

Report to the Board on Administrative Efficiencies
UM

- seventeen agriculture research centers spread across diverse climates in our state
- a vet teaching hospital and diagnostic lab serving the entire state
- UMKC conservatory and theatre programs
- an academic medical center with over \$1 billion in revenue
- MU Extension with a presence in every county across the state
- Missouri S&T Advanced Manufacturing Center
- UMSL Accelerator to foster new businesses for Missouri
- Division I, Southeastern Conference Athletics program
- professional programs including two in medicine, two in law, dentistry, veterinary medicine, pharmacy, and optometry
- research centers relating to Precision Medicine, cardiovascular research, mutant mice and rats, the National Swine Resource Center, high performance computing, infrastructure, and intelligence systems.

Administrative infrastructure must support this broad array of operations and programs while having the flexibility to meet business needs of each of these functions. The University hires leaders for these functions to understand these operations, run them well, and put the right support structures around the operations.

DEFINITION of ADMINISTRATION

In general, “administration” in academia refers to the branch of the institution responsible for maintenance and supervision of the institution separate from faculty and academics. In different contexts, it can also sweep in academic administrators such as deans and department chairs. There is no consistent definition of the term as it is used to describe structures in higher education, and its’ use can mean numerous different things. Recently, the term “administration” has come to represent perceived waste within the higher education system and has been focused upon as a cost disease affecting higher education. After consultation with the Council of Chancellors, the administrative assessment was defined to encompass administrative functions reporting to the President and their related counterparts at the university level. The scope of the assessment and recommendations include(n)-9(c)JTJETQq0.00000912 0 612 792 reW* nBT/F1 12 Tf1 0 0 1 33.85 20

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The assessment did not include other common functions that rest at the individual University level, including but not limited to:

- Advancement
- Registrar
- Financial Aid
- Student Services
- Enrollment Management
- Libraries

While these functions are not included in the assessment and plan, the plan defines a framework that can be applied across all functions. The following framework could be utilized by the Council of Chancellors in out-of-scope functions if initial implementation proves successful.

ADMINISTRATION FOR THE INSTITUTION

The context of administrative support must meet the diversity of operations that encompass the institutions that comprise the System. As such, the overall theme for administrative service delivery will be to:

Deliver the *right* support services
At the *right* level of the organization
Both *efficiently* and *effectively* while supporting the mission

In accomplishing this theme, the University's administrators will ensure resources remain directed towards the mission of the institution, its ultimate reason for existence for Missouri's citizens. However, redirecting spend away from administration is inherently complex, as many administrative tasks are inextricably tied to the diverse operations they support. What the research reactor at MU needs is very different than what the UMKC conservatory needs to support their operations. Administrative functions must interface with these diverse operations in ways that allow for each to accomplish their mission. This point is abundantly clear in our feedback sessions with faculty and administrators.

This does not mean all administration needs to be local. There are certainly administrative and corporate functions that only need to be performed one time for the broad array of operations that compose the University. This is where the administrative scale becomes an inherent advantage for the Universities and why being part of a larger collective can result in lower costs as a percentage of total spend.

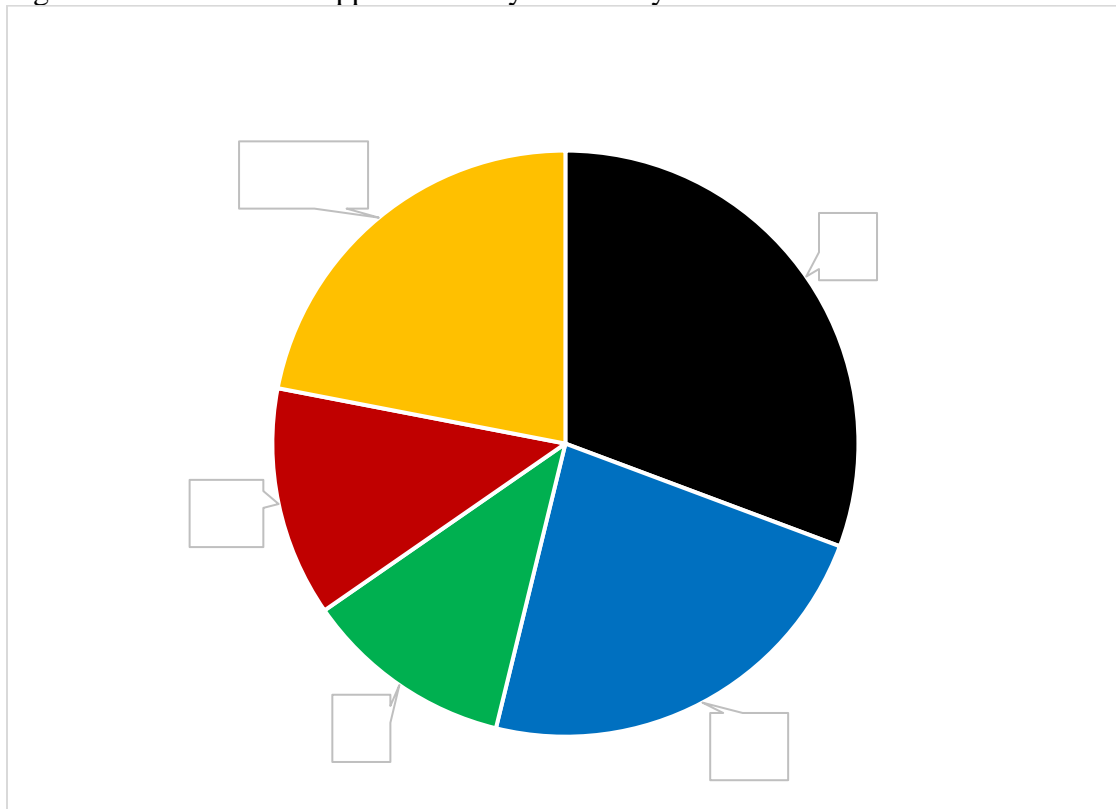
Whenever budgetary constraints pressure the University, the first area to evaluate is always "administration", as leaders and constituents look to preserve areas of the mission that generate the most value to the state. The University has already faced two of these challenges in the past decade in the financial crisis of 2008 that lead to significant revenue

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As demonstrated in Figure 1, nearly half of the University's spending relates to auxiliary and healthcare operations. Another 35% relates to the primary mission areas of instruction, public service, and research. The remaining areas in blue represent functions in support of the mission:

- Academic Support (5%, \$175M): includes the expenses incurred to support the institution's primary missions of instruction, public service, and research. Examples of expenses classified in this category include libraries, museums, academic technology, academic administration (deans), and ancillary support.
- Student Services (3%, \$115M): represents activities that contribute to students' emotional and physical wellbeing outside of the instructional environment. Examples of expenses classified in this category include enrollment management, student health centers, student newspapers, intramural sports, financial aid, admissions, and student records administration.
- Institutional Support (5%, \$180M): includes expenses for management of the enterprise and related key support functions. Examples of expenses classified in this category include finance, human resources, administrative information technology, legal services, executive leadership, development/advancement, and marketing/public relations. A subset of these expenses is the primary focus of this report.

Figure 2: Institutional Support Share by University



Source: IPEDs Finance

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Figure 2 shows the share of institutional support by University. 78% of institutional support spend occurs on the four universities rather than at the System. Note that both MU and UMKC spend more on their individual universities than System Administration in total. This is largely reflective of the broad array of support activities included in institutional support, and reflects the amount of individual focus already present across the four universities.

Table 1: Staff by Job Function

Change in Full Time Staff Jobs - 2015 to 2019			
Occupational Grouping	Fall 2019	Change in	Percent
Office & Admin Support	1,928	-508	-21%
Maintenance, Construction, Transportation	543	-153	-22%
Business Ops & Management	2,111	-127	-6%
Other	170	-2	-1%
Service	916	10	1%
IT/Engineering/Science	1,578	32	2%
Community Service & Arts	1,318	20	2%
Instructional Support	484	149	44%
Healthcare Practitioners	1,000	106	12%
Total	10,048	-473	-4%

Source: Institutional Research Table 3.10

As demonstrated in Table 1, the University reduced the labor force in full-time staff jobs by over 470 positions. Excluding healthcare in the schools of medicine that experienced related revenue growth, this job loss grows to nearly 600 positions and 5% of the total labor force. The University took actions to reduce the labor force to meet historical and current budgets. It is important to note these numbers demonstrate job losses prior to the FY2021 budget.

Job functions of University staff vary greatly, with a wide array of staff performing jobs that support mission delivery; allowing faculty to focus efforts on teaching, research, and public service. While the University has over 10,000 full-time staff, they perform mission related roles including nursing, advising students, conducting research, and many other functions necessary to the operation of a research university with an academic medical

To identify necessary cost savings, the University undertook a process to evaluate implementation of shared services through the Operational Excellence Initiative (OEI). OEI worked with administrative leaders and external consultants to identify potential areas for improvement and consolidation within administration. Identified opportunities included moving towards shared services in specific areas. Some examples of the actions taken then include:

- Accounts Payable: combined separate AP functions into a single shared services office at MU
- Travel & Expenses: implemented an electronic request and reimbursement system to reduce processing time and effort for employee reimbursements
- Employee Data Management: implemented an electronic personnel action request system to eliminate paper process and manual effort for payroll.

These actions along with others combined previously disparate functions across the four universities and reduced the duplication across universities, moving more processing and effort towards system for core HR and Finance functions.

The November 2015 Crisis and Related Administrative Review

Given the significant challenges faced by the University of Missouri following substantial enrollment drops after the November 2015 protests, the Board of Curators requested a reviewe36nistration.

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rather than staff

Gross Salary
9,983,340
7,493,756

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#	Function	FTEs	% of FTE	Gross Salary
20	Printing and Publishing	85.4	0.7%	\$3,363,856
21	Legal	31.5	0.3%	

occurred because there was a level of trust amongst units and the demonstrated ability to deliver the service. This is why success in consolidation across central units has worked well –scaled services understood needs of the enterprise. For services at the academic department level, it is unlikely a large central service could understand the needs and operate well on day one. However, business centers that have been built on each university have built a high level of trust with their departments and have been successful in gaining additional conversions.

Any change beyond what is described above would be highly disruptive and stories of failed shared services implementations within higher education are numerous. However, administrative leadership must change the way central units operate and build the infrastructure necessary to support scaling of decentralized functions

THE IMPORTANCE OF POLICY AND ACCOUNTABILITY

Existing economic conditions will put immense pressure on institutions within the System. Pressure will invariably force the Universities to cut cost to respond to resource constraints. The easiest point from the outside to focus on is “administration”. The definition of administration in this context is generally anything that feels expensive or unnecessary, and generally reflects views on bureaucracy within University structures. As universities represent a vast enterprise with diverse operations and constituencies that influence decisions, the most powerful lever for boards and central administration remains policy and creation of incentives and consequences to move the organization towards compliance.

The economic environment from the pandemic will continue to place pressure on the University’s revenue streams. This will necessitate the University reduce costs to come in line with the new revenue environment. Maintaining a balanced budget and related policy is key to maintaining a sustainable level of financial performance and forcing leaders to make appropriate decisions to balance costs within revenues available to the enterprise. Leaders will be forced to evaluate the entirety of their operation and administration will be a component of their cost evaluation. In most cases, the leader will choose to cut their administrative costs first, as these costs in general are Y AND ACCOUNTABIL69(on)-16a812 Tf1h0 1

FRAMEWORK FOR DELIVERING ADMINISTRATIVE SERVICES

Leveraging experience and feedback from the Administrative Review, the UM leadership team developed a structural framework to support these functions across the enterprise. This structural framework will serve as the foundation for implementation of best practices surrounding efficient delivery of administration. The framework identified four tiers of administrative services:

- Tier 1: Systemwide Central Services
- Tier 2: Systemwide Shared Services
- Tier 3: University Shared Services
- Tier 4: Local/College Shared Services

All tiers will be annually evaluated to ensure constant optimization occurs systemwide.

Systemwide Central Services support key centralized corporate activities governed by the Board and largely related to legal and compliance requirements of operating a \$3 billion enterprise. These common corporate functions are already handled at the System level only and include legal, treasury, financial reporting, and IT Security. The President will manage and direct these functions.

Systemwide Shared Services represent common administrative support functions for the enterprise and will remain the same until otherwise justified. The President, with shared oversight of the Chancellors, will direct these services. Participation in a single instance of these services will be mandatory across the Universities, but each University will have a larger say in governance and service delivery as these services have a greater impact on their operation.

University Shared Services are currently located at each institution. Expanding the areas of excellence for each University will be explored, allowing other institutions to leverage relative strength of each institution. The highest performing versions of these services will be leveraged across the enterprise.

Local/College Shared Services represent administrative services delivered at the individual unit level. These represent key administrative functions that need to remain close to the mission functions and support day-to-day decision-making necessary to run the enterprise. These functions generally remain controlled by deans and department chairs. As cost pressures continue, deans and department chairs will be encouraged to continue to collaborate and seek scale in delivery of these services. Each University has already built shared services for their colleges and units and this will continue at the local level, allowing colleges and departments to leverage scale at the individual University level.

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IMPLEMENTATION OF MODEL

The first step in implementation of the framework will be combination of MU and UM System leadership structures into a single leadership team. This combination will create *Systemwide Central Services* and *Systemwide Shared Services* after conclusion of the November Board Meeting with adoption of the Council of Chancellors plan. Each UM System leader has met with their MU counterpart and developed a plan to integrate leadership structures and teams. The first step will be to move structures at MU that support all four universities into the Systemwide Shared Services function. These functions, coupled with the Systemwide Central Services, will compose the Systemwide Services function. The Systemwide elements of consolidation will remain on a separate budget; the other three Universities will not pay for services specific to MU.

The specific functions in Tier 1 Systemwide Central Services - The President will manage most of these function areas, except those already reporting to the Board of Curators – Office of General Counsel, Secretary to the Board, and Compliance and Audit:

1. Office of General Counsel
2. Compliance & Audit
3. Treasury
4. Investments
5. Financial Reporting and Accounting
6. Risk & Insurance
7. Benefits & Retirement
8. Human Resources Service Center
9. Human Resources Information System
10. Compensation (i.e. Global Grading System)
11. Affirmative Action
- 12.

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The specific functions in Tier 2 Systemwide Shared Services - The President, with shared oversight of the Chancellors, will direct these services:

1. Procurement
2. Accounts Payable
3. Real Estate
4. Government Relations
5. System Academic Affairs
6. System Research
7. eLearning
8. Supervisory Training

Implementation of Tier 3 and Tier 4 will

Overall, this initiative will ensure resources are maximized for the mission. To accomplish this, the University will adopt a framework of four tiers of administrative services:

- Tier 1: Systemwide Central Services
- Tier 2: Systemwide Shared Services
- Tier 3: University Shared Services
- Tier 4: Local/College Shared Services

To support adoption of these services, the University will adopt policies that encourage appropriate use of resources and follow principles that administrative services should support the diverse needs of the University. Implementation of the first tiers of service will occur during FY2021, while Tier 3 and Tier 4 will be on-going with opportunities to leverage centers of excellence or scale that may exist on individual Universities