


UNIVERSITY BUSINESS EXECUTIVE ROUNDTABLE

Making the Case for Shared Services

Lessons for Overcoming Obstacles to Business Process Reform

UNIVERSITY BUSINESS EXECUTIVE ROUNDTABLE

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Making the Case for Shared Services

Lessons for Overcoming Obstacles to University Business Process Reform

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5. New Hire Authorization Guide

Profiled Institutions



University of
New Hampshire



University of
California, Berkeley



University of Illinois at
Urbana-Champaign



Ohio
University

Since 1979, The Advisory Board Company has been providing best practice research to the world's leading hospitals, academic medical centers, and health systems. With a staff of over 900 in Washington, D.C., we serve health care CEOs, administrators, and clinical leaders at 2,700 institutions, publishing 55 major studies and 10,000 customized research briefs yearly on progressive management practices. The work focuses on the industry's best (and worst) demonstrated practices, helping member institutions benefit from one another's hard-learned lessons.

A New Practice in Higher Education

Encouraged by academic medical centers that our model and experience serving nonprofit institutions might prove valuable to universities, the Advisory Board began a higher education practice in 2007, with memberships serving the provost (the University Leadership Council), student affairs (the Student Affairs Leadership Council), and business and finance executives (the University Business Executive Roundtable). In our first year, we have been honored to welcome over 150 of the nation's leading universities on whose advice and goodwill we rely.

A Member-Led Agenda

Chief business officers set the agenda for the University Business Executive Roundtable's research. Each year, we poll the membership to better understand their "up-at-night" issues—topics of genuine aspiration or urgency. The most widely voiced issues become the focus of our best practice work. In our first year, members prioritized transforming university business services and managing university energy costs.

Casting the Net Wide

Our search for innovative practice is not limited to the membership. We scan the entirety of the higher education, not-for-profit and corporate sectors for effective and replicable models, typically reviewing thousands of pages of literature and interviewing hundreds of institutions to find the 10 to 15 top ideas worthy of chief business officers' attention.

Specializing in Best Practice Inquiry, Not Policy Analysis

New to the higher education community, we are acutely aware of how much we have to learn and modest in our ambitions in serving finance and administration executives. Our work is not intended to propose national policy (or to lobby policy makers), nor is it peer-reviewed academic research. Our narrower intention is to distill the empirical experiences of institutions like yours, profiling success stories (and failure paths) to help prioritize investments and improve performance. At our best, we offer original insight into "what's working" in higher education and critique the popular wisdom and fad-like trends that take hold in all fields and industries.

Advisors to Our Work—With Special Thanks

Today's research report is based on Roundtable understanding gained through interviews with over 120 institutions and experts nationwide. We are grateful to interviewees for allowing us to benchmark practices and garner institutional insights into the challenges of university shared services implementation.

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Top Lessons from the Study

Our Definition of Shared Services

Although the term holds varied connotations within higher education—ranging from purchasing consortia between schools to consolidation within state systems—our focus is on models for providing business service delivery within a single campus.

In the shared services model, a single provider absorbs transactional activity previously performed by generalist staff across campus. Through simplification, consolidation and automation, these task-specialized models leverage economies of scale to increase service quality of back-office functions while reducing labor costs through attrition.

Typical business support services provided by shared services are human resources, information technology, finance and procurement; other functions—such as marketing, research administration, and facilities—are sometimes included.

Renewed Urgency for Shared Service Administrative Support

- #1: **Restructuring in Face of an “L-Shaped” Recovery:** Despite mixed results in the past, a growing number of universities are pursuing shared service models. Although such consolidation attempts have typically been stymied by faculty and academic staff from the start, universities facing unprecedented budgetary pressures now realize administrative restructuring to be an unavoidable necessity.
- #2: **Funding Core Priorities through Efficiencies in Non-Core Activities:** While university budget reduction plans will inevitably address teaching and research, where the majority of costs reside, universities must first look for opportunities to cut everything possible from the back-office before impacting mission-critical endeavors in the classroom or lab. Many institutions are charging the chief business officer to mobilize the campus community in blueprinting a systematic, multi-year plan for adjusting back-office business services to a permanently lower resource base.
- #3: With downturn-driven exigency increasing stakeholder openness to new administrative models as never before, chief business officers see a once-in-a-generation opportunity to demonstrate that shared service structures not only result in cost savings, but also are critical to universities confronting unacceptable service quality decrements, scalability challenges, and demographic shifts that, if not addressed, may irrevocably affect the academic core:

#4: Making the Case Based on Both Quality and Cost Improvement:

Notwithstanding that reducing the cost and redundancy of business services is central to shared services success, persuading campus stakeholders to migrate to new models requires that chief business officers emphasize both cost and quality improvements achievable through new delivery structures:

- **Double-Digit Efficiencies Promise Multi-Million Dollar Savings:** Representing a proven source of administrative savings not only in private industry, but also in the government sector, shared services routinely achieve 10-30% cost reduction through automation-led headcount reduction and decreases in error-related rework. Although the exact savings certainly vary per organization, consensus consultant estimates for typical efficiency gains are in the double digits:
 - o Human Resources: 25-35%
 - o Information Technology: 10-20%
 - o Procurement: 5-20%
 - o Finance: 10-20%
- **Improving Support Service Quality:** In addition to exacting an unacceptable toll on cost, university process complexity also affects service quality as highly manual, error-prone, and undocumented processes waste faculty and staff time and, perhaps even more worrisome, introduce compliance risk. Department-based generalist staff lack knowledge of standardized business processes, and automation capabilities are typically underutilized due to poor enterprise architecture, customer resistance, or prohibitive upfront costs.
- #5: **Making the Case Based on Scalability Challenges:** With current levels of support already insufficient, university leaders are pressed to examine the scalability of their administrative infrastructures. Only through new service delivery models will institutions find the capacity to leverage existing and dwindling resources to meet ever-expanding research and instructional needs:
 - **Administrative Tasks Crowding Out Research Time:** National Institutes of Health (NIH) and National Science Foundation (NSF) data demonstrate that proposal acceptance rates have decreased over the last decade, with more submissions now required to achieve the same levels of support. The administrative burden resulting from increased grant-writing is compounded as expanding federal regulations have necessitated a proliferation of compliance reports. One recent survey indicates that nearly half of scientist time is now being spent on administrative tasks.

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- **Online and Blended Education Ambitions:** Even before the recent economic crisis, online courses had been expanding in popularity, and university leaders are now already seeing a downturn-driven rise in demand. This rise in online and blended education poses a unique set of administrative support challenges as faculty and students require 24/7 help desk support.
- #6: **Making the Case Based on Demographic Opportunity:** Current restructuring initiatives also benefit from generational trends at both ends of the spectrum, as attitudinal shifts by younger faculty indicate wider acceptance of new service delivery structures, and as impending retirements of aging staff provide universities with a rare opportunity to capitalize on natural attrition:
- **Younger Faculty Open to Technology-Delivered Support:** Higher education has traditionally lagged in capturing technology-enabled efficiencies, hesitant to adopt self-service mechanisms, and under- or poorly utilizing existing enterprise systems. Rising acceptance of technology-based services by younger faculty and staff indicates certain delivery models will prove more successful than before.
- **An Aging Workforce Raises the Stakes:** Most universities expect age-based attrition in coming years to outpace national averages. Universities unable to backfill employees – a distinct possibility given budget cuts – will see a quality decrement unless they first reorganize their business services. On the other hand, institutions that redesign processes ahead of natural attrition will achieve significant cost-savings, obviating the need to backfill while improving service quality.

Efforts to Modernize Processes Complicated by Decentralized Organizational Structure, Generalist Support

- #7: **Higher Education Support Services Frozen in Time:** Despite clear indicators that administrative inefficiencies are impeding university goals, higher education has struggled to achieve the process standardization, consolidation, and automation efficiencies taken for granted in the private sector.
- #8: **Challenge #1: Generalist Model at Heart of Decentralized Organizations:** The main obstacle impeding shared services within higher education is a heavy reliance on decentralized, generalist support. Roundtable analysis of university time-and-motion studies suggests as much as 70% of administrative tasks are performed by department-based generalists, who are difficult for the chief business officer to influence due to lack of direct managerial control and deep

personal relationships between faculty and local staff. In turn, this siloed, generalist support model perpetuates further obstacles to deploying more sophisticated business processes.

- #9: **Challenge #2: No Insight into True Costs, Little Urgency for Change:** Few universities can quantify the labor expenditure or transaction costs of discrete activities, as the generalist model obscures volumes, labor intensity and time to resolve most support requests. In the absence of hard data, chief business officers find it difficult to make the case for change based on either quality improvements or cost-savings.
- #10: **Challenge #3: No Mechanism for Standardizing Processes across Silos:** The generalist model leads to business processes that remain manual, complex, and undocumented, with wide variation that makes migration to automated backbones prohibitively expensive and culturally difficult. University leaders are unable to systematically distinguish between variations that are truly necessary for mission or regulatory reasons and those deriving from precedent or preference. Meanwhile, decentralized organizational structures further cloud end-to-end process visibility, with no clear process owner able to enforce the standardization needed to achieve consolidation or automation savings campus-wide.
- #11: **Challenge #4: Faculty Resistance to Centralized Service Models:** Even while acknowledging the costs of complexity, many universities have intentionally returned authority to local units due to past misfires with centralized business support services. Central offices found themselves insufficiently resourced to meet a plethora of local demands. Equating proximity with service quality, faculty worried that central projects, controls and costs were taking precedence over academic unit needs. Winning faculty buy-in against the backdrop of these recent memories poses a significant change management challenge for many institutions.
- #12: **Challenge #5: A Social Contract that Rejects Involuntary Transfers and Layoffs:** The private sector's rationale for consolidating and automating services ultimately relies on labor cost savings, with fewer staff managing a larger service volume. Given strict labor agreements, the need to maintain community standing as the employer of choice, and strong relationships between faculty and support staff, the typical university's social contract considers intentional workforce reduction or redeployment to be an untenable option, thereby obfuscating the argument that shared services can significantly reduce costs.

Top Lessons from the Study

- #13: **Challenge #6: Difficulty Funding Transition Costs:** In addition to these cultural and change management obstacles, migration to consolidated business services can carry meaningful transition costs, especially as automated tools are phased into support structures. With pressure to utilize stimulus and debt funds to restore budget levels for mission-critical activities, many universities find it challenging to make a long-term investment in business support services that few perceive to be either an immediate problem or opportunity.
- #14: **Challenge #7: No Gainsharing Incentives:** In the private sector, skepticism over long-term shared services investments is often counterbalanced by the promise of gainsharing for participating units, who receive a portion of the resulting savings to re-invest in their own core needs. University budget models, however, do not typically allow department chairs to share in the efficiencies gained by moving away from the generalist model. Faculty perceive they are being asked to sacrifice quality and control with no direct benefit and are skeptical as to whether savings will actually be diverted to academic needs.

Creating Conditions to Allow Academic Units to Embrace Shared Services at Their Own Pace

- #15: **Top-Down Directives Incongruent with Social Contract:** Few universities are mandating a campus-wide consolidation of support services, except in the case of highly distressed financial situations, as part of wholesale moves to new ERP platforms, or when it is clear that inefficient processes – especially in research administration—are a clear and present threat to institutional strategic goals. For most chief business officers, top-down mandates to migrate to shared services are neither desirable nor practicable.
- #16: **Slowly Unwinding the Generalist Model:** Realizing that “big bang” consolidations are unrealistic within higher education, chief business officers are instead designing multi-year plans to migrate service delivery and staff to more specialized and centralized models. Leading universities are creating pilot structures, measurements, and incentives that specifically address the barriers of decentralized generalist support:
- #17: **Communicating Quality and Cost Decrements of Process Complexity:** Presented with concrete data on process inefficiencies, faculty are able to visualize the

cost and quality decrements of the current model and understand the need to protect funding for mission-critical needs. External benchmarks suggest that university business processes take longer, cost more, and have higher error rates than in outside sectors. Even internal benchmarks demonstrate wide variation across single institutions or within state systems, belying the fact that, at the very least, each unit should be able to meet its own campus’s best internal performance standard.

- #18: **Process Design Governance Bodies:** Best-practice universities develop mechanisms to prioritize process vulnerabilities in greatest need for documentation, re-engineering, and automation. Some universities train line staff to use process-mapping software to identify duplicative manual steps and areas ripe for automation; others conduct internal benchmarking between distributed business managers to identify most broken processes, with top performers sharing solutions.
- #19: **Service Level Guarantees:** Customers are assured that service will improve through two-way SLAs, governance boards, and temporary customer liaisons to assist with the transition. Moreover, universities emphasize to faculty that they will receive not only better, but also more services than before at no extra cost.
- #20: **“Two-Year Warnings” To Academic Leaders and Staff:** Deans and unit-based back-office staff receive multi-year, advance warnings as to shared service migration plans. Given this opportunity to plan ahead, staff can seek other positions or receive the training needed for more task-specialized roles. Meanwhile, academic leaders have the opportunity to restructure job roles so that staff remaining in the units focus on core and higher-value, rather than back-office and transactional, activities.
- #21: **Job Reclassification and Training:** Breaking away from seniority-based promotion models, universities afford talented staff the opportunity to apply for positions in new consolidated structures with the prospects of improved training, better compensation and more attractive career paths. Technology competency assessments not only match individual skill levels to position, but also encourage resistant staff to self-select out of shared service models.
- #22: **Census-Level Attrition Forecasts:** Using both historical trends and predicted retirement data, universities forecast the next year’s natural attrition, specifying

Top Lessons from the Study

the totals (and names) of staff likely to depart. Data is used to determine how many roles can be consolidated without downsizing. In case turnaround falls short, standing committees review open positions and match them with internal staff.

- #23: **Administrative Staff Vacancy Reviews:** To capture attrition-based labor savings, leading institutions create position review mechanisms to prevent backfill. Senior executives comprise new or replacement hire authorization committees, ensuring open positions in decentralized units are necessary and narrowly-defined.
- #24: **Service Efficiency Gainsharing:** Department heads are incented to participate as they are promised a tangible portion of shared service savings. Meanwhile, central administration retains another portion to fund continuous improvements, such as assessing and deploying the next round of process migration and automation.

Incubating Shared Service Models with Minimal Disruption

- #25: Over the course of over 120 interviews, the Roundtable found leading institutions implementing a spectrum of shared service models, all intended to smooth transition of the academic core away from the generalist model and into more consolidated, task-specialized support structures.
- #26: **Networked Specialists:** Breaking the compromise between centralization and decentralization, many leading institutions consolidate generalists into administrative clusters serving colleges or geographically-proximate units, achieving modest scale and expertise economies while preserving local access. This model is especially attractive to highly decentralized institutions, particularly large institutions where it can be especially challenging for one central office to migrate and evaluate the needs of several hundred autonomous departments, centers, and units.
- #27: **Practice #1: Distributed Business Service Centers:** As the most long-standing shared services success story in higher education, the University of New Hampshire began consolidating department-based generalists into 18 business service centers dispersed throughout campus in 1995. The migration to shared services helped facilitate UNH's successful move to RCM, as support staff are kept close to deans who are accountable for their own budgets. To ease the transition of academic units, UNH planned a two-year migration that provided deans with advance time to modify staff job descriptions, redesign processes, and allow for voluntary staff attrition.

#28: **Shared Services Proof-of-Concept Pilots:** Lacking the budgetary authority or stakeholder acceptance for full-scale consolidation, many universities choose to migrate select units or processes first, hoping that initial successes will gain eventual opt-in to shared services by the campus at large. By incubating shared services in a pilot site, universities build mature processes and policies and generate longitudinal data to make the case for broader campus migration, providing a “ready platform” for academic units when they are ready to transition from the generalist model.

#29: The Roundtable encountered three pilot site variants in our research:

#30: **Practice #2: Multidisciplinary Research Center of Excellence:** Lacking the legacy administrative infrastructure that plagues existing colleges and schools, multidisciplinary research centers are often first to embrace innovative organizational models, providing a proof of concept for the larger university that new structures can enhance service quality and reduce costs. The University of California, Berkeley strengthened administrative services within an existing high-performing multidisciplinary institute and allowed other institutes to opt into their services. This highly scalable model has allowed Berkeley to leverage sunk costs, building efficiencies and improving service levels without a significant upfront investment. Additionally, the chief business officer has introduced threshold risk controls, leading to higher levels of compliance.

#31: **Practice #3: Provost Office Pilot:** In order to minimize risk that stakeholder resistance will halt migration efforts, leading practitioners pilot shared services within one cabinet member's control span. The University of Illinois-Urbana Champaign started with all units reporting to the provost, aiming to establish proof-of-concept in central areas highly visible to faculty and academic staff. Beginning with units with low transaction volume provided UIUC with the bandwidth to migrate a wide range of business services, including human resources, information technology, finance, and marketing and communications.

#32: **Practice #4: Business and Finance “Lift and Shift”:** In contrast to UIUC, Ohio University migrated a small number of business services (A/P and T&E) with a high transaction volume, focusing its shared services migration on offices within the chief business officer's control span. By starting with only a few functions at once, Ohio was able to accomplish a quick migration, “lifting” administrative personnel from the units and “shifting” them to central administration within a few weeks.

Speculating on End-State Support Models

- #33: Best-practice institutions see shared services not as an end unto itself, but as an organizational model most likely to achieve and sustain the efficiency improvements that are impossible in the current decentralized, generalist environment. That said, shared service models are not the only means to achieving these efficiencies; many universities opt for full centralization instead, and still others choose to externalize their business support services. While the specifics may vary, the Roundtable anticipates most universities will select one of three models:
- #34: **End-State Model #1: University “311” Contact Centers:** Irrespective of organizational model, leading universities agree that customer responsiveness should be achieved through a contact center, in which customers direct all administrative queries to one single number, staffed by a Level 1 help desk. For automated information, customers sign on to an online, self-service portal for a wide range of activities, ranging from submitting student grades to checking the status of grant funds to obtaining travel reimbursements. This service delivery structure is maintained by a centralized shared service center, comprised mainly of task-specialized transactional staff, and complemented by small teams of Level 2 and 3 specialists, who are freed from routine transactions to concentrate on complex service requests and higher-value strategic activities. Ticketing software measures incidence, mix and resolution of customer support requests in order to capture the granular data necessary to pursue increased process sophistication and self-service improvements.
- #35: **End-State Model #2: State System Insourcing:** To achieve economies of scale that reach beyond one single institution, leading state university systems are pursuing centers of excellence models, in which high-performing campuses act as internal outsourcing providers to sister schools. Rather than providing business services centrally, the system headquarters acts as a facilitator, seeing campuses themselves as better equipped to understand each other’s transactional needs. This model capitalizes on sunk costs, especially since system schools already share the same standardized policies. High-performing campuses are incented to improve service levels and prices, as schools compete for provider status and receive a small amount of overhead to invest back in improved service delivery structures.
- #36: **End State Model #3: Captive Shared Service Subsidiaries:** Lacking the built-in network of a state system but also looking to achieve multi-institutional economies of scale, private universities form partnerships based on location and/or mission-similarity. The seven Claremont Colleges incorporated a nonprofit

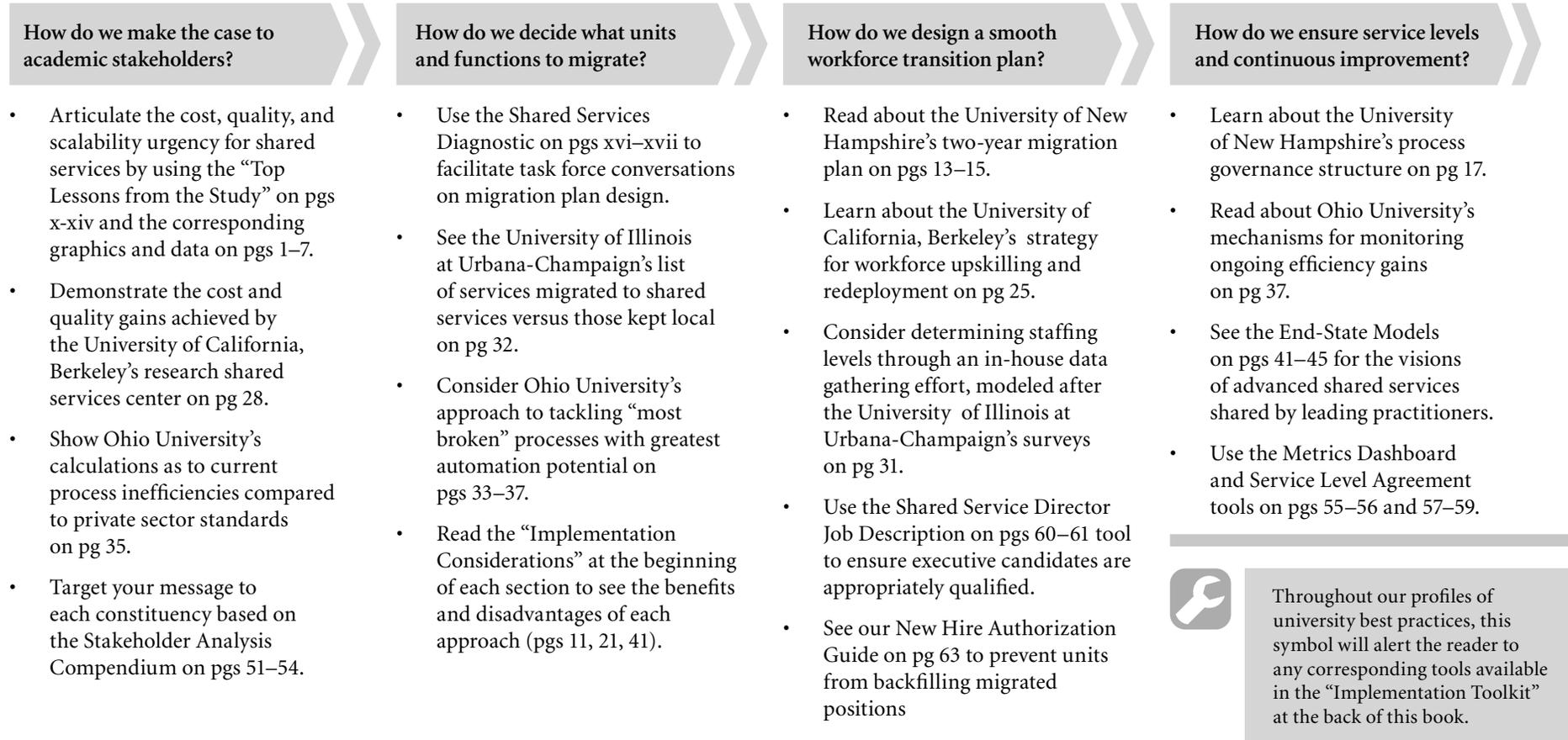
organization, the Claremont University Consortium (CUC), to run support services for all partner schools, who have the choice to purchase services from CUC or from external providers. As an independent organization, CUC leverages the advantages typically enjoyed by private sector outsourcers—such as having the labor flexibility and competitive compensation to motivate talented staff, and the ability to invest funds in the continuous improvement of support processes—but also allows institutions to retain governance control.

Giving Our Customers Options

- #37: **Getting Ahead of Inevitable Demand:** Many universities predict a tipping point in faculty demand for administrative restructuring to manifest during the next few years, as academic leaders realize they would prefer to share back-office functions rather than cut faculty lines. In the meantime, chief business officers are laying the groundwork so that academic units have options available to consolidate support services when the right moment arises. By piloting state-of-the-art support models and standardizing processes, CBOs can ensure that academic units have the opportunity to seamlessly plug into new delivery structures at their own choosing as budgetary priorities dictate and perceptions change.

After over 120 interviews, the Roundtable decided to focus this briefing on four best-practice universities—featured in the pages that follow—that have successfully migrated transactional staff to consolidated models, overcoming the barriers to unwinding decentralized, generalist support. Through the course of our research, we found that university task forces charged with implementing shared services often began by asking the four questions below. For each question, the Roundtable has identified the specific university case or other component of this briefing book that will be most useful for members in designing a migration plan.

Implementation Roadmap



Understanding Your Current State

Shared Services Diagnostic Questions

The following questions are designed to guide member conversation on transforming university business processes through shared service models. These categories should be used to assist chief business officers and their teams with evaluating the urgency for migrating to shared service delivery, achieving faculty and key stakeholder buy-in, designing a migration plan, and envisioning an end-state model.

Evaluating the Shared Services Opportunity

	Yes	No
1. Are a significant percentage of transactional activities (i.e. in human resources, information technology, finance, and procurement) performed by department- or unit-based business support staff, lacking oversight or budgetary control by central administrators?	<input type="checkbox"/>	<input type="checkbox"/>
2. Does central administration have difficulty quantifying the labor expenditures and transactional activities performed by decentralized support staff, making it difficult to define cost-savings opportunities?	<input type="checkbox"/>	<input type="checkbox"/>
3. Are larger departments and units often over-resourced in support staff, while smaller units suffer inconsistent coverage or go without key services?	<input type="checkbox"/>	<input type="checkbox"/>
4. Are faculty completing an increasing amount of administrative tasks (e.g. meeting compliance requirements), harming their ability to focus on research?	<input type="checkbox"/>	<input type="checkbox"/>
5. Does the university estimate a significant portion of support staff—for some institutions, up to 30–50%—to retire in coming years?	<input type="checkbox"/>	<input type="checkbox"/>
6. Do younger faculty and staff seem more receptive to self-service mechanisms for administrative support?	<input type="checkbox"/>	<input type="checkbox"/>
7. Does the university have growing online education, cyberinfrastructure, and/or sponsored research ambitions that necessitate either increasing support staff or scaling existing structures to better meet expanding needs?	<input type="checkbox"/>	<input type="checkbox"/>
8. Has the university identified administrative functions where automation capabilities have not been fully utilized?	<input type="checkbox"/>	<input type="checkbox"/>
9. Are business processes widely varied across campus, making the transition to automated backbones difficult?	<input type="checkbox"/>	<input type="checkbox"/>
10. Is the university considering or planning to migrate to a new ERP platform, necessitating greater process standardization and central coordination?	<input type="checkbox"/>	<input type="checkbox"/>

Incenting Academic Unit Adoption

	Yes	No
11. Has the university used external and/or internal benchmarks to articulate to faculty the cost and quality decrements of the current support model?	<input type="checkbox"/>	<input type="checkbox"/>
12. Can the university incubate shared services in a pilot site to generate longitudinal data to make the case for broader campus migration?	<input type="checkbox"/>	<input type="checkbox"/>
13. Can the new shared service center provide faculty with improved service quality and additional services at no extra cost?	<input type="checkbox"/>	<input type="checkbox"/>
14. Is the university able to incent department heads to participate by promising a tangible portion of shared service savings to reinvest in their core needs?	<input type="checkbox"/>	<input type="checkbox"/>
15. Is the university able to provide deans and unit staff with advance warning of shared service migration plans, allowing staff to seek other positions or receive the training needed for more task-specialized roles?	<input type="checkbox"/>	<input type="checkbox"/>

Designing a Migration Plan

	Yes	No
16. Are any savings from strategic sourcing, IT consolidation, and process simplification available to reinvest in shared services?	<input type="checkbox"/>	<input type="checkbox"/>
17. Does central administration envision its end-state back-office support model as:		
a. multiple business service centers distributed across campus, or	<input type="checkbox"/>	<input type="checkbox"/>
b. a single shared service center serving the entire institution?	<input type="checkbox"/>	<input type="checkbox"/>
18. Can central administration identify which academic or administrative areas hold the most promising opportunities for shared services “proof of concept” pilots?	<input type="checkbox"/>	<input type="checkbox"/>

Understanding Your Current State (cont.)

19. Does the university have a high-performing administrative or academic unit with the capacity to expand its support services for other customer units?
20. In order to conduct the data analysis needed to determine staffing levels and triage processes, does the university:
- a. have the funding to hire external consultants, or
 - b. plan to train existing staff to use surveys and other data-gathering techniques to baseline transaction costs?
21. Has the university considered whether pilots should begin with:
- a. “least controversial” processes, thereby proving concept to address more ambitious projects later, or
 - b. “most broken” processes, thereby achieving ROI on a few impactful functions quickly, or
 - c. a wide range of business support services at once, thereby developing and testing a comprehensive structure ready for quick roll-out to other units?
22. Is the university using process-mapping software to teach line staff to identify duplicative manual steps and areas ripest for automation?
23. Can the university afford to absorb near-term increases in support headcount as new services are rolled out, awaiting eventual attrition of line-based generalists?
24. Does the university have the historical trends and predicted retirement data needed to determine how many roles can be consolidated without downsizing?
25. Do staff have the opportunity to apply for positions in the new shared service center with prospects of improved training, better compensation, and more attractive career paths?
26. Does the university have technology competency assessments to match qualified individuals to positions and encourage resistant staff to self-select out?

- Hardwiring Continuous Improvement into End-State Delivery Models** **Yes** **No**
27. Does the shared service center use two-way service level agreements (SLAs) that emphasize both customer and service center responsibilities?
28. Does the shared service center have a governance board that includes representation from both central administration and academic units?
29. Are fines charged to departments that ignore standardized processes and create central office rework?
30. Does the shared service center incorporate CRM ticketing software that measures incidence, mix, and resolution to customer support requests, helping to identify areas for continued process improvement?
31. Does the shared service center use dedicated staff teams that create a timeline to examine process vulnerabilities on a rolling basis year-round?
32. Does the service center retain a portion of over-performance against SLA operational or transactional cost targets to fund service extensions?
33. Do support staff have operational or transactional cost targets for each administrative support process, measured on a monthly basis?
34. Does the university use pay-for-performance evaluations for support staff based on role-based key performance indicators (KPIs)?
35. Is the university considering moving to a single help-line and/or online self-service portal to interface with initial customer requests across a range of support functions?



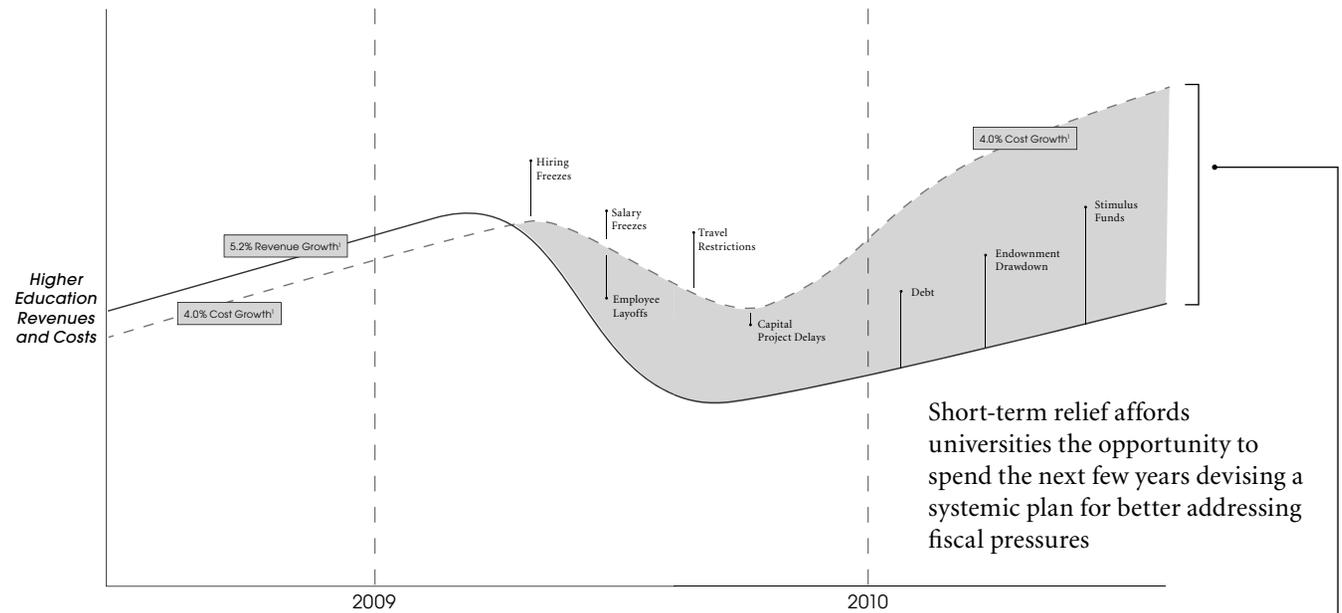
Renewed Urgency for Shared Service Administrative Support

Restructuring in the Face of an “L” Shaped Recovery

Even before the recent economic crisis, universities under extreme budget pressure have sought to reduce the cost and redundancy of business services—yet often only to find these efforts toward consolidation stymied by faculty and academic staff from the start. Given the current financial downturn, however, academic leaders now realize administrative restructuring to be an unavoidable necessity. Many institutions are charging the chief business officer to mobilize the campus community in blueprinting a systematic, multi-year plan for adjusting to a permanently lower resource base.

In immediate response to the downturn, universities have been forced to make difficult decisions...

...with even greater challenges on the horizon as short-term solutions provide only a temporary reprieve



Short-term relief affords universities the opportunity to spend the next few years devising a systemic plan for better addressing fiscal pressures

No Return to the Go-Go Years

“We have lived through a period of wealth creation... without historical precedent, a process that lasted year after year, establishing seemingly permanent new standards of economic expectation. Now, we are watching something very different; a massive, rapid reduction of wealth and a downturn that may last for a sustained period.”

Richard H. Broadhead
President, Duke University

How will we close the gap in the long-term?

- Reducing faculty size
- Restructuring academic support functions
- Narrowing scope of research investments
- Cutting back on student services
- Shrinking the facilities footprint
- Hardwiring greater spend discipline
- Reducing overall business service costs

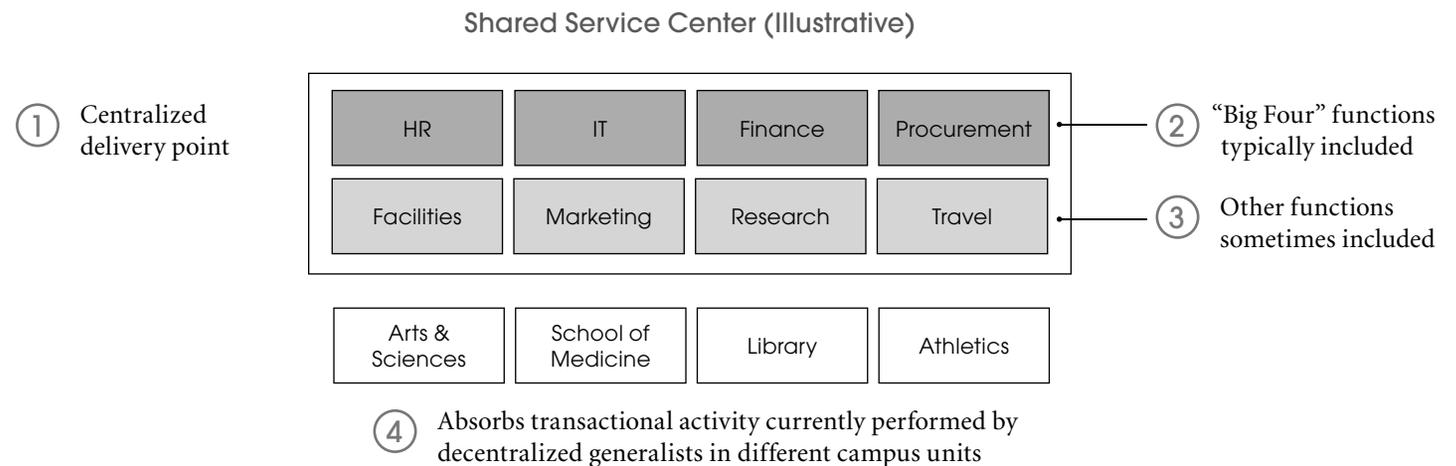
¹ CAGR FY 1994–1995 through FY 2004–2005.

Source: Duke University, “Enduring a Troubled Economy,” available at: <http://www.duke.edu/economy/news/index.php>, accessed March 7, 2009; NCES, Digest of Education Statistics: 2007 (Washington, D.C.: Government Printing Office, 2008), tables 25, 338, 342 and 343; University Business Executive Roundtable interviews and analysis.

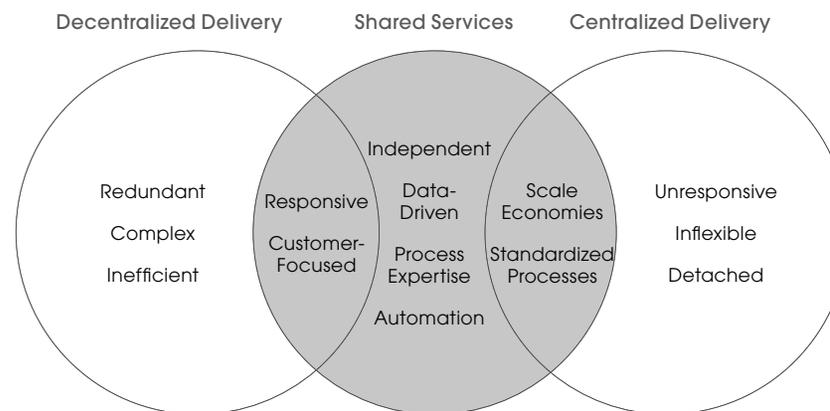
Our Definition of Shared Services

Despite mixed results in the past, a growing number of universities are pursuing shared services. Although the term holds varied connotations within higher education—ranging from purchasing consortia between schools to consolidation within state systems—our focus is on models for providing business service delivery within an individual institution, whereby a single provider absorbs transactional activity previously performed by generalist staff across campus. Through simplification, consolidation and automation, these task-specialized models leverage economies of scale to increase service quality of back-office functions while reducing labor costs through attrition.

Shared services indicates a single provider of back-office services to customers within a single university...



...and promises to break the traditional compromise between responsiveness and scale



How is Shared Services Distinct from Centralization?

- ☑ Emphasis on continuous business process improvement, through automation, process expertise, and data analysis
- ☑ Focus on customer service levels, through service level agreements (SLAs), customer liaisons, and governance boards

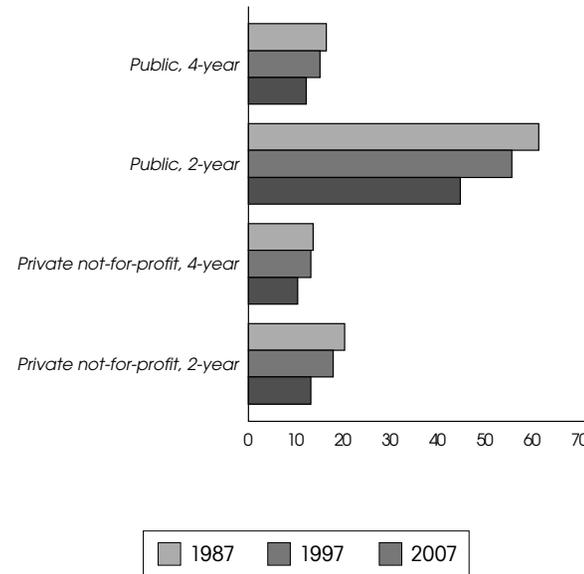
Source: University Business Executive Roundtable interviews and analysis.

Funding Core Priorities through Efficiencies in Non-Core Activities

While university budget reduction plans will inevitably address teaching and research, where the majority of costs reside, universities must first look for opportunities to cut everything possible from the back-office before impacting mission-critical endeavors in the classroom or lab. Representing a proven source of administrative savings not only in private industry, but also in the government sector, shared services routinely achieve 10–30% cost reduction through automation-led headcount reduction and decreases in error-related rework. Although the exact savings certainly vary per organization, consensus consultant estimates for typical efficiency gains are in the double digits.

Studies indicate university administrative counts rising over the past two decades...

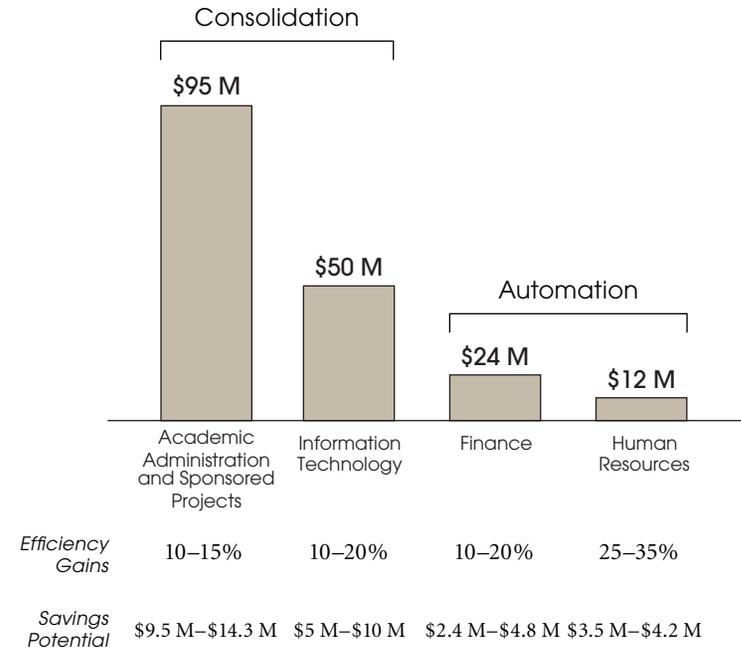
FTE Students Per FTE Back Office Employee



- Between 1987 and 2007, the increase in number of back-office positions outpaced enrollment
- Reflects increasingly complex administrative burdens, but also potential inefficiencies
- An unsustainable pattern, especially as universities need to scale to support growing research and technological needs.

...belying the need to focus on opportunities for back-office consolidation

Consultant Estimates of Efficiency and Savings Gains at a \$1.6 B University



Source: Bennett DH, "Trends in the Higher Education Labor Force: Identifying Changes in Worker Compensation and Productivity," Washington, DC: Center for College Affordability and Productivity, 2009; University of North Carolina, "President's Advisory Committee on Efficiency and Effectiveness: Final Report," available at: <http://www.northcarolina.edu/content.php/finance/pace/index.htm>, accessed March 02, 2009; EDUCAUSE, "Core Data Service: Fiscal Year 2007 Summary Report," available at: <http://net.educause.edu/ir/library/pdf/PUB8005.pdf>, accessed March 19, 2009; University Business Executive Roundtable interviews and analysis.

Administrative Tasks Crowding Out Research Time

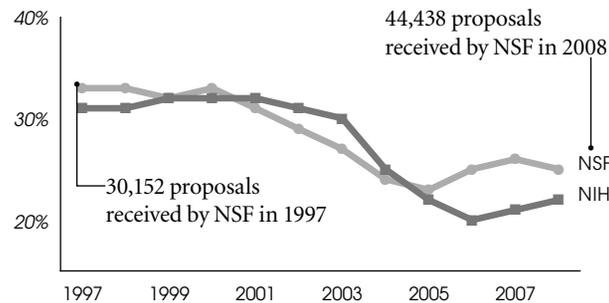
National Institutes of Health (NIH) and National Science Foundation (NSF) data demonstrate that proposal acceptance rates have decreased over the last decade, with more submissions now required to achieve the same levels of support. The administrative burden resulting from increased grant-writing is compounded as expanding federal regulations have necessitated a proliferation of compliance reports. One recent survey indicates that nearly half of scientist time is now being spent on administrative tasks.

Principal investigators are now required to expend more effort for the same level of funding...

...and to spend time dealing with regulatory requirements, as staff levels have not kept pace with expanding compliance needs...

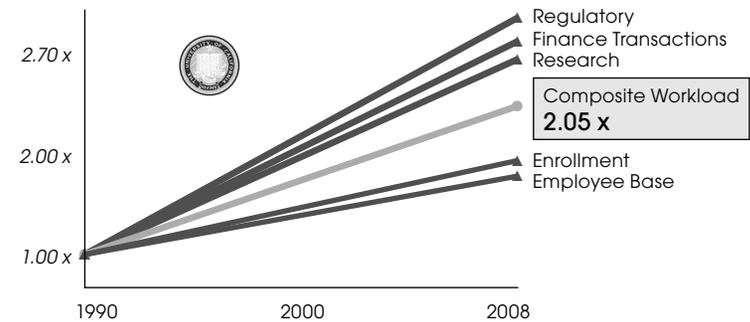
Proposal Success Rates at NIH and NSF

1997-2008



Drivers of UC Irvine Administrative Workload

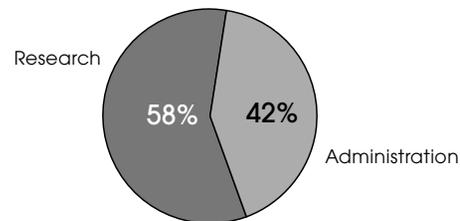
1990-2008 (Indexed)



...distracting faculty from research as they complete an increasing amount of administrative activities

Research Faculty Time Allocation

2006 Survey of 9,200+ Faculty



Do Faculty Have the Expertise and Time to Complete These Tasks?

- Build budgets and justification
- Coordinate proposal writing
- Create tables, organizational charts and illustrations
- Format agency forms
- Negotiate agreements with partner institutions
- Arrange for external review
- Prepare for site visit
- Identify funding opportunities
- Bring together potential faculty participants
- Organize tasks and timelines
- Defuse tensions among competing faculty/units
- Line up institutional support
- Manage regulatory and compliance issues

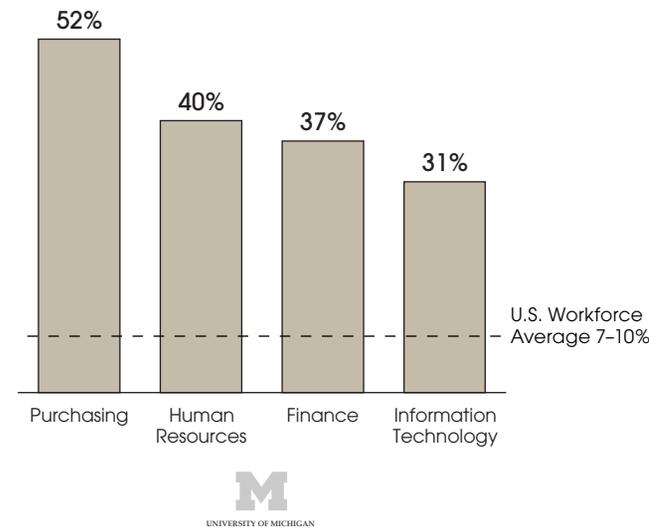
Source: NIH Research Portfolio Online Reporting Tool, available at: http://report.nih.gov/award/success/Success_ByIC.cfm, accessed March 10, 2009; Funding Rate by State and Organization, available at: <http://dellweb.bfa.nsf.gov/awdfr3/default.asp>, accessed March 10, 2009; University of California, Irvine Administrative and Business Services, available at: <http://www.abs.uci.edu/2007-08AnnualSummary.doc>, accessed March 10, 2009; The Chronicle of Higher Education, "Scientists Spend Nearly Half Their Time on Administrative Tasks, Survey Finds," available at: <http://chronicle.com/daily/2006/07/2006070702n.htm>, accessed March 7, 2009; University Business Executive Roundtable interviews and analysis.

An Aging Workforce Raises the Stakes

Even allowing for fewer voluntary retirements due to current economic conditions, most universities expect age-based attrition in coming years to outpace national averages. Universities unable to backfill employees – a distinct possibility given budget cuts – will see a quality decrement unless they first reorganize their business services. On the other hand, institutions that redesign processes ahead of natural attrition will achieve significant cost-savings, obviating the need to backfill while improving service quality.

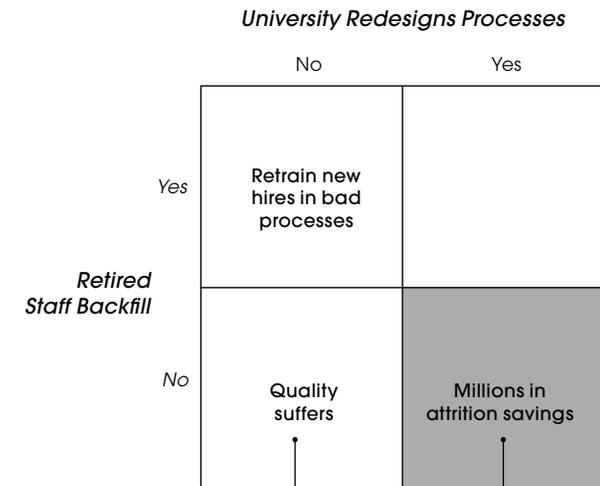
The typical university's support staff demographics...

Percentage of Staff Retirement-Eligible by 2014



The University of Michigan's analysis of its workforce demographics demonstrates potential labor efficiency gains in key back-office functions.

....pose either a significant opportunity or significant problem



Universities unable to backfill employees will see a quality decrement if business processes are not redesigned in advance of expected attrition

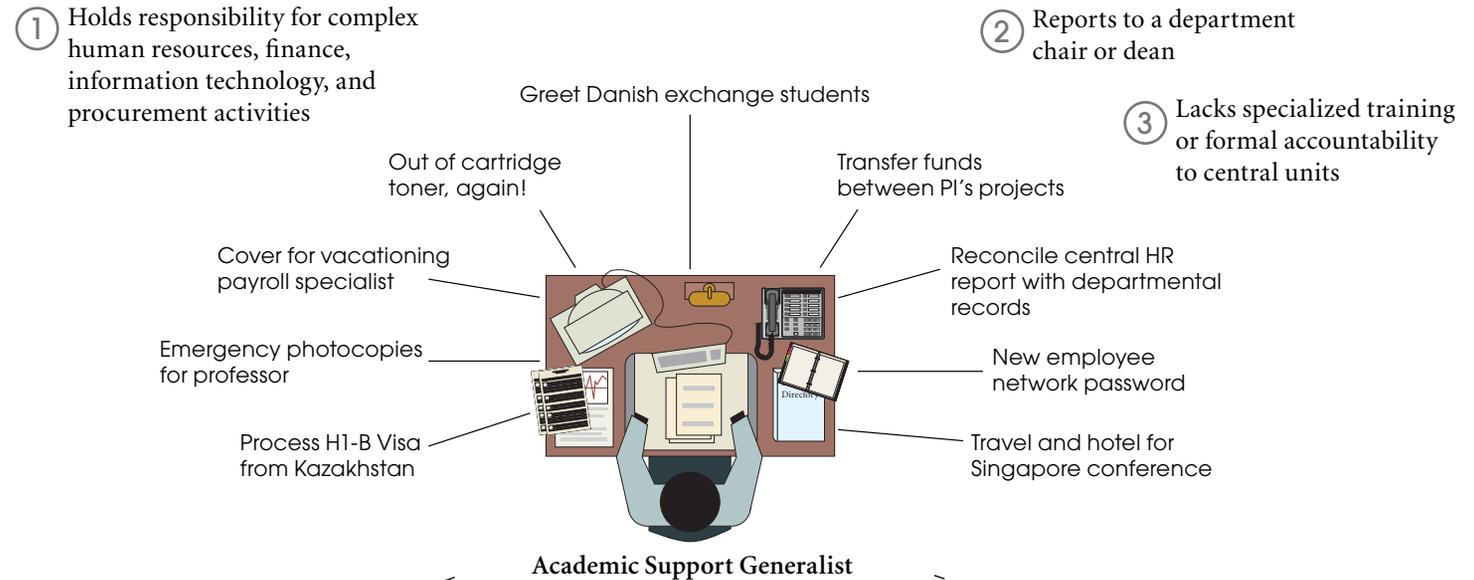
Meanwhile, completing process redesign ahead of attrition allows universities to achieve cost-savings while also improving service quality

Source: University of Michigan, "Human Capital Report," available at: <http://www.hr.umich.edu/humancapital/>, accessed March 11, 2009; University Business Executive Roundtable interviews and analysis.

Generalist Model at Heart of Decentralized Organization

Despite clear indicators that administrative inefficiencies are impeding university goals, higher education has struggled to achieve the process standardization, consolidation, and automation efficiencies taken for granted in the private sector. The main obstacle impeding shared services within higher education is a heavy reliance on decentralized, generalist support. Roundtable analysis of university time-and-motion studies suggests as much as 70% of administrative tasks are performed by department-based generalists, who are difficult for the chief business officer to influence due to lack of direct managerial control and deep personal relationships between faculty and local staff. In turn, this siloed, generalist support model perpetuates further obstacles to deploying more sophisticated business processes.

Responsible for multiple administrative and academic tasks, generalists jobs are difficult to unwind...



...and perpetuate further obstacles to deploying more sophisticated business processes.

No Insight into True Costs, Little Urgency for Change

- Generalists engage in multi-tasking, but without any data on time allocation, transaction mix, or request resolution rates
- The absence of data makes it difficult to make case for change through quality and cost improvements

No Mechanism for Process Standardization, Difficult to Capture Advantages of Automation

- Business processes are undocumented and highly varied. Work stops when staff members are absent or leave university
- Generalists have few IT skills, making it expensive and complex to fully train staff to utilize enterprise systems
- Shadow systems frustrate timely and accurate reporting
- Automation increases short term costs—
"You can't eliminate one-fifth of an FTE"

Stakeholder Resistance to Centralized Service Models

- Generalists and faculty enjoy deep personal relationships
- Faculty equate proximity and control with service quality
- Staff see specialization as reduction in responsibility and job satisfaction

Source: University Business Executive Roundtable interviews and analysis.

(Confidential and Proprietary)



Networked Specialists

I

Networked Specialists

1. Distributed Business Service Centers



University of
New Hampshire

Implementation Considerations

Breaking the compromise between centralization and decentralization, many leading institutions consolidate generalists into administrative clusters serving colleges or closely-aligned units, achieving modest scale and expertise economies while preserving local access.

Most Attractive to Highly Decentralized Institutions

This model is especially attractive to highly decentralized institutions, particularly large institutions where it can be challenging for one central office to evaluate the needs and coordinate the transition for several hundred autonomous departments, centers, and units. Universities lacking enough space for a co-located center are also likely candidates for distributed models.

However, smaller schools may not see sufficient economies of scale through this model, which ultimately falls short of achieving the fullest measure of process standardization and labor savings that can be accomplished by migrating to one single, co-located center.

Ambitious Migrations Require Significant Transition Time

The University of New Hampshire's shared services implementation was ambitious in scope, mandating the migration of a large number of business services across the entire campus. Consolidating a wide range of services and units at once enabled UNH to ensure campus-wide process standardization and headcount reduction. In order to ensure a smooth transition in the face of a sweeping top-down directive, UNH provided Deans and academic staff with a two-year advance warning, a period of time that might seem too lengthy for institutions looking for a faster return. Universities desiring to achieve shared services success more expediently might consider at first mandating migration for either fewer units or fewer services (see Practices #3 and #4).

Practice #1: Distributed Business Service Centers

Typical University Problems

- Equating proximity with service quality, faculty resist shifts to fully centralized shared service centers
- For many universities, space is too scarce a resource to create a single co-located center with the capacity to house the staff needed to support the entire campus
- After migrating to shared service models, inadequate staff competency and unit-level backfilling can cripple the potential efficiency gains that make attrition savings possible
- Universities lack process governance mechanisms to adjudicate what processes must be standardized and to ensure decentralized units are aware of central policies and controls

Best Practitioner Approach



University of
New Hampshire

Consolidate administrative support functions into distributed business service centers serving 2–3 units across campus, using a two-year staff migration plan to manage attrition

Key Implementation Steps

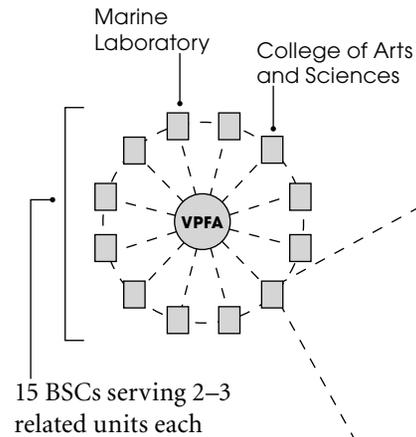
1. Create distributed business service centers serving regions on campus
2. Manage attrition and workforce redeployment through “two-year advance warning”
3. Establish “two-way” governance structure for process standardization

Source: University Business Executive Roundtable interviews and analysis.

1.1 Create Distributed Business Service Centers Serving Regions On Campus

Universities wishing to realize cost savings and improved customer satisfaction without completely decoupling administrative staff from the units they previously served should consider implementing a distributed business service center model. Fifteen years ago, the University of New Hampshire accommodated individual units' desire to maintain physical proximity and direct authority over their administrative staff by creating 18 disparate business service centers across campus, each serving 2–3 units (which eventually became RCM units).

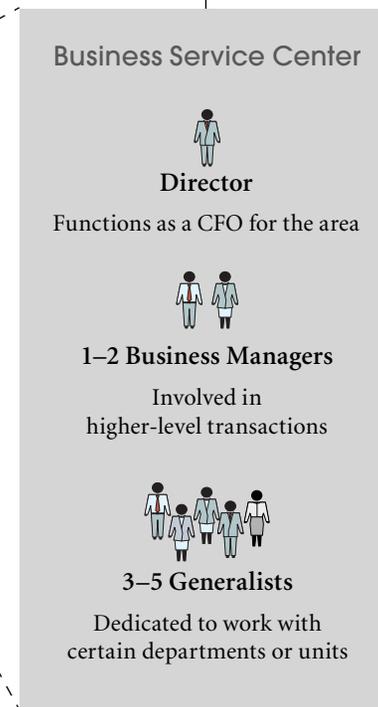
Business service centers built around preexisting on-campus networks...



- **Academic Units:** Each college has its own BSC
- **Research Units:** A research unit might have its own BSC or pair with another unit
- **President's Office:** Divided into three BSCs: Athletics; Public TV Station; Advancement, Foundation and Alumni
- **Central Administration:** Divided into three BSCs: Facilities; Computer Services; Business Affairs, Housing, Dining, Conferences, Arena, and Bookstore

...use a dual reporting structure to guarantee both unit and central accountability...

VP, Finance and Administration Dean or RCM Leader



...and provide a comprehensive slate of business services

Sampling of Business Service Center Activities

- Human Resources**
Payroll; Personnel Services (e.g. appointments, legal requirements, employee termination, hiring)
- Procurement**
Purchasing and A/P; P-Card Management and Training
- Finance**
Budget; Management Reporting; Petty Cash; T&E
- Other**
Customer Training; Customer Liaisons; Grants Management

Paving the Way for Responsibility Centered Management

When UNH moved to an RCM budget model four years after the BSCs were established, each BSC naturally fell into a single responsibility center unit, facilitating a faster and smoother transition to decentralized budgeting

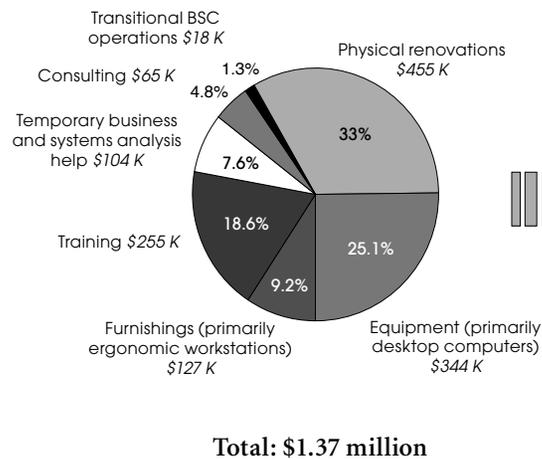
Source: University Business Executive Roundtable interviews and analysis.

1.2 Manage Attrition and Workforce Redeployment through “Two-Year Advance Warning”

Guaranteeing attrition savings requires that university administrators carefully control staff migration in order to ensure that units do not back-fill positions. After providing a “two-year warning” to Deans and support staff as to shared service migration plans, the University of New Hampshire selected those departmental administrative staff with the competency and willingness to move to the new BSCs (assessed by IT competency surveys and interviews and evaluations by newly-appointed BSC Directors). The Associate Vice Provost of Academic Affairs undertook responsibility for monitoring all new administrative staff hiring in order to prevent back-filling in the units.

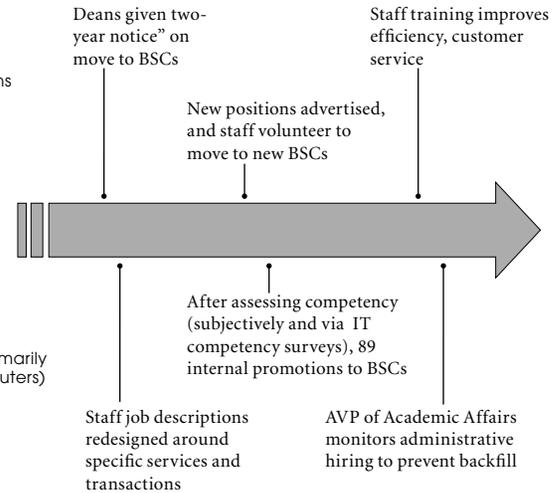
Minimal upfront investment...

Business Service Center Migration Costs



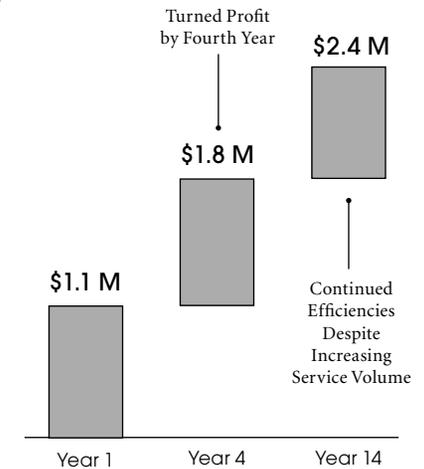
... and a controlled, two-year staff migration...

Deans and Staff Asked to “Plan Future”



... allow for rapid attrition savings and ROI

Savings from Administrative Staff Attrition¹



Attrition	24 FTEs	15 FTEs	11 FTEs
-----------	---------	---------	---------

- Avoided consultants, ERP implementation, and other common costly aspects of business process redesign
- Low upfront investment primarily in space renovations and new furniture

- Administrative staff reduced from 374 to 335 FTEs after 4 years
- Realized ROI after 4 years
- Continually reduced staff levels over 14 years, testifying to the scalability of the BSC model

Source: University Business Executive Roundtable interviews and analysis.

1.3 Establish “Two-Way” Governance Structure for Process Standardization

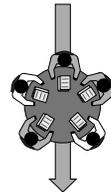
When business service centers are distributed across campus, universities risk continued proliferation of inefficient, non-standardized processes, as administrators are unable to systematically distinguish between variations that are truly necessary for mission or regulatory reasons and those deriving from precedent or preference. Meanwhile, decentralized units remain unaware of central policies and under-utilize much-needed central expertise. To solve these problems, the University of New Hampshire created a governance structure emphasizing a “two-way” flow of critical information. While one governance body emphasizes top-down explanation of changes to RCM policies and assists units with financial planning needs, another provides a bottom-up discussion of best practices among distributed units, ensuring that process standardization is based on already-proven solutions originating from units and schools.

Top-down explanation of changes to RCM models helps units engage in better financial planning...

Budget and Financial Planning Group

Monthly meeting of BSC directors, Associate Provost for Academic Administration, Assistant VP for Financial Planning and Budget, and VPFA

Central Administration



Business Service Centers

Central administrators explain changes in RCM policies, allocation formulas, and forecasts that impact BSC units

Sample Agenda Items:

- Financial forecasts/results
- Profit/loss predictions of best, worst, and likely scenarios
- Facilities and administrative costs

Major Advantage

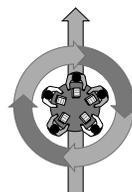
BSC directors help deans understand RCM dollar flows and model reallocation of resources

...while bottom-up coordination leads to process standardization based on “best practices” already existing on campus...

Finance and Administrative Council

Bi-monthly meeting of BSC directors and managers with central administration representatives, including VPFA and delegates from administrative and financial functions, IT, operations/facilities, and VPR

Central Administration



Business Service Centers

BSC directors share best practices and “lessons-learned” to simplify, standardize, and automate major processes; central administrators provide expertise and ensure compliance with internal policies and external regulations

Sample Agenda Items:

- Standardizing processes in accordance with HR policy changes
- Effect of new regulations on current practices

Major Advantage

Process standardization is based on already-proven solutions and accords with central needs

Source: University Business Executive Roundtable interviews and analysis.



Proof-of-Concept Pilots

II

Proof-of-Concept Pilots

2. Multidisciplinary Research Center of Excellence
3. Provost Office Pilot
4. Business and Finance “Lift and Shift”



University of California, Berkeley



University of Illinois at Urbana-Champaign



Ohio University

Implementation Considerations

Lacking the budgetary authority or stakeholder acceptance for full-scale consolidation, many universities choose to migrate select units or processes first, hoping that initial successes will gain eventual opt-in to shared services by the campus at large.

Any Unit a Potential Center of Excellence

Although the University of California, Berkeley (Practice #2) piloted shared services in the context of multidisciplinary research, Berkeley’s “center of excellence” approach, leveraging the reputation of an already-existing high-performing unit, can be applied more broadly, with any administrative or academic unit known for outstanding support services a potential shared service provider. This model is especially attractive due to the low upfront investment required, though Berkeley’s “opt in” approach risks delaying meaningful scale.

Central Administration Pilots Present Lower Risk, but Uncertain Faculty Buy-In

Piloting within central administration presents universities with fewer change management challenges, as faculty are not confronted with the dislocation of their “down the hall” support staff, and chief business officers and provosts can take advantage of the budgetary authority they hold within central units. However, for universities desiring to prove the concept of shared services specifically to the academic core, central administration may not be the most effective pilot site, as academic units have different needs—particularly related to research and teaching—than those centrally located.

Breadth of Functions vs. Transaction Volume

Ohio University (Practice #4) migrated a small number of functions (A/P and T&E) with a high transaction volume, while the University of Illinois at Urbana-Champaign (Practice #3) migrated a large breadth of functions (in HR, IT, Marketing and Communications, and Finance) with a small transaction volume. Both approaches boast the advantage of achieving sufficient economies of scale while minimizing change management risk.

Achieving ROI through Automation

Ohio’s initial “lift and shift” migration, however, was much quicker—accomplished within a few weeks—an ambitious timeframe that would have been difficult to achieve had Ohio chosen to migrate more functions at once, with each requiring separate data analysis, process redesign, documentation, and control plans. This approach, focused largely on automation, is most attractive to universities willing and able to invest in the appropriate systems and looking to see ROI from a few impactful functions quickly.

Unwinding Generalists Necessitates Migrating Range of Services

On the other hand, UIUC’s coverage of a wide range of services is ideal for universities looking to develop and test comprehensive pilot structures for ready roll-out to academic units. Since generalists are typically responsible for a range of business support services, unwinding them ultimately requires migrating all or most of their transactional duties into the shared service center in a short time period, rather than just a few.

Practice #2: Multidisciplinary Research Center of Excellence

Typical University Problems

- Shared service models face the twin start-up hurdles of faculty bias against centralized support and the launch expense and time lag of designing and staffing new functions.
- Larger units tend to duplicate administrative support functions, incurring unnecessary costs.
- Smaller units unable to afford or train staff provide inconsistent service quality, plagued by coverage shortfalls, missing expertise and—most worrisome to the chief business officer—imperfect risk management.
- Multidisciplinary units are proliferating on many campuses. Many are of uncertain duration or funding sustainability, making it difficult to justify building first-rate administrative support.

Best Practitioner Approach

Berkeley
UNIVERSITY OF CALIFORNIA
University of
California, Berkeley

Channel smaller-scale units to receive administrative services from an existing, high-performing unit, to avoid start-up costs and leverage strong reputation among faculty

Key Implementation Steps

1. Expand a top performer to a shared service for other units.
2. Absorb and upskill support staff from client units.
3. Rightsize staffing levels by function based on aggregate demand levels.
4. Consolidate and build out research self-service portal.
5. Sell faculty on service quality enhancements, not cost savings.

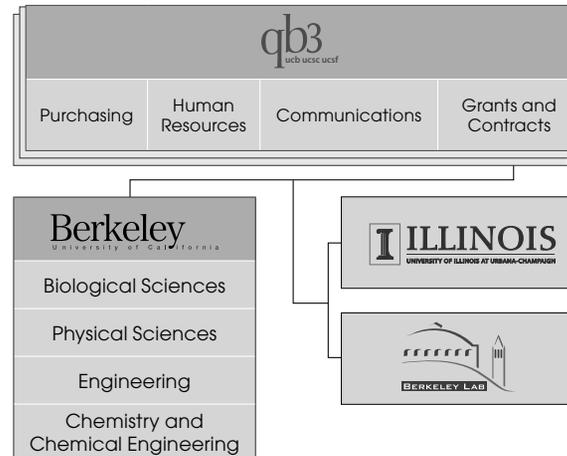
Source: University Business Executive Roundtable interviews and analysis.

2.1 Expand a Top Performer to a Shared Service for Other Multidisciplinary Units

To mitigate faculty concerns about shared service effectiveness, universities can capitalize on the success of an existing high-performing administrative unit. Although the University of California, Berkeley contemplated creating a research administration unit that would serve multiple centers for years, it lacked upfront funding and anticipated faculty resistance. The university's opportunity came when an existing unit, the California Institute for Quantitative Biosciences (QB3), successfully competed for the \$500 million BP biofuels grant.

One institute's acclaimed support functions carved out...

California Institute for Quantitative Biosciences



Winning the \$500 Million BP Biofuels Grant

- In six weeks, QB3 completed one of largest multi-institutional grant proposals in history
- The proposal included the University of Illinois at Urbana-Champaign and the Lawrence Berkeley National Lab
- QB3 staff designed the organizational and legal structures of the project, with PIs furnishing the science content
- Impressed by this highly publicized success, other faculty were convinced access to QB3 staff could improve their own support levels

...and expanded to serve a larger multidisciplinary portfolio

New Shared Service Center



Attracted by Promise of Superior Service, Nine Institutes Choose to Join RES

- Nanosciences
- Stem Cell
- Emerging and Neglected Diseases
- Energy Biosciences
- Genomics
- Neuroscience
- Cognitive and Brain Sciences
- Deep Underground Science
- Quantitative Biosciences

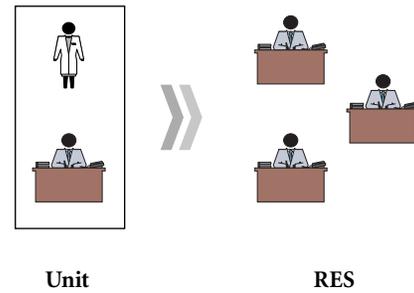
- An expansion of QB3, Research Enterprise Services (RES) established as a campus administrative unit.
- Began with a few institutes and expanded to nine within a year.
- Research specialties aligned with QB3 to leverage already-established relationships.

Source: University Business Executive Roundtable interviews and analysis.

2.2 Absorb and Upskill Support Staff from Client Units

Administrative staff at the centers participating in RES are retrained and then reassigned to serve particular centers, with assignments tailored to each center's needs as well as each individual staff member's skill set. As often as possible, staff are reassigned to their previous units, enabling staff to bring the added advantages of elevated training and load-balancing while also leveraging already-existing personal relationships.

Unit staff absorbed into RES...



- Previously, individual staff reported to center directors
- Staff reassigned to RES for retraining

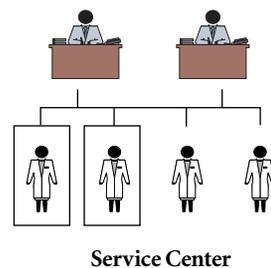
...are retrained...



Staff with differing levels of training and experience receive instruction in:

- Financial reporting
- Agency grant procedures
- Information Systems

...and redeployed to individual units



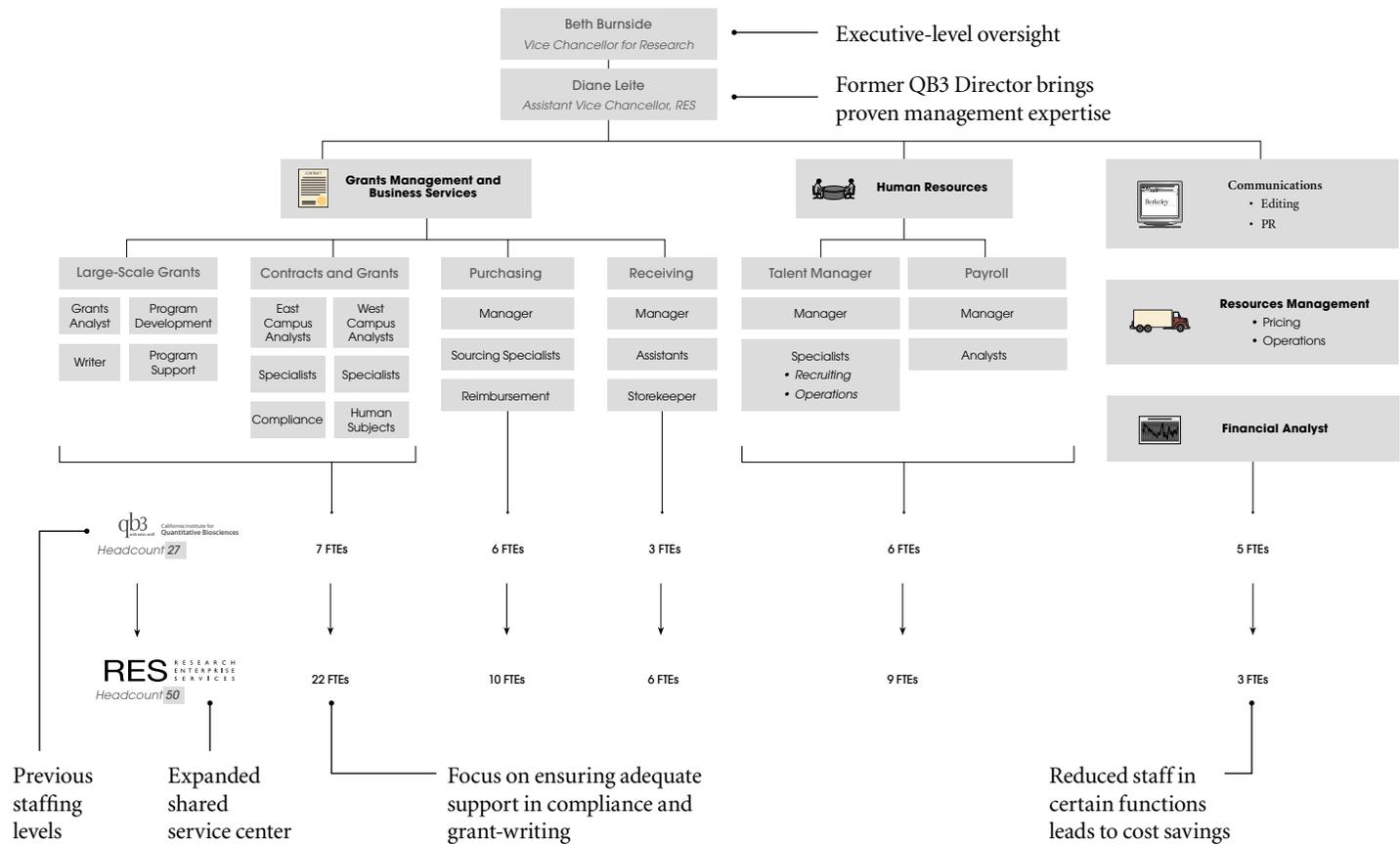
- Staff provide grants management and business services to several units concurrently, including their “home” unit
- Distributed physically across centers, staff remain easily accessible to faculty
- After initial migration, RES holds continued responsibility for hiring, evaluation, and training

Source: University Business Executive Roundtable interviews and analysis.

2.3 Rightsize Staffing Levels to Function Based on Aggregate Demand Levels

Most research units require some level of dedicated administrative support, but few units require full-time support across the entire range of business functions (HR, finance, communications, etc.). Sharing staff resources across centers, departments, and colleges enables researchers to access skilled professionals when needed while ensuring that staff are not underutilized.

Overview of Research Enterprise Services Organization



Source: RES Organizational Chart, available at: <http://res.berkeley.edu/res/docs/RES%20Org%20Chart%209-26-08.pdf>, accessed October 10, 2008; QB3 staff directory, available at: <http://qb3.org/staff.htm>, accessed June 24, 2008; University Business Executive Roundtable interviews and analysis.

2.4 Consolidate and Build Out Research Self-Service Portal

In order to achieve maximum cost-savings and higher service levels, many shared service centers are adopting single sign-on, self-service portals that provide automated, standardized, 24/7 support and real-time access to reporting data. At Berkeley, RES's early adoption of a self-service portal for research administration has convinced previously reticent faculty to the value of accepting self-service delivery in other functions as well.

Research Portal Provides Model for Self-Service in Other Administrative Functions



Intranet Advantages:

- Cost-savings from automation
- Higher service rates
- Increased faculty satisfaction

Expense Reimbursement

- Self-service travel and entertainment

Project-Level Reporting

- Financial, personnel, and expenditure drill-downs

Personnel Tracking

- Staffing and activity tracking

Effort Reporting

- Paperless submissions, review, and certification

Source: Spanos, Costas J, "ERSO Intranet: A Quick Update," March 7, 2008, available at: http://www.me.berkeley.edu/new/faculty/ERSO_Intranet.pdf, accessed October 13, 2008; University Business Executive Roundtable interviews and analysis.

2.5 Sell Faculty on Service Quality Enhancements, Not Cost Savings

Persuading faculty to migrate to shared services requires universities to emphasize the quality improvements achievable through new service delivery models. RES proves that allowing the service center to do the heavy administrative lifting frees faculty time to concentrate on research.

Faculty incentivized to join RES primarily on the basis of quality, rather than cost...

Research Support Service Improvements from RES Participation

Support Activity	Typical Center	RES
Reporting	No/infrequent reporting	Real-time access with portfolio and project drill-downs
Staffing	Director spends significant time interviewing, managing staff members	RES hires, supervises all administrative personnel
Pre-award Support	PIs responsible for all proposal content	PIs focused exclusively on science content
Reimbursement	Six months	Two weeks

Research center directors receive increased support, especially in compliance and personnel management

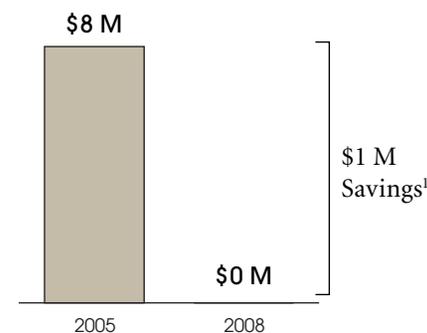
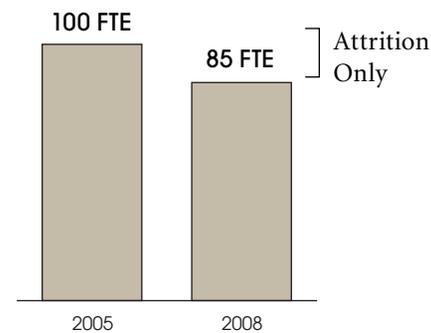
Time freed for PIs to concentrate on research

...but cost-savings are still critical to making the case

RES Expects to Replicate Savings Achieved by Berkeley Engineering School Shared Services

Lowered Headcount

Estimated Overdrafts



- **Fewer Grant Dollars Funding Administrative Costs**
RES estimates decrease from 7.5 percent to 6 percent
- **Reduced Compliance Risk**
Engineering School at 98 percent effort reporting compliance

¹ Assuming 12.5 percent interest rate.

Source: University Business Executive Roundtable interviews and analysis.

Practice #3: Provost Office Pilot

Typical University Problems

- Universities are unable to quantify the labor expenditures or transaction costs of discrete activities, but external consulting engagements are often cost-prohibitive or a culturally unacceptable expense.
- Migration attempts fail when central offices find themselves insufficiently resourced to meet local demand. In the absence of hard data, institutions are uncertain as to how to design shared service center staffing levels.
- University leaders are unable to systematically distinguish between business process variations that are truly necessary and those deriving from precedent or preference, making it difficult to enforce process standardization.

Best Practitioner Approach



University of Illinois at
Urbana-Champaign

Pilot shared services in units reporting to the provost, using an in-house data analysis to migrate a large breadth of business services.

Key Implementation Steps

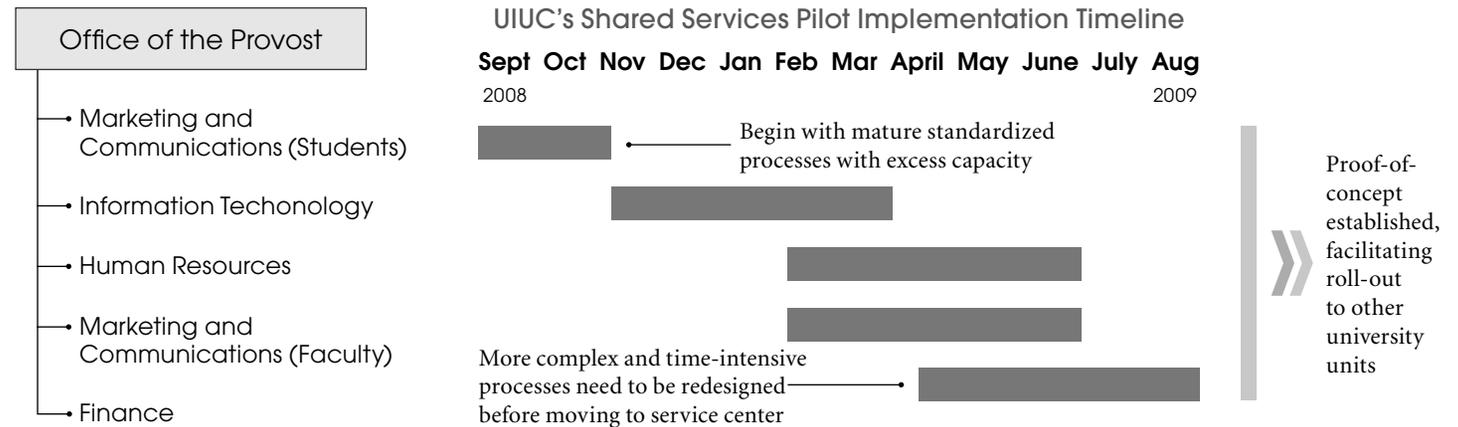
1. Migrate large breadth of functions with low transaction volume.
2. Conduct in-house data analysis to determine staffing needs.
3. Determine shared versus local activities based on scale and standardization levels.

Source: University Business Executive Roundtable interviews and analysis

3.1 Migrate Large Breadth of Functions with Low Transaction Volume

In order to minimize risk that stakeholder resistance will halt migration efforts, leading practitioners pilot shared services within one cabinet member's control span, utilizing the smaller and more controlled environment to fine-tune methods for improving data capture, achieving cost-savings, and ensuring service quality. The University of Illinois at Urbana-Champaign started with all units reporting to the provost, aiming to establish proof-of-concept in central areas highly visible to faculty and academic staff. Beginning with units with low transaction volume provided UIUC with the bandwidth to migrate a large number of business functions.

To achieve economies of scale while minimizing change management risk, UIUC's phased migration incorporates a large quantity of business services...



...but in only a relatively small number of units...

Shared Services Pilot Units Reporting to Provost's Office

- Teaching Excellence Center
- Information Management
- Auditorium
- International Programs
- Continuing Education
- Staff Human Resources
- University High School
- Visitors Center
- Advising and Academic Services
- Multicultural Democracy Center
- Academic Human Resources
- Honors Program
- Admissions and Records
- K-12 Scholars Program
- Financial Aid
- Business Professionals Training
- Faculty Staff Assistance

Areas highly visible to faculty and staff

...with the objective of establishing multiple shared service centers across campus...

Future Shared Service Centers (Illustrative)



Each service center serves cluster of units or schools

Source: University Business Executive Roundtable interviews and analysis

3.2 Conduct In-House Data Analysis to Determine Staffing Needs

Many universities experience misfires with consolidated services as central offices find themselves insufficiently resourced to meet a plethora of local demand, reinforcing skepticism over shared service effectiveness. To ensure the new service center would be sufficiently staffed, UIUC performed an in-house survey of individual units, using the resulting transaction data to determine staffing needs across each function. By helping unit leaders complete in-house surveys detailing transactional activity, UIUC was able to generate the data needed to determine staffing levels across each function while avoiding consulting costs.

Surveys to Units Determines Transaction Volumes, Aids Migration Design

Core Project Team

- Comprised of functional heads in Finance, HR, IT, and Marketing
- Provided surveys to unit leaders to assess employee time spent on set activities
- Identified opportunities to aggregate activities and eliminate “shadow organizations”
- Created models for shared services support, using data to determine staffing needs

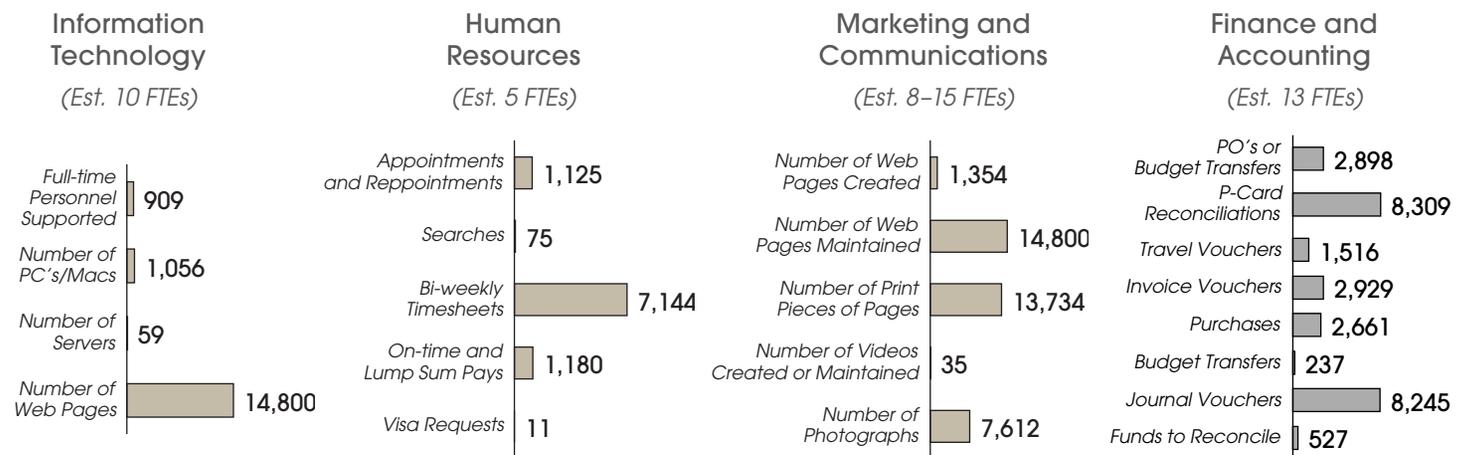
Unit Name _____

Activity	Activity Performed (Y/N)	Headcount	% of Time	Outsourced (Y/N)
Appointment/ reappointment processing				
Setting up New Hires				
Visa processing				

Key Data Needs (Annual)	Data
Number of appointments processed (including reappointments)	
Number of searches	
Number of visa requests	

Comments and Notes (Including Outsourcing Arrangements)

Representative Selected Volumetrics (Illustrative)



Source: University Business Executive Roundtable interviews and analysis

3.3 Determine Shared Versus Local Activities Based on Scale and Standardization Levels

Acknowledging that one size does not fit all business activities, leading universities design a migration strategy that takes into account what activities benefit most from the economies of scale and expertise achieved through a consolidated model, compared to what activities require a more customized approach. UIUC followed an aggressive approach, moving all services not requiring frequent face-to-face interaction or high local knowledge into the shared services center.

Moving a Broad Swath of Business Support Functions

Information Technology	Human Resources	Marketing and Communications	Finance and Accounting
Video conference	Monitoring of ethics training	Writing (print)	P-card approval
Document scanning	Tracking of performance evaluations	Writing (web)	Petty cash and program advance funds
Document archiving	Monitoring of conflict of commit and interest reporting	Site maintenance (web)	Self-supporting activities (developing budgets, pricing, billing for services, etc...)
SQL database	Monitoring economic interest reporting	Spec. appl. Programming (web)	P-Card reconciliation
FTP	Bi-weekly payroll time entry	Design (web)	Travel voucher preparation
Backup	Appointment/reappointment processing	Core programming (web)	Invoice voucher preparation
Web services (unsecured)	Setting up new hires	Editing (web)	WebCat purchasing and approvals
Web services (secured)	Collection of I-9's	Bidding (print)	iBuy purchases and approvals
Workstation support	Preparation of HRTC's for appoint. & retiree req. forms	Editing (print)	Journal vouchers
User support	Direct entry of NonFWS appts.	Design (print)	Fund reconciliation
User training	Preparation of PAPE requests	Video- specific events	Off-cycle/special reporting needs for funds/other data needs
File services	Monitoring and conducting searches	General campus photos	Grant fund monthly financial reconciliation and reporting
Print services	Preparing paperwork for filling CS vacancies	Photography-specific events	Purchase orders
Blackberry enterprise server	Process separations		Budget transfers
E-mail	Creation of and maintenance of dept. personnel files, I-9's		Grant proposal development (budget, prep, etc.)
Calendar	Academic vacation/sick leave reporting		Grant fund contract issues
	Pay adjustments, one-time pays and lump sum pays		
	Visa processing		
	Consultation on HR related questions		
	Activity tracking		
	Salary planner and campus salary program impl.		
	Unit security cont for HR applications		

■ Local
□ Negotiated
■ Shared services

Should this function be moved into the shared service center?

- Does it have high transaction volume across different units?
- Can it be easily standardized and/or automated?
- Do central staff have capacity to easily tailor the process to any principled customization needs?
- Can transactions be completed without frequent face-to-face communication or knowledge of individual customers?

Source: University Business Executive Roundtable interviews and analysis

Practice #4: Business and Finance “Lift and Shift”

Typical University Problems

- Chief business officers lack authority over administrative support staff in the academic core, making it difficult to build initial momentum on a proof-of-concept pilot project.
- Because the generalist model obscures volumes, labor intensity, and time to resolve most support requests, universities are unable to visualize the cost and quality decrements of current process inefficiencies.
- Existing enterprise systems are often not fully deployed, prompting the creation of shadow systems and the proliferation of unnecessary manual steps.
- Universities lack the financial incentives and other approaches used in the private sector to speed opt-in to shared services.

Best Practitioner Approach



Migrate to shared services high-volume transactions from within the CBO's direct control, focusing on few processes most ripe for automation gains.

Key Implementation Steps

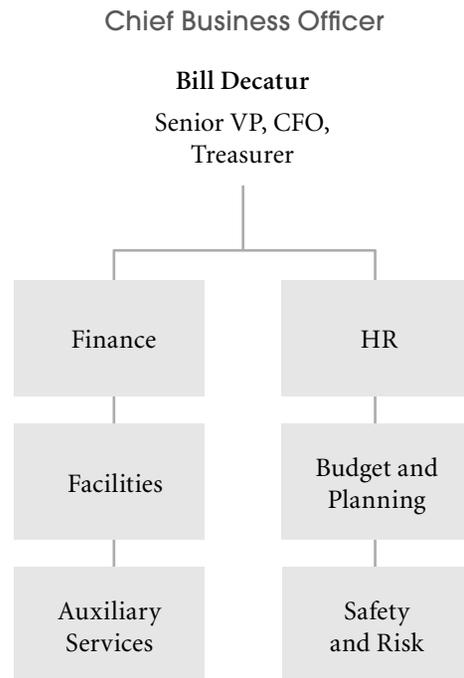
1. Pilot shared services within the chief business officer's control span.
2. Begin with high-volume processes with greatest potential for cost and time savings.
3. Use process-mapping software to identify automation opportunities.
4. Develop mechanisms to monitor performance and drive ongoing efficiency gains.

Source: University Business Executive Roundtable interviews and analysis.

4.1 Pilot Shared Services within the Chief Business Officer's Control Span

Given that reluctant faculty and deans are often the greatest hurdle to shared services migration, universities can consider first implementing shared services outside of the academic core. The Senior VP and CFO at Ohio University first created a formal Shared Services Center to serve only departments within the Office of Finance and Administration, with the intention of ultimately proving concept to the campus at large. By starting with only a few functions (A/P and T&E) at once, Ohio was able to accomplish a quick migration, "lifting" administrative personnel from the units and "shifting" them to central administration within only a few weeks.

Transactionally-focused support staff within business and administration reporting chain...



The CBO begins with those areas over which he exercises direct control, avoiding the academic core



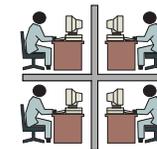
- 16 FTEs devoted to A/P, T&E
- Two-week transition

Employees are selected for their skill set and involuntarily and rapidly (two weeks) transitioned to the Center

...are quickly transferred to a new shared service center...

Shared Service Center

Mark Hopton
Assistant VP,
Shared Services



- Centralized shared service center
- Managed by former shared service director of American Greetings Corporation
- Multi-year goal to become sole-source "transaction factory" for entire university

A director with private sector experience brings cost-savings rigor



Shared Services Director Job Description available in the "Implementation Toolkit" at the back of this book

Source: University Business Executive Roundtable interviews and analysis.

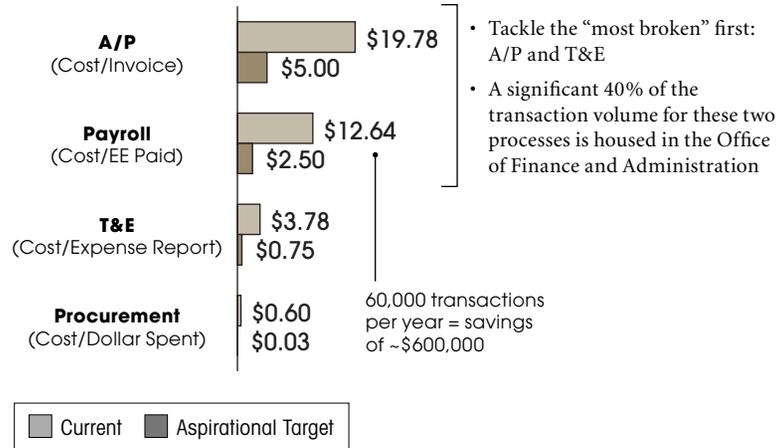
4.2 Begin with High-Volume Processes with Greatest Potential for Cost and Time Savings

External benchmarks suggest that university business processes take longer, cost more, and have higher error rates than in outside sectors; however, many universities are unaware of the cost and quality decrements of their current process inefficiencies. Ohio University engaged consultants to conduct an exhaustive study of current administrative processes benchmarked against both the private sector and higher education. The results allowed Ohio to select the “most broken” processes to migrate first, with the intention of not only reducing costs, but also enabling staff to re-allocate their time to higher-value added activities, thereby improving service as well.

Identifying costly transactions that comprise a large percentage of total transaction volume...

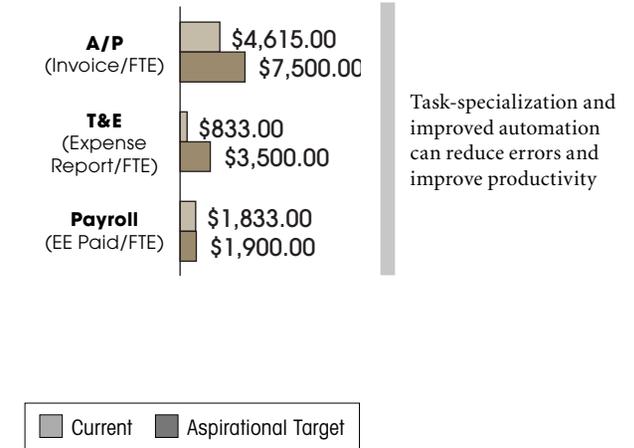
Transaction Cost Reduction Opportunity

(Estimated)



Transactional Efficiency Gains

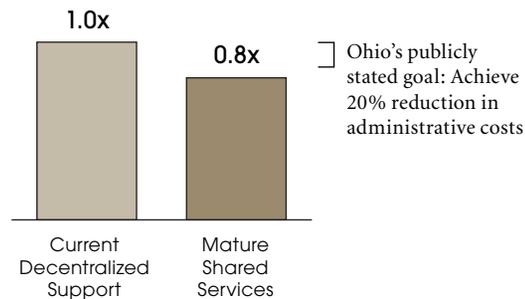
(Estimated)



...reveals opportunities for cost-savings and other efficiency gains

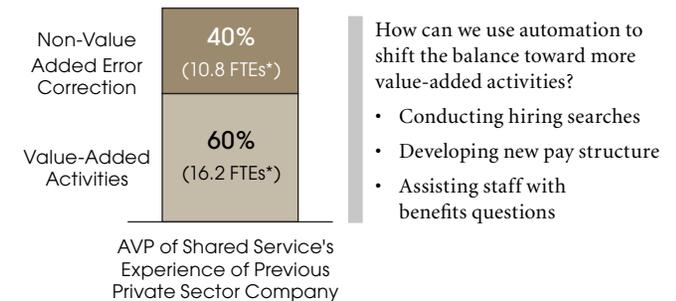
An Ambitious Cost Reduction Target

Cost of Administrative Services



Finance and HR Staff Time Allocation

(Estimated)



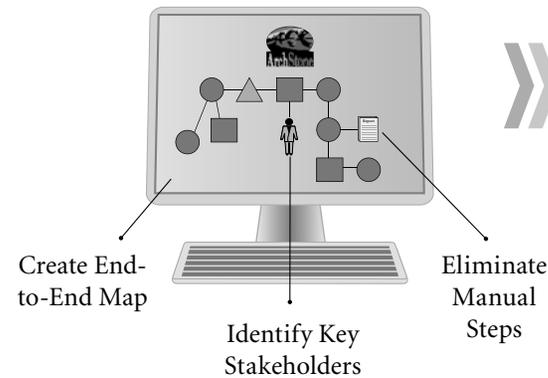
Source: University Business Executive Roundtable interviews and analysis.

4.3 Use Process-Mapping Software to Identify Automation Opportunities

Despite significant investments, many universities do not fully deploy their existing enterprise systems, prompting the proliferation of unnecessary manual steps and other process inefficiencies. Ohio University trained their employees to become process-mapping experts by using a simple software program popular in the private sector to identify manual steps and approval bottlenecks. Data gained from this software assisted Ohio's Shared Services Steering Committee and the AVP of Shared Services with determining ways to eliminate redundant steps and better utilize automation capabilities, especially related to their existing ERP system.

Training staff to map key administrative processes and identify automation opportunities...

Process Mapping Software (Illustrative)



...leads to identification of an orderly plan to automate and streamline functions over time

Steadily Extending the Automation Footprint

Ohio's Shared Service Center Three-Year Migration Plan (Illustrative)



Human Resources	Hire to Retire	<ul style="list-style-type: none"> Coordinate recruiting and hiring process 	<ul style="list-style-type: none"> Applicant Tracking System 	<ul style="list-style-type: none"> Automated process end-to-end decreases number of touches from 100 to 7 	<ul style="list-style-type: none"> FMLA
	Payroll	<ul style="list-style-type: none"> Eliminate duplicate systems Identify manual and unnecessary steps 	<ul style="list-style-type: none"> Increase direct deposit usage Badge swiping for time collection 	<ul style="list-style-type: none"> Fully automate 	<ul style="list-style-type: none"> Entire payroll system
Procurement		<ul style="list-style-type: none"> Centralize/localize review Vendor partnership and contract renegotiation Decrease P2P turnaround 	<ul style="list-style-type: none"> Electronic purchase orders 	<ul style="list-style-type: none"> Fully automate P2P 	
		<ul style="list-style-type: none"> Centralize Accounts Payable Identify manual and unnecessary steps 	<ul style="list-style-type: none"> e-Payables Reporting and reimbursement T&E 	<ul style="list-style-type: none"> Fully automate Accounts Payable 	<ul style="list-style-type: none"> Back-end T&E
Finance					

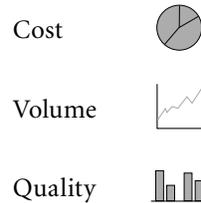
Source: University Business Executive Roundtable interviews and analysis.

4.4 Develop Mechanisms to Monitor Performance and Drive Ongoing Efficiency Gains

In the private sector, end-user resistance to shared services is typically counterbalanced by gainsharing initiatives, “sin taxes” for local processes or shadow systems, and dashboard metrics that demonstrate continued cost and quality improvements. Although such financial incentives are rare within higher education, Ohio University’s objective is to run shared services “like a business” by rigorously monitoring transactional metrics, discouraging manual processes, and preventing backfilling of old administrative positions.

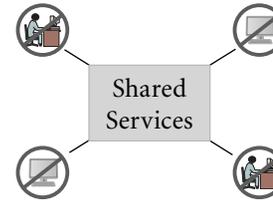
Ohio’s Disciplines for Ongoing Efficiency Capture

Create Operational Dashboards



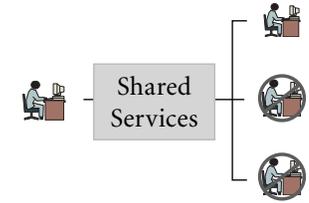
- Increasingly granular operational data on costs, volumes, error rates
- Twice yearly service-level review with internal customers
- Portion of over-performance against SLA cost targets retained to fund service extensions
- Goal: real-time, queryable display of all back-office transactions and spend

Drive Automated Process Utilization



- Shared services becomes sole source for transactions
- Tutorials and meaningful surcharges for exceptional, manual transactions
- IS audits to discover and eliminate department-level shadow systems

Centralize Hiring and Backfill



- Attrition-based headcount reduction forecasted and tightly managed
- Center director controls all new hires for services delivered through center
- Decentralized hiring requests reviewed by VP Finance committee for need



Metrics Dashboard, Service Level Agreements, and New Hire Authorization Committee information available in the “Implementation Toolkit” at the back of this book

Run It Like a Business

“My job is to create a business environment for delivering services inside an institution that isn’t a business...to build the tools and culture where we’re asking ‘how can we get better’ every single day.”

Mark Hopton

Source: University Business Executive Roundtable interviews and analysis.



End-State Models

III

End-State Models

1. University “311”
Contact Centers
2. State System Insourcing
3. Captive Shared
Services Subsidiaries

Implementation Considerations

Internal vs. External Shared Services

End-State Model #1, University “311” Contact Centers, demonstrates the vision shared by leading practitioners for how advanced shared service centers interact with customers, achieve both routine and higher-value added transactions, and ensure continuous improvement. Although this study has focused on creating shared services within the context of a single campus, many best-practice institutions aspire to achieve even greater economies of scale through external shared services, or consolidating business support services between several campuses. The model presented here of University “311” Contact Centers could be applied to either single campuses or multi-campus collaborations.

Different Models for Multi-Campus Collaborations

Campuses that choose to share business support services will likely select one of two organizational structures. Under End-State Model #2, “State System Insourcing,” a high-performing campus acts as an outsourcing provider to other campuses. This model is ideal for collaborations in which one particular campus clearly has the strongest aptitude in a particular function, with the proper staffing, expertise, process sophistication, and enterprise architecture needed to scale its services to additional customer units. Although this approach is most common within state university systems—where schools already share standardized policies and often practices—private institutions can also adopt this approach, with some private universities selling enterprise systems and support to other schools.

In End State Model #3, “Captive Shared Services Subsidiaries,” a collection of affiliated private institutions created a separate 501(c)3 to provide business support services, with prices and terms set by an oversight board including both campus and out-of-sector representation. Since no campus is designated the leader, this approach is attractive to campuses desiring equity between institutions, and/or when no campus emerges as the clear choice to be the outsourcing provider. However, this model requires a greater upfront investment and more initial time and coordination than the campus-to-campus model, which capitalizes on sunk costs and already-existing support structures.

End State Model #1: University "311" Contact Centers

Irrespective of organizational model, leading universities agree that customer responsiveness should be achieved through a contact center, in which customers direct all administrative queries to one single number, staffed by a Level 1 help desk. For automated information, customers sign on to an online, self-service portal for a wide range of activities, ranging from submitting student grades to checking the status of grant funds to obtaining travel reimbursements. This service delivery structure is maintained by a centralized shared service center, comprised mainly of task-specialized transactional staff, and complemented by small teams of Level 2 and 3 specialists, who are freed from routine transactions to concentrate on complex service requests and higher-value strategic activities. Ticketing software measures incidence, mix and resolution of customer support requests in order to capture the granular data necessary to pursue increased process sophistication and self-service improvements.

Self-service portals and service helplines provide convenient, responsive access for customer...

...and are maintained through centralized shared service centers...

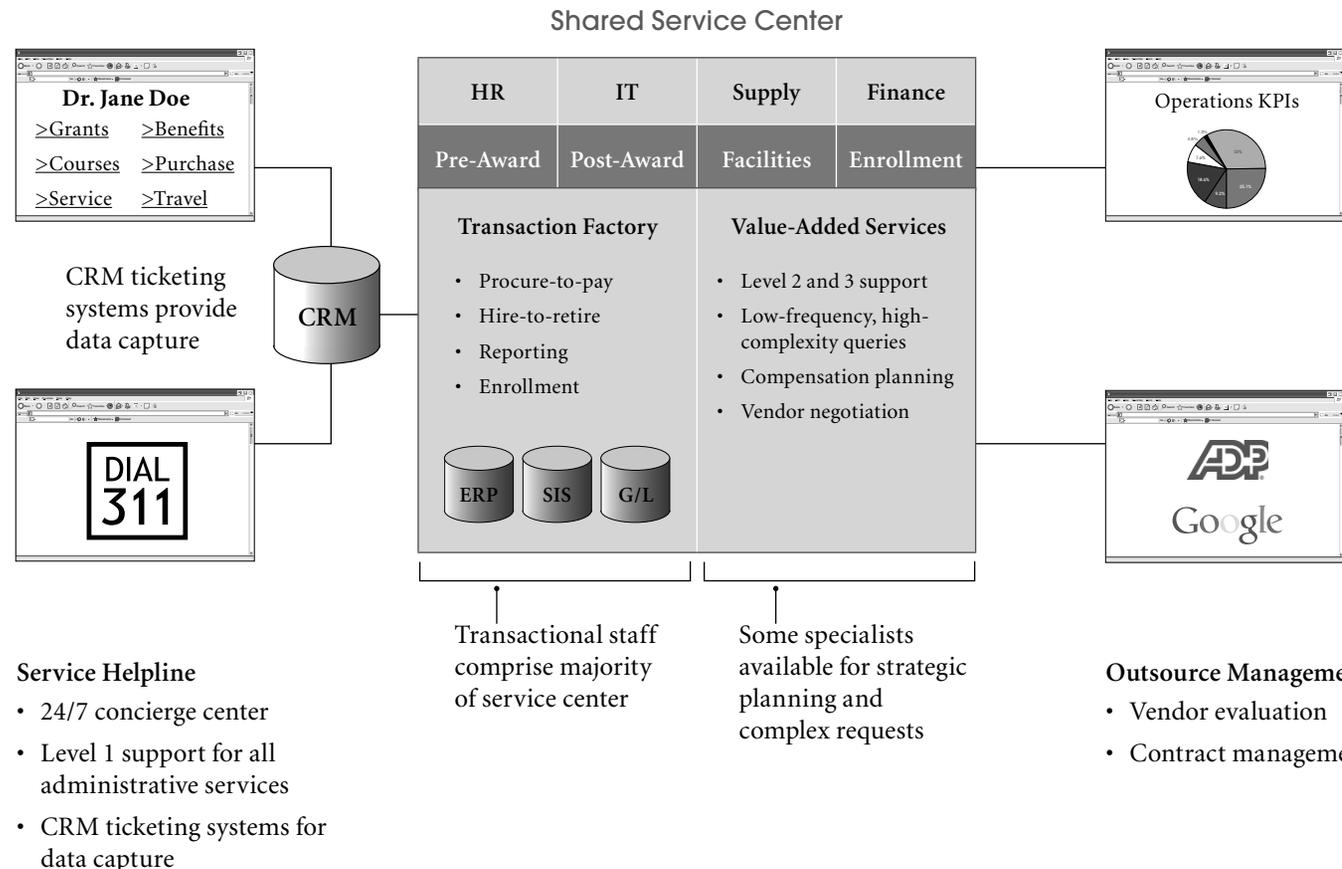
...which use CRM data to improve business processes and evaluate outsourcing opportunities

Faculty Self-Service Portal

- Personalized tracking of teaching, research and HR details
- Initiate and track routine transactions

Performance Datamining

- Root-cause analysis
- Increase Level 1 resolution rate



Source: University Business Executive Roundtable interviews and analysis.

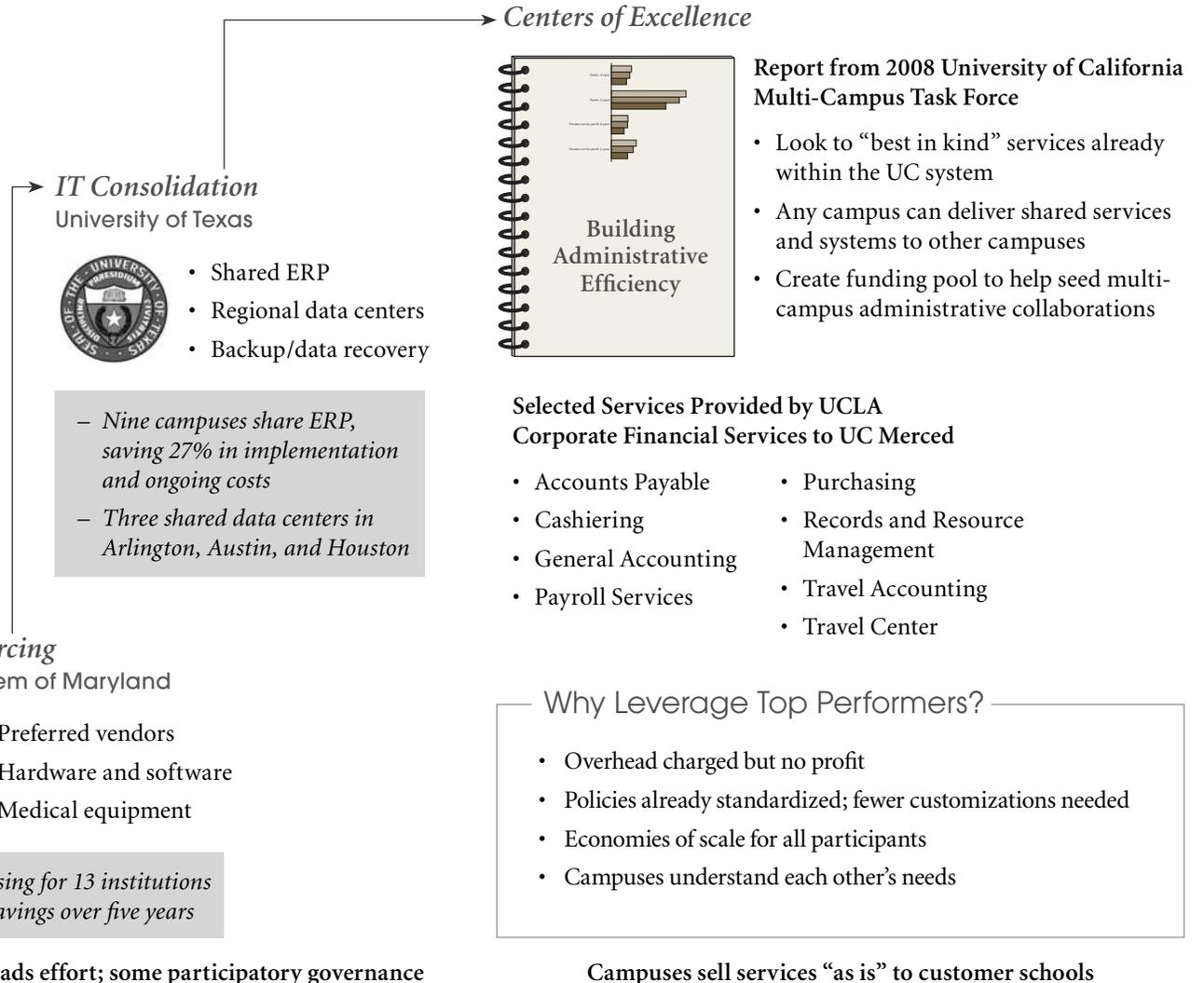
End State Model #2: State System Insourcing

To achieve economies of scale that reach beyond one single institution, leading state university systems are pursuing centers of excellence models, in which high-performing campuses act as internal outsourcing providers to sister schools. Rather than providing business services centrally, the system headquarters acts as a facilitator, seeing campuses themselves as better equipped to understand each other's transactional needs. This model capitalizes on sunk costs, especially since system schools already share the same standardized policies. High-performing campuses are incented to improve service levels and prices, as schools compete for provider status and receive a small amount of overhead to invest back in improved service delivery structures.

From Facilitating Collaboration to Letting Campuses Take the Lead

State system campuses reduce costs through shared purchasing and investments...

...paving the way for internal outsourcing models that capitalize on sunk costs



Source: University Business Executive Roundtable interviews and analysis.

End State Model #3: Captive Shared Services Subsidiaries

Lacking the built-in network of a state system but also looking to achieve multi-institutional economies of scale, private universities form partnerships based on location and/or mission-similarity. The seven Claremont Colleges incorporated a nonprofit organization, the Claremont University Consortium (CUC), to run support services for all partner schools, who have the choice to purchase services from CUC or from external providers. As an independent organization, CUC leverages the advantages typically enjoyed by private sector outsourcers—such as having the labor flexibility and competitive compensation to motivate talented staff, and the ability to invest funds in the continuous improvement of support processes—but also allows institutions to retain governance control.

Incorporated as a 501(c)3, the Claremont University Consortium provides a catalog of back office services to participating colleges...

Claremont University Consortium			
COLLEGE SHARED SERVICES			
350 FTEs, \$36 M IN 2007 REVENUES			
	Flat Allocation	Headcount Formula	Usage-Based Fees
Academic	<ul style="list-style-type: none"> Chaplain Black Student Affairs 	<ul style="list-style-type: none"> Library Student Housing Biological Field Study 	
Facilities	<ul style="list-style-type: none"> Real Estate Bookstore Auditorium 	<ul style="list-style-type: none"> Student Housing Biological Field Study 	<ul style="list-style-type: none"> Maintenance Construction Materials
Business and Administration	<ul style="list-style-type: none"> Risk Management 	<ul style="list-style-type: none"> HR Finance IS Safety Mail Delivery 	<ul style="list-style-type: none"> ID Cards HR IS

Competitive Pricing:

Three different pricing formulas are standardized and non-negotiable. However, colleges can opt in or out of services at any time, incentivizing CUC to demonstrate cost and quality benefits compared to external providers.

Ongoing Shared Services R&D:

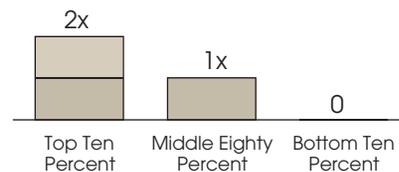
A 7-8 percent profit margin is incorporated into service menu prices and then reinvested to develop standard, automated solutions for emerging college needs.

...and uses market-driven competitive and labor policies to retain and motivate talented staff...

...while a governing board leverages advantages of both constituency representation and out-of-sector expertise

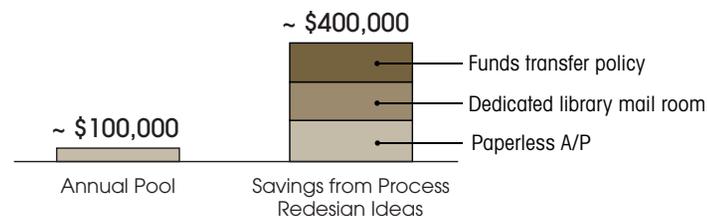
- ① Pay-for-performance compensation uses evaluations made against role-based KPIs

CUC Annual Merit Increase



- ② Innovation bonuses are provided for staff re-engineering proposals

CUC Entrepreneurship Fund (Illustrative)



Board Roster

- CEO
- **9 At-Large Directors (Partial List)**
 - CIO and Shared Services Director (Fortune 500 Company)
 - Ex-EVP Operations, (Fortune 500 Company)
 - EVP (Independent Hospital Consortium)
 - Chairman (Real Estate Management Firm)
 - Chairman (Capital Management Firm)
 - General Counsel (Fortune 500 Company)
- **14 College Presidents and Trustees**
 - Pomona College
 - Pitzer College
 - Claremont McKenna College
 - Harvey Mudd College
 - Scripps College
 - Keck Graduate Institute
 - Claremont Graduate University

Ensure private-sector standards for performance and agility

Provide needs identification and quality monitoring

Source: University Business Executive Roundtable interviews and analysis.



Implementation Toolkit

IV

Implementation Toolkit

1. Stakeholder Analysis Compendium
2. Metrics Dashboard
3. Service Level Agreements
4. Shared Services Director Job Description
5. New Hire Authorization Committee

Summary of Tools

Tool #1: The Stakeholder Analysis Compendium is drawn from change management artifacts of several institutions that have successfully completed shared service migration. The Roundtable has included brainstorming exercises to use in developing a targeted communications plan, a list of frequent objections raised by stakeholder groups, and a chart for mapping the support and resistance levels of key individuals.

Tool #2: The Metrics Dashboard includes a list of principles for selecting dependable key performance indicators (KPIs), as well as a list of frequently-used KPIs for human resources, finance, information technology, and procurement.

Tool #3: Service Level Agreements (SLAs) articulate the services and performance expectations required from both the shared services provider and the customer.

Tool #4: The Shared Services Director Job Description enables universities to ensure shared service center directors are properly qualified for complex roles that include expertise in project management, business process redesign, and continuous improvement methodologies.

Tool #5: The New Hire Authorization Committee provides information on how to develop position review mechanisms to prevent unit-level backfill.

Tool #1: Stakeholder Analysis Compendium

Typical University Problem

While most universities realize the significant communications burden associated with shared service migration, institutions often over-invest in designing one single message unlikely to reach and meet the needs of diverse stakeholder groups.

Tool Description

The Stakeholder Analysis Compendium is drawn from change management artifacts of several institutions that have successfully completed shared service migration. The Roundtable has included brainstorming exercises to use in developing a targeted communications plan, a list of frequent objections raised by stakeholder groups, and a chart for mapping the support and resistance levels of key individuals.

Implementation Considerations

By developing scripting and messaging strategies for varied stakeholder segments, leading institutions improve upon the “one message, one channel, one moment” strategy typical of many static—and ultimately ineffective—communications approaches. Progressive institutions also complete an extra census to examine key individuals within each stakeholder group. Whether approaching groups or individuals, universities must ensure that messages include both standardized components—used for all audiences—as well as segmented components designed with the specific constituency in mind.

These tools should be used by shared service implementation teams in creating formal communications materials (i.e. town hall presentations, website FAQs) as well as in training team members to act as informal spokespersons, with ready answers for predictable concerns.

Communications Plan Brainstorming Exercises

Targeting Response to Stakeholder Group

Stakeholder Group	Reason for Resistance	Targeted Response
Faculty	Skeptical of upfront investment	Communicate timeline for ROI; use data to show inefficiencies of current model
Staff	Specialist jobs sound less interesting and rewarding	Emphasize improved training and career path opportunities
Deans	Concerned that if they migrate first, the rest of the university will not follow	Guarantee that no additional cost will be incurred; promise that savings can be re-invested in school or division

Optimizing Use of Communications Methods

Stakeholder Group	Possible Communications Venue	Challenges	Solutions
Faculty	Department meetings	Attendance typically low	Meet with chair in advance and ask to add to agenda of an already-existing meeting likely to have high turnout, such as when voting to prioritize open faculty lines
Staff	Town hall sponsored by staff assembly	Attendance typically low	Visit department manager meetings first and ask them to encourage staff to attend; provide lunch; repeat same content in different locations on campus and with staggered times/dates

Source: University Business Executive Roundtable interviews and analysis.

Sampling of Frequently-Raised Questions and Responses

From Department Chairs and Faculty (Illustrative)

Is this just a ploy for central administration to gain more power? I doubt any central office would prioritize my department's needs over their own.

- Shared services is not the same as centralization. Through governance boards, service level agreements, and data-driven continuous business process improvement, shared service centers remain accountable to customer units.
- **Roundtable Tip:** Use the diagram on page #3 of this publication to help users visualize how shared service models break the compromise between centralization and decentralization. Describe how governance boards, SLAs, and process improvement mechanisms are designed to guarantee responsiveness to local needs.

How will central providers keep up with department demands, much less scale to anticipated growth?

- Current data on unit-level transaction volumes will determine shared service center staffing needs, ensuring that departments are neither under—nor over—resourced, as is often presently the case. In fact, shared services will better meet department needs since service will not be interrupted when key staff are absent or depart. Furthermore, through increased automation and by leveraging economies of scale, the university will be able to meet increased research, teaching, and service ambitions—without adding additional staff.

Is this just a precursor to academic department consolidation? Why should I give up my department's existing resources? I fought hard for them.

- Administrative consolidation is not equivalent to academic consolidation. Freed from the administrative and financial burden of providing back-office support, departments will be able to re-direct existing resources to mission-critical needs, such as research and instruction. Departments will also receive a percentage of shared service savings to reinvest in themselves.

My department administrative support staff know my needs.

- Staff migrated to shared service centers typically still work with their previous home departments, only now with the greater support, training, and resources needed to provide even higher levels of service. Universities that have implemented shared services have been able to provide faculty not only better, but also more services than before at no extra cost. Furthermore, customer liaisons will ensure shared-services centers understand unit needs.

Is shared services worth the upfront investment, especially in this economy?

- The current financial downturn makes administrative restructuring an unavoidable necessity as universities are forced to “do more with less,” continuing to advance ambitious research agendas and serve growing faculty and student needs despite budget cuts.
- **Roundtable Tip:** Use internal and external benchmarks to show the cost and quality decrements of the current model, as well as a timeline for anticipated ROI.

Source: University Business Executive Roundtable interviews and analysis.

From Unit-Based Staff and Supervisors (Illustrative)

Is my job in jeopardy?

- Especially given the large wave of retirements expected in coming years, the university's priority is to rely on natural, rather than involuntary, attrition to achieve administrative consolidation. Using both historical trends and predicted retirement data, the shared services implementation team is forecasting natural attrition for the next few years. This data allows the university to determine how many roles can be consolidated without downsizing. In case turnaround falls short, a standing committee will regularly review open positions and match them with internal staff.

The faculty in my department rely on my personalized knowledge of their needs.

- Administrative staff migrated to shared service centers typically still work with their home departments, only now with the greater support, training, and resources needed to provide even higher levels of service. Customer service liaisons will be utilized to ensure a smooth transition.

Will I have to learn new computer and IT systems?

- Technology competency assessments will help match individuals to appropriate positions, with training available for interested staff. Those uninterested in these positions will have opportunities to apply for more customer-service-oriented roles.

Specialist jobs sound less interesting and rewarding; I don't want to process the same transaction all day.

- Through increased process simplification and automation, shared service centers help staff focus on higher-value-added activities by eliminating unnecessary manual steps and rework. Furthermore, shared service center positions will provide improved training, better compensation, and more attractive career paths. Staff take an active role in using transaction data gained from ticketing software to re-engineer processes, and regular collection of performance data helps staff see clear areas for career development and advancement.

Vice Presidents, Deans, and Directors (Illustrative)

What if my unit migrates first but the rest of the university doesn't follow?

- Early adopters will be the first to benefit from shared services migration, as the university promises that, at the very minimum, additional services will be provided at no additional cost. Furthermore, a tangible portion of shared service savings will be provided for department and unit heads to reinvest in their own core needs. Even if the entire university does not migrate to shared services initially, participation from a few units will create the economies of scale and task-specialization necessary to see improved service at lower cost, and early participants will be able to help develop governance structures and implementation plans that meet their needs. Finally, service level agreements are designed to protect customer units, who will be able to "opt out" of shared services—at no additional cost—if baseline service requirements are not met.

Will some units have to contribute more than others?

- Through governance board and implementation team representation, units will be included to create equitable policies for chargeback mechanisms. Typically, these differ based on service provided (i.e. based on transaction volume vs. student enrollment vs. transaction types).

How will the shared service center be able to meet my complex research administration needs?

- By including academic units in implementation design, shared service centers incorporate academic needs into service offerings from the very beginning. Unit-based staff migrated to shared service centers bring knowledge of academic department needs, and governance boards and service level agreements will be used to ensure that shared service centers remain sensitive to the complexities of research administration.
- **Roundtable Tip:** Discuss the University of California, Berkeley's successful implementation of shared services specifically for research administration, demonstrating how shared services can improve compliance and free faculty administrative time.

Source: University Business Executive Roundtable interviews and analysis.

Individual Stakeholder Analysis

Creating a Customized Communications Plan

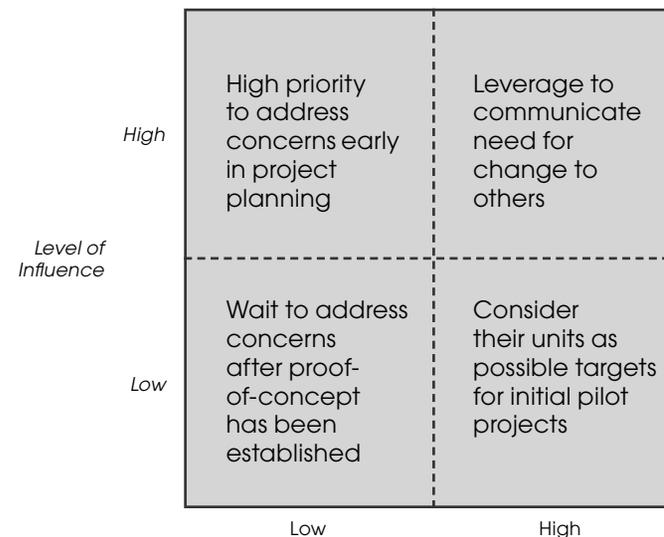
1. Create list of key individual stakeholders
2. Use matrix at right to determine each individual's level of support and influence
3. Develop a timeline prioritizing order in which to approach key stakeholders
4. Decide which implementation team member(s) and/or other campus supporter(s) are best positioned to influence key individuals through one-on-one or small-group meetings
5. After persuading key individuals to the importance of shared services, maintain their involvement by inviting them to join implementation teams, asking them to assist with communications to their constituency groups, and/or providing regular updates.

List of Key Individual Stakeholders

(Illustrative)

- President, Provost, and cabinet members whose areas may be affected
- Deans, Associate Deans
- Department chairs
- Academic Senate leaders
- Staff Assembly leaders
- Union officers and stewards
- Department and unit-based business managers

Level of Support and Influence Matrix



Source: University Business Executive Roundtable interviews and analysis.

Tool #2: Metrics Dashboard

Typical University Problem

In order to prove sources of savings, evaluate transactional staff performance, and identify areas for continued process improvement, shared service centers must quantify the volumes, labor intensity and time to resolve most support requests. However, universities historically lack mechanisms for selecting and tracking core metrics, and are often overwhelmed by too many options and unsure how to organize and evaluate data systematically even when it does exist.

Tool Description

The Metrics Dashboard includes a list of principles for selecting dependable key performance indicators (KPIs) as well as a list of frequently-used KPIs for human resources, finance, information technology, and procurement.

Implementation Considerations

Given the difficulty in finding enough bandwidth to select, track, and use a large suite of performance indicators, as a practical concern, most universities begin by initiating a simple dashboard to track metrics that are easy to collect and that provide meaningful data.

Five Considerations for Selecting Key Performance Indicators

Metric Filters	Description	Rationale
Accessibility of Data	Information system should be able to readily generate metric data	Unrealistic to expect extensive manual data collection and analysis in timely manner for each metric
Frequency of Tracking	Metric monitoring should be conducted at regular intervals (quarterly or less)	Infrequent (annual) updates hamper ability to impact performance in real time
Reliability of Data	Data should be accurate, consistently defined and measured over time	Absence of trustworthy data results in suspicion toward performance, often yielding inaction
Communicability of Concept	Definition and rationale for metric should be easy to follow and replicate, suggest appropriate action	Lack of understanding about metric drivers and relevance hinders manager's ability to inflect performance
Span of Control	Metric should comprise components solely within shared service center purview	Not reasonable nor prudent to track performance against measures shared service center unable to directly influence

Building an Effective Dashboard

Sample IT Help Desk Dashboard					July 2007	
Metric	Current Performance	Target	Current YTD	Current Direction	Favorable Direction	
Help Desk Satisfaction Rate	97%	90%	98.5%	↑	↑	
First Call Resolution Rate	75%	70%	77.5%	↑	↑	
Average Speed to Answer	40 sec	32 sec	35 sec	↑	↓	
Call Abandonment Rate	40 sec	3%	6%	↑	↓	

Background color signals severity of gap in current performance against predetermined targets

Color coding for YTD performance serves as trigger to prevent completely missing annual targets

Column indicates current metric trajectory; comparison with favorable direction column provides basic assessment of metric performance

Source: University Business Executive Roundtable interviews and analysis.

Frequently-Used Key Performance Indicators

Human Resources

Hire to Retire

- Cost/Hire
- Hires/HR FTE
- Time to process retirement application
- Time to process new benefits packages
- Time to onboard new employee
- Cost of training and development
- Candidate satisfaction
- Customer Satisfaction

Payroll

- Time to process new payroll
- Payroll costs/employee
- Time to process time sheets
- Payroll error rate

Travel and Entertainment

- Time to TE reimbursement
- TE error rate
- Expense reports/HR FTE
- Expense reports/HR FTE/day
- Cost/expense report

Productivity

- HR costs/HR FTE
- HR Cost/employee
- HR FTEs/100 employees

Information Technology

Help Desk

- First call resolution rate
- Percentage of abandoned calls
- Percentage of hardware service requests closed within 48 hours
- Percentage of software service requests closed within 24 hours
- Cost per call
- Percentage of calls needing escalation for resolution

Network

- Number of outages
- Maximum duration of outage
- Unplanned network downtime
- Number of bandwidth utilization threshold violations

IT Vendor Management

- Maximum time to resolve issues
- Percentage of contracts renegotiated prior to renewal

Security

- Number of adverse events
- Time to issue access rights
- Time to revoke access rights

Finance

Accounts Receivable

- Time to process payments
- Percent delinquent payments
- Time to contact customer about open invoice
- Time to process invoice
- A/R error rate
- Cost/invoice
- Invoices/AR FTE
- Invoices/AR FTE/day

Accounts Payable

- Percent delinquent payments
- Time to process an invoice
- Payment processing frequency
- Percent of time-sensitive requests processed immediately
- A/P error rate
- Cost/invoice
- Invoices/AP FTE
- Invoices/AP FTE/day

Procurement

- Time to purchase approval
- Percent purchases on contract
- Purchase orders/Procurement FTE
- Purchase orders/Procurement FTE/day
- Cost/dollar spent

Subsequent Roundtable research will collect additional key performance indicators, along with guidelines for using effective internal and external benchmarks.

Source: University Business Executive Roundtable interviews and analysis.

Tool #3: Service Level Agreements

Typical University Problem

Skeptical of centralized support models, faculty are concerned that shared service centers will prioritize central projects, controls, and costs over academic unit needs. Meanwhile, central administrators see faculty and academic staff as unrealistic in their expectations and unwilling to see that their own accountability to central policies and processes is necessary to maintaining high service levels.

Tool Description

Service Level Agreements (SLAs) articulate the services and performance expectations required from both the shared services provider and the customer.

Implementation Considerations

Service level agreements are typically developed after or in conjunction with the creation of KPIs, which play an important role in SLA design.

Since SLAs represent mutual accountability between the shared service center and customer units, representatives of both should be included in SLA development planning. SLA teams often include the shared services director and functional area leaders, implementation team members, deans and unit head representatives, and decentralized administrative staff.

SLA Development Process

Step 1: Select components to include from the SLA checklist below

Step 2: Define key performance indicators (KPIs) to track for each service area (refer to Tool #2)

Step 3: Consult with key end-users to ensure all needs are met

Step 4: Develop terms of agreement and KPI expectations in quantitative, unambiguous terms

Step 5: Allow customers to review, negotiate, and revise as necessary

Checklist for Developing an Effective SLA

Required Elements

- Function performed (e.g. Human Resources)
- Services provided (e.g. Payroll, H2R)
- KPIs with targets and service expectations
- SSC responsibilities
- Customer responsibilities
- Formal complaints process
- Terms for regular service reviews

Optional Elements

- Chargeback mechanisms (e.g. charging a unit based on transaction volume vs. student enrollment vs. transaction types)
- Service constraints (e.g. exceptions to service expectations in case of extenuating circumstances, such as late requests from customer units or unusually time-consuming responsibilities such as complying with fiscal reporting to government agencies)
- List of optional services
- Exit clauses for a unit to opt-out of the service center (if terms of the SLA are not upheld. This will also create an incentive for the service center to meet expectations)

Source: University Business Executive Roundtable interviews and analysis.

The templates at right for various SLA components are drawn from SLAs used by universities and within the government sector. Over the course of our research, the Roundtable was referred to shared service centers at several government agencies (including the U.S. Department of the Interior, the National Aeronautics and Space Administration, and the Food and Drug Administration), since few in higher education have reached the level of formality achieved by these agencies.

The implementation of high-performing shared service models in the public sector gives encouragement to higher education institutions also working in complex, mission-driven organizations with large numbers of scientists and researchers, long-tenured support staff, and a consensus-based environment.

Templates for Major SLA Components

Service Provider and Customer Responsibilities:

The National Business Center run by the Department of Interior providing human resources services to NASA

(Abridged)

Responsibilities

General National Business Center (NBC) Responsibilities

- Protect the NASA data in accordance with the NBC's and the NASA's security requirements.
- Customer support must be a focal point of the SLA.
- Payroll and personnel processing will be accomplished following the end of the pay period in sufficient time to meet the established payday. In the event processing is delayed, it will be rescheduled as soon as practical, consistent with the NASA's payday and the appropriate NASA personnel will be notified.
- Provide support to NASA staff in their use of the NBC services and systems.
- Provide support to NASA in response to audit findings related to NBC provided services
- NBC will provide notification of the separation or long-term absence of their respective points of contact. In addition, NBC will provide notification of any changes in points of contact information or changes in job responsibilities.
- Provide a copy of the Certification & Accreditation letters for systems hosted at the NBC from the NBC Designated Approving Authority.

General Customer Responsibilities

- A contact person is often designated
- Ownership and control of NASA data
- Designate a representative(s) to participate in Federal Personnel Payroll System Users Group meetings.
- Designate principal contacts in the finance, human resources, security, and information technology areas.
- Acquire remote (peripheral) hardware and communications.
- The customer will need to play a part in continuous data collection
- Provide for the transmission of input data to the NBC computer facility according to the Personnel/ Payroll System Biweekly Processing Schedule. Both parties must agree to any changes to this schedule.
- NASA will provide notification of the separation or long-term absence of their respective points of contact. In addition, NASA will provide notification of any changes in points of contact information or changes in job responsibilities.

Source: Service Level Agreement, available at <http://epayroll.nasa.gov/documents/NASAFY09sla.doc>, accessed June 30, 2009.

Formal Complaints Process

The NASA Shared Service Center (NSSC)

(Abridged)

Purpose and Principles

The purpose of the formal dispute resolution process is to achieve the prompt resolution of formal disputes to the satisfaction of all parties. Only after all attempts have been made to resolve issues at the working level should a dispute be formally issued to the Cybersecurity and Communications Office (CS&C).

That process includes the following principles:

- All formal disputes raised will be adequately documented including agreed upon actions taken to resolve the dispute;
- Formal disputes shall only be considered resolved when agreed-upon actions have been implemented to the satisfaction of all parties; and
- In the event an agreement is not reached, all formal disputes will be referred to the NSSC Executive Director for discussion, negotiations, and an advisory opinion.

Dispute Categorization

All formal disputes raised will fall into four categories:

- Failure to meet the responsibilities of the NSSC and the Center as outlined in this SLA;
- Failure to reach resolution on recommended changes to the SLA;
- Requests for amendment to required service standards; and
- Service quality/customer satisfaction disputes.

Dispute Escalation Process

If the Center representative cannot resolve the dispute through either the service delivery process, or facilitation with the CS&C Office:

- The formal dispute will be escalated to the NSSC CS&C Director for the purpose of discussion and fact finding resulting in the issuance of a formal report;
- The formal dispute may be escalated to the NSSC Executive Director for discussion, negotiation, or an advisory opinion when resolution cannot be reached by the CS&C Office; and
- If actions to resolve the dispute cannot be agreed upon between the NSSC Executive Director and the Center representative, it will be referred to the NSSC Board of Directors for discussion and resolution- the decision of the NSSC Board of Directors will be the final ruling.
- The NSSC Board of Directors will identify and agree to satisfactory actions and resolution with the NSSC Executive Director.

Accounts Receivable Service Expectations

(Illustrative)

Process	Service Expectation
Billings	<ul style="list-style-type: none">• Monthly invoices completed within 14 days of end of month• Quarterly invoices completed within 14 days of end of quarter
Receivables	<ul style="list-style-type: none">• Payments will be processed within 5 days of receipt• Contact customer after 45 days if open invoice is more than \$15,000• Contact customer after 60 days if open invoice is less than \$14,999• Delinquent payments will not exceed 5%

Regular Service Review

(Illustrative)

Periodic Quality Reviews

The Shared Service Center and representatives from its customer units will conduct bi-monthly quality reviews of the service center's performance with regard to the terms delineated in this service level agreement. These reviews will consider:

- Performance metrics of KPIs since the last review
- Major deviations from agreed-upon service levels
- Conflicts or concerns from the service center or from customer units
- Negotiation of changes to the agreement

The service center will also assess customer satisfaction

Service Level Agreement Maintenance

As the service level agreement is assessed on an ongoing basis, revisions may become necessary due to modifications of existing services, addition of services, changing service needs, consistently significant variations from agreed upon service levels, or unanticipated events.

Source: NSSC-SERVICE LEVEL AGREEMENT Fiscal Year 2009 November 12, 2008, available at https://searchpub.nssc.nasa.gov/servlet/sm.web.Fetch/FY09_SLA__8.11_.pdf?rhid=1000&dld=231858&type=released, accessed June 30, 2009; University Business Executive Roundtable interviews and analysis.

Tool #4: Shared Services Director Job Description

Typical University Problem

Universities lack the internal staff competency needed to design and accomplish ambitious shared services migrations, often requiring experience and expertise (such as in developing KPIs and SLAs) rare among university staff.

Tool Description

The Shared Services Director Job Description enables universities to ensure shared service center directors are properly qualified for complex roles that include expertise in project management, business process redesign, and continuous improvement methodologies.

Implementation Considerations

The Roundtable has found growing evidence of universities hiring from the private sector for shared service executive positions, often seeking individuals with specific experience in corporate shared services design and implementation.

Director of Shared Services

Job Description (Abridged)¹

Salary Range: \$66,096– \$112,969

This position will work closely with the Executive Oversight Committee to provide the vision and direction with a defined plan for the shared services organization at the University.

Primary responsibilities of this position are to develop and implement a shared services model for the University with a customer-centric focus initially delivering finance, budget, and human resource services beginning in January 2010 and fully operational by January, 2011. Operations will initially focus on transactions in two areas (finance and human resources) but also provide knowledge based services (such as management reporting and budget development/forecasting) related to the functional areas of focus. The scope of services will likely expand over time. This position will be responsible for all aspects of the project with oversight from an Executive Committee.

I. Position Summary

Develop the strategy, business model, and implementation plan for shared services that balances cost efficiencies and economies of scale with high levels of customer satisfaction. Plan should cover all aspects of the project including but not limited to stakeholder needs, process design based on best practices, benchmarking and identification of key performance indicators, development of service level agreements, infrastructure (space, equipment, technology), staffing and communications. Focus of shared services is on the customer, strong internal controls, efficient operations, leveraging our human and technological resources through the use of business process redesign and continuous improvement methodologies.

- Work closely with Executive Oversight Committee in identifying and communicating potential risks/issues with key decision points during the project, providing reports as requested.
- Ensure high quality service at first quartile costs. Benchmark performance with other comparable operations both in the public and private sector.
- Mentor project team staff for improved performance, to maintain high morale, and for succession planning—creating professional development growth opportunities.
- Recruitment and development of shared services staff.
- Create a climate that proactively embraces changes and emphasizes need for continuous skill building and resource development.
- Demonstrate the value of the shared services approach to business units that have not yet joined the shared service organization.

¹ Adapted from Ohio University Director of Shared Services job description.

Source: Director of Shared Services Position Description Questionnaire, available at http://www.facilities.ohio.edu/sharedservices/documents/PDQ_Director_SharedServices.pdf, accessed June 18, 2009; University Business Executive Roundtable interviews and analysis.

II. Education and Training

Bachelor's degree with concentration in accounting, finance or business administration.
CPA or MBA preferred

III. Experience

At least 5 years in a shared services environment serving in a leadership role, specifically experience in start up.

Demonstrated change management skills.

Demonstrated accomplishments in developing and implementing process improvements and measuring the success of desired outcomes.

IV. Skill

Working knowledge of Finance, Accounting & Budgeting:

- Fixed Assets and Capital Accounting
- Financial Analysis & Management Reporting
- Procurement to Pay
- Budget methodologies, development, forecasting and oversight
- Pre & Post Award business processes of Grants and Contracts
- Travel and Expense
- General accounting (i.e. journal entry processing)
- Enterprise Resource Planning Systems (i.e. Oracle, PeopleSoft)

Working Knowledge of :

- Payroll
- Human Resources
- Shared Service Support (call centers, online tools, etc.)

Ability to think strategically with a global organizational perspective

Strong operations/general management background

Significant understanding of accounting, financial and work flow processes with the ability to identify control weaknesses and implement process improvements (best practices)

Ability to communicate effectively both orally and in writing.

Superior interpersonal and leadership skills with ability to drive organizational change, impact team morale, create and sense of belonging and participation and motivate others to achieve performance excellence.

Strong people and team management experience.

Strong project management and organizational skills.

The executive oversight team and the executive officers of the university may review decisions prior to implementation.

Source: Director of Shared Services Position Description Questionnaire, available at http://www.facilities.ohiou.edu/sharedservices/documents/PDQ_Director_SharedServices.pdf, accessed June 18, 2009; University Business Executive Roundtable interviews and analysis.

Tool #5: New Hire Authorization Committee

Typical University Problem

Although academic units allow transactional staff to move to consolidated structures during budget crises, units often backfill migrated positions afterward, leading to service duplication and preventing universities from achieving attrition-based labor savings.

Tool Description

The New Hire Authorization Guide provides information on how to develop position review mechanisms to prevent unit-level backfill.

Implementation Considerations

Even absent shared services, New Hire Authorization Committees are useful to ensure that all university positions are necessary and appropriately task-specialized. Leading universities have found that requiring managers to justify position needs results in fewer requests.

For universities implementing shared services, New Hire Authorization Committees should be created immediately to prevent the emergence of additional generalist roles.

Executive Approval for All Hires Ensures Shared Services Efficiency Gains

Approval Process

Step #1

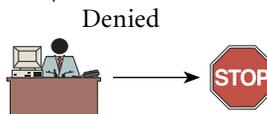
Department manager completes position approval form, submits to division for sign-off



Requests qualitative and quantitative information on negative impact of leaving position unfilled

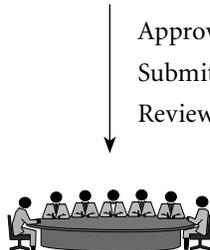
Step #2

Division reviews form, approves or denies request



Step #1

Vacancy Review Council renders decisions, posts results. Typically includes VP of Finance and Administration, VP of HR, Provost, and/or their designates



Approved
Submits to Vacancy Review Council

Evaluates manager's performance against budget projections

Request for Position Approval

Position job title: _____ Date submitted: _____
 Department: _____ Market range: _____
 Submitted by: _____ (Division head)
 Job code: _____ Budgeted position number (if applicable): _____
 Position is: (please check one) New Replacement
 Brief description of position: _____

Justification
 If this position is not filled, what will the negative impact be on the department's key goals?
 Please include data to support your position.

Cost Implications
 Is the department meeting its revenue, expense, and labor budget productions for 2009? Please include data to support your response.

 Current department FTE count excluding this position: _____
 Target FTE level for department from 2009 budget: _____
 Dean or division head signature: _____

Applies to both new and vacant positions

Requires dean or division head approval

Examines productivity in current versus target FTEs for department

Key Benefits to New Hire Authorization

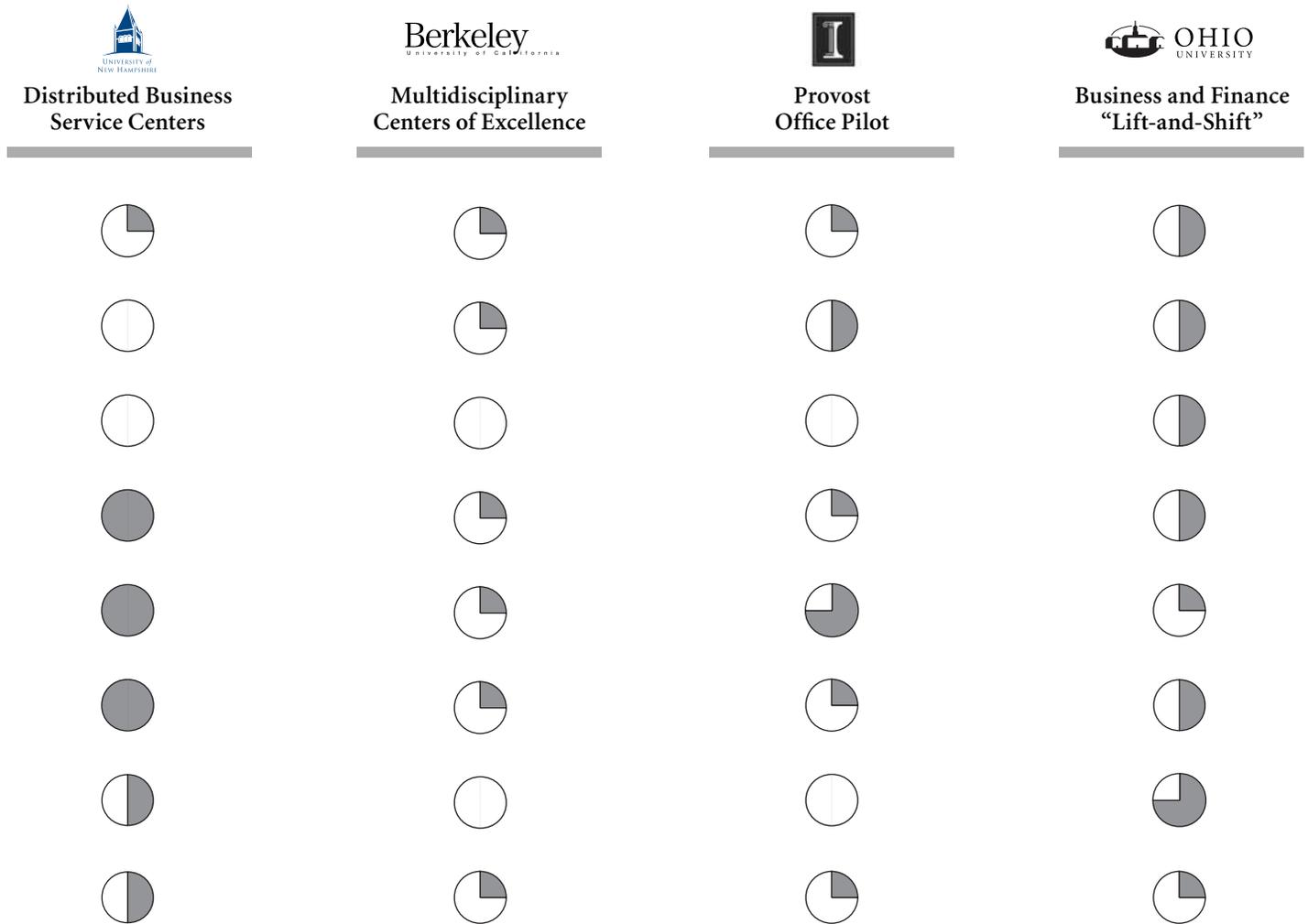
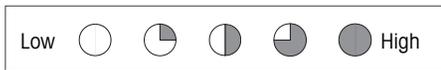
- Departments and units are unable to backfill transactional positions that have been migrated to shared services center
- Requiring managers to justify need results in fewer requests
- New position descriptions must be appropriately task-specialized, preventing the emergence of future generalist roles

Source: University Business Executive Roundtable interviews and analysis.



Summary of Best Practices

Shared Services Readiness Diagnostic



<i>Major Advantage</i>	Measured Change for Staff and Faculty	Leverage Sunk Costs, Campus Reputation	Full-Service, Front-Office Pilot, Visible to Faculty	Fast Transaction Scale
<i>Major Limitation</i>	Limited Task-Specialization	Opt-In Risks Slow Path to Scale	Low Initial Transaction Volume	Sudden Redefinition of Staff Roles and Reports

Source: University Business Executive Roundtable interviews and analysis.

