



**College and University Professional  
Association for Human Resources**

# **You *Can* Get There From Here: The Road to Downsizing in Higher Education**

**Second Edition**

Revised and updated by Barbara Butterfield with Susan Wolfe

This edition made possible through the generous support of



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First edition published in 1994

# You Can Get There from Here: The Road to Downsizing in Higher Education

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*ISBN: 1-878240-38-2*

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## **Preface**

Human Resources professionals, particularly, are challenged to maintain engaged contribution, high workplace commitment and morale among university or college colleagues (faculty, staff, student employees) who may be skeptical of institutional change and frightened by the prospect of reduction.

This book approaches the reduction mandate as an opportunity to reexamine and recast complicated, inefficient processes and to increase effectiveness in supporting the academic missions of teaching, research and service. Our primary focus is on administrative functions, though we suggest some academic possibilities and emphasize the importance of integrated academic and administrative planning that provides essential support for academic and research performance. Our hope is that as more and more of the nation's colleges and universities are forced to face budget reductions, human resources professionals can contribute to building equitable plans and processes that result, in the long term, strengthening core strengths, retention of high performance, staffing that creates depth in competencies needed for the future, greater organizational effectiveness, efficiency, and success.

We have chose the metaphor of a roadmap to tell the reduction story because, it seems to us, restructuring is not unlike a journey; different travelers with different goals select different routes and, often, different destinations. But there are some common elements of each trip: charting the course, reading the signs along the way, deciding when to change course or take detours and arrival at the destination.

It is with the view of a journey that we suggest ways to plan an institutional reorganization, ways to communicate how the process is unfolding, and to find positive alternatives. The last may range from reassessing benefits and institutional insurance expenditures; to offering flexible work opportunities such as reduced hours, administrative sabbaticals at reduced compensation, or telecommuting; to forecasting a long-enough timeline so that attrition, retirements, and voluntary resignations can make a meaningful contribution to budget reduction goals.

We discuss the pros and cons of contracting with current employees or external vendors to provide campus services, providing centralized versus decentralized administrative support, and offering targeted early retirement incentives for faculty and staff. And we explore ways to retain and institutional high performance and diversity gains while reducing overall size and costs.

The reduction task can be daunting, and may even become a way of life for the foreseeable future. We hope this volume provides advice, alternatives and assurances that you can get there from here.

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July 1994 and October 2008

# Chapter 1

## ***Planning The Plan: Drawing the Map***

Navigating an institutional imperative to downsize is a bit like planning a family reunion: though you are obliged to accept the responsibility, you feel ambivalent about the prospect. Some things will happen that you won't like; some people you do like won't make it to the final destination. You want to do all in your power to create a positive outcome, yet you know that the potential for miscommunication and personal loss is great.

So what do you do; drive directly to the airport to hop a plane to the reunion site? No, instead you lay the groundwork, decide when and where to hold the reunion to attract maximum participation; consult the relatives on the plan (and possibly change the date or place to accommodate others; availability); check flight schedules, roadmaps, and hotel availability; send out formal invitations; plan menus and activities; and know that some plans will change in the process.

Likewise, successful institutional reduction requires planning. Spending cannot simply stop. It must be evaluated, prioritized and slowed down over a reasonable period of time, and measures must be taken to focus on the right priorities and to reduce nonessential expenses permanently. Alternatives must be weighed. Internal leaders who might be ambivalent or even completely opposed to the effort must be integral to the process or the numbers will not stick. In fact, while supporting plans are guided by academic priorities, strengths and investments, implementation of the resulting plans are developed by decentralized managers. Governing boards are responsible to act as advisers and fiduciaries, not hands-on micro-management.

Devising a framework for developing a right-sized plan that addresses both strategic imperatives and budget could take up to a year. Implementing the plan might take another two to three years which is fast for many institutions of higher education. The time and effort will be well spent if the result is a dynamic equilibrium among academic programs, vigorous research, tight organizational structure, and stabilized institutional financial resources.

## **Vision Fuels the Drive**

Clear vision and determination will drive the content of the plan and the pace of its implementation. A well-crafted vision statement presents the challenge, serves as both basis and predicate for the effort, headlines the institution's mission, and makes it clear that choices will have to be made that affirm and support the public promises of the organization. It conveys, in direct terms, the goal of going beyond balancing the budget to achieving in the interests of stakeholders, building capacity and capability, incenting innovation and ensuring a successful future. A plan that is intentionally targeted will identify institutional strengths and differentiate the college or university among its peers.

Of course, unbridled spending cannot continue as participants take the time necessary to plan the plan. There must be an immediate, though short term interim approach to reduce the deficit and stabilize the call on reserves. Some of the interim measures may be continued for the long term. Others are merely stopgap measures designed to position the institution for the implementation phase.

Some of the immediate measures to reduce expenditures might be to:

- » Delay salary increments for six months to a year. These can usually be effective for up to one year, but often become detrimental over two years. The loss of relationship to market0020frequently requires a later catch up step.
- » Enact institution wide low-percentage cuts to be decided in their application by executive leadership.
- » Limit new faculty hiring to vacancies in areas of academic strength and where academic employment offers have already been extended.
- » Limit staff hiring with a targeted freeze in which some portion of frozen positions remain vacant and are subject to elimination. Exempt some administrative areas from reduction when the action would be counter intuitive, for instance, development officers, grant and contract administrators and student enrollment managers.
- » Use vacant positions to accelerate layoffs elsewhere by offering potential lay-off candidates the opportunity to transfer to and train for positions vacated through attrition.
- » Limit temporary employment and supplemental or over-time pay. Or, use temporary employment and contingent appointments to supplement faculty and staff positions until a well thought out workforce plan can be completed.
- » Contract out non-core organizational functions. Reduce use of non-competitive outside contractors.
- » Limit or delay capital expenditures.
- » Maximize use of restricted funds to cover one-time obligations. Consider increasing the payout rate from endowment only as a temporary and emergency measure.
- » Explore diversification of income alternatives, such as a surcharge on expendable gifts used and draw income from the consolidated budget to release operating budget stress.

In many cases, such as slowing the rate of hire and limiting capital expenditures, individual unit managers are empowered to make their own trade-off decisions once their budget reduction targets have been determined. Often asking decanal management what cuts can be offered by their units, yields greater cuts than a pre-determined target by planners outside the local unit. Units offering up greater than expected contributions, in terms of cuts, must not be later penalized by second wave cuts.

## Designing the Map: The Many Roads that Lead to Reduction

A richly skilled and competency based task forces are an effective, consultative tool to study organizational strengths, programs, structure and policy alternatives for the long term. These task forces can analyze standard downsizing measures and explore new ways to look at cost benefits of the organization's breadth, depth and niches. A second approach would add advice of experts – either internal faculty or outside experienced advisors – to analyze, develop alternatives and evaluate defined options.

Some policy alternatives for task forces and experts to consider include:

- » Definition of standards to be met such as support for a climate of success, entering and graduation requirements, quality, preservation of capital investments, preservation of academic rank, sanctity of tenure, non-transferability of costs to others, retention of high performance, diversity, transparency and candor.
- » Deans, chairs and highly respected faculty define and strategize delivery of core and key academic strengths.
- » Collaborative examination between deans and vice presidents on the size and depth of needed support. This examination entails bring together leaders with different perspectives in order to achieve efficiency, effectiveness, and downsizing goals, including meeting reduction targets.
- » Organizational centralization of essential university/college services such as phone systems, IT installations, event planning, procurement, human resources and security.
- » Increased decentralized authority to shop for price within standards, so long as the institution's asset value and quality are not compromised. Allowing units to make local purchasing decision, shortens the process and reduces the burden on the Purchasing or Procurement Department.
- » Organizational decentralization, in which schools take over the management of the institution's economy, including the costs associated with vice presidential support areas (though this approach can actually add cost if not accomplished carefully).
- » Costs and income comparisons, in which these measures are determined, attributed and compared within the organization as well as with other similar institutions or services. These findings may also be used to evaluate the program and budget consequences of eliminating entire functions.
- » Examination of faculty, staff and student ratios and demographics and their growth over time (usually 5 – 10 years) in order to identify areas of unusual academic to administrative costs and cost of leadership.
- » Examination of income enhancements, including income incentives and the size and mix of the student population.

- » Exploration of targeted early retirement and voluntary exit programs.
- » Assessing the ramifications of reshaping the institution.

## **Taking Aim: Choosing the Destination**

Estimating budget targets and how they should be tackled is a daunting task. It can be made somewhat more manageable, however, by parallel processing – that is, by building cross talk between various task forces’ participants and unit leaders in the process so they can influence one another and, eventually, converge on multiple high potential solutions. While deans and vice presidents are dealing with targets and policy and collaborating with the president and provost, task forces can simultaneously recommend analytical efforts and creative notions to help.

Some central measures may ease local reduction targets. For example increasing the numbers of students, raising tuition, altering the treatment of gift income, and expanding summer programs and continuing or distance education may boost revenue. Similarly, conservation and cost sharing in benefits as well as some program eliminations may be possible.

Still it is highly unlikely that central measures alone can solve a sizable budget problem. Local units will have to determine how much additional can be accomplished and how best to contribute. Three rounds of planned reduction are possible. The first round announces universal principals and targets. The second round of discussions, centered on tiered priorities as determined by academic and nonacademic leadership, is expected to produce ideas and evidence on which the round will be based. Round two is usually consultative and iterative, engaging all those concerned to explore deep options that preserve the goals of reorganization and achieve the budget reduction. A third round may be required to fine tune and ensure that cuts are sustainable and prepare the organization for an invigorated future.

## **Avoiding Unnecessary Damage**

Divvying up the pie is no piece of cake. But executives can make a few key assumptions in achieving the cuts. Take a hypothetical reduction of ten percent (10%). First assume that one-quarter, or 2.5%, could be reduced centrally. Second ask deans and vice presidents to understand that another 3.5% will be made in across-the-board cuts leaving decentralized units 4.0% to cut using their own decision process, but following agreed quality guidelines. In this assumption, everyone, at every level shares the pain as well as participating in decision making; while, the greatest cut is left to decentralized control within agreed standards.

Various criteria would determine how deeply each unit would have to cut. These criteria might include:

- » Centrality of the program to the mission of the institution. To what extent is the program essential to the institution, a distinctive strength of the institution's profile in research and teaching, necessary to support other core programs, or vital to the intellectual community?
- » Quality of the program in relation to other programs within the institution and to comparable entities nationally, including the quality of its offerings, its faculty resources, and the students it draws.
- » Demand for the program's services from students, other programs, and the general public, as measured by applicant flow rates, number and quality of acceptances, and prospective markets for graduates.
- » Cost of a program relative to the cost of comparable programs, both within the institution and at other colleges or universities; the relative degree of economic self-sufficiency; the benefit to the institution in terms of revenues produced; the support provided to other crucial programs; and its current and foreseeable budgetary health.
- » Potential redistribution of resources that will be available as a result of termination of a program, weighed against costs, lost income, prior commitments, and other negative effects of cutbacks.
- » Protection of rights under academic tenure, and adherence to the institution's policies governing untenured faculty appointments, academic staff, and nonacademic staff.

## **Plan Participation, Understanding and Commitment**

The first round of the budget reduction discussion should focus on broad reduction strategies with an eye toward maximum savings in the first year of the implementation phase. Subsequent reduction planners embark on a fundamental study of the core priorities and organization. This process ensures that the institution will be propelled forward by a vision rather than shoved sullenly into the future by the formidable obligation to balance the budget. A fundamental examination of the mission, coupled with a vision statement, helps to ensure that the focus remains on strengths of the institution and does not inadvertently slip back to simply a budget cutting exercise.

Decisive executives, complemented by well respected members of the academic and administration community will give the resulting recommendations high quality authorship and greater predictable acceptance. Leaders will want to share candidly and with transparency the general background that set the stage for reduction, to achieve a common understanding of the value of the process, the worth of the objectives and the necessity for broad institutional involvement and support. Full and timely communication is essential, not only to convey ideas from task forces to the organization and community, but also to respond to specific groups and to incorporate their special concerns and advice into the plan. External campus interests including alumni and donors must be nurtured and included.

To make sure the process continues its forward momentum, it is wise to set out a quarterly schedule for producing results and reporting them centrally, in major divisions and to various constituents: certainly to the governing board, president, provost, deans, vice presidents, planning committees and constituencies. After initial communiqués explaining causes and context for reduction, first quarter reporting might focus on broad round one parameters, standards and high level targets including special studies that have informed the process. Second quarter reporting could address more detailed initiatives at both central and local levels. A third quarter report could include recommendations and status reports made to the governing body with room for governing board members observations and comments. And a fourth quarter effort could incorporate staged implementation plans describing progress on the scope and pace of reduction along with highlighting successes where the outcome includes creative ideas, strengthening strategies and kudos for local achievements.

Why is the planning period so long, and with so much consultation? Consultation: increases the flow of ideas and alternatives; allows planners to test the feasibility of options; and builds a degree of participation that leads to ownership and acceptance of the plan.

### **Managing the Map**

With finalization of the plan, the implementation process begins, and given that devising a complete plan can take a year or more, a two to three year implementation is not entirely unreasonable. Set targets within the agreed time frame understanding that what is achieved in the first year dramatically relieves the burden in subsequent years.

An example:

- » In a multi-year plan, plan to make at least 50% of the overall reduction planned and recognize such an achievement as closure to the first stage of the process.
- » Make 40% of planned cuts in the second year, again, celebrating second stage success.
- » Complete the final 10% within the last six months of the master plan. Provide widely participated celebration and kudos for everyone. Acknowledge major contributors and task forces.

Carry out, unit-based consultation within the unit itself, with functionally related units and with clients, especially where action will modify, reduce, charge for or eliminate services. Of course, some units will have to move more quickly than others to relieve the units saddled with grandfathered expenditures, the units that have found long term savings in the time consuming but cost effective installation of technological systems, and the units with short term commitments and other matters that limit their flexibility. Intra-year budget holdbacks may be necessary as well.

In preparing unit-based plans, ask participants to follow guidelines for expenditure reductions;

- » Cuts should not transfer responsibilities to other units, unless funds accompany the transfer or clients of the process want decentralized autonomy and are capable of performing the task(s).
- » Reductions in staffing should directly relate to reductions in work output. Avoid cuts that overload faculty and staff who will remain with the organization.
- » Reorganization of objectives and expectations should accompany revised unit capacity. Otherwise, the net result will be an increase in stress and predictable frustration.
- » Redesign and automate repetitive transactional process; increase self-service software applications.
- » Eliminate non-essential functions with low customer demand for service.

In managing the plan, it becomes clear to most participants that redesigning processes and content of positions is an integral component of an institutional reduction. Without considering these aspects, the reduction is likely to save dollars while squandering an even more vital resource – people. The result the organization should seek instead is finely honed fitness for the future, supported by an invigorated faculty and staff, where high performance is recognized and where individual growth and responsibility have been central to the plan.

## **Moving Forward: First Steps**

Summarizing, then, consider these first steps in planning reduction:

- » Create, refresh or endorse a vision statement to present the challenge and affirm the institutional mission.
- » Commit to the highest resulting quality plan and sustainable environment for faculty, staff and students.
- » Implement immediate stopgap spending measures.
- » Set criteria for program cuts. Preserve high performance and achievements in diversity.
- » Set targets, starting with central cuts and identifying reduction expectations for local units.
- » Decentralize “how to” decision making as much as possible.
- » Establish an expectation that unit leadership will consult with their faculty, staff, students, alumni and special interest groups for advice about how to reach planned reductions.
- » Redesign transaction processes with emphasis on simplification, self-editing, shortened time frames, cost savings and customer satisfaction.

- » Create task forces to study the program, structure, and policy alternatives, analyze standard measures, and explore innovative options.
- » Delegate to and trust your planning team and task forces.
- » Use internal and external experts to assist some functions of task forces.
- » Exchange information among task forces and leadership.
- » Engage in parallel planning and implementation that expedites results.
- » Establish milestones and quarterly review processes to maintain forward momentum.

Doing the groundwork these guidelines suggest before implementing any cost-saving measures can pave the way for a smooth, steady, and supported reduction that not only trims the budget, but increases institutional effectiveness. Without this roadmap, it is much more difficult to reach the planned destination.