
From: Senior Vice Chancellor John Plotts [plots2@UCSF.EDU]
Sent: Wednesday, March 02, 2011 2:52 PM
To: UCSFSTAFF@LISTSRV.UCSF.EDU
Subject: Operational Excellence - Message from Senior Vice Chancellor Plotts

Dear Colleagues:

One year ago, UCSF launched the Operational Excellence initiative to help improve the excellence and efficiency of our key operational and administrative services while also reducing costs. Thanks to the expertise and hard work of more than 400 individuals across campus, we are making solid progress and are on track to meet our target of \$50 million in annualized savings by June 2013.

When Chancellor Susan Desmond-Hellmann announced Operational Excellence in [February 2010](#), she noted that UCSF must provide excellent administrative and operational support services as cost efficiently as possible so we have the financial ability to invest in our core, mission-critical programs – programs that yield excellence in discovery, patient care and education.

A question that has repeatedly come up is if the intent of Operational Excellence is to keep doing our jobs the same way as before, but with fewer resources. Operational Excellence is primarily about being thoughtful in how we approach our work, such as identifying creative and more efficient ways to provide a consistently high level of operational and administrative services to faculty, staff and students. We need to repeatedly ask ourselves, “Why are we doing our work this way?” If the answer is, “This is always the way it has been done,” then we need to explore whether there is a better way.

Entrepreneurial and innovative thinking is one of our greatest strengths as an organization, and we need to apply that thinking to the work we do on behalf of Operational Excellence. With smart financial and organizational decisions, we are helping to build the future of UCSF.

How Are We Doing?

UCSF has made significant progress in rethinking operational and administrative services, yielding tangible savings.

- In the current fiscal year, savings generated through Operational Excellence have ***sharply curtailed the impact of ongoing state budget cuts*** to our core teaching and training mission, and allowed us to discontinue the yearlong furlough program.
- By the end of this fiscal year, it is projected that Operational Excellence will be producing ***ongoing savings of more than \$24 million per year***. These savings largely represent the collective efforts of many individuals who have streamlined their departments as much as they are able. Therefore, to achieve our target of \$50 million in savings by June 2013, we must continue to implement changes in the delivery of administrative activities on a campuswide basis, as envisioned by those working on the Operational Excellence work groups.

We have also reached a key milestone, with the restructuring of functions within the Finance & Administrative Services unit, as well as in the offices of the chancellor and of the executive vice chancellor and provost, and in other central administrative units that report to the chancellor. Additional efforts

underway are described in detail in the Operational Excellence Status Report at the end of this message, as well as on the [Operational Excellence](#) website.

What is clear is that the success of Operational Excellence – and the continued excellence of UCSF – is dependent on the retention and cultivation of high-performing and highly professional business and administrative staff. UCSF is committed to driving a culture that values these employees, ensures their professional success and rewards their contributions.

Operational Excellence in Budget Planning

Operational Excellence was initiated last year in the face of a challenging budget cycle for UCSF. Our work continues to be of the utmost importance as we look ahead to planning for budget year 2011-2012.

Consider the projected reductions in our state funding for next fiscal year, coupled with steadily rising increases in employee-related costs.

- **State funding:** The state budget picture for fiscal year 2011-2012 remains unclear, but we know that the fiscal crisis in Sacramento continues and that the governor has proposed reducing UC's budget by another \$500 million. UCSF's share of this cut remains unknown, but may approach \$28 million. To put such a cut into perspective, UCSF has lost \$46.7 million in state funding over the last three years – a nearly 25 percent reduction.
- **Rising costs:** State funding is only one factor shaping UCSF's financial situation. Employee-related expenses are rising due to continued increases in UCSF's share of contributions to the employee retirement plan and escalating health care costs. Rising business costs may also be associated with faculty merit increases and long-overdue salary increases for non-represented employees, among other factors. These cost increases are projected to total \$121 million across all fund sources in fiscal year 2011-2012, including \$12 million in cost increases associated with state funds.

In preparing for next year's budget, UCSF's financial control points have been asked to project their budgets out three years, and to fund cost increases related to employee retirement contributions, health care benefits and other costs with existing funds. Additional directions will be given to control points as the state budget picture comes into sharper focus.

There is no doubt that the ongoing financial challenges are affecting nearly all of us at UCSF. But such challenges can also be a catalyst for identifying opportunities to become more service-oriented, efficient and cost-effective that might otherwise go unnoticed.

UCSF must continually evaluate the delivery of its operational and administrative services so that it consistently provides high quality at the best price. This increases our flexibility to invest in the mission-critical programs that are the core of what we do: patient care, discovery and education.

We Want to Hear From You

Informational "Come and Be Heard" meetings are scheduled at Mount Zion, Parnassus and Laurel Heights in the coming weeks to provide an opportunity for members of the UCSF community to ask questions about the work and impact of Operational Excellence. ([More information.](#))

One year into Operational Excellence, we know that the principles driving this work are sound and essential to the future of UCSF. There is no doubt whatsoever that an institution that continually strives to be both more efficient and better performing will be well-equipped to respond to fiscal challenges.

We also know that this process can cause unrest because the details are still being worked out. Your feedback has been valuable, and we will continue to listen and respond to your questions and suggestions. We will provide timely updates to keep you informed of our progress.

The commitment of the senior leadership team to you is this: We will not lose sight of the individuals who do the work that ensures UCSF is a world-class institution.

Thank you for your continued support of this important initiative.

Sincerely,

John E. Plotts
Senior Vice Chancellor—Finance and Administration

OPERATIONAL EXCELLENCE STATUS REPORT

The following is an overview of the status of the Operational Excellence initiative across UCSF, beginning with central administration and then reviewing broader campus efforts in the five key areas: information technology, pre-award research administration, financial administration, academic personnel and staff human resources administration and strategic sourcing.

Central Administration

Chancellor | Executive Vice Chancellor and Provost (EVCP)

- **Consolidated Administrative Functions:** The administrative functions of the Chancellor's Office and the EVCP Office have been consolidated, with all campus-related functions now integrated into the EVCP Office. As a result, six full-time equivalent positions were eliminated without a reduction in service.
- **EVCP Business Center:** Both HR and Finance functions, which had been distributed among individual EVCP units, have been consolidated into a single business center, producing annual savings of \$1.23 million.

Financial and Administrative Services

- **HR Service Center:** The HR Service Center opened in July 2010. The service center supports HR activities for 15 campus departments, with more than 2,000 employees. Standardization of processes previously supported by eight different departmental HR teams has strengthened knowledge sharing among FAS HR professionals. Further, standardization has improved consistency in process and policy interpretation.

The HR Service Center team is focused on meeting individual customer needs and simultaneously continuing to work with stakeholders to streamline processes. This reorganization is on track for ongoing savings of approximately \$400,000 a year. ([More information.](#))

- **Finance Service Center:** The Finance Service Center opened on January 3, 2011, and supports the financial transactions, budgeting, financial reporting and related services for 17 campus departments inside and outside FAS. The center is working with its clients on budget proposals for the next fiscal year. After the budget process, center staff will evaluate core processes and work to enhance various systems to streamline operations. The center is aiming toward savings of \$600,000 or more through ongoing salary costs, generated mainly through attrition and retirements of current staff. ([More information.](#))

Information Technology

The [Information Technology](#) Work Group is focusing on four key areas: help desk, network, email and procurement.

- **Help Desk:** [Implementation activities](#) are underway to co-locate the services desks of the campus (ITS), School of Medicine (ISU, SFGH) and medical center in Executive Park by mid-spring, followed by the Student Help Desk by fall 2011. The consolidation, which will eliminate the need for users to call multiple IT organizations to resolve an issue, is scheduled for completion by December 2011.

- **Network:** Progress has been made to implement ubiquitous wireless access on campus, with completion estimated within less than a year. Also, upgrades of the wired network are being planned, as is the adoption of joint service level targets for the campus and the medical center. This effort will improve network management and communications, simplify the escalation process and enable cross-training of the support team.
- **Email:** The goal is, by summer 2011, to consolidate ITS, medical center and School of Medicine ISU email systems across campus into a single, Exchange-based environment. This will enable a seamless integration of the email and calendaring process for most campus users. It will also generate savings by eliminating duplicate operational costs.
- **IT Procurement:** As a result of a joint Strategic Sourcing initiative with UC Berkeley, an IT Procurement unit is being created to support the UCB campus and UCSF campus and medical center. This unit will include specialized technology purchasing skills. Also, significant efforts are underway to renegotiate contracts with UCSF's largest IT vendors to achieve major technology procurement savings through the combined purchasing power of all of UCSF and UCB.

Pre-Award Research Administration

The [Research Administration](#) Work Group was charged with developing an operational model for pre-award research administration that ensures customer satisfaction; is efficient and reduces overall costs for pre-award administration; is accountable to leadership; and identifies potential funding sources to support services.

The work group's recommendations have been approved and endorsed by the Operational Excellence Coordinating Committee, which reports to the Chancellor's Leadership Operating Group and is charged with leading the Operational Excellence initiative.

A Phase I pilot, modeling a shared services team, is scheduled to be launched this summer. Departments are encouraged to volunteer to participate in this pilot and to play a vital role in shaping and influencing the model to ensure the best service for faculty. ([More information](#), including how to submit an application to volunteer.)

Financial Administration

The [Finance](#) Work Group is charged with improving the critical functions that support UCSF's day-to-day work in finance administration. These functions include budgeting, accounting, procurement and management reporting. This group is reviewing a range of process efficiencies, as well as new tools and technologies. In addition, the group is examining enhanced training and skills building to increase the skills and effectiveness of individuals providing financial services.

Implementation strategies are currently being designed and reviewed, and technology requirements are being defined. One initial area of focus is the general ledger verification process, specifically the streamlining and automation of verification steps that are now done manually. Another focus is identifying opportunities to strengthen and streamline the financial services provided to UCSF's principal investigators. To that end, online tools to automate financial reporting and personnel expense reimbursements will soon be introduced.

Academic Personnel and Staff Human Resources

The [Academic Personnel and Staff Human Resources](#) Work Group was charged with examining the delivery of human resources services across campus, with the aim of delivering service more efficiently and at a consistently high level of quality. The work group completed its work and submitted its

[recommendation](#), which has been approved by the Operational Excellence Coordinating Committee, and a new team has been constituted to advance implementation.

The work group's recommendation has three components:

- Consolidating services into a new delivery model;
- Redesigning academic personnel and staff HR processes (e.g., streamlining recruitment to enable quicker classification of positions); and
- Implementing new tools and technologies to support academic personnel and HR functions.

The new team will drive the implementation of the new service delivery model, provide oversight for the related technology, ensure effective communication and extend outreach to faculty to incorporate their recommendations. An updated timeline will be posted once several major decisions are reached.

Strategic Sourcing

Operational Excellence in strategic sourcing aims to reduce procurement expenses through leveraging the purchasing power of the University of California system. A joint procurement organization using common technology and procedures is being advanced by UCSF's and UCB's Campus Procurement offices, in close cooperation with the UC Office of the President and other UC campuses. Annualized savings projected by the end of this fiscal year are \$5.8 million.