Report of the Working Group on the Roles of the Office of the President

Governance Committee of the Board of Regents

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EXECUTIVE SUMMARY

In the spring of 2007, the Board of Regents and the president of the University of California undertook a major effort to assess the organization and operations of the university's finance and administrative functions, centering on the Office of the President (UCOP). The initial diagnostic phase of that work revealed significant dissatisfaction with UCOP's performance, as well as concerns about its role in areas where it is perceived to add limited value. A major cause of these problems has been a lack of clarity about UCOP's mission and appropriate role, which has been further blurred by the Regents' active intervention in a number of areas, as they have sought to carry out their fiduciary obligations. A key conclusion of the diagnostic was that it is critical to restore confidence in UCOP, examining institutional roles and authorities to determine where reaffirmations or changes need to be made in administrative governance.

In response, a Working Group[1] was formed to make recommendations regarding the respective roles, decision-making authority and accountabilities of the president, Regents and chancellors, and principles for redesign of UCOP. This report is intended to (1) provide recommendations for the reaffirmation / realignment of presidential roles vis-à-vis the Regents and chancellors;[2] (2) provide design guidance for reconfiguring UCOP and systemwide support services; and (3) provide preliminary input for reappraising Regental interaction with the university administration. The key specific proposed changes relative to the current state are summarized on pages 18-19.

High-level Roles and Interfaces of the Regents, President and Chancellors

The Working Group believes the university will be best administered by reaffirming the three complementary spheres of authority and responsibility, delineated as follows.

The Board of Regents provides fiduciary oversight and broad policy determination. As the fiduciaries of the university, the Regents' principal purpose is to sustain and enhance the university as a thriving institution. The Regents' primary *administrative* responsibilities are to (a) establish general university policies consistent with the mission of the state's public, land-grant research university; (b) provide direction on the university's priorities; (c) hire, support and evaluate the performance of the president; (d) delegate, with appropriate oversight, the authority for the management of the university to its executive officers; and (e) approve major operating decisions as opposed to maintaining detailed involvement in transactional matters.

The president provides executive leadership of the university as a whole. The president has primary responsibility for managing the activities and standards that are central to the mission of the institution and essential to the idea of one university. Maintaining appropriate oversight, the president delegates to the chancellors and other executives the duties of administering the various units of the university. The president's responsibilities can be viewed in four dimensions:

- Academic leader of the institution: Defining the vision for the university, and leading the system in developing and executing plans in support of that vision
- Chief executive officer: Leading the administration of the university, especially selecting, supporting and evaluating the performance of chancellors, representing the campuses to the Regents, and establishing a structure to manage the university's affairs
- Primary external advocate: Promoting the university's interests and managing its reputation with external stakeholders
- Guardian of the public trust: Ensuring legal and ethical compliance, managing system risk and providing information regarding university activities

[1] The Working Group's membership includes Provost and Executive Vice President W. R. Hume (Sponsor), UC Davis Chancellor Larry Vanderhoef (Convener), Regent Leslie Schilling, Regent Ben Allen, Executive Vice President Katherine Lapp, Academic Senate Chair Michael Brown, UC Irvine Executive Vice Chancellor and Provost Michael Gottfredson, UC Santa Cruz Vice Chancellor Meredith Michaels, and UC Berkeley Vice Chancellor Nathan Brostrom, with staff participation by Vice Provost Daniel Greenstein, Special Assistant to the Provost Jan Corlett, Special Advisor to Chairman Blum Betsy Horan, and the Monitor Group.

[2] This report does not purport to describe the roles and responsibilities of the Regents and Chancellors except as they pertain to the interfaces with the president, nor does it comment on or seek to alter the role of the Academic Senate.

The chancellors play a dual role in providing executive leadership to their respective campuses and supporting the president in accomplishing universitywide goals. Their primary administrative responsibilities are to (a) provide leadership in defining and accomplishing the campus vision, goals and plans; (b) select, support and evaluate campus senior administrators; (c) represent the campus within the University and in the external community; (d) assist the president in establishing and then accomplishing systemwide goals; and (e) ensure that the campus administration adheres to policies and practices in compliance with Regental and presidential policies; and (f) exercise sound stewardship of state resources.

Design Principles for Reconfiguring UCOP

The Office of the President has two broad functions. Its primary function is to support the president in executive leadership of the university as a whole (see above), and to assist the president in providing information and analyses to the Regents of the University so that their responsibilities may be effectively achieved. Its secondary function is to provide various services to the wider university community. The Working Group has developed a general set of principles for assessing and improving the performance of these functions, in order to make them more efficient, decisive, responsive and transparent.

The first assessment principle is whether a given activity needs to be performed at UCOP. If not, it should be delegated, consistent with a general preference for responsible relocation of authority to the chancellors and campuses, or eliminated if the activity is unnecessary. Second, primary UCOP activities supporting presidential leadership of the entire institution should undergo a thorough review, during which major processes and departmental boundaries must be reexamined to eliminate unnecessary work, simplify structure where possible, clarify decision-rights, specify competencies required for key roles, identify critical systems deficiencies, and increase responsiveness to customers or stakeholders. Third, activities generally classifiable as universitywide support services should be reconfigured where feasible into one of two formats—(a) systemwide Service Centers, i.e., dedicated business units under accountable managers, whose mission is to provide high-quality services in the most cost-effective manner possible; or (b) Coordinated Local Functions, where substantial benefit accrues from alignment or coordination of consultative bodies across campuses, with integrated central support from UCOP where needed.

For both Service Centers and Coordinated Local Functions, incentives and accountability mechanisms must be redesigned to meet cost-benefit tests, designate knowledgeable administrators or bodies to be responsible, and ensure that the interests of the system as a whole are properly represented. Service Centers and Coordinated Local Functions could well be managed at a campus or by a third-party vendor, rather than at UCOP—again, the preference is to locate such entities pragmatically as close to the source of activity or relevant, cost-effective expertise as is practical and responsible.

Crosscutting these design principles is the need to pair delegation of authority with appropriate oversight responsibility. UCOP's oversight role recently has too often been one of gatekeeper, approving (or denying) campus proposed actions; similarly, the Regents have felt an understandable fiduciary need to increase their oversight activities, which has caused them to enter into considerable transactional detail. Motivations aside, the impact of fastidious oversight has significantly slowed decisive decision-making at the university. The Working Group believes that a superior form of oversight can be accomplished at UCOP by instituting an effective performance management system, combined with targeted auditing to ensure compliance with policies. A system of targeted review / approval of defined major decisions by the president and (where appropriate) the Regents can complement the oversight system, without losing the substantial benefits of operating flexibility.

Regental-administration Interaction

To allow the Regents to fulfill their policy-setting and fiduciary roles, and to withdraw with confidence from the transactional oversight detail just mentioned, they will need reliable and timely information that restores their confidence in the integrity of UCOP administrative processes. The Regents legitimately require—and the administration also urgently needs—basic systems to support human-resources, oversight, compliance and

risk-management procedures. The systems required to do this are expensive, long-term investments, but they are properly matched to long-term administrative needs of the university, and they are needed now.

In addition, to enhance clarity and impartiality of communication, the Working Group believes that the president should be the authoritative sole official channel of communication between the Board of Regents and the administrative structure of the university. This important formality should be supplemented with specific protocols to facilitate normal interaction between Regents and administrators.

Mechanisms Required for Successful, Lasting Implementation

Inasmuch as some of the Working Group's recommendations have been discussed in previous administrative reform efforts, it is useful to ask how, this time, success in implementation can be made more likely and durable. The Working Group emphasizes the following six mechanisms as key success factors:

- True performance management systems: Direct connection of authority, responsibility and results via clear statements of expectations, alignment of incentives, formal performance evaluation, professional support mechanisms, clear consequences, and planned succession programs;
- Two-way accountability systems: Campus accountability to Regents and president, coupled with UCOP accountability to the campuses for the quality and cost-effectiveness of services;
- Clear decision rights: Specification of decision rights (e.g., right to make, be consulted on, ratify, or be notified of decisions) for processes at UCOP and the campuses;
- Clear, authoritative system of communication between the Regents and the president: Practical protocols to guide communication between Regents and senior administrators, both at UCOP and on the campuses, on the basis of a single authoritative channel through the president to the Regents;
- Formal and responsible channels of communication between the campuses and UCOP: Two-way flow of information between the campuses and UCOP— a truly consultative management practice rather than a top-down 'headquarters'-style communication flow;
- Modernization of key information and management systems and processes: Investment in modern human resources and enterprise risk management systems, to support both Regental and administrative needs for timely, accurate data.

Recommendations to Governance Committee

The Working Group recommends that the Governance Committee:

- Reaffirm and endorse the clarification of the roles, high-level decision-rights, responsibilities and accountabilities of the president, Regents and chancellors detailed below;
- Endorse the design principles for reconfiguration of UCOP;
- Support the institution of the six mechanisms for successful implementation of administrative reform; and
- Consider the observations on Regental-administrative interaction as essential to the effective functioning of the Office of the President.

REPORT OF THE WORKING GROUP ON THE ROLES OF THE OFFICE OF THE PRESIDENT

I. WORKING GROUP CHARGE AND OBJECTIVES OF THIS REPORT

In the spring of 2007, the Board of Regents and the president of the University of California undertook a major effort to assess the organization and operations of the university's finance and administrative functions, centering on the Office of the President (UCOP).

The initial diagnostic phase of that work revealed significant dissatisfaction with UCOP's performance on some critical support functions for the university, as well as concerns about UCOP's involvement in areas where it is perceived to add limited value. The diagnostic work found multiple causes of these problems, all of which have developed over time—lack of clarity about UCOP's mission and appropriate role in the university, significant structural and systems issues, prolonged review processes, and a control, rather than service, orientation. Furthermore, in this context the Regents' fiduciary obligations have caused them to intervene actively in a number of administrative areas, further blurring the lines of responsibility for governance and management in the university.[3]

Notwithstanding the talent and efforts of many committed individuals, it has become apparent that institutional confidence must be restored in the Office of the President. In addition, institutional roles and authorities must be examined to determine where traditional arrangements need to be reaffirmed or where adjustments need to be made. These needs have intensified as the competitive and financial environment of the 21st century has increased pressure upon the university to become more adroit operationally and strategically.

To address these challenges, and in order to enable the university to deliver on its mission effectively and efficiently, a Working Group of senior university leaders[4] was called together to make recommendations regarding the respective roles, decision-making authority and accountabilities of the president, Regents and chancellors, and principles for redesign of UCOP.

The purpose of this Working Group report to the Governance Committee of the Board of Regents is to:

1. Provide recommendations to ensure clarity about fundamental roles and responsibilities in the administrative governance of the University of California:
   - The role of the president, including high-level decision-rights, responsibilities, and accountability;
   - The roles of the Regents and chancellors with respect to the president, including their high-level decision-rights, responsibilities, and accountabilities;
2. Provide design guidance for reconfiguring UCOP and restoring its credibility:
   - Principles to clarify UCOP activities and streamline processes, address issues of trust, reconfigure activities where necessary to ensure added value to the campuses and capture savings opportunities, and create a performance- and service-oriented administrative culture;
   - Identification of mechanisms, including institutional and systems reforms, needed for successful implementation.
3. Provide a basis from which the Regents can regain confidence in UCOP and reengage with a primarily supervisory role.

Importantly, this report does *not* purport to describe the roles and responsibilities of the Regents and chancellors except as they pertain to their administrative interfaces with the president, nor does it comment on or seek to alter the role of the Academic Senate. It also does not address the roles of the General Counsel,

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[3] See *Monitor Group Report to the Regents: University of California Organizational Restructuring Effort (September 2007).*

[4] The Working Group's membership includes Provost and Executive Vice President W. R. Hume (Sponsor), UC Davis Chancellor Larry Vanderhoef (Convener), Regent Leslie Schilling, Regent Ben Allen, Executive Vice President Katherine Lapp, Academic Senate Chair Michael Brown, UC Irvine Executive Vice Chancellor and Provost Michael Gottfredson, UC Santa Cruz Vice Chancellor Meredith Michaels, and UC Berkeley Vice Chancellor Nathan Brostrom, with staff participation by Vice Provost Daniel Greenstein, Special Assistant to the Provost Jan Corlett, Special Advisor to Chairman Blum Betsy Horan, and the Monitor Group.

Chief Audit and Compliance Officer, and Chief Investment Officer of the University, who share reporting relationships to the Regents and to the president.

The report is structured as follows:

- Context and fundamental principles (section II below);
- High-level roles of the Regents, president and chancellors; and Four Dimensions of the president's Role, together with the authorities, responsibilities, and general decision-rights at the interfaces (sections III and IV);
- Design principles for reconfiguring UCOP and—since many issues raised in this effort have been common to previous investigations[5]—key mechanisms for making the reconfiguration successful (sections V and VI);
- Summary of proposed changes (VII).

II. INSTITUTIONAL CONTEXT AND CORE ORGANIZATIONAL PRINCIPLES

In this section, much will be familiar. However, the Working Group believes that in reappraising an institution as complex as the University of California for the purpose of constructive reform, it is crucial to start from a shared understanding of fundamentals.

Institutional Context of the University

The Working Group has based its deliberations on these fundamental characteristics of the university:

- The University of California is the designated research university within the public higher-education system of the state of California.
- Teaching, research and public service by the faculty and students constitute the purpose and value of the institution.
- The university is an institution in the land grant tradition, with responsibilities to the people of the state of California for advancing their welfare as well as pursuing scholarly and scientific inquiry.
- The university can be considered as a single federation of campuses with distinctive strengths and a common aspiration for excellence.
- The university operates under shared governance by the Regents, president and Academic Senate, with ongoing consultation concerning its fundamental policies and priorities.

Core Organizational Design Principles

The Working Group has approached the reexamination of roles and responsibilities and reconfiguration of UCOP with the following core organizational design principles in mind:

- The purpose of the governance and organizational structure of the university is to enable the effective and efficient provision of the university's teaching, research and service mission.
- The university is best served when headed by a strong president, with a lean, well-focused support staff, who leads the university decisively to implement systemwide strategic priorities.
- The university's structure requires striking a sound balance between campus autonomy and the interests of the institution as a whole:
    - The university's mission is carried out at the ten campuses, motivating delegation of decision-making authority to the chancellors and campuses where possible.

[5] For example, *The Role of the Office of the President in the Management of the University of California,* California Postsecondary Education Commission 1991.

    - When the goals or needs of the university as a whole arise—e.g., in attaining major systemwide economies of scale or achieving long-range plans—central leadership must assure that the common interest is well defined and strongly supported.
- The chief benefits of good organizational design arise from clarity of roles, congruent authority and responsibility, simplification of structure, transparency of function, and establishment of mutual accountability.
- Beyond reporting relationships, effective structures of administrative authority require:
    - Promulgation of regulations that are clear and sufficiently detailed but also allow for the exercise of appropriate local judgment;
    - Support from systems that can amply fulfill institutional obligations for the compliant performance of administrative duties.

III. HIGH-LEVEL ROLES OF THE REGENTS, PRESIDENT AND CHANCELLORS

In governing the University, administrative authority arises from the Regents. It is delegated to the president and in turn is delegated to and exercised day-to-day by the chancellors. This chain of delegation establishes three complementary spheres of administrative authority and responsibility:

- Overall policy determination and fiduciary oversight from the Board of Regents;
- Executive leadership of the university as a whole by the president;
- Executive leadership of the campuses by the chancellors.

The following sub-sections lay out the Working Group's general perspective on roles, key responsibilities and accountability within each of these spheres.

1. Role of the Board of Regents

The people of California have a vested interest in maintaining a university to promote the social and economic welfare of the community by providing higher education and the benefits of research within the framework of the Master Plan. Their trusted representatives are the Regents, appointed by the governor as fiduciaries of the university trust independent of political or sectarian influence. As such the Regents' highest concern must be to sustain and enhance the university as a thriving institution and to ensure it can attain the highest levels of excellence, create value for the people of California, achieve the university's plans, manage its funds responsibly, and comply with policies the Regents determine to be in the university's best interests.

In the view of the Working Group the Regents' primary general administrative responsibilities are to:

- Establish general university policies and standards consistent with their best judgment, in exercising their fiduciary role, and consistent with the mission of the state's public, land-grant research university;
- Provide direction regarding the university's priorities and long-range goals;
- Hire and evaluate the performance of the president of the university;
- Delegate authority for the management of the university to its executive officers, and establish appropriate oversight mechanisms to ensure that they:
    - Lead the university in achieving its mission of excellence in teaching, research and service;
    - Promote and protect the interests of the university externally;
    - Manage funds according to the standards established by the Regents;
    - Ensure compliance with Regental policies and applicable laws and regulations.
- Support the president and chancellors institutionally and personally in the achievement of the university's mission; and
- Approve major systemwide operating decisions including those above specified high financial or risk thresholds.

The Regents' accountability is broadly to the people of the state, to one another as fiduciary colleagues, and to the president and the faculty, because Regental support of them is vital to the success of the university.

2. Role of the University President and UCOP

The Working Group believes in a strong presidency coupled with sound, effective institutional arrangements as the foundation of confidence in the administration of the University of California, and in the value of superior leadership capabilities—both of competence and of style—as the foundation of trust in the president.

Within the University of California structure, the president provides executive leadership for the institution as a whole, with responsibility for managing the university's affairs in accordance with the policies established by the Regents. The president has particular responsibility for managing the activities and standards that are central to the mission of the institution and essential to the idea of one university. Maintaining appropriate oversight, the president delegates to the chancellors and other executives the duties of administering the various units of the university.

The president's responsibilities can be viewed in four dimensions (see Figure 1):

Fig. 1: Dimensions of the Role of the President

- **Academic leader of the institution:** Defining the vision for the university, and leading the system in developing and executing plans in support of that vision
- **Chief executive officer:** Leading the administration of the university, especially selecting, supporting, and evaluating the performance of chancellors; representing the campuses and labs to the Regents; and establishing a structure and policies to manage the university's affairs
- **Primary external advocate:** Promoting the university's interests and managing its reputation with external stakeholders
- **Guardian of the public trust:** Ensuring legal and ethical compliance, managing system risk, providing information regarding university activities, and assuring accountability to the public concerning the university's conduct

The several dimensions of the role of the president—and their implications for the reciprocal decision-rights and responsibilities at the interfaces with Regents and chancellors—are described in greater detail in the following section.

The president is specifically accountable to the Regents for his or her performance in office, and broadly to the faculty and students of the university for promoting the success of the university's mission.

3. Role of the Chancellors and Campuses

The chancellors play a pivotal dual role in the federal structure into which the University of California has evolved. They are the chief executive officers of their respective campuses. They also are primary colleagues and advisors to the president, playing an indispensable part in helping define and accomplish the goals of the university as a whole.

The chancellors' primary administrative responsibilities are to:

- Provide leadership to the faculty and align the administration in defining and accomplishing campus vision, goals and plans;
- Select, support, and evaluate campus senior administrators;
- Represent the campus to the president, ensuring that he or she understands campus accomplishments, interests and needs—and represent the campus externally, in collaboration with the president where appropriate;
- Assist the president and university administration in establishing and accomplishing key universitywide goals and programs;
- Ensure that campus administration adheres to policies and practices in compliance with Regental and presidential policies; and
- Exercise sound stewardship of state resources.

The chancellors are specifically accountable to the president for campus leadership, administration and performance in accordance with the vision, long-range strategic plan and policies of the University. They are broadly accountable to the faculty and students of their campuses in promoting the success of the institutional mission.

The Working Group feels it important to emphasize that, in each instance of delegation of authority, superiors have responsibility to expend significant time and effort supporting the success of the administrator in question.

IV. DIMENSIONS OF THE ROLE OF THE PRESIDENT

The Working Group has disaggregated the president's overall role into four major complementary dimensions. Each dimension entails specific responsibilities and high-level decision rights, which in turn have implications for the interfaces with the Regents and the chancellors.

1. Academic Leader of the Institution

As leader of the university's educational and research mission, the president:

- Defines and inspires support for the vision of a modern public research university;
- Leads the system in achieving the University's public service obligations, in accordance with Regental priorities:
  - The president defines and leads the execution of long-term plans for the university, following policies set by the Regents.
  - The president has specific responsibility and authority to develop a program, in consultation with the chancellors, to enlist the campuses to attain universitywide objectives and to hold the chancellors accountable for performance.
- Upholds and promotes educational access, affordability and quality of the university's education and research activities, consistent with the policies and standards set by the Regents.

2. *Chief Executive Officer*

As the university's chief executive, the president:

- Selects and evaluates chancellors and senior administrators of the university administration:
  - The president is responsible for selecting, setting expectations for, and evaluating the performance of the chancellors,[6] to whom is delegated very broad executive authority for the management of campus and laboratory affairs, and from whom is expected both local leadership and key participation in achieving the university's common goals.
  - Likewise, the president selects, sets expectations for, supports and evaluates the vice presidents of the university, who directly aid the president in his or her leadership, advocacy, administration and compliance responsibilities.
  - The appointments of chancellors and senior administrators of UCOP are reviewed and approved by the Regents.
- Acts as the sole authoritative contact between the Regents and university as a whole, to preserve consistent and reliable administrative communication:
  - As chief executive officer, the president is the responsible channel of information and decision-making between the Regents and chancellors and other administrators—e.g., communicating Regental interests, inquiries, requests, and decisions *to* the chancellors and campuses, and ensuring accurate representation of campus interests, accomplishments and needs *from* the campuses to the Regents.
  - The president has the specific responsibility and authority to develop systems and processes to provide the Regents with accurate information as to the state of the university's operations and capabilities, so that the university can attain its goals—in particular, the proliferation of offices providing official information to the Regents (beyond limited and practical purposes) should be avoided for reasons of both clarity and efficiency, and, where necessary, investments should be undertaken to provide systems support for these functions.
  - For practical purposes, the president may establish protocols and processes for communication between the Regents and executive officers (e.g., between Regental committee heads and chancellors or UCOP officials).
- Establishes and administers the university management structure:
  - The president oversees management of university-level operations at UCOP and systemwide service provision through support functions to the campuses.
  - The president approves major decisions having systemwide implications.
  - The Regents monitor the performance of the administrative structure established by the president but do not specify details of the structure.
- Allocates systemwide operating and capital funds:
  - The president is ultimately responsible for developing the operating and capital budgets of the campuses, UCOP and other university units, in support of systemwide and campus-level priorities, through a transparent budgetary process.
  - The president is also responsible for pursuing state funds on behalf of the university to fund the budgets.
  - The chancellors are responsible for participating in the budgeting process and for assuming shared financial responsibility for achieving systemwide priorities.

[6] The president also selects the Director of Lawrence Berkeley Laboratory, and subsequent references to chancellors in this document apply as appropriate to the director.

- The Regents are responsible for approving the systemwide operating and capital budgets proposed by the president, and for supporting the president in his pursuit of state funding.

3. Primary External Advocate

In his or her role as the chief representative of the University of California, the president:

- Champions the value of the University's education, research and service to the public:
  - The president leads the communication and advocacy of the value of public higher education, research and the economic and social impact of the university's activities.
  - The Regents are responsible for supporting the president in this role and contributing to his or her success by participating in the advocacy program as requested.
  - The chancellors are responsible for supporting the president's systemwide communications program and conducting campus communications in a manner consistent with it.
- Manages the University's overall external reputation:
  - The president is responsible for fostering, coordinating and supporting institutional, alumni, donor and industry relationships at the university level.
  - The chancellors, in addition to managing external relationships locally, are responsible for participating in system-level relationship-building as requested by the president.
  - The Regents are responsible for working in concert with the president to develop system-level relationships.
- Represents the University to the state and federal governments:
  - The president is responsible for representing the university to the state and federal governments through a governmental relations program that calls upon the resources of the entire university as appropriate.
  - The Regents are responsible for participating in the representation of the university to government entities at the request of the president.
  - The chancellors rely on the president's leadership to represent their interests to the state and federal governments, and they are responsible for providing campus-level resources in collaboration with the president's governmental relations program.

4. Guardian of the Public Trust

As the primary individual charged with safeguarding the reputation of the university, the president

- Sets specific policies and monitors compliance for ethical conduct and proper use of funds:
  - Following general policies set by the Regents, the president is responsible for setting compliance policies at a level of specificity that provides for necessary levels of commonality across the system and assurance of appropriate behavior.
  - The president is also responsible for putting in place appropriate thresholds for executive decision-making authority at the campuses with respect to compliance, to allow adequate latitude for the exercise of local administrative judgment.
  - The Regents set general compliance policies and standards and, by periodic audit using generally accepted approaches, certify performance to appropriate levels.
  - The chancellors have specific responsibility for the application of standards, policies and processes articulated by the president and for ensuring their fulfillment at their several institutions.
- Identifies, manages and mitigates financial, administrative and professional risks in order to protect the university system
  - The president is responsible for instituting systemwide risk management systems and processes and monitoring universitywide compliance.

        - The Regents are responsible for setting general policies on risk and certifying overall compliance.
        - The chancellors are responsible for applying risk-management systems and monitoring compliance at the campuses.
    - Provides timely information on university activities in response to appropriate requests
        - The president is responsible for identifying systemwide information needs and ensuring that standards, practices and systems meet these needs in a timely and accurate manner in response to legitimate administrative requests for information. To do this, the president must develop and execute plans for appropriate investments and information systems implementations, along with necessary administrative innovations.
        - The Regents are responsible for setting general policies and protocols for obtaining the information needed to allow them to fulfill their supervisory and fiduciary obligations.
        - The chancellors are responsible for administering the necessary systemwide processes and information systems in the campus environment.

V. DESIGN PRINCIPLES FOR RECONFIGURING UCOP

The purpose of designing principles for the reconfiguration of UCOP is to clarify where UCOP activities can be streamlined, usefully refocused, relocated to deliver value most efficiently, created where critical gaps exist, or eliminated if they do not add value.

In general, UCOP plays two broad roles. Its primary function is to support the president in executive leadership of the university as a whole (see above), and to assist the president in providing information and analyses to the Regents of the University so that their responsibilities may be effectively achieved.

Over the years, UCOP services supporting the president have gone largely without reexamination as to pertinence or effectiveness; it is appropriate to review them now. At the same time, campus-directed support services have grown to consume a substantial fraction of UCOP's activity. Some of these services have had a compelling rationale to be centralized and provided by UCOP, while others have not; some have demonstrated accountability to their customers in the system, while others have not. As a result, UCOP has become less attentive to its primary role in supporting the president, and its effectiveness as a provider of systemwide services has suffered in the eyes of its customers. In addition, opportunities exist for centralization of administrative functions now carried on by individual campuses that could result in lower costs without sacrificing service quality.

Principles for Reconfiguring UCOP

The Working Group has been highly aware of the conflicting pressures inherent in organizational reform, including the importance of details, but has deliberately kept its advocacy of redesign principles at a general level.

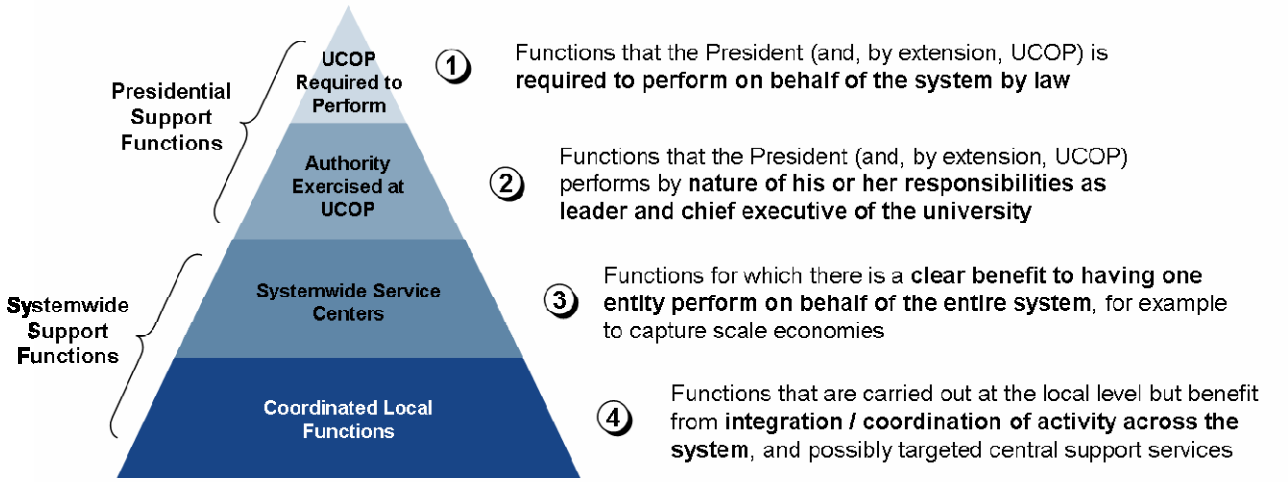
The first question to be asked and answered is whether a given service needs to be performed at all at UCOP. If not, it should be eliminated, or relocated according to the principles elaborated below.

Secondly, in developing principles for redesign, the Working Group has identified four levels of administrative activity at UCOP, as illustrated in Figure 2, which can usefully support the two broad roles of UCOP:

- <u>Presidential support functions</u>: Functions that the president (and, by extension, UCOP) performs on behalf of the system—either because he or she must do so by law (Level 1) or does so by nature of the president's responsibilities as academic leader of the institution or chief executive of the university (Level 2);
- <u>Systemwide support functions:</u>

- Service Centers: Functions for which there is a clear benefit to having one entity perform on behalf of the entire system (Level 3)—e.g., capturing scale economies;
- Coordinated Local Functions: Functions that are carried out primarily at the (inter)campus level but which can benefit from alignment or coordination of activity across the system and, frequently though not always, some degree of central support (Level 4).

Fig. 2: Categories of Administrative Activity at UCOP



Presidential Support Functions (Levels 1-2)

The distinguishing feature of the core, top-level functions is that UCOP personnel perform them in aid of the president as he acts on behalf of the entire university or exercises definitive decision-rights on behalf of the administration of the enterprise, as a consequence of one or more of the dimensions of the president's role (see above, section III).

These functions come into play, at Level 1, as the president acts as the designated legal agent for the Regents—e.g., when the president or his designees enter into contracts, file a unified tax return, and so on. These functions occur, at Level 2, when the university's common front or face as a whole system is involved—e.g., when the president leads the university in fulfilling its educational mission, directs the administration in executing the university's long-range plan, leads the process of the university budget, is responsible for negotiations with the state government, represents the university as a whole to external entities, or is chief spokesperson to the public concerning the value of the university's activities. In many of these functions the president routinely and closely consults with chancellors and campus administrators. However, the ultimate authority and decision responsibility rest in the president's hands.

Supporting the president at these two levels forms the core work of UCOP. Acknowledging the accomplishments of many capable individuals at UCOP, the Working Group also believes there is a pressing need to integrate UCOP into a lean, purposeful organization. Particularly in light of the critiques of its performance, UCOP's *modus operandi* must be reconstituted to be efficient, decisive, responsive and transparent in doing so. Major processes and departmental boundaries must be reexamined to eliminate unnecessary work, simplify structure where necessary, clarify decision-rights, specify competencies required for key roles, and identify critical systems deficiencies.

The second broad category of activity at UCOP pertains to its role as a provider of services to the campuses or system, as distinct from activities in support of the president. This category includes two kinds of functions, Systemwide 'Service Centers' and Coordinated Local Functions; each of these is discussed, in turn, below.

Systemwide 'Service Centers' (Level 3)

The Working Group suggests that, where appropriate, service functions now at UCOP be reconfigured from undifferentiated departments into distinct "Service Centers"—in effect, dedicated management units, or even mini-businesses, whose overarching mission should be to provide high-quality services in the most cost-effective manner possible. Some entities historically housed at UCOP (e.g., Continuing Education of the Bar, the UC Press) exemplify the type, which can usefully be extended to other activities.

Candidates for creation of systemwide Service Centers are activities where there are:

- **Potential cost savings** due to economies of scale or scope (e.g., spreading fixed costs)—which are identifiable, whose value outweighs the investment required to obtain them, and which are realizable with intensified management focus on obtaining results;
- **Potential service quality improvements** (e.g., greater consistency, timeliness, access to expertise or better systems)—which are substantial and where appropriate customization for campus needs can be met at reasonable cost, due to pooling of resources.

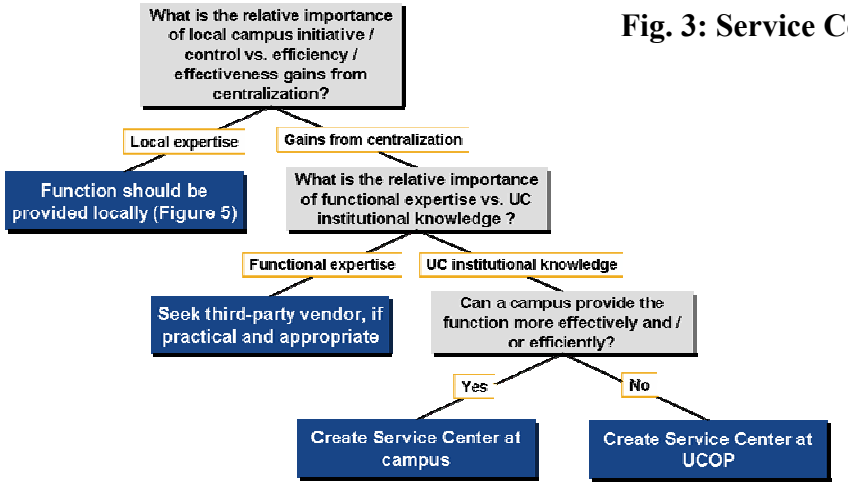
Importantly, Service Centers are appropriate in cases where the activities do *not* require intensive, ongoing consultation from each campus entity in order to be delivered effectively (if intensive consultation *is* needed, the Coordinated Local Function format below is more appropriate).

Each Service Center should have a responsible managing executive in charge, reporting either to a chancellor or to a senior vice president in UCOP and, ultimately, to the president. Service Centers must have specific service agreements with campus customers that provide (a) appropriate commercial terms or transfer-pricing as appropriate, (b) incentives to ensure high service quality and responsiveness to customer needs, and (c) options for reasonable "opt-out" decisions by individual campuses if the Service Center does not meet the terms of the agreement. Structures of accountability—e.g., boards where appropriate—should be instituted to ensure that customer-service orientation is built into the entities.

Any such reconfiguration as a Service Center naturally must meet a straightforward economic test—namely, total benefits (e.g., cost and /or risk reduction, access to scale, innovation gains from best-practice sharing, enhanced differentiation with customers or partners) must outweigh total costs (e.g., coordination, complexity, cost of suboptimal results for some campuses, risk of poor decisions due to distance from the front lines, etc.). For functions currently provided by UCOP, if the test is not met, the function should be eliminated or relocated into a more efficient entity.

Physical location of the Service Centers is a pragmatic decision (see Figure 3). A campus, group of campuses or a third-party vendor can act as the location for a Service Center for a given function, provided they can supply cost / quality combinations better than the current offering. A campus may be able to provide enhanced service quality because of better understanding of campus needs, quicker responsiveness, or existing expertise that can lower cost or improve quality. UCOP should house Service Centers primarily in special circumstances (e.g., if practical governance or pricing mechanisms cannot be devised to ensure equitable treatment of all campuses, or no campus is willing).

Fig. 3: Service Center Location Choice Logic

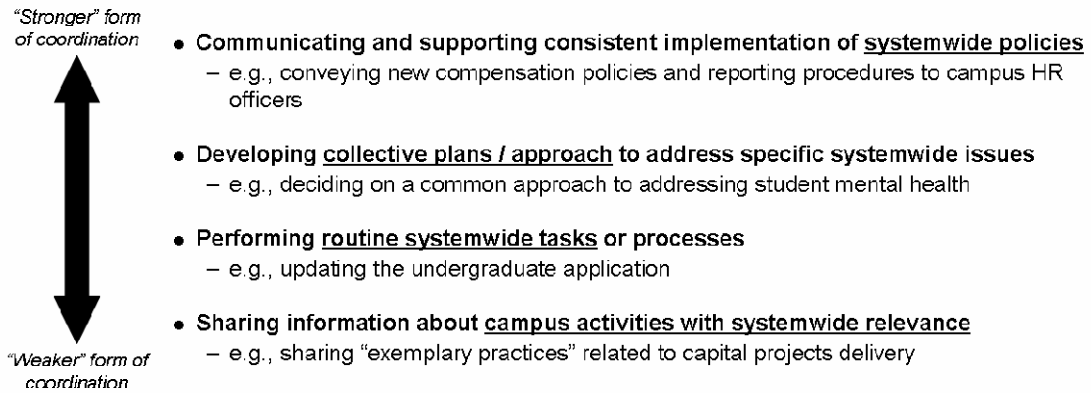


Coordinated Local Functions (Level 4)

Many functions across the university are carried out primarily at the campuses but can benefit significantly from some degree of cross-campus integration, coordination and / or targeted central support services. For example, admissions decisions are made locally by each campus, but campus admissions directors collaborate to update the undergraduate application, and UCOP provides administrative support for the applications process.

The current practice of systemwide coordination varies substantially, ranging from high-level debate on critical policies, to development of collective approaches (e.g., by the medical centers in some areas), to informal peer gatherings to share best practices (figure 4). Central support services likewise currently vary from formal and elaborate to *ad hoc* and informal.

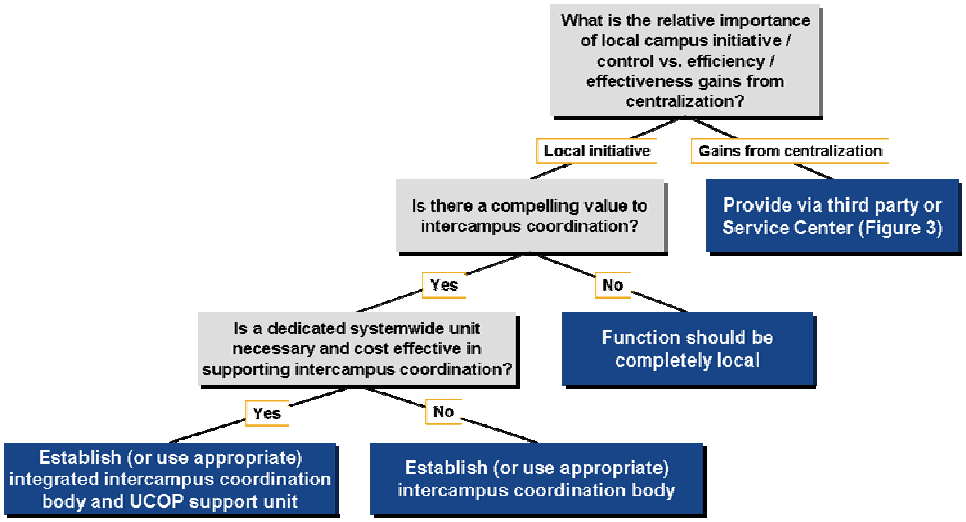
Fig. 4: Spectrum of Current Systemwide Coordination Activities



As with other activities, over time these functions have tended to accrete and grow at UCOP, consuming significant resources but adding limited value and creating overlapping jurisdictions. The design problem to be solved, therefore, is to provide for consultation and support to the degree needed, assign clear decision rights and responsibility for results, and to prevent the accretion of unaffiliated support services.

Reconfiguring the coordinated functions effectively requires a logic screen for both structure and applied resources (Figure 5).

Fig. 5: Coordinated Function Design Logic



Where cross-campus coordination makes sense, the mechanism for that coordination can vary. In some instances it makes sense for a central staff to exist to effect the coordination while in others the coordination can be effected by formal cross-campus councils (e.g., Council of Chancellors, Council of Executive Vice Chancellors, etc.), or can be initiated *ad hoc* by a campus reaching out to the other campuses around a specific issue. Where it makes sense for an intercampus body to drive coordination, a key decision to be made is whether such a body should be granted decision rights for a given function.

If central facilitation support or targeted support services (such as training) are needed and cost-effective, these coordinated functions take on a stronger form—becoming *integrated activity systems*, where some activities are managed and performed by the campuses with support from UCOP. To make such integrated activity systems work properly, the campuses should be accountable for the performance of the function at the campus level, while the economics, incentives and accountabilities of those providing the support services at UCOP are structured to appropriately represent the interests of the coordinated whole. This will provide a check on the past tendency of "convening" and "coordinating" functions to grow centrally at UCOP, often consuming significant resources but adding limited value.

Delegation of Authority and Oversight / Compliance

As discussed under the structure of the university, the core organizational design principles and the role of presidents and chancellors, the preference and recommendation of the Working Group is to delegate authority and administrative decision-making rights as close to the point of activity as is reasonable. This is because decisions of higher quality can be made in a more timely fashion when they are taken with 'specific knowledge' of the circumstances. At the same time, however, it is important to acknowledge that both the Regents and the president have oversight and compliance responsibilities over all University activities—and therefore all four activity categories listed above have overlaid upon them a set of UCOP and Board oversight and compliance processes.

The form that the interplay of delegation of authority and oversight / compliance takes is critically important. In recent years, UCOP's oversight role has all too often been one of gate-keeper, reviewing and approving (or denying) proposed campus actions. Lately the Regents have felt a need to increase their oversight activities by reviewing and approving (or denying) proposed plans and actions in detail. This review/approval approach has had two major drawbacks: it adds time (and therefore cost) to the decision process and can result in suboptimal decisions because the reviewers lack the requisite 'specific knowledge' and because, in some cases, the reviewers are less expert than those proposing.

A superior form of oversight can be accomplished through an effective performance management system, combined with targeted auditing to ensure compliance with policies. In such a system, clear performance goals / benchmarks are established up front, incentives are aligned with those goals, performance against the goals is evaluated, and consequences are delivered. For the most part, the University does not currently have such a fully-integrated performance management system, and one needs to be created.

To deal with the impact of major strategic and operating decisions, a system of targeted review / approval by the president and (where appropriate) the Regents can complement the oversight system just described, without losing the substantial benefits of operating flexibility. While 'major' needs to be more fully defined, it could be broadly characterized as system-level decisions—such as budget approval, debt capacity, new campus openings, etc., or approval of campus-level decisions with the potential to impact the entire university (e.g., opening of a new professional school)—or decisions that, should they go awry, would have the potential to harm the entire institution (e.g., investments or contracts above a certain threshold, most probably one higher than the current threshold, which has not been changed for years).

For many campus functions, UCOP can exercise its performance oversight duties solely through the president's management oversight of the chancellor. However, for some functions, effective performance oversight is best done when UCOP can look across similar units on each campus. This is especially true for

functions requiring specialized expertise in evaluating the performance of units, such as with the medical centers. A next step should be to determine which functions require such "matrixed" performance oversight.

VI. MECHANISMS REQUIRED FOR SUCCESSFUL IMPLEMENTATION

Several efforts at administrative reform over the last 20 years have mentioned many of the issues and suggestions in this report, at various levels of detail. It is important to ask how, this time, success in implementation can be made more likely and durable.

The Working Group believes that six major mechanisms should be instituted across all administrative venues for the clarification of roles and reconfiguration of UCOP to be successful on a long-term basis.

1. True performance management systems:

   Establishing a reliable connection between authority, responsibility and results requires that performance management systems be developed and maintained at a high standard of human resources practices. This involves at a minimum (a) a formal statement of expectations of the administrator by the delegating party; (b) alignment of incentives with those expectations; (c) periodic formal performance evaluation of the administrator based on the expectations and on responsible input from informed parties; (d) systematic support for the administrator, e.g., by protocols for performance feedback and by formal programs or informal approaches to coaching and professional development; (e) the delivery of real consequences for performance relative to those expectations; and (f) planned succession programs where appropriate.

   The Working Group believes these structures must be put in place beginning with senior administration, e.g., by the Regents with respect to the president, and by the president with respect to the chancellors and senior officers of UCOP.

2. Two-way accountability systems:

   Given the university's culture and governance structure, it is important that administrators not simply fulfill the requirements of a reporting relationship but also respond to the legitimate needs of the communities they serve. As such, while the campuses need to be accountable to the Regents and the president for their performance, UCOP departments also need to be accountable to the campuses for creating value—i.e., for not only service levels but also for the costs of the central activities and for the burdens (cost, slower processes, etc.) placed on the campuses from the central activities, including oversight and compliance activities. For example, at the department or unit level, systems must be established to solicit and evaluate responsiveness and satisfaction from users of services (e.g., at the campuses) and those affected by administrative processes, as a key criterion of performance.

3. Clear decision-rights:

   This document addresses high-level decision rights. To implement successfully, major administrative processes at UCOP and the campuses should be disaggregated and decision-rights (i.e., the right to make the decision, consult on it, ratify it, or be notified of it) specified in detail. In the case of processes involving consultation but of paramount importance to the university (such as the budget), it is especially important that general protocols for deliberation and final decision-making be established and enforced to prevent drift.

4. Two-way channels of communication between the Regents and the president, to assure clarity and accountability, requiring mechanisms in both directions:

- Practical protocols should be established to guide communication between Regents and senior administrators, both at UCOP and on the campuses, on the basis of a single authoritative channel through the president to the Regents;
- After appropriate review, the processes and information systems to provide the Regents with information to enable them to carry out their fiduciary responsibilities with confidence should be strengthened so as to eliminate the need for extensive *ad hoc* information requests or investigations (see also below).

5. Formal and responsible channels of communication between the campuses and UCOP:

   The Working Group believes that a two-way flow of information between the campuses and UCOP—a truly consultative management practice rather than a top-down 'headquarters'-style communication flow—is needed to sustain the health of the university's federal administrative system, and that accountability for results concerning intercampus administrative issues should be mutual. The linchpin mechanisms of these communication channels are:
   - The transparent budget process, in which the process leading to final resource allocation has been orderly and open and presidential decisions are clearly understood; and
   - Formalized decision-rights and responsibilities for intercampus bodies, where applicable, so that participation in universitywide administration is accompanied by accountability for action and results.

6. Modernization of key information and management systems and processes.

   To allow the Regents to fulfill their policy-setting and fiduciary roles, and to withdraw with confidence from the transactional oversight detail just mentioned, they will need reliable and timely data. The Regents legitimately require—and the administration also urgently needs—basic systems to support human-resources, oversight, compliance and risk-management procedures. The Working Group advocates that investments in modern human-resources and enterprise risk-management systems be specified, strongly endorsed and funded by top administration and the Regents, and managed to completion.

VII. RECOMMENDATIONS AND SUMMARY OF PROPOSED CHANGES

The Working Group recommends that the Governance Committee

- Reaffirm and endorse the clarification of the roles, high-level decision-rights, responsibilities and accountabilities of the president, Regents and chancellors (sections II through IV);
- Endorse the design principles for reconfiguration of UCOP (section V);
- Support the institution of the six mechanisms for successful implementation of administrative reform (section VI); and
- Consider the observations on Regental-administrative interaction as essential to the effective functioning of the Office of the President.

The Working Group also highlights the following more specific clarifications and/or changes to present practice, which it believes are needed in order to achieve the specific purposes of this report:

- Clarifying decision-making to permit more effective attainment of universitywide goals:
  - The president should have the explicit responsibility to lead the University in achievement of systemwide goals (such as the long-range plan), with the corresponding authority to call on the chancellors and the entire university for assistance in realizing these goals.

    - In addition to having responsibility for the performance of their individual campuses, the chancellors should explicitly share responsibility in the "commons" for helping to define and accomplish universitywide goals, including carrying out campus activities in a manner that is consistent with the interests of the university as a whole.
- Clarifying authority to increase effectiveness of administration at the campus level:
    - UCOP should have a preference to locate administrative functions at the campuses or other locations as close to the source of value as is practical and appropriate.
    - The chancellors should have direct authority and accountability for judicious application of general policies at their respective campuses.
    - Specific decision-rights and definitions of conditions and thresholds for presidential / Regental approval of major systemwide operating decisions should be established.
- Establishing principles to reconfigure UCOP as a more effective, service-oriented entity:
    - UCOP should focus its primary activity on functions to support the president's work.
    - Systemwide services should be reconfigured as distinct Service Center entities, where feasible and cost-effective, using service agreements and establishing clear accountability, in order to take advantage of system scale and expertise; where practical, these Service Centers should be provided by a campus or third-party vendor.
    - Intercampus coordinating functions should be used or set up to take maximum advantage of local initiative and managerial capabilities, and, when required and cost-effective, should integrate central expertise provided from UCOP.
    - UCOP should shift its oversight and compliance approach from "comprehensive transaction approval" to "performance management with selective review and approval."
- Instituting a culture of performance and accountability:
    - True performance management systems—with clear expectations, alignment of incentives, regular evaluations, necessary support structures, delivery of consequences, and succession planning—should be instituted, beginning with the president, chancellors and UCOP senior officers.
    - Accountability mechanisms should be attached to major UCOP functions, reflecting the views of the campus-based customers.
- Provide a basis for Regents' regaining confidence in UCOP in a primarily supervisory role
    - The principle of Regental focus on fiduciary rather than transactional activity should be reaffirmed.
    - The president should institute practical protocols to guide communication between Regents and senior administrators.
    - A review of needs, specification, investment and implementation of key information, compliance and risk-management systems should be undertaken, both to provide the Regents with data and confidence they require for their fiduciary responsibilities and to support administrative responsibilities with appropriate systems capabilities.