



The Journey to World-Class

Achieving World-Class Performance Finance Benchmark Executive Preview

Presented to:



University of Toledo

Presented by:

The Hackett Group

February 16, 2011

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- University Baseline
- Executive Summary
- Performance Driver Analysis

Benchmark Background and Objectives



The benchmark results should be evaluated in conjunction with IUC's specific requirements

What this benchmark is . . .	What this benchmark is not . . .
A starting point	Not the end answer
Tells us where to focus	Not a detailed analysis of <i>how</i> to redesign our processes
Process based comparison data was scrubbed internally and externally by Hackett	Not an exact match to our departments . . . no benchmarking is
One input to setting targets	Not the only input
A broad look at Finance	Does not cover all aspects of your university's operations

Data was collected in accordance with Hackett's Finance taxonomy

Hackett Process Taxonomy

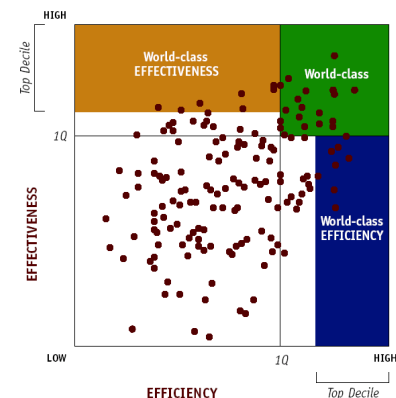
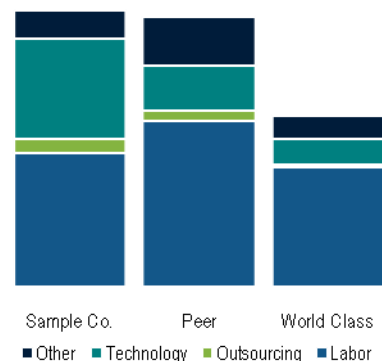
- **Hackett process taxonomy is applied independent of UT's organizational structure** and functional reporting lines, thereby ensuring an **"apples-to-apples" comparison**
- Hackett's Finance taxonomy has four process categories, subdivided in **nine process groups** for which **FTEs, associated labor costs** and **outsourcing costs** are captured
- Additionally, **technology costs and other overhead cost are captured on a functional level**
- Process specific additional costs, also identified as non-labor costs are also captured but will not be used for comparisons

Process Category	Transactional	Control and Risk Management	Planning and Strategy	Management and Administration
Process Group	Cash Disbursements <ul style="list-style-type: none"> Accounts Payable Travel and Expense 	<ul style="list-style-type: none"> Tax Management Treasury Management <ul style="list-style-type: none"> Cash Management Capital and Risk Management Compliance Management 	<ul style="list-style-type: none"> Planning and Performance Management Business Analysis 	<ul style="list-style-type: none"> Function Management
Process	<ul style="list-style-type: none"> Revenue Cycle <ul style="list-style-type: none"> Credit Customer Billing Collections Cash Application Dispute Management Accounting and External Reporting <ul style="list-style-type: none"> Fixed Assets Intercompany Accounting General Ledger Accounting Cost Accounting External Reporting 			

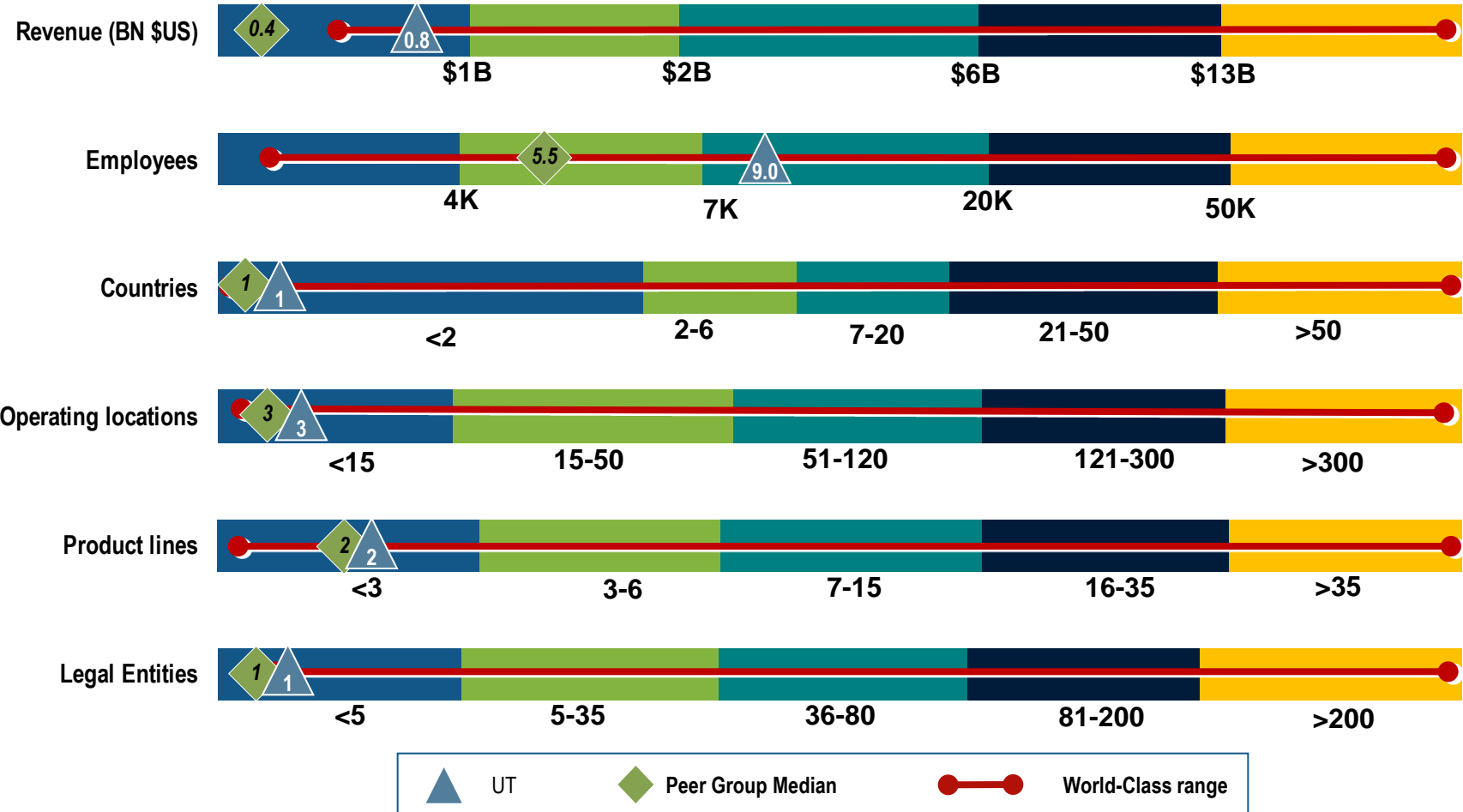
FTEs and costs will be captured at the process group and process level

Hackett Key Metrics

- **Peer Group** – comparisons against median of UT's **IUC member Peers**
- **World-Class** – comparison against the median of the World-Class organizations in the Hackett database. World-Class is determined based on first quartile performance in both efficiency and effectiveness on a function level
- **Top Decile** – this represents the top decile performance level
- **Normalization of benchmark data:** Peer and World-Class data is adjusted to **UT's revenue of \$ 801,094,352**



Finance demographics – IUC Peer



IUC Peer finance participants

- Bowling Green State University
- Central State University
- Cleveland State University
- Kent State University
- Miami University of Ohio
- NEOUCOM
- Ohio University
- Shawnee State University
- University of Akron
- University of Cincinnati
- Wright State University
- Youngstown State University
- Ohio State University

Finance benchmark scope and timeline

Benchmark Scope

- Benchmark covered Finance investment across 19 processes as defined by Hackett
- Information was collected for the entire university
- The benchmark period for which costs, full-time equivalents ("FTEs"), practice related and volume data were collected was fiscal year 2010 (ending June, 2010).

Benchmark Timeline

- Planning:
 - December 2-6, 2010
- Training:
 - December 8-15, 2010
- Data Collection
 - December 8, 2010 – January 7, 2011
- Data Validation:
 - Mid-January to late January 2011
- Executive Preview:
 - February 16, 2011

University Baseline

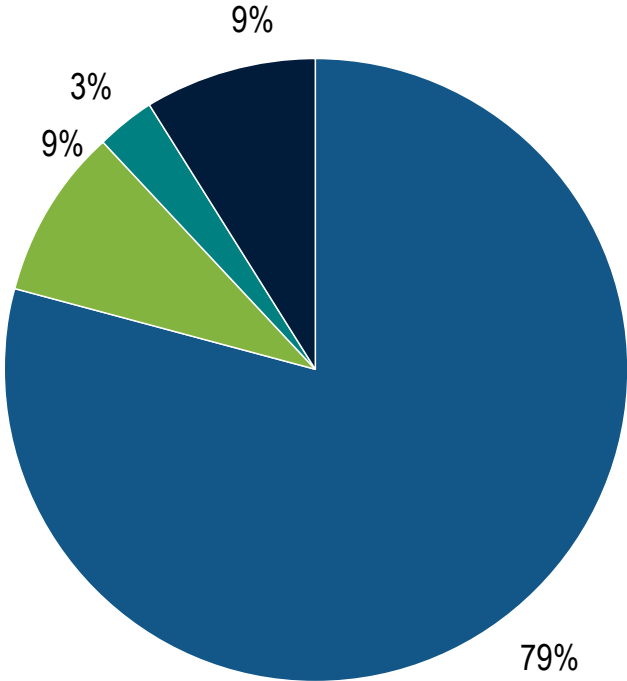


Defining finance costs

Labor Cost	<ul style="list-style-type: none">▪ Labor cost is the cost of providing compensation for full time and part time employees based on a normal work week. Labor cost includes the following: Salaries & wages; Overtime/vacation/sick pay/personal leave; Bonuses/Social Security/Medicare/health; Pension/retirement/savings/403b plans; Bonus plans
Outsourcing Cost	<ul style="list-style-type: none">▪ Outsourcing Costs are external costs associated with the delivery of the process or service. Outsourcing costs are typically fees paid to 3rd party firms to manage a process or activity. Examples include strategic consulting, process level consulting, manual data entry, or other activities in which your organization receives support within a process but has limited to no visibility into the supporting tools utilized by the third party or the number of staff involved.
Technology	<ul style="list-style-type: none">▪ Technology costs include the cost of providing computer processing software, hardware and Management Information Services (MIS) to the organization for the given processes. Technology costs also include all labor related charges associated with the development and ongoing support of systems and software applications for this function.
Other Cost	<ul style="list-style-type: none">▪ Other costs are the non-labor costs normally required to support the in scope staff and its operations. Other cost includes: facilities and overhead costs (e.g., rent, building depreciation, utilities, etc. Typically allocated by head count or by square footage); travel and travel-related expenses; annual training cost for the in scope staff; other cost (e.g., supplies, magazines, memberships, postage, etc.) for the in scope staff.

UT's baseline finance cost is \$10.9 million

Total Cost = \$10.96 Million



Revenue = \$0.8 Billion

- Other cost – \$0.98 Million**
 - Facilities & Overhead
 - Travel
 - Training
 - Other (Supplies, subscriptions, etc.)

- Technology cost – \$0.34 Million**
 - Computer processing
 - Maintenance

- Outsourcing cost – \$0.98 Million**
 - Outside services

- Labor cost – \$8.67 Million**
 - Wages (full-time and part-time)
 - Overtime and bonuses
 - Taxes and fringe benefits

**Process Cost:
\$9.64 Million**

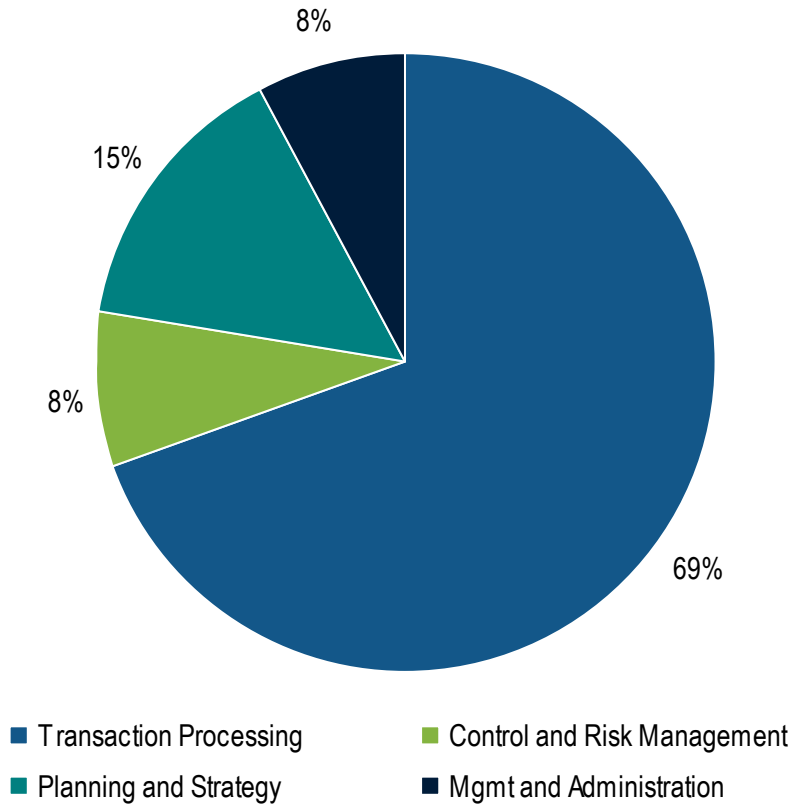
* Total cost excludes Other Non-labor Process Cost for comparability to benchmark database.

Defining staffing (FTEs) and staff mix

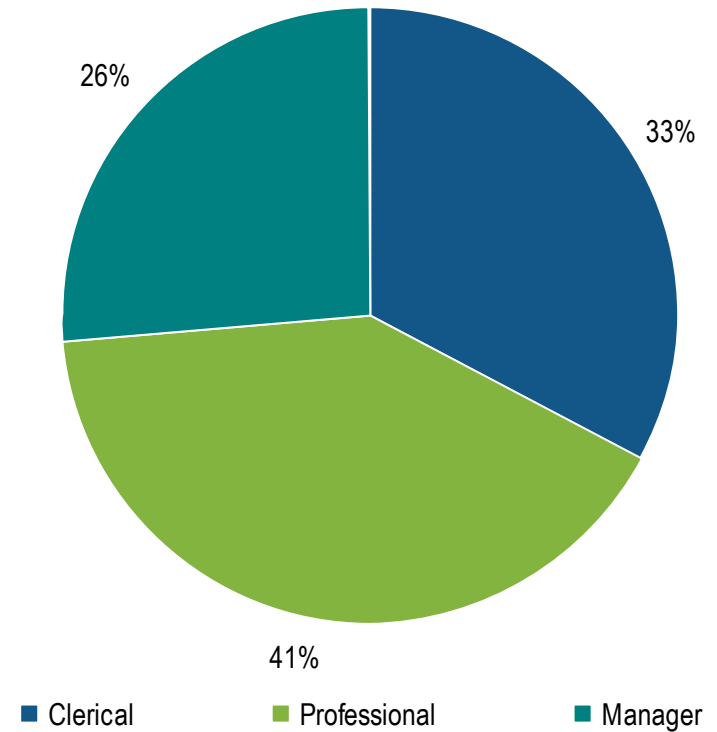
FTE	<ul style="list-style-type: none">▪ A full time equivalent ("FTE") is based on a regular work week, typically 40 hours. An employee that works 20 hours a week would be a .5 FTE. However, anyone working more than 40 hours is still just one FTE. Overtime hours are excluded. FTEs can only be captured in increments of 10%. Include independent contractors in the determination of headcount (and fully loaded labor cost) if they are actively managed (i.e., defined work hours or productivity levels).
Manager	<ul style="list-style-type: none">▪ Managers are persons primarily responsible for leading a department (or a number of departments) and performing oversight, planning, administrative and personnel functions. A manager is any person that directly supervises staff. Exclude those employees that may have a manager title but do not have any staff reporting to them or performance management responsibility for another employee.
Professional	<ul style="list-style-type: none">▪ Professionals are persons primarily performing analytical and technical functions. They work in highly-skilled positions, are normally considered professionals, and are typically exempt from overtime. Professionals are typically degreed and may hold certifications. Persons holding a managerial title but having no supporting staff should be considered as professional.
Clerical	<ul style="list-style-type: none">▪ Clericals are persons primarily performing routine data entry, filing, typing and other related administrative tasks. These persons typically work in hourly positions that are normally eligible for overtime.

Most of UT's FTEs are processing transactions; 41% of finance staff are classified as 'Professional'

Resource Allocation



Staff Mix

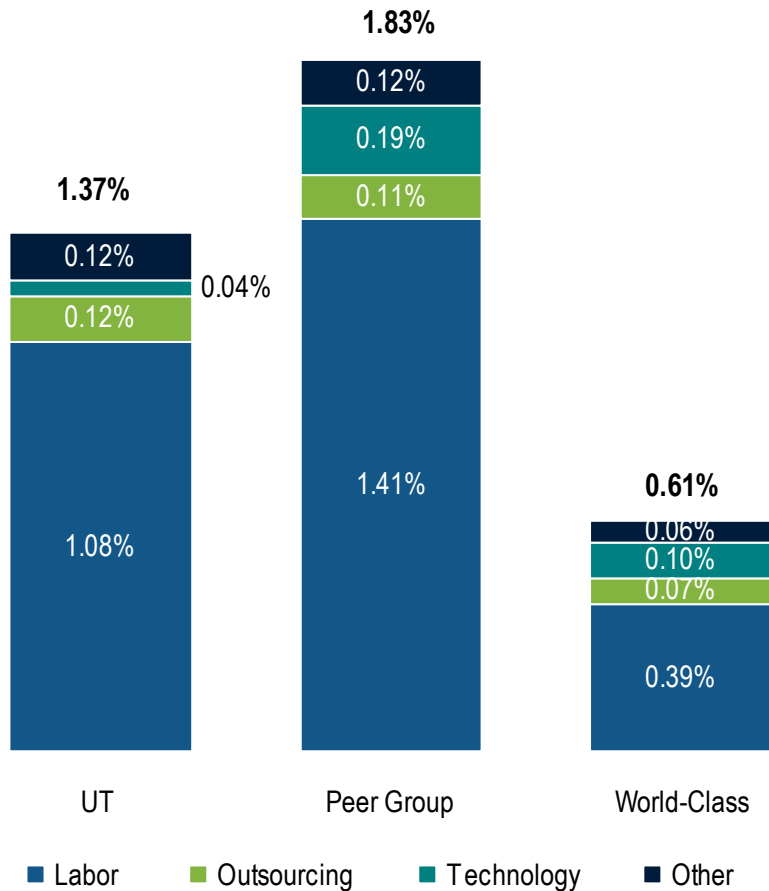


Executive Summary

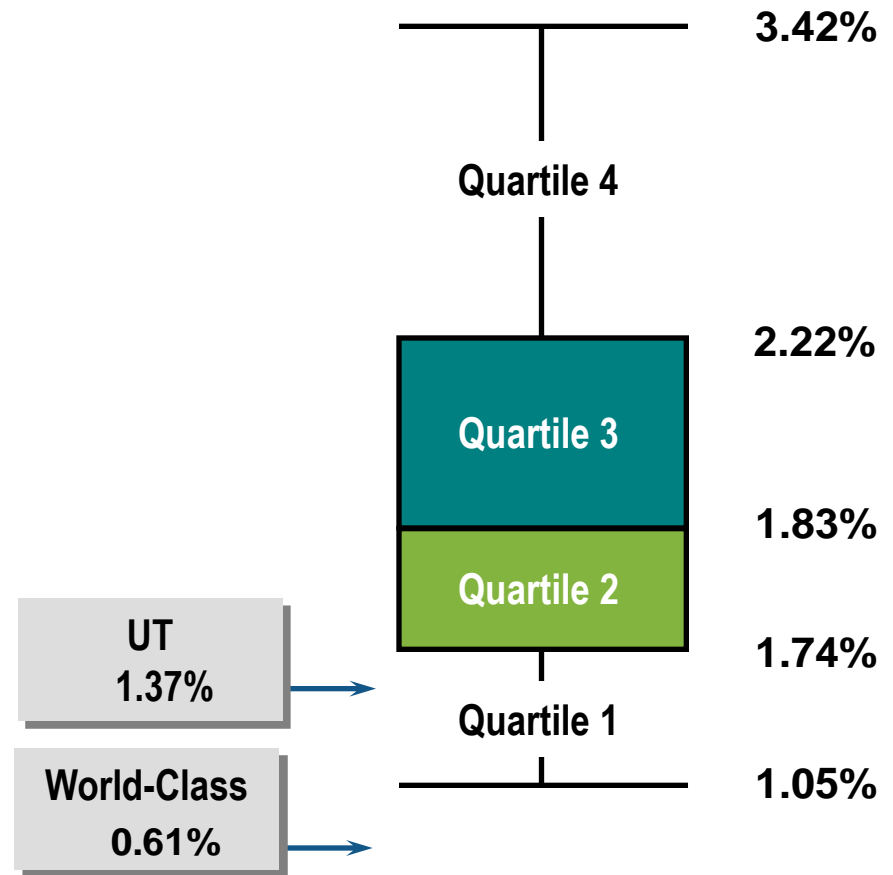


UT's lower process cost is driving it to 1st quartile cost as a percent of revenue amongst peers

Finance Cost as a % of Revenue



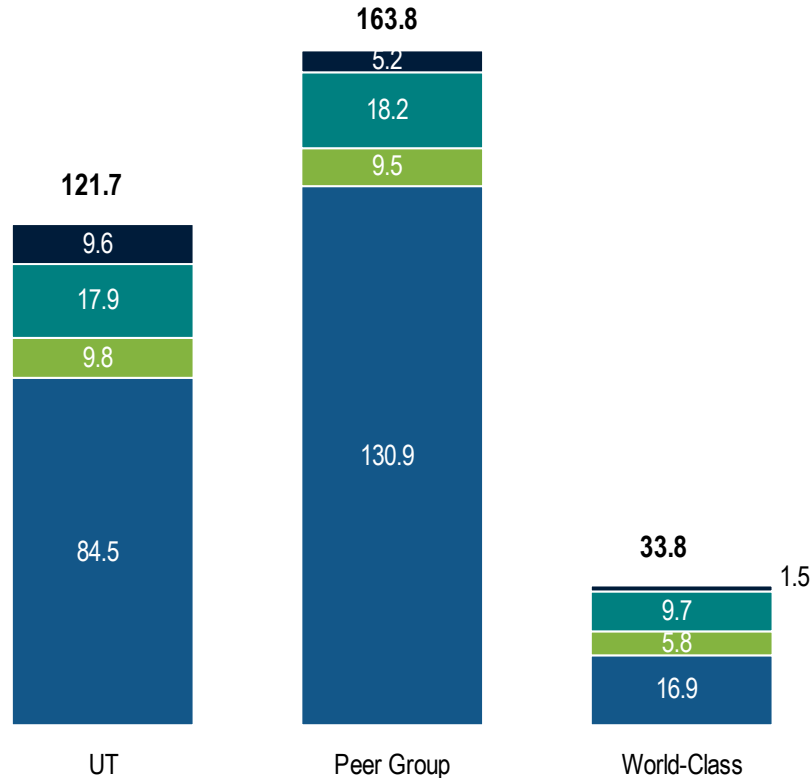
Quartile Breakdown as a % of Revenue



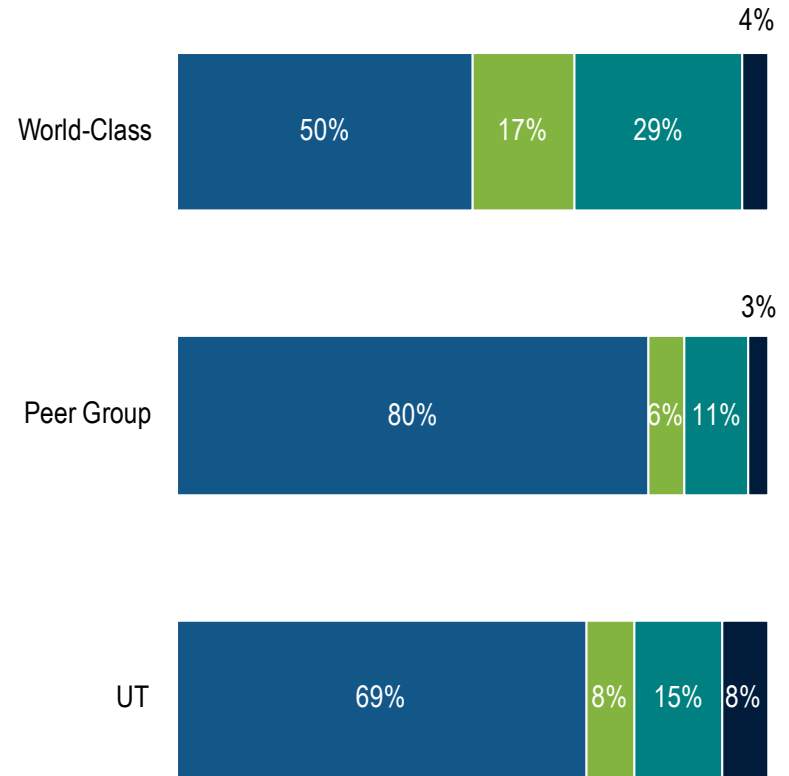
UT uses 35% fewer FTEs to process transactions compared to peer

Finance Staffing (FTEs)

Peer Group and World-Class Normalized based on Revenue



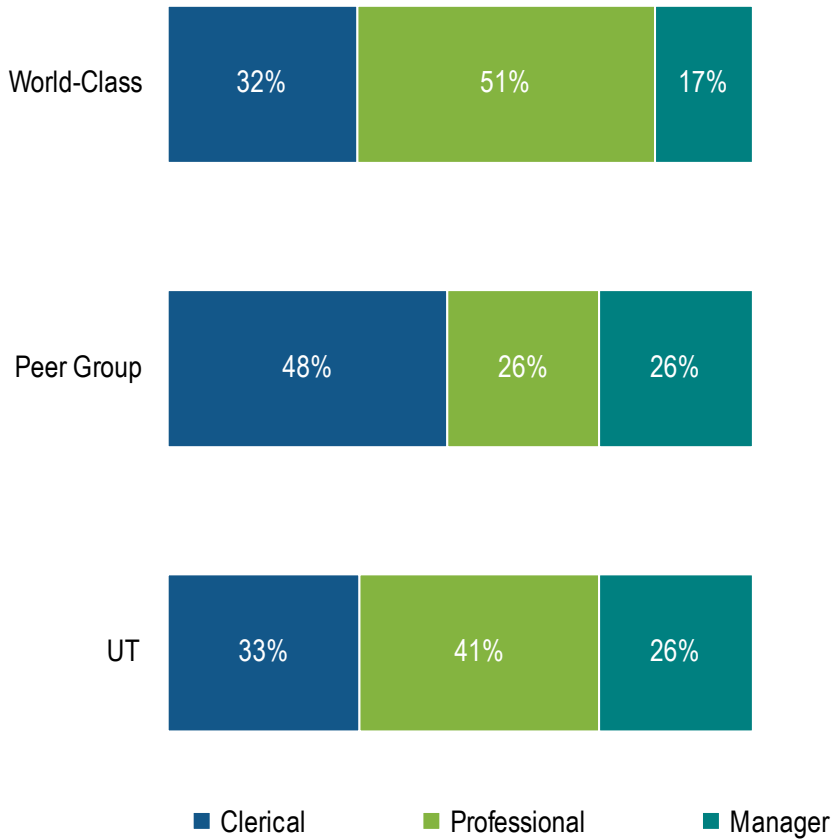
Finance Resource Allocation



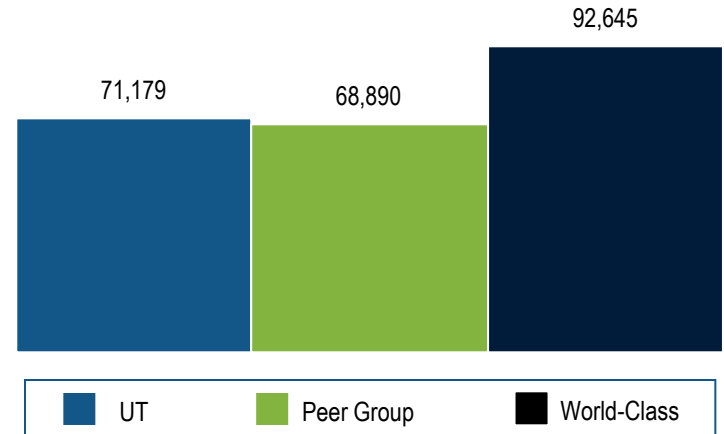
■ Transaction Processing
 ■ Control and Risk Management
 ■ Planning and Strategy
 ■ Management and Administration

41% of staff are classified as 'Professional' despite higher focus on transaction process activities

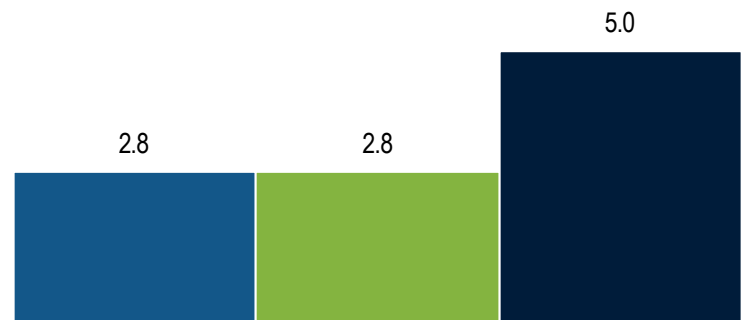
Staff Mix



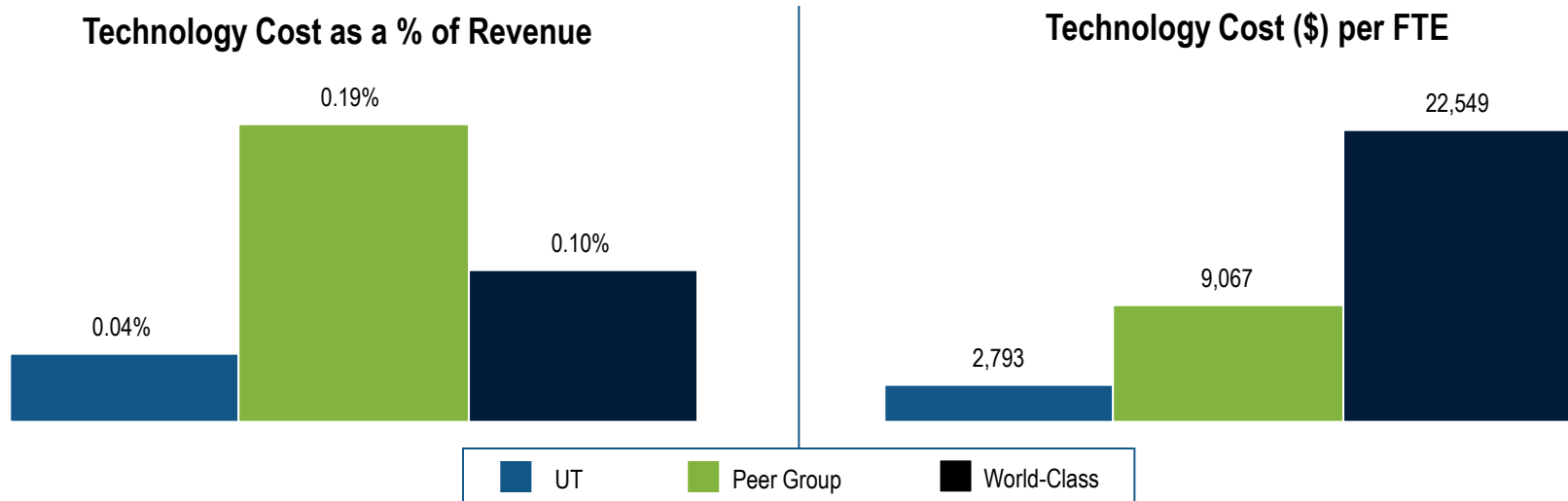
Average Fully Loaded Labor Cost (\$) per FTE



Number of Staff to Managers (Span of Control)



Technology investment is a fraction of the peer group especially on a "per FTE" basis

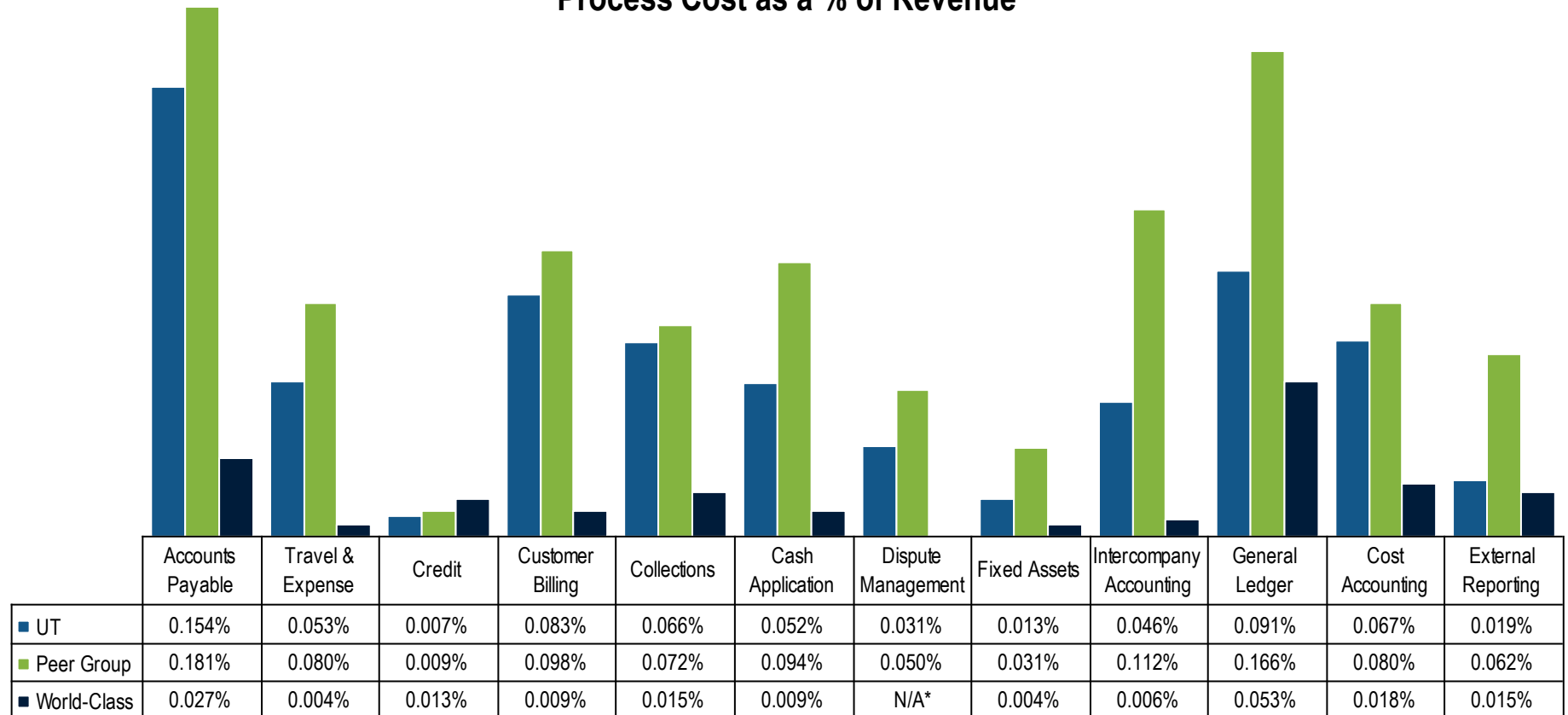


Performance Driver Analysis



Lower staffing levels are contributing to UT's lower transaction processing costs in comparison to peer

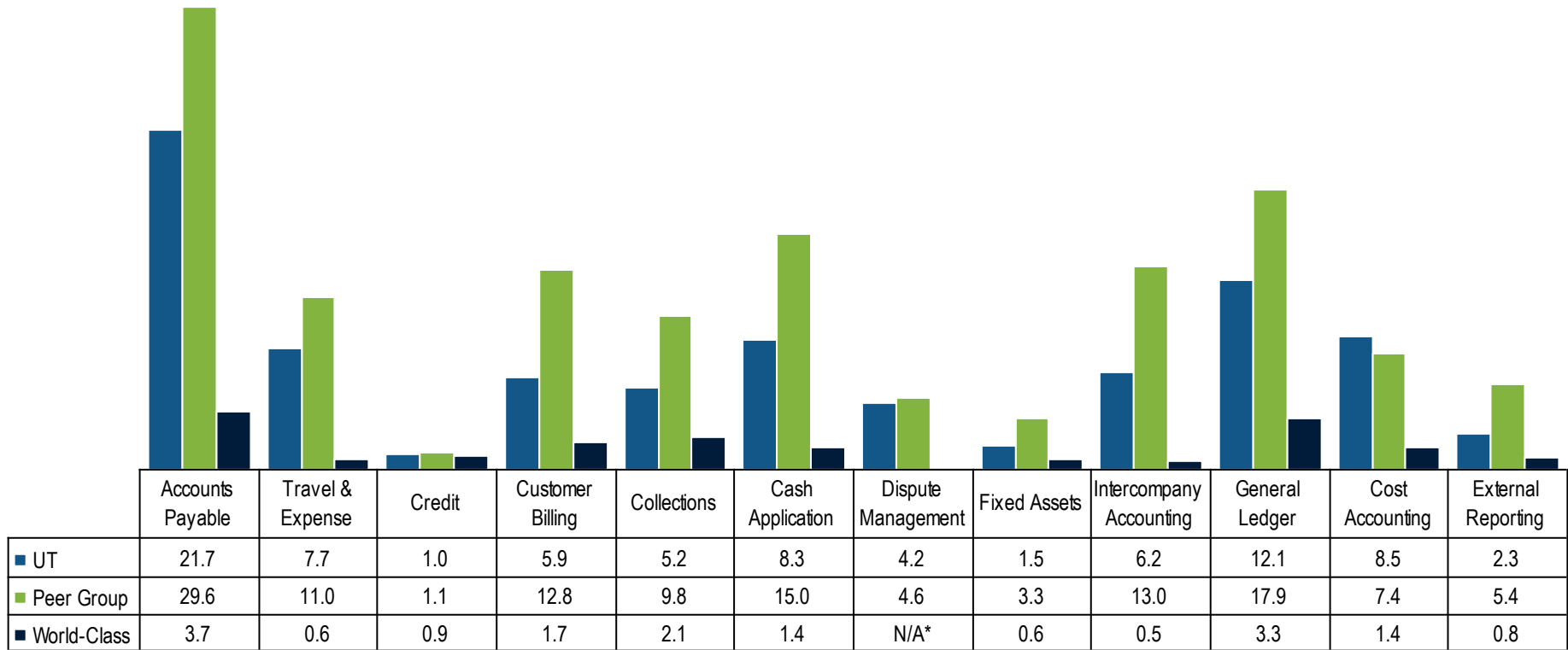
Process Cost as a % of Revenue



* World-Class comparison not available for this metric

UT has leverages fewer FTE's to support most transaction processes

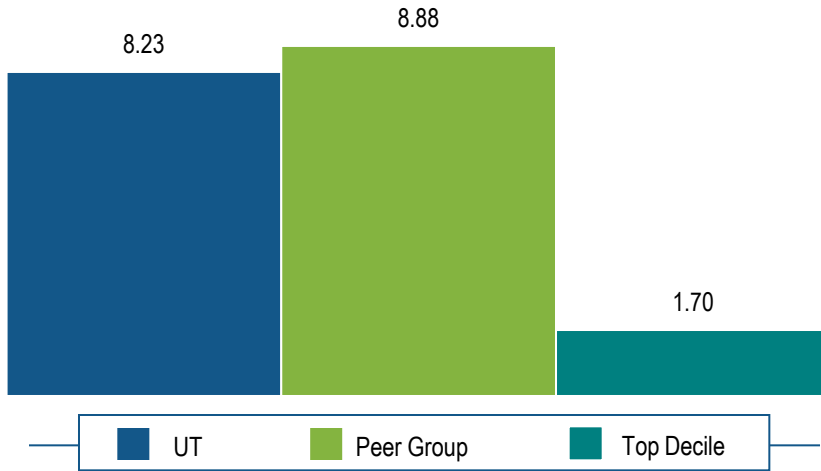
Transaction Processing FTEs per UT's Revenue



* World-Class comparison not available for this metric

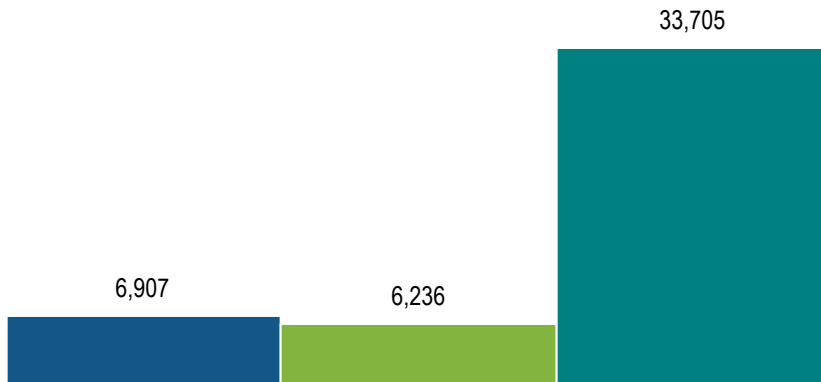
Manual procedures are likely causing extended cycle times and high error rates

A/P Cost (\$) per Invoice



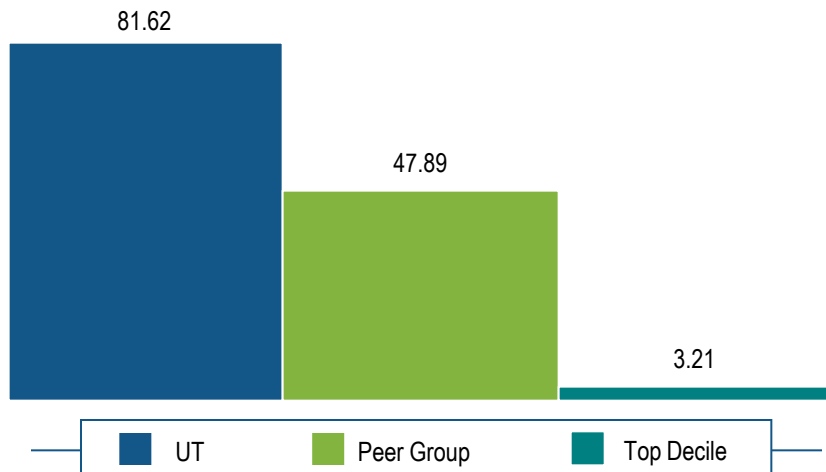
Accounts Payable Best Practices	UT	Top Decile
AP policies and procedures are standardized across business units	Medium	High
Percent supplier/vendor transactions automated	10%	73%
Accounts Payable cycle time	12 days	2 days
Accounts Payable invoices error rate	15%	1%

A/P Invoices per FTE



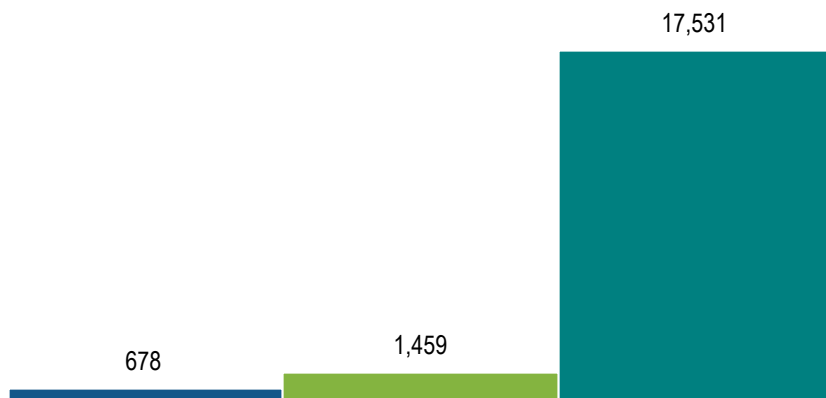
Travel and Expense is a completely manual process with low productivity and high error rates

T&E Cost (\$) per Transaction



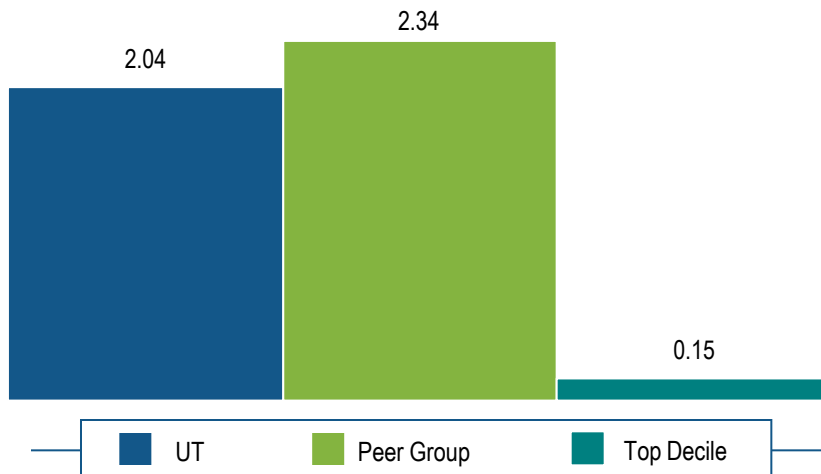
Travel and Expense Best Practices	UT	Top Decile
Percent T&E transactions automated	0%	100%
Expense reports requiring correction	30%	1%

T&E Reports per FTE



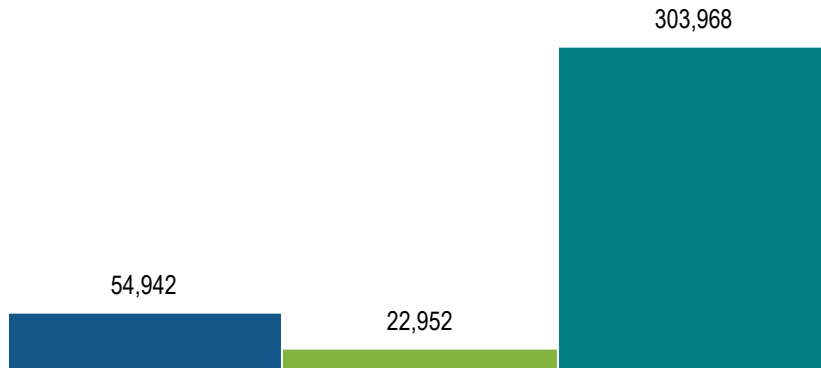
Billing is 100% automated; productivity is higher compared to peer with slightly lower transaction costs

Customer Billing Cost (\$) per Transaction



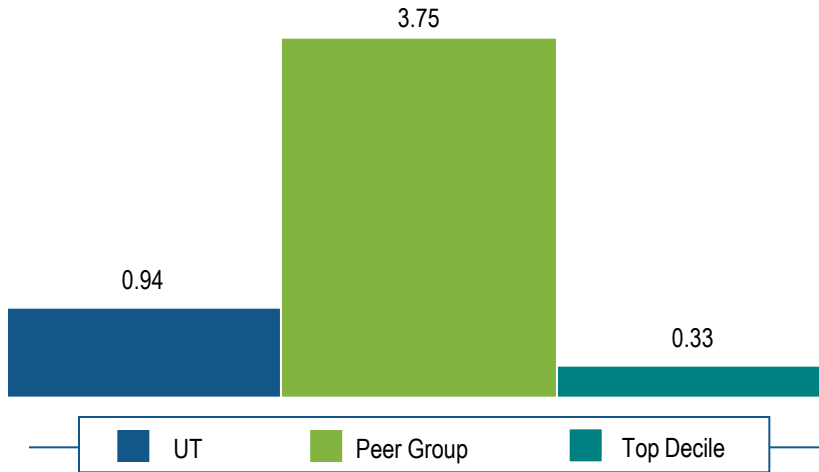
Customer Billing Best Practices	UT	Top Decile
Percent billing transactions automated	100%	100%
Billing cycle time	10 days	1 day
Occurrence of billing errors	2%	1%

Customer Bills per FTE

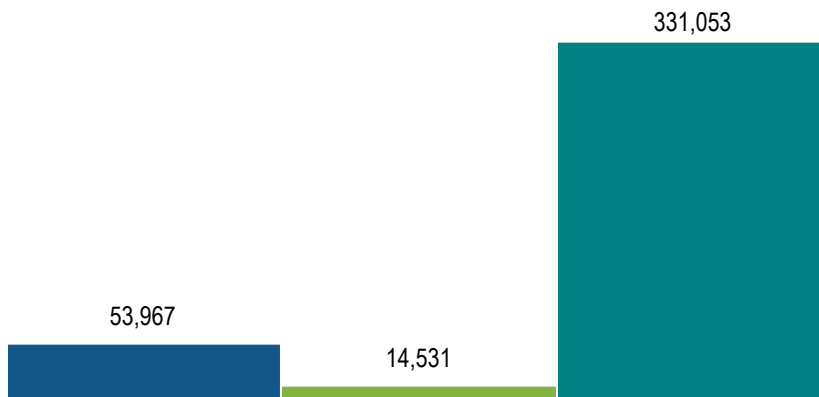


UT is leveraging a high number of electronic remittances to drive productivity

Cash Application Cost (\$) per Remittance

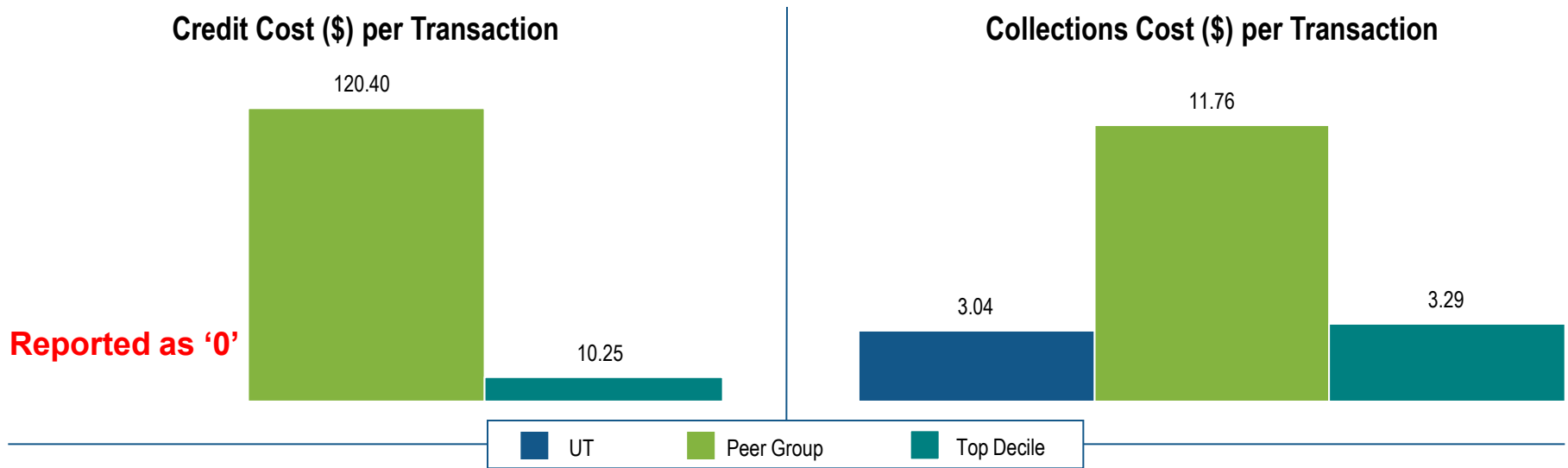


Cash Application Remittances per FTE



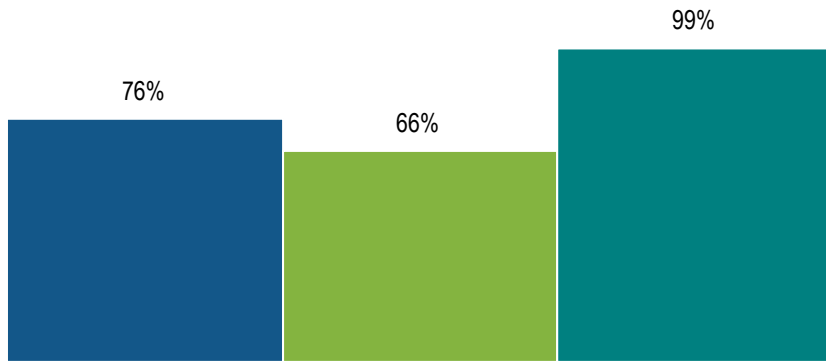
Cash Application Best Practices	UT	Top Decile
Cash application policy/ procedure standardization	Medium	High
Percent electronic cash remittances	84%	98%
Average time to apply cash	1 day	1 day
Automatic cash application rate	50%	93%

No credit reviews were reported; cost per collection contact is on par with top performers

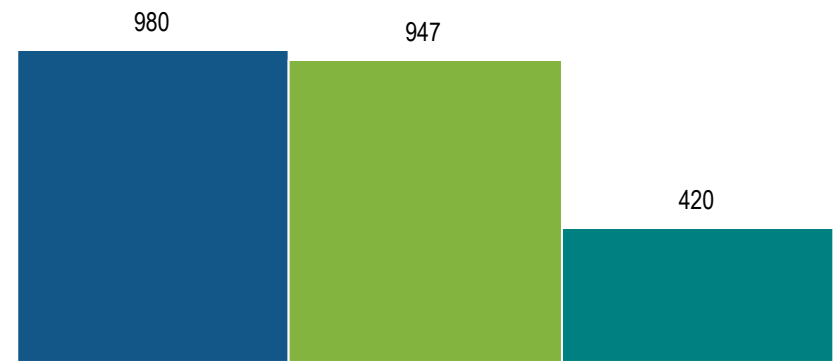


A reduction in manual journal entries could shorten the close process

Percent Automated Journal Entries

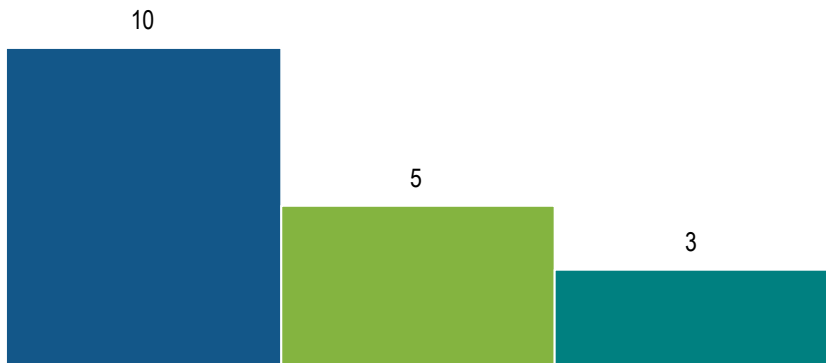


Active General Ledger Accounts



■ UT ■ Peer Group ■ Top Decile

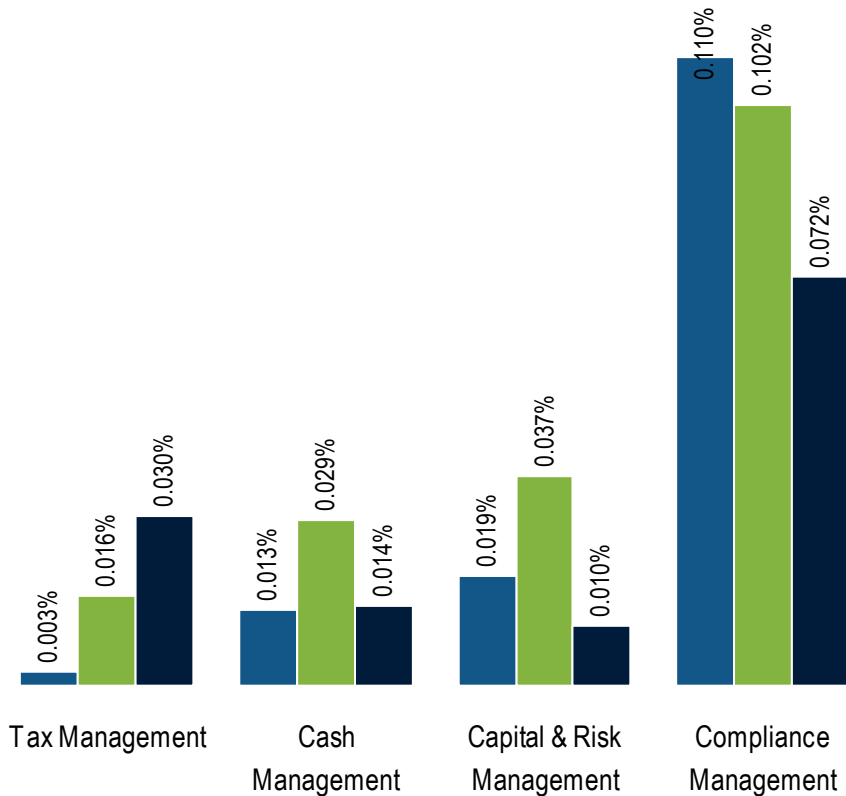
General Accounting: Days to Close



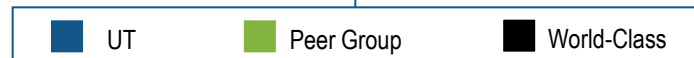
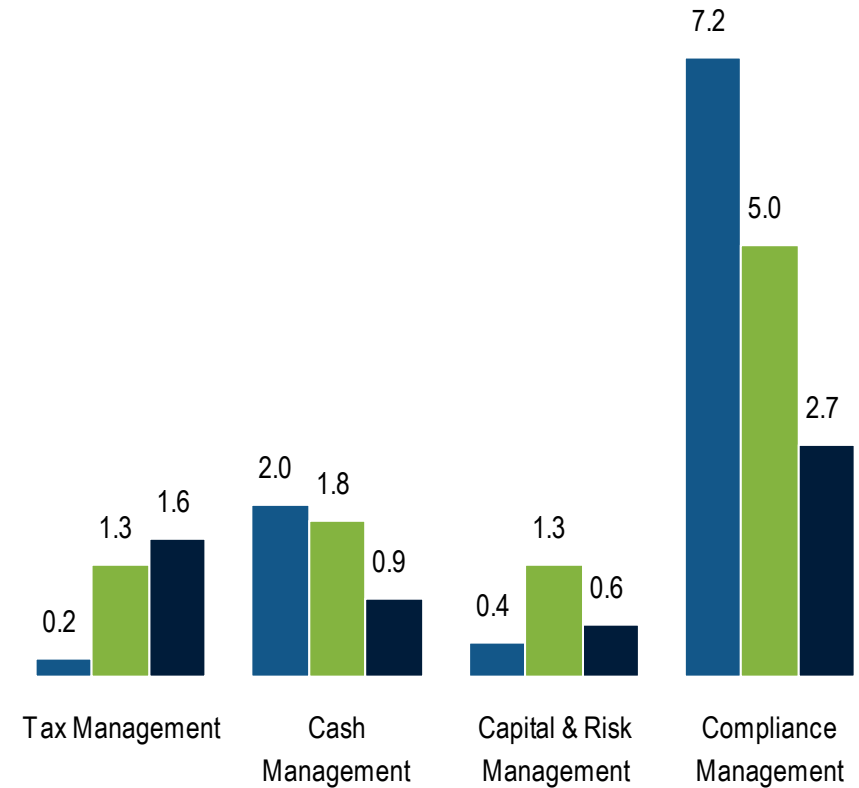
Accounting and External Reporting Best Practices	UT	Top Decile
Extent policies and procedures for general accounting are standardized across units	Medium	High

UT's Control and Risk Management FTEs are similar to peer

Process Cost as a % of Revenue

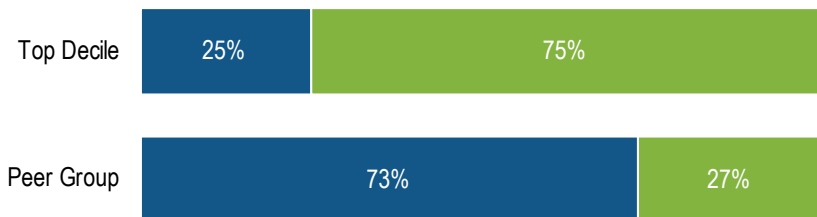


FTEs at UT's Revenue



There is limited activity in Tax Management at UT

Allocation of Analyst Time for Tax Reports



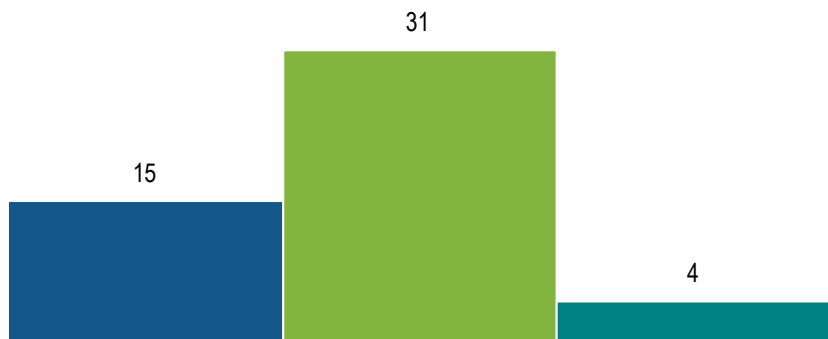
UT **Marked N/A**

■ Collecting / Compiling Data ■ Analyzing Information

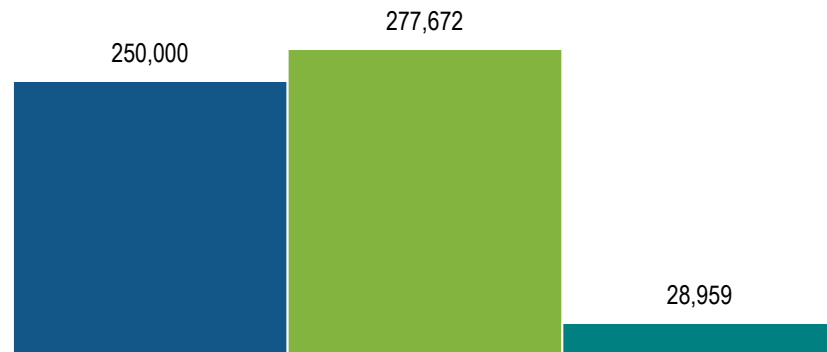
Tax Management Best Practices	UT	Top Decile
Up front involvement of tax staff in providing counseling services on new business opportunities	N/A	High

UT uses fewer accounts and leverages automation for Cash Management

Bank Accounts per UT's Revenue

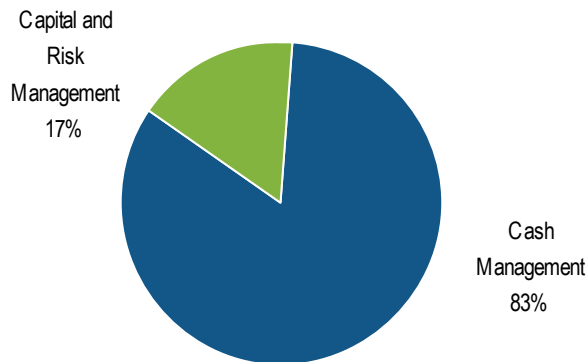


Annual Gross Banking Fees (\$) per UT's Revenue



■ UT ■ Peer Group ■ Top Decile

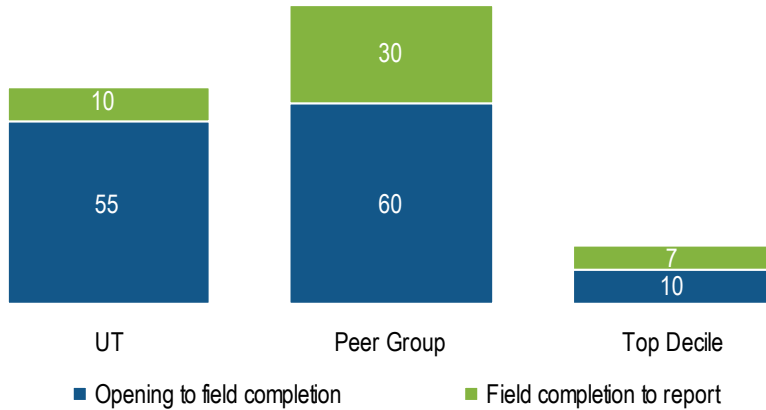
Treasury Management FTE Distribution



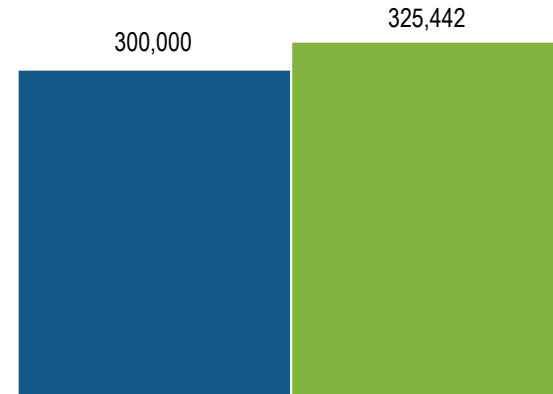
Cash Management Best Practices	UT	Top Decile
Percent of cash transactions automated through electronic linkages of local and remote sites	90%	100%

UT has shorter audit cycle times

Elapsed Time in Days

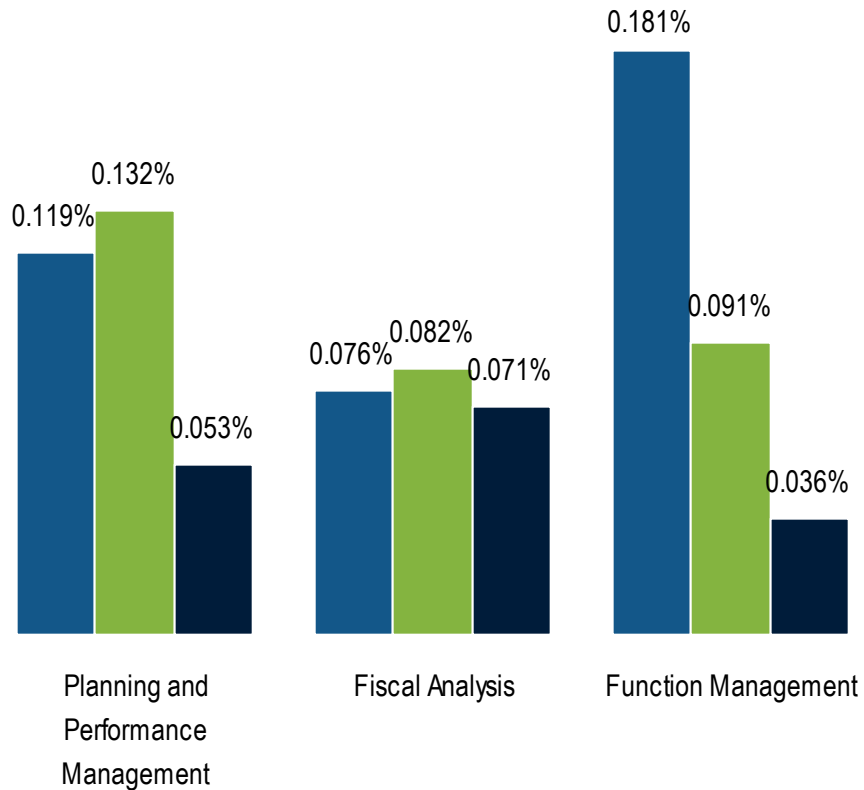


External Audit Fees per UT's Revenue (\$)

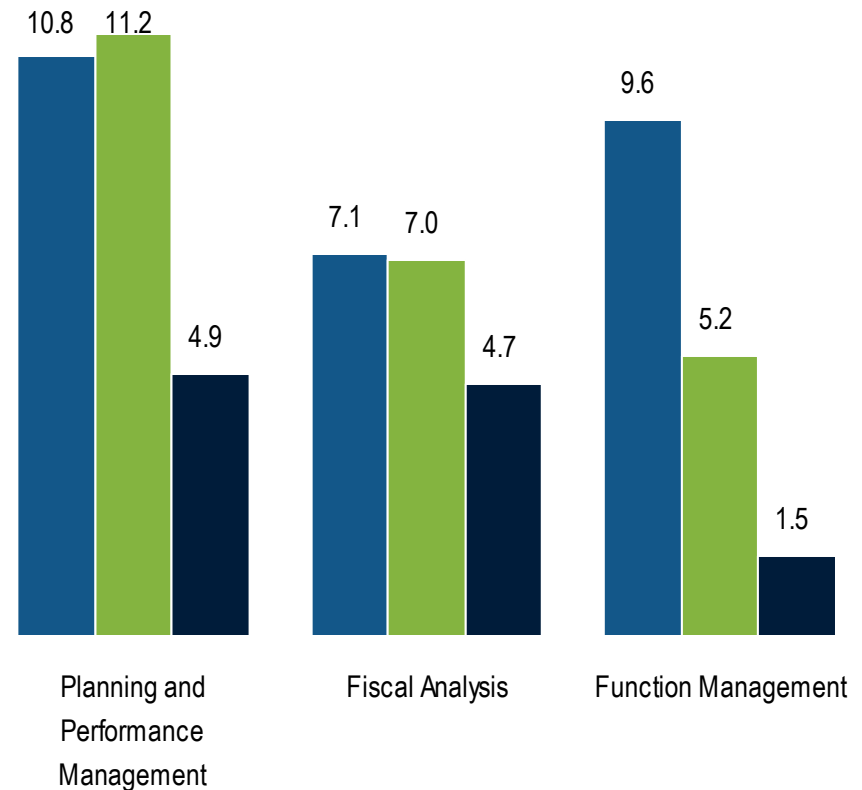


UT has a higher level of FTEs within Function Management

Process Cost as a % of Revenue

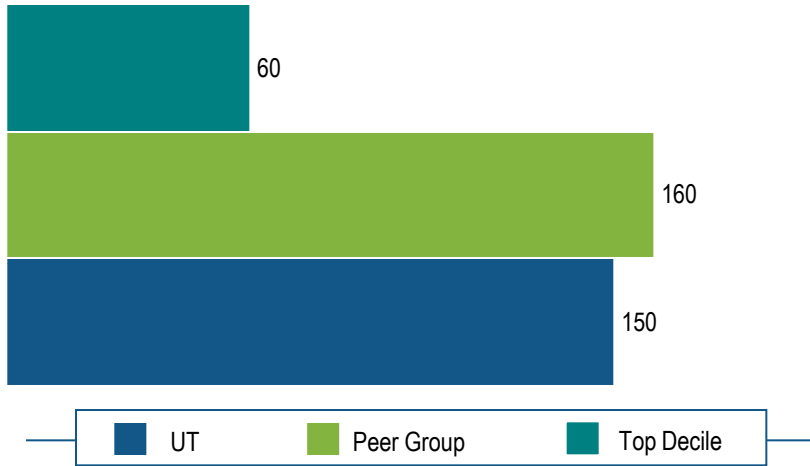


FTEs at UT's Revenue

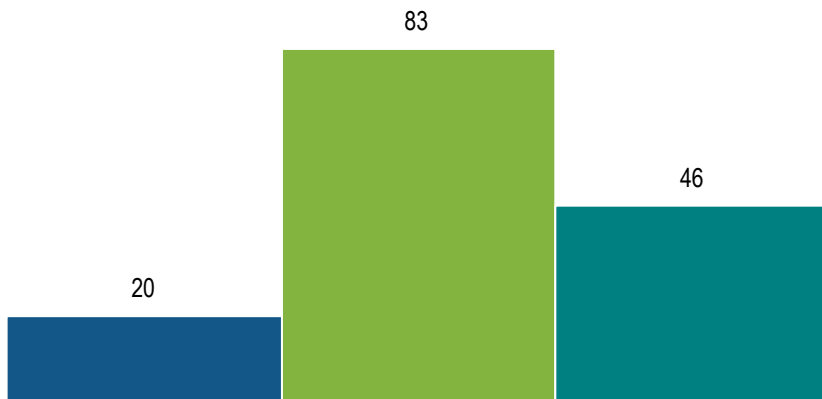


UT has a simplified budget template and leverages an online tool

Days to Complete the Budget



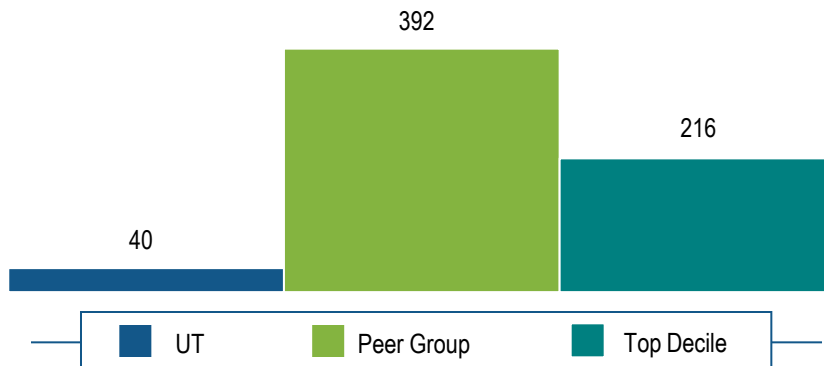
Number of Line Items in the Budget



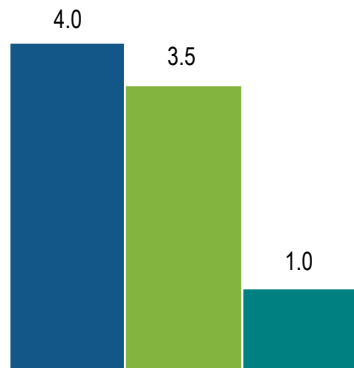
Budgeting and Planning Best Practices	UT	Top Decile
PC Spreadsheets used as a stand-alone budgeting application	Medium	Low
Budgeting self-service	90%	100%

Although there are a low number of reports, high reliance on spreadsheets may be extending cycle times

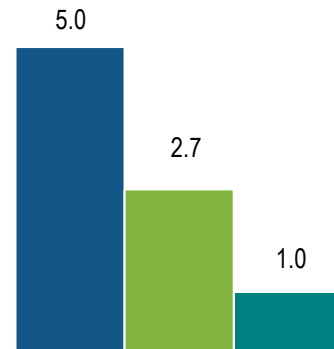
Monthly, Quarterly, and Annual Performance Reports Issued (Normalized to UT's Revenue)



Days to Report Key Operating Results to Management



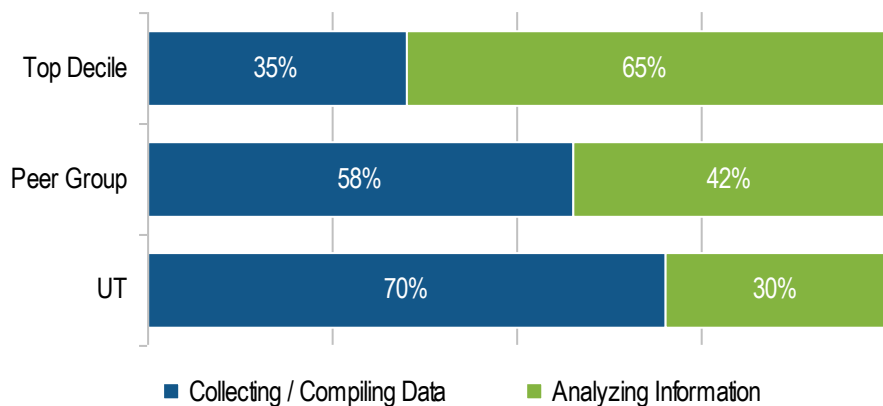
Days to Prepare Ad Hoc Reports



Planning Best Practices	UT	Top Decile
Management reports created using PC spreadsheets as primary application	100%	50%
Reports distributed electronically	0%	92%

More time is spent on collecting data than analysis

Allocation of Analysts' Time for Standard Reports



Best Practices in Information Delivery	UT	Top Decile
Analysis staff is experienced in both finance and operations	70%	75%
Analysts with skill set and business acumen to partner with operations	75%	86%

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