



**Minnesota**  
STATE COLLEGES  
& UNIVERSITIES

**Campus Service  
Cooperative**

*One team, many campuses*

**Study Session**  
Board of Trustees  
January 16, 2013

## One Team, Many Campuses

- ✓ **Shared Services**
- ✓ **Strategic Sourcing**



**Focus on efficient, high quality, and transformational delivery of services, while respecting the distinct educational mission of each college and university.**

## Highest Value / Most Affordable Option



Minnesota  
STATE COLLEGES  
& UNIVERSITIES

### Strategic Framework for Minnesota State Colleges and Universities

Minnesota State Colleges and Universities play an essential role in growing Minnesota's economy and opening the doors of educational opportunity to all Minnesotans. To that end, we will:

**1. Ensure access to an extraordinary education for all Minnesotans**

- Our faculty and staff will provide the best education available in Minnesota, preparing graduates to lead in every sector of Minnesota's economy.
- We will continue to be the place of opportunity, making education accessible to all Minnesotans who seek a college, technical or university education; those who want to update their skills; and those who need to prepare for new careers.

**2. Be the partner of choice to meet Minnesota's workforce and community needs**

- Our colleges and universities will be the partner of choice for businesses and communities across Minnesota to help them solve real-world problems and keep Minnesotans at the leading edge of their professions.
- Our faculty and staff will enable Minnesota to meet its need for a substantially better educated workforce by increasing the number of Minnesotans who complete certificates, diplomas and degrees.

**3. Deliver to students, employers, communities and taxpayers the highest value / most affordable option**

- Our colleges and universities will deliver the highest value to students, employers, communities and taxpayers.
- We will be the highest value / most affordable higher education option.

January 2012



## Savings and Efficiencies for Our Campuses

**The CSC will build on MnSCU's record of productivity improvement by delivering financial savings and operational efficiencies for our colleges and universities. Campuses will retain these savings to:**

- ✓ reinvest in academic programs
- ✓ hold down the cost of tuition
- ✓ improve service, quality, and administrative compliance
- ✓ enhance work environment for employees
- ✓ demonstrate proper stewardship of state resources





## Today's Agenda



### Our Study Session will describe:

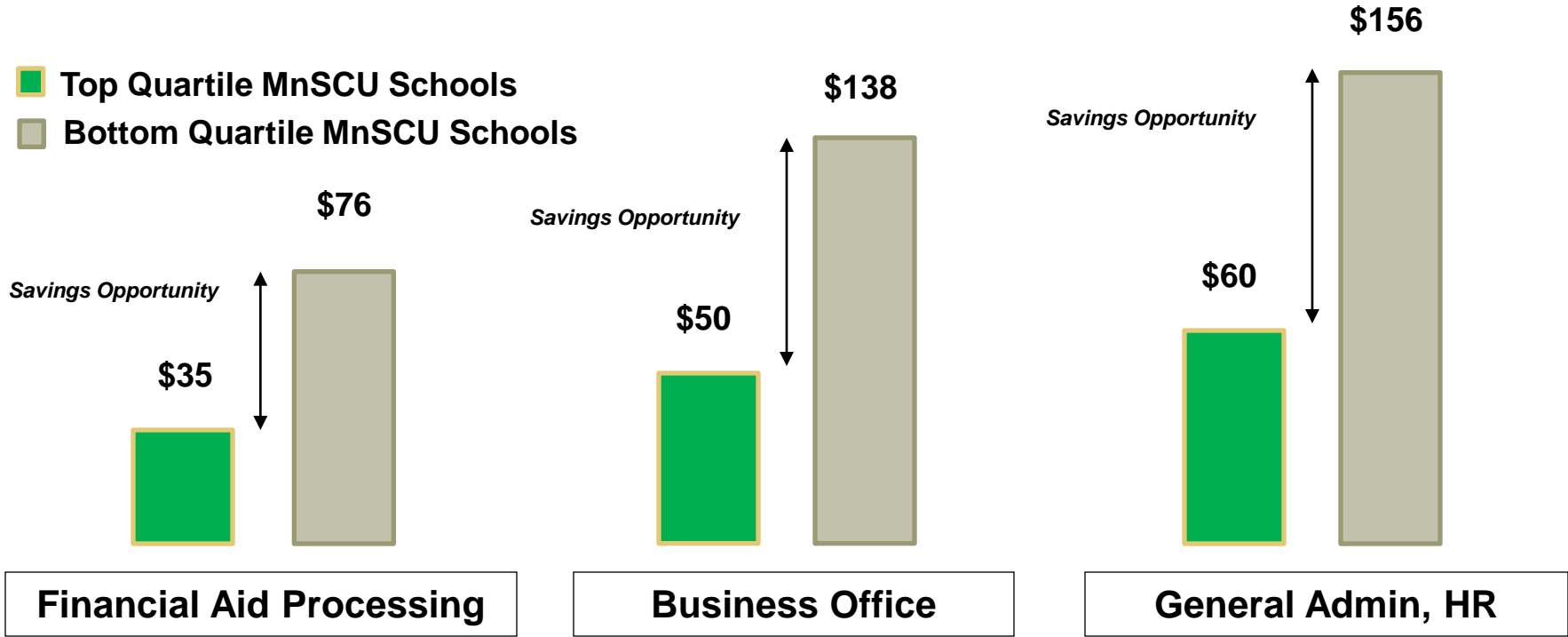
- ✓ The current environment of administrative services across our campuses
- ✓ The opportunity to deliver tangible savings and efficiency
- ✓ Our strategic approach, our multi-year plan for implementation

## Our Current Environment

- ✓ **Inconsistent business practices, metrics and benchmarks**
- ✓ **Dramatic performance variability across functional areas**
- ✓ **Labor-intensive manual work**
- ✓ **Sub-optimized, fragmented procurement disciplines**
- ✓ **No framework for sharing capacity, resources, or best practices**
- ✓ **Technology environment hampered by customized applications for similar / identical business requirements**
- ✓ **Compliance issues and unique remediation efforts**

# Cost of Operations Per Student

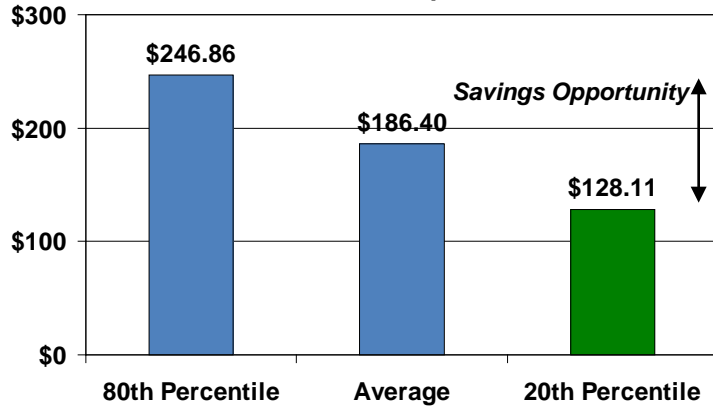
- Top Quartile MnSCU Schools
- Bottom Quartile MnSCU Schools



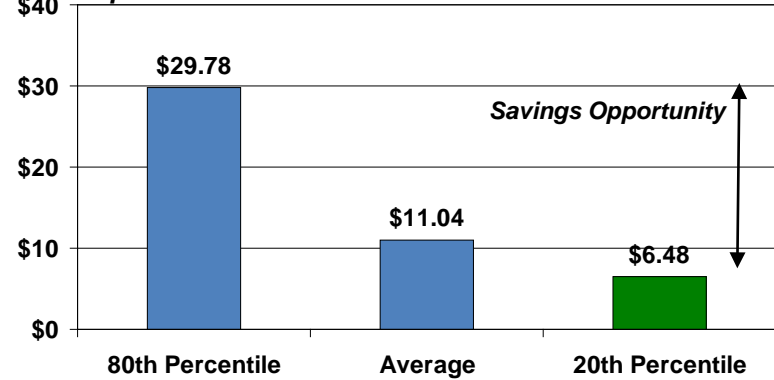
***There is significant variability in operations throughout the system.***

# Process Variability Across Campuses

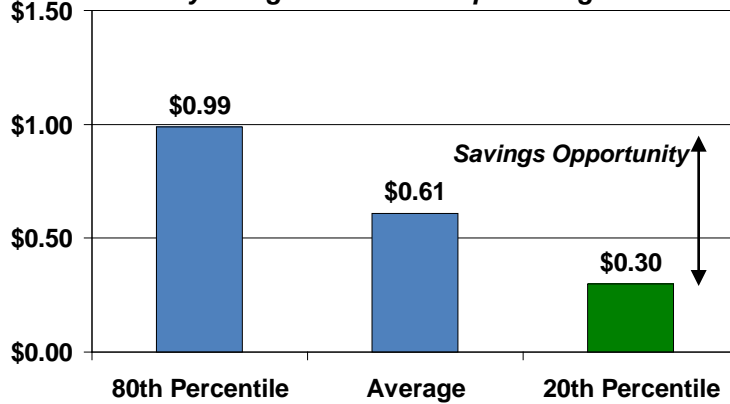
**Retirement Administration – Cost per Retirement Transaction**



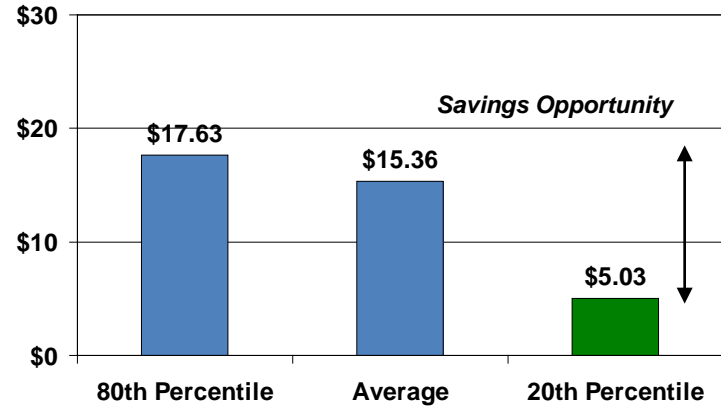
**Employee Business Expense Processing – Cost per Expense Processed**



**Faculty Assignments – Cost per Assignment**



**R2T4 – Cost per Return or Refund Issued**



***The cost to deliver services varies significantly across campuses, presenting an opportunity to realize savings through process improvement and standardization.***

## Our Opportunity – Initial Focus Areas

- **Strategic Sourcing**
  - ❑ **\$550+ million systemwide annual purchases of goods, services, and construction**
  
- **Shared Services**
  - ❑ **Human Resources**
  - ❑ **Financial Aid Processing**
  - ❑ **Finance, Business Offices**



*Business Office team – Harmon Place at MCTC*





***Campuses will retain savings and efficiencies from the CSC.***



## Strategic Sourcing Opportunity

- **There is significant opportunity to:**
  - ❑ **Deliver significant savings to each campus**
  - ❑ **Adopt modern vendor management disciplines**
  - ❑ **Improve compliance and reduce campus workload**
- **Scope: \$550 million annual procurement**
- **Projected Savings: more than \$30 million annually**

### OUR VALUES:

- ✓ **Price**
  - ✓ **Quality**
  - ✓ **Compliance**
  - ✓ **Service**
  - ✓ **Speed**
  - ✓ **Local Relationships**
  - ✓ **Diversity: Minority, Women, Veteran, Disadvantaged Businesses (TGBs)**
  - ✓ **Transparency**
- 
- Price & Quality
- 
- Service & Speed
- 
- Compliance & Metrics
- 
- Local Relationships

## Shared Services Opportunity

- **There is significant opportunity to:**
  - ❑ **Improve service quality (shift emphasis from transaction processing to professional services)**
  - ❑ **Enable campuses to share resources and best practices**
  - ❑ **Improve compliance and campus workload**
- **Scope: Finance, HR, Financial Aid processing**
- **Projected Savings: more than \$15 million annually**

### OUR VALUES:

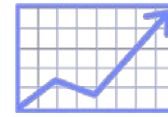
- ✓ **Quality**
- ✓ **Service**
- ✓ **“Cloud” cooperation with workload across campuses, not centralization**
- ✓ **Culture of innovation – ideas cultivated from all team members**
- ✓ **Team transformation and attrition – not layoff driven**



*Common  
Practices*



*Shared  
Platform*



*Reporting  
& Metrics*



*Innovation*

# The CSC Leadership Committee



**President  
Ron  
Anderson**



**President  
M. Sue  
Collins**



**President  
Richard  
Davenport**



**President  
Robert  
Musgrove**



**President  
John  
O'Brien**



**President  
Edna  
Szymanski**



**President  
Ronald  
Wood**



**President  
Tim  
Wynes**



**CIO  
Chris McCoy**

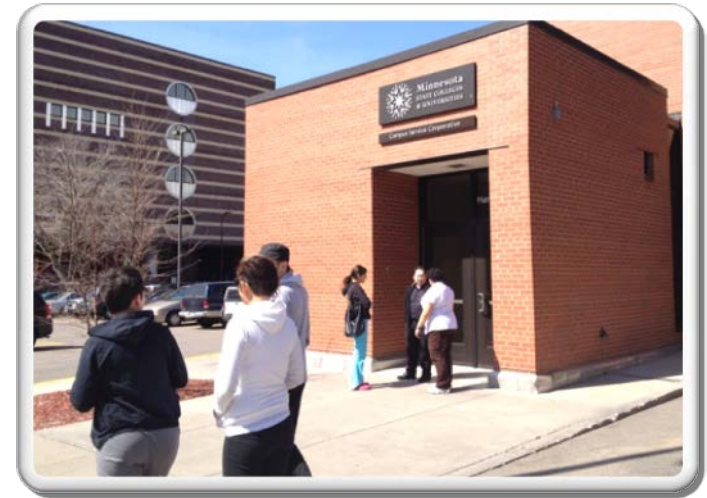
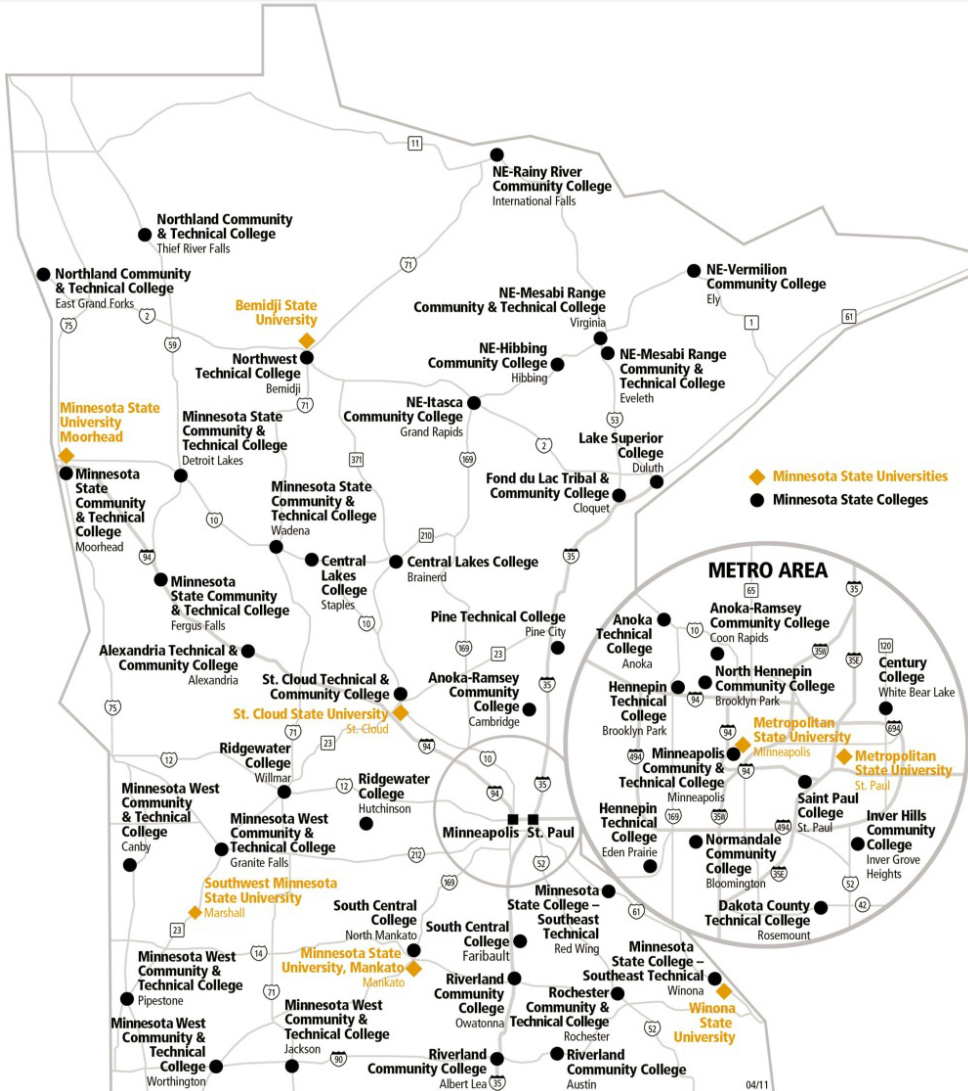


**CFO  
Laura King**



**HR  
Mark Carlson**

# One Team, Many Campuses



## HARMON PLACE Minneapolis Community and Technical College

- Process transformation and innovation
- Best practice workshops
- Pilots of common business practices

## Why This Matters...

- **This project will create wide-ranging benefits across MnSCU**
  - ✓ **People**
  - ✓ **Innovation**
  - ✓ **Value**



*CSC Payroll Team – Fergus Falls*

People	Innovation	Value
<ul style="list-style-type: none"> <li>• Career development and growth</li> </ul>	<ul style="list-style-type: none"> <li>• Process transformation</li> </ul>	<ul style="list-style-type: none"> <li>• Economic savings</li> </ul>
<ul style="list-style-type: none"> <li>• Talent acquisition</li> </ul>	<ul style="list-style-type: none"> <li>• Metrics for productivity, quality, and compliance</li> </ul>	<ul style="list-style-type: none"> <li>• More efficient delivery with existing resources</li> </ul>
<ul style="list-style-type: none"> <li>• Succession planning</li> </ul>	<ul style="list-style-type: none"> <li>• Internal and external best practices</li> </ul>	<ul style="list-style-type: none"> <li>• Reinvestment of savings in education mission</li> </ul>
<ul style="list-style-type: none"> <li>• Continuity planning</li> </ul>	<ul style="list-style-type: none"> <li>• Service levels benefiting students, faculty, and staff</li> </ul>	

## Our Approach

**One Team, Many Campuses** – embrace best practices, tools, processes, and tackle work together in the “cloud” through virtual common work queues across member campuses. Savings realized through efficiency and attrition. Relentless pursuit of continuous improvement.

### STEP 1

**Identify and Replicate Best Practices** – campuses implement common best practices developed by member campuses.

### STEP 2

**Work Together in the Cloud** – campuses share workload as one team.

### STEP 3

**Continually Improve** – identify new ways to improve quality, compliance, and efficiency. Celebrate a culture of relentless, continuous improvement and innovation.

***Our three-step approach delivers tangible results and leads to a culture of innovation and continuous improvement.***

## Resources for Launch

Utilizing Minnesota's Department of Administration's master contract, the CSC engaged IBM's Public Sector Practice to perform a four-month analysis (August through November, 2012).

The Launch Plan is a multi-year, multi-cycle program leveraging IBM's experience and talent to deliver tangible financial results and efficiencies. In parallel, IBM will assist the CSC to create internal capabilities for strategic sourcing, vendor management, shared services, and continuous process improvement.

**Deliver Results**

**Develop Capabilities**



## Consensus to Proceed – December 2012

A series of  decisions based on the following:

1. Delivery of tangible results – hitting the benchmarks
2. Compelling business case for the next program cycle
3. Development of capacity and skills in MnSCU

### **COMMITMENT – *What do we expect from each other?***

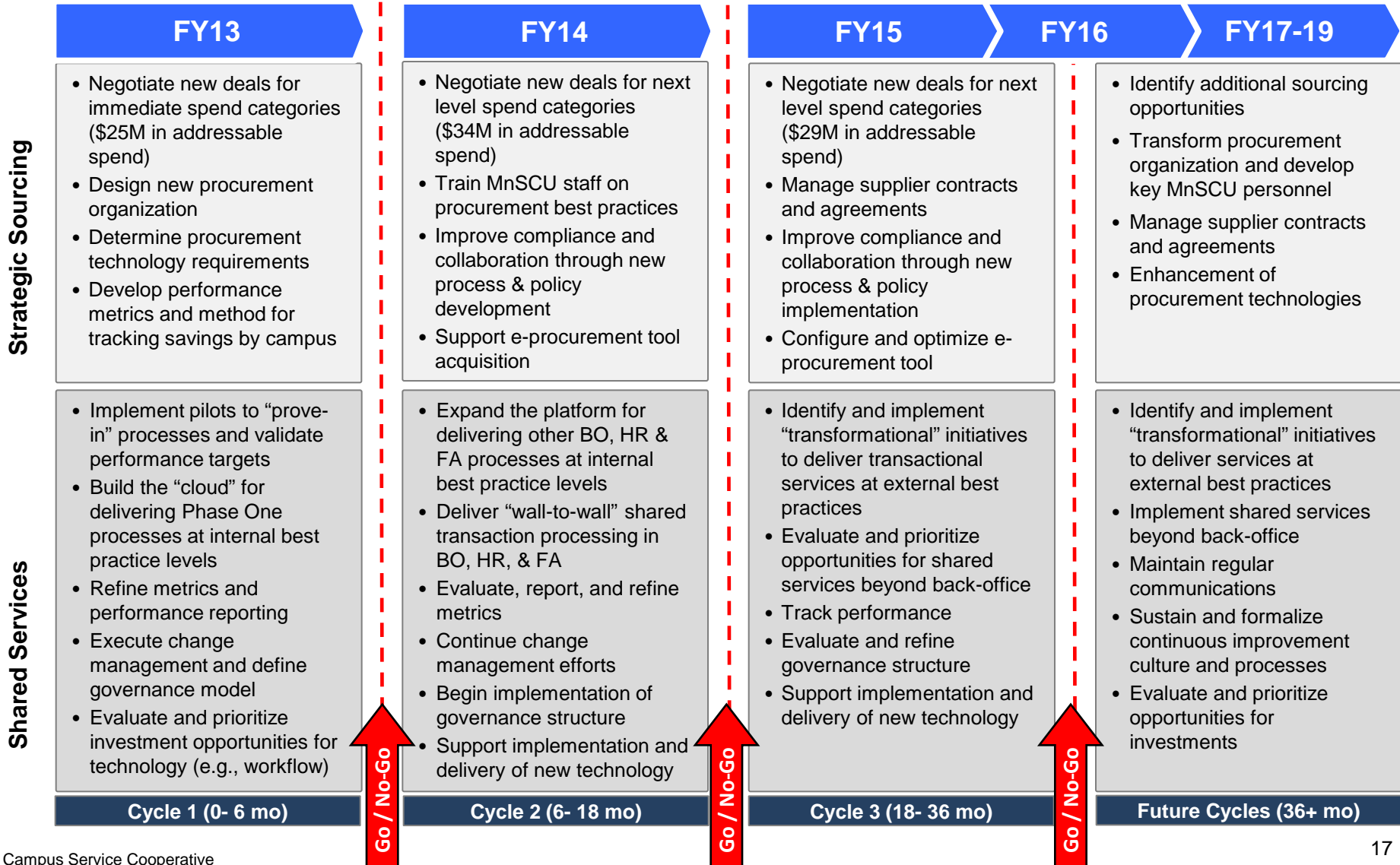
- ✓ Direct campus spending as much as possible through newly-negotiated contracts.
- ✓ Support development and implementation of standardized best business practices.
- ✓ Adopt new best practices based on the innovations of leaders across MnSCU.
- ✓ Share best practices where each campus leads in efficiency and effectiveness.
- ✓ Serve as advocates for change and innovation throughout MnSCU.

### **BENEFITS – *What will we all gain from this initiative?***

- ✓ Realize significant financial savings for our campuses.
- ✓ Gain efficiency and improve compliance through adopting best practices.
- ✓ Create professional development opportunities and increase workforce flexibility.
- ✓ Drive innovation and continuous improvement grounded in metrics and benchmarks.
- ✓ Improve quality and service.

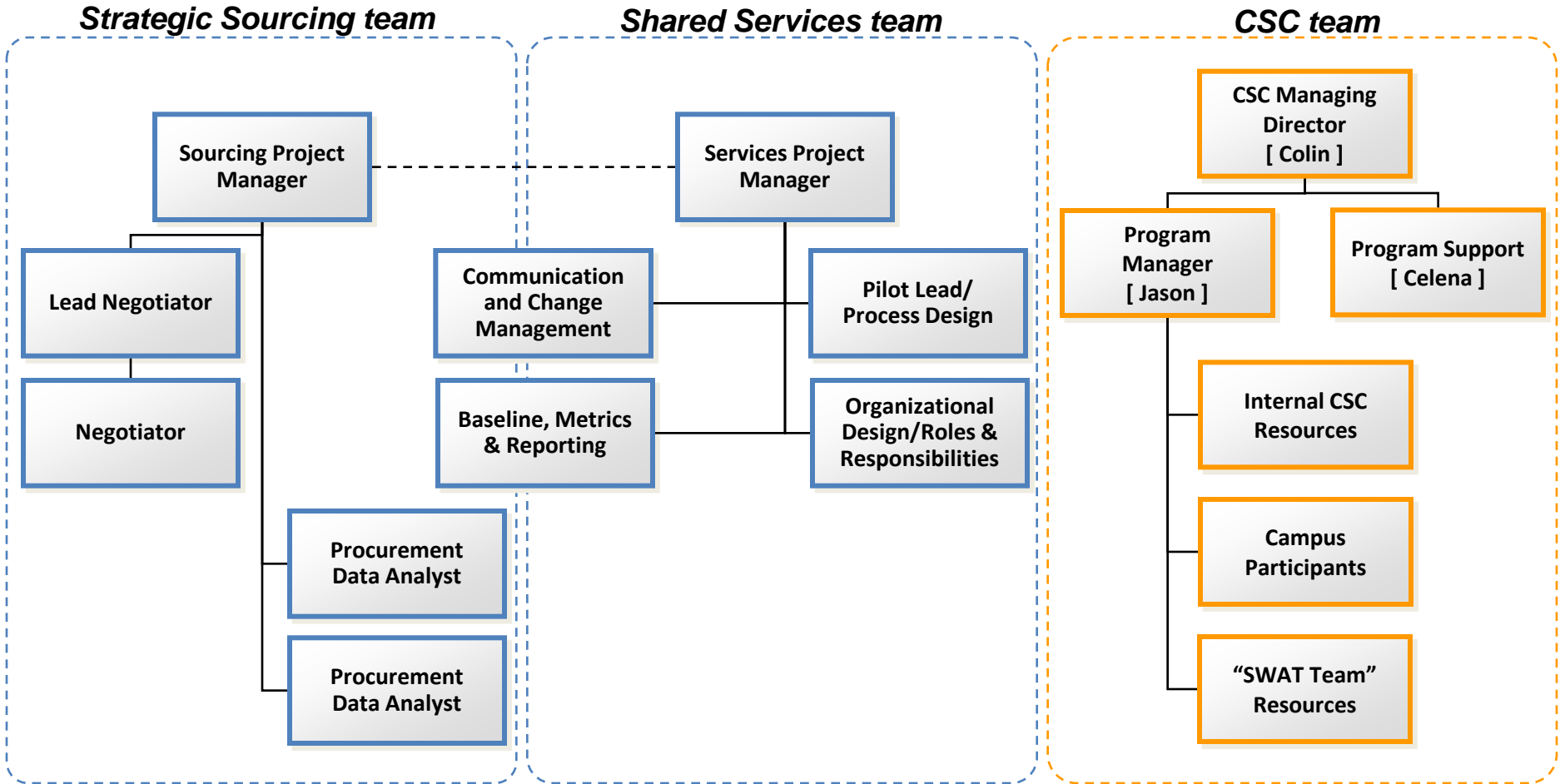


# Long-term Implementation Plan

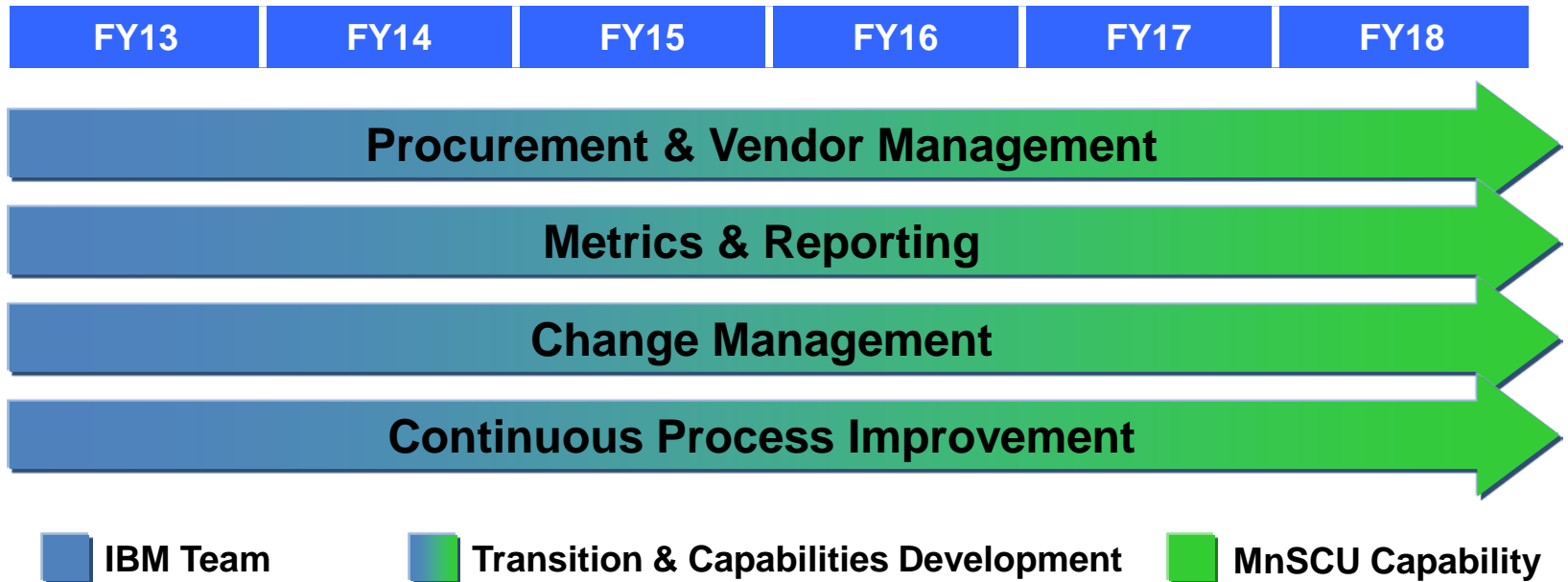


**DRAFT**

# Proposed Launch Teams



# Building Capabilities and Sustainable Value

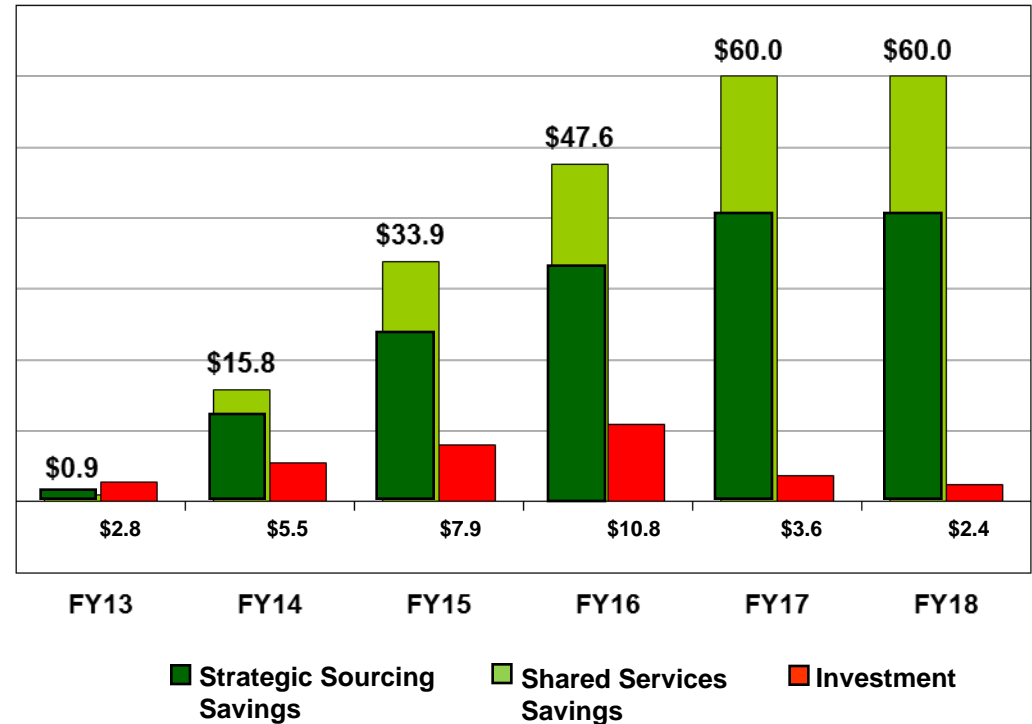


***Throughout the project, participating campus teams will build skills and capabilities, creating sustainable value and enabling continuous improvement.***

## The CSC Initiative will be Self-Funded

- More than \$100 million in savings over the next five years.
- A one-time \$4.5 million loan is required from system office.
- Campuses enjoy 100% of the savings and efficiencies from shared services from day one.
- Campuses enjoy 2/3 of the savings from strategic sourcing from day one; 1/3 of savings is used to repay the loan; 100% of the savings after the loan is repaid.

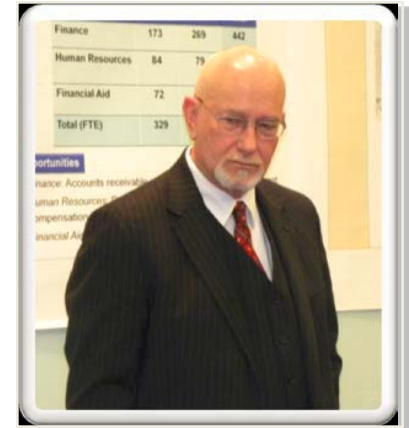
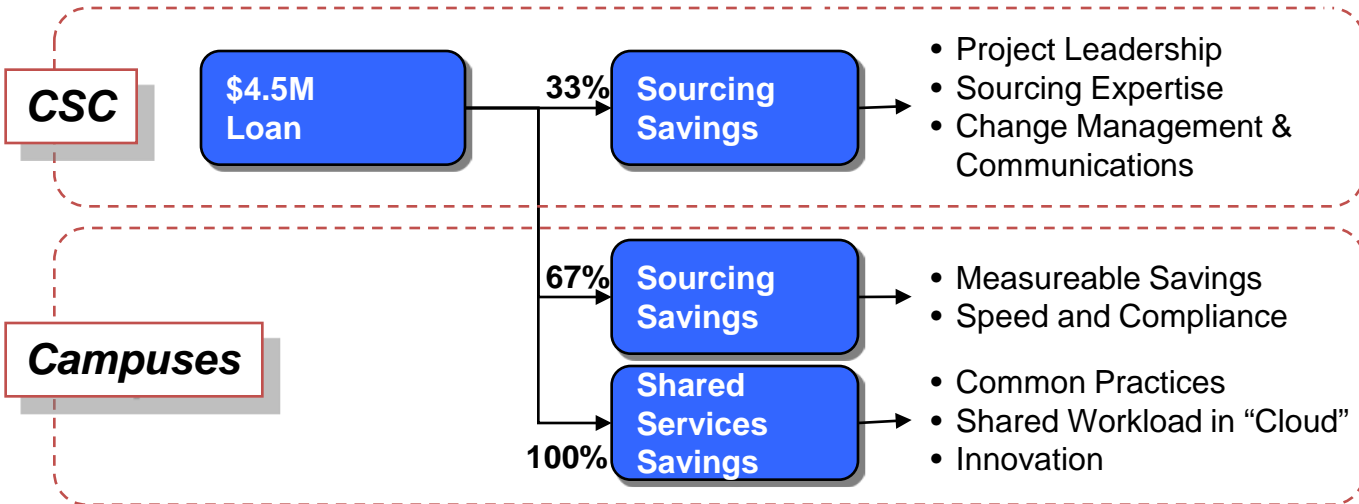
Annual Savings and Investment (\$M)



***Savings are realized by campuses purchasing through the CSC and adopting common practices.***

# Self-Funding Framework

	FY13	FY14	FY15	FY16	FY17	FY18
<b>Key Elements</b>	<ul style="list-style-type: none"> <li>• Startup</li> <li>• Engage key vendors</li> <li>• Launch pilots</li> </ul>	<ul style="list-style-type: none"> <li>• Common practices</li> <li>• Change management</li> <li>• Governance</li> <li>• Infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• Transform CSC technology</li> <li>• Continuous improvement</li> <li>• Knowledge transfer</li> </ul>	<ul style="list-style-type: none"> <li>• Transform CSC technology</li> <li>• Continuous improvement</li> <li>• Knowledge transfer</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous improvement</li> <li>• Knowledge transfer</li> </ul>	<ul style="list-style-type: none"> <li>• “One Team, Many Campuses”</li> </ul>
<b>Gross Annual Savings</b>	<b>\$1M</b>	<b>\$16M</b>	<b>\$34M</b>	<b>\$48M</b>	<b>\$60M</b>	<b>\$60M</b>
<b>Annual Investment</b>	<b>\$2.8M</b>	<b>\$5.5M</b>	<b>\$7.9M</b>	<b>\$10.8M</b>	<b>\$3.6M</b>	<b>\$2.4M</b>



President Musgrove – Pine Tech

***A startup loan leads to a self-funding model.***

***Sourcing savings are split 2/3 to campuses and 1/3 to the CSC until the loan is repaid.***

***Shared Service savings are split 100% to the campuses and 0% to the CSC.***



## A Multi-Year, Multi-Cycle Program

### Program Economics – Cash Flow by Fiscal Year (\$ millions)

GROSS SAVINGS	FY13	FY14	FY15	FY16	FY17	FY18
Strategic Sourcing	0.9	11.8	23.9	32.6	40.0	40.0
Shared Services	0	4.0	10.0	15.0	20.0	20.0
<b>Total Savings</b>	<b>\$0.9</b>	<b>\$15.8</b>	<b>\$33.9</b>	<b>\$47.6</b>	<b>\$60.0</b>	<b>\$60.0</b>
COSTS						
PMO – Sourcing/Services	2.3	4.5	3.8	2.9	1.9	0.5
Internal CSC	0.5	1.0	1.2	1.4	1.7	1.9
Technology*	0	0	2.9	6.5	0	0
<b>Total Costs</b>	<b>\$2.8</b>	<b>\$5.5</b>	<b>\$7.9</b>	<b>\$10.8</b>	<b>\$3.6</b>	<b>\$2.4</b>
NET SAVINGS						
<b>Annual Savings</b>	<b>(\$1.8)</b>	<b>\$10.3</b>	<b>\$26.0</b>	<b>\$36.8</b>	<b>\$56.4</b>	<b>\$57.6</b>
<b>Cumulative Savings</b>	<b>(\$1.8)</b>	<b>\$8.5</b>	<b>\$34.5</b>	<b>\$71.3</b>	<b>\$127.7</b>	<b>\$185.3</b>

Note:

- Placeholder of an estimated \$9+ million technology investment over FY15-16.
- Does not capture additional efficiencies to be realized through continuous improvement.

\*NOTE: Technology investments could include e-procurement, workflow, spend analysis, intelligent back office, CRM, supplier lifecycle management (vendor management), enhancement of SWIFT-ISRS integration, and other enhancements (SWIFT, etc.)

## Collaboration, Coordination, and Tangible Results



Minnesota  
STATE COLLEGES  
& UNIVERSITIES

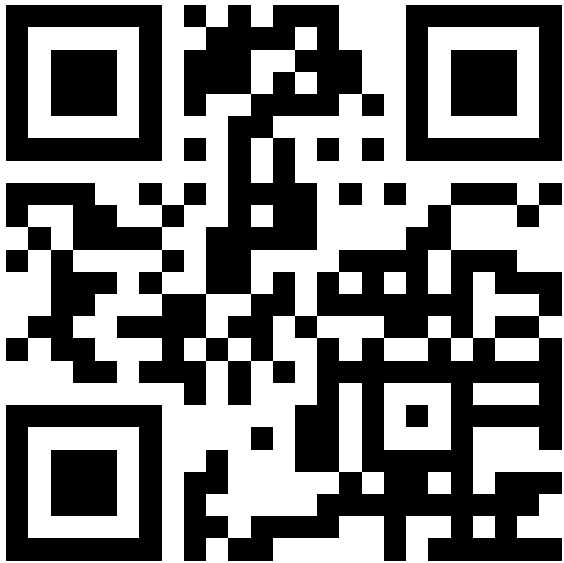


ITASCAproject

***The CSC is also working with other organizations,  
both public and private, across Minnesota.***



Visit us at [www.csc.mnscu.edu](http://www.csc.mnscu.edu)



*CSC Sourcing Workshop at Harmon Place*