Chazey Partners

LEVERAGING ENTERPRISE-WIDE HR SHARED SERVICES IN HIGHER EDUCATION

Meeting Budget Restrictions Head On – How Shared Services is Helping University of California San Francisco

UCSF

Background

University of California, San Francisco (UC San Francisco), a leading university within UC's 10-campus system exclusively focused on health, is driven by the idea that when the best research, the best education and the best patient care converge, great breakthroughs are achieved. As the second-largest employer in San Francisco, UCSF employs about 29,000 faculty and staff and generates nearly 17,000 additional jobs in the local community through construction and expenditures1. The university is constantly striving to meet its growth targets with adequate support services. In the face of budgets tightening over the past years, providing more and better support with relatively fewer resources has become a priority.

Shared Services Emerges as "Pilot" Model for Auxiliary Services

While Shared Services has been actively implemented across the private sector for more than two decades, the public sector has only come to adopt the model relatively recently – in many cases driven by budgetary pressure to reassess support services in quest of greater standardization.

One of the first instances of "sharing" services emerged in 2005, when Parking & Transportation, Housing, Fitness & Recreation, and Food services for staff were rolled up into one center to support UCSF's three core strands – teaching, research, and clinical services. This new combined "Auxiliary Services" center was a step removed from the previous scenario whereby each service was delivered as a standalone function, effectively tripling the administrative resource. This experiment proved prescient, as the group, and its success, became a "pilot" of sorts upon which the foundation for a more comprehensive Shared Services model rested.

Jason Stout, previously HR Director for the Auxiliary Services group, calls this initial model an "accidental Shared Services", which, nevertheless, convinced the university's leaders of the validity of the strategy to support all Campus staff through one delivery center. The scalability of the model was further emphasized by the successful ramping up of services to cover double the 500 staff it launched with, with little change in the center's FTEs.

Finance and Administrative Services Launches – Driven by Cost, Sustained by Quality

As a result of the early successes of the rolled up Auxiliary model, in 2010, the Vice President of Finance and Administration spearheaded an evaluation of how similar HR benefits could be driven across the F&A group.

This model that subsequently emerged under Stout's lead – which went by the name of Finance Administrative Services (FAS), HR Shared Services – incorporated the concept of centralization and standardization, and promoted it across the FAS group.

With budgets shrinking across the federal government, higher education was feeling the pinch post the financial crisis of 2008. The challenge of maintaining services while facing reduced funding meant cost became the key driver for UCSF's Shared Services model. What sustained the model's success, however, was not cost but the fact that for the many customers service quality was now significantly improved. Indeed, many of the smaller client organizations had not previously had access to good quality HR talent or services. On the contrary, for many, HR service was split across a number of roles, so that specialist knowledge or experience was a rarity. For these customers, the new model promised more professional HR support and an end to inconsistent, often unsatisfactory, service levels. As a result, many of these smaller groups quickly came on board.

"Unfortunately, they were not the ones with the loudest voices" explains Stout. "Some of our larger customers, whose voices did carry, felt that their service was compromised under the new model, as standardization replaced customization. This was a real issue that needed to be acknowledged and dealt with directly. Fortunately, our customers understood the benefits to the organization and worked with us to resolve concerns."

Campus-wide Services Accommodate Client Customization

At the same time the FAS was rolling out its new model, the university was launching an "Operational Excellence" initiative to meet the kind of budget challenges that the FAS had been contemplating, but on a more comprehensive level. The result was that, in early 2012, a campus-wide HR Services solution was launched, based on the successes of the 2005 Auxiliary Center and the 2010 FAS HR center, and included both staff and academic personnel support for the whole university including all of the academic schools and departments. The new organizational design provided for a single HR leader for the enterprise-wide model, but acknowledged that customers would need some time to adjust to what many considered a "compromised service." The decision, therefore, was not to move to a single Shared Services Center, but rather to downshift to five separate Services Centers as a first step, each based on "like" customers being grouped together.

The thinking was that bodies of expertise would be developed around different customers' needs, explains Stout, who today heads the HR Strategy Office for UCSF. It also softened the blow of instant centralization, which might have been too much for clients to opt into.

"We were starting from a basis of hundreds of independent customer clusters," Stout explains, "so moving to five seemed a significant shift in the right direction to us at the time."

"Our approach meant that we were able to settle our customers into a more standardized but still somewhat personalized service, which built trust in the model. So although we compromised some standardization in the design, we were tasked with an 'all-or-nothing go-live' where opting out was not an option," he explains. UCSF Health (medical centers and outpatient practices) was not included in the model as that organization had a centralized HR department in place already. The leader of that unit took on leadership of the new UCSF campus HR function in addition to managing the health system HR function.

Overcoming Challenges

In Higher Education, particularly in research-focused organizations, authority and influence does not necessarily move top down, as it does in private enterprise. In addition, and unlike the private sector, public sector enterprises are not singularly focused on profit, so measuring success is more complicated, and discussions take in a broad array of stakeholders including unions, politicians, students, funding agencies, etc.

One of the challenges is that traditional ROI-based mathematical reasoning is not necessarily persuasive. Higher Education values the quality of teaching, an institution's reputation, and the ability to attract research funding above all. An internal initiative designed to drive service optimization does not, therefore, easily attract the kind of support it needs to get off the ground. A business case has to adjust accordingly, emphasizing quality and ease of use over cost savings to gain support.

Nevertheless, the sustained service levels in the face of shrinking budgets proved the Shared Services model's worth. Despite the cost advantages the model offers, however, it could not overcome the upward pressure caused by significant fringe cost escalations relating to retirement plans, whose employer contributions to the retirement system went from 0 to 12%.

"HR has to pass this on as a recharge, so our cost curve has risen accordingly," explains Stout.
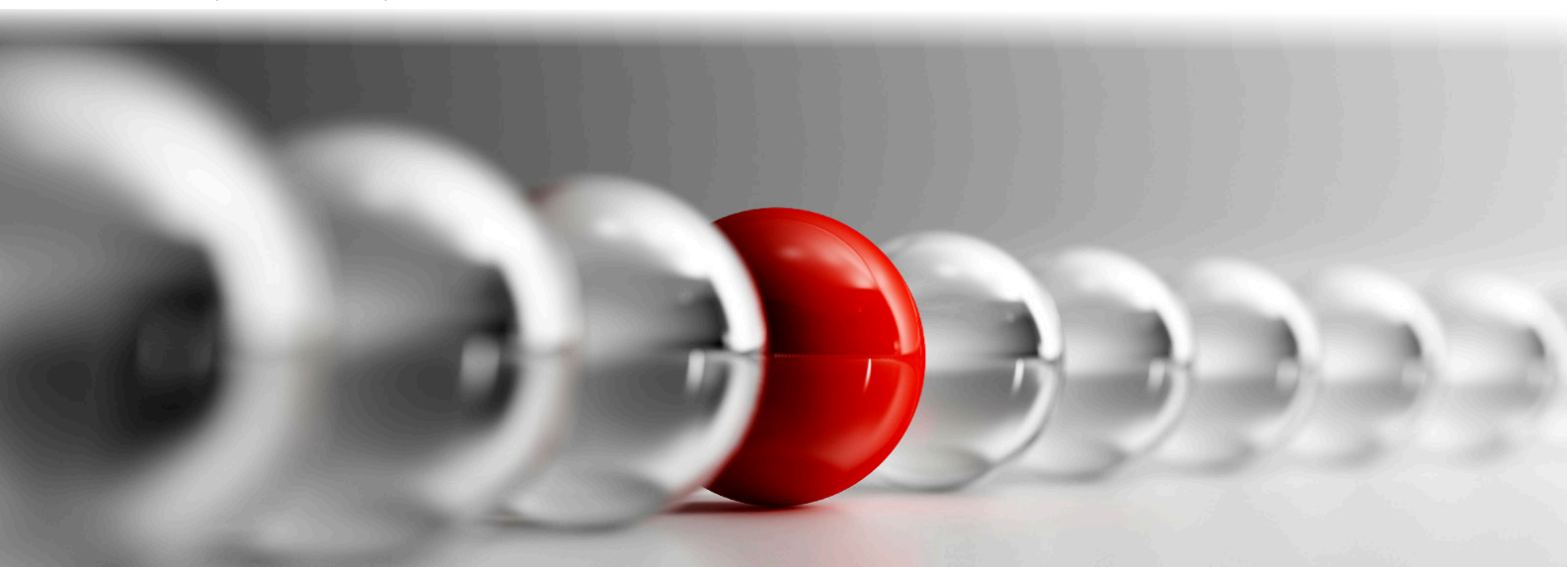
Technology as Enablers for Continued Improvement

The more complex the situation encountered, the higher the assimilation costs. This is a lesson the HR SSC is still learning as it continues to amortize the costs of implementation. Transitioning over 80,000 individual documents and files proved a massive undertaking, and without the benefit of an electronic filing system (currently under review) the process was largely manual. Costs ballooned as s a result of the sheer numbers of documents that had to be handled. The electronic filing system now being evaluated will provide a much simpler solution, but its scope simply could not have been mapped into the initial stages of the project, explains Stout.

Another technology under consideration now, but not available at launch two years ago, is a Customer Relationship Management framework. At the time of "go-live", the center used an in-house ticketing system that served relatively well but was really an online form system without robust workflows, like manager self-service, which linked to transaction processing, explains Stout. While he concedes that access to a more integrated technology would have been an advantage during implementation, the urgency around timeframes forced a focus on using existing technology.. In addition, a new, system-wide payroll and HR information system [UCPath] was being evaluated and it was hard to get any consensus around HR or CRM strategy without a decision on the future of payroll and HR technology being made first. "Nobody wanted to build something that might prove to be redundant," says Stout.

Today, waiting is no longer an option for the HR team, and it is pressing ahead.

Success Includes Compliance and New Integrations

Although "cost" was the original driver for Shared Services and the returns are real it's hard to measure these precisely because the original baseline costs are difficult to measure against a new operating model. In some cases, customers are enjoying new services, in other cases, functions previously assigned to department HR staff are not included in the Shared Services model, in short: it's not apples to apples.

However, of the many benefits the SSO has delivered, one of the things proving most valuable is the fact that UCSF is better positioned to implement or integrate other improvements, like UCPath, which would be much more daunting without the Shared Services framework in place.

Another significant advantage is improved ease of compliance with State, Federal, and other policy regulations that are constantly changing in today's environment. It's easier to implement new standards and track how well new procedures are being implemented through the structure and transparency of a Shared Services model than it would be otherwise, explains Stout.

None of these improvements and operational successes could have been achieved, however, without the support of UCSF's exemplary Project Management Office, which was heavily engaged in the Shared Services implementation from the start. The PMO staffed all initiatives and was critical to the more professional facilities management. It's a matter of pride to Stout and his team that the entire project has, to date, been run with in-house resources.

Reassessing Achievements Through Industry Benchmarking

Although the model has undeniably proved itself, SSO management concedes that it could do more to drive consistency across customer experience, and transparency across costs to "bend the cost curve" in future. With the University facing 30% growth by the year 20351, a new campus build-out still in development, and a new hospital opening in February 2015, a robust HR service is crucial to managing the scope expansion within a cost-controlled environment.

Sustaining its support services in the face of this kind of growth is the number one challenge UCSF is facing today.

Projected growth and the fact that the campus-wide HR SSO implementation is nearly three years in has led UCSF to instigate a comprehensive assessment and review of its achievements to date. To do so, it brought in a team of Shared Services specialists from Chazey Partners. The time felt right, explains Stout, to go out and benchmark service levels and processes against acknowledged best practices across the industry, before gearing up for the next level.

"Chazey brings a different perspective to bear, as we have been looking through a more conceptual lens and they are evaluating us on the basis of operational metrics."

Improved Service Through Realignment and Technology

The assessment, which concluded recently, identified two core strategies for driving the Shared Services model forward: first, a realignment or refocusing along functional lines instead of client clusters; and second, adding technology to support improved processing and knowledge management.

"We're focused on four critical success factors for a sustainable service transformation – process, technology, people and clients – which, in combination, enable improved service excellence," says Stout. "The SSO's initial design was based on a strategy that helped to maintain some continuity for campus customers through client based teams and work assignments. To continue improving, the HR organization is now ready to developed a more consistent customer experience through increased specialization and enabling workflow".

As part of this transition, Chazey suggests consolidating the five Shared Services into one, thus driving standardized processes across the entire enterprise and locating all employees in one site. The 2012 implementation suffered somewhat from the fact that the five centers were not co-located, but split across three locations based on availability of office space. This disconnect led to breaks in process and knowledge transfer as files were shuttled from one office to another and is something center managers would have preferred to avoid, Stout says. "Going forward, we need to organize ourselves differently to provide a more consistent service and practice across the enterprise," he confirms.

While Chazey has also identified a potential FTE saving of 10-15%, Stout says customers are not necessarily "all about the cost" these days – especially if it means the tradeoff is perceived as compromised service, or additional work coming back to them. Of the two options for limiting cost – lower recharges or future cost avoidance – clients tend to prefer the latter.

"Value is key, and cost is an important factor in our customers' perception of value, but not the only factor" he explains. "We're very conscious of the fact that our faculty and staff are leaders in their fields and that their time is best spent advancing their field. 'Pushing out' HR activities in the name of lowering costs won't be an acceptable solution. We know that we can and should deliver more for less and we plan to do so," he says.

Customers Remain Engaged

Throughout UCSF's Shared Services journey over the past decade, Stout praises HR's customers as remaining engaged no matter what challenges were being faced, whether happy or disappointed. The clients were always available, always ready to discuss, always committed, he says. The Service Partnership Agreements that defined and guided the collaboration outlined workgroups, governance, and escalation processes to drive the process forward at all times. They also outlined the respective responsibilities with regard to inputs, which formed a crucial connection between service provider and customer. "Our clients never backed off that engagement," says Stout, "and that is what made the project succeed."

The formalized governance committees that, alongside the PMO, and escalation processes, kept the project moving throughout the transition remain critical to the Shared Services' continued success.

"There is a culture of shared success, which incorporates the customers and our team, that is vital to our continued service. While it's hard to put a measure on this success, it's nonetheless very real," he concedes.

Facing the Future

UCSF is planning for considerable growth through the year 2035. The recently approved long range development plan outlines a 30 percent increase in UCSF's population, including a 31 percent increase in employees, 34 percent increase in patient visits, and 21 percent increase in student enrollment. But despite this, funding for core administrative support is not projected to grow. As a result UCSF administrators need to bend the administrative cost curve now, while meeting new strategic challenges at the same time.

Important current objectives include further developing the customer service culture; standardizing processes across service centers and departments; process improvement; and technology to improve efficiency and effectiveness.

The Assessment will also consider how best to provide HR support to the UCSF Medical Center, which runs separately at present. Where possible, efforts will be made to integrate across work streams.

Endnote:
1. According to a 2010 economic impact report

A Review of the Shared Services Model 3 Years In

Chazey Partners recently conducted an assessment to address UCSF Campus HR's objective of further developing a customer service culture, while also outlining how best to support the Health System's growth trajectory. The assessment roadmap is highlighted below (Figure 1).
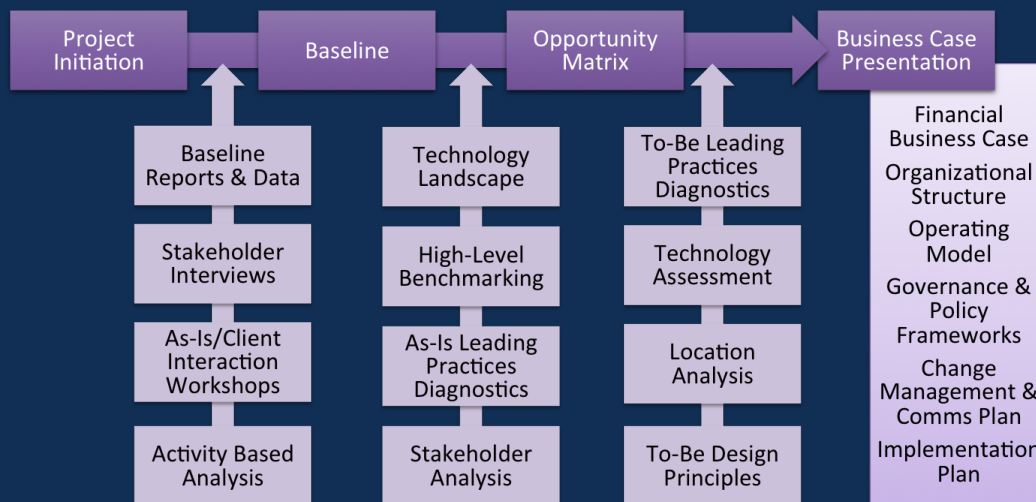

Figure 1: Key Roadmap for UCSF Assessment

The assessment identified 22 opportunities via an "Opportunity Matrix", which were further reduced to the six key recommendations listed below:

1. Reorganizing & transforming Campus Human Resources
Inconsistent levels of service from the multiple SSCs, and the fact that transactions can cycle between the various centers in an attempt to resolve issues, are detrimental to the SSO's reputation. Chazey recommends that processes be re-evaluated end-to-end across three separate types of activities:
• Transactional & Administrative
• Professional & Technical
• Policy & Strategic
Furthermore, more formal roles for HR Business Partners would provide strategic and tactical support to business leaders. The new model could be further enabled by a Transaction Processing Unit, Client Interaction Framework, Continuous Improvement & Quality, Change Management & Communications, HR Information Services, and Global Business Process Owners.

2. Preparing for Health System Human Resources
The Health System could leverage a similar model to the Campus, leveraging single track, tiered client contact management; an HR Service Center for administrative & transactional activities; a Specialty Center for professional & technical expertise, policy & guidance; and HR business partners

3. Technology-Enabling
Workflow & document management, case management & performance metrics, and the integration of existing systems are primary technology enablers, whereby the UCPath project currently underway (enterprise-wide payroll implementation) is an important initiative with far-reaching implications.

4. Performance Measurement Framework
A Performance Measurement Framework that includes input, operational, and output key performance indicators (KPIs) would support the tracking of performance improvements. [Input KPIs measure the client input into processes, operational KPIs measure the effectiveness and efficiency of service provision, and output KPIs measure the success quality and effectiveness of service delivery].

5. Service Partnership Agreements
Service Partnership Agreements represent two-way agreements that recognize the partnership that is required between provider/client for successful service provision. Increased socialization, or promotion, of the spirit of partnership is recommended.

6. Integrated Solutions
The final recommendation is a continued consideration of integrated solutions. For example, consolidating portions of the Campus' dual track Client Contact Mechanism and escalation path between Staff and Academic. There may also be a business case for combining portions of the separate Campus and Health System HR organizations.

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