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Collaboration and shared services in UK higher education: potential and possibilities

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Foreword

Loughborough University's Centre for Global Sourcing and Services has been conducting research into shared services, outsourcing and a range of organisational efficiency measures for over ten years. The main aims of this consultancy assignment with the UK *Efficiency Exchange* have been to capture state of the art developments in the HE sector and to consider opportunities for the transfer of best practice from a range of other organisations. A further aim has been to identify potential new areas for collaboration across higher education.

That is not to say that the higher education sector lacks experience of shared services. The sector has already benefited from a number of successful initiatives, and a body of practical knowledge and experience is building up around collaboration and the sharing of services and resources.

This white paper analyses contemporary developments in the light of the findings from our wider research enquiry into shared services, and makes reference to a range of practical examples and case studies. We consider especially the extent to which best practice from a range of private and public sector organisations can be applied to higher education.

The report will be of interest to national policy makers and academic leaders in individual institutions, along with the heads of professional functions, organisational researchers, consultants and the growing number of operational managers in higher education shared service centres. The report is organised as follows.

We begin by considering the context and background of higher education in the United Kingdom in light of the recent changes in funding and governance of the sector. Next, we propose some broad definitions for collaboration and sharing. We go on to chart the evolution of shared services within the UK higher education sector based on a review of the literature, further case examples and our own research findings.

We then offer a categorisation of the state of play of shared services practice in UK higher education, which we believe is absent from existing models. Finally, we propose a number of areas where the potential for shared services in UK higher education is as yet unrealised.

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The authors are grateful to the participants in the Forum meeting in Northampton (May 2014) for their time, to the Chartered Institute of Management Accountants for support with the wider SSC research project referred to herein, and to various colleagues for constructive comments on evolving drafts.



Case study materials and more information about shared services in UK higher education can be found on the Efficiency Exchange.

www.encyencyexchange.ac.uk/workstreams/shared-services.

Executive summary

- ***The landscape of UK higher education is changing.*** The pressure of domestic austerity measures and the marketisation and digitisation of higher education, together with the need to compete in global markets, is forcing institutions to review all aspects of delivery efficiency and effectiveness for services such as student support, registry, catering, accommodation, finance, HR, IT and procurement.
- ***Support activities are being ‘externalised’ and reconfigured as ‘services to customers’.*** Service level agreements are based on a range of key performance measures aimed at satisfying a wide variety of stakeholder groupings. As a consequence, managers are being challenged to redefine both their role and value proposition against best practice in the higher education sector and the wider public and private sectors of the economy.
- ***Collaboration between internal departments and with other institutions is regarded as natural.*** There are opportunities to apply new business models, such as shared services, which can both catalyse the transformation journey and provide a means to effect change. The higher education sector already has many successful examples of shared services, but the scale and scope of these has tended to stay ‘below the radar’. There is significant potential for a range of collaborative and sharing ventures, especially in strategic sourcing, sharing campus-based facilities and even offshoring.
- ***Best practice and benchmarking.*** Even without actually sharing facilities, there are many opportunities for the new quasi-commercial service centres to share best practice with other institutions and the private sector in the pursuit of world class performance levels. As many support activities become generic, tradable, commodities, managers can no longer hide behind the defence of ‘It doesn’t apply to us; we’re different!’.
- ***There are significant staffing implications. New end-to-end process working will routinize many tasks that are presently organised around personal roles.*** Computer-based workflow allocation and monitoring will squeeze the ranks of middle management and cause a polarisation of expertise, with a small number of highly skilled system design experts at the top and the bulk of employees in operational positions, performing routinized, process-based tasks, at the bottom.

1. The context: UK universities in a changing world

Currently, there are more than 150 organisations within the UK higher education (HE) sector. Most of these institutions have historically drawn a large part of their funding from central government, whilst a small (and growing) number have been categorised as ‘for profit’ providers¹. The sector was succinctly described by Grist as:

*A broadly market-orientated higher education sector with a high degree of institutional autonomy but with a reasonable amount of regulation, funding and strategic governance still coming from central government.*²

In 2012-2013, the HE sector served 2,340,275 students³ and employed 378,000 staff (2011-2012).⁴ In this period, the total income for the sector amounted to £27.9 billion and total expenditure was £26.7 billion. With home student fees now being funded by private sector debt, it is a moot point whether UK HE should still be categorised as ‘public’ rather than ‘private’ sector. A reorientation in perspective could result in an accelerating pattern of change, perhaps with less regard for preserving UK employment and certain jobs being relocated offshore.

UK HE institutions were well recognised for their location in a dynamic global context even before the emergence of contemporary financial challenges. Indeed, Holbeche described the environment as being in a state of ‘dynamic stability’.⁵

On the other hand, Harden, writing in a North American context, offered a rather more uncompromising perspective:

*In 50 years, if not much sooner, half of the roughly 4,500 colleges and universities now operating in the United States will have ceased to exist. Technology driving this change is already at work, and nothing can stop it. The future looks like this: access to college level education will be free for everyone; the residential college campus will become largely obsolete; tens of thousands of professors will lose their jobs; the bachelor’s degree will become increasingly irrelevant; and 10 years from now Harvard will enrol 10 million students.*⁶

Harden’s tough stance is based on the starting position that our current conception of higher education is a ‘bubble’, only a few leading brands will rule and future technology will enable students to get for free what hitherto they have been paying high fees for. He went on to suggest that the sector is in for a period of ‘creative destruction’, during which some institutions will adapt and prosper, whereas others will stall and die.

This polarisation of HE will favour those institutions that can leverage brand strength, control costs and free themselves from the burden of transactional processing, which soaks up resources.

1.1 Globalisation and domestic drivers of change in higher education

Although the period from the 1990s onwards has been typified as the downsizing era, the number of UK university staff members has actually grown in the last two decades. However, Barber, Donnelly and Rizvi noted that:

*Just as we've seen the forces of technology and globalisation transform sectors such as media and communications or banking and finance over the last two decades, these forces may now transform higher education.*⁷

Academics, administrators and technical staff may find themselves increasingly vulnerable to such changes. Despite overall staff numbers having increased by 12.9% since 2004-5, the number of non-academic staff in 'temporary (or atypical) roles' increased by 29% during this period.⁸

Recent 'reforms' to higher education funding originally outlined in the report *Higher Education: Students at the Heart of the System*⁹ proposed shifting the burden of funding HE to its users to allow "good institutions to expand and bad ones to contract". Additionally, this is intended to enable new entrants to the sector and to put UK HE on a sustainable footing.¹⁰ Institutions have responded vigorously to the efficiency agenda, and between 2005 and 2011, universities in England achieved £1.38bn of savings against a cumulative target of £1.23bn.¹¹ Jackson noted the sector's ten-year track record of achieving efficiencies, commenting that:

*This was at a time of record student numbers, increased activity on widening participation and the UK being ranked top within the G8 for publication productivity.*¹²

The report documented numerous "operational" and "productive" efficiencies delivered by UK higher education institutions (HEIs), notably procurement, human resources (HR) costs and estates in the former category and "sharing of research equipment and capital" by the N8, M5, SE5 and GW4 universities in the latter. The report also referred to the practice of sharing high level and high cost equipment that no single organisation could afford. A good example of institutions engaging in this practice is the London Centre for Nanotechnology, involving The University of Central London and Imperial College.¹³

The advent of higher student fees has produced a new generation of more demanding students with greater service level expectations and concerns about value for money.¹⁴ Other competitive pressures may arise from the emergence of new players in the sector. Clark, Ferrell and Hopkins cited a number of examples, including new university BPP working in collaboration with more established institutions in an attempt to reap the 'low hanging fruit' of two-year degree programmes in business or law.¹⁵

Global influences also play a considerable role. In a knowledge-intensive world, it is broadly understood that there is no 'right' level of higher education participation for a society, and the percentage of the population entering higher education varies across countries. At the upper end of the range, Grist cited the example of South Korea, where around 80% of young people have access to higher education. Higher education bolsters economic growth, promotes social mobility and improves the health and other outcomes of children with educated parents.¹⁶ At the same time, in a climate of austerity, UK HEIs need to deliver

value for money in a sustainable manner, and that invariably means being less dependent on central government funding. Writing in an Australian context, Bokor noted:

Our primary hypothesis is that the dominant University model - a broad-based teaching and research institution, supported by large asset base and a large, predominantly in-house back office - will prove unviable in all but a few cases over the next 10 - 15 years.¹⁷

Such views also lead to questions in the UK as to why the higher education sector appears to be reluctant to embrace efficiency strategies, such as shared services, which have been enthusiastically taken up by other organisations.¹⁸ More recently, Paton reported the view of a former president of Universities UK that “half of Britain’s universities should be closed”. He cited claims of cities where several universities were offering similar provision, an increasing number of private providers and “some 40 universities within the M25 and more arriving by the day.”¹⁹

We believe this is taking an overly simplistic view. While some institutions might be fragile financially, many of them are worth maintaining, for example locally focused universities offer wider opportunities for participation to students who are only able to study close to home. Also, a significant number of institutions are financially strong and could actually achieve further efficiencies. Hillman recently cited a HEFCE report that referred to operating surpluses in the sector of £1 billion, an increase in capital spending of 46 per cent and “increased discretionary reserves of £12.3 billion”. Hillman also cited the Institute for Fiscal Studies, who (at the time of writing, summer 2014) suggested that the sector is “only 40 per cent of the way through the cuts”²⁰ with none of the political parties committing to protect HE budgets after the next election.

Although Harden presented a somewhat extreme perspective, it would still seem reasonable to expect a shakeup of the sector over the next few years, with new organisation models as well as some mergers and closures. Bell commented that the rapid marketisation of the sector had been ‘shock therapy’ that had increased competition and turbulence in the sector, which in turn had raised the need to be competitive.²¹ The sector has a lot of strengths but must build financial viability and sustainability through addressing inefficiencies wherever they still exist.

Collaborative working and the sharing of resources and assets offer a potential way to do this. However, since the reorganisation of the sector in 1992, successive governments’ weapon of choice for fostering change and increasing efficiency has been inter-institutional competition moderated by annual league tables and the periodic research assessment framework. Across the sector, gains and losses between institutions essentially constitute a ‘zero-sum’ game, and one would expect that the sense of institutional rivalry, which has been deliberately fostered, may also mean that proposals to share those activities that use institutionally specific data will be resisted.

In the next section, we examine the various types of shared services commonly found in business and public sector organisations and discuss their potential applicability to the HE sector.

2. Can the UK higher education sector learn from best practice elsewhere?

This section offers some initial definitions as well as models for shared services and third-party outsourcing based on our body of research gained from working with commercial and public sector organisations across a range of countries.

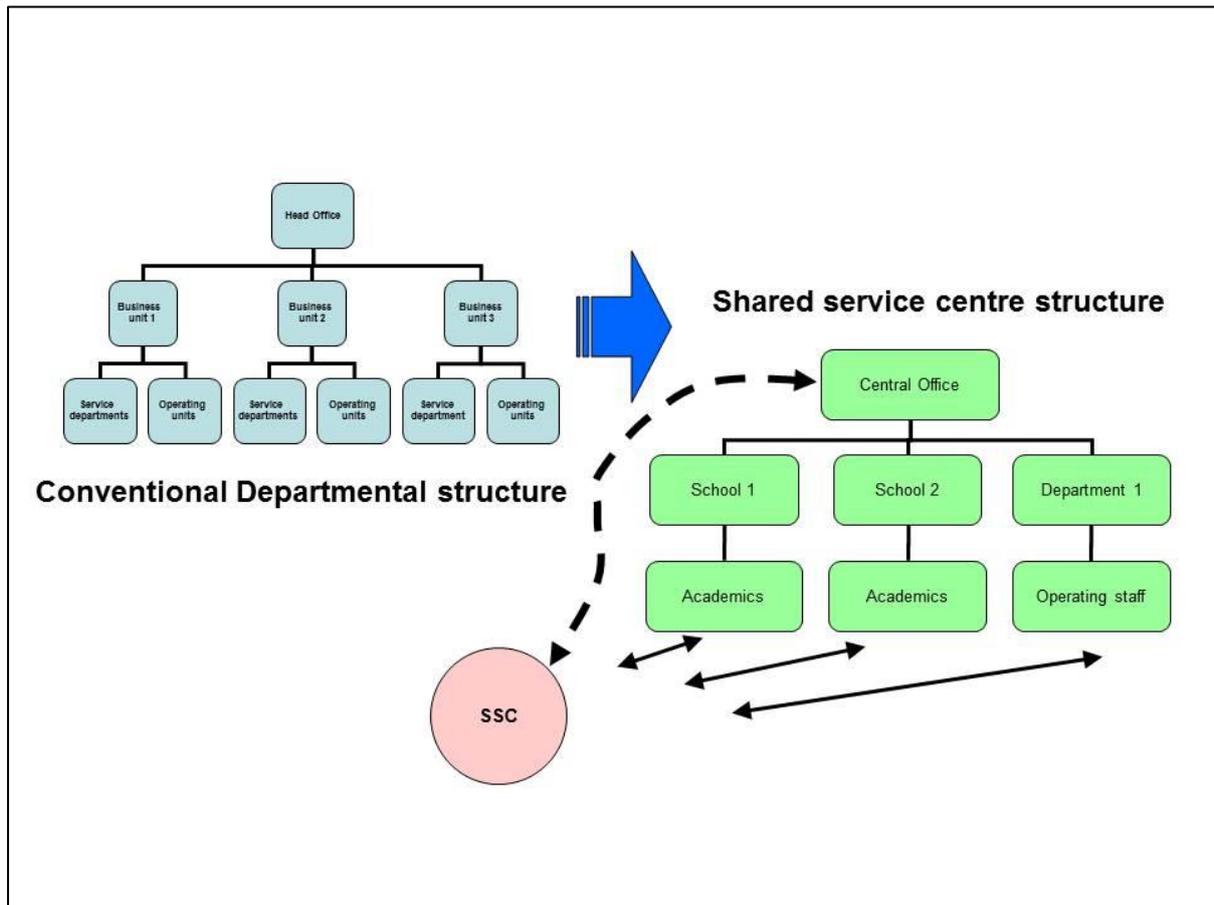
2.1 The rationale for sharing and business process transformation

The *National Audit Office*²² noted the potential for public sector bodies to reduce cost through sharing a range of 'back office' corporate functions, such as HR, finance, procurement and payroll. In this way, they can provide a standardised service to multiple departments that eliminates duplication and concentrates expertise and system resources. The concept of a 'single version of the truth' is an important feature of the approach to organisation wide information systems. At the same time, shared services often provide the catalyst to introduce an enterprise resource planning (ERP) system, such as Oracle, Agresso, and SAP or, indeed, to refocus legacy systems that have previously failed to achieve their potential because the organisation did not adapt to the system sufficiently. Jansen and Joha suggested that:

*The promise of the SSC comes from the hybridisation of traditional models aimed at capturing the benefits of both centralised and decentralised arrangements - by unbundling and centralising activities, the basic premise for an SSC seems to be that services provided by one local department can be provided to others with relatively little effort.*²³

In the simplest model, a shared service centre (SSC) is established by aggregating individual activities from across a number of operational departments/business units. In multi-divisional (M-form) organisations, finance has often been the first function to be placed in a shared service environment, although information technology and HR have also been popular choices. Each functional area has a service relationship with each business unit based upon a negotiated service level agreement (SLA). Significantly, the SSC reports directly to a member of top management rather than going through existing functional heads (see Figure 1). This casts the SSC as a semi-autonomous entity that can act in an entrepreneurial manner whilst still remaining under the ultimate control of the corporation. In the early stages of development, there tends to be a focus on transaction processing and the construction of a common data set, which eventually becomes 'one version of the truth' across the corporation. As the SSC matures, higher level and more cognitive work, such as so-called business partnering, may also be migrated to the SSC.

Figure 1: Moving to a shared service model



Adapted from Herbert and Seal, 2012²⁴

According to management consultants, *Deloitte*, shared services are, among other things, “A process whereby the entities concerned determine which support processes can be performed by the SSC and which should remain in-house.”²⁵

The terms 'shared services' and third-party 'outsourcing' are sometimes confused and used interchangeably. Jansen and Joha offered a helpful clarification:

*Both SSCs and outsourcing can be viewed as sourcing arrangements and therefore the decision to introduce a SSC competes with the decision to outsource. The motives for implementing an SSC will therefore especially relate to the specific motives of the organisation, such as standardising, reducing operational backlogs and imposing successful internal practices.*²⁶

Organisations might subsequently choose to move their own SSC offshore to benefit from labour arbitrage in a lower cost location. Outsourcing to a third-party generally involves the work being moved offshore. When using this approach, some organisations prefer to operate what is called a 'captive centre', where dedicated staff are assigned to them but employed and managed by a third-party contractor. Outsourcing employs a third-party organisation to provide the service, either on-shore, in the home country of the parent organisation, or offshore. More often, the main attraction of outsourcing those transactional activities that can be performed anywhere is that the vendor has the choice to move the work offshore and

achieve significantly lower labour costs in countries such as India, Sri Lanka, Malaysia, etc. Whilst the language skills of workers in these countries are often very good, and improving, there can be issues of time-zone dislocation and different working outlooks/cultures within the main offshore locations.

McIvor, McCracken and McHugh, writing within the context of Public Administration, reported that organisations have tended to initially improve process performance internally through a shared service operation and later outsource the transformed systems. They noted, “outsourcing leads to greater dependence on external vendors and [thus] the need for additional skills to manage the contract to ensure performance improvements are delivered.”²⁷

Near-shoring presents a hybrid solution. For the UK, near-shore generally means East European countries that offer lower wage costs, a range of European language capabilities and relatively flexible planning regulations, Poland and Portugal being popular choices.

Captive centres are a further hybrid option in which the vendor provides a dedicated base-line of workers that think and act like the outsourcing organisation’s regular workers. Indeed, the outsourcing organisation may even be involved in staff policy and training. Additional resources can be added from the vendor’s wider resources as necessary to cope with activity peaks.

Back sourcing refers to the process of bringing jobs previously outsourced back under the roof of the company to be performed internally. This usually occurs in cases where the outsourced service has not lived up to expectations or proved more costly than envisaged. There may also be political/social pressure to provide jobs and employment in the ‘home’ country.

Table 1: Benefits of shared services

Benefits through aggregation	<ul style="list-style-type: none">• Secured cost savings and sustainable efficiencies through economies of scale• Improved scalability of systems• Continuity and resilience of service
Benefits through expertise	<ul style="list-style-type: none">• Improved and more up-to-date systems• Access to the best class systems and experts• Raised quality and improved flexibility and agility of existing services• Levered transformation• Gain in competitive advantage
Benefits through focus	<ul style="list-style-type: none">• Release of staff time from 'commodity' activities to more added-value/customer-facing activities• Ability to offer otherwise unsustainable services
Benefits for organisation and social policy	<ul style="list-style-type: none">• Improved cooperation with other institutions, enabling strategic development of cross-institution support services• Reduction in the environmental impact of IT activities• Ability to address the growing demand for collaborative learning and teaching as well as research and knowledge exchange

Adapted from: <http://www.jiscinfonet.ac.uk/infokits/shared-services/benefits/>

While cost is the main driver, a range of other benefits are claimed for shared service operations. These include:

- Maintenance of a critical mass to develop and sustain skills
- Higher productivity due to the implementation of new ways of working
- Reduced working capital due to using resources more intensively
- Reduced expenses and systems infrastructure costs

An essential prerequisite to shared service implementation is an overhaul of the systems and processes that results in better quality information for decision-making, increased control and standards compliance as well as reduced error rates. A further significant benefit claimed by respondents in our wider research is the possibility for greater co-ordination and control by top management due to the elimination of shadow systems that may otherwise exist within operating divisions. This is because with the migration of support staff to the

SSC, departmental managers no longer have the resources to operate their own systems and must rely on the central system. Thus, the divisions now have an incentive to make sure that the central data is correct.

2.2 SSC evolution

SSCs are best described as an evolutionary process of transformation in comparison with the 'big-bang' nature of outsourcing. This is because migration from departments can be undertaken incrementally, paused and even reversed if necessary. Transactional activities, such as payroll and accounts payable, tend to be the first activities to be put into the SSC, followed by activities that are more intractably embedded in departments, such as specialised customer facing services and so-called transformational activities, e.g. business partnering activities, such as setting HR policy and management accounting. Successful SSCs tend to target the low risk and easy wins (the so-called low hanging fruit), but this may not always be the case. Some SSC managers we interviewed talked about the SSC being set up to tackle a so-called 'burning platform'. As an example, a strong motivator for *Royal Dutch Shell PLC* was to move a significant part of its finance function out of operating businesses and into new process centres following the 'reserves crisis' in 2002-3.²⁸

As the SSC becomes established, it will likely be divided into front and back office functions, with inbound service requests and queries being channelled through a single contact centre to the most appropriate area of expertise in the 'back-office'. The next stage of evolution is sometimes described as 'group or global business services', whereby end-to-end processes might be configured around a number of inter-disciplinary process teams; one example of this is recruitment, which can often have a strong finance input in addition to HR.

A further way in which shared services can evolve is often described as, 'moving up the value chain'. This means taking shared services beyond transactional services to offer expertise and professional services with greater levels of professional discretion. Mature shared service organisations can become the drivers for change and the leaders of innovation. Indeed, the experience of new techniques, such as Lean, Business Process Re-engineering, etc., that is built up in the SSC can then be applied in other areas of the business. This is particularly helpful to organisations that may not have manufacturing operations, which in many cases tend to be the adopters and drivers of new ways of working. The ultimate ambition of many mature SSCs in the private sector is to migrate and transform services to a point at which they can be outsourced to a third-party with the confidence that the service levels and costs will be optimal and performance will be benchmarked over time so as to underpin the service level agreement with the new supplier.

Whilst the use of shared services in the private sector is for the most part a success story, there are some notes of caution. Cooke (2006) tested the realisation of Reilly's (2000) schedule of benefits in a sample of Human Resources SSOs and concluded that poor change management in practice had led to reduced 'quantity and quality' of service.²⁹ Even some consultants have questioned the business case for the SSO. For example, Seddon argues that the SSO embeds a 'command and control' culture that focuses too much on managing activity *within* the SSO.³⁰ In the next section, we discuss some of the already successful instances of shared services in UK higher education.

3. Categories and Types of Shared Services in UK Higher Education

3.1 Definitions

The last decade has seen numerous reports, white papers and 'grey literature' on the subject of shared services, outsourcing and related organisational arrangements in the UK higher education sector. In this section, we aim to summarise just a few broad themes to signpost readers to further sources of information and note some suggestions for further research.

According to *UNISON*, "Shared services are when a number of organisations agree to share the costs and delivery of a service between them."³¹ Further to this, Clark, Ferrel and Hopkins observed that, "The [HE] sector is rich in examples of collaborative approaches and the development of shared services."³² However, the challenges of shared service implementation have long been recognised. For example, *KPMG* noted that:

*Many of these are common to all sectors and have been successfully overcome in the past [although] most shared service schemes in the private sector have been implemented internally in a disparate, decentralised company. There are very few examples of shared services between organisations that are in competition with each other. In an increasingly market-driven HE sector, competition between institutions is left to increase, thus impacting on the potential for shared services.*³³

The widely cited Duke and Jordan study was even less positive in its conclusions with respect to shared services, although there was modest support for the notion of outsourcing:

*This comprehensive study has shown that there is little overt enthusiasm for the introduction of shared services for the delivery of administrative systems within the FE and HE sectors of the UK. Much of this stems from the fact that presently the people concerned generally have insufficient reliable information available to help them seriously countenance such changes. Institutional managers do understand the potential benefits of shared services but they perceive the potential disadvantages and the risks as too inhibiting. Administrative services are too important to institutions to take significant risks: no manager is going to gamble the institution on shared services.*³⁴

In light of these comments, it is impressive that the use of shared services has grown to the extent that it has. Perhaps this may be an indicator of the changing financial climate in which HEIs now find themselves.

Understanding the scope of shared services adoption in HEIs has led us to consider various forms in which SSCs manifest. We cannot claim these categories as entirely our own; some are informed by the comprehensive *Feast Report*.³⁵ This detailed study with a particular focus on new technology and "an emphasis on innovation to support flexible service delivery" (p.2) provides numerous case examples of best practice that prevailed at the time.

Three broad types of shared services were offered by Clark, Ferrell and Hopkins.³⁶

- **Top-down or bottom-up.** The 'top-down' approach is typified by a regional/national data centre or a national framework, such as JANET. This makes sense when there is no feasible alternative, perhaps due to cost or lack of expertise, or when a

widespread organisational change needs to be implemented in a co-ordinated manner. An example of this is the UCAS entrance and clearing system, which is a little recognised shared service that required a national mandate to establish itself and realistically could not function in any other way.

'Bottom-up' shared services arise from partner organisations coming together to address a problem common to those partners. *ES/SS*, the education shared information security service, could be one example of this.³⁷ Described as 'by the sector for the sector', it provides a service that no one institution would wish to pioneer on its own. A number of institutions collaborated initially to share expertise, costs and risks, and the service is currently being extended across the sector.

- **Closeness:** The second category observed was based on geographical proximity. This includes city and regional collaborations, such as the *Bloomsbury* group of colleges in London.³⁸ 'Like-minded' collaborations of institutions, comprising mission groups such as the *Russell group*³⁹ and *Million+*, were also included in this category.⁴⁰

However, this need not just be about the geographical location; the Internet now enables technological developments, such as learning platforms, to be delivered virtually. Finally, this category could also include cross sector arrangements, whereby education institutions collaborate with organisations in different sectors, such as local authorities, health services and commercial entities.⁴¹

- **I do it; we do it; you do it:** Another useful way of categorising shared services is to consider which party is actually operating the service and examine the actions taken to migrate the service from one stage to another. The distinctions are broadly whether the institution operates the service itself, buys in services from a third party and delivers them collaboratively or buys in the services managed by a service level agreement.

Looking to the future, Clark, Ferrell and Hopkins also noted potential changes to how shared services may be funded:

*Increasingly shared services in many categories will no longer be able to rely on top slicing academic income; the new funding regimes in the UK may mean that services have to consider new financial models around charging for services, or shared ownership.*⁴²

Procurement, Information and Communications Technology (ICT), HR, utilities, catering and cleaning are the most usual shared services, but there is no real limit to scope. Services might be shared across departments or employers and set ups might range from informal collaboration and networks to one employer forming a separate entity (perhaps a limited company) to deliver particular services to other organisations. SSCs are hailed as a way of pooling scarce or expensive skills with economies of scale in staffing as well as engaging private sector 'innovation'.

A further attempt at identifying different types of shared services in higher education was provided by Miskon, Fielt and Bandara. Their analysis was also wide ranging in scope and focused principally on structural arrangements. They identified three broad themes:

Boundary sharing – when the shared service is within the boundary of a single organisation or between multiple organisations.

Separate organisational entity – responsible for providing the shared services with the implication that this is set up by the participant organisations.

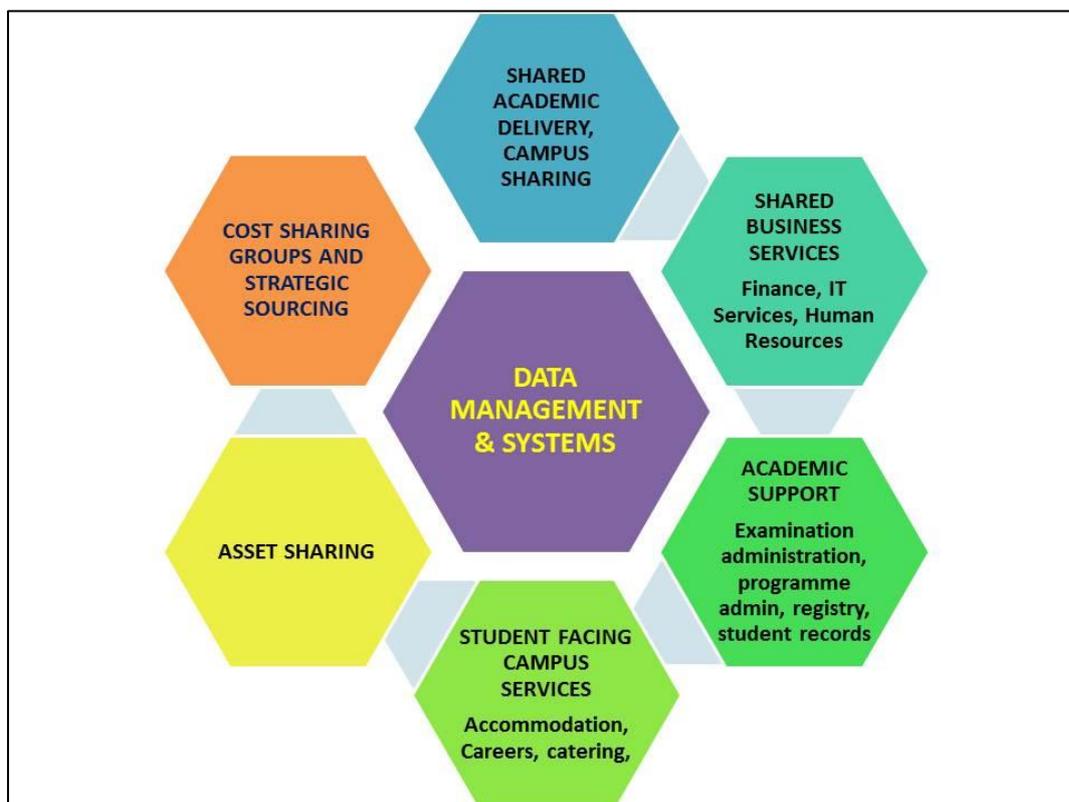
External third-party provider – operates the shared service as an external supplier of business and IT services.⁴³

Whilst alternative categorisations are also proposed in the literature, we feel that models and categorisations offered so far do not do justice to the full range of possibilities nor to the future potential that may exist in the sector. In the next section, we offer our own perspective on this.

3.2 A model for higher education shared services delivery

We propose a categorisation of shared services and shared resourcing within HE that we believe offers more contemporary relevance, captures the richness and diversity of practice within the UK and beyond and offers potential areas for future development. Our model (below) incorporates seven broad areas of activity, with the first (data management and systems) acting as a solid foundation and an essential pre-requisite for all the others.

Figure 2: Shared services and resourcing in UK higher education



Although the transformation of **data management and systems** is, we believe, a prerequisite for success in other areas, **shared academic delivery and campus sharing** is, arguably, the least evolved activity. Whilst it would thus appear logical that it is discussed last, we suggest no particular order or timeline in relation to the other forms of shared services and resource sharing described below. Indeed, in some of the examples given below, elements of the different models may overlap more than one category.

3.2.1. *The heart of the process: data management and systems*

Our research with commercial and public organisations⁴⁴ has identified the need for SSCs to establish effective and efficient ways of working based on a 'single version of the truth', meaning reliable and accurate data management and the removal of duplicate (and shadow) systems. This perspective was reflected in the *Efficiency and Modernisation Task Group*, which noted that:

...shared services are often held up as an 'off-the-shelf' solution for efficiency, but if their potential is to be fully realised in higher education, then simplifying, streamlining and improving internal processes needs to be a priority.

Information on the costs of operational activities within higher education is poor. This means it is difficult for institutions to effectively calculate the benefits of efficiency initiatives and demonstrate more widely whether they are ensuring value for money. It is proposed that this data is improved and made more transparent. Better data will strengthen the use of benchmarking as a tool for driving efficiency.⁴⁵

Operationally, shared service development must rest on a common understanding of its rationale and objectives. This generally requires a focus on efficiency through systems redesign and re-engineering, which will in turn produce a service catalogue that maps out the scope of the shared service provision. Project milestones will encourage managers and employees to embrace responsibility for hands-on involvement in design and the subsequent operation of user oriented self-service systems. As a general principle, successful SSCs use process automation to eliminate human (variable) interaction so that the only 'touch points' are system exceptions or *ad hoc* enquiries.

As an example from (broadly) within the sector, Clark, Ferrell and Hopkins documented in some detail the tribulations of setting up an SSC to serve the six UK Research Councils (RCUK):

Within any successful implementation of shared administrative services, there is an inevitable conflict between standardisation of the 'new way of working' and the changes which need to be made within all of the legacy departments to embrace the new processes. Such changes need massive amounts of communication and leadership. There is little evidence within the RCUK SSC project of the necessary levels of these ingredients.⁴⁶

Sadly, the RCUK case example is only one among a number of examples of systems with implementation issues, especially, albeit not exclusively, with respect to information systems, which have proved to be costly, high-profile failures. Poorly designed systems can sometimes lead to a phenomenon called 'failure demand', whereby more rather than less

work is generated whilst management congratulate themselves on greater activity due to it being processed and measured wrongly.⁴⁷ This could arise, for example, whenever performance metrics at the service level have been based on call handling volume rather than problem resolution.

Fortunately, the RCUK SSC survived its implementation issues and has since taken on numerous 'clients' across the public sector. There are other positive examples as well; Lacey described the 'one version of the truth' approach taken to business intelligence at Nottingham Trent University:

Transformation had been a challenging because key 'end-user systems across the university, such as student records, HR, finance, etc. had all been implemented at different times using a variety of software and coding structures. The solution involved extending the use of COGNOS business intelligence software in both end-user systems and also common transaction processes, such as admissions and enrolments.

Lacey also emphasised the need for:

- developing integrity in the underlying data held in course systems,
- building a data warehouse and creating a common coding structure,
- producing and publishing reports,
- building performance management dashboards and
- creating key performance indicator reporting.

Finally, a satisfactory level of support was seen as essential, together with a sustained effort from a dedicated project sponsor and the project team.⁴⁸ Hale also noted the importance of using benchmarking and business intelligence, observing that the quality of available data on professional services operational costs is often not good.

Nonetheless, there remains considerable potential for wider use of benchmarking within the higher education sector. However, benchmarking would require a high level of collaboration between institutions as well as recognising the diversity of size, structures and organisational types.⁴⁹

3.2.2. Shared business services

Shared services within groups of companies or between related organisations in the commercial or public sectors have commonly been based around professional, discipline-based functions (e.g. HR, Finance, IT and Procurement). Interestingly, this still represents a relatively unexplored area for UK HE, although it might be one where quick wins could be achieved. Historically, business service functions in HEIs have perhaps had a greater aversion to collaboration than their counterparts in other sectors. For example, Pitcher reported the rejection of the British Government proposals to "force universities to share HR teams", citing a senior figure in a university HR related organisation as stating, "I cannot see how any such model would work."⁵⁰ The initial interpretation of government plans was perhaps somewhat simplistic due to the plans appearing to imply that one SSC might service the entire sector, which seems somewhat implausible. Human resource services are

nonetheless ripe for sharing, as the London Boroughs of Sutton and Merton found, even if HEIs have not yet gone down this road.⁵¹

Indeed, management consultants *Deloitte* provided a case study of an initiative established in Finland in 2008 (Certia), which was described as, "...a shared services organisation which provides services for nine universities in the areas of financial and personnel administration as well as expert services regarding the introduction and maintenance of modern information systems." The case study also noted the existence of service level agreements and the scope of the financial, HR and information systems services provided.⁵²

The *Efficiency Exchange* documents discussed numerous examples of successful business service implementation, including *HE Shared Legal*, which was described as:

*The new national shared legal service for the UK higher education sector (is) a pilot project borne out of a HEFCE and JISC Advance backed feasibility study conducted in 2010. Since the service was launched on 1 May 2012, it has gained eleven HE subscriber institutions, published more than 170 items of generic guidance and attended to over 85 individual legal enquiries.*⁵³

The prospect of collaboration in non-competitive areas, such as legal services, is perhaps less intimidating for HEIs than working together in integral areas of strategy formulation and enactment due to, for example, HR departmental managers competing for scarce talent in the labour market. *The Education Shared Information Security Service* (ESISS) is an example of no one institution being able to provide the overall service but it becoming possible through collaboration; this can then be extended to be "by the sector for the sector".⁵⁴ Another example is the *Innovation and Transfer Fund* (ITF) supported Academic Workload Project, which focuses on understanding the cost of academic staff input to different areas of activity.⁵⁵

A recurring theme in recent literature⁵⁶ and our own research findings is that while universities may be different in some ways to other private and public sector organisations, they are not unique. However, while multi-national companies have not been shy about offshoring some of their transactional business service processes, UK universities have hitherto not taken this step. However, *Middlesex University*, which operates a 60 seat business processing centre in India, is one known example of a university that has experimented with offshoring.⁵⁷ Further Education (FE) in the UK has also started to embrace shared business services, such as the *Wessex Federation Partnership*, which incorporates finance, payroll, procurement and HR as well as some more student related activities, such as student records, examinations and a management information system.⁵⁸

There are numerous examples of shared services in the United States' (US) university sector, where higher education institutions tend to be larger and more distributed. Hence, with modern data communications, there are often clear opportunities to aggregate a number of local support services into a central service centre. Moreover, individual schools in the US tend to exhibit greater degrees of constitutional and financial independence than their counterparts in the UK. US universities also have very different funding models, with a greater proportion of funds coming in through alumni and endowments. This encourages a strong focus on adopting more efficient ways of working. Some early leaders in the field, such as the Texas A & M University, published extensive plans for shared services as early

as 2009.⁵⁹ Kranz described how Yale University launched an SSC in 2010 for the HR functions from three of its departments. Subsequently, the new centre has gone on to manage business transactions for a number of other departments, including payroll, accounts payable and credit card reconciliation.⁶⁰

3.2.3. Academic support

From our research with a variety of business and public organisations, we have found that there is often no single cohesive form of service delivery within a particular organisation. Different divisions, say, in a global corporation, may have different models of operation, which ultimately makes service integration difficult. In the UK HE sector, these concerns are less prevalent as most institutions follow broadly the same model of operation in relation to teaching and other student facing activities and many already use common software. However, not everyone is convinced of the potential for cost savings in HEIs in non-academic areas. Grist suggested that:

*There are other efficiency savings that could be made, such as pooling administrative and other 'back office' functions, but the reduction in costs in such initiatives is likely to be small beer.*⁶¹

Nonetheless, we suggest that the benefits would be similar to the benefits enjoyed by public, business and commercial organisations that operate shared services in respect of their day-to-day operational activities. The SSC could realise economies of scale, develop process expertise and introduce a greater level of accountability for results, especially when well constituted service level agreements are utilised. Some sources have suggested that an 'easy' 25-30% initial reduction in costs is possible with the promise of progressive pressure on the SSC as it may be threatened by outsourcing to an even lower cost location.⁶²

We see no reason why functions such as programme administration, examination administration, registry and student records could not be handled by separate shared services operations, possibly located remotely from the physical campus. The SSC organisation could be independently constituted or jointly owned by a consortium of higher education partners. Organisations have often already adopted a single ERP platform from a list of standard offerings (with limited customisation) available to the sector. Hence, the days when (anecdotally) certain institutions might have had as many regulatory/reporting frameworks as there were in schools and faculties are mercifully long gone. Indeed, this is precisely the approach described above in relation to Nottingham Trent University, which is arguably more to do with effective centralisation than shared services *per se*.⁶³ Since so many institutions share similar student record systems and regulatory frameworks inevitably have great areas of commonality, we believe that there is a missed opportunity for cost saving. However, embracing it will require a cultural shift in institutional attitudes to trust and confidentiality, in part due to the inherently competitive nature of the sector and also because of concerns about data security. Our financial transactions, our personal data and much other information is entrusted to shared service organisations, so why should this not be the case for student records?

Indeed, good administration support could leverage more significant savings in academic areas. A response to austerity cuts has been to squeeze those overhead costs that are so

'fixed' in the shorter term, such as administrators, and shunt the burden on to frontline staff. Of course, there comes a point at which relatively expensive academics are doing administration/clerical tasks to the detriment of their mainstream activities. Placing support services into an SSC, either internally or externally, removes them from short term political interference whilst likely increasing scalability to volume fluctuations because the SSC can deskill many roles and thus maintain a flexible fringe.

3.2.4. Student-facing campus services

For student-facing shared services, the customer experience and problem resolution are hugely important at a time when students are very conscious of value for money and the quality of their experience/achievement. To keep processes simple and clear, application of the principle of 'one front door' is needed, with effective routing of enquiries and real problem resolution and the elimination of any culture of buck-passing. The first stage in development within an institution is to have a central student enquiry centre, which is a 'one-stop shop' for all student enquiries that do not require direct academic intervention. This approach can only really work where there is clear demarcation between academic and administrative roles and significant opportunity for more efficient use of staff time, where basic administrative tasks can be separated off from more intellectual and pastoral academic activities.

Numerous examples of good practice in this respect can be found both within the UK sector and overseas. One of the first truly shared services in higher education (in the sense that it is a shared organisation between two other institutions) is *Falmouth Exeter Plus*, often referred to as *FXPlus*. This jointly owned and operated SSC manages and/or delivers all shared services at the Penryn Campus on behalf of Falmouth University and University of Exeter, together with some services at the Falmouth Campus. The 'campus services' include student accommodation, sport and recreation, catering and hospitality services, conferencing and events, and management of the retail outlets. IT support and estates management are also the responsibility of the shared services operation. The range of other services offered is impressive, including (under academic services) library and information services, dyslexia support and academic skills. Finally, student support services offer counselling, learning support, a nursery and a chaplaincy.⁶⁴

Church described an 'insourcing' approach at a day nursery provision at the University of Essex. This involved establishing a separate company and moving staff over to new conditions of service, as had been the case at *FXPlus*. The exercise was an opportunity to achieve significant efficiency gains and remove the enterprise from a loss making position.⁶⁵ Although not strictly a shared service, this would have the potential to provide commercial services to other organisations, an aspiration that is often regarded as one of the main benchmarks of a successful SSC, especially in the public sector.

One of the challenges in any type of shared service operation is understanding and quantifying efficiency gains. *AMOSSHE*, the 'Student Services Organisation', ran a pilot project in 2011 with four institutions to identify the impact of and value added by student services and subsequently developed a performance measurement toolkit.⁶⁶ Similarly, in 2013, the *Universities and Colleges Information Systems Association* (UCISA) reported the three year development of the *UniDesk* service management shared service, using cloud-based common software across a number of Scottish HEIs.⁶⁷

3.2.5. Asset sharing

Asset sharing relates to situations where a number of universities have collaborated to create a highly technology facility which individually they could not necessarily afford; together they can both raise the necessary finance and justify the utilisation of what would otherwise be an unsustainable resource. One notable example of this is the *Manufacturing Technology Centre* developed by the M5 group of universities.

The M5 Universities, consisting of Birmingham, Leicester, Loughborough, Nottingham, Warwick and Aston, have formed a partnership to enhance the potential of collaborative research and to improve the sharing of equipment. The group is working closely to develop the necessary tools to facilitate effective equipment sharing long into the future in an attempt to increase efficiencies in the use of expensive equipment.

A new searchable online database is powered by Loughborough's Kit-Catalogue® system,⁶⁸ which was recently shortlisted for a Times Higher Education Award and the recipient of an 'S-Lab' Award in June. The system enables the ability to search through public equipment records from each M5 University and includes descriptions and specifications of the equipment, location and contact details for more information and to make bookings. A costing model has also been agreed.⁶⁹

Additionally, the N8 Research Partnership is leading on an Asset Sharing work stream,⁷⁰ which aims to:

... scope asset sharing activity in the higher education sector, and identify both challenges to and potential enablers of greater collaboration across the higher education sector. The project will also explore the potential for sharing equipment and facilities between research disciplines.⁷¹

The *Efficiency Exchange* also reported work by MacAlpine and Trowell in terms of measuring the impact of asset sharing in fields such as estates management and procurement and in the identification of under-utilised equipment.⁷²

3.2.6. Collaborative procurement

The broad area of procurement and collaborative sourcing was identified by the *Diamond Review* as providing a fruitful source of efficiency savings.⁷³ Arguably, this is the area where the UK HE sector has already achieved the greatest success through formal shared services and a range of *ad hoc* partnerships and collaborations. Initially, institutions have tended to lack confidence. Based on their research, Philips and Kapletia noted that, "At present, many HEI procurement functions lack the skills and confidence to do with large-scale sourcing activities."⁷⁴ In 2010, HEFCE provided funding for an e-procurement pilot scheme that arguably did much to advance the cause.⁷⁵ Further leadership in the field is provided by the Higher Education Procurement Academy (HEPA), which is, as the website states:

A sector-led project delivering the enhancement of expertise and capacity in UK university procurement. (It was) established in response to the challenge set out in

*the 2011 Diamond Report, and is supported and delivered collaboratively by BUFDG and the HE purchasing consortia.*⁷⁶

Also notable is the approach to 'procurement maturity assessments' developed by the *Southern Universities Procurement Consortium (SUPC)*,⁷⁷ and the *Efficiency Exchange* provides case examples of assessments carried out at a number of institutions, including Hertfordshire University,⁷⁸ the University of the Creative Arts⁷⁹ and the University of West London.⁸⁰

Whilst savings through the aggregation of buying needs has an intuitive appeal that is difficult to argue against, savings may not actually be achieved and the overall impact of consolidating purchase orders may ignore other factors that reduce the operational effectiveness for the end-user. The case for the establishment of the SSC to consolidate business support services for the seven research councils was essentially predicated on material savings in procurement; however, these were not achieved and were likely never achievable because existing collaborations were already in place. There was an element of misplaced optimism, as the following extract from a report by the National Audit Office⁸¹ makes clear:

The financial case for the chosen option relied heavily on making savings from better procurement for the Councils – some 85 per cent of the gross savings to be generated. These projections were inherently uncertain and did not take into account that some savings might have been delivered by existing joint procurement arrangements. The financial analysis should have prompted a re-evaluation of the available options but this did not happen. The Councils have to date claimed procurement savings of £35 million against the business case. Our review of a sample of high-value savings found that at least 35 per cent were not cash savings and therefore should not be counted against the project investment.

From research interviews carried out at the SSC of RCUK by Herbert between 2010 and 2014, it was clear that many managers felt that the procurement savings were largely unachievable because indicative percentage savings had been applied across the board. Some assets, such as arctic survey ships, whilst hugely expensive, were very much one-off purchases with no opportunity to buy in bulk! Furthermore, many high volume items, whilst appearing to be commodities, were in fact quite nuanced in terms of the specification and mode of packing or delivery. For example, it was put to the researchers that laboratory test tubes come in all sorts of types depending on the application. Test tubes required for remote field work need to be pre-packed to a higher specification than those used locally. Repacking created an invisible cost in terms of technicians' time and would be lost in departmental staff costs, whilst purchasing might be showing a saving.

The following table summarises the main advantages and disadvantages of a range of typical sourcing options in HE.

Table 2: Forms of collaboration and sharing

Form	Advantages	Disadvantages
Individual departments	Flexible; right goods at the right time.	Not cost efficient. Little power over suppliers in terms of price, quality or remedies for breach.
Departmental collaboration	Increases leverage.	Contract ownership might not be clear – increasing management co-ordination and monitoring.
Central function	Further increases leverage. Enforces standardisation. Transparency reduces opportunities for dysfunctional behaviour.	Reduces user flexibility and increases bureaucracy. KPIs likely only to focus on apparent cost savings and ignore overall cost/benefit of sourcing.
Cross-institutional sharing (ad hoc or small groups)	Further increases leverage. Benefits easy to allocate.	Higher co-ordination costs – mainly suitable for high value ad hoc items or limited range of high volume items.
Purchasing consortia Permanent large scale collaboration	Further increases leverage. Formalised modus operandi and pooled expertise.	Consortia is remote from institutional direction and control.
Shared services - internal	Has a mandate for cross-departmental standardisation of goods and operating protocols. Subject to review and control by management through agreed SLAs.	Eventually may come to look like a centralised function.
Shared services – multi-	As above but with less	Prioritisation of work

client	institutional control.	between clients.
Strategic sourcing	<p>Change the organisation to fit the optimal sourcing model.</p> <p>Holistic view sees procurement as an end-to-end process.</p> <p>Optimises overall costs against benefits.</p> <p>Longer term view over process improvements and changing user and supplier behaviours.</p>	Whilst intuitively appealing could be a woolly/faddish concept to enact.
End-user driven sourcing	<p>Users in control through an automated 'application'.</p> <p>Right goods, right time, within an overall supply framework.</p>	Needs sophisticated users operating in an empowered environment.

A final point about HE procurement is that although any saving of public money should be cherished, as a strategic priority for hard pressed academic managers savings are not likely to move the needle for institutional performance given the high proportion of staff and infrastructure costs for universities and colleges.

Due to the volume (and significance) of activity within this field, this section has been split into two to more appropriately address the nuances of different approaches.

3.2.7 Cost sharing groups and strategic sourcing

Changes to the VAT regulations in 2012⁸² have encouraged many more institutions to participate in cost sharing groups. Currently, the sector includes six major procurement consortia that have been working with HEIs in England for some years. The process of forming a cost sharing group is described by the *Efficiency Exchange* in relation to the *Kingston City Group* consortium as, "the first fully operational cost sharing group in the sector."⁸³ In Scotland, for example, *UUK* cited the case of *Advanced Procurement for Universities and Colleges* (APUC), described as "the procurement centre of expertise for all Scotland's universities and colleges."⁸⁴

A major issue for the now well-established regional purchasing consortia is the commitment of members and the risk of exit. Tomany noted the approach taken by the *North Western Universities Purchasing Consortium* (NWUPC)⁸⁵ of asking members to pre-commit to

contractual agreements, which then improved relationships with suppliers, who can be confident of their entering into a substantial transaction.

Philips and Kapletia⁸⁶ defined strategic sourcing as:

A fact-based and analytical process for optimising the supply base to ensure the achievement of the HEI's strategic objectives. This involves the appraisal of a full spectrum of internal and external business models and strategic choices as to how HEIs can best realise economic, efficiency and effectiveness benefits.

They also suggested that strategic sourcing decisions needed to be linked to the institutional mission including focused on aspects related to future challenges. Cost was emphasised as not being the only driver: qualitative benefits such as customer satisfaction were also important.

Some institutions have taken a 'strategic sourcing' approach at various levels, for example the universities of Roehampton and Surrey, which have adopted what has been described as an 'entry-level' approach to sharing professional services.⁸⁷ The *Efficiency Exchange* has also documented numerous cases, including a case study on London South Bank University's approach to creating a strategic procurement service, which delivered savings of over £7 million.⁸⁸

3.2.8. Shared academic delivery, campus sharing

Often referred to as 'shared campus collaborative arrangements', this is where individual institutions share a physical campus. This is a theme we believe offers significant potential for future development. In a sector fundamentally modelled on competition between organisations, sharing what is basically core business will represent a culture change for many and may be a step too far for some. Nonetheless, examples of good practice do exist. This list cannot be exhaustive, but it can provide some examples of well-documented instances at the time of writing.

Our first example can trace its origins back to 1998 and the acquisition of a site in Falmouth by the then Falmouth College of Arts. 'CUC Tremough University Campus' was finally opened on this site in the 2004/5 academic year, representing a partnership between Falmouth College of Arts and Exeter University. The organisation is also notable for the emergence of Tremough Campus Services, later Falmouth Exeter Plus (FXPlus), which was set up to run the campus services of the two stakeholder HEIs. Following the inauguration of Falmouth University in 2013, the campus was renamed 'Penryn Campus'. At present, the two main HEIs share the campus and offer between them a diverse range of programmes, including those at Exeter University's Centre for Ecology and Conservation and Camborne School of Mines as well as Falmouth University's photography and performing art departments.⁸⁹

Our second example, which is also from the UK, includes a near-unique arrangement (the joint validation of degrees between two UK universities) and was described by The Guardian (2013) as a "new kind of higher education institution". As such, it represents (in terms of the academic organisation of programmes) a further evolutionary step beyond the operation in Falmouth. With its main hub in Ipswich, UK, University Campus Suffolk, or UCS, accepted

its first students in September 2007. According to the Complete University Guide web page (2014):

UCS is a unique institution created in partnership with the Universities of East Anglia and Essex, who jointly validate UCS degrees. UCS is built around a Learning Network, with the main hub in Ipswich and centres across Suffolk.

Initial finance was principally from HEFCE and the East of England Development Agency. UCS comprises five schools: applied social sciences; arts and humanities; business; nursing and midwifery; and science, technology and health. The original rationale for establishing the campus was the lack of a higher education presence in the region. Clearly, joint validation and joint investment has an element of risk mitigation, and given the relative similarity of most university regulatory frameworks, we see no reason why joint validation should not become a more common model in the future.⁹⁰

3.3 Summary

Top management often take the view that sharing and consolidation should start with schools and departments ceding their support staff to a central SSC since if there are, say, ten schools all with their own support staff, there must be lots of duplication and inefficiency!

Of course, that is the model that our previous case study research has uncovered in large multi-divisional corporations. However, in the university context whilst some duplication might be avoided in terms of staff should this model be adopted, many institutions are now already running on one ERP system and ancillary proprietary specialist systems, such as human resources and student records. These may already exist within the ERP system if that is not solely restricted to handling financial matters.

There is also the issue of scale. A school with 10-20 administrators is not comparable to a division in a multi-national corporation typically with 1,000 support staff. Additionally, within the sector at the present time, there is perhaps little scope, or appetite for offshoring. Interrogation of the *Efficiency Exchange* resource base reveals that it is not uncommon for many of the activities that university departments or schools used to perform independently to have been centralised, for example learning support technology (on a central platform), careers, placements (increasingly), or examination invigilation. , etc.

What is left is either a function requiring a specific physical presence (e.g. reception staff) or business partnering to school management or the more personal level of student support such as study skills development, or programme-specific administrative teams who can bridge the gap between university-level administrative systems and the 'personal tutor' style of pastoral academic guidance). Institutions wishing to maximise estate efficiencies through more effective space utilisation find themselves under pressure to reduce the prevalence of with individual staff offices and even more generous professorial accommodation, but in reality there are few alternative uses or sub-let opportunities unless major remodelling takes place.

Alternatively, institutions might advance the SSC agenda in other areas, such as leveraging the expertise and technology inherent in developing and running high level systems between universities or perhaps with complementary public or private partners who are not perceived

as competitors. There may be a greater rationale, for example, in linking with a regional police force or other 'blue light' services, who by virtue of their control room expertise are hugely experienced in handling high call volumes or sensitive contact data, rather than, say, another university that is likely to have similar problems or may be pursuing the same prospective students and applicants. The same argument could of course apply to any commercial organisation with a customer-facing contact centre, which of course may or may not be located in the UK, and who could handle outsourced work of various sorts. Thus, once a student enquiry is regarded as a 'transaction', numerous possibilities emerge.

4. Going beyond traditional thinking: new conceptions of collaboration and sharing in higher education

4.1 Sharing, the future and UK HEIs

This section integrates perspectives on shared services and outsourcing in the UK HE sector with best practice observed in our non-university business and public sector case study organisations, supplemented by the wider academic and practitioner literature.

The discussion on shared services and outsourcing in the higher education sector has hitherto focused on functions such as student support, procurement, campus services and possibly some 'business' functions. What is not often discussed is the potential for taught academic programmes to be delivered by external agencies, although similar models are not uncommon when one considers the franchising of courses into further education or the operation of 'branch campuses' overseas. As Grist noted:

...handing over the majority of curriculum design and grading to an external institution (at least 70 per cent) will lead to efficiency savings whilst ensuring that a certain amount of synergy between research and teaching is retained at the majority of institutions.⁹¹

An example of this in the UK is the collaboration between Liverpool University and Laureate Online Education Inc. regarding the delivery of MBA programmes.

There are two relatively unexplored variants of models tackling external delivery of academic programs. In relation to the first model, as Lawton, Ahmed, Angula, Axel-Berg, Burrows and Katsomitros⁹² identified, the rise of Asia as a destination for overseas branch campuses means that more and more universities will establish a presence there and begin to realise the opportunities afforded by labour arbitrage in terms of student support and registry provision quite apart from their academic provision. This triggers the question: if there is support for programmes 'over there', why should this duplicate registry and support 'back home'? Middlesex University have been in this territory for some time.⁹³ Taking this a step further, why could distance learning not also be provided by an overseas workforce who are technically literate, Anglophone and significantly cheaper than lecturers in the UK?

Lawton et al. also noted a rise in high-level and often research intensive international partnerships. If research intensive institutions can get together within a region, such as in the case of the M5 group with respect to the Manufacturing Technology Centre, collaborations of the 'best of the best' globally could exert even more leverage in terms of accessing research funding. At that time, Lawton and his colleagues cited the example of the emerging *Monash-Warwick Alliance* and noted the then Warwick Vice-Chancellor's view that there could be as many as 50 "globally networked, research-heavy university systems in different parts of the world".⁹⁴ They also suggested that the profit motive of private entrepreneurs could be the driving force for international collaborations, while universities who lack brand-name recognition would struggle to engage due to limitations on what they were able to deliver. Joint branding of high-status degree programmes is also a relatively well established model, reflecting an opportunity to share the academic strengths of two or more institutions.

The second established model, which may provide a springboard for international collaborative development and resource sharing, involves multiple foreign institutions delivering offshore programmes through a single private sector host. For example, PSB Academy, Singapore⁹⁵ offers Bachelor and Masters programmes validated by three Australian and four UK universities from two campuses in Singapore. Students on the different (university validated) programmes use the same learning facilities and shared student administration. In addition, where teaching is shared between PSB and local faculty, many of the latter teach across a range of the UK university programmes. Clearly such arrangements produce new complexities, including the need for the host institution to ensure that it serves its stakeholders well and does not unduly favour one above another. There may be only slight differences, at least in headline terms, between taught programmes from different validating institutions, and local students need to be counselled appropriately so that they can make informed choices. These considerations are in addition to all of the usual concerns regarding offshore provision and managing international branch campuses, including the comparability of academic standards and the student experience to the 'home' programme, especially where external accreditations (such as AMBA, or professional bodies) are involved.⁹⁶

4.2 Shared services partnerships beyond higher education

Hitherto, discussion in this paper has focused on sharing arrangements within higher education or variants of this, such as higher and further education partners sharing. Future possibilities are not limited to this scope of operation. *Universities UK* cite the example of *The Hive*, which is described as "...a collaborative project between the University of Worcester and Worcestershire county council...", which aims to "...create a fully integrated university and public library."⁹⁷ The same source also cites Aberdeen Sports Village, which was developed by the University of Aberdeen, Aberdeen City Council and Sport Scotland in partnership.⁹⁸ Also, the conclusions of a *Leadership Foundation for Higher Education* report offer a pointer to the future:

*In time, perhaps, we shall have to reframe our notion of the University as a single autonomous entity. The permeability of its boundary through technology, the frequency of transfer of knowledge and ideas, the range and depth of relationships with others (organisations and individuals), will require a new conceptualisation of an HEI and new paradigms for how they are led and managed.*⁹⁹

5. Making it happen: change management aspects

5.1 Challenges

Effective change management is essential for SSCs as shared service implementation often involves major change in the organisation, with employees moving from one role to another and, in some cases, a reduction in headcount being required. Clark, Ferrel and Hopkins offered a cautionary note on this by reporting that:

By not paying sufficient attention to cultures, governance, history, and also to the diversity of processes within different parts of an organisation, the levels of risk for any shared services project grow rapidly. It is too easy to grab solutions from one sector and then seek to impose them in a different sector and then discover the flaws. Equally, there is significant risk when the facilitators of a major change programme have inadequate understanding of the sector. They fail to realise that the same words mean quite different things and different words mean the same thing. This failure to effectively communicate inevitably leads to major confusion and problems within a tight project schedule.¹⁰⁰

Those with experience of shared services in HE have many stories to tell of failed implementations or projects that did not meet their targets. For instance, Kranz described how the University of Michigan's plans to introduce shared services met a 'fire storm' of protest, which led to the project being stalled and dramatic reductions in projected annual savings.¹⁰¹ However, it need not actually be like this.

Whilst many of our most successful case study organisations identified their starting point as a vision of the future, this vision was intended to shape the journey not to be a rigid blueprint from day one. Shared service development can be seen as a changed journey that starts with 'low hanging fruit' and involves people change rather than an IT based 'grand design'. Shared services should develop in an evolutionary manner and be based on gradual, even reversible, if necessary, change over an extended timeline. From our case study research outside the HE sector, we have also found that many organisations find it difficult to move shared services beyond the transactional stage.

Another common theme has been a focus on shared services as externalisation, involving driving out costs, changing mind-sets and laying the foundations for future change. 'Unfreezing' represents a major part of the early activity. Working across organisational boundaries and breaking down silos is also a common aspiration at SSC implementation. Ultimately, single function shared services can be combined with other functional areas, and end-to-end processes can be identified, which blur the boundaries between professional groups.

Since 2012, the UK *Innovation and Transfer Fund* (ITF) have supported a number of projects that have been aimed at enhancing efficiency in the higher education sector. This has included valuable work on outsourcing, procurement and academic workload management.¹⁰²

5.2 The people factor

Our long-term programme of research with a wide range of private and public sector organisations explored numerous themes through case study research and a series of professional fora, where key influencers from the various organisations could meet and share ideas.¹⁰³ What was evident throughout this period was the fundamental importance of people-related issues, i.e. managing staff transitions, change management and effective leadership. From this, a number of key observations follow.

5.2.1 Operational issues – doing the job in the 21st century HEI

We suggest that a number of changes will impact on the day-to-day working experiences of various staff groups in UK HEIs. For example, numerous commentators¹⁰⁴ have noted that universities are unlikely to sustain the present large numbers of non-teaching staff. On the other hand, self-service systems for managers and employees do not necessarily remove cost from the organisation; they may simply ‘shunt’ it to another place with a bigger and more opaque budget. This is sometimes referred to as ‘squeezing the balloon’. Hence, efficiency in this case is an illusion because what is actually happening is that administrative costs are increasing. The work has shifted from HR or finance, but now relatively highly paid academics and managers are undertaking repetitive and transactional tasks such as data entry or scheduling that could be done more cost effectively (and quite probably more accurately) by administrators. We therefore suggest that the future will bring increased demarcation between high status or research-intensive universities that might hold a mature view of service as a strategic advantage and the newer teaching intensive universities. Both find themselves serving students increasingly aware of value for money, and with a new psychological contract based on raised expectations of return on their (or their parents) investment. As funding becomes tighter in the UK sector, both types of university will be forced to cut costs by stripping out layers of administration and shifting the work to other staff, potentially, but not exclusively, to academics.

The consequence for some academic staff may be a much wider adoption of self-service systems as the default *modus operandi*. This will have the greatest implication for individuals in teaching-orientated universities, where the span of control in academic management is likely to be wider and where the pressures to reduce overheads will be greatest. Increasingly, we foresee that more and more recruitment will be from across the globe to ensure that the best staff is employed and to combat ageing workforces in UK HEIs, as well as the growing reluctance of UK graduates to undertake PhD’s and embark on an academic career. Indeed, high-status HEIs with a global employer brand have done this for many years.

Technical Staff will not be immune to change either. According to Clark, Ferrell and Hopkins “There is a wide expectation that there will be substantial reduction in the number of IT staff supporting systems and services as a consequence of technological simplification and commoditisation.” They also noted that:

The ratio of high to low graded staff will be significantly modified by commoditisation and outsourcing, including shared services. Individual roles and responsibilities are increasingly going to become vital rather than the number of staff managed or

*overseen. Roles may be indirect relationship to management of a contract partner(s).*¹⁰⁵

5.2.2 HR, leadership and organisation design

So, how can the changes described be managed in such a way that organisations can continue to function while realising essential efficiency gains? Six years ago, Holbeche concluded that, “Talent management and building leadership capability appear to be key to sustaining high performance in the fast-changing landscape of higher education.”¹⁰⁶ Unsurprisingly, these conclusions are remarkably similar to some of the key concerns raised by our diverse range of case study organisations. First, because of the extent of change involved, the role of change champions and ‘inspirational’ opinion leaders becomes critical, especially in an intransigent culture, where there is a need for individuals who can lead with courage, clarity and commitment. Accountability is also important, with a clear line of relocation from the executive suite to the head of shared services, often referred to as ‘one throat to choke’! However, it is also worth noting that shared service development can often be ‘below the radar’; a common observation has been that the most effective shared service implementations are ones that have not especially been in the public eye, simply because success is not newsworthy.

We also suggest that organisational development needs to be seen as a key part of the restructuring process, including redefining jobs, job families and job levels.¹⁰⁷ This may represent a substantial displacement for individuals already employed in the ‘parent’ organisations as it is sometimes claimed that employees are subject to disadvantageous terms and conditions of employment on transfer to the new organisation. In the UK, Transfer of Undertakings (Protection of Employment) legislation (TUPE)¹⁰⁸ protects employee rights when their employment may potentially be transferred to a new employer during reorganisation. However, an emerging phenomenon in both public and private sectors is of workers sitting at the same desk but having a succession of different employers over the course of a few years. This does not bode well for motivation and commitment as each employer seeks to ‘install’ a new vision and cultural identity, only for the whole activity to be ‘traded on’ to the next employer. The recruitment of new people to the organisation is also important. Additionally, new hires will be required to have skill sets that are related to the overall management of processes rather than owing strict allegiance to traditional professional disciplines, such as finance, HR, IT, or procurement.

5.2.3 Career management

Opening up labour markets while at the same time promoting organisational transformation may have substantial implications for the individuals employed by HEIs, especially if offshoring is embraced at anything like the same level of enthusiasm as it has been by our other case study organisations. What we perceive as “the myth of the knowledge-based economy”¹⁰⁹ means that, with the force of the global internet, organisations in the UK and other developed countries have no divine right to sustainable employment based on knowledge work that can be undertaken anywhere in the world. In fact, this work can be embarked on in the cheapest place on Earth provided that there is the requisite

infrastructure and labour market capacity and that the workforce has the necessary linguistic and technological competencies. Actually, there are some recent emerging examples in 2014 of offshore transactional processing.¹¹⁰ Our question is: will this become a more common model?

As UK Universities find themselves a part of an increasingly globalised future, hitherto conjectured outcomes may become genuine concerns. As Barber et al. noted, “the ubiquity of knowledge and the close to zero cost of sharing it, create what Thomas L Friedman called the ‘flat world’, and the pace of innovation is accelerating.”¹¹¹ The offshoring of transactional work to leverage labour arbitrage opportunities has proved to be a common model in commercial terms, so why not for the university sector?

New organisational forms have produced new structures that may promote efficiency but could potentially impact upon career progression for individuals. With tasks being re-engineered, routinized and semi-automated, the management hierarchy is flattened because workflow allocation and monitoring can be undertaken remotely by computer. Whilst process-based working increases efficiency, talent management and staff retention can become an issue, especially in competitive labour markets. We have observed numerous examples of poaching of the talented and experienced staff being required to design and oversee the new routines, especially where there are clusters of SSCs.

We have also noted a tendency towards ‘hourglass’ shaped organisations, with a relatively large numbers of entry-level employees engaged in transactional processing, a cadre of professionals at the business partner level and a hollowing out of the organisational space in between, with a consequential impact on progression opportunities.¹¹² This can lead to talent management and retention problems at organisational level and restricted career opportunities for individuals.

A further impact on the professional space in organisations is the potential for de-professionalization. Business services can become their own specialism, with an emphasis on integrated process working rather than the separate professional functions. As a consequence, organisations may find that they no longer need the same numbers of professionally qualified people. One area of activity often perceived as the ‘Holy Grail’ of shared service operation is the ability to sell the business services to external and unrelated organisations that may not even be in the same sector. Again, this will require at least a modest mind shift for any institution. Take for instance branding and marketing the shared service organisation to internal and external customers; even though they are considered important, say, whenever SSC is competing with external bidders, they can still be a challenge and even unfamiliar territory, especially in a public sector organisation.

There may be further, positive outcomes from global collaboration reflecting the university’s role as a vehicle for policy development and ethical practice. Examples in this broad arena include the *Principles for Responsible Management (PRME)* initiative, set up in 2007 as a, “principle-based global engagement platform for academic institutions”¹¹³; and the *Council on Business and Society*¹¹⁴, which is a collaboration of six leading international business schools, again focusing on “developing socially responsible business practices”.

6. Conclusions and future directions

This report has considered some of the lessons learned from both our own case study research and the emerging literature on collaboration and shared services. From this we have suggested some possible future directions for the evolution of higher education shared services. HEIs in the UK have achieved significant efficiencies in recent years, and at the same time they are performing well domestically and internationally. They have achieved consistently high levels of student satisfaction; 85% of respondents to the 2012-2013 *NSS survey*¹¹⁵ were satisfied with their course. In respect of research activity, the UK had 13.8% of the top 1% of cited papers in the world in 2010, bettered only by the United States. Achieving efficiency and controlling costs is an important way to sustain this success. As we have observed above, *Universities UK* also noted that, "...shared services and outsourcing do not provide a magic bullet through which efficiency savings can be generated."¹¹⁶ Indeed, the sector continues to wrestle with the twin paradoxes of being both public and private sector as well as both competitive and collaborative.

The changes described have wide implications. Working practices that were traditionally associated with commercial and public sector operations management are being applied to university support activities, and while at the same time many of the familiar aspects of traditional professional working have changed, probably for ever. We suggest that there will be potential implications for HR policy in terms of managing new career patterns in HE support services along with staff development as the middle ranks are squeezed out through the polarisation of highly skilled systems experts at the strategic levels and routinized, process-based jobs in operational positions at the lower job grades.

We further suggest that higher education shared services offer a number of possibilities yet, at the same time, present a number of potential challenges to the sector. There are many examples of successful collaborations, but these are often in non-competitive areas, with notable examples including the cost sharing groups (e.g. ESISS), collaborative procurement arrangements, cloud-based IT services, shared procurement of on-shore services, admissions (for example UCAS) and the administration of research funding. The challenge for HEIs is to move beyond the areas that are often unique to the higher education sector, into the kind of shared service domain that is more familiar to private sector organisations. This offers the potential for further research and the development of best practice.

As some potential examples we ask:

- Given that some institutions are now exploring new collaborative organisational forms, such as joint validation, joint investment in 'high-road' research facilities and new international research networks, what new forms of collaborative working may emerge in the future?
- Could HEIs operate a shared service that deals with student records or other registry functions collaboratively, including grade processing? Or could they even outsource this activity?
- Could HEIs envisage a situation where such transactional activities could be dealt with by a commercial organisation entirely outside the education sector or even overseas? After all, financial institutions entrust transaction processing and customer

records to banks and various overseas agencies. Thus, should a student's grade not be regarded as simply a transaction treated in a similar manner? Will a cash-strapped HEI be the first to break ranks and seek to exploit labour arbitrage in a developing economy?

- If more HEIs move beyond initial resistance into the domain of shared services for finance, HR, Procurement and IT, as many commercial organisations have done, how will they deal with aspects of retention, talent management and career progression for the staff involved?
- What is the potential for offshore delivery of academic programmes by appropriately skilled and qualified academics based in lower labour cost economies?
- Could academic collaboration extend to further instances of shared validation and shared campuses, including those overseas, as HEIs seek to leverage both cost and brand advantages both at home and in emerging markets?
- Finally, having implemented shared services, can UK HEIs then 'move up the value chain' to expand the scope and influence of shared services as other commercial and public sector organisations have done?

We suggest that the HE sector in the UK already has plenty of strengths regarding shared services and collaborative working. Moreover, it has developed its own unique perspective on these modern organisational phenomena. We have no doubt that the future is global, collaborative and shared. There are numerous possibilities for embracing best practice from commercial and public sector organisations for the development of new models of working and for further technology based solutions. However, these will in turn bring about significant changes for a range of stakeholders in UK HEIs. We suggest that the typical university of 2050 is likely to look very different to its counterpart in 2015. Finally, we welcome comment and debate on our work and invite further research opportunities.

Glossary of terms/acronyms and commonly used titles

AMBA: Association of MBAs

BIS: The Department for Business, Innovation and Skills

BUFDG: British Universities' Finance Directors Group

Diamond Report: see Diamond (2011)

Feast Report: see Clark M., Ferrell G. and Hopkins P. (2011)

GW4: The GW4 Universities are Bath, Bristol, Cardiff and Exeter.

HEFCE: Higher Education Funding Council for England

HEI: Higher Education Institution

HESA: Higher Education Statistics Agency

JANET: The JANET network connects UK universities, FE colleges, research councils, specialist colleges and adult and community learning providers.

JISC: The Joint Information Systems Committee

M5: The six M5 universities are Aston, Birmingham, Leicester, Loughborough, Nottingham and Warwick.

N8: The N8 universities are Durham, Lancaster, Leeds, Liverpool, Manchester, Newcastle, Sheffield and York.

NSS: The UK's National Student Satisfaction Survey

SSC: Shared services centre

SSO: Shared services organisation

SE5: The SE5 universities are Cambridge, Imperial, Oxford, Southampton and UCL.

TUPE: The acronym for the Transfer of Undertakings (Protection of Employment) Regulations, 2006.

UUK: Universities UK

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