

**Spend Management
for the People**

Most governments today are facing financial challenges of historic proportions. In addition to the well-publicized U.S. federal budget situation, states and local municipalities are dealing with both cyclical and structural budgetary issues that will not be soon resolved.

For example, according to the Center on Budget and Policy Priorities, more than three-quarters of U.S. state budgets adopted for FY 2012 include significant cuts to spending. <http://www.cbpp.org/cms/index.cfm?fa=view&id=3526>

With budget cuts and tax increases both painful and politically difficult, government leaders are looking for other ways to better control costs while still supporting their missions, improving visibility, transparency and compliance, and managing risk.

Many are taking this as an opportunity to implement more of the tools and best practices from the private sector that have driven billions of dollars in savings and value for corporations over the last 15-plus years. These strategies, including spend analysis, strategic sourcing, e-procurement, e-invoicing, and supplier performance management—among others—have been proven to generate substantial, realized savings for all types of organizations. According to a recent Aberdeen CPO Agenda report, *“Aberdeen Research has shown that enterprises have been able to achieve a 5% to 20% cost savings for each new dollar of spend brought under management.”*

In the past, it was sometimes difficult to get the public sector to adopt corporate-style spend management strategies in spite of their proven track record. Despite the best efforts of many government officials, civil servants, and change agents, several hurdles hampered their efforts:

- Lack of broad focus on cost savings
- Reluctance to adopt cloud technology solutions
- Complexity, limitations, and cost of comprehensive procurement solutions
- Outdated or cumbersome procurement policies and processes

Recent developments point to a lowering of these barriers and an opportunity to generate substantial value for the public sector by increasing the penetration of spend management. Change is occurring across all fronts:

1. Increased focus on cost savings

The realities of the government budgeting process at all levels sometimes provide conflicting incentives for public sector agencies when it comes to cost savings. Numerous anecdotes exist regarding a mad dash to spend unused funds prior to the end of the fiscal year for fear anything unspent would be pulled from future budgets.

Currently, there's a general realization that budgets at all levels will be cut regardless and agencies need to determine the best way to manage their spend in a more austere environment. In addition, multiple policy initiatives have been launched in order to address these incentives. Two recent examples from the U.S. federal government include:

- President's SAVE award: <http://www.whitehouse.gov/save-award>
- White House Campaign to Cut Waste, June 2011: <http://www.whitehouse.gov/the-press-office/2011/06/13/white-house-launches-campaign-cut-waste-vice-president-take-making-gover>

2. Openness to cloud technology

In the words of the CIO of the Defense Contracting Management Agency (DCMA) at a June 2011 conference, *"The question's not 'if Cloud' but when. In 18 months, this will be old news."*

As with many new technologies, adoption of cloud computing is coming later to the public sector than for private organizations. Concerns about security, accessibility, and functionality and a sometimes risk-averse approach have slowed the public sector's ability to capitalize on cloud computing. That, however, is changing rapidly as government CIOs better understand the benefits available in the cloud.

From the U.S. Government's *25 Point Implementation Plan to Reform Federal Information Technology Management*, "The Federal Government must be better prepared in the future. Beginning immediately, the Federal Government will shift to a "Cloud First" policy."

<http://www.cio.gov/documents/25-Point-Implementation-Plan-to-Reform-Federal%20IT.pdf>

At the state level, the National Association of State CIOs (NASCIO) issued *"Capitals in the Clouds, The Case for Cloud Computing in State Government, Part I,"* in June 2011, which outlines the benefits and necessary considerations for cloud computing at the state level.

<http://www.nascio.org/newsroom/pressRelease.cfm?id=103>

3. Lower complexity and TCO of comprehensive procurement solutions

Several of the early movers in spend management in the public sector did so at a time when the only method to access the required technologies was through a complicated and expensive software implementation behind their firewall. Since that time, substantial developments have been made in technology, delivery methods, integration, and security. At the same time, innovative licensing and subscription models have reduced the upfront costs necessary to implement a comprehensive procurement management platform.

4. Focus on improving procurement policies and processes

Especially at the state level, organizations have recently been revamping their approaches to procurement in order to generate cost savings, efficiencies, and transparency.

For example, according to the Pew Center on the States, *"In order to better align their spending with their statewide strategic plans, states are using strategic sourcing, which is the systematic process that directs supply managers to plan, manage and develop the supply base in line with the organization's strategic objectives."*

http://www.pewcenteronthestates.org/initiatives_detail.aspx?initiativeID=56275

And they need the right tools and information to get there. In the words of the ex-Vice Chairman of Office of Federal Procurement Policy at a June 2011 federal IT conference: *“Even more than the private sector, the government needs visibility into what they spend before they can get it under control.”*

Many service providers to the federal market have experience in driving change and new processes, and are providing guidance to agency heads. According to a recent Censeo Consulting white paper, *“With another round of budget cuts underway, agencies are under even greater pressure to reduce costs without hindering their mission – and to do so quickly and effectively. The hardest part is balancing the two priorities: cutting costs quickly while still accomplishing the mission. But it is possible. Numerous agencies have reduced their costs and improved quality, service and productivity at the same time.”* <http://www.censeoconsulting.com/insights.php?InsightID=88>

With each of these barriers rapidly falling, now is the time for public sector agencies to fully embrace the technology, community, and capabilities that have driven so much value for their private sector counterparts.

The tools and providers are ready, the change agents are willing, and the taxpayers are waiting.

Ariba in the Public Sector

Ariba has an extensive history of working with the public sector and has helped deliver substantial value for organizations at the state, local, and federal levels. This is because our solutions are specifically designed to deliver the efficiency, compliance, transparency, accountability, and cost savings necessary to support government missions.

Ariba has long been an advocate for increased use of spend management strategies, including a 2009 open letter to the new U.S. administration, *“In these tight economic times, commercial enterprises have made spend management a top priority in order to maintain profits. And taxpayers are tightening their belts at home to just pay the bills—let alone save for the future. As the watchdogs of our tax dollars—and increasingly our economy—it is only prudent that the federal government apply the same fiscal discipline to its own spending.”*

<http://www.supplyexcellence.com/blog/2009/08/03/obama-procurement-gsa-ofpp-dod/>

In addition, Ariba is the world’s most used collaborative spend management platform with:

- A single, integrated solution across the entire procurement and purchasing business process
- Speed to deployment with proven methodologies
- Flexibility to integrate to multiple legacy systems
- Configurable business processes
- Certified and proven security methods
- Pre-enabled trading partners in the world’s largest online trading network

Ariba's spend management technology platform encompasses a fully integrated suite of software modules that align to the business processes required to effectively manage procurement and acquisition in the public sector. Each module provides document stand-alone benefits and, taken as a whole, provide the foundation for broader spend management.

- Spend Analysis
 - 23 percent increased savings from spend management activities
 - 33 percent improved savings rates from sourcing
- Sourcing
 - 8 to 14 percent immediate savings on every dollar sourced
 - 50 percent reductions in sourcing cycle times
 - 60 percent reduction in sourcing administration costs
- Contract Management
 - 50 percent faster contracting cycles
 - 55 percent improved contract compliance
 - 25 percent improvement in renewal management
- Procurement
 - 50 percent increased contract compliance
 - 40 percent increased spend under management
- Invoice and Payment
 - 70 percent reduction in invoice processing costs
 - 80 percent decrease in error rates
- Supplier Information and Performance Management
 - >60 percent decrease in supplier management costs
 - Improved risk management
 - 23 percent improvements in on-time, service, and quality rates

While Ariba has long been the major spend management player in the private sector, we also have multiple existing customers in the public sector, including federal, state, and local organizations. Sample customers include:

- U.S. State Department
- Commonwealth of Virginia
- Department of Homeland Security
- State of Florida
- District of Columbia
- Department of Energy
- State of North Carolina
- Internal Revenue Service
- State of Iowa
- And many others

Each of our customers has taken a different path toward aligning spend management with their agency’s mission. Some examples include:

<p>Case study: Commonwealth of Virginia’s eVA</p> <ul style="list-style-type: none"> • Challenges <ul style="list-style-type: none"> - No common system for purchasing - Missing out on spend leverage, compliance, and visibility - Long processing times for orders and purchase requests • Solution <ul style="list-style-type: none"> - eVA purchasing platform for Sourcing and Procurement based on Ariba technology in place since 2002 - Ongoing support from CGI • Results <ul style="list-style-type: none"> - \$20B in purchases since inception - \$280M in documented savings - >13k users across state government, universities, and localities - >80 percent of spend through platform - Order processing times cut by >50 percent - Multiple national and state awards for procurement innovation 	<p>Case study: U.S. State Department</p> <ul style="list-style-type: none"> • Challenges <ul style="list-style-type: none"> - No common processes and platform for purchasing - Geographic dispersion made collaboration difficult - Limited visibility and compliance on spend • Solution <ul style="list-style-type: none"> - Accenture-managed program with Ariba Analysis™, Ariba Buyer™, and Ariba Contract Management™ technology since 2003 - Integration with Momentum Financial • Results <ul style="list-style-type: none"> - >10k users - >50k catalog items plus numerous non-catalog purchases - Global deployment at most embassies and consulates
<p>Case study: District of Columbia</p> <ul style="list-style-type: none"> • Challenges <ul style="list-style-type: none"> - New administration wanted to fix “broken” procurement systems and processes - Federal GAO oversight demanding reform - Budget pressures and limited visibility into spend • Solution <ul style="list-style-type: none"> - Ariba Buyer, Ariba Sourcing, and Ariba Contract Management as technology foundation for Procurement Automated Support System (PASS) - Deployed to 60 agencies • Results <ul style="list-style-type: none"> - Order processing time reduced by 60 percent - Tracking of vendor compliance 	<p>Case study: Ohio State University</p> <ul style="list-style-type: none"> • Challenges <ul style="list-style-type: none"> - Taking too long to process purchase requests and sourcing projects - Not spending enough time on strategic efforts - Couldn’t find contracts or agreements - University and Medical Center • Solution <ul style="list-style-type: none"> - Ariba Sourcing - Ariba Contract Management - Seven-step sourcing process - Ariba Discovery to provide public bid notification • Results <ul style="list-style-type: none"> - Bid approvals and strategy process in place - 250 sourcing bids conducted annually - Bid notification requirements met - Ariba Excellence Award winner for buyer-supplier collaboration

Whether it’s visibility, strategic sourcing, e-invoicing or another procurement function, Ariba and its partners can help your organization make the most of its resources in these challenging times so that you can best deliver on your agency’s mission.

For more information, contact us at publicsector@ariba.com.