

Viewpoint

Should You Restructure the Business Enterprise?

If you're faced with serious budget challenges, consider restructuring via master planning.

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There's no getting around it: Today's publicly and privately funded institutions of higher education are confronted by major reductions in financial support. Given the condition of almost every state budget, as well as collapses in equity values and shrinking endowments, 2004 will be a particularly tough year in the world of higher education. Colleges and universities have a limited number of options when responding to financial pressures.

These include faculty and staff reductions as well as across-the-board budget cuts. While all of these options offer some budgetary relief, none provide the structural change necessary to affect the long-term realities. And though institutions have successfully survived budget cuts in the past, the challenge *this time* calls for more than just postponing expenditures and temporarily juggling allocations.

Put simply, the current challenge bears the hallmarks of an irrevocable paradigm shift in the economics of U.S. higher education. Just as the private sector understands the need for consolidation and rightsizing, institutions faced with serious budgetary challenges should consider restructuring the management of their business and enterprise services. And while private corporations have restructured their business models with new technology to reduce cost significantly while preserving core competencies and services (information technology has made possible dramatic improvement in overhead departments' productivity and efficiency, translating into the ability to generate much greater output with less labor), for a university, it is important to look at the way the *business management* of the institution is structured.

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REDUNDANCY EVERYWHERE

In the overall structure of the university, often each major element—instruction, research, development, facilities management, auxiliary enterprises and services—has established its own internal management system. Although the overall degree of centralization and decentralization varies considerably by campus, often departmentalization leads to the duplication of efforts, justified

by the "uniqueness" of each mission being pursued. Nowhere is this more apparent than in the area described loosely as "enterprise management." Generally these are activities that purport to be self-supporting or at least depend predominately upon sources other than tuition dollars.

At the typical large university, enterprise management is subdivided along functional lines. Therefore, research, commercial services, housing, student services, intercollegiate athletics, recreation, student unions, facilities management and operations, instructional support, ancillary activities, and development frequently have individual, internal, staff support services. These departments often include Accounting, Payroll and Benefits, Purchasing, Planning, Information Systems, Portfolio and Real Estate Management, Maintenance, Marketing, Security, and Safety and Risk Management. Given the likelihood of significant redundancy, institutions

faced with serious budgetary challenges should consider restructuring the management of their business and enterprise services.

MASTER PLANNING IS THE KEY

One option that holds the promise of greatly improved campus services is to undertake the *master planning of all campus enterprises*. While every campus has an academic and facilities master plan, only a few IHEs have attempted to rationalize how they conduct their various enterprises and support services. Yet, such a planning process would identify instances of duplicated effort. What's more, as a by-product, a master plan creates the opportunity to harmonize and standardize the ways in which these services and tasks are performed. And since many services generate revenue, a superior operating plan also holds the prospect of adding to the campus income stream.

WHERE DOES THE MASTER PLANNING BEGIN?

Developing a functional inventory of all the major tasks performed by each business and enterprise unit is the place to start. In many cases, it is not clear from budget documents and organization charts the tasks that are actually being performed within a unit. This assessment goes beyond simply counting positions, since individuals in smaller units perform several different identifiable tasks. Therefore, thorough analysis in the form of interviews, focus groups, surveys, and extensive research is necessary

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to assure that the commonalities necessary for successful consolidation are present. To help determine what stays and what goes, an important component of the master planning effort is to make an objective assessment of the kind, quality, extent, and location of all support and enterprise services. College and university campuses have been more than guilty of permitting redundancy of many kinds of services, resulting in competitive dilution of the market, misallocation of resources, and excess capacity. At the large diversified university it is not at all unusual to discover business enterprises that administrators simply did not (or preferred not to) realize existed.

YES, OPERATIONS WILL CHANGE

The outcome of an enterprise and business services master plan will likely be profound changes at the operating and service-delivery level of the university. The process will generate a new organizational structure in which specialized support services are clustered, and new staffing requirements are defined. Where possible, outsourcing of specific tasks may occur. The overriding goal is to rationalize the entire enterprise and support service of the institution into a unified, coherent, and cost-effective system, reducing overhead burden and increasing value derived by students.

A good way to look at it is thus: In a time of rising financial pressures, your institution may have an untapped opportunity to capture significant savings and improve performance. A better planned, more effective and efficient university support and enterprise component will render superior service to the campus community, and will make the campus a more desirable environment. Further, master planning will produce permanent budgetary savings coupled with increased revenues, which will help the institution in the long term. **U**

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