

Minutes\*

**Senate Committee on Finance and Planning**  
**Tuesday, November 28, 1995**  
**3:15 - 5:00**  
**Room 238 Morrill Hall**

- Present: Fred Morrison (chair), David Berg, Thora Carlidge, Craig Dexheimer, Kathy James, Karen Karni, Gerald Klement, Patrice Morrow, Richard Pfitzenreuter, Peter Robinson, Doris Rubenstein, Charles Speaks, Craig Swan, James VanAlstine
- Regrets: David Kittelson, Steven Thelen
- Absent: Allen Goldman, Roger Paschke, Ryan Thrun
- Guests: Darwin Hendel, Jane Whiteside (Academic Affairs); Associate Vice President Robert Kvavik (Academic Affairs)
- Others: Halil Dundar (Academic Affairs)

[In these minutes: Critical measures and use of the term "customer"; update on Responsibility Center Management]

**1. Critical Measures**

Professor Morrison convened the meeting at 3:15 and welcomed Dr. Whiteside to lead the discussion of Phase III critical measures.

Dr. Whiteside began by noting the work done thus far on critical measures Phases I and II; she pointed out that the University did not have baseline data for a number of the Phase II measures but that those data are being developed. When completed, most likely this spring, the goals will then be set.

The Phase III measures are the most difficult one they have dealt with. She briefly reviewed the measures:

1. reputation of undergraduate, graduate, and professional programs
2. interdisciplinary/applied research programs
3. outreach, public service
4. responsiveness to market demand
5. responsiveness to compelling state needs
6. customer service/streamlining
7. technology

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\*These minutes reflect discussion and debate at a meeting of a committee of the University of Minnesota Senate or Twin Cities Campus Assembly; none of the comments, conclusions, or actions reported in these minutes represent the views of, nor are they binding on, the Senate or Assembly, the Administration, or the Board of Regents.

It is unclear what the appropriate words are to develop measures for these items. Outreach and public service are part of the University's mission; the two with "responsiveness" in them could be defined narrowly or broadly. As a result, the third, fourth, and fifth measures have for now been grouped because they share connectedness with the state. They do not want to get locked into terms but are seeking important themes in the University's relationship with the state.

This Committee, Dr. Whiteside recalled, is the "lead review" committee for the "connectedness" measure(s) and the "customer service/streamlining" measure; it has a "supporting review" role on the technology measure. Professor Morrison reported that he had notified the chairs of all committees that have a supporting review role on the two measures this Committee is responsible for; none of them have responded. That means that for now the primary responsibility for reviewing the two measures rests with this Committee, Dr. Whiteside commented, and said that they would be very interested in reactions and evaluations.

One Committee member said the University should begin talking with the state about something more difficult. These measures are all concerned with applied knowledge that has a short life span. The University can provide people who can do jobs now for a company, but it should be talking about providing people who will be resilient for the next 20 years. To the extent the University gives into corporations and does their training for them, it does a disservice to itself and the state. This is not a technical institute.

There also needs to be included, it was argued, more about research with no known uses, and about things that may not be useful for 50 years. There is a need for language about tackling problems of interest in and of themselves, with no idea if they will ever be useful--and the University should quit explaining taconite over and over and over again.

Another Committee member concurred, and then voiced objection to calling students "customers." If a company asks the University to develop something, the company is a customer. Students are students.

The tenor of these measures, said one Committee member, is immediate salability; it permeates the document and contradicts what a research university is about. It should move the University toward what it wants to be, not what is saleable. Three points were made by this individual:

(1) On the interdisciplinary/applied research measure, it appears that interdisciplinary applied research is a good thing but applied research is not--that somehow applied research conducted within the confines of one academic unit is not desirable. That is stupid. The University wants to encourage collaboration, but what is central, the collaboration or the output? This seems to take the position that since the output is hard to count, the collaboration will be counted instead.

(2) The document says the University values research, but the statement is buried. Applied research, however, is measured three different ways, which says something about its value. This sees the University as a revenue-generator, not a research university.

(3) The word "customer" appears throughout the document; that sets people off. A better word

needs to be found.

Another Committee followed up on this thought. For one who was taught that words are important, this is an issue. The vocabulary of business, reflected in this document, is taking over the University. The University does NOT make a product; it is involved in a very complicated process. When what it does is defined as a product, rather than creating a resilient citizenry, then the University IS dealing with customers. This use of the language of business is bothersome because it suggests the University is the same as a business. It is not.

To the suggestion that "customer service" might be an alternative, one Committee member remarked that Dayton's provides customer service.

This is related to user-friendliness, said one Committee member; the University wants to be welcoming to people, to deal warmly with students, but it is not customer service. The University is asking things of them; they must perform as well.

Asked what alternative phrase or concept might be used, one Committee member said that the University teaches people to think; user-friendliness means trying to minimize the non-thinking "stuff" that students must go through (long lines, etc.) in order to get the education they are here for. Dr. Hendel agreed, recalling that retrospective evaluation of their University experience by students includes both the classroom experiences and vivid recollections of what got in their way. Customer service may not fit, but it is a part of the student experience on the campus that is not positive.

There is no disagreement on that, said another Committee member. But to call it customer service denigrates when the rest of the University is doing in the educational process.

One term less offensive is consumer, said one Committee member. The term customer implies that students order what they want. In some contexts, the student is a tuition-paying consumer with rights, especially to a high quality education and to be prepared to be resilient customers.

It was suggested that the term "customer" be removed from the document and instead there should be discussion of services.

The document is also very provincial, said one Committee member; the University's customers are apparently limited to those within the boundaries of the state and do not include people in Wisconsin or the federal government or the world community to which the University's research goes. While "customer" should be removed, it was added, "students" cannot be substituted because that is not inclusive enough; the University has dealings with a lot of other groups as well as with those who work AT the University and people outside it.

Do not use only one word, said one Committee member; there is not one term to describe those who interact with the University. It educates students, generates knowledge, and so on, and to use one term offends everyone. If staff members can't do their jobs because someone elsewhere is "mucking up," say so; the problems of a staff member are not the same as those of a student.

One Committee member suggested that this measure is necessary because service and streamlining

are ways to operate the University so people here are satisfied. Satisfaction is a measure and service and streamlining are ways to ensure it. The problem with that, replied another, is that it is not possible for the University to satisfy everyone and it should not try to do so. Students are often not allowed to do what they want to, nor are faculty and staff. The problem with customer service is that the customer is always right and his or her needs must be met. There must be places in the University where one says "no," it is part of the job to make people uncomfortable in order to help them learn. The mindlessly obstructive needs to be weeded out, but that is not the same as education. If it is couched that way, all must go away satisfied from every encounter, which will mean giving away the store.

Dr. Hendel agreed that the goal could not be that everyone is satisfied with all encounters. Surveys show that 20 - 33% of students, in evaluating their experience at the University, express dissatisfaction, and they are more dissatisfied the longer they are here. This suggests there is a problem.

One needs to know the nature of the dissatisfaction, pointed out one Committee member; should the student have been admitted to the University in the first place? Is the dissatisfaction with teaching encounters or administrative encounters?

One way to deal with graduate and professional students, suggested one Committee member, is to consider them junior and future colleagues.

After having expressed its dislike for the terms in the document, discussion turned to the measure of "responsiveness to compelling state needs." This is still provincial, it was said; that is a nice phrase for the legislature but it is not what the University is about. Moreover, in a number of circumstances, there has been a policy decision that the University will NOT be responsive and does not want to be--and such decisions will have to be made with increasing frequency as the University decides that an activity is important, but someone else will do it. When that decision is made, the University will not be "responsive," by the standard of this measure. (For example, twenty years ago the Law School could have doubled in size, which would have been responsive to demand and brought in a lot more money, but quality would have declined, so a decision was made not to do so, which led to the establishment of private law school responsive to those needs. There was an intentional choice not to meet the market; there are other such examples.) The University makes conscious choices not to respond to demands. The demands may not be bad, but the University cannot handle all of them.

Asked how they should think about selectivity in responsiveness, it was said that once one quantifies a measure, it is hard to be selective. This entire set of measures gets into uncharted territory, Dr. Hendel observed, and they will need all the help they can get. They did NOT intend, however, that the University address all state and societal needs; the measure must be clear that the responsiveness is related to institutional policies. Dr. Whiteside added that the labels and the language are not a given and they recognize they may not have the right words.

Discussion turned to responsiveness and research. One Committee member maintained that the University should not engage in applied research sought by the state if that would mean diverting funds to activities that do not represent the direction in which a discipline is moving.

That is a pure view of research, it was said; if the state has an interest in something, and the University has the capacity to respond, should it not do so? That depends, it was replied, on how much

distortion of the basic mission occurs. If the need can be handled by one or two people, perhaps that is acceptable; if it means reorienting a department, when the faculty do not believe that is the intellectual future, then it is not. The University must preserve an ability to direct its affairs, it was agreed. Just because there is a demand does not mean the University must respond.

It is appropriate to have a "responsiveness" measure, said one Committee member, but this is not the right one. The University has an obligation to be aware of state needs and analyze whether it can respond and if those needs match its priorities--or to determine that others can better respond to the need.

There is an aspect of the University that is not in this document but that is important; this focuses on the creation of new knowledge. The University is also society's archives, charged with being society's memory, so that it can learn and know from the past and so it does not repeat "the same dumb mistakes." This entire document is geared to new knowledge; it should include the fact that the memory and repository is important to society as well. The University is at its best when it deals with the unknown future and with the known past; it is at its worst in dealing with the present.

One Committee member said that if Phases I and II of the critical measures can be implemented, it will have been a job well done. Phase III should be reduced to one bullet, the reputation of programs, and the others put on hold while they try to do that one measure right. The reputational measure should also include the reputations of people who went through the University, said another Committee member; if it had a better alumni association, the University would have been in better shape for all of this.

The document should also defend research for research's sake, said another Committee member. The Senate Research Committee made a similar point, Dr. Whiteside reported; it may be that that should be a separate measure. The reason these measures are Phase III, she commented, are because they are difficult to set one's sights on; as they do these more difficult measures, they want to be sure the measures do not take the University in the wrong direction.

The problem with the customer and responsiveness measures, said one Committee member, is that they focus on what others want; the University should be a place that maintains standards for the community. This emphasis is on the wrong viewpoint. Another Committee member pointed out that when the University is so desperately in need of money, it produces an ID card with three commercial logos on it. One is bothered by interactions with the institution--it is not a commercial venture, but one is surrounded by logos, which stem from the notion of the "customer."

Another Committee member seconded the idea that all but one of the Phase III measures should be put on hold, and the emphasis should be on administrative service, not customer service. It may also be that the Phase I measures, as the data become available, will point to what the Phase III measures should be. It would also be helpful to know how these measures came to be and which could be expendable. Dr. Hendel said that when they are finished, they will look at all the measures to see how they fit together. Every step of the process has involved new challenges. American higher education is focusing on education and services, helping students get degrees; for a research university there are two other foci as well, research and outreach/service. The latter two are harder to track, but they are concerned that the University receive credit for all that it accomplishes--some of which activities are very difficult to document.

Professor Morrison thanked Drs. Hendel and Whiteside, wished them well in their work, and asked that the Committee see the next draft. Dr. Whiteside promised that it would not be soon.

## **2. Responsibility Center Management**

Professor Morrison now welcomed Associate Vice President Robert Kvavik to the meeting to talk about Responsibility Center Management (RCM).

Dr. Kvavik began by reporting that there had been a small staff group that had worked over the summer to draft a document. He said he was struck that many of the reasons for going to RCM are already present and that they are already being implemented. Rather than debate whether or not to adopt RCM, it would be better to look at pieces of the institution that need attention regardless of whether it is under the rubric of RCM. Colleges are negotiating a variety of tuition arrangements. Some believe the University's physical plant is too large and must be dealt with more effectively; Dr. Kvavik pointed out that much of the money retrenched in recent years has been diverted for building debt service and operation--the University has added one million square feet with no additional funding to operate it. How to allocate state and ICR funds are other questions.

The summer group recommended that there be a working committee in several areas to make recommendations; the committees have been appointed. There will also be an advisory committee for all of them; Professor Morrison will chair it. There will, in addition, be a fifth committee to look at the pluses and minuses of all the recommendations (e.g., if units can charge and retain tuition, will that make departments compete and what mischief will result?).

The President wants to make a decision by the end of the academic year; the earliest implementation date would be July, 1997.

One Committee member inquired about application of RCM to space costs, and suggested that the data on operating costs and the variables across time and buildings make the data suspect. They are in the process of correcting the data, Dr. Kvavik said, and Facilities Management has issued an RFP to computerize data on space down to the department level, which will enable planning across the institution. The data are improving, said another Committee member, but are hard to keep up to date; one principle of RCM must be that it will not be implemented unless the necessary data can be delivered. The benefits of RCM will not be achieved, Dr. Kvavik pointed out, unless it is more efficient in recording transactions and it can be used as a management and planning tool.

One Committee member commented on the proposals that a changeover to RCM should be revenue and cost neutral and should challenge existing allocations. Those seem to be contradictory. Moreover, costs differ across buildings, with newer ones more expensive. If the initial change is revenue neutral, and department responsibilities are changed, this could be impoverishing the poor. Dr. Kvavik agreed that it could be socialism for the rich and free enterprise for the poor unless the University were careful. The initial allocation will be VERY important, it was said; it is more than a technical issue, and must address issues both of efficiency AND equity.

Another Committee member expressed concern that the units have no experience in managing in this fashion; it was also noted that once savings and loan associations were given exciting new

opportunities and responsibilities, they all disappeared after scandal.

One Committee member expressed fear that RCM has a life of its own at this point, irrespective of opinions and data that may be discovered, and that the institution has put so much money into RCM that it cannot afford NOT to adopt it. Even if it is not a good idea, it cannot be abandoned. To the general statement, one would have to inquire of the President, Dr. Kvavik told the Committee. It is possible that in some areas, such as space, that no solutions will be found--maybe the funds needed for colleges now badly served by the space they occupy cannot be found. But the issue should be looked at.

What does it mean to provide data down to the department level? When departments share buildings, that could be difficult. Dr. Kvavik related that he recently went on a "space walk" through one building on campus, because the University needs 9000 square feet for the Geometry Center. Finding that much space on the east bank is hard, but he found 25 rooms in the building used for storage. There are a number of reasons why that use might be logical, but the University is leasing space when it has rooms used for storage. The same thing is true of classrooms; once money was available for remodeling, all of a sudden there appeared classrooms that had not been in the inventory before--people were hiding space when others were looking for it. There is no cost to the department to do this, but there is cost to the University.

Dr. Kvavik also noted that the University has a \$40 million annual utility bill--but there is no incentive for people to turn off the lights.

In response to further queries about how the data could be used for departments spread over buildings or sharing buildings, it was pointed out that cost accounting is an art, not a science, and that acceptable formulae must be developed. The University cannot monitor every dollar that it spends. Indiana has a lot of algorithms; Michigan decided to use only five, recognizing that there would be inequities but that the benefit would be not having to fund a large office to manage the system.

Asked about changes in the tuition formula, Dr. Kvavik said the committee will have to look at questions about allocating tuition dollars based on enrollment and major and what the incentives will be for changes. RCM would not be applied to departments, it was said, but one cannot take comfort from the fact that CLA, for example, wants departmental data; once RCM is in place, departments will no doubt feel differential effects. Dr. Kvavik pointed out those effects exist now, but they are hidden.

In many ways the University system now is a vestige of the planned economy, observed one Committee member; Morrill Hall finds space and personnel. RCM represents an increase in the number of decision-makers and tells them to be responsible for what they generate. This Committee sees proposals with wonderful payoffs but with the costs paid by someone else, and someone else uses the funds. At the end of the year someone must provide custodial service and utilities, with retrenchment if necessary. The system encourages irresponsibility, but not all are. RCM may encourage people to be greedy, and the University must deal with the change from a planned economy to RCM.

One Committee member observed that space in the Law School has been lost to the planned economy, and if RCM is adopted, more units will be like the Law School. There will need to be investigation of how to avoid the externalities the system generates, it was agreed; it was suggested that the committee also look at the larger vision of the campuses. That will be the advisory committee chaired

by Professor Morrison, Dr. Kvavik pointed out.

RCM may mean devolving decision-making to three provosts or 15 deans, said one Committee member; in the last analysis, what about the entire University? There are collective goods at the University that need to be protected, Dr. Kvavik said, such as the libraries; what would happen if a unit decided not to put money into the libraries? RCM forces identification of collective goods and setting priorities for them. Right now it is "mushy."

Dr. Kvavik recalled his metaphor of the waterfalls, with money cascading from central administration to provosts, to deans, to department heads, and to faculty, with each siphoning off water under different sets of rules. And there are side waterfalls, such as the Graduate School and minority affairs, that pump out money. It is no wonder the University does not know what it spends. Under RCM, "you earn, you keep." The only job of central administration is to allocate the state funds in a way that all can understand and create incentives for deans to generate and keep money; the University has to grow out of its financial problems, not cut its way out.

Tuition is one of the largest revenue streams, said one Committee member, and there is already a concern about lack of standards--one sees "discussion section" changed to "lab" in order to increase the number of students and tuition dollars. This does not do students any good, and it is to be hoped that in drawing up RCM plans the University does not become a customer service organization where the customer wants and gets the easiest way out. Dr. Kvavik agreed, and said they also want to avoid the situation where a department decides not to offer a course even in the face of demand. He agreed that RCM can run amuck.

Professor Morrison thanked Dr. Kvavik for joining the meeting and then adjourned it at 5:00.

-- Gary Engstrand

University of Minnesota