

University of Minnesota

Administrative Services

Benchmarking and Diagnostic Study

Presentation to the Board of Regents

June 14, 2013

External Landscape

NEW CHALLENGES AND OPPORTUNITIES

Financial constraints, new operating demands, and the changing educational landscape are placing increasing pressures on resources in higher education.

External Factors

- Limited and uncertain resources coupled with expectations of higher levels of service
- Increasing sensitivity to price of education
- Increasing competition for top students, faculty, and staff
- Rapid evolution of learning, research, and administrative technology
- New types of ventures, partnerships, and activities (global, cross-campus, cross-institutional, public-private)
- Rapidly shifting demand for programs
- Complex regulatory environment

Rapid programmatic and operational change with constrained resources will be a persistent challenge for institutions of higher education.

Scope and Objectives

Huron conducted a benchmarking and diagnostic study of four administrative areas.

Finance

Procurement

Human Resources

Information
Technology

Project Goals

- Identify, determine the scale of, and prioritize opportunities for improvement
- Describe primary factors such as technology, organizational structure, and service delivery approach which may currently impact performance in each area
- Highlight peer and leading practices which may have applicability to the University of Minnesota

Study Approach

Huron completed the study over the course of 12 weeks and used both internal and external data to identify opportunities.

Internal

Interviews with Staff in Central Offices

Interviews/Focus Groups with Staff in Distributed Units

Staffing, Budget, and Transaction Data Analysis

Survey of Administrative Activity in Support Units

External

Custom Peer Surveys (the University's Standard Peer Set)

External Research

Not all peers responded to survey requests and not all responses to the surveys were complete.
Huron did not share identified data with University officers.

Benchmarking for large research universities must be supported with careful analysis and context.

Primary Considerations

- Institutional strategies and priorities differ
- Levels of service differ
- Administrative activities are highly distributed and data on those activities and resources is often limited
- Functions cross organizational lines and funding sources
- Higher education activities, in particular research, drive complexity not seen in other industry sectors

Benchmarking can provide points of reference to identify potential areas for improvement, but strategic and operational goals should be the primary drivers of resource decisions.

Through past projects, the University has developed systems, processes, and organizational structures which support effectiveness across the campuses.

System-wide Foundations

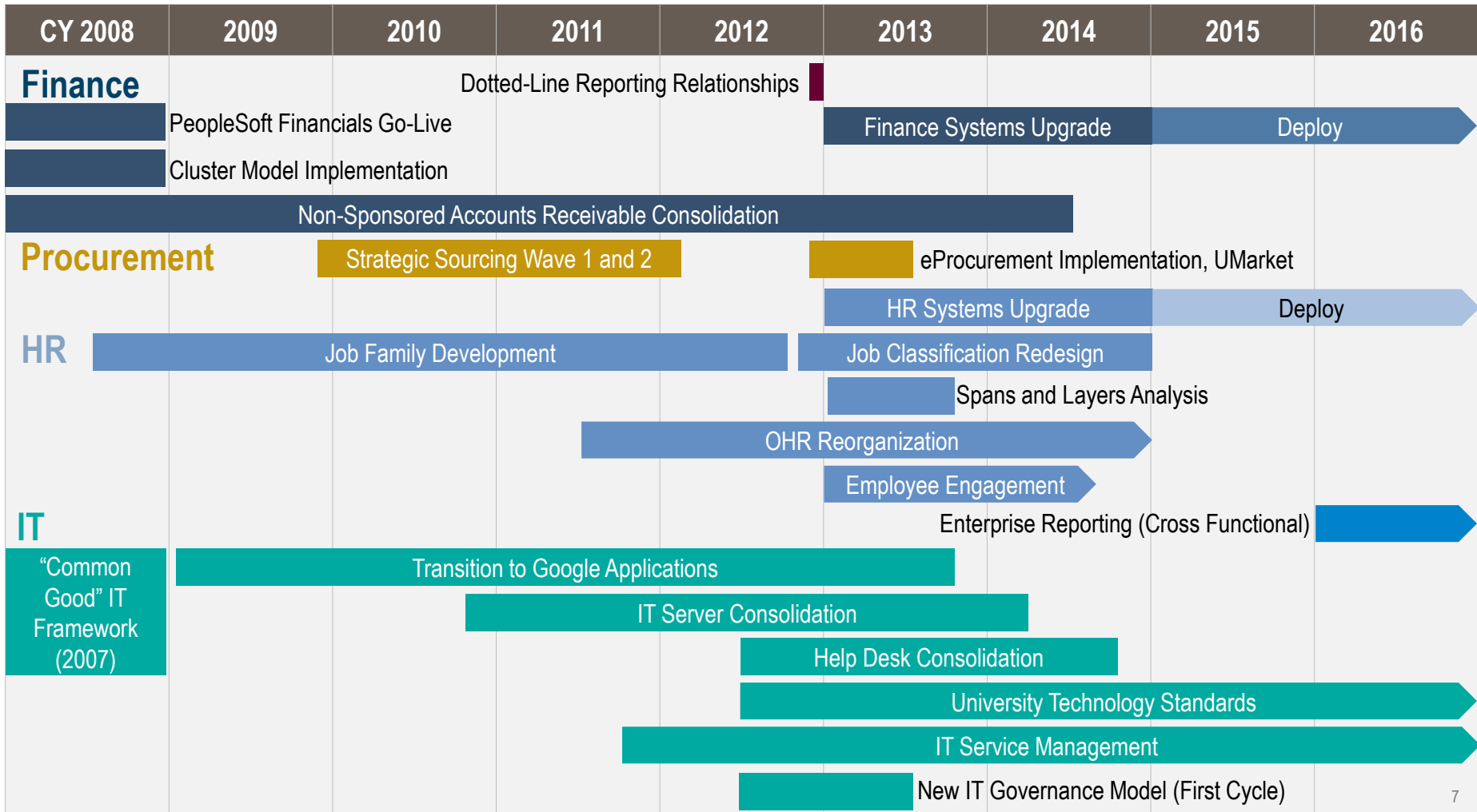
- Enterprise technology applied in HR, finance, and procurement functions across the entire University system
- Fully-developed Responsibility Center Management budget model implemented across all units and campuses
- Dotted-line reporting structure between the distributed leadership of the in-scope functions and their respective central University officers
- Well-developed central repository of policies and processes common across all campuses
- “Common Good” technology infrastructure (network services, Google applications)

These shared elements reduce duplication and promote greater integration across the campuses.

Major Initiatives

ILLUSTRATION

The University is undertaking an increasing number of major initiatives that impact technology, process design, organizational structure, and governance.



Strengths

- Use of enterprise technology; upgrade in progress
- Organization of transactional activity into “clusters”
- Centralization of high impact activities (e.g., non-sponsored accounts receivable)
- Mature budget model with regular monitoring

Benchmarking Summary

- All peers report significantly distributed financial administration resources and limited data on total resources
- UMN appears within broad range of responding peers for staffing of central finance, accounting, and budget functions
- UMN has significantly fewer individuals with access to financial systems, which suggests some consolidation of activity

Finance Opportunities

- **Evaluate service delivery model for financial reporting**
- **Enhance governance of distributed finance**
- **Manage financial administration by metrics**

Strengths

- Emphasis on providing contracts, tools, data, and analysis to distributed buyers
- Use of technology across all phases of sourcing; upgrades in progress
- Past and ongoing use of full range of strategic sourcing methods

Benchmarking Summary

- Smallest central purchasing function of peers
- Many peers centralize data entry for payables; fewer payments settled electronically than peers
- Opportunity to adopt industry-leading travel and expense practices

Procurement Opportunities

- **Increase traveler adoption of travel and expense tools**
- **Fully automate travel and expense process**
- **Consolidate travel management authority**
- **Consolidate invoicing**
- **Expand use of ACH and ePayables (electronic settlement tools) – in progress**
- **Implement a contract management solution – in progress**
- **Enhance procure-to-pay performance metrics**

Strengths

- Strategic plan emphasizes four priorities: define, simplify, empower, and deliver
- Upgrade of PeopleSoft with potential major impact on processes and data
- Many other initiatives that support more sophisticated talent management (e.g., job classification study, employee engagement)

Benchmarking Summary

- All peers report significantly distributed HR resources and limited data on total resources
- Central HR staffing relative to university employee headcount in line with five peers, but larger than two others
- Central HR budget relative to headcount second highest of peers

Human Resources Opportunities

- **Align HR programs and services with HR strategy**
- **Refine HR operating model to reflect leading practice**
 - **Continue to develop centers of expertise**
 - **Define HR generalist roles and accountability**
 - **Consolidate delivery of transactional activities**
- **Define and implement HR performance metrics**
- **Formalize data integrity program**

Strengths

- Significant progress on infrastructure consolidation
- Use of “common good” services
- Emphasis on “We of IT” to promote collaboration across organizational lines
- New IT governance model that emphasizes stakeholder input

Benchmarking Summary

- Central IT staffing smaller than peer group average (12% smaller)
- UMN’s central IT budget slightly larger portion of the total institutional budget
- On a per-user basis, UMN spends less on central IT services than the peer group
- Distributed IT staffing near center of range
- Overall, UMN appears somewhat more decentralized than peers

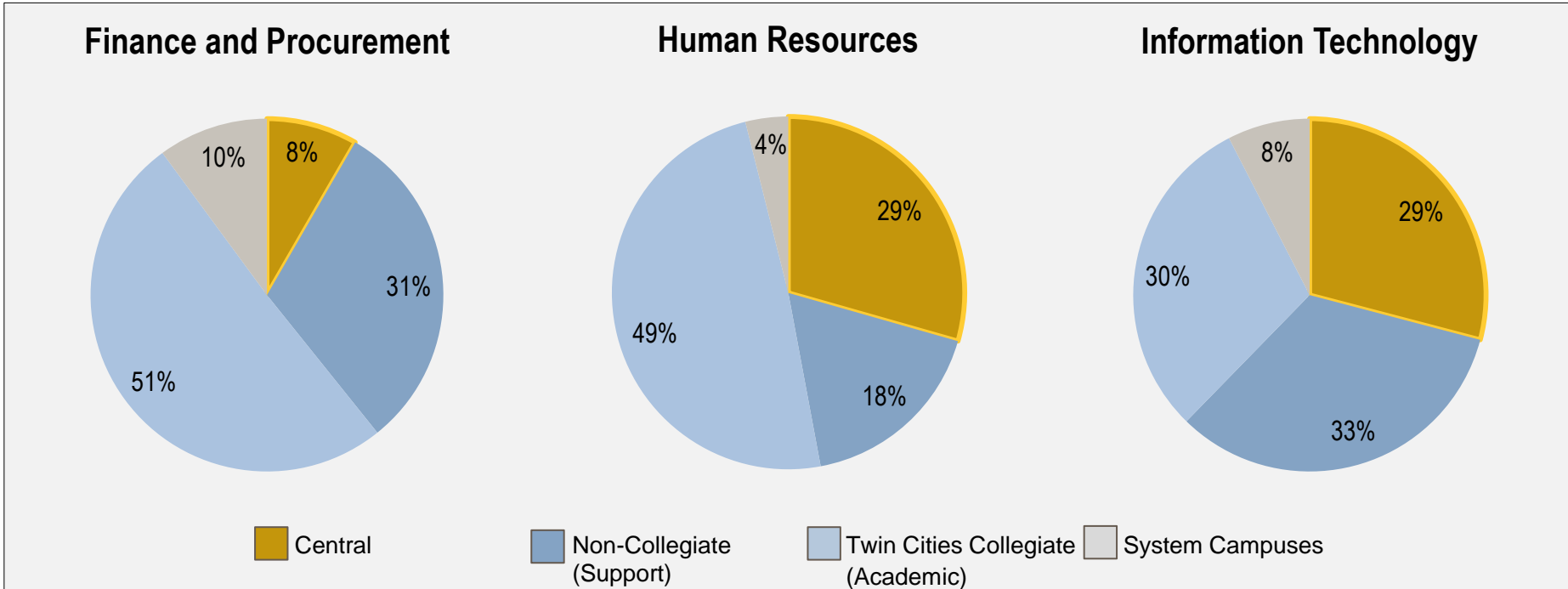
IT Opportunities

- **Create mechanism to evaluate IT investments (current and future)**
- **Define IT roles and responsibilities at all levels of the organization**
- **Determine University-wide service level expectations**
- **Accelerate usage of common good services**
- **Refine the IT governance process**

General Observations and Opportunities

DISTRIBUTED ADMINISTRATION

The scale and impact of distributed administration was a recurring theme across the in-scope areas.



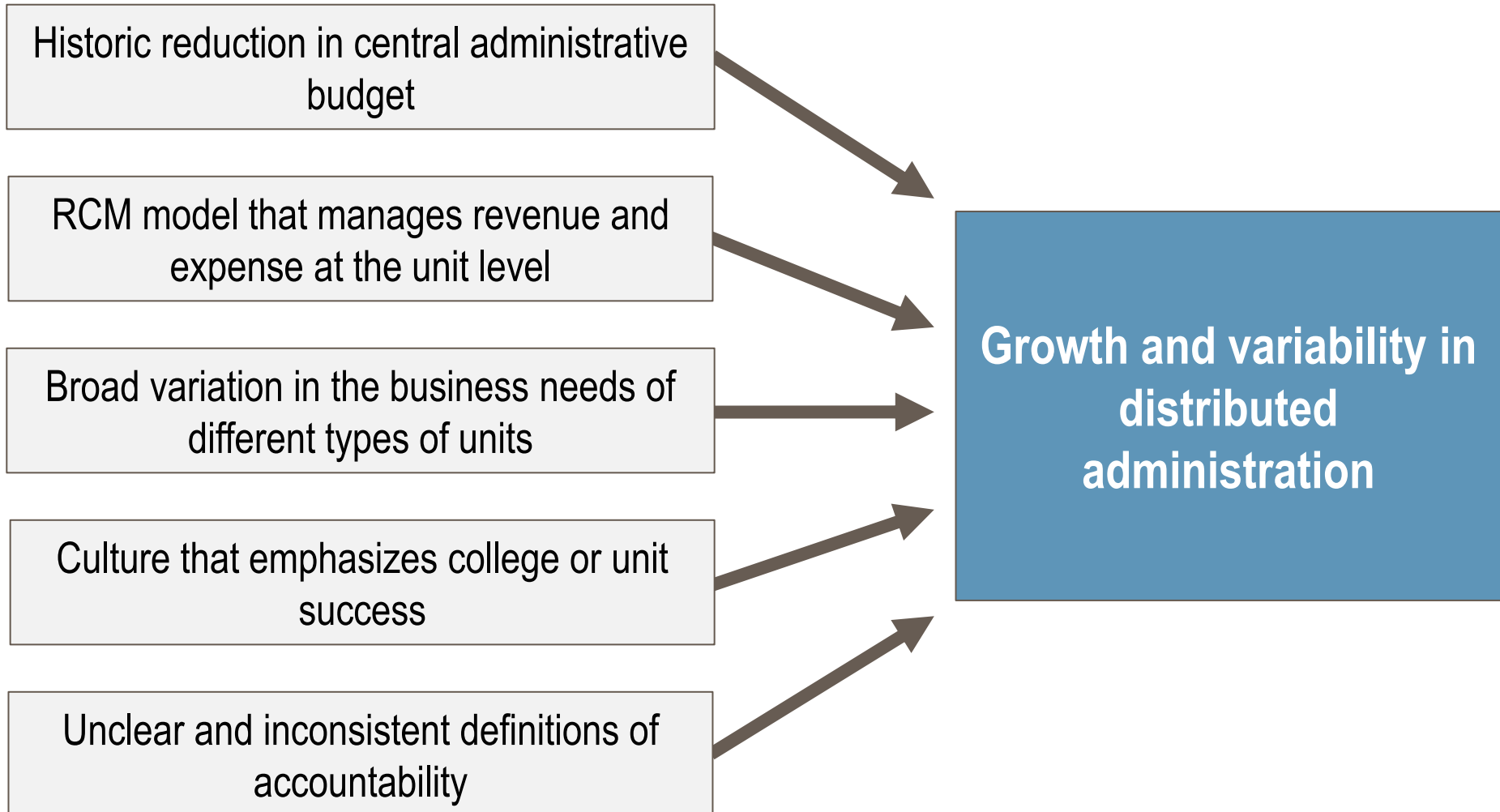
Percentages based on job counts provided in UMN Workforce Analysis. Data from 2012 9th period (October) payroll
Workforce category counts do not capture effort in these areas performed by individuals with generalist titles (e.g., “coordinator”)

This degree of distribution is not uncommon for public research institutions.

General Observations and Opportunities

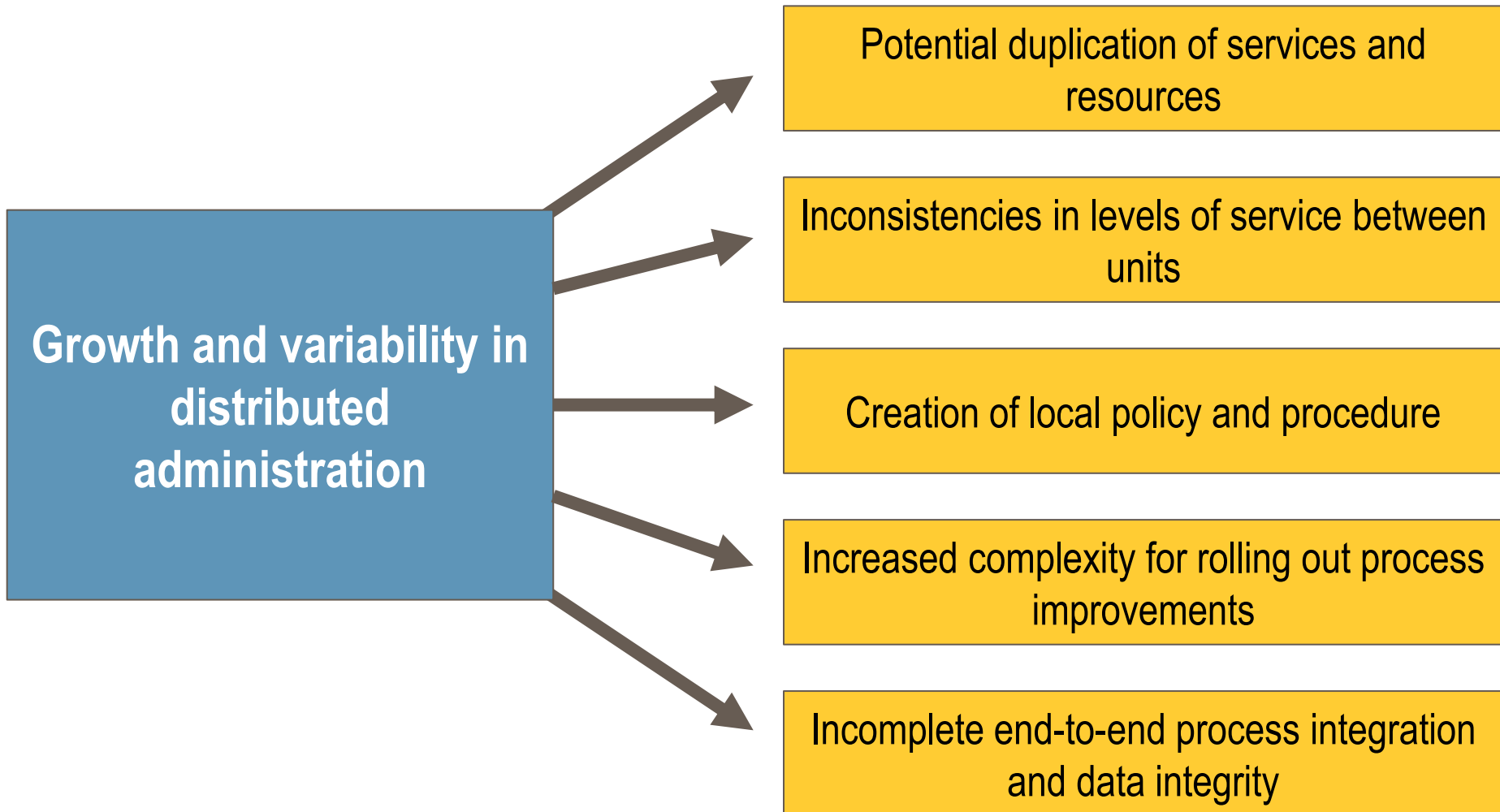
CONTRIBUTING FACTORS

Resource allocations and culture reinforce distributed administration.



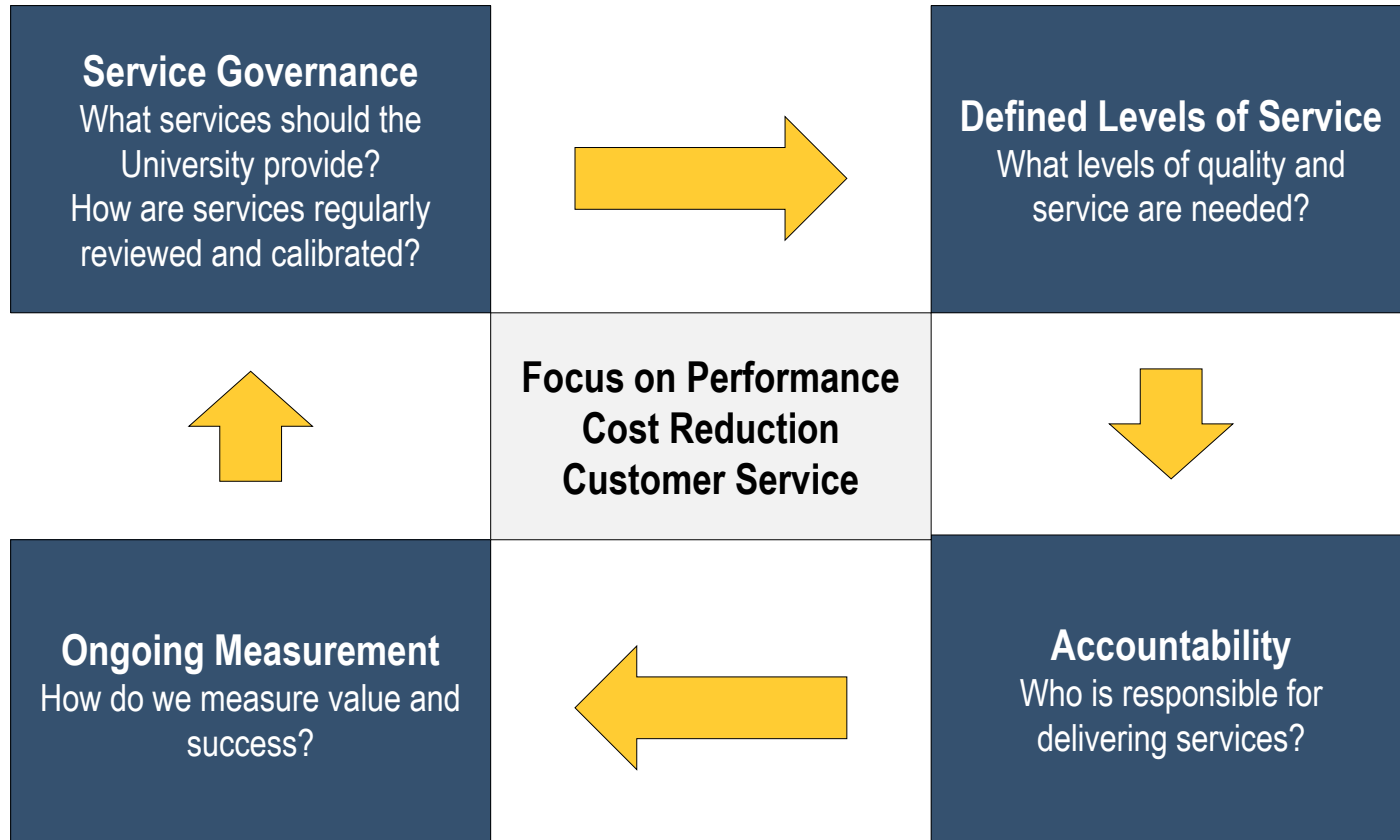
Implications of Distributed Administration

While distributed administration provides more local responsiveness, it also has the potential to create inefficiencies from a full “enterprise” perspective.



Rethinking Service Delivery Design

While Huron identified opportunities to improve each of the four functions, the University would benefit from a more integrated, enterprise approach to **service delivery**.



This approach can be applied to any administrative function.

Service Delivery Continuum

Service delivery can take many forms—more standardized, high-volume activities are stronger candidates for shared service or centralized approaches.

Distributed / Localized	Standardized	Shared Services	Centralized
Autonomous departments provide services with separate functional staff	Units run similarly with some common systems, but separate functional staff	Separate organization provides defined levels of service	Central department performs function
<ul style="list-style-type: none">▪ Responsiveness▪ Local control▪ Customer linkage	<ul style="list-style-type: none">▪ Departments retain flexibility and responsiveness▪ Change is coordinated	<ul style="list-style-type: none">▪ Economies of scale▪ Leveraged standards▪ Development of best practices▪ Distribution of competencies▪ Integration	<ul style="list-style-type: none">▪ Economies of scale▪ Uniform standards▪ Enterprise security▪ Data commonality and access

While different models might be used for different activities, the development of service delivery models should be coordinated across functions and across the entire institution.

Aligning Activities with Models

Activities that are transactional or able to be standardized are better candidates for consolidated or shared service models.

Distributed

Hybrid

Shared / Centralized

Interactive / Highly Personalized
Highly Variable / Complex
Low Volume
Low Compliance Risk

Transactional / Not Personalized
Consistent / Simple
High Volume
High Compliance Risk

UMN has already successfully centralized some administrative services.

The Enterprise Systems Upgrade Program (ESUP) provides an opportunity to revisit other administrative activities.

Current Examples

Non-sponsored Accounts Receivables
Sponsored Financial Reporting
Job Center (Recruitment)
HR Call Center
Benefits Administration

Potential Future Candidates

HR Data Entry
Onboarding (in progress)
Accounts Payable Invoicing
Travel and Expense Processing
Reporting Support
Desktop Support (in progress)

Redesign Service Delivery

EXAMPLES

Many public and private research institutions are at various stages of planning and implementing administrative transformation projects.

Institution	Areas in Scope for Shared Services				
	HR and Payroll	Budget and Finance	Procurement and Payables	IT End-User Computing	Research Admin
UC Berkeley Campus Shared Services	✓	✓	✓	✓	✓
University of Michigan Administrative Services Transformation	✓	✓		✓	
University of Kansas Changing for Excellence	✓	✓			✓
Yale University Yale Shared Services		✓	✓		✓
University of Florida Shared Services Centers	✓	✓			
UC San Francisco UCSF Operational Excellence		✓		✓	✓

These projects are significant efforts which are often designed and implemented over the course of several years.

Given its current portfolio of projects, the University will need to evaluate its capacity and prioritize these additional improvement opportunities.

Recommended Near-Term Steps

1. Review shorter- and longer-term opportunities with internal stakeholders
2. Develop a broader vision for University-wide administrative services through expanded engagement of academic and administrative stakeholders across all of the campuses
3. Continue to gather internal data and analyze administrative activities, prioritizing the non-collegiate units, and develop alternative options for service delivery
4. Evaluate, select, and prioritize opportunities and assess their connections to other initiatives already underway
5. Develop a plan that defines program leadership/governance, goals, measures of success, supporting resources, and timing

Developing and implementing new approaches to service delivery should be treated as a holistic project with dedicated resources collaborating across functional boundaries.

HuronEducation