University of Texas – Austin
Committee on Business Productivity

Administrative Services Transformation Final Summary
Agenda

Recommendations

Background Data & Reference Materials
Administrative Services Transformation (AST) Charge

“The Committee will examine the economic impact the federated model of administration has on the economic efficiency at The University of Texas at Austin and will make recommendations to improve that efficiency. Specifically, the Committee will examine how the federated model has been deployed at each college and within the central administrative units and make recommendations concerning how it might be changed to increase efficiency and effectiveness specifically in the areas of financial services, human resource services, technology infrastructure and support and administrative support services.”
Recommendations

After a detailed analysis of administrative activities across the University, we believe that UT can achieve between $150 - $200 million savings over a 10 year period, net of estimated implementation costs, by implementing the following recommendations.

1. Implement a shared administrative services model
   - Conduct a process redesign that is consistent with leading practice
   - Automate work effort (i.e., document management, inquiry management, travel & expense) through enabling technologies
   - Ensure accountability through a clearly defined governance model

2. Increase the ratio of strategic sourcing in procurement spend, and capture the savings
   - More savings are possible through a collaborative, scaled, and disciplined approach to directing spend
   - Continue to lead the academic initiatives with the UT System’s procurement team
   - Institute a mechanism to capture the resulting savings at the University level

3. Investigate University-Specific administrative work efforts for additional cost saving opportunities
   - 75% of administrative work effort occurs in functions such as Development, Academic Support, Research Administration, Marketing / Public Relations, and Student Services
   - Even small efficiencies in these areas can amount to significant cost savings or revenue enhancements given the scale. Examples include process redesign, management restructuring, and policy rationalization.
     - For example, by using analytic tools, Development estimates that over $20 million in additional revenue may be available over the next 10 years
   - Create an organization to support transformation for this effort at the University level, for opportunities identified by the schools / units
   - A closer look at opportunities in these functions could generate a second round of benefits greater than identified above
The recommendation includes high volume, commodity processes that are typically included in successful shared administrative services transformations across all industries.

The recommended transformation includes the following business processes:

- **Finance & Procurement**
  - Accounting
  - Accounts Payable
  - Travel & Expense Reimbursement
  - Accounts Receivable
  - Requisition to Order

- **Human Resources**
  - Employee Administration
  - Recruiting & Deployment
  - Payroll
  - Time Administration

- **Information Technology**
  - End User Support
  - Infrastructure Implementation
  - Application Maintenance
  - Application Implementation

The recommendation is achievable because most administrators spend 50% or more of their time in these business processes.

<table>
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### Illustrative Deployment Plan

Deploy Shared Services for HR and Finance in a phased approach over a 48 month project with sensitivity to Year End, Peak Volume and Key activity periods. Deploy to units in two groups to mitigate risk.

<table>
<thead>
<tr>
<th>Year 1 - FY 2013</th>
<th>Year 2 - FY 2014</th>
<th>Year 3 – FY 2015</th>
<th>Year 4 – FY 2016</th>
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<tbody>
<tr>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
<td>Q4</td>
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</table>

- **Service Management**
  - **Enabling Technology**
  - **Contact Center**
  - **Procurement**
  - **IT**
  - **Local Unit Reorganization Tasks**

- **FIN**
  - Initial Deployment
  - Go-Live: FIN
  - Second deployment of customers into SSC

- **HR**
  - Initial Deployment
  - Go-Live: HR

- **SSC Facility Opens**
  - SLAs, Metrics

---

\[\text{= Design Phase} \quad \text{= Initial Deployment} \quad \text{= Secondary Deployment}\]
How would shared administrative services be structured?

New accountabilities require changes to the existing organization structure.

Chief Administrative Officer (CAO)

- Process & Strategy Review
- Issue Resolution
- Manage function-specific issues
- Examples:
  - Address service issues escalated by the User Groups
  - Target opportunities for future improvements in the SSC

Steering Committee

- Govern Shared Services to balance customer and provider interests at University level
- Service Delivery Strategy
- Examples:
  - Address service issues referred by Advisory Committee; no direct customer access

Advisory Committee

- Process & Strategy Review
- Issue Resolution
- Manage function-specific issues
- Examples:
  - Address service issues escalated by the User Groups
  - Target opportunities for future improvements in the SSC

Steering Committee

- Service Performance Issues
- Continuous Improvement Feedback
- Examples:
  - Propose new service needs with customer input
  - Evaluate new capabilities (e.g. systems, skills)

Shared Services Leadership

- Direct University-wide Shared Service Center (SSC)

User Groups

- Accountable to achieve business case targets

Example:

- Direct University-wide Shared Service Center (SSC)
Next Steps

The following steps should be pursued if the University decides to move forward with the Administrative Services Transformation recommendations provided.

- **Phase I — Identify Administrative Services opportunities** - Complete

- **Phase IIa — Design administrative shared services**
  - Establish a Steering Committee and develop a charge document
  - Communicate the decision to undertake a design project for UT-Austin
  - Identify empowered leadership

- **Phase IIb — Develop detailed strategic sourcing plan**
  - Integrate the UT System Purchasing Alliance calendar into an assessment effort
  - Understand how savings might be captured locally to fund University initiatives
  - Communicate that schools/units are expected to participate in sourcing
  - Conduct key stakeholder interviews, identify opportunities at the spend category level

- **Phase IIc — Investigate University-Specific work effort for additional opportunity**
  - Assess the potential of individual functions for detailed analysis
  - Identify key stakeholders, conduct assessment interviews
  - Perform detailed data collection for high potential functions
  - Investigate university specific work effort for additional administrative opportunities

- **Phase III — Build administrative shared services**
  - Build organization, processes, enabling technologies, and deployment plan
  - Manage change throughout organization including within units
  - Measure progress toward complete integration
  - Prioritize improvements
Considerations

Based upon prior shared service experience in other industries, the following considerations accompany the AST recommendation.

<table>
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<tr>
<th>Area</th>
<th>Consideration</th>
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<tr>
<td>Process</td>
<td>■ Achieving consensus upon a common level of in-scope administrative processes requires empowered leadership</td>
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<tr>
<td></td>
<td>■ Establishing a common governance process will require changes that are consistently implemented at the unit levels</td>
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<tr>
<td></td>
<td>■ Integration of process changes with UT’s administrative system change, regardless of which comes first, is a key determinant of how work will be done in the future</td>
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<tr>
<td>People</td>
<td>■ Transitioning the workforce should occur in a respectful manner that retains talent and maintains employee morale</td>
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<td></td>
<td>■ Success depends in large part upon instilling a new culture at UT</td>
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<tr>
<td></td>
<td>• Trusting each party to meet its responsibilities in a reliable way, and</td>
</tr>
<tr>
<td></td>
<td>• Avoiding the temptation to work outside of one’s core competence</td>
</tr>
<tr>
<td></td>
<td>• Reinforcing these changes through a clear governance and accountability framework</td>
</tr>
<tr>
<td>Technology</td>
<td>■ UT will need an institution-level change in IT system in order to realize full benefits</td>
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<tr>
<td></td>
<td>■ A design phase can confirm the benefit estimates that enabling technologies can help achieve</td>
</tr>
<tr>
<td></td>
<td>■ This is the right time to undertake changes in core administrative systems to support changes in the administrative operating model</td>
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<tr>
<td>Communication</td>
<td>■ UT will need to work in coordination with the UT System to ensure alignment</td>
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<td></td>
<td>■ A plan of routine communications presents an opportunity to engage UT’s administrative experts for their input and sponsorship of this change</td>
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Guiding Principles for UT Administrative Services

*Guiding principles similar to those below have formed the foundation of high value, low cost administrative services across all industries, including Higher Education*

**Consistency** in the application of administrative policies and the standardization of routine processes

**Excellence** made possible by concentrating routine administrative service delivery to specialists in a new organization

**Predictability** defined by agreements that are developed jointly by the service provider and the customer

**Governance** that fairly balances the requirements of the customer population with the ability of the service provider service to meet them

**Focus** for academic and executive leadership, through reduced administrative concerns
Operating Principles for the Shared Service Center (SSC)

Operating principles seek to balance the interests of the customers, executive leadership, and the SSC team members to help achieve UT’s mission.

**Commitment**, to low-cost, high value service to customers through partnership agreements and to SSC employees with a workforce development program

**Efficiency**, understood by measuring performance at a detailed level, and optimized by correcting the causes of waste in a process

**Accountability**, to the customer and to service providers through an objective and consistent service management structure

**Expertise**, to identify the truly unique customer service needs and meet them, as well as knowing how to identify an exception and to prevent it in the future

**Culture**, to recognize the SSC as a distinct contributor to the mission of UT and to motivate all SSC team members to adopt these principles
Agenda

Recommendations

Background Data & Reference Materials
Inclusive data collection process

6/5 through 7/12: Executive Interviews

• 28 units total
  – 16 Academic and 12 Non-academic

• 85 interviewees
  – Business Officers in HR, FIN, IT, and Procurement

6/20 through 8/6: Data Collection

– Approximately 14,000 people
– Administrative job titles excluding research & instruction, skilled/maintenance, student academic, and physician
– Annual cost for these positions is $520 million for salary and benefits

8/7 to date: Data Validation and Analysis

– Units confirmed that data is complete and accurate
– Developed headcount and effort categorizations on university specific administrative functions (e.g., Development, Research Support)
– Measured the ratios of managerial versus clerical effort
– Compared UT salary levels paid to market wages
– Compared UT staffing levels to peer organizations

School/College

• Cockrell School of Engineering
• College of Education
• College of Liberal Arts
• College of Natural Science
• LBJ School of Public Affairs
• School of Architecture
• School of Information
• School of Nursing
• School of Social Work
• College of Communication
• College of Fine Arts
• School of Law
• School of Undergraduate Studies
• McCombs School of Business
• College of Pharmacy
• Jackson School of Geosciences
• Graduate School

Department

• Continuing and Innovative Education
• Office of the President
• Office of the Vice President for Student Affairs
• Office of the Vice President for University Operations
• University Development Office
• Department of Intercollegiate Athletics
• Office of Diversity and Community Engagement
• Provost Office
• Office of the Vice President and CFO
• Vice-President for Research
• Office of the Vice President for Legal Affairs
Administrative Services at UT

Nearly 14,000 employees serve in administrative roles that cost UT $520 million per year

How are the staff organized?

- 28 distinct units
- 299 departments
- For each function, X headcount (HC) spends Y% of their time in each function, on average:
  - Human Resources: 1,817 HC, 25%
  - Finance: 2,532 HC, 35%
  - Procurement: 1,054 HC, 17%
  - IT: 1,520 HC, 71%

Recommendations (in $ millions):

- Administrative Shared Services $XX
- Strategic Sourcing $
- Process Re-engineering
- Performance Management

Source: UT AST Work Effort Survey 2012
### Executive Interview Themes

- **Time Administration**
  - “Inefficient Time Reporting” (13 of 28 units)

- **Learning Administration**
  - “Inadequate Skills Training” (9 of 28 units)

- **Employee Services**
  - “Leave Management Issues” (3 of 28 units)

- **Recruiting & Deployment**
  - “Onboarding/Appointment Issues” (9 of 28 units)

- **HR Function Management**
  - “Policies Not Clear or Enforced” (5 of 28 units)

- Related opportunity on TXADMIN roadmap
Executive Interview Themes

- **Fixed Asset Accounting**
  - “Inadequate Inventory Management” (6 of 28 units)

- **Management Reporting**
  - “Reporting Difficulty & Data Inaccuracy” (15 of 28 units)

- **Travel & Expense Reimbursement**
  - “Travel Reimbursement Process Issues” (9 of 28 units)

- **Accounts Payable**
  - “Issues Paying Bills” (6 of 28 units)

- Related opportunity on TXADMIN roadmap
Executive Interview Themes

• Requisition to Order
  – “Purchasing Process Issues” (8 of 28 units)
  – “Payment Voucher Process Issues” (5 of 28 units)

- Related opportunity on TXADMIN roadmap
Executive Interview Themes

- **Application Maintenance**
  - “Inadequate Systems” (8 of 28 units)
  - “Reporting Difficulty & Data Inaccuracy” (14 of 28 units)

- **Application Implementation**
  - “Lack of System Integration” (9 of 28 units)
  - “Poor User Experience” (6 of 28 units)
  - “Shadow Systems” (5 of 28 units)

- **End User Support**
  - “Lack of Programming Support” (6 of 28 units)
  - “Ineffective IT Support” (3 of 28 units)

- Related CIO project in progress

Source: UT AST Work Effort Survey 2012
Executive Interview Themes

- **None** – Focus of Interviews was on Traditional Administrative Areas (FIN, HR, IT, Procurement). For any given ‘Other’ observation, there was not enough occurrences to consider it a theme.
Opportunity Portfolio Road Map

**Finance**
- 1st 100 Days: Revenue Collection Management *
- Q3 2013: Fee-Level Analysis
- Q1 2014: Shared Services
- 2014-2016: Strategic Sourcing *

**Procurement**
- 1st 100 Days: Strategic Sourcing *
- Q3 2013: Supplier Payment Audit
- Q1 2014: Shared Services
- 2014-2016: Overtime Reduction *

**Human Resources**
- 1st 100 Days: Benefits Cost Reduction
- Q3 2013: Workers' Compensation Reduction
- Q1 2014: Shared Services
- 2014-2016: Span of Control

**Infrastructure & Facilities**
- 1st 100 Days: Property Management *
- Q3 2013: Fleet Management
- Q1 2014: Ticket Collection *
- 2014-2016: Service Delivery Redesign

**Other**
- 2014-2016: Cross-Jurisdiction Collaboration

**Comments**
- Immediate focus on revenue collections, strategic sourcing, and property management lease collection can drive short term savings and revenue generation.
- Secondary focus on fee-level analysis, further OT reduction, worker's compensation reduction, and benefit cost reduction can achieve savings in early 2012.
- Shared services timeline should be coordinated with ERP implementation—informing the system design efforts but transitioning when new technology is in place.
- Other initiatives are staggered behind reflecting limited resources to drive innovation—if more resources are available, more initiatives can be driven simultaneously.
- Service delivery redesign (including public works and sanitation opportunities) should be integrated into the Budgeting for Outcomes process.
- Effective PMO is essential for driving multiple initiatives.

* Denotes FY13 Quick Win Opportunity
A. Shared Services Center (SSC) – Opportunity Summary

Opportunity Description

• Improve service levels and realize greater efficiencies by redesigning processes and reorganizing clerical staff responsible for high volume, commoditized administrative tasks. (e.g., business processes within the functions of procurement, finance, HR, IT, etc.)

Challenges with current state
1. Inefficiency attributed to the federated service delivery model at UT
2. Reduced productivity because paper is a big part of administrative processing at UT
3. Lack of task specialization; administrators ‘wear a lot of hats’ at UT
4. Some system gaps, if filled, could help improve efficiency

Next steps / future state
1. Most back-office functions will be consolidated across units
2. Common standards, processes, facilities and technologies will be used across agencies to achieve greater productivity
3. Service level expectations will be measured and used in the governance process
4. Schools / units are able to focus on higher value tasks; shared services handles routine transaction processing

Stakeholders
1. Provost and Deans
2. CFO
3. CIO
4. College Business Officers and other Key Unit Heads
5. Administrative staff

Opportunity Description

Financial Benefits
Approximately $30 million per year

Implementation Cost
$25 - $35 million, excluding ERP costs (estimate being confirmed)

Ease of Implementation
H Organization
M Process
T Technology
E Students & Faculty

Implementation Challenges
• Shared services requires participation across UT
• Current staff in affected business processes would need to adopt a new culture
• Position reductions could meet resistance and impact near-term productivity

Interdependencies / Risks
• ERP – the capability to route transactions via workflow
• Enabling technologies (e.g., document imaging, call center, self-service portal, knowledge base)
• Will the savings from position reduction in the schools / units be included in the budget, or will the units retain them?
• Will the new service center be able to deliver on the promised service levels?

High Level Assumptions
• Position reductions will take place if Shared Services is adopted
• UT will adopt a new organization model with a visible and empowered leader of the SSC
• UT will adopt a common set of service levels and a governance process to manage to them
• All schools and units will
  • Agree on a common process
  • Participate in a shared service delivery model

Timing
Start Finish
A A Period 1
A A Period 2
B B Period 3
A: Assess opportunities and implement changes
B: Benefits begin
B. Strategic Sourcing – Opportunity Summary

Opportunity Description
• Strategic sourcing would aggregate University spend and channel it through a list of official suppliers to achieve savings through volume purchases. A short (4 week) sourcing confirmation effort would refine benefit estimates, identify barriers to sourcing, and identify a roadmap for execution. Assuming benefits are validated and no significant barriers are identified during the confirmation effort, one or more waves of strategic sourcing (each approximately six months) could realize savings.

Challenges with current state
1. Staffing levels suggest that units prefer to engage in purchasing independently of central procurement where allowed by policy.
2. No electronic routing of approvals
3. Procurement enablers (e.g, technology, governance structures, training, etc.) are limited; paper based sourcing in some cases
4. If UT adopts a strategic contract, would the schools / units readily accept the perceived lack of choice / control?

Next steps / future state
1. For a new contract, submit data through the UT Supply Chain Alliance; set spend targets
2. Work within the Sourcing Calendar with the supply chain alliance
3. Structured negotiations process in place, contracts are established with preferred vendors
4. UT participates in a structured approach with the Alliance for greater buying power
5. The role of Procurement professionals (both centrally and in units) becomes more strategic and less transaction oriented

Stakeholders
1. Units with high spend in target categories
2. UT Procurement Professionals
3. Faculty and Staff

Financial Benefits
$3.8 million per year

Implementation Cost
• Can be on a ‘gain-share’ basis, where consultants are paid from identified or realized savings.

Ease of Implementation
E Organization
M Process
E Technology
M Students & Faculty

Timing
Start Finish
A/B A First 100 days
C B Year 1
C C Year 2
A: Confirm target sourcing projects
B: Execute Strategic sourcing projects
C: Benefits Realization

Interdependencies / Risks
• Potential interdependency with the UT System buying cooperative.
• Ability to measure savings without all benefits being surrendered to the schools/ units?
• Will schools / units will buy off of standard contracts, as opposed to their personal preferences?

High Level Assumptions
• Opportunity at UT is consistent with peer higher education institutions, and is subject to confirmation
• Potential for this opportunity will increase as organizations outside of UT Austin (e.g., System, State of TX) participate in sourcing projects

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C. University Specific Process and Org Redesign – Opportunity Summary

Opportunity Description
- A significant opportunity appears to be available, based upon comments from the CBO and TXADMIN leadership that schools and units create custom systems and processes to fill administrative capability gaps
- Opportunities include reducing paper in a business process, increasing automation, implementing performance metrics, and improving accountability to reduce approval effort

Challenges with current state
1. Operating model encourages unit-specific behaviors
2. The bulk of data for transaction volumes, error rates, etc. is siloed in each of the units
3. Unit-specific systems manage significant business function (e.g., scholarships) rather than taking an institution-wide approach
4. Candidates for this opportunity include the functions of Development,

Future state vision
1. Administrative needs raised to a UT-level governance board to identify commonalities across units
2. Resources identified to support process design/system requirements development
3. Established process to approve designs and move forward with implementation, including business case development and funding decisions

Stakeholders
1. Deans
2. CBO's
3. Provost
4. Key Unit Heads

Implementation Challenges
- Communication and execution need to be well-coordinated to avoid political and service level obstacles
- Effort must be integrated with ongoing planning efforts (transformation committees, system initiatives, budget process, etc.)

Interdependencies
- Administrative IT System
- Cross-Unit integration

High Level Assumptions
- Service delivery costs may be reduced by 5-10%
- Redesign would complement an organizational redesign effort such as Shared Services
- Position reductions would be necessary to achieve a cost savings

Financial Benefits
Student Svcs: Clerical Svcs: Academic Admin:

Implementation Cost

Ease of Implementation
- Organization
- Process
- Technology
- Students & Faculty

Timing
- A: Assess opportunities and implement changes
- B: Benefits continue

Start Finish First 100 days
A A Year 1
A/B B Year 2+
A. Shared Services

Benefits Realization Activities

- Complete assessment of departments, offices, and functions for fit in a shared services center, identifying larger and longer-term opportunities and quick win functions that could be implemented without substantial enabling technologies.
- Identify specific personnel and other operating costs of each potential in-scope functional area.
- Complete analysis of enabling technologies, detailed business case to support implementation and implementation design for in-scope functions.
- Complete implementation design, build, and test activities and support rollout across organization.
- Focus on change management activities throughout process.

Resource Needs

- Shared Services Operating Model Design
  - 4 to 6 FTEs for 3 months
- Integration planning (e.g., process, ERP)
  - Varies based on scope

Key Outcomes / Deliverables

- Clearly defined business case
- Detailed implementation plan
- Measured satisfaction of departmental clients
- Documented and tracked service levels at departments
A. Shared Services
Implementation Activities by Phase

### Shared Services Implementation Plan

**Phase** | **Activities**
--- | ---
Design | - Design the In-Scope Business Process
- Design the Organization including a Roles and Responsibility Matrix
- **Inventory Enabling Technology needs, including ERP**
- Develop the Communications Plan
- Plan Workforce Transition and Division Readiness
- Develop the Training Plan and Management Development Plan
- **Select the Location and Real Estate**
- Design the Facility
- **Design the Service Management Framework and Governance Management Approach**

**Bolded Activities** represent key project milestones.
### A. Shared Services

Implementation Activities by Phase

#### Shared Services Implementation Plan

<table>
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<th>Phase</th>
<th>Activities</th>
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<td><strong>Build</strong></td>
<td>- Develop Shared Services Center Management Processes</td>
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<td></td>
<td>- Build Performance Support Training Materials</td>
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<td></td>
<td>- <strong>Build Out Facility</strong></td>
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<td>- Recruit Shared Services Personnel</td>
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<td>- Develop Key Performance Indicators</td>
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<td>- <strong>Draft Service Level Agreements</strong></td>
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<td></td>
<td>- Develop and Build Communications</td>
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<tr>
<td></td>
<td>- <strong>Build the Organization</strong></td>
</tr>
<tr>
<td></td>
<td>- Conduct Deployment Planning</td>
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<tr>
<td><strong>Test</strong></td>
<td>- <strong>Test Shared Services Center Readiness</strong></td>
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<tr>
<td></td>
<td>- Test the Enabling Technologies including ERP and Enabling Technologies</td>
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<tr>
<td><strong>Deploy</strong></td>
<td>- <strong>Execute Deployment Plan</strong></td>
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<tr>
<td></td>
<td>- Develop and Deliver Deployment Communications</td>
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<tr>
<td></td>
<td>- Execute Workforce Transition Plan</td>
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**Bolded Activities** represent key project milestones.
### A. HR Headcount, FTE, and Potential Labor Cost Savings based on 40% FTE Savings

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<th>Employee Administration</th>
<th>Recruiting &amp; Deployment</th>
<th>Payroll</th>
<th>Time Administration</th>
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<td>#HC</td>
<td>#FTE</td>
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<td>X &gt;= 50%</td>
<td>63</td>
<td>42.34</td>
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Source: CBP AST Work Effort Survey 2012
A. Unit comparison of Potential HR Process Functions for Shared Services

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<tr>
<th></th>
<th>Recruiting &amp; Deployment</th>
<th>Employee Administration</th>
<th>Payroll</th>
<th>Time Administration</th>
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<td>FTE</td>
<td>HC</td>
<td>$</td>
<td>FTE</td>
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<td>$355,521</td>
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<td>College of Communication</td>
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<td>51.0</td>
<td>$234,082</td>
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<td>College of Education</td>
<td>1.7</td>
<td>19.0</td>
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<tr>
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<td>1.0</td>
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<tr>
<td>Continuing and Innovative Education</td>
<td>1.9</td>
<td>26.0</td>
<td>$140,611</td>
<td>0.7</td>
</tr>
<tr>
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<td>3.0</td>
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<tr>
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<td><strong>656.0</strong></td>
<td><strong>$4,447,584</strong></td>
<td><strong>46.7</strong></td>
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</table>

Source: CBP AST Work Effort Survey 2012

DRAFT – For discussion purposes only – Committee on Business Productivity
### A. Finance Headcount, FTE, and Potential Labor Cost Savings based on 40% FTE Savings

<table>
<thead>
<tr>
<th>General Accounting &amp; Reporting</th>
<th>Accounts Payable</th>
<th>Travel &amp; Expense Reimbursement</th>
<th>Reconcile Accounts</th>
<th>Accounts Receivable, Credit, and Collections</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>#HC</strong></td>
<td><strong>#FTE</strong></td>
<td><strong>$Total</strong></td>
<td><strong>$/FTE</strong></td>
<td><strong>#FTE Savings</strong></td>
</tr>
<tr>
<td>X &gt;= 50%</td>
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<td>49.48</td>
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<td>1519</td>
<td>492.22</td>
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<td>$50,062</td>
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</table>

Source: CBP AST Work Effort Survey 2012
### A. Unit comparison of Potential Finance Process Functions for Shared Services

<table>
<thead>
<tr>
<th>Division</th>
<th>General Accounting &amp; Reporting</th>
<th>Accounts Payable</th>
<th>Travel &amp; Expense Reimbursement</th>
<th>Reconcile Accounts</th>
<th>Accounts Receivable, Credit, and Collections</th>
</tr>
</thead>
<tbody>
<tr>
<td>FTE</td>
<td>HC</td>
<td>$</td>
<td>FTE</td>
<td>HC</td>
<td>$</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
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<tr>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
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<td>167,880</td>
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<tr>
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<tr>
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<td>78.0</td>
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<td></td>
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<td>3.0</td>
<td>13.0</td>
<td>157,989</td>
</tr>
<tr>
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<td>2.0</td>
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<tr>
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<td>16.0</td>
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<td>712,676</td>
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</table>

Source: CBP AST Work Effort Survey 2012
### A. Procurement Headcount, FTE, and Potential Labor Cost Savings based on 40% FTE Savings

<table>
<thead>
<tr>
<th>Requisition to Order</th>
<th>#HC</th>
<th>#FTE</th>
<th>$Total</th>
<th>$/FTE</th>
<th>#FTE Savings</th>
<th>$Savings</th>
<th>Average Fractionalization</th>
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<td></td>
<td>X &gt;= 50%</td>
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<tr>
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<td>$60,352</td>
<td>17.57</td>
<td>$1,060,630</td>
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<td><strong>Total</strong></td>
<td>726</td>
<td>114.61</td>
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<td><strong>$55,364</strong></td>
<td><strong>45.84</strong></td>
<td><strong>$2,538,068</strong></td>
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</table>

Source: CBP AST Work Effort Survey 2012
## A. Unit comparison of Potential Procurement Process Functions for Shared Services

<table>
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<tr>
<th>Unit</th>
<th>FTE</th>
<th>HC</th>
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<td>$222,989</td>
</tr>
<tr>
<td>College of Liberal Arts</td>
<td>6.6</td>
<td>66.0</td>
<td>$337,849</td>
</tr>
<tr>
<td>College of Natural Sciences</td>
<td>15.8</td>
<td>115.0</td>
<td>$805,123</td>
</tr>
<tr>
<td>College of Pharmacy</td>
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</tr>
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<td>18.0</td>
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</tr>
<tr>
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<td>2.7</td>
<td>12.0</td>
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</tr>
<tr>
<td>Graduate School</td>
<td>0.3</td>
<td>6.0</td>
<td>$16,460</td>
</tr>
<tr>
<td>Jackson School of Geosciences</td>
<td>4.7</td>
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<tr>
<td>LBJ School of Public Affairs</td>
<td>0.7</td>
<td>10.0</td>
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<tr>
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</tr>
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<td>2.0</td>
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<td>18.0</td>
<td>$516,178</td>
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<tr>
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<td>0.1</td>
<td>2.0</td>
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<tr>
<td>Office of the VP for Student Affairs</td>
<td>4.3</td>
<td>47.0</td>
<td>$235,570</td>
</tr>
<tr>
<td>Office of the VP for University Operations</td>
<td>8.4</td>
<td>27.0</td>
<td>$396,963</td>
</tr>
<tr>
<td>Provost Office</td>
<td>6.7</td>
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</tr>
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<td>School of Social Work</td>
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<td>$66,983</td>
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<tr>
<td>School of Undergraduate Studies</td>
<td>0.8</td>
<td>9.0</td>
<td>$34,474</td>
</tr>
<tr>
<td>University Development Office</td>
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<td>6.0</td>
<td>$24,405</td>
</tr>
<tr>
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<td>47.0</td>
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</tr>
<tr>
<td><strong>Total</strong></td>
<td>115.6</td>
<td>759.0</td>
<td><strong>$6,372,757</strong></td>
</tr>
</tbody>
</table>

Source: CBP AST Work Effort Survey 2012
A. AST Shared Services Site Specifications

The goal of facility design is to move away from typical back-office processing facilities and provide a workplace that supports a high-performing organization.

• High-performing facilities account for:
  o Functional requirements of everyday tasks
  o Support flat hierarchical and centralized organizational structures
  o Promote employee well-being, satisfaction and productivity
  o Consider the environmental impact of their actions

• Facility design and layout can be a distinguishing factor for potential employees
A. Zip Code Heat Map

Full-Time Employees per Zip Code
(for zip codes w/ >25 employees)
A. Zip Code Heat Map

Full-Time Employees

- Red circle = 175+
- Orange circle = 125-174
- Orange square = 75-124
- Yellow circle = 25-74
- White circle = <25 (not shown)
A. AST Shared Services Site Options

The majority of sites that meet UT-Austin needs are north of campus.

<table>
<thead>
<tr>
<th>#</th>
<th>Site</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>7901 Cameron Rd</td>
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<tr>
<td>2</td>
<td>7904 Cameron Rd</td>
</tr>
<tr>
<td>3</td>
<td>9501 Amberglen Blvd</td>
</tr>
<tr>
<td>4</td>
<td>9401 Amberglen Blvd</td>
</tr>
<tr>
<td>5</td>
<td>1101 Camino La Costa</td>
</tr>
<tr>
<td>6</td>
<td>13809 Hwy 183</td>
</tr>
<tr>
<td>7</td>
<td>6800 Burleson Rd</td>
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</table>
A. Austin Real Estate Landscape

The following options are all commercial/office real estate vacancies in Austin, TX. The total costs ($) for each location are based off of a conservative total square footage volume* of 50,000 sq. ft. for the UT-Austin SSC.

<table>
<thead>
<tr>
<th>#</th>
<th>Site</th>
<th>Location</th>
<th>Sq. ft. Available</th>
<th>Cost per sq. ft./yr. ($)</th>
<th>Total Cost ($) for 50,000 sq. ft./yr.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>7901 Cameron Rd, 78754</td>
<td>North</td>
<td>237,200</td>
<td>6 - 12</td>
<td>450,000</td>
</tr>
<tr>
<td>2</td>
<td>7904 Cameron Rd, 78752</td>
<td>North</td>
<td>122,200</td>
<td>5 - 14</td>
<td>475,000</td>
</tr>
<tr>
<td>3</td>
<td>9501 Amberglen Blvd, 78729</td>
<td>North</td>
<td>49,468</td>
<td>15.50</td>
<td>766,754</td>
</tr>
<tr>
<td>4</td>
<td>9401 Amberglen Blvd, 78729</td>
<td>North</td>
<td>50,223</td>
<td>15.00</td>
<td>750,000</td>
</tr>
<tr>
<td>5</td>
<td>1101 Camino La Costa, 78752</td>
<td>Northeast</td>
<td>50,644</td>
<td>16.50</td>
<td>825,000</td>
</tr>
<tr>
<td>6</td>
<td>13809 Hwy 183, 78750</td>
<td>Northwest</td>
<td>54,565</td>
<td>18.50</td>
<td>925,000</td>
</tr>
<tr>
<td>7</td>
<td>6800 Burleson Rd, 78744</td>
<td>Northeast</td>
<td>108,294</td>
<td>18.50</td>
<td>925,000</td>
</tr>
</tbody>
</table>

*Based on shared service center size needed to support 11,800 employees.
B. Strategic Sourcing

Month 1

Sourcing Project Confirmation

Key Activities
- Develop high-level category profiles for targeted categories (10 to 15 profiles)
- Confirm the central procurement organization has the authority to conduct strategic sourcing projects
- Confirm schools / units would participate in sourcing projects
- Establish governance and accountability to discipline ‘maverick buying’
- Confirm CPO support for sourcing projects and willingness to serve as the program’s sponsor
- Conduct key stakeholder interviews

Outcomes/Deliverables
- Prioritized list of strategic sourcing and contract management projects
- Updated savings range estimates

Dedicated Resource Needs
- Sourcing Project Confirmation: 4 FTEs for 1 month
- Strategic Sourcing Wave 1: TBD FTEs for 5 to 7 months (depends upon the number of categories pursued)
- Additional Waves of Strategic Sourcing: as described in Wave 1

Month 2 to 7

Strategic Sourcing Wave 1

Key Activities
- Utilize a leading practice strategic sourcing methodology to realize benefits in targeted categories
- Key sourcing activities to be conducted for each category include:
  - Kick-Off project and define scope
  - Develop detailed category profile
  - Develop category strategy
  - Develop supplier selection criteria
  - Conduct competitive event
  - Negotiate / Share value proposition
  - Implement agreement

Outcomes/Deliverables
- Sourced categories
- Strategic sourcing deliverables

Month 8 to 14+

Additional Strategic Sourcing Waves

Key Activities
- Possibility of one or more additional sourcing waves
- Repeat tasks described in Wave 1 to successive, lower potential categories up to the point that the additional cost of sourcing activity meets the reduction in expenditures for goods and services

Outcomes/Deliverables
- Sourced categories
- Strategic sourcing deliverables

Dedicated Resource Needs
- Sourcing Project Confirmation: 4 FTEs for 1 month
- Strategic Sourcing Wave 1: TBD FTEs for 5 to 7 months (depends upon the number of categories pursued)
- Additional Waves of Strategic Sourcing: as described in Wave 1
B. Strategic Sourcing
Procurement Transformation Framework

Strategic sourcing is only one component of a broader procurement transformation framework which can include strategy & governance definition, process change, organizational redesign, and/or technology improvements.

Procurement Transformation Framework

Assessment
• Strategic Sourcing Assessment

Strategic Sourcing Implementation
• Quick Wins
• Multiple Waves of Strategic Sourcing

Capability Development
• Strategy and Governance Definition
• Process Change
• Organizational Redesign
• Technology Improvements

DRAFT – For discussion purposes only – Committee on Business Productivity
## B. Strategic Sourcing Categories

The analysis suggests that further study to refine the potential opportunity presented Strategic Sourcing could yield $3.8 million per year in savings. These results reflect UT’s participation in the UT System Purchasing Alliance.

### High-Level Insights

A high level review of fiscal year 2012 purchasing data showed:

- There is an estimated $270 million in spend, 40% of which is addressable, that represents a Strategic Sourcing opportunity.
- Once estimates are formally assessed, UT must understand how savings can be captured from school/unit spending activity.

### Spend Categories Table

<table>
<thead>
<tr>
<th>Spend Category</th>
<th>#of sub categories</th>
<th>Fiscal Year 2012 ($,000)</th>
<th>Addressable Spend (40% estimated)</th>
<th>Accenture Benchmark Range</th>
<th>Est. Savings % Low</th>
<th>Est. Savings $,000 Low</th>
<th>Est. Savings % High</th>
<th>Est. Savings $,000 High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials and Supplies</td>
<td>40</td>
<td>$130,603</td>
<td></td>
<td>4.0 % - 12.0%</td>
<td>4.0%</td>
<td>$1,567</td>
<td>6.0%</td>
<td>$2,351</td>
</tr>
<tr>
<td>Other Contracted Services</td>
<td>4</td>
<td>$7,933</td>
<td></td>
<td>1.6% - 9.5%</td>
<td>1.6%</td>
<td>$38</td>
<td>4.8%</td>
<td>$113</td>
</tr>
<tr>
<td>Printing and Reproduction</td>
<td>2</td>
<td>$6,373</td>
<td></td>
<td>4.0 % - 12.0%</td>
<td>4.0%</td>
<td>$76</td>
<td>6.0%</td>
<td>$115</td>
</tr>
<tr>
<td>Professional Fees and Services</td>
<td>16</td>
<td>$28,667</td>
<td>Assumes that 40% savings would be achieved at maturity, after a series of categories are undertaken</td>
<td>1.6% - 9.5%</td>
<td>1.6%</td>
<td>$138</td>
<td>4.8%</td>
<td>$409</td>
</tr>
<tr>
<td>Repairs and Maintenance</td>
<td>10</td>
<td>$33,403</td>
<td></td>
<td>2.1% - 12.0%</td>
<td>2.1%</td>
<td>$210</td>
<td>6.0%</td>
<td>$601</td>
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<tr>
<td>Telecomm</td>
<td>16</td>
<td>$20,395</td>
<td></td>
<td>5.0% - 12.0%</td>
<td>5.0%</td>
<td>$306</td>
<td>6.0%</td>
<td>$367</td>
</tr>
<tr>
<td>Travel</td>
<td>28</td>
<td>$42,163</td>
<td></td>
<td>5.0% - 12.0%</td>
<td>5.0%</td>
<td>$632</td>
<td>6.0%</td>
<td>$759</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>40</strong></td>
<td><strong>$269,538</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>$2,968</strong></td>
<td></td>
<td><strong>$4,714</strong></td>
</tr>
</tbody>
</table>

**Estimated savings, midpoint of range:** $3,841