9-28-2011

Strategic Redesign Initiative

University of Connecticut
Office of the President

Susan Herbst
President

November 10, 2011

To the University Community:

Connecticut has made extraordinary and unprecedented investments in its flagship university over the last two decades – and in recent years – through the UCONN 2000 construction program, Governor Malloy's BioScience Connecticut initiative and the Storrs Technology Park championed by Senate President Williams. At the same time, UConn, like many public universities across the nation and every Connecticut state agency, has had to grapple with significant reductions in our annual state appropriation, which partially funds the University's overall budget. We also have had to contend with rising costs as we strive to maintain and enhance our academic excellence.

To address our budget deficits, UConn has made tough decisions to reduce spending throughout the University while still doing all that we could to protect our academic core and our reason for being: research, service and the outstanding education we provide our students.

However, there is more we can do to respond to the economic pressures, to ensure our long-term fiscal health and to continue to invest strategically in UConn's future. Entering into a permanent pattern of falling revenue, tight budgets and curtailed investment is simply not an option the University is willing to consider.

With that in mind, in late 2010 the University hired McKinsey & Company (McKinsey) through a competitive bid process and embarked on a Strategic Redesign Initiative – a months-long exhaustive review of key areas of UConn's non-academic operations that would result in recommendations aimed at reducing costs, streamlining and improving processes and generating greater non-tuition revenue. This review applied only to the Storrs and regional campuses, not the Health Center, which has already completed a similar project.

McKinsey conducted this major undertaking with support from a University leadership team comprised of Provost Peter Nicholls, Vice President and Chief Operating Officer

Gulley Hall
352 Mansfield Road Unit 2048
Storrs, Connecticut 06269-2048

Telephone: (860) 486-2337
Facsimile: (860) 486-2627
e-mail: susan.herbst@uconn.edu

Barry Feldman and Vice President and Chief Financial Officer Richard Gray. Guidance was also provided by a 24-person steering committee that represented a broad cross-section of UConn stakeholders, including senior administrators, faculty, staff and union representatives. During this engagement, McKinsey interviewed more than 300 staff and faculty members who contributed their ideas, views and feedback.

The University secured the services of McKinsey to gain from an experienced outside party a hard, critical look at itself and find those areas where we can improve the way we operate to help ensure we are as efficient and effective as possible in carrying out our mission according to best practices. As the report notes, the primary purpose of the engagement was to show the University how its non-academic operations could be improved, not to congratulate UConn on all that we do well. Significantly, the report notes that many of the issues that were encountered at UConn are common at large research universities. The report also states: "In many instances, UConn's costs are in-line with peer universities" and that the goal of this effort was to move UConn's operational efficiency "from 'about average' towards best-practice."

We are pleased that this engagement went as it was intended; and the attached report, which is prepared by McKinsey, is an incisive, useful and important document for UConn.

The report's recommendations are the first step, but equally important is taking action. To that end, the University has begun implementing a number of the McKinsey recommendations. While full implementation will be a multi-year process, it should be noted that the University will recover the entire cost of hiring McKinsey in the first year alone.

We should also point out the report's acknowledgement that we must examine the public policy implications of implementing some of these recommendations as they may have an impact on potential savings.

Listed below are examples of some of the cost-saving measures currently underway and the administrators who have been charged with carrying out this work:

- PROCUREMENT. Administrator responsible: Barry M. Feldman, Vice President and Chief Operating Officer.

  The initial implementation of the McKinsey recommendations started in early autumn 2011. Procurement teams were formed with faculty and non-faculty members serving as co-chairs from both the Storrs/regional campuses and the Health Center. The goal of the teams was to find ways to centralize and standardize purchasing items such as office supplies, office furniture, janitorial supplies and other goods and services. Additional teams will be formed to review areas such as audio-visual equipment,

information technology software and travel. The projected savings through standardization and consolidation in the first year (FY 2012) will be at least $4 million. When all the procurement improvements are implemented by the end of FY 2016, savings in this area are projected to be in excess of $20 million.

- CENTRAL FACILITIES OPERATIONS. Administrator responsible: Barry M. Feldman, Vice President and Chief Operating Officer.

  The initial phase of implementing the McKinsey recommendations has recently begun. Over the next several months, the way in which Facilities staff are dispatched will be reorganized to better plan work; organizational structures will be changed; and the deployment of personnel will be adjusted, which will improve service delivery. The savings in the first year (FY 2012) are projected to be $1 million. The University has an opportunity to save over $6 million yearly when all the changes are implemented by the end of FY 2016.

- CENTRAL INFORMATION TECHNOLOGY. Administrator responsible: Peter Nicholls, Executive Vice President and Provost.

  The University's information technology structure is being centralized to include both University Information Technology Services (UITS) and IT functions within colleges, schools, departments and other units. As an initial step in this process, these two independent units have now been consolidated under the Provost's direction and Associate Vice Provost Nancy Bull has become the Central IT leader on an interim basis. This has been done to streamline processes, reduce redundancies and to improve service to the University community. Several other changes are already underway including a merger of the separate Storrs-based e-mail systems and consolidation of end-user services such as Help Desk functions. By the end of FY 2016 savings could be over $4 million yearly.

- FINANCE, HUMAN RESOURCES AND GENERAL ADMINISTRATON. Administrators responsible: Richard Gray, Vice President and Chief Financial Officer, and Donna Munroe, Vice President for Human Resources and Payroll.

  Implementing recommendations from McKinsey, in conjunction with the implementation of the new financial reporting system, will provide greater centralization in these areas, improve work-flow and reduce redundancies. It will also provide current budget information for all University academic and support units. Savings by the end of FY 2013 may exceed $1 million and as much as $7 million by the end of FY 2016.

- ENHANCING REVENUES. Administrator responsible: Barry M. Feldman, Vice President and Chief Operating Officer.

  The McKinsey recommendations included revenue enhancement opportunities. While some of these recommendations will take additional review, some are already being carried out. One recommendation was to increase parking and transit fees. Meetings are ongoing with constituent groups to review data regarding parking and transit fees from other universities and to discuss the need to generate additional revenue in this area. While it is understood that approval of the Board of Trustees is necessary for some of the revenue changes and related collective bargaining issues need to be addressed, the potential to increase non-tuition revenues must be realized.

  Projected increased revenue for FY 2013 is approximately $600,000. If all parking and transit fee increases are implemented, the annual revenue increase could be $2 million.

  Further, modest revenue increases are anticipated in the current year budget in UConn Foundation fundraising activity and from increasing numbers of students enrolling in summer school courses.

  The report also recommends that UConn study the possibility of charging higher prices for "high-end" rooms in residence halls that have the highest demand, while keeping rooms that have lower demand at their current low rates. This is also something the University needs to examine and discuss further before making any decision on implementation.

Beyond the recommendations that have been implemented thus far or are currently underway, there are additional recommendations contained in the report which will require further review. These recommendations will continue to be studied to determine if they are appropriate and workable. It must also be noted that UConn is a public agency and must operate according to state laws and regulations as well as the collective bargaining contracts of its workforce, including the most recent SEBAC agreement with the state, when determining which recommendations are feasible or beneficial.

Protocol for these engagements typically includes creating a new "project management office" to oversee the implementation of recommendations, which McKinsey has suggested. However, because of the high cost of creating and fully staffing a new administrative layer at the University – and the significant time it would take to do so – I have decided against this and have instead assigned Peter Nicholls, Barry Feldman, Richard Gray, and Donna Munroe to oversee the implementation of the McKinsey recommendations. They will provide updates on their progress to me, the University Senate, the Financial Affairs Committee of the Board of Trustees and union leadership at the University.

As the McKinsey engagement focused on specific areas of the University outlined above, we have already conducted town hall-style meetings with the employees who work in these areas to discuss changes and answer questions. I would like to thank the entire steering committee, as well as all those who played a role in this effort. We are now continuing the work they began as we ensure that our operations have the effectiveness and efficiency needed to maximize the resources that can be used to advance our academic goals.

Susan Herbst
President


The University of Connecticut's Strategic Redesign Initiative

Summary of findings and recommendations
September 28, 2011

University of Connecticut

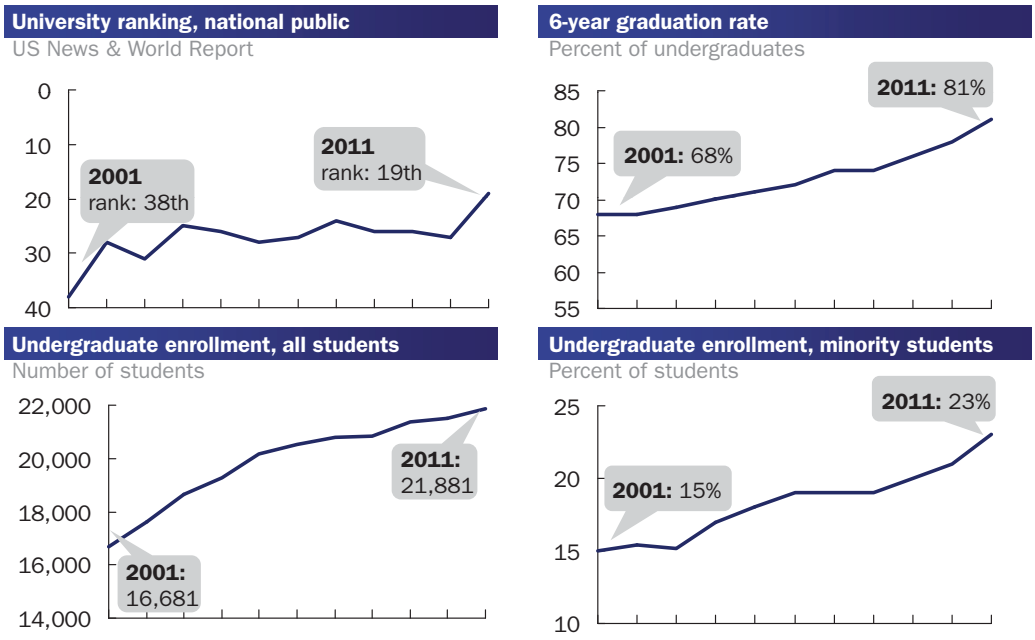
Introduction

The University of Connecticut (UConn) is the top-ranked public university in New England and the 19th ranked public university in the United States[1]. Including its Storrs and regional campuses, UConn enrolls 30,000 students, employs 4,300 full-time staff and has an operating budget of $1.0 billion – $150 million of which is derived from federal and private research grants[2].

By several measures, UConn's performance has improved in recent years. UConn's current ranking among public universities is up from the 27th position just one year ago and up from 38th in 2001 (Exhibit 1). Since that time, undergraduate enrollment, minority enrollment and graduation rates have all shown significant increases.

Exhibit 1

The University of Connecticut has improved performance against key metrics



Source: US News & World Report; UConn Fact Book

1 According to U.S. and News Report, UConn was been the #1 public university in New England for the past 12 years. UConn's ranking improved from 27th in last years rankings to 19th in the 2012 rankings

2 Excludes the University of Connecticut Health Center (UCHC) which was out of scope for this effort. UCHC has approximately 4000 additional full-time employees with a budget of $0.8 billion with about $50 million in grants

While the State of Connecticut has invested in UConn's success, the recent economic downturn and state budget cuts threaten UConn's ability to maintain its academic excellence. The State's recent budget crisis will result in UConn losing $45 million in state support – a decrease of 13.6% from last year or 4.4% of the University's operating budgeting. At the same time, the state has negotiated an agreement with the State Employees Bargaining Agent Coalition (SEBAC) which protects employees in relevant labor groups from lay-offs over the next 4 years. While the University supports this agreement, it does limit the University's options for addressing declining state support.

As a result, now more than ever, the University must get the most out of its available resources. It was with this in mind that the University of Connecticut launched the Strategic Redesign Initiative in February 2011 with support from the Board of Trustees and under the direction of the Provost, COO and CFO. This initiative is focused on reducing costs in non-faculty operations including procurement, IT, finance, HR/payroll, facilities, dining services and athletics with an additional focus on increasing revenue from sources other than tuition increases. The scope includes UConn's Storrs and regional campuses but does not include the University of Connecticut Health Center.

Through this effort, the University seeks to improve the efficiency and effectiveness of its operations in order to:

- Reduce non-essential spending and increase non-tuition revenues
- Redirect these resources to fill budget gaps left by declining state support while redirecting any additional savings and revenue enhancements towards activities which enhance the student and faculty academic experience
- Provide the most effective support possible to faculty, students and staff

After a competitive process, UConn engaged McKinsey & Co. to work with UConn to complete the diagnostic and implementation planning phases of the initiative. This report is a summary of the findings and recommendations from this initiative.

Over the course of the engagement, the team conducted interviews, observations and analysis with the involvement of over 300 University employees representing leadership, management, faculty, representatives from the bargaining units, staff and students[3]. As a result of this analysis, the team has identified $53-97 million in opportunities including $39-67 million in cost reduction opportunities – many of which will also improve service quality – and an additional $14-30 million in non-tuition revenue enhancements net of on-going costs (Exhibit 2). Given the projected savings, revenue improvements and necessary one-time investments and on-going costs, we anticipate net impact[4] of approximately $4-8 million will be captured in FY12 and about $27-48 million in FY13 with the $53-97 million savings and revenue run-rate[5] being achieved by FY16 (Exhibit 3).

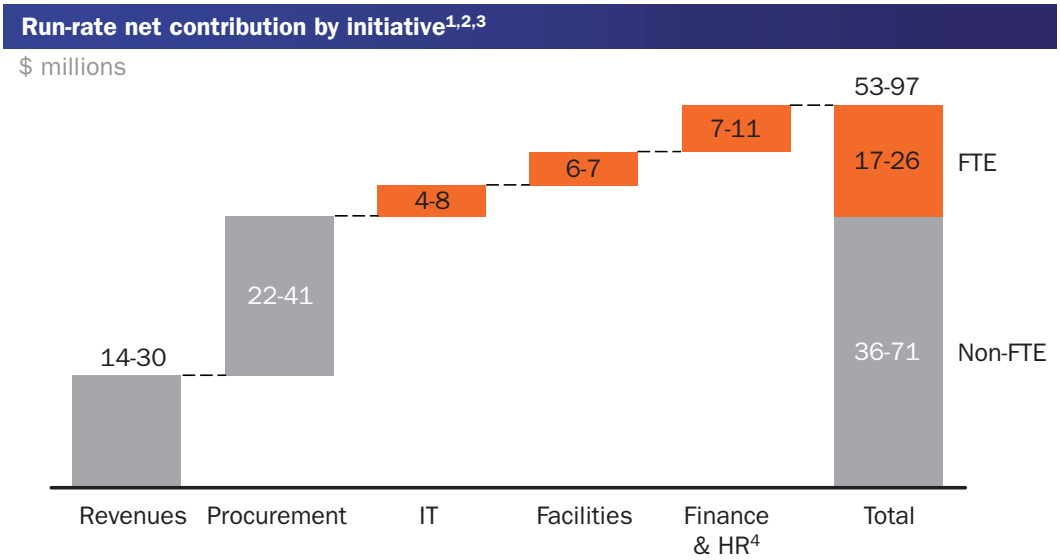
3 McKinsey met weekly with senior leadership and met with a Steering Committee comprised of University stakeholders every 4-6 weeks to discuss and evaluate findings. For a list of Steering Committee members see Appendix Table 1

4 Net impact includes annual savings and revenue enhancements net of on-going costs (e.g. additional personnel) and one-time investments required to capture the opportunity. Details of the required one-time investments and on-going costs are provided in the final section of the report

5 The run-rate savings estimate is the expected savings that will be achieved annually after full implementation

Exhibit 2

We identified $53-97 million of net annual savings and revenue enhancement



1. Run-rate net contribution is the net contribution achieved once all initiatives are fully implemented
2. Net contribution is defined as revenues less on-going operating expenses
3. Revenues include academic, non-academic, and athletic revenues
4. Includes payroll and general administration

SOURCE: Team analysis

Exhibit 3

Sequencing of savings and revenue initiatives maximizes FY12 impact

Savings
Revenues

	Initiative	Launch date (M-Y)	Estimated impact $ millions[1] FY12	FY13	Run-rate
Underway/ Approved	▪ **Procurement**	Jul-11	3.1 – 5.0	15.6 – 28.1	21.6 – 40.6
	▪ **IT transformation[2]**	Aug-11	1.5 – 3.0	2.9 – 5.2	4.2 – 8.4
	▪ **Facilities re-organization**	"	1.8 – 2.1	4.6 – 5.4	6.2 – 7.3
	▪ **Parking/transit**	Jul-12	-	0.6 – 0.8	2.0 – 2.4
	▪ **Housing fees**	"	-	0.6 – 1.2	1.2 – 2.4
Under Review/ Timing TBD	▪ Fin/HR/General Admin	Jul-12	-	1.9 – 2.7	7.0 – 10.6
	▪ Technology commercialization	Jul-12	-	0.1 – 0.5	0.5 – 2.4
	▪ Athletics revenue	"	0.3	2.0 – 2.3	2.0 – 2.3
	▪ Summer programs	"	0.1 – 0.4	0.2 – 1.1	0.7 – 3.7
	▪ Entrepreneurial programs	"	-	0.6 – 0.8	2.4 – 3.1
	▪ Foundation fundraising	Oct-11	0.8 – 2.0	1.7 – 4.1	5.5 – 13.4
Longer-term actions	▪ Centralize Dining services	Jul-15	n/a	n/a	TBD[3]
	▪ Year-round academic model	Jul-15	n/a	n/a	TBD[3]
	Total		**7.6 – 12.8**	**30.8 – 52.2**	**53.3 – 96.6**
	Total investment required[2]		**(3.7 – 4.5)**	**(3.9 – 4.5)**	**0.0**

1 Estimated impact is the net contribution defined as revenues less on-going operating expenses
2 Does not include savings and investments related to data consolidation center and server virtualization
3 Requires further analysis

SOURCE: Team analysis

The recommendations and options outlined in this report take into account the job security provisions of the SEBAC agreement with 70% of savings coming through improvements in non-personnel costs. During the next four years, when personnel reductions are part of the plan, employee-related savings will be achieved through attrition – analysis shows that 40% of employees are expected to be eligible for retirement by 2015 with 20-25% of those eligible for retirement historically retiring in any given year. However, decreasing staff levels through attrition may lead to a loss of skilled labor, a lack of capacity and decreased service levels to faculty and students unless operations become more efficient. The recommendations outlined here will, in most cases, allow the University to maintain or improve upon service levels in cases where declining staff levels are expected.

Capturing these savings will require overcoming many other challenges. Trade-offs will need to be weighed by University leadership and other stakeholders, the outcome of which could result in impact towards the lower end of estimates[6]. For example, consolidating procurement contracts may result in fewer smaller, Connecticut-based vendors winning bids. In such cases, University leadership must weigh potential cost savings or service benefits against other objectives. In addition, implementing these initiatives will require improved project management capabilities, attention to change management and enhanced technical capabilities. These challenges can be overcome and have been taken into account in the timing of implementation and in the savings ranges. Doing so will require significant leadership attention and targeted investments in skills, capabilities and support.

* * *

It is uncommon for public sector institutions to undertake this level of transparent, operational scrutiny. By definition, this type of undertaking involves a critical examination of the University's operations. In other words, this review is not meant to be a balanced assessment of performance nor was it meant to catalog the numerous things that the University and its staff, faculty, students and leadership do well including those that have contributed to UConn's improvement in rankings, access and outcomes described at the beginning of this report.

In addition, the challenges faced by the University of Connecticut are not unique among higher education institutions and many of these challenges are encountered in public sector agencies outside higher education. In many instances UConn's costs are in-line with peer universities. For instance, UConn's IT costs are similar to those of peer research universities. Through this effort, UConn's operational efficiency and effectiveness will move from "about average" towards best-practice.

We would like to thank all who participated in this effort. Over 300 faculty members, staff members and students provided their thoughts and input throughout the process through interviews, townhall meetings and group discussions. Over the last 8 months, a Steering Committee -- including representatives from faculty, staff and students – met every 4-6 weeks to review preliminary findings and provide input and direction. In addition, an executive team including the Provost, COO and CFO met weekly with the consulting support team to provide additional guidance.

Through the course of this work, UConn's employees and labor representatives exhibited a deep understanding of the potential opportunities and areas for improvement, as well as a passion for the success of the University. This knowledge and sense of passion will serve UConn well moving forward.

6 Ranges are provided for each savings and revenue opportunity to reflect these challenges

Summary of current conditions

Given the budget pressures faced by the State and the University, failure to improve UConn's operational efficiency and effectiveness and to make needed structural changes will limit the resources available to the core academic and research operations of the University. The recommendations in this report would free-up or generate $53-97 million to be redirected to fill budget gaps left by declining state support with any additional savings and revenue enhancements being redirected by President Herbst and other University leadership towards activities which enhance the student and faculty academic experience[7].

Detailed analysis across operational and revenue areas revealed six primary improvement themes:

- ***Decentralization and diffused decision-making.*** Like most large research universities, UConn has a decentralized organizational model where authority, decision-making and budgeting are diffused and where shared governance is expected to be practiced. Decentralization is a characteristic of many of the University's support operations including procurement, IT, finance, HR/payroll and facilities. For example, over 55% of IT personnel are decentralized within 40 small IT "units" across the University. Many of these decentralized IT units perform similar functions such as IT helpdesk and server maintenance.

  An increasing number of research universities, driven in-part by budget constraints and concerns about service, are now centralizing services to take advantage of new technologies or proven, more responsive operating models such as the creation of a shared services offering. For instance, the University System of Georgia has a payroll shared service which serves all schools in the system. In addition, Texas A&M, the University of Missouri System, Duke University, Cornell University, the University of Pennsylvania and Harvard University, among others, have implemented some form of centralized or shared services in recent years.
- ***Lack of a "customer" orientation and clearly-defined service-levels.*** Maintaining a high quality of service to faculty, departments and other end-users must be a primary focus for the support services of a university so that these stakeholders do not see a need to provide their own services and can instead focus on students, academics and research. Many of the University's support services – including procurement, IT, HR, finance, and facilities -- do not currently evaluate the satisfaction levels of faculty, students and staff on a regular basis or use that information to drive operational improvements. For example, several interviews suggested that UConn's central facilities had historically been unable to renovate the research labs for incoming faculty in a timely manner, given current capacity and other responsibilities, leading to faculty dissatisfaction. This in turn led to the establishment of the Academic Renovations[8] unit under the College of Liberal Arts & Sciences, one of four entities that now provides facilities services.

7 The range of savings is driven primarily by the university's ability to capture the full savings given the difficulty of implementing systemic changes. On average, organizations achieve about 80% of the full identified opportunity

8 Academic Renovations focuses on preparing and renovating research labs (e.g. for new faculty)

Importantly, defined service level agreements between central services and end-users are uncommon at UConn. For instance, University Information Technology Services (UITS) does not provide a guaranteed service time for hardware repairs and a standard IT service catalog does not exist. In addition, end-users and academic departments have limited formal input into services provided, service levels, process improvements, capital expenditures and other governance issues.

- ***Antiquated information technology (IT) support systems and lack of standardized processes.*** UConn's IT support systems – especially for procurement, finance, HR and facilities -- are antiquated, not well integrated, and generally have not been developed around standard, streamlined processes. As a result there is significant manual entry and re-work required and an increased focus on transactional -- as opposed to high-value added strategic or service-oriented – work. For instance, 40% of procurement personnel are focused on processing over 14,000 purchase orders annually leaving relatively little time to focus on strategic negotiations, demand management and customer service. Many of these purchase orders (P.O.s) represent only a fraction of spending – the smallest 50% of P.O.s account for only 3% of the total procured spending. Through streamlined processes and technology UConn has an opportunity to improve efficiency and improve the quality of service. The University is currently implementing or has plans to implement new systems covering finance, procurement and Human Resources (HR).
- ***Gaps between current and future job requirements and skills and capabilities.*** Many functions are being performed by employees who must perform multiple job functions, or who do not have the specialized skills or training to efficiently and effectively perform the required job. This creates slower and lower-level service and missed opportunities to provide more effective services in areas such as finance, HR and IT. For instance, many people performing Finance and HR functions decentrally also must perform other unrelated functions (e.g. academic administration) making it difficult to efficiently and effectively perform complex and ever-changing tasks. This leads to a significant amount of re-work and slow turn-around times.
- ***Lack of performance management.*** In most of the support services we examined -- including procurement, IT and facilities – good performance management practices are not in place, driven in part by antiquated IT systems which do not support streamlined data reporting. For instance, facilities operations does not have the ability to monitor the amount of time taken to complete work orders against an expected amount of time. The procurement department does not routinely set aggressive targets for decreasing procurement spend through improvement in negotiated rates or demand management. Performance management dashboards are not given to senior management[9]. End-user satisfaction is not monitored across categories.
- ***Low span of control among supervisors.*** Among the units examined – including 7 administrative units and 1 school – the organization was characterized by low spans of control and a higher than expected number of layers[10]. For example, 45% of supervisors in these units have 3 or fewer direct reports. As these supervisors typically are closer to the front-line employees than senior management, they may perform line functions in addition to their roles as supervisors. However, organizational best-practice suggests at least 5-7 direct reports for these types of supervisors except in specific circumstances. Lower spans of control and more layers of supervision commonly leads to a lack of empowerment of individual workers. This is consistent with interviews and feedback from frontline workers across areas such as IT and facilities.

9 New HR and finance IT systems are expected to provide senior management with this information in the future

10 Span of control refers to the number of direct reports for supervisors and managers. Layers of an organization refer to the number of levels from the President of the university to the front-line employee

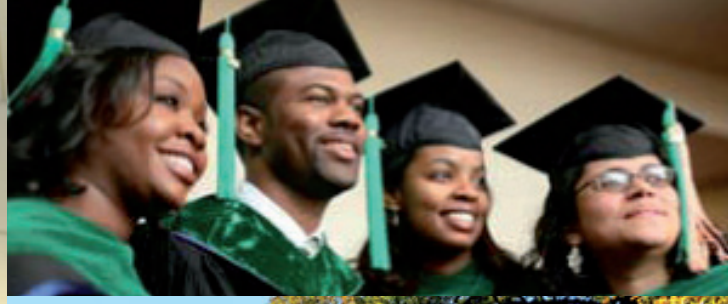
State of Connecticut context and constraints

When developing recommendations for potential operational improvements at UConn, it is important to understand the barriers that state requirements may create. While certain state and employee union requirements are well-intentioned and were developed to achieve specific benefits, there can be unintentional consequences which may limit the efficiency of large public agencies such as the University of Connecticut. For example, the most senior governance body of every vendor must sign a form declaring compliance with Connecticut's Commission on Human Rights and Opportunities charter. Even if they are already in compliance, many large, potentially low-cost vendors may be unwilling to elevate this declaration to the most senior levels.

In addition, per State requirements, the University has to conduct an audit of all inventory and physical property over $1,000 every 2 years. Currently, the inventory and physical property represents 55,000 items and requires 5 FTEs to monitor. If the state were to increase the threshold to $5,000 to be in-line with federal requirements, that would reduce the number of items to 20,000 and cut the the number of required staff down to 2-3 FTEs.

State laws also limit the University's ability to outsource work that may be performed more efficiently externally. As such, the team spent a limited amount of time focusing on opportunities to outsource functions that are currently being performed internally.

While significant improvements can be achieved working within these parameters, further efficiencies could come from relaxing these constraints. However, any efficiency benefits would have to be weighed against the original objective of these regulations. It was not within the scope of this effort to examine the merits of these regulations which have been taken as a given in the recommendations and impact estimates.




University of Connecticut

Recommendations

The diagnostic identified $53-97 million in opportunity including $39-67 million in opportunity to reduce annual costs and $14-30 million in annual revenue enhancements[11] with $9-10 million in one-time investments required to capture full savings. Taken together, several of these recommendations will result in improved effectiveness and service levels and move UConn towards a university characterized by the following:

- Higher consolidation and centralization of service delivery
- Improved faculty, student and staff satisfaction
- Improved governance including improved representation of the needs of faculty, students and staff
- Greater use of standardized processes
- Aggressive pursuit of revenue opportunities to close the gap on key metrics that fall below peer benchmarks
- Improved skills and capabilities of its workforce through training and strategic hiring of personnel in order to meet the needs of tomorrow's workforce
- Improved incentives for individual departments to manage their costs and revenues effectively while not compromising quality or their core missions[12]
- Improved performance management with proactive reporting on progress against key goals and the creation/use of a Project Management Office (PMO)[13]

It is important to emphasize that – in order to maintain and strengthen the quality of services to faculty, staff and students – achieving these levels of cost savings and revenue increases cannot be "just" a budget cutting exercise or doing the same work with fewer people. University leadership must not only adjust and closely track budgets, but must also track satisfaction levels while ensuring that the culture, systems and processes have really changed.

A summary of specific findings and recommendations by operational area follows.

11 Impact estimates are net of on-going investment. (e.g. additional personnel required to capture the opportunity)

12 In general, it is recommended that operational areas with significant economies of scale or skill (e.g. IT help-desk, facilities maintenance, procurement, financial accounting) trend towards consolidation and centralization while the management and operation of areas with few economies of scale or skill (e.g. maintenance of unique pieces of software used in research, program administration) remain decentralized

13 In McKinsey's experience and research, institutions will capture and sustain a greater portion of the identified savings and revenue opportunities if they establish a Project Management Office (PMO) to manage the implementation of large-scale projects such as described in this report. A PMO may consist of 3-5 FTEs which focus on closely monitoring implementation of initiatives against agreed-upon timelines, analyzing data to calculate the impact achieved to date, identify roadblocks and challenges in need of senior attention, and report on progress to university leadership

Initiatives for near- or medium-term implementation

PROCUREMENT

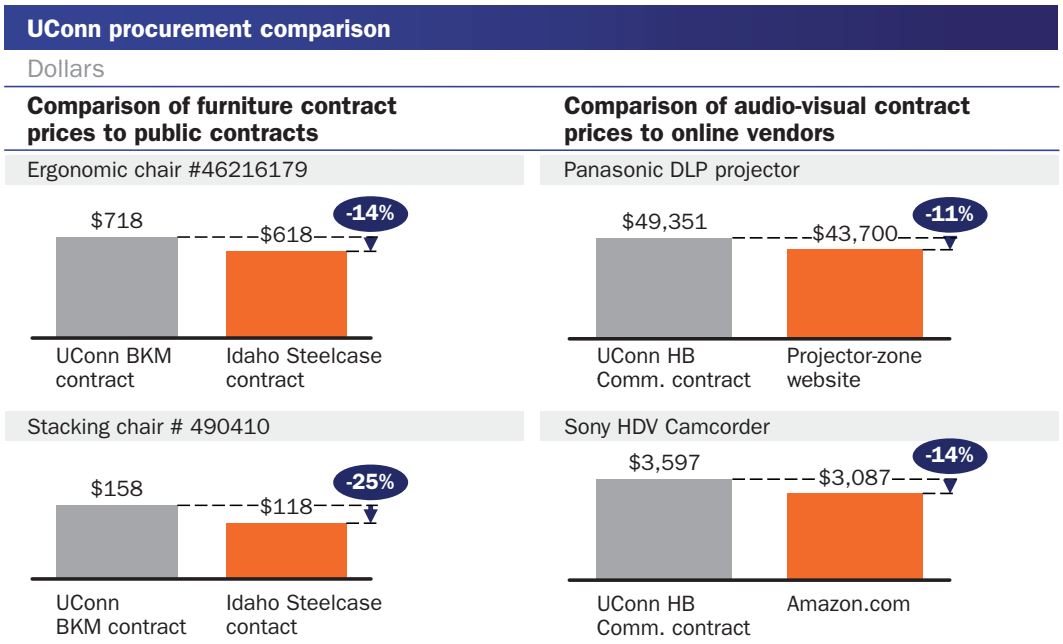
UConn spends $317 million per year of its $1 billion budget on procured goods and services while the University of Connecticut Health Center (UCHC) spends an additional $67 million on similar spend categories (e.g. janitorial supplies)[14].

An assessment of UConn's contracts revealed that some contracts have higher prices than those achieved by other public sector organizations for identical items. For instance, prices for some pieces of furniture are 15-25% higher than those procured by similarly sized public sector organizations for the same items from the same manufacturer but through a different supplier (Exhibit 4). This is driven in part by lack of consolidation of contracts between UCHC and the Storrs-based campuses which limit UConn's purchasing power. For instance, UCHC purchases primarily HP computers while the Storrs-based campuses purchase primarily from Dell.

Exhibit 4

Procurement – contracted prices for sample items are up to 10-25% higher than comparable options

SELECTED EXAMPLES



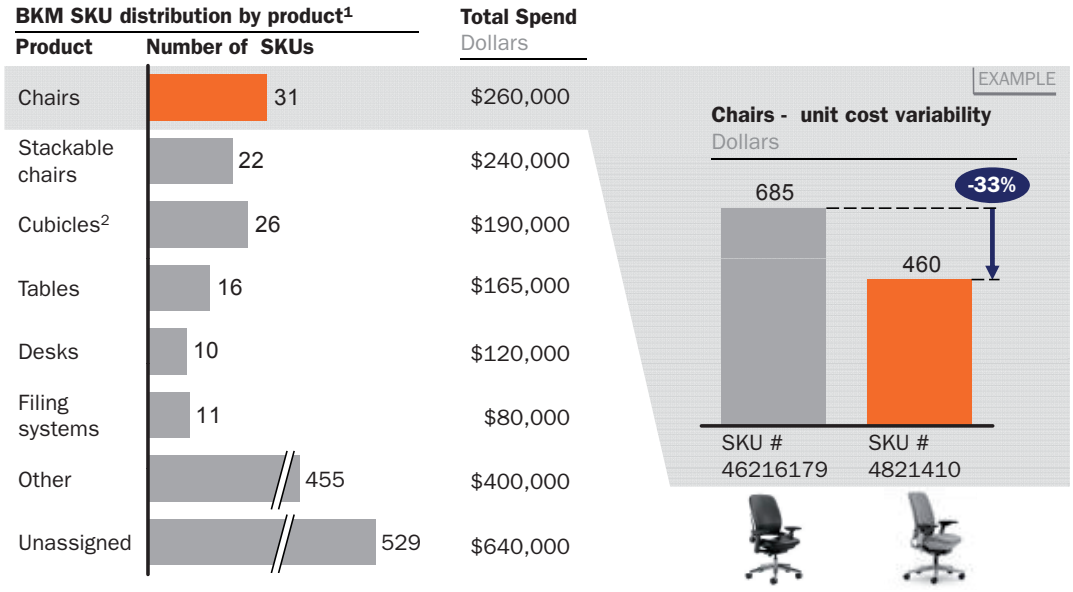
SOURCE: UConn FY 2010 BKM pricing from PO data; State of Idaho SBPO1322- 04; Team analysis

Similarly, departments and end-users have broad purchasing autonomy including the ability to purchase off-contract, further diluting the purchasing power of the University and its ability to guarantee volumes – a strategy that is typically important for negotiating lower prices.

14 While the University of Connecticut Health Center (UCHC) was not a focus of the Strategic Redesign Initiative, UCHC participated in the procurement initiative as there are benefits to both UCHC and the Storrs-based campuses which can be achieved through common contracts for similar items and other areas of collaboration

Exhibit 5

Procurement - SKU proliferation suggests opportunities to rationalize and shift to lower cost products



1 Represents $2M of SKU-level spend for BKM
2 Includes major assembly parts such as segment panels, kicks and returns
SOURCE: Procurement BKM SKU details; Team analysis

What's more, there is limited demand management in-place today. For instance, over 50% of Dell laptops are upgraded beyond the base recommended specification even though only 10% of Dell computers are used for research purposes. In addition, the University purchases 31 different types of non-stackable chairs which vary significantly in price (Exhibit 5). Best-practice purchasing departments limit the number of available options which are determined carefully with the input of end-users.

The purchasing department is also highly transactional and focused on purchase order processing and regulatory processes with 50% of purchase orders accounting for only 3% of UConn's procured spend (Exhibit 6).

Furthermore, State requirements create barriers to achieving the lowest price as previously discussed.

After detailed analysis of five procurement categories[15] and a detailed assessment of the organization and processes against best-practices, we believe there is a $20-37million in savings that UConn can achieve, with an additional $2-4 million in savings for UCHC if both campuses pool their procurement spending in certain areas.

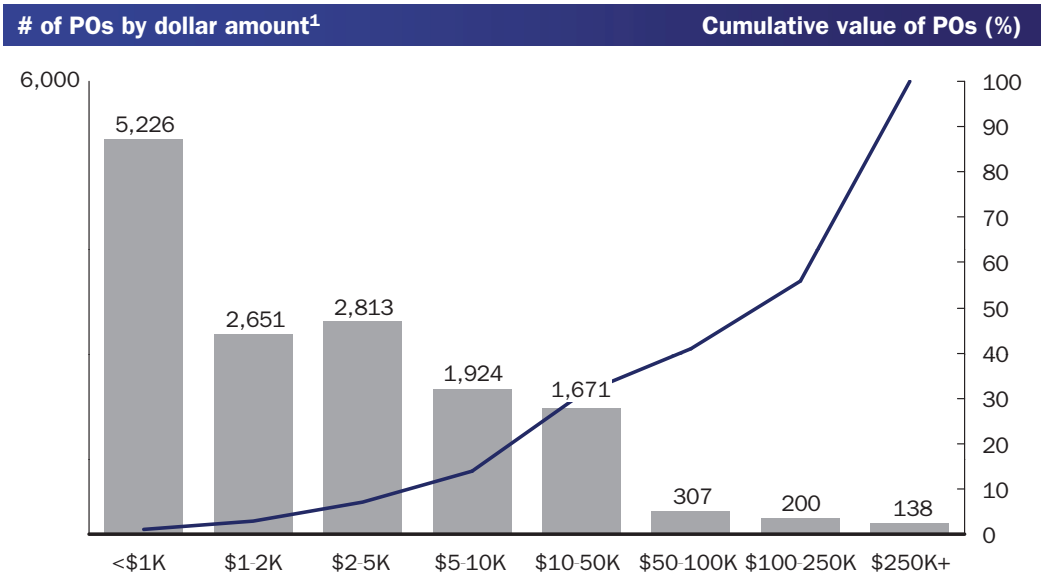
To capture and sustain the opportunity, we believe UConn should address the following priorities[16]:

15 Categories examined in greater detail include IT hardware, furniture, A/V equipment, office equipment and office supplies

16 These priorities represent a summary of the recommendations and are not exhaustive

Exhibit 6

Procurement - 50% of PO's account for 3% of spend and drive a significant amount of transactional work



1 Excluded 137 purchase orders with PO amount of $1
SOURCE: University of Connecticut procurement department; Team analysis

- Launch and train cross-functional strategic sourcing teams[17] during the course of the next 12-24 months to review $230 million in spending. Sourcing teams should include end-users in addition to procurement specialists in order to ensure that appropriate expertise is leveraged and that the new strategy meets the needs of the end-users
- Consolidate spending across the Storrs-based campuses and, where applicable, UCHC in order to achieve greater purchasing power – enforce compliance with preferred vendors to further enhance purchasing power
- Implement a more rigorous demand management policy[18] for spend categories like travel and computer hardware with strong compliance metrics and measures
- Continue implementing an e-procurement solution and optimize p-card policies and online portals to minimize the amount of effort spent processing purchase orders.[19] This initiative will also be critical for tracking compliance and cost savings in each spend category

17 Cross functional strategic sourcing teams are groups of procurement specialists, end-users, finance experts, and individuals skilled in negotiations who develop expertise in a category of goods or services (e.g. computer hardware) and develop and execute on a strategy for bringing down the costs to procure these goods or services (e.g. through a combination of improved vendor negotiation, vendor management or internal demand management). The $230 million spend to be reviewed does not include ~$50 million in unassigned spend

18 Demand management is achieved by ensuring that only products or services are purchased which meet end-user requirements at the lowest total cost of ownership. This may involve limiting the numbers of options available for common items (e.g. pens, paper or furniture), limiting the available brands, or limiting specifications or available upgrades (e.g. on computer hardware). Where choice is restricted, an exception policy and process can be established (e.g. for research computers). The demand management policy for each category of good or service should be developed by the cross-functional strategic sourcing team and should take into account the needs of end-users across the campus. Furthermore, the procurement team should continue to monitor end-user satisfaction with the available options through surveys, interviews and other methods

19 Currently underway

- To achieve these priorities, we anticipate the University investing $1.3-1.9 million over the next 2 years to fund training in strategic sourcing skills, the enablement of e-procurement tools and systems and third party support. The University should also reduce transactional staff and invest in additional skilled category managers.

As UConn looks to optimize the prices achieved on its contracts it will need to balance priorities beyond just price and quality. UConn will need to comply with State requirements and balance the needs of other stakeholders. In some cases, UConn may have to choose in certain instances between a higher-priced Connecticut-based supplier and a lower-priced national supplier. For example, UConn's primary furniture supplier – which was shown to offer higher prices than those obtained by other, similarly-sized public institutions from other suppliers – is based in Connecticut. Placing a greater relative value on Connecticut-based suppliers may limit the savings that are achievable in this initiative. UConn's procurement team should systematically track such instances in order to allow UConn leadership and State elected officials to best weigh the trade-offs associated with related public policy decisions.

A cross-department initiative to address the procurement opportunities is already underway, led by UConn's procurement teams, at the Storrs and Heath Center Campuses. Based on an approach recommended by the team, the University is expected to save $3-5 million within the first year in gross savings (Exhibit 7).

Exhibit 7

Procurement savings overview

		Estimated impact $ millions		
	Initiative or investment	**FY12**	**FY13**	**Run-rate**
Gross savings	▪ Wave 1 category savings[1]	2.6 - 3.9	5.2 – 7.7	5.2 – 7.7
	▪ Wave 2 category savings[2]	0.7 - 1.3	7.1 – 12.7	7.1 – 12.7
	▪ Wave 3 category savings[3]	-	2.5 – 5.9	5.0 – 11.7
	▪ Wave 4 category savings[4]	-	1.1 – 2.1	4.3 – 8.5
	▪ Reduce the number of transactional category managers through reduction of POs and e-procurement systems	0.1	0.2	0.5
	Total gross savings	***3.4 – 5.3***	***16.1 – 28.6***	***22.1 – 41.1***
Required incremental annual cost	▪ Hire 4-5 strategic category managers	0.3	0.5	0.5
One-time investments	▪ Training in strategic sourcing skills and the enablement of e-procurement tools and systems	0.4 – 0.8	0.1 – 0.3	-
	Total costs and investments	***1.1 – 1.5***	***1.0 – 1.2***	***0.5***
	Net savings	**2.3 – 3.8**	**15.1 – 27.4**	**21.6 – 40.6**

1 Wave 1 categories include IT hardware, janitorial supplies, lab supplies, furniture, telecom, office equipment & supplies
2 Wave 2 categories include facilities maintenance and repair, dining services, cleaning services, A/V equipment, travel
3 Wave 3 categories include construction, fleet, IT professional services, engineering services, insurance, parking
4 Wave 4 categories include athletic site maintenance, waste management, utility equipment, IT software, professional services, postage/printing, advertising and media

INFORMATION TECHNOLOGY

UConn spends $58 million per year on IT services (nearly 6% of UConn's operating budget) with $33 million spent by the central University IT Services (UITS) and $25 million spent by decentralized units. This expenditure is on par with other large research universities who spend

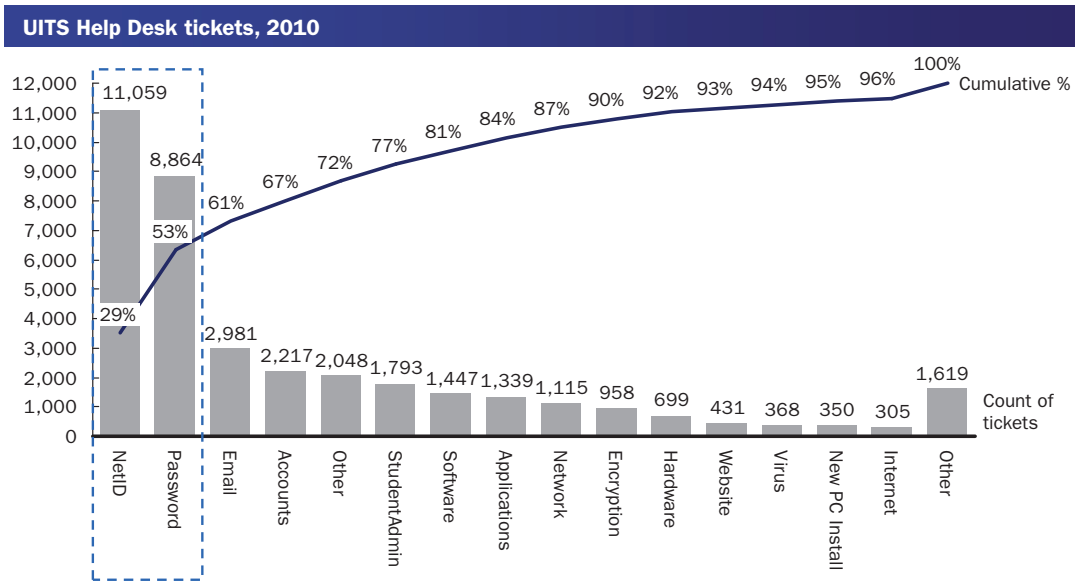
approximately 5.8% of their budget on IT services[20]. However, a small number of top performing research universities who also maintain high customer satisfaction levels spend as little as 4.2% of their operating budget on IT – or about $16 million less than UConn's current levels of expenditure given the University's size[21].

IT services at UConn are fragmented, spanning across 40 decentralized IT units and the central IT organization; 56% of IT staff are decentrally managed, compared with 44% for the average research university[22]. For example, over 70% of end user support personnel are located within 40 decentralized IT units. Decentralized staffs are also focused on application development and maintenance, server maintenance, security, web design, and other general IT functions. Meanwhile, there are approximately 1300 servers around campus leading to inefficient server maintenance, fragmented reporting, and inconsistent strategies for security and back-up.

This decentralization has resulted in inconsistent service quality and high cost, driven by a lack of IT standards and tools. For example, 50% of all UITS helpdesk calls are password resets or setting up accounts – tasks which can be easily automated (Exhibit 8). While UITS and most departments lack such a software solution, a small number of departments have implemented their own solutions. This lack of standardization prevents all units from benefiting from best practices. In other cases, decentralization has led to lower quality of service as an IT generalist may be performing the function versus a specialist (e.g. web design; application development).

Exhibit 8

IT: ~50% of UITS help desk tickets are account and password related inquiries



SOURCE: UITS; team analysis

20 Benchmark data from EDUCAUSE and McKinsey & Company

21 $16 million is the difference between 5.8% and 4.2% multiplied by UConn's $1.0 billion budget

22 Benchmark data from EDUCAUSE

Another gap that was identified was in project management skills and governance, which has led to cost overruns and long delays on major projects.

Interviews within UITS, supported by spans and layers analysis, suggest that the levels of bureaucracy within the organization contribute to slow and ineffective decision-making and lack of empowerment.

Based on the assessment of IT, there is $7-13million[23] in opportunity that UConn can capture while improving effectiveness (Exhibit 9). Of this, $3-5 million is related to procurement of IT hardware, software and labor and was identified as part of the procurement initiative. Therefore, there is $4-8 million in incremental IT savings identified. These savings will bring UConn closer to the performance of top-performing universities and will allow the University to exceed the efficiency and effectiveness of average universities.

Exhibit 9

Information Technology savings overview

		Estimated impact $ millions		
	Initiative or investment	**FY12**	**FY13**	**Run-rate**
Gross savings	▪ Consolidate helpdesk	0.6 – 1.1	1.1 – 2.1	1.7 – 3.2
	▪ Increased spans of control	0.3 – 0.5	0.6 – 0.9	1.3 – 2.0
	▪ Consolidate and reduce non-UITS generalist support	0.3 – 0.8	0.6 – 0.9	0.6 – 1.8
	▪ Consolidate ADM resources	0.3 – 0.6	0.6 – 1.3	0.6 – 1.4
	▪ Improve IT procurement	0.9 – 1.2	2.3 – 3.5	3.0 – 5.0
	Total gross savings	***2.4 – 4.2***	***5.2 – 8.7***	***7.2 – 13.4***
	Non-procurement related savings[1]	***1.5 - 3.0***	***2.9 – 5.2***	***4.2 – 8.4***
Required incremental annual cost	▪ N/A	-	-	-
One-time investments	▪ Enterprise Identify Mngmnt. system (helpdesk)	0.7 - 0.9	0.6 – 0.8	-
	▪ IVR and ticket Management system (helpdesk)	0.1 - 0.3	0.2 – 0.4	-
	Total costs and investments	***0.8 – 1.2***	***0.8 – 1.2***	***-***
	Net savings (non-procurement related)	**0.7 – 1.8**	**2.1 – 4.0**	**4.2 -8.4**

1 Procurement-related IT savings were previously identified as part of the procurement initiative

23 Of the $7-13 million in opportunity, approximately $3-5 million is from procurement of IT goods and services and was accounted for in the procurement savings. An additional $0.4-0.6 million opportunity was identified through server consolidation and virtualization. However, this was not included in the savings described above as it may require additional capital investments beyond the data center investment recently approved by the University

To capture and sustain the opportunity, UConn should address the following priorities:

- Consolidate end-user services (i.e. helpdesk), application development and maintenance and datacenters and server maintenance by pooling resources from decentralized IT units. Implement best-practices within the consolidated unit (e.g. helpdesk management including remote support)
- Improve responsiveness to academic departments and other end-users by reorganizing IT services with the IT leader reporting exclusively to the Provost (as opposed to the Provost and Chief Operating Officer (COO)). In addition, create a liaison role to interface between end-users and the central IT organization, institutionalize surveys to track end-user satisfaction, define service level agreements, and establish an IT Governance Council which includes representative deans and other stakeholders in order to develop University-wide strategies for topics such as backup and cloud computing to avoid fragmentation of strategy across campus.
- Improve the procurement of hardware, software and IT professional services, in coordination with the University procurement initiatives
- Increase the managerial spans of control and decrease the number of management layers in the organization to decrease bureaucracy
- Redesign the IT capital planning process to prioritize IT projects across the campus with input from a broad list of stakeholders (e.g. the IT Governance Council)
- Develop improved project management capabilities to manage large IT projects
- To achieve these priorities, we anticipate the University making an investment of $2.3-3.2 million over the next 3 years in addition to the investment recently approved to replace the current aging data center.

HUMAN RESOURCES (HR)[24], FINANCE AND GENERAL ADMINISTRATION

UConn spends $13 million per year on HR personnel, $23 million per year on finance personnel and about $51 million per year on general administration[25]. Approximately 50% of HR and finance costs and most of the general administration costs are decentralized. Benchmarks show that peer research universities have HR costs that are 24% lower than UConn with 34% fewer HR FTEs than UConn. Similarly, finance costs are 26% lower at average peer institutions with 29% fewer FTEs than UConn[26]. In particular, in HR there is significantly more time spent on payroll, record keeping and general HR administration than would be expected.

UConn's high rate of decentralization is not unusual, but leads to inefficiency through a lack of scale, lack of standardized practices and a workforce that, in the decentralized units, are often asked to "wear many hats", creating challenges to staff who must perform complex tasks infrequently. For example, most of the University's academic departments have general administrators who perform a range of activities from secretarial support and event planning to payroll, financial reporting and accounting. These administrators perform finance tasks infrequently leading to a significant amount of rework and slow processing time – especially as systems and processes change. UConn's College of Liberal Arts and Sciences on the other hand

24 HR includes both HR and payroll staff and operations

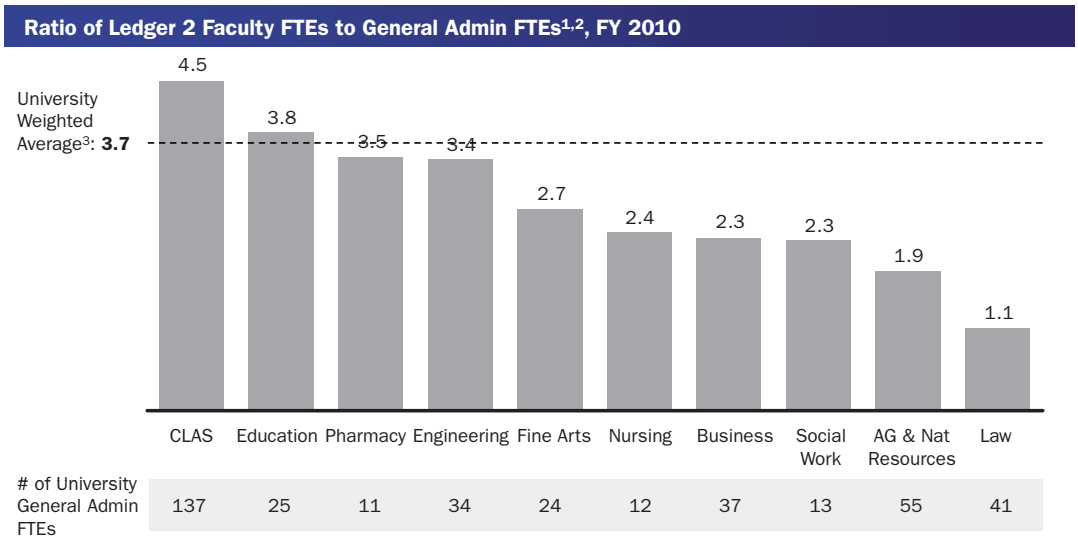
25 General administration includes administrative assistants, clerks, typists, office assistants, secretaries, UCPEA professionals and academic assistants that are funded with Ledger 2 funds (primarily tuition and state grant funds). General administration does not include any administrative employees funded through Ledger 4 funds which are for restricted purposes (e.g. research grant funds)

26 Finance and HR benchmarks include 6 large, public research universities with revenues between $0.8 – 2 billion

has developed a shared Business Support Office to serve its departments so that individual departments do not need to provide their own finance and HR services. As a result, CLAS has the highest faculty to staff ratio of any department – 20% higher than average across UConn (Exhibit 10).

Exhibit 10

FIN/Admin - Variability in administrative support between schools indicates an opportunity to reduce costs



1 Faculty includes Assistant Professors, Associate Professors, Visiting Professors, Educators, Instructors, Lecturers and Professors
2 General Admin defined as Admin Assistants, Clerks Typists, Office Assistants, Secretaries, UCPEA professionals, and Academic Assistants
3 Average weighted by the proportion of faculty at each respective school/college multiplied by the average for each school/college

SOURCE: HR payroll data; McKinsey analysis

Furthermore, UConn's InformationTechnology (IT) support systems for these functions are inadequate to support an efficient and effective organization. The HR system, for instance, is an amalgamation of 1 core system and at least 39 "bolt-on" ancillary systems. As such, a significant amount of manual entry and "carry over" of data between systems is required. For example, every two weeks, payroll managers must manually move data between four systems (the State payroll system, a UConn front-end user interface, a system application housing business rules and a database storing historical data), using basic programs and Excel tools, in order to collect time and attendance and process payroll. As data is transferred between systems, the payroll managers must monitor for data integrity issues and manually adjust files to rectify errors. This assembly of ancillary systems also leads to a significant amount of time spent on manual record keeping.

Detailed analysis of UConn's HR, finance and general administration operations suggests an opportunity to reduce costs by $7-11 million while improving the effectiveness of operations (Exhibit 11).

To capture and sustain the opportunity, UConn should address the following priorities:

Exhibit 11

HR/Payroll, finance and general administration savings overview

	Initiative or investment	Estimated impact ($ millions) FY12	FY13	Run-rate
Gross savings	▪ Business support model for academic and administrative units[1,2]	-	1.3 – 1.8	5.2 – 7.2
	▪ Rationalize demand for HR / finance reporting and support[2]	-	0.1	0.2 – 0.4
	▪ Streamline processes through lean principles[2]	-	0.1	0.2 – 0.4
	▪ Implement a new HR/ finance ERP system[2]	-	0.2 – 0.4	0.8 – 1.6
	▪ Optimize the organizational structure[2]	-	0.1	0.2
	▪ Redesign the payroll process / organization[2]	-	0.1 – 0.2	0.4 – 0.8
	Total gross savings[1,2]	**-**	***1.9 – 2.7***	***7.0 – 10.6***
Required incremental annual cost	▪ N/A	-	-	-
One-time investments	▪ N/A	-	-	-
	Total costs and investments	**-**	**-**	**-**
	Net savings[2]	**-**	**1.9 – 2.7**	**7.0 – 10.6**

1 Includes impact from process streamlining, systems updates, changes in roles and responsibilities and reorganization of HR, finance and general administrative functions in schools, colleges and departments. Additional savings could be achieved in administrative and auxiliary units.
2 Assume 80 percent of individual savings realized due to implementation challenges and potential savings overlap

- Create a central Shared Service Center[27] focused on common HR and finance activities such as payroll, special payroll (e.g. student hiring, non-payroll disbursements) and staff hiring. In addition, create Business Support Offices within each school serving all departments within that school and focused on financial accounting and reporting, record keeping and other administrative functions[28]. The Shared Services Center and school-level Business Support Offices should establish service level agreements and closely track performance against agreed upon service levels.
- Redesign processes to eliminate unnecessary work. Processes should be redesigned in the context of the Shared Services Center and school-specific Business Support Offices. Specific processes to redesign should include payroll, special payroll, and staff hiring among others
- Continue implementing new finance and payroll/personnel systems. These systems should take into account the new delivery model and should be built around a set of streamlined, redesigned processes. Current planned system implementations (e.g. for HR and finance) should integrate process and organizational redesign into their initiatives. The currently

27 Shared service centers are customer-oriented organizations which provide a commonly needed service to various internal customers. Efficiency is achieved through consolidation, standardization, streamlining of processes and use of technology to automate processes. Shared service centers have a strong orientation towards end-user satisfaction, clearly define their services and typically measure performance against service level agreements. They oftentimes are divided into a "front-office" that provides a single customer-oriented point-of-contact to end-users (e.g. HR customer representative) and a "back-office" which includes specialists who perform specific transactions and technical work

28 The smallest schools should share Business Support Offices in order to achieve scale. UConn is currently piloting a Business Support Offices in one school which includes a business manager, finance administrator, HR administrator, grants and contracts specialist and general administrator. This office will provide standard services to each department within that school while the departments will continue to perform department specific administrative functions specific to academic operations (e.g. course scheduling) and program administration

planned projects do not have clear business plans identifying potential process improvements and associated efficiency gains. Importantly, failure to redesign the organization and processes in parallel with the implementation of new systems will create significant barriers to capturing the efficiency and effectiveness opportunity in the future as a significant amount of rework would be required to update the newly implemented systems for any future process or organization redesigns.

Given the complexity required, UConn should pilot the University-wide Shared Services Center and school-level Business Support Office concepts leveraging the lessons from similar efforts at UConn's College of Liberal Arts and Sciences and best-practices from other universities. The team has worked collaboratively with UConn's Neag School of Education to design such a pilot. However, we do not anticipate any savings from this initiative until FY13 given the complexity of work involved in piloting new processes and organizations and rolling them out across the University.

FACILITIES

UConn spends $70 million on facilities operations across the University including 2 large units (central Facilities Operations[29] and Residential Life operations) and 2 smaller units (Academic Renovations and the Law School)[30]. It is the responsibility of these units to ensure that the buildings and physical infrastructure of the campus, which the State has invested heavily in developing over the last several years, remains in good working order.

While facilities operations are managed primarily in two organizational units, facilities operations are more decentralized than this high-level organization suggests: the central Facilities Operations organization is further divided into 4 regional zones across the Storrs campus with a set of skilled and general workers dedicated to each zone, creating instances of duplication of skills and services. Of the $70 million, at least $2.7 million is overtime and $5.4 million is outsourced work. This level of overtime is not unusual among similar facilities organizations and some of the outsourced work is outsourced because of a particular skill-set required to perform the work. However, facilities organizations which improve worker productivity have an opportunity to reduce overtime and bring additional work in-house without negatively affecting service levels.

Observations indicate an average "wrench time[31]" in central Facilities Operations of approximately 39% for planned work (Exhibit 12). While this is higher than the average wrench time across similar maintenance organizations for planned and unplanned work (25%), it is below that of best-practice operations (55-65%)[32]. Other analyses also suggest opportunity for improvement. For example, significant variability exists in the amount of time required to complete similar work orders with some painting work orders requiring more than 3 times the amount of worker time per square foot to complete than average.

29 In this section, "Facilities Operations" (capitalized) refers to the central department of operations whereas "facilities operations" (not capitalized) referes to general facilities operations across the campus

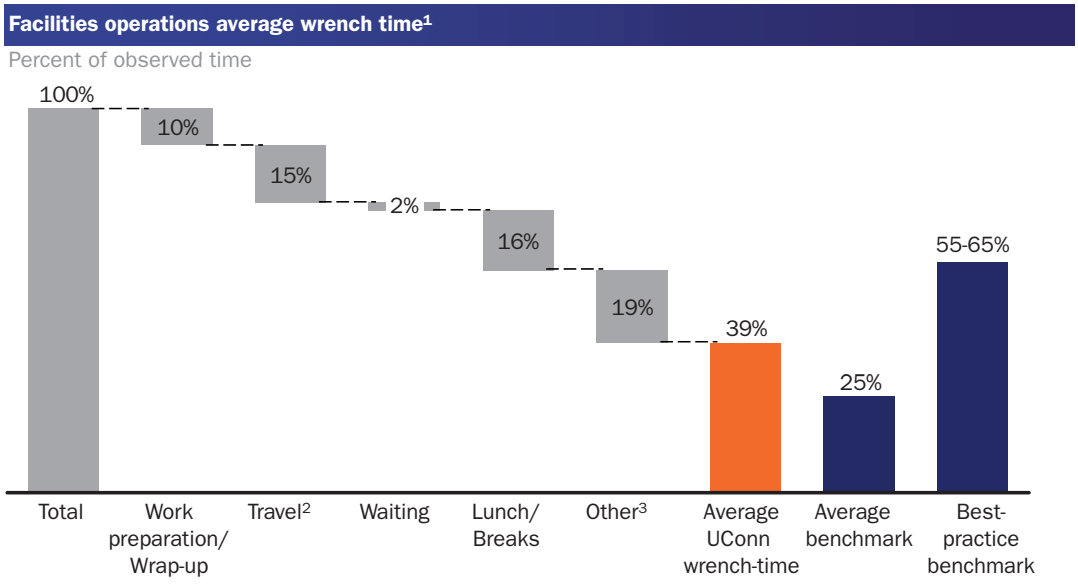
30 The $70 million in facilities costs includes labor ($40 million), parts and supplies ($15 million) and contracted services ($15 million). Of this, central Facilities Operations ($45 million) and Residential Life operations ($23 million) account for $68 million in operations. Workers include maintenance repair staff (e.g. electricians, painters, roofers), custodial workers, and employees responsible for operations of UConn's utilities operations

31 Wrench time is a measure of productivity and is defined as the amount of time spent actually making repairs and does not include travel time, breaks, lunches, wait time, or other preparation time. Planned work includes work where the workers have either visited the site or already understand the conditions at the work-site. Unplanned work typically has a lower wrench time

32 Benchmarks include facilities performing similar services in other, non-education industries

Exhibit 12

Facilities - Wrench time for planned jobs averages ~39% vs. best-practice benchmarks of 55-65%



1 Related to planned jobs
2 Includes traveling to local hardware store and back to central shops to take breaks
3 Includes meetings, administrative, and unproductive time
SOURCE: Observations with 3 Facilities Operations maintenance workers

In addition, the average custodial cost per square foot of building serviced for Residential Life – where work is performed by University employees -- is double that of the outsourced custodial work in other parts of campus. However, this may be driven by compensation levels, worker productivity, differences in the nature of the work, and service requirements. In addition, student affairs believes there is a higher degree of accountability and greater safety provided by University employees versus contracted employees. As such, we did not further examine the potential of outsourcing custodial work in student housing despite these cost differences.

A comparison of UConn's practices to best-practices suggest several areas of opportunity for improving productivity of UConn's Facilities Operations:

- UConn's zone structure prevents "flexing" of workers across zone boundaries. For instance, a plumber in Zone 2 that does not have any high-priority work cannot currently be deployed to Zone 3.
- Workers are deployed directly by local supervisors as opposed to a central dispatch function.
- There are no standards for how much time each job is expected to take and few building standards leading to a wide array of parts and equipment across campus. Supervisors do not closely monitor worker performance against performance expectations.
- Meanwhile, supervisors have fewer workers reporting to them than best-practice institutions and there are more layers of supervisors than would be expected in a similarly-sized organization.

Exhibit 13

Facilities savings overview

	Initiative or investment	Estimated impact $ millions FY12	FY13	Run-rate
Gross savings	▪ Increase productivity of maintenance workers	-	-	-
	— Reduce overtime through improved work planning	0.9 – 1.0	1.4 – 1.6	1.4 – 1.6
	— Bring outsourced work in-house	-	0.6 – 0.7	1.0 – 1.2
	— Decrease number of maintenance workers through attrition	0.9 – 1.0	2.2 – 2.6	3.0 – 3.6
	▪ Reduce layers of management and increase spans of control	0.4	0.9 – 1.0	1.3 – 1.5
	Total gross savings	***2.1 – 2.4***	***5.1 – 5.9***	***6.8 – 7.9***
Required incremental annual cost	▪ Scheduling and management staff including a call handler, 4 schedulers and dispatchers and 2 project coordinators	0.3	0.6	0.6
One-time investments	▪ IT equipment, software and space renovation for the scheduling and dispatch team	1.3	1.3	-
	Total costs and investments	***1.6***	***1.9***	***0.6***
	Net savings	**0.5 – 0.8**	**3.2 – 4.0**	**6.2 – 7.3**

1 Procurement-related IT savings were previously identified as part of the procurement initiative

Detailed analysis of UConn's facilities operations suggests an opportunity to reduce costs by $6-7 million while improving the effectiveness of operations (Exhibit 13).

To capture and sustain the opportunity, UConn should address the following priorities:

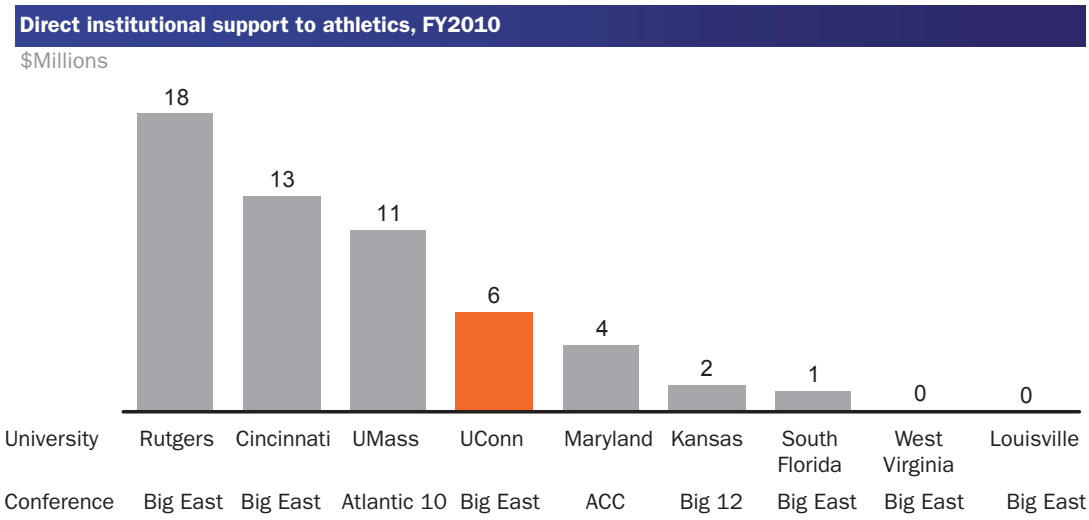
- Replace UConn's Storrs campus zone structure with a single pool of workers where workers still have familiarity with a primary zone but can be redeployed flexibly to other areas of campus
- Establish a central dispatch function that prioritizes and coordinates jobs and works with supervisors to deploy the appropriate worker to the appropriate job and to ensure that workers are optimally utilized
- Eliminate a layer of supervision to decrease the layers in the organization
- Implement performance management, including introducing standard times for jobs to improve scheduling and completion rates
- Consolidate facilities operations units (e.g. facilities operations in Central Facilities and Residential Life) over time
- Use increases in worker deployment and labor productivity to decrease the need for overtime and enable in-sourcing of additional work that is currently outsourced
- Introduce customer satisfaction and management reporting to ensure restructured work planning delivers anticipated improvements

ATHLETICS

UConn spends $58 million per year on athletics including over $6 million in direct university support with these funds being directed towards Title IX compliance, scholarships and other expenses. This level of institutional support is about average when compared to other peer universities, or slightly less than average. For example, Cincinnati contributed $13 million in direct institutional support in FY10 while Rutgers, UMass and Maryland contributed $18 million, $11 million and $4 million respectively (Exhibit 14).

Exhibit 14

Athletics - UConn spends nearly $6 million to support its athletics department – falling in the middle of peers



SOURCE: USA Today NCAA College Athletics Finance Database

The finding that UConn's athletics subsidy is "about average" relative to Big East peers is contrary to a recent analysis by USA Today[33] which found UConn's subsidy to be the 2nd highest among universities in BCS conferences. However, the USA Today analysis included both student fees[34] and direct institutional support. UConn's athletics department uses student fees to fund student recreational services and intramural sports – activities that are not always run by athletics departments at peer universities.

However, several universities provide less than $2 million in direct institutional support including some of UConn's peers in the Big East such as South Florida, West Virginia and Louisville and other peers such as Kansas. This suggests there is an opportunity to decrease institutional support to the athletics department through decreasing expenditure or increasing external revenues. In addition, among the six BCS conferences, the Big East has the highest average direct institutional support among public universities at $6.4 million[35]. This may be driven by a number of factors including average media contracts and travel expenses.

33 "Rutgers athletic department needs fees, funds to stay afloat", USA Today, 28 June 2011

34 Student fees for athletics were about $9 million at UConn in 2009-2010

35 Data from the USA Today College Athletics Finance Database. Pac-12: $4.5 million; ACC: $1.4 million; Big 12: $1.3 million; SEC: $0.8 million; Big 10: $0.7 million

UConn's athletics program has achieved unprecedented success over recent seasons, with the football team winning the Big East conference in 2010, women's basketball team winning the NCAA National Championship in 2009 and 2010 while breaking the NCAA record for consecutive victories in 2011 and the men's basketball team winning the NCAA National Championship in 2011. What's more, UConn has recently signed a media contract with IMG guaranteeing $80 million over 10 years along with an apparel sponsorship contract with Nike worth over $45 million over 10 years. These revenues are on-par with or above those of public peer institutions.

Of the options available to UConn to reduce direct institutional support, we recommend focusing on improving revenues for the program, primarily through increasing ticket receipts for football and basketball programs[36]. In addition, the University should look for opportunities to reduce costs of existing programs.

Based on analysis of ticket demand and pricing, we estimate that pricing initiatives could increase ticket revenue by up to $2 million (Exhibit 15).

Exhibit 15

Athletics revenue overview

		Estimated impact $ millions		
	Initiative or investment	**FY12**	**FY13**	**Run-rate**
Gross savings	▪ Football	0.2	1.3	1.3
	– Variable ticket pricing	0.2	0.7	0.7
	– Season-ticket prices / tiering	-	0.6	0.6
	▪ Basketball	0.1	0.7 – 1.0	0.7 – 1.0
	– Variable ticket pricing	0.1	0.6 – 0.7	0.6 – 0.7
	– Season-ticket prices / tiering	-	0.1 – 0.3	0.1 – 0.3
	Total gross savings	***0.3***	***2.0 – 2.3***	***2.0 – 2.3***
Required incremental annual cost	▪ N/A	-	-	-
One-time investments	▪ N/A	-	-	-
	Total costs and investments	**-**	**-**	**-**
	Net savings	**-**	**-**	**-**

Inflation-adjusted ticket prices for football and men's and women's basketball games have declined over the last 5 years with football prices and men's basketball prices significantly lagging many peers. What's more, the football program currently sells out roughly one half of all home games in the 38,000 seat Rentschler Field and the basketball program also sells out a significant number of home games suggesting periodic demand that exceeds fixed supply. UConn should, like many college athletics programs, institute variable ticket pricing with higher prices for popular games and lower prices for less popular games. In addition, we would

36 Increased revenues from conference-based media agreements or the potential impacts of changing conferences were not considered as part of this analysis but could have significant impacts on athletics costs and revenues. For instance, average direct institutional support, conference-based and university-based media revenue and other distributions, and other costs and revenues vary significantly by conference

recommend increasing prices for sections of football season tickets that demonstrate strong demand patterns. Further, we also recommend that the Athletics department partner with the Business School to have an on-going review of the supply, demand, and pricing strategy for tickets as part of a student intern program or special project.

The department should also closely examine the costs associated with existing programs. For instance, UConn's $10.0 million expenditure in scholarships, $12.5 million on coaching salaries and $6.4 million in team travel are the most among public Big East programs[37]. It is possible that these are the costs associated with maintaining such a successful athletics program. Others may question the value of such expenditures to the core mission of the University. It was not within the scope of this review to determine the potential negative impact on the success of the athletics program based on reductions in these areas or to quantify the benefit of athletics success to the University (e.g. in student recruiting, alumni relations and community support). However, given the needs and priorities of the University, the administration should examine these costs and associated benefits in greater detail.

Should the University decide that the $6 million subsidy to athletics is not in the strategic interest of the institution, the University could consider eliminating some or all of the subsidy to provide incentives for the athletics department to increase its revenues or decrease its costs.

REVENUE OPPORTUNITIES

Of UConn's $1 billion in operating revenues, about 40% comes from sources other than tuition and state appropriations. Benchmarks against peer institutions show that revenue from non-athletics auxiliary units (e.g. housing, dining) exceed revenues from peer institutions while revenue from grants and contracts and fundraising gifts lag behind peers when normalized for university size (Exhibit 16). In addition, UConn has been able to maintain tuition and fees per student which are slightly lower than peers.

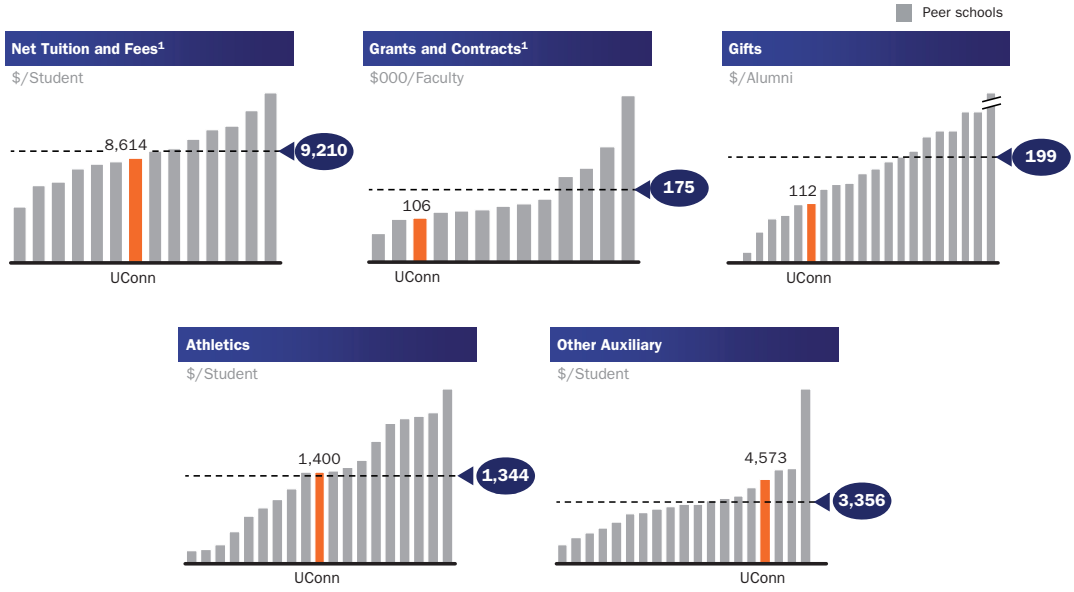
Detailed analysis of six potential revenue generating initiatives suggests that UConn may be able to increase non-athletics revenues by $12-27 million net of incremental operating costs (Exhibit 17). Some of these initiatives require increases to fees on students or staff (e.g. parking and transportation or increasing high-end dorm rates). Even in cases where current fees are significantly below peers, the administration should solicit additional input from students and staff prior to implementation to better understand the impact of these changes.

- ***Increasing parking and transportation fees*** – $2.0-2.4 million. UConn's parking operation currently requires $1 million in University subsidy to cover its expenses. Parking fees have not been raised in sometime. Because of a reluctance to increase these fees, parking fees for both students and faculty lag peers by 50-100%. Raising parking fees to match the peer average would raise another $1.4 million in revenue – enough to eliminate the University subsidy. Similarly, UConn's bus service requires a $0.75 million University subsidy to cover costs. Meanwhile, UConn's transit fee lags that of peers by 60%. Closing that gap would raise an additional $0.8 million in revenue.
- ***Increase high-end room rates*** -- $1.2-2.4 million. While UConn's annual room rates are 15% and 5% higher than peers for entry-level and high-end room rates, Storrs is also a high-rent area. As a result, UConn's average dorm rate is only 67% that of the average 9-month rent in the surrounding community compared to 95% for UConn's peers. What's more, the most

37 Other Big East public universities include West Virginia, Rutgers, South Florida, Cincinnati and Louisville

Exhibit 16

Revenues - Benchmarks suggest there may be an opportunity to increase revenue



1 Excludes peer universities with hospitals
2 Significant incremental costs are associated with additional grant revenue
SOURCE: IPEDs FY09 data; UConn Audited Financial Statements

Exhibit 17

Non-athletic revenue overview

		Estimated impact $ millions		
	Initiative or investment	**FY12**	**FY13**	**Run-rate**
Gross revenues	▪ Parking and transit fees	-	0.6 – 0.8	2.0 – 2.4
	▪ Housing fees	-	0.6 – 1.2	1.2 – 2.4
	▪ Foundation activity	1.4 – 2.6	3.4 – 5.8	7.7 – 15.6
	▪ Entrepreneurial programs	-	4.7 – 4.9	16.9 – 18.1
	▪ Summer programs	0.1 – 0.4	0.2 – 1.1	0.7 – 3.7
	▪ Increase technology commercialization	-	0.1 – 0.5	0.5 – 2.4
	Total gross revenues	***1.5 – 3.0***	***9.6 – 14.3***	***29.0 – 44.6***
Required incremental annual cost	▪ Entrepreneurial programs – program costs	-	3.7 – 3.8	14.1 – 14.6
	▪ Entrepreneurial programs – additional staff for program incubator[1]	0.4	0.4	0.4
	▪ Foundation activity – hiring fundraisers	0.6	1.7	2.2
One-time investments	▪ Entrepreneurial programs – course development	0.6	1.0	-
	▪ Foundation activity – fundraiser recruitment	0.5	0.5	-
	Total costs and investments	***2.1***	***7.3 – 7.4***	***16.7 – 17.2***
	Net revenue	**0 – 0.9**	**2.3 – 6.9**	**12.3 – 27.4**

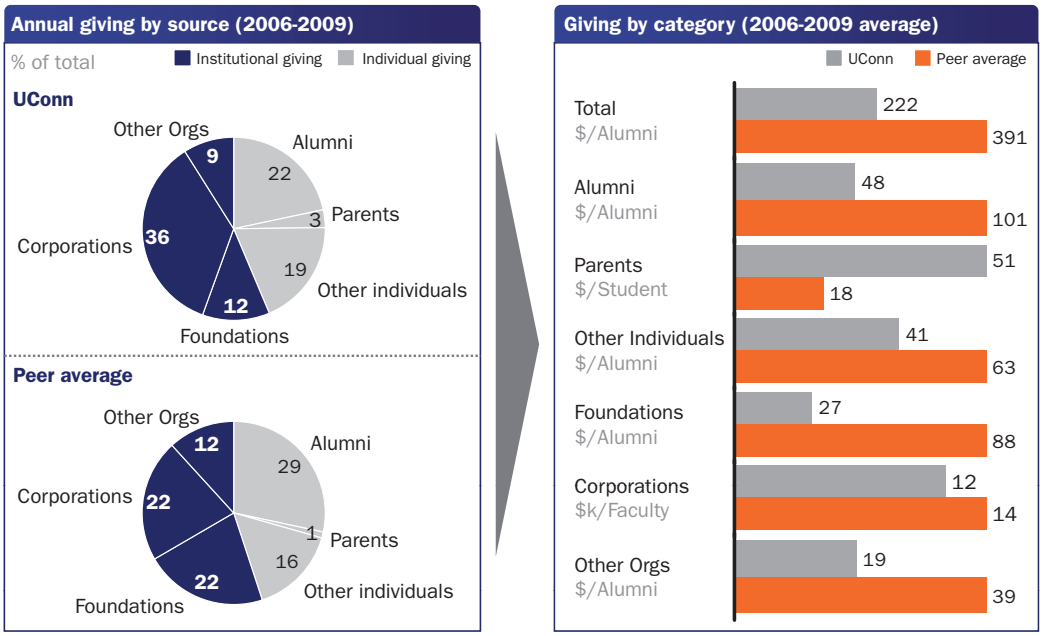
1 Includes a director with expertise in market analysis, a program manager and 1-2 analysts with market analysis experience

expensive dorm units fill up in the first period of dorm selection indicating high demand for these units. Raising dorm rates for high-end units by 5-10% and moderately priced units by 2-4% (without raising prices for the lowest-cost units) would generate an additional $1.2-2.4 million. As the high-end units may be filled primarily with seniors, the administration should work with students to understand what the impact of such a change may be on student experience.

- ***Increase foundation activity*** – $5.5-13.4 million. UConn's gift giving by alumni, corporations, foundations and other individuals lags peers by over 40% (Exhibit 18). While fundraising at UConn has long lagged peers, gaps in fundraising have grown in recent years. Benchmarking suggests these gaps relative to peers are driven primarily by lower relative staffing levels per alumni and per high-potential donor. There is a smaller impact due to low productivity per fundraiser which is driven in part by low fundraiser retention rates.

Exhibit 18

Foundation - UConn underperforms peers in all areas of giving except parent contributions



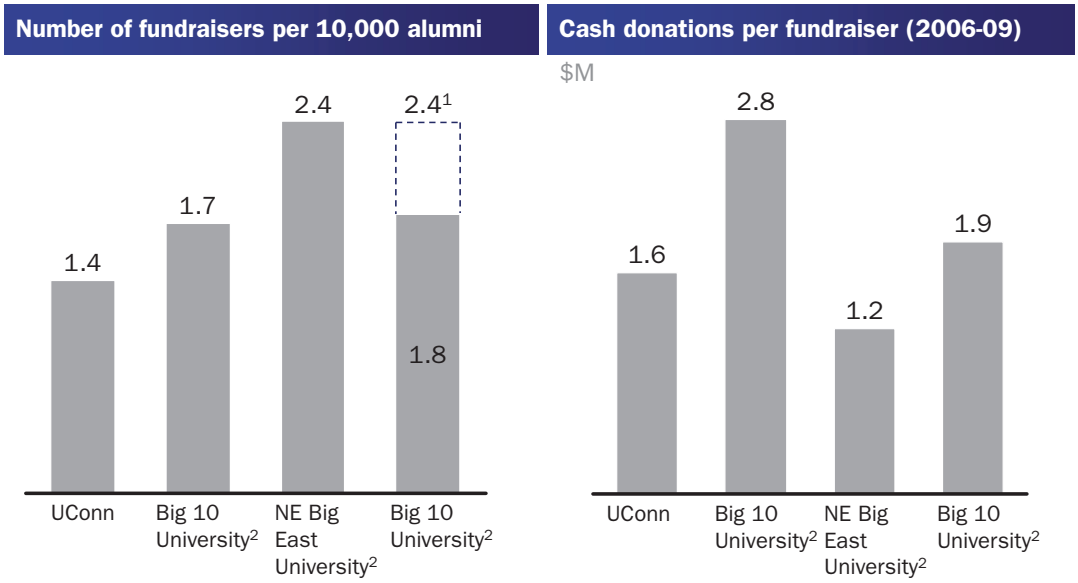
Note: 2008 data was not available and is not included in the average
SOURCE: Voluntary Support for Education, 2006-2009; IPEDs, 2009

Most of the University revenue comes from large donations – over half of UConn's foundation revenue comes from donations larger than $100,000 and 75% comes from donations larger than $10,000. While the foundation has identified about 11,000 high-potential donors, the foundation only has 25 full-time fundraisers. Each fundraiser is assigned to between 155 and 260 donors – roughly in line with industry standards of about 1 fundraiser per 200 donors. However, given this staffing level, the foundation is only able to cover 44% of high-potential donors. On a per alumni basis, UConn has 30-75% fewer fundraisers per 10,000 alumni relative to peers indicating that UConn's foundation may be understaffed (Exhibit 19).

Furthermore, the amount of donations brought in per UConn fundraiser is about 20% lower than other public research universities and about 75% lower than top-performing foundations suggesting an opportunity to improve fundraiser productivity. Fundraisers become more productive over time with those with at least 5 years experience bringing in an average of $1.5

Exhibit 19

Foundation - UConn appears to be understaffed relative to peers



1 Dashed area reflects plans to hire 15 additional fundraisers
2 Sanitized benchmarks to protect institution confidentiality. Benchmarks are peer, public research universities.
SOURCE: Interviews with Foundation Presidents; Voluntary Support for Eeducation, 2006-2009

million per year versus $400,000 per year for new fundraisers. However, UConn's foundation has a low retention rate with nearly 75% of fundraisers leaving within 4 years. We estimate that UConn can generate $5.5-13.4 million net of additional costs by hiring additional fundraisers and working to retain fundraisers longer with about two-thirds of this impact coming from increased staffing levels[38]. Despite productivity which is below some peers, we recommend increasing staffing levels immediately while improving productivity over time given the significant lag in staffing levels and "positive return on investment" that each fundraiser has historically generated even after one year.

Increasing foundation giving is in line with one of the priorities of President Herbst who has set of goal of increasing UConn's endowment from about $300 million to $1 billion.

- ***Expand revenue generating programs*** – $2.4-3.1 million. Individual departments around a university have the opportunity to develop revenue generating programs that generate more revenue than the required expenditure to run the program. Such programs may include continuing education programs, online courses and programs and terminal master's programs among others. Our analysis indicates an opportunity to bring in $2.4-3.1 million in net revenue from expanded continuing education and online course offerings[39]. UConn's continuing education offerings, compared to peers, appear fragmented and more limited.

38 We estimate that increasing fundraiser staffing and increased productivity through improved retention could generate $15-31 million in additional fundraising annually. We've estimated that half of this incremental gift-giving, in the short term, could be directed to annual operational support with approximately $2 million in additional staff required to generate this level of additional fundraising. Directing a higher share of increased fundraising to the endowment would lower the near-term impact of this initiative but would maximize long-term impact

39 Estimated impact from revenue generating programs includes approximately $16.9 – 18.1 million in incremental revenue with program costs of $14.1 – 14.6 million and additional staff costs of $0.4 million annually

Meanwhile, online enrollment at UConn has actually dropped since 2005 at a time when enrollment at other public Connecticut universities has grown by over 20% annually. Western Governors University, a non-profit online university that has recently partnered with states including Indiana. Washington and Texas, has been growing enrollment at 37% annually during this period.

Six obstacles were identified that hinders UConn's ability to expand continuing education and online offerings which should be addressed.

- UConn does not have proven abilities to conduct market research to understand what offerings are most needed and have developed only limited relationships with strategic partners such as large employers and state agencies to better understand demand.
- The process for approving programs is overly cumbersome – the Provost's office is currently developing the first ever process map of the approval process.
- UConn's finance systems often need to be customized in order to support the non-traditional payment and calendar models of these programs; however, the resources to do so are absent.
- It is often a challenge to find faculty willing to teach courses.
- There are limited incentives in place while the upfront investments pose a risk to sponsoring departments.
- There are no clear signals from the administration that these types of programs are a priority for the University.

In 2011, a UConn's Committee on Entrepreneurial Programs made recommendations to address several of these challenges. In addition, we'd recommend that UConn build an entrepreneurial program incubator to work with sponsoring departments to identify promising programs through market research, develop business plans, manage relationships with corporate and public customers, launch the programs and provide upfront investment.

- ***Expand current summer programs*** – $0.7-3.7 million. UConn's campus, like that of many research universities, is underutilized during the summer term. Only 11% as many credits are taken during the 15 week summer term as are taken during the 15 week fall term and residence hall occupancy during the summer is only 8% of capacity. This is approximately half of what it is at some peer institutions. Complicating matters, summer enrollment at UConn does not have a single owner with Enrollment Management responsible for undergraduates who have matriculated to UConn and the Center for Continuing Studies (CCS) responsible for all other students. There is little collaboration between these units and the challenges vary. In recent years, undergraduate summer enrollment (targeted by Enrollment Management) has increased by about 20%; however, these gains have been offset by declines in enrollment within programs managed by CCS.

  Increasing enrollment in the summer will require that UConn (1) better understands student demand and (2) ensuring that classes with high demand are offered. In recent years, Enrollment Management has started to conduct basic surveys of students to understand student demand and has developed communications plans to increase enrollment[40]. However, nearly 30% of the courses with the most student interest according to Enrollment Management's surveys are either not offered at all or are not offered on the Storrs campus. A

40 These surveys currently have few respondents and should be scaled in order to develop a more complete picture of student demand

significant barrier is ensuring that responsible departments offer the course. While academic issues are a factor (i.e. many departments don't think some courses are fit to be taught during the summer term), interviews suggest the barrier is sometimes finding faculty willing to teach the course or administrators feeling they have the right incentive to offer the course.

Among programs managed by CCS, understanding student demand is more challenging as their students are less likely to already be enrolled at UConn. As is needed to drive the development of other entrepreneurial programs, UConn should conduct market research in order to better understand the needs of potential students ranging from high school students to adult learners and alumni.

- ***Increase technology commercialization*** – $0.5-2.4 million. UConn currently brings in $150 million in research grants annually and brings in $0.7 million per year in revenue from commercialized technology based on that research. Per million dollars of research revenue, UConn lags peers by 75-150%; closing that gap would generate an additional $0.5-2.4 million in revenue net of incremental costs. However, the gap in tech commercialization is not driven by the volume of IP currently being generated – per million dollars of research, UConn has more patents issued and has more companies started than peers with about the same number of licenses executed. UConn however lags significantly in turning that IP into commercialized revenue. Comparison to best-practice institutions indicates that UConn needs greater capabilities in identifying market opportunities for commercialization, building business cases and identifying the appropriate partners to award licenses. For instance, some of the companies that are initiated from UConn's IP are started by faculty whereas in best-practice institutions, outside partners are typically courted. While some of these capabilities exist at UConn today in its Office of Technology Commercialization, comparison to best-practice institutions suggests UConn should increase engagement between the Office of Technology Commercialization (OTC) and researchers to better support the identification of opportunities and encourage more collaboration between the Development Corporation and OTC staff. In addition, other institutions have had success in using the courts more aggressively to protect patents and in conducting an annual review of patents to identify untapped opportunities, With the recent enactment of the Bioscience Connecticut and Technology Park initiatives, there will be even greater opportunity to commercialize technology in the future as overall research revenue expands.

Finally, many of the initiatives above would apply to the regional campuses in addition to the Storrs campus. Specifically, there may be additional opportunity to launch revenue generating programs at the regional campuses or make better use of these campuses during the summer months. There should be an effort to develop a strategy around these campuses to ensure best-use of these facilities. Developing a robust strategy will require significant market research of the needs of potential "customer segments" (e.g. adult learners, current and prospective undergraduate students, regional companies, or government agencies) combined with robust business cases. For instance, the Stamford campus could potentially partner with regional companies to offer graduate business programs or certificates while the Hartford campus could develop closer partnerships and strategic relationships with local corporations to provide training, professional development or graduate education to company employees.

Initiatives for longer-term implementation or which require additional analysis and assessment

The opportunities described above are included in the total opportunity estimate of $53-97 million identified in this report. There are two additional opportunities that we have preliminarily described and given initial estimates of potential impact. However, as they may require significant capital expenditures, have the potential to diminish the quality of student experience, or would require even more dramatic operational and cultural changes, we have not included their potential impact in the total opportunity estimates above. We recommend that the University continue to develop the business case for these initiatives while engaging students, faculty and other stakeholders to determine the associated trade-offs. Preliminary estimates of the potential impact of these two initiatives – which will need to be confirmed through development of more refined business cases – suggest an additional $12-31 million in potential opportunity net of incremental costs.

DINING SERVICES

UConn's Student Services runs a large dining services operation with a budget of $46 million in FY2010. This operation is characterized by a high quality of food and customer experience and delivers a small net revenue which funds future capital investments. Individual dorms have different menus designed by different chefs where about 90-95% of food preparation is done on-site while the student union runs a lunch-time operation where food is largely prepared to order.

However, many large universities including Notre Dame, Penn State and Syracuse are moving to lower cost food preparation and delivery options including:

- Increasing centralized food preparation including cutting meats and cheeses, cutting vegetables, making soups and dressings or, in cases, moving from a "made-to-order" model to a ready-made model (e.g. for sandwiches)
- Increasing standardization of the menu across dining halls to best manage cost and quality and to take advantage of central preparation
- Develop central warehousing and procurement to allow for a single drop-point for deliveries and to allow UConn to take advantage of bulk-buys and opportunity buys for various commodities

While the above options for improving efficiency in food service operations may result in a slight decline in food quality or student experience, University leaders will need to weigh the benefits from the potential risks. The potential impact on student experience must be considered before deciding on any of these levers and the administration should work closely with students to weigh the potential trade-offs and identify opportunities to improve efficiency while balancing the student experience. In addition, a capital investment of $10-15 million may also be required which can be integrated into plans to overhaul the aging, central kitchen and allow for central warehousing. Lack of central warehousing space currently requires vendors to drop off supplies to individual locations and prevents UConn from taking advantage of bulk-buys or opportunity buys. Should UConn decide to proceed with this initiative, the changes could yield about $3 million in incremental annual savings[41] based on the experience of other universities.

41 Given the significant capital investment required and potential impact on the student experience, we have not included this $3 million in savings in our total opportunity of $53-97 million identified through this effort

CONSIDER A YEAR-ROUND MODEL[42]

UConn could opt to move to a year-round model with three or four full semesters. Doing so could lead to dramatically improved utilization of summer months -- which has the benefit of making better use of buildings and other fixed assets – and will also allow UConn to serve several thousand more students and increase access. In addition, a year-round model allows universities to "level-load" their operations throughout the year to avoid peaks of work and demand. For instance, financial aid and admissions personnel in year-round models tend to be better utilized throughout the year leading to improved efficiency. What's more, there are significant benefits beyond the financial impact to the University. For instance, students in year round universities have greater opportunity to attend the university year-round and can more frequently complete a traditional 4-year bachelors-degree in 3-years. Alternatively, students may choose a non-summer break which has the advantage of less competition for internships (e.g. in the winter term). There can also be a significant regional economic impact as the surrounding community benefits from having a larger year-round student population and less seasonality.

While moving to a year-round model would require significant changes to the academic calendar including faculty teaching and research calendars, precedent does exist including the model used by Dartmouth University and the academic calendar used by BYU Idaho[43]. However, applying a year-round model to a university with more of a research-focus would be challenging and would require significant buy-in and participation from faculty. In addition, it would require hiring more full-time or adjunct faculty and could also require adding more faculty offices and research space. We estimate that such a model, net of other operating expenses, could result in $9-28 million in additional revenue and is an idea worth exploring as a longer-term opportunity.

Beyond the two long-term opportunities described above, there were areas that were out of scope of this effort or that were deprioritized by University leaderhip the project team given the relative potential impact of these areas and/ or re-prioritization of other analyses or implementation support. We would recommend on-going examination of the following areas:

- ***Public safety.*** Public safety was initially in scope for this effort but diagnostic analysis was deprioritized given the potential impact relative to other initiatives and the University's desire to begin implementation of, and to receive preliminary implementation support for, areas such as procurement, IT and facilities.
- ***Communications.*** Like other functions, communications is highly decentralized within the University. Additional analysis will be required to determine if the University could capture either efficiency and effectiveness gains through improved coordination or consolidation.
- ***Financial aid policies and operations.*** The University relies on several full-time staff , with many part-time employees hired during peak season, to administer $100 million in student financial aid. Given current budget challenges, many universities are re-examining financial aid policies to ensure the best use of those resources.
- ***Admissions and enrollment operations.*** Best-practice institutions rely significantly on technology and student self-service portals to automate and streamline processes to reduce

42 Preliminary estimates of the revenue impact range from $9-28 million net of incremental costs. However, additional work will be required to refine these estimates based on specific proposals for a year-round model. Given the significant operational and cultural change that would be required to adapt a year-round model, we have not included this incremental revenue in the total opportunity of $53-97 million identified through this effort

43 For additional information on BYU Idaho, see the Innovative University by Clayton Christensen and Henry Eyring

costs of application processing and associated processes while improving turn-around time and quality with process savings often being reinvested to improve student support and customer service. Preliminary conversations suggest that UConn has leveraged technology and automated some processes but that additional opportunity may be available.

- ***Academic and non-academic program rationalization.*** While it is common for universities and colleges to initiate new academic and non-academic programs, there is typically not a process in place to evaluate those programs over time to see if they are the best-use of University resources[44]. For instance, some academic programs and majors with few students enrolled and small class sizes require significantly more support than other programs and majors. While maintaining these programs and majors (or even investing more in these programs and majors) may be in the best interest of the University and its students, developing a transparent process which includes evaluation of the finances, outcomes and other benefits of these programs and majors can allow for better decision-making. For instance, some universities have chosen to eliminate majors that have a combination of limited enrollment, significantly higher university support and which have poor job placement rates for graduates or other indications of lower than desired outcomes. In some cases, such an assessment can lead to redeployment of significant university resources.
- ***Innovation in instructional delivery.*** Finally, many universities are taking steps to redesign instructional delivery in order to both improve efficiency and, more importantly, improve the quality of instruction. This often involves the use of technology and blended learning models which combine online learning and in-class instruction. There are several examples and success stories among research universities such as UConn. For instance, the National Center for Academic Transformation (NCAT) has supported the faculty at dozens of universities to redesign their instructional delivery model for a subset of courses. Participants in NCAT-supported redesigns have included Pennsylvania State University, the Ohio State University, the University System of Maryland, the University of Colorado and Virginia Tech among others. On average, NCAT has found significant improvement in both the cost efficiency and student outcomes of redesigned courses with evidence of increased learning and improved student satisfaction[45].
- ***Salary benchmarking and alignment.*** The University, under the direction of the Board, is currently benchmarking salaries across the University to understand if there is an opportunity to realign salaries for new hires to bring them in-line with peer universities and public institutions. As this effort was already underway, we did not include salary benchmarking as part of our analysis.

IMPLEMENTATION AND REQUIRED INVESTMENTS

Given the financial situation and the aspiration of the University, the University should immediately focus on three broad themes:

- ***Drive FY12 impact immediately by launching those initiatives now that address near-term revenue and cost opportunities.*** UConn has already initiated implementation of the procurement and facilities recommendations. We also recommend the University launch initiatives to increase revenue from fundraising, fees such as parking and transportation and revenue from athletics.

44 This is especially relevant for programs that rely heavily on state grant dollars or other university subsidies

45 For additional information, see Carol Twigg's "Improving learning and reducing costs: New models for online learning" available at http://www.thencat.org/PCR/Rd1Lessons.pdf

- ***Increase quality of services and eliminate duplication by creating streamlined, more efficient delivery models.*** In areas such as IT, facilities and HR/finance, UConn should take advantage of the SEBAC agreement's no-termination policy to reorganize those functions to improve effectiveness and capture efficiency savings through attrition. UConn has already initiated implementation of the IT and facilities redesign while a pilot for a redesign of the administration in schools and colleges is being developed. Approximately 40% of UConn's workforce will be eligible for retirement by 2015[46]. Historically, about 20-25% of the those eligible for retirement actually retire in any given year suggesting that attrition rates will be significant in coming years.
- ***Begin building the foundation to effectively scale support and revenue generating activities and further assess the business case for more structural changes (e.g. full academic year).*** To build this foundation, we recommend that UConn focus on three things: (1) establish a project management office (PMO) to lead and track implementation progress (2) develop and track performance metrics focusing on changes to cost and revenue as well as quality and customer satisfaction and (3) implementing budgeting and financial control to ensure compliance with new University policies.

In order to successfully implement these recommendations, UConn should consider the following investments:

ONE-TIME INVESTMENTS

- ***Procurement:*** $1.3 – 1.9 million over two years to fund training in strategic sourcing, enablement of e-procurement tools and systems and third party support.
- ***IT:*** ~$1.8-2.2 million over two years for an enterprise identity management system and ~$0.5-1million for an IVR and ticket management system
- ***Facilities:*** ~$2.5 million over two years to develop the scheduling and dispatch team including IT equipment, software and space renovation
- ***Revenue generating programs:*** ~$2.5 million over three years to develop additional online and certificate programs including expenses for incremental staff and faculty costs
- ***Foundation activity:*** ~$1.0 million in foundation recruiting expenses over two years[47]

ON-GOING, INCREMENTAL STAFF COSTS

- ***Procurement:*** $0.5 million to hire 4-5 additional additional category management resources skilled in strategic procurement. These managers would replace current positions focused on transactional procurement processes.
- ***Facilities:*** $0.6 million to hire additional scheduling and management staff to improve work planning and performance management. Staff would include a call handler who would also be responsible for work order creation, 4 schedulers and dispatchers and 2 project coordinators.
- ***Revenue generating programs:*** $0.4 million to staff an office to facilitate the development of new entrepreneurial programs including a director with expertise in market analysis, a program manager and 1-2 analysts with market analysis experience
- ***Foundation activity:*** $2.2 million to hire 18 additional fundraisers to focus on high-potential donors.

46 Analysis based on employee data files and confirmed with representatives from UConn's HR department

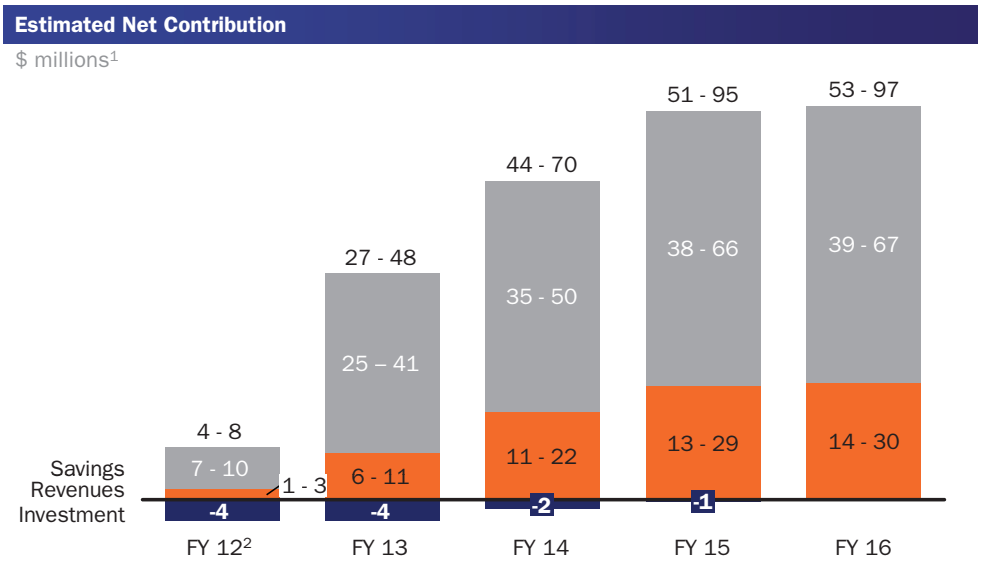
47 Assumes hiring and recruiting costs are equivalent to one year salary for 18 additional fundraisers

These investments will total approximately $9 – 10 million in one-time investments over 4 years with an additional $3.8 million in additional annual staff costs[48]. These investments will be required to generate $53-97 million in net annual savings and incremental revenue.

Based on these recommendations, there is a timeline of expected savings and investment (Exhibit 20).

Exhibit 20

These recommendations are expected to generate a $53 - 97M annual contribution by FY 2016 through revenue generation and savings



1. Values are median estimates
2. Upfront investments for IT, Facilities, Procurement, and Additional Programs

With a dedicated effort to capture the opportunity outlined herein the University of Connecticut can address the budget constraints and ensure that the University's non-academic services are as efficient and effective as possible. These changes will help enable UConn to achieve its objectives of becoming one of the best public research universities in the country and providing the greatest benefit to the state of Connecticut and the students that it educates.

48 Does not include $14.1 – 14.6 million in program costs for online and continuing education programs

Appendix
Steering Committee members

Peter Nicholls, Chair
Provost and Executive Vice President for Academic Affairs

Suman Singha
Senior Vice Provost, Vice President for Research

Richard Gray
Vice President and Chief Financial Officer

Barry Feldman
Vice President and Chief Operating Officer

John Saddlemire
Vice President, Student Affairs

Donna Munroe
Vice President, Human Resources and Payroll

Nancy Bull
Vice Provost and Interim University IT Leader

Kathy Sanner
Nurse Coordinator, Health Services, President, University of Connecticut Professional Employees Association (UCPEA)

Charles (Skip) Lowe
Interim Vice Provost for Graduate Education and Dean of the Graduate School and Senate Exec Committee

Amy Donahue
Department Head, Public Policy

Rajeev Bansal
Department Head, Electrical and Computer Engineering, Elected Member of the University Senate

Carol Millette
Administrative Assistant, Women's Center, AFSCME Clerical Union

Scott Brohinsky
Special Assistant to the President

P. Christopher Earley
Dean, School of Business

Jeff Hathaway*
Director, Athletics

Gary English
Board of Trustees
Distinguished Professor, Drama

Salome Raheim
Dean, School of Social Work

Sharon White
Director, Stamford Campus

Lee Melvin*
Vice Provost,
Enrollment Management & Planning

Leslie Maddock
SEIU Representative (NP-2)

Rachel Rubin
Chief of Staff and Executive Secretary to the Board of Trustees

Jim Walter
Associate Vice President, University Communications

Michael Kurland
Director, Student Health Services

Hengameh Vosough
Computer Programmer/Analyst, UITS

Melanie Savino
Assistant to Vice President & Chief Operating Officer

* No longer with the University