

Leadership for the 21st Century

The Challenge for the 1990s

**EO Planning Retreat
January 12, 1993**

Retreat Agenda

- 1. To review briefly strategic planning efforts of past 7-8 years.**
- 2. To understand how plans, objectives, and goals have evolved over this period.**
- 3. To evaluate progress on key goals.**
- 4. To assess present planning environment--particularly in light of changes last year.**
- 5. To determine what mid-course corrections may be necessary in light of changes in the planning environment.**

Some Topics and Issues

How are we doing?

- **The Vision**
- **The Strategic Process**
- **The Evolution of Goals**
- **An Assessment of Progress to Date**

A review of key elements of the Business Plan

- **Resource acquisition**
- **Resource deployment**
- **Asset management**

Some Topics and Issues (cont.)

The Changing Environment

- **External**
 - ...State
 - ...Federal
 - ...Local
- **Internal**
 - ...Regents
 - ...Faculty
 - ...Students
 - ...Staff
 - ...Leadership

Some Topics and Issues (cont.)

Concerns

- **Meltdown of state economy**
- **Internal resistance to change (particularly among faculty)**
- **Lack of external understanding of role of University**

Opportunities

- **Lansing**
- **Washington**
- **Regents**

Some Topics and Issues (cont.)

Questions:

- **Is the Vision-2000 statement realistic?**
- **Do we have the right set of goals (for 1993, at least)?**
- **Are we employing the right strategic process?**
- **Is our internal communications strategy correct?**
- **Is our external communications/marketing strategy correct?**
- **Is it time to formalize PAC as a "board of trustees"?**

Do we need to consider bolder strategies?

- **Shapiro/Milliken Proposal**
- **Intellectual restructuring of University**
- **Linkages with other institutions**
- **LS&A Restructuring**
- **Gateway College concept**
- **Medical Center strategy**

The Strategy

The Strategy for the 1990s

- 1. To articulate a compelling vision of the University for the 21st Century.**
- 2. To implement a flexible, adaptive planning process that responds to--and sometimes modifies--the rapidly changing environment in which the University must function.**
- 3. To utilize a planning process of "logical incrementalism" that engages the University community--and various constituencies beyond the campus--to help shape and refine the actions, objectives, and goals necessary to achieve the vision.**

Why bother?

1. All too often the University has tended to *respond* to external pressures and opportunities rather than taking strong actions to determine and pursue its own objectives.
2. We must counter the tendency to become preoccupied with *process* rather than *objectives*...with *how* rather than *what*...
3. To seize the opportunities, to face the responsibilities, and to meet the challenges before us, the University must initiate a process capable of determining both a direction and a strategy capable of guiding it into the 21st Century.

Planning Assumptions

- 1. The University is a very complex system that is responding to the cumulative effects of its history as well as dynamic boundary conditions. Nevertheless, it is critical that the University continue to take responsibility for its own future.**
- 2. The University of Michigan faces a period of unusual opportunity, responsibility, and challenge in the years ahead, a time in which it must seize control of its own destiny by charting a course to take it into the 21st Century.**
- 3. The challenges before higher education today suggest that a new paradigm of the research university in America is needed. Michigan is in an excellent position to develop this model for the nation.**

1890

The Situation

- fewer refrigerators than cars
- less than 25% of homes had indoor plumbing
- less than 10% graduated from HS
- still an agrarian society
- university as an intellectually coherent community of shared values and responsibilities

Things Happening

- industrial revolution was taking hold
- colonial colleges were about to awake
- landgrant colleges were being mobilized
- faculty leadership was stirring
- foundations for research university were being laid

30 Year Time Frame

- massive growth in enrollments, degrees
- evolution of open merit-based institutions
- teaching research service conglomerates
- broad portfolio of teaching at UG, grad, prof level
- shift from transmission to search for knowledge
- importance of government patronage
- research library

1945

The Situation

- universities emerging from depression and WWII
- Ivys still elitist
- few world-class public institutions

Things Happening

- returning veterans
- booming economy
- role of university in national defense

30 Year Time Frame

- age profile of population and faculty
- distribution of enrollments between publics and privates
- importance of federal government financing
- geographic distribution of students and institutions
- spectrum of scientific and scholarly opportunities
- nature and extent of public relations
- public attitude toward higher education

1990

The Situation

- US universities are best in the world...best financed, most respected
- 1980s have been a period of stability...stable enrollments, modest growth in faculty, stable federal aid
- expenditures per faculty (and student) have been rising continuously
- massive proliferation of research universities (with even more aspiring to this status)

Things Happening

- chronic perceived shortage of resources
- public concern about cost and price of education
- perceived unpredictability of resource flow
- rigidity of disciplinary structure
- difficulty in reaching agreement on evaluation standards
- shift away from UG to grad/prof and research
- short time frame between basic research and application
- public concern about "what is going on on the nation's campuses"

30 Year Time Frame

- multiculturalism?
- globalization?
- age of knowledge?
- global change?
- US ---> Europe and Japan?
- ubiquitous computing?
- genetic engineering?
- international conflicts?
- space colonization?
- "progress" or "steady state"?

The Challenge of Change

Driving Forces of 1990s

- Diversity & Pluralism
- Globalization
- Age of Knowledge



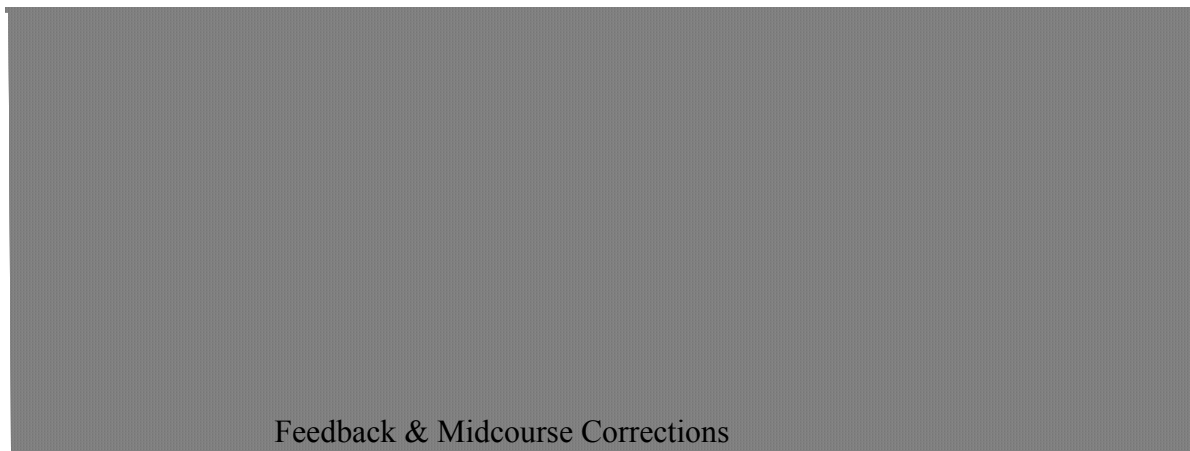
The Foundation for Change

- Commitment to Excellence
- Fundamental Values
- Sense of Community
- Daring and Risk-Taking

The Strategic Planning Process

- 1. Vision, Goals, Values**
- 2. Environmental Assessment**
- 3. Operational Objectives**
- 4. Strategic Actions**
- 5. Tactical Implementation**
- 6. Evaluation and Assessment**

The Evolution of Plans, Objectives, and Goals

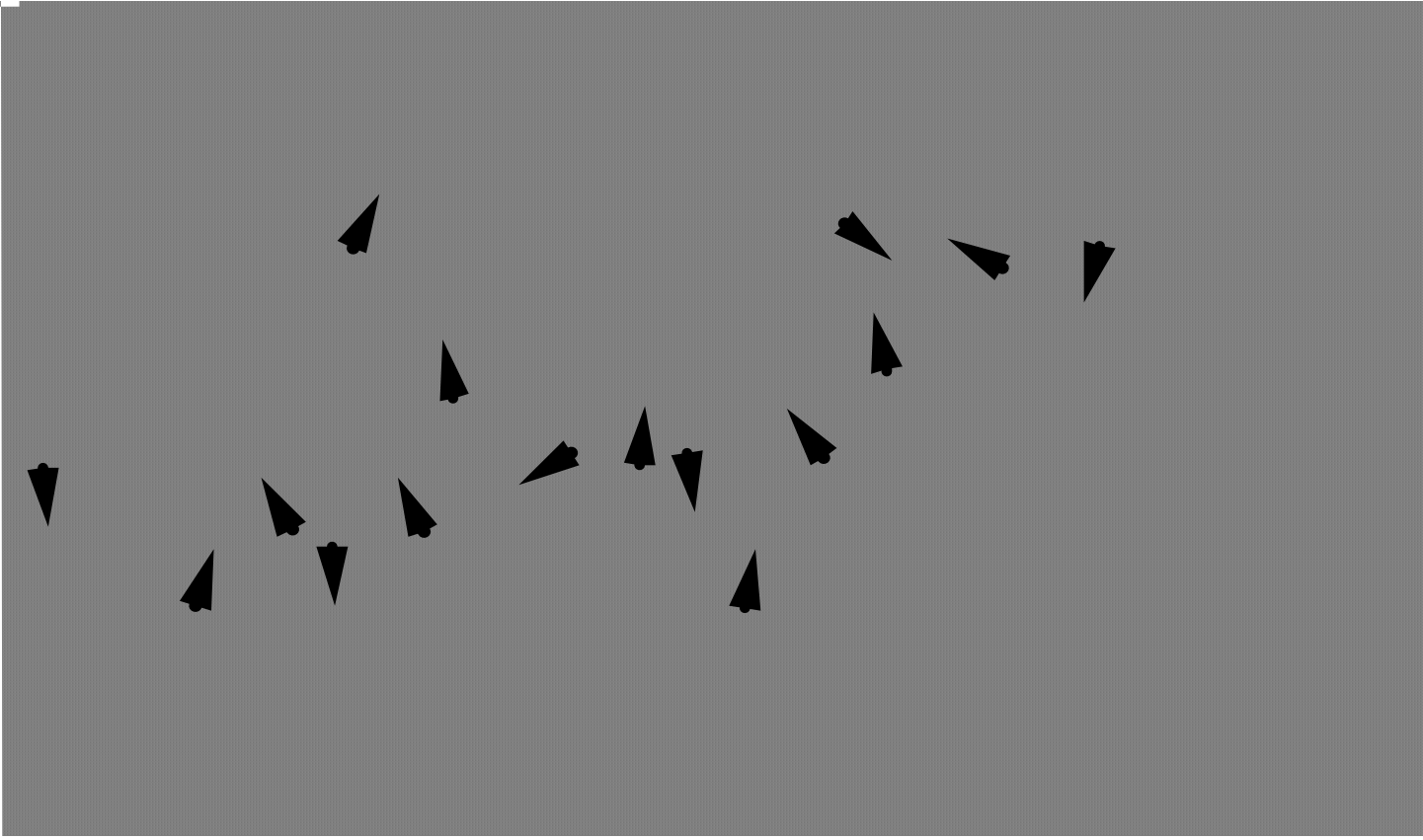


NOTE: During a period of rapid, unpredictable change, the specific plan is of far less importance than the planning process itself. Put another way, we seek an "adaptive planning process" appropriate for a rapidly changing environment

Approach: Logical Incrementalism

- **Set out a clear vision, but very broad and intentionally vague goals and objectives (e.g., "excellence", "diversity", "community").**
- **Engage organization in helping to refine goals and develop strategic plans and operational objectives aimed at achieving them.**
- **Select only those goals (actions and objectives) and opportunities that move toward vision.**

Institutional Evolution



The Planning Process

Mission

Objectives

Strategy and Tactics



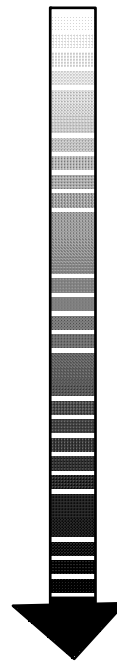
"Meta" --> "Mega" --> "Macro" --> "Micro"

Simple Goals and Actions for Complex Problems...

Simple
Goals

Simple
Strategic
Actions

Complex
Tactical
Actions



*Increasing
Complexity*

The vision
...the mission
...and the goals

Vision - 2000

Vision Statement:

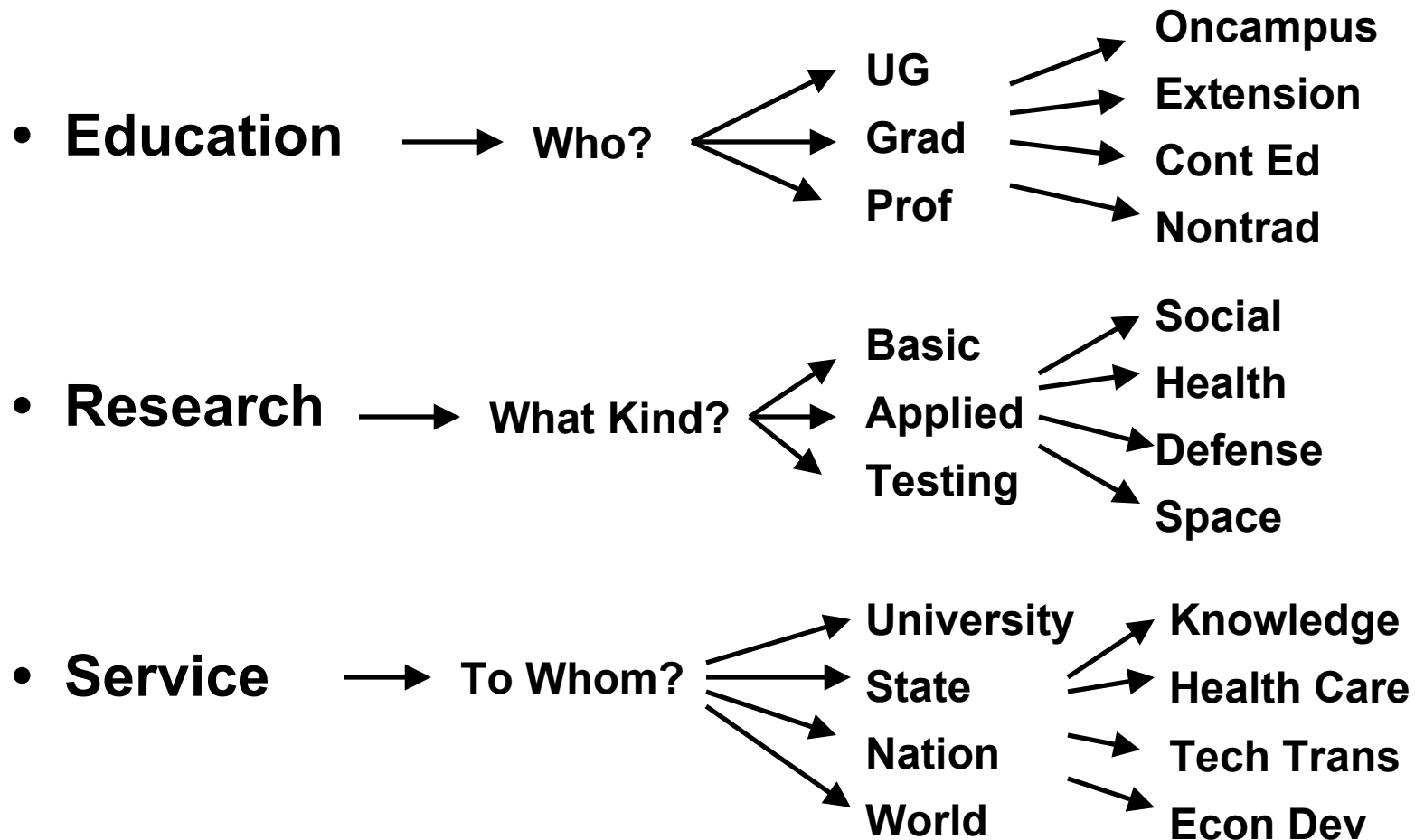
To position the University of Michigan to become the leading university of the 21st Century.

What Is Leadership?

- **What is leadership?**
 - ...to lead the way
 - ...to set the pace
 - ...to become the standard used to measure others
- **Leadership determines the University of Michigan's impact on**
 - ...society, the state, the nation, and the world
- **Leadership is determined by:**

Quality x Quantity x Breadth x Excellence x Innovation

What is our mission?



The Mission

Business Line:

Creating, preserving, transmitting knowledge

Products & Services:

Knowledge and knowledge-intensive services

Educated people with capacity and desire for leadership

Customers:

Primary: society at large

Others: students, patients, agencies,...

Shareholders: state, feds, private sector, public

Market Niche: Leadership!

Earlier Vision Themes

- **"A heritage of leadership..."(1983)**
- **"Building leadership for tomorrow on a foundation of academic excellence" (SPT-86/87)**
- **"Developing the new paradigm for the research university in 21st Century America" (SPT-87/88)**
- **"A heritage...and destiny...of leadership" (1990)**

What is UM's "Market Niche"? (1986)

- 1. Heritage of leadership as flagship of public higher education.**
- 2. Unusual combination of quality, breadth, and size.**
- 3. Well-balanced resource portfolio (state, federal, tuition, private, auxiliary)**
- 4. Quality of students, faculty, staff.**
- 5. Unusual ability to control our own destiny.**
- 6. Liberal spirit, activism, progressive vision.**
- 7. Unusual characteristics (athletics, cultural opportunities, size of alumni body,...).**
- 8. Unusual ability to take risks to achieve leadership.**

Possible Opportunities for Leadership (1986)

- 1. Development of a new paradigm for a liberal undergraduate education within the environment provided by a great research university**
- 2. The Michigan Mandate: a model of a multicultural community**
- 3. "Electronic university" -- a model of the knowledge-based organization of the future (ITD, NSFnet, MITN, ITIC,...)**
- 4. International center of learning**
- 5. Unusual strength and breadth in health sciences**
- 6. Interdisciplinary structures (Humanities Inst, ISR,...)**
- 7. Cultural opportunities (performing and fine arts)**
- 8. Nurturing a liberal spirit among our students and faculty.**
- 9. Basic and applied social sciences (including new models of outreach).**

The Goals of Leadership (1986)

- 1. Institutional Leadership**
- 2. Intellectual Leadership**
- 3. Social Leadership**
- 4. Personal Leadership**

Goal 1: Institutional Leadership (1986)

Premise: Recall the challenges before higher education today:

- **the costs of excellence**
- **the changing roles of the research university**
- **the tensions of relating to diverse constituencies**
- **diversity and pluralism**
- **intellectual renewal**

These suggest the need for a new paradigm of the research university in America--and the opportunity for the University of Michigan to play a key role in determining this paradigm of the 21st Century research university.

Goal 2: Intellectual Leadership (1986)

- **Achieve a self-confident intellectual community in which the human mind is brought boldly to bear on the largest and most enduring questions that confront society**
- **Sustain the University's freedom to conduct independent inquiry and criticism**
- **Develop a new spirit of liberal learning through both the academic and professional disciplines**
- **Stimulate more daring and venturesomeness on the part of students and faculty in teaching and scholarship**
- **Combine both unusual strength in the disciplines with strong cross- and inter-disciplinary teaching and scholarship**

Goal 3: Social Leadership (1986)

- **Develop new models of a pluralistic community, both seeking and sustaining diversity, while working toward shared values.**
- **Develop a caring, concerned, and compassionate community of scholars, attempting to provide leadership in better understanding and addressing the key problems facing our society.**
- **Develop new models of the "information society" characteristic of large, complex organizations.**

Goal 4: Personal Leadership (1986)

Goal: Place a new emphasis on the preparation of our students and faculty for leadership.

- 1. "The central task of a university, a task which sets it apart from other social institutions, is the creation of an environment where the quality of the mind and its performance is always the central concern. The spirit most likely to develop leaders is a disciplined use of reason, enlivened by daring and the courage to experiment, and tempered by respect for what we can learn from others."
(Shapiro)**
- 2. "We should seek to develop in our students a critical mind, free of dogma, but nourished by the humane values necessary for leadership in a changing, fragmented society." (Bok)**
- 3. "Sustain a commitment to the fulfillment of human possibilities and the release of the human potential through efforts to attract and nurture historically deprived groups." (Gardner)**

Goal 4: Personal Leadership-- cont. (1986)

- 4. "Create a sense of community on our campus so that students and faculty can understand the importance of achieving and sustaining shared values." (Gardner)**

- 5. "Achieve an appropriate balance between continuity and change so that students and faculty develop both the capability for self-renewal and stimulating the renewal of organizations in which they are involved." (Gardner)**

- 6. "Help our students to value and understand the importance of hope and courage to the human nature and the degree to which leadership involves awakening this spirit among others." (Gardner)**

Another Way to Look at the Strategic Process...

- 1. Setting the Themes**
- 2. Building the Teams**
- 3. Building the Networks**
- 4. Implementing the Plans, Actions, Process...**

The Themes of the 1990s

Themes of Change (1988):

- The increasing pluralism and diversity of our people
- Globalization of America and the shrinking global village
- The Age of Knowledge

Themes of Challenge (1990):

- A finite world (global change)
- The Post-Cold War World
- Rebuilding America

Themes of Opportunities (the Frontiers):

- Progress (vs. optimization)
- Creation (of knowledge, objects, intelligence, life,...)
- Exploration (of knowledge, planet, universe...)

The Themes of the 1990s...etc.

Particular Challenges to Higher Education:

- **The challenge of change**
- **The commitment to excellence**
- **The importance of fundamental values**
- **Building a community of scholars**
- **Restoring public understanding, trust, and support**
- **Acquiring and managing the resources necessary for excellence**

The Themes of the 1990s...etc...etc.

Strategic Themes at the University of Michigan:

- **Inventing the University of the 21st Century**
- **Redefining the nature of the public university in America**
- **Financing the University in an age of limits**
- **The Michigan Mandate**
- **A world university**
- **The electronic university**
- **Global change**
- **Strategic marketing plan**
- **"Keeping our eye on the ball"...**

Teams

Formal Teams:

- Executive Officers**
- Academic Affairs Advisory Council**
- Academic Policy Group**
- Budget Priorities Committee**
- SACUA, Senate Assembly**
- Regents**

Informal Teams:

- Strategic Planning Groups**
- SOUP**

Other Possible Teams:

- Leadership Retreats (EOs, Deans, Faculty, Students)**
- Unit level: S & Cs, VP areas, ...**

Networks

Internal:

University leaderships (EOs, Deans, Regents)
Faculty leadership (Senate Assembly, Exec Coms)
Students

External:

Presidential Advisory Council
Michigan Business-Higher Ed Roundtable
Michigan Presidents' Council
Alumni Networks (inc Citizens' Council)
National Associations (AAU, NASULGC, NCAA...)
Communities (AA, Detroit, Flint, GR, Saginaw...)

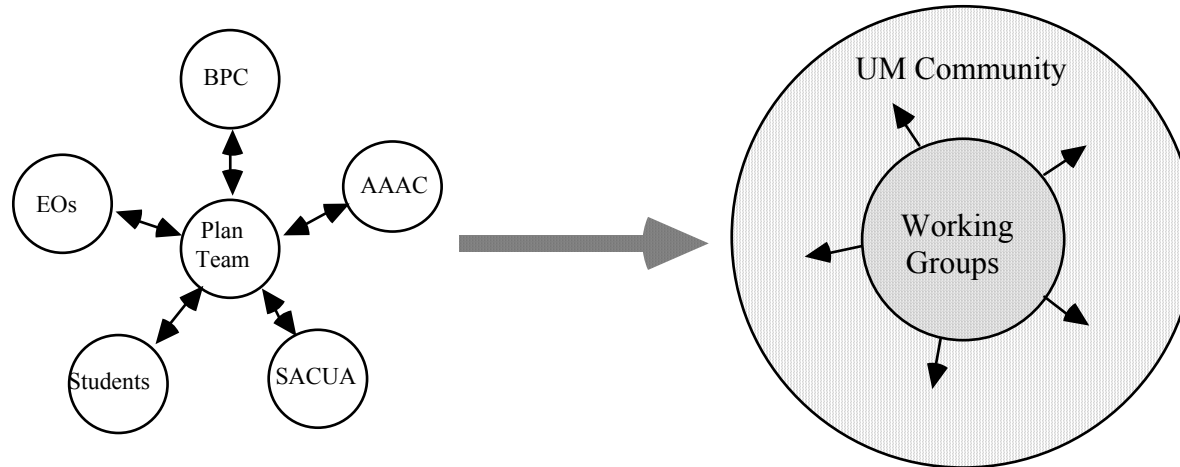
Other Key Constituencies:

Minority communities, labor, Washington, media,
Public-at-large, ...

Strategic Thrusts

**The Michigan Mandate
Information Technology
University Initiative Fund (1% off the top)
Asset Management Strategy
The Campaign for the 1990s
State Relations
Washington Relations
Communications
Community Relations
Campus Safety
Student Behavior
Sense of Community
International Strategies
Resource Acquisition and Management Strategies
Undergraduate Education
Graduate and Professional Education
Research Environment
Human Resource Development
Intercollegiate Athletics
...and, of course, the strategic planning process itself...**

Propagating the Process



Examples of Strategic Efforts To Date

- 1986-87:** **Executive Officer Retreat...Decision to Move Ahead**
Strategic Planning Team meetings
Strategic Leadership Plan
Strategic Initiative Fund
Academic and administrative unit retreats
- 1987-89:** **Key strategic themes of change**
- **demographics --> the Michigan Mandate**
 - **internationalization --> AVP efforts**
 - **knowlege --> networking, ITD**
 - **restructuring revenues and expenditures**
- External relations strategy**
- 1990-92:** **Strengthening leadership teams (EOs, Regents,...)**
The Reality Test
10 Point Plan for 1990s
M-Quality
Restructuring Student Environment
Futures Group
- 1993-....:** **???**

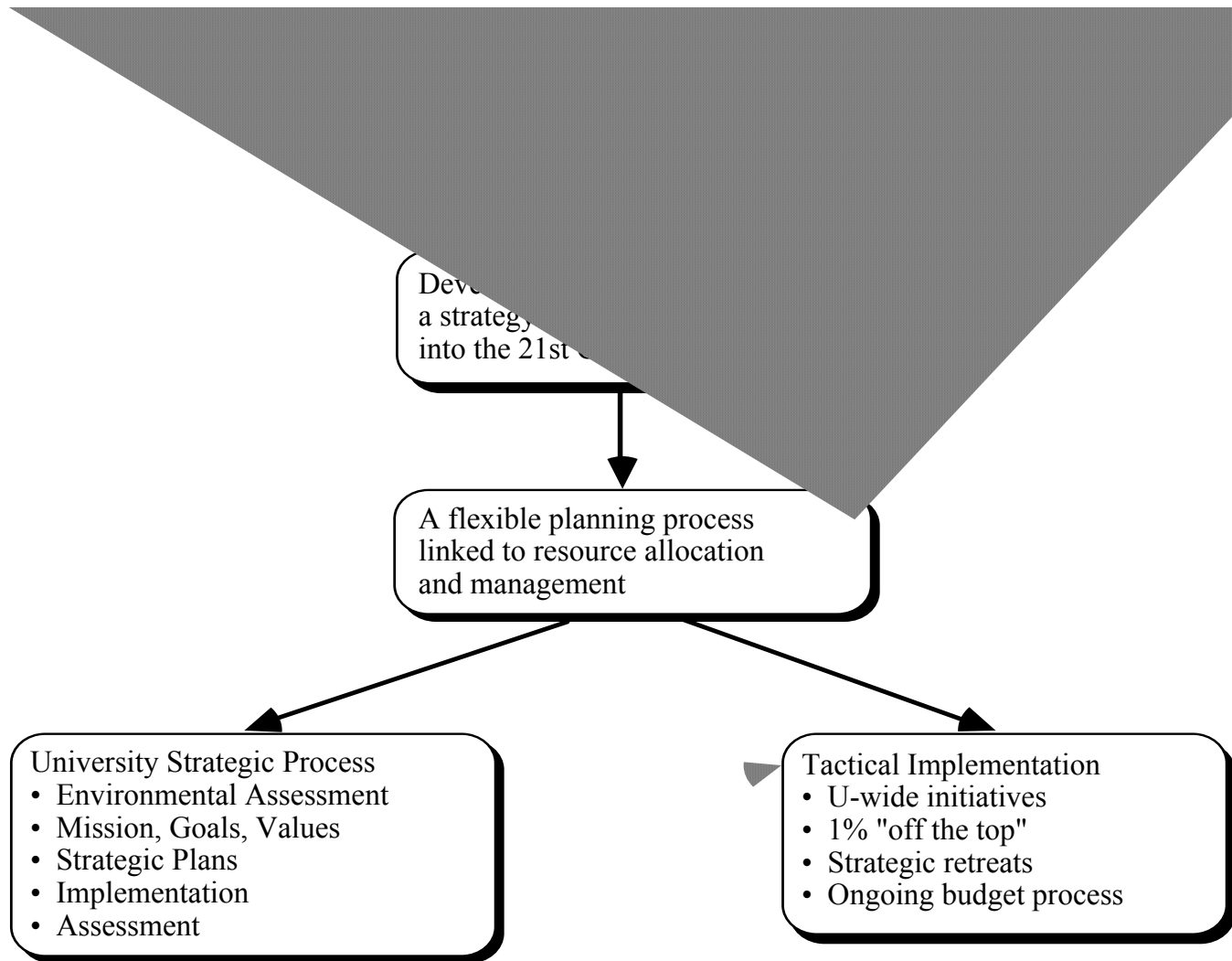
Initial Goals (1986)

- 1. To pick up the pace.**
- 2. To focus resources to build "spires of excellence".**
- 3. To establish academic excellence as our highest priority.**
- 4. To develop a "change-oriented" culture in the University.**
- 5. To give highest priority to bold, new initiatives.**

Underlying Philosophy (1986)

1. Placing the highest premium on focusing resources to achieve excellence, and sustaining a belief in the ability of outstanding people to do great things...if only we will let them.
2. Recognition that excellence is people-driven...and that our goal should be to attract and retain the best people, provide them with the resources and opportunities to push to the limits of their abilities, and then get the hell out of their way! We should let our best people push the intellectual thrusts and determine the pace of the university.
3. Importance of an entrepreneurial environment...
 - ...which stresses excellence and individual achievement...
 - ...which removes all constraints on talented people...
 - ...which lets our most creative people "go for it"...

The Strategic Leadership Process (1987)



Some Elements of the Early Effort (1987-89)

- **Strategic Initiative Fund**
- **Strategic Planning Team**
- **Strategic Retreats**
- **Undergraduate Initiatives**
- **The Michigan Mandate**
- **Steps toward creating an Entrepreneurial Environment**
- **Capital Facilities Plan**
- **Information Technology Plan**
- **Management Incentives Plan**
- **Public Service Plan**

Some Elements of the Early Effort (1987-89) (cont.)

- **Community Initiatives**
- **Communications/Public Relations Plan**
- **Resource Allocation and Management (CBA, 2x4 Group)**
- **Graduate Education**
- **Development Plan**
- **Medical Center Plan**
- **Admissions/Financial Aid/ Academic Services**
- **Resource Analysis and Strategy**

Ten Goals for the 1990s (1990-92)

- 1. To protect and enhance the University's autonomy.**
- 2. To strengthen the Board of Regents.**
- 3. To build private support to a level comparable to state appropriation.**
- 4. To achieve the objectives of the Michigan Mandate**
- 5. To affirm and sustain the University's character as a hybrid public/private institution.**

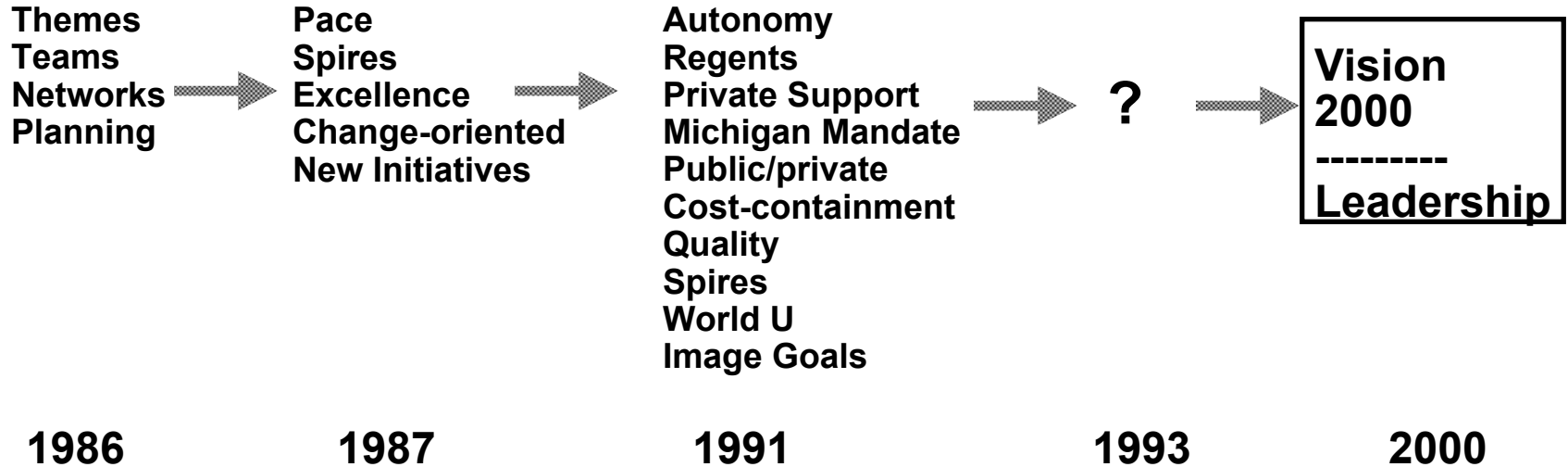
Ten Goals for the 1990s (1990-92) (cont.)

- 6. To restructure the University to better utilize available resources to achieve teaching and research of the highest possible quality. (Cost-containment, M-Quality)**
- 7. To enhance the quality of UM as a comprehensive research university.**
- 8. To attract, nurture, and achieve the extraordinary.**
- 9. To position UM as a "world university".**
- 10. To develop more compelling images of what we are or wish to become...and what we are not.**

Refining the Goals for 1993...

The Evolution of Goals

Note how our goals have evolved over time...



Observations

1. It is now time to take the next step in the strategic process ("logical incrementalism") and draw from the planning process more specific goals, consistent with the leadership vision, but more amenable to measurement.
2. Further, we need to develop metrics that will give us an accurate assessment of progress toward the Vision-2000.

Proposed Goals for the 1990s (1993)

Leadership Goals:

- 1. To become the leading research university in the nation.**
- 2. To sustain our unusual blend of broad access and highest quality ("a uncommon education for the common man...").**
- 3. To achieve the goals of the Michigan Mandate.**
- 4. To achieve more "firsts" for the University.**
- 5. To build more spires of excellence.**
- 6. To enhance the quality of all academic programs.**
- 7. To develop a new paradigm for undergraduate education in a major research university.**
- 8. To become a leader in the quality of our living and learning environment for students.**

Proposed Goals for the 1990s (1993)-2

Resource Goals:

- 9. To build even stronger leadership teams for the University.**
- 10. To acquire the resources necessary to compensate for the erosion in state support.**
- 11. To restructure the University to better utilize existing resources.**
- 12. To strengthen our external relationships (state, feds, public).**
- 13. To continue to enhance the quality of institutional events.**
- 14. To increase private support to exceed state appropriation by 2000.**
- 15. To increase endowment to \$2 B by 2000.**
- 16. To dramatically improve the quality of UM facilities.**

Proposed Goals for the 1990s (1993)-3

Trailblazing Goals:

- 17. To restructure the University to better respond to intellectual change.**
- 18. To develop within the University a test-bed for exploring possible models of the "university of the 21st century".**
- 19. To position UM as a "world university" of the 21st century.**
- 20. To position UM as a model of the "electronic university" of the 21st Century.**
- 21. To make UM a leader in knowledge transfer to society.**
- 22. To make the greater Ann Arbor area the economic engine of the midwest.**

Proposed Goals for the 1990s (1993)-4

Trailblazing Goals:

- 23. To development and help implement a plan for "restructuring" the State of Michigan.**
- 24. To have the leading intercollegiate athletics program in the nation.**
- 25. To build more of a sense of pride in...respect for...excitement about...and loyalty to the University of Michigan!**

The Strategic Planning Process

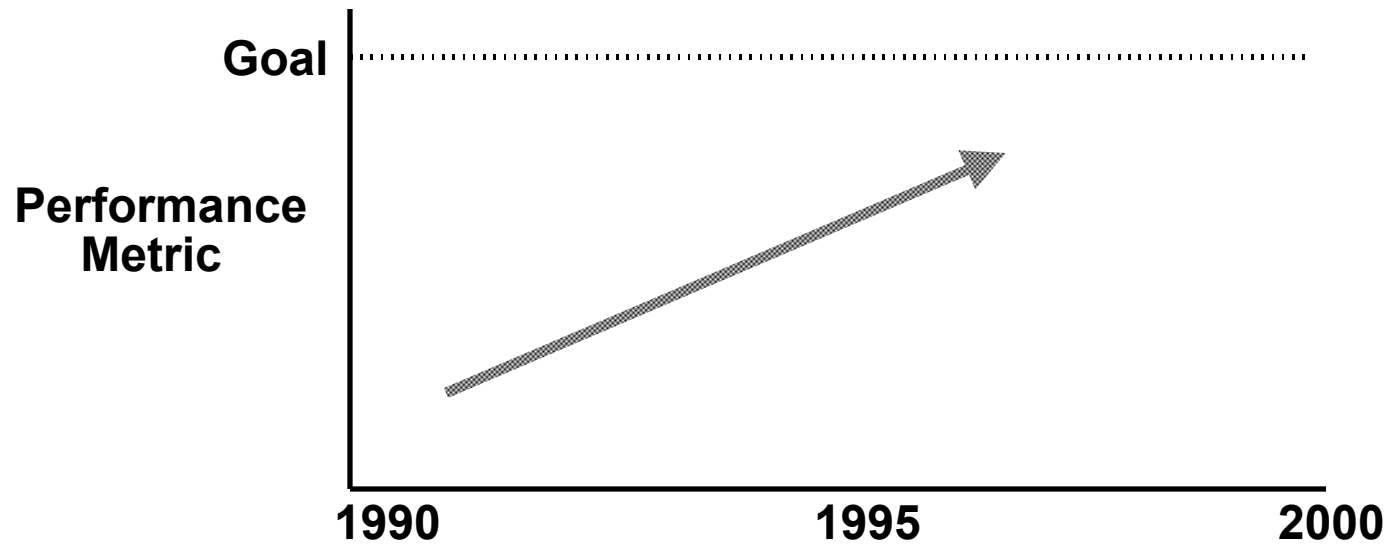
1. Mission, Goals, Values, Priorities
2. Environmental Assessment
3. Operational Objectives
4. Strategic Actions
5. Tactical Implementation
6. Evaluation and Assessment



Metrics

We need to develop metrics to measure progress toward each of the goals (and eventually toward the Vision-2000 itself).

Ideally, we should seek quantitative measures, capable of demonstrating "southwest to northeast" achievements...



The Business Plan

A Reality Test

The Reality Test: We have tested the following two premises on a number of leadership groups:

- 1. Because of the limited will and capacity to support higher education, in the face of a weakened economy and other social needs, the state will at best be able to support higher education at the level of a comprehensive four-year college (e.g., the "EMU level").***
- 2. Further, political pressures will make it increasingly difficult to prioritize limited state support for flagship institutions like UM and MSU, instead driving a leveling process in which the state appropriation per student equalizes across the state (again, at the "EMU level").***

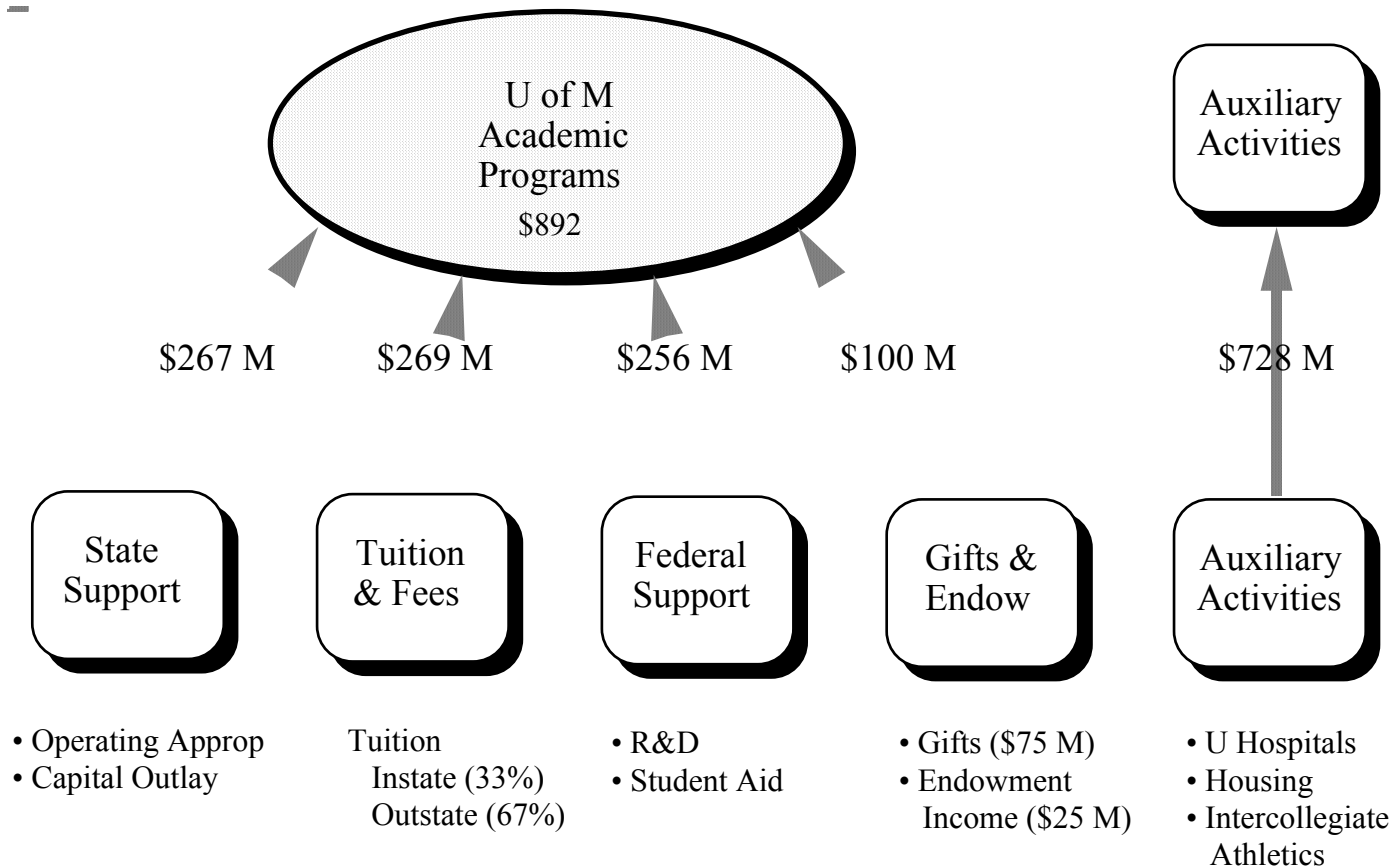
Results: Thus far, we have yet to find anyone who strongly disagrees with these premises. Further, all agree the only prudent course is to approach our future assuming they are true.

The Proposed Response

To sustain the quality of the University of Michigan, we need to embark upon a multiple strategy:

- 1. To take steps to build alternative revenue streams to levels sufficient to compensate for the loss in state support (e.g., tuition and fees, private support, federal support).**
- 2. To deploy our resources far more effectively than we have in the past, focusing to achieve quality at the possible expense of breadth and capacity while striving to improve efficiency and productivity.**
- 3. To enhance the University's ability to control its own destiny by defending our constitutional autonomy and building strong political support for autonomy.**
- 4. To strengthen dramatically the quality of the Board of Regents, by transforming them into a true "board of trustees" for whom the dominant concern is the health of the University--rather than personal or political agendas.**

UM Revenue Portfolio (FY90)



Resource Options

Revenues:

- **State Support**
- **Federal Support**
- **Tuition and Fees**
- **Gifts and Endowment Income**
- **Auxiliary Activities**

Expenditures:

- **Enhanced Productivity and Efficiency**
- **Downsizing ("Smaller But Better") Strategies**
- **Growth Strategies (nontraditional education)**

Hybrid Strategies

- **Mixed Public/Private Strategies**
- **National University Strategies**
- **"Unbundling" Strategies**

What can we expect from the State during the 1990s?

Operating Appropriations?

- **Education is priority of new administration...BUT**
- **Commitment to 20% decrease in property tax**
- **Difficulty in reallocating within current resource**
- **Continuation of trend toward increasing support of private colleges**

Conclusion: The best we can expect is for state appropriations to track the inflation rate during the 1990s (and even this may be too optimistic during the 1990-95 period).

Capital outlay?

- **Not until budget deficit is brought under control.**
- **Even then, UMAA is unlikely to get anywhere near what its public peers get (\$25-\$50 M/year)**

Attacks on Institutional Autonomy?

- **Not likely to continue with Republican administration.**

What can we expect from the Feds during the 1990s?

Federal R&D Support

- **Deficit reduction measures will constrain resources**
- **UM will continue to hold its own -- as long as we have the capacity to attract outstanding faculty!**
- **Increasing pressure on indirect cost recovery rates**

Federal Financial Aid

- **Clearly not a priority (50% decline in 1980s)**

Other Federal Tendencies

- **Increasing regulation (health, safety, conflict of interest, academic integrity, foreign involvement)**
- **Weakening of Michigan (and Midwest) congressional base with reapportionment in 1992**

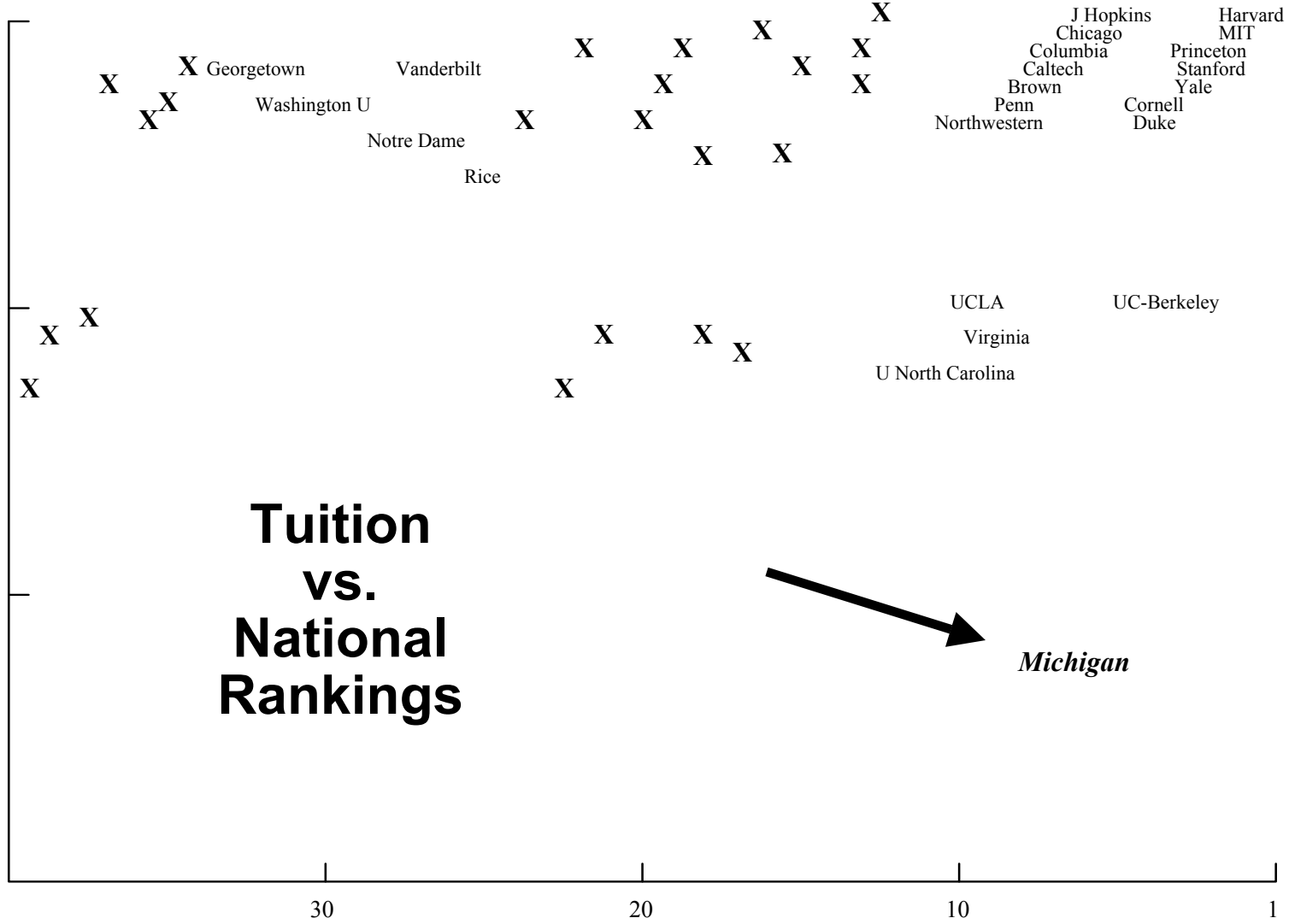
Tuition
and Fees

\$15,000

\$10,000

\$5,000

Tuition vs. National Rankings



Potential of Additional Tuition Revenue

Current private tuition levels: \$16,000

Current UM instate (ave) tuition: \$5,000

Difference \$11,000

Maximum additional tuition capacity (gross):

22,000 students x \$11,000 = \$242 million

Discounting for financial aid (- 33%):

(2/3) x \$242 million = \$160 million

Note: One can tap this capacity either by

- i) increasing instate tuition, or
- ii) increasing outstate enrollments...

Concerns about the Costs of Education

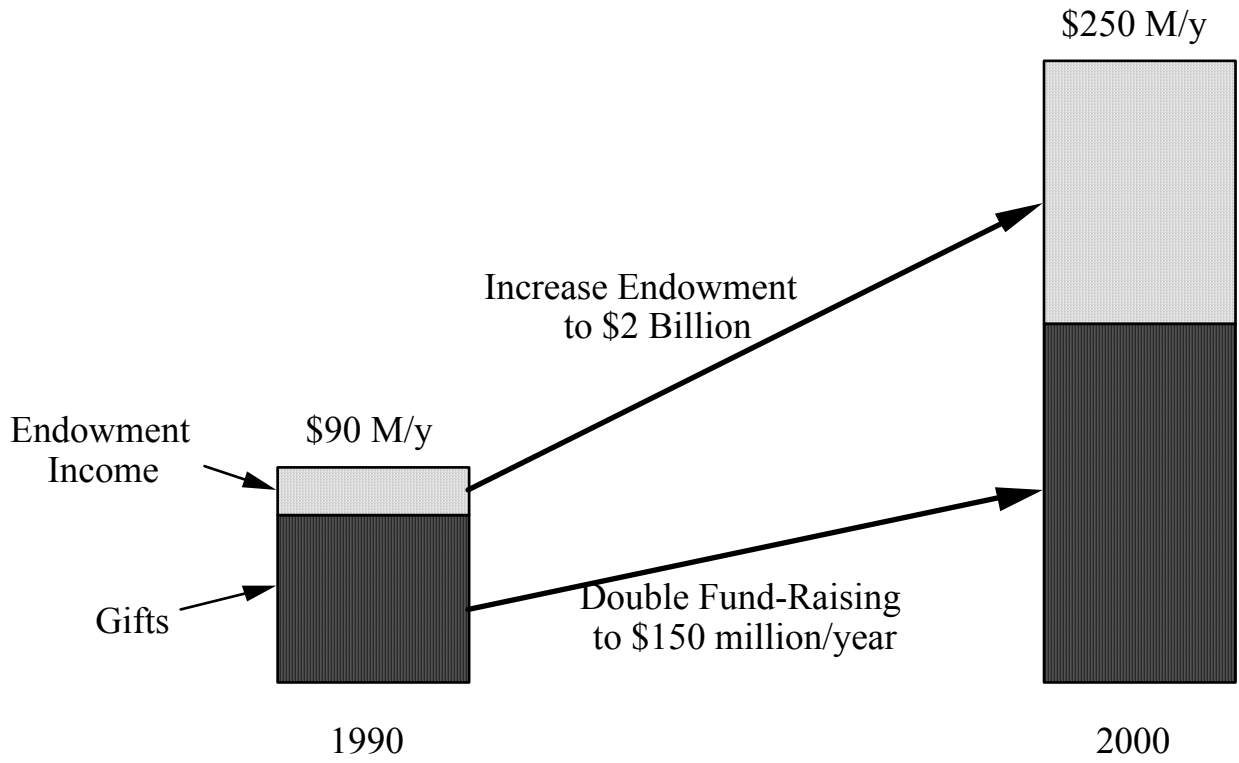
Perception:

- Frustrated parents, frightened that the promise of a college education is being priced beyond their reach.
- A generation of students openly skeptical about whether the degrees they seek are worth the stated price.
- Public officials who are learning that just saying no to tuition hikes makes for eminently good politics.
- Frustrated and disappointed trustees...

Reality:

- In the mid-1980s, college costs began to rise faster than family income for the first time in decades--but the "value added" of a college education (future earnings) continues to increase even more rapidly.
- Strong financial aid programs have protected access for the most disadvantaged of students--albeit with a shift from grants to loans.
- However, it is clear that one can no longer simply "work one's way through college"...

A Fund-Raising Goal for the 21st Century



Auxiliary Activities

University Hospitals

- **Possibility of more resource flow from Hospitals to health profession academic programs (Medicine, Nursing, Pharmacy, Public Health, Dentistry)**
- **But long term prognosis for "profits" is guarded**

Intercollegiate Athletics

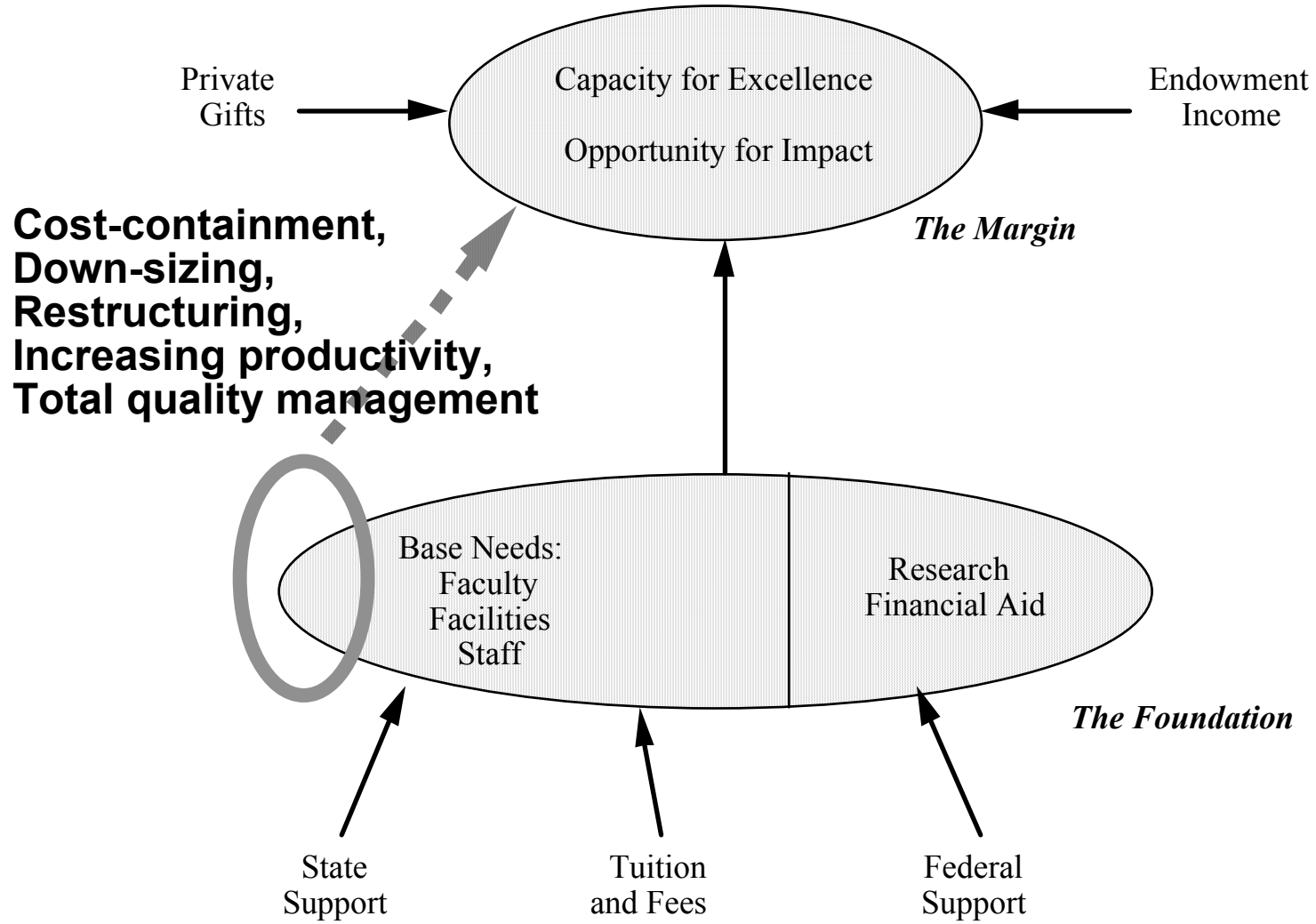
- **Without major expenditure reduction, revenues cannot cover even the present level of activities**
- **Introduction of Tier II sports may require student fees**

Housing

- **Some possibility of resource flow into academic programming in resident halls (through fees)**

Other Ideas: spinoffs, commercial ventures

"Restructuring" Approaches



Mixed Public/Private Strategies

Models:

Cornell: Mixture of state-supported and endowed schools

Penn: Operates as private institution with strong state support

Possible Approaches:

1. Allow selected schools to attempt to become "private" both in funding and operation (e.g., Law, Bus Ad, Medicine), while others (LS&A, Music, ...) receive state "subsidy".
2. Make the argument that Michigan's weakness as a state is that it has no great private universities to give its knowledge infrastructure more resilience to cyclical economic impact. U of M essentially plays this role and hence should be allowed more latitude in its operation.
3. Develop a strategy in which we determine the real costs of a Michigan education (at various levels), and then offer the state the opportunities to purchase as many positions for Michigan residents at whatever tuition level they choose -- provided they offset the real costs with adequate appropriation "subsidy".

Inputs and Outputs

Tuition & Fees

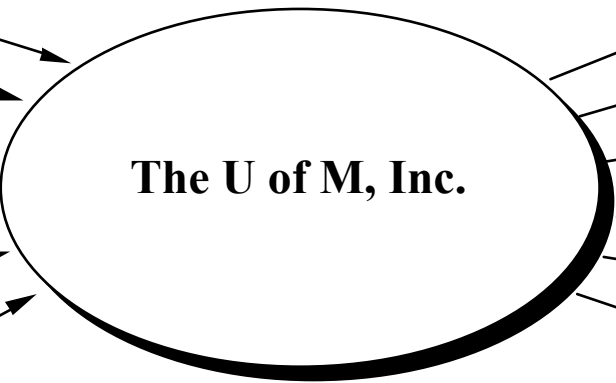
State Appropriation

Federal R&D

Federal Fin Aid

Private Giving

Auxiliary Activities



Degree Output

Research

Public Service

Prestige

Health Care

Entertainment

Inputs

Outputs

"Unbundling" Strategies

"Unbundle" Products:

Mid-career training, nontraditional education, niche markets

"Unbundle" Pricing:

Differential tuitions and fees

"Unbundle" Costs:

Link specific revenues to specific outputs

Restructure labor deployment (teaching, research, service)

"Unbundle" Distribution:

Telecommunications, networks,...

Some Facts of Life

- 1. The University is presently underfunded -- with respect to our present size, breadth, and quality -- by \$200 M to \$300 M/y (as determined by peer comparisons) (HTS)**
- 2. Further, the University is entering one of the most intensely competitive periods in its history (for faculty, students, funds).**
- 3. It is unlikely that the State of Michigan will have the capacity -- or the will -- in the near term to even maintain our state appropriations at their present levels (in real terms).**
- 4. Federal support will become more constrained and competitive.**
- 5. Resident tuition levels are seriously underpriced -- with respect to actual costs, state "subsidy", and the availability of financial aid -- yet they are also constrained by political factors. Nonresident tuition levels are constrained by the private marketplace.**
- 6. The present "corporate culture" of the University will make significant cost reductions, productivity increases, and even control of growth difficult. Some degree of "restructuring" will be necessary.**

Caveat #1: A Lesson Learned

The "smaller but better" strategy of the early 1980s was a disappointment...

- i) We didn't get any smaller. (Indeed, we continued to grow!!!)**
- ii) We didn't save much money.**
- iii) Rather than creating a psychology of prioritization and cost-effectiveness, the strategy clobbered the morale of University community and created a spirit of distrust and cynicism that we are only now beginning to emerge from.**

Moral of story: We have to be VERY careful in using "doom and gloom" strategies. Instead we must base our efforts on building a sense of pride and leadership so that we can "restructure" our activities to enhance quality, innovation, ...and productivity.

Put another way, we should take the more positive approach represented by the "total quality management" efforts developed in the private sector.

Caveat # 2: The importance of a balanced strategy

Three objectives:

- **Increasing resources available to University**
- **Constraining costs and enhancing quality of University**
- **Protecting assets (financial, physical, human) of University**

We must achieve a balance among the attention, energy, and effort directed at each objective.

Example:

- i) **It is clear that the University of Michigan presently achieves a quality (and capacity) comparable to peer institutions at only a fraction of the cost. Indeed, one could make the case that we are probably the lowest-cost, world-class university in the nation.**
- ii) **Hence, while our cost containment efforts will be very important, they will not solve the problem of our serious underfunding relative to peer institutions. Revenue enhancement must receive equal emphasis.**

Observation

Since the top institutions will compete in the same marketplace--for the best students, for the best faculty, for R&D funding from Washington, from grants from industry and foundations--they will, of necessity, become increasingly similar. That is, the differences between the best public and private research universities will tend to diminish over the next two decades.

Stanford???
Cornell???

Michigan???
UCLA???

The Strategic Planning Process

1. **Mission, Goals, Values, Priorities**



2. **Environmental Assessment**

3. **Operational Objectives**

4. **Strategic Actions**

5. **Tactical Implementation**

6. **Evaluation and Assessment**

Environmental Assessment

- **Initial Conditions, Boundary Conditions, Alternative Futures**
- **Opportunities, Responsibilities, Challenges**
- **Key Planning Issues**
- **Planning Assumptions**

Internal Environment

- **Structural Characteristics and Initial Conditions**
- **Tradition ("Corporate History")**
- **Resources**
- **Leadership Style**
- **Cultural Factors**
- **Momentum, Stability, Resistance to Change**
- **Images of Ourselves**

External Environment

- **External Relationships**
- **Geographical Factors**
- **Human Resource Pools**
- **Financial Resource Availability**
- **External Image, Attitudes**
- **Constituents**
- **Political and Legal Factors**

Future Uncertainties

- **Costs of Quality Education and Scholarship**
- **Financial Resources**
- **Human Resources**
- **Societal Attitudes**
- **Political and Legal Environment**
- **Role of Comprehensive Research University**
- **Technology**

Key Planning Issues

1. Change and Renewal

- Changing nature of education, scholarship, and service
- Resistance to change (change as threatening)
- Management of change (change as empowering)

2. Resources

- Human (faculty, students, staff)
- Financial (funding, facilities)
- Leadership, vision, energy

3. Diversity and Pluralism

- Racial, gender, cultural, nationality
- Socioeconomic background
- Intellectual

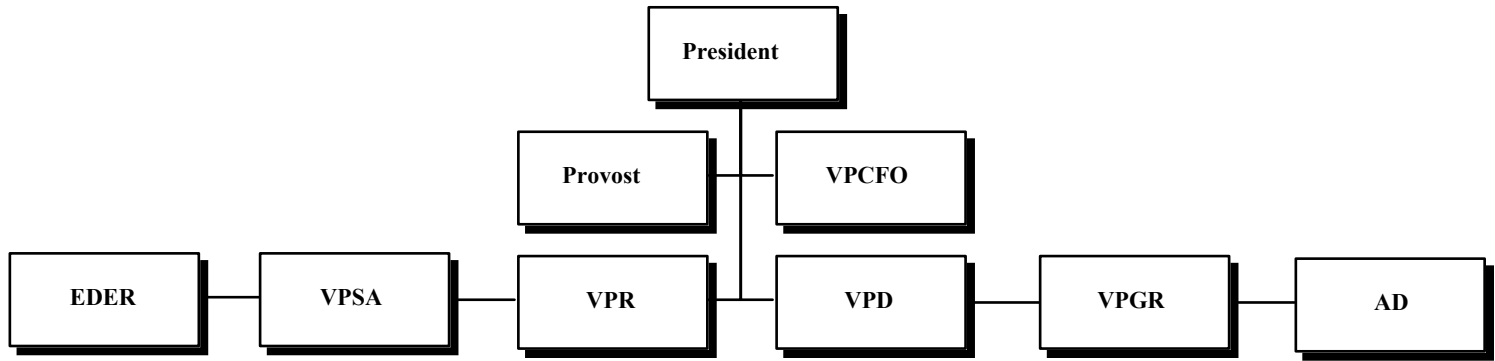
Key Planning Issues (cont.)

4. Tensions

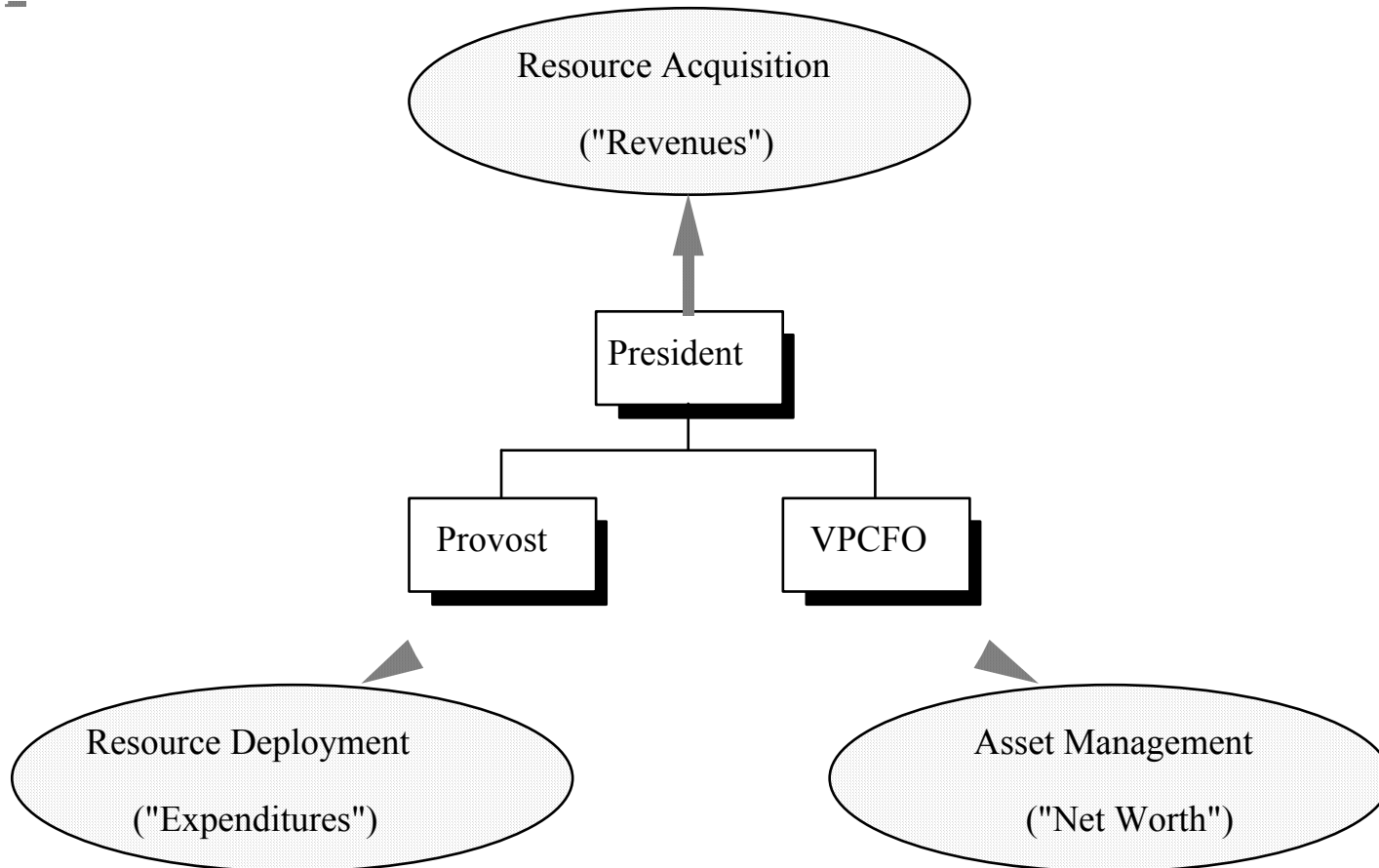
- **Education, research, service**
- **Undergraduate, graduate, professional**
- **Quality, breadth, size**
- **Diversity, comity, shared values**
- **Competition, cooperation**
- **Public, private**
- **Constituencies (values, needs, expectations)**
- **Commitment (discipline, unit, institution)**
- **Perception, reality**
- **Public responsibilities, focus to achieve excellence**

EO Responsibilities in Strategic Process

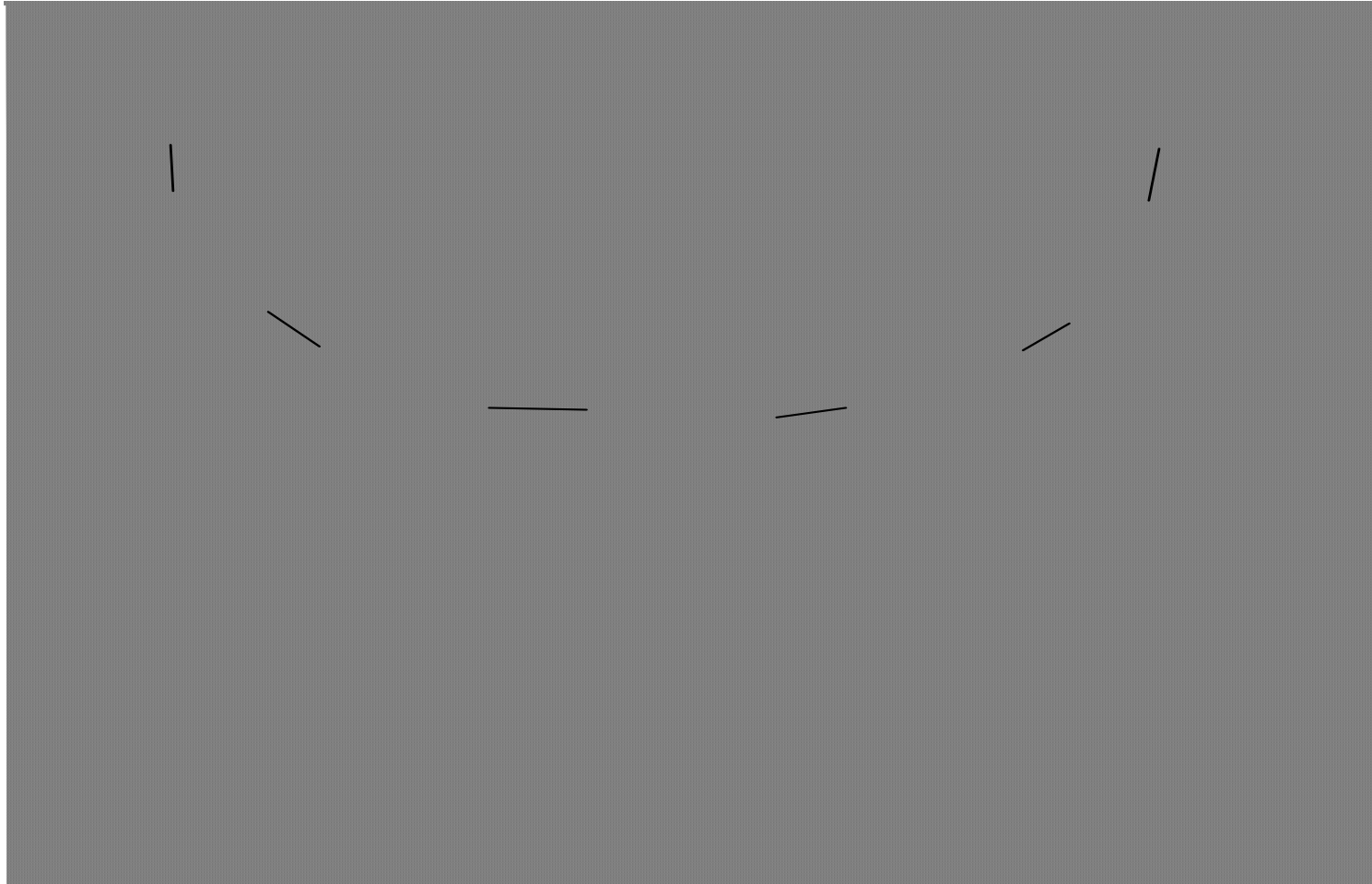
Traditional EO Structure



Executive Officer Resource Responsibilities



Broader EO Resource Responsibilities



What is the role of the president?

- 1. The CEO of U of M, Inc.?**
- 2. Somewho lives in a large house and begs for a living?**
- 3. The sheriff who has to strap on his guns each day and go out to meet any gunslingers who've come to shoot up the town?**
- 4. A defender of the University against the forces of darkness which rage outside its ivy-covered walls?**

Roles of the President

Substantive Leadership:

- Development, articulation, implementation of visions and programs that sustain and enhance quality of the institution
- Bold and creative long-range thinking about intellectual, social, financial, human resource, physical, political issues
- Focus on future, understanding of present, with sense of tradition

Symbolic Leadership:

- Role as head of institution, relationship to internal constituencies
- Representation of University to external constituencies

Pastoral Care:

- Source of emotional support, energy, guidance for institution

The Importance of the EO Team

A Fact of Life: No president can possibly fulfill all of the dimensions of this role.

- 1. Hence, a president must first determine which aspects of the role best utilize his/her talents.**
- 2. Then a team of executive officers and senior staff must be assembled which can extend and complement the activities of the president in order to deal with the full spectrum of the University leadership role.**

My Particular Role as President

Strategic Leadership: To provide the vision, energy, and sense of excitement necessary to propel and guide the University into the next century.

Internal Campus Affairs:

- largely symbolic (setting key themes)
- not involved in tactical, day-to-day decision process
- strong delegation and decentralization

External Campus Affairs:

- primary responsibility for interface with external constituencies
- primary responsibility for "institutional advancement"
- involvement in state/national/societal issues

Responsibility for Planning and Policy Development (1991)

Resource Issues
Michigan Mandate II
Globalization
Age of Knowledge
Cultural
21st Century University



Administration

Faculty Issues
Undergraduate Education
Graduate Education
Professional Education
Scholarship



Faculty

Unit Strategic Planning



Units

Recommended Agenda for Administration (1990)

1. Resources

- **Resource acquisition**
- **Cost containment (and reduction)**
- **Asset management**
- **Capital facilities**

2. External Relations

- **Community Relations**
- **State Relations**
- **Federal Relations**
- **Higher Education Networks**
- **Public Relations**
- **Media Relations**
- **Alumni Relations**
- **The Campaign for the 1990s**

Administration Agenda (1990) (continued)

3. Michigan Mandate II

- **Moving to a multicultural community**
- **Broadending the base (women, international)**
- **Program inventory and assessment**

4. Globalization of the University

- **Academic programs**
- **Institutional relationships**

5. Preparation for an Age of Knowledge

- **Next generation of information technology**
- **Knowledge-based institutions**
- **Impact on teaching and scholarship**

Administration Agenda (1990) (continued)

6. Changes in the University Culture

- **A sense of community**
- **Pride, loyalty, commitment to University**
- **Balancing rights with responsibilities**
- **Entrepreneurial, risk-taking, fault-tolerant**
- **Grass-roots optimism and empowerment**
- **Transforming adversity into opportunity**

7. Mission and roles of 21st Century University

- **Core missions (teaching and scholarship)**
- **Other primary missions**
- **Secondary missions (possible for elimination)**

Areas appropriate for faculty (bottom-up) focus:

- 1. Faculty issues
(rewards, tenure, retirement)**
- 2. Undergraduate education
(curriculum, student life)**
- 3. Graduate education**
- 4. Professional education**
- 5. Changing nature of scholarship
(interdisciplinary, venturesome)**

Other Issues

- **Medical Center Issues**
- **Intercollegiate Athletics**
- **K-12 Education**
- **Economic Development**
- **Global Change**
- **State of Michigan "Mega" Projects**

Operating Principles

We have set out a very ambitious agenda for the University that will require both great effort and strong teamwork (e.g., University of 21st Century themes, strengthening external relations, restructuring revenue/expenditure base,...)

We must take great care that we do not get swamped by all of the other issues swirling about an active campus such as ours and keep our focus on our most immediate and important priorities.

The keys to progress...

Consistency ... Persistence ... Focus

Some Questions

Concerns

1. Will the Michigan's capacity to support higher education deteriorate more rapidly than we have predicted due to:
 - ...more rapid decline of Michigan automobile industry
 - ...inability of Lansing to restructure tax systemthereby crippling our plan for the 1990s?

2. Will faculty resistance, due to:
 - ...special interest faculty politics (e.g., Med Reps)
 - ...usual resistance to change
 - ...inadequate effort to communicate strategy
 - ...intellectual and emotional fragmentation of UM communitydisrupt the 1990s strategy?

Concerns (cont)

3. **Will external public perceptions (and hence political responses) at the state level constrain our efforts, e.g.**
 - ...lack of understanding of UM and its importance to state
 - ...hostility toward growing UM independence
 - ...concerns about costs of education and/or outstate enrollments
 - ...rise of populist (anti-intellectual) attitudes

4. **Will external public perceptions (and hence political responses) at the national level constrain our efforts, e.g.**
 - ...higher education beating by the national media
 - ...Congressional attacks
 - ...administration attacks (whether intentional or misguided)

Concerns (cont)

5. **Can we get the new Board of Regents to buy-in to and support the strategy?**
 - ...Can they rise above special interests and partisan politics?
 - ...Can they understand and relate to the strategy?
 - ...Do they have sufficient experience and ability to help?
 - ...Is there sufficient leadership potential on the Board?
 - ...Is there sufficient loyalty and love for the UM on the Board?
 - ...Can we earn the Board's confidence on this effort?

6. **The unpredictability of "hot spots"**

7. **The "C" concerns...**

Hot Spots

Recall that the keys to progress are:

Consistency ... Persistence ... Focus

Yet we spend much of our time, energy, and effort handling an array of "hot spots" that flare up. For example, this last term:

- DOJ matter
- Regents shenanigans
- NCAA BB issue
- DNR/EPA issues
- "Med Reps" attack
- DNR/EPA issues
- UMF-MERC
- Detroit Rackham

Note how totally unpredictable most of these were. They bubble up out of the complexity and size of the University and its extraordinarily diverse range of interactions with a wide range of constituencies.

Question: Is there any way to get a better handle on such matters, to achieve greater control of the agenda?

Hot Spots (cont)

The standard approaches to greater control:

- greater centralized knowledge of activities throughout institution
- greater central authority
- greater insistence on accountability within units

Yet, such efforts run counter to University culture...

- greater centralized knowledge and control requires greater centralized bureaucracy
- insistence on greater accountability may inhibit risk-taking and innovation--and could make it difficult to attract our most creative people into leadership positions

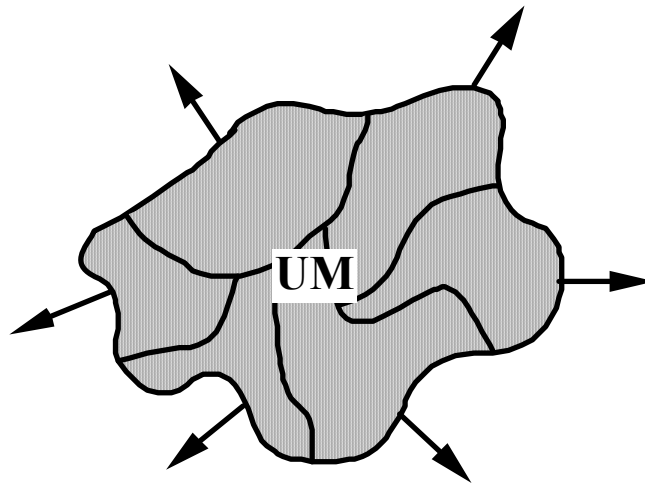
Other questions:

- i) Just how distracting are the present hot-spots?
- ii) How dangerous are they to the institution? (And its leadership?)
- iii) Do we need to do anything differently?

The "C" Concerns

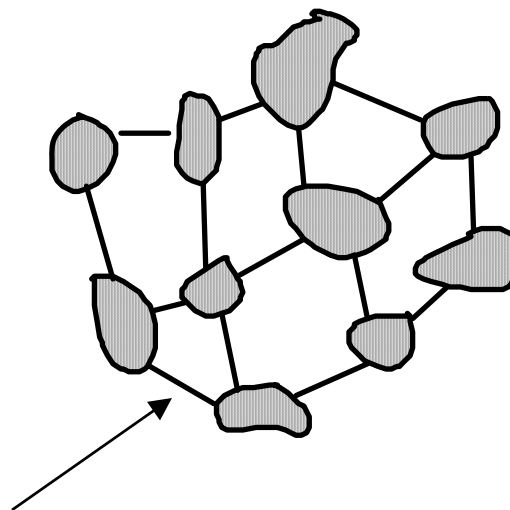
Commonly mentioned concerns:

- **Morale, malaise, separatism, intellectual fragmentation...**
- **Behavior (substance abuse, crime, racism, vandalism)...**
- **Special interest agendas, budgets, salaries, parking...**
- **"What's in it for me?...What have you done for me lately?..."**
- **Students vs. faculty vs. staff vs. administration vs. Regents**



The All-Important "C" Words

Community
Communication
Comity
Collegiality
Collaboration
Cooperation
Coherence
Concern
...



The "glue" words...

The Continued Challenge for 1990s

"How do we generate more of a sense of

...pride in...

...respect for...

...excitement about...

...and loyalty to...

...The University of Michigan?"

Some Obvious Needs

- 1. A far more sophisticated and aggressive internal communications strategy, capable of building and sustaining broad-based support for the strategy.**
- 2. Continued efforts to expand and strengthen our state-wide external communications/marketing strategy.**
- 3. A more sophisticated capacity to relate to the Board of Regents, to educate them, to monitor their concerns, to keep them onboard and supportive as we move ahead.**
- 4. A plan for taking the next step to build the President's Advisory Council into a "board of trustees" group.**
- 5. Better interfaces between the "administration" and the University community--e.g., getting folks in place with the correct set of people skills to handle key interactions with faculty, staff, students, Regents, ...**

Some Bolder Strategies to Consider

- 1. The Shapiro/Milliken Proposal**
- 2. Intellectual Restructuring of the University**
- 3. Linkages with Other Institutions**
- 4. LS&A Restructuring**
- 5. The Gateway College Concept**
- 6. Medical Center Strategies**

Intellectual Structuring

- **Should we get serious and begin to take steps to provide the University with more mechanisms to explore and implement alternative organizations for the conduct of teaching, research, and service?**
- **Do we need to "repackage" our academic programs, combining some units...dividing other units..to allow intellectual change?**
- **Do we need to attach "sunset"provisions to more units...and make them stick?**
- **Do we need a "skunkworks", a place where crazy ideas can be explored and prototyping can occur (a "U within the U")?**

Linkages with other Institutions

Should we become far more serious and strategic in forming alliances with other institutions, e.g.:

- i) Joint teaching programs with Michigan State**
- ii) Merging all of the CIC libraries into a single collection, using information technology to distribute resources**
- iii) Building strategic alliances in key areas with peer institutions--e.g., Cornell, Purdue, Illinois, and MIT in Engineering**

Some Questions on the Strategy

Some Questions About Next Steps

- 1. Is the vision statement ("Vision-2000") both realistic and appropriate?**
- 2. Do we have the right set of goals in place...at least for 1993...?**
- 3. Do we need to be bolder in our actions...or more conservative?**
- 3. Do we need to modify the strategic planning process at the central level?**
- 4. Do we need to modify the strategic planning process at the unit level?**
- 5. What should be the next steps?**
 - Relationship to M-Quality**
 - Strategic Assessment Process**
 - Role of Futures Group**
 - Role of EOs**
 - Role of Deans, Regents, others**
 - Provost Retreat**

Organizational Issues

1. Do we need to shake up the organization a bit to achieve change?
2. Do we need to rotate people more frequently to new administrative roles and positions?
3. Studies indicate that the best ideas frequently come from outsiders...not from succession within the ranks. Do we need to bring more new blood into the institution?
4. In organizations we are now finding more "peer to peer" structures...in some groups you are a leader...in others, a follower...in others, an observer. Should we attempt to achieve more of a matrix organizational structure to create such opportunities?

Some Questions about the Business Plan

Revenues:

Are we focusing our revenue generating efforts correctly?

Tuition > Private Giving > Federal > State > Auxiliary

Expenditures:

Thus far we have followed a strategy of across-the-board cuts with selected reallocation. However, is such a strategy really adequate for the resource-constrained future we face...or should we shift to more of a differential cuts (or even discontinuance) strategy similar to the early 1980s?

Leadership:

Where should the energy of the University president be focused?

...Visioning, stimulating change, attracting great people

...Fund-raising, politics, public relations

...State, national, higher ed agendas

...Specific initiatives (Michigan Mandate, M-Quality,...)