LUNNEY
ADVISORY GROUP
Coaching, Mentoring, Training

Business Process Re-engineering
and
e-Procurement Implementation at ASSET, Inc.

This case study is provided as a supplemental aid to those who have purchased
the book entitled: *The Procurement Game Plan: Winning Strategies & Techniques
For Supply Management Professionals*

Background:

ASSET (Achieving Student Success through Excellence in Teaching) Inc. is an independent, non-profit educational reform initiative dedicated to continuously improving teaching and learning – with initial efforts in K-8 science education.

As a non-profit organization, ASSET has specific requirements to support its financial, human resource, production, and procurement operations. As the recipient of state government funding as well as foundation and corporate grants, ASSET must demonstrate a high level of accountability and wise use of contracts, agreements, and grants in order to maintain these critical funding sources and pave the way for future funding and ultimate success of ASSET's mission. ASSET's rapid growth has challenged the organization to focus on business process re-design and automation of vital processes.

Company Situation and Problem:

Similar to many companies with traditional paper-based purchasing systems, ASSET often had difficulty making strategic and timely purchases. Manual and paper intensive requisitioning were cumbersome while segregation of purchasing duties and budgetary responsibility became more confusing and difficult as organization became larger. Employee purchases deviated from company spending policy leading to a risk of maverick buys, lost opportunities and the potential for increased spending.

ASEET's approval processes were drawn out and costly if approval signatures needed to be obtained by sending documents to multiple people who often were out of the office. Spend analysis was nearly impossible and thus negotiating better pricing with suppliers proved to be problematic. ASSET was, and still is, experiencing tremendous growth, and the need became apparent to have more visibility into the procurement cycle and to have tighter controls over the approval processes in procurement.

Approach:

ASSET acquired the consulting services of Soheila Lunney, the President of Lunney Advisory Group, to assist an internal team to improve and streamline processes, improve operational efficiencies, increase ability for operations and financial analysis and reporting, and have an auditable trail of the procurement approval and expense allocation process. As a nonprofit in the midst of a rapid period of growth, team focused on making improvements in ASSET's Procure-to-Pay (P2P) cycle; however it lacked the capital investment reserves that would be required for traditional approaches to improving this business process.

Methodology:

It was obvious from the start that any attempt at improving this process would require fundamental process redesign, change management, and an enabling technology to facilitate the new process. Rather than rushing to acquire new purchasing software and trying to emulate ASSET's manual P2P process in the new system, we seized the opportunity to fundamentally improve ASSET's business process and make it more efficient, more responsive, and more effective.

With Soheila Lunney's expertise, assistance, and attention to details, business practices related to requisitioning, approvals, PO creation, receiving, inventory and invoicing were reviewed and documented to the current processes. Feedback on improving processes from different functional managers was solicited. Process flow diagrams were then used to map out "as is" and "to-be" processes. Gap analysis identified the areas that needed to be eliminated, modified, or designed and incorporated in the new system. The search then began for a technology solution that would facilitate ASSET's new procure-to-pay process.

Solution:

Traditional e-procurement tools are an efficient way for buying goods and services, however they are extremely expensive to purchase, and the total cost of ownership of these traditional approaches is staggering. ASSET, with its limited funds, did not necessarily need an expensive solution with sophisticated state of the art features. Instead, ASSET needed a system that could be tailored and customized to suit ASSET, and that had an intuitive user interface and implied process that users could easily understand and adapt. After reviewing several commercial and open source offerings, ASSET discovered Coupa Express.

Coupa Express is the open source sibling of its bigger brother Coupa E-Procurement, a commercial software-as-a-service (SAAS) solution. ASSET considered going straight to the SAAS offering, but instead decided to stay with the open source version in order to allow time for its newly redesigned procure-to-pay processes to mature. ASSET had the in-house expertise with the core components of the Coupa Express platform, MySQL and Ruby on Rails, to extend and customize the Coupa Express application to meet ASSET's business needs, but found that much of the best-practice features built into Coupa were a good match for ASSET's new processes. After a few weeks of part-time work, which was mostly dedicated to catalog construction and related supplier agreements, ASSET was ready to begin using its new procure-to-pay process utilizing Coupa Express.

Benefits:

With no capital investment, minimal resources and costs, we were able to automate a key business process (P2P cycle) at ASSET. From project initiation to full implementation it only took four months to roll out the Coupa e-procurement system into production use. User friendly features of the new system have been noted by Individual requisitioners, buyers, and the functional managers. Cycle time for requisitioning, approvals, PO generation, and supplier communication has drastically been improved. Individual requisitioners are directed to suppliers' catalogues or approved suppliers for the required products and services resulting in eliminating maverick buys. ASSET's new e-procurement system has provided greater visibility into different spend categories and thus providing an opportunity for strategic sourcing, supplier base rationalization, and cost reductions for both direct and indirect goods. Streamlined requisitioning, an automated and auditable approval process, and on line receiving have provided a platform to address appropriate segregation of duties, while also facilitating greater visibility for financial controlling and operational management.