

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
STUDY SESSION MINUTES
JANUARY 16, 2013**

Present: Chair Clarence Hightower, Trustees Ann Anaya, Brett Anderson, Duane Benson, Alexander Cirillo, Cheryl Dickson, Philip Krinkie, Maria Peluso, Louise Sundin, and Michael Vekich

Absent: Trustees Margaret Anderson Kelliher, Alfredo Oliveira, David Paskach and Thomas Renier

Leadership Council Representatives Present: Chancellor Steven Rosenstone, President Robert Musgrove, President Earl Potter, Managing Director Colin Dougherty, Lead Project Manager Jason Cavallo

CAMPUS SERVICE COOPERATIVE

The Minnesota State Colleges and Universities Board of Trustees met on January 16, 2013, 4th Floor, McCormick Room, 30 East 7th Street in St. Paul. Chair Clarence Hightower called the study session to order at 12:35 p.m. Trustee Ann Anaya participated by telephone.

Chair Hightower introduced the presentation as a follow-up to the Board of Trustees retreat in September where the trustees expressed interest in a high level overview of the Campus Service Cooperative (CSC). Chair Hightower stated that Minnesota State Colleges and Universities (MnSCU) needs to continue to drive operational excellence. Affordability differentiates MnSCU from other institutions. It also provides access to extraordinary education to students of all backgrounds. The CSC, which has received strong board support, is part of an aggressive plan to improve efficiency. Chair Hightower said this past fall, the CSC moved from the analysis phase to the implementation phase and the purpose of today's session will be an update on the work that has been done. Chair Hightower added that while no decisions will be made today, the board is asked to assess the progress, action steps, and current and potential savings.

Chair Hightower recognized Spencer Cronk, Commissioner, Minnesota Department of Administration, and Matt Bailey, Assistant Commissioner of Strategic Partnerships, also with the Minnesota Department of Administration, who were seated in the audience and are key partners of the CSC.

Chancellor Rosenstone commented that there has been a great deal of attention on the cost of higher education and on administrative spending. Under board guidance, MnSCU will continue the steady trend of reducing administrative expenses and increasing efficiencies. Chancellor Rosenstone said that between 2008 and 2012 enrollments have increased 11% while the total number of employees has remained flat. Since the system was created in 1995, the number of presidents has decreased from 43 to 31. Nationwide, MnSCU's administrative spending per FYE student ranks 37th out of 50. The system office budget is 24% smaller than it was 4 years ago. Institutional support expenditures on campuses have

declined both at MnSCU colleges and universities. These are real successes and to ensure that tuition remains affordable, further efficiencies are necessary. Chancellor Rosenstone added that the CSC is possible because of the investments in technology that the board has championed and their support of system leadership pursuing efficiency projects. The CSC represents the next generation in the path of efficiency and effectiveness.

Chair Hightower turned the discussion to Colin Dougherty, Managing Director of the Campus Service Cooperative. Mr. Dougherty introduced Robert Musgrove, President, Pine Technical College; Earl Potter, President, St. Cloud State University; and Jason Cavallo, Lead Project Manager, CSC.

President Musgrove reported he is pleased to be a part of the CSC Leadership Committee. He added that he has worked on similar efforts as far back as 2003. Now the CSC vision and framework are in place, and ready for implementation. The CSC will build MnSCU's record of productivity improvement by delivering financial savings and operational efficiencies for the back offices of the colleges and universities. President Musgrove added that the CSC will reinvest in academic programs, hold down the costs of tuition, and enhance work environments for students so staff can use their time helping students. President Musgrove explained that previously each campus operated independently with its own business office and unique practices. With the CSC, best practices are being identified and implemented throughout the system.

Mr. Cavallo explained the tremendous variability in cost of operations per student by schools and the metrics used to demonstrate the great saving opportunities in the future. He noted that the cost to deliver services varies significantly across campuses, presenting an opportunity to realize savings through process improvement and standardization. The initial focus areas of opportunity included strategic sourcing where more than \$550 million is spent systemwide on goods and services. Other focus areas are human resources, financial aid processing, and business office operations. In strategic sourcing, the CSC will establish values and benchmarks including: price, quality, compliance, service, speed, local relationships, and opportunity for business relationships with the minority, women, and veteran owned businesses. In the shared services framework, the plan is to find the best practice, roll it out, and share the approach with all of the other colleges and universities. This opportunity will improve service quality, and the ability for employees to work in the "cloud" together. The CSC is not about centralization but rather "one team, many campuses." Mr. Cavallo summarized that the CSC will foster a culture of innovation and sharing of ideas.

President Potter said that the Leadership Council supports the CSC. Each campus is different in size and shape, and the CSC will work to unite them as one whole and keep the focus on values. President Potter commended the CSC Leadership Team for its success in launching the project and doing the "heavy lifting" for all of the colleges and universities. Each campus has been asked to step forward and help adopt practices developed by the CSC. President Potter commented that campuses cannot afford to add more employees so by working together, sharing best practices, and creating efficiencies, our students and

employees will benefit from the CSC. He added that the CSC is not one location, but rather many locations operating as one team. Harmon Place will be the place of transformation and innovation – where the project work takes place. President Potter stated this initiative will allow employees to help students more effectively. There are wide-ranging benefits – people development, innovation, quality – as well as economics savings.

Mr. Cavallo explained how the CSC worked with the Department of Administration to leverage a master contract to get project management help from IBM's Public Sector Strategy and Transformation Practice. The CSC launch plan is a multi-year, multi-cycle program which leverages IBM's experience and talent to deliver tangible financial results and efficiencies. Mr. Cavallo explained that the program includes several cycles, each of which has "go, no go" decisions along the way.

President Musgrove identified the roles of the IBM team and the MnSCU CSC teams. President Musgrove noted that IBM is experienced and knowledgeable in this environment and while the CSC will count on IBM to execute the plan, they will also provide training or internal capabilities, so MnSCU employees can learn and take over as IBM winds down over time.

Mr. Cavallo said the CSC's goal is to become self-funded through a multi-cycle plan. The initiative can create more than \$100 million in savings over the years ahead. The CSC expects to require initial funding of \$4.5 million loan from the system office. From the start, campuses will enjoy 100% of the savings and efficiencies from the shared services work and 2/3 of the savings from strategic sourcing. The balance of the savings from strategic sourcing will be used to fund the project resources required for the transformation. MnSCU will train its employees and continue to improve and transform by building a culture of innovation. Mr. Dougherty added that once business practices are standardized and made more efficient, the CSC will explore how technology investments can drive additional value. The CSC is a small internal team, but they work with other organizations, both public and private, across Minnesota including the Department of Administration, the Associated Colleges of the Twin Cities, the Itasca Project, University of Minnesota, and AFSCME, and other bargaining unions.

Chair Hightower invited Commissioner Spencer Cronk and Assistant Commissioner Matt Bailey to address the board. Commissioner Cronk reported the state supports the CSC. The CSC is an efficient and effective way to work and that the state looks forward to continuing the collaboration. Assistant Commissioner Bailey reported the state is very impressed with the CSC's vision, goals, and especially its creativity. He added that moving forward, the CSC will be viewed as the "go to" place for ideas and a model for other organizations.

Trustee Hightower asked how IBM is involved with this initiative. Mr. Dougherty responded that IBM is bringing resources and professional project management disciplines to the CSC. They will deliver results and they will train and develop internal capabilities for MnSCU. The approach will be metrics driven and benchmark focused.

Trustee Vekich asked if IBM did the analysis phase pro-bono and what the transition team looks like. Mr. Dougherty replied that the initial phase was not all pro-bono and explained the funding scope. Chancellor Rosenstone added that there were two funding options explored with IBM, and that MnSCU chose the self-funded options because of the confidence in value and potential savings from the initiative.

Trustee Cirillo asked how people are being trained and by whom. Mr. Cavallo indicated the CSC works together as a team, reaching out to internal leaders such as Anita Rios, Director, Talent Management. IBM will establish and setup the training with internal partners. Trustee Cirillo asked if there is a need for change management training. Mr. Dougherty responded that the CSC program includes change management and communications – something that is viewed as critical to success. President Potter pointed out that the organization chart has an IBM resource designated directly for change management. The CSC leadership has been very mindful and understanding that a change in culture will be very difficult. Each president will help support the effort.

Trustee Sundin asked about purchasing through local vendors. Mr. Dougherty provided an example of purchasing mattresses for residence halls for multiple institutions. A regional vendor was selected and the result was a better product at a reduced price because of the system approach. Mr. Cavallo added that the CSC will look at local vendors whenever possible. Trustee Sundin asked about partnerships with unions and if students have expressed concern regarding “cloud” technology. Mr. Dougherty explained the CSC has a good working relationship with AFSCME. In addition, the CSC has held an open house and all of the bargaining unions were invited. Mr. Dougherty commented that he and Mr. Cavallo also attended an IFO conference and received good feedback on how to make the CSC a success. Mr. Dougherty clarified that “cloud” refers to MnSCU’s Integrated Statewide Records System (ISRS).

Trustee Erlandson asked for clarification on “span and layers.” President Musgrove responded that span and layers are analytical terms regarding how organizations are reorganized. The CSC is more comprehensive and includes process re-design and strategic sourcing. Trustee Benson asked if the CSC has a lifespan or if there is value to sell the CSC to others. President Musgrove reported that there is no end to the initiative because there will always be new ways to improve. Further, President Musgrove noted MnSCU is a unique entity. Mr. Cavallo noted that someone once said “the biggest risk we face is the risk of business as usual.”

Trustee Hightower thanked the CSC team and asked for another update in six to eight months.

The meeting adjourned at 1:46 p.m.

Respectfully submitted,
Celena Monn, Recorder