

Minutes*

**Senate Committee on Finance and Planning
Tuesday, November 17, 1998
3:15 – 5:00
Room 238 Morrill Hall**

Present: Stephen Gudeman (chair), Jean Bauer, Charles Campbell, Catherine French, Wendell Johnson, Gerald Klement, Terrence O'Connor, Terry Roe, James Van Alstine, Susan Carlson Weinberg, J. Peter Zetterberg

Regrets: Jane Phillips, Peter Robinson, Charles Speaks,

Absent: Cynthia Gillett, Eric Kruse, Richard Pfitzenreuter,

Guests: Associate Vice President Robert Kvavik, Jude Poseley; Associate Dean Beverly Durgan (COAFES)

Other: Linda Johnsrud (ACE Fellow)

[In these minutes: Update on the new computing systems and software (the Enterprise Systems Project); IMG and the compact process in the College of Agricultural, Food, and Environmental Sciences; Committee action on the information about compacts]

1. Enterprise Systems Project

Professor Gudeman convened the meeting at 3:15 and welcomed Associate Vice President Kvavik to talk about the Enterprise Systems Project (ESP -- the new computing systems and software for student, human resources, and grants management).

Dr. Kvavik explained that those involved with ESP will go around campus making presentations in order to provide a broader understanding of the new systems. This is the first such presentation, and he welcomed comments and suggestions.

When he was assigned responsibility for student systems (registrar, registration, financial aid, etc.), he came to realize there were big problems, including the Year 2000 problem, because the computing languages used would not accommodate necessary changes and because students disliked the quality of service they were being provided. These problems were complicated by the existence of multiple policies, different start dates, and other factors, leading to an enormous problem. There was a need to change technology, hardware, and the service orientation -- and 90% of the process was rethinking how the University does business, not hardware and software.

The entire effort, including human resources, grants management, creation of the web front end, infrastructure support, and creation of a single data base, will cost \$45 -- 50 million. This is a large

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number, but the student systems do not exist solely to provide transcripts -- they are the means by which the University manages its educational program -- class scheduling, grades, registration, and so on.

Asked if there would be savings as a result of the expenditure, Dr. Kvavik said there would, although it would be hard to provide numbers. There will be different jobs, but the effort is driven primarily by efficiency. There will be productivity improvements that are difficult to quantify.

Dr. Kvavik reviewed the expenditures on the various elements of the system, and said the University, by doing much of the work itself, was making the changes at a cost 30 – 40% less than comparable institutions. In addition to efficiency in transactions, the second goal was to add value to transactions – add capacity that the system did not have before to do such things as plan, assess, and market. For example, in classroom scheduling, it will take 59 seconds to do what previously took 3 months, and they are trying to maximize use of classrooms while at the same time taking into account faculty preferences (and it must be recognized that accommodating preferences will lead to trade-offs with efficiency).

Dr. Kvavik presented a series of slides to the Committee. He mentioned development of the Center for Human Resource Development, intended to aid in achieving the most effective use of the new tools that will be available. There will be training and help desks available across the campuses, and information will be provided to colleges and departments. Human Resources will make every effort to provide the training needed, because there is no desire to replicate the experience with CUFS.

The “back end” of the system is PeopleSoft; the “front end” is the web; without the web, services will not be changed to be made more effective. FormsNirvana is a tool developed to simplify form processing.

The aim is create a single place to provide needed services. That is now being done for students, and it will be provided for faculty. Faculty will be able to do much business with the new system -- post grades, obtain profiles of classes, plan their retirement, change their benefit package -- and it will always be paperless, always available for transactions 24 hours a day, 7 days a week.

The system changes how the University does business. For example, 20 years ago, all students registered in lines; now almost 90% register on line from any place in the world. When the web site was first up, it was receiving 13,500 “hits” per month, which was thought to be outstanding. Now it receives 3 million hits per month, and may be up to 20 million in the near future. These numbers suggest that the way the University transmitted information previously was totally inadequate.

Another element of the new system is that transactions are linked: if a student cancels a class, he or she will be told how this will affect financial aid -- students will be informed of the ramifications of decisions (rather than going to 12 offices and finding out 6 weeks later). The goal is to have 75-90% of transactions completed automatically (transactions now done manually or through an intermediary) and the remainder done by individuals themselves. There will be more generalists and fewer specialists, offices will do fewer transactions and be more client-oriented, and service will be seamless across departments. The idea is to create a culture of service.

It is intended that the new system be fully operational by March of 2000; some of it is functioning now.

Can the system be altered, for example, to accommodate a new Senate rule? Yes, but changes cost money. It is to be hoped that policy changes add academic value, which is worth the programming costs. In some cases, PeopleSoft is already set up to hand the change as the policy be supported at another PeopleSoft school.

Dr. Kvavik said they wanted to be sure the system was not set up without in-house expertise. The student system and the human resources system use the same software, so staff and student information can be joined. At the same time, they want to minimize the amount of customization necessary (e.g., it will cost about \$1 million to change the system if the State changes employee benefits packages, and it could cost an additional \$300,000 if the decision on the tuition plan is delayed too long).

In terms of policies, the changes have been good. The number of grading systems has been reduced from 9 to 3, there are fewer different start and end dates for classes, and policies have been made cleaner. Dr. Kvavik commented, however, that policy changes should be made only when they are sensible -- the Enterprise Systems should not be the tail that wags the dog.

One Committee member suggested that the major element of the new systems is improved service to students. There ought to be a cost-benefit analysis of the improvements, it was said. No such analysis was made beforehand, Dr. Kvavik said.

What role has faculty consultation played in the development of the system, one Committee member inquired? Dr. Kvavik said that as the web portion of the system is developed, faculty must be brought in so they can identify what they want. Professor Hamilton did a good job in this respect on the new grants management system, and his model will be followed. They met with many students on what they needed. He said that faculty have been consulted up to now, and would be added to design teams.

Dr. Kvavik explained how the University is interacting with IBM to convert its efforts to a product that IBM will market. The University's vision of the web "front end" may become the front end that 400-500 institutions use, and there will be royalties from the sale of the product. The University went from being a poor provider of services to students to being a model for the country.

One Committee member inquired about the source of the \$45-50 million that would be required, and about the timing of the implementation of the new systems vis-à-vis the change to semesters. Dr. Kvavik said that most of the student functions would be in place by the time of the change to semesters, and all are on track. Of all the universities making these kinds of systems changes, only Minnesota appears to have remained on budget and on schedule -- which is a credit to the David Hamiltons, Steve Cawleys, Roberta Armstrongs, and their colleagues, who have been working to make the projects go.

Of the funding, some will come from the sale of the hospital and some from a .7% tax on payroll for all units. There will also be IBM royalties and use of unencumbered balances. Not all the funding has been identified, which is a problem that must be addressed. But the University did not invest in systems for 25-30 years; it is like deferred maintenance on buildings -- the neglect catches up, eventually.

Asked about the provision of good data to departments (which have a difficult time making budget decisions with the data available from CUFS), Dr. Kvavik said that Clarity will be part of the vision to provide information to departments. He said he did not want people to have to go into

PeopleSoft to obtain the information they need; whatever is needed must be on the web and simple to use. One Committee member said he was appalled at the budgeting system used at the University, and said that presentation of more complex data in usable form would be in place in the near future. A change in the financial system was pushed off because it would have raised the cost of the project to about \$60 million, and because CUFS could be made Year2000 compliant.

Whether one has new systems or not, Dr. Kvavik reflected, sometimes changes do not occur; they often depend on policies and practices. They did it right with the student systems: they articulated a vision of what they wanted, got student support, and then looked for a company that could meet the requirements. He told the Committee he hopes that is the way the process continues. The new system replaces 30 systems and 3000 software programs.

PeopleSoft will provide upgrades, at 17% of the original cost of the system. With CUFS, the University made so many modifications that upgrades do not work. That will not happen with PeopleSoft, because the University is minimizing the customization. The cost of the upgrades is reasonable, given what it costs to upgrade comparable packages.

The tax on payroll was collected in the first year, but not in 1997-98. It is being considered for 1998-99.

CUFS will eventually be scrapped, when PeopleSoft is set up for financial transactions. For a while the two will run in parallel, and then the mainframe will be eliminated. It would have been easier to make the changes simultaneous with the other PeopleSoft implementation, but the cost and ramifications were too much.

Dr. Kvavik concluded that if the University builds this system and people do not use it, a lot of money and a tremendous opportunity will have been thrown away. The only limiting factor in provision of services in a digital environment is one's imagination. The University has to get its services working together in an integrated way, with appropriate security in place.

Professor Gudeman thanked Dr. Kvavik and Ms. Poseley for the presentation, and said the Committee would revisit the project in the future.

2. Discussion of the Compact Process and IMG

Professor Gudeman next welcomed Associate Dean Beverly Durgan from the College of Agricultural, Food, and Environmental Science (COAFES) and explained that the Committee was interested in learning about how the compact planning process had worked in the colleges.

Dr. Durgan reported that her impression is that COAFES used the compact process to organize and list priorities, and did not try to cover all the activities of the college. The compact sets a general direction on where the college is moving and identifies problems that need attention.

The COAFES compact focussed on three issues: undergraduate education (the numbers had been declining, and needed to be increased, because employers needed more agriculture graduates than the college was producing), partnerships (COAFES is funded by O&M funds, state specials, and the federal government, and carries out the land-grant mission, and the college wants to develop partnerships with

other institutions in the state to carry out this mission), and faculty and staff compensation (their salaries, like those of other colleges of the University, are near the bottom of the top 30 research institutions).

In this first year of the process, consultation with faculty, staff, and students was not what was wanted. There was some faculty skepticism that this was another planning discussion that would not mean much. Now that the compacts are on the web, there will likely be more involvement; there is more involvement this year than last.

With respect to IMG, COAFES has been unable to identify the impact, because it has had a difficult time obtaining student numbers. The data thus far this year have been better. Another problem has been joint departments, but agreements have been reached with other colleges, college by college and course by course. This provides flexibility, but tends to make the process more complicated, since it must be repeated each year. Some agreements, however, can be renewed.

Asked if the compacts pulled things together, Dr. Durgan agreed that their compact seemed to be a list of activities rather than a comprehensive plan. The next one, however, will be an improvement, she promised. The compact is not supposed to be a strategic plan, but is supposed to reflect the long-term plan, said one Committee member; it should include or restate or provide the plan; the compacts will not be coherent unless one knows where one is going. The compact is a work-in-progress, Dr. Durgan commented; it points in a direction and reflects improvements on the margins. The process needs a balance between short-term goals, things that must be addressed soon, and long-term planning.

What is unique about COAFES, said one Committee member, is the high percentage of coursework its students take outside the college, and the high amount of mandated funding it receives, carrying with it a mandate for an intensive research program (in accord with the land-grant mission). How does this different set of missions affect how IMG and the compact process work? Does IMG lead to an overemphasis on undergraduate numbers?

The college has many missions, Dr. Durgan said; the question is how to achieve balance. IMG has caused a focus on undergraduates, which is only a small part of COAFES activities. IMG has had no importance for a large part of the college's activities. In terms of whether the tail will wag the dog, it is positive that IMG has made units think about the cost of teaching. In COAFES, with many different funding sources, people can move to different kinds of appointments -- and they have had people on appointments without teaching responsibilities teach nonetheless. IMG helps see where funds are going, and whether or not some activities are subsidizing others.

Dr. Durgan described how COAFES is reaching out to people interested in agriculture, including new groups such as tribal colleges and the Hmong and Somali communities. She also explained how the college intended to increase its faculty size, in part by recovery of funds borrowed several years ago to finance terminal leaves for 22 faculty. Most of the new positions will be at the junior level, and will be funded with support for research as well. The culture of the college is to have a smaller but well-supported faculty.

Asked why expenditures had gone up while the number of faculty had declined, Dr. Durgan said the salaries had increased (more than in other parts of the University, by faculty vote, because of competitive market pressures) and the increased cost of supporting faculty. With its varied funding sources, the college does not view any funds as "hard," because any of them can be cut at any time. She

also affirmed, in response to a question, that virtually no faculty lines are funded by grants; less than 5% of salaries are on sources other than O&M, state specials, or secure federal dollars. Grant funds are used for graduate students, post-docs, and technical support.

Dr. Durgan said that she hoped the agriculture interests would support the University's request for funds for the Academic Health Center, because there should not be competition within the University with respect to the legislative request, but at the same time, everyone is aware that they are competing for the same pool of funds. They support the entire University request, and if asked if special support for agriculture could be sought, they say that only if the entire University budget request is supported first. Their firm position is that the entire request is to be supported. Asked if the rest of the University takes that same position, Dr. Durgan said they would like to believe that is the case.

It may be that some courses are subsidizing other courses, Dr. Durgan said when asked about the impact of IMG. She said that IMG stops at the college in COAFES, and that they look at the overall mission of the college and the education of undergraduates, not whether a specific department is under- or over-funded by IMG criteria. She agreed that planning a curriculum is a problem, because funding lags behind numbers when a decision is made to open a new course; the revenues from opening a new course or section cannot easily be predicted in advance. ICR funds are distributed by formula to departments and PIs, and some is kept by the college for infrastructure and set-ups; there has not been a lot recently to departments or PIs because of the costs of bringing in new faculty.

Dr. Durgan answered "no" when asked if, under the decentralized philosophy of IMG, the college had the tools it needed to do its business.

Professor Gudeman thanked Dr. Durgan for joining the Committee.

3. Disposition of Findings on Compacts

One Committee member inquired of Professor Gudeman what use would be made of the information being gathered about compacts through these various interviews the Committee is conducting.

Professor Gudeman said that following two or three more sessions with deans, the Committee would try to assemble a discussion document and talk with the Faculty Consultative Committee about it, conveying what it has learned about planning and governance. It is not clear whether the administration is making similar comparisons. One thing that is becoming clear is how little strategic planning appears to inform the compacts; that is why one finds things here and there, but with little long-term planning. One thing that could be sought -- and it may be a chimera -- is communication of a larger vision and how the compact process contributes to its development. Another point to be made, said one Committee member, is about how IMG may bias how the University works, and what adjustments might be made.

The Committee can also comment on how the compacts work, and perhaps that it could be a biennial process. There has not been investigation into how long they took to develop, whether they were worth it or if they just took up time, and, on the other hand, the extent to which they publicize comparative information on the colleges. The compacts could be long-term plans, it was said, but were near-term plans that reflected constraints and, ultimately, long-term priorities. They are less "pie in the sky" than strategic plans. There is nothing surprising in most of the compacts, and one can see that they

are useful management tools. It may be that one will only be able to abstract the “real” strategic plan after seeing the compacts for several years.

Professor Gudeman adjourned the meeting at 5:15.

-- Gary Engstrand

University of Minnesota