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Iowa State University Resource Management Model Implementation

Stakeholder Follow-up Report

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1.0. PURPOSE AND APPROACH

As part of BearingPoint's support to Iowa State University in the implementation of the Resource Management Model, we have conducted a follow-up to our stakeholder analysis of August 2007. The purpose of this follow-up is to get a mid-course reading on the implementation process.

This report is meant to quickly revisit the kinds of issues identified last summer, so we limited the review to a small number of meetings with some, but not all, of the groups we contacted last summer. We met with:

- o Professional and Scientific Council
- o Faculty Senate Executive Board and Resource Policies and Allocations Council
- o Financial Officers Group
- o A focus group of administrators from Student Services, Facilities, Business and Finance, ITS, and the Library
- o Department chairs and center directors

The follow-up with department chairs and center directors consisted of two individual interviews, one meeting with two participants, and a phone call with one individual. We tried to reach more chairs and center directors, but experienced scheduling difficulties. The small number of contacts with this group is a serious shortfall of this report.

We also chose not to schedule meetings with the Deans and Vice Presidents due to the feeling that these decision-makers have plenty of contact with the President and the Executive Vice President and Provost and have expressed their concerns directly—the outside review would provide limited additional value.

2.0. ANALYSIS

Our primary questions when we returned to the campus were

- o What are the concerns on campus mid-way through the "simulation year" of implementation?
- o How have concerns changed over the last six months?
- o Have any issues been resolved or become less pressing?
- o Have any new concerns emerged?

More immediately we wanted to know how the Resource Management Model and the implementation process are having an impact on Iowa State University now and whether any of these impacts create serious problems or present unacceptable risks. Even though RMM will not be used to allocate resources until next fiscal year, the prospect of the new budget system could create changes in behavior this year, and the implementation process itself could cause difficulties.

We will start our report with an assessment of the review of the current impact of the RMM and then turn our attention to the broader or more general concerns expressed.

2.1. Immediate considerations

Beyond the obvious work required to finalize details of RMM's design, launch the Advisory Committee process, and develop systems and tools to execute RMM, there are many ways in which RMM is working its way into the fabric of management and decision-making at the University. In assessing the current impact of RMM and issues related to the implementation process, the most important point is that there do not seem to be problems that need to be addressed on a crisis basis. There are certainly individuals who express distress over one factor or another, or over the entire enterprise, and many people might disagree with the characterization that the issues do not rise to the level of crisis. However, viewed from the outside, the patterns of issues and problems do not appear to pose an immediate threat.

While there are many concerns about what might happen in the future, the items that follow appear to be having an impact now.

- Workload. Increased workloads are a very predictable impact of the implementation process for RMM or any major change in processes and systems. Half-way through the simulation year of implementation, the workload impact is clearer. The impacts are heaviest in:
 - Dean's Offices and Financial Officers. Staff in these offices, particularly the Deans and Fiscal Officers, have been heavily involved in the implementation process. In their own units they are looking at financial information more intensely. A fair amount of time has been spent verifying the information in University systems that will be used within RMM.
 - Some colleges are starting to discuss hiring additional finance staff in the Dean's Office.
 - ITS. ITS appears to be particularly stretched to meet the systems development and programming demands of RMM and keep pace with normal demands for service.
 - Advisory Committees and RMM workgroups. Again predictably, the Advisory Committees are requiring a lot of time from participants.
- Disconnects in the approval process. In order to ensure input from key decision-makers, ISU has established a thorough process for reviewing proposals on RMM design, procedures and policies. A thorough process takes time, and as proposals on RMM make their way through the process, details naturally may change—if the decision process is not limited to rubber-stamping, you expect the proposals to change. However, this makes it difficult for people to know whether their understanding of a proposal is its most recent version. In some cases, Deans and Fiscal Officers had different information about a proposal. One effect of uncertainty about the status of proposals is to make it harder for administrators to speak confidently about RMM.
- Clarity, communications, and decisions on the college and division level. The colleges have achieved different degrees of clarity about how RMM will be applied within the college and what impact it will have on departments. Given the small number of chairs and directors contacted, it is difficult to generalize, but of the people we spoke with, several felt that most chairs do not have a clear picture of how RMM will work for them. As one person said, most “don't know how to optimize under this system.”
 - Taking it one step further, not a lot of information has gotten to faculty who are not immediately involved in advisory committees. This was not always described as a problem—to a great extent, one wants faculty to

- concentrate on their teaching and research, not on administrative processes.
- Data. Data was expected to be a major issue, but to some extent data issues have been less severe than one might have expected. A lot of effort has gone into confirming and checking data.
 - The Financial Officers are probably the individuals outside central budget and accounting staff most involved with RMM data. When the Financial Officers were asked where data issues have emerged, they cited “oddballs” or exceptional cases. Asked to generalize, one area with the most data issues was Distance Education.

There were a number of issues cited as potential problems, where it was not clear to what extent they are occurring or how pervasively.

- Faculty slots. Some departments may be moving more quickly to fill faculty slots in order to establish the best starting position under the new budget model. However, it would seem to be true that faculty hires are not a problem unless standards are being reduced.
- Reorganizations. While we did not see statistics on this, there were reports that more reorganizations are occurring this year, and that some of those reorganizations may be related to RMM, in others RMM may serve as a convenient pretext. Reorganizations are not a problem per se, only if they run counter to the quality of programs and services.
- Creation of minors and majors. Any new major or minor has to meet standards of academic validity, but the concern is that the “real” reason might be to drum up SCH.
- Two-tier systems for faculty salaries. There is concern that two-tier systems are emerging, with faculty who generate research dollars earning more than those who focus on teaching.
- Increased reliance on “soft money.” In various ways it was apparent that units are looking more aggressively for gifts and endowments to support a wider range of programs. People expressed concern about this development, that it represents a withdrawal of support and that it puts at risk programs and services that should be funded from more reliable “permanent” funds. From the perspective of long-term institutional (and higher education sector) financial trends, it is not clear that increased acquisition and use of donated funds is not a healthy trend, or at least inevitable—regardless of budget model. Trends in higher education seem to indicate that the best opportunities for growth in support to higher education come from private philanthropy.

There are a number of significant things that are perceived to have gone well during the implementation process—in addition to the successes of the implementation process in working out the design details that are the primary goal for this year in the process. The implementation process has stayed on track, and there do not appear to be any technical barriers to maintaining the current schedule. However, the purpose of this report is to gauge the views of stakeholders who do not focus on those aspects of implementation and to some extent are not aware of them. The successes that came out most clearly in our meetings were:

- Many aspects of communications and training have gone well and have been well-received. Participants appreciate the open process. Information such as the budget restatements has been critical in alleviating some concerns and increasing the confidence of key staff that they understand RMM and can work with it successfully.

- Key administrative groups know what needs to get done—this confidence helps in planning and execution, in contrast to uncertainty about the tasks required. The amount of work is daunting, but at least many of the people who will do it don't feel they are facing an unknown universe of problems to solve.
- Increased participation and access to budgeting information. Information has been provided at levels and in detail not previously available, suggesting that some of RMM's transparency goals are already being achieved. Many people have provided input, although they seem clear on leadership's authority to make decisions.
- While time-consuming, the Advisory Committee process has been positive for those involved. Staff in the administrative offices seem to have appreciated the chance to discuss the service they provide to the University, and committee members have learned much about these services. Faculty in particular spoke favorably of the opportunity for involvement in the process.
- Financial analysis activity has increased. Units have looked at their finances in a more sustained way, and this is inherently helpful for the University.
- While some people see anxiety growing, there were also groups and individuals who expressed somewhat less anxiety about data and changes in general. The fact that at least some people—not all by any stretch—see lower anxiety is encouraging.

2.2. Concerns

Looking at concerns, we saw many of the same issues that were discussed last summer:

- How the model will value and improve teaching and research. If it won't improve them, why bother with this change in the budget system?
- How to identify and fund premier programs, how to fund the pursuit of higher national ranking.
- Will the model produce disincentives for extracurricular activities that enrich the student experience?
- Will there be enough money to cover costs at the college level?
- Starting position concerns. E.g.,
 - Units that may have reached a maximum level of external support can only "tread water" in the future.
 - Could space granted to a unit as a reward for performance become a burden when the unit has to come up with ways to cover those costs.
- Concern that the timeline is rushed, that more time should be devoted to analysis and modeling the effects of RMM using real data.
- How RMM will be applied at the department level.
- Complications for units in multiple colleges dealing with different processes and policies in those different colleges.
- How the university will fund programs that support students in many areas, like Teacher Education.
- How the university will fund increases in expenses for central services.
- Potential for changes in attitudes about partnership and cooperation, for increased friction between disciplines.

These concerns were documented in the Stakeholder report last summer.

Among the concerns that are emerging or taking on more clarity:

- Will ISU miss something? This has always been a concern, but as more aspects of RMM have been worked out, the concern seems to be less about a major flaw

- in the system than worry that unanticipated details that appear minor might have a deceptively large impact.
- Who will provide a backstop or step in as “life guard”? The Financial Officers are getting more comfortable with the elements of RMM, but they are concerned about what happens if one of them makes a mistake or miscalculation.
 - Some people also made the point that the decentralization of responsibility could increase the possibility of a problem going undetected because more people will be operating on their own, without someone to double check them.
 - For programs or activities with multiple units as participants, there was concern that it might not always be clear who should take primary responsibility for seeing that the activity gets funded.
 - Role of the Foundation. As fundraising has taken on more importance, people are expressing some concern about (and perhaps more interest in) the Foundation’s resources and their role in managing contacts with potential donors. It is natural for fundraising to increase in importance in a budget system like RMM, so it was likely a matter of time for questions to start coming up about the capacity and role of the Foundation. There is no indication that the Foundation is misaligned with the University’s needs. It is just natural that pressure on the Foundation will increase, and this pressure may be starting to emerge. The concern of individuals and units is how to align increased entrepreneurship with Foundation policies for managing fundraising, particularly for areas that are not a focus or priority for the University.
 - What does it mean to be made whole in the determination of allocations for the “hold harmless” year? This has always been a question for RMM, but it is becoming more pressing and the questions more specific as units build FY09 budgets.
 - What does it take to optimize under this system? Units want help figuring this out. The dynamic nature of the RMM model makes it impossible to boil down the impact of adding students, staff, etc. into simple average cost formulas. Also, the question of optimizing at the department level depends on the Deans’ decisions on how to provide incentives to departments.
 - Goals and incentives. Again, this is not a new concern, but the question is now informed by leadership’s additional comments over the last six months. In describing decision-making under RMM, there has been some emphasis on stability. The University is not going to pull the rug out from under a program or “punch a hole” in a unit’s budget. These descriptions may have relieved concern about RMM’s potential for destabilization, but emphasis on stability of funding inspires comments in the opposite direction, along the lines of “why do this if there won’t be a big change.”
 - While upsetting existing funding levels has clear risks, people expressed the view that the model needs to provide incentives for entrepreneurship at the program level, and that one of the purposes of the model is to shift funding to the places where it is most needed and delivers the most benefit to the University.
 - What effect will a change in Deans have on the deals that are struck within and between colleges on aspects of RMM such as splitting credit for IDCs or teaching effort?
 - Shared governance. Several of the systems put in place for RMM have increased the level of faculty involvement in institutional decision-making. However, there is much less consistent confidence in the provisions for faculty engagement in budget decisions at the college level. In RMM, as more decisions occur at the college level, governance at the college level becomes more important

- Skill and knowledge base among Financial Officers. The role of Financial Officers is expanding under RMM, encompassing new kinds of financial analysis and more involvement in negotiating shared resources. The Financial Officers will have to develop expertise in the management of several cost pools and expense and revenue types that were previously the purview of central staff:
 - Benefits
 - Merit pool
 - Utilities
 - IDC
 - Graduation Tuition
 - Enrollment
- Capacity of Financial Officers and staff in Dean's offices. The Dean's Offices are the clearest place where additional staffing may be required to implement RMM effectively. A major issue is that the Financial Officers typically have broad roles, including responsibility for areas like Human Resources. They asked whether there are aspects of this work that other offices could take off their shoulders.
- Role of Advisory Committees. The role of the groups is evolving, but the fundamental question is whether their role is advocacy or oversight. Will Advisory Committees tend to forward all of the requests from an area once they've heard the explanations, or will there be an expectation of back and forth with the administrators and more vigorous challenges? As committee members gain familiarity with the operations they are advising, they may find themselves in a better position to ask questions.
- Data. A couple of specific concerns were expressed about data availability in the future.
 - Tuition. There is a delay in the availability of tuition information, and the question was asked whether the Preliminary Tuition Assessment would be available.
 - Departmental perspectives. Information in the data warehouse will be designed to show the view of data as used for RMM, accessible to everyone who needs it. Units will still want to see data organized in ways that reflect how they manage and think about the data.
- Inter-unit cooperation. Even where units reach agreement on how to work together under RMM, this coordination will take more time for negotiation and planning.

3.0. RECOMMENDATIONS

The following recommendations are proposed as responses to a number of the concerns described above. Given other tasks required to implement RMM, it is not clear what priority the more time-consuming of these recommendations (such as numbers 5 and 8) should receive. The best approach is to assess this report's descriptions of the underlying concerns against the perceptions held by leadership groups, and give priority to the recommendations in relation to the intensity and criticality of the concerns each recommendation addresses.

1. Deans and unit leaders across the University need to clarify how the unit will handle RMM and what will be the expectations and incentives for departments. So far some units have gone further than others. Policies for departments need to be established and communicated for all units.

2. Related to the previous recommendation, the University needs a strategy for communications and training related to RMM that accounts for institutional and unit practices and decisions. Central administration and units need to coordinate on what material will be prepared (policy statements, scenarios, etc.) and how it will be disseminated.
3. There should be further promulgation of RMM models and the discussions they generate. Models are the best tools for understanding what it will take for a unit to “optimize” its position. A starting place is to organize more discussions around the institutional RMM Demonstration Model. Discussions will also need to address the impact on departments, which will require the college or unit to establish policies on the distribution of resources and expenses. Once those policies are established, it may be necessary to develop additional models to reflect the rules and impact of decisions at the departmental level. Central administration and the units will need to work out who develops these models.
4. The main response to the concerns about how to provide a backstop or a “lifeguard” for the units in case they make mistakes is to continue to communicate the University’s unwillingness to let units “sink” in the budget process. This message will have to be carefully crafted—there are probably situations in which poor budget performance will indicate a program that should receive less support, so the University cannot make a blanket statement of intention to sustain all units and programs. But leadership can indicate that in most cases they will step in to provide support to units which experience severe shortfalls due to honest mistakes or extraordinary circumstances outside their control.
5. Concerns about the breadth of responsibility and workload in the Dean’s offices could be addressed through a review of administrative tasks in unit and central offices, with a view towards the application of automation, centralization, or shared service arrangements to alleviate workloads in the Dean’s offices. The evaluation should be done with a strict cost-benefit discipline—if it will cost additional money to provide services on a more centralized or automated basis, that cost needs to be compared with the cost of increasing capacity in the Deans’ offices.
6. While it is too early in the process to assess the configuration of data tools, the concerns expressed about Distance Education statistics, departmental views of data, and anomalous data should be taken under advisement as systems are designed and assessed. In a similar vein, the possibility of supplementary staffing to handle ITS’ workload has to be considered, although in practice it may take too much additional work to integrate supplementary staff into the department.
7. Units should consider holding “town hall” sessions with their staff modeled on the sessions Facilities held to provide information on RMM and respond to concerns, questions, and rumors. These sessions sound like they would be helpful for Administrative Service Centers and could have value for academic units as well.
8. Continued development of the RMM website. One way to respond to disconnects in the decision-making process is to continue developing the RMM website as a source of information. Refinements might include linking approved decisions to descriptions of relevant portions of the model drawn from the final BMRIC report (e.g., the section that describes the formula for distributing tuition dollars would include links to subsequent decisions on the details of tuition distribution), and indicators of the stages in the approval process for pending proposals. This will not eliminate disconnects in

information about proposal status, especially when some groups or individuals have an idea about what is or might be coming, but no decision has been made.