

Shared Services: Finding the Right Fit for Higher Ed

While institutions may struggle with implementation, when designed and implemented effectively, shared services offer numerous benefits that far outweigh the short-term challenges.

Realizing the Shared Service Value Proposition

As budgets have tightened, universities are increasingly evaluating new service delivery models to help reduce costs and improve service and compliance. Often, this evaluation will lead to consideration of a “shared service” model; however, there is no common consensus definition of shared services across higher education. Further, the value proposition can be difficult to define for institutions. We have worked with many institutions to design and develop various service delivery models, including full shared service models as well as models that include aspects of shared service delivery. This summary examines three examples of service models and the enablers and barriers to success.

The Shared Services Concept in Higher Education

Shared service centers represent an organizational model that strikes a balance between local services and commoditized practices and activities.

A successful shared service implementation balances the potential for economies of scale and standardization with the opportunity for deep relationships with and knowledge of the unique attributes of the units served.

The opportunity for shared services at a given university is found by identifying which activities are common in nature, require customer proximity to appropriately execute and require relationships and unit-based knowledge to execute. This exercise enables the institution to identify which activities are candidates for sharing within the environmental context of the institution. Most common functions evaluated include finance and accounting, human resources, information technology and research administration (pre- and post-award) services.

Shared services offer the opportunity to leverage both infrastructure and technology to optimize workflow, reduce approvals and increase institutional compliance. Aligning staff by functional expertise enables staff to develop specialization and creates paths to mobility, retaining and nurturing the institutional staff resources that represent the backbone of support activities. While shared service centers may require an initial investment, a shared service model offers an opportunity to reduce institutional administrative costs over the long-term, freeing up funds for mission-critical priorities.

Shared Service Benefits Outweigh the Risks

Shared services centers, typically implemented as a single functional center, have been used in many corporations to drive substantial administrative cost savings and increase service. However, given the challenges of implementing this organizational model in the complex operating environment of universities (including aspects such as faculty governance and multiple, restricted funding streams), institutional leaders are carefully considering the extent to which the benefits outweigh the implementation risks.

While the implementation risk is real — as demonstrated by the struggling implementation efforts across the industry — the benefits of shared services are substantial and can be realized by aligning the appropriate model to meet each institution’s goals and operating environment. When thoughtfully planned and implemented, shared services centers offer:

- **More effective service for staff, faculty and principal investigators:** The typical decentralized university mode of operation often fosters more bureaucracy and redundancy. Beyond the challenges to efficient operations, this environment results in increased time to process transactions, decreased accountability, and often makes it difficult for faculty and principal investigators (PIs) to obtain reliable answers to questions about their non-core business needs. By providing staff with increased knowledge of the functional areas they work in — and creating an organizational structure that better aligns accountability, authority and responsibility — a shared service center removes barriers between the customer and their needs and increases the customer service to faculty and PIs.
- **Increased compliance and accountability:** Universities are increasingly challenged with navigating the complex financial, human resource and research administration regulatory environment. To meet compliance needs, institutions are faced with the challenge of either training a diverse group of unit-based generalists in these requirements or placing an increased burden on central offices to

review or complete each individual transaction generated at the unit level. The shared service model allows for appropriate training and oversight of decentralized functional staff, reducing the burden on central offices and increasing the opportunity for compliance. Further, shared service staff has the oversight and support of functional experts who can provide support when strong unit-based leaders and PIs do not have the ability to find efficient ways to meet compliance requirements.

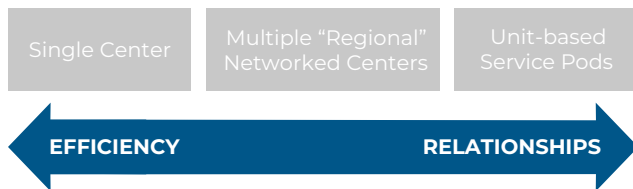
- **Staff retention and talent development:** The vast majority of university costs are personnel related. However, in the typical decentralized environment, unit-based generalists have limited opportunities for a career path, few mentors and limited peer networks. These limitations make it difficult to recruit and retain the best staff. Shared service centers not only help retain staff members by providing them with a career path, but they also provide opportunities to train all staff members to their full potential.
- **Cost savings:** Universities may not be able to attain the significant cost savings realized by industry implementations of shared service centers; however, real cost savings can be realized in higher education by this model. The combination of reorganization of staff, more attention to performance management and accountability, and increased use of technology can substantially increase the efficiency of services while also improving effectiveness and quality. Many universities choose to harvest cost savings over time, allowing attrition in shared service centers and central offices to be reassigned to.

Choosing the Right Solution, Not Just a Model

There are a variety of models that can be implemented to actualize the benefits of shared services. Each institution should consider the optimal model in the context of its unique culture and the specific goals it seeks to achieve.

No “one-size-fits-all” model of shared services will work for every university. Even within the models examined, a variety of implementation options can be considered.

The different models offer trade-offs between economies of scale and standardization with the opportunity for deep relationships with and knowledge of the unique attributes of the units served.



Model 1: Single Shared Service Center

A single shared service center represents the most efficient model. In this model, knowledge of the unique attributes of individual units is traded for expertise in specialized transactions, functional areas, and institutional policies and procedures.

The single shared service center is often manifested as a transactional processing entity for a central office.

Roles are distinct:

- The central office is a policy-setting, training and auditing body
- The shared services center is the processing and customer-facing entity

A critical enabler to the success of such an implementation is a high degree of technology self-service at the unit level, coupled with easy- to-access training and expert support. In addition, automated technology systems, including help-desk reporting systems, automated phone systems and web-based help centers, establish a foundation for the efficiency of this model.

In contrast to a typical central service, a shared service center will include a specific focus on accountability to the customer. This is often in the form of service-level agreements, including clearly

defined and tracked metrics, an advisory board of customers and mechanisms for continuous process improvement. It is critical that the central office establish and deliver a rigorous training curriculum to avoid the potential for the development of two separate central entities — a situation that will create competing institutional priorities. In a corporate implementation, the payment mechanism for services is typically a key differentiator of central versus shared services, with units paying for shared services on a per-unit cost to align cost with use. In the absence of a fully costed, responsibility-centered management budget model, such an allocation may not be practical in the university setting.

In this model, staff reporting relationships may be established to report through the central office team. As this model is focused on the functional expertise of staff, such a reporting relationship emphasizes the opportunity to develop deep expertise, reporting to leadership who focus on the functional aspects of the positions. The advisory board and service-level agreements serve as a check on this functional focus and are critical to success.

Model 2: Multiple Regional Centers

A network of regional centers offers a balance between the efficiency gained by consolidating staff expertise with the opportunity to maintain relationships with the units served, acknowledging the uniqueness of the different departments served. In such a model, shared service center staff is often assigned to specific departments, may attend department meetings, and meet regularly with unit leadership and colleagues. Some degree of unit cross-training, combined with the standardization of processes and procedures, allows for back-up of staff members who are on leave or transitioning into the shared service center.

While staff are accountable to unit leaders (tracked though formal input into annual performance reviews as well as informal management communications between the department and the shared service center), staff members report through a separate reporting structure that focuses on the customer service aspect of the shared service center.

In this model, shared service center leadership is responsible for working with central offices to ensure that training and tools are available to staff to enable efficient and effective processing. At the same time, leadership must be working with unit leaders to ensure that shared service center staff members take a problem-solving approach to meeting their unit's unique needs.

As with a single center, service-level agreements and accountability structures are key enablers to the success of the multiple-regional center model. Metrics — such as transaction processing time and customer satisfaction with specific tasks — should be tracked and consistently reported. This reporting offers both a venue for leadership to identify opportunities for continuous process improvement as well as a transparent reporting tool to demonstrate the degree to which the shared service centers are meeting their objectives.

The shared service center leadership is also responsible for developing a network of staff among the shared service centers to ensure the sharing of best practices and the standardization of policies and procedures. While staff are typically located in a number of regional centers, it may be optimal for some staff members to remain located (or to spend significant time in) in specific units with reporting relationships through the shared service center.

Model 3: Service Pods

Many universities have existing “service pods” operating in individual departments and groups of departments. In such a model, staff members at the unit level have been organized around functional tasks, with responsibility for a narrower span of tasks than generalist peers, potentially serving multiple departments. These have typically emerged organically in response to staffing challenges, driven by unit leaders seeking the benefits of staff with deeper expertise. This model focuses on the unique needs of each customer and is typically found with reporting relationships to the unit.

While this model can offer advantages over the decentralized generalist model, the benefits are

marginalized by the distribution of staff, the lack of staff specialization and a commonality of processes and procedures. However, this model can offer an introduction to a regionalized model in the university environment, helping unit leaders to develop a comfort level with the concept of shared (versus owned) staff.

This model also offers the opportunity to strengthen consistency among processes and policies, develop a network of staff to provide back-up and deploy more standardized training across the university. Because staff typically retains reporting relationships at the unit level, this model requires only moderate change management to implement. However, this model also offers limited benefits related to efficiency and requires strong central office engagement and support to achieve the benefits of increased compliance and better service. Central offices can be used to drive common job descriptions and expectations, better train staff and provide increased workflow and use of technology. Yet reporting relationships remain aligned to units, limiting the ability to provide mentorship and career paths for staff members and reducing the opportunity to hold administrative staff accountable for the functional support they provide. Cost savings opportunities with this model are limited or non-existent.

Best Practices for Implementing Shared Services

There are many challenges to successfully implementing shared service in higher education. To succeed, leadership must pay close attention to both the design of the shared service center model and the change management require for a successful implementation.

During the design phase, the implementation team must pay careful attention to the model that balances the goals and objectives of the implementation with the realities of the university's culture and operating structure. As the design is refined, careful attention must be

given to transparently define both the roles and responsibilities of staff as well as the processes and policies that will be employed. As the model moves into implementation, leadership will be challenged by the ability to truly move the work—many units will attempt to continue to perform the work at the unit level unless forced to change through staffing or system-access changes. Further, as the shared service center stabilizes, the leadership and staff must deliver on the commitments made in the service level agreement in order to build trust with the units served.

Given the magnitude of the change and the challenges to success, attention must be given to key success factors:

- **Leadership support:** Universities may not be able to attain the significant cost savings realized by industry implementations of shared service centers; however, real cost savings can be realized.

The implementation of shared service centers is a daunting prospect for university faculty and PIs. Staff perceive the new organizational structure as a loss of staff and control and fear that they will not be adequately supported going forward. Further, struggling implementations have perpetrated the myth that this model does not work in a university setting. To succeed, both academic and administrative leadership must be unified in its support of the proposed model, providing a clear case for the realistic benefits that faculty and PIs can expect.

- **Clear attainable goals and objectives:** To succeed, leadership must manage campus expectations of outcomes. Savings goals must be realistic and should not be overemphasized. Those goals are only one component of the rationale for implementation. The transition to shared service centers will be bumpy: staff in both the units and shared service center must learn new roles, processes and systems.

While training and management can ease this transition, the learning curve must be acknowledged and communicated to the units.

- **Firm boundaries and a flexible implementation:** Each unit will perceive that its needs are unique. To be successful, the implementation team must have a firm design framework that applies to all units; however, when the needs of a unit truly are unique, the process and plans can be adapted to ensure that its needs are met.
- **Transition support on the both the shared service and department side:** While the transition needs of the shared service center are carefully considered, it is all too easy to overlook the magnitude of the change required on the department side. The role of the department generalist will change, with some responsibilities moving to the shared service center and some responsibilities requiring redistribution within the unit. Often, unit leadership lacks the organizational framework to undertake the redrafting of the organizational structure and job descriptions that are necessary to ensure smooth operations after the transition. In addition, some departments will require substantial change management support. A small transition support team that can be deployed as needed can be instrumental in ensuring a smooth implementation.
- **Communication and change management:** Once the model is developed, clear, constant and transparent communication is required for success. The implementation of shared service centers will heighten fear and anxiety on campus; staff members will worry about losing their jobs, learning new skills and developing new relationships; faculty, PIs and leaders will worry about decreasing service levels and increased workload. It is important for the implementation team to build a cadre of campus leaders to help communicate the benefits of the model, combat rumors and create two-way communication.

A University's Success Requires a Universal Commitment

Each university will design a shared-service model that suits it best. And while a clearly defined vision driven by strong leadership is necessary, it is not sufficient for a successful implementation. It is critical each institution determine the model that will best meet the goals of the implementation and fit the culture of the institution. Once the model is selected, leadership commitment and a relentless drive for incremental improvement are a must.

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