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THE BOSTON CONSULTING GROUP



Report on Organizational Effectiveness – Executive Summary

General Administration of the University of North Carolina system

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Executive Summary

With a mission to discover, create, transmit, and apply knowledge to address the needs of individuals and society, the multi-institution University of North Carolina (UNC) system is a leader in U.S. higher education. In 1795, UNC became the first public university in the United States to open its doors to students. Today, the system encompasses 17 distinct institutions, including elite research universities, leading liberal arts institutions, five Historically Black Colleges and Universities, a world-class arts conservatory, a residential high school for gifted math and science students, and a university founded to educate American Indians. Together these institutions contribute to the state; generate intellectual talent, research output, and jobs; and teach and train the next generation of North Carolina citizens.

The UNC system has made significant progress on a number of dimensions in recent years. The system has seen a growth in enrollment, recently reaching 225,000 students. This is up from around 202,000 students in 2006. Completion rates have also increased to 67.5 percent for the cohort entering in Fall of 2008, up four percentage points over the past four years¹. Additionally, research awards have increased to \$1.36 billion in FY15, a 34% increase since in FY05, far outpacing national trends².

However, this progress has come at the same time as the system has faced a series of challenges, including funding pressures, high turnover within the Board of Governors, and enrollment declines at some institutions. Additionally, in our interviews throughout the system, stakeholders expressed that while the UNC system is a tremendous asset, it has lost some direction in recent years, suffering from a lack of consensus and buy-in on strategic priorities and a lack of clarity on roles and responsibilities across different stakeholder groups.

In this context, The Boston Consulting Group (BCG) was brought in to analyze the current effectiveness of the General Administration (GA) and to report on our findings and recommendations. In our study, we interviewed over 150 individuals, including institution-level leadership, Board of Governors members, GA leaders, faculty, staff, and students across the UNC system; held regular meetings with GA leadership; closely examined GA operations via an employee survey and time allocation exercise; and reviewed a range of foundational documents and information provided by the GA.

Based on our study, we have developed 15 recommendations addressing strategic priorities, role clarity, GA organizational design and focus, and system-wide enablers to facilitate change. Each of these broad categories is described below.

Strategic focus

Across institution leadership, Board of Governors members and GA leaders, stakeholders expressed concern that, while several individual institutions are excelling, the UNC system lacks a clear sense of direction and unified purpose. Some felt the priorities were unclear. Others stated that there was little connection between system-level strategic goals and institutional strategic plans. Similarly, only 53 percent of the GA employees surveyed agreed with the statement, "I know what is going on at General Administration."

¹ Employee data provided by GA HR department. Student data from UNC General Administration Data Dashboard; <http://www.northcarolina.edu/?q=content/unc-data-dashboard>

² University of North Carolina system sponsored program activity FY15 annual report https://www.northcarolina.edu/sites/default/files/documents/presidents_report_on_research_sponsored_programs_2015.pdf

This issue can be addressed by creating a unified set of priorities for the system. When our interviewees were asked what the system priorities should be, their answers coalesced around five themes:

- **Access.** Provide opportunity for all
- **Affordability & Efficiency.** Ensure a UNC education is within the financial means of all in the state
- **Student Success.** Increase degree attainment and ensure value and relevance for students
- **Economic Impact.** Contribute to the state
- **Excellent & Diverse Institutions.** Help institutions achieve excellence against their missions

Recommendation:

1. **Align on a set of strategic priorities**

These priorities should be used to align the wide-ranging stakeholders of the UNC system behind a common set of goals, ensuring all are moving in the same direction.

Role clarity

Despite an impressive breadth and depth of talented leaders, and positive intentions across the system, there is a sense that some stakeholders are underutilized and that roles are unclear. Stakeholders cited a number of factors causing the lack of role clarity, including not having strategic alignment on priorities across the system, rapid turnover of the Board of Governors, and the change in state political leadership, leading to confusion on the responsibilities and norms for different entities.

For example, Chancellors reported frustration with their inability to exercise autonomy in small-scale operational details. Institution leadership reported confusion about their relationship with the GA—"are they our partners? Advisors? Regulators? Are they policing us?" Many stakeholders expressed concern that the Board of Governors is excessively involved in managerial details. Additionally, several Board of Governors members cited feeling insufficiently supported by or under-informed by the GA and institutions. As one interviewee vividly put it, "There is a quadrilateral of mistrust between and across the Legislature, the Board, the GA, and institutions."

Recommendations:

2. **Clarify and honor roles** for the Board of Governors, President and GA, Chancellors and institutions, and Boards of Trustees and affiliates
3. Ensure Chancellor **talent is fully leveraged** as part of the President's team
4. **Focus GA on priority roles** in support of system strategic priorities and empower institutions where GA is not well-placed to add value

An important aspect of re-establishing trust is clearly articulating roles for each stakeholder group. Those with governance roles should be well-supported and well-informed by constituents of the broader system, and should hold the President and institutions accountable for meeting system targets. The President and Chancellors, meanwhile, should have the autonomy to direct and lead the system and the individual institutions, respectively, that they have been charged with leading. And the GA should focus its efforts on a set of priority areas where it can add

value, while conversely empowering institutions in areas where the GA is not positioned to do so.

General Administration organizational design and focus

Stakeholders across the system reported that the GA plays a critical role in the system's success and called out several distinct strengths. However, they also believe that there is room to improve the GA's effectiveness and efficiency. This sense was also reflected in interviews with GA leaders and the GA employee survey where many suggestions were raised on how the GA can improve.

Recommendations:

5. Elevate and **expand external affairs** to provide a powerful voice for the system
6. Create a lean **strategy and policy** unit focused on the system priorities
7. Strengthen the linkage between **finance & budget** and **strategy & policy**
8. Institute a holistic approach to **institutional and system performance management**
9. Align and strengthen **data & analytics** in support of academic affairs, strategy & policy, performance management, and operations
10. Focus **academic affairs** on a select set of initiatives to catalyze system-wide progress on strategic priorities
11. Integrate and strengthen **enterprise risk management, compliance, and legal affairs**
12. Implement targeted approach for **attracting, retaining, and developing leaders** in the system
13. Focus **Chief of Staff** role to support President and coordinate within GA and across institutions

The GA is seen as playing several critical and value-adding roles within the UNC system. Chief among these is an advocacy role, particularly to the state legislature, but also at the federal level and to other external stakeholders. Another frequently cited area of strength was shared services. GA employees felt that shared services were the GA's second-most valuable role, and institutions—particularly smaller ones—agreed that a number of shared services, such as Banner hosting and payroll processing, were helpful. The GA is also viewed to add value by facilitating coordination across institutions, providing topic area expertise, and giving targeted assistance when unexpected circumstances arise.

Balanced against these strengths, many improvement opportunities were also surfaced. First, opportunity exists for the GA to focus on high-value roles where it can uniquely drive value to the system. Frequently cited examples included advocacy; internal and external communications; policy and strategy development; institutional and system performance management; attracting, retaining and developing leaders; data and analytics; and enterprise risk management.

A second opportunity is for the GA to improve its internal coordination and focus. Our time allocation exercise revealed that, currently, the GA performs a wide array of activities, with relatively few resources for each one. This limits overall effectiveness. In contrast, focusing resources on fewer activities would help the GA make a tangible difference in critical areas for the system. Additionally, the time allocation exercise identified a number of activities, such as policy development and advocacy, occurring in different parts of the organization. Concentrating similar activities in

one part of the organization can help improve coordination and result in greater effectiveness.

A third opportunity is to empower institutions where GA is not positioned to uniquely provide value. One such area is research, which has been an area of critical growth for the UNC system: with 34 percent growth in research funding over the past ten years, UNC has substantially outperformed national benchmarks. However, this growth has largely been driven by investment in research at institutions, and the role GA plays, beyond administrative system support, was largely not reported as high-value by institutions. GA has an opportunity to empower institutions within research, and other activities where GA does not have a uniquely valuable role, which would provide capacity at the GA to focus on other priorities.

Together recommendations in this area will help GA realize the opportunities listed above to improve its focus and increase the value it delivers to the UNC system.

System-wide enablers

For these recommendations to be implemented successfully, they need to be done in an environment that is conducive to change. Many organizations focus primarily on the "hard" side of change—the technical or process elements of change. Equally important is the "soft" side of change, or how the change impacts employee engagement and organizational culture. At the UNC system, in particular, there is an opportunity to make several improvements to the system culture and context.

One opportunity is in reducing reporting requirements across the system. Throughout our interview process, stakeholders both within the GA and in the wider system held the view that significant GA and institution time is spent on low-value reports, as well as responding to ad-hoc requests for information. While there is recognition that a number of reports are mandated by the legislature or legislatively directed and are beyond the purview of the GA or the Board of Governors, reporting requirements collectively consume valuable resources. For example, one institution's Finance Division estimated that they received over 300 ad-hoc reporting requests over the past year. Another institution's Academic Affairs Division indicated they received 2-3 requests per week from the GA and that half of a senior position is spent managing requests, in addition to the time spent actually collecting and organizing data. And at the GA, around 10 percent of staff time, or 27 FTEs, is spent responding to ad-hoc requests. The time spent on these reports and requests comes at the expense of focusing on other priorities. Across the board, reporting requirements should be examined for their usefulness in light of current context, and ad-hoc requests should be prioritized based on their value to the wider system.

Recommendations:

14. **Reduce ad-hoc reporting** and low-value recurring reporting
15. Create an environment to support system success
 - a. Strengthen **relationships**
 - b. Instill a **culture of excellence** and innovation across the system
 - c. **Strengthen GA communication** both internally and with institutions
 - d. **Support the Board of Governors** to increase its effectiveness and focus on system priorities

Additionally, there is need to create an environment supporting system success. Specific recommended actions include:

- Stakeholders across the system (including the President and GA leaders; Chancellors and other institutional leaders; faculty; students; Boards of Trustees; and the Board of Governors) should invest in their relationships with each other. This may sound obvious,

but we believe effort in building individual relationships matters in building trust and bridging differences, particularly given recent turnover in many roles

- The President and GA should instill a culture of excellence and innovation both within the GA and across the system through increasing transparency, rewarding high performing teams and individuals, employing a holistic approach to institutional performance management and recognizing excellence across institutions
- The GA should strengthen its communication both internally and with institutions. This will increase effectiveness both within and beyond GA and could include using a simple technological platform to streamline information requests to institutions
- The GA should support the Board of Governors to increase its effectiveness. This includes ensuring that materials are distributed in a timely manner and are thorough and well-organized, enabling the Board to drive action on strategic priorities and other critical policy issues

Implementation

Improvement across the four areas identified—strategic focus, role clarity, GA organization effectiveness, and system-wide enablers—will result in greater effectiveness and efficiency. Throughout our interviews, stakeholders expressed optimism that change was possible, in spite of their anxieties about the system's current state.

Coordinating implementation of the 15 recommendations across stakeholders will require a clear and transparent process. The President and her staff should set up a system to communicate changes both within the GA and to external stakeholders, clearly identify owners of these changes, and develop action plans for each of the recommendations. In the near term, organizational changes supporting the recommendations should be made at the GA. In the medium term, processes should be put in place to improve strategic agility such as a strengthened process for engaging Chancellors and other institutional leaders on system-wide issues and re-visiting GA resource allocation regularly to ensure focus on the highest priority roles.