DU ORAL HISTORY 1984-2014

Interviewee: Jim R. Griesemer
Interviewer: Craig Woody
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Intro	00:01	Series introduction.
Craig Woody:	00:21	Welcome to the University of Denver's oral history. The interviews in this series present a panorama of progress against steep odds, stories told by men and women who were personally involved in saving the University and undertaking an extraordinary process of renewal. We've divided our story into three parts, the first being DU's severe financial crisis in the 1980's. Then, the dramatic financial turnaround in the early 1990's followed by a decade of remarkable growth and renewal. To continue our story, I'm joined by Jim Griesemer, professor and Dean Emeritus of the Daniels College of Business and a DU trustee. Jim Griesemer, welcome to DU's oral history.
Jim Griesemer:	00:36	Thank you. Craig.
Craig Woody:	00:39	Jim, you and I worked together for a long time beginning when you joined the university as DU's chief financial officer at the beginning of 1990 and we have talked about the number of positions that you have held during your 30 plus years at the university. But I would like to begin by talking about your career prior to joining `DU. Could you talk about that?
Jim Griesemer:	01:01	Sure. Well, in college I started out focusing on business. But I was also very interested in public policy and public service and through a series of events, I learned about a thing called city management, which sort of combined both. You were responsible for the whole city's management, although you were not a politically elected official. So that was the business component, but you were dealing with public policy issues, which I found

very interesting. So I, I was in, I got early admission to graduate school, which gave me a chance to do a number of internships in various city manager's offices and I learned a great deal. And as a result of that, right after graduation, I was able to get a job as an assistant city manager. I did that for about a year and then got my first city manager's job at the, a ripe old age of 23. I often say that I probably should have been paying the city given the experience I was getting and perhaps the damage I was doing as the city manager.

Craig Woody: 02:11 So you went into city management after college at age 23. Tell us about your interest in academia.

Jim Griesemer: 02:19 Well. I was, I always had an interest in academia and over a period of almost 20 years, I served four different cities as city manager. Last being in Aurora, Colorado. And everywhere I served as city manager, I was also involved with the local university, either as a lecturer or adjunct professor or whatever. I also enjoyed the research and writing aspects a lot. And so by the time I came to Aurora, which was in 1984 I had published a couple of books and in Aurora finished my doctorate. So I'd always had an interest in and kind of an association with academia.

Craig Woody: 03:00 Well then, how in the world did you get from being the city manager of Aurora to DU's chief financial officer?

Jim Griesemer: 03:07 Um it's a strange but true story. In the summer of 1989, my son had just graduated from the University of Northern Colorado and one Sunday we were sitting there looking at the classified ads, which was the way you found jobs in those days. And in the course of turning the pages, I saw a little ad for and it said it was about one column wide, maybe three inches tall, and said chief financial officer, University of Denver. And I saw that and I kept on going. But during the week I, I kept thinking about that and I wasn't looking for a job, but I kept thinking about it. So I called someone I knew at D U and said, what is this about? And they and they said, oh, you find this very interesting. We've just hired this new chancellor, Dan Richie, who I didn't know at all. And to make a long story short, I applied for the job in what was a very fast recruitment process because the University was under some pressure to get that job filled. I was hired by Dan in late, in the fall of 1989.

Craig Woody:	04:18	When you came to DU, what did you find?
Jim Griesemer:	04:21	Well, you were here as well, so you have a good, a good understanding. The University was in very serious financial trouble. Dwight Smith, the chancellor immediately prior to Dan Ritchie and his colleagues including yourself had, had really done a terrific job keeping the University afloat in the face of severe financial pressure. They'd, they'd made a lot of progress, but there was still a great deal that needed to be done. I remember, I will never forget my first week on the job I received a memo was not a formal legal opinion, but it was a memorandum commissioned by the then DU board chair, a gentleman named Edward Estlow. And the memo essentially said, what do you do with the endowment when you close the university? I remember going home and saying, saying to my wife, I think this job's going to be a little tougher than I thought.
Craig Woody:	05:25	Well, that would get one's attention. What specific areas you the most?
Jim Griesemer:	05:30	Well the, there were a series of things, Dwight Smith called it called it really a perfect storm. But what concerned me, I think Craig was the fact that the University was in not only a weak position, but there seemed to me to be a lot of, of things that needed to be addressed and they needed to be addressed pretty quickly.
Craig Woody:	06:02	Well, we know that that had lots of implications. Can you tell us a little bit more about that?

Jim Griesemer:	06:10	Sure. Let me sort of set the stage in that. In the mid, in the mid 1980's the University had experienced some severe deficits. And, then for a couple of years, because of the really heroic efforts of Dwight Smith and his team, the University was able to break even. But to achieve that the University in a period of not much more than a year, reduced its faculty by 20%, reduced the staff by a similar amount. So just think for a minute if, if you're in a, if you're in a business and I've been in this position and you have to, where you're dealing with the need to cut, a 5 percent cut is huge and really difficult to do. Dwight his colleagues, reduced the expenses by 20%, and they closed five programs in a single year.
Jim Griesemer:	07:10	Now because of that. And I mean, that's so difficult to do, but because of that there were a couple of years where the university broke even. But then in 1989, fiscal 1989 which, and we got the information, it's actually early 1990, the University had a surprise, another surprise deficit of about a million dollars. And in today's world, $1 million doesn't sound like that much. Relative to the university's budget at that time, it was huge, almost catastrophic.
Craig Woody:	07:48	There's one additional thing that I'd like you to comment on. What about the University's long-term debt and its credit ratings?
Jim Griesemer:	07:55	Well, the and that's a wonderful question because of the deficits that the university had accrued in the 80's, it had a cumulative deficit of some $6 million. Now, if you think about that if the university didn't have an endowment, and it was only $35 million, today its three quarters of a billion. If the university hadn't had that very modest endowment, it would have been insolvent. So that, I mean, so the situation couldn't get much more difficult. That cumulative deficit meant that the University's bond rating, to your point, the University's bond rating was barely investment grade. And at the same time the University was

experiencing falling enrollments, which cut our, the, our cash flow and liquidity issues. There were certain times of the year when the University had to borrow money just to make payroll and then and then later in the year we would pay, pay that back. The University also had letters of credit to secure the liquidity of it's, of its debt. Now when you, when you put that together, what it meant was not only was the University in a very difficult position, but it kept getting worse. Every time you had, you went downhill, your costs of operation went up.

Jim Griesemer: 09:35 And so it was, it was really a financial spiral. Things where it's like a whirlpool, a financial Whirlpool, everything kept going down.

Craig Woody: 09:45 Well, as the CFO, you were in a very difficult spot. Tell us a little bit more about what it was like.

Jim Griesemer: 09:52 Well, it was interesting? About my office was a floor below Dan Ritchie's in Mary Reed Hall. And so at least a couple times a week, I would go up and give Dan the latest piece of terrible financial news we had just uncovered. And it was interesting to me because Dan never once, and I went up there many, many times. He never once got angry. Nor did he try to shoot the messenger, which made me very happy. But he would calmly evaluate the situation and we would, we would discuss what we should do about it. But he was just as in spite of the very difficult situations. He was just as, as even as he could be.

Craig Woody: 10:38 Sounds like, Dan. In addition to the chancellor, how about the board of trustees? How did they respond to this bad news?

Jim Griesemer: 10:47 Well, they, the bottom line is the board was just great.

Jim Griesemer: 10:52 Um every quarter as the, I was CFO and treasurer. And so every quarter I would give the board a financial report. And for the first year, year and a half, they were almost never, never good. I remember one time I stood up to give my report and the board started booing me and they said, we don't want to hear your report. They were kidding. But they faced, just enormously difficult circumstances and they did it, with just great commitment to the University.

Craig Woody:	11:30	Tell us about DU you board members individually?
Jim Griesemer:	11:34	Well, in, in their own ways, they, they contributed different ways of course. But, but one, one illustration that has stuck with me in a, because I was so astonished. One day I'd perhaps been at DU a year or a little less, a trustee came into my office, he'd ask if he could come see me and I said, sure. And the trustee sat down and said, you know, we all know the University is in very tough shape and I, I'd like to help. And he said, what's DU's most immediate need? So, so I told him what I thought we really had to address pretty quickly. So he sat there, took out his checkbook and wrote me a check for $15,000, handed me the check. And what we used that check for was to help pay that month's electric bill. Now the trustee knew that's where the money was going and you know, the trustee didn't get their name on a classroom. There wasn't a plaque put up, no recognition whatsoever. And that was perfectly fine with the trustee. The trustees' concern was how they could help the University.
Craig Woody:	12:55	So here is the University in very difficult financial straits. What caused you to use financial crisis?
Jim Griesemer:	13:02	Well, that's a great question. Dwight Smith who was the chancellor during this very difficult period. The difficulty had occurred before Dwight became chancellor, but he inherited a really difficult situation. And, and Dwight's description is, is, is good. And I would emphasize that there, that in any situation like this, as most of our viewers will know, there's a lot of factors involved. But from Dwight's point of view, he saw several things. The first was the University of Denver had taken over the campus of the Colorado Women's College up

North on Montview Avenue. And it, the, it was the buildings were quite lovely, but they were very old and CWC, The Women's College had gone through a lot of financial struggles themselves.

Jim Griesemer: 13:54

So there was an enormous amount of maintenance that needed to be done. And just keeping up a whole, a whole campus with all of these buildings is very expensive. So that added, so DU was in a fairly weak position and that added costs. The second thing was, DU built several new buildings one being the law the law school building and which was on the CWC, The Colorado Women's College campus. Well now visualize the University's financial situation is not strong. It took on more debt, but he took on very expensive debt because it was financially, financially weak. So there were, there was that, those kinds of things on the expenditure side. But there were some other factors. Colorado and the oil patch States, Texas, Louisiana, so on were in, in an in an oil patch recession and in Colorado is pretty bad.

Jim Griesemer: 14:55

And so the, the financial situation was difficult in, in, in Colorado and DU's enrollment was declining. Now in those days, about 75% of our undergraduates came from Colorado. It's very different today. 75% come from all over the country, but in those days, so an economic issue in Colorado flowed directly into enrollments, i.e. pushing them down. So you had expenditure issues, you had a weak financial situation, you had an, you had declining enrollments and a recession. And Chancellor Smith in our interviews has described this as a perfect storm and that's a great, that's a great description.

Craig Woody: 15:44

Good way to look at it. So the DU financial crisis was a huge and complex problem. How did you think about it? How did you conceptualize it?

Jim Griesemer: 15:53

Well, sort of in two broad domains or areas, the first was tactical. It was clear we had to get moving pretty fast to do a bunch of things, just day to day things. Not glamorous, but things to slow down the bleeding if you will, that the University was facing. And then secondly were larger sort of strategic changes that would cut across the university processes and the culture and that those things take a lot longer. But ultimately you needed to do that as well.

Craig Woody: 16:33

Well, so let's talk about the tactical actions first. What were some of the examples that you can provide about those actions that you were responsible for taking?

Jim Griesemer: 16:43

Well there were so many things that were done and you, Craig led a lot of them, but a couple of examples. One is for example, we consolidated airline travel. So the University was spending in those days about a million dollars in airline travel and for faculty, staff and that, and universities tend to have fairly high travel expenses because professors are going here and there and researchers are traveling. So we consolidated that. We negotiated, I actually negotiated with our airlines and we're able to get a discount for everybody's travel. And that, that put about a hundred thousand dollars in the university's pocket. Now again, that doesn't sound like a lot of money, but in those days, anything was a lot of money. And we I remember very much going and seeing the provost Bill Zaranka, wonderful man who is dealing with a whole bunch of problems in his domain.

Jim Griesemer: 17:48

And saying, Bill we've got $100,000 that we can put in the base budget because of the savings, you know, forever. And you should use it for academic purposes. Now again, that doesn't sound like a lot of money, but it was very, very important. Another, another quick example were accounts receivable. This is an area that you were, you led in and did a brilliant job. So the University's cash flow is a function of a number of things, one of which are the receivables that the university is getting. There was a very, our un-received receivables were significant and there was a long period of time between the time we'd send out bills and we'd get the money. That meant our cash flow was weak. And that meant occasionally we had to borrow money. When we had to borrow money, we had to pay interest.

Jim Griesemer: 18:48 So again, if you're weak, you get weaker kind of thing and you dramatically changed the receivable time frame. Which was again, really important. Another thing we did, which wasn't money saving but was I think improved the quality of our decisions. So the university would do its budget in the fall and we'd set the salary pool for the coming year for raises and that kind of thing. But in the fall, we didn't know what the enrollments would be for the next, you know, period. So what we did was we deferred making that decision until we had a very good handle on what the enrollments were likely to be. And then we set the salary pool. Now that didn't delay anybody getting a raise, but what it did was to inform the decision making. So these tactical things, we're both sort of hands-on, tangible, but also sort of how do you make decisions in a better informed way.

Craig Woody: 19:52 Unbelievable. Let's talk about the strategic issues. What led you to them?

Jim Griesemer: 19:59 Well so what we did shortly after I came there and, and we, we discovered that we had another year lost $1 million. So I decided that we needed to do a pretty detailed analysis of what happened. Why did this occur? It wasn't a matter of finding blame. It was a matter of trying to look at the structural aspects of this and you, and, and your director of accounting, Margaret Henry, led this study and it was very in depth. It was a complex project, but out of it came sort of three, at least from my point of view, three important conclusions. The first was that in that year, 19, fiscal 1989, when we had that deficit, almost all the departments lived within their budgets. So it wasn't a matter of department heads or college deans wildly spending, they stayed within their budgets. The problem as we discovered, was that the University's revenues were almost across the board below estimates. So the issue was that there wasn't, there wasn't a linkage. We had centrally, centrally managed revenue estimating and collecting, and we had decentralized expenditures. That is the colleges and the administrative departments. And there was essentially no, no connection between them. So that was, that was the first thing we identified. The second was that toward the end of the year department spending would go way up. And and we'll talk about that in we can talk about that in a second. And then third there wasn't much good financial information available. We had a basic accounting system. I think basic is the word, but in terms of managerial financial decision making, we didn't have a lot of strengths. So those, those three findings sort of guided me and others in saying, okay, what are the strategic things we should, should undertake?

Craig Woody: 22:32 So, what about the first finding the reasons behind the University surprise deficit? You've already described that. Is there any more that you need to say about that?

Jim Griesemer: 22:40 Well, I guess I guess the, the question is, so we discovered that, what do you do about it? And so what we decided to do was to, we clearly had to somehow link the revenues and expenditures. You couldn't, you couldn't have these separate worlds operating as if they didn't have anything to do with one another. So what we did was I set up a system of what we're essentially profit centers, what a business would call a profit center. Now we couldn't call it a profit center at the University. That was sort of a, no, no, but we called them responsibility centers, which wasn't, it wasn't a bad name actually. And so what we did was, we took the colleges and major departments and made them these, these centers in our budget structure. And then they already of course, had their expenditure patterns, but then to that we added revenues that were related to their operations.

Jim Griesemer:	23:51	So for example, if you were the law school, you had your expenditures to run the law school. But we took the tuition from the law school and put that in the responsibility center. Same with the business school, the other colleges and major departments. So what we then had were these complete little centers with, some not so little, with both our own expenditures and their own, their own revenues, the and in any event, that's, that's how we that's how we, we did this. But I think an important piece, I mean, the mechanics of that are pretty straight forward, but I think the, almost the cultural dimension of it was just as important. Previously, the deans or department heads essentially were responsible for expenditures. They were given a budget by the university, said live within it, and they essentially were managing the expenditures.
Jim Griesemer:	25:01	When we created these centers and the provost, for example, Bill Zaranka, made it clear to the, to the various deans that, okay, you're in charge this is your shop and it's your responsibility to carry this out. It had a really important affect and that was the, the various managers, whether they're deans or department heads or whatever, it empowered them. They now had responsibility. They had their own center, they were in charge of it, and they weren't just functionaries handing out expenditures during the year, but they were really empowered to manage that and that, that cultural change, the notion that now the college of law for example, and the Dean of that college, that they had the authority and the responsibility and they weren't just sort of mid-level manager types that made a big change in the, in the tenor of the University.
Craig Woody:	26:07	Outstanding. The introduction of responsibilities centers obviously was a real fundamental change. What about second finding the acceleration of expenditures at or near the end of the fiscal year?
Jim Griesemer:	26:21	Well, that was interesting. What we, what we found, and as you very well know, was that there

was this flurry of spending at the end, at the end of the year in the departments. Now that, that is not unusual. First of all, there are lots of organizations that see that. And nor was it irrational because any unspent money in the department went right back to the University. So but so they would spend it but it, but the, the, those expenditures were sort of made because the money was there. And it wasn't sort of part of a deep plan. And the implications of that. So everybody spending everything they had. And the implications of that was neither the departments nor the University ended up with any money.

Jim Griesemer: 27:18 Everybody spent everything they had. And they did so because the incentive was to spend it and there was a negative incentive, spend it or lose it, as opposed to save it and do something with it. So the incentive structure was, was negative. But now we had created a, just maybe six months before or less this new responsibility center budgeting. So the deans and the department heads had this, they had a sense of ownership as I described earlier. So, so the question was, okay, can we create an incentive for them not to sort of spend every nickel they have, but to invest that wisely. And, and we called that, system gainsharing. So that, that was the idea. I drew the, the notion I drew from business. I had actually experimented with gainsharing in some local governments and saw that it worked quite well in a, in a nonprofit environment.

Jim Griesemer: 28:21 And it was sort of, it was innovative for higher education to do that at the time. But the trustees adopted I presented to them and, and of course to chancellor Ritchie and the trustees adopted it. And that's, that's what we did.

Craig Woody: 28:38 So gainsharing was a relatively new approach in higher education. Tell me about the mechanics. How did it work?

Jim Griesemer: 28:45 Well it was, it was pretty simple. First of all, we said to the departments, now remember, they're running their little units now. We said, you can keep 100% of what you don't spend and we'll take that, whatever it is, that money, and we'll put it in what was effectively a savings account for their department. So you don't have to spend it all it, you know, you, you and then we also said if your revenues are above budget and this would be for example of the business school, let's say.

Jim Griesemer: [29:22] So if the business school tuition was above what was budgeted, we said to those, to those colleges departments, you can keep half of the excess revenues. The other half went to the University. You can keep half those and we'll put those in your gain sharing savings account. And so there were, what made that attractive besides having some money. What made it attractive was that we said those balances are going to remain there indefinitely. It isn't like you have to use them by X date because we knew if we did that, they would use them. So there'll be there forever. And the second thing was that we, we by policy, the University gave departments tremendous flexibility in how to use those funds.

Jim Griesemer: [30:21] There were only a couple of basic rules. One was you couldn't use those funds to create ongoing expenses. For example, you couldn't hire a full time employee because remember the funds are in like a savings account, but the employee, those costs would go on for a long time. So you couldn't do that. And we said to the departments, you can spend up to a third of your gainsharing balance in any given year, you could spend more with the provost or the CFO's approval. But basically the rule is 30%. And the third thing was if your revenues fell short, then your gainshare balance was used to help make that up. So there was an incentive to a) bring in the revenues and b) save, save your money. So overall, the departments had had a lot of, had a lot of flexibility.

Craig Woody: [31:23] This is incredible. Within reason, the gainsharing policy allowed deans and department heads to use their gain-sharing funds as they thought best. Is that right?

Jim Griesemer: 31:32

It is. And you know, it's interesting because some people in the university thought that the departments would have these amounts and they would fritter them away, they would use them for, for sort of unimportant or less important things. The results were exactly the reverse. Departments were very careful about how they used their gainsharing money. And if you think about the way an institution budgets, it's not surprising. Here's why. A department's budget from the university and in typically covers basic costs. It covers salaries. It covers equipment, you know, keep the lights on, do the operation, but it just covers costs. Gainsharing went above and beyond that. So a department now had its costs covered by the basic budget, but then it had this increment of money in its gainsharing account. Because your basic costs were covered, you could leverage the gainsharing money enormously because all your basic costs were covered.

Jim Griesemer: 32:45

So, for example, if you wanted to start a new program, you use, you know, a Dean says and his faculty say, boy, we think there's a great need out here for this kind of degree or this kind of program. They could use their gainsharing money to start that and all their operating costs were already covered, which meant that they could get a lot of bang for their buck for each things out of gainsharing. So, so the departments could, could invest in innovation as I just described. They could, they could buy technology, technological items, computers and servers and all those kinds of things. And for a university being at the cutting edge of technology is really important because you want your students, when they come out of the school and interview for a job, you don't want them to say, Oh gosh, look at all that neat technology. I've never seen it before. You want them to say, Oh, yes, we've done that and I've worked on the next generation. And so it benefits your student. And also the human resource dimension. The education, training for a staff. All those things that are almost always the first things that get cut those could be used. So the, so the bottom line was gainsharing was very valuable to the departments because in effect it was leveraged. They had great flexibility in how they used it and they didn't, they didn't waste a dime.

Jim Griesemer: [34:17] And I'll close, I'll close with this. So I remember talking to a department head when I was dean at the business school later. And he said, well, you know, Jim, he said, the way we think about, we're talking about gainsharing. He said, the way we think about it is that there's really two kinds of money. There's the university budget, and then there's real money, which is the gainshare and we are not going to waste the gainshare.

Craig Woody: [34:42] So. Well, so tell us about the results of the gainsharing policy.

Jim Griesemer: [34:48] Well it was, it was dramatic. It was more when I conceptualized it, I thought I was pretty sure it would be useful, but it was, was much more impactful than I, than I thought it would be. For example, the year before we did that, we had that surprise $1 million deficit. That was fiscal 1989. The next year, a year later, we'd put in gainsharing the, the university went from a $1 million deficit to a $2.8 million surplus in a year. And that surplus was more, a greater surplus than the university had seen and maybe ever, but a long, long time. That surplus was due, in part to gainsharing I think in no small part. And also we're beginning to get an uptick in, in enrollment. It didn't skyrocket but, it was beginning to, to uptick a little bit. But between, but, but I think the gainsharing was, well, I know, it was enormously important. The following year, the, the surplus jumped from 2.8 million to 4 million. And that, that, I mean suddenly people were, I'm talking about people in, in the DU community, we're saying, hey, you know, maybe we're going to make it. We had some surplus. And that trend I, I guess I would emphasize that that trend, then and, and under your tutelage as CFO, and under several chancellors, that trend has continued for nearly 30 years. And, without, without getting into the weeds, the University's very strong operating margins have, have been enormously important in our, in our ratings, our bond ratings. But the other thing to mention is the effect, and this, this was sort of not in the limelight, but hugely important, was the effect of the gain sharing on the university's balance sheet.

Jim Griesemer: 36:57 So remember we, the University had this cumulative deficit. So if you look at the balance sheet, you have a negative balance sheet except for the, except for the endowment. Those surpluses drew down the cumulative deficit. And within a few years, the University, the entire University deficit was erased. And that was that was really important because originally DU was barely investment grade. With the deficit gone and the balance sheet stronger, we could buy what's called bond insurance. And the effect of bond insurance is you go from whatever your rating was to triple A, because the bonds are insured. The interest rate you have to pay drops dramatically. So again, just as you have a negative spiral in finances, you can also have a virtuous spiral as you get these things in order.

Craig Woody: 38:01 That's unbelievable. So, gainsharing and responsibility centers were important on a number of levels.

Jim Griesemer: 38:07 They were and the gainsharing policy, as I said was vital to DU's financial turnaround. But it's, it's useful to think about the fact that you couldn't do that if you didn't have a responsibility center budgeting because you didn't have the sense of ownership of the departments. If all they controlled was the expenditure, it wasn't their deal. But suddenly when the deans control both sides of it, and then when you put an incentive system in that complimented that you had, you had a, you know, a really powerful really powerful force to turn around the university.

Craig Woody: 38:49 Unbelievable. Is there more to the turnaround story?

Jim Griesemer: 38:53 Well, the you know, what happened was as the University became stronger financially it was able, the academic programs then really started to blossom. So that, that all of the very difficult times that Dwight Smith and in the early times you and I and Dan had to deal with, the, the tide was changing. Uh and so it was, it was, was pretty remarkable.

Craig Woody: 39:31 Well, describe then the decision making information that the university had, particularly with the implementation of the contribution margin analysis.

Jim Griesemer: 39:42 Right. The, the third I mentioned earlier that, that, that there were three findings. The, the lack of linkages, the need for an incentive system. And the third was financial information. The University today the University's information system is unbelievably sophisticated. It's as sophisticated today as it was rudimentary then. But, but one of the things that we thought would help was an idea which wasn't mine, it, it actually came from a DU trustee, Earnest Mitchell. And that was a contribution margin and analysis. And you and your colleague Margaret Henry really implemented that.

Jim Griesemer: 40:29 But here was, here was the idea. We looked at the costs and revenues associated with each unit. Now remember we now have those together in the budget structure. We looked at the costs and revenues associated with each unit. And we looked at basically in a basic way and then fully burdened. In other words, we took the university overhead and assigned it to the, to the different departments in a proportional way. That's a real common tool in business there. It's not but it was very uncommon in academia. And I remember when we put it in, I went around and met with the deans and I thought it was going to be a lynching party when I was the head guest. We emphasized that the idea was not that every unit had to make a profit. The idea was because we knew some never would, but the idea was we needed to know where we were so that we could inform the decision making process and we could spot trends and we could set goals for a unit, a unit. The science, the hard sciences are a good example. They're so expensive to run as a university that they almost never make money. But the question is can they do better? And in, in point of fact, our sciences have done exactly that. So they're not, they're not highly profitable part of the university, but they have steadily done better. And the contribution margin gave us kind of a, a meter. We could tell if the, if the ship was, you know, right. And we could set thoughtful goals for the departments. So it wasn't it wasn't that everybody had to make a profit. It was that we needed, we needed to know what, what the heck was going on. And it was enormously useful and it, and it, the other thing that is not, I think widely recognized is when you have this kind of information it allows you to, to make strategic decisions at the unit level.

Jim Griesemer: 42:39 For example, what's the College of Business going to do? What's the School of Social Work going to do? What's the College of Education going to do? It gives you a kind of a gyroscope and then it, it lets you know where you could go and helps formulate your strategy.

Craig Woody: 42:58 Outstanding. Jim, you've described a number of major steps that were key to the university's turnaround. Could you just briefly recap those?

Jim Griesemer: 43:06 Sure. Well, the first were the tactical nuts and bolts of, of controlling costs, increasing efficiency. We had to do that and, and it was not only something that you needed to do and the right thing to do, but it bought your time. It, it bought you time to do these bigger things. The second, the second thing was the creation of responsibility center budgeting. Some bringing together the revenues and expenses. And that had, it's hard to, it's hard to really overemphasize. It had a real cultural change. People in departments now felt that they and their boss, the Dean, let's say, really were in control. They weren't just sort of functionaries. So that was, that was the second thing. The third was the gainsharing policy which, which allowed people to husband resources and then use them wisely and with a lot of flexibility. And finally, the contribution margin analysis, which provided information that was necessary, identified trends and helped inform DU's broader strategy.

Craig Woody: 44:10 This has just been outstanding. Professor and Dean Emeritus, Jim Griesemer, thank you so much for contributing to our DU oral history and for sharing insights drawn from the major role that you played in helping transform the university of Denver. I hope that you will join us in the future as we continue the story of the University's remarkable renaissance. I'm Craig Woody. Thank you for watching.