

Administrative Review and Restructuring

Presentation to
Board of Trustees

May 20, 2010

The President's Charge

Review administrative organization and delivery of administrative services at all levels of the university and propose ways to:

- Improve performance
- Rationalize administrative organization
- Gain cost efficiencies

Builds On Ongoing Efforts

- UI-Integrate (Banner) Project completed in 2003
- Administrative Reduction Plan in 2004 led to reductions of \$37.4 million
- Ongoing efforts to control energy costs and reduce energy consumption
- Plan to reduce administrative costs by \$15 million launched in 2009

Benchmark: Administrative overhead costs lowest among Illinois public universities and 7th lowest among Big Ten

First Phase of a Longer Term Project

We Are Here

**Review and
Diagnoses**

**Identify
Options**

**Preliminary
Approach
to Solution**

Next Steps

**Select
Options**

**Detail
Plans**

Implement

Final Report Will Provide

- A set of recommendations and options for consideration
- Avenues to improve service delivery, improve organizational alignment and realize cost savings
- Savings which would accrue at all levels of the organization realized over two to three years from all fund sources

Guiding Principles

- Protect and invest in services that support core missions
- Look for more effective delivery of service rather than cost reduction only
- Leverage the University's size and scale
- Be willing to invest in technology to achieve efficiency
- Improve internal business practices and seek broader regulatory reform to improve efficiency while mitigating risks
- Clarify organizational structures to establish responsibilities and accountability and improve effectiveness

Recommendations in Four Categories

Administrative Structure and Organization

Delivery of Administrative Services

Improving Business Processes

Creating a New Vision for Service Delivery

Administrative Structure and Organization

Improve clarity of roles and responsibilities

Realign management structures to achieve greater focus
on key strategic areas

Improve coordination among administrative groups

Reduce administrative costs

Need for Greater Institutional Focus On:

- Managing integrated advocacy program
- Coordinating growing set of activities that deal with the training of health professionals, research in various medical fields and patient care
- Developing university-wide strategy and policies for managing human capital

Some Specific Suggestions

- Clarify dual role of “Chancellor” in leading campus as well as assisting President in managing University
- Consolidate VP Academic Affairs and VP Technology and Economic Development into single Executive VP position
- Review and rationalize organization of Vice Chancellors at each campus
- Continue review of all senior administrative positions initiated in 2009 (\$1.76 million recurring salary reductions achieved in past eighteen months)

Administrative Services Reviewed

- Information Technology
- Facilities and Capital Programs
- Business Operations
- Human Resources
- Development
- Alumni Affairs
- Procurement
- Energy and Utilities
- Auxiliary Operations
- Printing and Related Services
- Public Affairs and Communications

Information Technology Services

Key Findings

- Approximately \$250 million annual spend (one-third managed centrally at University and campus levels).
- IT infrastructure is highly decentralized (viz., many small server installations increase energy and maintenance costs)
- Need for strategic investments will continue
- Need to focus on operational IT spending

Recommendations

- Continue strategic investments that support core academic mission
- Make prudent investments to improve business processes
- Reduce operating costs by improving efficiency in delivering IT services

IT Efficiency Options

- Reduce cost of maintaining enterprise software system by insourcing software modifications
- Appropriately reduce portfolio of application software
- Consolidate small data centers
- Consolidate email and calendaring services
- Implement method for reducing power consumption by PCs
- Support desktop technology more efficiently
- Look to converge voice and data communication networks
- Expand use of cloud computing and other rapid-response outsourcing

Strategic Procurement Services

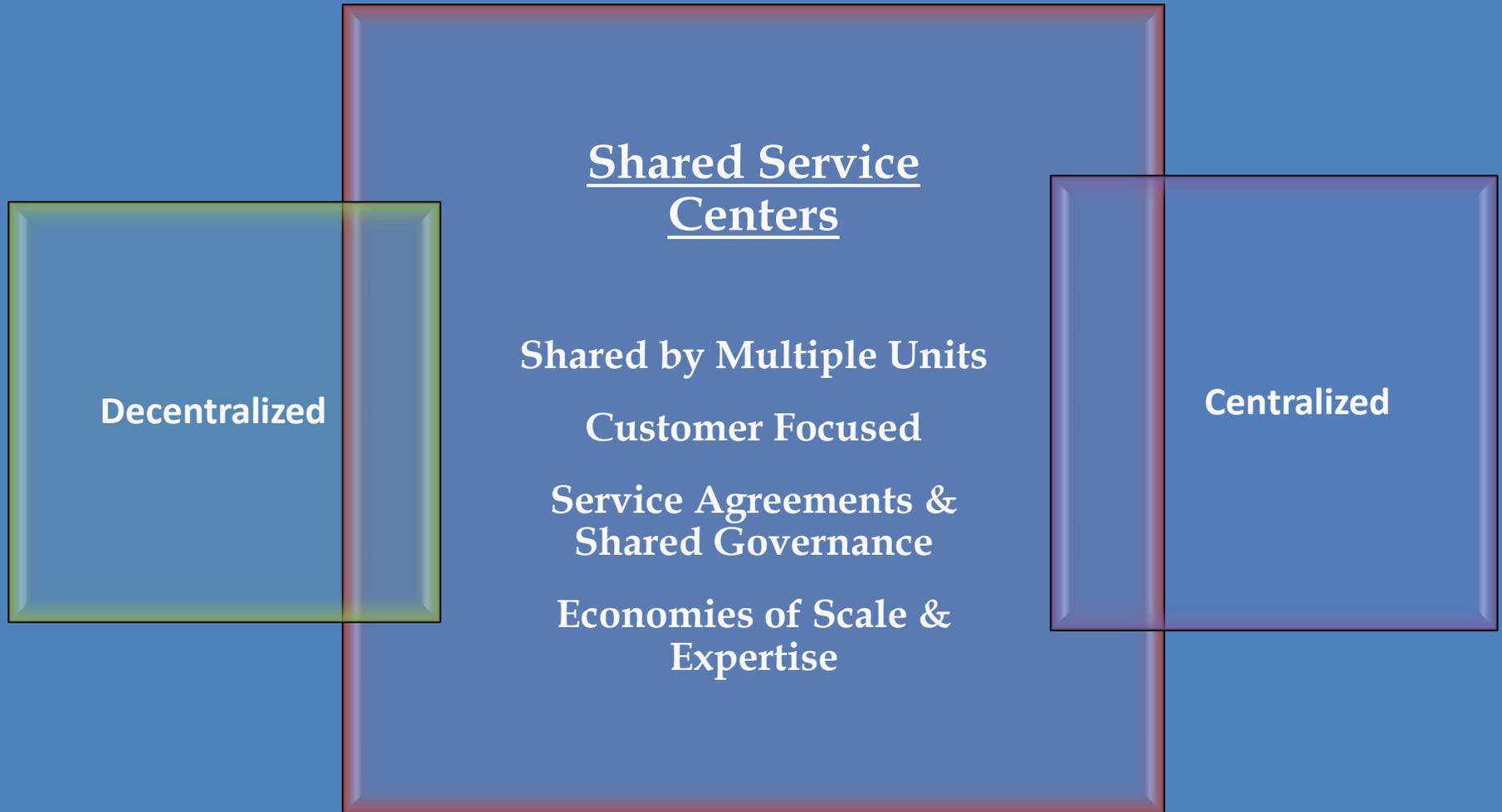
Key Findings

- \$300 million of annual spend on supplies and services; of which only \$60 million under strategic contracts
- High level of vendor fragmentation and disparate pricing
- Leveraging University's scale as purchaser will benefit all units
- Technology should be employed more effectively to make transaction processes more efficient

Recommendations

- Adopt "center-led" strategic procurement model; develop strategic purchasing contracts for high-usage services and supplies
- Use online requisition and catalog (iBuy) for applicable procurement transactions
- Use current vacant positions to recruit skilled strategic buyers
- Create electronic transaction processing systems to reduce costs

A New Model for Delivering Services



Improve Internal Business Processes

Seek Regulatory Relief

Controls necessary to mitigate risks. But need to find appropriate balance between cost of compliance and risk mitigation. Specifically:

- Amend *The General Rules* to allow electronic reviews, signature, and archiving of contracts
- Implement electronic “disclosure portal” for conflict of interests
- Seek amendments to state rules regarding procurement, inventory control and disposal limits and electronic filing of Statement of Economic Interests
- Work with state to facilitate process for veterans to obtain Federal GI benefits

Moving Forward

- Complete Final Report (target date June 15)
- Select Options
- Establish Process for Implementation
 - Assign Clear Responsibility and Authority
 - Establish Work Teams with Domain Expertise
 - Engage Consultants when Appropriate
- Create effective management information systems to monitor service delivery costs
- Inculcate Culture of Continuous Improvement

Concluding Thoughts for BOT Action

- Endorse as an organizational principle the need for University-wide coordination in delivering administrative services
- Strengthen relationships with Alumni Association and Foundation to enhance the University's external advocacy and fundraising programs
- Make necessary changes to *The General Rules*
- Direct the University's immediate attention to a review of its administrative human resources
- Ensure review and implementation of recommendations