

**FROM PURCHASING TO PAYMENT
MAKING PROCUREMENT A SEAMLESS PROCESS**

**Jim Windham, Director of Procurement
University of Mississippi**

Abstract

All universities operate a purchasing office, accounts payable department, shipping, receiving, travel and property/inventory control departments to facilitate the flow of administrative paperwork and to provide services necessary to the operation of the institution.

At the University of Mississippi, these multiple departments and their functions fall under a single broad umbrella labeled Procurement Services, where they are co-located in the same building, share the same e-files, and report to the same supervisor. All of which makes for a seamless, “one stop shopping” customer experience.

Introduction to the organization

The University of Mississippi is a public university and a member of the Institutions of Higher Learning College Board in the Mississippi System. We are located in the north central part of the state in the City of Oxford, a rapidly growing and developing town and home to William Faulkner and other notable authors. The University of Mississippi was incorporated and chartered on February 24, 1844 and provides for undergraduate and graduate study at all levels.

Affectionately known as “Ole Miss,” the University is renowned for its southern charm with a beautiful campus and exceptional seasonal grounds. We are a classical liberal arts institution with a reputation for academic excellence, a Phi Beta Kappa chapter, and a Carnegie Foundation research extensive university. We offer strong classroom teaching supported by excellent library, laboratory, and technical facilities, exciting SEC sports, and the charm and safety of a small southern town.

Statement of the Initiative

The University in 1998, under new administrative leadership, had a vision and a desire to streamline all administrative processes into seamless, state of the art processes that would reward the University with greater efficiency, improved customer satisfaction, and reduce operating costs. This would require courage to bring in proven re-engineering professionals from outside the University, selecting and installing administrative enterprise software (ERP), and a strong continued commitment from heavily involved current key employees as well as the most senior administrators at the top of the organization.

Select employees that actually “owned” or worked directly with the current processes were brought together as a group and met for several days with the reorganization professionals to discuss strategy, goals and anticipated outcomes. Individuals with direct involvement in a specific process were assigned to teams who would ultimately analyze those processes. Those same employees were re-assigned to this project on a full time basis with subordinate employees, not involved with this project, covering for the team members. An isolated work space on campus was provided for team members to work from, which became their new offices for the next several months.

Eventually, every administrative process was isolated, categorized and recorded, no matter how small or insignificant. All processes were then broken down into each and every component from start to finish. Beginning with a need, every paper document, e-document, human decision, phone call, campus mailing, keyboard stroke, computer interaction, hand off, and every person or department that had any involvement with that unique process was identified.

Once all processes were captured, brainstorming sessions were held in these areas to identify duplications of effort, manual processes, non-value-added tasks, or tasks that could be streamlined. Employees were encouraged to speak openly on ways to improve their daily tasks and increase efficiency. Those tasks identified as redundant or inefficient were marked for elimination.

Based on what we learned regarding the purchase to payment process, the decision was made to mold these different tasks into one process and the Procurement Services department was

created. Now, these important functions are performed under the guidance of one director with one operating philosophy and carried out by procurement generalists and procurement specialists in one location. By combining these processes, faculty, staff, students, and vendors (customers) only deal with one location for all their procurement needs. Costly hand-offs and delays are also greatly reduced.

Changing Employees Attitudes

Employees from the various areas were involved in all phases of the reorganization and were given key roles to help remodel and restructure this new process and department. Once the monumental task of convincing employees to dissect and breakdown their own job duties to see how closely they were to similar duties from other areas (issuing purchase orders vs. entering invoices) a commonality started to develop.

Changing a person's ideology from "I only issue purchase orders," or "all I do is enter invoices," was one of the biggest challenges we faced. Many of these mental barriers had been in place for years, and only through persistent education and group discussions were fears of change finally calmed. Asking a supervisor or senior employee to relinquish his or her assumed responsibility for the sake of a better system was challenging at best. In the end, we felt like the group of employees carried into this new department (Procurement Services) were better trained, better informed, and had a greater understanding of how they fit into the overall operation.

Changing the Procurement Process

Now deliveries are made to one location where items are checked against the purchase order for correctness before being delivered to the ordering department. If discrepancies are found during delivery or if the item needs property bar code tagging, the master purchasing record allows receiving and purchasing personnel to make immediate decisions regarding the delivery.

Property control barcodes are assigned by the system and placed on items of equipment in the receiving area before they are ever delivered to the end user. Property Auditors no longer have to travel across campus to find and tag items of equipment. When payment is made, the system automatically creates and records the asset. Departments can now go online to view and manage their inventory. Gone is the bureaucratic bouncing of our “customers” all over campus by transferring phone calls or giving directions to the next building or placing invoices and documents into campus mail, hoping to get answers or approval signatures in a week or so.

Adding Technology

The changes above set the foundation that allowed the implementation of enabling technology. Electronic requisitions and purchase orders now encumber the ordering department’s funds on creation and orders are automatically faxed to vendors. All budget information is “real time” with electronic blocking of accounts that lack the necessary funds to make the purchase. The receiving and payable functions are integrated with the purchase order. All employees with access can view the process status located on master e-records and no longer have to rely on paper copies or others to supply purchase or payment information.

We also took the opportunity to integrate the University procurement card into this system.

Weekly transactions from the over 500 small purchase procurement cards in use campus wide are downloaded directly into the system, funds are immediately encumbered, and a personalized Email is sent to each card holder detailing the charges.

Benefits to the Organization

The reorganization and reengineering of business processes has provided and continues to provide the following benefits to the University:

- Reduced the lead time for ordering goods and services by days and weeks.
- Significantly reduced the time needed to process invoices, provide inventory verification, process travel reimbursements, and process procurement card documents.
- Reduced the labor force from thirty-two full time employees in 2000 to twenty-one in 2006.
- Process over fifty-seven-thousand payments a year within twenty-four hours of receipt.
- Procurement card program that averages 1,200 transactions each week and monthly charges in excess of \$400,000 is managed by one full-time employee.
- Last year nine buyers trained in different departments processed 20,656 purchase orders monitored by the Procurement Services.
- Property bar coded over 3,500 items of equipment.
- Reduced delivery time to five hours from time of receipt at delivery dock.

Retrospect

The University of Mississippi's purchase to payment process project was an instant success, not only from our customers' point of view, but from a time management and utilization of resources stand point as well. Reorganizing several related departments into a single unit takes courage and commitment from administration. Plans must be transparent and employees must be able to see the benefit of change. Those employees who understand this concept and are willing to transition will find themselves in a more functional, better informed, and more efficient work place with the possibility of higher pay, better skills, and of more value to the organization.