

Minutes – DRAFT 11/11/03
Achieving Operating Efficiencies Work Group
Board of Regents of the University of Wisconsin System
November 6, 2003

The Achieving Operating Efficiencies Work Group met at 10:00 a.m. in room B1A, Lowell Center, Madison, Wisconsin. Work group members present were Regent Mark Bradley (chair), Regent Nino Amato, Chancellor Douglas Hastad, Chancellor Jack Miller, Chancellor Charles Sorensen, Vice Chancellor Andrew Soll, Faculty Representative Lisa Seale, Vice President Debbie Durcan, and Director of Operations Review and Audit Ron Yates. Work group members not present were Regent Jose Olivieri, Regent Emeritus Jay Smith, Academic Staff Representative Therese Kennedy, and Student Representative Alan Halfen. Among the others present were Associate Vice President Frank Goldberg, Assistant Director Jane Radue and Program Analyst Sandy Cleveland (Operations Review and Audit).

Regent Bradley began the meeting with an introduction of work group members. Vice Chancellor Soll moved approval of the minutes from the October 9, 2003 meeting; Regent Amato seconded the motion, and it was approved unanimously.

Regent Bradley reviewed the work group's progress so far. He noted that the first meeting focused primarily on defining the scope of the work group. At a subsequent meeting the group received a report about ideas for efficiency measures, some of which were already implemented, some of which were not. Also discussed were areas in which statutory changes could lead to improved operations, such as the capital building program, procurement, and cash management. In addition, Regent Bradley mentioned the importance of doing self evaluation, as Regent Olivieri had suggested, to identify efficiencies that can be implemented internally, without the need for statutory changes. In light of the timeframe for the work groups, with a report due in June, the group will reach conclusions in some areas and then will need to recommend other topics for future study.

Regent Bradley noted that Regent Gottschalk would like each work group to use a common timetable format; this group already has a timetable, entitled "Strategies and Components of Operational Efficiencies." Regent Bradley said that the group has made various requests for information and would continue the process of receiving requested information at its meetings.

Higher Education Structures

Regent Bradley invited Director Ron Yates to present a discussion paper prepared by the Office of Operations Review and Audit on university system structures and restructuring efforts. Director Yates began by reminding the group that this report was prepared because of the group's discussions about centralized and decentralized organizational structures, noting that Chancellor Sorensen had mentioned Michigan and California, in particular. He said that the review attempted to determine the extent to which these organizations were centralized or decentralized. Director Yates stressed that no two of the nation's 52 university systems in 38 states are identical. However, the review found that administrative functions performed within

the university system could be organized into three categories: 1) system staff performing primarily coordination functions; 2) system staff performing regulatory functions; and 3) system staff providing direct services.

The report included examples of university structures from five states: Michigan, at one extreme, has no system. At the other extreme, the University of California has highly centralized administrative functions, and cooperative extension is attached to the system administration. The University of Illinois has both centralized and decentralized functions. Indiana University has a combination of centralized and decentralized functions; and some major functions, such as academic affairs, academic support and diversity are performed by a single institution for all the institutions in the system.

Regent Bradley asked whether the review included identifying the number of staff at these systems. He suggested that the number of full-time-equivalent staff required to operate these systems, or some other measure, would be useful for comparative purposes. Director Yates indicated that staffing numbers are difficult to obtain, and that it is not always clear for comparison purposes what functions specific positions in a system perform. Regent Bradley said that he believed that the data might show that a high proportion of system staff are providing direct services, such as payroll processing, that would need to be done no matter how the system is organized. Vice Chancellor Soll agreed, stating that much of the processing work that is done at the system level would have to be done anyway. He stated that it would be difficult to compare UW System to other systems, since systems are so different.

Chancellor Miller suggested that there are systems that are more similar to the UW System than those included in the review. If the group could identify a system with a single board, a number of campuses similar to the UW System, and comparable numbers of students, it would be valuable to get more comparative information. Vice Chancellor Soll stressed that the existence or absence of a central coordinating body is also an important distinction, because sometimes functions are performed by a coordinating board, rather than by system administration staff.

Moving on to restructuring efforts in other states, Director Yates noted that systems typically have analyzed individual functions to determine how best to administer each one, rather than drawing general conclusions about whether to centralize or decentralize. The Illinois Board of Trustees conducted a review to assess its operating efficiencies, hiring consultants to assess 17 individual administrative functions. The Oregon University System hired a consultant for a similar review. The University of Nebraska has conducted three reviews in the past 14 years, most recently consulting with chief business officers from the campuses to identify ten areas for further review.

Chancellor Sorensen asked whether these studies involved identifying efficiencies only in administrative areas or also in education. Director Yates indicated that they mainly dealt with administrative areas. Regent Bradley reminded the work group that it needs to continue with its plan of looking at efficiencies in instructional delivery.

Director Yates went on to describe a review proposed by the Texas legislature in 2003. Some of the areas proposed for review included: academic affairs, general counsel, audit, and information technology services. He also discussed the 1995 restructuring effort within UW System, the result of a mandate from the Wisconsin legislature to cut UW System's budget by 25 percent. Some of the resulting changes included moving capital budget functions to DOA and moving some audit and safety-and-loss functions to the campuses.

Director Yates noted that restructuring efforts are typically long processes, with much of the analysis occurring at the campus level. He cited the Oregon restructuring process as a good model. He noted that the Oregon study cited guidelines to follow when considering restructuring; these included: 1) clear goals and objectives should precede any reorganization, and 2) higher, not lower, costs are likely, at least in the short run. He noted that budget cuts have deprived university systems of the luxury of doing long-term planning.

Director Yates discussed university governing boards in other states. He said, for example, that some governing boards: 1) have standing committees for strategic planning, audit, finance, or information technology; 2) have advisory boards, such as a board composed of the chancellor and presidents of each institution; or 3) include current and former state officials on the governing board in a non-voting capacity.

Director Yates concluded by noting that restructuring efforts in other states have been based on such goals as reducing costs, improving services, making strategic investments, or enhancing competitive position. Technology is less an issue than are human factors, such as getting people to relinquish control or getting buy-in from the institutions. Using an outside consultant adds to the cost but can bring credibility to the process.

Regent Amato asked whether Director Yates was proposing a reorganization strategy. Director Yates said that he was and suggested that such a strategy would identify functions for reform, and possibly set up work groups that could identify how these functions could be performed better. Vice Chancellor Soll sought clarification of whether Director Yates was proposing a reorganization strategy or actual reorganization. Director Yates responded that he was proposing a reorganization strategy. He reiterated the importance of buy-in and strong commitment from the Regents if such a strategy is to be effective. Regent Bradley asked whether Director Yates was aware of examples where state officials were involved in the process. Director Yates indicated that Oregon's process involved state officials.

Regent Amato suggested that it is important to include outside people. He described a reorganization process he participated in at a corporation. The process included three outside consultants (all three from the same consulting firm). He noted that for the process to work they had to find a way to protect employees against job loss. Regent Amato described the value of a "greensheeting" process that caused the corporation to look objectively at "sacred cows, such as 14 district offices that performed functions that could be handled more efficiently by one call center.

Director Yates reiterated the need for outside consultants to bring objectivity to the process. He also noted that reorganization is not always a logical process, but also a political

process. In the past, for example, some campuses have retained or developed functions, such as legal counsel, that were also provided at the system level.

Regent Bradley asked for further discussion about how to get employee participation in a restructuring process, when seriously evaluating issues could be perceived as potentially harmful to employees. Vice President Durcan indicated that strong support from the Board would be important. If there is buy-in from the top, campuses would believe that change could result from the process. Regent Amato agreed that support from the top is necessary for a successful restructuring effort. A shared vision that something has to change is also necessary. He also suggested that when doing an environmental scan, consultants would go into the trenches with employees, keeping the names confidential; the results could be very valuable to managers.

Chancellor Sorensen reminded the work group about the powerful shared governance structure within the university system; buy-in from the campuses is essential. Vice Chancellor Soll noted the importance of being cognizant of existing governance structures early in the process.

Regent Bradley asked Chancellors Hastad and Sorensen to describe how they achieved “buy-in” for changes on their campuses. Chancellor Hastad said that “buy-in,” or at least representation, is necessary; that the process of change can take time; and that small steps are important. Chancellor Sorensen said that the process itself is critical and that it helps to show improvement over time. He noted that literature on change says that it is important to protect core values.

During the discussion that followed, Chancellor Miller observed that using an outside consultant to review both administrative and instructional efficiencies would require a significant commitment of time and money. He said that before he would support a major investment in a consultant, he would want to know what efforts have already been made to find, identify, and implement efficiencies. He wondered what has been done so far to look inside for efficiencies. Chancellor Miller noted that centralizing or decentralizing is a different goal from efficiency; becoming more efficient doesn’t necessarily mean reducing costs. Director Yates and Vice Chancellor Soll pointed to the example of UW audit staff; during the 1995 reorganization audit staff were reallocated to individual institutions; the number of staff and costs increased, but the reallocation resulted in audit staff who were better able to respond to institutional needs.

Chancellor Sorensen noted that centralizing some UW functions would not make sense; for instance, the admissions process needs to stay with each campus. He also suggested that announcing at the outset of a process that a function will be centralized is not a good way to get buy-in. Regent Bradley noted that each function would need to be looked at individually, starting with a clean slate and being open to how the analysis will turn out.

Vice Chancellor Soll suggested that the work group make an attempt to find some areas about which there is consensus on the need for improvement. He noted the example of APBS (Appointment, Payroll and Benefits System), saying that there was a consensus that the system needed to be improved. Chancellor Miller supported the idea of identifying core areas in which efficiencies could be gained, possibly involving a consultant for this purpose, and then

identifying key stakeholders, forming teams, etc. Further, he suggested that the plan for this process could be part of this group's report. He suggested that such areas would be those that could be improved with the same amount of money or could be done at lower cost.

During a discussion about how to identify "targets of opportunity" for improved efficiency, it was suggested that Vice President Durcan send an e-mail to chancellors, provosts, and chief business officers, asking them to identify specific areas. The request would include both administrative and instructional-delivery areas.

Chancellor Sorensen noted that it will be important to put in place a long-term discussion of the credit-based model. He said that competency-based degrees do not result in huge savings, but can result in better education. He said that he will send out articles on competency-based degrees. He also will talk with Alan Guskin, a nationally-recognized researcher in the area of leadership and change in higher education, about the possibility of speaking to the work group.

UW Student Data

Regent Bradley introduced Associate Vice President Frank Goldberg, who discussed two Office of Policy Analysis and Research (OPAR) documents based on student data from 1976-77 to 2002-03 -- "Progressing to a Bachelor's Degree in the UW System" and "Serving Students: A Quarter Century in the UW System." Associate Vice President Goldberg began by noting that the UW System has a high service rate, which he defined as the percentage of Wisconsin high school graduates who enroll in college within a year of high school graduation. He said that the UW's rate is fourth highest in the nation when enrollment in UW Colleges is included, and eleventh when enrollment in UW Colleges is excluded. He mentioned that Wisconsin's high school graduation rate is relatively high, which creates a challenge for access.

Among the other trends he noted: 1) the number of non-traditional students (age 25 or over in the four-year institutions and 22 or over in UW Colleges) in the UW System has declined, but service to traditional students has remained high or grown; 2) the proportion of students of color has doubled from four to eight percent, although it is still not representative of the overall African-American or Hispanic populations; 3) tuition has grown substantially, but less rapidly than for peer institutions; 4) the percentage of students graduating in four years has increased; 5) the number of students participating in dual enrollment, distance education, and credit outreach has increased; and 6) the number of transfer students from the Wisconsin Technical College System now exceeds the transfers from the UW Colleges.

In response to a question about interesting trends, Associate Vice President Goldberg added that: 1) both the retention and service rates have increased; and 2) the student population is more "traditional" and appears to be a better prepared group of students. He noted that the four-year graduation rates for UW institutions have been rising in the last twelve years, but compared to private institutions, the four-year rate is inadequate. Improving graduation rates for students of color is a high priority. He said that, in general, there have been improvements in students' efficient movement through the system.

Director Yates asked whether OPAR can assess whether distance education is helping to improve the four-year graduation rate. Associate Vice President Goldberg said that the multiple varieties of distance education complicate the development of a definition of distance education. Vice President Durcan asked whether OPAR tracks entering students with advanced placement credits. Associate Vice President Goldberg said that advanced placement data is not kept at the system level but is maintained at the campus level.

Regent Bradley mentioned that Regent Gottschalk had requested that advanced placement and other academic efficiency issues be included in the work group's efforts. Regent Bradley noted that there are quality considerations that go beyond numbers in these areas. Associate Vice President Goldberg said that the Re-defining Educational Quality work group is looking at outputs (e.g., Bachelor's degrees) and outcomes (e.g., what graduates are doing to achieve their goals). Regent Bradley suggested that the two groups might need to coordinate on these issues.

Defining Efficiency

Regent Bradley next asked the work group to consider the UW System discussion paper that outlines several definitions of efficiency in a higher education context and proposes possible definitions for the term, "operating efficiency," in the group's theme. Vice Chancellor Soll said that any definition needs to focus on outcomes, as well as inputs, and should address the quality of services provided. After a brief discussion, Regent Bradley suggested that UW System staff revise the definition to reflect the comments and bring a revision back to the work group for consideration.

Timeline

At the close of the meeting, Regent Bradley asked the work group whether there was any need to revise the group's timeline, entitled, "Strategies and Components of Operating Efficiencies." There was discussion about moving up the discussion of competency-based degrees that is scheduled for March 4. Chancellor Sorensen was asked to coordinate with Vice President Durcan on this, dependent upon his ability to arrange for Alan Guskin to address the group.

Finally, Regent Amato asked about timing -- whether the monthly meetings would be sufficient for the work group to finish its tasks and, also, when the individual work groups will get together as a whole. Regent Bradley indicated that these matters would be discussed with Regent Gottschalk.

The work group adjourned at 12:22 p.m.

Submitted by Sandra Cleveland and Jane Radue