AGENDA

1) Foundation supplements for presidential compensation
2) Shared services implementations and opportunities
REVIEW OF JULY DISCUSSION ON SHARED SERVICES

As a part of the discussion on different approaches to implementing the institutional board concept, the Governance Committee (Committee) asked the Chancellor’s Office to review areas where university business processes are currently carried out in a shared approach to ensure that those economies of scale are not jeopardized, and to identify areas to consider for additional shared services implementations. During the July Committee meeting, the Chancellor’s Office provided details regarding the benefits of the current shared services approach in the following areas:

- Accounting and Reporting – Including a preparing a single set of audited financial statement, maintaining accounting system and accounting policy standards
- Payroll Operations – Including tax withholding, deposits and reporting, other regulatory reporting, vendor payments, and maintaining payroll system and payroll policy standards
- Treasury Operations – Including cash and investment management, debt portfolio and compliance management, and banking services
- Internal Auditing
- Employee Benefit Programs – Including health care and retirement plans

All of the areas reviewed identified economies of scale that resulted in reduced costs for OUS campuses. The review of the treasury operations area included a robust discussion and evaluation of the different potential structures of a revenue bond program and their impacts on the cost of borrowing to OUS institutions, which concluded that moving toward separate revenue bond programs at PSU and UO may increase the revenue bond borrowing costs of all OUS campuses when compared to a system-wide revenue bond program.

Time did not permit the discussion of other areas to consider for shared services implementations during the July meeting. The information below and complimentary information to be presented during the October Committee meeting is offered to better understand the conditions under which shared services approaches are successful and the process that OUS might employ to identify additional areas where shared services could help OUS institutions achieve their mission.

APPROACHES TO BALANCING BUDGETS

Over the past decades, to address the significant fluctuations and reductions in state appropriations, campus administrators have employed a variety of techniques to increase revenues and reduce costs to balance their operating budgets. Some of these techniques would be categorized as ‘short-term/temporary,’ some ‘incremental,’ and some more ‘transformational.’ Examples of each are as follows:
1. **Short-term/temporary**
   a. Across the board budget cuts
   b. Postponement of deferred maintenance
   c. Travel limitations
   d. Capital project delay or cancellation
   e. Service reductions
   f. Human resource management
      i. Salary reductions or furloughs
      ii. Benefit and/or pension contribution reductions
      iii. Hiring freezes and/or layoffs
      iv. Early and/or phased retirements

2. **Incremental**
   a. More aggressive across the board budget cuts
   b. Tuition and fee increases
   c. Changes in enrollment mix
   d. Procurement strategies
   e. Programmatic changes or eliminations
   f. Review of individual functional areas or cost categories
   g. Selected efficiencies

3. **Transformational**
   a. Comprehensive, campus/system-wide operational and programmatic reviews
   b. Organizational rationalization: management layers reduced, service units rebalanced for scale economies and local client focus
   c. Shared services
   d. Outsourcing and hosting
   e. Process standardization, optimization of enterprise software capabilities
   f. Budget process redesign and incentive alignment, including space management

Transformational changes have the potential for securing long-term gains in efficiency and performance. Transformational changes look across and within organizational and functional areas to redesign business processes, rationalize organizational and staffing structures, and optimize the operating model to take advantage of scale, reduce duplication and inefficiency, and better meet customer needs.

Within OUS, transformational changes in the form of shared services implementations have been undertaken both at the system level (the Internal Bank and Risk Management are good examples) and at individual institutions (the OSU business center model is a good example). These shared services implementations are complicated and have posed significant challenges; efforts that are terrific examples of strong leadership and responsible management.

Both the Internal Bank and the Risk Management implementations are examples where new authority was granted to OUS and the related business processes and organizational structures supporting those efforts were not fully developed and imbedded within system or campus organizations and cultures.
Thus, their implementations have not posed some of the more difficult challenges found when reengineering more mature processes. Accordingly, identifying, quantifying and prioritizing potential new areas for shared services arrangements that might be implemented system-wide to reduce costs, gain efficiencies and improve effectiveness and help OUS institutions meet future performance targets and the system meet its 40-40-20 goals demands careful thought and a proven process.

**Discussion on Process for Shared Services Implementations**

In order to provide for a meaningful discussion about the process for implementing shared services models within OUS, the Chancellor’s Office has asked Mr. John Curry, Managing Director, Huron Consulting Group, to provide his perspectives and discuss his experience with leading such change in higher education institutions. (Mr. Curry’s bio is attached.)

**Conclusions**

To successfully launch a project to identify, quantify, prioritize and implement new areas for shared services arrangements within OUS requires a dedicated resource with significant and specific skill and experience. It will require significant up-front investment to support the project, and likely require additional investments in personnel, technology and other transition costs to implement new processes. The selection of specific projects for implementation must adhere to robust ROI standards to help ensure a solid return on investment.

Success in any implementation will require: joint development of opportunities and understanding of mutual benefits, a shared vision with buy-in by campus leadership, cultural alignment, and a compelling ROI. In turn, campus champions will be necessary to build and maintain a sense of urgency in the project and ensure that project milestones are met. Institutional brand, mission and outcomes must not be at risk.
PROFESSIONAL PROFILE

John focuses on providing colleges and universities financial management and strategy solutions.

PROFESSIONAL EXPERIENCE

Prior to joining Huron, John was the Executive Vice President at Massachusetts Institute of Technology (MIT). He also held the following positions earlier in his career: Vice President for Business and Finance at California Institute of Technology, Administrative Vice Chancellor and Chief Financial Officer at University of California, Los Angeles, Vice President for Budget and Planning at University of Southern California, Intern in Management at Stanford University, Instructor in Mathematics at Chatham College, and Lecturer in Mathematics at Carnegie-Mellon University.

John's responsibilities at MIT included:

- Developing the Institute's annual operating budget (over $2.1 billion in Fiscal Year 2006), long-term financial plan, and capital budget (approximately $1.4 billion through 2008) with the Provost.
- Monitoring and controlling the Institute's overall fiscal operations.
- Managing primary financial and administrative services of the campus: budget and planning, accounting and finance, internal audit, information services and technology, human resources, facilities and capital construction, environmental and legal services, and campus police.
- Managing Institute-wide initiatives to streamline business processes and implement attendant enterprise transaction and information systems (primarily SAP).

John's key accomplishments at MIT include:

- Developing a ten-year comprehensive financial plan with MIT senior management and the Executive Committee of the MIT Corporation, and developing the attendant financial planning model, versions of which are now operating at several colleges and universities.
- Developing quarterly comprehensive GAAP financial reporting and operating unit analysis capability.
- Recruiting and appointing seven senior executives, including two vice presidents: Human Resources and Information Services and Technology.
Completing eight major capital projects including Simmons Hall, Steven Holl architect; the Ray and Maria Stata Center, Frank O. Gehry architect; the Zesiger Sports and Fitness Center, Kevin Roche, Dinkeloo and Associates architect; and the brain and cognitive sciences project, Charles Correa and Goody Clancy architects.

Upgrading the campus SAP core financial systems, developing a comprehensive data warehouse, and implementing five additional SAP modules.

Developing a comprehensive environmental health and safety organization out of five disparate and uncoordinated units, with attendant information systems and web-based training modules, now viewed as a national model by the EPA.

Managing local and regional government affairs including sponsorship and oversight of the study, *Engines of Economic Growth: The Impact of Boston's Eight Research Universities on the Metropolitan Boston Area*; and negotiating a path breaking Payment in Lieu of Taxes (PILOT) agreement with the City of Cambridge.

**EDUCATION AND CERTIFICATIONS**

- Master of Arts, Mathematics, West Virginia University
- Doctoral Coursework, Mathematics, Carnegie-Mellon University
- Bachelor of Arts, Physics, magna cum laude, West Virginia University
- NIMH Fellow in Organizational Research, Management Intern, Stanford University

**PROFESSIONAL ASSOCIATIONS**

- Chairman of the Board, The Forum for the Future of Higher Education
- Trustee, The College Board (SAT, PSAT, AP), and Chair of the Trustee Finance Committee

**PUBLICATIONS**