



World-Class Defined

Achieving World-Class Performance Finance Benchmark Results Executive Briefing

Presented to:



THE UNIVERSITY
of NORTH CAROLINA
at CHAPEL HILL



UNIVERSITY of VIRGINIA

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The Hackett Group

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Strategy and Benchmark Objectives

- Establish a baseline for the Finance function
- Understand the effectiveness of the Finance function
- Review cost and staffing levels compared to peers and World-Class organizations
- Leverage benchmark findings to continue progress already made within the Finance function

Benchmark Results Should be Evaluated in Conjunction With the Specific Requirements of Higher Education Organizations

What this benchmark is . . .	What this benchmark is not . . .
A starting point	Not the end answer
Tells you where to focus	Not a detailed analysis of <i>how</i> to redesign your processes
Process based comparison data was scrubbed internally and externally by Hackett	Not an exact match to your 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 organization's operations

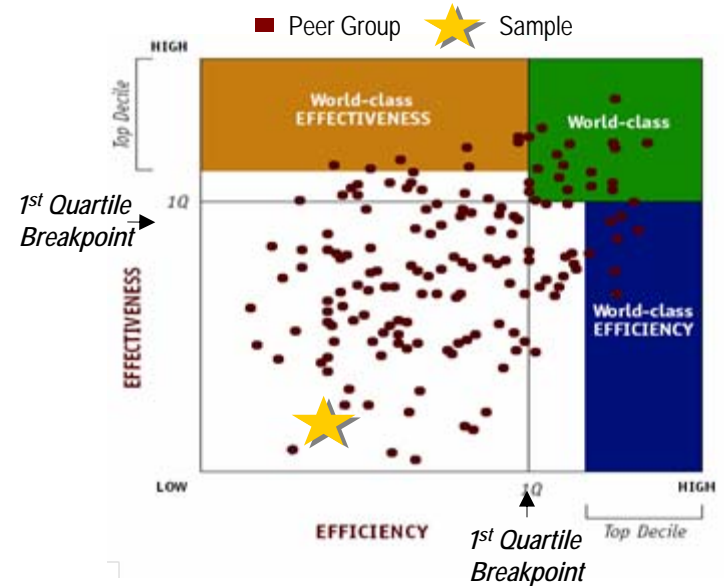
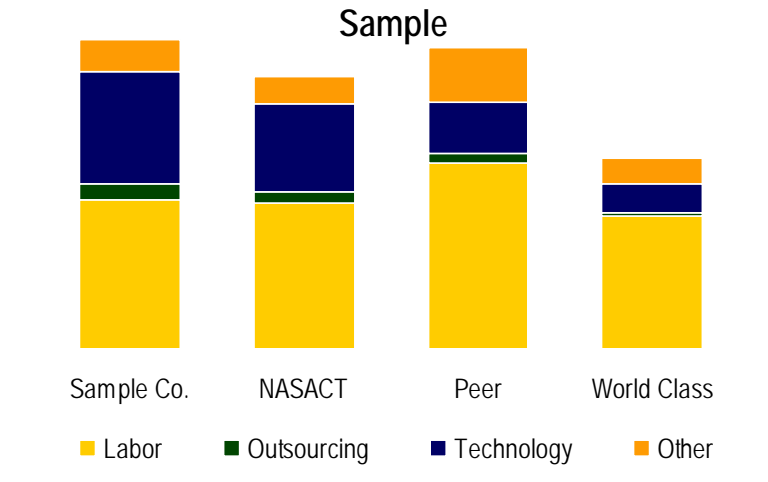
Data was Collected in Accordance with Hackett's Finance Taxonomy

Transactional	Control and Risk Management	Planning and Strategy	Management and Administration
<ul style="list-style-type: none"> ▪ Cash Disbursements <ul style="list-style-type: none"> - Accounts Payable - Travel and Expense ▪ Revenue Cycle <ul style="list-style-type: none"> - Credit - Customer Billing - Collections - Cash Application ▪ Accounting and External Reporting <ul style="list-style-type: none"> - Fixed Assets - Intercompany Accounting - General Ledger Accounting - Cost Accounting - External Reporting 	<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

Note:
 FTEs and Costs were collected in accordance to Hackett's finance process definitions. Staffing, cost and volume information is "directionally correct" and represents relevant finance activity in increments of 10% or more within the organization.

We Compared UNC Chapel Hill/UVA to Several Key Hackett Metrics

- **Peer Group Median** - this comparison is against UNC Chapel Hill's and UVA's peer group of small consolidated organizations
- **NASACT Median** - this comparison is against the States that have participated in the Hackett Finance benchmark through the NASACT program
- **World-Class** - this represents the median of the World-Class organizations in the Hackett database (World-Class was determined based on first quartile performance in both efficiency and effectiveness)
- Normalization of benchmark data: peer & World-Class data is adjusted to "drivers" at:
 - UNC: Operating Budget/Revenue (\$2.06 billion)
 - UVA: Operating Budget/Revenue (\$1.83 billion)
- Effectiveness and efficiency scores are mapped to Hackett Value Gridssm
- **1st Quartile** - this represents a specific organization at the 25th percentile
- **Top Performer** - this represents the top decile performance level for a specific best practice



Hackett Insights are Based on Work With 2,700 of the World's Leading Companies

97%
of the Dow
Jones
Industrials

73%
of the Fortune 100

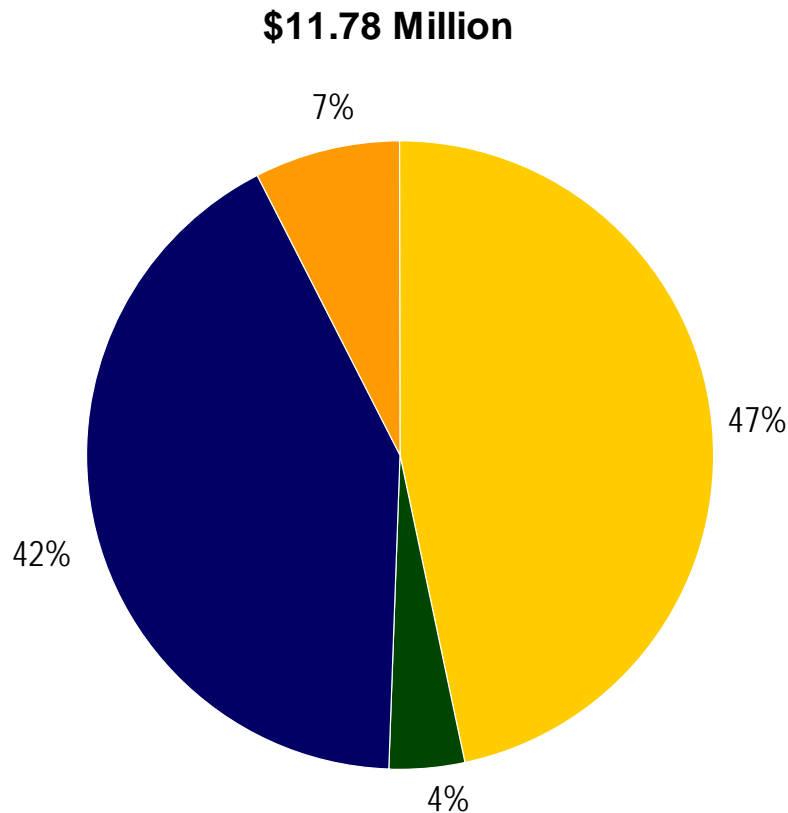
88%
of the Dow
Jones Global
Titans

73%
of the DAX 30

45%
of the FTSE 100



UNC Chapel Hill's Baseline Finance Cost* is \$11.78 Million, Which Represents 0.57% of Operating Budget/Revenue



Operating Budget/Revenue = \$2.06 Billion

Other cost – \$0.88 Million

- Facilities & Overhead
- Travel
- Training
- Other (Supplies, subscriptions, etc.)

Technology cost – \$4.95 Million

- Computer processing
- Maintenance

Outsourcing cost – \$0.45 Million

- Outside services

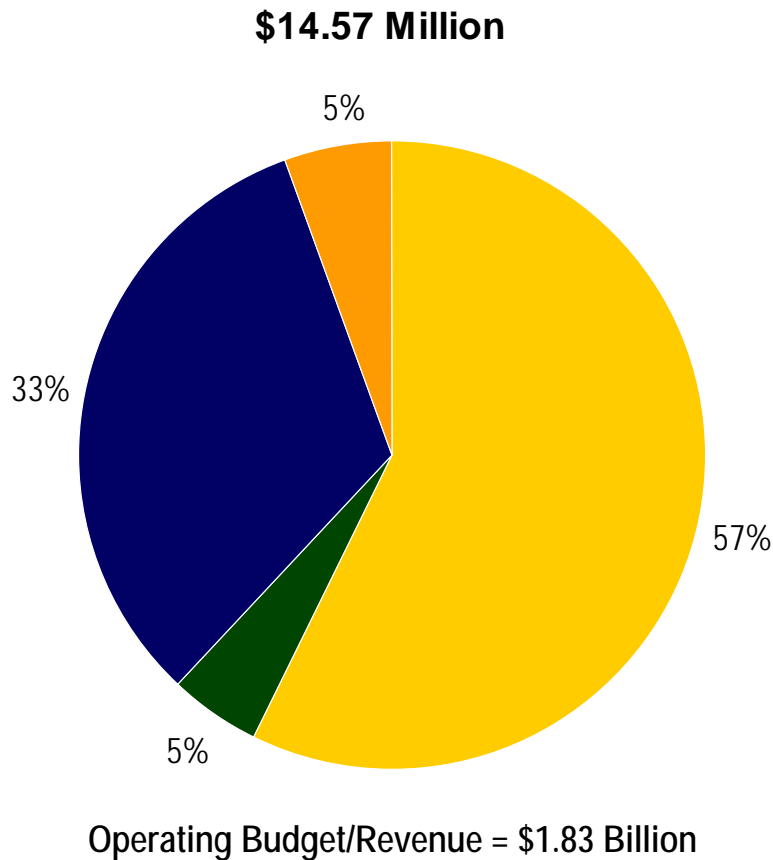
Labor cost – \$5.5 Million

- Wages (full-time and part-time)
- Overtime and bonuses
- Taxes and fringe benefits

Process Cost:
\$5.95 Million

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

Univ of VA's Baseline Finance Cost* is \$14.6 Million, Which Represents 0.80% of Operating Budget/Revenue



Other cost – \$0.79 Million

- Facilities & Overhead
- Travel
- Training
- Other (Supplies, subscriptions, etc.)

Technology cost – \$4.76 Million

- Computer processing
- Maintenance

Outsourcing cost – \$0.67 Million

- Outside services

Labor cost – \$8.35 Million

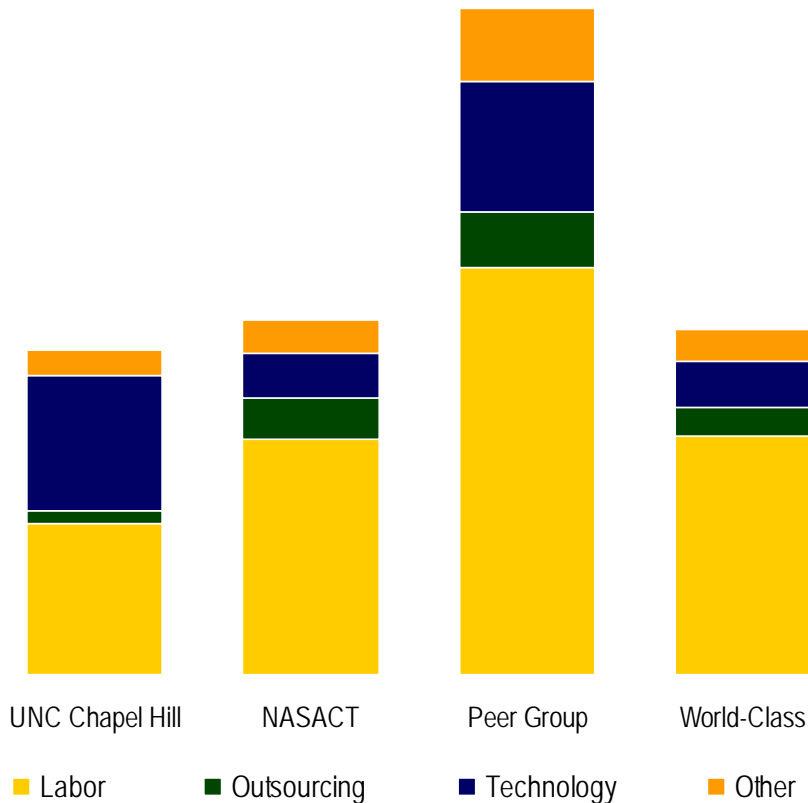
- Wages (full-time and part-time)
- Overtime and bonuses
- Taxes and fringe benefits

Process Cost:
\$9.02 Million

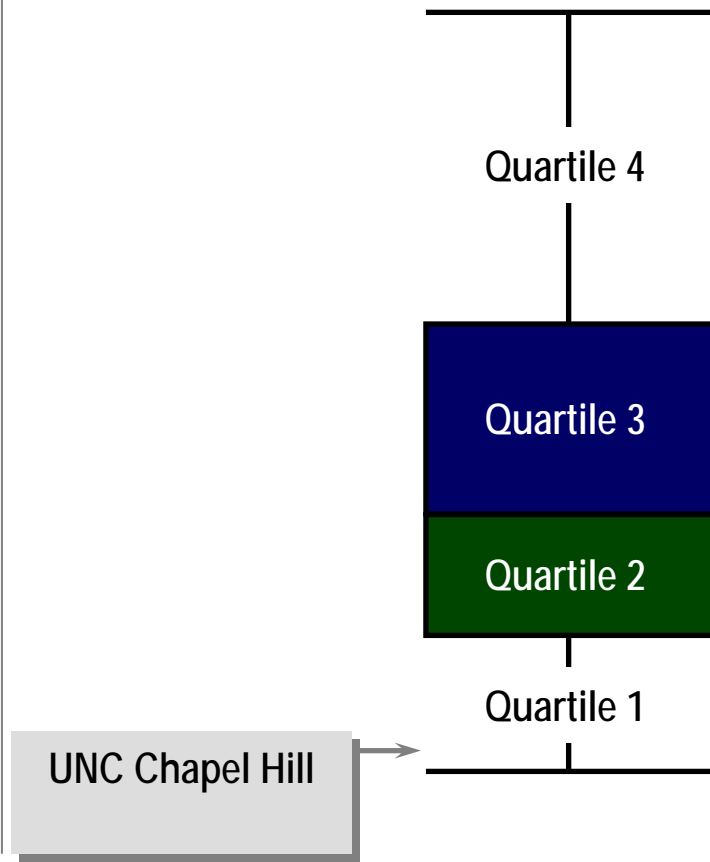
* Total cost excludes Other Non-labor Process Cost for comparability to benchmark database.

Finance Cost as a Percent of Operating Budget/Revenue Places UNC Chapel Hill in First Quartile on a Pure Cost Basis

Finance Cost as a % of Operating Budget/Revenue

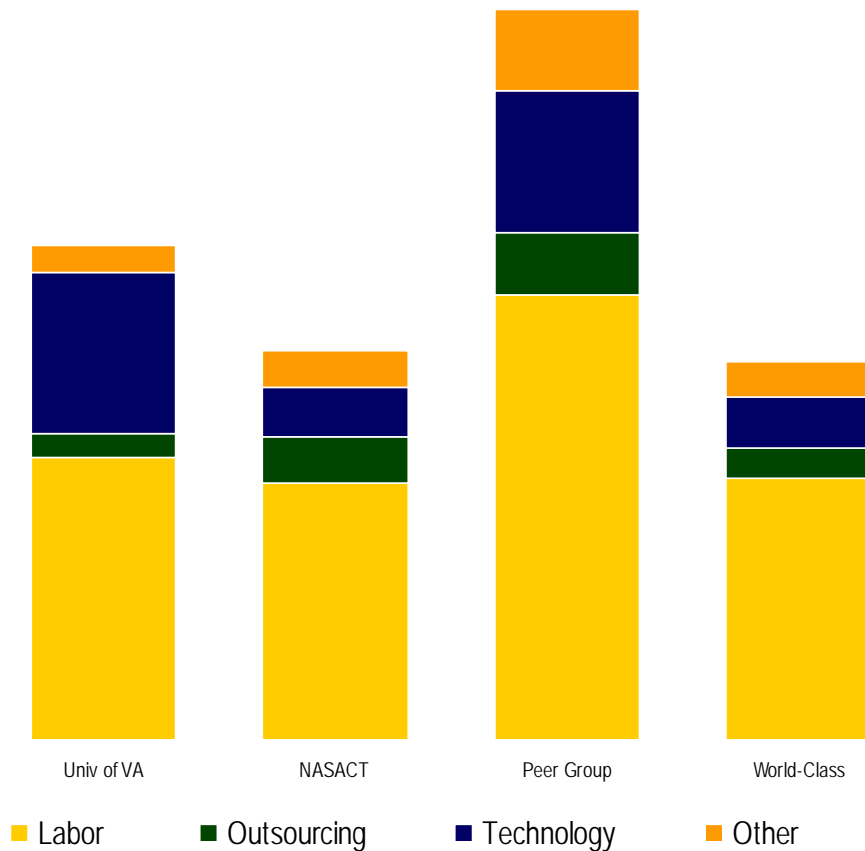


Quartile Breakdown as a % of Operating Budget/Revenue

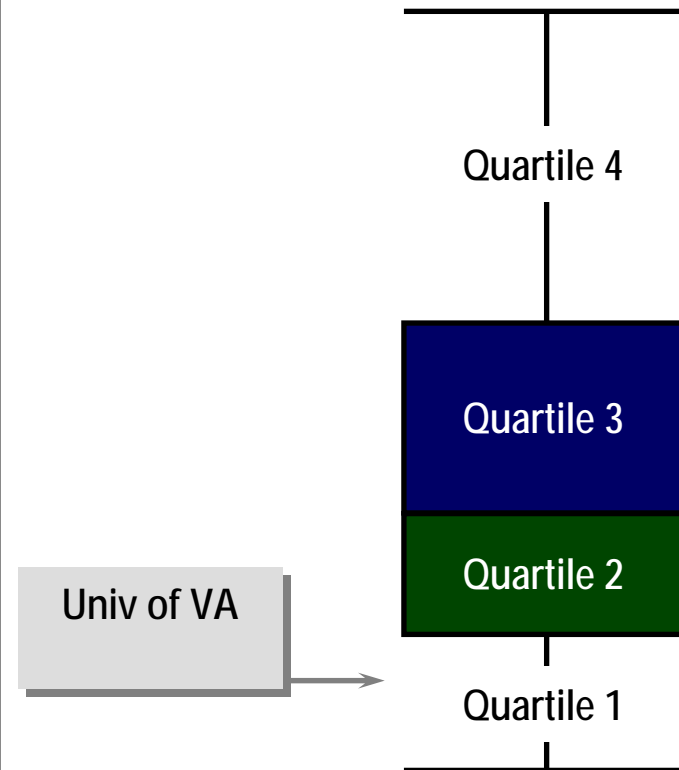


Finance Cost as a Percent of Operating Budget/Revenue Places Univ of VA in the First Quartile on a Pure Cost Basis

Finance Cost as a % of Operating Budget/Revenue



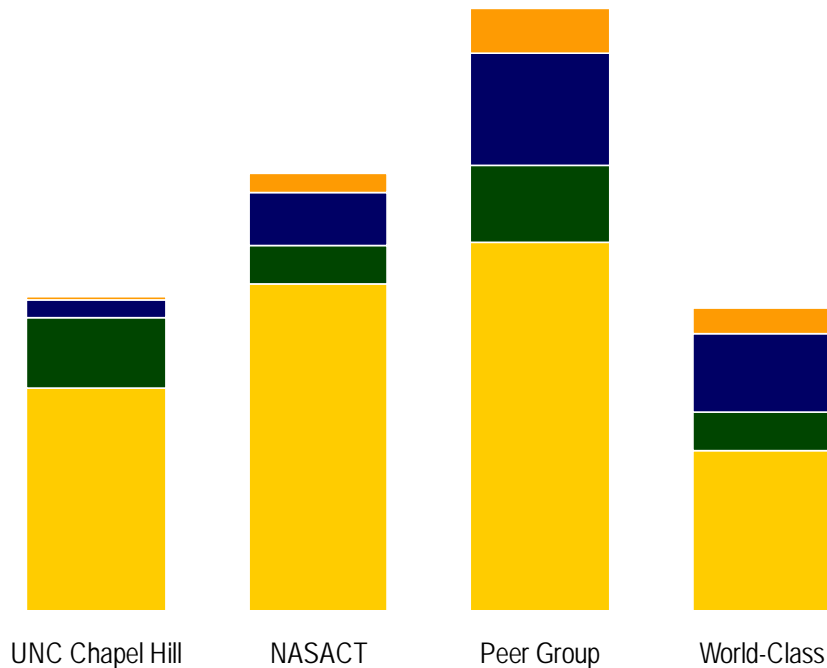
Quartile Breakdown as a % of Operating Budget/Revenue



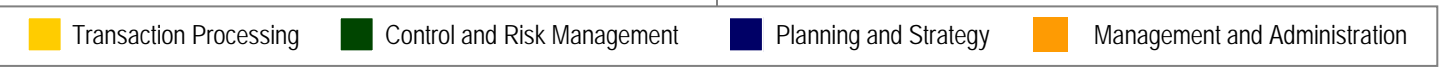
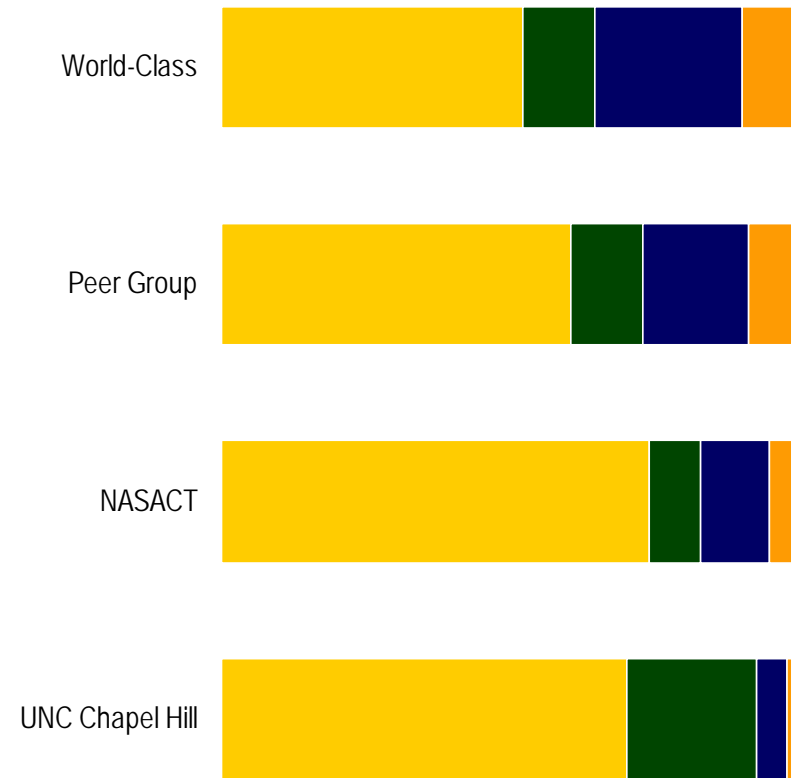
UNC Chapel Hill's Staffing is Lower than Peer Comparisons; More Time is Spent on Transaction and Risk Activities, Less on Planning and Strategy

Finance Staffing (FTEs)

Per UNC Chapel Hill's Operating Budget/Revenue

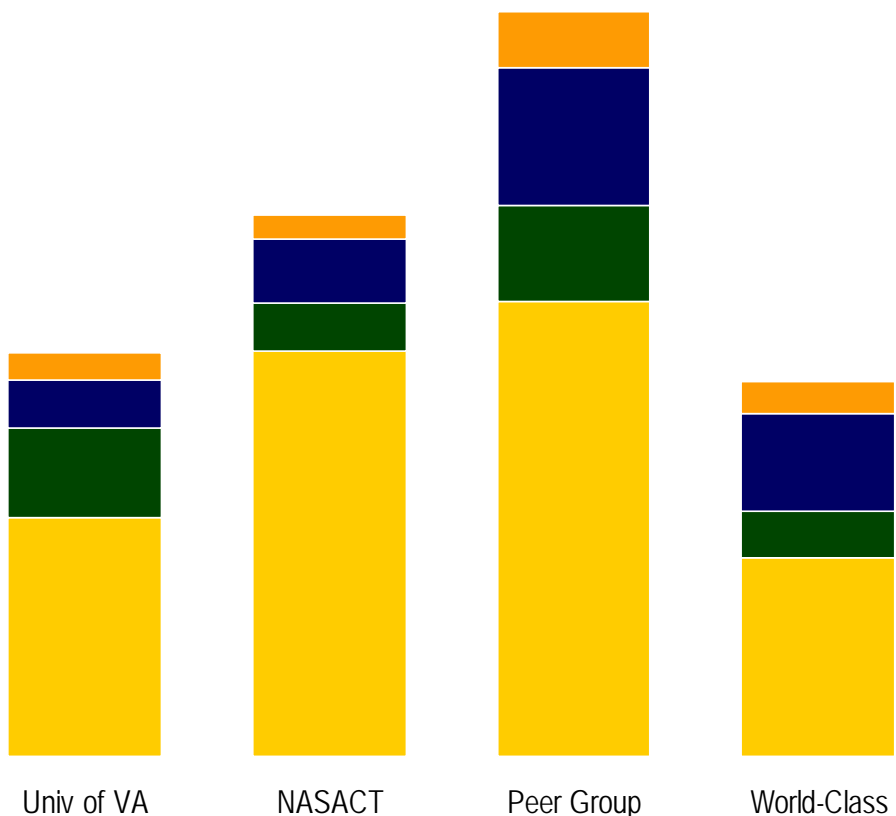


Finance Resource Allocation

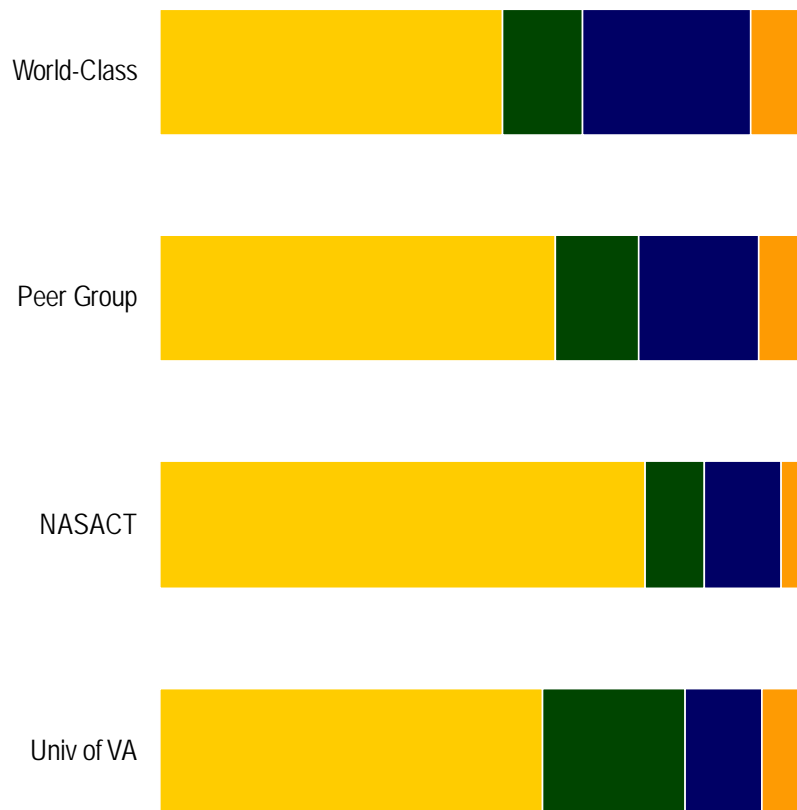


Univ of VA's Staffing is Lower than Peer Comparisons with a Primary Focus on Transactional and Control and Risk Mgt Activities

Finance Staffing (FTEs)
Per Univ of VA's Operating Budget/Revenue



Finance Resource Allocation



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

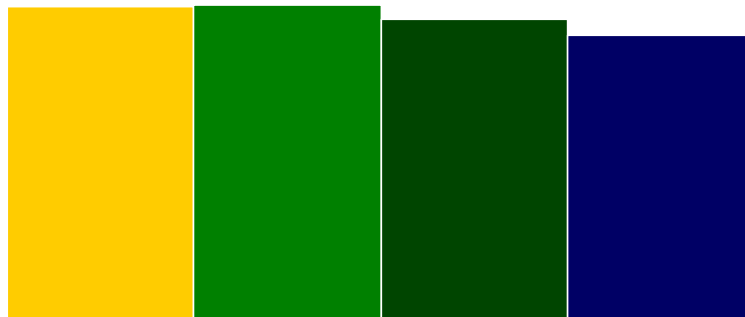
UNC Chapel Hill Uses More Clerical FTEs with a Higher Span of Control. UVA Uses More Professionals with a Lower Span of Control

Average Fully Loaded Labor Cost (\$) per FTE



UNC Chapel Hill NASACT Peer Group World-Class

Number of Staff to Managers (Span of Control)

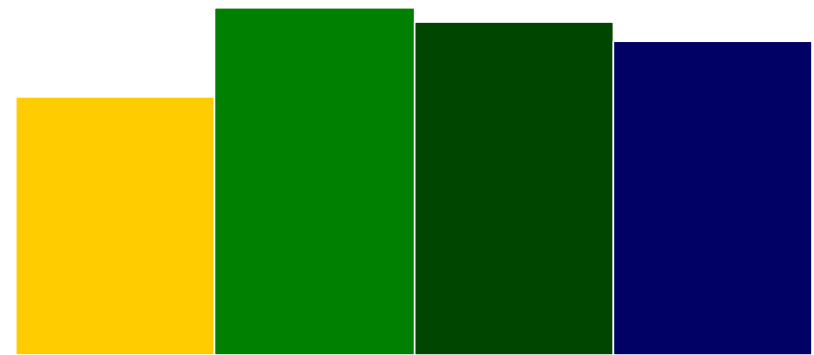


Average Fully Loaded Labor Cost (\$) per FTE



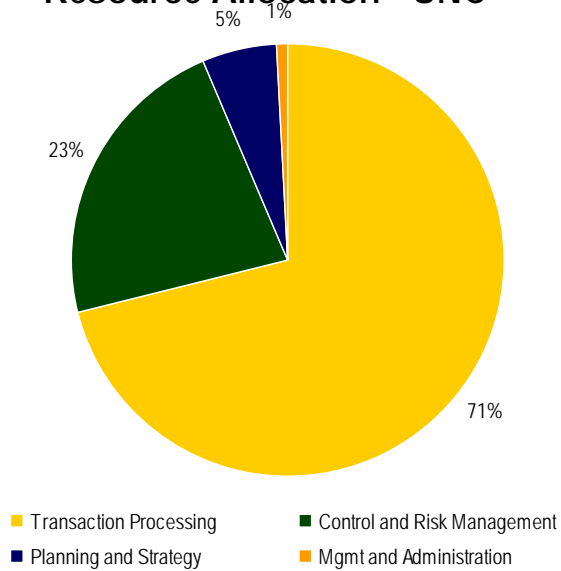
Univ of VA. NASACT Peer Group World-Class

Number of Staff to Managers (Span of Control)

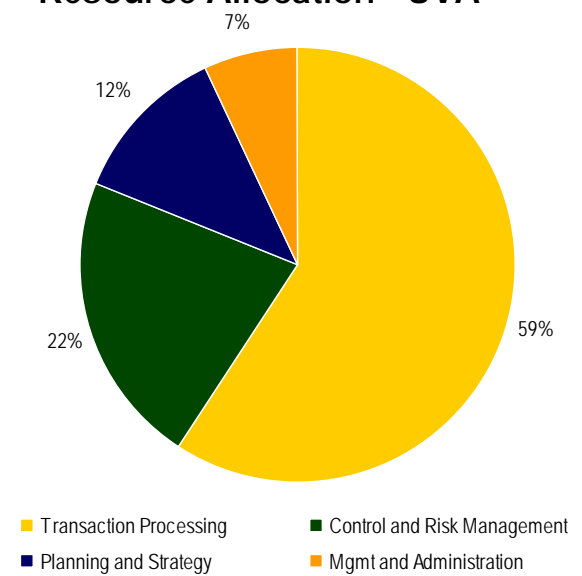


Resource Allocation and Staff Mix

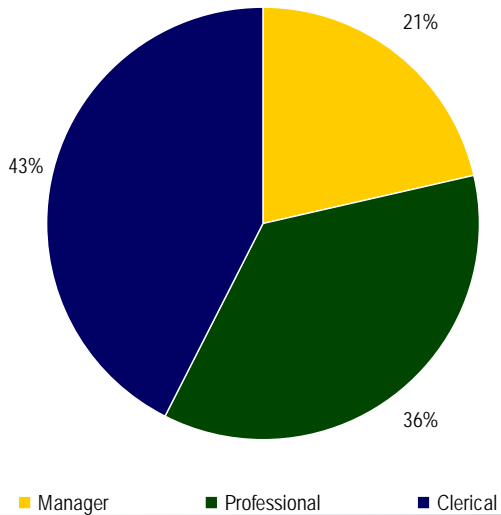
Resource Allocation - UNC



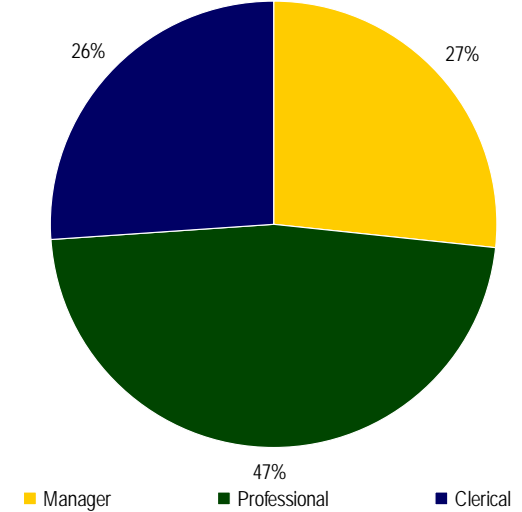
Resource Allocation - UVA



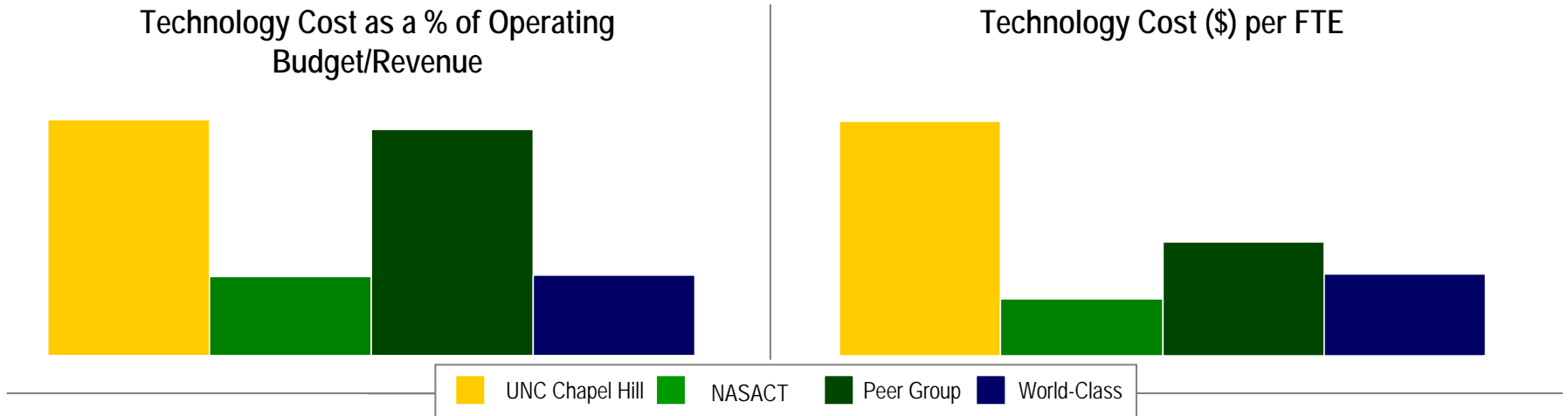
Staff Mix - UNC



Staff Mix - UVA



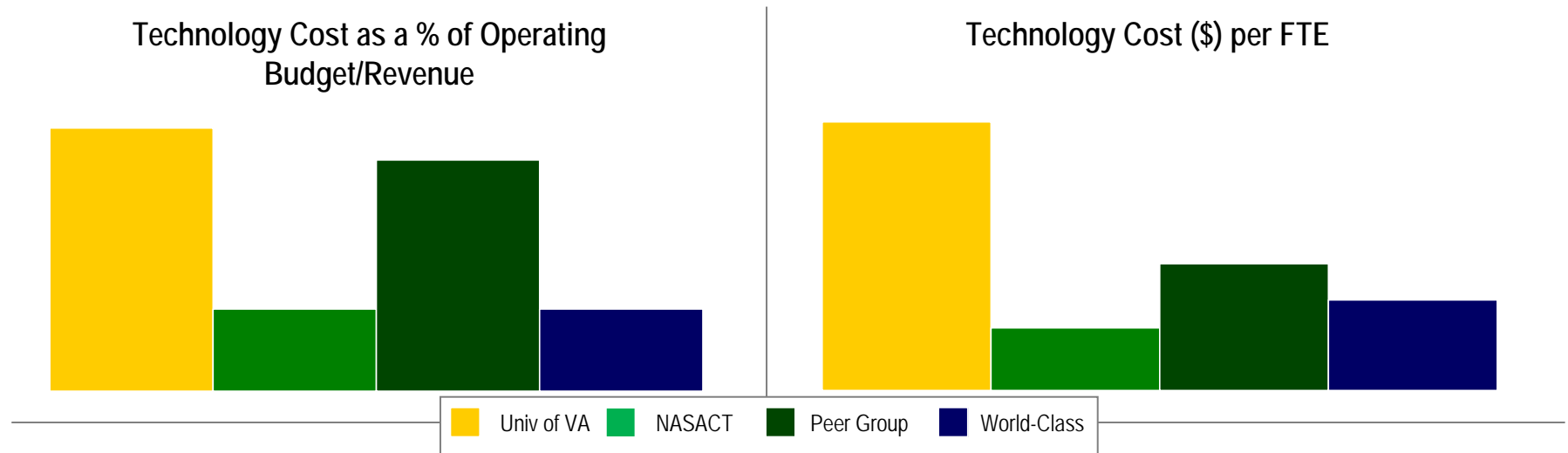
UNC Chapel Hill's Finance Technology Investment is High, and Technology Leverage is Under-utilized



Technology	<ul style="list-style-type: none"> ▪ UNC Chapel Hill's IT technology investment is higher than peer and World-Class organizations ▪ UNC Chapel Hill has a high number of applications on a common platform ▪ High systems integration ▪ High spreadsheet usage / spreadsheets commonly used as primary application for multiple functions ▪ Medium to High leverage of data management and reporting self-service tools
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UNC Chapel Hill's finance technology spend is \$4.95 million annually.

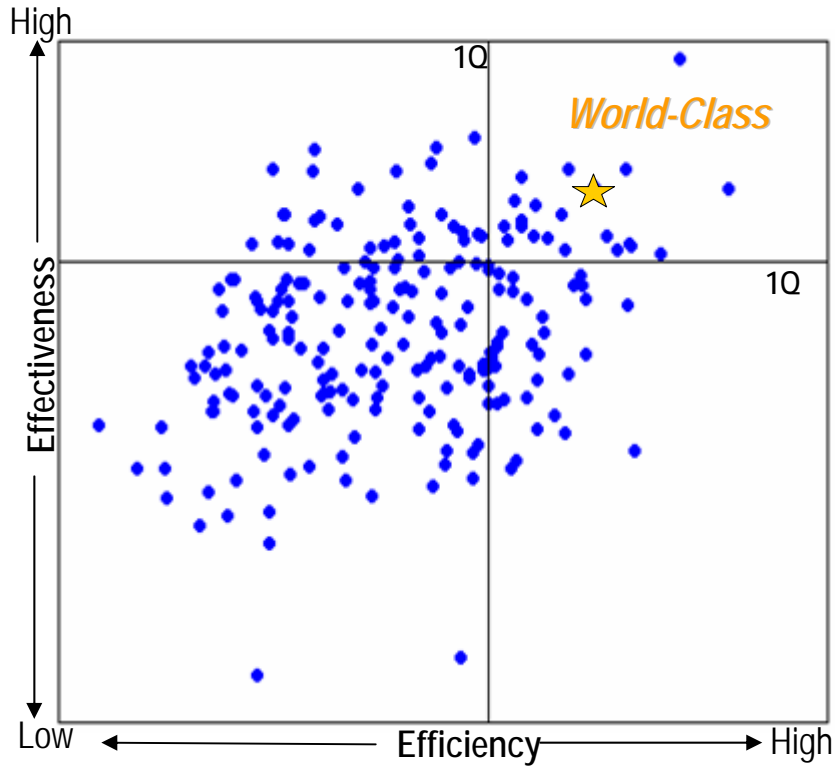
Univ of VA's Finance Technology Investment is High and Technology Leverage can be Further Utilized



Technology	<ul style="list-style-type: none"> ▪ Univ of VA's IT technology investment is higher than peer and World-Class organizations ▪ Univ of VA has a high number of its applications on a common platform ▪ Medium / mixed systems integration ▪ High spreadsheet usage / spreadsheets commonly used as primary application for multiple functions ▪ Medium to High leverage of data management and reporting self-service tools
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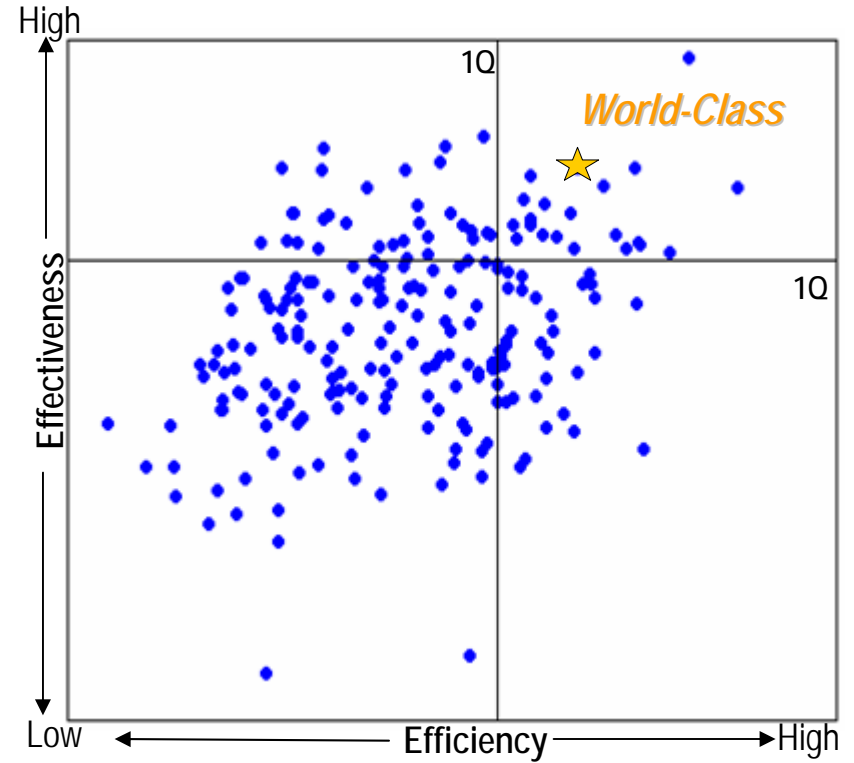
Univ of VA's finance technology spend is \$4.76 million annually.

★ UNC Chapel Hill ● Other Organizations



Hackett Value Grid™

★ Univ of VA ● Other Organizations



Hackett Value Grid™

Key Finance Findings and Observations

UNC Chapel Hill

- Cost
 - Finance costs equal \$11.78M or 0.57% of Operating Budget
 - Labor (47%) and Technology (42%) comprise 89% of Total Costs
- Staff
 - Staff mix is primarily Clerical with transaction processing focus
 - More time spent compiling data with high value of analysis
 - Limited utilization of job rotation programs; lower degrees of operational experience
- Technology Leverage
 - Higher Investment (\$47,732 per FTE)
 - Leveraging balanced score cards and electronic access to reports (performance reporting, managerial support)
 - Mixed utilization of technology in transaction processing
- Strategic Alignment
 - Favorable self-reported values around quality of output with lower strategic investment
 - High integration of finance applications

University of Virginia

- Cost
 - Finance costs equal \$14.6M or 0.80% of Operating Budget
 - Labor (57%) and Technology (33%) comprise 90% of Total Costs
- Staff
 - Staff mix is primarily Professional with transaction processing and control and risk management focus
 - Fully loaded labor rates are in-line with Peers
- Technology Leverage
 - Higher Investment (\$49,506 per FTE)
 - Higher integration and technology leverage across transaction process
 - Lower cycle times
- Strategic Alignment
 - Favorable self-reported values around quality of output with lower strategic investment
 - Mixed integration of finance applications

UNC	Effectiveness	UVA
●	Documented Strategic Plan in place for the Finance Function	●
●	Analysts with acumen to act as business partners	●
●	Analyst time spent collecting and compiling information	●
●	Reports that address future actions vs. explanation of history	●
●	Cost Analysis considered on target	●
●	Rework/ Error rates - A/P	●
●	Rework/ Error rates - Billing	●
●	A/R posting match rate	●
●	Up-Front involvement of Treasury	●
●	Degree of reliability in the forecasting process and reporting outputs	●
●	Budgeting Self-Service	●
●	Reporting Self-Service	●
●	Finance overall role	●
●	Finance Training	●
●	Finance skill set and capability	●

UNC	Efficiency	UVA
●	Total Cost	●
●	Total FTEs	●
●	A/P & T&E process cost	●
●	A/P & T&E unit cost/ productivity	●
●	Revenue Cycle process cost	●
●	Revenue Cycle unit cost/ productivity	●
●	Accounting process cost	●
●	Cycle time - Days to close	●
●	Cycle time - A/P invoice	●
●	Cycle time - A/R remittance	●
●	A/P & T&E transaction automation	●
●	Overall technology leverage	●

Emerging Recommendations for Improvement

Recommendation Category	Recommendation	UNC	UVA
Talent Management	Develop Formal Job rotational programs, increase degree of operational experience for new hires, conduct skills assessment and align to future business requirements	✗	✗
Staffing Distribution / Staff Mix	Further improve the staffing allocation supporting Planning & Analysis (dependent upon staffing skills / competencies as well as technology enablement) Investigate drivers of high Management & Admin investment	✗	✗ ✗
Information Management / Application Integration	Increase application integration to reduce data transfer error and reduce transaction processing investment Develop commonly shared data definitions and consolidation rules Reduce percent of time spent on compiling and collection for standard reports Leverage Best Practices ensuring current application functionality aligns to business requirements and balances control and risk factors (Manage risk versus eliminate risk)	✗ ✗ ✗ ✗	✗ ✗
Transaction processing / output quality	Improve A/P error rates through end to end optimized procure to pay "channel" strategy development Improve degree of automated transaction processing for G/L	✗	✗ ✗
Strategic Alignment / Value of Analysis	Improve reliability of forecasting process and the reporting outputs through increased technology utilization and staffing allocation	✗	✗