

University of Kansas
Changing for Excellence
Phase I: Opportunity Identification
August 15, 2011

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Opportunity overview

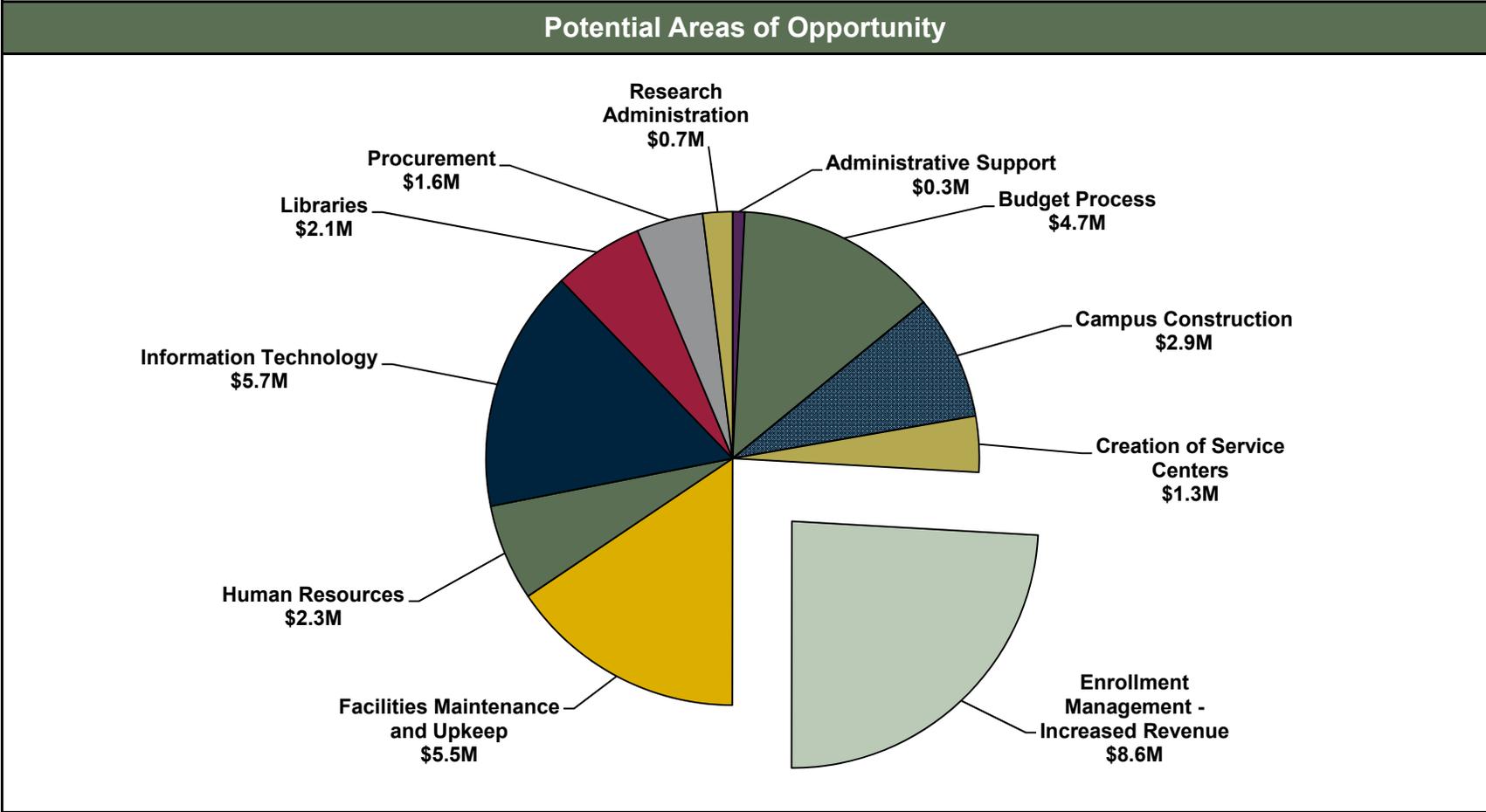
Over the last two months, Huron has interviewed approximately 300 individuals from the Lawrence, Edwards, KUMC, and Wichita campuses of the University of Kansas. We have analyzed masses of data related to current organization, financial flows and account balances, purchasing transactions, information technology, research administration, facilities management and construction, human resources, student services and enrollment management, and auxiliaries. By utilizing our firm's subject matter expertise and through peer benchmarking, Huron has identified a number of opportunities for KU to generate new revenues, reduce expenses, reallocate existing resources, and improve business processes and services.

That these opportunities exist should not be viewed in a negative light. When compared with peer institutions, KU's overall staffing levels appear to be reasonable. Several areas' operational costs are comparable to or below those at peer institutions. Others are above peer levels and thus present opportunities; and some areas present opportunities even without resorting to benchmarks. The opportunities we have identified represent areas where KU has the potential to transform how it manages administrative costs and services. It is important to note that KU has made significant investments in enterprise software, primarily PeopleSoft, but has yet to take advantage of work-flow and information access inherent in such systems. Leveraging the use of technology to promote operational efficiency is thus a key theme among our identified opportunities. Each of the areas noted below offers opportunities to become more efficient, better utilize technology and provide a higher level of customer service than what exists today. Combined, these opportunities will make more funds available to support KU's key strategies. On the following pages, we summarize the challenges and opportunities we found for each of these areas:

- Administrative support (KUMC)
- Budgeting process (Lawrence/Edwards)
- Campus construction (All campuses)
- Creation of service centers (Lawrence/Edwards)
- Enrollment management (Lawrence/Edwards)
- Facilities maintenance and upkeep (All campuses)
- Human resources (All campuses)
- Information technology (All campuses)
- Libraries (All campuses)
- Procurement (All campuses)
- Research administration (Lawrence/Edwards)
- Research administration (KUMC)

Estimated annual benefit of opportunities

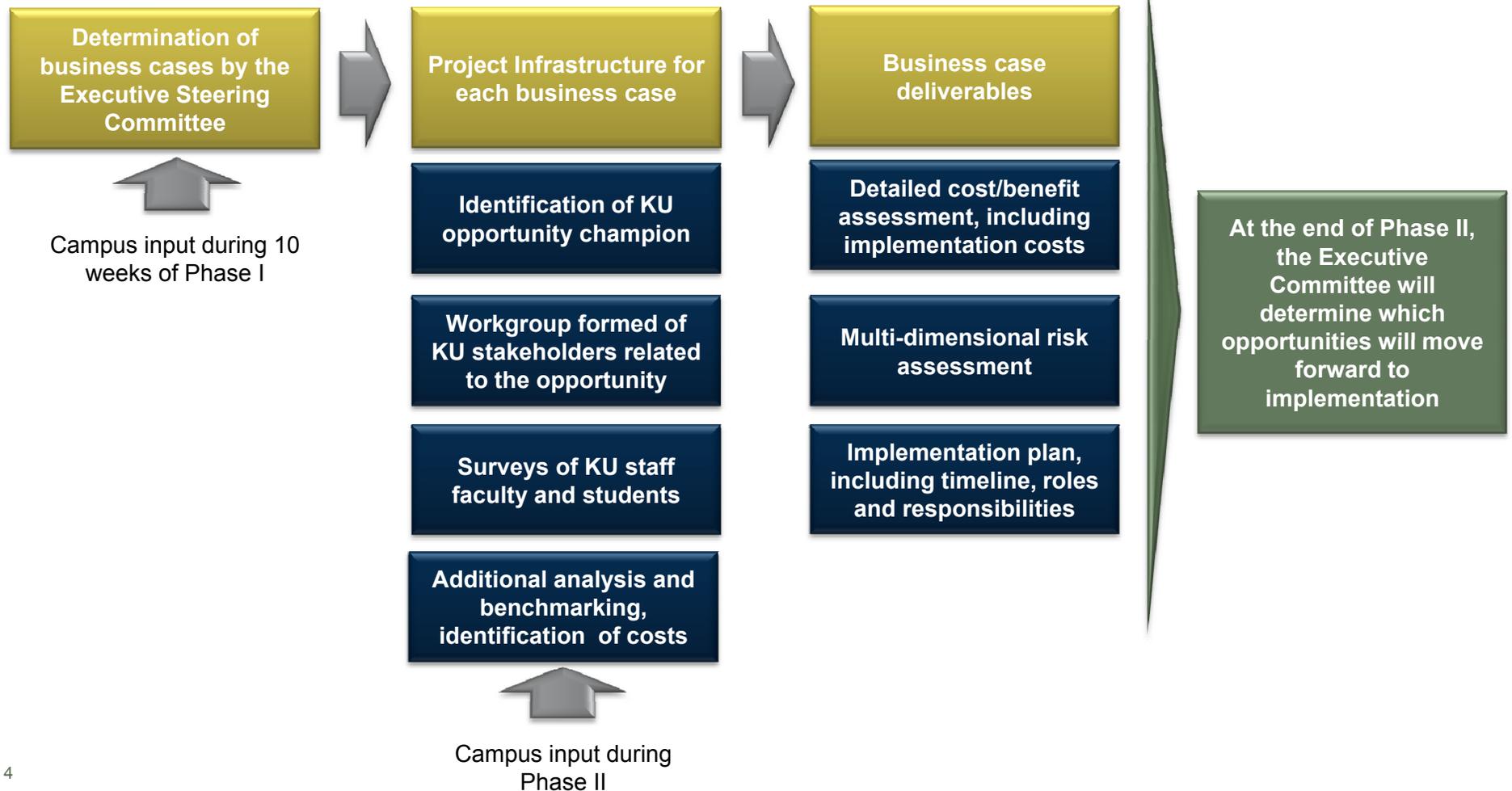
Huron identified cost savings and revenue enhancement opportunities¹ spanning multiple areas and departments across the University's campuses.



¹ graph demonstrates lower range of potential opportunities identified

Phase II – development of business cases

The development of each business case will vary based on the opportunity; however, most will involve similar project components.



Administrative support – KUMC

Changes in administrative support for faculty could realize a minimum of \$280K in savings for KUMC while enhancing services provided.

Current Challenges and Opportunities
<ul style="list-style-type: none"> • Some interviewees cited concerns about inconsistency in administrative support for faculty across academic departments of KUMC • Anecdotal discussions cited the quality of support varies widely, in part reflecting the range of capabilities/skills of the administrative support staff • The level of administrative support for faculty varies widely across academic departments and schools (ranging from <0.1 – 1.5 administrative support FTE per faculty) • Anecdotal information from Huron interviews describes the use of inflated job titles across administrative staff categories to justify higher salaries, in part as a response to five years of wage freezes

Goals
<ul style="list-style-type: none"> • Redefine roles and responsibilities of administrative staff to establish consistent performance expectations, help improve overall quality, and support effective performance development and management processes • Provide streamlined processes and technology to support staff capabilities to provide improved services • Realign the distribution of administrative staff across the schools and departments to support needs of faculty and school leadership

Annual Financial Opportunity – Minimum Potential		
Cost Savings	Resource Reallocation	New Revenue
\$280K	N/A	N/A

Budgeting process – Lawrence/Edwards

Huron identified opportunities related to the budgeting process of at least \$4.7M.

Current Challenges and Opportunities		
<ul style="list-style-type: none"> Historically, school/college budgets have been based on the previous year's allocation and do not take into account changes in enrollment The budget discussion is based on only two sources of funds: state appropriations and tuition revenues Recent years' budget allocations have not included funding for strategic priorities Deans petition the Provost for special funding during the year One-time agreements are made between the Provost and the deans on a one-off basis to increase revenues 		
Goals		
<ul style="list-style-type: none"> Redesign the annual budget allocation process to encompass all sources of funding Create budgetary incentives to grow enrollment and improve persistence 		
Annual Financial Opportunity - Minimum Potential		
Cost Savings	Resource Reallocation	New Revenue
N/A	\$4.7M	N/A

Campus construction – all campuses

Huron identified savings opportunities across campuses related to campus construction of at least \$2.9M.

Current Opportunities
<ul style="list-style-type: none"> • KU has a combined capital plan of over \$960M across 390 potential projects, each in varying stages of development • In FY 2010, KU spent over \$60M on construction-related projects • A variety of potential savings mechanisms from construction spending increases the likelihood of success • Mining invoice details will yield significant benefits both retrospectively based on audit findings and prospectively for improved strategic sourcing opportunities

Goals		
<p><u>Cost Reduction</u></p> <ul style="list-style-type: none"> • Cost savings through improved sourcing practices and audit recoveries • Cost savings through process improvement 	<p><u>Controls & Reporting</u></p> <ul style="list-style-type: none"> • Improved budget control and financial reporting • Heightened compliance with contractual obligations and University policies 	<p><u>Planning & Development</u></p> <ul style="list-style-type: none"> • Establish policies and tools to facilitate project management • Create cost transparency to provide assurance to stakeholders (donors, lenders, senior admin., etc.)

Annual Financial Opportunity – Minimum Potential		
Cost Savings	Resource Reallocation	New Revenue
\$2.9M	N/A	N/A

Creation of service centers – Lawrence/Edwards

Huron identified opportunities at the Lawrence/Edwards campuses related to the creation of service centers of at least \$1.3M.

Current Opportunities
<ul style="list-style-type: none"> • “Back-office” administrative functions are carried out across the Lawrence/Edwards campus with little standardization and no forum to share best practices • Staff report that training is ineffective, creating confusion when implementing policies and procedures; this is compounded by the low frequency with which many staff perform certain processes • Staff are dissatisfied with the career path opportunities on campus

Goals
<ul style="list-style-type: none"> • Create service centers across campus to organize staff around job functions and increase training effectiveness for business processes • Create a university business officer position within the departments with dual reporting responsibility to align accountability and responsibility and create a professional network for training and business process redesign

Annual Financial Opportunity – Minimum Potential		
Cost Savings ¹	Resource Reallocation	New Revenue
\$1.3M		N/A

¹ opportunities identified in this area may overlap with recommendations identified under HR

Enrollment management – Lawrence/Edwards

Huron identified potential revenue increases at the Lawrence/Edwards campuses related to enrollment management of at least \$8.6M.

Current Challenges and Opportunities
<ul style="list-style-type: none"> • Freshmen enrollment has dropped from a high of almost 4,500 (2008) to just under 3,700 • Persistence rates are low (76%), compared to a peer average of 84%; KU ranks 9th among 10 peer benchmarks (10 being the lowest persistence) • Of its peer group, KU charges the least for room and board, but has the smallest percentage of first-year students living on campus • Students perceive that KU's financial support is lower than schools of similar size; the majority of KU's scholarships are awarded by individual schools in a decentralized manner, often after the school year has started or later in the student's academic career • New scholarship and enrollment policies are being deployed; however, buy-in and support is needed from the colleges/schools which awarded less than \$250K in <i>new</i> freshman scholarships last year • KU maintains only 4 minor articulation agreements (affecting 60 students annually) • Students report that to be successful at KU first-year students must be proactive—information exists, but it is difficult to find • Requests for necessary process changes in enrollment functions are on hold due to IT constraints and resource needs

Goals
<ul style="list-style-type: none"> • Increase domestic student enrollment and persistence • Increase international student enrollment • Increase the percentage of students who utilize student housing

Annual Financial Opportunity – Minimum Potential		
Cost Savings	Resource Reallocation	New Revenue ¹
N/A	N/A	\$8.6M

¹ there may be campus-wide marginal costs associated with higher enrollment

Facilities maintenance and upkeep – Lawrence/Edwards

Huron identified opportunities related to facilities maintenance and upkeep at the Lawrence and Edwards campuses of at least \$1.6M.

Current Challenges and Opportunities
<ul style="list-style-type: none"> • Maintenance labor costs are nearly twice as high on a labor cost per gross square foot (GSF) basis relative to peers (benchmarked against Central Association for Physical Plant Administrators) • Custodial staffing appears to be aligned with peers in labor spend per gross square foot (GSF) and square feet cleaned per FTE • 90% of customers on campus are satisfied with facilities operations' overall response and completion times; however, customers desire more transparency around the pricing structure for chargeable maintenance work • The Lawrence campus is operating three different custodial and maintenance groups on campus resulting in additional labor costs compared to its peer group • Facilities Operations (FO) is losing approximately 60 hours of maintenance worker productivity per day by requiring workers to travel back and forth between West and Main Campuses • The lack of accountability for performance management has reduced productivity and morale among staff • By incentivizing faculty and staff to reduce energy consumption, the Lawrence/Edwards campuses can reduce annual utility expenditures by approximately 2% – 4%

Goals
<ul style="list-style-type: none"> • Consolidate the Lawrence campus' individual custodial and maintenance operations, and develop service level agreements among clients • Increase maintenance worker productivity • Improve FO's internal operations and procedures to provide better service to customers and increase work quality • Institute a comprehensive utility reduction plan and incentivize faculty and staff to decrease utility usage

Annual Financial Opportunity – Minimum Potential		
Cost Savings ¹	Resource Reallocation	New Revenue
\$1.6M	N/A	N/A

¹ opportunities identified in this area may overlap with recommendations identified under HR

Facilities maintenance and upkeep – KUMC

Huron identified opportunities related to facilities maintenance and upkeep at the KUMC campus of at least \$3.9M.

Current Challenges and Opportunities
<ul style="list-style-type: none"> • Facilities administration labor costs on the KUMC campus are 18% higher than benchmarks, measured as administration \$s per gross square foot (GSF) or as a % of total facilities costs • Energy consumption and costs appear approximately 43% higher than the overall benchmark average, and higher than special medical institutions (~6% higher) • Technical/skilled labor departing for higher-pay opportunities is a challenge for the department; additionally, management cites ongoing difficulty attracting and retaining skilled labor (as result, per management feedback, of state wage constraints for classified staff)

Goals
<ul style="list-style-type: none"> • Revise the maintenance structure • Reduce facilities administration cost and streamline administrative processes to improve efficiency and enhance quality • Decrease maintenance costs without affecting quality of services provided , and develop service level agreements among clients • Increase maintenance worker productivity • Reduce energy consumption

Annual Financial Opportunity – Minimum Potential		
Cost Savings ¹	Resource Reallocation	New Revenue
\$3.9M	N/A	N/A

¹ non-labor opportunities identified in this area may overlap with recommendations identified under procurement

Human resources – all campuses

Huron identified opportunities across campuses related to human resources of at least \$2.25M.

Current Challenges and Opportunities		
<ul style="list-style-type: none"> Historically, HR has not been viewed as a strategic partner; instead, its been viewed as a transactional function While overall central staffing at the Lawrence/Edwards campus is on par with peers, HR staff positions are distributed differently; HR is missing key areas of expertise (e.g. compensation planning/management, and talent management) KU campus staff report challenges with recruitment and on-boarding, citing process bottlenecks in central HR and in the departments Manual and paper-based processes contribute to inefficient processes (e.g. on-boarding, FMLA, benefits enrollment, payroll) The lack of a robust performance management system has made it difficult to counsel better performance or manage underperforming employees 		
Goals		
<ul style="list-style-type: none"> Create a strategic role for HR Redesign the organizational chart to include all critical HR functions Streamline processes and increase workflow implementation across HR Implement employee self-service options to reduce the workload of central HR staff and provide them with more time to focus on mission/strategy-enabling initiatives Implement a performance management process for unclassified staff and enhance existing performance management capabilities to assist KU in better managing and rewarding staff Establish operational and strategic performance metrics to assist the HR department in measuring improvements and contributions to institution strategy Standardize job descriptions and create salary bands across the Lawrence/Edwards campus 		
Annual Financial Opportunity – Minimum Potential		
Cost Savings ¹	Resource Reallocation	New Revenue
\$2.1M	\$160K	N/A

¹ opportunities identified in this area may overlap with recommendations identified under Facilities and Service Centers

Information technology – all campuses

Huron identified opportunities across campuses related to information technology of at least \$5.7M.

Current Challenges and Opportunities

- There is a high level of decentralized hardware, software, and IT staff managed by academic and administrative departments
 - 500+ decentralized servers identified across campus
- The role of Technology Liaison staff is not clearly defined, leading to inconsistent expectations and levels of service across campus
- There is a 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
- Certain capital-level hardware and software across campus are at or near the end of their lifecycles, including the current telephone systems and PeopleSoft HR
- Each campus has developed unique technical infrastructures to support most administrative areas

Goals

- Centralize and virtualize servers maintained remotely across campus to reduce institutional IT costs while providing improved service and data integrity
- Reorganize campus technology liaisons to provide broader coverage and more standardized service
- Increase the use of multi-function devices to reduce total costs of campus printing
- Reassess responsibilities of departmental IT staff
- Centralize identity management and network management solutions for all KU campuses to save costs and, more importantly, make it easier for students and faculty to collaborate between departments and seamlessly conduct work on any KU campus
- Leverage combined buying power of all campuses to negotiate more favorable deals with software vendors

Annual Financial Opportunity – Minimum Potential

Cost Savings	Resource Reallocation	New Revenue
\$3.7M	\$2M	N/A

Libraries – all campuses

Huron identified opportunities across campuses related to libraries of at least \$2.1M.

Current Challenges and Opportunities

- Most benchmarking metrics indicate that KU Libraries are overstaffed compared to peer institutions
- KU Libraries offer a range of service at or above the levels of their peers
- There has been a strategic decision to move collections development towards electronic resources; however, consideration should be given to the rapidly rising costs of online journals
- Doubling of storage space in Annex fits KU’s long-term materials management goals but creates significant unused capacity over the next several years
- Recent library/IT organizational split has created an opportunity to develop a long-term KU Library strategy as well as a need to clarify the responsibilities of the two organizations as related to library technology needs
- Wheat Law Library on the Lawrence campus and KUMC libraries at Kansas City and Wichita operate independently from the remaining KU library system, resulting in duplication of certain non-patron facing (back-office) functions

Goals

- Reassess library staffing and key service levels
- Expand Purchase on Demand to reduce the acquisition cost of monographic materials
- Assess the use of journals purchased as part of “big deal” bundles to produce more effective collections spend
- Offer storage space in the Annex to non-KU institutions to enhance revenues
- Re-assess library fines to create modest increase in income
- Consolidate Library back office functions across campuses

Annual Financial Opportunity – Minimum Potential

Cost Savings	Resource Reallocation	New Revenue
\$1.8M	N/A	\$300K

Procurement – all campuses

Huron identified opportunities across campuses related to procurement of at least \$1.6M.

Current Challenges and Opportunities
<ul style="list-style-type: none"> • The Lawrence/Edwards campus has invested in many of the tools necessary to support best in class performance: PeopleSoft, SciQuest, ImageNow, and Spend Compass • The initial deployment of the KU Procure to Pay System (KUPPS) did not deliver the full functionality available within the system. While plans are in place to enhance functionality, additional opportunities exist to improve KUPPS utilization and efficiencies for procurement and payables operations • KUMC stakeholders have expressed the desire to implement an eProcurement system; however, funding the initial deployment, integration with PeopleSoft, and supporting long term operations are key concerns • Purchasing staff from both all campuses have limited focus on broad commodity management, spend analysis, and strategic sourcing functions due to their largely transactional role in the purchasing process

Goals
<ul style="list-style-type: none"> • Focus purchasing staff on commodity management and strategic sourcing activities and increase collaboration on supplier contracts • Optimize technology and operations to address the drivers behind the low utilization and efficiencies of procure to pay technologies • Share procurement/payables technology (all or partial) to automate processes and reduce involvement in routine transactions • Increase collaboration among the procurement organizations in strategic sourcing activities, sharing supplier contracts and leveraging commodity experience

Annual Financial Opportunity – Minimum Potential		
Cost Savings	Resource Reallocation	New Revenue
\$1.6M	N/A	N/A

Research administration – Lawrence/Edwards

Huron identified opportunities at the Lawrence/Edwards campuses related to research administration of at least \$400K.

Current Challenges and Opportunities
<ul style="list-style-type: none"> • The number of sponsored awards dollars per research administration FTE is low compared to peer institutions • Faculty interviews reveal a general perception of frustration with Research and Graduate Studies (RGS) research administration; recent campus user surveys note award set-up and contract review as areas of lesser satisfaction among research faculty/staff • Research administration staffing balance favors the pre-award area • Other support in centers and at the school/college/department levels appears to be higher than benchmark averages, but is less formalized than that of Higuchi Biosciences Center/Life Sciences Institute and is inconsistently implemented across campus • Imbalanced pre- and post-award staffing, the lack of integrated systems/databases, inconsistent local grants administration support, and additional responsibilities (full service proposal preparation service and research funding opportunity searches) are among the contributors to central RGS research administration workloads resulting in higher than average peer staffing levels

Goals
<ul style="list-style-type: none"> • Determine appropriate pre- and post-award work load for research administration staff • Realign research administration staffing balance between pre- and post-award

Annual Financial Opportunity – Minimum Potential		
Cost Savings	Resource Reallocation	New Revenue
\$400K		N/A

Research administration – KUMC

Huron identified opportunities at the KUMC campus related to research administration of at least \$290K.

Current Challenges and Opportunities
<ul style="list-style-type: none"> • The number of sponsored award dollars per KUMC Division of Sponsored Programs Administration/Clinical Research Administration FTE is significantly lower than that of KUMC peer institutions • The research administration staffing balance appears to favor post-award • Faculty interviews reveal a favorable perception of the Sponsored Programs Administration and a mixed perception of the Clinical Research Administration • Total Clinical Research Administration expenses are 43% of the total FY 2010 F&A revenue (\$1.86M) received from clinical trials research • Staffing in the School of Nursing/School of Allied Health is high relative to the volume of dollars generated; it is also perceived as having the highest level of service • Imbalanced pre- and post-award staffing, the lack of integrated systems/databases, additional responsibilities (requisition approval and weekly funding searches), and a lack of School of Medicine departmental support contribute to central KUMC research administration workloads and higher than average peer staffing levels

Goals
<ul style="list-style-type: none"> • Determine appropriate pre- and post-award work load for research administration staff and resize accordingly • Realign research administration staffing balance between pre- and post-award • Resize research administration staffing levels within the Schools as appropriate to meet needs of faculty and support research goals

Annual Financial Opportunity – Minimum Potential		
Cost Savings	Resource Reallocation	New Revenue
\$290K	N/A	N/A

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