

Contact: Mark Braun

**TIER UPDATE**

**HURON CONSULTING AND CHAZEY PARTNERS REPORTS**

**Action Requested:** Receive the final reports from Huron Consulting and Chazey Partners.

**Executive Summary:** In January 2015, the Board retained the services of Huron Consulting for analysis and recommendations regarding the Sourcing and Procurement business case approved by the Board. Also, in January 2015 the Board approved the university proposal for the implementation of Delivery of Services (Shared Services) and retained the services of Chazey Partners to assist the universities in the implementation of their proposals.

Both Huron Consulting and Chazey Partners reviewed their analysis and reports with the TIER Management Team. Huron Consulting identified a potential recurring savings range of \$3.9 million to \$7.8 million. Chazey Partners validated that university plans approved by the Board will result in more efficient and effective services when implemented. The final reports are attached.

**Background:**

**Huron Consulting**

The scope of Huron's engagement was to do the following:

- *Analyze and validate potential cost savings by specific categories. Compare pricing to current benchmarks leveraging categorized data from previous consulting engagement. Explain, in detail, the strategies that could be used to realize additional savings through strategic sourcing processes specific to each category of spend. Recommendations to include specific requirements for standardization opportunities, vendor consolidation, master agreements, and contract compliance, as well as address positive and negative impacts on faculty, staff and students.*
- *Analyze current procurement policies (institutional and Board), make recommendations for policy changes to enable successful sourcing strategies and best procurement practices to achieve maximum net savings.*
- *Analyze current procurement operations, staffing and technology used to make recommendations for the creation of a more efficient and cost effective sourcing and procurement operation.*

Huron did a full analysis of seven spend categories (office supplies, computers, computer peripherals, scientific supplies, janitorial supplies, maintenance and repair, and food) as well as a high-level analysis of three additional spend categories (travel, print services and audio visual).

Huron Consulting identified a potential recurring savings range of \$3.9 million to \$7.8 million.

*Maximizing achievable savings for the Regents schools will depend on executive support at the Board and university levels, institutional decisions and willingness to collaborate on contract negotiation, implement demand management practices, implement effectively within their technology landscapes, drive change management appropriately, and revise relevant procurement policies.*

The TIER Management Team met with and reviewed the analysis for all ten of the categories as well as the sourcing strategy to achieve the estimated range of savings.

Huron Consulting found that the universities have the opportunity to streamline policy and procedures and observed the following:

- *Policies and procedures are not clearly differentiated within each Regents schools' respective policy and procedure documentation. This causes confusion between what is policy versus suggested procedure.*
- *Policies and procedure documentation is repetitive (versus centralized and accessible through multiple channels) and language within documentation is inconsistent. This reduces users' ability to understand policies and requires additional work for Purchasing to update multiple documents.*

Huron Consulting recommended defining purchasing policies and document procedures that support each policy and eliminate redundancies in policy and procedure documentation.

Finally, Huron Consulting recommended the Regents move to a "center-led" structure.

*Best-In-Class organizations tend to demonstrate a center-led organizational model for procurement\*. Center-led organizational structures in Higher Education are marked by the provision of standard procurement policies and guiding principles, thought leadership, category expertise, contract management and strategic sourcing. \*Source: Aberdeen Group. Dynamic Procurement. August 2011*

In a center-led model; university procurement organizations manage their own transactional functions however, the strategic functions (strategic sourcing, developing formal solicitations, contract negotiation and management) are led by the Board Office.

The TIER Management Team decided to exercise the option for Work Stream C in the Professional Services Agreement with Huron Consulting to do the following:

1. Scope of Services (Work Stream C)
  - A. Organization and Technology Transition Plan. Huron will work with the Board and the Universities to develop a detailed plan for transitioning to the recommended operating model, as well as further refining the technology needs for supporting the new operating model. Huron will take the following approach to develop the procurement transition plan:

- i. Gather Information. Huron will leverage the interview and quantitative data from Work Streams A and B, but will request any additional information to thoroughly understand current staffing models, primary responsibilities, and workloads of procurement resources at each of the Universities. Huron will also acquire additional information related to procurement technologies, as needed, to develop cost estimates and define anticipated impacts, benefits and risks associated with technology changes.
- ii. Develop Plan. Huron will develop a procurement transformation plan with two primary components:
  - a. Operating Model. Huron will provide a detailed plan to transition the recommended operating model, including the following elements:
    - Recommend skills and experience required to support the future operating model
    - Updated job profiles for any newly created roles within the new operating model
    - Recommend roles and responsibilities, as well as service level agreements (SLAs) for the new operating model to clearly define the “rules of engagement” between the center-led organization and the Universities
    - Recommend staffing levels and operating model options for the center-led organization
    - Estimated resource cost associated with the new operating model
  - b. Technology Models. Huron will provide guidance on, and document, procurement technology options to support the newly defined operating model. This includes providing the benefits and estimated costs associated with the optimal technology solution for critical procurement components such as sourcing, contract management and catalog management. Huron will also define the necessary roles needed to support the recommended changes in technology, as applicable.
- iii. Review Plan. Huron will review a draft version of the procurement transformation plan with the Universities and TIER Leadership to validate assumptions and ensure accuracy of the data. Huron will adjust the plan, as needed, based upon feedback provided from this review.

- iv. Finalize Plan. Once reviewed and updated, Huron will finalize the procurement transformation plan and provide the final deliverable to TIER Leadership.
- B. Strategic Sourcing Execution Facilitation. For each of seven strategic sourcing target areas, Huron will employ its proven methodology and work collaboratively with the Board, the Universities and key stakeholders to engage the suppliers and achieve the identified cost savings following the optimal sourcing execution strategies identified. Huron will take the following approach to facilitate the sourcing implementation process:
- i. Identify Key Stakeholders. Huron will work with the Board and the Universities to identify the applicable key stakeholders for each of the target sourcing areas, both from within purchasing as well as customer groups such as Facilities, Information Technology, Dining Services, campus end users, etc.
  - ii. Validate Recommended Sourcing Strategies and Develop Action Plan and Timeline. Huron will work with each stakeholder group to facilitate collaborative conversations and jointly discuss Huron's initial recommended sourcing execution strategies and the pros and cons of the strategies. Huron will revise as needed to incorporate changes based on stakeholder input to finalize the strategic sourcing execution strategy and approach. Huron will then work with the team on developing an actionable execution timeline to guide the supplier engagement process.
  - iii. Engage Suppliers. Depending on the finalized supplier engagement strategies for each target area, Huron will collaboratively work with the area key stakeholder groups to develop the necessary RFP document, pricing workbooks, and evaluation criteria, or initial incumbent supplier(s) communication documents to engage the vendors in the sourcing process. Huron will also work with the core supplier engagement team to prepare for any supplier meetings.
  - iv. Support and Facilitate Continued Sourcing Execution Process. Huron will work collaboratively with each Stakeholder Group to facilitate and support subsequent sourcing execution activities, including:
    - Analyze and compare supplier proposals
    - Share summary findings with and discuss next steps with stakeholder groups
    - Advise on industry leading practices and provide continued strategy guidance
    - Prepare the core supplier engagement team for negotiation meetings and conversations
    - Calculate and track savings achieved after each supplier proposal round and identify gaps
    - Develop Memorandum of Terms (MOT) for each area to outline and track negotiations progress and other key non-price elements, as well as other needed support documents and materials
    - Support supplier(s) selection and final recommendations

- v. Obtain Final MOT and Develop Savings Summary. Huron will facilitate each area's sourcing execution process through finalization of pricing and key business terms identified in the MOT document, after which Huron will provide the Universities with the final version of the MOT as well as updated opportunities calculations and saving achieved through sourcing process to wrap up the sourcing execution effort. Huron will also assist with the following key activities post MOT finalization:
- Develop change management and campus communication strategies and materials
  - Create supplier performance metrics and supplier scorecard frameworks
  - Draft supplier and category management plan
  - Develop frameworks to measure savings and compliance, internal and external

### **Chazey Partners**

Chazey Partners was engaged to provide the following work with the Universities, using as the foundation the individual universities' board-approved plans:

#### **FN-01 for Finance**

Assist in implementing Finance shared services

#### **HR-01 for Human Resources**

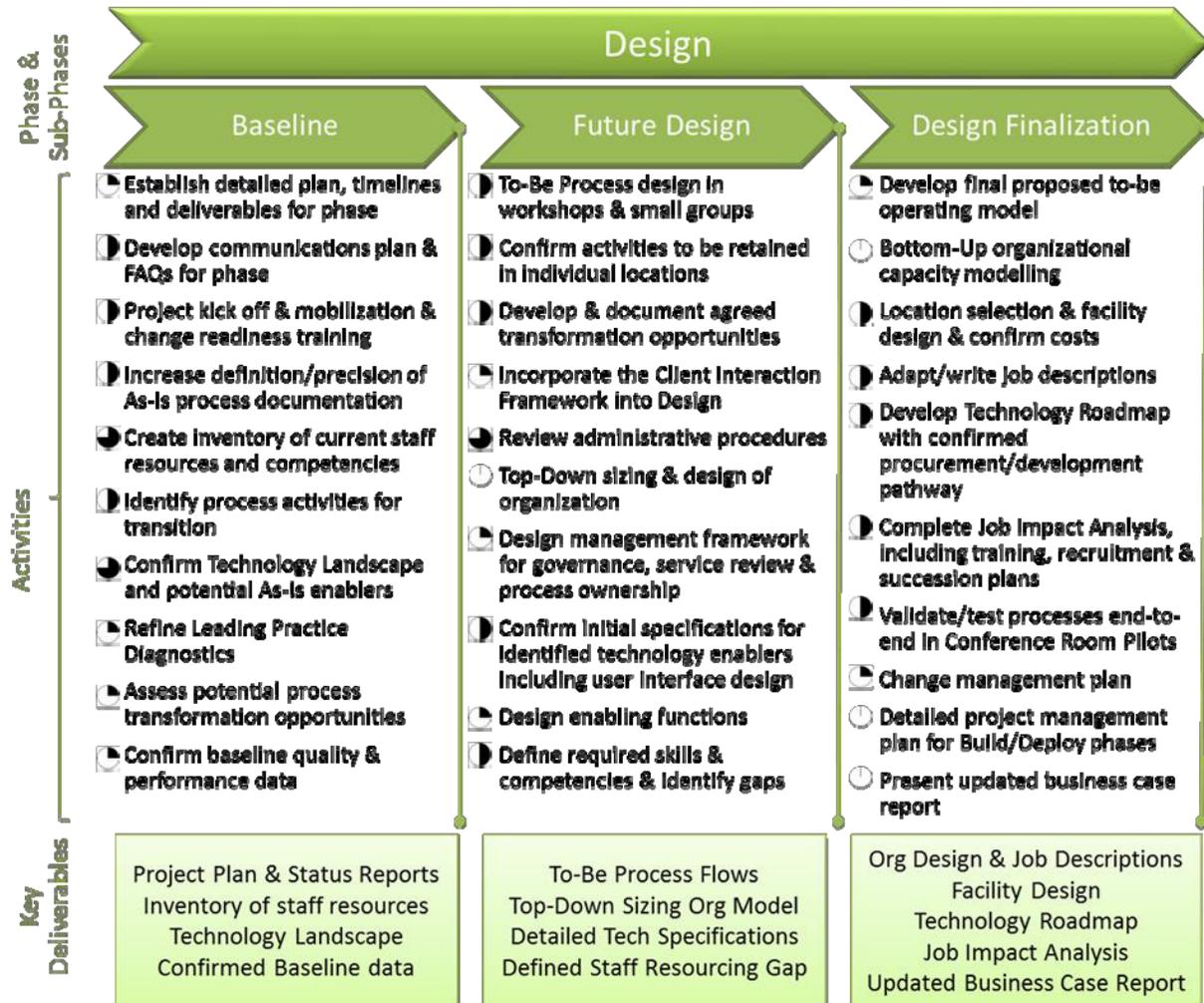
Assist in implementing efforts to increase the strategic services

#### **IT-01 for Information Technology**

Assist in implementing transformation of the distributed IT landscape to strengthen collaboration between the distributed and central IT teams, streamline the delivery of commodity technology services, and plan for future technology innovations.

After the business cases were approved by the Board, each university and each work stream submitted individual plans addressing the design and development for each of the business cases.

Chazey Partners' standard methodology is represented in the figure below:



Chazey altered their approach given the individual nature of each of the workstreams at each university.

*We adapted this approach to consider the individual nature of the planned end-state for each workstream at each university and their varying degrees of readiness. We termed this custom approach “triangulation”, which involved assessment and consolidation of the following three components into the TIER report: (1) the Board Approved plans, (2) the detailed work by Deloitte, and (3) relevant components of our methodology to fill in missing pieces of information.*

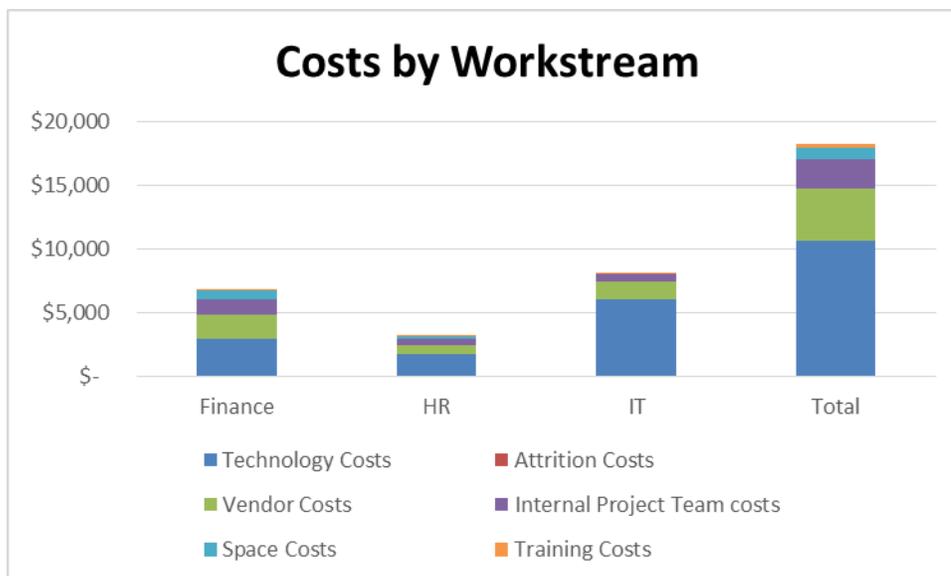
The adopted triangulation approach led Chazey Partners to the following conclusion and recommendation.

*Although each workstream and each university started at a different stage of readiness, the end state of the process has resulted in validated plans that, when implemented, will result in more efficient and effective services for each of the universities.*

*Our overall recommendation is to proceed into building and implementing shared services across the workstreams at each of the universities... to realize significant efficiencies and cost savings as outlined in this report.*

A consistent theme throughout all phases of TIER has been the investment needed at the beginning of implementation in order to achieve the annualized on going savings for each of the projects.

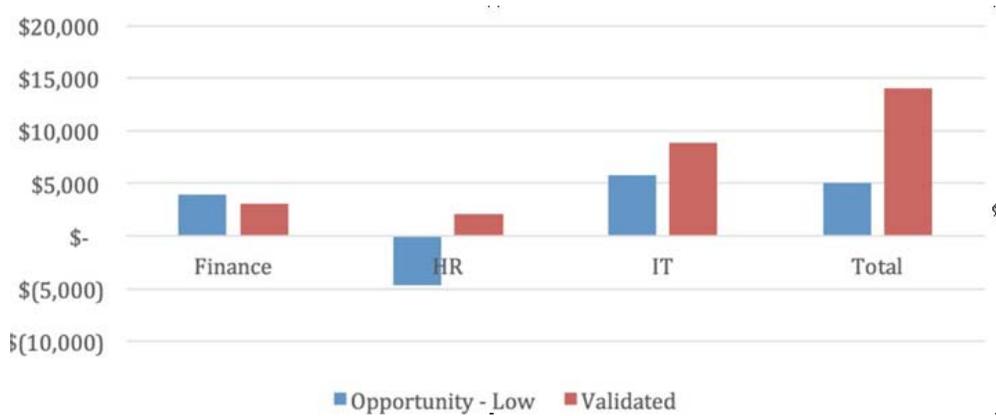
Chazey Partners analyzed the implementation costs for each of the three business cases aggregated for the three universities which can be seen in the graph below:



For institutional planning purposes, it is important to realize that many of the aforementioned savings are not immediately achievable. Rather, as indicated above, full realization of the savings will require upfront investment and full adoption of new practices and processes which will take years, not months to implement. This is particularly applicable with respect to ISU, as a high percentage of their savings are predicated on the procurement and adoption of a modern/comprehensive ERP system (full implementation of a new ERP often takes 3+ years with payback periods extending well beyond that point).

Chazey Partners also estimated a steady state net savings of over \$14 million each year which has been consolidated across the three universities and three workstreams which is represented in the graph below.

**Figure 4: Comparison of Low versus Validated Opportunities - By Workstream (000's)**



Finally, Chazey Partners concluded the following:

*Additionally, we believe there are a number of additional action items and recommendations to be pursued, either in tandem or subsequent to the validated improvement efforts.*

*As indicated by the TIER committee, it is important that TIER not be a one-time project, but rather the beginning of developing a culture of continuous improvement at the universities. Implementing the validated plans and pursuing the additional opportunities are the first steps to accomplishing this objective.*



## Iowa Board of Regents

Iowa State University

University of Iowa

University of Northern Iowa

## Final Deliverable

July 21, 2015

- Project Overview
- Our Approach
- Industry Perspectives
- Savings Opportunities
- Procurement Transformation
  - Current State
  - Culture, Philosophies, and Purpose
  - Technology
  - Organization
  - Policy

# Project Overview

## Objective and Scope



### Iowa Board of Regents Objective

Analyze and provide recommendations for the sourcing and procurement functions at the University of Iowa, Iowa State University and University of Northern Iowa, consistent with the overall Board of Regents mission and **strategy to achieve additional fund reductions and reallocations by consolidating spend across all three institutions to maximize contract savings.**



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UNIVERSITY

THE UNIVERSITY  
OF IOWA

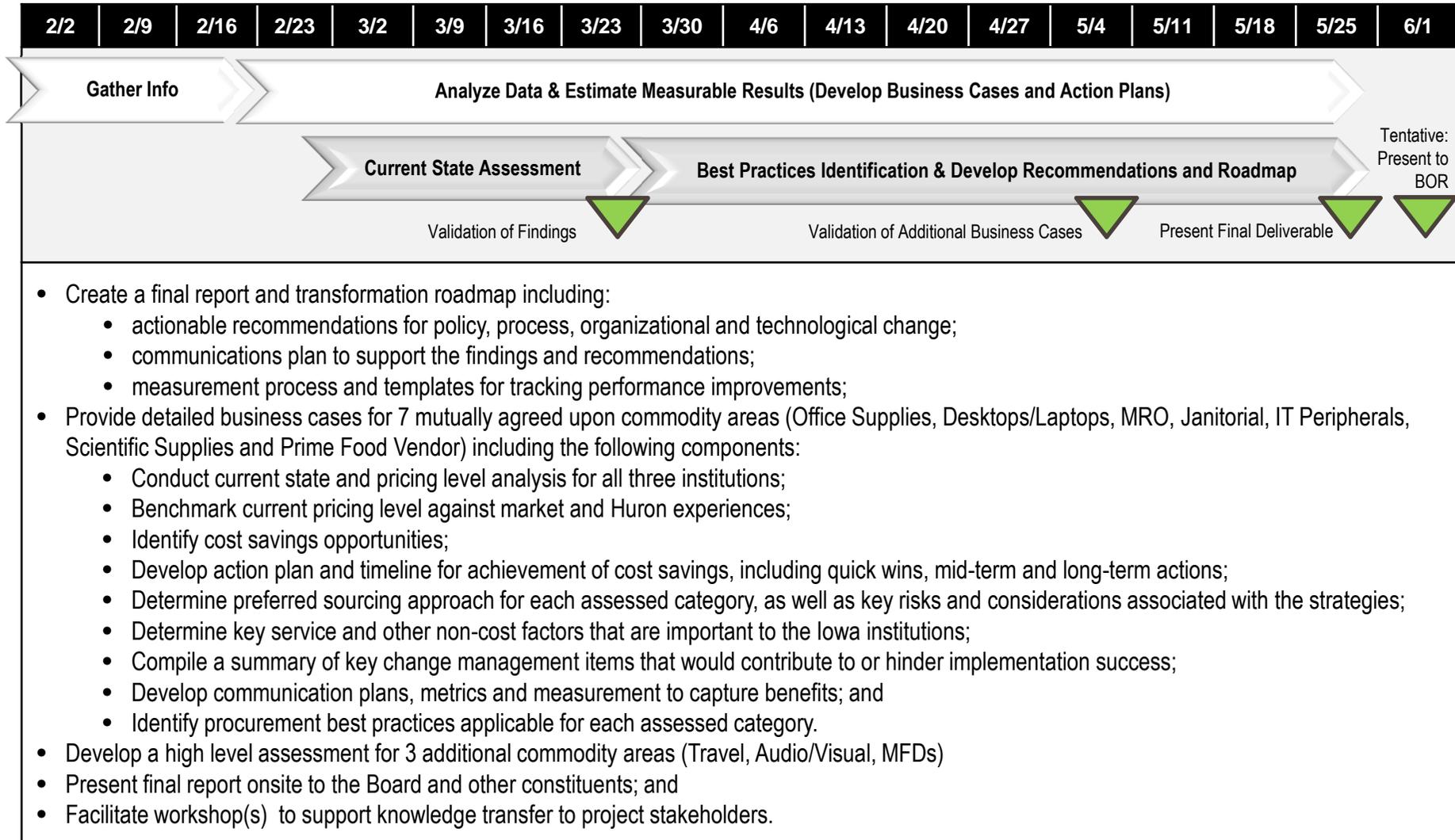


### Project Scope

- Analyze and validate potential cost savings by specific categories. Compare pricing to current benchmarks. Explain, in detail, the strategies that could be used to realize additional savings through strategic sourcing processes specific to each spend category. Recommendations to include specific requirements for standardization opportunities, vendor consolidation, master agreements, and contract compliance, as well as address positive and negative impacts on faculty, staff and students.
- Analyze current procurement policies (institutional and Board), make recommendations for policy changes to enable successful sourcing strategies and best procurement practices to achieve maximum net savings.
- Assess current procurement operations, staffing and utilized technology to provide recommendations for the creation of a more efficient and cost effective sourcing and procurement operation.

# Project Overview

## Timeline and Deliverables



Milestone

# Our Approach

## Guiding Principles



**Collaborative Approach:** Huron works collaboratively with the client team throughout the engagement to understand the client's history, unique environment, and key objectives in order to create actionable recommendations to maximize savings and efficiencies

**Total Cost Reduction Focused:** Our primary focus is reducing the total cost of goods and services to our client by examining all cost drivers and exploring pricing improvements, demand management, product substitution, process improvement, contract compliance, category management, and knowledge transfer

**Conduct Fact Based Analyses:** Huron's recommendations are validated by our experience, data analysis and benchmarking

**Maintain or Enhance Quality:** Opportunities for improvement are identified with consideration of the current standard of service and quality

**Facilitate Behavior Change:** By understanding our client's situation and needs, we are able to develop solutions that positively impact the institution

**Incorporate Strategic Sourcing with Broader Procurement Operations:** Huron will incorporate strategic sourcing objectives with general procurement operations such as category management strategies, policies and procedures, procurement processes and technology utilization to maximize and sustain benefits

**Strengthen Relationships:** Throughout the engagement efforts, our client will enhance their relationships with customers and suppliers by focusing on open communication and relationship building with key stakeholders

# Industry Perspectives

## Office Related Products



The Office Related Products (ORP) market share is highly commoditized and competitive including national, regional, local and online distributors. The industry covers a wide array of supplies, copy paper, toner, and other products.

- The ORP space is highly competitive and is becoming a very consolidated marketplace through recent mergers
  - OfficeDepot acquired OfficeMax and Staples is in the process of acquiring OfficeDepot
  - Non-contract maverick spend can be high as end users seek out short term bargain deals from Walmart, Amazon, etc.
- All suppliers offer similar products and services including office supplies, technology products, cleaning and break-room supplies and office furniture under various brands
  - Sales of traditional office supply products have been in decline for the past decade plus, as a result suppliers are increasingly pushing non-traditional products and services such as printing, technology products, janitorial supplies, etc., in an attempt to diversity and sustain business viability
- Major distributors emphasize the value of long-term formalized business relationships
  - Upfront and ongoing financial incentives are often available to establish long-term strategic or preferred relationships
- Various contract structures are available based on customer spending and needs. Industry standard structure consists of two major components:
  - Core List Pricing: A list of customized and aggressively priced items for high spend and high quantity items
  - Category Discount: Range of discounts off list prices for non-core product purchases
- Organizations can employ demand management in conjunction with strategic sourcing efforts to maximize savings potential; for example, reduce the varieties of total SKUs purchased, especially for non-core list items

# Industry Perspectives

## Desktops / Laptops



The personal computer market is a highly competitive landscape; spend within higher education is typically concentrated among a few vendors: Dell, HP, and Lenovo.

- The PC market is has become consolidated through mergers and acquisitions
  - Dell, HP and Lenovo are the major manufacturers in the market
  - Lenovo recently overtook HP in 2013 to claim the largest PC market share, by a fraction, in the global market
  - Desktops and laptops can also be purchased through major national IT distributors such as CDW-G and GovConnection
  - Typical PC lifecycles span 3 to 5 years; most Higher Education institutions employ a 4 year PC lifecycle
- Continuous cycle of commoditization and technology improvements creates challenges in contract optimization
  - New and improved technology, frequently introduced into the market, often carries a pricing premium during initial release
- Pricing for computer hardware products is driven by several key factors; vendors place high value on long-term preferred / primary status contract relationships
  - Standardization: bundled configurations provide deep discounts to universities; many universities have developed preferred supplier relationships that offer standard/bundled configurations for specific products
  - Product configuration and customization: premium pricing for component upgrades
  - Volume: buying in bulk provides leverage in pricing negotiations
- Apple, a higher cost option compared to PCs, has seen an increase in end user preference on college campuses among students, faculties, and staff members, especially for their iPad line of products

# Industry Perspectives

## IT Peripherals



The IT peripheral industry is a commoditized market consisting of many traditional and online only distributors that enable easy access to computer components, accessories, and office equipment to end users.

- Primary national distributors servicing higher education include CDW-G and GovConnection, both offering a broad selection of products, including peripherals, computers, enterprise products, software, office equipment, etc.
- Equipment and supplies are also purchased from manufacturers directly such as Dell, HP, etc.
- Due to the diverse types of products and brand selections, maverick spend outside of main contracted vendors is common in this category, often through suppliers such as Amazon, Best Buy, TigerDirect, Newegg, etc.
  - Small peripherals, accessories, and equipment such as toner, printers, keyboards, etc. are also purchased through office supplies vendors
- IT peripherals is a commoditized industry in which major vendors are capable of offering similar contract structures, products, pricing, and services
  - Most IT peripheral suppliers offer a contract structure of either a discount off list/retail price or a markup based on product categories

# Industry Perspectives

## Janitorial Supplies



The janitorial supplies commodity consists of many product subcategories including janitorial towels, toilet tissues, soaps, cleaning chemicals, floor care products, waste cans and liners, and other cleaning related supplies.

- The janitorial supplies market is fairly consolidated yet still competitive, with few manufacturers and many distributors at the national, regional, and local level
  - Major manufacturers include Kimberly Clark, Georgia Pacific, Rubbermaid, 3M, Diversey, Spartan, etc.
- Pricing for major subcategories are dependent on commodity pricing including the paper index for towels and tissue products and petroleum pricing for waste liner costs
- Large manufacturers try to decommodify their products by introducing unique / proprietary product sizes, dispensing systems, and through product branding
  - Distributors and manufacturers are often willing to negotiate on dispensers and installation costs with the objective of getting the customers to purchase the same brand name and lines of proprietary products over longer term
- Demand for Green cleaning has increased dramatically over the past few decades and all major manufacturers have their own Green product line(s) or offerings with GreenSeal  and Design for the Environment Program (DfE) , an EPA program, being the most prominent Green labeling programs in janitorial supplies
  - Green cleaning refers to cleaning methods and products with environmentally friendly ingredients, such as recycled materials and less toxic chemicals, designed to preserve human health and environmental quality
- Utilization of custodial workforce optimization software is also on the rise, often offered by major manufacturers, that combines (proprietary) product utilization and training, with workforce scheduling, cost estimation, performance tracking, reporting, etc., for more visibility and control over the entire janitorial operation
  - Examples include Game Plan (Diversey), CompuClean (Spartan), CCAP (Hillyard)

# Industry Perspectives

## Maintenance, Repair, & Operations

The Maintenance, Repair, & Operations (MRO) products market is a highly fragmented landscape; spend within higher education is typically spread out amongst a large number of vendors.

- MRO is a compilation of product lines related to campus maintenance that are predominantly purchased by the facilities and housing departments; including product categories such as plumbing, electrical, HVAC, etc.
- No single distributor dominates the industry or has significant pricing power; the largest American companies: Grainger, MSC Industrial Direct, HD Supply, and Fastenal each have market shares less than 8% and all distribute a broad array of products by numerous manufacturers
- The market is fragmented with high product proliferation in university consumption; spend is typically split between large distributors and many local and specialty suppliers
- Higher education buildings range in age, making it especially difficult to standardize MRO products
- Utilization of cooperative and consortium contracts for MRO are common within higher education institutions including ones by WSCA and E&I, as well as State agreements
- As of 2014, Grainger ranks as the 3<sup>rd</sup> largest MRO Products company in the world; it typically has the largest presence, out of all MRO Products vendors, on higher education campuses as a primary distributor for general products
- The nature of the area is much larger than the product itself; there are servicing, tracking, storage components, and overall maintenance operations that make this a complex area

2014 Top 40 MRO Companies by Revenue



# Industry Perspectives

## Scientific Supplies



The scientific supplies commodity area has continued to consolidate over the past decades, as major distributors continue to acquire and merge with competitors and complementary suppliers.

- National and regional scientific distributors generally carry a large selection of product SKUs by a wide range of manufacturers
- Market dominated primarily by Fisher, especially after its acquisition of Life Technologies in 2014; VWR offers the second largest product offering in the industry
- Fisher and VWR both strive to obtain Primary / Preferred status on campuses
  - While spend consolidation generates greater cost savings and overall benefits, many universities are hesitant to leverage too much spend with one distributor, due to a perceived fear of decreasing competition
  - Additionally, exclusive agreements across the entire scientific/lab category generally do not provide the flexibility and coverage to meet all research needs
- Long term agreements are highly valued by vendors
  - Fisher and VWR are increasingly encouraging universities to drive more spend to the preferred supplier, including asking to be the only distributor with an eProcurement punch-out, having the opportunity to review pricing on equipment provided by other vendors, etc.
- Niche suppliers / manufacturers successfully captures researcher spend and loyalty through often highly differentiated proprietary products and cutting edge solutions
- Other elements in addition to pricing are also important to optimize in a preferred agreement such as financial incentives, shipping terms, storeroom / freezer programs, etc.

# Industry Perspectives

## Prime Food



The prime food industry is a volatile market with merger and acquisition activity reducing competition and ever-changing supply and demand levels fluctuating the costs of food.

- The food distribution market includes some national broad line distributors such as Sysco, Martin Brothers, and Gordon Food Service, as well as a large number of small, specialty distributors for items such as free range chicken, local products, organic foods, etc.
- Sysco proposed merger with US Foods in 2014, but is currently undergoing court proceedings to challenge the proposed merger. According to the FTC, these two companies would control 75% of the national market and will leave restaurants and businesses with higher food costs and limited distributor choices
- The Higher Education sector employs various models of food distribution, with some schools using a prime food vendor and others choosing to outsource the dining function or purchase directly from a multitude of sources
- Leveraging a prime food vendor is considered by the food industry to be a top cost-savings method, however additional concepts like recipe costing cards, menu engineering, and maintaining waste sheets are also critical concepts in managing food costs
- Prime food vendor contracts are structured in a variety of ways including cost-plus, net priced, and market- pricing. Varying contract structures make it difficult to compare pricing
- Industry standard commitments to prime food distributors is typically between 80-90% of food purchased through the prime food vendor
- There has been and continues to be a spotlight on sustainability in the food industry, with the National Restaurant Association's 2015 Restaurant Industry Forecast Report indicating that, "46 percent of all consumers said they would dine at a restaurant offering sustainable or organic food and more than half of respondents ages 18 to 24 said they look to frequent restaurants that practice sustainability"

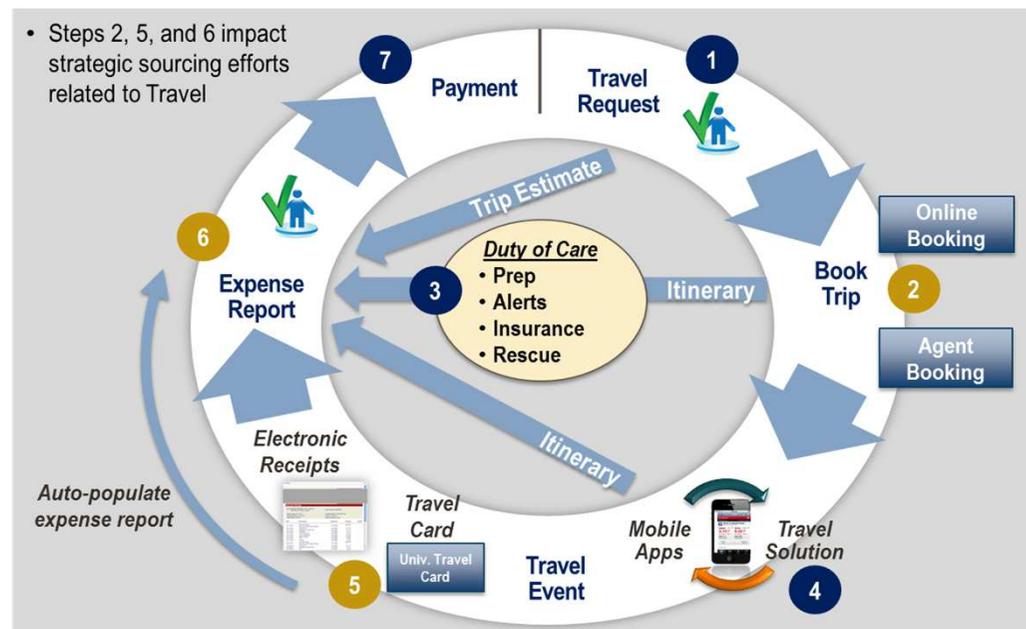
# Industry Perspectives

## Travel

Visibility into true travel spend is often a challenge for many universities as a large portion of travel spend is usually hidden under travel and expense reimbursement and does not go through the appropriate travel booking channels.

- Many higher education institutions do not have any formalized travel management program nor strategically negotiated vendor contracts; generally university travelers are at liberty to book their own travel through their sources of preference, either for perceived cost reasons, habit, ease of use, or a combination of these
- Universities are beginning to manage all components of travel including policy, compliance, technology utilization, approvals, sourcing, expense processes, and data analysis/reporting
- Leading universities have also begun to adopt an “end-to-end” travel management concept where all process components from travel request to reimbursement payments are joined together in one system or tightly integrated systems and processes, to optimize customer services, ease of use, contract and policy compliance, duty of care, and cost savings
- Strategic sourcing efforts will be more successful within a more mature travel program where spend can be effectively directed to the preferred vendor to achieve spend concentration and visibility

### Illustration of a Fully Integrated End-to-End T&E Program



# Industry Perspectives

## Print Management



Multifunctional devices (MFDs) and managed print is a complex and competitive area with various key components, including: equipment selection, financing, fleet maintenance and repair, reporting, and usage management.

- The copiers / MFDs market consists of international manufacturers, and national, regional and local distributors, often capable of distributing equipment from more than one manufacturer
- The “Big 4” copier / MFD manufacturers, Canon, Ricoh, Xerox, and Konica Minolta, dominate the office equipment market, accounting for over 80% of market share combined; HP and Brother are key players in the monochrome device market; other prominent manufacturers include Toshiba, Sharp, and Kyocera
- The market has been suffering a slight decline in recent years due to a decrease in demand
- When managed well, a fleet of multifunctional devices can help the university consolidate and direct document output traffic, eliminate unnecessary individual machines, and reduce the institution’s carbon footprint
- A multitude of cost structure options are available in the market, which can make understanding cost drivers / comparing agreements difficult; options include:
  - Equipment Options: purchase, capital lease, operational lease, rental
  - Maintenance Options: monthly minimums, actual usage
  - Other: combined cost per page (CPP) including equipment and service
- Refresh cycle for equipment is usually 36-60 months, or longer if it is purchased upfront
- There has been an increased interest in “Managed Print Services” which is an all-encompassing solution combining hardware, such as MFDs, with printers and software solutions to provide a complete supplier managed service that covers all document production to generate significant cost savings and reduce overall document output equipment and print volume

# Industry Perspectives

## Audio Visual



The audio / visual (A/V) industry is a highly segmented market that offers a variety of equipment and services designed to enhance communication, collaboration, and entertainment.

- The A/V industry includes: visual displays, audio reproduction, video and audio recording, production and post production equipment, control systems, interactive displays, audio presentation systems, and miscellaneous items such as cabling, connectors and racks that are used for installation and maintenance purposes
- It currently generates \$91 billion annually and is projected to be a \$114 billion global industry by 2016 , with growth projected at 9.6% annually over the next 5 years\*
- Due to the increasing demands of collaboration and communication within and between organizations, government agencies, corporations, along with educational institutions comprise the three largest consumers of audio / visual products and services
- Higher education relies on A/V solutions to incorporate technology in classrooms, enhancing initiatives such as MOOCs, distance learning, hybrid classes, virtual meetings, and webinars
- A/V is a complex area going beyond equipment purchase and repairs, to also include building/classroom planning/design, technology consultation/integration, ongoing maintenance/support, etc, which often cost more than the initial equipment investment
- Various contract structures are available based on consumer needs and requirements. Most A/V contracts include the following major components:
  - Core List Pricing: Customized list of high quantity and high spend items that are aggressively priced
  - Manufacturer Discounts: Range of manufacturer discounts for branded items
  - Service Components: Consulting / planning costs, installation charges, maintenance / repair services, etc.

# Strategic Sourcing Opportunities

## Savings Summary



The seven business case areas and three high level assessment areas were selected based on initial spend categorization; the savings opportunity ranges for each category area were defined based on detailed transactional data and contract analysis, and Huron benchmarking based on experience with other similar clients.

(\$'s in 000s)

Categories	Est. Annl. Spend	Identified Opportunity Range	
		Low % - High %	Low \$ - High \$
<i>Detailed Business Case Categories</i>			
Office Related Products	\$4,960		
Desktops / Laptops	\$8,435		
IT Peripherals	\$13,680		
Janitorial Supplies	\$4,495		
MRO Products	\$5,500		
Scientific Supplies	\$13,616		
Prime Food Vendors	\$21,730		
<b>1st Year Estimated Opportunities to Date</b>	<b>\$72,416</b>	<b>7% — 14%</b>	<b>\$5,055 — \$10,120</b>
<b>Detailed 7 Areas Annual Recurring Opportunities</b>		<b>5% — 11%</b>	<b>\$3,905 — \$7,820</b>
<i>High Level Assessment Areas</i>			
Travel Related Spend	\$63,940		
Managed Print Services	\$5,935		
Audio / Visual Related Spend	\$5,620		
<b>High Level Areas Est. Annl. Savings</b>	<b>\$75,495</b>	<b>2% — 5%+</b>	<b>\$1,305 — \$3,470+</b>
<b>Overall 1st Year Estimated Opportunities</b>			<b>\$6,360 — \$13,590+</b>
<b>3-Year Cumulative Opportunities</b>			<b>\$16,780 — \$36,170+</b>

- While the Regents universities are already benefiting from competitive pricing and incentives in many of the focus areas, experience indicates that additional opportunities can be achieved through collaboration, further spend leverage, and contract and pricing optimization
- Change management, executive support, and category/contract management will be required to achieve the higher end of the savings ranges over time

**To achieve the high end of the identified opportunity ranges, collaboration and joint decision making between Purchasing and key stakeholder groups such as IT, Facilities, Dining Services, Research, and campus key stakeholders is required. BOR and universities' leadership support is also critical to savings achievement and ongoing realization success.**

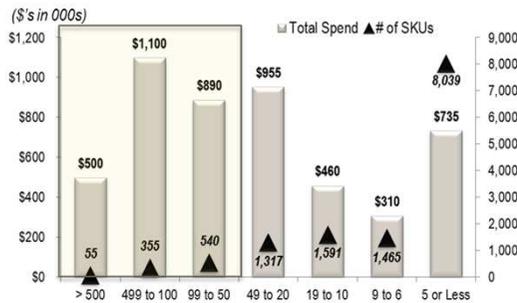
# Procurement Transformation

## Elements of Strategic Sourcing Success in Higher Education

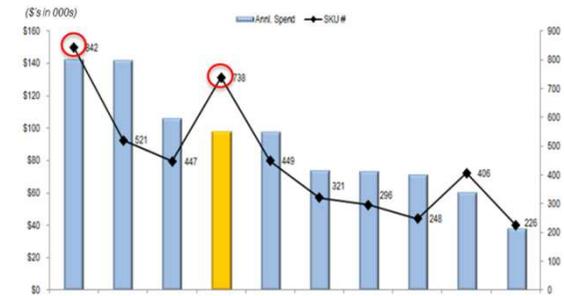


### Data-driven Strategic Sourcing Tactics +

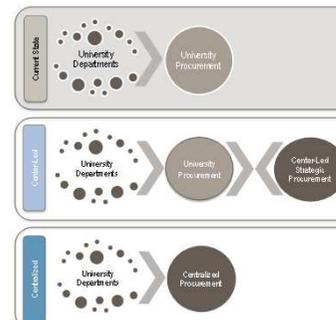
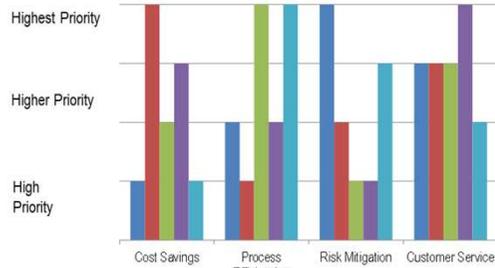
Potential Core List Coverage – Regents Schools



Total Spend	Total Qty	Qty. by Institution			Avg. Price by Institution		
		ISU	SUI	UNI	ISU	SUI	UNI
\$158,870	5,401	434	4,930	37	\$31.21	\$29.21	\$30.07
\$4,583	4,379	34	4,325	20	\$0.92	\$1.05	\$0.89
\$85,020	2,833	106	2,711	16	\$37.85	\$29.67	\$35.37
\$7,943	2,476	116	2,355	5	\$3.11	\$3.21	\$3.15
\$3,072	2,105	1,450	501	154	\$1.43	\$1.59	\$1.37
\$764	2,079	2,041	30	8	\$0.36	\$0.57	\$0.57
\$13,433	2,010	297	1,652	61	\$6.09	\$6.82	\$5.88
\$1,826	1,855	417	1,306	132	\$0.92	\$1.02	\$0.88
\$6,290	1,601	662	702	237	\$3.89	\$4.02	\$3.78
\$5,497	1,402	789	413	200	\$3.92	\$4.01	\$3.73
\$3,608	1,392	698	317	377	\$2.58	\$2.76	\$2.48
\$2,653	1,273	320	806	147	\$1.92	\$2.19	\$1.85



### Cultures, Philosophies and Purpose + Technology + Organizational Structure + Policies



Policy Summary	SOB	SOB	SOB	SOB
Legislative Requirements	• Use vendor and product information to select the best value product and lowest cost.	• Use vendor and product information to select the best value product and lowest cost.	• Use vendor and product information to select the best value product and lowest cost.	• Use vendor and product information to select the best value product and lowest cost.
Financial Stipulations for Allocation	• Use vendor and product information to select the best value product and lowest cost.	• Use vendor and product information to select the best value product and lowest cost.	• Use vendor and product information to select the best value product and lowest cost.	• Use vendor and product information to select the best value product and lowest cost.
Procurement Stipulations	• Use vendor and product information to select the best value product and lowest cost.	• Use vendor and product information to select the best value product and lowest cost.	• Use vendor and product information to select the best value product and lowest cost.	• Use vendor and product information to select the best value product and lowest cost.
Procurement Stipulations	• Use vendor and product information to select the best value product and lowest cost.	• Use vendor and product information to select the best value product and lowest cost.	• Use vendor and product information to select the best value product and lowest cost.	• Use vendor and product information to select the best value product and lowest cost.

### Bottom Line

Maximizing achievable savings for the Regents schools will depend on executive support at the Board and university levels, institutional decisions and willingness to collaborate on contract negotiation, implementing demand management practices and leveraging technology, driving change management appropriately, and revising relevant procurement policies.

# Procurement Transformation

## Current State



### Iowa State University

- Leverages a managed service for catalog management: ESM Solutions.
- Has a formal catalog audit in place; this is a best practice to proactively hold suppliers accountable to their contract content and pricing.
- Has good online tutorials and training guides for purchasing tools and offers individual training for these tools.
- Works with non-compliant departments to drive contract utilization.
- Collaborates with state agencies for monthly vendor orientations.
- Updates a savings tracker to document savings on a periodic basis.

### University of Iowa

- Leverages a managed service for catalog management: SciQuest.
- Created a “dashboard” program for departments with the intention of driving compliance and operational improvements.
- Has a strategic sourcing function in place.
- Has comprehensive system training guides online.
- Encourages contract utilization through visibility of contracts in PeopleSoft.
- Updates a savings tracker to document savings on a periodic basis.

### University of Northern Iowa

- Actively working on standardization of bid and contract templates across the Purchasing team.
- Continuously improving procurement technology (example: iProcurement is coming soon).

### Collective

- Regents schools' Purchasing Directors meet quarterly with each other and other state agencies to identify areas for collaboration and joint negotiation.
- Interviews indicated that the Cultural Insurance Services Incorporated (CISI) negotiation was an example of a successful joint bid across the Regents schools.
- Policies reflect conflict of interest (COI) requirements

# Procurement Transformation

## Culture, Philosophies, and Purpose



Key Finding	Observations																														
<p>Campus leadership has different priorities and objectives for their respective Purchasing organizations.</p>	<ul style="list-style-type: none"> <li>Leaders at each institution responded to the statement, “Prioritize the following business drivers for Procurement at your institution: cost savings, customer service, process efficiencies, and risk mitigation.” The results are below and indicate a different priority for each institution, and often within an institution, given their University culture, roles and perspectives, maturity in procurement technology and competencies, expectations of campus, inter-relationships between each of these business drivers, etc.</li> <li>All leaders agreed that each of these business drivers was a high priority and dependent on the others.</li> </ul> <div data-bbox="952 670 1993 1149"> <table border="1"> <caption>Business Driver Priority Levels</caption> <thead> <tr> <th>Business Driver</th> <th>Leader A</th> <th>Leader B</th> <th>Leader C</th> <th>Leader D</th> <th>Leader E</th> </tr> </thead> <tbody> <tr> <td>Cost Savings</td> <td>High</td> <td>Highest</td> <td>Higher</td> <td>Higher</td> <td>High</td> </tr> <tr> <td>Process Efficiencies</td> <td>Higher</td> <td>High</td> <td>Highest</td> <td>Higher</td> <td>Highest</td> </tr> <tr> <td>Risk Mitigation</td> <td>Highest</td> <td>Higher</td> <td>High</td> <td>High</td> <td>Higher</td> </tr> <tr> <td>Customer Service</td> <td>Higher</td> <td>Higher</td> <td>Higher</td> <td>Highest</td> <td>High</td> </tr> </tbody> </table> </div>	Business Driver	Leader A	Leader B	Leader C	Leader D	Leader E	Cost Savings	High	Highest	Higher	Higher	High	Process Efficiencies	Higher	High	Highest	Higher	Highest	Risk Mitigation	Highest	Higher	High	High	Higher	Customer Service	Higher	Higher	Higher	Highest	High
Business Driver	Leader A	Leader B	Leader C	Leader D	Leader E																										
Cost Savings	High	Highest	Higher	Higher	High																										
Process Efficiencies	Higher	High	Highest	Higher	Highest																										
Risk Mitigation	Highest	Higher	High	High	Higher																										
Customer Service	Higher	Higher	Higher	Highest	High																										

### Bottom Line



- Each of the Regents universities indicated a different priority, which is not inherently bad. Rather, this is indicative of differences in priorities at each of the Regents schools, as well as differences in purposes (i.e. research vs healthcare vs teaching), expectations, cultures, and business needs across each Regents institution. These differences will impact sourcing requirements and outcomes.
- As priorities vary across the Regents schools, so do expectations of outcomes. Huron’s recommendations are based on best practices, taking into consideration the unique priorities, business drivers, cultures, and expectations at each Regents institution.

# Procurement Transformation

## Procurement Technologies



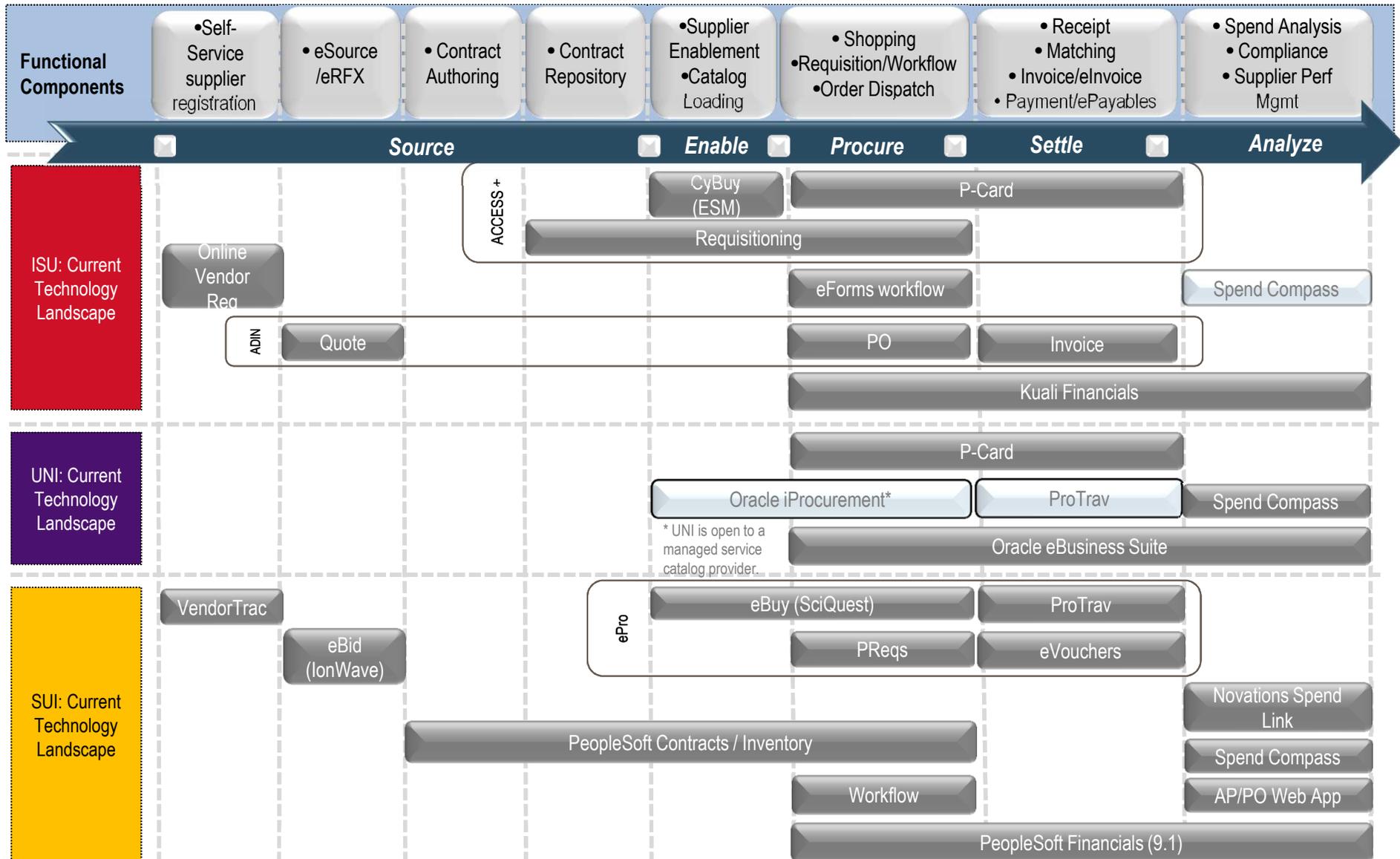
Key Finding	Observations
<p>Each Regent institution uses a different financial system and corresponding procurement technologies.</p>	<ul style="list-style-type: none"> <li>▪ Iowa State University                             <ul style="list-style-type: none"> <li>▪ Uses Quali Financials as the “backbone” of the encumbrances and payments, however custom interfaces have been developed for requisition workflow and PO creation.</li> <li>▪ ISU currently uses the requisitioning tool for contract administration by indicating contract start and end dates within the requisitioning tool.</li> <li>▪ Integrates the custom e-requisitioning tool with ESM for catalog management.</li> <li>▪ A custom quote tool and supplier registration tool was also developed at ISU.</li> </ul> </li> <li>▪ University of Iowa                             <ul style="list-style-type: none"> <li>▪ Uses PeopleSoft Financials, Contracts, and Inventory modules for procurement purposes, but also has a custom e-Pro toolset for eVouchers, requisitions, eBuy catalog orders and travel expenses.</li> <li>▪ Integrates the custom eBuy application with SciQuest for catalog management.</li> <li>▪ Leverages SciQuest for all PO distribution to vendors.</li> <li>▪ Uses IonWave for sourcing events and has a custom supplier tool where suppliers can upload invoices and check payment status.</li> </ul> </li> <li>▪ University of Northern Iowa                             <ul style="list-style-type: none"> <li>▪ Uses Oracle E-Business Suite (EBS) for financials</li> <li>▪ UNI is in the process of implementing Oracle iProcurement.</li> </ul> </li> <li>▪ All schools have licensed EAB Spend Compass for spend analytics.</li> </ul>
<p><b>Bottom Line</b></p>	



- As illustrated on the following slide, multiple financial systems and corresponding procurement technologies make it difficult for operational synergies across the Regents schools.

# Procurement Transformation

## Procurement Technologies



# Procurement Transformation

## Procurement Technologies



Key Finding	Observations
<p>Regents schools have opportunities for collaboration across sourcing, contract management, and catalog management.</p>	<ul style="list-style-type: none"> <li>▪ Two schools have technology in place for online sourcing, but they are on different technologies: one is using IonWave and the other a home-grown application.</li> <li>▪ One school has a contract management system in place, one has start and end date functionality within their requisitioning tool for contract administration, and the other does not have contract management technology. Contract management functionality typically includes a contract repository for procurement and non-procurement contracts, contract authoring and workflow, contract management, and providing an opportunity for end users to easily buy from a contract. Additionally, interviews indicated that Regents contracts are in place but other Regents schools do not have visibility or access to them.</li> <li>▪ Two schools are using a managed service provider for catalog management, but they are two different companies: ISU uses ESM Solutions and SUI uses SciQuest. Huron understands that the third school is not currently evaluating a managed service provider for catalog management.</li> </ul>
<p><b>Bottom Line</b></p>	



- Evaluate electronic sourcing technologies to facilitate the automation of strategic sourcing processes. This sourcing tool would also allow the Regents schools to have a common list of suppliers for solicitations and provide a common registration process to bid on work across the Regents schools. This is in line with the current BOR policy 7.06 C.1.: “Each institutional purchasing department shall maintain a master list of prospective suppliers.”
- Consider standardizing on a common catalog management platform that also provides the opportunity for end users across the Regents schools to search for and purchase from Regents contracts. This would also more easily accommodate a routine, scheduled audit of contract prices within the catalog for all Regents schools.
- Evaluate contract management technologies to provide contract authoring, contract management, and contract repository functionality. Ideally, the contract management technology would:
  - Integrate with the eSourcing tool to seamlessly convert an awarded solicitation into an editable contract; and
  - Provide authoring and contract workflow functionality; and
  - Provide eSignature capabilities to automate the signature process as much as possible; and
  - Manage and house contracts for retention and administration purposes; and
  - Integrate with the catalog management tool so end users can search for and purchase from contracts.

# Procurement Transformation

## Procurement Organization



Key Finding	Observations
<p>Regents schools have an opportunity for greater collaboration to drive greater process efficiencies.</p>	<ul style="list-style-type: none"> <li>▪ Each Regents institution has a different organizational structure and varying ways of dividing responsibilities among procurement staff, however all three procurement organizations manage similar functions, including but not limited to:                             <ul style="list-style-type: none"> <li>▪ Developing formal solicitations</li> <li>▪ Pursuing informal solicitations</li> <li>▪ Negotiating terms and conditions</li> </ul> </li> <li>▪ Additionally, purchasing and payables roll-up to the same Director at SUI and UNI, whereas purchasing and payables have separate reporting lines at ISU (purchasing reports to the Vice President of Business Services and payables reports to the Controller). If there is not a high degree of collaboration between purchasing and payables, Universities' will not be as successful in directing user behavior, driving contract utilization to realize savings associated with that contract, efficiently processing match exceptions, and realizing the benefits of settlement strategies.</li> <li>▪ Huron understands that Chazey Partners is evaluating functions within the procure-to-pay process and working with each school to categorize associated tasks with (a) procurement services; (b) University Center of Excellence; and (c) departments.</li> </ul>
<p><b>Bottom Line</b></p>	

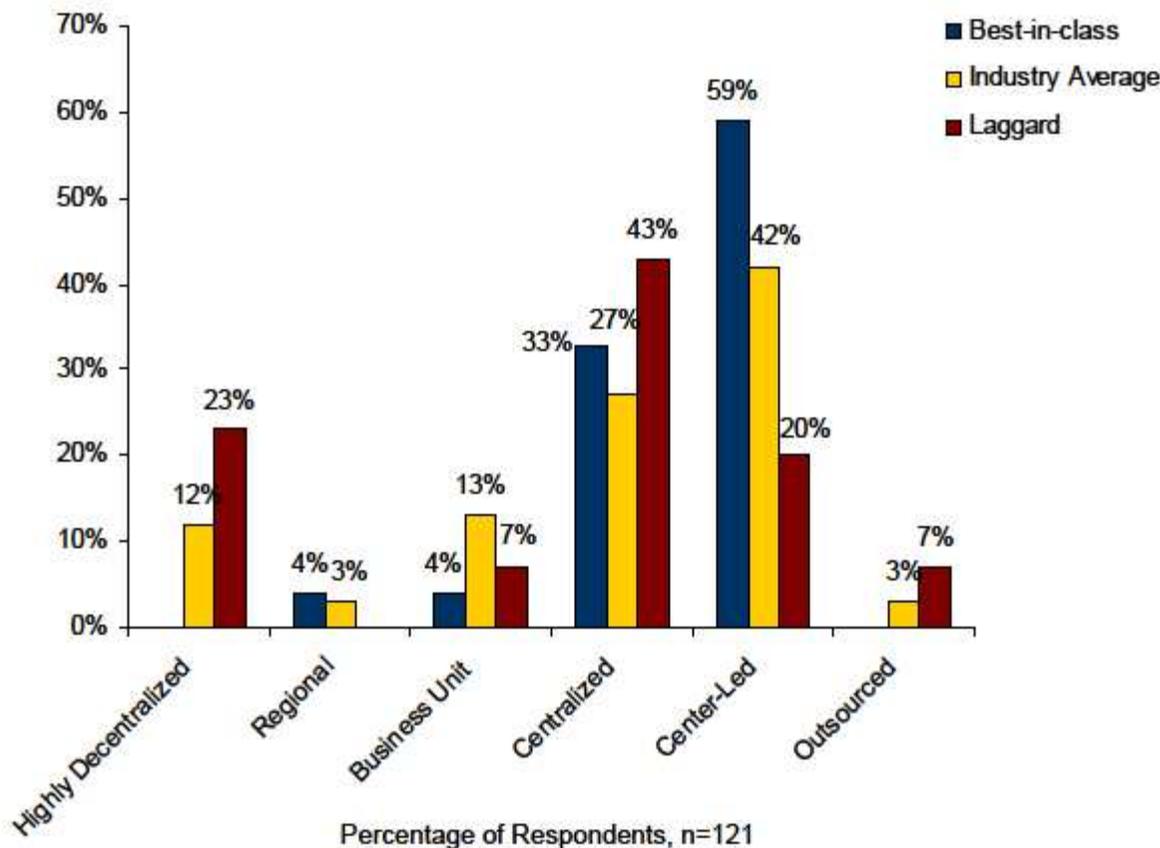


- Define an organizational structure that fosters greater collaboration and efficiencies. Procurement organizational structures vary greatly and some are more frequently used in Higher Education than others. See following slides for details.
- Create new job descriptions for any newly defined roles and responsibilities within the new organizational structure. Each Regents university should also update their Purchasing job descriptions, as needed, to align with the roles and responsibilities of the new organizational structure.

# Procurement Transformation

## Procurement Organization

Best-In-Class organizations tend to demonstrate a center-led organizational model for procurement\*. Center-led organizational structures in Higher Education are marked by the provision of standard procurement policies and guiding principles, thought leadership, category expertise, contract management and strategic sourcing.

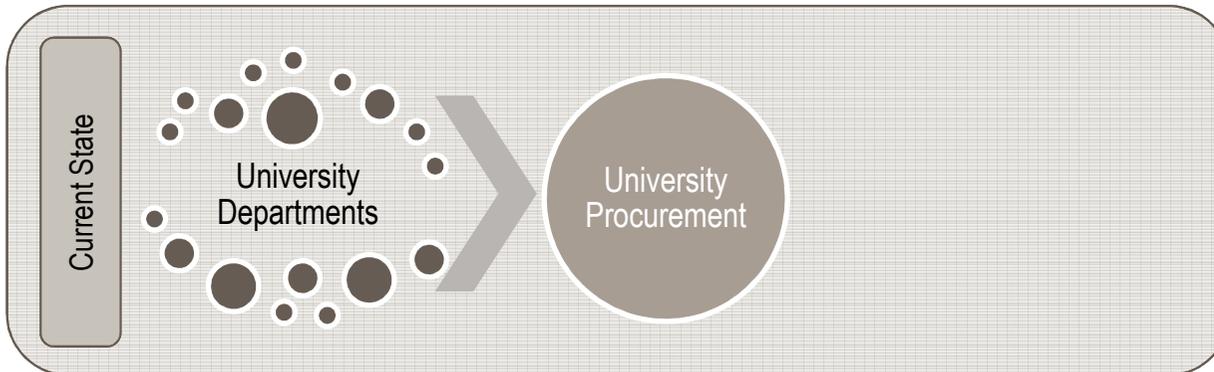


- Higher education institutions are typically a hybrid of decentralized and centralized models, with departments independently making many of the buying decisions and central procurement providing standard policies and procedures to drive regulatory compliance and realize cost savings where possible.
- Regional models are typically not applicable in higher education, as they are usually “country” based.
- Business unit models are used in higher education, but are atypical.
- Outsourced models are not used in higher education largely due to federal and state legislation and/or preferences for local economic support.

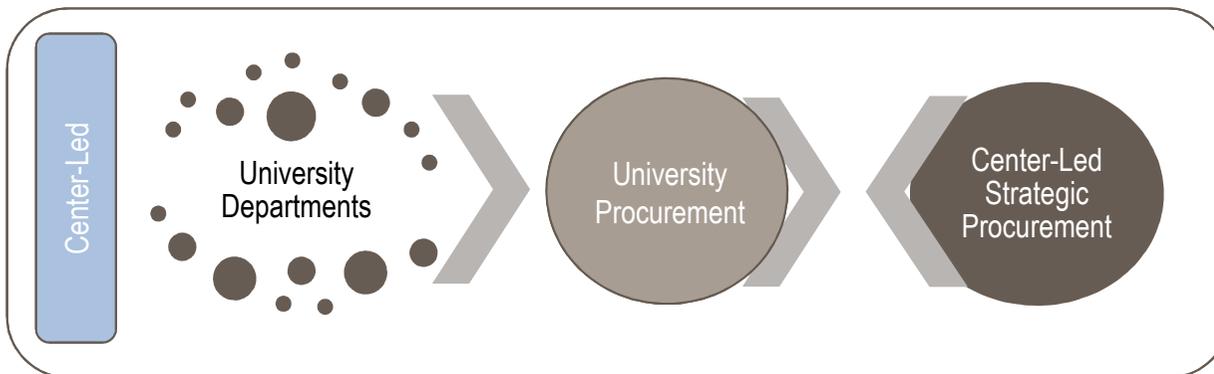
\*Source: Aberdeen Group. Dynamic Procurement. August 2011

# Procurement Transformation

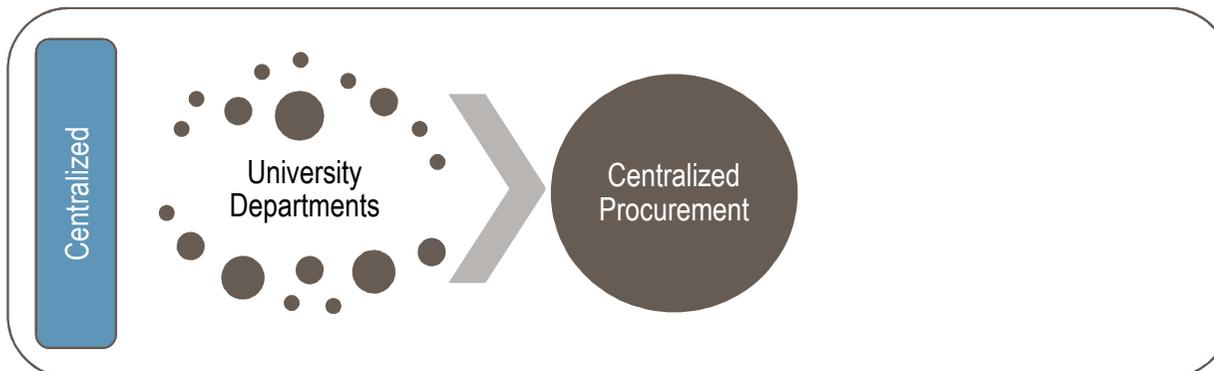
## Organizational Structures



- Three procurement organizations (one at each institution) manage similar functions including, but not limited to, developing formal solicitations, pursuing informal solicitations, negotiating terms and conditions, administering P-Card programs, and processing purchase orders, etc.



- University procurement organizations manage transactional functions for their respective Universities, however strategic functions such as strategic sourcing, developing formal solicitations, contract negotiation and management are led by a central organization.



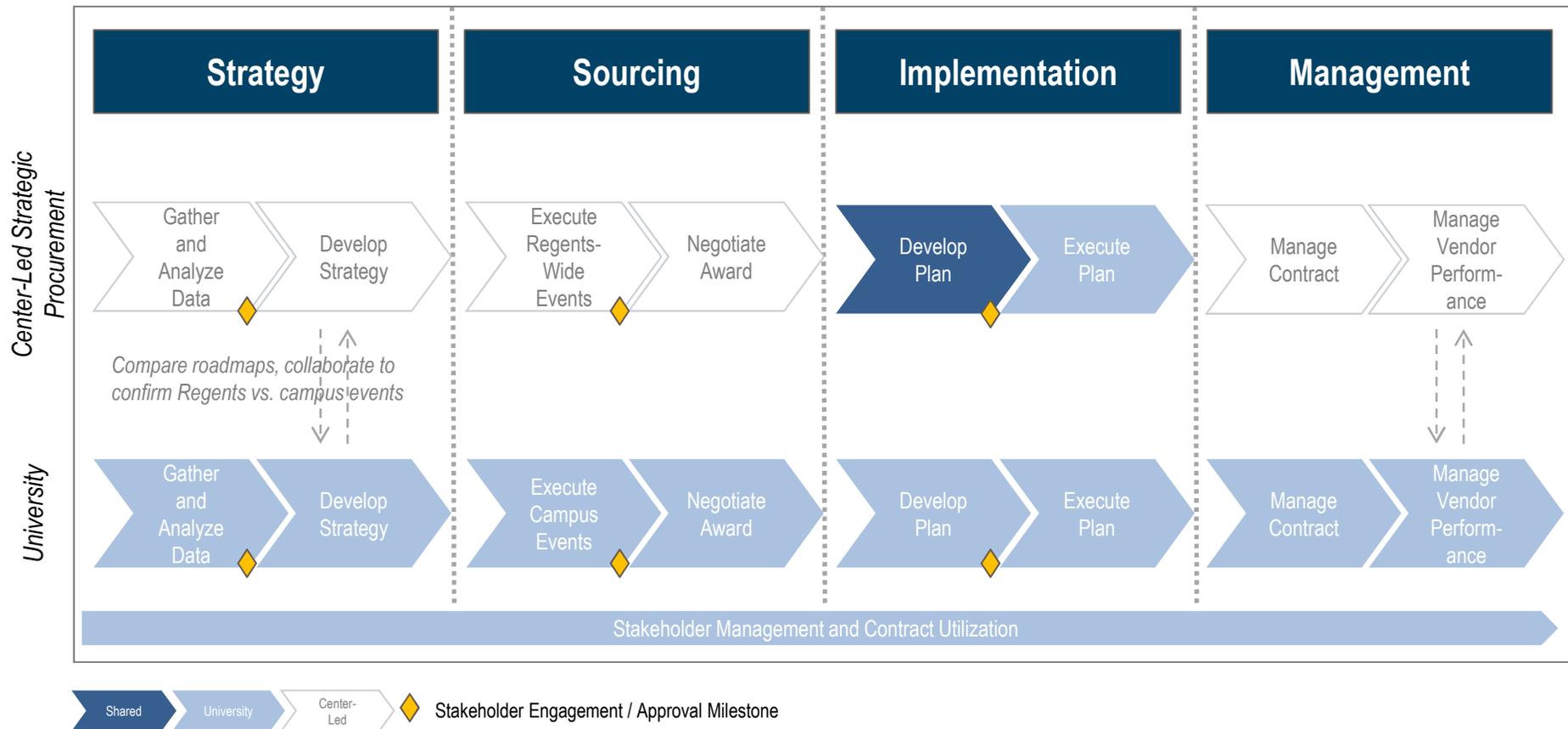
- One procurement organization is responsible for both transactional and strategic activities for all Universities and subsequent University Departments. This model can only be effective if all Universities are using common procurement systems. As previously noted, Regents institutions are not currently using common procurement systems.

# Procurement Transformation

## Procurement Organization



“Best-In-Class companies are 47% more likely to have collaboration in place than all other organizations and...companies currently instituting collaboration between procurement / sourcing and other key internal units have experienced nearly 31% higher realized / implemented cost savings than those companies that have not instituted this type of collaboration.”\*



\*Source: Aberdeen Group. The State of Strategic Sourcing. April 2011

# Procurement Transformation

## Policies



Key Finding	Observations
<p>Regents schools have an opportunity to streamline policy and procedure documentation and communication.</p>	<ul style="list-style-type: none"> <li>▪ Policies and procedures are not clearly differentiated within each Regents schools' respective policy and procedure documentation. This causes confusion between what is policy versus suggested procedure. For example, at one school, the Regents \$25,000 competitive bid threshold policy is written in the purchasing guidelines and procedures, not within University policies.</li> <li>▪ Policies and procedure documentation is repetitive (versus centralized and accessible through multiple channels) and language within documentation is inconsistent. This reduces users' ability to understand policies and requires additional work for Purchasing to update multiple documents.                         <ul style="list-style-type: none"> <li>▪ For example, at one school, the competitive selection documentation is available via the policy and procedure section of the purchasing website and also within the procurement procedure manual, however details of the competitive selection thresholds vary within the documentation.</li> <li>▪ Another school has an operational manual with purchasing policies dated August 2014 and a Purchasing Policy &amp; Purchasing Guide dated July 2014 with varying structures and content.</li> </ul> </li> </ul>

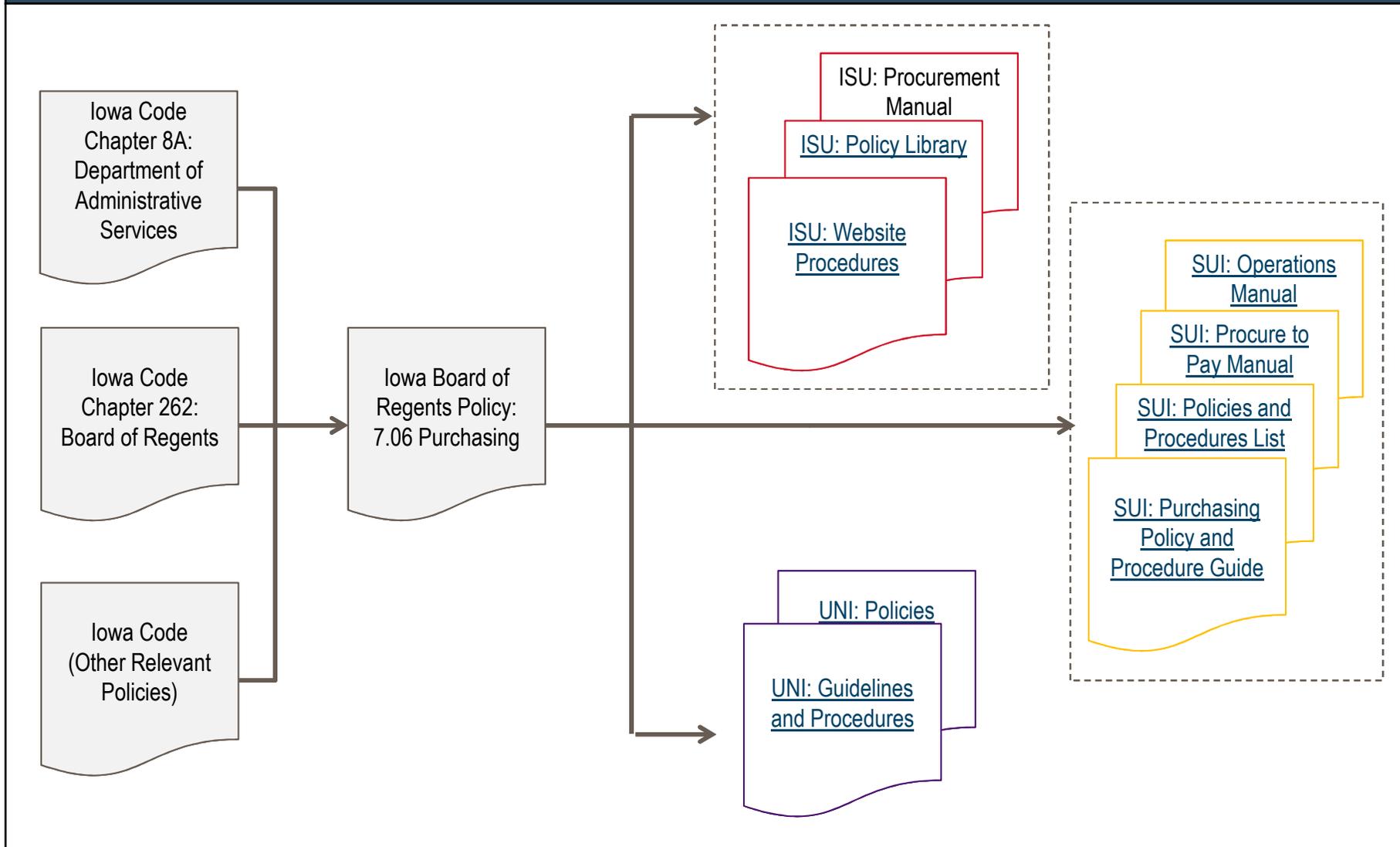
### Bottom Line

- Define purchasing policies and document procedures that support each policy. Huron understands that some Regents schools have a procedure-based culture instead of a policy-based culture, however best practice is to define the difference between the two and communicate each effectively.
- Eliminate redundancies in policy and procedure documentation. The following slide highlights different policy and procedure documents at each school that can be consolidated. This will empower end users to find the procurement policy and procedure documentation they need more quickly and easily. This will also eliminate the need to update multiple documents when a policy or procedure changes and reduces the risk of policy misalignment or disagreements.

# Procurement Transformation

## Policies

### Overview of Policy and Procedure Documents: Opportunities to Streamline Documentation at each Regents University



# Procurement Transformation

## Policies



Key Finding	Observations
<p>Purchasing policies across the Regents schools vary and are not consistently aligned with Board of Regents policies.</p>	<ul style="list-style-type: none"> <li>▪ Policy variances across Regents schools are not inherently bad and, in fact, may be necessary given the differences in focus and purpose. Variances are, however, indicative of differences in procurement philosophies and procedures that may impact sourcing efforts. See following slides for details.</li> <li>▪ Policy misalignments with BOR policies are likely related to BOR policy version controls and Universities' capacity to manage policy revisions in a timely fashion. This is typical at higher education institutions.</li> <li>▪ Board policy indicates that bid and PO terms and conditions should be the same across Regents schools. Interviews indicated that terms and conditions were not standardized.</li> <li>▪ In one instance, a University has a policy directly aligned with the Iowa Code. Huron understands that the Iowa Code should inform the Iowa Board of Regents policies and that the Iowa Board of Regents policies should inform the Regents schools' policies.</li> </ul>
<p><b>Bottom Line</b></p>	



- Update BOR policies to reflect all relevant Iowa Code policies that Regents universities need to comply with to avoid the need for schools to refer to the Iowa Code; rather, Regents universities can refer to the Iowa BOR policies only.
- Consider establishing a policy to require the use of Regents-established contracts to support strategic sourcing efforts and realize cost savings.
- Evaluate the upcoming changes related to Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards from the Office of Management and Budget (2 C.F.R. § 200 Procurement standards 200.317 – 200.326) and determine its impact on campus-specific policies and procedures. An example of this could be UG policy 200.318d which indicates that “The non-Federal entity's procedures must avoid acquisition of unnecessary or duplicative items. Consideration should be given to consolidating or breaking out procurements to obtain a more economical purchase. Where appropriate, an analysis will be made of lease versus purchase alternatives, and any other appropriate analysis to determine the most economical approach.” This type of policy has procedural implications, and potentially technological implications, on the way in which each Regents university operationalizes this policy.

**2015**

Chazey  
Partners

# **TIER PROJECT DESIGN REVIEW**

Prepared for the Board of Regents, State of Iowa | July 2015

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## 1 EXECUTIVE SUMMARY

### 1.1 BACKGROUND

The Board of Regents, State of Iowa initiated a subcommittee for a Transparent, Inclusive Efficiency Review (TIER) to improve the cost and efficiencies of their three universities: University of Iowa (SUI), Iowa State University (ISU), and University of Northern Iowa (UNI). The process from February 2014 until May 2015 was as follows:

Figure 1: Business Case Review & Approvals



In January 2015, Chazey Partners was engaged to provide the following work with the Universities, using as the foundation the individual universities' board-approved plans. The goal was to drive the first phase of implementation - the detailed *Design* phase - for the following administrative transformation opportunities:

#### FN-01 for Finance

Assist in implementing Finance shared services. A detailed design would be required to establish staffing levels, and in-scope processes for each institution.

#### HR-01 for Human Resources

Assist in implementing efforts to increase the strategic services Human Resources provides through the use of technology to automate processes, clarifying roles, redesigning governance structure, and establishing a comprehensive HR strategy that aligns short and long-term HR initiatives and metrics to university strategic objectives.

#### IT-01 for Information Technology

Assist in implementing transformation of the distributed IT landscape to strengthen collaboration between the distributed and central IT teams, streamline the delivery of commodity technology services, and plan for future technology innovations

The *Design* phase would end with a detailed read-out and final confirmation of, and agreement on, the scope, approach, future state operating models, timeline, resourcing, funding, business case, implementation plan, and

change management plan. Subsequent to the Design stage, each of the three universities within the Iowa State system will require detailed Build, Deploy and Stabilize stages to deliver their approved solutions. These are out-of-scope for this engagement and this report.

Our key contacts for the *Design* phase are provided in Table 1.

**Table 1: Key Contacts for Design Phase**

Area	University of Iowa (SUI)	Iowa State University (ISU)	University of Northern Iowa (UNI)
<b>Campus Representative</b>	Laura McLeran	Miles Lackey	Kelly Flege
<b>Finance</b>	Deborah Zumbach	Warren Madden	Kelly Flege
<b>Human Resources</b>	Kevin Ward	Julie Nuter	Michelle Byers
<b>Information Technology</b>	Steve Fleagle	Jim Kurtenbach	Marty Mark

After the Deloitte work, each university developed their plans (third stage from Figure 1 as presented on the prior page). The key elements from these business cases are provided in the table below.

**Table 2: Key Elements from each University's Business Cases**

Workstream	University of Iowa (SUI)	Iowa State University (ISU)	University of Northern Iowa (UNI)
<b>Finance</b>	Migrate to university-wide shared services for: Financial accounting (enquiries); Accounts payable and travel (p-card reconciliation, non-PO payments, travel arrangements, requests and expense vouchers); Purchasing (requests for POs for supplies, services and equipment); HR (student biweekly appointments, change-of-status and termination)	<i>ISU Finance did not create a business case</i>	Revise processes to increase efficiencies; Align skills with roles and responsibilities; Develop shared services for key transactions (travel & expense reimbursement, accounts payable, payroll, journal entry processing; Utilize technology to minimize paper processing and data entry; Establish internal SLAs; Revise governance structures
<b>Human Resources</b>	Realign and consolidate senior HR leader & HR unit representative roles; Expand electronic performance review & goal management tool; Streamline and automate HR and EOD roles in recruitment / strategic talent acquisition	HR / Payroll system; HR shared service model; Integrated campus HR (business partner model)	Evaluate campus relationships particularly academic affairs; Utilize technology to minimize manual processing and data entry; Redesign key processes; Revise governance to increase clarity of roles and responsibilities; Establish a comprehensive HR strategy
<b>Information Technology</b>	Coordinate the management of projects; Data Center; File storage services; IT helpdesk; Device management; Support for instructional & collaboration spaces and web hosting consolidation; Bring additional colleges onto the central network and unique systems into central services; Evaluation of applications reducing redundancy; Reduce telecom costs migrating to Microsoft Lync; Move faculty and staff to cloud email; Design a service model to increase adoption of cluster computing; Standardize IT equipment	Double the number of campus VDI thin clients; Increase the number of network printers; Implement a library management system; Develop an IT project portfolio; Distributed data center consolidation; Accelerate lean process developments; Form a CIO council at a Regents level; Develop a campus IT governance structure, centralizing and standardizing of IT services and processes including IT helpdesk, IT hardware and software projects	Strengthen governance and collaboration between IT teams; Better leverage existing IT knowledge and skills; Promote staff cross-training; Align IT strategic university initiatives; Clarify IT roles and responsibilities; Increase standardization of IT support tools and processes; Develop internal SLAs; Reduce local data centers; Create a CIO Council at a Regents level

## 1.2 METHODOLOGY AND GOVERNANCE

### 1.2.1 Overview

Due to the complexity of the business cases as summarized in the previous table, a custom approach was necessary to the project. As indicated above, there was a phase in which each university was invited to provide their own plans for TIER based on the Deloitte plans and their individual assessment of achievability. The following table indicates the workstreams that developed plans and whether high-level projected financial benefits were quantified within these plans.

**Table 3: Availability of Plans and Quantified Benefits by University and Workstream as of February 2015**

	SUI		ISU		UNI	
	Plan	Quantified	Plan	Quantified	Plan	Quantified
<b>Finance</b>	✓	✓			✓	
<b>Human Resources</b>	✓	✓	✓	✓	✓	
<b>Information Technology</b>	✓	✓	✓	✓	✓	

As can be seen from the table above, following the business case work with Deloitte each university and each work stream submitted individual plans addressing significantly differing scopes. The detailing and projected financial benefits within these plans also varied a great deal. The levels of engagement with Chazey Partners and throughout the Design phase and the resultant savings profiles reflected the degree of development within these pre-set scopes.

At ISU there were much lower levels of preconceptions and the plans in place were flexible. This meant that the Chazey Partners team was able to conduct an ‘access-all-areas’ design review with high levels of engagement across all work streams. Combining this approach with the economies of scale possible in a university of this size has resulted in a high number of opportunities for enhancements and efficiencies and significant potential financial savings.

At UNI the plans were quite well formed and the scope of what was under review had been just about decided. The Chazey Partners team was given good access to review as-is scenarios across all work streams. In terms of developing future states, the size of the university has inevitably limited both the number and the financial value of the possible benefits.

At SUI plans were developed by the university to leverage top efficiency initiatives identified by Deloitte. The Chazey Partners team was given access to discrete subsets of data to validate the robustness of these plans. Focus on these predetermined areas afforded limited scope to highlight incremental opportunities and associated financial savings. Considering the size of SUI, more savings could be derived in economies of scale in the future.

### 1.2.2 Governance

As previously mentioned, each university had a named a campus representative who managed the engagement and provided a point of contact. Additionally, further engagement of university leadership teams also occurred in many cases. The Board TIER Representative, Mark Braun, and the Chazey Partners Project Manager, Robert Towle, met on both a regular weekly basis, as well as as-needed on an ongoing basis.

### 1.2.3 Change Management

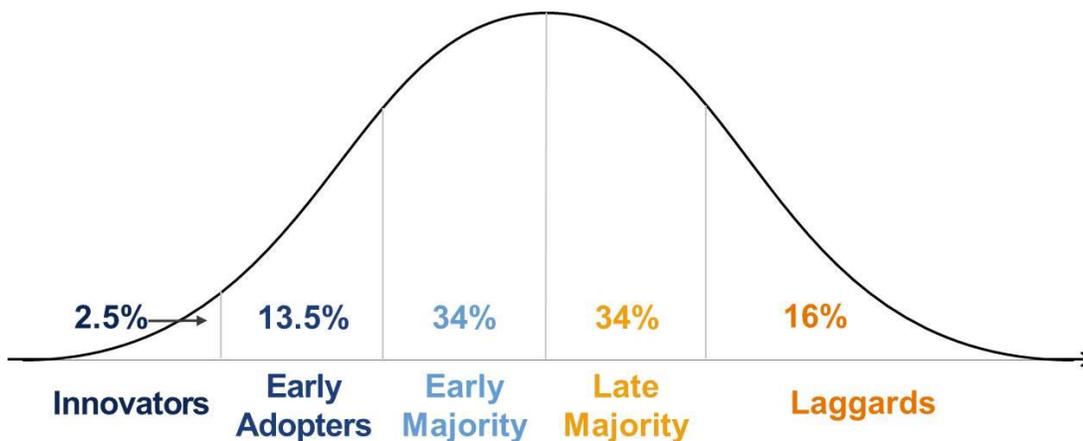
From a change management perspective it is important to recognize that people react to change in many different ways. It was significant to this project, and will continue to be so for the TIER initiative as a whole, to understand differing reactions across the broad range of interested and impacted stakeholders.

- **Innovators:** Some see change as an opportunity; they get a buzz from the challenge and a new sense of direction, and champion change; these are the people to lead the change
- **Early Adopters:** Some are a bit more cautious; they sit back for a little while, but at the first opportunity they look to be included
- **Early Majority:** Others wait to see what happens and then go with the flow
- **Late Majority:** Will be carried along by the increasing volume of adoption of the change
- **Laggards:** This group may see the changes as a threat, and may withdraw or resist until there is no other option. They are the cynics, the “yes butters”... “yes but that will never work”... “we tried that before”. When there is no other option they will move with change
- **Saboteurs:** A small sub-set of laggards who may block or even look to sabotage the changes

Figure 2 on the next page presents a diagram of typical reactions when significant changes or innovations are introduced to an organization. The diagram illustrates that:

- 2.5% of people will lead the change
- 13.5% get involved at the first opportunity
- 34% wait and see what happens
- 34% will be carried along with the change
- 16% will change when there is no other option

Figure 2: Distribution of Innovation Reactions<sup>1</sup>



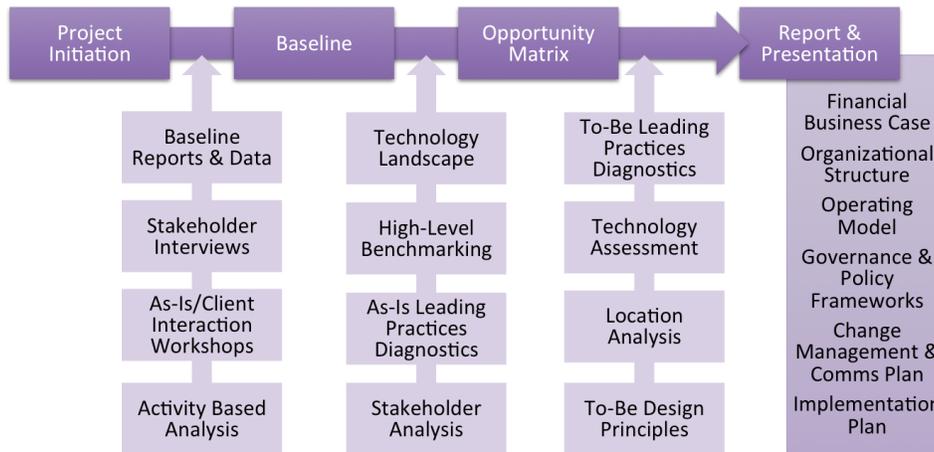
It was important in this project for the Chazy Partners team and the Campus Representatives to identify the early adopters, the people who are passionate, will lead, and drive change, and use them to bring the rest on board. Likewise, it was vital to identify those who might be less likely to embrace the proposed changes. As might be anticipated the Iowa teams engaged with this project as per this classic profile.

<sup>1</sup> Rogers & Shoemaker (1971) 'Communication of Innovation' New York: The Free Press

### 1.2.4 Methodology

Our standard methodology to perform this type of assessment is provided in Figure 3.

Figure 3: Key Deliverables for Board of Regents



We adapted this approach to consider the individual nature of the planned end-state for each workstream at each university and their varying degrees of readiness. We termed this custom approach “triangulation”, which involved assessment and consolidation of the following three components into the TIER report: (1) the Board Approved plans, (2) the detailed work by Deloitte, and (3) relevant components of our methodology to fill in missing pieces of information. As a result, the following work was completed:

- Review of previous business case data and University Plans – as noted above
- Meetings with each workstream at each university – this was another aspect of “triangulation” that allowed us to customize our approach and methodology to the needs of each workstream
- Activity Based Analysis – A person-by-person survey of activities with time and cost allocation to form the basis for improvement plans and anticipated dollar savings grounded in detailed actual requirements, activities and expenditures
- “As-Is” Workshops – involving a variety of participants to prepare detailed documentation of in-scope processes
- “To-Be” Workshops – built off of the “As-Is” workshops, determining new approaches and innovations to existing processes
- Benchmarking Analysis – external third-party benchmarks by workstream to allow comparisons where applicable and where possible
- Detailed Process Efficiency Matrices and Opportunity Matrices – a numbers-based improvement plan documenting in-scope processes to conclude with the validation of the university plans
- Detailed Report – including:
  - Validation of previous plans – as requested by the Board
  - Additional Recommendations – as requested by the Board

This work culminated in 154 possible opportunities. These were reviewed with the university workstream leads and campus representatives. These discussions and further analysis led to the key recommendations in this assessment.

Although each workstream and each university started at a different stage of readiness, the end state of the process has resulted in validated plans that, when implemented, will result in more efficient and effective services for each of the universities.

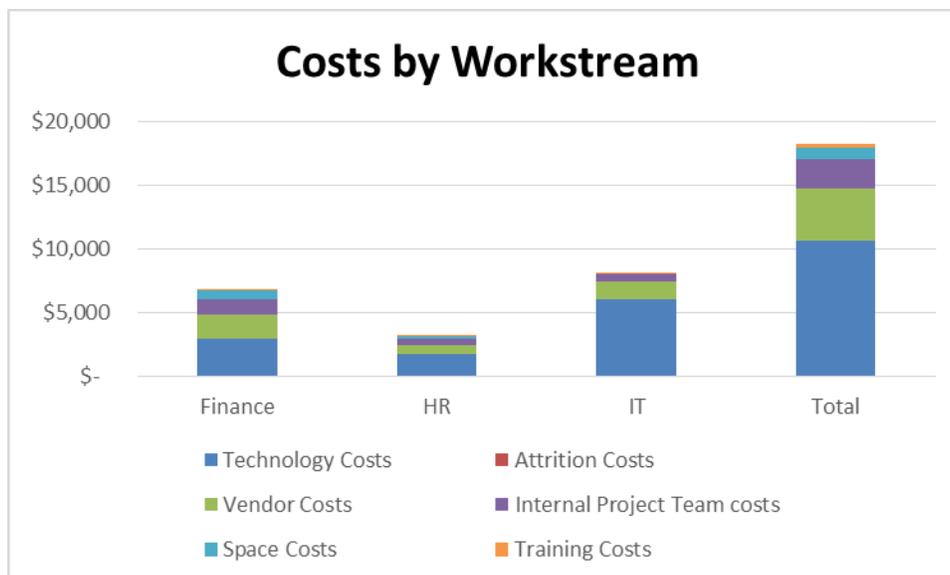
### 1.3 RECOMMENDATIONS

Our overall recommendation is to proceed into building and implementing the plans and designs validated up to this point across the workstreams at each of the universities, utilizing the Process Efficiency and Opportunity Matrices. This will enable the Board of Regents to realize significant efficiencies and cost savings as outlined in this report.

### 1.4 FINANCIAL IMPACT

The financial impact of the transformation has been estimated in the financial business case that supports this Design Project.

Figure 4: Implementation Costs by Workstream (000's)

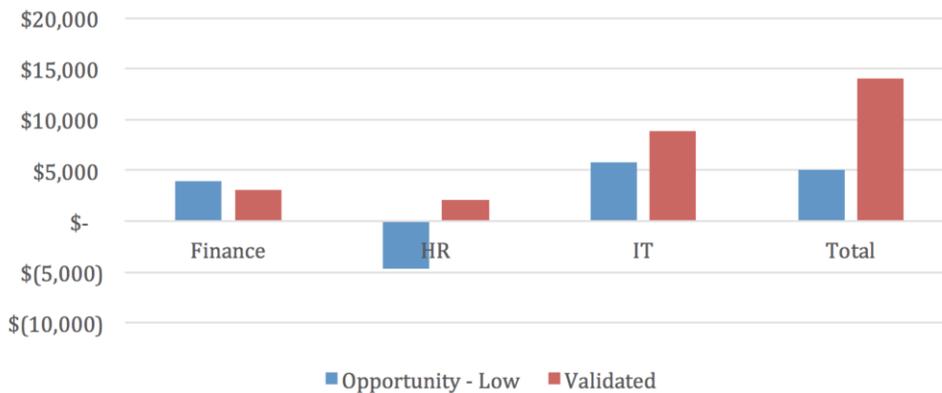


For institutional planning purposes, it is important to realize that many of the following savings are not immediately achievable. Rather, as indicated above, full realization of the savings will require upfront investment and full adoption of new practices and processes which will take years, not months to implement. This is particularly applicable with respect to ISU, as a high percentage of their savings are predicated on the procurement and adoption of a modern/comprehensive ERP system (full implementation of a new ERP often takes 3+ years with payback periods extending well beyond that point).

An estimated net savings of over \$14 million in 2017 and each year thereafter has been validated as a consolidated total across the three universities and three workstreams, based on the current validated plans and designs. These are ongoing savings net of the recommended investment in transition/implementation costs. The comparison

numbers, indicated as “Opportunity - Low” were derived from the Board approved plans (based on the Deloitte outputs). Despite the removal of certain items from the scope of the project, this results in a significantly higher forecast run-rate savings of approximately \$9 million per year. Initial savings were calculated and then an amount, termed contingency, was removed from the savings to account for unforeseen events, obstacles or delays. These contingency amounts ranged from 1% to 25%. Contingencies varied based on the level of confidence of the different work streams for the individual initiatives. The remaining savings, each calculated on an initiative by initiative basis, range from 2%-50% across the universities and workstreams.

Figure 5: Comparison of Low versus Validated Opportunities - By Workstream (000's)



## 1.5 CONCLUSION

We would like to thank each of the workstream teams at each of the universities for the collaborative way in which they each engaged with the Chazey Partners team. It was clear that each team was committed to making improvements and embracing the TIER objectives. We strongly encourage the Board of Regents, and the Universities, to proceed with the action items, validated plans and designs as outlined in this report to achieve the efficiencies and cost savings outlined.

Additionally, we believe there are a number of additional action items and recommendations that could be pursued, either in tandem or subsequent to the validated improvement efforts. These additional recommendations are detailed by university and by workstream in Section 5 of this report.

As indicated by the TIER committee, it is important that TIER not be a one-time project, but a continuation and expansion of developing a culture of continuous improvement at the universities. Implementing the validated plans and pursuing the additional opportunities are the first steps to accomplishing this objective.

## 2 BACKGROUND

### 2.1 UNIVERSITY OF IOWA (SUI)

The State University of Iowa (SUI), in Iowa City, Iowa, was established in 1847 as the State's first public institution of higher education. The University operates one of the nation's largest university-owned teaching hospitals; approximately half a million visits are made to the State University of Iowa Hospitals and Clinics every year. Fall 2014 headcount enrollment at the University was 31,387 students and includes 11 colleges, 200+ majors, minors and certificate programs, and 5000+ courses offered each year.

### 2.2 UNIVERSITY OF NORTHERN IOWA (UNI)

Located in Cedar Falls, Iowa, the regional, comprehensive University of Northern Iowa was established in 1876. Fall 2014 headcount enrollment at the University was 11,928 students. UNI offers more than 90 majors across the Colleges of Education, Humanities, Business Administration, Arts, Sciences and Social and Behavioral Sciences. The university has over ninety-two percent of its students from within the State of Iowa.

### 2.3 IOWA STATE UNIVERSITY (ISU)

Iowa State University of Science and Technology (ISU), in Ames, Iowa, is a public land grant and space grant research university that was chartered by the State General Assembly in 1858. Academic offerings are administered through eight colleges offering over 100 bachelor's degree programs, 112 master's degree programs, 83 programs at the Ph.D. level and a professional degree program in veterinary medicine. Fall 2014 headcount enrollment at the university was 34,732 students.

### 2.4 PROJECT SCOPE & APPROACH

The project scope was for Chazey Partners to validate the Board approved plans as developed from the work previously completed by Deloitte. We were pleased to partner with the Board of Regents, State of Iowa to analyze the delivery of service and help ensure that Iowa universities are able to continue to offer quality education at an affordable cost to your students and their families. Based on the Board's requirements, we proposed specific Design activities for Finance (FN-01), Human Resources (HR-01) and Information Technology (IT-01) as outlined by the Deloitte Business Cases report dated October 2, 2014. The specific deliverables requested in the RFP document were as follows:

- Assist in implementing Finance shared services. A detailed design would be required to establish staffing levels, and in-scope processes for each institution.
- Assist in implementing efforts to increase the strategic services Human Resources provides through the use of technology to automate processes, clarifying roles, redesigning governance structure, and establishing a comprehensive HR strategy that aligns short and long-term HR initiatives and metrics to university strategic objectives.
- Assist in implementing transformation of the Distributed IT landscape to strengthen collaboration between the distributed and central IT teams, streamline the delivery of commodity technology services, and plan for future technology innovations

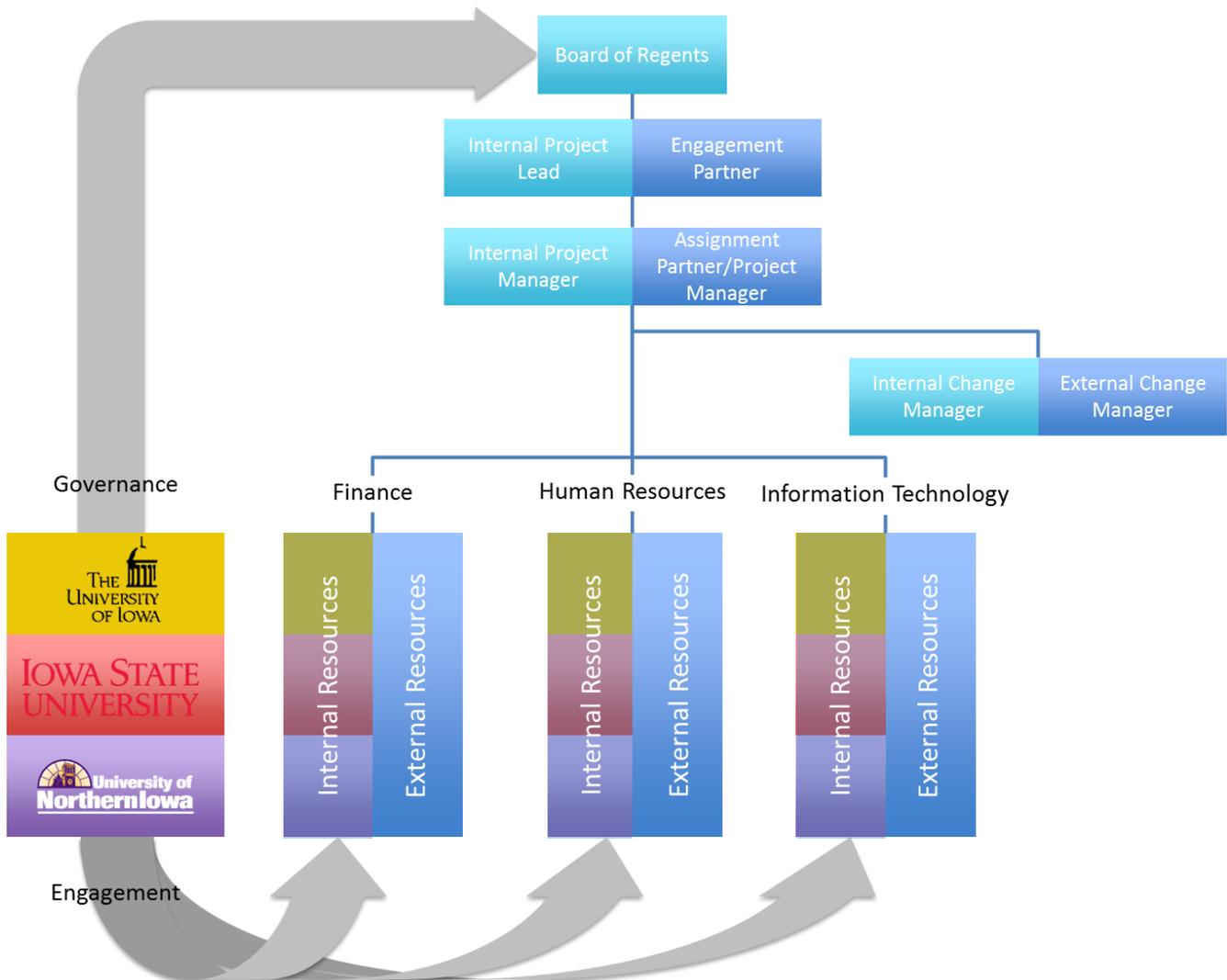
Chazey Partners organized the activities, effort and pricing for the deliverables in three workstreams for the discrete areas of FN-01, HR-01 and IT-01. Separate workstream-based teams were organized for each of the three universities. The backbone of the university-based project teams consisted of internal subject matter experts, business process owners and client representatives working in partnership with the external consultant teams for

each workstream. The internal team members brought their location-specific and Iowa-wide experience to the table to ensure that the recommended future state is relevant and appropriate for each university.

As the external project team, we brought a robust methodology, leading practices, capacity, and an independent, global viewpoint to each team. We leveraged a common external project team for each workstream (Finance, HR and IT) across the three universities. This enhanced communication, enabled collaboration where synergies were found to exist, and also made university-specific issues transparent for the Board of Regents and project governance. In addition to producing a higher quality, more relevant solution, this partnership approach enabled us to carry out our work and meet your deliverables at overall lower total cost and within a shorter timeframe.

The Chazey Partners approach to the Project is illustrated in the following diagram.

Figure 4: Chazey Partners' Approach to the Project



## 2.5 CHAZEY PARTNERS PROFILE

Chazey Partners was founded in early 2006 by Phil Searle and has grown significantly in the more than nine years since then; now with offices in the United States, Canada, Mexico, Brazil, the United Kingdom, Ireland, Cyprus and Hong Kong. Chazey Partners brings together a unique wealth of expertise in implementing and operating world-class business support and Shared Services Organizations (SSOs) around the globe.

We operate a variable resourcing model, making use of a mix of employees, and both long-term and short-term contractors. This ensures that we stay very flexible and can bring highly experienced resources to our client engagements at very competitive rates, thereby providing excellent value to our clients. We have more than 120 resources located across the globe, with experience spanning multiple industries and jurisdictions.

We pride ourselves in having built, operated and turned around some of the world's most highly commended and ground breaking solutions, in both the private and public sectors, including "correcting" previously underperforming operations.

We provide advice, guidance, support and implementation expertise, covering strategy setting, business case production, program management, business continuity planning, outsourcing assessment, process optimization, technology enablement, training and change management. Our functional breadth of experience includes the "big four" of human resources, finance, information technology and procurement, plus other support services such as facilities, real estate, legal, communications, to name a few.

Our higher education clients include several entities in the University of California system (UC Davis, UC San Francisco, UCPATH Center and the UC Office of the President), National University Ireland, Galway and Lawrence Berkeley National Laboratory. Some of our other public and private sector clients include the US Department of Health & Human Services, Coca-Cola Hellenic, Coca-Cola Enterprises, Government of New Brunswick, Bridgestone, Gerdau, and many others, as illustrated in Figure 5.

Figure 5: Example Clients of Chazey Partners



Because we are passionate business people and shared services practitioners, we care about your success and deliver solutions relevant to your organization.

Our people are practitioners and subject matter experts who have gained significant operational experience transforming "back office" operations, and designing, setting up and running Centers of Excellence, Centers of Expertise, and Shared Services Organizations of various types, including working with our clients' third party business process outsource providers if and as appropriate. The strength of our capability is based on practical experience and we are proud of this solid historical foundation.

Chazey Partners has carried out a number of similar Assessments, such as reviewing business cases and design plans and looking at the operations of an SSC after a certain period post go-live, including Greene King Breweries, Lawrence Berkeley National Laboratory (managed by the University of California), The Program Support Center (part of the United States Department of Health & Human Services), University of California – Davis, University of California – San Francisco, National University Ireland – Galway, Government of New Brunswick, and Cardinal Health.

Chazey Partners prides itself on its tailored and client-centered methodology to our engagements and we are committed to adding significant value to our clients through a partnership approach. Our philosophy is to partner with our clients to ensure the optimum suitability of the solution and to transfer our knowledge to the internal team members, improving engagement and ensuring internal ownership of the project.

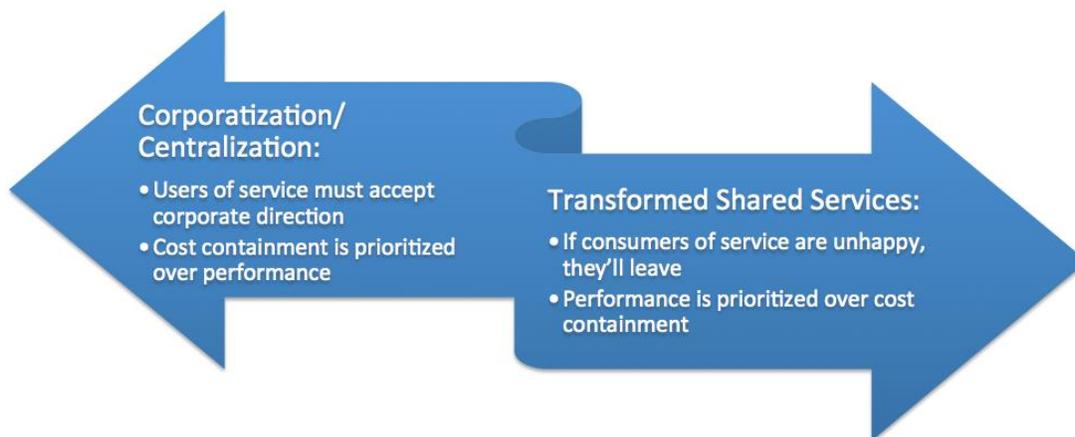
### 3 METHODOLOGY

#### 3.1 SHARED SERVICES

Best practice shared services is characterized by specialist teams that are geographically unconstrained and client-focused. Though often confused with “centralization,” the differentiator in shared services is that the internal client is provided with the same respect and service as if they were an external client. External clients are typically treated well by providers because these clients have options, pay for services received, and can go elsewhere for service. Internal clients can be treated poorly with few obvious consequences (at least in the short term), because they are often a captive audience. Successful shared services require engaged clients, working in partnership with the provider.

Shared services is more than a name. In some cases, world-class shared services does not use the term in their name or branding. For other organizations, the only thing shared about it is the word in its name. Most organizations are at some point on the spectrum between a centralized service and fully transformed shared services as shown in the simplified illustration in Figure 6. Within the three workstreams (Finance, Human Resources and Information Technology) at the three universities, it is fair to state that all are in the early stages of implementation and they are in a mixed state on the continuum, with a strong desire and commitment to progress to transformed shared services.

Figure 6: Spectrum between Centralized and Shared Services



#### 3.2 FIVE PHASE APPROACH TO TRANSFORMATION

Our general approach to transformation is based on the five phases as shown in Figure 9 on the next page. In our work on the Roadmap, we leveraged our robust and leading practices Business Case and Design methodology, adapted for the specific requirements of the Board of Regents. We were very flexible in the way we approached this engagement, given the broad scope and unique characteristics of each of the three universities and nine functions. Upon approval of the Report by the Board of Regents and the TIER project, the selected priorities should then proceed through to the next Build/Deploy/Stabilize set of phases, appropriate for the in-scope initiatives.

Figure 7: Roadmap: Five Phase Approach to Transformation



### 3.3 KEY ACTIVITIES & DELIVERABLES

The first activities in our Design and validation work focused on the existing processes and work effort in the university workstreams. Subsequently, our assessments broadened to consider the effectiveness of current state processes. The key activities undertaken were:

- Review of previous data and university plans
- Meetings with each workstream at each university
- Activity Based Analysis – person by person survey of activities
- “As-Is” Workshops
- “To-Be” Workshops
- Benchmarking analysis
- Detailed Process Efficiency Matrices and Opportunity Matrices
- Detailed Report – including:
  - Validation of previous plans
  - Additional recommendations

### 3.4 CRITICAL SUCCESS FACTORS

There are four main critical success factors for any top performing shared services organization: client, process, technology and people. These critical success factors are shown in Figure 8 on the next page. In many organizations, there is a focus on process optimization and technology, and some consideration is usually given to ensuring the right people are in place and trained to do the work. However, often not enough consideration is

given to the needs of the client (internal and external). This frequently leads to sub-optimal and unsustainable performance.

Figure 8: Critical Success Factors



### 3.5 CLIENT INTERACTION FRAMEWORK (CIF)

CIF provides the structure for a client-focused organization, which is outward looking and proactive. If the needs of the client are not adequately considered, the service will not be fair or sustainable. One of the best ways to ensure that the customer is fully considered is to adopt a rigorous CIF.

A comprehensive and robust CIF Framework distinguishes a leading practices SSO from a simple act of centralization. It also promotes a spirit of partnership between the SSO, its clients and its key stakeholders. Using CIF will ensure that the SSO:

1. Is client-oriented, looks outward and actively seeks opportunities to improve the client experience
2. Delivers services to pre-defined service standards (developed in consultation with the client)
3. Has clearly defined roles, responsibilities and accountabilities and assesses performance against key performance indicators (KPIs) and other metrics
4. Actively participates in the management of client relationships, delivered through service teams and led by the appropriate level of individual within the organization
5. Focuses on driving the “cost of service” towards a world class standard

The nine key components of a comprehensive and robust CIF in support of shared services are shown Figure 11 on the next page.

Figure 9: Client Interaction Framework



## 4 PROJECT DELIVERABLES

As noted earlier, the key aspect of this project was to validate the board approved plans for each workstream at each university. As each workstream was at a different stage of development with regards to shared services, more specific objectives are outlined in this section.

### 4.1 FINANCE SHARED SERVICES

Assist in implementing Finance shared services. A detailed design would be required to establish staffing levels, and in-scope processes for each institution.

### 4.2 INCREASE HUMAN RESOURCES STRATEGIC SERVICES

Assist in implementing efforts to increase the strategic services Human Resources provides through the use of technology to automate processes, clarifying roles, redesigning governance structure, and establishing a comprehensive HR strategy that aligns short and long-term HR initiatives and metrics to university strategic objectives.

### 4.3 TRANSFORMATION OF THE DISTRIBUTED IT LANDSCAPE

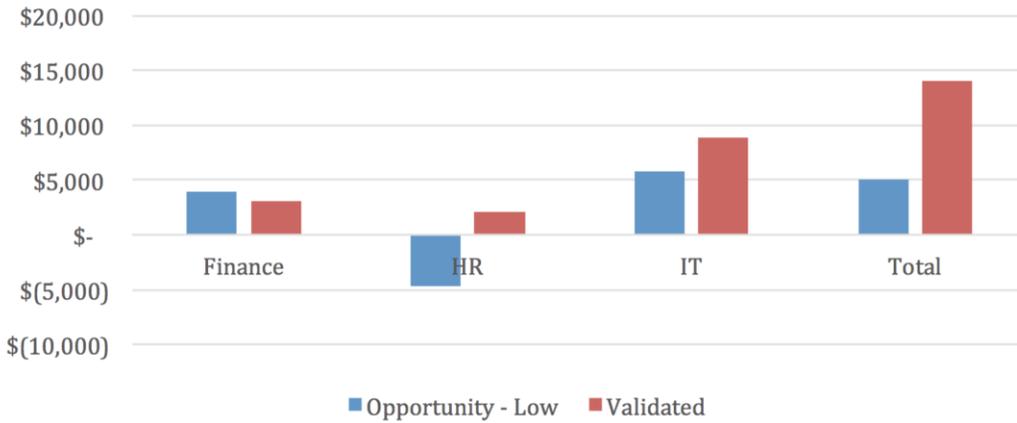
Assist in implementing transformation of the Distributed IT landscape to strengthen collaboration between the distributed and central IT teams, streamline the delivery of commodity technology services, and plan for future technology innovations

## 5 FINDINGS

### 5.1 OVERVIEW

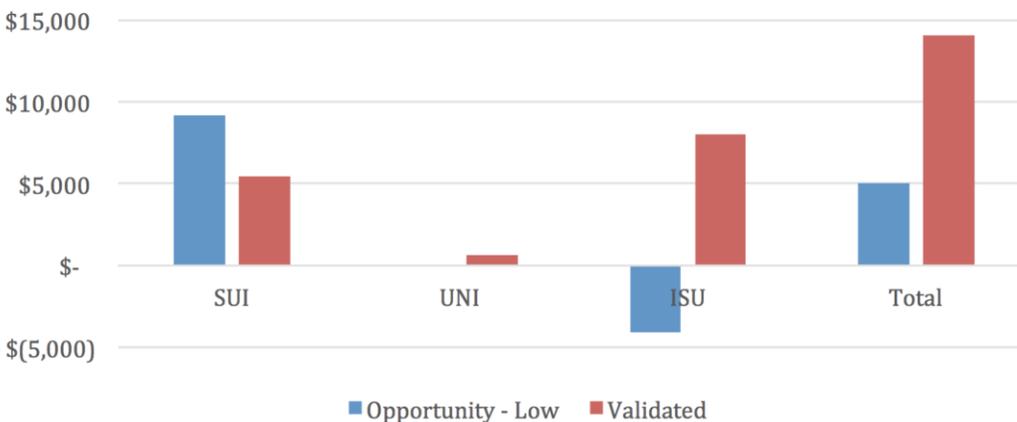
Although some scope changes have taken place since we began our work, primarily the exclusion of the Carver College of Medicine from the Board of Regents validated plan for SUI, our findings are that there are substantial validated opportunities for each of the universities and each of the workstreams. Figure 12 demonstrates this by presenting the opportunities in aggregate by workstream.

Figure 10: Comparison of Low versus Validated Opportunities - By Workstream (000's)



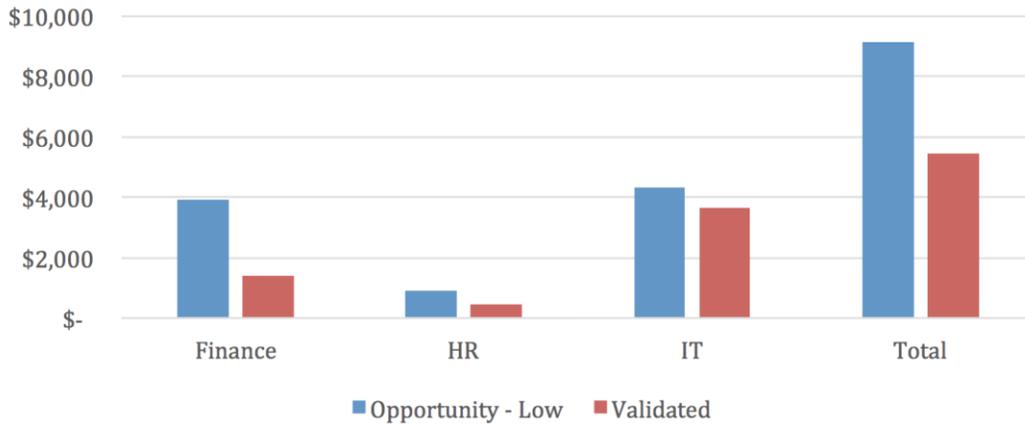
Additionally, when viewed by university, the opportunities are also clear. The disparity between the SUI, UNI and ISU validated opportunities compared to the Board approved plans will be discussed in the following sections. It is important to note that in reviewing the Board approved plans, the Chazey Partners team also spent time reviewing the foundational work provided in the Deloitte phases of work.

Figure 11: Comparison of Low versus Validated Opportunities - By University (000's)



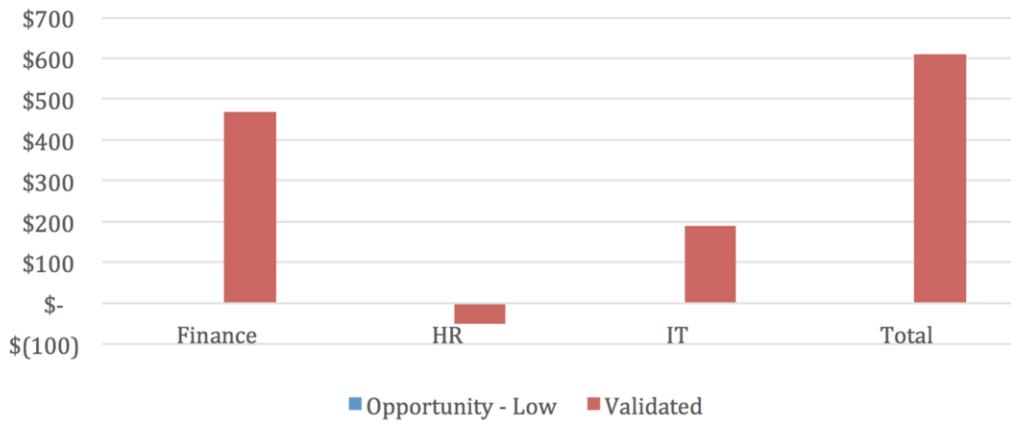
SUI demonstrates a lower validated opportunity (Figure 14 on next page) partially due to the exclusion of the medical center after the approval of plans by the Board of Regents. Despite this, there are significant opportunities at the university, which should be acted upon. Additionally, in the following section, we will discuss additional recommendations for further actions at the university for additional improvements.

Figure 12: Comparison of Low versus Validated Opportunities - SUI by Workstream (000's)



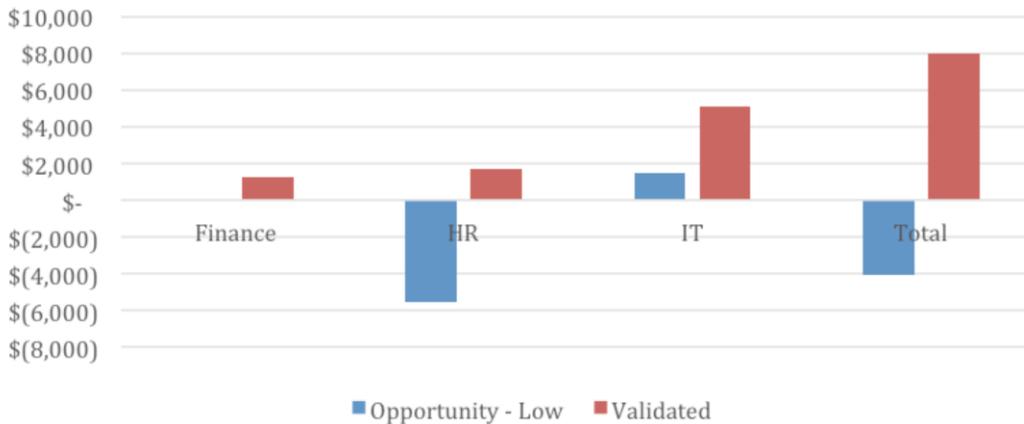
UNI did not have actual figures approved in the Board approved plans (Figure 15, no blue columns), but rather specific actions. Our approach was to partner with the university to (1) assure those opportunities were present, and (2) provide validated savings numbers to those opportunities. Further information is provided in the UNI specific findings.

Figure 13: Comparison of Low versus Validated Opportunities - UNI by Workstream (000's)



ISU had the most significant movement from the Board approved plans in each of the three workstreams (Figure 16 on the next page). Finance did not originally have a Board approved plan, but participated strongly with new ideas that have been validated. HR is most significantly impacted by our recommendation that rather than implement a stand-alone HRIS system, the department be incorporated into the overall IT recommendations for the University. Additionally, IT has brought a significant number of new ideas to the table that have been validated for further action.

Figure 14: Comparison of Low versus Validated Opportunities - ISU by Workstream (000's)



As might be reasonably anticipated, all of the savings opportunities will require an initial investment. Generally, the scale of the investments will be proportional to the size of the opportunities. The most common costs that will need to be considered are:

- Resourcing – using current staff members carry out these changes may create instances where back-fill is needed
- Technology – if new IT systems need to be selected, configured and implemented
- Attrition – if any members of staff leave via involuntary means as a result of this work
- Training – to support users in the new ways of working
- Space – existing workspaces may require reconfiguration to suit new working practices
- Vendor – external support for the universities and the workstreams in the more complex areas under discussion

Figures 17-19 graphically represent a set of rough-cut implementation costs by workstream based on the PEM opportunities from the individual universities. These estimates include not only the costs for the first year but the full implementation dollar amount that will be spent during the whole implementation period, which for most workstreams is circa 2 years.

When reviewing the costs graphs and the opportunities graphs it is important to note that savings are based on 'steady state' of new working practices, teams and methods. It is therefore somewhat misleading to compare the two sets of graphs without some additional analysis or the use of other metrics to accurately calculate the true value of these strategic initiatives.

Once these costs are fully captured, understood and validated by the individual universities then relative 'payback' periods can be individually calculated for each workstream and each university.

Figure 17: Comparison of Implementation cost for Validated Opportunities - SUI by Workstream (000's)

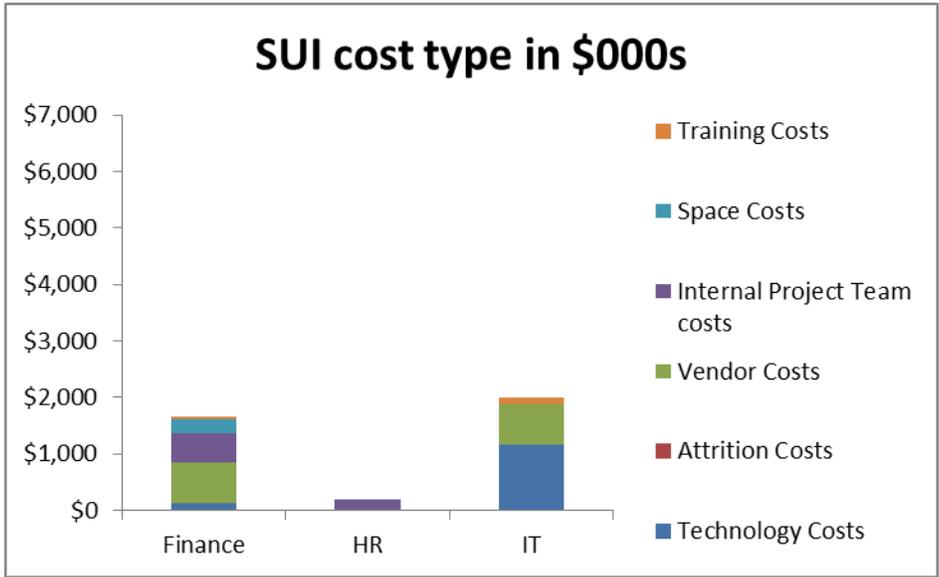


Figure 18: Comparison of Implementation cost for Validated Opportunities - UNI by Workstream (000's)

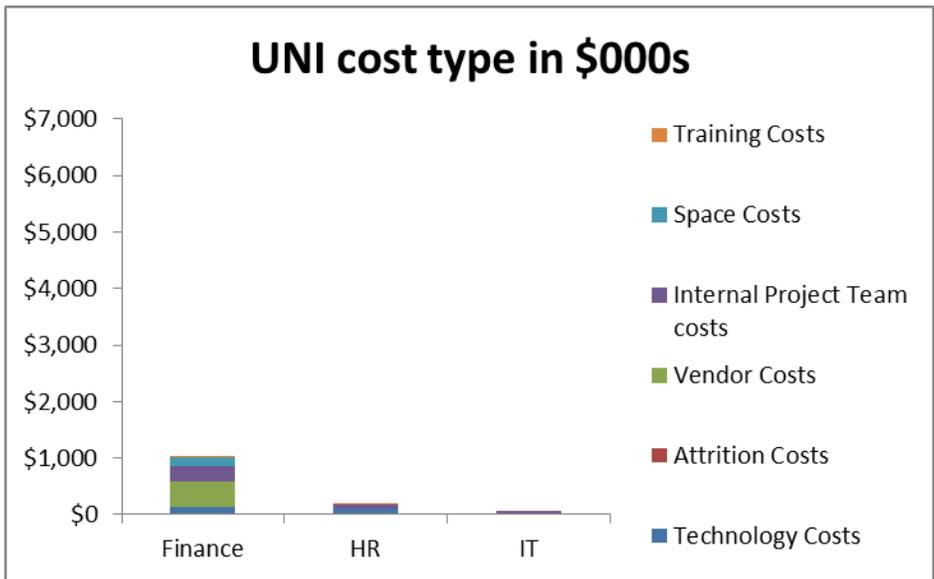
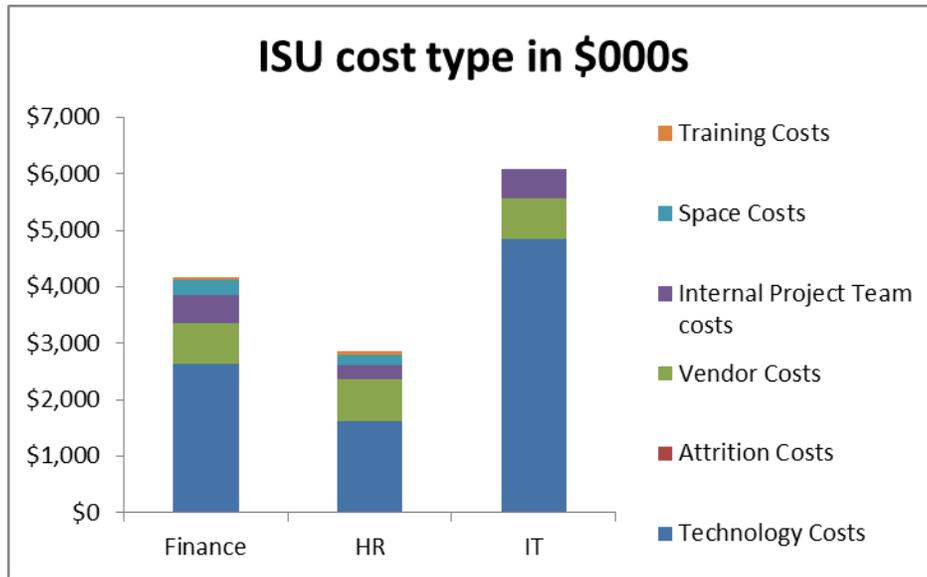


Figure 19: Comparison of Implementation cost for Validated Opportunities - ISU by Workstream (000's)



## 5.2 UNIVERSITY OF IOWA

The University of Iowa has significant opportunities for both enhanced effectiveness and significant cost savings. We firmly believe there are also additional opportunities, both in the Carver College of Medicine (as indicated in the earlier Deloitte work and our understanding of College of Medicine initiatives) and in each of the workstreams.

### 5.2.1 Finance

#### Summary of Board Approved Plan

##### Business Case Deliverables

SUI Finance has developed a comprehensive plan to migrate to university-wide shared services. Anticipated savings will be achieved through: more effective use of SUI’s transaction processing systems, streamlining processes, reductions of unapproved/unnecessary work, and natural attrition. The transition to shared services is expected to occur in four phases:

- Design/Change management
- Building infrastructure and pilot
- Implementation
- Optimization

The services and associated transactions that could be provided by the university-wide shared services are as follows:

- Financial Accounting: General accounting entries
- Accounts Payable and Travel: Procurement card reconciliation, non-purchase order (PO) payment requests, travel arrangements, requests for travel and travel expense vouchers

- Purchasing: Requests for purchase orders for supplies, services and equipment
- Human Resources: Student biweekly appointment, change-of-status, and termination

### **Business Case Commentary**

Projected annual savings for FN-01 for the Board approved plan were originally estimated at \$3,937K with full realization from fiscal year 2021 onwards. This timing incorporates the conclusion of all estimated annual attrition costs. The scope of FN-01 included the Carver College of Medicine and the implementation timeline was for completion by Q1 2018. Subsequently, and for our review, the Carver College of Medicine was assumed to be out-of-scope and was not included in any analysis to determine/validate cost savings, which is estimated by SUI to affect any projected savings by approximately 50% based on volumes.

After review of the processes that were identified for inclusion in a Shared Service Model, and review of the ABA FTE and costs, the revised estimated gross process efficiency savings are between \$1,380K and \$2,640K representing between 17 and 34 FTE, which is significant given the exclusion of the Carver College of Medicine and the Order-to-Cash (O2C) workstream. These savings do not include the cost of supervision and management of the shared services staff. The timeline should be considerably shorter given the assessment of the opportunities and reduced scope (i.e., exclusion of the Carver College of Medicine). The building and deployment of the identified process changes will take between 3 and 18 months in a phased approach.

### **Validation of Board Approved Plan**

#### **People**

While implementing a university-wide shared services is a key deliverable within FN-01, SUI is planning on keeping staff decentralized within the Colleges and departments but would change their reporting line into the shared services Director. Chazey Partners recommends that in order to achieve the full benefit of end-to-end processing and economies of scale, the positions identified for shared services should be largely centralized into one location. This would also facilitate economies of scale, plus better coordination, management, training, job rotation, and opportunities for advancement within shared services for these staff. We are not suggesting that all roles would be/should be centralized into one location and, indeed, we usually recommend that some resources do remain local to enhance the connection with customers of the service.

#### **Process**

SUI plans to utilize two business analysts over two years for the collection and analysis of administrative support staff percentage of time spent on various tasks, if consultants are not utilized for this activity. We do feel there is an opportunity to accelerate this timetable, depending on the support of the different constituents. Central Finance processes were considered out-of-scope for this analysis. We would recommend that any further analysis initially include the full end-to-end processes (including work done within Central Finance) to capture a full, end-to-end baseline. After capturing this information, the scope for build and implementation can be pared down or sequenced over time. This will also ensure that processes can be looked at in a true “end-to-end” fashion, which would highlight and uncover interdependencies, hand-offs, duplication of effort, potential control points, etc. This would then also limit the potential for “shadow work” which can be ultimately destructive to shared services if not addressed.

#### **Customer**

While customers were not part of the As-Is Workshops facilitated by Chazey Partners, the Audit Committee (which included finance customers) was invited to participate in the To-Be workshops and provided good input for consideration of future shared services. There were also stakeholder interviews that were performed in a group

format for executives, providers and customers, allowing each group to express any thoughts, concerns and expectations for the future.

One of the concerns raised was in order to move forward, there would need to be much more engagement with the customers before any future state could be finalized. We concur with this concern, and would recommend comprehensive engagement with all customers in the next stages, supported by a robust change management plan. However, this engagement should be a natural part of the build and deploy process and therefore not delay the recognition of productivity gains.

### Technology

SUI is making significant use of technology to simplify and automate transactional processes. Finance provides many different tools for purchasing, creating payments, vouchers, general ledger journal entries, travel and reconciliations. Finance has ensured that all of these systems interface with the PeopleSoft General Ledger to be the financial single source of truth. SUI is currently working on improvements to the workflow and receiving tool. Stakeholders describe the existing technologies at SUI in a very favorable light, but feel there is room for improvement to make them more intuitive and user friendly, making more use of web-enabled services.

The FN-01 plan does not include any technology enablement costs. A minimum requirement may be to piggyback on the existing IT case management system to track and monitor requests for service in shared services. SUI already has scanning and workflow technology that is a core enabler for shared services. The main opportunity is to migrate journal entries, travel and other functions onto the existing platform.

### Additional Recommendations

The scope of Chazey Partners' review of Finance excluded the Order-to-Cash (O2C) process. Some limited activities related to cash handling were subsequently included in the To-Be mapped processes. It would be our recommendation that the O2C process function be reviewed and considered for implementation alongside Record-to-Report (R2R), Procure-to-Pay (P2P) and Travel & Expense.

## 5.2.2 Human Resources

### Summary of Board Approved Plan

#### Business Case Deliverables

Implementation of HR-01 will occur over a two-year timeframe with a projected annual steady state savings of \$921K per year and an overall cost of implementation of \$400K. The plan consists of three key activities:

1. **Realign and consolidate** Senior HR Leader and HR Unit Representative roles; strengthen reporting relationships
2. **Expand electronic performance review** and goal management tool to include organized P&S employees (N=3,073) and then Merit employees (N=4,767)
3. Leverage and expand HR-10 outputs to further **clarify, streamline, and automate HR** and EOD roles in support of campus recruitment/strategic talent acquisition; reduce any remaining manual data entry and unnecessary handoffs

#### Business Case Commentary

Resource calculations and associated financial benefits within the approved HR-01 business case assumed that part-time HR business unit representatives were occupied for approximately 65% of their working time. Converting these part-time resources to a smaller number of full-time staff members was projected to deliver net

savings of \$921k per annum. Previously the agreed scope of HR-01 included the Carver College of Medicine and the timeline was for completion by Q1 2017.

In the review of key activity 1, Chazey Partners' Activity Based Analysis demonstrated that part-time HR unit representative resource utilization was approximately 40% versus the prior assumption of 65%. This difference is material and has reduced the associated projected savings. The Carver College of Medicine is no longer in scope for this piece of work, which has further negatively impacted SUI's ability to deliver previously agreed benefits. Additionally, previous consulting work failed to recognize the HR effort supporting faculty and student employees. Following the work with Chazey Partners, the timeline for project delivery has been compressed to an anticipated completion by Q3 2016.

SUI is not projecting individual financial targets from each of the three key activities in their business case but collectively they anticipate that these activities will deliver annual savings of between \$450K-\$700K. Within these figures, over the next 5 years, an average of \$77K per annum is anticipated from the early retirement program that was announced earlier this year.

### *Validation of Board Approved Plan*

#### **People**

Planned changes to reporting lines for distributed HR staff from departmental/faculty to central HR, via senior unit representatives, is a key deliverable within HR-01. Culturally this will likely present challenges from departments and faculties around perceived loss of ownership, access to timely support and concerns around other duties that these staff may perform. Within the cost of HR-01, SUI HR will be employing two additional workforce analysts for the duration of the implementation to provide additional operational support and mitigate the identified challenges.

Chazey Partners' Activity Based Analysis (ABA) highlighted that SUI has a quite large concentration of resources in the activities surrounding 'recruit, source and select'. The transactional elements from these can often be suitable candidates for shared service (center of excellence) provision. The team at SUI is planning to analyze information relating to all HR activities as part of its review and realignment of individual functions within the colleges and divisions. Chazey Partners agrees with the prospect of performing a broad analysis of all HR activities as a route to gain further efficiencies.

#### **Process**

SUI has outlined plans for an internal team to conduct customized process reviews over the next two years on a college-by-college basis. Chazey Partners would recommend accelerating this program with a view to completion by June 2016. This could be performed by building up the numbers of business units/colleges converted as experience in these conversions grows over time. This was discussed as an option with the team on site. This would deliver a full fiscal year of savings to SUI and would afford the opportunity to terminate early the incremental resources that have been bought in to supplement this program.

#### **Customer**

Customer feedback and their inputs at SUI were not ascertained during this piece of work.

#### **Technology**

SUI HR is looking to improve its levels of streamlining and automation through its HR-10 proposal. This will include the increased utilization of 'Success Factors' bolt-on technology for SAP for performance management. Provider stakeholders describe their underpinning technologies in a very favorable light.

### *Additional Recommendations*

The scope of Chazey Partners' Q1 2015 review was somewhat limited with SUI HR and as such our recommendation would be to initiate a full end-to-end ABA and associated As-Is and To-Be Workshops for all core HR service provision areas. This would allow the true cost of service delivery across the University to be analyzed and understood, with the size of the potential opportunity being then correspondingly greater also.

From this recommended work, a range of alternative resourcing and operating models could be assessed for suitability alongside the current preferred model. Implementation of a single operating model with minor variations for individual college needs would achieve consistency within and across HR service provision and deliver value for money to SUI as a whole. Additionally, transactional HR activities should be reviewed with a view to understanding relative suitability for inclusion within a campus-wide shared service (center of excellence) provision. We understand and agree, however, with the HR plan to focus first on the implementation of the three activities of the HR-01 business case.

The team at SUI does not concur with these recommendations, preferring instead to focus on what they term 'strengthening the HR model', the pilots for which are to begin imminently.

### **5.2.3 Information Technology**

#### *Summary of Board Approved Plan*

#### **Business Case Deliverables**

Sixteen projects were approved by the Board of Regents to allow SUI IT to realize the savings of the Deloitte business case numbers set out in IT-01, 02, 03 and IT-04. These projects are summarized below.

1. **Governance, Project/Portfolio Management, and Visibility** – Coordinate the management of IT projects to maintain visibility and provide a methodology for standardization, best practice and collaboration between the different IT campus units
2. **Data Center & Server Consolidation** – Reduce risk, improve efficiency, and produce cost savings by completing an inventory, evaluation and classification of in-scope server room spaces (excluding healthcare) and consolidating all server rooms on campus to centrally managed data center locations
3. **Network Services** – The opportunity here is to bring the College of Engineering and the State Hygienic Laboratory fully into the central network; the cost savings are primarily based on eliminating the costs of networking hardware that is in place to accommodate these units; other efficiencies will be gained via secondary effects of standardization that eliminate the need for unique services in other areas, such as identity management.
4. **End User Support** – Centralize all campus IT helpdesk support, end user device management & support and end user consultation for general IT services
5. **Identity Management and Active Directory** – Bring in the unique access systems into central services in order to eliminate the cost of effort of maintaining them; analyze the current structure in order to dictate what features or enhancements need to be made to central services to accommodate these other systems
6. **Support for Instructional & Collaboration Spaces** – Consolidating the support for instructional and collaboration spaces and standardizing the technology to decrease cost, increase supportability, and enhance the users' ability to use the technology
7. **Web Hosting** – Consolidate departmental hosted web sites that use Drupal, centralizing the management of the Drupal instance, reducing duplication of effort

8. **Central File Storage Services** – Migrate all files to central file services and retire or repurpose existing file storage systems to decrease costs and risk
9. **Application Portfolio Management** – Enable a complete evaluation of the application landscape, readily identify business needs and priorities, and eliminate redundancy
10. **Voice Over IP** – Reduce Public Switched Telephone Networking (PSTN) costs by moving to IP trunking and reduce NEC Primary Branch Exchange (PBX) infrastructure through a transition of campus telephony service to Microsoft Lync for the great majority of users
11. **Office 365** - Move all uiowa.edu email accounts, excluding SUI hospital and clinics, to the Microsoft Office 365 cloud solution; standardizing will reduce support variability, consolidate the existing email infrastructure and reduce the end of life on-premises infrastructure
12. **Printing Cost Reduction** – Reduce the number of desktop printers where appropriate, move to networked printers, standardize the purchase of new printers and supplies, increase the amount of duplex printing above the current average of 58% and reduce the amount of printing overall by raising awareness of printing costs via a Print Green initiative
13. **Research Cluster Computing** – Design a service model that allows for more efficient running of the smaller cluster-computing systems on campus for researchers with more unique software needs, further reducing the number of research lab clusters and improving efficiencies
14. **IT Procurement** – Match user needs with device specifications and refresh cycles, standardize where effective, partner with UI purchasing to ensure the best prices on both hardware and software, and implement a process that gives the CIO oversight and approval for IT related purchases.
15. **IT HR** - Develop a structure and processes to manage the HR issues that will affect IT staff as related to the implementation of the new operating structure for IT on campus
16. **Business Intelligence TIER Savings** – Enable technology on campus providing faster and better decision-making

### Business Case Commentary

The resource calculations and associated financial benefits mentioned below are based on the ongoing savings in the year in which efficiency savings stabilize. Depending on the project, the year of full savings ranged from fiscal year 2016 to 2019. The As-Is and To-Be Process Workshops focused on the device life cycle including device procurement, device provisioning, operationalizing the device, endpoint device management and device retirement, in addition to desktop support. In the original end user support plan, stabilized savings were estimated at \$716.6K starting in fiscal year 2018. After the As-Is and To-Be Workshops, the scoring of current processes against best practice, and the calculations of FTEs attributed to this process, we validated efficiency saving for the end user support plan at approximately 15%, reducing the savings estimate to closer to \$420K. Validating the details on the other plans reduced estimated savings by \$688K, to a range of \$4,315K to \$3,627K

### Validation of Board Approved Plan

#### People

SUI had already completed an ABA of the FTE effort for the in scope IT activities for the distributed IT units. As with all other universities, SUI utilizes lower cost student employees and they have been included in the FTE count. People efficiencies are realized primarily through consolidation of services and reduction of capacity in the distributed units.

#### Process

Our analysis focused on device life cycle, device management, IT Helpdesk and desktop support. In the workshops, we were able to identify areas where processes could be standardized and centralized to reduce duplication of effort. This analysis focused on items already identified and took plans to a more granular level. Key efficiency

recommendations included the adoption of standard technologies and a case management system that would provide workflow throughout the device life cycle.

### **Customer**

Customer feedback and their inputs at SUI were not ascertained during this piece of work.

### **Technology**

The core technology used by ITS and the collegiate departments scored highly against best practice, although there is room for utilizing more of the existing features. This includes monitoring technology such as SCCM and Casper, and working towards enhancements of EBuy with a wider range of vendors, more price comparisons, improved user friendliness, and increased mobile device support. Chazey Partners identified that additional development of the case management system would be beneficial to track the devices in the device lifecycle, and when a new device enters the lifecycle for asset information to be automatically entered into an inventory system. It was recommended that the IT helpdesk ticketing software pulls information in from the case management system, SCCM/Casper and the inventory system to empower the helpdesk agent by having all the information readily available.

Throughout the 16 plans, technology plays an important role increasing efficiencies, and for cost savings.

### ***Additional Recommendations***

The scope of our review was somewhat limited with SUI IT given that they had well developed plans in place. Our recommendation is to initiate additional As-Is Workshops to cover a broader scope of IT processes. This would then allow us to collect more datasets to potentially validate and enhance the IT plans. However, this should be balanced with progress made to date since our review began and the corresponding potential benefits. From this recommended work, Chazey Partners could then identify additional savings outside of the 16 plans presented to the Board of Regents. It is important to note, however, that this work should be performed sequentially once the existing plans begin freeing up resources, allowing for a shift to identifying and designing new savings opportunities.

There are opportunities for all three universities to work together to provide off-site disaster recovery. There are also potential opportunities for increased efficiencies for SUI utilizing national or regional higher education partners via Internet2, Common Solutions Group (CSG) and CIC/BigTen institutional partners. These partnerships could result in increased collaboration, sharing of contract negotiations/licensing, and procuring shared IT services via Internet2 Net+.

Chazey Partners recommends SUI continue to explore cloud options for both IaaS (infrastructure as a service) and SaaS (software as a service), and perform disciplined analysis comparing on premise to cloud solutions to determine true efficiency potential

### 5.3 UNIVERSITY OF NORTHERN IOWA

The University of Northern Iowa has presented significant opportunities to produce efficiencies and cost savings relative to the size of the University. While UNI operates efficiently in many areas already, taking advantage of these opportunities will position the University for further improvements in the future.

#### 5.3.1 Finance

##### *Summary of Board Approved Plan*

##### **Business Case Goals**

1. Revise finance processes, and roles and responsibilities, to increase efficiencies across the university by reducing handoffs and errors related to lack of training (e.g., travel and expense report creation and approval, request for payment processing, ad hoc reporting)
2. Align skills with roles and responsibilities to make sure staff supporting finance transactions are adequately equipped to perform job functions
3. Develop shared services for certain key transactional activities (e.g., travel and expense reimbursement, accounts payable, payroll, journal entry processing) in order to reduce duplication across campus and improve service delivery
4. Utilize technology to minimize paper processing and data entry across campus (e.g., travel and expense, ProCard reconciliation, request for payments, journal entries)
5. Establish service level agreements between the shared services, Central Finance (i.e., OBO and Financial Accounting & Reporting Services), and departments/units to ensure that delivery levels and expectations are clear
6. Revise current governance structure, to clarify decision-making authority, with Central Finance to play a greater role in setting policies and procedures, and shared services to monitor and report performance on Service Level Agreements (SLAs) and metrics.

##### **Business Case Commentary**

Chazey Partners conducted a number of As-Is workshops that looked at core finance end-to-end processes, Procure-to-Pay (P2P) including travel and expense reimbursement, Order-to-Cash (O2C), and Record-to-Report (R2R). While the ABA shows that Central Finance is lean, there are inefficiencies across campus as a result of a lack of standardization, automation and to some degree a misalignment of resources performing financial transactions.

Through a high level review of the transactional activities that would be plausible in shared services, and considering the opportunities for standardization and technology enablement already planned, Chazey Partners has validated gross efficiency savings in the range of \$470K to \$900K as being achievable.

##### *Validation of Board Approved Plans*

##### **People**

The decentralized finance model contributes to confusion and uncertainty in roles and responsibilities. There are individuals processing financial transactions that do not necessarily have the skills and abilities to be as efficient as possible in their current role. While some of this can be addressed with training, some of it is directly attributable to poor alignment of skills and abilities with position responsibilities. As with any organization, and particularly public sector, some of this is a factor of growth over time and people moving into positions as a result of tenure. Further design and build phases should include an inventory of current staff resources and

competencies, identifying required positions that would be needed in the Shared Service Center, and preparing a gap analysis between the two with an employee transition plan outlining where training could be used to address the gap compared to requiring a completely different skill set.

### **Process**

Processes for financial transactions and the tools used vary between colleges and departments. There is a lack of standardized processes across the university largely driven by the decentralized operating model. Users are frustrated with how lengthy and inefficient some processes can be. Shadow systems are quite prevalent either due to a lack of understanding of the capabilities of the current systems to provide necessary information or a true inability to provide the level of detail required or perceived to be required within departments.

### **Customer**

Customers are satisfied with Central Finance overall, but are frustrated with the amount of time that processing finance transactions requires with their existing tools or lack thereof. Customers can feel somewhat isolated from Finance and do not always know where to find the information they require. This increases the amount of re-work required by Finance and department staff.

### **Technology**

Key to UNI achieving their goals is the anticipated implementation of new technology solutions: iProcurement in August and ProTrav in September. Both of these systems will help facilitate better data integrity, and more efficient data entry, reconciliation, and reporting. They both will also provide a better experience for the user with shopping cart functionality in iProcurement and a comprehensive integrated travel expense report in ProTrav.

### ***Additional Recommendations***

To-Be workshops were not held for UNI. Management reviewed the materials that would have been covered in a workshop with both providers and customers. It would be our recommendation that these workshops be carried out to ensure customer engagement in the future state design and outcome.

We would also recommend that these transactional activities be brought into Central Finance, which could undergo a rebranding exercise to denote the transactional activities as shared services, separating out strategic functions.

## **5.3.2 Human Resources**

### ***Summary of Board Approved Plan***

#### **Business Case Goals**

1. Evaluate on campus relationships, particularly for Academic Affairs, to determine a bridge between the colleges/administrative units and HRS. These partnerships would support strategic HR activities as well as enable more unit-specific transactions. The role may serve as key contacts for HR inquiries, while facilitating the recruitment of faculty and staff, establishing recruitment strategies, catalyzing workforce planning, and facilitating policy, procedure, and technology rollouts from HRS. In addition, the role could identify business needs for policy and program changes.
2. Utilize technology to minimize manual processing and data entry across campus and increase access to information (e.g., implement benefits self-service, integrate Jobs@UNI and Oracle systems, build system for electronic position descriptions and performance appraisals, and expand imaging use).

3. Redesign key HR processes by streamlining handoffs and clarifying roles (e.g., personnel action form initiation, student I-9 management) and clarifying/enforcing HR policies (e.g., establish timecard requirements, create guidelines for professional and scientific search committee reviews as referenced in HR-10).
4. Revise governance structure to increase clarity of roles, responsibilities, and decision-making (i.e., HRS should play a greater role in setting and monitoring processes and policies in areas such as performance management, and recruitment).
5. Establish a comprehensive HR strategy, with input from faculty and staff leadership that aligns short-and long-term HR initiatives and metrics to the University's strategic objectives.

### **Business Case Commentary**

Chazey Partners conducted a series of detailed As-Is Workshops at UNI across a range of core HR process areas. The outputs from this work confirmed the need (as described in goal number 1) for an incremental faculty coordination role and highlighted a significant paucity in addressing IT programming requests (PARs) to support the HR team's desire for improving service provision. Within this report, and by agreement with the in-house team, it is assumed that the cost for this incremental role will be between \$50K and \$70K per annum and that this expenditure will be offset by the anticipated benefits from completing the outstanding PARs.

As per goals 2 and 3, well-formed ideas around process redesigns and streamlining were found to be manifold, but without IT programming provision to enact these changes the potential benefits are unlikely to be realized. The goals around technology utilization and process redesign are eminently achievable once the current backlog of IT programming requests has been addressed.

The revised governance and improved HR strategy goals should be viewed as subsidiary to the aforementioned faculty and IT goals. Addressing the other goals is likely to free up senior HR time to address these other two.

### **Validation of Board Approved Plan**

#### **People**

UNI operates with a core HR team and minimal HR resources in a distributed model. Without a higher degree of automation, this lean model leaves little scope for the UNI HR team to work on value-adding tasks or proactive service offerings. Additionally, the structure of the function limits the applicability of external benchmarks.

#### **Process**

The majority of current UNI employment actions are processed via the Personnel Action Form (PAF). This form and associated process appear to be generally well understood by HR staff and customers alike with a good degree of end-to-end automation.

#### **Customer**

There appears to be a general level of satisfaction from the customers of HR at UNI. The exception to this is in the area of faculty employment processes, such as PAFs, which are subject to a higher level of rework. This issue would be addressed with the advent of a faculty coordinator.

#### **Technology**

Oracle Applications (eBusiness) is the software used to support the University's Financial, Human Resources and Payroll core functions. This product supports the use of tailored automation and workflow. There are outstanding requests for additions to and enhancements of the current system. This is an area of concern within the HR area and efforts should be made to address this backlog.

ITS Information Systems is responsible for the support of enterprise systems, providing custom application development services and the management of vended applications. Requests for projects and system changes are recorded in, and managed from, the UNI Programming Authorization Request (PAR) system. The TIER Human Resources (HR) review revealed a number of open programming requests that, when completed, will have a positive impact on the efficiency of business processes. A review of the staffing and resources necessary to support the HR and business needs of the University is recommended.

An additional review of how PAR based change requests and projects are prioritized for departments across the enterprise will ensure a balance between efficiency savings and the needs of the university.

#### *Additional Recommendations*

The recommended incremental faculty coordination role should be filled before the end of July 2015. This will allow the anticipated annual peak in faculty related PAFs in August and September to be handled more smoothly giving a better service experience.

### **5.3.3 Information Technology**

#### *Summary of Board Approved Plan*

##### **Business Case Goals**

1. Strengthen the governance and collaboration between IT teams to streamline the delivery of technology services within UNI
2. Leverage existing institutional knowledge and the skills of IT staff/organizations to foster increased levels of customer service, while realizing efficiencies and cost savings
3. Align the IT organization to promote staff cross-training for critical functions, avoiding single point of knowledge/failure issues
4. Align the IT organization to facilitate University and organizational-level IT strategic planning initiatives in support of University functions
5. Add clarity to IT roles and responsibilities across the enterprise, increasing span of control where possible and appropriate
6. Increase standardization of support tools and processes to strengthen IT operations.
7. Enhance IT financial and project visibility through the development of a complete portfolio of services provided and methods for measuring the total cost of ownership.
8. Develop SLAs and performance reporting mechanisms
9. Further reduce the number of local data centers and collaborate with the Regent's institutions to leverage existing off-campus data centers for disaster recovery purposes
10. Create a cross-university governance mechanism (i.e., CIO Council) to enhance collaboration, facilitate technology strategic planning, and realize savings through coordinated procurement activities
11. Develop an ongoing approach toward measuring, monitoring, and reporting efficiencies and cost savings to the UNI community and Board of Regents

##### **Business Case Commentary**

Chazey Partners conducted a series of As-Is workshops that looked at the core IT processes. It was concluded that there were opportunities to centralize the delivery of IT services to reduce duplicate effort across the different colleges. Moving towards standard processes and improved support tools would allow UNI to gain the efficiencies and improve service delivery and customer service (as mentioned in goal 6).

It was noted that some performance metrics were collected but not used; there are opportunities to look at the KPIs (key performance indicators) and the metrics that could be recorded and how these could be used for continuous process improvement (as noted in goal 7).

As mentioned in goal 9, work is underway to reduce the number of datacenters by retiring old servers, which will include looking to see if the services can be consolidated with other services on campus and whether the server can be virtualized. Moving to a purpose built datacenter will reduce risk, improve efficiency, and produce cost savings.

The proposed changes to the IT organization (as proposed by UNI's CIO) would help realize goals 1, 2, 3, 4, 5, 6 & 9. This would help strengthen IT governance across the university, enabling cost savings (via economies of scale), and more collaboration. Bringing the distributed teams together will enable specialization and cross training, and help facilitate more effective IT strategic planning due to increased visibility of IT projects and processes.

### *Validation of Board Approved Plan*

#### **People**

Our focus on IT helpdesk and desktop support found that by centralizing this activity and looking to improve the process by standardization and the use of new technologies, people efficiencies could be realized. The efficiencies realized in these areas will allow these FTEs to refocus their efforts on technologies that are specific to the areas that they are serving.

While other areas were not fully quantified, Chazey Partners and UNI identified additional opportunities that may have similar savings including classroom technologies and IT projects. It is recommended that workshops and in depth analysis be done in these two areas so they can be added to the process efficiency matrix for quantification. Currently training is done on an ad-hoc basis and conducted differently depending on the college. Across the departments, varying levels of expertise dictate the individual's role within team. In cases where there is a single support person or smaller teams in colleges, team members perform multiple roles based on the type of tasks they are presented with determining which roles could be centralized across the campus will enable encourage specialization.

#### **Process**

Processes vary between departments, including the tools used, but where possible these processes are automated. There are a lot of ad-hoc process management and workflow, with individuals using "best efforts" to drive daily decision-making to complete the appropriate procedures. Standard processes at a college level are not clearly defined.

#### **Customer**

Customer feedback and their inputs at UNI were not ascertained during this piece of work

#### **Technology**

A lot of different tools are used to support and maintain the various systems across campus; it was noted in the To-Be Workshops that not all features are utilized in the tools that are used across campus, and in some cases additional tools are in use to provide the features that could be supported by the core technology.

### *Additional Recommendations*

The focus of the To-Be Workshops was based on areas where Chazey Partners and the CIO believed more notable efficiencies could be made. This covered the IT helpdesk and Desktop support processes. It is recommended that

these areas move to Build and Deploy within the next 6-18 months with the aim of standardizing and centralizing the IT helpdesk and desktop/user support processes (as per the recommended to-be process flows).

It is believed after discussion with the CIO that moving forward on other areas such as IT classroom technology implementation and support should be standardized and centralized. Currently there is some confusion about which IT group takes ownership.

It was observed that project methodologies are inconsistent across IT, the adoption of standard project management methodologies will ensure that IT projects are approached in a consistent manner.

There are opportunities for all three universities to work together to provide off-site disaster recovery. Chazey Partners noted some significant disparities in staffing costs between the three campuses, especially with UNI. A review of salary information may be beneficial to the universities.

## 5.4 IOWA STATE UNIVERSITY

Iowa State University embraced the significant opportunities to produce both improvements to quality of service, efficiencies, effectiveness and cost savings. Each workstream contributed to the process and is set to position the university well going forward, with both the efficiencies outlined and subsequent additional opportunities.

### 5.4.1 Finance

#### *Summary of Board Approved Plan*

##### **Business Case Deliverables**

There was no ISU Finance proposal to review. Therefore, the Chazey Partners team worked with the original Deloitte plans and with the ISU finance team to build a validated, data-based plan of action.

##### **Business Case Commentary**

From the As-Is and To-Be work that was done with ISU Finance, it is clear that they want to do something to help achieve efficiencies within their organization, but were unclear on the end-state operating model. ISU Finance believes that shared services of some kind is possible, but is wary as to how to do this and the amount of savings that could be achieved, particularly with the amount of fragmented technology across HR and Finance. It was apparent from the workshops and stakeholder interviews that people believe something needs to be done and action needs to be taken to improve the existing operations.

#### *Validation of Board Approved Plans*

##### **People**

ISU has a decentralized model related to financial transactions. While the Central Units are responsible for the overarching University policies and procedures, colleges have the ability to make their own policies and procedures more restrictive creating confusion and inconsistency across Campus. This decentralized model also makes it difficult for unified finance leadership and training. It is a challenge to ensure that resources are aligned appropriately and that staff have the knowledge, skills and abilities to be effective in their roles. A complicating factor is that many individuals currently initiating and performing financial transactions report to a college rather than Finance. There is a significant opportunity within ISU Finance to transform and optimize based on best practices that are appropriately adapted for and customized to ISU.

No matter what model is adopted, there needs to be buy-in from the top that filters all the way down to those most affected by the change: those processing the current financial transactions and the customers of these services.

##### **Process**

There is a lack of standardized processes across the University largely driven by the decentralized operating model and a need for better balance between providing services centrally and in the colleges. Users are frustrated with how lengthy and inefficient some processes can be. Shadow systems are quite prevalent either due to a lack of understanding about the capabilities of the current systems or due to gaps between current and desired functionality.

##### **Customer**

Customers are generally satisfied with the service they receive from Finance. There is some frustration in knowing where to find information or who to connect with, but they are satisfied with the service once connected. There

is a desire for the Purchasing and the Controller's office to better align policies and procedures and for any updates to be communicated.

### **Technology**

While there is self-service, electronic forms and workflow present at ISU, users feel that there are too many different systems to learn for their everyday jobs.

The new Quali Financial System is seen as an improvement, but there is still concern over the lack of a single overall ERP. There are many legacy systems at ISU, and maintaining these and making sure that they integrate requires enhanced IT resources, which are costly to the institution.

The organization is planning to select a new enterprise-wide ERP within the next six to nine months and have it fully implemented across all departments within three to five years. Because many of the savings identified within Finance are predicated on efficiencies gleaned through the implementation of an ERP system, it is recommended that structural changes pertaining to offering shared services be made after the ERP is selected. Doing so will ensure that the shared service architecture of the institution aligns appropriately with the new ERP platform.

### **Additional Recommendations**

Finance should leverage the work that has been initiated with the ABA and workshops, gather additional information regarding best practices of shared services models, and actively participate in the selection of a new ERP system. Implementation of a customized shared services model that promotes efficiencies should be conducted in tandem with the implementation of the ERP systems and should cover People, Process, Technology and Customer.

While there are definitely benefits that will be seen from new technology, prioritizing projects within ISU is important in the context that ISU is expanding. Identifying which activities should be centralized with a focus on eliminating rework and fixing broken process steps is a key activity to enable a move towards shared services or centralized rebalancing of services.

## **5.4.2 Human Resources**

### **Summary of Board Approved Plan**

#### **Business Case Priorities**

- HR/Payroll core system that (1) builds on best-in-class HR processes and practices, (2) deploys automation and self-service functionality, and (3) enables management and institutional reporting
- HR shared services that (1) improves the efficient processing of transactions, (2) provides multi-level support from self-service to consulting, (3) enhances consistency and compliance
- Integrated campus HR (HR Business Partner) that effectively delivers college/unit and central HR services grounded in service standards, performance management and support
- Transformation that achieves the projected costs/benefits over 5 years; the new HRIS & payroll system and the implementation of a shared services delivery model \$22.8M; associated projected labor savings \$17.2M

#### **Business Case Commentary**

It is clear from both the As-Is and To-Be work that Chazey Partners has done with ISU that a new HR and payroll IT system is needed and would be welcomed at all levels across the organization. However, the current projected costs and associated benefits in the HR-01 are high, with no associated return on investment. Therefore, it was

our recommendation in April 2015 to undertake work with IT to ascertain a more realistic costing model for these technologies.

Much work was done during March and April to flesh out the scope of service provision in the planned new model. While there will be some change management challenges for ISU to overcome, there is a general acceptance that the new model will provide a higher caliber of service provision across the organization.

Following on from the workshops, some 17 major opportunities were identified, via a process efficiency matrix (PEM), covering a range of HR process areas: governance, recruitment and sourcing, classification and compensation, reward and retain, develop and counsel, and employee analytics. Once fully implemented the annual run-rate benefits of these opportunities has been forecasted at between \$1,660K and \$2,810K.

### *Validation of Board Approved Plan*

#### **People**

ISU has a distributed model of part-time HR liaison officers who supplement the work of the centralized university HR team. Vacancy management utilizes a higher than usual level of resources across the campus. Efforts devoted to both payroll and benefits related transactions are also higher than we would expect to support a workforce of ISU's size. It is highly likely that these anomalous figures reflect the paper-based processes.

Chazey Partners agrees that the planned priorities from the board-approved business case of a HRIS, shared services, and HR Business Partner provision would address the majority of these issues.

#### **Process**

A lack of underpinning technologies means that the majority of core HR processes at ISU are less than ideal with many transactions initiating on a paper basis. Customers and HR staff alike are frustrated by the length of time required for HR to process even basic requests. The single most mentioned process is anything that involves ISU's compensation and classification system. Robust foundational processes will need to be devised to support ISU's new ways of working.

#### **Customer**

Customers of HR are not happy with the services that they currently receive. Customers acknowledge that individual members of the HR team can be helpful and knowledgeable when approached directly for assistance. The planned changes to both the structure and technology enablement within HR will do much to improve the quality and consistency of services.

#### **Technology**

Feedback is consistent from all stakeholders on the lack of technologies to support HR service provision. HR has a number of unconnected systems with the result that redundant data entry is common. There are some pockets of employee self-service and some personnel actions are transacted via an electronic form (EPA). Chazey Partners concurs that the planned implementation of a HRIS and payroll system should be prioritized. ISU's IT team are in the process of evaluating a number of cloud-based technologies. Technology enablement will do much to address the identified issues.

### *Additional Recommendations*

A comprehensive two-year change management plan should be devised to cover all anticipated transformational changes. Consideration should be given to short-term contract resource to manage the first year of this plan.

A user guide to ‘working with compensation and classification’ should be devised to reduce rework cycles for all parties and improve user satisfaction. This would include clarification of the current criteria, keyword usage, and job grade scoring mechanisms that are currently in place. This would be in advance of and in addition to any potential changes to the underlying system that is used for this process area.

The reorganization and restructure of HR services should begin immediately in line with the designed shared service delivery model. We would recommend that this be initially enacted for two or three pilot areas (colleges) to begin the process of organizational buy-in. Consideration should be given to additional short-term temporary resources to staff the changed model in advance of the planned changes to technology.

Realization of the approved plan’s efficiency savings is dependent on the planned enhancements in IT provision.

A robust review of potential solutions for the new HRIS and payroll system should be carried out as soon as is feasible with a view to full implementation of the chosen solution by the end of 2015.

### 5.4.3 Information Technology

#### *Summary of Board Approved Plan*

##### **Business Case Priorities**

###### *Technology transformation*

1. VDI desktop expansion [IT-04] – Double the number of campus VDI thin clients in the next year; expand the use of existing centrally supported desktop support tools
2. Print green initiative [IT-04] – Increase the number of network printers that are centrally managed to set default configurations to print duplex and provide more comprehensive usage statistics; investigate the use of “eco-fonts” which can reduce toner usage as much as 28%; review business processes to promote paperless transactions
3. Regents Library Management System implementation [IT-03] – Research and implement a Library Management System in collaboration with the Regent’s institution
4. Campus-wide IT project portfolio development [IT-02] – Set priorities, use time wisely, invest in supporting institutional priorities, reduce amount of time spent on maintenance/repair activities by looking at alternate methods of sourcing services (e.g., cloud), take advantage of consortia opportunities such as Internet2 Net+ services developed specifically to meet the needs of the higher education sector; implement an optimal strategy for enterprise backups, multifactor authentication, and a common ticketing system; review workflow tools, videoconferencing, document management, and research storage opportunities
5. Distributed data center consolidation [IT-01] – Review the 40 campus server rooms identified in the TIER study and consolidate candidate servers to central facilities, thereby doubling the current number of VMs
6. Acceleration of lean process developments [IT-03] – Identify administrative processes that can be redesigned to eliminate steps, errors, and rework, and to develop technology tools to implement and enable the new lean processes; collaborate with key corporate partners to bring best practices of lean process management in a manner similar to the success that was achieved in the Graduate College lean initiative that ISU completed in partnership with The Boeing Company

###### *Organizational structure improvements*

7. Regents CIO Council [IT-03] – Form a CIO Council to share information and enhance collaboration on software licensing agreements, technology decisions, procurement, and common applications

8. Campus IT organizational structure transformation [IT-01] – Develop a governance structure that significantly improves the coordination between distributed and central IT; establish college IT leadership councils with central IT involvement that meet at least quarterly to review major technology plans, staffing levels, and purchases, and identify applications and services that will be standardized and consolidated (for example, unify IT help desks); develop SLA's around services; define and report measurable outcomes.

#### *Information security expansion*

9. Provide centralized campus solutions – Centralize services to identify/protect secure data, encrypt university laptops, scan for persistent vulnerabilities, and enhance educational resources for faculty staff and students
10. Provide continuous monitoring and internal mitigation – Address potential security threats.

#### **Business Case Commentary**

The As-Is workshops covered the end-to-end processes provided by IT both centrally and by college at ISU. Based on the opportunities and the pain points identified, To-Be workshops were scheduled based on the areas where higher cost savings and efficiencies could be made. It was apparent that the different collegiate IT departments are siloed and have different processes. They use different tools and are governed by collegiate leadership making it hard for the CIO office to implement IT strategic decisions to improve service delivery and customer service. The CIO has worked hard this year to start making the changes to the IT governance required to allow processes to evolve and to realize the targeted cost savings and efficiencies. The To-Be workshops focused on the IT helpdesk, infrastructure support and maintenance, IT infrastructure projects as well as development projects. An outcome of the work by Chazey Partners identified increased opportunities for cost savings of \$3.6M to \$5.1M (from \$1.5M based on ISU IT plans approved by the Board of Regents).

#### *Validation of Board Approved Plan*

##### **People**

During the To-Be and As-Is workshops, it identified by providers and customers that ITS and the collegiate IT teams were under-resourced. External benchmarks do provide some support of this conclusion, therefore, it is recommended that a comprehensive Client Interaction Framework be used to ensure IT delivery is aligned with customer requirements and also a review of the IT governance to ensure IT strategic decisions are based on what is right for the University rather than what is right for the department or person.

##### **Process**

To-Be Workshops and facilitated discussions resulted in current and future/designed processes being rated against best practice. This exercise identified potential gains of over 200% in certain areas (including compliance, quality and efficiency improvements). Current processes vary between departments. ITS scored higher than collegiate IT, mainly due to the investment in technologies. The collegiate IT departments could also leverage these investments. With these potential efficiency gains, the issue of IT under-resourcing will potentially become less of a pain point.

It was apparent that in the As-Is and To-Be workshops that IT governance was the biggest barrier to successfully implementing any new processes. This was particularly apparent when discussing any new approaches to IT project prioritization. Currently IT projects are prioritized at a departmental level, although there was a tendency for prioritized customers (rather than prioritized projects) to jump the queue. This has an operational impact due to the deferral of projects with a higher, merit-based priority.

### Customer

IT Customers rate services from excellent to poor depending on the area. ITS is perceived to be severely under-resourced and unsure what to focus on. ITS lacks a formalized planning process to prioritize their work and ITS should take more of a leadership role in terms of long-term strategies for the institution. An adoption of self-service technologies will reduce the dependencies on IT staff for day-to-day tasks and more formalized and efficient processes will enable ITS to take more of a strategic stance.

### Technology

As observed in the As-Is and To-Be Workshops, some tools are standardized. Modifications to these standard tools have been implemented due to the perceived unique requirements of particular collegiate IT departments. It was discovered in some cases multiple IT departments implemented similar solutions individually. These departments could have worked together to implement one solution, reducing duplicate efforts.

Customers have identified that technologies should be rigorously tested before implementation of any new technology. Critical requirements include reviewing the disparate systems and designing an organized structure for decision-making on software, upgrades and customizations. In addition, IT is required to be visionary, examining and implementing new technologies, when deemed appropriate.

A complete review of the disparate systems within the collegiate units will identify the areas in which additional cost savings can be made by reducing redundancy and inefficiencies, as well as by using free or cheaper alternatives that are already widely adopted at the University.

When adopting a new technology it is recommended that representatives from the collegiate units come together to discuss the requirements. An appropriate project team needs to be mobilized that uses standard project methodologies to enable a successful implementation.

### Additional Recommendations

Based on discussions with the CIO it is recommended that the following proceed to the Build phase: (1) the processes reviewed in the Design phase, (2) IT helpdesk, (3) IT hardware and software projects, and (4) infrastructure support.

In addition, the As-Is Workshops identified several other opportunities with at least 20% potential efficiencies that were not explored in the To Be workshops. These opportunities should be considered and evaluated as part of the Design of the future state for ISU IT.

There are opportunities for all three universities to work together to provide off-site disaster recovery. Chazey Partners noted some significant disparities in staffing costs between the three campuses, especially with UNI. A review of salary information may be beneficial to the universities.

## 6 NEXT STEPS,

This assessment of the Business Case and development of Design will be presented to the Iowa Board of Regents in August 2015 for consideration of the three recommendations:

1. Continue the restructuring of Finance at the three universities.
2. Continue the restructuring of Human Resources at the three universities.
3. Continue the restructuring of Information Technology at the three universities.

Upon acceptance of the Report, the TIER Validation will have completed. The Board of Regents will then need to approve/modify the recommendations, secure one-time investment funding, and consider if and how best to proceed. Capacity, experience and approach will be important considerations in determining how to most appropriately resource the project team to complete the subsequent phases of work.