

IMPLEMENTING SHARED SERVICES

Ronn L. Kolbash

Associate Vice President, Shared Services | University of Chicago

Agenda

- Benefits of shared services
- Analysis and building the business case
- Anticipating pushback and gaining buy-in
- Key decisions
- Implementation and training
- Continual improvement of processes and services

Common Questions

- How can administrative processes be simplified?
- How can we provide even greater levels of support for our faculty and students while controlling costs?
- How can we reduce the duplication in roles and responsibilities across the institution to direct more focus toward our mission?

Common Questions

- How can we better leverage the technology we have, or use new technology, to further support our institutions?
- How can we track and analyze data for greater insights?
- How do we support better compliance without increasing administrative burden?
- How can we address our institutional needs without alienating stakeholders?

Assessing the current state requires looking at multiple key dimensions for administrative service delivery. Across these dimensions, the current state aims to answer the following high-level questions.

Oversight

What oversight structures exist and how effective are they in fostering collaboration and decision-making?

People

How are roles, responsibilities, staffing levels, and skillsets organized within each Unit and across each function?

Process

How are processes performed by each Unit? What are the similarities and differences?

Technology

What key systems, tools, and applications are used to support each process?

Facilities / Infrastructure

Where are processes performed currently and how important is physical proximity?

Impacts

What service levels and performance metrics are tracked and reported on today?

Value

How is the University structured to fulfill its mission?

Background and Objectives

A University may seek to create a **Business Service Delivery Model** that will ensure high quality, transparent, and cost-effective services by creating a flexible, stable, and strong framework that can adapt to the University's needs over time.

- 1) Modernize the University's business processes rather than operating on inertia ("we have always done it this way")
- 2) Improve the quality of service to faculty, students, and staff
- 3) Minimize administrative burden on the faculty and research community
- 4) Redirect scarce resources to college, divisions, and professional schools
- 5) Provide challenging and interesting opportunities for our staff to grow as professionals

Guiding Principles

	Guiding Principle	Description
	Focus on the Community	Redesign based on faculty, student, and staff needs
	Design in Simplicity	Develop simple paths for complex processes and break down barriers and hand-offs
	Encourage Consistency	Strive to standardize processes across the University
	Enhance Risk Mitigation and Compliance	Strengthen the University's control processes to further reduce risk and better support compliance with internal and external policies, laws, rules, and regulations
	Leverage Technology	Use technology as a process change enabler, not as an end in itself
	Clearly Define Responsibilities and Accountability	Clarify responsibilities across organizational units and drive accountability closer to the action
	Establish Results-Focused Metrics	Focus measurements on process results, not just activity. Link to University objectives to accurately define metrics.

Incorporating Shared Services into the University's delivery model can produce benefits in terms of service quality, efficiency, and transparency.

Improved Quality of Services

- More consistent level of service provision across Units, particularly for Units that have lacked dedicated support
- Greater oversight and management of risk and compliance with University policy and external laws and regulations
- Better technology and tools to support modern processes

Greater Efficiency to Allow More Focus on Core Mission

- Reduced time spent on transaction processing to allow Units to focus on more mission-critical support for faculty and students
- Consolidation of some activities to achieve economies of scale and allow greater specialization
- Single point of contact for many services for a "one-stop shop" to go for help

Improved Transparency, Accountability, and Insight into Performance

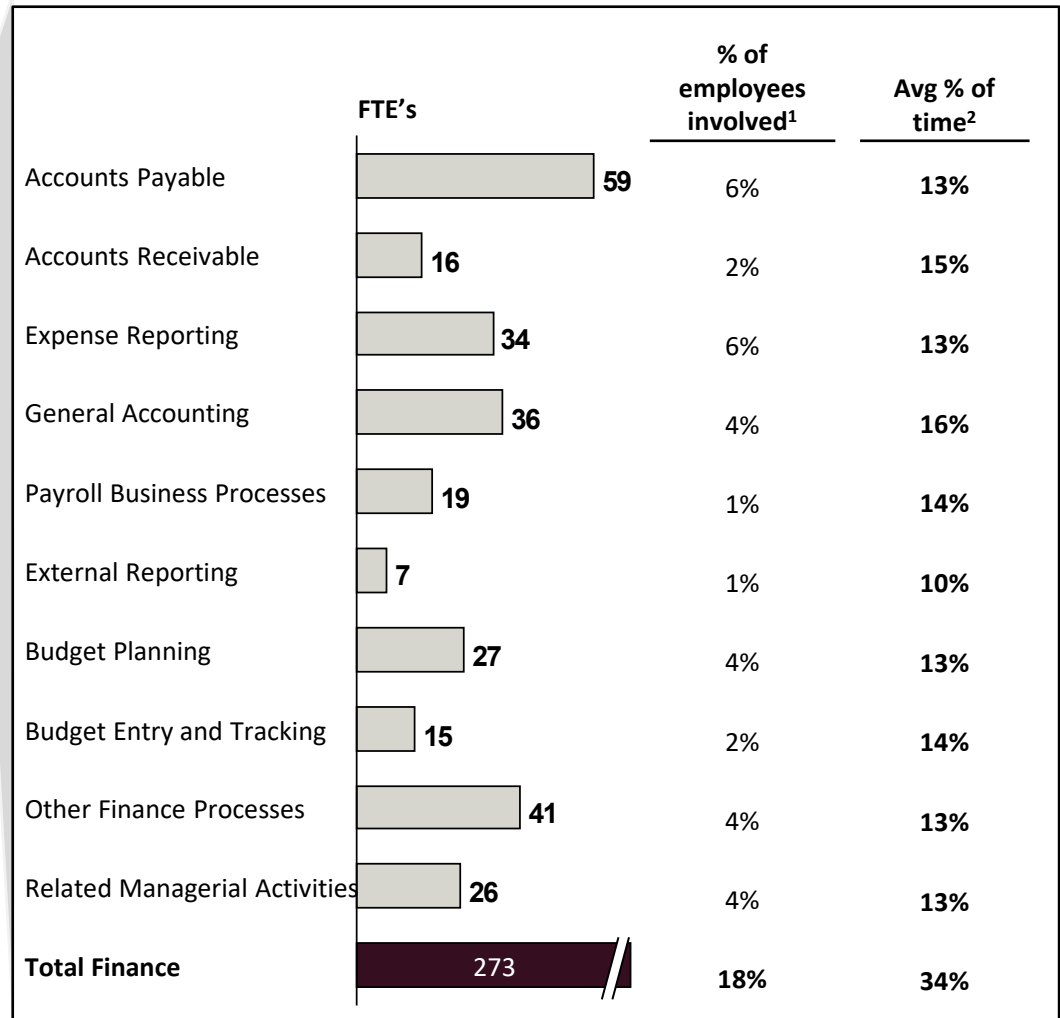
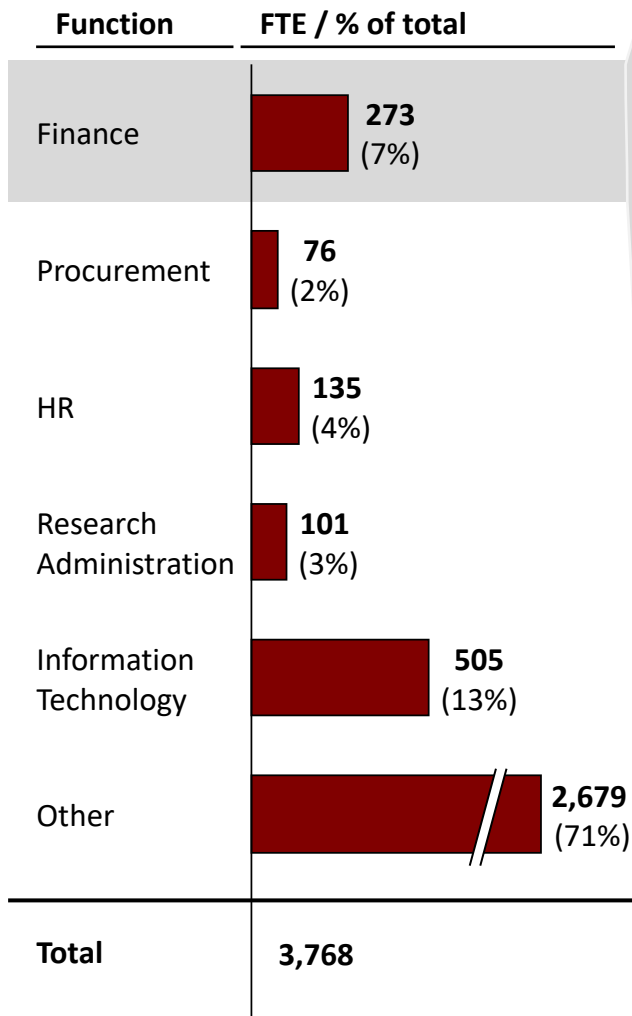
- Defined service levels and performance metrics within each function and process to measure and track performance
- Increased visibility on operational performance to both Unit and University leadership
- Established expectations and partnerships between Central Administration and Units

Defined Career Paths to Grow Talent

- Dedicated resources to support better training and new learning & development programs for staff to better support faculty and students
- Defined career paths and skills development for staff to grow their skills and experience
- Clear roles and responsibilities to reduce duplication of work

Gathering Process Activity

	#	1	2	3	4	5	6	7	8	9	10	11
	Name											
	Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Function	Process Area	Effort Allocation (Approximate)										
Finance	Finance	0%	20%	30%	0%	0%	10%	80%	0%	0%	20%	0%
Finance	Accounts Payable	0%	0%	0%	0%	0%	0%	30%	0%	0%	0%	0%
Finance	Accounts Receivable	0%	0%	0%	0%	0%	10%	0%	0%	0%	0%	0%
Finance	Expense reporting	0%	10%	0%	0%	0%	0%	40%	0%	0%	20%	0%
Finance	General accounting	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Finance	Payroll business processes	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Finance	External reporting	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Finance	Budget planning	0%	0%	10%	0%	0%	0%	0%	0%	0%	0%	0%
Finance	Budget entry and tracking	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Finance	Other Finance processes	0%	0%	20%	0%	0%	0%	10%	0%	0%	0%	0%
Finance	Related managerial activities	0%	10%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Procurement	Procurement	0%	0%	0%	0%	0%	0%	20%	0%	0%	0%	0%
Procurement	Purchasing requirements and supplier evaluation/selection	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Procurement	Requisition processing	0%	0%	0%	0%	0%	0%	10%	0%	0%	0%	0%
Procurement	Purchase order processing and management	0%	0%	0%	0%	0%	0%	10%	0%	0%	0%	0%
Procurement	Other Procurement processes	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Procurement	Related managerial activities	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
HR	HR	0%	0%	50%	0%	0%	0%	0%	0%	0%	0%	0%



How do we determine future team size needs?

We will use a capacity model to estimate the future staffing requirements which incorporate assumptions around process improvements and productivity.

Activity	Description
1. Gather transaction volume and current staff activity data for in-scope processes	<ul style="list-style-type: none">This information helps to define a baseline of our current work and staffing levels across each in-scope process area
2. Validate key assumptions	<ul style="list-style-type: none">Key assumptions around available working hours and staff productivity are required for the model
3. Assign process cycle times to activities	<ul style="list-style-type: none">Process cycle time and future transaction volumes are based on enhancements to processes, technology and organization as defined by the Working GroupsAssumptions are informed by industry experience, leading practice repository, and validated by project leadership
4. Calculate future state staffing levels	<ul style="list-style-type: none">Based on the key assumptions, future process volumes, and cycle times the model calculates the amount of staff required to support each process areaThis information can be used to plan working teams and ultimately determine the gap from our current staff baseline

How the Capacity Model Works

A capacity model is an analytical methodology that uses time per activity to estimate the total work effort required to perform a series of process tasks.

1. Activity	2. Volume Metric	3. Total Annual Volume	4. Target Cycle Time	5. Estimated Annual Required Work	6. Estimated Transactional FTEs
Process travel reimbursement	# of reimbursement requests	100,000	7 Minutes to process each request	$(100,000 \times 7 \text{ min}) = 700,000 \text{ mins of work per year}$	$700,000 / 86,016 \text{ available working mins per year} = 8.14 \text{ FTEs}$

1. Activities across Finance, HR, Procure-to-Pay and Research Administration are included in the model
2. The volume metric describes the annual volume for the activity
3. The source of the total volume data is typically from a central system of record
4. The target cycle time is a reasonable estimate of the transaction processing time to perform a single activity, on average. The target cycle time assumes process improvements (i.e. streamlined procedures, increased automation, elimination of duplicate entry)
5. Estimated Annual Required Work is the total amount of working time required per year to support the transaction volume
6. Estimate Transaction FTEs are how many full-time equivalent staff are required to support the annual work effort. This is done by dividing the amount of work in step 5. by the available working minutes per year.

How the Capacity Model Works

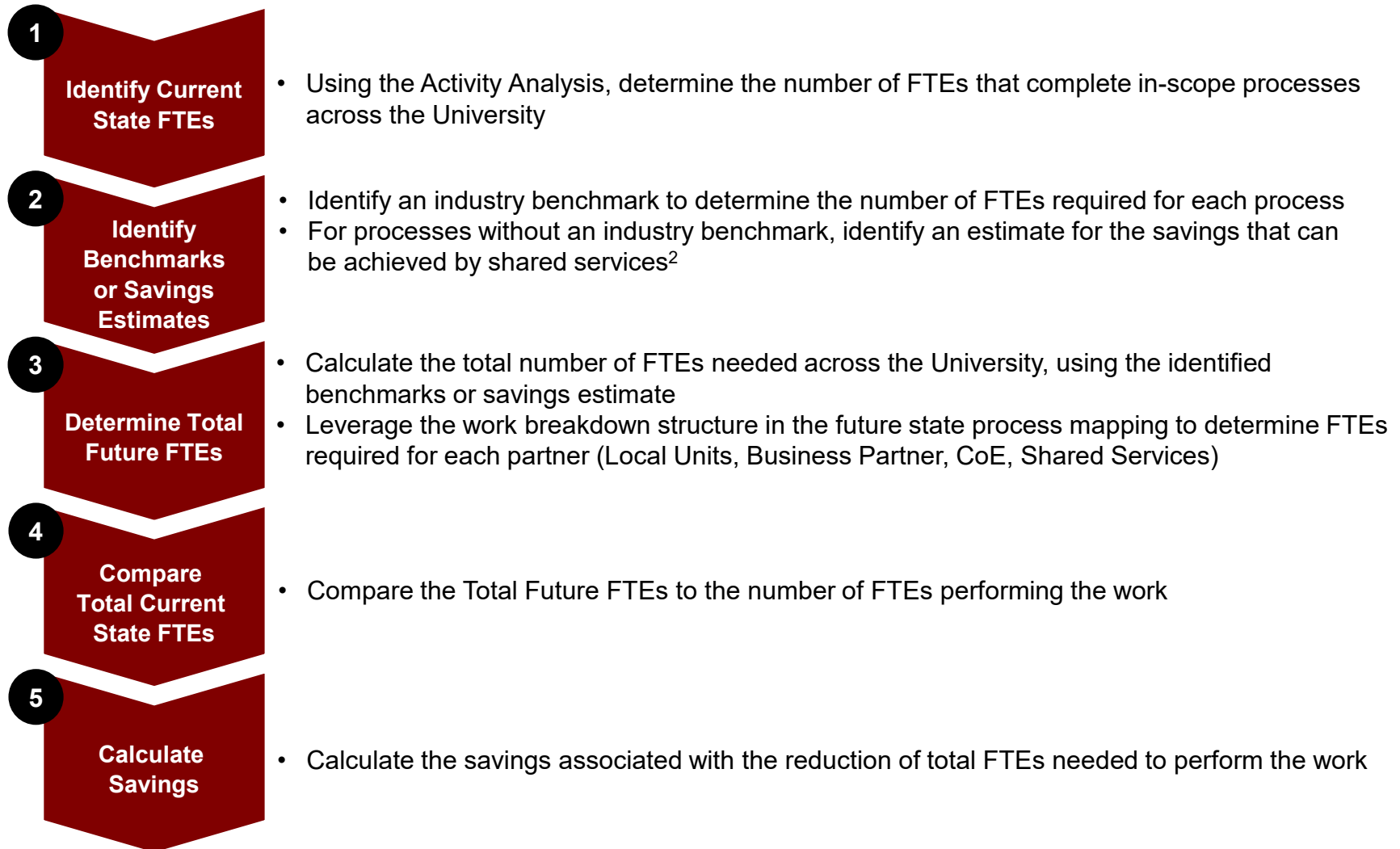
Once the Estimated Work Effort is calculated, the **Total FTE** can be determined by adding a management span of control.

6. Estimated Transactional FTEs	7. Span of Control	8. Supervisor FTEs	9. Total FTE	10. Total Future Labor Cost
8.14 FTEs	10:1	$8.14 / 10 = .81$ FTEs	$8.14 + .81 = 8.95$ FTEs	8.95 FTEs x average salary

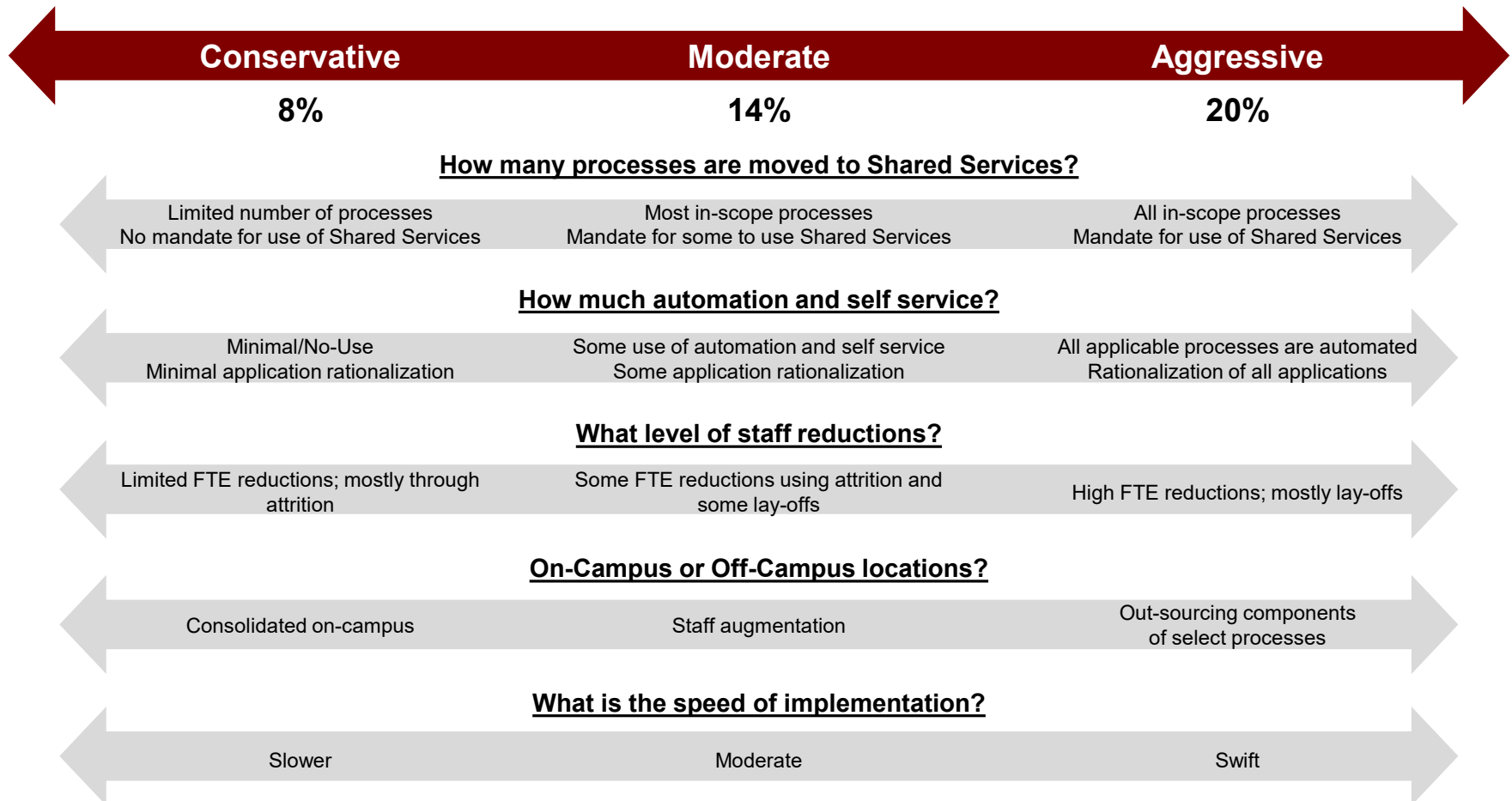
7. The Span of Control is the staff to supervisor ratio. This ratio is typically much for work requiring more analytical skills, such as financial analysis. In transactional process areas, such as data entry, the ratio is typically higher between 10-15:1.
8. The Supervisor FTE = Transactional FTE / Span of Control
9. The Total FTE = Transactional FTE + Supervisor FTE. Typically this figure would be rounded up to the nearest whole to reflect future required headcount.
10. The Total Cost = Total FTE x Average Loaded Salary. The salary average accounts for the compensation differential between managerial and transactional team members and includes benefits.

How the Business Case Works

The following is an overview of methodology used to calculate the business case savings



As you evaluate the future state, key decision points on processes, technology, staff, and location must be used to identify the expected savings.



Understanding the Current State

What is the Culture?

What are the Norms?

Organizational Structures

How is Information Shared?

Past experiences in implementing new ideas/change

Is there mistrust?

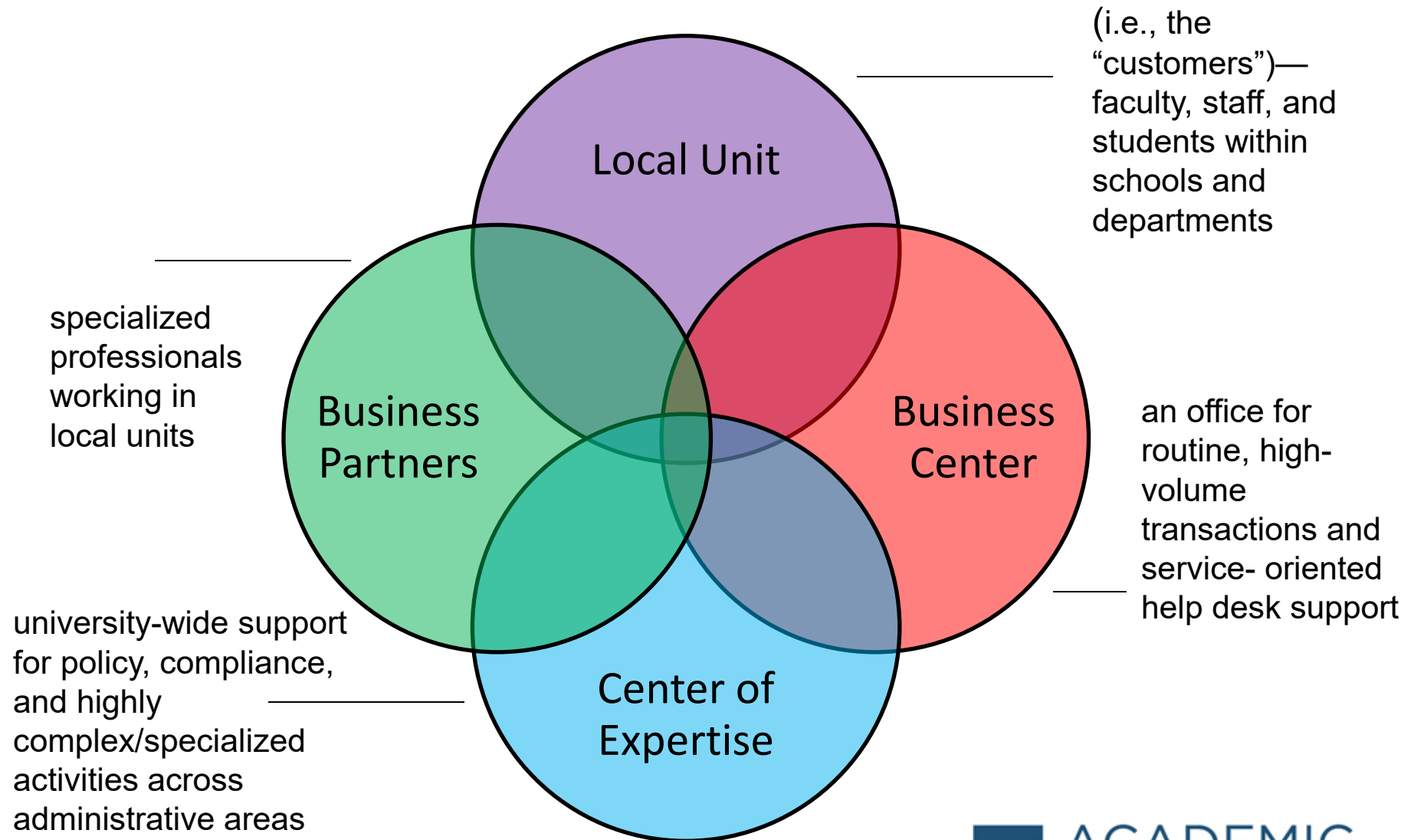
Keys To Success

- **Articulate the “why”:** Clearly identify the problem(s) that needs to be solved and articulate it honestly and transparently
- **Align leaders:** Gain alignment for the vision from both administrative and academic leadership
- **Focus on the “customer”:** Employ a customer-centric design to serve the campus community (e.g., faculty, students, staff, and alumni)

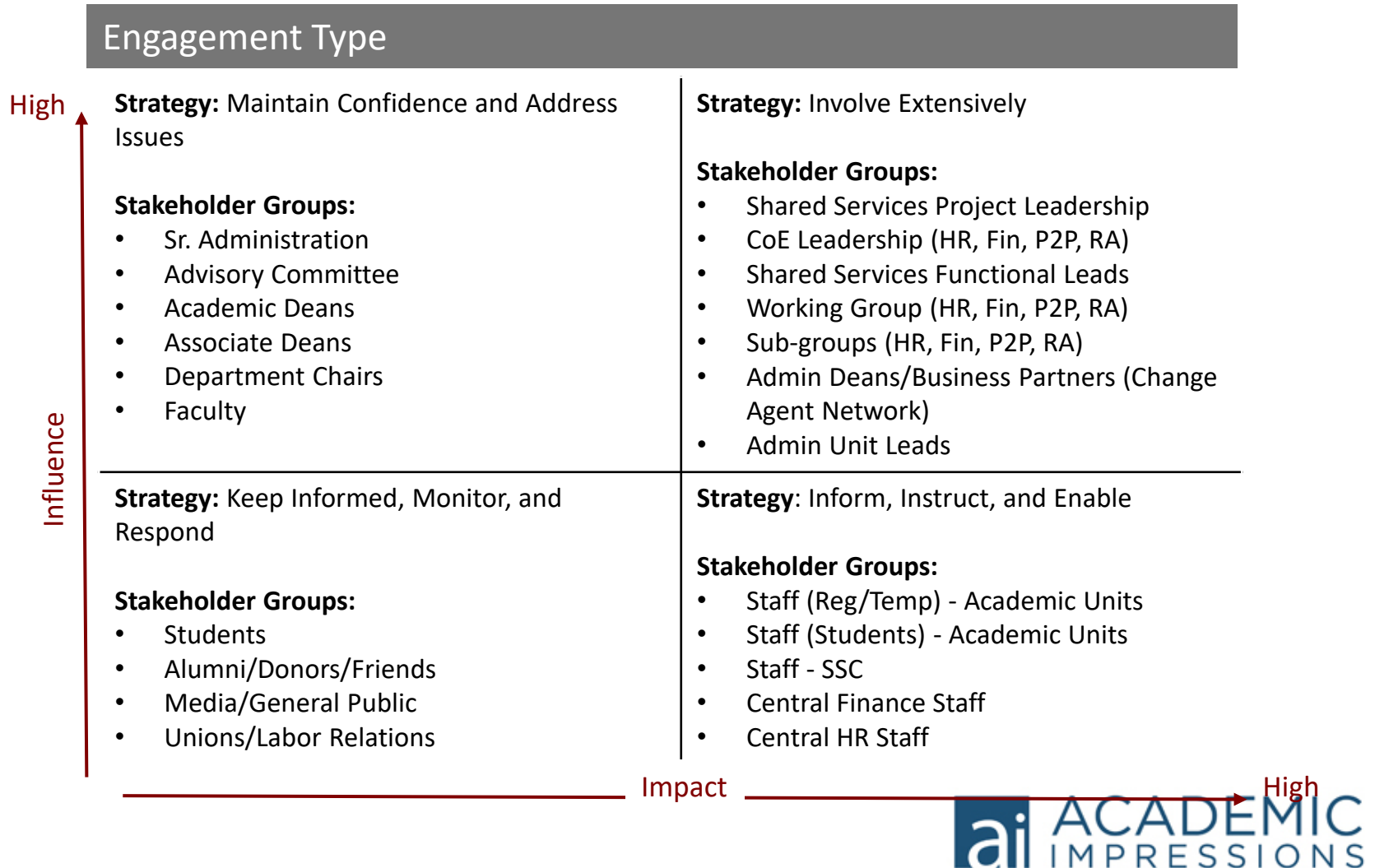
Keys To Success

- **Think “end-to-end”:** Examine and redesign processes from end-to-end to achieve true value and to uncover and address unexpected impacts that may affect departments
- **Excel in communications:** Provide consistent and frequent communications and opportunities for engagement through a wide variety of channels
- **Over-train:** Provide robust training for all stakeholders before and after implementation

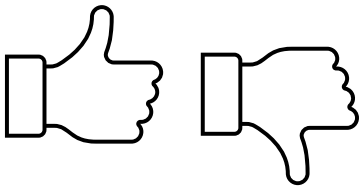
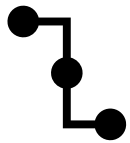
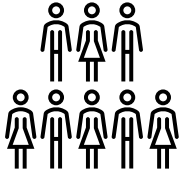
Administrative Partnership



Not all stakeholders have the same needs. They are categorized based on their level of impact as well as the level of influence they have within their Units to develop tailored strategies.



Key Considerations



Hiring: Lift and shift existing staff or hire in all staff

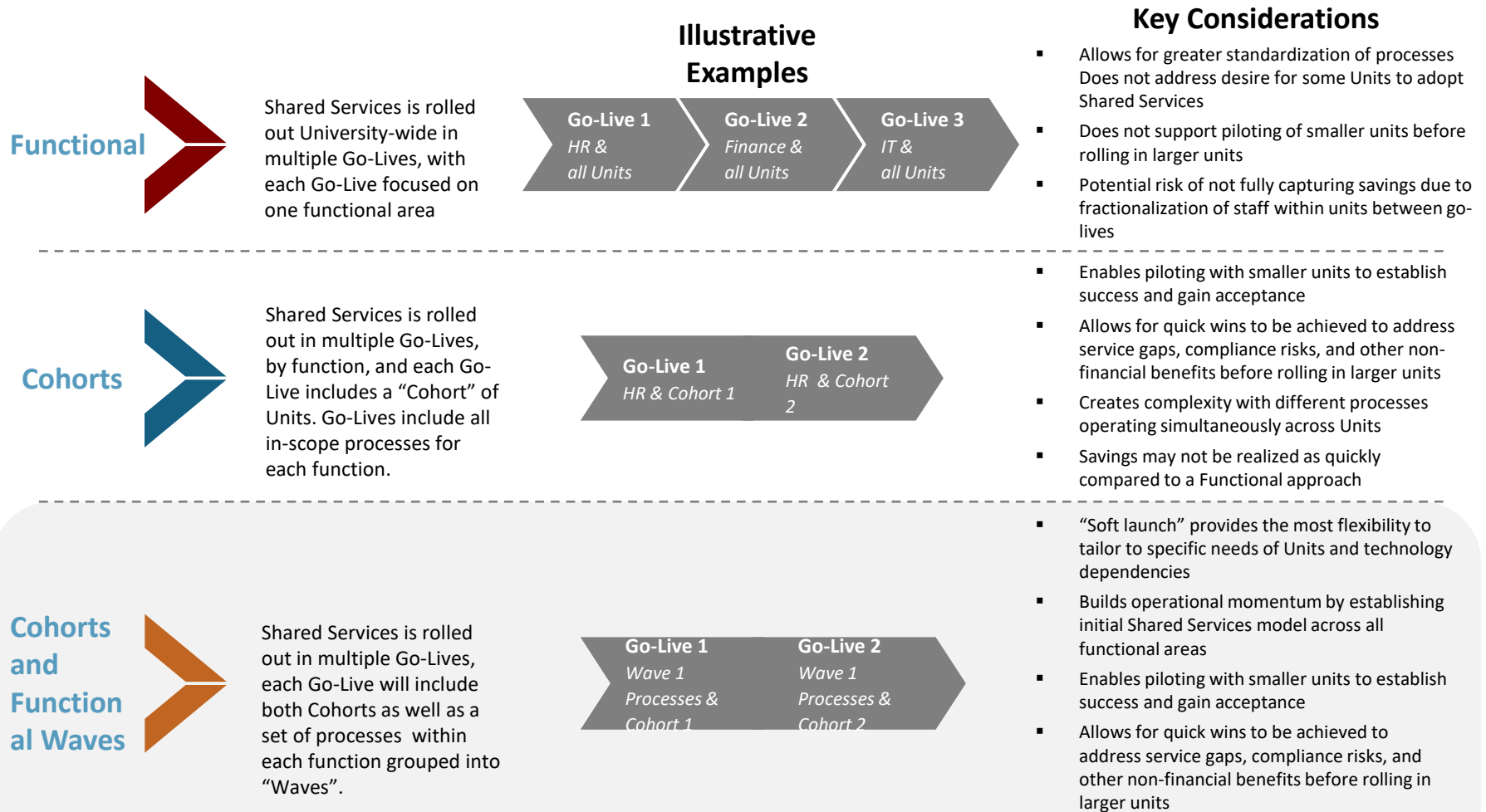
Processes: Redesign prior to go-live or after

Technology: Standardize, upgrade, expand use of

Mandatory or Optional: Will units be required to participate

Office Location(s): Single site, multiple sites and/or remote

There are three general approaches that the University may take to implement Shared Services. The approach highlighted in gray is recommended to meet the unique needs of the University of Chicago.



Training Topics & Delivery



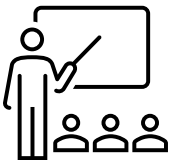
Culture: Continuous Improvement, Service, Feedback



Systems & Processes: Does training need to be developed/updated



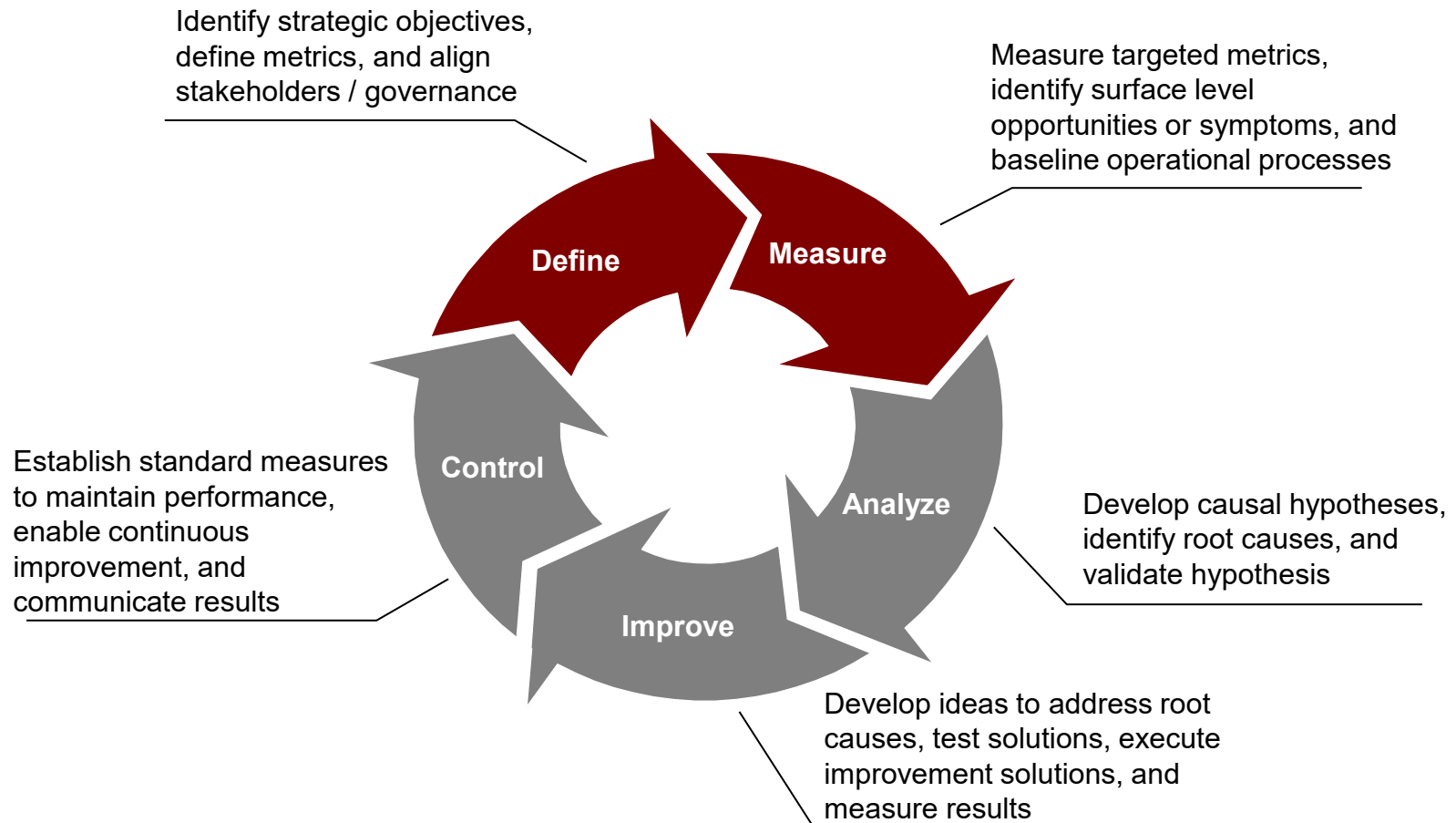
New Skills: What new skills may be needed/in-demand



In-person/On-line: Instructure led/How-to videos

Continuous Improvement **Approach**

The Continuous Improvement approach is a repeatable methodology to identify, implement, and measure potential improvements. Major components of the approach include:



Example of A Dashboard

No.	Title	Levels				FY20 1Q	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20
		Baseline ⁽¹⁾	Target	Top 20 SSO ^(g)								
Procure-to-Pay												
P2P-6	Complete Supplier Setup / Modification Requests ^(d)	15.5	20.0	-----		13.5	7.8	6.3	10.0	9.0	8.9	14.2
P2P-12A	Invoice Payments Made Within Vendor PO Payment Terms* ^{(a)(b)(h)}	77.4%	80.0%	-----		76.3%	75.8%	77.2%	75.4%	76.0%	77.7%	78.9%
P2P-13	Invoice Discounts Achieved*	67.6%	70.0%	-----		80.4%	86.0%	79.2%	81.6%	58.6%	86.4%	92.3%
P2P-B1	Early Payment Discounts Taken as a % of Spend			0.0025% ⁽¹⁰⁾		0.00429%	0.00366%	0.00741%	0.00519%	0.00668%	0.00697%	0.00555%
P2P-14	First Time Invoice Match Rate	77.2%	80.0%	80% - 90%		83.3%	83.5%	84.1%	83.4%	86.1%	86.1%	83.6%
P2P-15	Invoice Voucher Time	12.9	12.0	-----		10.8	12.1	11.2	11.5	13.4	9.5	8.9



TAKEAWAYS

- Shared Services is a journey and not a sprint. Patience, Listening and Resilience are key
- Facts, facts, facts (or data, data, data) are your friends. Gather them and use them
- Communicate early and often. Then repeat.
- Embrace technology but always remember the path the shared services is about CHANGE.
- Have fun



QUESTIONS