THE SHARED SERVICE CENTER: A NEW POSSIBILITY FOR HIGH EDUCATION INSTITUTIONS

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Abstract

Universities, either public or private sector, are nowadays extremely and continually pressured and challenged to upgrade their services and become more and more competitive.

The main challenge is to discover how the universities can become more competitive and at the same time respect the financial constraints, mostly in an era of cost-reductions and limited resources.

The Shared Service Centre (SSC) is an organizational concept which can be the answer to this dilemma. This is a kind of model where various organizations (or units inside one organization) shared one single support services supplier, outsourcing the services or centralising internally several areas of the administration in a single one. By concentrating activities, the basis premise for a SSC seems to be that services provided by one local department can be provided to others with relativity few efforts. In the last years the SSC becomes a concept in use in Higher Education Institutions as a mean to innovate, reduce costs and increase service levels. Further than the financial and politics constraints that the Higher Education suffers these days, there is also pressure for the restructure and modernization to keep up with the fast development and demands of the ITs. The creation of a shared service in the universities endow them with a tool for communication and information sharing that enable the interconnection of distinct systems, and provides a channel between separate units. The solution consists in introducing in different systems, such as decentralized administrations, a set of standards, rules and procedures that allow different units to communicate with each other in a more cohesive way.

In this paper it is described the impact of an SSC in High Education Institutions administration. There is no precise definition about what can or should be a SSC or what could be the perfect implementation method, mainly because different universities backgrounds means different requirements. Our goal is to analyze how different structures and universities sizes can result in different SSC international solutions and which universities have made what so far in this concern.
Introduction

Universities, either public or private sector, are nowadays extremely and continually pressured and challenged to upgrade their services and became more and more competitive.

At least some reasons can be found to justify the effort universities make to achieve a more competitive and efficient administration and therefore a service:

- In an era with a global economic environment characterized by downsizing, rightsizing, mergers, acquisitions cost-reduction, limited resources and a high level of uncertainty have its impacts in management responsibilities everywhere. The university top managers should not underestimate these tendencies and must make an effort to accomplish a more efficiency and effective service, even if the ultimate purpose of universities is not the revenue like in private companies but the quality of education.

- The offer of Higher Education (HE) institutions has increased in the last decade and such requires that each should make an effort to standout. In order to become more successful and more required, universities have a tendency to spend a lot of resources to achieve this purpose, so they might not have the incentive to reduce costs but instead are pressured to spend even more and more in the development of the best programs. The great challenge is to discover how universities can become more competitive and at the same time respect the financial constraints.

- Traditional business models more centralized or decentralized tended to shift back and forth over the past years, and have not met necessarily satisfactory results.
Fig.1 - Centralized and Decentralized Disadvantages

<table>
<thead>
<tr>
<th>Centralised disadvantages</th>
<th>Decentralized disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inflexible</td>
<td>Higher Costs</td>
</tr>
<tr>
<td>Rigid Structure</td>
<td>Variable Standards</td>
</tr>
<tr>
<td>Away from the daily activities</td>
<td>Non-Standardise Quality Management</td>
</tr>
<tr>
<td>Bureaucratic</td>
<td>Similar Costs in different units</td>
</tr>
</tbody>
</table>

Font: Adapted from PwC “Shared Service Center”

This merged the need to create a solution that will be capable of answering questions like: if administrative services should not be dispersed in order to safe costs, what could be the solution once we know that centralization can cause inertia and flexible problems? In other hand how can we “run” from a decentralized model that is flexible and fundamental to an autonomous academic structure but detracts from core competency and can result in inefficiencies?

The Shared Service Center (SSC) model represents a bridge between consolidation administration as a centralized model and decentralized responsibilities, through a combination of the respective organisational forms.

**SSC as a New Possibility**

The SSC model can be put in the center of this discussion. The SSC model began in the middle of the 80’s in the USA, and has been accelerating ever since (Oracle White Paper, 2001). This is a type of outsourcing where various units throughout a entity are supplied to one single unit, it is considered a unit a well-circumscribed area of production (Bergeron, 2003) and back office activities.

Private companies were the first to implement this concept and the statistics demonstrate cost savings in about 25-30% range, the most successful and renown examples are Johnson and Johnson, McDonald’s-Europe, Xerox, American Express, Dell…(Quinn, Cooke & Kris, 2000).
In the private sector the costs reduction are higher than in the public sector, the degree of decrease are multiple in the private sector to dismiss employees that are no longer needed in contrast of what happen in public sector reality, were making savings from staffing reductions is more difficult (Bergeron, 2003). The public sector employees are spared of downsizing so they have the obligation to adjust and embrace the new concepts in SSC model philosophy. In this context and to prevent employee’s resistance to a shared service implementation it is useful that public institutions and universities, offer training and seminars about the SSC concept.

The SSC in Universities

The concept of implementing a SSC in universities is to reduce costs, time spent on administrative functions and increase quality, accuracy and timeliness of information (Oracle White Paper, 2001). The SSC is frequently linked with a process of centralization of the back offices tasks that usually include Finances, Human Resources, IT functions, Payroll, administrative support functions, infrastructures…in one unit, common and transversal to the entire University.

Most academic departments in universities have their own administrative staff and handle their own administrative services. Process handling is usually different from department to department (Dove, 2004). One of the greatest SSC aims is that it provides a concentration of resources, and many universities, specially the classic and older ones, have an administrative structure that reflects the highly decentralized nature of academic departments (Dove, 2004). In fact the typically decentralized structure does not necessarily support the efficient delivery of administrative services, because it can reveal redundant, inefficient and expensive services. The Universities that can benefit with a SSC implementation are the ones characterized with: scattered faculties and department units that can reflect a rigid structure, no standard procedures and distinct IT systems between different units that can result in inefficient interoperability among each other. Considering the advantages, already described above, on implementing a SSC, universities with these characteristics can take advantage of it by concentrating and sharing common elements.
The SSC is focused on two key benefits: *Quality Increase* and *Costs Decrease*. These two purposes can be achieved by improving efficiency and effectiveness (White paper of University System of Georgia) and the benefits can be:

![Fig.2 – SSC main purposes](image)

<table>
<thead>
<tr>
<th><strong>EFFICIENCY INCREASE</strong></th>
<th><strong>EFFECTIVENESS INCREASE</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>➢ Scale Economies</td>
<td>➢ Specialization</td>
</tr>
<tr>
<td>➢ Broader spectrum of control</td>
<td>➢ Improved capacity of response</td>
</tr>
<tr>
<td>➢ Standardization</td>
<td>➢ Concentration and consolidation of the information and data</td>
</tr>
<tr>
<td>➢ Reengineering</td>
<td></td>
</tr>
</tbody>
</table>

Font: Adapted from Puppo, 2003.

Increasing Efficiency brings benefits and provides various advantages such as:

- Costs can be reduced using Scale Economy through SSC results, because of the elimination of redundant structures, resources and equipment;
- Not always the standardization in procedures from different units is easy or possible, but at least the SSC enables the harmonization between each other and facilitates the consistency and coherency between them. Once all the processes become standard, this makes business management easier to report and even easier to implement change across the university (even to the employees it is easier to assimilate future changes);
- The reengineering of who makes what and where increase controllability, as the responsibilities became clear and concentrated.

More effectiveness in services is achieved in result:

- Of the aggregation of the support processes into a separate unit, enabling the responsible of the shared services operation to focus on these processes and support activities as the core of their own operating unit becoming each area more specialized, so greater attention can therefore be directed toward performance measurements.
- Of reduced bureaucratic complexities, as the passing of information happens faster and without tying up excess resources, enabling the service to be delivered with higher quality, each activity became more precise and this improves itself the capacity of response;
- Of concentrating IT system and data that makes management more coherent and consistent and therefore more effective.
The results from increasing Efficiency and Effectiveness intersect in a positive way, for example, concentrating different services in one unit allows that, in one hand the work starts to be more effectively managed and efficiently controlled an in the other hand, in terms of technologic infrastructures means less hardware, software and less costs in future upgrades. Furthermore many of the savings that come from standardization technology and processes on a global basis (increasing efficiency) allows the improvement on speed and quality of service (increasing effectiveness).

These are the main goals to implement a SSC, but they are not the only advantage on this process. Universities also became more flexible, as to possible changes because they assimilate better and quicker new business units and by delivering services with higher quality they are too making the internal and external customers more satisfied.

However to be able to achieve all these purposes, universities have to recognize that its organizational structure would have to change in order to reap the potential efficiency benefits that the SSC can offer. Without the willingness to embrace change on a broader scale, a university is unlikely to get the most out of shared services. Also the units must feel confident in the process and understand the reasoning behind it, so that employees can ensure that they are ready and committed. It is important to refer that employees assume an important role in this process as they are the key of a successful SSC, because this is made by the staff, thru the staff and to the staff.

Naturally the SSC also has its disadvantages and obstacles to its implementation: like the culture changes for employees can cause tension and resistance that can get in the way of getting results; high start-up costs, for example, universities switching to a SSC model often incur the cost of hiring new people and installing new technology; implementing shared services takes time and can be a long process, not only until its implementation but to collect the gains too; also in terms of control SSC can mean a loss of autonomy of the units and finally, it can represent some risks once the control, confidentiality and security of information can be compromised.

Although and for the reasons above, before embarking on the implementation of a SSC the universities should analyze:
• Their strengths and possible weaknesses in the current administration model;
• How much can be saved on resources;
• How the SSC model can improve the efficiency and effectiveness;
• How much the implementation will cost;
• How long it will take to implement and actually begin to bring profits and stabilize;
• What activities should be included;
• The necessary alignment between the goals, objectives and principles of a shared service and those of each university (Quinn, Cooke & Kris, 2000).
• How they can encourage the internal commitment about the SSC concept.

Different Universities means different needs

There are different approaches to shared services, and it is being adopted in different systems, they range from the most basic form of consolidation of transactional activities all the way creating an independent business unit just to provide shared services internally and in some cases externally as Quinn, Cooke & Kris (2000) point out.

Universities responsible should considerate fundamental aspects like:

• If they should create a shared service as a stand alone entity or whether it should be connected with the administration board, or in some cases with other university administration.
• How much independent this unit should be.
• How the management control of SSC should be chosen, relies between if it should be within organizations or between organizations (Minnar & Vosselman, 2009).
To answer to some of these aspects, the services that best suit SSC model are the non core activities that are common to all units and so can be standardized, like

![Fig.3 – SSC Puppo’s Model](image)

According to the model, its considered that services with a high strategic importance are the ones that depend directly from the administration board of universities and in reverse, services with low strategic importance are the ones that do not depend on the board. The procedures can be evaluated as common or unique, common if they can extend to all university or in reverse the procedures can be unique and because of that can not be extended to the entire university.

In attempt to better explain this SSC model, it two examples maybe presented: Areas like *Strategic Planning*, that depends directly on the board, and so it assumes a high importance at strategical level because of its importance and unique characteristics, so it should remain in a single unit, in opposite, for example the *Accounting* area, should be included in a SSC, because it has a low strategic level and the procedures should and can be common to the entire university. Although it may not always be simple to typify the variable it can also be variable from university to university, or from unit to unit, according to what their responsible considerer.

There is no perfect SSC model, each university should analyze what is more suitable for them, because there is no “one-size-fits all” model. In one hand each university has its own biases and views on how things should be done, on the other hand the changes inherent to a SSC takes time. The larger and more diverse the universities are, the longer shared services take to implement and the more it costs. A
SSC is usually a semi-autonomous unit within a variety range of possible arrangements where the reporting structure necessarily breaks from the traditional university hierarchy (Bergeron, 2003): It depends on the size of the university, if their services or structure are very fragmented; what services are supposed to be shared, the degree of control that institutions wish to maintain, etc.

Usually universities with large dimensions are able to create and share services within, The Shared Services within organisation that evolves establishing a single unit in an organisation that brings together functions previously performed by separate business units within organisation. In the KPMG report to HEFCE (2006) it’s described that there is a minimum size of organization that can implement a SSC model on its own. It’s estimated that 20.000 employees is the minimum size that allows the implementation of a SSC on its own and 50.000 is the optimum.

Most of HE institutions are not large enough to implement significant stand-alone shared services centres, and the solution can be create a single SSC involving different universities. However the option to share services in collaboration with other universities tends to operate between entities that are not in direct competition. This type of organisation handles governance and similar “back office” functions while still retaining their identity. The participating organizations form a joint management that supervises the administrative functions. The great benefit of this option is that smaller universities can benefit of larger purchasing power and shared resources, it also increase their stability and viability. However it can represent some risks, like the universities may feel a loss of local focus and autonomy as a result of shared management committee and administrative functions.

The decision regarding which model should be chosen by the university rely, first on the size of the institution and if it is capable of creating a stand alone SSC, second, and specially in case of the smaller institutions how much independence the institution wishes to have and what’s the level of control tightness they wishes to maintain in case of creating a SSC in collaboration with another university.

In fact the institutions can just make the “consolidation of administrative support functions” or SSC, and there are two different concepts although with the same goal, to share a SSC. A SSC is a center governed by representatives from the institutions themselves rather than the universities Board, the SSC concept emphasis, a “shared”
responsibility. The SSC must be of the institutions, for the institution and governed by the institutions (White paper, University System of Georgia).

**Examples of Universities with a SSC**

The SSC model is not a common practice in HE institutions, however some universities are choosing this “path”, and the panorama can be very diverse. In this section we will give a glance and name some universities that have a SSC implemented.

In the **USA** there are three examples of Universities within the same state that assemble a common SSC:

- The State University of New York (SUNY) System is the largest comprehensive system of universities and colleges in the world. The SUNY System includes 4 Doctoral Institutions, 13 University Colleges, 8 Technical colleges, 30 community colleges, 2 state-wide colleges and 4 University Centres, in total 57. All administrative processing like, Finance and Administration, SUNY Human Resources, Library and Information Services, SUNYNET Technology Services and more are centralized in this system.

- The University System of Georgia, in the USA, congregates 36 Universities and Colleges. This University System developed and implemented a SSC in the following areas, Human Resources, Payroll, Finance, Security, Communications, Maintenance and Training.

- The University of Texas System, gathers 9 different Universities. The initiative is organized around three basic types of shared services: information technology (data centre consolidation), business systems (software applications) and business processes.

On the other hand, the University of Ohio does not assemble a SSC with another university. This University has a “stand alone” SSC since 2008, in the Areas of Payroll and Accounts Payable.

In **Europe** the SSC model is considered an option mainly in Northern Europe, where there are universities that have chosen or are implementing the SSC concept.

In the Netherlands, more than one University opted to adopt a SSC model in their Administration:
The University of Amsterdam in Netherlands, one of the largest studied in Europe for this document, describes in their Strategic Plan 2007/2010 that they expect to develop a SSC. The SSC will gather the central services offered until now by the Administrative Centre, Facility Centre and Central Computer Service and hope to extend those services to the all university.

The Utrecht University, also in Netherlands has already implemented a SSC in areas like Information Systems (IT) and Communication, and similar solutions are being developed for Human Resources and Academic Management areas.

The Maastricht University in Netherlands has 5 SSC implemented since 2001, each responsible for a service, Academic Management, Libraries, Administrative Services, Information Services and Communication, Technical Services in general.

The Aalto University, in Finland (that results of the merger of three other universities: Helsinki School of Economics, University of Art and Design Helsinki and the Helsinki University of Technology) already has a SSC which gathers two areas, Financial Management and Human Resources.

Some other institutions like Ghent University, in Belgium does not have an explicit SSC implemented, however has a Central Administration on which depends the Academic departments, Administrative, Human Resources, Research, Finance, Communication and Technology infrastructure. The Siegen University in Denmark also does not have a SSC, but like in Ghent University, it has a Administration Centre on which depends the main support (Financial and Economic Affairs, Planning, Development and Controlling, Academic and Student Affairs, Legal Affairs, Personnel and Organization, Operations and Construction matters).

In Finland the Helsinki University, also as a Central Administration depending directly from the Rector Office. All the Faculties and Departments depend on these central services, which includes: Research and Education; Human Resources and Legal Affairs; Finance; Information Technology; Technical Affairs; Communications; Planning and Community Relations. The central administration also includes the general administration, the university sport services and the University Museum. The Rector’s Office and University Services cooperate with the faculties, departments and individual institutes, and develop the forms of cooperation and shared procedures.

The Administration of University of Karlsruhe in Denmark is organized to be the central service facilities which gathers and guarantees a wide range of services, like Academic Affairs, Information and Communication Technology, Law, Staff, Building and Technology, Economics, Budget, General Administrative services, Office of Public Relations and Marking, Innovation department.
The next table below, allows to have an idea of the size of each European HE institutions considered in this analyses.

Fig.4 – Characteristics of Europe Universities with Centralized Services.

<table>
<thead>
<tr>
<th>University</th>
<th>Number of Students</th>
<th>Faculties</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Amsterdam</td>
<td>28331</td>
<td>7</td>
</tr>
<tr>
<td>Utrecht University</td>
<td>26787</td>
<td>7</td>
</tr>
<tr>
<td>Maasstricht University</td>
<td>13117</td>
<td>5</td>
</tr>
<tr>
<td>Aalto University</td>
<td>22181</td>
<td>14</td>
</tr>
<tr>
<td>Ghent University</td>
<td>32000</td>
<td>11</td>
</tr>
<tr>
<td>Siegen University</td>
<td>13272</td>
<td>12</td>
</tr>
<tr>
<td>University of Karlsruhe</td>
<td>18515</td>
<td>11</td>
</tr>
<tr>
<td>Helsinki University</td>
<td>35216</td>
<td>11</td>
</tr>
</tbody>
</table>

In Portugal the new legal framework of Portuguese Higher Education Institutions´ system published in September 2007, promote a new governance model with a more centralized power of the rector and the creation of Council Board with stakeholders’ perspective. In this context the model of a SSC arises for the first time, as an option, in some Portuguese universities. This is the case of University of Coimbra, University of Lisbon, University of Porto and Catholic University of Porto.

Conclusion

In an era of cost-reductions and limited resources and when some of the organizational models fail, the SSC model became an option for HE Institutions top managers, in what concerns efficiency.

The HE top managers should always considerer that it is a model with important advantages, such as the increasing efficiency and effectiveness but also with some risks, especially because it requires a deep change of culture and organization restructuring. The option of adopting a SSC model must be previously justified by
efficient gains and the implementation process must be followed with attention and consideration by the HE institutions. This process of SSC implementation can be essential and determinate to its success.
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