

SPENDING MONEY WISELY

GETTING THE MOST FROM SCHOOL DISTRICT BUDGETS



RETHINKING PURCHASING: A Strategic Approach to Increasing the Value of Each Dollar Spent

Opportunity Brief • Getting Started • Lessons from the Field

by Nathan Levenson, Karla Baehr, James C. Smith, Claire Sullivan



DISTRICT MANAGEMENT COUNCIL®

www.dmccouncil.org

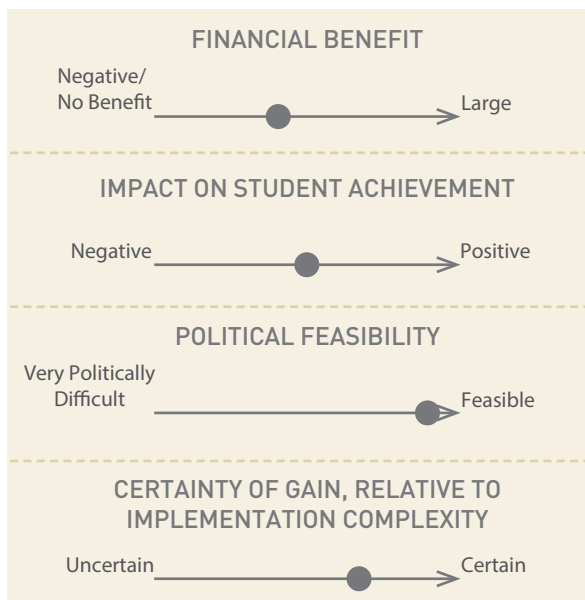
OPPORTUNITY BRIEF

RETHINKING PURCHASING: A Strategic Approach to Increasing the Value of Each Dollar Spent



DISTRICT MANAGEMENT COUNCIL®

All school districts spend a great deal of time, thought, and even political capital answering the question, “What should the district spend its limited resources on?” Lengthy debate often accompanies the decision of whether to buy a new math curriculum, renovate a school, or buy supplies, for example. In many districts, far less time and attention are devoted to how these items should be purchased. Changing how things are purchased can reduce costs and increase the value of every purchase made by school districts. Borrowing a few pages from private-sector playbooks where vendors compete on providing the best solution as opposed to just providing the lowest price to specified requirements has allowed some urban districts to free up millions of dollars and increase the value of tens of millions of dollars of purchases.



The political capital required to modify the approach to purchasing is modest, and while changes to purchasing methods will not directly raise student achievement, the savings can be directed to advance the district’s strategic initiatives.

School districts spend substantial funds on curriculum and textbooks, transportation, utilities, technology, construction, maintenance, subcontracted staff, food service, and materials and supplies for students, teachers and others. For a typical district of 50,000 students, purchased expenses account for approximately 20% of the budget, ranging from \$60 to \$180 million dollars annually, not including new school capital costs. As public entities spending public funds,

most districts focus great energy on compliance, and many leaders feel there is little alternative to the processes currently in place.

However, rethinking how districts purchase by combining private sector strategic purchasing strategies with public sector requirements presents an opportunity for many districts to free up funds for strategic priorities and get more value from every dollar spent. Trimming the costs of what’s purchased by 5% would save a typical district of 50,000 students \$3 to \$9 million per year. Increasing the effectiveness and value of these purchases is even more valuable.

How school district purchasing typically works

Most states have very prescriptive laws governing purchases by municipal entities, including school districts. At the core are a public-bidding process and a requirement to select the lowest price as long as specifications are met. This system is intended to create transparency and fairness and ensure that public money is spent responsibly.

Purchasing departments make decisions with caution to ensure that all regulations and requirements are met. Anyone who has sold to school districts knows how meticulously the purchasing regulations are followed. Failure to meet every specification – missing a form in the bid package, submitting a response a day late, or not properly labeling the outer and inner envelopes – can all get a vendor disqualified. The rules matter a lot, because they are the law and many believe they ensure a good outcome for public money spent.

The whole process begins when a department head or other administrator decides to purchase something. The CFO, for example, might initiate the buying of transportation services or the math director might start purchasing new curriculum and textbooks aligned to the Common Core State Standards. Once an administrator starts the process, then purchasing gets involved (for smaller purchases, the administrator may

function as its own purchasing department, following a very similar process).

The next step of writing detailed specifications gets a lot of attention. The heart of ensuring fairness rests on telling every potential vendor exactly what is required. For example, one recent bid package for software to support teacher evaluations indicated some high-level features, such as compatibility with iPads, ability to share data with the human resources system, and support on a particular evaluation rubric. This all makes sense, since these are critical to the district’s plan to evaluate teachers. The purchasing request, however, also listed over 50 other requirements, including dozens of reports that were required to be standard, information on server-system compatibility, security features and capabilities, frequency of new software releases, data-extraction capabilities, scalability, and customer support expectations.

After the specifications are written, the rest of the process is very straightforward. Districts publicly announce what the district is looking to buy, provide the specifications to everyone interested in bidding, and then collect the bids. Each bid has a clearly listed price to meet the requirements. There is little room for favoritism since anyone can bid, and everyone is bidding on the same requirements.

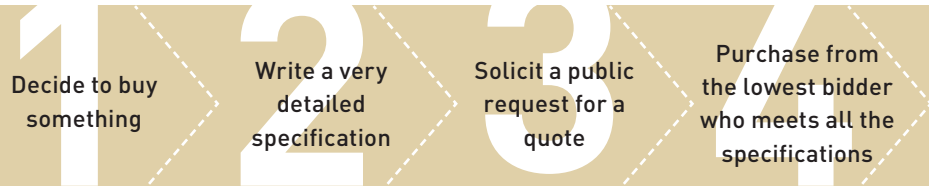
With responses from multiple vendors in hand, a very objective (thus fair and transparent) process completes the buying cycle. Purchasing looks at each price sub-

mitted, selects the lowest price, and then checks that the vendor’s bid does in fact meet every specification and that all forms are properly filled out. If yes, the lowest bidder wins; if no, this review process is repeated for the second lowest bidder.

On the surface, it seems like an ideal process; it is fair and transparent, and the fact that districts purchase products and services from the lowest bidder makes it seem that dollars are being spent prudently. However, this process, in fact, often raises costs. The specifications written at the beginning of the

Purchasing in the private-sector is more nuanced than school district purchasing and focuses on value and fit, not just meeting specifications.

The Typical Four-Step District Purchasing Process



process do not set districts up to get the best value.

Detailed specifications rarely provide enough flexibility for alternative solutions to be considered. The process omits an important step of considering the trade-off of features for a lower price.

For example, consider a fairly straightforward purchase, such as buying ten photocopiers/printers. The specifications might look something like this:

Printing specifications

Color laser printing method
75 pages per minute

Copier specifications

600 x 600 dots per inch resolution

Scanner specifications

Color Charge-Coupled Device (CCD)
One-touch scanning
Email scan from address book

Fax specifications

3-second transmission speed
1,000 sheet memory capacity

With the typical purchasing approach, the lowest priced vendor who provides photocopiers with all the requested features and requirements will win. What if, however, one vendor had a copier for 15% less that had a 3.1 second fax transmission speed instead of the 3-second speed required, or if 20% could be saved if scanning required three buttons to be pressed instead of the one-touch scanning specified? If a district sent thousands of faxes, this might be a problem, but if it mostly received faxes, it might be fine. The traditional purchasing process often prevents this kind of evaluation of trade-offs.

In our private lives, we routinely weigh these kinds of alternatives when spending our own money. We might walk into a store knowing we want a 60" flat screen TV with integrated speakers and Dolby sound, but we may end up walking out of the store with a 56" TV and separate speakers. We make a value judgment that the extra four inches is not worth the extra cost, and that separate speakers will work fine given how much less it will cost.

Most private-sector companies purchase in a way that is much more similar to the way an individual buys a TV than the process by which a school district makes its purchases. Many private sector companies have found that costs are lower and purchases are better made when trade-offs are evaluated. The problem, of course, is that schools are spending public money, unlike the consumer or a private company. Fortunately, some school districts have found ways to incorporate the best of private sector practices within the public sector regulatory context.

Purchasing pitfalls

1 Signing the vendor's contract – Contracts prepared by vendors often contain language to protect the vendor at the district's expense.

2 Uncapped hourly/daily rates – Contracts often leave uncapped the costs and the amount of services to be provided; instead, contracts should include absolute "not-to-exceed" amounts to protect the district from unanticipated costs and services.

3 Incorporating inflexible termination language – Districts should ensure the ability to terminate the agreement at any time, even without cause.

4 Agreeing to indemnify the vendor – Contracts that require districts to indemnify the vendor protect the vendor at the district's expense. Vendors may reasonably seek to limit their exposure or to have mutual indemnification, however.

5 Letting multiple administrators, principals, and teachers sign contracts – Only a few well-trained and experienced people should approve all contracts.

6 Blindly accepting shipping and handling charges – Some vendors charge for shipping and handling based on the purchase price, not the actual cost of shipping. Arranging transportation directly can sometimes be worth the effort.

7 Failing to negotiate hard with sole-source vendors – When buying a specific textbook, there is only one publisher. Old-fashioned hard bargaining, however, can greatly impact the final price paid.

Insights from the private-sector

Purchasing in the private-sector is more nuanced than school district purchasing and focuses on value and fit, not just meeting specifications. Private-sector purchasing starts by gaining a clear understanding of the goals of the product or service being purchased. With this understanding in place, the purchaser communicates with a number of potential vendors and asks the vendors to suggest the best solution. Unlike the school district purchasing process, detailed specifications are not predetermined or provided. The vendors receive a general description of need and any critical information. They are then expected to use their creativity, knowledge, and expertise to solve the organization’s problem with the best solution at the best price.

A hallmark of this process is that vendors ask a lot of questions and have multiple conversations with key stakeholders to gain a deeper understanding of the need. This stands in stark contrast to school district purchasing where questions are generally required to be submitted in writing and only to the purchasing department. Vendors will in fact be disqualified in many districts if they contact end-users directly.

At the end of the conversations, vendors submit a full proposal with prices; sometimes they provide a variety of options. Purchasing and key stakeholders evaluate the options and make value judgments, trading off features for price and weighing which alternatives best fit the need. The purchasing decision is then made based on value (i.e., the best combination of feature and price), not exclusively based on price and 100% compliance to the specifications.

In the private sector, figuring out the specifications is the responsibility of the vendor, not the purchasing department. Purchasing staff is not expected to be the experts on all products and services for their organization. The expectation is that the purchasing staff will communicate within their organization to understand the problem and goals, and then will communicate externally with vendors to gather potential solutions to be considered.

In short, traditional school district purchasing requests a price for a predetermined set of requirements, which is often referred to as an RFQ (request for quote), whereas the private sector asks vendors to develop the specifications to a broad statement of need, which is called an RFP (request for proposal).

The best of both worlds

Obviously, reality is much less black and white than described above. School districts do issue RFPs and private sector firms do use RFQs. The proportions, however, are different. Schools seem to use RFPs for certain services like consulting, but most purchases of physical things, such as construction and technology are RFQs. Private sector reserves RFQs for simple, lower-cost items that do not merit the effort of evaluating alternatives. They seldom use RFQs for construction, technology, or strategically important or large purchases.

Public-sector and private-sector purchasing both have strengths. The good news is that their strengths are complementary. School district purchasing complies with the regulations associated with being a public entity. Private-sector purchasing relentlessly focuses on value and organizational fit. School districts can incorporate many elements of evaluating for value and making trade-offs, while still meeting all regulatory, compliance, fairness and transparency requirements.

The process begins with the purchasing department’s identifying the end-users for the product or service being purchased. End-users could include the academic department or exemplary teachers when purchasing curriculum, clerical staff when purchasing copiers, or janitorial staff when making facility purchases. The end-users change based on the product or service sought.

The purchasing department is not expected to be an expert on everything the district buys, but it is expected to have strong facilitation skills and to be able to identify the right group of representatives to define the product or service needs on behalf of the district.

Based on conversations with users, the purchasing department creates a valuation rubric. For example, if many copies are made, some scanning is needed, and few faxes are sent, printing speed might be worth 50 points, since this is most critical, while the ability to scan may be worth 15 points, and the ease of scanning and fax speed may be worth only five points. Price would be given a weight of 25 points. If the needs were different, so would be the weights.

At this point, the purchasing staff is equipped to use the criteria and weights to create the RFP, which asks vendors to develop specifications to meet the statement of need. The expectation is that the organizations that are selling these

A Combination of Public and Private Sector Approaches

1 Engage stakeholders to define the need (not the solution)

2 Prioritize criteria for evaluation

3 Issue requests for proposals

4 Select vendor based on value through a structured analysis of alternatives

Eliminating wasteful spending

Strategic purchasing is about moving from good to great. It is not that traditional purchasing does not work; in fact, few district leaders are clamoring for change, which is a sure sign that the status quo meets most needs. Regardless of which purchasing method is used, it is important to always keep an eye out for wasteful spending. In either system, good data to evaluate recurrent purchases and a tight feedback loop between end-users and the purchasing department ensure better outcomes.

Many superintendents have shared stories of learning of warehouses filled with unopened textbooks, discovering software licenses that had never been activated, or finding that supplies were constantly being reordered even though thousands were sitting unused somewhere in the district.

- Chicago Public Schools (IL), for example, discovered that a number of supplies were being purchased, stored, and then not used for years. They ended up saving \$25 million a year through a central office restructuring that included better supply purchasing.¹

- A superintendent of a large district reported that more than \$1.5 million in software licenses were renewed each year for schools that had discontinued using the program. A group of principals had made the decision to opt out of the program, but Curriculum & Instruction had not been informed of the decision and continued to make the purchasing request every year. Because the software licenses did not show up on a loading dock, there was no physical signal that they were not being used.

- Richmond Public Schools (VA) discovered that some schools were paying vastly different amounts for exactly the same supplies. Of the \$52 million that the district spent on supplies from a multitude of vendors, half of those purchases were documented only by paper receipts, which did not allow for easy price comparison. Centralizing purchasing helped the district save money by ensuring all supplies were bought at the best price available. Over 70% was saved on boxes of paper clips; some schools had been spending \$1 a box when they could be purchased for less than 30 cents.²

The role of purchasing was to buy what was asked of them. Purchasing was not a watchdog for spending, but was focused on ensuring that the proper process was followed.

Most districts have strict controls for not spending money that is not budgeted, but they have fewer controls to ensure that routine purchases are not wasteful. To be sure, no one in these examples was knowingly wasting money; they simply did not have visibility across a large, complex organization.

Asking purchasing to ensure that every purchase is needed will require a shift in role to more proactively questioning requests, ensuring better data systems, and tracking purchases after they arrive. This is a lot of extra work, but a few extra full-time people might uncover millions of dollars of savings, which could be a very worthwhile investment.

¹Frederick M. Hess, *Cage Busting Leadership* (Cambridge: Harvard Education Press, 2013), 147.

²*ibid*, 147.

products and services are experts in their field and can do this more effectively than the purchasing department. Districts are paying the vendor and should expect the vendor to work for the opportunity to receive the district's money.

Ultimately, requesting proposals, rather than quotes, ends up providing a range of features and prices. School districts can think through the tradeoffs based on the various options proposed. The purchasing decision is then made based on value (i.e., the best combination of features and price), not exclusively price and rigid compliance. For example, if the evaluation committee considered 75 and 74 copies a minute to be virtually the same, each of these could receive virtually the same number of points, rather than excluding the slower offering altogether for failing to meet the specification of 75 copies per minute. At the end of the process, this provides the best value and fit from the product or service purchased.

A change in mindset, not just forms

Implementing a more strategic approach to purchasing requires districts to do more than share the four process steps with the head of purchasing. If the takeaway is just to issue more RFPs than RFQs, then a key idea has been lost. In the new system, vendors are sources of ideas and will need ample access to key stakeholders. Bid openings become the start of a detailed review process, not the end of the process. Decisions are not black and white, but instead are structured and objective. For many districts, this is a big change in how purchasing interacts with internal and external partners. It is a change in mindset.

Superintendents need to provide visible support for the new purchasing process and approach. The leadership support could be framed with a message that explains to key district stakeholders why the new process is important and how it will save the district money that can be used to support the district's theory of action to help students.

A more strategic purchasing process that consistently focuses on evaluating alternatives and weighing trade-offs requires purchasing staff to become comfortable with more ambiguity. They will need to be confident in the process and be comfortable defending their decisions. Again, superintendent support can help create this comfort.

Perhaps the hardest part of making this transition will come from the purchasing department itself. Simply asking purchasing staff to implement this buying approach may not be successful given that many in the department may have no experience with this type of approach. Some districts have sought to create a department with a mix of people that have both school-district and private-sector experience. Maintaining school-district experience as part of the purchasing department ensures that districts continue to comply with regulations associated with being a public entity. Infusing a

private-sector point of view into the purchasing team helps develop a new focus on value and fit.

It might be surprising to some to learn that purchasing in the private sector is a field of study and area of certification, not just a skill learned through experience. Master's degrees in purchasing often take over 30 credit hours to complete, and students develop a number of skills and abilities. Not surprisingly, writing detailed specifications is not one of the capabilities mastered. Instead, the focus of the coursework is often on financial capabilities, cost analysis, negotiation skills, and project management.

When looking for private sector expertise, it can be advantageous to find people who have worked in a number of industries or purchased a wide array of products and services.

These "generalist" purchasing agents have had to learn new industries before and have had to work closely with internal stakeholders, rather than become experts themselves in a given product type or industry.

They will learn the ins and outs of public-sector regulations and school-type products quickly since they have had to learn other fields before.

A good value

As school budgets remain tight and every dollar becomes harder to come by, creating a more strategic approach to purchasing has helped some school districts stretch their limited budgets, better meet the needs of students and staff, and save money for other uses.

GETTING STARTED

RETHINKING PURCHASING: A Strategic Approach to Increasing the Value of Each Dollar Spent

Districts typically spend up to 20% of their budget on purchased expenses. Infusing private-sector purchasing strategies, such as weighing alternatives and evaluating trade-offs, can free up funds for strategic priorities and increase the value of every dollar spent.

HERE'S HOW TO GET STARTED:

- 1 BUILD A PURCHASING TEAM WITH A MIX OF BACKGROUNDS**
A more strategic purchasing function benefits from a blend of the private sector's focus on value and school districts' focus on compliance. A team with both private-sector and school-district expertise can be the best of both worlds.
- 2 SHIFT THE ROLE OF PURCHASING FROM "EXPERT" TO "FACILITATOR"**
It is not reasonable or possible for purchasing officers to be experts on every product or service the district buys. But, it is reasonable to expect purchasing officers to engage end-users to identify needs and force trade-offs to get the best value for every dollar spent.
- 3 WRITE RFPs (REQUESTS FOR PROPOSALS) WITH THE NEED IN MIND**
With RFQs (requests for quotes), the purchasing function is outlining the solution in the form of detailed specifications for a product or service; this often precludes the district from considering alternatives and making trade-offs to get the best value. Instead, outlining a need in an RFP allows vendors to use their creativity, knowledge, and expertise to come up with the best solutions at the best value for the district.
- 4 GIVE VENDORS ACCESS TO KEY STAKEHOLDERS**
In order to propose the best solution at the best price, vendors need to have multiple conversations with key stakeholders to clearly understand their needs.
- 5 USE RUBRICS WHEN EVALUATING OFFERS THROUGH RFPs**
Based on conversations with end-users, develop rubrics and weightings for different features to help in evaluating trade-offs. Start small, and develop this system with just a few purchases at first.

***A word to the wise:* SUPPORT THE PURCHASING TEAM**

A more strategic purchasing process that focuses on weighing trade-offs requires purchasing staff to become comfortable with more ambiguity. They need to be confident in the process and be comfortable defending their decisions. Public and deep support from the superintendent helps foster a trusting environment.



DISTRICT MANAGEMENT COUNCIL®

RETHINKING PURCHASING: A Strategic Approach to Increasing the Value of Each Dollar Spent



DISTRICT MANAGEMENT COUNCIL®

Approximately 80% or more of a school's budget is spent on people, and therefore, many budget conversations rightly focus on managing staffing costs. The corollary to this reality is that non-staff expenses account for roughly 15% to 20% of the budget, which is still a big number. School districts spend meaningful dollars on curriculum and textbooks, transportation, utilities, technology, construction, maintenance, subcontracted staff, food service, and materials and supplies.

It is not sufficient to allow smart people to weigh the options in their head like consumers do every time they shop.

Lessons from the field

- LESSON 1** Develop skills and systems for evaluating trade-offs
- LESSON 2** Include end-users early and often, but don't hand over the reins
- LESSON 3** Some staff with private-sector backgrounds can help provide the needed skills
- LESSON 4** Superintendents need to visibly support a shift to strategic purchasing

For a typical district of 50,000 students, purchased expenses can range from \$60 to \$180 million dollars annually, not including capital costs. Trimming the cost of purchases by 5% could save a typical district of 50,000 students \$3 to \$9 million per year. Increasing the effectiveness and value of these purchases is even more valuable.

Districts that have achieved this type of success have done so by redefining the role of purchasing to shift from a primary focus on process and compliance to a primary focus on maximizing value. The lessons they have learned in the process provide a road map for others to get more value from every dollar spent and free up funds for the district's strategic priorities.

**LESSON
1****Develop skills and systems for evaluating trade-offs**

Because school districts spend public dollars, there is rightfully a significant focus on transparency and fairness. There are also formal regulation and policy considerations. Accepting the lowest-priced offer that meets predetermined specifications is a fairly simple way to manage the process. So, what is the problem with this approach? The drawback is that the detailed specifications written at the beginning of the process generally do not position districts to get the best value. Detailed specifications rarely provide enough flexibility for alternative solutions to be considered and preclude considering trade-offs of less or lesser features for a lower price.

Districts that add a more strategic element to purchasing learn how to systematize evaluating trade-offs while maintaining fairness and openness. Some districts have turned to using rubrics to strategically evaluate differing offers through RFPs (requests for proposals). Scoring rubrics are developed based on conversations with end-users who intimately understand the needs and goals of the product or service being purchased.

For example, the purchasing specifications for the purchase of copiers/printers for school offices in one particular district specified fast printing and scanning capabilities. However, further probing revealed that numerous print jobs occurred each school day, but scanning was only needed a few times per year. This finding was then incorporated into the scoring rubric so that the printing capability might be worth 50 points, and the scanning capability might be worth just five points. The purchasing staff created an RFP that asked vendors to propose products based on this clearer communication of needs. The proposals that came back provided a range of features and prices. It turned out that fast scanning, which was of limited importance to the district, was a feature that greatly increased the price. The school district could then weigh the trade-offs based on the various options proposed and the prices offered. Choosing a unit with fast printing but slower scanning saved 20% over the model that would have been purchased otherwise. This option would not have surfaced in a more traditional purchasing process.

Districts that have found a way to buy for less or to get more for their dollar actively involve end-users early and often throughout the process.

Making trade-offs in the public eye requires skills and systems. It is not sufficient to allow smart people to weigh the options in their head like consumers do every time they shop. For public entities, three components are needed: 1) staff with the skills to rigorously manage a more ambiguous process, 2) a system for creating thoughtful rubrics, and 3) bid and contract documents that are structured to reduce the possibility of vendor complaints and include a dispute resolution process.

**LESSON
2****Include end-users early and often, but don't hand over the reins**

The typical purchasing process in a school district gets underway when a department head or administrator decides to buy something. Purchasing helps write very detailed specifications, then publicly announces that it is looking to make a purchase, and provides the specifications to everyone interested in bidding. Vendors provide a price to meet the specifications and the low price wins. There is little room for favoritism since anyone can bid, and everyone is bidding on the same requirements. This is fair, but not always strategic.

Notice who is not involved in the typical buying process: the end-user. Districts that have found a way to buy for less or to get more for their dollar actively involve end-users early and often throughout the process. The end-user changes based on the product or service being purchased by the district (e.g., administrative assistants might be involved in a photocopier purchase, while teachers might weigh in on classroom technology purchases).

As soon as the decision to buy is made, the district purchasing departments should identify the key end-users and hold a meeting or a series of meetings to gain a deep understanding of the needs and goals. These meetings typically have two objectives:

- To uncover the criteria that drive value from the end-users' perspective
- To prioritize the criteria to understand what is necessary versus what is nice to have but not essential

For one district in Texas, end-users regularly develop the functional criteria under the direction of a purchasing officer.

This places the purchasing officer in a very different role from that in most districts. Rather than managing a bidding process, the purchasing officer is facilitating investigative conversations and forcing trade-offs. Simply asking, “What do you want and need?” is not helpful for a variety of reasons. Often, end-users do not know what is currently available, so basic research on options, models, and available features is necessary pre-work to guide the discussion. And, the end-users themselves may not have complete concrete knowledge of their needs; some hard data collection about usage patterns is helpful to create informed discussions. Finally, the process can turn into wish-list creation. The conversation must focus on trade-offs and prioritization, not wants. Targeted questions like, “Is X more important than Y?” or “If one feature could be 50% faster, bigger, or better, which one would you want?” are more effective than asking, “Would you like X? Would you like Y? And would you like it faster?”

Throughout the conversation, purchasing staff are infusing a sense of cost-effectiveness, making it known which features tend to increase the cost by a lot or a little and discerning which features are the most valuable to the end-user. This knowledge can be a significant driver of savings.

This purchasing process gets the end-users’ point of view early, but does not turn over control of the process to end-users. The purchasing department, with guidance from the Chief Financial Officer, determines how the district will weigh the various criteria for evaluating bids. Purchasing staff listens to end-users, but then apply their professional judgment to help balance cost and need.

Just as including end-users early in the purchasing process is important, another lesson is to re-engage end-users near the end of the purchasing process to evaluate proposals. Another large district in Texas, for example, convenes end-users, facilitated by purchasing staff, for a series of structured meetings to evaluate proposals based on the criteria established.

LESSON 3 Some staff with private-sector backgrounds can help provide the needed skills

Just as top sports teams need players with a mix of skills, a number of districts with strategic purchasing departments have found that having a mix of skills and experiences has helped create a winning team. This need reflects, in part, how different strategic purchasing can be for a school system and how commonplace it is in the private sector.

A purchasing team with staff that has school-district experience ensures that districts continue to comply with district policy also bring knowledge of the sector, internal workings, and culture. Adding some staff with a private-sector point of view can help ease the transition from focusing on the lowest bid to focusing on value and trade-offs, which are

commonplace in the private sector.

Both districts created a mix of education-sector and private-sector people in their purchasing departments. The first district targeted about a third of the staff from the private sector at the start, and eventually hired new staff predominately from the private sector. The second district's purchasing officer has an impressive resume of both private-sector and school-district experience. The district has learned that having the head of purchasing know both spaces well has infused the entire department with the skills necessary to consistently focus on evaluating alternatives and weigh trade-offs. The district also learned that having individuals with private-sector experience gave the department more confidence in dealing with ambiguity and defending their decisions to various stakeholders.

Districts that have hired purchasing staff from the private sector have learned that looking for individuals that have worked in multiple industries has been advantageous. In the corporate world, some buyers specialize in an industry, gaining deep understanding of particular vendors and the intricacies of specific products. Other buyers work across a wide range of industries, honing both general skills and the skill of learning new products and vendors. These generalists can be a better fit for school districts since they have already demonstrated the capacity to learn a new industry and often can learn the inner workings of a school district fairly quickly.

LESSON 4 Superintendents need to visibly support a shift to strategic purchasing

It seems simple to task the CFO with shifting to a more strategic approach to purchasing, but superintendent support is also critical to making this transition successful. Superintendents do not need to be involved in the details of specific purchases, but do need to support and push the shift to a new approach to purchasing. They must ensure that staff with the right skills is hired, and they must firmly support the new process and eliminate barriers that might jeopardize implementation.

Influencing hiring and the mix of skills in the purchasing department is an example of a high-value decision that superintendents can weigh in on to transform purchasing in their district. Absent high-level intervention, it is common for most organizations to hire new staff that is a lot like the current staff. New job descriptions, statements of qualifications, a commitment to diverse work experience, and openness to interview candidates that look different often require some nudging from the superintendent.

Superintendents also need to support the change agents in the department. In one district, even when a non-traditional head of purchasing was hired with an explicit mandate to

create greater value for each dollar spent through rubric-guided RFPs, the department regularly needed reassurances from the superintendent. The new approach to purchasing, especially a move towards more RFPs rather than purely deciding based on the lowest bid, can be disconcerting for staff that are used to and very comfortable with a less ambiguous way of decision-making. Visible support from the superintendent, often in the form of verbal reassurance that the department is on the right course and that accidental missteps will be corrected but not punished, are critical to a successful transition to more strategic purchasing.

Superintendents that changed the way purchasing is done in their districts have communicated the need for the change, describing why the department was changing and outlining key aspects of how the change would happen. At another district, the superintendent set an expectation that the purchasing department align its role with the core work of the district. To reinforce the strategic nature of purchasing, the department was asked to write goals that started with the phrase, “We support student achievement by” This transformation of purpose resulted in the purchasing department’s viewing savings on utilities as more than dollars and cents saved to appreciating that every \$75,000 they helped save could result in the hiring of a reading specialist to help struggling students.

Superintendents can also help by eliminating potential barriers that may hinder implementation. For one district, this meant that the superintendent revisited school board policies to ensure that they were aligned with how purchasing should be done to best support the interests of the district. Through this review, the district found some school board policies that would likely have been counterproductive to the new approach. Getting those policies changed helped ensure that there were no barriers and allayed fears of non-compliance.

Find time for the important, and not just the urgent

Taking a more strategic approach to purchasing will save money and increase the value of many purchases, while generating limited pushback from stakeholders. With the right staff and a few lessons learned, the change is fairly straightforward to implement. The biggest drawback is that some attention and support from the superintendent is needed to launch and maintain the effort.

Because of the countless demands on district leaders, purchasing reform often falls to the bottom of the “to do” list. However, as budgets stay tight and taxpayers are asked for more funds, being able to highlight the savings and the focus on stretching each dollar can help win support and ease future budgets.

**Superintendents
do not need to be
involved in the details
of specific purchases,
but do need to support
and push the shift to
a new approach to
purchasing.**

SPENDING MONEY WISELY

Getting the Most from School District Budgets

This chapter is from *Spending Money Wisely: Getting the Most from School District Budgets* by Nathan Levenson, Karla Baehr, James C. Smith, and Claire Sullivan of The District Management Council. To access this chapter and the rest of the series, please go to www.dmcouncil.org. Topics in this series include:

1. **Calculating Academic Return on Investment: A Powerful Tool and a Great Investment**
2. **Managing to Existing Class-Size Targets: Systems and Tools to Staff More Closely to Current Policy**
3. **Adding Precision to Remediation and Intervention Staffing Levels: Data-Driven Guidelines Improve Schedules, Building Assignments, and Workload**
4. **Finding Politically Acceptable Ways to Increase Class Size or Teaching Load: Freeing up Funds for Strategic Priorities**
5. **Strategically Spending Federal Entitlement Grants: Making the Connection to District Priorities**
6. **Ensuring More Students Read on Grade Level: Cost-Effective Strategies**
7. **Improving the Cost-Effectiveness of Professional Development: Reducing Expenses While Increasing Impact**
8. **Rethinking Purchasing: A Strategic Approach to Increasing the Value of Each Dollar Spent**
9. **Lowering the Cost of Extended Learning Time: Creating Financial Sustainability**
10. **Targeting New Investments: Funding a Better Future Despite Declining Resources**

About the Authors

Nathan Levenson is Senior Managing Director of The District Management Council (DMC). After a career in the private sector and six years as an elected school board member, he served as superintendent in Arlington, Massachusetts. His work at DMC has led him to more than 50 districts, always looking to help them do more with less.

James C. Smith, Senior Director at The District Management Council, has a combination of human capital consulting and classroom teaching experience. James works on projects across several areas including human capital, strategic planning, special education, and stakeholder engagement.

Karla Baehr is Senior Advisor and Consultant at The District Management Council. Her many years of experience as a superintendent in both urban and affluent districts provide a unique perspective. Karla also served as deputy commissioner of the Massachusetts Department of Elementary and Secondary Education.

Claire Sullivan is a Senior Associate at The District Management Council. Having worked in the classroom prior to joining DMC, Claire now works with a number of districts on mapping resource allocation, with particular focus on data-driven budgeting and improving special education and remediation and intervention staffing.

About the District Management Council

The District Management Council (DMC) partners with public school district leaders to help improve student outcomes, operational efficiency, and resource allocation. DMC was founded in 2004 to address the most pressing and important management challenges facing American educators. The trusted advisor to school district leaders, DMC works with districts on these important issues to achieve measurable results. With the firm belief that leadership and management matter, DMC helps to strengthen and increase the managerial capacity of the people leading school districts to systemically improve the performance of the American public education system. To learn more, visit www.dmcouncil.org.

Support for this series was provided by the Bill & Melinda Gates Foundation.



DISTRICT MANAGEMENT COUNCIL®