

Minutes*

Faculty Consultative Committee
Thursday, January 25, 1996
12:30 - 3:00
Dale Shephard Room, Campus Club

Present: Carl Adams (chair), John Adams, Carole Bland, Victor Bloomfield, Lester Drewes, Dan Feeney, Virginia Gray, James Gremmels, Roberta Humphreys, Robert Jones, Laura Coffin Koch, Geoffrey Maruyama, Fred Morrison, Harvey Peterson, Michael Steffes

Guests: Professors D. Fennel Evans (Center for Interfacial Engineering) and David Hamilton (Cell Biology and Neuroanatomy); Kathy James (Graduate and Professional Student Assembly); Provost W. Phillips Shively

[In these minutes: graduate student tuition remission; students and provostal governance; re-engineering; a wide-ranging discussion with Provost Shively]

1. Committee Business

Professor Adams convened the meeting at 12:30 and inquired if there were any issues that FCC members believed needed to be addressed other than the provostal governance structure.

One Committee member asked about the discussion at the previous meeting of graduate student tuition remission. The last time fringe benefit rates were precipitously raised, the effect on programs was devastating. One graduate student had to be let go because the faculty member could not afford it. This time the raise is as large or larger, so the one graduate student remaining will probably also have to be let go. Is there any way to convince those who make decisions that those who have current grants, where these increases were not included in the budgets, be allowed to continue at the old rate? There will be a lot of unemployed graduate students, lost research and theses, and a lot of other things. Cuts are being imposed in Washington; there is no way these costs of administrative bungling can be covered as well.

One Committee member took exception to the assertion that the rate increases are the result of "administrative bungling." The issue will be an SCC issue, not FCC, it was said. In addition, Vice President Brenner was proposing ideas; this was a discussion of the issues informally and he was looking for input.

Dr. Brenner met with the Senate Research Committee about the proposal, Ms. James reported, and he is still working on the proposal. She said Mr. Pfitzenreuter told the Finance and Planning Committee he was assuming the new model would not be in place for next year, but rather for the following year. The effect on graduate students would be devastating, she said, and urged that the administration solve the problem for the coming year.

*These minutes reflect discussion and debate at a meeting of a committee of the University of Minnesota Senate or Twin Cities Campus Assembly; none of the comments, conclusions, or actions reported in these minutes represent the views of, nor are they binding on, the Senate or Assembly, the Administration, or the Board of Regents.

The Committee needs to get back to Dr. Brenner to find out what the time frame for decision is, Professor Adams said. The last discussion was for information and to solicit information, not that a decision had been made.

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Professor Adams then turned to Ms. James to talk about provostal governance and the desire of the faculty to move forward on mechanisms of governance. There will be a proposal for the February Senate docket for provostal faculty consultative committees. All along, it has been agreed that students may also wish to participate, but the faculty did not want to wait on resolution of student issues before moving. The assumption, however, has been that there would either be separate or combined representation; Ms. James has been working on a proposal. The students prefer that there be a joint mechanism, rather than separate, both for reasons of economy as well as because it would parallel the way the rest of the governance system operates. The difficulty, he said, is whether this is a developed option for a joint mechanism that can be supported--while at the same time they do not want to hold up action on the faculty proposal. This will require Twin Cities Campus Assembly action, requiring broad support; if it is not acceptable to the students, that will create some difficulty. But if the process the faculty have agreed on is held up, that will also cause problems. He asked Ms. James to address the options, from her perspective.

Ms. James said the students would prefer a combined mechanism, with division into student and faculty groups for separate issues. The immediate pressing interest of graduate students is the future of the Graduate School; a combined group would be more effective on that issue. Undergraduates were not as interested in provostal consulting until they realized how much it might matter; they are more concerned about over-arching issues such as student life, financial aid, and so on. They do not have huge issues within provostal units, although they now understand the campus-like nature of those units. The students would prefer fewer meetings, so support a combined model.

That appeared not to be the faculty's preference, however, she said, so she has proposed a separate mechanism, and explained its elements. There will also be coming a proposal to revamp the governance system, but the students do not know where the faculty stand, so for a temporary mechanism, the students are willing to respect the faculty's proposal and hope the faculty will do the same when a proposal from the students comes forward.

Perhaps it can be assumed that the most desirable end product would be a joint mechanism, parallel to the existing joint consulting mechanisms, with separate consultation by faculty and students on appropriate issues, Professor Adams said. The primary concern of the faculty is that they not get embroiled in a proposal for a joint mechanism that runs into difficulty on the student side, and thus prevents the entire proposal from being adopted. One possibility is to ask the Assembly to approve the faculty proposal, and if there is a later proposal from the students that could substitute for the earlier mechanism, that would be fine. But the faculty are not left with nothing. The student may be concerned they will lose their leverage if they approve a faculty mechanism without any student proposal being considered.

Professor Gray recalled that a crucial decision was made some time ago: that there be no assembly for which there would be a consultative committee. The idea of a joint mechanism, as is the case with

the Senate, is not applicable, because there will be no assembly-like body. It is for that reason the faculty pursued the idea of a consultative body, and because there are urgent matters of concern to the faculty.

They have also talked with the provosts, who are adamant that they will not meet with a large group. As a result, the faculty proposal calls for small consultative groups; the provosts want a discussion, not a big meeting. Even if the student group is small, when added to the faculty it becomes a large group and a big meeting. The impression one has from the provosts is that there would not be the opportunity for discussion of sensitive issues if it is always a joint group. Her view, she said, is that there should be two separate groups; as issues come up--such as the Graduate School--the two groups could meet together with the provost. Since there is no joint legislative product, however, there is no reason to think of the groups as working and meeting jointly.

There are two separate legislative bodies, it is true, but there is also a separate-and-joint consultative committee structure, it was said. But only to go to the legislative body, it was rejoined; FCC meets separately most of the time, when it is "in a consulting mode" with administrators. The joint meetings are only to approve legislation or constructing the agenda.

The resolution date is February 1, when the docket is set, Professor Adams said. The thing to think about is whether the students will oppose the faculty motion, and thus affect its ability to be passed. If the students propose something that puts the faculty proposal at risk, that is also unattractive.

What about the proposal for separate bodies? One consideration is additional cost of meetings, if they are to be supported. That can perhaps be resolved, but someone will ask if more committees can be staffed. Another consideration: the students would prefer to act jointly, because they would prefer that kind of consultation. Separateness would not cause it to fail, Ms. James said; that could be sold. They are concerned that the provosts not conclude they do not have to talk to students; separate is an acceptable second choice if that is the best way to proceed. The students are concerned that their needs will not be addressed once the faculty mechanism is established.

There are also questions about counting students for the purpose of representation that need to be addressed.

Professor Adams said he would talk with Mr. Bergstrom about this, and asked Committee members to think about the issues before the February 1 meeting. He thanked Ms. James for joining the meeting.

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Professor Adams then distributed copies of his draft quarterly report to the Board of Regents; he invited Committee members to comment on it.

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Professor Adams then announced that the nominees for the Faculty Consultative Committee from the Twin Cities/Duluth campuses have been identified. They are: Sara Evans, Russell Hobbie, M. Janice Hogan, Robert Jones, Richard Skaggs, and Matthew Tirrell. That slate will be presented to the Assembly

for approval on February 15.

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Professor Adams reported that he and Professor John Adams had met with the Regents' Professors to discuss tenure; the meeting went well. They appeared to be pleased to be asked, and had thoughts about the issues.

One Committee member recalled hearing about popular press books that have talked about guaranteeing employment in order to have nimble and flexible organizations. One has not heard that in the University's conversations about tenure; can any of this knowledge be brought to bear? One hears about industry re-engineering.

They have to think about it more, responded one Committee member; if they do not, they're out of business. That does not seem to be the case, it was rejoined; there are other stories to be heard about organizations that offer essentially life-time employment and put resources into keeping their employees up to date. The University should hear those stories as well.

That is a controversial issue, said one Committee member; a decade ago and more, there were a number of companies, especially larger ones, that almost explicitly guaranteed they would not lay off employees. That disappeared a few years ago, as companies that had such policies abandoned them. Now there is a popular reaction that downsizing was great, and helped the stock price, but it killed the organizations and now they're paying the price for it. What one will see is a mixed bag.

Even hearing that would be helpful, it was said by another Committee member. For awhile there was the notion that companies that could not get past life-time employment would be doomed. Then lots of restructuring started, and major difficulties began to surface; the companies are still in trouble. The topic is interesting, but there will not be clear resolution. The University needs to be able to talk about the role and purpose and benefits of tenure and what it does for the organization.

2. Discussion with Provost W. Phillips Shively

Professor Adams next welcomed Provost Shively to the meeting and said there was no set agenda for discussion; he asked Dr. Shively if he had any comments.

He did. He said his general strategic view right now is that the University has come through a period of economic shock from the state, over the last several years. There has been a pulling back of state support for the University, in real terms. To the extent that support has been replaced, it has been through increased tuition levels. The entire University has had strains both from cuts and increased tuition. As cuts are considered in Arts, Sciences, and Engineering, they begin to approach a state in which they cannot find things to cut in the units that report to him without cutting off important services, or activities that bring in revenue, or reducing quality. They are close to being at the point of the "death spiral": where the things that must be cut are the things that bring support; because they have been cut, there is even less to work with the next time more must be cut.

The University must find ways of increasing revenue and building support, as it can anticipate the

state continuing to pull back support. That would be the prudent approach, although it is not inevitable that state support will continue to decline. The University must continue to push its case with the state.

He believes in free public education, he said; when it was established in the United States, a 12th grade diploma was the normal endpoint of the educational process and a clear ticket into the middle class. Functionally, the BA or BS degree has replaced the 12th grade diploma; if the state had kept up its commitment to free public education, there would be free public education through the BA or BS degree. And there should be free education to that point. But it is clear the state--and other states throughout the U.S.--is not going to do that. Given the state budget, and the federal cuts that are coming, it is HIGHLY unlikely the University will not be facing similar reductions in state support over the next few years.

The best strategy is that the University will have to live by its wits. There are a number of things it has to look at, including--where possible--practitioner M.A. degrees (e.g., in IT, the Geography Department). These could be revenue-producing operations that are consistent with the University's role as a research institution.

The main thing the University has to concentrate on--and it can thank Nils Hasselmo for this, because he started the University concentrating on it several years ago in the Undergraduate Initiative--is making this a wonderful place for undergraduates. The University has to decide what it is; it is a research, land-grant university, which means it emphasizes services it can provide to a lot of different groups in the state--including businesses, undergraduates, the population in general. But if the research faculty is mediocre, it will provide all those services in a mediocre way. The trick is to find ways in which to keep a resource base for a first-rate research university providing those services. What has been the case in the past is that the University has provided the services, with good enough quality, that the state felt responsive to the University's request for financial support.

The state does not think the University is not doing a good job, but because of the pressure to keep taxes down and because of the competition for funds, the state is pulling back its support. The University has to find other ways to build support for doing those things that a fine research university can do for the state.

There are a lot of things it can do. One important thing is something he is involved in, Dr. Shively related, and that is undergraduate education. His predecessor, Anne Hopkins, did some wonderful things with the President's undergraduate initiative, such as the course access project (so students need not wait a year to get into a course they need in order to graduate), the large lecture class project (eliminating the situation where 600 undergraduates watch television on a stage), improvement in the user-friendliness in the services offered, and so on. The University has turned a corner on this.

Provost Shively related anecdotes from his experience helping students move into the dorms before Fall Quarter. It was very interesting, and he had the chance to talk to both students and parents. They said that registration is very easy. One student said orientation was interesting. Another student recalled he had been treated quite badly at another university. The dorm rooms (Territorial Hall) are among the best undergraduate dorm rooms he has seen--freshly painted, carpeted, nice bathrooms--a very nice operation. The student regent, Jessica Phillips, has a brother on the Twin Cities campus who is a freshman, and she wanted to know of any problems he had. As of last month, he hadn't run into any problems! Another person he knows has a son in the Residential College; the student went home for

winter break, but went back to campus for movie night at the dorm, went back again for a lecture on campus. There are good things going on, he concluded, and the University can do more.

One of the things he is interested in is fulfilling the unfulfilled promise of providing serious training in writing extending up into the major, in improving the training of TAs in teaching, in further improving the large classes. This can be made a still better place for undergraduates. Another step that can be taken is having a single registration system, rather than juggling CEE and Day School registration.

If these things are done, they will provide the best security for the University for the next several years, both in building public support and in providing a base of people who need the University's services and will support them financially. Over the last several years, a substantial portion of the lost state support has been replaced with higher tuition; that cannot be done unless the institution is doing something good enough that people are willing to pay for it. The University has shown, by the fact that applications for admission this year are up 35% over the previous year; applications for admission next year are running at the same rate. The University has demonstrated it has something that is really good for people.

Moreover, a research university is terrific for all kinds of undergraduates. His own daughter, he recalled, had the choice of either a small elite private liberal arts college or the University--with her parents footing the bill in either case--and she chose the University, and because there was a teacher here from whom she wanted instruction. One of his colleagues had two daughters who came to the University, after having been at private colleges, because of the advanced opportunities and the quality of the instruction.

The location in the Twin Cities provides excellent opportunities for internships and connections with arts and sports and so on, advantages the University can build on.

The reduction in state support means the University has to find ways to serve people's needs, as a research university, in order to obtain the base of support it needs. This is the strategy the University must follow over the next several years, Dr. Shively maintained, and it plays to the best in the University. The University is forced to think of how to make the fruits of the research faculty usefully available, it makes the University think about teaching well and treating students well, about serving people well. That is the way the University has to go, and it involves making first the commitment to recognizing it is a research university, the only one in the state. That means it can offer all kinds of things people need and will support, both individually and through the state.

That, Provost Shively concluded, is mainly what is on his mind right now. He invited comments or questions on any subject.

One issue he could comment on, said one Committee member, is the idea advanced by some of keeping tuition low, in order to promote access. There has also been a proposal, in the State of the Union address, to give a \$10,000 tax deduction for savings that are later applied to college tuition. The general flow seems to be in the direction of "high tuition, high aid," but the University seems not to be able to make up its mind on the issue.

There has always been a strong sense that low tuition is good financial aid, Dr. Shively said.

Actually, it is not. If one went to the extreme case--lowest possible tuition and no other financial aid, so everybody was paying exactly the same--the lower middle class would be frozen out of the University. At present the University has a compromise--tuition with aid. It is not "high tuition"--how high is high?

He said he recently saw a profile of the economic status of students in the combined private colleges in Minnesota compared with the economic profile of University students; a much higher proportion of the student body, in the private colleges collectively, come from poor and working class families than is the case at the University. Right now CLA tuition is approximately \$3800 per year; the University's tuition levels make it difficult for a student to come from Greater Minnesota to the Twin Cities and pay both living costs and tuition if they do not have help from home. The state financial aid package, which would help them, only provides about 40% of the cost of education.

The University has not been able to provide the access that its land-grant mission calls for. This has been of necessity, because of the state's financial policies. Tuition will almost certainly continue to rise, if the state continues to pull back its support. If the University could continue to dedicate some of the increased tuition revenue to added need-based financial aid (as it did this year), it may be able to continue supporting a high-quality research university AND make itself more accessible than it now is.

The University can tell the state "here is what it would take to maintain a first-rate research university, with real access." If the state cannot provide the money, it will have to be replaced, almost inevitably, with tuition. There is no other source of revenue of the amount and flexibility of tuition. Funded research cannot take the place of state support, and is in any case more likely to be reduced than increased. The University is already very successful at private giving, but even if this were doubled, the cash flow coming from private gifts could not replace the money from the state. The University could sell auxiliary services, patent products, sell course materials, and so on--but many of them will be slow to develop and will not, in the short term, replace the cash flow from the state.

The concern, said one Committee member, is that people important to setting the University's policies do not see things in quite the same way. Dr. Shively responded that the University has not seen itself this way for the last several years, but because of the trend in state support, the University has been forced in this direction. It is time to talk about it publicly within the University and decide what its strategy for the next several years will be.

The President would like to develop a vision of the economically viable land-grant research university for several years out, and what it takes to be that university. It would be healthy for the University to have that talk; the discussions have only begun.

Everyone would rather have low tuition, access, and high quality, Dr. Shively observed; nobody likes to think about tuition going up. The question is, in the context of decreasing state support, is that possible? He would rather tell the state that this does not have to be; tuition does not have to be raised to keep a first-rate research university--IF the state will do X, Y, and Z. If the state cannot do X, Y, and Z, it will follow that other things happen. But the discussion has to be held.

As tuition is raised, assuming the state appropriation is constant, how much is lost from the financial aid pot? Dr. Shively said he wants the University to be accessible and likes the idea of a land-grant research university, and likes the student body. What he would like to do, Dr. Shively said, is to

dedicate perhaps one third of all new tuition income above inflation to need-based financial aid. That would mean tuition would have to go up somewhat more, but it would also make the University more accessible.

If the state caps the higher education appropriation, and as tuition is raised, the University would have to find money for financial aid. Where would it come from, if the state takes money from the University to put into financial aid? Has the University figured out how much it is losing versus how much it is gaining? His point is for the University to have its own financial aid funds, Dr. Shively said, and no one has worked out how much would be gained or lost. That is not the only thing to be examined; the elasticity of demand would have to be considered as well. The fact that applications are up so sharply suggests the University has some room to move, but that is really not known yet.

It turns out, Dr. Shively commented, that if one compares the University with other schools in the area, comparing net rather than gross tuition, the University's posted tuition is about \$1000 more than Wisconsin but the net payment by Wisconsin students is about \$800 lower than the net payment by Minnesota students. Posted tuition rates are misleading, because tuition is dependent on aid and deductions.

One Committee member recalled being impressed that the Governor of Georgia is funding all high school students who enter college with a B and maintain that average, including room and board. The funding is coming from their lottery money. It would be helpful to go to the state to offer this kind of arrangement, if some way to fund it could also be identified.

There are a number of creative ways to look at this, Dr. Shively said. One could look at what a fair price for what the University offers is, and tell the state the University will charge any student--in state or out of state--that price, but the state appropriation will be used to buy down the tuition cost for any Minnesota resident. It would then be very clear that when the state reduced or increased its support, the effect on student tuition would be automatic and direct. People would also have a sense of what they were getting for the state subsidy. There is a need to think creatively about this.

He said he prefers to think of access, choice, and quality, rather than something like "high tuition, high aid." There are other ways to skin the cat, but it is inevitable--unless the University is going to go under--that the state funds have to be replaced and that tuition has to be a major part of the replacement.

This is talked about endlessly by students and by the Regents, pointed out one Committee member. It is troubling that the conversation often reduces to "how much does it cost?" Experience with most freshmen and sophomores suggests they don't have a very clear idea of how much things cost or what they get for what they pay. When people start comparing schools, conversations with students and parents--and when one makes the effort to find out what people really know and what things cost and if the differences are worth it--lead one to conclude that the amount of knowledge "out there is really, really slim." One does not see any educational effort in secondary schools to clear this up, nor is there much in view books. One is amazed at what people do not know about this, and then they talk about tuition and fees and food. "You have to eat no matter where you go!" What it is that people need to have in order to think through the question of how to make a choice; the price has to be laid along side of what one gets. It is in the middle group, where the University seeks much of its student body, where it is not clear what the priorities are. Nor is it clear to students what the payoffs are for coming to the University and

majoring in a field. They take courses, walking around with the class schedule during registration--these are not wise consumers. The Director of Admissions does a good job of conveying the positive attributes of the University, but most people do not see him. Most high school counselors know very little about the University, compared with the schools they went to. Some of this is part of a bigger picture than talking about gross and net price, high tuition/high aid. Those are strategies, but do not confront the larger issue.

Part of the trick is deciding what and who the University is. It is a research university. There are a large number of undergraduates for whom that is a good kind of place because of the special opportunities and range of choices that simply cannot be made available at other schools. There are other students for whom a research university is not appropriate, because by temperament or for other reasons, they want a smaller and more intimate campus. The University has to make clear to prospective students what it is.

Who will do that, asked one Committee member? His view is that Mr. Sigler, the Director of Admissions, is doing a good job. One of the best things he does is keep a staff of people who are graduates within the last year or two, and rotates them through the office. They are students from all parts of the University; it is almost like peer advising. That is a very good way of telling students what there is and is not at the University. He has not only increased the number of applicants significantly, he has also done a good job of communicating what the University is about.

One can agree that the only significant pool of resources to close the gap between what the University ought to be doing and what it is doing is tuition, said one Committee member. There is no reasonable prospect of getting the money anywhere else. But prospective and present students do not understand what the payoff would be for a different kind of operation that gave them more. There was an editorial in the DAILY about space; as far as students are concerned, space is a free good. The amount of understanding is so small as to be almost unmeasurable, and that is just be one example.

In that case, the DAILY was right, interjected one Committee member. Departments are offering classes in the afternoon and are reducing revenue. One needs to think about whether that is more or less revenue than is being gained by shutting down buildings. In one department, they are definitely losing students.

The main point, it was said, is that the conversation with students often reduces to "I have to go work 45 hours a week." When asked why they have to do that, the student talks about the budget. It includes tuition, which may be the sixth or seventh priority. Some judge that a problem; "I judge it as a lack of understanding about what the consequences of alternative courses of action are." It seems reasonable for a student earning \$9 per hour to take extra hours if the boss offers them; they don't see the opportunity cost associated with that because no one has explained it to them. No one has explained that getting a degree in six years is not as good as getting one in four years.

It must be remembered these are young consumers, Dr. Shively cautioned, and young consumers are not necessarily wise consumers. It is also the case that it is always difficult to sell to ANYONE what MIGHT BE, under a different set of circumstances, compared to WHAT IS that might be lost. The cost is tangible and obvious and direct to the student. The benefits are not; those have to be imagined.

Faculty have the same difficulty, any time one proposes a change at the University. Anything he says now, Dr. Shively laughed, will be seen as coming from an administrator, but he recalled that he used to say this exact same thing when he was "an honest faculty member." It is so hard to envision the benefits of a change, and it is so easy to envision the costs, that it makes it hard to change. This is the same problem with faculty members. And it is equally true with administrators!

There are lots of books about how to pick a college and the costs of higher education and so on, said one Committee member. This university, like every other, has lots of publications it distributes to prospective students. What has been said is that they do not know certain pieces of information. Would it be possible for the University to produce a one-page pamphlet to explain this? Dr. Shively said he has faith that Mr. Sigler is doing this kind of thing. And the books are read by the 20% whose parents went to college. Mr. Sigler is not only selling the University but getting information out to people. And if the University is not doing that, it should, Dr. Shively agreed. One Committee member agreed; what one is hearing that students don't understand that if they forgo the car for two years, they can get out of college four years earlier.

One other example, added another Committee member, is when students are unhappy with their program and then asked why they are in this college rather than one of the others. "They say, 'what do you mean?' I say, 'why are you in CLA?' 'What do you mean?' I take out a list of the colleges that are here; students don't even know there is more than one college they could matriculate in, with majors that are available! They just don't know that! Sometimes these people are juniors and seniors! These aren't stupid people; they're bright. But they just don't know things, at a time when they need information."

This ties into an effort that Vice President Boston is interested in, and something that could be useful, and that is a first-year experience, Dr. Shively said. This was written into the liberal education requirements passed by the Twin Cities Campus Assembly a few years ago but never implemented: some sort of introductory experience--a small seminar--where students would get, among other things, better acquainted with what is available at the University and what they are here for. He recalled an essay by a student at a private college who was the first to go to college in her family, and it was not until her second year that she knew what a major was. Everybody was talking about majors, and she felt too dumb to ask, because everyone seemed to know what it meant. Academics sometimes forget how much help students need in their first year.

One Committee member recalled that her son did not know that a 100-course is a lower level than a 400-course; this fact had escaped him.

Where are the high school counselors in all of this, asked one Committee member? The student has to go talk to them, said another. They also tend to be preoccupied with personal problems, not academic problems.

When one talks about increasing tuition, is it true, given the profile of University students, that it is not in their collective interest to see tuition raised? If the profile were different, would it be more in their interest? One must add to that question what else goes along with the tuition being raised, Dr. Shively said. If everything else is equal, it is obviously not in their interest for tuition to increase. But if, as tuition is increased, quality increases, or financial aid programs are established that help some group of them, then it is different. One must take into account all three elements: cost, quality, and access.

The private colleges have a broader base, and a higher proportion of students from lower income families? Dr. Shively said that in the lower income groups, the proportion of their students are twice the proportion in the University student body. One Regent always asked about the kid from Blackduck, MN; how will he or she handle this? Dr. Shively said he thought it very difficult for students to come from Blackduck to the Twin Cities, if they have no other resources, and both pay tuition and support themselves, given the state financial aid package. Private colleges can essentially give a full ride to a bright student from a poor family. It sounds like the University is almost selecting those people out, said one Committee member; the views of students are being skewed toward increasing financial aid and costs away from the group that would benefit substantially.

One Committee member said that one thing that is worrisome is that the University has the students whose families do not want to sacrifice. The private colleges have those who want to sacrifice. There was a report issued a few years ago on the profile of students in the state universities, the community colleges, and the University. One expected that the University students would look like the state university students; they did not. They looked like the community college students, in that the parents had not saved for college, they had not planned ahead for college, they had not applied to more than one place. They made up their minds at the last minute; the University was the fall-back position. One worries that that family population is resistant to raising tuition and to the things the University thinks about. These students work part-time, they did not live on campus--it was a kind of a syndrome.

Dr. Shively said there had to be a lot more analysis before any action is taken, including of elasticity of demand. One should also not forget how dramatically the student body has been changing the last few years. Over 70% of the first-year students this year and last year lived on campus; that is a big increase over earlier years. He related the story of one student he knew who had been certain she would go to another college, had visited it, but had decided to stop by the University to see what it had. When she did, she found people here were more friendly and helpful, and when she looked at what was available, she just changed her mind. From a combination of things, the University is seeing a changing student body. But this takes greater analysis; as one of his colleagues once said, "'for instance' ain't proof."

Dr. Shively was asked if he had any thoughts on structure--the provostal system, University College, the Graduate School. These keep coming up and people are interested in them.

Although he is too close to it to judge well, Dr. Shively said, he has the sense the provostal system is working pretty well, in the sense of getting the central administration closer to what is going on in the units and getting greater flexibility. He recalled that he had always complained, as a faculty member, that the administration always told the colleges to make tough decisions on salaries--and then gave every college the exact same percentage increase money. This past year, the Twin Cities campus colleges received varied salary packages. The administration can keep in closer touch with units; one layer of administration has been cut out. That has improved things.

He also recalled talking with a colleague about whether there could be a system of a small number of colleges and have the overall guidance coming from the provost, with the deans offering intellectual and programmatic leadership. It was said that his predecessor found being a central officer took up all her time and she could not do more; he said he has discovered the same thing. His view of the provosts is

that they are clearly central officers, but the structure puts the central administration in more intimate contact with the units. There is always the possibility, inherent in such a structure, of internecine warfare among the provosts, but that has not occurred thus far.

His view of the Graduate School is that college deans should be more empowered in a variety of ways. The Graduate School is a place where there has been a bifurcated reporting relationship, where the departments report to the colleges for the resources on which the graduate program is based, but they have a regulatory reporting relationship to the Graduate School. Just as with the regulatory reporting to ORTTA, where ORTTA did not control resources in grants management, it is the kind of relationship where things tend to fall between the cracks. There has been a tendency for departmentally-based graduate programs to not receive the support they should from the deans, because the deans did not feel they had any ownership in the programs. The Graduate School paid close attention to what was going on in the programs, but did not control any of the resources, so the attention was good but not very fruitful. It would probably be useful to have more of the reporting and regulation of graduate programs in departments coming from the college dean, so the deans have ownership. He would suggest that the reviews of graduate programs--now done well by the Graduate School--be done instead by the college deans. The college deans would be charged with assessing the quality of the programs; after all, they are the ones who have the resources to determine whether those programs remain good or get better or worse. The main thing to do is an analysis of roles and responsibilities. His hunch, he said, is that half the graduate programs are interdisciplinary; there is no better device than the Graduate School for running those, so those should be unchanged. The Graduate School also performs a number of functions that one might conclude could be decentralized. Those are just hunches, he said, and there is a committee being set up to look at roles and responsibilities.

Dr. Shively said he had stronger inclinations about University College, and they fit completely the report of the task force last spring. That task force said the role of the new University College is to set up certain kinds of partnership programs, special programs of applied instruction which would not normally be offered by the regular University programs, and to operate as a marketing service for all University units, that there should be a single admissions and registration process, and that the design and control of the Day School curriculum should be the responsibility of the college deans. This would be a kind of inloading.

One important thing about CEE for many faculty members has been that it has been a source of necessary additional income; he said he has slightly mixed feelings about this, because he has always taught one evening class and one summer class per year. That gave him a teaching load that was de facto more like that of a purely teaching college, rather than a research university, even though his de jure teaching load was that of a research faculty member. If colleges have full responsibility for both extension and day offerings, they do not have sufficient faculty to offer the courses; they would have to offer overload pay for extra teaching. In effect, the colleges would take over the role that CEE now has, of offering faculty additional pay for overload teaching. For faculty, things might not be so different. The advantage is that instead of having two administrative operations for the same curriculum, there would be one.

One gets bizarre results in the current system, Dr. Shively said. A faculty member who teaches a course only offered once every two years also offers it as a night class--but during the same term as it is offered during the day. If there were an integrated curriculum across extension and day offerings, one

thinks the offerings would be better.

One Committee member said he had read the task force report the same way, but it appears not to have been taken to heart. The University is still working on it, Dr. Shively said.

Professor Adams thanked Dr. Shively for joining the meeting.

3. Re-engineering

Professor Adams next welcomed Professor Fennel Evans to the meeting. For some time the Committee has wished to hear from him and Professor Hamilton about re-engineering activities, Professor Adams said; one should not assume a high level of knowledge about it.

Professor Evans told the Committee that his and Professor Hamilton's concerns about the issue of the University's management grew out of their service on a grants management task force that had consisted of 15 people from central administration; he and Professor Hamilton may have been added as an afterthought. They were so appalled at what happened that they stopped the process, and then started thinking about it, and realized that what was at issue were much more general things.

He distributed copies of a memo that he and Professor Hamilton sent to the President, which resulted in the establishment of a task force--which is now defunct.

The view that they came to was that increasingly, even though the University is a non-profit organization, it must view itself as being run like a business. He acknowledged that one member of this Committee had written an editorial saying it should NOT view itself as a business.

What was said, the Committee member in question interjected, was that FACULTY MEMBERS do not have a business relationship with their students. UNIVERSITIES may have business relationships with students. Professor Evans concurred.

He said that non-profit institutions that are not in the red have the luxury of ignoring business implications of what they do. But when they go in the red, like the University, every decision becomes a business decision, and they all become financial. That is where the University is.

He and Professor Hamilton tried to look at the University as a business, and developed a graph to help them think about that. The approach is aimed at focusing on what the faculty do in making this University work, and is very different from the usual business analysis. The strategy is to ask who actually pays the University money; those who do are defined as customers.

Then one asks why the customers pay the money; he and Professor Hamilton identified four categories: education, scholarship (an important term that validates the fine arts and humanities), services (such as the hospital and parts of the agricultural operations), and sports (entertainment). They then focused on what money is actually spent delivering education--that is, how much does it cost to have professors and TAs? Those should be included as the cost of education, and the reason for including them is that they are critical; if they leave the University, it is out of business.

There is need for support behind them--buildings, technicians, secretaries, and so on. But those are support costs. What they guessed, Professor Evans said, was that the amount of the total budget spent on support costs was between two-thirds and three-fourths. If one looks at the \$1.8 billion budget and asks how much is spent on running the place in terms of the services that back the people who do what generates money, it is about three-fourths.

They asked the accounting people to check out the numbers, and received very large numbers. The educational line items are large, but they count all the money that goes into a department as the educational money from state funds. The reason they see little pain when another 4% cut is imposed is that the budget looks so big, it looks like there must be more that can be squeezed out.

Another question one can ask is how much accounting costs the University. They don't have any idea, Professor Evans said. If asked, they say they can identify the cost of all the people identified as accountants. With 1700 job categories at the University, and with departments hiding people under all kinds of categories in order to avoid layoffs and bumping, one cannot locate the people in the University who do the accounting.

The point is that the public documents issued by the University are misleading in terms of what it actually does and the resources it actually devotes to the competencies through which it makes its money. There seems to be no way of estimating these costs; it would be very interesting to know how much accounting costs the University. What this means is that there are a lot of support costs, and they have gone up in recent years as a consequence of putting in the CUFSS system because departments have had to add people to deal with the chaos in accounting. A lot of the services of the University are hidden under support costs, and provide a basis for decision-making by central officers that does not accurately reflect how resources should be used. Nor does this sensitize them to the consequences or the impact.

If one thinks about going to Responsibility Center Management (RCM), one view is that central administration SHOULD be responsible for paying for all the accounting functions, if they want it done right. That would recast the way the University thinks about this. If it goes to RCM, and has a number of large, horizontal bureaucracies, the University will be taxed out of effectiveness in the activities for which people pay.

Professor Hamilton joined the meeting at this point. Professor Evans explained that the strategy he and Professor Hamilton developed was to look at the support costs, to see if they could be made more efficient. Anyone knows that answer to that; there are 425 people who work in information systems at the University; the budget is \$42 million per year. The University spent \$42 million on outside consultants last year. He asked what a \$42 million cut, or a fraction of it, is doing to those activities that generate revenue for the University. The average increase in funding in the three provostal areas last year was 2-3%. Does anyone know what the increase in the central budget was last year? The total increase was 7%.

One Committee member noted that central administrators received larger salary increases than any college.

But that did not include the rest of the costs, Professor Evans pointed out. If the University is considering Responsibility Center Management, with that kind of inflationary pressure on top of everything else, the University is asking for trouble.

Professor Evans said that he and Professor Hamilton had argued, in their memo to the President, that the University needed to look at support costs. If those can be contained and under control, the University could then go to RCM. If it did that, and get to the position where the horizontal central bureaucracies cannot tax the rest of the University because they are under control, then the University will be in a position to think about faculty issues. Right now things are backwards; the focus is on faculty issues in terms of tenure, but the rest is swept under the carpet.

As a consequence of looking at this, Professor Evans said, they learned something else that was interesting. The number of steps required to hire a P&A person or a faculty member, according to present procedures, is large. If one goes through the steps, most are sequential. If one puts a price tag on it, the process costs \$30,000 at a minimum, and an extended period of time to do it. If one is talking faculty searches, or searches faculty are involved in, one is talking about an enormous waste of time. The faculty spend their time in committee meetings rather than dealing with students.

If one talks to Human Resources people about this, they say they cannot do anything about it. They also argue they cannot do anything until they receive \$24 million to engage in a complete re-engineering project. If one questions what they plan to do, it appears they do not have the foggiest idea what they will do. Professor Hamilton agreed. They seem to think that if they dump \$24 million on the problem, Professor Evans continued, there will be a miraculous self-assembly of a solution.

Chuck Denny has been involved in this, as well as a member of the original task force; they questioned him about some of these issues. What he basically said, Professor Evans reported, was that it was clear that if one was dissatisfied with the person who was doing the job, one replaces the person. That is true in business; it is not true at the University. Instead, it often seems one gets rewarded for doing a bad job rather than for doing a good job.

Each of these units is building its own information system, which is unique to them, designed to handle their things in their way. In many cases, they are also being set up with toll gates, so they control the information. A major issue on how information will be handled at the University is who will own it. The answer, Professor Evans maintained, should be that it is owned by everyone and that there should be assigned responsibility for keeping it up, authorized use, and that sort of thing.

What is now being done is investing--by default, and a lot of it is hidden--huge amounts of money in information systems that basically will embalm those bureaucracies so that the University will not be able to afford to cut them out. This is a pressing issue; it is happening right now. This is something that he and Professor Hamilton felt needed to be addressed as a top priority.

What happened in the task force is that it and he and Professor Hamilton got going and the President showed up for the first hour--and no more. He disappeared. One does not undertake this kind of effort without leadership and commitment from the top. What happened is that this became dicey enough that people began to get hurt, and there were a lot of people in the bureaucracy who began to get very alarmed. A proposal was put forward to the President that the task force be dropped, Professor Evans said--he was at that meeting, decided the situation was hopeless, so went along with the suggestion.

As he looks back on the experience, and asks what the biggest mistake he and Professor Hamilton made was, it was putting trust in the President's leadership. What he does, almost as a Pavlovian response, is establish task forces every time there is a problem, and then hopes the task force will serve as a buffer so the problem will go away. It may well be that the tenure working group will serve in the same way.

The name of the group that was disbanded was Administrative Process Redesign Group, although the large 18-member task force became irrelevant.

There were other issues that came out of this, and possible benefits, Professor Evans said. One is the issue of the organization of central administration. One individual in the Center for Interfacial Engineering, who makes a lot of money evaluating and advising companies, looked at the University and came up with what he thought a sensible way of organizing it in terms of the three provostal areas plus an operations officer in charge of everything else in the University. What is needed is someone to run these services who understands that their purpose is to make the academic parts--where the University makes money--actually work.

There are a number of inherent conflicts in the University. The finance vice president being in charge of facilities management and operation of the non-business side does not make sense. There are concerns and suspicions that funds were shifted around in those bailiwicks in ways that did not make sense. The Center for Interfacial Engineering is doing some construction; one problem with Facilities Management is there is one organization, with the people responsible for getting business for it are also responsible for going outside the University. That is a major conflict of interest. The University is structured in a way that makes it difficult to operate in an effective way, because it has too many inherent conflicts in the way the central organization is set up.

What he has said is fairly dismal, Professor Evans concluded; he and Professor Hamilton had agreed that he would play bad guy and Professor Hamilton would play good guy, and he can summarize instances where there is progress.

There are not many, Professor Hamilton began, but there are some. The upshot of the NIH letter that put the University on "exceptional" status is a renewed effort by a group called the grants management group, an offshoot of the earlier administrative process redesign group. This includes him and Professor Evans, Senior Vice President Infante, Vice President Brenner, and others from finance and legal offices.

It was clear the University was being hit over the head with a sledgehammer by NIH and that the University HAD to respond. There has been progress to responding to the issues NIH raised, which related to timely reporting of grant status and ethical conduct of research. There is in process, to be completed within a week or more, three prototypes for front-end and back-end reporting, which mimics the University of Delaware system. Delaware has a beautiful demonstration of how to use Netscape in a secure way to obtain updated grant balances instantaneously; all of their forms are on Netscape and everything is routed electronically. It is the sort of the thing NIH said the University had to do.

In addition, the University has joined the consortium call the Grants Application Management System (GAMS), an administrative software consortium driven by IBM and North Carolina State whose

members include major research universities. The system is developed to prepare pre-award budgets and databases for grants from anyplace, and links the form pages with technical content of the grant; it then either prints it out or sends it electronically to the appropriate place.

Professor Hamilton affirmed that the program would take a generic budget and put it in the format required by the various agencies. It is a fantastic system that hooks into the databases for human resources and payroll. They have learned, in getting it going, is that the University's data bases are horrible; they are inadequate, they do not have the required information, and much of it is wrong.

The pre-award portion of GAMS is finished; it will be modified as necessary for the University. They are looking forward to the next development phase, the post-award portion, which hooks into the accounting system and allows people to manage grants in a legal way. GAMS will allow ready compliance with OMB circular A21, for instance. This is a centrally-served system that does out to the desktops of principal investigators; they can use it the same way an administrator or department head can use it. There will be programs and training on GAMS in the near future.

The next positive thing that has occurred is that there has been a realignment of the accounting function in ORTTA to the Comptroller's Office. It is the latter office that is legally responsible for the accounting, but had no function. That has shifted; ORTTA accounting processes--which are archaic--are being brought to the Comptroller's Office. Moreover, there are 28 people in ORTTA accounting; there are only 10 or 12 in the accounting division of Finance and Operations for all the rest of the University. It takes 28 people to handle \$260 million and 12 people to do the remainder of the \$1.8 billion.

What is also happening, although at a very slow pace, making him and Professor Evans nervous, is that there is an interminable discussion about the need for training at all levels of the University. In central administration there are 37 separate training groups--none of which, until recently, coordinated with any other. There are 72 groups in the University that have been identified, Professor Evans added. This is a morass of trouble; the left hand does not know what the right hand is doing. It must be resolved, but no one seems to have the responsibility for resolving it. Training is very important.

This is like the cobbler's children who have no shoes, Professor Evans commented; the University makes its living by educating others, but can't educate itself.

Those are the only positive aspects of the last few months, Professor Hamilton concluded.

Professor Evans drew the attention of Committee members to one of the handouts. He explained that in the grants process, there were 120 steps identified that occur from the beginning of a grant until it is closed out; the handout identified who is responsible, who approves, and who does it. The document makes clear that principal investigators are responsible for most of the running of their grant, including all the accounting, and department chairs have to sign off on things--which they should, because if there is a mistake, the department pays for it. One of the consequences of not having the roles and responsibilities assigned is that one can say, if there is going to be a grant, what do we have to do? One can look at this page and see who does what.

What can be seen is that there is very little a research office would do, if the rules and responsibilities were followed. There are 98 people in ORTTA, so what it does is act as an annoying

shadow system. They have to grant approval, but they are not responsible. They will say they are responsible only if they are provided the correct information--but if they are given the correct information, they aren't needed. The result is that the faculty is lulled into a false sense of security. The organization gives approval, but it doesn't mean anything. If one looks at how the requests are handled, it is not encouraging; a lot of them are stamped by an undergraduate hired by the hour.

The responsibility of the principal investigator is very important, said one Committee member. It is not possible for the scientific PI to be responsible for all of the financial things they are asked to be accountable for, or not without good support.

That is why they pushed hard, without much success, on the general ledger, Professor Hamilton replied. What is being done at the front-end and back-end are a compromise, so the PI will have the financial information at the desktop when it is needed. Others have to have control over the PI, to be sure money is not misappropriated; that is where GAMS will come in, because it will indicate money cannot be spent in some way, or a secretary cannot be hired. The relationship between GAMS and the future role of ORTTA is a question.

CUFS is a problem in all of this, Professor Hamilton commented; it has the year 2000 problem, he recalled. A more fundamental CUFS problem is integrating it with other systems, said one Committee member. "CUFS is horrible," Professor Hamilton agreed, but the year 2000 problem will do great harm to the University unless something is done. Those who are skilled in the kinds of processes it takes to deal with change of this magnitude say the University should have started to deal with this in 1994, Professor Evans reported; it is slipping by. The University is heading toward 1999 without advanced planning. There have been announced intentions to set up task forces, but it does not appear anything has happened.

A general ledger task force was supposed to have been established last summer, Professor Hamilton said; it has not been. So people may not be getting paid in the year 2000, Professor Evans added.

One Committee member commended Professors Evans and Hamilton for their work, and then commented that much of what is in the category of "education" is really support service, as when faculty have to take out their trash and do their own duplicating. That should be support, but it is part of the faculty salary.

If one looks at college budgets, they are completely different from the way they are portraying them, Professor Hamilton pointed out. What they are portraying is the whole University position, which means it is grossly overloaded with people and money in the support services area. The Committee member agreed.

About eight years ago, recalled one Committee member, there was a support service task force and report. The task force looked at Facilities Management (then called something else); what was interesting was that when they were called to fix a problem, sometimes it was the department's responsibility and sometimes it was central administration's responsibility. The task force found that it depended on how much money they had; about November, things that used to be the responsibility of the central office suddenly became departmental responsibilities for the rest of the year. One cannot even get

these lines fixed for the year.

The administration is constantly talking about re-engineering, to the extent that one is tired of hearing about it--until this report. What are they doing? What are these different groups doing, that call themselves redesign or re-engineering groups? They are not re-engineering in the pure sense of the term, Professor Hamilton replied; they are sitting down and talking, and maybe changing a few processes, but they are not putting everything on the table and trying to make a fundamental change in the way things are done. One of the things he and Professor Evans told Human Resources was that they had to get rid of the JEQ; it is the worst thing that hit the University. They said they could not, that it was needed, that people worked hard to get it.

Part of the difficulty, Professor Evans said, is that the very people who are the problem, and who have the strongest vested interests in ensuring there is no change, are often put in charge of these processes. If one really wants to change Human Resources, one does not put the head of Human Resources in charge, particularly when it is the organization that probably has "the largest amount of negative credibility in this University." The Committee discussed with Professor Evans the use of outside consultants.

This chart reminds one of a flow chart from TQM; what happened to TQM? The University was heaving into that a few years ago; what happened to it? It's still there. But they do not have the resources to look at this kind of thing, said one Committee member; it's an educational operation.

It was a diversion, said Professor Hamilton. It was another task force that got set up and then abandoned.

What the Committee is hearing, said one Committee member, is that there is a massive structure called support services that is apparently eating away at the University. One wonders if anyone is going to tackle it. If not, the educational mission will slowly go down the drain. He and Professor Evans tried to, Professor Hamilton recounted, and were very heavily beaten about the head. They play hardball, he said.

How does that happen, asked one Committee member? The Committee went off the record for a conversation.

One of the things he and Professor Hamilton accomplished, Professor Evans commented, was getting an email service for all faculty that is under the control of the vice president for academic affairs. What the Committee needs is a rapid way to communicate with the faculty. Not the minutes; the Committee should have the right to send a message to the faculty. A system has been set up in the last several weeks, reported one Committee member, at the Committee's insistence; it has the email addresses for all faculty so they can be addressed directly. Can somebody pull the switch and cut it off? That is a question. It can be stopped, Professor Hamilton said.

The worrisome issues are that the University is mis-spending a lot of money on its information systems, Professor Evans said, which will build in making change even harder. There is a chance to change anything that is connected with grants management, because "NIH is going to kill us if we don't do it." There is an external force that the University cannot resist. What can be tacked on to that is the

question. The worst thing NIH could do right now, in terms of the well-being of the University, would be to take it off the status it was on.

When NIH told Senior Vice President Infante it was considering holding senior administrators criminally liable for some actions, that got his attention, related one Committee member.

One Committee member inquired about the significant re-engineering effort one hears about in the Academic Health Center; is that substantially different from this? Professor Hamilton said it is different, and for one major reason: that Provost Brody is absolutely committed to it, and leading it. That is a stark contrast with what the President did. Dr. Brody spent three days a week on this previously.

If he succeeds in restructuring the Academic Health Center, he will have restructured about 40% of the University, one Committee member observed. The rest of the University will probably have to follow along by default, Professor Evans said. He does not have control of Facilities Management or Parking Services, said one Committee member; Professor Hamilton said he will under RCM. What has happened thus far, however, is that the size of the provost's office has increased. Professor Hamilton agreed with the dismay about the office.

One Committee member then reported on a conversation about the sale of the Hospital. The head of one unit was very worried about the sale because the staff in the unit might have to be cut; they have major responsibilities with the Hospital. The unit head is trying to figure out ways to avoid cutting the staff by 25%. That gives one an idea of what selling the Hospital means; Facilities Management should be reduced, Parking Services should be reduced, the Police should be reduced--all by 25%. Will the administration really take those reductions? Or will the University end up with the same size bureaucracies loaded on an even smaller base, asked Professor Evans?

The Committee discussed the sale of the Hospital. One Committee member expressed a lack of understanding of the sale of the Hospital; the Committee is taking it on faith. It is not clear what "selling" means, said another. Another said that "selling" may in fact mean more than one would believe was possible. The Committee has been assured that it was not really a sale.

Professor Hamilton recalled coming from a meeting where it was said outright that the University is "selling the Hospital." It is not clear how many other buildings will also be sold to Fairview. Could the University also sell the athletic complex, it was asked.

One can understand the point about the President's support for re-engineering, but there have to be a lot of other parties involved, some of whom are faculty. There are people in influential positions who have a faculty perspective on re-engineering. The Committee discussed with Professors Evans and Hamilton the individuals who do and do not effectively support re-engineering.

There is a large part of the University that provides service, and the people in charge of the units control a lot of resources, Professor Evans related. They can spend \$100,000 or \$250,000 on a whim; they can just decide to do it. He has been in meetings where it happened. Those people talk to each other but never to the academics; to them, the University is a closed world of service people interacting. They believe that if they interact with each other, they are doing their job and running the University; they never come over to the academic side. And most of the faculty and academic leaders so disdain

most of the operations people that they do not talk to them. The result is a large chasm between the two groups; one of the major challenges in driving re-engineering is to get these two groups to talk to each other in a way beneficial to both. Any re-engineering effort must lead to a decrease in the budget for many of these operations, because they are inefficient and ineffective. So one must go after a powerful group of people who have carefully built outside constituencies (labor unions, legislators, and so on); one tackles a very powerful enterprise that exists behind what the faculty do to raise the money to make the place run.

The Committee discussed the views of senior administrators on re-engineering, and whether or not they would be able to deal with the culture. One Committee member recalled that the President has signed on to the proposal to a 25% reduction in support costs or improvements in efficiency through re-engineering by the year 2000; that may seem modest, but it would be a start. Are they saying that nothing is happening?

Professor Evans said that one place the money may come from is AIS, which will become an ISO-- which will mean they will charge for their work. When a unit pulls information out of the data warehouse that it needs to operate, it will be charged. The budgets will be cut, and the information will no longer be free. One knows departmental budgets will not be increased, so what is being done is shifting the burden from central administration to the departments, with no corresponding increase in resources.

In addition, re-engineering may mean becoming more efficient and passing the costs along. That has been occurring for a long time, without anything being more efficient, Professor Hamilton said. More perverse is cutting out support in one place, and making people who need it pay for it, and not giving them the money to do so.

So RCM will be ineffective in producing efficiencies, said one Committee member, because units can charge for their services, and the units are captive. That is a key question, said another Committee member: can something be outsourced under RCM? Professor Evans recalled asking the President how far outsourcing would go; could one department hire the President of University of Wisconsin to be its President? One dean inquired why he could not buy a different provost, or more of a provost.

What might be done? This should be presented to the Committee on Finance and Planning. It has been; it was very positive, and there were good questions. Are these questions dying in the governance structure? He and Professor Evans are worn out, Professor Hamilton related; they were meeting for long days over a period of eight months. Every time they thought they had something resolved, it would be revisited--and if they were not at the meeting, it would be reversed. One cannot function that way for long with no authority. There is no authority to make decisions in the University; those who should make decisions cannot make them, or will not. So, it was said, the University is adopting RCM, which will make all the decisions, and the administrators won't be needed.

Professor Evans said he had suggested that a contingency budget if the other process did not work: to bring in cranes to knock down Johnston and Morrill Halls. That would be the ultimate in re-engineering, he commented.

The key individual is the President, said one Committee member, and this Committee can ask him

about this. Finance and Planning can also ask how the 25% savings in support services will be achieved, and ask for plans on how it will be achieved.

What is bothersome is that the support units can cut 25%, but unless there is re-engineering and more efficient structures, they will simply provide less. The implication of what the President said was clear, that there would be re-engineering. That is what he said when the process started, Professor Hamilton recalled. True, it was said, but one way to pursue it is to note what the President said and ask him to follow through and do it. He is on the record.

There are serious structural problems beyond the President, Professor Evans said. No one runs an organization where those in charge of human resources and information systems report to two bosses. That is in the process of being changed. What is implicit is that the support side of the University must be run like a business, and the people who run them cannot garb themselves in semi-academic robes and argue that they are going to be professor-like. The Registrar's job is to keep records and to keep them accurately; that is NOT an academic operation. There is much in student services that is JUST providing services. There is much buried in support services that has a quasi-academic aspect to it; it should be treated as a business.

That is not what is being questioned; what should the Committee do? If the important player is the President, the Committee has access to him. He will not do anything, it was said. If the President is not the one to pursue, the Committee needs another strategy. His lack of support is key, Professor Hamilton said; both of them read Champy's book, which was required reading in the health sciences. It is clear, from everything one reads, that the leadership must be COMPLETELY behind re-engineering, not changing positions and views. That is how the senior officers deal with it.

What should the Committee's strategy be, asked one Committee member? If it does not have one, it will die here just like it does elsewhere. Why cannot the Committee continue to pursue the 25% reductions by keeping it on the agenda and asking how it is being accomplished. Even though the reductions are to occur by the year 2000, action has to be taken now. He could be asked what will happen in Human Resources; the answer will be that Chuck Denny is working on that. But so is Carol Carrier, and there is a major conflict of interest, Professor Hamilton noted again. Ohio State rented a warehouse and converted it into offices; they then hired consultants and bought 100% of the time of support people, and put them all in the warehouse with the charge to re-engineer Human Resources. They came up with the same sorts of things that have been developed here. But Ohio State did change; the University has never had the resources or energy to do that.

The University does not have to go through the entire re-engineering process to make some effective changes, Professor Evans said. There is no reason that processes cannot be simplified; it is an enormous waste of resources. If it were simplified, it would change the character of the way the University operates. There are a lot of things that can be dealt with in a piecemeal way.

Professor Adams thanked Professors Evans and Hamilton for their forthright comments to the Committee and adjourned the meeting at 3:30.

-- Gary Engstrand

University of Minnesota