

President's Advisory Committee on Efficiency and Effectiveness (PACE)



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BellSouth Telecommunications, Inc.
Post Office Box 30188
Charlotte, NC 28230-0188

Krista S. Tillman
President – North Carolina

704 417-8797
Fax 704 417-9399

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President Erskine Bowles
The University of North Carolina
910 Raleigh Road
P.O. Box 2688
Chapel Hill, NC 27515

Dear President Bowles:

On behalf of the President's Advisory Committee on Efficiency and Effectiveness (PACE), it is my pleasure to present the attached final report.

When this project began, we all were optimistic it would uncover significant untapped potential within the University, benefiting not only the University itself, but also the constituent institutions, the students, faculty and staff, and the State. As you review the report, I trust you will agree the goal was achieved.

The PACE strongly believes this report does not, and should not, represent the culmination of this process. On the contrary, we believe it has revealed only the first layer of opportunities for improved efficiency and effectiveness within the University. The potential is great for even more substantial impacts than those contained in this report. We urge that this be used as a catalyst for ongoing evaluation and change within the University.

Our report is the product of literally hundreds of hours of dedicated work by many people. The expertise of participants from the campuses was vital to the project's success. Likewise, the outstanding support from General Administration participants was invaluable. The manner in which all the participants embraced this project clearly demonstrated their love for, and commitment to, this University.

I would be remiss if I did not also express my personal appreciation to the members of the PACE. Their unflagging enthusiasm for our task created a collegial, cooperative working environment that was key to the successful completion within a relatively brief time period.

As a Committee, we are proud of the work which is before you and appreciative of the opportunity to have served North Carolina and the University in this manner.

Sincerely,



Krista S. Tillman
Chair
President's Advisory Committee on Efficiency and Effectiveness

Attachment

Executive Summary

Process

During his inaugural address in April 2006, President Erskine Bowles pledged that, "...your University is going to operate more efficiently and effectively in order to redirect every single dollar we possibly can to the classroom and to the 200,000 students we're responsible for educating." To achieve these goals, the University must implement processes that enable the UNC system to concentrate its resources and better support and accomplish its core missions of education, research and public service.

The President charged his President's Advisory Committee on Efficiency and Effectiveness (PACE) to meet that goal. Selected by President Bowles, the PACE primarily consisted of businesspeople, in addition to a representative from the Board of Governors, the Chancellors and faculty. This small group of eight individuals undertook a review of current expenditures and then oversaw multiple system-wide working groups. From April to October 2006, the PACE examined administrative costs, existing processes and the potential to maximize the strengths of the system. As the President had separately charged the Chancellors with individual campus initiatives, the PACE focused its efforts on system-wide opportunities. As part of its work, the PACE also prepared a foundation for campus-specific work through system-wide data gathering, suggesting approaches for further data analysis and synthesis of administrative functions.

Key Operating Principles

The PACE identified several key operating principles throughout this process. To a certain degree these principles apply to the system as a whole, but generally apply to individual campuses, as well. These principles should assist to move forward efforts, and they lay the foundation for a culture of continuous improvement. The University must foster an environment of continually seeking, promoting and implementing measures to achieve ongoing efficiency and effectiveness.

- Collaborate between and among constituent institutions. Collaboration informs, assists and foments best practices.
- Leverage the strength of the system whenever and wherever possible. Sixteen, in many cases, is more powerful than one.
- Enable innovative purchasing techniques and foster negotiation capabilities across the system.
- Avoid redundancy in processes. Eliminate redundant controls especially when a process has multiple control points. Opt for sampling versus redundant checks.
- Benchmark within practice areas where practical. Benchmarking is useful, not only to understand the ranges within the system, but to compare the constituent institutions to their already identified peers and identify new efficient practices.

- Manage growth in employee headcount and ensure that a decision to hire is the right one. Simultaneously, push for the best from contractors and vendors and utilize service level agreements (SLAs) where appropriate to ensure that the decision to contract for a product or service produces desired results.
- Facilitate information aggregation and dispersal. While seemingly simple, the complexities of sixteen different institutions make gathering and sharing information across the campuses difficult.

These are very broad principles as presented. They evolved from both the qualitative and quantitative research overseen by the PACE in addition to the discussions at the four separate meetings and biweekly conference calls. Although currently followed in some limited form, the University generally does not broadly adhere to them. Only by adopting these principles and implementing them can it continually achieve efficient and effective operations.

Recommendations

Seven system-wide working groups identified opportunities to cut costs, avoid costs and grow revenue. These groups, composed of campus operators, developed ideas embodying many of the principles listed above. The PACE recommends implementation of the following working group ideas. The summarized ideas are grouped by general type of implementation – legislative change, process change or other. In cases in which implementation may include components of all three, the idea is identified by the primary driver, e.g. without legislative change, you could not change a process. The tables below include the source and numbers of ideas, the general types of recommendations of the ideas and the estimated net impact system-wide. Further information on each idea will be listed in the body of this report.

Legislative change		
Working Group	Types of Recommendations	Estimated Net Impact
Other Barriers (7 ideas)	Eliminate reports where point of control already exists to free up time on the campuses	Yr. 1: Savings of \$390K Yr. 2: Savings of \$390K Yr. 3: Savings of \$390K Yr. 4: Savings of \$390K Yr. 5: Savings of \$390K
Construction/Leasing (4 ideas)	Modify existing approval processes to become more efficient	Annual cost avoidance of \$22.2 MN, additional cost avoidance per size of project, reduced process times
Facilities Management (7 ideas)	Grant greater autonomy to campuses, modify facility management and maintenance processes to gain efficiency	Annual investment of \$1.6MN, cost avoidance of \$900K in year 1, \$4.5MN in year 2, cost avoidance of \$7.5MN in years 3-5, savings of \$300K in year 3, \$400K in year 4 and \$500K in year 5

Human Resources (1 idea)	Modify existing processes to manage University Human Resources more directly	Annual cost avoidance of \$12.5MN years 1-5
Auxiliary Services (2 ideas)	Rework legislation to better benefit students; address campus vending situation	Potential savings to students of \$36K to \$4MN due to expansion of tax holiday/tax holiday definitions; avoid potential loss of \$1.8MN in revenue

Process change		
Working Group	Types of Recommendations	Estimated Net Impact
Other Barriers (3 ideas)	Implement software solutions and a cost-benefit approach to expenditures	Annual savings of \$32K in years 1-5, annual cost avoidance of \$688K in years 1-5 through modified processes
Facilities Management (2 ideas)	Modify approval process and implement universal benchmarking	Annual savings of \$127,000; annual investment of \$180K in years 1-5, cost avoidance of \$1.5MN in year 2 and \$4.2MN in years 3-5
Information Technology (6 ideas)	Centralize processes where possible to avoid excess expenditures	Loss of \$4.5MN in year 1, savings of \$8MN in year 2, savings of \$9.4MN in year 3, \$9.9MN in year 4 and \$10.8MN in year 5, cost avoidance of \$498K in years 1-5
Academic Administration and Support (3 ideas)	Rework processes to achieve greater efficiency and effectiveness; focus on leveraging strength of the system	Annual cost savings of \$42K through leveraging the system buying power, improved service to system library patrons and future unestimated cost savings through coordinated purchasing for future resources
Auxiliary Services (2 ideas)	Focus on leveraging strength of the system, especially knowledge of the large self-operated stores	Investment of \$700K in year one, \$730K annual revenue growth in years 1-5, unestimated cost savings to students due to greater availability of used textbooks and increased margins during sellback

Other		
Working Group	Types of Recommendations	Estimated Net Impact
Other Barriers (2 ideas)	Eliminate specific UNC-GA report and improved accountability at the institutional level	Savings of \$188K for years 1-5
Facilities Management (2 ideas)	Shape future practices to promote efficiency and effectiveness through energy and space management programs	Annual investments of \$7.2MN years 1-4 and \$3.2 in year 5, cost avoidance of \$2.5MN in year 2, \$25.4MN in year 3, \$28.9MN in year 4 and \$33MN in year 5
Information Technology (5 ideas)	Consolidate technological infrastructure, more efficient policies and procedures due to central versus multiple solutions	Annual cost avoidance of \$2.4MN, loss of \$1.5MN in year 1, cost savings of \$2.4MN in year 2, \$3.3MN in year 3, \$4.9MN in year 4 and \$5.9 in year 5

Human Resources (2 ideas)	Centralize campus and system HR functions where applicable	Unestimated cost avoidance; better delineation of responsibilities through leveraging the strength of the system
Academic Administration and Support (3 ideas)	Consolidate storage options across the sixteen; one solution vs. sixteen	Investment of \$1M in year 1, \$39K in year 2 and \$42K in year 3. Cost avoidance of \$33M in year 1 and \$18M in years 2-5. Investment does not include a one-time capital cost of \$25M in year 1.
Auxiliary Services (5 ideas)	Promote best practices across the campuses and the system as whole, examine opportunity to centralize	Increased revenues of \$10-250K per campus, reduction in costs to students due to gross margin reductions in new textbook sales, e.g. on every \$500K of sales, a 1% margin reduction would yield \$5,000 in student savings

This report further delineates these ideas by implementation timeframe, short term or medium to long term. The cumulative impact from years 1-5 of the ideas in the short run is net savings of \$13.6MN and cost avoidance of \$169MN. The cumulative impact from years 1-5 of the ideas in the medium to long run is a loss of \$1.4MN but cost avoidance of \$259MN. Many of the ideas in the medium to long run require upfront and ongoing investment that leads to *cost avoidance* versus direct savings.

These estimated savings, avoided costs and increased revenues only pertain to the specific ideas listed above that were brought forward by the working groups. If the process begun in this project continues, there is unquestioned potential for future cost avoidance, savings *and* revenue enhancement. This report constitutes a beginning, not an end, in the university's quest for efficient and effective operations.

The PACE recommendations intend to foster a system-wide environment of continuous improvement. The ideas of the working groups begin to construct that environment. Moreover, these ideas demonstrate how the system can act more like a system and less like a confederation, a critical demarcation between business as usual and business as it should be. Again, these ideas constitute but the beginning of what should be an ongoing process.

This report provides details of the project: process, results and recommendations for the future:

- The preliminary campus work and the cost-cutting initiative undertaken by the General Administration;
- The ideas developed by the working groups and recommended by the PACE for implementation by the system;
- The relevance of the business operating principles to current efforts as well as future ones;
- And a potential framework for implementation that takes advantage of existing entities and groups.

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