Finance & Administration:
Organizational Assessment
Summary and Recommendations

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Overview

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• Key Themes
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• F&A Plan
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Starting Point - Quest

Quest for Distinction
Discover • Impact • Success

Virginia Commonwealth University
Process

• The organizational assessment for Finance and Administration (F&A) was designed to obtain external input at a high-level regarding the optimal organizational structure for the division.

• The process was in support of *Quest for Distinction* and other organizational changes in key partner units (e.g., Development and Alumni Affairs, Provost’s Office and University Relations).

• The goal was to seek input and views about F&A from outside experts from varying types of “best practice” organizations in order to make positive organizational change for VCU.

• The process was not designed to be a “deep dive” into F&A operating units (which will be part of next steps).
Process Description

• The description below was shared with external review teams:

• Virginia Commonwealth University is a Tier 1 public research university located in Richmond, Virginia. The University consists of the Monroe Park Campus and the Medical College of Virginia Campus, with a combined student population of over 32,000 enrolled in more than 170 programs. The University has an endowment of over $280 million, roughly 3,000 academic staff, and over 18,600 administrative staff.

• The Finance and Administration Division is the University’s largest administrative support unit with 1,223 employees including faculty, classified, hourly, and student workers. Finance and Administration is comprised of Business Services and Treasury, Budget and Resource Analysis, Facilities Management, Human Resources, University Police, and Technology Services. The Division is responsible for a wide variety of services including, but not limited to, parking and transportation, real estate and insurance, controllership, procurement and payment, food services, retail, treasury, and foundation services.

• Given Finance and Administration’s important role in daily operations, periodic organizational assessments are helpful to understand what structural changes the division might make to provide better support to VCU. As a result of changes in the economic climate and VCU’s approved strategic plan, now is an appropriate time to “step back” and develop an optimal strategy for how the division can become more efficient in order to face the challenges ahead.

• This assessment is part of an overall reorganization efforts by Finance and Administration, Academic Affairs, Development and Alumni Relations, and Marketing and Communications. Each of the respective vice presidents has been asked to seek external reviews where appropriate and helpful. The assessment will take the form of a series of meetings between external consultants and key staff, managers, and senior leaders. Through these dialogues, the consultants will develop a meta-understanding of operations and structure, and make suggestions for organizational improvements moving forward.
Guiding Questions

• The following guiding questions were shared with the external review teams, as well:

  • How can VCU’s Finance and Administration Division better align as a support and service organization with its key customer organizations (e.g., Provost/Academic Affairs, Development, Marketing and Communications, Health Sciences) to facilitate optimal operational and financial support, as well as improve communication and teamwork?
  
  • How can VCU’s Finance and Administration Division reorganize to better support VCU as an organization in light of the strategic plan, Quest for Distinction?
  
  • What do you see as the most important “first steps” the Finance and Administration Division should take to improve organizational efficiency?
  
  • Are there any examples of offices or functions you feel could be combined (or split off or deconstructed) to increase efficiency, support, communication and teamwork?
  
  • Are there major resources (e.g., staff, technology, etc.) needed or currently underutilized?
  
  • Are there instances where certain offices, departments or functions should either broaden or narrow their sphere of responsibility?
  
  • Are there policies and practices that the division should adopt in order to achieve these goals?
Consultants

- External experts were engaged to assist and asked to assess the F&A organization and team from varying lenses.

- Rather than hire a single firm (with one lens), four teams from different types of organizations were asked to visit and assess the division using the process and guiding questions noted.

- The expert consultant team leaders were:
  - Susan Carkeek, AVP for HR, University of Virginia
  - Karen Whitney, SVP for Finance, University of Phoenix
  - Elizabeth Reveal, CEO, Trios LLC (University of Michigan)
  - Matt Kouri, President, Greenlights for Non-Profit Success
Consultants

- The varying lenses for the consultants were:

  - UVA Human Systems
  - Michigan Efficiencies
  - F&A
  - Phoenix Financial Systems
  - Greenlights Vision and Strategy
Consultants

• Each consultant team spent 1-3 days on campus meeting with key leadership in F&A and across the institution (e.g., Provost, VP-Development, Executive Director for University Relations).

• Each team was also provided significant advance materials to include organizational charts, financial statements, strategic plan documents and related information about VCU and F&A.

• Each team was also provided a full tour of all facilities and both campus during visits held January through March 2012.

• Each team was asked to debrief the VP-F&A in person and also provide a high-level written report and recommendations.
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Report Summary

• Each consultant team provided a report that outlined their key and high level findings and recommendations.

• Most of the reports focused properly on organizational alignment and structure, but some “veered” off a bit into issues related to leadership, change management, team skills and abilities, as well as other topics (e.g., development leadership).

• Many of the recommendations are solid and logical and validate the current thinking about F&A, but some are off target. Thus, while the reports will be shared in time (full transparency), to alleviate angst about elements of the report at this juncture, the following summary is provided to guide next steps.
Assessment Themes

• Top two priorities should include:
  – Building a vision for F&A, developing clear performance metrics for individuals and clear goals for the division
  – Add and create innovation across the team

• The next set of priorities should include:
  – Organizational alignment according to the new F&A vision
  – Focusing on process improvements
  – Improving investment performance and revenue generation
Assessment Themes

• Areas of Opportunity:

  – Clarity of goals
  – Financial model for Quest
  – Competitive process for Quest funding
  – Metrics matrix for key F&A services
  – One-page F&A dashboard for metrics
  – Key priorities and timeline (12-24 month milestones)
  – New Budget Process
  – Campus Safety
  – Investment Management
  – Build Culture and Team
Assessment Themes

• Focus on the following areas over 12-24 months:
  – New culture based on “excellence understood and delivered”
  – New values based on action, collegiality and accountability
  – Create a new deputy or COO position
  – Combine all financial and controller functions into one unit
  – Create treasury function that includes investment management
  – Provide meaningful incentives
  – Develop a cross-functional leadership development program
Assessment Themes

• Business process improvement recommendations:
  – Define business processes in a standard manner (document)
  – New budget process (clear, effective, integrated)
  – Streamline HR functions across all of VCU
  – Improve procurement, payment and travel services
  – Develop a systematic review cycle for business processes
  – Implement “sprint” initiatives (3-6 months improvements)
  – Facilities – document all processes and practices
  – Technology – consider CIO as cabinet-level professional
  – VP Brand – clearly articulate the top 3-5 focus areas
Assessment Themes

• Other findings:
  – Strengths are in day-to-day operations, but within silos
  – Perception of a lack of flexibility and innovation (focus on tactics)
  – Weariness from years of cuts and increase in workloads
  – Need to reprioritize activities to align with current resources
  – Energized by new leadership, but offset by resource fatigue
  – Lack of adoption of *Quest for Distinction*
  – Decentralized structure leads to duplication/inefficiency
  – More regular communication across F&A
  – More transparency and shared understanding of priorities
Assessment Themes

• Findings continued:

  – Team is seen as a “collection of separate functions”
  – Team members are helpful with institutional history
  – Focus on unit priorities (rather than the whole)
  – Strategic plan is not well understood as to its fit with F&A
  – With partner organizations, more communication is needed
  – Morale is low based on years with no raises
  – Critical infrastructure is weak, need to assess functions
  – Strong at compliance; strategy and innovation are needs
  – Energized by the people at VCU and institutional “potential”
  – Succession planning is weak
Assessment Themes

• Themes continued:
  – Collaboration occurs at specific times (e.g., budget season)
  – Good people in F&A, but realize the division is short staffed
  – Need more effective services from central (e.g., foundations)
  – Need to identify better ways to invest and manage risk(s)
  – Need to convert to “best practice” strategies
  – Reallocation of resources is needed (no new resources)
  – Culture change toward more collaboration is in process
  – Partners all need to work together and have transparency
  – Doing the same things the same way for too long
Assessment Themes

- Need for a multi-year financial plan that supports Quest for Distinction
- Importance of developing a meaningful budget process
- Need for a more coherently organized financial function such that all matters related to money are within a single span of control
- Ensure that a policy analysis and research capability is created that can support planning, policy, development, and communications
- There is a very limited understanding—even within F&A—of the overall financial picture for VCU
- Understanding limited on financial situation compared to peers
- Comparative assessment would be extremely helpful in terms of finance and other operational areas (e.g., facilities, housing, etc.)
- Business process re-engineering is needed—but it is unlikely that the VP can lead both the strategic effort and the tactical effort simultaneously
- There are bits and pieces of finance scattered throughout the organization
Assessment Themes

• Lack of clarity about priorities and the fact that many of the basic business processes need to be reengineered
• Pursuing “Skunk Works” model should consider creating a unit whose sole function is to take on business process reengineering
• Transition from a traditional state agency to an entrepreneurial, urban research university is a challenge
• The University’s physical master plan needs to be aligned with the Quest for Distinction and a multi-year financial plan
• Constraints posed by SCHEV on administrative policy and autonomy need to be comprehensively reexamined
• There is a need for additional skill sets across division
• Current staff has extensive tenure (strength to draw on where possible)
• Foundation for building a stronger team by adding key resources
• The University is in a sound financial position
• Lack of data governance impacts transparency
Assessment Themes

- F&A could enhance a Planning Team with additional resources
- Fiscal administrators could report to Planning Team (shared service)
- Move Real Estate leasing/acquisition to Real Estate & Facilities
- Realign Business Services to core function—growing auxiliary income
- Chief of Staff and Project Champion roles should be considered
- Leadership should use current organizational goodwill and momentum to work boldly and rapidly within F&A
- Articulate the future state vision for the F&A Department
- A longer term (2-3 year) change management strategy needs to be adopted
- VP of Finance should work together to develop appropriate budget processes and define roles/responsibilities
- Need to consider changes—evolutionary vs. revolutionary
- Change reporting structure or introduce dotted lines for functional areas
Assessment Themes

- Develop a robust communication plan about the vision for the organization including how change will occur, who will be involved, and how change management will be used
- Use of carry forwards should be evaluated to make sure the money is being spent on the highest value return
- Instill a return on investment process for funding
Key Themes Overall

- Change Management
- Innovation
- Pace of Change
- F&A Vision and Mission
- Deputy for the VP (Operations)
- Consolidate Functional Units
- Redeploy Certain Staff Talent
- Financial Plan (*Quest*)
Innovation - Vision
The leadership team is dedicated, smart, willing to work very hard and supportive of new leadership and a new path forward.

The team works well together, but could push each other more in certain ways if there were more bridges between functions and areas.

There is little knowledge about one another’s areas in terms of staffing, budgets, operations, challenges and barriers and we need to work across functions more to develop that awareness (so we can assist).

VCU as a whole is very silo driven, so duplication of financial and administrative functions is common; F&A can be a leader to show that shared services and cross-functional support is achievable.

Succession planning has not been a key area of focus for the division, which has longer term impacts and at times leads an organization to be reactive as opposed to forward thinking (and also requires leaders to delve into the weeds when there is not a clear “second” in command).

There is a clear desire for change and improvement in the F&A team.
VP Review and Summary

- Currently, the F&A team is viewed externally (by consultants and partner organizations) as having significant tenure and deep knowledge about VCU and Virginia processes, but the organization is seen at times as one that does not innovate and is tied to overly burdensome processes and compliance activities.

- The landscape of VCU and higher education is changing rapidly and public education will not look the same in 10 or even 5 years; we must continue to keep costs low and improve efficiencies, even in an already lean organization.

- The division has grown organically and in a reactive manner at times without significant thought about how the organization might need to change to realign itself with other organizations and to support the many clients and partners across the institution and VCU affiliates.

- There is a need to reconsider processes and what we will no longer take on in terms of activities and processes.
VP Review and Summary

- Certain functions must be realigned to allow F&A to operate more effectively and support partners and clients in a more efficient manner.
- Redistribution of support staff across the division is needed to better align support in key and needed areas (including financial operations).
- Functional areas should report to a single leadership position, to include all staff who work primarily on core financial functions (i.e., controller, tax compliance, budget, treasury, investments, capital financial planning, etc.); having distributed core financial functions across the division dilutes the span of control and is a barrier to efficiency.
- VCU is in need of innovation in key areas, including procurement, payment services, travel and business operations and auxiliary areas.
- VCU lacks a core and deep investment management function, which is highly risky for an institution of this size and scale.
- The development of innovative teams has been a struggle, with teams seeking directive leadership styles and fear of “doing the wrong thing”
The development of a single, core “vision” for the F&A division has been a struggle, with a lack of buy-in or team-based enthusiasm but that will be corrected prior to July 1 so that we start the new fiscal year with a clear vision to support Quest and that vision must be based on the core foundational principle of innovation.

Risk-taking seems frowned upon at times and in certain areas of the division and university, with a preference for top-down management so that risk is forced upward; that concept needs to be altered.

There is some lack of logic to portions of the current organizational structure across F&A, including these examples:

- Treasury Services does not align with Finance and Budget
- Foundation Services reports through Business Services
- Real Estate reports through Procurement (2 levels from VP)
- Parking is not linked organizationally to Facilities
- Fleet management across VCU is not currently a function
VP Review and Summary

- Obtaining input into finding ways to realign services and functions will be the driving force behind an organizational assessment.
- In order to realign certain functions that should properly go together (e.g., treasury, cash management, investments with finance and controller functions), each AVP will need to be open minded about change and focus on what is in the best interests of VCU.
- Certain functions may be outsourced and other functions should be absorbed by F&A (e.g., maintenance and housekeeping across VCU).
- Some functions need to be realigned entirely (e.g., Real Estate as linked to the VP office).
- Purely operational business areas should be aligned as a unit focused on core operations.
Timeline

• May 15
  Provide summary report to leadership team
  Encourage sharing summary across F&A teams
  Review and comment as needed (retreat)

• May 31
  Leadership Retreat Review
  Develop final organizational plan
  Communicate plans and changes to each AVP

• June 30
  Communicate changes to each AVP team
  Communicate broadly to division and campus
  Implement changes and develop FY13 goals

• July 1
  New fiscal year and changes across F&A division
Change Management

Change Model 3: John Kotter’s Change Model

1. Establish a sense of urgency
2. Create a coalition
3. Develop a clear vision
4. Share the vision
5. Empower people to clear obstacles
6. Anchor the change
7. Consolidate and keep moving
8. Secure short-term wins

Source: http://www.kotterinternational.com/
Change – Kotter Framework

1. **Establishing a Sense of Urgency** - Examine market and competitive realities, and identify and discuss crises, potential crises, or major opportunities

2. **Creating the Guiding Coalition** - Assemble a group with enough power to lead the change effort, and encourage the group to work as a team

3. **Developing a Change Vision** - Create a vision to help direct the change effort, and develop strategies for achieving that vision

4. **Communicating the Vision for Buy-in** - Use every vehicle possible to communicate the new vision and strategies, and teach new behaviors by the example of the Guiding Coalition

5. **Empowering Broad-based Action** - Remove obstacles to change, change systems or structures that seriously undermine the vision, and encourage risk-taking and nontraditional ideas, activities, and actions

6. **Generating Short-term Wins** - Plan for visible performance improvements, create those improvements, recognize and reward employees involved in the improvements

7. **Never Letting Up** - Use increased credibility to change systems, structures, and policies that don't fit the vision, also hire, promote, and develop employees who can implement the vision, and finally reinvigorate the process with new projects, themes, and change agents

8. **Incorporating Changes into the Culture** - Articulate the connections between the new behaviors and organizational success, and develop the means to ensure leadership development and succession