Welcome to Today’s NACUBO Webcast.

Our program will begin shortly with a brief introduction on how to use the desktop interface.
Shared Services: Best Practices in Higher Education

Monday, June 18, 2012
Today’s Objectives

• Hear about which institutions are implementing shared services and how they have garnered support from the campus community.

• Compare criteria to evaluate the merits of sharing particular services and note when sharing services might not be a good idea.

• Learn how benchmarking tools can help evaluate the business case for shared services.

• Understand the different types of shared services models including collaboration between institutions.

• Hear about implementation “tips and traps” from early adopters of shared services in higher education
Today’s Speakers

- **Robert Nettles**, director of administrative services, Oregon State University
- **Aaron Howell**, director of business affairs, Oregon State University
- **Barbara Lucey**, treasurer, Five Colleges, Inc.
- **Rowan Miranda**, associate vice president for finance, University of Michigan (Moderator)
Polling Question 1

What is the single most significant reason why your campus is considering shared services?

a) Streamline processes  
b) Improve customer service  
c) Reduce costs  
d) Improve controls  
e) Other
Evaluating the Business Case for Shared Services

Rowan Miranda, Ph.D.
AVP for Finance
(rowanm@umich.edu)
### Agenda

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Challenges Delivering Administrative Services in Higher Education

Administrative services are often delivered in a decentralized manner & mix policy and transactional activities which reduces efficiency & effectiveness

- Administrative activities are often replicated by line units (schools, departments, auxiliaries):
  - Finance, HR, Procurement, & Information Technology
  - Student Services, Research Administration, Communications/Marketing, and Development/Fundraising
- Business processes lack standardization and aren’t focused on outcomes
- Suboptimal use of enterprise systems, excessive reliance on standalone/shadow systems
- Transactional activities crowd out strategic/analytical work
- Inability to achieve an optimum scale of service in some units
- Poor compliance and weak internal controls environment
Shared Services involves the consolidation of back office functions into a new standalone organization that delivers services at a lower cost and higher level of service.

**Decentralized**
- Autonomous departments
- Focus on responsiveness
- Different systems & non-standard processes
- Separate functional staff

**Standardized**
- Schools / units run similarly
- Typically some common sub-systems
- Common processes
- Separate functional staff

**Centralized**
- Single department, division or site which performs the function
- Focus on efficiency and control
- Typically some common sub-systems
- No service level agreements nor performance targets

**Shared Services**
- Separate organization but linked to customers through governance model
- Managed service delivery through clear SLA’s
- Performance driven culture through measurement and feedback
- Process ownership end-to-end

**Outsourcing**
- Contracted services provided by a third-party vendor
- Balances responsiveness with efficiency
- Access to vendor capabilities
- Focus on labor arbitrage and service management
- Profit center for vendor
- Potential political impact

Source: Accenture LLP © 2012
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Profile

- **Organization**
  - Established in 1817
  - 3 campuses (Ann Arbor, Dearborn, & Flint)
  - 19 Schools & Colleges in Ann Arbor
  - 42,000 faculty and staff

- **Students**
  - 59,000 students

- **Academic and Research Excellence**
  - Academic Programs Ranked in Top 10: 95
  - Times World University Rankings: 18 out of 400 (2011-12)
  - Research Spending: $1.2B

- **Financial Strength**
  - Operating Revenue - $5.6B (includes health system) (FY2011)
  - Endowment Size - $7.8B
  - Bond Ratings – S&P (AAA), Moody’s (Aaa)
UM’s Shared Services Roadmap

Timeline

Decision Gates

1a. Benchmarking and Opportunity Identification

1b. Creative Staffing & Shared Services Task Force

2. Business Case Analysis

3. Shared Service Center Design

4. Shared Services Implementation
Scope of Shared Services

UM assessed each of the nearly 30 processes listed below for their suitability in a Shared Services environment. Only processes in “bold print” below made it into the Design Phase.

<table>
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<tr>
<th>Finance</th>
<th>Human Resources</th>
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<tr>
<td>o Purchase Orders</td>
<td>o Recruiting &amp; Staffing</td>
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<td>o <strong>Accounts Payable</strong></td>
<td>o <strong>Relocation &amp; Immigration</strong></td>
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<td>o <strong>Travel &amp; Expense</strong></td>
<td>o <strong>Onboarding Administration</strong></td>
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<td>o Financial Reports</td>
<td>o Exit Management</td>
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<td>o Budget Development</td>
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<td>o Payroll</td>
<td>o <strong>Benefits &amp; Savings Administration</strong></td>
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<td>o <strong>Accounts Receivable</strong></td>
<td>o Compliance Management</td>
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<td>o Tax Management</td>
<td>o Workforce Development</td>
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<td>o <strong>Accounting Reconciliations</strong></td>
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<td>o <strong>Accounting Journal Entries</strong></td>
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<tr>
<td>o Treasury Management</td>
<td>o Time &amp; Leave Administration</td>
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<td>o Cash Management</td>
<td>o Employee Relations</td>
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<tr>
<td>o Supplier Data Management</td>
<td>o Labor Relations</td>
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<tr>
<td>o Internal Audit</td>
<td>o <strong>HR Data Management, Reporting</strong></td>
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<td>o Organization Design and Development</td>
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<td>o Total Rewards Planning</td>
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<td>o Strategic Workforce Planning</td>
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Polling Question 2

What is the first functional area where you have either implemented or are considering implementation of shared services?

a) Finance
b) Human Resources
c) Information Technology
d) Academic Functions (e.g., admissions, counseling)
e) Other
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Step 1 – Confirm strategic goals & identify/prioritize candidate functions for shared services through activities such as:
- Executive & Stakeholder Visioning
- Establish a Project Charter/Guiding Principles
- Confirm Scope
- Build a Project Plan

Step 2 – Collect information on the current operating baseline including elements such as:
- Service catalogs
- Transaction volumes
- Costs (labor, technology, facility, outsourcing)
- Headcount in central and "local" units
- Effectiveness metrics (error rates, customer service levels, employee satisfaction)
- Performance metrics of peer organizations

Step 3 – Outline characteristics of the future state operating model including:
- Process improvement opportunities through best practices (e.g., ways to streamline process or reduce the volume of work)
- Technology enablement opportunities
- Improvements to the span of control
- Organization design of future SSC

Step 4 – Estimate benefits, costs, and risks & develop scenarios for SSC Rollout
- Define economic benefits and intangible benefits
- Estimate “capacity model”/ headcount requirements
- Estimate technology, facility and transition costs
- Calculate Net Present Value & Payback Period for each option
- Define implementation rollout strategy

Step 5 – Present Case for Change to Executives and Stakeholders
- Describe benefits of shares services
- Outline expected reductions in costs & improvements to service quality
- Define investment levels, timelines, and risks if you proceed
- Garner feedback and modify plan accordingly
Establish Strategic Intent & Prioritize Functions

**Poor Candidates for Shared Services**
- Cost Benchmark: Low Cost Compared to Benchmarks
- Type of Process: Strategic\Consultative
- Standardization: No Potential
- Transaction Volume: Low
- Complexity of Task: Highly Complex

**Strong Candidates for Shared Services**
- Cost Benchmark: High Cost Compared to Benchmarks
- Type of Process: Transactional\Administrative
- Standardization: High Potential
- Transaction Volume: High
- Complexity of Task: Simple, Repeatable

We Mean Business in Higher Education
Finance Benchmark Findings for UM

- Only 51% of AP transactions processed electronically
- Travel & Expense costs $163 per transaction versus $23 for custom peer
- Customer billing and collections costs are 15X higher than World Class
- GL staff is 9x that of World Class
- Active GL Accounts are 4x more than World-Class

NOTE: Should universities be compared to “World Class” companies?
- **The 66% Rule** – about 1/3 of the costs are centrally located & 2/3’s are local/unit level

- **The 75% Rule** – about 75% of the work done at the unit level is transactional rather than strategic/analytical

- **Process Fragmentation** – while processes were standardized within central functions, processes varied greatly at the local/unit level. Many improvement opportunities especially as it relates to better use of workflow

- **Misplaced Professionals Rule** – a greater mix of managers & professionals do transactional work compared to the private sector

- **Low Span of Control** – most managers oversee the work of a few people (e.g., 1 to 4) compared to the private sector

- **Underutilization of ERP System** – organic growth of shadow systems at the local/unit level that replicate what the central systems often do better

- **Outsourcing** – minimal use or appetite for outsourcing, even in areas such as IT where the outsourcing market is mature
College / Unit-Driven Model
“Administrative Service by Unit”

Service-Driven Model
“Administrative Service by Region”

Client-Driven Model
“Administrative Shared Services”

Key:
- Strategic Services
- Commoditized Services
### Benefit Drivers vs. Cost Drivers

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<thead>
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<th>Benefit Drivers</th>
<th>Cost Drivers</th>
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<tr>
<td>▪ Process Standardization and Simplification</td>
<td>▪ Internal Project Team Staffing Costs</td>
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<td>▪ Improved Managerial Span of Control</td>
<td>▪ External Consulting Costs</td>
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<td>▪ Reduction of Transaction Volumes/Work</td>
<td>▪ New/Renovated Facility Build Costs</td>
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<td>▪ Self Service &amp; Enabling Technologies</td>
<td>▪ Workforce Transition Costs</td>
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<tr>
<td>▪ Facility Cost Savings</td>
<td>▪ Run Costs, including - Service Management Framework - Facility Costs, Utility Costs, etc.</td>
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<tr>
<td>▪ Aligning Compensation With Market</td>
<td>▪ Technology Acquisition &amp; Implementation</td>
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<tr>
<td>Capacity Model Activity</td>
<td>Description</td>
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| 1. Gather transaction volume and FTE data for in-scope processes | ▪ Validate process volume and FTE data with project leadership  
▪ Data sources include Hackett benchmark and supplemental data |
| 2. Validate key assumptions                                  | ▪ Review key assumptions with project leadership                                                  |
| 3. Assign process cycle times to activities                 | ▪ Process cycle time and volume is based on enhancements to processes, technology and organization as defined by the candidates for improvement  
▪ Assumptions are informed by consultant’s industry experience, leading practice repository, and validated by leadership |
| 4. Calculate steady state staffing levels and costs          | ▪ Steady state staffing levels are calculated based on consultant’s methodology and validated by leadership |
| 5. Identify steady state organization size                   | ▪ Based on inputs from Finance and HR workgroups  
▪ Staffing levels were calculated for in-scope process areas at the local/unit level, centers of expertise, and university-wide shared services |
264 In-scope headcount

224 Spend less than 50% of time on in-scope activities

10 Stay in the Unit (in-scope)

214 Stay in the Unit (out-of-scope)

19 Transition Out

21 Transfer to SSC

This is the number of employees that remain in the retained organization (e.g., unit or central) to support in-scope activities

This is the number of employees that remain in the retained organization (e.g., unit or central) that no longer support in-scope activities

This is the number of employees that are transitioned out of service

This is the number of employees that move to Shared Services to support 100% in-scope activities
The Business Case for Shared Services:
10 Year Illustrative Scenario

Potential Benefits (in $ millions)

Y1 - FY12  Y2 - FY13  Y3 - FY14  Y4 - FY15  Y5 - FY16  Y6 - FY17  Y7 - FY18  Y8 - FY19  Y9 - FY20  Y10 - FY21

Savings  Investment  Annual Net Benefit

We Mean Business in Higher Education
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The following critical success factors have a direct impact on the effectiveness and viability of the Shared Services Business Case

- Advisory committees and project participants need to wear their “University hats” not their “school or unit hats”
- Open and honest communication
- Support from the Deans, Unit Heads, and Budget Administrators and continued engagement and collaboration
- Structure right incentives for positive change across campus
- Timely escalation and resolution of issues during business case phase
Implementing Shared Services at Oregon State University

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Director of Business Affairs
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Oregon State University Profile

- Land Grant
- 25,000 FTE Students
- $275M in Sponsored Research
- 12 Colleges
- 200 Undergraduate Degrees
- 80 Graduate Degrees
Scope of Shared Services

- Payables & Travel
- Budget Support/Reporting
- Position Maintenance
- Position Establishment & Recruiting
- Grant Accounting
Facts and Figures About Shared Services

- 170 total FTE
- $12M Budget
- Every campus unit served including extension & experiment stations
- Seven Centers
  - Five Academic
  - Two Administrative
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Case for Action

- Strategic Plan: academic, research and administrative transformation
- Service level improvement
- Complexity of systems
- “The Generalist”
- “You First!”
Universities Grateful for, but Captive to Generalists

Heroic Staff Overwhelmed with Multiple Administrative Tasks and Complexity

Responsible for multiple administrative and academic tasks, making generalist jobs difficult to unwind...

Greet Danish exchange students

Transfer funds between PI’s projects

Reconcile central HR report with departmental records

New employee network password

Travel and hotel for Singapore conference

Cover for vacationing payroll specialist

Emergency photocopies for professor

Process H1-B Visa from Kazakhstan

@$!& Out of cartridge toner, again!

Courtesy of the Education Advisory Board
Implementation Steps

- Lift – Shift – Retrain – Redeploy
- Governance Partnership and Dual Loyalty
- Communication/Implementation team
- Staffing
- Phased implementation
- Training!
Polling Question 3

• For your campus, what is the most critical element needed to achieve your goals through shared services?
  a) Executive level support
  b) Funding for planning and implementation
  c) Receptivity from academic units
  d) Communication capabilities
  e) Workforce considerations
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Value Gained

- 29 fewer FTE (nearly 20% reduction in staff)
- Consensus on policies, procedures, technology enhancements
- Reduced errors
- Reduced time to completion
Lessons Learned During Implementation

- Cultural Change
- Executive Support
- Define Employee Roles – For centers and employees left in units
- Space – Plan Ahead
- Invest in Process Re-Design – Workflow, Document Imaging, technology support systems
Strategies for Overcoming Resistance

- Benchmark
- Metrics – Trend lines and Time to Completion
- Consumer Satisfaction Surveys
- Employee Development Plan
- Employee Satisfaction Surveys
- Cost per Transaction Analysis
The Future

Current focus on:
- Additional technology enhancements
- Standardization/Best practices
- Process re-design/workflow

Future areas:
- Business Analytics/Reporting
- Pre-award/post-award support
- Technology support services
Cross Boundary Shared Services:
The Experience of Five Colleges
Consortium of Western Massachusetts

Barbara Lucey
Treasurer
(blucey@fivecolleges.edu)
Agenda

1. Background, History and Operations
2. Locations and Customers
3. Collaboration Strategies & Governance
4. Lessons Learned
Profile

Founded – 1965 as a 501c3; cooperation began in 1920s
Location – Amherst, Massachusetts
Members – Amherst College, Hampshire College, Mount Holyoke College, Smith College, and the University of Massachusetts, Amherst

Operating Budget - $8 million
Endowment - $10 million
Employees – 35
Five Member Schools

Four independent private liberal arts colleges

- 3 founded in the 1800s, 1 founded in 1970
- Each primarily devoted to undergraduate education
- 2 are women’s colleges
- 8000 students, 750 faculty members (85% permanent)

One public university campus (of 5 in UMass system)

- Leading in research and graduate education
- UMass Amherst has 23,000 undergraduates, 5,000 graduate students and 2000 faculty members (60% permanent)
Amherst College helped in founding the 3 other colleges and the university

In 1970, four colleges together founded Hampshire College as a way to bring more academic innovation into the consortium

Cooperation began because of geography

The members continued because of academic affinities and administrative efficiencies

Recurring theme:

Let’s do it together -- if we can do better than doing it on our own
**Value of shared operations $40-50 million**
On the largest piece, 5800 student cross registrations, no money changes hands

**Central operating budget ~$3.5 million, includes:**
- central staff
- library depository
- library catalog system and management
- joint faculty appointments, facilitated billing
- transportation
- fiber optic network

**Grants average ~$2 million per year**

**Endowment provides 4.5% earnings for academic use**
Cost Sharing

How are expenses shared?

- Fifths (equal shares)
- Ninths (1-2-2-2-2)
- Elevenths (1-2-2-2-4 for library expenses)
- Other formulas when only some participate
- Complicated but satisfying (to campuses) billing system

No formal “consortium dues”

- No requirement that all five campuses must participate or must participate equally
- Many campus in-kind contributions and SLAs
Agenda

1. Background, History and Overview
2. Locations and Customers
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Locations
Five College centers and offices located on one of the 5 campuses in an in-kind facility.

Five College Centers for:
- East Asian Studies
- Women’s Research
- Study of World Languages

Offices of:
- Compliance and Risk Management
- Learning in Retirement
- Coastal and Marine Science
- Five College Dance Dept.
Who We Serve

- 5800 student free cross-registrations/yr.
- 35 employees; 40 joint faculty members
- 2 departments; 12 majors; 15 certificates
- 3 Centers (Asia; Women; Languages)
- Arabic Language Program
- 100 faculty exchanges/yr.
- 35+ administrative peer groups
- 50+ academic collaborative groups
Strategic Plan Through 2020: Key Features

Commitments
  - Seamlessness, Thoughtful Convergence

Resolve
  - No major investment without consultation

New Programs
  - Sustainability; Articulated BA/MA options;
  - Endorse collective regional engagement
Polling Question 4

What kinds of services are your institution already sharing with another college or university?

a) Sharing administrative staff
b) Sharing academic positions
c) Library catalog or depository
d) Other
e) Not sharing services with other institutions
## Agenda

1. Background, History and Overview
2. Locations and Customers
3. Collaboration Strategies & Governance
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Collaboration Strategies (1)

Develop a habit of consultations and sharing
- Take time to develop trust
- Find the right moment for collaborations
- Stay open - don’t decide in advance how it should be done

Share consultants
- Coordinate timing and payment
- Have all consultants look at one-college and multi-college opportunities
Collaboration Strategies (2)

Seize every opportunity

- Whenever any one campus is contemplating a major investment/upgrade, all campuses explore options and plan for possible future collaborations

Take advantage of excess capacity

- In classes or full-time faculty members
- Facility resources (bulk mail, printing, available space)
- Program management (student health, ADA)
Collaboration Strategies (3)

Stay in touch with what other consortia are doing

- Opportunities for multi-consortium projects -- procurement, health management, health co-insurance, library electronic resource management
Summary Checklist for Collaboration

✓ Make a list of possibilities

✓ Assess: Savings/cost; transitional costs; service change; heartbreak; identity

✓ Develop a strategy to set priorities
  o “Low heartbreak” – do the easy ones to develop good habits;
  o “High savings” may help ameliorate heartbreak;
  o “High service improvements” may help ameliorate cost, heartbreak or loss of identity/independence
Governance Issues & Ideas

- Engagement of the presidents is key
- Management may be by presidents, deans, or business officers; or by all three
- Regular meetings build trust, provide updates, and allow to plan as well as catch opportunities
- Projects need clear leadership; encourage and validate peer group management; some projects may require cross-functional teams
- No model is perfect, for most consortia the governance model has changed over time, as it has for ours; periodically evaluate and reset
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Lessons Learned

- Don’t rigidly limit definitions of “what counts as collaboration”; not everyone has to participate for an effort to be consortial (don’t allow vetoes).

- A consortium is a good place for pilot programs and experimentation.

- Even if the idea is right, maybe the time isn’t; revisit occasionally.

- High speed internet for data transfer and interactive video conferencing expand the possibilities for partnerships (beyond geographical proximity).
Resources

Five Colleges, Incorporated  www.fivecolleges.edu
on-line: annual reports, strategic plan, “Cultures of Cooperation”

Association for Consortium Leadership  www.national-acl.com
Higher Education Consortia  magazine
ACL National Conference (October each year)
ACL Institute for Consortium Leaders –
  June 2011 – Claremont, CA; June 2012 – Amherst, MA
Questions?
Thank you for your participation.

Please remain online and complete the webcast evaluation immediately following the presentation.