

# **Administrative Review & Restructuring**

## **Shared Services Subcommittee**

**June 8, 2010**

### *Subcommittee Members:*

Richard Alpern, Associate Dean in the College of Liberal Arts and Sciences, UIC

Michael Andrechak, Associate Provost for Budget and Resource Planning, UIUC

Tanya Gallagher, Dean of the College of Applied Health Sciences, UIUC (Chair)

Frank Goldberg, Vice Provost for Resource Planning and Management, UIC

Kathleen Riley, Director of Budget and Resource Planning, Institutional Advancement, UIUC

Jeffrey Oberg, Assistant Dean for Administration in the College of Engineering, UIUC

Margaret O'Donoghue, Assistant to the President, UA (Staff)

## **Background Information**

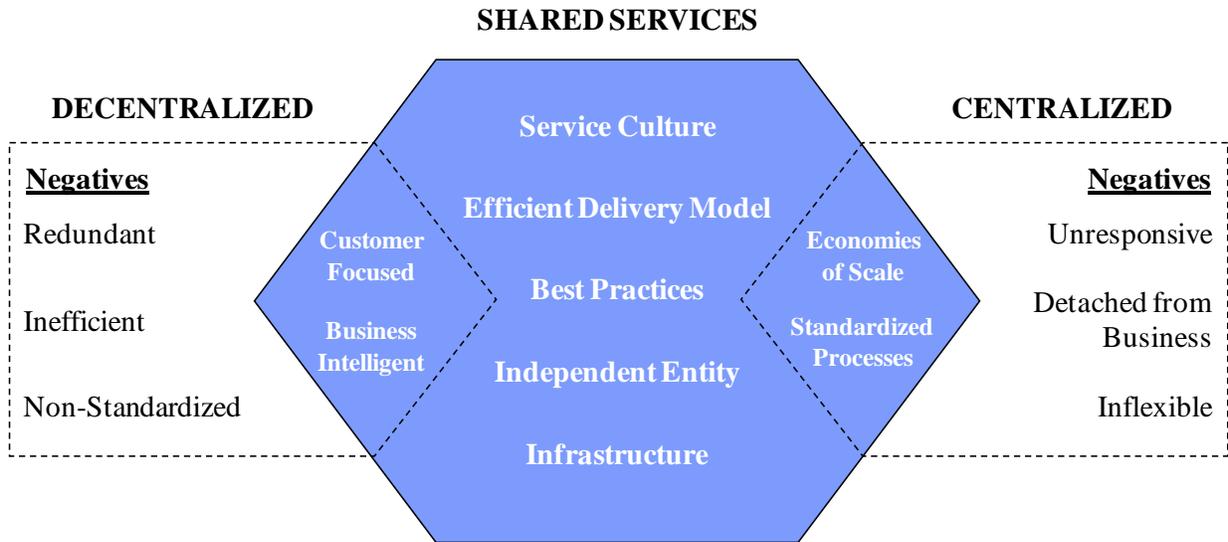
A subcommittee was formed to investigate the topic of shared service centers as a supplement to the efforts of the Administrative Review and Restructuring Working Group. The charge to the subcommittee was to:

- Determine whether shared service centers existed on campus;
- Determine how shared service centers currently operate;
- Determine whether shared service centers resulted in reduced costs and improved service for units; and
- Identify any barriers to creating shared service centers and recommend processes that support and sustain their effectiveness once developed.

Group members conducted numerous interviews, based on a common questionnaire, across the three campuses and university administration. A list of all people interviewed and their affiliated units is found in Appendix A. Two presentations were made to the group. Jeff Oberg provided an overview of the shared service model and assisted the group in understanding the distinctions between centralized services, consolidated services and shared services. (Appendix B) Mike Devocelle presented the concept of an embedded purchasing agent model that is currently being studied and that he hopes to implement within the Purchasing organization. (Appendix C)

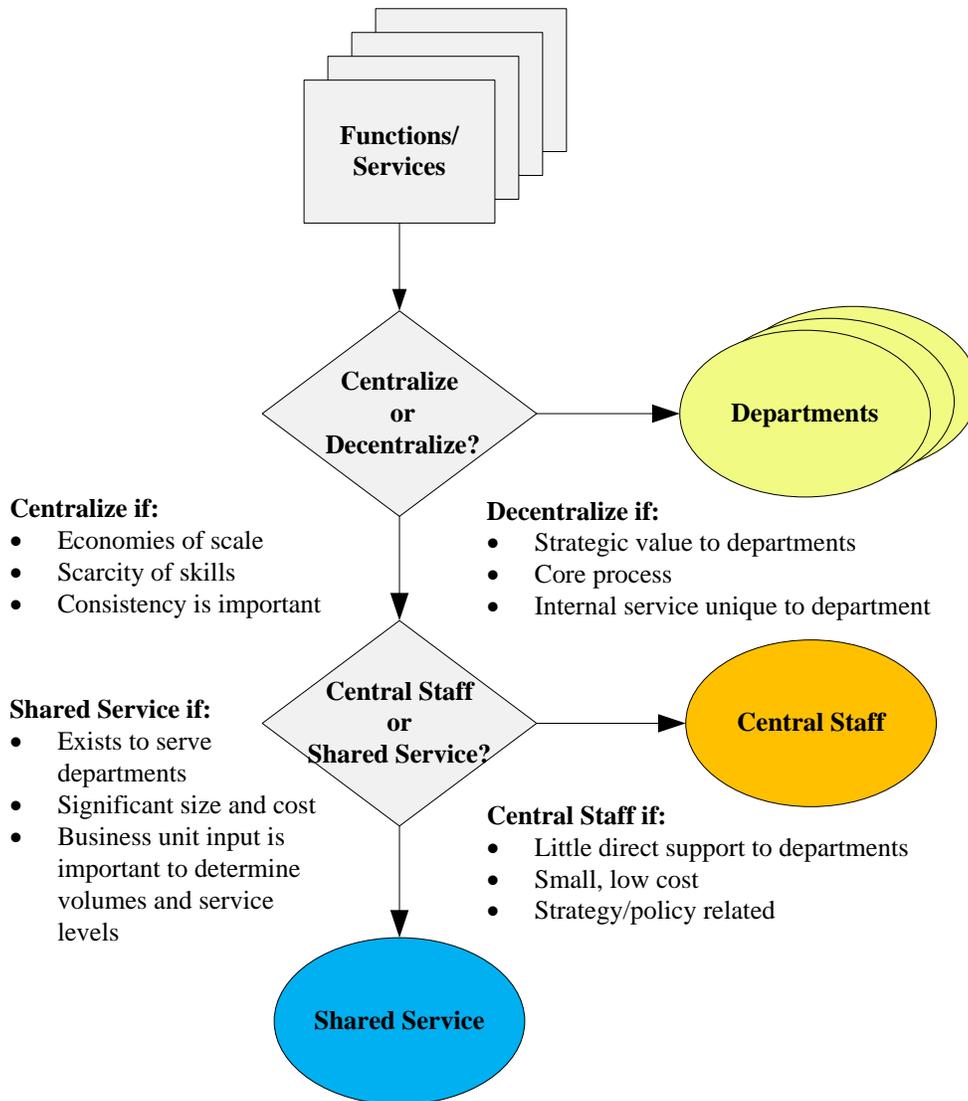
## **Findings**

Administrative services are commonly provided in a decentralized fashion at the university. The subcommittee found that there is a common misunderstanding as it relates to the terms shared, centralized or consolidated services. Many different organizational models exist within the University and there is no correct model that serves all areas. For some policy and compliance functions, a centralized approach may be the most cost effective approach, whereas, for other core academic functions, such as graduate admissions, decentralization may make the most sense. Consolidations are most often a version of centralization unless provisions have been made for some local input relative to governance. Historically, there has been a persistent tension between centralization and decentralization and each has its merits and may be appropriate given individual circumstances. More recently, many organizations have sought to take advantage of the best features of both approaches while improving responsiveness to constituencies served by implementing shared service models. The diagram below captures the comparisons and contrasts between these three administrative organizational structures.



*Source: "Shared Services – Adding Value to the Business Units" By Donniel S. Schulman, John R. Dunleavy, Martin J. Harmer and James S. Lusk.*

It may be asked; “when do you use which model?” The following diagram provides a high level overview of how to address this question.



*Source: Scott Madden Management Consultants*

Even with the aid of the definitions used above, the subcommittee recognizes that there is a continuum of how services are provided across the university. Any point on the continuum may be the ideal for a particular purpose or unit, but the assumption that the provision of services in a decentralized manner as the optimal operating model needs to be challenged. In a decentralized service a staff member often performs multiple tasks across a number of functions, i.e., purchasing, HR, business transactions, grants administration, etc. This often results in inefficiencies, duplications and sub-optimal deployment of skills and resources. The perceived advantage of a decentralized service is the control the recipient of the services has over how they will receive the service.

The provision of services in a centralized or consolidated manner could be perceived as more cost effective than providing services in a decentralized manner, but disadvantages of a

centralized service are the customer's lack of ownership of the service, potentially decreased responsiveness to customer needs, and decreased customer satisfaction. Interviews with staff providing services revealed that when they thought they were providing a shared service what they were often providing was a centralized service.

We believe a true shared service model incorporates the following elements: a governance structure, a portfolio of services, cost tracking and charge-backs, utilization of service level agreements, increased levels of task expertise, and services delivered with a focus on customer satisfaction. A centralized or consolidated service unit could be improved by adopting some of the features of a shared service even if a true "shared" service is not achieved. Ideally, functions or services should be viewed in a holistic way across organizational silos. Limiting such a review to functions performed only within a college or school can restrict opportunities to maximize cost savings from process efficiencies. Where feasible, bringing together department, college, and campus/university administration staff performing segments of a given process into a service center should be explored.

Governance means many things. For purposes of this report, governance refers to decision-making structures that align administrative support functions with core academic missions and strategic objectives. It ensures that all stakeholder interests are considered and individual service providers are held accountable for measurable results. The objective of governance is to make clear:

- What the rules are;
- Who makes the rules and decisions;
- Who enforces the rules; and
- What the consequences for not following the rules are.

It is much broader than an executive level activity and should include five elements:

1. Documented decision guidelines, roles, and responsibilities;
2. Performance management and reporting;
3. Structured collaboration and communication;
4. Major resource allocation decisions; and
5. A board/executive forum for breaking ties.

Managers in a shared service model are responsible for reviewing methods, procedures and practices to achieve the goals and objectives of both the organization being supported, as well as the administrative support function itself. They should also monitor what services are being provided to ensure that the appropriate outcomes are achieved. Finally, and perhaps most importantly, they utilize feedback from users of the services regarding service levels, cost, quality and how the services are delivered.

Key concepts associated with effective governance include:

- Good information flow;
- Structure (kept to a minimum);
- Infrastructure (personnel, IT, facilities);
- Management by the governing body of the daily operations is minimized and managers are empowered to carry out their tasks;
- Mechanisms ensuring ongoing input from customers; and
- Appropriate balance between efficiencies and meeting customer needs.

Regardless of the organizational operating model that is chosen for any particular administrative support function, it is of utmost importance that issues of governance are clearly articulated and negotiated. Generally, within institutions of higher education there is a hierarchical, top-down organizational model employed for centralized services and a somewhat amorphous, shared academic governance model for academic-related services. Each of these two approaches has benefits and drawbacks. It could be argued that neither of these two extremes should be adopted apriori and shared service models offer a new approach to governance that actively seeks input from users of services provided and responds appropriately in a timely manner to feedback. Such an approach must be able to adapt quickly and thoughtfully to changing financial, regulatory and societal issues.

Of the units interviewed, three came close to realizing all of these elements identified above as a shared service model - the University Administration Employee Relations and Human Resources Office, the partnership between the UI Hospital and UIC Office of Human Resources and the School of Chemical Sciences. The other units interviewed provided services using a combination of decentralized, centralized and consolidated methods.

The industry estimate for cost savings from shared services is in the range of 20-30 percent over time. The working group thinks these estimates are conservative but there are relevant examples throughout the University where these savings (and more) have been realized. The College of Applied Health Sciences at Urbana has experienced a cost savings of at least 30 percent from the seven shared service centers currently operating within the college. The UI Hospital and UIC Office of Human Resources partnership experienced savings in fiscal year 2009 of approximately \$1 million from the shared HR services agreement. The proposed shared IT service center within the College of Liberal Arts and Sciences at Chicago will require an initial investment of resources but the estimated savings in year two is approximately 50 percent when the new service is fully implemented in fall 2011.

### **Reasons Identified for Creating Shared Services**

There are many reasons why a shared service model is adopted. Two main reasons are that the service is provided in a cost effective manner and the skill level and expertise of the service

provider is greater. The service currently provided is upgraded and is more responsive to the customer's needs. Functions to be included in a shared service organization are those that directly serve campus units and where there is a need for customer input on the levels of service to be provided. Staff turnover has been cited as an opportunity to deliver service using a new model based on the ability to hire the skills required. Staff in a shared service can cover more easily for each other as the possibility for cross training is increased. The management of staff is simplified by proximity and clearly defined roles and responsibilities. Unit executive officers who use the services are liberated from managing an administrative staff and can focus on their core functions. Existing staff would be freed up and could be redeployed to meet other critical needs and/or unit priorities. Space and other resources needs may also be reduced by the integration of administrative staff into a shared service center. In order to improve services, processes and procedures are standardized when standardization is optimal.

### **Barriers to Creating Shared Services**

There were many reasons cited as to why shared services were not adopted. The two primary reasons were lack of trust that services would be provided when shared and the fear of loss of control as to the methods used to provide the services. The solution to the lack of trust was to involve end users and service providers in the initiation of the shared services and to build trust over time by responsiveness to customer needs. Investing the time at the beginning to establish a clear understanding that a unit's interests will be ensured by the governance structure increases the willingness of units to engage in resource sharing beyond the boundaries of particular units. There is also a prevailing view that the unit's needs are unique and therefore cannot be met by services provided outside of the unit's control. A unit may fear that they will lose in the competition for resources. However, in the funding model when a unit is purchasing the service, a unit should be able to find an alternative to the shared services if the needs of the unit are not being met.

The failure to communicate and remote locations of staff providing services were also reasons why shared services were not adopted. It is critical that administration communicate the need for improved services and that advocates among the faculty and staff be identified who can assist in any change process. Also, communication with the customers as to what services to expect and what is not possible will reduce frustrations as to what is offered. While a virtual presence can bridge remoteness in location, there is a synergy that develops when the service providers and customers are located in the same general area. Information systems that do not support shared services also must be replaced for savings and efficiencies to be realized. There may be a challenge in identifying the manager of a group when separate offices are being brought together. It is important to choose someone who has a clearly defined role and someone who is eager to get to know the customers and respond to the needs in a constructive way. The manager should identify targeted training for staff to develop them as specialists. The long-term support of the executive level and an engaged governance structure are required for shared services to be maintained.

## **Recommended Action**

Shared services should be considered as a cost-effective alternative to decentralization, consolidation and centralization for the provision of administrative services. A shared service is considered to be “centralization with benefits.” All administrative processes should be examined to determine whether the organization would benefit from shared service. Shared services could be proposed where disciplines are similar or related and physical proximity to the end users is close. There are a multitude of opportunities to experience cost savings and improved customer service.

The benefits enjoyed from moving administrative functions from various departments into a shared services center can also be achieved by moving into a shared service or campus administrative functions into a pooled resource. All levels of the university have provided examples of the flexibility of the shared services model.

An organizational change management team should be activated which would serve as an ongoing resource available on each campus for the identification, review and implementation of a shared or centralized service. An obvious pool of internal talent can be found in the graduates of the University Fellows Program. Leaders of administrative units, in conjunction with the change management team, should be encouraged to determine which service model could improve services and/or reduce costs in their respective units. This team could serve during a time of transition to shared services or be engaged for a short-term intervention.

## **Implementation Plan**

Communication and support from senior administration at the university and campus level is critical. A message that providing shared services, where feasible, can be cost effective and improve services would be useful in setting the expectation that the culture of providing services in a decentralized fashion need not be the norm. As unit leaders consider the improvement in the provision of administrative services, it is important to identify advocates among the deans, faculty and staff. Improved service should be the main driver for change, with reducing costs as well as avoiding future costs as likely outcomes. End users must be involved in the consideration and implementation of a shared service center from the beginning. Performance metrics relevant to the services provided should be articulated and a continuous feedback mechanism developed so that end users have a means to evaluate service and recommend improvements. For whatever service model is chosen, a more adaptive and responsive governance approach for administrative support services is critical. Expectations regarding what services will or will not be provided should be established through a service level agreement. There are templates that could be provided to serve as models.

## **Other Materials Reviewed**

College of Applied Health Sciences Shared Service Opportunities (Undated)

One Stop Service Centers at the University of Illinois, Jeannette Beck, Mark Stanley, Joe Vitosky, February 16, 2006

A Plan for Improved Information Technology Service and Support in LAS (UIC) - Michael W. Vollmer, Director of Information Technology and Dibyen Majumdar, Associate Dean for Research, Facilities, & Graduate Affairs

Revamped Student Services at U. of Southern Maine Bring 6 Age-Discrimination Complaints, Sara Lipka, The Chronicle of Higher Education, April 5, 2010

Support Services Strategy (S<sup>3</sup> Initiative) – Proposed Strategic Plan for Administration, Strategy 4, October 9, 1998

School of Chemical Sciences Shared Services (Undated)

Excerpt from The Shared Service Center: A Model for University Efficiency?, Cathy S. Dove and Mary-Linda Armacost (Undated)

Shared Services in Vet Med, February 2010

## **Appendix A- Units and Staff That Were Interviewed**

Beckman Institute for Advanced Science and Technology - Van Anderson

Facilities and Services - Jack Dempsey/Curt Taylor

Swanlund Shared Service Center - Information Services - Scott VanWingerden

Academic Human Resources/Staff Human Resources - Elyne Cole, Deb Stone, Leslie Arvan, Alicia Lowery

University Administration Employee Relations and Human Resources - Maureen Parks and Jami Painter

University Payroll and Benefits Service Center - Jim Davito

School of Chemical Sciences - Andy Gewirth, Christine Majers, and Chuck Wooldridge

College of Veterinary Medicine - Ginger Winckler

Office of Research Services (ORS) - Larry Danziger

Office of International Services (OIS) - James Hammerschmidt

College of Liberal Arts and Science - BSB Shared Service Center – Dean Dwight McBride and Richard Alpern

University of Illinois Hospital and Human Resources at University of Illinois at Chicago - John DeNardo and John Loya

University of Illinois Springfield - Provost Harry Berman and Associate Provost Aaron Shures

## **Appendix B- Presentation**

Shared Services and Consolidated/Centralized Services, Jeffrey Oberg, February 5, 2010

## **Appendix C- Presentation**

Shared Services Purchasing Participation, Michael Devocelle, March 5, 2010

---

# Shared Services and Consolidated/Centralized Services

An Administrative Review and Restructuring Committee,  
Subcommittee on Shared Services Discussion

---

February 5, 2010

---

# What is shared Services?

An organization is operating a shared service when it consolidates its support functions to serve the organization and its divisions, operating as a business within a business, utilizing a well-defined infrastructure to enable higher-value service delivery.

---

# Options for Business Support Functions

**Decentralized**

**Shared Services**

**Centralized**

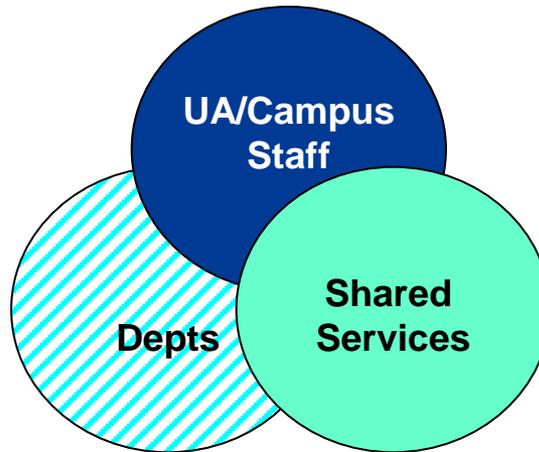
**UA/Campus Staff**

**Dept A**

**Dept B**

Research Support
Human Resources
Information Technology
Finance & Accounting
Procurement
Facilities

Research Support
Human Resources
Information Technology
Finance & Accounting
Procurement
Facilities



● = Centralized  
 ● (with stripes) = Decentralized

**UA/Campus Staff**

**Human Resources**

**Information Technology**

**Finance & Accounting**

**Procurement**

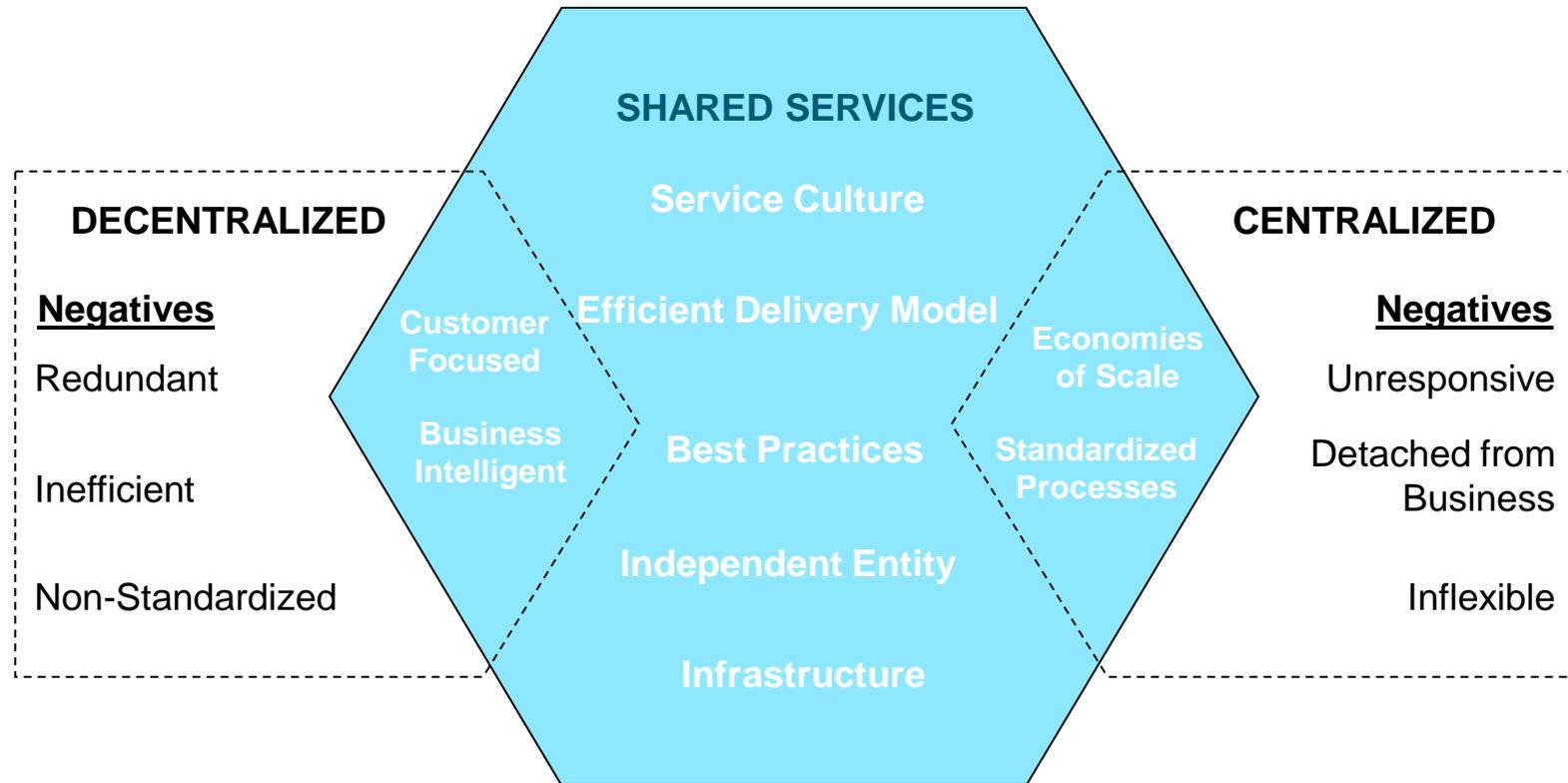
**Facilities**

Dept A

Dept B

Dept C

# Shared Services vs. Centralized Services



***Shared services provides the best of both worlds!***

---

# Seven Principles That Differentiate Shared Services from Centralized Staff Functions

- All work is defined as a portfolio of services
- Customers know what each service costs, are charged based on usage, and can influence the cost and level of service received
- Service providers regularly measure customer satisfaction to ensure alignment
- Service providers know their customers' service expectations and are organized and motivated to meet or exceed them
- Internal customers and service providers share responsibility for clarifying service requirements, performance improvements, and work priorities
- Service providers employ the leading practices of for-profit, competitive service businesses
- Customers and service providers embrace the need to change any aspects of shared services over time to produce value-added results

---

# Components of a SS Model:

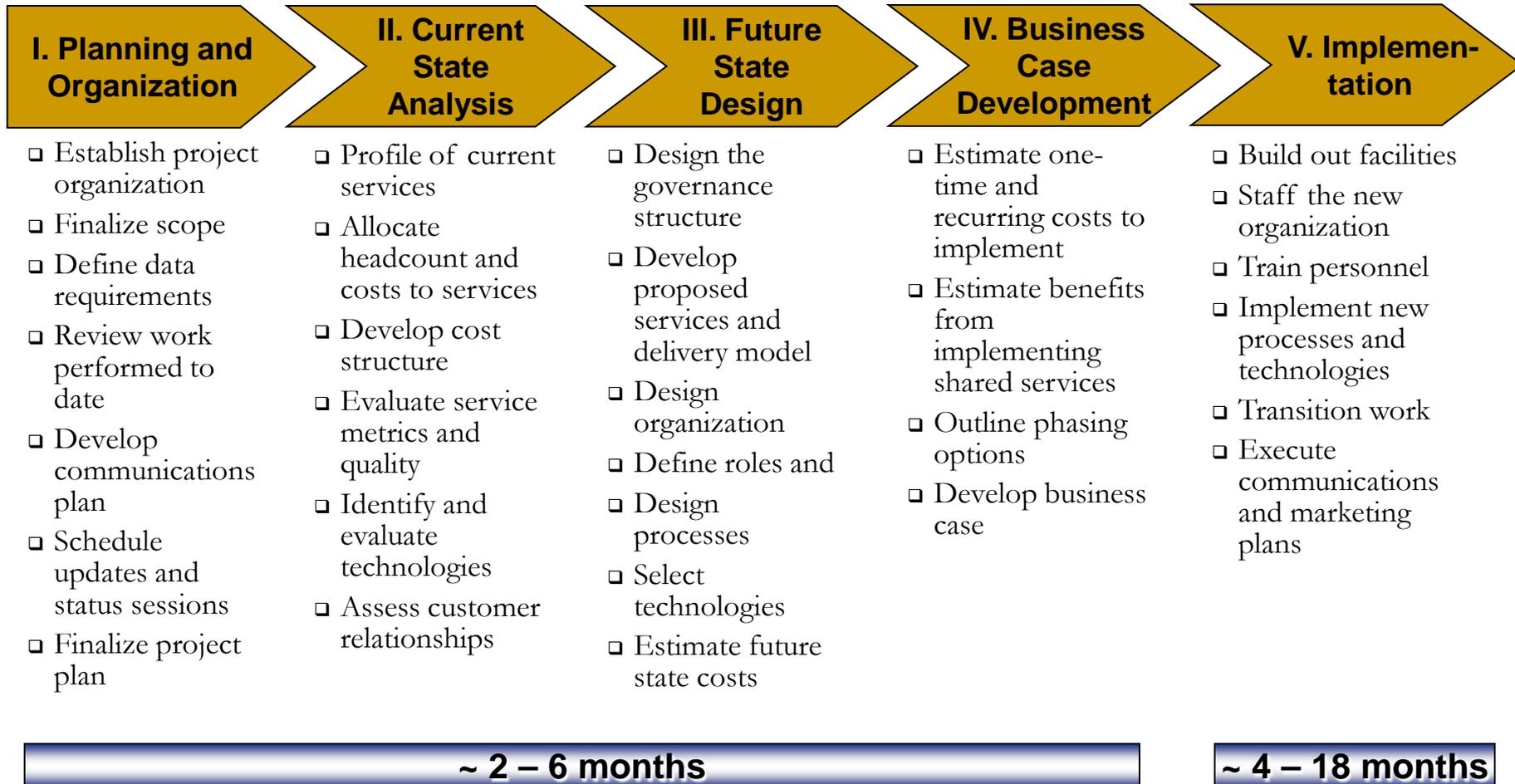
- Governance
  - Services, Cost tracking and Charge-backs
  - Service Level Agreements
  - Performance Management
  - Customer Relationship Management
-

---

# Factors Driving SS Implementations:

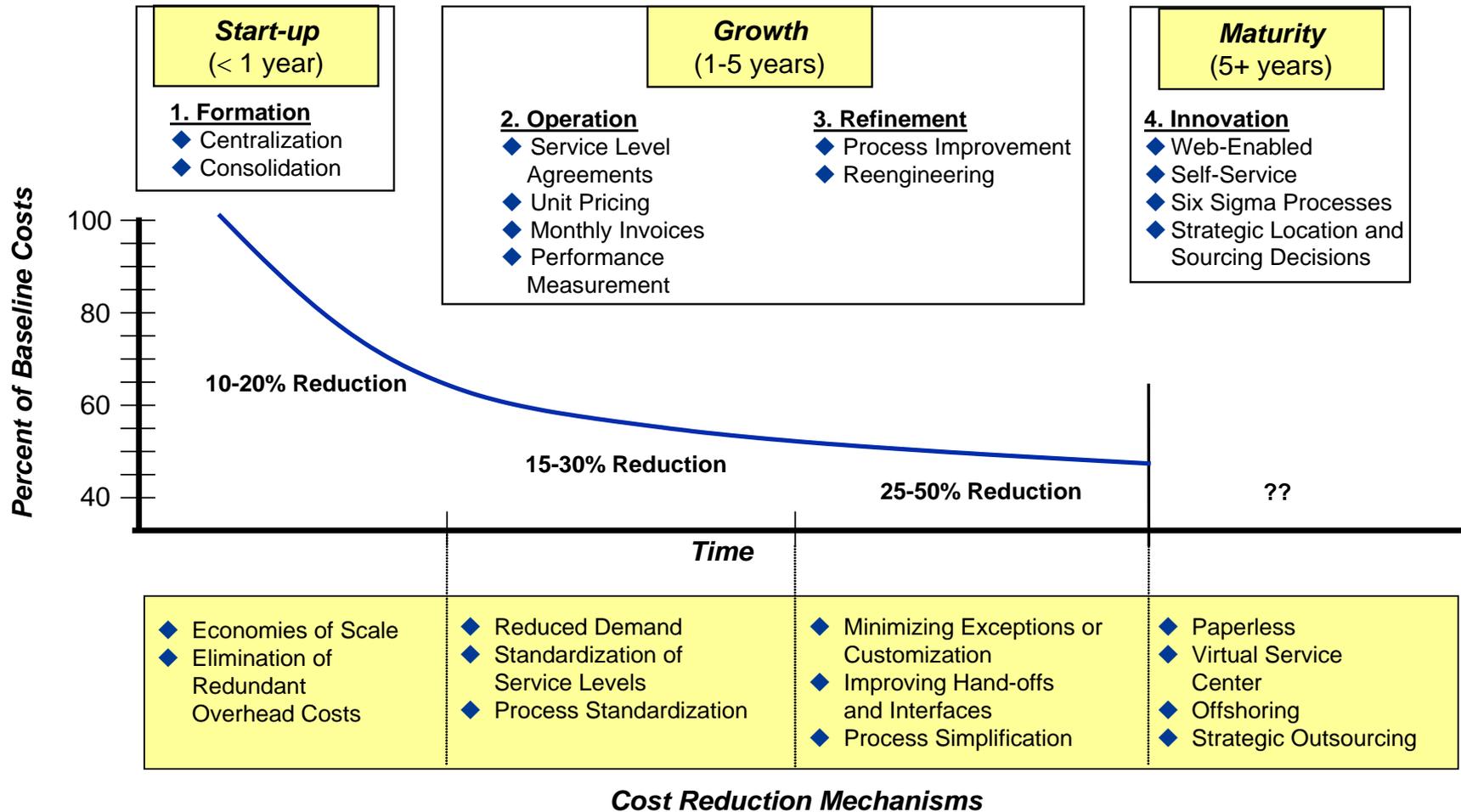
- Cost reduction
  - Economies of scale in transaction processing
  - One truth across the organization for reporting
  - Raise the level of professional administrative support
  - Enable business units to focus on core mission
-

# Assessing, Designing, & Implementing Shared Services



# Evolution of Shared Services

## Phases of Shared Services Development



---

# Important Guiding Principles

1. Engage top talent who are supporters.
  2. Focus on continuous improvement
  3. Standardize processes.
  4. Service providers must be responsive to the needs of faculty, staff, students and departmental administrators.
  5. Minimize bureaucracy.
  6. Hold service providers accountable for their performance.
  7. Improve Professionalism.
-

---

# Key Success Factors

1. Utilize best practice project management skills.
  2. Senior-level support – needs to persist!
  3. Effective communication
  4. Strong change management – stay the course.
  5. Business case that establishes base-line, outlines what will be achieved and how it will be done (living document).
  6. Partner with experts who have done this before.
-

# Shared Services Purchasing Participation

Shared Service Centers Sub-  
Committee Meeting

March 5, 2010

UNIVERSITY OF ILLINOIS  
URBANA-CHAMPAIGN • CHICAGO • SPRINGFIELD



# Current Issues in Purchasing

- Enactment of Senate Bill 51 – July 1, 2010
- Buying staff turnover of >50% in past 4 years
- Lack of common training program for new buyers
- Current evaluation of internal processes and value added transactions
- Increase in volume of contracts for purchases

# Participation In Shared Service Model

- Purchasing staff placed in shared service centers
- Authority to approve and complete purchases under bid limits/simple contracts
- Direct reporting line to Purchasing w/dotted line to shared service center
- Positions remain in Purchasing budget
- Centralized monitoring of purchasing activity and reassignment of workloads as necessary

# Anticipated Benefits

- Improved customer relations via direct daily contact with faculty and staff
- Faster processing of purchases under bid limits
- Greater compliance with strategic purchasing contracts
- In line with spirit of SB 51
  - Procurement Code compliance
  - Reporting of material communications
  - Greater awareness of faculty business relationships

# Logistical Issues

- Salary programs and salary inequities
- Defining roles between college/department staff and buyers in service centers
- Rollout of comprehensive procurement training program
- Secretarial support provided by service center