **manage spend between \$100 million of \$500 million** while 26% manage between \$25 million and \$100 million. 14% said it was \$5 million-\$25 million. Only 10% of procurement heads said that their spend was in excess of one billion dollars per year. 8% of survey respondents said spend was worth between \$500 million and \$1 billion; 3% said it was in the \$1 million-\$5 million band; 1% said it was less than \$1 million. 3% didn't know how much was their departments spend with suppliers.

7

How many full-time people do you currently have employed in your procurement organization?

50% of departments employ fewer than 10 people; 29% employ 10 to 15 professionals while 12% employ 25-50 staff. 3% employed more than 200; and, 3% employed 50-100 people..

Do you plan to hire, reduce or keep the same the number of people on your team in 2017?

About **80% of departments will have the same number of people as last year**. Only 14% of heads of procurement said they would hire more people in their team; 7% said that they would reduce the number of employees this year.

8

Who does procurement report to within your institution?

80% said that they reported to finance; 5% said that they reported to operations; 1% said that they reported to IT; none reported to the chancellor's office and 9% reported to other departments such as administration (most frequently mentioned title, "VP of Administration and Finance").

9
What is your procurement department's annual budget?

0% said that their budget was less than \$100,000; **23% said that their budget was between \$1 million and \$5 million**; 17% said that their budget was between \$100,000 and \$500,000; 11% said that their budget was between \$500,000 and \$1 million; only 1% said that their budget was more than \$5 million. 15% said that they didn't know what is their procurement department's budget.

10
What challenges do you face in your role as head of procurement?

Less than 10% said that the number one challenge in their role as head of procurement was a lack of resources. **21%** said that they had a **lack of executive support** while 17% remarked that skills were their biggest challenge. 9% said that the lack of technology was a hurdle while only 5% said that they faced a lack of budget. 13% specified other factors such as government oversight, changing working culture and elevating the perception of procurement as a key and strategic partner of the institution.

11
What is your top priority at the moment?

40% of procurement professionals said **compliance management** was their top priority while 36% said it was savings creation. 9% said risk mitigation was their priority right now. 13% of respondents stated that it was something else such as staff development, controlling construction costs and business process improvement.

12
What data do you require to make informed decisions? Do you have the relevant data?

Do you have the relevant data? **55%** said that they **sourced all data from existing internal sources** such as ERP systems; 38% said that they didn't have the right data while 5% said that they hired third-party vendors to provide data such as Dun & Bradstreet.

13
What technology consultants do you work with?

75% said that they **didn't use any technology consultants** while 24% said that they rely on Campus Works, Ellucian, SciQuest, Unimarket and others.

14
What procurement consultancies do you work with?

83% said that they **didn't use any external procurement consultants** and 16% said that they did such as Education Advisory Board, Huron, SciQuest, Stonebridge and the Big Four.

15
What ERP systems do you have in place?

38% said that they **deployed PeopleSoft and Banner**; 24% rely on Ellucian; 22% said that use another vendor; 18% said that they have Oracle in place while 2% have deployed SAP; none have deployed JD Edwards or Unit4.

16
What procurement technologies do you currently have in place which are used by your procurement organization?

The same number of respondents (**58%**) said they currently all **use contract management, spend analytics and electronic payment in their organization**; 48% said that they used eSourcing; 20% said that they used supplier performance management; 23% said that they used savings tracker; 15% said that they used another technology; 5% said that they used supplier relationship management; and none implemented used supplier risk management.

17
What is your primary tool for spend analysis?

38% said that they **used Excel**; 20% said that they leverage a point solution such as Rosslyn Analytics, Zycus, Spikes Cavell, Spend Compass; 16% said that they used a P2P system such as Ariba, Coupa, SciQuest; 10% said that they used an ERP system such as SAP or Oracle; 10% said that they used another tool; and, 4% said that they used a visualization tool only such as QlikView, Tableau.

18
Do you have a common taxonomy in place?

75% said that they had **no taxonomy** and 25% said that they did such as NIGP, NAEP, NAICS, UNSPSC, commodity codes or internally developed taxonomies

19
What tool(s) do you use to manage the following areas:

a. What tool(s) do you use to manage spend management?

59% said that they **didn't have a tool for spend management** and 40% said that they did.

b. What tool(s) do you use to manage compliance management?

None of the respondents had a tool for compliance management. They used existing tools.

c. What tool(s) do you use to manage risk mitigation?

81% said that they had a **tool to manage risk mitigation** and 18% said that they didn't.

20

What type of risks do you seek to manage/monitor?

The respondents said that they sought to monitor multiple issues including compliance, liability, sustainability, maverick expenditure, escalating construction costs, fraud, data security, insurance, contracts and non-compliant spend.

21

What is your biggest data challenge when conducting spend analysis?

45% mentioned **poor data quality** (incomplete, duplicates, etc); 27% cited fragmented data; 9% said that they had no challenges in conducting spend analysis; 9% cited lack of skills to analyse the data; 6% gave another reason; 2% identified out of date data.

22

Which of the following statements best describes your procurement organization regarding data and analytics?

56% said that they had **sufficient access to data, but were not using it for decision making as effectively as they could**; 23% said that they had sufficient access to data and resources to analyze and use it for strategic and operating decisions; 20% said that they had sufficient access to data, but did not have sufficient analytical resources within the institution and were using outside vendors and partners to conduct analysis for them.

23

When it comes to spend analytics, do you incorporate third-party sources of information into your analysis?

74% said that **they did not** and 25% said that they did.

24

What procurement technologies do you plan to purchase in the next 12 months?

53% said that they **would not purchase technology**. If they were, the top four planned purchases for the next year are: 23% said that they would get contract management technology; 17% said that they would get spend analytics technology; 15% said that they would get eSourcing technology; 12% said that they planned to purchase supplier relationship management.

25

What is your institution's policy on the cloud computing/cloud-based technologies?

74% said that they had **purchased some cloud-based technologies** while 17% said that they hadn't yet embraced cloud computing; 2% said that they only bought cloud-based technologies and 5% said that they didn't know.

26

What is the most compelling reason to embrace cloud computing/cloud-based technologies?

A **third** said they **want to embrace cloud technology because of its versatility and mobility solutions** while 25% said it was because cloud needed less technology management; 15% said that they liked its flexibility; 12% said that cloud technology was more affordable; none said it was because cloud could be deployed quickly; Surprisingly, only 5% said that cloud gave them independence from IT and 7% said that they wanted to embrace cloud for other reasons.

27

What is the most compelling reason not to embrace cloud computing/cloud-based technologies?

58% said that they **had security concerns**; 12% said that they were worried about lack of integration; 10% said that they were worried about cost; none said that they were concerned about data regulations; 10% said that they thought that cloud had a lack of specialised functionality and 7% cited other reason.

Conclusion

The survey results shed light on several challenges and opportunities for American university and college leaders as they evolve their institutions to adapt to a new normal of less funding from public sources, more competition for students and, generally, an era of doing more with fewer resources than in the past.

Well run procurement organizations deliver more commercial value than laggards that haven't invested in upgrading technologies such as in the areas of analytics, and upskilling staff. This is an opportunity for leaders to teacher followers.

What will tomorrow look like for institutions? If the private sector is a leading light, universities and colleges will be operational nimbler, agile and responsive to ever-changing macro and micro economic trends. This is particularly important taking into consideration, for example, that public four-year institutions and administrative offices received approx. 20% of total operating revenue from tuition and fees in 2015, according to the National Center for Education Statistics. Some schools simply can't afford keep the lights on at the current rate and source of funding without changing how they operate.

Just three years away from 2020, now is the time for school leaders and department heads to come together closer, working on a new and evolving business model that strengthens the finances and prospects of institutions so future students are guaranteed a superior education at a reasonable price.

Procurement professionals have a vital role to play today in preparing the successful future of higher education in the years to come, but they can't do it alone – they need the support of colleagues to make the promise a reality. Together, we will succeed.



Why Rosslyn Data Technologies

Rosslyn Data Technologies (aka Rosslyn Analytics) has been working with higher education leaders for 10 years, providing integrated cloud-based self-service data preparation, analytics and benchmarks to more than 100 schools including three state university systems to identify better cost savings, compliance and risk management opportunities.

Deployable in yours, clients use the award-winning RAPid Cloud Platform, and pre-built, ready to use SaaS data analytics solutions, to deliver cost savings, manage compliance and mitigate risks with many obtaining an initial return-on-investment in weeks.

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