UNIVERSITY OF ALASKA

VICE PRESIDENT FOR ADMINISTRATION

May 1, 2008

To: President Hamilton

From: Jim Johnsen

Re: Organizational Issues

As I watch and listen to the varying perspectives and views expressed from the community campuses, through the MAUs and Statewide, up through to the Board of Regents, I am reminded of the famous passage from *Cool Hand Luke*, "What we've got here is a failure to communicate."

This admittedly pedestrian observation is, arguably, at the root of many of the concerns expressed in the External Review recently completed by MacTaggart and Rogers. It also underlies problems we have faced recently in MAU interaction with the Legislature, in approaches to corporate funders, in coordinating our many automation projects, in several areas of the recently completed operating reviews, in clarifying the distinctive missions of our major universities, in selecting and retaining campus leadership, and in our interaction with the Board of Regents—especially on facilities issues.

It would be one thing if we—all of us—were not good people trying hard. We are. It would be another thing if we did not respect each other. We do. Instead, it looks like we are speaking different languages which reflect the several "organizational" cultures at work across our university system, each with its own values, priorities, and ways of doing business. And no matter how clear or loud the words, no matter how good the data or logical the argument, we will continue to experience issues like those listed above if we do not understand each other because of our different organizational cultures. Further, if we do not settle on a single core culture that orients all of us, while maintaining in part our distinctive cultures in support of the core culture, the university will not maximize its mission for our state and its people.

In the following few pages, I describe briefly each culture in terms of its values, preferred leadership, management style, ideal employees, decision making, climate, strengths and weaknesses. I then suggest an approach we might consider taking with the Regents, your cabinet, and other key university leaders to frame a discussion and set a direction for UA.

Four Organizational Cultures

Control
Our finance staff, for example, might be expected to exhibit characteristics of a "control" culture.* So too do members of the Regents' facilities committee. In this culture, we value authoritative leaders, conservative management styles, compliant employees, methodical decision making, predictability, and a no nonsense workplace climate.

Positive aspects of this culture include its emphasis on strength, vigilance, clear roles and responsibilities, order, objectivity, and practicality. Weaknesses of this culture include stifling of innovation, dysfunctional competition, an impersonal climate, inflexibility, and excessive bureaucracy.

Collaboration
Many of our faculty and staff reflect characteristics of a "collaboration" culture. Here, we value team building leaders, participative management styles, employees who are team players, collegial decision making, egalitarianism, and a harmonious workplace climate.

Positive aspects of this culture include its ability to manage conflict, embrace diversity, encourage dedication to mission as well as teamwork, and support cooperation and coordination. Weaknesses of this culture include a lack of accountability, ad hoc decision making based on personality, difficulty in a competitive environment, and a tendency to lack strategic focus.

Competence
Our academic researchers might tend to exhibit characteristics of a "competence" culture. Here, we value visionary leaders, task driven management styles, expert employees, scientific/objective decision making, meritocracy, and a competitive workplace climate.

Positive aspects of this culture include its emphasis on high performance standards, professionalism, creativity, merit, strategic focus, adaptation, and continuous employee development. Weaknesses of this culture include overlooking the personal in favor of the organizational, no respite from the need to improve, an overemphasis on winning, personal insecurity, and insufficient support for teamwork and its benefits.

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* Adapted from Schneider, William. *The Reengineering Alternative: A Plan for Making Your Current Culture Work.* McGraw-Hill. New York, 1994.

Cultivation

Finally, some at the university reflect a "cultivation" culture. Here, leaders are catalysts, we use a people driven management style, employees are creative, our approach to decisions is subjective and dynamic, we value faith and growth, and a caring and generous workplace climate.

Positive aspects of this culture include its building of commitment and dedication among employees, creating of opportunities for growth and development, its value on creativity, its tolerance for error, and its commitment to pursuing higher order hopes and values. Weaknesses of this culture include a lack of direction and focus, low accountability for performance, unclear roles and responsibilities, subjective decision making, unhealthy de-emphasis on needed controls, and the continuation of ideas and programs no longer useful.

A Suggested Approach

Background

The Automated Process Executive Group*—whose purpose is to enhance the university's employment of automated processes through increased coordination and management—has already begun the process of considering these cultural issues. The many suggested changes in the MacTaggart/Rogers report are being evaluated by MAU leaders and their recommendations will be presented to you in the coming weeks. At the same time, we have two new chancellors. And finally, in mid-June the Board of Regents is set to have a retreat. So, we have a rare opportunity.

Opportunity

In light of these converging interests and processes, the timing is right for a process that will provide a common language and framework for discussing the fundamental issue that, in my opinion, lies at the root of many of our organizational challenges. With a common language, we can determine our core culture (understanding that there will be elements of all four cultures present) and then begin the work of aligning the priorities and decision making across our complex system to support that core culture and, thereby, better serve our mission on behalf of the state.

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* This group is chaired by me and is comprised of Chancellor Pugh, Provost Driscoll, Vice Chancellor Bailey, and Vice President Julius and Chief IT Officer Smith.

Process

On May 21, there is a President's Cabinet meeting, where I could lead the following discussion:

1. Introduce the topic
2. Administer the questionnaire (attached)
3. Summarize the results of the survey
4. Discuss the implications for such broad issues as:
   a. Strategy
      1. What is success?
      2. What is our way to success?
      3. What is our approach to customers, constituents?
   b. Leadership
      1. What is our leadership style?
      2. What is our management style?
   c. Structure
      1. What is our organizational form?
      2. What is the role of our employees?
   d. Power
      1. What is our approach to decision making?
      2. How do we manage change?
   e. Relationships
      1. What are our values?
      2. What is our workplace climate?
5. Discuss implications for issues such as:
   a. roles and responsibilities at Statewide and at the universities
   b. performance management
   c. Board of Regents/Administration relations
   d. leadership development
   e. staff and faculty relations
   f. strategic planning

On June 17, there is a meeting of the Board of Regents with you and the chancellors. A similar process as above could be followed.

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UNIVERSITY OF ALASKA
Vice President for Administration

May 30, 2008

TO: President Hamilton

FROM: Jim Johnsen

SUBJECT: External Administrative Review

In conjunction with executive and managerial staff in the Statewide administrative units—finance, human resources, land management, risk management, financial systems, and cost accounting—I have begun to develop a response to the report recently presented to you by the External Review Advisory Group. At this point, the response is in four parts:

    1) What's good or helpful about the report?
    2) What's bad or unhelpful about the report?
    3) What's factually wrong about the report?
    4) How should we move forward?

What's good or helpful about the report?

- recommendation to clarify the roles and responsibilities of the MAUs and councils

- acknowledgement of the importance of training

- idea that top leadership should have more information about operational issues

- heightened awareness of F&A and how to affect it

- emphasis on the need for clarification of accountabilities

- priority on more collaboration

- support for filling the Chief Facility Officer position

- support for more transparent budget process

- suggestion that technology (web) be used more information and updates rather than face to face meetings

- support for SW MAU performance metrics

- support for a system wide market strategy

- recognition that change will take time

- interest in greater SW presence in Anchorage

- awareness that standardized processes can be beneficial

What's bad or unhelpful about the report?

- little scrutiny/evaluation of MacTaggart/Rogers' recommendations on SW "programs"

- overemphasis on who has authority (turf) rather than cost, efficiency, and effectiveness

- notion that Statewide is simply a service center rather than leader, decision maker on behalf of UA system

- overemphasis on collaboration, which may undermine effectiveness and accountability

- expands number of issues going to the president and chancellors without executive staffing and analysis

- little recognition that UA is a ONE employer and corporate entity (in relation to IRS, EPA, OSHA, etc)

- too much authority assigned to committees (e.g., technology committee)

- over reliance on biased, parochial, and uninformed perspective in write up of certain recommendations

- unclear whether original purpose of external review was upheld

- decentralized trend would be exaggerated

- incomplete understanding of compliance monitoring and integrated reporting requirements

- assumes that HR information systems is separable from HR, for process redesign purposes

- externalizes MAU responsibility for delays in HR Redesign onto SW

- minimizes adverse consequences of decentralization in areas without sufficient MAU expertise

- assumes that there will be redundant expertise across the MAUs, a very costly alternative

- assertions of problems are unclear and unsupported

- exaggerates problems and minimizes successes

- unclear benefits to locating additional SW staff in Anchorage

What's factually wrong about the report?

- incorrect report on effectiveness of HR training at UAF
- incorrect assertion that HR training has not been implemented at UAF
- incorrect assertion that HR process changes with system impact have not included input from other MAUs
- that the training area is the only cause of improvements in UAF HR
- recommendations are not always consistent with feedback from MAU "on the ground" staff
- risk management audits have not been conducted by insurance brokers
- assumption that F&A can be used for purposes other than meeting F&A costs
- ideas for use of SW's share F&A would actually have the effect of decreasing overall F%A rather than increasing it

How should we move forward?

- fill the Chief Facility Officer position
- begin clarification of roles and responsibilities of MAUs and councils
- increase SW "presence" in Anchorage by increased attendance at UAA executive staff meetings and other events
- strengthen interMAU career development
- invite UAS and UAA to formally participate in HR Redesign
- either fully implement long-delayed HR Redesign or terminate the effort ASAP
- determine direction for risk services area ASAP due to immediate compliance concerns and prior written communications on this topic
- implement performance management
- if departments move across MAUs, do so in conjunction with the fiscal year
- provide more opportunity for subject matter experts to inform decisions coming out of this review
- clarify UA's organizational culture to enhance "fit" of MAUs (including SW) and their staff within system
- provide opportunity/venue for "damage" caused by review to be healed

University of Alaska
Vice President for Administration

April 3, 2008

TO: Carol Griffin
      Chair, SW Review Advisory Group

FROM: Jim Johnsen
        Vice President for Administration

SUBJECT: Response to MacTaggart and Rogers Report Recommendation
           SW Staff to Anchorage

External Recommendation

Additional Statewide (SW) employees staff to be transferred to Anchorage.

Background

Most SW employees work in Fairbanks. Of the current approximately 230 SW staff, about 26 are in Anchorage. These employees work in human resources, risk management, land management, IT, UA Foundation, and UA corporate programs. This SW presence in Anchorage has fluctuated over the years due to changes in such conditions as UAA need, UAA capability, and personnel actions.

Interests

Better serve UAA customers.
Closer proximity to IT providers.
Stronger labor market.
Proximity to other SW staff (critical mass).
Fairbanks community interest in maintaining UA system office there.
UAA interest in more accessible legal counsel.

Standards

Quality of service.

Options

1. Assess each SW position for opportunity to improve service or cut cost by moving position to Anchorage . Where advantageous, move the position.

    Pros: Locates staff at optimal location to provide service.
    Opens access to stronger labor market.
    May increase SW appreciation for UAA perspective.
    Increase transfer opportunities for SW staff at UAA.

    Cons: Reduce coordination/communication with SW offices in Fairbanks.
    May reduce promotional opportunities within SW.
    May invite external political reaction from Fairbanks.

2. Assess each position as it becomes vacant for potential relocation.

    Pros: All from Option 1.
    More gradual.
    Less disruptive to employees and community.

    Cons: This approach would take longer.

Recommendation

Option 2.

UNIVERSITY OF ALASKA
VICE PRESIDENT FOR ADMINISTRATION

April 3, 2008

TO: Carol Griffin
                Chair, SW Review Advisory Group

FROM: Jim Johnsen
                Vice President for Administration

SUBJECT: Response to MacTaggart and Rogers Report Recommendation
                Budget Transparency

External Recommendation

The System office could show its commitment to continued self-appraisal by increasing budget transparency in the Statewide budget units. At a minimum, the budget should differentiate between governance, service and program functions, perhaps at the allocation level. Page 34, bullet 4.

Background

None

Interests

- Budget transparency for campus leaders
- Statewide to self-appraise its activity level in key areas

Standards

- Best practices

Options

1. Provide opportunities for campus leaders to review Statewide's budget

   Pros:
   - Increases knowledge of Statewide budget on campuses.
   - Increase trust and goodwill between Statewide and campuses.

Cons:
- Additional time is required to reformat Statewide budget into suggested format
- Additional time needed to communicate Statewide budget

Staff Recommendation

Statewide can differentiate its budget between governance, services and programs at a general level as done in the external report and provide this information as part of Fall Operating Review and Spring Management Report.

April 3, 2008

TO: Carol Griffin
              Chair, SW Review Advisory Group

FROM: Jim Johnsen
              Vice President for Administration

SUBJECT: Response to MacTaggart and Rogers Report Recommendation
              Human Resources

External Recommendation

Re-evaluate the merits and goals of the Fairbanks-based HR Redesign project. The report views a "merger" of functions between SWHR and UAF HR offices as undesirable due to expressed concerns of role confusion and/or negative perceptions by the other MAUs. The MacTaggart/Rogers recommendation is to pursue one of two approaches:

1. Assign responsibility for human resources functions—recruitment, hiring, payroll, retention, and dismissal—for all Fairbanks employees, including Statewide (SW), to UAF HR, with system wide functions retained at SW. Consistent with that approach, SW employees in Anchorage would receive human resources services from UAA HR.
2. In the alternative, extend the "service center" model of the Fairbanks-based HR Redesign project to the other campuses.

Background

Within the last year, HR services at SW and UAF entered into a redesign process intended to improve HR services at UAF. The process resulted from an external review—based on input from a large number of UAF and SW staff and an analysis of best HR practices—conducted by members of the higher education HR practice at Segal-Sibson, a highly regarded management consultancy with experience at dozens of universities across the country.

Based on the Segal report, President Hamilton and Chancellor Jones agreed to the following:

* Redefine HR in Fairbanks as a single entity whose mission is to help UA execute its mission through its people – what will become the UA HR Charter.

- Create a deployed service delivery model that locates knowledgeable HR staff within or close to campus departments they serve. These HR generalists ("consultants") will provide direct customer service on a variety of HR topics, working collaboratively with SWHR experts in benefits, labor and employee relations, compensation, training and development, recruitment and HR Operations, who are located in the main HR office.
- Improve, streamline, and where possible automate HR system processes and procedures. Aggregate administrative and transactional HR functions co-located in Fairbanks.
- Preserve current SWHR system wide responsibilities such as providing functional expertise, regulatory compliance and policy oversight.
- Add to the HR mission the development of HR leaders and staff.
- Create a rigorous measurement, analysis, and accountability environment.

At present, the redesign is in midstream. The HR Charter is complete. Key processes have been mapped, training has been delivered with much more on the way, and the payroll/personnel operations units at SW and UAF HR have been merged. This latter development has resulted in the identification of a large number of latent problems, which are now being addressed. Other improvements now being realized from the integration of payroll processing and HR systems include the increased training and oversight of staff by managers who are knowledgeable about payroll and processing. Increased collaboration and an enhanced understanding by SW and UAF staff of each other's capabilities, needs, and perspectives are other gains from the merger of these units. The remaining steps in the HR Redesign await the redesign of additional processes, the selection and training of HR consulting staff who are to be deployed to operating units and the review of existing positions and organizational structure to determine alignment with the ways in which services will be provided and work conducted.

The relationship between SW HR and the HR offices at the other campuses remains unchanged. In general SW is responsible for the overall administration of human resource at the university and, therefore, retains the policy, governance, and expert service responsibility for the university system in the areas of recruitment, compensation and classification, benefits, labor and employee relations, training, payroll and benefits accounting, and HR systems. The campuses—with delegated authority from SW—perform a wide variety of human resources functions in the above listed functional areas.

Interests

- High quality HR services.
- Streamlined and automated HR processes.
- Non-duplicative staff at SW and the campuses.
- HR generalists available to meet the HR needs of campus operational managers (e.g., deans, supervisors).
- Co-location of operations staff to enable learning, cross coverage, and growth.
- Strong training and career paths for HR staff.

- Structure that would let UA "grow our own" skilled HR staff, given recruitment difficulties for HR positions, especially in Fairbanks.
- HR experts at SW available to entire UA system.
- Flexibility to permit different HR structures and processes on the campuses, to the extent this is valuable and does not detract from needed uniformity.
- Continued coordination of HR processes and projects, through existing cross-MAU HR work teams and Human Resources Council, to maintain inclusion and consideration of interests of HR offices at all MAUs.

Standards

- Best practices at other universities.
- Compliance with law.
- Compliance with Regents' Policy and University Regulation.
- Transactional HR functions centralized, streamlined, and automated.
- HR customer services provided by highly trained generalists. Consultants work closely with customers and are located near the customers' place of work. .
- Specialized HR experts located centrally so their assistance is available on complex HR matters throughout the system.

Options

1 One suggested approach by MacTaggart/Rogers, is to assign responsibility for human resources functions—recruitment, hiring, payroll, retention, and dismissal—for all Fairbanks employees, including Statewide (SW), to UAF HR, with system wide functions retained at SW. Consistent with this approach, SW employees in Anchorage would receive human resources services from UAA HR. *will?*

   Pros:
   - Reduces SW staff (slightly).
   - Reduces redundancy.
   - Places responsibility at campus to develop strong HR organization.
   - Provides for more similar relationship between SW and three campuses.
   - Establishes purer roles for SWHR (policy/compliance/system work) and campus HR offices (HR service functions).

   Cons:
   - Eliminates great advantage of co-located operations unit (described more *why?* fully on p. 2).
   - Requires major transformation/training of UAF HR, at substantial cost.
   - Requires greater expertise of staff in campus HR positions due to higher functional levels of positions required; the additional number of professional HR positions needed by campus increases costs

- Separation between policy/compliance experts and operational functions reduces levels of knowledge/understanding and ability to create well defined policies and procedures; increases "us-them" attitudes
- Increases burden on UAF and UAA HR to serve HR needs of SW employees/supervisors
- Reduces customer service levels until campus HR staffing is increased/trained Currently UAF HR lacks the ability to maintain the level and qualify of service SW departments receive from SWHR. *Hah !*
- SWHR will have limited resources to respond to campus requests for assistance, e.g. conducting investigations, utilization of SW staff to MAUs during staff turnover/medical leave, meeting training needs.
- Increases liability/employee litigation

2. Option 1, with exception that the Operations unit would remain merged between UAF and SW pursuant to the Redesign effort. The list of Pros and Cons would be the same as above, with one change. The item regarding the advantage of a co-located operations unit would shift to the Pro list as shown below, and would be dropped from the Con list:

Pros:
Maintains great advantage of co-located operations unit

3. Continue to progress with HR Redesign and maintain current relations/roles between SWHR and other campuses.

Pros:
- Reflects best practice in higher education HR.
- Clarifies roles. Eliminates redundancy between UAF and SWHR.
- Supports UAF HR focus on service rather than transactional processes.
- Provides advantage in training new/inexperienced HR staff in Fairbanks; training delivered by expert SWHR professionals following identification of need
- Allows other campuses to have own structure.
- Continues coordination of systemwide HR issues with input from all MAUs, e.g. cross-MAU HR workteams maintained for process/project work
- Maintains great advantage of co-located operations unit.
- Increases knowledge of practicalities of HR processes and issues at a campus level on the part of HR experts and policy makers; leading to better policies and procedures.
- Allows for needed support to UAF HR during period of capacity-building
- Allows identification of process improvements that can be made available to other campuses more promptly than occurred prior to Redesign.

- Relieves campus HR offices at UAA and UAF of the burden of extending ?
  support for HR services at SW.
- Permits options to remain open regarding possible future changes to
  systemwide HR structure, e.g. whether benefits, classification or other HR
  functions should be centralized.

Cons:
- Other campuses may perceive SW favoritism toward UAF.
- UAF may perceive loss of autonomy and responsibility for HR.

4. Alternative approach suggested by MacTaggart/Rogers is to extend the
   Redesign model to other campuses.

Pros:
- Consistent structure across the system.
- Best practice in higher education HR.
- Contributes to career development of HR staff across entire system.
- Increases opportunity for sharing and cross training of staff between all
  HR offices at all locations.
- Enhances consistent application of HR policies, regulations and
  procedures across system, increasing evenhanded treatment of employee
  issues and perceptions of fairness regardless of location

Cons:
- Other campuses have not requested to be included in such an expansion
- Campuses may perceive loss of autonomy and responsibility for HR.
- More difficult to implement and gain staffing efficiencies at other MAUs
  due to geographic locations.
- Lack of capacity to work on all fronts at once if project expanded.
  Projects and efforts would have to be prioritized
- Requires shift in staffing and resources from campus to SWHR as model
  is implemented and SWHR employees assume duties currently performed
  by UAA and UAS employees, e.g. personnel and payroll operations in
  Anchorage and Juneau.

Staff Recommendation

Option 3 - Continuing the progress of the HR Redesign work.

In addition, it is recommended that more frequent and detailed communications occur *con'tin'*
with campus HR offices at UAA and UAS beginning with the early development of
redesign plans for any processes that potentially would impact system HR processes or
individual campus HR procedures. Vice Chancellors of Administration periodically
should be invited to attend sessions to receive information and provide input to the Chief
HR Officer and to HRC concerning the improvement of HR processes.

Attention should be given to clarifying and communicating roles, responsibilities and standards in the consultation/approval process between Statewide HR and campus HR offices concerning identified HR actions for which SWHR has oversight. *control again*

UNIVERSITY OF ALASKA
VICE PRESIDENT FOR ADMINISTRATION

April 3, 2008

TO: Carol Griffin
                Chair, SW Review Advisory Group

FROM: Jim Johnsen
                Vice President for Administration

SUBJECT: Response to MacTaggart and Rogers Report Recommendation
                Facilities

External Recommendation

Replace the now vacant senior facilities executive in Statewide (SW).

Background

From 1997 to 2003, there was no facilities expertise in SW. Before 1997, however, there was a facilities function at SW with up to 12 architects, engineers, and other facilities experts. This office was disbanded as part of a budget reduction.

As result of concerns from the Regents and senior administrators, in 2003 the position of Associate Vice President for Facilities was created. It was filled until 2007, when the incumbent resigned to take a position at another university. The president determined at that time that the position would not be refilled and that, instead, he would directly engage the chief facilities staff at the campuses on facilities issues.

Just prior to the previous incumbent's departure, the university engaged RISE Alaska, a facilities planning consultancy, to conduct a review of our facilities processes and organization. Consistent with the recommendation in the MacTaggart/Rogers Report, in its preliminary report RISE Alaska recommends reinstating facilities expertise in SW.

Interests and Concerns

Credible, accurate, and timely information about projects.
Accuracy in cost estimating.
Strategic role for Regents.
Accountability through the organization.
Clarified policies and regulations.
Facilities planning capability.
Stronger facility project management.

Standards

Other university system offices.
Other university system policies and regulations.
Best professional practices.
Relations between Regents and staff.

Options

1. Replace the now vacant senior facilities executive in SW.

    Pros: Adds facilities expertise at SW, improving management of facility
            program and increasing ability of president and Regents to serve strategic
            role in facility planning, finance, and operation. Consistent with RISE
            Alaska preliminary report.

    Cons: Cost of at least $200,000 per year. More if additional positions are added
            to the office.

2. Leave the position vacant and rely on extant SW and campus staff.

    Pros: Reduces SW positions and personnel costs.

    Cons: Does not add facilities expertise at SW, reducing accountability and ability
            of president and Regents to serve strategic role in facility planning,
            finance, and operation.

Staff Recommendation

Refill the position but at a lower level.

UNIVERSITY OF ALASKA
VICE PRESIDENT FOR ADMINISTRATION

April 3, 2008

TO: Carol Griffin
            Chair, SW Review Advisory Group

FROM: Jim Johnsen
            Vice President for Administration

SUBJECT: Response to MacTaggart and Rogers Report Recommendation
            Risk Management

External Recommendation

(1) Other systems have found it more effective to divide responsibility for risk management such that the central office, with input from the campuses, defines the template for assessing risk, but the chancellors are charged with implementing risk assessment reviews and steps for remediation at their campuses.
(2) An annual report to the Regents on this process and its findings would help ensure that it remains a priority for campus leaders.
(3) The service function of insurance procurement, claims processing, and self-insured retention allocation should be clearly separated from risk management's governance and control functions to ensure a service philosophy pervades those functions.
(4) Returning responsibility to the campus level will require a commitment of time and resources to risk management by campus leadership that exceeds past efforts.

Background

SW and the campuses have distinct responsibilities for risk management. In general terms, SW has overall responsibility for ensuring that a comprehensive risk management program is in place and takes the lead in providing insurance, processing claims, and housing UA's resident experts in several risk management fields. The campuses, through delegation from SW, are responsible for providing a wide variety of assessment, training, mitigation, and other services.

Using the framework from the External Report, Risk Services currently encompasses several distinct functions and fulfills two roles:

Function	Role		
	Governance	Services	Programs
Environmental Health and Safety	X		

Emergency Preparedness	X	X	
Risk Management	X	X	
Claims	X		
Insurance	X	X	

These responsibilities are carried out in the face of ever more complex regulations, heightened awareness of both natural and human caused threats, and increasing demand for new and more responsive academic programs—all within a limited fiscal context. While basic life and safety services have been covered well by the campuses, there are significant gaps in key areas of risk management. Unfortunately, but at the same time understandably, risk management priorities have not fared well in the campus competition with academic priorities for scarce resources. In response, the SW risk management organization has grown to fill the gaps on the campuses. In particular, additional staff have been added in environmental health and safety and emergency management.

Initial reactions to the report's several recommendations from Risk Management staff include the following:

Recommendation 1: Agree with this recommendation. However, there is currently no formal campus wide risk assessment program occurring at any MAU. UAF and SW are the only campuses with a risk management position. This could be implemented with administrative buy-in.

Recommendation 2: Agree. Up until just a few years ago, Risk Services provided an annual report to the Board of Regents. The expectations for accountability in higher education for the health, safety, and welfare of students are only increasing.

Recommendation 3: Based on the definitions provided by the consultants, the areas of insurance and claims should be considered governance functions rather than services, as stated in the above recommendation. The university is mandated by law to maintain certain insurance programs as well as respond to claims. There are some service functions that are performed by the insurance staff, such as managing optional student insurance programs, providing certificates of insurance to outside entities, and notary bonding for employees, but it would be difficult, inefficient, and more costly to separate those functions from the mandatory responsibilities. Further, the consultants did not state what the services are to be separated from (Move those services from SW to the campus? Separate the services between existing staff at SW?). The term "self-insured retention allocation" is unclear and, therefore, un-actionable.

Recommendation 4: The consultants do not state what functions should be returned to the campus level. Currently, the only centralized functional areas in SW Risk Services are the combined governance and services functions of insurance and claims. Since those have never resided at the campuses, they cannot be returned. This recommendation could potentially apply to risk managements. A great deal of support in the area of risk management is provided to the campuses due to lack of campus staffing in this area. It should be noted that the campuses currently have governance roles in environmental health and safety and emergency preparedness. In the last four years, SW Risk Services hired staffing in those two areas to provide strategic planning, guidance, training, and resources to campuses, all of which are to some degree non-compliant in these areas. The statement that the campuses will need to commit more time and resources is accurate.

Interests

Ensuring safe workplaces and laboratories
Decision making based on risk assessment
Emergency response capability.
Continuity of operations
Continued competitiveness for grants and contracts
Efficient transactional processes
Public confidence
Campus executive engagement, placing higher priority on compliance.
Non-replication of specific expertise at SW and campuses.
Customer service approach by SW
Enhanced cooperation from campuses

Standards

Federal and state laws.
UA Regents Policy and University Regulation.
Other university system offices.
Other university system policies and regulations.
Best professional practices.

Options

1. Strengthen campus responsibility for risk management services while maintaining transactional, governance, and control functions at Statewide (SW).

   Pros: Ensures appropriate division of responsibilities.
                Relieves SW of need to add staff to fill campus gaps.
                Places resources at point of service on campus.
                Includes delegation, so SW can withdraw if campus noncompliant.

   Cons: Would require campuses to increase funding for and expertise in risk management.

2. Centralize all risk management in SW.

   Pros: Ensures consistent programs and services across the system.
                More efficient allocation of expertise.
                Financing mechanism in place.
                Relieves campuses of need to compete risk management with academic priorities.
                Provides latitude to shift staffing to specific campus issues as needed.

   Cons: Relieves campus of responsibility for risk management compliance.
                Causes SW to increase staff.
                MAU lacks control of staff.

3. Decentralize all risk management to the campuses.

   Pros: Provides campuses full responsibility for risk management compliance and services.
                Results in SW reduction of staff.

   Cons: Large increase in cost to system due to replication of expertise and, for purposes of insurance and transactional processes, a reduction in the economy of scale.
                Likely high gaps in compliance.
                Difficult to demonstrate accountability to Regents, president, and state and federal agencies.

Staff Recommendation

Option 1 with additional consideration of reallocation on the campuses and additional funding through the Risk Pool for fulfilling needed Risk Management services at the campus level.

April 3, 2008

TO: Carol Griffin
             Chair, SW Review Advisory Group

FROM: Jim Johnsen
             Vice President for Administration

SUBJECT: Response to MacTaggart and Rogers Report Recommendation
             Executive Expectations

External Recommendation

Move from a centralized decision making culture to one that is more collaborative by clarifying responsibility, accountability, and authority between the system and the campuses. MacTaggart and Rogers recommend that the president, chancellors, and vice presidents meet to develop a written statement of their mode of operation.

Background

This group—the president, chancellors, and vice presidents—comprises the President's Cabinet. Meeting monthly, usually for a whole day, the group informs the strategic direction of the university, discusses pressing issues that affect the campuses, and works to coordinate initiatives, resources, processes, and priorities.

Interests

Balancing consistent approaches to similar issues with campus flexibility.
Development of a leadership team.
A forum for understanding the varying capabilities and interests of the campuses.
Helping the campuses understand the system view.
Enhance coordination of academic and administrative priorities.

Standards

Clearly understood roles, responsibilities, and expectations.
High level of coordination across the university system.
System staff consideration of campus perspective and vice versa..

Options

1. Develop a written statement of the president's cabinet mode of operation.

    Pros: Clarifies process.
    Helps set expectations.
    Supports communication and collaboration across university system.

    Cons: While necessary, is not sufficient to achieve full accountability.

2. In addition to the above Option 1, communicate clear performance expectations for the chancellors and vice presidents. The chancellors would inform the expectations of the vice presidents and the vice presidents would contribute to the expectations of the chancellors. In addition, an annual 360 review would be performed on each person, which would form the basis for future expectations, professional development, and compensation.

    Pros: Strengthens accountability.
    Clarifies performance expectations.
    Links individual performance to group and system goals.
    Ties performance to compensation, development, and future expectations.

Recommendation

Option 2.

UNIVERSITY OF ALASKA
VICE PRESIDENT FOR ADMINISTRATION

April 3, 2008

TO: Carol Griffin
           Chair, SW Review Advisory Group

FROM: Jim Johnsen
           Vice President for Administration

SUBJECT: Response to MacTaggart and Rogers Report Recommendation
           Statewide Share of Indirect Cost Recovery

External Recommendation

Make the process for calculating indirect cost recovery fully transparent to campus
leaders and reallocate a portion of the Statewide (SW) share to campuses to incent
research in areas critical to the economic future of the state.

Background

SW is responsible for preparing and proposing the university's facilities and
administrative (F&A) cost rates to UA's cognizant federal agency, the Office of Naval
Research (ONR). These rates are audited by Defense Contract Audit Agency (DCAA)
and then negotiated with ONR. The data used as the basis for UA's proposal comes
directly from the university's accounting system and input from faculty and staff
responsible for sponsored program activity. Historically, the rate calculation has received
clean audits and, therefore, our proposals have been readily accepted by ONR.

SW performs a variety of compliance functions and specialized services in support of
research and other sponsored activity, from negotiating labor contracts with specific
terms for research faculty to crafting complex indemnification clauses and providing
representation to both federal and state governments. SW's portion of the university's
F&A revenue from sponsored programs is 12.8 percent. These funds are used to defray
SW's facilities and administrative costs associated with supporting research and other
sponsored activity across the university system. These functions and costs are
summarized in Attachment A.

The campuses have expressed two concerns. The first has to do with the rates proposed to
ONR and the process used to obtain those rates. The concern is that high level campus
research administrators were not involved in the process, resulting in surprise when the
proposed rates were reduced, which could lead to a reduction in F&A revenue. The
second concern has to do with SW's share of the recovery. Simply put, the campuses
want a larger share of the pie.

Interests

- Efficient administrative processes.
- Accurate facilities and administrative cost data.
- Insulation of process from manipulation.
- Maximum return on university F&A costs.
- More financial resources into research.

Standards

- Compliance with applicable law, regulation, and accounting practices.
- Best practices in higher education.

Options

1. Increase participation of campus research leaders in rate setting process.

    Pros:
    - Increases knowledge of process on campuses.
    - Provides for better research function planning.
    - Enhances SW awareness of campus perspectives.
    - May result in increase in research space on campuses.

    Cons:
    - Creates possibility that rates would be manipulated in order to increase recovery.

2. Reallocate some of SW's share to the campuses to encourage research of benefit to the state.

    Pros:
    - Campuses would receive more funding for research.
    - If appropriately targeted, could result in increased investment in research facilities, resulting in increased recovery.

    Cons:
    - SW's costs for research administration would not be covered, resulting in cost shift to other fund sources or reduced service to the campuses.

Recommendation

-IT FY07 expenditures to SW Finance is conducting F&A executive level training on March 17 for UAA and April 3 for UAF and will continue to provide this in the future.

Description These sessions will recommend opportunities for additional involvement by campus executives throughout the F&A rate calculation process. In

Annual expenses in supp addition, SW Cost Analysis is holding an O&M workshop on March 17 at

1 External audit fee for O UAA and April 10 for UAF with their respective facilities departments.

2 Cost Analysis Dept.- pr This training should deepen the understanding of campus personnel

3 Cost Analysis Dept. - c providing important O&M data for the F&A rate calculation.

4 Debt service subsidies (Reallocating some of SW's F&A share to the campuses requires a strategic

5 Federal Relations - Ma financial plan for investment in research. Currently, campuses control

6 SW Fund Accounting - 87.2% of the recovery: more could be done at the MAU level to generate

7 Financial Systems - gra additional recovery. SW could reduce its F&A recovery when campuses

8 Legal - contract review effectively approach recovery reinvestment. Note that any reduction in

9 HR and Labor Relation SW's share will need to be replaced with another funding source, since

10 IT - Banner and other positions and operations currently rely on the 12.8%.

11 Cash management - dr

12 Other positions - CPO

VPAA @ 30%

Attachment A

**University of Alaska Statewide Expenses
in Support of Sponsored Programs
Fiscal Year 2008**

Assumptions/background:

- One staff FTE equals $120K (salary, benefits and related operating expenses)

- One executive FTE equals $170K

- Some functions, where it is not easy to measure a whole FTE, use a 30% factor. This factor is based on sponsored program revenue as a percent of all UA revenue, per financial stmts.

-IT FY07 expenditures totaled $13.5 million

Description	FTE	Amount
Annual expenses in support of sponsored programs:		
1 External audit fee for OMB A-133 audit		$60
2 Cost Analysis Dept.- prepare F&A calculation, CAS and A-21 compliance	4	480
3 Cost Analysis Dept. - consulting and software license and maintenance fees		100
4 Debt service subsidies (IARC and WRRB)		146
5 Federal Relations - Martha Stewart	1	170
6 SW Fund Accounting - external audit and subrecipient monitoring	3	360
7 Financial Systems - grant module/billing support, equipment tagging/tracking	3	360
8 Legal - contract review, employment litigation, immigration issues	3	510
9 HR and Labor Relations - Bargaining, appt letters, hiring, termination issues	3	360
10 IT - Banner and other IT infrastructure, operations and support ($13.5m*30%)		4,050
11 Cash management - drawdowns, banking, processing, international transactions	1	120
12 Other positions - CPO, Controller, CFO, Internal Audit, Institutional Research, VPAA @ 30%		306
		$7,022

Note: Numerous other SW administrative functions support sponsored programs, but their percent of effort is too hard to measure. These functions include, but are not limited to: President, Public Affairs, Budget and Institutional Research and University Relations. Costs for these functions are not included above.

DRAFT: April 11, 2008

TO: President Hamilton
CC: Carol Griffin

FROM: Pat Pitney

SUBJECT: Response to MacTaggart and Rogers Report Recommendation

External Recommendation

Develop metrics for SW performance

Background

The university currently utilizes a performance measures-based philosophy with respect to programmatic needs. The initiative process started by President Hamilton requires that programs and schools/colleges, campus and MAUs are able to demonstrate accountability with respect to funding. UA performance measures-based budget system is built on measurement of those key outcomes that are determined to be of most importance to the university. The MAU results then serve as an additional basis for the Board's resource allocation decisions. UA goals and objectives are outlined in the Board of Regents' UA Strategic Plan 2009. Measuring and understanding progress toward those objectives provide university leadership a guide to focus resources on effectively meeting the university's mission.

UA's performance measures and performance-based budgeting (PBB) approach has been in place for several years and is the tool in the budget development process that helps align resources with programs and demonstrates progress on the Board's goals. The goals are summarized below. The performance measures associated with each Board goal is shown in italics and details below. Full detail and explanation of the PBB are available at http://www.alaska.edu/swbudget/pm/details.xml.

Board of Regents' Strategic Plan 2009 Goals
Student Success*(SCH, Ret)*
Educational Quality*(Ret, HD)*
Faculty and Staff Strength
Responsiveness to State Needs*(HD)*
Technology and Facility Development
Research Excellence*(Research)*
Diverse Sources of Revenue*(UA Rev)*

Primary Performance Measures
- Increase the number of graduates in programs responding to Alaska's high demand jobs (HD).
- Increase the amount of university generated revenue (UA Rev).
- Increase the amount of externally funded research (Research).
- Improve the retention rate for first-time undergraduate students (Ret).
- Increase the number of student credit hours (SCH).

Interests and Concerns

The existing performance based system focuses on UA's core mission (i.e., Board of Regents' stated goals). These primary objectives are programmatic in nature and the aligned performance measures do not measure efficiency, but addresses programmatic progress. Given that much of the role of statewide is administrative support and not programmatic, much of statewide funding is not explicitly linked to established performance measures.

The MacTaggart/Rogers report recommended establishing metrics to evaluate System performance measures. As some administrative functions are shared between statewide and the campuses the measures should be developed collaboratively and address the entire administrative function; system and campus based.

Efficiency ratios to consider include programmatic as well as administrative. Suggestions include instruction and student related cost per student, faculty per student, administrative cost per student, administrative cost relative to external research funding, administrators per faculty, and administrative expense relative to mission expense. Program and administrative effectiveness measures are another important aspect. These may include post training test results, internal customer surveys for respective administrative functions, annual 360 degree evaluations for key executives, employees surveys, and student surveys.

Standards

➢ Aligns with nationally recognized definitions and practices like the NCHEMS benchmarking,
➢ Understandable and relevant
➢ Can be applied to system as well as campus function
➢ Can be used to predict impact of management decision and process change
➢ Provides useful information when organization is monitored over time
➢ Additional standards include continuous quality improvement and Baldridge quality processes

Options

1.   Implement initial statewide efficiency ratios and monitor over time.

     Pros: Can be implemented in the short term
             Can monitor trends

     Cons: Is merely a ratio, lacks external benchmarks
             Covers only the SW portion of the resources used for a particular function

2. Implement efficiency ratios by function across campuses and statewide considering NCHEMS

    Pros: Can be implemented in the short term
                Can monitor trends
                Covers total UA resources used for a particular function
                Has benchmarking ability

    Cons: Requires significant development effort

3. Implement internal customer satisfaction surveys for key collaborative processes.

    Pros: Can be implemented in the short term
                Can monitor trends if done appropriately

    Cons: Requires development effort
                Does not have benchmarking ability

4. Implement peer based staff and administrative cost comparisons on a system, statewide, MAU, and campus basis to monitor trends and relative placement among peers.

    Pros: Can be implemented in the short term
                Can monitor trends
                Has benchmarking ability
                Covers total UA administrative and staff resources
                Requires little development effort

    Cons: Does not provide function specific information
   Note: Example analysis attached as Appendix A

Recommendation

Identify three to five priority SW functions to address. Implement the most appropriate option above for the given function (A reminder, Option 4 is not function specific). Monitor the process and lesson learned in the first years, and then implement another three to five functions.

In the next year implement option 4, providing peer comparison on broad administrative and staffing ratios for the System, Statewide and the MAUs. Analyze information with recognition of division of responsibility for major functions such as IT, accounting, general counsel, etc.

Administrative Costs

UA System Peers Compared to Peer Systems
(million $)
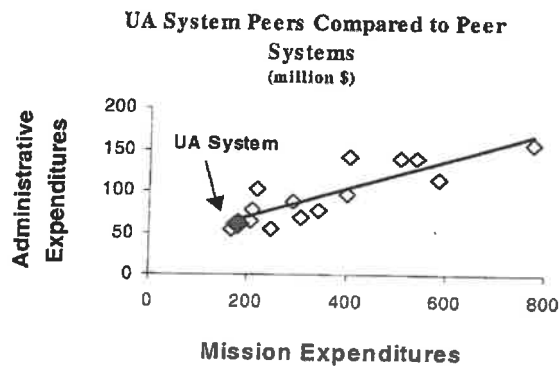
Administrative expenditures of the UA system and the three MAUs are in line with peer institutions. The graphs provided on the right show the relationship between administrative costs and mission expenditures for the UA system and the three MAUs relative to their peers.

UAA Compared to Peers
(million $)
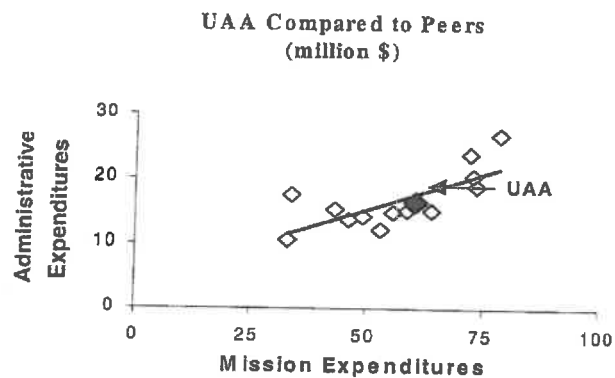
The UA system and each MAU are compared to select peer institutions with the same Carnegie Classification. The Carnegie Classification System incorporates campus size and mission among other factors for the purpose of identifying comparable universities.

UAF Compared to Peers
(million $)
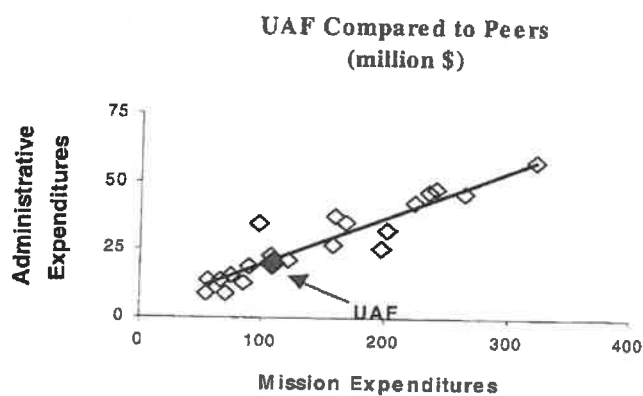
The data was taken from the National Center for Education Statistics (NCES) database for FY 97. While intended to allow for uniform and consistent comparisons among institutions, definitional and reporting differences may exist between universities.

As a result, comparisons are most useful for examining aggregate relationships, averages or trends in the data rather than distinct and specific values in any one category.

UAS Compared to Peers
(million $)
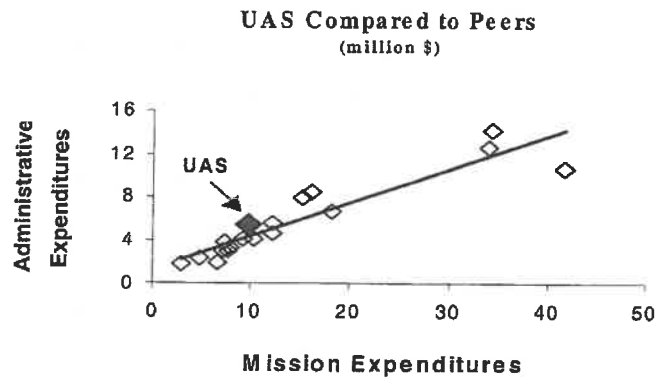
In addition to the main campus, each MAU is also responsible for a number of community sites, unlike many of the peer institutions. Based on FY99 Actuals each MAU's operating budget devotes the following percentage to community campuses: UAA, 12%; UAF, 10%; UAS, 28%.

Even with this added responsibility, the administrative costs are in line with peer institutions in all cases.

Staffing Levels

UA System Compared to Peer Systems
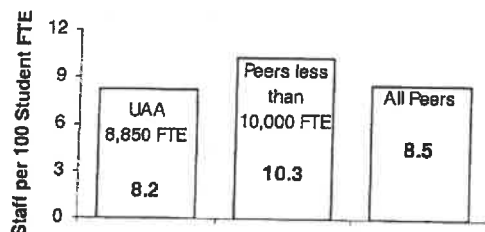**Staff per 100 Student FTE**
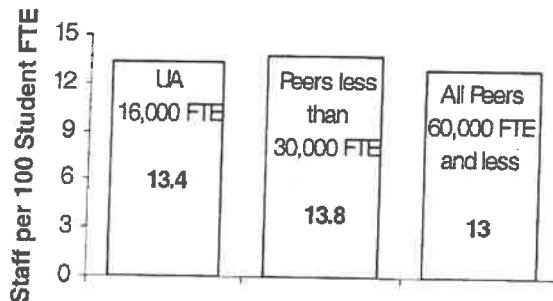
The individual MAUs and the UA system staffing levels are consistent with, if not a bit below peer institutions. In order for the UA system staffing levels to reach the 30,000-FTE-or-less peer average of 13.8, approximately 100 additional staff would be required.

Data was taken from the the National Center for Education Statistics (NCES) database for FY 98. As mentioned before, there are some definitional and reporting differences among peers such that direct comparisons of specific values in any one category may not be justified. Therefore, trends should be evaluated to examine overall relationships.

The graphs below show the staffing levels at UAA and UAS. In both cases the staffing levels are below the peer average.

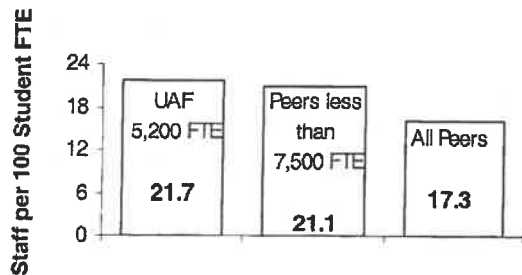**UAA Compared to Peers**
Staff per 100 student FTE

UAS Compared to Peers
Staff per 100 student FTE
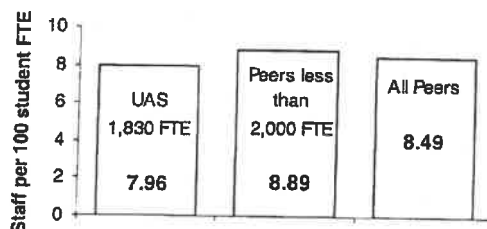
Unlike its sister campuses, UAF is staffed at a level 3% higher than peers with less than 7,500 student FTE. However, because UAF carries out 90% of UA's research mission and research constitutes 52% of UAF's mission expenditures, staffing levels must be evaluated with respect to research as well as instruction. When this is done UAF is staffed at half the level of its peers.

UAF Compared to Peers
Staff per 100 student FTE

UAF Compared to Peers
Staff per $1 million of Research