FSU Board of Trustees Efficiency Committee members,

In this packet you will find the following background materials that may assist with our initial meeting on Thursday, March 7th.

A  Efficiency Committee Meeting Agenda  

B  Brief Penn State article describing areas of efficiency that consultants typically focus on and some reasons that change efforts may not be successful.  


D  Report for the University of the District of Columbia produced by an internal work group.  

E  Selected slides from report prepared by Huron Consulting Group for the University of Kansas Kansas’s Key Success Factors are valuable reading (2 slides) The entire report may be viewed online at http://www.huronconsultinggroup.com/Insights/Perspective/Education/University%20of%20Kansas%20Changing%20for%20Excellence.aspx 

   Article detailing potential financial benefits of approximately $100 million in savings by 2016.  

F  Summary slides from a report prepared by Bain & Company for University of California – Berkeley with entire report available at http://www.uh.edu/af/budget/UCB.pdf. Additionally, an interesting article is included written by a faculty member who presents his view of why the recommended process will not work.  

G  Program of Incentive for Efficiency implemented for employees at the University of West Florida.  

H  Previously implemented efficiency measures at Florida State University.
AGENDA

The Agenda will be followed in order and items may be heard earlier than the scheduled.

I. CALL TO ORDER (5 MINUTES)
   Ms. Peggy Rolando, Committee Chair

II. WELCOME & CHARGE FOR COMMITTEE (5 MINUTES)
    Mr. Allan Bense, Chairman of the Board of Trustees

III. PRESIDENT’S REMARKS (5 MINUTES)
     Dr. Eric J. Barron, President

IV. REPORTS ON EFFICIENCY ACCOMPLISHMENTS AND REVIEW OF SAMPLE WORK PRODUCTS (10 MINUTES)
    Mr. Eric Algoe, Associate Vice President for Administration

V. DISCUSSION OF APPROACH (35 MINUTES)
   INTERNAL VERSUS EXTERNAL
   ACADEMIC VERSUS NON-ACADEMIC
   TIMELINE

VI. ADJOURNMENT
Strategy leaders for Penn State’s Priorities for Excellence: The Penn State Strategic Plan 2009-10 through 2013-14 <http://www.psu.edu/president/pia/progress/> are exploring numerous options for increasing efficiency and effectiveness in both academic and academic support areas. Richard Allison, the co-leader of Bain’s Higher Education Practice and the lead for Bain’s work with University of North Carolina – Chapel Hill <http://universityrelations.unc.edu/budget/> , and Robert Thomas, Executive Director of the Accenture Institute for High Performance and Visiting Professor at the International Business School, Brandeis University, have worked with many institutions of higher education facing similar challenges in the current economy. In their work they have identified common patterns of issues and opportunities across higher education. They shared their findings at the annual National Consortium for Continuous Improvement in Higher Education (NCCI) conference in July 2010.

Allison shared opportunities for increased efficiencies and cost savings in institutions of higher education in the areas of procurement, administration and facilities, and academic support. Common symptoms of inefficiency in support operations include complexity, fragmentation, redundancy, lack of standardization, lack of automation, and unneeded hierarchy. Underlying drivers of high cost include lack of alignment across units around priorities, lack of trust in central services, lack of accountability, misaligned incentives, and a strong sense of autonomy within organizational units. Actions to reduce costs could be categorized as consolidating operations, improving processes, strengthening controls, and revising governance and performance management. Allison offered some examples of the means to reduce costs in eight areas.

<table>
<thead>
<tr>
<th>Area</th>
<th>Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement</td>
<td>• Consolidate spending and reduce vendors</td>
</tr>
<tr>
<td></td>
<td>• Negotiate strategic contracts</td>
</tr>
<tr>
<td></td>
<td>• Manage demand; mandate compliance</td>
</tr>
<tr>
<td></td>
<td>• E-procurement</td>
</tr>
<tr>
<td>Organization Simplification</td>
<td>• Reduce layers; increase span of control</td>
</tr>
<tr>
<td></td>
<td>• Consolidate units to achieve scale in HR, Finance, IT</td>
</tr>
<tr>
<td></td>
<td>• Establish shared service centers to drive best practices</td>
</tr>
<tr>
<td>Information Technology</td>
<td>• Standardize core IT hardware and software</td>
</tr>
<tr>
<td></td>
<td>• Centralize infrastructure and management</td>
</tr>
<tr>
<td></td>
<td>• Manage demand for application development</td>
</tr>
<tr>
<td>Area</td>
<td>Tasks</td>
</tr>
<tr>
<td>--------------------</td>
<td>----------------------------------------------------------------------</td>
</tr>
<tr>
<td>Finance</td>
<td>- Outsource&lt;br&gt;- Standardize and streamline processes&lt;br&gt;- Revise resource allocation model&lt;br&gt;- Consolidate platform and centralize data management&lt;br&gt;- Tighten expense reimbursement</td>
</tr>
<tr>
<td>Human Resources</td>
<td>- Standardize and streamline processes&lt;br&gt;- Consolidate platform and centralize data management&lt;br&gt;- Centralize/outsource benefits management&lt;br&gt;- Develop performance management process/system</td>
</tr>
<tr>
<td>Academic Support</td>
<td>- Standardize and streamline processes&lt;br&gt;- Add/increase automation/self-service&lt;br&gt;- Consolidate resources across the university&lt;br&gt;- Rationalize service portfolio to reduce non-core activities</td>
</tr>
<tr>
<td>Facilities</td>
<td>- Consolidate facilities services across the university&lt;br&gt;- Streamline processes for maintenance and management&lt;br&gt;- Outsource&lt;br&gt;- Optimize shift schedules to reduce overtime</td>
</tr>
<tr>
<td>Utilities</td>
<td>- Renegotiate energy sourcing contracts&lt;br&gt;- Install smart meters in all buildings&lt;br&gt;- Create incentives to reduce utilities usage&lt;br&gt;- Use ‘green’ technologies in new construction</td>
</tr>
</tbody>
</table>

Thomas noted that while higher education is a distinct field, it shares characteristics with other fields. Higher education has a strong professional staff like financial services and pharmaceutical organizations; it has an individualized approach to work, like performing arts and medicine; it has a highly diverse and segmented workforce, like global enterprises; and it has an indirect influence on many of its stakeholders, as employment agencies and nursing homes do. Research cited by Thomas found that, when change efforts did not live up to expectations, it was due to: lack of buy-in that change was needed (64%); lack of skill in change management (44%); lack of a senior management champion (40%); and turf battles (40%). Thomas identified six lessons learned in dealing with change in professional service organizations:

1. Be confident and honest
2. Deliver clear, consistent messages; keep them simple and straightforward
3. Make commitments and make good on them
4. Cultivate effective followers; engage them as allies
5. Speak with one voice as a leadership team; start by listening
6. Leverage difficult times to grow leaders; build experience and learn from challenges

Allison and Thomas agreed that successfully implementing significant change is difficult. They also agreed that effective communication plays a key role in the success.
Quality Enhancement Review (QER)
Guidelines and Procedures
Manual

Updated June 2012
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Quality Enhancement Review (QER): Purpose and Overview

Purpose of the QER Process:

The Quality Enhancement Review process serves as a tool for ensuring that the university fulfills and maintains its mission. Generally, the process enables the university to provide quality assurance, maintain academic standards, ensure continuous improvement of academic programs, and improve the university's reputation. Specifically, the process serves to implement recommendations of the state and university's strategic plans to permit continuous improvement and to advance FSU into the top tier of public research universities.

The Quality Enhancement Review's primary purposes are (a) to examine the institutional effectiveness of a department or program, its national position with respect to comparable programs, what it needs to improve or sustain performance and (b) to serve as a basis for administrative decisions on the investment of new and existing resources. A program is evaluated on the basis of its mission and that mission’s relation to the university mission, student-learning and program outcomes specified by the program, and the assessment and continuous evaluation of program and learning outcomes. The Quality Enhancement Review also permits a "streamlined" continuous evaluation system by combining:

- the statutorily required Florida Board of Governors’ seven-year program reviews (6C-8.015 Academic Program Review),
- the Graduate Policy Committee's (GPC) reviews of graduate programs,
- relevant comments by the Undergraduate Policy Committee,
- independent external evaluation, and
- the Provost's internal reviews of programs relative to unit productivity and outcomes.

It is also scheduled, to the extent possible, to coincide with any external accreditation review.

The entire review process is monitored by the Office of Planning and Programs through the academic dean of the relevant college. The Office of Planning and Programs may revise the policies and procedures, as appropriate, after timely consultation with interested parties.

Components of the QER Process:

The Quality Enhancement process is founded on an extensive self-examination. Members of each academic department or program under review prepare a self-study binder that articulates the programs goals, objectives, and intended student-learning and program outcomes in relation to its mission.

The self-study addresses a number of questions integrating the concerns of the Florida Board of Governors, the Undergraduate Policy Committee, the Graduate Policy Committee, and the Provost. The measures used in Quality Enhancement Reviews of graduate and undergraduate programs include indicators of:
Instructional activities,
Research and creative effort, and
Faculty citizenship and service

The review also asks for an evaluation of the quality of degree programs based on qualitative measures of the reputation of the faculty, significance of research and scholarly activities to the profession, and the currency of the curriculum, all ascertained by external review. In addition, the QER evaluates the program's student achievement by reviewing its follow-up on graduates, for example its success in placing graduates in graduate schools or employment in relevant fields, as well as employer satisfaction, student satisfaction with FSU academic experience at FSU, the extent to which program and student-learning outcomes have been evaluated and achieved, and the levels of continuous improvement.

An independent external reviewer, contracted with the university, provides an external perspective on the department or program. The external reviewer reviews the self-study binder, conducts onsite interviews, and prepares and submits a report indicating the findings of the site visit. The external reviewer synthesizes findings into a final report that also makes recommendations for improvement. The report forms the basis for later stages of the QER process.

The self-study material prepared by the department/program is reviewed, along with the report of the external reviewer, by the academic dean, the Graduate Policy Committee, the Vice President for Planning and Programs, and other faculty and administrators. Academic deans review and act on findings of the QER, including the report and recommendations of the GPC, and submit an action plan to the Office of Planning and Programs. The Vice President for Planning and Programs, along with representatives of the Provost’s Office, review the dean’s report. The Provost assesses the dean's action plan and makes budgetary, planning, and performance assessments against the dean’s action plan. The academic dean prepares a summary report for each academic program reviewed using the Florida Board of Governors template. The Vice President for Planning and Programs reviews and submits the final reports to the Florida Board of Governors in accordance with state guidelines.

Both the Graduate Policy Committee and the Office of Planning and Programs conduct follow up inquires on recommendations emerging from the QER process two years after the initial reports are issued.
Quality Enhancement Review: Process Guidelines

1. An annual informational meeting is conducted with all deans, department chairs, and directors undergoing review (semester of review or before).

2. The Office of Institutional Research within the Office of Budget and Analysis provides departments/programs under review with profiles of their performance on key measures. Sponsored Research Services within the Office of the Vice President for Research provides relevant information on departmental/program contracts and grants for each review.

3. Departments/programs, in consultation with the relevant academic dean, nominate external reviewers and submit the nominations to the Faculty Development and Advancement Office for review and approval by the Provost. The nominations must also disclose all affiliations between the proposed reviewer, Florida State University, and any of the program faculty.

4. Each department prepares self-study documents.

5. Departments/programs arrange with the Faculty Development and Advancement Office for external reviewers’ site visits and schedule them.

6. (a) Each department/program submits seven copies of the Departmental Self Study in written form to Elaine Costa (ecosta@fsu.edu), Office of Planning and Programs, before September 7 (for fall reviews) or December 10 (for spring reviews) but at least two weeks before the external reviewer site visit.

One electronic copy in PDF format should be sent to Colin Creasy (ccreasy@admin.fsu.edu) for the Graduate Policy Committee on or before September 7 (for fall reviews) or December 10 (for spring reviews). All questions relating to the GPC submission requirements should be directed to the David Johnson, Chair of the GPC (djohnson@fsu.edu).

(b) The Office of Planning and Programs distributes copies of the report as follows: Office of Planning and Programs (2 copies), Office of Institutional Research (1 copy), Graduate School (1 copy), external reviewer (1 copy), Faculty Development and Advancement Office (1 copy), and academic dean (1 copy).

(c) The department/program should retain a copy for its records.

7. The external reviewer conducts the onsite visit.

8. The external reviewer submits a copy of the site visit report to the Office of the Provost within two weeks of the visit (as per their engagement letter). The report of the external reviewer is distributed to: Vice President for Planning and Programs, Chair of the Graduate Policy Committee, Chair of the Undergraduate Policy Committee, Faculty Development and Advancement Office, Dean of the Graduate School, Dean of
Undergraduate Studies, and other administrative and faculty representatives monitoring the process.

9. The GPC Subcommittee conducts its review (which includes meetings of the subcommittee with faculty and graduate students). The GPC review may coincide with that of the external reviewer. The GPC reviews its subcommittee’s report and makes final recommendations.

10. The academic dean analyzes the reports and synthesizes them into an action plan, then submits an electronic copy to the Office of Planning and Programs. The Office of Planning and Programs distributes the plan to Dean of Undergraduate Studies, Dean of the Graduate School, Associate Vice President for Research, Vice President for Faculty Development and Advancement, and key administrative and faculty representatives. The academic dean also completes the Florida Board of Governors summary template for each program reviewed and submits the summaries to the Office of Planning and Programs.

11. The dean reviews and discusses the action plan with the Vice President for Planning and Programs, Dean of Undergraduate Studies, Dean of the Graduate School, Associate Vice President for Research, Vice President for Faculty Development and Advancement, and key administrative representatives.

12. The Vice President for Planning and Programs submits the final reports to the Florida Board of Governors.

13. The Provost evaluates the dean’s action plans and makes budgetary, planning, and performance assessments against these plans.

14. The Office of Planning and Programs submits summary reports for each reviewed program to the Florida Board of Governors.

16. The GPC reviews progress on its recommendations two years following full committee action.
University of the District of Columbia
Efficiency and Effectiveness Initiative

REPORT
September 2011

III: Finalizing Initiatives and Developing Implementation Plans

Activities
- Conduct best of practices report on efficiency initiatives in peer institutions
- Establish Efficiency Work Group and Organize mission
- Review Efficiency matrix of ideas
- Propose and evaluate base potential goals (e.g., efficiency work group guidance)
- Solicit feedback from the work group
- Meet with respective proposed initiatives
- Meet with respective selected initiatives
- Establish project lead
- Initiate implementation
- Establish budget

IV: Finalizing Implementation Plans

V: Initiative Implementation and Program Review

Performance
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Efficiency and Effectiveness Initiative Report I

Efficiency Work Group Participants¹:

Steven Graubart, Office of the Managing Director of Finance
Karen Wong, Office of the Managing Director of Finance
Jackie Xu, Office of the Managing Director of Finance
Josh Weber, Academic Affairs
Josh Lasky, Academic Affairs
Howard Ways, Academic Affairs
Kimberly Pennamon, Student Affairs
Myrtho Blanchard, Human Resources
Levita Basset, Facilities
Brandon Russell, Information Technology
Julie Johnson, Community College
Jackie Malcolm, Communications
Mike Riley, Athletics

¹ Departments with small budgets and limited potential efficiency impacts (Legal and Government Affairs) do not have an official representative, but are called upon to assist relevant efficiency initiatives as appropriate. UDC OCFO’s office did not participate on the efficiency work group this round due to personnel changes.
1. Introduction

Purpose

The University of the District of Columbia is engaging in a University-wide initiative to improve the effectiveness and efficiency of the University. The goals of this effort are to:

- Identify and implement specific efficiency improvements that will streamline and strengthen administrative processes and productivity and advance academic excellence
- Generate cost-savings that are reinvested to support key University initiatives
- Create and nurture a culture of change, data-driven decision making, and accountability

This is an ongoing process that will be integrated with the strategic plan and budget process.

Background

Given the current economic environment, Universities across the nation are facing significant budgetary pressures. State budgets have suffered significant budget shortfalls, which in turn has affected state university appropriations to public universities. Private universities have seen a dramatic decrease in private giving and endowment value. Universities are historically known as an industry resistant to change, but many universities have taken current budget shortfalls as an opportunity to address inefficiencies while protecting the core University mission/purpose.

While UDC has not experienced a state appropriations cut, it is still facing significant budgetary pressures for the current and future fiscal years due to its recent creation of a community college and the ongoing visionary transformation of the University. Given the current budget pressures and the continued need to streamline and strengthen our operations and programs, the University is undertaking an efficiency initiative. This initiative cuts across all major departments to address UDC inefficiencies and to identify and implement new strategies for reducing costs and improving processes and productivity.
2. Approach

Methodology

The Office of the Managing Director of Finance conducted extensive research\(^2\) on University efficiency initiatives to identify best practices in methodology, ideas, and processes. Successful University efficiency initiatives have shown that it is possible to cut significant costs, while improving processes/services and maintaining/improving educational quality and productivity.

*Table 1.1 Efficiency Initiative Methodology*

At the direction of the President, UDC started the Efficiency and Effectiveness Initiative and established the Efficiency Work Group. The efficiency work group is led by the Managing Director of Finance and has the full authority and commitment from the President. The work group includes one or more high-level representatives from each major department; the intention is to bring together thought-leaders from across the University to drive change and break down departmental silos. The work group collaborated with each of the respective Vice Presidents to identify, prioritize, and develop quantifiable goals and projects plans for efficiency initiatives in their departments. It also serves as an ongoing resource for assistance with the timely and effective implementation of these plans.

\(^2\) This review is documented in a Cost Efficiency Internal Report dated November, 2010 and includes a review of University efficiency reports (i.e. UNC, MIT, University of Maryland), consulting reports (i.e. Bain, Advisory Board), white papers, think tank publications, etc.
The following table shows a more detailed process of the efficiency work group from formation to implementation of departmental initiatives:

<table>
<thead>
<tr>
<th>Phase</th>
<th>Activities</th>
</tr>
</thead>
</table>
| I: Preparation                | • Conduct best of practices report on efficiency initiatives in higher education institutions  
                                | • Establish Efficiency Work Group and Department Membership                                                                                                                                               |
| II: Identifying Potential     | • Review Efficiency matrix of ideas  
                                | • Propose and evaluate three potential efficiency initiatives for each department (each efficiency work group member)                                                                                  |
| Efficiency Initiatives        |                                                                                                                                                                                                            |
| III: Finalizing Initiatives   | • Solicit feedback from the efficiency workgroup on each department’s proposed initiatives  
                                | • Meet with respective VP to select initiative and create project plans for the selected initiative (each efficiency work group member)                                                               |
| and Developing Implementation Plans |                                                                                                                                                                                                              |
| IV: Finalizing Implementation Plans | • Solicit feedback from the efficiency workgroup on each department’s implementation plans  
                                | • Establish cost-savings estimates for each initiative  
                                | • Enter initiatives into dashboard to track and report on progress                                                                                                                                         |
| V: Initiative Implementation and Progress Review | • Ongoing monthly meetings of group for progress review  
                                | • Address systematic concerns as needed                                                                                                           |

3. Results

Overview

Key achievements of this phase of efficiency improvements include:

- Estimated cost-savings of $1,000,000 from the implementation of thirteen individual efficiency initiatives from nine departments
- Engaged high-level representatives from all major UDC Departments in an ongoing collaborative approach to improve UDC efficiency
- Encouraged data-driven decision making by working with departments to apply cost-benefit analysis to operational decisions

<table>
<thead>
<tr>
<th>Department</th>
<th>Efficiency Initiative</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academic Affairs</td>
<td>Improve the efficient use of adjuncts and student workers by zero-basing the budgets every year, and develop criteria and a policy that requires a justification and approval process for all expenditures</td>
<td>Process Improvement</td>
</tr>
<tr>
<td>Academic Affairs</td>
<td>Eliminate all non-essential travel</td>
<td>Process Improvement</td>
</tr>
<tr>
<td>Academic Affairs</td>
<td>Reduce the printing and distribution of the UDC Course Guide</td>
<td>Process Improvement</td>
</tr>
<tr>
<td>Procurement</td>
<td>To control spending on office supplies and mandate that the University purchase office supplies from contractors that have negotiated contracts with the University.</td>
<td>Process Improvement</td>
</tr>
<tr>
<td>Student Affairs</td>
<td>Develop more sustainable and efficient print practices with student-related publications</td>
<td>Process Improvement</td>
</tr>
<tr>
<td>Student Affairs</td>
<td>To offer summer housing to UDC summer school students and interns from across the nation to create a financially sustainable residence life program</td>
<td>Revenue Generation</td>
</tr>
<tr>
<td>Human Resources</td>
<td>Re-organize the department under more functional lines to better serve the University Community</td>
<td>Process Improvement</td>
</tr>
<tr>
<td>Human Resources</td>
<td>Create a new orientation program for the University and templates for departmental orientation</td>
<td>Process Improvement</td>
</tr>
<tr>
<td>Facilities</td>
<td>To practice energy conservation methods in University facilities to more effectively utilize existing resources and to bring down energy costs</td>
<td>Energy Savings</td>
</tr>
<tr>
<td>Community College</td>
<td>Reduce reliance on external consultants for marketing and communication needs. Handle everything in-house. Reduce/eliminate need for hard copy communications.</td>
<td>In-sourcing</td>
</tr>
<tr>
<td>Information Technology</td>
<td>Implement network wide power saving policy</td>
<td>Energy Savings</td>
</tr>
<tr>
<td>Communications</td>
<td>Hiring an experienced, in-house Graphic Design Manager instead of out-sourcing graphic design work</td>
<td>In-sourcing</td>
</tr>
<tr>
<td>Athletics</td>
<td>Increase revenue generated by athletics with revenue goal of $300K for FY2012</td>
<td>Revenue Generation</td>
</tr>
</tbody>
</table>
4. Insights and Recommendations

Key Insights

- Mid-level managers and staff perceive significant potential for efficiency improvements within their Departments, but are often frustrated by a lack of follow-through and are not sufficiently empowered to implement needed change.
- Most Departments are not using even simple cost-benefit analysis to help shape their operational and management decisions.
- Departmental silos need to be broken down.
- Department heads are sometimes unable to see efficiency and effectiveness issues within their own departments, despite consensus among other departments of issues they face.
- UDC staff has skepticism on the viability of strategic initiatives.

Recommendations

- A stronger internal effort is needed to ensure that departments have analytical tools and personnel capable of helping them make more data-driven decisions.
- Create committees and better utilize the efficiency work group to objectively propose and evaluate efficiency initiatives.
- Ongoing accountability measures need to be implemented and enforced by top-level leadership.
5. Conclusion

Conclusion

The University of the District of Columbia seeks to become a model of efficiency and effectiveness in higher education. The development of the work group and the efficiency initiatives signifies an important first step and a major victory for the University. However, the major challenge is to institutionalize and sustain the efficiency improvements, continue the momentum for change, and commit to overcoming the barriers to a strengthened culture of data-driven decision making, accountability, and collaboration.

Next Steps

- Continue implementation of the first round of efficiency initiatives; troubleshoot barriers to implementation; quantify impacts; share results with key stakeholders; and identify ways to sustain changes
- Share lessons learned with the Cabinet, and identify concrete policies and practices that can address some of these challenges
- Develop a new set of efficiency initiatives for implementation with an emphasis on identifying initiatives that can address common inefficiencies and that accrue benefits to multiple Departments
The University of Kansas: Changing for Excellence

November 12, 2012
In the face of unprecedented budget challenges, large public and private research universities have implemented or are considering a range of approaches to cost reduction.

<table>
<thead>
<tr>
<th>Immediate</th>
<th>Incremental</th>
<th>Transformational</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Across the board budget cuts</td>
<td>• More across the board cuts</td>
<td>• Comprehensive operational and program reviews</td>
</tr>
<tr>
<td>• Delayed deferred maintenance</td>
<td>• Large tuition increases</td>
<td>• Organizational rationalization</td>
</tr>
<tr>
<td>• Capital project delay</td>
<td>• Procurement strategies</td>
<td>• Shared services</td>
</tr>
<tr>
<td>• Furloughs</td>
<td>• Cuts to low priority services and programs</td>
<td>• Outsourcing</td>
</tr>
<tr>
<td>• Hiring freezes</td>
<td>• Sale of non-critical assets</td>
<td>• Process standardization, workflow optimization</td>
</tr>
<tr>
<td>• Early retirements</td>
<td></td>
<td>• Procure-to-Pay transformation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Budget process redesign</td>
</tr>
</tbody>
</table>

**Short-term / Temporary**
- Easier to implement

**Longer-term / Structural**
- More complex

Transformational approaches, while more difficult to implement, can secure sustainable gains in efficiency and performance.
Our **aspirations** are bold: to be recognized as a *top-tier* public international research university.

Our plan is organized around six goals to achieve our goal:

1. Energizing the Educational Environment
2. Elevating Doctoral Education
3. Driving Discovery and Innovation
4. Engaging Scholarship for Public Impact
5. Developing Excellence in People
6. Developing Infrastructure and Resources

The primary goal of administrative transformation is to create savings to fund the strategic plan.
Goals
Reduce costs by consolidating operations, improving workforce morale and enhancing worker productivity, improving customer service, and implementing a preventive model to reduce deferred maintenance backlog over time.

Implementation Objectives

- **Consolidate Student Housing and central facilities operations** reducing total FTEs and capitalizing on economies of scale
- Implement a **zone maintenance program** focusing on preventive maintenance and customer satisfaction
- Implement **mobile technologies** to optimize the work order system
- Implement **energy conservation** and sustainability initiatives

KEY CHALLENGE: Achieving cost savings required organizational and operational changes, with little initial support among facilities leadership or the workforce to undertake these changes.
### Estimated Annual Financial Opportunity

<table>
<thead>
<tr>
<th>Estimated Annual Saving</th>
<th>Savings To Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2.6M</td>
<td>$1.4M</td>
</tr>
</tbody>
</table>

### Cumulative Cost Saving Projections

- Energy Conservation & Sustainability
- Administrative
- Custodial
- Zone Maintenance
- Cumulative Project Savings

- The graph shows the cumulative cost savings projections from September 2012 to September 2016.
Goals

- Focus purchasing staff on commodity management and strategic sourcing
- Optimize technology and operations to address the drivers behind the low utilization
- Implement procurement/payables technology to automate processes and routine transactions

Findings and Opportunities

- Develop strategic sourcing program as part of ongoing operations and shift focus to commodity management
- Implement an eProcurement solution to
  - channel spend to University contracts
  - streamline the approval and settlement process
  - address the low utilization and efficiencies of procure to pay technologies
- Merge procurement organizations, resulting in additional resources for commodity management expertise and strategic sourcing activities

KEY CHALLENGE: Organizational resistance is substantial due to a failed eProcurement attempt several years ago.
FINANCIAL SAVINGS, IMPROVED OPERATIONAL EFFICIENCIES

### Annual Financial Opportunity

<table>
<thead>
<tr>
<th>Work Stream</th>
<th>Estimated Annual Saving</th>
<th>Achieved 1st Year Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Sourcing</td>
<td>$2.1-3.3M</td>
<td>$3.9 – $4.3M</td>
</tr>
<tr>
<td>eProcurement</td>
<td>$750K, after implementation</td>
<td>In Process</td>
</tr>
</tbody>
</table>

### Cumulative Cost Savings

![Cumulative Cost Savings Graph]

- **Procure to Pay Optimization**
- **Sourcing Rebate Revenue**
- **Sourcing Cost Savings**
- **Sourcing One Time Incentives**
- **Cumulative Project Savings**

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Goals

- Centralize and virtualize servers maintained remotely across campus to reduce institutional IT costs while providing improved service and data integrity
- Reorganize departmental IT staff to provide broader coverage and more standardized service
- Increase the use of multi-function devices (MFD) to reduce total costs of campus printing
- Centralize identity management and network management solutions for all KU campuses
- Leverage combined buying power of all campuses to negotiate more favorable deals with software vendors

Findings and Opportunities

- High level of decentralized hardware, software, and IT staff managed by departments
- Poorly defined role of local IT staff, leading to inconsistent expectations and levels of service across campus
- Perception among campus users that IT implementations and projects are not fully supported by University leadership, causing many efforts to “fizzle out” mid-stream or shortly after completion
- Each campus has developed unique technical infrastructures to support most administrative areas

KEY CHALLENGE: Many of the IT initiatives require buy-in and support of decentralized campus leaders, including collaborative infrastructure design across campuses.
Estimated Financial Opportunity

<table>
<thead>
<tr>
<th>Estimated Annual Saving</th>
<th>Saving To Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>$6.7M - $9.5M</td>
<td>$1.19M*</td>
</tr>
</tbody>
</table>

* Includes estimates to end of current fiscal year

Cumulative Cost Savings
Goals

Redesign the annual budget allocation process to encompass all sources of funding; enable comprehensive budget understanding and budget transparency for all stakeholders, and manage fund balance growth.

Findings and Opportunities

• Unexpended endowment distributions have been growing by a CAGR of 6.36% over the past 5 years—from $76M in 2006 to $101M in 2011.

• Carryforward balances have been growing by a CAGR of 11.9% over the past 5 years—from $60M in 2006 to $106M in 2011.

• Unit budgets have been based on the previous year’s allocation and do not take into account cost drivers such as enrollment and research.

• Recent years’ budget allocations have not included funding for strategic priorities.

KEY CHALLENGE: Implementing an all funds budgeting model requires increased communication and coordination to analyze multiple data sources from the central offices, schools and units, and the University Endowment.
**Budgeting – Overview (2 of 2)**

ALL FUNDS BUDGETING AND GREATER TRANSPARENCY

### Estimated Annual Financial Opportunity

<table>
<thead>
<tr>
<th>Estimated Annual Flow Available</th>
<th>Utilized To Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>$4.5M</td>
<td>N/A</td>
</tr>
</tbody>
</table>

### Cumulative “Newly Available Resources” Projections

- **Carryforward**
- **Endowment Distributions**
- **Cumulative Project Savings**
Goals

Increase customer service and reduce costs by creating shared service centers (SSCs) across campus to organize staff around job functions and increase training effectiveness for business processes.

Findings and Opportunities

- SSCs are service-driven, using periodic assessments of customer service and metrics to ensure high performance.
- Improved performance of administrative functions will free up funds for strategic initiatives.
- Unorganized demands on staff time are replaced by balanced, focused workloads, allowing staff to have backup during leave time and to develop new skills and expertise.
- SSCs build teams of staff with common experience and goals, bolstering camaraderie, knowledge sharing and fostering a professional and experienced work environment.

KEY CHALLENGE: SSCs represent a substantial cultural shift for both faculty and staff. Gaining buy-in for the change requires persistent, focused effort with stakeholders across campus.
Estimated Annual Financial Opportunity

<table>
<thead>
<tr>
<th>Estimated Annual Saving</th>
<th>Saving To Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1.97M - $2.9M</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Cumulative Cost Saving Projections

- Administrative SSCs
- Research SSCs
- Academic SSCs
- HR Pilot Site
- Cumulative Project Savings

Key Success Factors (1 of 2)

It is critical that the approach produces specific, actionable recommendations, creates stakeholder buy-in, and has unwavering public support from University leadership.

<table>
<thead>
<tr>
<th>Keys to Success / Lessons Learned</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Clearly articulating campus and leadership initiative objectives and <strong>desired end-goals</strong> at the start – and reiterating often – builds agreement among stakeholders, even those directly impacted by the change: <strong>at KU, administrative efficiencies in support of BOLD academic ASPIRATIONS</strong></td>
</tr>
<tr>
<td>• Understanding the University’s <strong>appetite for change</strong> and <strong>capacity to change</strong> based on available resources</td>
</tr>
<tr>
<td>• <strong>Engaging faculty, process owners, and key campus stakeholders</strong> at every stage of the process</td>
</tr>
<tr>
<td>• Utilizing <strong>data-driven business cases</strong> and objective measures <strong>to depersonalize and depoliticize change</strong></td>
</tr>
<tr>
<td>• Pursuing opportunities for enhanced <strong>enterprise-wide resource management</strong></td>
</tr>
<tr>
<td>• Using <strong>the budget process to sustain efficiency gains</strong></td>
</tr>
</tbody>
</table>
It is critical that the approach produces specific, actionable recommendations, creates stakeholder buy-in, and has unwavering public support from University leadership.

### Keys to Success / Lessons Learned

- **Identifying “quick win” opportunities** to demonstrate success and **transformational opportunities** to affect significant and sustainable change.
- **Establishing methods for measuring savings** achieved and **tracking progress** following implementation.
- ** Seamlessly transitioning from assessment to implementation** to ensure forward momentum is maintained.
- **Demonstrating results** to the University community through both internal communications and public, third-party media reinforces the reasons for and commitment to change.
- **Blocking pathways to the old ways to** re-enforce commitments to change.

Above all, University leadership must show a clear and consistent commitment to change and an intolerance for the organizational inertia which can sabotage transformational efforts.
Efficiency Initiative Will Give U. of Kansas $100 Million in Savings and New Funds Over Three Years

By: John R. Curry and Jeffrey S. Vitter, provost and executive vice chancellor of the University of Kansas

Huron Education has identified opportunities for the University of Kansas to save money and access new funds that will total almost $100 million by the end of 2016.

The university, facing a reduction in state funding, has been focused on assuring that all administrative departments are as efficient and effective as possible and on redesigning budgeting and planning capabilities to direct administrative savings and new funding sources toward strategic priorities.

Jeffrey S. Vitter, provost and executive vice chancellor of the University of Kansas, and John Curry, a managing director at Huron Education, described the steps Kansas has taken as part of a panel at the annual meeting in November of the Association of Public and Land-Grant Universities (APLU).

The University of Kansas: Changing for Excellence from Huron Consulting Group

Curry observed that the work at Kansas has been driven by vigorous development of a strategic plan, and the desire of senior leaders to fund emerging priorities from the savings developed through working “smarter” in the administrative services areas. The message to administrators, he said, is that “your new ways of working can advance Kansas academically.” That message has created significant buy-in for the project.

The savings projected for Kansas are in these areas:

- Facilities: Kansas is consolidating several heretofore separate service departments, and implementing a new system for maintenance that will cut down on travel times, increasing efforts at energy conservation and sustainability, and using mobile technology to make maintenance
projects more efficient. Estimated annual savings: $2.6 million
* Procurement: Kansas is merging several procurement operations, installing a strategic sourcing approach that focuses on management of commodities needed across campus, and implementing an e-Procurement process that will focus on larger contracts with fewer vendors. One time upfront savings, up to $4.3 million; estimated annual savings; up to $4 million
* Information Technology: Kansas is centralizing and virtualizing servers, reorganizing staff, and stepping up use of machines that can do multiple functions, including printing, to cut central printing costs. Estimated annual savings: up to $9.5 million
* Budgeting: With Huron’s help, Kansas is redesigning its budgeting process to make it more comprehensive and cognizant of all sources of revenue, actively managing fund balance deployment and growth, and using activity measures to adjust annual budgets to reflect student and research demand. Estimated additional annual funds to direct to priorities: $4.5 million
* Shared service centers: The new centers will reorganize staff to match specific job functions, assuring more efficient use of the workforce. Estimated annual savings: Up to $2.9 million.

In savings that are already realized and estimated for the next three years, the total of savings and new funds will come to $99.4 million by the end of 2016.

Kansas has set a goal of being recognized as a “top-tier public international research university.” Re-allocable resources identified in this project, called “Changing for Excellence,” will enable more intense emphasis on doctoral education, pay for new infrastructure and resources, enable hiring of significant numbers of new faculty, and energize the educational environment.
Achieving Operational Excellence at University of California, Berkeley
Final Diagnostic Report – Complete Version

April 2010
## Contents

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Purpose of this document

• This document contains the findings and recommendations from the UC Berkeley Operational Excellence Steering Committee for the Diagnostic stage.

• The scope of the Operational Excellence diagnostic focuses primarily on improving the operations of the University. Out of scope are aspects of the content of teaching and research that are under faculty governance, and revenue options that include registration or education student fees.

• The recommendations in this report have been presented to the Chancellor for his consideration regarding specific initiatives that should be pursued, the manner in which they should be pursued, and the level of savings that should be targeted.

• The Steering Committee (composed of representatives from UC Berkeley’s faculty, staff, students, and alumni) is making these recommendations after six months of detailed analysis, review and discussion, with significant input from the broader campus community through interviews, focus groups, meetings, surveys, and email contacts.

• The analysis in this report was primarily prepared by a Working Group of more than twenty UC Berkeley employees, guided by UC Berkeley leadership and supported by Bain & Company.

• Additional information about Operational Excellence can be found at http://berkeley.edu/oe.
Vision for Operational Excellence

*World-class teaching and research supported by world-class operations*

**Preeminent academic leadership**

**Public character maintained**

**Internationally recognized researchers and teachers**

**Organizational performance**
- Alignment on priorities, with resources allocated appropriately
- Clear decision-making roles and accountabilities
- Appropriate measures & incentives
- Performance-driven employees with clear responsibilities and career paths

**Financial sustainability**
- Streamlined organization structure, optimized with a pan-university view
- Highly productive workforce using efficient processes and tools
- Appropriate, consistent service levels to meet functional needs
- Lowest cost for quality goods & services
Input from various constituents has been incorporated into different stages of the work

**Diagnostic stage**

- “Individuals optimize locally at the expense of the University.”
- “Lack of clear performance metrics means ineffective workers can remain unnoticed.”
- “There’s no funding strategy for common goods.”

**Design stage**

- “We can’t implement ‘one size fits all’ solutions.”
- “If we move toward centralization, we need to make sure departments get the right service levels.”

**OE Process**

- “Solutions need to be tailored to Berkeley’s unique environment.”
- “We need clear accountability and sufficient dedicated resources to make the changes happen.”

**Sample input**

- “Individuals optimize locally at the expense of the University.”
- “Lack of clear performance metrics means ineffective workers can remain unnoticed.”
- “There’s no funding strategy for common goods.”

**Integration into the work**

- Solutions will have a pan-university perspective
- Workstream dedicated to creating a high-performance operating culture
- Workstream dedicated to financial management model redesign
- Design teams will work with units on specific solutions that support their organization
- Design teams will work on creating service-level agreements and metrics
- Hundreds of campus stakeholders engaged through interviews, focus groups, meetings
- Proposed program office and initiative teams will have dedicated resources and clear accountability for results

Source: OE Capacity for Change and Organizational Effectiveness Survey (Feb 2010); interviews; OE email comments
Summary of OE Steering Committee findings

- **UC Berkeley has a long history of excellence** in teaching and research, as well as a strong commitment to its public mission
  - Berkeley ranks as the top public university for undergraduate education*, and ranks first nationally in the number of graduate programs in the top 10 in their field**
  - Berkeley’s faculty today includes eight Nobel laureates and several hundred members of the National Academies of Education, Engineering and Sciences
  - Berkeley provides access to more Pell Grant recipients (for low-income families) than all Ivy League schools combined

- **State support for UC Berkeley has eroded**, making it imperative for the University to permanently change its operations in order to preserve resources to support its core mission
  - State support has declined by over 50% in real dollars since 2002
  - Future levels of state support are unclear, but unlikely to increase

- **A major systematic, university-wide effort is required** to improve operational efficiency and effectiveness
  - The organic growth of our operations over decades has led to many redundancies, complexities, and inefficiencies which will be challenging to unwind
  - Local optimization, although well-intentioned and efficient on an individual basis, has unintentionally undermined pan-university effectiveness and has increased overall institutional costs and risk
  - 60% of managerial staff surveyed do not believe UC Berkeley is a highly effective organization; 85% believe significant change is necessary

*US News & World Report, 2009; **National Research Council
Summary of OE Steering Committee recommendations

- Specifically, the Steering Committee recommends pursuing **five opportunity areas**, which will enable delivery of more consistent, sustainable service levels at dramatically lower cost:
  1. Procurement
  2. Organizational simplification (including HR, Finance)
  3. IT
  4. Energy management
  5. Student services

- In addition, the Committee recommends pursuing **two critical enablers**, which are foundational to the success of OE:
  
  A. **Commitment to a high-performance operating culture**, built around the setting of clear institutional goals, consistent decision processes and effective people management and development
  
  B. **Redesign of a disciplined financial management model** to ensure more effective management of financial resources
BAIN’S BLOW TO BERKELEY

Nothing kills performance like distress. The same goes for fear, anger, powerlessness, injustice, and a sense of having been screwed over by ignoramuses. The remarkable conversation going on via the recent comments on this blog suggest that the Bain-Berkeley analysis for UCB’s Operation Excellence has dug Berkeley into a deeper operational hole than it was already in.

Why is this report so disturbing? Is there anything in it that might make Berkeley administration better? The answer to the second question is yes, but the report rests on several foundational errors. These are serious enough to suggest that implementation of the report as it is will impose an outdated, centralized organizational model that will in turn undermine Berkeley’s key strengths as a university.

This post describes the report’s analysis, and shows that its solutions do not fit with this analysis. I argue that the report will, if implemented, make UCB administration less efficient than it already is. I also offer one simple reason that the recommendations will also make faculty’s relations to staff worse rather than better, meaning that faculty should help staff find alternatives to the Bain-OE blueprint rather than vainly hoping that it will solve some of their local staffing issues.

Bain was paid $3 million, did much no doubt unpleasant digging in financial records, and in probable conceptual deference to its a campus working group partners (8) produced 205 slides on potential savings on the Berkeley campus. The report identifies five “opportunity areas” for savings (15): Procurement, information technology (IT), energy management, student services, and a non-“area” called organizational simplification.

They produced some useful data: Berkeley works with over 18,000 separate vendors, mostly lacks the equipment standards that would allow discounts via aggressive negotiations on bulk purchases, has such a diffuse IT system that server farms can be found in more than 50 different buildings, doesn’t actually meter and manage energy consumption across campus, and has spread more than 50 separate IT services and equipment standards that would allow discounts via aggressive negotiations on bulk purchases, has such a diffuse IT system that server farms can be found in more than 50 different buildings, doesn’t actually meter and manage energy consumption across campus, and has spread more than 50 separate IT services, making it difficult to save money by consolidating services across the “control points” (slides 16-20). By improving these functions while also implementing organizational simplification, Bain says that the campus could cut cost in these areas by around 6-10% each (23), thus achieving annual net savings of $70 million by year four of the OE project (24). Some slides offer sensible price negotiation and consolidation strategies (e.g. 39-42). Since UCB’s annual budget is $1.65 billion (2007-08), the savings will not be transformative. But a bit more than 4% annual savings at the end of 4 years seems realistic, useful, and responsible, given UC’s ambitions and obligations as a public institution.

The relatively modest cost savings are coupled with the absence of innovative thinking in this report, and the question arises about why this report had to exist at all. Weren’t these management problems obvious to Berkeley’s own administration? Didn’t anyone in the Vice Chancellor for Administration’s office count vendors and plan some remedies in 2006, when “strategic sourcing” was a management fad in UCOP, or back in 1996, when the vendor count probably hit 10,000? So one naturally wonders what is it about UCB’s administration that required it to pay Bain $3 million to tell it how to do some fairly humble portions of its job.

Clues appear in two of Bain’s slides, and bring us back to the fifth opportunity area, the organization itself. First, Berkeley is not a “flat” or networked organization, but an old-school military pyramid with 11 separate layers of management (56). It is at the same time a fragmented pyramid (62) in which communication is less than ideal. The combination no doubt makes Berkeley administration at times the worst of both worlds: inefficient and yet top-down authority, which stifles creatively in the middle and lower layers without offering clear mobilization orders based on some greater vision of the whole. In addition, supervisors have fairly few direct reports, or “narrow spans” (55-57).

So far, the data would suggest to most readers that Berkeley’s problem is that it is too hierarchical, has a heavy bureaucratic burden, partitions or actively hides information to the detriment of efficiency, and intimidates or inhibits lower-level staff rather than informing and empowering them. This would explain why the VC for Administration might now know just how fragmented procurement had become, and why local units would try to operate as much as possible on their own. In other words, Berkeley has too many supervisors and they do too much supervising, which makes supervising less efficient. Too much staff effort is spent negotiating authority and ensuring compliance and too little in practical problem-solving, process innovation, open communication, and direct service to faculty and student “customers.” Both efficiency and innovation depend on informal knowledge, constant information exchange, easy collaboration, and high levels of interest and trust. Berkeley’s stratification and opacity inhibits all of these.

The second clue is confirmation of the effects of UCB’s elaborate hierarchy on organizational morale. Bain’s survey found that Berkeley has a very low “net promoter score” (114), meaning that a majority of employees would not recommend Berkeley as a place for a friend or relative to work. Employees also take a dim view of the
organization’s mode of decision-making because it is insufficiently “participatory” (115-16). Putting these pieces together, we might assume, would mean two remedies. 1) Delayer management, specifically, the middle and upper-middle layers that supervise supervisors rather than offering direct support to teaching and research. 2) Rebuild morale by moving to greater participation by all employees in key decisions. (116) Bain and the OE working groups would then define “organizational simplification” as moving towards a relative flat organization where a smaller number of supervisors and senior executives redefine their role as coordinating participatory decision-making taking place across a decentralized “learning organization.” Efficiency would be sought through informational transparency rather than through bureaucratic authority. Knowledge and trust would increase, self-protection and suspicion would decrease, zero-sum selfishness would decline, and units would be more likely to accept and adapt to painful changes because the participatory process allowed them to understand and to influence the process, even if the outcome was not what they wanted.

This interpretation would move Berkeley towards a flatter and genuinely participatory management structure. But it requires a non-corporate understanding of the university as a necessarily distributed innovation system. The university’s core mission – instruction and research – do in fact occur in frontline units rather than in central administrative offices. Its mission intelligence, in other words, is bottom-up, not top-down. The university’s overall output occurs through parallel processing, in which units work on specific activities – only partially shared with others – in relative autonomy. The core activities range from computer engineering to studio art and cannot be standardized, nor can their administrative support be standardized. Efficiency is compatible with – indeed, depends on – unit autonomy, which enables units to deliver services in the way that is most effective for their particular “customers” (first-generation students, or IT needs in physics as opposed to economics). Unit activities and “outputs” are also therefore modular. The university’s decentralization is an expression of the way its work actually gets done – and must get done. Though logistical and administrative support can certainly be improved, it cannot be improved by violating the bottom-up, semi-autonomous, modular, and decentralized architecture that has been developed over decades to support academic work as it actually takes place. A university is more like an open source software development community than it is like a production line.

Unfortunately, the OE report’s solutions get this upside-down. They rest on two “critical enablers” – a “higher performance operating culture” and a “financial management model” (21).
As a coordinative support function.

Stated commitment to viewing the distributed nature of the university as a strength, and to seeing management needs. Similarly, Bain-OE promulgates the dumb idea that “generalist” supervisors are a problem (52, 76), although in fact they are the indispensable coordinators in any distributed, necessarily non-standardized innovation system. The first victims of this OE regression towards something that looks even more like a 1950s multidivisional corporation will be staff, and the second victims will be the faculty members who have built up local staff collaborations over time on which, in reality, their productivity depends. But the goal is not to enhance faculty productively, but to optimize the pan-university. The big losers will be individual academic departments – their staff and faculty alike. Staff will be pulled away from frontline operational reports and into the authority field up integration, non-intrusive coordination of the decentralization on which organizational creativity depends. Faculty members should also pay close attention, because their activities will not be helped by the report’s definition of optimization as conforming local units to “pan-university” goals (6, 132). Faculty dissatisfaction with staff can be traced to the fact that staff members already do not work for faculty or for their local unit but for the pan-university. Your department’s bookkeeper may help you to squeeze the last extra value out of your limited grant money, but this is in fact not his job. His job is to provide the university’s budget office with accurate financial information, to enforce university regulations, and to protect the university from audit problems. The same is true for the IT specialist, who is already charged with minimizing costs and maximizing standardization, cross-university connectivity and interoperability. She is not charged with optimizing your office’s or your lab’s particular system. Staff are already there to fuel the university’s administrative metabolism, to the frustration of faculty and also of most staff.

Bain’s plan is to make IT people report directly to central and senior IT people rather than to your department chair and/or her IT colleagues in related units. In other words, local, horizontal, cross-functional relationships will be gutted, and replaced by vertical single-function reports. Those who think this siloing and verticalization will increase efficiency are about thirty years behind in their reading of the management literature, which abounds with tales of the effectiveness of cross-functional teams and horizontal collaborations based on local needs. Similarly, Bain-OE promulgates the dumb idea that “generalist” supervisors are a problem (52, 76), although in fact they are the indispensable coordinators in any distributed, necessarily non-standardized innovation system. The first victims of this OE regression towards something that looks even more like a 1950s multidivisional corporation will be staff, and the second victims will be the faculty members who have built up local staff collaborations over time on which, in reality, their productivity depends. But the goal is not to enhance faculty productively, but to optimize the pan-university. The big losers will be individual academic departments – their staff and faculty alike. Staff will be pulled away from frontline operational reports and into the authority field of the central office controlling their specific function.

The slide that best summarizes OE’s regressive solutions is 117.

The image is the bureaucratic version of the alien ship in Independence Day, a looming, inverted pyramid in which top dwarfs bottom and threatens to swallow it whole. Everything flows top-down, and the administrative content takes the form of goals-metrics-evaluation which are communicated to units (metrics – assessment of performance), on down to supervisors (accountability functions) and then finally to individuals (performance metrics tied to unit goals.) Relationships are reduced to the abstract modalities of compliance embodied in assessment procedures. Management is not support for the university’s necessarily diverse creative functions but is a state of permanent evaluation. There is no respect here for the autonomy of the units – departmental staff, student services, and technical staff for laboratories – that are close to the “customer” (cf. “autonomous culture” as a source of inefficiency in procurement, slide 35). The tone is of control through communication, through finance, through even more of the endless audit and evaluations to which UC employees are already subject. The implicit diagnosis is that Berkeley’s employees are inefficient because they are insufficiently assessed, measured, and financially incentivized. The diagnosis is anti-humanist, at odds with current literature about both human motivation (intrinsic) and effective organizational behavior (collaboratively organized). It is also ungrounded in evidence from the Berkeley campus. The predictable effect, as I noted at the start, is that the model contained in the report is already making staff efficiency worse.

I don’t have first-hand knowledge of how the Berkeley campus process is unfolding this week or this month, but the public documents are not promising. There is the OE czar, central process managers, hand-picked committees making implementation decisions in smoke-free rooms, and roving HR bands hired from the outside. There is nothing there about collaborative implementation, protections for productive autonomy, bottom-up integration, non-intrusive coordination of the decentralization on which organizational creativity depends. I see three things that would help:

A freeze on threats of staff layoffs tied to the OE process.

Stated commitment to viewing the distributed nature of the university as a strength, and to seeing management needs. Full participatory involvement in implementation, starting with rank-and-file faculty and front-line staff.

Only a bottom-up process will keep Bain-OE’s new centralized units and new administrators (more HR consultants, more “experienced sourcing staff” (49) from bogging Berkeley down even further. Industry also used to know this, and research managers from Kodak’s legendary Kenneth Mees in the 1920s to the “skunkworks” at Lockheed during World War II to Bell Labs in its heyday to the Internet (all top-down managed “intranets” were
commercial failures) to Apache and similar open source software projects— all managed innovation through mutual respect, good communication and the participatory negotiation of policy and resources. The best way to wreck innovation in organizations is to micromanage the local units. Unless they want to spend even more time and money encouraging UC’s decline, the OE groups need to turn the OE blueprint on its head.

Labels: admin responses to UC personnel, administrative costs, UC Berkeley

40 comments:

Bob Samuels said...

This is a very good analysis, but since UCB has already spent so much money on this plan to centralize, they will not allow themselves to question the guiding principles behind the plan. It is interesting to read the UCB plan next to the extended recommendations of the Commission on the future; in both cases, you see a combined rhetoric of centralization and efficiency, which as you stress, is a very old model. By reorganizing units, the central administration relocates the loyalty of staff from local departments to central authority and as you emphasize, this structure will just make people feel more alienated and distrustful.

September 14, 2010 at 5:41 AM

Anonymous said...

Professors Newfield, as a staff member who has been through a take no prisoners downsizing and admin unit merge, I read your report with tears forming in my eyes. I think it is very "right on". I hope your report is sent to all Chancellors, EVCs, VCs, and Senate Chairs.

September 14, 2010 at 6:09 AM

Anonymous said...

You will note that none of these new and highly significant developments have been posted to the OE news website:

http://berkeley.edu/oe/news/

We will always be several steps behind in being given real information; all we will see in print is the official gloss-over. Also note that we can no longer make anonymous comments on the OE website; I'm sure we were originally able to do this, otherwise I wouldn't have commented, as I am happy and by necessity.

September 14, 2010 at 6:17 AM

Anonymous said...

make that "Anonymous"

September 14, 2010 at 6:17 AM

Anonymous said...

I'm sure it is just a happy coincidence for UC that most of the staff losses will come from the collective bargaining units.

And just where are those unions? I haven't heard a peep from mine.

September 14, 2010 at 7:28 AM

anonstaff said...

The OE people, who are probably closely monitoring this blog, are probably pleased to see that we staff are working our way through the "Anger Phase" right on schedule. Next comes the "Resignation Phase" where we reluctantly accept our fate. Those of us who remain will eventually reach the Cautious Exploration of Possibilities Phase, and at last we will realize what wonderful benefits change held for us all along. Silly us!

September 14, 2010 at 8:58 AM

Anonymous said...

anonstaff 8:58 am

Indeed. Although I'm still trying to figure out which animal I would like to be in the "Resistance Zoo!"

September 14, 2010 at 9:14 AM
Implementation Plan
The Program of Incentive for Efficiency

At
The University of West Florida

I. Program Goal

Our goal is to improve the quality of The University of West Florida through the reallocation of existing resources and the generation of new revenue. This program assists in the achievement of that goal by providing incentives to all employees to identify and implement procedures or ideas that result in eliminating or reducing expenditures or in generating new revenues without reducing the quality of essential services. The program is intended to generate actual tangible savings or new revenue by providing a source of discretionary revenue, or supplanting discretionary revenue which had been allocated to a specific purpose. The supplanted revenue must be allocated to another purpose. Revenues which are not eligible for incentives under the program include student or employee fines or fees, revenues normally generated through the University Foundation, and revenues from personal services.

II. Program Resources

The Program of Incentive for Efficiency has been designated one full-time position to assist in the administration of the program and to promote the success of the program. This position will be assigned to the Office of Human Resources. Suitable office space, furniture and equipment have also been allocated. An initial expense budget for a program brochure, forms, and other items necessary to make the program successful will be allocated to Human Resources.

III. Steering Committee

A. Purpose

To assist in the design and administration of the Program of Incentive for Efficiency, to ensure appropriate evaluations of submitted proposals, to follow-up on adopted proposals, and to promote the Program of Incentive for Efficiency.

B. Committee Membership

One (1) Faculty member, voting, recommended by the Provost/Vice President of Academic Affairs and appointed by the University President in consultation with the Faculty Senate Executive Committee.

Four (4) Administrative and Professional members, voting, from the Divisions of Administrative Affairs, Academic Affairs, Student Affairs, and University Advancement, recommended by the appropriate Vice President and appointed by the University President in consultation with the A&P Council.
Three (3) USPS members, voting, one of whom will be from the area of Plant Operations, Maintenance and Engineering, recommended by the USPS Staff Council and appointed by the University President.

Director, Human Resources (or designee), non-voting, ex officio.

C. Committee Staff

P.I.E. Administrator from Human Resources.

IV. Implementation Plan

A. Conflict of Interest Safeguards

1. Any member of the Steering Committee who may benefit financially from the adoption of a proposal, aside from the bonuses from the Administrative or Organizational Incentive components of this program, must abstain from voting on the proposal. Minutes of Committee meetings must reflect the vote.

2. Any Dean, Chairperson or Director, or any other staff member who may benefit financially from the adoption of a proposal, and who, by virtue of their position must make a recommendation on the merits of a proposal, must certify that their recommendation is made solely in the best interest of the University of West Florida and that the prospect of personal financial gain did not influence their recommendation.

   In addition, the Dean, Chairperson or Director must certify that adoption of the proposal will not reduce the quality of essential services, and provide a recommendation for uses of the savings to create qualitative improvements in services.

3. The Inspector General’s Office will audit the operation of the Program of Incentive for Efficiency and render an independent opinion on the merits of the Program in accordance with the Statute, rules, and procedures governing the program. In the event of adoption of a proposal which emanates from the within the Inspector General’s office, an internal auditor from another University will be requested to review and report on action of the University with regard to that proposal.

B. Procedure for Appeal of Decisions by the Steering Committee

1. The adoption or non-adoption of a proposal by the Steering Committee may be appealed by the proposer or the Dean, Chairperson, or Director of the unit affected. The appeal must outline the reasons why the original committee action was inappropriate. All appeals must be directed to the Steering Committee within thirty (30) days from the date of notification of adoption or non-adoption.
2. The Steering Committee or designated representatives must meet with the employee and recommend action on the appeal to the President within thirty (30) days of receipt.

3. The President may designate the Vice President for Administrative Affairs as the review officer for an appeal. Final action by the President on the appeal must be completed within thirty (30) days of receipt of the Committee’s recommendation.

4. This reconsideration action shall be the exclusive, final, and binding procedure for resolving any disputes arising under this program. Disputes will not be subject to any other grievance or review process.

C. Promotion of the Program of Incentive for Efficiency

1. Public Affairs and Marketing will assist in developing a logo and title for the Program.

2. Public Affairs and Marketing will assist in the design and production of a program brochure and a proposal form for distribution to all eligible employees.

3. The Fountain and the Voyager will publish articles to promote the program.

4. The President, Vice Presidents, and Deans will promote the program with faculty and staff at every opportunity.

5. The P.I.E. Administrator will submit articles for publication to the Fountain and Voyager on the operation of the Program and all adopted proposals. The Fountain will give priority to prominent reporting of adopted proposals.

6. The University will schedule lectures and promotional events to enhance interest in the P.I.E. awards system during appropriate gatherings of faculty and staff.

D. Proposal Component

1. All individuals employed by the University are eligible to submit proposals for cost savings or revenue generation. Two or more eligible employees may submit a joint proposal. Former employees who submitted a proposal while still employed by The University of West Florida lose their eligibility for bonuses upon separation from The University of West Florida.

2. In order for a proposal to be eligible for a bonus it must be implemented and result in an actual recurring savings or generate additional revenue. Proposals that deal with issues connected with a grievance, classification or compensation of positions, or which should
be implemented as a result of a specific assignment and proposals which are a duplicate, or significantly similar to a proposal adopted by another SUS university and about which UWF has been notified are not eligible.

3. Proposals must be submitted to the Program Administrator on the official University form and must be signed by the proposer(s). The Program Administrator must date and time stamp each proposal upon receipt and assign it a file number.

The P.I.E. Steering committee will provide a mentor for each suggestion. Committee members will volunteer when the program administrator sends out notification of a new suggestion. The suggestion will be active once it is complete.

4. A copy of the active proposal will be sent to the Dean or Director (evaluator) of the Division to which the proposal applies. This Evaluator will be responsible for having appropriate organizational staff review the proposal and submit an evaluation of the merits of adoption or non-adoption, along with documentation for the recommendation to the Evaluator. The Evaluator shall, in a written report, recommend adoption or non-adoption and return the report and proposal to the Program Administrator (Steering Committee) within thirty (30) working days of the receipt. An extension may be requested in writing.

5. The Steering Committee must act on the proposal and provide a recommendation to the President regarding implementation within fifteen (15) working days of receipt of the proposal evaluation report.

6. The President must act on the Committee’s Recommendation within fifteen (15) working days from the date of the Steering Committee’s action.

E. Proposer Incentive Bonuses

1. Proposers will be eligible for an incentive bonus of ten percent (10%) of the first year’s actual or anticipated net savings or additional revenues generated from the proposal; however, no individual may receive total annual bonuses in excess of $25,000.

2. Up to half of the estimated incentive bonuses may be paid when the proposal is approved for implementation.

F. Allocation of Administrative Incentive Awards

1. The actual or anticipated first year annual savings or net revenues from adopted proposals shall be allocated to the division of the University which generated the savings or revenue. Up to twenty percent (20%) of the savings or net revenues may be paid to
incumbents within the chain of responsibility starting from the level of immediate supervisor through the Chair/Dean/Director. Administrative Incentive allocations to individuals shall be limited to fifty percent (50%) of the amount received by each proposer.

2. The Dean or Chairperson/Director of the unit within the division which generated the savings or net revenues will receive five percent (5%) of the allocation. Administrative incentive allocations to these individuals shall be limited to fifty percent (50%) of the amount received by each proposer.

3. Administrative Incentive bonuses to any individual administrator may not exceed $25,000 in any one fiscal year, nor may any administrative bonus exceed five percent (5%) of the savings or net revenue generated. No individual may receive a bonus through both the proposal component of this program and the Administrative Incentive component for the same proposal. The overall limit for bonuses through any component of this program shall be $25,000 in any one fiscal year.

G. Organizational Incentive Bonuses

1. The actual or anticipated first year annual savings or net revenues generated from adopted proposals shall be allocated to the department of the University which generated the savings or net revenue. Up to twenty percent (20%) of the savings or net revenues may be allocated equally among the members of the department which generated the savings or net revenue. Organizational Incentive allocations to individuals within the department shall be limited to fifty percent (50%) of the amount received by each proposer.

2. Organizational incentive bonuses to any individual member of the organization may not exceed $25,000 in any one fiscal year, nor may any organizational bonus exceed five percent (5%) of the savings or net revenue generated. No individual may receive a bonus through both the proposal component of this program and the organizational incentive component for the same proposal. The overall limit for bonuses through any component of this program shall be $25,000 in any one fiscal year.
Florida State University continues our ongoing dedication to continuous efficiency improvements as was recently recognized when U.S. News & World Report ranked us as the most efficient national university in America. Here are just a few examples of projects completed in the past 24 months. These few examples alone demonstrate over $5 million in recurring savings.

**Sustainability Initiatives**

- Received Davis Productivity Award for saving $2.8M by identifying areas for increased energy conservation, efficiency upgrades and additional materials that were diverted from the landfill and/or reused on campus.
- Continued to increase recycling efforts on campus by diverting 2,600 tons of recyclable material from the landfill, saving over $106,000 in landfill tipping costs.

**Adherence to Energy Savings Program**

- Developing a joint project between the Ringling Museum and New College to combine their chiller plants into a single system to increase operating efficiency and to provide substantially increased back-up capacity for both institutions.
- Achieved a 14% reduction in the cost per square foot for all E&G utilities when compared to the prior year.
- Completed relamping project across campus, reducing lighting costs by over $100,000. Used lamps were provided to FAMU since they were of a higher quality and efficiency than what they were using.
- Completed a major re-lamping program that has resulted in approximately $150,000 per year in electrical savings.
- Upgraded the HVAC control systems for many campus buildings. Anticipated annual savings of $50,000 or more.
- Completed a steam system upgrade that will save the University $100,000 in steam production cost annually.

**Operational Efficiencies**

- FSU has now replaced over 475 physical servers with virtual servers resulting in significant savings in power, cooling, networking, staff support and space requirements.
- Restructured Microsoft, Oracle, Matlab, SAS and SPSS software contracts. This initiative saves FSU over $1M per year.
- The University joined the CampusEAI Consortium and will deliver the myFSU portal solution using a grant of in-kind services to save approximately $1M in implementation costs.
- The consolidation of the offices of Multicultural Affairs with the Center for Leadership and Civic Education streamlined administrative functions and saved approximately $30,000.
- The University student email system was outsourced to Microsoft, resulting in over $100,000 in recurring cost savings.
- Replacing our decades-old Centrex telecommunications system with a VOIP solution. This will also result in $1M in annual cost savings when fully implemented.
- Implemented Share-A-Book with the University of Florida to allow student and faculty at both campuses increased access to a greater number of materials at no additional cost.
- FSU Human Resources implemented paperless and automated systems which led to a 90%+ reduction in personnel action processing time.
- Close management of Reemployment Assistance reduced unemployment costs by $123,000.
- Implemented the paperless delivery of W-2 and 1098-T tax forms, saving the cost of printing and mailing forms.

**Increased Revenue**

- FSU Police secured $250,000 in Homeland Security funds for campus alert & notification systems.
- Generated over $140,000 by utilizing markets for recyclable materials.