Provost’s Leadership Academy

Enrique Lavernia
Provost
and
Executive Vice Chancellor
University of California, Irvine
Provost’s Leadership Academy

Diane O’Dowd

Vice Provost
and
Professor, Developmental and Cell Biology
University of California, Irvine
Outline: This morning

1. Overview
2. The turbulent external environment
3. Panel: choosing a leadership path
4. Pragmatics: the first 100 days & beyond
5. Lunch
Outline: This afternoon

1. Breakouts: Your personal considerations
2. Strategic planning
3. University budgeting & financial strategy
4. External relations & development
5. Reception

Provost's Leadership Academy
Outline: Luncheon sessions

1. Leadership characteristics and strategies
2. Recruitment, retention and development
3. Affecting change; governance
4. Pursuing the next level of leadership
5. The art and science of development
Outline: This morning

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Why study the environment?

- A key role of the leader is to define reality
- Lack of knowledge:
  - Fosters impression that local challenges are idiosyncratic
  - Battles ensue for non-existent resources
- Communicate universally shared challenges
  - Align constituents toward common goals
Why study the environment?

- The leader is the bridge between internal & external
- Must be knowledgeable
  - To relate to outside constituents
From Ivory Tower to Glass House: Strategies for Academic Leaders During Turbulent Times (please see Chapter 1)

Andrew J Policano
Public No More: 

A new path to excellence for America’s public universities

Gary C Fethke and Andrew J Policano
UC tuition increase can broaden access for California students

BY ANDREW J. POLICANO
Special to The Bee
Growing importance of emerging economies

Digital Transformation

Global competition

Student unrest: cost and debt

A permanently changed environment

Changing Demographic

Federal research support waning

Increasing demands for accountability
<table>
<thead>
<tr>
<th>Traditional</th>
<th>New Reality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ivory Tower</td>
<td>Glass House</td>
</tr>
<tr>
<td>All things to all people</td>
<td>Strategic positioning</td>
</tr>
<tr>
<td>Internal focus</td>
<td>External focus</td>
</tr>
<tr>
<td>Low tuition-high subsidy</td>
<td>High tuition-low subsidy-high aid</td>
</tr>
<tr>
<td>Hour-glass governance</td>
<td>Top down shared governance</td>
</tr>
<tr>
<td>Opaque financial reporting</td>
<td>Transparent financial reporting</td>
</tr>
<tr>
<td>Many/high internal subsidies</td>
<td>Fewer/lower internal subsidies</td>
</tr>
<tr>
<td>Reliant on subsidy</td>
<td>Financially self-reliant</td>
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## A transforming model

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Provost's Leadership Academy
Common external perceptions

• The cost of college is too high
• Universities are inefficient
• Tenure results in low productivity & high cost
  • Faculty do too much research
• Distance education can solve many problems
• Non-academic leaders are needed
Has the cost of higher education risen?
Confusion between price and cost

• Cost = faculty + staff + operations +...

• Cost/student has been restrained
  • At 2 year publics: $1K decrease over last 10 years
  • In the UC: decrease >20% since 1991
Confusion between price and cost

- Cost = faculty + staff + operations +...
- Cost/student has been restrained

So, why has tuition risen?

- In the UC
  - decrease >20% since 1991
The challenge at four year publics

<table>
<thead>
<tr>
<th></th>
<th>Average</th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Published tuition</td>
<td>$9,410</td>
<td>$4,890</td>
<td>15,160</td>
</tr>
<tr>
<td>Cost per student FTE</td>
<td>~$15,500</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

State support down about 25% since 2008

Difference paid with state subsidy, gifts, entrepreneurial activities
### Published tuition (average)

<table>
<thead>
<tr>
<th>Type</th>
<th>2015-16</th>
<th>Annual Percent Increase Above Inflation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Two Year Publics (in state)</td>
<td>$3,435</td>
<td>~2.6%</td>
</tr>
<tr>
<td>Four Year Publics</td>
<td>$9,410</td>
<td>3.4%</td>
</tr>
<tr>
<td>Four Year Privates</td>
<td>$32,405</td>
<td>2.4%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Two Year Publics (in state)</td>
<td>n/a</td>
<td>4.3%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Four Year Publics</td>
<td>n/a</td>
<td>3.0%</td>
<td>3.5%</td>
</tr>
</tbody>
</table>

Source: College Board
What students actually pay

• Actual price = published tuition – financial aid
  • About 2/3 of students receive grants

• California Blue and Gold Program
  • <$80K, tuition = zero
  • <$125K, receive financial support
  • ~40% of UC students pay no tuition
## What students actually pay

<table>
<thead>
<tr>
<th>Type of Institution</th>
<th>Published Tuition</th>
<th>Average Grants &amp; Financial Aid</th>
<th>Net Tuition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Two Year Publics</td>
<td>$3,435</td>
<td>$4,300</td>
<td>negative</td>
</tr>
<tr>
<td>Four Year Publics (in state)</td>
<td>$9,410</td>
<td>$5,430</td>
<td>$3,980</td>
</tr>
<tr>
<td>Four Year Privates</td>
<td>$32,405</td>
<td>$17,520</td>
<td>$14,885</td>
</tr>
</tbody>
</table>

Source: College Board
In sum, the facts...

• Net tuition has been restrained
• Average net tuition:
  • is negative at 2-year publics
  • is < $3,500/year at 4-year publics
• Lower income students pay little if any tuition
The reality

• Costs can still be lowered but, the debate should not center on the cost of higher education, but rather on who should pay for it.

Parents & Students  Donors  Taxpayers
Why should society pay?

• Fairness and access
• Social return exceeds private return
For public universities:

• Is benefit greater than alternative uses?
• Community colleges
• K – 12 education
• Health care
• Job training
• Prisons
Answer...

• It depends...

• Actions speak loudly
  • States decreased funding by 25%
  • Other countries doing likewise

• Bottom line:
  • *Public funding will not return to previous levels*
Other issues (discussed in Chapter 1)

• MOOCs and Distance Education
• The future of tenure
• Too much research?
• The future of the small liberal arts college
• Who should lead?
Tenure

• Established in 1915 by AAUP
  • To preserve academic freedom
  • Does not prevent faculty from being fired
  • Protects against being fired for wrong reasons

• Still, percent of tenured faculty is shrinking
  • Increased use of adjuncts and grad students
  • Why?
Who should lead?

• Non-traditional academic leaders

• A good idea?
Conclusions

• A new paradigm
• Competitive positioning strategy
• Sustainable-funding plan
• Financial management model
• Universities
  • Less like an Ivory Tower
  • More efficient & accountable
  • More externally focused
Outline: This morning

1. Introductions
2. The turbulent external environment
3. Panel: choosing a leadership path
4. Pragmatics: the first 100 days & beyond
5. Lunch
Choosing a leadership path

• Dean Frank LaFerla
• Former Dean Deborah Vandell
• Chair Andre van der Hoek
Outline: This morning

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Pragmatics

• Dean Stephen Barker
• Senior Associate Dean and Interim Chair
• Khanh-Van Le-Bucklin
Outline: This afternoon

1. Breakouts: Your personal considerations
2. Strategic planning
3. University budgeting & financial strategy
4. External relations & development
5. Reception
Break outs: Facilitators

• Dean Eric Spangenberg, Business
• Dean Erwin Chemerinsky, Law
• Professor Derek Dunn-Rankin, Engineering
• Professor Reginald Penner, Chemistry
• Chair, Cecile Whiting, Art History
Outline: This afternoon

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A Way Forward
Blend of background & skills needed

• Academic achievement
• Financial acumen
• Human resource management
• Effective communicator
• External relations ability
• Political savvy
• Fundraising skills
Steps in developing a plan

1. Develop a *competitive* positioning strategy
2. Evaluate scope; estimate and contain cost
3. Identify revenue sources for each initiative
Strategic planning

- Not usually a welcomed idea
- Can you summarize UCI’s strategic plan?
- Does your department have a plan?
  - Defines what truly matters
Sample statements

• “Advance academic and research excellence”

• “Serve the people of the state and beyond”

• “Use technology to expand access and opportunities”

• “Recruit and retain the best faculty and staff”

• “Mobilize knowledge, serve the people, educate the best and brightest”

Reactions?
<table>
<thead>
<tr>
<th>Strategy</th>
<th>Description</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share</td>
<td>Low tuition, open access</td>
<td>Community colleges</td>
</tr>
<tr>
<td>Niche</td>
<td>High quality, high tuition, restricted access</td>
<td>Ivy league, Rice, Emory</td>
</tr>
<tr>
<td>Access-based</td>
<td>Convenience of geography, time</td>
<td>Univ of Phoenix, For-profits</td>
</tr>
<tr>
<td>Variety-based</td>
<td>Program or demographic selectivity</td>
<td>US Naval Academy: faith based</td>
</tr>
<tr>
<td>Straddle</td>
<td>Combining discrete strategies</td>
<td>Public Research Universities</td>
</tr>
</tbody>
</table>
Key decisions

• Who to admit
• How much to charge
• Quality of student infrastructure
• Infrastructure for research support
• Quality of faculty
• Areas of distinction

These decisions matter!
USNews ranking of US universities

• 1988
  • Three of top ten were public universities

• 2017
  • None of the top ten universities were public
  • Only one in top twenty

High-tuition, high financial aid policy can promote both access and quality
Strategic planning and alignment

- Develop Vision/Mission with all constituents
  - Identify priorities
    - Internal alignment
  - Develop financial strategy
    - Assess cost; identify funding sources

If you don’t have a financial plan…
...you don’t have a strategic plan

- Development priorities naturally flow from above
Identifying priorities

• Measure quality & productivity in every area
  • How should quality be measured?
    • Externally validated
    • Measurable outcomes
  • What is the net revenue generated?
    • Realistic cost assumptions
# Quality and net revenue

<table>
<thead>
<tr>
<th>NET REVENUE CONTRIBUTION</th>
<th>QUALITY (metrics chosen by each unit)</th>
<th>TOP 20%</th>
<th>MIDDLE</th>
<th>BOTTOM 20%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positive</td>
<td>Above average increase (or no decrease)</td>
<td>Average increase (or decrease)</td>
<td>Enhance quality</td>
<td></td>
</tr>
<tr>
<td>Negative</td>
<td>Subsidize</td>
<td>Examine centrality to mission</td>
<td>Downsize or make more efficient</td>
<td></td>
</tr>
</tbody>
</table>

## Quality (metrics chosen by each unit)

- **Above average increase (or no decrease)**: For the top 20%, the net revenue contribution is positive, indicating above-average performance or stability.
- **Average increase (or decrease)**: For the middle group, the net revenue contribution is neutral, either seeing a small increase or decrease.
- **Enhance quality**: For the bottom 20%, there is a negative net revenue contribution, and strategies focus on improving quality.
- **Subsidize**: For those needing support, strategies include providing subsidies.
- **Examine centrality to mission**: For the middle group, examining the core mission is crucial.
- **Downsize or make more efficient**: For the bottom 20%, strategies aim to reduce costs or enhance efficiency.
Example:
Paul Merage School

**Mission**
*To enhance sustainable growth through:*
- innovation
- digital transformation
- global execution
- analytic decision making

**Vision**
*To be among the best research intense business schools*

---

**Measurable outcomes**

**Top 10 (top 1-2%)**
- Faculty research (per capita)
- Executive MBA
- MBA Placement (**#1** in 2009!)

**Top 25 (top 3 – 5%)**
- Fully Employed MBA
- Health Care Executive MBA
- Full Time MBA (**26th**)

**New undergraduate major**
- > 8,500 apps for 150 slots
- Highest ACT, SAT on campus
- Highest GPA = 4.04
How will we achieve our vision?

• Financial strategy over next ten years
• Fund
  • Additional faculty, centers
  • Student support
  • Research support
Outline: This afternoon

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Common university actions

• Someone else will pay for it
• “Build it and they will come”

The reality: “hope” is not a strategy
A critical reality

• In most situations, the person who understands and controls the budget is the person who runs the organization.

• Do not delegate financial strategy
<table>
<thead>
<tr>
<th>(in millions)</th>
<th>Add’l annual expense</th>
<th>University funded</th>
<th>Self-funded</th>
<th>Donor funded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase faculty</td>
<td>2.0</td>
<td>1.0</td>
<td>.75</td>
<td>.25</td>
</tr>
<tr>
<td>New faculty chairs</td>
<td>1.0</td>
<td>0</td>
<td>0</td>
<td>1.0</td>
</tr>
<tr>
<td>Fellowships</td>
<td>.5</td>
<td>0</td>
<td>.25</td>
<td>.25</td>
</tr>
<tr>
<td>Centers</td>
<td>1.0</td>
<td>0</td>
<td>0</td>
<td>1.0</td>
</tr>
<tr>
<td>Student Services</td>
<td>1</td>
<td>.75</td>
<td>.25</td>
<td>0</td>
</tr>
<tr>
<td>Other</td>
<td>.5</td>
<td>.25</td>
<td>0</td>
<td>.25</td>
</tr>
<tr>
<td>Totals</td>
<td>6.0</td>
<td>2.0</td>
<td>1.25</td>
<td>2.75</td>
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</tbody>
</table>
Example: an Economics department

• Strategic Plan
  • *please see pages 92 – 94*

• Compute net revenue
  • *please see page 121*

• Financial Strategy
  • *please see page 95*
Alignment

• Reward merit
• Resist heavy taxation of
  • Entrepreneurial revenues
  • Cost savings
• Assess cross subsidies
  • Keep those that support strategy
  • Downsize or eliminate others
• Improve transparency
  • Adopt decentralization (RCM)?
Key takeaway

• Without established priorities, budget allocations have no strategic basis;

• Without a strategic budget model, established priorities have little meaning.
The flow of funds

STATE APPROPRIATION

THE GENERAL FUND
(allocated by the central administration)

TUITION REVENUE
(other than self-supporting programs)

AREAS OF EXCELLENCE, OPPORTUNITY

ACADEMIC AREAS

CENTRAL SERVICES, FIXED COSTS

PROVOST'S LEADERSHIP ACADEMY

INDIRECT COST: GRANTS

TAX
on self-supporting pgms, gifts & enterprises
Basic decisions in any financial model

1. Revenues to place in general fund
2. Revenues to retain centrally for initiatives
3. Amount to keep to cover fixed costs
4. Formulas to allocate funds to academic units
5. Tax rates
   - Self-sustaining programs
   - Gifts
Centrally Administered Management

• Incremental budgeting
• Externalities
  • “shared benefits”
• Simplicity and predictability
  • “enlightened provost”
• Gives central administration something to do
• Suitable to top-down transformational strategies?
Resource-Centered Management

• Allocates revenue to generating units
  • Decentralizes decisions
  • Accountability for local decisions
  • Responsive to student demand
• Imposes discipline on revenues and costs
• Subsidizes only strategic activities
• Encourages innovation
Budget Model Popularity

- Incremental—60.2 percent
- Zero-based—30 percent
- Formula—26.1 percent
- Performance-based—19.6 percent
- Responsibility-center—14.2 percent

—Total exceeds 100 percent because some institutions combine budget models

Source: Inside Higher Ed’s 2011 Survey of College and University Business Officers
Changing funding sources: UC Irvine

2002-03
- Hospital
- State Support
- Research
- Tuition/Fees
- Philanthropy

2012-13
- Hospital
- Tuition/Fees
- Research
- State Support
- Philanthropy
Permanent reduction in state support
THE UNIVERSITY OF TEXAS AT AUSTIN
Funding Then and Now

1984–1985
UT Austin budget: $503 million
- 33% Research grants and other areas
- 47% State general revenue
- 3% Gifts and endowments
- 12% AU
- 5% Tuition and fees

2014–2015
UT Austin budget: $2.66 billion
- 46% Research grants and other areas
- 12% State general revenue
- 10% TU
- 22% Tuition and fees
- 10% Gifts and endowments
Summary: Critical ingredients

• A positioning strategy
• A realistic financial strategy
• A carefully selected set of priorities
• A strategic budget model
• Optimal tuition setting
• Skilled, empowered leadership
Will it work?
Transformation is dismissed as infeasible
Cultural resistance is accepted

“In the battle between culture and strategy, culture usually wins.”

But there is hope:
Policano: “From Ivory Tower to Glass House”
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Provost's Leadership Academy
The Role of the Leader: External Relations

From Ivory Tower to Glass House:

(please see Chapter 6)

Andy Policano
The essence of the transition

The academic leader is the link between the university and society, markets and outcomes.

*Inside there are costs. Outside is where the results are.*

(adapted from Peter Drucker)
The Glass House

• Increased use of external boards
• Increased engagement

Challenges
  • Many faculty are inexperienced at
    • Working with boards
    • Speaking to a lay audience
Develop a strategy for each group

- Donors
- Alumni
- Students and parents
- Faculty and staff
- Media
- Other units on the campus
- Local community
- Peer academic units & societies
- Advisory boards, Regents
- Others
Create a positive atmosphere

- Active web site and social media
- Published materials still important
- Media hits and accomplishments
- Major gift announcements

Pro-active: be ready for damage control
External board considerations

• What is the purpose of the board?
  • Advisory, fundraising

• What is the role and responsibility of members?

• Should you require a fee?

  If you want advice, ask for money

  If you want money, ask for advice
Provost’s Leadership Academy

Brian Hervey
Vice Chancellor
University Advancement
University of California, Irvine
Thank you!