Restructuring a higher education institution: A case study from a developing country

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Restructuring a higher education institution

A case study from a developing country

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Abstract

Purpose – The competitive environment facing all organizations has forced many of them to choose strategies that enhance organizational effectiveness and efficiency. Re-engineering is one of the tools used in administering productivity improvements, cost control and asset management.

Design/methodology/approach – This paper examines the re-engineering process of a higher education institution (HEI) in Malaysia. The impact of cost reduction strategies linked to the overall performance of the organization is discussed in comparison to management system prior to restructuring; vision, mission and strategic direction; core business processes; financial performance analysis; corporate and organizational structure; reorganization of learning centers; courses offered; human resource policies and customers feedback.

Findings – The study found that generally the HEI focused on the cost-cutting strategy especially on cost of sales and operational expenses. Consequently, there were increases in the utilization of the learning; occupancy of the learning centers; number of home courses offered increased and a decrease in employment of part-time teaching staff. There were also marked improvements in academic networks and partnerships that provide for knowledge exchange and transfer.

Originality/value – Although a number of studies have been carried out in Malaysia, very few have concentrated on restructuring process of higher educational institutions. This study critically examines the restructuring process and the major gains of a higher educational institution that embarked on a restructuring program to fully meet its objectives of high quality education and training.

Keywords Organizational restructuring, Business process re-engineering, Higher education, Malaysia

Paper type Case study

Introduction

Business process re-engineering (BPR) is the redesigning and reorganizing of business activities as a consequence of questioning the status quo (Sethi and King, 1998). BPR seeks to fulfill specific objectives and can lead to breakthrough improvements. It is

often associated with significant cultural and technological changes. Organizational re-engineering is based upon two interacting factors: total customer satisfaction and effective and efficient internal processes. An organization succeeds from an inside out approach- the commitment and dedication of employees to fulfill customer needs. The inside-out approach calls for managing employees, not merely making them comfortable within a company, but managing them in a manner, which ensures that the firm can compete in the marketplace.

Re-engineering efforts usually have four major components: a greater focus on the customers of the organization; a fundamental rethinking of the process in the organization that leads to improvements in productivity and cycle time; a structural reorganization, typically breaking functional hierarchies into cross-functional teams and new information and measurement systems using the latest technology to drive improved data distribution and decision making. Alavi and Yoo (1995) found that BPR involves redesigning key business processes in an attempt to improve performance in areas such as quality, speed and cost. The concept seeks to provide managers with a business model, which will reinvent their organization, creating one that has the potential to be flexible and competitive to the challenges of the environment.

Grint and Wilcocks (1995), Devenport (1998) and Tang and Zairi (1998) defined the key elements of BPR as customer focus; an emphasis on designing and improving key organizational processes; fundamental change and critical success factors. McAdam and Bickerstaff (2001), found that colleges need to be much more customer focused, flexible and able to meet the individual needs of learners if they want to survive. BPR is considered to be a suitable vehicle to achieve these changes. The study suggested that colleges need to become more customer and business process focused.

Leatt *et al*. (1997) identified the consequences of cost reduction strategies for an organization's performance in terms of costs, quality of services and consumers and employees satisfaction. In 1994, Gales found that drastic organizational change is driven by technological opportunity, but BPR represents not only improvement in education but also a total paradigm shift.

The present study

In the light of the above, this paper undertakes a case study of the restructuring process at a private college in Malaysia, which provides higher education and training. In an effort to fully meet its objectives of providing high quality education and training; total customer satisfaction; continuous improvement in all aspects of services, the HEI embarked on a restructuring program.

The case study first examines the management system of the organization prior to restructuring. The second part of the case reports on the framework employed by the HEI during the restructuring process. The third part of the case analyzes the benefits of this to the organization. The paper concludes with a discussion the restructuring process.

As for the methodology employed, various reports and statistical data obtained from the HEI were used to develop the first and second part of the case. For analyzing the restructuring process, interviews were conducted with top and middle level managers of the HEI from various departments. A total of 30 managers were interviewed.

In developing questions for the interview, the main basis was a study undertaken by Davis and Mehta (1997). These authors proposed a mission/vision model and general steps for implementing BPR within business faculty, This model includes creating an organizational culture that incorporates teamwork in designing re-engineering; setting up a steering committee; completing feasibility studies; writing the mission; identifying and training the work design; creating awareness in the organization; analyzing the work; selecting and training the employees and training leaders in their new leadership roles.

Based on the objectives of this study, information was sought from the respondent managers on issues relating to barriers during the implementation stage. Managers' were asked for their views on the system prior to restructuring; vision, mission and strategic direction; mapping of core business processes; financial performance; corporate structure; organizational structure of the HEI; reorganization of learning centers; courses offered; human resource policies and customers feedback.

Management system prior to restructuring

Prior to restructuring, there were 13 departments in existence, with the academic department being just one of them. Each department operated independently with little co-ordination. Within the academic department itself, various program courses operated independently of the other course programs. Lack of co-ordination and co-operation between various programs was clearly evident. Each course program claimed that their system was the best although they had no documented procedures as guidelines. In addition, the modus operandi of each program coordinator differed from the others. As a result, some course programs were seen to be efficient and some lacked such initiatives.

Even within a course program, each lecturer had a different approach to the delivery and the use of lecture material depended on the individual lecturer. There was no coordination of courses. The approach towards teaching was very arbitrary and differed in style and learning outcomes from one lecturer to another. Clearly, there was a lack consistency and teaching objective even within course programs.

Another shortcoming was the absence of defined job responsibilities. As a result, tasks overlapped without clear task objectives and without measures of achievements. There were instances where two members of staff were carrying duties similar in nature in a single department. In addition to this, there were also members of staff executing various duties not specific to their department. Staff secondment and redundancy of workforce were rampant and this created confusion among members of staff with respect to their objectives and direction.

Many other shortcomings were also in evidence. For example, there were no standard methods of record maintenance and filing systems in most departments. As a result of this, traceability of the records was difficult, especially when the records were required by other departments for cross-referencing. Second, the performance targets set for lecturers were inconsistent and did not follow any guidelines. A staff that performed well was set with very high targets, and under-performers were given low targets. This clearly led to resentment. Third, there were no formal methods of evaluating lecturers. Evaluation was based on a verbal inquiry from students.

The restructuring process

Realizing the above shortcomings, the HEI embarked on a restructuring process. In an effort to reengineer the key processes, a framework for the restructuring process was developed. The framework included the following:

- All senior managers must be committed to the re-engineering effort. The commitment must be sustained throughout the project. The project sponsor must be a senior level manager, preferably the President or the manager responsible for the process to be reengineered.
- The managers must understand the problem and opportunities and set realistic BPR goals and objectives.
- The HEI must empower employees with a collaborative working style both, during and after a BPR project.
- The company's vision must be shared and communicated at all times.
- The HEI must focus on re-engineering operational processes that are the core business processes of the HEI instead of management processes. Management processes such as strategic planning; capital budgeting; financing; investing in IT; employee evaluation and reward process.
- The employees selected to represent each functional areas must be dedicated to the re-engineering effort on a full-time basis. Team members' regular job and responsibilities must be assigned for the duration of the project. A team redesigning a business process must include members that are internal as well as external to that process. While the internal member helps to define the current steps and identify the value added activities, the external members especially customers and suppliers to the process bring creativity and a fresh perspective to the redesigning effort.
- The HEI must have adequate budget in order to implement the re-engineering project especially if new information technologies are needed to support the project.

Communicating the vision, mission and strategic direction

Vision, mission and strategic direction were not printed prior to restructuring. All these elements were only informed and communicated to all staff members during an annual meeting. Written objectives were only circulated to the heads of departments and not to every employee. Consequently, employees tended to forget their objectives or achievement targets and used their own goals to carry out their work. In this system it becomes difficult to monitor if an employee had achieved the target set and to measure the effectiveness of each employee in achieving the goals of the organization.

After restructuring, the HEI had a more systematic and comprehensive system. Vision, mission, shared working values and working principles were communicated not only verbally but through a pocket-sized written document provided to every employee. Written directions were given to each head of department to be placed in their respective office. These written directions were also pasted at the bulletin board at each learning center. Awareness campaigns were carried out to ensure that all staff members were working towards the same direction.

Core business processes
The mapping of the core business processes is as shown in Figure 1.

The core business processes of the HEI are divided into six main core processes which are: product development; marketing; registrar activities; teaching and learning; assessment and examination and student activities. The objectives of all these core business processes are to fulfill customer requirements; to obtain customer feedback and to ensure customer satisfaction. A brief description of the core processes is as follows:
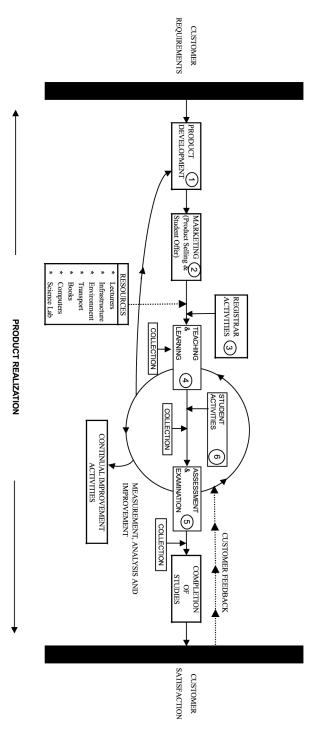
- *Core process 1.* Product development includes the design and development of home programs/courses. The Head of Department needs to evaluate the effectiveness or conduct appraisal of the programs offered. At the same time the Head of Department needs to carry out a market survey to ensure the programs offered are able to meet customer requirements.

- *Core process 2.* Marketing involves all the marketing activities as planned in the marketing calendar. The Head of Department needs to conduct surveys on customer perception. Also required of this core process is to measure and analyze the effectiveness of the marketing activities.

- *Core process 3.* Registrar covers students' activities such as registration; accommodation; sponsorship; collection of tuition fess and bad debts; sending invoices to sponsorship bodies; releasing academic transcripts; convocation and alumni.

- *Core process 4.* Teaching and learning involve all processes linked to delivering knowledge to students. This process requires the Head of Department to utilize all the resources such as infrastructure; environment; lecturers; transport; library; computers and science lab to ensure the effectiveness of this process.

- *Core process 5.* Assessment and examination include all academic procedures pertaining to continuous assessment and examination. The Head of Department needs to carry out statistical analysis on examination results.

- *Core process 6.* Student activities emphasis on major students' activities such as annual sports carnival; students' election and students' co-curriculum activities. The activities will be conducted and facilitated by the student council. The Head of Department needs to obtain feedback from students on the effectiveness of the students activities conduced by the student council.

Figure 1 shows a loop among core processes 4, 5 and 6. This indicates the continual improvement activities will always be conducted to ensure the HEI meets the target of the organization. The continual improvement activities will be administered based on the measurement and analysis completed by the Heads of Department of these core processes.

Analysis
As a result of the restructuring exercise, the HEI underwent numerous changes. This section analyses the changes in the HEI.

Figure 1.
Mapping of core business
processes

Corporate structure of the foundation holdings
The corporate structure underwent significant changes. Prior to the restructuring, the HEI was under the control and supervision of the Agricultural subsidiary. However, this structure had several problems. First, the objectives of agriculture subsidiary and the HEI were very different. Second, the agricultural subsidiary had a focus on profitability even in the short run, as a result of which, it was averse to investing more in opening new courses and programs, which did not bring returns in the short run. Third, with agricultural income itself dependant upon the vagaries of nature, the subsidiary at times found the going tough to maintain the infrastructure development of the HEI. Finally, another very different a serious problem was that there was a conflict in some of the activities undertaken by the HEI and the subsidiary in charge of religious affairs. The training division of the HEI and the religious subsidiary offered some similar courses and program, in the religious studies leading to a lack of clarity in objectives.

As a result of the restructuring process, a new corporate structure was recommended whereby the subsidiaries were separated had clear objectives and focused activities. Figure 2 provides an overview of the new corporate structure.

The new structure overcame the drawbacks of the previous structure. The HEI was now placed under the direct supervision of the Foundation, the other two subsidiaries being the agricultural and religious affairs. Much of the earlier problems are now overcome, with each subsidiary having clearly defined objectives, focused activities and shared common goals.

Changes in the HEI's organizational structure
Significant changes were made to the organizational structure. Prior to the restructure, the structure was complex and centralized with most administrative powers vested with the Chief Executive Officer. The new organizational structure after restructuring was based on guidelines recommended by the Malaysian Ministry of Education for private HEI. The structure generally conformed to the main operational activities of universities in Malaysia. The top management comprised of a president, an academic vice president and another vice president in charge of administration and development.

Reorganization of learning centers
Prior to restructuring, the HEI had seven learning centers. But as most of these operated in the same area, the capacity of these were under-utilized leading to high operational costs. As a result of the restructure, two of the learning center was fully closed and another closed partially. Students from those centers that were closed were
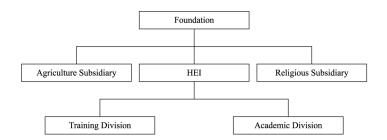

Figure 2.
Corporate structure of the
Foundation holdings after
restructuring

transferred to operating centers. Consequently, the student strength, in these centers rose leading to increasing operational efficiency.

The closure of two centers and partial closure of another led to a significant impact on reducing costs. Operational costs were reduced by 8 and 11 percent as a result of closing two learning centers, and a further 4 percent by partially closing a learning center. As most of these learning centers operated on rented premises, significant savings in rents and rates were also reported a result of these closures. However, further cost reductions could arise if all programs or courses were run in a single learning center.

Treating hostels as profit centers

Prior to restructuring, accommodation services were under the direct control of the "Registrar". The HEI has facilities to accommodate about 2,000 students. However, the occupancy rate was only about 40 percent, with most students preferring to stay outside. As a result of the low occupancy, the HEI had to absorb losses due to maintenance costs and servicing loans taken to establish these hostels.

Taking into account, the potential of accommodation services and the need to provide safety to students, it was recommended during the restructuring process, to treat the accommodation services as a profit centers. Hostels that were found to have less potential and were consistently unable to unable to meet operating expenses were closed or partly closed.

Courses offerings

Since the inception of the HEI in 1992, a number of courses were added without any clear planning. As a result, there were 36 courses that were offered just before the restructuring. Further, these were offered at different learning centers, the location being chosen arbitrarily. Table I provides an overview of the courses offered prior to restructuring.

Of these courses, two of the certificate level and 12 of the Diploma courses were designed and awarded by the HEI. The remaining courses were held in collaboration with local institutions. As for the five undergraduate courses, these were in collaboration with foreign universities, and the graduate course was in collaboration with a local university.

During the process of restructuring, the choice of courses and the locations were carefully evaluated. Based on the HEI's objectives, it was recommended that five of the courses needs to be terminated, of which two were in collaboration with foreign

| Discipline | Level of courses offered | | | | |
	Certificate	Diploma	Undergraduate	Graduate	Total
Business	2	10	3	1	16
Engineering	–	8	–	–	8
Information technology	1	1	–	–	2
Computer science	2	3	2	–	7
Art & Design	1	2	–	–	3
Total	6	24	5	1	36

Table I.
Courses offered at the HEI

universities. Two main reasons for this decision were that, these courses were operating at below breakeven point and were being heavily subsidized by other courses; and that these courses were cannibalizing on other courses that had a greater potential.

In deciding the courses to drop, the main focus was to give a preference to "home generated" courses and reduce dependence on collaborative links. Collaborative links had resulted in heavy payout of royalties and further did not create an identity for the HEI. These measures yielded benefit to the HEI, as revealed in the percentage of students opting for the "home-grown" courses. Prior to restructuring, 39 per cent of the students were enrolled in the in-house courses, this percentage increased to 45 during the first year of restructuring. This trend is expected to continue.

The process of restructuring courses also included shifting to locations which were more logical and consistent. Courses were transferred from some locations and consolidated and offered in two locations. This resulted in maximum utilization of facilities; teaching and support staff. Hence, significant savings were achieved through reduced rental; utilities; maintenance and transportation. Operating expenses reduced by over 20 percent.

Optimizing human resources
Prior to restructuring, teaching workload was assigned on the basis of learning centers. As a result of this, teaching staff in some learning centers were underutilized. Consequent to the restructure and relocation of courses from the centers that were closed, there were changes in the distribution of teaching workload. Teaching staff were required to teach different courses, based on their specialization. This led to optimization of existing teaching staff. While this change did not lead to terminating of services of teaching staff, it saved the HEI from having to recruit part-time staff, which was the practice before. There was a significant saving in costs as a result of this change.

A new policy on recruiting teaching staff was introduced. The main feature of this policy was creation of two major categories of academic employment – tenure and contractual. A staff appointed on a contractual basis could be absorbed to a tenure status if his performance was found to be satisfactory after a review process. This move had significant impact, as the HEI was not obliged to keep non-performing staff permanently, as well as keeping staff to required number. Other new clauses in the employment contract were to have an undertaking from the staff to teach in different collaborative courses if required and to agree not to resign during the course of a semester. A staff was required to give three clear months of notice prior to resigning.

Employer/student feedback
Prior to restructuring, the activities of the HEI were focused on routine operational activities. Student/employer satisfaction received little attention. The realization of customer importance was minimal. The management and quality department mainly focused on routine administrative work.

After restructuring, the management and quality department were separated. The administration of customer focus and feedback was undertaken by quality management department. This department carried out surveys on the internal and external customers of the HEI on a regular basis.

As a result, shortcomings in various support departments were identified and corrective actions were taken immediately. Furthermore, the findings also provided valuable information for management to design preventive measures. These feedbacks had proven to be an important source of information towards continuous improvement of the activities; processes and performance of the functional departments.
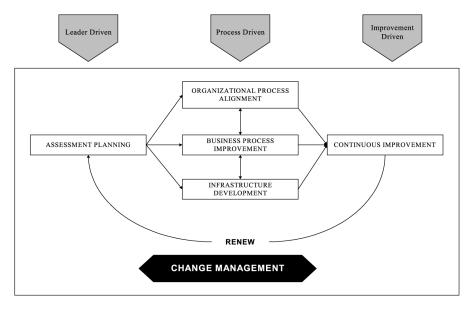
Discussion and recommendation

BPR theory suggests that companies will achieve the greatest success if they are customer-focused and market-driven in their external relations and process-focused and team-oriented in their internal operations. The initial activities of the HEI focused on four major components: a greater focus on the customers of the organization (both internal and external); a fundamental rethinking of the processes in the organization that led to improvements in productivity; a structural organization, typically breaking functional hierarchies into cross functional teams and new information and measurements systems.

The HEI under this study could be categorized as improvement-driven organization where:

- Improvement = change in the right direction.
- Driven = compelled to improve.
- Organization = the HEI and its employees; suppliers; customers and stakeholders.

Figure 3 shows the dynamics of an improvement-driven organization with three drivers, mainly the leader; the processes and improvement that are the basis for establishing the corporate objective of such an organization.

Figure 3.
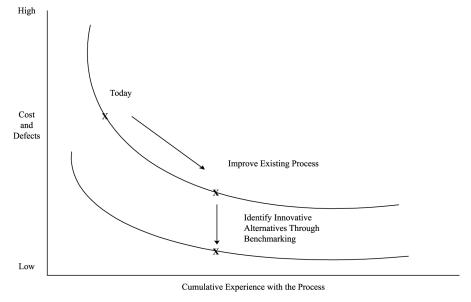Dynamics of an improvement-driven organization

Source: Carr and Johansson (1995)

The leader drives the organization by assigning the necessary resources to assess the current environment. At the same time the leader communicates the vision plan for the future both short- and long-term. The processes need to be continuously improved either through quick-fix track or re-engineering track or gradual improvement track. Quick-fix track means simplifying the existing procedures before implementing it. While re-engineering track involves innovation and creativity either by creating new procedures or by referring to the external best practices as a guideline while gradual improvement track means identifying root causes and proposing some improvement procedures. All of these tracks definitely need to be continuously monitored.

When the HEI practised cross-functional teams, it was indirectly increasing the communication across each of the function that was involved in the process. The experience curve in Figure 4 shows how internal process improvement was effectively combined with external benchmarking, where the number of defects and cost involved was reduced. The internal process improvement teams accelerated the movement of the HEI down the curve. The external benchmarking helped the HEI to adopt an entirely new process technology and shift the experience curve downward. The operational cost of the HEI was reduced tremendously when it adopted this strategy.

Besides reducing operational cost, the HEI also practised empowerment in the organization by identifying catalysts or change agents at all levels in the organization and involved them in the exercise or created structures that gave them the authority to make decisions; implement changes; question the sacred cows and innovate.

The analysis of the case shows that the HEI concentrated on means to increase productivity, provide higher level of services and responsiveness and at the same time reduce costs. The strategy chosen are improved cycle time; efficiency; cost; quality;

Figure 4.
Experience curve before and after process re-engineering

Source: Sethi and King (1998)

service; flexibility and capability of the HEI. At the same time, it also helped to enhance customer loyalty and increase company profitability.

However, there appears to be still a flaw in the corporate structure of the group. Two of the Foundation's subsidiaries still carry out activities relating to education. It is recommended that the Foundation integrate both these subsidiaries. Another recommendation relates to the composition of the Board of Directors. It is suggested that that the Board comprise of a member each from the academia; corporate world; a certified public accountant and a representative from the Foundation Holdings. Taking into account that the HEI develops most of the courses on its own, input from a diverse group will be invaluable in developing the course content. This would enable the HEI to produce graduates who would be marketable; meet industry demands and cope in an increasingly challenging and volatile environment.

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