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The Hybrid Way: Building Centralized Procurement in Decentralized Organizations

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Learning Objectives



- Identify the key components of a matrix approach when centralizing procurement in a decentralized organization.
- Describe the implementation of a hybrid procurement strategy.



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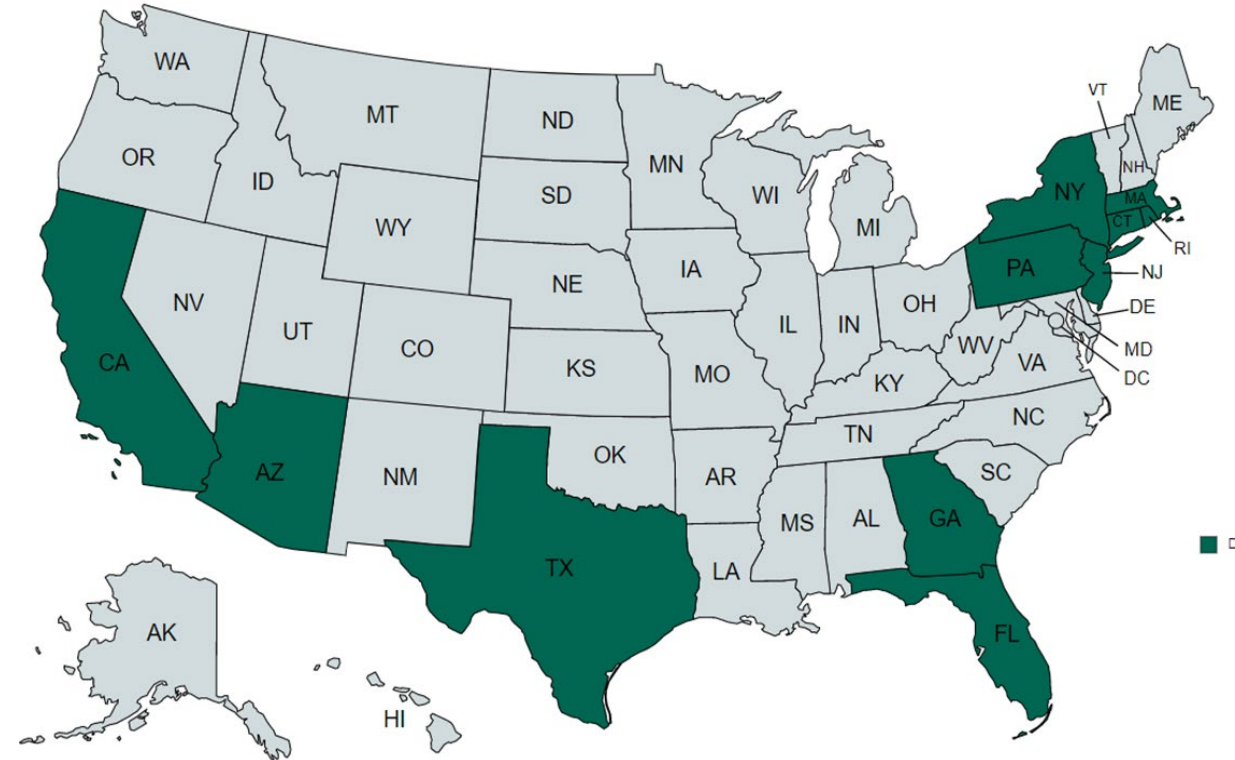
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About Devereux



- National not-for-profit focused on behavioral health, autism, disability services, foster care, and more
- \$574M service revenue in 12 states
- Strategic focus on growth, including mergers & acquisitions (M&A) and consulting solutions



Our situation



- Multiple iterations of procurement department over years with varying (and limited...) success
- Focus on tactical battles – “I can get this cheaper here!” – rather than strategic results
- Opportunity for expert consultant & re-organization (right time)



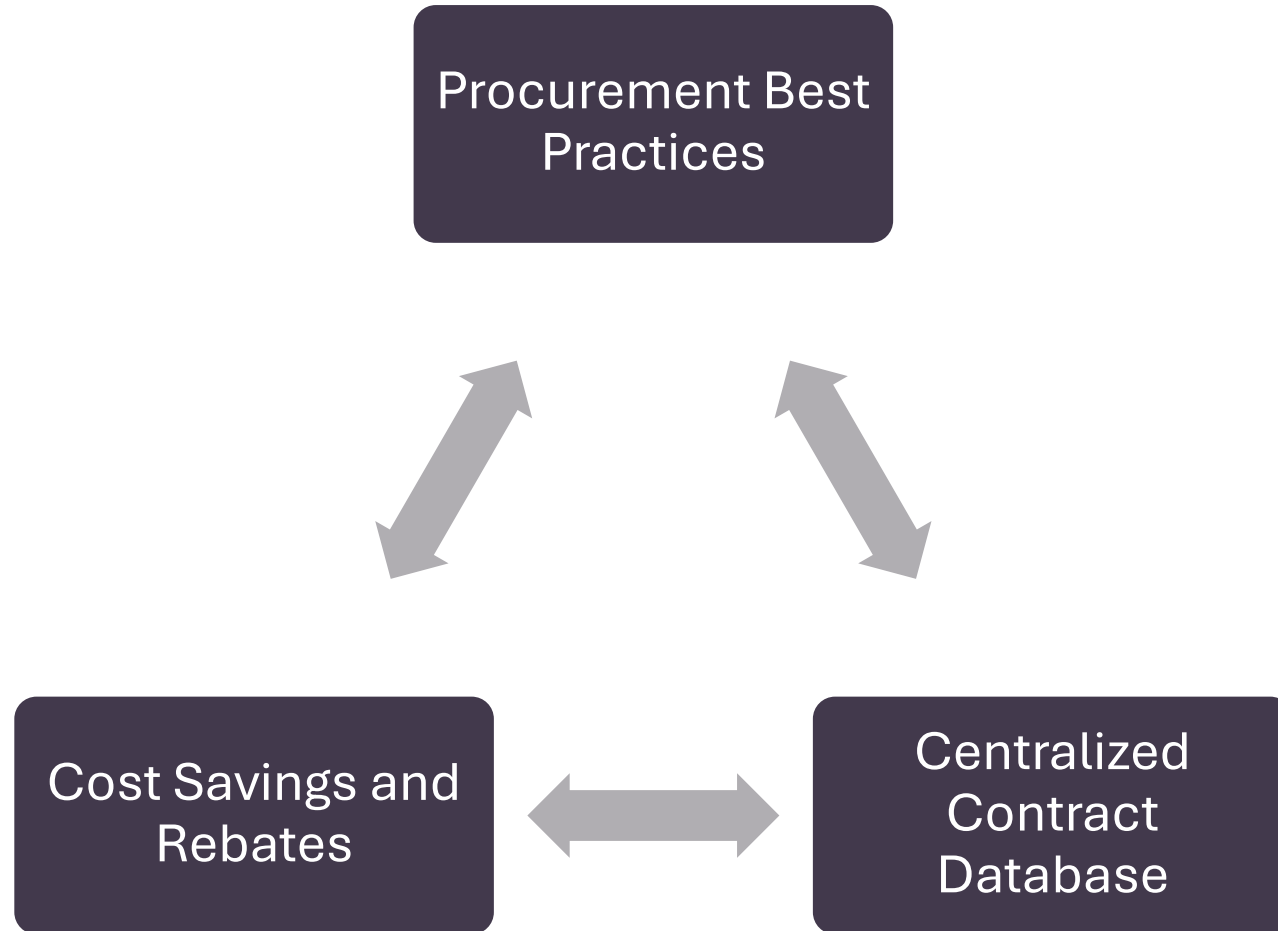
Reframing “why”



Unlocking Human Potential™

Leverage Devereux’s size and scope for **procurement** success in quality and value, while allowing **purchasing** to occur locally for flexibility

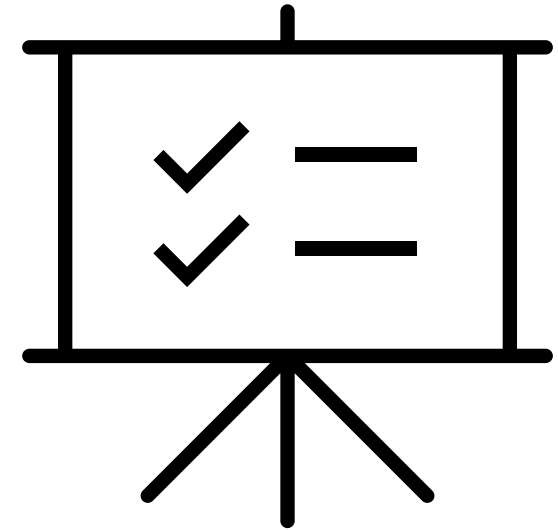
Assessment & Recommendations



Actions taken based on assessment

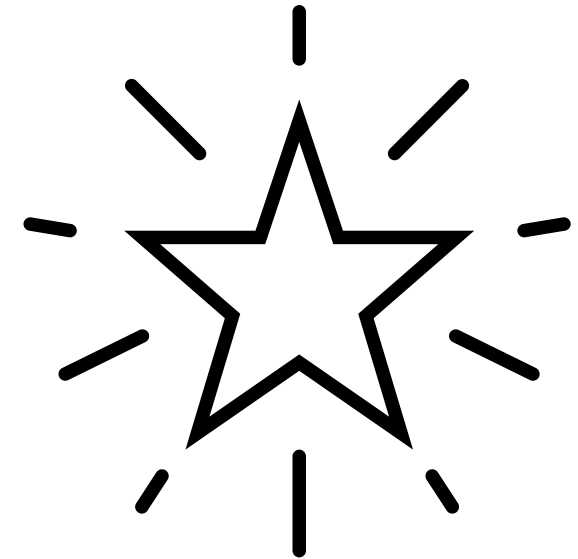


1. Restructure procurement team
2. Evaluate purchasing systems
3. Implement annual procurement planning
4. Increase visibility and compliance
 - a. Contract Database
 - b. Cost Savings & Rebates
 - c. Consolidate GPO spend



Current State – Highlights

- Transparent annual planning
- Vendor compliance and performance management
- Comprehensive RFP process
- Centralized procurement access & category management



Current State – Focus Areas



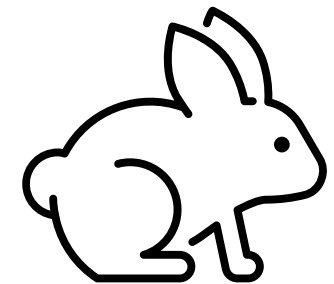
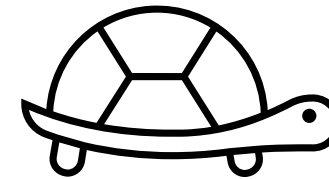
- High-impact, high-emotion spend areas (food, others)
- Proactive purchaser engagement with vendors and GPOs
- External services to long-term care & human services organizations



Lessons Learned



- Get expert help ASAP – it’s hard to see what’s right in front of you.
- *“Slow and steady wins the race!”*
- Celebrate success: \$1.6M in est. cost savings & \$545K in rebates in two years



Key Takeaways

- Hybrid approach means doing what's right for your organization – for us, that was focusing on **procurement** value-add activities, while leaving **purchasing** to the centers.
- **Measurement matters**, and make sure your plans and incentives are aligned (we will start to prefer rebate over costs savings, as the \$ are real).
- **Foundational activities** like good contract / certificate of insurance (COI) management and compliance measures allow for better procurement decisions.

Questions?



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