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Tipping Point for Change

Introduction

Increasing Demand for Enrollment, Budget Cuts, Changing Student Needs

The CSU remains a leader in the nation as one of the most cost-effective instruments in terms of producing baccalaureate degrees per dollar of public investment. And, in spite of significant swings in budgets over the years, it has successfully met the changing needs of students as evidenced by increasing demand for CSU graduates and enrollment in the University. Budget headwinds first seen in mid-2009 led the University to find and capitalize on opportunities to transform administrative functions and leverage resources. The goal: lowering overall system-wide costs, while maintaining and improving its operations and maintaining core values.

Working Together, Creating More, Improving Performance and Outcomes

The University has challenged itself to become an organization that continuously evaluates and improves the effectiveness and efficiency of financial and administrative functions. Synergy encompasses a process where the CSU joins together to look at how things can be done more effectively, consistent with the objectives of the CSU Strategic Plan, Access to Excellence. By asking if there is a better way to get things done; opportunities are being found to improve performance, service, and outcomes through collaborations on and between campuses.

Overview of Success

Reducing Current and Future Administrative Costs by Millions of Dollars

The CSU has a long history of seeking opportunities to work together to meet challenges. The University now is going even further, exploring organizational barriers, discovering new opportunities to work together, do better, and reduce administrative costs. Successes like the Common Financial System (CFS) have reduced current and future administrative costs by tens of millions of dollars. Progress in 2012 includes:

• **Collaborative Processing of Transactions** - the CFS was implemented at 22 campuses and the Chancellor’s Office. This implementation is estimated to have save tens of millions to date and leveraging this accomplishment will save tens of millions in the future.

• **Creating More Efficient and Effective Operating Frameworks** - campuses have significantly reduced the number of physical servers on campus as they have moved to virtualize their server farms eliminating space and utility costs and presently are studying the viability of moving from many dedicated data centers to a smaller number of shared data center environments.
• **Simplified Reporting and Compliance Requirements** - the Virtual Information Security Center (VISC) enables the sharing of information security human and technical resources, and provides uniform information security best practices and procedures to manage the growth of information security-related costs.

• **Augmenting Essential Services and Eliminating Non-Essential Ones** – an analysis underway of Procure-to-Pay processes operating within the University points to a promising transformation of procurement and accounts payable practices, which offers significant savings opportunities through standardizing and simplifying how things are purchased within the University.

• **Improved Operating and Financial Metrics/Data** - a spend analysis effort is underway, targeting opportunities to lower current and reduce future costs system-wide, derived from modification of campus procurement practices and better management of the payment of vendors.

• **Consolidating Program and Project Administration Activities** - Cal State Online has been launched, seeking opportunities for sharing systems, tools and technologies as well as developing common practices that support and streamline the development, delivery and administration of CSU online programs.

• **Administrative Efficiencies Within and Among Campuses** – police and emergency dispatch services are being consolidated among campuses to improve the delivery of services. Significant cost savings have yet to be achieved; however, considerable increases in the quality of services have been fulfilled.

• **Consolidating Costly and Time-Intensive Activities Using Technology** – the Common Human Resources System (CHRS) was initiated to standardize and streamline Human Resource business processes and practices, maximizing uniformity of data for management and reporting purposes, and the consistency of reporting. Similarly to the CFS, CHRS is anticipated to save millions of dollars because system maintenance and upgrades can be done once instead of 23 times.

### Investing in Change

*Investments in Automation Enable Staff to Better Utilize Valuable Skills and Talents*

Presently campuses are investing time and resources to transform the CSU to a more responsive and sustainable University. Dedicating staff resources to change initiatives and funding technical projects support transformation. Replacing of time consuming, ineffective manual processes with automated ones enable staff to better utilize their valuable skills and talents.
Investing financial and human resources into the CFS for Fiscal Year 2011/12 demonstrated that significant cost reductions can be realized from system consolidation and standardization efforts. The CFS was prototyped by a small group of financial and technical experts dedicated to the project under the advice and counsel of the Common Management System (CMS) Executive Committee. For over six months, campuses assigned administrators key to their campus’ operations to design the system-wide CFS. This investment is now being leveraged laying the way for similar efforts such as the CHRS effort.

**The Tipping Point**

*Cultural Barriers are Being Broken Down*

In March 2010¹, the potential scope, cultural challenges, and measures of success for the CSU Synergy Initiative were outlined. In March 2011², the progress of the initiative was described as was its broad reach across the University. Much has been accomplished; Synergy efforts to date have demonstrated the value of challenging long-standing historic practices, eliminating duplications of efforts, seeking transformational change, looking at possibilities to share services and expertise, creating service centers, and leveraging the people and power of the CSU.

**Executive Sponsorship Driving Transformational Change Necessary for Sustainability**

To ensure the sustainability of the University, the trend of operating costs must be lowered. To achieve this, the Board of Trustees and the Chancellor, the Chancellor’s Executive Leadership Team and Campus Presidents have joined together in support of a number of bold and sweeping transformational initiatives that seek to reduce operating expenses through streamlining, automating and redesigning administrative processes.

**Presidential Synergy Initiatives Setting the Direction and Leading Change**

The Technology Steering Committee has a long history of initiating and leading common system-wide technology initiatives. This committee has been actively involved with several significant Synergy Initiatives. Expanding on this success, in December 2011, the Chancellor called on CSU Presidents to similarly lead change. Several Presidential Synergy Initiatives were begun. The objectives of these included:

- Leveraging technology to enhance administrative services
- Transforming business and financial processes to manage costs and increase efficiency
- Converting quarter campuses to semesters to leverage academic resources³

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¹ CSU Synergy Project - Setting a New Direction, March 2010
² CSU Synergy Project Update - Moving with Direction, March 2011
³ CSU Synergy Project - Setting a New Direction, March 2010
Presidential Synergy Projects

Common Financial System

Implementation of the Common Financial System for Fiscal Year 2011-12 represents a significant synergistic success. Redundant campus-based financial system modifications were eliminated, baseline functionality for campuses was improved, and now a single database is used to manage the financial records of the University. Development, maintenance and operation of the system is managed at a single point, including any modifications or upgrades to the PeopleSoft baseline code, saving the CSU millions of dollars in systems installation, upgrade and maintenance costs. The data warehouse installed with the CFS has also greatly improved the efficiency and effectiveness of financial reporting system-wide.

Common Human Resources System

A systemwide effort is underway to standardize Human Resource business processes and practices to maximize uniformity of data and the consistency of reporting. The cornerstone of this effort is the planned implementation of the Common Human Resources System. Similar to the CFS, the CHRS intends to centralize systemwide human resource data into a single database and install an accompanying data warehouse. The effort will offer the same synergies and savings opportunities in the millions of dollars as are being realized with the CFS. Additionally, the effort will enable required coordination with MyCalPAYS, the State of California’s payroll project which seeks to improve the technology that supports the human resources and payroll functions of the State.

Next Generation Cyberinfrastructure

Presently, the CSU is operating over 70 data centers across the University. These require significant ongoing investment to maintain. The CSU Next Generation Cyberinfrastructure strategy guides the consolidation of CSU data centers with the intent of reducing costs and increasing efficiencies of operations as has been accomplished under the Common Network Initiative (CNI). That initiative is a system-wide shared services and system-wide purchasing effort that has for many years deployed standardized network equipment and configurations for all campuses. Before CNI which was initiated over ten years ago, each campus location separately designed and procured their networks. Campus networking equipment is procured centrally at a reduced cost and then deploys the equipment following a standard methodology that is used for each campus. Over the past decade purchasing equipment and services as a single entity instead of individual campuses has resulted in over $77 million in savings.

Replacement of the majority of CSU data centers (no fewer than 90% of the campus data centers by the end of 2015) with a reliable, secure, shared, virtual, CSU Cloud environment will result in millions of dollars in savings over the course of years as accomplished with the CNI. The source of these savings will be advances in server virtualization, new opportunities in cloud-
based services, improvements in server, firewall and network technologies as well as reductions in associated utility and other operating costs.

**Virtual Network Operations Center**

The Virtual Network Operations Center (VNOC) provides network monitoring services to multiple campuses with a single team of network analysts from across the system. **This allows the CSU to provide network monitoring services efficiently to multiple campuses, eliminating duplicative monitoring on individual campuses.** In addition, efficiencies are also being realized through standardization of change management activities. Presently, half the CSU campuses are a part of the VNOC. Network downtime and resources required to manage networks have been significantly reduced by sharing network analysts and sharing network management tools across the system. And again as was done with the CNI, network management services have been improved by developing and utilizing consistent, standards based operational practices. The VNOC demonstrates that network management activities can be performed effectively and efficiently by a virtual CSU team and that costs can be reduced as quality of services are increased.

**Virtual Information Security Center**

In 2010, the Virtual Information Security Center (VISC) became the first successful Synergy virtual shared service center implemented within the CSU. Information security risks were reduced through the implementation of consistent procedures and use of a common set of tools. **Efficiencies of scale have been achieved especially for services requiring focused expertise that is not easily sustainable at individual campuses** (e.g. Incident management, forensics, application service provider reviews, risk assessment and management, change management, and vulnerability scans.) The initiative continues to be improved and presently supports over half the campuses. The center’s services are being expanded and transformed, including implementation of automated security governance software available to all CSU campuses.

**Procure-to-Pay Shared Services**

The CSU spent approximately $850 million in fiscal year 2010/11 on goods and services. The Procure to Accounts Payable Shared Services Synergy Initiative seeks to leverage the success of implementing the CFS and improve the efficiency and effectiveness of processes to purchase and pay for goods and services. A transformational redesign of procure-to-pay processes is being considered which are very similar to those now common in the private sector and are currently being adopted successfully by other higher education institutions. Implementation of these changes would seek to:

- Implement a common process approach across the University
- Deploy a common system to support common processes
Implement shared services
Enable strategic procurement
Support movement to electronic invoicing and payments
Provide metrics for managing services and promote continuous improvement

The transformation effort will be a multi-year project and requiring significant investment. Some aspects of the proposed design, such as expanded strategic sourcing and wider use of electronic payment options, are already underway. **Once fully implemented, proposed changes represent an overall cost savings opportunity of tens of millions of dollars per year.** The majority of saving opportunities would come from fully implementing the strategic sourcing which would be enabled by the procure-to-pay transformation.

**Strategic Sourcing and Spend Analysis**

The Strategic Sourcing and Spend Analysis Initiative is now moving forward in coordination with the Procure-to-Pay effort. Strategic sourcing is an enterprise-wide approach to leveraging total “addressable spend” in order to maximize the value and benefits of every dollar of funding. Addressable spend is the proportion of institutional expenditures that are available for additional savings by negotiating, bidding, rebidding, or modifying contracts for a particular commodity or service. Strategic sourcing includes the analysis of current contracts that are under-utilized and the evaluation of vendors where many are selling the same goods or services into the institution. Strategic sourcing standardizes the method of research to determine priority or sequence of work to obtain the greatest benefit to the CSU. The CFS has made it easier access and analyze the University’s expenditure enabling a more strategic approach to systemwide contracting. In conjunction with processes and technologies made available through Procure-to-Pay shared services, **90% of savings opportunities associated with implementation of Procure-to-Pay could come from implementation of strategic sourcing.**

**Electronic Payments**

In coordination with the Procure-to-Pay effort, a system-wide initiative to analyze payments and check writing was begun in 2012. Preliminary results indicate an important opportunity to improve cash management and reduce costs through electronic payments is available to the CSU. Electronic payments are faster, cheaper, provide better customer service, are not as prone to fraud and can provide rebates or payment discounts versus paper checks. Having a more efficient and consistent way to process invoices and pay vendors translates to lower costs for suppliers and leverages the CSU’s negotiating position in strategic sourcing efforts. In October,

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3 A preliminary procure-to-pay process design has been completed; before implementation is considered, a full cost/benefit will be completed with a proposed detail design.
4 Addressable spend is the proportion of institutional expenditures that are available for additional savings through focused contracting efforts.
an analysis was completed identifying existing vendors willing to accept payment via procurement card in lieu of a payment via check. Replacing traditional mailed checks paid to vendors with corporate procurement card, declining balance credit, and utilizing National Automated Clearing House (ACH) payments would save over a million dollars annually.

**Cal State Online**

Cal State Online is proposed as a new system-level component of the CSU designed to support and supplement CSU academic offerings by facilitating, servicing, publicizing, and developing and providing outreach for online educational programs. The initiative will expand access to CSU academic programs through innovative technology. Academic aspects of programs will be managed by individual campuses. The initiative is expected to lower the costs of delivering such programs by eliminating redundancies which inevitably occur when campuses seek to meet the same challenges separately rather than working together. Support services and administration of the program will be provided using a shared services model.

**Quarter to Semester**

A Synergy initiative considering conversion of all CSU campuses on an academic quarter calendar system to an academic semester calendar is underway. Converting from a quarter calendar to a semester system has been identified as an opportunity for improvement for various reasons. Conversion will reduce academic and administrative effort associated with the admissions-enrollment-tuition cycle. This cycle is completed three times a year at CSU quarter campuses, compared to twice for semester campuses. This includes scheduling of classes and facilities, enrolling students/hiring faculty, resolving student housing and student life issues as well as billing and collection of tuition and fees. These activities then are followed on with the inevitable and necessary corrections, adjustments, additions and deletions. Over the four years to a degree, this effort will occur eight times under a semester system and twelve times under a quarter calendar.

**Campuses Sharing Services**

Campuses are successfully collaborating and sharing services to avoid costs and improve the efficiency and effectiveness of their operations. Numerous campuses are sharing employee expertise or technical skills and campus infrastructure:

- Joining together to share police and public safety dispatch services
- Sharing capital project management services to save costs and add expertise
- Environmental health and safety training administration
- Shared environmental health and safety administration services
- Sharing technology support to improve service and manage costs
• Broadening implementation of absence management self-service to increase efficiency and effectiveness
• Sharing parking ticket management to manage costs and ensure compliance
• Creating a learning management system consortium to leverage knowledge and talents
• Eliminating costly and redundant auxiliary administrative functions through shared services

Broader Collaboration

The scope of the CSU Synergy Project initially focused on administrative and financial activities and functions. Since the inception of Synergy, Human Resources has supported the effort with staff, time, and materials. This report includes significant synergy effort pursued by Human Resources. The University Advancement has also supported the project and is seeking opportunities to further participate as is Academic Affairs. Some efforts include:

• Cooperating to improve all aspects of accessibility for the disabled
• Coordinating advancement efforts to manage costs and increase effectiveness
• Creating a human resources partnership between a campus and the CO to share support and services

Coordinating with Other Agencies

Campuses are also partnering with local agencies and peer organizations:

• Teaming up with local police and public safety services agencies to leverage resources and improve services
• Coordinating with local transportation agencies to offer services to the campus community
• Reaching out to CSU vendors and peer universities to identify and implement best practices

Group Assessment and Prioritization Workshops

Chancellor’s Office Quality Initiatives staff supported the development of campus improvement initiatives. Assessment and Lean efforts supported process change and improvement in information systems, business process improvement teams, employee climate/engagement/satisfaction, and department assessments. Quality Initiatives provided training, analysis, facilitation support and coaching assistance to improvement teams at
campuses. Quality Initiatives staff has supported with training in process mapping and encouraged campus efforts:

- Implementing Lean process improvement to eliminate non-value-added activities, or waste
- Performing organizational assessment to improve performance
- Providing standardized customer satisfaction surveys in 17 functional areas

Epilogue

The University has recognized that improved financial and administrative efficiency is essential to ensuring the fiscal sustainability of the University, and that realignment of the University’s administrative costs, structures, and services must coincide with dramatically lower funding. It is investing in and achieving synergies to effect transformational change. Additionally, the University broadly embraces that it continuously improve administrative performance and services through performance improvement initiatives and synergistic collaborations on and among its 23 campuses and the Chancellor’s Office. Today the CSU is at the tipping point of change and is leveraging its resources to achieve sustainability and is exploring and implementing shared services and administrative commonality, and sound business practices in order to meet increasingly demanding performance and service goals placed upon it. Improving financial and administrative efficiency is saving millions of dollars in financial and administrative costs annually.
Current Technology Steering Committee membership includes:

- F. King Alexander, CSU Long Beach
- Jeffrey Armstrong, Cal Poly San Luis Obispo
- Millie Garcia, CSU Fullerton
- Dianne Harrison, CSU Northridge
- Karen Haynes, CSU San Marcos
- Horace Mitchell, CSU Bakersfield
- Eduardo Ochoa, CSU Monterey Bay
- Rollin Richmond, Humboldt State University
- Richard Rush, CSU Channel Islands
- Paul Zingg, CSU Chico

Business and Financial Processes Presidential Synergy Initiative

- Ruben Armiñana, Sonoma State University
- Leroy Morishita, CSU East Bay

Quarter Campuses to Semesters Presidential Synergy Initiative

- James Rosser, CSU Los Angeles
- Jeffery Armstrong, Cal Poly San Luis Obispo