

August 25, 1995

L. Dennis Smith, President  
University of Nebraska  
Lincoln, Nebraska 68583-0745

Dear President Smith:

In April you asked four Nebraskans from the private sector to join four senior people of the University to review the administrative processes of the University of Nebraska. Our deliberations benefited from the ideas of Regents Skrupa and Miller, who were non-voting members of the Task Force. We also acknowledge the hard work of Dr. James Van Horn and the valuable input of Chancellors Weber, Aschenbrener, Johnston and Spanier.

Your appointment letter of April 3, 1995 asked us to look at the practices of the University. You noted that:

*Many of the University's current administrative processes have developed over years, and now need to be reexamined with a view toward improving quality and productivity, focusing on customers, rewarding performance, eliminating unnecessary duplication, leveraging technology, and improving response times. The Task Force should examine "best practices" in business and government and recommend adoption of those practices applicable to the University.*

Your Task Force, by the end of its first meeting, had concluded that we had neither the time nor the pertinent knowledge to tell any part of the University what specific process or organizational changes would deliver mega-dollar savings in expenses. Our experience also told us that the most effective improvements are those in which the people on the firing line, both senior leadership and those at the operational level, have a key role in any reengineering.

We accordingly shifted focus and scheduled meetings with the four chancellors of the University. We shared with each chancellor a list of questions designed to elicit their views on the barriers to change within the University and the sorts of information or processes that might be useful to them. We heard a generalized concern regarding centralizing all administrative functions within Varner Hall. The Not-Invented-Here syndrome is as alive at the University of Nebraska as it is throughout the business community.

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We were delighted to discover that planning is a way of life (and source of management information) at the Medical Center. There is little we could add except to recommend that UNMC's model be adopted on all campuses and in Headquarters. It, in our opinion, is an example of "best practices" of planning.

You should recognize that planning, if properly implemented with strategic goals and incentives, is an important start on the solution of three important problems.

The first is that planning involves an annual negotiation of goals and objectives and a periodic reporting against those goals and objectives. As such, planning eases the problem of control and the assignment of responsibility in situations where there has been a massive delegation of authority such as has occurred at UNL during the chancellorship of Graham Spanier.

The second is that a properly managed planning system is the most satisfactory way to attack the cultural barriers to change. A good system will clearly communicate the environment in which the University finds itself and the kind of institution it wishes to become.

The third benefit of a good planning system is that it will demand a dynamic management information system. Each year there will be a re-prioritizing of the critical success factors and of the information needed to track progress towards current goals. Such information may or may not come from traditional accounting systems or from main frame computers. But whether statistical, financial or subjective, the data needed to focus these discussions will be information deemed critical to the unit or University branch involved in the planning process.

The enclosed report touches on many sensible topics that deserve the attention of your staff and of pertinent study groups drawn from within the University itself. We endorse initiatives to put all of these topics on the table with, we trust, full backing of the four chancellors. Their approval, and leadership, will be a far more significant element in success than will any thoughts we might have.

You and the chancellors will need to go on record as adopting planning and continuous improvement as a way of life throughout the University of Nebraska. The chancellors themselves will need to buy into targets for money to be realized on each campus through strategic abandonment, consolidation, and better use of such new tools as voice and

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electronic mail. Another cornerstone will have to be that initiatives will have to be self-supporting--either through new revenues or those released by strategic abandonment.

The chancellors generally agree that it is unrealistic to expect future state appropriations to grow by more than 3% a year. Most of us accept this as a reality of the coming era.

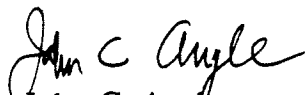
I also believe the time has come to end the strategy of beggar-your-neighbor. Let it be retired without honor to the archives.

It will be up to you and the chancellors to set a target for the resources that can be released by strategic abandonment, and more efficient operations and reengineering. Several members of the Task Force would put that challenge as high as 10-20% of current administrative costs. Once all have agreed to such a goal you can turn to a number of established techniques and unleash committees that work across all campuses to track down the best prospects for saving money. You should consider using an outside consulting firm with experience in higher education to facilitate the reengineering process during its initial phases.

All of this, of course, will be an exercise in futility unless the members of the Board of Regents approve such a program from the beginning. And join hands to work on the abandonment of programs mandated by state law or by previous actions of the Regents themselves.

We look forward to an opportunity to discuss these matters with you in the days to come. And stand ready to be helpful in any manner that we can.

Sincerely,

  
John C. Angle

UNIVERSITY OF NEBRASKA

PRESIDENT'S TASK FORCE

ON IMPROVEMENT OF ADMINISTRATIVE PROCESSES

I. INTRODUCTION

This report summarizes the steps the University of Nebraska can take to realize greater value from the public and private resources committed to its use. The report represents the consensus of the Task Force which President Smith asked to supply ideas for improving administrative processes at the University of Nebraska.

II. ENVIRONMENTAL FACTORS

We see a number of changes that make it urgent for the University of Nebraska to squeeze more value out of each dollar it receives by improving its administrative processes. Here are some of the more significant environmental changes.

- ▶ The end of the era of rapidly expanding public support for higher education.
- ▶ More intense competition for students and for research grants.
- ▶ Significant opportunities for reducing administrative costs by drawing upon the lessons learned in the private sector and by measuring the economic costs, and returns, from every activity within the University.
- ▶ Calls for increased accountability throughout the University.
- ▶ Students and faculty who no longer tolerate "red tape" and services that are unfriendly to the user.

III. We found a number of barriers that block the introduction of better administrative methods. We will describe each barrier and then tell you our ideas for overcoming the barrier.

A. Barrier(s)

Lingering confusion among senior officers of the University about the concept of "one university" and about the circumstances in which the University will cooperate for the good of all.

Recommendation

**Reaffirm the one-University governance structure, particularly for leadership and administrative functions.**

The Board of Regents reaffirmed its preference for the one-University, strong-President model in the spring of 1993. This structure and management philosophy will assure that the governance and financing of the University will be conducted in a responsible and effective manner. The campuses have distinctive competencies which serve separate missions. But the overall responsibility for effective leadership and efficient administrative processes must reside with a single chief executive officer. The President in turn must foster a culture in which the Chancellors and other senior administrators work together as a team.

We strongly recommend that the University operate more efficiently by working as one system, particularly with regard to common administrative processes that can be systemized and responsive to customer needs.

B. Barrier(s)

Lack of a clear vision for the University; and lack of a unified strategic planning process.

Recommendation

**Develop a clear vision statement and goals for both the academic programs and the business and administrative functions of the University and implement an ongoing University-wide strategic planning process.**

The University can benefit immensely from the establishment of well-defined goals and improved strategic planning processes. Planning, if properly implemented, will ease the problems of control and the assignment of responsibility; will attack the cultural barriers to change; and will dictate that

a dynamic management information system be created, including statistical, financial and subjective measures (see transmittal letter from Chairman Angle). The strategy-making process should capture what the University's leaders learn from all sources (both the soft insights from personal experiences and factual data from research) and then synthesize that learning into a vision and goals for the University.

The Task Force understands that the campuses of the University are now in the final phases of the development of campus strategic plans. It is further understood that President Smith will use these strategic plans to develop a long-range University strategic plan. It would be better in the future to do these plans jointly as part of one integrated process.

The President's strategic planning process must begin with assessments and assumptions about current and future environmental conditions and influences. The process should recognize the strengths and competencies of existing campus programs.

This strategic planning process should involve the executive leadership working as a team and should result in a clear vision statement for the University. Goals for the future and priorities for improvement should flow from the planning process. Incentives need to be established and the accomplishment of goals should be rewarded.

The vision statement and the definition of goals and objectives should address improvement and optimization of administrative processes. Business process reengineering activities should then be conducted under the parameters of these visions, strategies, and goals. Without a clear vision statement and without measurable goals and objectives for programs, the business and administrative support services will be less focused and more difficult to improve.

Visibility, customer focus and objectivity should be key features of the strategic planning processes. This will help assure long-term continuity of leadership planning in the event senior administrators leave the University and will also provide stronger institution-wide support for decisions made in the planning process.

C. Barrier(s)

Burdensome administrative procedures originally designed to "safeguard" public funds; and fragmented efforts at reengineering.

Recommendation

**Establish a methodology for reengineering the University's administrative functions on a continuous basis and for improving the organizational structure.**

The University of Nebraska has some excellent examples of business process improvements which have been completed over the recent past. These are to be applauded. But some of these changes have occurred in isolation. What is needed is a methodology and management commitment to carry out business process reengineering on a continuous basis with consideration given to the improvement of quality and reduction of costs. The process needs to view the entire organization as one system, with reengineering teams determining which processes should be system-wide and which should be campus-specific. A common framework should be developed that will allow campus autonomy where needed while maintaining system-wide perspectives and economies. The key is for the University to institutionalize the ability to analyze, adapt, and change its administrative processes.

Much of the current staffing and structure at the University of Nebraska is based on history and tradition, mergers of colleges into the University system, state statutes and federal regulations, constituent demands, and so forth. The organizational structure and staffing patterns of many of the administrative offices appear to contain duplication and overlap. These administrative organizational structures should be studied with a goal of unifying or consolidating operations where economy can be gained or quality can be improved. The Task Force is not necessarily recommending the centralization of functions; but it is recommending an open and thorough study of how to best deliver high quality business services in the most cost-effective manner, without regard to existing structures or campus boundaries.

It is essential that the Board of Regents, the President and the Chancellors fully support these reengineering efforts. A culture which supports open analysis and change must be established through the organization.

The President should appoint an executive steering committee which should establish priorities and charter process redesign teams working across campuses to carry out the reengineering studies.

These reengineering studies should:

1. Review the current organizational structures (people, technology, processes, and budgets) and administrative functions on the campuses and at Central Administration of the University of Nebraska;
2. Determine the "best practices" in these areas within the University of Nebraska system, at other leading universities, and in the private sector; and benchmark our processes against the best practices;
3. Consider (a) the radical redesign of these business processes to achieve major improvements in performance, quality, cost, service and speed; (b) determine value-added versus non-value-added processes; (c) consider improvements that will streamline development and approval processes, reduce unnecessary steps, achieve economies of scale, eliminate duplicate or parallel structures, eliminate rechecking, eliminate the need for shadow systems, and empower employees; (d) explore opportunities for outsourcing or privatizing operations; and (e) examine how productivity could be improved through the use of information technology and computer systems;
4. Identify and evaluate alternative processes and structures; articulate benefits and risks, and calculate savings;
5. Develop a plan for implementation of recommended changes, with implementation processes, human resource considerations, time lines, and feedback loops.

The above study should also explore economies which can be gained through streamlining and simplifying the University's business processing linkages with the State of Nebraska Department of Administrative Services and other external agencies.

**D. Barrier(s)**

Poor analytical data and cost measurement systems; a short-term, incremental budgeting system based on expenditures.

**Recommendation**

**Significantly strengthen cost accounting, budgeting, and revenue analysis functions; require accountability for reducing administrative costs.**



Contemporary approaches to administrative improvement and performance management always include a strong element of quantitative measurement. In a sense, management begins with measurement; things you cannot measure or model are difficult to alter. Further, resource allocation and capital budgeting decisions should be made in the context of value tradeoffs and often must be viewed in the context of constrained optimization. Better measurement and decision-making tools should be developed. As examples, the University should:

1. **Develop methods to determine the full lifetime costs of capital projects and educational programs.**

One major problem that many higher education institutions face in initiating cost containment or process redesign programs is that administrators do not know enough about their full costs. For example, at the current time, the University's departmental budgets do not include recognition of the cost of physical space used by a department. Depreciation charges, utilities expenses, custodial services, maintenance, and security are all significant expenditures but generally are viewed as being "free" by academic departments. If the budgeting system included full costs for space, it might result in more prudent and creative use of buildings and facilities. This in turn might reduce the overall requests for new buildings and help hold down costs on existing structures. The University should develop cost allocation measures which include all direct and indirect expenses, including such things as administrative costs, computing and information technology resources, physical facility space, depreciation costs, fringe benefits, utilities, maintenance, security, and so forth. A consistent process for identifying, measuring, and allocating these costs should be developed.

2. **Test and evaluate the use of activity-based costing (ABC) to better understand the costs and help reengineer processes and to identify high-cost or non-value added activities.**

Activity-based cost accounting is a valuable agent to work process analysis and reengineering. The traditional cost accounting system looks at costs from an accountant's view with a goal of simply recording the cost. ABC accounting looks at costs at each step of the work process, giving valuable insights into where cost is generated, revealing high cost/low value activities, and providing detailed cost data essential in better managing work and costs.

3. **Develop thorough work-measurement processes, partner with "best practices" firms to strengthen the benchmarking program, and establish standards for the amount of administrative and technological support**

that should be provided for faculty and staff positions as well as programs.

The University currently has extensive information gained from its participation in a benchmarking project conducted by the National Association of College and University Business Officers. Through these data, and other rationally-determined decisions, baseline ratios and standards should be established for administrative, technical, and capital support for faculty and staff. The benchmarking effort should be continuous, with University teams finding "best practices" in higher education, government, and the corporate sector, on a regular basis and then forming strong partnerships between mutual beneficiaries. Benchmarking should be used to find ways to save money, rather than as a justification for existing programs or additional funding.

4. **Establish capital and operating budgeting systems built around achieving goals and objectives and enhance budget documents by developing an "economic" model that focuses not only on operations, but also on assets.**

Current budget models used by the University of Nebraska and most institutions of higher education, focus on annual operations. For the most part, they are cost-driven and dwell on unrestricted funds. They also treat physical plant costs as givens. These processes are focused on direct expenditures rather than total expenses (which would include indirect costs for things like asset utilization [depreciation], interest expenses, and administrative overhead); the current budget model is also highly incremental.

The University should move toward a financial equilibrium model which includes economic factors and values. Such a model will become a decision-making model to supplement the budget process. An "economic" model should focus not only on operations, but also on assets. The model should stress markets (distinguish between those areas that generate revenues and those that do not); differentiate between revenue development costs and support costs; differentiate between capital costs and operating costs (an attempt to derive a "bottomline"); and include a rigorous definition of mission. The University's budget should provide significantly different information and information organized in different ways, to support the analysis and to help the University of Nebraska make more accurate and more informed program choices.

5. **Implement modern financial decision-making techniques for capital budgeting.**

Current capital budgeting decisions for new buildings, remodeling projects, the acquisition of computers, software, microscopes, and so forth, are currently based, for the most part, on a description of what the item will be used for. This type of qualitative analysis is essential. However, as myriad decisions on such purchases are made each year, it is important that consistent capital budgeting techniques be used, including applying such concepts as net present value, opportunity costs and shadow prices, direct and indirect costs, and cost of capital considerations. These types of information will assist administrators in understanding the relative value tradeoffs that must be made where budget constraints exist and decisions need to be optimized.

**6. Lengthen the time frame of budgeting.**

The University's current biennial budget cycle seems to break down to an annual cycle (second-year budgets are very tentative; subject to midyear reductions, etc.). Further, the budgets for the coming fiscal year are set very close to the beginning of that year and result in a short time horizon for decisions or new hires. This short-term budgeting cycle reinforces short-term planning.

**7. Develop performance measurements and feedback loops and require accountability for targeted performance levels.**

The University of Nebraska should not only begin to more accurately measure and define its costs and budgets, it should also develop techniques to measure results, and to provide feedback for evaluations and subsequent program modifications. Accountability at universities is a complex process. Nevertheless, performance measures for at least the administrative functions of the University of Nebraska should be developed and agreed to by administrators at all levels, and once agreed to should become standards by which success is gaged.

The above recommendations, as with any new initiatives, must be implemented within positive benefit-cost ratios and should provide an acceptable return on investment.

**E. Barrier(s)**

Outdated pay plans and salary structures which are not based on performance but rather are designed to assure equal pay for equal work; a risk-averse culture which slows innovation; and an overdependence on committee structures which diffuse issues of accountability.

**Recommendation**

**Revise compensation, evaluation, and reward and recognition systems to link accountability to outcomes and improvement of performance.**

The University and others in the public sector struggle with issues of accountability. The answer, it seems, has been to add more layers of oversight. The private sector, which faces equally-tough demands for accountability, has found that better results are obtained from the empowerment of well-trained employees working toward well-defined goals.

For the University as a whole, and for each campus, there should be efforts to foster a consistent leadership philosophy and to empower employees. As the strategic planning effort results in clearer goals and objectives, the University's management should be held accountable for the achievement of strategic priorities. It is important that these goals be based on team work and that unit as well as individual measurement techniques be developed.

We recommend that the University improve its human resource planning and align the human resource plans with overall institutional plans. The University must include how human resource data and institutional performance will be used to assess the development of administrative and support staff; assess the linkage of human resource practices with key performance results; and insure that reliable human resource information is available for planning. The human resource plans must be integrated with the institution's short- and long-term strategic plans. The institution should reflect a team culture and support this concept through its development programs. Employees should be recognized for meeting and exceeding the institution's strategic plans and goals within their divisions. These systems should be customer-service oriented, and should encourage innovation and cross-functional team work.

Administrative personnel should be provided leadership training and should be challenged to propose new initiatives on a continuous basis. Individual and team recognition awards (found to be quite powerful in industry) should be given along with salary bonuses for outstanding achievements.

The University should study its multi-level approval processes and extensive committee structures to examine the administrative costs of these review mechanisms. Many hierarchial layers of bureaucracy have been placed on top of core business processes. The University may often be spending more on administrative efforts to prevent mistakes than it would cost if the mistakes happened. These layers of bureaucracy should be reduced and replaced with empowered employees operating through standards of performance and accountability. The University might audit transactions after the fact to find errors and deter fraud, rather than spending large amounts of resources and delaying action through multiple levels of review and duplicate checking of actions.

F. Barrier(s)

Fragmented management of computing and information technology.

Recommendation

**Unify the management of computing and information technology through integrated networking, the articulation of an enterprise information architecture formation of one administrative systems network, and the implementation of state-of-the-art administrative systems.**

Information technology is a very powerful tool to be used in serving the institutional missions of teaching, research, service and outreach and for the support and improvement of the University's administrative processes. The University currently has five separate and distinct computing services departments (one on each campus and at central administration); in the past these units have operated under highly autonomous directors and have provided only a slight amount of cooperative planning and decision making. It is understood that the University is currently developing a unified information technology plan for both academic and administrative computing. This plan should include not only information technology but also telecommunications networks which are a crucial part of the University infrastructure.

The potential for the application of technology to the improvement of administrative processes at the University of Nebraska is tremendous. However, fragmented efforts, duplicative processes, divergent goals, and conflicting objectives result in wasted resources. The unification of this effort and the development of clear strategic plans for meeting the University's computing needs should receive the highest possible priority for planning at the University. These systems should leverage information technology for customer service, better decision making, and streamlined processes. Information technology should play a key role in the business process reengineering methodology. It is essential, however, that the University not automate existing work processes, but redesign them using the capabilities of technology and automation to dramatically change and improve the work processes.

G. Barrier(s)

A "do it in-house" tendency in business operations which has increased the size of internal support functions.

Recommendation

**Consider more outsourcing of business and support services and investigate more partnership opportunities with private industry as well as with other universities and governmental entities.**

The University has several good examples of outsourcing including the stockless inventory programs, private management of bookstores, food service contracts, and so forth. We applaud these efforts and recommend continued emphasis on evaluating opportunities for achieving new levels of service and efficiency through contracting for services and through more consolidated purchasing. A simple example of this latter point was noted in the outsourcing of food service contracts where each of the four campuses bids this separately. It is probable that significant economies could be achieved by a consolidated bid for these services. Strategic partnerships with other universities should also be explored for such things as software development and purchasing consortiums, financing packages, risk management, and administrative programs.

H. Barrier(s)

The University of Nebraska must deal with several agencies and oversight commissions which significantly increase operating costs and add to the time it takes to reach decisions or complete projects.

Recommendation

**The President of the University should enlist the support and cooperation of the Board of Regents and the leadership of these agencies in implementing the preceding recommendations.**

The Task Force understands and respects that currently many of the University's operating, programmatic and capital budgeting decisions as well as much of its accounting and payment processing must be further reviewed and approved by other state agencies, including the Coordinating Commission for Postsecondary Education and the Department of Administrative Services. The ability of the University to improve its administrative processes will be limited unless these other agencies have congruent management philosophies regarding how administrative processes can be streamlined.