Shared Services and Partnerships: The Keys to the Future of Higher Education

Colleges and universities stand as unique institutions. Each one has its own distinctive faculty, its own academic expertise, its own community and character. Those differences should be embraced and lauded. They are what set institutions apart. Yet colleges and universities must understand their similarities as well. Whether the campus landscape boasts modern glass structures or is dotted with ancient granite, these institutions have a shared mission. All higher education institutions serve the student, empower the educator, and support the researcher. How they accomplish that mission may depend on the specific institution and its distinct goals, but the business functions used to support the mission may not be so different.

There are many institutional business activities that are valuable and important. Without them, the institution could not function as an organization. Yet by themselves, these activities provide no unique differentiation, no specific advantage or distinction. They are processes that are simply a duplicate of what is being done at all other institutions. These necessary though redundant activities can draw resources away from an institution’s academic focus. Back-office technology is one such area. If different institutions are able to share basic business functions such as information technology, financials, and human resources, then colleges and universities can continue to focus on the core missions of teaching, learning, and research.

In Ohio, the University of Akron (UA) and Lorain County Community College (LCCC) are working to develop successful models of operation that will benefit not only their partners in the University System of Ohio but also colleagues nationally and globally. In March 2007, UA and LCCC formed the Innovation Alliance (http://www.innovation-alliance.org), a unique partnership to enhance innovation and economic growth in Northeast Ohio. This collaboration, which has grown to include Stark State College in North Canton, is designed to align strengths and resources while accelerating educational efficiency, knowledge creation, and economic development within a nearly seventy-mile area dubbed the Innovation Corridor.

The Innovation Alliance seeks to make existing industries stronger and help new industries take root. It also works with partners in K–12 education and industry to create the next generation of highly trained scientists, mathematicians, engineers, and technicians. This includes creating and delivering joint applied baccalaureate degrees at 40 percent of the cost and in 25 percent less time. These degrees are in the high-growth areas of advanced manufacturing, health care, and entrepreneurship.

Another stated goal of the Innovation Alliance is to pursue shared mechanisms to drive down costs. This “shared-services” approach allows the two institutions to reduce costs on non-competing, non-unique business functions that are often duplicated at each institution. The sharing of back-office technologies benefits both institutions and can serve as a model for other institutions in Ohio and throughout the country.

An initial step was for UA and LCCC to conduct a technology pilot. In 2008, the two institutions began work on the installation, management, and maintenance of enterprise business applications for LCCC. The software installation included student services, human resources, and financial management. In this arrangement, UA acts as a service provider while both institutions co-develop back-office operations that could eventually merge into a single service center for the two institutions and for other schools. The purpose of the shared-services project was to enable UA and LCCC to reduce costs by eliminating the duplicate efforts that are required to manage their enterprise resource planning (ERP) software (i.e., PeopleSoft) independently. Access to UA-developed PeopleSoft applications sped up LCCC’s deployment and eliminated the costs that would have been incurred by LCCC to develop these applications itself.

Hardware is another area where institutions can readily share services and realize significant benefits. As part of the pilot initiative to demonstrate that non-unique software and business processes can be shared, UA is running LCCC’s PeopleSoft applications on servers at UA from a common data center at Akron. This same shared-technology approach can be replicated for other services such as telecommunications.

The UA-LCCC shared-services initiative is proving that it is possible to provide basic services, as well as the technology supporting them, to multiple colleges and universities out of a centralized service center. Already successful at LCCC, the ongoing shared-services effort will demonstrate that the same
collaborative process can be provided to other institutions. If this model proves successful, institutions will be able to turn off their administrative service operations, saving millions of dollars that can be reallocated to their core missions of teaching, learning, and research.

Ultimately, the vision of the Innovation Alliance is to create an administrative service center that will be independent and wholly owned by the partnering institutions. There are 14 state universities, 23 community colleges, and 55 private colleges in Ohio. Each institution has its own departments for information technology, accounting, human resources, student records, and so on. Almost without exception, these multiple departments have very few differences. Combining these services across the various institutions simply makes sense.

According to various estimates, institutions can save 15–40 percent of administrative costs when sharing administrative services.

A shared-services model also offers its participants such benefits as the following:

- Lower cost of ownership
- Greater service and quality
- Ability to create an agile organization with state-of-the-art standards
- Flexibility in adapting to evolving business needs
- Better competitive position with pricing, economies of scale, and partnering opportunities

These benefits can easily outweigh the challenges faced in creating a shared-services system. That is not to say that there are no difficult issues involved in moving forward with shared services. There are indeed a number of hurdles to be overcome, but none are insurmountable.

For example, when moving into shared services, individuals within an organization may be concerned about the loss of control over hardware and systems. Some will find it difficult to accept that they will not be able to walk into a room and physically touch the servers or that their institution’s data is “out there somewhere” (even though, in the current model, stringent safeguards are in place to ensure the security and integrity of data). Another challenge may be start-up costs. During the initial phases, institutions may need to run parallel systems for a time—both the shared-services system and the existing legacy system—until the shared-services system is fully operational.

Add to this the basic fears that people have when any new technology or process emerges. Employees may be afraid of change or may be anxious over the possibility of lost positions. Although this is an understandable concern, for the most part it is without merit. We believe that if a time comes when we need to reduce staffing, the slow process of attrition achieved through retirements or reassignments should be sufficient to meet that need.

The success of models like the Innovation Alliance will do much to promote the concept of shared services, but that alone will not be sufficient to entice others to follow this lead. To attract additional institutions to such partnerships, it will be necessary to establish a common vision. This is best accomplished by first establishing a collaborative environment based on equality and common goals. In addition, successful shared-services initiatives require sponsorship at the highest levels, with support from the senior administrative offices and throughout the entire organization. Success is contingent on frequent communications, clear goals, and transparency.

In these challenging economic times, colleges and universities must work together to attain academic and operational successes. The shared-services approach can help higher education institutions cut costs and better serve their students, faculty, staff, and communities. It is a model that can allow institutions to stay focused on the core missions of teaching, learning, and research. Partnerships and collaboration are the keys to the future of higher education in Ohio and in the world.

Note

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