



# ENGAGEMENT SUMMARY

## STRATEGIC, OPERATIONAL, AND FINANCIAL ASSESSMENT

University of California, Los Angeles

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University of California, Los Angeles

SUBMITTED TO:  
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## Executive Summary

In February of 2018, UCLA engaged Huron to perform a strategic, operational, and financial assessment of UCLA Extension. Over a period of ten weeks, Huron collected and analyzed quantitative and qualitative data and engaged with various stakeholders. Huron partnered with a Steering Committee comprised of UNEX and campus leadership to identify opportunities for operational and financial improvement and develop a set of recommendations along with a high-level roadmap to illuminate the path forward.

The scope of the project included an objective review of the current state, identification of opportunities, and development of actionable recommendations. This assessment was not an audit of the organization and did not include any evaluation of individual performance or validation of existing plans for reorganization. Evaluation of academic program performance was also out-of-scope of this engagement.

### **Organizational Context**

UCLA Extension (UNEX) is a storied program with a proud tradition of service to the mission, the campus at large, and the greater Los Angeles community. In recent years, shifting market trends such as declining international enrollments, increased competition from new market entrants, and declines in demand for traditional delivery models have changed the landscape in which UNEX operates – changes for which the organization did not have a rapid, effective response. These circumstances were further compounded by decisions that simultaneously expanded the cost structure of the organization.

The challenges currently faced by UNEX are strategic, financial, and cultural in nature. The number and breadth of UNEX's strategic initiatives have hindered effective operationalization. The current financial and operational challenges require leadership to shift attention from new ventures and instead focus on core operations. Increased expenditure related to real estate, marketing, and technology, coupled with a decline in revenues, has contributed to the development of a structural deficit and the erosion of a previously substantial reserve balance. Without proper resolution, this has the potential to impair UNEX's sustainability in the near-term. Challenges with organizational culture are apparent at UNEX and morale among staff is low. This only serves to magnify challenges experienced by leadership in effectively motivating staff to embrace change and perform at a high level.

Huron understands that UNEX has undertaken or is currently engaged in initiatives related to addressing the aforementioned challenges. Such initiatives include the following:

- Rationalization of existing courses
- Budget review with intention to reduce expenditures and develop financial projections
- Effort to improve tracking and reporting of financial metrics
- Development of enrollment dashboard
- Implementation of technology accelerators and SRM system
- Prioritization of new program development driven by department-level processes
- Participation in executive coaching and team building

The ongoing initiatives represent important steps in the right direction. Building on the foundation of these initiatives, our recommendations provide a comprehensive and structured roadmap towards organizational health and sustainability.

### **Summary of Recommendations**

To address the most pressing current challenges facing UNEX and cultivate a sound, sustainable organization, Huron has developed the following set of recommendations. These recommendations have been developed with consideration for impact, effort required for implementation, and current organizational capacity for change.

**Recommendation 1: Narrow strategic focus to build on core competencies**

- Delay development of leading-edge learning approaches
- Identify opportunities for partnerships with UCLA to augment internal capabilities

**Recommendation 2: Implement comprehensive approach to operational and financial planning**

- Create an operational plan to increase revenue within core extension programs
- Coordinate with all schools at UCLA to provide mutually beneficial support
- Develop structured approach to new program development
- Implement a comprehensive approach to financial planning

**Recommendation 3: Foster a high-performing organizational culture**

- Develop communications that inspire change
- Take action to make UNEX's organizational values more tangible and impactful
- Establish a stronger and more transparent feedback loop
- Align performance incentives with organizational and departmental objectives to drive accountability

In proposing the above recommendations, Huron is cognizant of ongoing change initiatives, which limit capacity for organizational change. Huron is also cognizant of the burning platforms that exist regarding the structural deficit, declining revenues, and eroding reserves, creating an imperative for change in the near-term.

## Overview

This engagement summary completes Phase 2 of Huron's Strategic, Operational, and Financial Assessment at UCLA Extension (UNEX). This document includes an overview of work performed during Phases 1 and 2, organizational context, and Huron's recommendations for implementation.

## Approach

Over a period of ten weeks, Huron collected and analyzed quantitative and qualitative data and engaged with various stakeholders. Huron partnered with a Steering Committee comprised of UNEX and campus leadership to identify opportunities for operational and financial improvement and develop a set of recommendations along with a high-level roadmap to illuminate the path forward.



In February of 2018, Huron initiated Phase 1 of the project to solidify and deepen our knowledge of the current environment at UNEX and to identify opportunities for administrative improvement. We conducted interviews with more than 60 individual UNEX employees, collected stakeholder input through focus groups, held anonymous drop-in sessions, and collected anonymous feedback via an online survey tool.

In addition to the qualitative data gathered by engaging stakeholders, Huron requested data to be used in analyses to confirm or deny our initial hypotheses. We requested, received, and reviewed data related to current state organizational structure, recent strategic assessments, revenue and enrollment data, and submitted supplementary requests on an as-needed basis.

Huron applied an organizational assessment framework, based on the Star Model by Jay R. Galbraith, to facilitate a comprehensive review of the key components of organizational health and success. Leveraging this framework, Huron systematically evaluated the contributing factors to building a sound and stable organization. Huron tailored the components of the model to fit the organizational context at UNEX and to ensure a holistic review of the organization. The five key points in our tailored model; strategy, structure, processes, motivation, and managerial oversight, allowed us to assess the organization through an operational, managerial, and cultural lens.

Huron also conducted primary research on six peer extension programs within the University of California System, engaging leaders from: UC Berkeley, UC Davis, UC Irvine, UC Riverside, UC San Diego, and UC Santa Cruz. This external data gathering exercise employed both a questionnaire and one-on-one interviews with extension leadership to support an informed understanding of operations across the system. Themes, analyses, and findings were summarized into a Phase 1 deliverable, which was then presented to the Steering Committee. Huron has included a summary of the findings from peer benchmarking analysis in the appendix of this document.

In Phase 2, Huron focused on development of a set of core recommendations and roadmap for implementation, intended to highlight how the recommendations will enable UNEX to address critical challenges. Huron facilitated meetings with the Steering Committee to discuss UNEX's strategic direction,

identify challenges associated with organizational capacity for change, and generate solutions for key challenge areas.

The Huron team met with the full Steering Committee on five occasions:

- *February 27, 2018* - Kickoff meeting to align on project objectives and approach
- *March 21, 2018* - Review of preliminary findings and alignment on key organizational challenges
- *April 11, 2018* - Workshop to discuss UNEX's strategic direction and generate potential solutions for key challenge areas
- *April 18, 2018* - Meeting to align on critical path and prioritize potential solutions
- *April 25, 2018* - Presentation of refined recommendations and implementation roadmap

In these milestone meetings, we partnered to bring relevant context to bear and identified key challenges facing the organization. The Steering Committee was engaged in a collaborative, iterative process to identify effective solutions and potential constraints. By engaging the Steering Committee in this process of addressing challenges faced, the leadership team was empowered to lead the change forward.

The scope of our project included an objective review of the current state, identification of opportunities, and development of actionable recommendations. This assessment was not an audit of the organization and did not include any evaluation of individual performance or validation of existing plans for reorganization. Evaluation of academic program performance was also out-of-scope of this engagement.

## Peer Benchmarking Exercise

During the course of our engagement with UNEX, Huron conducted primary research on six peer extension programs within the University of California System, engaging leaders from: UC Berkeley, UC Davis, UC Irvine, UC Riverside, UC San Diego, and UC Santa Cruz. This external data gathering exercise employed both a questionnaire and one-on-one interviews with extension leadership to support an informed understanding of operations across the system.

Each program that we interviewed leverage key performance indicators and market research in developing and monitoring budgets. Three- and five-year financial projections are leveraged to inform fiscal decision-making and to track performance. Semi-annual and quarterly assessments are conducted to monitor performance against established budgets and to make necessary adjustments to increase revenue or decrease expenditures.

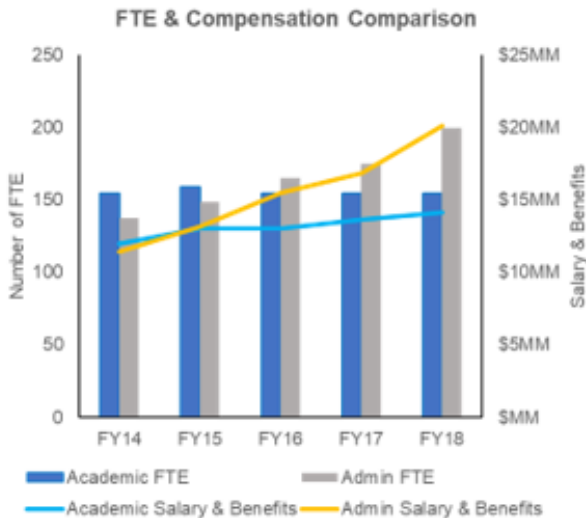
All six peer extension programs that we interviewed listed new program development as a key organizational priority and utilized a standardized, data-rich approach to development. New program proposals undergo rigorous review by a committee or taskforce. Proposals include market analysis, predictive models to determine ROI, pro-forma, and timelines with key milestones. In addition to using market data to identify new areas of opportunity, multiple peer institutions also develop programs based on campus priorities and in partnership with their respective Universities.

The data collected as part of this exercise was used to confirm our approach as we developed recommendations for UNEX. Our recommendations for UNEX and common practices among peer programs within the UC System are well-aligned, particularly in the areas of financial planning practices and new program development processes.

## Organizational Context

The landscape for higher education has changed in recent years with shifting trends in enrollment and increasing uncertainty surrounding demand for the traditional model of delivery. These market forces have impacted continuing education programs in particular as such programs have collectively experienced a decline in international enrollments resulting from a changing geopolitical climate and increased competition from new market entrants boasting innovative platforms and programs of study.

**Figure 1**



Source: Audit UNEX FTE Salaries and Benefits

At the same time, UNEX leadership sought to address challenges faced by core operations. Key elements of this effort include the introduction of new technology systems, partnership with external consultants, and an effort to redesign the organizational structure for academic departments. A structural imbalance has developed between the administrative and academic units as administrative staffing has grown and academic staffing has been reduced. The reorganization plan, focused on the academic side, may further exacerbate this imbalance. In addition, the reorganization and planned layoffs have become intrinsically linked as perceived by staff, contributing to low morale and a negative perception of the reorganization itself.

Concurrent change initiatives exceeded organizational capacity for change and strained

UNEX sought to meet these challenges head-on by harnessing brand equity and building an innovative system of delivery to match the market. This effort was driven by both UNEX leadership's desire to keep pace with the changing landscape and UNEX's role in leading UCLA's strategic priority to develop an online delivery capability. Strategic focus shifted from core operations to build the structure needed to deliver online programming, to develop and launch innovative delivery learning platforms, and to create innovative courses and programs.

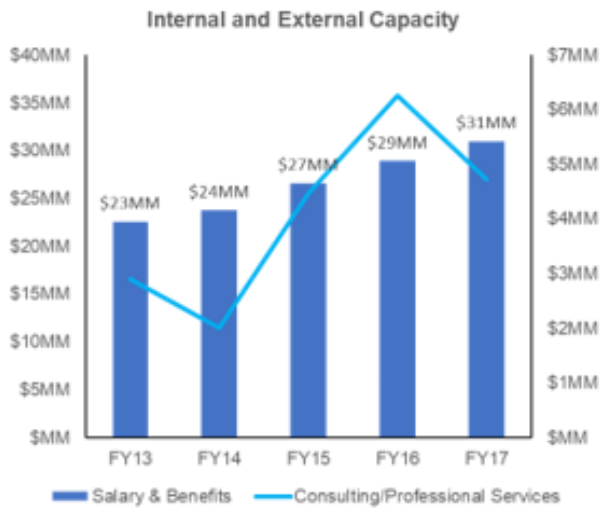
UNEX also developed an ambitious five-year Strategic Plan, designed to position the organization for sustainable growth in response to increasing competition. The four pillars of the Strategic Plan emphasized collaborating with campus and external partners, enhancing UNEX's brand and reach, reinventing educational offerings, and discovering new delivery models.

**Figure 2**



Source: UNEX Leases - 2018-2019 SUMMARY with CAM

**Figure 3**



Source: Salary & Benefits: Financial Analysis for Fiscal Year 12 – 17; Consulting: General Ledger "Consultants/Professional Svcs"

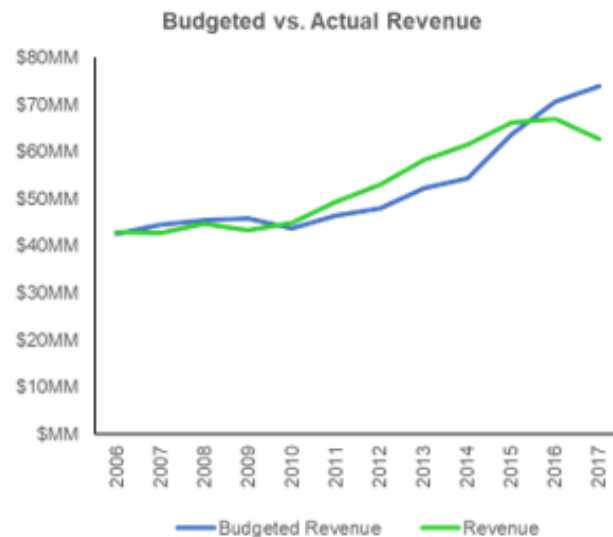
of physical locations has expanded during this period, which has resulted in an increase in lease and ancillary costs, which are expected to reach nearly eight million dollars for FY2019. Costs associated with real estate leases and development now represent a large proportion of UNEX's direct expenses and are projected to grow [Figure 2]. Spending in marketing, technology, and consulting have also contributed to an increase in the overall budget. Significant investments have been made in external consulting services. This investment in external resources has grown 63 percent between FY2013 and FY2017, and has been concurrent with investments in internal capacity, with total compensation growing 38 percent over the same period [Figure 3]. Together, these expenditures have significantly expanded the operational cost structure.

The financial planning process at UNEX has consistently projected higher revenues than have been realized and has understated expenses. Revenue projections fell short by \$3.57MM in FY2016 and \$11.13MM in FY2017 [Figure 4]. While market forces undoubtedly contributed to an overall decline in enrollment and revenues, the forecasting processes in place at UNEX lacked rigor and contributed to this gap. In total, the growth in cost structure and missed revenue targets have contributed to a growing operating deficit and a rapid erosion of reserve balances from an initial value of \$36MM in FY2017 to a projected depletion in FY2018 [Figure 5].

organizational resources. The shift in direction and focus by UNEX leadership coupled with changes to core operations and resources contributed to the creation of an environment of uncertainty. Additionally, the structure required for successful implementation was inconsistently deployed throughout the organization, leading to pockets of momentum. An example is found in the approach to development of new programs, which has proceeded with inconsistent overarching strategy and process, thereby taxing resources and resulting in uncertainty regarding institutional priorities.

All of the change initiatives taking place at UNEX required capital and administrative resources, thus substantially increasing the organization's cost structure. Administrative FTE has grown at a faster rate than academic FTE, and administrative compensation has grown at a CAGR of 12 percent over the five-year period from FY2014 to FY2018 [Figure 1]. The number

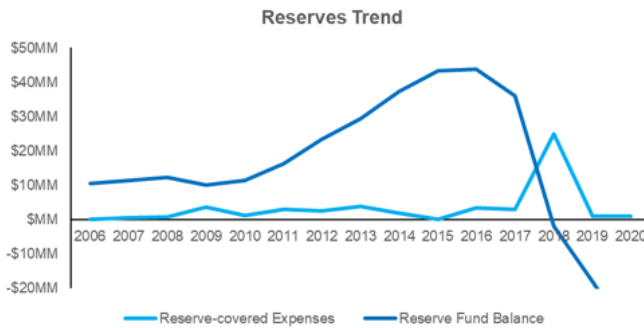
**Figure 4**



Source: UNEX Actuals + Projections including leases



**Figure 5**



Source: UNEX Actuals + Projections including leases  
 Note 1: Increase resulting from one-time construction costs and new lease expenditure  
 Note 2: Figures current as of 2/26/18

As change fatigue has taken its toll and financial underperformance has achieved critical mass, the culture at UNEX has deteriorated. This has been exacerbated by a lack of accountability due to unclear roles and responsibilities. Combined with inconsistent feedback processes, staff are left to interpret individual and organizational objectives. Employee morale and trust in the organization is low due to the planned reorganization and a perceived lack of transparency. Communications that are perceived to be inconsistent and one-directional have contributed to a decrease in trust and have led to confusion regarding organizational priorities and initiatives.

In light of the current challenges faced by UNEX, Huron has identified recommendations that seek to address the need for strategic focus at the leadership level, the need for improved operational performance in core markets, the need for tighter financial controls and financial planning practices, and the need to align the organizational culture with operational objectives and vision.

## Implementation Roadmap Introduction

The collection of qualitative data from stakeholder interviews, analysis of data to support our initial hypotheses, and peer benchmarking analysis culminated in the development of the following recommendations:

### Recommendation 1: Narrow strategic focus to build on core competencies

- Delay development of leading-edge learning approaches
  - De-prioritize development of new, personalized approaches to learning
  - Delay development of new learning delivery models
- Identify opportunities for partnerships with UCLA to augment internal capabilities
  - Leverage functional expertise in budgeting and finance
  - Coordinate with central HR on performance management efforts

### Recommendation 2: Implement comprehensive approach to operational and financial planning

- Create an operational plan to increase revenue within core extension programs
  - Confirm target customers within core markets
  - Set enrollment and revenue targets based on market data
  - Determine KPIs and set intervals by which they are tracked and reported
- Coordinate with all schools at UCLA to provide mutually beneficial support
  - Provide relief for impacted courses
  - Coordinate with all schools to identify opportunities for partnership and support
- Develop structured approach to new program development
  - Establish an internal proposal and scoring process
  - Establish a monitoring process
  - Identify a discontinuing process
- Implement a comprehensive approach to financial planning
  - Implement budgetary reset to evaluate expenditures

- Establish one-, three-, and five-year revenue and expenditure forecasts
- Codify financial language to align operations, finances, and mission
- Align individual and department-level performance metrics
- Develop effective training materials

### **Recommendation 3: Foster a high-performing organizational culture**

- Develop communications that inspire change
  - Align on messaging as a leadership team
  - Draft messages that inspire by highlighting benefits of the proposed changes and progress against milestones
  - Educate staff to own their role in the change through job-specific tools and trainings
  - Deliver reinforcing communications via a variety of channels
- Take action to make UNEX's organizational values more tangible and impactful
  - Incorporate the organizational values into performance metrics
  - Highlight leadership's commitment to the values in Town Halls
  - Showcase examples of individual staff or teams who exemplify the values
- Establish a stronger and more transparent feedback loop
  - Create opportunities for two-way dialogue
  - Communicate the rationale and decision-making process for key decisions
- Align performance incentives with organizational and departmental objectives to drive accountability
  - Establish clearly defined roles and responsibilities
  - Implement a structured annual performance management process

Careful consideration has been given to current organizational capacity and the burning platform for short-term change. This Implementation Roadmap provides a detailed description of each recommendation and subcomponent along with a timeline for implementation.

## **Implementation Roadmap Overview**

During the course of this engagement, Huron has sought to identify and address the most pressing current challenges facing UNEX. Our goal is to put forth recommendations that not only provide resolution for current challenges but help to cultivate a sound, sustainable organization going forward. The following set of recommendations have been developed with consideration for impact, effort required for implementation, and current organizational capacity for change.

### **1. *Narrow strategic focus to build on core competencies***

#### **Overview:**

The number and breadth of UNEX's strategic initiatives have hindered the effective operationalization of its strategy. The current organizational state requires leadership to focus its attention on financial sustainability and on the operations of the core business. If financial trends continue, UNEX risks financial insolvency and the inability to move forward with its transformational strategy objectives.

Huron recommends that UNEX narrow its strategic focus to build on core competencies by delaying the development of leading-edge learning approaches, and by partnering with UCLA to augment internal capabilities. This solution is designed to temporarily reduce competing priorities and allow for the alignment of greater focus and resources to mission-critical activities. The Steering Committee reached

consensus that in the near term, leadership's focus must be on shoring up the financial base and on realigning core revenue-generating units to meet market demand.

Considering costs and challenges faced by UNEX in providing subject matter expertise through both internal and external expansion of capabilities, intentional partnership with UCLA should be considered. Such a partnership can provide functional expertise and resources for UNEX in areas such as Human Resources or Finance, freeing up internal resources and avoiding expansion of the organizational cost structure through the hiring of external vendors.

#### 1a. Delay development of leading-edge learning approaches

The Steering Committee agreed that the following two strategic initiatives related to developing leading edge learning approaches can be delayed in the short-term.

1. Develop new approaches to learning that enable students to personalize their educational experiences with new advances in technology
2. (Re)conceptualize the basic unit of education to include a greater variety of choices, from knowledge nuggets to micro-learning modules to stackable credentials to competency-based education, and more

While these initiatives are important to the long-term future of UNEX, pausing them in the short-term allows the organization to prioritize the delivery of core programs. This should not be construed to mean that all development activities at UNEX should be paused. UNEX should continue to strive for parity with the market but should pause leading edge activities that are not part of the near-term critical path.

#### 1b. Identify opportunities for partnerships with UCLA to augment internal capabilities

UNEX should determine areas where they would benefit from external skills and resources. Leadership should consider leveraging existing University resources at their disposal to free up internal capacity and to benefit from centers of expertise at UCLA.

In approaching changes to programmatic growth and financial management, UNEX should leverage resources and skills in UCLA's Academic Planning and Budget (APB) Office. UNEX could benefit from best practices and lessons learned from other schools or units that have undergone budget redesigns. When establishing a structured performance review process, as part of a new approach to performance management, UNEX should consider partnering with central HR to increase efficiencies and better align with campus policy. Central HR may be able to provide templates and training guidelines for UNEX to adapt and utilize.

#### **Long-Term Sustainability:**

Non-mission critical initiatives, including development of leading-edge learning approaches, can be revisited when the financial situation has improved. Partnerships established with UCLA in the interim to leverage functional expertise will likely prove beneficial as efforts are resumed.

#### **Implementation Risks:**

- UNEX may find it more difficult to compete in the online learning space by delaying development of leading-edge learning technologies.
- Developing partnerships with UCLA will take time, coordination and communication from individuals at UNEX and UCLA. It will be critical for UNEX leadership to communicate the value proposition of these partnerships to its staff.

## **2. Implement a comprehensive approach to operational and financial planning**

### **Overview**

In recent years, increased expenditure related to real estate, marketing, and technology, coupled with a decline in revenues, has contributed to the development of a structural deficit and the erosion of a previously substantial reserve balance. Without proper resolution, this has the potential to impair UNEX's sustainability in the near-term.

Huron recommends that UNEX implement a comprehensive operational and financial planning approach that incorporates development of operational plans to increase revenue within core extension programs, short-, medium-, and long-range forecasting, identification of Key Performance Indicators (KPIs) as drivers of organizational decision-making, and an enhanced approach to budgeting. This comprehensive solution has many components and is designed to both enhance core operational processes to occur over time to limit impact on organizational capacity.

Huron's recommendation to implement a comprehensive approach to operational and financial planning includes development of an operational plan to increase revenues in core markets, development of key partnerships with schools on UCLA's main campus, development of a structured approach to new program development, and an enhanced approach to the financial planning process (e.g., forecasting, budgeting).

A targeted approach to expanding UNEX's existing programs and penetration of local markets aligns efforts with known revenue sources in the short-term. Focus should eventually shift to new programs and new markets in the long-term. UCLA has proven success in delivering a variety of programming and has also demonstrated an ability to adjust quickly to meet the needs of prospective students. This capability, along with many others, makes UNEX an asset to UCLA and suggests that UNEX should be a strategic partner in providing support to UCLA schools and colleges.

Developing programs based on rigorous market analysis and UCLA priorities will improve the new program's viability and reach. A more structured evaluation process will ensure that new programs are positioned for success and that time and effort dedicated to their development is not wasted. Metrics to track performance will allow the organization to both identify new programs that are poised for success and others that should be considered for closure. Lastly, a budgetary reset will help to control expenditures and to reevaluate the necessity of old, recurring expenses. It will also prevent blanket increase of costs, such as annual marketing expenditure for program departments which increased at a CAGR of 26 percent from 2012-2017.

### **Implementation Approach:**

#### 2a. Create an operational plan to increase revenue within core extension programs

Achieving and sustaining financial performance that will reverse the existing structural deficit and allow UNEX to again build a comfortable balance of reserves requires both a reduction in expenditure and an increase in revenue. The financial challenges faced cannot be resolved through either revenue-generation or cost-cutting alone but rather require a comprehensive approach.

Huron recommends that UNEX first expand its efforts to increase enrollments within local markets. A structured approach should first include identification of UNEX's target customer at the program-level, site-level, and organization-level. Implementation of a tailored approach to estimating enrollment and revenue targets that are specific to each customer base within the Los Angeles metropolitan area should follow. Targets should be determined based on careful study of market data to determine market needs and alignment of UNEX programming. Enrollment and revenue targets should be treated as KPIs and revisited annually and tracked against actual performance on a weekly basis. A dashboard report should be created to easily track and communicate performance.

As part of this effort, UNEX should assess the location of each existing site to identify the employment market and determine target student types based on the unique environment surrounding each site.

2b. Coordinate with all schools at UCLA to provide mutually beneficial support

UCLA frequently experiences “impaction” of courses due to enrollment levels. This is not uncommon with undergraduate “core” courses, which are required by the established curriculum. When a course is impacted it may affect a student’s ability to take prerequisite courses or even graduate on time.

Huron recommends that UNEX coordinate with schools at UCLA to provide support and establish a relationship as a strategic partner. An initial inroad may be established by providing relief for impacted courses or coordinating with professional schools such as the Anderson School of Business or Geffen School of Medicine to increase access for in-demand professional credentials. In these ways, UNEX could offer support that UCLA is unable to provide directly which would benefit the University, Extension, and students. Successful partnership and continued development of relationships between UNEX and UCLA schools could expand the opportunities for collaboration going forward.

2c. Develop a structured approach to new program development

Development of new programs is an existing priority at UNEX and across University of California Extension programs. New program development at UNEX does not currently follow a structured, organization-wide approach. Huron recognizes that it is important to succeed in both current markets and new markets, and a documented, intentional approach is needed to ensure that efforts are appropriately targeted and resources are utilized optimally for development efforts.

Huron recommends the creation of a proposal process for new programs along with a scorecard for determining new program selection. Key elements of the scorecard and requirements of a program proposal should include financial projections (e.g., 1-, 3-, and 5-year NPV), data to support the demand estimates (e.g., market data, enrollment projections), and resources required for implementation. If relevant, the proposal should also include plans for alignment with a particular site based on local demographics. Key members of the Dean’s Office and program leadership should be charged with performing a rigorous review of all new program proposals. This assignment should rotate every six months to avoid burdening any one individual.

It is critical that the performance of new programs is regularly monitored against established targets. Monitoring will allow for early detection of underperformance and for modifications to be made as necessary. Success metrics could include: number of inquiries, number of enrollments, and revenue per enrollment. If a program does not achieve required results, a process must be established to sunset underperforming programs. This should incorporate both financial performance and mission-criticality in an overall assessment.

2d. Implement a comprehensive approach to financial planning

UNEX has experienced recent challenges in accurately projecting revenues, which has contributed to the development of a structural deficit. There have also been challenges associated with a bottom-up approach to budgeting and the attendant capacity and business acumen that is necessary to drive an effective process. A disconnect has developed over time between the need to optimize financial performance and the need to deliver on mission objectives. To promote effective financial processes and to ensure future viability and sustainability, Huron recommends that UNEX implement an enhanced approach to overall financial planning.

First, Huron recommends that UNEX implement a structured approach to forecasting short-, medium-, and long-term revenues and expenses. Revenue forecasts should incorporate trends in national, state, and local unemployment, trends in frequency of career change among adults, and trends in international enrollment along with other important indicators of demand for continuing education. Forecasts should be developed for one-, three-, and five-year time horizons and should be reviewed and updated annually to reflect actual performance against projections. Huron understands that UNEX has made some progress to this end already, having engaged a resource from Continuing Education of the Bar to assist with the identification of KPIs and with the goal of establishing reports capable of tracking trends over multiple years.

Next, UNEX should implement a budget reset. This reset should begin with a clear definition by leadership of the associated goals. Ultimately, all expenditures should be assessed, and all discretionary expenditures should be questioned during this period. The COO and central UNEX finance team should work closely with designated department or program budget resources to ensure that efforts are aligned throughout the organization. Efforts to reduce existing cost structure may be direct (e.g., discontinuation of a relationship with a vendor) or indirect in nature (e.g., subleasing unused space in existing leased properties). Creative approaches to reducing costs that are considered to be fixed may be necessary to resolve the current deficit.

To address the disconnect between financial performance and support of the mission, Huron recommends codifying financial language to align goals among individuals that are driven by financial objectives and those that are driven by mission objectives. Such language should be integrated into financial processes and should serve to connect mission criticality with organizational stability and viability. For example, a structural deficit limits UNEX's ability to effectively serve students and may result in tuition and fee increases – thus, budgetary performance is aligned with excellent service of students.

Aligning individual performance to unit performance metrics will be a key step in gaining buy-in broadly. Some strategies that may promote desired behavior include introduction of a special recognition (e.g., “budget star”, the earning of a coveted parking space, or the earning of an additional vacation day). It will also be important to incentivize desired departmental performance against budgets. Department incentives may include establishing a “special projects pool” to reward departments or programs that perform exceptionally well for a period of time.

Following a review and refinement of organizational financial terminology, training for use of financial tools, development of reports, and adherence to processes will be needed. This should include both hard-copy resources that can serve as a guide for incoming and current employees and a video training library that will reduce the training burden on departments without adding to ongoing overhead cost through the establishment or expansion of central training resources.

### **Long-Term Sustainability:**

Following a budget reset, it will require careful attention from leadership to ensure sustainability and success. This will include regular review and updating of operational and financial planning processes, continued efforts to integrate operational and financial performance metrics into individual performance assessments, and updating of forecasting methodologies and incentives to adjust to organizational and operational changes. It will also be important to prioritize relationship maintenance with main campus to sustain and expand on partnership opportunities.

As a long-term consideration, Huron recommends moving toward an incentive-based approach to budgeting. Aligning departmental performance with organizational goals and individual performance with departmental goals will be an important step in this direction.

### **Implementation Risks:**

- Requisite market intelligence may not be readily available and may require resources to purchase or collect. Adding to the existing cost structure in the face of a structural deficit may be difficult to reconcile.
- Existing internal resources may lack the capacity to perform a multi-layered market assessment. Increasing rates of attrition increase the risk of a gap between available talent and skillset required for implementation of recommendations.
- Introduction of a structured process for new program development, implementation of a budgetary reset, or development of training materials will each require short-term resource commitment at the organizational and departmental level. This may be a challenge considering current capacity constraints.

- Relationship building takes time and market opportunities may be missed in the time that is required to establish and marshal the resources required to capitalize.

### **3. Foster a high-performing organizational culture**

#### **Overview:**

Challenges with organizational culture are apparent at UNEX and morale among staff is low. This only serves to magnify challenges experienced by leadership in effectively motivating staff to embrace change and perform at a high level. Any benefits derived from a set of recommendations that does not directly address the challenges associated with culture and environment are likely to be short-lived.

Huron recommends an approach that includes implementation of a tailored communications strategy, an effort to promote organizational alignment with organizational values, a feedback loop that creates bidirectional communication between leadership and staff, and an overall restructuring of the performance management process.

Aligning on communications will increase confidence in the organization and inspire employees to own their role in change initiatives. Making the organizational values more tangible and linking them to specific actions will unite staff in driving towards a common purpose and encourage productive behavior. Establishing a stronger feedback loop will make staff feel their voices are being heard and that they have a stake in the direction of the organization. Lastly, clearly defined roles and responsibilities coupled with a structured performance management process will increase accountability and ownership.

#### **Implementation Approach:**

##### 3a. Develop communications that inspire change

A critical component of developing a communications strategy is to align on messaging as a leadership team to ensure that leadership is communicating a clear, consistent, and concise message. Key talking points and answers to common questions can assist in ensuring that messages to staff are consistent. Leveraging the Inspire/Educate/Reinforce framework, adapted from the Harvard Business Review, can increase the effectiveness and impact of organizational communications.

*Inspire:* Messages that inspire are critical when introducing new initiatives or sharing progress against an ongoing initiative. Communications should demonstrate potential benefits to the organization, highlight progress against goals, and be delivered in a way that expresses importance.

*Educate:* The organization is likely to feel more receptive to engaging with the detailed plans for strategic initiatives after hearing the inspiring messages. In order for individual staff to be educated on the organization's strategy and their role in its execution, provide staff with job-specific tools and training that they can apply in their day-to-day responsibilities. These messages are most effectively delivered through small group sessions, where employees can engage in dialogue and feel ownership of the strategy.

*Reinforce:* These messages that communicate the linkage between vision, strategy, and execution, must be delivered regularly. This will ensure understanding, buy in, and action among staff. Messages should be communicated using a variety of channels and integrated into training and development initiatives and performance metrics. Individuals and teams who embrace the organization's strategy should be recognized and rewarded.

3b. Take action to make UNEX's organizational values more tangible and impactful

UNEX's organizational values are posted in public spaces in the building but are not being leveraged to inspire and drive action and engagement. Organizational values should be incorporated into performance metrics with specific action items. An example is highlighted below:

*UNEX Value: Collaboration*

"We build close, cooperative working relationships within and among individual departments, with our campus partners, and with the local and global communities we serve"

Performance Metric: seeks opportunities to effectively partner with colleagues in other departments to share knowledge and increase efficiencies

This effort should dovetail with efforts to codify financial language to align operations, finances, and mission described in recommendation Part D of Recommendation 2. Additionally, leadership should identify opportunities to share their commitment to the organizational values. For the values to resonate with the organization, leadership needs to be seen as embracing them. For example, a member of the leadership team could share their experience with one of the organizational values at a Town Hall meeting.

Lastly, success stories of individuals or teams living the organizational values should be highlighted. Communications could include a brief story that showcases an inspiring example of integrity, creativity, or community. This will not only increase employee engagement, but also help to make the organizational values more tangible.

3c. Establish a stronger and more transparent feedback loop

UNEX leadership actively solicits employee feedback through various channels, including a suggestion box and Town Hall meetings. However, the perception is that employee feedback is ultimately not considered in decision-making. There are a few key steps that can be taken to address this issue. First, a process should be developed for responding to feedback. It is important to communicate to employees that their feedback is valued, and that the leadership team is listening. Second, for important change initiatives, it is critical to establish a two-way dialogue. Leadership should mirror back to employees the feedback received to confirm their understanding and ask questions to better understand the context.

Lastly, when significant organizational decisions are reached, it is critical to communicate the rationale and decision-making process to the staff. Especially if leadership reached a decision that may not be aligned with some of the staff's perspectives, leadership should communicate how they reached that decision. Understanding the deciding factors and the rationale is key to increasing transparency.

3d. Align performance incentives with organizational and departmental objectives to drive accountability

A prominent theme from our stakeholder interviews suggested that roles and responsibilities are unclear, that it is challenging to hold individuals accountable for their performance, and that the current performance management process is inconsistently implemented. All of these concepts are interconnected and a recommendation to improve only one will result in incremental improvement but leave the larger issue of accountability and performance unresolved.

Huron recommends addressing each of these components over time as part of a broad restructuring of the performance management process. First, all job descriptions should be updated to include clearly defined and relevant roles and responsibilities. These roles and responsibilities will serve as the basis for the performance review process. Performance reviews should occur for each employee on an annual basis. Feedback regarding exceptional or poor performance may be collected on a more frequent basis. The performance management process must be designed to have both career pathways for exceptional performance and a performance improvement plan or consequences for poor performance. Ultimately, defining responsibilities and using them to drive performance evaluations will create an environment where accountability is rewarded, and lack of accountability is addressable.



### **Long-term Sustainability:**

Communications content and channels will need to be modified and refreshed based on organizational priorities and staff preferences. In addition, the organizational values should be revisited to ensure relevance. For example, if the organization seeks to prioritize honest feedback and lively discussion, a new organizational value that could be put forth would be “Debate & Inquiry.” Lastly, the performance management process should be monitored regularly to ensure effectiveness, for example, through employee pulse surveys.

### **Implementation Risks:**

- Given the current sentiment toward organizational communications, it is likely to take some time for staff to view communications in a more positive light.
- Incorporating values into performance metrics may be more challenging because measuring soft skills tends to be less straightforward than hard skills. Managers will need to receive training and guidance on how to assess employees on performance against soft skills.
- Changes to the organizational culture will be incremental and leadership will need to be flexible and adapt their approach according to the organizational response.
- Creating a stronger feedback loop requires greater time and resources. Leadership also must be prepared to receive and respond to negative feedback, and to effectively communicate difficult decisions.
- Implementing a structured performance management process will be time and resource-intensive and will require collaboration from managers.

## **Conclusion**

In conclusion, Huron believes that our three primary recommendations will cultivate a sound, sustainable UNEX organization. Our recommendations address UNEX’s most pressing current challenges, which are strategic, financial, and cultural in nature. By narrowing strategic focus, applying a comprehensive operational and financial planning process, and fostering a high-performing culture, the UNEX organization will position itself for future success.

The success of our recommendations is dependent on:

- Effective coordination and communication among the leadership team
- Consistent, frequent, and clear communications to staff about objectives, rationale, and status of proposed changes
- Buy-in from all levels of the organization
- Creation of success measures to track performance

It is important to note that there are risks of inaction. There is a significant risk of financial instability unless the recommendations a comprehensive operational and financial planning process are implemented. In addition, lack of strategic focus and failing to prioritize the core business could hurt revenues and result in lower quality outputs. Lastly, low employee morale and engagement as a result of the organizational culture may lead to loss of talent and decreased organizational productivity.

## Appendix: Benchmarking Summary

### Budgeting Process

Though the Extension programs utilize different approaches to budgeting, all leverage key performance indicators and market research.

- **Extension A** utilizes a zero-based budget model. Expenses are justified per project and closely monitored. Longitudinal data regarding cash flows is used to track revenues and expenses. The development of financial projections and reporting is overseen by the Dean's Office and the Finance Office and informed by the academic departments. Extension A gathers market data through surveys, environmental scans, and external vendors. KPI's include enrollment figures and prospect behaviors. Budgeting is primarily managed in Excel, and in the budgeting system provided by University A.
- An incremental budget model is in place at **Extension B**. Quarterly assessments are conducted to track performance against the budget. Departmental directors are provided with historical performance data and tasked with creating budgets based on those inputs. Monthly and quarterly revenue and expense reports are also provided to the departments. Extension B tracks several KPIs, including enrollment KPIs at the departmental and course level, as well as Marketing conversion rates. Budgeting is primarily managed in Excel.
- **Extension C** utilizes a combination between an incremental and zero-based budget model. Budgets are developed using a collaborative approach, whereby Finance populates prior year data in budget templates, and departments make adjustments. Financial projections are typically shorter-term. For new programs a three-year outlook is created to evaluate ROI, leveraging market research. Extension C tracks KPI's at a program level, including enrollments and cancellation rates. Budgeting is primarily managed in Excel.
- **Extension D** utilizes an incremental budgeting approach. An iterative process is applied, whereby the academic departments are responsible for making financial projections and the leadership team asks questions and provides guidance. Extension D provides 5-year financial projections to University D. Extension D leverages internal and external research on economic and workforce trends. Departmental KPI's are evaluated monthly. Budgeting is primarily managed in Excel, though Extension D is expected to adopt University D's new set of enterprise tools once those are launched.
- Different budgeting approaches are utilized by **Extension E**, based on the type of program. For existing programs, Extension E utilizes an incremental model based on historical trend data, applied in a top-down fashion. Extension E has found this approach to be more accurate than a zero-based approach for existing programs. For new programs, Extension E uses a zero-based model, whereby a P&L is constructed that assesses a project's net-present value over a 4-year time horizon. Extension E creates one-year and three-year projections for existing programs. A combination of internal and external research is evaluated. Extension E leverages two KPI reports to assess enrollments, gross margin, and actuals vs. budget at the costing unit level. Budgeting is primarily managed in Excel.
- **Extension F** uses a zero-based budgeting approach. The process is mostly top-down, whereby leadership provides the departments with growth targets and budget parameters to operate within, and departments create budgets and assess whether they can meet the targets. Extension F conducts a budget review three times a year to measure progress. Extension F creates five-year financial projections and relies mostly on internal data. KPI's include enrollment statistics for international and domestic student populations. Budgeting is managed in a software tool.

### Allocation of Resources

The majority of services are managed internally at all six Extension programs, with limited and function-specific University partnership.

- Human Resources is a functional area where partnership with the University was commonplace. For example, **Extension A** is assisted by University A with timekeeping, hiring, and Employee Labor relations, and **Extension F** works with campus HR on a number of issues including compliance.
- Business Contracts are another area of University partnership. **Extension E** has a dedicated Business Contracts specialist with a dotted line to campus, and all contracts are signed by campus.

### New Program Development

New program development is a key organizational priority for all six Extension programs that we interviewed.

- At **Extension A**, new program development is guided by a standardized and very detailed process from inception through continuous improvement. A taskforce performs a rigorous review of each new program proposal and its accompanying predictive enrollment model.
- **Extension B** develops programs based on market trends, corporate requests, or as an organizational investment. A common, collaborative process guides new program development.
- **Extension C** has a center with three staff members that manages new program development. A standard process is in place to guide the strategy at the leadership level. After a topic area is selected, a stage-gate process is followed that includes market analysis, evaluation of ROI, and development of a pro-forma and timeline with key milestones. New programs are developed based on leveraging of campus strengths and regional needs.
- At **Extension D**, the departments are trusted to grow and manage their programs. Extension D approaches new program development from the lens of capitalizing on untapped, niche markets rather than competing in the commodified marketplace. In addition, new programs are developed based on campus priorities and in partnership with University D departments.
- **Extension E** has a team dedicated to new program development, which oversees new project ideas. For new programs that are incremental or build upon an existing program, it is managed by the academic department, and this team provides oversight and process help. Completely new programs are project managed by this team. A scorecard is utilized to evaluate who should manage it. Extension E does not set targets for development, it evaluates areas of opportunity, and which of those have the highest growth and ROI potential for University E.
- At **Extension F**, new program development is managed by program departments and by the Dean's Office. Program departments are responsible for creating new programs within their area of expertise and for refreshing existing programs. The Dean's Office generates ideas for new programs based on campus and market demand, creates a business plan, and hands off the project to a program department to execute.

### Additional Notes

The outlook on the Continuing Education landscape was generally positive. It was suggested that opportunities exist for Continuing Education programs to prepare students for college, to close the gap on some of the highest enrolled undergraduate programs across the state, and in workforce development and job training. Additional opportunities include underserved and unserved student populations in the United States and abroad.



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