Models for Operational Efficiency and Practice Improvement

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Agenda

- Session Objectives
- Introduction to Four Approaches
- Four Universities, Four Case Studies
  - Emory University
  - University of California, Berkeley
  - University of California, San Francisco
  - University of North Carolina at Chapel Hill
- Discussion and Q&A
  - Key Criteria and Methods for Success
  - Discussion: Cases at a Glance
Session Objectives

At the conclusion of our session, you will have better appreciation for, and understanding of:

- Models of operational efficiency and business practice improvement
- Insights on how to overcome resistance and obtain buy-in from constituents
- The benefits of large and small process improvement efforts
Introduction to Four Approaches

Common Objectives

- Aligning resources with core mission and services
- Reducing fragmented, siloed, duplicative operations
- Focus on effectiveness, efficiency and cost savings
- Goal of increasing service levels

Case Studies

- **Emory University**: Projects are broad-based improvement initiatives led by BPI staff and executed by Working Groups of employee stakeholders
- **UC – Berkeley**: Identified areas of biggest cost savings potential, projects partnered academic and administrative sponsors and project outcomes measured
- **UC – San Francisco**: Five key focus areas with targeted improvement components, approved by Chancellor’s Executive Committee and implemented by PMO with multiple campus representatives
- **UNC – Chapel-Hill**: Do-it-yourself approach where key metrics are shared broadly among units, encouraging learning from competitive benchmarks and best practices, and driving leaders toward improvement
FOUR UNIVERSITIES, FOUR CASE STUDIES
Background & Context of the Initiative

- Emory University, like others, faces key fiscal challenges:
  - Constraints in net revenue growth,
  - Increasingly complex regulatory environment
  - Growth in activities that depend on subsidization,
  - Increasing constituent expectations, and
  - Emerging competitive modes of education.

- Emory has experienced rapid growth over the past decade. This was not accompanied by process and system redesigns.

- Schools and units still function like fragmented and stand-alone cottage industries.

- Emory’s current business environment is inconsistent.
  - Best practice in some areas; improvement needed in others.
  - Highly variable service levels.

- Suboptimal practices, systems, and processes have resulted in:
  - Frustration, heavy work-loads, ineffective outcomes, and errors
  - Variance in quality of people and local processes supporting tasks, and inadequacy of internal controls.
**Goals & Objectives**

- Business Practice Improvement (BPI) works to improve both the effectiveness and efficiency of Emory’s business operations. We do not have express cost savings goals, but ROI is an underlying objective.

- We seek to enable the institution’s academic, research, scholarship, and clinical enterprises via more scalable services and lower increases in support costs.

- We are focused on improving both business services, as well as the satisfaction of faculty, staff, students, and constituents.

- Our projects to date include:
  - Research Administration
  - Travel & Expense Reimbursement Process
  - Credit Card Implementation
  - Fiscal Roles & Responsibilities
  - Participant Stipend Fund Process
  - Reusable Recycled Materials Marketplace
Goals & Objectives

- Emory seeks to demonstrate industry-leading practices for its business operations. This is critical to support growth.

- Rapid growth was not accompanied by process and system redesign; units still function like fragmented and siloed cottage industries.

- Emory’s current business environment is inconsistent.
  - Best practice in some areas; improvement needed in others.
  - Highly variable service levels.

- Suboptimal practices, systems, and processes have resulted in:
  - Frustration, heavy work-loads, ineffective outcomes, and errors
  - Variance in quality of people and local processes supporting tasks, and inadequacy of internal controls.

- Improvement successes in other areas (such as IT) over the last five years show we can achieve both improved service and lower cost structures institutionally.
Structure

- Given Emory’s decentralized funds flows and fragmented nature, it is critical to engage the community and have strong leadership support.

- Project-specific Working Groups
  - 15 to 30 High performing faculty and staff (volunteers) from across campus
  - Selected for expertise and unit representation
  - Divided into sub-working groups with chairs
  - Tactically executes project plan and performs work (under BPI leadership)
  - **Objective:** Helps to achieve broad support and buy-in from schools and units

- Governing Advisory Committee
  - Executive VPs, Deans, and Faculty Leaders
  - **Objective:** Support, high level strategic advisory, and final decisions

- Steering Committee
  - 15 VPs & Chief Business Officers
  - **Objective:** Strategic advisory, vetting, and key decisions
Case Study: Travel & Expense Reimbursement

- Ineffective processes throughout Travel & Expense reimbursement function
  - Paper-heavy and manual processes
  - Inconsistent policies
  - Low corporate card adoption
  - Duplicative approvals
  - Ineffective technology

- Assembled a working group to execute:
  - Benchmarking
  - Current state analysis & focus groups
  - Quantitative data analysis on spend data
  - New process and procedure designs
  - Recommendation & solution development

- Outcomes
  - Reduction in duplication of effort – one approval, one post-audit
  - Simplified user experience – more efficient, less paper, less time, less manual
  - Uniform, clear policies – sensible and documented
  - Promotion of corporate card – leading to robust spend data, less paper, easier reporting
  - Explicit inclusion of traveler safety, user satisfaction and valued productivity as guiding principles for the T&E program
  - Maintenance of a travel agency mandate, with increased service levels to users
Learnings & Conclusions

- Transparency, at all stages of the process
  - Project methodology and project team
  - Issue identification
  - Recommendation development

- Inclusion: achieve buy-in early and at all levels
  - Working Group must be comprised of stakeholders
  - Working Group members are promoters within their units
  - Aids in implementation – you have a built in implementation team

- Buy-in takes time
  - Vet, vet, vet – at every stage
  - Be patient, and be flexible

- Be data driven experts
  - Project leaders must learn to be “subject matter experts”
  - Need to provide, substantiate, and push back with knowledge
  - Helps to identify when status quo is being protected

- Pushing back against inertia is crucial to success
  - Change is difficult and many don’t believe it can happen

- Solutions must be practical, meaningful, and implementable
  - Must be balanced between radical and incremental – constant tension
Background & Context of the Initiative

Drivers
- Time to rethink the financial model for UC Berkeley

Operational Excellence (OE) Goals
- Reduce the administrative operating costs by $75M annually
- Improve the quality of the administrative services
- Instill an environment of continuous improvement

Approach
- Identify where to invest so as to reduce the long term administrative operating costs
Diagnostic Phase

Identified 7 Initiatives:

- 5 areas of savings:
  - Energy Management
  - Information Technology
  - Organizational Simplification
  - Procurement
  - Student Services

- 2 foundational requirements:
  - Financial Sustainability
  - High Performance Culture

Led to 50 proposed projects

22 projects implemented
Design Phase

Engaged the campus community in the process of designing project proposals to achieve the OE objectives, e.g.:

- Online energy management system (Pulse Energy)
- Common desktop tools (Google calendar/email, Microsoft suite)
- Timekeeping (Kronos)
- Shared services center
- eProcurement system (Sciquest)
- Student services one-stop-shop
- Financial planning tool (Hyperion)
- Metrics model
- Enterprise data warehouse
Implementation Phase

- Leadership engagement
- Partnering academic and administrative sponsors
- Clear decision and oversight process
- Communicate, communicate, communicate at every level
- Consistent project management methodology
- Significant investment in change management
- Measure project progress
- Measure project outcomes
Case Study

Portfolio Investment and Savings Projections by Fiscal Year

Approved portfolio as of April 1, 2012

- Committed OE Project Investment
- Projected annual savings during OE implementation phase
- Projected annual savings beyond OE implementation

All figures shown in $M.


- 2011: 9.8
- 2012: 16.7, 25.4
- 2013: 19.9, 42.6
- 2014: 6.0, 48.7
- 2015: 5.2, 62.6
- 2016: 1.9, 75.4
- 2017: 85.5
- 2018: 89.1
- 2019: 94.6
- 2020: 95.2
Learnings & Conclusions

- Iterative and incremental development approach works well
- Time and effort to change behavior is an even greater commitment than estimated
- Communicate, communicate, communicate
- Resistance transitions into scope creep
- Program office provided consistency, rigor, view to the big picture, momentum
Mara Fellouris, Executive Director
Program Management Office

UNIVERSITY OF CALIFORNIA, SAN FRANCISCO
Background & Context of the Initiative

- **Drivers**
  - Address financial challenges
  - Improve service quality, availability and accountability to achieve operational excellence in administration

- **Approach**
  - Campus-wide representative groups developed business cases for key administrative areas
  - Priorities finalized by Chancellor’s Executive Committee
  - Savings targets set by program area for a total of about $48 million in 4-5 years
  - Implementation teams include multiple campus representatives and full time PMO staff
Goals & Objectives

Five Focus Areas

1. Human Resource Management
2. Pre-Award Research Administration
3. Finance Administration
4. Strategic Sourcing
5. Technology Infrastructure

Improvement Components

- Organizational realignment to streamline operations
- Improved processes and policies
- New software and online tools to achieve efficiencies
- Increased people and service effectiveness through enhanced training and consistent performance expectations
Case Study: Service Centers in Pre-Award and HR

- **Service Center Attributes**
  - HR: 180 staff; 5 centers plus specialty groups; centers grouped by business line; two locations
  - Pre-Award: 125 staff; 10 teams; teams grouped by business line; multiple locations

- **Implementation Strategy**
  - HR: phased; predetermined; short pilot
  - Pre-Award: phased; volunteer process initial phases; longer pilot

- **Common to Both**
  - Competitive Recruitment with approaches to drive Retention
  - Careers
  - Training
  - Department Transition
  - SLAs
  - We did it ourselves
Learnings & Conclusions

- It is less about process than it is about procedure
- Transitioning subject matter experts to building, managing and working in a service center needs to address the “non-SME” skills (leadership, management, process analysis, customer service)
- Get messaging down from the beginning, else people focus on “the money”
- Implement and refine; perfection prior to implementation won’t happen
  - The ideal is pilot first and apply lesson learned
- Gotchas
  - Scope creep
  - Space and infrastructure coordination
  - Funding model ongoing visitation
  - Team resources
Mike Patil, Executive Director
Carolina Counts

UNIVERSITY OF NORTH CAROLINA
AT CHAPEL HILL
Background & Context of the Initiative

- Consultants hired in 2008, before recession

- Recurring annual State funds savings identified of $70M in five years:
  - Right-sizing organization
  - Procurement/IT Services Selective Consolidations
  - Process Simplification and Redesign
  - Shared Services

- Carolina Counts Program created to act on the recommendations
Challenges

Challenge: **Not What to do, but How to do it**

- Decentralized semi-autonomous organization
- Decision not to mandate or prescribe solutions to schools
- Carolina Counts Program not funded to design or implement initiatives
- Oversight by Trustees expecting results
DO IT YOURSELF Toolkit made available to schools

- Extract and crunch a broad range of operational data
- Derive workload/performance and utilization indices
- Make available web-based comparisons/benchmarks against other schools
- Provide estimated potential savings, based on the benchmark targets
- Offer consultations and assistance to schools to meet those cost savings
Main Selection – Type of Data Desired
Selecting Organizations - 1st Level

### Academic Affairs
- Check All
- Clear
- Arts & Sciences
- Business
- Education
- Government
- Info & Lib Sci
- Journalism
- Law
- Social Work

### Central Functions
- Check All
- Clear
- Campus Services
- Facilities Plan & Const
- Central Finance
- Central HR
- ITS Services
- University Libraries
- Research
- Student Affairs

### Aggregates
- Check All
- Clear
- Campus
- Finance & Admin
- Academic Affairs
- Health Affairs
- Schools
- Central Functions

### Health Affairs
- Check All
- Clear
- Dentistry
- Medicine
- Nursing
- Pharmacy
- Public Health

### Other Functions
- Check All
- Clear
- Academic C&I
- Advancement
- Athletics
- Chancellor Support
- Provost Support

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Selecting Organizations- 2nd Level

Selected Divisions and Depts (choose up to 20)

- Arts & Sciences
  - 3204: Art
  - 3212: Music
  - 3215: Communication Studies...
  - 3225: English & Comp Liter...
  - 3238: Philosophy
  - 3244: Romance Languages

- Natural Sciences & Math
  - 3258: Psychology
  - 3265: Chemistry
  - 3267: Biology
  - 3270: Physics-Astronomy
  - 3276: Computer Science
  - 3282: Mathematics
  - 3292: Exercise & Sport Sci...

- Social & Behavioral Scien...
  - 3252: Asian Studies

- Nursing
- Pharmacy
- Public Health
  - 4610: Health Policy and Man...
  - 4620: Biostatistics
  - 4630: Environment Sciences...
  - 4635: Epidemiology
  - 4640: Health Behavior & He...
  - 4645: Maternal & Child Hea...
  - 4660: Nutrition
  - 4625/4626: NCIPH
  - 4655/4670: PHLP

- Campus Services
  - Facilities
  - Energy Services
  - Facilities Plan & Const
  - Central Finance
  - Central HR

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## Picking Desired Data Elements - Financial

### Graphs

(choose up to 5) Clear

- **FTEs**
  - [ ] Current
  - [ ] Required
  - [ ] Underutilized

- **Workload**
  - [ ] Dollars Managed / FTE
  - [ ] Workload / Salary Index
  - [ ] Transactions / FTE
  - [ ] Workload as % of Benchmark

- **Transactions by Type**
  - [ ] Summary by Type
  - [ ] Contractor P.O.s
  - [ ] Travel Expense Reqs.
  - [ ] Check Reqs. & Under $5K P.O.s
  - [ ] P.O.s Over $5K & Standing P.O.s
  - [ ] Journal Entries

- **Transactions by Amount**
  - [ ] Summary by Amount
  - [ ] $0 to $500
  - [ ] $500 to $2,500
  - [ ] $2,500 to $5,000
  - [ ] $5,000+

- **Compensation / Salary**
  - [ ] Total Compensation
  - [ ] Avg Salary
  - [ ] Avg Salary as % of Schools Average
  - [ ] Total State Salary

- **Potential Savings**
  - [ ] State + F&A
  - [ ] State + F&A as % of State
  - [ ] All Sources
  - [ ] As % of Fin. Compensation

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Workload Comparisons – Financial Productivity

Comparing FTEs Required vs. Actual Workload / Salary Index, Transactions / FTE for Schools A, B, C, D, and E over months Dec 2010 to Dec 2011.

Source Data: © 2012 Carolina Counts, UNC-CH
Financial Headcount - Actual vs. Required

- Actual Headcount
- Required Finance Headcount

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Looking Back
Leading For
NACUBO

2000

34

July 2012

Draft/Confidential
Organizational Spans & Layers 2010 vs. 2011

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Employees</th>
<th>Supervisors</th>
<th>Emp/Sup Ratio</th>
</tr>
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<tbody>
<tr>
<td>2012</td>
<td>171</td>
<td>59</td>
<td>2.9</td>
</tr>
<tr>
<td>2011</td>
<td>159</td>
<td>56</td>
<td>2.8</td>
</tr>
<tr>
<td>2010</td>
<td>165</td>
<td>57</td>
<td>2.9</td>
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Number of supervised units:
- No supervised units
- ≤ 3 units
- ≤ 5 units
- > 5 units

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Key Accomplishments

- Pervasive sense of cost awareness across the campus
- Web based on-demand workload performance/cost information (OpSmart)
- Evidence based understanding of operations
- 140+ projects completed with recurring cost savings of $50M/year
- On-going measurements for continuous improvements
Learnings & Conclusions

- "Do-it-yourself"
  - works better than "must-do" to change the culture
  - encourages buy-in and long term commitment
  - creates optimal solutions at lower cost

- Individual behavioral changes sum to institutional changes

- The act of measuring creates an imperative for innovation

- Readily available information promotes executive cooperation and action
DISCUSSION AND Q&A
Criteria for Success in, and Methods for Achieving Operational Efficiency

Key Criteria for Success with Operational Efficiency

- Clear governance and decision-making
- Clear, committed and visible leadership
- Stakeholder management including effective communications planning and execution
- Organizational readiness activities including transition management and training
- Adequate resources to tackle the method effectively
- Stakeholder inclusiveness in the process
- Commitment to questioning the status quo

Key Methods for Achieving Operational Efficiency

- Organizational restructuring
  - To achieve economies of scale and consistent service excellence
- Job restructuring
  - To achieve consistent roles and responsibilities and job training requirements and establish clear career paths
- Process and workflow redesign
  - To achieve efficiencies, standardization, compliance, higher quality, higher volume
- Tools and Technology deployment
  - To provide foundational improvements to process and job performance and outcomes
- Quantitative and Qualitative Analysis
  - Internal and external benchmarking, data analysis, and thematic analysis
### Discussion: Cases at a Glance

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<thead>
<tr>
<th>Emory University</th>
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<tbody>
<tr>
<td>- No express cost savings goals</td>
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<td>- Focused on effectiveness, efficiency, user satisfaction and applying best practices</td>
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<td>- Projects are broad-based improvement initiatives</td>
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<td>- Work is led by BPI staff and executed by Working Groups of employee stakeholders</td>
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<tr>
<td>- Identify areas of investment in technology/process to reduce long term administrative operating costs</td>
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<tr>
<td>- Academic and administrative partnership</td>
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<tr>
<td>- Project management + change management = results delivery</td>
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<tr>
<td>- Committed leadership at all levels</td>
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<tr>
<td>- Measure outcomes</td>
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<table>
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<th>UC – San Francisco</th>
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<tbody>
<tr>
<td>- Driven by financial and service quality goals</td>
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<tr>
<td>- Broad and inclusive implementation teams for five key administrative areas</td>
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<tr>
<td>- Emphasis on building service centers with economies of scale, supported by process redesign and enabling technology</td>
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<tr>
<td>- Large scale transition management</td>
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<table>
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<tr>
<td>- Driven by operational excellence</td>
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<tr>
<td>- Goal to shift funding to core missions and to make operations more cost-efficient and simple</td>
</tr>
<tr>
<td>- Do It Yourself (DIY) model where by metrics are compared across units</td>
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<td>- Data comparatives drive leaders towards improvements and best practices,</td>
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THANK YOU!
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