Management Risks

Dr. Frank Jeffries, Professor Emeritus, Management

LuAnn Piccard, Associate Professor, Project Management

David Fitzgerald, Professor, Information Systems and Decision Sciences

Prepared Opening Statement:

Dr. Frank Jeffries, Professor Emeritus, Management, UAA

To the chair, my name is Frank Jeffries, retired Emeritus Professor of Management for the College of Business and Public Policy (CBPP). I served as Associate Dean for Academics and Department Chair of Management in the CBPP as well. I spent 20 years in private industry, the last 9 as a senior product marketing manager in high tech. I have also served on boards of directors and have consulted for many major companies in Alaska.

I want to make three points today. First leadership of the University of Alaska System is earning failing grades on two critical management performance indicators severely limiting their ability to lead change; second, there is solid objective evidence that consolidation of colleges will not achieve savings; and third, decentralization or independence for UAA, UAF, and UAS will support both intrapreneurship and entrepreneurship that is currently stifled by the central administration.

The President of Statewide has had three years to perform and build support for his leadership and goals. A primary indicator of support for a leader is the morale of the group they lead. In 2016 83% of the faculty and 75% staff who responded to the respective surveys at UAA said their morale had declined (sources of all data used are noted in the attached appendix). Results reported this year show that the numbers have improved but are still terrible. In the current surveys 67% of the faculty and 49% of the staff say that morale has declined in the last year. Going from bad to worse is not an improvement.

A known effect of low morale is increased intention to leave one's current employment and it is prevalent. Currently 27% of the staff have indicated they actively seeking a job outside the university and in 2016 41% of the faculty were looking, up from 25% in 2013. Given these numbers, if the turnover of faculty is less than 10% it would be shocking. The normal turnover for a well-run university is about 4.7% according to the Chronicle of Higher Education.

The numbers of faculty and staff who report actively looking for work would be a red flag to any well-run organization. By any objective measure these numbers on morale, and so many employees looking for work outside the university, indicate a lack of support for the UA administration leadership and this hamstrings their ability to effectively lead change.

It is not surprising that morale is low because the management style of the central administration is command and control, contrary to recommendations by outside consultants. We are reminded on a regular basis that the Constitution of the State of Alaska gives the president the power to fire administrators at will and that he has authority to structure the system any way he chooses. This is contrary to the management style that is most effective in knowledge-based operations. Participative management is what works. Ironically, that is what shared governance promotes.

Morale would improve if there were true participative management because of what creates a motivational climate in organizations populated with educated career professionals. What these employees thrive on is a workplace that provides three things; mastery, autonomy, and purpose. Mastery is present since the professionals at the university are very good at their jobs and are always improving. Autonomy is low because of the management style preferred by the top administration, the resulting lack of freedom, and the climate of fear it creates. Purpose, in the local sense, is strong because the three universities have missions appropriate to their location and stakeholders. Purpose, in the global sense, is not strong because it is not clear at all what the vision is for the system overall. Morale will not improve unless autonomy improves.

There was a push to consolidate operations of the three main campuses under a centralized model. Thankfully, the Board of Regents has recently indicated willingness to at least consider other approaches. This is good because consolidation is not likely at all to yield the savings expected.

For example, in 2016 at the request of the Board of Regents, Daniel M. White, then UA Vice President for Academic Affairs and Research, produced report dated October 31, 2016 titled: “Cost/Benefit Analysis of Eliminating the UAF School of Management (SOM) Dean” analyzed the effect of consolidating the SOM and CBPP. It stated that going to a consolidated business college combining the SOM and CBPP would increase costs and reduce effectiveness while creating significant risks to local support and put the recent gains achieved by the SOM at risk. The Dean of the SOM is credited with making huge gains in enrollment and revenue and Vice President White said: “*All of this would not be possible without an autonomous dean and dedicated leadership team and staff who are located at UAF*” (p.12 of the report). The report concludes that both the SOM and CBPP have unique strengths and that they are beneficial to the state as independent entities.

As noted in the report mentioned above, independent colleges linked to their community can do things that benefit stakeholders. For example: while I was Associate Dean for Academics for CBPP we investigated the potential for developing local management and executive training delivered by faculty from CBPP and visiting instructors. After extensive research of the competing offerings from other universities in the market a business plan was created. There is a market for this type of training locally and the only options available to businesses, both then and now, are to use the limited services available locally, provide training internally, or send their employees outside with the attendant costs of travel and lodging in addition to the cost of the seminars.

As a businessman the benefits of local training seminars are glaringly obvious. The cost is lower and teams of employees can receive the same training. This creates a shared experience making it easier to have a positive impact on performance of the participants and for it to spread to others at work as they share their new knowledge. In other words, local training will give them a lot more bang for the buck.

We got support from the leadership locally at UAA to set up a non-profit corporation. This was necessary since the university is not structured to market and operate this type of business. We established the corporation, the Business Enterprise Institute (BEI), however, it never got off the ground. The central UA administration imposed a 30% overhead tax, required approval control of virtually every decision, and refused to let the institute operate independently. Ultimately the BEI was taken from CBPP and is now part of UA Corporate Programs.

A recent example of lost opportunity is a contract that could have been handled by an independent BEI. A potential client had a need for extensive negotiation training and coaching and the BEI was contacted about it. While they could have helped facilitate securing the deal, they were not able to compensate the consultants employed above about $80 an hour because of UA policy. This is about 25% of the usual compensation for this work. The net result is no deal and no revenue.

This is a prime example of how the UA stifles innovation and entrepreneurship at UAA. While there is a market for this kind of training in Alaska, and Anchorage specifically, we were not allowed to develop it. This is the way it is now and has been for the entire time I have been affiliated with UAA.

My job as a Product Marketing Manager was to identify needs and develop products to fill those needs at a profit. What I learned from this experience is that the tools I had from private industry were not going to be effectively applied to benefit UAA as long as the central administration had approval authority of this sort of entrepreneurial initiative.

If UAA was independent this and other opportunities to serve the community and diversify its revenue stream would be possible to develop. As it stands now UA is a stumbling block preventing entrepreneurship and innovation. Decentralizing or becoming independent would allow UAA, UAF, and UAS to take advantage of opportunities and become even greater universities that they have the potential to become.

Appendix

UAA Staff Survey results for FY 19, slide 15 (Includes FY 17 and 18):
https://drive.google.com/file/d/0B_kfzxlMcO5ZaVplQlBBdXYzaGlSM2hqTlVBVWVQS3lFZ3Q4/view

Faculty Morale 2018 survey results on pp. 31-38:
https://www.uaa.alaska.edu/about/governance/faculty-senate/_documents/1FS_Agenda_September2018.pdf
One School One Dean Memo
https://www.uaa.alaska.edu/about/governance/faculty-senate/_documents/JJ-ManagementOneDeanOneSchoolMemo_10-31-16.pdf

All other resources are electronic or hard copy and will be made available on request:

Faculty_Morale_Survey_Final _Report 2016.pdf, p.1
UAA Restructure Survey Questions and Results 2019.doc, Question 5, p. 4
UAA Staff Council Report 2019.pdf, p.1

Prepared Opening Statement:

LuAnn Piccard, Associate Professor and Chair, Project Management Department, College of Engineering, UAA

To the Chair, we welcome you and your Senate colleagues to UAA. We are grateful for your service to our state. It is fitting that today's meeting is in a place where beautiful music is made. Each of us is capable of producing a wonderful solo performance. However, when we come together combining our diverse strengths, we are a unified orchestra that makes great accomplishments possible.

Many see the current university situation as a "problem to be solved". I see it as a tremendous opportunity to leverage great ideas to create a positive legacy for future generations. Change does not scare me. It inspires and drives me. I believe in possibilities and that change empowers people to make ideas a reality.

My name is LuAnn Piccard. I am an associate professor and chair for the Project Management Department in the College of Engineering at UAA. We have been continuously accredited by PMI-GAC since 2007, and were one of the first 13 universities in the world to earn this status. For the past 13 years, I have served project management students, companies, and communities across Alaska and around the world. **Students are at the heart of everything we do**. We have pioneered the use of real-time distance delivery to serve working professional students no matter where they live and work inside or outside of Alaska. Graduates of our Project Management program are CEOs, COOs, Portfolio Managers, and Project Managers representing every business sector in Alaska.

Size matters, but scale and leverage matter more. Since 2004, we have graduated 100's of students whose work positively impacts 100,000's of people across Alaska and our nation on a daily basis. This program is just one of many that drive value and innovation by working directly with our stakeholders to advance and transform our state. We are proud to be **Rooted in Alaska and Relevant to the World.**

I also serve on the 12-member Project Management Institute Board of Directors. PMI is one of the world's largest professional associations, serving over 1.8M members and credential holders in over 190 countries around the world. That someone from Alaska was elected to serve on PMIs board recognizes the quality and importance of Alaska's project management to the global profession.

Prior to joining UAA's faculty, I had a proud 22-year career with Hewlett Packard. I graduated from East High here in Anchorage the earned engineering degrees from Stanford University. My first job at HP was designing fiber optic transmitters and receivers. My last assignment was Vice President and General Manager for a $500M business unit responsible for a broad portfolio of telecommunication products and solutions developed for and delivered to customers globally. In 2005, my husband and I left our executive positions and returned to my home state of Alaska to raise our daughter closer to family. We both joined the UAA College of Engineering faculty to help grow engineers and future leaders here in Alaska.

During my career, I led several major transformational efforts and was responsible for over 10 mergers and acquisitions. The sad fact is that most of these transformations and mergers looked great on paper, but **none** produced the value or realized the synergies for which they were undertaken. In almost every case, **value was destroyed rather than gained** because we did not invest time to assess the integration process robustly—in particular, we did not fully analyze management and organizational capacity for change, cultural challenges, how the work would be done at all levels of the organization, an honest accounting of costs, and active risk management.

Three areas should be carefully considered:

1. **70-85% of Transformations and Mergers Fail**
    a. *Transformations and mergers happen through people, not mandates*. According to McKinsey and Co., 70% of organizational transformations fail to achieve their objectives. The three primary reasons representing 72% of causes are: employee resistance to change, management behavior does not support change, and inadequate resources or budget. Without engagement with and buy in from the people most impacted, failure is almost guaranteed.
    b. *Cost cutting is not a strategy. Transformations require investments in people and resources.* Transformations rarely produce returns within 3 years, if ever. Attempting to transform or merge an organization while making significant cuts to the people and resources necessary to implement the change is unlikely to produce lasting, beneficial outcomes.
        - At HP, we spent over $150M on a new Enterprise Resource Planning system intended to integrate silo'ed systems and transform business processes across the organization. Although senior executives and outside consultants sold a good story, we failed to produce a realistic estimate of the time required by people in the organization to develop and implement detailed plans and the investments for continuous communication, engagement and training of impacted personnel.

    c. *Wishful thinking is not a strategy. PowerPoint slides and spreadsheets do not constitute a plan.* According to KPMG and other experts, 70-85% of mergers fail due to culture and lack of sufficient planning for and investment in integration.
        - Although we are all part of the University of Alaska, each of our campuses has unique and vibrant cultures that have evolved in concert with the communities and people served. Under which existing culture would all three universities be expected to merge? What would a One UA culture feel like? How would a common UA culture add value to our stakeholders?
        - Substantial evidence shows that people conducting the initial "due diligence" for transformations and mergers are overly optimistic. In their zeal to push through the transformation or merger, they gloss over risks and concerns. Realistic plans and risk management approaches should be developed in partnership with people closest to the work. For example,

there is no evidence of a detailed transformation and risk management plan for the merger of the three Colleges of Education. Had that been in place, accreditation loss may have been avoided. If we were unsuccessful managing that merger, I am skeptical that we can successfully merge.

2. **Centralization rarely reduces costs and can negatively impact customer-centricity**
    a. *Centralization rarely reduces costs*. Unless the work is fundamentally re-engineered or automated (meaning major resource and time investments), the work still needs to get done and the associated costs don't go away. Most of the time, costs are moved around in an on-going shell game or existing resources are expected to shoulder the burden on top of their existing workloads. For example, UA Statewide IT recently reported significant cost savings. However, reports analyzed show that the work did not actually go away, the costs were just shifted to UAF. If academic programs (e.g. Business, Education and Engineering) have centralized leadership in one location but are delivered on multiple campuses, local leadership and student support service positions are still required. Centralization may yield small savings in some functional areas, but responsiveness generally suffers since there are limited local support resources. In a centralized model some of those administrative costs could actually increase due to added bureaucracy.
    b. *Successful organizations seek a balance between centralization and decentralization*. At HP we benefitted from preserving that dynamic tension because it fostered evidence-based collaboration and generated well-aligned, incremental changes reflecting the current reality. We consolidated some generic and "back office" processes that benefited from scale. However, we decentralized processes and people retained and adopted some common processes. We decentralized activities customer engagement and rather than customer focused some shared services and adopted common processes but most were. We retained a minimal level of overhead so more resources could be invested locally on behalf of customers.
    c. *Successful organizations understand where value is created and delivered <u>and</u> how to drive organizational effectiveness.* HP was a highly respected innovation leader because we used decentralization to drive invention and customer loyalty. Where innovation, resources and best practices could be leveraged, we had mechanisms to share with other organizations. Bill Hewlett and Dave Packard's "management by wandering around" became a respected and widely adopted leadership model. They sought out innovation where it was happening rather than controlling it from above. They encouraged a customer centric culture and supported local decision-making autonomy. Within the university, primary value is delivered through faculty, research, student centric programs. In order for programs to innovate and meet local needs, they must retain the ability to engage with stakeholders directly.
        - I heard a great example of customer centric innovation at UAS. Instructors preload assignments on tablets for students going out on

ship-based s for extended work assignments or field activities. This approach was developed based on a deep understanding of unique student needs in that region. It is doubtful that a centralized organization outside of Juneau would have this level of insight.

3. **It is our duty of care as leaders to demand and support objective and comprehensive analysis**. The Hippocratic Oath says, “First do no harm.” It is our duty of care to accurately diagnose and evaluate options before major surgery is done.

The best structural option for the university system has yet to be discovered. I believe a great solution would emerge if our UAA, UAF and UAS chancellors and other key leaders were invited to participate. They have a wealth of experience and tremendous hands-on experience meeting student and community needs. I urge you to insist on a comprehensive and objective evaluation of all relevant options using transparent criteria and including the active engagement of experts and impacted stakeholder communities. We are not a “One size fits all” state, and we are not best served by a “One size fits all” university.

Prepared Opening Statement:

David Fitzgerald, Professor, Information Systems and Decision Sciences, UAA.

To the Chair, I am Dave Fitzgerald, Professor of Information Systems and Decision Sciences in the College of Business and Public Policy, where we educate students in data analysis and evidence-based decision-making for businesses.

Prior to joining UAA in 2002, I spent twenty years in private businesses in Anchorage working in the field of Information Technology. As a faculty member I have held many faculty governance positions. I served as President of the Faculty Senate during the 2016 – 2017 academic year.

When it comes to making informed decisions, shared governance lies at the heart of both a well-run business and a successful university. As a project manager and a department director in the private sector, I valued and included the perspectives of employees for designing and maintaining any system, as they are the ones who know first-hand how a system is supposed to function and the probable consequences of policy changes.

University Board of Regents policy likewise values both input and participation of faculty, staff, and students because their involvement leads to better decisions. Regents policy (P03.01.010. Faculty, Staff, and Student Governance) specifies in part that:

> The opportunity for faculty, staff, and students to participate in the governance of the university is important to its effective operation. The board intends that participation of those groups in university governance be an integral part of the university community's culture; and that they are to provide an effective opportunity to play a meaningful role in matters affecting their welfare; and to represent their viewpoints on regents' policy, university regulation, and other matters affecting the interests of the university;

Regrettably, President Johnsen's interpretation of that policy differs significantly from shared governance bodies. His style of command and control management is counter-productive in a knowledge-driven organization. This top-down approach to decision making stifles innovation and creativity as it ignores input from those who work across the system and share a commitment to institutional effectiveness and efficiency.

The fiscal challenges we face today are not new. In 2016, President Johnsen created a plan called Strategic Pathways, intended to address fiscal challenges while maintaining quality programs. However, from the perspective of the students, staff, and faculty, Strategic Pathways did not achieve its goal because the effort did not follow basic principles of sound decision-making which would have invited shared governance throughout the process. None of the areas of inquiry included a business plan to reduce costs while sustaining quality. Not one credible report documenting cost reduction can be directly attributable to Strategic Pathways nor any credible increase in quality of outcomes.

With the exception of one faculty member per team selected by faculty, the president handpicked the members of all Strategic Pathways committees; those who either shared his views or would not question them.

He discouraged recommendations from the pathways committees by limiting feedback to pros and cons on options of his choosing. Consequently, his pre-selected options carried the most weight and limited the exchange of divergent ideas.

When it became apparent to the faculty that their voice was being ignored, all three universities sent resolutions condemning the Strategic Pathways process. When these were ignored, in February 2017, UAA sent to the Board of Regents, a Vote of No Confidence in the leadership of President Johnsen. This was followed the next month by a Vote of No Confidence by the UAF faculty. Both were disregarded by the Board of Regents.

Today, we find ourselves in a similar situation. President Johnsen is advancing his proposal for one statewide university with no business plan, and with no meaningful input from faculty, staff, and students. To date, he has prohibited the chancellors from advancing any alternatives to his vision, and has required that they support his. This summer, the chancellors were able to present one alternative, the Consortium Model, to the Board of Regents, only because the Board of Regents specifically asked to hear from them directly, which they have rarely done in the past.

Businesses and universities are complex systems, and I thank the committee for inviting input from those who share a commitment to reducing costs and providing quality education to the state of Alaska.