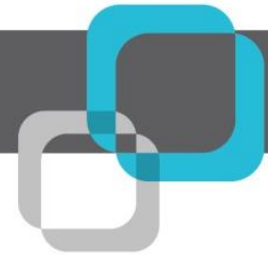


Optimizing Shared Services Organizations to Maximize Capacity and Minimize Costs

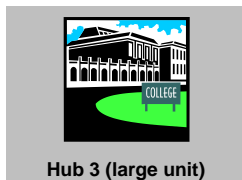


Seemingly everywhere these days, universities are enduring budget cuts or financial strains. Reductions in state budgets and diminished grant pools are forcing many state-supported schools to increase tuition. At the same time, there is political pressure to reduce tuitions to make education more affordable for both students entering out of high school and people seeking new skills to obtain new or better jobs. Additionally, federal and state requirements often dictate measures to increase compliance, thereby increasing required administrative overhead. What are universities to do as they are caught in this financial squeeze?

Many institutions are exploring sharing administrative services among units, colleges, and universities to reduce costs, improve compliance, and enhance customer service. Implementation challenges can be significant in the unique environments of higher education. Some challenges can include:

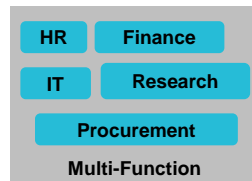
- No clear decision-making authority; many and complex stakeholder groups
- Unique faculty desires or requirements
- Deep relationships between faculty and staff
- Reluctance to transition or reduce long-standing staff members
- Fear of loss of control

Hubs/Clusters/ Business Operations Centers

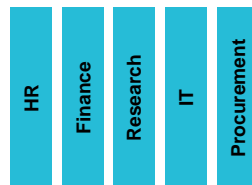


Serves Individual
Units or Clusters of Units

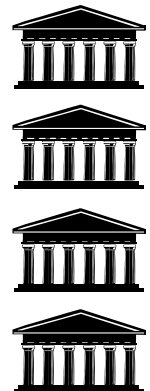
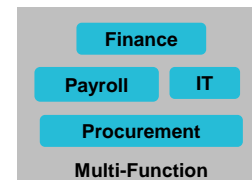
Campus-wide



OR



System-wide



Higher Education Shared Services Maturity Model

Examples of universities employing one of each of the common models are highlighted in the following table.

Organizational Approach	Description	Examples of Universities Employing	Representative Functions
Hubs, clusters, or business operations centers	Hubs (also known as clusters, business operations centers, and other terms) are set up to provide various services to a college or group of colleges/units within an institution.	Oregon State University (five academic and two administration business centers)	Finance and HR
		Cornell University (CALs)	Travel, P2P, Wires, P-Card, Mail/Scanning, Request Management
		University of Florida (IFAS, CLAS)	HR, Finance, and Grants Administration
Campus-wide, single-function or campus-wide, multi-function shared services	Either multi-function or single-function centers provide services across the entire institution.	University of California, Davis (Administration only)	Finance and HR (IT is planned)
		University of California, Berkeley (In work – migrating customer groups across campus)	Business and Finance, HR and Academic Personnel Support, IT, and Research Administration
		Johns Hopkins	Individual service centers for AP, AR, Fixed Assets, HR/Payroll, Inter-Entity, Sponsored Projects, and Supply Chain
		Yale University	Procurement, Accounting, AP, and Client Accounts
System-wide shared services	University systems establish centers that provide common services to more than one institution in their systems. This approach is particularly suited to state-supported schools with legally mandated policies/programs.	University of Maine	Finance, HR, IT, and others
		University of California (UCPath project underway to provide HRIS/Payroll/Benefits services to 10 campuses)	HRIS, Payroll, Benefits
		University of Texas System	IT, Business Applications, Business Processes
		Oregon State University (five academic and two administration business centers)	Finance and HR
		Cornell University (CALs)	Travel, P2P, Wires, P-Card, Mail/Scanning, Request Management

Universities are enjoying improved service and reduced costs with each of these organizational approaches. A description of each option and the corresponding advantages and disadvantages are further described below.

	Hubs/Clusters/Business Operations Centers for Shared Services	Campus-wide, Single-function or Campus-wide, Multi-function Shared Services	System-wide Shared Services
Advantages	<ul style="list-style-type: none"> Can maintain services closer to the customers Provide units a greater degree of control Focus services for customer groups with similar needs, policies, and/or processes Allow existing employees to provide support to larger populations Avoid personnel issues related to changing physical locations Incur less resistance to change from those impacted 	<ul style="list-style-type: none"> Take less total effort to implement (one time versus multiple smaller implementations) Is less disruptive to the campus Have scale to justify important supporting technology investments Consolidate and increase capacity for overhead functions for operations such as: <ul style="list-style-type: none"> Metrics collection and reporting Data analytics Maintenance/improvement of supporting technologies Service employee management, training, and evaluation 	<ul style="list-style-type: none"> Take advantage of common policies, programs, and/or processes in system Have scale to justify important supporting technology investments Consolidate and increase capacity for overhead functions for operations such as: <ul style="list-style-type: none"> Metrics collection and reporting Data analytics Maintenance/improvement of supporting technologies Service employee management, training, and evaluation
Disadvantages	<ul style="list-style-type: none"> Duplicate organizations, processes, technologies, management structures, staffing, and training requirements among similar organizations providing services—increasing costs Increased difficulty in establishing and maintaining standardization Often eliminates affordability for supporting technologies 	<ul style="list-style-type: none"> Consolidated investment costs appear higher Units may view as campus takeover of unit prerogatives Change management is more challenging across diverse campus interests Impacts both dispersed units and central offices, which may increase resistance 	<ul style="list-style-type: none"> Initial investment costs are high More difficult to provide change management for diverse and dispersed interest groups May require more time to implement for established institutions Not applicable to policies and processes that support unique businesses of some campuses
Potential Cost Savings	Least cost savings per customer served	Greatest cost savings across campus per customer served	Greatest potential cost savings per customer served

Though each model offers some advantages, the campus-wide, single function or multi-function model maximizes the benefits of shared services on campus. Depending on the environment and appetite for change, we recommend creating a strategic vision of the end state, conducting an opportunity assessment, and developing a road map to achieve the vision.

An evolutionary approach can begin with college-based hubs that provide service to relevant units. To the extent feasible, management and supporting technology infrastructure can be employed to align hubs across the campus. This infrastructure includes governance frameworks, supporting technologies, service level agreements, and other proven shared services management mechanisms. At the same time, the institution should also invest in improving university “core services.”

This evolutionary approach can establish credibility through improved service with modest cost reductions while mitigating fears and reducing implementation risks. Over time, institutions can consolidate hubs and up-source selective services to the university system. Ultimately, the end state, more cost-effective model can be achieved.

For those institutions that have a “burning platform” of budget shortfalls, a more revolutionary approach can be used. This approach requires design of the campus-wide shared services organization with detailed planning and implementation of organization, staffing, service delivery model, processes, supporting technologies, and management infrastructure changes. Implementations can be phased by service group, customer population, or both. This more aggressive approach requires significant change management efforts to prepare and train all employees, customers, and stakeholders for the changes.

Strong leadership, sponsorship, and faculty buy-in are a must if universities are to catch up with government and corporate organizations in improving administrative services while reducing costs.

Increasingly, universities are recognizing that there is no gain without some pain. While implementation of a campus-wide shared services model is challenging, the increased savings can mean the difference between having and losing core programs.

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