Project SMU: Operational Excellence for the Second Century

DIAGNOSTIC REPORT

OCTOBER 2014
Agenda

- Operational Excellence for the Second Century (OE2C)
- Findings from Diagnostic Phase
- Design Phase
- What does OE2C mean for you?
Today at SMU, we find ourselves at an important moment in time

**SUCCESES TO CELEBRATE**

- SMU capital campaign on track to raise $1 billion by 2015
- Enhanced faculty and student quality
- Rise in SMU ranking
- Opening of George W. Bush Presidential Center
- Completion of the new residential commons

**HEADWINDS ON THE HORIZON**

**ACROSS THE HIGHER ED SECTOR**

- Growing costs
- Rising student debt
- New competition for students
- Unsustainable tuition growth

**AT SMU**

- Rising administrative costs
- Limited ability to raise revenue with increases in tuition or enrollment
We must choose a path forward that continuously invests in SMU’s core academic mission.
Operational Excellence for the Second Century (OE2C) frees up resources to re-invest in SMU

• OE2C will meaningfully reduce administrative overhead and maintain or improve service levels
  - Improve decision making and collaboration
  - Make administrative work simpler and more efficient

• Resources made available by OE2C initiatives will enable new academic investments that:
  - Are bold and differentiated
  - Enhance cross-disciplinary work

Realize our grandest ambitions for SMU going forward
Agenda

• Operational Excellence for the Second Century (OE2C)

• Findings from Diagnostic Phase

• Design Phase

• What does OE2C mean for you?
The six-month OE2C “Diagnostic” of the SMU organization was inclusive and comprehensive

<table>
<thead>
<tr>
<th>KEY ANALYSIS</th>
<th>OPPORTUNITY EVALUATION PROCESS</th>
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</thead>
<tbody>
<tr>
<td><strong>230+</strong></td>
<td>SMU best practices</td>
</tr>
<tr>
<td>Individual faculty and staff <strong>interviews</strong> conducted on campus</td>
<td><strong>External benchmarks</strong></td>
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<tr>
<td><strong>31</strong></td>
<td><strong>Internal interviews</strong></td>
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<tr>
<td>Peer and aspirant <strong>schools and universities</strong> studied for best practices</td>
<td><strong>Historical data analysis</strong></td>
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<tr>
<td><strong>100%</strong></td>
<td><strong>Administrative cost category analysis</strong></td>
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<tr>
<td>Percent of <strong>non-academic spending</strong> evaluated</td>
<td><strong>Subject matter experts</strong></td>
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<tr>
<td><strong>50+</strong></td>
<td><strong>Review hypothesis</strong></td>
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<tr>
<td>OE2C presentations with each school/college or VP area</td>
<td><strong>Steering Committee</strong></td>
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<td><strong>2.5M+</strong></td>
<td><strong>Executive Committee</strong></td>
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<td>AP invoice and reimbursement <strong>payments</strong> and p-card transactions included in analysis</td>
<td><strong>Go, no-go decision</strong></td>
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<tr>
<td><strong>30+</strong></td>
<td><strong>New Initiative</strong></td>
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<tr>
<td><strong>Databases</strong> consulted and used for benchmarking</td>
<td><strong>Academic Deans</strong></td>
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The OE2C Diagnostic suggests we can significantly improve

- SMU has proportionally **more employees dedicated to support functions** (e.g., finance, HR, IT) than other universities

- Two thirds of staff managers have 3 or fewer direct reports, creating **excess management layers** and organizational complexity

- **Decision rights** are unclear between central administration and school units, causing confusion and frustration (e.g., travel, contracts, hiring)

- Schools and VP areas are **silooed**, preventing best practices, ideas, and resources from being shared across the University

- A meaningful opportunity exists to **re-align administrative spending** to invest in our academic core
The OE2C Diagnostic identified $25 - 35M of potential annual savings at SMU

230+ campus interviews identified many additional opportunities for savings.

Finance employees are spread across 19 offices at SMU, driving some duplication of effort and undermining opportunities to scale and specialize.

SMU spends ~20% more on operations and maintenance and has ~1.5x more space per employee than benchmarks.

Portions of IT spending are duplicative or support customizations of outdated software.

Consolidated spending, volume discounts, and negotiated contracts can save 5-7% on all annual goods and services spending.

SMU has more administrative employees than benchmarks and managers have only 3.1 direct reports on average.

PRELIMINARY
Agenda

• Operational Excellence for the Second Century (OE2C)

• Findings from Diagnostic Phase

• Design Phase

• What does OE2C mean for you?
To kick off the Design Phase of OE2C, the Executive Committee has approved eight initiatives (so far)

We are here

**DIAGNOSTIC**
(6 months)

**DESIGN**
(3-6 months)

**IMPLEMENTATION**
(12+ months)

Quick wins:

A. Travel
B. Contract Administration

Wave I:

C. Organizational Design
D. Procurement
E. IT
F. Finance

Wave II+:

G. Facilities
H. Development Analytics
               **Other initiatives to be run through Continuous Improvement**

**World Changers Shaped Here**
Two SMU teams are already hard at work to advance initiatives and build capabilities within the University.

### Initiative Overview

<table>
<thead>
<tr>
<th>Travel</th>
<th>Contract Admin.</th>
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<tbody>
<tr>
<td>• Simplify travel policies and reimbursement processes</td>
<td>• Align risk tolerance and business needs to streamline the contract approval process</td>
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<tr>
<td>• Team of 9 end users and process specialists from across campus</td>
<td>• Team of 10 users and process specialists from across campus</td>
</tr>
<tr>
<td>- Vickie Bumgardner</td>
<td>- Melanie Bailey</td>
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<tr>
<td>- Judy Clark</td>
<td>- Niraj Bhagat</td>
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<tr>
<td>- Joe Davis</td>
<td>- Terry Conner</td>
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<tr>
<td>- Tiffany Khim</td>
<td>- DeeDee Conway</td>
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<tr>
<td>- David Liner</td>
<td>- George Finney</td>
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<tr>
<td>• Led by Marc Christensen (Lyle) and Marci Armstrong (Cox)</td>
<td>• Led by David Chard (Simmons) and Tom Tunks (Meadows)</td>
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<tr>
<td></td>
<td>- Buck Hampson</td>
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<td></td>
<td>- Kim Jones-Ross</td>
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<td></td>
<td>- Michael McLendon</td>
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<td>- Sandra Tefft</td>
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<td>- Alison Tweedy</td>
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### Early Successes

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<th>Travel</th>
<th>Contract Admin.</th>
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<td>• Selected Concur as SMU’s new electronic travel tool; implementation is underway</td>
<td>• Documented current contracting processes and pain points</td>
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<tr>
<td>• Recommended key changes to simplify travel policy</td>
<td>• Interviewed peers at 8 other universities to capture best practices</td>
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OE2C initiative designs and implementations will be sequenced over the next year

<table>
<thead>
<tr>
<th>Wave</th>
<th>Quick wins</th>
<th>Wave I</th>
<th>Wave II+</th>
<th>OE2C Office</th>
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<tr>
<td></td>
<td></td>
<td>Academic investments</td>
<td>Development analytics</td>
<td>Continuous improvement initiatives, communications, tracking and monitoring</td>
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<tr>
<td></td>
<td></td>
<td>design for reinvesting</td>
<td>Implementation</td>
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<td></td>
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<td>savings from OE2C</td>
<td>Implementation</td>
<td></td>
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<tr>
<td>2014</td>
<td>Quick wins</td>
<td>Travel design</td>
<td>Implementation</td>
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<td>Q4</td>
<td></td>
<td>Contract admin design</td>
<td>Implementation</td>
<td></td>
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<tr>
<td></td>
<td>Quick wins</td>
<td>Organizational design</td>
<td>Implementation</td>
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<td>2015</td>
<td>Wave I</td>
<td>Procurement design</td>
<td>Implementation</td>
<td></td>
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<tr>
<td>Q1</td>
<td>Wave I</td>
<td>IT design</td>
<td>Implementation</td>
<td></td>
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<tr>
<td>Q2</td>
<td>Wave I</td>
<td>Finance design</td>
<td>Implementation</td>
<td></td>
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<td>Q3</td>
<td>Wave II+</td>
<td>Facilities design</td>
<td>Implementation</td>
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<tr>
<td>Q4+</td>
<td>Wave II+</td>
<td>Development analytics</td>
<td>Implementation</td>
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<tr>
<td>PRELIMINARY</td>
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Leaders across SMU are engaged and committed to OE2C’s long-term success

Executive Committee
- R. Gerald Turner
- Paul Ludden
- Chris Regis
- Tom Barry

Steering Committee
- Chris Regis
- Paul Ludden
- Tom Barry
- Brad Cheves
- Paul Ward
- Jody Magliolo
- Marc Christensen
- Peter Moore
- Lorea Seidel
- Michael Condon
- Rick Hart
- Lori White
- Will Slack

OE2C Office
- Coordinators: Bill Detwiler, Julie Forrester
- Project manager: Julie Wiksten
- Team members: Karen Drennan, Lorea Seidel, Vinh Pham, Darrel Pyle

Academic Deans
- David Chard
- Marc Christensen
- Jennifer Collins
- Thomas DiPiero
- Sam Holland
- Bill Lawrence
- Gillian McCombs
- Al Niemi
- Jim Quick

Travel
- Marc Christensen, Marci Armstrong

Contracts Admin
- David Chard, Tom Tunks

Org Design
- Paul Ludden, Chris Regis

Procurement
- Al Niemi, Lori White

Others

Input from academic leaders, faculty, staff

OE2C savings and initiatives

Academic investments, strategic proposals
Agenda

- Operational Excellence for the Second Century (OE2C)
- Findings from Diagnostic Phase
- Design Phase

- What does OE2C mean for you?
The Organizational Design initiative generates many questions—here are the most frequently asked

• **What are the reasons for doing this initiative?**
  - Compared with industry standards and empirically validated benchmarks, SMU has an opportunity to adjust the level of staffing in the organization
  - Optimizing areas such as managerial spans of control will enable better and quicker decision-making while unlocking funds to be used for strategic initiatives

• **What does this process look like?**
  - The VP or Dean of each organization will evaluate and determine the right level of staffing, using tools provided by the OE2C team
  - The process will be iterative and collaborative with the OE2C Executive Committee and SMU units/schools
  - As much as possible we will utilize transfers, attrition, early retirement, and voluntary exits to minimize impact to our people
  - Any impacted positions will be handled with respect and care consistent with our SMU community values; this includes providing severance packages and support in job placements

• **What is in scope of this initiative?**
  - All staff positions, both in the Academic Units and Central Administration areas
  - Extra compensation policies
Operational Excellence for the Second Century: What can you expect?

- We are driven by a sense of responsibility to continue strengthening SMU as an Institution
  - Operational Excellence for the Second Century (OE2C) will add substantial economic resources toward realizing this vision

- OE2C initiatives are directed by strong SMU leadership from across campus
  - SMU Leadership and Board of Trustees are 100% committed to seeing this multi-year effort through to success
  - The OE2C Office will continue to be guided by four principles: Being thoughtful, transparent, collaborative, and data-driven

- We commit to communicating often with the SMU community
  - Bookmark www.smu.edu/OE2C for the latest information
  - Don’t hesitate to share your ideas or leave feedback for OE2C

- OE2C will advance SMU to an even higher level