

# **Business Centers Lawrence/Edwards**

# Phase I creation of business centers – Lawrence/Edwards

Huron identified opportunities at the Lawrence/Edwards campuses related to the creation of business centers of at least \$1.3M.

## Phase I Identified Opportunities

- “Back-office” administrative functions are carried out across the Lawrence/Edwards campus with little standardization and no forum to share best practices
- Staff reports ineffective training, which creates confusion when implementing policies and procedures; this is compounded by the low frequency with which many staff perform certain processes
- Staff are dissatisfied with the career path opportunities on campus

## Phase I Identified Goals

- Create business centers across campus to organize staff around job functions and increase training effectiveness for business processes
- Create a university business officer position within the departments with dual reporting responsibility to align accountability and responsibility and create a professional network for training and business process redesign

## Phase I Estimated Annual Financial Opportunity

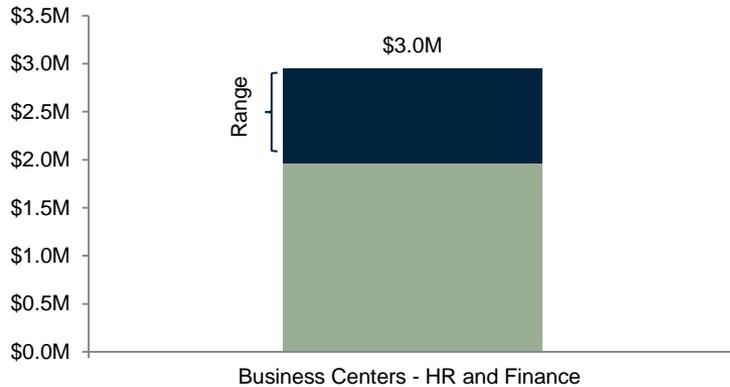
Cost Savings <sup>1</sup>	Resource Reallocation	New Revenue
\$1.3M - \$4.3M		N/A

<sup>1</sup> Opportunities identified in this area may overlap with recommendations identified under HR

# Phase II business center analysis – opportunity

Implementing business centers across campus is a transformational opportunity for KU to reduce costs and improve processes.

Phase II Steady State Annual Impact	Phase II – Business Case Financial Summary
-------------------------------------	--



**Notes:**

- Savings fully realized beginning in third year
- This business case examines impact on HR and Finance functions only, savings implications for IT and Research are explored in other business cases

- Based on further discussion and analysis, the range of cost savings for business centers was narrowed to \$1.97M - \$2.95M annually, once fully implemented
- It will take up to 2.5 years to fully implement business centers and realize these savings
- Savings are based on savings previously achieved through small-scale implementation at KU in the Student Success office, these are conservative projections
- The expected case estimates 59 FTE staff reductions at full implementation at KU - Lawrence, or 1.6% of USS and UPS staff

Five Year Cumulative Impact <sup>1</sup> (Expected Case)	000s (parentheses denote costs)
Labor	\$5,672
Non-Labor	0
<b>Investment Requirement (total)</b>	<b>(\$1,343)</b>
<b>Net Benefit</b>	<b>\$4,329</b>

<sup>1</sup>Year 1 is FY12, which is a partial year (begins in November)

# Update – phase II findings

Creating business centers to centralize and streamline transactional functions across campus offers a financial and operational benefit to KU.

## Phase II Findings

- “Back-office” administrative functions are carried out across the KU – Lawrence campus with little standardization and no forum to share best practices
- Staff report that training is ineffective, creating confusion when implementing policies and procedures; this is compounded by the low frequency with which many staff perform processes
- Staff are dissatisfied with the career path opportunities on campus



## Proposed Solution

- Create regional business centers across campus to streamline staff around job functions and increase training effectiveness for business processes
- Begin with a pilot site that will eventually lead to the creation of six to nine centers on campus



## Anticipated Results

- Streamlined processes
- Decreased risks and increased compliance
- Improved career paths for USS/UPS personnel
- Better customer service for end users
- **Approximately \$1.97 M to \$2.95M in savings for the University once centers are fully implemented**

# Financial model – notes and assumptions

A series of assumptions were required to estimate the financial impact of implementing business centers.

Notes	Assumptions
<p>Model estimates benefits based on some but not all decentralized finance and HR staff being merged into business centers</p>	<p>The level of staff reductions achieved by the Student Success implementation represent the minimal potential savings that can be achieved across campus</p>
<p>Department staff currently performing partial HR/Finance activities will require revised job responsibilities</p>	<p>KU IT resources will be needed to optimize workflow once new processes are identified</p>
<p>Final implementation costs will depend on the number of business centers established, the type of space relocation, and the extent to which outside support is involved</p>	<p>Only 10% of the total savings will be achieved by the pilot, assuming this site may be smaller than other sites</p> <p>50% of the currently identified finance and HR staff are able to be consolidated into business centers</p>
<p>Staff savings are contingent on the final design</p>	<p>Decentralized IT and Research Administration staff will be consolidated into business centers; however, these savings are accounted for in other business cases</p>
<p>Only cost savings for staff reductions at the decentralized level are accounted for; it is expected that additional savings will be realized at the central level over time due to reduced errors as transactions move from the department level to the central level</p>	<p>Staff will be relocated into already fit-out existing space</p> <p>To identify space, staff member moved into a business center as well as existing staff member will be relocated</p>
<p>Savings will be realized when initial staff reductions are made</p>	<p>The number of staff moved for the pilot site will be representative of a typical scenario</p>

Actual benefits will depend on the final business center model, but the following model provides directional guidance as to the scope of the potential efficiencies.

# Financial model – summary

The expected benefits case examines a case for moving 50% of the identified finance and HR staff into business centers.

## *Expected Benefits Case (\$000's)*

*(assumes 59 positions reduced)*

Benefits	FY2012	FY2013	FY2014	FY2015	FY2016
Cost savings	\$0	\$123	\$253	\$2,609	\$2,687
<b>Total</b>	<b>\$0</b>	<b>\$123</b>	<b>\$253</b>	<b>\$2,609</b>	<b>\$2,687</b>
<b>Costs</b>					
Staff	\$76	\$290	\$299	\$308	\$317
Travel/Misc	\$10	\$5	\$0	\$0	\$0
Space	\$0	\$6	\$0	\$32	\$0
<b>Total</b>	<b>\$86</b>	<b>\$302</b>	<b>\$299</b>	<b>\$340</b>	<b>\$317</b>
<b>Net</b>	<b>(\$86)</b>	<b>(\$179)</b>	<b>(\$46)</b>	<b>\$2,269</b>	<b>\$2,370</b>

## *Low Benefits Case* *(assumes 47 positions reduced)*

Net Present Value **\$3.1M**

## *High Benefits Case* *(assumes 70 positions reduced)*

Net Present Value **\$5.2M**

**Net Present Value (Expected Benefits Case): \$4,140,000**

# Risk assessment summary

Change management risk presents the most significant challenge to the implementation of business centers at KU.

- The implementation of business centers will have a dramatic impact on the way in which decentralized HR and finance staff do their jobs; it will also impact the way in which faculty and staff access services
- There is a prevalent fear of change across campus
  - Staff may feel threatened by the change, with departments perceiving that they will lose personal attention, staff perceiving that their employer does not trust them, and administrative staff fearing job reductions
  - Customers lack a clear picture of what the alternative to the status quo is, leaving them to believe that business services in their departments are operating efficiently
- There will be pushback across campus to implement business centers with the minimal amount of change possible (e.g., unit level centers); however, unless business centers are of a sufficient scale, efficiencies will not be realized

Change management risk can be addressed through communication and project planning and will be a significant hurdle to the success of this implementation. Hiring a leader for this initiative who can become a member of the KU community and has experience leading similar initiatives at other universities will be vital.

# Approach – business centers

The table below depicts the high level tasks necessary to implement business centers.

Mobilize	Design	Deploy: Pilot Site	Optimize: Campus Roll-Out
Aug. – Oct. 2011	Nov. 2011 – Nov. 2012	Sep. 2012 – Jan. 2013	Jan. 2013 – Jun. 2014
<p><b>Tasks</b></p> <ul style="list-style-type: none"> <li>• Create a strawman model</li> <li>• Develop frameworks for implementation</li> <li>• Develop communication plan</li> <li>• Establish implementation timeframe</li> <li>• Estimate implementation budget</li> </ul>	<p><b>Tasks</b></p> <ul style="list-style-type: none"> <li>• Identify implementation teams</li> <li>• Develop the KU Business Center Model</li> <li>• Execute communication plan</li> <li>• Finalize Pilot site</li> </ul>	<p><b>Tasks</b></p> <ul style="list-style-type: none"> <li>• Ratify governance and organizational structures</li> <li>• Finalize new processes and positions</li> <li>• Execute communication plan</li> <li>• Establish baseline KPIs</li> <li>• Establish the Pilot Site</li> <li>• Create plan for redesigning work in schools/units</li> </ul>	<p><b>Tasks</b></p> <ul style="list-style-type: none"> <li>• Execute the communication plan</li> <li>• Reassess KPIs</li> <li>• Examine lessons learned</li> <li>• Reassess staffing levels</li> <li>• Develop full implementation plan</li> <li>• Implement business centers across campus</li> </ul>
<p><b>Deliverables</b></p> <ul style="list-style-type: none"> <li>• Business case</li> <li>• Executive committee decision</li> </ul>	<p><b>Deliverables</b></p> <ul style="list-style-type: none"> <li>• Associate Vice Provost for Business Centers in place</li> <li>• Model for KU Business Center pilot</li> <li>• Buy in and support of pilot sites</li> </ul>	<p><b>Deliverables</b></p> <ul style="list-style-type: none"> <li>• Functioning Pilot Site</li> <li>• Online Business Center handbook</li> </ul>	<p><b>Deliverables</b></p> <ul style="list-style-type: none"> <li>• Fully functional business centers</li> </ul>

The detailed implementation plan, provided as a MS Project Plan, details the individuals responsible for each of the tasks involved in the next steps implementation plan.