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Higher Education: a lesson in sharing

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PUBLISHER

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VERSION

VoR (Version of Record)

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REPOSITORY RECORD

Rothwell, Andrew T., and Ian P. Herbert. 2019. "Higher Education: A Lesson in Sharing". figshare.
<https://hdl.handle.net/2134/16806>.

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A lesson in sharing

A new executive report by **Andrew Rothwell** and **Ian Herbert** of Loughborough University's Centre for Global Sourcing and Services explains how the shared service phenomenon is more than just about headline cost savings and asks how it might work in HE.

The shared service model has been a success story in both the private sector and many parts of the public sector. It is tempting for hard-pressed VCs to grab something of the management toolkit that now seems proven to make worthwhile savings. Many have done so and no doubt more will follow.

However, this success belies a number of ideological and practical issues that have yet to be fully thought through in higher education.

Challenges and opportunities

A radical view is that higher education in the UK is facing a shakeout in which the rich ones will get richer and the poor will disappear. Those institutions stuck in the middle between the large and the niche and between either research excellence or mass teaching at low cost will be doomed.

It is not our intention to get involved in the whys and wherefores of that debate: perhaps the future might be more benign, even more positive. The doomsayers suggest that HE will be squeezed between student-led market forces and central government increasingly intolerant of institutions that fail to balance the books. However, this argument cuts both ways.



Andrew Rothwell



Ian Herbert

With greatly reduced direct government funding, UK HE could yet be on the cusp of a new, more entrepreneurial and independent landscape.

We suggest this overarching puzzle has a resonance with many of the myths about shared services that seem to be overhanging the sector. The top four of these are as follows.

Efficiencies

HE is inefficient and sharing will reduce costs. For many multinational companies the shared service centre has been a success story. Economies of scale and scope have been achieved as their quasi market-facing shared service centre has been a vehicle for back office functions to become entrepreneurial and innovative. Business divisions have unbundled peripheral activities and become more focused on winning and keeping business. It is inconceivable that that such management medicine should not be good for sleepy bureaucratic institutions such as universities. Or is it?

Unacknowledged sharing

The myth of public sector inactivity needs further scrutiny. First, the UK HE sector has been quietly sharing things successfully for many years.



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UCAS is a shared service but its form is largely unacknowledged, precisely because it is difficult to imagine how else it might operate. There are many other examples, especially when it comes to “high road” services and resources that no one institution can afford, such as the M5 Universities Manufacturing Technology Centre.

Second, HE is both a public asset and in a position of trust with regard to the education, welfare, rights and prospects of young people. UCAS has found itself exactly on the horns of the public versus private dilemma. Should it be entrepreneurial and reduce its costs by selling its data, or should it act with public sector integrity and keep secure the personal details of young people who have supplied information because UCAS is the only effective route to a better career?

So different?

Third, universities are simply organisations that process transactions, in exactly the same way as a business organisation. In the university context some of these transactions relate to student registrations or other aspects of student data, but these are transactions nonetheless. Hence, universities also have the potential for cost savings in respect of transactional work in exactly the same way as any business organisation: through shared services, through service integration, or by outsourcing.

This potential includes offshore processing, and Middlesex University has already taken this step. Yet, HEIs are nervous about migrating the processing overseas, perhaps fearing negative publicity, or possibly having concerns about data security, even though our individual financial transactions can be handled this way.

Public spirit

A further concern might be that HE has responsibilities to UK plc to preserve employment and corporate social responsibility; this is particularly keen

“Higher education is both a public asset and in a position of trust with regard to the education, welfare, rights and prosperity of young people.”

Jon Major introduced league tables in 1992



in those areas where towns and smaller cities are dominated by higher education, or where alternative employment options are scarce. Multinational corporations might potentially attract negative PR when migrating thousands of white collar jobs to cheaper offshore locations, but imagine the story in provincial cities where “town and gown” relationships run deep.

A competitive cauldron

Fourth, since 1992, the policy of successive UK governments has been to cast higher education as a competitive cauldron judged by media-produced league tables and the more subtle but no less important Research Assessment Framework. Much of universities’ back office support systems goes hand in glove with pastoral care in which diligent administrators spot vulnerable students and have “a quiet word with a tutor”. Would this happen with a remote call centre?

Although this is not intended to be an exhaustive list for caution, a final observation is that even in the private sector cost-cutting through shared services does not tend to move the corporate needle unless the new administrative structures can help to improve business unit effectiveness.

For an individual CFO, cutting the costs of the finance function from, say, 1.5% to 1.0% of company revenue is cause for a significant bonus but it is not a game changer in itself. While non-core activities such as administration are easy targets to be labelled as non-productive overheads, the largest proportion of cost in any university or college is staff costs for teaching and research. Perhaps these activities should be the natural targets for rationalisation and sharing?

The case for change

First, support services comprise a range of activities; some will be best retained while others could be placed into shared services. Unnecessary duplication might just as readily be eliminated between



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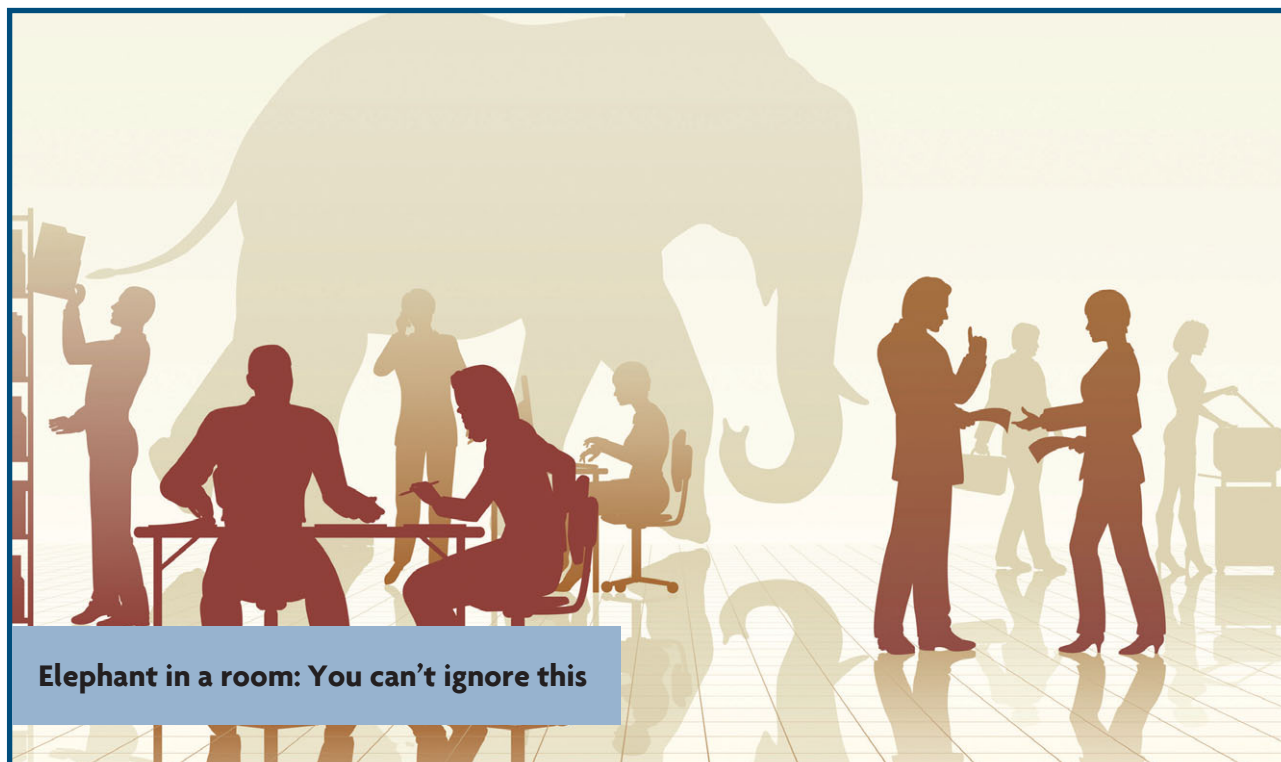


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Elephant in a room: You can't ignore this

schools and departments within an institution as between institutions.

Second, this isn't simply theoretical. There are already numerous examples of good practice going on in real situations, from sharing student-facing services such as FXPlus in Falmouth or University Campus Suffolk.

Implications

Third, sharing does not have to mean centralisation for its own sake. Most HEIs use similar student support systems and administrative software. Individual services can retain their own identity if the enabling platform can be standardised. For example, every iPhone in the world comes out of the box identical. but within an hour every iPhone is different. Platform standardisation (e.g. ERP) does not have to equate to standard delivery if there can be a sensible discussion about appropriate standardisation and affordable customisation, rather than a blunt,

“Standardisation is not about uniformity. Every iPhone comes out of the box identical and is unique within an hour.”

ideologically driven mantra for change through compliance and conformity.

Fourth, while almost everything that can be achieved through shared services can be achieved through “normal” systems evolution, the shared service model provides both a catalyst and a vehicle for transformational change in support services throughout the organisation. It becomes part of the culture.

Austerity forces the issue

Finally, for service leaders shared services are akin to the elephant in the room: impossible to ignore although people try to do just that.

With austerity measures really now starting to bite across the public sector, management now needs to be seen to be doing something and the adoption of the form and/or nature sharing services is becoming a “comply or explain” issue in terms of demonstrating value for money to stakeholders and preserving income.