

Northeast Ohio
Universities
Collaboration &
Innovation Study
Commission

Cleveland State University
Kent State University
Northeastern Ohio Universities
College of Medicine
The University of Akron
Youngstown State University

Minutes from July 19, 2007 session of the
Administrative Workgroup of the
Northeast Ohio Universities Collaboration & Innovation Study Commission
Held at the offices at the GAR Foundation, Fairlawn, Ohio

Attendees: Phil Kaufmann, Chair, Rob Briggs, Vice Chair, Ted Boyd, Study Commission Chair (via teleconference), Dr. William Demas, Dr. Lestor Lefton, Dr. Lois Nora, John Pogue, Dr. Luis Proenza, Dr. Michael Schwartz, Jim Trakas, Brad Whitehead

Staff: Monica Turoczy, Amy Sabath, Kirstin Toth

Guest: Kimberly Chapple, David Creamer, Dr. Charlene Reed, Kathleen Ruff, Pat Myers, Richard Lewis, John Case, Debbie Staats, Jack Boyle, Eugene Grilli, Carolyn Pizzuto, Tom Maraffa, Marsha Mills, David Clevenger, David Akers, Jim Sage, Scot Rourke

Unable to attend: James Hambrick

Comments of Committee Chair Phil Kaufman:

- Mr. Kaufmann welcomed everyone and did introductions around the room. He also announced that Ohio Attorney General Marc Dann will be present for the September 12 Administrative Workgroup meeting to discuss the issue of the appointment process for special counsel at the universities.

Presentation by the CFOs, lead by John Case, University of Akron:

Note: A copy of the CFO handout on presentation below; questions / comments regarding presentation follow.

1. Lessons learned from previous or current collaborations / consolidations.
 - unique needs and goals of the institution often lead us away from timely collaborations
 - current contracts at each institution often prevent a clean transition to collaborations
 - physical locations sometimes make collaborations difficult
 - if we have committed leadership, it can work
 - transitions in collaborations take time to “get everyone on board” with the topic
 - often talking about jobs make many conversations difficult (fear of employees)

- minimal savings deters moving forward
- unions make many collaborations challenging
- successful collaborations are sometimes administratively burdensome (there must be enough savings to justify the infrastructure and time investment to make them work)
- academic collaborations rarely save money (they expand access and capacity, but are costly to administer)
 - an example of an academic collaboration that works is our BS/MD program
 - one program that doesn't work is the MPH program (administratively, the MPH model is not efficient at all and requires an inordinate amount of attention on our part)
- participating institutions usually must be willing to accept a standardized approach to make the collaboration work – most collaborations fail because one or more of the participating institutions can't or won't accept a new approach for conducting the activity

2. Specific opportunities for future collaborations /consolidations (or with community colleges).

- procurement
- cost per employee for healthcare for each university
- energy efficiencies
- surplus/salvage operations, perhaps including recycling/recreating (better management of surplus equipment and furniture could yield significant savings if done right)
- course management (part of the IT list)
- audit/legal services

3. Identification of internal or external barriers to collaborations /consolidations and identification of areas considered and rejected, with reasons for the rejection.

Most institutions are willing to undertake all of the proposed assuming three criteria:

- There are no legal barriers, including existing union agreements
- There are measurable cost savings when all costs are considered
- The level of service is maintained or enhanced

There may be other criteria for other collaborations, but we are very open to expanding within the region and throughout the state when it meets these criteria for administrative or support type services.

Barriers: (see #1 above)

- unique goals of organizations
- timing of transitions (contracts are usually set for a number of years)
- geographical locations
- fear of job-loss
- lack of financial incentives (minimal savings)
- unions

Past attempts at administrative collaborations:

- lessons learned would be that every institution has to put away their inherent institutional bias and “group-think” which generally is what has made past attempts fail
- inherent institutional bias – what’s good for the group may not be good for all institutions, e.g. two or three ERPs if we’re talking about IT
- threat of loss of institutional identity and control when backroom offices/IT/other administration shared services are considered

Areas considered and rejected/reason:

- IT/Shared Services. Unique goals of each organization; investment dollars needed; uneasiness of institutions/risk
- Legal services. Not specifically rejected, often the political environment is difficult for this to happen
- Tech Transfer/Sponsored Research Offices. More appropriate in Academic discussion

4. Suggestions for areas that could possibly be outsourced.

- bookstore
- dining services
- student housing
- day care
- recreation center
- other facilities

Areas considered and rejected:

- facilities operations
- payroll

Questions and Comments regarding presentation:

1. Lessons learned from previous or current collaborations

- Mr. Case noted it takes time to get people on board for collaborations and there is a fear of loss of jobs.
- It was pointed out that students graduate \$20,000 less in debt with the BS/MD collaboration. In this instance, students save money, but institutions do not.

2. Specific opportunities for future collaborations / consolidations

- Ms. Staats noted there is a focus on an e-procurement type of tool. Mr. Case said more detail and analysis for savings regarding procurement is needed.
- Mr. Whitehead suggested further exploration of cooperative agreements to determine a cost value agreement.

3. *Identification of internal or external barriers to collaborations / consolidations*
 - Mr. Trakas asked if financial services had been considered, ie: better rates, different collective bargaining units, etc. Mr. Case mentioned that they had not talked about consolidating those.
 - Mr. Kaufmann suggested looking at the financial operations of the university foundations. He asked what would happen if Universities managed this together. Dr. Demas noted that measurable costs should be a recommendation. Mr. Briggs suggested coming up with significant legal savings and then go forward.
4. *Suggestions for areas that could possibly be outsourced*
 - Mr. Trakas asked if one University could handle payroll for all 5 of the universities. He also asked if there could be a trash and recycling commonality, as well as shared fleet and equipment management.
 - Mr. Boyd suggested consideration be given to looking at larger regional models and invite other institutions as well.

Prioritization

- Chair Kaufmann suggested the members look at the prioritization list which was provided in materials. The CFOs agreed that there is a need to work toward more collaborations and savings.
- Brad Whitehead suggested and the group concurred, that it was too soon to prioritize the list; that further information is needed before selecting the top five or six areas for recommendation/investigation.

Remarks by Scot Rourke, President, OneCommunity

- Mr. Rourke was introduced and offered remarks regarding the innovation of new business models. He suggested creating new models and teaching differently. Mr. Rourke offered four ideas and suggestions on improving the process.
- The first idea suggests to creating incentives to drive cost savings and perhaps innovation. The State could offer matching funds for realized savings related to collaborative and innovative programs. Federal resources are interested in funding these same collaborative and innovative programs. One example is the substantial WIRED grants that many of our peer cities in the Midwest have won for innovative regional workforce collaborations.
- The second suggestion is to develop dedicated capacity to pursue the goals of this project. As an example, OneCommunity, along with NorTech, provided seed money to support staff for an independent health care project called NEORHIO (Northeast Ohio Regional Health Information Organization) that has successfully brought together more than a dozen health care systems that are now all co-investing in this neutral collaborative to foster an environment where we can share medical records across systems. Together, they recently submitted a federal grant for \$11 million with many more behind that.
- The third suggestion deals with innovation as a new way to transform the system. Perhaps there's a new business model, process or delivery mechanism that can collaborated on to change the model, hence transforming the system and its associated ongoing cost structure.

- Mr. Rourke's final idea involves an intervention in PK-12 space led by the higher education institutions, where existing capacities are invested to support initially the high schools in areas such as professional development and curriculum leveraging the latest instructional technologies.

Remarks by David Akers, Executive Director, NEOSO

- Mr. Akers explained that all challenges presented to the group are manageable and that one barrier is control. He suggested the universities do a spend analysis and profile in order to better determine prioritization.
- Mr. Akers offered seven points; the first being the importance of *committed leadership* among the five institutions. The second point he spoke of was *Internal Assassins* who will ensure that individual components (such as evaluating the outsourcing of Product A or combining resources to provide Service B) of this effort will fail. Collaboration requires changing behaviors; most people are not comfortable with change and would rather see the status quo continue.
- Mr. Akers encouraged the schools, in his third point, to adopt an *exception mentality* approach, in which everything that is not a core competency (i.e., directly related to education) is assumed to be a target for collaborations / consolidations / outsourcing.
- *Evaluation of opportunities* was the fourth point. Mr. Akers encouraged the committee to engage external resources to lead the schools through an effort to prioritize near-term, mid-term, and long-term consolidation / collaboration / outsourcing opportunities.
- Mr. Akers described *lessons learned* as his fifth point. The CFO's report identified a number of historical challenges for implementing consolidations / collaborations. This list is an accurate summation of the types of challenges that groups (whether in the public sector, the private sector, education, or the not-for-profit world) encounter when embarking on an effort of this kind. These behaviors and difficulties are par for the course and, the good news is, that they are eminently manageable.
- With regards to *economic development*, any activity which any one of the schools is good at performing, but that should not be a core competency, is a spin-off opportunity. The group of schools can serve as the first clients to help establish the new business, which can then grow to serve other organizations, whether just in the region or across a broader geography.
- Finally, Mr. Akers shared his *short term wins and long term thinking*. Conducting a spend analysis is the first step in identifying opportunities to save money and determining which opportunities to pursue first. Additionally, there are simple things that can be done today to enable the implementation of more comprehensive opportunities in the future: schools could agree on common end dates for any new contracts, which would enable the schools to easily aggregate their spending during the following contract cycle or to implement a common methodology and format to capital budgeting, so that the capital budget line items and timing can be compared to identify common requirements.

- Chair Kaufmann suggested the spend profile be done within the next month and identify an external group to analyze the information. The Chairs and Co-Chairs will discuss who would be most appropriate to bring on as a consultant for this task. Mr. Boyd noted that we must seize this opportunity while the Governor and legislature are ready to reinvest in higher education. Dr. Lefton suggested data be collected from the CFOs and the Commission engage a consultant to sort through the numbers data. Chair Kaufmann recapped the discussion noting the Chair and Co-Chairs would work together to find a consultant and narrow down the focus on data.

Adjourn

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