



**BOARD OF TRUSTEES
STUDY SESSION
WEDNESDAY, JANUARY 16, 2013
12:30 PM**

**MINNESOTA STATE COLLEGES & UNIVERSITIES
McCORMICK ROOM, 4TH FLOOR
30 7TH STREET EAST
SAINT PAUL, MN**

Board of Trustees – Study Session
Chair Clarence Hightower

- The Campus Service Cooperative

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES**

Agenda Item Summary Sheet

Agenda Item: **Campus Service Cooperative
“Study Session”**

Date of Meeting: 1/16/2013

Proposed
Policy Change

Approvals
Required by
Policy

Other
Approvals

Monitoring

Information

Cite policy requirement, or explain why item is on the Board agenda:

The Campus Service Cooperative is a key strategic initiative in support of MnSCU’s Strategic Framework, specifically to “deliver to students, employers, communities, and taxpayers the highest value / most affordable option.”

Scheduled Presenter(s):

Colin Dougherty, *Managing Director*, Campus Service Cooperative
Jason Cavallo, *Lead Project Manager*, Campus Service Cooperative
President Robert Musgrove, *President*, Pine Technical College
President Earl H. Potter III, *President*, St. Cloud State University

Outline of Key Points/Policy Issues:

The study session will provide the Board of Trustees with a detailed review of the Campus Service Cooperative: its current environment; strategy; plan; and the significant opportunity to deliver tangible savings and efficiency to each college and university.

**BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

INFORMATION ITEM
CAMPUS SERVICE COOPERATIVE “STUDY SESSION”

BACKGROUND

The Campus Service Cooperative (CSC) is a key strategic initiative in support of MnSCU’s Strategic Framework, specifically to “deliver to students, employers, communities, and taxpayers the highest value / most affordable option.” The CSC is a focus on efficient, high quality, and transformational delivery of services, while respecting the distinct educational mission of each college and university. The CSC’s tag line is “*One team, many campuses.*”

Still very much in its infancy, but growing in momentum, the CSC began in 2011 by demonstrating how campuses can work together on such activities as payroll processing, bank account reconciliations, and direct student loan processing, without location dependence.

Now, a comprehensive plan has been developed for the CSC to create a shared services platform focusing initially on four areas: finance/business offices; human resources; financial aid processing; and strategic sourcing.

The approach is a simple three step strategy: (1) identify and adopt common business practices; (2) work together across the system by pooling workload in virtual work queues in the “cloud”; and (3) adopt a mindset of relentless, continuous process improvement. The foundation of the CSC is built with disciplined metrics and performance benchmarks complemented by the pursuit of innovation, creativity, and ideas from all team members.

The CSC is exploring partnerships and collaborations with such groups as Minnesota Department of Administration and other state agencies; the University of Minnesota; the Associated Colleges of the Twin Cities; and the Itasca Project.

In January 2012, Chancellor Steven Rosenstone asked eight presidents (R. Anderson, Collins, Davenport, O’Brien, Musgrove, Szymanski, Wood, and Wynes) plus system office leaders in finance, information technology, and human resources, to serve as the Campus Service Cooperative Leadership Committee. Staff and the CSC Leadership Committee, over the past months, have:

- held numerous campus conversations;
- conducted workshops with more than 100 campus leaders;
- held monthly committee meetings;
- had dialogue with all five of our union bargaining units;
- consulted with the Board of Trustees;
- participated in the Governor’s Shared Services Symposium; and

- engaged IBM Corporation’s Public Sector Strategy and Transformation Practice.

The CSC Leadership Committee has listened, reflected, debated, and has now developed a data-driven case for change. Key partners and resources in our research have included the Minnesota Department of Administration, the Itasca Project, the Lumina Foundation, the University of Minnesota, the Associated Colleges of the Twin Cities, and McKinsey & Company. This initiative promises to deliver tens of millions of dollars in savings each year for our campuses to re-invest in academic priorities.

Strategic Sourcing. A disciplined, efficient, and modern approach to the way that more than \$550 million of goods, services, and construction are purchased each year that will unlock tens of millions of dollars of savings. A scientific, fact-based, hard-nosed approach to vendor management, driven by metrics and benchmarks will deliver the savings. These metrics include price, quality, compliance, service, speed, local relationships, and targeted group businesses (minority, women, veteran, and disadvantaged businesses).

Shared Services. Equally dramatic is the opportunity to develop common business practices in the areas of finance, human resources, and financial aid processing. The “*One team, many campuses*” approach promises to improve service; increase compliance; reduce campus workload; and increase employee satisfaction. June Clark, President, AFSCME MnSCU Policy Committee, is engaged and is a partner in the efforts. AFSCME employees have surfaced many innovative ideas for us to explore. Similar conversations are underway with all MnSCU bargaining unions.

Benefits – *What will be gained 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.

While this effort charts some new territory for MnSCU, we are not alone. Similar efforts in strategic sourcing and shared services are underway at the University of Michigan (www.ast.mich.edu). In addition, we have been studying the Boston Consortium – Harvard, MIT, Boston College, and eight other Massachusetts institutions have deployed collaborative strategies since 1995 (www.boston-consortium.org).

Resources for Launch

In order to execute the plan and achieve the financial objectives, professional resources from IBM’s Public Sector and Transformation Practice will be engaged (1) to deliver tangible financial results and efficiencies; and (2) in parallel, to assist the CSC to create internal capabilities for strategic sourcing, vendor management, shared services, and continuous process improvement. The launch plan is a multi-year, multi-cycle program, with built-in “*go, no go*” decisions for each cycle, with a business case serving as the foundation for subsequent decision in the program.

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES**

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- Information

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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



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.



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



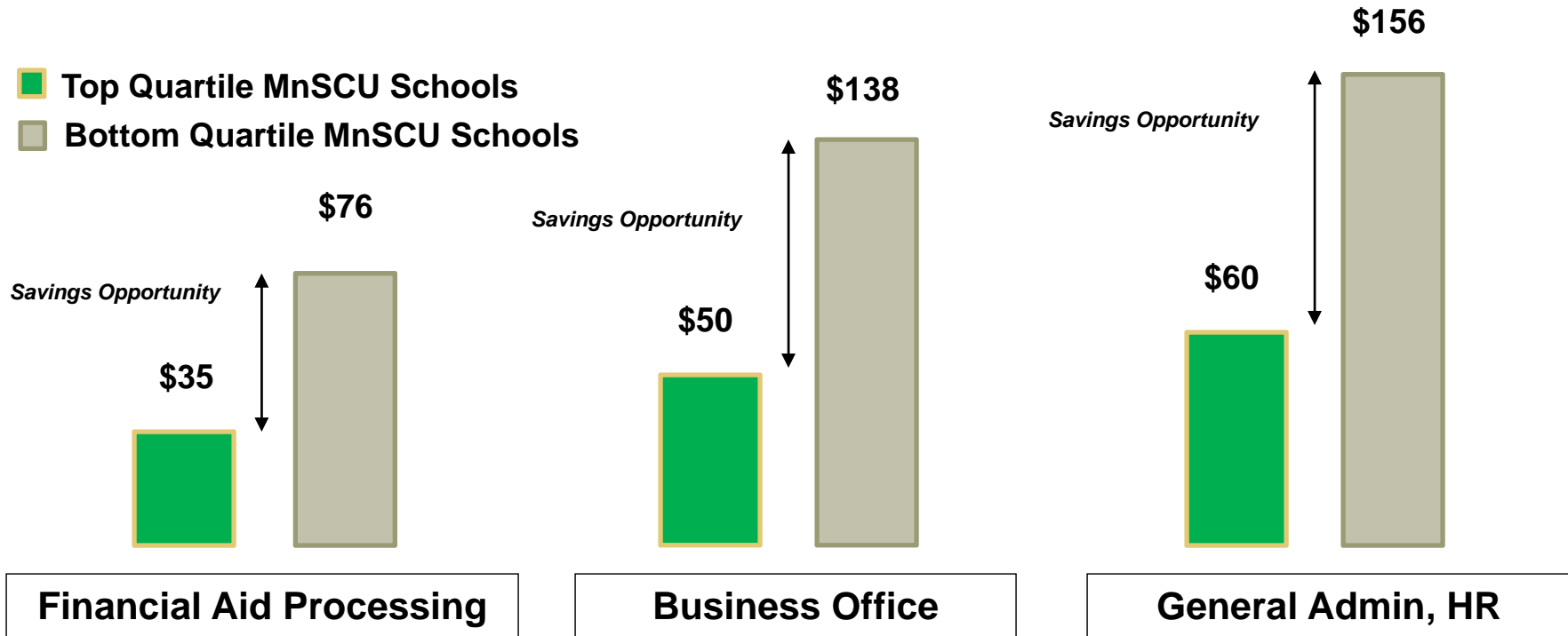
Our Current Environment

- ✓ **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

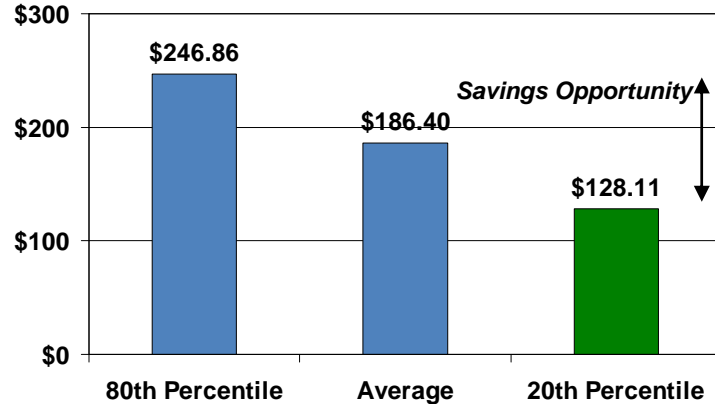


There is significant variability in operations throughout the system.

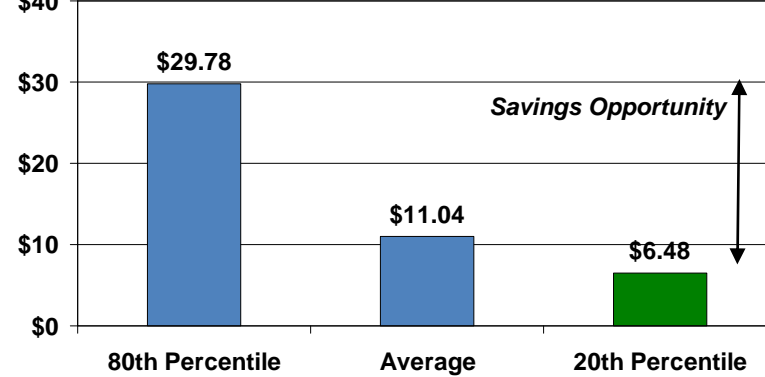


Process Variability Across Campuses

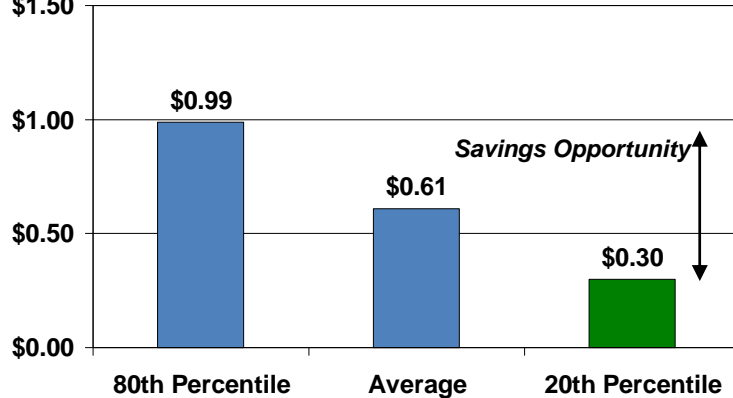
Retirement Administration – Cost per Retirement Transaction



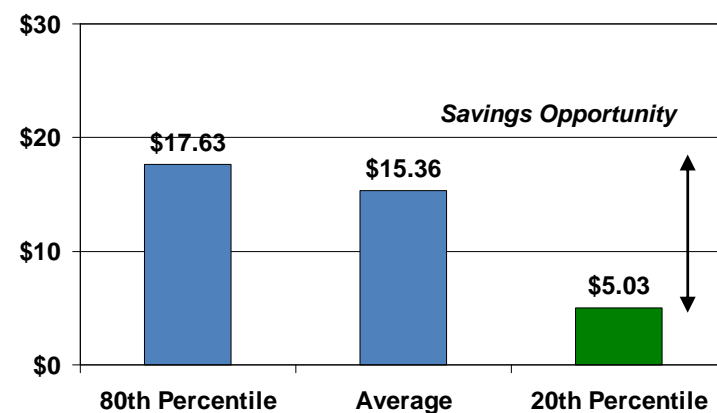
Employee Business Expense Processing – Cost per Expense Processed



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:

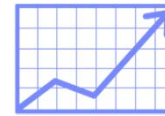
- ✓ **Quality**
- ✓ **Service**
- ✓ **“Cloud” cooperation with workload across campuses, not centralization**
- ✓ **Culture of innovation – ideas cultivated from all team members**
- ✓ **Team transformation and attrition – not layoff driven**



*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**



Why This Matters...

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



CSC Payroll Team – Fergus Falls

People
• Career development and growth
• Talent acquisition
• Succession planning
• Continuity planning

Innovation
• Process transformation
• Metrics for productivity, quality, and compliance
• Internal and external best practices
• Service levels benefiting students, faculty, and staff

Value
• Economic savings
• More efficient delivery with existing resources
• Reinvestment of savings in education mission



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?*

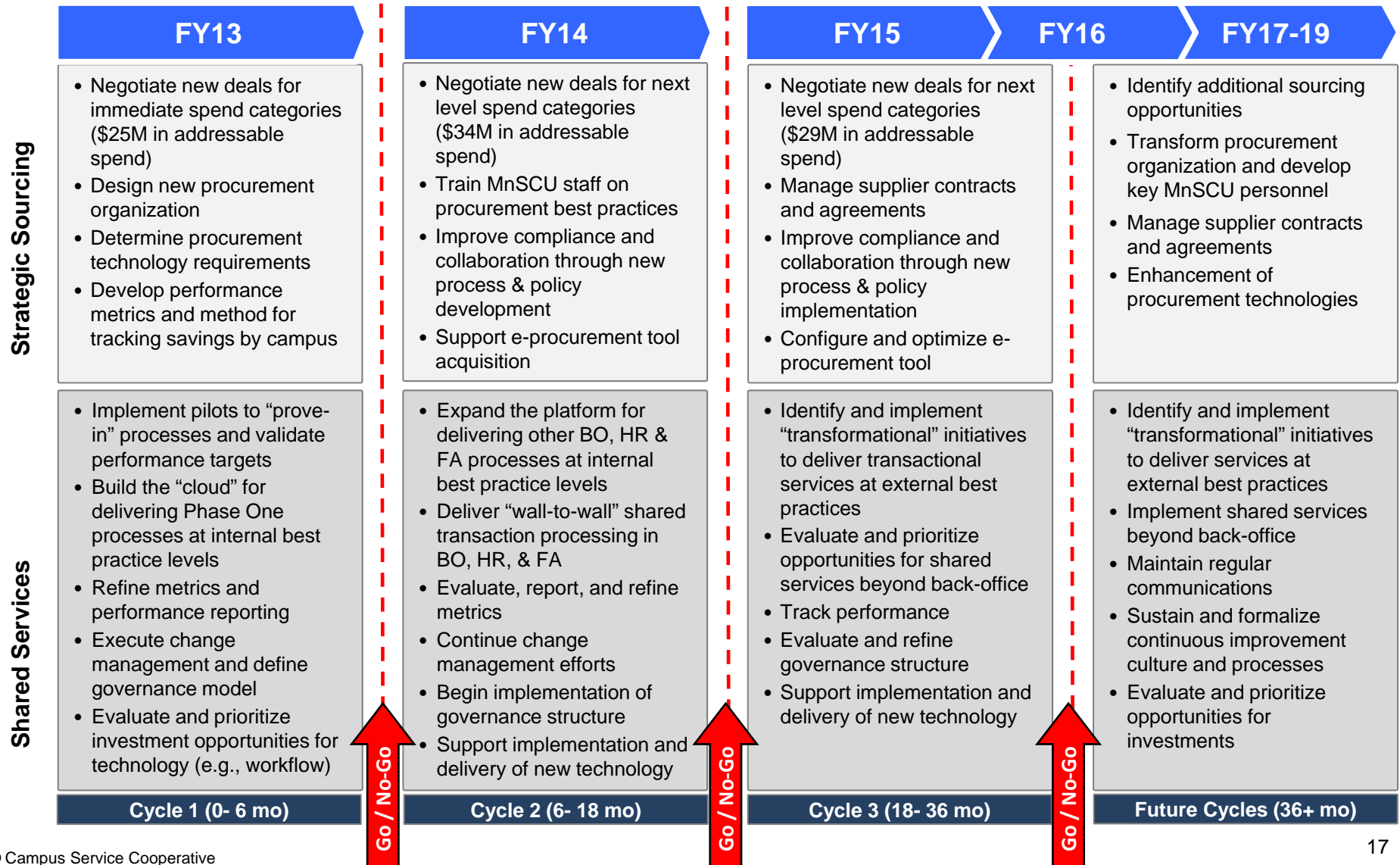
- ✓ Direct campus spending as much as possible through newly-negotiated contracts.
- ✓ Support development and implementation of standardized best business practices.
- ✓ Adopt new best practices based on the innovations of leaders across MnSCU.
- ✓ Share best practices where each campus leads in efficiency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



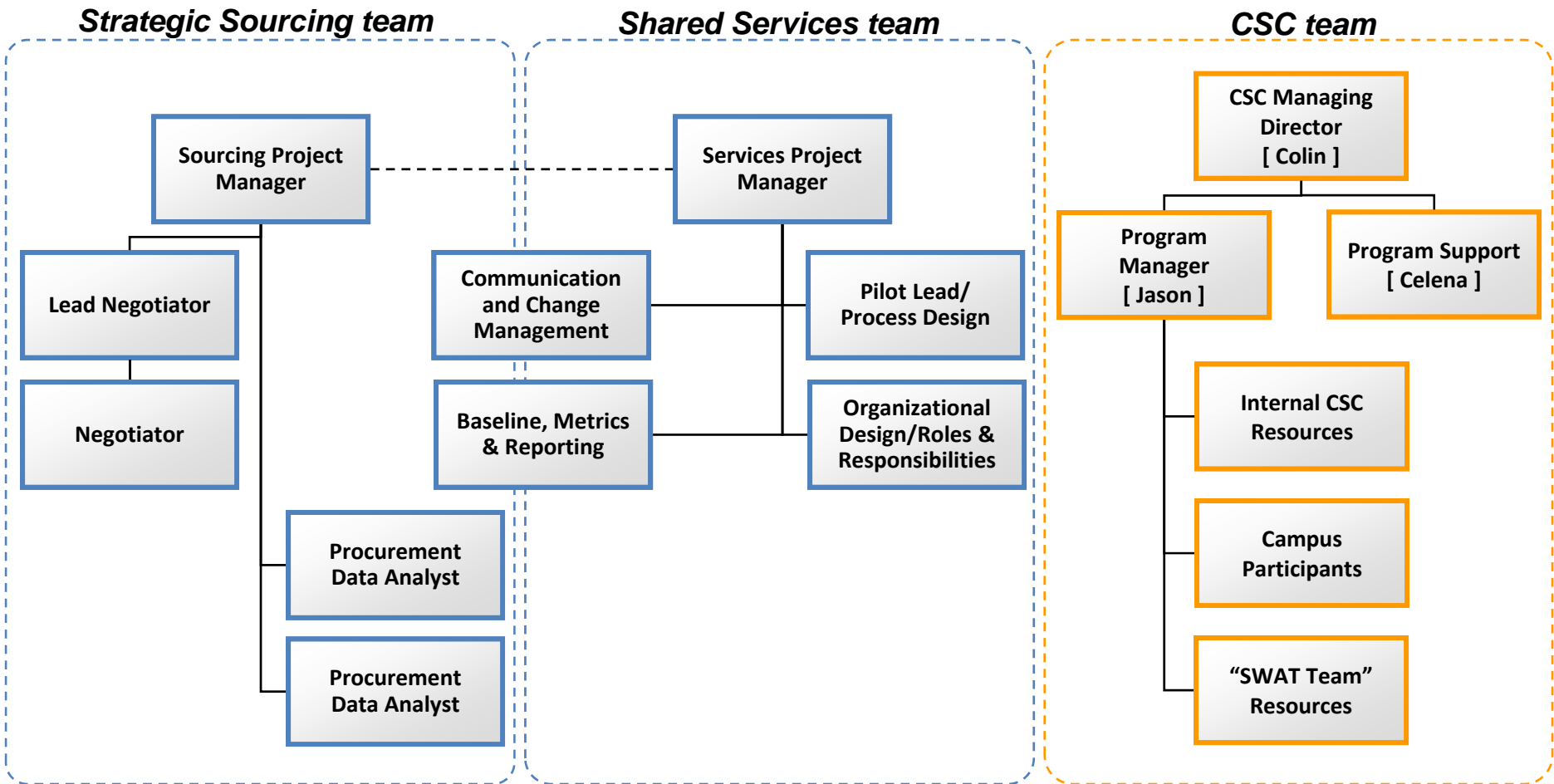
Long-term Implementation Plan





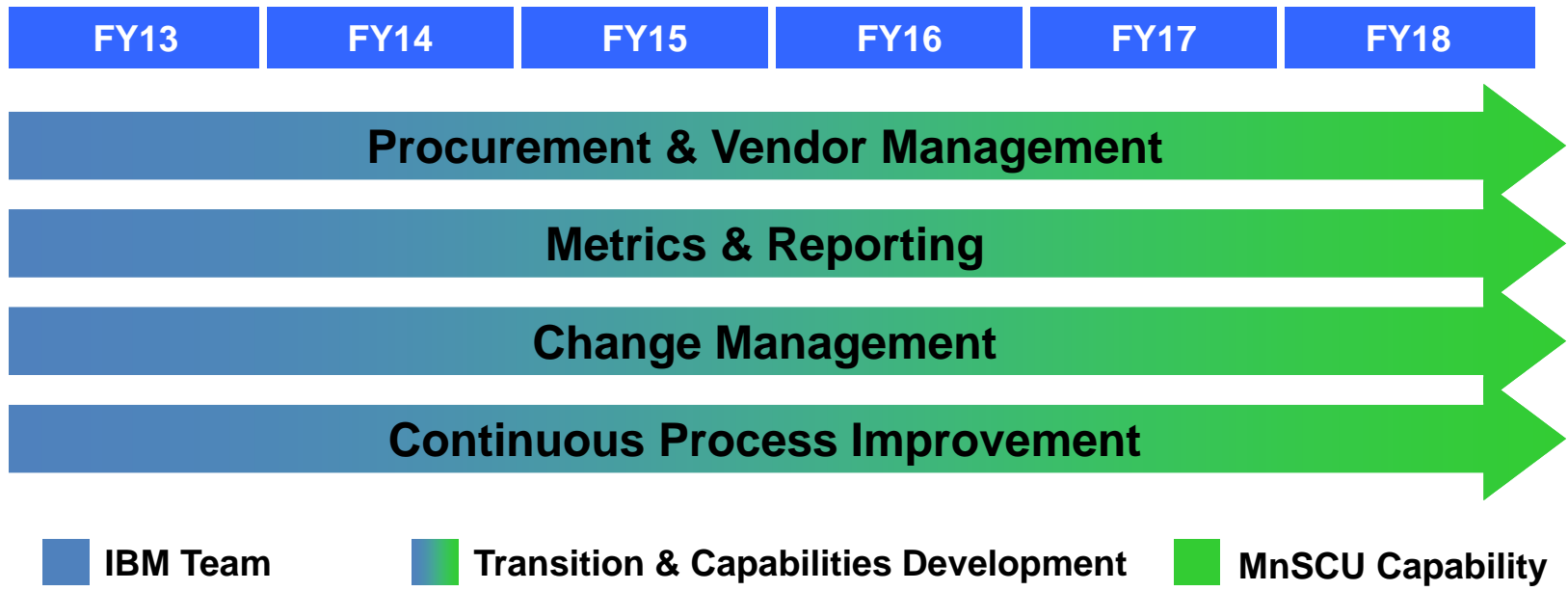
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Proposed Launch Teams





Building Capabilities and Sustainable Value



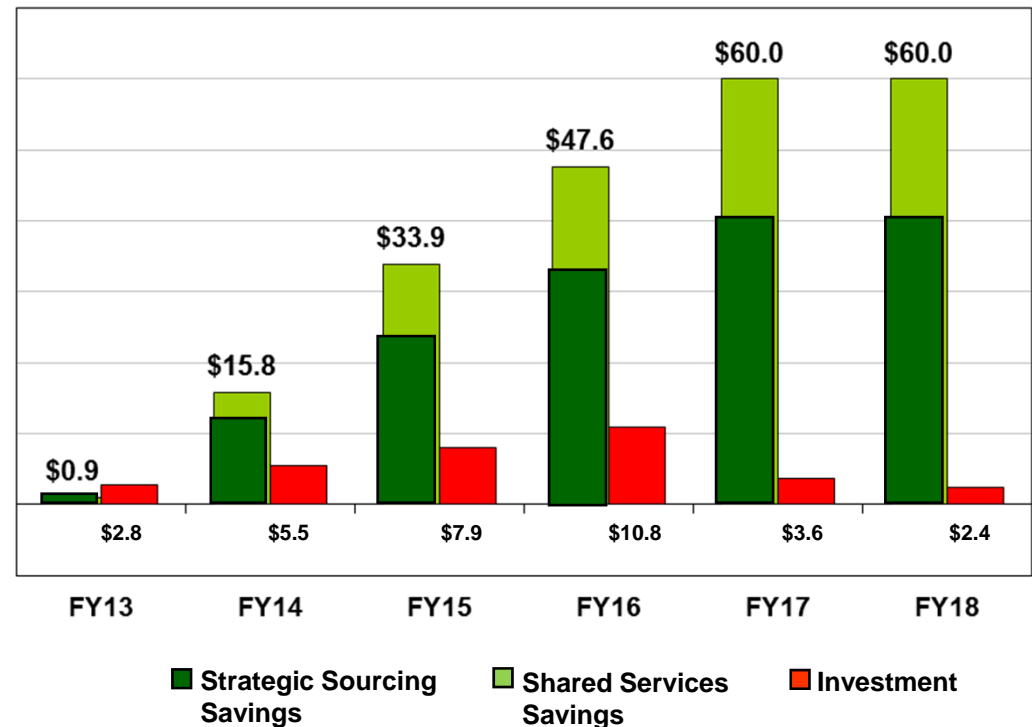
Throughout the project, participating campus teams will build skills and capabilities, creating sustainable value and enabling continuous improvement.



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)

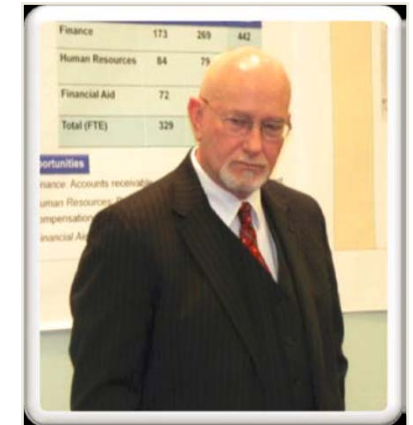
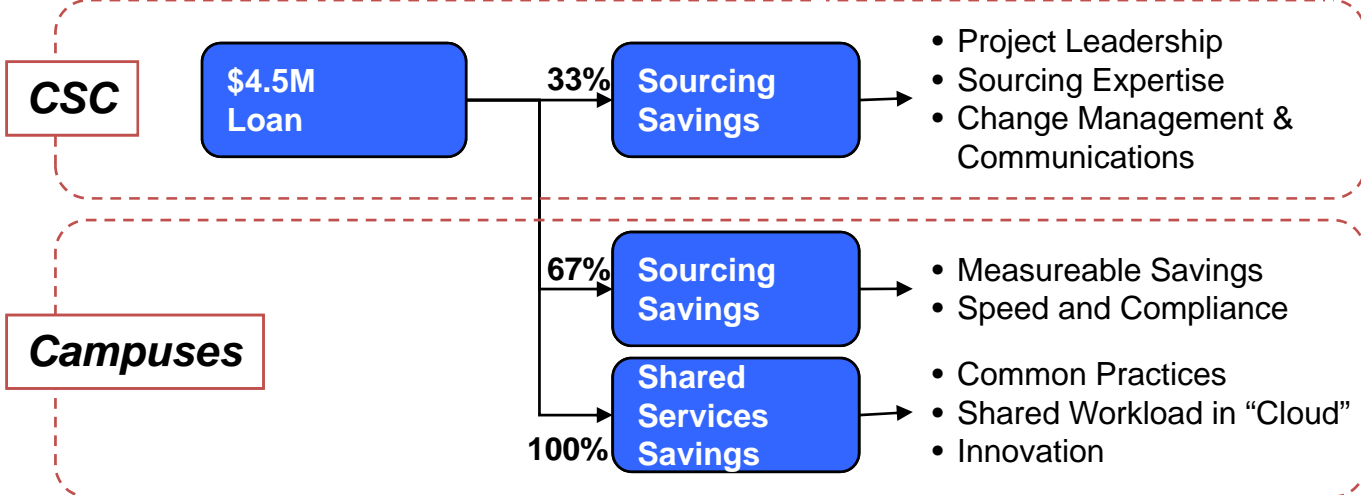


Savings are realized by campuses purchasing through the CSC and adopting common practices.



Self-Funding Framework

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



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
Total Savings	\$0.9	\$15.8	\$33.9	\$47.6	\$60.0	\$60.0
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
Total Costs	\$2.8	\$5.5	\$7.9	\$10.8	\$3.6	\$2.4
NET SAVINGS						
Annual Savings	(\$1.8)	\$10.3	\$26.0	\$36.8	\$56.4	\$57.6
Cumulative Savings	(\$1.8)	\$8.5	\$34.5	\$71.3	\$127.7	\$185.3

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.)*



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Campus Service
Cooperative
One team, many campuses



Plan

Collaboration, Coordination, and Tangible Results



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



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Visit us at www.csc.mnscu.edu



CSC Sourcing Workshop at Harmon Place