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Universities Turn to Consultants to Trim Budgets

By [TAMAR LEWIN](#)

When Holden Thorp, the chancellor of the [University of North Carolina](#), was looking for ways to cut the university's budget, he did what many executives in private industry do — hired a management consultant.

The consultant, Bain & Company, came up with recommendations that it said could save the university more than \$150 million a year. They included centralizing some of the university's widely dispersed procurement operations (up to \$45 million) and information technology functions (up to \$19 million) and simplifying its organizational structure (up to \$12 million).

And since Mr. Thorp hired Bain, both [Cornell University](#) and the [University of California, Berkeley](#), have followed suit. In each case, the management consultants examined business functions but stayed away from academic issues like course loads and tenure.

"Like any other large organization," Mr. Thorp said, "we hire people, we buy stuff, we connect to the Internet, we build buildings and take care of our property, and we wanted Bain to look at how we could carry out those functions as efficiently as possible."

"I thought someone from outside the university world would provide a new perspective," he added.

Bain did offer a new take on a university known for its teaching and research and its beautiful old campus: the report summed up the university with a 10-color organizational chart with 380 little boxes, each representing a department.

For all its academic prominence, the 107-page report found, the university has plenty of inefficiencies. For example, more than half its managers have three or fewer people reporting directly to them.

In addition to the recommended changes that could save up to \$161 million a year, the report suggested reining in the more than 100 centers and institutes that have sprung up around the university, many with their own finance, information technology and human resources departments.

"We've already done some of that," Mr. Thorp said recently. "The Institute for Outdoor Drama isn't getting any more state funding."

While most of Bain's recommendations made intuitive sense, Mr. Thorp said, it would have been far harder without the report to know just how to address the problem areas.

"I felt there were too many layers, but I didn't know exactly what and where," he said. "We're trying to cut out two layers."

At North Carolina, the consulting project was financed by an anonymous donor, who specified that Bain should be the company to do the analysis and that the cost should not be disclosed.

At Berkeley, Robert J. Birgeneau, the chancellor, said the Bain contract would cost \$3 million — and hopefully save far more.

“If we could save \$30, \$40, \$50 million for an investment of \$3 million, I’d be ecstatic,” said Dr. Birgeneau, whose campus has been hit this year with particularly brutal budget cuts. “I’m a physicist, not an expert on organizational structures. But I believe we can be more efficient.”

For example, he said, Berkeley has one human resources person for every 85 employees, when the university norm is one for 130 and the industry norm is one for 200.

“We have already successfully consolidated some research functions,” Dr. Birgeneau said, “and we want to get a comprehensive view of procurement and I.T. and H.R. across the university to see if there’s consolidation we should be doing there, too.”

Shrinking endowments and cuts in state financing have forced many colleges and universities, public and private, to turn to hiring freezes, layoffs and furloughs. But for long-term solvency, many will need to find longer-term ways to trim their budgets without damaging their academic mission.

At the same time, parents and politicians alike have become increasingly angry that tuition has been rising far more quickly than inflation — and that the growth in support staff in recent years has far outpaced the growth in enrollment.

Still, some university employees criticize the hiring of Bain, or any outside corporate-oriented consulting firm, to advise on university budget cuts.

“I don’t see it as being very productive or valid or worthwhile,” said Tanya Smith, president of Local 1 of University Professional and Technical Employees, which represents about 900 Berkeley employees. “What we’re seeing is centralization and treatment of the university as if it were a corporation. And I’m just not sure education and efficiency are on the same page.”

Michael Mankins, a Bain partner, said that while there were many differences between corporations and universities — chief among them that universities do not exist to maximize profits — there are also many similarities.

“Most corporations can save 15 to 30 percent by standardizing their approach to procurement, and most universities can as well,” Mr. Mankins said. “Information technology tends to be very fragmented at corporations, and the same tends to be true in higher education.”

With those guidelines and the publicly available North Carolina report, why should universities hire a consultant and not just start streamlining procurement and information technology?

“Folks who look at the reports will know that procurement is a major area, I.T. is a major area, and reducing the number of organizational layers is a major area, but just because you know procurement’s a problem doesn’t give you the expertise of having handled 930 procurement problems in the last decade,”

Mr. Mankins said. “Most doctors don’t do self-diagnosis, and the same reasoning applies in higher education.”

David J. Skorton, the president of Cornell, said he was using the financial crisis as further motivation to grapple with administrative costs.

“We know we have had too much of a proliferation of assistant deans and assistants to ...” Dr. Skorton said. “And this crisis has stiffened my spine about it. My office has gone down from seven to five, people I’m never going to replace, and that has to trickle down.”

Dr. Skorton said he was hopeful that the Bain recommendations would have lasting effects on the university’s finances. Because the budget situation is so dire, he said, there is widespread consensus on campus — even some eagerness — about making changes.

“We’ve crossed the line where there’s a level of awareness that we’re facing the most unsettling financial situation we’ve ever faced and something has to be done,” he said.

“We have dozens and dozens of faculty, right this minute, involved in a couple dozen task forces around the campus looking at our academic operations, the departments and the curricular questions,” he continued. “But I think it’s demonstrable that we can save more money, faster, on our business functions by bringing in people from outside to help us.”

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