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CHANGE – REFLECTIONS BACK AND FORWARD:
A review of major change – 5 years on

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Overview of the presentation

Setting the scene: background to 2005 change management

- What we did
- Why we did it
- What we should have done
- What we’ve done since
- What worked and what didn’t
- Was it worth it?

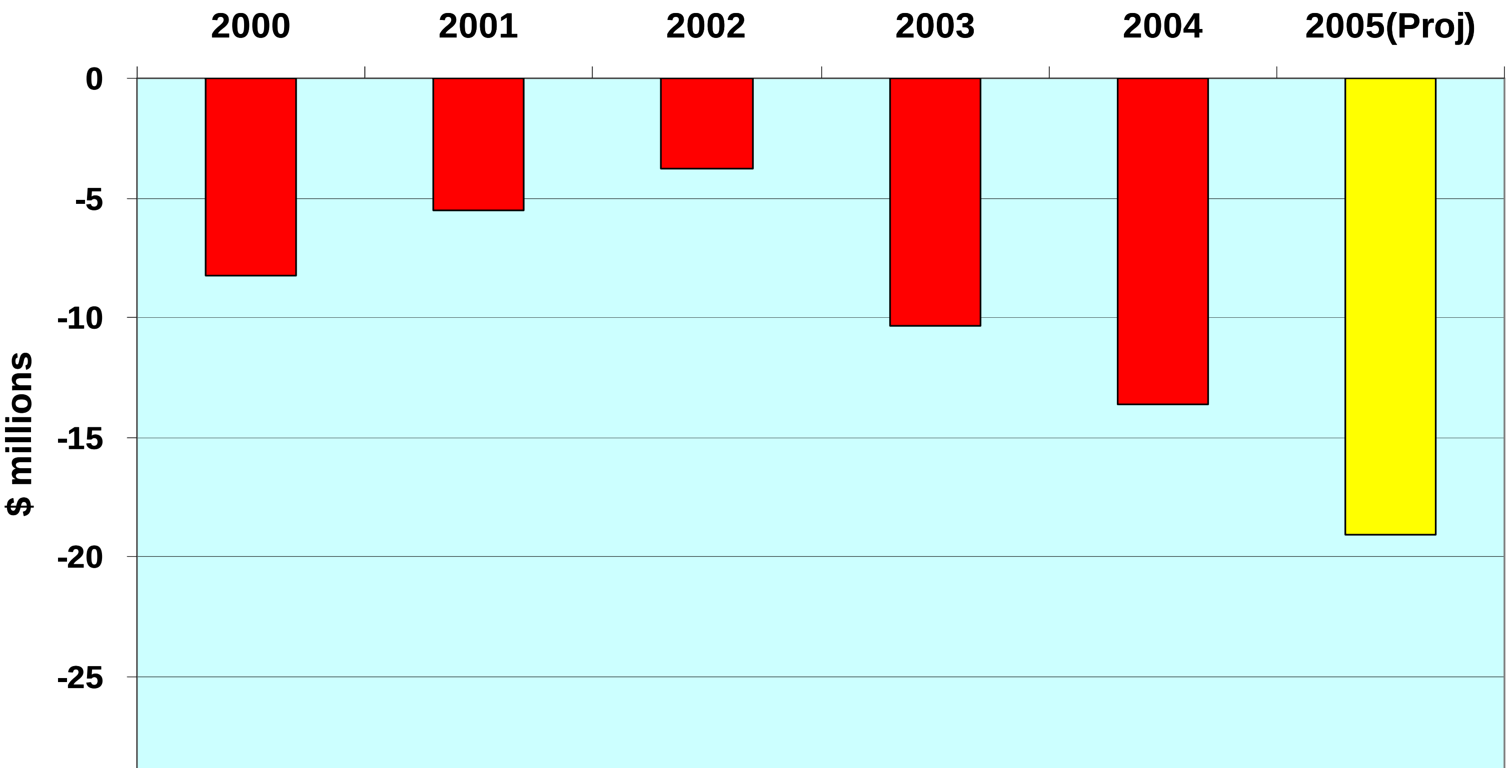
The University of Newcastle: profile

- 37,000 students
- $550m revenue
- Australian Top 10 for research (2010 HERDC $85m)
- Comprehensive range of programs
- Multiple campuses:
  - Callaghan and CBD, Newcastle
  - Ourimbah (NSW Central Coast)
  - Port Macquarie (NSW mid North Coast)
  - International: Singapore
- $1000m in buildings and built assets

Background to the 2005 change process

- University was in deficit from - 2000-2005
- End of year (2005) deficit was $15.6M **plus** cost of restructuring
- University could not adequately fund its capital needs for new infrastructure
- University had not been adequately funding capital renewal of existing infrastructure
- Salaries as a % of expenditure was significantly above sector
- Large accumulated annual leave and LSL liabilities
- Recurrent problem of at least $30M - $45M p.a. to solve
- Objective was to generate annual surpluses of (min) $30m

Financial Performance (Adjusted)



Timeframe and key targets

- Oct-Nov 2004 – New VC and DVC (Services)
- Dec-Jan 2005 – Financial review of University
- Feb-June 2005 – Major reviews of:
  - Courses & programs
  - Non-salary expenditure
  - Administrative Structures & Processes (& staff numbers)
- June 2005 – Change proposal developed by consultants
- July 2005 – University Council approved change proposal
- Key recommendations:
  - reduce staff FTE by 20% University-wide (450 FTE)
  - majority to exit before **end** 2005
  - majority of restructuring costs to be captured in 2005

Principles

- There was to be:
  - No reduction in student numbers, in fact these had to grow
  - No impact on University activity or research activity
  - No impact on services to students
- Staff reductions were not applied evenly
  - ‘Strategic’ approach to cuts
  - Some areas more or less than 20% reduction
- IT systems would replace manual processes and some face to face services
  - Required massive capital injection over 3 years
- Develop shared services approach
  - Student hubs, Finance

Change recommendations for FM

- Key recommendations for FM:
  - Security, mail, stores functions be retained as internal service
  - Capital works and engineering services be outsourced
  - Space & property management function severely reduced
  - Capital facilities planning and strategic capacity all but eliminated
  - No financial processing capacity in FM – all centralised in Finance Dept (in theory)
- At June 2005 FM had 95 FTE
- Dec 2005 target was 62 FTE
- Reduction represented 35% of staff

A consultant’s view of university FM !

But let me explain ……

What actually happened in FM

- FM to reduce FTE from **95** to **62**
- Security, mail and central stores functions were retained internally
  - 27 FTE (29% of FM FTE) before restructure
  - 27 FTE (44% of FM FTE) after restructure
  - Reason – ‘no net $ savings’…..
- 33 FTE positions cut from remaining ‘pool’ of 68
- Significant reductions in planning, capital projects delivery, maintenance, space management, engineering, architectural, administration, project management and coordination
- Commitment to implement an FM IT System to support improved processes but this would not occur until **after** staff left
- University-wide approach to project management, **but** this was staffed

How it was done

- VSPs (self-identified but not automatic)
  - No VSP approved if position deemed essential
- Encouraged early retirement or pre-retirement contracts (use up LSL, AL etc)
- Natural attrition
- Some internal re-deployment but within overall approved staff FTE numbers
- Forced redundancy as final option
  - Staff given 6 months redeployment to find another position in University
- Target achieved by end of 2005 (although some did not exit until early 2006)

What worked, what didn't

- Loss of corporate knowledge
  - An important issue but not the most critical impact
- Loss of professional **capacity** in planning and managing capital works
  - Most significant impact
  - Made more significant by almost total lack of existing documentation, templates, processes, systems and plans
- IT FM system implementation took more than 2 years to commence
  - Severely hampered by:
    - Loss of/fewer staff in FM to inform functional specifications
    - Reduced staff in ITS available for implementation
    - Huge IT program of work following re-structure
  - Significantly impacted capacity to transform services delivery
- Dealing with staff 'survivors'

What we’ve done since

- Developed new capability, systems and processes in capital works
  - Took 2 years from 2008-2010
  - Hugely successful
  - Took University through new process for capital project assessment and prioritisation
  - Moved from one year to 3-year capital budgeting
  - Delivered 200+ projects in 2010 with smaller team than 2005 – 4 times as many projects, 3 times the value
  - Confidence of faculties and Council
  - Four-fold increase in critical infrastructure funding from 2005 to address long-term capital renewal and refurbishment
  - Ongoing commitment to fund the ‘non-sexy’ items

Focus on planning:

- Focused on strategic plans to underpin planning and delivery framework:
  - Major Condition Audit (2007)
  - New Campus Master Plans (2008)
  - Landscape Management & Bushfire (2008)
  - Consolidated maintenance contracts (2009)
  - Rolling three-year capital plan (2010-2012) replaced annual capex plan
  - Signage and Wayfinding (2010)
  - Environmental Sustainability Plan (2010)
  - Rolling capital plan (10 year horizon, 3 year funding ‘blocks’)
  - Sustainable Transport Plan (2011)
- Now focused on Strategic Asset Management Plan (SAMP) - 2011

Gaps, missed opportunities, successes

- Space management:
  - Remain locked into pre-2005 system
  - Cannot move to more strategic approach yet
- 2005 re-structure moved maintenance services more toward outsource model:
  - Need contract management skills, increases risk if not
  - Consolidated approach to outsource maintenance remains far-off, pending robust contract management approach & data integrity
- Strategic facilities planning:
  - Identified gap following re-structure, only coming on-stream now
- External project management:
  - Successful, but we do not exploit full potential in procurement

Some basic thoughts on change

- Strong visionary leadership
- Push change hard and fast
- Be fair, listen, but make a decision
- Define the strategy early and stick to it, even if people don't understand it
- Shake up existing teams and leadership
  - Where we didn't, in many cases we suffered or failed to achieve significant improvement
- Invest wisely in IT systems and processes
  - But be wary of snake-oil salespeople. Insist on a 'success fee'
- Build organisational partnerships focused on common purpose
  - Procurement, finance, legal etc
- Don't be too introspective

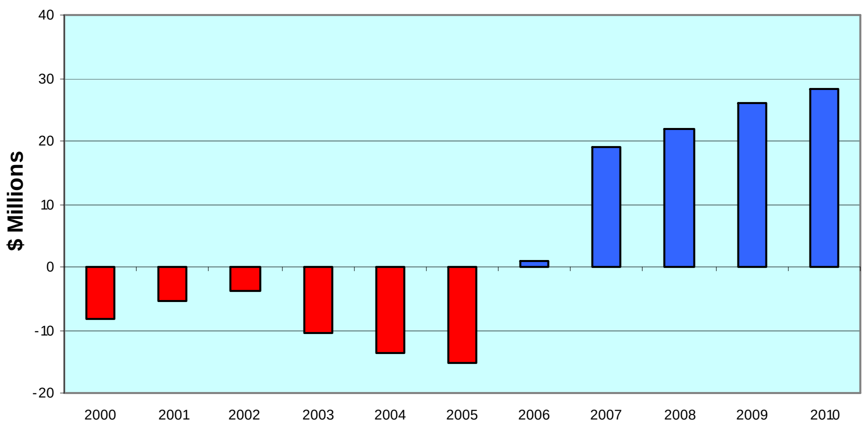
Shifting the pattern of the 'spend'

- Reduce operating expenditure:
  - Huge focus on reducing costs in institutional overheads, ie:
    - Utilities, energy
    - Services contracts (cleaning, security etc)
    - Repairs and maintenance
    - Grounds and landscape
    - Waste management and environment
    - Tight management of insurances and claims
- Have reduced costs by 20-25% in this category of FM expenditure
- Some capacity remains to reduce further in several categories, but under pressure from rising utility costs

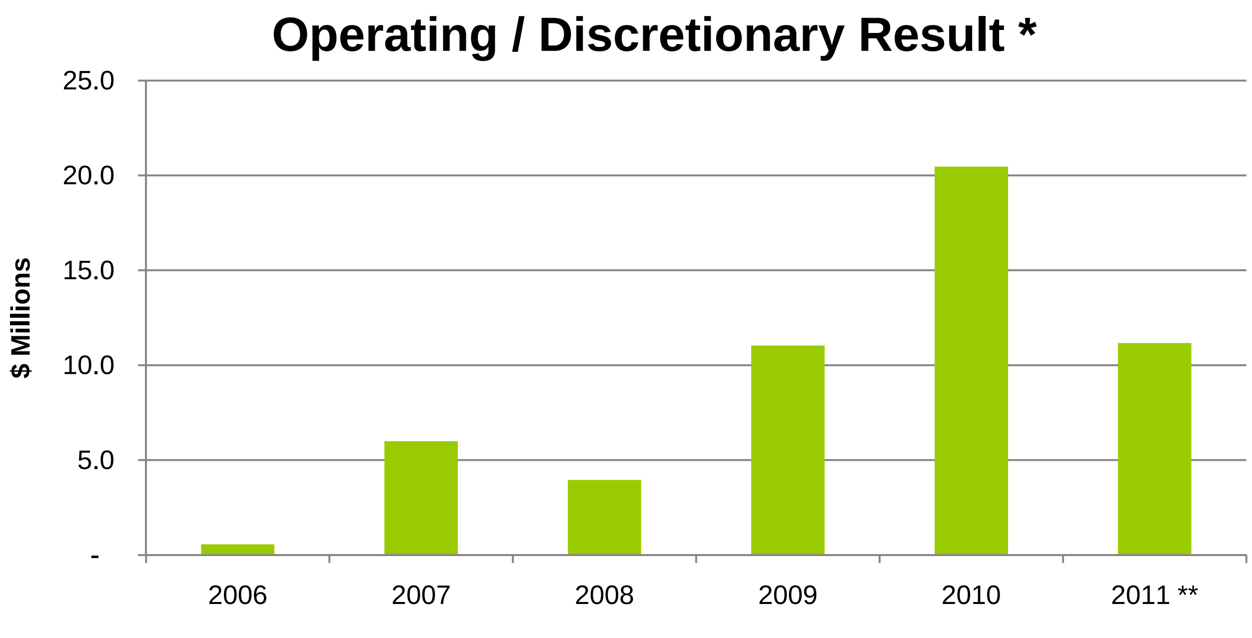
Don’t focus only on reducing staff

- Tight leave management
  - AL and LSL
  - Flex, TOIL and other allowances
- Focus on non-salary savings
- Shared services
- Reduce duplication of effort
- Stop doing ‘things’
- Ensure strong contract management and tendering
- Strong partnering and alliances
- Move staff from ‘doing’ to supervising and coordinating the ‘doing’

Projected financial performance



Financial performance since 2005



Notes:
Adjusted for one-off / unusual items*
2006 result (reported) was $33m surplus before adjustments

THANK YOU

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QUESTIONS

Tertiary Education Management Conference
Gold Coast
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