Organizational Models for Financial Business Processes and Fiscal Management

Chancellor's Study Group White Paper

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Executive Summary

The Chancellor's Study Group on Financial Business Processes and Fiscal Management (FBP hereafter) was charged with presenting alternative models for organizing FBP at UW Oshkosh.

We identified four basic models that are in use both in the private sector and in higher education for organizing FBP. The models differ in the roles and responsibilities of the central administration (Financial Services (FS) in our case) and the operating units (Units hereafter; examples are the Colleges, Student Affairs, and Facilities Management).

- Decentralized – Units design and implement processes and deploy resources independently.

- Centralized – FS designs and implements processes and deploys resources.

- Standardized – FS designs processes. Units deploy resources to implement processes following standard design.

- Shared Services – A Shared Services Center (SSC) within FS has client relationships with Units governed by service level agreements and/or memoranda of understanding. Units specify needed services and performance standards and FS deploys resources to meet Units' needs according to the service level agreements.

Further, we identified two fundamental categories of FBP:

- Transactional – FPB that involve accounting for revenues and expenses correctly, paying vendors and employees, managing cash, reconciling actual to budgeted revenues and spending, etc.

- Analytical – FBP that involve assessing the costs and benefits of resource allocation decisions (such as whether to make a purchase, match a competing salary offer, continue a particular program, begin a new program, etc.)

The report describes these models briefly and presents their relative strengths and weaknesses vis-à-vis (1) the two fundamental categories of FBP and (2) the common key performance indicators (KPIs) across all Chancellor's Study Groups for organizational excellence. These KPIs, framed for the FBP Study Group, are:

- Strategic Alignment – Do our FBP support the institution's achievement of its priorities and mission objectives?

- Customer Service – How satisfied are our students, faculty, and staff with using our FBP and with the outcomes our FBP produce?

- Operational Excellence – Are we executing our FBP as efficiently as possible?

- Risk Management – How well do our FBP protect the institution's assets?

We note up front that the various tradeoffs in terms of the KPIs may lead to different models being optimal for different FBP. For example, risk management concerns regarding cash handling may be high enough to merit the centralized model for these FBP, while the customer service dimensions of other FBP may be more important than maximum efficiency for UW Oshkosh.

Critical Caveats

We believe it is important to state the following three points and that readers keep them in mind when reading this white paper and debating the path forward for UW Oshkosh.

- This white paper is not about *budget processes*. The organizational models for FBP and their strengths and weaknesses are independent of the University process for setting unit budgets and of the process any particular unit uses to determine how to best deploy its budget to accomplish its objectives.

- The primary opportunities for improving the effectiveness and efficiency of FBP at UW Oshkosh involve *redesigning the FBP* using the principles of lean management. Such redesign will most likely involve implementing many electronic means of carrying out the redesigned FBP.

  *There is an apocryphal story from the United States automobile industry as companies were attempting to respond to new and overwhelming competition from Japanese manufacturers. Managers from the Big 3 visited Japanese facilities and observed the presence of automated production equipment (robots). They returned to the United States and installed lots of robots in the Big 3 facilities. What they did not do, and what the Japanese had done, was eliminate waste and non-value-added activity from the production processes **before** automating them. The result, therefore, was that the Big 3 now had many inefficient processes that were difficult to change because of the rigidity of the automated equipment.*

  We do not want this to happen at UW Oshkosh.

- Improving the effectiveness and efficiency of FBP at UW Oshkosh will not lead to immediate cost reduction. Improvements will involve *up-front investment* in and *ongoing maintenance* of (1) new information technology tools, (2) training in FBP for leaders and employees if new organizational models are adopted, and (3) cultural changes within UW Oshkosh if new organizational models are adopted. Cultural change takes time, and only after significant FBP redesign will it become apparent how many resources are needed to staff a particular organizational model (e.g., the size of a Shared Services Center depends heavily on the information technology tools available to the SSC employees).

Study Group and Charge

Group Composition
The Chancellor's Study Group on Financial Business Processes and Fiscal Management comprised the following individuals:
1. Jean Kwaterski, Assistant to the Vice Chancellor and Business Manager, Student Affairs
2. Deborah Matulle, Interim Controller, Administrative Services
3. Sabina Schiessl, Director of Accounting, Foundation
4. Nathan Stuart, Associate Professor, Department of Accounting, College of Business
5. Lori Worm (facilitator), Associate Vice Chancellor, Administrative Services

The Charge
The formal charge to the FBP Study Group was:
- Study national best practices, including private-sector principles, to optimize financial business processes and fiscal management
- Gather, from stakeholders across campus, transactional, advisory, analytical, and strategic fiscal management needs and/or concerns
- Identify resources supporting campus financial business processes and fiscal management, including, but not necessarily limited to, personnel and shadow systems
- Develop and present two to three new service delivery models and their pros and cons addressing the following goals:
    - Enhancing the efficiency, strategic effectiveness, and quality of financial/budget services
    - Ensuring a comprehensive strategy utilizing concepts such as enabling technology, shared services, process reengineering, process standardization, business process outsourcing, and change in organizational structure
    - Defining competitive positioning of services as it relates to skills and resources
    - Identifying the impact of a new service delivery model
    - Facilitating continuous improvement of core financial business processes and fiscal management

Scope
The FBP Study Group's scope included all non-Foundation activity at UW Oshkosh involving financial planning and transactions. Based on the information we gathered during our listening sessions, we included payroll activity in this scope.

Information Gathering
We gathered information for this initial White Paper in two ways:
- We searched for information from both educational and private sector sources. The UW Oshkosh relationship with the Education Advisory Board gave us access to several relevant publications, and there were Task Force reports related to our charge at several other Universities (those from the University of Michigan were particularly helpful). Finally, there are several articles related to the management of internal corporate functional relationships. Please see the References section for examples of each of these types of resources.
- We held 10 guided listening sessions with campus units. During the sessions, we reviewed the FBP Study Group charge and then prompted attendees to talk about FBP using the following questions:

- o When you hear "financial business process," what examples at UWO do you think of?
  - Which do you take part in executing?
  - Which affect your experience of being a UW Oshkosh employee?
- o Assume we all went to sleep last night and woke up this morning to find a miracle had occurred – all UW Oshkosh FBP were "perfect"
  - How would things be different if such a miracle occurred?

Leaders of the following areas were invited to attend at least one listening session. We encouraged those leaders to invite all appropriate personnel from their units to attend. For a complete list of the units invited, see Appendix 1.

- Administrative Services
- Academic Affairs
- Chancellor's Office
- Student Affairs
- University Advancement

Organizational Models

We identified four basic models that other institutions (and companies) have used to organize the resources needed to execute FBP. In Table 1, we describe each model and the important dimensions where the models differ. Note that these models could be deployed for other types of business processes than financial business processes (e.g., marketing and communications processes, human resources processes such as onboarding and offboarding, and information technology processes).

We identified two fundamental categories of FBP:

- Transactional – FPB that involve accounting for revenues and expenses correctly, paying vendors and employees, managing cash, reconciling actual to budgeted revenues and spending, etc.

- Analytical – FBP that involve assessing the costs and benefits of resource allocation decisions (such as whether to make a purchase, match a competing salary offer, continue a particular program, begin a new program, etc.)

In Table 1:

- The first column gives the name of the organizational model and a brief description.

- The second column indicates whether FS or the Units have responsibility for the design of FBP.
  - o In the decentralized model, different units may design different FBP to accomplish similar tasks.
  - o In the centralized model, FS designs the FBP
  - o In the standardized model, FS designs the FBP
  - o In the shared services center (SSC) model, the SSC designs the FBP but must satisfy units' quality requirements.

- The third column indicates whether the resources that execute the FBP are housed in FS or in the Units.
    - In the decentralized model, different units deploy resources in different configurations to execute *different* FBP to accomplish necessary tasks.
    - In the centralized model, FS has most of the resources and executes most FBP to accomplish necessary tasks. Units have some resources to work with FS to execute some FBP.
    - In the standardized model, different units may deploy resources in different configurations to execute *common* FBP to accomplish necessary tasks.
    - In the SSC model, the SSC has most of the resources and deploys them to execute FBP that produce units' needed outputs.

- The fourth column indicates how transactional and analytical FBP are initiated and executed under each model.
    - In the decentralized model, units initiate and execute their own transactional and analytical FBP as needed, and FS may provide support.
    - In the centralized model, units request transactions and/or analysis and FS executes the FBP. FS may also initiate FBP and either execute the FBP or expect compliance from units.
    - In the standardized model, units request or initiate transactions and/or analysis. Units and/or FS execute standard FBP across all units.
    - In the SSC model, units request transactions and/or analysis and work with their SSC representatives to execute FBP.

- The fifth column indicates how the models influence the development of official and shadow FBP systems.
    - In the decentralized model, units develop internal systems that meet their FBP needs, complying with FS systems as mandated
    - In the centralized model, units develop "shadow" systems that meet their needs because FS systems are designed to meet FS needs
    - In the standardized model, units develop "shadow" systems that meet their needs because FS systems are designed to meet FS needs
    - In the SSC model, the SSC develops official systems with capabilities based on units' requirements for transactional and analytical FBP. Units do not need "shadow" systems.

Financial Business Processes

In Table 2, we present the various types of FBP that we identified during the listening sessions, categorized as either Transactional or Analytical.

The first column defines the FBP type. In the second-fifth columns, we indicate the model currently in use for that type of FBP. Note in particular that the Shared Services Center model is not currently in use at UW Oshkosh.

In Table 3, we indicate the relative importance of the strategic KPIs for each of the FBP. For transactional FBP, customer service and risk management tend to be the most important KPIs. For analytical FBP, strategic alignment becomes more important as these processes must ensure

that the strategic fit of Unit-level programs and activities is considered before Units deploy resources towards them.

In Table 4, we indicate how effective the organizational models are at delivering performance on each of the four strategic KPIs. Consistent with intuition, the experience in both corporate settings and higher-education institutions is:

- Decentralization tends to allow units to execute FBP to meet their own needs but at the expense of overall efficiency for the larger organization

- Centralization tends to create economies of scale at the expense of customer service, as the central administrative unit is not close to the operating needs of the Units

- Standardization can increase operational excellence as Units have fewer idiosyncratic FBP and resources, with improved risk management, but as Units' needs change the central administrative unit tends to be slow to respond/adapt

- Shared Services Centers can provide operational excellence through cross-trained resources able to support multiple Units, and the service level agreements between the SSC and Units ensure mutual understanding of quality and timeliness expectations.

   The transition period to an SSC model, however, is important to manage carefully, and immediate FTE reduction typically does not occur. Please see the third item on Page 2 for additional details.

Systems Supporting Financial Business Processes
The FBP Study Group's charge included identifying official information systems for FBP as well as "shadow" systems for FBP. Shadow systems are those purchased and/or developed by individual Units to support FBP activities because the Units do not believe the official systems and/or organizational model provides the necessary support and capability.

In Table 5, we present the official and shadow systems that we identified through archival research and listening sessions. There are, of course, operational efficiencies to be had by elevating shadow systems to "official" status and standardizing them for use by multiple units with similar FBP needs. Such activity would also improve overall risk management, and, with proper design, not reduce customer service. The fifth column in Table 1 contains the implications for official and shadow systems for each organizational model.

Additional Listening Session Information
As we have indicated, we learned quite a bit during our listening sessions about how FBP at UW Oshkosh are currently perceived. We have summarized the main themes from the listening sessions in the Appendix to this white paper. We believe that these themes relate as much, if not more so, to the actual design of FBP than to the organizational model adopted for FBP. As such, exploring them further at this time is beyond the scope of our charge.

Next Steps

The next step is to determine whether to pursue FBP redesign prior to or in parallel with a change to a different organizational model for some (or all) FBP. We believe there are opportunities for FTE reduction with improved strategic alignment, risk management, and customer service, but that FBP process redesign is needed to take advantage of such opportunities.

In the short term, we suggest that Financial Services establish a "FBP Help Desk" with a new telephone number and new email address that lead campus community members to someone who can record a question or concern (open a "ticket") and then respond to the question if possible or take the issue to the correct person within FS. The IT Help Desk can serve as a model for the FBP help desk.

Table 1
Organizational Models for Financial Business Processes

Model	FBP Design	FBP Resources	Transactional and Analytical Activity	Implications for Official and Shadow FBP Systems
Decentralized Units design and implement processes and deploy resources independently.	Units (independently)	Units (independently)	Units initiate and execute; FS may support	Units may or may not contribute to improving official systems. Many shadow systems exist, different across Units
Centralized FS designs and implements processes and deploys resources.	FS	FS	Units can initiate; FS executes; FS can initiate and either execute or Units comply and execute	Official systems support FS needs, not Units'. Many shadow systems exist, different across Units
Standardized FS designs processes. Units deploy resources to implement processes following standard design.	FS	FS; Units	Units can initiate and execute following standard process FS can initiate and either execute or Units comply and execute following standard process	Official systems support FS needs, not Units'. Many shadow systems exist, different across Units
Shared Services Center A Shared Services Center (SSC) within FS has client relationships with Units governed by service level agreements and/or memoranda of understanding	Units specify outcome quality; SSC designs	SSC, typically with a designated Client Manager for each Unit	SSC and/or Units initiate; SSC executes	More local official systems that support SSC needs to meet Unit requirements; fewer (if any) shadow systems

FBP   =   Financial Business Processes
Units =   Operating divisions (Colleges, Student Affairs, Facilities Management, etc.)
FS   =   Financial Services
SSC   =   Shared Services Center (within FS)

Table 2
Current Organizational Models for Financial Business Processes at UW Oshkosh

Transactional FBP	Current Model for FBP			
	Decentralized	**Centralized**	**Standardized**	**Shared Services**
Accounts receivable (most use QuickBooks, but not all)	X			
Cash depository services (Cashier's Office)		X		
Departmental and retail cash handling (including petty cash)			X	
Equipment inventory management			X	
Journal processing (TTR/Journal Template)		X		
Paying University-wide invoices (e.g., utilities, cable)		X		
Payroll		X		
Post-award financial management for sponsored programs/grants	X			
Post-award financial compliance for sponsored programs/grants		X		
Processing non-Foundation gifts and donations		X		
Processing of electronic receipts (point-of-sale systems)	X			
Processing refunds (primarily for students)		X		
Processing request to purchase goods and services (DPR, PIR, PO)		X	Bookstore	
Procurement card (departmental credit card) purchases			X	
Student financial services (loans, student accounts, etc.)		X		
Travel expense reimbursement		X		
Analytical FBP				
Analysis of current or new business operations/programs	X			
Division budget planning, execution, and oversight	X			
University budget planning, execution, and oversight		X		
Local-level internal audit and management of risk (internal controls)		X		
System-level internal audit compliance		X		
Obligate the University (contract signing or delegation)			X	

Table 3
The Relative Importance of Key Performance Indicators for Specific Financial Business Processes

	Key Performance Indicator			
	Strategic Alignment	**Customer Service**	**Operational Excellence**	**Risk Management**
Transactional FBP				
Accounts receivable (most use QuickBooks, but not all)	4	1	3	2
Cash depository services (Cashier's Office)	4	3	2	1
Departmental and retail cash handling (including petty cash)	4	3	2	1
Equipment inventory management	4	2	3	1
Journal processing (TTR/Journal Template)	4	1	2	3
Paying University-wide invoices (e.g., utilities, cable)	4	3	2	1
Payroll	4	1	3	2
Post-award financial management for sponsored programs/grants	4	1	2	3
Post-award financial compliance for sponsored programs/grants	4	2	3	1
Processing non-Foundation gifts and donations	3	2	4	1
Processing of electronic receipts	4	2	1	3
Processing refunds (primarily for students)	4	1	3	2
Processing request to purchase goods and services (DPR, PIR, PO)	4	1	3	2
Procurement card (departmental credit card) purchases	4	1	3	2
Student financial services (loans, student accounts, etc.)	4	1	3	2
Travel expense reimbursement	4	1	3	2

1 = most important

The implication of the KPI priority order is that we would not want to improve performance on a KPI if doing so meant reducing performance on a more-important KPI.

	Key Performance Indicator			
	Strategic Alignment	**Customer Service**	**Operational Excellence**	**Risk Management**
Analytical FBP				
Analysis of current or new business operations/programs	2	1	3	4
Division budget planning, execution, and oversight	2	1	3	4
University budget planning, execution, and oversight	1	2	3	4
Local-level internal audit and management of risk (internal controls)	2	3	4	1
System-level internal audit compliance	2	3	4	1
Obligate the University (contract signing or delegation)	2	3	4	1
1 = most important The implication of the KPI priority order is that we would not want to improve performance on a KPI if doing so meant reducing performance on a more-important KPI.				

Table 4
The Influence of the Organizational Models on the KPIs

	Key Performance Indicator			
	Strategic Alignment	**Customer Service**	**Operational Excellence**	**Risk Management**
Model				
Decentralized	Medium	High	Low	Low
Centralized	High	Low	Medium	High
Standardized	High	Low	High	High
Shared Services Center	High	High	High	High

Key

Rating	Description
Low	This organizational model is not very effective at delivering strong performance on this KPI.
Medium	This organizational model is moderately effective at delivering strong performance on this KPI.
High	This organizational model is very effective at delivering strong performance on this KPI.

Table 5
Official and Shadow FBP Systems at UW Oshkosh*

OFFICIAL SYSTEMS		
System	**Purpose**	**Comment**
Automated Issuance Management System (AIMS)	Parking permits	Parking Services
BookLog	Bookstore point-of-sale system	University Books & More
Er Portal	Tracking and billing	Central Stores/Receiving
EZ Care	Tracking and billing	Children's Learning and Care Center
Human Resources System (HRS)	Payroll	UW System connection
Now Docs	Job tracking and chargeback	Document Services
QuickBooks	Accounts receivable management	Various users
Seattle Technology Conference Programmer	Job tracking and billing	Gruenhagen Conference Center
Shared Financial Services (SFS)	Ledger system	UW System connection
Star REZ	Room occupancy	ResLife
Student Information System (TitanWeb)	Student accounts, course offering data	UW System connection
Postal Billing System	Job tracking and chargeback	Postal Services
TMA Systems	Work order tracking and chargeback	Facilities Management
TouchNet	Credit card payment processing	Various users
Wisconsin Datamart (WISDM)	Financial reporting	UW System connection

SHADOW SYSTEMS		
System	**Purpose**	**Comment**
Microsoft Excel	Varied – budget tracking among others	Multiple users; WISDM data frequently downloaded to Excel for analysis or to update local information
Oracle	Budget management	COB and CON current users
Tableau	Data analysis	WISDM data can be downloaded for analysis across multiple periods
Quickbooks	Financial reporting	Non-official use in some areas

*These tables reflect information from our research and listening sessions. If listening session attendees chose not to mention a shadow system in their area, then this table may not capture all shadow systems at UW Oshkosh.

Appendix 1

Members of the following units were invited to attend at least one listening session.

- Administrative Services
  - Center for Career Development and Employability Training
  - Facilities
  - Financial Services
  - Head Start
  - Human Resources
  - Information Technology
  - Parking
  - Sustainability
- Academic Affairs
  - Academic Advisement
  - Academic Support of Inclusive Excellence
  - College of Business
  - College of Education and Human Services
  - College of Letters and Science
  - College of Nursing
  - Graduate Studies
  - Library
  - Lifelong Learning and Community Engagement
  - Office of Grants and Faculty Development
  - Office of Provost and Vice Chancellor – Academic Affairs
  - Registrar
  - Sustainability
- Chancellor's Office
  - Affirmative Action
  - Athletics
  - Chancellor's Office
  - Governance Leadership
- Student Affairs
  - Admissions
  - Career Services
  - Counseling Center
  - Children's Learning and Care Center
  - Dean of Students
  - Financial Aid
  - Gruenhagen Conference Center
  - Oshkosh Student Association
  - Reeve Union
  - Residence Life
  - Student Health Center
  - Student Recreation
  - University Books & More
  - University Dining
  - University Police
- University Advancement
  - Alumni Welcome and Conference Center
  - Business Success Center
  - Foundation
  - Integrated Marketing and Communication

Appendix 2

During the learning sessions, we asked attendees the following open-ended question:

"When you hear "financial business process," what examples at UWO do you think of?

That was typically enough to generate an hour or more of conversation. Across the 10 listening sessions, we consistently heard about the following themes.

- Financial Services personnel are responsive and helpful when we contact them. They seem to have too much to do and some outdated ways of doing things, so paperwork can get lost and processing can be slow.

- Timeliness is an issue. Financial transactions need to be processed more quickly to make financial systems (WISDM) more accurate in near-real time. We waste a lot of time tracking down DPRs, POs, PTFs, TTRs, and chargebacks. We need timelines for form processing and a way to track paperwork (preferably online). Shadow systems are being used across campus because units feel information in WISDM is not current.

- Transparency and Consistency. The financial systems need to be more transparent, easier to understand, and have expense document detail accessible. Forms and processes should be streamlined, with consistent, simple, minimal forms and online options.

- Training and Communication. The use of financial forms/transactions varies greatly across campus. Some units/personnel do very few financial transactions, others are involved in them all the time. We need more training and communication. Some ideas:

   o Update Financial Services website with clear contact information for common FBP questions;

   o Have a Financial Services help desk;

   o Create clear FBP workflows and cheat sheets;

   o Each Unit could have a one-person point of contact in FS;

   o Standardize and increase frequency of training sessions (video FAQ?).

- Need for analytical analysis. Units need expertise when it comes to revenue/cost analysis for new revenue streams, new academic programs, developing long range budgets, and managing grant awards.

Selected References

The FBP Study Group consulted references from three categories. Examples from each category are below.

Education Advisory Board
- Making the Case for Shared Services. 2009. Presentation based on profiles of shared services implementation at the University of New Hampshire, UC – Berkeley, the University of Illinois at Urbana-Champaign, and Ohio University.
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