

16 June 2020

LUPC & SUPC - EFFICIENCIES WEBINAR 1

*Cutting Your Cloth: How COVID-19 is Reshaping
Universities for a more Efficient Future*





Cutting Your Cloth

How Covid-19 is reshaping universities
for a more efficient future

LUPC & SUPC Efficiencies Webinar

16 June 2020



Life before Covid



- Universities in the middle of a ‘perfect storm’
 - Demographic nadir of 18yo
 - Increased competition for students
 - Value-for-money debate
 - Greater regulatory burden
 - Rising pension costs
 - Multiple impacts of Brexit
- Already feeling the pinch
 - Of the 194 HEIs that submitted data to HESA, 119 (61%) were in deficit at the end of 2018/19

This was already making an impact



A burning platform for many SUMS members

01 Several HEIs were seeking recurrent cost savings in excess of £20m per annum – some need to cash those savings by 2020



Some universities already ahead of the game

02 Development of a future-proofed TOM supported by digitised and lean business processes has already taken place



A large part is about balance and sustainability

03 What is the cost/necessity of 'run' vs 'grow' activities? Is there a correlation between cost and value?



'One size fits all' doesn't quite work

04 Institutional and departmental context is important: leadership, changes planned



What a catalyst you turned out to be



SUMS and SUPC have been talking to senior leaders across the sector about managing through the crisis, lessons learnt, and their visions for the future of UKHE.

We found the pandemic is creating three major opportunities for change:

- 1. Embrace the financial challenges to transform structures, systems and processes for good**
2. Capitalise on the digital transformation opportunity and reshape physical spaces, creating smaller, higher quality, high-tech campuses
3. Take a less rigid approach to the academic calendar and create multiple start-dates to facilitate more flexible, customer-centric provision – and de-risk our business models



A problem of size and shape



- Covid presents sharp income challenges – colliding with escalating operating costs
- Most universities, whatever their size, try to be self-sufficient
- Large infrastructures for relatively small institutions
- Only 29 universities had more than 20k FTE students in 2018/19
- 64 had more than 2,000 staff; 39 more than 3,000
- HESA data returns show more than half of HEIs have more admin staff than academics
- 22 have ratios above 60:40
- Many universities have identified very significant savings targets – up to £100m
- The sector needs to see this as an opportunity

A modular approach



SUMS provides a menu of modules in a flexible framework to help universities focus support on the areas they need and manage project costs

- Diagnostic analysis
- Financial benchmarking
- Procurement opportunities assessment
- Operating model analysis and design
- Business process optimisation
- Change maturity assessment
- Timetabling and space management optimisation
- Change team capability building and support
- Enterprise risk management and business continuity planning
- Executive team coaching and support

Key Areas of Focus



- Where to start?
- Where do we want to be?
- How can we deliver further efficiencies?
- What changes do we need to make?

What is the perception of Procurement?



Owners of a complex process that Universities have to follow...

OR



A pro-active facilitator of change, a commercial business partner driving strategic change?

What do we want the perception to be?



Post Covid-19 New Normal ...

- Procurement needs to be seen as a **source of innovation**.
- There is a need to present a balanced view of outcomes from procurement activity – **aligned to the aims of your University**.
- We need to **sell the narrative about how Procurement adds value**, and live up to this narrative.
- Procurement needs to **take the lead on managing the supply base** and driving strategic alliances.
- We need to ensure that the Procurement key performance indicators drive the **right culture, behaviour and outcomes**.
- We should be **seen as proactive commercial partners**.



Where to start?

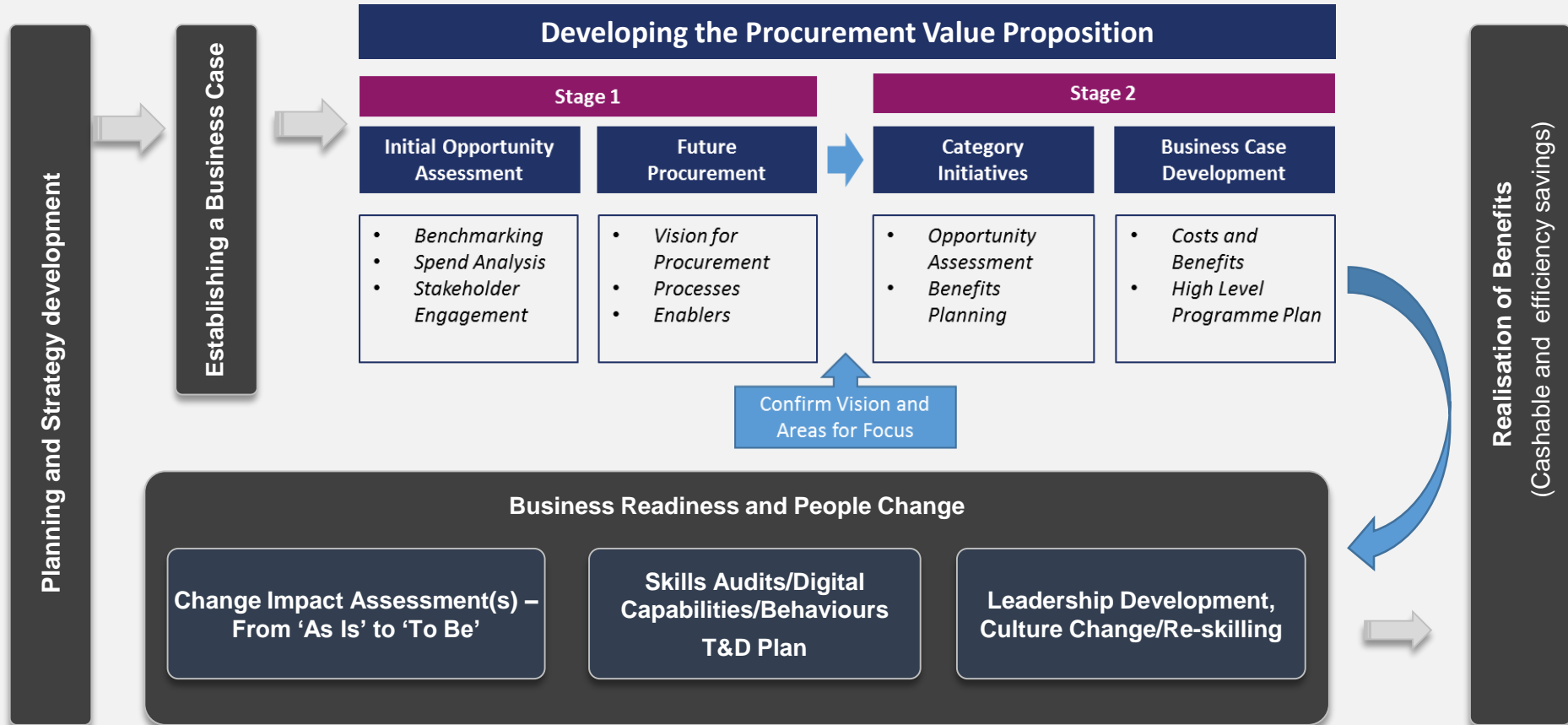


Rules for sustainable change ...

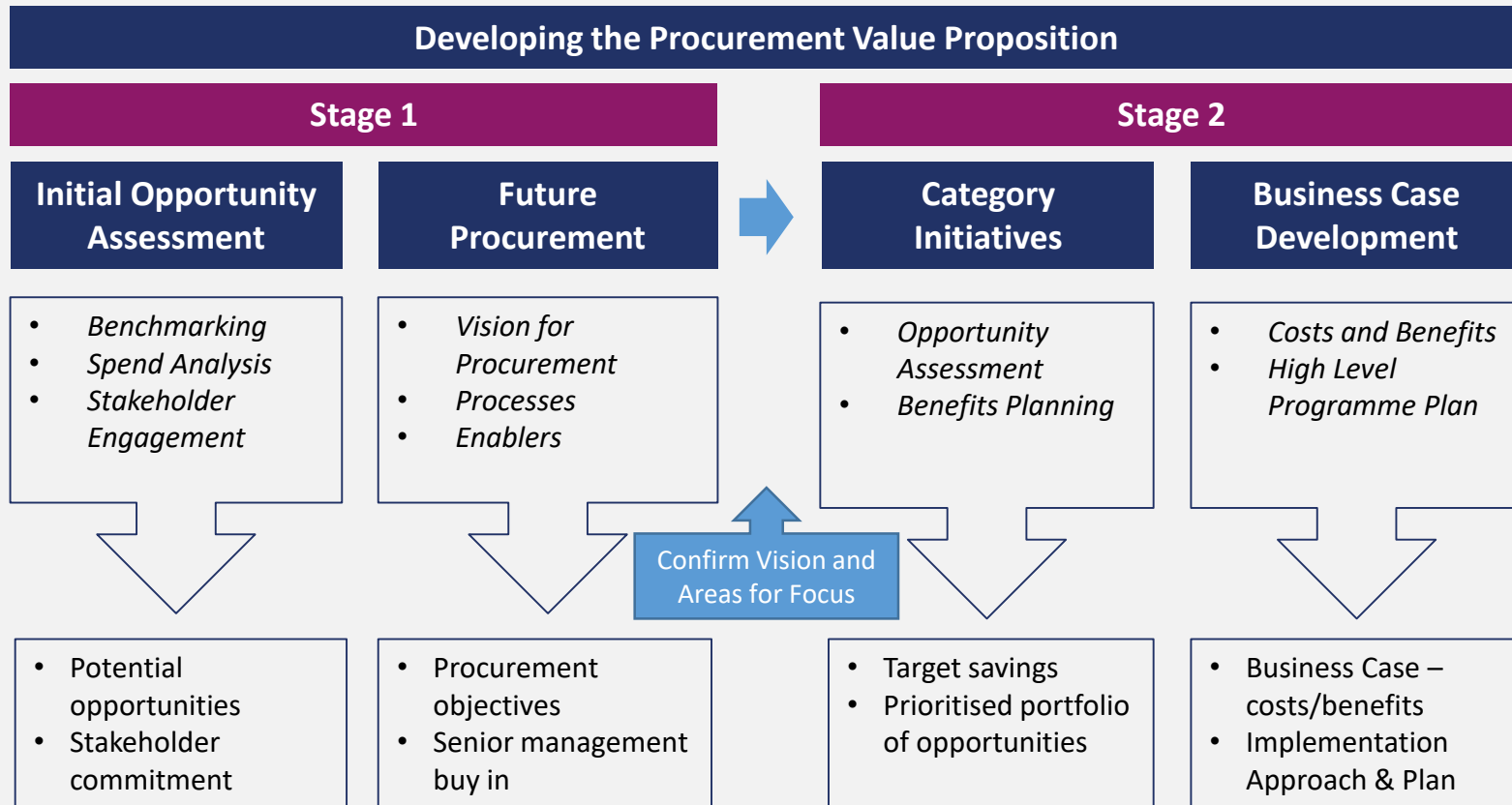
- There is a firm and clear commitment from leadership to make the change
- There is a simple and consistent description of success and clearly endorsed benefits
- There is a clear focus on outcomes, not deliverables
- There is an appropriate level of stakeholder support and engagement at all levels in the organisation
- Skills are built to sustain the change



Where to start?



Where to start?

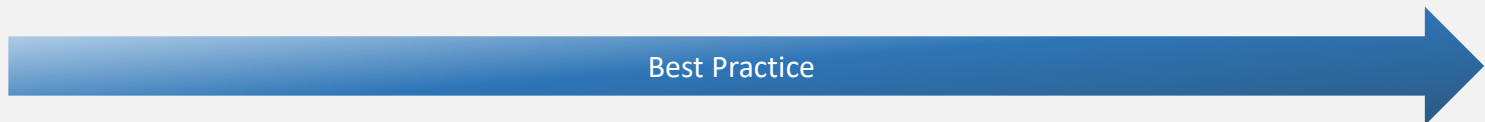


Where do we want to be?



Procurement Maturity

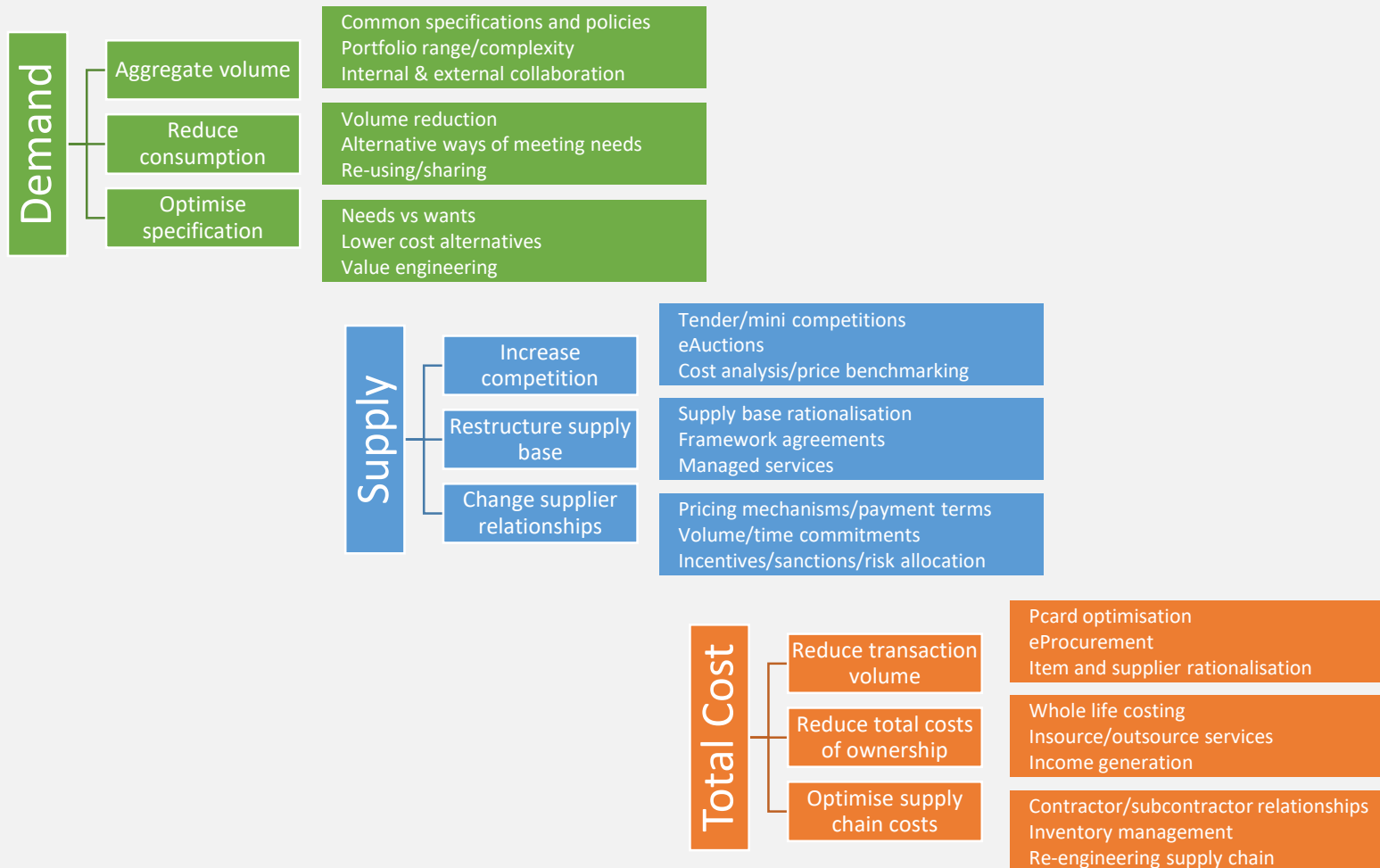
Maturity level	Developing / Tactical	Planned	Strategic
Characteristics	<p>Centrally funded; Placing Orders, Catalogue Management; Requisition Processing; GRN Processing; Record Keeping; Service Focus; Individual Fire Fighting</p> <p>Savings likely to fluctuate as procurement projects are tackled on a piecemeal basis</p>	<p>Self-funding; Stakeholder Focus; Cost Management; Supplier Selection; Managing Contracts; Category Planning; Team Objectives; Value Delivery</p> <p>The influence of procurement best practice widens and category strategies developed. Cost is driven out as value for money becomes the focus</p>	<p>Revenue Generating; Cross Functional Teams; Strategic Partnering; Collaborative Sourcing; Supply Chain Control; Breakthrough Projects; Source Planning; Continuous Improvement</p> <p>A fully resourced team operating as a strategic commercial function, recognised as business partner and integrated into the planning cycle.</p>
Impact	0 – 3% Savings	3 - 5% Savings	5 - 10% Savings
Perception	Support Staff Role	Procurement / Cost Management	Change Management / Continuous Improvement



How can we deliver further efficiencies?



Benefit Levers

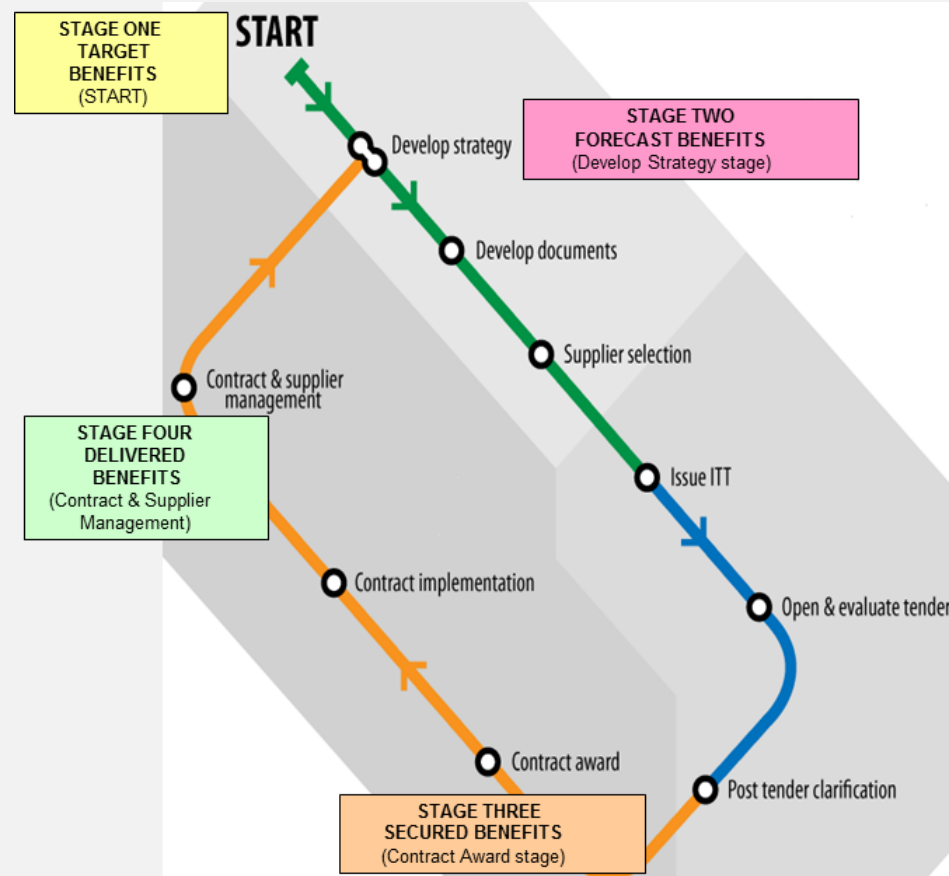


What changes do we need to make?



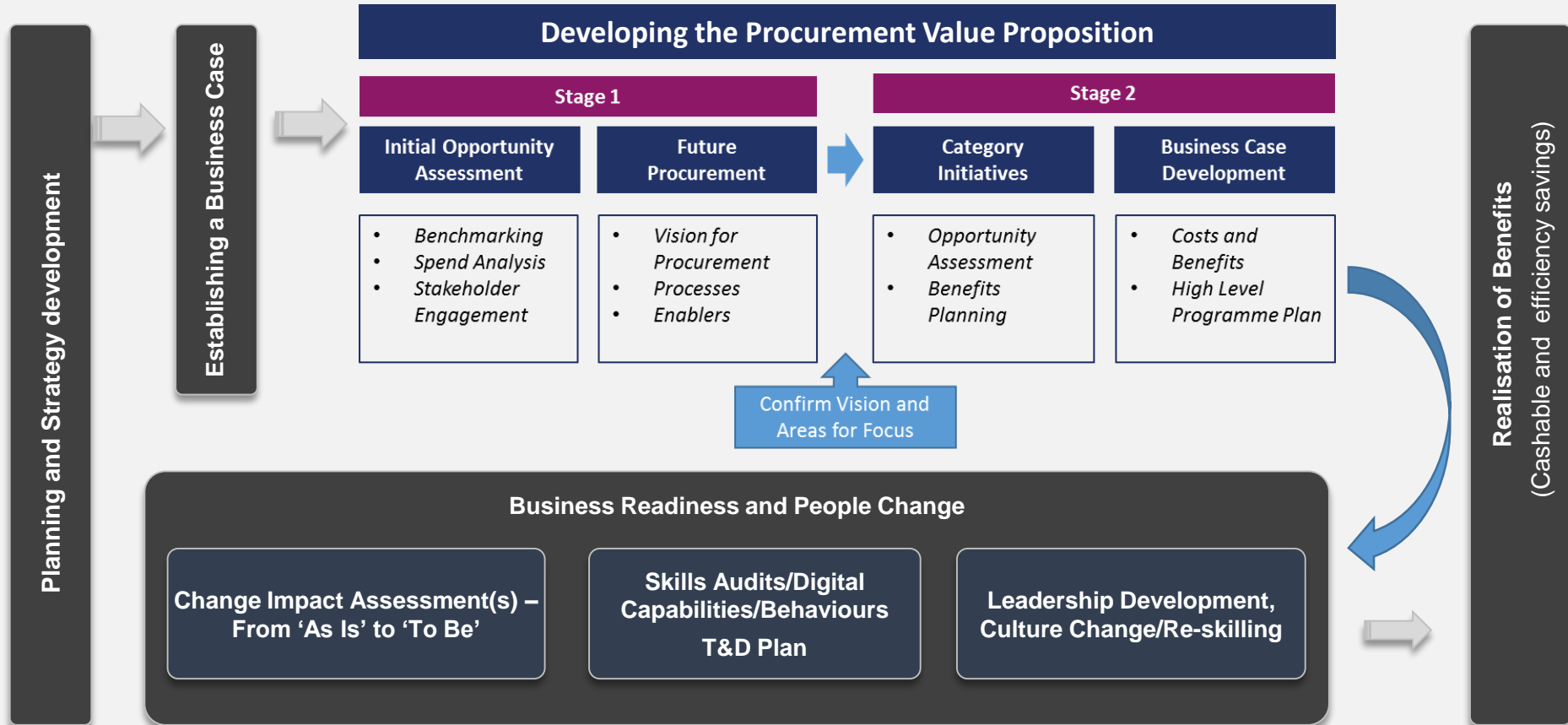
Strategic procurement ...

- Clear objectives aligned to organisational goals
- Early involvement in business planning
- Cross functional teams to develop sourcing strategies
- Effective management of contracts and suppliers
- Reporting of benefits at all stages
- Commercial capability
- Behaviour/culture change
- Enabling technologies



Taken from HEPA and UKUPC Procurement Journey & Benefits Reporting Guidance

Where to start?





The Milk Bar

Thinking bigger



- Universities need to act quickly and decisively not just to save next year's finances, but to reshape their long-term financial future
- Use the opportunity to make hard decisions...
- At University level:
 - About the type of university you are/want to be/realistically can be
 - About programmes and services no longer needed used or wanted
 - Are you strong enough to scale up through merger
 - Could shared services, shared space or Special Purpose Vehicles reduce cost?
- And in Procurement:
 - Should be central to executive thinking
 - About changing institutional behaviour/culture
 - Acting in strategic partnership at category management level
 - Reframing contract management relationships with commercial suppliers



COVID-19