

## Executive Summary

### **Background**

The five colleges of Arts and Sciences have historically provided a substantial and valued foundation of student teaching and sponsored research for The Ohio State University. Previous and current administrations have recognized this excellence and have encouraged Arts and Sciences to seek a more prominent role in the University's consciousness, thereby allocating greater influence for the promotion of the disciplines and pursuits administered by their collective faculty and staff. Reorganizing the five colleges beneath a single executive dean was an important step in achieving this representation, and was initially pursued through the formation of a federation of the five colleges. In 2008, this federation was consolidated into three Arts and Sciences divisions reporting to one executive dean.

Much has been accomplished to date, and the path to continuous improvement has no end. There remain opportunities for improvement in the daily operation of Arts and Sciences. To help identify and assess the feasibility of available improvement opportunities, The Ohio State University retained Navigator Management Partners LLC ("Navigator," [navmp.com](http://navmp.com)), a management and information technology consulting firm, to perform a three-month assessment. The consulting study was to focus on the back-office operations of Arts and Sciences with a goal of finding opportunities for cost savings and process efficiencies. Specific components requested as part of the analysis included:

- Documentation and analysis of current state human resources, budgeting, and finance business processes for Arts and Sciences.
- Recommendations for business process improvements.
- Development of recommended future state business process flows.
- Recommendations for an organizational structure to support new business processes and the creation of an organizational design schematic.
- A comprehensive report summarizing the recommendations for Arts and Sciences.

The purpose of this report is to provide a description of the methodology, findings, and recommendations that resulted from this three-month assessment. The report appendices provide detailed supporting documentation.

### **Approach**

Navigator worked closely with subject matter experts representing transactional, managerial and executive levels of the colleges to document current state process flows. Surveys were distributed to those that transact the business of the colleges to understand better the current processes and challenges. Recommendations for improvement were reviewed by University fiscal and human resource officers, as well as members of Internal Audit, the Office of Human Resources and Central Purchasing. Finally, Navigator reviewed drafts of organizational recommendations and projected business benefits with the Arts and Sciences human resource, fiscal, departmental and college leadership team.



**Recommendations**

After conducting a detailed assessment, Navigator offers the following general recommendations:

- Standardize human resource and financial business processes.
- Apply strategic purchasing disciplines.
- Create a co-located shared service center ('SSC') for human resource and payroll activities.
- Create a regionally-based or co-located service center for procurement/finance transaction-level activities.
- Provide centralized support of employee relations, performance review standardization, talent management and recruitment, benefits inquiries, and learning and development programs for administrative initiatives, owned by the SSC management team.

**Projected Benefits**

Navigator estimates that Arts and Sciences will gain direct and indirect benefits through the standardization of business processes, application of strategic purchasing disciplines and the implementation of a shared services model.

The projected benefits can be grouped into four categories. These are:

- Category 1: Near term FTE reductions due to process changes.
- Category 2: Near term cost savings realized from increased usage of purchasing contracts and discount opportunities.
- Category 3: Longer term FTE reductions due to further efficiencies gained from the implementation of a SSC.
- Category 4: Longer term savings attributable to the implementation of new technology solutions, such as self-service for time, job data, and personal data entry.

Category 1: Near term FTE reductions due to process changes. Based on process efficiencies gained from shifting transaction work from the department generalists to SSC specialists and consolidating administrative support operations from five colleges to three divisions, the following reductions in FTEs can be expected. The savings shown in Table 1: SSC Costs and Savings below may be considered a recurring savings year over year, and ongoing management initiatives should continue to focus on reducing administrative costs in both the SSC and throughout Arts and Sciences.

Table 1: SSC Costs and Savings

	<b>FTE</b>	<b>\$</b>
<b>CURRENT COSTS:</b>	<b>66</b>	<b>\$4,667,078</b>
Current Administrative Staff Dedicated to Processes	45	\$2,776,446
Current Central Support Model	21	\$1,890,632
<b>SSC COSTS:</b>	<b>50</b>	<b>\$3,909,516</b>
Streamlining, Elimination and Reassignment of Work Net Result	38	\$2,083,516
Reallocation of Current Central Support Model Net Result	12	\$1,826,000
<b>NET CHANGE:</b>	<b>-16</b>	<b>-\$757,562</b>

Category 2: Near term cost savings realized from increased usage of purchasing contracts and discount opportunities. By making greater use of pre-negotiated contracted discounts available

to the University, Arts and Sciences can save the following costs annually. Building this purchasing discipline is always hard to control in a distributed environment, and when controlled centrally, a more controlled spending pattern is a typical result. As this discipline becomes the accepted standard and as University Central Purchasing expands its offering of best price negotiated contracts, these savings should be expected to grow year over year.

The savings detailed in Table 2: Annual Cost Savings per Activity are annual “near-term” benefits and may be considered “quick wins” for Arts and Sciences. Near term initiatives can be implemented within 12 months without major technology changes. In the case of purchasing spending, changes can be implemented immediately and aggressively even without a SSC in place to support.

Table 2: Annual Cost Savings per Activity

Activity	Annual Cost Savings
P-Card Activity should be aligned with central purchasing contracts when appropriate	<b>\$69,015</b>
Delegated Buyers increase use of contract spending	<b>\$821,815</b>
<b>Total</b>	<b>\$959,620</b>

Category 3: Longer term FTE reductions due to further efficiencies gained from the implementation of a SSC. “Longer-term” benefits include a combination of efficiency gains from continuously improving shared service operations as well as technology-driven initiatives. Longer term changes should be realized in the next twelve to thirty-six months, depending on how Arts and Sciences and the University prioritize these projects.

Over time, the Arts and Sciences Shared Services Center will become more efficient, as the new business processes become “second nature”. Consulting studies and Navigator’s experience with shared services models suggest that at least an additional 10% efficiency can be realized. This report will assume that the 10% efficiency will begin in year three. For Arts and Sciences, that means that if 38 people move to support shared services across human resources, payroll, finance, and procurement functions, it may be possible to reduce FTEs by up to four. The benefit for this reduction is shown in Table 3: Possible SSC FTE Savings over Time.

Table 3: Possible SSC FTE Savings over Time

SSC Timeline	FTE	\$
Near Term Staff Required for Fully Implemented Shared Services Center	38	<b>\$2,083,516</b>
Long Term Staff Required for Fully Implemented Shared Services Center	34	<b>\$1,875,165</b>
<b>Savings</b>	-4	<b>-\$208,351</b>

Category 4: Longer term savings attributable to the implementation of new technology solutions, such as self-service for time, job data, and personal data entry. Longer-term technology solutions include implementing PeopleSoft’s Employee and Manager Self-Service functionality (eProfile, eBenefits, Time and Labor) and enhancing the current workflow process. These changes will allow transactions to be submitted electronically by those initiating the processes (employees, managers). This will eliminate the paper or alternative processes that currently exist, as well as the re-entry of data into the PeopleSoft system. Table 4: Annual Cost

Savings per Activity summarizes the projected benefits estimated for these longer term initiatives.

Table 4: Annual Cost Savings per Activity

<b>Activity</b>	<b>Annual Cost Savings</b>
Implement employee self-service for personal data changes	<b>\$29,908</b>
Implement manager self-service for job data changes	<b>\$107,245</b>
Automate time entry, eliminating paper timesheets	<b>\$129,157</b>
Align PS Financials workflow with business users	<b>\$33,601</b>
<b>Total</b>	<b>\$299,911</b>

Other longer-term recommendations include instituting a common e-mail system as well as a consolidated network and shared data center standardizing the hardware, software and skill sets required of the information technology staff. These recommendations were outside the scope of Navigator’s project but are worthy of mention.

In addition to these transaction and FTE savings, the SSC can also add strategic value including the development of recruitment and retention programs, performance management and succession planning initiatives, and improved service for faculty and staff

### **Implementation Approach**

While finalization of the implementation plan will require more work in a subsequent project phase, Navigator recommends implementing this solution over three phases. Planning would begin in January, 2009 in preparation for the first phase roll-out at the end of August, 2009. The final phase would be implemented by the beginning of Winter Quarter, 2010. From experience the best way to mitigate the risk of such a large change is to be able to validate processes over a period of time and make adjustments to processing and roles as required. For that reason, a small set (2-3) of departments across the divisions should be implemented initially, followed by a larger set (5-6), and finishing with the balance of the Arts and Sciences departments.

Implementing a shared service center will not come without infrastructural and labor costs. Table 5: SSC Setup Costs is a high-level estimate of some of the costs that would be incurred over the course of the three implementation phases:

Table 5: SSC Setup Costs

<b>Shared Service Center Renovation Setup Cost (in \$)</b>	
Physical Renovations (4 locations, 1 HR, 3 Fin)	<b>\$200,000</b>
Equipment (primarily desktop computers and printers)	<b>\$45,000</b>
Furnishings (primarily ergonomic workstations)	<b>\$80,000</b>
<b>Total</b>	<b>\$325,000</b>
<b>Shared Service Center Labor Setup Cost (in \$)</b>	
Planning (February-April)	<b>\$113,200</b>
Execution (May-November)	<b>\$540,000</b>
Closeout (December)	<b>\$60,800</b>
<b>Total</b>	<b>\$714,000*</b>

\* The labor costs are based on external resource rates and the assumption that one full time change/partnership management resource would be sourced internally.

### **Measuring Performance**

The introduction of the Arts and Sciences SSC requires new measurement and reporting tools to validate that the service meets the demands of the key stakeholders and produces the desired benefits. A useful tool to help with this process is a Balanced Scorecard, with measures that span the most typically-measured quadrants of Financial Performance, Customer Perspective, Internal Business Process, and Learning and Growth. A sample scorecard is delivered in *Appendix 5 – Balanced Scorecard* of this report.

### **Business Case**

When aggregating the benefits and then examining the projected cost to implement the SSC and associated process changes, the case is clear that this is an initiative worth pursuing for Arts and Sciences. The table below shows the project funding outlay in 2009 and assumes virtually all benefits will begin being realized in 2010 to be conservative. Table 6 below shows the projected annual benefits as well as a net present value over six years.

Table 6: Net Present Value Analysis of SSC Implementation

<b>Benefit</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>Total</b>
Near Term FTE Reductions		757,562	757,562	757,562	757,562	757,562	<b>\$ 3,787,810</b>
Near Term Purchasing Spend Benefit	239,905	959,620	1,055,582	1,161,140	1,277,254	1,404,980	<b>\$ 6,098,981</b>
Longer Term SSC Efficiency			208,351	208,351	208,351	208,351	<b>\$ 833,404</b>
Longer Term Technology Solutions			299,911	299,911	299,911	299,911	<b>\$ 1,199,644</b>
Implementation Cost	-1,039,000						<b>\$ (1,039,000)</b>
<b>Net Present Value (5% Discount Rate)</b>							<b>\$ 8,734,566</b>

Additional assumptions included in this analysis include the following:

- Purchasing spend on contract would continue to improve by 10% per year after 2010 through the timeline of this analysis. 25% of the calculated 2010 gain can be realized in 2009.
- Technology solutions would not be in place prior to the beginning of 2011, which is hopefully a conservative estimate given their value to Arts and Sciences and The Ohio State University as a whole.
- The SSC efficiency, which is assumed to be an additional 10% reduction of SSC staff, would be gained at the beginning of the 2011, assuming an implementation of the SSC

occurs by the end of 2009.

### **Conclusion**

Implementing an Arts and Sciences Shared Services Center for human resource, payroll, finance, and procurement activities will improve the processing efficiency and reduce the administrative budget and workload of Arts and Sciences departments, providing them with more time to focus on mission-critical academic initiatives. There are clear benefits in the near term and the efficiencies gained over a longer term, through improvements in processing and technology will result in further cost reductions. The magnitude of these benefits clearly justifies the need for change. The strategic alignment of the Arts and Sciences workforce will place the right people with the right skills in the right place, and provide a mechanism for adapting to the ongoing and inevitably changing University initiatives. Most importantly, the resulting increased focus on academics and research will position Arts and Sciences as a forerunner for innovation and strategic change that other Ohio State University colleges can follow.