

The Time is Right for Higher Education to Embrace Benchmarking

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Discussion overview

1. Why change?

- Pressures necessitating operational change

2. Why benchmark?

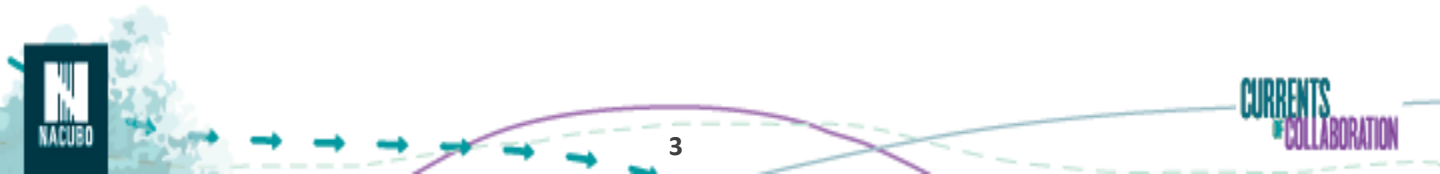
- Lessons from Healthcare
- Value of benchmark data to Higher Ed

3. How to benchmark?

- Phases of maturation and action steps
- Case studies

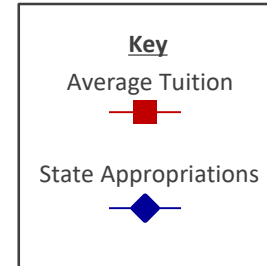
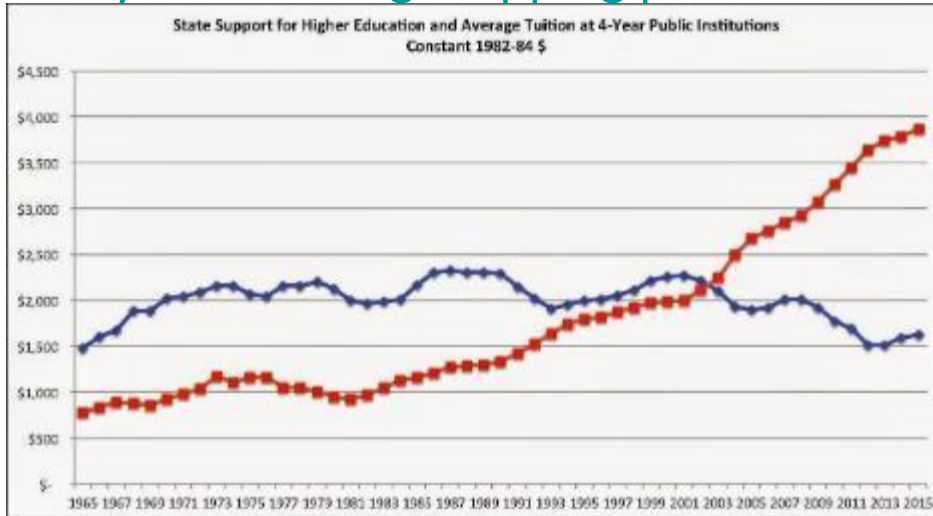
Higher Ed has not historically relied on operational benchmarking...

WHY CHANGE?



Financial landscape in higher ed

We may be reaching a tipping point:



Source: <https://academeblog.org/>

Administration spend has risen over time

The New York Times

The Real Reason College Tuition Costs So Much

By PAUL F. CAMPOS APRIL 4, 2015



Laurie Raloff

BOULDER, Colo. — ONCE upon a time in America, baby boomers paid for college with the money they made from their summer jobs. Then, over the course of the next few decades, public funding for higher education was slashed. These radical cuts forced universities to raise tuition year after year, which in turn forced the millennial generation to take on crushing educational debt loads, and everyone lived unhappily ever after.

This is the story college administrators like to tell when they're asked to explain why, over the past 35 years, college tuition at public universities has nearly quadrupled, to \$9,139 in 2014 dollars. It is a fairy tale in the worst sense, in that it is not merely false, but rather almost the inverse of the truth.

“According to the Department of Education data, administrative positions at colleges and universities grew by 60 percent between 1993 and 2009, which Bloomberg reported was 10 times the rate of growth of tenured faculty positions.”

“An analysis by a professor at California Polytechnic University, Pomona, found that, while the total number of full-time faculty members in the C.S.U. system grew from 11,614 to 12,019 between 1975 and 2008, the total number of administrators grew from 3,800 to 12,183 — a 221 percent increase.”

Source:

<https://www.nytimes.com/2015/04/05/opinion/sunday/the-real-reason-college-tuition-costs-so-much>

Concurrent revenue and demand-side pressures in higher ed

Demand-Side Pressures:

- Investment in facilities and services to attract top students
- Investment in research infrastructure to support top faculty

Revenue Pressures:

- Continued Cuts in state appropriations
- Nascent limitations on increasing tuition



COST MANAGEMENT

Source: *The Time Is Right For Higher Education To Embrace Benchmarking* (Beisser, S; Friga, P; Krasnov, J.; Phillips, M.)

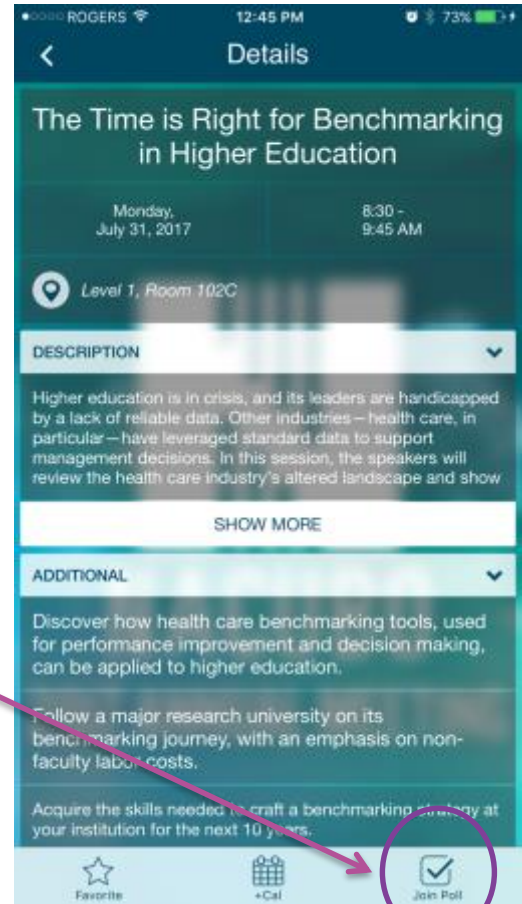
Cost management compels benchmarking analysis

Benchmarking analysis helps answer key questions related to cost management:

- *In what areas am I spending more than my peers? Am I overinvested?*
- *In what areas am I spending less than my peers? Am I underinvested?*
- *Am I comparatively invested well in key priority areas?*
- *Based on peer comparison, where might there be opportunities for improvement?*

Audience Poll

- Open your NACUBO 2016 App
- Tap “Sessions” and navigate to the **The Time is Right for Benchmarking in Higher Education**
- Tap the “Join Poll” icon along the bottom of the screen
- Select your answer to the question on the next screen.



To what extent do you agree with the following statement: We are actively improving our business operations at our university.

POLL OPEN

1 1 – Strongly Disagree



2 2 – Disagree



3 3 – Neutral



4 4 – Agree

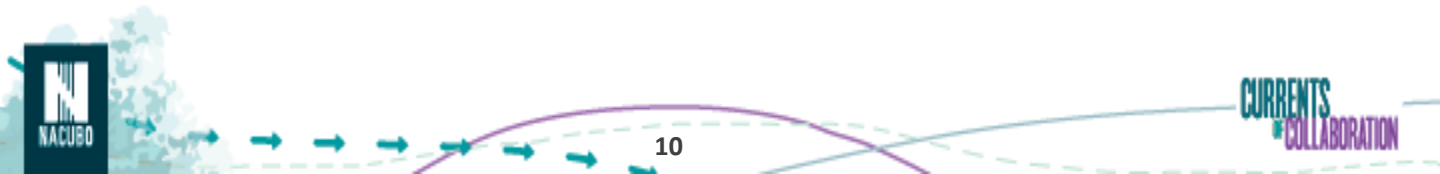


5 5 – Strongly Agree



What is the value of the data? How would it provide decision support?

WHY BENCHMARK?



Benchmarking plays a critical role in Healthcare

- Support budgeting
- Inform cost reduction priorities
- Inform goal setting
- Track performance against predefined metrics
- Support incentive-based compensation models

Create an organizational culture built on data-informed decisions, quantifiable goal-setting, and performance measurement.

Benchmarking use cases in Healthcare

External

TRUVEN
HEALTH ANALYTICS
IBM Watson Health™

Strata Decision
TECHNOLOGY

Advisory Board

vizient

PRESS GANEY

UNC
HEALTH CARE

Internal

UNC HOSPITALS | **UNC SCHOOL OF MEDICINE**

UNC REX | **UNC CHATHAM HOSPITAL** | **UNC HIGH POINT REGIONAL**
UNC HEALTH CARE | UNC HEALTH CARE | UNC HEALTH CARE

UNC JOHNSTON | **UNC CALDWELL**
UNC HEALTH CARE | UNC HEALTH CARE

UNC NASH | **UNC PARDEE**
UNC HEALTH CARE | UNC HEALTH CARE

UNC FACILITY PHYSICIANS | **UNC PHYSICIANS NETWORK**
UNC HEALTH CARE | UNC HEALTH CARE

UNC LENOIR | **UNC WAYNE**
UNC HEALTH CARE | UNC HEALTH CARE

Case study- UNC Chapel Hill: Leveraging benchmark data to drive Healthcare Transformation



System-wide operational improvement effort focused on several key areas:

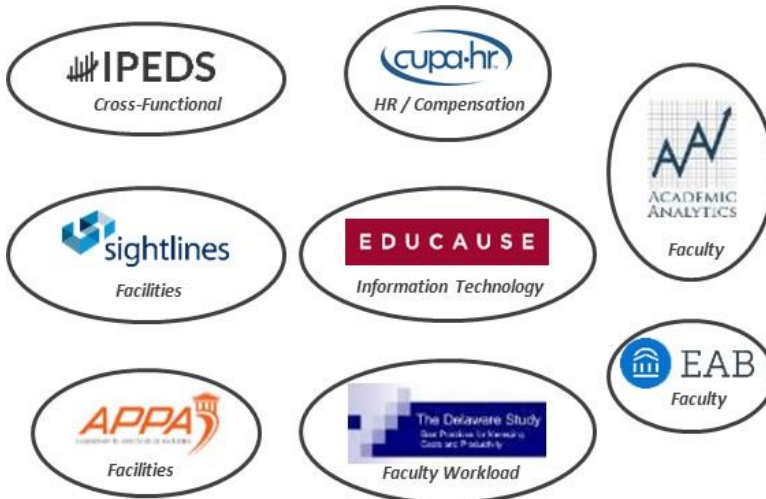
- Labor
- Revenue Cycle
- Ambulatory clinics
- Supply Chain
- Human Resources
- Clinical documentation
- Clinical Operations
- Perioperative Services

Higher ed needs good data to answer similar questions

1. Identify over-investment
 - In what areas am I outspending peers?
2. Identify under-investment
 - In what areas am I underspending peers?
3. Improve University performance
 - Where is my opportunity to get lean? To maximize a return on new investments?
4. Provide accountability data to stakeholders
 - One answer to – “The University is wasting money”.

How does currently benchmarking support Higher Ed?

Higher Ed relies on a patchwork of Benchmarking Services that have limited focus on administrative labor costs



Limited cross-functional data on labor – 60-80% of University cost structures

New Option:



ACADEMIC BENCHMARKING
CONSORTIUM

CURRENTS
OF COLLABORATION

How many of these type of resources do you use to support cost management decisions today?



I'm on board. How do I get started?

HOW TO BENCHMARK?

What can we learn from the Healthcare industry?

The use of benchmarking data in healthcare evolved in four phases:



Additional examples of benchmarking in Healthcare

Senior Leadership MBOs*

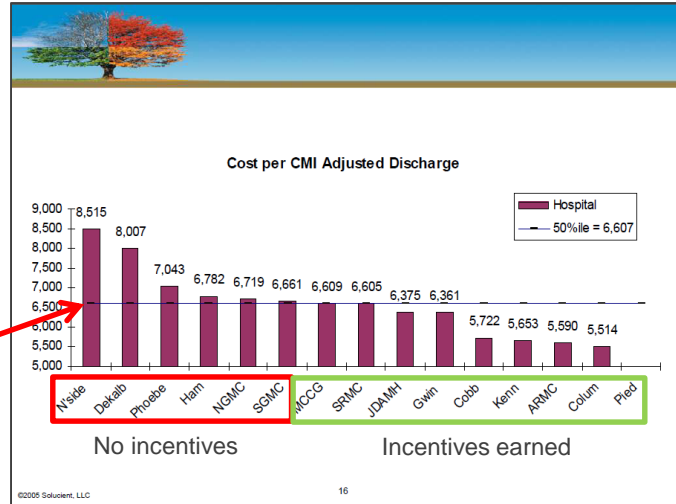
John D. Archbold Memorial Hospital

ACTION O-I™ Targets Incorporated Into the MBO Incentive Plan for Department Heads & VP's

- Superior Rating – 35th percentile and below
- Target Rating – 40th percentile and below
- Threshold – 50th percentile and below
- **No Incentive if above 50th percentile**

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Senior Leadership Incentive Results



*Management By Objective

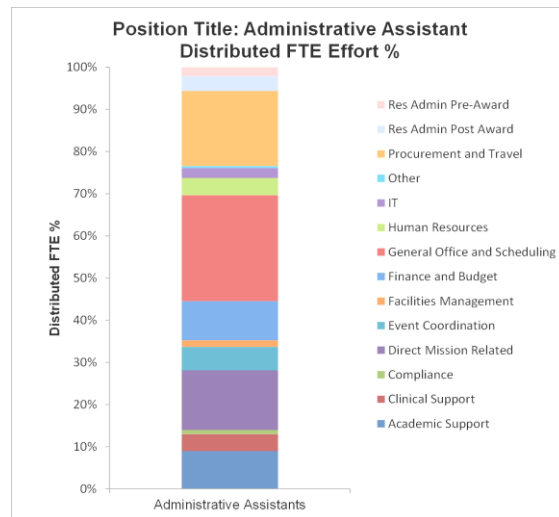
Current maturation of benchmarking in higher education

Universities are in a midst of a similar, although sequentially different evolution:



Challenge: recall Higher Ed has not standardized data

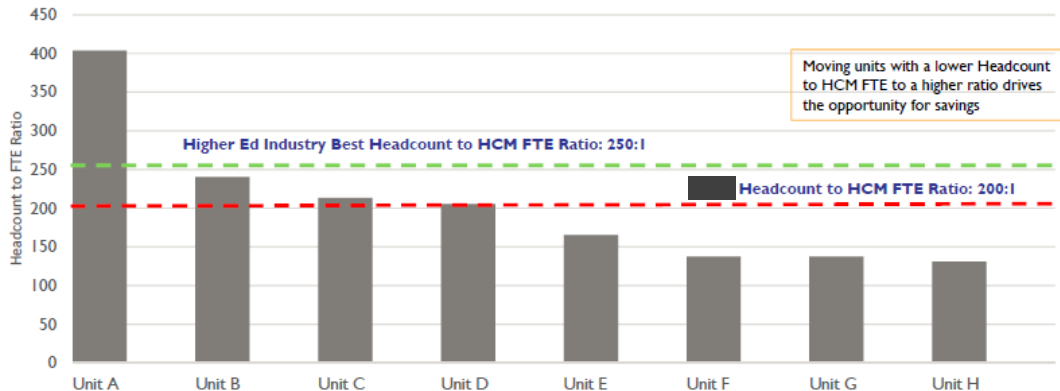
- Varying degrees of centralized / decentralized business support
- Roles are highly fragmented; i.e. “staff wear many hats”



Examples of internal benchmarking at a university

Savings Opportunity			
Current FTE	Est. FTE Savings*	Est. \$ Annual Savings*	Est. % Savings*
43.8	4.7 - 11.6	\$400,000 - \$980,000	12% - 26%

Academic Unit Headcount to HCM FTE Ratio



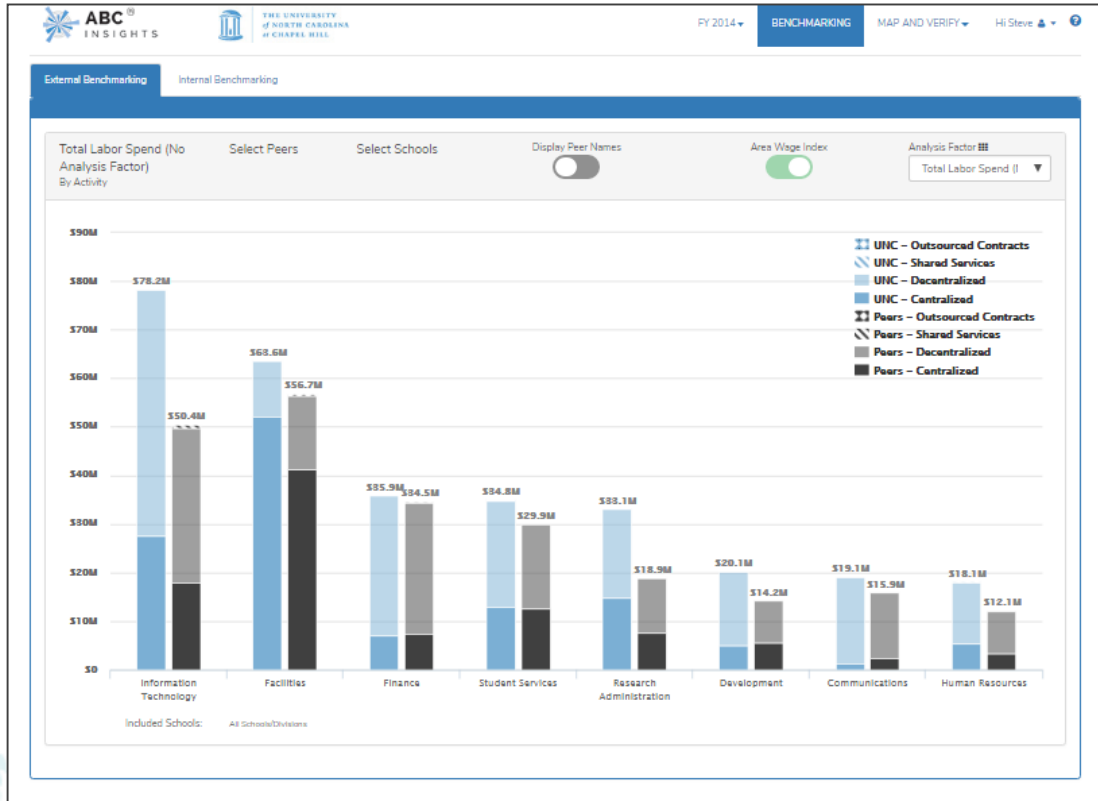
Case Study: UNC Chapel Hill – Opportunities to utilize benchmarking data in key decision-making

- Operational assessments in finance, HR, research administration, IT, and communications
- Ongoing shared services design and implementation
- Budget model redesign

Internal benchmarking has been used in each of these initiatives and select external benchmarking data was used if available.

What is your insight?

Total Labor Expense - by Activity



Source: ABC Insights proprietary benchmarking platform

What is your insight?

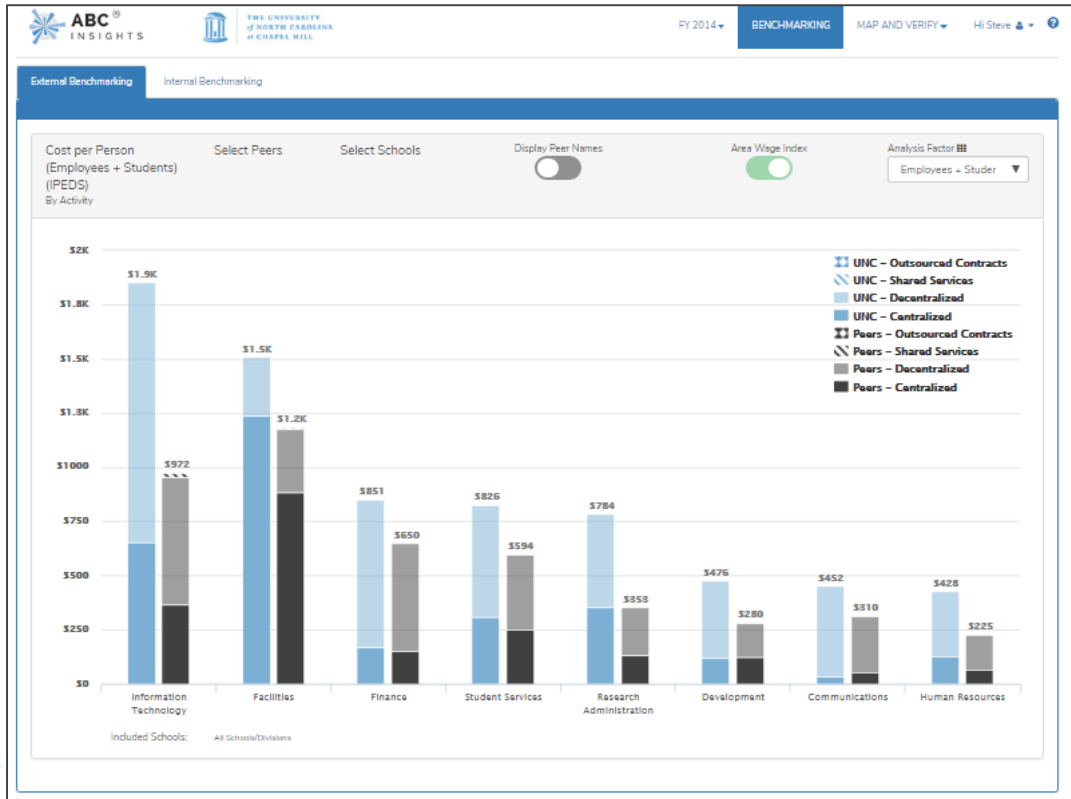
Activity Labor Expenses - as % of Operating Expense Dollars



Source: ABC Insights proprietary benchmarking platform

What is your insight?

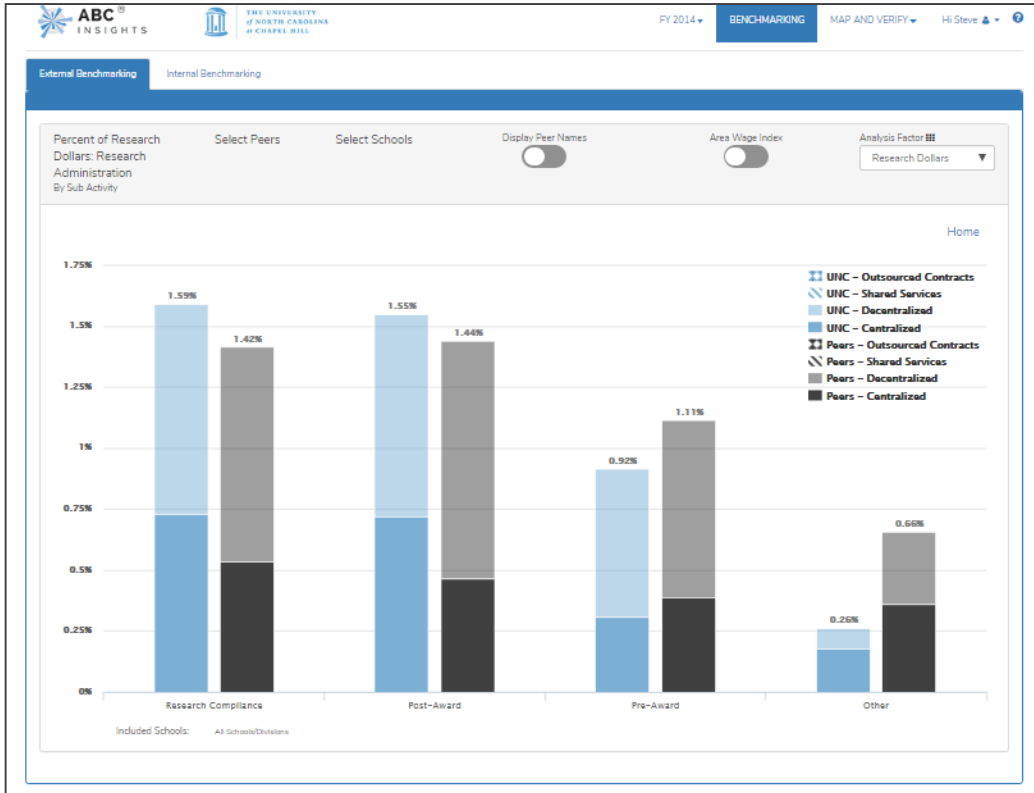
Activity Labor Expense - per Total Employees + Students



Source: ABC Insights proprietary benchmarking platform

What is your insight?

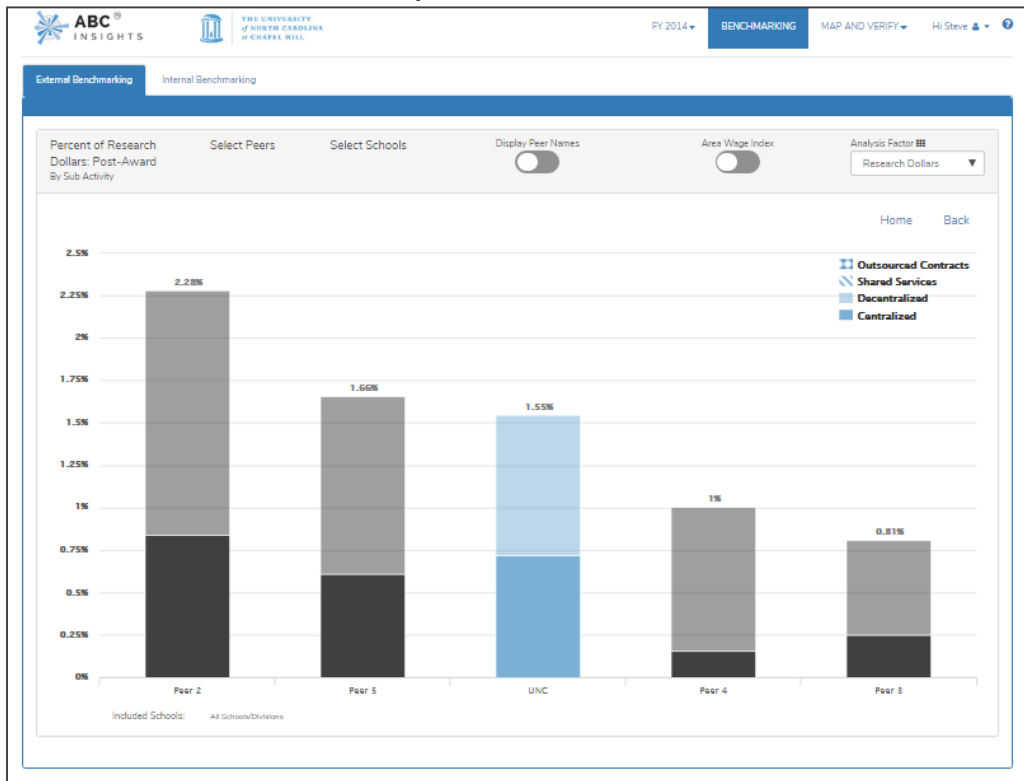
Research Sub-Activity Labor Expense - as % of Research Dollars



Source: ABC Insights proprietary benchmarking platform

What is your insight?

Post Award Labor Expense - as % of Research Dollars



Source: ABC Insights proprietary benchmarking platform

Decide on the WHY and the HOW

- Why are you benchmarking?
 - Performance measurement?
 - Cost management?
 - Goal-setting?
- What data exist or might you create?
 - Do external data exist?
 - Are internal data reliable and valid?

Action steps for benchmarking

1. Determine objectives
2. Identify appropriate peer set (not necessarily your academic peers)
3. Identify available data
4. Systematically collect and standardize the data
5. Analyze data and identify potential areas for improvement
6. Understand the “why”
7. Develop and evaluate options for change
8. Implement change
9. Reallocate resources to better align with mission
10. Track progress over time

Discussion review

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3. How to benchmark?

- Maturation curve and industry predictions
- Case studies