INCENTIVIZING ACADEMIC COLLABORATION WITHIN RESPONSIBILITY CENTER MANAGED INSTITUTIONS

by

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(Under the direction of Dr. Rob Toutkoushian)

ABSTRACT

Responsibility Center Management (RCM) has received considerable attention in the last two to three decades as universities become increasingly complex organizations. The impact of RCM on a campus' strategy and organization is meaningful, especially as more institutions promote academic collaboration. As it is implemented or considered on many campuses, the merits of this newer finance model are still not empirically proven and detractors claim that it does more harm than good. This study examines the characteristics of RCM that could potentially create obstacles to the implementation of a strategy within an institution and specifically looks to document methods used at three successful private universities to incentivize interdisciplinary collaboration and mitigate atomization of the academic units.

INDEX WORDS: Academic collaboration, financial model, incentivizing, interdisciplinary, Responsibility Center Management, RCM.

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CHAPTER 1

INTRODUCTION

While not everyone would agree exactly how and to what extent, universities have become increasingly intertwined with the business and financial aspects of their endeavors. For decades, as public and private funding has increased, the evaluation of performance factors and implementation of rational models of financial management have become more prevalent (Johnson & St. John, 2002). Constituents, including students, are demanding a return for their investment of tuition dollars, donated gifts, grant funding and other sources (Kershaw & Mood, 1970). University leaders are increasingly holding academic units responsible for revenue generation and cost control, presumably to meet performance measures and to answer to financial expectations of boards, governments, donors and students (Hearn, Lewis, Kallsen, Holdsworth, & Jones, 2006; Johnson & St. John, 2002).

This changing landscape in the university environment has prompted some universities to look at the business side of their operations in more creative and effective ways. One of those areas in which the status quo has been challenged is in the financial models with which the universities operate. The budget model can direct the behavior, decisions and processes within an organization simply by controlling the flow of money (Meisenger & Dubeck, 1984). Organizations have long been challenged to implement budget models that more accurately reflect the mission or strategy held within. Universities, though, seem to be slow to innovate or respond aggressively to changes in the surrounding environment. However, there are cases in which universities do try to respond and improve their ability to pursue their missions of teaching, research and service. Three of these examples were included in this study.

As universities have become increasingly complex organizations in the last two to three decades, Responsibility Center Management (RCM) has received considerable attention. RCM is a financial model that pushes the responsibility and ownership of costs and revenues of a school's activity down to the local level (Hearn et al., 2006; Whalen 1991). In other words, instead of central offices making all major decisions, schools are allowed autonomy to create programs, derive revenue and cover expenses as they see fit. This level of decision making has attracted more attention as both private and public institutions either are adopting this method or are considering it as an option.

The impact of RCM on a campus' strategy and organization could be meaningful. More autonomy, supposedly created by such a model, is presumed to encourage more entrepreneurial thinking and innovation. Leaders looking to generate more revenue might be attracted to this system as a possible means to encourage local units to pursue more thoughtful approaches to creating income. Whether these are real or perceived benefits of the RCM system was examined during this study.

However, as RCM is implemented or considered on many campuses, the merits of this newer finance model are still not empirically proven and detractors claim that it does more harm than good (Abrams,1997; Hearn et al., 2006). The main focus of this dissertation is this lack of information about whether the system actually drives institutions away from a stated mission of pursuing academic collaboration and, if so, how is that being addressed at three universities.

At many institutions where RCM is actively operating, some benefits seem to be apparent. If deans are afforded autonomy at a local level it is possible that their decisions are better informed and more accurate than ones made by a central administrator who lacks the local knowledge that is held within the school. It also may incentivize good stewardship and performance as the responsibility for income generation rests with the school (and dean). Even so, with these possible benefits RCM is not always looked at positively.

At least one potential downside of this model in the practical, daily work of an institution is that it may be difficult to overcome the silo effect – or the tendency of schools to focus so inwardly that they become reluctant (or oblivious) to the ideas of the central university mission (Priest, 2002). That mission may include goals that require schools to work together, such as providing an exceptional undergraduate curriculum, providing interdisciplinary coursework, establishing dynamic research partnerships across the campus, etc. These goals sound terrific and are likely being pursued successfully at various institutions, perhaps because it is generally perceived as important to expand knowledge and increase the university's impact in significant ways. These efforts could be attributed to increasing opportunity for students, becoming more relevant globally or developing new knowledge by combining significant academic and other resources shared across disciplinary lines.

However, the fact that each school is ultimately responsible for its own success in an RCM system may cause friction and could limit how many opportunities are truly pursued. It is for this reason that I wanted to explore RCM and, specifically, what methods can be used to encourage schools to pursue goals that benefit the entire university, collaborating and working in tandem with other schools and units while retaining their own sense of autonomy.

It is the potential impact that RCM has on an institution's strategy and mission that was examined more closely in this study. The intention was to uncover perceptions about RCM as they relate to the success of the university within this financial model, to be able to explain to what degree the effects are felt and to identify methods that are being used to minimize any negative effects. The tool itself could be useful, but may have unintended consequences that need to be properly addressed and managed.

Purpose of this Study

The purpose of this study was to discover what methods are being used to encourage collaboration among schools in the pursuit of a central mission and to prevent the atomization of academic units at three institutions that have substantial experience with RCM. Through the review of three specific universities that successfully promote academic collaboration and have operated within an RCM model for a number of years, chief administrators' impressions about the limits of RCM and whether or not the attainment of their university's mission is challenged by RCM was examined. The intent specifically was to discover ways that these institutions mitigate the negative impact of RCM while promoting the presumed benefits.

The main objectives of this study were to:

- Examine the characteristics of RCM that affect the pursuit of three large, private university's central strategy.
- Assess if and how these universities have adopted methods to incentivize collaboration between units and to pursue a central mission.
- Provide a template of ideas of how to encourage collaboration and prevent the atomization of individual academic units or schools.

This study is significant because as a fairly new phenomenon, there are no answers to how to best mitigate the possible negative effects that are seen within the RCM model. The research indicates that there are barriers, but is short on suggestions about how to programmatically change the system to incorporate the benefits of cohesion (central) and autonomy (decentralized). As universities struggle with encouraging collaboration, eliminating redundancies, streamlining processes, serving students effectively, etc. this research may help universities whether they are in an established RCM system or are contemplating adopting one.

As more universities consider the implementation of an RCM model, it would be prudent to have a full understanding of the potential impacts and how the characteristics of RCM may affect their approach. Instead of taking on an endeavor unaware of possible long-term negative effects, with an increased understanding of the system itself, institutions can structure a model that fits their organization more appropriately. If academic collaboration and interdisciplinary teaching and research are important to an institution considering RCM, then there could be measures that they would want to take to ensure those ideas continue to be promoted.

In this dissertation the literature focused on Responsibility Center Management was reviewed and discussed to shed light on the origins and adaptations of RCM as well as to uncover what the presumed benefits and downsides are of the model itself. Within the review of the literature, important aspects of RCM and how it is managed were highlighted to show the potential impact that the system may have. Perceptions that exist in the literature about the model were examined as well, leading to an understanding of the various points of view and how they may direct behaviors in contrast to a university's mission or goals.

The bulk of the study, though, was focused on three specific institutions and what actual practices are either already in place or are being considered. The institutions examined are all large, private, research universities with purposeful focus on academic collaboration. Through discussions and interviews with individuals on those campuses, the ideas around what level of management RCM requires, whether it has a real or perceived impact on academic strategy, and to what extent those impacts are addressed were documented. The intent was to create a list of methods used to optimize academic collaboration within an RCM institution to serve as an effective tool for those using or considering the financial model.

The individuals invited to participate in the study all hold fairly high level positions within their respective institutions. Each participant had knowledge of the RCM system used at their institution and an understanding of the perceptions that exist related to academic collaboration. Some are positioned in central offices, while others are employed by individual schools. This allowed for full discussion about both the strategic mission of each university and a thorough examination of how it relates to the financial model.

To further help with this study, a management principle titled *Polarity Management* was discussed. This philosophy, first developed by author Barry Johnson (1992), puts forward the idea that perhaps dilemmas such as whether to retain a central budget model or to implement an incentive-based model are not solvable – but rather only manageable. In other words, there is not a right answer to the centralized vs. decentralized question. Moving too far in either direction could be hazardous as the negative impact of each could come to bear more acutely.

This exploration into how universities cope with this particular polarity potentially would reveal answers to the questions about how to manage and operate within an RCM model and serve both the individual schools and the university as a whole. The idea is that perhaps there is not a singular correct answer, but that there may be some version of RCM that fits within the environment of a particular institution that works best. In addition, it may be that the system would require constant attention to be sure that it does not swing too wildly from one extreme to the other.

Through the analysis of the literature, the interviews with the participants and the study of other documents, the purpose of this dissertation was to ascertain what and how academic collaboration is being promoted within universities that have a financial model that could possibly detract from that mission. This study examined the characteristics that may create tension between academic units and self-reliance over collaborative work. Through the review of three large, private institutions that are having success within the RCM model, the methods used to mitigate the resistance to collaboration between academic units were brought to light.

CHAPTER 2

REVIEW OF LITERATURE

Considerable attention has been given to addressing how to manage institutions of higher education, how to create strategy and how to lead toward a successful implementation of that strategy. There are hundreds of books, articles and presentations that examine how to implement strategy within colleges and universities. Many focus on intentional tactics from a strategic leadership perspective that can be used as guides to influencing decision-making within the institution.

There are potentially other ways in which an organization's direction may be influenced - by shifts in less obvious areas that may have meaningful and possibly unintentional consequences. One area in which that could apply is in the budgeting and finance operations of a university. The model that a particular institution uses may have great impact on the way faculty, staff and administrators pursue their work and interact with others on campus. Systems that identify resources and monitor the financial health of the institution are meaningful because a university's overall performance is intertwined with its financial success (Birnbaum, 1988).

The behavior of an institution can be affected in both positive and negative ways by a variety of forces – intentional or not. The traditional approaches to managing finances in institutions of higher education treated it as a straight-forward exercise routinely practiced only periodically (Johnson & St. John, 2002). In today's complex environment, a university's financial structure and budgeting process is much more. It is a process that can affect management change, incentivize for performance and direct strategy because of the practices the model requires in response. It can even expose weaknesses or particular points of difficulty within a culture on campus (Priest, 2002). One such example of this “new” financial model is Responsibility Center Management (RCM) an incentive based budget model that relies on responsibility centers to drive the initiatives and revenue of the university.

Following is a description of Responsibility Center Management and an analysis of the literature that examines the impact that RCM can have on university strategic planning and the pursuit of organizational goals.

Responsibility Center Management Defined

The general definition of RCM is that it is an incentive-based budgeting model used at some universities in an effort to promote and encourage fiscal responsibility and stewardship. The primary characteristics that allow it to do so are that it requires the major schools to cover all costs associated with its own activity but also allows them to keep their own revenue and make decisions regarding how to best allocate those resources. In some cases, there is a tax or allocation returned to the central university to fund certain general expenses or specific initiatives. This can be seen as one potential method to ensure that university wide initiatives are met.

To further clarify, a good description of the characteristics of RCM found in the literature is in Edward Whalen’s well-known book, *Responsibility Center Budgeting: An approach to decentralized management for institutions of higher education* (1991). In this volume, Whalen provides nine characteristics that he groups into three different categories to describe the intricacies of RCM; *decision making, motivation* and *coordination*.

The *decision making* category includes the concepts of proximity, proportionality and knowledge. These indicate that RCM allows for a different direction and latitude of decision making by key administrators within the schools. According to Whalen, the best decisions are made closest to the actual activity, with regard to size and scope of the institution, and with as much information as possible. RCM, it is argued, allows this type of environment to exist.

Whalen continues with the second category, which he labels as *motivation*. The second three concepts that he groups together within this category are functionality, performance recognition and stability. All of these concepts relate to the actual behavior of the decision makers. Their actions are managed by characteristics that reward effectiveness and stability while performance measures are being met or exceeded. These factors promote success by driving the decision makers toward initiatives that not only help their own school, but also the entire institution.

The last category, defined as *coordination,* includes the last three characteristics – community, leverage and direction. All three of these reflect the importance of the relationship between the institution and the individual schools. In other words, one cannot survive without the other. The ability to succeed is based on the ability to move in a clear, objective direction using the strengths of both the central university and the individual school. For RCM to succeed, it must exist in an environment in which these conditions exist.

While Whalen's three categories and nine components provide the most thorough description of RCM, there are many other books and articles that describe either through example or in general the benefits that come along with such an incentive-based approach. Not all see the approach as positive, however. Below is further explanation of what was found in the literature about both the positives and negatives of the RCM model.

Benefits of Responsibility Center Management

An analysis of the literature on Responsibility Center Management finds that there are many positive effects that are attributed to its unique approach to managing departments, schools and units through incentivized financial autonomy. Some of the literature reviewed shares many of the same ideas, namely that RCM places decision-making at a more local level to improve the acuity and transparency of that process and provides incentives for more efficient and effective management of resources and implementation of the academic mission (Hearn, et al., 2006; McBride, Neiman & Johnson, 2000; Whalen,1991; Priest, 2002).

One of the often cited benefits of RCM revolves around the thought that the people who are most involved in the day to day operations of a particular school or unit will know best how to manage and direct the funds. As an example, deans are given authority and autonomy to direct their own revenues toward the areas within their school that they think are most important (Hearn et al., 2006; Whalen 1991). This allows deans to interpret the goals of the university and direct funding accordingly.

Presumably, RCM also allows financial decision-making to become more transparent. Faculty and staff may be better informed as the drivers for the budget are determined at the school level and communication is rolled down to individuals within the organization (Whalen, 1991). In the past, there was potentially little input sought or offered through the traditional centralized budget process. In RCM, revenue is a driver of results related to a school's own programs or initiatives and what is working financially and what is not can potentially be more apparent. The nature of RCM demands an understanding of all aspects within the budget since the school or unit is responsible for its own success.

Academic resources are more closely linked to financial decisions (Hearn et al., 2002, Whalen, 1991). In more centralized models, it is more difficult to see how adding a program or running under-enrolled courses affects the bottom line. Within RCM, though, it can be made very apparent as the costs of additional instruction, redundancy or under-utilized resources clearly have an impact on the budget. Since schools are allowed to keep their own revenue, the incentive to preserve resources or to direct activities to eliminate waste is strong (McBride et al., 2000). This incentivizing affects behavior in ways that other methods do not.

There are, of course, many more benefits to RCM found in anecdotal cases of new implementations of this finance model. In some cases, the positive effects come in unexpected ways. But for the most part, the idea is that incentivizing for performance, rewarding schools and units by allowing them to keep their own revenue and encouraging individual, autonomous decision-making create an environment that pushes units to succeed and, subsequently the university to succeed.

Creating Obstacles

So, are these benefits of RCM universal? According to some of the literature on RCM it seems that they are (Hearn et al., 2006; Stocum & Rooney, 1997; McBride et al., 2000). But as this model is being used on more campuses, it seems that incentive based budgeting systems do have the potential to create obstacles to the academic mission.

The advantages of RCM are clear to those who advocate for this type of budgeting. It is supposed to provide incentives for creative fiscal management, support entrepreneurial approaches to academic programs, increase participation and transparency around the budgeting process and allow more autonomy and creative leadership to exist within schools and units. For the most part, the schools who have implemented RCM have claimed those advantages exist, at least to an extent (Stocum & Rooney, 1997; McBride et al., 2000).

Some schools, specifically, have acknowledged the strong benefits of being allowed to move mostly independent in regards to their finances. The school of nursing at Indiana University is one such school. They were able to experience effects consistent with what the proponents of RCM claim will happen. While it took some work, the school itself grew in terms of leadership and responsibility tremendously (McBride et al., 2000).

However, there are detractors who claim that RCM has negative impact on the academic mission and the purpose of an academic institution. One complaint is that RCM heightens self-interest within and between schools. This means that because RCM alters the focus from central fiscal control to school-centered, the schools and units could become much more inwardly focused. The implementation of ideas begins with the consideration of how it will benefit the school and not the entire institution. There are times, if left to their own self-serving interests, that this type of thinking would trump the strategic goals of the university (Priest, 2002).

In fact, E.M. Adams (1997) goes as far as to say that RCM erodes the core of the academic mission. He argues that by dividing the university into separate budgetary units, it diminishes the university's ability to make well intentioned decisions that are good for the whole of the university. His viewpoint is not isolated. In other reviews of RCM institutions, it is noted that a new rationale is created, one that is more in line with market forces (Johnson, 2002). While not all cite this new rationale as a negative, it likely has the potential to be. Any new focus could replace what some consider being the main and most necessary mission – a combination of learning, research and service.

The possible undermining of the academic mission within a university is what concerns some the most. A school that claims collaboration and partnering as one of the most prized strategic goals might find that delivering that is more difficult than it seems. The doubt that is created by the existence of goals that do not have administrative or operational support can often be detrimental.

The same argument exists in regards to choices made about which programs should or should not be offered. Programs might be added simply because they can create revenue. For a school with a tight budget, it would be tempting to add programs that are outside of their core strength or strategy. This kind of drift in mission is seen within corporations, where chasing an immediate financial benefit can potentially cause long-term side effects. Reputation, prestige, or public relations may be at stake if a decision driven solely by finances leads to mistakes.

At the same time, important but non-revenue-producing options can go unfunded. It is easy to say that all academic programs should be financially strong and advantageous to the school, but there could be exceptions. There may be academic programs or offerings that are important enough to maintain even at a loss. They could be so critical to the field, or so important to the school's friends and alumni that the loss of the benefit of the program outweighs its cost even if the benefits are not reflected in the revenue streams. These kinds of decisions may be more difficult to make correctly within an RCM system.

As RCM attempts to incentivize, it also creates competition. It has been argued that under RCM, the schools compete for tuition, student enrollment, research dollars, gifts and contributions, etc. (Strauss & Curry, 2002). Competition itself can be thought of as a good thing, especially in a market economy. However, it can become unhealthy if not somehow controlled and centrally supported. The willingness to support university-wide initiatives can be diminished. The drive for revenue in RCM can create unhealthy behaviors as a result of its internal competition.

According to some, there is an assumption that allowing financial decisions to be made at a more local level results in better decision-making (Strauss & Curry, 2002; Whalen, 1991). However, others have acknowledged that RCM may rely too much on the belief that individuals within a school or unit have the ability to take on the fiscal and strategic responsibilities required. Many faculty and administrators may, in fact, not be prepared at all for the skills required for the administration required at this level (Birnbaum, 1998). The threat is that individuals who may be experts in other fields will have the job of trying to manage resources in a very strategic way – something in which they may not be trained. Others might have skills in budgeting or finance, but may be accustomed to a central or non-incentive based model and not familiar with the nuances that make RCM function properly. The lack of competent functional leaders with the skills to manage RCM could potentially drive a school off-track and diminish its attempts to support the university's strategic initiatives.

Recommendations to Avoid Negative Impacts of RCM

Like most other useful or beneficial business practices, a mismanaged or misguided RCM model can have a negative impact on a university's direction. From some who have experienced RCM, it can be seen that there are possible side effects to the entrepreneurial nature of incentive-based budgeting (Strauss & Curry, 2002). Basic ideas that are either part of or main points in a university's mission can be set aside as a result of narrow self-interest. Perhaps the ideal situation is for an institution to be able to capitalize on the positive influences and minimize the negative. To do that, the leadership of the institution might intentionally ensure that the environment is right to pursue its goals and that individual units are encouraged and reminded to stay the course set forward in the plan.

A strong leadership team with a clear and well articulated strategic plan can possibly help strengthen the RCM approach. This is not meant to say that there must be an overly controlling administration. That would actually go against one of the main tenets of incentive-based budgeting. The leaders, though, should be able to encourage and clearly communicate where and how the university wants to progress (Strauss & Curry, 2002). By having an easy to understand strategic plan, with as little ambiguity as possible, schools and units may be able to consider those objectives in their own planning and decision-making. Collaboration might be made easier, and more palatable, knowing that there is direction that includes the units and schools as a big part of the success of the whole.

Making transparency within the organization a high priority can be another possible way to promote the pursuit of collaboration. While the accessibility of information is one of the suggested strengths of RCM, there should be special attention given to communicating all decisions and assumptions involved in the budgeting process. The more trust that is built in the process, the more likely consensus around certain ideas or strategies can be built. The schools and units may require incentives to not look only at their best interest in order to contribute to school wide progress. Information sharing can be a catalyst for that as shared information could possibly lead to shared interest in the common goals.

Through both a clear, well-communicated strategic plan and efforts to create trust through transparency, the individual units and schools may understand more clearly that the academic mission is a high priority. If that does not happen, the academic mission is what can possibly suffer (Srauss & Curry, 2002). The ideal of collaboration between schools may be lost and the strengths that were supposed to be created from interdisciplinary work might disappear. If deans felt that the academic mission was priority, even at the risk of losing revenue, then more attention to the university's goals might exist. The importance of generating revenue and balancing a budget could trump everything else. With the right dialogue, schools may avoid making decisions that undermine the university's overall academic mission.

In addition to competently setting, implementing and communicating a strategy, a university may be able to ensure the success of RCM by finding ways to incentivize toward the beneficial aspects of the model. In other words, the university can introduce other drivers to create behavior that supports the overall mission.

By using benchmarking and data reporting, a university can show progress toward important key areas (McBride et al., 2000). For example, if one particular area is important, but unable to produce tangible revenue incentive, the university can recognize achievement in that area in very public ways. The achievements can be announced university-wide, recognized in university communications regularly, included in agenda and council committee meetings, continually stressing the importance of those goals. While the financial incentive is very real, deans might also appreciate being praised for success and would possibly find ways to increase the promotion of their schools in those areas that are consistently brought to the forefront of university priorities. By recognizing those who pursue the common goals, it might raise awareness of the goals themselves and create additional effort to pursue them.

In the literature, some claim that the culture within the institution should be one in which the sharing of information is valued at a high level (McBride et al., 2000; Strauss & Curry, 2002). As RCM increases the transparency of information, important elements of data and resources will be maintained at different levels of the organization. That information should be available. For example, formulas used to calculate allocation costs, strategic funding determinations, costs of central service centers, etc. should all be shared on a regular and free basis. This kind of information sharing can help schools see that there is a broader goal, an important university-wide direction that guides decisions at the institution-wide level and should at the school level as well (McBride et al., 2000). Presumably, this would lead to greater effort to pursue the promotion of university-wide goals.

Adjusting financial incentives should certainly not be overlooked as a way to avoid weakening a university's strategy with RCM. It could be useful to explore the use of allocation credits or tuition sharing to incentivize toward a specific goal. For example, if interdisciplinary collaboration was important, then schools could receive either credit or an allocation reduction for their efforts in this area. A formula could be created in which success toward a university's goal could be attributed to the unit, and a financial incentive would be assigned. There are many different approaches here that could be explored and all would depend on a specific campus culture, but it is not at all unreasonable to think that some simple adjustments could be applied to optimize results for the university as a whole (Strauss & Curry, 2002).

And lastly, the allocation model itself should provide flexibility so that funding decisions and assigned costs can be reviewed and adjusted as necessary. The RCM model itself will require adjustments over time (Whalen, 1991). Schools' operations may contract and expand based on its own needs, and service centers will require more resources as demands are placed on central units because of increased enrollment, growing technology or additional educational initiatives. Because these changes occur, the model itself should be able to adapt. A committee or review board could be installed to ensure that the model is keeping pace with the environment on campus. Outdated formulas or tired assumptions likely will not help the RCM model be successful. The overall success may come from a concerted effort to give the structure the attention that it needs, ensuring that it produces the intended results.

Successful RCM – Managing Polarities

It seems that there is an important balance to strike when operating within a successful RCM finance model. The idea is to allow enough autonomy so that effective decisions are made by local units in an effort to move the whole university forward towards its goals and not to err too aggressively to a pure incentive-based approach (Hearn et al., 2006). This balance can be difficult for managers of large institutions. It is a common phenomenon in management to move from one style, system or model to an extreme on the other side in an attempt to find a solution to a problem. This tendency is described in detail in a theory of management labeled *Polarity Management* developed by Barry Johnson. In his book, Johnson describes issues in management to be often dilemmas to manage and not problems to solve. This, I believe rings true in the discussions of RCM.

Johnson argues that too often leaders in institutions believe that there is one correct answer or solution to what seemingly troubles the organization. In an attempt to fix that problem, decisions will be made to adopt a different approach that should drive the institution differently – and perhaps even change the culture, a popular current approach. In truth, though, the effect is that a back and forth pattern is developed as the institution runs from one extreme to the other. The existence of two poles, though, needs to be managed and not chosen. (Johnson, 1992). As Johnson puts it, “In order to gain and maintain the benefits of one pole, you must also pursue the benefits of the other.”

For our purposes, the two poles would be a controlled centralized finance model versus a completely decentralized model in which schools have full autonomy. The balance to strike is to find the most optimal efficiencies through centralization and the maximum entrepreneurial activity through decentralization. In the literature, this conflict can be seen as the arguments for or against RCM cite the opposing side as an extreme – rather than a balance to be attained.

Although it may seem fairly obvious that managing to the best of two polarities is an effective approach, there are barriers to doing this that are difficult to overcome. Johnson argues that there are two distinct populations that exist when dealing in these dilemmas (2002). The first is what he calls a *crusading force* and the second are the *tradition bearers.* The crusading force consists of those who see the need for change and for better or worse push forward to change to the other pole. The tradition bearers are those who see value in the way things are and are resistant to any change from the current system or practice. Both are important to the organization, though, as they point out the upside and downside of each opposing pole.

This approach seems to fit well the idea behind managing RCM. The idea is to provide strength to the university as a whole. Since that is the case, it may not make sense to adopt a system that allowed schools to work individually with no regard or interest in supporting the institution itself. At the same time, there are examples now of institutions getting more productivity and creative thought from schools or units by allowing them to have more autonomy and responsibility. Deans at some institutions are asked to find creative sources of revenue besides simply increasing enrollment. Certificate programs, executive education plans, professional practice or training and service to the community are just some of the examples that have come about as a result of this push. The idea of structuring RCM with this framework in mind is appealing, taking the best of both central budget systems and incentive-based systems to strike a balance instead of choosing one or the other extreme.

Based on the analysis of Responsibility Center Management, it may be a useful tool in changing how a university approaches budgeting and the finance structure in general. It is, however, not without faults. To what degree the faults are allowed to undermine an entire university is up to the leadership within the institution itself. Leadership should know the culture, the strategy and the potential positive impact an incentive-based budgeting system could have.

Some propose that if RCM is implemented with reasonable expectations and is complemented by strong leadership and strategic planning it can have a great effect on the college campus (Strauss & Curry, 2002). The potential negative effects can possibly be mitigated by thoughtful approaches that allow RCM to fit within a specific environment. The leadership team is responsible for managing it effectively, though, and making adjustments when schools and units begin moving in directions that do not support the university as a whole is necessary. To be able to balance that control with the autonomy created within the system is perhaps the biggest challenge to RCM's future.

CHAPTER 3

RESEARCH DESIGN

Responsibility Center Management (RCM) is an incentive-based financial model that has recently gained more popularity and attention in higher education. The premise behind RCM is that it allows individual schools and units to determine the best use of funds that they generate because they are allowed to keep what they earn in tuition, research funding, endowed gift income and other sources. The units usually pay an allocation or "tax" back to the central university, but for the most part are considered revenue centers responsible for their own survival.

The proponents of RCM say that this incentive-based budgeting system promotes fiscal responsibility and creative income generation, as the units are better stewards of their own revenue streams (Hearn et al., 2006; Strauss & Curry, 2002; Whalen, 1991). Others argue, though, that this type of financial model detracts from the central university mission and splinters academic and other units into their own silos (Adams, 1997; Hearn et al., 2006; Johnson & St. John, 2002; Stocum & Rooney, 1997). From what I have seen in the literature and in my own work, I happen to think it does both. My research question, then, is what methods can be used at Responsibility Center Management institutions to assure that units are incentivized to pursue the central academic mission of the university.

To explore this question of how universities who use Responsibility Center Management assure that their academic mission, goals and operations align, I chose a qualitative research method – specifically a case study method. The qualitative research design approach was selected over quantitative design because it adds depth to this particular exploration and allows substantial flexibility to answer the question at hand (Yin, 2009). I gained meaningful, qualitative insight into how leaders at three particular institutions view the positive and negative effects of RCM.

As the question is addressed, a qualitative approach allowed particular scenarios to be compared with real life examples. This particular feature of case studies is meaningful because it may open the case itself to reveal substantial amounts of information about the phenomenon being researched (Merriam, 2009).

The effect of financial models can be substantial, as it drives behaviors in certain directions. Open, effective conversation about how that happens at particular institutions was revealing as it exposed limited information in the existing literature regarding the unintended consequences of RCM. In qualitative analysis, layers of information or concepts may be uncovered as responses, opinions, emotions, etc. are observed (Corbin & Strauss, 2008). The case studies provide rich, useful information that can be applied to other institutions that are considering or struggling with similar questions and provides informative examples yet to be thoroughly examined and documented.

In this particular case study, I examined not just the practices or implementation of RCM models, but the responses, attitudes and understanding of how particular components of RCM play into campus strategy and university mission. In real life, the financial structure of an organization can either provide obstacles or avenues to accomplish goals. I explored how administrators and campus leaders view the characteristics of RCM and what their feelings and observations are on their particular campuses. With careful analysis, this led to answers regarding how to best lead toward academic collaboration while allowing a high level of autonomy in the financial operations within individual schools.

Case Selection (Sampling)

The selection of sites or "cases" was vital to the quality of my research so that the data collected would be viable and useful at the point of analysis (Yin, 2009). One way I ensured proper selection was through a robust screening process that allowed me to weed out potential obstacles to collecting important and meaningful data. This goal is often attained through purposeful selection, which assumes that the research will be more insightful if samples are chosen based on how much the researcher feels can be learned from each (Merriam, 2009).

Institutions that use RCM vary across the country and even implement the incentive-based budgeting system differently between themselves. For the purposes of this research, I selected institutions based on similarities in composition and population to ensure that there are points of comparisons that are meaningful. I also considered differences that will recognize important variations in the approaches that are being taken at the different institutions. Since the main question is what methods or steps are being taken at other institutions, I wanted to ensure that enough variety was included so that useful differences could be noted.

To choose the best cases, I explored the literature that is available, noting how particular institutions approach this similar incentive-based approach and what the documents say about how they may already be addressing any issues that arise because of it. I also benefited from the knowledge of the faculty in the Institute of Higher Education at the University of Georgia as several are familiar with universities that use RCM, some even having worked at these institutions in the past. Their insight and familiarity with the universities coupled with their first-hand knowledge of the literature and research around this topic provided tremendous opportunity to identity the best cases to include. This purposeful selection added strength to the information and allowed meaningful comparison points used in the studies.

In my own institution, Emory University, RCM is a viable financial model with many administrators and employees heavily involved on a daily basis with the realities that come with it. My own role as Associate Dean for Finance and Administration (chief financial officer) within a school at the university is obviously closely tied to the management of and operations within this financial landscape. Thus, my interest is not purely academic, but is very much a part of my own job. The desire to find optimal outcomes is partly to identify areas of improvement for Emory. For this reason, I selected Emory University as a case. I received approval from the Provost and my Dean (School of Nursing) to explore these concepts with complete support and had the freedom to pursue this effort without any detrimental effects to my own job.

In addition to Emory, two other institutions that provided broad, robust and varied analysis included the University of Southern California and University of Pennsylvania. All three cases are larger private research institutions that have operated with RCM for more than 20 years. Because the intent of the study was to examine the methods being used to optimize academic collaboration at private universities, institutions with multiple academic departments and schools across the campus, including major health sciences centers that potentially could be affected by its finance structure, were purposefully selected. Not only is the general description similar for each of these cases, but they each have the stated interests of:

- Providing inter- or cross-disciplinary study
- Pursuit of knowledge
- Maintaining excellence in undergraduate curriculum

- Transforming culture
- Providing service to communities (locally and globally)
- Committing to teaching, research and service

While each has its own language to express the interest in pursuing all of the items above (and more) it is apparent that these are shared interests. In my case studies, I explored how each might be affected by the RCM model as individual schools may or may not pursue each as actively as the university might see appropriate. The richness of this study is in finding many differences within the details of how each institution pursues these goals within their own incentive-based financial model.

A few limitations in this study do exist and should be acknowledged. First, the scope of this study is specifically narrow and only considers the practices at private institutions. There may, in fact, be differences at other types of institutions such as public or smaller universities. Another potential limitation is that all universities within this study have more than 20 years of experience with RCM. That was purposeful so as to add richness to the study from established, experienced institutions, but it is noted that their ability to be successful within the RCM framework could be due to the length of time in which they have operated RCM and have been able to adapt.

Interviews

To gain insight into what methods or practices are being used at other campuses, I interviewed key stakeholders at the sites selected. Those main personnel included the president, provost (or chief academic officer), chief financial officer, or those in their offices such as associate vice provosts or presidents with primary academic or financial responsibility. Basically, I looked for individuals who were able to speak most intelligently and knowledgably about their own institution's use of RCM, its effects on the campus and units or schools, and the desire (or not) to pursue a university strategy. They also were able to provide insight into what particular points of their strategy are successful and what may be the most troubling or difficult at this point.

From the beginning of the process, I was referred to several individuals as the best people to include. The snowball approach of purposeful sampling allows for key participants in the study to recommend discussions with others in the course of the research (Merriam, 2009). Using this approach when appropriate, I determined additional interviewees and pursued conversations with them as well. Some of these were, for example, associate deans in schools who were very familiar with the university's particular approach, financial model, and the topic I was exploring.

Since I had the support of individuals on my campus already, all of whom have connections with leaders on other campuses, I did not plan to have difficulty gaining access to those I wanted to interview. However, some of the individuals I originally invited, such as the president and provost at each institution, declined to meet with me. In those cases, I was able to get referrals for others in their offices who were very knowledgeable and perhaps better prepared to discuss my topic. Even though my original intent was to interview an equal number of respondents at each school, I was only able to speak with one respondent at the University of Southern California. Though I acknowledge the potential limit this might have posed, the one respondent who was available at USC was highly engaged, informed and provided useful, meaningful information. I did not consider this to have an impact on the results, however, as my intent was not a comparison across the three schools, but rather a collection of methods and practices at all three institutions.

Although I did not consider this research to be very sensitive in nature, I offered participants anonymity if they felt it would be important to be able to discuss the issues more fully. I confirmed with each participant that my goal was not to expose any problems or campus struggles that would embarrass any of them, but would instead focus on facts and an objective perspective about what is being done and the effects of each initiative or method.

Because the intent of my study is to find out more about what methods are being used on these campuses, my interview protocol was carefully crafted to allow room for exploration of ideas and discussion. As a result my research benefitted greatly from the quality of the respondents' contributions. I formulated a specific protocol to be used as a guide for each interview. The protocol included follow up questions, aiming to explore related issues and attempting to be as consistent as possible. However, the interviews themselves were not completely formal, as I hoped to learn from the open discussions with these high ranking officials and hear further insight from information provided outside of the structured questions.

The questions I asked followed these specific themes:

Describe for me the general implementation of RCM on your campus?

What effects does this financial model have on your organization?

What are your primary strategic goals for the university as a whole?

How does RCM affect the pursuit of those strategic goals?

What methods/actions have been used to ensure that the university's central mission is achieved?

From the responses offered to the questions, I was able to find how these universities balance an entrepreneurial model that encourages units or schools to focus on their own well-being with the desire to move an institution as a whole forward. I refrained from asking leading questions, however, and did not assume that there were inherent difficulties balancing the two. I also tried to avoid asking questions to which an interviewee could simply answer "yes" or "no" and allowed time for them to answer open-ended questions fully, without interrupting or guiding their answers. My goal was to find their perspective and protect the integrity of the data collection on the front end of the process in order to lead to higher quality analysis.

The theoretical framework that I used to address this issue is that of polarity management, a subset of organization management theory. Polarity management is a relatively new concept, put forward initially in the 1970's by Barry Johnson, that suggests in many organizational issues we are not fixing a specific problem but are instead managing two distinct issues (or poles). The most effective technique, as the theory states, is to find the best of both sides of the issue and manage between those poles according to the particular organizational needs. In this example, we have on one side the idea of central academic mission or strategy with benefits like combining of resources, limiting redundancy, synergy between related fields and so on. On the other side we have decentralized autonomy which encourages creative, innovative thinking and planning, ownership of resources, fiscal responsibility among others. The idea of polarity management is to avoid thinking that one is the correct approach, but rather that both have merit and that somewhere in between is the correct place to land. The difficulty then, is to manage to that point, taking the best of both and acknowledging the pieces that do not work.

In my line of questioning, I was curious to see if any administrators mentioned or were particularly aware of this concept. That is, in the implementation of RCM, were they focused on the idea that some of the system could be very beneficial, but at the same time the nature of it could pull schools and units apart. I was curious to see if their responses would indicate that they intentionally acknowledge and act on that existence of a polarity.

Along with the exploration of these ideas through the interview process, I also ensured the validity of this research through the process of triangulation. Triangulation allows the opportunity to support (or not) the findings of the conversations with and observations of the case samples (Merriam, 2008, Stake, 2010, Yin, 2009). Other documents that included past case studies or transcribed interviews, articles and archives were useful in this process. I explored other information that existed to shed light on how, why and to what extent RCM has affected a particular campus. For example, committee presentations on RCM and financial statements were useful in determining how each institution addresses issues at their particular institution. The flow of funds and responsibility of each school can be deciphered in detail by these documents. Information about groups and committees that were assigned the responsibility of altering allocations or adjusting overall budget responsibilities were used as well. All of these items were used to further strengthen the data collection from other sources besides the interviews.

Data Analysis

In qualitative analysis, it is important to ensure that the data are protected and valid and to put in place effective methods of collecting and storing (Merriam, 2009). All research, beginning with information gathered in the review of literature was stored on both a hard drive and network drive, backed up frequently so as to not lose data in case of hardware failure. A filing system was created to allow information to be sorted early, making it easy to find during all stages of data analysis.

As for the interviews themselves, all were recorded and audio was later transcribed into a document, organized by questions to the extent possible. The audio file and document was also filed in an organized way, by case, date and subject. All of this was easily searchable, available for replication if necessary.

The beginning part of the analysis involved reviewing and organizing all of the data. As the interviews and triangulation of data occurred, I was actively listening and looking for obvious themes, making notes of those as they appeared. That information was useful as I moved into a deeper analysis in the next phase.

To ensure the reliability of the data collected, member checking was employed. The opportunity to review the interview was offered to each respondent in order to allow them the chance to verify their information. This step is important to provide accuracy and completeness of the responses (Stake, 2010). A summary of the information was offered and additional conversations were held to verify responses.

Coding is the process through which the data is organized, sorted and ultimately synthesized (Stake, 2010). Through this step the data was organized with the purpose of identifying themes. Those themes were noted, explored further and traced back to original sources so that I refrained from attributing any comments or perceptions incorrectly. The coding process was tedious, but through the use of OneNote and other manual steps to sort, organize and document, I had confidence in my understanding of the information I collected. It provided the opportunity to not just organize the data, but to intently recognize terminology that was meaningful to the process, revealing different ways of thinking about the issue and how other institutions may frame similar problems with a common language.

Position as Researcher

Through this analysis, though, the real hope was that true examples of effective methods of encouraging collaboration and interdisciplinary work within a RCM institution would be discovered. Because I work within a school at an RCM institution as the chief financial officer, some might assume that I had a vested interest in the outcome to perhaps persuade my university to direct funding or to charge allocations differently for my own (or my school's) gain. While there may be examples that were uncovered that would benefit me or my school, that was not the purpose in this research. My purpose was to find methods that are working and I have no authority to implement such practices at my institution.

This research was compelling to me because of the behavior that I witness financial models drive in unintentional ways. I explored this issue to gain a better understanding of that effect and to improve my comprehension of institutional models of finance in general. I had no vested interest in the outcome and no reason to not pursue this study objectively.

CHAPTER 4

RESULTS

To better understand the impressions and perceptions of Responsibility Center Management it is important to know more about the institutions included in this study, the participants, their positions and scope of responsibilities as well as some detail about the implementation of RCM on each campus. This next section is intended to give a summary of the strategic goals of each school and how responsibility center management is implemented at each university. The majority of this information is available on each school's website, with a few additional materials collected during the data gathering phase as given by interviewers.

Emory University

For Emory, their current long-term strategy is articulated in the form of five strategic themes, reflected on their website in various formats. These themes include, *Strengthening Faculty Distinction, Ensuring Highest Student Quality and Enhancing the Student Experience, Creating Community – Engaging Society, Confronting the Human Condition and Human Experience* and *Exploring New Frontiers in Science and Technology* (Emory University Strategic Plan 2005 – 2015, 2009). Through these five themes, Emory wants to become an engaged participant in academic excellence through teaching and research. The five themes are also a means to garner recognition for achievement in areas like quality of faculty and students as compared to their peers.

Through the last two themes, Emory specifically identifies interdisciplinary collaboration as an important part of their progress. *Confronting the Human Condition*, the strategic plan states, "…will require bringing together interdisciplinary teams of humanists, artists, scientists, and social scientists. Those teams must be willing to tackle difficult subjects, challenge prevailing beliefs, and assert the University's role in thoughtfully addressing important public policy issues" (Emory University Strategic Plan 2005 – 2015, 2009). Specifically, Emory is committed to exploring and contributing ideas within a context that serves both globally and locally.

The version of Responsibility Center Management that is in place at Emory is a hybrid model and actually does not use the name of RCM at all. In fact, there is no name assigned to Emory's financial model but most administrators acknowledge that it is a responsibility center approach.

Currently, 100% of revenues from tuition, research, endowment and other sources go directly back to the school that derives it. As part of the school's operational budget, though, it pays an allocation to support central services. That allocation is periodically reviewed and adjusted as necessary, but for the most part is pretty predictable for the school budget officers. As they plan their budgets each year, the allocation projection is provided to them to incorporate in their operating expenses. This allocation amount is, for the most part, non-negotiable once the formula is derived.

Many central functions are supported by the allocation that is paid by the school, including central student support offices and primary administrative offices like the President's Office. Tuition dollars follow a student's residency and 100% of the student's tuition goes to the college or school of instruction. No tuition is shared among schools even if students may be taking classes in different schools simultaneously. In other words, a student may be enrolled in the college of arts and sciences and take a class in the school of nursing, but 100% of that student's tuition goes to the college of arts and sciences. Gifts or research funding are treated in the same manner, unless there is some prior arrangement reached between the schools on their own behalf that would assign a portion of a gift or other funding accordingly.

To help understand the role, responsibilities and relationship to the mission and strategy of the institution, a profile of each participant from Emory University is provided below.

Dr. Earl Lewis, Provost, Emory University - Dr. Lewis currently serves as the Provost and Executive Vice President for Academic Affairs at Emory University. Prior to coming to Emory, he was the Dean of the School of Graduate Studies and Associate Vice Provost for Academic Affairs/Graduate Studies at the University of Michigan. Lewis holds degrees in history and psychology and is published widely in areas related to American and African-American history. During his time at Michigan he was involved in its adoption of RCM while serving as the chair of the faculty committee. His experience at Emory has been deeply involved in the mechanics and operations of RCM on its campus.

Dr. James Wagner, President, Emory University - Dr. Wagner has been the President of Emory University since 2003. Prior to that, he served as dean, provost and interim president at Case Western Reserve University. Upon arriving at Emory he lead an initiative to define Emory's vision statement and to develop a long-term strategic plan, clearly stating the goals of the university. Academic collaboration and interdisciplinary teaching and research are hallmarks of the strategic plan he worked to create.

Mr. Michael Mandl, Executive Vice President, Emory University - Mr. Mandl has served as the Executive Vice President for Finance and Administration since 2003 and in that role acts as the chief business officer for Emory University. His primary responsibilities include oversight of Campus Services (Capital Project and Campus Master Planning, Parking, Police, Alternative Transportation and Facilities Management), Finance and Budget, Human Resources, Internal Audit, Investment Management and Information Technology. Prior to working at Emory, Mandl held several positions at Duke University and University of Pennsylvania and has a deep understanding of the RCM model across a number of institutions.

Ms. Charlotte Johnson, Senior Vice Provost for Administration, Emory University - Ms. Johnson's primary responsibility as Senior Vice Provost for Administration is to direct the administration of the university's general operating budget. She works closely with the Deans, faculty and school chief financial officers to ensure the integrity of the financial operations of the university. Her involvement in RCM on Emory's campus has been very active, including serving as chair of the allocation committee, a group responsible for implementing the appropriate allocation and adherence to the university's allocation model.

University of Pennsylvania

The University of Pennsylvania has adopted what they title, "The Penn Compact", as the demonstration of their strategic initiatives. The four tenets of The Penn Compact include, *Integrating Knowledge*, *Engaging Locally*, *Engaging Globally*, and *Increasing Access*. According to the university's website, the compact "represents Penn's commitment to propel the University forward in its core endeavors of teaching, research, and service" (The Penn Compact, 2010).

For the purposes of this study, the tenet of *Integrating Knowledge* is perhaps the most relevant. Within that tenet, Penn espouses to focus on cultivating eminent, interdisciplinary faculty; fostering cross-disciplinary learning, and leading with interdisciplinary discovery. Within these efforts, there are numerous examples of programs, initiatives and centers that cross traditional academic lines in an attempt to integrate knowledge.

Engaging Locally describes Penn's attempt to become an integral part of the community that surrounds them. Through efforts to partner with local entities, it takes pride in being known for outstanding civic engagement. Its goal is to continue growing in economic importance and contributing to the community through service initiatives.

Engaging Globally addresses Penn's desire to become a larger participant in expanding knowledge across the globe. As they say on their online Penn Compact document, "great 21st century universities such as Penn must engage dynamically with communities all over the world" (2010). This focus on building partnerships in education and health care internationally requires strong interdisciplinary connections that reach beyond singular academic units.

Increasing Access expresses Penn's focus on providing opportunities for education to qualified students regardless of economic status. It, like many other universities, has continually grown in its commitment to providing student aid and other opportunities to those who are disadvantaged financially. Through increased financial support for undergraduate students, no-loan policies, additional aid and awards for graduate students, and other funding tools, Penn is committed to having a racially, ethnically and socioeconomically diverse student body.

The Penn Compact frames the goals of the University of Pennsylvania and promotes its ideas of what leading as a world-class university should look like. It is apparent that connections, whether it be global through international service or local through academic initiatives that interdisciplinary collaboration is threaded throughout.

The University of Pennsylvania was where RCM began. Thus, its implementation of the model is often seen as the vanguard. RCM was originally created to control expenses during a time of financial crisis at the university. It is now seen as a way to control costs, enhance innovation that, in turn, should generate revenue.

The university is divided into two types of "centers" labeled as revenue-generating and non-revenue generating. It is the revenue-generating centers that are expected to pay for its own costs and to be able to pay charges for central services and balance their budget. Tuition revenue is split in three ways. Twenty percent of tuition goes to the school of residency, 20% to the subvention fund (to be discussed in more detail) and 60% goes to the school of instruction. The portion of tuition that goes to the home school is reduced by a flat percentage (currently 34.5%) to fund financial aid.

For income from research indirect cost recovery (ICR) the split is different. Eighty-one percent of ICR goes to the dean's office of the school receiving the grant, 11% goes to the subvention fund and 8% goes to central research support services.

Other central support services such as central administration, libraries and facilities services are funded through the allocated costs that are contributed by the schools based on the above percentages of their income.

Below are profiles of the individuals who participated in the study from the University of Pennsylvania. Their responsibilities and relationship to the university's academic mission are noted for clarity.

Ms. Bonnie Gibson, Vice President of Budget and Management Analysis, University of Pennsylvania - As Vice President of Budget and Management Analysis, Ms Gibson is primarily responsible for the University of Pennsylvania's budget planning process which includes reviewing, administering and advising central and school leaders with regard to center budget management, allocation issues, and financial performance. Her history and involvement in the university's RCM model is extensive and is often relied on as a resource to many across the campus.

Mr. Ramin Sadehi, Vice Dean for Finance and Administration, University of Pennsylvania, School for Arts and Sciences - Mr. Sadehi serves as the Vice Dean for the School of Arts and Sciences at the University of Pennsylvania. He works closely with the dean of the school and focuses primarily on strategic planning and budgetary and strategic analysis. Through his role within the school, he has become very familiar with the RCM model and its effects across campus.

Dr. Douglas Lynch, Vice Dean, University of Pennsylvania, Graduate School of Education - Dr. Lynch serves as the director of admission and executive education at the Graduate School of Education, is the academic director of the Wharton School's Aresty Institute for Executive Education and is a senior consultant at the Fels Institute for Government. At Penn, he has been very entrepreneurial in creating a variety of programs, including many that cross schools and disciplines. His teaching and research focuses on the economics of education, higher education, adult and work-based learning, and social entrepreneurship.

University of Southern California

The University of Southern California is currently operating under a strategic plan that was created in 2004. At the same time, they are in the process of developing a new strategic plan at the direction of their fairly new president, C.L. Max Nikias. The 2004 plan, available in the

Strategic Planning section of their website, states that they will focus their efforts in these three areas:

> We will conduct a range of research and scholarship that advances knowledge and at the same time addresses issues critical to our community, the nation, and the world.
>
> We will create a significant global presence that will increase the international visibility, reach, and impact of our research, scholarship, art, education, and service.
>
> We will focus our educational programs on meeting the needs of qualified students worldwide, from undergraduates through continuing professional development. This commitment will guide our choices regarding pedagogy, instructional technology, curriculum, admissions, and support services (USC Strategic Planning, 2004).

In Section III of its 2004 Strategic Plan document, USC goes even further to discuss how it plans to expand its strategic capabilities. In this area, they focus intentionally on growing interdisciplinary academic collaborations in a variety of ways. They specifically promote degrees and programs that cross traditional boundaries. In fact, one statement puts it directly as, "We must create mechanisms that remove structural disincentives to such collective efforts on problems of major significance." (USC Strategic Planning, 2004). They also address collaboration in other ways, mentioning that the support structure and administrative mechanisms must be able to keep up with this challenge of crossing traditional boundaries. Graduate programs and research initiatives are being identified and evaluated in order to find cross-cutting themes and potential collaborative opportunities. USC, according to its own strategic plan documents, is investing heavily in inter-disciplinary collaboration.

At USC, 100% of tuition and ICR goes to the school or center that generates it. The revenue is then assessed a “participation” tax and a recovery for financial aid and other smaller initiatives (academic initiatives, provost initiatives, etc.). From that, an allocation is paid as an indirect expense to fund central services and support that benefit the university as a whole, including what they call administrative centers along with a space-based allocation for facilities.

Undergraduate student aid is centrally administered and charged to the schools at a designated percentage of tuition (currently 29.5%). The Provost Initiative funding is provided to the Provost’s office to allow funding for specific initiatives that are deemed important and in support of the university’s strategic plan. Academic Initiative funding is provided for specific activity with a limited time frame. Deficits at USC are not funded by central administration.

The profile of the participant at the University of Southern California is provided below.

Dr. Rob Cooper, Vice Provost for Academic Operations and Strategy, University of Southern California - Dr. Cooper is responsible for oversight of academic operations and strategy. He is responsible for ensuring alignment between the strategic plan and the budgetary planning process. In his role, he works closely with the central university budget and how it ties to the various schools, including allocation budget planning within the schools. Prior to his current position, Dr. Cooper held various positions in budget and planning and has an in depth knowledge of RCM’s application on USC’s campus.

The Interview Results

With this framework in mind, the interviews were focused on answering the primary research question: how to incentivize academic collaboration and minimize academic atomization within and RCM financial model. Through the interviews with the individuals at each of the institutions there were recurring themes and sub-themes related to the research question and were noticeably similar. The themes can be categorized as:

Origins

Impact of RCM

Culture of the Institution

Leadership's Role

Mechanisms to Promote Collaboration

Not all participants discussed each of these in depth, but all were mentioned at least briefly during the discussions. The first two themes do not necessarily describe or answer the primary question, but do provide some important groundwork as to the perceptions and context of how each respondent was approaching the dilemma suggested in the questions. The origins and impact are mentioned here because they were important to the respondents in their discussions about the system itself – and whether it detracts from the central idea of collaboration or not. The following paragraphs contain summaries of each of the themes that surfaced during the interviews.

Origins

One of the first themes that arose in the interviews was a discussion of the origins of RCM on each respective campus. The three individuals who work in a central academic/financial role were the most aware of the original intent, purposes and evolution of their respective models. They all noted the progression of the system and the purposes that it had originally and the purposes that it has now. For some, the origins were discussed as a way to introduce the discussion around determining if the RCM structure itself was even a viable financial model within the strategic framework of their institution.

Bonnie Gibson at Penn spoke of not just the origins of RCM on her campus, but of RCM in general. The reasons given for starting RCM are interesting to contrast to the development and change since. She stated that a new president came to the University of Pennsylvania and concluded that there were problems with the way they were managing their finances. He invited a group, which included Bob Zemsky, to create a better system to manage finances. The original purpose was to build a system to reduce expenditures not necessarily to generate income. In her interview, she stated:

> I think that the most pivotal thing….was this group of folks that came up with Responsibility Center Management believed that they were putting together a system that would provide incentives to reduce expenditures, to manage expenditures. And what they did not realize until after the fact, until RCM had been in place for several years, was what they had actually created an engine for revenue generation. So they thought they were putting everything in place to keep people from spending money wildly.

Rob Cooper also spoke of the beginnings of RCM at his institution and attributed USC's implementation to the evolved purpose of the system and not just cost-cutting measures. He felt that the goals in the original creation were still the goals for the system now. He commented:

> The new president said I want to give fiscal responsibility, I want to pair that with academic responsibility which is held by the deans and to centralize this. Of course we need new systems, financial systems and reporting systems to be able to do that. And we need new people, so he hired the budget director from Penn to be our first senior VP for administration. And that person hired the controller from Penn. So you can imagine our implementation was very much along the lines of Penn.

Charlotte Johnson also discussed Emory's reasons for implementation and, according to her the move was for many of the reasons that are included now as benefits of RCM. It was not just to control costs, but it was intended to generate some of the positive effects that other early adopters had already recognized. She stated, "…that it would provide an incentive to the deans to control their costs, generate revenue and at the same time it would create reserves for each of the schools."

Johnson also noted that Emory was already reporting in a way that was similar to the RCM model with revenues being tied back to schools. She noted this for two reasons, one was that she felt it prepared the school well for a fairly easy transition and also made RCM a welcome change for the Deans because now they would have more autonomy to coincide with the accountability. As she stated:

> …and I guess the reason why we were able to do it is that even before we charged the deans with managing both revenue and expenses, we essentially had P&L's that showed that.
>
> Most of the deans welcomed the change. They wanted it. They wanted to have more responsibility and they also wanted to be able to build reserves and use those reserves for reinvestment. And through the years those reserves have been used to renovate facilities, to fund seat packages for key faculty recruitments, key chair recruitments. Some of the funds have been moved into quasi endowments, again to help support academic support. So, in many ways, I think over time it has been a successful move for the institution.

Even though all three considered the implementations successful, there have been adjustments in purpose and design at each of the institutions over time. Periodically, those redesigns were in response to criticism that the system was impeding academic collaboration.

Gibson mentioned that when the new president came to UPenn, one of her first initiatives was to review RCM:

> And she (the president) came to Penn and heard a lot of people complaining about RCM - the faculty for the most part - and asked us to do a review of RCM and determine whether it was still an effective strategy for Penn. And we put together a committee that included

> the interim provost and six of our 12 deans. I served on that committee from the budget office, our vice president for finance and treasurer also served on the committee. And it was very clear by the end of our roughly six months review on Responsibility Center Management that everybody believed that, in fact, it was very important to Penn. None of the deans on that committee felt we should give it up.

Emory also went through periods of adjustment, as Johnson noted:

> …over time, there was no longer justification for us to be running two different models. And that's when we essentially created a task force to look at restructuring how we allocate costs and have it consistent across healthcare and the academic enterprise. That analysis was done, the results were presented to ways and means and at that time we decided not to implement because it would have shifted costs over to healthcare and they were not prepared for that. They thought the results would be something different. Early on we had our auditors work with us to develop a methodology for allocated costs and they had to really create two methodologies. They had to create one that was healthcare specific because of certain requirements that healthcare was functioning under, related to Medicare and Medicaid. And then we had a separate process for the academic realm.

She continued to discuss how the institution was going about making these adjustments:

> I prepared the committee, I said we not only have to prepare an analysis that is essentially more cost activity based, but we have to be prepared to help ways and means with how we implement it. Or it will fail again. So, that was before things went downhill in 2008 and we were able to put together a strategy that we could move forward with the implementation of a revised cost allocation methodology. We're now in our sixth year and this summer we're going through another comprehensive review and we're 90 percent finished with that analysis.

So the origins of the RCM model seemed to shade the perceptions of RCM for these individuals who serve in central offices who oversee activities that are front and center in the link between the academic and finance units. It seemed that these individuals who have a very deep understanding of the origins and purposes of RCM have a favorable opinion of the system and its role in promoting positive behaviors within the academic environment.

Impact

As the interviews continued and the discussion turned more to the effects of RCM on collaboration, it was apparent that there were strong feelings about the impact that RCM has on the university's strategic mission and, more specifically, academic collaboration. Seven participants touched on the impact of RCM. Some mentioned the positives effects and some discussed more of the negative effects.

Bonnie Gibson had a very positive view of RCM and discussed its impact in this way:

> And I believe that the reason that we are able to compete so successfully is because Responsibility Center Management and because of the fact that it puts all the incentives in the right places for our deans to make their schools the best they can be.

When asked if it did create obstacles, she responded:

> …it takes a little bit of extra work. It's not a barrier, but it's a bump in the road and it takes a little bit of extra work to make sure that we can get around some of the kind of natural things that RCM would do, to perhaps make you less inclined to collaborate.
>
> I believe that in some instances Responsibility Center Management has been used to tell faculty that, you know, that's a terrific idea, but RCM won't let us do it and I think what the truth is that the dean wants no part of that idea. So, RCM is a good reason not to do it.
>
> I think that in the past Responsibility Center Management has gotten in the way of doing some things and faculty have long memories. So, some of them have had legitimate experiences where Responsibility Center Management made it much harder to do something that they thought was good. And, you know, again, I think that we've gotten better at getting around those problems, but their experience says that this got in the way.
>
> I think the other thing that I hear is if we want to make it happen RCM wont' be a barrier, if we don't want to make it happen, RCM can be used as a barrier.

And in discussing barriers, she cited an example of a joint effort between two schools that was working well until maintenance and the cost of a building that was housing the project was impending, noting that nobody was claiming those responsibilities.

> It's not an Arts and Sciences building. It's not an Engineering building and the provost doesn't really have a way to be supporting that building.

Overall, Gibson sees RCM as a system that requires management, with impact on the university's goals but not as an impediment to the strategic mission. She reiterated the meeting of the Deans with the new President in which RCM was discussed and concluded:

> Those deans were very clear that Responsibility Center Management would never be an impediment to something that they wanted to do.

Charlotte Johnson also had more favorable thoughts on RCM while noting that there were opportunities that required effort to manage. She commented:

> I hear snippets (of problems), but it's more anecdotal and it's not necessarily linked to interdisciplinary work. There is a lot of tension right because of all the audits that are going on.
>
> It can and has been a barrier for the very reasons you've articulated. Because a dean may have the perspective that, well that's an institutional initiative - that's not my initiative. So, to me there are layers of ways that you can remedy that.
>
> …from the get go the deans had concerns about how the center was financing funding on an interim basis some of these cross-disciplinary initiatives. Their concern being that if funding was not sustainable then we would then be creating more overhead that would get allocated to them.

She provided this example of the potential downside that RCM can create:

> So, right now the MBA market is declining and (the dean) needs to think about remixing. Probably downsizing his MBA portfolio and readjusting because there seems to be increased interest in the BBA. And executive education is also under stress right now because of the economic conditions. So, I could (identify) each school having stresses and the deans come back around to cross-cutting initiatives, they're going to have very little patience and tolerance for additional allocated costs. Whether it's for administrative support or whether it's because of cross cutting themes that need to have some basis of core support moving forward.

And speaking specifically about the potential impact when schools look inwardly she stated:

> They drift away…from interdisciplinary work and go back into their silo.

Earl Lewis spoke of the impact of RCM on Emory's campus this way:

> …the RCM model should facilitate a whole level of innovation and creativity and one of the things we're hoping that people will see is this as an opportunity to come up with some experiments. Faculty don't need to know the nitty gritty of RCM, what they do need to know is that if they engage in new activities that generate new revenue it's going to be valid to them in this way.
>
> I haven't seen enough evidence that it (not collaborating) is an RCM issue. It became more astute after 2008 when most of the schools no longer had the revenue to do all the things they needed to do. In some instances, it was not RCM, it was actually when deans

> complained and where narratives were being created on the quad, it was the administration wasn't doing x….so, even though we've had RCM for more than a decade or two, most folks still think we have a centrally funded budget process…

And discussing whether the barriers were real or perceived he says:

> I've had some deans who didn't want to own the hard decision that they had to make and so, they wanted to blame us. And my rule is with the deans. I'm happy to have you blame us and you blame whatever budget system you want, if you tell me in advance. What I don't like is sucker punches, which all of a sudden I'm taking responsibility for the fact that you didn't want to make a decision.
>
> So, there are ways in which we have created structures to forge or facilitate collaboration and I would argue you could do that with the central model or RCM. At the same time, we have…disagreements over stealing the students in the college. That doesn't make any sense to me.

Speaking about his time at the University of Michigan he stated:

> And by the time Nancy (the new president) arrived there was so much swirl around the idea that this is going to create all kinds of cultural and social dislocation, but she told us time out, pause, let's just realize it's a model….it's RCM, but we control the budget model….it is just a budget model and it can do no more than we want it to.

Dr. Wagner at Emory had similar thoughts and suggested that RCM does not impede collaboration, even though it may be used as an excuse.

> …I say when it's been good ideas and great work…where there's a will there's a way. And that's always happened. …I haven't had anybody come busting into my office after having worked with their deans and say, we've got this great opportunity for a lucrative grant from the Gates Foundation, or from the National Science Foundation, or the NIH, and we just are not going to be able to take this and do this work, because the financial structure of the University is so burdensome. I just haven't had that happen.

He continued to point out that the obstacles at times are not necessarily because of the financial model:

> … the difficulty of RCM in the University and the difficulty of trying to get people to paddle in roughly the same direction is the fact that in a research university the very kind of person you want to hire is someone who has intellectual entrepreneurship. They're coming out with new ideas all the time and I say intellectual because it may or may not be that they're corporately entrepreneurial, but they've got this spirit of intellectual entrepreneurship.

> We sometimes find our funds flows issues raised, as I said earlier, as excuses to justify a lack of collaboration. But I don't know if I have seen someone document or say to me that the reason Professor Smith isn't working on the same project as Professor Jones is in a different school, is because there's no way for them because the system won't permit collaboration.

Sadehi at Penn also felt that impediments were not necessarily caused by RCM, but noted that potential does exist within the system:

> I'm not sure that I would agree with that. I really don't think anything impedes academic collaboration.
>
> The system is just a system of management. The system itself is fairly benign, but how it's applied is of course where the rubber hits the road.
>
> It's an incentive for the improvement of the scholarship and for coming up with something that is somewhere in between the fields. It is the incentive to get a faculty member you otherwise wouldn't get. The incentive is to get student bodies that you otherwise wouldn't get.

But he went on to mention thoughts of where there were obstacles:

> It's not a free market economy (in a university). The free market does not do some things well and so, that's very important to not allow that to take place.
>
> I think RCM has another big flaw, which is that it assumes that the cost base is highly variable and in universities the cost base is highly fixed because there is a mission that is highly fixed.
>
> It is a management system. Like any other management system it is prone to the managers and their defaults. It is also, like any other system, prone to becoming more automatic and less strategic over time. So, yes there is a myth in place that we can't do this (collaborate) because they're not going to know how to divide up the revenue this way and that way. And there is a reality to that because what has happened with RCM is that RCM has been allowed to basically run without university wide control. Without a sense of a strategic distribution of wealth and resources and without a strategic sense of what are the areas you just can't cross.
>
> Everybody couches everything in academic terms, but the bottom line is that the system has an incentive created in it. It's incentivized to - at the school level, not at the faculty level - at the school level it is incentivized to draw tuition.
>
> We have border skirmishes on a regular basis with engineering over the teaching of physics and math, where they want to teach physics and math, mostly because they don't

> want to keep sending their students to my school to take physics and math because of the economy. So, that's purely financial.

Lynch at U Penn was the most critical of the RCM structure and the limits it places on collaboration. Even though he has been highly successful in creating interdisciplinary programs between several schools, he shared many examples of where it creates difficulty for his work:

> And I have explained that the RCM structure surely disincentivizes us to create new things, particularly when it comes across schools.
> But because of the RCM structure, the program pays twice off the top. And then individual schools are taxed on their own bottom lines….these numbers… are generated based on averages. And so they can't look at the program as a whole. This school takes up part of that program and then has to apply the RCM algorithm to it, and so…it looks like the program is losing money.
>
> …the whole system is based on statistics and it's a reasonable system in that you know, each school should pay its own way, and then everybody sort of supports the school of Arts and Sciences. But anything new - particularly if it crosses schools - you ultimately have to take one school that just simply says we will take all the hits on the taxes.
>
> So you wouldn't be able to see all the variance within the school and you wouldn't be able to see some of the trends at the margin. You have nothing in the benchmark in terms of missed opportunities, you do what the larger market is doing.

As can be seen from the comments above, the impact of RCM varies in the perspective of the participants. Many convey that there are obstacles but they differ as to whether those are solely attributable to RCM or not. There are also differences shared about whether the impediments are real or perceived as some mentioned that it can be used as the excuse. Regardless, all agree that RCM has an impact that depends on how it is managed.

Culture

The next three themes, including culture, relate to actual approaches that the respondents felt did address the primary research question – to varying degrees. It can be seen from these themes that some respondents felt there were specific actions or steps that could be taken to influence the success and impact of RCM on academic collaboration. Others felt there was more to the impact of leadership influence, environment and hiring decisions. Nonetheless, these categories were frequently mentioned and were found to resonate with all participants in different ways, leading to the summary that each could play a pivotal role in the ability to manage toward academic collaboration within the RCM model.

The idea that culture determines much of the behavior within the RCM model and is important to promoting interdisciplinary collaboration arose as a theme often. Five of the participants addressed culture as a pivotal point in the operational efforts of RCM. In fact, some attributed its success or failure to the culture that is built within the institution. As Rob Cooper at USC said, “It is 80 percent culture and 20 percent the system”.

And he also later in the interview added:

> [Central administration] talks to deans about these opportunities whether it is interdisciplinary or executive education or we’re doing some more online graduate programs and how you think broader about the school and what they do in the context of the universities strategic vision. The more they figure out the puzzle pieces for themselves, the better.

For all of the schools, the idea that the culture has adopted an emphasis on interdisciplinary work and collaboration was apparent. Some understood this more than others and it seemed to be intertwined with the assumed direction of the school.

For example, Cooper at USC said:

> We always are going to be pushing interdisciplinary, pushing what our schools are going to look like in a decade both on the instruction and on the research side.

Gibson at Penn spoke about how much RCM is a part of the way they operate:

> We invented it in the early to mid-1970s so, as I read your questions there were some things I will have a hard time answering because RCM is a fabric of our existence. I mean, it is Penn.

> Yeah, it's just that it is the essence of Penn and quite honestly I believe that it's the reason that Penn is so successful, but I will also tell you that the only place in higher education that I've worked is the University of Pennsylvania. So, I've never worked under a model other than Responsibility Center Management.
>
> It's really designed to be, look we're doing this kind of stuff (interdisciplinary research) and here are some guidelines for how we believe it is appropriate to share or distribute or determine how indirect cost recovery should be credited.

Wagner at Emory shared:

> You're exactly right, (we want to be) the best Emory we can be. And part of what is already in Emory, and we were lucky, fortunate, blessed - whatever you want to say - is a spirit – a spirit of collaboration.

And then points to the vision statement of the university and says:

> …and that ends up in our vision statement as a destination university. You've heard that phrase? Internationally recognized as inquiry driven, ethically engaged in diverse communities. Community is important. Working collaboratively - we claim that right in our vision statement. Working collaboratively for positive transformation in the world through courageous leadership in teaching research, and scholarship to help the community…..

Lynch at Penn stated:

> I do think that there is a recognition that interdisciplinary work has intellectual benefits and it also has very pragmatic benefits.

But culture was not always discussed in a positive light. There were references to issues being embedded in the perception of an environment that is revealed in various ways. For example, Bonnie Gibson at Penn noted:

> Our faculty who have been around for a long time tend to view Responsibility Center Management as something that gets in the way of interdisciplinary teaching, of interdisciplinary research and depending on what school they come from, they—some of those faculty believe that their school does not get adequate resources as a result of Responsibility Center Management.

In fact, at Emory the Provost seemed to indicate that he has to pay special attention to a negative culture around the RCM model. He stated:

> I'm not sure that RCM or our central budget model in and of itself is more advantageous in terms of effective collaboration. I think part of it is the culture of the institution, the structures you put in place, the principles that you offer, in the end that can help shape the level of collaboration.
>
> If there's significant cultural dislocation then we can't get things done so I'm always looking at it and trying to sense in one way or another formal and informal whether the perceptions are so intense that it precludes us getting things done.

Lynch made a similar point:

> We create structural barriers to RCM and then we have this culture that says, any kind of collaborative work is (positive) intellectually.
>
> So, I do think that there are cultural barriers and it becomes a perception thing.

Leadership

A fourth theme that emerged consistently was that of leadership and its importance in the success or failure of RCM. For some, the leadership component was very important as they pointed to RCM as a system that required management to ensure that it does not derail the university's mission.

One component of leadership that several participants felt was required was clear communication from administrators of the system. It seemed that the communication piece was the avenue through which a university could continue to reinforce the overall strategy. Primarily there were two descriptions given for the type of communication that lead to a greater understanding of and more successful implementation of RCM – clear, definitive, transparent and honest.

Cooper at USC spoke about the importance of leadership being transparent at his institution. To that end, they include information about the allocated costs, central costs, indirect expenses, etc. in the annual report that is published and available online each year. He described it this way:

> In our system everything is transparent. Not only can you see what the deans put into all the different initiatives, you can see how much funding they get from the provost, through our financial reports.
>
> Our annual reports are there and in the back of the annual report. We publish the next year's budget and so you're going to see summary information. You will see each revenue center and their share of allocated central cost that would be an indirect expense.

Gibson at Penn earlier spoke about the fact that she sees RCM and its attributes as part of the "fabric" of her university. She also talked about how seriously the university is committed to interdisciplinary work and collaboration. The communication from her President to the university community is an acknowledgement of the emphasis placed on collaboration and is clear about the expectation for that to continue.

> The president has been publicly quoted on a number of occasions talking about the big questions that face the world are questions that can't be answered within a single discipline.

While her president is communicating clearly that interdisciplinary work is necessary, Gibson herself considers it important and works hard to educate specifically about RCM and how it works is for those who don't understand it.

> I think as we do a better job of educating people about Responsibility Center Management, they can understand that this may be, as I said before, a speed bump as opposed to a barrier.

Most of the individuals I spoke with felt that a better understanding of how the system works and what the university expected in that context helped them pursue their particular goals much more effectively. This kind of clarity helps individual schools and units work around obstacles, and in many cases helps them work together more effectively to deliver on their strategy.

Another sub-theme that was commonly discussed throughout was that of strong central leadership. The thoughts were that a strong central administration could help guide the funds flow, and consequently, the overall direction of the university. The emphasis was put on the importance of leadership assuring that the university goals are aligned with the financial model and that it does not derail the work towards collaboration. Several participants commented on this, including Gibson who stated:

> It is for the provost to make sure that those academic priorities are consistent with the institution's academic priority. They're not going to necessarily be in lock step. A school may have a priority that isn't within the institution's priorities, but in general they should be consistent and so that is the provost's responsibility.

Two issues arose, however, that limited the strength of central administration. Several respondents cited a lack of central resources as limiting. They felt that one of the flaws in the RCM system is that it potentially deprives the central administration, namely the provost's office, with enough financial resources to truly provide incentives and direction to a specific strategy.

As Sadehi stated:

> I think this percentage actually has a very critical role to play in how everything works out over time. If the number is too small, the administration has very little to work with. If the number is too big, the incentives are too little at the school level to make things change. I don't think 80/20 is the right number. I think 20 is still too small for administration to really do something with.

Others didn't provide specific numbers or percentages that would provide enough central resources, but several did mention that without enough, central leadership could be essentially powerless to influence the strategic goal of collaboration. Limited funding would mean inadequate seed funding for new projects, compensation for programs that are necessary but not revenue generators, or provide any financial incentives to assist making less financially viable options successful.

But it was not just limited resources that some noted as having a negative impact. Many mentioned that the central leadership must be effective in their role and proactive in encouraging the goals and strategies that would help produce more collaborative work. In order to have this, many argued that there must be clarity of roles and responsibilities. At each of the institutions, participants named the provost as the primary person responsible for ensuring that the operations of the financial system do not interfere with the goals of academic collaboration. A few also mentioned others, like the chief financial officer, president, and/or deans, but the provost was seen as very important. The comments were that the provost should be an articulate, fair, thoughtful, decisive leader who would listen to concerns of faculty and the deans, but who would also be able to lead the dean's toward specific goals and keep them on mission. When asked who was responsible at Emory, Provost Lewis commented, "That's me in conversation and coordination with the deans."

At Penn, the responsibility falls to the provost's office as Bonnie Gibson describes:

> …we fiscally tie those things together. It really is the provost who meets with the deans to make sure that where the schools are going is consistent with where the university if going.

Another sub-theme that was apparent was that it is very important to have the right kind of people working within an RCM institution. Several individuals discussed how instrumental it is to have deans and others in the institution that can operate successfully within the parameters of the financial model. Entrepreneurial, creative and convincing were terms used most to describe the right kind of person. Being able to identify and recruit that kind of person to bring into a leadership position in this kind of institution is pivotal, as Gibson supports through her comments:

> And if you hire the right dean in an RCM Institution, that dean will thrive and as a result that school will thrive. If you hire the wrong dean, they're going to flounder

> And I think one of the key things about Responsibility Center Management at Penn, is that the president and the provost, really have to be able to sell their ideas to the deans because ultimately the deans control most of our resources.

Charlotte Johnson seemed to agree when she stated, “I think they need to challenge the deans and when there are leadership transitions they need to hire the right people that have an appreciation for interdisciplinary work.” And Sadehi at Penn also shared similar thoughts, “I think it's a wonderful management system, but it requires some pretty strong managers, which in this case would be the provost and the president…”

Several examples were given, in fact, of changes in leadership having to be made because a particular dean was not able to adapt to the demands required in an RCM institution. Dr. Lewis, for example, cited reasons for making adjustments in leadership at his institution:

> I made leadership changes, based on the fact that I wasn't convinced that the (person) was an able participant in actually being able to direct the school going forward. And so, it's not a casual assessment. I'm actually listening intently to what I think they understand about the institution.

This emphasis on leadership seems to be a pivotal part of effectively running an RCM model at a university. Because one of the benefits of RCM is to place responsibility at the local level, the expectations for those in positions of influence in schools are even greater as they are required to become a point of productivity. The responsibility of those in central leadership positions is important too, as they are the link between the system and the activity it supports. As Wagner at Emory points out:

> RCM is consistent with a notion of moving responsibility and authority as far as and as deep as possible on your organizational chart, and requiring accountability back. And if the accountability is to a strategic plan, the highest level – by the way - it works.

Mechanisms to Promote Collaboration

The final theme that emerged was centered around actual mechanisms that are in place or could be put in place to encourage collaboration and interdisciplinary work within the RCM model. There were several ideas that were shared by all participants at each school. There were others that were suggested by participants that were not in place but were thought of as possible means to further encourage collaboration. Below is a sampling of the methods discussed.

The first method discussed was central funding. Lack of financial resources held and allocated by central administration was previously discussed as a possible barrier to the kind of leadership that is required by RCM. However, comments about using central funding specifically to promote collaboration drilled down a little further into how to actually direct the funding and from what sources to gain that funding.

Examples of sources varied, but they typically included either allocated costs paid to the center, gifts or endowments specifically given for or assigned to a strategic plan or strategic initiative, or other sources of significant revenue like grants or patents. The primary reason cited for tying central funding to the goal of collaboration was to overcome the focus on the bottom line that is easy to develop when you are not allowed to run a deficit.

At USC, Cooper spoke of their need to increase the amount of central funding as a result of negative comments that were received during their accreditation process. As a result, they have intentionally tried to guide the amount available for the provost and president to “guide the ship”. He said that now they take a percentage of most unrestricted revenues and place into a fund for the provost. While it sounds like most of those dollars (still a relatively small amount in his opinion) are spoken for, it does allow the provost some ability to use financial support to direct meaningful, important collaborative ideas. Cooper stated:

> They've always looked at the money that central provides as seed capital.
> So that's why it's just called provost funding because we want to make sure that we're nimble enough to make the changes as we go forward.

At Penn, a pool is also available to support interdisciplinary work at the president and provost's discretion. Gibson described it as a subvention pool that primarily ends up going back to the schools through budgeted support. But it does allow the administration some ability to incentivize monetarily.

At Emory, there is also a central fund. It, however, is funded from endowment and is disbursed to schools in various amounts to fund strategic plans. Schools are required to document how the money is spent and are accountable to ensure that the money is used toward strategic initiatives that are in line with the university's, often including collaborative ideas.

Another type of funding was found at Emory as well, but with a specific goal of hiring faculty who could collaborate and advance interdisciplinary work. They have what they call a faculty distinction fund, formed by monetizing the invention of a particular AIDS drug and treatment. As Dr. Wagner stated, "the faculty distinction fund is the principle way that we are pursuing the strategic theme of strengthening faculty distinction". And Johnson had this to say about it:

> …early on when we launched the (Faculty Distinction) fund, I think one of the strategic elements was to carve out money for faculty recruitment and within that fund we have specific lines that are tied to a number of our cross cutting interdisciplinary themes. We will assist a school with recruitment. We will pay so much the first year and then it declines over a period of two to three years. So, the school gets a front end benefit if they come to the table in a constructive way.

There weren't many other examples as substantial as this one in terms of the amount, but most acknowledged that it is these kinds of resources that can be very helpful to target certain initiatives.

Tuition sharing was yet another mechanism discussed that exists at two of the three institutions. Emory is the only one that does not split tuition based on school of instruction. Penn and USC divide tuition among the school of residency, the school of instruction, and the central office. This helps mitigate some of the turf wars over students. Emory seemed to have more issues with schools trying to claim students because of the fear of lost tuition. As an example of tuition sharing, Gibson described it this way:

> We divide our tuition based on 20 percent at what is essentially a tax to the central subvention pool, 20 percent of the tuition goes to the home school of the student taking the course and 60 percent of the tuition goes to the school that is teaching the course.

A third mechanism that was discussed was centers dedicated, at least in part, to deliberate promotion of interdisciplinary collaboration. One example at Emory is called the Global Health Institute. Dr. Lewis described it this way:

> We decided Global Health should exist in some form or another well after the initial plan. So, this year's allocation process had a line for Global Health and now each of the schools and colleges is being taxed to support Global Health. That's one way we do it.

These types of centers require additional funding through various sources, so they again are an avenue to promote interdisciplinary work through funds flow. However, they can be more influential as an extension to the messages from upper administration in convincing the schools, deans and faculty that collaboration is a sincere goal.

The promotion of interdisciplinary research has also become a greater emphasis at all three schools. In an effort to promote more of it and to allow there to be funds available to support it, Penn now can divide indirect support among participating schools. The majority of the indirect recovery goes to the school in which the principal investigator resides, then smaller percentages to other participating school(s). This formulaic approach seemed to foster more collaboration, according to Gibson at Penn, however it was clear that many times the way these kinds of necessary arrangements are figured out is through deliberate conversation.

Clear communication and establishment of rules and guidelines was expressed as an important part of making collaboration between autonomous schools work effectively. While this was not cited as a method, it repeatedly came up as a very important part of supporting academic collaboration. For example, Sadehi pointed out that if he were recommending one thing it would be to, “be sure to get your rules and policies at the beginning.”

Similarly, Gibson added:

> From my point of view clear rules that everybody understands and then clear roles on the academic side of determining what's appropriate from the academic point of view is really critical.

This emphasis on clear rules and guidelines was reiterated multiple times by each of the participants. It seemed to be, in fact, the most important piece. They seemed to be saying that yes, the system and the strategy may have different emphasis, but through conversations and effective communication most obstacles could be alleviated.

A few methods were shared that have not been implemented but were brought up as good ideas in the interviews. The first was a suggestion to tie success in interdisciplinary collaboration to the promotion and tenure decisions of faculty. Johnson at Emory suggested it this way:

> …we may need to look at a different structure for those who work in an interdisciplinary way when it comes to evaluation and I will be so bold as to take the next step and say it may also have an implication for how they proceed through tenure. If you think about (the traditional model) the decision to move someone forward or not to move someone forward really starts at the departmental level. Well what happens if that individual is straddling two departments? How do we structure a process that will recognize their work in both worlds?

It was mentioned by a few that potentially what happens in a world where tenure is evaluated based on the contributions to a single discipline, as is often the case, the goal of the faculty member becomes focused on just that. Changing the evaluation for tenure to include academic work that crosses disciplinary lines might help promote that work in a more meaningful way. Other similar ideas that involved changing the traditional way deans and faculty are hired and promoted were shared. Examples were putting part of deans' compensation at risk, subject to the success of interdisciplinary work within their school and building a cross-discipline cadre of faculty who would be funded centrally to work on interdisciplinary teaching and research. Many participants felt that there were changes that could be made to the standard way of doing academic business that could help further promote collaboration.

The last method that was mentioned involves the evaluation of programs or initiatives that promote or involve interdisciplinary work. Lynch at Penn suggested that the model for evaluating and accounting for new programs is flawed because RCM itself assumes a steady state. His recommendation is that each program is evaluated on its own and not be lumped in with the school's bottom line, since as essentially a "start-up" the program may not add to the bottom line immediately. Instead of treating every program as the same, he suggests that universities should identify "rising stars" or programs with potential and treat them differently – looking at return on investment as its own program. He promotes more discretion in the evaluation of these new initiatives.

Every participant, no matter their feelings towards RCM's effects on collaboration between academic units could identify methods of making it work better. These ideas were shared mostly out of support for the model and how it can work to foster interdisciplinary work. A few, however were shared out of frustration and hope that there could be improvement to a system that does place obstacles to the kind of work they are asked to do. The bottom line, though, is that all conveyed that the system cannot be allowed to operate on its own – or collaboration will be severely limited. As Wagner stated:

> (Funds) can be reallocated in such a way that it fosters collaborations. So in other words, it's really the modifications, it's really in the implementation of RCM, not of the philosophy of RCM that you're able to build these collaborations.

CHAPTER 5

CONCLUSIONS

This study was conducted in order to find methods to incentivize collaboration and prevent the atomization of academic units within universities that have adopted RCM. The three institutions that were explored all promote interdisciplinary academic collaboration in their respective strategic plans. The individuals at each school were interviewed based on their knowledge of both the financial model and intricacies within and their understanding of the academic mission of the institution. This chapter is a discussion of the findings as they relate to the main objectives stated at the beginning of this research study.

While not all agreed, most of the participants in this study commented in some form on ways that RCM does, in fact, affect the university's pursuit of a central strategy. Several of the responses reflected differences in opinion depending on the position that they had and specific responsibilities they held. Others varied based on management philosophies, but all acknowledged there was impact.

The Good

Throughout the study, there was confirmation of the positive benefits of RCM. The belief that RCM encourages autonomy and ownership of responsibility at the most local level possible was thoroughly supported. Throughout the literature that was one of the most meaningful benefits given, and it rang true as the discussions in this study progressed. There is a great amount of responsibility and accountability in each of the schools or revenue centers at all three universities. The deans and their designees obviously manage their respective schools with this in mind. It is clear that the drive for revenue creates a different environment than what exists in a centrally controlled system.

This push for revenue creation also encourages innovation, at least at the dean level within the schools. As they control their own bottom line, schools are incentivized to create programs, add students, increase research, and lobby for more donations for the sake of their financial health. At each of the institutions there were examples cited of schools doing exactly that. They were able to be creative and promote the academic mission of the university at the same time. This leads me to believe that the model does drive behavior.

The original goal that sparked the creation of RCM at Penn, controlling costs, also was an evident effect of the model. The system does what it was created to do. I believe this is a result of the ownership of one's own budget. Scrutiny of expenses is not just at the central level, where little control over purchasing and cost control measures have to reach far to be effective. Instead, the controls are much more localized and meaningful to those who have the ability to cut costs.

The Bad

However, as many of these positive impacts were confirmed through this study, so too were some of the negative effects. For some of the respondents, the claim that RCM forces schools to become too self-centered and derail from the central mission to collaborate was reinforced. Several commented that the system itself is built on the premise that autonomy and ownership is good. This can be in direct contrast to an emphasis on being open to sharing, collaborating, recognizing points of possible joint programs, etc.

Some also agreed that RCM does not allow for enough resources to be used by the university's leadership to fund very important priorities. Examples were given throughout of insufficient funding available to presidents and provosts to effectively pursue initiatives that would be important for the university. While this was pointed out as a flaw, it was not discussed as something that was impossible to work around. Still, it was interesting that even the most positive proponent of RCM mentioned that insufficient central funding was an issue.

The Difference

So what are the reasons for these differences in opinion? An interesting discovery was that the differences in opinion often could be traced by position in the university. The participants who are in leadership within schools were the most adamant that RCM has consequences and limits their ability to collaborate or work across disciplinary lines. The individuals in central administration were the most positive about the fact that RCM did not impede collaboration. And the higher ranking the person was, the more optimistic they were that RCM was not an impediment. I think this exposes a disconnect between what central leadership believes about the financial model and what those who operate in its constraints think about it. There was more frustration over the model and the limits it has at the local level that those in central administration were aware of but saw only as issues that could be resolved easily.

This difference could also be a result of the fact that those at the local level actually are the ones who have to make the initiatives and collaborations work. So as they are finding work-arounds and other solutions to a system that does not naturally support collaboration, they see more of the roadblocks. Those in higher positions may only see the results and assume it works, but not realize the amount of time and effort that was put into it. Regardless, it was interesting to note that there was a difference in attitudes toward RCM, and is possibly something to explore more deeply.

Another interesting finding was that regardless of someone's perspective on RCM, there was agreement that negative behavior, such as not willingly collaborating, can happen in any kind of financial model. Most in higher positions felt that this was very true and clearly felt that a negative or mismanaged culture could have the same negative consequences. In other words, RCM was not necessarily the cause of a lack of collaborative work. However, the thoughts of those in the schools seemed to resonate more true. Their opinion was that a culture that is resistant to collaboration could exist in a central or other financial model, but that RCM clearly is built on premises that could lead to the tendency more easily. In other words, building an environment that promotes collaboration could certainly limit the negative effects of RCM, but it may not remove them completely. The pieces of RCM that enforce autonomy and innovation are inherently going to push towards inward control.

Summary

Prior to beginning this study I was not certain if any institutions had put special efforts into pushing forward the ideas of academic collaboration, even though they explicitly promote it in their mission statements and promotion collateral, including their own websites. Many of the initial conversations were around this topic, which allowed me to discover to what extent these institutions incentivized this strategic theme. What I found was that indeed they did.

All three institutions spoke of having a culture that embraces these ideas. It was apparent that many were pursuing interdisciplinary work because of its value to the university and academic community as a whole. The presidents and provosts were very active in communicating this idea to faculty, staff and other external audiences. At these schools, it was apparent that they pursue collaboration inside and out of the university because they feel there is great value in it. Much of the benefit was discussed in terms of adding to the body of knowledge, extending the capabilities of smaller units, creating breadth within and between disciplines. In other words, the incentive was beyond what the internal financial model could create.

At the same time, the model itself is seen as a way to incentivize and its management is dependent on people understanding the full effect that it may have. Leadership was mentioned many, many times as the pivotal piece of having a successful RCM model. Specifically, strong leadership was cited. It is necessary to have a president and provost who is willing to not just recognize the realities of RCM but to encourage deans and administrative staff to work towards strategic goals within a complex system.

Examples of failed collaborative projects were blamed on leadership not taking a stronger stance and speaking up to essentially identify an initiative or project as important enough to the university that it would continue. Many of the projects that created too many complications were dropped without someone serving as a driver to push it through. The existence of leadership that can promote and encourage entrepreneurial activity and at the same time promote far reaching interdisciplinary collaboration is extremely important.

As mentioned before, the primary intent of this study was to document the specific ways that RCM universities might incentivize collaboration between schools and prevent the atomization of academic units. From the study, there were many good ideas that are documented below. However, it was somewhat disappointing that the process didn't uncover incredibly innovative approaches. That may be because collaborations are happening at a comfortable pace currently and the universities have not had to be more creative. Or it may be that there are other factors limiting more creative approaches that have not been identified. Regardless, there were several methods worth noting.

The methods either currently being used or suggested to incentivize interdisciplinary collaboration discovered in this study are below:

Provide central subsidies

Sufficient resources should be available to central administration so that the president or provost, as appropriate, are able to direct funding for specific university-themed initiatives. This might be used to create a group of cross-discipline faculty that focuses solely on work across the traditional borders or could be used to increase seed funding directed towards schools that participate in creative, innovative projects.

Share tuition

Penn has a unique arrangement that directs tuition revenue based on a combination of factors including school of instruction and school of residency. This practice reduces the amount of infighting that occurs over who teaches what and the effect of "losing" revenue when students move to upper division programs. At the institution that did not share tuition, there seemed to be more concern over enrollment shifts and loss of tuition income as a result of collaborative programs.

Split revenue (ICR)

Similarly, Penn divides indirect cost recovery between the school receiving the award, the central subvention fund and central research administration. If necessary, they also make arrangements to provide ICR to other schools that may be actively supporting or providing research on a particular grant. In the same way that tuition sharing helps, this sharing of ICR can give more reason for a school to participate collaboratively.

Fund dedicated centers

Examples were given of centers funded through a variety of sources (central seed money, endowment, etc.) and dedicated in part to developing partnerships between schools. The Global Health Institute at Emory University is one example in which the initiatives are intentionally cross-discipline and funding is provided to partially support faculty who can work to that end.

Fund dedicated faculty

Another method used in at least one university is funding set aside to hire top end faculty, with potential to collaborate as one of the aspects being sought in the hiring process. The Faculty Distinction Fund at Emory is a good example. This fund draws money from a dedicated endowment to pull in prominent faculty and researchers to the university. To go even further, a university could create a similar fund dedicated solely to interdisciplinary faculty.

Hire for success in the model

One of the more interesting approaches shared was related to the hiring of deans and administrators to lead for success in the model. At all three institutions, it was stressed how important it was for the deans to be innovative, creative, and willing to work within the environment that RCM creates. Some of the obstacles mentioned were blamed on a lack of interest or ability from the deans and central administrators to balance the promotion of innovation and importance of collaborative spirit. Hiring people who can work well within that polarity is important.

Link interdisciplinary to tenure and promotion

None of the respondents mentioned that they were tying interdisciplinary performance to faculty tenure and promotion decisions, but it was brought up as something that could be considered. Tenure and promotion is still traditionally linked to typical disciplines at most institutions. That practice forces young, ambitious faculty to focus simply on that. If interdisciplinary is truly important, it should be reflected in the evaluation of tenure.

Link goals to dean's performance and salary

Similarly, the dean's performance evaluation and salary could have some component that reflects success in collaboration. One example suggested was to link a percentage of the dean's salary to interdisciplinary work. If an appropriate share of compensation was at risk, then there would be reason to promote and support other staff and faculty who attempt to find workarounds in the system.

Create a culture that recognizes achievements

One of the most discussed, but most ambiguous methods was to create a culture that recognizes the importance of and the successes in building collaborative initiatives. The culture certainly would include hiring the right people, but also would include creating an environment in which recognition and prestige on that campus comes as a result of contributing to the strategic plan of enhancing collaboration. Providing unequivocal support publicly to the successes could encourage more to pursue the same – and help encourage more of the obstacles to be removed.

Evaluate start-up initiatives differently

Perhaps one of the most unique suggestions came from Doug Lynch at Penn. As discussed earlier, he suggested that start up initiatives should be evaluated for success differently. Instead of using averages, for example, new collaborations should be evaluated as their own entity. Suggesting that they are only valuable if they contribute to the bottom line of a school immediately may not be reasonable. Some initiative might not be viable for a couple of years or their return on investment might not be fully realized when rolled into the analysis often applied to an entire school. So to parse out the interdisciplinary initiatives and evaluate them differently, as their own entity might allow more flexibility in the creation of these types of important projects.

It is apparent through this research that Emory University, University of Pennsylvania and University of Southern California all manage their versions of the RCM model in an effort to encourage collaboration and interdisciplinary work. Through different avenues including providing the right leadership and culture coupled with financial, personnel and administrative management practices, these schools have been successful in promoting academic collaboration within a financial model that potentially creates obstacles. The conversations around these ideas were rich and telling of the ingenuity and creativity that exists on the three campuses included in the study. While there were not any ground-breaking ideas of how to incentivize interdisciplinary work within these institutions, there certainly is an expectation that the model can be enhanced in order to meet that goal. Without close attention and if left to mange itself the model may obstruct collaboration and create more deeply defined silos resistant to the university's strategic goals. The importance of leadership, culture and mechanisms built within the system is apparent throughout this study.

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APPENDIX A

INVITATION AND LETTER OF CONSENT

<<Date>>

<<insert name and address here>>

Dear <<insert name>>:

I am a student at the Institute of Higher Education at the University of Georgia with research interest in higher education policy. Also, in full disclosure, I am an employee of Emory University as an Associate Dean of Finance and Administration within the School of Nursing. I am now writing to request your participation in a research study I am conducting as part of the IHE Executive Doctorate in Higher Education Management. The study will examine the promotion of academic mission and collaboration within responsibility center managed institutions.

The purpose of the study is to discover what methods are being used at RCM institutions to encourage collaboration among schools in the pursuit of a central mission and to prevent the atomization of academic units. The challenge will be to find ways to mitigate the negative impact of RCM while promoting the proven benefits.

The main objectives of this study are to:

- Examine the characteristics of RCM that affect the pursuit of a university's central strategy
- To assess if and how universities have adopted methods to incentivize collaboration between units and to pursue a central mission
- And to provide a template of ideas of how to encourage collaboration and prevent the atomization of individual academic units or schools.

I feel that this study is significant because as a fairly new phenomenon, there are no answers to how to best mitigate the negative effects that are seen within the RCM model. The research indicates that there are barriers, but is short on suggestions about how to go about programmatically changing the system to incorporate the benefits of cohesion (central) and autonomy (decentralized). As universities struggle with encouraging collaboration, eliminating redundancies, streamlining processes, serving students effectively, etc. this research may help universities whether they are in an established system or are contemplating adopting one.

I am most interested in capturing your perspectives regarding how (insert institution name) is attempting to accomplish central strategy within a decentralized financial environment. If you are willing to participate and your schedule permits, I would like to interview you during the month of May or June, 2011. The interview will not take more than one hour and you can choose the interview location.

If you choose to participate, your identity will be made public unless you would prefer confidentiality. If you prefer, confidentiality can be provided by using a pseudonym in any transcription, record, or publication. With your permission, an audio record of the conversation will be recorded to help remember what was said at the interview. The audio files will be destroyed once they have been fully transcribed. While conducting the study, only my advisor and I will have access to the audio files and transcripts. All information will be stored in a locked file or password-protected computer in my campus office.

Also, I would be happy to provide you with a preliminary draft of the report for your approval and with future publications related to this study. Of course, you understand that your participation is voluntary. You can refuse to participate or stop taking part at anytime without giving any reason, and without penalty or loss of benefits to which you are otherwise entitled. You can ask to have all of the information about you, returned to you, removed from the research records, or destroyed. No foreseeable risks or discomforts are expected. There may also be no potential benefits for you personally from this study. However, the potential benefits to science and humankind may include a better understanding of the RCM model and how institutions may gain maximum benefit from it.

If you should have any questions about this research study, please feel free to contact me by email at rnhoove@emory.edu or by phone at 404 727 4348. Also, for additional information about your rights as a participant in this study, please feel free to contact the University of Georgia Institutional Review Board Office at 706 542 3199.

Thank you for your consideration to participate in this research study. To indicate your willingness to participate, please sign and date below and return a copy of this letter to me. I will contact you via telephone or by email in late May to schedule a time for us to talk, if you are willing and available. I will also be able to offer further explanations if you have any questions about the study. Again, thank you for your consideration.

Sincerely,

Robert N. Hoover
Student, Executive Doctorate in Higher Education Management
University of Georgia.

Name of Participant	Participant's Signature	Date

Additional questions or problems regarding your rights as a research participant should be addressed to The Chairperson, Institutional Review Board, University of Georgia, 629 Boyd Graduate Studies Research Center, Athens, Georgia 30602-0001; Telephone (706) 542-3199; (706) 542-3199; E-Mail Address IRB@uga.edu.

APPENDIX B

INTERVIEW PROTOCOL

Semi-Structured Interview Protocol

Describe for me the general implementation of Responsibility Center Management (RCM) on your campus (if applicable)?

What are the primary strategic goals for the university as a whole?

- Are these supported university wide?
- How does the university promote achievement of these goals?

What effects does the financial model have on your organization?

- How has it affected the ability of schools/units to collaborate?
- What do you perceive the faculty opinions to be about the model?
- Are there intentional goals to use the model to direct certain activity or behaviors?

How does the financial model effect the pursuit of the university's strategic goals?

- Does it allow for achievement of all goals?
- Does it act as a barrier in any way (real or perceived)?
- What attention is given to how/why the finance model affects attainment of these goals?

What methods/actions have been used to ensure that the university's central mission is achieved within the financial model?

- Have there been deliberate steps taken to adjust behavior caused by the model? Describe.
- Who is primarily responsible for ensuring that the finance model and the university's mission coincide?
- What attention is given to an individual school's concerns about the use of RCM?
- How are outcomes of the use of RCM measured?