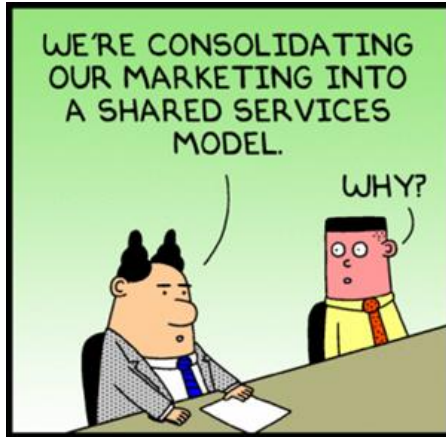




Shared Services in Australian Higher Education

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Trends in Shared Services



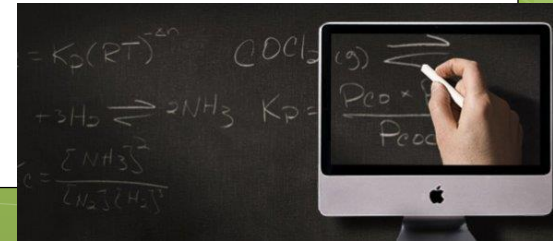
- Concept - mid 1980's.
- Functional Drivers – Finance, HR
- "Cost **savings of 20%-50% on processes in scope** (Hfs-PWC report June 2012)
- "Today's business environment, **9/10 enterprises have shared services**". (Hfs- PWC report June 2012)
- **increase in scale** and up the value chain
- **austerity agenda** : Shared Services is moving from opportunity to necessity.
- Very important now in the **Public Sector**.

Trends in Shared Services (continued..)

- Technology options continue to grow
- Across all industry sectors
- Adapted** to each organization's unique requirements
- More focused** - key support for enablement and delivery of business strategic goals
- more **end-to-end "wing-to-wing" process focused**
- "Big data"** and **Data Analytics** now a key "output"
- biggest concern - needing visibility and control** – the "classic" centralized vs decentralized dichotomy

Why Higher Education

- Competitive marketplace
- Scarce resources
 - Thus need effective leaner structures
(Chazey Partners 2014)
- escalating cost-containment pressures
(Accenture, September 2013)
- Help close the budget gap, increase efficiencies and provide better service - future viability





“higher education is in crisis”.

- TIME magazine and Carnegie Corporation 2012 survey
- 96% of the American public and senior administrators at US colleges and universities

Australian Context

May you live in interesting times.... (Chinese curse)

Sector challenges

- Continued Funding cuts or threat of
- Competition - expansion of private providers
- Moving at pace
- Move to different delivery modes
- Diversity of students – reliance on international student markets
- International markets changing
- The student experience and retention
- Students as customers

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Response

Transformation

- Financial efficiency
- Streamlined processes – avoid duplication
- Reduced admin
- Capture and leverage 'best practice'
- Improve student experience
- Improve service



Meeting the Challenge

- Turning to business models
- Thus **shared services**



“I see shared services as something that is inevitable,”

“It’s the next logical influx of thinking in the business world brought into higher education.”

(Rowan Miranda, Associate Vice President, Finance at the University of Michigan)



What's in a name?



Shared Services Definition

- 'the concentration of resources performing like activities spread across the organisation in order to service multiple internal partners at a lower cost at higher service levels thereby enhancing corporate value'

Schulman, Dunleavy, Harmer and Lusk (1999)

Shared Services is the organization that...

**Employs a
specialist team**

**Geographically
unconstrained**

**Client-
focused**

Providing services that are...

High quality

Non-core

**Repetitive or
professional**

High efficiency

Lower cost

**Mission
critical**

Achieve by leveraging...

**Organizational
realignment**

Technology

Standardization

**Best
Practices**

Shared Services vs centralisation

Attribute	Shared Services	Centralization
Accountability	Business Unit	Corporate
Key Performance Target	Service excellence and continuous improvement	Cost reduction and central control
Service Partnership Agreements	Widespread	Rare
Responsibility	Partnership	Demarcation

Decentralised

Challenges

- Disparate processes
- Multiple standards
- Duplication of effort
- Different control environments
- High cost and costs unclear across the business
- Not scalable

Shared

Benefits

- Responsive to Business and Operational needs
- Business/ Operations control decisions
- Customized solutions to meet Business/ Operational requirements

- **Highly client focused**
- **Commercially driven**
- **Service Partnership Agreements**
- **Clear unit costs**
- **Flexible delivery**
- **Clear understanding of drivers and activities**

Benefits

- Common systems and support
- Consistent standards and controls
- Tight control environment
- Economies of scale

Centralized

Challenges

- Remote from business
- Unresponsive and inflexible
- No Business/ Operational control over costs
- Viewed as central overhead
- Prevalence of shadow operations

Characteristics

CUSTOMER
FRIENDLY
SUPPORT
INNOVATIVE
POSITIVE
PRECISE
TIMELY



Shared Services Models

- Usually 4 models, (Quinn, B, Cooke, R and Kris, A., 2000)
- **Basic**
 - Consolidation of transactional processing – Finance, HR, IT
 - Drivers – cost reduction
 - Focus on client interest
- **Marketplace**
 - Extends basic – includes professional and advisory services – business analysis, legal, materials management
 - Principle: internal consulting company, customised products, additional cost but not mandatory to use



Shared Services Models



- **Advanced Marketplace**

- Provide internal clients with the choice of the most effective supplier for cost
- Internal services charged back to the at market rates
- Competition: internal and external, limited commercialisation of internal services

- **Independent Business**

- Evolve to compete commercially and provide to external



Activity Classification

Type of Activity	Characteristics	Examples
Transactional & Administrative	<ul style="list-style-type: none">• Results more quantifiable• Processes benefit greatly from standardization, automation and technology• Clear linkage between effort and results (outputs generally experienced in short-term)• Generally not client-facing	<ul style="list-style-type: none">• Accounts payable• Payroll• IT service desk• Fleet management• Facilities management• Mailroom
Professional & Technical	<ul style="list-style-type: none">• Results are more qualitative• Standardization, automation and technology have less of an impact• Relationship between effort and results is not as clear (medium-term perspective)• Generally requires interaction with client	<ul style="list-style-type: none">• Procurement advisory• Recruiting/staffing• IT applications• Health & safety• Space planning• End user training
Policy & Strategic	<ul style="list-style-type: none">• Distant relationship between effort and results (long-term perspective)• Standardization, automation and technology are not significant factors• Clear linkage to strategic goals of organization	<ul style="list-style-type: none">• Signing authority policy• Business & strategic planning

Critical Success Factors (CSF's)

Client

- Service orientation in place
- Structured way of dealing with customers
- Customer satisfaction levels understood
- SPAs in place
- Reality versus perception
- Account management

Process

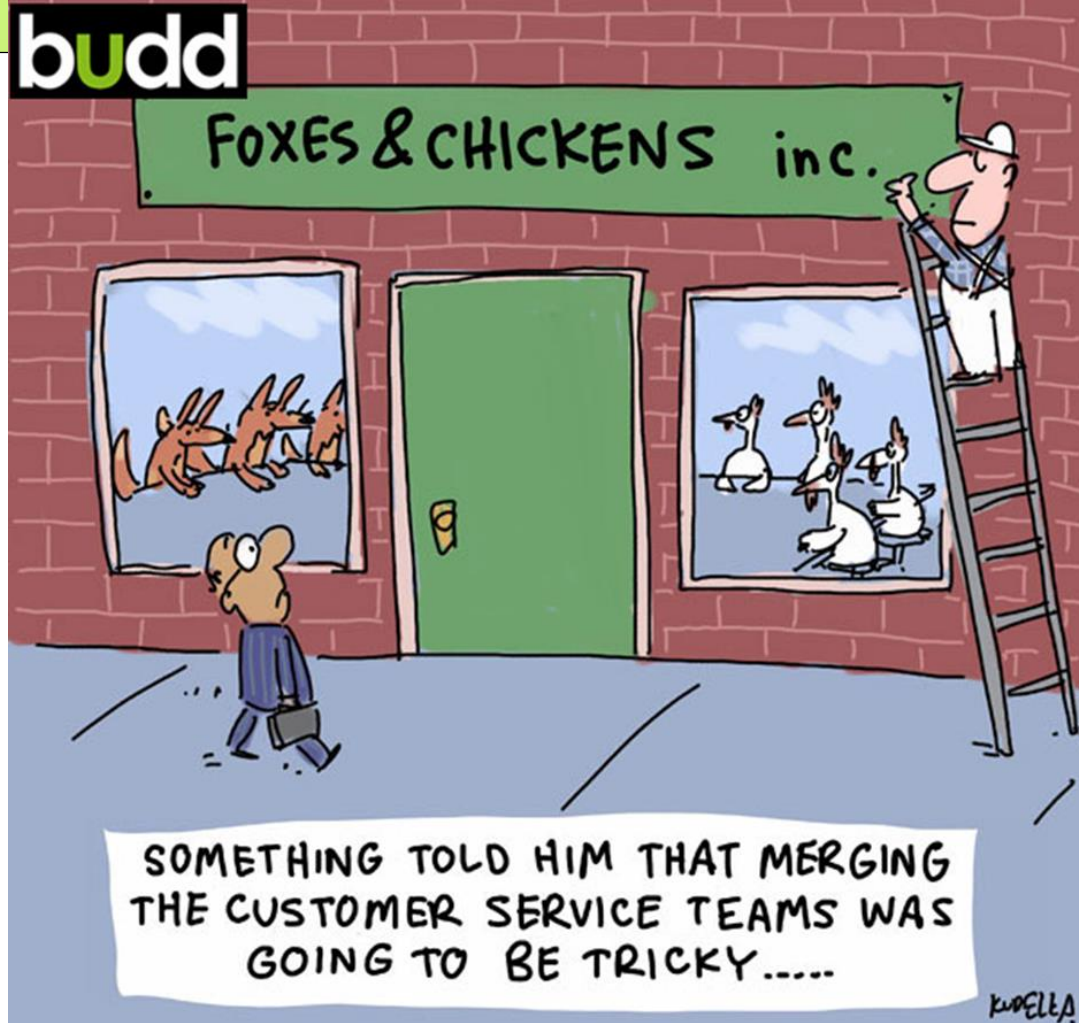
- Processes documented
- Standardized, controlled & repeatable activity
- Recharging methodology
- Benchmarking – internal/external
- Metrics: Control Based; (ii) Efficiency & Effectiveness

Technology

- ERP implemented
- Document Scanning Solution
- Workflow
- Automated Payments
- Elimination of Side Systems
- Self services tools
- Automated Score Cards

People

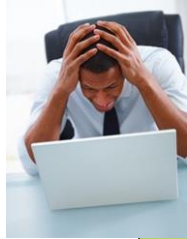
- Skilled Leadership in place – do not compromise on competencies
- Team shape & stability – process shaped/spans of control/staff – perm v temps
- Team members – culture, values & behavioral competencies assessed
- Team morale, reward & retention
- Working environment conducive to team working



Problems with Shared Services

1. Not measuring costs or service levels before a move to shared services
2. Not documenting processes and work streams pre- implementation
3. Not focusing sufficiently on the transition period
4. Not having a robust project plan clarifying employee resources
5. Fighting the battles of yesterday, not those of tomorrow

Liddell, J (2012)



Problems cont..

6. Becoming bogged down standardizing technology and processes pre-implementation
7. Believing that “it’s already a centralized process: there’s nothing we should do”
8. Having no, or inadequate, risk management or monitoring
9. Omitting the “make versus buy” equation
10. Not working with the client on their needs



Liddell, J (2012)

Recent backlash from Faculty at the University of Michigan highlights the importance of engaging key stakeholders and internal customers at the beginning of the initiative and providing open communication channels throughout the entire process

(Chazey Partners 2013)



What am I doing?

- Explore the perceptions of effectiveness of shared services in the Australian higher education context.
- Specifically consider:
 - the drivers and benefits
 - What universities have been doing as regards shared services and the move towards required efficiencies
 - perceived levels of efficiency
 - Frameworks which can be adapted to fit the Australian Higher Education sector (possible development)





Small scale study



Findings

- Drivers
- Inconsistent frameworks
- Poor understanding
- Reviews of delivery in silos rather than a uniform approach
- 2 different focuses



Findings ...

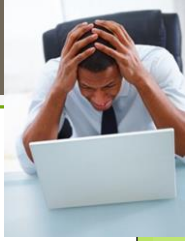


- Low hanging fruit - Finance, HR and IT services (Basic)
- Meeting staff and student requirements – (high touch/low touch) (marketplace)
- Technology essential balanced with personal approach
- Communication an issue (staff resistance, IR, change)
- Often more centralisation (should be an element of it)
- Duplication

Findings

- Research into the best approach for the provision of services was not evident from the interviewees
- Regional and/or small campus issues – community provision
 - Use of specialist-generalists as well as funding constraints
- What we do depends on the leader we have
- *Literature supports...*





Problems with Shared Services

1. Not measuring costs or service levels before a move to shared services ✓
2. Not documenting processes and work streams pre- implementation ✓
3. Not focusing sufficiently on the transition period ✓
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Problems cont..



6. Becoming bogged down standardizing technology and processes pre-implementation

✓

7. Believing that “it’s already a centralized process: there’s nothing we should do”

✓

8. Having no, or inadequate, risk management or monitoring

✓

9. Omitting the “make versus buy” equation

✓✓

10. Not working with the client on their needs

Liddell, J (2012)

Guiding Principles – Operating Model

Addresses

Ensure each function is considered individually from an end to end operating model perspective as well as its interfaces with other functions

Eg/ Finance, HR

Consistency of approach
Standardisation
Interface

Premise the design on the services at the university and Faculty level. (understand the business)

Except where the function is

- Unique and critical to a school or centre
- Provides no benefit in aggregation

Special needs based on campus/
community/size /mission

Ensure shared services consider the impact of:

- Scalability and leverage
- Affordability of IT systems, processes and operations
- Client business: compatibility of client base and requirements
- Service features: the specific nature of the service /function
- The economic, capability or strategic benefit

- Size, interaction, specialist generalists
- Technology solutions
- Funding driver
- Differing needs of client cohorts
- End to end process and standardisation
- Cost benefit

Guiding Principles – Operating Model

Addresses

Allow resources providing Corporate and Shared Services to be physically located based upon:

- The nature of the service provided and ability to be leveraged
- Client proximity requirements
- A more remote model where services can be delivered to anybody, in any location from anywhere and still achieve direct customer service and service intimacy outcomes (includes self service and automation)
- Possible geographical aggregation
- Availability of local skilled labour

- Use of staff and reduction in duplication
- High touch requirements
- Small/regional campuses or departments
- Technology
- Campuses in close proximity
- Specialist-generalists

Ensure Corporate and Shared Services are standardised as much as possible with a tailored front end and comprise:

- Standardisation and consolidation of common functions and tasks
- Clear service engagement model and contact points
- Transparent service, performance and (if applicable) billing/pricing systems
- Client facing relationship, planning and subject matter expert capability
- Enable multi-skilling of resources to assist in the front-line as required

- Standardisation
- Efficiency
- Client/stakeholder engagement
- Performance
- Specialist-generalist
- Hi touch
- Low touch

Guiding Principles – Operating Model

Addresses

Undertake a 'purchaser/provider' model but embrace a partnership culture

Include all layers in decision and issue resolution and as close to the service as possible

Provides a 'working together' and solutions based approach rather than imposition of services that may not fit a particular circumstance eg/ small campus

Provide clear contact channels and a focus on 'getting it right the first time' by:

- Having the right location, person and process
- Standard proven technology model and support
- Dynamic service development

- the regional and small campus issues
- the need for use of technology
- need to change based on client and location requirements

Immerse all in a service excellence culture which has:

- Client intimacy
- Understanding of client business
- Quality service
- Responsiveness to client needs

The need for some face to face services which may be dependent on location

Guiding Principles – Operating Model

Addresses

Drive the standardisation of processes, systems and service levels.

Temper this however with the impact on clients

Small/regional campus client needs

Explore where standardisation may link with other areas for further improvement

- Client intimacy
- Understanding of client business
- Quality service
- Responsiveness to client needs

- Breaks down silos
- Further efficiency

Ensure clarity of roles with clear functional and service decomposition

- De-composition – unpack the composition of the service and the requirements
- Clearly articulate roles and responsibilities and points of hand off and decision making

Location and requirements eg/ small campus, Ability to provide higher touch if needed

Ensure services are supported by skilled and capable staff providing the services

- Provide mobility and ongoing development and career paths

- Specialist-generalists and training for same

Guiding Principles – Operating Model

Addresses

Enable Faculties, schools and departments to manage their businesses effectively through:

Transparency
Direct access to timely, accurate, analysed data and information
Providing the ability to interrogate information directly

Reducing duplication through direct access which can be undertaken on an as needed basis – through technology

Enable and support continuous transformation and improvement through:

Aligning users with the agreed levels of service and updating as required – a robust customer engagement model
Providing standard service delivery taking into account the need for customer intimacy
Regular contribution by those within the shared services model

- Location
- High touch vs low touch and where required
- Small/regional campuses
- Staff contribution

Provide commercially sound management of the shared service operations

Eg/ capital and people management

- Overview of costs, savings and maintenance

Drive end to end accountability with:

Single point end to end process accountability
Success measures driven by the client
Clear information about patterns of usage and ability to reduce costs

- Costs
- Efficiency
- Standardisation
- Client focus

So...



- A revolution in service models
 - Centralisation vs decentralisation circle
 - Standardisation
- But:
 - Need to define what shared services is for you
 - Technology, people are key – Communication
 - Need to address outlier campuses and other differences (client needs)
 - Planning is key – processes, KPIs, holistic thinking, purpose, model
- **One size does not fit all**



