Within an increasingly globalized and competitive marketplace, the “Shared Services” model developed in order to minimize labor and overhead expenses within large and increasingly complex businesses; the ultimate purpose of “Shared Services” has been to maximize profitability.¹ Since 2010, *Yale Daily News* reports that at least 12 universities and over 350 global businesses have adopted the Shared Services model.² Why have an increasing number of universities, including our own, chosen to pursue this corporate model? The primary researchers of this white paper, Adam J. Tallman and David Villarreal, prepared this report to help all stakeholders, who value robust, democratic, and transparent governance at The University of Texas at Austin, become better informed about the range of Shared Services experiences among several peer and private research institutions nationwide. We attempt to lay out the range of concerns our own institution faces regarding Shared Services with the main desire that additional, informed community members will speak up so that together we may advance a more honest and forthright discussion about the impact that Shared Services will have on all the students, staff, and faculty of The University of Texas at Austin.

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To begin, we start by explaining what “Shared Services” actually means. We follow this up with a review of the Shared Services experience at other institutions of higher education. This report culminates with a more detailed examination of how UT’s Shared Services planning developed.

In preparing this report, we used a range of publicly available sources. Indeed, one of the principal criticisms of Shared Services implementation has been the often secretive and non-public nature that characterizes the entire process from the initial planning stages to implementation and further expansion.

Student-run campus newspapers typically provided an important source of fact checking for official University pronouncements about Shared Services, but we have also relied on corporate literature, meeting agendas, notes gathered from public forums, non-published and published research studies, dissertations, and, as much material as we could obtain in order to develop this report.

We are open to feedback and criticisms of our work, and if you happen to encounter material that would better inform this study, we would be happy to read it.

**What is Shared Services?**

For a range of historical reasons between 1980 and 1990, the average cost of educating a university student in the United States rose three percent annually. This uptick in administrative expenses that had been transferred to students eventually triggered public and legislative pressure to slow and eliminate drastic rises in year-to-year tuition charges. To manage rising costs, universities have implemented a range of strategies including “across the board reductions, hiring freezes and layoffs.” Beginning in the 1990s, some educational systems and major universities took more aggressive steps to implement systemic changes to rein in budgets. This is where Shared Services comes into play.

Shared Services represents the adoption of a corporate business model into the academic world of university life. A leading researcher on healthcare and technology, Bryan Bergeron, MD, has written *Essentials of Shared Services* that defines the term as follows:

> “Shared Services is a collaborative strategy in which a subset of existing business functions are concentrated into a new, semiautonomous business unit that has a management structure designed to promote efficiency, value generation, cost savings, and improved services for the internal customers of the parent corporation, like a business competing in the open market.”

Other definitions abound, but “the more common articulation of Shared Services is the consolidation of non-strategic, support functions into a single organizational structure which provides support services to core business units.” Corporate industries that utilize this strategy typically implement a Shared Service Center within their startup phase, that is, during the first two years.

The Shared Services Center operates like a business within a business. This creates a level of semi-autonomy within the center that operates with staff personnel, mid-level managers, and a director who runs the unit as if they were a CEO. Ideally, these conditions help the center to operate like a private corporation that must compete on the open market for business to remain successful. The staff workers provide services that multiple units throughout the University might require: informational technology support, student services, human resource operations, etc.

Supporters of Shared Services see a fundamental need and inevitability to its adoption.

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5 [http://bryanbergeron.com/about.html](http://bryanbergeron.com/about.html)


7 Dove, “The Shared Service Center,” 34-35.

Rowan Miranda, formerly the lead executive tasked with implementing Shared Services at the University of Michigan, said, “It’s the next logical influx of thinking in the business world brought into higher education.” After the Yale Faculty Council reacted against Shared Services in February 2012, Vice President for Finance and Business Shauna King explained that she remained “convinced” in the appropriateness of the model working for Yale. At the University of Texas at Austin, Vice President and Chief Financial Officer Kevin Hegarty said “the campus cannot afford to staff under the current model, [in which] everybody has a customized service,” as a driving motivation for implementing Shared Services now.

**Corporatizing the University: UT as ZipCar**

At a private, invitation-only annual summit titled “Public Sector and Education Shared Services Summit: Pathways to Transformation” the organizing center known as Leadership for a Networked World (LNW) of Harvard University’s Kennedy School of Government routinely brings in private businesses along with public and educational institutions to learn about the Shared Services model; in fact, a representative of UT System spoke at the conference in 2012. The same year, conference organizers invited ZipCar Vice President of Operations and Service Quality Dan Curtin to describe the “Win-Win-Win” situation that his business model had developed for customers and ZipCar. For Curtin, ZipCar represents the quintessential model of the “Sharing Economy” driven by a new generation of consumers who value “experiences over assets.”

However, an important question needs to be answered: at what level, if any, should universities adopt corporate and business models to remedy our own internal concerns? Further, what are the consequences and limits of thinking about UT administrative support personnel as interchangeable industrial components, as ZipCars, if you will?

To many supporters of Shared Services, the fundamental ideas driving the business model appear highly beneficial and well needed, but as most University researchers know, theory does not always work in practice. Thus the ideal implementation of Shared Services hardly ever manifests as successfully and cleanly as originally envisioned.

The following section of this white paper shows how the Shared Service model operates at several of our peer public and private research institutions. By adopting this model, many schools and universities have encountered controversy, faced the complaints of uninformed constituencies, and often have been forced to recalibrate plans.

**How Does Shared Services Really Work?**

Several universities have undergone Shared Service implementation or services quite similar in purpose and function. Currently, the University of California Berkeley, the University of Michigan at Ann Arbor, and Yale University represent three campuses similar in research profile or size to The University of Texas at Austin. The Vice President and Chief Financial Officer for UT Mr. Kevin Hegarty has, in fact, pointed to the University of Michigan as the most appropriate example for comparison. Even still, each campus possesses

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Peer Institutions: Shared Services at a Glance

Please note: Actual savings have not occurred; they have only been revised downward.

<table>
<thead>
<tr>
<th>University</th>
<th>Project Name</th>
<th>Total Project Costs</th>
<th>Original Projected Savings</th>
<th>Revised Estimation of Savings</th>
<th>Firm Recommending SS</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of California Berkeley</td>
<td>Operational Excellence Initiative</td>
<td>$75 million/year</td>
<td>$14 million/year</td>
<td>Bain &amp; Company</td>
<td></td>
</tr>
<tr>
<td>University of Michigan at Ann Arbor</td>
<td>Administrative Services Transformation</td>
<td>$17 million/year</td>
<td>$2-3 million/early years; $5-6 million/later years</td>
<td>Accenture</td>
<td></td>
</tr>
<tr>
<td>Indiana University Bloomington</td>
<td>Shared Services Initiative</td>
<td>$11.7 million/year</td>
<td>Unclear</td>
<td>N/A (IU)</td>
<td></td>
</tr>
<tr>
<td>University of Texas at Austin</td>
<td>Shared Services</td>
<td>$30-$40 million/year</td>
<td>Unclear</td>
<td>Accenture</td>
<td></td>
</tr>
</tbody>
</table>

Sources: The information above comes from a range of sources publicly available online. Typically, campus newspaper reporting has provided the most relevant and up-to-date data including information about cost overruns and over-projected savings.

unique constituencies that make clear-cut comparative analysis difficult to achieve. Instead, this white paper looks for patterns that emerge among several institutions to recognize critical areas for additional investigation and greater oversight.

**Point 1: Accenture Looms Large as For-Profit Business**

With a workforce of over 280,000 employees, Accenture provides corporate services in the area of “management consulting, technology, and outsourcing services” in 56 countries and 200 cities
This multi-billion dollar corporation works with Harvard’s LNW Center to coordinate the annual public policy and education summit that brings potential shared service customers into conversation with Accenture executives and other businesses adopting the model.

In many ways, Accenture has been the industry leader in implementing Shared Services at such universities like our own, the University of Michigan at Ann Arbor, and Indiana University Bloomington. Combined these three schools have paid Accenture millions of dollar demonstrating the significant profitability potential and vested interest the firm has in implementing Shared Services as widely as possible.

At institutions like Michigan and Texas, public protest resulted after valid concerns about conflict of interests have arisen. In some instances, the very institutional employees who support and vouch for the Shared Services model were then current or former employees of Accenture. In Austin, President Powers selected two Accenture men to serve on the 13-member Committee on Business Productivity that was charged with charting a healthy financial course forward. The committee’s chairman Stephen J. Rohleder manages Accenture’s “Health & Public Services operating group.” Until Feb. 6, 2014, three members of the UT committee overseeing Shared Services built their careers around the company. This only changed following public criticism including the Faculty Council resolution.

Faculty members have also highlighted the very public failures of Accenture in recent years. Lecturer Anne Lewis of the Department of Radio-Television-Film said “The specifics of Accenture are very troubling – because they are very big, and have a very high failure rate.” History Professor Alberto Martinez published a column in the Daily Texan questioning the University’s association with Accenture. Martinez pointed to the 2006 public denunciation of Accenture by the Texas Comptroller for its massive failure in running the state’s Children Health Insurance Program at a cost of $99.9 million dollars. Accenture’s mistakes allegedly cost families food stamp support and led to the early termination of health insurance coverage for nearly 82,000 children.¹⁹

We Disagree

“Whether conceived of as an ‘operations czar,’ ‘a project manager,’ or something more traditional... someone must be appointed to drive these recommendations forward, and that person must be directly accountable to the president and have sufficient power — the proverbial 10,000 votes — to resolve conflict and overcome institutional inertia.” Steve Rohleder, Chair of Committee for Business Productivity

We Believe

that at all times, the interests of students, staff, and faculty must also be equally represented within academic culture, and specifically, our University governance.

Point 2: Over-projected Savings, Under-projected Costs

Nearly every university investigated ran into criticisms from their constituencies when projected savings were consistently revised downward. In some cases, the revised savings pale in comparison to the originally stated amounts. In theory, the costs of Shared Services are to be paid by future projected savings, and several institutions have eagerly moved toward its implementation with a promise that those fees would be covered relatively soon. In reality, however, the projected savings have been continuously revised to reflect additional data and actual results from the implementation of Shared Services. In most cases, this means that the cost of Shared Services implementation will not be recovered until much further down the line and after additional outlays of financial resources to ensure its successful implementation.

¹⁶ [http://www.utexas.edu/news/2012/04/10/organization/administration/university-efficiency](http://www.utexas.edu/news/2012/04/10/organization/administration/university-efficiency)
¹⁷ Alberto Martinez, “UT’s relationship with Accenture should raise questions.”
¹⁹ Alberto Martinez, “UT’s relationship with Accenture should raise questions.”
**Point 3: Unhappy Faculty: Unintended Consequences to Campus Labor & Research Productivity**

At Berkeley, Michigan, and Yale, significant segments of the University’s community have signaled their distrust and disapproval to the implementation of Shared Services on campus. In many cases, the Faculty Councils including those at Michigan, Yale, and UT Austin have expressly requested greater transparency, additional information, and more involvement within the Shared Services decision-making process.  

To date, 1,169 faculty members at Michigan have signed onto a petition calling for the termination of their Shared Services plan in favor of a unit-focused model: “We believe that the AST approach is inherently flawed because its focus is on reducing administrative costs without taking into account the concurrent reduction in faculty and staff productivity, collaborative academic culture, and the unique needs of heterogeneous academic units.” In particular, the UM faculty estimate that Shared Services will erode research to the tune of $65 million each year.  

The UM faculty also protest these additional consequences of Shared Services:

1) Reduction in faculty productivity by 10-20%.
2) Less faculty access to students and diminished quality of teaching for undergraduate students and supervision for grad students.
3) Loss of research funding to the tune of several tens of millions of dollars.
4) Increased frustration and consternation by the faculty because a significant fraction of their effort is diverted into secretarial-like tasks.
5) No cost savings; on the contrary, a great deal of loss in revenue.
6) Dehumanization of some 300 staff members.”

The open letter sent to the UM president and provost emphasizes a consistent concern among universities, namely a breakdown within the faculty-staff working relationship that subsequently hurts research and faculty productivity levels. This last concern should cause alarm at Texas, where President Bill Powers has worked to strengthen our national profile as a tier-one research institution even while some politicians criticize the research emphasis of our faculty.

The implementation of Shared Services at the University of Michigan was so controversial that the leader of the project and CFO, Rowan Miranda, had to step down as the leader of the Shared Services initiative. A month later, the Michigan Daily reports that Miranda left his job at the University of Michigan.

In Feb. 2012, the Yale College faculty swelled their regular council meeting after the topic of Shared Services was put on the agenda for discussion. More than 200 faculty arrived to the meeting to protest problems associated with its implementation. Benjamin Foster of the Department of Near Eastern Languages and Civilizations explained that “[Shared Services] was supposed to be streamlining and simplifying our lives,” but instead “Everything takes about two times as long. We resent the down-skilling of departmental administrative personnel… We don’t see how that can be more efficient or cheaper.”

Based on anecdotal evidence gathered by campus newspapers, additional concerns abound including the following:

1.) The removal of staff from departments leaves those remaining with an increased workload that creates challenges for developing and instituting additional departmental initiatives;
2.) A reduction in departmental autonomy and self-sufficiency;

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22 [http://um-openletter.eecs.umich.edu/](http://um-openletter.eecs.umich.edu/)

23 [http://um-openletter.eecs.umich.edu/](http://um-openletter.eecs.umich.edu/)  

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3.) Particularly unsuited for language departments;\textsuperscript{27}
4.) High turnover of Shared Services personnel that results in inconsistent faculty support;
5.) Particularly challenging for departments that already operate off limited staff support.\textsuperscript{28}
6.) Increased privatization of campus personnel including childcare centers.\textsuperscript{29}

\textsuperscript{27} Gideon and Woodford, “Shared Services Under Fire.”
\textsuperscript{28} Adrian Rodrigues, “Shared Services Remains Controversial.”
\textsuperscript{29} Megan Messerly, “Private provider to manage university care program,” \textit{The Daily Californian}, Nov. 1, 2012.
Back to UT: From Smarter Systems to Shared Services-ERP

The recent idea to implement a Shared Services model at UT Austin seems to have been introduced by Stephen Rohleder in an op-ed piece for the Statesman in 2011. Soon thereafter, Rohleder was appointed chair of the Committee on Business Productivity (henceforth CBP), which President Powers tasked with providing recommendations to increase revenue at UT through a more efficient use of its assets. This culminated in a report released in Jan. 2013 titled "Smarter Systems for a Greater UT."

That Report further divides into three subcommittees: Asset Utilization, Technology Commercialization, and Administrative Services Transformation. It is the latter subcommittee, headed by Accenture COO Stephen James that recommends a Shared Services model that consolidates "Finance and Procurement, Human Resources, and Information Technology" for UT. The report also suggests technological upgrades in order to “automate work”. The report’s most important conclusion is that if the recommendations are adopted there will be savings ranging between $150-200 million, but oddly it does not specify when.

The CBP report explains that its recommendation is based on solid research. As the report explained,

“The sub-committee gathered and analyzed a significant amount of data collaboratively with 27 different units within the University. This [sic] data strongly suggests [sic] that the recommendations are achievable based on the workforce distribution, the similarity of work functions, and the level of effort currently expended by individuals in each unit.”

Accenture was paid over $1 million in order to help the CBP gather these data. In order to understand the committee’s recommendation, one must first know how the subcommittee determined which work functions were considered redundant so that the Shared Services model would be, in fact, feasible for the Texas campus.

However, this information remains inaccessible to university stakeholders. The campus community and its shared governance structures (e.g. Faculty Council, Staff Council, Graduate Student Assembly) would be well suited to assess this analysis since our performances often rely on these “work functions.” However, the Accenture-controlled research that our University paid over a million dollars to obtain is still undisclosed despite multiple Open Record and FOIA requests.

This corporate-style reticence creates skepticism regarding whether Accenture and the CBP subcommittee adequately took into account the specificity of departmental needs in determining which “work functions” were categorized as redundant. Following the Faculty Council request for transparency, the administration has now moved to act: “The university has requested certain information from Accenture referred to as a deliverable in the SOW and provided to the CBP.”

32 Ibid, 19.
33 Shortly, after the Faculty Council resolution on Shared Services, Jan. 26, 2014, data on the compensation and role of Accenture was partially released: “The deliverables to be completed under the SOW were to be delivered to the CBP, not the university. The university was to receive the final report of the CBP. Accenture was engaged because the university did not have the shared services expertise necessary nor the adequate permanent staffing to support the CBP. The initial cost of the work was estimated to be $995,352. After subject amendments to the contract for additional work the final cost paid to Accenture was $1,083,060.” http://www.utexas.edu/transforming-ut/committees/administrative-services/shared-services-committee/faculty-resolution-01-27-2014/7
34 Ibid
Note to Reader: On Monday, Feb. 17, 2014, Mr. Hegarty released the final report of the CBP as well as supporting data. While we would have appreciated this material sooner, we are happy that Mr. Hegarty has released this material in accordance with the Faculty Council resolution on Shared Services. Additionally, we view this release of information as the result of effective University governance (i.e. Faculty Council resolution) doing its job and furthers our justification for a Graduate Student Assembly resolution calling for the inclusion of graduate students into the continued planning process.

Announcing the UT Shared Services Plan

UT released the "Shared Services Plan (Draft for Campus Discussion)" in Oct. of 2013. This draft contains cost estimates of implementation and projected savings to be realized by downsizing the Austin campus workforce. One dramatic difference between UT Austin and other higher education institutions that are implementing Shared Services is the implementation cost. In the same Oct. report, the UT cost estimates were reported to range between $160-180 million dollars. These costs were not then itemized but were, in fact, later broken down within the minutes for the UT System Board of Regents December meeting.

ERP Conversion Total: $44,000,000
Operating, Subscription, Licensing, Maintenance: $30,000,000
Labor and Technology: $13,900,000
Total: $43,900,000
**ERP Total: $87,900,000**
Shared Services: $54,100,000
Project Contingency: $11,000,000
**Estimated Total Cost: $153,000,000**

One of the largest costs is the Enterprise Resource Planning (ERP) implementation. Since this is a complex topic in its own right, ERP is explained below.

What is Enterprise Resource Planning (ERP)?

We need to understand ERPs because The University of Texas at Austin has chosen to link the purchase and implementation of an ERP (Workday at UT) with the successful roll out of a Shared Service model.

ERPs are an outgrowth of business *material requirement planning/manufacturing resource planning* (MRP) that came into use within the manufacturing industry during in the 1960s. ERPs were created to solve and automate complex computational tasks involved in production (e.g. the quantities and types of materials necessary to meet a production program). Event business information systems expanded; these more general systems were called Enterprise Resource Planning systems:

“ERP systems are cross industry systems supporting all major business processes...[that include] MRP II functionality... and general business functionality such as accounting, controlling, financial planning, and human resources...”

At the turn on the century, ERPs began replacing custom-built legacy systems at institutions of higher education. Academic studies on ERP adoption at Universities have focused largely on implementation problems and associated cost-escalation.

A University can rely on either an external ERP vendor (Oracle, Workday) or build a custom in-house system. In-house systems seem to have been scarcely studied. One study made reference to a University in Australia, with over 40,000 students, developing its own in-house ERP in order to avoid consulting costs, but a study comparing the costs of an in-house solution and external vendors is not

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37 Ibid, 2.
available. A major reason in-house ERPs are not adopted appears to be the amount of time required to build them (up to 7 years).

There are a number of costs associated with ERP implementation, for example, maintenance and licensing fees, consulting fees, and many others. Customizations, which refer to modifications made from “off-the-shelf” ERPs in order to meet some specific institutional need, are the primary reasons projects go over time and budget.

The need and cost of customizations are a recurring theme in the literature on ERP adoption within higher education institutions that possess different internal structures than what ERPs were originally designed to manage. One example of such a customization comes from the implementation of an ERP at Cornell University. Peoplesoft’s student record system was unable to report median grades for each course on a student’s transcripts; thus, the ordered customization required to accomplish this task cost Cornell $25,000.

Much of the academic literature on ERP adoption at universities emphasizes that many more customizations are necessary than are predicted during the pre-implementation phase. One dissertation on the topic attributed this to the decentralized or federated organizational structures typically found in universities.

There is no inherent link between an ERP and a given business model in the abstract (such as Shared Services). A given institution’s rules must be programmed into an ERP system, however, which implies a detailed understanding of the organizational structure of that institution. If a business or University undergoes organizational restructuring after ERP implementation, more upgrades to the ERP will have to be paid to complete.

For the University of Texas, this is one of the primary justifications made for implementing Shared Services and Workday simultaneously (the ERP chosen by UT). If Workday is implemented first, then upgrades will have to be made later when Shared Services is implemented. This argument follows if one considers the implementation of Shared Services to be inevitable.

UT’s Overstated Profit Projections

Accompanying the Shared Services Plan were town hall meetings, in which Mr. Hegarty discussed the plan in order to obtain campus feedback on whether the plan should be implemented, and subsequently, UT released the “Shared Services Plan (Draft for Campus Discussion)” in October of 2013.

This draft contains estimates for the costs of Shared Services implementation as well as projections of savings to be made through the downsizing of the Austin campus workforce. Regarding the labor reduction, the report states that the “Total number of reduced positions ≈ 500 (≈4% of the total administrative workforce of ≈ 12,000 or ≈11% of the total administrative workforce of the HR, Finance, Procurement and IT workforce of ≈ 4,500) over 4 years.”

The Shared Services Plan includes significant investment in the enterprise resource planning (ERP) software Workday (more on this later). The savings from downsizing through Shared Services are calculated to range between $280-320 million over 10 years ($30-40 million annually) with a $160-180 million overall benefit. However, the investment costs are not itemized (e.g. cost of change managers, programmers, ERP software, etc.). Fortunately, the projected costs do include the astounding fees associated with UT’s ERP.

42 A detailed review can be found in Babey, Evelyn. 2006. “Costs of Enterprise Resource Planning- and Then some”. In Hossler, ed.

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Shared Services Plan: Cash-low Graphs (October 2013 report); $100 million versus $180 million Implementation Cost

The shared services and ERP implementation is expected to payback in Year 6 and accrue net benefits of $120M – $140M by Year 10.

Cash Flow

$130.4
$120
$110
$100
$90
$80
$70
$60
$50
$40
$30
$20
$10
$0
($23.9)
($56.7)
($64.3)
($16.8)
$478.8
$33.8
$74.9
$136.0

FY 13-14
FY 14-15
FY 15-16
FY 16-17
FY 17-18
FY 18-19
FY 19-20
FY 20-21
FY 21-22
FY 22-23

Year 1
Year 2
Year 3
Year 4
Year 5
Year 6
Year 7
Year 8
Year 9
Year 10

Investment
Savings
Cumulative Net Cashflow

The same graph, but without assuming that 433 jobs are suddenly gone by Dec. 2014; showing instead that 100 employees per year (for 5 years) quit who are not replaced.

Cash Flow

$130.4
$120
$110
$100
$90
$80
$70
$60
$50
$40
$30
$20
$10
$0
($23.9)
($64.3)
($56.7)
($16.8)
$478.8
$33.8
$74.9
$136.0

FY 13-14
FY 14-15
FY 15-16
FY 16-17
FY 17-18
FY 18-19
FY 19-20
FY 20-21
FY 21-22
FY 22-23

Year 1
Year 2
Year 3
Year 4
Year 5
Year 6
Year 7
Year 8
Year 9
Year 10

Investment
Savings
Cumulative Net Cashflow

Major Problem:
these green bars equal $180 million, that is, the total cost of the ERP and Shared Services. It will be paid after 10 years, not 6.

each tall green bar is $30 million annual from having cut 500 jobs total

this green bar is $6 million from cutting roughly 100 jobs by December 2014

this green bar is $12 million from cutting 200 jobs by Dec. 2015

More orange bars have been added, to match the statement in the Plan, that the investment is $160-$180 million.
Additional requests for an itemized breakdown of all costs have been repeatedly denied. 

Most importantly, the profits from the Shared Services Plan are erroneous or overstated.

First, the Shared Services Plan assumes that 433 jobs (the equivalent of $26 million) will be cut by December of 2014. According to the plan "Attrition is expected to account for a significant percentage of the reductions," which implies that some other percentage will be laid off.

The plan claims that there will be a payback from the ERP implementation at Year 6. However, this calculation is based on the assumption of a $100 million investment. The difference between the Shared Services Plan’s profit projections and the profit projections using the actual investment costs are included in the accompanying graphs on page 11. If we use the high end of the cost estimation at $180 million and we take a more realistic view that 100 jobs per year will be cut for a total of five years, then, there will be no financial payback until 10 years after the beginning of the plan.48

UT’s Brief Campus Dialogue Phase

Throughout the campus dialogue phase, Mr. Hegarty presented the implementation of Shared Services as inevitable. He equated Shared Services with some sort of positive “change” in general without any real qualification. This is particularly evident in an op-ed piece he wrote for the Daily Texan:

“I will remind those who are working against us that doing nothing is a recipe for the decline of the University and will lead to others outside the University imposing actions upon us.”

Which “outsiders” will impose Shared Services is not made clear. The comment, however, suggests that Shared Services is a foregone conclusion. This seems even more likely when one considers the fact that, before campus meetings even started, Mr. Hegarty appeared in a promotional video for a Shared Services summit sponsored by Accenture (June 2013) discussing the UT Austin plan with a level of finality that suggests the decision to implement Shared Services had already been made.49

Remaining Concerns about Accenture, et al.

When it comes to Accenture, perceived conflicts of interest abound. Here’s the rundown: As reported, an Accenture COO chaired the subcommittee that drew up UT’s Shared Services recommendation. Accenture was paid to gather the research on which this recommendation was based; further, there are three Accenture consultants on the Shared Services project team (Tim Mould, Ryan Oakes, Jamie Wills) including one ex-Accenture executive, Brad Englert, who serves as the University’s Chief Information Officer.50 Recently released data on compensation to Accenture reveals the company has received $4.1 million in fees for only the initial planning stages of work.

Additionally, the ERP Workday was chosen in the summer of last year even as Accenture conspicuously claims to be one of Workday’s most important deployment providers. There were no townhall meetings for the Workday ERP but the $30 million purchase was recently approved by the Regents last December.51 During this whole process, Accenture twice received consulting contracts without following a competitive bidding process.

Virtually every study on ERP implementation at universities emphasizes the problem of cost-overrun and the need for accurate budgeting, but UT’s cash-flow analysis seems to have greatly underrepresented costs, even those based on its own initial estimates. This is particularly surprising given the amount of money that was spent on professional consulting fees.

Both Shared Services and the implementation of the ERP ultimately create an institutional dependency on external consultants. Research on ERPs emphasizes that such a relationship can be a

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48 Alberto Martinez, “Should we centralize staff at UT?” Presentation before the UT Graduate Student Assembly, December 13, 2013.


50 http://www.utexas.edu/transfoming-ut/committees/administrative-services/shared-services-committee

serious risk. Kubel, citing a case study, describes the problem as follows:

“…the company becomes dependent upon the external consultants, who do not necessarily have the same goals as the company. Wu and Cao quote an information manager who stated that consultants are primarily interested in finishing an implementation project as quickly as possible. The company, however, is interested in obtaining the best possible solution. Because the consultants only present the option they decided upon, the company is often not aware of other possible alternatives.”

We find this worrisome given the overly intimate relationship that some UT administrators have with Accenture. This relationship suggests that UT’s lack of skepticism about the role of external consultants might not align with our university’s needs. This problem becomes accentuated when one considers the apparent lack of accurate profit projections, the fact that Accenture won UT contracts without competitive bidding, and that repeated comments by the University’s chief financial officer who suggests that Shared Services is the only option.

Based on our literature review we suggest that, given the relationship with Accenture, the latter view may be the result of over confidence on the part of external consultants, which should be a cause for serious scrutiny. Greater transparency and consultation with the Shared Governance structures of UT Austin should partially ameliorate this problem.

Given that ERP implementation and Shared Services are both complex issues, we also believe debates about them should be separated rather than packaged as one deal.

Summary and Conclusion

The following report has assessed the success of Shared Services at peer institutions as well as provided a brief overview of Shared Services and enterprise resource planning within institutions of higher education in order to contextualize and help inform debate concerning the implementation of Shared

52 “UT should have more carefully vetted Accenture in Shared Services deal”,

1.) The benefits of Shared Services, to the extent that anything is known, seem to have been exaggerated at peer institutions and our own.
2.) ERP costs at institutions of higher education are typically much higher than initially estimated.
3.) The initial profit projections from the Oct. Shared Services Plan are erroneous and misleading.
4.) Reliance on outside consultants is costly and presents the risk of excluding other alternative options.

We strongly believe that these concerns are reasonable based on the information available to us. The Committee on Business Productivity did not contain a single academic or professional employee of the University. The data from which their recommendation was based have only been recently released despite requests dating back more than a year ago. More than half of the Shared Services project team was comprised of Accenture consultants, and the team poorly represented the diversity of our campus as a whole. The involvement of Accenture, whatever one may think of the firm, was made without consideration of our school’s shared governance structures. Additional questions that we believe should inform discussion on this topic are as follows.

1.) Given UT central administrations intimate relationship with Accenture, to what extent was the purchase of Workday an autonomous decision in the best interest of the campus? Did Accenture consultants, and ex-Accenture COOs convince UT central admin to buy the software?
2.) Why are the profit projections so grossly over stated in the October Shared Services draft?
3.) How will efficiency gains actually be measured during the piloting of Shared Services? Given that efficiency implies improving some service in relation to savings, and the University performs a lot
of functions, can Shared Services improve efficiency for some tasks and not others?

4.) To what extent will this effect departmental autonomy? Will some departments be adversely affected and others not?

Details of the implementation of the plan have only become recently available following a UT Faculty Council resolution, and still, many questions need to be answered concerning the role of professional consultants and the degree to which major University decisions should be made outside a deliberative and democratic process.

We believe that an increase in transparency about the project and the inclusion of a larger diversity of perspectives into the Shared Services project team is one step towards addressing our concerns. For instance, we remain troubled that the public meetings on Shared Services failed to consider any serious alternative to the plan. In fact, comments by the CFO suggest that there are no other solutions to UT’s problems.

Mr. Hegarty told the Daily Texan “‘To me, in my mind, Shared Services is not a matter of if, it’s a matter of when’.” In contrast, Mr. Hegarty explained at the first town hall meeting on October 30, 2013, in response to a question concerning faculty feedback:

“I would say that most people whether you’re faculty, students or staff and me, have a healthy dose of skepticism. Until I actually see what is the plan and one can answer the question how does it affect me and my portfolio or in this case, the University, I think we ought to have a healthy dose of skepticism. Because all we have right now is data that suggest this could be really beneficial for the campus...in terms of accomplishing those three things... But we won't know until we actually, on a controlled basis, on a pilot basis, get into it, and begin to prove or disprove the model. And I do think we have to accept that sometimes your hypothesis is not correct. So we need to have the courage to say; gee for whatever specific reasons is not going to do what we think it’s going to do. Let’s stop, we were wrong, let’s go another direction. And I do think that that exists, I have seen it relative to my boss Bill Powers, that he has the courage to make a tough decision whether its thumbs up or thumbs down.”

We agree with the latter quote from Mr. Hegarty rather than the former. We share Mr. Hegarty’s skepticism and applaud the rational and open-minded approach that the CFO seems to adopt in the latter quote as opposed to the former. It should go without saying that as the Shared Services model moves into its pilot stage, a clear idea of what it would mean to “falsify the hypothesis” must be articulated, with an open discussion of alternatives.

*We hope that members of the Graduate Student Assembly, along with associated faculty and staff, can contribute to this discussion in earnest.*

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53 “Faculty council requests more information about shared services”, Daily Texan February 1st 2014.

54 59:11 Shared Services Town Hall Q&A, October 30th 2013.

http://mediasite.aces.utexas.edu/UTMediasite/Play/b906091f708f416db977c79d79e4957d1d