


# University of Minnesota Implementation Plan of Huron Consulting Services Recommendations

Office of the President

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UNIVERSITY OF MINNESOTA

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# INTRODUCTION

## Background and Scope of Analysis

On June 12, 2013, Huron Consulting Services delivered a Benchmarking and Diagnostic study of the University of Minnesota's administrative services. This study was conducted over a 12-week period and focused on four functional areas: finance, procurement, human resources, and information technology.

The study had three primary objectives:

- 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 the University of Minnesota

## Credit for Ongoing Work

In its findings, Huron credits the University of Minnesota for already undertaking "major initiatives to promote efficiency and effectiveness and to reduce administrative costs" (Executive Summary, 1). Among these, Huron cites a variety of projects in all four functional areas, from upgrading human resources systems and server consolidation in Information Technology, to implementation of PeopleSoft for Financials, version 8.9 and strategic sourcing initiatives. Huron writes, "these initiatives, which involve changes to technology, organizational structure and design, and process and workflow design, reflect peer and private sector leading practices" (ibid.).

## Planning for Continued Improvement

Huron also identifies a number of opportunities for operational improvement and potential cost reduction in all four functional areas. The following implementation plan provides the University of Minnesota's response. The plan is organized into three sections, each of which provides a detailed path forward to continue to rethink and redesign the University of Minnesota's administrative services.

- Section 1 addresses ongoing initiatives that are in alignment with Huron findings and includes, when available, timelines for completion of this work
- Section 2 identifies a number of long-term tasks that the University will undertake based on Huron recommendations
- Section 3 provides a closer look at the University's approach to the implementation of shared services, one of Huron's primary recommendations across all four functional areas of finance, procurement, human resources, and information technology.

As Huron notes, adding projects to the University of Minnesota's already sizable portfolio of change must be done in a careful, deliberate manner: "The University will need to evaluate its capacity and prioritize additional improvement opportunities" (ibid, 6). The remainder of this report represents a roadmap to greater efficiency and productivity for the University of Minnesota based upon the recommendations contained in the Huron Report. Additional, comprehensive assessment of scope, cost, priority, sequencing, and capacity will be needed as the University continues to reimagine and implement new service delivery models in the future. This is not the end but rather the beginning of the next stage of administrative service redesign at the University of Minnesota.

SECTION ONE

# Ongoing Activities in Alignment with Huron Recommendations

Huron Consulting Services credits the University of Minnesota for its ongoing initiatives to reduce cost and promote efficiency. Because any new initiatives must rely and build upon the successes of this already sizable portfolio, one must first understand the scope of existing redesign work to understand the University of Minnesota's current platform for change.

This section provides a brief overview of these activities and their anticipated completion dates.

## Human Resources

This section addresses ongoing work in Human Resources and weaves together the Huron recommendations to create a comprehensive overview.

### OHR Strategic Planning and Reorganization

In the fall of 2011, The Office of Human Resources (OHR) initiated a strategic planning process to meet the challenge of Operational Excellence. OHR reviewed its systems, policies, and practices and found them in need of updating to meet the current and future workforce needs of a major public institution. Universities across the country are facing a similar realization. HR systems had been built decades ago and modified little by little, without stopping to rethink the overall strategic direction.

OHR brought together a broad stakeholder group in 2011 to facilitate a comprehensive, collaborative, and inclusive strategic planning process. As a result, OHR identified four strategic imperatives:

- To define roles and responsibilities of OHR and other units
- To simplify policies, processes, and practices
- To empower managers and employees with data for better decision making
- To deliver on core operational functions

OHR is currently implementing this strategic plan.

### Dotted Line Reporting Relationships

A major first step in this implementation was beginning to define the roles of central HR and the HR functions in the units and colleges to enable OHR to drive more strategic thinking and alignment throughout the organization. Progress on this important initiative continues.

#### *Huron Recommendations*

Huron has made two recommendations that align with the above work. The first is to align HR programs with HR strategy. Specifically, Huron recommends a systematic review of human resources services and programs to confirm their alignment with the University's workforce goals and to assess their value. Huron maintains that development of a rigorous evaluative process for HR programs will ensure that they are providing value commensurate with their costs.

Second, Huron recommends that OHR evolve its service delivery model and continue to develop Centers of Expertise to give the University greater ability to address complex, dynamic HR issues without duplicating resources across multiple units.

Because these two recommendations are similar and require similar types of analyses, the University of Minnesota has consolidated them for efficiency and effectiveness. An implementation outline is found on page 10.

| 1. Align HR Programs and Services with HR Strategy<br>2. Evolving Service Delivery—Continue to Develop Centers of Expertise | Anticipated Completion Date |
|---|---|
| Reconfirm HR strategic direction | October 15, 2013 |
| Define responsibilities and roles for Centers of Expertise (COE) | November 2013 |
| Create template to capture costs and metrics of each program and COE | October 30, 2013 |
| Develop assessment matrix for program and COE evaluation | November 2013 |
| Develop stakeholder evaluation tool to assess benefits of programs and COEs | December 2013 |
| Develop evaluation cycle for programs and COEs (periodic evaluation – every X years) | December 2013 |
| Implement initial round of program reviews (for programs that have not been reviewed) | December 2014 |
| Implement recommendations from program review (invest, scale back, or eliminate, based on value and connection to strategic direction) | Ongoing |

Huron's third recommendation is to continue to define HR generalist roles and accountability. Huron observes that Organizational Effectiveness staff, Employee Relations consultants, and HR Leads all serve in consultative roles. However, the roles and responsibilities of each are sometimes unclear. Huron recommends that by clarifying these roles, generalist resources could be refocused on specific initiatives or other priorities, as appropriate. The overview of the implementation plan for this recommendation includes:

| 3. Define HR Generalist Roles and Accountability | Anticipated Completion Date |
|---|---|
| Define HR business partner role (unit HR personnel), competencies, and accountabilities | December 2013 |
| Define specific roles for central HR and business partner human resources | December 2013 |
| Develop evaluation tool and process for HR business partner roles (e.g., unit program review with specific criteria) | June 30, 2014 |
| Develop communication tool for unit leadership related to distributed HR functions and evaluation with recommendations | August 2014 |
| Continue to develop governance processes to engage distributed business partners in program evaluation and decision making | December 2013 |

**ESUP—HRMS System Upgrade**

The University is engaged in the Enterprise System Upgrade Program (ESUP), which will result in system upgrades and business process redesign related to its essential human resources, student service, and financial systems. The upgrade will ensure full integration, improve the user experience, reduce manual tasks, and enhance operational efficiency and effectiveness. The HR component of the program, called the HRMS Project, involves an upgrade of the PeopleSoft HR system to the latest version (9.2), and will result in more accurate data and simplified business processes, while better facilitating work across business units. This is the first comprehensive restructuring of related business processes since the now-antiquated system was implemented in 1998. When the upgrade is complete, leaders and managers across the institution will have more comprehensive and reliable data and analytics at their fingertips to support hiring and retaining quality faculty and staff. The system will also be able to provide more robust data to inform better management decisions and achieve greater efficiency and effectiveness at a lower cost.

### Job Family Redesign

The Office of Human Resources is completing a redesign of its job classification system for civil service and professional employees. The University's job classification system, which categorizes positions by job code and then groups related jobs into job families such as IT or Communications, was developed decades ago. The number of job codes has grown over the years, creating an unwieldy and inefficient system. During that same time, new jobs have rapidly evolved in the marketplace, and many employees were assigned job codes that did not accurately reflect the work being done.

To date, the University has conducted four job family studies. With the support of an outside consultant, the University is conducting the remaining 14 job family studies over the course of the next 16 months and will map its job codes to the redesigned classification system. When completed, the University will have fewer job classifications, and those classifications will accurately reflect the work being performed. Managers and employees will have more transparent career paths, and the new classifications will be easier to administer. This project will also ensure that jobs and their corresponding salaries are comparable with the marketplace. A job classification system that more accurately reflects what employees do informs and facilitates better management. For example, managers will be better able to determine how much is spent on personnel for a given function. This kind of analytical information provides a foundation for strategic workforce development in order to match institutional priorities.

### *Huron Recommendations*

Huron has made two recommendations that are embedded in these two projects but amplify work that needs to be done in two important areas. The first is to formalize a data integrity program. Huron maintains, and the University agrees, that HR data integrity is a foundational component of effective analysis and management of the University's workforce.

The second related Huron recommendation relates to defining and implementing HR performance metrics. Again, Huron maintains that meaningful workforce metrics are foundational to managing the University's investment in its workforce. Implementation plans in these areas include:

| 4. Formalize Data Integrity Program | Anticipated Completion Date |
|---|---|
| Develop data integrity program framework | December 2013 |
| Identify and assign resources required to support the framework | December 2013 |
| Incorporate data integrity program into both ESUP and OHR Planning processes | December 2014 |

| 5. Define and Implement HR Performance Metrics | Anticipated Completion Date |
|---|---|
| Identify and develop an OHR operational metric framework (for multiple use, e.g., program review) | September 2013 |
| Identify resources to support metrics initiatives | December 2013 |
| Identify and develop a strategic metrics framework | December 2013 |
| Develop data collection and tracking mechanisms | December 2014 |
| Develop tools and processes to communicate metrics | December 2015 and beyond (due to ESUP project implementation timeframe) |

## Information Technology

The University of Minnesota has a large and diverse information technology landscape. Each college or business unit has historically had its own approach to meeting individual technology needs. Starting in 2011, Operational Excellence helped drive standardization, professionalization, and when appropriate a level of centralization to the technology services. Information technology is poised to be a major contributor to the future of the higher education landscape, and the UMN IT community is working together toward common initiatives to both drive down costs in technology and increase services to enhance higher education. The following ongoing major IT initiatives will continue and are in alignment with Huron recommendations. Rationale and benefits for each initiative are provided below.

| Initiative | Anticipated Completion Date |
|---|---|
| Transition to Google Applications | October 2013 |
| IT Server Consolidation | October 2014 |
| IT Help Desk Consolidation | November 2014 |
| University Technology Standards | December 2016 |
| IT Service Management | December 2016 |
| Frameworks for security and enterprise architecture | February 2014 |
| ESUP | January 2015 |
| IT Governance | Ongoing |
| Emerging Communities of practice | Ongoing |

### Transition to Google Applications

The University of Minnesota was one of the first institutions of its kind to migrate its email and productivity tools to an externally provided service—Google applications. The transition to Google is nearing its final milestone, and the University has begun to recognize capital savings based on no longer needing to run on-site email, along with productivity enhancements from having common office suites such as Google Docs. The University will continue down this path in the future and find new opportunities to leverage this relationship.

### IT Server Consolidation

UMN has developed secure, co-located facilities with uninterrupted power and redundant cooling and aims to centrally host 75% of all servers. We are currently at 65% and continue to work to achieve this objective. Server consolidation will allow the University to take advantage of common infrastructure and support.

### IT Help Desk Consolidation

In 2012 the University of Minnesota was operating 72 separate helpdesks. A taskforce has been established to consolidate helpdesk functions and standardize desktop support across the system. As of September 2013, 16 administrative and two collegiate desktop support organizations have been consolidated with OIT. Consolidations with 14 administrative and 15 collegiate units either are in progress or to be started. Continuing to make progress on this initiative is a high priority for the University.

### University Technology Standards

The University of Minnesota has launched a process to develop universitywide technology standards. This effort is being led by an Enterprise Architecture Technology Review Board, with the purpose of defining the methodology and terminology for enterprise technology standards, including defining a decision-making process, an exception process, and guiding principles. Huron observes that aligning IT to cross-industry standards for security, enterprise architecture, and governance ensures adoption of leading practices and avoids effort expended on reinventing the wheel.

### IT Service Management

A key milestone required before moving to centralized or shared services is the documentation of IT Service Level Agreements. Starting in 2012 the central IT organization at UMN began publishing Service Level Agreements. In 2013 the distributed units will begin to document their Service Level Agreements. 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.

### Frameworks for Security and Enterprise Architecture

Information Security is critical to the risk management process for information technology. The University of Minnesota has created a universitywide information security working group and appointed a single Chief Information Security Officer to help establish, coordinate, and communicate an information security framework for the institution. The information framework being developed is based on the international ISO 27001/27002 standards.

As mentioned previously, it is critical to have documented technology standards. These standards must maintain the appropriate balance to allow the University faculty the flexibility to explore new technologies and ideas, while at the same time enforcing standards on business systems that are developed collaboratively across multiple business units. A universitywide taskforce has been charged with bringing University technologists together and inviting them to:

- Create a clear and succinct way to communicate the Enterprise Architect (EA) strategy
- Establish criteria for determining what is enterprise and nonenterprise
- Define the methodology and terminology for enterprise technology standards
- Create processes for ensuring adherence to EA standards and guidelines

### ESUP

The purpose of the Enterprise Systems Upgrade Program is to continue to contribute to the University's goal of establishing itself as a leading institution by providing an enterprise solution—backed by processes, systems, and methodologies across administrative functions—that appropriately manages enterprise level information; provides accurate, timely, and comprehensive access to that information; supports risk management; simplifies, streamlines, and integrates business processes; reduces implementation, modification, and support costs by using the packaged solution; increases value to the University through increased functionality, enhancements, and user friendliness; and is flexible, adaptable, intuitive, and reliable.

Huron calls the University's approach to this upgrade "transformational," saying that the focus on business process improvement and addressing pain points—rather than a purely technical focus –has potential to increase the overall efficiency of University administrative processes across the institution.

### IT Governance

Historically, OIT has been criticized for having what customers perceive to be a closed process of IT governance; i.e., the process of deciding how IT should operate and what services it should offer and maintain. OIT was routinely criticized for supposedly deciding what it thought its users needed and then serving it to them.

Over the past several months, IT@UMN has worked to become more aligned and inclusive. Today IT governance is a transparent process based on broad input from end users, administrators, faculty, students, and staff. Everyone at the University has an invitation to engage and have a voice. Under this governance model, the University's senior executives will be in a better position to make informed IT decisions based on what the University community really needs, rather than what IT thinks it needs.

### Emerging Communities of Practice

The university is a highly consultative culture, with many voices bringing a diversity of opinions. This is one of our greatest strengths. UMN IT has been creating cross-functional working groups to engage all IT staff across the enterprise in University IT priorities, regardless of which unit they report to. Huron encouraged IT to continue engaging staff in these working groups, called communities of practice, as it provides an open channel for addressing universitywide issues and highlighting potential innovations or improvements.

## Finance

Huron identified systems, processes, and organizational structures that the University has already implemented through past projects that support effectiveness in the finance function. These include:

- Implementation of PeopleSoft for Financials, version 8.9
- A mature Responsibility Center Management budget model
- Creation of administrative "clusters" that consolidated some departmental administrative financial activities
- Central consolidation of some high-volume, high-impact activities, including sponsored project reporting, invoicing, collections, and nonsponsored accounts receivable billing and collections activities.

In addition, Huron identified a number of projects and activities currently in process that align with administrative efficiency and cost reduction, as described below:

- Increase equipment capitalization threshold to $5,000 (completed July 2013)

  This project makes changes to accounting processes that will eliminate the need to track over 21,000 pieces of equipment. This will reduce workload; simplify accounting, administrative, and compliance processes; and save approximately $300,000 per year.

- Development of "dotted line" reporting relationships for collegiate financial staff (anticipated completion date, December 2013)

  The University finance organization already has a mature set of organizational relationships in place, known as Resource Responsibility Centers (RRC) managers. Implementing a more formal and documented dotted line relationships will improve communication, clarify service expectations, and sharpen responsibilities and accountabilities across the finance organization.

- Complete automation and consolidation of non-sponsored accounts receivable business activities (anticipated completion date, June 2014)

  This project was begun at the implementation of PeopleSoft Financials 8.9 just a few years ago. To date, over 60,000 annual billing and collection transactions have been consolidated and automated. This has standardized the process, reduced duplication across participating units, and improved management of cash and accounts receivable. The completion of rollout will further consolidate approximately 30,000 additional transactions across numerous units.

- PeopleSoft Financial System upgrade (anticipated completion date, October 2014)

  Although the Finance & Procurement portion of the upgrade is primarily a "technical" upgrade, there are a limited but important set of business processes identified for improvement and simplification. These business process improvements target pain points that affect large populations of financial staff. In planning the improvements, every effort is being made to minimize or eliminate customization of delivered software. The University expects that the upgrade will accomplish the dual goal of reducing support costs for the financial system while improving the functionality and efficiency of the system for financial staff across the institution.

### *Huron Recommendations*

Huron made two recommendations that the University will implement within the next 18 months. A summary of those recommendations is provided below.

| 1. Enhance Governance of Distributed Finance | Anticipated Completion Date |
|---|---|
| Finalize Service Level Agreements to set service expectations between central Finance and distributed units<br>• Develop Service Level Agreements for key activities<br>• Identify other factors and actions necessary to enhance alignment of distributed finance | March 2014 |
| Involve central Finance in the hiring of senior distributed finance positions (RRC managers and financial cluster directors) | Ongoing |
| Work with stakeholders to clarify accountability for services to be performed by distributed schools/units and central Finance<br>• Finalize dotted line relationships and documents | December 2013 |

*Rationale and benefits*: Huron noted that although central Finance "owns" the financial functions, there is limited oversight of the performance of distributed finance staff. Implementation of regular monitoring and reporting of error rates would provide important performance feedback to colleges and departments. Their observations suggested that central Finance staff participation in evaluating and hiring RRC managers and cluster directors would provide guidance on the level and types of skills that are required for finance positions across the institution.

| 2. Manage Financial Administration by Metrics | Anticipated Completion Date |
|---|---|
| Develop metrics that can be used to measure efficiency of cluster financial activity<br>• Develop a pilot program for using key metrics that includes:<br>» Identify 1-3 units to be included in pilot program<br>» Identify a set of key performance activities to be measured<br>» Analyze financial performance data for key activities<br>» Define and develop key metrics and performance standards<br>» Develop methods for distributing key metrics to units<br>» Assess effectiveness of the pilot program | December 2014 |
| Promote transparency and communicate metrics to University leaders, RRC managers, and financial cluster directors. | Ongoing |
| Assess transaction volumes and other financial activities at the distributed levels, and look for opportunities for consolidation or changes in service delivery model. | TBD in conjunction with Shared Services model design |

*Rationale and benefits*: Huron noted that the University does not have adequate data to compare administrative investments in staff across units. Addressing this recommendation provides better data to assess staffing, service delivery, and process effectiveness. Furthermore, it aligns with, and is vital for, the development and implementation of a "shared services" model for delivering administrative services.

## Procurement

Huron identified systems, processes, and organizational structures that the University has already implemented through past projects that support effectiveness in the finance function. These include:

- Implementation of PeopleSoft for Financials, version 8.9
- Creation of administrative "clusters" that consolidated some departmental procurement and vendor accounts payable activities
- Acquisition of spend analysis tools, and the development of spend analysis processes within Purchasing Services

  Development and implementation of "strategic sourcing," a rigorous and methodical approach to reducing the total costs of purchased goods and services while maintaining or improving quality and vendor service.

In addition, Huron identified a number of projects and activities currently in progress that align with administrative efficiency and cost reduction, as described below.

- Implementation of e-procurement software (completed July 2013)

  This new software tool was implemented between fall 2012 and summer 2013, along with business process changes. The new tool and processes are easier to use and drive purchases to the University's preferred vendors that have negotiated favorable prices, terms, and customer support.

- Implementation of electronic invoicing tools and techniques (begun May 2012, and will be a continuous process improvement activity)

  The University began a program in 2012 for electronically paying vendors using a "ghost" credit card. This effort has greatly simplified payment process for both University finance staff and our vendors.

- PeopleSoft Financial System upgrade (anticipated completion date, October 2014)

  As described in the Finance section on page 14.

### *Huron Recommendations*

Huron made three recommendations that are now being addressed and can be completed within the next 20 months. Those recommendations and a summary of the benefits are explained as follows:

| 1. Consolidate Travel Management Authority | Anticipated Completion Date |
|---|---|
| Consolidate authority with a single "owner" who oversees the full travel and expense life cycle; typically a peer of purchasing and disbursement services owners | June 2014 |

*Rationale and benefits*: Huron noted that the travel and expense life cycle (booking, traveler adoption of tools, oversight of policy and technology development, etc.) is fragmented and lacks a single process owner. Implementing this recommendation would make it easier to develop a single, cohesive strategy and action plan for addressing additional travel-related recommendations and improvement opportunities.

| 2. Implement a Contract Management Solution | Anticipated Completion Date |
|---|---|
| Enhance current manual processes by utilizing SciQuest contract management module to manage all aspects of procurement contracts over $1 million. | August 2014 |

*Rationale and benefits*: The University uses manual and limited technology solutions for management and oversight of large contracts with vendors, third party partners, etc. New technology has recently been implemented to support better contract management for all aspects of a contract's life cycle. Benefits will include reduced costs, maximized contract value, reduced contract risks, and increased compliance with terms and conditions.

| 3. Expand Use of ACH and Electronic Payables | Anticipated Completion Date |
|---|---|
| Continue focus on converting check processing to ACH or e-Payables | |
| • Work with UMN bank to establish and implement e-Payables program; negotiate the ability to roll the e-Payables into the corporate card rebate program | Completed April 2012 |
| • Negotiate with vendors in areas of e-invoicing, prompt pay discounts, ACH, and e-Payables | Ongoing through April 2015 |

*Rationale and benefits*: Huron's study estimated only 5% of payments to accounts payable are processed electronically, via Automated Clearing House (ACH) standards or electronic payment methods. Expanded use of electronic payment methods reduces manual work, increases controls and security over the disbursing of cash, and provides the University with better cash management.

## SECTION TWO

# Long-Term Tasks the University Will Undertake Based on Huron Recommendations

While Section 1 addressed ongoing University initiatives that are consistent with Huron recommendations, this section identifies a number of new initiatives that the University will implement but has not yet begun. As Huron notes, "redesigning and implementing a new service delivery model in any functional area is a multiyear effort that would require dedicated resources to plan, manage, and implement. Before beginning this type of initiative, the University would need to undertake a more comprehensive evaluation to determine its feasibility and potential return on investment" (ibid, 6). To this end, implementing the initiatives identified below will require careful analysis, including but not limited to assessment of scope, cost, priority, sequencing, and capacity. The University will develop thorough plans regarding each of these initiatives.

## Human Resources

Huron recommendations for Human Resources all relate to initiatives already under way. Over the next two years, major initiatives will continue and Huron recommendations will be addressed as part of those projects, as noted in section one above. Additional emphasis will be provided to ensure that Huron recommendations are fully implemented.

## Information Technology

The following long-term tasks are recommendations offered by Huron. They include preliminary analysis of necessary steps. Each step is also outlined in further detail.

### 1. Create Mechanism to Evaluate IT Investments

- Create a universitywide mechanism for evaluating services and sunsetting those that do not provide value commensurate with 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
- 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

- Create a universitywide mechanism for evaluating services and sunsetting those that do not provide value commensurate with costs.

  Huron notes that IT leadership in collegiate and noncollegiate units indicates that services are sustained beyond their useful life. Continuing to gather user input from across the UMN system will be one important strategy for determining how useful services are to users and customers across the system.

- Identify and measure the impact of IT investments (central and distributed) and communicate these measures to stakeholders.

  Huron observes that while the University does not have a systematic process for evaluating IT services across the entire system, continuing customer input from outside the IT community via the IT governance process will be critical to determining the value of investments. They recommend that the University communicate back to stakeholders the value of investments so that the University can make transparent decisions about how to strategically invest in IT services.

- Consider thresholds for IT investment in infrastructure or services that require collaborative review .

  Huron suggests that a formal mechanism can be integrated with the budget compact process to support the planning process, allowing the University to more effectively manage investments in technology and infrastructure. Huron suggests that the University create a universitywide framework for enterprise architecture.

- 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.

  Huron observes that 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). Huron acknowledges that this framework helps the University understand where technology trends are in their evolution. They recommend that we continue to expand this framework in order to better understand innovations occurring at the University and engage our staff across the system in that innovative work.

## 2. Define IT Roles and Responsibilities at All Levels

- Emphasize change management and community building to develop common objectives and culture across the whole IT community
- Continue to define and develop relationships via the dotted line alignment
- Continue to transition delivery of IT services to a "managed" state, where OIT is focused on "common good" services for the enterprise and noncollegiate/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

- Emphasize change management and community building to develop common objectives and culture across the whole IT community.

  The University of Minnesota faces many of the same challenges as other public research universities. Technology is integrated into every aspect of the University, and IT resources are highly distributed across campuses. IT@UMN is a systemwide movement to build community among IT staff. Creating a vibrant and active IT community is an essential component of fulfilling the need to align IT's distributed units and staff. The logic behind alignment is simple: If we are engaged and communicating, we will reduce redundant efforts. Alignment is also rooted in the wisdom that our shared knowledge will enable smarter, more informed (and inclusive) decisions about how to set priorities and the strategic direction for IT.

- Continue to define and develop relationships via the dotted line alignment.

  The "dotted line" reporting relationship for distributed IT leaders creates opportunity for more visibility and accountability across the IT community. The "dotted line" reporting structure of distributed IT is still being defined, and Huron reports that there are mixed perspectives on its value. Huron agrees that this approach will enhance transparency, accountability, and communications within the IT community, and they recommend that the alignment of IT resources must be endorsed and supported beyond the IT community by University leadership.

- Continue to transition delivery of IT services to a "managed" state, where OIT is focused on "common good" services for the enterprise and noncollegiate/collegiate IT groups support the discipline-specific needs of their units and departments.

  IT service delivery is highly distributed at the University, leading to duplicative services and technologies across OIT and administrative/collegiate units. Huron recommends adopting a "managed state" approach, wherein each service is delivered through the most effective approach: centralized, decentralized, or hybrid. Centralized services are ones that can be delivered consistently across the institution. For hybrid services, central provides services for areas of commonality, and distributed groups address areas of unique need. For decentralized services, distributed groups provide services that meet specialized or discipline-specific needs.

- 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.

  Historically, IT across units has grown organically, often without clear roles and responsibilities. Huron observes that the IT Job Family analysis provides an opportunity to promote more consistent role expectations for IT professionals. In addition, Huron suggests that the "dotted line" reporting relationship for distributed IT leaders creates opportunity for more visibility and accountability across the IT community.

### 3. Determine Universitywide Service Level Expectations

- 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
- Have cost by IT Service a component of the budget process
- Review major IT investments that are duplicative with IT commodity services; e.g., servers, data network components, and data storage.

- IT leadership should continue to communicate with administrative and academic customers to understand their requirements.

  The IT governance process, which was recently launched as an ongoing strategy for understanding institutional priorities and requirements, should position IT to accomplish this task. Associate Chief Information Officers have finished their annual process of meeting with leadership teams to identify their needs/requirements, and the Vice President and Chief Information Officer is now finishing the process of meeting with unit executives (deans, VPs, chancellors) to verify the data that was collected. This process should continue on an ongoing basis.

- Defined Service Level Agreements should be applied to the entire University, once they are mutually agreed upon between IT, customers, and senior leadership

  OIT has developed Service Level Agreements (SLAs) for common good services with input from the community, but SLAs have not been extended to encompass services offered by the entire IT community. Huron suggests that defined enterprise service level expectations will aid in setting limits for IT-related expenditures and avoiding future creation of duplicative IT capabilities.

- The IT community should develop a standard mechanism for evaluating cases when a customer has legitimate service requirements that vary from standards

  Huron suggests that a universitywide service level negotiation process could identify areas where IT must invest in additional resources and technology.

- Service level and cost should both be defined; evaluation of costs/service levels should be part of annual budget process

  IT customer satisfaction surveys indicate that UMN user service level expectations are high and may exceed those at peer institutions. Huron recommends that IT, administrative, and academic leaders on all campuses should be engaged to determine realistic service levels.

### 4. Refine IT Governance Process

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

- Refine IT Governance Process

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

  Huron sees opportunity indicators that point to a new IT governance process that started in summer 2012, is still in a maturation stage, and will evolve over coming cycles; stakeholder feedback indicating that the process excels at identifying opportunities, but could improve with regard to creating project charters and moving ideas to decisions; Communities of Practice that have been formed and have designated leaders who are responsible for leading and organizing the community, but whose authority is unclear (Community of Practice leaders are accountable to the Vice President and Chief Information Officer); and resource management being accomplished through discussions between service owners, line managers, and Associate Chief Information Officers, but the process lacks clear understanding by the IT community.

Huron sees this recommendation as aligning with current initiatives because the University's recently implemented IT governance process uses a formalized approach with distributed decision rights via Communities of Practice, and that these groups are a relatively new concept for the University and serve as a decision-making and project execution organization.

Huron recommends that the IT function define specific processes and assign dedicated resources to plan and manage projects to completion, and that it define and communicate the roles of the Community of Practice with regard to decision making.

Huron notes that refining and sustaining the governance process requires a commitment of time and resources.

## Finance

Huron made one Finance recommendation that aligns tightly with current initiatives to improve reporting, but is longer-term in scope. That recommendation, including necessary implementation steps, is summarized below.

| 1. Evaluate Service Delivery Model for Financial Reporting |
|---|
| • Assess opportunities to provide reporting support through a different model (e.g., central support)<br>• Work with stakeholders to define a standard level of expectations and service to be provided by central Finance for financial reporting needs<br>• Consider talent planning and employee development related to financial reporting and analysis |

*Rationale and benefits*: Huron noted that some reporting stakeholders are dissatisfied with the current reporting tools, so they continue to build and use "shadow systems" for financial reporting and data analysis. This recommendation is currently being addressed by initiatives already in progress to implement an enterprise data management and reporting strategy, along with new data management, analytics, and reporting tools. These ultimately will deliver better reporting and analytics capabilities. However, these initiatives depend on the successful completion of the upgrade, implementation of new reporting and data analysis tools, and the development of data management and governance teams.

## Procurement

Four of Huron's recommendations align with current University strategies and goals, but they have dependencies, will require a longer timeframe, and/or will require an undetermined amount of one-time investment to accomplish. A summary of those recommendations, and necessary action steps, are provided below.

| 1. Increase Traveler Adoption of Travel and Expense Tools |
|---|
| • Consolidate travel management activities to Corporate Travel Solutions (CTS) for the majority of campus travel and Metro Travel and Tours to promote supplier diversity<br>• Establish a change management campaign to promote CTS across campuses (goal: to increase traveler adoption from 35% to over 60%)<br>• Transform travel card into a corporate-liability card and expand ownership to anyone who travels–even infrequent travelers. This will increase rebates and provide efficiencies in expense report creation for traveler/delegate |

*Rationale and benefits*: Huron notes that only 35% of travel is booked through the three preferred travel agencies and the Delta.com site dedicated to University use. Significant amounts of travel are booked using other tools and web sites, which results in lost discounts and limited negotiating opportunities. And as noted in the next recommendation, travel processes are not fully automated and integrated. Streamlining processes and utilizing more technology will result in processes that are easier to use and will generate savings in terms of administrative effort and lower travel costs.

Huron also recommended that the University replace its current travel card program, which is a "personal liability" card, with a "corporate liability" card. This would further encourage adoption of travel programs, simplify the travel payment and reimbursement process, and generate additional rebates and discounts for the University

### 2. Fully Automate Travel and Expense Process

- Integrate corporate travel card feed into PeopleSoft expense
- Increase travel policy compliance by expanding audit rules within PeopleSoft Expense module for both departmental approvals and back office audits
- Add mobile technology to improve traveler receipt management
- Add mobile technology to ease the approval process when the approver is away from the office

*Rationale and benefits*: The University has not developed technology solutions for all aspects of the travel process, and what technology exists lacks integration and intuitiveness. Adopting this recommendation would leverage technology for all aspects of the travel process, which will in turn reduce workloads for travelers and administrative staff. However, fully automating travel processes will be a significant project in terms of technology costs, implementation effort, and change management. This recommendation will move forward with assessments of software, costs, and planning. Final decisions and implementation work will be deferred until those factors and considerations have been assessed, and decisions are made about funding.

### 3. Enhance Procure-to-Pay Performance Metrics

- Expand current procurement metrics to emphasize performance measurement

Dependent on PeopleSoft upgrade, maturation of e-procurement processes, and decisions about automating travel and expense processes.

*Rationale and benefits*: Although the University already tracks a limited number of procurement performance metrics, there is a greater opportunity to develop and use metrics for assessing quality, cost, and performance. Huron recommends implementing program and service metrics, procure-to-pay operating metrics, and metrics tied to strategic objectives. The University agrees with the value of this recommendation and will develop selected new metrics. However, the University will not be able to fully implement this recommendation until technology projects, such as the upgrade project and full automation of travel processes, are completed.

### 4. Consolidate Invoice Processing and Payment Activities

- Through a phased approach, maximize the University's e-invoicing capabilities via U Market solution
- Assess ability to fully automate invoicing via OCR and imaging services provided by SciQuest after e-invoicing capabilities have been achieved.

*Rationale and benefits*: Invoice processing and vendor payment is still predominantly a manual process spread across more than 40 "clusters." New technology that the University has implemented, such as PeopleSoft Financials and e-procurement software, creates opportunities to automate invoicing and payment for many more vendor transactions. This would greatly reduce the number of manual transactions and align us with leading practices at similarly sized organizations. Additionally, this would afford the University with the opportunity to further consolidate the remaining invoice activity into fewer processing units. Addressing this recommendation is somewhat dependent on addressing the previously noted procurement recommendations and will require close alignment with implementation of a shared service model.

SECTION THREE

# Shared Services Strategy

This section of the report addresses the University of Minnesota's approach to shared services, one of Huron's major recommendations. As with initiatives identified in section 2 above, the implementation of shared services will require comprehensive program evaluation as well as the engagement of administrative staff across the system. What follows is a description of shared services, its expected benefits and characteristics, followed by an implementation approach at the University of Minnesota.

## Definition

"Shared services" is a way of organizing the delivery of administrative support services into a separate, service-oriented entity whose sole mission is to provide efficient, high-quality, reliable services. Shared services, in turn, are used (i.e., shared) by a significant cross-section of the organizational entity or, as appropriate, of the institution.

## Expected Benefits

When implemented properly, shared service models can reduce administrative costs while delivering support services that are equal to or superior in quality, as compared to decentralized (and in some cases, centralized) administrative service models. Successful shared service organizations provide depth of expertise, broader bandwidth to handle peaks and valleys in demand, and elimination of duplicated services. As a result, resources are freed up and available for redeployment to core mission activities.

## Characteristics

Successful shared service models:

- Are stand-alone entities whose sole mission is to deliver administrative services
- Are linked to their customers through Service Level Agreements that involve them in decision-making
- Manage service delivery by specifying quality, timeliness, and responsibilities for service delivery
- Achieve process standardization through efficiently-designed processes and the use of enabling tools and technologies
- Monitor and measure performance through the use of key performance metrics
- Have mechanisms for managing customer relationships

Shared services work best when services are commodities (i.e., easily mass-produced), standardized (i.e., repeatable and predictable), and where service owners have appropriate levels of both authority and accountability.

## Implementation Approaches at the University of Minnesota

The University of Minnesota will approach the implementation of shared services in two steps:

1. Step 1 will entail the implementation of shared service models for non-collegiate units at the University of Minnesota. It will also involve a pilot at the University of Minnesota-Duluth. This will involve careful analysis of which systems, business processes, and services can be delivered best through a shared services model and which ones must remain non-shared and unique. Major steps will involve identifying and assessing specific opportunities, designing the organization and governance model, building the shared service model, and deploying the model.
2. Step 2 will involve implementing a shared service model within or among collegiate units based upon the lessons learned during step 1. This may include the creation of shared services around commonalities or include the creation of shared service models based upon geographic proximity. As in step 1, there are important questions that must be carefully analyzed and will require close collaboration among administrative and academic leaders.

# CONCLUSION

As Huron Consulting Services noted, and as articulated in this report, the University of Minnesota is already doing a great deal to cut administrative costs, achieve efficiencies, and ensure that our services are best-in-class. From our transformational Enterprise Systems Upgrade Project and our new IT governance process, to strategic planning in OHR and our strategic sourcing initiative, the University is routinely identifying and addressing opportunities to improve our administrative operations across the system. We call this process Operational Excellence, and it guides our day-to-day thinking.

There is still work for us to do. The preceding pages identify key action steps for addressing opportunities Huron has identified, and we are committed to their implementation. These projects do not exhaust, however, the University's efforts in this area. As President Kaler has said again and again, the University of Minnesota must relentlessly question the rationale behind all of our administrative service activities, asking a series of important questions: Why do we do things this way? Can we be more efficient? Can we save time? Can we deliver better services for less money?

We are committed to this work and will continue to ensure that our administrative services are best positioned to support our critical mission of teaching, research, and public engagement to the citizens of the State of Minnesota and our constituents throughout the world.