State University of New York at Canton and Potsdam

Merge or Share Services

Advanced Series in Management – Shared Services

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Introduction

In August 2011, State University of New York (SUNY) Provost David Lavallee met with the college councils of both SUNY Canton and SUNY Potsdam to deliver a decision from the SUNY Chancellor: SUNY Canton and SUNY Potsdam would have to be reorganized under one president. The one president would probably be then SUNY Potsdam President John Schwaller but this was left open by SUNY Administration. Immediate pushback from the faculty, community, college council and students from SUNY Canton led to a movement forcing both institutions to share administrative positions (not president) and more importantly to streamline services to make both institutions operate efficiently. This chapter will focus on the migration from merger to shared services. The SUNY Board of Trustees required the following from SUNY Canton and SUNY Potsdam from their September 2011 meeting:

With respect to Canton and Potsdam, the Board has made no decision on whether a single president should serve both campuses, and authorizes the Chancellor to direct the presidents of both campuses: (i) to continue to work together promptly, diligently and cooperatively to explore and implement shared services where appropriate and to devote the savings from such efforts to academics and student support services, particularly working toward a goal of increasing the percentage of operating funds devoted to instruction and academic services, with details on that goal and reasonable expectations to be communicated to the campuses by the Chancellor or her designees; (ii) to prepare a joint report to the Chancellor by March 30, 2012 on their recommendations as to whether
there could be substantial additional opportunities for increasing the percentages of their operating budgets devoted to instruction and academic services if there were a shared presidency between their campuses, whether there would be substantial obstacles or costs to such a shared presidency, and whether they recommend such a shared presidency, the continuation of separate presidencies (and administrations), or some other organizational structure or approach to best achieve the above goals. Such report shall also be transmitted promptly to the Chairs of each college council, and shall be made public and shared with other campus and statewide constituencies also, who are each invited and encouraged to provide their comments and views on such report to the Chancellor. The Board shall consider such report at its regular May meeting, or in the event of a special meeting no sooner than three weeks after March 30th, and shall assess the recommendations in that report and from the Chancellor and other sources fully, including in comparison to the progress being made at the other administrative alliance institutions. (Hayden, 2011)

The Mission of Each Institution

SUNY Potsdam was founded in 1816 and is the oldest institution in the SUNY system. SUNY Potsdam has been designated as a comprehensive college in the SUNY system and awards degrees up to the master’s level. SUNY Potsdam’s focus of education is on liberal arts and the humanities and houses the Crane School of Music. SUNY Canton was founded in 1906 as an agricultural and technical institution in Canton and given land in the 1960’s to become a separate institution from St. Lawrence University, which is also located in Canton. A two year institution until the early 1990’s, it offers baccalaureate degrees in criminal justice related disciplines, nursing, management and engineering. Some institutions shared commonality in
degrees including liberal arts at the associate level; business and management; criminal justice; and education with SUNY Potsdam awarding elementary and secondary teaching degrees and SUNY Canton awarding associate degrees in early childhood development. (SUNY Potsdam; SUNY Canton websites, 2013).

The Pushback

President Joseph Kennedy, President of SUNY Canton, had been the longest serving president on the council of presidents within SUNY in 2011. President Kennedy was given three years until retirement, with the first year at SUNY Canton to work on the transition, the second year working as a special assistant to the Chancellor and the third year as an optional year.

The local union and the students held an information rally to keep the two institutions separate on August 31, 2011 to show support for President Kennedy and to express the desire to keep the institutions separate. The informational picket was following in October 2011 with a formal faculty resolution expressing a vote of no confidence in the merger due to the nature of the mission of the institutions and a rejection of Dr. Schwaller, SUNY Potsdam’s President, as a candidate for a joint presidency of the two colleges. The college councils of both institutions drafted a joint resolution recommending against the merger.

The local community also organized itself against the merger and the community’s efforts were labeled “Save our SUNY Canton” and local leaders went to SUNY Trustee Board Meetings to express dissent over the proposed merger. The SUNY Canton’s college council chairman also went to SUNY Trustee Board meetings to express his dissent. Additionally, state politicians joined the efforts. Ultimately, through the efforts of the union, the faculty and staff, and the local community, the focus of the effort of SUNY administration shifted from one of merger to one of
savings that could be obtained by sharing services. New York State Senator Pattie Richie summed the movement away from merger to shared services in her press release of December 6, 2011:

_Senator Ritchie helped lead the effort to preserve separate identities for the two colleges by ensuring that each maintained independent leadership. She introduced legislation (S.5581) that would require a president at each SUNY campus._

_There is a need to continue to cut costs and expenses throughout state government—including SUNY—and I strongly support efforts to increase collaboration and shared services between campuses to make sure that more tuition and tax dollars stay in the classroom, so that students get the quality instruction they need, and employers demand. But preserving both colleges’ unique identities and independence requires strong, local and accountable leadership that only separate presidencies can provide._

_The Movement Forward to Shared Services_

The Education Alliance was hired to conduct a study into the increased possibility of shared services and the presidents of both institutions were to submit a report on the status of the shared services in July 2012. Thus, the process turned into university timetabling as defined by McCollum (McCollum, 1998, p. 252). Committees to begin the process of shared services were established to meet the Board of Trustees timelines.

Using Schultz and Brenner’s (2010) meta-analysis of shared service centers, the benefit of the shared services between SUNY Potsdam and SUNY Canton would fall under two criteria:
**Result of consolidation of processes within an organization.** In de-centralized organizations, each unit has its own support service tailored exactly to individual requirements. These previously distributed support services are consolidated while forming SSCs. The aim is to avoid duplication of work and to achieve synergies (Martín-Pérez and Berger, 2004; Wang and Wang, 2007)

and

**Reduction of costs as a main goal.** The majority of authors include the goal “cost reduction” explicitly in their definition. Several surveys revealed that cost cutting is a primary motivation for implementing SSC. Average savings of 25-30 per cent are not unusual (Quinn et al., 2000), achieving lower costs by making use of economies of scale.

The report from the Educational Alliance reaffirmed the distinctiveness of the missions and the need to maintain separate missions. This statement at the beginning of the report reaffirmed both campus’ commitment to share services, while at the same time looking for sharing of positions which was a significant step forward from a previous study in 1995 in which a study concluded that the only piece of sharing that could occur is some minor backroom process and the president’s position itself. The report recognized the benefit of keeping the college councils of each institution separate along with the student government associations of both institutions. Sport teams and athletes would also remain separate as would the Union of University Professionals at both campuses.

**Percentage of Monies Spent on Instruction Services**

Of particular concern to the SUNY Board of Trustees was the amount of monies spent on instructional services. The SUNY Board of Trustees required 52 percent on instructional
services. While this category may be straightforward, what counts as monies spent on instructional services was a moving target. In some cases, SUNY Administration did not count SUNY Canton’s expenditures on remedial services as services counting toward instructional services. So, while the joint report stated that Canton had spent over 60 percent on instructional services, SUNY Administration rejected SUNY Canton’s method of tallying. SUNY Potsdam had similar tallying issues. It was this point of what counts toward instruction that enabled SUNY Canton and SUNY Potsdam to receive approval from SUNY Administration to hire new presidents.

**Establishment of Shared Positions**

In opposition to the 1995 findings, phase one of the shared services plan was to determine what positions could be shared between the institutions without compromising the brand of each of the institutions. Therefore, the positions of Vice President for Advancement (alumni fundraising) and Vice President for Student Affairs (supervising student discipline among other student activities) were determined not advantageous. Funding raising was tied to a specific college and its brand. Therefore, alumni giving was determined to decrease if a merger occurred. Since the Vice President for Student Affairs handled discipline, the ability to handle discipline at both colleges would tax a single VP for Student Affairs beyond all reasonableness. Given the additional infrastructure needed for a shared position, the costs would far exceed the benefit.

In order to streamline the administration and budgeting processes between the two institutions, a joint position of Vice President of Administration was established and the two incumbent vice presidents retired. The newly-created position would lead efforts of shared services and would lead the effort to meet the SUNY Board of Trustee’s requirement for 52 percent of monies spent
be spent on instructional services. Eventually, a joint budget officer position was created to manage the budgets of both institutions simultaneously.

**Joint Veterans Coordinator**

Additionally, a joint military veteran’s coordinator position was established to help increase veteran’s presence on both campuses. *The efforts of the coordinator eventually resulted in the campuses being designated as military friendly campuses by veteran’s organizations.* The Coordinator is responsible for helping military service personnel, military spouses and children, and veterans, including: advising incoming students, conducting veteran student orientation, certifying veteran benefits, advising the campus Veteran's Association, representing the colleges in the North Country Consortium and the Ft. Drum Regional Liaison Organization, seeking grant opportunities and coordinating local volunteer efforts on campus, maintaining SUNY Canton status as a Military Friendly institution, and enhancing SUNY Potsdam outreach effort.

**Joint Chief of Police**

The university police department at both institutions, a branch of the NY State Patrol, established a joint chief of university police position in charge of both campus’ police forces. This action actually increased cost, but improved efficiency through sharing of personnel at both campuses.

**Joint Interlibrary Loan Officer**

In order to increase efficiency in library operations, an inter-library loan specialist position was established so that SUNY Canton which has a vast digital library could be shared with Potsdam which has a mostly hard cover library.

**Chief Information Officer**
Also, a chief information officer/assistant vice president for information technology position was established to coordinate information technology efforts. SUNY Potsdam has limited online offerings of classes while SUNY Canton has entire degrees at the baccalaureate level that can be obtained through online instruction. This joint informational officer position would be built off the cost savings represented in the Kent State/University of Cincinnati model by having a shared online course delivery platform.

*Other Joint Managers*

To help both institutions meet federal, state, and SUNY mandates, a joint compliance training officer was hired to develop a joint training program for both institutions. Prior to this, both institutions were non-compliant with many regulations. The compliance training coordinator is currently branching out to other SUNY campuses as well. This affirms that shared services is working at both institutions regarding training. Additionally, an environmental and health and safety director was hired to help compliance with hazard material exposure and safety. This position was especially important giving SUNY Canton’s fire in the chemical lab in early 2012 and SUNY Potsdam’s chemical leak in a new ice rink in Fall 2013.

*The Associated Colleges – The Beginning of Shared Academic Services.*

The Associated Colleges of the St. Lawrence Valley was established by the four colleges in Potsdam and Canton, New York. The two other colleges besides SUNY Canton and SUNY Potsdam are Saint Lawrence University, a liberal arts college in Canton and Clarkson University a business and engineering institution in Potsdam. Joint faculty training in fall and spring semesters occurs and students are able to register for classes at the other institutions at the tuition rate of the host institutions.
Sharing Academic Programs – The Institute of Arts, Sciences and Technology

Initially, the consultant hired to determine where services can be shared among SUNY Canton and Potsdam revealed a hostile attitude between the two campus’ faculty particular in the liberal arts. The Education Alliance Report on the Institute of Arts, Sciences, and Technology projected that:

_The core mission of the Institute is to provide a mechanism to allow and facilitate the development of a new type of academic mission for Canton and Potsdam. The Institute is essentially the scaffolding linking the two institutions and on which many different opportunities can be built. It allows Canton and Potsdam to maintain their own identity, leadership, and brand while creating what will become a third brand shared by the institutions. There are many goals related directly to the creation of the Institute, but the central goals are increased enrollments (and thus revenue), increased selectivity for both institutions, and making a significant contribution to the local economy._

The Institute was established to provide a mechanism to facilitate degree cooperation between both institutions. The idea was that this institute was not to have any physical buildings but act as a virtual structure to monitor the approval of curricula in both institutions through each faculty governance administration. Some of the teaching faculty teach at both institutions so minors in the fields of these faculties could be taught on each campus. These minors would serve as the cornerstone for further cooperation. As time progresses sharing of curricula can also be developed so that, for example, courses within an MBA could be taught by business faculty at both institutions, some online and some face to face.
Back Office Operations

Travel and purchases were two initial areas in which shared services could occur. The travel clerk at SUNY Canton was completing her degree in management. The degree in management at SUNY Canton has the option of choosing a senior research project related to improving operations at an organization. The travel clerk was assigned the task of leading the travel process review at both colleges then using lean processing principles come up with a new form and procedure to reduce error rate and human involvement. Throughout the summer of 2013, both staffs met and worked on the travel form itself. Instead of constant calls to the travel clerk regarding in-state and out of state per diem rates (hotel and meals and incidentals), a link was created within the form itself to appropriate Per Diem sites. The traveler now finds and inputs per diem rates him/herself, and the clerk simply verifies freeing up the clerk from the duties of finding per diem rates. Additionally, individual faculty and staff who travel were required to get travel cards (credit cards) so that reimbursement would be streamlined and outlays which are not authorized could be caught before the faculty or staff actually completes travel. Institution budget officers were given credit cards to make purchases up to a certain amount. The purchases would then reduce institution funding automatically when the bills arrived.

A Joint Memorandum of Understanding – SUNY Potsdam/SUNY Canton

After approval by the SUNY Board of Trustees in December 2012, that both institutions had met the 52 percent goal of spending for instructional services, the Acting President of SUNY Canton and the Interim President of SUNY Potsdam signed a Memorandum of Understanding in July 2013 to clarify what shared services would do and areas which would define success.
“Shared services focus on providing services as efficiently as possible, while continually looking for additional opportunities to increase productivity and reduce costs. They focus on back office processes and emphasize the seamless integration of these processes between institutions.

Services shared by Canton and Potsdam will provide:

- Services involving high-volume, transaction based, and knowledge-based activities to both organizations.
- A consolidated unit with dedicated resources to offer better services.
- A re-engineering of existing support services in relation to the larger processes they support.
- Standardized business practices and processes.
- A focus on the consumers and their satisfaction.
- Separate Memorandums of Understanding (MOUs) to formalize each contractual arrangement and describe the mechanism used to address funding.
- A process for determining which services will become shared, under the guidance of the Shared Services Steering Committee, which will make recommendations to the joint leadership.

Ultimately, shared services will provide a mechanism for creating efficiencies, improving services, and reducing costs.”

Trouble in Paradise
While all the proposed officers have been hired, problems still persist. Culturally, the two institutions have inherent problems that slow down the shared services process. First, SUNY Potsdam has a human-centric approach to management while SUNY Canton has a techno-centric approach to management.

An example of this is the institutional research section of both colleges. SUNY Canton, until recently, had one person handling all institutional research issues while SUNY Potsdam had five persons handling the same requirements while both institutions had roughly the same number of students. Library services at SUNY Canton continue to move forward at reducing hand held books in favor of e-books. So, SUNY Canton’s library staff is significantly less than SUNY Potsdam’s staff. Back room services suffer the same issues with SUNY Canton having one travel clerk while SUNY Potsdam having more staff to handle the issues. Therefore, fear continues to be an emotion that all must overcome in the shared services. Fear in the case presented here comes from a fear of SUNY Potsdam’s backroom staff that they will become unemployed should technology increase. Given the strong union presence at both institutions, this fear seems unfounded.

Additionally, collaboration between academic programs continues at a glacial pace. In initial interviews by the Educational Alliance both faculties viewed each other with suspicion. Shared services should be a collaboration effort among equals. Neither faculty saw the other as “equal.” Additionally, only certain programs have the ability for collaboration. These programs would include business, criminal justice and some engineering programs. Other flagship programs at SUNY Canton including nursing, automotive services and dental hygiene have to counterparts at SUNY Potsdam.
Budgeting among the two colleges can be difficult. Prior to recent problems with the acquisition of the Long Island Community Hospital by SUNY Administration, SUNY Canton had developed a multi-million dollar surplus while SUNY Potsdam had little surplus funding. SUNY Canton’s faculty were concerned that any attempt to share services would include a movement of funds from SUNY Canton to SUNY Potsdam. The new position of a joint budget officer filled by a recent management graduate at SUNY Canton (and long time administrative employee), should allay or at least reduce these fears.

*Please pick up your award for outstanding shared services...*

Vice President Higley, and her shared services team were nationally-recognized by the National Association of College and University Business Officers (NACUBO) with an Innovation Award for 2013 at the NACUBO annual meeting in July 2013. The two colleges were recognized for developing a unique administrative alliance that has fostered shared services across the two campuses during a time of increasing enrollments, declining budgets, and increasing operating costs. Shared services has allowed for creative solutions in meeting the business and operational needs of the campuses while developing efficiencies, improving services and quality, and redirecting funding to the academic and student services of the two campuses.

*Conclusion (Lessons Learned)*

The success of the shared services model between SUNY Canton and SUNY Potsdam can be attributed to several factors. The first factor is giving everyone in the organization a voice. With the rise of for profit education, a morphing of the student into a customer and an educational institution into a business makes change management in institutions a top-down driven exercise.
The success here, while having some top-down parts, was largely driven by a team approach to shared services which encouraged buy-in by both SUNY Canton’s and SUNY Potsdam’s faculties, staff, and college councils.

Furthermore, public institutions have a political aspect to them and making public institutions concerns public is important and encourages citizens to debate the value added by the institutions. The addition of both the NY State Senator and NY State Assemblywoman to the shared services cause played a valuable role of reducing the pressure to merge and moving on to a more effective shared services plan.

Also, fear and empowerment can have an inverse relationship as change occurs. The fear of merging did not subside with the announcement in December 2011 by Potsdam and Canton’s local state senator. Fear did wane as shared services committees were empowered to come up innovative ways to reduce costs and improve efficiency.

Finally, the reason for shared services in the public discussion can move between cost effectiveness and efficiency in operations. Initially, cost reduction was the main reason cited for the merger between SUNY Canton and SUNY Potsdam. As an effective shared services plan began to take shape, the need for efficiency actually increased costs, especially when looking at making a joint university police at both campuses.
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