

ASBO WORKSHOP PRESENTATION NOTES

October 29, 2002

1. Pre-screen – Welcome to this workshop
Stop the Paper Chase – or How, and Why, to Streamline Workflow in your District

2. Introduction: Roger Haack & DataTeam

build tools ahead of the game

first computerized system for many districts

ask a lot of questions to find out what our clients need

years of experience in helping, watching, investigating school business

Beth Senn – VP Client Services – 1st client in 1980

We know that schools are continually asked to do more, with fewer resources. So we started examining ways that we could provide tools to solve a time consuming process, and that's what we're here today to discuss.

3. Goals: Our objectives today are to

- get a basic understanding of the concept of *workflow*,
 - a. what it means
 - b. the impact that it has on your District
- and then focus how efficient workflow can improve your business process, and
- why that's important
- Examine various ways to implement workflow automation in your District and provide you with suggestions on how to pick the best solution.

The first things we should ask is “so just what is workflow.”

4. Workflow?

- A business process, during which documents or tasks are passed from one participant to another for action, according to a set of procedural rules. Hummm... that's pretty academic definition, and although you may not have thought about it in these terms you already have workflow happening in your District, and it might have complex rules.
- Examples in school districts include
 - Purchase requisitions – to buy something there is a paperwork process, a set of steps that are to be followed, that's workflow
 - Work orders – to get some task done
 - Time sheets – to report something
 - Leave requests – to request approval to do something
- Let's use purchase requisitions as an example to explore this further.

- 5 – 19. Cartoon – the way it is today

On first teacher slide ask: Does anyone in the audience do requisitions by a paper process?

This is a typical example of workflow, but not an efficient example. Let's look at some reasons to streamline workflow by automating the process.

20 Why Automate Workflow

- Save Time
- Enhance Control
- Improve Information

Let's look at each of these in some detail.

21. Saves Time

- Spend less time approving requests because information is more readily available
- No lost time searching for missing requisitions
- No wasted time trying to find out where the requisitions has stalled waiting for approval
- Greatly reduce in-transit time between approvers – let's see....do all your requisition approvers sit next to each other or are they spread in multiple buildings across the city, or in a large campus, or just never in the office when you need them?
- Eliminates duplicate (or even triplicate) data entry as reqs are typed once and are imported directly in to your fund accounting to create a Purchase Order. How many time are these rekeyed in your District?
- All of this provides the opportunity for faster turnaround from initial request to Purchase Order.
- Which then gives administrators more time for other duties, and teachers more time to teach. That's a better use of time.

22. Enhances Administrative Control

- Management always knows the status of every requisition
- No lost requisitions
- Reqs automatically follow established business rules for approval so steps can not be missed
- Administration knows that rules are being followed and that by the time a Purchase Order is cut, all of the appropriate approvals have been obtained.

23. Improves Information that is available to you to make decisions

- Information is immediately available for query
- Improves accuracy by eliminating transposition and data entry errors.
- The requisition is more legible as handwriting is eliminated which reduces ordering errors.
- Provides better administrative and Board reporting, budgeting and improved decision making.

24. So Why Automate Workflow?

We've seen that it will

- Save Time
- Enhance administrative control
- Improve information for decision making -

Additional benefits

- Staff is less frustrated with the process – to focus on primary tasks
- The district accomplishes more tasks with fewer resources
- And this saves the District \$\$\$\$

So let's look at the same purchase requisition process we examined a few minutes ago but let's automate it!

25 – 32 Cartoon The way it should be under a streamlined workflow operation.

26 The person creating the requisition, in our example the teacher, does so directly into the automated system

27 They select

- the vendor from an approved list
- enter order details
- select an approval process – who would normally approve this persons reqs
- designate Item Type – we'll see why this is important later

28. The teacher then sends the eReq on it's way. It follows the predefined approval path

29. The first person on this approval path is the Principal. The Principal is notified that she has a req to approve....she didn't have to go searching....it notifies her

30. The principal approves the eReq on-line, noting any comments she has to clarify or promote this purchase request And forward the eReq on.....it knows where to go because of the predefined approval path.

31. Since the teacher marked that this was a computer item, and the District has rules that every computer related item must be approved by the Tech Coordinator, the approval path for this eReq was automatically modified by the Item Type the teacher indicated during the creation of the eReq. Thus the Tech Coordinator is notified that there is a requisition needing his attention and approves it. And then it auto forwards to the next person in the approval path. Can approve from anywhere there is access so the Tech Coordinator no longer has to be back in his office.

32. The business manager gets notification, approves the req, imports it into the Fund Accounting system and creates the Purchase Order.

33. So What Did we Leave Out?

- Status checks: Because this is on-line the person creating the requisition, or any approver along the way, can check the status of the requisition on line. That means no more calling to see where the requisition has stalled.
- Missing Approvals and Rejections: Also notice that we did not need to reject the requisition because an approval was missed.

- **Fewer Steps:** Because status is known, information is readily available on-line, notifications are automated, and approval paths defined, there are typically fewer steps involved.

Let's compare the two process to review briefly to highlight this point.

34 summary cartoon

Discuss

>>>>> Save Time, Enhance Control and Improve Information

Now that we have an understanding of what workflow *is*, and a sense of *why* it's important to your District, let's look at *Ways To Streamline* workflow through automation.

35 Ways to Automate Workflow

- **Enterprise Software:** Large districts can develop and deploy systems based on their existing enterprise software system (examples SAP, PeopleSoft) but this precludes most every medium and small district because of cost.
- **ASP Purchasing Exchanges:** Purchase Exchanges are systems where a vendor has to sign up with a provider who provides procurement services to you. There have been numerous attempts like Simplexis, Way2Bid, Kawama, Epylon. Purchasing Exchange providers claim that they negotiate discounts with members of the exchange and provide an on-line ordering system for them. Sounds great, but there are so many pitfalls here that many Purchasing Exchange providers are no longer around, and survivors are forced to change the way they do business due to flawed business model.
 - What's wrong with this business Model? The cost to the vendor is significant and thus their interest in participating is reduced:
 - Vendor pays a commission to the provider on each purchase you make
 - The Purchasing Exchange only includes vendors that have signed up with your Provider...that means that you still have to have maintain and enforce a requisition approval system for your local dealers or any that have not signed up with that Provider. Districts don't get to streamline all purchases, in fact they end up with two approval systems to monitor and maintain!
 - A vendor would have to sign up with every Purchasing Exchange out there to be included in all of them.
 - The vendor has to provide backend support for each Purchasing Exchange. That is, they have to provide a way to accept orders, maintain their information for each Purchasing Exchange. Very few vendors have the resources to do this.
 - Focus is more on what you can buy through the exchange versus workflow for all purchases.

Purchasing Exchanges in Corporate World: Before we look at a third solution, I like to jump out of the Public Education market and talk for just a moment about how Purchasing Exchanges are doing in corporate America. Big companies have very complex procurement requirements and thus they the need to be as efficient as possible. If Purchasing Exchanges are the answer for corporations then maybe they'll be effective in Education too.

The Research Report on eBusiness published in April 2001 by the National Association of Purchasing Management and Forrester Research, states that "manufacturers report significantly lower levels of collaboration with suppliers, as well as substantially increased dissatisfaction with suppliers' online capabilities."

Why the less than enthusiastic response? According to Gartner Group analyst Karen Peterson, many vendors in the corporate world still aren't convinced there's anything in it for them.

- Activities that drive down prices aren't attractive to vendors because they're hurt by pricing pressures.
- Concerns about the cost and the complexity of linking back-end systems over the Web add to the inhibitions.
- With the difficulty and cost for a vendor to participate in one exchange, much less several, along with the need to pay a commission to the exchange, the expected price reductions generally never materialize.

As a result, corporations using Purchasing Exchanges hoping to see lower vendor prices and complete automation of all their purchasing activities are finding little or no price benefit, and only a fraction of their preferred vendors choosing to participate in any given purchasing exchange. Thus the buyers still need to maintain a separate purchasing process for all the vendors and products that are not available through the exchange.

But corporations have found good news in all of this! While integration with vendors is much more difficult than first thought and the Purchasing Exchange has not proved to be the answer, the Internet is still the solution! Savings are happening because of streamlined workflow!

An example of these benefits is explained by Shelley Stewart, vice president of supply chain management at Raytheon Co. "We're saving some money partly because we're getting better prices, but a big part of it is that we have a better process for making purchases. Our people are spending less time running around trying to find out what happened to a purchase order." This sound exactly like the scenarios our "cartoons" told.

General Electric is also seeing great benefits in automating the paper processes, creating "an electronic foundation that will yield considerable and progressively larger bottom-line benefits in the years to come."

The conclusion in these two examples, and in many corporations, is that the answer is not Purchasing Exchanges but streamlined workflow. And that brings us to our third way to automate workflow.

- **ASP** Workflow Solutions: Application Service Providers can offer workflow automation through the Internet, providing many benefits of a streamlined enterprise workflow system at a cost that is affordable for medium and small sized districts.

DataTeam examined the procurement issues and determined that an ASP workflow model was the best long run solution.

36 DataTeam's Workflow Solution – eRequisitions

- **Already** seen it in action
 - District controls all access
 - Electronic routing based on approval paths established by District
 - Automatic “modification” of Approval Path based on “item type”
 - Automated status inquires
 - Automated notification to approvers that reqs are awaiting their attention
 - Download to create PO into any Fund Accounting system using standard XML technology.
 - Web access with security
 - Easy to learn
 - Unlimited users, scalable to any size district
 - Although not shown in the cartoon slides, the system also incorporates the concept of dollar thresholds. For example, a principal may have the authority to order without up-line approvals if the purchase is below the \$500 threshold. The approval process automatically adjusts for these thresholds.
 - This Approval Process is so powerful and unique that we have filed for a patent.
- **Internet** based ASP workflow solution, affordable to all Districts regardless of size
- **Automates** and streamlines purchase requisition workflow so you get all the benefits discussed above of **saving time, enhancing control, improving information.**
- **Vendor** neutral – it already works with every vendor you have or ever will have!
- **Case** studies shows savings

Case Study Burlington, Kansas USD 244, a district with 1,000 students, and were running about 3,400 requisitions through a manual procurement system like many Districts throughout the country. After implementation of our eRequisition solution, DataTeam commissioned an independent engineer to perform a time and motion study and compare and contrast the systems. We wanted to know the time and financial savings this workflow model was bringing to the District. This case study is available in full on our web site and I'll give you the web address at the end this presentation.

So – how much time did it save????

- 69% reduction in employee time per PO which means nearly that much reduction in cycle time from the creation of the req to cutting the PO.
- 33% reduction in cycle time from creation of the req to final payment.
- Conservatively saves over \$15 per PO! Note that the US Dept of Education had estimated the cost per PO to be \$150 which included overhead calculations etc. We looked only at direct labor costs and computed a much lower number. If their fully burdened number is correct, the savings per PO is much greater!
- Over a year of live use by clients confirms cycle times frequently under one week and as fast as within one day.
- Future expansion to include work orders and other forms, all without switching to another system.

37 SUMMARY

- Understand that concept of workflow.
- Workflow automation saves Time, increase administrative Control, and provides better Information for reporting and analysis.
- ASP is the most cost effective way for small and medium sized districts to implement workflow automation
- DataTeam's eRequisition are a great way to improve your purchasing process and provides a foundation for future workflow automation like work orders and HR forms. And the provide the opportunity for districts of all sizes to be able to achieve the same efficiencies previously available to only the largest districts

38. Thank you

- A copy of this slide show, a White Paper on the subject, and the case study are available on our website.
- and I'd be happy to try to answer any of your questions.

Other Notes

Case Study Findings

USD 244 handles 3,400 Purchase orders annually

- a. Manual process of each PO, from requisition to final payment, requires 80 minutes.
- b. Paperless processing of PO's through DataTeam's eRequisitions systems decreases the processing time to about 25 minutes per PO
- c. Estimated labor costs (without overhead) of the manual process are estimated to be at least \$21.30 per PO versus less than \$7 electronically.
- e. This is a savings of over \$15 per PO. Savings could be greater when lost discounts, productivity are factored in. Note that the US Dept of Education estimated the cost per PO to be \$150. We did not include the calculation of overhead into our labor cost analysis, but increasing the "actual" cost of the Purchase Order will increase the savings!
- f. The eRequisition process shortened the cycle from requisition creation to final payment by 33% or about two weeks.