

Feature Story



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DETROIT PUBLIC SCHOOLS IMPROVES ITS SPEND MANAGEMENT WITH PEOPLESOFT

Burdened by legacy systems, including a flawed paper-based purchasing process, Detroit Public Schools (DPS) knew it had to increase its visibility into and better manage the millions of dollars a year it spends on procuring classroom supplies. Now live on PeopleSoft Supplier Relationship Management, the nation's tenth-largest school district has dramatically streamlined its supply chain.

In the course of pursuing a quality education, Detroit, Michigan's 140,000 public school students use millions of dollars of school supplies annually. But first, the Detroit Public School (DPS) district has to source, procure and deliver the paper, pencils, textbooks, and other materials needed by its 257 schools. In 2001, the school system's lengthy paper-based purchasing process was buckling under the weight of so many goods—435 tons of materials were ordered for the 2002 school year.

| Classroom Supply Improvement at DPS | | | |
|-------------------------------------|-----------------|-----------------|--------|
| Metric | Jan - June 2003 | Jan - June 2004 | Change |
| % Fill Rate on First Shipment | 80.6 | 93.4 | +16% |
| Average Days to Ship | 4.1 | 2.7 | -34% |
| Orders Completed on First Shipment | 59 | 70 | +19% |

Art Hanby, deputy chief contracting officer for Detroit Public Schools, says DPS realized it was time to update the purchasing process for the nation's tenth-largest school district. "The paper-based, labor intensive procurement system resulted in a high percentage of purchase order errors. And it also didn't deliver supplies to the classroom in a timely fashion," he says, "leaving many teachers unable to follow through with lesson plans—and frustrating both teachers and students. These issues, combined with the lack of budgetary control, drove us to find a better solution."

So DPS chose PeopleSoft® Enterprise Supplier Relationship Management, including PeopleSoft eProcurement, eSupplier Connection, Purchasing, Strategic Sourcing, and Supply Chain Warehouse to roll out across the school district's enterprise. Along with PeopleSoft Enterprise Billing and Inventory, DPS sought to establish a paperless, automated supply chain that would maximize precious budgetary and staffing resources, engender strategic relationships with key suppliers and allow visibility into spend.

Direct Connect Turns Weeks into Hours

With the help of **Empower Solutions**, a provider of software implementation services for the public sector and higher education markets, Hanby and the DPS team began implementing PeopleSoft SRM in early 2002.

"In six months, we collected information to build a new online item catalog and a new vendor file to upload into PeopleSoft," explains Hanby.

THE DIRECT CONNECT APPROACH

Direct Connect is functionality bundled with PeopleSoft Enterprise eProcurement. With Direct Connect, you can go straight to a supplier's website to place orders from a real-time catalog. Direct Connect is particularly efficient when the goods' pricing is very dynamic or the product is highly configurable, such as a new desktop computer. Direct Connect follows the familiar eProcurement requisition process, including checking the budget and adhering to an approval procedure. Once a requisition has become a purchase order, Direct Connect dispatches it as an XML purchase order.

Direct Connect is just one approach to connecting with suppliers through a comprehensive supplier enablement strategy. Other options include connecting to a supplier network, such as Perfect Commerce's Open Supplier Network. Connecting to a supplier network is good for less dynamic direct and indirect materials purchases, Connecting to a supplier network can also offer lower costs and more choices from thousands of participating suppliers. For connecting with infrequently used suppliers, the Supply Chain Portal Pack enables suppliers to access purchase orders and post invoices. Having a mix of approaches can guarantee the most flexible, successful supplier relationship strategy.

"On January 6, 2003, we went live with one office supply and four classroom supply vendors, all integrated into our procurement system through PeopleSoft "eProcurement."

Today, DPS's 22,000 employees use the system to create an average of 40 to 100 Direct Connect purchase orders each day. The district now has 14 Direct Connect vendors maintaining real-time catalogs and pricing based on established contracts, helping Detroit Public Schools to source items quickly, ensure optimal product pricing, and reduce invoice errors.

The extraordinary success of the district's new solution can be measured by how much business its contract suppliers are booking as well as by how many eProcurement orders are going through the SRM system via Direct Connect suppliers. For example, Office Depot, the school system's office supply vendor, saw its business skyrocket 40 percent over the last year, while some of its classroom supply vendors have doubled their sales. Even more telling, during the first 20 months after PeopleSoft SRM was implemented, Direct Connect orders counted for just over 30 percent of the total order volume; in the month of September of this year, this number jumped to 45 percent.

The suppliers begin the order fulfillment process as soon as they receive a purchase order. Because Direct Connect orders are sent over the internet via Electronic Data Interchange (EDI), DPS employees can sometimes receive their supplies as soon as the next business day after creating a requisition. In fact, 93 percent of office supply purchase orders are delivered the next day. According to Hanby, the requisition-to-order process often took weeks or even months before DPS deployed PeopleSoft SRM. "For the first time, schools in the city of Detroit are ordering classroom supplies from our Direct Connect suppliers on Monday and receiving them by Friday."



"PEOPLESOFT HAS HELPED US TO TRANSFORM OUR BUSINESS PROCESSES AND MAKE A MORE EFFICIENT AND EFFECTIVE ORGANIZATION. WE'VE CREATED THE PURCHASING AGENT'S DREAM: THE PERFECT PAPERLESS PURCHASE ORDER."

**ARTHUR S. HANBY, JR. CPPO, C.P.M., CPPB, A.P.P.
DEPUTY CHIEF CONTRACTING OFFICER
DETROIT PUBLIC SCHOOLS**

Forging the Future with PeopleSoft

Clearly happy with the implementation of PeopleSoft SRM, Hanby is already underway with the next phase of the system: deploying Strategic Sourcing and eSupplier Connection. When live, Strategic Sourcing will enable DPS to receive price quotations and run reverse auctions from a variety of strategic suppliers, helping the district further reduce costs, while eSupplier Connection will enable its suppliers to "self-service" information about their company's purchase orders, invoices, and payments by using an external-facing application that makes strategic information about a company available through a two-way communication tool. "This additional functionality will allow DPS to continue to transform the district into an effective and efficient organization, a goal established by our CEO, Dr. Kenneth Stephen Burnley, in 2000," states Hanby. Meanwhile, DPS stands as an eProcurement model for other districts and public sector organizations around the nation. Earlier this year it was awarded a Leaders in Supply Management Award by a panel of procurement industry experts. They honored Hanby and his district for innovation and excellence in procurement, sourcing, and supply management in the Category of Public Services—Education.

"The reality of how this system is working has far exceeded my expectations," Hanby happily concedes. "We not only went from 1980s legacy systems to cutting-edge technology in one leap with PeopleSoft, but we're also continuing to transform the district into an effective and efficient organization that allows schools to focus their attention on educating the students of the City of Detroit."

About Empower Solutions

Empower Solutions, a wholly owned subsidiary of Intelligroup, is a management and technology consulting organization with a deep focus on industry expertise and quality of service. We assist our clients in identifying their most complex technology challenges, and in utilizing technology solutions in a way that makes sense for their business. We specialize in technology solutions for Higher Education, State and Local Government, School System, and Not-For-Profit clients.

Empower Solutions' consultants possess an unmatched level of technology experience and "best practice" industry knowledge. Empower Solutions can help your organization evolve and improve through technology.

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About Intelligroup

Intelligroup is a strategic partner to the world's largest companies. Its proven onsite/offshore delivery model has enabled hundreds of customers to accelerate results and reduce costs up to 50%. With deep expertise in industry-specific enterprise solutions, Intelligroup has earned a reputation for consistently exceeding client expectations. Intelligroup develops, implements and supports IT solutions for some of the largest U.S. school systems and global corporations including 3Com, Colgate Palmolive, Eastman Chemical, Hitachi and Steelcase.

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