Shared Services

A Huron Service Delivery Design Offering

Discussion Document

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Shared Services – Customer Centric Service Delivery

There are many different Shared Service models across higher education and AMCs; these models focus on delivering transaction services and/or expertise to a defined customer base.

- **In the units**
  - Most appropriate when...
    - Activities influence unit-specific philosophy or policy
    - Benefits from unit-specific expertise outweigh benefits from centralization
    - Increased accountability, proximity and flexibility to a unit outweighs benefits of lower cost

- **In a Shared Service Center**
  - **Expertise Center**
    - Most appropriate when...
      - Staff advise units on crucial business decisions
      - Co-location improves effectiveness
      - There are efficiency gains with scale
      - Activities require expertise in a particular field
  - **Transaction Center**
    - Most appropriate when...
      - Activities are transactional
      - Activities have high level of standardization
      - Benefits from coordination across units outweigh unit-specific expertise
      - Cost-savings outweighs benefits from physical proximity

- **In Central Administration**
  - Most appropriate when...
    - Activities influence university-wide policy or strategy
    - Activities require appropriate monitoring and controls of units
    - Cross-unit initiatives must be managed

**Benefits of Optimal Service Delivery Design**

- Improved capturing of economies of scale
- An environment of continuous process improvement with the opportunity to track meaningful metrics
- Increased standardization and better use of new technologies
- Higher service levels and customer satisfaction due to market-based relationships and increased customer orientation
- Increased skills and competencies of staff with better career paths
What are Shared Services?

Designing Shared Services is a transformative process which reinvents the structure and execution of decentralized activities at an institution to improve efficiency and effectiveness.

**Goal:** The objective of shared services is to reorganize and standardize many of the transactional activities occurring in decentralized units across an institution within a new, specialized organization to align with industry leading practices.
Various shared services models exist, each with a unique combination of staffing, reporting, and governance structures.

It is important to recognize that there is no “best” model for all institutions. Leadership must evaluate measurable data elements, task similarities, systems and technology, functional unit geography, reporting and funding, and institutional culture to determine the optimal structure.
Why Consider Shared Services?

With the proper accountability structure in place, shared services create an environment of continuous process improvement and superior customer service.

**Benefits Beyond Cost Savings**

A shared services organization with well-defined governance structures, deliberate alignment of activities, and key technology upgrades leads to improved:

- Customer Service
- Training/Expertise
- Accountability
- Efficiency
- Career Growth Opportunities
- Compliance

Shared services create an environment of continuous process improvement, in which meaningful metrics can be used to drive improvements over time.
Many higher education institutions have implemented—or are in the process of implementing—some form of the shared services model.
In evaluating your institution’s need and readiness for a shared services model, first consider the internal and external concerns surrounding your current position.

<table>
<thead>
<tr>
<th>Operations</th>
<th>Financial</th>
<th>Human Resources</th>
<th>Technology</th>
<th>Culture</th>
</tr>
</thead>
<tbody>
<tr>
<td>How are administrative operations currently governed and managed?</td>
<td>Is your institution facing budget constraints?</td>
<td>Do your staff have the appropriate talent levels?</td>
<td>Is your institution effectively using technology to maintain records and process transactions?</td>
<td>Does your institution have the appropriate culture to support this kind of change?</td>
</tr>
<tr>
<td>Are processes standardized and in line with industry leading practices?</td>
<td>Has your institution identified potential opportunities to reduce operating expenses in the current environment?</td>
<td>Do administrative staff have the opportunity to identify and pursue career paths within the University?</td>
<td>Are many manual and/or paper-based processes executed across functional units?</td>
<td>Will your institution’s leadership champion change efforts?</td>
</tr>
<tr>
<td>Are subject matter experts completing specialized processes?</td>
<td>Are administrative operations and/or resources duplicated across the institution?</td>
<td>Are units competing internally for staff, offering increased pay and/or benefits to entice an employee to shift?</td>
<td>Is necessary data easily accessible and reportable?</td>
<td>How do administrative operations serve to enhance and/or support institutional strategic goals and priorities?</td>
</tr>
<tr>
<td>Are processes duplicated across institutional units?</td>
<td>Could your institution be exposed to potential compliance risks?</td>
<td></td>
<td>Has your institution explored common or cloud-based platforms?</td>
<td>Are any service level agreements currently in place to govern service unit accountability and expectations?</td>
</tr>
</tbody>
</table>
The higher education environment poses unique challenges which need to be addressed to realize the value of shared services.

### Key Considerations

### Common Implementation Challenges

- Insufficient support from institutional leadership
- Lack of a strong governance model
- Unrealistic targets or expectations of new model
- Insufficient engagement of appropriate stakeholders
- Natural institutional resistance to change
- No clear stakeholder roles & responsibilities

### Leadership & Governance

- Organizational performance or case for change not rooted in detailed analyses
- No KPIs to measure baseline with future success
- Lack of a comprehensive change management plan
- Underestimating the human element
- Limited opportunity for stakeholder input and/or feedback
- Lack of ongoing, targeted communication

### Change Management & Communication
Huron’s Shared Services Approach

Huron’s comprehensive five phase shared services methodology directly addresses the common challenges in order to ensure success.

**Phase 1: Plan**
- Conduct project kick off meeting, develop guiding principles/vision, and draft project charter
- Meet with key stakeholders

**Phase 2: Assess**
- Assess current state business processes, systems, organization structure, and staffing, and identify key improvement opportunities
- Develop business case, including costs, benefits, key assumptions, and risk factors as well as a high-level implementation roadmap

**Phase 3: Design**
- Determine organizational structure and staffing requirements and complete detailed new organization design
- Design new processes, including enabling technology, roles and responsibilities matrix, and process documentation
- Develop and validate new governance model and structure
- Identify facility and logistical requirements and develop a facilities and logistics plan
- Complete deployment planning, prepare facilities and workspace, and finalize transition steps and timing

**Phase 4: Implement**
- Support execution of transition plan to operationalize shared services
- Facilitate change management and training

**Phase 5: Optimize**
- Monitor new processes, monitor progress, and identify / resolve issues
- Measure defined KPIs, implement continuous process improvement, and conduct customer and employee satisfaction assessments

A decision point after each phase offers an option “off ramp”
The University of Kansas (KU) developed a regional shared services model that provides a high-level of unit specific support within the Lawrence Campus.

Overview

In spring 2011, the University of Kansas undertook a comprehensive initiative to improve service and reduce costs across administrative functions. One key initiative to drive transformational change was the implementation of a network of five regional shared service centers to provide human resource, accounting and research administration services to campus. Initial plans called for nine regional centers, however, after implementation began it was determined that they could achieve the same objectives through five centers. In fall of 2014, four of the five service centers are operational, with the final center scheduled to be online by the end of 2015.

Model

<table>
<thead>
<tr>
<th>Unit Level</th>
<th>Regional</th>
<th>Functional</th>
</tr>
</thead>
<tbody>
<tr>
<td>• 2 academic centers aligned by geography and affinity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• 2 research centers divided by theme</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• 1 administrative center for functional and administrative units</td>
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Goals / Drivers

• Streamline and standardize processes across the campus
• Improve service levels
• Reduce FTE completing administrative functions
• Improve career path opportunities or staff

Key Takeaways

• Units and schools require transition support to reorganize internally after staff shift
• These transitions take time and service levels will continuously evolve
• Communication and a well-executed change management plan are critical for success

About the University

<table>
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Primary Functions

- Human Resources
- Research Admin
- Finance
- IT Services
- Mgmt Operations
- Clerical
- Academic

*IPEDS 2013 total core expenses were used as a proxy for budget
Purdue University

There is not a standard approach to shared services at Purdue. The Business Office sees itself as an extension of the central offices within units.

Overview

Purdue University began the practice of sharing resources across units over 50 years ago. This evolved over the years into what is now the Business Management Office. The Business Management Office coordinates and supervises all business aspects of the University’s academic departments, schools, and administrative units, leveraging consolidated HR, Finance and Research Administration functional staff who are geographically located in the units. While business office staff report centrally to Purdue, decentralized units have unique Business Management units which tailor processes and services to the needs of the individuals units served. Staff are connected through informal peer networks.

Model

- Staff report centrally to the Director of Business Management, but are distributed across the campus, embedded in units
- Informal partnerships and networks provide limited links between the Business Management Office and the central units

Goals / Drivers

- Process Efficiency
- Expertise

Key Takeaways

- Purdue has created a culture that is open to the concept of shared resources.
- A particular style or format is not forced upon any units at Purdue. Business Offices act as partners to provide optimal service level to their customers.
- All Business Office staff report to central leadership, but are charged to a particular unit, encouraging units to consider cost implications when evaluating staffing needs.

Primary Functions

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Despite missteps in implementation, the University of Michigan shared service center provides finance and human resource services to the colleges and programs on the Ann Arbor campus.

Overview

The University of Michigan began exploring shared services in 2009. After considering various models and potential services, decision was made to move forward with offering support in finance and human resource from a single center on campus. Though they received serious push-back from faculty due to missteps in change management, the administration moved forward with a reduced implementation plan in mid-2013. As of October 2014 the center is at nearly 50% capacity, with the goal to be fully staffed and operational by April 2015.

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- Through one large center, the UM SSC provides support for select finance and HR transactions
- Staff are clustered within the center to provide more specialized support to units

Goals / Drivers

- Cost savings
- Reduced administrative burden
- Streamlined and standardized administrative processes

Key Takeaways

- Transparency and collaboration is vital throughout all phases of design and implementation
- Failure to establish a sound governance model, with broad representation and clear lines of accountability, can seriously inhibit the credibility of shared services implementations
- Effective change management is critical to avoid set-backs in implementation that could evolve into significant PR issues

About the University

Michigan Union

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The OSU business center program is still fairly young, but it is well regarded and largely successful.

**Overview**

In 2007 Oregon State University (OSU) initiated a study of its administrative service delivery model and discovered that authority, accountability, and responsibility were scattered across campus. In reaction, OSU decided to transform its service delivery method by establishing regional business offices to provide one-stop services for high volume, routine transactions related to accounting, payroll and human resources functions. The implementation covered three years (planning began in 2007) and consisted of a pilot site and a gradual roll out of additional academic and administrative functions over the following two years. All seven centers were fully implemented and operational by August, 2009.

**Goals / Drivers**

- Cost savings
- Process efficiency and standardization
- Service improvements

**Model**

- Unit Level
- Regional
- Functional

- 5 academic centers divided by theme (i.e. Health Sciences, Business and Engineering, etc.)
- 2 administrative centers for functional and administrative units

**Key Takeaways**

- Ensure space is provided for centers and it is adequate for the mission
- "Staffing inequities among colleges transferred to Business Center inequities"
- Manage customer expectations early on in the process
- Celebrate and publicize early victories to win-over reluctant staff and faculty
- Establish metrics prior to re-organization to serve as a baseline

**Enrollment**

- 24,303

**Faculty**

- 2,050

**Staff**

- 2,604

**Budget**

- $730M

**Carnegie Class**

- Very High Research

**Primary Functions**

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The University of California, Berkeley implemented a single-center HR, Finance and IT model to serve the University.

**Model**
- Unit Level
- Regional
- Functional

- 1 service center, located in a newly retrofitted building off campus
- Currently determining how research administration needs will be met; likely to implement a ‘pod’ model of research support distributed across campus

**Goals / Drivers**
- Cost savings was the primary driver for this implementation
- Process efficiency and standardization
- Service improvements

**Key Takeaways**
- “Transformation Support Services” are critical to support the departments in any necessary internal reorganization.
- Flexibility in the overall model is key: the model must be adapted to meet campus needs.
- Once the SSC are stable, continued attention must be directed toward process improvement.
- Financial incentives at the unit level increased buy-in and support.

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