

Preparing for the future

How can Canada's higher educational
institutions stay competitive?



Preparing for the future

With increasing student expectations and decreasing funding levels, universities and colleges are looking for ways to get the most of every dollar they spend.



Higher educational institutions provide students with the skills they need to succeed and to face any challenges the future might bring – from rapidly evolving technologies to increased global competition for resources and talent. But Canadian universities and colleges have long been faced with funding and service-level concerns. Decreased government funding, tuition freezes, deferred maintenance; these issues are impeding the ability of institutions to focus on what's most important: the success of their students.

With a number of universities and colleges “in the red”, there is a growing realization that current fiscal strategies will not be enough to maintain the status quo with respect to operations, much less allow the sector to grow and enhance Canada's competitiveness over time.

Leading institutions recognize they need to rethink their business strategy to be sustainable and successful over the long-term. This shift means re-evaluating how they conduct business. It means taking a realistic look at how they operate, how they spend and how they deliver services. It means transforming their entire organization to be more effective.

Integrated services instead of silos

Universities and colleges evolve over time, expanding their scope and reach to capture more students, more research dollars and more private or public sector funding. Expansion doesn't always occur at the institutional level; often one faculty or school will decide to invest in a new activity, followed by another, and another. Many of these units operate and deliver programs in a standalone manner, coming together under a single banner to attract students, yet managing spend independently with limited overall controls in place from an institutional level.

The increase in independent operating units has resulted in an environment where operational and program delivery spend is not always analyzed or optimized from an organizational perspective. If academic faculties and schools (e.g. School of Business) are not satisfied with the level of service being delivered by specific functional areas (e.g. finance, HR, marketing and communications), they will often develop their own internal support unit to provide the desired level of service. This type of activity drives a higher cost structure because services and activities are being duplicated across the institution. At the same time, there is no guarantee that overall service quality would increase as a result of individual, independent efforts. It is more likely that some operating units would provide enhanced services to students, while others would provide more modest services. Staff, students and faculty find this to be a challenging and frustrating situation as they can seldom be certain that the same service levels exist for similar functions across faculties and units.

By moving from an environment of siloed faculties and schools within an institution to one that views spend from the perspective of the institution as a whole, universities and colleges can begin to understand their spend and make the appropriate strategic investments in the services and technologies needed to support the mission of the institution.

Cost reductions not service reductions

An organizational view of spend can be the first step toward reigning in costs. By understanding where money is being spent, institutions can identify cost efficiencies and ensure that they are getting the most value for their investments.

Many leading institutions realize that cost reductions do not always lead to service reductions. By examining spend from an organizational perspective, a number of universities and colleges have found efficiencies across their operations rather than in certain functions. IT, finance and human resources – each of these can potentially be managed more cost effectively at the organizational level rather than by individual functional areas. This rationalization of activities can result in significant opportunities for the institution – from more cost

effective delivery of improved services to students, staff and faculty to reduced costs for procurement of supplies and better management of capital projects.

In order to rationalize spend in a sustainable manner, higher educational institutions need to understand how their current organizational culture developed. To do this, universities and colleges need to identify specific services and service levels being provided by independent units, in addition to the consistency and standardization of services being offered. They also need to determine why various faculties or schools have developed their own support service units rather than work through centrally managed ones. By understanding the root causes of specific activities and behaviours, universities and colleges can begin to define solutions that can sustain real benefits.





Making the change stick

Change can be difficult, especially within colleges and universities where major siloes often exist. For many higher educational institutions, there is a need to convince different stakeholders (e.g. deans of faculties, faculty members, staff, students) that any changes will have a positive impact. This is especially true when changes occur within an environment of funding challenges and budget deficits.

How can a university or college enhance its ability to make lasting changes that will help it to reduce costs and enhance services?

- **Sponsorship at the executive level:** For large-scale transformation initiatives to achieve their desired outcomes, sponsorship needs to come from the executive level. Among institutions that have implemented change projects successfully, this support has typically come from senior management of the institution, including the president and often the vice president, finance, in addition to the vice president academic, provost. This joint-sponsorship builds a cross-organizational view that can drive support both within the academic faculties and within the support functions of the institution. Further, the leadership of the various faculties, schools and functional areas should also be involved in the transformation management of the program to ensure that the choices being made are supporting the mission of the university or college.
- **Involvement of the community:** In order to align processes more effectively, reduce costs, and enhance services, leading institutions work to engage their entire community in the change process. By obtaining both a leadership perspective and the perspective of resources involved in day-to-day processes, institutions can develop solutions that are more realistic and achievable. The inclusion of members of the community at all levels during the assessment of administrative areas, and throughout the design stage can also lead to increased buy-in when change projects are implemented.
- **A fact-based case for change:** Any large-scale transformation initiative should be supported by a fact-based case for change. This case for change should outline the current situation, any available performance metrics, the expected activities to be undertaken as part of the transformation initiative, and the impact of implementing each activity (i.e., both on costs and on service delivery). By developing a fact-based case for change in collaboration with members of its stakeholder community, an institution can ensure that there is more transparency and less uncertainty around the rationale for the change and its expected outcomes. Building the case for change, communicating it across the organization, and then tracking and reporting on progress to determine if the expected benefits have been achieved, can be critical for ensuring ongoing support and engagement.
- **Communication of quick wins:** Momentum can be a strong driver of change within an organization. Often stakeholders look at change initiatives with a level of reservation and disbelief. By identifying quick wins and communicating early successes, an institution can provide stakeholders with proof that change is happening. This can, in turn, drive buy-in for longer-term change initiatives.
- **Recognize the need for continuous improvement:** Resource optimization and service enhancement opportunities are not just about making changes today – they are about changing behaviours and encouraging cultures that can realize benefits long after the project has been implemented. The universities and colleges that embed a proactive approach toward the identification of improvements within their organizations will be well-positioned to face any challenges that might come their way.

What's possible?

With dedication and commitment from the institution, transformative changes can result in real benefits. Depending on the current financial position of the university or college, a variety of benefits can be realized from change initiatives. For institutions with current fiscal pressures, savings can be used to reduce deficit positions. For others, savings achieved can be used to enhance student services or to increase research capabilities.

Examples

- Within a mid-sized institution, 75 to 100 people would typically be involved in the travel and expense claims process. When the process is manual, a high majority of staff time is spent completing the routine, transactional activities needed to process individual claims. By making an investment in specific tools to automate the process, an institution can reduce the time spent on the claims process, improve the service levels to staff and faculty, increase staff time spent on value-added activities and enhance overall staff satisfaction.
- Within many institutions, procurement of goods and services often occurs at the faculty or school level. This can result in a wide range of contract terms and conditions for products that are similar, or even identical. By managing procurement contracts at an institutional level, and putting in place guidelines to ensure awareness of specific procurement contracts and policies, a university or college can maximize purchasing power and reduce unnecessary spending.

Achieving real value

PwC is working with a number of higher educational institutions on large-scale transformative projects aimed at reducing costs and enhancing services. These institutions are achieving a variety of substantial benefits based on where they are in the change life-cycle. Institutions in the preliminary assess and design phase are estimating annual savings opportunities in the range of 8 to 10 percent of their operating budget. Universities in the implementation stage have been able to realize multi-million dollar cost savings.

What's next?

For a number of the institutions that PwC is working with on transformational projects, the focus to date has been on the delivery of administrative services. For many, this is only the first step in a bigger transformation vision. Administrators and academics alike recognize that there are additional change opportunities available on the academic side of university operations. Once universities have proven that transformation initiatives are succeeding with respect to the delivery of their administrative services, they can begin to examine their delivery of academic services in a similar fashion.

The bottom line

Institutions that consider their operations from a global view will be able to benefit from efficiencies that may not be available under other circumstances. By developing a fact-based case for change, engaging the individuals involved in the day-to-day operations, and developing processes that lead to cost reductions but not service reductions, institutions will be well positioned to undertake the transformation initiatives they require to build and grow their competitiveness.



www.pwc.com/ca/finance

Who to contact

National Finance Leader

Kishan Dial
780 441 6864
kishan.dial@ca.pwc.com

National Higher Education Leader

Randy Watt
403 509 6651
randy.d.watt@ca.pwc.com



Scan the QR code to listen to
our **StrategyTalks** podcast on
*Putting Education First: How can
Canada stay competitive?*