



Design and implementation of an Operational Excellence Program

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Agenda

- Context for the Operational Excellence Initiative
- Background and Overview of Operational Excellence
- OE Progress to Date
- OE Lessons Learned

A Business Case for Change

Financial realities require changes:

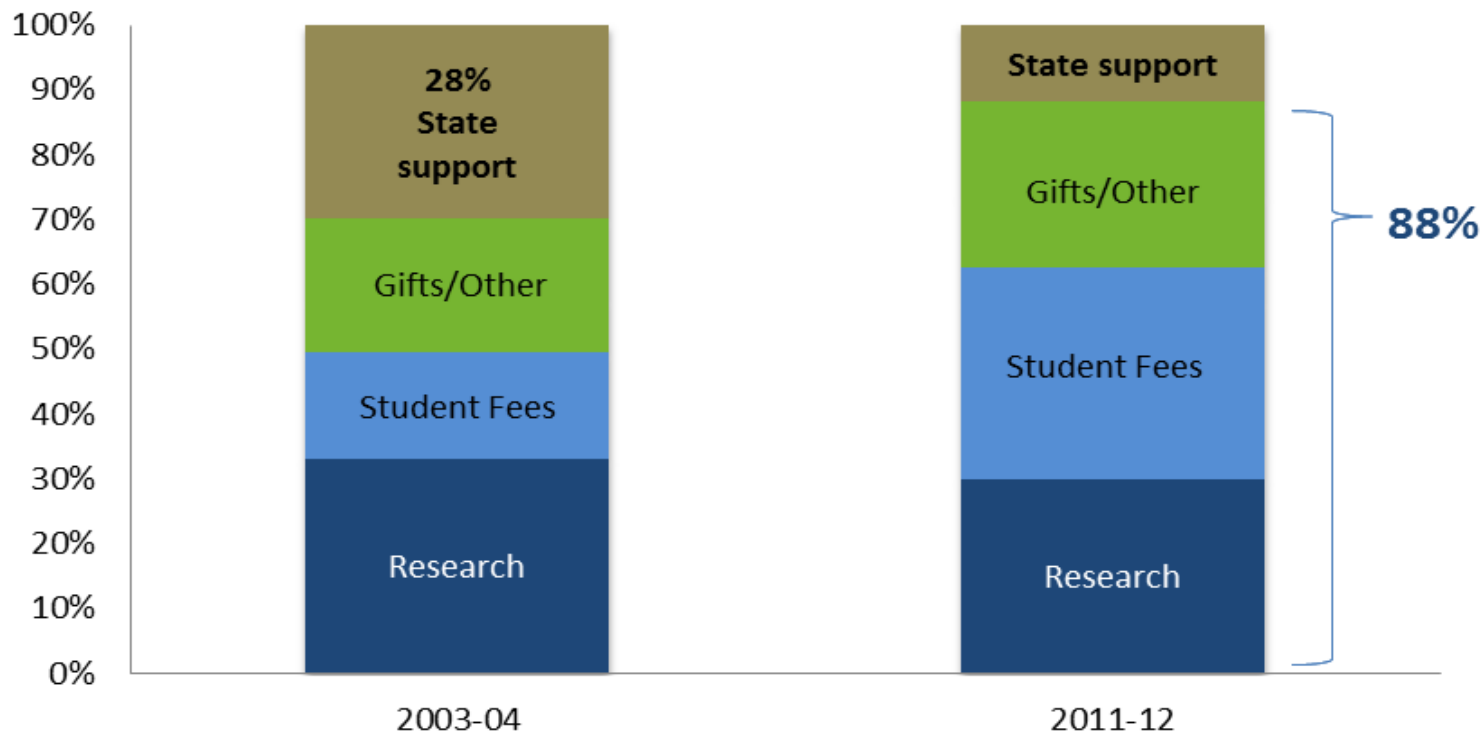
- To contribute to long-term financial sustainability
- To maintain accessibility of this world class institution

Room for improvement in operational effectiveness:

- Duplicative, fragmented, and overly complex operations
- Expensive, manually intensive processes
- Error-prone data and information

Revenue sources have changed significantly

From 28% in 2004, to just under 12% in 2012, declining state support is being offset by increasing reliance on student tuition, gifts and research



....the stakeholder perspective

Lack of Financial Data

- A Faculty member's perspective: "***Grant funds information is at least two months behind [making it impossible] to plan...***"

Fragmented Systems

- A Staff member's perspective: "***Data is "siloes" and other departments that want access are treated like they are from another company***"

Duplication of Effort

- A Staff member's perspective: "***I see a lot duplication of effort and maintenance of shadow systems...***"

Lack of Standardization

- A Staff member's perspective: "***With...multiple systems...it is difficult to collaborate and get support in specific areas***"

Manual Processes

- A Staff member's perspective: "***Reimbursements and hiring are... more arduous than they should be. Every six months I spend a...day filling out ...forms***"

Misaligned Incentives

- A Faculty member's perspective: "***Anything that crosses domains requires endless attention. [There's no] responsibility for the problem as a whole...***"

Quotations were collected from academic employee and staff surveys conducted in Summer 2012, to provide benchmarks prior to the implementation of OE projects

Research and Teaching

Effective organization

- Alignment on priorities
- Clear decision-making roles
- Appropriate incentives
- Employees with clear goals

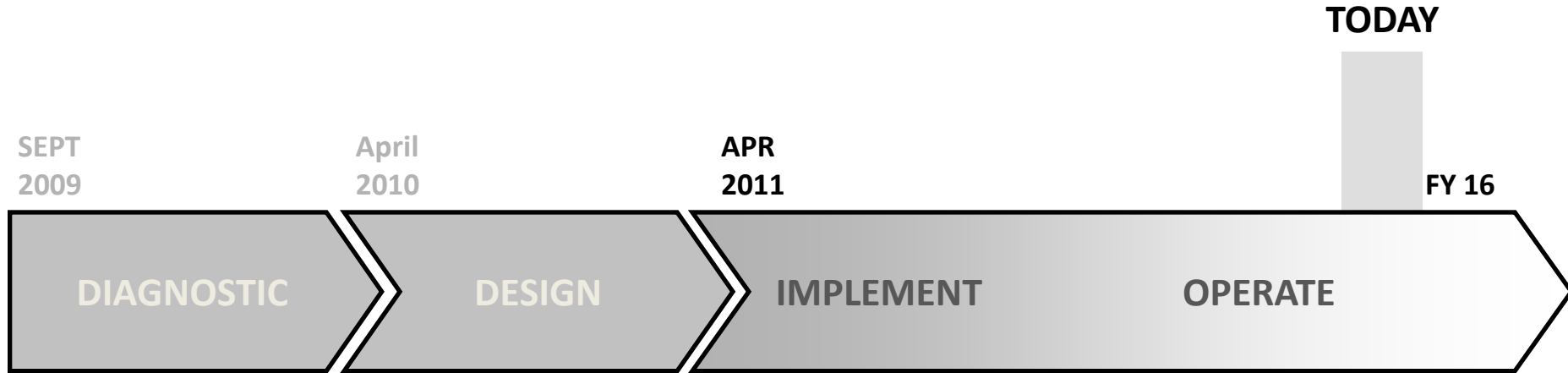
Financial sustainability

- Streamlined structure
- Efficient processes and tools
- Appropriate service levels
- Lowest cost for quality goods & services

OE OBJECTIVES

- Reduce annual administrative costs by at least **\$75 million**.
- Improve the quality of **administrative services**.
- Instill an environment of **continuous improvement**.

Brief History



WHAT TO DO

Identify and prioritize opportunities to improve efficiency and effectiveness

HOW TO DO IT

Develop detailed plans to capture value

DOING IT

Implement work streams; drive change

SUSTAINING IT

Achieve run-rate savings; operate efficiently and effectively; continuously improve

Campus Culture: 2010

PRESERVE

strong culture

clear mission

committed workforce

ADDRESS

analysis paralysis

critical culture

**weak performance
management processes**

OE Diagnostic Phase Setup



| | |
|--------------------|---|
| Scope | <ul style="list-style-type: none">• Systematic look to reduce expenses<ul style="list-style-type: none">• <i>In scope</i>: campus operations, processes, & systems• <i>Not in scope</i>: teaching and research |
| Governance | <ul style="list-style-type: none">• Chancellor Birgeneau formed and led Steering Committee |
| Methodology | <ul style="list-style-type: none">• Collaborated with consulting firm to assess key operational areas and benchmarks, and recommended areas with the greatest potential for savings and improved service. |
| Campus Involvement | <ul style="list-style-type: none">• 700 faculty, administrators, staff, and students across the campus involved through in-person meetings and online surveys |

OE Diagnostic Phase

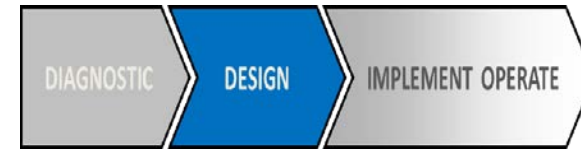
Outcomes



| | |
|-------------------|---|
| Findings | <ul style="list-style-type: none">• Potential savings >\$100m• Opportunities for improvements in operations |
| Plan of Action | <ul style="list-style-type: none">• Chancellor launched effort to capture \$75m and improve operations |
| Opportunity Areas | <ul style="list-style-type: none">• Five areas enable delivery of more consistent, sustainable service levels at dramatically lower cost:<ol style="list-style-type: none">1. Procurement2. Organizational simplification3. Information Technology4. Energy management5. Student services• Two areas that are foundational:<ol style="list-style-type: none">1. High-performance operating culture2. Redesign of financial management |

OE Design & Implementation

Approach



Governance

- Executive Committee (EC): deciding body
 - Members: Chancellor, EVCP, VCAF, **OE Faculty Head**
- Coordinating Committee (CC): recommending body
 - Members: Academic Senate Chair, Initiative Sponsors, Student Leaders
- OE Program Office (OE PO): coordinates and supports

Initiative Management

- Sponsors: 1 Dean-level academic; 1 VC-level administrator
- Initiative Manager

Stakeholders (examples)

- **Administration & Finance staff** – important change agents who innovate beyond the status quo at UC Berkeley
- **CAOs** – influence Deans and provide department knowledge
- **Academic Senate leadership** - power to convene discussions, ask for answers, and influence broader faculty opinion
 - Avoid further burdening the faculty with administrative tasks
- **Other campus stakeholders**
 - Faculty and Staff orgs (e.g., BFA, CSAC, BSA, ABOG, GA, ASUC)
- **Office of the President** – managing \$50M loan for OE investment

OE Design & Implementation



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|-----------|--|
| Method | <ul style="list-style-type: none">• Investment in process redesign, automation, people, and training• Initiative teams developed proposal & budget for each project idea• OEPO reviewed proposals – informed the CC and EC. CC recommended; EC decided |
| Proposals | <ul style="list-style-type: none">• Approximately 50 project proposals were submitted<ul style="list-style-type: none">○ Most created by Initiative Teams; a few “walk-ons”○ Project budget requests exceeded \$100m• 25 projects approved by Executive Committee<ul style="list-style-type: none">○ \$75m committed investment○ \$82.5m projected run-rate savings |

OE Implementation Phase



- **Campus Shared Services:** HR; IT; research administration; and business and financial services.
- **CalTime** 15,000 staff & student employees use one standard online timekeeping system, while also standardizing pay rules and pay cycles.
- **IT Productivity Suite** enhancing collaboration by offering access to standardized, best-in-class IT tools
- **CalPlanning** integrated budgeting environment to help strategic prioritization
- **Unit Restructuring** streamlining the campus organization to create a flatter, more effective organizational structure
- **Procure-to-Pay Reporting** improving procurement and payment processing, compliance, vendor relationships and vendor diversity
- **Energy Management Program** incentives to reduce consumption
- **Cal Student Central** one-stop shop for student business transactions

OE Implementation Phase



- **Using feedback loops to improve systems and service.**
- **Support data-driven decision-making.** Examples: CalPlanning, Cal Answers
- **Utilizing metrics to measure performance.** Example: Cal Student Central measuring wait times and working to steadily reduce wait times.
- **Making data visible to enable positive changes.** Example: Energy dashboards to encourage reduced energy usage.

OE Implementation Phase

Goal: Reduce administrative operations by at least \$75M annually



- **\$112 million** in cumulative savings through June 2014—nearly double what the University has spent (\$62 million)
- **\$40 million** in savings in FY 2014
- **Examples: Savings by Project**
 - Unit Restructuring: \$20.5M in FY14, **\$61.5M** to date
 - BearBuy: \$11M in FY14, **\$34.9M** to date
 - IT Productivity Suite: \$4.2M in FY14, **\$8.4M** to date
 - Energy Program: \$2.4M in FY14, **\$4.4M** to date
 - Cal Answers Procure-to-Pay: \$914K in FY14; **\$1.7M** to date

Improving decision-making

- Utilized RAPID, an easy formalism for roles in decisions:
 - **R**ecommend a decision/action
 - **A**gree: on a recommendation
 - **P**erform: once a decision once made
 - **I**nput: to a recommendation
 - **D**ecide: commit the organization to action
- Groups used “**Gradients of agreement**” scale (*Sam Kaner, Duane Berger, Community at Work*)

Our change management approach

Prepare to build commitment and capability:

1. Develop case for change
2. Develop compelling vision for the future
3. Identify key changes, affected groups, and prioritize
4. Understand impact and capacity for affected groups
5. Identify/develop leadership spine

Build commitment and capability:

6. Leverage leadership spine for engagement
7. Communicate effectively
8. Manage resistance
9. Shape and reinforce behaviors

Lessons Learned

- Leadership must be fully and visibly engaged
- Cooperation of administration & academic – crucial
- Deploying new technology is **not** success
- Changing mindsets and behaviors in order to realize the full potential of new technology **is** success
- Changing behavior takes **planning, time and effort**
- Project management must be coupled with change management in order to achieve desired results
- Leverage strengths to achieve behavior changes (strong culture, clear mission, committed workforce)

... and More Lessons Learned

- Establish local implementation leads early on
- Do foundational work first (data cleanup, streamline business processes) before launch new systems.
- Face-to-face communications most effective
- Feedback loops must be built into every phase of the program and the projects
- Iterative incremental ('agile') approach works best
- Portfolio oversight → consistency, rigor, big picture, momentum
- The results of OE must be realized locally for OE to be successful campus-wide