Report to the Board on Administrative Efficiencies
UM

In July 2020, the Board of Curators appointed Vice President for Finance and Chief Financial Officer Ryan Rapp to:

"study, address and propose best practices to the Board for achieving innovative operational changes to increase administrative efficiencies, develop strategies to eliminate undesired duplicative services or programs, and to ultimately achieve operational excellence within the System and each of the four Universities while ensuring the highest quality research and academic standards. Mr. Rapp will report periodically to the Board and submit a final report and recommendations on or before 120 days with input from the Chancellors, President and appropriate representation from the System and each of the four campuses."

The report that follows and related information will be presented at the November 19 Board of Curators meeting. Overall, the goal for administrative services will be to:

Deliver the *right* support services
At the *right* level of the organization
Both *efficiently* and *effectively* while supporting the mission

The best approach for the University's future administrative services will be to implement a new framework for administrative services to meet this goal. The framework will be supported with policies and processes to ensure all leaders across the organization are accountable for ensuring adequate administrative support while reallocating as many of resources as possible towards productive degrees, student success, outreach, engagement and research while being financially sustainable. The University made progress on reducing costs within administrative functions over the past three years and this framework will allow that work to continue. However, administrative reductions alone will not solve the entirety of financial challenges facing the University.

CONTEXT OF A RESEARCH UNIVERSITY

Public research universities represent complex enterprises which contribute to the betterment of society. Public research universities (especially those with a land-grant mission) represent a complex conglomeration of units; the sheer diversity and number of departments and operations that make up the four universities and health system lend to difficulty in achieving administrative scale across the enterprise. Operations of the universities within the System are diverse and include:

- a fully functioning TV station
- nation's largest research reactor

- seventeen agriculture research centers spread across diverse climates in our state
- a vet teaching hospital and diagnostic lab serving the entire state
- UMKC conservatory and theatre programs
- an academic medical center with over $1 billion in revenue
- MU Extension with a presence in every county across the state
- Missouri S&T Advanced Manufacturing Center
- UMSL Accelerator to foster new businesses for Missouri
- Division I, Southeastern Conference Athletics program
- professional programs including two in medicine, two in law, dentistry, veterinary medicine, pharmacy, and optometry
- research centers relating to Precision Medicine, cardiovascular research, mutant mice and rats, the National Swine Resource Center, high performance computing, infrastructure, and intelligence systems.

Administrative infrastructure must support this broad array of operations and programs while having the flexibility to meet business needs of each of these functions. The University hires leaders for these functions to understand these operations, run them well, and put the right support structures around the operations.

DEFINITION of ADMINISTRATION

In general, "administration" in academia refers to the branch of the institution responsible for maintenance and supervision of the institution separate from faculty and academics. In different contexts, it can also sweep in academic administrators such as deans and department chairs. There is no consistent definition of the term as it is used to describe structures in higher education, and its' use can mean numerous different things. Recently, the term "administration" has come to represent perceived waste within the higher education system and has been focused upon as a cost disease affecting higher education. After consultation with the Council of Chancellors, the administrative assessment was defined to encompass administrative functions reporting to the President and their related counterparts at the university level. The scope of the assessment and recommendations includes:

- Finance
- Human Resources
- Information Technology
- Research Support
- Legal
- Academic Affairs
- Institutional Effectiveness

The assessment did not include other common functions that rest at the individual University level, including but not limited to:

- Advancement
- Registrar
- Financial Aid
- Student Services
- Enrollment Management
- Libraries

While these functions are not included in the assessment and plan, the plan defines a framework that can be applied across all functions. The following framework could be utilized by the Council of Chancellors in out-of-scope functions if initial implementation proves successful.

ADMINISTRATION FOR THE INSTITUTION

The context of administrative support must meet the diversity of operations that encompass the institutions that comprise the System. As such, the overall theme for administrative service delivery will be to:

Deliver the *right* support services
At the *right* level of the organization
Both *efficiently* and *effectively* while supporting the mission

In accomplishing this theme, the University's administrators will ensure resources remain directed towards the mission of the institution, it's ultimate reason for existence for Missouri's citizens. However, redirecting spend away from administration is inherently complex, as many administrative tasks are inextricably tied to the diverse operations they support. What the research reactor at MU needs is very different than what the UMKC conservatory needs to support their operations. Administrative functions must interface with these diverse operations in ways that allow for each to accomplish their mission. This point is abundantly clear in our feedback sessions with faculty and administrators.

This does not mean all administration needs to be local. There are certainly administrative and corporate functions that only need to be performed one time for the broad array of operations that compose the University. This is where the administrative scale becomes an inherent advantage for the Universities and why being part of a larger collective can result in lower costs as a percentage of total spend.

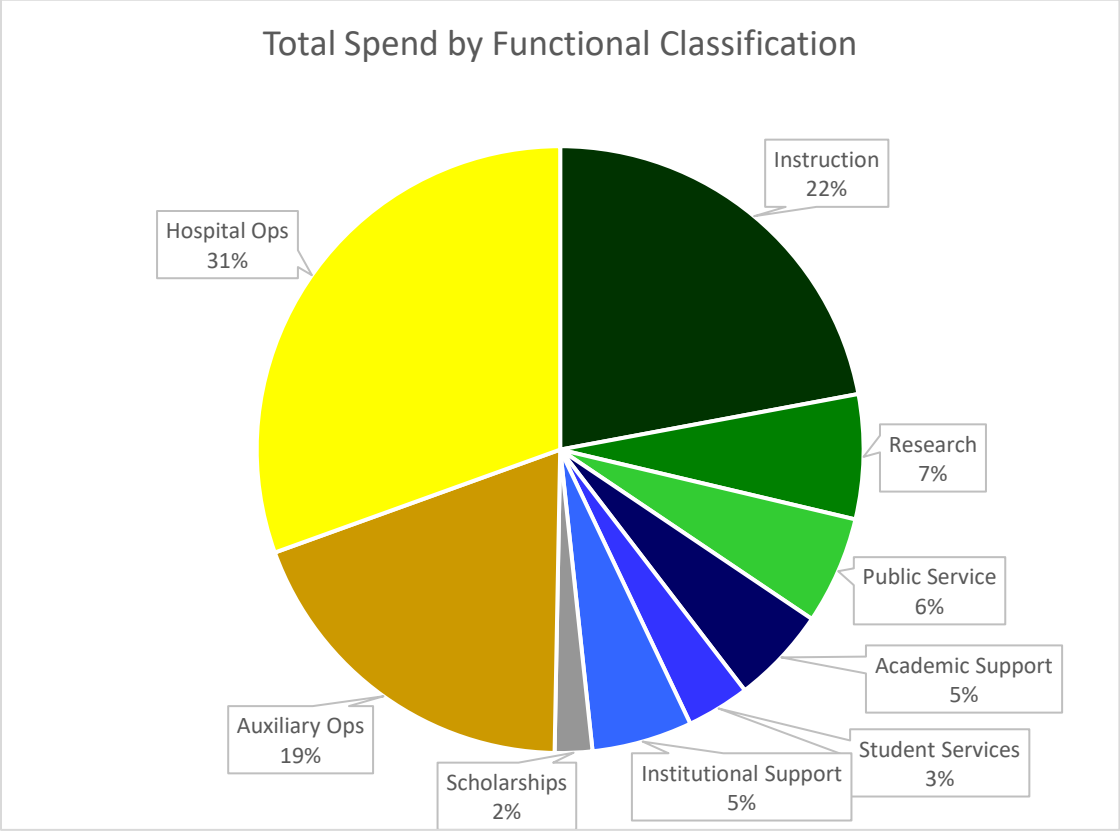
Whenever budgetary constraints pressure the University, the first area to evaluate is always "administration", as leaders and constituents look to preserve areas of the mission that generate the most value to the state. The University has already faced two of these challenges in the past decade in the financial crisis of 2008 that lead to significant revenue

declines from 2010-2012 and significant revenue reductions from events at MU in November 2015. In response to both of these events, the University undertook a significant review of administration to reduce administrative costs with necessary austerity measures to respond to falling resources.

HOW MUCH ADMINISTRATIVE COST IS THERE?

The University's revenue picture has shifted over the past decade, with limited state budgets and limited tuition increases restraining Universities' ability to grow spending on the mission areas of instruction, research, and public service. In total, revenues related to auxiliary operations including healthcare operations, student housing, athletics, and bookstores have seen growth over the past decade, mainly centering on the healthcare enterprise. These revenue pressures have invariably flowed into the University's cost structure, forcing decisions to balance budgets.

Figure 1: Percentage breakdown of the University's budget by Functional Area

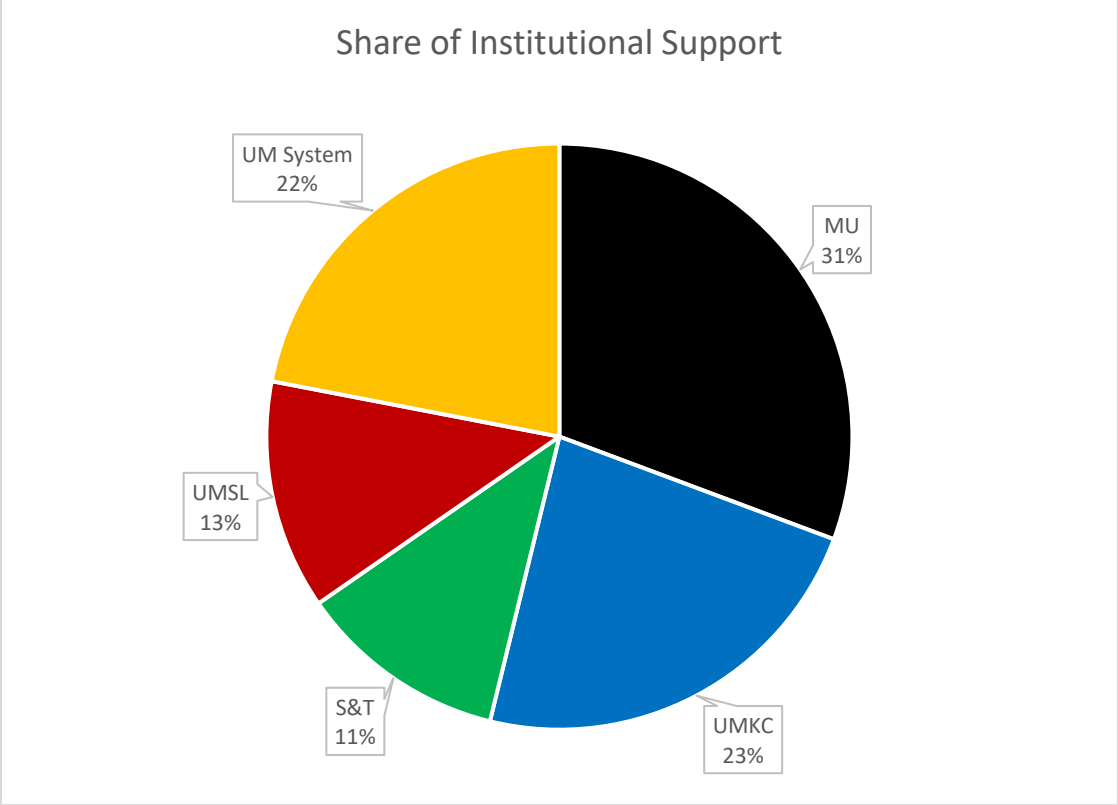


Source: IPEDs Finance

As demonstrated in Figure 1, nearly half of the University's spending relates to auxiliary and healthcare operations. Another 35% relates to the primary mission areas of instruction, public service, and research. The remaining areas in blue represent functions in support of the mission:

- Academic Support (5%, $175M): includes the expenses incurred to support the institution's primary missions of instruction, public service, and research. Examples of expenses classified in this category include libraries, museums, academic technology, academic administration (deans), and ancillary support.
- Student Services (3%, $115M): represents activities that contribute to students' emotional and physical wellbeing outside of the instructional environment. Examples of expenses classified in this category include enrollment management, student health centers, student newspapers, intramural sports, financial aid, admissions, and student records administration.
- Institutional Support (5%, $180M): includes expenses for management of the enterprise and related key support functions. Examples of expenses classified in this category include finance, human resources, administrative information technology, legal services, executive leadership, development/advancement, and marketing/public relations. A subset of these expenses is the primary focus of this report.

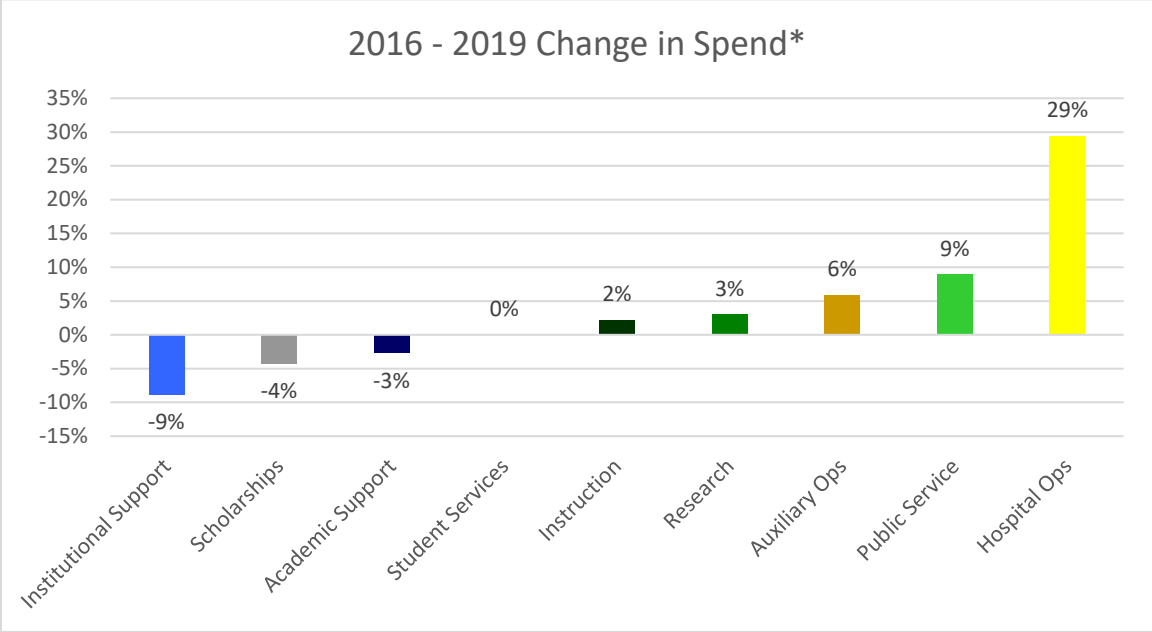
Figure 2: Institutional Support Share by University



Source: IPEDs Finance

Figure 2 shows the share of institutional support by University. 78% of institutional support spend occurs on the four universities rather than at the System. Note that both MU and UMKC spend more on their individual universities than System Administration in total. This is largely reflective of the broad array of support activities included in institutional support, and reflects the amount of individual focus already present across the four universities.

Figure 3: Change in Spend by Functional Category 2016-2019



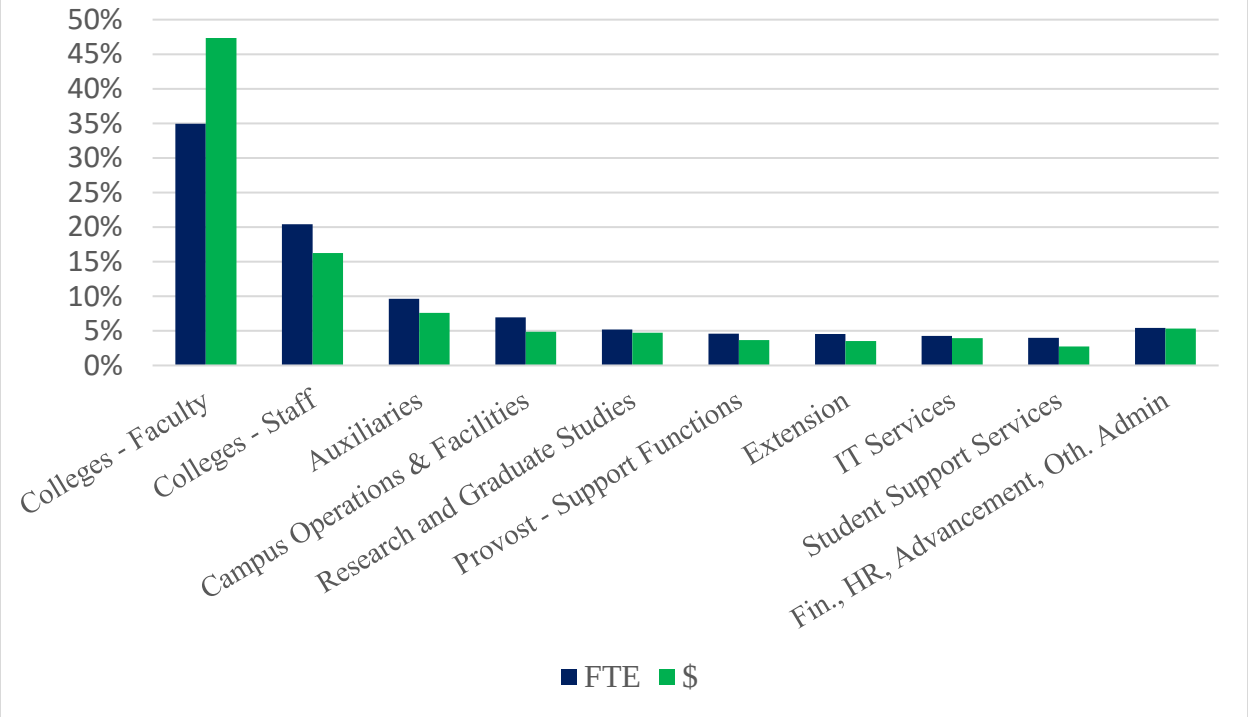
Source: IPEDs Finance, *adjusted for impact of changes in benefit accounting standards*.

Figure 3 demonstrates the change in spending by function from FY2016 to FY2019. Institutional Support and Academic Support had the largest drops over the timeframe, reflecting the University's focus on trimming central administrative costs in response to revenue declines from falling enrollment and state support. As the University faces another revenue challenge from the pandemic, the focus remains on cutting these central administrative costs prior to looking towards mission-related areas of spend. However, there are diminishing returns in administrative cost areas, as these areas have already been significantly cut, making further reductions more difficult to find. With the size of the gap faced with the pandemic and University's cost structure, there will be no way to solve the problem by cutting central administration alone. However, University and administrative leadership should look to lead through the change and reduce their areas to the largest extent possible. The framework presented in this paper should further support leaders to take necessary actions in this area.

The preceding analysis focused on functional classifications of spending, and encompassed all types of spending. As an enterprise that focuses primarily on delivery of services, the majority of the University's spend comes from personnel budgets. Any efficiency

initiatives or reductions will ultimately necessitate changes in the size of the University's workforce. The following analysis reviews the University's workforce, which encompasses all staff no matter their funding source or location. This view of the data gives a sense of the types of job changes that have been made across the enterprise.

Figure 4: Breakdown of Staffing



Source: University Financial Records

The critical mass for staffing size and spend is generally located throughout the organization within academic units. Over half of spend and staffing in the organization rests in colleges and schools. The majority of staff and spend occurs close to the delivery of the mission, and is largely controlled by deans and department chairs. From the activity analysis, we know these staff perform a broad array of functions to support their units, reflecting relative uniqueness of each operation and related customized support necessary to operate within the higher education environment.

Table 1: Staff by Job Function

Change in Full Time Staff Jobs - 2015 to 2019			
Occupational Grouping	**Fall 2019**	**Change in**	**Percent**
Office & Admin Support	1,928	-508	-21%
Maintenance, Construction, Transportation	543	-153	-22%
Business Ops & Management	2,111	-127	-6%
Other	170	-2	-1%
Service	916	10	1%
IT/Engineering/Science	1,578	32	2%
Community Service & Arts	1,318	20	2%
Instructional Support	484	149	44%
Healthcare Practitioners	1,000	106	12%
Total	**10,048**	**-473**	**-4%**

Source: Institutional Research Table 3.10

As demonstrated in Table 1, the University reduced the labor force in full-time staff jobs by over 470 positions. Excluding healthcare in the schools of medicine that experienced related revenue growth, this job loss grows to nearly 600 positions and 5% of the total labor force. The University took actions to reduce the labor force to meet historical and current budgets. It is important to note these numbers demonstrate job losses prior to the FY2021 budget.

Job functions of University staff vary greatly, with a wide array of staff performing jobs that support mission delivery; allowing faculty to focus efforts on teaching, research, and public service. While the University has over 10,000 full-time staff, they perform mission related roles including nursing, advising students, conducting research, and many other functions necessary to the operation of a research university with an academic medical center. As noted in the table above, the University focused reductions on more administrative support, service, and facilities positions rather than mission supporting positions. These reductions occurred because of pressure from an economic and policy perspective, but these cuts alone will not be enough to sustain the institution against the challenges faced.

HISTORY OF ADMINISTRATIVE COST ACTIVITIES

The 2008 Financial Crisis and Response

The 2008 financial crisis took two years to impact the University, as the fiscal stimulus package passed by the Federal Government stabilized state funding through the worst part of the crisis. From 2010 to 2012, the University received nearly $100M less in state appropriations. To compensate for the loss, the University grew tuition and enrollment by $80M, leaving $20M in cost to be taken out to address the problem.

To identify necessary cost savings, the University undertook a process to evaluate implementation of shared services through the Operational Excellence Initiative (OEI). OEI worked with administrative leaders and external consultants to identify potential areas for improvement and consolidation within administration. Identified opportunities included moving towards shared services in specific areas. Some examples of the actions taken then include:

- Accounts Payable: combined separate AP functions into a single shared services office at MU
- Travel & Expenses: implemented an electronic request and reimbursement system to reduce processing time and effort for employee reimbursements
- Employee Data Management: implemented an electronic personnel action request system to eliminate paper process and manual effort for payroll.

These actions along with others combined previously disparate functions across the four universities and reduced the duplication across universities, moving more processing and effort towards system for core HR and Finance functions.

The November 2015 Crisis and Related Administrative Review

Given the significant challenges faced by the University of Missouri following substantial enrollment drops after the November 2015 protests, the Board of Curators requested a review of administrative spending at the University to ensure the institution undertook every cost action possible to preserve as much mission spending as practical through the period of financial stringency. In 2017, the University of Missouri engaged PricewaterhouseCoopers (PwC) to perform an independent analysis of administration, including Finance, HR, Facilities, and Information Technology. This review occurred more recently and has more implications for structural recommendations presented later in this paper.

Initial results of the administrative review were presented to the Board at the December 2017 Board Meeting. Overall, the initial report reviewed $644 million in addressable spend, of which $423 million was benefits spending that applied to all business units. The remaining $221 million in addressable spend was for Finance, HR, IT, and Facilities cost at MU and UM System. In total, the initial assessment report found $27 to $44 million in opportunities for administrative functions, with an additional $17 to $30 million in opportunities within benefits. The report noted an additional study was necessary to identify actual amounts the University could save through administrative redesign, including an activity analysis to identify decentralized work effort.

Activity Analysis

In January – February of 2018, the University of Missouri completed an activity analysis that measured the work effort of all non-faculty positions across the Universities and UM System Administrative Offices. The survey classified the work by:

- Functions: high-level areas of business (e.g. Finance, HR, IT)
- Processes: categories of tasks within each Function (e.g. Accounts Payable)
- Activities: individual activities or tasks housed within each Process (e.g. Check Processing)

The survey represented employee's perceptions of work effort and classified work performed regardless of title. The survey achieved a 96% completion rate with nearly 16,700 unique responses equivalent to 11,815 FTE's of work. The survey included mission-related work done by staff, and was meant to capture all staff time rather than staff time only related to "administrative" work.

Table 2: Results from Activity Analysis

#	Function	FTEs	% of FTE	Gross Salary
1	**Facilities**	**1,530.4**	**13.0%**	**$59,983,340**
2	Student Affairs and Services	1,255.4	10.6%	$37,493,756
3	Research and Economic Development Engagement	1,029.5	8.7%	$47,557,997
4	**Information Technology**	**980.5**	**8.3%**	**$53,333,684**
5	Clinical	892.3	7.6%	$46,211,642
6	Academic Affairs	806.1	6.8%	$34,715,579
7	General Administration	619.1	5.2%	$23,410,175
8	Auxiliary Services & Business Operations	610.4	5.2%	$22,092,860
9	Enrollment Management	590.2	5.0%	$23,187,767
10	**Finance**	**578.6**	**4.9%**	**$29,873,647**
11	Community Service and Extension	451.4	3.8%	$16,626,553
12	Teaching	428.4	3.6%	$12,016,865
13	Communications and Marketing	392.8	3.3%	$18,911,560
14	**Human Resources**	**358.6**	**3.0%**	**$18,738,497**
15	Intercollegiate Athletics	351.3	3.0%	$24,283,619
16	University Advancement	322.5	2.7%	$19,310,470
17	Libraries and Museums	215.9	1.8%	$6,258,051
18	**Supply Chain and Procurement**	**156.9**	**1.3%**	**$6,700,650**
19	Diversity, Equity, and Inclusion	120.2	1.0%	$5,936,014

#	Function	FTEs	% of FTE	Gross Salary
20	Printing and Publishing	85.4	0.7%	$3,363,856
21	Legal	31.5	0.3%	$2,638,501
22	Real Estate Services	7.1	0.1%	$449,476
	Total:	11,814.4	100%	$513,094,559

Note: **Bolded** lines represent comparable administrative spend.

Key findings of the Activity Analysis include:

- University staff spent 31% of their work effort on the functions from the Administrative Assessment (Finance, HR, IT, Facilities, and Supply Chain/Procurement)
  - Facilities was the highest activity in the entirety of the survey with 1,530 FTE
  - Information Technology was second highest administrative activity with over 980 FTE and encompassed more than HR and Finance combined
  - Staff work responsibilities for HR and Finance are diverse and spread among multiple administrative functions, with inconsistent reporting lines
- Centralized Finance and HR staff tended to be focused on their respective functions. There is a significant portion of staff imbedded within units where HR and Finance are only pieces of their roles. These individuals tended to be focused on completing transactional work.
- Much of the staffing for the University is distributed across the organization, with staff members imbedded within departments to support their needs. Some areas such as Facilities and IT are highly centralized. Others, such as Finance and HR have significant portions of the distributed workforce (small pieces of many people) playing a role in service delivery.

After the Activity Analysis, leadership of each function (CFOs, CHROs, and CIOs) worked with PwC to develop a framework/plan to address cost and effectiveness gaps of their function. With effectiveness gaps identified within functions, initial reduction estimates dropped as there were some clear gaps in the effectiveness of administrative functions. Similar to the University's experience with Accenture and Hackett, there is generally a gap between what consultants initially identify and what can actually be implemented. Much of the opportunity identified would involve restructuring or changing the distributed workforce in significant ways.

The leadership team of each function then presented plans to the entire University leadership team, including Deans, in a Collaborative Design Session in May of 2018. The Collaborative Design Session allowed leaders from across the organization to provide input on how to make Finance, HR, and IT better. Conversations in Collaborative Design shifted the focus of administrative review from how to get smaller to how to make Finance, HR, and IT more effective.

A key point of feedback from the session, from across the organization to each administrative function, was for the project to focus on the "back-end" of administrative processing while allowing individual departments to work on the "front-end" of the process. Deans and other key leaders wanted time to fix their operations on their own while administrative functions improved their own support. Leaders asked central functions to provide the technology platform along with the necessary policies and processes, while leaving their individual units to improve and implement their own administrative functions. Unit leaders expressed a desire to see and act upon their own data from the Activity Analysis and Administrative Transformation, rather than taking a centralized approach. Much of the discussion from the session centered around how each administrative function could become more effective and shift their focus to adding additional value, rather than just becoming a smaller function.

Results from the Administrative Review

The Administrative Transformation Project yielded results, including:

- Identification of 384 positions totaling $17 million in salary eliminated in the 2018 budget process and identification of an additional $5.2 million in non-personnel spend.
- Cross-University shared services developed including e-commerce, payroll processing, and international payroll taxation.
- Focused the Universities on implementing administrative efficiency and effectiveness initiatives, including:
  - Colleges restructured workflows to reduce effort in the academic units
  - MU utilized a donor gift to fund process improvement projects
  - UMSL changed the role of fiscal officers
  - UMKC implemented a shared services model for HR partners and fiscal officers
  - S&T built an integrated finance structure out into colleges
- Improved "back-end" user design technology to reduce clicks and steps in completing administrative transactions, and this work continues.
- Provided detailed views of the activity analysis to every College and Unit across the organization so their leaders could review the data and act upon it.
- Redefined reporting relationships for Finance, HR and IT leaders for better alignment and accountability.

SPOTLIGHT ON SUCCESS: WHAT HAS WORKED

Through the past two exercises on administrative efficiency, the University has realized some success in restructuring administrative operations. In general, successful projects were defined by the following characteristics:

1) Leaders with control of the functions were heavily involved in the decision to make the change
2) A pressing challenge forced the institution to make difficult decisions; status quo was not an option

3) A policy framework supported accountability for change
4) A scaled function already existed to serve the needs of the leaders with the need

Accounts Payable Shared Services

The four universities and System embraced the principles of shared services to consolidate and standardize back-office accounts payable processes. Consolidation of accounts payable into the service center provided the following benefits: created one point of contact to our vendors for payment questions; allowed resources to be redeployed to focus on enhancing front-end processes that occur in departmental administration for accounts payable; and reduced cost and time when implementing business process or technological changes in the future. In addition to increased effectiveness and consistency across the accounts payable function, the shared service center provided $100,000's of annual costs savings for the accounts payable process. In addition, the universities have implemented a standard contracts portal to serve the front end of accounts payable across all four universities.

CAPs Processing for HR Transactions

In the past three years, each University's payroll processing function has combined into the "Core Administrative Processing Support" (CAPS) centers that provide HR processing services for all faculty, staff, and students. Specifically, HR functions on each of the universities have moved payroll processing to the MU CAPS center, who now handles the process for all four universities.

University Business Centers

MU and **UMSL** collaborated to build a service center for Finance and HR transactional processing that currently serves 149 separate departments. As a result of the shared services center, institutions have been able to eliminate 12 positions and $850,000 in budget for those positions.

UMKC built both a Finance and HR service center model for use by colleges and non-academic units. The model covers both fiscal support and transactional processing. Currently, 21 units leverage support services offered through University-level shared services model, with only six schools maintaining separate support services. Transitions continue as the University faces additional cost pressure.

Missouri S&T currently has two colleges who each have support staff for individual departments within the college. Each dean is working with the departments to build a more integrated staffing structure, with support staff specializing in specific tasks and working across departments, while maintaining support co-located with the departments.

The key theme across all of these success stories was the closeness of service successfully implemented to understanding needs of the customer. The switch to shared services

occurred because there was a level of trust amongst units and the demonstrated ability to deliver the service. This is why success in consolidation across central units has worked well –scaled services understood needs of the enterprise. For services at the academic department level, it is unlikely a large central service could understand the needs and operate well on day one. However, business centers that have been built on each university have built a high level of trust with their departments and have been successful in gaining additional conversions.

Any change beyond what is described above would be highly disruptive and stories of failed shared services implementations within higher education are numerous. However, administrative leadership must change the way central units operate and build the infrastructure necessary to support scaling of decentralized functions

THE IMPORTANCE OF POLICY AND ACCOUNTABILITY

Existing economic conditions will put immense pressure on institutions within the System. Pressure will invariably force the Universities to cut cost to respond to resource constraints. The easiest point from the outside to focus on is "administration". The definition of administration in this context is generally anything that feels expensive or unnecessary, and generally reflects views on bureaucracy within University structures. As universities represent a vast enterprise with diverse operations and constituencies that influence decisions, the most powerful lever for boards and central administration remains policy and creation of incentives and consequences to move the organization towards compliance.

The economic environment from the pandemic will continue to place pressure on the University's revenue streams. This will necessitate the University reduce costs to come in line with the new revenue environment. Maintaining a balanced budget and related policy is key to maintaining a sustainable level of financial performance and forcing leaders to make appropriate decisions to balance costs within revenues available to the enterprise. Leaders will be forced to evaluate the entirety of their operation and administration will be a component of their cost evaluation. In most cases, the leader will choose to cut their administrative costs first, as these costs in general are easier to reduce than other areas (e.g. faculty have tenure, students demand a certain level of service, research contracts are restricted towards certain expenditures, etc.). The implementation of the financial accountability framework will cascade down into the organization and force the right decisions on administration.

It is also important to note public institutions in the U.S. continue to shift away from appropriated revenues and towards market driven earned revenues. To the extent a leader makes the choice to maintain administration and cut mission priorities, they risk the ability to grow revenue for those mission-based priorities. These poor decisions can become self-reinforcing and compound problems for the institution. The market will begin to reflect where money should be spent that can generate a return, and large administrative structures simply cannot be supported by the earned revenues of the institutions.

FRAMEWORK FOR DELIVERING ADMINISTRATIVE SERVICES

Leveraging experience and feedback from the Administrative Review, the UM leadership team developed a structural framework to support these functions across the enterprise. This structural framework will serve as the foundation for implementation of best practices surrounding efficient delivery of administration. The framework identified four tiers of administrative services:

Tier 1: Systemwide Central Services
Tier 2: Systemwide Shared Services
Tier 3: University Shared Services
Tier 4: Local/College Shared Services

All tiers will be annually evaluated to ensure constant optimization occurs systemwide.

Systemwide Central Services support key centralized corporate activities governed by the Board and largely related to legal and compliance requirements of operating a $3 billion enterprise. These common corporate functions are already handled at the System level only and include legal, treasury, financial reporting, and IT Security. The President will manage and direct these functions.

Systemwide Shared Services represent common administrative support functions for the enterprise and will remain the same until otherwise justified. The President, with shared oversight of the Chancellors, will direct these services. Participation in a single instance of these services will be mandatory across the Universities, but each University will have a larger say in governance and service delivery as these services have a greater impact on their operation.

University Shared Services are currently located at each institution. Expanding the areas of excellence for each University will be explored, allowing other institutions to leverage relative strength of each institution. The highest performing versions of these services will be leveraged across the enterprise.

Local/College Shared Services represent administrative services delivered at the individual unit level. These represent key administrative functions that need to remain close to the mission functions and support day-to-day decision-making necessary to run the enterprise. These functions generally remain controlled by deans and department chairs. As cost pressures continue, deans and department chairs will be encouraged to continue to collaborate and seek scale in delivery of these services. Each University has already built shared services for their colleges and units and this will continue at the local level, allowing colleges and departments to leverage scale at the individual University level.

IMPLEMENTATION OF MODEL

The first step in implementation of the framework will be combination of MU and UM System leadership structures into a single leadership team. This combination will create *Systemwide Central Services* and *Systemwide Shared Services* after conclusion of the November Board Meeting with adoption of the Council of Chancellors plan. Each UM System leader has met with their MU counterpart and developed a plan to integrate leadership structures and teams. The first step will be to move structures at MU that support all four universities into the Systemwide Shared Services function. These functions, coupled with the Systemwide Central Services, will compose the Systemwide Services function. The Systemwide elements of consolidation will remain on a separate budget; the other three Universities will not pay for services specific to MU.

The specific functions in Tier 1 Systemwide Central Services - The President will manage most of these function areas, except those already reporting to the Board of Curators – Office of General Counsel, Secretary to the Board, and Compliance and Audit:

1. Office of General Counsel
2. Compliance & Audit
3. Treasury
4. Investments
5. Financial Reporting and Accounting
6. Risk & Insurance
7. Benefits & Retirement
8. Human Resources Service Center
9. Human Resources Information System
10. Compensation (i.e. Global Grading System)
11. Affirmative Action
12. Union Negotiations and Management
13. Unemployment Administration
14. Core Recruitment Technology and Tools (job posting platforms, background/reference checks)
15. Search Firm Contract Management
16. Family Medical Leave Act Process and Vendor Management
17. Enterprise Resource Planning Applications (HR, Finance, Student, Advancement) and Ancillary Applications Integrated with core ERP pillars for additional functionality
18. Information security program
19. Intercampus Network & Internet Access
20. Enterprise Data Warehouse and Integrations
21. Institutional Research/Institutional Effectiveness Compliance Reporting & Data Governance
22. Facilities Planning & Development

The specific functions in Tier 2 Systemwide Shared Services - The President, with shared oversight of the Chancellors, will direct these services:

1. Procurement
2. Accounts Payable
3. Real Estate
4. Government Relations
5. System Academic Affairs
6. System Research
7. eLearning
8. Supervisory Training
9. Exit Surveys (Qualtrics)
10. Leadership Development
11. Onboarding
12. Performance Management
13. Grievance Administration
14. Executive Recruiting
15. Shared Leave Management
16. Enterprise Architecture & Information Technology Compliance
17. Emergency Alert
18. Enterprise Software Licensing
19. Information Security Tools
20. Non-Enterprise Resource Planning Systemwide Applications
21. Identity Management
22. Systemwide Communication Tools (email, calendaring, video/audio conferencing, etc.)

To accompany the shift and align with the financial accountability policy, these two areas of administrative services in the framework will be funded via a new budget model in FY2022. Instead of funding administration with state appropriations and investment income, these services will be funded via a cost allocation to the universities based upon their share of total operating expenses or other cost drivers. The cost allocation for services will also force administrative units to justify the scale and cost of their function to the universities they support.

From an accountability standpoint, each function in the first two tiers will have an identified leader responsible for the function's performance. The leader will ensure functions are aligned and meeting the needs of the enterprise. Ultimate accountability for each leader will flow back to the President, with input from the Council of Chancellors.

Implementation of Tier 1 and Tier 2 services will begin immediately after the November Board Meeting. Each leader will spend the remainder of the year restructuring their team to meet the new initiative. These functions currently reside centrally, they just need to make leadership adjustments and better align service models. Functions covered in the first two tiers are scalable and not impacted by diversity of operations across the enterprise.

Implementation of Tier 3 and Tier 4 will continue at each campus. Tier 3 services represent those services provided on each university that could allow for the highest performing version of these services to be leverage across the enterprise. In FY2022, these services will be evaluated in a system-wide coordinated fashion for opportunities to leverage centers of excellence or scale that may exist on individual Universities.

The specific functions in Tier 3 University Shared Services will be governed by individual Chancellors and include:

1. Budget & Planning
2. Research and Sponsored Programs Administration
3. Finance & Human Resources Transaction Processing
4. Auxiliary Services
5. Campus Operations
6. Design & Construction
7. Cashiering
8. Business Services
9. Marketing & Communications
10. Institutional Research/Institutional Effectiveness Campus Reporting
11. Human Resources Core Administrative Processing Support

Tier 4 Services represent services delivered at the individual college and department level. Individual deans and department chairs control delivery of these services underneath a University. Administrative efficiency in these areas will ultimately be the responsibility of the Deans with support from the Chancellors, and each college will have the ability to build their services on an opt-in basis. These types of shared services have already begun across all four Universities, with various business processing centers created to improve administrative efficiency of those individual units. Additionally, colleges have been more willing to share staff than in the past, sharing fiscal and HR support staff either across colleges or departments and splitting the cost. Some work has already been done by the Universities in this area and is highlighted in the SPOTLIGHT ON SUCCESS section.

CONCLUSION

In summary, the overall goal of this proposal is to deliver administrative services:

Deliver the *right* support services
At the *right* level of the organization
Both *efficiently* and *effectively* while supporting the mission

Overall, this initiative will ensure resources are maximized for the mission. To accomplish this, the University will adopt a framework of four tiers of administrative services:

- Tier 1: Systemwide Central Services
- Tier 2: Systemwide Shared Services
- Tier 3: University Shared Services
- Tier 4: Local/College Shared Services

To support adoption of these services, the University will adopt policies that encourage appropriate use of resources and follow principles that administrative services should support the diverse needs of the University. Implementation of the first tiers of service will occur during FY2021, while Tier 3 and Tier 4 will be on-going with opportunities to leverage centers of excellence or scale that may exist on individual Universities implemented in FY2022. The University made significant progress on reducing administrative cost over the last four years and this framework will serve as the jumping off point for further improvements. However, these changes alone won't solve long-term revenue challenges facing public higher education in Missouri.