



EAB

Expert Discussion on Cost Containment

Strategies to Support Long-Term Cost Management at
Independent Schools

Independent School Executive Forum

Agenda



Introductions



Ongoing Challenges for Managing Independent School Costs



Learning from Higher Ed: Strategies for Success



Q&A

Today's Hosts



Sharon Rosenfeld
Director, K-12



Ann Forman Lippens
Managing Director

Our Vision of Service for 2022



Fortify Financial Foundations

Now: Faculty Compensation Models

Summer: Cost Containment Expert Discussion

Fall: Building a Pipeline in the Investor-Donor Era



Protect Against Disruptions to Your Community

Now: Parent Programming Audit

Summer: Faculty Flashpoint Preparation PD

Fall: Flashpoint Prevention, Management Resource Roadmap



Cultivate Full-Spectrum Talent

Now: 2022 Employment Page Audit

Summer: Hiring Resource Roadmap

Fall: Faculty Morale Best Practice Study



Evolve and Elevate the Institutional Experience

Now: Strategic Thinking Workshop

Summer: Emerging Trends Workshop

Fall: Simulation: Headship of the Future

Our Focus Today: Cost Containment Expert Discussion ⁵



Fortify Financial Foundations

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Evolve and Elevate the Institutional Experience

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Fall: Simulation: Headship of the Future

Schools Always Face Cost Management Challenges...

Independent School Challenges Include:



High Fixed Costs

Faculty salaries and benefits biggest school expense, with costs rising each year



No Room to Grow

Enrollment increases limited in face of independent school value proposition



Tuition Already Sky-High

Tuition raised 3-4% annually; larger increases unpalatable



Few Other Levers to Raise Revenue

Most independent schools have few sources of alternative revenue

...But Concerns Now More Acute Than Ever



7

Three Drivers of Recent Increases in Operating Costs



Need to invest in **more specialized professionals** (e.g., school counselors, DEI directors)



Pandemic-related spending (e.g., new equipment, supplies, faculty bonuses)



Increase in rate of US inflation to 8.5%¹, leading to jump in price of goods, services

"We've seen exorbitant rate increases in liability insurance, health insurance, the list goes on...We set a tuition increase in December and then all of a sudden, inflation is at 7.5%. **We're struggling trying to balance managing these runaway costs with not wanting to go crazy with tuition increases.**"

Head of School, K12 Co-ed Day School, Southeast

1) As of end of May 2022

Our Focus Today: Three Areas for Cost Containment



Labor

1. Outcounseling Staff
2. Vacancy Triggered Role Redesign
3. Upskilling Administrative Staff



Facilities and Auxiliaries

4. Improve the Outsourcing Decision Analysis



Technology and ITT Services

5. Customer Education on Technology Portfolio Management
6. Automated Usage Tracking



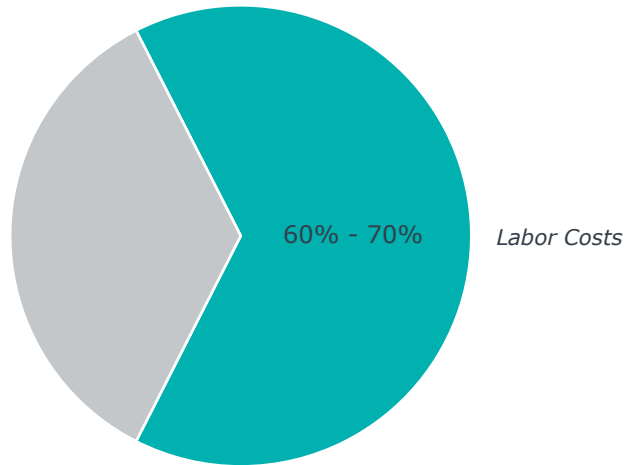
Labor

The Elephant in the Room



Labor Comprises the Vast Majority of College and University Costs

Average Breakdown of Costs in Education



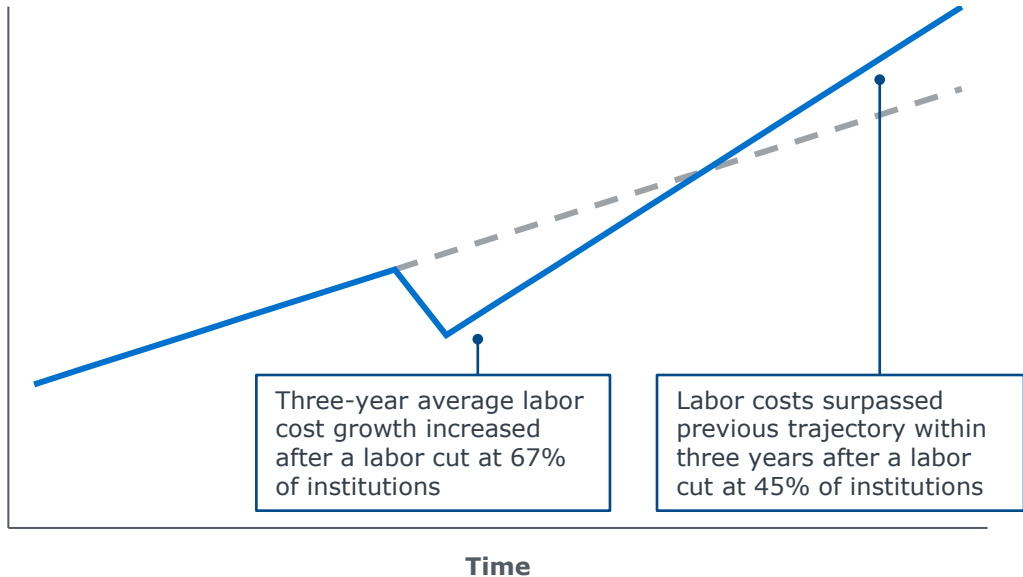
Most Cuts Don't Last



Many Institutions Actually Worse Off After Labor Cost Cuts

Modeled Labor Cost Growth Following Significant Cut

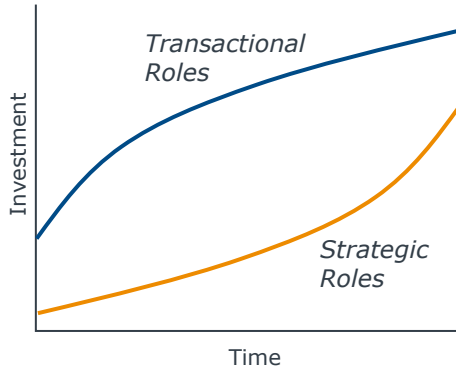
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Funding the Future Administrative Workforce

Bending Cost Curve Critical for Shift from Transactional to Strategic

Shifting Staffing Dollars from Lower-Value to Higher-Value Activities



Sample Transactional Roles

Financial
data
processor

IT database
analyst

Buyer



Sample Strategic Roles

Academic
budget
advisor

Informatics
specialist

Strategic
sourcer

! Colleges and Universities Not Just Growing Bigger, But Also More Complex

- Large IT system upgrades
- Next-generation learning spaces and "green" buildings
- Cybersecurity risks



Outcounseling Staff

Unlock Funding for Different Skilled Employees by Encouraging Attrition



Incent Early Retirement



Outcounsel Underperformers

Opportunities

- Large pool of potential retirees
- Experienced staff can be replaced with less expensive new hires
- Eligible staff are typically in outdated positions that are ripe for redesign

- Underperformers inefficient by definition
- Remaining staff can often complete underperformer's work more quickly and efficiently
- Increases unit morale

Challenges

- Cannot target specific positions in need of redesign
- May lose specialized or top-performing staff that can secure another job

- May need to work through collective bargaining agreements
- Layoffs can lead to political backlash on campus
- Potential liability risks to institution if perceived discrimination or irregularity in process



Corporate-Style Reorganizations

Private Research University Hits Reset on Procurement Function

Current Skills Gaps and Org Structures Are Barriers to Strategic Sourcing

“

“We have a lot of operational roles, but our strategic sourcing team is nonexistent. We need to get the right people in the right roles to do this work.”

*Director of Procurement
Private Research University*

Representative New Skills Sought in Higher Ed Procurement Staff

- Spend data analysis
- Data visualization and presentation
- Negotiation
- Risk management (in particular, IT purchasing risks)
- Customer service

Otis¹ University Forces Out 2/3 of Procurement Staff to Develop Strategic Sourcing Org

100% of procurement positions rewritten

12 FTEs asked to reapply for rescoped roles with no job guaranteed

33% Legacy staff re-hired into rescoped roles

Sample Positions Created Through Restructuring

- Senior Category Manager
- Senior Strategic Buyer
- Contracts Manager
- Supplier Data Specialist

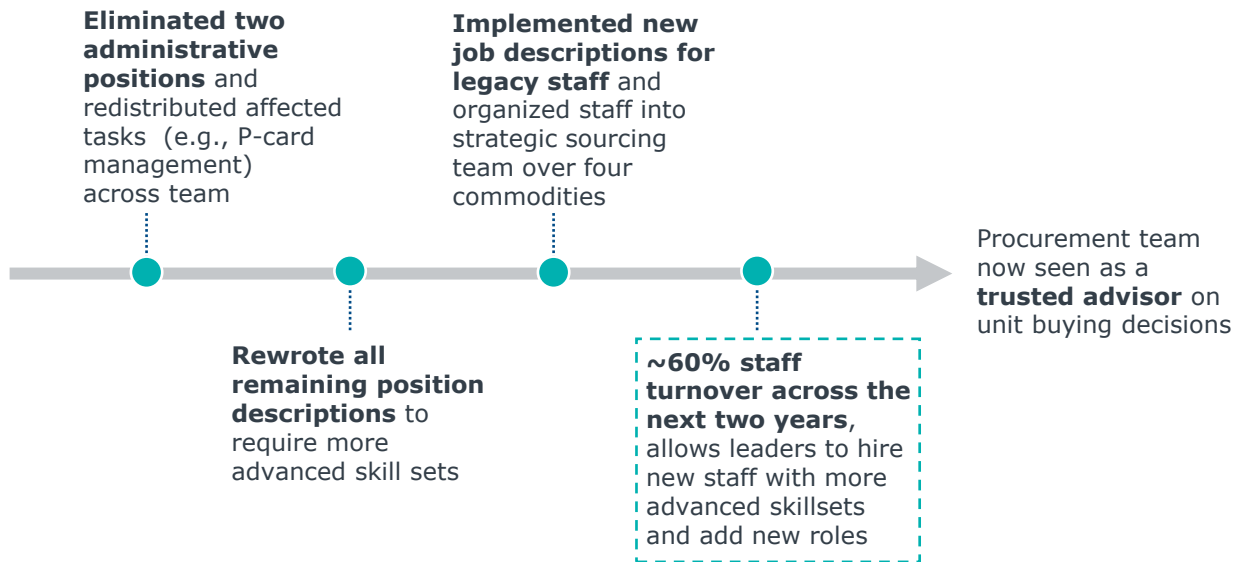
1) Pseudonym.

A Slower But Equally Transformative Approach



Units Typically See Voluntary Turnover When Rescoping Roles

Strategic Sourcing Reorganization Process at Stanley¹ University



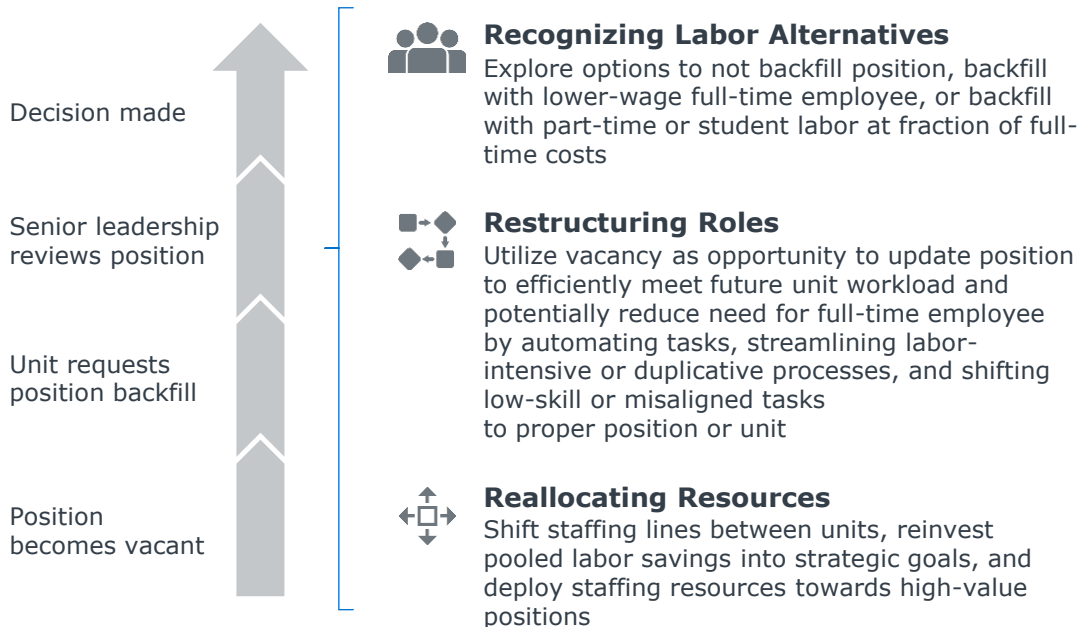
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Building a Principled Vacancy Review

Attrition Offers a Natural Opportunity to Uncover Labor Inefficiencies

Representative Vacancy Review Process and Key Labor Savings Opportunities





Targeting Both Sides of the Equation

Institutions Also Evaluate Roles and Responsibilities of Vacant Positions



Considering Staffing Options



- Backfilling with full-time employee, part-time labor, or not at all



Rethinking Tasks and Responsibilities



- Redesigning or automating work processes
- Shifting low-skill tasks to other positions or units, and eliminating non-critical tasks

Two Examples of Unit-Level Position Reform

Soft Position Reform Requirement:

University of Windsor, Windsor, Ontario

- Unit leader submits “as was” request; position put on hold
- Unit leader meets with CBO, who uses meeting to jump-start discussion about how to reengineer position
- Protracted process incents unit leaders to redesign positions, increasing unit productivity and efficiency

Hard Position Reform Requirement:

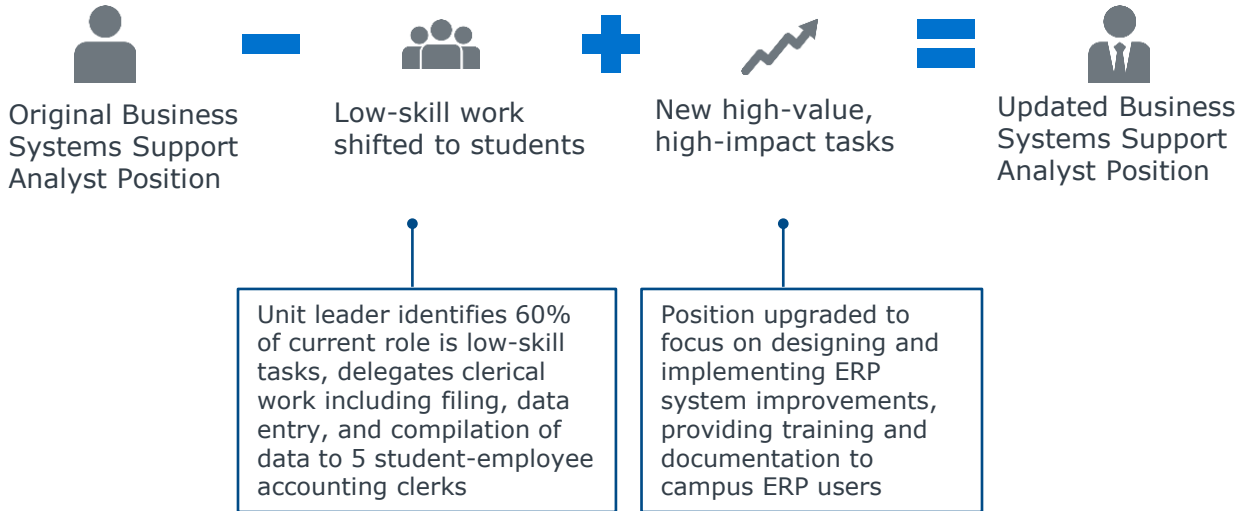
Texas State University, San Marcos, Texas

- Unit leader submits “as was” request; position not filled
- CBO redirects position funding towards strategic investments in other units
- Threat of losing funds incents unit leaders to proactively redesign positions, increasing unit productivity and efficiency



Creating Capacity for Higher-Value Tasks

Vacant Position Redesigned at Texas State University



Tools to Unlock Admin Efficiency Opportunities



Three Emerging Technologies Drive Greater Cost Savings

Technology	Description	Case Studies	Impact
People Counters	Thermal sensors that count people as they cross specific lines or enter spaces in the sensor's field of view	University of Alberta installed 300 people counters in classrooms to reduce custodial costs and collect data on facility utilization patterns	2.5-year average payback period due to reduced custodial and HVAC costs in underutilized classrooms
Internet of Things (IoT) Sensors	Sensors built in or attached to equipment that collect environmental metrics like temperature and wirelessly transmit real-time data to decision-makers	University of Iowa installed Fault Detection and Diagnostic (FDD) sensors on equipment in 49 of their buildings to continually assess systems data and alert a team to malfunctions	FDD sensors enabled Iowa to realize \$780K in energy savings in the first year in a single lab building
Robotic Process Automation (RPA)	Software solution that is customized to perform repetitive, computer-based tasks by interacting with the user interface of existing technology within an organization	University of Melbourne automated 22 rule-based and high-volume tasks in enrollment management and procurement, including manual data entry and attachment uploads	Saves 10K labor hours annually across 22 processes

Source: Automation Anywhere, "[University of Melbourne Saves 10,000 Hours Annually with Automation Anywhere](#)" *Automation Anywhere*; M Johnston, "[Melbourne Uni turns to automation to meet mounting student expectations](#)," *iTNews*, May 27, 2019; "[Robotic process automation \(RPA\) for colleges and universities](#)," *Ernst & Young*, December 11, 2019; University of Alberta, Edmonton, AB; University of Iowa, Iowa City, IA; University of Melbourne, Melbourne, AU; EAB interviews and analysis.



Upskilling Administrative Staff

Accenture Projects Future Skills Gaps, Trains Staff on Emerging Competencies





Accenture's "Job Buddy" Upskilling Campaign

- 1 Accenture leadership finds significant number of employees perform automatable tasks
- 2 Internal team creates "Job Buddy" software to show employees what percentage of their role is likely to be automated and what skills they can learn to transition to a new role
- 3 Launches Accenture Connected Learning, an online platform where employees can develop new skills and earn certifications

Select Skills "Job Buddy" Recommends for Staff Development

-  Cybersecurity
-  Data science
-  Project management
-  Information technology
-  Artificial intelligence

Results from Accenture Reskilling Initiative

-  **300k** employees retrained through 37,000 online courses offered
-  **60%** of savings from automation reinvested in employee training

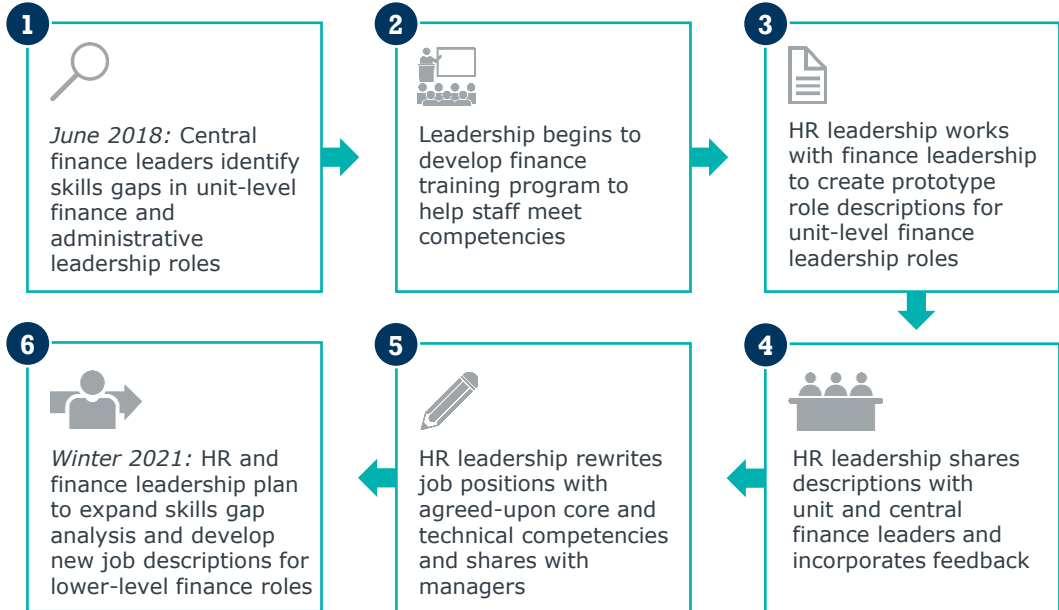


Diagnosing Skills Gaps

NYU Identifies Opportunities, Standardizes Expectations, Invests in Training



New York University's Finance Workforce Initiative



Discussion Questions

1. Have you ever implemented any of these tactics (outcounseling staff, vacancy-triggered role review, upskilling administrative staff) at your institution? Which would you like to try?
2. What other strategies have you tried to contain labor costs at your school?



Facilities and Auxiliaries

The Current State of Outsourcing Facilities Services

Institutions Considering Outsourcing to Alleviate Growing Facilities Pressures

Pressure on Facilities



Tightening
Budgets



Potential Benefits from Outsourcing

Outsourcing holds cost saving potential for institutions with expensive fringe benefits; it also locks in the cost of providing that service.



Limited
Workforce



Hiring, onboarding, and firing staff is the responsibility of the third-party vendor. Such arrangements can also provide access to workers with hard-to-source skills.



Complex
Technology



Vendors ensure qualified technicians are available to manage systems. The institution further gains from the innovation and specialized knowledge of the vendor.



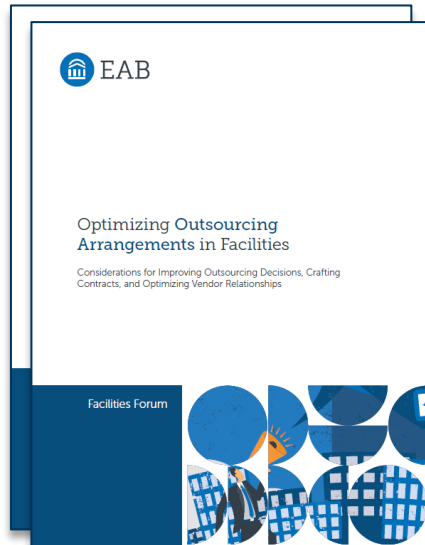
Compliance
Concerns



Outsourcing offloads some risks and responsibilities to a third party. This also allows the institution to focus its resources on mission-critical activities.



Improve Outsourcing Decision Analysis with EAB's White Paper

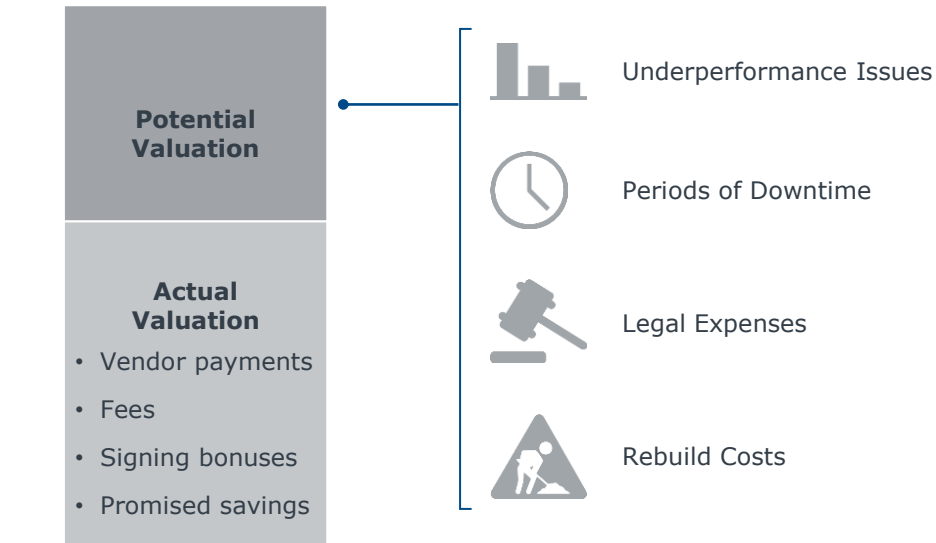




Comprehensive Value for Money Analysis

Institutions Balance Risks of Potential Costs with Known Savings and Fees

Breakdown of the Total Valuation of Outsourcing

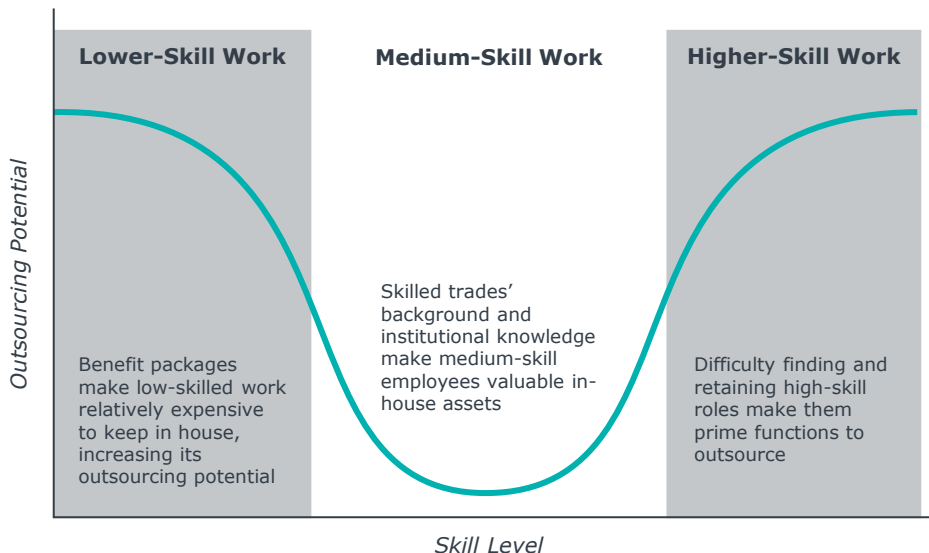




Complexity of the Function

Ends of Complexity Spectrum Have Greatest Opportunities for Outsourcing

Outsourcing Spectrum Based on Skill Requirement of Task



Facilities Outsourcing Decision Worksheet

Tool Guides Leaders Through Considerations, Provides Viability Scores

Facilities Outsourcing Decision Worksheet

This tool guides senior leaders through the first step of a more comprehensive evaluation process to determine the viability of outsourcing a function or sub-function. To use this tool effectively, leaders possess a basic understanding of the scope, responsibilities, costs, and activity of the function or sub-function in question.

Directions: Score each of the 10 qualitative criteria based on the level of agreement with the state after one (disagree), one (somewhat agree), or two (strongly agree). After scoring each criterion, the scores on the scoring sheet on page 24 and follow the directions to calculate a total weighted final score corresponds to the function's or sub-function's outsourcing viability.

Criteria	Assessment	Agreement Score	Relevance to Outcome
Actual Valuation	The lowest savings from outsourcing the function (e.g., cost savings, saving resources) are anticipated to be larger than the lowest costs of the arrangement (e.g., vendor fees, administrative costs).		Outsourcing is often touted as savings opportunity, but not all arrangements will actually cut savings. Institutions must first define the initial and ongoing arrangement to calculate the overall savings.
Potential Valuation	The risks of failure for outsourcing the function (e.g., underperformance, reducing the function from search) are low.		Outsourcing generates some of the underutilized underperformance. This can lead to expensive legal and reputational costs for the institution.
Amount of Transactional Work*	The majority of the function's responsibilities are low-risk, low-complexity tasks.		The amount of transactional work often lower than the amount of high-risk tasks. High-risk tasks require extensive training, and involve unseasoned contractors. Institutions frequently can stay changes and maintain an efficiency than in-house team.
Complexity of Work*	The majority of the function's responsibilities are high-risk, high-complexity tasks.		

Agreement Score Scale		
Disagree = 0	Somewhat Agree = 1	Strongly Agree = 2

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Facilities Outsourcing Decision Worksheet

Criteria	Assessment	Agreement Score	Relevance to Outcome
Improvement in Customer Satisfaction	An improvement in the service levels of the function will increase customer satisfaction by an appreciable amount.		Vendors frequently drive performance due to their size and ability to start with a clean slate. However, performance issues do not always lead to increased customer satisfaction. The institution must ensure that the vendor's satisfaction, the more likely an outsourcing arrangement is to succeed.
Frequency of Activity	The function occurs on an infrequent, seasonal, or complex basis.		Institutions should assess who has full-time staff support the function matches the frequency of the activity.
Human Resource Requirements	The workforce responsible for the function has high retention, turnover, absenteeism, and/or absenteeism rates.		Institutions should assess who outsourcing the function would be responsible for hiring, retaining, and firing staff that trainees for the institution drives to manage.
Strategic Value	The function's performance is considered a institutional priority (e.g., reducing deferred maintenance, increasing student enrollment).		Institutions should determine the function directly impacts institutional priority, such as retention or reducing deferred maintenance. While some may still all decide to outsource it, it is a strategically important function decision requires deeper analysis of the capacity of vendors to perform the function more reliably at a higher quality than in-house.
Operational Impact	The function's performance has little impact on the performance of other facilities functions and/or institutional divisions (e.g., operations and maintenance, faculty instruction).		Institutions that outsource a function should ensure that the vendor can perform the function's work. It may also be necessary to ensure that responsibility for functions that significantly impact multiple functions or campus customer.
Vendor Proximity	Multiple potential vendors for this function exist and work in the surrounding area.		A larger number of potential vendors ensures competitive and service provider options.

Agreement Score Scale		
Disagree = 0	Somewhat Agree = 1	Strongly Agree = 2

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Facilities Outsourcing Decision Worksheet

Calculating a Total Outsourcing Viability Score

This section provides a final weighted score highlighting the potential value of outsourcing an evaluated function or sub-function.

After scoring each criterion, record the answers in the Score column below. Each criterion is weighted according to its importance in determining outsourcing viability. For each criterion, multiply the score by the criteria weight to calculate a weighted score. Finally, add the weighted scores in the last column of the table to calculate a total weighted score. The total weighted score corresponds to the level of outsourcing viability: high, medium, or low.

Criteria	Score	Weight	Weighted Score
Actual Valuation		3	
Potential Valuation		3	
Amount of Transactional Work		2	
Complexity of Work		2	
Improvement in Customer Satisfaction		2	
Frequency of Activity		2	
Human Resource Requirements		2	
Strategic Value		2	
Operational Impact		1	
Vendor Proximity		1	
Total Weighted Score			

Total Weighted Score	Outsourcing Viability
0 to 12 points	Low
13 to 27 points	Medium
28 to 40 points	High

Evaluate the Viability of Bringing a Function In House

While the Facilities Outsourcing Decision Worksheet is designed primarily for facilities leaders, determining the potential value of outsourcing a function or sub-function, this tool can alternatively be used to evaluate the viability of bringing a function in-house. To calculate the in-house viability score for the function based on the performance of the current service provider. After calculating the total weighted score, the in-house viability is the opposite of the outsourcing viability score. For example, a function scoring between 0 and 12 points would have a "top" score for outsourcing but a "high" score for bringing it in house.

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Discussion Questions

1. Which areas of facilities management is currently being outsourced on your campus?
2. What considerations do you use for making outsourcing decisions? Where would you like further guidance from EAB?



Technology and ITT Services

Why Is Vendor Management So Hard?

Large Footprint of Vendors on Campus



Big Portion of IT Budgets...

5-40% of IT budgets are spent on vendor products and services



...Allocated to Hundreds of Vendors...

Institutions handle 200-1,000 vendor contracts per year to provide services that impact all (faculty, staff, and students)



...Managed by Buyers Scattered Across Campus

Staff and faculty purchase applications directly from vendors, as signing up for services become even easier

Complex Decisions with Imperfect Information



Unwieldy Value and Total Cost of Ownership Calculations

Accurate calculations are difficult and time-consuming as solutions impact multiple departments in different ways



Nuanced Choices, Beyond Just Buy or Sell

Range of options (e.g., invest, maintain, refit, replace, sunset) makes it difficult to decide how to handle an underperforming product



High Stakes Decisions

Product embeddedness and customer attachment to existing tools make it challenging to replace vendors

Adam Smith's Nightmare



Poor Communication Leads to Mismatched Supply and Demand

Information Must Flow in Two Directions—But Often Doesn't

IT Fails to Keep up With Campus's Current Needs



"When I arrived, I discovered that for years, licenses had been blindly renewed without anybody asking if they were still necessary. Turned out, we were paying for many licenses that were no longer in use."

*Chief Information Officer
Public Masters University*

IT Fails to Educate Campus About Available Offerings



"It turned out we had four licenses for the same, expensive product. Even the vendor laughed at us and thought it was a waste of our money."

*Chief Information Officer
Public Masters University*



Help Customers Identify Extra/Risky Products

Increase Customer Familiarity with Available Products and Required Processes

Improve Visibility of Products in Your Existing Portfolio



With a Searchable Catalog

Cobblestone, implemented by Virginia Tech, enables customers to search for specific products (e.g., STATA) or desired functionality (e.g., lecture capture), helping them understand what tech options are available for use.

Benefits of using Cobblestone:

- Securely stores an unlimited amount of contracts
- Enables custom searching and reporting



Empower Customers to Collect Better Information from Vendors Pre-Purchase



With Publicly Accessible Templates...

Princeton showcases vendor assessment and product management templates to educate non-IT staff about risks and requirements.

Don't forget to:

- Create collateral in jargon-free language that can be easily consumed by non-IT users
- Market one-stop shop for templates



...and Hands-On Training

Princeton's Project and Technology Consulting Office also offers [training on:](#)

- Risk management
- Process improvement
- Product evaluation (currently developing)



Dude, Who's Keeping Track of These Products?



Underutilized Tech Decreases the Value of Total Portfolio

“We do so much work pre-purchase to ensure that we get the best product possible. But we wash our hands off once the product is installed and implemented. We need to do a better job of keeping track of product performance: **what's working, what's not, what we need to sunset, and what we need to adopt further.**”

*Chief Information Officer
Public Research University*

Money Tied Up in Low-Value Tech



47%

of deployed software is left unused in the education industry



56%

of IT decision makers in US and UK organizations cannot accurately state their annual software licensing spend



\$29.5 B

invested in software features by 850 companies that were never used in 2019



The Four Maturity Levels for Monitoring Usage

USAGE COLLECTION STRATEGIES

Vendor Supplied

IT departments ask vendors for usage information. Vendor **decides what data to provide and when**, masking evidence that can lead to reduced licensing

Manually Monitored

IT staff **tracks the total number of licenses given to end-users**. Process is labor intensive and only monitor potential usage, not actual usage

Single Sign-On Activated

IT staff manually **redirect SSO logins to track end-user's usage** of vendor supplied products. Redirection processes need to be customized for each product

Asset Management Software Utilized

Asset management software **captures usage data and conducts data analysis** to help IT departments make portfolio decisions

Low Maturity

High Maturity



A Vendor to Track Vendors

Asset Management Software Tracking Usage and Performance



Sassafras IT Asset Management: How it Works



Every OS login and software application launch is recorded, and detailed usage reports, spanning any date range, computer, software, and/or user group are generated instantly



Assists in identifying low usage and recommends targeted end-user training to increase adoption



Three Similar Products in the Market



KACE Inventory Asset Management

KACE scans entire network to identify all connected devices and provides a detailed hardware and software inventory



Oracle Performance Monitoring

Technology provides customers granular understanding of their spend and utilization of Oracle Cloud Infrastructure



LearnPlatform

Education asset management system that helps organize, streamline, and analyze spend on tech vendors



Asset Management Software: Vendor Tool That Pays for Itself

30%

Cost Savings In Year 1



5 - 10%

Cost Savings Each Following Year

Discussion Questions

1. What strategies are you currently using to sunset underutilized technology on campus?
2. Where do you see opportunities for cutting costs in technology and ITT services?



Q&A



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