NMSU Staffing Study

Consolidated Business Cases

9-15-2015

Contents

I. Business Case GA-01: Develop Standard Coverage Ratios for Administrative Assistants

1. Summary

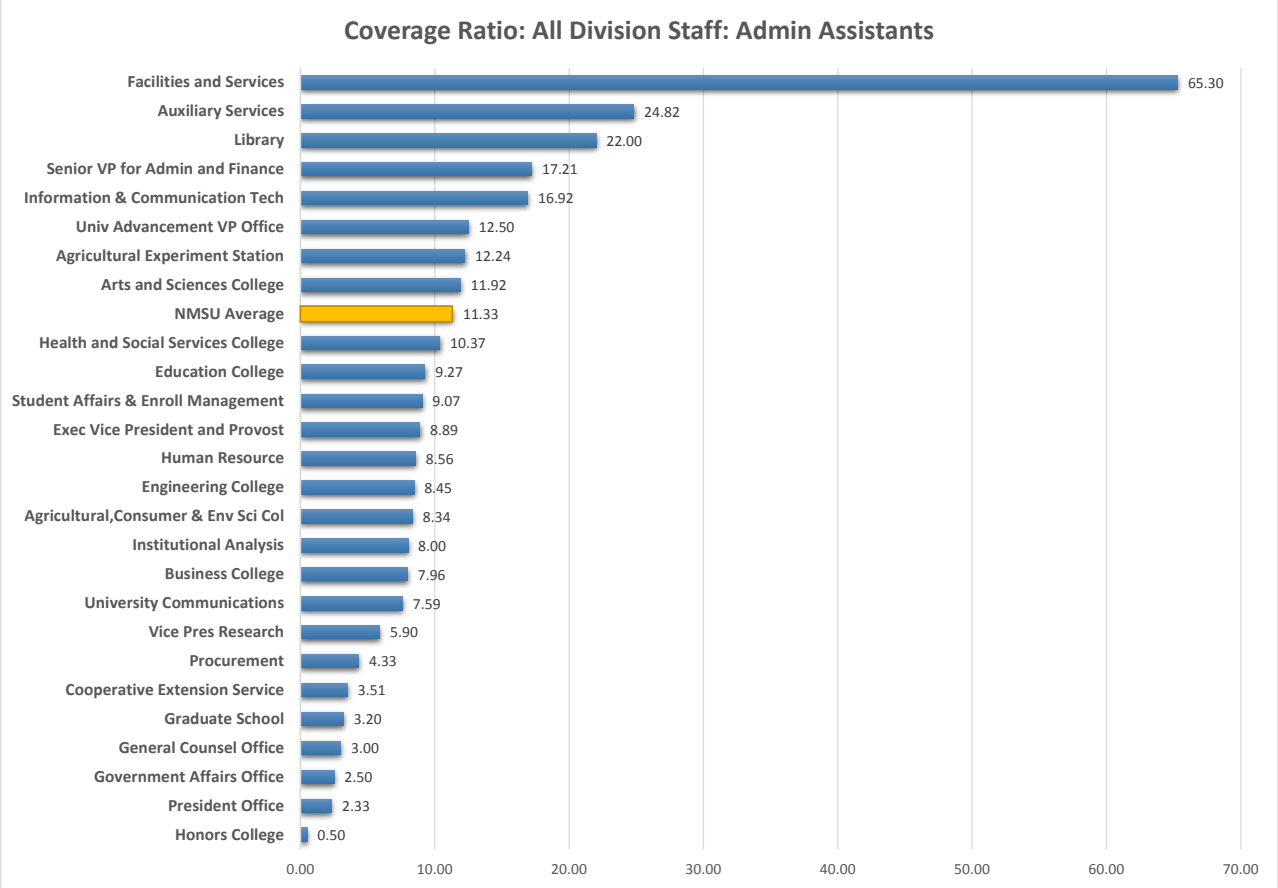
Item	Description
Opportunity Title	**Develop Standard Administrative Assistant Coverage Ratios**
High-Level Description	The GA-01 business case evaluates ways to standardize the ratios of administrative support coverage across the University, in terms of the number of employees to which each administrative support position is assigned. In the absence of standards, coverage ratios differ within and across the university's various academic and administrative units.
Potential Units Impacted	University-wide
Total Quantitative Benefits	Total estimated labor cost benefits of $9,645,284
Total Investment Costs	$327K over the implementation lifetime composed of organizational redesign, training, and project management support costs.
Total Recurring Costs	There are no incremental recurring costs identified with this opportunity.
Key Qualitative Benefits	Transitioning to standardized administrative support coverage ratios is expected to promote efficiencies at NMSU, most notably better alignment of resources (financial and staffing). The standardization of processes across the Gen Admin function and more efficient use of resources including financial and human resources, may help NMSU reduce operational costs. Benefits Summary: • Enhanced flexibility to prioritize and allocate administrative resources based on Schools and Central workload • Improved service delivery through a clearly defined administrative service catalog and performance expectations, including reducing inconsistencies in training and skills • Increased retention of high performing administrative staff, through improved career prospects
Payback	Less than one year
7 year NPV @ 4%	$8,148,670
Project Duration	2 years

2. Background, Business Issue and Change

NMSU's Activity Analysis survey indicates that 897 people (representing 426.27 FTEs) report performing work in support of the General Administration function. While a large number of employees – at various levels of the NMSU organization - report performing work in this function, the population most heavily engaged in these processes is administrative assistants.

Staffing levels for administrative assistants differ across the University's divisions, resulting in varied expectations around roles and responsibilities. With inconsistent roles and responsibilities, the capabilities of individual administrative staff may also vary significantly.

For the divisions in scope for this study, NMSU employs ~310.5 Admin Assistants (FTEs), including ~219 (FTEs) in Schools and ~91 in Administrative Units. Across NMSU's divisions, the Total Staff:Admin Assistant coverage ratios vary with an average of 8.89 in the schools (ranges 0.5:1 to 22:1) and 13.31 in the Administrative Units (ranges 2.33:1 to 65.3:1). The University's overall average coverage ratio is 11.33 with 17 of 26 Divisions falling below the average.



The key changes listed below could help support the concept of standardizing administrative support coverage across NMSU:

- Balance coverage ratios based on the type, volume, and nature of work performed except in exceptional or special circumstances, such as geographic limitations (e.g., in multiple buildings, across campuses)
- Redesign administrative support processes and structure to enable target coverage ratios, including defining roles, responsibilities, workflow, service catalog, and skills requirements
- Focus administrative staff on providing core administrative support

3. Major Milestones and Implementation Timeline

Based on experience with previous implementations, we have developed a high level timeline to describe the key project milestones and recommended sequencing.

	Timeline											
Key Phase/Activity	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	Ongoing
Develop and Execute Change Management and												
Establish coverage ratio guidelines and practices												
Determine coverage ratio for each department/division type												
Create detailed design of organizational structure												
Identify positions to be repurposed or retrained												
Contact admin staff regarding status of their position												
Conduct org restructuring and modification of admin positions												

Note: This depicts high level milestones for illustrative purposes. A detailed workplan should be developed at the onset of a project of this scope

Dependencies

One key dependency for the establishment of standard coverage ratios is the coordination and collaboration of key NMSU stakeholders including (but not limited to) the Chancellor, Provost, Sr. VP for Admin and Finance, Academic Deans, and Administrative VPs. These leaders will need to act as champions and change leaders of this transformation initiative.

4. Opportunity Size

Quantitative Benefits

During the NMSU Staffing Study, a work activity survey was conducted to review the General Admin staffing (centralized and decentralized) breakdown by FTEs and associated labor costs. The two primary data sources for this analysis were:

- **Activity Survey:** Information provided by NMSU managers on the amount of time (FTEs) direct reports spend performing processes within the general administration function
- **HR/Payroll data:** Information pulled from NMSU's HR system to determine labor costs on an employee-by-employee basis

Data analysis suggests that NMSU may benefit by developing and implementing a more standardized coverage ratio for administrative assistants across the University.

Potential Benefits (Cost Savings)

Administrative support varies across NMSU with coverage ratios ranging from 0.5:1 – 65.3:1. Two target coverage ratio options were identified to rebalance administrative staff levels and realize cost savings.

- *Option #1*: Establish standard coverage ratios based on NMSU's top quartile.
- *Option #2*: Establish standard coverage ratios based on external leading practices within Higher Education and commercial organizations based on Deloitte's Global Benchmarking Center analysis

The table below shows the potential cost savings gained by the development of standard coverage ratios for administrative support.

Option	Current State		Future State	
	FTEs	Admin Coverage Ratio	FTEs	Admin Coverage Ratio
Option 1: NMSU leading practices	310.5	NMSU: 11.33:1	271.69	NMSU: 13:1
Option 2: External leading practices			166.78	NMSU: 21.1:1

Based on NMSU's culture and current structure, Option 1 provides the most realistic target.

Potential Costs

Costs associated with a potential standardization of administrative support coverage ratios would depend on various considerations, some of which are identified below.

- Time required to plan, develop, and confirm the approach to the expansion of coverage ratios.
- Human and financial resources needed to dedicate to this effort from planning through implementation, and into an operations / maintenance "steady state" phase.

Using experiences from previous client implementations, a high-level timeline was developed as presented in the section above. Using this timeline and activities, an estimate of potential investment costs was developed. The estimated investment costs were determined to be approximately $327K to include the effort of training required to prepare retained employees for their new roles. A further description of the activities in relation to costs is presented below. Additional details on the estimated implementation costs are available in the supporting files to this business case.

The tasks and associated costs for the implementation activities described above are presented in the table below.

Task	Estimating Factors	Cost Estimate
Training for retained admin assistants on new responsibilities	One-time	$20,000
Conduct Skills Assessment and Develop an HR Workforce Plan	2 NMSU FTE in Y1	$159,000/yr.
Design New Role Descriptions and Responsibilities	.5 NMSU FTE in Y1	$39,700/yr.
NMSU Project Manager	0.5 NMSU FTEs in Y1 and Y2	$39,700/yr.

A more detailed view of the benefits, costs and return on investment are presented in the table below.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Project Phase	**Implement**	**Implement**	**Benefits**	**Benefits**	**Benefits**	**Benefits**	**Benefits**
Benefits							
Cost Savings							
Labor	$ 760,322	$ 1,497,455	$ 1,512,429	$ 1,527,553	$ 1,542,829	$ 1,558,257	$ 1,573,840
Technology	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Facilities	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Benefits	**$ 760,322**	**$ 1,497,455**	**$ 1,512,429**	**$ 1,527,553**	**$ 1,542,829**	**$ 1,558,257**	**$ 1,573,840**
Investment Costs							
Labor - NMSU Staff	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Labor - Contractors	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Technology	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Facilties	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other Costs	$ 247,974	$ 49,662	$ -	$ -	$ -	$ -	$ -
Contingency (10%)	$ 24,797	$ 4,966	$ -	$ -	$ -	$ -	$ -
Total Investment Costs	**$ 272,772**	**$ 54,629**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Recurring Costs							
Labor - State Staff	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Technology	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Facilities	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other Costs	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Recurring Costs	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Total Costs	**$272,772**	**$54,629**	**$0**	**$0**	**$0**	**$0**	**$0**
Net Benefit	**$ 487,550**	**$ 1,442,826**	**$ 1,512,429**	**$ 1,527,553**	**$ 1,542,829**	**$ 1,558,257**	**$ 1,573,840**
Cumulative Net Benefit	*$ 487,550*	*$ 1,930,376*	*$ 3,442,805*	*$ 4,970,359*	*$ 6,513,188*	*$ 8,071,445*	*$ 9,645,284*
(Number of Years Out)	1	2	3	4	5	6	7
Value of $1 at 4% Discount Rate	*$0.96*	*$0.92*	*$0.89*	*$0.85*	*$0.82*	*$0.79*	*$0.76*
Net Benefit at 4% Discount Rate	$ 468,798	$ 1,333,974	$ 1,344,544	$ 1,305,759	$ 1,268,093	$ 1,231,513	$ 1,195,989
Cumulative Net Benefit at 4% Discount	*$ 468,798*	*$ 1,802,772*	*$ 3,147,316*	*$ 4,453,075*	*$ 5,721,168*	*$ 6,952,681*	*$ 8,148,670*
Payback Years							
Discounted Payback Years							

Net Present Value (at 4% for 7 years)	**$8,148,670**	**Payback Years**	**0.0**
Return on Investment	**2946.0%**	**Payback Years (Discounted)**	**0.0**

Sensitivity Scenarios

	Base Case	NPV Sensitivity		Worst Case		Best Case	
	Base Case	**Base Case NPV -10%**	**Base Case NPV +10%**	**Savings Reduced 25%**	**Costs Increased 25%**	**Savings Increased 25%**	**Costs Cut 25%**
Net Present Value (at 4% for 7 years)	$ 8,148,670	$ 7,333,803	$ 8,963,537	$6,033,305.52	$8,070,473.01	$10,264,034.40	$8,226,866.91
Return on Investment	2946.0%			2184.5%	2921.0%	3707.5%	2971.0%

Qualitative Benefits

The table below describes the qualitative benefits associated with this business case. Each of the benefits is briefly described and ranked on a scale of Low, Medium and High in terms of how it contributes to quality improvement and cost reduction.

Name	Description	Customer Service	Operational Improvement
Use of Resources (Financial, Human)	• With the standardization across the Gen Admin function, more efficient use of resources including financial and human resources, may help NMSU reduce operational costs. • Increased retention of high performing administrative staff, through improved career prospects resulting from defined career paths	Medium	High

5. Risks and Risk Mitigation

Risks (beyond the implementation barriers) that may exist in pursuing the opportunity resulting from the implementation. The table below identifies the risk and risk mitigation identified in the development of business case:

ID	Name	Likelihood (L, M, H)	Impact (L, M, H)	Mitigation Plan
1	Staff and faculty will be sensitive to perceived changes affecting the quantity or quality of administrative services	H	H	• Define the scope of duties for administrative service personnel. Develop and monitor service level standards to set expectations for both administrative assistants and the staff they support.
2	Geographic distribution of departments across buildings and campuses may affect coverage ratio targets	H	M	• Develop a logical approach to balancing coverage ratios across the University based on the type, volume and nature of the work performed. Where exceptions occur, based on geographic distribution, continue to track and monitor them and look for opportunities over time and through continuous improvement to reduce them
3	Evolving expectations around administrative roles and workload may require additional training to upgrade skills	M	L	• Budget time and resources to provide training and to develop consistent role descriptions and expectations. Communicate clearly the responsibilities of administrative assistants across campus.
4.	Resistance to Change: Movement to reduce the number of administrative assistants is a significant organizational and cultural change for the University	H	M	• This type of change requires a change management and communications strategy and approach to proactively keep stakeholders engaged in and informed about upcoming changes and to address questions and concerns as they arise.

6. Key Business Case Assumptions

Description of key assumptions used in the analysis, the related source of the assumption and data, and the impact of the assumption on the business case.

1. Models assume that any decreases in future state staffing would be obtained in years 1-3 by natural attrition rates (10%/year)
2. Activity Analysis survey results were used to determine percent of time administrative support staff and decentralized finance staff spend on general administration related activities
3. Savings from staff reduction estimates are based on the average NMSU loaded salaries (administrative), excluding salaries for vacant positions
4. Training costs for retained Admins $20,000 (one time)
5. To determine the right staff mix, a detailed analysis of staff type, skills, location and volume would be required
6. NMSU staff time was built into the estimate to address labor costs (2 FTEs) to support the transition to standard coverage ratios, but functional support time from Subject Matter Advisors was not included
7. NMSU's FY'16 budget cuts were not included in this analysis

7. Potential Stakeholder Interests and Concerns

Description of key interests and concerns and related efforts to manage interests and concerns. The table below summarizes the Stakeholder Interests and Concerns identified in the development of the business case:

Stakeholder Group	Interests and Concerns	Level	Management of Interests and Concerns
Admin Assistants	• There will be concerns that new coverage ratios equate to staff reductions • There may concerns around compensation practices and the application of compensation strategies.	High	• Communication will be important in transitioning from the current state coverage ratios to the desired future state. Helping impacted employees understand the transformation effort and how they are impacted by the effort will be important in transitioning to a "steady state" Establishing clear guidelines about key assumptions (such as using attrition to attain targets) and communicating them will be very important
Faculty	• There may be concerns from faculty about overall levels of customer service transitioning to a standardized coverage ratio model		• Communication will be important in transitioning from the current state coverage ratios to the desired future state. Helping faculty understand the effort and how they are impacted will assist in educating them on how the changes may improve the level of service by establishing and monitoring SLAs can also help mitigate performance concerns.

II. Business Case IT-01: IT Service Delivery Model

1. Summary

Item	Description
Opportunity Title	**IT Service Delivery**
High-Level Description	The IT-01 Business Case evaluates ways to revise ICT's service delivery model through the implementation of shared services to improve service quality, reduce handoffs, and improve accountability This new model proposes to provide IT support via a centralized model that provides transactional services across campus, unifies staff that are providing similar functions and basic IT services (e.g., tier-1 support), incorporates a strong performance management function within central ICT to proactively report on service level performance to distributed entities and address key issues or concerns with responsiveness as more transactional/commodity services are centralized.
Potential Units Impacted	University-wide
Total Quantitative Benefits	Total labor cost benefits of $3,952,865
Total Investment Costs	$765,544, over the implementation lifetime composed of a blend of technology, facilities, organizational redesign, training, and project management support costs.
Total Recurring Costs	There are no incremental recurring costs associated with this opportunity.
Key Qualitative Benefits	Transitioning to an IT operating model that is organized around centers of excellence and shared services is expected to allow for significant policy and process efficiencies, where NMSU is able to efficiently use resources (financial and staff) towards more value-add / strategic initiatives, and use shared services with respect to administrative and transactional processes. Benefits Summary: • Reduced administrative burden and labor costs at the department level by transitioning certain transactional activities into shared services • A standard process for continuous performance improvement through development and monitoring metrics and expected levels of service • Strengthen collaboration between the distributed and central IT teams to streamline the delivery of transactional/commodity technology services • Enhance Service Level Agreements (SLAs) and performance reporting to proactively report on service levels and address key issues or concerns with responsiveness • Centralize and Standardize Tier-1 Support Desk services to standardize and improve service delivery experience for departments and schools • Leverage pooled IT support for common infrastructure capabilities (server/network management, and end-user support) to give distributed IT groups the ability to focus on more strategic or specialized support activities
Payback	2.7 years
7 year NPV @ 4%	$3,174,318
Project Duration	2-3 years

2. Background, Business Issue and Change

NMSU's Activity Analysis survey results indicate that 344 people (representing 184.84 FTEs) report performing work in support of the IT function. Based on this survey, the IT Function at NMSU appears to operate under a centralized/decentralized hybrid model where the Central IT organization's FTEs perform nearly half of the work for the function while decentralized FTEs, distributed broadly across the University, perform the remainder. Hybrid models, such as NMSU's, where there are high degrees of decentralization, can result in a lack of standardized service and uneven reporting when it comes to service levels. These models can also result in process inefficiencies

Half of the IT function is highly fragmented, both in terms of FTEs performing the work and labor costs spent outside of the ICT division. As an example, analysis show that NMSU spends at least $2 million on IT customer support services with at least 11 unique divisions across campus indicating that they provide support in this area. Consolidating these services, at least at level-1 support, can lead to greater efficiency and standardization.

The key changes listed below could help support the concept of shared services at NMSU, and will also help ICT balance the level of effort between transactional and strategic IT activities:

- Revise processes, roles and responsibilities, to increase efficiencies across the University by reducing handoffs and errors related to lack of training
- Align skills with roles and responsibilities to make sure staff supporting IT processes are adequately equipped to perform job functions
- Develop shared services for certain key transactional processes (e.g., Support Data Centers, Provide End-User Support, Provide Classroom Technology Management, Oversee Document Management, Provide Web Services, Perform Database Admin,) in order to reduce duplication across campus and improve service delivery
- Establish SLAs between the shared services, ICT and departments/units to ensure that service delivery levels and expectations are clear
- Revise governance structure to clarify decision making authority – ICT to play a greater role in setting policies and procedures, and Shared Services to monitor and report performance on SLAs and metrics

3. High-Level Approach

Major Milestones and Implementation Timeline

Based on experience with previous implementations, we have developed a high level timeline to describe the key project milestones and sequencing. This timeline has been divided into four major phases: Design, Build & Test, Implement, and Optimize. Major outcomes for each phase include:

Design phase: Detailed analysis of transaction volumes and processes to develop a recommended staffing model for IT Shared Services

Build & Test Phase: IT Shared Services Processes are redesigned, employees identified and trained on their new work in the Shared Services Center

Implement Phase: Processes are migrated into IT Shared Services

Optimize Phase: Service levels are tracked and monitored; continuous improvement activities begin

	Timeline											
Key Phase/Activity	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11	Q12
Design Phase												
Develop and Execute Change Management and Communication Plan												
Evaluate Ability for Central ICT to support commodity services												
Determine funding approach and location for Shared Services												
Finalize organization structure and agree on SLAs and Key Performance Indicators												
Build & Test Phase												
Finalize relationship between shared service and the rest of the organization												
Relocate and re-train personnel as needed												
Pilot Test shared services												
Implement Phase												
Update operating models and team services												
Review and update job descriptions as needed												
Provide post go-live support												
Optimize Phase												
Establish Continuous Improvement policies												
Review appropriate SLAs for more common IT capabilities												
Enhance performance management for Central IT and monitor key SLAs												
Refine Staffing Models												

Note: This depicts high level milestones for illustrative purposes. A detailed workplan should be developed at the onset of a project of this scope

Dependencies

Initial key dependencies identified include the following:

- Establishment of a new IT operating model is dependent upon the coordination and collaboration of key NMSU stakeholders including (but not limited to) the Chancellor, Provost, Sr. VP for Admin and Finance, VP for ICT, Academic Deans, and Administrative VPs.. These leaders will need to act as champions and change leaders of this transformation initiative.

- NMSU can use its current ticketing system to support data sharing and connectivity among units

4. Opportunity Size

Quantitative Benefits

During the NMSU Staffing Study, an organization assessment of all non-academic functions was conducted to determine how work was being performed across the University. The two primary data sources for this analysis were:

- **HR/Payroll data:** Information obtained from NMSU's HR system to identify specific attributes on each employee such as organization unit, exempt/non-exempt, job classification, salary, etc.

- **Work Activity:** Using the HR/Payroll data NMSU managers allocated on the amount of time (FTEs) their direct reports spend performing processes within each function (e.g., Finance, HR, Facilities, etc.)

Potential Benefits (Cost Savings)

Due to the complexities of universities and also applying the principle of conservatism, Deloitte made a decision to use a lower set of ranges – 8%, 10% and 12% - to perform this analysis.

The table below shows the potential cost savings due to consolidation of the FTEs aligned to the IT functional area. Potential cost savings are estimated to range from $745K at 8% to $1,118M at 12%. Potential FTE reductions ranged from 14.78 at 8% to 22.18 at 12%.

A	B	C
Total # IT FTE (From Work Activity Analysis)	Average Employee Salary	Current IT FTE Cost (A * B)
184.84	$50,400	$9.3

D	E	F	G	H	I	J	K	L
Reduce attrition by 8% (C * 0.92)	Cost Savings (C - D)	# FTE Eliminated (E / B)	Reduce attrition by 10% (C * 0.90)	Cost Savings (C - G)	# FTE Eliminated (H / B)	Reduce attrition by 12% (C * 0.88)	Cost Savings (C - K)	# FTE Eliminated (K / B)
$8.6M	$745K	14.78	$8.4M	$932K	18.48	$8.2M	$1.1M	22.18

The analysis above represents a component of the potential service delivery model change to illustrate the potential benefits to the University. A more targeted analysis of the individual functional areas is recommended once NMSU decides upon the most appropriate operating model to include the full scope of functions. As more functions are added, the potential for additional cost savings increases. For purposes of this analysis, we modeled a 10% FTE reduction to be achieved through attrition.

Potential Costs

Costs associated with a potential reduction in IT FTEs would depend on various considerations, some of which are identified below.

- Time required to plan, develop, and confirm the approach to the consolidation of the functional area
- Human and financial resources needed to dedicate to this effort from planning through implementation, and into an operations / maintenance “steady state” phase.

Using previous client implementation experiences, a high-level implementation timeline was developed as presented in the section above. Using this timeline and activities, an estimate of potential investment costs was developed. The estimated investment costs were determined to be approximately $760k to include the effort for developing a NMSU project team to support the initiative, a redesigned and standardized organization model, workforce planning activities to transition new employees, and training required to prepare new IT-SSC employees for their new roles. Additional details on the estimated implementation costs are available in the supporting Excel file for this business case.

The tasks and associated costs for the implementation activities described above are presented in the table below.

Task	Estimating Factors	Cost Estimate
Training for new IT SSC employees	One-time	$20,000
Conduct Skills Assessment and Develop Workforce Plan	1 NMSU FTE in Y1 and Y2	$79,325//yr.
Design New Operating Model (Process/Policy Redesign)	1 NMSU FTE in Y1 and Y2	$39,700/yr.
NMSU Project Manager	0.5 NMSU FTEs in Y1 and Y2	$39,700/yr.
IT Support (Design/Configure) Enabling Technologies	0.5 NMSU FTEs in Y1 and Y2	$39,700/yr.
Hardware/Software Updates to existing tools	One-time	$100,000
Updates to existing facilities for new IT SSC staff	One-time	$100,000

A more detailed view of the benefits, costs and return on investment are presented in the table below

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Project Phase	**Implement**	**Implement**	**Benefits**	**Benefits**	**Benefits**	**Benefits**	**Benefits**
Benefits							
Cost Savings							
Labor	$ -	$ 305,477	$ 617,063	$ 934,851	$ 944,199	$ 953,641	$ 963,178
Technology	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Facilities	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Benefits	**$ -**	**$ 305,477**	**$ 617,063**	**$ 934,851**	**$ 944,199**	**$ 953,641**	**$ 963,178**
Investment Costs							
Labor - NMSU Staff	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Labor - Contractors	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Technology	$ -	$ 100,000	$ -	$ -	$ -	$ -	$ -
Facilties	$ -	$ 100,000	$ -	$ -	$ -	$ -	$ -
Other Costs	$ 237,974	$ 257,974	$ -	$ -	$ -	$ -	$ -
Contingency (10%)	$ 23,797	$ 45,797	$ -	$ -	$ -	$ -	$ -
Total Investment Costs	**$ 261,772**	**$ 503,772**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Recurring Costs							
Labor - State Staff	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Technology	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Facilities	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other Costs	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Recurring Costs	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Total Costs	**$261,772**	**$503,772**	**$0**	**$0**	**$0**	**$0**	**$0**
Net Benefit	**$ (261,772)**	**$ (198,295)**	**$ 617,063**	**$ 934,851**	**$ 944,199**	**$ 953,641**	**$ 963,178**
Cumulative Net Benefit	*$ (261,772)*	*$ (460,067)*	*$ 156,996*	*$ 1,091,847*	*$ 2,036,046*	*$ 2,989,687*	*$ 3,952,865*
(Number of Years Out)	1	2	3	4	5	6	7
Value of $1 at 4% Discount Rate	*$0.96*	*$0.92*	*$0.89*	*$0.85*	*$0.82*	*$0.79*	*$0.76*
Net Benefit at 4% Discount Rate	$ (251,704)	$ (183,335)	$ 548,567	$ 799,114	$ 776,063	$ 753,676	$ 731,936
Cumulative Net Benefit at 4% Discount	*$ (251,704)*	*$ (435,039)*	*$ 113,528*	*$ 912,643*	*$ 1,688,705*	*$ 2,442,382*	*$ 3,174,318*
Payback Years			2.7				
Discounted Payback Years			2.8				

Net Present Value (at 4% for 7 years)	**$3,174,318**	**Payback Years**	**2.7**
Return on Investment	**516.3%**	**Payback Years (Discounted)**	**2.8**

Sensitivity Scenarios

	Base Case	NPV Sensitivity		Worst Case		Best Case	
	Base Case	**Base Case NPV -10%**	**Base Case NPV +10%**	**Savings Reduced 25%**	**Costs Increased 25%**	**Savings Increased 25%**	**Costs Cut 25%**
Net Present Value (at 4% for 7 years)	$ 3,174,318	$ 2,856,886	$ 3,491,749	$2,201,370.96	$2,994,950.36	$4,147,264.25	$3,353,684.85
Return on Investment	516.3%			362.3%	491.3%	670.4%	541.3%

Qualitative Benefits

This table describes the qualitative benefits associated with this business case. Each of the benefits is briefly described and ranked on a scale of Low, Medium and High in terms of how it contributes to service innovation, quality improvement and cost reduction.

Name	Description	Customer Service	Operational Improvement
Streamlined Processes	• Currently, IT support activities occur across the university without centralized coordination. . A single help desk team will increase effectiveness of knowledge sharing and efficient usage of resources • Streamlining and standardizing levels of support and processes may produce cost savings, enhance customer service, and improve consistency • Improving processes will help define governance within ICT and ownership of execution versus policy making.	High	High
Communications	• Improved communications from ICT to the academic/admin departments	Medium	Medium
IT Technology	• By establishing a cohesive and efficient IT service delivery model, there can be better utilization of technology across the university, and help to establish a common understanding and skill level associated with IT technology.	High	High
Use of Resources (Financial, Human)	• Single help desk team will increase effectiveness of knowledge sharing and efficient usage of resources and may help the university reduce operational costs	Medium	High
Service Levels and Continuous Improvement	• Performance measures and tracking within the service allows for continuous improvement • Performance measures and SLAs can promote standard levels of support across the university	High	Medium

5. Risks and Risk Mitigation

Risks (beyond the implementation barriers) that may exist in pursuing the opportunity resulting from the implementation. The table below identifies the risk and risk mitigation identified in the development of business case:

ID	Name	Likelihood (L, M, H)	Impact (L, M, H)	Mitigation Plan
1	Moving transactional activities to shared services will impact staff in departments. Staff skillsets will need to potentially realign under the new model.	M	H	• Budget time and resources to review and design future state business processes to illustrate roles in the new model. Provide training to impacted resources – both within the Shared Services Center and within the decentralized units to highlight key changes and the new ways of performing work under the new model
2	Capturing appropriate funding from respective groups through help desk consolidation efforts	M	M	• Careful monitoring and tracking is required to validate that consolidation activities take place and that savings are realized

ID	Name	Likelihood (L, M, H)	Impact (L, M, H)	Mitigation Plan
3	Resistance to Change: Movement to a new operating model is a significant organizational and cultural change for the University	H	M	• This type of change requires a change management and communications strategy and approach to proactively keep stakeholders engaged in and informed about upcoming changes and to address questions and concerns as they arise.

6. Key Business Case Assumptions

Description of key assumptions used in the analysis, the related source of the assumption and data, and the impact of the assumption on the business case.

1. Shared Services can be staffed by re-training IT support and decentralized staff
2. Models assume that any decreases in future state staffing would be obtained in years 2-4 by natural attrition rates
3. Activity Analysis survey results were used to determine percent of time administrative staff spend on IT-related activities
4. Savings from staff reduction estimates are based on the average NMSU loaded salaries (manager, administrative)
5. Training costs for new Finance Service Center Employees $20,000 (one time)
6. Space build out cost $100,000 (one time).
7. Technology cost $100,000 (one time).
8. To determine the right staff mix, a detailed analysis of staff type and volume would be required
9. NMSU staff time was built into the estimate to address labor costs (4 FTEs) to support the transition to a Shared Service model, but functional support time from Subject Matter Advisors was not included
10. The model assumes one location for the IT Shared Service Center and that the IT Shared Services employees would report to the CIO
11. NMSU will use the existing ticketing system to support the IT Shared Service
12. NMSU's FY'16 budget cuts were not included in this analysis

7. Potential Stakeholder Interests and Concerns

Description of key interests and concerns and related efforts to manage interests and concerns. The table below summarizes the Stakeholder Interests and Concerns identified in the development of the business case:

Stakeholder Group	Interests and Concerns	Level	Management of Interests and Concerns
IT Employees	• There may be concerns that a refreshed IT operating model may mean the reduction of employees. • With a refreshed, more efficient IT operating model, much of the IT Manager/ Director role will include being a business partner for their respective academic/admin units or functional areas. The new model may provide the ability for IT leaders to provide a more strategic vision for IT than in previous times.	High	• Communication will be important in transitioning from the current state IT operating model to the desired future state model. Helping impacted employees understand the transformation effort and how they are impacted by the effort will be important in transitioning to a "steady state" once the refreshed IT operating model is put in place. • Communication will be important in transitioning from the current state IT service delivery model to the desired future state model. Helping impacted employees understand the transformation effort and how they are impacted by the effort will be important in transitioning to a "steady state" once the refreshed IT operating model is put in place.

Stakeholder Group	Interests and Concerns	Level	Management of Interests and Concerns
Non-IT Division Leadership and Employees	• Those that are not within the IT division, but may interact and coordinate within the IT function (i.e., end user support) may be concerned about how the refreshed service delivery model may impact their respective academic/administrative units.	High	• Communication will be important in transitioning from the current state IT service delivery model to the desired future state model. Helping non-IT leadership and employees understand the transformation effort and how they are impacted will assist in educating non-IT stakeholders understand how the changes may improve the level of IT customer service.
Faculty	• There may be concerns from faculty about overall levels of customer service transitioning from a local to a more centralized model.		• Communication will be important in transitioning from the current state IT service delivery model to the desired future state model. Helping faculty understand the effort and how they are impacted will assist in educating them on how the changes may improve the level of IT service (e.g. standardizing tier-1 support provides experienced IT practitioners additional time for tier-2 and tier-3 support.

III. Business Case FN-01: Finance Service Delivery

1. Summary

Item	Description
Opportunity Title	**Finance Service Delivery**
High-Level Description	The FN-01 Business Case evaluates ways to revise Finance's service delivery model through the implementation of shared services to improve service quality, reduce handoffs, improve accountability, and increase accuracy. This new model seeks to simplify and consolidate how transactional finance activities are delivered. Additional centralization may also occur through the development of a Business Partner model.
Potential Units Impacted	University-wide
Total Quantitative Benefits	Total labor cost benefits of $2,380,571
Total Investment Costs	$765,544, over the implementation lifetime composed of a blend of technology, facilities, organizational redesign, training, and project management support costs.
Total Recurring Costs	There are no incremental recurring costs associated with the implementation of this initiative.
Key Qualitative Benefits	Transitioning to a Finance operating model that is organized around shared services and centers of excellence is expected to support a number of potential efficiencies to include: • Reduced administrative burden at the department level by transitioning certain transactional activities into shared services • Reduced transaction processing time and error rates through standardizing processes and roles • Improved service delivery experience for departments and schools as reflected in minimum expected service levels monitored by performance metrics. • Increased compliance with policies and procedures as a result of a greater concentration of process-focused specialists versus current state generalist amongst finance staff
Payback	3.2 years
7 year NPV @ 4%	$1,875,698
Project Implementation Duration	2 years

2. Background, Business Issue and Change

NMSU's Activity Analysis survey results indicate that 422 people (representing 149.67 FTEs) report performing work in support of the Finance function. In this survey, the Finance function at NMSU operates under a centralized/decentralized hybrid model where the Central Finance organization's FTEs perform nearly half (49%) of the work for the function while decentralized FTEs, distributed broadly across the University, perform the remaining 51%.

Hybrid models, such as NMSU's, where there are high degrees of decentralization, put additional strain on Central Finance to provide transactional support and guidance, and also to manage/conduct rework when errors are made. Processes with a high level of distribution introduce inefficiencies to the University such as additional handoffs between decentralized and centralized units to complete transactions, training and supporting a large number of employees –

even if the work is performed at a low volume – across the university, and the overlap and duplication of effort. This often reduces process efficiency and reduces the amount of time available to focus on more important processes across the function.

The most broadly distributed NMSU Finance processes include: General Accounting, Dept-Level Budgeting, Accounts Payable, and T&E Processing.

The key changes listed below could help support the concept of shared services for NMSU Finance function, and will also help the Central Finance Organization balance the level of effort between transactional and more important (strategic) Finance effort:

- Revise processes, and roles and responsibilities, to increase efficiencies across the university by reducing handoffs and errors related to lack of training (e.g., Travel and Expense Processing, Account Payable, General Accounting)
- Align skills with roles and responsibilities to make sure staff supporting Finance transactions are adequately equipped to perform job functions
- Develop shared services for certain key transactional activities (e.g., Travel and Expense Processing, Accounts Payable, General Accounting) in order to reduce duplication across campus and improve service delivery
- Utilize technology to minimize paper processing and data entry across campus (e.g., Dept-Level Budgeting)
- Establish Service Level Agreements (SLAs) between the shared services, Central Finance and departments/units to establish service delivery levels and expectations are clear
- Revise governance structure to clarify decision making authority – Central Finance to play the primary role in setting policies and procedures, and Shared Services to monitor and report performance on SLAs and key performance indicators (KPIs)

3. Major Milestones and Implementation Timeline

Based on experience with previous implementations, we have developed a high level timeline to describe the key project milestones and sequencing. This timeline has been divided into four major phases: Design, Build & Test, Implement, and Optimize. Major outcomes for each phase include:

Design phase: Detailed analysis of transaction volumes and processes to develop a recommended staffing model for Finance Shared Services

Build & Test Phase: Finance Shared Services Processes are redesigned, employees identified and trained on their new work in the Shared Services Center

Implement Phase: Processes are migrated into Finance Shared Services

Optimize Phase: Service levels are tracked and monitored; continuous improvement activities begin

Timeline												
Key Phase/Activity	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11	Q12
Design Phase												
Develop and Execute Change Management and Communication Plan												
Perform resource allocation analysis and transaction review to identify level of effort and evaluate future-state staffing levels												
Redesign processes and develop technology requirements												
Determine funding approach and location for Shared Services												
Finalize organization structure and agree on SLAs and Key Performance Indicators												
Build & Test Phase												
Create detailed process maps and user documentation												
Relocate and re-train personnel as needed												
Pilot Test shared services												
Implement Phase												
Execute migration strategy												
Review and update job descriptions as needed												
Provide post go-live support												
Optimize Phase												
Establish Continuous Improvement policies												
Enhance performance management for Central IT and monitor key SLAs												
Refine Staffing Models												

Note: This depicts high level milestones for illustrative purposes. A detailed workplan should be developed at the onset of a project of this scope

Dependencies

One key dependency for the establishment of a new Finance operating model is the coordination and collaboration of key NMSU stakeholders including (but not limited to) the Chancellor, Provost, Sr. VP for Admin and Finance, Academic Deans, and Administrative VPs.. These leaders will need to act as champions and change leaders of this transformation initiative.

NMSU can use its current ticketing system to support data sharing and connectivity among units.

NMSU explores the option of using an electronic system to capture travel and entertainment expenses to enable streamlined processing.

4. Opportunity Size

Quantitative Benefits

During the NMSU Staffing Study project, an organization assessment of all non-academic functions was conducted to determine how work was being performed across the University. The two primary data sources for this analysis were:

- **HR/Payroll data:** Information obtained from NMSU's HR system to identify specific attributes on each employee such as organization unit, exempt/non-exempt, job classification, salary, etc.

- **Work Activity:** Using the HR/Payroll data NMSU managers allocated on the amount of time (FTEs) their direct reports spend performing processes within each function (e.g., Finance, HR, Facilities, etc.)

Potential Benefits (Cost Savings)

Due to the complexities and decentralized nature of universities and also applying the principle of conservatism, Deloitte made a decision to use a lower set of ranges – 5%, 8% and 12% - to perform this analysis.

The table below shows the potential cost savings gained by efficiencies to the Finance functional area from transitioning to Shared Services. Potential cost savings are estimated to range from $434,043 at 5% to $1,041,703 at 12%. Potential FTE reductions ranged from 7.48 at 5% to 17.96 at 12%.

A	B	C
Total # FIN FTE (From Activity Analysis)	Average Employee Salary	Current Fin Cost (A * B)
149.67	$50,400	$7,5M

D	E	F	G	H	I	J	K	L
Reduce attrition by 5% (C * 0.95)	Cost Savings (C - D)	# FTE Eliminated (E / B)	Reduce attrition by 8% (C * 0.92)	Cost Savings (C - G)	# FTE Eliminated (H / B)	Reduce attrition by 12% (C * 0.88)	Cost Savings (C - K)	# FTE Eliminated (K / B)
$8,2M	$434K	7.48	$8.0M	$694K	11.97	$7,6M	$1,0M	17.96

The analysis above represents a component of the potential service delivery model change to illustrate the potential benefits to the University. A more detailed analysis of the individual processes within the Finance function is recommended once NMSU decides upon the most appropriate operating model to include the full scope of functions. As more functions are added, the potential for additional cost savings increases. For purposes of this analysis, we modeled an 8% FTE reduction to be achieved through attrition.

Potential Costs

Costs associated with a potential reduction in Finance FTEs would depend on various considerations, some of which are identified below.

- Time required to plan, develop, and confirm the approach to the consolidation of the functional area
- Human and financial resources needed to dedicate to this effort from planning through implementation, and into an operations / maintenance “steady state” phase.

Using experiences from previous client implementation experiences, a high-level implementation timeline was developed as presented in the section above. Using this timeline and activities, an estimate of potential investment costs was developed. The estimated investment costs were determined to be approximately $760k to include the effort for developing a NMSU project team to support the initiative, a redesigned and standardized organization model, workforce planning activities to transition new employees, and training required to prepare new Finance-Shared Service Center (SSC) employees for their new roles. Additional details on the estimated implementation costs are available in the supporting Excel file for this business case. The tasks and associated costs for the implementation activities described above are presented in the table below.

Task	Estimating Factors	Cost Estimate
Training for new Fin SSC employees	One-time	$20,000
Conduct Skills Assessment and Develop Workforce Plan	1 NMSU FTE in Y1 and Y2	$79,325//yr.
Design New Operating Model (Process/Policy Redesign)	1 NMSU FTE in Y1 and Y2	$39,700/yr.
NMSU Project Manager	0.5 NMSU FTEs in Y1 and Y2	$39,700/yr.
IT Support (Design/Configure) Enabling Technologies	0.5 NMSU FTEs in Y1 and Y2	$39,700/yr.
Hardware/Software Updates to existing tools	One-time	$100,000
Updates to existing facilities for new Fin SSC staff	One-time	$100,000

A more detailed view of the benefits, costs and return on investment are presented in the table below

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Project Phase	**Implement**	**Implement**	**Benefits**	**Benefits**	**Benefits**	**Benefits**	**Benefits**
Benefits							
Cost Savings							
Labor	$ -	$ 152,738	$ 462,797	$ 623,234	$ 629,466	$ 635,761	$ 642,118
Technology	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Facilities	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Benefits	**$ -**	**$ 152,738**	**$ 462,797**	**$ 623,234**	**$ 629,466**	**$ 635,761**	**$ 642,118**
Investment Costs							
Labor - NMSU Staff	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Labor - Contractors	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Technology	$ -	$ 100,000	$ -	$ -	$ -	$ -	$ -
Facilties	$ -	$ 100,000	$ -	$ -	$ -	$ -	$ -
Other Costs	$ 237,974	$ 257,974	$ -	$ -	$ -	$ -	$ -
Contingency (10%)	$ 23,797	$ 45,797	$ -	$ -	$ -	$ -	$ -
Total Investment Costs	**$ 261,772**	**$ 503,772**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Recurring Costs							
Labor - State Staff	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Technology	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Facilities	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other Costs	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Recurring Costs	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Total Costs	**$261,772**	**$503,772**	**$0**	**$0**	**$0**	**$0**	**$0**
Net Benefit	**$ (261,772)**	**$ (351,033)**	**$ 462,797**	**$ 623,234**	**$ 629,466**	**$ 635,761**	**$ 642,118**
Cumulative Net Benefit	*$ (261,772)*	*$ (612,805)*	*$ (150,008)*	*$ 473,226*	*$ 1,102,692*	*$ 1,738,453*	*$ 2,380,571*
(Number of Years Out)	1	2	3	4	5	6	7
Value of $1 at 4% Discount Rate	*$0.96*	*$0.92*	*$0.89*	*$0.85*	*$0.82*	*$0.79*	*$0.76*
Net Benefit at 4% Discount Rate	$ (251,704)	$ (324,550)	$ 411,425	$ 532,743	$ 517,375	$ 502,451	$ 487,957
Cumulative Net Benefit at 4% Discount	*$ (251,704)*	*$ (576,254)*	*$ (164,829)*	*$ 367,914*	*$ 885,289*	*$ 1,387,740*	*$ 1,875,698*
Payback Years				3.2			
Discounted Payback Years				3.3			

Net Present Value (at 4% for 7 years)	**$1,875,698**	**Payback Years**	**3.2**
Return on Investment	**311.0%**	**Payback Years (Discounted)**	**3.3**

Sensitivity Scenarios

	Base Case	NPV Sensitivity		Worst Case		Best Case	
	Base Case	**Base Case NPV -10%**	**Base Case NPV +10%**	**Savings Reduced 25%**	**Costs Increased 25%**	**Savings Increased 25%**	**Costs Cut 25%**
Net Present Value (at 4% for 7 years)	$ 1,875,698	$ 1,688,128	$ 2,063,267	$1,227,405.93	$1,696,330.33	$2,523,989.21	$2,055,064.81
Return on Investment	311.0%			208.2%	286.0%	413.7%	336.0%

Qualitative Benefits

The table below describes the qualitative benefits associated with this business case. Each of the benefits is briefly described and ranked on a scale of Low, Medium and High in terms of how it contributes to quality improvement and cost reduction.

Name	Description	Customer Service	Operational Improvement

Name	Description	Customer Service	Operational Improvement
Streamlined Processes	• Streamlined processes across the Finance function may produce cost savings, enhanced customer service, and improved compliance with NMSU policy • Improved processes will help define governance of specific processes within Finance more clearly define the ownership of execution versus policy making.	High	High
More efficient resource utilization	• With the standardizing and simplifying of processes across the Finance function, more efficient use of resources including financial and human resources, may help NMSU reduce operational costs.	Medium	High

5. Risks and Risk Mitigation

Risks (beyond the implementation barriers) that may exist in pursuing the opportunity resulting from the implementation. The table below identifies the risk and risk mitigation identified in the development of business case:

ID	Name	Likelihood (L, M, H)	Impact (L, M, H)	Mitigation Plan
1	Decentralized culture may make departments resistant to change –	H	H	• A robust change management strategy and communication plan will be needed to help shift culture
2	Most departments feel budgets/finances should be controlled and monitored at the local level – many departments may be reluctant to give up certain "local" rules, thus hindering efficiencies	M	H	• Fin leadership need to work in coordination with admin/academic units when implementing the desired future service delivery model. Without the buy-in and leadership alignment on the changes, there may be limited ability to implement the desired changes desired.
3	Moving transactional activities to shared services would impact staff in departments – would need to ensure skillsets are aligned under the new model	M	H	• Budget time and resources to review and design future state business processes to illustrate roles in the new model. Provide training to impacted resources – both within the Shared Services Center and within the decentralized units to highlight key changes and the new ways of performing work under the new model
5.	Doing this work in-house could lead to lack of experience, skillset, and capacity. This could impact NMSU's ability to realize the benefits	M	M	• Commit dedicated NMSU resources to the Finance Shared Services Project team

6. Key Business Case Assumptions

Description of key assumptions used in the analysis, the related source of the assumption and data, and the impact of the assumption on the business case.

1. Shared Services can be staffed by re-training administrative support and decentralized staff

2. Models assume that any decreases in future state staffing would be obtained in years 2-4 by natural attrition rates
3. Activity Analysis survey results were used to determine percent of time administrative support staff and decentralized finance staff spend on finance related activities
4. Savings from staff reduction estimates are based on the average NMSU loaded salaries (manager, administrative)
5. Training costs for new Finance Service Center Employees $20,000 (one time)
6. Space build out cost $100,000 (one time).
7. Technology cost $100,000 (one time).
8. To determine the right staff mix, a detailed analysis of staff type and volume would be required
9. NMSU staff time was built into the estimate to address labor costs (4 FTEs) to support the transition to a Shared Service model, but functional support time from Subject Matter Advisors was not included
10. The model assumes one location for the Finance Shared Service Center and that Finance Shared Service Center employees would report to the EVP of Finance
11. NMSU will use the existing ticketing system to support the Finance Shared Service Center
12. NMSU's FY'16 budget cuts were not included in this analysis

7. Potential Stakeholder Interests and Concerns

Description of key interests and concerns and related efforts to manage interests and concerns. The table below summarizes the Stakeholder Interests and Concerns identified in the development of the business case:

Stakeholder Group	Interests and Concerns	Level	Management of Interests and Concerns
Fin Employees (Central)	• There may be concerns that a refreshed Finance operating model may mean the reduction of employees • There may concerns around compensation practices and the application of compensation strategies. With a refreshed Finance operating model, compensation policies and processes may be more standardized, which may make employees concerned about their pay. • With a refreshed, more efficient Finance operating model, much of the Finance Director role will include being a business partner for their respective agencies. The new model may provide the ability for Finance Directors to provide a more strategic vision than previous times.	High	• Communication will be important in transitioning from the current state Finance operating model to the desired future state model. Helping impacted employees understand the transformation effort and how they are impacted by the effort will be important in transitioning to a "steady state" once the refreshed Finance operating model is put in place. • Including the Finance Directors throughout the transformation process will be important in gaining buy-in from this key stakeholder group. Change management, communication, and workforce transition activities are key in providing the Finance Directors with the structure needed to move from current state, through implementation, and towards the "steady state" of the future Finance operating model.
Non-Fin NMSU Leadership and Employees	• Those that are not within the Finance function but may interact and coordinate with Finance (i.e., Budgeting, T&E, General Accounting) may be concerned about how the refreshed service delivery model may impact their respective academic/admin units.	High	• Communication will be important in transitioning from the current state Finance service delivery model to the desired future state model. Helping non-Finance leadership and employees understand the transformation effort and how they are impacted will assist in educating non-Finance stakeholders understand how the changes may improve the level of Fin customer service.

Stakeholder Group	Interests and Concerns	Level	Management of Interests and Concerns
Faculty	• There may be concerns from faculty about overall levels of customer service transitioning from a local to a more centralized model.		• Communication will be important in transitioning from the current state Finance service delivery model to the desired future state model. Helping faculty understand the effort and how they are impacted will assist in educating them on how the changes may improve the level of Finance service. Establishing and monitoring SLAs can also help mitigate performance concerns.

Non-Finance NMSU Leadership and Employees	• Those that are not within the Finance function but may interact and coordinate with Finance (i.e., Budgeting, T&E, General Accounting) may be concerned about how the new service delivery model may impact their respective divisions.	High	• Communication will be important in transitioning from the current state Finance service delivery model to the desired future state model. Helping non-Finance leadership and employees understand the transformation effort and how they are impacted will assist in educating non-Finance stakeholders understand how the changes may improve the level of Finance customer service.
Faculty	• There may be concerns from faculty about overall levels of customer service transitioning from a local to a more centralized model.		• Communication will be important in transitioning from the current state Finance service delivery model to the desired future state model. Helping faculty understand the effort and how they are impacted will assist in educating them on how the changes may improve the level of Finance service. Establishing and monitoring SLAs can also help mitigate performance concerns.

IV. Business Case: Source Spend Categories Strategically

1. Summary

Item	Description
Opportunity Title	**Source Spend Categories Strategically**
High-Level Description	Conduct an initial high-level analysis of NMSU spending to better determine purchasing patterns and levels of expenditure throughout the university. Organize procurement spend into logical, market-facing groupings (Categories) that can be sourced in the marketplace in the future and potentially assigned to individuals within the Procurement organization. Apply potential savings ranges to individual category areas.
Potential Units Impacted	Stakeholders across campus (e.g., staff, faculty, students) who purchase goods and services for the university
Total Quantitative Benefits	TBD based on validation of sourceable spend
Total Investment Costs	Assumes zero investment costs. If NMSU decides to execute strategic sourcing in the marketplace there would be additional investments needed to analyze procurement data at the unit level, to analyze contracts, to develop RFPs, and for the effort to conduct vendor negotiations.
Total Recurring Costs	There are no incremental recurring costs identified with the implementation of this initiative.
Key Qualitative Benefits	• By organizing purchasing data into categories and conducting this initial, high-level Spend Analysis, NMSU will have more insight into areas of spending where cost savings may be obtained and will have more visibility into its expenditures across categories • In the future, NMSU can use this categorization and the initial savings estimates to strategically source goods and services in the marketplace and obtain more favorable pricing using a formal sourcing strategy • NMSU can then use these market-facing categories to reorganize its Procurement organization by assigning category managers to specialize in one or more areas

2. Background, Business Issue and Change

The current approach to Procurement is highly decentralized, and there does not appear to be a consistent sourcing approach at the University. Based on the NMSU Work Activity Analysis, only 43% of Procurement work is being performed by FTEs within the Procurement (22%) and Finance (21%) organizations. Furthermore, over 85% of Procurement processes are highly fragmented, indicated by the fact that the majority of labor costs exist outside of the Procurement organization.

Based on this analysis, there may be an opportunity to obtain better pricing on goods and services using a strategic sourcing approach. To provide NMSU with an estimate of this opportunity, we performed a high-level spend analysis by organizing purchases into categories for goods and services and applying potential cost savings ranges to these categories based on our experiences with other Public Sector and Higher Education clients.

3. Major Milestones and Implementation Timeline

Based on experience with previous implementations, we have developed a high level timeline to describe the key project milestones and recommended sequencing.

	Timeline																	
Key Phase/Activity	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12	M13	M14	M15	M16	M17	Ongoing
Develop and Execute Change Management and Communication Plan	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Define and align on categories of spend, prioritizing the categories that are common across campus	■	■																
Model internal/external costs and develop a total cost model that identifies non price-related opportunities for cost reduction			■	■	■	■	■	■	■	■								
Outline spend category specifications and requirements			■	■	■	■	■	■	■	■								
Perform initial supplier assessments and finalize strategic sourcing strategy			■	■	■	■	■	■	■	■								
Develop bidding strategies and communicate strategy to stakeholders			■	■	■	■	■	■	■	■								
Analyze responses and develop negotiation strategies			■	■	■	■	■	■	■	■								
Develop and execute Vendor Request for Proposal templates											■	■	■	■	■	■	■	
Analyze responses and refine negotiation strategies											■	■	■	■	■	■	■	
Provide status reports to University Resource Management Office to develop savings tracking process and template																		■

Dependencies

No immediate dependences were identified for this opportunity

4. Opportunity Size

Quantitative Benefits

During the NMSU Staffing Study, an organization assessment of all non-academic functions was conducted to determine how work was being performed across the University. The two primary data sources for this analysis were:

- **HR/Payroll data:** Information obtained from NMSU's HR system to identify specific attributes on each employee such as organization unit, exempt/non-exempt, job classification, salary, etc.
- **Work Activity:** Using the HR/Payroll data NMSU managers allocated on the amount of time (FTEs) their direct reports spend performing processes within each function (e.g., Finance, HR, Facilities, etc.)

This data analysis suggests that due to the highly fragmented Procurement processes, NMSU may benefit from conducting a strategic sourcing spend analysis.

This analysis was conducted by obtaining NMSU data on the financial expenditure on goods and services purchased by the university, classifying data into market-facing categories in each category, and applying a cost savings range to each category based on Deloitte's experiences with Public Sector and Higher Education clients.

Potential Benefits (Cost Savings)

The following high-level spend analysis applies potential cost savings ranges to the market-facing categories into which NMSU's expenditures on goods and services were organized.

Categories	Total	Sourceable	% Sourceable	Low %	High %
Lab Supplies, Equipment, Services	$ 3,953,107	TBD	TBD	3%	6%
Facilities & Auxiliaries	$ 52,233,886	TBD	TBD	2%	3%
IT	$ 14,339,663	TBD	TBD	2%	4%
HR & Benefits	$ 278,949,690	TBD	TBD	2%	5%
General & Administrative	$ 2,177,327	TBD	TBD	5%	11%
Travel	$ 15,667,115	TBD	TBD	2%	8%
Corporate Services	$ 1,395,228	TBD	TBD	3%	14%
Professional Services	$ 19,350,729	TBD	TBD	3%	10%
Food and Food Service	$ 2,366,909	TBD	TBD	2%	11%
Utilities	$ 22,039,020	TBD	TBD	2%	4%
MRO	$ 7,999,954	TBD	TBD	7%	13%
Print, Marketing & Advertising	$ 6,761,811	TBD	TBD	3%	9%
Transportation & Fleet	$ 2,447,810	TBD	TBD	2%	8%
Telecom	$ 6,324,553	TBD	TBD	4%	9%
Total	**$ 436,006,802**			**2%**	**6%**

*NOTE: The information highlighted in yellow above is still under discussion with NMSU

Potential Costs

TBD

Qualitative Benefits

This table describes the qualitative benefits associated with this business case. Each of the benefits is briefly described and ranked on a scale of Low, Medium and High in terms of how it contributes to quality improvement and cost reduction.

Name	Description	Quality Improvement	Cost Reduction

Name	Description	Quality Improvement	Cost Reduction
Planning and Forecasting	• Knowing where the University spends its resources will help NMSU better financially plan, budget and forecast. This will ultimately better help the University make strategic decisions.	H	H
Standardized Qualified Vendor List Streamlined Process	• Sourcing the University's spend will help NMSU establish a qualified vendor list. Having this list of vendors will reduce order times as the vendor will often prioritize filling orders based on those organizations where they have an established relationship. • Having a vendor list and relationship with the vendor will help improve customer service and potentially generating additional cost savings (e.g., reduced shipping charges, waived handling fees, etc.).	H	H
Policy Adherence	• As a state school, and as a university whose research is supported by many grants, NMSU must comply with rules and regulations related to purchasing. With sourcing and procuring being decentralized, control mechanisms are weakened.	H	L

5. Risks and Risk Mitigation

The follow section outlines various risks (beyond the implementation barriers) that may exist in pursuing the opportunity resulting from the implementation. The table below identifies the risk and risk mitigation identified in the development of this business case:

ID	Name	Likelihood (L, M, H)	Impact (L, M, H)	Mitigation Plan
1	Revisiting the cycle for strategically sourcing categories every 2 years will require category managers with the capability to achieve targeted savings.	H	H	• Contract subject matter experts to effectively transfer leading practice strategic sourcing knowledge to existing Procurement personnel.
2	Responsiveness of suppliers in getting unit-level data to establish spend baselines and develop accurate bid sheets.	L	L	• Utilizing both a top-down and bottom-up approach will be best in obtaining data. If necessary, utilize the university's general ledger to complete gaps.
3	Premature category sourcing execution by Procurement or schools and other administrative departments.	M	M	• Raw data should be submitted that supports sourcing categorization. If there are disagreements this will be able to be addressed.

ID	Name	Likelihood (L, M, H)	Impact (L, M, H)	Mitigation Plan
4	Cultural resistance and sustained engagement of stakeholders.	H	M	• Do not implement changes radically. Obtain buy-in from key stakeholders by describing how changes will positively impact daily operations and the overall financial health of the institution.

6. Key Business Case Assumptions

Description of key assumptions used in the analysis, the related source of the assumption and data, and the impact of the assumption on the business case where applicable.

1. Execution of categories will require resources beyond the current resources in the Procurement organization.
2. This model and business case assumes that NMSU will conduct the spend analysis internally, without the help of an external vendor.
3. For many of NMSU's financial accounts, there was a not a direct alignment between the data received and the categories used for these types of assessments. Below is a list of mappings that best align to the categories used, where possible.

AL3_DESC or ACCOUNT_DESC	Sourcing Category
OFFICE SUPPLIES POOL	General & Administrative
OTHER EXP CONTRA EXP POOL	Facilities & Auxiliaries
APPLIED CHARGES POOL	Not Sourceable
INDIRECT COST POOL	HR & Benefits
GENERAL TRAVEL POOL	Travel
DOMESTIC TRAVEL POOL	Travel
OUT OF STATE TRAVEL POOL	Travel
FOREIGN TRAVEL POOL	Travel
PSL TRAVEL POOL	Travel
SUPPL NON CAP EQUIP POOL	Transportation & Fleet
PRINT AND PHOTO SUPPLIES POOL	Print, Marketing & Advertising
MEDICAL SUPPLIES POOL	Lab Supplies, Equipment, Services
FEED SEED AND FERTILIZER	Facilities & Auxiliaries
FOOD PRODUCTS POOL	Food and Food Service
MISC SUPPLIES PROC CARD POOL	Not Sourceable
PUBLICATIONS AND FILMS POOL	Print, Marketing & Advertising
LIVESTOCK AND POULTRY POOL	Facilities & Auxiliaries
REPAIR AND MAINT PARTS POOL	MRO
GENERAL SERVICES POOL	General & Administrative
COMMUNICATIONS POOL	Telecom
POSTAGE POOL	General & Administrative
TRAINING AND PROFESSIONAL DEV	HR & Benefits
ADVERTISING POOL	Print, Marketing & Advertising
PUBLICITY AND PUBLIC RELATIONS POOL	Print, Marketing & Advertising

INSURANCE POOL	Corporate Services
PRINTING REPRODUCTION POOL	Print, Marketing & Advertising
REPAIR MAINTENANCE SERVICES POOL	MRO
UTILITIES POOL	Utilities
STUDENT AID POOL	Not Sourceable
GENERAL OVERHEAD SUPPORT POOL	Not Sourceable
DUES FEES AND TAXES POOL	Professional Services
MEMBERSHIP/SPONSORSHIP POOL	Professional Services
PROFESSIONAL CONTRACT SERVICES POOL	Professional Services
FARM AND RANCH SERVICES POOL	Facilities & Auxiliaries
LAUNDRY SERVICES POOL	Facilities & Auxiliaries
FREIGHT POOL	Transportation & Fleet
COMPUTER SERVICES POOL	IT
NON EMPLOYEE TRAVEL AND REIMB POOL	Travel
BAD DEBT EXPENSE POOL	Not Sourceable
MERCHANDISE RESALE POOL	Facilities & Auxiliaries
FURNITURE AND EQUIPMENT GT 5000	Facilities & Auxiliaries
FACULTY SALARY POOL	HR & Benefits
NON EXEMPT POOL	HR & Benefits
EXEMPT SALARY POOL	HR & Benefits
TECHNICAL SALARY POOL	HR & Benefits
STUDENT GRADUATE ASSISTANT POOL	HR & Benefits
OTHER PERSONNEL POOL	HR & Benefits
PERSONNEL BENEFITS POOL	HR & Benefits
OTHER SUPPLIES	Facilities & Auxiliaries
EDUCATIONAL SUPPLIES	Lab Supplies, Equipment, Services
GRAPHIC AND ART SUP	Lab Supplies, Equipment, Services
PEST CONTROL SUPPLIES	Facilities & Auxiliaries
LINENS AND UNIFORMS	Facilities & Auxiliaries
AWARDS	Not Sourceable
STOREROOM SUPPLIES	Lab Supplies, Equipment, Services
STUDIO SUPPLIES	Lab Supplies, Equipment, Services
SUPPLIES LAB/DEMO/EDUCATION	Lab Supplies, Equipment, Services
COMPUTER AND ELECTRONIC SUPPLIES	IT
ELEC COMP CABLE	IT
IRRIGATION SUPPLIES	Facilities & Auxiliaries
MARKET TEST SAMPLES	Lab Supplies, Equipment, Services
MECHANICAL SUPPLIES	Facilities & Auxiliaries
HANGAR SUPPLIES	Facilities & Auxiliaries
MACHINE SHOP SUPPLIES	Facilities & Auxiliaries
FABRICATION SUPPLIES	Facilities & Auxiliaries
FAB SUPPLIES EQUIPMENT	Facilities & Auxiliaries
FLIGHT HARDWARE	Facilities & Auxiliaries

ELECTRICAL SUPPLIES	Facilities & Auxiliaries
LIGHTING AND SOUND	Facilities & Auxiliaries
LIGHT BULBS	Facilities & Auxiliaries
LIGHT FIXTURES	Facilities & Auxiliaries
THEATRICAL SUPPLIES	Facilities & Auxiliaries
COSTUMES	Facilities & Auxiliaries
PROPS SETS	Facilities & Auxiliaries
SCRIPTS	Facilities & Auxiliaries
PRODUCTION SUPPLIES	Facilities & Auxiliaries
MAKE UP	Facilities & Auxiliaries
MAINTENANCE SUPPLIES	MRO
CLEANING AND JANITORIAL SUPPLIES	Facilities & Auxiliaries
GOLF CART MAINTENANCE SUPPLIES	Facilities & Auxiliaries
CLEANING PAPER	Facilities & Auxiliaries
CLEANING DEVICES TOOLS	Facilities & Auxiliaries
SOAPS CLEANER	Facilities & Auxiliaries
WASTE TRASH SUPPLIES	Facilities & Auxiliaries
OTHER SUPPLIES FEDERAL EXCLUDED	Facilities & Auxiliaries
CAMERA ACCESSORIES	Facilities & Auxiliaries
KEYS	Facilities & Auxiliaries
FURNITURE AND EQUIPMENT LT 5000	Facilities & Auxiliaries
OFFICE DECOR	Facilities & Auxiliaries
EQUIPMENT FEDERAL DELIVERABLE	Facilities & Auxiliaries
EQUIPMENT PRIVATE DELIVERABLE	Facilities & Auxiliaries
EQ AND FURN 1000 TO 4999	Facilities & Auxiliaries
SMALL TOOLS LT 5000	Facilities & Auxiliaries
LAB EQUIPMENT	Lab Supplies, Equipment, Services
SCIENTIFIC EQUIPMENT	Lab Supplies, Equipment, Services
MUSICAL INSTRUMENTS LT 5000	Facilities & Auxiliaries
FIRE EXTINGUISHERS	Facilities & Auxiliaries
NON CAP EQUIP FEDERAL EXCLUDED	Facilities & Auxiliaries
RENTAL-OTHER NON BUILDING	Facilities & Auxiliaries
FILM RENTAL	Facilities & Auxiliaries
PROGRAM RENTAL	Facilities & Auxiliaries
ANIMAL LEASE	Facilities & Auxiliaries
SOFTWARE RENTAL	IT
CONF SERV GUEST HOUSING	Facilities & Auxiliaries
HANGAR RENTAL	Facilities & Auxiliaries
LEASE LAND	Facilities & Auxiliaries
LODGING ALLOWANCE	Facilities & Auxiliaries
STORAGE HOUSEHOLD	Facilities & Auxiliaries
HARDWARE AND EQUIPMENT RENTAL	Facilities & Auxiliaries
HELIUM TRAILER LEASE	Facilities & Auxiliaries

SMALL TOOLS RENTAL	Facilities & Auxiliaries
AIRCRAFT RENT LEASE	Transportation & Fleet
CHARTERED TRANSPORTATION	Transportation & Fleet
CAR VEHICLE RENTAL	Transportation & Fleet
GSA VEHICLE LEASE	Transportation & Fleet
RENTAL FEDERALLY EXCLUDED	Facilities & Auxiliaries

4. The Low % and High % cost savings figures are applied from Deloitte Sourcing and Procurement framework are valid. Based on our experiences across Public Sector and Higher Ed clients, these are the typical percentages of spend that can be sourced alternatively.
5. The % Sourceable figures are applied from the Deloitte Sourcing and Procurement framework are valid. Based on our experiences across Public Sector and Higher Ed clients, these are the typical percentages of spend that can be sourced alternatively.
6. The Following In-Scope Categories were Deemed not-Sourceable:

MISC SUPPLIES PROC CARD POOL	($1920)
STUDENT AID POOL	$60,148,830
GENERAL OVERHEAD SUPPORT POOL	$541,168
BAD DEBT EXPENSE POOL	$2,466,869
AWARDS	$182,965
APPLIED CHARGES POOL	($45,851,468)
TOTAL	**$17,486,445**

7. Potential Stakeholder Interests and Concerns

The following section outlines key interests, concerns and related efforts to manage interests and concerns. The table below summarizes the Stakeholder Interests and Concerns identified in the development of this business case:

Stakeholder Group	Interests and Concerns	Level	Management of Interests and Concerns

Stakeholder Group	Interests and Concerns	Level	Management of Interests and Concerns
Procurement staff	• There may be concerns that a strategic sourcing initiative may mean impending reduction of employees in the Procurement Office as well as the University's divisions.	High	• Communication to the Procurement staff will be extremely important during the process. Utilizing the existing staff as much as possible will help with their buy-in and encourage them to become advocates.
Purchasers (faculty)	• This effort will compromise academic rigor and possibly academic freedom as this initiative will result in faculty being required to purchase different, lower quality materials and equipment.	Medium	• Communication to campus faculty and staff will be important during this process. Explain that this effort is to better understand how the university utilizes its financial resources and if there is potential synergy for procuring goods across campus. Work closely with faculty and staff to identify requirements for goods and services.
Purchasers (staff)	• There may be concerns that his effort will limit the tools and supplies that are used for employees to complete their jobs successfully.	Medium	• Communication to campus faculty and staff will be important during this process. Explain that this effort is to better understand how the university utilizes its financial resources and if there is potential synergy for procuring goods across campus.

V. Business Case UN-03: Develop University-wide Span of Control (SoC) Policy

1. Summary

Item	Description
Opportunity Title	**University-Wide Span of Control (SoC) Policy**
High-Level Description	The UN-03 business case evaluates ways to establish a university-wide span of control policy that eliminates all span of control relationships that are 3:1 or less (staff: manager). NMSU has a high concentration of managerial relationships where three or fewer staff report to a manager, increasing management costs at the university. Based on this, NMSU should establish new target ratios within a range of 8:1 to 12:1.[1]
Potential Units Impacted	University-wide
Total Quantitative Benefits	Total estimated labor cost benefits of ~$24.5 million ($18 million in cumulative savings from labor reduction and $6.5 million from reduced labor costs).
Total Investment Costs	$620K in training support costs
Total Recurring Costs	There are no incremental recurring costs identified with the implementation of this initiative.
Key Qualitative Benefits	A standard policy will facilitate a reduction in the number of management positions and/or a reclassification of managers into staff positions resulting in more efficient use of the university's resources
Payback	1.3 years
8 year NPV @ 4%	$14.6 million (not including $6.5 million in savings related to reduced labor costs)
Project Duration	3 implementation years

2. Background, Business Issue and Change

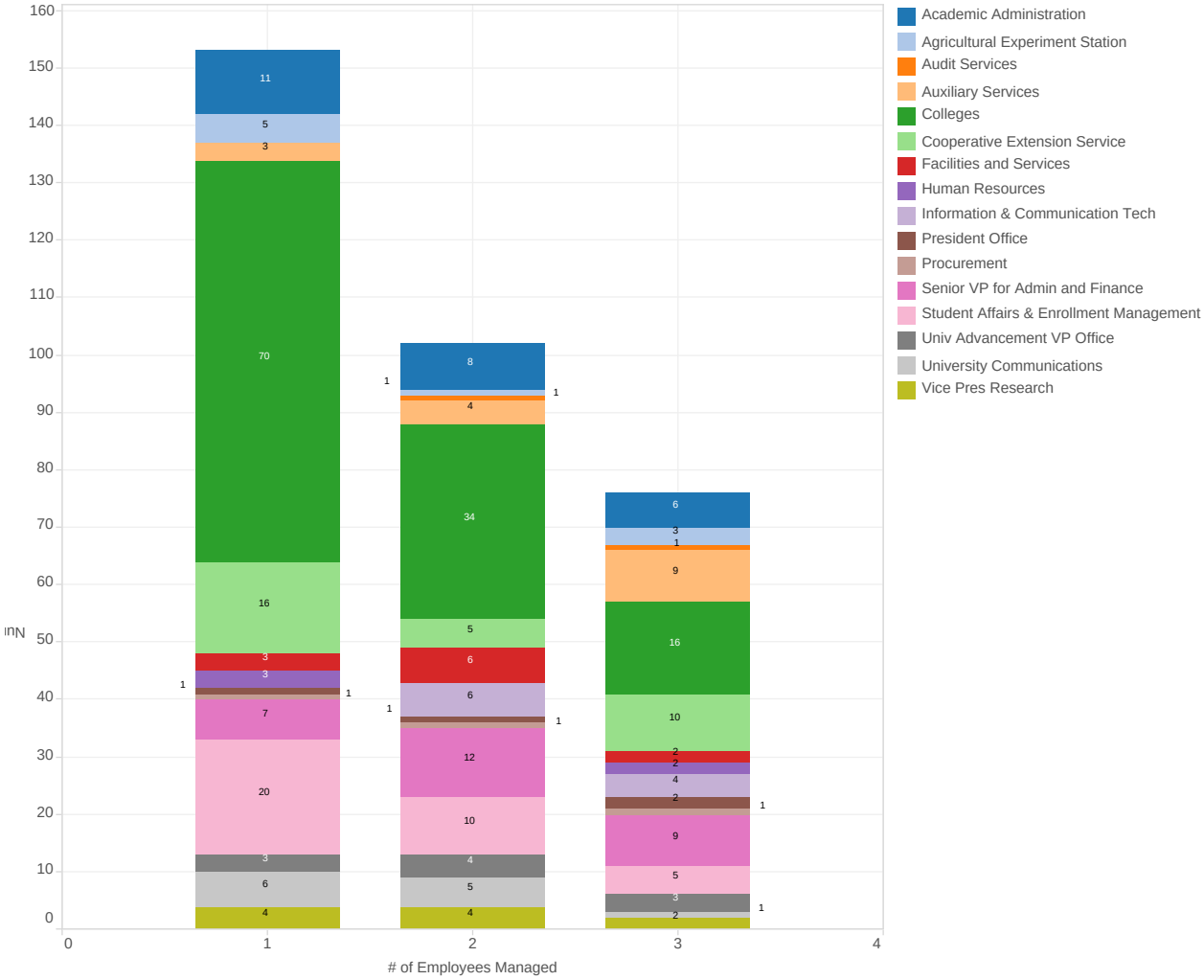
NMSU has a highly vertical organization with 6 reporting layers and narrow spans of control. Of the 618 managers that were in-scope for the NMSU Staffing Study, 331, or 54%, manage only 3 employees or fewer. By establishing a university-wide span of control policy eliminating reporting relationships that are less than or equal to 3:1, NMSU can grow closer to operating under an SoC range of 8:1-12:1. Enforcing that managers and employees with 3:1 or below managerial relationships roll-up into the spans of existing managers at higher layers, NMSU has an opportunity to reduce management layers and improve spans of control, thereby decreasing management costs. Furthermore, utilizing the results of the NMSU Work Activity Analysis and assuming average manager attrition rates of 7%, eliminating management positions based on the total FTEs related to Operational Management activities of those managers at the 3:1 level or below will not have to result in personnel reductions, but instead can be achieved by natural attrition and reassignment.

To support implementation, the following areas should be analyzed more closely:

[1] Range is determined based on Deloitte's Global Benchmarking Center's cross-industry benchmarks

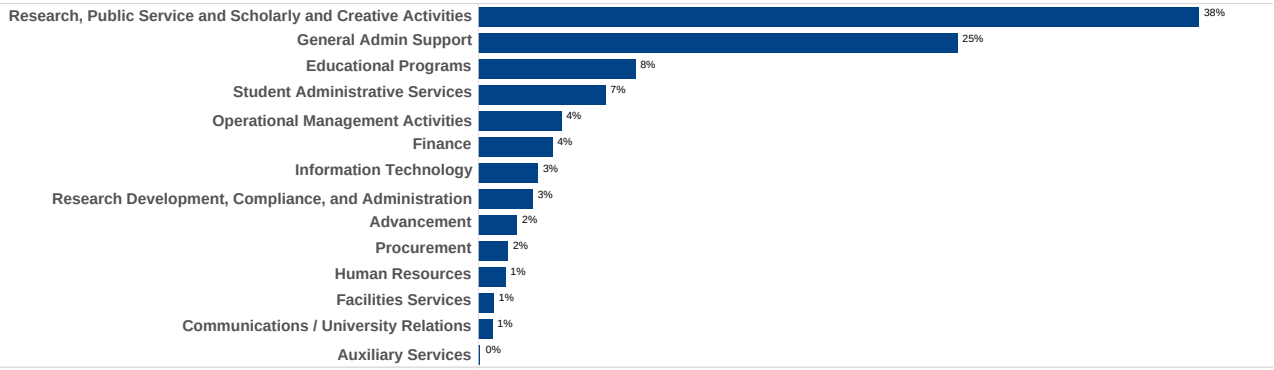
- Overlaps related to similar Student Administrative Services capabilities should be reviewed to increase spans of control over the medium-term within the Student Affairs & Enrollment Management division, as this division contains 35 managers who manage only 3 employees or fewer.

- Overlaps related to similar Finance capabilities should be reviewed to increase spans of control over the medium-term within the Senior VP for Admin and Finance division, as this division contains 28 managers who manage only 3 employees or fewer.



Note: This graphic includes 113 managers that are faculty. For the purposes of this business case, we are only recommending that the 218 staff members with <=3:1 span of control be eliminated over time.

- Furthermore, the colleges have the highest concentration of managerial relationships where 3 or fewer staff report to a manager:



- Based on the NMSU Work Activity Analysis, approximately 45 of 638 FTEs in the colleges, or 7%, perform Student Administrative Services, further necessitating the review of overlaps related to similar Student Administrative Services capabilities.
- Approximately 243 of 635 FTEs in the colleges, or 38%, perform Research, Public Service and Scholarly and Creative Activities. Overlaps related to similar capabilities related to this functional area within each college should also be reviewed to increase spans of control over the medium-term.
- Approximately 160 of 638 FTEs in the colleges, or 25%, perform General Administrative work. Overlaps related to similar capabilities related to General Administrative work within each college should also be reviewed to increase spans of control over the medium-term.

3. Major Milestones and Implementation Timeline

Based on experience with previous implementations, we have developed a high level timeline to describe the key project milestones and recommended sequencing.

	Timeline											
Key Phase/Activity	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	Ongoing
Establish SoC guidelines and policies	■	■										
Determine optimal yearly atrrition rates for each deptartment/division type		■	■									
Detailed design of organizational structure			■	■	■							
Identify positions to be repurposed or retrained						■	■	■				
Contact management staff regarding status of their position									■	■		
Conduct org. restructuring and modification of low SoC management positions (<=3:1)										■	■	■

Dependencies

NMSU must fully examine the implications of the recent FY15 budget reduction initiative before implementing this business case to identify any impacts to the number and location of managers.

4. Opportunity Size

Quantitative Benefits

During the NMSU Staffing Study project, an analysis of NMSU's Human Resources data was reviewed to identify reporting relationship and Spans of Control.

Data analysis suggests that NMSU may benefit by developing and implementing a university-wide span of control policy eliminating reporting relationships that are less than or equal to 3:1.

The following approach was used to estimate savings across the University as a result of this implementation:

- There are 218 (~35%) staff managers with a SOC of 3:1 or fewer, while the total number of managers on campus is 618 out of 3,300 total staff.
- The goal is to eliminate without rehire those management positions that manage 3:1 or fewer staff based on the total FTEs allocated towards Operational Management activities as per the NMSU Work Activity Analysis. The total Operational Management FTEs for these 218 staff members is 54.13. Thus eliminating approximately 54 management positions over time, the expectation would be that the remaining 400 managers on campus would absorb into their spans of control those direct reports in the 3:1 or below category affected by this change. This process can be managed through annual attrition.
- The target SoC for NMSU based on Deloitte Global Benchmarking Center analysis is 8:1.
- An assumed attrition rate of 7% for managers was used in our calculations given that average attrition for all staff between 2012 and 2014 ~ 300 FTE (~9% rate of attrition) and assuming a slightly slower rate for staff in management positions.
- To achieve a reduction of 54 managers using only attrition takes ~2 year when we apply the 7% attrition rate to the manager population on-campus in the implemented future state
    - 618 total managers on campus – 54 up for reduction based on NMSU WAA = 564 remaining managers
    - 564 remaining managers *.07 percent attrition ~39.47 attrition in staff each year
    - 39.47 attrition in staff each year * 2 years ~79 employees reduced in 2 years
- Further applying the principle of conservatism to these potential reductions, we recommend eliminating 10, 20, and 24 employees each year for 3 years respectively in order to accomplish the reduction of the 54 managers with a 3:1 or below span of control.
- The total cumulative savings for NMSU after 8 years is thus ~$18 million, with an NPV of ~$14.6 million.

For these managers, 163.88 FTEs worth of their time is spent outside of Operational Management. Thus, we recommend reclassifying ~164 of the 218 targeted managers to a non-managerial job classifications so this work may still be performed. The following approach was used to estimate savings across the University as a result of this reclassification:

- The average salary + fringe for staff who are managers and for professional staff who are not managers is ~$101,683 and $61,921, respectively.
- The difference between these two averages is ~$39,762.

- Applying the $39,762 of labor savings to the remaining 164 staff positions being reclassified, generates a total savings of ~$6.5 million.

Potential Benefits (Cost Savings)

A target span of control range was identified (8:1-12:1) to rebalance management staff levels and realize cost savings. We also identified that NMSU will be able to reach the low-end spectrum threshold of 8:1 considering the following:

- There are 618 managers currently on NMSU's campus and 218 staff manage 3 employees or less. This leaves 400 managers on campus after 54 3:1 or below management positions have been absorbed via attrition and the remaining 164 have been reclassified to a non-managerial level so their work may still be performed.
- The staff population at NMSU is ~3,300. When divided by the number of managers remaining on campus (400), the new average span of control ~8.3:1, which is within the SoC range identified based the recommended target for NMSU.

In total, the NPV of eliminating approximately 54 management positions over 3 years with 5 benefits years (~$14.3 million) and the labor arbitrage savings of ~$6.5 million as a result of reclassifying the remaining 164 positions, NMSU has an opportunity to save over $20.8 million and achieve an average span of control of 8.3:1.

Potential Costs

Costs associated with a potential span of control expansion policy would depend on various considerations, some of which are identified below.

- Time required to plan, develop, and confirm the approach to the consolidation.
- Human and financial resources needed to dedicate to this effort from planning through implementation, and into an operations / maintenance "steady state" phase.

Using experiences from previous client implementations, a high-level timeline was developed as presented in the section above. Using this timeline and activities, an estimate of potential investment costs was developed. The estimated investment costs were determined to be approximately $620K to include the effort of training required to prepare retained employees for their new roles. A further description of the activities in relation to costs is presented below. Additional details on the estimated implementation costs are available in the supporting files to this business case.

The tasks and associated costs for the implementation activities described above are presented in the table below.

Task	Estimating Factors	Cost Estimate
Training for retained managers on overseeing larger management spans as a result of new the SoC policy	One-time	~ $620K

A more detailed view of the benefits, costs and return on investment are presented in the table below.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Project Phase	**Implement**	**Implement**	**Implement**	**Benefits**	**Benefits**	**Benefits**	**Benefits**	**Benefits**
Benefits								
Cost Savings								
Labor	$ -	$ 1,527,384	$ 2,776,784	$ 2,804,552	$ 2,832,597	$ 2,860,923	$ 2,889,533	$ 2,918,428
Technology	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Facilities	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Benefits	**$ -**	**$ 1,527,384**	**$ 2,776,784**	**$ 2,804,552**	**$ 2,832,597**	**$ 2,860,923**	**$ 2,889,533**	**$ 2,918,428**
Investment Costs								
Labor - NMSU Staff	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Labor - Contractors	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Technology	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Facilties	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other Costs	$ -	$ -	$ 563,875	$ -	$ -	$ -	$ -	$ -
Contingency (10%)	$ -	$ -	$ 56,388	$ -	$ -	$ -	$ -	$ -
Total Investment Costs	**$ -**	**$ -**	**$ 620,263**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Recurring Costs								
Labor - State Staff	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Technology	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Facilities	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other Costs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Recurring Costs	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Total Costs	**$0**	**$0**	**$620,263**	**$0**	**$0**	**$0**	**$0**	**$0**
Net Benefit	**$ -**	**$ 1,527,384**	**$ 2,156,522**	**$ 2,804,552**	**$ 2,832,597**	**$ 2,860,923**	**$ 2,889,533**	**$ 2,918,428**
Cumulative Net Benefit	*$ -*	*$ 1,527,384*	*$ 3,683,905*	*$ 6,488,457*	*$ 9,321,055*	*$ 12,181,978*	*$ 15,071,511*	*$ 17,989,938*
(Number of Years Out)	1	2	3	4	5	6	7	8
Value of $1 at 4% Discount Rate	*$0.96*	*$0.92*	*$0.89*	*$0.85*	*$0.82*	*$0.79*	*$0.76*	*$0.73*
Net Benefit at 4% Discount Rate	$ -	$ 1,412,152	$ 1,917,140	$ 2,397,343	$ 2,328,189	$ 2,261,029	$ 2,195,807	$ 2,132,467
Cumulative Net Benefit at 4% Discount	*$ -*	*$ 1,412,152*	*$ 3,329,292*	*$ 5,726,635*	*$ 8,054,823*	*$ 10,315,853*	*$ 12,511,660*	*$ 14,644,127*
Payback Years								
Discounted Payback Years								

Net Present Value (at 4% for 8 years)	**$14,644,127**	**Payback Years**	**0.0**
Return on Investment	**2900.4%**	**Payback Years (Discounted)**	**0.0**

Qualitative Benefits

This table describes the qualitative benefits associated with this business case.

- Establishing a policy eliminating 3:1, 2:1, and 1:1 relationships for all divisions promotes clarity, consistency, and fairness across the university.
- Establishing fewer management layers allows the university to reduce costs in the administrative functions, potentially freeing up funds to invest in academics.

5. Risks and Risk Mitigation

Risks (beyond the implementation barriers) that may exist in pursuing the opportunity resulting from the implementation. The table below identifies the risk and risk mitigation identified in the development of business case:

ID	Description	Likelihood (L, M, H)	Impact (L, M, H)	Mitigation Plan

ID	Description	Likelihood (L, M, H)	Impact (L, M, H)	Mitigation Plan
1	Managers absorbing the direct reports of former 3:1, 2:1, and 1:1 managers may informally pass down the responsibility of managing these additional personnel, negating the effects of the new policy	M	H	▪ Provide management training to support effective management of larger spans of employees ▪ Monitor creation of new positions and changes to existing positions
2	There may be a tendency for reclassification of some management jobs to avoid elimination.	M	M	▪ Require HR to carefully monitor any such shifts and to enforce strict review of any potential shifts
3	Different levels of attrition in different departments necessitate the need to strategically anticipate and address management needs to ensure that department have skilled managers in place to cover workloads	H	H	▪ Important to carefully track and support this attrition with organizational redesign support to ensure that the University has the right resources with the right skills it needs in all departments
4	Movement to reduce the number of managers and increase SoCs University-wide is a significant organizational and cultural change for the university	H	H	▪ This type of change requires a change management and communications strategy and approach to proactively keep stakeholders engaged in and informed about upcoming changes and to address questions and concerns as they arise
5	As the administrative needs of the University change over time, there may be certain areas that require unanticipated additional management support. This may affect the ability to adhere to an implementation plan over a specified timeframe	M	M	▪ To reduce this barrier, it will be important for the university to monitor the implementation plan and adjust as needed to meet the University's needs

6. Key Business Case Assumptions

Description of key assumptions used in the analysis, the related source of the assumption and data, and the impact of the assumption on the business case.

1. Average attrition for all staff between 2012 and 2014 is ~ 300 FTE; Divided by total staff population of ~3,300 this equates to a 9% rate of attrition.
2. Assuming slower levels of attrition each year for staff in management positions, apply 7% attrition rate to 564 post-implementation staff population and the result is 39.47 FTE reduction per year due to attrition.
3. We recommend eliminating ~54 managers with 3:1 span of control or lower (because ~54 FTEs-worth of the 3:1 or below staff managers' time is spent on Operational Management activities according to the NMSU Work Activity Analysis).

- We assume that eliminating this population by 10, 20, and 24 people each year for 3 years, respectively, is a conservative pace for reducing these 54 managers due to the attrition assumption of 39.47 FTEs per year.

4. Assume the difference between the average staff manager and non-managers' salaries represents the labor arbitrage savings of reclassifying the remaining 164 FTEs worth of managers to non-managerial levels.
5. Training cost serves as a 1-time cost of training remaining management personnel following full roll-out by year 3.
    - This is derived as follows: 618 total managers in-scope on the NMSU campus minus the roughly 218 staff managers with a span of control of 3:1 or lower.
    - ~ 400 managers remaining * $1,000 1-time training cost.
6. Savings from staff reduction estimates are based on average NMSU loaded salaries (manager), excluding salaries for vacant positions.

7. Potential Stakeholder Interests and Concerns

Description of key interests and concerns and related efforts to manage interests and concerns. The table below summarizes the Stakeholder Interests and Concerns identified in the development of the business case:

Stakeholder Group	Interests and Concerns	Level	Management of Interests and Concerns
Managers affected by the new SoC policy	▪ There may be concerns that implementing a policy dictating no 3:1 management relationships or below may mean the reduction of employees throughout the university.	High	▪ Communication will be important to explain the role of attrition transitioning from the current state to the desired future. Helping impacted employees understand the transformation effort and how they are impacted by the effort will be important in transitioning to a "steady state" once the refreshed policy is put into place.
Managers affected by the new SoC policy	▪ There will be concerns around compensation adjustments associated with the reclassification of a number of management positions to staff.	High	▪ Communication will be important in transitioning from the current state to the desired future state. Helping impacted employees understand the transformation effort and how they are impacted by the effort will be important in transitioning to a "steady state" once the refreshed policy is put in place. In some situations, the University may want to employ retention strategies to address these issues.
All NMSU Staff	▪ There may be concerns that staff will not have the management support that they need to perform their work.	High	▪ Develop clear processes, procedures, and policies to better support staff and to allow them to more independently solve problems.