

# PSC Advisory Services Case Study



## Rethinking the Office Procurement Process

### The Problem – *Replacing a system that did not work*

To say there was loose accountability and few controls around the purchasing of products and supplies at this athletic club chain, with branch locations around the country, would be an understatement. Their current system was hard to use and hard to maintain, did not have a full line of products, was only used by a few, and did not track product usage and expenses against the budget. Branch employees found it easier to send an email to the corporate office, or pick up the needed supplies at a local store and submit the receipt for payment. Not only were there some customer service and liability issues while employees were away from their post, but the supplies were being purchased at premium prices. There was no economy of scale from volume discounts and no accountability for employees and managers alike. This situation was becoming increasingly worse as the organization added more locations. The Client was convinced that the current procurement application needed to be replaced, but agreed to participate in the discovery process just to make sure it was the correct approach.

### The Analysis – *Assessing the overall process*

Not convinced that the procurement application was the problem, PSC utilized its Integrated Performance Solution (IPS) approach to assess the overall procurement process. Focusing simultaneously on the four key performance drivers – Process, People, Information, and Technology – PSC advisory consultants used IPS to analyze the current business process, the technology utilization and alignment, the use of human capital, and the overall management of knowledge and information.

In the initial phase, when the current state procurement process was mapped out, it became readily apparent that there were several areas in the workflow that contained disconnects. Key decision points were being overlooked and what metrics there were did not support the company's strategic goals. Since the process was not clearly defined or understood, it led to misuse or "no" use. The well-meaning employees did what they thought was necessary to get the supplies and product without taking into account the overall affect on the bottom line.

### The Solution – *A structured approach that considers performance drivers*

The analysis revealed the greatest return on value to be in the redesign of the business process and not in the software application. Once all four performance drivers were used to define and document the *current* business process, employees began to make decisions that supported both the customer and the business. An immediate shift in employee behavior formed a collaborative corporate culture that immediately increased efficiency by 33% without any additional expense. Other observations and remedies during the analysis included the following:

- While only 8% of the products on the Master Item list were available from a pre-defined pick list and no more than 31% were considered "active", over 20 hours/week were spent on non-value added administration and maintenance of the *entire* list of products. By utilizing an analysis tool, product items that are no longer active can now be removed from the Master List reducing administrative overhead while providing a more realistic view of the actual products being used.
- A more robust software application that provided added functionality as defined by the *future* state analysis was clearly needed. The new application would have to integrate with the General Ledger, and other applications to provide real time views of budgets and expenses. Automated workflow with built in business rules provided time saving functionality. Key performance indicators (KPI's) were added at all levels to identify where the client could save money, mitigate risk, decrease processing time, and improve overall performance.

The replacement procurement application was implemented and delivered an additional 23% increase in efficiency. Normally, this would have been, by itself, a great outcome. However, when combined with the IPS process, the net improvement was much more significant - closer to 100%, which proves the axiom that while good tools are important, but it is how you they are applied is what really makes the difference.

#### The Technology

- Integrated Performance Solution (IPS)

#### The Benefits

- Tighter control of experience
- Reduce costs through volume procurement
- More efficient end-to-end business operation
- Greater accountability at all levels in the organization.



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When it comes to information management and control of business processes, PSC can provide you with a competitive advantage through the smart application of technology.

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