

**MONTANA STATE UNIVERSITY SYSTEM**  
**Common Administration and Finance Services Review**

**Executive Committee Recommendations**

**January 6, 2006**

## EXECUTIVE SUMMARY

### **President's Directive**

In March, 2005 the President directed the Vice President for Administration & Finance to “conduct a review of the University administration and finance operations, and to provide him with a report of pertinent observations, findings and recommendations.” The President directed that this review contain two distinct elements: a review of the organizational design of the A&F Division in Bozeman; and secondly, a review of all (A&F-related) support services across MSU's four campuses. This document addresses the second element, a review of support services across MSU's four campuses.

### **Study Team**

An Executive Committee was appointed to oversee this review. The committee membership consisted of the Vice President for Administration & Finance, the Vice President for Inter-Campus Affairs, the Executive Director of Planning & Analysis, the Administrative Vice Chancellor of MSU-Billings, MSU-Northern's Vice Chancellor for Finance & Administration/Student Affairs, and the Assistant Dean for Business & Finance from MSU-Great Falls COT. The responsibilities of this committee were as follows:

1. oversee the study process;
2. select an independent consultant;
3. ensure broad participation from the University's administration & finance operations;
4. review the consultant's final report; and,
5. provide the President with a final set of recommendations.

Through a Request for Proposals (RFP) process *The Pappas Consulting Group* was selected as the independent consultant for this study.

### **Scope and Objectives**

The major objectives of this services review were to:

1. Identify opportunities to improve the efficiency, effectiveness, and coordination of the administration and finance functions among the campuses;
2. Seek opportunities to reduce the overall cost of administration and finance activities throughout the University;
3. Identify areas where similar support services, common business practices, or common use of technology suggest an opportunity to consolidate, centralize, outsource, or otherwise deploy a new and cost-effective model for the delivery of services.

## **Consultant's Approach to Study**

In their report *The Pappas Consulting Group* provided the following philosophical statement regarding their approach to this study.

"The focus of this review was to assess the effectiveness of current collaborative efforts and to identify additional opportunities for shared services. This focus was consistent with the following recommendation resulting from the independent study conducted in 2000: "The Board and Office of the Commissioner should continue efforts to gain productivity improvements and cost savings through the fullest possible integration of administrative services and data systems."<sup>1</sup>

The challenge of increasing competition for financial resources, coupled with the demographic implications of a decreasing student population in Montana, has underscored the need to identify additional operating efficiencies.

We approached the review using the following *guiding principles* as a framework for our analysis and recommendations.

1. Recognize the uniqueness and importance of each institution, and value and retain their respective histories and traditions;
2. Realize efficiencies and economies where appropriate (returning any savings to the individual institutions);
3. Optimize the use of technology;
4. Consolidate and streamline *back-office* processes, while enhancing *front-office* services; and,
5. Make administrative decisions based on providing excellent service to students."

## **Consultant Observations**

In their final report *The Pappas Consulting Group* observed that "in the eleven years since its inception, the four-campus MSU system has made significant strides toward developing collaborative administrative services. As a result, the institutions have improved operational efficiency and enhanced service levels in many respects."

However, the consultant also observed that "there are multiple opportunities for additional collaborative services within the MSU system. While technical ability, in terms of both technology and expertise, generally is available, the degree to which the institutions will benefit from these resources is dependent upon the effectiveness of communication and the level of trust that exists among the University's administration and finance executives, managers and staff."

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<sup>1</sup> An Evaluation of the Montana University System's Progress in Implementation of Restructuring Goals, James R. Mingle, 2000.

## **Summary of Major Issues**

In their final report *The Pappas Consulting Group* also stated that there were three “Overarching issues that impact the efficiency, effectiveness, and coordination of administration and finance functions among the campuses.” Those issues are listed below, with explanatory commentary from the consultant.

1. **MSU decision-making lacks a system-wide perspective.**

*MSU institutions are distinguished by diverse academic missions, campus cultures, and business practices. They are separated by geographic distance and demographic characteristics. All of these factors impact the institutions’ abilities to develop and implement shared administrative services. In addition, the organizational design of the MSU system does not clearly support collaborative endeavors, and nonparticipation of any one institution can threaten the good of the whole.*

*Consequently, MSU lacks a system-wide view of planning and conducting business. Rather than viewing common business processes on a global basis, each campus focuses on preserving and protecting its particular way of operating. Consequently, collaborative processes often end up as a cobbled version of existing campus-based processes, rather than the comprehensive system-wide solutions that were intended. The multiple institution functionality system environment is a graphic illustration of this phenomenon.*

*Nevertheless, the campuses have been successful in coordinating many initiatives, due largely to the ongoing interaction among functional area managers. We believe these managers continue to hold the key to success.*

2. **Many business processes are inefficient and the use of technology is sub-optimal.**

*Many business processes have not been redesigned to take advantage of the functionality in the Banner system. Numerous processes are labor and paper intensive, which inhibits each institution’s ability to provide timely and efficient service. Some processes (e.g., hiring and invoice approval) are subject to excessive levels of approval, resulting in delays and customer dissatisfaction.*

*We observed that aspects of the Banner functionality either are not used or have not been implemented. For example, certain purchasing and time reporting capabilities have not been activated. This situation contributes to the inefficient business processes noted above, and it also results in the proliferation of shadow systems among campus departments.*

*Another factor impacting the efficiency of business operations is the pervasive demand for ad hoc management reports. MSU institutions have not been proactive in determining standard production report requirements or identifying a reporting environment that enables users to generate ad hoc reports on their own. Facilitating the extraction of data from the Banner system on a timely basis is a key need, most specifically in support of the University’s strategic decision-making processes.*

3. **Operational information, expertise and best practices are not systematically identified and shared across MSU Administration and Finance organizations.**

*MSU Administration and Finance organizations possess a wealth of intellectual and technical resources, and each campus appears to be willing to share information and expertise upon request. For example, Bozeman staff share expertise related to hazardous waste disposal, and Billings’ staff frequently respond to questions about*

*student accounts receivable issues. Several other examples of collegial interaction and interchange also were noted during our review.*

*The issue is that these and other valuable resources typically are sought and identified by individuals on an ad hoc basis and, consequently, they are not always accessible to all administrative and finance staff as needed.*

### **The Pappas Consulting Group Recommendations**

In consideration of their findings, *The Pappas Consulting Group* recommended that MSU take the following actions to address the major issues and to strengthen the University's common administration and finance services.

1. **Strengthen the decision-making structure.**

The consultant's view is that MSU should develop a more integrated and systematic approach to shared problem solving and decision-making. Rather than viewing MSU common services as a separate enterprise, which impacts each campus, the institutions need to approach shared initiatives from a synergistic and system-wide perspective.

2. **Streamline business processes and optimize the use of technology.**

The consultants recommended a range of initiatives to improve the efficiency and effectiveness of common administration and finance functions among the campuses.

3. **Systematically identify and share information, expertise and best practices.**

The consultants recommended MSU develop a systematic approach to identifying and indexing the range of valuable information and expertise that exists within the four-campus system.

## **EXECUTIVE COMMITTEE RECOMMENDATIONS**

The following paragraphs utilize extensive materials from The Pappas Consulting Group report to present the Executive Committee's recommendations.

### **Strengthen the Decision-Making Structure**

Based upon the Pappas Consulting Group report, the Executive Committee recommends that MSU develop a more integrated and systematic approach to shared problem solving and decision-making among the campuses and agencies of the University.

Rather than viewing MSU common services as a separate enterprise which impacts each campus and agency individually, all of the MSU units need to approach shared initiatives from a synergistic and system-wide perspective.

The Executive Committee endorses the consultant's recommendation that this effort begin as a *bottom-up* approach for developing shared services, as a method that will

enable MSU to create system-wide initiatives, while taking into consideration the unique needs and circumstances of each institution.

Specific strategies that should be initiated include the following:

1. Continue the practice of conducting weekly meetings of inter-campus functional area managers (by phone) to ensure that a system-wide perspective is taken into consideration when developing and implementing initiatives. To the degree possible, enable face-to-face bi-annual meetings of the managers.

This includes the continuation of regular weekly meetings (conference calls) of the University Finance Officers group, which includes the Vice President for Administration & Finance, Assistant Vice President for Financial Services, MSU-Billings Administrative Vice Chancellor, MSU-Northern Vice Chancellor for Finance & Administration/Student Affairs, MSU-Great Falls COT Assistant Dean for Business & Finance, MAES Budget & Fiscal Director, ES Budget & Fiscal Director, Director of University Budget Office, Provost's Office Budget & Fiscal Director, Assistant Vice President for Research & Creativity, Student Affairs & Services Finance Officer, A&F Director of Planning & Coordination, MSU-Billings Budget Officer, MSU-Billings Director of Business Services, MSU-Billings Director of Financial Services, MSU-Northern Controller, and MSU-Great Falls COT Controller.

2. Once the University's formal BPR process has been completed, it is recommended that MSU form a permanent Common Services Management Team that will be responsible for reviewing, prioritizing and monitoring future and on-going initiatives identified in each functional area. This Team should be composed of the Vice President for Administration & Finance as a non-voting Chair, and as voting members, the Assistant Vice President for Financial Services, MSU-Billings Administrative Vice Chancellor, MSU-Northern Vice Chancellor for Finance & Administration/Student Affairs, MSU-Great Falls COT Assistant Dean for Business & Finance, MAES Budget & Fiscal Director, and the ES Budget & Fiscal Director. This will ensure that each executive is given equal opportunity to participate in the process.
3. Formally document the issues, conclusions and decisions resulting from the inter-campus functional area managers' meetings and review documentation with the respective ITC Banner system team leaders, Module Team Leaders, and other administration and finance managers.
4. Charge functional area managers with developing a project listing of initiatives in priority sequence, identifying associated issues, plans of action, responsible parties, target completion dates and status.
5. Initiatives requiring IT funding support should be referred to the Administrative Information Systems Steering Committee (AISSC) or its appropriate replacement, with a priority recommendation for consideration within the IT initiatives approval process.

6. Ensure that quarterly progress reports are posted on the web and reviewed collectively.

### **Streamline Business Processes and Optimize the Use of Technology**

In December, 2005 MSU initiated a 12-month Business Process Review effort. The President's charge is for the BPR Teams to review all business processes in administration and finance operations, and develop a standardized design for all data elements and processes. The President's expectation is that, at the end of this 12-month initiative, Montana State University will have established a University-wide information system, based upon a set of common, standardized data elements and business processes used by all campuses and agencies.

Based upon The Pappas Consulting Group report, the Executive Committee recommends that, as part of this BPR Process, MSU take action on specific initiatives that will streamline certain business processes and make better use of technology. As noted by the consultant, "Streamlined business processes will enable work to be conducted in a more efficient manner and result in opportunities for campuses to refocus staff attention on emerging priorities and value-added activities, e.g., customer service, training and professional development.

The Executive Committee recommends action on the following initiatives. The consultant offered these with the following comment: "Based on our discussions with employees at each campus and our knowledge of best practices in higher education, we believe MSU will derive the most substantial long-term benefit from pursuing the following initiatives to improve the efficiency and effectiveness of common administration and finance functions among the campuses." The Executive Committee also endorses and recommends that as the University pursues these initiatives, *front office* activities be considered separately from *back office* activities.

1. The following initiatives should be explored immediately, to finalize a determination regarding their viability and resource requirements, so that implementation can take place in the short term.
  - a. Discuss and resolve the 1099/W-2 tax ID issue. Either determine and use a consistent tax ID number when preparing 1099 and W-2 forms, or seek agreement for a common solution from the Internal Revenue Service.
  - b. Continue to implement the web-pay initiative. Consider instituting electronic invoicing.
  - c. Establish direct deposit as the standard method of payment for employees and students (including student refunds). Address exceptions on an individual basis, as necessary. Make earnings statements available online.
  - d. Fully implement the Banner Purchasing module. Eliminate paper forms and replace with electronic information flow, beginning with the genesis of a purchasing transaction.

- e. Institute the ability to complete and submit job applications, employee benefits enrollment, and other personnel transactions via the web.
  - f. Analyze the need for multiple approval levels (purchasing and human resources) and work with constituents to reduce the number of levels as appropriate.
  - g. Implement electronic time reporting.
  - h. Continue to conduct testing to determine whether all four MSU campuses can process payroll simultaneously, as represented by the Banner software vendor.
  - i. Review the IT Initiatives approval process. Ensure that: (a) the Administrative Information Systems Steering Committee (AISSC) and the Information Technology Advisory Committee (ITAC) understand both their role and their relationship to one another; and that (b) adequate multi-campus representation is provided at each MSU approval level to address the IT interests of each campus.
2. The following initiatives should be explored at a later date, to finalize a determination regarding their viability and resource requirements, so that implementation can take place over the long term.
- a. Investigate the SCT Operational Data Store and SCT Enterprise Data Warehouse products as well as other software product solutions that provide a single data depository with consistent data definitions as the means for facilitating end-user data inquiry/reporting, historical data mining, and information-based decision support. Thereafter, secure funding, purchase and implement the data warehouse software solution most capable of providing secure, self-service data query and ad hoc reporting via a standard, MSU selected, reporting tool (e.g., Argos, Crystal Reports, Hyperion/Brio, etc.) and, ensure that adequate funding is provided for ITC implementation/maintenance support and related end-user report generation training (i.e., precludes the need for specialized report-writing support staff).
  - b. Conduct a cost/benefit analysis regarding the integration of document imaging into broad-based operational processes, e.g., invoices, employee resumes, etc.

In regard to the concept of exploring separate objectives and process designs for *front office* activities and *back office* activities, the consultant offered the following view:

*“Front-office activities, e.g., initiating a transaction and interacting with campus customers, tend to be site-specific and should reflect the business style and culture of individual campuses. Back office activities, e.g., processing transactions, reconciling data, and issuing payments, typically are transparent to customers and can be performed (centrally) anywhere that adequate resources exist. Administration and Finance executives and managers will need to determine the most appropriate back-office site for conducting activities related to each major business function.”*

*Conceptually, this approach to conducting business resembles the Internet business model, in which customers initiate transactions (e.g., purchase goods or pay bills) via various web sites, and the transactions then are processed at unknown remote locations. The customers are not interested in where or how the transactions are processed, only that the desired results are achieved.”*

**Recommended Technology Initiatives  
And  
Associated *Front Office & Back Office* Activities**

Function	Major “Front Office” Activities	Major “Back Office” Activities
Student Registration and Accounts Receivable	<ul style="list-style-type: none"> <li>• Determine and post course schedule</li> <li>• Receive online registrations</li> <li>• Interact with students, as needed</li> <li>• Review financial aid status and identify and enter refunds</li> </ul>	<ul style="list-style-type: none"> <li>• Run daily program to update student accounts receivable</li> <li>• Apply refunds to student accounts</li> <li>• Direct deposit excess refunds to student bank accounts</li> <li>• Generate electronic bills</li> <li>• Receive and apply web payments</li> </ul>
Purchasing/Accounts Payable	<ul style="list-style-type: none"> <li>• Enter purchase request in system</li> <li>• Route request for (electronic) approvals</li> <li>• Purchase and receive goods and services</li> </ul>	<ul style="list-style-type: none"> <li>• Receive and scan invoice</li> <li>• Update record in system</li> <li>• Route purchase for payment approval (or schedule to pay by default)</li> <li>• Generate payment</li> </ul>
Employee Hiring	<ul style="list-style-type: none"> <li>• Receive online applications and resumes; distribute (electronically) to campus department(s)</li> <li>• Conduct hiring process, routing documents for review and approval</li> <li>• (Hiring department or HR) enters new employee data, including direct deposit information, in system</li> <li>• Interact with employees</li> </ul>	<ul style="list-style-type: none"> <li>• Run daily program to update HR system</li> <li>• Receive online benefits selection information from new employees; populate employee record</li> <li>• Transmit electronic confirmation of benefits enrollment</li> </ul>
Personnel Actions	<ul style="list-style-type: none"> <li>• Receive and review electronic Personnel Transaction Forms</li> <li>• Interact with departments, as needed</li> <li>• Populate employee record</li> </ul>	<ul style="list-style-type: none"> <li>• Run daily program to update employee records</li> </ul>
Time Reporting/Payroll	<ul style="list-style-type: none"> <li>• (Employees) enter time and leave information in system</li> <li>• Interact with employees, as needed</li> <li>• (Employees) view earnings</li> </ul>	<ul style="list-style-type: none"> <li>• Run program to integrate information into payroll module and employee records</li> <li>• Generate and review</li> </ul>

Function	Major “Front Office” Activities	Major “Back Office” Activities
	statement online	exception report; make necessary adjustments <ul style="list-style-type: none"> <li>• Run payroll and transact direct deposits</li> </ul>

### **Systematically Identify and Share Information, Expertise and Best Practices**

In their report *The Pappas Consulting Group* noted that it is important for MSU to encourage the spontaneity and flexibility that exists among many administration and finance colleagues throughout the University who share ideas and seek assistance on an ad hoc basis. However, the consultant also recommended a more systematic approach that would complement the existing (more informal) activities.

Based upon the consultant’s report, the Executive Committee recommends that MSU develop systematic methods of identifying and indexing the range of valuable information and expertise that exists within the four-campus system. To fulfill this initiative, the Executive Committee recommends that the following four program components be studied to determine how best to implement each -- and that a Work Team from the campuses and agencies be appointed, for each component, to complete this task.

#### 1. Centers of Excellence

Methodically identify and categorize common needs for information and expertise. Identify existing intellectual and technical resources among the campuses that meet the needs; also identify gaps between current and emerging needs and existing resources. Develop a web-based index of existing resources, and collaboratively determine how best to address resource gaps.

Existing resources include staff expertise in a broad range of functional and technical areas, such as capital design and engineering, insurance and risk management, hazardous waste disposal, cyber security, disaster recovery, human resources regulations, professional development and training, and report writing. Resources also include information and material, such as Banner user documentation, training materials, report templates, and procedures manuals.

#### 2. Module Team Leaders (MTLs)

Review the roles and responsibilities of MTLs. Ensure that they truly operate as MSU resources by formalizing communication with administration and finance users at each campus, e.g., participation in weekly team meetings, formal documentation of Banner functionality requirements by system module, email memos documenting common issues and ITC input, and regular visits to each campus.

#### 3. Management Reports

In conjunction with key users across the MSU system, identify common report requirements by Banner module, developing those reports that are not currently in production. Post a listing of all production reports on the web with adequate

descriptions as to their content and use, and publicize their availability to all customers.

Further, in an effort to provide campus departments with a better understanding of the information contained in various reports, develop web accessible report templates that define pertinent report headings and related data.

4. Major Vendor Agreements

Analyze MSU purchasing history and identify major categories of purchases that are not covered by State contracts. Possible categories may include office equipment, office supplies, and custodial supplies. Identify key vendors and negotiate agreements on behalf of the MSU system.

Where possible, explore the option of implementing electronic commerce with major vendors.

## CONFIRMATION OF RECOMMENDATIONS

The undersigned members of the Executive Committee do hereby confirm their endorsement of all recommendations submitted above.

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Vice President for Administration & Finance

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Rolf Groseth  
Vice President for Inter-Campus Affairs

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Mary Ellen Baukol  
MSU-Great Falls COT Assistant Dean for Business & Finance

## APPROVAL OF RECOMMENDATIONS

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Geoffrey Gamble  
President