Reforming and Restructuring for Excellence and Financial Sustainability: A Case Study of The University of the South Pacific

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Outline of Presentation

• The University of the South Pacific (USP) at a glance
• USP in 2008: the context for reforms and restructuring
• Initial reforms and restructuring, 2008-2009
• Strategic Plan 2010-2012: consolidation and modest expansion
• Strategic Plan 2013-2018: From Good to Excellent
Outline of Presentation

- Governance reforms
- Re-designed/upgraded Senior Management Team
- Academic reforms
- Financial reforms
- HR Reforms
- Impact of reforms
- Conclusions
USP at a Glance

• Est. in 1968, 1 of 2 regional universities in the world
• Tertiary institution as well as regional organisation
• 14 campuses, 11 Centres in 12 Pacific Islands member countries, spread over 33 km$^2$ million
• 3 Faculties: Arts, Law & Education; Business & Economics; and Science, Technology & Environment
• Institutes, Centres, Pacific TAFE and CFS
• Student Headcount 2015-26,658 (Av. 6% growth annually since 2010); 54 % women
• Over 45,000 Alumni
• Emphasis on learning, teaching and research
• Emphasis on quality and accreditation
USP at a Glance (cont.)

- Leads in CROP ICT WG and HRD WG
- Total income in 2015 was F$188 million
- Share of income in 2015: fees (28.7%); dev assistance (26.8%); govt. contribution (26.2%); trading incomes (9.4%) and other income (8.8%)
- Operating surplus of F$7.2m (compared to budget of F$3m), positive net cash flows of FJD 2.7m (compared to budget of F$0.1m), and net assets grew by F$6.9m (from F$110m in 2014 to 116.9m in 2015). Total income exceeded budget by F$6.1m and total expenditure was below budget by F$2.0m. Aid income was F$50.4m as at 31 December 2015.
# USP Member Countries: Small to Micro-States

<table>
<thead>
<tr>
<th>Country</th>
<th>Land Size</th>
<th>Population</th>
<th>Annual Contribution</th>
<th>Student Enrolment</th>
<th>Awards</th>
<th>Staff by Campus</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Square Km</td>
<td>Mid-Year Estimates</td>
<td>FJD</td>
<td>%Total</td>
<td>Head count</td>
<td>%Total</td>
</tr>
<tr>
<td>Cook Islands</td>
<td>237</td>
<td>14,730</td>
<td>203,111</td>
<td>0.4%</td>
<td>175</td>
<td>0.7%</td>
</tr>
<tr>
<td>Fiji</td>
<td>18,333</td>
<td>867,000</td>
<td>36,597,202</td>
<td>73.9%</td>
<td>14,344</td>
<td>54.5%</td>
</tr>
<tr>
<td>Kiribati</td>
<td>811</td>
<td>113,400</td>
<td>1,231,660</td>
<td>2.5%</td>
<td>1,086</td>
<td>4.1%</td>
</tr>
<tr>
<td>Marshall Islands</td>
<td>181</td>
<td>54,880</td>
<td>224,702</td>
<td>0.5%</td>
<td>281</td>
<td>1.1%</td>
</tr>
<tr>
<td>Nauru</td>
<td>21</td>
<td>10,840</td>
<td>109,970</td>
<td>0.2%</td>
<td>88</td>
<td>0.3%</td>
</tr>
<tr>
<td>Niue</td>
<td>259</td>
<td>1,470</td>
<td>60,741</td>
<td>0.1%</td>
<td>14</td>
<td>0.1%</td>
</tr>
<tr>
<td>Samoa</td>
<td>2934</td>
<td>187,300</td>
<td>1,141,407</td>
<td>2.3%</td>
<td>541</td>
<td>2.1%</td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>28,230</td>
<td>642,000</td>
<td>5,236,852</td>
<td>10.6%</td>
<td>5,233</td>
<td>19.9%</td>
</tr>
<tr>
<td>Tokelau</td>
<td>12</td>
<td>1,160</td>
<td>43,631</td>
<td>0.1%</td>
<td>62</td>
<td>0.2%</td>
</tr>
<tr>
<td>Tonga</td>
<td>749</td>
<td>103,300</td>
<td>1,493,449</td>
<td>3.0%</td>
<td>1,436</td>
<td>5.5%</td>
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<tr>
<td>Tuvalu</td>
<td>26</td>
<td>11,010</td>
<td>688,222</td>
<td>1.4%</td>
<td>582</td>
<td>2.2%</td>
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<tr>
<td>Vanuatu</td>
<td>12,281</td>
<td>277,500</td>
<td>2,484,901</td>
<td>5.0%</td>
<td>2,478</td>
<td>9.4%</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>64,074</td>
<td>2,284,590</td>
<td>49,515,848</td>
<td>100.0%</td>
<td>26,320</td>
<td>100</td>
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</table>

**Sources:**
3. Annual Contribution: USP Finance; Student Enrolment: USP Planning & Quality; Awards: USP Planning & Quality
4. Staff by Campus: USP Human Resources.
5. Data for Enrolment and Awards as at 01/04/2016.
USP IN 2008: PROBLEMS
What were the problems?

Money talk...Finance ministers of USP member countries met in Suva last month.

USP TOLD IT’S LIVING BEYOND ITS MEANS

Investigation calls into financial mess sidelined

By Elenoa Baselala
What were the problems?

- Financial deficits
- Declining enrolment
- Member countries critical of USP cost structure

“While I do not wish to be negative, USP has shown increasing signs and symptoms of bad governance—more particularly a bloated salary and wage bill and administrative overheads that have skyrocketed. It is obvious that USP has been living beyond its means… Let me simply say that at this stage that such practices must change as we plan for the next 40 years” (Address by the Chair of the USP Regional Ministers of Finance Meeting, 26th June 2008, p.1).
What were the problems? (cont’d)

- Reputational loss as a result of scandals
- Loss of trust between Council and Vice-Chancellor; VC left within 2 years
- Dev. partners uncertain about future funding
- Extremely poor relations between Senior Management Team and staff (out in the media)
- Serious breakdown in systems and processes
- Simultaneous rise in national universities with increased competition
Initial Reforms and Restructuring, 2008-9

- Severe curtailment of expenditure
- Deficit Reduction Committee work intensified
- Internal Funding Formula changed to reflect workload/student load
- Intensive consultations for voluntary staff salaries cut to be repaid when the crisis was under control
- Faculties reduced/rationalized from 4 to 3
- Course rationalization began
- Major redundancies and attrition allowed
Getting Back on Track

- Financial sustainability in the aftermath of deficits and the global financial crisis
- Assurance that government contributions will not be increased
- Focus on quality and relevance
- Enhancing national, regional and international reputation
- Proactively identifying and meeting the challenges of a sustainable future in the Pacific
Strategic Plan 2013-2018: From Good to Excellent

- Ambitious, aspirational plan: from good to excellent
- Continuous improvement through reforms and engineering
- International accreditation as the key element of quality
- Greater regionality through new and upgraded campuses and equity and consistency of learning opportunities
- Significant increase in research scale and impact
- Greater embeddedness in regional and national development
Governance Reforms

• Charter and Statutes reviewed and changed
• Review/reformulations of
  – Roles of the Pro Chancellor/Chair of Council, Deputy Chair
  – Appointment/election processes
  – Statute dealing with the Vice-Chancellor and President
• Selection Committee established for appointment to PC/Chair and other key appointments
• Extensive clarification of delegations
• Governance bodies strengthened overall
Academic Reforms

- Total Strategic Academic Review (STAR): total re-engineering of academic programmes, policies and organization
- Intentional curriculum
- Graduate attributes
- Assessment at the centre of learning
- Degree structure changed to 24 courses from 20 and introduction of four compulsory, university-wide courses
- Major elimination of courses and some programmes (about 200 courses abolished)
Financial Reform / Financial Restructure

Fully outsourced ($1m savings p.a.):
• Grass cutting
• Dining hall → Food court
• Maintenance services (from 2017 savings of $0.7m p.a.)

Partially Outsourced ($0.3m savings p.a.):
• Security
• Cleaning services
• Landscaping and garbage collections

Future outsourcing plans
• ITS services
• Financial services
Financial Reforms

Before 2008
- Unsustainable funding due to deficits and no savings
- Cumbersome processes with multiple layers of checks
- Unreliable reporting system, with multiple data sources

Current Position
- Set sustainable targets using industry benchmarks and build savings based on strategy
- Streamlined and decentralized processes with trust and accountability to fund controllers
- Installed Cognos automated reporting system with one data source

Future Plans
- Exceed financial targets and raise 3rd stream of revenue from outside traditional sources
- Implement workflow, remove paper works and encourage autonomy
- Dash board reports and modeling capability
## Financial Reforms

### Before 2008

- No appropriate Financial framework for budgetary controls
- No knowledge of course, programme costs and campus costs
- No job descriptions and accountability of individual staff performances

### Current Position

- Implemented clear financial delegations for various levels and enforced accountability
- Built a model for course, programme and campus costing to inform decision making
- Completed job descriptions and set KPI’s for sections and individual staff

### Future Plans

- Continuous reviews of levels of delegations to support strategy and growth
- In detail activity based costing to drive modeling and planning
- Set targets, KPI’s and SLA for each section and staff against strategic plan targets
Objectives of the Re-Engineering of the HR Section

• **Delivery of USP priorities** – better focus on high value areas that drive our organization

• **Improved accountability** – clearer responsibility across HR team and customers

• **Better customer service** – streamline processes, improve response times, support systems and visibility

• **Productivity improvements** – improve delivery and clarity of ownership, remove duplication, reduce lost time and increase innovation
• Improved internal and external communication – clarity on policies, procedures, responsibilities and HR branding of communications (more engagement of relevant HR staff with staff across the business)

• Staff development – capability development, cross-training, succession planning and career development

• Resilience – ability to support peak demands
HR Areas of Work

• Automation of processes
• HR staffing ratios and benchmarks
• Addition of HR support in the structure for the Regional Campuses
• Recreate/strengthen:
  • The talent acquisition and management team
  • Workplace relations team and conflict management
• HR operations team
IMPACT OF REFORMS AND RE-ENGINEERING
Productivity Measures

Floor Space per Enrolled EFTS

- Enrolment EFTS (Pre-degree, PTAFE and UG-PG)
- Total Floor space (sqm)
- Floor space per EFTS
- 8.5% increase in salary in 2010 and 12% in 2013
- Change in accounting treatment for donated assets in 2013 reduced income
Financial Indicators

FIXED ASSETS TREND 2005-2015

YEAR

AMOUNT (000'S)
Financial Indicators

DEVELOPMENT ASSISTANCE TREND 2005-2015

YEAR

AMOUNT (000's)

Projects
Core Funding
Australian Senator Brett Mason’s Speech at the Launch of the USP-Australia new partnership, November 2014

“USP is a great example of regional engagement and success, serving 12 countries and with the highest standards USP has done so much for Fiji and the region... USP now has international standing; international quality and its courses are recognised throughout the world. This is no small achievement and what you have done here is something to be proud of. That is why the Australian Government is absolutely delighted to make a further commitment to The University of the South Pacific”.
Soft Impact

New Zealand High Commissioner to Fiji, H. E. Mr. Mark Ramsden, mentioned during the HLC between USP, New Zealand, and Australia on 27 October 2014 that:

“USP is going from strength to strength. This is not only reflected in the KPI achievements under discussion, but the fact that PICs are expressing interest in becoming members of USP.”

ADB President delivers public lecture at USP 28 August 2015

“I am especially pleased that ADB has been able to work closely with USP, including efforts to improve campuses in Kiribati and Solomon Islands. USP has a proud record, and its alumni which include several Pacific island heads of Government, as well as business, academic and community leaders, who will help influence the Pacific of tomorrow”.

http://www.usp.ac.fj/index.php?id=19300
USP continues to provide quality education that aligns with the aspirations of the youth of the Pacific, said the Prime Minister of Samoa Honourable Tuila’epa Sa’ilele Malielegaoi when he officially opened the 82nd meeting of the USP Council in Samoa on 17 May 2016.

Honourable Malielegaoi said that even with the sprouting of national institutions, USP has become the first choice for those seeking higher education for better opportunities.

“Many of the Pacific countries including Samoa are benefitting from the returning graduates of USP who have assumed roles of leadership and are helping towards shaping the future of our countries”.

USP’s Increasing International Collaborations/Partnerships/MOUs

- USP has been very active in its international collaborations through various partnerships and MOUs signed.
- Since 2010 the following number of collaborations (390) have been established with development partners, countries, universities and regional and international organisations:

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>47</td>
<td>32</td>
<td>51</td>
<td>78</td>
<td>79</td>
<td>80</td>
</tr>
</tbody>
</table>
Conclusions

• The crisis at USP called for bold and significant changes
• The real success of the reforms was that we did not just want to fix the immediate problems; this was also the opportunity to make other more fundamental changes that would make the university better in the longer term
• Initial success was important as when the staff saw that we were getting out of the hole, they had more confidence in the overall strategy that we were pursuing.
• Early judgement that the budget model needed to change to save funds and improve productivity.
• The start of STAR as a project put a long-term strategy for academic reform
Conclusions

• In order to match academic reforms we had to ensure that support functions were also reformed.
• Used the Strategic Plans to commit the University council, Senate, staff and students to these changes that were implied in the objectives of quality and relevance, and subsequently in transforming from good to excellent.
• Significant pay-offs from reforms in surpluses generated; development partners who saw the University make hard decisions and were willing to put in more resources.
• Accreditations gathered speed; enrolment also increased with greater confidence about quality.
• Student satisfaction also improved
Conclusions

- Staff engagement also improved
- Given the speed of some of the changes now taking place in the world, even our reforms are not going to put us in a leading position: we will deal with the next round of reforms as part of the work for the next two years and the new Strategic Plan
Thank you
Vinaka Vaka Levu
Dhanyabad