

Best Practices - Cost Reduction

Title: An Academic Program Cost Model, a Tool for Strategic Decision-Making # 511

Dept: Academic **Source:** Midlands Technical College

Addl Info: http://www.sacubo.org/sacubo_resources/best_practices/2006.html

Abstract: Midlands Technical College's governing board is interested in the cost of programs and challenged the administration to analyze the college's cost of programs for use in strategic decision-making. Understanding and managing cost is critical in today's environment of declining revenues from public sources. The college's credit and noncredit programs were analyzed based on the model used for funding colleges in South Carolina. The model has provided the college a significant tool to better understand its cost of programs and clearly identify programs that subsidize those with higher costs. The model allowed the college to quickly and accurately respond to legislative inquiries regarding the cost of educating nurses. As a result, the college received a substantial new allocation from the state in recurring funds for its nursing program. Additionally, a spin-off model that simulates the affect of section sizes and net financial contributions to the college was developed collaboratively with the college's academic departments. The spin-off model allows the academic departments to make effective faculty loading decisions.

Retrospect
The college's governing board and administrators have been very pleased with the model and its impact on the college's strategic planning. The model has been accepted institution wide as a viable and valid tool for use in strategic decision making. While the administration wishes the model had been created earlier, it is now better positioned to allocate resources, make programmatic decisions and to understand the impact of those decisions.

Title: Northeast Tennessee Regional Academic Node (NETRAN) – A Lesson in Cooperation # 103

Dept: Academic **Source:** East Tennessee State University

Addl Info: http://www.sacubo.org/sacubo_resources/best_practices/2004.html

Abstract: Faced with continuing budget reductions in the State of Tennessee, East Tennessee State University (ETSU), Northeast State Technical Community College (NESTCC), and the Tennessee Technology Center at Elizabethton (TTC) formed the Northeast Tennessee Regional Academic Node (NETRAN).

In 2002, the CEO's of the three institutions approached the Tennessee Board of Regents (TBR) with the idea that forming a regional academic node would result in economies and efficiencies of scale. Chancellor Charles Manning authorized pursuing this concept noting, The outcome of this effort is intended to improve educational services for the people in the region while minimizing the cost.

NETRAN has been more successful than anyone originally anticipated. During its first six months of existence, more than \$100,000 of actual cost savings was identified as well as other educational and service benefits. NETRAN members continue to meet and work together on a regular basis to further the cooperative attitude and spirit that have been evident from the start. Due to the success of the initiative, the Tennessee Board of Regents has encouraged other institutions to implement similar strategies.

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Title: Auditing Higher Education to Improve Quality # 259

Dept: Academic **Source:** Chronicle of Higher Education

Addl Info: <http://chronicle.com/weekly/v49/i41/41b01601.htm>

Abstract: Today, a small but growing number of institutions both in America and abroad are achieving significant quality improvements through academic audits. The objective of an academic audit is to elicit thoughtful conversations about how to produce tangible improvements in education quality without having to spend more money.

Rather than trying to micromanage teaching, an audit asks how professors organize their work and the kinds of data they use to make decisions, as well as how faculty members can use the resources available to them and work collegially to do better. An academic audit relies on the following simple and widely held tenet of academic life: "Professors want to provide quality education, and they will do so when supported by good processes." Good education-quality processes systematize a department or other unit's approach to quality, instead of leaving it mainly to unmonitored individual initiative.

Contact Dianne Parkerson if User ID/Password is needed to access article

Title: Guide to Best Practices for Academic Program Analysis # 380

Dept: Academic **Source:** Middle Tennessee State University

Addl Info: <http://www.mtsu.edu/~iepr/bestpractices/index.htm>

Abstract: This Guide to Best Practices for Academic Program Analysis and Improvement assists MTSU faculty and departments in academic program analysis and improvement. This site provides suggestions on how to collect, analyze, synthesize, and interpret information to evaluate curriculum for the purpose of improving student learning outcomes. The questions and answers assist in all areas of institutional effectiveness, including the construction of your department's Institutional Effectiveness Plan.

Website can help set up an Academic Best Practice Program.

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Title:	Reduction of Academic Costs	# 422
Dept:	Academic	Source: University of Missouri - Kansas City
Addl Info:	http://www.umkc.edu/provost/documents/policies/Reduction of Academic Cost-Final.doc	
Abstract:	<p>The Task Force on Reduction of Academic Costs was formed to address current and future fiscal conditions. The specific charge of the task force was to:</p> <ol style="list-style-type: none">1. Review the instructional costs associated with programs with low enrollments and/or completions. As part of the review, the task force should examine a variety of productivity measures, including the student credit hours, research and public service funds generated per faculty member. The task force should calculate the cost savings associated with the consolidation, discontinuation, or other recommendations for low enrollment degree programs.2. Review duplicated programs, particularly those that are high cost or unnecessarily duplicated, across the four campuses of the University of Missouri. Calculate the cost savings associated with the elimination of a duplicated program, the impact of the program closure on State needs, and alternative means to provide access to a similar program for the affected students.3. Review the faculty workload policy in the Collected Rules and Regulations (310.080) and similar policies for each campus. Consider variations in the workload policies together with the possibility of capping enrollments as a way to lower instructional costs and maintain academic quality.	
Title:	A More Precise Method of Overhead Cost Recovery	# 512
Dept:	Budget Office	Source: University of Georgia
Addl Info:	http://www.sacubo.org/sacubo_resources/best_practices/2006.html	
Abstract:	<p>Under current practice, the University of Georgia's (UGA) Auxiliary Enterprises (including the UGA Athletic Association) receive significant overhead support from various administrative units whose operating costs are funded solely by UGA's Resident Instruction budget. Working collaboratively with representatives from Auxiliary Enterprises and the Athletic Association, the University's Budget Office and Controller's Office developed a mechanism that recognizes and properly apportions overhead costs to the self-supporting units. The result achieves the University's goal of minimizing the level of state-appropriated and tuition-generated funding that subsidizes these self-supporting operations.</p> <p>The resulting overhead cost recovery plan benefits all involved. It enables the University to reduce the flow of state funds to auxiliary units and rewards auxiliaries with a more equitable and, ultimately, lower assessment for overhead costs as the University's efficiency in this area improves.</p>	
Title:	Possible Best Practices Initiatives	# 768
Dept:	Budget Office	Source: Wake Technical Community College
Addl Info:	http://planningandresearch.waketech.edu/bestpractices.php	
Abstract:	Includes Cost Containment and Savings Strategies and Revenue Generation - good bullet points	

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Title: Print Rightsizing

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Dept: Business Services

Source: University of Texas at Austin

Addl Info: http://www.sacubo.org/sacubo_resources/best_practices/2004.html

Abstract: The CFO Organization at The University of Texas at Austin conducted a "rightsizing" analysis to determine if savings could be obtained. Rightsizing means putting the right functions on the right sized multi-function device to meet the business requirements of the people that are using the equipment. Instead of having several printers, a copier, a fax machine and a scanner to support an office group, one multi-function device that handles print, copy, scan and fax would be used. This device would be based on the required output. Rightsizing consolidates several pieces of equipment into one networked device that can be accessed to multiple users to handle multiple functions. This approach ensures that users are not over-purchasing equipment that was designed for higher utilization.

The rightsizing pilot project involved five different vendors and lasted approximately four months. The outcome of this effort was the selection of a single vendor who provided a solution to consolidate 100+ pieces of office equipment down to 24 multi-function devices for the CFO Organization. This consolidation resulted in a 40% reduction in print output costs in terms of equipment purchases, leases, maintenance and supplies. Additional soft costs were realized in terms of reduced support by technical personnel of the equipment fleet.

The CFO Organization structured an agreement with a single vendor that allows all departments on campus to participate and to pool volume on an annual basis. This will reduce costs because many of the University's copier agreements are based on a set amount of monthly copy minimums, even if actual usage is significantly less. Additionally, any month in which the minimum volume is exceeded results in monthly overage charges. By participating in the rightsizing program, all volume is pooled on an annual basis. If a department is over its volume target at the end of the year and another department is under, then volume can be pooled to offset one another, resulting in no overage charges.

This agreement also includes annual rebates for increased program participation. As more departments join the program and total volume increases, annual rebates will be returned to departmental program participants. This ensures that everyone benefits from leveraging the University's collective buying power, which provides incentives that cannot be duplicated by the individual contracts purchased under state negotiated pricing.

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Title: Copy/Print Management Program # 797

Dept: Business Services **Source:** Kennesaw State University

Addl Info: http://www.sacubo.org/sacubo_resources/best_practices/2007.html

Abstract: Kennesaw State University ("KSU") had an unwieldy semi-centralized copy/print program for both the administrative and student users that was established in 2000 and was to expire in June 2005. The contract called for guaranteed minimum usage, had built in annual price increases, required use of vendor manufactured paper at their prices, did not have clean audit trails or adequate reporting, and did not provide for consequences to the vendor for under or non-performance.

A cross functional team of faculty and administrators formed a task force in the summer of 2004 with the express purpose of devising a new business model that would address these issues as well as the over \$700,000 in annual cost for the existing program that was borne by the entire University not just copy/print service users.

Steps in the process included: 1) obtaining state technology authority approval, 2) engaging a consultant, 3) site visits and telephone interviews of references, 4) doing our homework, and 5) providing adequate testing and training before final implementation. The results have been worth the effort as a true cost-per-copy business model was developed with the cost of the program assigned to the users.

The NPM solution is online which enables clear audit trails, reconciliation between use and vendor charges, detailed reports for administrative departments that reflect by person, by device use, and total "portability", the ability to use any networked device from a desktop for printing or in person copying without individual machine programming. Functionality (faxing, color, and scanning) has been increased across campus while reducing costs significantly.

Paper costs were reduced from approximately \$0.04 per page to the state contracted rate of less than \$0.01 per page (a significant savings when usage is over 20 million images per annum). On-site technicians trained to industry guidelines were added to campus (as part of the cost-per-copy) and clear, measurable vendor expectations (like strict 98% uptime performance and 2 hour problem response times) were identified with penalties for non-performance.

Title: Tips and Hints to Control Costs In Your Organization # 740

Dept: Financial Affairs **Source:** Cost-Effective Organization - Book by James Hickel

Addl Info: <http://mysite.verizon.net/vze6l53f/id2.html>

Abstract: Covers - General, Human Resources, Finance, Administrative Expenses, Purchasing

Examples -

- * Review the number of internal reports that your company generates and find a way to eliminate them. Better yet, eliminate routine reports entirely: Reports should often show only critical exceptions, not routine information.
- * Constantly review whether services currently performed in-house would be more cost-effective if contracted out -- and vice versa.
- * Review who is subscribing to what publications in the office, and consider eliminating unnecessary or duplicate subscriptions.

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Title: Guide to Cost-Based Decision-Making

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Dept: Financial Affairs

Source: State of Texas Auditor's Office

Addl Info: <http://www.sao.state.tx.us/reports/main/05-139.pdf> (Original URL No longer valid)

Abstract: Government managers have traditionally had difficulty obtaining consistent and comparable information about the "true" cost of government services or products. Part of the problem is the inability to establish a rational cause and effect relationship between a particular service or product and the many types of direct and indirect costs. For example, the costs of many services such as purchasing, payment, revenue collection, human resources, management information, and reproduction and printing services are generally not linked to the specific service provided or the program served. Further, there generally is no attempt to derive a unit cost for such services.

Introduction and Overview

Chapter 1 - Developing an Activity-Based Costing System

Chapter 2 - Planning and Budgeting

Chapter 3 - Monitoring for Efficiency, Quality, and Effectiveness

Chapter 4 - Pricing

Chapter 5 - Outsourcing and Consolidation Decisions

Appendices:

A - Conducting Random Moment Time Studies

B - Developing a Detailed Process Flowchart

C - Discount Rates

D - Glossary

E - Bibliography

F - Acknowledgment

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Title: Team Cleaning # 97

Dept: Physical Plant **Source:** Hendrix College

Addl Info: http://www.sacubo.org/sacubo_resources/best_practices/2005.html

Abstract: Like many other businesses and institutions across the country, a stagnant economy and increased operating costs led Hendrix College to take a hard look at ways to trim its budget in the fall of 2003. The renegotiation of contracts and competitive bidding helped, but much more was needed. What Administrators already knew, however, was that the only way to significantly reduce operating costs meant reducing the size of its staff, whose salaries and benefits represented the largest slice of the budget pie.

Physical Plant supervisors were asked for ideas on how to reduce costs. The College had previously studied the possibility of utilizing some non-traditional scheduling to expand its coverage hours, and Judy Jones, Housekeeping Supervisor, had been toying with the idea of implementing a team-cleaning concept. She felt that by getting away from the longstanding tradition of assigning housekeepers to individual buildings, she could clean the same amount of square-footage with fewer employees. Prior to coming to Hendrix, Ms. Jones had operated her own cleaning service, and she had successfully utilized the team-cleaning concept in her business. She knew it would work. The only question was whether it would work on the much-larger institutional scale.

Working in concert with the Physical Plant Director, Ms. Jones developed a plan to reduce the number of full-time housekeepers from 30 to 25, a 17 percent reduction. The plan was to phase in the team-cleaning program over a six-month period as the staff size was reduced through attrition, thereby eliminating the need to lay off employees.

Title: 5 Ways to Cut Costs in 2005 # 630

Dept: University Wide **Source:** Business Finance Mag.com

Addl Info: <http://www.businessfinancemag.com/magazine/archives/article.html?articleID=14296&highlight=best%20practice>

Abstract: Reducing expenditures remains at the top of CFOs' priorities list, even as they turn their attention to revenue enhancement.

Cost-cutting initiatives remain firmly at the top of most CFOs' agenda. In a May 2004 survey of finance executives at more than 150 large companies conducted by New York City-based consulting firm Booz Allen Hamilton, 85 percent of respondents said cost reduction is their highest priority. Nearly 60 percent reported that they are focusing on opportunities to reduce the cost of providing overhead services by trimming nonessential spending, restructuring costs and standardizing service levels. And only 3 percent said they have reduced overhead costs as much as possible.

Ongoing studies by The Hackett Group confirm that cost containment remains most companies' primary objective. "Sixty-one percent of 300 executives who responded to a recent poll said cost cutting was their number one companywide priority," says Richard Roth, Hackett's Atlanta-based chief research officer. "There's still a strong feeling among senior executives that 'if our company does grow, let's make sure our costs don't grow along with it.' "

While the draconian cost-cutting campaigns many organizations implemented during the downturn may already have harvested much of the low-hanging fruit, savvy CFOs can still find opportunities to ferret out efficiencies. Here's a look at five approaches finance executives may want to consider as they plan their cost-cutting strategies for 2005.

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Title: Becoming a Lean University # 807

Dept: University Wide **Source:** University of Central Oklahoma

Addl Info: http://www.sacubo.org/sacubo_resources/best_practices/2007.html

Abstract: The model used to implement the Lean University™ has been proven effective in other types of organizations. The 4-step model is described below:
Step 1: Identify the Opportunities - Complete an organization-wide diagnostic search for issues, problems and opportunities.
Step 2: Solution Design - Create a blueprint for success that involves all employees: training, mapping, and planning.
Step 3: Implementation – Use kaizen events, core teams, and metrics to implement and illustrate change.
Step 4: Continuous Improvement – Monitor performance after projects are completed.

Implementation of Lean University™ has resulted in numerous benefits and reduced waste. The overall impact is the cultural concept that positive change can and does happen at the University of Central Oklahoma. Employees have realized that they have been empowered to make improvements that help the financial position of the university, make their sense of satisfaction higher, reduce their frustration, and increase their productivity.

Title: Resize the Right Way # 864

Dept: University Wide **Source:** NACUBO

Addl Info: <http://www.nacubo.org/x7974.xml>

Abstract: Downsizing Do's
Reflecting on Ohio University's workforce reduction and medical clinic privatization initiatives, university leaders offer these realignment lessons.

- * Adopt guiding principles. Shared values are important in times of great change. When difficulty looms, senior executives must adopt a clear set of guiding principles by which all decisions and institutional standards of behavior are assessed. Otherwise, many long-term practices may be discarded due to stress, fear, and the perceived or real magnitude of the problems at hand.
- * Involve key constituent groups in decision steps. Doing so can increase trust in the process, the institution, and its leaders and will aid in managing future issues.
- * Collaborate. Collaboration among senior officers is vital to show unity and directly acknowledge that all faculty and staff are working toward the same goals.
- * Communicate. Especially during difficult times, communicating too little fosters rumors, erodes trust, and can cause other residual effects such as dissension. Communicate the same messages at all levels. This eliminates any turmoil surrounding what to communicate, when, and to whom.
- * Include employees from day one. Good decisions can't be made without input from all employee and faculty levels. Tap employee input at every stage and on every aspect of plan design. For instance, hourly positions are often cut first in downsizing efforts, assuming that mid- and upper-level management positions are harder to replace. In such situations, morale can quickly deteriorate due to burnout when incumbents have to perform lower-level duties in addition to their own.
- * Debrief. Debriefing sessions held during and after a staff reduction are necessary for institutional learning and employee assurance. These sessions must be honest and productive and help alleviate fear among the "survivors," who may be waiting for the other shoe to drop.
- * Prepare. Since campuses are seldom faced with large reductions in staff, an institution's leaders may quickly find that state employment codes are not clear and are open to interpretation by various campuses and state offices. Take time now to develop a formal plan that also addresses potential legal pitfalls, including discrimination claims, breach of contract, and if applicable, Worker Adjustment and Retraining Notification Act violations. Other steps to ensure that you are legally defensible include hiring a legal specialist or securing the services of a nationally recognized career transitions firm, and training and educating supervisors—from senior officers down—to act appropriately and consistently communicate correct information.

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Title: Is Outsourcing Part of the Solution to the Higher Education Cost Dilemma?—A Preliminary Examination

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Dept: University Wide

Source: Higher Education Washington, Inc.

Addl Info: <http://www.hewi.net/> (Original URL No longer valid)

Abstract: The national debate over college costs and prices has included extensive analysis and research on the topic of why prices and costs have increased faster than inflation, incomes, and other measures. The factors associated with rising costs and prices are complex, as are the solutions to the dilemma of how to control costs and reduce prices. Some members of Congress, for example, have called for federal intervention to rein in spiraling prices, while many states have worked to reduce costs by eliminating program duplication, increasing faculty teaching loads, and other requirements.

One relatively unexplored method for potentially reducing costs is through what is commonly referred to as the “outsourcing” of various higher education functions and services. Outsourcing is a form of privatization that generally refers to a higher education institution’s decision to contract with an external organization to provide a traditional campus function or service. The contractor either takes over the task of compensating and managing the employees of the university, paying the group according to its standards, or replaces the university employees with its own staff. This strategy has been utilized by the business sector for several years, and there is some evidence that higher education institutions are exploring similar types of outsourcing.* The authors are grateful to Kimberli Keller, Graduate Fellow at the Institute for Higher Education Policy, for research assistance and other support in preparing this paper.