EAB

Maximizing the Benefits of System Shared Services

Overcoming Barriers to Implementation and Execution

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University Systems Forum

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Supporting Members in Best Practice Implementation

Resources Available Within Your Membership

This publication is only the beginning of our work to help members improve student success. Recognizing that ideas seldom speak for themselves, our ambition is to work actively with members of the University Systems Forum to decide which practices are most relevant for your organization, to accelerate consensus among key constituencies, and to save implementation time.

Implementation Road Maps and Tools

Throughout the publication, this symbol will alert you to any corresponding tools and templates available in the Toolkit at the back of this book. These tools are also available on our website at eab.com.

Recorded and Private-Label Webconference Sessions

Our website will include hour-long webconferences walking through the practices highlighted in this publication. Forum experts are also available to conduct private webconferences with your team.

Unlimited Expert Troubleshooting

Members may contact the consultants who worked on any report to discuss the research, troubleshoot obstacles to implementation, or run deep on unique issues. Our staff conducts hundreds of telephone consultations every year.

Facilitated Onsite Presentations

Our experts regularly visit campuses to lead half-day to day-long sessions focused on highlighting key insights for senior leaders or helping internal project teams select the most relevant practices and determine next steps.

All University Systems Forum resources are available to members in unlimited quantity.

To order additional copies of this book, or to learn about our other services, please visit us at eab.com or contact your dedicated advisor.

Executive Summary

Renewed Interest in Shared Services After Years of State Funding Cuts

Systems look for reasons that shared services have not yielded the predicted financial benefits. After investing in shared services initiatives during the Great Recession, public university systems are renewing their focus on this model, as they expect to continue operating in a low-resource environment, However, many system leaders have expressed dissatisfaction with the results they have realized since the implementation of shared services.

Higher education shared services produce smaller financial savings than private sector models due to less labor flexibility and a more collaborative culture. Most savings estimates related to shared services in higher education come from consulting firms accustomed to the flexibility and top-down leadership style of the private sector. Therefore, their estimates about the potential benefits of shared services tend to assume that higher education can similarly reduce staff and move quickly to change processes like a for-profit business. Many systems have found that they actually realize less than half of their consultant's estimated financial savings.

The Current State of Shared Services in Higher Education

Shared services efforts have focused most commonly on five functional areas: human resources, information technology, procurement, payroll, and finance. These functional areas offer the best opportunities to introduce the shared services model to higher education. The business processes in place in most of these areas, with the exception of Information Technology, can be standardized and automated in some cases without harming the quality or competitive standing of any individual campus or the system as a whole.

Procurement offers the greatest financial savings opportunity. Public university systems spend billions of dollars each year on items as significant as enterprise-level software or as minor as cleaning products. Many systems lack a centralized contracting and purchasing system that leverages their scale to acquire the best prices and service from vendors. System leaders looking to save money should quickly move to adopt the shared services model in procurement to negotiate contracts centrally and create a portal for staff on campuses to use as they purchase products. The primary challenges include convincing local staff to use the system and purchase on contract. Though the percentage savings may be small, the absolute dollars can be in the tens of millions.

Systems looking to experiment and build trust with shared services should adopt the model in finance. This function offers the least financial savings, but it is the relatively easiest to transition to shared services. Many system leaders want the business processes within finance to be standardized for efficiency and quality purposes. System leaders should ensure that they engage the practitioners on individual campuses in standardizing the business processes before they implement any new technology platform for the function.

Shared Services in Revenue-Generating Functions

University systems have begun experimenting with shared services in research administration, enrollment management, and advancement. To augment the capacities of smaller campuses and to generate additional revenue for the system, several initiatives in these three functional areas are underway. Research administration services at the system level include grant administration, high-performance computing, and library services, among others. Some systems have started processing financial aid applications centrally to relieve individual campuses from this transactional process, while another has created a central call center serving each of the campuses. In advancement, systems can support smaller campuses with gift planning, legal advice, and software purchasing that they would not be able to purchase on their own.

Executive Summary (cont.)

Shared Services Principles in Academic Affairs

Systems drive course redesign efforts and academic efficiency analyses. Though traditionally a "third rail" for systems leaders, some system offices have begun to encourage their campuses to analyze student success patterns as well as cost per student in their academic programs. Analyses include student success rates by course, section, and instructor as well as where unproductive credits are concentrated. Systems can provide funding and expertise for campuses to redesign courses with abnormally low student success rates, and they can build the requisite analyses into regular academic program review processes.

Managing Resistance to Shared Services

System leaders must ensure that affected staff have clear understanding of the changes associated with shared services. Shared services initiatives often stall when staff members do not understand the purpose of shared services initiatives or the effects that the transition will have on their jobs. Systems should adopt multi-channel communication plans that promote a single version of truth about shared services. The communication channels should include in-person sessions, on-demand sites such as websites and FAQ pages, and proactive platforms such as blogs and social media. Communication should include facts about the purpose of shared services, the anticipated benefits, and the plans for staff whose jobs may move or be eliminated.

Staff whose jobs are reduced or eliminated require transition plans to reduce their resistance to shared services. The most difficult staff transitions to manage are those among administrative generalists who perform duties across a number of functions such as human resources, payroll, and finance. They often have portions of their jobs eliminated, and department leaders need to return these staff to full workloads. During the transition to shared services, system leaders should analyze the current staffing to understand current workloads and capabilities. Then, the system should create an individual transition plan laying out how the system and campus will support the staff member, whether through retraining, redeployment, early retirement, or a buy-out.

Ensuring Business Process and Technology Standardization

Systems must create mechanisms to standardize business processes that prevent endless deliberation. Business process variability is a major barrier to realizing financial and quality improvements from shared services. Many systems try to standardize business processes by adopting a new technology platform, but without standardizing the processes first, staff often fail to use the new technology effectively. Systems should allow practitioners and subject-matter experts to create standard business processes, but they should also require these groups to make decisions in a timely fashion. If they do not, the system should have a decision escalation process that allows senior leaders to resolve disagreements.

Systems should find opportunities to incentivize standard enterprise technology adoption. Many shared services such as payroll and human resources remain inefficient because each campus uses different enterprise technology platforms. System leaders regularly struggle to encourage standard platform adoption across the entire system. However, they can create incentives to do so. Events such as the end of a vendor contract, the failing of a legacy system, or a flagship campus ceasing service to other campuses serve as natural opportunities to encourage campuses to adopt a single version of an enterprise-level system. Some systems have required campuses to limit the number of customizations they request in exchange for financially supporting the technology adoption.

Preventing Disappearance of Savings and Benefits

Dedicated funds and accounts help systems track and reinvest savings from shared services. Systems and campuses often struggle to document the financial savings and cost avoidance associated with shared services, reducing trust in the initiative. Systems should require campuses to clearly delineate cost savings and cost avoidance after the implementation of shared services. After determining cost savings, institutions should be required to deposit those funds in dedicated accounts that can only be used to invest in mission-critical activities. This requirement helps document how shared services helps campuses and systems move resources from administrative functions to instructional or other student-facing activities.

Understanding Your Current Practice

The following questions are designed to help you evaluate your current activities. Use them to determine which of the strategies presented are most relevant and needed at your institution.

Overview of System Shared Services	Yes	No
Is your system trying to determine the potential financial benefits of transitioning functions to shared services? *If you answered "Yes" to this question, please refer to page 18.*		
Are you weighing which functions would be good candidates to transition to shared services? *If "Yes," please refer to pages 18 and 19.*		

Augmenting Campus Revenue Generating Functions through Shared Services	Yes	No
Are you trying to augment the research administration abilities of smaller, non-flagship campuses? *If "Yes," please refer to page 24.*		
Is your system struggling to meet enrollment goals and seeking to assist campuses with student recruitment? *If "Yes," please refer to page 26.*		
Are some of your campuses struggling with aspects of fundraising such as gift planning and talent management? *If "Yes," please refer to page 28.*		

Approaching the Third Rail of Academic Efficiencies	Yes	No
Is your system trying to improve student success in critical gatekeeper courses? *If "Yes," please refer to pages 33, 34, and 35.*		
Have your campuses determined the courses in which unproductive credits are the most concentrated? *If "No," please refer to pages 36, 37, and 38.*		

Understanding Your Current Practice (cont.)

The following questions are designed to help you evaluate your current activities. Use them to determine which of the strategies presented are most relevant and needed at your institution.

Managing Resistance to Shared Services	Yes	No
Are shared services efforts plagued by rumors and misinformation across campuses? *If "Yes,," please refer to pages 50 and 51.*		
Do campus-level leaders struggle to communicate and gain buy-in among their colleagues regarding shared services? *If "No," please refer to page 51.*		
Does your system struggle to understand the current duties and skills of staff in units transitioning to shared services? *If "Yes," please refer to pages 53, 54, and 55.*		
Do your campuses have individuals working at less than 100% capacity because only portions of their jobs remain after the transition to shared services? *If "Yes," please refer to pages 57 and 58.*		
Do your senior campus-level functional area leaders support the transition to shared services? *If "No," please refer to page 59.*		

Ensuring Business Process and Technology Standardization	Yes	No
Has your system convened a group of practitioners and subject-matter experts to identify a single method of completing each business process within a shared service? *If "No," please refer to pages 65 and 66.*		
Does your business process standardization effort include a decision escalation procedure that resolves conflicts and ensures decisions on business processes? *If "No," please refer to page 68.*		
Has your system allowed each campus to adopt its own version of enterprise-level technology platforms? *If "Yes," please refer to pages 70 and 71.*		

Understanding Your Current Practice (cont.)

The following questions are designed to help you evaluate your current activities. Use them to determine which of the strategies presented are most relevant and needed at your institution.

Preventing the Disappearance of Savings and Benefits	Yes	No
Has your system created a baseline estimate of how much business processes cost to complete before transitioning to shared services? *If "No," please refer to page 76.*		
Do you have dedicated accounts or funds into which shared services savings are deposited? *If "No," please refer to page 78.*		
Do you require campuses to reinvest shared services funds into mission-critical activities through an approval process? *If "No," please refer to page 78.*		
Have you created a shared services governance structure that evaluates current performance, identifies areas for improvement, and determines which functions should adopt the shared services model? *If "No," please refer to page 79.*		

Overview of System Shared Services

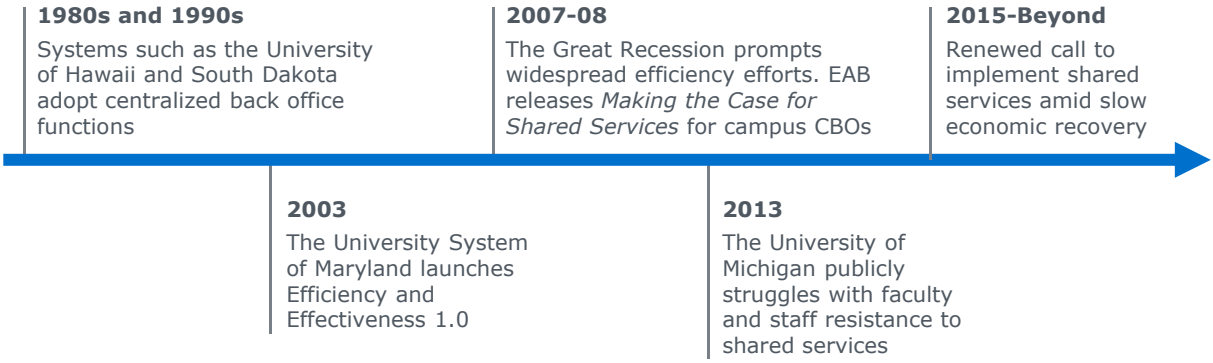
INTRODUCTION

Trailing the Private and Public Sectors

Higher Education Following in Other Sectors' Footsteps

Shared services began in the private sector with major corporations adopting the strategy across their back-office functions. Seeking greater operational efficiency, governments in the United States, Canada, and Great Britain followed the private sector by implementing shared services throughout the 1990s and early 2000s. Though there were a few outliers, higher education largely trailed the private and public sectors in their adoption of shared services.

Milestones in Higher Education's Shared Services Evolution



Shared Services Pioneers in the Private and Public Sectors

The Great Recession of 2007-2010 prompted more systems and individual institutions to launch efficiency and effectiveness initiatives. Implementation came haltingly as campuses struggled to overcome opposition from faculty, staff, and students. Nevertheless, system leaders continue to push their campuses and their own offices to implement shared services to achieve both quality and financial improvements.

Source: EAB interviews and analysis.

The Many Faces of Shared Services

Understanding the Variety of Shared Services Models Across the Country

Shared services takes many forms in higher education. Individual campuses such as the University of California at Berkeley and the University of Kansas have created robust shared services initiatives mostly focused on their administrative functions. The SUNY System provides several examples of regional campus partnerships that share services such as IT and Human Resources.

Individual Campus	Campus-to-Campus	System-Wide	System-Plus
Individual campuses, often at the direction of the system, create shared services	Individual campuses, often at the direction of the system, create shared services	Individual campuses, often at the direction of the system, create shared services	Individual campuses, often at the direction of the system, create shared services
University of California, Berkeley University of Kansas University of New Hampshire	University of Akron Lorain County Community College Innovation Alliance State University of New York	University System of Georgia University of North Texas System	Maryland Education Enterprise Consortium

At the system level the University System of Georgia and the University of North Texas System have centralized and shared services across every campus. At the most inclusive end of the spectrum, the University System of Maryland created the Maryland Education Enterprise Consortium, a joint purchasing effort among the system, public K-12 schools, and even some religious educational organizations.

Source: EAB interviews and analysis.

Nearly Unlimited Options for Shared Services

Sample of Opportunities Uncovered During EAB Research

Research reveals that shared services extends to nearly every aspect of higher education operations, from printing services to donor prospect research. Each system examined in this research has experimented with shared services in some functional area.

Sample of Shared Services Functions Found in EAB Research

Source: EAB interviews and analysis.

The 'Big 5' Opportunities

Several Functional Areas Emerge as the Most Common Shared Services

The most common functions for shared services are finance, information technology, human resources, procurement, and payroll. Most of these functions are largely considered "back office," in that they rarely interact with students or external constituents.

Finance

- Accounts payable
- Accounts receivable
- Tax services
- Auditing
- Travel expenses
- Disbursement
- Treasury
- E-vouchers
- Accounting

Information Technology

- Data centers
- Teleconferencing
- Cybersecurity
- Cloud computing
- Email hosting
- Risk management
- Virtual servers
- End-user support
- High connectivity internet

Human Resources

- Benefits administration
- Training and professional development
- Retirement
- International employees
- Onboarding and termination

Procurement

- Strategic procurement
- Vendor management
- Requisition planning
- Receipt processing

Payroll

- Initiating payroll events
- Managing tax withholding
- Managing compensation changes
- Correcting errors

This section of the study examines the estimated and reported returns on shared services initiatives within these five functional areas. Each system has chosen different aspects of the functions to centralize and share among the campuses, thus causing wide variability in the estimated and realized returns.

Source: EAB interviews and analysis

Estimating the Impact of the 'Big 5'

Cost Savings by Percent of Functional Area Spend[1]

The table below represents the range of estimates and realized benefits as reported by university system leaders, consultant reports, and other studies.

			Higher Education Estimates and Results	
	Private Sector Estimates	**Public Sector Estimates**	**Consultant Estimates**	**Realized Results**
HR	20%-40%	20%-30%	20%-30%	15%-30%
IT[2]	20%-30%	10%-20%	10%-20%	10%-15%
Payroll	20%-50%	10%-30%	20%-35%	10%-20%
Procurement[3]	5%-18%	7.5%-25%	5%-20%	2.5%-6%
Finance	20%-50%	10%-40%	10%-20%	10%-15%

Higher education's estimated and realized results tend to lag behind the savings achieved by the private sector. Private sector organizations are more willing to cut staff and mandate changes more forcefully than higher education. In keeping with higher education's collaborative, consensus-driven culture, few system leaders seek to cut staff and mandate change from the top down as they implement shared services.

Additionally, consultant reports also exceeded the realized results, sometimes dramatically. Consultants may be accustomed to private sector culture and practices and may not fully appreciate the challenges higher education will face in creating such large-scale change.

1) These estimates do not include cost avoidance
2) IT estimates here exclude enterprise-level contracts
3) Highest procurement estimates include enterprise-level IT contracts

Source: EAB interviews and analysis.

The Other Side of the Coin

Ease of Implementation Guides Decisions Nearly as Much as Cost

To prepare for implementing shared services, leaders must understand the startup costs of launching shared services in a given function, the complexity of the transition, and the conflicts that may arise.

Factors Contributing to Difficulty of Implementation

Cost

- Purchasing new technology
- Hiring new staff
- Engaging consultants

Complexity

- Standardizing numerous business processes
- Installing new technology platforms and software
- Disrupting large numbers of staff

Conflict

- Overcoming faculty concerns
- Managing union negotiations
- Campus concerns about autonomy

No Culture of Mandates

"I suppose if it took too long, we could ask the Board to give us a mandate [for shared services]. I'd prefer not to get to that point. It would be better if the campuses agreed and came to it themselves."

Chief Financial Officer, Public University System

The ease and speed of shared services implementation represents the greatest difference between higher education and the private sector. Private companies often mandate the change from the executive level, and their staff have little choice in the matter. However, in higher education a collaborative culture and a firmly resistant faculty and staff may stall or fully stop a shared services effort.

Source: EAB interviews and analysis.

Ranking the Opportunities

EAB's Assessment of Ease and Impact of Shared Services

The table below represents EAB's rank ordering of the most common shared service opportunities by financial impact and relative ease of implementation.

	Financial Benefit	Range of Benefits Reported	Ease of Implementation	Reported Implementation Challenges
Procurement	High	$7M-$200+	High	Encouraging on-contract purchasing and e-procurement system usage
IT	High	$3M-$10 million	Medium	Campuses want customized IT solutions; Difficulty retaining highly skilled staff
Human Resources	Medium	$300K-$3M	Medium-low	High need for local staff and services; Many tasks performed by generalists
Payroll	Medium	$250K-$1.5M	Medium-high	Many tasks performed by generalists; Sensitivity around changing any pay-related system
Finance	Low	$200K-$600K	High	Many tasks performed by generalists; Difficult to ensure accounts payable/receivable compliance

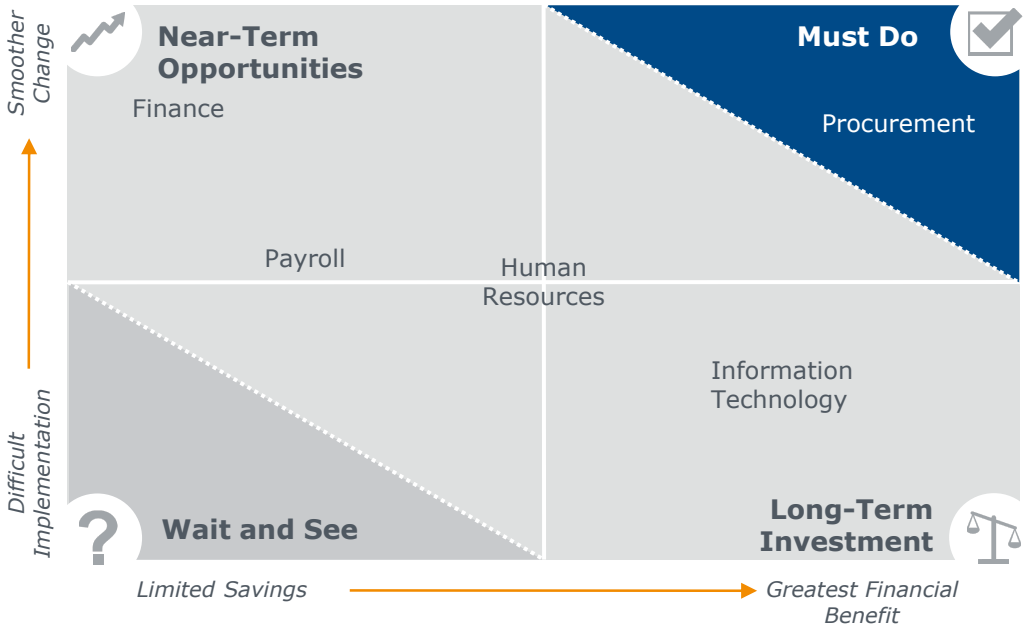
Procurement represents the best opportunity to build trust in shared services and to realize immediate financial savings. Human resources is the most difficult to implement due to the number of staff and duties involved. Finally, finance may not yield significant savings, but the transactional nature of the tasks makes them suitable for a shared services model. The ease of implementing shared services in this area has led some systems to start with finance to build credibility for future shared services initiatives.

Source: EAB interviews and analysis.

Balancing Ease and Impact

Choosing Functional Areas Requires Weighing Capacity, Patience, and Benefit

System leaders should quickly move to implement shared services in procurement. Even small savings in relation to overall spend can yield millions of dollars in savings that can be redirected to more mission-critical purposes. In an era of diminishing public resources for higher education, haphazard procurement strategies weaken system financial stewardship and take resources away from more important initiatives.



Information technology spans such a large portion of system and campus operations that it may take longer than any other functional area. Information technology offers many opportunities for savings in staffing levels as well as procurement, but it also requires moving campuses and staff to the same technology platform, an often daunting process.

Source: EAB interviews and analysis.

Savings Not Always the Only (or Primary) Goal

Systems Aim at Many Other Benefits Through Shared Services

Shared services does not exclusively provide financial benefits. Many organizations have moved to the model to reduce errors in functions like payroll, reduce risk in human resources, and create common data definitions.

Error Reduction

- Resolve payroll event mistakes
- Improve tax withholding accuracy
- Reduce late vendor payments

Risk Mitigation

- Reduce EEOC complaints
- Prevent research grant administration errors
- Reduce IT security breaches

Process Efficiency

- Find best practices across the system
- Process employee reimbursement faster
- Identify process bottlenecks through standardized data

Data Integrity

- Common data definitions
- More accurate cost accounting
- Data backup redundancy

Easier Reporting

- Less time spent reconciling data differences
- Faster generation of reports to key external audiences
- Greater trust in individual campus reports

System leaders often struggle to document and quantify these benefits, leading to less trust and more misunderstandings about the true benefits and aims of shared services. The section of this study entitled "Preventing the Disappearance of Savings and Benefits" will explore how to create baseline performance standards and then track the qualitative benefits of shared services.

Source: EAB interviews and analysis.

Augmenting Campus Revenue Capacities Through Shared Services

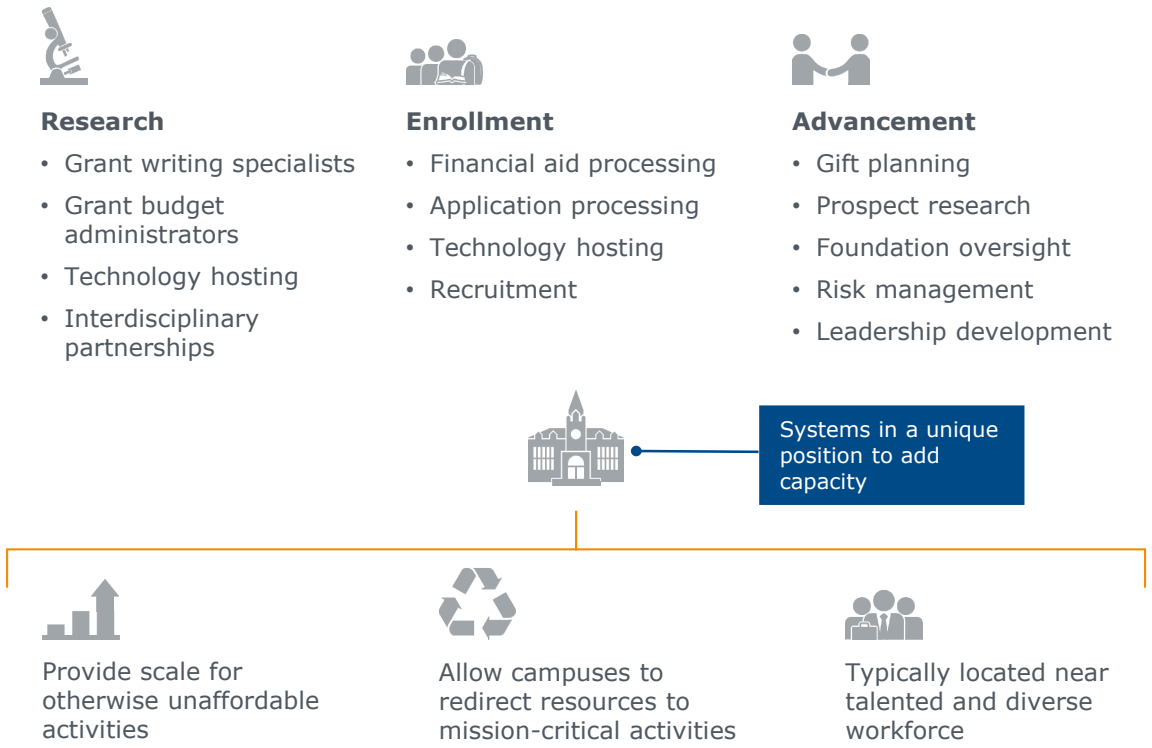
SECTION 1

Emerging Shared Services Opportunities

In Mission-Critical Areas, Systems Well-Prepared to Support Campuses

Saving money and avoiding unnecessary costs are critical for any public university system in this era of diminishing state resources. However, the revenue generating functions of a university system represent an opportunity for system offices to augment campus capabilities.

Three Potential Revenue-Generating Areas for System Shared Services



Some systems have begun experimenting with shared services in areas such as research administration, enrollment management, and advancement. They believe that the principles of shared services will allow them to be more effective in these areas, thereby generating more revenue for mission-critical priorities.

Source: EAB interviews and analysis.

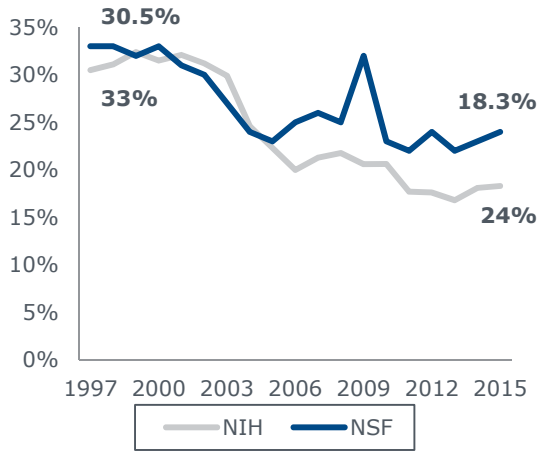
Harder to Compete and Falling Behind

As Grants Remain Elusive, Private Institutions Continue to Outpace Publics

Since the end of the federal stimulus package passed in 2009, federal research dollars have steadily declined. At the same time, more researchers have competed for these grants, making them even more difficult to win. This increased competition puts more pressure on faculty and their universities to capture research revenue.

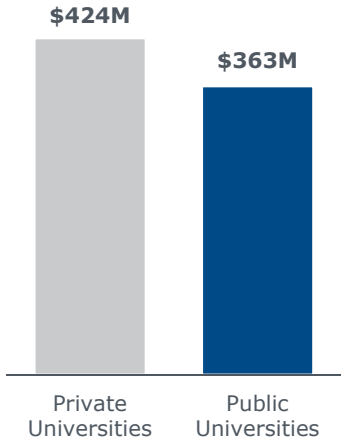
Winning a Grant Gets Harder Each Year

NSF & NIH Grants, Percentage Approved Annually



Federal Research Support to AAU Institutions

National Science Foundation, 2013



14%

Decline in federal research support from FY2010 to FY2014

As the research landscape becomes more competitive, public universities find themselves trailing their private peers. Within the AAU, private universities brought in $60 million more in research dollars than public universities did in 2013, the most recent year for which data was available. Systems can leverage their combined power and expertise to be more competitive.

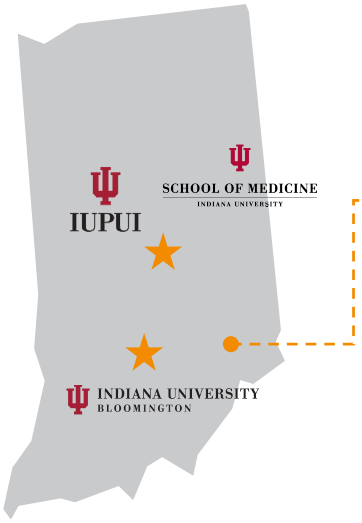
Source: IH Success Rates https://report.nih.gov/success_rates/; NSF Success Rates http://www.nsf.gov/nsb/publications/2015/nsb201514.pdf; Table 4. National Science Foundation. https://ncsesdata.nsf.gov/herd/2014/html/HERD2014_DST_04.html. 2016.; "What Berkeley's Budget Cuts Tell Us about American Public Universities," Huffington Post, http://www.huffingtonpost.com/the-conversation-us/what-berkeleys-budget-cut_b_9349412.html, February 29, 2016; EAB interviews and analysis.

Expanding Research with Shared Services

Systems Add to Research Capacity with Staff, Funding, and Partnerships

Shared services in research administration takes many forms. Some systems have created centralized grant writing positions focused on specific agencies or topic areas to assist individual campuses. Other systems have pooled their resources to purchase high-speed networking and computing capabilities, dramatically lowering the cost for any individual campus or researcher to access these critical technologies.

Case in Brief: Indiana University's Grand Challenges Initiative



Centrally funded grants aim to solve public problems, attract researchers, and grow research enterprise

INDIANA UNIVERSITY

- **Focus:** Major problems for Indiana with interdisciplinary team of researchers
- **First grant:** $40 million out of $300 million initiative budget to redesign personal health care delivery in Indiana; the IU School of Medicine will provide an additional $80 million
- **Added capacity:** The initiative aims to hire approximately 175 new faculty across all of the campuses and attract additional funding to sustain system-funded projects

Systems Adding an Abundance of Capacities

- Specialized federal and foundation grant assistance
- High-performance computing partnerships
- High-speed networking infrastructure
- Data storage
- Laboratory animal care
- Risk management
- Clinical trials launch service
- Shared IRB approval service
- Grant administration and preparation assistance

Indiana University provides an excellent example of coordinating its campuses to generate more research support. Its Grand Challenges Initiative aims to fund $300 million worth of research and hire nearly 175 new faculty in areas that will directly address the state of Indiana's unique challenges. The first grant coming from the Grand Challenges Initiative focuses on precision health, an approach to medical care that seeks to understand the genetic, developmental, behavioral, and environmental factors that contribute to an individual's health.

Source: Indiana University, "Grand Challenges." grandchallenges.iu.edu; EAB interviews and analysis.

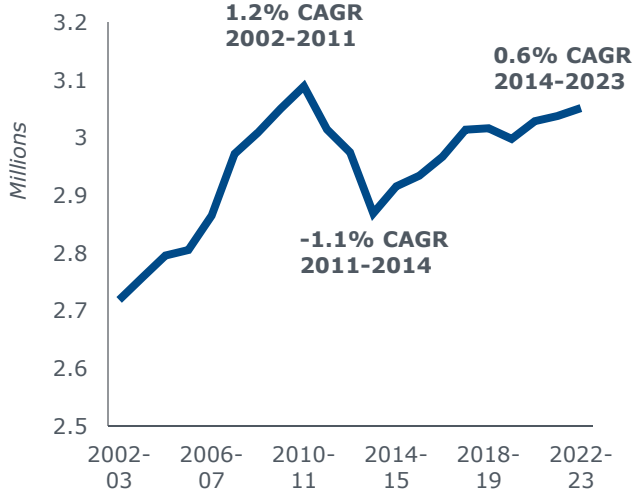
Slower Growth and a Shifting Target

As High School Growth Slows, Adult Learners Become More Important

Demographic pressures have created significant enrollment headwinds for many campuses, creating fierce competition for traditional first-time, full-time freshmen students. The growth of high-school graduates has slowed considerably from prior to the recession. The number of students actually declined for three years, followed by anemic growth of only 0.6%.

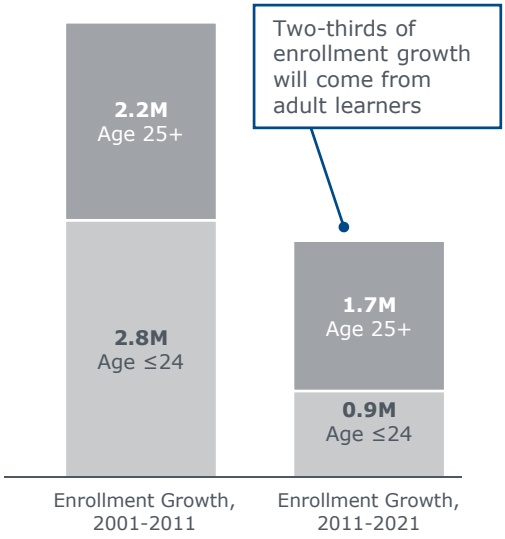
High School Graduate Growth Slower After Demographic Decline

High School Graduates, by year, in millions, with CAGRs (2002-2011; 2011-2014; 2014-2023)



Higher Education Enrollment Growth by Age Group

National Center for Education Statistics, 2014



The slower growth of high school graduates means that an increasing percentage of students in higher education will come from adult learners. This population is traditionally more difficult to reach and to serve. Institutions lack a single place to find them, and more systems are trying to determine how they can serve this population that is crucial to the economic development of their states.

Source: National Center for Education Statistics, "Projection of Education Statistics to 2022," 2014; EAB interviews and analysis.

Taking a More Active Role in Recruitment

New Hampshire (NH) Replaces External Call Centers with Internal Resource

Despite the demographic challenges, systems have been less active in creating shared initiatives to increase enrollment. Their activity has largely focused on processing financial aid and admissions applications, two functions that many campuses happily relinquish.

Most Systems Focus on Transactional Enrollment Functions

- Financial aid processing
- Application processing
- Document imaging
- Transfer articulation services

Online Enrollment Center Benefits and Campaigns Outweigh Costs

1. **Staff Trained Exclusively on NH Programs and Goals**
   Unlike third-party vendors, Center's six recruiters focus on NH institution enrollment targets
2. **Data Sharing Among NH Institutions**
   Offering services to NH community colleges gives insight into statewide enrollment patterns
3. **Highly Customizable Campaigns**
   Recruitment efforts include adult degree completer re-enrollment, new online program recruitment, and law school recruitment, among others
4. **Possible Revenue Generator**
   The Regents offered three years of start up funding, and the System has considered opening services to nearby states to generate revenue

University System of New Hampshire

10%
Overall conversion rate from leads to enrolled students

46%
Conversion rate form leads to enrolled students for law school campaign

4,500
Phone calls, emails sent, and inquiries received at the Center in April 2016

The University System of New Hampshire, on the other hand, has created a shared Online Enrollment Center that supports all of its institutions and the state's community colleges. The Center works to connect with prospective students and lapsed enrollees. Much like a third-party call center, this entity has trained representatives and managers that reach out to lists of students provided by individual campuses. The campuses lack the capacity to conduct this outreach on their own, so the system has added a capability that has generated enrollments and revenue for their campuses.

Source: EAB interviews and analysis

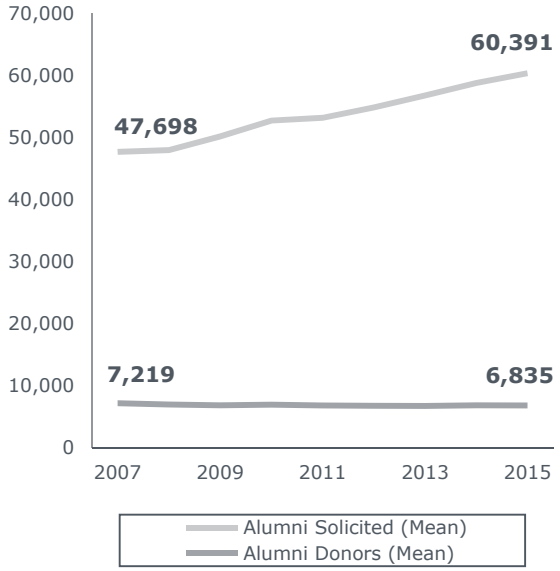
Struggling to Keep Pace in Fundraising

Private Institutions Win the Battle for Major Donor Mindshare and Dollars

The third category of revenue-generating functions that can benefit from a shared services approach is advancement. Since the Great Recession, institutions have had to work harder to acquire donors. Giving rates have declined as advancement offices must solicit more alumni to receive a single donation.

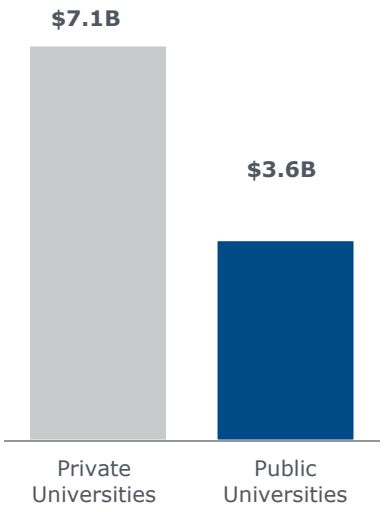
Decline in Solicitation Effectiveness (Research, Master's, Baccalaureate)

Voluntary Support of Education, 2007-2015



Average AAU Research University Endowment Size

2013



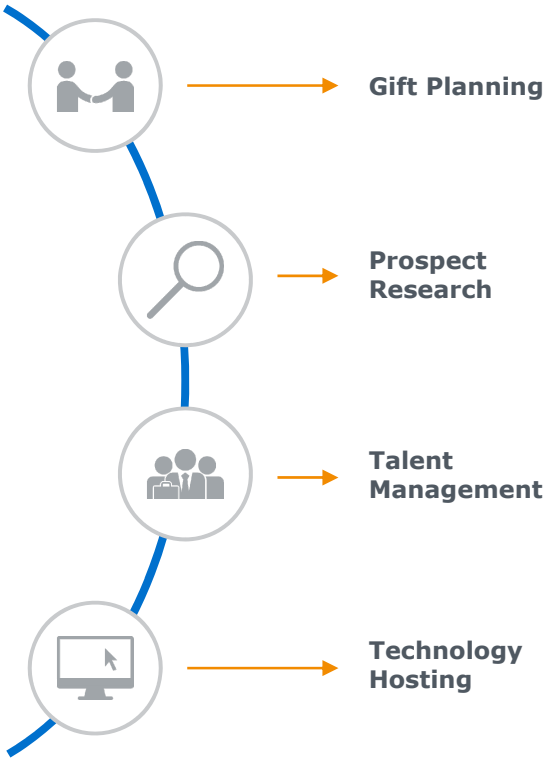
At the same time, the gap between public and private endowments has continued to grow. As state funding declines, endowments provide critical operating funds for public universities. Systems have started to take a growing interest in supporting their institutions' fundraising efforts, especially among those institutions without robust advancement functions.

Source: Voluntary Support of Education vse.cae.org, 2015.; "What Berkeley's Budget Cuts Tell Us about American Public Universities," Huffington Post, http://www.huffingtonpost.com/the-conversation-us/what-berkeleys-budget-cut_b_9349412.html. EAB interviews and analysis.

Supplementing Campus Advancement Efforts

The University of North Carolina Focuses on Four Areas

The University of North Carolina General Administration is a leader among systems in supporting its campuses. As more campuses started to conduct major giving operations, the General Administration wanted to reduce the legal risk for these campuses. Therefore, they created North Carolina Gift Planning, LLC, a not-for-profit organization that provides tax preparation, gift administration, and gift closing services to campuses without these capabilities.



Gift Planning

- Started North Carolina Gift Planning, LLC in 2014 to reduce legal and financial risk to campuses
- Services include tax preparation, gift administration, and gift closing
- For smaller campuses, LLC staff can serve as gift officers

Prospect Research

- Three staff members serve as additional support for campuses that already employ researchers
- Services include wealth screening, corporate and foundation giving, staff training, and, starting in 2017, data analytics

Talent Management

- In the absence of salary increases, the central officer offers professional development activities, such as the UNC Advancement Symposium, which provides 1.5 days of professional development for all system advancement staff
- Talent Connect, a central major gift officer applicant database, helps place promising applicants within the system

Technology Hosting

- Shared purchasing saves between 25% and 40% on several platforms, such as FoundationSearch and iModules
- Preferred vendors list saves campuses time by eliminating the need for separate RFPs

General Administration also provides prospect research, talent management, and technology hosting services for its campuses. The talent management service is still in development as of this writing. The central system office plans to create a database of gift officer applicants and share this information across campuses to ensure that the whole system has an adequate supply of talent.

The shared services efforts in advancement have saved the University of North Carolina time and money, especially in the area of technology purchasing. The smaller campuses could not have afforded such sophisticated systems on their own.

Source: EAB interviews and analysis.

Approaching the Third Rail of Academic Efficiencies

SECTION 2

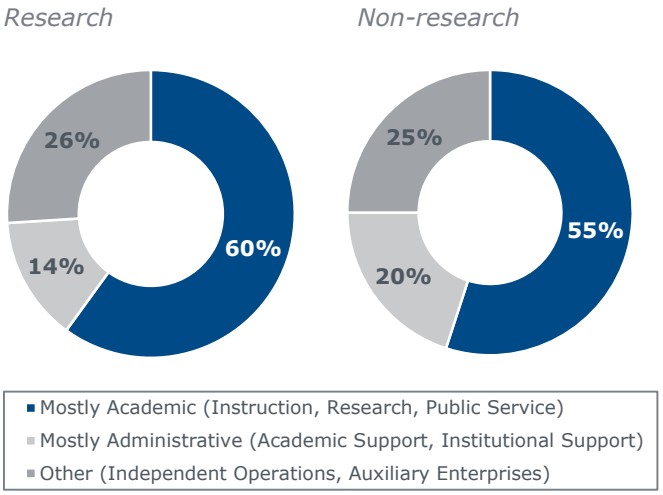
Acknowledging Our Largest Cost Driver

Academic Enterprise Represents Greatest Expenses and Potential Savings

Shared services typically focuses on the administrative side of university system operations, but the majority of university costs reside in the academic enterprise. EAB research estimates that administrative spending accounts for only about a quarter of spending, while academic costs represent 55% to 60% of operating expenses at public institutions.

Expense Breakdown Across Public Four-Year Institutions

EAB Gates Research Project



Academic Efficiencies Can Free Up Capacity, but Not Easy to Shed Costs

Typical Academic Program Efficiency Metrics

Classroom Utilization	50%
Underutilized Sections	33%
Students with Excess Credits	30%
Course Drop/ Fail Rate	20%
Faculty Teaching Less Than Standard Load	60%

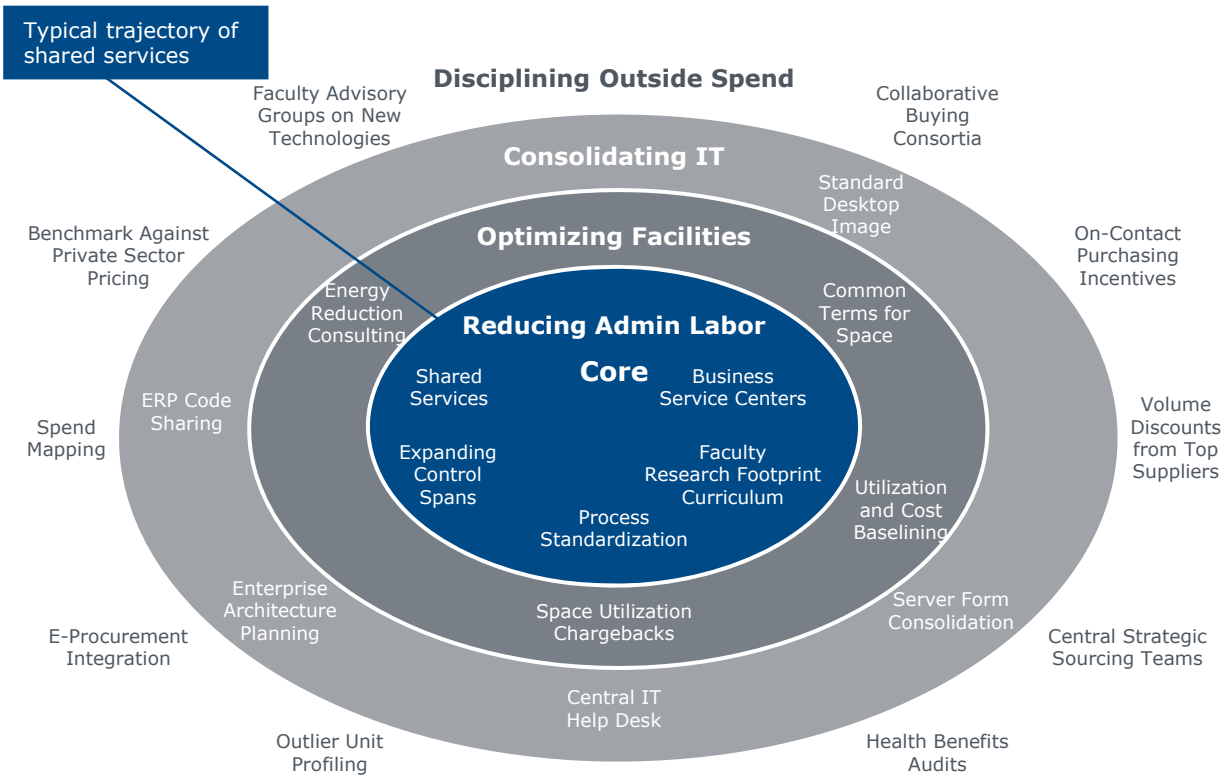
Many of the inefficiencies within the academic enterprise are difficult to eliminate, but low classroom utilization, sections that remain unfilled, and high failure rate courses create excess costs that public universities can no longer afford.

Unfortunately, the academic enterprise has remained the third rail of university operations. Faculty resistance and concerns about reducing academic rigor and quality have prevented system and campus leaders from applying efficiency and effectiveness initiatives to the academic enterprise.

Source: EAB interviews and analysis; EAB and Gates Foundation Research Project.

Doing All We Can to Protect the Core

The lack of willingness to address core academic expenses comes from the admirable resistance to reduce quality in the educational experience for students. Therefore, shared services implementation typically follows a predictable trajectory from external purchasing through several other administrative functions before reaching the academic enterprise.



Source: EAB interviews and analysis.

Faculty Resistance at Every Turn

Faculty Push Back on Language of Efficiency and Cost Reduction

Faculty, the most vocal academic constituency, often point first at administrative inefficiencies when administrators push efficiency initiatives such as shared services. Faculty are frequently concerned that academic cost-cutting and efficiency will result in the shuttering of under-enrolled programs or compromises to academic rigor and research intensity.

Faculty Resistance Stalls Efficiency Efforts

Despite these concerns, several university systems have started experimenting with academic shared services and centrally driven initiatives that enhance the academic experience and maintain quality.

Source: EAB interviews and analysis.

Budget Cuts, Completion Goals Drive Change

Shared Academic Resources Strive to Enhance Instruction and Research

Standard shared academic services include library resources, open educational resources, and shared repositories of shared learning objects. Additionally, many systems have shared academic programs that allow students to enroll in many different programs regardless of their home campus's ability to administer the department or curriculum. Some systems have even embarked on launching new shared campuses in which several existing campuses pool faculty, administrators, and other resources to serve a new area.

Providing Additional Resources for Faculty and Students

OhioLINK
Ohio's Academic Library Consortium
An OH·TECH Consortium Member

OH·TECH | Ohio Technology Consortium
A Division of the Ohio Department of Higher Education

C·I·C COMMITTEE ON INSTITUTIONAL COOPERATION
www.cic.net

PennState

- Library resources
- Electronic shared student tutoring
- Open educational resources
- Shared learning objects
- Shared academic programs
- Shared campuses

The University System of Maryland Course Redesign Initiative

- Started in 2006 as part of the Effectiveness and Efficiency Initiative
- Use of the National Center for Academic Transformation redesign models (e.g., flipped classrooms, emporiums, etc.)
- Adopted new ways to improve student learning outcomes and assessment
- Reduced institutional costs
- Released instructional resources for other purposes
- Developed the internal capacity of USM faculty and staff to continue redesign process

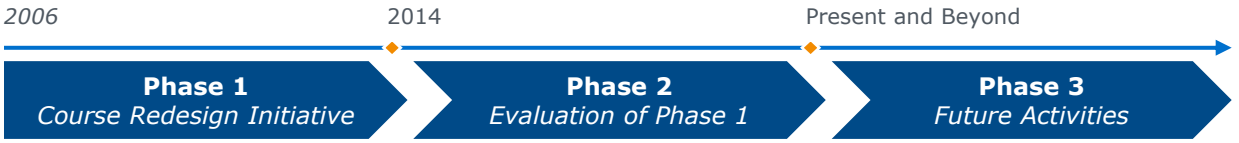
The University System of Maryland first began investigating academic shared services during its Effectiveness and Efficiency Initiative 1.0 in 2006 to redesign courses to improve student outcomes and reduce instructional costs. The system followed the model created by the National Center for Academic Transformation, a popular approach to redesigning courses with greater student success and efficiency in mind.

Source: EAB interviews and analysis.

System-Sponsored Course Innovation

The University System of Maryland Course Redesign Initiative and Beyond

The University System of Maryland has completed the first two phases of its Course Redesign Initiative, redesigning 57 courses across the system. These redesigns have focused primarily on high-enrollment, introductory courses that are critical to student progress to degrees.



Innovation Within Individual Courses

- $20,000 campus-matched grants ensured sufficient funds and institutional buy-in
- Focused on high-enrollment, often introductory courses that can slow progress to degree
- Redesigned courses include more active and technology-enabled learning and intensive assessment

Lessons Learned

- Public support from system senior leadership maintained momentum
- New campus-level Academic Transformation leaders promote ongoing course redesign improvements
- Initial, course-by-course effort laid the foundation for longer-term curricular redesign

Infrastructure for Future Improvements

- Implement the PAR Student Success Matrix as a guideline for all student success efforts
- The Academic Transformation Advisory Council will lead future academic transformation, competency-based education, and open educational resource efforts
- Utilize predictive analytics to improve retention and graduation

57	10,200	143,000	$5.7M
Courses redesigned across the system	More students completed due to improved courses	Students reached by redesigned courses	Realized in cost savings, cost avoidance, and saved faculty time

More than 143,000 students have taken one of these redesigned courses, and the system estimates that more than 10,000 individual students have completed those courses than would have without the redesign. The system has reported savings and cost avoidance of $5.7 million, and they plan to continue learning from these initial courses to improve entire programs of study.

Source: EAB interviews and analysis.

Transforming Principles of Chemistry

Sample Course Demonstrates Student Success and Efficiency Gains

Chemistry 111 at the University of Maryland-Eastern Shore provides just one of many examples of the University System of Maryland's course redesigns. Like many of the redesigned courses across the system, Chemistry 111 is an important course in many student pathways to STEM degrees.

Course Details

Comparing the Original and the Redesign

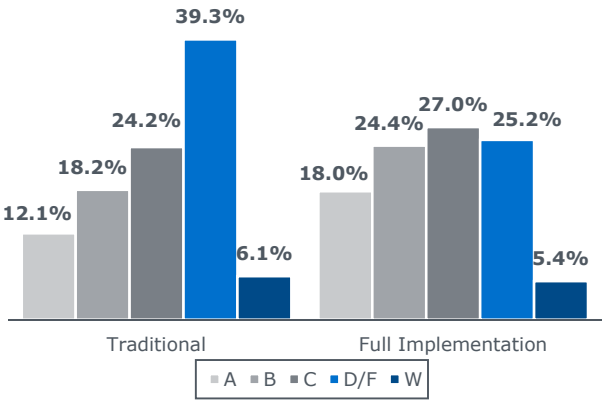
- **Sections per academic year:** reduced from 7 to 3
- **Course enrollment:** increased from 30-40 to 114
- **Meeting time:** Original course met MWF for 50 minutes. The redesign meets MW for 50 minutes plus a 1-hour computer lab

Redesign Elements

Incorporating Technology and On-Demand Assistance

- Computer lab incorporates CengageNOW and its interactive student assistance prompts
- Tutorials and exercises able to be completed multiple times to achieve mastery

University of Maryland Eastern Shore
CHEM 111 and CHEM 111E
Course Outcomes



$268 → **$80**

Institutional cost per student of traditional delivery

Institutional cost per student of new delivery

After the redesign, Chemistry 111E students could take two courses per week plus one computer lab to supplement their learning. The CengageNOW technology provides personalized, interactive lessons for students that have increased student success while also reducing per student costs to the institution. Now faculty can teach more students while also reducing D, F, and withdrawal (DFW) rates of an important gatekeeper course.

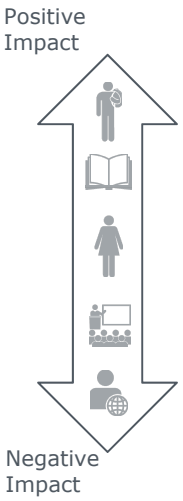
Source: Maryland Course Redesign Initiative. http://www.usmd.edu/usm/academicaffairs/courseredesign/. University System of Maryland. Accessed June 26, 2016; EAB interviews and analysis.

Course Format, Instructors Outweigh Course Size

Class Size Far Down the List of Factors Correlated with DFWs

Similar to the University System of Maryland Course Redesign Initiative, EAB itself has embarked on a deep investigation into academic efficiencies and student success at the course level. EAB's research has challenged some of the common assumptions about student success, including the notion that class size is strongly correlated with DFW rates. Instead, one of the largest sources of variation in DFW rates among different sections of the same course comes from differences among the instructors teaching that course.

Class Size Has Less Impact Than:



Student Level
Seniors have higher grades than freshman

Academic Rigor
Discipline average grade matters

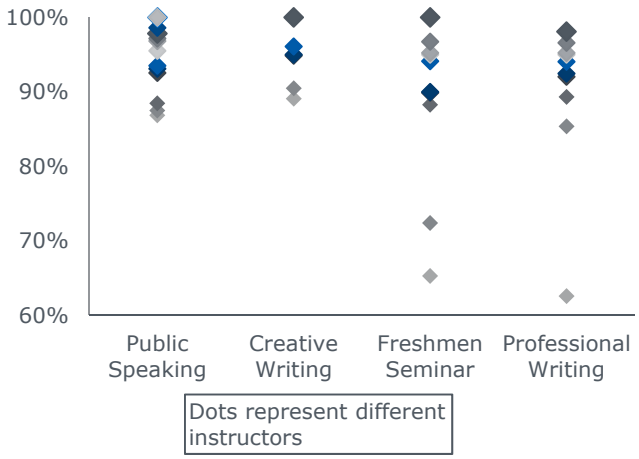
Gender
Women have higher grades

Class Size
Students in smaller classes have higher grades

Underrepresented
Non-white students have lower grades

If Anything, Instructors Are Biggest Source of Variability

Completion Rates by Instructor for Different Sections of Same Course



Case in Brief: DFW Outlier Professional Development Training

- Regional public university detects wide variability in DFW rates of same sections taught by different instructors
- Instructors with consistent outlier rates required to take supplemental professional development

One regional public university used the analysis above to identify instructors who were consistent outliers from others teaching the same course. The university's leadership then required these faculty members to attend supplemental professional development to close the gap with their peers.

Source: Public Research University, 2015; Public Doctoral University, 2015; EAB interviews and analysis

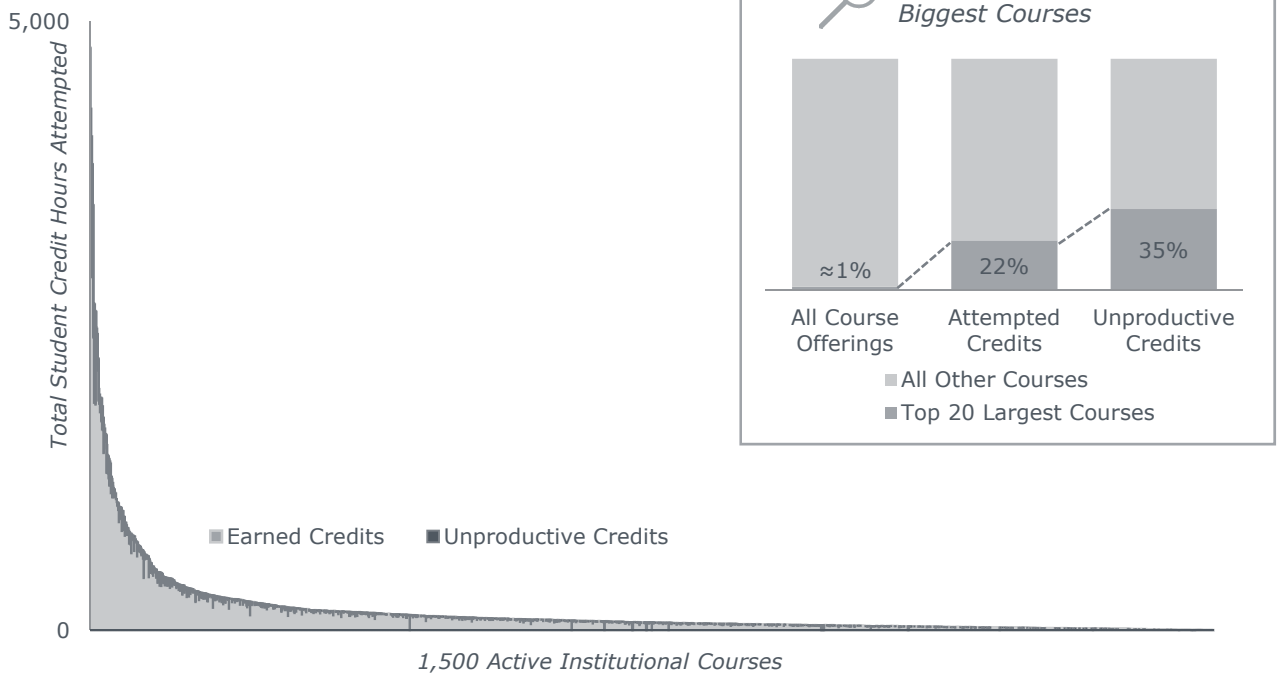
Incredible Skew in Unproductive Credits

Over One-Third of DFWs Concentrated in Relative Handful of Courses

EAB's research also revealed that more than one third of DFWs occur in a very small subset of courses. The graph below shows 1,500 courses at a single public doctoral institution. The vertical axis shows total attempted credit hours. The light grey section show earned credits, and the dark grey sections represent unproductive credits (i.e., the result of DFWs).

Credit Hours Attempted by Course

Sum of Unproductive Student Credit Hours by Course



This small group of courses is an ideal target for course redesign efforts. Institutions that redesign these high-enrollment courses can dramatically reduce DFWs, thereby improving student success and continuing to capture tuition revenue.

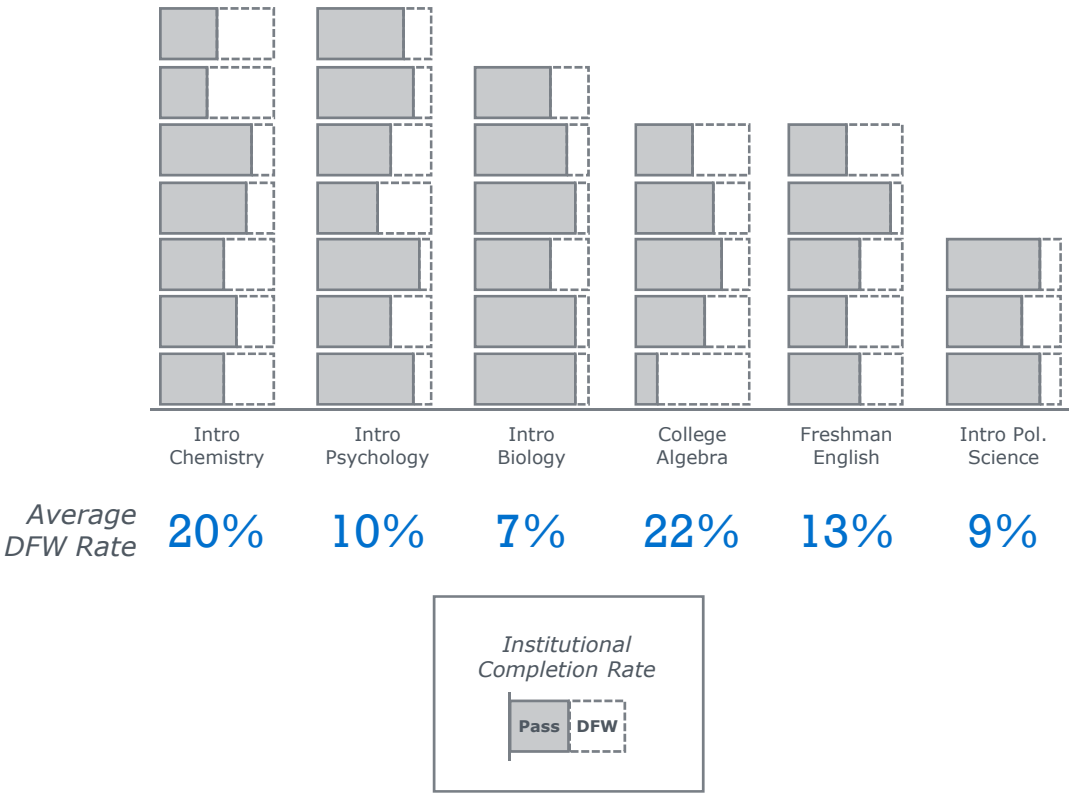
Source: Fall 2014, Public Doctoral University; EAB interviews and analysis.

The Dirty Half-Dozen

Same Six Courses Are Biggest Sources of Lost Credits Across Institutions

Six courses at each institution examined by EAB are the biggest source of unproductive credits. These are typically introductory classes that will impede student progress in a variety of programs if the student fails to earn a passing grade.

Every Institution "Leaking" Credits from Same Intro Classes



Source: Fall 2014, Seven Research, Master's, and Baccalaureate Institutions; EAB interviews and analysis.

How EAB Has Looked at Academic Efficiency

Shared Academic Resources Aimed at Enhancing Instruction and Research

EAB's research extends to many other aspects of academic efficiency beyond course size and student success. Interested system leaders should contact their Dedicated Advisor for more information on how EAB can support the system office and its institutions on these critical questions.

1. **Course Size and Student Success**
   Do Larger Courses Have Worse Student Outcomes?

2. **Independent Study**
   How much faculty effort is going into individual instruction, research, and field work?

3. **Summer Programs**
   What are we spending, what are we getting from summer courses?

4. **Online Courses**
   What is "true" demand, and do online options cannibalize ground options?

5. **Administrative Costs**
   What job categories are driving expense growth?

Campus Debate

Faculty resist expanding enrollment caps, believing larger courses mean more DFWs and lower student experience

EAB

What EAB Tested:

- Course size vs. Completion rate
- Course format vs. completion
- Completion rates by instructor

Resource Preview: Getting Beyond "Business as Usual" in Academic Resource Allocation

Helping Deans and Chairs Understand Where Change Is Most Urgent

- Publication available in unlimited quantities to University System Forum members
- Contact your Dedicated Advisor for more details on the resource

Source: Fall 2014, Seven Research, Master's, and Baccalaureate Institutions; EAB interviews and analysis.

Overcoming Barriers to Maximum Shared Services Benefits

SECTION 3

No Shortage of Shared Services Attempts

But Few Yield Anticipated Savings and Quality Benefits

Across the United States, nearly every public university system has attempted to implement some form of shared services. Unfortunately, many leaders express significant frustration with their results. They rarely yield the savings consultants promised, and the implementation process caused enough turmoil in some systems to make some leaders question the worth of shared services.

Nearly every system working to adopt shared services…

…but leaders express frustration with current results

Not Easy to Break Local Control

"We have a running joke here that our campuses would be happy to pay double to do something that we'd do for them."

Interim Chief Financial Officer, Public University System

Skepticism Regarding Estimates

"I take my consultant estimate, cut it in half, and never show it to anyone. I'll be lucky if I get a fraction of what they estimated. They're used to private sector organizations, and we don't work that way."

Executive Vice Chancellor, Public University System

The following sections of the study will analyze how system leaders can maximize benefits from their shared services efforts while overcoming the most common barriers to successful implementation.

Source: EAB interviews and analysis.

The Evergreen Problem of Staff Resistance

Opposition to Change Often Prevents Shared Services Implementation

The most prevalent challenge to implementing shared services comes from staff members who believe their jobs are in jeopardy. Other stakeholders such as faculty and campus-level administrators worry that they will lose control of some functions, and if they are left out of the design process, their resistance may increase.

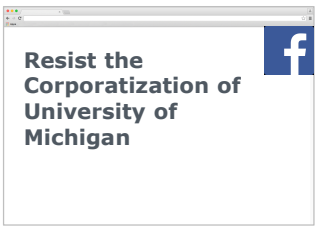
A Problem to Be Managed, Not Solved

"There's going to be resistance. And I don't know how you get to another world. That's just the way it is."

Vice President for Finance, Public University System

Common Reasons for Resistance

- Fear of job loss
- Fear of loss of control
- Left out of design process



Resistance to shared services has not stopped at simple disagreements in committee meetings. Large-scale protests and anti-shared services campaigns have forced some systems and campuses to pause implementation efforts.

Source: "18 Arrested in Protest of 'Shared Services' at UT Austin", *Inside Higher Ed,* 2014; "Resist the Corporatization of the University of Michigan", https://www.facebook.com/Resist-the-Corporatization-of-the-University-of-Michigan-171549219719032/; Singh, K., "UT Faculty, Staff, Students Fight Back Against Job-Killing Shared Services Initiative," *Burnt Orange Report,* 2014; EAB interviews and analysis.

Lack of Standardization Prevents Benefits of Scale

Process and Tech Variability Stall Implementation and Impede Success

With higher education's tradition of institutional autonomy, few institutions of higher education actively seek to standardize business processes and technology across university systems. Unfortunately, this variability stands in the way of finding economies of scale and implementing shared services from a central location.

Problems Emerging from Lack of Standardized Business Processes and Technology

Slow and Inefficient

"A task that should take a few minutes ended up taking a prolonged period of time because the generalist had to switch between systems to serve each institution."

No Common Data Definitions

"Reports are a nightmare – my team spends hours trying to standardize data."

Expensive to Maintain Many Systems

"We spend millions updating and maintaining different platforms. This wouldn't be the case with one iteration."

Higher Risk of Errors in Data

"One error cost the system millions. We were paying benefits of employees that had left the system or had even died."

If each campus conducts common business processes differently, a shared service will have to treat each campus differently, slowing its work and reducing its potential benefits. Additionally, the variability in processes and systems raises the risks of errors occurring in functions such as payroll or human resources.

Source: EAB interviews and analysis.

Where Did the Benefits Go?

Systems Struggle with Accurately 'Showing Their Work'

Finally, shared services initiatives often receive praise from administrators and other proponents, but further investigation of their claims reveal some unanswered questions. Few systems create baseline cost estimates before launching a shared service initiative, and on the other end of implementation, they often fail to track how campuses have reinvested savings.

Systems celebrate success…		**…but questions remain unanswered**
We saved $3 million through our shared services initiative	→	*"What was your baseline cost?"*
People are much happier with our services now	→	*"How much has quality improved since you built the shared services center?"*
We focus much more on core activities	→	*"How did the campuses reinvest the savings?"*

Effects of Untracked Benefits

- Inaccurate data analysis and reporting leads to poor business decisions
- Inability to redirect savings to mission-critical activities
- Lack of trust to start future efficiency and effectiveness initiatives

Without accurate data and information, system leaders cannot make effective decisions about resource allocation or about correcting errors within the shared service itself. Additionally, the inability to accurately report costs and savings can erode stakeholder trust in shared services, hindering future efforts to implement the model in other functional areas.

Source: EAB interviews and analysis.

Managing Resistance to Shared Services

SECTION 4

- Practice 1: Templatized Change Management Communication Package
- Practice 2: Pre-transition Staff Duty and Competency Analysis
- Practice 3: Formal Individualized Staff Transition Plans
- Practice 4: Senior Functional Leader Reporting Line Redesign

Michigan's Bumpy Road to "Lift and Shift"

Plan Drew Intense Criticism, Eventually Delayed in Late 2013

One of the most noteworthy attempts to implement shared services occurred at the University of Michigan in 2012-13. After several months of quietly planning the shared service, the leadership announced plans to move nearly 300 staff out of academic units to a new shared services center. The announcement surprised the campus community, and faculty, staff, and students forcefully protested the decision, largely based on the perception that it targeted many long-term, historically underrepresented female employees.

To rebuild trust with constituents, university leaders delayed the implementation of share services and provided faculty, staff, and student the opportunity to provide feedback on the plan. While the university ultimately moved forward with the implementation, the relationship between university leaders and staff took several years to repair.

Source: Amron Y, "Finance VP and Former Shared Services Leader Will Return to Chicago," Michigan Daily, https://www.michigandaily.com/news/rowan-miranda-leaves-university-chicago; Gringlas S, "In Wake of Outcry, University to Rethink Shared Service Plan," Michigan Daily, https://www.michigandaily.com/news/university-announces-shared-services-delay; Business Affairs Forum interviews and analysis.

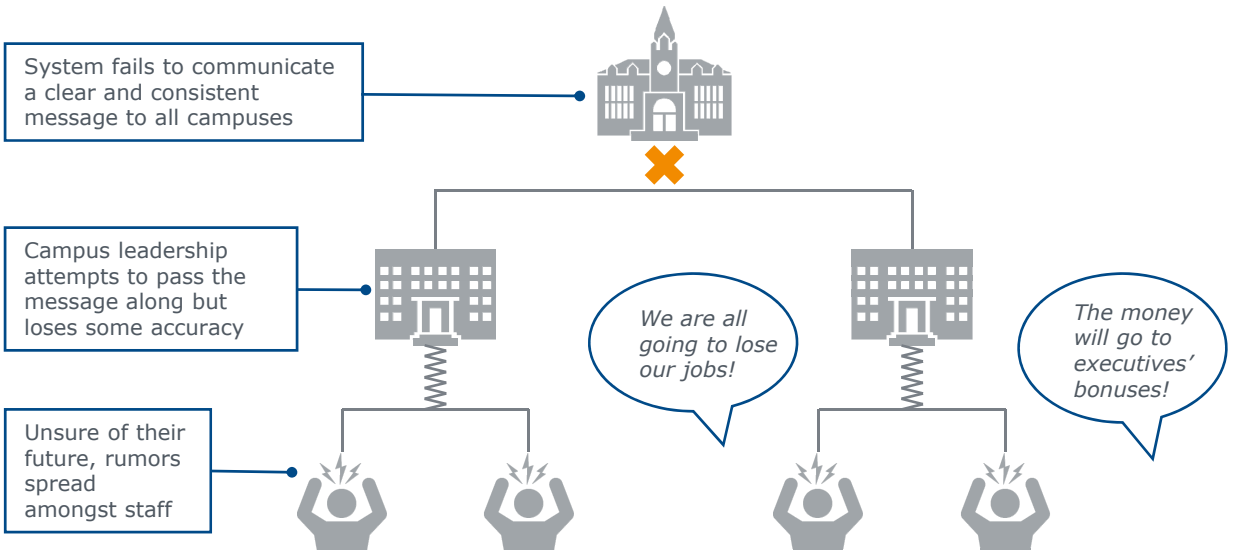
Playing the Telephone Game

In the Absence of One Message, Rumors Swirl and Grow

Michigan suffered from one of the most common problems related to shared services: insufficient communication to affected constituents. Though any large change management effort will always have misunderstandings, leaders can reduce the spread of false information through a robust communication campaign.

Communications about Shared Services Become Distorted as They Filter Through Systems

Goal: Create Shared Services Center to streamline administration and redirect funding to instruction and student support



Without a sound communication plan, staff, faculty, and students may assume the worst about shared services programs. Typically, these fears focus on the belief that university leaders plan to cut jobs and reduce the quality of services provided to the campuses.

Source: EAB interviews and analysis.

Repeating a Single Version of Truth

Multi-Channel Communication Helps Limit Rumor Mill

University system leaders should create a multi-channel communication plan that reinforces the truth about the shared services initiative. This communication plan should include face-to-face, on-demand, and proactive communication channels.

System Communication Plan

Face-to-Face

- Roadshow
- Faculty Senate Presentations
- Town Halls
- Department-by-Department

On-Demand

- Blogs
- Websites
- Videos
- Implementation Plans

Active Outreach

- News Letters
- Twitter
- Surveys
- Webinars

Elements of an Effective Communication Plan

- ✓ Multi-modal
- ✓ Customized for Each Audience
- ✓ Consistent Across Campuses and Channels

At department meetings or town halls, project leaders or shared services champions can answer questions and respond to concerns. On-demand channels such as blogs and websites maintain the official statements about the shared service plans to which leaders can refer concerned staff, faculty, and other constituents. More active outreach channels like social media allow shared services leaders to push information to campuses when plans change or when new information becomes available.

Source: "Georgia Summit," http://www.usg.edu/oneusg/documents/Join_oneusg_GA_Summmit_9_8_2015.pdf; "UNT System official begins blog to report progress of shared services," https://inhouse.unt.edu/unt-system-official-begins-blog-report-progress-shared-services; OUIT Twitter, https://twitter.com/ouits2; OUIT Shared Services Twitter, From Feb. 2015, https://twitter.com/ouits2; EAB interviews and analysis

Facilitating Campus-Driven Change Management

University System of Georgia Empowers Champions to Build Buy-In

The University System of Georgia has provided its individual campuses with templatized change management communication packages that give campus leaders tools such as training plans, resistance management plans, and stakeholder analysis guides. Each campus within the system has a designated Change Champion responsible for communicating with their colleagues about shared services, and this change management communication package ensures that they can accurately and effectively share information about shared services.

Providing Campuses with Ready-Made Change Management Tools

- Change Management Plan
- Stakeholder Analysis Template
- Communications Plan Template
- Change Leader Roster Template
- Communications Templates for Employees and Managers
- Training Plan Template
- Resistance Management Plan

Change Champion Serves as Liaison to Campus

- Selected by the campus CBO or President
- Facilitates campus discussion and practitioner break-out sessions
- Updates stakeholders via webinars
- Serves as liaison to central project team
- Collects campus questions and concerns

> "The best thing we [the system] can do is to give them tools for their tool belt."
>
> *Craig Golden, University System of Georgia*

Leaders at the University System of Georgia recognized that campus-level staff may view system leaders with some skepticism regarding shared services. Therefore, empowering campus-level leaders helps build trust in the shared services initiative and gives staff a colleague to whom they can direct their questions and concerns.

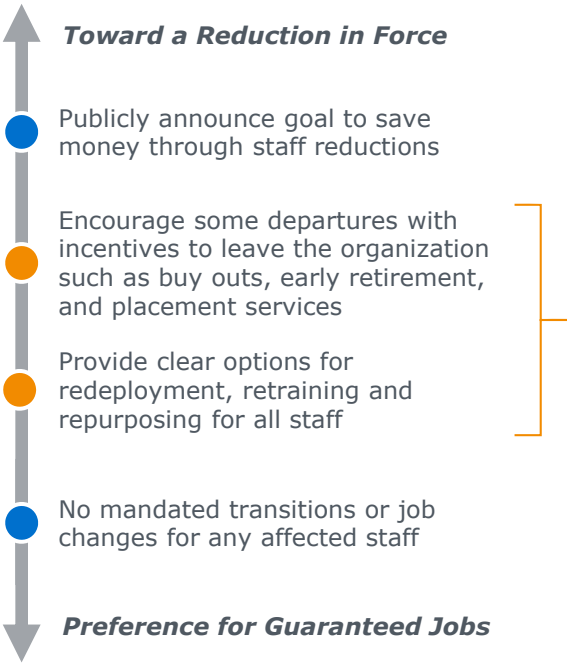
Source: "Managing Change at Your Campus", http://www.usg.edu/oneusg/documents/150917_-_Managing_Change_at_Your_Campus_FINAL.pdf; EAB interviews and analysis.

A Common First Change Management Misstep

Systems that Lead with Staff Savings Engender Insurmountable Opposition

The most important element of communication planning is ensuring that affected staff understand what will happen with their jobs. Many fear that their position will be eliminated, even after they have committed decades of service to the institution. Some systems have erred by stating that job reductions are a primary goal of shared services when in fact any reductions would come from departures and retirements. Other systems have promised that no jobs will be eliminated or affected, perhaps overcompensating for concerns about staff and faculty resistance.

A Spectrum of Approaches to Staff Planning and Redeployment



> "We started by over emphasizing the [staff] savings…that we never could have achieved. It led to a great deal of resentment and almost sabotage by the campuses…"

Benefits of Individual Staff Planning

- Reduces staff anxiety about job losses
- Facilitates adequate shared services center staffing
- Ensures campuses reallocate staff to mission-critical activities
- In conjunction with analyses of historical attrition, staff planning helps estimate labor cost savings from both natural attrition and attrition caused by staff disruption

> "We moved the whole human resources and payroll staff to shared services. It took us a few years to realize we hadn't achieved our intended staff savings because we hadn't lost anyone."

Instead, system leaders that do intend to reduce the number of positions in a given function should create incentives for employees to exit the organization earlier than they may have originally planned. Attrition will drive most of the staff savings in this case. If a system chooses to keep all of its employees, leaders should clearly explain to staff how they will be redeployed and retrained, if necessary, so that uncertainty about their future will not lead to hostile resistance.

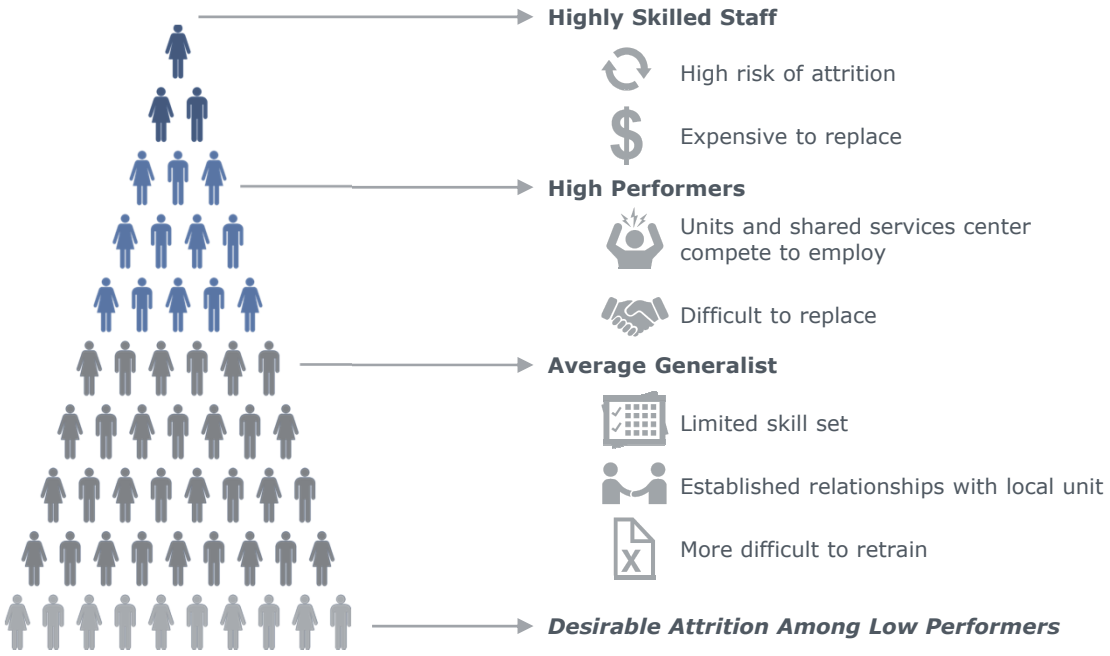
Source: EAB interviews and analysis.

Identifying Segment-Specific Transition Needs

Each Group Presents Unique Change Management Challenges

Different segments of campus staff will respond differently to shared services, and each segment will have different information needs during a transition. Highly skilled staff are of particular concern during a move to shared services because they are both desirable for other organizations and expensive to replace if they depart. System leaders should actively seek to retain these individuals. Similarly, high-performing generalist staff are important to retain, but both shared services centers and individual campuses will want to employ these staff. They are also difficult to replace.

The Challenges Transitioning Three Types of Disrupted Staff



Next, there is a larger group of administrative generalists who are neither high- nor low-performers. These individuals require retraining if their duties change during a move to shared services, but they are often long-term employees who may not want to change their work. They also have established relationships with their local units, creating resistance to their departure among their long-time colleagues. Finally, every organization has underperforming staff, and system leaders may encourage their campuses to incentivize their departure through early retirement or assistance with job placement at other organizations. Attrition among this population may actually be beneficial not only financially but also in terms of organizational effectiveness.

Source: EAB interviews and analysis.

Current Staff Review Guided Workforce Planning

University of Oklahoma Uncovered Knowledge Gaps and Star Staff

The University of Oklahoma, a multi-campus university with a medical center, took a smart approach to workforce planning, especially among their highly skilled IT staff. In 2010, the University of Oklahoma campuses each planned to build their own data centers in new facilities. Upon learning of this duplicative endeavor, the university's IT leadership convened campus staff to design a more cost effective set of two shared data centers with staff shared from each of the individual campuses.

Individualized Staff Analysis Helped OU Stand Up Shared Data Centers

Projecting Staff Workloads
Duty analysis helps shared services staff understand effects of moving staff between campuses and shared service center

Finding High Performers
Documenting trainings, certificates, and badges informs leadership of highly desirable staff for workforce planning

Discovering Holes in Knowledge Base
Tracking trainings and certificates helps leaders understand where the division had knowledge and ability gaps before shared services transition

Name	Position	Duties	Competencies	Trainings and Certificates
Anne Boleyn	IT Director	Oversee technical projects Prep budgets	• Global information management • Strategic thinking	Project Management Professional
John Falstaff	Network Engineer	Analyze hardware and configuration requirements	• Data risk management • Data storage	Cisco Systems Certificate
Toby Belch	Programmer	Arranges project requirements in programming sequence	• Software algorithm design • Software performance tuning	Extensive coding and Microsoft training

First, the IT leadership determined the staffing needs for the new shared data centers and compared those needs against their current staffing. Then, they individually identified each employee's unique skills and competencies. This process allowed the shared services leaders to identify high performers and to find where their staff lacked certain skills and knowledge critical to the success of the shared data centers.

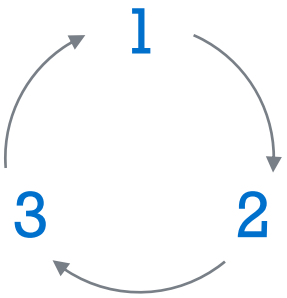
Source: EAB interviews and analysis.

Use Staff Analysis to Plan and Launch Shared Services

Regular Updates on Staff Competencies Ensures Best-Fit Deployment

Rather than just conducting this analysis as a one-time event, the shared services leadership updates their staff analysis every six to nine months to ensure that the shared data centers and the campuses could adequately share staff during the creation of the data centers.

When knowledge gaps were discovered, the university provided collective trainings and opportunities to earn badges that would signal a high performing staff member.



1 Surveyed Current Staff to Prepare for Shared Services Implementation

90-question survey used to identify current state of staff knowledge and workload

2 Identified Knowledge Gaps and Training Needs

- Provided software or platform training to all staff to create sense of community
- Opportunity for skill-building improves job satisfaction
- After training, awarded badges to staff who have excelled and completed technology certifications

3 Created and Updated Staffing Plan for Shared Services and Remaining On-Campus Work

Used the survey and training insights to plan for staff members' future workload, whether fully on-campus, shared with the service center, or fully deployed at the service center

The University of Oklahoma's Careful Staff Planning Yields Staff Savings

155	$1.2M	22
Existing staff used to stand up the shared service	Annual staff savings achieved through attrition	FTEs currently operating the data center despite budget for 28 FTE

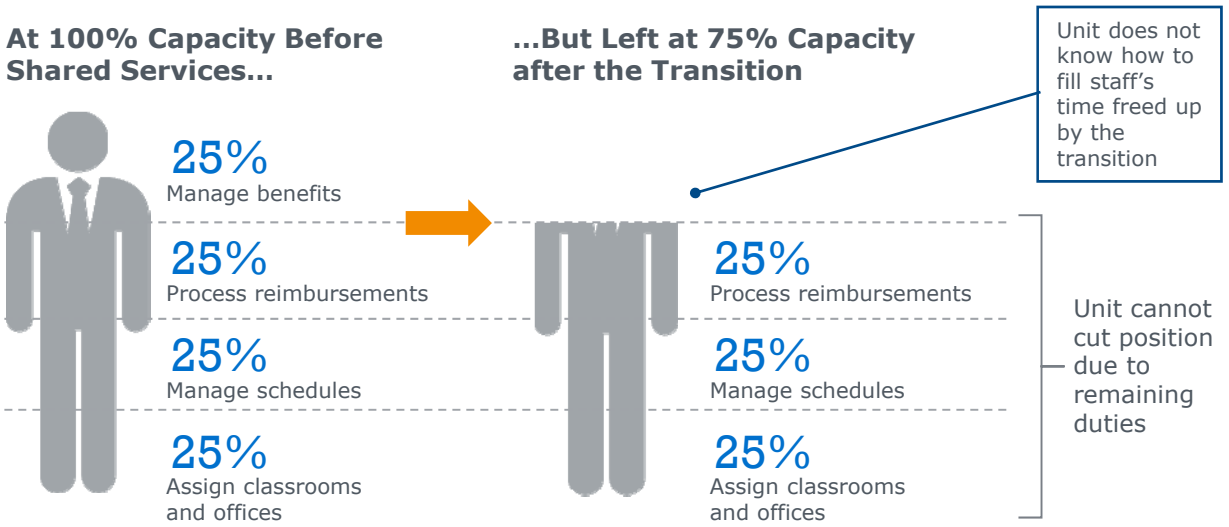
The University of Oklahoma's thorough staff planning allowed them to create a shared data center without lay-offs or new hires, and enabled the data centers to operate with fewer staff than planned.

Source: EAB interviews and analysis.

Managing the "Generalist Problem"

The Transition to Shared Services Takes "Pieces of People"

During any transition to shared services, some staff will only have part of their duties moved to the shared services unit. They will therefore no longer work at full capacity, causing inefficiency within individual campus or system units.



Without careful planning for future staff transitions and training, systems can have many employees paid at full salary without commensurate duties. Additionally, the system will not get the benefit of redirecting free time to more mission-critical activities.

Source: EAB interviews and analysis.

Identifying Career Options for Staff

Moving Beyond Retirement, Buyouts, and Time Reallocation

To return generalists to full capacity or to support disrupted, departing staff, many campuses and systems provide early retirement, buyout, and time reallocation options to their generalist administrative personnel. However, others have attempted more innovative practices such as hiring organizational design consultants to help department leaders redesign roles and duties after generalist employees lose part of their duties to shared services.

Creative Options for Affected Staff

Retain a Consultant to Restructure Positions

The University of Michigan hired an organizational design consultant that helped units to restructure responsibilities and reporting lines of remaining staff

Transition to Temp Positions

The University of Texas-Austin kept a database of temp positions, which were offered to staff facing lay-offs

Provide Career Services and Free Courses to Departing Staff

UC Berkeley leveraged existing university resources to find new opportunities and build new skills

Relocate Staff to Openings System-wide

NASA pinpointed staff qualifications and found openings for staff within the field center or business unit

The University of Texas at Austin has provided temporary positions to recruit local employees for several decades, but when they began the transition to shared services, they opened these temp positions to displaced administrative staff whose roles were eliminated. This program reduced concern among staff because they knew that the university would help them find new employment within the organization.

Regardless of the specific practice employed, system leaders should ensure that displaced staff have support from the institution in either finding a new job or retraining to fit their new duties.

Source: "Find Temporary Staffing Solutions," The University of Texas at Austin, http://hr.utexas.edu/manager/hiring/temp.html; "FAQs about Shared Services Workforce Transition Plan," UC Berkeley, http://vcaf.berkeley.edu/faqs-about-shared-services-workforce-transition-plan; EAB interviews and analysis.

Ensuring a Soft Landing

NASA's Workforce Planning Reduced Fears, Achieved Full Staff Capacity

Another critical aspect of managing staffing and role changes during shared services implementations is individualized staff transition planning. The National Aeronautics and Space Administration has an award-winning shared services center due in part to its commitment to supporting its staff through the transition. Before creating a shared services center in Mississippi, NASA spent three years analyzing current staffing and future staffing needs in human resources, payroll, and finance.

Elements of Executing Individualized Staff Transition Plans

Catalogued current job duties and portion of job eliminated

Documented competencies and trainings

Required an HR or workforce planning expert to ensure compliance at each of the field sites

Identified specific roles and exit options based on staff competencies, interests, and organizational need

Benefits of Individual Transition Plans

Mitigates resistance based on job loss fears

Builds goodwill for shared services transition

Returns staff to full capacity

25 - 30%

Realized staff savings, exceeding the expectation of 24% staff savings

Every employee at NASA received an individualized transition plan, and they had three years to execute that plan. Individual staff members had the assistance of human resources staff at their local site. NASA created goodwill among its employees and saved more in labor costs than they originally anticipated.

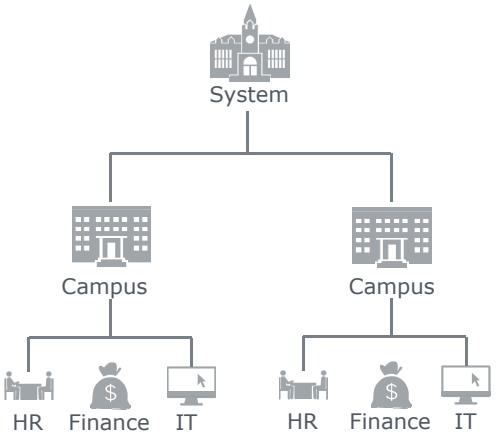
Source: NSSC Employee Transition Plan, 2004; NASA Shared Services Center (NSSC) Implementation Plan Report, 2003; EAB interviews and analysis.

Bring Senior Leaders into the Fold

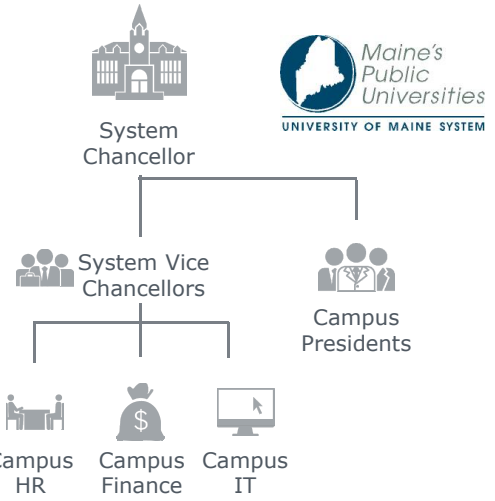
University of Maine System Reorganized to Ease the Transition

Though generalist administrative staff often have the most concerns about a transition to shared services, senior leaders in affected functional areas may also resist giving up autonomy and capabilities from their campuses. If senior leaders resist shared services, they can slow or completely prevent the system from implementing changes on the individual campuses.

University System Office Manages Campus Chief Executives, While Campuses Manage Functional Area Leaders



Alignment of Campus and System-Level Functional Leadership Creates Incentive to Support System Initiatives



Reducing Senior-Level Resistance

"We now have a group of campus and functional area leaders that understand and support shared services. It was tough under the old leadership."

Rebecca Wyke,
Vice Chancellor for Finance and Administration, University of Maine System

As the University of Maine System embarked on its Mission Excellence initiative in 2012, system leaders in finance and administration as well as IT realized that they needed to reorganize campus-level function leadership. Several of the top administrators in functional areas like human resources and IT resisted the move to shared services, and the system had little leverage over these individuals. To create a more integrated, supportive leadership structure, the System made campus functional area leaders report directly to their corresponding system officer instead of reporting to the individual campus chief executives. This change required the departure of some leaders, but it has aided the transition to shared services with more efficient communication and lines of authority.

Source: EAB interviews and analysis.

Quietly Soldiering On

After the Initial Uproar, Michigan Regroups and Completes Transition

Returning to one of the more noteworthy cases of stalled shared services, the University of Michigan, successfully executed a new communication and outreach effort and has moved forward with shared services since its suspension of the original plan. After an extensive listening tour and feedback period, the university's leadership successfully calmed concerns among faculty and staff enough to open the shared services center.

Key Elements of Michigan's Successful Shared Services "Phase Two"

1 **Listening Tour**

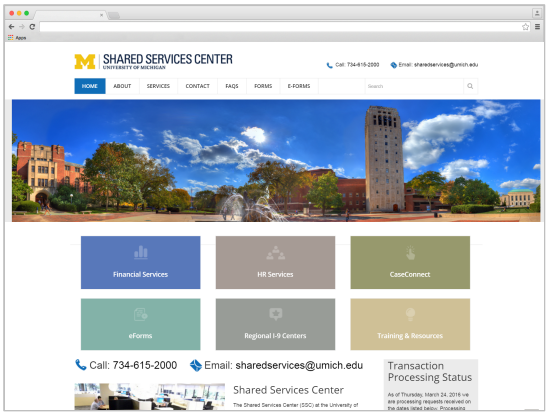
Five formal feedback sessions held with staff and faculty to allay concerns about business case and impact on transitioning staff

2 **Phased Rollout**

Only 18 academic unit staff transitioned at first, minimizing organizational and faculty impacts. Remaining 75 moved in late 2015

3 **Shared Service Customer Council**

Responsible for performance issues and approving process/technology improvements. Group includes associate deans, department chairs, AVP Finance, Controller, and AVP HR



Up and Running

Shared service center has 279 staff, owns all Finance and HR transactional duties across campus.

> "The impact on the faculty was not as big as what we thought it would be."
>
> *Karl Grosh, Professor*

The university has phased shared services in among the administrative units to ensure that new business processes work for smaller units before spreading the model to the entire university. Currently, 279 staff work in the shared services center, and they manage all human resources and finance duties at the campus. To ensure ongoing accountability, the University of Michigan created a customer council comprised of academic and administrative leaders who identify problems and opportunities for improvement within the shared services center.

Source: "Administrative Services Transformation Shared Service Center Project Update," http://www.bf.umich.edu/docs/forum13-14/ast-update.pdf; Woodhouse K, "University of Michigan Hires Director for Soon-to-be-Launched Shared Services Center,"http://www.mlive.com/news/ann-arbor/index.ssf/2014/04/university_of_michigan_hires_d.html; Business Affairs Forum interview and analysis.

Top Insights from This Section

Managing Resistance to Shared Services

1

Reduce Rumors Through Multi-Channel Communication

Systems should create multi-modal communication plans that include face-to-face, on-demand, and active outreach methods. The message through these channels should be consistent to reinforce a single version of truth about shared services and minimize misinformation and rumors.

2

Ensure Consistent Communication by Giving Easy-to-Use Tools to Campus Change Champions

Shared services implementation leaders should make change management easy for campus-level change champions by providing analyses of staff disrupted, FAQs on shared services, and guidance on workforce planning, among other tools.

3

Calm Job Loss Fears by Creating Formal Individual Transition Plans

Systems must ensure that each disrupted staff member has a formal, individualized transition plan to allay concerns about job losses. This planning starts with analyzing the duties and competencies of each staff member and then creating a formal transition plan with options for new roles or opportunities to exit the organization.

4

Build Accountability for Shared Services into Senior-Level Campus Positions

Senior-level staff may resist change as much as generalist or administrative staff. System leaders may consider reorganizing reporting lines away from campus functional leaders to those individuals at the system level. Additionally, systems should emphasize commitment to system-level initiatives when hiring senior campus leaders.

Source: EAB interviews and analysis.

Ensuring Business Process and Technology Standardization

SECTION 5

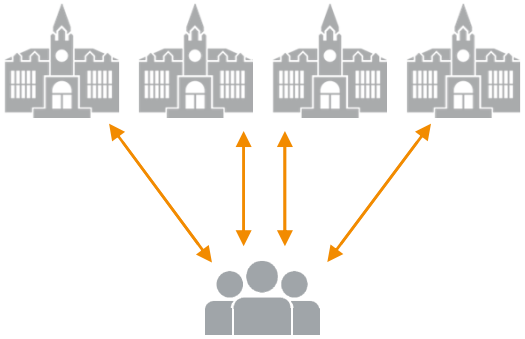
- Practice 5: Peer-to-Peer Business Process Evaluation and Standardization Exercise
- Practice 6: Deadlock Resolution Escalation Procedures
- Practice 7: Standardized Enterprise System Adoption Incentive

Inconsistency Prevents Full Transition

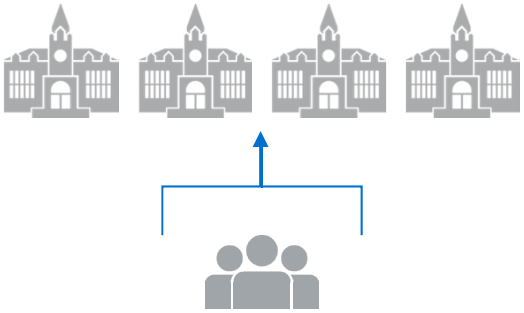
Benefits of Scale and Efficiency Unobtainable Without Standardization

Effective shared services depends on campuses within a system following similar business processes, such processing payroll event or onboarding new employees. Unfortunately, most campuses and even different units within campuses fail to follow the same business processes. In addition, individual campuses often use unique technology platforms such as student information systems and human capital management systems. These technology differences further complicate how units perform business processes and slow the adoption of shared services.

From every campus having a different way to process a transaction…



…to one standard business process across your system



Resulting Problems

- Inconsistent data and reporting
- High error rates
- Need to switch among multiple systems results in inefficient time use

Benefits of Standardization

- Faster reporting
- Ease of regulatory compliance
- Common data definitions
- Fewer staff to maintain processes

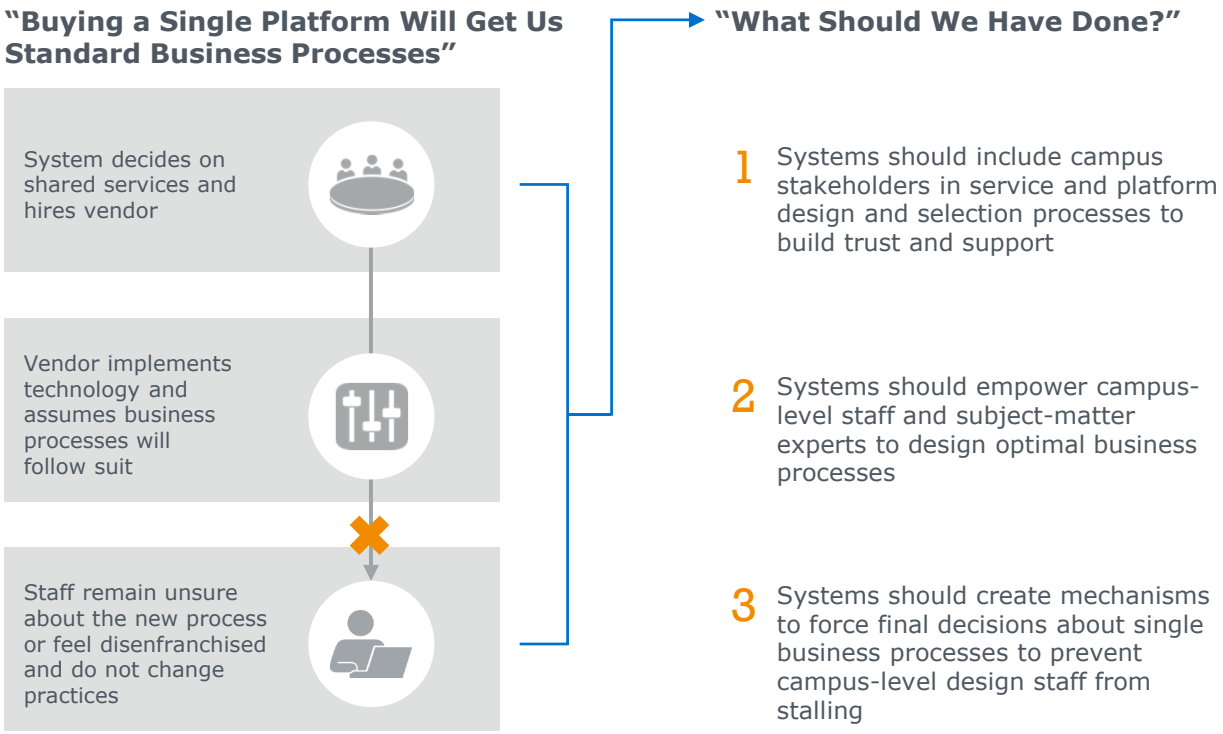
Moving to standardized technology and business processes can produce several efficiencies and quality benefits for a system. First, the system can more easily acquire and analyze reports about unit performance when those reports focus on identical processes. Financially, systems benefit from maintaining identical business processes across administrative units because the system needs fewer staff to maintain and perform processes for the same functional area.

Source: EAB interviews and analysis.

A Cautionary Tale from Two Systems

Standard Technology Does Not Guarantee Standard Business Processes

Technology platforms and business processes go hand in hand, but unfortunately, standardizing technology does not standardize business processes on its own. Many systems have hired a technology vendor assuming that the implementation of the technology will force a standardization of the business processes. They have often found that staff in the administrative units then do not understand how the new technology and processes work because they have become so accustomed to their traditional process.



Instead, technology implementation should proceed at least in parallel or even follow business process standardization. This standardization should include the staff and leaders who will actually perform the tasks so that they see the benefit of the new technology while also ensuring that they understand how the new processes will work. One particular challenge in this process is ensuring that staff actually decide on a single method of completing a business process rather than debating different methods indefinitely.

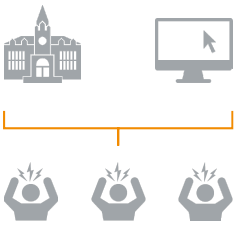
Source: EAB interviews and analysis.

Leverage Peer Trust to Drive Consensus

University System of Georgia's Process Standardization Exercise

One challenge in standardizing business processes occurs when systems assume that technology standardization will create standard business processes. The University System of Georgia's shared services effort started with the purchase of a technology implementation vendor, and the leadership first assumed that the technology standardization would lead to standardized business processes. They found that, instead, practitioners on the campuses resisted the top-down changes, and many of the staff remained convinced that their processes were superior to all other campuses'.

System-Selected Vendor Steers Business Process Standardization



Practitioners on the campuses resist the top-down standardization

"Getting People in the Same Room" Still Leaves Defenses Up

- Lack of self-evaluation leads to perception that "my way is the best"
- Typically administrator-driven process fails to build trust among participants

University System of Georgia Peer-to-Peer Process Evaluation Overcomes Status Quo Bias

1 Process Identification

50 general, highly transactional business processes selected

2 Peer- and Self-Evaluation

- Practitioners and subject-matter experts serve as process reviewers
- During the review, participants explain their process steps and receive critical feedback from trusted peers

3 Consensus-Driven Selection

- Discussion reveals best practices within business processes
- The group decides on a single way of executing the process

In an effort to relaunch its shared services, the University System of Georgia sought to overcome this opposition. Shared services leaders from the system office convened practitioners and subject-matter experts from administrative functions like human resources and finance. They collectively selected 50 business processes to standardize. Instead of simply commanding the participants to come up with a solution, the facilitators asked the campus-level staff to explain and justify their processes and receive suggestions and constructive criticism from their peers on other campuses. Eventually, this critical examination ultimately led to a greater willingness to adopt a single, mutually identified method of performing these 50 business processes.

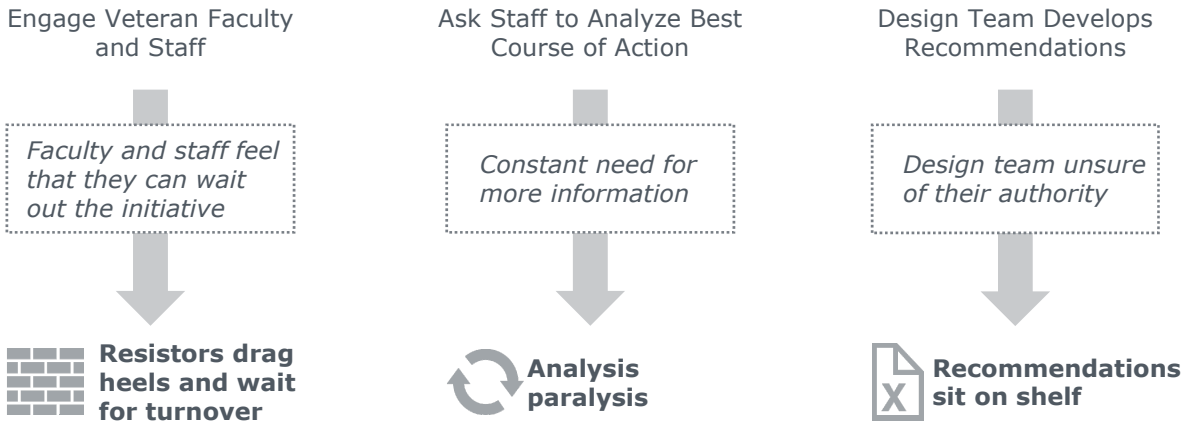
Source: EAB interviews and analysis.

The Pitfall of Seeking Consensus

Complex Initiatives Slow Without External Motivations and Urgency

Simply attempting to reach consensus does not always yield the desired results. Higher education's deliberative culture can unnecessarily slow initiatives, and the desire for institutional autonomy prevents some systems from adopting standard business processes.

Efforts to Include Staff in a Consensus-Driven Culture Can Yield Unintended Consequences



> "In higher education, we like to deliberate and gather more information. That's fine until it stops us from making decisions."
>
> *Chief Financial Officer*
> *University System*

To prevent this stagnation, shared services initiatives require an external motivator and urgency driver that encourages deliberative groups to come to a final decision on business process standardization, technology adoption, or service levels.

Source: EAB interviews and analysis.

Create Automatic Decision Escalation Procedures

Two Systems Build Structures to Keep Initiatives Moving

Two university systems have created processes to overcome the deadlock that often arises. The Nevada System of Higher Education (NASH) wrote a Decision Charter that delineates system and campus-level roles in the creation of shared services. Campuses send representatives to vote on business processes, and if the group of representatives cannot come to consensus, senior leaders or the shared services project director will make the final decision. This trigger encourages the campuses to work together to identify a solution so that they maintain control over the process.

Nevada's Path to a Final Decision

1. In case of inaction, project director or senior leadership steps in to decide vision forward
2. Each campus designates subject matter experts to vote on business process standardization. Regardless of size, each institution gets one vote
3. Decision Charter lays out roles of campus and system stakeholders

Distinguishing Consensus from Unanimity

Business process standardization encourages consensus and action

70% Minimum threshold of agreement for standardization of business process

Senior leadership steps in to resolve disagreements and ensures buy-in among all partners

99

Business practices standardized across the system in eight months

The University of California wanted to reach consensus in their business process standardization efforts, but they did not want implementation groups to delay until their members reached unanimous agreement. Instead, the University of California leadership determined that 70% majorities would be sufficient to move forward with a decision. If the process standardization group could not reach 70%, a more senior group of finance, administration, and IT leaders resolved the disagreement and made the final decision.

Source:. NSHE Project Charter, https://www.integrate2.nevada.edu/wp-content/uploads/2016/02/NSHE_iNtegrate2_Project_Charter.pdf, 2014; EAB interviews and analysis.

A Thousand Iterations Blooming

> “Unfortunately, to get buy-in, to come together as a system, they [the consultants] built all of these opportunities to customize the application to meet every unique need. That has created this inefficiency in what we do today…It cost us $125 million to do it, and we’re left with an inefficient operation now.”
>
> *Vice President for Administration & Finance, Public University System*

> “…because our organization was really a system in name only with seven or eight different ways of doing everything. Even though we had a single ERP system, we paved that garden path seven different ways.”
>
> *Vice President for Administration & Finance, Public University System*

Source: EAB interviews and analysis.

Waiting for the Stars to Align

Look for the Key Time to Adopt Common Iteration

The variability in technology platforms among system campuses typically emerges as a result of unique campus needs, the lack of a requirement to standardize, and the lack of supervision over these decisions.

Opportunities to Standardize Enterprise-Level Technology Platforms

Legacy System Failing to Meet Campus Needs

The obsolescence of the legacy platform presents an opportunity for the system to encourage common platform adoption

Enterprise System Contract Expiring

When multiple contracts expire, the system is presented with an opportunity to negotiate one contract

Flagship Stops Providing Services

If the flagship chooses to no longer host technology, the system can encourage less-resourced campuses to collaborate

Budget Crisis Underway

Systems can build support for joint purchasing and efficiencies when funding decreases

To overcome this variability, systems typically must capitalize on one of several opportunities to encourage more standardization. The four opportunities above offer systems a window to help their campuses adopt the same technology platform such as student information systems, human capital management systems, and financial management systems.

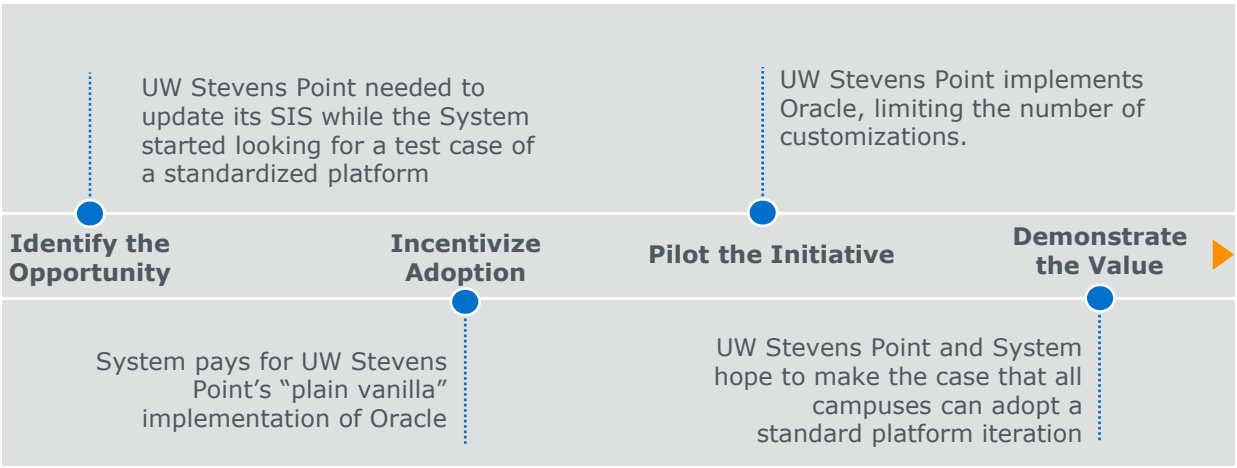
Source: EAB interviews and analysis.

System Incentivizes Technology Standardization

University of Wisconsin System Funds 'Plain Vanilla' SIS

The University of Wisconsin System found an opportunity to create a test case for a common student information system on one of its campuses. The Stevens Point campus was the last of the campuses to update its student information system, so the system offered to pay for the upgrade if the campus agreed to hold the customizations to a limit of 20 to 30.

System Aims to Create a Proof-of-Concept with One Campus's Standardization



A Few Key Ingredients Help Limit Need for Customization

External Applications

UW Stevens Point builds external applications to maintain functionality instead of customizing the SIS

Business Process Standardization

Before allowing a plug-in or customization, UW Stevens Point project team redesigns internal business processes

20-30

Customizations total, compared to the normal 200-300

When the implementation team at Stevens Point identifies a customization need, they first try to redesign business processes to avoid the customization and then, if necessary, purchase an external application that performs the custom function. As of this writing, the Stevens Point experiment has stayed below the twenty to thirty customization goal. At the conclusion of the project, the system office hopes that Stevens Point will demonstrate to the other campuses that a standard, "out-of-the-box" platform can meet their needs.

Source: EAB interviews and analysis.

Top Insights from This Section

Ensuring Business Process and Technology Standardization

1 Adopting Standardized Technology Will Not Guarantee Process Standardization

Purchasing new enterprise-level technology will not standardize business processes by itself. A common failure path for systems involves contracting with a technology vendor and expecting that during the implementation, the system will standardize their business processes simultaneously. This approach often alienates staff and does not build their support to adopt a new process.

2 Help Practitioners Overcome Resistance to Process Standardization by Forcing them to Critique Their Own Business Processes

Systems should engage practitioners and subject-matter experts in a peer-to-peer business process justification exercise that encourages them to challenge each other's method of conducting each business process. The system should charge this group with identifying a single method of completing the process. The practitioners' trust in their peers will encourage them to have open dialogue about improving and standardizing processes.

3 Maintain Design Momentum by Creating Automatic Deadlock Resolution Procedures

To create decision making urgency, systems should create decision escalation procedures that move decisions away from practitioner- and expert-level design teams to senior leadership teams if the first team cannot come to a decision. These policies encourage design teams to come to a decision so that they retain ownership of the process.

4 Encourage and Incent Pilot Campuses to Adopt Standard Enterprise Technology as Proof of Concept

To convince campuses to adopt a single iteration of an enterprise-level technology platform, a system should provide incentives such as providing funding for the adoption or offering to host a previously unaffordable service. Additionally, systems may consider creating a test case with a single campus to convince other campuses to adopt the single iteration.

Source: EAB interviews and analysis.

Preventing the Disappearance of Savings and Benefits

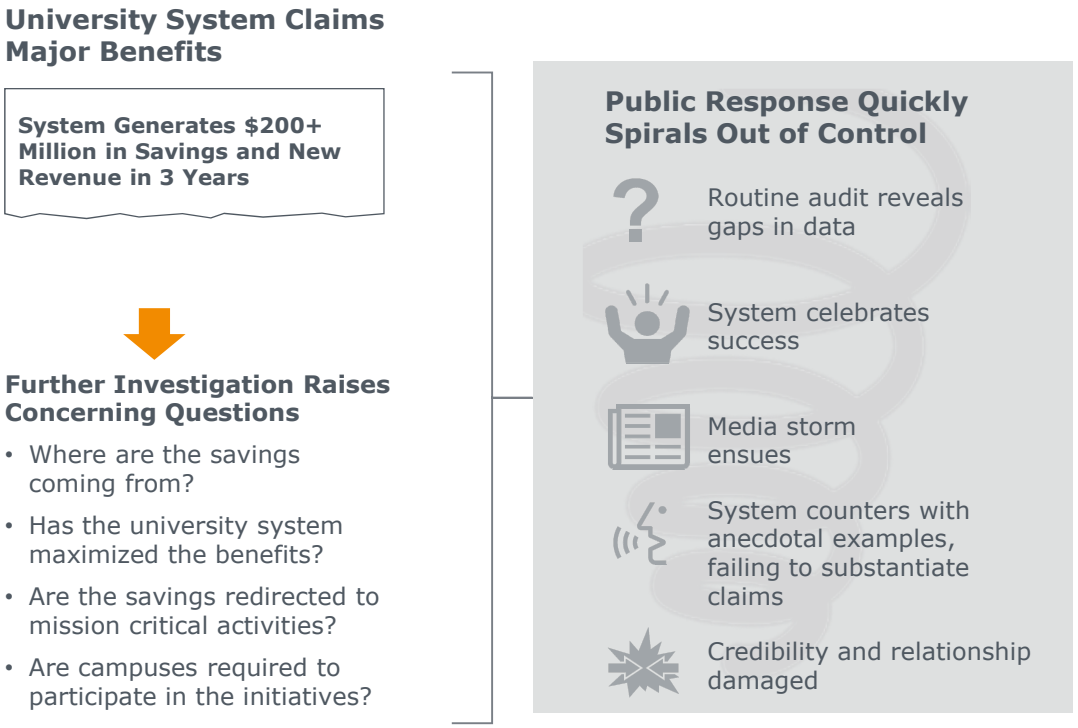
SECTION 6

- Practice 8: Simplified Business Process Cost Analysis
- Practice 9: Sequestered Shared Services Savings Reinvestment Fund
- Practice 10: Continuous Improvement Fundamentals

Unexpected Struggles to Show Our Work

Systems Inconsistently Report Benefits and Change Over Time

Few systems accurately collect and report data about financial savings and quality improvements as a result of shared services. When systems do report the benefits from shared services, investigations by media and government entities often reveal more questions than answers. Even when systems do report about the benefits from shared services, investigations by media and government entities often reveal more questions than answers, resulting in damaged credibility for many systems.

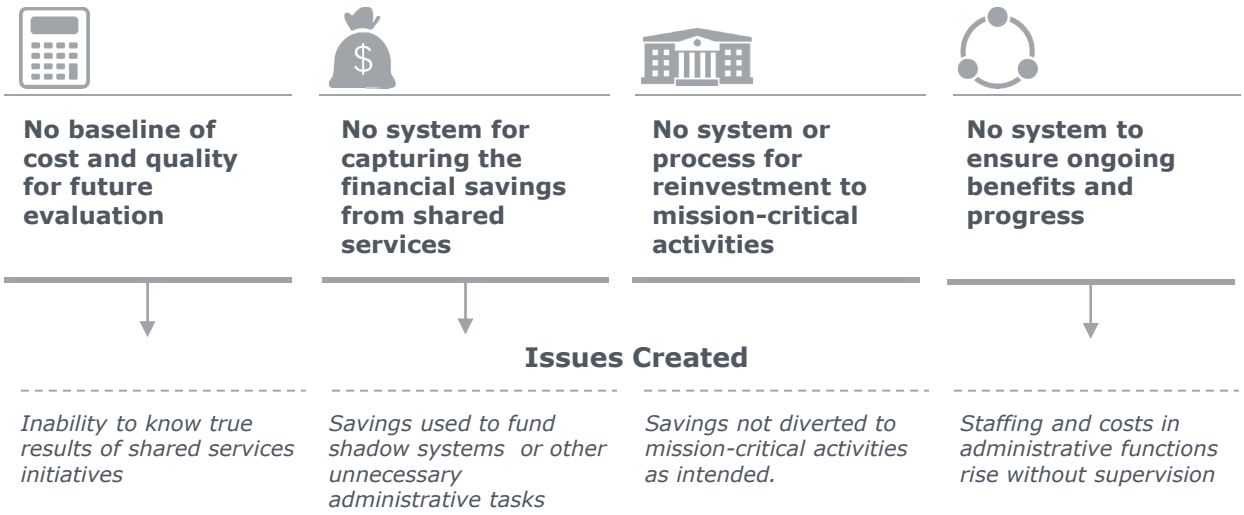


Source: EAB interviews and analysis.

Four Common Failure Pathways

Systems Struggle to Account for Savings and Quality Improvements

Systems struggle to accurately collect and report data about shared services efforts for four reasons. First, they do not begin the shared services effort with a baseline estimate of cost and quality against which they could measure performance. Second, systems do not require capture savings in dedicated accounts, allowing them to instead return to general pools of operating funds. Third, campuses can direct those saved funds to mission-critical activities. Finally, leaders often fail to create accountability structures that monitors ongoing shared services performance and correct any problems identified by customer units.



> "Often people don't have an idea of what the current state costs… that level of information is not maintained…It's difficult to know what a change in one part of the institution will save."
>
> *Chief Financial Officer, University System*

Source: EAB interviews and analysis.

Creating a Baseline for Future Evaluation

University of North Texas System Identifies Current State Cost

Though creating a baseline estimate of cost and quality takes significant time, it is critical for future evaluation of shared services. The University of North Texas System conducted a simple baselining exercise by interviewing practitioners, conducting focus groups, and checking statements with managers to estimate the cost and staffing needs for each business process in human resources, finance, and payroll.

UNT's Simple Business Process Cost Analysis Promotes Informed Shared Services Decisions

Business Process[1]	Category	Service Cost	Total FTEs
Administer compensation plan(s)	Administrative	$193,127	3.74
Conduct new employee onboarding and I-9 verification	Employment	$44,568	1.27
Administer employee relations services	External Relations	$140,781	2.34

UNT | SYSTEM

Keys to an Effective Cost Audit

- Verify self-reported practitioner data with departmental leadership
- Conduct some group interviews to encourage peers to challenge each other's assumptions about workload
- Include fringe benefit costs for each employee

The calculations about service cost and staffing included fringe benefit costs to improve the accuracy of estimates. A baselining exercise need not be complicated or overly detailed, and the University of North Texas System provides an excellent example of conducting a simple though accurate audit of baseline costs.

1) UNT system refers to the business processes as 'Service Group.' This is a sample of the business processes.

Source: EAB interviews and analysis.

Report on Quality, Not Just Cost

Key Performance Indicators and Targets Build Accountability and Trust

Cost is only one aspect of a baselining exercise. Baselining quality measures also helps build greater understanding of the effectiveness of shared services.

Methods to Identify Quality Baselines

- Conduct focus groups of practitioners and "customers"
- Use cost baselining exercises to determine where inefficient, bottleneck procedures exist
- Include in staff surveys about current duties
- Identify highly visible markers of quality such as:
  - EEOC complaints filed
  - Tax errors in payroll
  - Time to receive expense reimbursement

Using Data to Inform Shared Services Decisions

- Include quality metrics in Service-Level Agreements
- Use the data to direct feedback gathering sessions with customer units and staff
- Report KPI results to governance groups at least annually

Identifying quality concerns in current-state functions can help build trust that the move to shared services will improve upon frustrating processes. In addition, the identification of highly damaging errors like payroll errors provide urgency for the transition to shared services.

Quality baselining exercises also help to identify metrics and key performance indicators that systems can include in service level agreements that guide shared services roles and responsibilities.

Source: EAB interviews and analysis.

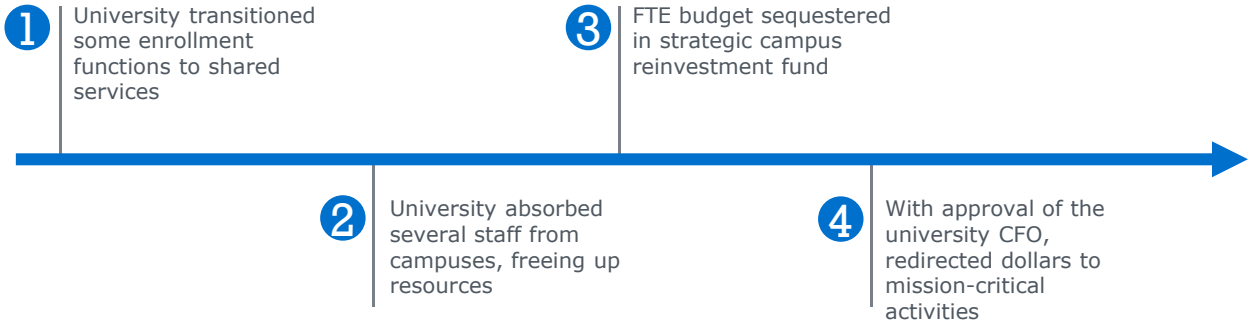
Shared Services Savings Quarantine

Designated Savings Funds Encourage Reinvestment in the Mission

After determining savings and quality improvements from shared services, system leaders must ensure that the real financial savings do not simply get spent on non-strategic priorities or shadow systems that duplicate the shared service. Instead, they should create dedicated accounts to deposit the savings and then develop a process to reinvest those dollars.

INDIANA UNIVERSITY

Steps Taken to Sequester and Reinvest Savings



Sequestering Funds Leads to Visible Benefits and Results

$1.8M
Redirected to the strategic fund since 2012

Campus Activities Funded
Hired career counselors
Adopted the Common Application

Non-monetary Benefits
System able to provide constituents with clear documentation of savings and reinvestment

Indiana University created a Strategic Reinvestment Fund into which each campus deposited its savings from shifting some enrollment management functions to a shared services model. The campuses has saved approximately $1.8 million that they placed into the Strategic Reinvestment Fund. For a campus to spend their savings, they submits proposals to the university Chief Financial Officer who approves or denies requests based on whether or not the proposals was a mission-critical investment. Some campuses have hired career counselors or adopted the Common Application as a result of these savings. The clear documentation of both the savings and the new investments reinforces trust in the shared services initiative.

Source: Indiana University, Shared Services Update – January 2016.
EAB interviews and analysis.

Build Effective Shared Services Governance

Three Essential Tasks to Ensure Ongoing Improvement

Finally, systems risk reverting to autonomous, siloed administrative functions without regular monitoring and updating of shared services. Accountability requires input from several levels of campus and system administration. Practitioners should share ideas with each other across campuses and between campuses and shared services units to identify areas for improvement as well as new services that may be needed.

Solve Process Problems and Identify New Practices

- Practitioners share practices and ideas to continuously improve
- Modify original process design based on implementation realities and new campus needs

Ensure Service Quality to Customer Units

- Functional area leaders receive reports on KPIs and service-level agreements
- Given authority to modify current services if underperformance emerges

Identify New Service and Savings Opportunities

- Senior leadership from campuses reviews service performance to determine need for new investments
- Based on strategic priorities and financial situation, leaders identify potential for new services

Necessary Information and Reporting:

- Service-level agreements
- KPIs
- Cost and quality comparisons of current state vs. pre-shared services state
- Anecdotal feedback from customer units and staff

Necessary Information and Reporting:

- High-level KPIs
- Campus and system strategic plans and analysis of how shared services may contribute
- Proposals for new efficiencies or new services that add competitive advantage to the institution

Functional area leaders can study reports on key performance indicators and service level agreements to determine if the shared services meet customer unit needs or not. These leaders should have the authority to modify current services based on performance and identified needs. At the most senior level, system and campus leadership should identify new investments for shared services based on strategic priorities and the financial situation of the system. This multi-level accountability structure will ensure ongoing benefits and even improvement in shared services so that systems can realize financial savings and quality improvements.

Source: EAB interviews and analysis.

Top Insights from this Section

Preventing the Disappearance of Savings and Benefits

1 **Conduct a Cost and Quality Baseline Exercise to Establish Basis for Assessment**

Systems should establish a baseline for the cost and quality of conducting business processes that may move to shared services. The cost analysis can be relatively simple, only taking into account expenses such as salary, time, fringe benefits, and facilities/maintenance costs.

2 **Implement Nonnegotiable Mechanism for Capturing, Tracking, and Reinvesting Shared Services Savings**

Without giving campuses methods to track and reinvest savings from shared services, systems risk campuses spending those funds on shadow processes or rehiring staff for non-essential tasks. For example, some systems have created dedicated reinvestment funds and guidelines for how systems spend the money. Others provide suggestions for how campuses can redirect funds to student support or instruction.

3 **Create Governance Structures that Ensure Continuous Improvement and Identify Future Service Opportunities**

When creating shared services, systems should create multi-level governance structures that focus on continuous improvement. Levels should engage customer units at practitioner levels, functional area leader levels, and senior campus leadership. Each level should receive reports on mutually determined key performance indicators.

Source: EAB interviews and analysis.

Advisors to Our Work

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The best practices are the ones that work for **you.**[SM]

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