SHARED SERVICES OPPORTUNITIES IN HIGHER EDUCATION

Among the goals of effective resource management is to improve both the efficiency and effectiveness of service delivery. This paper explores the applicability of shared services models for higher ed functions.

THE HIGHER EDUCATION ENVIRONMENT

Any discussion of fundamental change in an institution's concept of operations – such as change prompted by shared services delivery – must begin with a clear understanding of the environment within which that institution functions. Thus, our exploration of shared services in higher education begins with a summary of relevant environmental factors.

Societal Factors

Here at the beginning of the twenty-first century, a number of trends are evident that relate to the general issue of organizational effectiveness and to the specific question of the applicability of shared services in an enterprise's concept of operations. These factors include:

- *Globalization* of organizations, processes, communications, and activities, which is having the effect of significantly widening the realm of potential customers, resource suppliers, and service providers for every enterprise. This has increasingly led to…
- *Outsourcing* of functions and activities not deemed core to the enterprise, with those functions remaining internal most related to the organization's core mission.
- *Customer-centricity* as a primary organizational and operational principle, as reflected by the increased use of customer-focused performance measurement and reward systems and processes.
- *The Age of the Internet* as a primary communications, transactional, networking, marketing, and service delivery vehicle.
- *Increased economic uncertainty* as reflected by fluctuating global financial markets, employment shifts, increased debt, uncertain currency valuations, deteriorating infrastructure, and dwindling energy resources.
- *Chronic deficit spending* by the US Government, which, as fixed-cost obligations become an ever-larger portion of government outlays, increasingly prompts hard choices between spending priorities; and
- *State governments in a revenue/cost squeeze* as a result of lower, recession-driven tax revenues while state services and their associated costs continue to increase.

Higher Education-Specific Factors

The above societal trends are having a significant impact on higher education, including:

- *Pressures for cost containment*, given increases in the cost of higher education that consistently and significantly exceed the rate of inflation;
- *State higher education systems seeking to exert greater leverage* on campus operations, as a direct result of these cost pressures; in particular, such systems are seeking to take advantage of system-wide economies of scale in driving costs down. [The recently created University System of Ohio is a prime example of this trend, as it seeks to develop a single, integrated IT infrastructure to support student admissions, course registration, financial aid, payment, and credit transfer.]
- *A more student-centered, pre-K-20 view* of the educational life cycle, seeking enhanced preparation, efficiency, coordination, and outcomes;
- *Rapid expansion of online education* as higher education moves to leverage the capacity of the Internet to deliver instructional content and to support a variety of student services functions.
- *Increased competition for students*, driven by new, more aggressive global players, heightened academic standards, and changing student demographics;
- *Integrated, web-based enterprise IT systems* to support the full range of higher education administrative, marketing, and student services functions.
- *New alliances* between four-year and community colleges, colleges and secondary schools, among independent colleges, between institutions and suppliers, etc. – all seeking increased efficiency and effectiveness through collaboration.

All of these factors are at work in today's higher education landscape, prompting increased consideration of shared services among colleges and universities.

WHAT IS A SHARED SERVICE?

"Shared service" holds different meanings for different people. For the purposes of this discussion, a shared service is defined as a function, process, or activity performed by a single "provider" organization, in support of two or more "user" organizations. Shared service initiatives typically involve the centralization to a single provider of

one or more functions previously performed independently by multiple user organizations. Such initiatives are often undertaken to:

- Gain economies of scale through centralized transaction processing;
- Standardize practices, processes, and policies;
- Standardize and improve services to students;
- Leverage technology capabilities and investments;
- Uncover and utilize best practices among institutions;
- Foster increased interinstitutional collaboration;
- Focus campus staff on high-value activities;
- Reduce total unit cost to free up resources for reinvestment in institutional quality.

The case for a shared service usually anticipates benefits of the following types:

- Reduced unit transaction processing costs, through:
  - Automation;
  - Economies of scale (*i.e.,* increased transaction volume);
  - Process streamlining;
  - Sharing and standardizing best practices;
  - Balancing workload peaks and valleys;
  - Lower wage rates;
  - Reduced employee fringe benefits.
- Cost avoidance, for example, of:
  - Additional capacity (facilities, hiring, training)
  - New information systems (sourcing, development)
- Service quality improvement through:
  - Standardization of service;
  - Increased student focus by campus staff;
  - Improved cross-functional coordination;
  - Improved quality controls.
- Increased mission effectiveness, via:
  - Greater market impact;
  - Improved educational outcomes;
  - Increased stakeholder satisfaction.

While the above benefits may be significant, a shared service initiative may be perceived as potentially detrimental in that it may:

- Detract from the institution's differentiated mission or competitive position;
- Risk disclosure of proprietary information;
- Put campus staff morale and job security at risk;
- Lessen institutional control over core activities and outcomes;
- Not result in projected cost reductions.

These potential risks discourage many institutions from pursuing shared services, and limit the scope of existing collaborations.

SHARED SERVICES MODELS IN HIGHER EDUCATION

While shared services concepts can and do take a wide variety of forms in higher education, four distinctive models are particularly useful to examine:

Multi-Campus System Model

In this organizational model, several institutions are members of a state higher education system, which as part of its system-wide function coordinates the provision of various services to the individual campuses. In this model, such shared services are typically provided either by a system-level organizational unit or by a lead campus that provides the service to all system campuses. Services typically provided in this model include IT, procurement, facilities planning, and, in some cases, enrollment services. State systems in New York, Maine, North Carolina, Ohio, Pennsylvania, Oregon, and California all have versions of system-level shared services of these types.

Consortium of Independent Institutions

In this model, several independent (usually private) colleges create an alliance to share costs, services, and ideas. Many such consortia exist in the United States. Typically, they are organized by geography (state or regional) or commonality of mission (religious affiliation, high admissions selectivity, etc.). For example:

- The Pennsylvania Shared Services Consortium includes six independent colleges and universities that have joined together to jointly acquire insurance, banking, telecommunications, employee benefits, physical plant maintenance, and bookstore services.

- The South Metropolitan (Chicago) Education Consortium includes sixteen institutions (public and private colleges, universities, and community colleges) pursuing joint advertising, marketing, and community outreach programs.

- The Colleges of Worcester Consortium includes thirteen public and private colleges in central Massachusetts that collaborate in enhancing the city of Worcester as a higher education center.

- The Council of Independent Colleges in Virginia includes 25 private colleges and universities that collaborate in joint market awareness and legislative affairs activities.

Many private colleges' consortia focus on joint purchasing; other consortia—as, for example, the

Associated Colleges of the South focus more on academic collaboration. Still other private college consortia focus on government relations, coordination of study abroad, cross-registration, employer relations and career fairs.

Intra-Campus Service Provider

This is the traditional campus-level shared service model, where an institution's individual academic departments, schools, and colleges share common enrollment and student services and administrative support functions.

General Market Third-Party Provider

In this model, a higher education market-wide organization provides common services to multiple client institutions. Examples include services provided by higher education associations (AACRAO, CUPA, etc.), IT vendors (Oracle, PeopleSoft, Datatel, IBM), and a host of other suppliers to higher education. (This model is relevant to this paper only to the extent that either of the first two shared services models described might incorporate the use of a third-party market provider.)

The utility of a shared services model for a given institution depends primarily on the organizational environment within which the institution exists. Large public multi-campus systems inherently have different opportunities for sharing services than do private, independent institutions. Nonetheless, certain commonalities do exist. Following are three generic categories of work common to most campus admissions, financial aid, registrar, and business office functions:

- The "front counter" where students and parents gain access to and information about the office;

- The "technical expert" function, which shares specific expertise with students, parents, and staff, makes decisions, oversees policy development and compliance, and coordinates with other campus offices; and

- The "back room," where mail processing, data entry, document imaging, and file maintenance occur.

Each of these work categories offers different types of potential opportunities for shared services. For example:

- Many traditional "front counter" activities now are Web-enabled and accessed through the Internet by students and parents who self-serve. Campuses also may consolidate front counter activities across functional offices in a "one stop" concept, reducing costs and improving service.

- Function-specific technical expertise can be shared within one campus (e.g., a single campus admissions director) or among a system's institutions, facilitated by remote access to common information systems.

- Back room processing can be consolidated within a campus or among multiple institutions in an operations service center supporting one or more functions.

(Note that all such potential shared services applications depend on the use of common information systems, as

Table 1.
Shared Services Opportunities by Generic Work Category

Work Category	Sample Activities	Shared Service Opportunities
Front Counter	▪ Student interface ▪ Info inquiries ▪ Forms distribution ▪ Scheduling	▪ Web-enabled student self-service ▪ One-stop student center
Technical Expert	▪ Advising ▪ Decisions ▪ Compliance ▪ Training ▪ Policy ▪ Interoffice relations	▪ Remote shared tech support

Back Room	▪ Transaction processing
	▪ Data entry
	▪ Document imaging
	▪ File maintenance
	▪ Mail
		▪ Operations service center
		  ✛ Multi-campus
		  ✛ Multi-function

discussed below.)

Higher education's experience with the shared services models varies widely. In state systems in New York and Texas, the shared services concept is well developed in areas such as marketing and common admissions application processing. Other states, including Ohio, Maine, Oregon and New Jersey, are more actively promoting increased collaboration of enrollment services delivery in their efforts to leverage the power of interinstitutional system governance. For example, the recently created University System of Ohio has announced plans to create a single, integrated information technology infrastructure to support online admissions, financial aid, advising, registration, payment, course articulation and credit transfer.

Some well-established state systems have made little or no provision to date for shared enrollment services, having limited shared services to areas such as IT, procurement, academic program coordination, budget formulation, and facilities planning. In such systems, concerns over autonomy seem to have trumped concern about duplication of effort or organizational redundancy. That said, there appears to be growing recognition of the need for—and the importance of—standardized information technology applications to maintain consistent levels of student, academic, and administrative support functions.

Collaborative enrollment management efforts among private colleges and universities appear minimal at present, and largely limited to joint travel activities. (Those that do exist relate primarily to joint travel activities.) For example, the idea of a shared enrollment services center to do back-room processing in support of admissions, financial aid, registration, and student billing for multiple institutions has not yet caught on. Institutions' lack of interest appears to be the result of three primary drivers: information security concerns, fear of compromising an institution's competitive advantage, and lack of compatible IT systems.

As institution-level IT systems are replaced by more standardized web-enabled applications, it is likely that multi-institutional systems and independent colleges alike will envision greater opportunities for standardizing the enrollment services functions and the processes that such systems support. Such systems could eventually replace current paper-based processes, and the adoption of common systems by multiple institutions could prompt increased exploration of shared enrollment management services. In all such systems, the security of institutional enrollment information will be vital to success.

OBSTACLES AND KEY FACTORS FOR SUCCESS

Institutions that wish to explore the potential for shared student services according to either the "multi-campus system" or the "independent consortium" model will need to recognize and address several obstacles to effective implementation. These include:

- *Lack of integrated information systems.* As noted above, moving to a more standardized, integrated IT systems infrastructure provides a common technology platform required to support any meaningful shared enrollment services strategy. Institutions without such common systems will find shared services difficult to consider.

- *Lack of common policies and processes.* Standardizing IT systems will be of limited value if the processes such systems support are not also standardized. This

requires examination of the institutional policies embedded within such processes. Typically, these are more difficult to standardize than IT systems.

- *A "we're different" mentality.* When an institution believes its environment is unique, its processes—often highly customized—may prove to be not readily amenable to a shared services strategy.

- *Information security issues.* Every institution has legitimate information security objectives that can be threatened by the specter of a shared services initiative that involves either the sharing of institution-specific information or reliance on an external agent for data security. In the case of shared enrollment services, concerns are acute as they relate to the security of applicant information, enrollment decisions, financial aid, yield rates, and other enrollment performance statistics.

- *Service reliability and access concerns.* A common concern about any shared service is its reliability—particularly if the service is not under the direct control of the institution. Such issues, typically addressed via explicit service agreements, governance processes, and continuity of operations plans, are heightened in a shared services environment. In enrollment services, concerns about reliability are intensified by the need to meet deadlines (*e.g.,* application, acceptance, financial aid, enrollment, billing, etc.).

- *Concerns about loss of control and job security.* Management and staff of traditional institution-based student services functions will be concerned about any initiative that threatens their control of performance outcomes or their job security. These reasonable concerns must be addressed explicitly.

- *Loss of competitive advantage.* Even when there may be compelling reasons to do so, institutions in direct competition are unlikely to collaborate for fear of losing competitive advantage. In such cases, shared admissions and financial aid processing is unlikely unless performed by an independent third party located at an independent site. [Nevertheless, the incidence of collaboration by former competitors seems to be increasing. For example, competing federal government contractors routinely collaborate on joint projects, and "competing" U.S. defense and intelligence agencies are being integrated in the effort to combat global terrorism.]

Given the mixed application of shared services in higher education to date and the considerable obstacles to their effective use, what criteria can be used to evaluate the benefits of such initiatives? Research shows that six primary criteria should be considered:

- Is there a rigorous compelling business case for the proposed shared service that is based on quantified benefits, costs, and risks?

- Does an organizational entity (*e.g.,* system office, lead campus, consortium, etc.) exist to serve as the shared service provider?

- Is a standardized, integrated IT systems infrastructure in place (or under development) to support the shared service?

- Will meaningful service level agreements and quality controls be put into place to effectively manage risk, reliability, access, and information security?

- Can and will functional staff be restructured to provide job security and improved student satisfaction via functional consolidation?

- Will the shared service enhance (or at least not jeopardize) the institutional mission?

If all of these criteria can be met, then the shared services initiative can be considered to have a high probability of success. Conversely, if any one of these criteria is not satisfied, such an initiative can be expected to have a high risk of failure.

These criteria lead to the following key factors for the success of a shared student services initiative:

- Rigorous planning and a quantitative business case for change;
- A comprehensively designed concept of operations, including process, organization, staffing, systems, controls, and culture;
- High and continuous user involvement and buy-in;
- Development of control processes to ensure service quality;
- Integrated, standardized, Web-enabled systems, processes, and policies;
- Provision for those staff displaced by the initiative;
- Ongoing communications and training of service providers, users, and other stakeholders.

CONCLUSION

Prompted by intensified pressure for cost containment and expanded services, colleges and universities are demonstrating an increasing willingness to explore the benefits of shared services. Traditionally, shared services in higher education have focused on business functions such as IT services, insurance, and procurement; most colleges and universities consider enrollment and student services to be more institution-specific and more directly related to competitive position. Nevertheless, multi-campus state systems as well as some private college consortia have led efforts to expand the shared services concept into student services functions such as admissions, financial aid, registration, advising, articulation, and student accounts. As cost containment pressures continue to escalate (particularly on those institutions dependent on state funding), institutional interest in shared services can be expected to continue to increase.

In considering the net value of a shared service, a number of important prerequisites must be met. Primary among these is the presence of common, integrated, Web-based information technology systems. As institutions and multi-campus systems contemplate the significant costs associated with the next generation of IT systems development and maintenance, moving to standardized integrated IT systems platforms will be an increasingly appealing strategy. This in turn will drive increased interest in—and feasibility of—shared enrollment and student services. Beyond the need for standardized integrated IT systems is the need for a shift in institutional culture. Schools must consider moving away from freestanding, self-contained organizational models toward a more interdependent model in which they rely on alliances with other institutions. Interdependence will be new, challenging, and risk-laden for many institutions, but it may prove an inevitable result of increased pressure by external stakeholders to pursue opportunities for collaboration as a means of cost containment, resource redeployment, and improved student service and satisfaction. Our institutions will require strong, visionary leaders to manage the financial, organizational, technological, and cultural changes implicit in these alliances.