

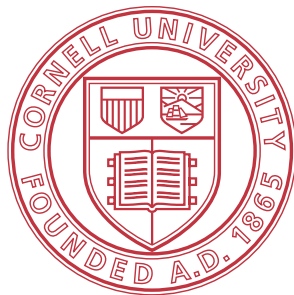
A Commitment to Stewardship

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Division of Planning & Budget

Reprinted from

Cornell University
2006-07 Financial Plan
May 2006



Cornell University

A COMMITMENT TO STEWARDSHIP

INTRODUCTION

Cornell's first and foremost responsibility is rooted in its mission to serve society by educating the leaders of tomorrow and extending the frontiers of knowledge. Fulfilling this mission requires prudent management of tangible and intangible resources, including financial, human, physical, and intellectual capital, as well as faculty, department, and university reputations. Carrying out this responsibility involves adherence to external regulations, donor and sponsor restrictions, and societal expectations for the university as a local, national, and global citizen.

For a world-class research institution such as Cornell, the breadth of stewardship responsibilities is wide, diverse, and challenging. Parents entrust their children, donors entrust their gifts, and state and federal governments entrust taxpayer's money—all with unyielding expectations that the university will foster and develop use of these resources for the greatest good of the university and society at large.

Cornell practices stewardship in a number of ways, ranging from strategic management of the endowment to ensure the funds will last in perpetuity to proper adherence to sponsored funds restrictions. Success in meeting stewardship responsibilities is largely dependent on effective policies, operating practices, structures, relationships, and incentives that clarify proper accountability for resource management and ultimately enable the academic mission to flourish.

While effective financial stewardship requires leadership from institutional administrators, actual execution and fulfillment is dependent upon staff members distributed throughout the organization in a variety of roles and responsibilities. For example, management of university facilities falls largely to a central organization, but daily responsibility to ensure systems are functioning properly, safe and healthy environments are maintained, and problems are identified and attended to in a timely fashion requires a vast array of individuals both on and off campus. Another example is adherence to donor gift restrictions, which begins with development staff clearly documenting and communicating the donors' expectations and ultimately extends to the individual faculty or administrator responsible for making decisions on how the restricted funds are to be used.

As the complexity of requirements and expectations grows and the demand on limited resources to achieve institutional priorities expands, the fundamental stewardship challenge becomes one of accountability as to how resources are managed, both institutionally and within individual departments. Three core values help guide Cornell's stewardship efforts:

- *Reusing resources and existing capacity wherever possible.* Activities include recapturing space for new purposes, increasing capacity within existing structures to take on more responsibility, and expanding capacity by re-thinking functional alignment. These activities also help to increase Cornell's agility in responding to new opportunities.
- *Developing sustainable solutions.* Cornell recently built the first LEED (Leadership in Energy and Environmental Design) certified residential hall in New York State, one example of the focus on sustainability in terms of long-term environmental impacts. (LEED is a green building rating system established by the U.S. Green Building Council.) The concept of sustainability also applies to the need to put support structures and programs in place that are flexible and strategically targeted, helping to ensure their longevity.
- *Planning and managing growth responsibly within the constraints of institutional capacity.* The space and facilities needs of the university are met through an extensive capital planning process. Other planning efforts include: campus master planning, which allows Cornell to consider the physical implications of expansion as well as densification on land and infrastructure and to establish guidelines for long-term growth; space utilization and allocation studies, which help Cornell better utilize its existing facilities; and university debt planning, which enables the institution to make maximal beneficial use of taxable and nontaxable debt proceeds. These processes help Cornell manage its future growth.

STEWARDSHIP OF SUPPORT SERVICES

Cornell has a long history of dedicated stewardship in the area of support services. Recent activity to improve the effectiveness and efficiency of operations

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can be tracked back to the recommendations from the university's 1992–1995 strategic planning effort, which called for the organizational structure of the university to be “strategically conceived to support the decision making and programmatic interactions most important to our success.” The *Final Report of the Task Force on Exercising Effective Stewardship*, a part of this effort, recommended use of reengineering techniques, clarification of responsibilities, establishment of incentives, and consolidation of administrative services to achieve greater efficiency as well as improved quality in support operations.

In this same time span, mergers of major administrative functions supporting the contract college and endowed divisions began. (See table below.) These administrative functions had been developed separately (and were somewhat duplicative) based on decades-old interpretations of the New York State laws that created the four contract colleges at Cornell. Modern interpretation revealed those separations to be superfluous. The consolidations were evolutionary in process, as reassessments were made at each step to ensure that the mergers were best positioned to meet changing needs and more consistent service delivery to all units on campus.

Individual operating units have an established history as well in streamlining operations to adapt to current needs with constrained resources. Shared service functions for administrative support and financial management activities originated in several colleges and administrative divisions and significantly influenced institution-wide operating practices in place today.

Project 2000 followed in the late 1990's, with the objective of developing radically new and different ways of doing business to provide better service at lower cost. Reengineering policies and practices began

as a major component of the Project 2000 effort, along with the implementation of new core administrative systems. However, the magnitude, complexity, and resource requirements of implementing new administrative systems eventually consumed the reengineering efforts, and the vision of more-effective processes university-wide was not fully realized. Individual operating units and central functional offices continued to create and seize opportunities to make improvements when possible, but these efforts did not result in broad, consistent, and coordinated adoption throughout the campus.

Project 2000's vision to implement more effective technological solutions university-wide was, in part, an attempt to create more consistency in university practices. Historically, Cornell has experienced a great deal of inconsistency across campus in terms of the processes used, the quality and availability of services and programs, and the types of oversight utilized or required. This lack of consistency is due mainly to the fact that many resource management decisions are made at the local level. Over time, particularly in an environment in which use of resources is continually adjusted to meet ever-growing demands, differences in support activities grew as each unit chose to use resources for support functions in a different manner.

The consolidation of endowed and contract college business functions in the 1990's was successful in alleviating some inconsistencies in that it created central functions which were better aligned to serve the entire campus. But the connections between these central services and local levels remained generally uncoordinated due to the differences within the units.

In 2001, President Hunter R. Rawlings initiated the Workforce Planning initiative, stating that “an institution the size and complexity of Cornell should take a serious look at staffing levels and structure on a periodic basis.” At that time, total personnel costs (salaries, wages, and employee benefits) accounted for approximately 60 percent of overall university operating expenditures. President Rawlings's charge to the planning effort was to examine nonacademic staffing requirements across the entire campus. Nonacademic staff in both academic and nonacademic organizations then totaled 84 percent of the total number of Ithaca campus employees.

Mergers of Administrative Offices Across Endowed and Contract College Divisions

	Merger Year
Payroll Services	1987
Accounting Services	1992
Human Resource Records Administration	1998
Employee Benefits Administration	1999
Budget Activities	2000
Fleet Operations	2002

Key Drivers for Workforce Planning

- Historical increase in support costs at a faster rate than investments in core academic programs.
- Demand for investment in academic priority areas.
- Increase in interdisciplinary academic programs requiring flexible administrative structures.
- Budget pressures: decrease in state funding, insufficient discretionary funds.
- Increased complexity requiring a more skilled and trained workforce.
- Ever-growing external regulatory compliance requirements.

Workforce Planning was initiated during a time of significant budget constraints and high financial uncertainty. The project was intended to provide Cornell with a more strategic way to respond to limited financial resources. Coordination was essential to the effort to ensure that the quality of services would be maintained or improved while minimizing the potential that budgetary constraints would lead to further inconsistencies across campus.

WORKFORCE PLANNING

The Ithaca campus Workforce Planning effort involved a comprehensive review of major administrative and other support functions. Unlike the systems implementation focus of Project 2000, the primary focus of the Workforce Planning initiative was on defining major roles, responsibilities, and accountabilities for functional activities across organizational boundaries. This was deemed the critical first step necessary to achieve sustainable improvement in both the effectiveness and the efficiency of campus-wide support functions.

Workforce Planning was driven by the very clear objective to realize significant financial savings. (See table above.) In prior years, financial challenges were typically met by assigning budget reductions to each operating unit and allowing each dean or vice president to make discrete decisions about where to reduce costs. The impact of this practice on support activities was a widely differentiated and uncoordinated system of support between operating units and central offices.

Workforce Planning responded to this by initiating reviews of entire support functions, thereby achieving greater consistency in the definition and coordination of responsibilities and accountabilities. Each Workforce Planning review was charged with realizing a significant amount of financial savings, and as an incentive to each unit, the savings realized would generally remain within the operating unit in which the savings were achieved.

Eight specific functional reviews were conducted under Workforce Planning, including human resources, financial transactions, alumni affairs and development, information technology, facilities, student support, libraries, and purchasing. A main goal of the Workforce Planning initiative was a reallocation of resources to support targeted uses. In July 2002, President Rawlings established a goal to “make available \$20 million for reallocation to institutional and unit-specific strategic priorities by fiscal year 2004-05.” He further stated that achieving the goal “will require a combination of efforts, including workforce planning, academic program reviews, and the implementation of targeted budget reductions.”

Significant progress has been made and positive results achieved toward accomplishing Workforce Planning’s original objectives of clarifying roles, responsibilities, and accountabilities; realizing significant financial savings; and improving the effectiveness of major support functions. Specific changes included the establishment of a shared-service model in human resources and finance, leading to greater efficiencies and effectiveness and annual financial savings of over \$15 million. (See table below.) Workforce Planning also led to a

Estimated Annual Savings from Workforce Planning Reviews and Initiatives

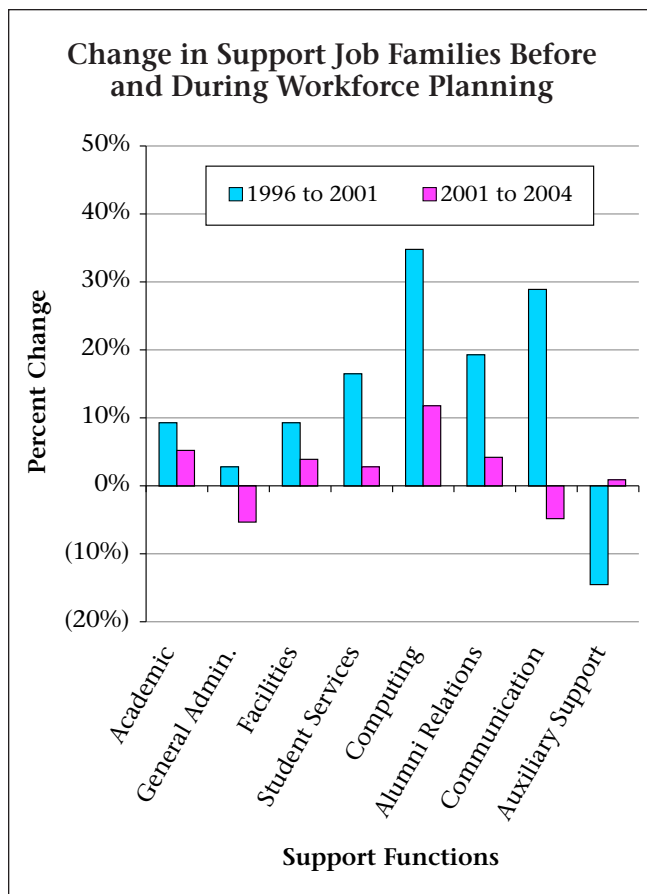
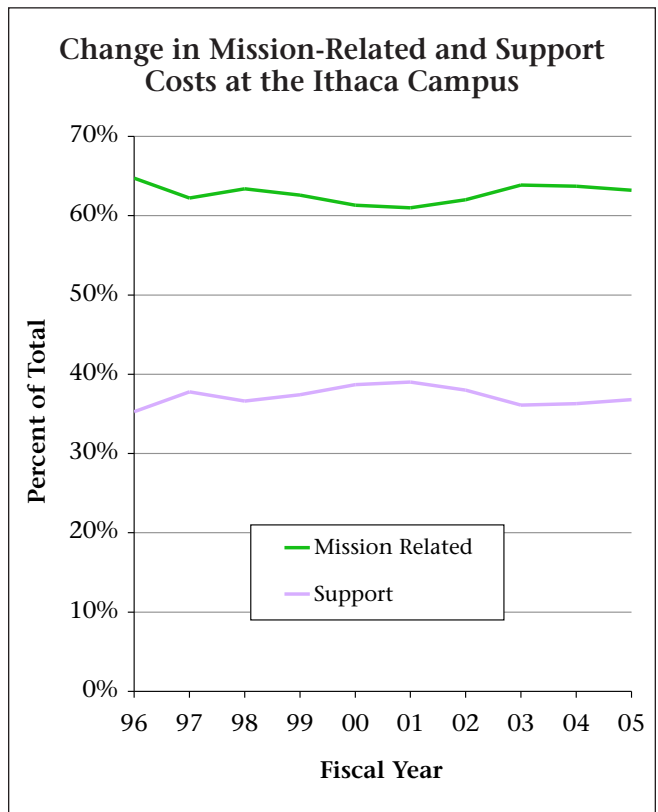
(dollars in thousands)

	Estimated Savings
Human Resource, Finance, & General Administrative Support	\$5,750
Purchasing	5,000
Information Technology Support	1,900
Facilities	1,000
Library	575
Student Services	750
Other Business Services	<u>750</u>
Total Estimated Annual Savings	15,725

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reversal or slowing of the rate of staff growth in most nonacademic support functions during the duration of the review effort. (See graph below.) During this time, Cornell made investments in critical support areas that led to a growth in activity. Increased productivity resulted in areas where staff support did not grow proportionately. The data collected as part of the Workforce Planning effort has created an important foundation for benchmarking future staffing changes and is part of a continuing effort to better utilize and understand measures of productivity and growth.

Analyzing the relationship between support operations and the academic mission is one way Cornell tracks the costs associated with each activity. The graph at right shows the variation year-to-year between the percentage of overall costs that are direct mission costs and those that are support costs. Support costs include staffing costs as well as related expenses. Support costs are an important indicator to track because they make up such a large percentage of Cornell's spending. During the Workforce Planning effort there was an overall strengthening of the ratio of



direct mission costs (instruction, research, and public service) to support costs (academic support, student services, institutional support). This kind of analysis is helpful to gauge and track a measure of overall efficiency, but because Cornell is such a diverse and large organization, a measure such as this can only go so far in identifying specific drivers behind year-to-year fluctuations.

Non-recurring savings were also realized through the Workforce Planning initiative in the area of strategic sourcing, which lowered the cost of external vendor purchases. (See table at the top of page 45.)

Follow-up reviews for the eight functional reviews are scheduled to begin in 2006-07 to assess the success of implementation efforts and to ensure the changes continue to make support activities more efficient and effective.

The Workforce Planning effort helped create a sense of institutional drive, leadership, and, in some cases, cover for tackling organizational issues. The key principles learned from this planning effort continue to positively influence planning discussions centrally and in campus units. These key principles include the

Strategic Sourcing Savings by Commodity Area (dollars in thousands)

	Prior Annual Expenditure Level	Estimated Annual Savings
Information Technology		
Hardware	\$16,715	\$1,460
Scientific Supplies	12,560	765
Furniture	4,730	125
Office Supplies	2,480	1,785
Courier Services	1,610	340
Copiers	1,725	505
Other Commodities & Services	<u>112</u>	<u>20</u>
Total Savings	41,415	5,000

following:

- Rigid one-size-fits-all approaches are generally not the solution in Cornell’s complex environment. Cornell must strive to achieve greater integration of university support operations without calling for centralization or the elimination of all unit differences. Common needs should be met with common systems, processes, and services. Unique unit differences and requirements should be addressed to the extent possible by building upon common solutions rather than creating entire individualized systems.
- Unit-specific needs and university needs are inextricably linked, and neither can be fully satisfied separately.
- Accountability must be based on clear expectations jointly defined and regularly evaluated by all relevant stakeholders.

THE FUTURE OF STEWARDSHIP

Improving the effectiveness and efficiency of support services is made more complex, more pressing, and more appealing by three factors in the external environment. Scholarship and research are becoming more interdisciplinary, requiring a world in which there are reduced barriers between disciplines. Secondly, although Cornell’s stakeholders have always demanded effective stewardship, the specificity of the external requirements is changing, as can be found, for example, in the Sarbanes-Oxley Act. Thirdly, Cornell’s infor-

mation technology systems are being replaced and these new systems offer new opportunities in terms of streamlining business processes.

These three factors drive a continuing effort to engage in productive review across organizational boundaries and functional areas– review that will allow Cornell to do more without increasing support costs, to improve the use of resources, and to be innovative in adapting to changing needs.

Improving the effectiveness and efficiency of support operations is not only a worthy goal, but also a fundamental stewardship responsibility essential for ensuring that resources are allocated most effectively. The Workforce Planning initiative effectively served as the first phase of a continuous university-wide effort intent on ensuring agile and responsive systems of support at the lowest possible cost.

This initiative has transitioned to an ongoing university function supporting new and continuing planning efforts. The Office of Institutional Planning and Assessment in the Division of Planning and Budget has been established to oversee and support this task. Further progress in integrating, coordinating, and re-defining activities across the university will ensure the continuation of effective stewardship at Cornell.

The values that guide stewardship at Cornell are numerous and range from personal values staff members may bring to their roles to organizational values specific to certain units. However, a core set of shared values helps guide and integrate stewardship at Cornell. The values of demonstrating a high level of accountability to Cornell’s stakeholders, reusing resources, considering sustainable solutions both in terms of longer-term environmental impacts and shorter-term operational agility, and accurately understanding and planning around Cornell’s capacity for growth help set Cornell apart and demonstrate Cornell’s commitment to stewardship in all its forms.