

SIMON PHOENIX GROUP

ACSI Ontario Board/Administrators' Conference
February 5th, 2011

Shrinking Administrative Budgets and the Staff FTE Multiplier Effect



Start Time: 1:45 pm ET

Duration: 60 minutes

Presentation: 45 minutes

Q&A: 15 minutes

PRESENTED BY:

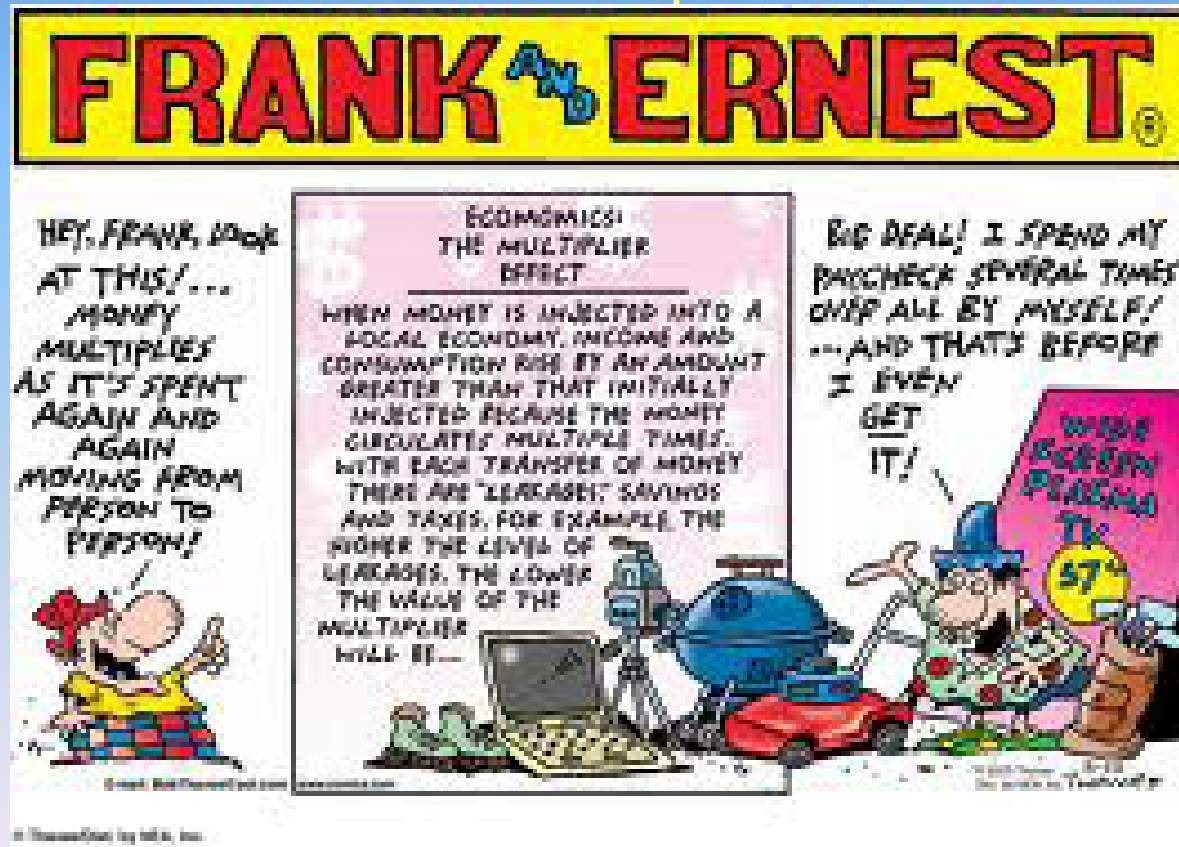
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Multiplier Effect -- Definition

“An effect in economics in which an increase in spending produces an increase in national income and consumption greater than the initial amount spent. For example, if a corporation builds a factory, it will employ construction workers and their suppliers as well as those who work in the factory. Indirectly, the new factory will stimulate employment in laundries, restaurants, and service industries in the factory's vicinity.”

-- *Dictionary.com, 2011*



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Marginal Propensity to Consume -- Definition

“Marginal Propensity to Consume (MPC) is an empirical metric that quantifies induced consumption, the concept that the increase in personal consumer spending (consumption) that occurs with an increase in disposable income (income after taxes and transfers). MPC is measured as the ratio of the change in consumption to the change in income, thus giving us a figure between 0 and 1.”

-- Wikipedia, 2011



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Multiplier Effect -- Equation

$$\Delta Output = \left(\frac{1}{1 - MPC} \right) \times \Delta Demand$$



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Multiplier Effect – Classic Example

- Fractional reserve banking system
- Loans and re-loans with minimum reserve ratio requirement (RRR)
- Expansion of money supply is geometric sum



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Current State

- Primary costs of education (teacher compensation and benefits) continually increasing
- Facility costs (lease, taxes, maintenance, insurance, etc,) increasing
- Puts additional upward pressures on tuition fees and/or fundraising programs
- Puts additional pressure on expense minimization
- Spending on administrative staff is usually “first to go”
- Pressure on administrative staff to do “more with less”



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Administrative Staff -- "Doing More With Less"

- Budgetary Tools:
 - Staff Reduction
 - Realignment of staff responsibilities
 - Use of temporary and/or contract staff
 - Combination of above
 - Indirect administrative staff ancillary cost reduction



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Future State

- Overall reduction in administrative staff FTEs
- Qualitative and quantitative increase in individual administrative staff capabilities
- Allocate more administrative staff time to “higher value-added” functions
- Download more manual tasks to automated systems
 - Determine business processes that can be automated
 - Select applications on their ability to integrate data and informational requirements



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How to Achieve Future State?

- Plan
- Critical evaluation of business processes, staff resources/capabilities, and information technology capabilities (both staff and infrastructure)
- Staff training
- Plan some more!
- Select “appropriate” information technology applications, based on decision matrix factors including: business processes, staff and technical capabilities, acquisition and maintenance costs, etc.
- More staff training!



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Evaluation Phase

- Business Process Mapping
- Business Process Re-engineering to maximize efficiency and effectiveness
- Staff capabilities audit
- Information technology infrastructure audit
- Information technology staff capability audit



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Information Technology Application Selection Phase

- Ability to maximize number of business processes managed
- Ability to adapt to existing business processes
- Cost (initial and maintenance)
- Ease of use
- Customizable
- Ability to easily share and manipulate data within existing organizational framework



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Planning and Staff Training

- There are no shortcuts
- Time invested “up-front” in thoroughly planning through change initiatives, will ultimately save time and money later in process
- Go with assumption that staff want “to do”, they just need to be “shown the way”



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QUESTIONS?