

10-1-2002

Operational Efficiency Review: How to Free Dollars for Extension Programs

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Recommended Citation

Bequette, B. L. (2002). Operational Efficiency Review: How to Free Dollars for Extension Programs. *The Journal of Extension*, 40(5), Article 22. <https://tigerprints.clemson.edu/joe/vol40/iss5/22>

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October 2002 // Volume 40 // Number 5 // Tools of the Trade // 5TOT1



Operational Efficiency Review: How to Free Dollars for Extension Programs

Abstract

The effect of the declining economy has challenged Extension's ability to maintain existing programs and create new ones. By examining ways to reduce overhead and enhance resources, Extension can realize savings that can be redirected to meet operational and program needs. This article describes a process for an operational efficiency review that can reduce expenses and provide redirected funds for programs.

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The Need

Nationwide, Extension has been feeling the effects of the declining economy. Hiring freezes, reductions in travel, and reduced operational funds are commonplace. Maintaining existing programs has become a challenge, and the introduction of new programs may require taking funds from one program in order to fund another. While always a priority, the importance of efficiently utilizing operational funds has heightened considerably.

A CEO of a large organization was mystified as to how a smaller competing organization was able to continue growing their organization even in tough times. The CEO called the director of the competing organization, hoping to obtain some strategies that would be useful. "How do you do it?" inquired the CEO. The competitor's answer? "All we do is walk behind you, and pick up the dollars you drop". While this story may be amusing, it may also be true.

There is a need to review our current operational expenditures and procedures, and ensure that each dollar is spent as efficiently as possible. In the process, we may free up dollars that we can use to deal with our declining operational budgets or can allocate to programs.

The Program

The operational efficiency program was created as part of an intern project for the Western Extension Leadership Development (WELD) program. The objective was to reduce overhead and enhance resources in Extension field offices, thereby providing redirected or new funds for enhancement of county Extension programs.

The program was designed with the following details.

- The operational efficiency program must be requested by the County Extension Director (CED), who must fund the cost of the review.
- The CED must allow access to operational records and provide assistance from the office money manager.
- The recommendations generated by the review are a decision-making tool and are confidential.

The intent of the review process was to examine all expenditures and explore possible alternatives that may reduce those expenditures. Costs associated with the following categories were examined.

- Local Phone Service: There are competing alternatives for local phone service.
- Long Distance Providers: Various companies can provide access to long distance service at competitive prices.
- Telephone Equipment: Technology has developed various systems that can reduce the need for human labor and thereby reduce costs.
- Internet Access: Availability and price of Internet service change very rapidly.
- Mobile Phone: Service options have increased in number and become competitive in price.
- Travel: While using a personal vehicle is the easiest and most common means of travel, other, more efficient options may be possible.
- Office Equipment (copiers, faxes, duplicators, networked printers, and other forms of technology): The cost of purchase (or lease), maintenance, and operation of this equipment can often consume a large portion of the local budget.
- General Operations and Maintenance (the four P's--postage, pens, pencils, and paper--and a myriad of other items): These items keep offices moving, but they cost money, too.

The Recommendations

An operational efficiency review was conducted in an example county in Arizona.

Recommendations generated from the review included a list of options pertaining to all categories listed. The CED was provided with an options sheet that contained a current expense breakdown and varying numbers of options, along with pros, cons, and dollar savings for each option. Additionally, a review of County government support was conducted, and suggestions were provided to assist the CED in increasing that level of support. Comparative county data relating to various categories of expenditures (e.g., local travel in one county vs. local travel in another county) was provided to enable the CED to draw comparisons and establish categories that lie outside of a norm.

In order to generate new funds, a benefactor list was devised that provided names, addresses, phone numbers and contacts for potential benefactors, along with suggestions for how to meet the needs of the benefactor. A realistic annual figure based on the size and number of possible benefactors was listed. Potential to generate new revenue from benefactors was estimated at 10-20% of the total operational budget annually. Average savings for adoption of all recommendations ranged from 20-30% of the total operational budgets. The results for the example county in Arizona are provided in Table 1.

Table 1.
Operational Efficiency Review Results for a County in Arizona

Expenditure Item	Current Costs	Proposed Costs	Savings/ Month	Savings/ Year
Phone Long Distance	\$3600/yr.	\$360/yr.	\$270	\$3240
Mobile Phone	\$3240/yr.	\$1620/yr.	\$135	\$1620
Travel	\$10,000/yr.	\$7500/yr.	\$208	\$2500
Office Supplies	\$8000/yr.	\$7200/yr.	\$67	\$800
Benefactors	N/A	N/A	N/A	\$5000
Total Funds Saved				\$13160

It was determined that local savings could not be realized from Internet service because costs for this service were provided by central administration at no charge to the local office. Additionally, computers were new, under warranty, and had no existing service contracts. The copier was on a central administration perpetual lease, which eliminated various other options. Substantial savings

were realized from other operational expenses (\$13,160 or about 20% of the local budget) as shown in Table 1.

Once all counties in a state have been reviewed, total state expenses by category can be figured, and program-specific comparisons can be made.

An Opinion

It is my opinion that most Extension field offices are efficiently operated. However, given the constraints imposed by a lack of time and knowledge of available resources, most offices can improve their use of operational funds by 20-40%, thereby freeing dollars to be used for programming. Considering that an efficiency review will only cost 10% or less of the operational budget on a one-time basis, prudent money managers should consider reviewing their own operational expenditures or hiring a consultant to do so. For more information about an operational efficiency review program contact me at (928) 726-3904.

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