

Faculty Senate Business and Finance Standing Committee Report

Faculty Senate, The University of Memphis

Drafted August 3, 2020

Approved August 24, 2020

Mission

The purpose of the Faculty Senate Business and Finance Committee is to serve as a conduit between the administration and the faculty regarding budgetary issues of concern to the faculty, offer the administration with a comprehensive and timely feedback regarding budget-related policies and decisions, and provide information to the faculty regarding the University's budget and overall financial position.

General Charge According to Standing Rules Article III Section 2

The Budget and Finance Committee shall continuously review and make recommendations to the Senate on University budgets, revenues, expenditures, and resources, and on all policies and procedures relating to faculty salaries, compensation, and benefits.

Specific Duties and Responsibilities under the General Charge

- a. To evaluate policies and procedures concerning the university budget with special emphasis on the academic budget and its impact on faculty members in the performance of their work and compensation.
- b. To participate in the University of Memphis academic budgetary planning process as appropriate.
- c. To make regular reports and recommendations to the Faculty Senate regarding the activities in a and b above and their potential impact on academic programs.
- d. To conduct studies of special financial and budgetary interest to the Faculty Senate as requested.
- e. To review and assess major capital projects and capital budgets prior to submission to the Board of Trustees.
- f. To meet with the President, Provost and/or representatives from the university budget office to represent the faculty in the budget process and provide faculty input on priorities for future expenditure.
- g. To engage with the University, Colleges, Schools and Departments in effective implementation, review, and recommendation of a plan of action in addressing budgetary issues, operational sustainability, and continuous improvement.
- h. To address other budgetary issues as deemed important and relevant.

It is understandable and necessary that in order for the Business and Finance Committee to effectively perform the aforementioned duties it should have unrestricted access to data, documents and evidence pertaining to the university budgets, revenues, expenditures, compensation, and resources.

Membership

The committee consists of at least five members of the Faculty Senate. Committee members shall be selected by the executive committee of the Faculty Senate. The committee chair shall be elected annually by its membership at the first meeting of the committee after the new Faculty Senate is elected, normally in the early fall term. Committee members continue to serve until their replacements are appointed. This Advisory Standing Committee may choose to form sub-committees consisting of both senators and non-senate faculty for special tasks. Committee members for the 2020-21 academic year are as follows:

- Zabihollah (Zabi) Rezaee, Chair
- Holly Lau
- Máté Wierdl
- Alena Allen
- Fawaz Mzayek
- Coriana Lynne Close

Lean Management and Continuous Improvement Strategies
Implementing Phases I and II of Budget Reduction Taskforce Recommendations

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1. Introduction

The social distancing feature of the COVID-19 pandemic demands universities and colleges worldwide to transform their programs and courses to virtual and online classes in the foreseeable future. The COVID-19 pandemic has also caused many financial challenges for universities and colleges because of potential decrease in students' enrollment and government financial supports. The CARES Act provides some financial assistance by allocating \$32 billion to support all levels of education whereas \$7 billion of the funds are allocated toward student aid. Each university and college should establish a steering committee to address education challenges of the COVID-19 pandemic and design strategic plans for possible return to campus in the Fall of 2020 and onwards. The committee should consider guidelines provided at local, state, and federal levels to ensure a safe environment for students, staff, and faculty, maintain the education quality, and secure sustainability and financial health of the university.

At the University of Memphis, the administrators and the entire management team are facing significant challenges brought on by the COVID-19 pandemic. Among these challenges are protecting the students and the employees in terms of safety and health, changing the work environment to enable remote working, performing human capital risk assessment, dealing with

supply chain disruption, and modifying the financial budget to provide adequate cash and liquidity. These challenges provide opportunities for universities to maintain continuity, sustainability and efficient transformation of their education, business, financial, and operational functions. The University of Memphis has responded to the challenges brought on by the COVID-19 pandemic by appointing a Budget Reduction Taskforce on July 7, 2020. The Budget Taskforce has made several recommendations/strategies for the following two phases:

1. Phase I - Recommendations/strategies to address the immediate known shortfall of \$17M.
2. Phase II - Recommendations/strategies to address any additional budget shortfalls because of a drop in enrollments and/or additional financial impacts given the ongoing difficulties related to the COVID-19 pandemic.

The effective implementation of these two phases require a comprehensive and coordinated approach by the central administration and all colleges, schools, and departments in consultation with the faculty senate in assessing and managing their activities. The lean management and continuous improvement strategies (LMCIS) provide a blueprint for and effective and guided execution of this complex task.

In accounting and management literature, both professional and academic, there has been widespread acceptance of a concept known as lean management. The following paragraphs provide insight into the basic features of the lean management concept and how they are applicable to institutions of higher learning as they make necessary adjustments in response to the unusually difficult circumstances brought on by the COVID-19 virus. It should be noted that the most recent report from the University's Budget Task Force included plans to conduct Operational Auditing using LMCIS.

II. Lean Management

The concept of lean management is very relevant in the post-COVID era and applicable to the implementation of phases I and II. There are three guiding principles of the lean management as related to universities: (1) the main objective is to deliver high quality education in teaching, research and service; (2) focus on continuous improvement of identifying strengths and concerns and finding ways to consciously improving the education process ; and (3) eliminate waste and duplication by optimizing the use of resources. The lean management concept promotes the link between cost management (cost centers) and performance management (revenue centers) as they are affected by managerial strategy in response to the COVID-19 challenges. Two managerial concepts of cost management relevant to the cost centers and performance management relevant to revenue centers are interdependent and should be integrated in achieving lean management and operational objectives and effectiveness. Cost management addresses the budget cuts of phases I and II in the context of lean management, whereas performance management focuses on continuous improvement in achieving sustainable high-quality education and generating revenues.

III. Continuous Improvement

Continuous improvement strategies involve classifying university activities into four categories: value-adding, non-value adding, essential and nonessential, and have traditionally been used by business organizations (Rezaee, Agrawal and Pak, 2006). The focus on continuous improvement has become more crucial in the aftermath of the COVID-19 pandemic. The university and its finance function and the CFO in consultation with the faculty senate are in a

unique position to work with administration and colleges, schools and departments in assessing what activities to stop, what activities to prioritize and what activities to emphasize. In the post-COVID environment with advanced technological innovation, continuous improvement becomes crucial in gaining a competitive advantage and maintaining sustainability. Continuous improvement can enable the university to cope with challenges brought on by the COVID-19 pandemic and effectively implement recommendations of the Budget Taskforce in phases I and II. University activities are classified into four categories as depicted in Figure 1:

A. **Value-Adding and Essential-** These activities add value to the university's main purpose and mission of offering high-quality education and are essential in maintaining the continuity and sustainability. These activities such as teaching, and research are adding value and any disruption can have detrimental effects on sustainability. Examples of these activities are productive undergraduate, graduate and PhD programs with effective teaching, productive research and meaningful services. All academic programs that are cost-effective and efficient are considered value-adding and essential.

B. Value-Adding but Non-Essential

These are activities that are considered as value-adding but may be minimized without losing the value-added feature through re-engineering and restructuring. Colleges, schools and departments should consider optimizing these activities in the post-COVID-19 pandemic and in the light of the current budget cuts. Example of these activities are excessive administrative and staff activities and related compensation.

C. Non-Value-Adding but Essential

These are activities do not add value but are essential. Example of these activities are administrative and staff activities including physical plans. However, activities such as middle-level managerial positions (e.g., associate deans, directors, unnecessary staff) should be minimized, especially in the post-COVID-19 era.

D. Non-Value-Adding and Non-Essential

These are activities typically excluding academic programs that neither add value nor considered essential and thus must be eliminated in the post-COVID-19 era to ensure continuity and sustainability. Example of these activities are unnecessary administrative, staff and instructor positions. At the present time the Senate Budget Committee is unaware of any University of Memphis programs that should be judged to be “Non-Value-Adding and Non-Essential”.

Iv. Conclusion

Colleges and universities have developed a multi-phase plans for reopening their campus with different timeframes for implementing these phases with the final phase aiming at allowing students, staff, and faculty return to campus eventually. Some classes can continue to be online and conducted virtually. The business recovery, sustainability and transformation are essential strategic planning for coping with growing challenges caused by the COVID-19 pandemic. The central administration in collaboration with colleges and faculty senate should consider all possibilities and scenarios under which the university can survive, recover and continue sustainable performance in offering high-quality education.

The Business and Finance Committee of the Faculty Senate, in fulfillment of its current charge, as specified by the Executive Committee of Faculty Senate, is planning to:

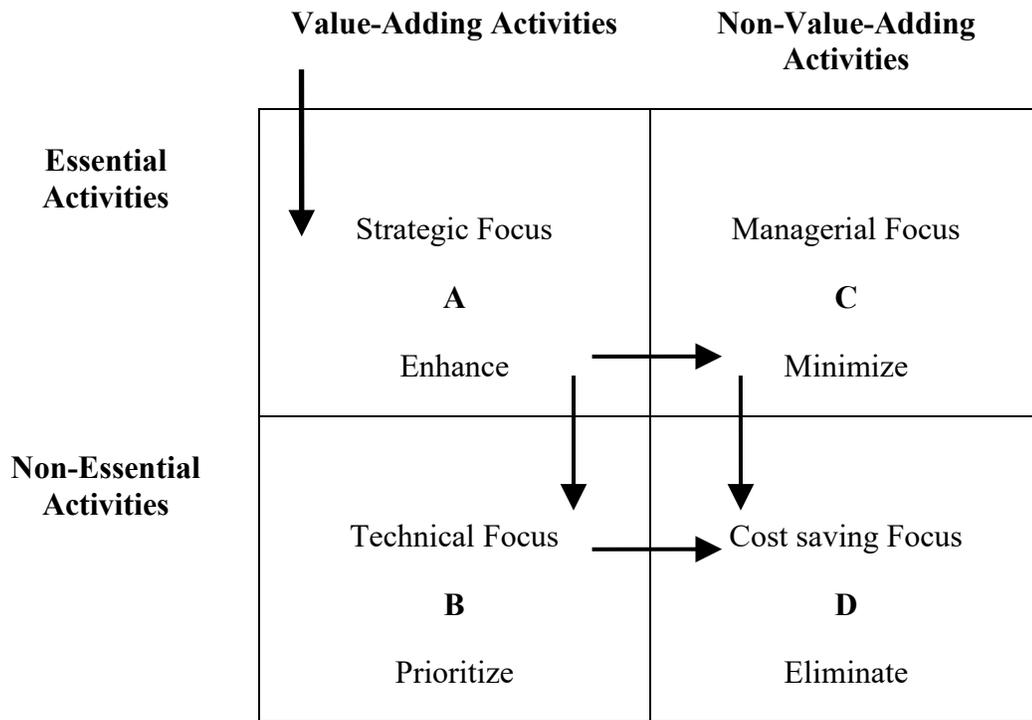
“1. Work with the administration to quantify and carefully assess non-productive activities and services for potential permanent budget reductions beginning FY22.

2. Review unit budget proposals for potential permanent budget reductions beginning FY22.”

3. Design a plan of action to evaluate and recommend implementation guidelines for potential budget cuts.

We are available to meet with the central administration, colleges, schools, departments, and other units to discuss the relevance of LMCIS in implementing recommendations of the Budget Cut Taskforce in phases I and II and ensuring continuity and sustainability of our education programs. Please do not hesitate to reach out to the Faculty Senate and its Business and Finance Committee for assistance, consultation, and recommendation.

Figure 1
Continuous Improvement Model in the Aftermath of the COVID-19 Pandemic



Rezaee, Z, Agrawal, S and H. Pak. 2006. Continuous improvement: An activity-based model. *Management Accounting Quarterly* (Spring), 14–22.