Exploring Shared Service Centers
April 5, 2018

Conference Sponsors: The Office of the Chancellor, Budget & Financial Administration / Human Resources, the Office of the Provost and Vice Chancellor for Academic Affairs, the Office of the Vice Chancellor for Research, and the Office of Business and Financial Services
Workshop Presenter(s)

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Please …

• Turn off cell phones.
• Avoid side conversations.
• Please hold questions until the end and we will allocate 15-20 minutes.
• Sign the attendance roster.
• Complete the evaluation at the end of the workshop.
Workshop Objectives

• Explore Ideas and Best Practices
• Why Shared Service Centers Work
• Shared Service Models in Higher Education
• Creation, Support and Continued Process Improvement
• Resources for Exploring Further
Topics

• What is a Shared Service Center?
• Why have other Universities set up Shared Service Centers?
• How to define, develop and deploy a Shared Service Center?
• What does continuous process improvement mean to a Shared Service Center?
• Who can be contacted to discuss further?
Workshop Summary

• Explore the ideas and best practices behind shared service centers and working models within higher education.

• Navigate the vision behind their creation, support structure, and process improvement that makes the shared service model beneficial to public and private institutions alike.

• Resources available to start your journey.
What are Shared Service Centers?

- Shared Services allow universities to focus on their core missions of research and teaching by leveraging skilled and scarce resources across multiple operating units.

- These resources are managed through service level agreements and operate like front-office functions with an employee-centric and customer focused mindset, enabling more efficient processing through standardization.
Foundation for Shared Services

• OBFS Certification Program & Training Resources
• Service Delivery Definition
• Service Management
• Integrated Transformation Management
Overview of ScottMadden’s Shared Services in Higher Education Solutions

Prepared for University of Illinois

March 2018
Today’s Discussion

• Topics
  – ScottMadden Introduction
  – The Latest Trends
  – Higher Education Models
  – Designing and Building
  – Getting Started
**ScottMadden Introduction**

**Who We Are**

ScottMadden is a management consulting firm with more than 30 years of deep, hands-on experience.

We deliver a broad array of corporate and shared services consulting services—from strategic planning through implementation—across many industries, business units, and functions.

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**CORPORATE & SHARED SERVICES**

**EXPERIENCE**
Our experienced team has been a pioneer in corporate and shared services since the practice began decades ago. We employ deep, cross-functional expertise to produce practical, measurable solutions.

**SCOPE**
We have completed more than 1,600 projects since the early 90s, including hundreds of large, multi-year implementations. Our clients range across a variety of industries from energy to healthcare to higher education to retail. Our areas of expertise span the spectrum of middle and back-office corporate and shared services.

**SERVICES**
We have helped our clients with business case development, shared services design, shared services build support, implementation, and improvement.

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**WE DO**

**WHAT IT TAKES TO GET IT DONE RIGHT**

Our corporate and shared services knowledge, expertise, and experience are unmatched—no other firm has helped more clients with more unique solutions.
**ScottMadden Introduction**

**Areas of Focus**

### HUMAN CAPITAL MANAGEMENT
We offer HR transformation (including HR shared services), analytics, HR systems (selection, implementation, and optimization), process design and continuous improvement, talent and employee engagement strategy and programs, and payroll—the services your organization needs to excel.

### SUPPLY CHAIN
We assist clients across the full range of supply chain processes, and have the unique ability to create alignment between supply chain and its stakeholders. From crafting new supply chain strategies to restructuring your organization to improving your daily operations, we help you with every step.

### TECHNOLOGY
From IT assessments and strategic direction to governance, cybersecurity, and risk and compliance management, we can help your organization get the most out of its IT investment. We also help you optimize your projects to focus on delivering outcomes not just installed technology.

### BUSINESS ADMINISTRATIVE SERVICES
We help our clients integrate various administrative services into their shared services model to improve service response performance. Services often include real estate, facility maintenance, fleet, security, insurance, student services, cafeteria, and others.

### FINANCIAL SERVICES
We help organizations transform their financial services operations. Through financial business services, strategic centers of expertise, intelligent automation solutions, hybrid insource/outsource delivery models, and other solutions, we help you increase value for your organization.

### MULTIFUNCTION
We move shared services to the next generation—integrating finance, human resources, information technology, supply chain, and/or other business administrative services into a single, multifunction shared services or global business services operation with effective governance and management.
Sample of Clients in Higher Education

- The University of Akron
- UC Davis
- NC State University
- Emory University
- University of Florida
- University of Saskatchewan
- Ohio University
- Georgia Tech
- UC Riverside
- Lorain County Community College
- Inter-University Council of Ohio
- VCU Health
- Stark State College
The Latest Trends

Turning to the Future

Looking Back

- End-to-end processes
- Global business service
- Data decision making
- Chat and video channels
- Robotic process automation
- Use of social media in SS
- Non-labor-related savings

Looking Forward

- **AI infusion** into processes and service
- Transforming **BPO skills/offers**
- **Ethics panels** to oversee AI functionality
- **Improved compliance** and standards
- More **executive adoption** of intelligent ops
- **Lower location emphasis** on hubs
- **New data skill sets** in GBS and SS

For some of us...time to go back to school!

*How will digital and AI solutions produce a competitive edge?*
Higher Education Models
How Does Your Organization Deliver Services?

Higher Education Models

Best fit—decentralized, centralized, or shared?

DECENTRALIZED

- Redundant
- Inefficient
- Non-Standardized

CENTRALIZED

- Unresponsive
- Detached from Business
- Inflexible

SHAREDSERVICES

- Service Culture
- Efficient Delivery Model
- Best Practices
- Independent Entity
- Metric Driven
- Infrastructure

COMBINES THE BEST OF BOTH WORLDS

- Customer Focused
- Business Intelligent

- Economies of Scale
- Standardized Processes

The key to transforming support services is designing and implementing a leading practice service delivery model.
Higher Education Models

Higher Education Shared Services Model

Hubs/Clusters/Business Operating Centers

Hub 1 (small units)
Hub 2 (midsize units)
Hub 3 (large unit)

Serves Individual Units or Clusters of Units

Campus-wide

OR

HR
Finance
IT
Research
Procurement
Multi-Function

Serves Institution

System-wide

Finance
Payroll
IT
Procurement
Multi-Function

Serves Multiple Institutions
### Higher Education Models

#### “Main Stream” Services

<table>
<thead>
<tr>
<th></th>
<th><strong>Beginning</strong></th>
<th><strong>Intermediate</strong></th>
<th><strong>Advanced</strong></th>
</tr>
</thead>
</table>
| **Finance and Administration** | - Accounts Payable  
- Accounts Receivable  
- Fixed Assets  
- Petty Cash | - General Accounting  
- Credit and Collections  
- Reporting  
- Tax Compliance | - Treasury Investments  
- Forecasting/Budgeting  
- Tax Strategy  
- Pricing |
| **Human Resources** | - Employee Service Center  
- Forms/Fulfillment  
- Payroll Processing  
- Record Management | - Recruiting/Staffing  
- Training and Development  
- Benefit Administration  
- Leaves Management | - Workforce Planning  
- Policy Development  
- Exception Management  
- Compensation Design |
| **Information Technology** | - Help Desk  
- Technology Development  
- Application Maintenance  
- Hardware/Software Management | - Applications Development  
- Telecommunications  
- Data Center  
- Network Design | - Strategic Roadmap  
- IT Governance  
- ERP Upgrade/Transition  
- Infrastructure Design |
| **Supply Chain** | - Order Entry  
- Purchase Order Release  
- Vendor Database  
- Vendor Follow Up | - Vendor Sourcing  
- Negotiation  
- Claims Management  
- Billing | - Demand Planning  
- Distribution/Logistics  
- Raw material Purchasing  
- Spend Analysis |
| **General/Admin Services** | - Facility/Grounds Maintenance  
- File/Printing  
- Cleaning  
- Mailroom | - Insurance  
- Travel Management  
- Real Estate  
- Security | - Engineering  
- Marketing  
- Enterprise Communication  
- Change Management |
Non-Traditional Services

- More Creativity in Higher Education and Government Services
  - Facility related services
  - Registration process
  - Grant administration
  - Internal development
  - Student services
  - Special program administration (employee transportation, parking, etc.)
  - Communications

Realizing the benefit outside of basic transactional services
Higher Education Models

Benefits of a Shared Services Model

- Standard processes
- Issue tracking and closure
- Performance metrics
- Common model for expansion

Satisfaction increases an average of 12 percent following the shift to a leading practice model. A recent client experienced a jump in satisfaction from 65 to 93 percent among its organized labor.

- Data centralization
- Improved reporting and analytics
- Improved compliance
- Better decision making
- Demand management focus

A recent client reported a 28 percent reduction in workers’ compensation cost through better data tracking and improved compliance.

- Skill set and work type alignment
- Reduction of redundant labor
- Service usage and cost tracking
- Economies of scale
- Automation of process

Cost savings that result from moving to a leading practice service delivery model average 20 to 26 percent.

Universities can achieve all three, but can design for quicker results on any one area.
### Higher Education Models

#### What Can Challenge Shared Services?

<table>
<thead>
<tr>
<th>Common Problems</th>
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</thead>
<tbody>
<tr>
<td>Decentralized fragmented operations</td>
</tr>
<tr>
<td>Non-standard processes</td>
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<tr>
<td>Transactional focus</td>
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<tr>
<td>Lack of end-to-end process view</td>
</tr>
</tbody>
</table>
Higher Education Models

Shared Services Benefits Benchmarks

Those who implement and run shared services well see substantial benefits for staffing efficiency and operating cost compared to their peers.

Source: Finance Shared Services Benchmark Highlights October 2015
# Higher Education Savings

<table>
<thead>
<tr>
<th>University</th>
<th>Scope of Services</th>
<th>Estimated In-scope Current Labor Costs (000s)</th>
<th>Estimated % Cost Savings</th>
<th>Estimated Annual Savings (000s)</th>
<th>Net Present Value (000s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>University 1</td>
<td>Human Resources, Finance and Accounting, Contracts and Grants</td>
<td>$44,600</td>
<td>10%–30%</td>
<td>$4,500–$13,500</td>
<td>NA</td>
</tr>
<tr>
<td>University 2</td>
<td>Human Resources, Finance and Accounting, Information Technology</td>
<td>$72,400</td>
<td>16%</td>
<td>$11,500</td>
<td>$11,400</td>
</tr>
<tr>
<td>University 3</td>
<td>Payroll, Benefits, HRIS</td>
<td>$2,647</td>
<td>6%–16%</td>
<td>$151–$381</td>
<td>$392–$1,192</td>
</tr>
<tr>
<td>University 4</td>
<td>Accounts Payable</td>
<td>$446</td>
<td>36%</td>
<td>$161</td>
<td>NA</td>
</tr>
</tbody>
</table>

**University of Illinois**

**Notes:**

(1) Current state cost estimates are based on administrative labor costs for the relevant scope of services included in the analysis. Labor costs were obtained through FTE workload analysis and actual payroll data, and may be extrapolated depending on the level of detail collected.

(2) Annual savings reflect fully stabilized, recurring cost savings and do not include a potential ramp-up period.
From Assessment to Opening Day

Assessment
- Baseline of existing operations
- Leading practice recommendations
- Validation workshops
- Business case and road map

Detailed Design
- Detailed process design
- Staffing finalization and profiles
- System configuration
- Call handling and SLAs
- Training preparation

Implementation
- Staffing actions
- Training and simulation
- Facility transition
- Stabilization
Designing and Building

Typical Approach

Assess and Design

Customer Satisfaction Assessment (Optional)

Workload Assessment

Implement

Typical Implementation Work Streams

Policy Standardization and Process Redesign
Organization and Staffing
Communication, Change Management, and Training
Technology
Facilities
Service Management and Metrics

Program/Project Management
Baseline Workload Measurements

- Of the total AP department employees, 59% of their time is spent on AP.

**FTE Breakdown**

- **Garlock (Palmyra, NY)**: 4 AP FTE, 1 Non-AP Activity
- **CPI (Stafford, TX)**: 3 AP FTE, 1 Non-AP Activity
- **STEMCO (Longview, TX)**: 3 AP FTE, 1 Non-AP Activity
- **FME (Beloit, WI)**: 3 AP FTE, 1 Non-AP Activity
- **STEMCO Kaiser (Millington, MI)**: 3 AP FTE, 1 Non-AP Activity
- **Garlock (Mexico)**: 3 AP FTE, 1 Non-AP Activity
- **STEMCO (Rome, GA)**: 3 AP FTE, 1 Non-AP Activity
- **GPT (Denver, CO)**: 3 AP FTE, 1 Non-AP Activity
- **Corporate**
- **CPI (Edmonton, Canada)**: 2 AP FTE, 1 Non-AP Activity
- **GPT (Houston, TX)**: 2 AP FTE, 1 Non-AP Activity
- **GGB (Thorofare, NJ)**: 2 AP FTE, 1 Non-AP Activity
- **TG (Houston, TX)**: 2 AP FTE, 1 Non-AP Activity
- **STEMCO MW (Berea, KY)**: 2 AP FTE, 1 Non-AP Activity
- **TG (Columbia, SC)**: 2 AP FTE, 1 Non-AP Activity
- **TG (Daytona Beach, FL)**: 2 AP FTE, 1 Non-AP Activity

*Data for FME Beloit, GPT Houston, and GPT Denver based on provided, historical data

**Summary Points**

- 32 total employees involved in the AP process
- Of these, 19 Full Time Equivalents (FTEs) are directly related to AP. Three of those FTEs are spread across six locations and would not be converted into hard dollar savings
Designing and Building

Applying Work to the Model

Tiered delivery models are designed to match the right skills based on the nature of the work.
Designing and Building

“Laser Focus” on Service Design

Customers:
- Employees
- Management
- Vendors
- Customers

TIER 0: Self Service
- Answer basic questions (e.g., purchase order inquires, payment inquires)
- Execute routine transactions

TIER 1: Routine Tasks / Simple Issue Resolution
- Resolve complex issues
- Interpret policies

TIER 2: Complex Issues
- Have in-depth expertise; provide analytical and judgment-based services

TIER 3: Analytical / Strategic

75–80% of workload
15–20% of workload
0–5% of workload

Service Center
Designing and Building

Key Elements of Shared Services Design Criteria

Customer Perspective
- Make decisions from customer perspective
- Set up single point of contact
- Provide ease of access
- Provide value on the first contact, at the first tier
- Filter information for relevancy
- Speed delivery of answers

Process Harmonization
- Harmonize
- Reengineer
- Establish clear roles / responsibilities
- Create single points of accountability
- Minimize redundancies, handoffs, and overlaps
- Align skills
- Be scalable for future business changes
- Automate where possible

Leverage Technology
- Implement case management to track fulfillment
- Set up knowledge base to deliver information
- Employ forms/ workflow
- Enter data directly to target systems
- Integrate systems

Service Focus
- Manage service requests to completion and report results
- Establish tiered delivery model
- Align functional activities to the right skill sets
- Move routine work to lower tiers
- Use specialists in Tier 2
- Collect, document, and make accessible knowledge that is held personally

Continuous Improvement
- Measure and report performance
- Maintain or improve existing service levels
- Reduce recurring costs of operations
- Balance service, accuracy, and costs
Successful change management solutions are based on a well-planned and integrated set of initiatives and actions.

### STRATEGY AND APPROACH

- Communication Plan
- Education and Training Plan
- Marketing Plan

### ENABLERS

- Oversight, Organization, and Controls
- Sponsorship/Stakeholders
- Risk Management
- Feedback/Pulsing

- Assess impact of overall change on stakeholder groups
- Build awareness
- Build, execute, and monitor communication plan
- Create and launch marketing campaign
- Assess training and education needs
- Build plan
- Conduct training and education
## Getting Started

### Higher Education Challenges

<table>
<thead>
<tr>
<th>Considerations</th>
<th>Challenges</th>
<th>Mitigations</th>
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<tbody>
<tr>
<td><strong>Control</strong></td>
<td>University Department</td>
<td>Professor</td>
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<tr>
<td><strong>Culture</strong></td>
<td>Consensus driven – more time, energy, money</td>
<td>academics drive because they bring in research revenues</td>
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</tr>
<tr>
<td><strong>Performance Focus</strong></td>
<td>New accountability scares most stakeholders</td>
<td></td>
</tr>
<tr>
<td><strong>Decision-Making Process</strong></td>
<td>Visibility scares most people</td>
<td>Numerous stakeholders</td>
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<tr>
<td><strong>Commitment</strong></td>
<td>Not accustomed to directive-style management</td>
<td>Waffle</td>
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<tr>
<td><strong>Poor Planning/Implementation</strong></td>
<td>Research/study orientation vs. “plan it, do it, adjust as you go”</td>
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<td></td>
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<tr>
<td><strong>Pace Too Slow/Scope Too Wide</strong></td>
<td>Lose momentum, sponsors</td>
<td></td>
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</table>
Getting Started

Voices of Higher Education

Comments from Shared Service & Outsourcing Network (SSON) Conferences

—We used a “hearts & minds” campaign, but had to repeat the messages many times – Everett, U of Oklahoma
—Money is a short term retention strategy. Your employees want to be part of something – Pam, U of Michigan
—We paid for our ERP by increasing migration to additional campuses, and splitting savings 50/50 - Sasi, U of Wisconsin
—We allowed Dean’s to lead (customer driven) - Wade, Courtney, Laura, U of Saskatchewan
—We meet personally with anyone that has negative feedback – Megan, UCDavis
—Learn past the “no”. .. it may be a simple wording difference that can be explained – Wade, U of Saskatchewan
—Find services across the system that you can put experts on (e.g. recruitment, accounting etc.) – Sasi, U of Wisconsin
—Pushing “green” metrics when your client feels “red” is counterproductive – Megan, UCDavis
—Don’t make overly complex governance for simple decisions – Courtney, U of Saskatchewan
—Though nine shared services at one university was not ideal, it established a platform to begin – Kathleen, Emory
—Use the negative “I want to drop my receipts in a shoebox” as a starting point to move – Laura, U of Saskatchewan
—Be prepared to tell a cohesive story of the benefits and challenges – Laura, State U of New York
—Use proponents to help you understand the non-proponents - Wade, Courtney, Laura, U of Saskatchewan
—Design university wide (not campus wide) from the beginning – David, U of Oklahoma
Resources for Shared Services

• Service Delivery
  – Governance & Organization
  – Service Placement
  – Process Sourcing
  – Process Design
  – Technology Enablement
  – Skills & Talent
Resources for Shared Services

• Service Management
  – Service Strategy
  – Service Design
  – Service Transition
  – Service Operations
  – Continual Service Improvement
Resources for Shared Services

• Integrated Transformation Management
  – Service Delivery Strategy
  – Service Delivery Model Design & Delivery
  – Sponsorship Commitment & Engagement
  – Organizational Readiness & Adoption
  – Stakeholder Alignment
  – Employee Engagement
Resources for Shared Services

• Contact Business Solutions and Support
  — Assessment & Design
  — Implementation & Optimization

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Questions?