



## THE UNIVERSITY *of* TEXAS SYSTEM

10.18.2018

In November 2017, Board of Regents Chairman Sara Martinez Tucker appointed a regents' task force to review the structure and functions of the UT System Administration to ensure the highest degree of operational efficiency and effectiveness. The task force was chaired by Regent Kevin Eltife and also included Regents Ernest Aliseda, Janiece Longoria and Rad Weaver. Its work was supported by the consulting firm of Ernst & Young. The task force report has been submitted to the Board of Regents, and is available on the UT System web site. Chairman Tucker expressed gratitude on behalf of the Board to task force chairman Eltife and Regents Aliseda, Longoria and Weaver for their work, and has asked Chancellor Milliken to review the report's recommendations and report to the Board on the UT System Administration implementation plan.

The task force noted that, "the role and responsibilities of the UT System Administration are laid out in the Texas Education Code, which primarily states that System Administration is responsible for providing 'oversight and coordination of the activities of the system and each component institution within the system.'" In furtherance of this statutory mandate, the UT System has essential roles in policy, compliance and regulatory matters in support of the fiduciary duty of the Board of Regents, as well as in the delivery of a wide array of services to support the 14 institutions' distinctive roles in education, research and health care to serve Texas.

The task force report focused on the important service delivery role of the System Administration "to develop an initial understanding as to which functions are perceived as delivering high value and where there are opportunities for improvements." The report offered comparisons of the UT System Administration with selected other public systems of higher education, and identified areas where potential reductions in personnel or expenditures might be achieved through outsourcing or changes in the level or types of services.

According to the task force report, the "System Administration has already taken proactive measures to reduce or cap its workforce headcount over the last twelve months," and it recognized that "further analysis is required to assess where and how UT can achieve savings..." It is expected that the task force report, together with budget and operations analyses initiated by Chancellor Milliken, will provide critical guidance and perspective for efforts to operate the UT System Administration as cost-effectively, and with the highest impact, as possible.

Chancellor Milliken will make an initial report to the Board of Regents at its November 14-15 meeting.



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# System Administration Task Force Organizational Assessment

AUGUST 2018

Regent Kevin Eltife (Task Force Chair)

Regent Ernest Aliseda

Regent Janiece Longoria

Regent Rad Weaver





## Executive summary

Mission was a critical theme that emerged throughout this initial analysis. Presidents articulated a desire for System Administration to clearly define its role and provide a set of guiding principles for which services it will offer to institutions. Throughout the analysis, it became evident that the larger the institution, the less reliant they are on system support and, conversely, the smaller the institution the more reliant. The nature of support at the system, however, is not formally differentiated by size of institution nor are departments staffed with this type of support model in mind. While there is definite recognition that system support to institutions does vary depending upon the resources available at each individual institution, we found little evidence of clear and transparent service level or support agreements or metrics that might define the breadth and depth of agreed-upon support each institution should expect from System Administration. Additionally, there was a general sense of confusion associated with the continued contraction and expansion of the system office. This was amplified by a lack of clear articulation of the vision and role of the system office to the member institutions — reinforcing the need to better define a clear role and functions for System Administration.

Defining System Administration's role would allow member institutions to staff themselves according to the level of service they know they can expect, providing increased accountability and alignment to the institutional mission. The current operating model of System Administration is not built to support this alignment today, which represents a critical opportunity to address.

Through interviews with executives, department leaders and institution Presidents, key themes surfaced around specific services System Administration should continue to provide and possibly enhance. These included but were not limited to the following:

- Convening members to share best practices
- Facilitating economies of scale
- Coordinating activities throughout the system
- Enabling the development of less mature institutions

To the contrary, the most prevalent service to 'stop' performing was introducing new top down system lead initiatives. This was a theme heard repeatedly throughout the analysis.

This study further examined, through President feedback, both the necessity and effectiveness of services being offered and analyzed tasks that could be supported through a more agile service model (such as co-sourcing or automation). As the full report will demonstrate, the analysis identified approximately **70 to 110 full-time equivalents (FTEs)** based upon President feedback, stakeholder interviews, benchmarking and subject matter consultation on leading practices, that upon deeper investigation, could be considered for reduction or realignment.

## Opportunity size

Fringe benefits play an important role in understanding the total UT System liability for full-time employees. Salary is just one component of the overall employee cost and most typically considered when deciding between hiring a full-time employee and leveraging a contractor; in many cases, hiring a



contractor represents a higher near-term investment. Transparency on total cost is not widely known and is not a factor considered when making hiring decisions. UT System Administration currently has a 25% all-encompassing fringe load that is allocated to current full-time employees.

Taking total employee cost into consideration, the following table represents the potential opportunity range that could be attained through reduction or elimination. Further analysis is needed to estimate additional savings (or potential near term investment) associated with outsourcing or the introduction of automation.

System Administration average salary	Average salary with 25% fringe load	Opportunity range <sup>1</sup>		Potential additional savings per eligible employee <sup>2</sup>
		70 FTEs	110 FTEs	Estimate of present value of medical, Rx, and life insurance benefits at retirement
\$109,226	\$136,532	\$9,557,240	\$15,018,520	~\$193,000 (includes \$26,000 average cost for spouse)

In terms of opportunity, the following departments were identified as having the largest reduction or elimination potential from this first phase of the analysis.

Department	Low	High	Peer comparison
Office of Facilities, Planning and Construction	20	30	Large, compared with the peer average Benchmarked systems: <ul style="list-style-type: none"> <li>State University System of Florida</li> <li>Texas A&amp;M University System</li> <li>University of California System</li> <li>University of Wisconsin System</li> <li>University System of Georgia</li> </ul>
Office of Employee Benefits	10	16	
Office of General Counsel	15	20	

## Next steps

As the analysis has highlighted, there are departments and functions with definite opportunities that can be addressed, with notable efficiency gains that can be realized. However, these gains in isolation

<sup>1</sup> Prior to any reductions, steps need to be taken to (1) verify exact number of FTEs for consideration through next level department analysis, (2) ensure service quality and support is positively impacted for member institutions, (3) verify financial return/investment is fully understood and (4) ensure that rationale and message are clearly articulated to all UT System employees.

<sup>2</sup> Estimate calculated using the BIENNIAL ACTUARIAL VALUATION OF OTHER POST-EMPLOYMENT BENEFITS report dated August 31, 2017. The figure represents a sample employee hired after 2003 and eligible for post-retirement medical benefits. We note that the benefits are discounted for the time value of money at 6%, which is assumed to be the rate of return on assets. This produces the present value of benefits of \$193,000 stated above. Net cost of a spouse is over 3x the \$26,000 but the average cost of spousal coverage on the population is \$26,000 since it is \$0 for more than two out of three retirees.





will not address a larger need for System Administration, which is to have a sustainable, cost-efficient **service model** that supports the mission and objectives of the 14 member institutions across the UT System. In addition, these changes taken without a specific plan to address impact on the culture will also not yield the desired results. System Administration has gone through several cycles of cutbacks and reductions. This exercise needs to take this into consideration and approach the future changes in a manner that works to preserve engagement, support morale and be as transparent as possible for all employees involved. As such, it is our recommendation that the following activities be initiated upon the completion of this initial phase of work.

1. Perform a deep activity level analysis on the Office of Facilities Planning and Construction, Office of Employee Benefits, Office of General Counsel and Shared Information Services
2. Extend the analysis to cover all remaining System Administration departments (~17 departments equal to ~200 FTEs)
3. Develop a robust change management / communication strategy
4. Inventory and update all job descriptions across System Administration addressing day to day responsibilities, required competencies, titling consistency and compensation levels
5. Initiate work to design a lean service-oriented operating model for System Administration focusing on:
  - a. Governance - how is the mission and vision of the UT System Administration set? What systems are in place for performance management and talent alignment? How is success against goals measured?
  - b. Service offerings - how should the UT System Admin offer services?
  - c. Customers - to what extent will UT System Administration serve large institutions which are largely self-sufficient vs. small institutions which are heavily reliant on System Administration? Will System Administration offer different services to different institutions based on need – possibly a tiered service model?
  - d. Organizational structure - what reporting lines are in place and do they need to change?

Shared Information Services (SIS) represents a strong example as to why a deeper level analysis is needed. This area has the highest number of employees in System Administration (full-time and contractors) and the highest level of investment (~\$25m in FY18). The investment and work to date implementing PeopleSoft (HR, finance and student records systems) for seven academic campuses (and System Administration) are ongoing, and as such, SIS has staffed a large team of internal and external resources. The continuation of this work has created tension across the system due to the time frame to complete and institution-specific issues, resulting in both change fatigue and morale issues. Interviews with presidents revealed growing concern over the time to deploy and complete the work as well as the optics on the budget. With a department payroll in excess of \$10m, dedicated attention to the quality of work being performed and accuracy of meeting specific institution needs should be a high priority to address in the near term. Additionally, SIS, Systemwide Information Services (SWIS) and the Office of Technology Information Services (OTIS) are currently under review for reorganization. This work is



intended to identify synergies across the three groups, which in and of itself may yield opportunity to better define a specific services catalog to both institutions and System Administration as well as provide opportunity to further rationalize number of FTEs.

Performing a deeper analysis on SIS should include the following:

- Determination as to whether PeopleSoft is ultimately the best platform for SIS and the seven academic institutions currently going through the process. Insights gathered from the University of California System experience (UCPath) should be taken into consideration due to the widely publicized challenges and budget over-runs experienced over the last several years.
- A full review of the PeopleSoft implementation plans, spend, benefits, application maintenance model, etc. This would include functions that have yet to be deployed as well as campuses that have not started yet.
- A full review of the costs associated with running/supporting the in house data center(s). Specifically:
  - The true total cost of ownership for these facilities including real estate, leases, depreciation, labor, upgrade costs, and benchmarking against the world class capabilities offered by Dell and Rackspace, both of whom are local as well as companies like Amazon and Microsoft (MS) who could provide cloud solutions.
- Strategic role for SIS/SWIS to play in the future (i.e. being a manager of service providers, rather than service provider itself for basic capabilities).



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## Contents

<b>Project overview .....</b>	<b>1</b>
Scope and key questions addressed .....	1
Methodology .....	1
<b>Summary — defining the role of System Administration .....</b>	<b>2</b>
Key themes from stakeholder interviews — reinforcing a service mentality .....	3
Department-level assessment .....	4
Department-level observations .....	6
<b>Evaluating the Right Options .....</b>	<b>23</b>
<b>Understanding true employee cost .....</b>	<b>24</b>
<b>Creating a sustainable solution .....</b>	<b>25</b>
<b>Conclusion .....</b>	<b>28</b>
<b>Appendix A: In-scope departments and interviews conducted .....</b>	<b>29</b>
<b>Appendix B: Functional benchmarking .....</b>	<b>30</b>
<b>Appendix C: Administrative support benchmarking .....</b>	<b>32</b>
<b>Appendix D: Dependency on System Administration and revenue by institution .....</b>	<b>32</b>





## Project overview

### Scope and key questions addressed

An organizational assessment of the University of Texas (UT) System Administration office was completed over the course of eight weeks to develop an initial understanding as to which functions and departments within the system office are perceived as delivering high value and where there are opportunities for improvements. This assessment represents the first step of a multiphase analysis, initially focusing on 16 specific departments (which are listed in Appendix A). The focus of this work was to address the following key questions:

1. How can System Administration ensure that it is providing optimal value to its member institutions?
2. Based on the concepts of alignment to mission, necessity, efficiency and effectiveness, how well does each of the departments deliver value to member institutions?
3. Going forward, how can System Administration focus on providing those functions that are value-additive to the system and its member institutions?
4. What is the impact of reducing or eliminating certain departments or functions on member institutions? How can/should risks be mitigated?
5. What are key considerations for aligning System Administration's operating model with its services going forward?

### Methodology

In order to answer the above questions, the following activities were executed:

- **Interviews with System Administration stakeholders:** Interviews with 28 stakeholders across 16 System Administration departments were conducted to understand the functions and services offered by each department and the perceived value delivered to the system. Interviews also served to identify potential areas for improvement. Interviews were focused primarily on leadership of the 16 departments selected for analysis in this first phase. Titles of interviewed stakeholders are provided in Appendix A.
- **Internal data analysis:** Departmental organization charts and reports, along with current compensation data, were also collected and analyzed in order to understand the following:
  - Objectives by department
  - Functions performed by department
  - Organizational reporting lines by department
  - Full-time employees per department
  - Compensation data
  - Previous UT reports and assessments supporting key organizational decisions, including but not limited to UT analysis done on implementing different services models, such as outsourcing or co-sourcing
- **Interviews with institution presidents:** Fourteen interviews were conducted with institution presidents in order to understand how member institutions, as customers of System Administration, perceived the value delivered. In particular, interviews were used to understand the functions that member institutions considered necessary and how they perceived the



effectiveness of each function. In addition, interviews were used to understand perceived opportunities for improvement.

- **External benchmarking:** The UT System Administration office was compared with a set of five other system offices (see Appendix B for the list of peer systems included in the benchmarking exercise). These system offices were selected on the basis of relative similarity to UT System Administration, considering factors such as size and presence of a flagship university. External benchmarking was used to understand which functions currently performed by UT System Administration were also widely offered by peer system offices. In addition, benchmarking was used to understand how the number of employees per function at UT compared with peer system offices.
- **Subject-matter resource consultation:** Input from subject-matter resources was used to understand how System Administration departments were organized and run, compared with industry trends and practices.

## Summary — defining the role of System Administration

The key to prioritizing the services and functions that System Administration should provide going forward is first to understand the purpose and mission of System Administration. The role and responsibilities of System Administration are laid out in the Texas Education Code, which primarily states that System Administration is responsible for providing “oversight and coordination of the activities of the system and each component institution within the system.”<sup>1</sup> However, the code does little to define the services that System Administration must provide beyond “technical assistance such as legal and financial services”. Interpretation of this code is largely left up to System Administration itself, which has caused both expansion and contraction of functions and services to be performed over the years.

Mission was a critical theme that emerged throughout the analysis. Presidents articulated a desire for System Administration to clearly define its role and provide a set of guiding principles for which services it will offer to institutions. Throughout the analysis, it became evident that the larger the institution, the less reliant they are on system support and, conversely, the smaller the institution the more reliant. The nature of support at the system, however, is not formally differentiated by size of institution nor are departments staffed with this type of support model in mind. While there is definite recognition that system support to institutions does vary depending upon the resources available at each individual institution, we found little evidence of clear and transparent service level or support agreements or metrics that might define the breadth and depth of agreed-upon support each institution should expect from System Administration. Additionally, there was a general sense of confusion associated with the continued contraction and expansion of the system office. This was amplified by a lack of clear articulation of the vision and role of the system office to the member institutions — reinforcing the need to better define a clear role and functions for System Administration.

Defining System Administration’s role would allow member institutions to staff themselves according to the level of service they know they can expect, providing increased accountability and alignment to the

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<sup>1</sup> Texas Education Code, Section 65.16



institutional mission. The current operating model of System Administration is not built to support this alignment today, which represents a critical opportunity to address.

System Administration has already taken proactive measures to reduce or cap its workforce headcount over the last twelve months. This was an important first step in better aligning System Administration's functions to the needs and demands of the institutions such as eliminating functions that the institutions did not find value (e.g. Institute for Transformational Learning). This study further examined this alignment through President feedback on both necessity and effectiveness, and analyzed tasks that could be supported through a more agile service model (such as co-sourcing or automation). As this report will demonstrate, the analysis identified approximately 70 to 110 full-time equivalents (FTEs) that upon deeper investigation could be considered for reduction or realignment. Prior to any reductions, steps need to be taken to (1) verify exact number of FTEs for consideration through next level department analysis, (2) ensure service quality and support is positively impacted for member institutions, (3) verify financial return/investment is fully understood and (4) ensure that rationale and message are clearly articulated to all UT System employees. System assessment

Through interviews with executives, department leaders, institution Presidents, consultation with subject-matter resources and external benchmarking, 16 System Administration departments were assessed to understand the activities that each performed, and the perceived value, necessity and effectiveness of each function. In addition, interviews surfaced key themes around which services were generally considered valuable by customers.

### Key themes from stakeholder interviews — reinforcing a service mentality

**Convening members to share best practices:** Presidents repeatedly said that one of the most important roles that the system office plays is in convening the institutions and enabling sharing of best practices and ideas. Being part of a system of 14 member institutions is seen as an enormous benefit, and presidents viewed System Administration as providing significant value in its role as a “clearinghouse for best practices”.

**Facilitating economies of scale:** Interviews highlighted that the most valuable services for the system to provide were those that could produce tangible benefits or savings to member institutions through pooling purchasing power or creating economies of scale. Employee Benefits, for example, was often cited as a key example of where there was a distinct return on investment from offering this service. Particularly, the power of the system to aid in negotiating favorable contracts was seen as a key advantage of housing services within System Administration. Additionally, stakeholders also agreed that the goal of System Administration should be to make investments that demonstrate a return on investment, but it was said that metrics around cost savings are inconsistently tracked throughout the organization today.

**Coordinating activities throughout the system:** Interviews also highlighted that coordinating activities across the 14 institutions is one of the more important roles of System Administration. In this role, System Administration is responsible for identifying areas of common need, and also identifying competing interests and working to address them. An important part of this coordination is providing a central point of contact through which external parties can engage with member institutions. Based on the individual department analysis, removing duplication of services across System Administration can



help make this even more valuable, specifically in regards to Information Services support. This specific function is currently replicated within several departments, creating small pockets of decentralized functions that do not align with or coordinate with the established centralized group (Shared Information Services (SIS) or the Office of Technology Information Services (OTIS)).

**Enabling the development of less mature institutions:** Interviews surfaced the wide discrepancy between the needs of smaller institutions, such as UT Permian Basin, versus those of the large, mature institutions, including UT Austin and MD Anderson. Small institutions often view System Administration staff as an extension of their own staff. In contrast, large institutions are often self-sufficient and find many of the System Administration offices duplicative or redundant. Small and newer institutions conveyed that System Administration was invaluable in providing crucial resources, such as legal counsel and IT support, and noted that it was important for them to be able to rely on System Administration for on-demand advice or to augment staff in their own departments. As institutions become larger, they generally become somewhat more independent, but even the larger institutions noted that System Administration plays a vital role. How System Administration is organized, however, is not by institution size or service-level needs, representing a clear opportunity to address how the operating model should be reimaged to provide the most value and support needed.

**Eliminate “top-down” initiatives:** Institutions widely expressed a preference for new strategic initiatives to “bubble up” from a critical mass of institutions, rather than having them imposed in a top-down fashion by System Administration. Initiatives that are imposed by System Administration are largely regarded to be less successful than those that surface organically at institutions. Quantum Leaps were repeatedly cited as an example across stakeholder interviews with both institution presidents and department leaders. Institutions did see System Administration as having a role in empowering institutions and helping them find resources to start initiatives but believed that System Administration should play a limited role beyond that.

### Department-level assessment

Departments and functions within System Administration were assessed based on the concepts of necessity and effectiveness as defined below:

**Necessity:** Is the department or function required to perform critical operations for member institutions?

- Each department was assessed for its necessity to member institutions, from the perspective of institution presidents. Interviews assessed the necessity not just of a department but of each function a department performed. Necessity was assessed based on the impact that removing a certain function would have on a given institution. For instance, if a president indicated that removing a department or a particular function from System Administration would have very little effect on the institution’s operations, the function was considered unnecessary for that institution. This metric does not contemplate necessity of the function to the state or system office, but just in terms of the perspective of member institutions.

**Effectiveness:** Is the department or function perceived to function effectively, and is it providing value to member institutions?





- Departments were also assessed for effectiveness based on feedback from institution presidents. Presidents were asked to describe the value they received from each function a department performed as well as their level of satisfaction. Functions that presidents indicated delivered significant value or had a high level of satisfaction to the institutions were rated as effective. This metric does not contemplate the value that a department might provide to the state or system office, only the member institutions.

Presidents' perspectives on the necessity of each department were synthesized and categorized as "necessary," "unnecessary" or "neutral (see the table below). Similarly, perspectives on effectiveness were synthesized and categorized as "effective," "ineffective" or "neutral." A "neutral" rating was applied if a president either was not aware of the services a department delivered or did not believe that he or she could make an assessment on the necessity or effectiveness of that department. It is important to note that responses were categorized as "unnecessary" or "ineffective" if there was a particular action within that department that the president found unnecessary or ineffective. Therefore, the aggregated responses do not imply that an entire department is unnecessary or ineffective, but that presidents perceived that there was at least one activity within that department that was unnecessary or ineffective.

When looking at the aggregated responses, it is also important to keep in mind that, if 20% of presidents found a department necessary, it did not imply that 80% found some component of it unnecessary, but rather that 80% **either** found the department or a component of the department unnecessary **or** are neutral on the necessity of the department. For certain departments that only served a subset of institutions (i.e., Academic Affairs, Health Affairs and Shared Information Services), responses were only tallied for the applicable institutions.

Interviews surfaced that different institutions have very different reliance levels on System Administration services and generally, there is a strong correlation between the size and maturity of an institution and its dependency on System Administration. Appendix D classifies each institution by revenue and level of dependency on System Administration services. Generally, institutions over \$1b have very low dependency on System Administration, whereas those under \$1b are more heavily reliant. Therefore, responses were aggregated for small and large institutions separately in order to gain a more balanced understanding of how institutions with varying need levels value the services of each department. Often, a department that large institutions believe is not necessary is very important from the perspective of small institutions. Therefore, the question of who UT System Administration is designed to serve is important to answer before deciding where there might be an opportunity to materially change the services or functions that System Administration currently offers.

The following department-by-department assessment represents one way to think about where there may be an opportunity to improve each department based on the concepts of necessity and effectiveness. However, further analysis is required to understand each department's potential next steps or actions.



Department	Necessity				Effectiveness			
	Greater than \$1b		Less than \$1b		Greater than \$1b		Less than \$1b	
	Necessary	Unnecess. or Neutral	Necessary	Unnecess. or Neutral	Effective	Ineffect. or Neutral	Effective	Ineffect. or Neutral
Employee Benefits	100%	0%	67%	33%	80%	20%	56%	44%
Facilities Planning and Construction	0%	100%	44%	56%	40%	60%	44%	56%
General Counsel	20%	80%	100%	0%	20%	80%	89%	11%
Health Affairs <sup>2</sup>	100%	0%	100%	0%	50%	50%	100%	0%
Innovation and Strategic Investments	20%	80%	0%	100%	0%	100%	0%	100%
Risk Management	80%	20%	67%	33%	80%	20%	67%	33%
External Relations – Philanthropy Services	40%	60%	89%	11%	60%	40%	100%	0%
External Relations – Marketing/ Communications	20%	80%	44%	54%	20%	80%	56%	44%
Federal Relations	20%	80%	78%	22%	60%	40%	67%	33%
Governmental Relations	0%	100%	67%	33%	0%	100%	89%	11%
Information Security	40%	60%	67%	33%	20%	80%	33%	66%
Academic Affairs <sup>3</sup>	100%	0%	100%	0%	100%	0%	100%	0%
Shared Information Services <sup>4</sup>	N/A	N/A	86%	14%	N/A	N/A	43%	57%
Systemwide Information Services	0%	100%	11%	89%	0%	100%	22%	78%
Organizational Effectiveness	0%	100%	11%	89%	0%	100%	22%	78%

Notes: Human Resources and the Office of Technology and Information Services were excluded from the above analysis, as they are internal system functions that do not serve the member institutions.

## Department-level observations

### Office of Facilities Planning and Construction (OFPC)

#### Summary

In interviews with internal stakeholders, project management and construction most often came up in conversation as the pieces of OFPC where there are opportunities to improve. Four of the large institutions within the UT System choose not to rely on OFPC for project management, and only 60% of peer systems offer this function. There is a common sentiment among presidents who have chosen to stop using OFPC, as well as those who currently use OFPC, that its services are expensive relative to market rate. While there is a recognition that smaller institutions rely on OFPC for project management more heavily than large institutions, many presidents felt that the system could be more effective if they

<sup>2</sup> Only takes into account responses from institutions that have health centers or medical schools

<sup>3</sup> Only takes into account responses from academic institutions

<sup>4</sup> Only takes into account seven institutions undergoing PeopleSoft implementation



use UT's scale to set up a competitive bid process for projects that institutions could use to contract services, rather than attempt to manage them all in-house. Some institutions feel that they have adequate institutional resources to manage project management activities themselves, and of those that recognize that they do not have adequate resources, many feel that the value that the office is providing relative to the cost is not competitive.

Changes to this department would need to be carefully scrutinized as OFPC plays an essential financial and fiduciary role for the system as well as a legal role in terms of risk mitigation. OFPC, along with many other departments, has realigned its operations and reduced staff over the past several years (down 40% from 2015), and their expertise liaising between campuses and board has been noted as being valued and effective. While eliminating services from this function can represent a large opportunity for the UT System to reduce headcount, any transition would have to be executed slowly and over time, as small institutions who rely on this service will need to be provided an alternative or given time to obtain their own project management resources to ensure the integrity of all work is maintained.

#### President assessment

Department	Necessity				Effectiveness			
	Greater than \$1b		Less than \$1b		Greater than \$1b		Less than \$1b	
	Necessary	Unnecess. or Neutral	Necessary	Unnecess. or Neutral	Effective	Ineffect. or Neutral	Effective	Ineffect. or Neutral
Office of Facilities Planning and Construction	0%	100%	44%	56%	40%	60%	44%	56%

#### Themes from stakeholder discussions

- Size
  - A smaller, more centralized office would be preferred allowing for flexibility to review and approve project managers (ensuring quality), while also allowing a competitive bid process to alleviate the size of the team OFPC is currently carrying.
  - Smaller campuses with heavier reliance still warrants a team, but a thorough review of the type of services that should be provided across institutions should be evaluated against cost and quality.
- Cost
  - Cost of utilizing is high. Exploring how OFPC can absorb costs is an area of exploration to allow institutions to leverage more of their investment in their buildings and/or other construction needs.
  - Specifically, the percentage of project cost, regardless of project size is an area of concern as overhead seems excessive.
- Value
  - Service noted as a real strength, but also expensive.
  - Helpful in identifying strategies and supporting institutions, specifically in terms of planning, liaising between campuses and board.

#### Peer benchmarking

- Project management is large, compared with the peer average (56.6 vs. 17 employees)
- Strategic design is large, compared with peers (10 vs. 2.7 employees)



### Potential reduction range

- 20–30 full-time equivalents (FTEs); please note that deeper analysis on job activities is required to identify exact FTE opportunity

### Opportunities for consideration

- Accounting – this function deals with the oversight of pay application processing that is particular to construction. This function can be outsourced or centralized into accounting (recognizing that there is particular knowledge that must accompany the transfer of the function).
- Administration – this function currently has contract staff and should be evaluated for additional opportunity to expand use.
- Contract Management – research whether this could move to the Office of General Counsel, Procurement or Supply Chain.
- Safety – this function could be outsourced, as there are companies and personnel that can provide independent oversight of construction safety — an avenue to explore.
- Project management – this could be outsourced, as tasks such as project tracking, reporting and cost and schedule performance analysis are common in the construction industry.
- Staff engineering – this role maintains institutional technical knowledge, code interpretation and other “system”-level functions. This helps maintain the UT brand as it manifests itself in the built environment. Upon detailed workload analysis, staff size could be minimized.
- Galveston, West Texas, South Texas and Houston – they should be evaluated for outsourcing potential, as these services are commonly provided by engineering and construction and project management firms.
- Operations – this involves understanding the maintenance required to support system headquarters in Austin and whether full-time dedicated staff are required.

### Office of Employee Benefits (OEB)

#### Summary

Both small and large institutions have a heavy reliance on this department and indicate that it provides value in leveraging the scale of the system and negotiating on behalf of institutions. Institutions indicate that this would be an expensive service for them to operate on their own and appreciate System Administration for providing this service.

The Office of Employee Benefits is focused on bringing consistency, sharing information, and supporting each institution and their individual mission and purpose (some similar, and some different). They have leveraged feedback from the 2015 organization assessment to improve how they communicate with each institution and the importance of putting out “one message,” as the campuses want more consistency.

While the feedback from the president assessment indicates a high degree of necessity from both large and small institutions, the group is significantly larger than peers’, at 36 FTEs, compared with an average of 15 employees. Given the necessity, a focus on effectiveness and efficiency become the key drivers for how this department can continue to evolve and should be explored further.





### President assessment

Department	Necessity				Effectiveness			
	Greater than \$1b		Less than \$1b		Greater than \$1b		Less than \$1b	
	Necessary	Unnecess. or Neutral	Necessary	Unnecess. or Neutral	Effective	Ineffect. or Neutral	Effective	Ineffect. or Neutral
<b>Employee Benefits</b>	100%	0%	67%	33%	80%	20%	56%	44%

### Themes from stakeholder discussions

- Value to institutions
  - Good partner and resource, demonstrated understanding of the needs and gaps.
  - Noted as helping merge resources, which has created advantages for all UT institutions, such as negotiating on the institutions behalf, which would be expensive for institutions to do on their own.
  - Consistency cited as needing improvement, specific to initiatives starting and stopping.
  - Provides good value and perceived to be run well. Communication could also be improved between OEB and institutions, creating more commerce versus issuing edicts.

### Peer benchmarking

- Large, compared with the peer average

### Potential reduction range

- 10–16 full-time equivalents (FTEs); please note that deeper analysis on job activities is required to identify exact FTE opportunity

### Opportunities for consideration

- Although the system is large and provides benefits and services to a large number of staff, retirees and students, the benefits programs and the services themselves are not complex
- Specific areas that need to be explored further for potential reduction, outsourcing, co-sourcing or automation opportunities include:
  - Strategy and design, customer service, vendor RFPs, marketing materials, open enrollment communications, retirement plan compliance
  - Retiree billing and financial reporting
  - Information systems (taking into account implementation of Benefits Focus system and the move away from the internal UT enrollment system)
- Review of the current department service model for opportunities to differentiate the scope and balance of service and support provided to member institutions (e.g., tiered support for member institutions based on size and internal subject-matter expertise)

### Office of General Counsel (OGC)

#### Summary

Institutions rely on this group on varying levels, with small institutions being much more reliant. While large institutions tend to have a built out legal staff and thus often find the System Administration office duplicative, small institutions tend to see the System Administration office as an extension of their own institutional staff. However, at 64.5 FTEs, UT System Administration's Office of the General Counsel is significantly larger than peers', which average 35 employees, potentially pointing to an opportunity to



increase the efficiency of this department. It is important to note that of the more than 70 administrative support staff at System Administration, almost a third of them reside in the Office of General Counsel. Ratios for a team of this size should be more in line with 4:1 or 3:1 (lawyers to admin support), which suggests that the admin headcount could be reduced (it is important to note that further investigation is needed to confirm the actual duties for those with administrative titles to ensure they are in fact, performing traditional administrative roles versus a more expansive role for General Counsel). As Appendix C shows, UT System Administration has far more administrative support staff as a percent of total employees than peer systems. Whereas administrative support staff make up 3% to 8% of total employees at peer system offices, at System Administration, administrative support staff are 12% of FTEs. This could represent a potential opportunity for UT to bring this number in line with peer averages.

#### President assessment

Department	Necessity				Effectiveness			
	Greater than \$1b		Less than \$1b		Greater than \$1b		Less than \$1b	
	Necessary	Unnecess. or Neutral	Necessary	Unnecess. or Neutral	Effective	Ineffect. or Neutral	Effective	Ineffect. or Neutral
General Counsel	20%	80%	100%	0%	20%	80%	89%	11%

#### Themes from stakeholder discussions

- Value derived from General Counsel varies by institution and is particularly valuable for institutions with small in-house teams.
- Supportive and helpful, when there is an issue that needs system attention, institutions feel they respond and view OGC as an extension of their own office (especially smaller institutions).
- How work is prioritized needs attention to provide highest levels of customer service. For example, ensuring they differentiate how they handle higher risk, higher dollar contracts over lesser risk contracts. Understanding how work is prioritized noted as needing more transparency, specific to how risk levels are taken into consideration.
- While support valued, speed noted as being slow with some institutions preferring to use in house resources to ensure needs are addressed in a timelier manner.
- More flexibility noted and less risk aversion (which was understood).
- Resistance to institution ideas an area of concern citing that a focus seems to be on why things can't be done versus how to get things done.

#### Peer benchmarking

- Large, compared with the peer average

#### Potential reduction range

- 15–20 full-time equivalents (FTEs); please note that deeper analysis on job activities is required to identify exact FTE opportunity

#### Opportunities for consideration

- The management and Health Law teams appear “top-heavy” with admin support. In order to suggest appropriate headcount realignment, workloads and output would need to be



further analyzed to factor a reduction ratio (possibilities exist to reduce headcount within respective areas by creating a workforce pool of admin and paralegal support).

- Determine the level of demand and provisioning of OGC advice across member institutions by looking into the actual workloads of legal teams. This includes:
  - Reviewing daily routines and activities for all labor categories
  - Developing centralized and automated processes to validate third-party invoices
  - Conducting time and effort studies to influence or weed out unnecessary efforts such as bill handling from institutional counsel
  - Reviewing total matters by type and associated work routines in place
  - Reviewing matters requiring OGC support
  - Considering developing a center of excellence and/or CLO Hub for information sharing based on what data is already available in the Listserv
  - Improve awareness of legal service capabilities by developing a legal service catalog
- Align system and institution needs to attorney specialties and headcount
  - Realign or reduce attorneys as appropriate
  - Convert select full-time positions to contractor positions
  - Identify common skill sets across administrative professionals and reduce the ratio of attorneys to administrative professionals (as mentioned above, this could be manifested by pooling administrative staff across areas)
- Assess protocols and OGC support model for litigation, investigations and compliance matters to improve consistency and cost efficiency across the system
- Evaluate cost and benefit of outsourcing debt collection to a third party to reduce full-time resources

## External Relations

### Summary

Over the last several years, this department has actively reduced headcount without interruption to services being provided to institutions. Specifically, support with endowment compliance and philanthropic activities, such as consultation, candidate interviews and training of internal development teams, was cited from both large and small institutions as being primary services on which campuses rely. This reliance, however, does not equate to necessity, as many institutions also cited that they could perform such activities if they did not have access to the support provided — specifically larger institutions. This department offers a wide range of services both for institutions as well as the system itself. While analyses have been conducted looking at the cost of performing select services in-house versus using a third party, the opportunity remains to further narrow the scope of External Relations to what truly is essential versus enhancing to the institutions. As noted in stakeholder interviews, focusing on the essential, mission-critical needs of the institutions is where this department should continue to focus, versus marketing or branding of the system itself.



### President assessment

Department	Necessity				Effectiveness			
	Greater than \$1b		Less than \$1b		Greater than \$1b		Less than \$1b	
	Necessary	Unnecess. or Neutral	Necessary	Unnecess. or Neutral	Effective	Ineffect. or Neutral	Effective	Ineffect. or Neutral
External Relations – Philanthropy Services	40%	60%	89%	11%	60%	40%	100%	0%
External Relations – Marketing/ Communications	20%	80%	44%	54%	20%	80%	56%	44%

### Themes from stakeholder discussions

- Some institutions state that they use External Relations extensively to help with Philanthropy initiatives, and have helped with big fundraising wins.
- In addition, they help with the compliance aspects of managing special gifts and institutions with immature Development teams report a heavy reliance on the office.
- Institutions also often use them on a one off basis for counsel or consulting or for helping with staffing their own teams.
- Many institutions handle marketing themselves, and note that marketing and fundraising of “UT System” does not derive value to the individual brands and causes confusion with donors.

### Peer benchmarking

- No relative comparison because of a variety of functions being delivered by the UT System department in comparison with peers. Endowment, philanthropic support and communications represent common functions, while internal website support and special event material production are unique to the UT System.

### Potential Reduction Range

- 5–7 full-time equivalents (FTEs); please note that deeper analysis on job activities is required to identify exact FTE opportunity

### Opportunities for consideration

- Review all non-institution-facing or -supporting activities, which involves:
  - Activity-based analysis on Media and UT System website support. Website management is necessary for the UT System, but options exist to have this managed by a third party or to have portions of website management outsourced.
- The Special Events department currently produces all material in-house (brochures, pamphlets, other collateral) — an evaluation of the necessity should be performed.
- Additionally, training being provided by Center for Enhancing Philanthropy should be evaluated for a co-coursing opportunity.
- It should be noted that previous analysis has been done by External Relations to evaluate outsourcing opportunities in the past, and cost and familiarity with the UT System have contributed to pass on selecting these services.

### Shared Information Services (SIS)





## Summary

Shared Information Services (SIS) represents a strong example as to why a deeper level analysis is needed. This area has the highest number of employees in System Administration (full-time and contractors) and the highest level of investment (~\$25m in FY18). The investment and work to date implementing PeopleSoft (HR, finance and student records systems) for seven academic campuses (and System Administration) are ongoing, and as such, SIS has staffed a large team of internal and external resources. The continuation of this work has created tension across the system due to the time frame to complete and institution-specific issues, resulting in both change fatigue and morale issues. Interviews with presidents revealed growing concern over the time to deploy and complete the work as well as the optics on the budget. With a department payroll in excess of \$10m, dedicated attention to the quality of work being performed and accuracy of meeting specific institution needs should be a high priority to address in the near term. Additionally, SIS, Systemwide Information Services (SWIS) and the Office of Technology Information Services (OTIS) are currently under review for reorganization. This work is intended to identify synergies across the three groups, which in and of itself may yield opportunity to better define a specific services catalog to both institutions and System Administration as well as provide opportunity to further rationalize number of FTEs.

## President assessment

Department	Necessity				Effectiveness			
	Greater than \$1b		Less than \$1b		Greater than \$1b		Less than \$1b	
	Necessary	Unnecess. or Neutral	Necessary	Unnecess. or Neutral	Effective	Ineffect. or Neutral	Effective	Ineffect. or Neutral
Shared Information Services <sup>5</sup>	N/A	N/A	86%	14%	N/A	N/A	43%	57%

## Themes from stakeholder discussions

- PeopleSoft an overwhelming focus during interviews with stakeholders noting concerns around high budget, management, size of project team, timeline, degree of complexity and amount of disruption involved.
- Institutions acknowledged that change needed, but uniqueness of needs by each campus a growing issue along with speed of deployment which is overshadowing the effectiveness and anticipated benefits.

## Peer benchmarking

- N/A

## Potential reduction range

- Not recommended without further analysis on PeopleSoft deployment plans and infrastructure evaluation
- Limited opportunity to be gained through reorganization underway

## Opportunities for consideration

- Determination as to whether PeopleSoft is ultimately the best platform for SIS and the seven academic institutions currently going through the process. Insights gathered from the

<sup>5</sup> Only takes into account seven institutions undergoing PeopleSoft implementation



University of California System experience (UCPath) should be taken into consideration due to the widely publicized challenges and budget over-runs experienced over the last several years.

- A full review of the PeopleSoft implementation plans, spend, benefits, application maintenance model, etc. This would include functions that have yet to be deployed as well as campuses that have not started yet.
- A full review of the costs associated with running/supporting the in house data center(s). Specifically:
  - The true total cost of ownership for these facilities including real estate, leases, depreciation, labor, upgrade costs, and benchmarking against the world class capabilities offered by Dell and Rackspace, both of whom are local as well as companies like Amazon and MS who could provide cloud solutions.
- Strategic role for SIS/SWIS to play in the future (i.e. being a manager of service providers, rather than service provider itself for basic capabilities).

## Office of Governmental Relations (State Relations)

### Summary

While some level of state relations coordination across the system is likely needed, based on interviews, many institutions have their own departments and their own relationships with state legislators. Many of the presidents we spoke to were satisfied with their own institutional resources for government relations and found the system office to be duplicative. As the data shows, small institutions, however, do tend to rely more heavily on the central service, and reducing this function may require smaller institutions to staff up in response. It is important to note that what is beneficial for one institution may not be benefit to all, and getting rid of this function completely could negatively impact the system as a whole. However, benchmarking shows that UT System Administration slightly exceeds peers with respect to the number of FTEs dedicated to State Relations (nine FTEs vs. an average of six at peers), and reducing this department may provide an opportunity to refocus it on a) coordinating efforts system wide and b) providing more in-depth services only to small institutions that lack their own resources.

### President assessment

Department	Necessity				Effectiveness			
	Greater than \$1b		Less than \$1b		Greater than \$1b		Less than \$1b	
	Necessary	Unnecess. or Neutral	Necessary	Unnecess. or Neutral	Effective	Ineffect. or Neutral	Effective	Ineffect. or Neutral
Governmental Relations	0%	100%	67%	33%	0%	100%	89%	11%

### Themes from stakeholder discussions

- Provides good coordination of activities to ensure campuses are not working at odds with one another, especially for smaller campuses that don't have resources or connections to the Capitol.
- Defining a clear strategy with metrics tied to institutional goals and objectives needed.



- Valued by smaller campuses that don't have an ongoing presence in Austin to perform day to day political work specifically outside of session, although noted that the office sometimes 'steps on toes' of institution representatives.
- While valued for presence, degree of impact challenged as perception over who Government Relations supports (Chancellor versus institution) has been called into question.
- While some viewed support from Government Relations as a necessity, others noted that campus resources could be more effective in furthering institutional progress.

#### Peer benchmarking

- Large, compared with the peer average

#### Potential reduction range

- 2—4 full-time equivalents (FTEs); please note that deeper analysis on job activities is required to identify exact FTE opportunity

#### Opportunities for consideration

- Define a core niche of services and gain alignment on intended outcomes — having a presence in Austin is critical for the UT System; however, the support model for institutions needs to be re-evaluated based on specific institutional needs
  - Define service-level agreements, metrics and expected outcomes of work in support of Board of Regents, executive officers, institution presidents and senior staff
- Establish clear roles and responsibilities across the team while creating and providing transparency on work being done before, during and after legislative sessions on work — be more proactive with institutions

### Federal Relations

#### Summary

Similar to State Relations, interviews surfaced that there is likely a need to keep some level of Federal Relations support at the system level. All peer system offices offer this function, and presidents generally find it helpful. However, many presidents indicate that there would be minimal impact if this group went away, as many institutions are not engaged actively enough at the federal level to need extensive support, which may provide System Administration with an opportunity to scale down this department. Additionally, feedback on the intent of the Archer Center was positive; however, there were questions around why it was being operated and managed through System Administration rather than by an institution. (This is not a new debate, but also not fully addressed.)

#### President assessment

Department	Necessity				Effectiveness			
	Greater than \$1b		Less than \$1b		Greater than \$1b		Less than \$1b	
	Necessary	Unnecess. Or Neutral	Necessary	Unnecess. Or Neutral	Effective	Ineffect. Or Neutral	Effective	Ineffect. Or Neutral
Federal Relations	20%	80%	78%	22%	60%	40%	67%	33%



### Themes from stakeholder discussions

- Presence in Washington is perceived as valuable with institutions acknowledging that it is a luxury to have a dedicated team there.
- Federal Relations not viewed as a high priority. To become a need to have, work needs to be done to 'contract' with institutions on specific needs and measure impact. Many institutions do their own work in Washington. How the institutions engage with Federal Relations needs to be addressed, similar to Government Relations, with key metrics established to demonstrate value to institutional mission.
- Archer Center viewed as a good program but not one that has to sit within the Federal Relations department.

### Peer benchmarking

- Large, compared with the peer average (10 vs. 4.9 employees)

### Potential reduction range

- 4 - 6 full-time equivalents (FTEs); please note that deeper analysis on job activities is required to identify exact FTE opportunity

### Opportunities for consideration

- Specific focus should be related to management and oversight of the Archer Center undergraduate and graduate fellowship programs for realignment to academic institution and research and policy work related to NIH and DoD
- Establish clear roles and responsibilities and metrics for work done in support of institutions and system mission and objectives across the team (similar to Governmental Relations need)
- Evaluate overall necessity of the department by institution while evaluating realignment of activity in support of smaller institutions that more heavily rely on the Washington, DC, presence

## Academic Affairs

### Summary

All academic institutions found this department both necessary and effective. This critical department is responsible under the Texas Education Code to provide specific support of academic institutions by reviewing degree programs and enrollment levels, as well as carrying out specific duties assigned by the Board. Its value was noted across stakeholder feedback. Specifically, many presidents referenced the STARs initiative run out of Academic Affairs as extremely valuable in helping recruit high-quality faculty. Of particular note is the way this department interacts with academic institutions — it is there to be a sounding board and conduit, providing advice and resources institutions need. While STARs has received positive praise for how the program supports the academic institution needs, other programs such as Student Success were viewed less favorably, reinforcing the theme to eliminate top-down system-led initiatives.



## President assessment

Department	Necessity				Effectiveness			
	Greater than \$1b		Less than \$1b		Greater than \$1b		Less than \$1b	
	Necessary	Unnecess. or Neutral	Necessary	Unnecess. or Neutral	Effective	Ineffect. or Neutral	Effective	Ineffect. or Neutral
Academic Affairs <sup>6</sup>	100%	0%	100%	0%	100%	0%	100%	0%

## Themes from stakeholder discussions

Institutions note that they are pleased with current leadership of the office and that Academic Affairs delivers significant value

- PUF distribution and degree-review capabilities noted as being very strong and appreciated by stakeholders
- Closely working with Academic Affairs on policy issues continues to be an important role
- Institutions overwhelmingly spoke highly of the STARS initiative, which has been key in helping to recruit high quality faculty
- Convening institutions to share updates and practices has been noted as valuable
- Institutions note that Academic Affairs may have gotten off track by launching too many centralized initiatives like ITL and Quantum Leaps, which may be better left to institutions
  - They also note, that when it comes to student success, that has to be an initiative that is led by institutions rather than centrally

## Peer benchmarking

- Size is below average

## Potential reduction range

- 2–4 full-time equivalents (FTEs); please note that deeper analysis on job activities is required to identify exact FTE opportunity

## Opportunities for consideration

- Evaluate leadership levels across the department (spans and layers). The department is currently very “top-heavy” with associate vice chancellors. The impact of such changes would need to be balanced against the needs of academic institutions.
- Upcoming retirements may also represent an opportunity to assess structure and staff levels

## Health Affairs

### Summary

The majority of health institutions found this department highly valuable, specifically when the actions they take are in direct support of institutional goals and objectives. Aside from Quantum Leaps or system-driven initiatives, institutions across the board provided high marks for the leadership and partnership they receive from the office. This office plays a pivotal role in furthering the missions of each institution they support and should continue to modify their model as appropriate to maintain work that contributes to this value. Providing oversight and coordination, promoting collaboration by bringing campuses together, evaluating educational programs, supporting the development of new medical institutions and supporting policy all represent critical activities that institutions cited as being necessary

<sup>6</sup> Only takes into account responses from academic institutions



and effective. Institutions noted that Health Affairs is important to unify the interests of the various Health institutions to external parties and help streamline communication. Presidents noted that the office is highly responsive despite being lean, but similar to Academic Affairs, the department should caution taking on initiatives that do not demonstrate a measurable return on investment.

#### President assessment

Department	Necessity				Effectiveness			
	Greater than \$1b		Less than \$1b		Greater than \$1b		Less than \$1b	
	Necessary	Unnecess. or Neutral	Necessary	Unnecess. or Neutral	Effective	Ineffect. or Neutral	Effective	Ineffect. or Neutral
Health Affairs <sup>7</sup>	100%	0%	100%	0%	50%	50%	100%	0%

#### Themes from stakeholder discussions

- Provides significant value with a lean staff, but not all initiatives are value additive.
- Important to unify the interests of the various Health institutions.
- Provides a central point of contact to represent the interests of the health institutions to external parties, and to streamline communication.
- The office is highly responsive despite being lean.
- Similar to Academic Affairs, the department often takes on initiatives that do not demonstrate a return on investment.

#### Peer benchmarking

- N/A

#### Potential reduction range

- 2-4 full-time equivalents (FTEs); please note that deeper analysis on job activities is required to identify exact FTE opportunity

#### Opportunities for consideration

- Evaluate leadership levels across the department (spans and layers). The department is currently very “top-heavy” with Associate Vice Chancellors. The impact of such changes would need to be balanced against the needs of the health institutions.
- Evaluate remaining system-led programs (e.g., public health, data analytics)

#### Risk Management

##### Summary

Both small and large institutions have a heavy reliance on this department and note that it is a significant advantage to have a System Administration department to help with the management of insurance policies. With 27 FTEs, this group is slightly larger than peers’, which may warrant further exploration of potential efficiency gains.

<sup>7</sup> Only takes into account responses from institutions that have health centers or medical schools





### President assessment

Department	Necessity				Effectiveness			
	Greater than \$1b		Less than \$1b		Greater than \$1b		Less than \$1b	
	Necessary	Unnecess. or Neutral	Necessary	Unnecess. or Neutral	Effective	Ineffect. or Neutral	Effective	Ineffect. or Neutral
Risk Management	80%	20%	67%	33%	80%	20%	67%	33%

### Themes from stakeholder discussions

- Partnership with institutions strong with team viewed as well run and responsive to workers compensation and insurance coverage questions / needs.
- Viewed as a support function that avoids controlling institutions and over reaching into day to day campus affairs.
- Team size perceived as large questioning the degree of tactical versus strategic support being performed in house.

### Peer benchmarking

- Large, compared with peer average

### Potential reduction range

- 6-8 full-time equivalents (FTEs); please note that deeper analysis on job activities is required to identify exact FTE opportunity

### Opportunities for consideration

- If the desire is to retain a tactical risk management approach, the department should only reduce FTEs minimally.
- If the desire is to move toward a strategic risk management approach, it should shift its focus and realign resources based on prioritization of risk.
  - Shift resources to strategic Risk Management for Governance, Compliance and Risk
  - De-emphasize risk transfer (i.e., risk management insurance procurement and brokerage management)
  - Consider outsourcing tactical risk management activities
    - Insurance procurement
    - Claims processing
    - Third-party cyber assessments
  - Retain core strategic decision FTEs
    - Compliance
    - Risk Finance
    - Claims
    - Information Security
- Confirm that risk appetite and risk tolerance guidelines have been established
- Explore the desire to move from a tactical risk management approach to a strategic approach
- Review how responsibilities of handling certain risks are assigned to specific individuals, if administrators do not have clear risk ownership roles, any strategic risk management approach, such as ERM, is more likely to fail



## Information Security

### Summary

Most institutions felt that, with the growing presence of cybersecurity threats, it was necessary for this function to be centralized within System Administration, and many welcomed more assistance and guidance from this department. Many institutions said that this group was necessary to address the growing presence of external threats, as many individual institutions felt that they did not have adequate expertise and resources to respond to potential threats on their own. Many small institutions noted that they do not have adequate resources to provide a sophisticated response to cybersecurity threats given the complexity of the issues. Further, institutions noted that the department tends to be more reactive to security issues than proactive and that the group does not have a clear vision for the level of services they will provide to institutions. Institutions would like the system office to play a more active role in providing oversight, guidance and resources.

### President assessment

Department	Necessity				Effectiveness			
	Greater than \$1b		Less than \$1b		Greater than \$1b		Less than \$1b	
	Necessary	Unnecess. or Neutral	Necessary	Unnecess. or Neutral	Effective	Ineffect. or Neutral	Effective	Ineffect. or Neutral
Information Security	40%	60%	67%	33%	20%	80%	33%	66%

### Themes from stakeholder discussions

- Acknowledged that presence of cybersecurity threats is growing and that having a common approach across institutions is critical.
- Many small institutions note that they do not have adequate resources to provide a sophisticated response to cybersecurity threats given the complexity of the issues.
- Department viewed as being more reactive to issues than proactive.
- Defining a clear vision for the level of services they will and will not provide to institutions would be valuable, such as playing a more active role in providing oversight and guidance.

### Peer benchmarking

- Size is below average

### Potential reduction range

- None — the 15 total headcount seems low for the critical nature of the information security function in the System, compared with the size of the computing environment.

### Opportunities for consideration

- Perform further analysis to better understand:
  - How mature and effective is the security monitoring and response capability?
  - How are third-party risks managed?
  - Is there a right mix of talent on the team?
  - How is overall effectiveness evaluated?



## Innovation and Strategic Investments

### Summary

Presidents were generally unaware of the value this group delivers, assessing the department as unnecessary. While a minority of presidents were aware of the career initiatives initiated out of this office (UT Connects Talent and Mentor Network), the general sentiment among them was that, while the intent seemed promising, it was too early to comment on whether it was valuable. Additionally, presidents repeatedly mentioned a preference for new initiatives to bubble up organically from member institutions rather than being imposed by System Administration. Several initiatives have been in existence for some time, and value is being derived from deeper in the institutions. For example, the Mentor Network first piloted in January 2017 at MD Anderson, initially serving local Houston/Galveston UT institutions. In June 2018, the program expanded to serve UTEP, UTRGV, UTSA, and UT Health SA virtually. Today, there are two partner programs serving eight institutions with 52 active mentors and 33 active entrepreneurs. This example illustrates the opportunity to increase the visibility (possibly through better organizational alignment) of these programs to prompt a more thorough understanding by key stakeholders, specifically from the institutions that participate. While the desire by institutions is for the system to downplay system-driven programs, ensuring the right transparency on the value being derived is critical before making decisions to disband or shut them down.

### President assessment

Department	Necessity				Effectiveness			
	Greater than \$1b		Less than \$1b		Greater than \$1b		Less than \$1b	
	Necessary	Unnecess. or Neutral	Necessary	Unnecess. or Neutral	Effective	Ineffect. or Neutral	Effective	Ineffect. or Neutral
<b>Innovation and Strategic Investments</b>	20%	80%	0%	100%	0%	100%	0%	100%

### Themes from stakeholder discussions

- Presidents note that interactions with them directly are minimal, but some believe their teams interact with this Office. Most presidents could not comment on the value that their team generates.
- Knowledge of initiatives also minimal with stakeholders acknowledging general awareness (e.g. mentorship program), but most could not comment on the value being derived. This was a common theme which may not be indicative of work providing value, rather that the work has not received visibility at the President level.
- Institutions also expressed a preference for initiatives to pop up at the campus level rather than have them started at System Administration. Some initiatives led by this office did initiate at the campus level but require further review to confirm broader value being delivered.

### Peer benchmarking

- N/A

### Potential reduction range

- 2-4 full-time equivalents (FTEs); please note that deeper analysis on job activities is required to identify exact FTE opportunity



### Opportunities

- Evaluate the effectiveness of programs – provide institutions visibility to the objectives, status and metrics currently in place across UT Connects Talent, Mentor Network, Horizon Fund and Commercialization Support activities. Additional analysis should be done to make a decision around if the function should continue in its current capacity, realign to be supported through an institution or disbanded.

### Organizational Effectiveness

#### Summary

Presidents were generally unable to provide examples of instances in which their institution had worked with or interacted with Organizational Effectiveness and were unclear on how the department provided value to member institutions. Only 13% of small institutions found this department necessary, and only 22% said that it was effective, with the remainder of presidents being either “neutral” on the department or finding it “ineffective.” Most presidents note that the elimination of this department would have minimal impact on them. While a couple of institutions did report that they had approached this office for help, most presidents were unaware of how they could take advantage of services.

#### President assessment

Department	Necessity				Effectiveness			
	Greater than \$1b		Less than \$1b		Greater than \$1b		Less than \$1b	
	Necessary	Unnecess. or Neutral	Necessary	Unnecess. or Neutral	Effective	Ineffect. or Neutral	Effective	Ineffect. or Neutral
<b>Organizational Effectiveness</b>	0%	100%	11%	89%	0%	100%	22%	78%

#### Themes from stakeholder discussions

- Institutions report being unable to articulate the services provided by Organizational Effectiveness which could be attributed to level of interaction and visibility / impact of support.
- Those that have had interactions or have worked with the department report limited value from services.
- Energy and passion of those in department evident, but necessity questioned to further institutional mission.

#### Peer benchmarking

- N/A

#### Potential reduction range

- 1-2 full-time equivalents (FTEs); please note that deeper analysis on job activities is required to identify exact FTE opportunity

#### Opportunities for consideration

- Evaluate the department for necessity, taking into account critical activities that it performs today (e.g., sponsoring the Employee Advisory Council (Rule 30401)); all other activities were deemed essential or enhancing
- Evaluate contracting for leadership development, coaching, culture workshops, change management and organizational development needs



## Human Resources

### Summary

The Human Resources department was also reviewed during this phase of the assessment but was not included in the institution president assessment because of the internal nature of the support the department provides directly to System Administration. Human Resources does play a role with institution Human Resource departments to convene to discuss pertinent issues such as statute interpretation, affirmative action, technology needs (PeopleSoft implementation) and other common system-related issues. Campuses themselves indicate a desire to have more access to expert resources housed in the centralized HR team to take advantage of synergies in how they manage and support the employee life cycle (hire to retire processes). While Human Resources performs critical and essential roles in support of System Administration, opportunities exist to reorganize the department, specifically if work is to be done to revise the current System Administration operating model. HR will need to play a key role in both helping drive and sustain the transformation which will require assessing the current HR aligned FTEs for the appropriate skill sets needed to manage the talent component of this new model.

### Peer benchmarking

- N/A

### Potential reduction range

- 2–4 full-time equivalents (FTEs); please note that deeper analysis on job activities is required to identify exact FTE opportunity

### Opportunities for consideration

- Evaluate HR Business Partner model, specifically the ratio of support being provided across System Administration departments
- Evaluate moving Wellness role to Office of Employee Benefits
- Evaluate HR Service Center roles — explore robotic process automation opportunities specific to tactical work being performed
- Inventory and update all job descriptions across System Administration addressing day to day responsibilities, required competencies, titling consistency and compensation levels

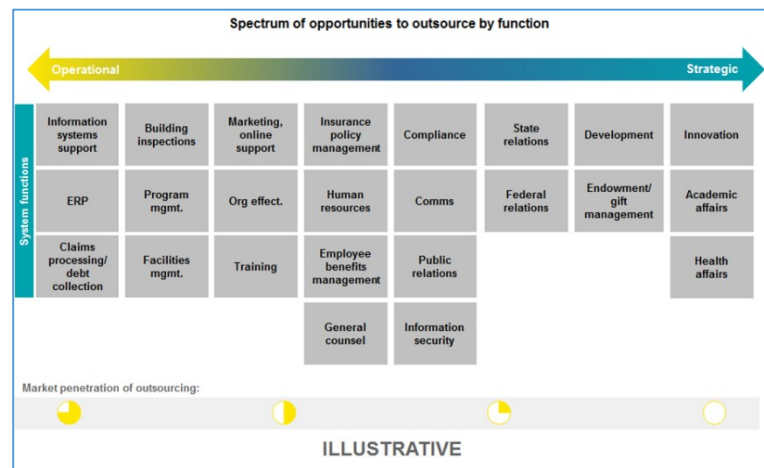
## Evaluating the Right Options

Opportunities to evaluate staffing models and structure were identified for many departments within System Administration. To further assess the opportunities, work should be done to properly evaluate the best options for reshaping the department going forward. There are different methods to consider, and while one may be right for a certain area, it may not make sense across the board. Taking the time to thoroughly vet each and understanding the pros and cons is a necessary step to ensure the right actions support the objectives System Administration is working to achieve.

Rightsizing: Departments that are above peer average may be good candidates for FTE reduction, pending a deeper-level activity mapping and capacity analysis. These areas may also be candidates for automation depending upon the repetitive nature of tasks being replaced.



**Outsourcing or co-sourcing:** Outsourcing and co-sourcing are also opportunities that UT can consider for many of the functions that it currently performs. Even if the system is delivering a function effectively and efficiently, there may still be a case for outsourcing if doing so would reduce the UT System's liability. The spectrum illustrated here is based on industry trends and shows the relative market penetration of outsourcing in higher education for the various functions a higher education institution performs. Functions that are operational in nature generally have higher outsourcing penetration, whereas functions that are critical to the mission and strategy of the institution, like academic affairs and innovation, are more difficult to outsource. While the cost of outsourcing may be higher in the near term, this should be balanced with an understanding of the true employee cost.



## Understanding true employee cost

Fringe benefits play an important role in understanding the total UT System liability for full-time employees. Salary is just one component of the overall employee cost and most typically considered when deciding between hiring a full-time employee and leveraging a contractor; in many cases, hiring a contractor represents a higher near-term investment. Transparency on total cost is not widely known and is not a factor considered when making hiring decisions. UT System Administration currently has a 25% all-encompassing fringe load that is allocated to current full-time employees. This includes the following:

- Health Insurance Premium Sharing (four rates based on level of coverage — contribution percentages such as 100% employee-only coverage or 50% dependent coverage are set by the General Appropriations Act)
- Workers Comp Fringe Assessment — \$0.054 per \$100 payroll (Internal Assessment)
- Unemployment Comp Fringe Assessment — \$0.40 per \$100 payroll, capped at \$9,000 (Internal Assessment)
- Teacher Retirement System (TRS) Employer Contribution — 6.8% (eligible employee is either TRS or ORP, but not both); rate is set by the General Appropriations Act (Chapters 821-830 of the Texas Government Code)
- Optional Retirement Program (ORP) — 8.5% up to the IRS maximum (eligible employee is either TRS or ORP, but not both); rate is set by the General Appropriations Act at 6.6% with local option for additional 1.9% (Chapter 830 of the Texas Government Code)
- Social Security — 6.2% up to \$128,400 (federal)
- Medicare — 1.45% with no limit (federal)





- Retiree Premium Sharing assessment — 2.6% (Internal Assessment funds a pool that covers the current year cost of premium sharing for retirees of UT System Administration)
- Vacation/sick Leave assessment — 1.0% (Internal Assessment covers vacation payout when employees terminate and sick leave payout in unusual circumstances such as an employee death)

Taking total employee cost into consideration, the following table represents the potential opportunity range that could be attained through reduction or elimination. Further analysis is needed to estimate additional savings (or potential near term investment) associated with outsourcing or the introduction of automation.

System Administration average salary	Average salary with 25% fringe load	Opportunity range		Potential additional savings per eligible employee <sup>8</sup>
		70 FTEs	110 FTEs	Estimate of present value of medical, Rx, and life insurance benefits at retirement
\$109,226	\$136,532	\$9,557,240	\$15,018,520	~\$193,000 (includes \$26,000 average cost for spouse)

## Creating a sustainable solution

As the analysis has highlighted, there are departments and functions with definite opportunities that can be addressed, with notable efficiency gains that can be realized. However, these gains in isolation will not address a larger need for System Administration, which is to have a sustainable, cost-efficient service model that supports the mission and objectives of the 14 member institutions across the UT System. Over the past several years, efforts to reduce headcount have yielded positive short-term results, but the long-term impact to the culture (motivation and engagement of employees) has started to take its toll. What makes System Administration valuable is not only what it offers, but the people who have dedicated their careers to serving UT and those that are attracted to working in this environment. Taking this into account, work should be initiated to reimagine the System Administration operating model. This work includes performing a deep-level activity analysis and a mapping exercise modeling various service model options and organizational scenarios. This analysis would not just enable proper modeling of individual departments, but also aid in defining the proper spans and layers and interactions needed for the UT System Administration function under the Chancellor. This will create the accountability and clarity needed to operate day to day in support of the Texas Education Code while also creating the right transparency as to how each institution requests and receives “service” to realize their mission. Only then will it be prudent to make specific changes in department composition regarding elimination, outsourcing or process automation.

An operating model is a means of defining how an organization will effectively deliver on its strategy.

Key questions associated with each component of the operating model include:

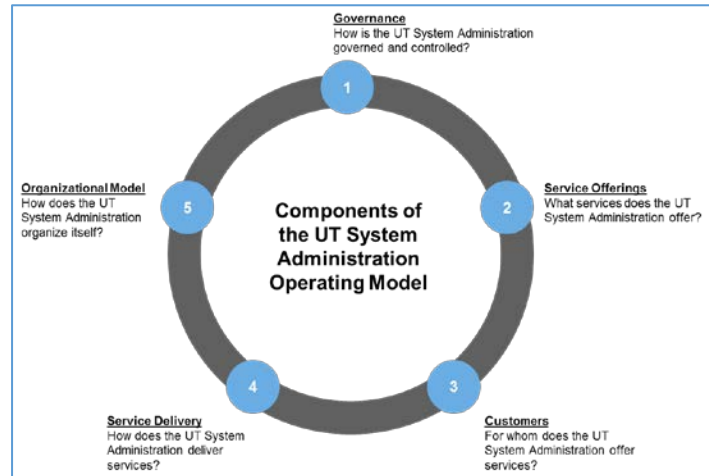
### Governance

<sup>8</sup> Estimate calculated using the BIENNIAL ACTUARIAL VALUATION OF OTHER POST-EMPLOYMENT BENEFITS report dated August 31, 2017. The figure represents a sample employee hired after 2003 and eligible for post-retirement medical benefits. We note that the benefits are discounted for the time value of money at 6%, which is assumed to be the rate of return on assets. This produces the present value of benefits of \$193,000 stated above. Net cost of a spouse is over 3x the \$26,000 but the average cost of spousal coverage on the population is \$26,000 since it is \$0 for more than two out of three retirees.



- How are the mission and vision of UT System Administration set?
- What systems are in place for performance management and talent alignment?
- How is success against goals measured?

First and foremost, UT System Administration has the opportunity to rethink how it would like to define its mission in terms of how it will serve institutions going forward. Whether it decides to offer only those services that are most mission-critical to all institutions or to offer an array of services for institutions at every stage of maturity, defining that vision clearly will allow institutions to respond and build capacity accordingly.



Generally, interviews uncovered a desire among stakeholders for greater transparency into how System Administration measures success against a set of goals. Tying the mission to distinct and tangible metrics can address this concern, and can allow System Administration to be more dynamic and nimble in consistently evaluating which functions and services are providing value. Another consideration, once a mission is in place, is developing processes for performance management that are aligned with the mission. For instance, if the goal of System Administration is to deliver high-quality service to member institutions, one possibility would be to tie performance reviews to institutional feedback and satisfaction levels.

### Service offerings

- What services does the System Administration offer?
- To what extent will System Administration customize or tailor its offerings for each institution?

The services that System Administration chooses to offer can flow from the mission it chooses to set and whether that mission is tied to a broad or narrow scope of responsibilities. One piece of analysis that can be considered is a periodic survey of institutions that gauges the most valuable services delivered by System Administration as well as any important functions that may be missing from current offerings. Another question that UT may want to consider is whether it offers a substantially different set of services to institutions that are more heavily reliant on System Administration versus those that are largely self-sufficient and that require less from System Administration.

### Customers

- To whom does System Administration offer services?
- To what extent will System Administration serve large institutions that are largely self-sufficient vs. small institutions that are heavily reliant on System Administration?
- Will System Administration offer different services to different institutions, based on need?



A common theme in internal system administration stakeholder interviews as well as in interviews with institution presidents was a desire for System Administration to maintain a customer-centric approach to serving member institutions. While there is a recognition that System Administration provides governance for the system and its member institutions, presidents expressed a desire for a relationship that more closely resembled that of a service provider with its customer.

In thinking through defining its customers, it is important to note that each of the 14 institutions within the UT System is unique, and as such, faces its own set of challenges and opportunities. The differences in scale, location and composition are such that each institution requires very different types and levels of service from System Administration. While larger institutions tend to be more self-sufficient, smaller and newer institutions tend to rely on more of the services offered by System Administration and tend to think of the System Administration as an extension of their own staff. Stakeholders expressed a desire for the system to celebrate the diversity of each institution and embrace their differences in size, maturity, student composition, location and other characteristics by being willing to adapt to the needs of each.

### **Service delivery**

- How does System Administration offer services?
- What processes and policies are in place for offering these services?
- What third parties are or can be engaged?
- What technology can be leveraged to offer services?

There is also has an opportunity to rethink how System Administration delivers services to member institutions, which includes how formal or informal service delivery is and the processes, technology or third parties used. As mentioned above, part of the challenge that System Administration is currently facing is that it is attempting to serve institutions with very different levels of need. In order to direct services efficiently, UT can consider formalizing the level of service delivery it will provide to each institution in advance. This will allow System Administration to only provide services as they are needed to the institutions that require them and to staff itself according to that predetermined need.

Additionally, multiple stakeholders felt that the system administration tends to operate in silos, with limited coordination between departments. Additionally, the level of coordination is often dependent on personal relationships between leaders rather than being engrained into the processes of the institutions. Stakeholders noted that developing processes for information flows between departments can help System Administration streamline and improve its services to institutions and prevent duplication of services. This also represents an opportunity to rethink how to leverage technology and outside service providers to deliver services to institutions.

One additional aspect connected to service delivery has to do with the work that UT System Administration employees perform on a daily basis. Understanding the specific contributions and activity based elements of each role needs to be part of the operating model analysis. Job descriptions currently do not reflect the true nature of the work being performed and as a result, titling and compensation levels are inconsistent. Therefore it is recommended that a thorough job architecture review be initiated to ensure the future operating model has the proper foundation needed allowing for increased consistency, transparency and accuracy.



### Organizational structure

- What organizational structure makes sense within the operating model?
- What reporting lines are in place, and do they need to change?

Lastly, UT has the opportunity to reassess its organizational structure in light of the other components of its operating model. Again, the organizational structure that UT chooses should flow from its mission. If UT chooses to adopt a more customer-centric, service-oriented model, it could make sense to organize the structure of System Administration such that all requests from institutions flow in through a central point and are triaged from there. By considering and defining each piece of the operating model, UT can ensure that all the pieces are aligned around a central mission and vision for System Administration.

### Conclusion

While this first phase of organizational assessment points to an opportunity for System Administration to optimize its operations as well as the value it delivers to institutions, further analysis is required to assess where and how UT can achieve savings, where it can potentially eliminate or outsource functions that are not delivering optimal value and where it can increase efficiency.

In addition, UT has a unique opportunity to reconsider and reshape its operating model to ensure that all the components are aligned so as to be sustainable. Any potential organizational transformation is at risk of being unsustainable if not aligned with an appropriate operating model. A clear definition and articulation of the mission and vision of UT System Administration is the first step in defining an operating model, but UT also has an opportunity to crystalize all the components of whom it serves, what it offers and how it goes about delivering those services.



## Appendix A: In-scope departments and interviews conducted

### In-scope departments

1. Academic Affairs
2. Employee Benefits
3. External Relations
4. Facilities Planning and Construction
5. Federal Relations
6. General Counsel
7. Governmental Relations
8. Health Affairs
9. Human Resources
10. Information Security
11. Innovation and Strategic Investments
12. Organizational Effectiveness
13. Risk Management
14. Shared Information Services
15. Systemwide Information Services
16. Technology Information Services

### System Administration interviews

Interviews with the following UT System Administration stakeholders were conducted as part of the eight-week assessment:

- Deputy Chancellor
- Executive Vice Chancellor, Office of Business Affairs
- Executive Vice Chancellor, Office of Academic Affairs
- Executive Director, Office of Employee Benefits
- Vice Chancellor, Office of External Relations
- Associate Vice Chancellor, Office of Facilities Planning and Construction (OFPC)
- Executive Director, Program Management, OFPC
- Director, Strategic Design & Initiatives, OFPC
- Executive Director, Accounting & Administration, OFPC
- Transition Manager, OFPC
- Administrative Projects Coordinator, OFPC
- Vice Chancellor, Office of Federal Relations
- Vice Chancellor, Office of General Counsel
- Associate Vice Chancellor, Office of General Counsel
- Vice Chancellor and Chief Governmental Relations Officer, Office of Government Relations
- Executive Vice Chancellor, Office of Health Affairs
- Vice Chancellor, Office of Health Affairs
- Vice Chancellor, Office of Academic and Health Affairs
- Administrative Coordinator, Office of Health Affairs
- Senior Administrative Associate, Office of Academic and Health Affairs



- Senior Administrative Associate, Office of Health Affairs
- Chief Innovation Officer, Office of Innovation and Strategic Investments, and Interim Chief HR Officer
- Chief Information Security Officer, Office of Information Security
- Administrative Coordinator, Office of Innovation and Strategic Investments
- Assistant Vice Chancellor, Office of Organizational Effectiveness
- Chief Compliance and Risk Officer, Office of RISC Services
- Interim CIO, Shared Information Services (SIS) and Systemwide Information Services (SWIS)
- Director, Office of Technology and Information Services

### **President interviews**

Interviews with the presidents of the following institutions were conducted as part of the eight-week assessment:

- The University of Texas MD Anderson Cancer Center
- The University of Texas Southwestern Medical Center
- The University of Texas at Austin
- The University of Texas Medical Branch at Galveston
- The University of Texas at Dallas
- The University of Texas at Arlington
- The University of Texas Health Science Center at Houston
- The University of Texas El Paso
- The University of Texas Health Science Center at San Antonio
- The University of Texas Rio Grande Valley
- The University of Texas Health Science Center at Tyler
- The University of Texas at Tyler
- The University of Texas of the Permian Basin
- The University of Texas at San Antonio

### **Appendix B: Functional benchmarking**

The system offices of the following institutions were benchmarked for comparison to UT's system office:

- State University System of Florida
- Texas A&M University System
- University of California System
- University of Wisconsin System
- University System of Georgia

Benchmarked institutions were chosen for inclusion in the peer set based on similarity to The University of Texas across factors such as size, number of member institutions, presence of a flagship institution and whether or not the system has a hospital. While each system is markedly different and also faces unique challenges, looking at the peer set in aggregate can provide some directional guidance on where UT System Administration is oversized.



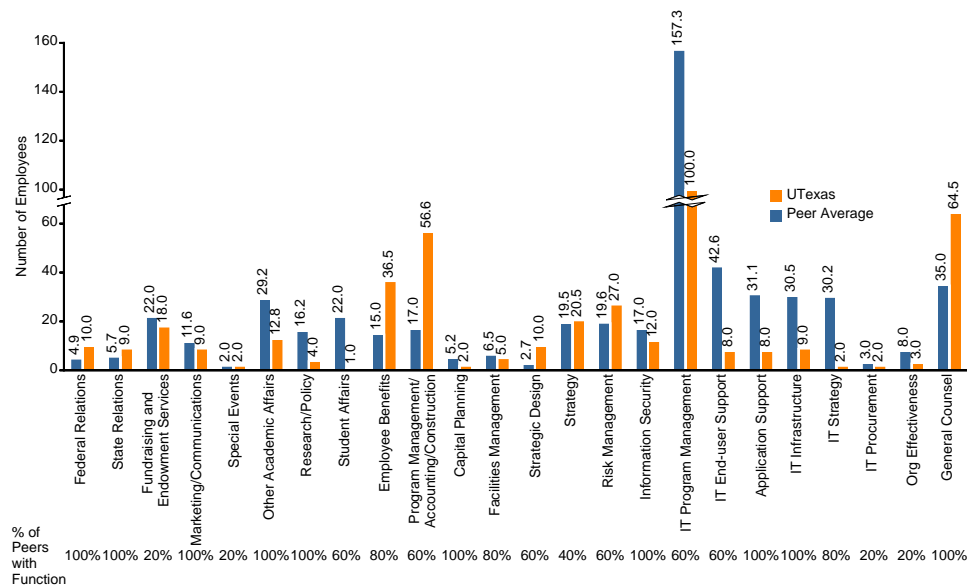


Name of benchmarked system	Number of institutions in system	Has a hospital?	Flagship	Total system FTE enrollment (2016)	System administration employees
State University System of Florida	15	Yes	University of Florida	288.268	~70
Texas A&M University System	11	No	Texas A&M University	126.623	~320
University of California System	10	Yes	University of California, Berkeley	258.530	~2,100
University of Wisconsin System	15	Yes	University of Wisconsin–Madison	153.008	~300
University System of Georgia	29	No	University of Georgia	253.291	~530

Source: IPEDS, system websites

#### Notes on methodology:

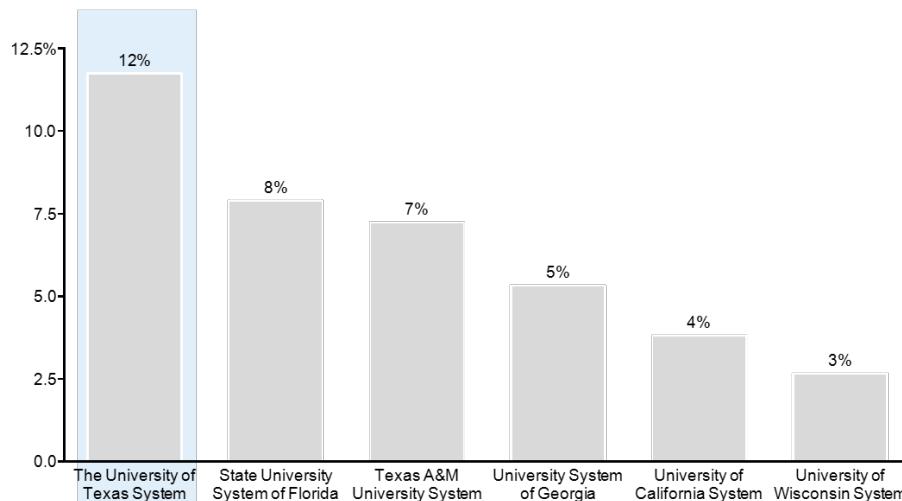
- Numbers are based on secondary research using system websites.
- In cases where it was not clear how many employees were dedicated to each of the functions an office provided, employees were split evenly over several functions.
- The University of Texas numbers are based on full-time equivalent employee numbers. Numbers for peer systems are based on employee headcount.
- Because not all benchmarked institutions have hospitals, Health Affairs was not included in the set of benchmarked functions





## Appendix C: Administrative support benchmarking

### Administrative Support employees as a % of total employees at system offices



Notes on methodology: The following roles were considered “administrative support” at the UT System Office: administrative assistant, administrative associate, senior administrative associate, administrative coordinator, administrative projects coordinator, legal administrative assistant, legal administrative associate, assistant to executive officer, office assistant

## Appendix D: Dependency on System Administration and revenue by institution

	UT MD Anderson	UT Southwestern	UT Medical Branch Galveston	UT Austin	UT Health Science Center at Houston	UT Health Science Center at San Antonio	UT Arlington	UT Dallas	UT San Antonio	UT Rio Grande Valley	UT El Paso	UT Health Science Center at Tyler	UT Tyler	UT Permian Basin
Revenue	\$4.2b	\$2.5b	\$1.6b	1.6b	\$1.3b	\$590m	\$460m	\$430m	\$320m	\$250m	\$240m	\$140m	\$80m	\$40m
Dependency on System Admin	Low	Low	Medium	Low	Low	Medium	High	High	High	Medium	High	High	High	High

Decreasing Revenue / Increasing Dependency on System Administration

Methodology: Institutions were categorized as having a “high,” “medium” or “low” dependency on System Administration based on interviews with institution presidents and the number of service presidents described the institution as utilizing.