



# Shared Services at UW-Madison

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## Observations, Definitions and Recommendations

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Final Report**

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**Background**

After many years of discussion and with a few models tested at UW-Madison, the Administrative Council (AC) decided to more seriously explore shared service opportunities for campus. It chartered a working group on March 26, 2015 to research current models and propose a strategy for realistically moving shared services forward for those UW-Madison schools/colleges/divisions which are ready.

The deliverables established for the team included:

- A summary of benchmarking and best practices at other universities and within UW-Madison. This could include metrics such as ratios of staff to those served, a summary of offered services and the impact of geography on success.
- A proposed set of alternatives for shared services at UW-Madison.
- A strategy for implementation. Pilots could be established with units ready to move forward.

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In addition, AC members asked for a number of items to be considered by this Workgroup including:

- Centralization of some functions
- Staff competencies and training
- Collaboration/communities of practice
- MOUs
- Case studies

The working group included:

Diana Allaby, College of Letters & Science  
Marianne Bird Bear, International Studies  
Alice Gustafson, Administrative Process Redesign  
Martha Kerner, Business Services  
Carla Raatz, Office of Human Resources  
Angela Seitler, College of Agricultural and Life  
Sciences George Watson, Office of Quality  
Improvement

### **Project Methodology**

Prior to the first meeting, team members received reading materials which described various shared service centers across the national higher educational landscape, including a report from the Educational Advisory Board (EAB). Team members discussed these materials at the first two meetings and captured their observations and insights for future reference.

The team then developed a work plan which included the development of a shared services definition for UW-Madison, an initial list of campus units with shared service centers, a set of questions for interviewing these same units, a summary of the research and readings, and the development of models and metrics for use by campus.

Interviews were conducted with campus units, each associated with a different model of shared services, and a summary of the information and observations was created. A definition of shared services was drafted by a subteam, and then reviewed and accepted by the larger work team. In addition, one member gathered information about the University of Michigan's new shared services center through a presentation at a large national conference in July 2015.

The work products of the team are captured within this report.

## **External Benchmarking Summary – Publications and Other Institutions**

### **Overview**

The Administrative Council (AC) Shared Services Workgroup reviewed publications from four organizations that conducted research regarding shared services practices and experiences: (1) Chazey Partners; (2) The Analytical Yield; (3) Education Advisory Board; and (4) University Business Executive Roundtable. The Workgroup found that the publications and research represented varied approaches.

- (1) Chazey Partners provided a general, high-level example of a shared services roadmap, timeline and deliverables to be considered at implementation. These deliverables included effective project management, a steering committee and governance, a detailed implementation plan, and change management plan.
- (2) The Analytical Yield analyzed performance gaps pertaining to general accounting processes (i.e., journal entry posting, intercompany transaction reconciliation, general ledger account reconciliation, and trial balance preparation) and concluded that productivity and cycle time performance were higher in the organizations using a shared services model.
- (3) The Education Advisory Board's research focused on specific administrative functions, such as:
  - Purchasing (e.g. ways to negotiate lower pricing from vendors);
  - Accounts payable (e.g. the benefits of electronic invoicing and reduced staff time with self-service portals);
  - IT consolidation (e.g. the benefits of common service and product offerings); and
  - Facilities planning (e.g. the benefits of redesigning service delivery based on physical zones and energy savings from recommissioning space.)
- (4) The University Business Executive Roundtable (UBER) profiled four institutions and defined shared services as a single provider that absorbs transactional activity -- in human resources, information technology, finance and procurement -- previously performed by generalist staff across campus. The institutions implemented a spectrum of shared services models, all intended to smooth transition away from a generalist model into a more consolidated, and specialized support structure. UBER highlighted the following:
  - The University of California-Berkeley consolidated administrative services into an existing high performing multidisciplinary institute and allowed other institutes to opt into their services.

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- The University of Illinois at Urbana-Champaign started by consolidating units reporting to the Provost, aiming to establish a proof-of-concept highly visible to faculty and academic staff.
- Ohio University migrated certain business services with high transaction volumes, such as accounts payable and travel expense reimbursements, within the chief business officer's control span.
- The University of New Hampshire consolidated administrative support functions into distributed business service centers that served regions across campus.

In addition to reviewing publications, the AC Shared Services Workgroup reviewed reports prepared by five individual institutions/organizations: (1) Stony Brook University; (2) University of California-Berkeley; (3) University of Michigan; (4) University of Texas at Austin; and (5) the State of Ohio.

- (1) Stony Brook University formed a University Senate Administrative Review Committee which was charged with gathering and analyzing data obtained from other institutions of higher education that have implemented shared services models. The institutions analyzed were the University of Michigan, University of California-Berkeley, University of California at Santa Barbara, Cornell University, University of North Carolina, Yale University, and the University of New Hampshire.

The Stony Brook Review Committee grouped its observations into the general categories of motivation, implementation, and evaluation. In summary, the Review Committee found that the primary motivation for implementing shared services models was to address budgetary concerns and reduced financial support of the institutions. Additionally, the implementation among institutions involved mostly specific administrative functions and fewer academic functions. In terms of evaluating the success of the shared services models, the Review Committee found that some institutions reported tumultuous implementations while others reported a sense of cost savings and customer satisfaction, but there was limited data to substantiate the savings or measure satisfaction.

- (2) The University of California-Berkeley prepared a *Design Phase Business Case* that identified the common challenges of operating in a highly distributed and decentralized approach. A Shared Services Design Team then recommended grouping major functions (information technology, human resources and finance) that had been delivered by more than 200 units and 2,000 positions on campus into new shared services centers. The Team also identified specific criteria necessary for forming a shared services center such as financial savings, improvements in workflow, significant economies of scale, improved service quality, improved regulatory compliance, and clearly defined career paths for staff.

The University of California-Berkeley also prepared a *Pre-Implementation Roadmap* to help campus units transition to a shared services center. Included in the roadmap was

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information to address staffing changes and reorganization, service quality, service level agreements, training, funding model, technology transition, physical relocation, communication and change management planning.

To facilitate the implementation of shared service centers, the University of California-Berkeley created a 23-person Campus Shared Services (CSS) Implementation Team.

- (3) According to the University of Michigan's current website, its Shared Services Center offers select finance and human resources transactional services to the entire campus by combining these transactional services from colleges, schools and administrative units into one operation.

The finance services provided are:

- Accounts payable payment processing
- Vendor management
- Invoicing
- Accounts receivable payment processing
- Collection
- Customer record management

The human resources services provided are:

- Faculty/staff appointment transactions
- HR data reporting
- Employment verification
- Benefit enrollment changes
- COBRA administration
- Fellowship/Medical School eligibility upload process support

In addition, at the 2015 Annual Conference of the National Association of College and University Business Officers (NACUBO), executives from the University of Michigan shared their experience in planning and implementing the Shared Services Center. The planning, data collection and analysis for the project began in 2011, a consultant was hired (Accenture), and notices to campus employees about the consolidation of services into a single work unit were completed by 2013. At the end of 2013, due to widespread campus opposition, the executive sponsors decided to "pause" the project. In January of 2014, the project was restarted, but in phases (waves) and with additional faculty and staff engagement. Wave 1, which was comprised of accounts payable and accounts receivable payment processing and a HR call center, went live in August 2014. Wave 2, which is comprised of HR transactions, FMLA, Visa and I-9 processing, is expected to go live later in 2015.

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- (4) The University of Texas at Austin prepared a *Business Case* that provided projections of the financial impact of implementing shared services in conjunction with a supporting ERP technology replacement over a 12-year period. The University projected that, once implemented, shared services and the administrative systems replacement were expected to produce annual net benefits of approximately \$30-\$40 million annually, while requiring an initial investment of \$35-\$40 million. Savings were projected as coming from an approximate \$36 million reduction in administrative staff (approximately 500 FTE) and an approximate \$4 million savings in procurement spend. On its own, the shared services implementation was expected to accrue net benefits of \$220 million by the twelfth year.
- (5) The State of Ohio produced a high-level document that defined shared services for Ohio state government (i.e., common transaction processing for state agencies and business vendors with an emphasis on customer service), described the governance structure, and outlined the business case for doing so (i.e., economic recession, reduction in state government positions, and impending workforce retirements).

As a result of reviewing the publications and reports discussed above, the AC Shared Services Workgroup concluded that there appears to have been both positive and negative experiences with shared services models and implementations. Additionally, the Workgroup observed that shared services were formed for varying reasons, there was not uniformity in the types of functions that were combined into share services units, and the definition of shared services differed among institutions.

The Workgroup also found it helpful to read about other schools' business cases or implementation plans for shared services models, however, there was little information available to help understand the actual experience or results of the implementations. Furthermore, as described further in the Metrics Section later, the savings and benefits of forming shared services units were often projected or illustrative, with little actual data reported that substantiated those savings or benefits.

### **Best Practices / Lessons Learned from External Organizations**

Both the publications from organizations that conducted research and the reports from individual institutions/organizations identified best practices (or recommended strategies) and lessons learned from shared services implementations, such as:

- Rather than pursue “big bang” consolidations, design multi-year plans to migrate service delivery and staff to more specialized models.
- Avoid top-down approaches or campus-wide mandates of consolidations of support services.
- Create pilot structures, measurements and incentives that specifically address the barriers and inefficiencies of decentralized generalist staff support.
- Present concrete data within the institution on current process inefficiencies.

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- Provide plenty of advanced notice of any shared service migration plans, and follow-up with continual and transparent information.
- Allow for job reclassification and training for staff within new shared services units.
- Provide service efficiency gain-sharing, such as providing department heads incentives to participate by providing a tangible portion of any savings.
- View shared services not as an end unto itself, but as an organizational model most likely to achieve and sustain success.
- Begin by piloting shared services units within the chief business officer's control span.
- Exercise caution about simultaneously implementing standard processes and the automation of those processes (the University of California-Berkeley did so and appears to be in turmoil according to the report by Stony Brook University).
- Ensure shared services units are sufficiently resourced to meet a plethora of local demands. At the same time, distinguish between variations that are truly necessary and those deriving from precedent or local preference.
- Don't equate physical proximity with service quality.
- Recognize that the migration to shared services units carries transition costs.
- Engage faculty and sell faculty on service quality enhancements, not just cost savings.
- Develop Service Level Agreements (SLAs) with metrics and guarantees that customers will receive better service than before, and at no extra cost.
- Develop mechanisms to monitor performance and review ongoing efficiency gains.

### Metrics

The organizations that conducted research regarding shared services practices and experiences emphasized the importance of metrics to demonstrate savings, evaluate transactional staff performance, and identify areas for continued process improvements. Shared service centers were also encouraged to quantify the volumes, labor intensity, and the amount of time needed to resolve support requests.

For example, the University Business Executive Roundtable identified numerous key performance indicators (KPIs) which institutions could utilize in the areas of human resources, finance, information technology, and procurement. A few of the KPI's mentioned were cost/time to hire new employees, expense report error rates, help desk resolution time, and percent of purchases on contract.

At the same time, the publications and reports acknowledged that institutions often lacked mechanisms for selecting and tracking core metrics. The institutions were also unsure how to organize and evaluate data systematically even when the data existed.

Finally, and as noted earlier, the metrics that were described in the publications and reports were often projected or illustrative, with little data that reported on actual experience or results. The few institutions that did provide data on actual results of shared services

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implementations reported cost reductions in the number of administrative staff, primarily through attrition over a period of time.

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## **Definition of Shared Services at UW-Madison**

The Administrative Council (AC) Shared Services Workgroup reviewed and discussed a range of existing definitions from external organizations. While helpful as a starting point, the Workgroup felt that some of the definitions were too narrowly focused to adopt for UW-Madison.

Based on this research, as well as interviews and campus experience, the Workgroup proposes the following definition for UW-Madison:

**Proposed Definition of Shared Services at UW-Madison**

A shared service describes collaboration between two or more campus units that leverages professional knowledge / expertise and achieves economies of scale by combining similar nonacademic / administrative functions or activities into a common service delivery unit.

- Campus units may be defined as two or more schools or colleges, academic departments, administrative units, auxiliary units, research centers, or any combination of these.
- A shared service does not necessarily mean a unit is centralized.
- A centralized office may have many of the qualities of a shared service center.

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## **Observations of UW-Madison Campus Shared Services**

### **Overview**

Interviews were conducted of administrators and staff in nine administrative, academic and auxiliary units that have shared services. The provided services varied and included multiple functions, such as human resources, payroll, finance, IT and student services.

### **Best Practices / Lessons Learned at UW-Madison**

Based on the nine unit interviews, the Workgroup identified the following points of note:

- Physical location proved to be a critical factor for those working in a shared service unit. It was consistently stated that it was more important for those working in the shared service to be near each other than to have the shared services staff located near the customers being served.
- Training was generally provided by unit staff, through campus meetings and campus training programs. One unit has developed a 44-module training program for staff which included online course material and assignments which must be completed correctly for the staff to be certified to work in an area.
- Stakeholders should be involved in implementation, development of written guidelines, defining clear expectations, identifying staff with expertise, and ongoing communication to ensure successful shared services.

### **Metrics**

Relatively few data points were identified through the interviews, however analyzing the few measures did offer some information. For example, it appeared the budget for shared services on campus averaged about \$42,000 per employed FTE.

The number of units served by a shared service ranged from 3 to 21 units. The size of the shared services vary greatly, ranging from 1 to 18 staff and serving 27 to 400 staff. It is possible the variation in staff to employees-served ratio is due to the fact that some shared services offer one functional area of support while others provide a wider range of service.

Only one unit gathered a set of metrics, but almost all units reported the quality of work was quite high, that consistency was improved, and there were few if any complaints from those served. In addition, accuracy and timeliness improved.

Cost savings ranged from no savings to savings in process time. Two units indicated they decreased the

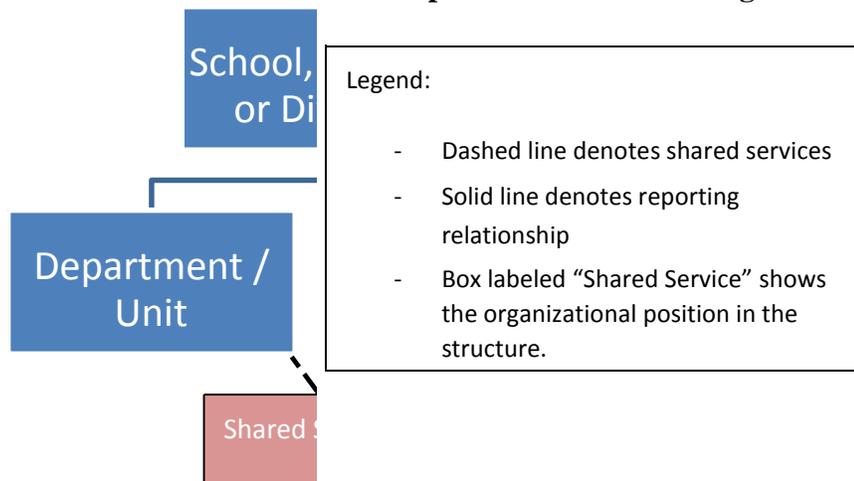
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number of required FTEs but most noted that reductions in staff would come through attrition and it may take time for this cost savings to be realized.

### Proposed Models and Metrics

The following diagram depicts shared service models found during the campus interviews by the project team.

#### Shared Service between Two or More Departments within a Single School, College, or Division



Examples include:

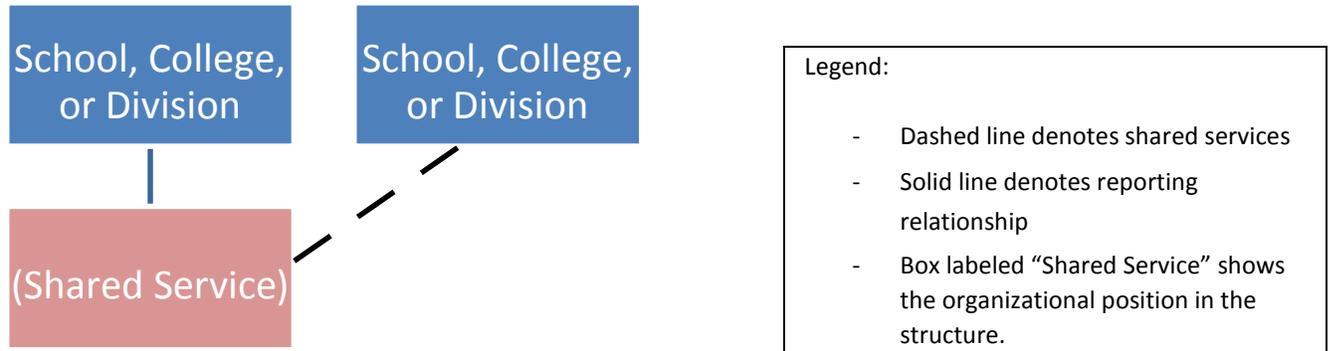
- CALS (Sponsoring College) o Russell Labs Administrative Shared Services
- L&S
  - o German, Slavic, and Scandinavian Financial Shared Services
- L&S
  - o Van Hise Business Office Shared Services
- L&S
  - o All Departments Business Office Shared Services

Rationale for Creating Shared Service:

- Increased efficiency
- Building-wide support
- Place expertise near units
- Assist with backup coverage during vacancies
- Creation of specialized positions after merger

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**Shared Service between Two or More Schools, Colleges or Divisions**



Examples include:

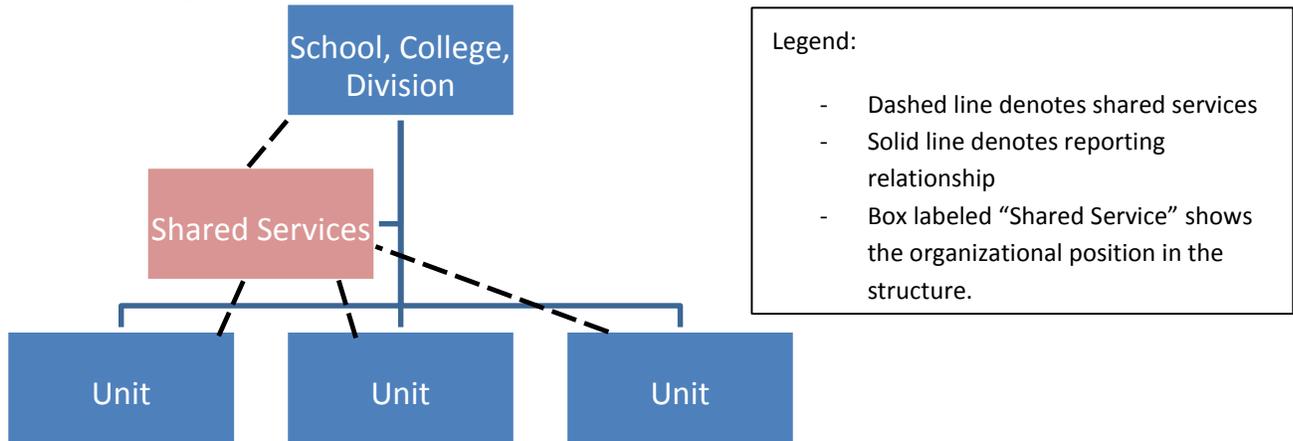
- OHR, Business Services, and RSP (Divisions) ○ 21 N Park Administrative Shared Services
- Chancellor and Provost Central Offices ○ Bascom Business Shared Services (HR/Accounting)

Rationale for Creating Shared Service:

- Increased efficiency
- Building-wide support
- Used to address workload and turnover issues
- Provide support to RSP who was still receiving it from the Grad School
- Improve consistency
- Demonstrate success of shared services within VCFA

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**School, College, or Division Provides a Selected Service and Same Service for all Sub-units**



Example:

- Housing ○ Human Resources Shared Services
- Law School central office ○ Provides full administrative support to all of Law School

Rationale for Creating Shared Service:

- Better service for staff
- Increased efficiency
- Improve consistency

## Strategy for Implementation

The Workgroup did not find a single model of shared services to recommend to campus. Instead, it appears a range of possible approaches are available, and each campus unit could select the model which best meets its goals and work responsibilities.

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The Workgroup proposes one or more units could serve as monitored pilots. The implementation of each would be tracked and the strategies, tools and measures then offered to others as a resource.

The following lessons learned from other organizations could serve as a guide for the pilot units at UWMadison.

- Engage all staff within the work unit while the service center is being designed and transitioned. This will decrease, if not eliminate, much of the concern of faculty and staff.
- Use attrition for reducing the staffing in the shared service center. It will take longer to achieve savings but significantly reduces the angst of staff.
- Establish at least a few metrics for follow-up measurement. This is particularly useful if there is little data to guide your initial assumptions about staff ratios, cost savings and improved efficiencies.
- Keep the shared services staff members geographically close to one another. It appears this is more important than keeping the staff close to the customers they serve.
- Creating a written agreement provides a mechanism for clarification of expectations, building understanding, and establishing the roles, accountabilities, budget, and scope.
- Focus on developing staff with the needed expertise and competencies to be successful. The concept of credentialing in targeted areas is gaining momentum – especially in the human resources and the financial areas.
- Ensure the shared service meets the appropriate requirements for separation of duties.

### **Appendix A – Charter**

Note: This document may be viewed in Box at:

<https://uwmadison.box.com/s/ukjgzx6btx5gmnavb93h7a8zkvb9ywm>

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UW-Madison  
Administrative Council Shared Services Charter

<b>Project Name</b>	Shared Services Strategy	
<b>Executive Sponsor(s)</b>	Administrative Council	
<b>Process Owner(s)</b>	Participating Schools and Colleges	
<b>Problem Statement</b>	After many years of discussion and a few models tested at UW-Madison, the Administrative Council is serious about exploring shared service opportunities for campus. With dramatic budget cuts in the near future, shared services may be one solution for continuing administrative service with fewer resources.	
<b>Goal</b>	To research current models and propose a strategy for realistically moving shared services forward for those schools/colleges/divisions which are ready at UW-Madison.	
<b>Deliverables</b>	<ul style="list-style-type: none"> <li>• A summary of benchmarking and best practices at other universities and within UW-Madison. This could include metrics such as ratios of staff to those served, a summary of offered services and the impact of geography on success.</li> <li>• A proposed set of alternatives for shared services at UW-Madison.</li> <li>• A strategy for implementation. Pilots could be established with units ready to move forward.</li> </ul>	
<b>Considerations</b>	AC members asked for a number of items to be considered by this work team including: <ul style="list-style-type: none"> <li>• Centralization of some functions</li> <li>• Staff competencies and training</li> <li>• Collaboration/communities of practice</li> <li>• MOUs</li> <li>• Case studies</li> </ul>	
<b>Team Members</b>	<b>Team Role</b>	<b>Home Organization</b>
Marianne Bird Bear Martha Kerner Angie Seitler	Leadership, guidance and liaisons to Administrative Council	International Studies Business Services CALs
Diana Allaby Carla Raatz	Large School/College representative Office of Human Resources representative	L&S OHR
Alice Gustafson George Watson	Project management and functional/technical support	APR and OQI
<b>Project Timeline</b>	Anticipate the project will take 4-6 weeks	
<b>Date this Document was Last Updated</b>	2.12.15 apg, 2.23.15 apg, 3.31.15 apg (revised per AC feedback and added team members)	
<b>Date(s) Approved by Executive Sponsor</b>	Approved for AC review by VCFA Bazzell 2.23.15 Endorsed by AC to proceed 3.26.15 Final Report Endorsed by AC – 10.8.15	