Huron Education

University of Minnesota

Administrative Services Benchmarking and Diagnostic Study

June 12, 2013

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Context and Study Objectives

External Landscape

NEW CHALLENGES AND OPPORTUNITIES

Huron Education

Financial constraints, new operational demands, and the changing educational landscape are increasing pressures on University resources.

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)
- 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.

Questions regarding the University's current use of resources prompted a review of administrative functions.

Scope and Objectives

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Huron Consulting Group (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 UMN

The study was a review of these functions, not an organizational assessment of central campus offices.

Relationship to Other UMN Studies

HuronEducation

The Administrative Services Benchmarking and Diagnostic Study is one of three ongoing consulting efforts at the University.

Spans and Layers

Spans and layers analysis focuses on organizational structure by examining the number of direct reports managers and supervisors have at each level of the organization. The goal of the analysis is to identify opportunities to streamline and simplify the University's organizational structure.

The spans and layers analysis has been completed for central units. Analysis of the rest of the University is underway.

The Spans and Layers analysis is being performed by Sibson Consulting.

Job Classification System Redesign

UMN is seeking to review and redesign the University's job classification system and complete outstanding job family studies that the University has undertaken over the past few years. The goal is to create a more effective, consistent job classification and compensation program.

UMN is in the process of selecting a vendor to support the project.

Administrative Services Benchmarking and Diagnostic Study

This study focuses on the resources used to support four functional areas: finance, procurement, human resources, and IT. The goal is to identify opportunities for improving efficiency and effectiveness. The study incorporates comparisons with other institutions and leading practices as well as analysis of internal data.

The study took place from March through May 2013 with a final report to be submitted to the Minnesota State Legislature.

The study is being performed by Huron Consulting Group.

While the three studies are being performed independently and provide different perspectives, the University intends to use their results together to inform future decision-making.

Study Approach

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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 (Non-Collegiate) Units
External	Custom Peer Surveys (UMN Standard Peer Set – see page 166)
	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 UMN.

Benchmarking in Higher Education

COMPLEXITY AND CONTEXT

Huron Education

Benchmarking large public research universities must be supported with careful analysis and a consideration of context.

Issue	Description
Identifying Peers	▪ Institutions vary extensively in their strategies at both the institution and unit level ▪ Use of technology, organizational structure, staffing/talent, and business process design all impact efficiency and effectiveness – identifying the relevant factors can be challenging
Levels of Service	▪ Staffing and investment ratios do not reflect the levels of service, degree of compliance, or end-user satisfaction provided by an institution's supporting functions ▪ Institutions vary in terms of their needs and priorities
Distributed Activity	▪ Unlike many corporate environments, administrative activities in most higher education institutions are highly distributed, and administrative staff often report directly to local deans/directors. ▪ Many institutions lack detailed data on distributed administrative functions ▪ Many institutions cannot easily calculate the costs of end-to-end processes
Inclusion/Exclusion	▪ Organizational lines do not exactly align with functions (e.g., Sponsored Projects Administration includes Accountants) ▪ Administrative functions are sometimes supported by a university system or state office
Uniqueness of Higher Education	▪ Federally-funded sponsored research drives administrative complexity ▪ Public universities often run their own auxiliary and infrastructure operations

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

Summary of Results

Overview

CURRENT STRENGTHS

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

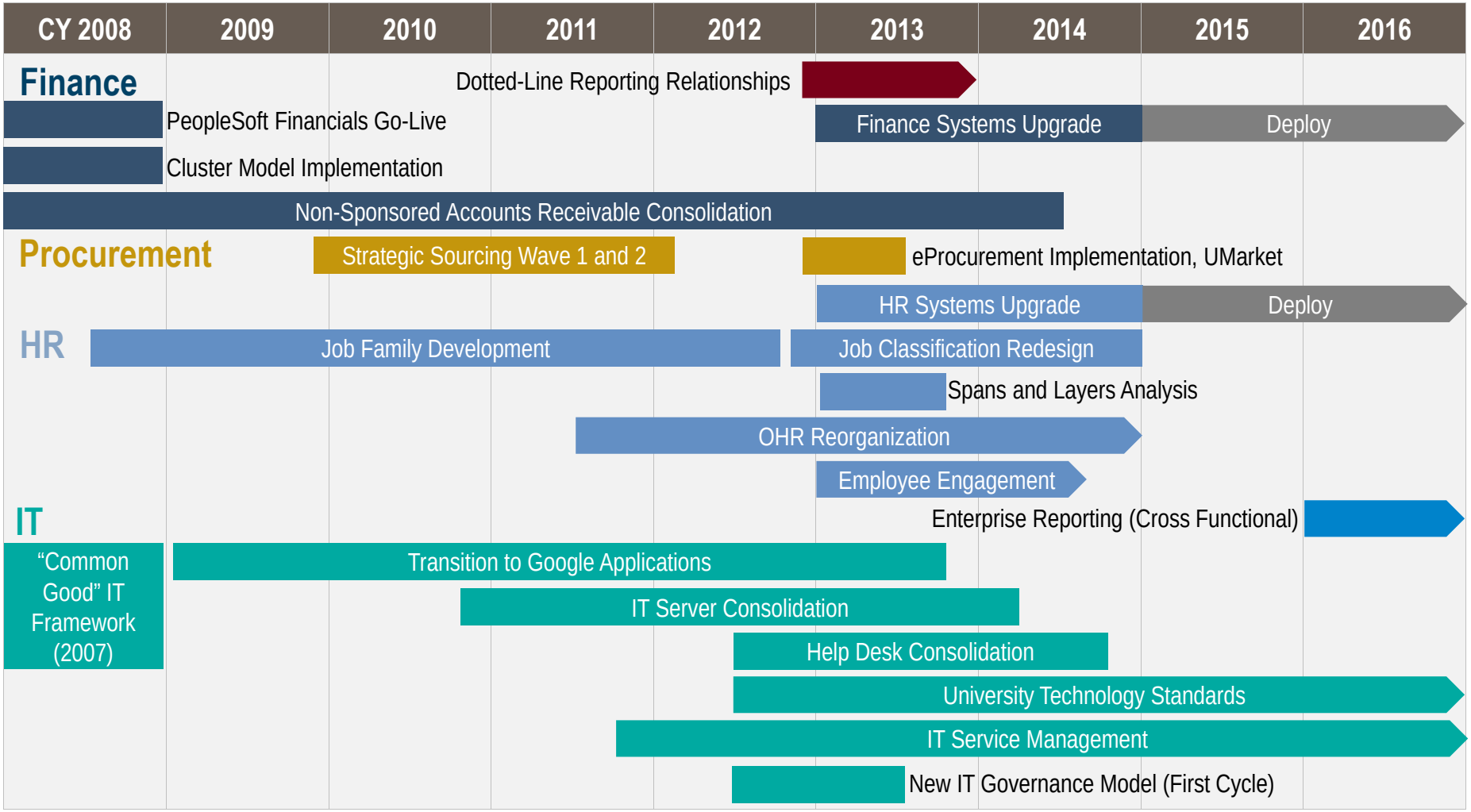
System-wide Foundations

- Enterprise technology applied in HR, finance, and procurement functions across the entire UMN system
- Fully-developed Responsibility Center Management budget model implemented across all units and campuses
- Dotted-line reporting of functional-area leads to system officers
- Well-developed central repository of policies and processes common across all campuses
- “Common Good” technology infrastructure (network services, Google applications)

These foundations reduce duplication and promote greater integration across the campuses.

Major Initiatives

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



Finance

OVERVIEW

In 2007, many financial administration activities were consolidated into "clusters," though the model has evolved differently across the campuses.

Strengths

- Enterprise technology and workflow support most financial administration activities; the PeopleSoft upgrade will improve processes
- Clusters have a set of defined roles and appear to have reduced the number of individuals with access to the financial system
- UMN has successfully centralized some high-impact activities, such as sponsored financial reporting and non-sponsored accounts receivable
- The University's RCM budget model is mature, and individual units must manage both revenue and expenses

Finance Opportunities (Detail, page 52)

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

Internal Challenges

- The clusters have evolved independently and vary in numbers and type of staff
- Not all financial administration is consolidated in the clusters
- While the RCM model requires individual Resource Responsibility Centers (RRCs) to manage revenues and expenditures, it does not measure or evaluate efficient use of resources
- Some units do not have staff to support financial reporting while others use shadow systems to fulfill their reporting and analysis needs

External Challenges

- Financial administration is complex, in particular when it overlaps with sponsored research
- Resource constraints prompt increasing demand for data, reporting, and analysis

Finance

BENCHMARKING SUMMARY

The staffing of central finance functions appears to be within the broad range of peers, though comparisons of distributed finance and accounting support are very difficult to make.

Finance Benchmarking Observations

- Peer institutions showed a broad range of ratios of central finance staff (budget, accounting, and sponsored financial reporting) to expenditures (sponsored and non-sponsored)
- The University's staffing of central financial administration functions (budget, accounting, and sponsored financial reporting) relative to expenditures appears to be within the broad range of responding peers
- Peer institutions varied by the type of support they provide to the overall University and, in some cases, to other campuses
- Most peer institutions did not express confidence in their estimates of distributed employees performing financial functions. Only one institution could provide the number of employees doing distributed financial functions due to a "solid line" reporting structure with central finance
- Institutions with enterprise financial systems appeared to have more financial activity per financial administration FTE than those with legacy financial systems

Financial administration requires organization and coordination of the function at all levels of the University.

Procurement

OVERVIEW

UMN has implemented a strategic sourcing program and continues to develop its electronic procurement/payment systems.

Strengths

- The central procurement function has focused on providing tools, data, and contracts to support buyers distributed across the University
- Purchasing Services employs technology to support all phases of the procurement lifecycle and is investing in upgrades to improve functionality
- UMN has already focused on strategic sourcing efforts, which is a frequently-cited source of savings for universities
- The strategic sourcing program is expanding with the use of more sophisticated analysis and tools
- Procurement already uses several metrics to monitor the effectiveness of the office and the function

Internal Challenges

- The procurement and payables organizations and processes are not integrated with one another
- Accounts payable data entry is a highly distributed process with hundreds of employees inputting invoice data
- Travel and expense reimbursement data entry is also a highly distributed process and is still largely paper based

Procurement Opportunities (Detail, page 67)

- 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)
- Implement a contract management solution
- Enhance procure-to-pay performance metrics

External Challenges

- Commodities are increasingly complex, technical, and rapidly changing
- Purchasing Services must balance demand for flexibility/choice with overall cost reduction
- Communication and process improvement efforts must reach a large, distributed community of buyers
- Cost reduction needs to be balanced with other institutional objectives (policy compliance, sustainability, supplier diversity)

Procurement

BENCHMARKING SUMMARY

Huron received three responses to the Procurement survey, but based on substantial experience in this area, the function employs many leading practices.

Procurement Benchmarking Observations

- Of peers who responded, UMN has the smallest central procurement function, which reflects the University's approach to providing tools, contracts, data and support to the broader University community instead of performing the buying function
- UMN was the only institution reviewed that does not centralize data entry for payables. Of the two institutions that responded regarding on time payments, UMN had the lowest rate (73.4% compared to 90% and 80.8%)
- UMN also had a smaller percentage of payments being settled electronically, though UMN has plans to expand electronic payment mechanisms
- UMN's adoption of travel and expense reimbursement tools is well below industry-leading levels

While procurement employs leading practices, UMN has opportunities to improve its payables and expense reimbursement processes.

Human Resources

OVERVIEW

The Office of Human Resources (OHR) is undergoing organizational and technological change which provide the foundation for ongoing improvements.

Strengths

- OHR's strategic plan emphasizes four themes underscoring effectiveness: define, simplify, empower, deliver
- The upgrade of PeopleSoft represents a full reimplementation of the software and will enable improvements to processes and data
- The recent implementation of dotted-line reporting of distributed HR leads is still being refined, but it offers the opportunity for greater integration of HR across the campuses
- OHR is moving forward on other initiatives, such as employee engagement and a job classification study, which support a more sophisticated approach to talent management

HR Opportunities (Detail, page 96)

- 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

Internal Challenges

- Simultaneous organizational, process, and technology changes require resources to manage and put stress on the organization
- Roles and responsibilities in some areas are still being defined
- Distributed HR data entry is more difficult to monitor and control
- The type and levels of HR support in distributed units varies

External Challenges

- UMN, like other universities, employs a broad range of types of talent which have different needs and markets
- For many jobs, the University is competing with the private sector
- UMN has multiple employee categories and offers a complex set of programs and services
- Organizational change at the University is happening more frequently, and the need for support in this area is growing
- Employees reportedly have high expectations of service, in particular face-to-face, personalized service

Human Resources

BENCHMARKING SUMMARY

Peer institutions have a range of complex operating models for HR, some of which involve support from a university system or state office, and this variability must be acknowledged when interpreting the results of benchmarking.

HR Benchmarking Observations

- With the exception of one peer, all responding institutions use enterprise technology to support HR; several are in the process of system selection or upgrade projects
- The staffing of UMN's central HR function relative to the size of the overall employee population does not appear significantly out of line with five of its peers, but it appears larger than two others
- UMN's central HR expenditures per University employee was the second highest of the responding peer group
- Peer estimates of distributed HR staffing varied extensively, and institutions that did report it indicated significant uncertainty in their numbers
- Some peers have implemented or are implementing new service delivery models for HR, in particular with regard to transactional HR activities

The level of change being supported by OHR may demand resources which will not be required once projects are completed and stabilized.

Information Technology

OVERVIEW

UMN has employed many leading practices in IT, though many of its initiatives are still in the process of being implemented.

Strengths

- UMN has made progress on infrastructure consolidation (e.g., data center/server virtualization)
- "Common good" services, such as storage, e-mail, and network infrastructure take advantage of scale economies
- The new IT governance model provides a mechanism for soliciting campus input, prioritizing initiatives, and developing solutions
- The University is developing a culture of "We of IT" which emphasizes the connection of the function across organizational lines
- The IT job family study, part of the larger UMN job classification project, will provide greater clarity into what specific IT activities individuals support

IT Opportunities (Detail, page 119)

- 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

Internal Challenges

- Roles and responsibilities are still being developed and clarified
- In recent years, IT support has become more distributed
- IT governance processes are new (implemented summer 2012) and have not yet gone through a whole fiscal-year cycle
- IT investments and services are distributed, and the University has limited visibility into what IT activities are being done locally

External Challenges

- Technology impacts every aspect of the University, both administrative and academic
- University technology needs are changing rapidly
- Innovation is happening in many parts of the University simultaneously, which may lead to duplication of resources or the development of competing platforms
- Expectations of service are reportedly high and vary across units

Information Technology

BENCHMARKING SUMMARY

Over the past few years, IT support at the University of Minnesota has become more distributed, though overall, UMN appears within the range of staffing of peers.

IT Benchmarking Observations

- UMN's central IT organization is 12% smaller than the peer group average, and ranks in the center of the group (5 of 9) in terms of reported staffing levels; overall IT staffing, including both central and distributed IT staff is likewise in the center of the group (5 of 9), and is nearly identical to the group average
- The size of UMN's reported distributed IT staff is likewise in the center of the peer group (4 of 9). UMN is somewhat more decentralized than the target peer group average, with 71% of IT resources in the units compared to 65% in the peers
- UMN's central IT budget is slightly below the peer group, showing a 4% difference, though some of this difference could come from differences in what is included in the central IT budgets across the peer campuses
- UMN's distributed IT budget is 6.3% above that reported by the four peer institutions that reported distributed IT costs
- For those peers that reported distributed IT costs, their total IT budget, central plus distributed, was nearly identical to UMN's, with only a 1% difference indicated
- UMN's central IT budget represents a slightly larger portion of the total institutional budget than in the peer group (2.83% vs. 2.37%)
- On a per-user basis, UMN spends significantly less on central IT services than the peer group (46%), and similarly spends 39% less on total IT services (central and distributed). This difference is partially reflected in UMN's larger total user population, but could also reflect service efficiencies at UMN or differences in service levels

While within the range of peers, UMN still has opportunities to consolidate some distributed technology services.

Shifting Towards Distributed Administration

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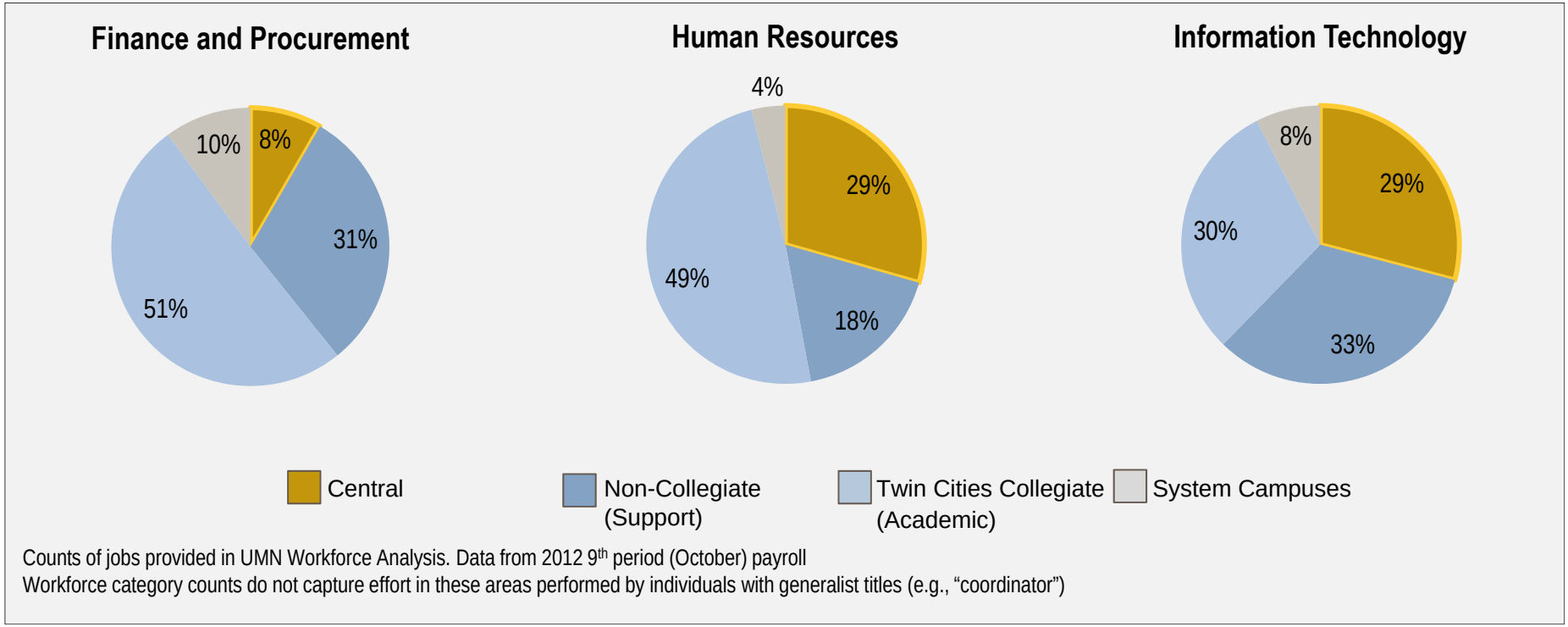
Resource allocations and culture reinforce distributed administration.

While different business needs drive some local variation, those needs have not been systematically identified and reviewed.

Distribution of Administrative Services

ILLUSTRATION

The majority of administrative staff related to the in-scope functions are distributed across the collegiate and non-collegiate units.



Counts of jobs 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 universities.

Administrative Activities Survey

OVERVIEW

An internal survey of the University's non-collegiate units demonstrated broad variation in staffing levels for administrative functions and the fragmentation of roles.

Function	Average Percent of Total Time Worked	Range of Expenditures or Jobs per FTE (by Unit)
Finance	49%	$2.3 - $48.5M per FTE
Procurement and Payables	22%	$1.2M - $50.1M per FTE
Human Resources	25%	26 – 239 jobs per FTE
HR Operations/Payroll	29%	52 – 304 jobs per FTE
Information Technology	73%	N/A

Survey methodology and additional detail may be found in the Appendix (page 145).

With the exception of IT, on average, individuals performing work related to these functions are doing so less than 50% of the time. Other functions/duties fill the remainder of their time.

Many roles at the University involve multiple functional areas.

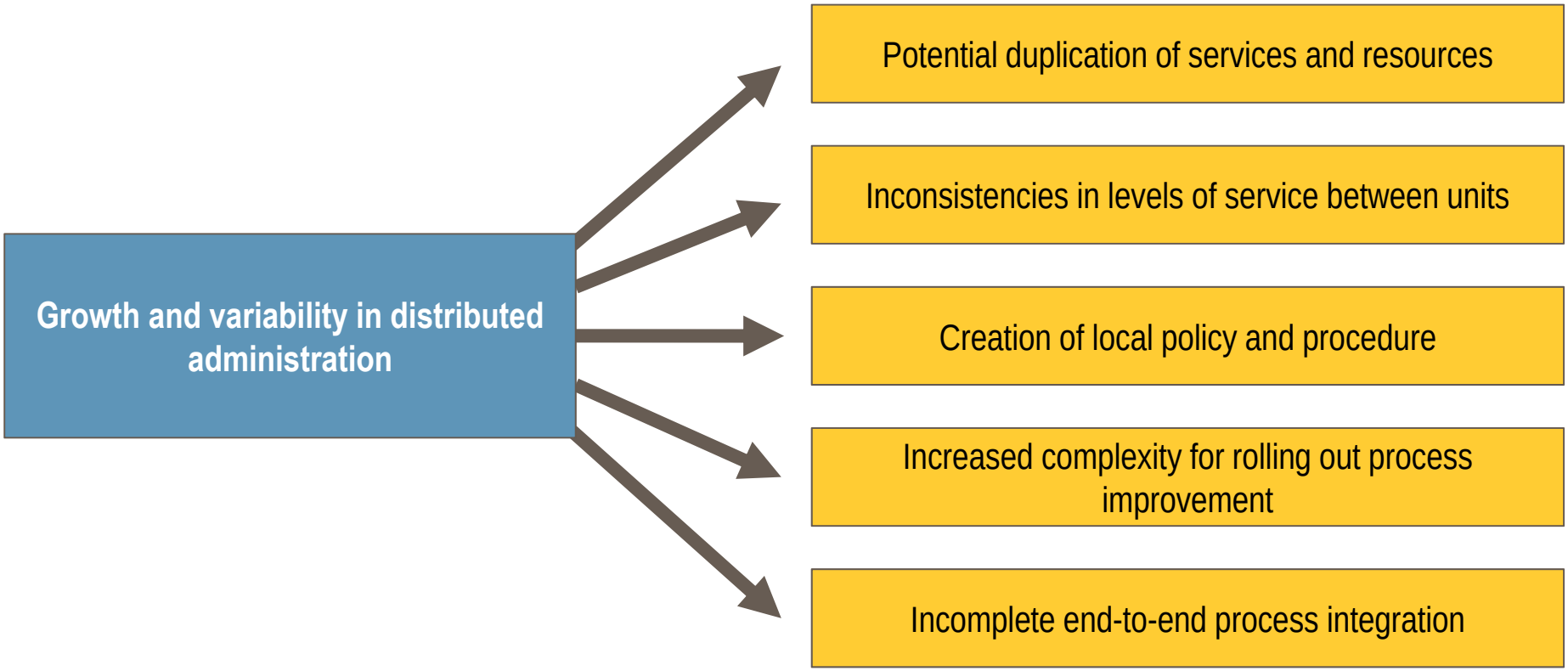
When adjusted for their total expenditures or number of jobs, units vary extensively in the levels of staffing.

While this analysis does not account for type, complexity, or volume of transactions, the breadth of the ranges suggests underlying variation.

While the University's collegiate units were not surveyed, initial analysis of available data suggests similar patterns.

Implications of Distributed Administration

Distribution provides more local responsiveness, but it also has the potential to create inefficiencies when taking a full “enterprise” perspective.



Universities continuously balance the need for flexibility with the need for efficiency.

University-Wide Opportunities

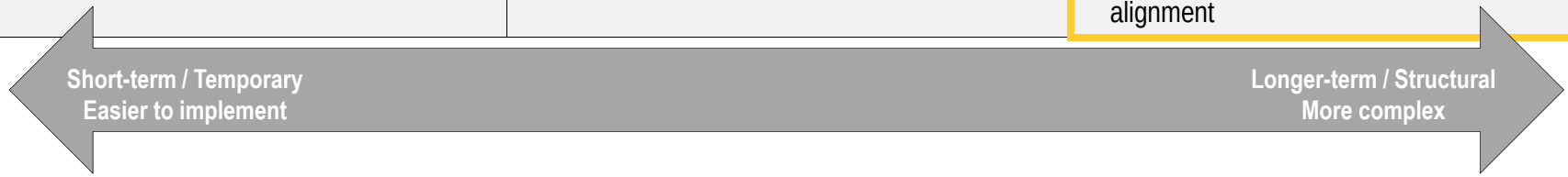
Enterprise Opportunity

While the University has already realized savings through ongoing process and organizational changes within individual functions, the next major opportunities likely require a more cross-functional, cross-institutional approach.

Range of Higher Education Responses to Economic Challenges

Immediate	Incremental	Transformational

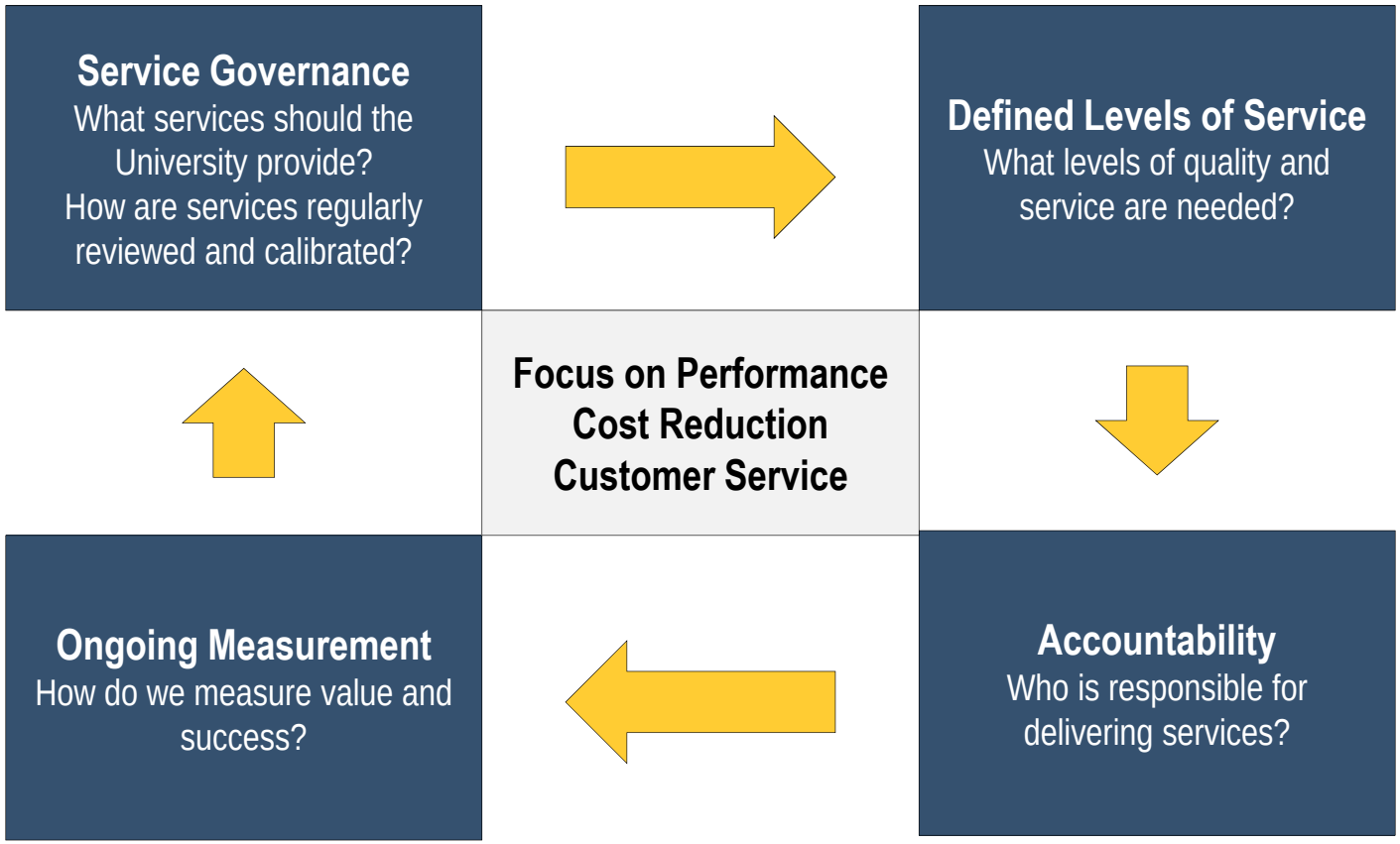
▪ Across the board budget cuts
▪ Deferred maintenance
▪ Travel limitations
▪ Capital project delay or cancellation
▪ Service reductions
▪ Human resource management
  ▪ Salary reductions or furloughs
  ▪ Benefit and/or pension contribution reductions
  ▪ Hiring freezes and/or layoffs
  ▪ Early and/or phased retirements
	▪ More aggressive across the board budget cuts
	▪ Tuition and fee increases
	▪ Procurement strategies (contract renegotiation, vendor/specification standards)
	▪ Programmatic changes or eliminations (academic, athletic, auxiliary, support)
	▪ Review of individual functional areas (e.g., facilities) or cost categories
	▪ Sale of non-critical assets
	▪ Selected efficiencies (e.g., energy efficiency measures)
		▪ Comprehensive, system-wide operational and programmatic reviews
		▪ Organizational rationalization: management layers reduced, local and centralized service units rebalanced for scale economies and local client focus
		▪ Shared services
		▪ Outsourcing, cosourcing, and hosting of select functions
		▪ Process standardization, optimization of enterprise software capabilities
		▪ Lifecycle process design (e.g., procure to pay)
		▪ Budget process redesign and incentive alignment



Transformational change requires a strong vision and a shift in mindset to prioritize the University enterprise as a whole.

Foundations of Effectiveness

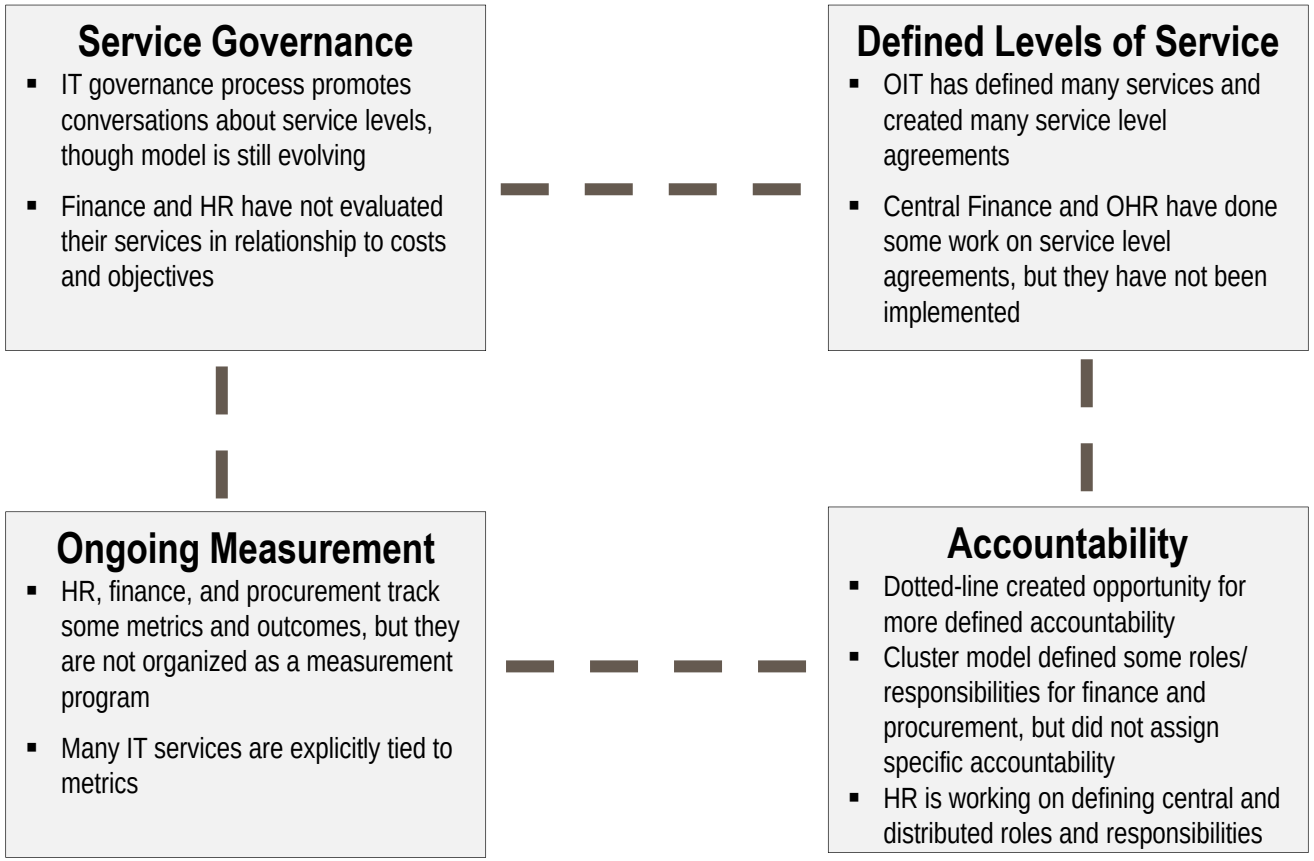
While Huron identified opportunities to improve each of the four functions, the University would benefit from a more integrated, enterprise approach to **service delivery**.



This approach can be applied to any administrative function.

Foundations of Effectiveness

UMN already has some elements of these foundations, but has not integrated them into a more systematic program.



UMN should continue to build on these foundations through a more comprehensive, coordinated approach.

Service Delivery Continuum

UMN's current service delivery approach varies by function, but many administrative activities are either distributed/localized or standardized.

	Distributed / Localized	Standardized	Shared Services	Centralized
Definition	Autonomous departments provide services with separate functional staff	Colleges and units run similarly with some common systems, but separate functional staff	Organizations share administrative resources; separate organization provides defined levels of service	Central department performs function
Advantages	▪ Responsiveness ▪ Business awareness ▪ Local control ▪ Customer linkage ▪ Rapid development	▪ Departments retain flexibility and responsiveness ▪ Change is coordinated ▪ Resources support smaller departments	▪ Economies of scale ▪ Leveraged standards ▪ Development of best practices ▪ Distribution of competencies ▪ Integration	▪ Economies of scale ▪ Uniform standards ▪ Asset protection ▪ High integrity ▪ Enterprise security ▪ Data commonality and access
Challenges and Risks	▪ Redundant costs/services ▪ Lack of flexibility, systems effectiveness ▪ Parochialism – inhibited enterprise learning ▪ Isolated best practices	▪ Redundant costs and services ▪ CoE pushed to provide more services ▪ Lack of clear roles / responsibilities	▪ Standards of governance ▪ Lack of clear authority and responsibility vis-à-vis central services ▪ Redundant costs	▪ Lack of customer focus ▪ Customer frustration ▪ Communications cost ▪ Long lead times, protracted projects
Success Factors	▪ Information sharing ▪ Independent culture ▪ Focus on customer satisfaction	▪ Strong Center of Expertise talent and toolbox ▪ Organizational readiness for matrixed functions	▪ Governance agreements ▪ Coordinating standards and SLAs ▪ Communications culture	▪ Integrated data management ▪ Fairness in pricing ▪ Customer service focus

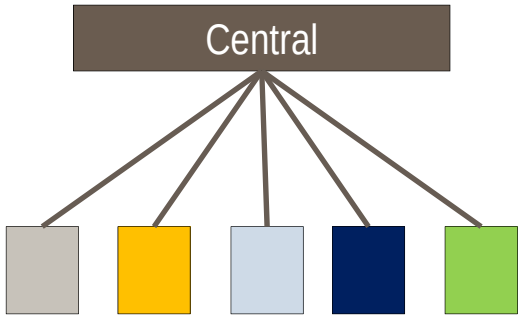
The development of the "cluster" model represented a form of service delivery design that shifted activity from localized to standardized.

Past Shifts Toward Consolidation

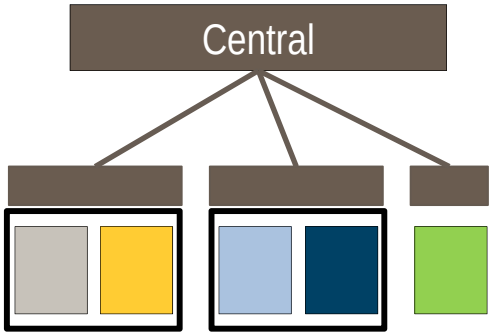
UMN CLUSTER MODEL

The implementation of "clusters," or administrative groups, achieved a degree of standardization and defined specific financial administration roles.

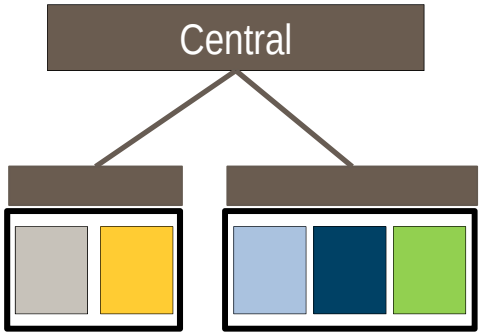
Pre Cluster	Cluster	Cluster Consolidation
Transactions initiated at department level, resulting in a higher variation of roles and a large number of employees with system access.	More transactions initiated at defined unit and more defined roles for employees. Clusters resulted in fewer individuals with system access, but local processes still vary across campuses.	Some units (Provost, Academic Health Center) have already combined clusters to gain economies of scale. Consolidating smaller clusters further reduces points of contact and allows greater focus on administrative activities.



Decentralized



Clusters



Cluster Consolidation

The implementation of clusters represents an important step towards increasing consistency and consolidating activity.

Cluster Concept

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Clusters defined specific activities to be performed at different levels of the organization.

Centralized Finance Activities

AR Services	Purchasing services
Disbursement services	Accounting services
Sponsored projects administration	Sponsored financial reporting
Approvals	

Central offices support clusters, but do not directly oversee them

Campus/College/Unit Cluster Finance Activities

A/R bill processing	Purchasing oversight
Vendor payment processing	Journal entry processing
Position Management	Enterprise analysis/reporting

Clusters have developed their own staffing models

Distributed Finance Activities

Maintain customer relationships	Initiate requisitions
Travel and expense	Asset and line item budgeting
Proposal preparation	Pcard
Approvals	

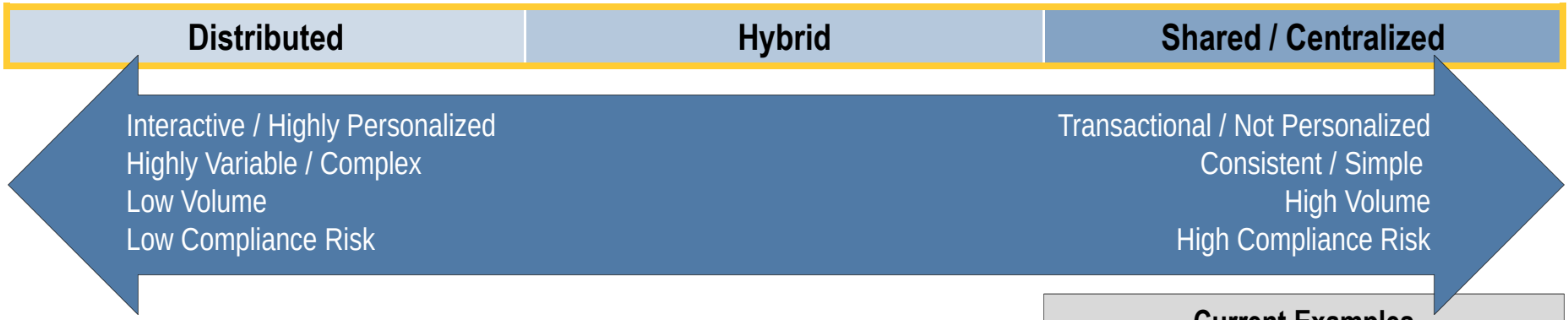
Some transactional activity remains at the department level

http://www.ospa.umn.edu/sproles.html
http://www.finsys.umn.edu/clusters/clustershome.html

The current cluster model does not comprehensively incorporate governance, service definitions, and ongoing measurement.

Aligning Activities with Models

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



UMN has already successfully centralized some administrative services.

Current Examples

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

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

Potential Future Candidates

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

Redesign Service Delivery

EXAMPLES

Many public and private research institutions are pursuing administrative transformation projects than include service delivery redesign.

	Areas in Scope for Shared Services				
Institution	HR and Payroll	Budget and Finance	Procurement and Payables	IT End-User Computing	Research Admin
UC Berkeley Campus Shared Services (2010 – 2013)	✓	✓	✓	✓	✓
University of Michigan Administrative Services Transformation (2011 – present)	✓	✓		✓	
University of Kansas Changing for Excellence (2011 – present)	✓	✓			✓
Yale University Yale Shared Services (2008 – 2010)		✓	✓		✓
University of Florida Shared Services Centers (2010 – present)	✓	✓			
UC San Francisco UCSF Operational Excellence (2011 – 2012)		✓		✓	

Based on publicly available information and custom peer survey.
Additional detail may be found in the Appendix (page 152)

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

Redesign Service Delivery

DRIVERS FOR CHANGE

Huron Education

Institutions that have chosen to redesign their administrative service delivery models to increase efficiency, service, and focus on performance.

- Provides opportunity for mastery and continuous improvement
- Creates opportunities for employee development and advancement
- Increases visibility of service performance
- Creates opportunity to implement talent management

→ **Performance Focus**

- Leverages technology and special skills
- Reduces costs through standardization and scale
- Increases ability to respond to variable demand without adding staff
- Facilitates roll-out of improvements (process redesign, new tools, system upgrades)

→ **Cost Reduction**

- Emphasizes administration as a service function
- Levels expectations for users and providers
- Clarifies accountability
- Provides defined means for escalation of issues

→ **Service**

Service delivery redesign can significantly impact a university's culture and workforce.

Moving Forward

Success Factors

DEVELOPING VISION AND PROJECT STRUCTURE

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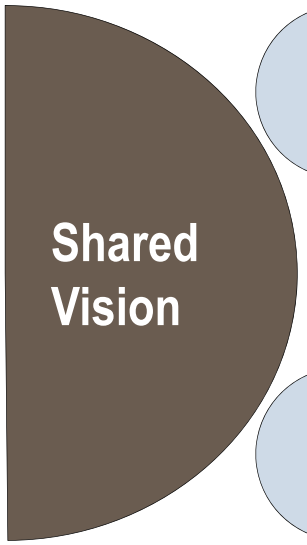
Ongoing performance improvement requires structure and resources to facilitate and manage projects across organizational boundaries.



Governance	Defined leadership and decision-making structure of a program and the overall distribution of responsibilities for it
Performance Management	Success criteria and key performance indicators, measuring progress, evaluating results and correcting variances
Program Management	Focused, resourced planning and facilitation that identifies project goals and timing and aligns with other enterprise initiatives
Campus Engagement	Clear, transparent processes for engaging academic and administrative stakeholders across the campuses on envisioning the future state and developing solutions
Change Management	Sustained focus on cultural change and organizational capability to support the transformation

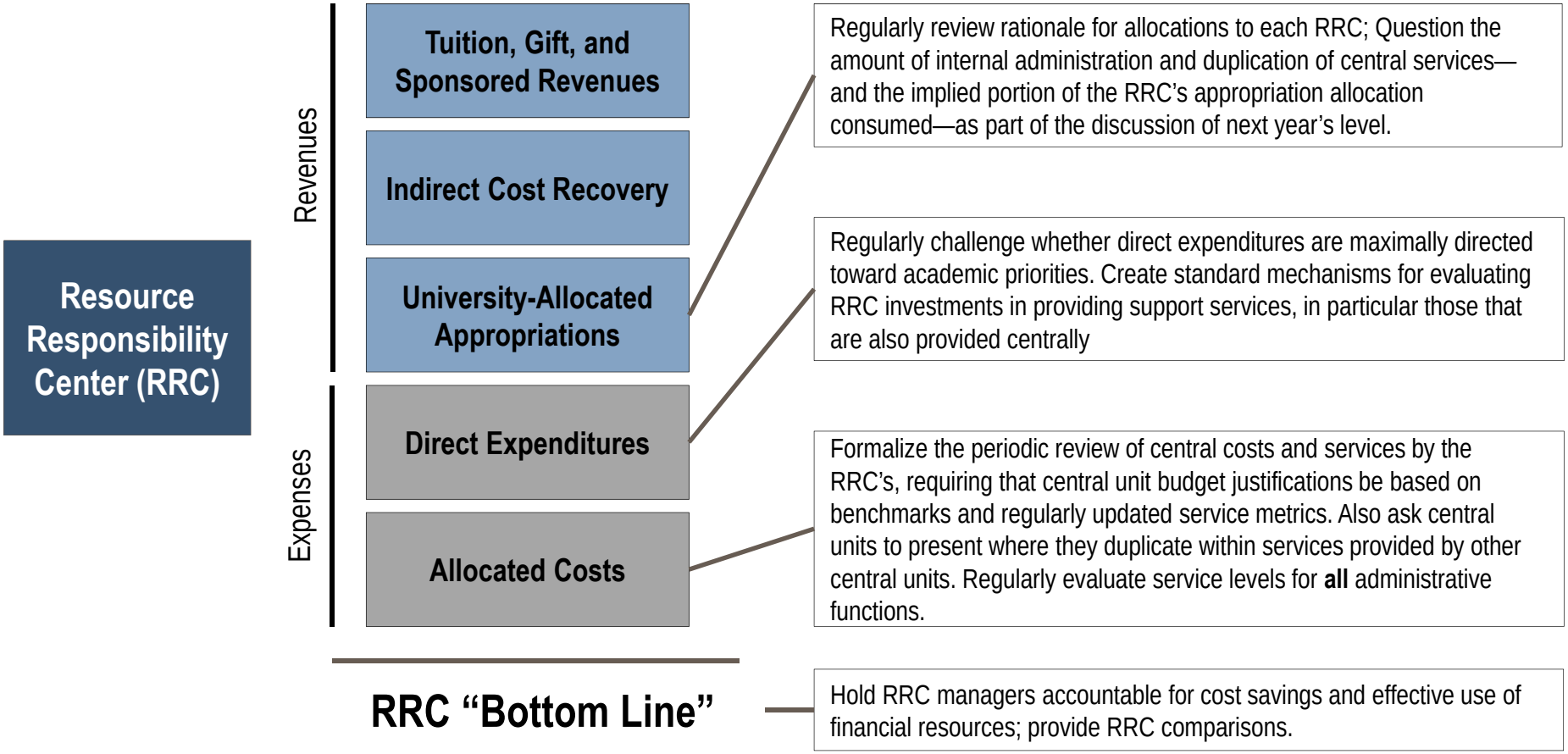
Stakeholder engagement and change management are critical to building support for enterprise-wide change.

Success Factors

LINKING SERVICE DELIVERY TO RESPONSIBILITY CENTER MANAGEMENT

HuronEducation

While the RCM budget model supports unit autonomy, it can also support enterprise-level efficiency through the design of incentives and cost allocations and through ongoing performance measurement.

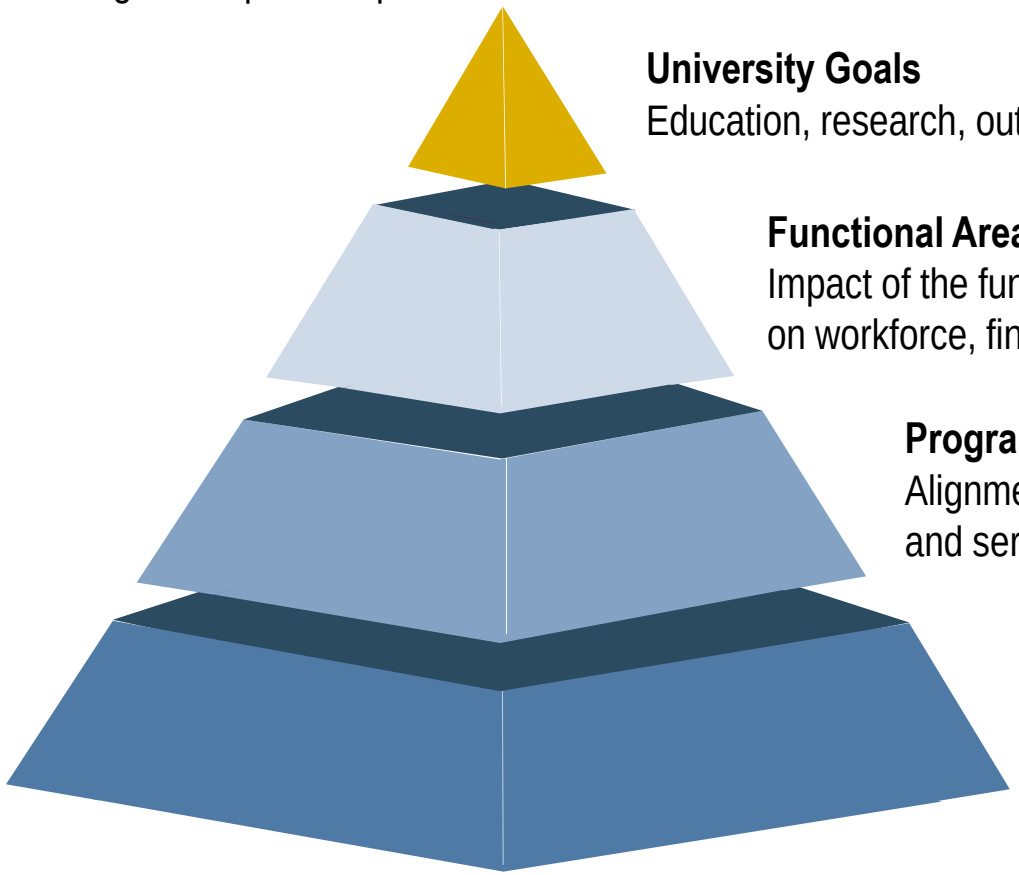


The budget process sets a regular cycle to evaluate levels of service and costs as well as the financial management of individual units.

Success Factors

ENHANCING USE OF METRICS

The upcoming strategic planning process presents an opportunity to rethink metrics as they extend from University-wide goals to process performance.



University Goals
Education, research, outreach and service goals

Functional Area Impact Metrics
Impact of the function that supports strategic outcomes (e.g., impact on workforce, financial resources, risk profile, brand/reputation)

Program and Service Metrics
Alignment, value, utilization, and satisfaction of programs and services

Process and Operating Metrics
Efficiency, quality, and compliance of operations that deliver programs and services

Effective use of metrics should be supported with data governance, reporting, and analysis support.

Moving Forward

Huron Education

Given its current portfolio of projects, the University will need to evaluate its capacity and prioritize any 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 leadership/governance, goals, measures of success, supporting resources, and timing

Developing new approaches to service delivery will need to be treated as a holistic project, like a systems upgrade, that is supported with planning and resources.

Finance

Finance

OVERVIEW

The Finance function's organization evolved with the implementation of PeopleSoft in 2008 and the implementation of the cluster model.

Financial administration is highly decentralized.

- The Responsibility Center Management budget model reinforces local responsibility for financial management
- Less than 10 percent of jobs related to financial administration are in central administration offices

With the implementation of PeopleSoft, the University created administrative "clusters" that consolidated some departmental financial administration activities, but still allowed distributed flexibility.

- While not a full "shared services" model, it does reduce the number of points of contact and defines some financial administration roles
- Clusters are organized in different ways and have evolved to be responsive to the needs of the RRCs they serve
- While the University requires training for system access, employees are not recertified; central Finance does not monitor performance

Since the implementation of clusters, the Controller's office has also successfully centralized some high-volume, high impact activities:

- Centralized accounts receivables, the elimination of the cashier's office, and remote check deposit receive positive support from RRC managers
- The Sponsored Financial Reporting (SFR) function also receives positive feedback from RRC and Cluster managers

The upgrade of PeopleSoft will provide opportunities for ongoing improvement.

- Central financial administration has worked with stakeholders to identify and prioritize gaps to be addressed with the upgrade
- The upgrade includes new reporting tools

Finance

HIGH-LEVEL OBSERVATIONS

Huron Education

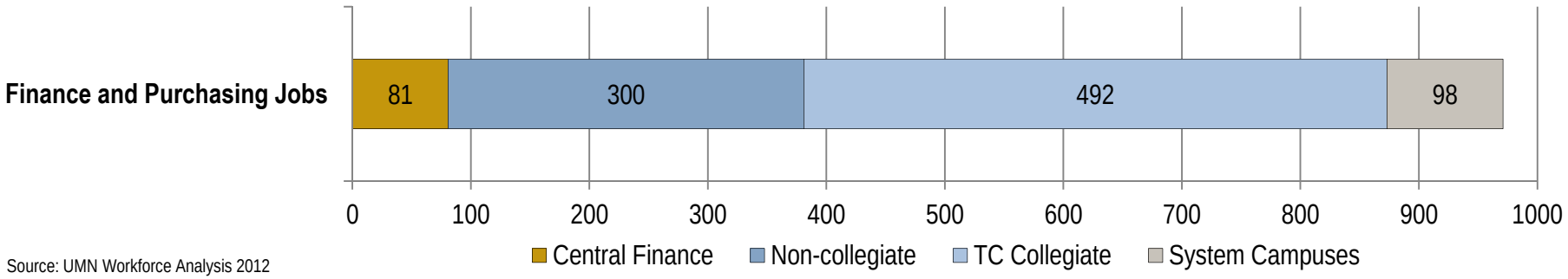
The financial administration operating model for finance allows autonomy for individual units.

Focus Areas	Observations
Strategy and Vision	▪ Central Finance mission and vision statement has not been updated recently ▪ The PeopleSoft upgrade and centralizing accounts receivable indicate that Central Finance is proactive in identifying opportunities for continuous improvement ▪ The University has undertaken recent efforts to measure the resources related to distributed administrative functions; however, total administrative costs are still difficult to measure
Organization and Governance	▪ Central Finance (Budget, Controller) roles and responsibilities are clear ▪ Financial administration leads in the units have a dotted-line reporting relationship with central finance; however, the relationship is not clearly or consistently defined ▪ Processes are clearly defined and communicated, but interpretation of policies is sometimes left to distributed units ▪ Central Finance has drafted service level agreements, but they have not been implemented ▪ Performance measurement and management is left to individual units
Talent and Staffing	▪ Employees with accounting/finance titles do perform most of the distributed financial transaction work ▪ Central Finance has created well-defined business process roles for the financial clusters ▪ Local units determine the staffing for their clusters with no required input from Central Finance ▪ Employees must complete training to access PeopleSoft finance modules, but follow up training is not required ▪ Distributed finance staffing levels, when normalized for level of financial activity, varies significantly between units
Technology and Data	▪ UMN uses PeopleSoft for all of its core financial transaction functions ▪ Distributed units suggested that data reporting can be inconsistent depending due to complexities of accessing data ▪ Distributed units have developed shadow systems to meet their reporting requirements ▪ Financial transaction workflow is reportedly effective (e.g., journal entry approval workflow)
Process and Metrics	▪ UMN has a comprehensive central policy website ▪ Metrics comparing efficiency and effectiveness of clusters are not communicated to the distributed units

Finance

FUNCTIONAL AREA SNAPSHOT

Resources that support financial management and transactional processing are widely distributed.



Source: UMN Workforce Analysis 2012

Primary Central Responsibilities (Finance)

- Consolidated financial reporting / GL maintenance / audit
- Enterprise financial systems (EFS) support
- Sponsored financial reporting
- Non-sponsored accounts receivable (AR) billing and collections
- Treasury accounting
- Budget guidance and consolidation

Primary Distributed Responsibilities (Finance)

- Journal entries
- AR customer and invoice entries
- School/unit level financial reporting
- School/unit level budget development
- Monitoring of non-sponsored and sponsored project actual revenues and expenditures versus budget

Link Between Central and Distributed

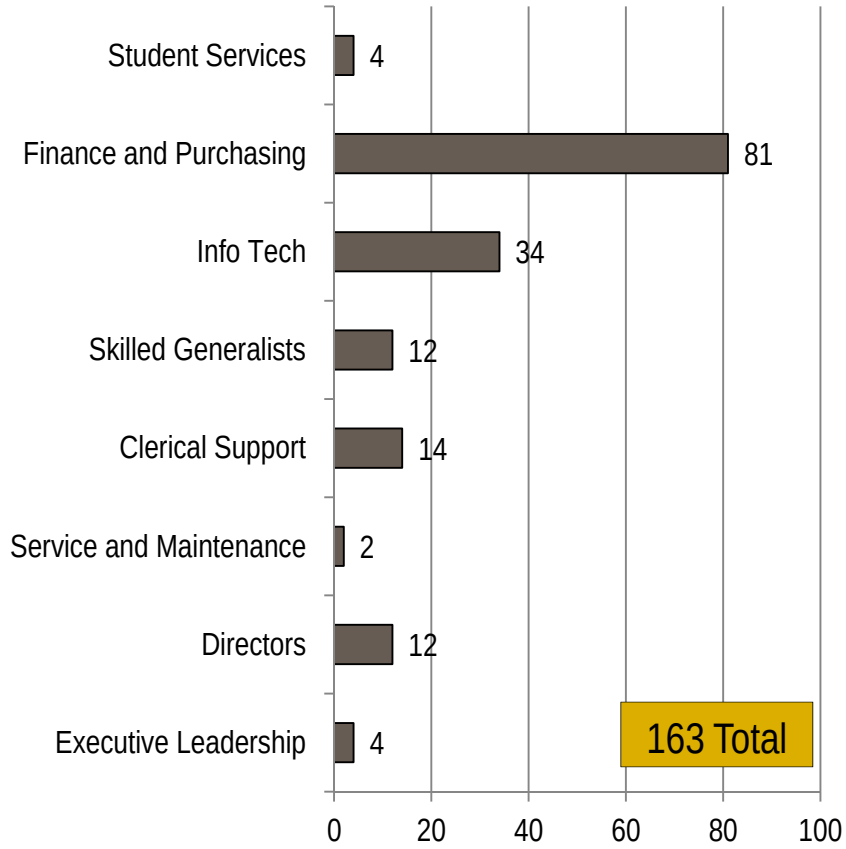
- A large percentage of finance jobs in academic units and system campuses report to financial cluster directors (who oversee business processes) and/or RRC managers (who oversee budgeting and financial management for responsibility centers)
- RRC managers have a dotted-line reporting relationship to the CFO
- Some finance and purchasing jobs in support units, such as Auxiliary Services, Research, and Student Affairs, provide services to other units

Central Finance

CENTRAL ORGANIZATION BREAKDOWN

Central Finance, which includes the Controller's Office, Budget & Finance, Tax Management, Real Estate, Investments & Banking, and other departments, has 163 staff, with about half in finance and purchasing jobs.

Central Finance Jobs by Category



Source: UMN Workforce Analysis 2012

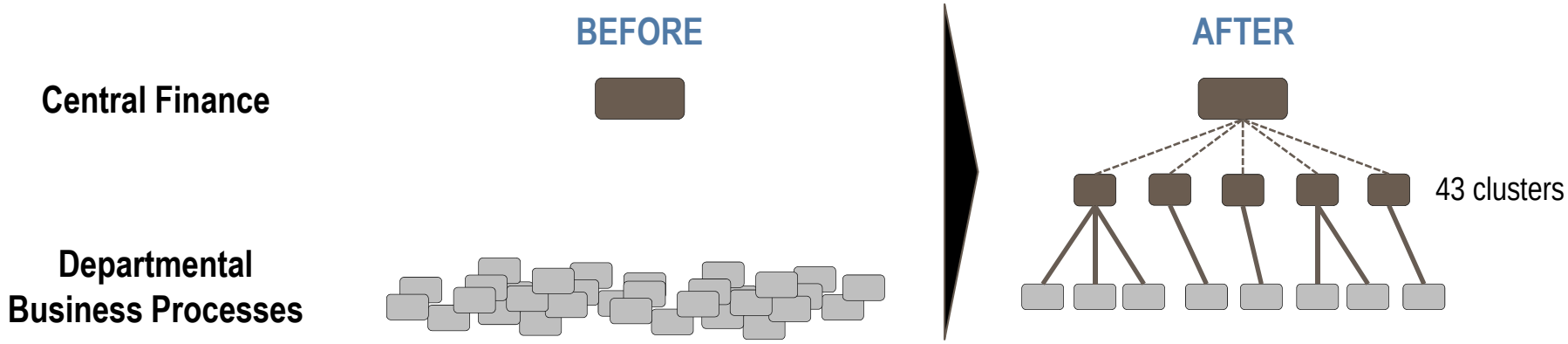
Central Finance Staff Breakdown

- Central Finance coordinates the accounting, budgeting, tax, real estate, investment, and other financial activities for the entire University system
- Most of the Skilled Generalists within Central Finance are in Tax Management, Real Estate, and Investments & Banking
- Student Services staff in Central Finance are all in the Bursar's Office, which is being restructured to distribute cashiering activity
- In Central Finance, 26 of the 34 Info Tech staff are in the Enterprise Financial System (EFS) Support and EFS Customer Support departments within the Controller's Office; other Info Tech staff are in the Procurement Services, Disbursement Services, Real Estate, Inventory Services, and Sponsored Financial Reporting departments

Cluster Model

OVERVIEW

Central Finance's establishment of financial clusters allowed for the coordination and consolidation of business processes performed at departmental levels, particularly those related to the PeopleSoft financial system.



Benefits of establishing financial clusters:

- Explicitly defined the business process roles to be clustered: procurement, voucher entry, journal entry, bill entry
- Established certification requirements for PeopleSoft financial system access
- Improved communication by establishing the financial cluster directors as liaisons to Central Finance
- Allowed for the development of consolidated financial/administrative expertise at cluster levels

Considerations:

- Some departmental business processes were consolidated at the cluster level; however, some units that offsetting staff reductions did not always occur at department levels (no net savings in staff)
- Financial clusters directors also report varying processes, procedures, and interpretation of policy

Finance

INITIATIVES

Central Finance is currently undertaking several foundational projects that will improve the University's financial management.

Initiative	Potential Impact
Upgrade to PeopleSoft 9.2	▪ Improves data design to support reporting and analysis ▪ Adds functionality, such as workflow ▪ Addresses end-user paint points, such as capture of chart of accounts string for P-Card
Rollout of UM Analytics	▪ Improves reporting over UM Reports module ▪ Provides ability to customize queries to specifications
Closure of Bursar (Cashier's) Office	▪ Distributed schools/units will be required to fill the role of the bursar, including scanning of check receipts and processing of cash deposits
Centralization of Accounts Receivable *[70% completed to date]*	▪ Standardizes where payments will be made for invoices issued by UMN ▪ Allows clusters to prepare bills, ensuring the correct information is entered into AR module

Distributed Finance Themes

OBSERVATIONS

Distributed leaders generally expressed support for the flexibility of the financial cluster model.

Focus Area	Themes
Organization	▪ Several clusters have proactively reorganized to improve efficiency (e.g., the School of Medicine's consolidation of 25 departments into 8 "centers" and the consolidation within the Provost Office of multiple smaller clusters)
Employees	▪ Financial cluster staffing levels and organizational structures are inconsistent across UMN at the distributed level ▪ Distributed staff are generally pleased with the Controller's Office support of sponsored financial reporting and the ongoing centralization of non-sponsored accounts receivable billing and collections ▪ In some cases, the creation of financial clusters along with the implementation of EFS resulted in an increase of staff in the school/department levels due to additional administrative requirements (e.g., expanded journal entry chart field string requirements)
Processes	▪ With the upcoming closure of Central Finance's bursar (cashier) office functions, distributed staff in the schools and units are accepting of the added responsibilities of localized check and cash deposits, but they do not anticipate a significant change in their administrative burden ▪ Some financial clusters have distributed journal entry responsibilities down to departmental levels, closer to the financial activity
Systems	▪ Some RRC managers and financial cluster directors utilize shadow systems for financial reporting and analysis due to the perceived limitations of utilizing EFS for financial reporting

Finance Benchmarking

Finance Benchmarking

OVERVIEW

UMN appears to be generally in line with its peers in terms of its staffing of central financial functions, although institutions varied significantly in their organization of financial administration.

Process

- Huron reached out to 9 institutions from the University's standard peer list with a written survey; individual institutions were contacted for follow-up
- Huron received 7 responses to the survey, though in some cases, answers were incomplete
- Some institutions provided Huron with a staff list or organizational chart instead of staffing data; in those cases, a best-guess effort was made to categorize staff
- UMN staffing numbers were determined with a budget staffing list for FY2013
- UMN compared metrics to industries outside higher education through APQC, that includes companies that fall within the "service" industry, with revenues in excess of $1 billion, located in North and South America

Summary Results

- Peer institutions showed a broad range of ratios of central finance staff (budget, accounting, and sponsored financial reporting) to expenditures (sponsored and non-sponsored)
- The University's staffing of central financial administration functions (budget, accounting, and sponsored financial reporting) relative to expenditures appears to be within the broad range of responding peers
- Peer institutions varied by the type of support they provide to the overall University and, in some cases, to other campuses
- Most peer institutions did not express confidence in their estimates of distributed employees performing financial functions. Only one institution could provide the number of employees doing distributed financial functions due to a "solid line" reporting structure with central finance
- Institutions with enterprise financial systems appeared to have more financial activity per financial administration FTE than those with legacy financial systems

Distributed resources related represent the majority of the resources devoted to financial administration for comparison universities.

Finance Benchmarking

PEER STAFFING RATIOS

Staffing levels for UMN finance functions appear within the range of peer institutions.

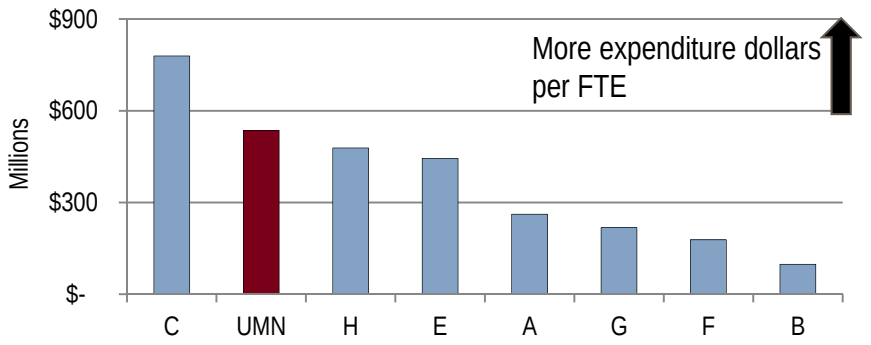
Total Expenditures per Central Budget Staff

Overview

- Minnesota is above the peer average for total expenditures per central budget staff ($536M)

Observations

- This level could suggest either a greater degree of decentralization and/or the overall efficiency of the central budget function



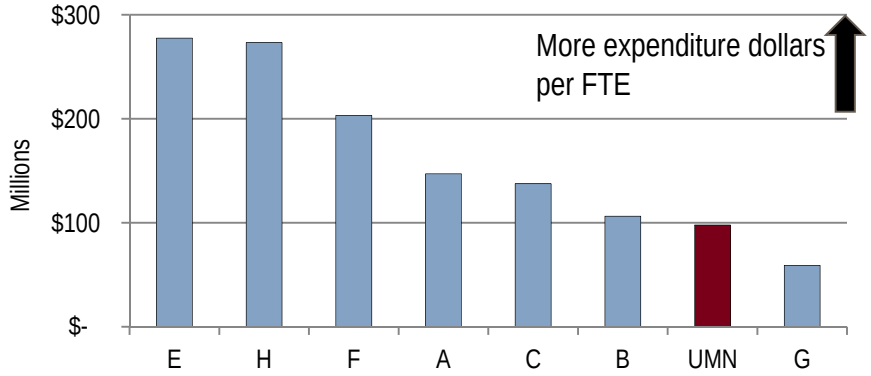
Total Expenditures per Central Accounting Staff

Overview

- Minnesota is aligned with peers for total expenditures per central accounting staff ($97.8M)

Observations

- The broad range likely reflects variation in central accounting responsibilities across peers
- UMN's position within the range may also reflect resources devoted to activities that have already been centralized



Source: Expenditures are from IPEDs 2010-11 "Total expenses and deductions – Current year total"
Staffing data is from Huron peer survey and/or peer organizational charts

Most peer group schools did not have a complete picture of their distributed accounting staffing levels.

Finance Benchmarking

PEER STAFFING AND TRANSACTION RATIOS

Staffing levels for sponsored financial reporting also appear to be in line with peer institutions.

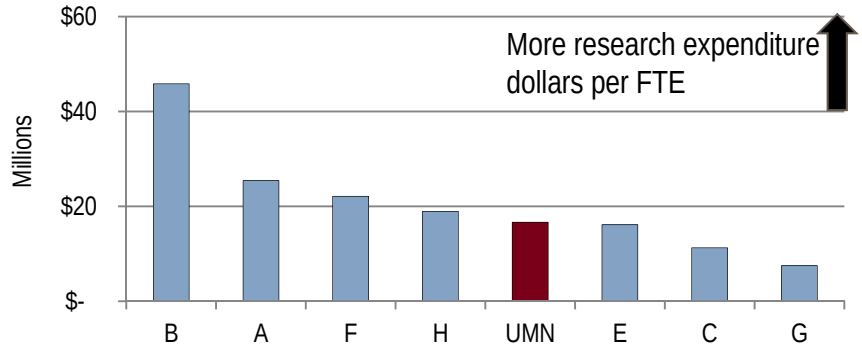
Research Expenditures per Sponsored Financial Reporting Staff

Overview

- Minnesota is aligned with peers for research expenditures per sponsored financial reporting staff ($16.7M)

Observations

- Based on internal feedback, UMN provides high level of service to distributed units for sponsored financial reporting



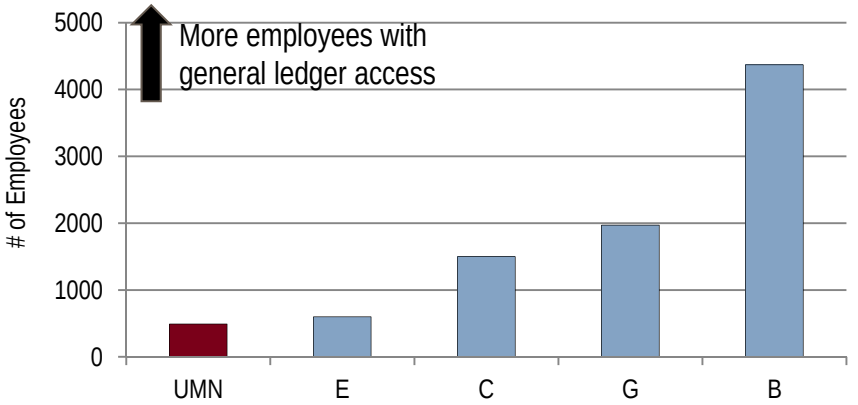
Total Employees with General Ledger Posting Access

Overview

- Compared to peers, Minnesota has significantly fewer employees with GL access to process journal entries (492)

Observations

- UMN controls the number of employees with GL posting access
- UMN's financial clusters are responsible for the accounting transactional activities, allowing for consolidations of financial responsibilities



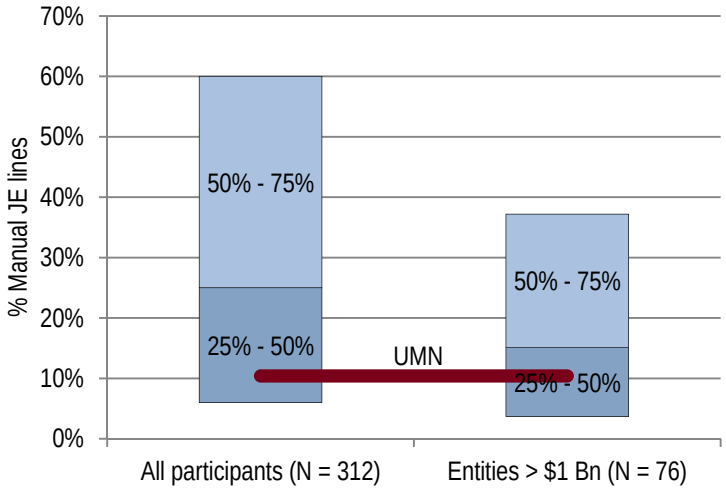
Source: Expenditures are from IPEDs 2010-11 "Total expenses and deductions – Current year total"
Staffing data is from Huron peer survey and/or peer organizational charts

Finance Benchmarking

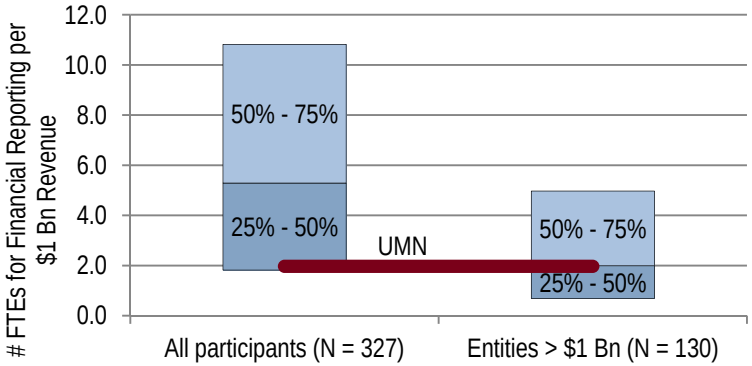
APQC INDUSTRY DATA

Huron facilitated a comparison of UMN finance metrics to cross-industry benchmarks through APQC (American Productivity & Quality Center). UMN fell within the middle 50% range for the most relevant metrics.

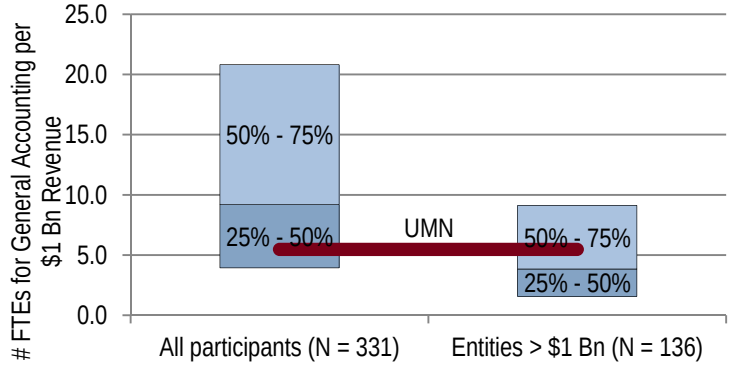
UMN's % of manual JEs is less than the medians.



UMN's # of FTEs for financial reporting is less than medians.



UMN's # of FTEs for general accounting is within midranges.



Source: APQC Open Standards Research Rapid Performance Assessment, General Accounting and Reporting, May 2013. Prepared for Huron Consulting Services on behalf of the University of Minnesota.

These comparisons, however, only account for UMN's central financial administration resources.

Finance Opportunities

Evaluate Service Delivery Model for Financial Reporting

OPPORTUNITY OVERVIEW

HuronEducation

UMN should evaluate alternate service delivery models for financial/managerial reporting.

Opportunity Indicators

- Some distributed stakeholders are dissatisfied with financial reporting tools, and new business intelligence tools are much more sophisticated
- Some units use shadow systems for analysis and reporting (e.g. Business Objects, Crystal Reports, ART, Unifier, and Excel)
- Managerial reporting lacks clear processes and accountability
- Some RRC managers and cluster directors perceive reporting formats and data standards as inconsistent or unclear
- Larger distributed units have technical staff dedicated to assisting with financial reporting needs while smaller units do not

Recommendations

- Assess opportunities to provide reporting support through a different model (e.g., central support)
- Work with stakeholders to define a standard level of expectations and service to be provided by Central Finance for financial reporting needs
- Consider talent planning and employee development related to financial reporting and analysis

Alignment with Current Initiatives

- Central Finance is deploying UM Analytics, a business intelligence tool
- FinMAC (Financial Management Advisory Committee) is currently assessing and addressing reporting needs

Considerations

- Several distributed schools/units have specific financial reporting needs
- Units require expertise to extract data, analyze it, and translate it into useable information, not just run reports

Developing the tools and support for reporting enables local administrators to monitor and manage their resources more effectively.

Enhance Governance of Distributed Finance

OPPORTUNITY OVERVIEW

HuronEducation

UMN should define baseline levels of service related to financial administration and foster accountability related to delivering those services.

Opportunity Indicators

- Although central Finance owns the financial functions, there is limited oversight of the performance of distributed finance staff
- Central Finance does not participate in evaluating or hiring RRC managers or cluster directors
- Interviews suggest variation in the level of skill for finance positions across the University
- Central Finance does not regularly monitor and report error rates for distributed units

Recommendation

- Finalize Service Level Agreements to set service expectations between central Finance and distributed units
- Involve central Finance in the hiring of senior distributed finance positions (RRC managers and financial cluster directors)
- Work with stakeholders to clarify accountability for services to be performed by the distributed schools/units and central Finance

Alignment with Current Initiatives

- Central Finance coordinates regular meetings of RRC managers and financial cluster directors to communicate and discuss financial management
- Service level agreements have been drafted (but implementation was tabled)
- A dotted-line relationship is being formalized between the CFO and distributed finance functions

Considerations

- Increasing involvement of Central Finance is a shift from past practice
- Matrix-style reporting relationships can result in unclear communication channels

Defining services allows performance and resource allocations to be measured and calibrated.

Manage Financial Administration by Metrics

OPPORTUNITY OVERVIEW

UMN should establish resource and staffing guidelines (e.g., numbers of financial staff) for distributed schools/units.

Opportunity Indicators

- Initial measures indicate wide variability between distributed schools/units in regards to the numbers of finance (and HR and IT) employees normalized by number of employees and total expenditures by school/unit
- The University does not have adequate data to compare administrative investments by units over time
- Financial administration activity occurs beyond the structured financial clusters and RRC manager offices

Recommendations

- Develop metrics that can be used to measure efficiency of cluster financial activity
- Promote transparency and communicate metrics to University leaders, RRC managers, and financial cluster directors
- Assess transaction volumes and other financial activities at the distributed levels, and look for opportunities for consolidation or changes in service delivery models

Alignment with Current Initiatives

- Some clusters have already grouped similar financial activities to find efficiencies
- Institutional Research, in the Budget & Finance area, has created snapshot analyses of distributed administration costs
- Central Finance coordinated the development of staffing plans upon the initial creation of financial clusters

Considerations

- Some units may have needs which require dedicated resources
- Past discussions regarding “administrative service models” did not gain traction

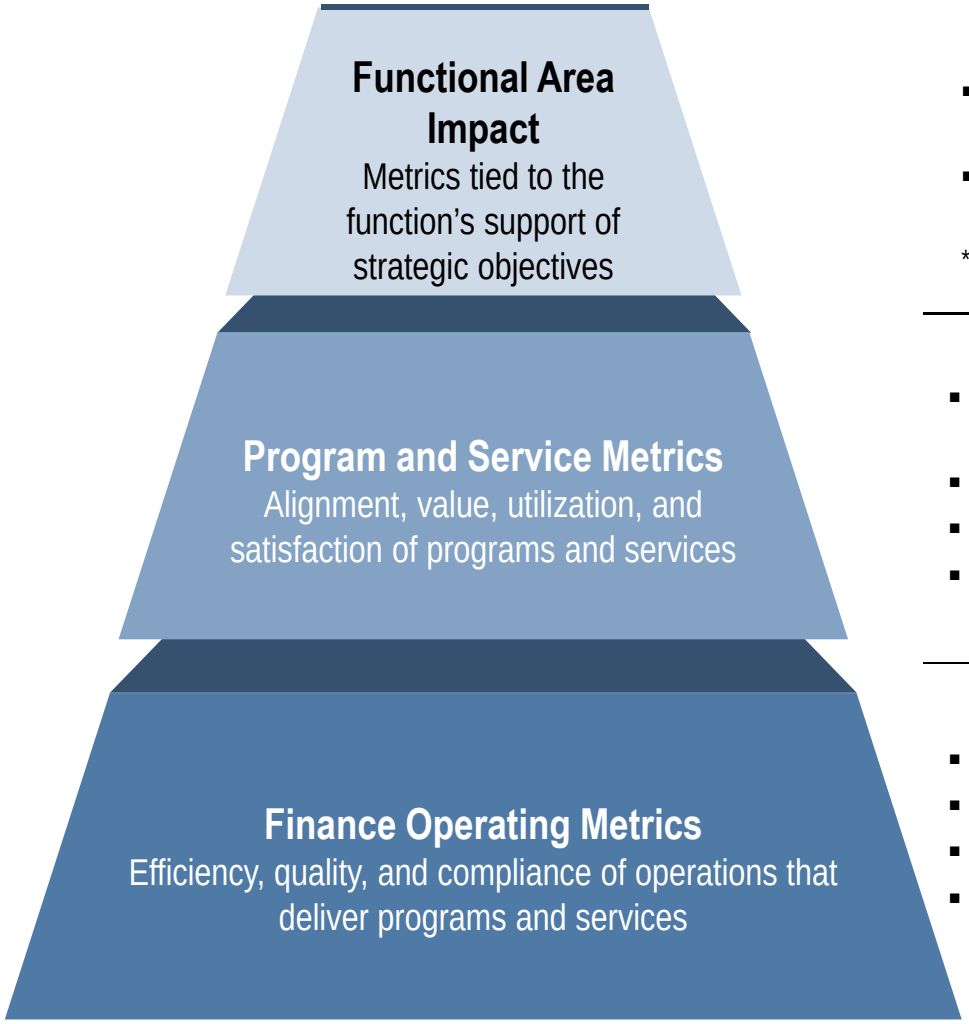
The University should measure how effectively units use financial resources and how efficiently units perform their financial administration responsibilities.

Manage Financial Administration by Metrics

IMPACT, PROGRAM, AND OPERATING METRICS

HuronEducation

UMN has done substantial work to develop metrics in some areas of financial administration, notably cost of mission, but has not combined them into an integrated program that allows consistent comparison across units.



Sample Metrics

Functional Area Impact

- Cost of instruction, research, and public service activities*
- Special project outcomes in relation to investment
- Total avoided costs (year-to-year)
- Costs per student, employee

**UMN Cost of Mission Study*

Program and Service Metrics

- Use of University contracts (spend under management)
- Unit customer satisfaction
- Budget to actuals deviation
- Revenue diversification
- Utilization of restricted funds

Finance Operating Metrics

- Finance module error rates
- Expenditures per finance job
- Transactions per finance job
- Error rates
- Costs of financial operations scaled by transactions and total expenditures
- Number of staff having access to finance modules

Procurement

Procurement

SUMMARY

Huron Education

Purchasing Services has already adopted many leading practices related to sourcing and purchasing goods and services.

UMN's Procurement operating model emphasizes the role of central Purchasing as providing contracts, tools, data, and analysis to support local units purchasing activity.

- Distributed buying with centrally developed and managed contracts promotes responsiveness while still allowing the campus to take advantage of strategically-sourced savings
- Ongoing technology improvements related to spend analysis and contract management build on this approach
- Moving Ustores to Umarket in 2013 should further improve contract and vendor management
- Procurement Services has well-documented policies and supporting information on its website

The University already employs strategic sourcing methods.

- Two phases of strategic sourcing identified significant savings opportunities related to several different commodities
- The University has developed some standards/bundles for items such as computers, but has not mandated their use
- Procurement Services has a multi-year plan for technology improvements

The University does not have a fully-integrated procure-to-pay strategy.

- Procurement and payables report separately to the Controller
- Central offices do not have direct accountability for accurate and timely payments to vendors
- Decentralized invoice processing limits the University's ability to capture prompt-pay discounts
- Travel and expense processes are still largely paper based and do not link phases of travel lifecycle (booking to settlement)

Procure-to-Pay

HIGH-LEVEL ASSESSMENT

Huron Education

Because they are part of the same high-level process, Huron looked at procurement and payment functions together.

Focus Areas	Observations
Strategy and Vision	▪ Purchasing Services (PS) mission statement emphasizes integrity, economy, efficiency, and accountability to the University ▪ PS focuses on large transactions and developing contracts and tools that enable buyers across the campuses to purchase items at competitive prices ▪ The Central Purchasing function executes requisitions greater than $50,000 and executes ~47% of the overall spend. This threshold reduces the number of steps for end-users, without compromising the integrity of the procurement process. ▪ In the past, the separation of U Stores from central purchasing may have created inconsistencies in the purchasing of goods and services. Moving U Stores contracts to U Market in 2013 will improve contract and vendor management. ▪ PS has established a multi-year plan regarding technology improvements
Organization and Governance	▪ PS and Disbursement Services report through separate channels to the controller. The separation limits the integration of the procure-to-pay cycle ▪ Decentralized purchasing and accounts payable roles outside of the central units are organized within colleges, departments and clusters. The roles are defined, and associated with specific training to gain system access, ▪ Central offices do not directly oversee distributed roles and does not have direct accountability for accurate and timely payments or control of vendor relationships ▪ Travel and expense processes are also highly distributed ▪ U Stores has a dotted-line reporting relationship to Procurement Services
Talent and Staffing	▪ Purchasing and Disbursement Services do not have good visibility into the level of effort required for procurement at decentralized locations ▪ The time commitment of each individual by role is difficult to determine ▪ Purchasing and Disbursement Services have 16 and 12 FTEs respectively for a total of 28 FTEs within the centralized procure-to-pay process. Benchmark survey institutions with decentralized procurement staff and spend over $1B have anywhere from 50 to 80 FTEs within central procurement and accounts payable combined
Technology and Data	▪ UMN uses technology to support all aspects of the procure-to-pay lifecycle, and upcoming implementations should address remaining gaps. ▪ PS has extensive data on procurement through all mechanisms (P-Card, purchase orders, AP) ▪ UMN has low levels of adoption of available booking tools and travel cards as well as low utilization of the PeopleSoft Expense module ▪ UMarket project (SciQuest) has enabled PS to negotiate discounts based on electronic PO delivery and eInvoicing for the top 40 transaction volume vendors ▪ University is implementing Automated Clearing House (ACH) and ePayables through UMarket and Accounts Payable functions.
Process and Metrics	▪ Procurement and Disbursement processes and policies are well documented ▪ Purchasing Services produces an annual report which provides detailed performance metrics ▪ Disbursement Services produces monthly metrics but does not produce a comprehensive annual report

Purchasing Services

TRAJECTORY OF UNIVERSITY OF MINNESOTA PURCHASING

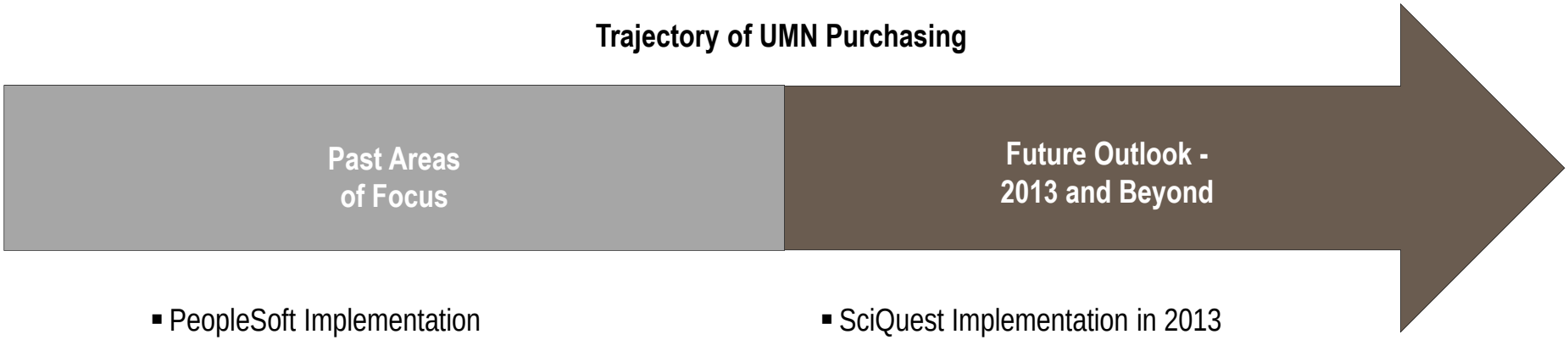
Purchasing Services has evolved over time with regard to strategy and technology

Purchasing Services Mission Statement[1]:

to provide management oversight and facilitation of all University of Minnesota purchasing processes to insure integrity, economy, efficiency, and accountability; to provide sourcing, bidding, and troubleshooting assistance to University of Minnesota colleges and departments; and to ensure that responsibility to the University of Minnesota Stakeholders (e.g., general business community, targeted group businesses, citizens of Minnesota, etc.) is considered in all purchasing policies and practices.

FY12 Purchasing Services Annual Report

Trajectory of UMN Purchasing



- PeopleSoft Implementation
- Development of Clusters with Procurement Specialists and Voucher Specialists
- Strategic Sourcing Assessment and Review
- Zycus Implementation

- SciQuest Implementation in 2013
- Contract Management Tool Implementation in 2013
- PeopleSoft Upgrade in 2014

Strategic Sourcing

UMN already embraces Strategic Sourcing, a rigorous and methodical approach to reducing the total delivered costs of purchased goods and services while maintaining or improving quality and service.

Strategic Sourcing Levers	Methods	UMN Application of Levers
Price Opportunity	▪ Evaluate supplier costs ▪ Obtain lowest cost from incumbent supplier; if not, consider lower cost suppliers	▪ Purchasing Services negotiates with suppliers and develops and issues University-wide contracts
eProcurement	▪ Channel users to preferred supplier agreements ▪ Promote preferred suppliers ▪ Create operating efficiencies for suppliers ▪ Ability to pay vendors more rapidly	▪ Purchasing Services has an established eProcurement environment and continues to develop its functionality in contract management and spend analysis ▪ Purchasing tools drive spend to agreements
Demand Management	▪ Modify consumption ▪ Find alternative ways of fulfilling need	▪ Purchasing Services is beginning to work more directly with RRCs to analyze spend and evaluate alternative products/vendors
Buying Power Leverage	▪ Concentrate volume ▪ Conduct best price evaluation ▪ Introduce new suppliers	▪ Orders larger than $50,000 must be competitively bid; threshold would need to be substantially less to bring a significant amount of spend under central review
Product/Service Specification Rationalization	▪ Standardize specifications ▪ Simplify specifications to reduce costs	▪ UMN generally does not mandate standard specifications, but does develop and promote favorable options ▪ Many units have mandated their own standard specifications
Policy Review and Compliance	▪ Increase policy compliance ▪ Create or modify supplier or consumption policies	▪ Purchasing Services evaluates its own effectiveness and compliance with policy, but does not measure or evaluate distributed purchasing functions

Purchasing Services

CENTRAL VERSUS DECENTRALIZED PROCUREMENT RESPONSIBILITIES

Huron Education

Responsibilities for procurement are divided between central Purchasing Services and decentralized individual academic or business units.

		Source	Enable	Procure	Settle	Analyze
	Primary Activities	eSource/eRFx Contract Authoring Contract Repository	Supplier Enablement Catalog Loading	Supplier Enablement Catalog Loading	Shopping Requisition/Workflow Order Dispatch/eOrder	Normalization Spend Analysis Compliance Performance Mgmt
Central Purchasing / Disbursements	**Responsibility of Central Purchasing / Disbursements**	▪ Negotiates and manages University-wide contracts ▪ Provides RFP guidance when under $50K ▪ Executes transactions over $50K	▪ Disbursements manages the master supplier list	▪ U Stores processes any purchase orders for items they sell to University	▪ Disbursements handles vendor payments ▪ Disbursements manages invoice exceptions	▪ Purchasing Services has spend analytics tool Zycus to help facilitate spend analysis
	Estimated FTEs	▪ 7 Category Managers within Purchasing Services	▪ 3 Vendor Maintenance individuals within Disbursements ▪ 2 Buyers within U Stores that manage catalogs		▪ 5 Processing individuals within Disbursement Services ▪ 2 AP individuals within U Stores	▪ 1 Strategic Sourcing Project Manager
Distributed Units	**Responsibility of Decentralized Units**	▪ May negotiate own agreements for bids under $50K and may involve Central Purchasing	▪ Units can work directly with Disbursements to add suppliers for payment	▪ Requisitioners buy items ▪ Procurement Specialists handle purchase order exceptions	▪ Non U Stores POs require receipt by department ▪ Voucher Specialists enter invoices ▪ Suppliers send invoices to Clusters	▪ N/A - Primarily done at central level
	Roles within EFS			▪ 2,480 staff in Requisitioner role; 126 staff in Procurement Specialist role ▪ 5,300 Pcard users	▪ 247 individuals with the Voucher Specialist role	

Note: 1) All Users Mar 20.xls file as provided by UMN; Report of all users with access to UMN EFS.

Purchasing Services

APPLICATION OF TECHNOLOGY

Huron Education

Purchasing Services uses technology to enable procurement activities across the source-to-analyze lifecycle.

	Source	Enable	Procure	Settle	Analyze
Primary Activities	eSource/eRFx Contract Authoring Contract Repository	Supplier Enablement Catalog Loading	Supplier Enablement Catalog Loading	Shopping Requisition/Workflow Order Dispatch/eOrder	Normalization Spend Analysis Compliance Performance Mgmt
Central Procurement	ionWave technologies inc. sciQuest	sciQuest	ORACLE PEOPLESOFT ENTERPRISE sciQuest		ZYCUS
Central Accounts Payable		ORACLE PEOPLESOFT ENTERPRISE	ORACLE PEOPLESOFT ENTERPRISE	ORACLE PEOPLESOFT ENTERPRISE	
Umarket Services				**PDI** custom solution	
Campus Shoppers			sciQuest ORACLE PEOPLESOFT ENTERPRISE		
Campus: Requisition and Invoice Creators and Approvers			ORACLE PEOPLESOFT ENTERPRISE sciQuest	ORACLE PEOPLESOFT ENTERPRISE WELLS FARGO	

Procurement Benchmarking

Procurement Benchmarking

OVERVIEW

UMN's central purchasing and payables functions are smaller than peers who responded to the survey.

Process

- Huron reached out to 9 institutions on the University's standard peer list with a written survey; individual institutions were contacted by phone for follow up
- Huron received 4 responses to the survey, though in some cases, answers were incomplete
- Some institutions asked Huron to use a staff list or organizational chart to get staffing data; in those cases, a best-guess effort was made to categorize staff
- UMN staffing numbers were determined with the Purchasing Services to correct for recent organizational change and unfilled/cancelled vacancies

Summary Results

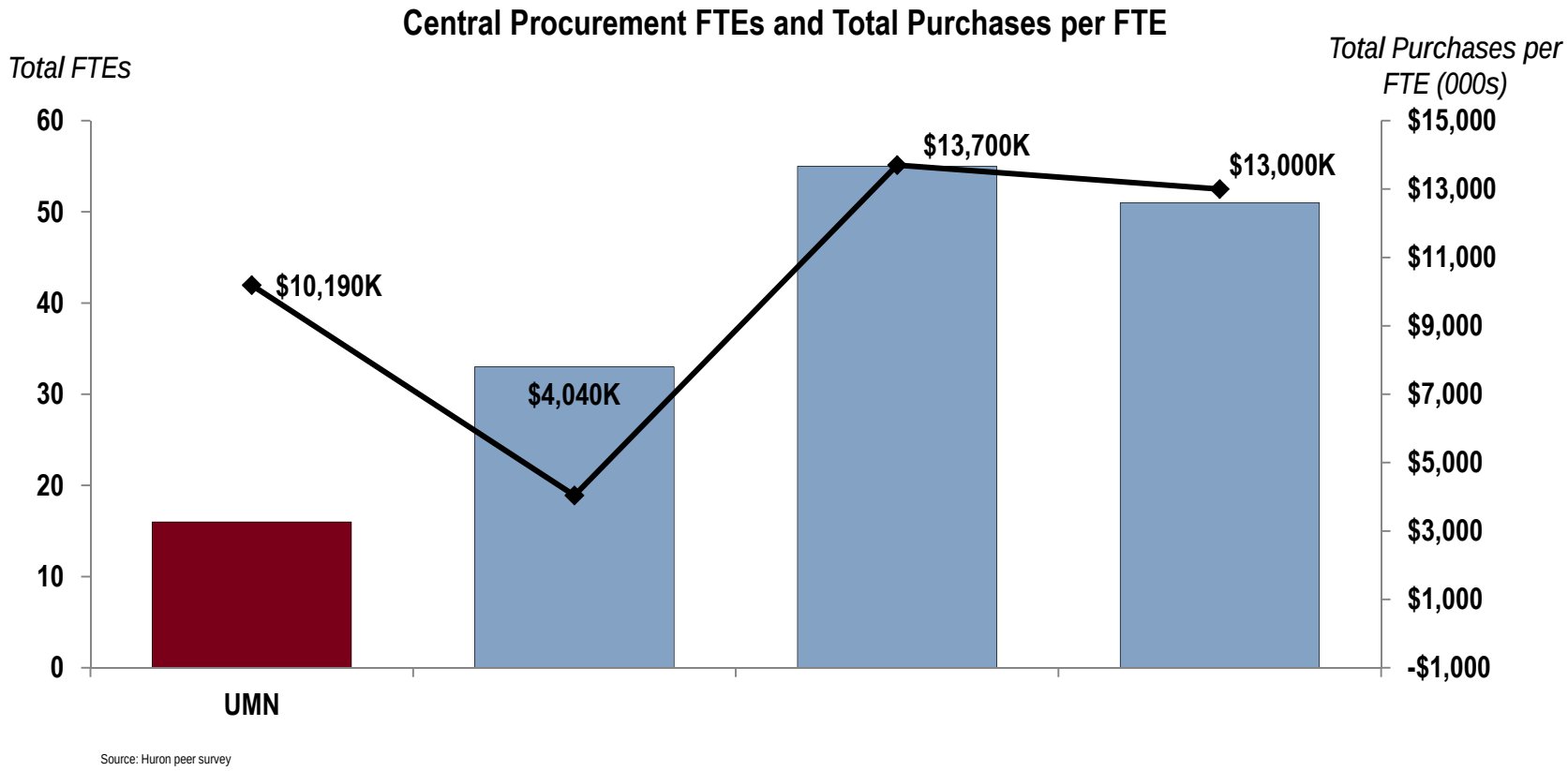
- Of peers who responded, UMN has the smallest central procurement function, which reflects the University's approach to providing tools, contracts, data and support to the broader University community instead of performing the buying function
- UMN was the only institution reviewed that does not centralize data entry for payables. Of the two institutions that responded regarding on time payments, UMN had the lowest rate (73.4% compared to 90% and 80.8%)
- UMN also had a smaller percentage of payments being settled electronically, though UMN has plans to expand electronic payment mechanisms
- UMN's adoption of travel and expense reimbursement tools is well below industry-leading levels

While few institutions responded to the survey, Huron also compared the Procurement and Payables functions to leading practices.

Procurement Benchmarking

STAFFING

University of Minnesota has 16 FTEs within central procurement while other institutions with total purchases more than $1B have more than 50 FTEs within central procurement.



Source: Huron peer survey

University of Minnesota has fewer central procurement staff than other survey participants and was within the range of procurement dollars per central purchasing FTE.

Procurement Opportunities

Increase Traveler Adoption of T&E Tools

OPPORTUNITY OVERVIEW

Increasing adoption of online booking and travel card programs would result in additional discounts and rebates.

Opportunity Indicators

- Only 35% of travel is booked through the three preferred travel agencies and the university-specific Delta.com site
- Approximately $4M of travel is booked through the commercial Delta site rather than the UMN Delta.com site which results in a loss of 2-3% discounts
- Of the $39M of travel spend, only 25% is processed through a corporate card that provides rebates; resulting in loss of a potential rebates
- Approvers provide their approval primarily through paper expense reports which are then approved on-line via a proxy (duplicate entry)

Recommendations

- Consolidate travel management activities to CTS for the majority of campus travel and Metro Travel and Tours to promote supplier diversity
- Establish a change management campaign to promote CTS across campuses (goal - to increase traveler adoption from 35% to over 60%)
- Transform travel card into a corporate-liability card and expand ownership to anyone that travels – even infrequent travelers; will increase rebates and provides efficiencies in expense report creation for traveler / delegate

Alignment with Current Initiatives

- Travel and expense efficiencies will not occur before 2015 – based on current plans

Considerations

- Changes to travel and expense policies and processes need to be communicated to the University community and supported through change management and training

Potential Impact

Adoption	Estimated annual savings
Divert Delta.com purchases to UMN's Delta.com site	$80,000
Convert travel card to corporate-liability and drive adoption to ~80%	$140,000 - $150,000

Fully Automate Travel and Expense Process

OPPORTUNITY OVERVIEW

Huron Education

Expanded use of technology could reduce the costs of travel and expense reimbursement processes.

Opportunity Indicators

- Travel card transactions are not integrated with the PeopleSoft Expense solution
- Online instructions to Clusters suggest the need to print out the expense worksheet, online PeopleSoft expense form, and provide paper receipts for imaging (redundant information and data entry)
- Limited audit rules configured within the PeopleSoft Expense module require departmental approvers to catch out of policy expenses
- Audit rules do not ensure that imaged receipts are attached to expense items when required
- Central audit of expense reports is limited
- Mobile technologies are not used
- Gaps in the current process make it difficult to analyze travel expenditures

Recommendations

- Integrate corporate travel card feed into PeopleSoft Expense
  - Increase expense preparer efficiencies
  - Increase accuracy of line-item detail
  - Increase visibility into vendor usage
- Increase travel policy compliance by expanding audit rules within PeopleSoft Expense for both departmental approvals and back office audits
- Add mobile technology to improve traveler receipt management
- Add mobile technology to ease the approval process while the approver is away from the office

Alignment with Current Initiatives

- Travel and expense efficiencies will not occur before 2015 – based on current plans

Considerations

- Utilization of mobile technologies have resulted in nearly a 40% lower expense-processing costs *(based on Aberdeen study – The role of mobile technology in modern T&E expense management - June 2012)*

Potential Impact

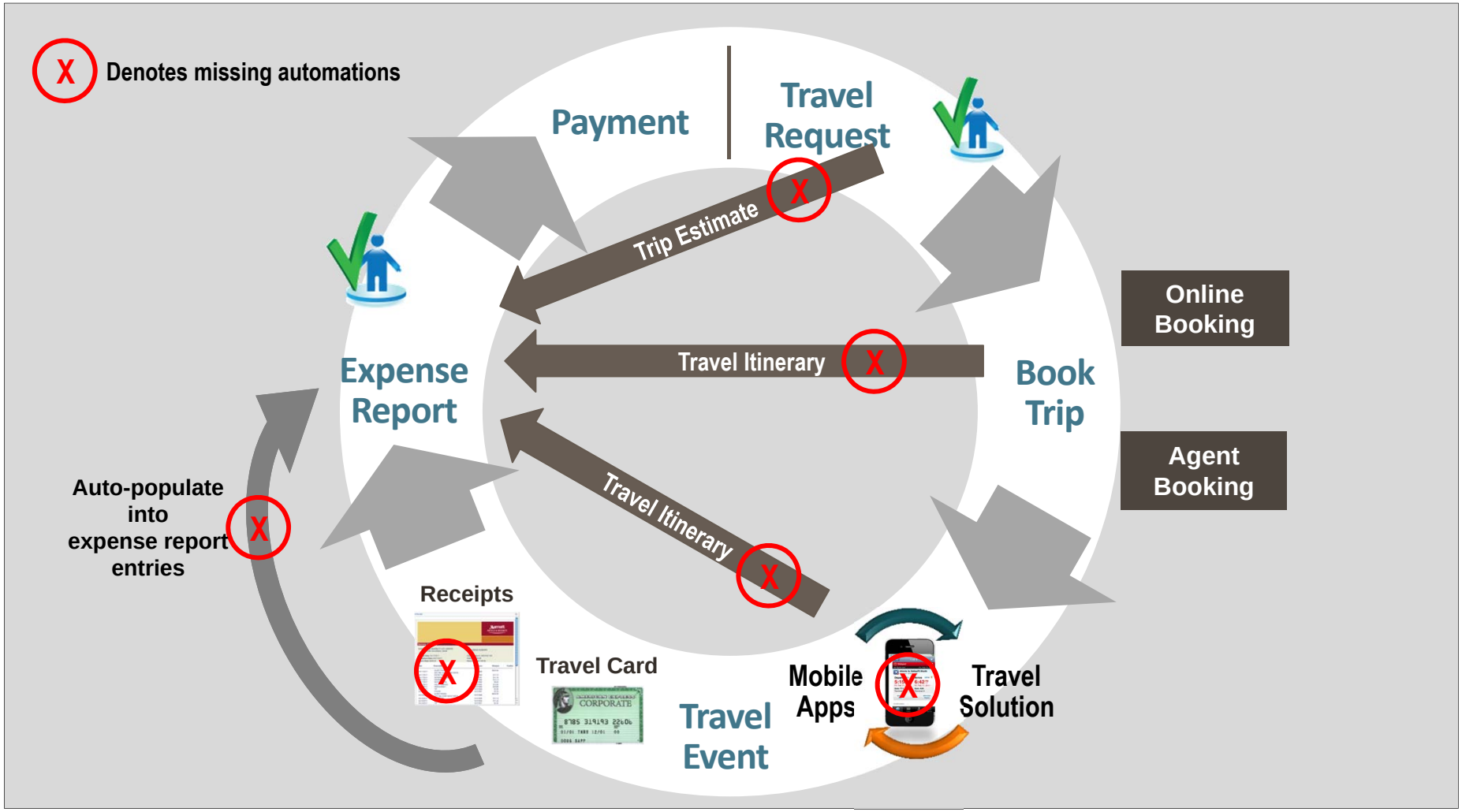
Key Performance Metric	End-to-End Users	Non-End-to-End Users
Compliance to corporate travel policies and guidelines	82%	52%
Business travel spend under management	63%	51%
Cost to process a single expense report	$9.50	$21.10

Source: Aberdeen Group, February 2012

Travel and Expense Automation

TECHNOLOGY ACROSS THE TRAVEL LIFECYCLE

Current travel and expense reimbursement tools do not automatically draw data from each phase of the travel lifecycle.



Travel and Expense

TECHNICAL SNAPSHOT

HuronEducation

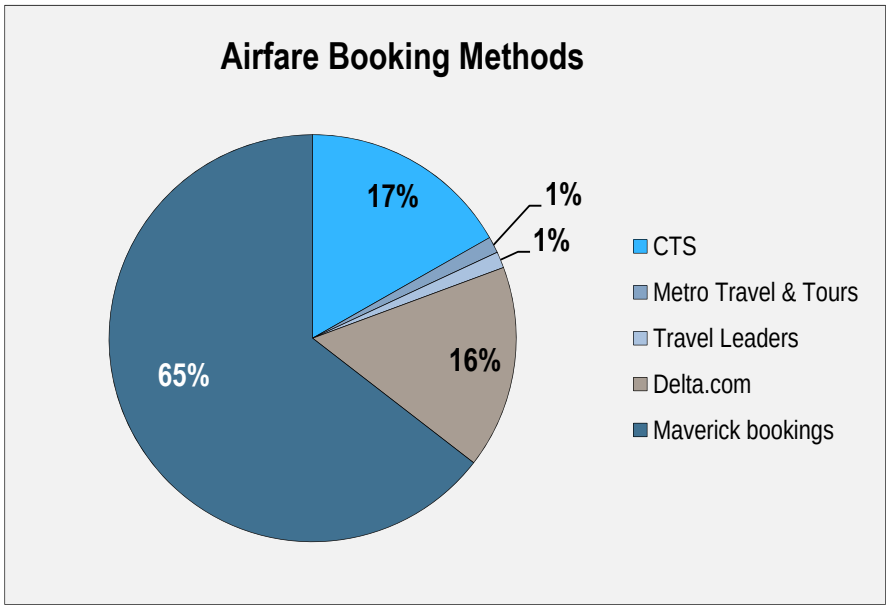
The travel and expense process still contains a great degree of manual activities (double entry) and moving paper documents.

	Trip Approval	Book	Travel	Settle	Analyze
Primary Activities	Trip Approval Budget Check	Book airfare, hotel, car Policy / compliance	Itinerary Credit card payments Receipt management Agent-assisted changes	Receipt Expense Report Policy/Compliance/Audit Reimbursement	Spend Analysis Compliance Performance Management
Suppliers		M T & T TRAVEL LEADERS			
Central Procurement					ZYCUS AMERICAN EXPRESS WELLS FARGO
Central Accounts Payable		Double entry and multiple touch points and methods around receipts, expense report creation, and approvals have created inefficiencies		ORACLE PEOPLESOFT ENTERPRISE Image Now	
Traveler	ORACLE PEOPLESOFT ENTERPRISE	WELLS FARGO			
Delegate and Approvers	ORACLE PEOPLESOFT ENTERPRISE			ORACLE PEOPLESOFT ENTERPRISE Image Now	

Travel and Expense

SUPPORTING STATISTICS

Best-in-class universities achieve 60% traveler adoption of their preferred travel management company, while UMN is only achieving 35% traveler adoption.



Breakdown of airfare booking methods

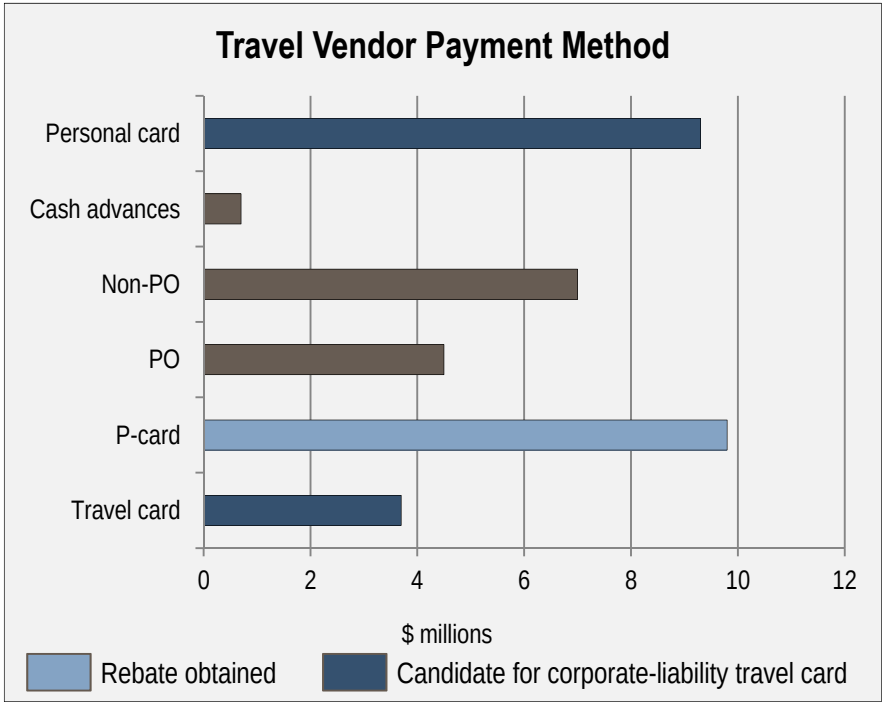
- Individuals booking outside of University provided agencies ("maverick" booking) represents the largest method used. This includes booking on the commercial Delta site rather than the UMN Delta site.
- In many cases, trip packages (air, hotel, and car) are booked and placed on the P-card
- Travelers perceive that cheaper flights are obtained through external sites
- While travelers understand that using preferred vendors could improve future discounts, immediate cost savings are more compelling than future savings

Greater use of preferred travel management companies increases the visibility of travel expenditures and improves the University's ability to manage risk for travelers.

Travel and Expense

SUPPORTING STATISTICS

Best-in-class universities achieve 80% traveler adoption of their corporate card program.



Breakdown of travel vendor payment method
(excluding personal meals)

- The P-card is the only tool that currently provides the University a rebate
- Many travelers use their personal cards for payment
- Other universities have seen an increase in the usage of their travel card when it was converted to corporate-liability, which enables more rebates and eases traveler's cash flow
- Policy changes should be considered to drive activity to preferred payment methods

Potential rebate opportunity could be $140,000 to $150,000 annually if payment methods are directed to a corporate-paid (rebate) card.

Consolidate Travel Management Authority

OPPORTUNITY OVERVIEW

Consolidating travel management authority would create greater integration of processes.

Opportunity Indicators

- Purchasing and Disbursement Services collaborate with regard to maintaining the travel policy
- The travel and expense life cycle (booking, traveler adoption of tools, traveler experience, and oversight of PSFT Expense module) lacks a single process owner
- Campuses have limited adoption of the travel and expense tools

Recommendations

- Consolidate travel management authority with a single owner that oversees the full travel and expense life cycle; typically a peer to purchasing and disbursement services owners

Responsibilities include:

- Partner with Purchasing and Disbursement Services
- Monitor compliance and approves cash advances for travel
- Manage credit card programs, travel management company relationships, training, and T&E support questions
- Lead analysis of travel program improvements and participate in travel vendor negotiations with purchasing

Alignment with Current Initiatives

- No known initiative in place today

Considerations

- Creating clear responsibility for travel management will make it easier to focus on guest, group, student, and athletic travel to gain additional travel and automation improvements

Process ownership should accelerate implementation of improvements.

Consolidate Travel Management Authority

ILLUSTRATIVE TRAVEL MANAGER RESPONSIBILITIES

Huron Education

Responsibilities	Description
Collaborate with Strategic Sourcing Resources	▪ Collaborate with sourcing resources to identify areas for vendor negotiations
Expense Report Audits and Compliance	▪ Conduct audits and compliance checks and random audits to identify areas to improve travel compliance
Ongoing Communication to Users	▪ Communicate vendor rates, airline changes and other pertinent booking and travel information ▪ Gather feedback and provide updates on changes based on feedback from users ▪ Track traveler satisfaction and compliance travel program and adjust the travel program if necessary ▪ Maintain web site content dedicated to travel management
Training	▪ Create and maintain training materials for travel and expense management program (as solution changes) ▪ Provide any ongoing training to users ▪ Update any training materials created
Analysis of Travel Program	▪ Develop regular analysis program to gain insight into spend patterns ▪ Review travel spend with providers each quarter ▪ Meet with departments to understand upcoming travel needs and opportunities for negotiations ▪ Adjust programs to ensure travelers increase utilization of preferred vendors ▪ Ensure volume requirements are being met
KPI Tracking and Management Reporting	▪ Establish a set of KPIs that will allow for monitoring of various facets within a travel program and develop strategies to improve metrics (see KPI recommendation for further detail)
Tool and Credit Card Administration	▪ Manage Travel card programs ▪ Maintain any policy controls in both the online booking tool and the expense management tool ▪ Ensure all negotiated rates are loaded and visible to the user ▪ Test system changes and communicate them to the user community

Consolidate Invoicing

OPPORTUNITY OVERVIEW

The introduction of eInvoicing as part of the SciQuest solution is projected to remove approximately 50% of the invoice entry from the clusters.

Opportunity Indicators

- Vendors have multiple points of contact across the campuses; in some cases a vendor suspends activity with the University due to delayed payment by one cluster
- U Market Services uses a custom solution (PDI) to conduct invoice matching and processing for 40 high transaction vendors (as of July 2013) while the remainder of invoices are processed within PeopleSoft
- Central organization spends time tracking missing images across all types of invoicing rather than focusing on fraud or policy auditing
- Leading institutions are focused on centralizing invoicing

Alignment with Current Initiatives

- Leveraging eInvoicing progress from the SciQuest implementation creates a compelling opportunity to consolidate all invoicing within Disbursement Services to gain optimal efficiencies and cost savings

Recommendations

- Through a phased approach, maximize the University's eInvoicing capabilities via U Market solution.
  - Eliminates data entry errors
  - Centralizes vendor relationships
  - Provides opportunity to negotiate prompt pay discounts
  - Allows clusters to focus on value-add activities
- Assess viability to fully automate invoicing via OCR and imaging services provided by SciQuest after eInvoicing capabilities have been achieved

Considerations

- Assess viability of eliminating the custom PDI system utilized by U Stores for invoice processing into EFS
  - Utilize SciQuest and PeopleSoft for all invoicing; import electronic invoices directly from SciQuest into PeopleSoft and conduct settlement matching within PeopleSoft for all invoices
  - Establish eStatements with push / post capability within PeopleSoft reporting to satisfy the reconciliation requirements of the clusters
  - Minimize system admin and maintenance costs

Shifting to electronic invoices reduces manual work for voucher preparers across the campuses.

Consolidate Invoicing

PHASED APPROACH

Phased Approach to Consolidated Invoicing

Phase 1: SciQuest rollout (July 2013)

- Current plans estimate that gradually (as adoption of U Market increases) an estimated 40-50% of invoice transaction volume will be conducted via electronic invoices based on the enablement of 40 U Market vendors

Phase 2: Expand focus on more vendors for catalog / eInvoicing (2014)

- Current plans estimate that an additional 20-30% of invoice transaction volume can be processed as electronic invoices

Phase 3: Consolidate the remaining invoices

- Assess the remaining invoicing activities and viability to consolidate the processing via OCR, imaging, matching, and routing of invoice exceptions via technologies provided by SciQuest
- Pilot the new invoicing approach
- Rollout out to remaining units or offer as a service to units

Potential Impacts

- Approximately 11,000 PO invoices were processed per month in FY12
- Phase 1: Approximately 50% of the invoice transaction volume is associated with 40 vendors being enabled within U Market. UMN is expecting 95% of them to be converted to eInvoicing which will provide process savings. The savings will be achieved gradually as adoption of the U Market system increases.
- Potential savings - $74,000
- Phase 2: The project team is targeting another 25% increase of eInvoicing as part of their phase 2 focus.
- Potential savings per year - $37,000

Definition of Maturity Class	Mean Class Performance
Best-in-Class **Top 20%** of aggregate performance scorers	▪ 4.1 days to process an invoice from receipt through approval ▪ $3.34 average cost to process an invoice from receipt to approval ▪ 90% capture rate for available early payment discounts
Laggard: **Bottom 30%** of aggregate performance scorers	▪ 16.3 days to process an invoice from receipt though approval of payment ▪ $16.67 average cost to process an invoice from receipt through approval of payment ▪ 15% capture rate for available early payment discounts

Source: Aberdeen Group, February 2012

University of Minnesota currently falls within the 'laggard' class for invoice processing

Expand Use of ACH and ePayables

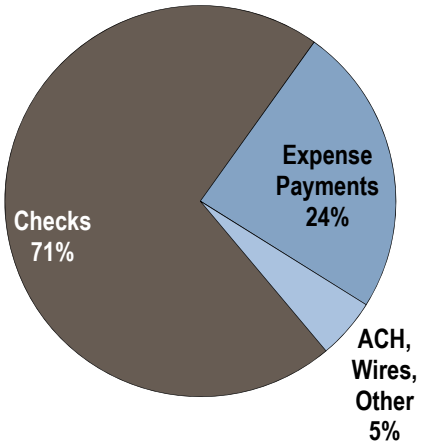
OPPORTUNITY OVERVIEW

Implementing ePayables or Automated Clearing House (ACH) for vendor payment will reduce the costs associated with printing checks.

Opportunity Indicators

- The University has a high volume of checks versus more efficient electronic payment methods

Payment Method



Source: Data provided by UMN disbursement services

Alignment with Current Initiatives

- Increased eInvoicing from the SciQuest implementation has created the opportunity to negotiate additional discounts for the U Market vendors
- ACH and ePayables will reduce check processing costs

Recommendations

- Continue focus on converting check processing to ACH or ePayables
  - Work with UMN bank to establish and implement an ePayables program; negotiate the ability to roll the ePayables into the corporate card rebate program
  - Negotiate with vendors in areas of eInvoicing, prompt pay discounts, ACH, and ePayables
    - First tier (large catalog suppliers) – utilize eInvoicing, negotiate prompt pay discounts, and pay via ACH
    - Second tier (may not be willing to offer prompt pay discount)–strive for eInvoicing and focus on signing them up for ePayables

Potential Impact

Payment Method	Cost to Process	Time to Process
Checks	$7.00	8.9 days
Automated Clearing House (ACH)	$4.78	6.6 days
Commercial Cards	$3.91	6.9 days
Wire Transfers	$10.33	5.6 days

Processing Cost Difference for checks costs $2 to $3 dollars more than ACH and Commercial Cards; Processing Time for checks approximately 2 days more than ACH or Commercial Cards

Source: Aberdeen Group, February 2012

Implement a Contract Management Solution

OPPORTUNITY OVERVIEW

Huron Education

As noted in the Procurement Annual Report, Purchasing Services is continuing to expand their offerings with an automated contract management solution.

Opportunity Indicators

Contract lifecycle management software automates and streamlines business requirements and processes and provides contract managers and other stakeholders with an accessible, searchable online contract database. Benefits include:

- Reduced costs
- Maximized contract value
- Minimized contract risks
- Increased compliance

Potential Impact

An integrated contract management solution will provide savings by directing users to preferred pricing agreements

Best Practices

Processes:

- Proactive compliance and enforcement
- Utilize formal templates for all solicitations and contracts
- Create repeatable process for consistent contract management development
- Review all University mandated terms and conditions on a regular basis
- Revise existing contract management policies to promote consistency; include processes, organization, technology, performance metrics, vendor relations, legal, and training
- Consistently measure contract compliance and performance

Organization:

- Executive support and active involvement
- Coordination and input from all relevant parties to minimize risk and maximize compliance

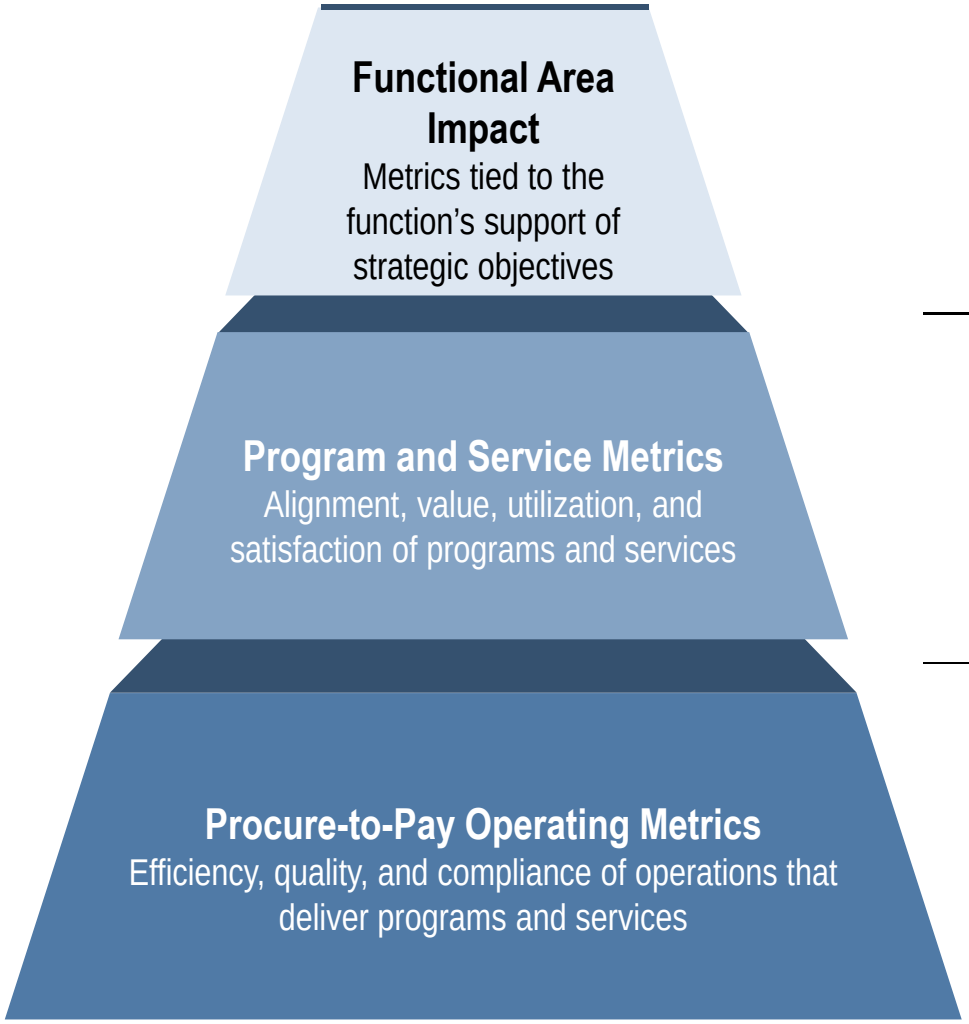
Technology:

- Tool is searchable and allows for the uploading, monitoring and automated reporting of contracts
- Formal mechanisms in place to track compliance
- Amendments can be approved, uploaded, and tracked online
- Capture contract “cover sheet” data, specific attributes, description, dates, documents and service milestones.
- Show ordering instructions to drive shoppers closer to the contract when shopping; comingling the contract form / items / instructions with regular hosted catalog items.

Enhance Procure-to-Pay Performance Metrics

IMPACT, PROGRAM, AND OPERATING METRICS

The University already tracks several metrics related to procurement, but they could be further developed to emphasize performance measurement.



Sample Metrics

- Total cost reduction through sourcing
- Total cost reduction through process excellence
- Local economic impact
- Support of other strategic objectives (such as sustainability)

- Customer satisfaction measures
- Spend under management
- Tool and service utilization
- Contract utilization

- Procurement lead time
- Invoice processing time
- Cost per transaction
- Procurement staff training and development

Enhance Procure-to-Pay Performance Metrics

METRICS EXAMPLE

Objective: Assess the degree of satisfaction with Purchasing's ability to meet internal customer needs.

Process: A survey or questionnaire that addresses the following areas: timeliness, quality, and communication practices. Respondents will be asked to provide "yes/no" answers to questions regarding the core response areas and will be asked to supply one of three overall satisfaction ratings consisting of: "Unsatisfactory," "Satisfactory," or "Highly Satisfactory." A comments section will be provided for each survey question. Twenty-five customers will be surveyed quarterly for select categories. For the purpose of scoring this measure, the respondent will be considered "Satisfied" if his/her response to the overall satisfaction survey question is "Satisfactory" or "Highly Satisfactory."

Measurement: The formula below will be applied to determine the Internal Customer Satisfaction rating:

Internal Customer Satisfaction Rating % =	Number of Satisfied Internal Customers
	Total Number of Internal Customers Responding to Survey

Target	92%
Stretch Goal	>95.0% or, >92.0% - <95.0% of customers responding to survey are satisfied and notable internal customer service activities have been conducted by procurement during the year.

Human Resources

Human Resources

SUMMARY

The Office of Human Resources is focused on building the operational and programmatic foundations for more effective workforce management.

OHR faces many of the same challenges as other public research universities in human resources administration.

- Complex employment structures (multiple employee categories, large number of job types)
- Complex and broad range of programs, services, and policies
- Decentralized HR support that has evolved over time, is not consistent across units, and is difficult to quantify
- High value placed on personalized, face-to-face service
- Limitations to data quality; limited use of metrics

OHR is moving towards a partnership model, providing expertise, tools, and programs to empower campus leaders and distributed HR Leads.

- Roles and responsibilities are becoming more clearly defined (both within and outside of OHR)
- While it is still evolving, the dotted-line reporting of HR Leads provides OHR with a stronger connection to distributed HR

OHR is pursuing ongoing improvements through several projects.

- PeopleSoft HR upgrade (supports improvements in data integrity and process design)
- Electronic time and attendance (supports improvements in time tracking and processing)
- Talent Acquisition Module implementation (supports recruitment process improvement)
- Job Classification Study (supports improvements in talent management and reporting)
- Leadership Development (supports improvements in workforce productivity and succession)
- Employee Engagement (supports workforce productivity and climate)

OHR is managing a significant amount of simultaneous change.

Human Resources Overview

HIGH-LEVEL OBSERVATIONS

HuronEducation

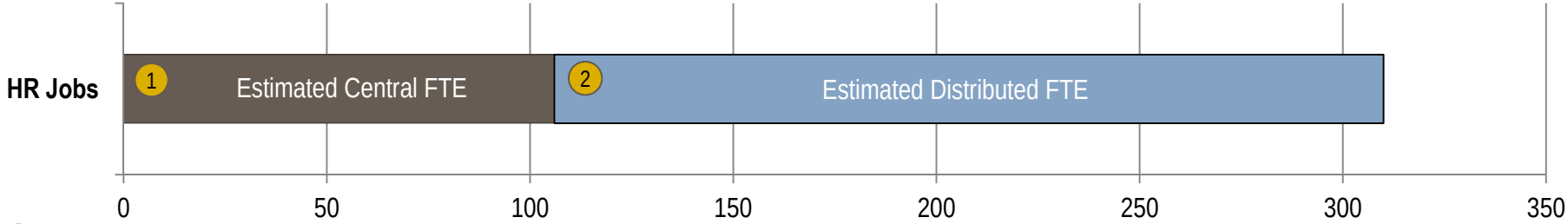
OHR is moving towards leading practice in several areas, including the expansion of its use of technology and its focus on talent management activities.

Focus Areas	Observations
Strategy and Vision	▪ OHR has defined a strategic direction and strategic imperatives and goals ▪ The organization has communicated the need for change both internally and to its clients ▪ OHR leadership has developed the OHR Strategic Dashboard to track its strategic initiatives
Organization and Governance	▪ OHR has organized around functional areas (operations, staffing, benefits, etc.), but the organization is still undergoing change ▪ Some ambiguity in HR roles persists, in particular regarding central and distributed HR generalist roles ▪ Working with distributed HR Leads, OHR has developed a partnership model that emphasizes collaboration ▪ "Dotted line" reporting has made the connection between HR Leads and OHR more formal, but the relationship is still evolving ▪ Individual departments within OHR (e.g., Employee Relations, OHS, etc.) have been documenting roles/responsibilities ▪ OHR has started to develop some service level agreements, but they are not in place for most services
Talent and Staffing	▪ Staffing levels of particular functions have developed over time, often in response to incrementally growing campus needs ▪ OHR staffing of central generalist roles has developed to complement varying degrees of ability in distributed HR staff ▪ Training is required for individuals who have access to HR information systems, but ongoing certification is not required ▪ Skill related to data analysis and interpretation reportedly varies
Technology and Data	▪ OHR applies enterprise technology to all primary HR processes and has implemented an employee self-service portal ▪ The upgrade of PeopleSoft in HR is essentially a reimplementation that impacts core HR data and processes ▪ Distributed data entry is more difficult to monitor and control ▪ Although many standard UM Reports are available, access to ad-hoc queries requires SQL knowledge and is somewhat limited
Process and Metrics	▪ Individual HR functions collect and monitor some performance metrics, but they tend to be focused on volume of activity rather than outcomes ▪ Some OHR processes have been evaluated for efficiency (e.g., hiring process improvement) ▪ Policies and procedures are documented and available to HR community; OHR does not, however, have an internal knowledge base

Human Resources Function

FUNCTIONAL AREA SNAPSHOT

The current job classification system does not capture the true amount of effort focused on HR-related activity, but combining internal survey data sources confirms that HR support is significantly distributed at the University.



1 The estimate of 106 central OHR FTE is based on the Administrative Activity Survey conducted during the course of this project. It reflects the number of FTEs within OHR focused on HR work (as opposed to a supporting function, such as communications).

2 The estimate of 204 distributed FTE is based on an analysis conducted by OHR in spring 2012 that attempted to estimate the percent of HR-related effort by individuals in other units.

Primary Central Responsibilities

- Policies
- Employee and labor relations
- Organizational effectiveness
- Payroll
- Compensation and classification strategies and program
- Benefits
- HR Systems
- Communications
- Occupational health and safety
- Job center

Primary Distributed Responsibilities

- Hire
- Performance management
- Employee development
- Compensation setting and adjustment
- Discipline
- Separation
- Position and job data entry

Link Between Central and Distributed

- OHR convenes the HR Leads regularly for meetings
- While distributed HR Leads do have a dotted line relationship, their accountabilities and performance expectations have not yet been fully defined

Distributed Stakeholder Themes

OBSERVATIONS

A focus group conducted with a several HR Leads provided some perspective on UMN's workforce management priorities.

Focus Area	Themes
Strategy and Vision (workforce management priorities)	▪ Increasing/improving the local capacity for workforce planning ▪ Improving supervisor/manager development (mandating supervisor/manager training) ▪ Supporting specialized recruitment needs for important positions ▪ Balancing staff (positions and skillsets) to deliver online learning for UMN's students ▪ Providing organizational design expertise and support for reductions in force
Organization and Governance	▪ HR administration at the University is very decentralized (evolved from a highly centralized model in place for decades) ▪ The integration between distributed units and OHR is not always effective ▪ HR Leads would like to develop a closer relationship with OHR, especially to provide input into HR policy/programs design, although they feel that they are not fully 'in the loop" yet
Talent and Staffing	▪ The degree of knowledge/skillsets for OHR Consultants varies significantly, which impacts the level of service provided ▪ OHR Consultants are sometimes viewed as "layers" by units who often "work the system" to get to the right person
Technology and Data	▪ Though UM Reports are available, users sometimes have difficulty accessing the data that they need. Knowledge of SQL is required for custom query development, and limited SQL savvy resources and training available ▪ On a case by case basis, staff frequently go to OHR to review hardcopy files to obtain and/or verify information

Process and Metrics	▪ Several HR processes have been identified as challenging (complexity, paper intensive, multiple handoffs, etc.) including:
	  ▪ Navigating the employment system (People Admin) as well as the overall hiring process
	  ▪ Time keeping (a paper intensive, manual process) and Leave Administration
	  ▪ Lack of integration between financial and HR modules (e.g. combo codes and position management)
	  ▪ Policy interpretation – both interpreting multiple "sub-policies"/levels and using the search feature online
	▪ HR leads have inconsistent or unclear expectations regarding HR processes and support

Human Resources

INITIATIVES

OHR is currently undertaking several simultaneous technical and programmatic projects.

Initiative	Potential Impact
Upgrade to PeopleSoft 9.2 (see following page)	▪ Improved data design for reporting and analysis ▪ Added functionality, such as workflow ▪ Improved functionality in applicant tracking ▪ Reduction in number of customizations
Organizational Redesign	▪ Implementation of changes in work processes and team structure within OHR ▪ Clarification of OHR team responsibilities and work relationships with the units ▪ Implementation of a change management strategy
Job Classification Redesign	▪ Completion of job evaluation redesign and job family studies ▪ Development of new classification guidelines and P&A / Civil Service classification redesign
Policy Review	▪ Establishment of a policy development framework to improve policy development ▪ Simplification of existing HR policies and procedures
Benefits	▪ Evaluation, implementation and communication support for changes related to health care reform ▪ Shifting benefits client service to the OHR Call Center
Payroll Audit	▪ Review of Payroll staff, processes, controls, tools, and procedures to enhance compliance, monitoring, and oversight of the Payroll function ▪ Development of the new time and leave administration processes
Hiring / Talent Acquisition	▪ Establishing a recruiting strategy to improve applicant quality and diversity ▪ Establishing a One-Stop for recruiting and hiring and a UMN employment brand ▪ Improved overall hiring process by streamlining policy and procedures, and implement applicant tracking system
Culture / Employee Engagement	▪ Improved enterprise-wide change management capability ▪ Redesigned PULSE survey to better meet employee needs

Enterprise System Upgrade Program

POTENTIAL IMPACT

The Enterprise System Upgrade Program (ESUP) for HR represents a reimplementation of the University's HR technology, but it will require process and organizational change to achieve its full impact

ESUP HR Scope

- Reimplementation of Core HR technology
- Redesign of HR data structures, including simplifying tables
- Evaluation of each software modification
- Evaluation of each business process which impacts HR data
- Implementation of electronic time and labor & absence management
- Implementation of recruitment solution (TAM)
- Implementation of enterprise portal

ESUP HR Potential Impacts

- New data structures and definitions support reporting
- Electronic processes for time and labor and absence management will be more efficient and improve monitoring and controls
- Simplified modifications will reduce resources required to support the system and facilitate future upgrades
- Recruiting process improvement
- Portal will improve end user access to the system

Potential Gaps

- The upgrade will improve some aspects of data structures and quality, but will not ensure that the quality of data is maintained.
- The ESUP program also does not change categories or classifications. Other initiatives, such as the job classification study will create meaningful, up-to-date categories for reporting.
- Data governance and the organization of data entry activities are as important as technology

Process and organizational change is within the scope of ESUP, but needs to be planned and managed in tandem with the technology change.

HR Benchmarking

HR Benchmarking

OVERVIEW

The Human Resources function is a complex set of technical, administrative, and professional activities, making exact comparison a challenging process

Process

- Huron reached out to 9 institutions on the University's standard peer list with a written survey; individual institutions were contacted by phone for follow up
- Huron received 7 responses to the survey, though in many cases, answers were incomplete
- Some institutions asked Huron to use a staff list or organizational chart to get staffing data; in those cases, a best-guess effort was made to categorize staff by function
- UMN staffing numbers were determined with OHR to correct for recent organizational change and unfilled/cancelled vacancies
- The payroll function, which is sometimes aligned with the finance function, was excluded from overall ratio calculations
- IPEDS 2011 employee headcount data were utilized for ratio calculations across UMN and peer institutions to ensure consistency

Summary Results

- With the exception of one peer, all responding institutions use enterprise technology to support HR; several are in the process of system selection or upgrade projects
- The staffing of UMN's central HR function relative to the size of the overall employee population does not appear significantly out of line with five of its peers, but it appears larger than two others
- UMN's central HR expenditures per University employee was the second highest of the responding peer group
- Peer estimates of distributed HR staffing varied extensively, and institutions that did report it indicated significant uncertainty in their numbers
- Some peers have implemented or are implementing new service delivery models for HR, in particular with regard to transactional HR activities

Peer institutions are all undertaking projects to implement systems, new programs, or new organizational structures for HR.

HR Service Delivery Differentiators

FACTORS IMPACTING HR RESOURCE LEVELS

HuronEducation

While most responding peers use enterprise technology to manage HR, they did vary significantly by the number of campuses that they support, their relation to a university/state system, and the sponsorship of their benefits plans.

Peer Institutions	Provide Support for Multiple Campuses?	Receive "System" HR Support?	Provide Distributed HR Support?	Utilize Outsourcing?	Provide Academic Staff Support?	ERP?	ESS /MSS?	Benefits Plan Sponsor	Initiatives?
UMN	4 others	No	204 FTEs	Background checks	limited staffing	PeopleSoft	ESS	self	PSoft 9.2 comp/class HR/service redesign
School A	Shared service center	Some policies	105.5 HR FTEs (by title)	No	limited staffing	PeopleSoft	ESS / MSS	state	HR/service redesign
School B	Yes	No	200 FTEs	COBRA, training unemployment,, background checks, FSA	ER, limited staffing	No (legacy)	ESS	self	HR/service redesign ERP (Workday)
School C	Yes	health / retirement	140 staff	voluntary benefits, visas, employment verification	limited staffing, training, onboarding	PeopleSoft	ESS / MSS (limited)	state	PSoft update, comp/class, self-insured plan
School D	No	benefits, transition, LR	50 FTEs	No	limited staffing	PeopleSoft	ESS/ MSS (state)	state	HR/service redesign
School E	Yes	No	478 staff / 387 FTEs	No	limited staffing	PeopleSoft	ESS	self	HR/service redesign, PSoft 9.2, comp/class,
School F	Yes	benefits (insurance & retirement plan)	NA	Background chekcs., limited recruiting, outplacement	benefits, EPA, limited staffing	No	No	self	ERP implementation, shared services center
School G	No	benefits, IT, LR, policy	620 staff	retirement, 457b/403b, health/dental	No	Banner	ESS	state	Human capital strategy and assessment, Civil Service reform

HR Benchmarking

CENTRAL HR STAFFING LEVELS

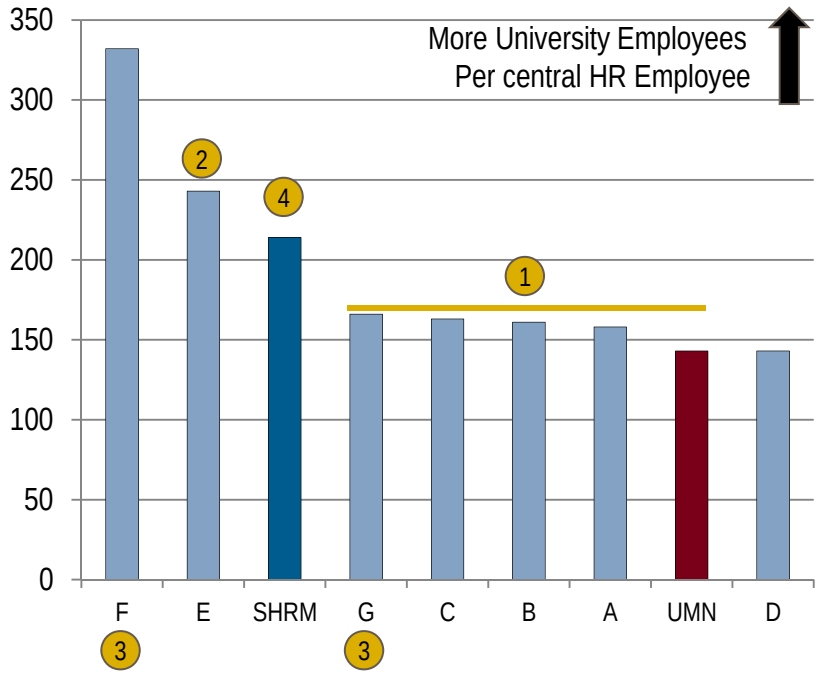
UMN does not differ significantly from some of its peers on the number of University employees per central HR employee, though some peers show significantly higher ratios.

Summary

- Total employee FTE (as reported in IPEDS) was divided by the total number of FTEs in the central HR office (payroll was excluded where applicable)
- The results of this measure ranged from 143 to 332 university employees per central HR FTE (UMN and one other institution were at 143)

1. Five of the peer institutions were in a much smaller range of 143 to 166
2. This institution showed a higher ratio of university employees to HR FTE also reported the highest level of distributed HR staff, which may offset the need for central HR staff (see next page)
3. These two institutions did not report an estimate of distributed staff
4. The Society for Human Resources Management (SHRM) Human Capital 2012-13 Benchmarking Study found the median private sector ratio for organizations with over 7,500 employees to be close to **1:214**

Central HR FTE / Employee FTE



Source: Central HR staffing data from Huron peer survey and/or peer organizational charts. Total university employee populations from IPEDS, fall 2011, "Total Employees" (all functions)

Given the number of current projects, OHR's long-term staffing needs will likely be less than its current needs.

HR Benchmarking

STAFFING LEVELS BY SUB-FUNCTION

Huron Education

Peer ranges of staffing by sub-function varied considerably, and some staff cross functions

Category	Central HR FTE Peer Range (for those with staff in the category)	UMN	Observations / Considerations
Administration	7.5 – 16 staff	27 (communications 10, OHS 3)	▪ UMN has more communications staff than peers (10) ▪ Occupational Health and Safety was included in the Administration count (3), though this function does not appear in other peer organizations
Benefits Management	9 – 45 staff, with some peers including employee assistance in benefits	34 (second highest)	▪ UMN manages a complex benefits portfolio and is its own plan sponsor ▪ Benefits provides a high level of personal service ▪ Some benefits staff provide data entry/transaction support
Compensation	1 – 5 staff	6	
Consultants, Generalists, Employee/Labor Relations	6 – 20 staff	19	▪ UMN HR Consultants are a relatively new role of generalists who support a range of HR functions, including employee relations
HRIT	HRIT ranged from 4 – 15 staff.	9	▪ UMN is within the range for HRIT
Talent Acquisition	Range 9 – 20, with some peers including records management or data entry in this category	12	▪ UMN has started to consolidate some recruitment activities
Training and Development	9 – 20 staff, with some institutions including linguistic services or communications	24	▪ Organizational Effectiveness and Training Services are included in the UMN number ▪ Not all institutions support a central Organizational Effectiveness function
Shared Services	3 – 17 staff. Peer with 17 staff is part of larger university system shared services center	7 (call center)	▪ UMN has some shared services in a call center ▪ Data entry for HR, a common activity for shared services, is distributed at UMN
Total	**67 – 109 (not adjusted for institution size)**	**138**	

Based on the comparisons, four areas within OHR merit more detailed analysis to consider the type and level of services provided and the resources required to support them.

HR Benchmarking

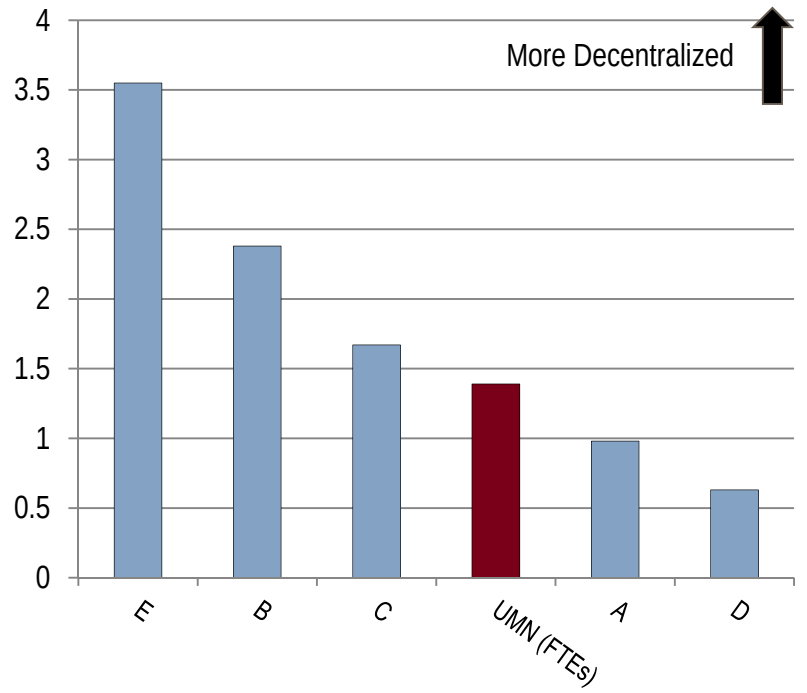
DISTRIBUTED HR STAFFING

All institutions reported a significant amount of distributed resources supporting HR activities, though in most cases estimates were highly uncertain.

Summary

- Institutions provided information on distributed HR resources both as FTE and headcount (*University distributed HR support information obtained through peer benchmarking survey)*
- Some peers indicated a 50 to 100 percent margin of error on their estimates
- Identifying distributed resources at other universities is not straightforward:
  - Many HR responsibilities are performed by individuals without HR titles
  - HR responsibilities are comingled with other types of administration, such as finance and research administration
  - Payroll and labor distribution responsibilities are sometimes categorized as “human resources”

Ratio of Distributed HR to Central HR



Source: Central and distributed HR staffing data from Huron peer survey

While the range is highly uncertain, UMN appears within the broad range of peers with regard to the ratio of distributed to central HR.

HR Benchmarking

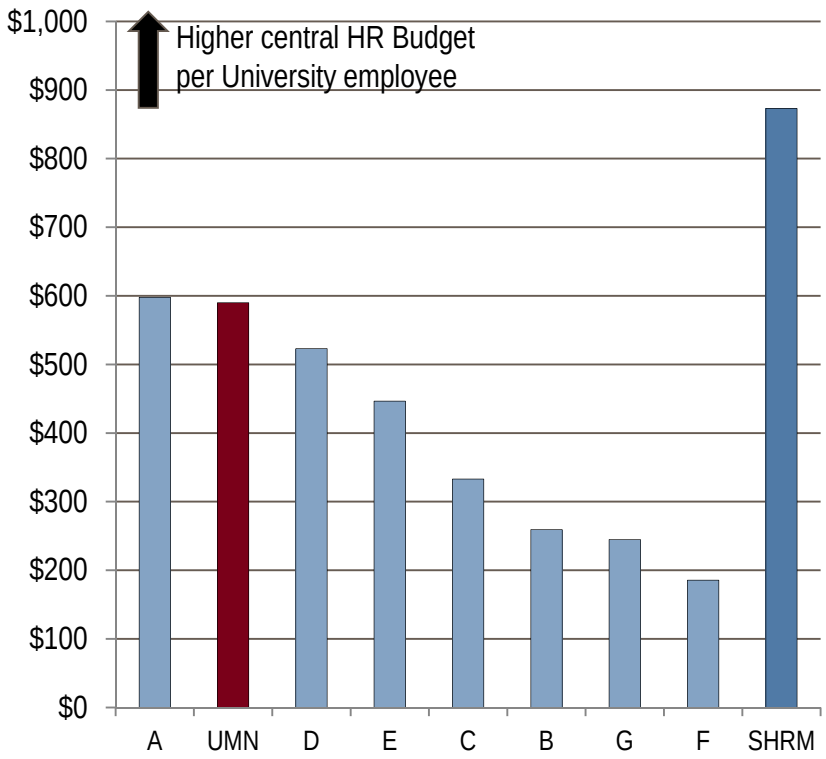
CENTRAL HR EXPENDITURE AS AN PERCENTAGE OF TOTAL EXPENDITURE

UMN's central HR expenditures per University employee were the highest of the peer group.

Summary

- Custom benchmarking analysis of University peers provides an average cost of approximately **$352** , ranging from **$186** to **$598** per University employee
- *University expenditure information obtained through peer benchmarking survey. Some institutions provided estimates.*
- *University employee populations obtained from 2011 IPEDS data.*
- OHR's expense per UMN employee was **$590** *(OHR expenditure information obtained from OHR Budget 2011-12, UMN employee population obtained from 2011 IPEDS data, including all UMN campuses)*
- The Society for Human Resource Management's 2012-13 Human Capital Benchmarking report shows the average for all HR expenditures per employee within large (7,500 or more employees) private sector organizations to be **$873**

Central HR Expenditure Per University Employee



Source: Central HR budget data from Huron peer survey and/or peer organizational charts. Total university employee populations from IPEDS, fall 2011, "Total Employees" (all functions)

UMN's central HR resource allocations could reflect a greater degree of centralization, higher levels of service, and/or lack of support from a separate university system or state HR function.

HR Opportunities

Human Resources Framework

LINKING STRATEGY TO OPERATIONS

While the focus of this study was the HR operating model, the resources needed to support HR depend closely on the University's overall workforce strategy and the programs that support it

	University Strategy How does the University create value and differentiate itself?	**Workforce Strategy** How should the workforce be sized, skilled and differentiated? What type of environment do we want to cultivate?	**HR Programs** How should HR design its services and programs to advance the Workforce Strategy?	**HR Operating Model** How should HR most efficiently implement and support its programs through its organization, staffing, technology, and process design?
UMN Strengths		OHR is developing its role as a steward of the University's workforce investment and looking towards more metrics-driven decision making	OHR has led the development of programs with potential to impact workforce effectiveness (such as employee engagement)	OHR has begun several initiatives that change technology, process, organizational structure, and staffing.

UMN Opportunities		▪ Identify workforce composition (size, skills, differentiation and cost) required to meet University objectives both now and in foreseeable future
		▪ Identify relevant metrics to measure workforce outcomes and efficiency against University objectives
			▪ Evaluate programs offered against the context of workforce strategy
			  ▪ Invest in programs where improved workforce outcomes are needed
			  ▪ Disinvest in programs that consume resources disproportionately to the value they provide
				▪ Continue/accelerate working towards HR service delivery that:
				  ▪ Invests in and improves capability of Centers of Expertise (COEs)
				  ▪ Consolidates data entry and client service
				  ▪ Moves toward well defined HR generalist roles
				▪ Enhance organizational performance metrics, focusing on outcomes
				▪ Formalize a data integrity program

Align HR Programs and Services with HR Strategy

RECOMMENDATION OVERVIEW

Huron Education

Conduct a systematic review of OHR's services and programs to confirm their alignment with the University's workforce goals and assess the value that they provide

Opportunity Indicators

- OHR provides a wide variety of services which have evolved over time
- Because OHR is included in the overall administrative cost pool, end users cannot easily evaluate the cost and value of services
- A focus group with HR leads indicated interest in additional support in some areas (such as workforce planning, specialized recruiting)

Alignment with Current Initiatives

- OHR has partnered with HR Leads to develop better understanding of workforce needs
- Some sub-functions within OHR have began to evaluate their service offerings for opportunities to streamline and add services (Benefits)

Recommendations

- Create clear articulation of UMN's workforce strategy and identify gaps
- Create assessment template to capture costs and benefits (tangible and intangible) of each program and service in a consistent way
- Actively and rigorously evaluate programs offered against the context of workforce strategy
  - Invest in programs where improved workforce outcomes are needed
  - Scale back or eliminate programs that consume resources disproportionately to the value they provide

Considerations

- This process could identify programs and services which should not be continued or it could identify areas for additional investment
- Engagement of employees and the HR community is critical to success of this approach
- This approach should be required for any new programs or services under consideration

Developing a rigorous evaluation of programs ensures that they are providing value commensurate with their costs.

Align HR Programs and Services with HR Strategy

BUSINESS CASE ILLUSTRATION

Huron Education

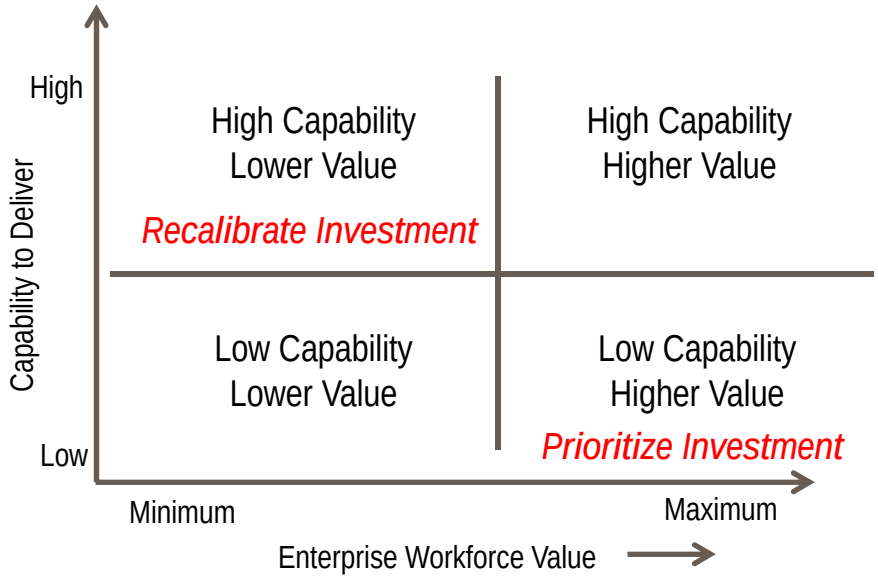
Developing a business case for capturing program costs and benefits ensures consistent comparisons

Costs	
University Contribution	
Vendor Admin Costs	
UMN Personnel Costs	
UMN Technology Costs	
UMN Other Costs	
Total	

Workforce Impacts	Current	Desired
Recruitment		
Onboarding		
Engagement		
Development		
Performance Enhancement		
Succession		

Scope	
Number of individuals impacted	
Metrics	

Parameters	
Legal	
Policy	
Contractual	



Evolving HR Service Delivery

APPLYING AN INDUSTRY HR BEST PRACTICE TO HIGHER EDUCATION

HR leading practice suggests organizing human resources administration around three primary roles.

Centers of Expertise (COEs)

- Responsible for design of effective HR programs
- Provide subject matter experts in areas of HR program design (e.g. compensation, benefits, HRIT, Talent Management, etc.)
- Interface with HR business partners and institutional leadership
- Fewer in numbers

HR "Business Partners"

- Generalist role responsible for talent stewardship in support of local business outcomes
- Act as brokers of HR services and primary point of contact for managers and unit level leadership
- Represent the needs of the individual business unit
- Held accountable for implementation of HR programs and Unit level outcomes

Service Centers

- Responsible for transactional activities
- Responsible for data entry & first-tier customer support
- Interface with employees, managers, and HR data systems owners
- Held accountable to business process and customer service measures determined by service-level agreements

UMN has some elements of this model, but continued organizational change could allow the University to fully realize its benefits.

Continue to Develop Centers of Expertise

OPPORTUNITY OVERVIEW

OHR's strategic plan emphasizes its role in leading the development of programs, and this role should be solidified through developing trusted Centers of Expertise.

Opportunity Indicators

- OHR is leading the development of programs and services, such as the upcoming job classification and compensation study
- New compensation and classification system will likely require ongoing guidance and expertise to develop and implement
- Interviews suggested some uncertainty regarding the level of consultant expertise in areas such as workforce planning, talent management, and targeted recruitment

Recommendations

- Define areas and roles for the Centers of Expertise
- Evaluate staffing levels and talent in those areas
- For any gaps, create a talent plan (recruitment or development)
- Continue to work with HR Leads to identify the types of information and consultation that they require

Alignment with Current Initiatives

- In its strategic plan, OHR has already identified a target role for central human resources as leading the development of programs for the campuses and providing expertise
- Several OHR staff members currently specialize and provide expert advice to the distributed HR community

Considerations

- Distributed units must have confidence in central HR for the COE model to work effectively
- Centers must continue to partner with distributed HR to understand the changing needs and priorities of the campuses

Centers of Expertise provide the University with the ability to address complex, dynamic HR issues without duplicating resources across multiple units.

Define HR Generalist Roles and Accountability

OPPORTUNITY OVERVIEW

HuronEducation

UMN's approach to HR provides generalist support through different roles, both central and distributed

Opportunity Indicators

- Organizational Effectiveness staff, ER consultants, and HR Leads all serve in consultative roles, however responsibilities and services provided are not clear
- HR Leads also function as generalist business partners
- According to interviews, HR Lead roles and capabilities vary between units
- The Academic Health Center has another level of generalists who provide some degree of support to the AHC Schools, which also have their own HR Leads

Recommendations

- Define HR Business Partner role, competencies, and accountabilities
- Define specific role for central HR in recruiting and evaluating Business Partners
- Create development and staffing plans for Business Partner positions that are not meeting expectations
- Consider establishing staffing targets for Business Partner support (i.e., number of employees covered per Business Partner)
- Continue to develop HR governance processes to engage distributed HR professionals in program evaluation and decision-making

Alignment with Current Initiatives

- OHR is in the process of defining the roles of OE and ER Consultants.
- The implementation of dotted-line reporting establishes the basis for a more formal relationship between HR Leads and OHR
- HR Leads currently participate in regular meetings

Considerations

- Business Partners must continue have direct understanding of and contact with their employee and manager communities
- Developing the Business Partner roles must be undertaken with the deans/directors who currently oversee local HR
- Some universities have established a specific central role to act as a liaison to distributed HR Business Partners

As Business Partner roles are clarified, generalist resources could be refocused on specific initiatives or other priorities.

Consolidate Delivery of Transactional Activities

OPPORTUNITY OVERVIEW

High-volume, transactional activities, such as HR data entry, should be standardized and consolidated to the greatest extent possible

Opportunity Indicators

- HR/Payroll data entry is highly distributed (approximately 244 users have access to the system)
- OHR spends time and resources on correcting errors
- Other activities, such as leave administration, are also distributed
- Data entry and customer services roles exist within multiple areas of OHR
- Other universities are moving toward shared service models for activities (position maintenance, leave administration, data management/reporting, onboarding, and immigration/I-9, etc.)

Alignment with Current Initiatives

- The PeopleSoft upgrade requires all HR business processes to be reviewed and provides an opportunity to reconsider service delivery redesign
- Electronic time and leave and absence management systems will significantly change the levels of local data entry support required
- OHR has already consolidated some of its customer service activities in areas such as benefits

Recommendations

- Identify activities that are good candidates for consolidation
- Develop service level expectations and performance measures
- Migrate these activities to service center model to maximize organizational efficiencies and reduce cost; consider pilot program
- Evaluate other transactional activities, such as leave administration, as potential candidates for consolidation

Considerations

- A service center model can be executed in a variety of ways and does not necessarily require all activity to be performed in the same location
- In many cases, shifting transactional support will free fractions of FTEs in distributed units

While the appropriate level of service and performance expectations would need to be determined, consolidating transactional activity would likely achieve efficiencies.

Define and Implement HR Performance Metrics

OPPORTUNITY OVERVIEW

HR metrics should focus not only on the volume of activity, but on the outcomes of it.

Opportunity Indicators

- More sophisticated workforce planning and management require common, well-defined metrics
- Metrics are primarily focused on scale/volume (employee counts per category, numbers of transactions by type)
- In past surveys, distributed HR staff indicated interest in using metrics for management
- According to Higher Ed's 2012 Survey of College & University Human Resources Officers, only 21.4% of Public Doctorate institutions make effective use of employee data in campus planning & policy decisions

Alignment with Current Initiatives

- HR Operations began developing a metrics program and a committee to improve data quality and metrics
- Metrics and dashboards for management reporting have been/are being utilized (e.g. Faculty and Staff Metrics within UMN's 2012 University Plan, Performance, and Accountability Report)

Recommendations

- Identify a focused set of metrics which reflect workforce strategy and operational goals
- Develop data collection and tracking mechanisms
- Develop tools and processes to maintain and communicate metrics; identify resources to support reporting and analysis

Considerations

- In order to be effective, metrics need to be tied to performance goals and accountability
- Metrics can be particularly useful when calculated as a baseline before a significant change (such as the job classification and compensation study)
- Performance evaluation and management allows metrics like retention to be connected to workforce effectiveness

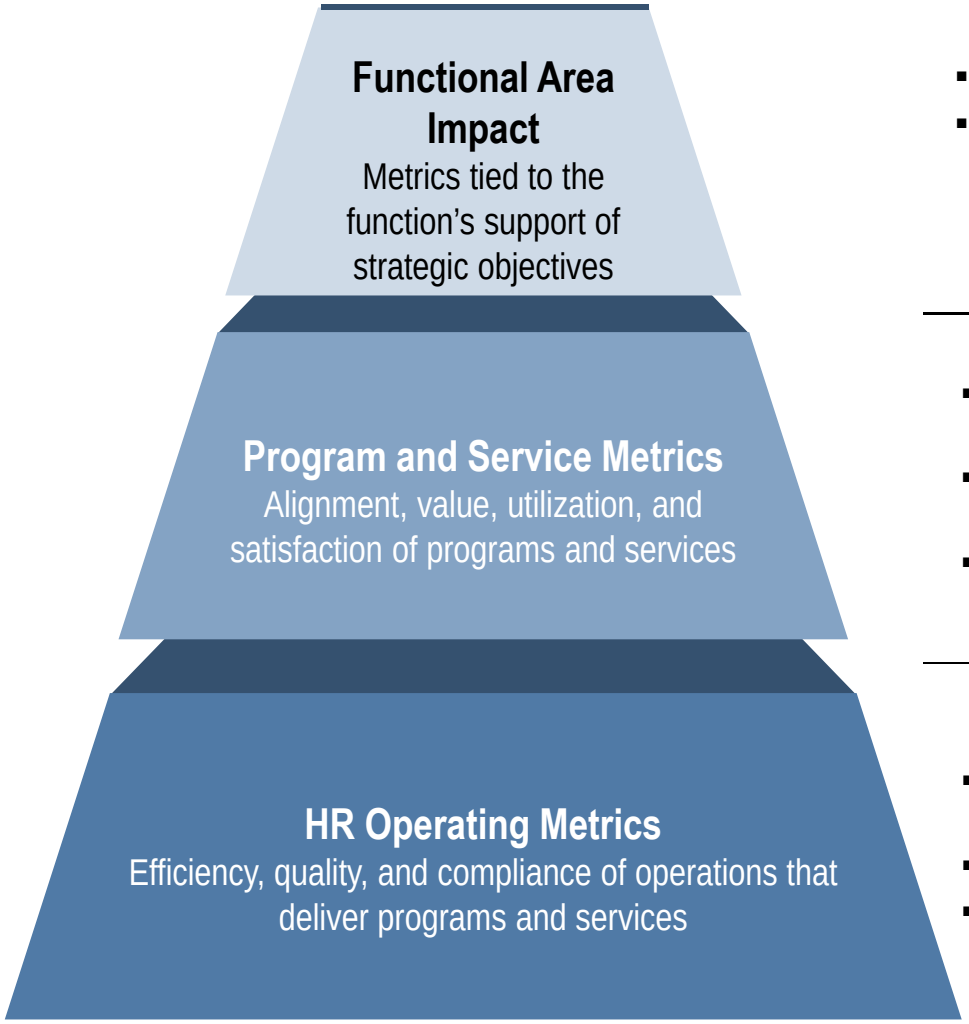
Meaningful workforce metrics are foundational to managing the University's investment in its workforce.

Enhancing Organizational Performance Metrics

IMPACT, PROGRAM, AND OPERATING METRICS

Huron Education

Metrics support HR administration at several levels: strategic, programmatic, and operating.



Sample Metrics

Functional Area Impact

- Retention and turnover
- Employment costs relative to budget, employee population, or other measures of scale
- Workforce health and wellness
- Workforce competency as per performance management process
- Workforce total rewards position to market

Program and Service Metrics

- Performance review completion rates
- Comp actions taken (in and out of guideline
- Open jobs to position management plan
- High value employee tracking
- ER complaints
- Benefit participation
- Health/Wellness participation
- Job positioning relative to market

HR Operating Metrics

- Service Center questions answered
- Internal SLAs met
- Vendor SLAs met
- HR operating costs
- Time to fill
- Costs/hire
- Staffing efficiency

Formalize Data Integrity Program

RECOMMENDATION OVERVIEW

Huron Education

Maintaining complete, accurate data requires not only adequate technology, but a full program of controls and processes and the resources to support them.

Opportunity Indicators

- Data entry is highly distributed, and overall quality of data described as "poor" by multiple parties
- OHR performs many corrections to data entry
- The difficulty of completing the recent spans and layers analysis highlighted the complexity and integrity of HR data

Recommendations

- Develop all components data integrity program
- Identify and assign resources required to support it
- Incorporate data integrity program into both ESUP and OHR planning process

Alignment with Current Initiatives

- OPA has convened an Enterprise Data Management and Reporting work group[1] and OHR has an active HR Data Committee
- The PeopleSoft upgrade will provide a new HR data model and data conversion program
- Definition of roles and responsibilities could include data governance
- The job classification and compensation study will provide more meaningful categories to classify positions

Considerations

- Consolidation of data entry will be a step towards increasing HR data quality
- Data integrity must consider the full lifecycle of data—from origination through reporting
- Data integrity must also consider all the ways that information is managed, including paper
- While data integrity can be incorporated into many HR roles, a successful program requires dedicated resources

[1] http://www.planning.umn.edu/edmr/data-governance

Improved HR data integrity is a foundation for more effective analysis and management of the University's workforce.

HR Data Integrity Program

COMPONENTS AND MEASURES

A complete HR data integrity program uses technology, organization, and business process to address historical data issues and prevent future ones.

Technology and Architecture
- Configuration of technology to support business processes
- Configuration of data structures
- Implementation and maintenance of security

Data Governance and Organization
- Mechanism for stakeholder engagement
- Data quality as embedded competency for all staff training, and development
- Data stewards identified and assigned

HR Data Governance Strategy
- Overall vision for improvement
- Implementation plan
- Linkage of data governance to other University initiatives

Business Process Design
- Implementation and maintenance of controls
- Ongoing monitoring of process effectiveness
- Root cause analysis

Data Investigation and Monitoring
- Quantitative understanding of issues
- Ongoing monitoring and testing program
- Tracking and prioritization of issues

Measureable Dimensions of Data Quality		Intangible Dimensions of Data Quality	
▪ Accuracy	▪ Uniqueness	▪ Relevance	▪ Usefulness
▪ Integrity	▪ Accessibility	▪ Believability	
▪ Consistency	▪ Precision	▪ Clarity	
▪ Completeness	▪ Timeliness	▪ Objectivity	

Information Technology

Information Technology

SUMMARY

The University's IT operating model is evolving to meet rapidly changing technology needs of the campuses.

UMN faces many of the same challenges as other public research universities face in information technology.

- Technology is integrated into every aspect of the University—administrative and academic
- IT resources are highly distributed across campuses, and IT organizations and technology infrastructure have evolved independently over time.
- While UMN has more data on distributed IT resources than some peers, it does not have a full, detailed picture of total IT expenditures

The UMN technology community is moving towards a model of increased collaboration and communications with administrative and collegiate IT units.

- Jobs, roles, and responsibilities are in the process of getting more clearly defined
- While new and still transitioning, the dotted-line reporting of IT Leads provides OIT with a stronger connection to the community
- The IT Governance process engages the broader community through facilitated communities of practice

The University has already implemented or is in the process of pursuing improvements that reflect peer and leading practices.

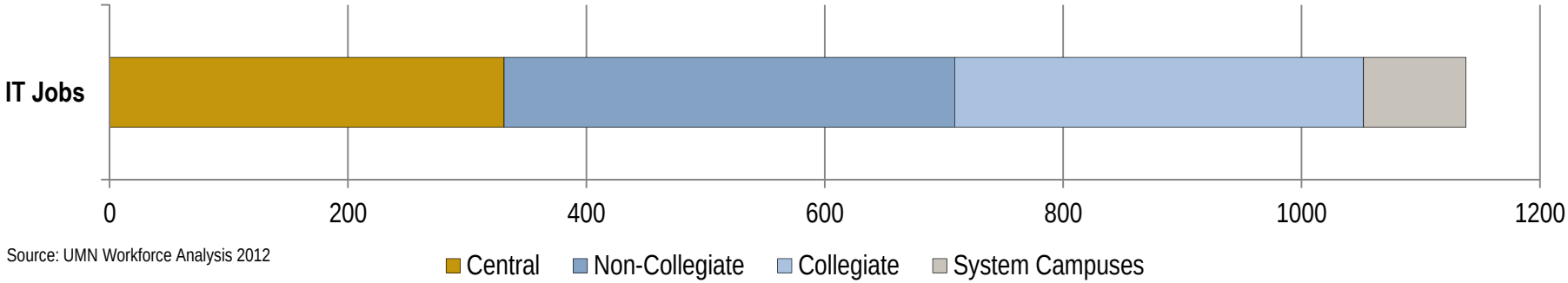
- Consolidation of service desk and desktop support organizations into a shared service
- Creation of University-wide frameworks for IT security and enterprise architecture
- Data center consolidation and server virtualization
- E-mail server consolidation and migration to an externally provided service (Google applications)

The IT community at UMN is going through organizational and cultural change.

Information Technology

FUNCTIONAL AREA SNAPSHOT

Information Technology resources and services are highly distributed across collegiate and non-collegiate units.



Source: UMN Workforce Analysis 2012

Primary Central Responsibilities

- ERP (PeopleSoft) Technical Support & Development
- Information Security Policy & Enterprise Architecture
- IT Governance & Customer Engagement
- End User Support Services (Help Desk & Desktop Support)
- Academic Technology (Learning Spaces, LMS & Other Tools)
- Application Development (Packaged & Custom Solutions)
- Core Infrastructure & Network Services
- IT Administrative Functions (HR, PMO, Finance & Reporting)

Primary Distributed Responsibilities

- ERP (PeopleSoft) Functional Support & Analysis
- Database Administration & Business Intelligence (Reporting)
- IT Project Management
- End User Support Services (Help Desk & Desktop Support)
- Academic Technology (LMS, Classroom, Learning Spaces, and Distance Education Support)
- Research Technology Services (Computing and Administration)
- Web Support Services
- Core Infrastructure & Network Services (System Campuses)
- Disaster Recovery & Business Continuity (System Campuses)

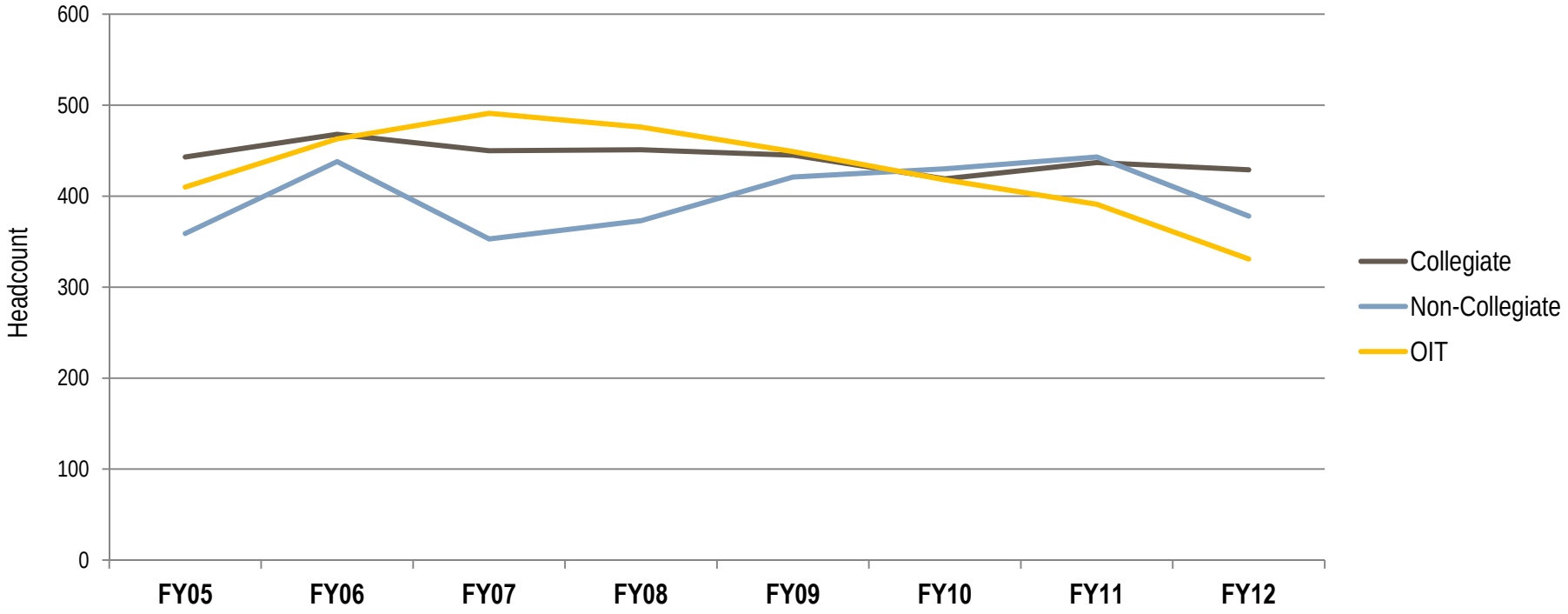
Link Between Central and Distributed

- Central IT provides a set of 'common good' IT services for the entire UMN community, including PeopleSoft ERP, networking, data center services, etc.
- Leaders of distributed IT groups have a newly-established 'dotted-line' reporting relationship to central IT which gives central IT input into recruitment, performance evaluations, and projects.

Information Technology

ORGANIZATIONAL BREAKDOWN BY UNIT

Over the past five years, distributed IT resources have become a greater percentage of the University's total IT staffing.



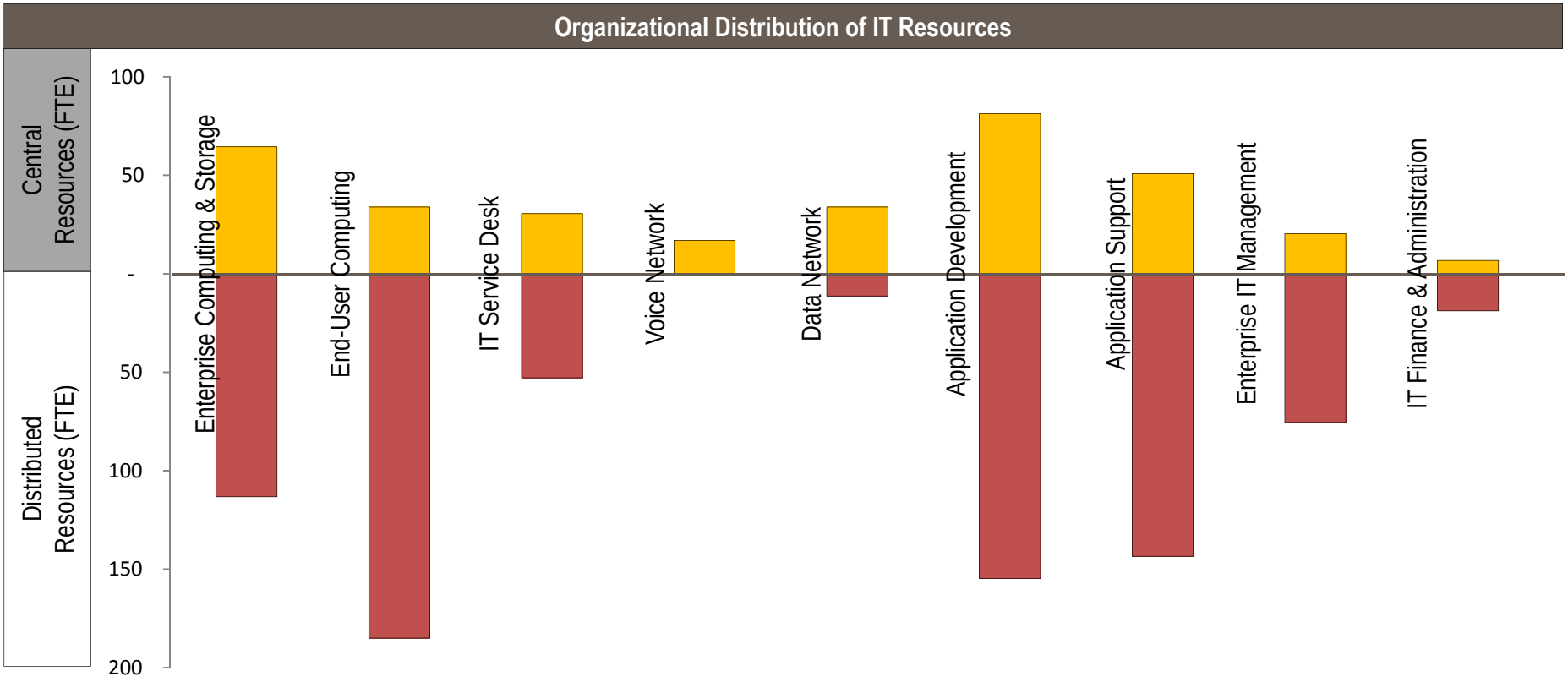
Data for FY05 to FY11 from OIT. Data for FY12 from UMN Workforce Analysis

While OIT budgets have decreased over recent years, collegiate and non-collegiate units have shifted resources to maintain their local IT support.

Information Technology

ORGANIZATIONAL BREAKDOWN BY ROLE

Based on a previous study conducted by UMN with Gartner Consulting, the majority of distributed staff support end-user computing, application development, and application support.



Source: University of Minnesota IT Budget Assessment prepared by Gartner Consulting. Fall 2012. Distributed staffing values based on an average of percentages from Administrative and Academic units.

Optimizing distributed requires discerning which activities are unique versus which reflect more common, standard needs.

Information Technology Strengths

POSITIVE DIRECTIONS AND CAPABILITIES

Huron identified many areas of information technology strength at the University of Minnesota which reflect higher education and industry leading practices:

- *'Free' Common Good Services* – providing a core set of services without chargebacks provides incentives to units to adopt common-good services and avoids administrative costs associated with managing complex internal billing mechanisms
- *Existing Alignment Initiatives* – making progress in identifying and addressing several service duplications, including desktop support and server hosting, and working toward broader use of shared services in these areas
- *Customer-Driven IT Governance Process* – implementation of a customer-driven governance process engages a broad group of institutional stakeholders in setting institutional IT priorities and increases visibility into how decisions are made
- *Emerging Communities of Practice* – engaging diverse groups in IT decision-making provides an open channel for addressing University-wide issues and highlighting potential innovations or improvements
- *Reporting Relationship with Distributed IT Units* – creating a "dotted-line" relationship with many distributed IT leaders enhances transparency, accountability, and communications within the IT community
- *Customer Orientation* – establishing senior-level positions within OIT (Associate CIOs) focused on the critical roles of building relationships and understanding customer needs
- *Push Toward Industry Standards* – aligning IT to cross-industry standards for security, enterprise architecture, and governance ensures adoption of leading practices, and avoids effort expended on recreating the wheel
- *Well-Documented Service Catalog* – having a well-documented, publicly-available catalog and service levels for OIT increases understanding of available services, and provides a framework for understanding service levels and underlying delivery costs
- '*Transformational' Approach to ERP Upgrade* –focusing on business process improvement and addressing pain points, rather than a purely technical focus, has potential to increase overall efficiency of University administrative processes

Information Technology

INITIATIVES

The University is also currently undertaking several foundational projects which improve consistency, coordination, and standardization across the campuses.

Measure	Description	UMN Status
IT Governance Process	Establish prioritization and governance process that determines what solutions should be supported and then require that those solutions are used consistently across the institution.	The IT governance process is in its second demand intake phase (as of 5/2013) – synthesis of themes for the next cycle will begin in July 2013.
Support Consolidation	Consolidation of help desk functions and standardization of desktop support	As of 3/2013, 13 administrative and 1 collegiate desktop support organizations were consolidated with OIT. 17 administrative and 16 collegiate units are either in progress or have not been started.
Frameworks for Security and Enterprise Architecture	Develop frameworks based on international standards (ISO) and best practices	UMN has senior personnel dedicated to creating these frameworks
ERP Upgrade	$83.5M upgrade to HR, Finance and Student systems to be complete by 2014/2015.	UMN uses contemporary ERP systems. Legacy systems have been eliminated. ERP upgrade project is already underway.
Server Consolidation	Consolidation of server facilities to take advantage of common infrastructure and support	UMN has developed secure, co-located facilities with uninterrupted power and redundant cooling. OIT aims to centrally host 75% of all servers.
E-Mail Consolidation	The standardization of e-mail services to a single type or outsourced provider	UMN has transitioned the majority of the campus to Gmail for e-mail and calendaring; Outstanding issues exist with the Academic Health Center related to the use of Gmail for protected health information.

Distributed Stakeholder Themes

OBSERVATIONS

A focus group conducted with approximately 50 IT Leads provided some perspective on UMN's IT culture and priorities.

Focus Area	Themes
Awareness, Understanding, and Readiness for Change	▪ The IT community is aware of disruptive technologies, but does not fully realize the impact of potential changes; IT staff are focused on keeping up with daily operations ▪ Senior IT and Academic leadership should clarify the purpose (who, what, why) for IT transformation ▪ Change should be driven via cascading messaging so that staff of all levels is aware, understands, and is ready for change
Big Picture Strategy	▪ IT needs a defined process for identifying and retiring non-core/non-value services ▪ The IT community supports continued alignment of services and processes ▪ Limit customization by sifting out "needs" from "wants"; find ways to adjust business processes instead of customizing ▪ Establish a comprehensive inventory of services, processes, knowledge, and costs for the entire IT community
Sustaining Academic Technology Innovation	▪ Understand that some things will fail, but be willing and able to fail faster ▪ Utilize a framework for innovation - define the practical need and success metrics tied to institutional priorities - and a innovation lifecycle for scale and sustainability ▪ Communicate to the community on achievements in innovation and how to encourage collaboration in this space ▪ Focus on the value-add/purpose of an idea to motivate others to engage and build upon those ideas then follow-up with measures to demonstrate how value was realized
Exploring IT Centralization	▪ Identify non-degree granting units, their services, and ways they are funded (student fees, O&M) to determine what services, staff, and funding should centralize ▪ Consider alternatives such as centralizing commodity services only, and clustering staff across non-degree granting units to offer more specialized services

Most of the issues identified by the IT Leads relate to collaboration and change management, not technology infrastructure.

IT Benchmarking

Benchmarking Overview

SOURCES USED FOR IT BENCHMARKING

Huron Education

Huron utilized several sources and approaches to gather benchmarking data for information technology, including:

- *EDUCAUSE Core Data Service* – a general-purpose, industry-wide database containing responses to a detailed annual survey, which allows comparisons against custom peer groups. This information provides good contextual information, but detailed data on organization structures and budgets is not always high quality. Huron used this information to determine how UMN compared to peers in broad categories, such as total IT budgets and staffing.

- *Custom Benchmarking with Peer CIOs* – Huron conducted telephone interviews with CIOs at peer institutions to determine the degree of distribution of IT services on their campuses, and the strategies they were employing to address these issues.

- *CIC Meeting* – Huron conducted a focus group with IT leadership from the Committee on Institutional Cooperation ("CIC") on the topic of distribution of IT services.

- *Gartner Report* – UMN's OIT organization hired the Gartner Group to perform a custom benchmarking study in 2012, focused on understanding the institution's IT services and corresponding costs in comparison to its peers. Huron reviewed this information and used it in the development of the recommendations.

EDUCAUSE CDS benchmarking overview

SUMMARY OF FINDINGS

Huron Education

University of Minnesota appears roughly on par with peers when comparing overall IT staffing and funding, but has a higher than average level of distributed IT resources.

Focus Areas	Observations
Organizational	▪ UMN's central IT organization is 12% smaller than the peer group average, and ranks in the center of the group (5 of 9) in terms of reported staffing levels. Its overall IT staffing, including both central and distributed IT staff is likewise in the center of the group (5 of 9), and is nearly identical to the group average. ▪ The size of UMN's reported distributed IT staff is likewise in the center of the peer group (4 of 9). UMN is somewhat more decentralized than the target peer group average, with 71% of IT resources in the units compared to 65% in the peers. This represents a possible opportunity to gain efficiencies through additional use of shared services.
Financial	▪ UMN's central IT budget is slightly below the peer group, showing a 4% difference, though some of this difference could come from differences in what is included in the central IT budgets at peer institutions ▪ UMN's distributed IT budget is 6.3% above that reported by the four peer institutions that reported distributed IT costs. ▪ For those peers that reported distributed IT costs, their total IT budget (central plus distributed) was nearly identical to UMN's, with only a 1% difference indicated. ▪ UMN's central IT budget represents a slightly larger portion of the total institutional budget than in the peer group (2.83% vs. 2.37%). ▪ UMN spends a higher percentage of its overall central IT budget on labor than non-labor expenses than the peer group, which may leave less flexibility in spending for renewing infrastructure and implementing new capabilities. Similar trends are shown for distributed IT spending. ▪ UMN spends 11.8% more than the peer group average on distributed IT labor. Distributed IT non-labor spending is nearly identical to the peer group. ▪ On a per-user basis, UMN spends significantly less on central IT services than the peer group (46%), and similarly spends 39% less on total IT services (central and distributed). This difference is partially reflected in UMN's larger (29%) total user population, but could also reflect service efficiencies at UMN or differences in service levels.

More detailed comparisons between UMN and the peer group are provided at the end of this section.

IT Opportunities

Create Mechanism to Evaluate IT Investments

OPPORTUNITY OVERVIEW

UMN should implement consistent, formal processes for evaluating the value of current and future technology investments and services.

Opportunity Indicators

- IT Leads in collegiate and non-collegiate units indicated that services are sustained beyond their useful life
- Current IT priorities were derived from the Operational Excellence initiative and Risk Assessment and reflect IT concerns across the entire institution
- The University does not have a systematic process for evaluating IT services across the entire system

Recommendations

- Create a University-wide mechanism for evaluating services and sun-setting those that do not provide value commensurate with their costs
- Identify and measure the impact of IT investments (central and distributed), and communicate these measures to stakeholders
- Consider thresholds for IT investment in infrastructure or services that require collaborative review (RRC, central budget, OIT)
- Build on "hype cycle" framework, and capture information about specific projects to provide greater visibility into where different innovations are taking place across campus and to promote collaboration

Alignment with Current Initiatives

- The IT governance process solicits customer input and creates Communities of Practice around prioritized IT issues
- The University will be starting a strategic planning effort this fall
- The University uses a "Hype Cycle" framework to track technology trends and provide a qualitative assessment of the University's tracking of the trend (http://hypecycle.umn.edu). The framework shows where technology trends are in their evolution.

Considerations

- Alignment with University strategic priorities can be one of the criteria considered in the evaluation
- Continuing customer input from outside the IT community is critical to determining the value of investments
- A formal mechanism can be integrated with the budget compact process to support the planning process

Evaluation of services should be done regularly to confirm the value that they provide.

Define IT Roles and Responsibilities at All Levels

OPPORTUNITY OVERVIEW

The University should work toward formal alignment of IT services across central, unit, and departmental providers to extend the "We of IT" concept.

Opportunity Indicators

- IT service delivery is highly distributed at the University, leading to duplicative services and technologies across OIT and administrative/collegiate units
- IT across units have grown organically, often without clear roles and responsibilities
- The "dotted-line" reporting structure of distributed IT is still being defined, and there are mixed perspectives on the value of it

Recommendations

- Emphasize change management and community building to develop common objectives and culture across whole IT community
- Continue to define and develop relationships via the dotted line
- Continue to transition delivery of IT services to a 'managed' state, where OIT is focused on 'common good' services for the enterprise and non-collegiate/collegiate IT groups support the discipline-specific needs of their units and departments
- Clearly define the roles, responsibilities, and performance metrics of IT service providers at each level of the organization; use rollout of IT Job Families as a catalyst

Alignment with Current Initiatives

- The "dotted-line" reporting relationship for distributed IT leaders creates opportunity for more visibility and accountability across the IT community
- Communities of Practice support alignment of IT services, including end user support and server management
- The IT Job Family analysis provides an opportunity to promote more consistent role expectations for IT professionals

Considerations

- Alignment of IT resources must be endorsed and supported beyond the IT community by University leadership
- Alignment does not necessarily require that staff relocate; local staff can still be aligned with a broader IT organization

IT staff across the University should share a common framework of roles, responsibilities, and performance expectations.

Define IT Roles and Responsibilities at All Levels

MANAGED STATE MODEL

In a "managed state," each service is delivered through the most effective approach—centralized, decentralized, or hybrid.

	Centralized	Hybrid	Decentralized
Unmanaged (Accidental)	▪ Occurs in areas where technology was developed centrally and grew organically without a formal plan, often resulting in silos ▪ Limited or no defined service levels ▪ One size fits all services – "if we build it, they will come" ▪ Expansion of service not informed by user needs	▪ Developed out of dissatisfaction with central services/service levels ▪ Distributed groups develop their own service or contract out ▪ Implies that existing central services do not optimally satisfy user needs ▪ Often results in redundancy, multiple points of service and duplication of resources	▪ Typically occurs when central IT does not address an emerging technology fast enough ▪ Several instances of the same technology proliferates across the institution ▪ Inefficiencies in scale ▪ Potential security issues may exist
Managed (Deliberate)	▪ Consistency in delivery across the institution ▪ Single source for access to service ▪ Defined service levels ▪ Coherent plan for service ▪ Clear processes for client access and project progress feedback	▪ Central provides services for areas of commonality ▪ Distributed groups address areas of unique need or expectation for localized service ▪ Roles and responsibilities are clearly defined ▪ Service levels are managed, and both parties are held accountable	▪ Distributed groups provide services that meet specialized or discipline-specific needs ▪ Maintain a collaborative relationship with central IT ▪ Mutually agreed upon standards exist to address unique infrastructure needs

UMN Current State (Illustrative)

- Network & Infrastructure
- End User Support
- Enterprise Architecture
- Research Support
- Application Development
- Enterprise Security
- Administrative Systems Support
- Academic Technology Support

Determine University-Wide Service Level Expectations

OPPORTUNITY OVERVIEW

Huron Education

Enterprise-wide agreement on generally acceptable levels of service will help set realistic expectations and align service delivery to customer value.

Opportunity Indicators

- IT customer satisfaction surveys indicate that UMN user service level expectations are high, and may exceed those at peer institutions
- Dissatisfaction/uncertainty with central IT services is cited by some IT leads as one of the drivers of duplicated IT services – primarily support and infrastructure services
- The cost of higher levels of service is not always visible, which makes evaluating options difficult

Alignment with Current Initiatives

- Associate CIOs are finishing their process of meeting with leadership teams to identify needs/requirements
- OIT has developed service level agreements for common good services with input from the community, but SLAs have not been extended to encompass services offered by the entire IT community
- IT governance involves members of the IT community in decision-making through Communities of Practice

Recommendations

- IT leadership should continue to communicate with administrative and academic customers to understand their requirements
- Defined service level agreements should be applied to the entire University once they are mutually agreed upon between IT, customers, and senior leadership
- The IT community should develop a standard mechanism for evaluating cases when a customer has legitimate service requirements that vary from standards
- Service level and cost should both be defined; evaluation of costs/service levels should be part of annual budget process

Considerations

- A University-wide service level negotiation process could identify areas where IT must invest in additional resources and technology (e.g., support personnel)
- IT, administrative, and academic leaders on all campuses should be engaged to determine realistic service levels
- University leadership should be supportive of maintaining enterprise-wide policies and aid in corrective action mechanisms

Defined enterprise service level expectations will aid in setting limits for IT-related expenditures and avoiding future creation of duplicative IT capabilities.

Accelerate Usage of Common Good Services

OPPORTUNITY OVERVIEW

HuronEducation

UMN should define a clear plan with an accelerated timeline for transitioning the entire institution to common-good services.

Opportunity Indicators

- Consolidation of helpdesk is already 2012-13 IT priority
- While the IT community seems to be in agreement in concept with transitioning to common-good services, perceived service gaps may inhibit adoption
- OIT recognizes areas of service duplication and has plans in place to address some specific issues over a lengthy timeframe (i.e., end user support, security, enterprise architecture, infrastructure)
- Existing timelines for consolidation initiatives span multiple years and are potentially longer than necessary

Alignment with Current Initiatives

- Several formal Communities of Practice exist related to common good services:
  - Help Desk Consolidation
  - Information and Security Framework
  - IT Governance
  - Enterprise Architecture
  - Server Consolidation
  - Service Inventory and SLAs

Recommendations

- Develop comprehensive business cases for consolidating common-good or scalable IT services
- Prioritize consolidation across non-collegiate units to achieve scale and establish and demonstrate the approach
- Plan the consolidation of other services that are highly distributed (e.g. application development & support)
- Develop an approach for identifying and deploying common good services in emerging IT areas, such as online learning, to avoid proliferation of duplicative new services in these areas

Considerations

- Increase collaboration between OIT and system campuses to avoid duplication and leverage infrastructure investments wherever possible
- Build institutional support from senior leadership to implement alignment initiatives
- Alignment plans for shared services should have a clearly defined future-state vision for IT to work towards

Accelerating adoption of common good services requires resources dedicated to project management and change management

Accelerate Usage of Common Good Services

DESKTOP SUPPORT BUSINESS CASE

Huron validated the UMN business case for consolidating desktop support and quantified savings related to adopting standard levels of coverage closer to the higher education average.

Support FTE Calculation

Staffing	Current State	Future State		
		Low	Medium	High
Support Ratio (Computers/FTE)	*169:1*	*400:1*	*500:1*	*600:1*
Desktop Support (FTE)		68	54	45

* Equivalent student support FTE are NOT included. Inclusion of Student FTE's further strengthens the business case

Scenario	Low	Medium	High
Current State	160		
Future State	68	54	45
Δ	92	106	115
Reallocation ($M)	**$7.3**	**$8.3**	**$9.1**

Remaining Opportunity

		Non-Collegiate Unit Opportunity ($M)			Collegiate Unit Opportunity ($M)		
Case	Total Opportunity ($M)	Opportunity	Already Completed	Remaining	Opportunity	Already Completed	Remaining
Low	**$7.3**	$2.5	$0.5	**$1.9**	$4.8	$0.1	**$4.7**
Medium	**$8.3**	$2.8	$0.6	**$2.2**	$5.5	$0.1	**$5.4**
High	**$9.1**	$3.1	$0.7	**$2.4**	$6.0	$0.1	**$5.9**

Source: UMN Human Resources Data used for support staff headcount and average salary. Support metrics from EDUCAUSE. The EDUCAUSE desktop support average for the broader education industry is 500 computers per FTE. Computer inventory from EDUCAUSE. Progress metrics calculated using a proportion of staff covered by consolidated desktop support staff from March 2012 report. 100% of support staff in administrative and academic IT units are assumed to provide desktop support services. End User Support staff in collegiate/non-collegiate units were identified during an IT Job Family study. Staff total only incorporates Twin Cities campus due to limited availability of computer inventory data from system campuses.

Capturing the remaining opportunity in Non-Collegiate Units will provide scale to the desktop support organization and allow it to offer more cost-effective services to collegiate customers.

Refine the IT Governance Process

OPPORTUNITY OVERVIEW

HuronEducation

The recently implemented IT governance process balances the economics of supply and demand through community engagement, but it will require ongoing support and change management to be successful.

Opportunity Indicators

- New IT governance process started in summer 2012
- The process is still in an maturation stage, and will evolve over coming cycles
- Stakeholder feedback indicated that the process excels at identifying opportunities, but could improve with regard to creating project charters and moving ideas to decisions
- Communities of Practice (CoPs) have designated leaders that are responsible for leading and organizing the community, but their level of authority is unclear – CoP leaders are accountable to the VP/CIO
- Resource Management is accomplished through discussions between Service Owners, Line Managers, and ACIOs, but the process lacks clear understanding by the IT community

Recommendations

- Define specific processes and assign dedicated resources to plan and manage projects to completion
- Define and communicate the roles of the CoP with regard to decision-making

Alignment with Current Initiatives

- The University's IT governance process uses a formalized approach with distributed decision rights via Communities of Practice (CoPs)
- Communities of Practice are a relatively new concept for the University and serve as a decision-making and project execution organization

Considerations

- Refining and sustaining the governance process requires a commitment of time and resources

The IT governance process provides a model for engaging the campus in identifying issues and prioritizing improvements.

Refine the IT Governance Process

INPUTS AND OUTPUTS

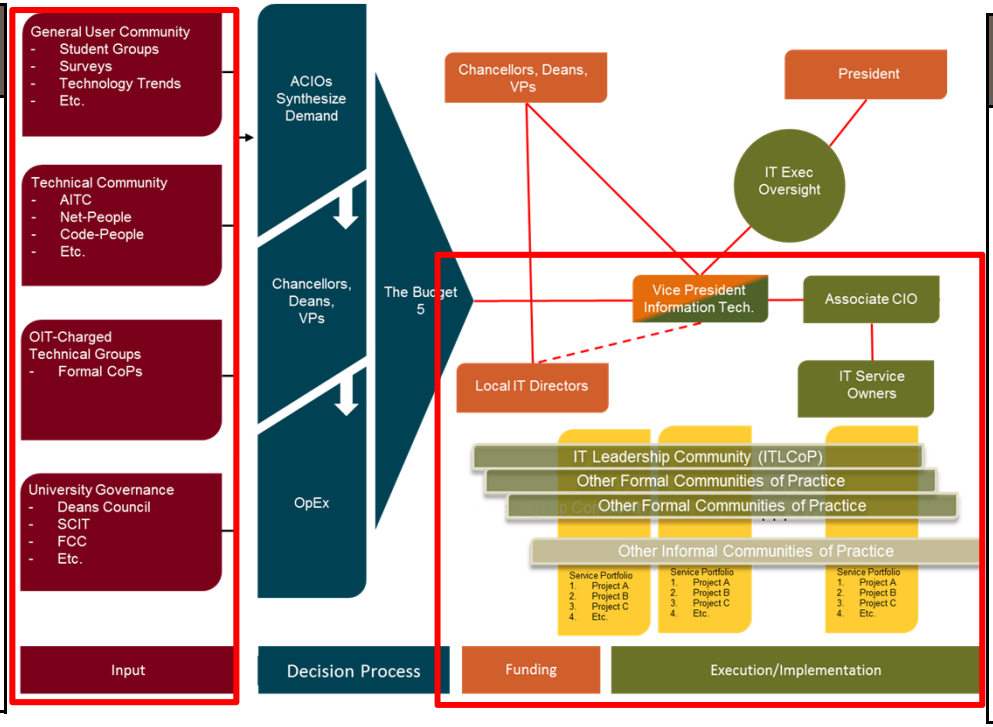
As the IT governance process nears the completion of its first cycle, some participants still expressed uncertainty regarding how inputs will get translated to projects and how initiatives will be executed.

Current-State UMN IT Governance Process

Input Concerns

- When does a "theme" become a "project"?
- What happens to customer ideas that do not become themes?
- What if a customer technology need is too tactical to become a theme?

These issues will be addressed as the governance process ends its first full cycle this summer



Execution Concerns

- How are central IT resources assigned to initiatives and balanced with ongoing IT operations? Who are these resources accountable to?
- What methodology is used for managing projects?
- When is a project considered "complete?"
- What level of authority do the CoP leader and coordinating committee have to make final decisions?

The IT Governance process reflects many leading practices, and it should be refined to clarify the prioritization and decision-making process.

IT Benchmarking: EDUCAUSE

Data Sources

The EDUCAUSE Core Data Service was used to compare the University's IT staffing and funding to a select set of peers.

- The EDUCAUSE Core Data Service (CDS) is an industry-wide initiative undertaken by EDUCAUSE, a non-profit industry association for information technology in higher education, to collect and report on operational data from college and university IT organizations. In addition to a published summary report, the CDS allows participating institutions to compare themselves against their peers using an online reporting tool.
- Additional demographic data, including student enrollment, faculty and staff headcounts, institutional budget, and research expenditures, were pulled from the latest available IPEDS data.
  - Note that IPEDS data for peers was collected for 'main' campuses only (scope of central IT functions is not known). Numbers for UMN include all campuses.
- Data was initially pulled from CDS on a broad group of 30 large public research universities. This data was extracted from the CDS database by an authorized University of Minnesota employee. Huron, per the CDS terms of use, was not permitted direct access to the CDS database.
  - Initial analysis showed little similarity between UMN and the broad group of peers. Subsequent analysis focused solely on the targeted peer group selected by the project steering committee.
- The 2012 CDS survey results were used in this report.
- To comply with the Core Data terms of use, data from the source cannot be shared outside the University. The University of Minnesota has secured permission to report on metrics at an aggregate level (averages) only.

Benchmarking results should be used for informational purposes only

- While the EDUCAUSE Core Data Service contains the broadest available source of comparison data for higher education IT operations, management decisions should never be made solely on these comparisons.
- There are areas where data is hard to collect accurately across institutions:
  - CDS data is focused on central IT groups, and often does not contain accurate data on institutions' total IT staffing and costs, many of which are contained in distributed units.
  - Financial information in CDS can be skewed, as different institutions include different categories of expenditures in their budget data.
  - CDS provides a view at a single point in time, and may not reflect extenuating circumstances, such as whether a participating institution is in the midst of a large technology project that may have temporarily increased its budget and/or staffing, or is experiencing temporary budget cuts due to financial difficulties on that campus.
- The means derived from the CDS information are not 'correct', but merely provide a point of comparison upon which to base further exploration.
  - For example, being significantly below the mean staffing in a particular category could indicate that the institution is understaffed, but it could also suggest that the institution is extremely efficient in delivering that service, or could signify that service is not a high strategic priority and is staffed appropriately for expected service levels.

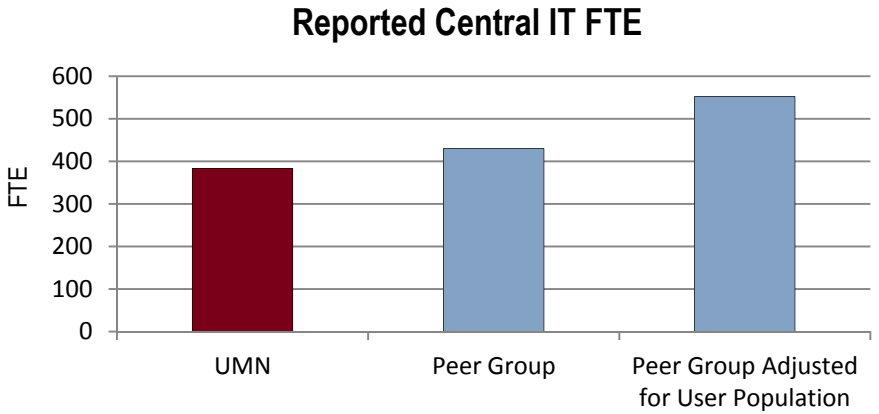
Summary of Organizational Comparisons

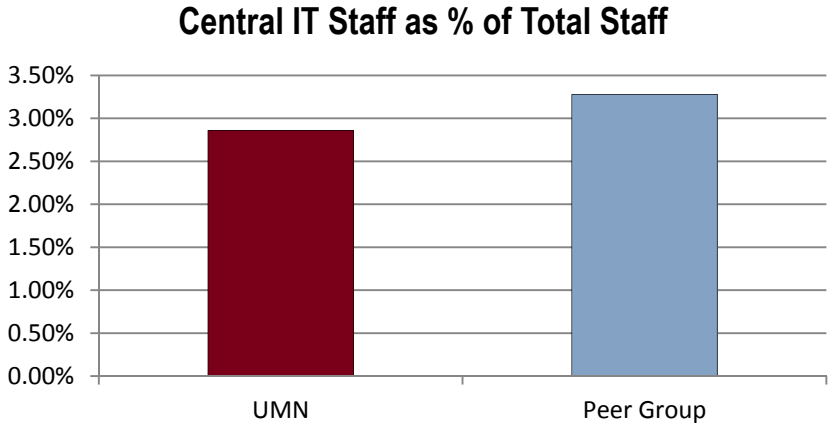
- UMN's central IT organization is 12% smaller than the target peer group average, and ranks in the center of the group (5 of 9) in terms of reported staffing levels. Its overall IT staffing, including both central and distributed IT staff is likewise in the center of the group (5 of 9), and is nearly identical to the group average.
- The size of UMN's reported distributed IT staff is likewise in the center of the target peer group (4 of 9). UMN is somewhat more decentralized than the target peer group average, with 71% of IT resources in the units compared to 65% in the peers. This represents a possible opportunity to gain efficiencies through additional use of shared services.
- UMN has the 2nd lowest usage of student employees in central IT as a percentage of central IT staff (6%) in the peer group, compared to 26% at the highest (University of Florida). This represents a possible cost savings strategy when staffing for future needs.

Comparison of Central IT Staffing

Comparison of Central IT Staffing

- UMN's reported central IT staffing is 12% lower than the peer group, despite supporting a student population 34% larger, and a total population 29% larger.
- If the size of the peer group central IT staff is adjusted to reflect the difference in user population, UMN's central IT staff appears 44% smaller than the adjusted peer staff. Note that not all IT services scale linearly, so this is not a perfect comparison.
- Examining the actual distribution of data , UMN's central IT staffing ranked in the center of the target peer group (5 of 9), which ranged from a high of 665 to a low of 248.
- Central IT Staff at UMN make up 2.86% of the total (non-faculty) staff, compared to 3.28% in the peer group. If UMN's central IT group was staffed at the same percentage, it would employ an additional 56 FTE.
- The peer group reported a mean of 51 student FTEs employed by their central IT organizations, nearly double UMN's 26.

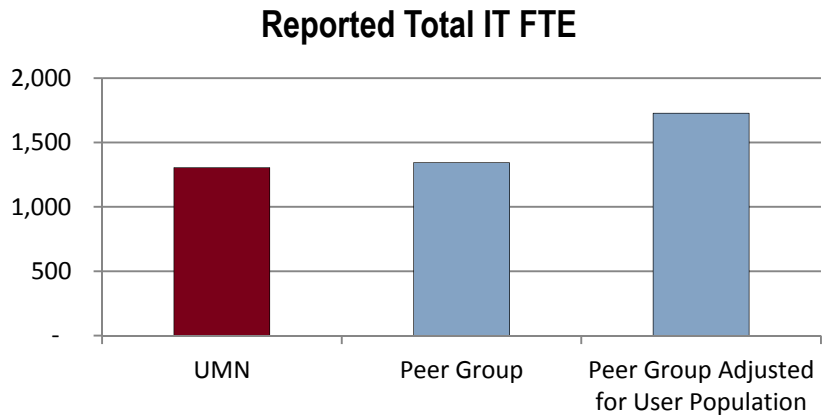


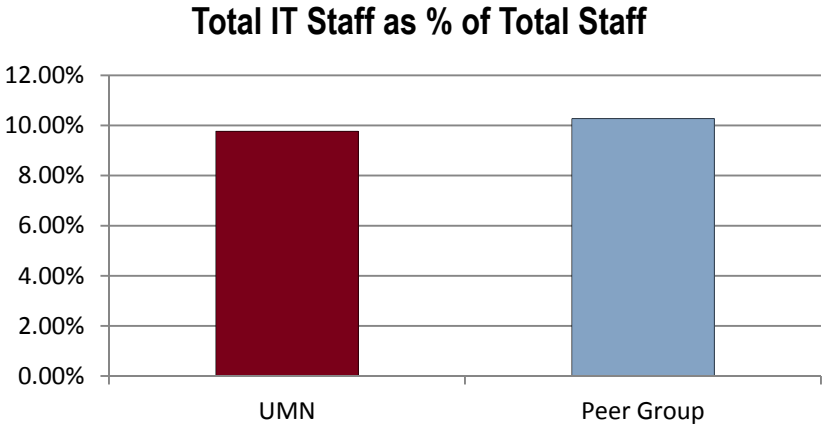


Comparison of Overall IT Staffing

Comparison of Total IT Staffing

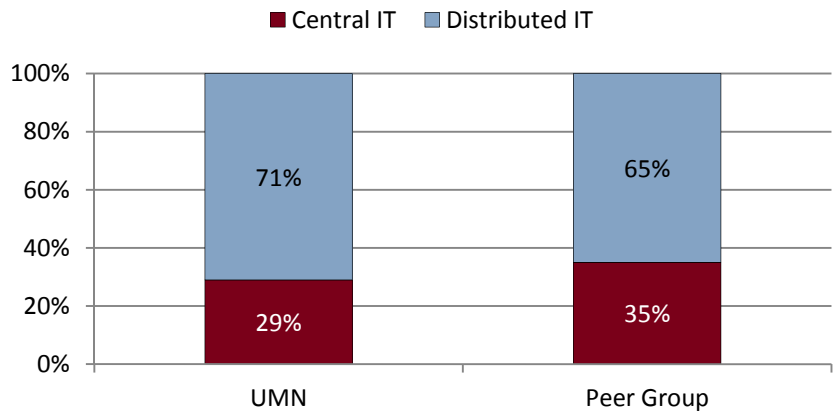
- UMN's reported total (central plus distributed) IT staffing is 3% lower than the peer group, despite supporting a student population 34% larger, and a total population 29% larger.
- If the size of the peer group central IT staff is adjusted to reflect the difference in user population, UMN's total IT staff appears 32% smaller than the adjusted peer staff. Note that not all IT services scale linearly, so this is not a perfect comparison.
- UMN reports 922 distributed IT employees, compared to 915 in the peer group. This ranked it 4th of 9 in the peer group, which ranged from a high of 1,989 a low of 301. Likewise, UMN ranks 4th of 9 in total reported IT staff.
- IT staff make up 9.77% of total staff at UMN, compared to 10.27% in the peer group.

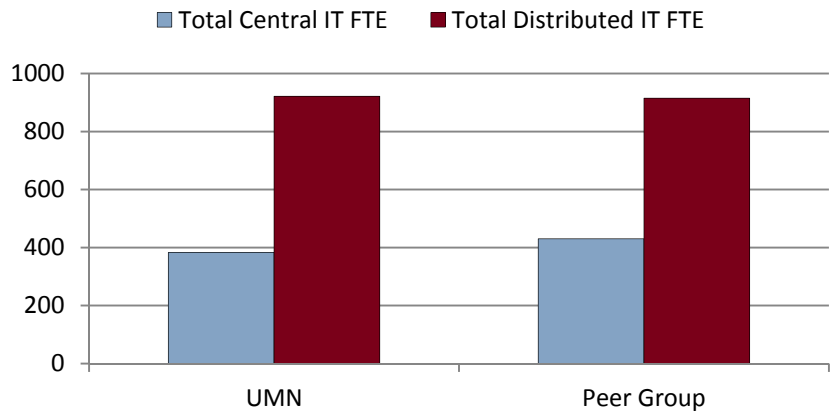




Allocation of IT Staff Across the Institution

Balance of Central and Distributed IT Staff



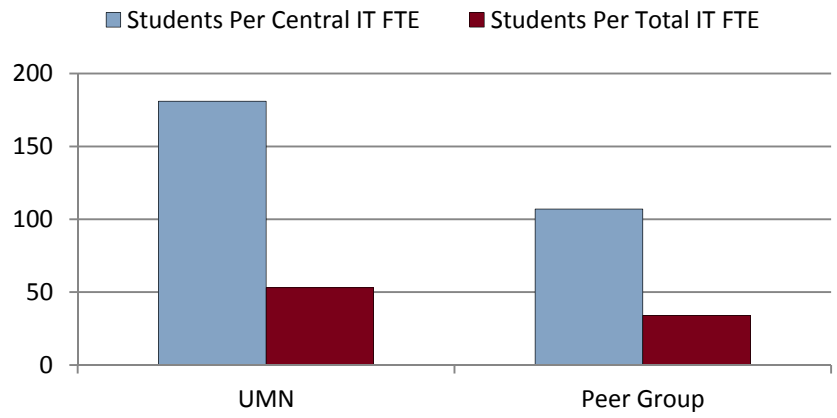


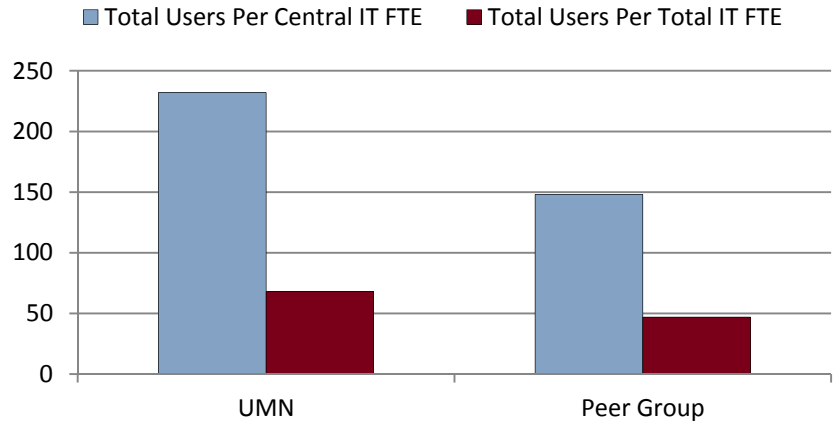
- UMN reports 29% of IT FTEs in the central IT organization, compared to 35% in the peer group.
- The distribution of staff in the peer group varied significantly, with some institutions showing nearly even splits, to a roughly 80/20 split distributed to central at one institution. UMN was in the middle of the group, reporting the 4th highest degree of decentralization (out of 9).
- While it is expected to find a high degree of decentralization in a large research university like UMN, the higher degree of decentralization compared to the peer group could represent additional opportunities to achieve economies of scale through shared services.

Users Supported per IT FTE

Comparison of User Support Ratios for Central and Total IT

- UMN has a smaller number of central IT employees than the peer group, supporting larger student and total populations.
- UMN's central IT group supports 22% more students and 19% more total users per central IT FTE than the peer group.
- UMN's total IT workforce supports 15% more students and 11% more overall users than the peer group.
- This imbalance may be greater than indicated, as the target peer group employs significantly more student FTEs in central IT than UMN.
- While higher number of users supported per IT FTE at UMN could mean that UMN's IT groups operate more efficiently than peers, it could also indicate that many of the IT services being provided do not directly scale based on the size of the user population. It is also possible, though less likely, that service levels are different.





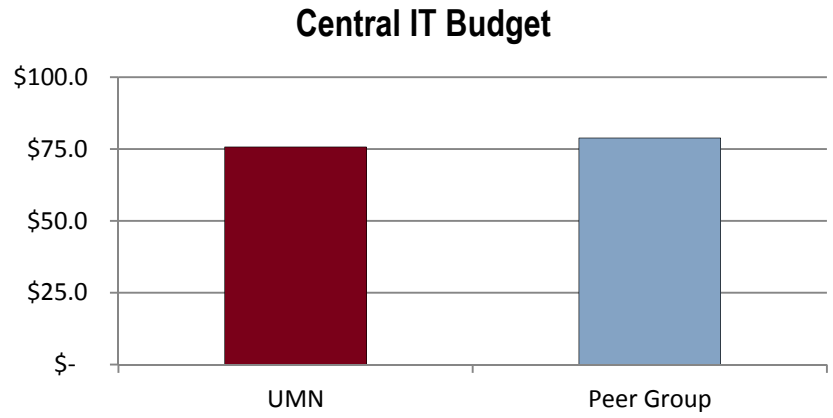
Summary of Financial Comparisons

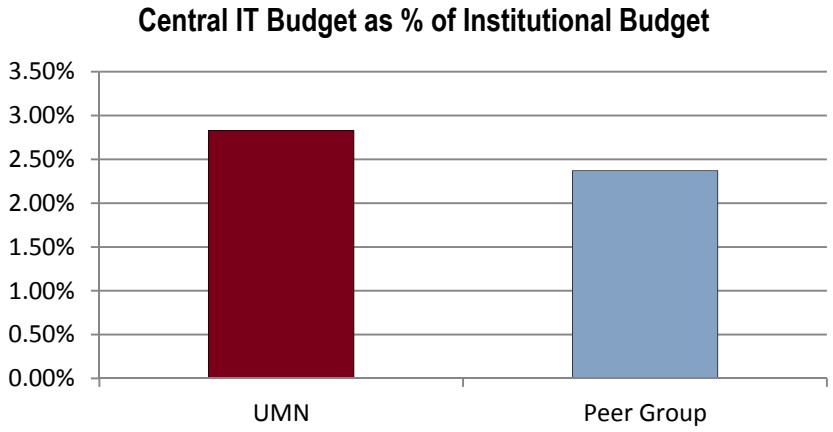
- UMN's central IT budget is slightly below the peer group, showing a 4% difference, though some of this difference could come from differences in what is included in the central IT budgets across the peer campuses (e.g. are web expenditures included in IT or in marketing?).
- UMN's distributed IT budget is 6.3% above that reported by the four peer institutions that reported distributed IT costs.
- For those peers that reported distributed IT costs, their total IT budget, central plus distributed, was nearly identical to UMN's, with only a 1% difference indicated.
- UMN's central IT budget represents a slightly larger portion of the total institutional budget than in the peer group (2.55% vs. 2.37%).
- UMN spends a higher percentage of its overall central IT budget on labor than non-labor expenses than the peer group, which may leave less flexibility in spending for renewing infrastructure and implementing new capabilities. Similar trends are shown for distributed IT spending.
- UMN spends 11.8% more than the peer group average on distributed IT labor. Distributed IT non-labor spending is nearly identical to the peer group.
- On a per-user basis, UMN spends significantly less on central IT services than the peer group (46%), and similarly spends 39% less on total IT services (central and distributed). This difference is partially reflected in UMN's larger (29%) total user population, but could also reflect service efficiencies at UMN or differences in service levels.

Overall IT Budget

Comparison of IT Budgets

- UMN's Central IT funding is slightly below (4%) the peer group average, and it ranks 6th of the 9 peers in overall dollars.
- However, UMN's central IT funding represents a slightly larger percentage of the overall institutional budget than the peer group average (2.83% vs. 2.37%).
- Note that many of the peers did not include complete data on their distributed IT spending. For those in the peer group that did (4 of the 8), their average reported total distributed IT spending was $115.9M. UMN's was reported to be $123.8M, 6.3% above the peer group.
- When combined with central budgets, the peers that reported their distributed IT spending had a total average IT spend of $197.7M, compared to UMN's $199.6M.
- The 4 institutions reporting their distributed IT spending spent an average of 6.46% of their institutional budget on IT, compared to 6.71% at Minnesota.

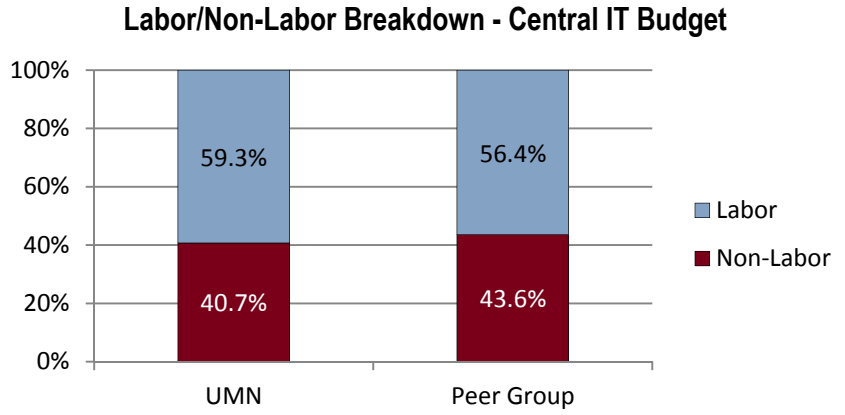


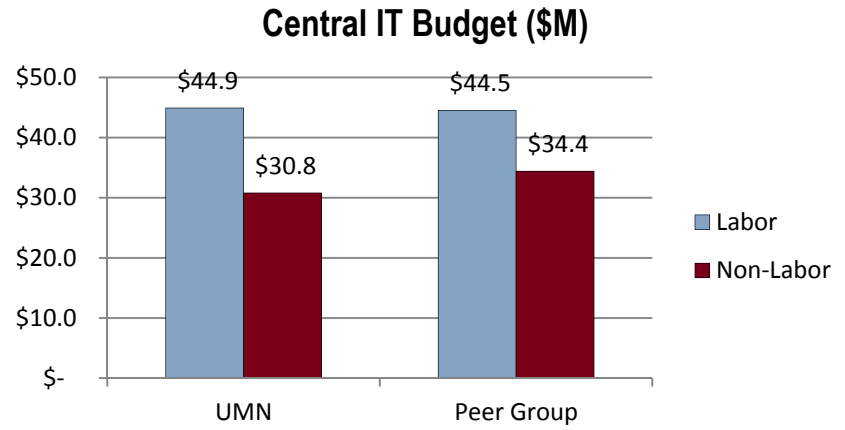


Labor vs. Non-Labor in IT Budgets

Comparison of Labor and Non-Labor Budgets in Central IT

- UMN is spending a greater proportion of its central IT budget on labor than is the peer group. UMN's labor costs comprise 59% of its overall central IT budget, compared to 56% for the peer group.
- UMN and the peer group have nearly identical budgets for central IT labor. However, UMN budgets $3.6M, or 12% less on non-labor categories. This could indicate less available resources to spend on new projects or keeping up the University's hardware and software assets than in the peer group.
- Though data is limited for the peer group, the same trends seem to hold up in distributed IT spending. Labor makes up 59% of UMN's reported distributed IT spend, compared to 55% in the peer group.
- In dollars, UMN reports $72.7M for distributed IT labor, compared to an average of $64.1M for the peer group, 12% more. UMN reports $51.1M for distributed non-labor IT spending, compared to $51.8M for the peer group.

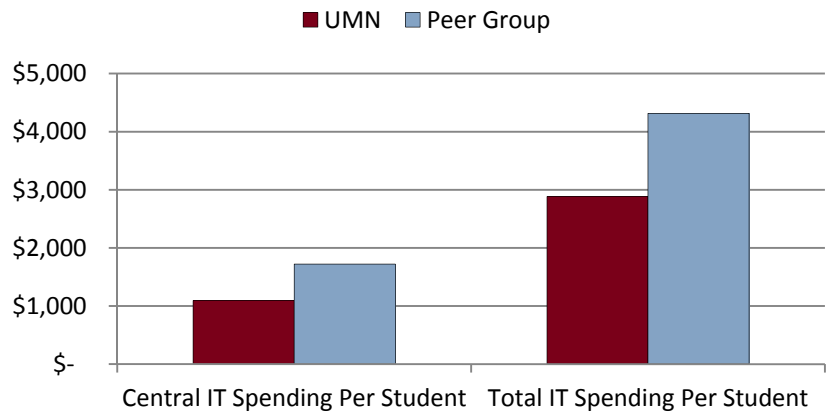


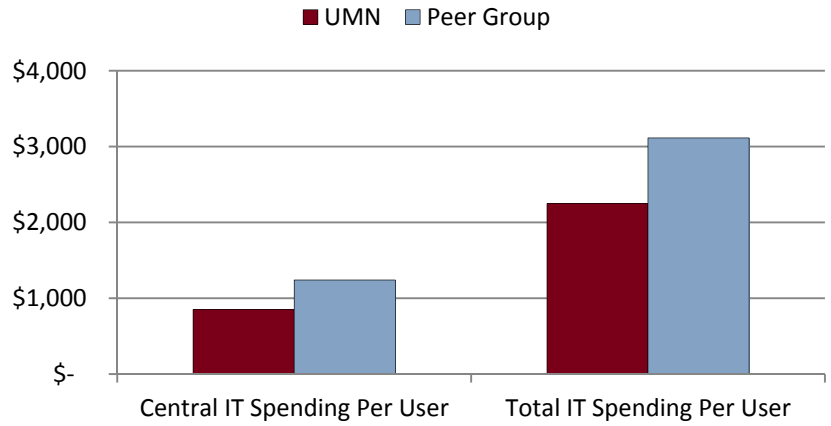


Spending per User

Comparison of IT Spending Per User

- UMN spends $627 less per student than on central IT services than the peer group, a 57% difference. The gap is smaller when viewed by total user population, but UMN still spends $389 less on central IT services per user, or a 46% difference.
- When total IT spend (central and distributed) is considered (including the 4 peers reporting distributed IT spending), the gap is similar, with UMN spending $1,433 less per student on total IT services, a 50% difference. When the total user population is considered, UMN spends $867 less per user, a 39% difference.
- The large spending gap per user between UMN and the peer group could reflect the scalable nature of many IT services, given that UMN's user population is 29% larger than the average of the peer group. It could also indicate a possible service gap or reflect the role that OIT plays in supporting IT across the UMN system.





IT Benchmarking Detail: CIC Discussion and Custom Survey/Interview Responses

CIC Information Technology Discussion

HIGH-LEVEL THEMES

Huron conducted a focus group with IT leaders from the Committee on Institutional Cooperation (CIC) on the topic of IT distribution.

Discussion Areas	Themes
Service Delivery	▪ Services most commonly duplicated between central and distributed IT units include, but are not limited to: o Service Desk (Tier 1 Call Center) o End User (Desktop) Support o Server Management & Data Center Operations (e.g., mail servers) o Application Development o Storage ▪ Centralization of these services often requires additional resources to achieve enterprise-level scale
Operating Model	▪ IT operating models are moving towards a more centralized, but balanced approach to staffing ▪ Many institutions have initiatives in place to centralize duplicative IT services that are most efficient and cost-effective when supported at the enterprise level o The IT funding model should incentivize departments to adopt central IT services o IT must effectively demonstrate a clear business case for service centralization ▪ Institutional IT has substantial variance in the maturity of its IT governance and decision-making models, and recognize that an inclusive process is necessary for gaining support from distributed IT counterparts o IT governance processes must include input from academic units and should have a defined approach for communicating with academic leaderships (e.g., Deans, Chairs)
Challenges to Cooperation	▪ *Innovation Pipeline* – new applications and systems are developed at the fringe of an institution that might be beneficial for the entire enterprise, IT should find a channel for identifying and supporting innovation ▪ *Service Evangelization* – communicating the benefits of an IT service with an entire institution is difficult and often requires the support of senior administration to gain traction ▪ *Enterprise Architecture* – platform and system selections are highly distributed, which can inhibit integration of distributed IT units with central IT

Chief Information Officer Interviews

HIGH-LEVEL THEMES

Huron conducted telephone interviews with CIOs from 4 peer institutions to develop an understanding of the balance of central and distributed IT services on those campuses, and the directions they are moving.

Discussion Areas	Themes
Degree of Decentralization	▪ All institutions reported decentralization, ranging from 50 distributed units to 200, with an average of 111. ▪ The majority of distributed units are found on the academic side of the institution. All institutions reported academic IT units at both the college and department level, with little if any connection between them. Several noted that the size of these units varies tremendously, and that some departmental units are bigger than smaller college units. None of the participants identified any sub-units in their administrative areas. ▪ All institutions employed large numbers of people in distributed IT, with estimates ranging from 500 to 1061, and an average of 878. Three institutions employed significantly more staff in distributed than central IT, with the fourth institution reporting an even split. ▪ The reasons for the existence of distributed IT units varied, but one of the most frequently cited was historical deficiencies with central IT support. Decentralized institutional culture was also cited, along with a perception that better service could be provided locally.
Service Delivery	▪ Desktop support was consistently cited as being decentralized, with all participants indicating this was one of their most decentralized IT functions. ▪ Other functions cited as decentralized by multiple participants included networking, storage, and system administration / server management. ▪ Interestingly, only one institution indicated that their distributed IT staff were heavily engaged in supporting instructional and research needs ▪ While all participants indicated that they had or are developing service level agreements for core IT services, none had extended SLAs to cover campus IT services across central and distributed units.

Only one of the institutions expressed high confidence in their estimates of distributed IT staffing, and even then, they were uncertain of the distribution of those staff among administrative and academic departments.

Chief Information Officer Interviews

HIGH-LEVEL THEMES

Huron conducted telephone interviews with CIOs from 4 peer institutions to develop an understanding of the balance of central and distributed IT services on those campuses, and the directions they are moving.

Discussion Areas	Themes
Operating Model	▪ Two of the participants have projects underway to consolidate 'utility' IT services such as desktop support, server hosting, storage, networking, and security into shared services. ▪ One participant mentioned efforts to create shared services within academic IT to support common needs across departments and colleges, to help keep skills up to date and increase services available to faculty. ▪ Three participants have an IT governance process in place, and the fourth has tasked their new CIO with creating one. None of the governance processes extend to fully cover distributed IT, though one institution requires large departmental projects to pass through governance, and another requires projects that will impact centrally provided resources to do so. ▪ Three participants indicated no formal reporting relationship between central IT and distributed IT, with the fourth indicating a weak 'dotted line' reporting arrangement. Another had a dotted line in place for only 3 of the over 100 distributed units on campus. Two institutions indicated that while there is no formal relationship, central IT has some purchase control for large dollar items. ▪ None of the participants reported formal definitions of roles and responsibilities across central and distributed IT, though one is working in this direction. ▪ None of the participants indicated any formal relationship between college-level IT leaders and the departmental IT groups in their colleges. College IT leaders typically report to a dean or senior administrator in the college, while departmental IT leaders report to department chairs or administrators at the department level.
Challenges to Cooperation	▪ Multiple participants cited resistance to change among customers and the ability for central IT to demonstrate acceptable service quality. ▪ Other challenges cited include lack of incentives for units to participate, transfer of funding from distributed to central groups, and the ability for central IT to demonstrate actual cost savings.

All participants indicated their institutions were increasing centralization of IT services, and all stated that it would be important to maintain distributed services to meet the specialized academic and research needs of the faculty

Appendix

Administrative Services Activity Survey

Administrative Activities Survey

OVERVIEW

Huron conducted an internal survey to assess the administrative functions done by supporting units throughout the University.

Process

- Huron developed a survey to measure the amount of distributed administrative activity for: Human Resources, Human Resources Operations and Payroll, Finance, Procurement, Payables and Travel Expenses, and Information Technology.
- Surveys were given to RRC Managers, with a listing of staff, to attributed the percentage of time spend doing the administrative task.
- Staff list was obtained from the Fall 2012 Workforce Analysis done by OIR. Employees with a termination date were not counted.
- Expenditure information was from Fiscal Year 2012.
- Results were tallied and converted to staffing FTEs. Huron used both counts (the number of employees) and FTEs (the percent of time) for this analysis.

Considerations

- Huron gathered data sources from the different entities at different times:
  - Staffing data is from Fall 2012,
  - Expenditures Data is from FY 2012, and
  - Distributed data is from May 2013.
- Some RRCs are grouped together where they share administrative services, such as the Office of the Provost and University Services.
- Only Administrative Support functions were surveyed. This does not include Academic Units.
- Although some RRCs were combined in some areas to share services, some departments divided from original RRC to take advantage of pooled resources.
- All variables, such as job fragmentation, should be considered when determining efficiency. A high ratio does not necessarily represent an efficient organization.

The Administrative Activities Survey provides a source for internal benchmarking for understanding average ratios for administrative units.

Administrative Activities Survey

DEFINITIONS

The following are definitions used for the Administrative Activity Survey.

Term	Definition
Human Resources	Includes percent of time supporting employee relations, labor relations, workforce planning and staffing, job classification and compensation, benefits, and education/training/development.
Human Resources Operations and Payroll	Includes percent of time supporting time reporting and processing, HRMS data entry, and position management.
Finance	Includes percent of time supporting accounting and budgeting, including journal entries, budget transfers, correcting entries, bill preparation, accounts receivable, account reconciliation, and tracking budget and funds information.
Procurement	Includes percent of time supporting purchasing process, including initiating purchasing transactions (e.g., requisitions), coordinating special purchase requests (e.g., sole source), non-purchase order purchasing, exception review and approval, and recording the receipt of assets.
Payables/Travel Expenses	Includes percent of time supporting accounts payable processes, including matching, invoice processing, and voucher entry. Also Includes percent of time supporting travel and expense processes, including completing forms such as travel reports, booking travel, collecting receipts, submitting requests for reimbursement/cash advance requests.
Information Technology	Includes percent of time supporting enterprise computing and storage, end-user computing, IT service desk, voice services, data network, application development and IT management.

Administrative Activities Survey

SUMMARY RESULTS

HuronEducation

An internal survey of the University's non-collegiate units demonstrated broad variation in staffing levels for administrative functions and the fragmentation of roles.

Function	FTE Range (by Unit)	Total FTE (all Units)	Total Headcount (all Units)	FTE/Headcount Range	FTE/Headcount Average	Coverage Range
Finance	1.0 to 61.5	167.7	339	0.1 to 0.93	0.49	$2.3 - $48.5M per FTE
Procurement and Payables	0.2 to 24.1	117.8	524	0.1 to 0.52	0.22	$1.2M - $50.1M per FTE
Human Resources	0.4 to 15.2	54.5	216	0.18 to 0.7	0.25	26 – 239 jobs per FTE
HR Operations/Payroll	0.3 to 15.6	40.1	140	0.1 to 0.7	0.29	52 – 304 jobs per FTE
Information Technology	0.1 to 52.9	378.4	384	0.19 to 1.0	0.73	N/A

FTE Range: The range of FTEs within the units reporting administrative functions.
Total FTE: The total FTEs added across all units for the administrative function
Total Headcount- The total number of employees across all units with some percentage of effort related to the particular function
FTE/HC Range: The range of ratios within units of FTE/Headcount (1.0 = all reporting staff within the unit perform the function full time)
Average: Provides a weighted average for amount of time an employee is performing an administrative function. Total FTE divided by Total Headcount.
Coverage Range: The total FY 2012 expenditures or number of jobs divided by the total number of FTEs. *This calculation does not adjust for transaction volume, type or complexity.*

While the University's collegiate units were not surveyed, initial analysis of available data suggests similar patterns.

Internal Service Delivery

POOLED SERVICES EXAMPLE

The Office of the Provost has consolidated some of the service delivery for areas in Finance, Procurement, and Human Resources

Overview

- The Office of the Provost provides administrative support to various units across RRCs
- RRCs included are: Academic Affairs and Provost, Equity and Diversity, Office of Human Resources(for HR), Office of the President, Office of the Board of Regents, and University Relations.
- Departments from Student Affairs and Undergraduate Education are also included.

Model

- The Provost services have grown with the attrition of departmental RRC managers.
- General HR and Finance functions are administered through the pooled resources, but departmental managers are still responsible for some functions- such as hiring and financial decision making.

Service Provided/Impacted

- Procurement and travel
- Human resources
- Human resource operations and payroll
- Finance and budgeting

Takeaways

- While the shared services group has been able to pool resources, the staffing levels have developed over time and are not based on metrics.
- Pooling resources to address administrative functions allows the departments to focus on the core mission of the University, rather than administrative tasks.
- Pooled resources also allow coverage when employees are on paid or sick leave, allowing administrative functions to be done on a timely manner.
- Employees are evaluated by managers that have a background in that administrative function. (e.g., HR managers evaluate HR employees.

Administrative Activities Survey

IMPLICATIONS

The Administrative Activity Survey highlights several characteristics of the distribution of administrative services.

Job Fragmentation
Administrative activities are fragmented across roles. In particular, transactional activities (HR operations and Procurement/Payables) are often part of an individuals broader set of responsibilities.

Time Demands for Transactional Activities
The survey estimated 117.8 FTEs dedicated to Procurement and Payables and 54.5 FTEs dedicated to HR operations.

Variability in Resource Levels
While the survey cannot completely control for differences in types of activity across units, it does reveal a dramatic difference in the levels of resources devoted to particular activities.

Underestimation of Effort Related (HR)
According to the Workforce Analysis, which is based on job titles, non-OHR support units employ30 HR jobs, versus 54.5 HR FTEs reported in the survey.

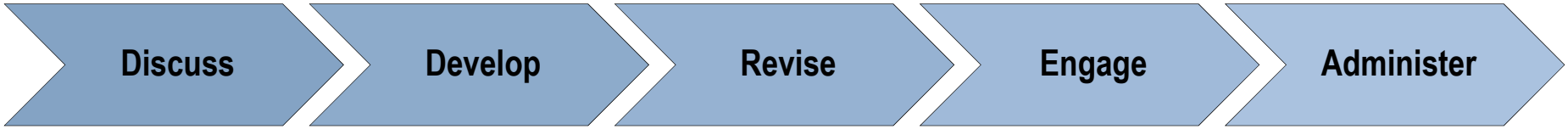
Taken together, these observations suggest an opportunity to increase effectiveness by redesigning the service delivery of these functions.

Administrative Activities Survey

NEXT STEPS - UNIVERSITY-WIDE SURVEY

Huron Education

Preliminary analysis of the academic units suggests that similar patterns are present in the academic units.



Discuss the results with survey participants to understand the data in context and understand how well the survey worked

Develop the survey plan with the steering committee to address deployment strategy, identify survey participants, and finalize administrative functions.

Revise the survey to include academic administration, refine survey instructions, and deployment strategy to ensure consistent results.

Engage the stakeholders to facilitate survey completion.

Administer the survey to academic units and analyze survey results.

Refining the survey and expanding it to the academic units will be required to evaluate University-wide opportunities for service delivery redesign.

Benchmarking Service Delivery Initiatives

Service Delivery Redesign

Huron Education

Many public and private institutions have developed consolidated or shared service delivery models in order to improve administrative efficiency and effectiveness.

Dimension	Observations
Scope	▪ Shared services can be used for a range of administrative services, including human resources, finance/procurement, information technology, and research administration ▪ Most activities delivered through are transactional/operational, though in some cases, universities are starting to move more complex activities (such as financial reporting) into a shared service model
Timing	▪ Implementations of shared services are multi-year projects
Phasing	▪ Institutions phase shared services by organizations served (e.g., pilots) and/or by services offered ▪ Non-collegiate units are frequently prioritized for consolidation of services
Configuration	▪ Some universities have organized shared services around client type (collegiate versus non collegiate) while others have used geography as a way to organize centers
Leadership / Reporting	▪ Some institutions have created a specific leadership/officer role specifically to oversee shared services (e.g., assistant vice president, assistant vice provost, chief operating officer – shared services).

"Shared Services" represents a range of practices, and institutions have developed different models which reflect their operating needs and priorities.

Shared Services

LINKS TO INSTITUTION SHARED SERVICE CENTERS

Huron Education

Shared service models at 12 public and private institutions were reviewed.

Public Institutions	Links
University of California, Berkeley	http://sharedservices.berkeley.edu/
University of California, San Francisco	http://fasfsc.ucsf.edu/sla/
University of Florida	http://www.fa.ufl.edu/departments/shared-service-centers/
University of Illinois Urbana Champaign	https://wiki.engr.illinois.edu/display/engrbus/Home
University of Kansas	http://cfe.ku.edu/ssc/
University of Michigan	http://ast.umich.edu/index.html
University of North Carolina – Chapel Hill	http://carolinacounts.unc.edu/assets/files/protected/SSC%20Handbook%20Master%20ver%204.1.pdf
University of Texas System	http://www.utsystem.edu/offices/system-wide-information-services/shared-services

Private Institutions	Links
Cornell University	Administrative Service Center, Business Service Center. Business Service Center, Student and Academic Services, Facilities Customer Service Center, Public Service Center (PSC), Service Centers and House Offices, University Business Service Center, University Business Service Center (UBSC)
John Hopkins University	http://ssc.jhmi.edu/
Stanford University	http://www.stanford.edu/group/fms/fingate/staff/index.html http://simes.stanford.edu/simes-intranet/purchasing/stanford-university-service-centers/
Yale University	http://yss.yale.edu/

Information on shared service models and case studies are based on publicly available information.

Shared Services

TYPICAL IN-SCOPE SERVICES

Institutions reviewed provide a wide range of administrative services through shared service models.

Human Resources	Business & Finance	Information Technology	Research Administration
▪ HR Data Management and Reporting ▪ Immigration/I9 ▪ Relocation ▪ Hiring and Onboarding ▪ Time and Leave Administration ▪ Employment Verification ▪ Appointments and Position Management ▪ Benefits ▪ Compensation ▪ Employee and Labor Relations ▪ Performance Management ▪ Recruitment (position posting, recruitment support) ▪ Termination	▪ Purchasing/Procurement ▪ Travel and Entertainment, ▪ Budget Development & Planning ▪ Financial Reporting ▪ Accounting ▪ Pcard Reconciliation ▪ Gift Administration	▪ Application Support ▪ End Users Device Support ▪ Networking ▪ Security ▪ Telecommunications ▪ Procurement and Provisioning Support	▪ Compliance ▪ Pre-Award ▪ Post Award ▪ Fund Management ▪ Sponsored Financial Reporting

Case Study

UC SAN FRANCISCO – DESKTOP SUPPORT

Huron Education

In 2012, the University of California - San Francisco undertook an end user support consolidation initiative to create a single service center for the entire institution.

Case Overview

- As part of an Administrative Transformation project, UC San Francisco created a new organization called "IT Field Services" to provide comprehensive computer support for the institution
- IT designed an future state organization with 73 FTE and the University mandated that all administrative and academic units must utilize its services

Model

- Job postings were created for all 73 positions; central and distributed incumbent support staff were required to apply
- HR counseling was made available to individuals that wanted to transition to a new role or UC institution
- Support service was divided into two tiers, basic ($44/FTE) and premium ($75/FTE), with SLA's negotiated with each department

Service Provided/Impacted

- Help Desk (Call Center)
- Desktop Support (On-site)
- Software Licensing
- End Point Security

About the Institution		
R&D Expenditures[1]	NSF Rank[1]	SOM
$995 million	7	Yes
Budget[2]	Control	Carnegie Class
$3.5 billion	Public	Very High Research

Observations

- The organizational and operating models were developed and confirmed by a committee comprised of senior leadership from every administrative and academic unit
- Building an organizational model early gave IT a future-state vision to build towards throughout the program
- The application process was designed to recruit and retain the most qualified staff
- Academic units (Deans) were allowed to opt-out of the service by submitting a request that was reviewed by the program's Advisory Board

1 NSF HERD Data 2011
2 IPEDS data 2011

Case Study

UC SAN FRANCISCO – DESKTOP SUPPORT

HuronEducation

The University created an *ideal* organizational structure and future-state vision that drove the progress of the project.

Organizational Overview

- A new position of IT Field Services Director was created to manage the enterprise desktop support unit
- Customer Relationship Managers function as account managers and a communications channel for assessing customer demand
- The 60 field technicians will each cover approximately 200 employees

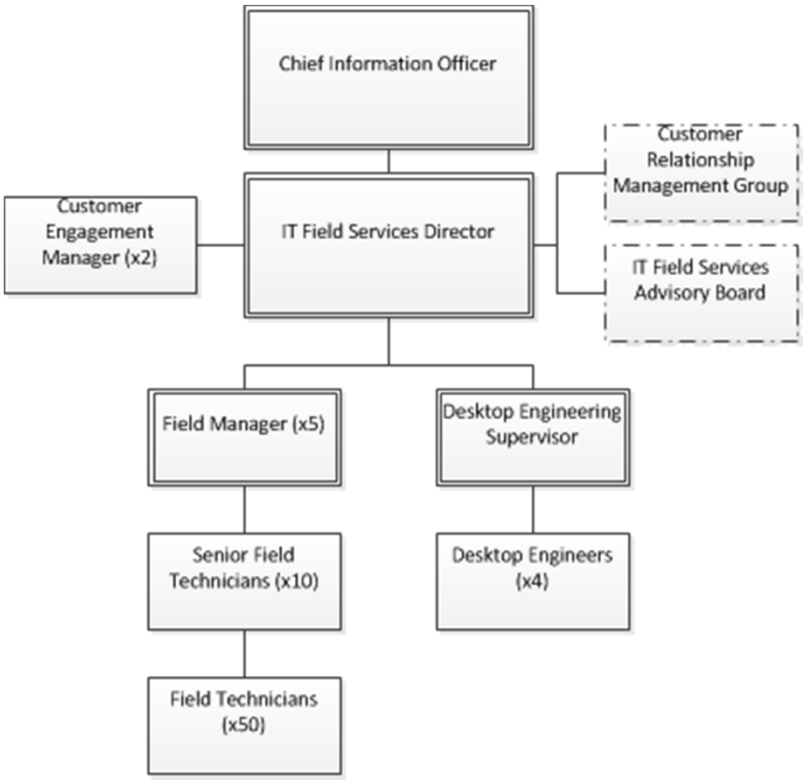
Basic Service Offering

- 24x7 Service Desk with 1 minute response time
- Onsite Desktop Support (7am-6 pm) with 6 business hour response time
- Software license management and end point security tools
- Continuous backup and business continuity tools
- Selection of standard Windows/Mac models, support
- Lifecycle support of devices

Premium Service Offering

- Extended on-site support hours with 2 business hour response time
- On-site user training
- Loaner computers and projectors
- Project management for moves and event support
- Specialized and end-of-service software support

Organizational Chart



Case Study

UC BERKELEY – HR ORGANIZATIONAL TRANSFORMATION

HuronEducation

UC Berkeley's HR function has recently engaged on an administrative transformation that crosses several functions, including HR.

Case Overview

UC Berkeley's Operational Excellence took on a comprehensive transformation of administrative operations to:

- Improve operational productivity through standardization, automation, and greater specialization
- Create economies of scale and improve effectiveness through grouping delivery of common administrative functions (e.g. shared services) and combining operations of small units

About the Institution		
R&D Expenditures[1]	NSF Rank[1]	SOM
$707 million	21	No
Budget[2]	Control	Carnegie Class
$2 billion	Public	Very High Research

Model

- Central HR service delivery model with Business Partners, Centers of Excellence, and Shared Services
- Distributed HR staff brought into the central organization as business partners and/or shared services staff

Service Provided/Impacted

- Employment Verification
- Appointments Benefits & Leaves
- Compensation
- Employee and Labor Relations
- New Hire and Onboarding
- Performance Management
- Recruitment
- Visa and Immigration

Observations

- Berkeley had a similar distributed structure as UMN – distributed personnel were highly fragmented in small units (86% of HR FTEs)
- Distributed functions evolved because historically, central groups could not meet local needs
- Distributed and shadow personnel did not report up through functional areas and were fragmented in small units
- Lack of standardization, specialization and knowledge sharing contributed to lower productivity and higher cost
- Distribution created risk management issues

Source: Observations for this case study based on interview with UC Berkeley
1 NSF HERD Data 2011
2 IPEDS data 2011

Case Study

UNIVERSITY OF FLORIDA SHARED SERVICES

Huron Education

Established in fall 2010, the University of Florida's shared services center provides transactional processing services and assistance in financial management.

Case Overview

- Established in 2010, UF's shared services provides transactional processing services and assistance in financial management to departments and colleges across UF
- The goal was to relieve transactional workload so departments can focus on core missions

About the Institution		
R&D Expenditures[1]	NSF Rank[1]	School of Medicine?
$740 million	18	Yes
Budget[2]	Control	Carnegie Class
$2.2 billion	Public	Very High Research

Model

- UF has 3 separate shared service center: one in the College of Liberal Arts and Sciences, Institute of Food and Agricultural Sciences, and a Central shared service center for other departments
- Larger schools will have one service center, while smaller schools can share centers

Takeaways

- The College of Liberal Arts and Sciences has identified over $1.7 million in salary savings from implementing a shared services center
- Florida is looking to expand shared services as the needs of the University grow, including implementing budgeting and reporting assistance

Service Provided/Impacted

- Human resources
- Accounts payable
- Possible future services: Financial Reporting, Budget Preparation and maintenance assistance.

1 NSF HERD Data, R&D expenditures, 2011
2 IPEDS Data, expenses, 2011

Case Study

UNIVERSITY OF KANSAS SHARED SERVICES

Huron Education

The University of Kansas established an Assistant Vice Provost for Shared Service Centers and developed a structure and governance for managing shared service centers.

Case Overview

- As part of an Administrative Transformation project, the University of Kansas implemented shared service centers
- The goal of shared service centers is to reorganize some of the transaction-based activities that occur in the units and departments at KU with a focus on providing increased level of service
- KU will develop a regional shared service center model, with each of the 9 centers distributed around campus serving a specific group of customers.

Model

- Each department has one HR and one admin point of contact
- Accountability to deans, directors, and chairs
- Shared Services Advisory Boards evaluate each shared service center and the commitments to operating units

Service Provided/Impacted

- Procurement and travel
- Research administration
- Human resources
- Space management
- Finance and budgeting, incl. cost transfers, JEs, and billing

About the University of Kansas		
R&D Expenditures[1]	NSF Rank[1]	School of Medicine?
$303 million	71	Yes
Budget[2]	Control	Carnegie Class
$900 million	Public	Very High Research

Observations

- Shared service centers cross multiple functions and are distributed based on geography/customer group
- Kansas has a structure in place to coordinate all the shared service centers
- Kansas shared service center will “run financial reports pertaining to endowment and scholarship utilization, budget versus actual variation reports, budgeting and forecasting reports, and fund balance reports.”

1 NSF HERD Data, R&D expenditures, 2010
2 IPEDS Data, expenses, 2011

Case Study

UNIVERSITY OF MICHIGAN SHARED SERVICES

Huron Education

The University of Michigan is implementing a shared services operating model for its finance and human resources administrative functions as part of its goal to achieve $120 million in cost reduction from FY13-FY17.

Case Overview

- The Administrative Services Transformation (AST) Project, which offers enhancements to the Ann Arbor, Dearborn, and Flint campuses as well as the University of Michigan Health System, was launched to identify, evaluate, and implement administrative efficiency and effectiveness measures to help support the University's goal of realizing $120 million in cost savings between FY 2013 and FY 2017.

Model

- The Shared Services initiative will result in approximately $17 million in annual savings through workforce co-location, consolidating technology, increasing managerial coverage, business process redesign, and sun setting under utilized services

Service Provided/Impacted

- Shared services will be focused on finance and human resources transactional processes
- A strategic sourcing initiative is being conducted in conjunction with shared services transformation

About the Institution		
R&D Expenditures[1]	NSF Rank[1]	SOM
$1.2 billion	2	Yes
Budget[2]	Control	Carnegie Class
$5.2 billion	Public	Very High Research

Observations

- The University identified 2,700 individuals (600 FTE) performing redundant transactions, consolidation will occur through attrition, reassignment, and workforce reduction over a two-year period
- AST has executive sponsorship from the Provost, Chief Financial Officer, and Vice President for Student Affairs
- In addition to executive sponsors, the initiative has three project co-chairs and a broad advisory committee comprised of collegiate and non-collegiate senior leadership
- Finance Shared Services will include Accounting transactions, Accounts receivable, Purchase order processing, Expense processing, Accounts payable, Financial reporting, Budget processing, Payroll operations for Facilities & Operations
- Human Resources Shared Services will include Employee data management, benefits administration, timekeeping administration, HR reporting

1 NSF HERD Data 2010 2 IPEDS data 2011

Case Study

JOHNS HOPKINS UNIVERSITY SHARED SERVICES CENTER

Huron Education

Johns Hopkins has mature Shared Services Center that supports the University and Health center.

Case Overview

- Johns Hopkins has developed Shared Services Centers to provide timely, professional business support for the University and health system to allow the organization to focus on delivery research, teaching, and patient care

About the Institution		
R&D Expenditures[1]	NSF Rank[1]	School of Medicine?
$2.1 billion	1	Yes
Budget[2]	Control	Carnegie Class
$3.1 billion	Private	Very High Research

Model

- JHU has a full implemented, mature Shared Services center to provide support to the University and Health Center
- Each service provided has a full staff dedicated to that service, allowing an economy of scale approach to those services

Observations

- JHU's Shared Services website provides detailed contact information, forms, and staff listing for each service provided
- JHU developed the service center in 2004, and went live in 2006

Service Provided/Impacted

- Accounts Payable and Receivable
- Fixed Assets
- HR and Payroll
- Sponsored Projects
- Supply Chain

1 NSF HERD Data, R&D expenditures, 2011
2 IPEDS Data, expenses, 2011

Case Study

YALE SHARED – FINANCE SHARED SERVICES

Yale has a fully implemented a shared service center for its business and finance units.

Case Overview

- Yale determined in 2008 there were efficiencies to be gained by eliminating manual administrative tasks from departments
- The focus on developing the Shared Services at Yale was to eliminate duplication, improve accuracy, and provide high levels of service delivery

About the Institution

R&D Expenditures[1]	NSF Rank[1]	School of Medicine?
$657 million	25	Yes
Budget[2]	**Control**	**Carnegie Class**
$2.7 billion	Private	Very High Research

Model

- Yale has an Assistant Vice President for Shared Services that oversee the Shared Services center
- Yale has developed partnership agreements to create a level of expectation for service delivery to departments

Service Provided/Impacted

- Procurement
- Accounting
- Accounts Payable
- Client Accounts

Observations

- In 2008, Yale launched a benchmarking study and concluded there could be improved efficiency and effectiveness
- Yale has created a Shared Service brochure to communicate efficiently the services and functions of the center to departments across campus
- Yale develops partnerships with departments and understands a "one size fits all" approach is not effective in a successful shared services program

1 NSF HERD Data, R&D expenditures, 2010
2 IPEDS Data, expenses, 2011

Additional Peer Data

Survey of Enterprise Change

ILLUSTRATION

HuronEducation

The University's peer institutions are all undertaking major projects aimed at creating a stronger foundation for administrative efficiency and effectiveness.

Institution	IT Governance and Service Delivery	HR Program Design	Enterprise Systems	Enterprise Data / Business Intelligence	Administrative Service Delivery Design
University of Wisconsin	Governance program in development	HR Design transformation project Proposed class/comp project	HR PeopleSoft go-live (2011)	Data center aggregation and implementation of data stewardship policies and practices; creating a new co-location facility	HR Service Redesign as part of HR Transformation
The Ohio State University	Developing a service catalog and approach to service consolidation	Compensation and Classification study (planned)	Current PeopleSoft upgrade Planned "next gen" enterprise system upgrade	Business Intelligence and Data Warehouseing initiative	HR/Service Redesign "Paperless Business Office" initiatives"
University of Washington	Implemented a new governance structure; consolidating help desks	None found	Enterprise System transformation project	Ongoing Enterprise Data Warehouse project	None found
University of California – Berkeley	Established a university-wide IT strategic plan and governance process; Transitioning basic IT services to a shared services unit	HR Transformation project	UCPath HR system transformation	None found	Campus Shared Services implementation, HR Service Redesign as part of HR Transformation
University of California – Los Angeles	Ongoing project to consolidate campus-IT into "regions" to reduce complexity and service redundancies	None found	Investigating options for replacing its financial system	Exploring new solutions for data warehouse and reporting; consolidating data centers and asset inventory	None found
University of Michigan	NextGen IT rationalization program	None found	Consolidating network, email, and calendar systems	Enterprise cloud computing and storage implementations	Administrative Services Transformation
University of Illinois	New reporting structure to enhance accountability between campuses and central administration	HC Strategy Design HR Assessment Project Civil Service Reform	Upgrading Learning Management System (Blackboard Learn) and Unified Communications systems	Investigating a campus storage solution and developing a multi-year network architecture plan	Administrative shared services exist at the college level for many schools
University of Florida	Campus-wide IT governance process and strategic plan (2009)	Comp/Class redesign	Implementing Microsoft Office 365; performing several major upgrades to the Student Information System	Redesigning student data warehouse and creating a data mart for admissions	Shared Services Center for HR and AP
Pennsylvania State University	System-wide IT assessment to identify opportunities	HR Transformation project	Pending ERP Planning/Implementation	Consolidating data centers across campus	HR/Service Redesign as part of HR Transformation
University of Texas at Austin	Undergoing initiatives to improve web infrastructure, identity management, and VoIP	None found.	ERP project – recently completed an Administrative Systems Master Plan; Replacement plan in progress	Creating big data policies, beginning to develop learning analytics	Shared Services Center

Compiled from publicly available information and peer interviews

Comparing UMN to the Peer Group

The University of Minnesota was benchmarked against ten peers selected using input from the Office of Institutional Research.

Selected Peer Group

The following list of universities were selected as institutional peers to the University of Minnesota:

- Ohio State University (Main Campus)
- University of Michigan – Ann Arbor
- University of Texas at Austin
- University of Washington – Seattle
- University of California – Los Angeles
- University of Wisconsin – Madison
- University of Florida
- Pennsylvania State University (Main Campus)
- University of California – Berkeley
- University of Illinois at Urbana-Champaign

	UMN	*Peer Group Mean*	*% Difference*
Stakeholder Distribution			
Students*	69,221	45,805	+34%
Faculty (Full and Part Time)*	6,209	4,585	+26%
Staff*	13,359	13,091	+2%
Total	88,789	63,480	+29%
Budget Comparison			
Institutional Operating Expenses*	$2.97B	$3.33B	-12%
Research			
Research Expenditures*	$755.2M	$695.1M	+8%

**Source: IPEDS 2011 Data for All UMN Campuses*

Not all peer institutions responded to the custom surveys. Responding institutions were assured that they would be deidentified in the report and Huron did not share identified data with UMN.

List of Interviews and Glossary

List of Interviews

Finance Interviewees	Title
Sue Bossell	Cluster Director – University of Minnesota Duluth
Ann Breunig	RRC Manager – Humphrey School of Public Affairs
Jay Delaney	Cluster Director – College of Science and Engineering
Stephanie Dilworth	RRC Manager – College of Design
Pat Ferrian	RRC Manager – Provost Office
Brent Gustafson	RRC Manager – College of Liberal Arts
Dan Hemauer	Director – EFS Module Support Teams
Sue Kerry	RRC Manager – University of Minnesota Duluth
Sherrie Kutzler	Director – Account Services
David Laden	Director – Accounts Receivable
Luke Madsen	Director – Inventory Services
Jill Merriam	Budget Director – Office of Finance
Carrie Meyer	Business Analyst
Colleen Miller	RRC Manager – University of Minnesota Morris
Madonna Monnette	Cluster Director – University of Minnesota Extension
Craig Muntifering	Cluster Director – College of Pharmacy
David Pappone	RRC Manager – College of Science and Engineering

List of Interviews

Finance Interviewees	Title
Steve Pardoe	Director – Risk Management
Sue Paulson	Director – Sponsored Research Accounting
Jane Pribyl	Director – Treasury Accounting
Gail Renteria	RRC Manager – College of Education and Human Development
Sue Richards	RRC Manager – Medical School
Karen Ryan	RRC Manager – College of Continuing Education
Gail Sauter	RRC Manager – University of Minnesota Rochester
Jeff Thomas	RRC Manager – College of Pharmacy
Julie Tonneson	Associate VP – Budget & Finance
Mike Volna	AVP and Controller
Diane Wollner	RRC Manager – Office of Information Technology
Sharon Zeise	RRC Manager – University Services

List of Interviews

Procurement Interviewees	Title
LaCretia Bell	Director of Disbursement Services
Tim Bray	Director of Purchasing Services
Lynn Hein	Category Manager – University Stores Purchasing
Angie Kavaloski	Data Analyst – Production Support Office
Elaine Kelash	Category Manager – Office Equipment & Technology
Jan Kopczeski	Category Manager – Laboratory Equipment
Denis Larson	Category Manager – Facilities Management Purchasing
Cathy Nabrowski	Category Manager – Technology
Sonja Sheriff	Category Manager – Purchasing Systems & Process/Cluster Liaison
Jerry Taintor	Category Manager – Furniture, Food, & Professional Services
Beth Trapp	Category Manager – Travel
Linda Woock	Strategic Sourcing Project Manager

List of Interviews

Human Resources Interviewees	Title
Paul Alwood	Director – Occupational Health and Safety
Rosie Barry	Assistant Department Director – Organizational Effectiveness
Carolie Carlson	Assistant Department Director – Training Services
Karen Chapin	Manager – Health Programs
Susan Diekman	Director – Communications
Patti Dion	Director – Employee Relations
Patty Franklin	Chief of Staff – HR Administration
Heather Kidd	Director – Payroll Services
Kelly Krattinger	Director – HRMS
Lori Lamb	Director – HR Operations
Mary Luther	Director – Classification and Compensation
Lori Mein	Manager – Call Center
Mel Mitchell	Director – Organizational Effectiveness
Laura Negrini	Associate Director – Job Center Classification & Compensation
Kathryn Pouliot	Manager – Benefit Services
Jackie Singer	Director – Retirement Programs and Support Services
Brandon Sullivan	Director – Employee Engagement
Nan Wilhelmson	Policy – HR Administration

List of Interviews

Information Technology Interviewees	Title
Chris Ament	Senior Director – Academic Technology
Craig Bantz	Director of Technology Innovation – College of Biological Sciences
Thierry Boudet	IT Director – Office of the Vice President for Research
Connie Buechele	IT Director – Carlson School of Management
John Butler	Associate University Librarian – Data and Technology
Brad Cohen	Associate CIO – Academic Technology
Brian Dahlin	Information Security Lead
Ed Deegan	IT Director – Academic Health Center
Linda Deneen	IT Director – University of Minnesota Duluth
Patton Fast	Enterprise Architect
John Grosen	Senior Director – Infrastructure & Production
Bernard Gulachek	Associate Vice President
Jim Hall	IT Director – University of Minnesota Morris
Andy Hill	ERP Upgrade Director
Brittany Lloyd	Associate CIO
Sharon Ramallo	Associate CIO – Enterprise Systems
Renee Rivers	Senior Director – End User Support Services

List of Interviews

Information Technology Interviewees	Title
Susan Strubel	Associate CIO
Scott Studham	Vice President & Chief Information Officer
Dan Wagner	Senior Director – Application Development
Diane Wollner	Senior Director – OIT Business Office

Glossary

Term	Definition
Administrative Activities Survey	A survey completed by Huron to assess the resources supporting in-scope administrative functions in the support units throughout the University.
APQC	American Productivity and Quality Center. Research and benchmarking organization which provides expertise and services in financial management, human capital management, knowledge management, supply chain management, product development, and process improvement. http://www.apqc.org. Access to data requires subscription.
Central vs Distributed	"Central" refers to the central administration, usually referring to the Budget Office, Controller's Office, Office of Human Resources, and Office of Information Technology. "Distributed" refers to the functions that are performed outside central offices, either at the college/school/unit level or department level.
Cluster	Clusters are the centers that are responsible for the accounting and purchasing functions in PeopleSoft. There are 43 clusters throughout campus.
ESUP	Enterprise System Upgrade Program. Current major upgrade of the University's PeopleSoft enterprise systems.
FTE	Full-Time Equivalent. Represents a measure of work effort, not headcount. For example two employees working 50 percent time equal 1 FTE.
Headcount	Represents the number of employees or students, regardless of whether they are full- or part-time.
IPEDS	Integrated Post-Secondary Education Data System. Database provided by the National Center for Education Statistics. IPEDS gathers information from every college, university, and technical and vocational institution that participates in the federal student financial aid programs. Data is publicly available. http://nces.ed.gov/ipeds/datacenter/login.aspx .
OIR Peer List	List provided by the Office of Institutional Research for the purposes of benchmarking. Peer list may be found on page 168.
Pcard	Purchasing card. A university-sponsored credit card which can be used to execute transactions.
RCM	Responsibility Center Management. An approach to higher education budget management which assigns revenues and expenses to major units of the University.
RRC	Resource Responsibility Center. Organizational unit on campus responsible for budget creation and tracking.
SHRM	Society for Human Resource Management. The world's largest association devoted to human resource management. SHRM represents human resource professionals across a broad range of industries. http://www.shrm.org . Access to data requires subscription.
Sponsored / Non-Sponsored	Sponsored refers to funds received through grants and contracts. Sponsored funds often have additional accounting and reporting requirements associated with them. Non-sponsored refers to all other types of funds.
Stakeholder	A person with an interest or concern in an organization, policy, process, or service. Internal University stakeholders could include faculty, staff, and students.
Strategic Sourcing	A methodical approach to reducing the total delivered costs of purchased goods and services while maintaining or improving quality and service.
Support Unit	The non-collegiate units throughout the University. Defined as a set of RRCs for the workforce analysis.
System Campuses	Refers to the Morris, Rochester, Duluth, and Crookston campuses.
UMarket	U Market is a new supply purchasing web site to launch in summer 2013. http://umarket.umn.edu/ .
Workforce Analysis	An analysis done in 2012 by the Office of Institution Research analyzing the jobs throughout the University.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