

Executive Vice Chancellor for Administration

Memo from Hank Webber

As a follow-up to recent communication you received from Chancellor Wrighton, I wanted to share additional details about our efforts to bring greater efficiency to our operations. As the Chancellor shared, overall the University is in a strong financial position yet we face considerable challenges in part because of the way we are structured, but also because of external factors beyond our control.

Consider the following:

- Taking inflation into account, federal research revenue (which supports 83% of the University's research activities) has declined by \$52 million over the past 10 years.
- Our endowment has not yet fully recovered from the major economic downturn in 2008, reducing funding for operations.
- We are committed to keeping undergraduate tuition increases to a minimum, while increasing our spending on financial aid.
- Even with constrained resources, we must make considerable investments to continue to attract and retain top-notch students and faculty.
- Dramatic changes in the nation's health care delivery system put pressure on the University's entire financial model.
- Nationwide, there has been a sharp decline in demand for certain professional training programs – making it harder to recruit graduate-level applicants.

Overall, we have ambitions and strategic needs for investment in the student experience, financial aid, and academic and research quality, and we face significant threats and adverse trends in our primary sources of revenue. It is necessary to address these issues now to secure a strong future for the University.

CONSULTING GROUP ASSESSMENT

At the beginning of 2013 we engaged the Huron Consulting Group to conduct an assessment of the potential for cost savings and improved efficiency in certain areas of our administration. Their review confirmed that in these areas our administrative services are generally well run and function above the performance of our peers. It also confirmed, however, that there are opportunities to maintain this quality of service, but with greater efficiency and at reduced costs. Based on a number of recommendations, Huron identified savings from \$1.5 million-\$2.8 million in the Central Fiscal Unit (CFU) and \$6 million-\$12 million in academic units. The CFU includes administrative services that serve the entire University (such as Alumni and Development, the Offices of the Vice Chancellor for Research, Environmental Health and Information Technology) as well as those that are more specific to the Danforth Schools such as the Library, Danforth Campus Facilities and much of the University's student services organization. As we continue to look for additional ways to work more efficiently and effectively, we are moving forward with plans to implement these recommendations.

You can learn more about the Huron assessment at wustl.edu/efficiency.

AREAS OF FOCUS

The first phase of our efficiency effort will concentrate on four areas of our operations:

Facilities

Separate facilities management organizations serve the Medical School and the Danforth Campus, an arrangement found at many institutions with both a medical center and a traditional campus. The Huron assessment identified opportunities both to improve each facilities organization and to increase efficiencies. In response, both organizations began an in-depth review of their facilities organizations – each group has identified \$2 million in annual savings in the area of facilities management. Over the next few months, these organizations will reconfigure resources and identify how they can use more advanced technology to support processes for work orders and project management.

The two organizations have also discovered opportunities to enhance coordination and more efficiently contract for services jointly between the Danforth and Medical School campuses that will further reduce costs, while – at the same time – continuing to support our institutional priorities and provide a high quality experience to students, faculty and staff. This has been an exceptional effort.

Procurement

In the area of Procurement, which is the process of buying goods and services from vendors outside the University, Huron's review found that we are already doing a good job of negotiating discounts, but also identified ways to go further. Many recommendations were items that Resource Management already was working on or had an interest in pursuing (such as a stronger preferred vendor relationship that would bring economy of scale to and reduce the costs of our major purchases, like computers). Through the efforts of Resource Management since we began this process, already we have identified savings of almost \$4.5 million annually by renegotiating the office supplies contract (OfficeMax), signing new pharmaceutical distribution contracts (Oncology Supply and AmeriSource Bergen) and a medical supplies contract (McKesson), enhancing our contract for technology equipment (WorldWide Technology) and writing a new contract for recycled printer cartridges and ink (Copying Concepts). This process will continue and likely require limiting the array of purchasing options in several areas. Any decisions to limit choice will be made in concert with affected departments.

Administrative Support for the CFU - Shared Service Centers

Shared Services refers to arrangements where several units share administrative support resources rather than retaining separate staff for each unit. A Shared Service Center typically provides business services that are required by all units and are not unique to any one area. Many of our peer universities have adopted this model to achieve more consistent and higher levels of service, reduce costs, cut redundancy in systems, and ensure stronger compliance. Within these general parameters, Shared Service Centers take a variety of forms as defined by size and services offered. The Huron assessment strongly recommended that we incorporate this approach into the administrative support for the CFU. We plan on launching a shared

services pilot in the CFU by the end of 2014 with initial focus on FIS and HRMS transaction processing.

Research Administration

Research Administration is a challenging activity at all research universities. Huron's assessment of Research Administration covered both the central University offices that support research (Office of Sponsored Research Services and Sponsored Projects Accounting) and research support in academic departments. They saw the biggest opportunities for efficiencies in improvements in grants management information systems, potential for more strategic management of core research facilities, and value in organizing departmental research support on a shared services model (discussed above as it applies to the CFU).

Initiated prior to the Huron assessment, the Medical School's Management Council had launched several work groups to consider ways to improve collaboration, efficiency and effectiveness in the Medical School. There is much overlap in these groups as they review aspects of the research enterprise and they are taking into consideration Huron's recommendations in addition to other ideas. A Research Management Council (RMC) was established to provide a forum for senior administrators in departments and programs engaged in research at the School of Medicine. The engagement of this forum provides the members a platform to discuss ways to advance the research mission, create communication channels to request and exchange information with other research departments (i.e. the Vice Chancellor for Research, Medical School administration and other areas that impact research operations), and identify and share best practices and processes that develop and sustain a culture of continuous process improvement while also encouraging innovation and disruptive thinking processes (aka think outside the box) for research administration services. We have also established a Danforth Research Administration Working Group to look at potential improvements in research administration processes for the Danforth schools, and we created a University group that has been investigating options for grants management systems and reporting.

CENTRAL FISCAL UNIT (CFU) EMPLOYEE LEVELS

In addition to identifying areas to gain efficiencies by better managing our work, we have to focus on staffing levels, overall. Over the past ten years, our CFU expenditures have increased faster than our revenues have grown and there has been considerable growth in the number of full-time employees (FTE). This is a trend we cannot sustain and it must be addressed.

As a first step, Chancellor Wrighton, Provost Thorp and I have concluded that the number of CFU employees will not grow. Any new positions within the CFU must be offset by a reduction in staffing through attrition or reorganization within that area or elsewhere in the CFU. In addition, CFU staffing increases will be considered if they provide a considerable direct financial benefit for the schools. In effect, this change will achieve a "net neutrality" in staffing levels, yet will still allow for adjustments in the way functions are managed. Any new positions or filling of vacant positions will require approval by the Vice Chancellor for Human Resources, the Provost and myself. This new policy is in effect immediately and will remain in place indefinitely.

MANAGING THE EFFORT

To be successful, the efficiency effort will require broad and sustained engagement across our campuses. An Implementation Working Group, made up of representatives of our major administrative units and from all of our schools, is steering this work. This group meets monthly and provides feedback to the areas under review and determines when to elevate plans for consideration by Deans and University leadership.

TIMELINE

Our goal is to have recommendations for implementation completed and ready for evaluation this spring. This will allow us to begin implementing changes during the summer of 2014 and have them in place in time to have an impact on the FY2015 budget. Each area of focus will develop its own proposal for timelines, work plans, and milestones, which the Implementation Working Group will review.

INFORMING AND ENGAGING OUR COMMUNITY

While these efforts are currently focused in four areas, we are very interested in your ideas and encourage your participation. As a resource, attached is a “Frequently Asked Questions” document about the efficiency initiative. To provide a basic understanding of the University’s finances and to allow for discussion, Barb Feiner, Vice Chancellor for Finance, Provost Holden Thorp and I will host multiple “WUSTLnomics” forums across the University in the coming weeks. A dedicated website wustl.edu/efficiency has been established to provide information on these forums and details pertaining to this work. In addition, I welcome any ideas you may have to improve efficiency at the University via email at efficiency@wustl.edu.

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