

Improvement Opportunities for
Administrative and Support Services
The McKinsey Report Executive Summary
April 25, 2006

BACKGROUND

In the summer of 2005 President James Wright invited McKinsey & Company, a management consulting firm, to come to Dartmouth to help assess the administrative structure and to help identify ways in which the College could enhance administrative functions. As part of that effort, President Wright developed the following set of priorities for the administration.

- To support the work of the faculty and students
- To recruit and retain talented and diverse officers and staff and to encourage and support their advancement through competitive compensation and professional development programs
- To steward the resources of the institution in a prudent and fiscally responsible manner to advance academic goals and community
- To communicate effectively across the institution to encourage a sense of a shared Dartmouth
- To encourage innovation on the part of officers and staff within a culture of interdependence, transparency, responsibility and accountability

President Wright noted that Dartmouth's mission is to provide a transformative student experience within a world-class research environment. He stressed the College's leadership role in undergraduate education and the excellent graduate programs in business, engineering, medicine, and the arts and sciences. As Dartmouth works to maintain this leadership position within the world of higher education, the President stressed the need to look at how the administration supports that mission.

The McKinsey team came to Hanover during November, December, and January and met with approximately 50 faculty, students, and staff. They also analyzed an extensive set of data on administrative functions from across the institution, compared that to historic trends and data from other institutions, and leveraged their experience in serving other leading institutions, both academic and corporate.

The McKinsey team found that the Dartmouth administration displayed many strengths and successes. They noted in particular the outstanding job of attracting some of the best students in the country, and even world, to all degree programs; the successful transition in leadership in several departments; and the effective management of a major facilities program and library expansion, all of which has been accomplished despite budget constraints and limited resources.

KEY FINDINGS

1. Growth in Positions

The Dartmouth College-only administrative and support functions have seen a modest compound annual growth rate (CAGR) of 1.1 percent over the past five years. During this time, the College added 111 new positions. In the same period, it cut 25 positions for a net gain of 86 full-time equivalents. When benchmarked against other institutions, the ratio of the administrative staff to total students was in line with other peer institutions.

These numbers refer to the College-only part of the budget and include support services provided by the central administration to the professional schools in the areas of compliance, research support, legal affairs, development, endowment management and other areas of the College. These services are often provided without the assessment of a corresponding charge against the professional schools budgets.

Most of the growth occurred in the areas of development (+38) in preparation for the Campaign for the Dartmouth Experience, and student life (+28.5) in response to a broader set of needs and expectations displayed by students as well as compliance issues in athletics and health services. Other areas that saw increases included the expansion of the Dartmouth College Child Care Center (+8); administrative positions in the Dean of Faculty area (+14) in response to curricular and research needs of the faculty; and compliance (+8).

The College-only administrative growth of 1.1 percent over this five-year period (net gain of 83 FTEs) compares to an increase in Arts and Sciences faculty of 50 new positions or 3 percent CAGR.

The professional schools also saw significant administrative growth with the addition of 101 new positions or 5.2 percent CAGR in these years. The primary driver of this growth was research at the Medical School.

2. Growth in Administrative Compensation

Administrative compensation grew more quickly than positions and more quickly than faculty compensation despite lower annual non-faculty compensation increases. There were a number of reasons that explain this including:

- Administrative departures tend to be replaced at the equivalent level, often at higher cost in response to market forces while faculty departures are more often replaced by more junior faculty
- New hires generally cost more than continuing employees because of market adjustments and competition for new employees

3. Increased organizational complexity

McKinsey found an increase in institutional complexity in recent years in terms of the demands of the student body, academic program, and research, all of which resulted in increased pressure on the administration. Students come to college today with greater expectations and needs. Thus, for example, the counseling service has seen a 27 percent increase in outreach hours and an 11 percent increase in total contacts in the last five years.

Research projects have become more complex, often involving multiple departments and schools. Indirect costs do not cover the full cost of such research, and the compliance demands of granting agencies have increased. Finally, as the faculty and administration has grown, so too has the number of cross-departmental transactions.

Moreover, as Dartmouth has grown, the organizational structure has become more complex. Faculty, students, and employees do not always know who to call or how to move a project forward. McKinsey identified particular frustration around hiring processes and confusion over the roles of Institutional Diversity and Equity and Human Resources. Many respondents believed the hiring process takes too long and is too caught up in procedural bureaucratic red tape without realizing the diversity goals established.

4. Accountability

Dartmouth has a collegial and positive culture that encourages consensus decision-making. But officers and employees do not always understand who sets institutional priorities and makes decisions. Moreover, there is insufficient accountability around departmental and individual performance.

5. Budgeting Process

The annual budgeting process for administrative services is not explicitly tied to institutional priorities and there is no formal planning process that creates the necessary linkage.

6. Shadow Organizations

Several departments at the College have developed “shadow” organizations around some functions including fundraising, communications, institutional research, and information technology. This decentralization can be an effective way of organizing functions but needs ongoing careful assessment to ensure that it provides effective service within a fiscally prudent framework.

RECOMMENDATIONS

1. Transparency and Priority Setting

The president and senior leadership have developed a set of institutional and administrative priorities through a strategic planning process. They need to more effectively communicate these to all levels of the institution. Vice presidents, deans, and managers need to ensure that their programmatic planning ties into the priorities identified by the president. The provost and executive vice president should establish a programmatic planning process and modify the annual budget process to tie into the planning recommendations and ensure that budgets and priorities are aligned.

2. Cross Departmental Processes

Dartmouth needs to redesign and reinvigorate the following functions:

- a. The Hiring Process: Senior leadership needs to clarify the functions of Institutional Diversity and Equity and Human Resources with respect to hiring of new employees, development of candidate pools, and the handling of grievances. McKinsey recommends that HR handle all the transactional aspects of the search and hiring process, and that IDE concentrate more on a broader institutional diversity program effort as well as on the development of diverse pools of candidates. Individual departmental managers and divisional leaders need to be held more accountable for results. HR should develop better support and clearer policies around advertising, the search process, and compensation and benefits packages. The College should more effectively leverage technology and data in this area.
- b. Facilities Planning and Construction: Dartmouth is in the midst of an extensive and impressive construction program but the planning, design, and construction responsibilities are currently divided among several departments (Facilities, Operations and Management; Planning, Design and Construction; and Student Housing in the Office of Residential Life). McKinsey recommends that the College work to improve coordination and priority setting among them and ultimately consider how they could be consolidated.

- c. Payroll: Technology could be better used to reduce errors and increase productivity. Automated timesheet and payroll authorization systems are needed.

3. Departmental Service

The president has established as one of his priorities for the administration the need to be more service oriented. Several departments in particular need to focus on this priority.

- a. Human Resources must work to reestablish its reputation as a reliable service organization that supports managers in recruitment and hiring, that reviews compensation issues, offers new employee orientation, employee training, and a host of other services around employee relations. The department needs to assess and update policies and procedures.
- b. Computing Services is at the core of much of the administrative and academic life of the College. McKinsey recommends upgrading the director position to the vice presidential level reporting to the provost. At the time of this report, the College was in the midst of a search for a new head. When that search is completed, the department needs to focus on the basics of operations and customer support. The charges for the several computing committees need to be clarified and there needs to be better prioritization of projects and communication.
- c. Procurement provides a major opportunity for the College to increase efficiency and to realize cost savings. The addition of a new director of procurement provides the occasion to reorganize Dartmouth's policies and practices around procurement.
- d. Institutional Diversity and Equity should provide campus-wide leadership in setting the institution's diversity strategy and coordinate educational efforts. Personnel related activities around grievances, training, and childcare should transition to HR.
- e. Institutional Research is currently divided among three different offices. McKinsey recommends that these be consolidated within the Provost's Office of Institutional Research and that that office serve as the office of record for all institutional data.
- f. Communication functions exist in multiple locations around campus and the College would benefit from greater coordination and consolidation of these functions. McKinsey recommends that Dartmouth undertake further analysis of how this could be done.

4. Performance Culture

President Wright has outlined his key priorities for the College and administration, and these need to be clearly and repeatedly communicated throughout the administration. College leadership also need to establish clear expectations around achieving goals, and managers must be encouraged to set explicit milestones and reach these goals. The culture needs to encourage innovation and accountability.

Dartmouth must more systematically monitor and evaluate individual and departmental performance. Departments must outline goals and must develop mechanisms to gather and review feedback from their key constituencies. Departmental managers must also more regularly establish employee performance objectives and must regularly evaluate employee performance against these objectives and better link compensation and recognition to these.

5. Organizational Structure

Dartmouth's organizational structure has developed over many years and is consequently not necessarily the most effective organization to serve the needs of the modern college. McKinsey recommends that Dartmouth consider some reorganization of departments to streamline functions, optimize resources, and create well-focused, reasonably sized divisions.

McKinsey recommends the following changes:

- a. Consolidate institutional research into the Provost Office
- b. Have the International Office report to the General Counsel's Office
- c. Elevate Computing Services to a Vice Presidential area reporting to the Provost
- d. Have Web Content Development report to Public Affairs.

Longer term, McKinsey recommends:

- a. The consolidation of facilities planning, construction, and operations
- b. The consolidation of personnel-related activities to Human Resources
- c. The movement of the Dartmouth Child Care Center to Human Resources

Over a still longer term, Dartmouth should consider the establishment of a Vice President for Administration to oversee the business functions needed to support an outstanding institution of higher education.

CONCLUSION

While Dartmouth has many strengths within its administrative team, it has an opportunity to upgrade its organization to better support faculty and students. Just as Dartmouth is a leader providing an outstanding education to its students, so too can it model best practice in delivering administrative and support services in academia. To advance this goal, the president should appoint a dedicated team to work over the next several years in implementing the recommended changes.