

Shared
services in
the higher
education
sector
Together
as one



‘Transforming Public Services’, the report of the taskforce on the public sector, identifies shared services as a key element of public sector reform, offering potential benefits in relation to efficiency and economies of scale.

The OECD Review of the Public Service (2008) identified a number of areas for development in the Irish public service, including the greater use of shared services. Shared services are increasingly being used to enable functional transformation, develop expertise and optimise the use of scarce resources or skills. Following the OECD report, ‘Transforming Public Services’ (TPS), would set out an ambitious programme of renewal for the entire public service taking into account, among other things, the analysis and conclusions of the OECD report. TPS recommends that “greater use be made of shared services models in the areas of human resources, finance, procurement and information and communications technologies”.

The concept of shared services is well established in Ireland, with over 60 shared services centres operated by multi-national corporations and quoted companies. There are also a number of examples of shared services in the public sector across central government, health, commercial state organisations, and the education sector (e.g. CAO, HEAnet and An Chéim).

Given the prevailing economic climate, funding for all elements of the education sector has come under pressure. Current indications are that the higher education sector will continue

to experience reduced government funding for the foreseeable future. Therefore it is incumbent on the sector to reduce costs, particularly in administrative services, or alternatively demonstrate that these areas as currently configured are delivering value for money. In this paper we will look at the introduction of shared services to the higher education sector and what exactly it would mean to the sector.

Sharing of resources is not a new concept, as there are increased academic, research and administrative collaborations throughout the sector. Examples include research collaborations between TCD and UCD, and the NUIG and UL Strategic Alliance. The sharing of services across functions such as finance, IT, HR and student administration offers significant potential for not only increased collaboration but efficiencies and cost savings.

According to “The National Strategy for Higher Education 2030” (The Hunt Report), shared services is an area of focus for the higher education sector. “There is considerable scope for shared services across higher education and a more systematic use of shared services could help to improve efficiency and reduce costs. For example, efficiencies could be gained by institutions working more together for the procurement of goods and services”.

Internationally, the sector is experiencing a similar focus on shared services. In the UK for example, the Higher Education Funding Council for England has been facilitating and guiding the higher education sector to move towards a shared service culture, assisted by a Shared Services Advisory Group. In Finland, the government has, inter alia, set up and funded a shared service centre (Certia) providing finance, payroll, HR and IT services for 9 universities – the case study outlines how this works in practice.

Shared Services has now been a feature of government policy for several years, and if the higher education sector wants to demonstrate an innovative culture in its administrative operations, it needs to progress this agenda item quickly. A series of quick win initiatives could and should be progressed as soon as practical. While the benefits from them may not be substantial in the short run, they will build capability and understanding within the sector. In parallel, a strategy needs to be developed to deliver meaningful shared services within a reasonable timeframe.

Case Study – Certia (Source - www.certia.fi)

Finland – University finance and HR shared services

Certia is a shared services organisation which provides services for nine universities in the areas of financial and personnel administration as well as expert services regarding the introduction and maintenance of modern information systems. Certia's services are based on best practice processes, consistent principles of operation and efficient utilisation of information systems.

The implementation of shared services is heavily embedded in Finnish Government departments and organisations. There has been significant structural reform in the higher education sector in Finland, and with less public funding available the need for cost savings has driven Certia and similar initiatives.

Certia was founded on 1 March 2008 when the Finnish Government issued the decree on the Service Centres of Universities. The development of services was commenced in September 2008. Once the change in the legal status of the universities took place, Certia became a limited company in May 2010 and began providing services to the institutions.

Certia offers universities and polytechnics the ability to distribute their resources even more efficiently across their own central functions - education, research, profiling and reinforcement of areas of emphasis as well as development of new foundations for growth.

In cooperation with their customers (universities) Certia tailor a service agreement which suits their specific needs. The partnership begins with a customer project, in which the services that will be provided for the customer are defined, and responsibilities and obligations are agreed on. The result of the customer project is a service agreement, which can later be adjusted and improved to correspond to future needs.

The services provided by Certia include:

Financial administration

- Accounting and financial statements
- Purchase invoices
- Customer invoices
- Travel management
- Payment transactions
- Capital asset management
- Activities concerning additional financing

HR administration

- Calculation of wages and commissions
- Maintaining information on employments
- Maintaining information on annual holidays and leaves of absence

Value added services

- Introducing systems
- System maintenance
- User administration and support services
- Consultation

Higher education sector specific implementation challenges

There is an extensive body of data demonstrating that shared services work in the private sector. Evidence is also growing that shared services can be effectively applied in the public sector, although there are sometimes additional challenges and sector specific considerations. These include a risk averse landscape; consensus driven decision making slowing down timelines; fear of loss of autonomy; competing priorities; fewer levers to incentivise people and a longer payback period.

Specific challenges in the education sector include:

- Universities are independent, autonomous entities and operate in a competitive environment.
- A direct and clear mandate for shared services has to be established to drive the necessary cooperation
- Cultural challenges have to be addressed to drive standardisation

Distinction between shared services and outsourcing

It’s important to note the distinction between shared services and outsourcing. Shared services is the consolidation of repeatable services within institutions to an internal service provider who sells these services back to those institutions. The work and the expertise remains within the organisation and efficiencies are gained through consolidation of teams and through more efficient use of these services. Outsourcing is the consolidation of these services to external third party companies for execution, the expertise is sent outside of the institution but the institution retains strict controls over service levels and quality.

The remainder of this paper will focus on the following areas of shared services in more detail:

- Scope of shared services
- Characteristics of shared service organisations
- What a shared service project looks like
- The design phase of a shared service project
- The likely costs and benefits of a Shared Services
- Shared services optimisation

Scope of shared services

Shared services is a broadly defined term that encompasses processes, systems and organisations. There can be one or more physical centres in or across organisational entities. Hence we will refer to the term “Shared Services Organisation (SSO)” to acknowledge this and the separate identity that shared services need to have.

The potential scope for shared services is broad and ever expanding. An illustrative set of examples is provided in Figure 1 below, comprising both back office activities, and others specific to the higher education sector.



Figure 1- Potential scope for shared services in the higher education sector

Characteristics of shared services organisations

Key characteristics of SSO's are:

- Provides process or knowledge based services to several independent corporate or organisational entities, e.g. universities.
- Focuses on high volume, transaction-based support processes and in more recent years higher value-added knowledge based activities.
- Is a unit with consolidated, dedicated resources.
- Is enabled by standardised processes and systems.
- Focuses on the internal customers.
- Uses Service Level Agreements as a form of contractual arrangement with the organisations it serves.
- Charges the customers for services provided or has some other form of funding mechanism.

Shared services is:

- A support function focused on customer satisfaction, efficiency, cost effectiveness and continuous improvement.
- A grouping of centralised support processes and systems aimed at providing better services to operations.
- A system of redesigned processes that emphasises value creation and measurement.
- A process whereby the entities concerned determine which support processes can be performed by the SSO and which should remain in-house.

Shared services is not:

- A centralisation of internal support services under one roof, operated by a corporate entity.
- A re-engineering of existing support services without a consideration of the larger processes that they support.
- A "blunt instrument" for cost reduction, aimed exclusively at process consolidation and full-time employee (FTE) elimination.
- A stealth method of having all non-core processes performed by outside service providers.

The SSO focuses on providing services as efficiently as possible, while continually looking for additional opportunities to increase productivity and reduce costs. It further focuses on end-to-end processes and emphasises the seamless integration of processes between the SSO and institutions. Finally, it seeks out the most seamless means of providing shared services, including insourced, outsourced and co-sourced solutions, although many organisations often decide that outsourcing is not for them.

Figure 2 highlights the key benefits of a shared services approach as identified in the Deloitte Global Shared Services Survey 2011.

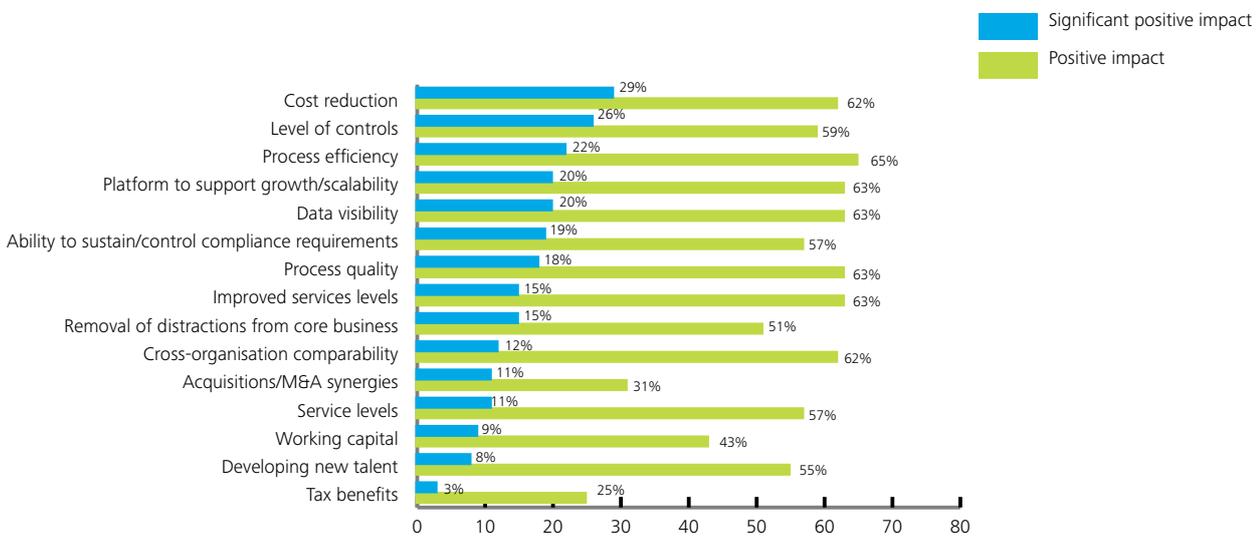


Figure 2 - Benefits of shared services

What does a shared service project look like?

In short, the SSO, when well designed and implemented, can help the organisation reduce costs and improve service quality. It can help the functions shift from traditional high-volume, low value added processes to a broader range of higher value added activities.

Figure 4 describes the typical five phases of a shared services project. There are also nine key elements that run through each phase. At various stages of the project there will be greater or lesser emphasis on these elements but all are critical to a successful project. Specific work streams need to be developed around each element during the project.

Figure 4 makes it clear that the successful deployment of a SSO depends on asking the key questions early – including: “How will we manage the effort?” and “How must our existing processes change?” – These must be continually asked and answered throughout the deployment process.

Some organisations, for example, get very focused on technology, when in fact it is often the least complex area particularly where there is an existing platform across the affected organisation(s); however in the higher education sector this is not always the case. Organisational and process design, and change management issues are often far more complex.

Elements of a shared services project

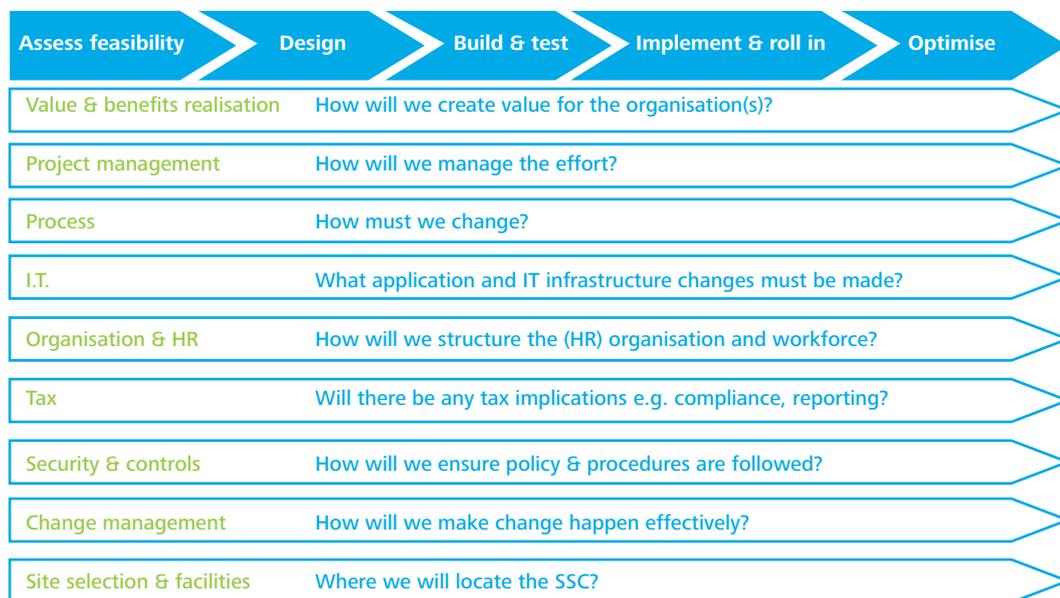


Figure 4 - Stages in a shared services project

The design phase of a shared services project

The design phase begins when the feasibility assessment is complete and the organisation(s) decide to adopt some form of SSO. That mandate may not get down to specifics – such as how many centres or where – or, on the other hand, it may be a comprehensive set of objectives and specifications. At the very least, before embarking upon the design of a SSO, institutions should have:

- defined a vision of what the SSO will look like, including – in a general sense, at least – which processes and activities to include;
- developed a business case summarising expected costs and benefits; and
- reviewed significant implementation barriers, including critical legal or regulatory concerns, e.g. data privacy.

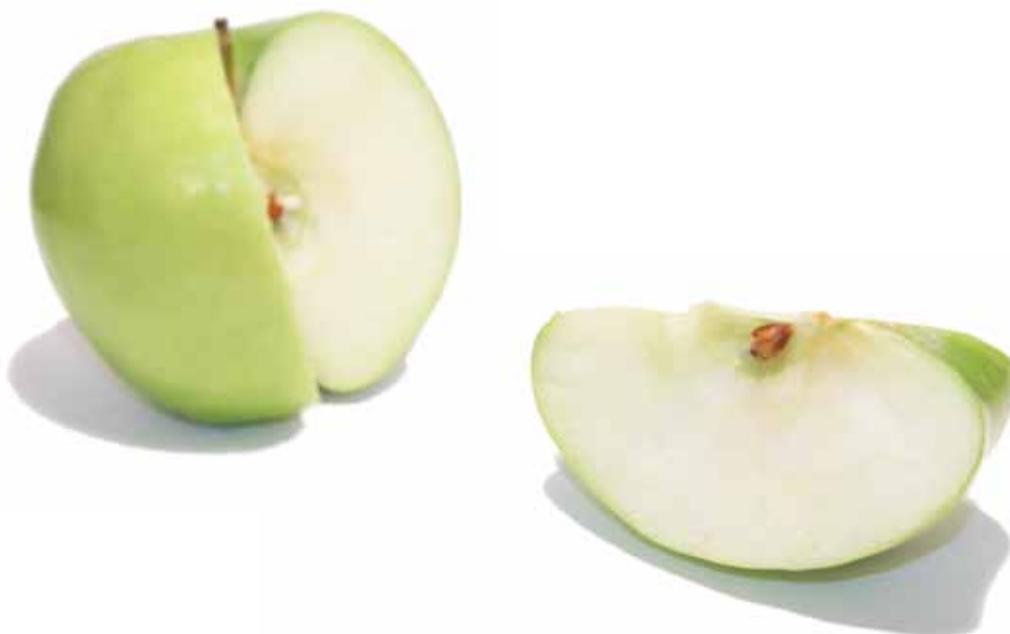
Unfortunately, there is no universal design for a SSO; every model is more or less unique. Entities must decide for themselves which processes will be included and where particular activities will be performed. That being said, insight into what other organisations have done is critical

and the design of a successful future depends on a clear understanding of the present. All of the documents generated in the design process should therefore capture enough of the “as is” to provide that foundation.

Asking and answering the key questions

How do institutions and agencies tailor this general scheme to their own specific needs? In a large part, it’s by asking and answering a number of key questions. These include:

- Who will be impacted by the change and, on balance, will they perceive it as positive or negative?
- What is the scope, in detail?
- What is the systems migration plan?
- What is the business case for the SSO, in both qualitative and quantitative terms?
- What can and should be outsourced?
- Which “quick wins” can and should be pursued?
- Who will organise the needed teams?
- Who will lead the design and build efforts?



The likely costs and benefits of shared services

Cost benefit analysis is a key step in the process and uses benchmark data as a main driver. From this analysis it can be determined if the benefits outweigh the costs and how quickly you will

achieve a return on your investment. The following table highlights some of the key cost/benefit analysis considerations when planning a shared service. The design team should look at both qualitative and quantitative considerations.

Summary: the source of likely costs and benefits				
	Costs		Benefits	
	Quantative	Qualitative	Quantative	Qualitative
People	<ul style="list-style-type: none"> • Relocation • Retention bonuses • Training • Temporary staff • Redundancy • Recruitment 	<ul style="list-style-type: none"> • Potential short-term fall in morale and performance levels • Potential loss of key personnel from the organisation 	<ul style="list-style-type: none"> • Reduction in FTEs • Reduction in operating costs • Greater spans of control 	<ul style="list-style-type: none"> • Increased customer focus and service quality • Increased skill levels
Process	<ul style="list-style-type: none"> • Standardise processes • Reengineer processes • Implement best practices 	<ul style="list-style-type: none"> • Short-term decrease in process efficiency levels 	<ul style="list-style-type: none"> • Increased productivity • Reduced cost of quality 	<ul style="list-style-type: none"> • Increased focus on business partnering • Best practice, standard processes • Consistent, high quality management information • Increased ability to quickly adapt to changing business needs
Technology	<ul style="list-style-type: none"> • Hardware • Software • Infrastructure 	<ul style="list-style-type: none"> • Learning curve effect of new systems 	<ul style="list-style-type: none"> • Enterprise-wide software • Platform scalability • Reduced software costs • Reduced licence fees • Reduced maintenance costs • Reduced upgrade costs • Reduced support costs 	<ul style="list-style-type: none"> • Improved speed of dissemination and access to management information • Consistent data models across the organisation • Standard platform for eBusiness strategy
Facilities	<ul style="list-style-type: none"> • Close old facilities • Select new facilities • Design new facility • Outfit new facility 	<ul style="list-style-type: none"> • Initial disruption to working environment 	<ul style="list-style-type: none"> • Decreased lease rates • Decreased facilities maintenance costs 	<ul style="list-style-type: none"> • Potentially improved working environment

Figure 5 - Cost benefit considerations

Shared Services Optimisation

Once a SSO is up and running the team's focus should shift to optimisation and continuous improvement. The framework shown (Figure 6) displays the key attributes common to best practice implementations and the achievement of targeted benefits. Whether the objective is to

deliver higher cost savings, better decision making and or increased service levels, the continuous improvement programme should address each of these areas. Establishing a continuous improvement programme and applying it consistently across these areas will maximise your chances of success.

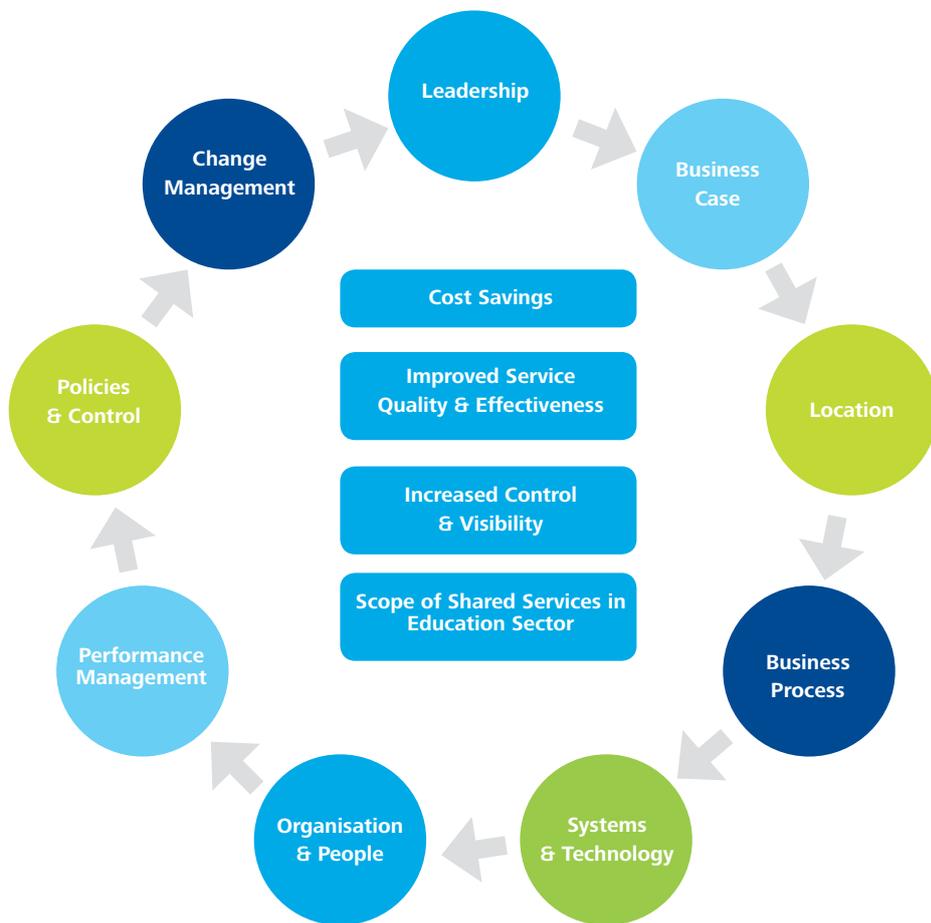


Figure 6– Optimisation framework

Now the public sector is widely adopting shared services as a solution.



Conclusion

Whilst the private sector has been adopting the concept of shared services since the early 1980s, it was not until the mid 1990s that governments and other public sector organisations started to look at shared services as a good way to eliminate duplication in their corporate services (such as finance, HR, IT, facilities). Now the public sector is widely adopting shared services as a solution.

However, there are important differences with the private sector in the way shared services are formed in the public sector. Usually there is more than one decision maker; often there are several independent organisations coming together to form the shared services centre; there is a political and public interest context; there are often legal constraints; there are multiple stakeholders involved; and financial considerations are often not the only or key driver.

These challenges and risks, when addressed in a systematic manner, can be overcome, and with the possibility of significant benefits on offer the sector should push to commence the process as soon as practical.

Contacts

Deloitte has assisted hundreds of blue chip organisations in Ireland and internationally through all stages of the shared services journey, from initial feasibility through design and implementation. The engagements range from single shared services centres through to multi-location, multi-function shared services organisations. Our deep practical experience is backed by extensive thought leadership and research.

For more details please contact:

Shane Mohan
Partner
Management Consulting
T: +353 1 417 2543
E:smohan@deloitte.ie

Harry Goddard
Partner
Management Consulting
T: +353 1 417 2589
E:hgoddard@deloitte.ie

Gerard Lyons
Partner
Higher Education Lead
T: +353 61 435501
E:glyons@deloitte.ie

Alan Flanagan
Partner
Management Consulting
T: 353 1 417 2873
E: aflanagan@deloitte.ie

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Dublin
Deloitte & Touche
Deloitte & Touche House
Earlsfort Terrace
Dublin 2
T: +353 1 417 2200
F: +353 1 417 2300

Cork
Deloitte & Touche
No.6 Lapp's Quay
Cork
T: +353 21 490 7000
F: +353 21 490 7001

Limerick
Deloitte & Touche
Deloitte & Touche House
Charlotte Quay
Limerick
T: +353 61 435500
F: +353 61 418310

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