iNtegrate 2: Business Process Redesign

Executive Summary
# Table of Contents

I. **Background and Objectives** .................................................. 2
II. **Methodology and Approach** ................................................. 3
III. **Project Outcomes** ............................................................. 5
IV. **Major Themes** .................................................................. 7
V. **Transition and Next Steps** .................................................... 8
VI. **Conclusion** ......................................................................... 9
I. BACKGROUND AND OBJECTIVES

The Nevada System of Higher Education (NSHE) was established in 1968 to govern all state-supported higher education institutions in Nevada. The system is comprised of two doctoral granting research universities, a state college, four community colleges and one research institute.

In recent years, NSHE has seen a significant decrease in funding for higher education, approximately $104M, resulting from reductions in state support and lost investment income. This funding reduction is reflected in the loss of approximately 1000 positions, many of which have been in areas of administrative support. Even in light of these financial challenges, NSHE remains committed to collectively deliver more efficient and effective processes for administrative and other support services. In 2011, NSHE conducted the Efficiency and Effectiveness Study to review various ways in which administrative services could be reorganized to provide improved services, consistent and improved administrative effectiveness, and opportunities for cost efficiency.

NSHE is currently preparing to migrate its centralized legacy mainframe Financial and Human Resources/Payroll applications to a modern ERP solution. As an initial step in the preparation for the replacement of its financial system, NSHE initiated and completed a project to establish non-system specific chart of accounts design recommendations to support common fiscal management and reporting practices across the institutions.

To continue preparation for the upcoming technology changes and to respond to the on-going need for effective service, NSHE seeks to identify opportunities for all NSHE institutions to realize efficiencies through the delivery of effective, common processes supported by a common technology. In consideration of process efficiency and key change management elements such as communication and training, the implementation of an NSHE-wide technology requires that all institutions adopt business processes at a common foundational level. This allows for the identification of common technology needs and serves as a basis for effective, standard configuration of the technology. Further, if NSHE chooses to pursue alternative service delivery models, such as such as shared service centers, outside contracting, or other models, a common baseline business process is necessary to ensure users at all institutions receive the same service levels and have their needs met, regardless of their home institution.

The iNtegrate 2 Business Process Redesign (BPR) project, as outlined in the Request for Proposals (RFP), issued in March 2012, was a systemic and careful review of major business processes across NSHE to identify opportunities intended to establish process consistency and effectiveness and to enable institutions to continue to fulfill their missions with the lowest administrative overhead required. The RFP called for the following deliverables:

- Evaluate NSHE’s major financial and human resource business practices and processes and develop a report with recommendations of a list of system-wide processes that can be used as requirements for evaluation and selection of new administrative financial and HR administrative systems.
- Evaluate NSHE’s major finance and HR business processes and provide specific recommendations and suggestions on each, including but not limited to how these processes and services could be delivered more cost effectively and/or more efficiently. The report should include, where appropriate, recommendations for alternative delivery options such as shared service operations supporting all institutions or contracting of the service with an outside vendor.
Examine high level workflow performed for NSHE’s major financial and human resources processes at each institution and provide a report documenting any and all suggested redesign of finance and HR business processes and common high level workflows for each process that can be consistent across the System. This will include a discussion of challenges and benefits for such changes.

Discuss the recommendations resulting from the engagement and how they can support a common vision and common end results for NSHE institutions. This would include all recommended business process changes and any other recommended system level changes necessary to support those business process changes, so as to ensure efficiencies are achieved. It may also include a discussion of items that were investigated and determined to be impractical and/or sub-optimal in comparison to the recommendations being made.

Discuss considerations and challenges that may exist for establishing consistent business rules for finance and HR processes when selecting and implementing a new ERP solution for these modules.

Huron Consulting Group was engaged to support NSHE with the iNtegrate 2 Business Process Redesign project, conducted from October 2012 to June 2013.

II. METHODOLOGY AND APPROACH

The high level business functions outlined in NSHE’s RFP were analyzed to identify those processes and associated sub-processes that would be a focus of the BPR initiative. Some processes were categorized as “non-transactional” because they do not generally involve the performance of standardized business processes - or only do so infrequently - within the NSHE organization and therefore these were not a major focus on the effort.

The Human Resources Process Areas and count of included sub-processes are listed below:

- Recruiting (2)
- Onboarding (1)
- Personnel Administration (7)
- Position Description/Creation & Position Budget Control (3)
- Benefits Administration (4)
- Payroll Processing (5)
- Non-transactional Processes:
  - Salary Administration
  - Employee Tracking
  - Employee Relations

The Finance Process Areas and count of included sub-processes are listed below:

- General Ledger Accounting (2)
- Accounts Receivable (3)
- Accounts Payable (2)
- Procurement (4)
- Budgeting & Reporting (3)
- Grants and Contracts (10)
The iNtegrate 2 BPR project was broken into three major phases: Current State Assessment, Business Process Redesign and Service Delivery Opportunity Analysis.

The project initiated with a Current State Assessment to review and assess current NSHE and Institutional policies, procedures and technologies via interviews, workshops and document review in order to develop a baseline understanding of each NSHE institution’s operating environment, current processes, structure and mission and culture. This perspective was important not only in identifying opportunities for process improvement or consistency, but also for framing the institutional context that would drive the successful implementation of any process changes.

Next, during the Business Process Redesign stage, recommended business processes were developed. These recommendations focused on the steps required to successfully complete an efficient and effective functional process, as opposed to “who” (the individual, office, or institutions) would be responsible for performing each step of the process. This approach contributed to the “scalability” of the recommended process, allowing NSHE to deploy the processes across individuals, roles and offices based on each unique institution’s organization. During this phase the system, policy and implementation requirements necessary to support the recommended processes were also determined.

The third phase, Service Delivery Opportunity Analysis, reviewed the recommended business processes from phase two to identify the potential for service delivery alternatives, including Shared Services, Centers of Excellence or Outsourcing. The major process areas that did present themselves as candidates for alternative service delivery were further reviewed to identify those technology requirements and process attributes necessary to enable an alternative service delivery model.

Representatives from all NSHE institutions were involved in each phase of the iNtegrate 2 BPR project. Over 230 functional representatives from the institutions, the system office, and business centers participated in the current state assessment sessions, focus groups and business process redesign workshops. Further, the Huron team met regularly with the Steering Committee and Core Team, a smaller working group representing the larger Steering Committee, to obtain feedback on approach, institutional perspective and overall direction. In addition, all materials were provided to NSHE and went through several rounds of feedback and review by NSHE institutional representatives to validate Huron’s understanding, to “test” the recommendations and to begin to socialize the key themes within the recommendations. NSHE feedback was used to refine the deliverables and final versions of all materials captured and reflected the various points of NSHE feedback.
III. **PROJECT OUTCOMES**

Three different aspects of a functional process area contribute to the overall efficiency and effectiveness of performance: 1) Business Process – the specific steps, order in which they are performed and tools utilized in order to accomplish a task, 2) Technology – the systems (whether they be larger scale ERPs or point solutions) that manage the transactional information and enable the business process, and 3) Service Delivery – the operating model and structure in which the people involved in the process area perform their specific tasks. The iNtegrate 2 BPR effort, while focused heavily on Business Process and the linkage into Technology, also considered the Service Delivery element of efficiency and effectiveness.

During the first phase of the project, the Current State Assessment, conducted from September to December 2012, Huron developed a foundational understanding of the NSHE operating environment, as well as each individual institution’s mission and structure. This foundational understanding set a baseline for performance measurement and process comparison based on current state processes and provided insight into where institutions are confronting challenges to optimized efficiency and performance. As part of this phase of work, Huron began to identify opportunities for new and improved processes while beginning to develop the business case for change.

It was during this initial phase that the current state business processes of each institution in each major process, and applicable sub-process area were documented in over 500 business process flow diagrams. Based on the current state, Huron reviewed the functional process and sub-process areas to recommend those that should be the prioritized focus areas of the process redesign phase of work. This prioritization recommendation was based on the benefit and impact to be gained from redesign of the processes in the evaluation areas of Technology, Risk, Service Delivery and process improvement opportunity based on Huron’s breadth of experience in assessing similar processes at numerous institutions of higher education. The business process areas were prioritized in response to NSHE’s objective to focus the efforts of the business process redesign phase of the project on those functional areas where NSHE can realize the greatest “bang for our buck.”

The Business Process Redesign component of the project was initiated in January 2013. Huron conducted workshops and gathered feedback into April 2013. The work began with the Huron Subject Matter Experts conceptualizing “future state” business processes that were consistent with NSHE’s vision of system-wide, common baseline processes. Workshops were conducted to validate the efficacy of the recommended processes, which were further refined as needed, and to highlight “supporting recommendations” or requirements necessary to enable the recommended business processes.

This phase delivered 15 Business Process Redesign “packages” organized by functional process area which included the following components for each sub-process area reviewed:

- **Process Overview:** A summary narrative of key process steps within the sub-process.
- **Recommended Future State Process Flow:** Detailed process flow of the Future State process steps.
- **Key Process Changes:** For those steps within the Future States that represent primary changes (for one or more NSHE institutions), an explanation, and justification as necessary, for the process change is highlighted.
The BPR materials are intended to document Huron’s recommendations for “future state” business processes. These were reviewed with NSHE representatives and do reflect NSHE feedback. This phase of the project was not intended to obtain NSHE concurrence or agreement to the recommendations and the recommended processes will require further review by NSHE to determine which recommendations, or aspects of recommendations, are put forth for approval and implementation.

During April and May 2013, Huron further reviewed the recommended “future state” business processes to identify those functional process areas that could lend themselves to operate via an alternative Service Delivery model, specifically an Institutionally Shared Service delivery model.

The Institutionally Shared Services model is one where all NSHE institutions “share” services provided by a single unit under NSHE, as opposed to obtaining these services from an institution-based unit only serving that specific institution. In general, a system like NSHE with multiple “service users” as each institution represents could benefit from an Institutionally Shared Services delivery model. These Shared Services can better establish, monitor and target Service Level Agreements for customers, adjust to variations in workloads over time and staff, allow for a consolidated training and on-boarding program and better ensure business processes are consistently executed. However, not all processes are well-positioned to deliver service through this alternative model. Enabling factors such as standardized processes and a single technology instance are necessary to the successful establishment of an Institutionally Shared Service model.

A Service Delivery “package” identifying functional process areas with potential to be delivered via an Institutionally Shared Service model was developed. This analysis included a high-level assessment of each process area to
NEVADA SYSTEM OF HIGHER EDUCATION
INTEGRATE 2 BUSINESS PROCESS REDESIGN: EXECUTIVE SUMMARY

determine those that had the process “make-up” necessary to enable these processes to be delivered via an alternative model, such as a highly transactional nature, stable and predictable transaction volumes and proximity requirements. This analysis identified 10 process areas that were candidates for service delivery via an alternative model, such as an internal service center, center of expertise or outsourcing arrangement. This Service Delivery package revisits those recommended “future-state” business process maps for the candidate process areas and flags those sub-process steps that are specifically candidates to be delivered via an alternative model. Technology Requirements (previously identified as part of Business Process Redesign) that are critical to maintain potential for alternative service delivery were also identified.

The business process and technology areas remain in the “design state” until the selection, configuration and implementation of a technology is underway or completed and any impacting policy is refined and updated. Efficiency gains possible via process and technology can only be estimated until well within the implementation phase. Enhancement opportunities arising from Service Delivery, as a unique aspect of process execution, should be continually reviewed as the iNtegrate 2 project proceeds. We believe NSHE should conduct a more detailed business analysis in order to identify and quantify any further efficiency gains possible in order to inform a decision regarding a service delivery change and to determine the best service delivery model for NSHE. This on-going review is necessary to validate and further test the service delivery opportunity areas and to identify the optimal service delivery model for the process, whether it be Institutionally Shared Services or institution-based functions.

IV. MAJOR THEMES

The strategy and nature of Huron’s recommendations, primarily focusing on the business processes but also integrating the concepts of service delivery, centered around some key themes that were consistently shaping Huron’s perspective and mindset during meetings, workshops, deliverable development and feedback responses.

Major Theme 1: Challenge the Current State. Current practices, policies, and organizations have evolved incrementally over several decades of unprecedented growth in higher education in Nevada. To move forward in today’s business environment, the current state way of doing business must be challenged and pushed to change.

Major Theme 2: Balance Risk and Efficiency. NSHE leadership must determine NSHE’s own desired balance of risk (financial and compliance) with process efficiency – what is appropriate for the NSHE organization. The most risk adverse processes are frequently not the most efficient. For example, requiring centralized submission and review of all receipts for travel expenditures, regardless of amount, can significantly mitigate the risk that NSHE funds are being misused or policy is not being followed. However, centralized submission and review of a subset of receipts (e.g. above a specified dollar threshold) represents a more streamlined and efficient review process. This alternative does introduce a slight risk of non-compliance, which can be further mitigated by clear and concise policy and training. As NSHE prepares for the next phase of work, NSHE-level guidance on this balance and the appropriate risk and efficiency prioritization is necessary to inform the selection of recommendations and drive the subsequent implementation.
**Major Theme 3: Define Roles and Responsibilities.** Policy and procedure must be developed and documented to clearly articulate the Roles and Responsibilities of various offices, units and individuals across NSHE and each institution. These defined Roles and Responsibilities must be communicated and understood in order to fully enable all business processes so that they can be performed as recommended.

**Major Theme 4: Trust the Process.** The NSHE community consists of approximately 20,000 employees, many of whom will be trained with the implementation of new processes, and responsibilities can and should be appropriately leveraged to all levels of the NSHE organization. Every process must include the appropriate checks and balances, but NSHE should “trust the processes” to work as they were designed and minimize extraneous verification and “check” steps – especially manual ones.

**Major Theme 5: Manage Change.** The successful implementation of any change is based more on the implementation effort than the change itself. In order to put any new process, technology or policy in place, the elements of Change Management - training, communication and monitoring – must be deeply ingrained in the implementation effort from the beginning.

**Major Theme 6: Maintain Scalability.** Each NSHE institution has a separate identity and culture, so while Huron focused on recommending a common baseline process, each process was specifically designed to be scalable to the individual institutions in order to account for variations in volume, organization, staffing and policy.

V. **Transition and Next Steps**

Huron’s report contains recommendations for business processes and enabling changes across functional process areas. As a next step, NSHE will take ownership for the report and recommendations in order to further consider and evaluate the recommendations when determining how to proceed with the next stages of iNtegrate 2.

As NSHE prepares for their next phase, there are several considerations that Huron believes should be incorporated into NSHE’s approach to determining how to move forward with on Huron’s recommendations. NSHE should register and account for any institution-based perspective that may be counter to Huron’s recommendations. Whether all institutions will be required to utilize a common process baseline or whether allowances and exceptions will be made is an NSHE decision to be made and this decision should be well-informed of the circumstances. (These types of issues are flagged as Implementation Challenges in the Business Process Redesign materials.) In addition, NSHE should define a “business justification” for each recommendation proposed for implementation or non-implementation, in order to outline why specific Huron recommendations are selected for implementation. This justification can be based on the Huron report content and supplemented with additional NSHE perspective and considerations.

The development of a comprehensive Change Management Plan and roadmap is critical. This should begin at the end of the Business Process Redesign Project and continue throughout the lifetime of the iNtegrate 2 project. This Change Management plan should specifically focus on communications at the onset to keep the broader NSHE community informed, involved and supportive of the effort. As the project proceeds towards implementation, a detailed training and on-boarding component should be incorporated focusing on BOTH technology use and business process execution.
The on-boarding and monitoring aspect of the Change Management plan should include steps to establish and utilize appropriate Performance Measures to monitor, manage and report on implementation success. Further, while iNtegrate 2 is a special project and Change Management is a critical component to any special project, the concepts of Change Management – training, communication, monitoring - are equally important to on-going NSHE operations as they undergo the continuous improvement, review and adjustment necessary to remain effective in an ever changing environment.

VI. CONCLUSION

Higher education institutions are unique organizations, both in the aggregate and individually. The spectrum of shared governance, the heavy reliance on funding sources with significant restrictions, and the transient nature of institutions’ core customers create considerable challenges for NSHE, and higher education in general, that other entities do not face. Also, as with many public institutions, NSHE is faced with state regulation and shrinking appropriations. These compounding challenges of the current higher education industry create a prime opportunity—and need—for change at NSHE.

The iNtegrate 2 BPR project was an important first step in NSHE’s efforts to ensure that administrative services are provided in a manner that best meets the NSHE institutions’ needs while being cost effective, efficient and flexible. This project was also an initiation step in the evaluation of potential software solutions to further facilitate NSHE administrative services.

Undergoing an opportunity assessment and pursuing transformational change can bring about service improvement, enhanced user satisfaction and a management environment philosophically focused on continuous improvement. Efficiency and effectiveness gains in administrative operations can support the redirection of available resources to NSHE’s primary missions of instruction, research, and public service. The iNtegrate 2 BPR project resulted in a set of opportunities for NSHE to evaluate and implement in order to proactively address on-going and continual industry challenges. Taking action on the recommended business process and service delivery areas, especially during the period of ERP selection and implementation, provides an opportunity to improve business processes across NSHE.