INNOVATION IN HIGHER EDUCATION

CASE STUDY: UNIVERSITY SYSTEM OF MARYLAND
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Institutional Type: Public university system
Institutional Characteristics: Contains 12 institutions and 2 regional higher education centers
Location: System office located in Baltimore, MD
Full Time Enrollment: 171,996 (Fall 2016-17)
Annual Operation Budget: $5.48 billion (FY 2018)
Board Size: 17 members

The Challenge: Change in a Complex Environment
The University System of Maryland (USM) is diverse public university system of twelve institutions and two regional centers. The system serves as a cross-section of U.S. higher education, containing three research universities, three HBCUs, the nation’s largest public online university, a large metropolitan university, and several regional comprehensives.

USM is a public corporation under the direction of a governing board of regents. The chancellor leads the system as its CEO and serves as staff to the board. By law, culture, and the distinct but complementary missions of its institutions, the USM may be characterized as an institution-centric system. USM campuses enjoy a high degree of autonomy and operational flexibility. The diversity of the system is both a strength and a challenge when it comes to innovation—one size rarely fits all in the USM. Yet a confluence of external forces—a surge in state enrollment needs, declining state aid, rising operational costs in energy and health care, and increased demands on higher education in the 21st-century knowledge economy—prompted innovative thinking across the system.

External Forces Inspire Innovation
In 2003, to demonstrate fiscal stewardship to state elected officials, the regents launched the Effectiveness and Efficiency (E&E) Initiative, an effort to optimize system resources by reducing operational costs and redirecting those savings to the system’s priorities: improving access while maintaining quality.

Following the board’s directive, the chancellor and board chair commissioned a working group of regents, USM vice chancellors, and leaders from USM institutions to review the university system’s operations. Working with established USM councils to carry out its charge, the group provided policy guidance and oversight of the initiative across the system, reviewing results based upon pre-established benchmarks.

Under their leadership, USM centralized services such as internal audit; supported effective organizational change, including the reorganization of its bio-technology capital assets and faculty; strategically leveraged USM buying power; and implemented cost-effective energy-management strategies. The system also reconfigured faculty workloads to increase faculty classroom contact hours at
undergraduate research universities by 20 percent, conducted a redesign effort for large enrollment courses intended to improve completion rates, and changed its funding structure to provide additional support for campuses that were growing to accommodate state-enrollment needs.

The success of these changes has been shared across the system. As of fall 2016, the E&E Initiative had saved USM more than $540 million. These savings allowed the system to keep in-state tuition flat from 2006-2010 and accept more community college transfer students than ever before. Thanks to academic initiatives under E&E, the time-to-degree across the system dropped to an average of less than 4.5 years—an historic level—while at the same time system enrollment increased by well over 15,000 students.

**Effectiveness & Efficiency 2.0**

In early 2015, USM launched a refocused Effectiveness & Efficiency effort, E&E 2.0. This effort involves collaborative leadership between the USM chancellor, institutional presidents, and the board of regents’ working group. The initiative also relies on an operations group, comprised of campus leadership from all USM institutions, to connect the process to each individual campus and seek out multi-campus opportunities.

E&E 2.0 seeks improved effectiveness and efficiency in academic areas. The system is expanding analytics capabilities system-wide to improve recognition of individual student problems and provide early interventions; offering new academic programs at its HBCUs to grow enrollment and support academic quality; improving online education delivery across the system; and implementing more effective academic and business processes system-wide. Additional activities are focused on reducing the cost of education to students and their families.

Extending the E&E framework into the coming decade has allowed the University System of Maryland to promote further innovation across the system, ensuring its resources are dedicated to activities that best advance its mission: increasing the positive impact of higher education on the state of Maryland.

**USM on Innovation**

Below, chief operating officer/vice chancellor for administration and finance Joseph Vivona and associate vice chancellor and chief information officer Donald Spicer reflect on the E&E initiatives and their impact on the system.

**Q: What led the University System of Maryland to pursue innovation through the Effectiveness & Efficiency Initiative?**

With a new governor in Maryland and an economic downturn underway, the cost and value of public higher education were called into question. The governor faced a serious budget deficit necessitating reductions in state government operations, including USM. The USM chancellor—himself a recent appointee—wished to moderate any tuition increases that would be needed to help close the budget gap.

Simultaneously, USM was in a period of growing enrollments. The board of regents proposed that the system take a hard look at our operations and engaged an outside consultant to lead the process. After a three-month study, the board established a committee on effectiveness and efficiency and charged the chancellor and institutional presidents to begin implementing their recommendations. We began with the low hanging fruit, which tended to be in administrative areas—for instance, procurement of energy, a commodity shared across the system. With success in this area, the E&E committee sought academic
E&E activities and launched a course redesign for large enrollment courses.

**Q: What challenges did you encounter throughout the process? How did you overcome these challenges?**

USM’s organizational governance is institution-centric with a small system office that reports to the board and plays a coordinating role. That, together with the diversity of the system, means that innovation can’t be driven from the top, but instead we must look for opportunities where its value is recognized institution by institution.

As a result, E&E relies on multiple layers of activity. At the lowest level, but with significant return, each institution has a full range of local E&E process improvements continually underway under the guidance of the president and senior leadership. Next, we look for activities that cross institutional boundaries and involve more than one institution. Examples of these include leveraged procurement, shared library resources, inter-campus data networking, academic program collaboration, and shared research collaboration. Since Maryland is a small state, several of these sharing initiatives have been extended to the entire education sector within the state—public, private, federal, K-12, and higher education.

From the board perspective, the diversity and local autonomy of our campuses encourages the board to look for opportunities based on shared needs rather than forcing a single solution. Having this philosophy within the system allows the board to think of broader needs outside of the system in win-win situations. For example, K-20 education organizations in Maryland collectively buy or license several hundred million dollars per year in technology products and services. Even the largest institution has limited leverage with vendors, but by working together in a consortium hosted by USM, we have negotiated unique agreements with vendors that not only are better than any large institution could do itself, but that give the same discounts to even the smallest organization in the state. In return, vendors benefit by having to respond to only a single RFP to sell to education in Maryland. The board considers this as the gold standard for E&E.

**Q: What was the board’s involvement in these institutional initiatives? What impact did their involvement have on the success of this initiative?**

The board’s role evolved between E&E 1 and E&E 2.0. Initially, a formal committee of the board, with senior institutional and system office membership, oversaw the initiative. In E&E 2.0, a board work group oversees and monitors the initiative, but management is largely at the campus and system level. In both instances, there has been formal documentation and a reporting structure that provides quality assurance of claims and a longitudinal view of progress. In addition to oversight, the board has encouraged engagement at every level. That this is important to the board translates down the line.

The board has also expanded the initiative’s goals in several ways. They encouraged the expansion of effectiveness and efficiency in administrative processes to also consider improvements in terms of academic activities. Because of this, the system now reflects a better use of analytics in enrollment, student success, retention, and graduation rate processes. The board has encouraged projects that reduce the cost of textbooks and enhanced use of open educational resources, all in the interest of lowering the cost of education to students and their families.

Despite the success of E&E and its long-term sustainability across the system, the board has begun to think that—while it is all well and good to improve current processes—the current economic climate and cultural climate require that E&E consider fundamental structural changes in how USM and its institutions operate. Their response to this realization is still developing, but will involve change...
management of an entirely different level.
In a climate of broad state disinvestment in higher education, the USM board of regents have individually
and collectively carried the message to the state that USM is proactively and demonstrably improving its
effectiveness, efficiency, and ROI to the state and its citizens. Given the duration of USM’s E&E
initiatives, this has been true through several changes in state government and membership of the board.

**Q: What did this process teach you about developing a culture of innovation
throughout a large public system?**
As a public corporation rather than a quasi-state agency, USM has more control of its ability to innovate
than some other systems might have. That said, our internal dynamics mandate any large-scale innovation
be approached with a light hand that recognizes diversity of mission, locality, and demographics. It is
never demanded that all institutions participate in a project, but projects are designed to be attractive to as
many institutions as possible. For each project, “like” institutions are encouraged to work together, either
to provide leverage or mutual support. Even at the level of institutionally specific improvements, it is
hoped that there will be knowledge sharing across institutional boundaries.

There is an on-going conversation of “systemness” in public higher education systems these days.
Certainly, having a common board provides the context for cooperation and collaboration. The E&E
Initiative, under the oversight of the board, tries to operationalize that in meaningful ways.

**Q: What other lessons did you learn, and what advice would you offer other
systems pursuing innovation?**
Conceivably, there are systems that operate in a top-down fashion. However, what works for USM is
direction and on-going encouragement from the top and action on the ground. This means that at every
level of a complex organization, true engagement requires participants to sense a return for their effort.
The shared governance operative at most universities requires communication and collaborative decision
making—this is not always easy, but it is necessary for success.

USM’s philosophy for E&E is one of continuous improvement. Higher education is currently in an
environment where its principles and value are in question. E&E is viewed as continually reevaluating
how the USM operates and serves the state and its citizens within the perpetually changing contexts. The
board brings an understanding of this context to the table, and the system and institutions must respond
appropriately.

Finally, ongoing performance review of the overall E&E program and the individual institutional
initiatives matters greatly. You achieve what you monitor.
Sources


