

**OFFICE OF THE PROVOST  
AND VICE CHANCELLOR FOR ACADEMIC AFFAIRS**

RESOURCE USE ADVISORY BOARD

FINAL REPORT

July 25, 2008



**ILLINOIS**  
UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN

OFFICE OF THE PROVOST  
RESOURCE USE ADVISORY BOARD  
SPRING 2008

**TABLE OF CONTENTS**

- I. Charge to the Committee**
- II. Committee Members**
- III. Executive Summary**
- IV. Committee Activities and Process**
- V. Observations, Findings, Recommendations, and Conclusions**
- VI. Attachments**

OFFICE OF THE PROVOST  
RESOURCE USE ADVISORY BOARD  
SPRING 2008

**I. Charge to the Committee**

Dear Colleagues,

I write to invite you to serve on a new team to advise the Office of the Provost on issues and needs related to the appropriate use and avoidance of duplication of key support services across campus, the Resource Use Advisory group. Services associated with information technology (e.g., computer operations, desk top support, help desk, application development and maintenance), other business functions (e.g., Human Resources, grant management, financial reporting and financial/ accounting transactions) and facilities maintenance are currently completed at various levels throughout the campus. As part of the campus' efforts to continuously assess our practices and the use of financial and human resources, this group will determine whether these activities can be completed in more efficient ways, without negatively impacting the service level provided.

During the 2007-08 academic year, the group will establish a forum in which it will identify the functions to assess, determine broad areas of duplication of services, develop guidelines for consolidation/ aggregation of these activities and identify specific areas within the campus where consolidation/ aggregation should occur. The group should also consider alternative service delivery methods when evaluating the cost effectiveness of delivering each of these services.

At the close of the 2007-08 academic year, I will ask the Resource Use Advisory Group to make recommendations about the guidelines the campus should use to identify opportunities to consolidate/ aggregate activities and detail the areas of highest priority to address immediately.

I hope that you will be able to serve on the Resource Use Advisory Group this academic year. If you are unable to serve, please contact Sally Jackson by October 8. Thank you for considering this important activity for the campus.

Sincerely,

Linda Katehi  
Provost and Vice Chancellor  
for Academic Affairs

OFFICE OF THE PROVOST  
RESOURCE USE ADVISORY BOARD  
SPRING 2008

**II. Committee Members**

Michael Devocelle, Beckman Institute  
Earle Heffley, Psychology  
Sally Jackson, CIO/CITES (Chair)  
Stig Lanesskog, Office of the Provost  
Jeff Oberg, Engineering  
John Rossi, Law  
Charles Thompson, Computer Science  
Carol Wakefield, LAS  
Virginia Winckler, Veterinary Medicine  
Stanley Yagi, CITES

OFFICE OF THE PROVOST  
RESOURCE USE ADVISORY BOARD  
SPRING 2008

**III. Executive Summary**

Our overall goal was to search for ways to reduce the cost of administrative support services, whether the support services are provided centrally or departmentally. The best opportunity of using our resources more efficiently is based upon the following observation: no one spends money duplicating services that already meet their needs. Colleges, departments and other units develop local solutions to administrative support needs when there are no central solutions available, or when the centrally provided solutions are seen as inadequate or overpriced. When many units develop the same missing service, the campus as a whole is probably spending too much on providing that service; when units build their own alternatives to a service considered inadequate, we still have those inadequate central services in addition to whatever has been built as a workaround. We need a better overall approach: one in which we understand that demanding high quality shared services is better than working around poor ones.

Our committee embraces “shared stewardship” as a fundamental value and recommends that we begin a conscious evolution toward a campus-wide culture of shared stewardship. In a shared stewardship culture, units and individuals still act to address their own needs, but they get encouragement, support, and recognition for doing this in a way that moves the whole institution forward whenever possible. We should prefer to solve our own unit-level problems in ways that are beneficial to all other units that have or might in future have the same type of problem.

Substantial overall savings and improvement in service would result if we better coordinated the development and implementation of shared solutions. In areas such as budget and finance, personnel management, information technology support, and communications/public relations, we believe that there are significant opportunities for productivity gains through new organizational models such as Shared Service Centers.

Sharing and cooperation across units also enables economies of scale to be realized. Each unit seeking the best bargain available for purchasing, for example, prevents the campus from negotiating really significant benefits on the basis of assured purchasing volume. What is important is not having any particular arrangement in place, but having everyone understand that the optimization of individual or unit-level interest is often suboptimal as compared with what the same resources could do within a shared stewardship framework. Broader use of Activity Based Costing can encourage choices that take into account not only benefit to an individual or unit, but impacts on the institution as a whole.

Broadly, we recommend voluntary reorganization of administrative support functions, with participation motivated by lower cost, higher quality, and return of savings to those who participate in achieving those savings. Because we believe a shared stewardship culture requires individual-level attitude change, we recommend launching a series of projects around the dual agenda of collaborative learning and practical reorganization. Employee peer groups should be engaged broadly as designers of--and beneficiaries of--their own productivity increases.

OFFICE OF THE PROVOST  
RESOURCE USE ADVISORY BOARD  
SPRING 2008

**IV. Committee Activities and Process**

The Resource Use Advisory Committee was formed in Fall 2007 to develop recommendations for improvements in administrative services that might free resources to reallocate to core mission activities. Guided by the reports generated for the University and Campus summits on resource use, the Committee's charge was to: "establish a forum in which it will identify the functions to assess, determine broad areas of duplication of services, develop guidelines for consolidation/ aggregation of these activities and identify specific areas within the campus where consolidation/ aggregation should occur" (from Provost's charge letter). The group was also specifically instructed to investigate alternative service delivery models.

The Committee met approximately bi-weekly from October until April, often devoting meetings to reports on specific service areas or to presentations on new service models. The early identification of an especially promising service model led to in-depth study and launch of a pilot project to consolidate a defined list of administrative functions into a Shared Services Center for units reporting directly to the Provost. Results of this pilot project will be reported separately.

We began our work with a set of assumptions derived partly from the University and campus summits on resource use. Specifically, we assume that long-term solutions to resource problems will require:

- Root cause focus. Lasting changes requires that we work on the root causes of duplication and fragmentation, not just on identifiable instances of inefficiency and waste.
- End state focus. Overnight savings are not to be expected, but the fact that a solution does not yield immediate savings should not be accepted as a conclusive objection to it. The long-term health of the institution may be secured with a model toward which we evolve over a period of years. Greater efficiency as the end state may require greater inefficiency as a transitional state.
- Accountable autonomy. In general, the Provost should not have to mandate participation in reform. Reforms that are built on consensual relationships that deliver mutual (and mutually recognized) benefit are greatly preferred. However, people should be held accountable for making choices that waste resources for no good reason: in particular, administrators' performance reviews should include scrutiny of the reasoning they give for the choices they make about use of resources under their control.

OFFICE OF THE PROVOST  
RESOURCE USE ADVISORY BOARD  
SPRING 2008

**V. Observations, Findings, Recommendations, and Conclusions**

**A. Observations**

The committee agreed rapidly that the campus has a resource use problem, manifest in many specific forms of effort duplication. The prevailing campus culture includes the assumption that when a campus unit's support needs are not being met by existing support structures, the unit is responsible for solving its own problems. Departments feel powerless to initiate or change central support services and have no formal governance methods for doing so. A generalized solution may be attempted only after some number of local solutions are already in place, or a centrally-provided solution may be judged to be so unsatisfactory that duplicative local solutions are unavoidable. Consequently, colleges, departments, and other units have in many cases built their own internal support for functions such as budgeting, personnel administration, information technology support, and so on, when these functions could be supported more efficiently in other ways.

In the decentralized business environment that results, certain opportunities for collective decisions are also lost. Unit by unit, staff choose whether or not to take advantage of business improvements such as I-Buy, and when they choose not to, back-end processing costs are magnified (three to four times higher, in the case of I-Buy). Individuals and departments sometimes do not take full advantage of purchasing contracts and other business innovations, but treat every acquisition as an opportunity to shop for the lowest purchase price. (The consequence of this rationally self-interested behavior is that Illinois cannot negotiate attractive purchasing contracts because we cannot guarantee the vendors sufficient volume.) The overall result for the campus is purchasing that costs appreciably more in aggregate, staffing for functions that may be many FTE beyond what would be needed if hiring were coordinated, and space use that exceeds our true need by some substantial number of square feet. Even a very good manager acting in perfectly good faith will make choices at the local level that result in aggregate loss of efficiency.

In an effort to characterize the environment, we offer the following observations, meant not as assignments of responsibility but as the legacy we have to deal with

- Central services (IT, HR, Facilities, and Finance) are not viewed as responsive enough to the needs of the units, and reputation changes more slowly than reality. Past failures breed future failures. When a unit has a new or unusual need, it is common to hear that the cognizant central service is unable or unwilling to help. The wait in line is too long, or the cost for the service is too high, or the unit is simply told 'you don't need to do whatever it is'. Because central services are quite balkanized, they give the appearance of passing customers around from one central group to another rather than dealing with a problem end-to-end. For example, a payroll problem is handled one place and an appointment problem elsewhere, and it is hard for the person with the problem to know where to start. Problems in using business information systems may need the attention of CITES or AITS

OFFICE OF THE PROVOST  
RESOURCE USE ADVISORY BOARD  
SPRING 2008

or OBFS, and again, the person with the problem has little chance of guessing who can provide the solution.

- Business process improvements, even very well motivated ones, do not always roll out effectively. Individual employees are under no pressure to use innovative service, nor are they often asked to explain why they choose to continue doing business in ways that are less beneficial for the institution as a whole.
- Departments and Colleges have much greater autonomy than central units do and can generally act with greater agility. By the time a campus-wide service is provided (for example, email service or data network connectivity), departments may have previously, on their own authority and with their own resources, implemented a local email service or installed their own network equipment. These autonomous technology implementations may not match whatever emerges as the campus standard. Central support units generally have no authority (and little willingness) to ask departments to conform with a campus standard. Consequently, they bear the cost of managing around complexity and idiosyncrasy.
- Central support units and college or departmental support functions are not closely coordinated. Although Human Resources and CITES each have collaborations with college-level service centers, these connections tend to be informal and heterogeneous. Maintaining coordination in support functions is not written into individuals' job descriptions, so even if a campus-level coordination group exists (such as BMG or the DS Users Group), staff are not required to participate and can opt out whenever they want. This lack of required interactions in both directions fosters inefficiency and lack of communication.
- Service areas generally follow reporting lines (e.g., the college serves its own units), with services aggregated to different levels depending on circumstances. Departments may have fully decentralized support, or support centralized at the College level, or some blend of departmental, collegiate, and campus-level service. Budget autonomy makes sharing across reporting lines difficult. Quite commonly, a function that cannot be resourced at the central level can be adequately resourced at a more local level, depending on where there is both enough money and enough pain to motivate spending, so the more budgets are decentralized, the more support functions tend to be localized.
- New compliance requirements communicated directly to operating units promote proliferation of unit-level solutions. Quite commonly, new compliance issues are not tackled at the campus-level, but are left to the individual departments and support offices. So, for example, departments are required to file conflict of interest reports, ethics training reports, and a variety of other things that could be managed more centrally. Because there is no centralized method for sick leave and vacation leave reporting, each department is left to solve the reporting problem by whatever means it chooses, and this has led to duplicative development of a number of disparate online systems, none of which eliminate the need for manual data transfer into Banner.
- There are many coordination problems—missing services, duplicated services, etc.—that are “unowned.” We often have no idea who has the authority or the responsibility to work on a problem. For example, we know that we should expand videoconferencing to the

OFFICE OF THE PROVOST  
RESOURCE USE ADVISORY BOARD  
SPRING 2008

desktop, but no support unit has a charter to do this for the campus. If units take the initiative to create services that could be shared, there is no mechanism to extend its benefits campus-wide.

## **B. Findings**

A considerable portion of the committee's effort was devoted to studying business innovations. We offer two principal findings.

### ***1. Shared Service Centers hold promise for greater efficiency.***

The committee's work included in-depth study of reorganization methods that hold promise for greater efficiency. Among these organizational models, one emerging as truly promising is the Shared Services Model. The Shared Services Model has been used widely in the business sector, offering the advantages of centralized service along with specific methods to overcome the disadvantages of centralized services. The most important disadvantage of centralization is that the services become less responsive to customers over time, feeling little accountability to those they serve. The reason so many departments and colleges operate their own support services is that by doing so, they can directly control quality and responsiveness. At least sometimes, this results in better service.

In a true Shared Services Model, services are aggregated to serve many customers, but the customers themselves govern the service. A centralized service reports to an officer of the university. A Shared Service reports to the customers, through some form of well-designed governance structure. In a canonical Shared Service Model, the customer governance group negotiates its own Service Level Agreement, including the price to be paid for each service or bundle of services. Although these services must still be paid for, their true costs are as transparent as possible, and the tradeoffs between price and quality are weighed by the customers, not by the head of the service unit.

The critical difference between centrally provided services and true Shared Services is that customer governance makes Shared Services more responsive; customers bear responsibility for evaluating service quality and negotiating both performance expectations and the price they are willing to pay. As an expression of true shared stewardship, Shared Services are paradigmatic. Both customers and providers share responsibility for the quality of a Shared Service.

Although sharing of services is an obvious avenue for greater efficiency, there are at present few true Shared Service Centers on campus, and there are significant obstacles to aggregating unit-level resources into such Shared Service Centers. One obstacle to service aggregation is that support personnel in small units tend to be "generalists," expected to do many different functions. For example, because financial management/planning and accounting processing are tied so closely and often done by the same group in a unit, it is difficult to segregate the two functions to allow the accounting processing to be a shared service. As another example,

OFFICE OF THE PROVOST  
RESOURCE USE ADVISORY BOARD  
SPRING 2008

scientific computing and desktop/server support are often mingled in such a manner that IT staff cannot readily be aggregated into shared support units.

During the period of this study, the Provost's Office launched an exploration of sharing certain support services within non-collegiate units reporting directly to the Provost: budget and finance, personnel management, communications, and technology support. A very granular survey was conducted of what work is actually performed within the units to allow analysis of what work might be aggregated into a Shared Service Center. It is expected that this effort will expose a range of practical problems involved in formation of Shared Service Centers, and that solving these problems (or failing to do so) will influence further adoption of the Shared Service Model.

***2. Activity Based Costing promotes more sophisticated thinking about costs.***

Activity Based Costing (ABC) is an analytic technique that exposes true costs associated with complex support functions. Activity Based Costing allocates employee time and other operational costs among various tasks performed within a given role, and results in a calculation of what it costs to perform one unit of work. Several central support units have used Activity Based Costing to set and justify their recharge rates. For example, F&S undertook an ABC exercise two years ago for administrative support functions and used them for developing recharge structures and for establishing Service Level Agreements that define what customers can expect.

CITES recently conducted an ABC study of the cost of voice telephone and data networking services and will use the results in developing a new rate-and-funding model. Analogous studies are underway for all other lines of business within CITES, whether or not these lines of business involve direct billing of customers. Conducting an ABC analysis requires specialized expertise and can involve engagement of outside consultants, but institutions relying heavily on ABC for planning build their own internal expertise. CITES engaged WTC (Western Telecommunications Consulting) for its study and is building internal expertise to keep the analysis up to date over time.

An important point about ABC is its ability to expose unnoticed costs upstream or downstream from a decision. From a consumer perspective, I-Buy, P-card, and other purchasing methods do not differ in cost: the product price is the same for all methods. But Purchasing conducted an ABC study of the cost of *processing* purchasing transactions, comparing the costs of each method available to a customer. The true cost of a purchasing transaction on I-Buy was found to be about \$4.50, while transactions processed outside this system cost the university \$13 to \$18 each. Cumulated over the enormous volume of transactions processed every year, this is a strong argument for preferring I-Buy, but since the savings are invisible to end-users, most end-users simply do what they prefer, unintentionally undercutting the university's return on investment from implementing I-Buy.

OFFICE OF THE PROVOST  
RESOURCE USE ADVISORY BOARD  
SPRING 2008

We find that our accounting methods and other practices conceal the true cost of many services. For example, departments and colleges often regard technology services as “free” if they have no explicit budget, even though the service consumes employee time, space, power, and material. Activity Based Costing does not just allocate obvious costs, but also methodically searches for hidden costs--and for cost components that do not add value. Broad adoption of Activity Based Costing is crucial not only for making choices among service delivery models, but also for supporting much more sophisticated reasoning about these choices.

### **C. Recommendations**

While there are a number of steps that can and should be taken immediately, this committee recommends that we use our short-term actions to carry out a longer-term organizational change: actions that both do something directly to save resources and contribute to building the shared stewardship culture.

#### ***1. Seek deep cultural change.***

For long term sustainable improvement, we need all layers of administration fully engaged in shared stewardship. In a shared stewardship culture, people still act to meet their own needs, but they get encouragement, support, and recognition for doing this in a way that moves the whole institution forward whenever possible. In a shared stewardship culture, individuals and units do not *choose* to work around organizational problems, but instead search for solutions to their own problems that also open doors for others. All share responsibility for governing the quality of shared support services and for seeing that the institution is well run. This is a real change from our prevailing culture, in which people see quietly meeting their own needs as a benign response to a poorly-run central service function.

For reasons mentioned above and for other reasons, we have evolved a highly decentralized organization, with talented individuals in many specialties spread broadly across the academic units. For example, most colleges (and some departments) have their own information technology support staff, and all have some form of support for budget and human resource management. Many have communication and development specialists. If reorganization of services changes this landscape, we must keep in mind that that the people themselves are not a form of “waste” in the system; they are in fact a deep talent pool motivated to contribute as much as possible. *A key foundation for a shared stewardship culture is preserving this talent pool, by making change safe for individuals who must help to envision and implement it.* Thus, core organizational values, like valuing individuals, remain integral to the culture—stewardship of human resources is part of the shared stewardship of the institution.

Benefiting financially from the evolution to a shared stewardship culture requires solutions to two very practical problems: figuring out how to gain from improved efficiency without eliminating incumbent employees (that is, figuring out how to steward the talent pool), and

OFFICE OF THE PROVOST  
RESOURCE USE ADVISORY BOARD  
SPRING 2008

figuring out how to structure opportunities to meet unit-level needs in ways that are more beneficial to the institution as a whole.

*Problem 1: Stewarding the talent pool while seeking greater efficiency.*

We believe that consolidating service functions within shared centers will produce opportunities for more efficient performance of those functions, and to gain from that, we need to know how to use the free capacity that accumulates. A generalizable strategy for consolidation of function is to pool employees within common lines of business and devise methods of taking best advantage of resulting productivity gains. If we find that we have more people than we need performing any function, pooling staff within a shared service center may allow fewer individuals to cover the same responsibility. But this exposes a collateral problem: how to gain from the saved effort without laying people off. One solution is to allow shared service cohorts to benefit directly and personally from working together to increase their own productivity.

Designs that genuinely invite employees to envision and implement change should come from the employees themselves. We offer two illustrations only to clarify what we mean by allowing employees within a cohort to benefit directly and personally from productivity gains:

- Shared service cohorts might be offered the opportunity to compete for “staff sabbaticals” if they find they can handle the same workload with one fewer member. These sabbaticals could be used either to staff special projects, or to retrain for career advancement. As ordinary employee turnover occurs (e.g., from promotions), a cohort increasing its productivity to cover the same workload could be rewarded with added professional development funds.
- Within overstuffed specialties, proposals could be invited for experiments with new services, or for special projects to be undertaken by individuals or teams within the group. For example, aggregation of IT support staff is very likely to produce economies of scale. The campus is already aware that there are no resources specifically allocated to scouting and evaluating emerging technologies, and this is a need that could be met by forming a “technology futures” group as a career progression step within a shared support organization.

The campus workforce is exceedingly diverse in its forms of expertise, and the experts in any area are best equipped to define productivity, develop ways to increase productivity, and design methods for using productivity gains. Over time, one of two things will happen: We will accomplish the same amount of work of some kind with fewer individuals doing it, or we will accomplish more work or more kinds of work with the same individuals. Both the institution and the individuals will benefit.

*Problem 2: Making unit self-interest run with the institution’s interest.*

OFFICE OF THE PROVOST  
RESOURCE USE ADVISORY BOARD  
SPRING 2008

In a shared stewardship culture, the first unit to experience a need not met by the institution's support structures is in a position to innovate on behalf of the whole institution: to define new forms of support that may eventually have broad benefit. We believe that the entire institution is infused with the attitude that special or unusual needs are the responsibility of individuals or departments, not the responsibility of the campus, and that individuals and departments correctly interpret expressions of this attitude, especially within central support organizations, as a barrier to meeting their own needs. It is not yet well understood that a unit with a special need may be pioneering a service that will soon be needed by all.

A critical moment of possibility is a department recognizing a need for a service not provided by a central unit—for example, assistance with processing H-1 visas or assistance with mounting a new software service such as a wiki. If the central Human Resources unit does not have capacity to process visas, one way to solve that is to add the capacity to central HR, and another way to solve it is to build the capacity within a unit interacting with many international scholars and students (for example, the Beckman Institute). Currently, our practice is to push this responsibility to the academic front line; a shared stewardship culture would recognize the value of providing this service for the entire campus, and accept an initial (small) inefficiency at the center to forestall an eventual (large) inefficiency in the duplication of this capability in unit after unit. Likewise, if the central IT organization does not have capacity to support introduction of a new technology to the whole campus, one way to solve that is to view an unusual need as an opportunity to learn and evaluate the new technology in partnership with an early adopter; if the central IT organization does not stand ready to enter into these partnerships time after time, it is inevitable that units will build duplicative resources. For many years we have encouraged early technology adopters to “do it yourself.” In a shared stewardship culture, unit-led experiments in new technology would be understood as ways of building campus-level capacity and expertise, and these experiments would be supported from very early stages.

Evolving to a shared stewardship culture requires real imagination: for example, finding ways for people to get what they need, expeditiously, without taking on a permanent burden of meeting that need. A shared stewardship culture needs very agile methods for mounting specialty services and expanding them for new “customers” on demand. In President White's words, central and shared support organizations should adopt “Presumption of Yes” as a philosophy.

How can central and shared support organizations achieve this level of agility and responsiveness? Being prepared with many flexible business constructs is an important underpinning for agility. Support organizations should never turn away requests in their area of responsibility without at least contributing expertise to the analysis of the need and what it would take to satisfy it. A department's own ideas about how to satisfy the need should always be thoughtfully reviewed, and whenever possible, some effort should be made to cooperate with the department in such a way as to open an avenue for eventual transition of a specialty service from departmental deployment to central deployment.

OFFICE OF THE PROVOST  
RESOURCE USE ADVISORY BOARD  
SPRING 2008

To illustrate, in the case of H-1 visa processing, perhaps only the Beckman Institute presents high volume need, while many other units have isolated cases needing assistance. Rather than compelling Beckman to provide its own in-house expertise and leaving all of the more isolated needs unmet, a shared stewardship approach might build the expertise centrally and bill departments per transaction (Beckman budgeting some large fraction of an FTE's worth of expenditure yearly, and many other units paying small amounts as needed). To the extent that the service to be provided looks like something the campus should offer routinely, the use of charge-backs might have a defined sunset, with long-term funding coming from productivity gains in other areas.

In the case of mounting an innovative technology service, it is nearly always the case that one discipline needs the innovation long before others recognize its value. To avoid having multiple implementations of the same technology, the central IT organization needs to take responsibility for anything that looks like it is headed for broad diffusion. This means that the central IT budget cannot be committed entirely to services offered at enterprise scale, but must have enough flexibility to allow for small-scale exploratory services. When departments or individual researchers bring forward ideas for new technologies, the obligation of the central IT organization operating within a shared stewardship culture is to master the new technology, evaluate it, and provide appropriate support for some level of experimentation with it. (Note that the resources for this function might well come from aggregating and sharing existing IT support staff.)

The motivation for much departmental hiring in non-faculty roles is expediency: getting something done at the departmental level that has not been anticipated at the campus level and that appears, at first, too expensive to provide to the whole campus. But unless a problem is genuinely and permanently yoked to one discipline, it is likely that once one department tackles it, others will do the same. We then find ourselves with more people than we need to cover the whole institution's need for a function, but no way to gain savings from aggregation of needs and resources. To address the root cause of this problem type, we need to see that problems faced by a single department today may be our best basis for anticipating common needs in the future—and the early identification of the problem as well as early experimentation with solutions are both potential contributions to shared stewardship

***2. Choose short term measures for ability to contribute to long-term cultural change.***

While our primary committee charge is to promote more efficient resource use, we believe that every action aimed at improving efficiency should also teach someone something or change someone's attitude. Specifically, all projects and initiatives should have a dual agenda: a practical improvement of some kind, plus a contribution to the spread of the shared stewardship culture.

Everything done in the short term should begin expressing a shared stewardship culture. This means that if we build some form of Shared Service, we should use it as an opportunity to solve

OFFICE OF THE PROVOST  
RESOURCE USE ADVISORY BOARD  
SPRING 2008

one or more problems associated with transitioning from self-reliance to shared stewardship. Involving employee cohorts in organizational redesign is essential, because the collaborative work of redesign is a learning process that can be expected to have more long-term impact than the redesign itself. We recommend a wide variety of activities that encourage reflection on our business processes and promote very flexible reasoning about how they might be improved:

- Form focus groups of functional area experts to design end-to-end services in place of siloed services. Charge these groups with finding ways to capitalize on highly specialized expertise for unusual tasks (foreign national payments, visa processing).
- Request specific responses from the IT Pros on two savings opportunities: (1) savings that could be derived for improved coordination among units of purchases of computer and other selected IT equipment—that is, savings we could derive from guaranteeing larger purchase volumes to vendors; and (2) savings that could be derived from specific IT management practices such as server virtualization, desktop virtualization, and energy use reduction. A "Commodities Purchases Review" done by Accenture in 2003-2004 identified, for FY2003, \$198M in addressable spend (i.e. expenditures with potential savings opportunities) divided between 25 commodities. Approximately \$28M of this total was IT related. The report estimated that overall savings of between \$13M and \$28M could be obtained. Recent studies have shown that minor changes in IT management could yield significant energy savings. Requesting a specific response from the IT Pros is a way to assure that these possibilities have been thoroughly considered, and to hold the cognizant personnel accountable for actions related to them.
- Promote business process analysis and redesign; embrace technology solutions that will expose our current workflows to scrutiny and help us to streamline them. Improve workflow and reduce bureaucracy for many common tasks (travel reimbursements, HR searches, proposal routing and other pre-award functions, grant expenditure confirmation reports, master agreements and non-standard agreements, dual career recruitment).
- Learn how to use IT to encourage units to co-develop. Learn how to work with ITPC instead of trying to work around it.
- Instead of working around bureaucratic compliance requirements, enlist employees in developing proposals for legislative and administrative relief from anything that adds too little value relative to cost.
- Adopt Activity Based Costing techniques to better understand and document cost structures, to permit identification of no-value-added activities.
- Form customer governance groups for existing central services to improve accountability and customer service. Governance, which includes policy making, practice evaluation, and performance oversight, should be performed by a group with at least partial independence from the service delivery entity. Independent governance is one of the common core principles in formulating shared services; in the campus context, partial independence may be more realistic as well as more effective, since shared services must align well with overall strategic frameworks. ANAG, the Academic Network Advisory Group, is a prototype for how such a group can govern a central activity like the Network Upgrade Project.

OFFICE OF THE PROVOST  
RESOURCE USE ADVISORY BOARD  
SPRING 2008

- Form stronger, more formalized governance groups within common functional areas (BMG, IT Pros, etc.). To express serious commitment to shared stewardship, build participation in these groups into job descriptions for roles such as department budget officer.
- Build formal evaluation frameworks around all service reorganizations, routinely including a comparison of assessments done before and at intervals after the change. Measures should include objective performance metrics, user ratings, and costs.
- Train and empower every level of management, and provide all necessary management tools for competent management of human resources and other assets. Training of new managers is one of many occasions for building awareness that shared stewardship is more highly valued than self-reliance.
- Look for first cost reductions in services internal to administrative areas. Use administrative units in proof-of-concept exercises before launching initiatives campus-wide. Review recent increases in size of central administration and evaluate whether these increases duplicate effort in the departments and colleges.

The members of the Resource Use Advisory Committee are now staunch advocates of shared stewardship, and we are prepared to recruit others into this way of thinking. An especially effective way to cultivate shared stewardship is to form many project teams with challenges to meet, and to support these teams in their explorations of new business constructs.

***3. Make change safe and naturally compelling for individuals and unit heads.***

While we might be able to achieve certain economies through various forms of mandated behavior (such as use of I-Buy for all possible purchases), the goal of evolving into a shared stewardship culture requires that people learn and adopt new ways of thinking. Thus, we seek compelling alternatives to our current methods of handling administrative and support services—things no rational person would refuse--but ultimately depend on voluntary choice to embrace shared stewardship.

The following principles are key enablers of the shift we envision:

- We will protect employment and invest in employees. All reorganization plans will have training and career advancement paths as integral parts. No staff will lose employment simply for purposes of service-organization (though shifts of role supported by employee development may occur); eventual savings on staffing of administrative support services will be realized through normal turnover (retirements, resignations, and promotions), but our immediate target will always be freeing resources to create new value, not reduction in staffing. Employees and units involved in long-term cost-saving must be direct beneficiaries of savings, sometimes “front-loaded.” This is critical not only as an affirmation of Illinois’ core values, but also to make individual and unit self-interest run with institutional interest.

OFFICE OF THE PROVOST  
RESOURCE USE ADVISORY BOARD  
SPRING 2008

- We will maintain or improve the quality of any re-organized support service. The self-reliance culture promotes local optimization of the services most important to any unit. If coordinated, shared, or central services are not equal in quality to what a unit can provide for itself, units will eventually rebuild their local services, so this is non-negotiable.
- We will seek service improvements that reduce overall operating costs. Evaluation of the cost implications to individual units must be included as an essential component of the re-engineering of any service. If savings accrue, we will release money from non-mission to mission activities. In the long run, the overall cost of non-mission activities will be reduced, not just shifted around; most of the “savings” realized through these initiatives will go directly to academic programs.
- We will pursue service improvements that reduce the amount of time that faculty members spend performing routine administrative and business chores in support of their instruction, research, and public engagement. Faculty time is precious.
- We will increase transparency and accountability. Systematic assessment of services will be performed regularly and made part of the service governance. Assessment will include monitoring of performance, and emphasis will be on building trust in how the service is managed.
- We will preserve the ability of academic units to improve their administrative procedures, business practices and information technologies, to innovate, and to employ resources with characteristics essential to each unit’s pursuit of academic excellence. Successful innovations and improvements developed by units should be shared with other units through better formalized communication and coordination and should be integrated into the campus systems if appropriate.
- We will take risks when well justified, consciously calculating risk in relation to established “best practices.”
- We will not advocate “management fads,” but will look at new designs for their applicability to our situation. No change should be assumed to be a permanent solution, and no change can succeed simply based on structure. Individual and organizational competencies must be learned and relearned.

***4. Re-configure this group as a standing advisory committee, with the charge of instigating a series of projects similar to the shared service center project.***

All members of the group have indicated a wish to continue their involvement in studying resource use and exploring new ideas for improving our resource use. We recommend that the Resource Use Advisory Committee be reconfigured as a standing committee, possibly with addition of members to add missing forms of expertise (notably facilities, student affairs, human resources, communications, and University administration). We suggest that the AY 2008-2009 charge to this group include at least the following three elements:

- Development of a list of projects holding short term promise for savings (for example, a project to create a migration path from dozens of small departmental server rooms to a small number of consolidated shared data centers; a project to aggregate purchasing of computers; a

OFFICE OF THE PROVOST  
RESOURCE USE ADVISORY BOARD  
SPRING 2008

project to develop methods for comparing “total cost of ownership” for business and scientific equipment).

- Recruitment of project teams willing to accept the challenge associated with one or more of the projects on the list.
- Design of presentation content suitable for introducing the key ideas elaborated in the course of this study: shared stewardship, shared service centers with customer governance, transparent service pricing supported by Activity Based Costing, employee-driven productivity gains, and others.

***5. “Cherry-pick” some projects that have sharing benefits that are obvious to anyone looking at the issues, to create experience with successful reorganizations.***

Projects that are sure to deliver success include the following:

- Email and calendaring service—currently quite fragmented, to no one’s real advantage.
- Coordinated purchasing—a step beyond strategic purchasing alliances to focus on customer consortia.
- Data center consolidation—would be advantageous even if relatively few units chose to join.
- Campus-level process to review and prioritize ITPC proposals—critical for effectiveness in getting information systems needs handled at appropriate levels of centralization.
- Visa processing.
- Peer education on I-Buy to increase its adoption.

This list is by no means exhaustive. There are many, many opportunities for business process improvements at Illinois. This list is restricted to opportunities that offer modest-to-substantial savings while also helping us learn how to practice shared stewardship.

Beyond the current list, we should examine other support needs that have characteristics favorable to sharing: needs that are prevalent across campus or emerging as important in many areas; services that can be uniform in their delivery to many customers; maturity of service sufficient to make experimentation unnecessary; resource intensiveness; existence or availability of recurring funding; and other similar characteristics.

## **D. Conclusions**

The Committee’s charge from the Provost included an instruction to “make recommendations about the guidelines the campus should use to identify opportunities to consolidate/ aggregate activities and detail the areas of highest priority to address immediately.”

The guidelines we have proposed aim toward voluntary reorganization of administrative support functions, with participation motivated by lower cost, higher quality, and return of savings to those who participate in achieving those savings. Because we find that customer governance is critical for quality services, we recommend experimentation with the Shared Service Model and

OFFICE OF THE PROVOST  
RESOURCE USE ADVISORY BOARD  
SPRING 2008

its variants. Because we find that costs are poorly understood, we recommend much broader socialization of Activity Based Costing and its methods. Because we believe cultural change requires individual attitude change, we recommend broad reliance on employee peer groups as designers of and beneficiaries from their own productivity increases.

Functions that are worth considering for consolidation of service include budget and finance, personnel management, information technology support, and external communications—but not academic mission activities. The intent is to optimize staffing across campus and to raise the overall level of support, reducing the disparity between the “haves” and the “have nots.” A shared stewardship culture would recognize when a service is needed in common by all units and would provide this as a shared, coordinated, or central service.

**VI. Attachments**