Leadership for the Twenty-First Century:

Strategic Planning at the University of Michigan

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February 1994

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Introduction

During the mid-1980s, the University of Michigan set out to develop a planning process capable of guiding it into the next century. More specifically, the University leadership sought to develop and then articulate a compelling vision of the University, its role and mission, for the twenty-first century. This effort was augmented by the development and implementation of a flexible and adaptive planning process. Key was the recognition that in a rapidly changing environment, it was important to implement a planning process that was not only capable of **adapting** to changing conditions, but to some degree capable as well of **modifying** the changing environment in which the University must function.

The unusually large size, complexity, and decentralized culture of the University posed particular challenges to the development of an effective planning process. For this reason, it was decided to utilize the well-known planning technique of "logical incrementalism" to better engage the University community, and various constituencies beyond the campus in a joint effort to help shape and refine the strategic goals, objectives, and actions necessary to achieve the vision.

This paper describes the implementation and evolution of this planning process over the past several years.

Why Bother?

Strategic planning in higher education has had mixed success, particularly in institutions of the size, breadth, and complexity of the University of Michigan. Yet many of us believed that such a planning process was essential. All too often in the past, the University had tended to respond to external pressures and opportunities rather than taking strong, decisive actions to determine and pursue its own objectives. So too, it had all too frequently become preoccupied with process rather than objectives, with "how" rather than "what."

It was our belief that to seize the opportunities of the 1990s, to face the responsibilities, and to meet the challenges facing higher education, the University had to initiate a process capable of determining both a direction and a strategy capable of guiding it into the twenty-first century.

In this effort, we accepted several key assumptions. First, we recognized that the University of Michigan was a very complex system, responding to the cumulative effects of its history as well as the dynamic boundary conditions characterizing its interactions with the changing external world. Despite this complexity, we believed it critical that the University take responsibility for its own future, rather than having this determined for it by simply reacting to external forces and pressures.

Second, we believed that the University of Michigan would face a period of unusual opportunity, responsibility, and challenge in the 1990s, a time during which it could—indeed must—seize control of its own destiny by charting a course to take it into the next century.

Finally, we became increasingly convinced that the challenges before higher education in the late twentieth century suggested that a new paradigm of the university in America was needed and that the University of Michigan was in an excellent position to develop this model for the nation.

This latter assumption is important. It grew out of both a consideration of the history of higher education in America and the unusual nature of the contemporary challenges swirling about the university. The profound nature of the challenges and changes facing higher education in the 1990s seemed comparable in significance to two other periods of great change in the nature of the university in America: the period a century earlier when the comprehensive public university first appeared and the years following WWII when the research university evolved to serve the needs of post-war America.

A century ago, the industrial revolution was transforming our nation from an agrarian society into the industrial power that would dominate the twentieth century world. The original colonial colleges, based on the elitist educational principles of Oxbridge, were joined by the land-grant public universities committed to broad educational access and service to society. In the decades following this period, higher education saw a massive growth in merit-based enrollments in degree programs at the undergraduate, graduate, and professional level as the comprehensive university evolved.

Higher education went through a second period of dramatic change in the decades following WWII. The educational needs of the returning veterans, the role of the universities in national defense, and the booming post-War economy led to an explosion in both the size and number of major universities. So too, the direct involvement of the federal government in the support of campus-based research led to the evolution of the research university as we know it today.

Today we face a period of challenge and opportunity similar to that during these two earlier periods of transformation. Many point to negative factors, such as the rapidly growing costs of quality education and research during a period of limited resources, or the erosion of public trust and confidence in higher education, or the deterioration in the partnership characterizing the reset university and the federal government. But there are even more fundamental and profound changes that will drive transformations in our society and its institutions:

1. Demographic Change: The New Majority

America is changing rapidly. When we hear references to the demographic changes occurring in our nation, our first thought probably focuses on the aging of our population. It is indeed true that the baby boomers are now entering middle age, and their generation has been followed by a baby bust, in which the number of young adults will be declining by twenty percent over the remainder of this century. Indeed, today there are already more people over the age of sixty-five than teenagers in this country. Further, the growth rate in both our population and our work force is declining to the lowest level in our nation's history. America will simply not be a nation of youth again in our lifetimes.

Yet, there is a far more profound change occurring in the population of our nation. America is rapidly becoming one of the most pluralistic, multicultural nations on the face of the earth. Women, minorities, and immigrants now account for roughly 85 percent of the growth in the labor force. By the year 2000, they will represent 60 percent of all of our nation's workers. Those groups we refer to today as "minorities" will become the majority population of our nation in the century ahead, just as they are today throughout the world. And women have already not only become the predominant gender in our nation and our institutions, but they are rapidly assuming their rightful role as leaders of our society.

In this future, the full participation of currently under-represented minorities and women will be of increasing concern as we strive to realize our commitment to equity and social justice. But, in addition, this objective will be the key to the future strength and prosperity of America, since our nation cannot afford to waste the human talent represented by those currently underrepresented in leadership roles in our society—this human potential, cultural richness, and social leadership. If we do not create a nation that mobilizes the talents of all our citizens, we are destined for a diminished role in the global community; increased social turbulence; and, most tragically, we will have failed to have fulfilled the promise of democracy upon which this nation was founded.

But here we encounter a particularly difficult challenge associated with demographic change. It is becoming increasingly clear that twenty-first century America will *not* be a melting pot in which all cultures are homogenized into a uniform blend—at least not during our lifetimes. Rather, it will be pluralistic, composed of peoples of vastly different backgrounds, cultures, and beliefs—people seeking to retain their cultural roots, to maintain their differences in identities. Our challenge will be to find the common bonds and values that unite us, even as we learn to respect and value our differences.

The growing pluralism of our society is perhaps our greatest challenge as a nation— and indeed, as a global community, as the tragedy of ethnic conflicts around the world clearly indicates. Yet it is also among our most important opportunities, since it gives us an extraordinary vitality and energy as a people.

2. The Internationalization of America

We live in a time in which all aspects of American life are becoming increasingly internationalized, in which our nation has become a member of a truly global community. Whether through travel and communication; the arts and culture; or the internationalization of commerce, capital, and labor, we are becoming increasingly dependent upon other nations and other peoples. The world, and our place in it, has changed.

The fact is that a truly domestic United States economy has ceased to exist. It is no longer relevant to speak of the Michigan or American economy—or the competitiveness of Michigan industry or American industry. Our economy, our companies are truly international—spanning the globe and intensely interdependent with other nations and other peoples. Indeed, in little more than five years, the United States trade deficit has taken us from the world's largest creditor nation to its largest debtor nation. We are no longer self-sufficient or self-sustaining. We are not immune to the shocks of the world's society, as daily events in Europe, the Middle East, Africa, and Asia make all too clear.

But beyond commerce and national security, there is yet another important reason to pay attention to the trends of internationalization. The United States has become the destination of about one-half of the world's immigrants, probably about ten million during the 1980s alone. With falling fertility rates, immigration will soon become the primary determinant of the variability in our population. As we have been throughout our history, we continue to be nourished and revitalized by wave after wave of immigrants arriving with unbounded energy, hope, and faith in the American dream. Today, in a very real sense, America is evolving into the first true "world nation" with not simply economic and political ties, but also ethnic ties to all parts of the globe.

From this perspective, it becomes clear that understanding cultures other than our own has become necessary, not only for personal enrichment and good citizenship, but for our very survival as a nation.

3. The Age of Knowledge

Looking back over history, one can identify certain abrupt changes and discontinuities in the nature, the very fabric of our civilization: the Renaissance, the Age of Discovery, the Industrial Revolution. There are many who contend that our society is once again undergoing such a dramatic shift in fundamental perspective and structure. We are evolving into a new post-industrial, knowledge-based society, just as a century ago our agrarian society evolved through the Industrial Revolution.

We are surrounded by evidence of this transition. Industrial production is steadily switching away from material- and labor-intensive products and processes to knowledge-intensive processes. For example, roughly 40 percent of the cost of an automobile is determined by materials and roughly 25 percent by labor. In sharp contrast, in a silicon chip, less than one percent of the cost is in materials and less than ten percent is in labor. Seventy percent is in knowledge!

Our nation's future has probably never been less constrained by the cost of natural resources. Further, it is clear that increasing productivity has come to mean decreasing use of low-skilled labor. In the 1920s, one out of three workers was a blue-collar worker. Today that number is one in six and dropping fast, probably to about one in twenty within a decade or so.

It is clear that a transition is occurring in which intellectual capital—brain power—is replacing financial and physical capital as the key to our strength, prosperity, and well-being. In a very real sense we are entering a new age, an age of knowledge, in which the key strategic resource necessary for prosperity, has become knowledge, that is, educated people and their ideas.

4. The Challenge of Change

The triad mission of the university as we know it today—teaching, research, and service—was shaped by the needs of an America of the past, by a homogeneous, domestic, industrial society. Since our nation today is changing at an ever-accelerating pace, it is appropriate to question whether our present concept of the research university must not also evolve rapidly if we are to serve the highly pluralistic, knowledge-intensive world-nation that will be America of the twenty-first century.

Of course, there have been many in recent years who have suggested that the traditional paradigm of the public university must evolve to respond to the challenges that will confront our society in the years ahead. But will a gradual evolution of our traditional paradigm be sufficient? Or, will the changes ahead force a more dramatic, indeed revolutionary, shift in the paradigm of the contemporary research university?

Just as with other institutions in our society, those universities that will thrive will be those that are capable not only of responding to this future of change, but that have the capacity to relish, stimulate, and manage change. From this perspective it may well be that the continual renewal of the role, mission, values, and goals of our institutions will become the greatest challenge of all!

A Heritage of Leadership

Who will determine the new paradigm for the research university in America? Who will provide the leadership? Why not the University of Michigan? After all, in a very real sense, it was our University that developed the paradigm of the public university capable of responding to the needs of a rapidly changing America of the nineteenth century, a paradigm that still dominates higher education today. In many ways, we have been throughout our history the flagship of public higher education in America. The University is once again in an excellent position to assume a role of leadership in higher education, to develop a new model of what the research university must become to serve twenty-first century America.

Several characteristics of the University suggest this role of leadership. First among them is Michigan's heritage of leadership. Although Michigan was not the first of the state universities, it was the first to free itself of sectarian control and become a true public institution, governed by the people of the state. So too, the act establishing Michigan in 1837 was regarded as the most advanced and effective plan for a state university, a model for all the state institutions of higher learning which were established subsequently. From its founding, Michigan was identified with the most progressive forces in American higher education. It was the first to blend the classic Oxbridge curriculum with the German approach that stressed faculty involvement in research and dedication to the preparation of future scholars. It was the first university in the west to pioneer in professional education, establishing the Medical School in 1850, the Law School in 1859, and engineering courses in 1854. The University was among the first to introduce instruction in zoology and botany, modern languages, modern history, American literature, pharmacy, dentistry, speech, journalism, teacher education, forestry, bacteriology, naval architecture, aeronautical engineering, computer engineering, and nuclear engineering.

Beyond tradition, however, there are other characteristics of our University today that position us well for the role of leadership. We continue to have a reputation as the flagship of public higher education. We are the prototype of the large, comprehensive, public research university with a serious commitment to scholarship. We are distinguished by unusual breadth, a rich diversity of academic disciplines, professional schools, social and cultural activities, and intellectual pluralism. We have benefited from an unusual degree of participation by our faculty and students in University decisions. Indeed, throughout its history, Michigan has long been known for a spirit of democracy and tolerance among its students and faculty. Over a century ago *Harper's Weekly* noted that "the most striking feature of the University of Michigan is the broad and liberal spirit in which it does its work."

We are characterized by a faculty of great intellectual strength and unusual breadth. Our student body has a quality unsurpassed by any public institution. And, of course, there is that marvelous army of Maize and Blue alumni, over 400,000 strong who demonstrate and sustain a deep commitment to this institution.

While it is true that state support has not been strong in recent years, we nevertheless benefit from an unusually broad and balanced base of support from both public and private sectors. And, of course, we must never underestimate the importance of the fact that the University was created by the state constitution itself, which establishes our Board of Regents as a coordinate branch of state government with authority over the University exceeding that of the legislature, governor, and judiciary. In a sense, we are almost unique among public universities in the degree to which we control our own destiny.
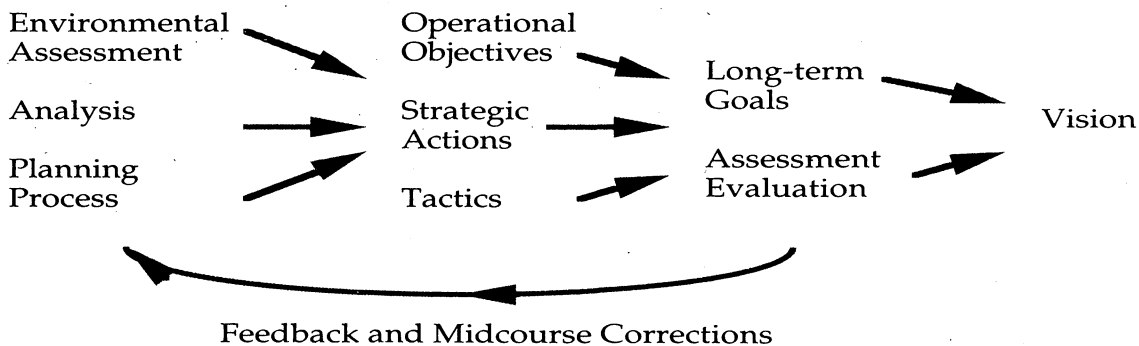
It is this rich set of characteristics that could well position the University to once again assume the leadership role it played in the nineteenth century by developing a new model for higher education appropriate for the needs of our state and our nation in the twenty-first century.

The Strategic Planning Process

It was within such a context that a major strategic planning effort was launched. Of course, there are a variety of formal approaches to strategic planning. However most fit into the framework of steps summarized below:
1. Vision, Values, Mission, and Goals
2. Environmental Assessment
3. Operational Objectives
4. Strategic Actions
5. Tactics
6. Assessment and Evaluation

Any successful strategic planning process is highly iterative in nature. While the vision remains fixed, the goals, objectives, actions, and tactics evolve with progress and experience.

Environmental Assessment → Operational Objectives →

Analysis → Strategic Actions → Long-term Goals → Vision

Planning Process → Tactics → Assessment Evaluation →

Feedback and Midcourse Corrections

Further, during a period of rapid, unpredictable change, the specific plan chosen at a given instant is of far less importance than the planning process itself. Put another way, the University sought an "adaptive" planning process appropriate for a rapidly changing environment.

We also sought a planning process appropriate for an institution of vast scale, great diversity, and unusual complexity. Indeed, with over 36,000 students, 3,400 faculty, 14,000 staff, 17 schools and colleges, hundreds of institutes, centers, and programs, and an operating budget of over $2.3 billion per year, the University of Michigan in Ann Arbor is one of the largest and most complex campuses in the world. Hence it was felt imperative to utilize a planning process capable of dealing with such complexity.

For this reason, the University adopted a variation of strategic planning that James Brian Quinn refers to as "logical incrementalism." As with most strategic processes, one begins with a clear vision statement for the institution. Within the context of this vision, one then sets out intentionally broad and rather vague goals—e.g., goals such as "excellence,"

"diversity," and "community." The strategic approach is then to engage broad elements of the organization in efforts to refine and articulate these goals while developing strategic plans and operational objectives aimed at achieving them. Key in the success of the logical incrementalism approach is the skill in separating out only those plans (actions and objectives) that move the institution toward the vision statement.

University
of the
21st Century

1988
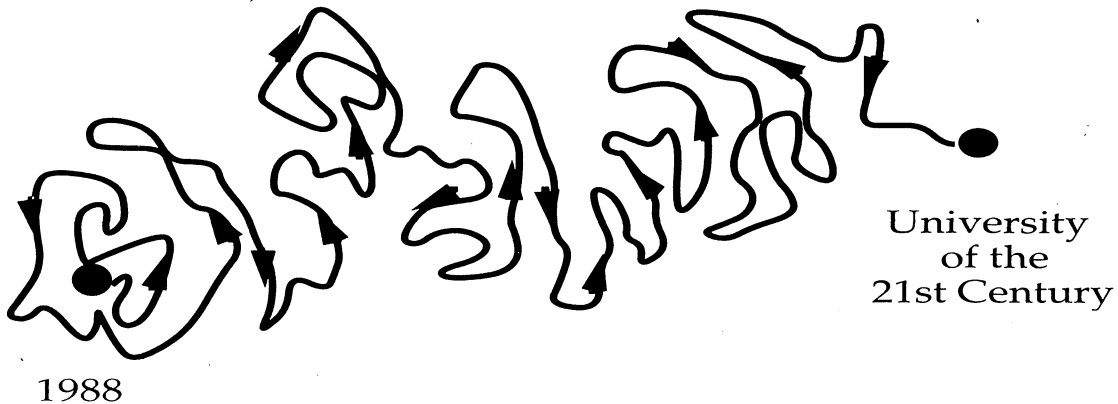
Although logical incrementalism is a "small wins" strategy, relying on a series of small steps to move toward ambitious goals, it also is a highly opportunistic strategy in the sense that it prepares the organization to take far more aggressive actions with the circumstances arise. The planning process was evolutionary in other respects. It moved from broad goals and simple strategic actions, to increasingly complex tactics. In a sense, it shifted from the "meta" to the "mega" to the "macro" to the "micro" viewpoint. So too, the planning process was designed to work simultaneously on various institutional levels, ranging from the University as a whole to various academic and administrative units. Coordinating these multiple planning process was one of the great challenges, of course.

The Vision, the Mission, and the Goals

1. Early Activities

Throughout the period 1986 to 1990, a series of planning groups were formed to assist the leadership in developing both a vision statement for the University as well as a concise statement of mission. Although a variety of different groups were formed, involving different sets of officers, deans, faculty, staff, and students, all such efforts to develop vision statements eventually arrived at the common theme of "leadership." Some of the more specific leadership vision statements included:

- "A heritage of leadership"
- "Building leadership for tomorrow on a foundation of academic excellence"
- "Developing the new paradigm for the university in twenty-first century America"
- "A heritage and a destiny of leadership"

Extensive consideration was given to analyzing the University's various strengths for such a leadership goal, including:

- Our heritage of leadership as the flagship of public higher education
- . Our unusual combination of quality, breadth, and size
- A well-balanced resource portfolio (state, federal, tuition, private, . . .)
- The quality of students, faculty, staff
- Our unusual ability to control our own destiny
- Our liberal spirit, tradition of activism, progressive vision
- Our unique ability to take risks to achieve leadership
- Other unique characteristics (athletics, cultural opportunities, size of alumni body...)

A wide range of specific opportunities for leadership were considered, including:

- Development of a new paradigm for a liberal undergraduate education within the environment provided by a great research university
- The Michigan Mandate: a model of a multicultural university
- An "electronic university"—a model of a knowledge-based organization
- A "world university"
- Our unusual strength and breadth in the health sciences
- Interdisciplinary structures (ISR, HHMRI, Humanities . . .)
- Cultural opportunities (performing and visual arts)
- Nurturing a liberal spirit among our students and faculty
- Basic and applied society sciences (including new models of outreach)

As these discussions continued over the months, however, several particular leadership goals began to evolve:

Goal 1: Institutional Leadership: The University should play a lead role in developing the new paradigm of the University of the twenty-first century.

Goal 2: Intellectual Leadership: The University should seek to build and sustain 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, while sustaining the capacity for independent inquiry and criticism.

Goal 3: Social Leadership: The University should seek to develop a caring, concerned, and compassionate community of scholars who provide leadership in understanding the key problems facing our society.

Goal 4: Personal Leadership: The University should strive to create an environment where students can develop the values, characteristics, and will for leadership roles in our society.

From such processes, the following vision and mission statements were developed:

The Vision Statement

> Vision 2000: "The leaders and best ... "
>
> To position the University of Michigan to become the leading university of the twenty-first century.

It is our belief that leadership, more than any other characteristic, will determine the impact of the University of Michigan on society, the state, the nation, and the world. In this vision statement, the concept of "leadership" is interpreted as leading the way, setting the pace, or becoming the standard against which others compare themselves.

Such a leadership vision requires a complex strategy, since all of the key characteristics of the University are involved:

> quality
> quantity (size)
> breadth (comprehensiveness)
> excellence
> innovation

The achievement of Vision 2000 will require an optimization of all of these factors.

The Mission

While there are many ways to articulate the mission of the University, we chose to do so using the language native to the business world, since this fit most naturally with the particular strategic planning process we were using:

> Business Line:
>   Creating, preserving, transmitting, and applying knowledge
> Products and Services:
>   Knowledge and knowledge-intensive services
>   Educated people with capacity and desire for leadership
> Customers:
>   Primary: Society at large
>   Others: Students, patients, sponsoring agencies . . .
>   Shareholders: State, feds, private sector, public
> Market Niche:
>   Leadership

Some aspects of this mission statement would apply to any university, e.g., the triad mission of teaching, research, and service. Other features are specific to Michigan. For example, the

University of Michigan is one of the very few universities in the world that could claim society at large as its primary customer. And, indeed, over the course of its history, Michigan's primary impact has been on society rather than through a particular subcomponent of its mission such as teaching or research. So too, Michigan is one of the few universities that can claim leadership as a true component of its mission.

Another Way to Look at the Strategic Process

During the early stages, the strategic process coincided with the organization and installation of a new University administration. More specifically, the transition from the Shapiro to the Duderstadt administration involved the turnover of not only majority of the executive officers (Provost; VPCFO; VP Research; VP Student Affairs; Chancellor, UM-Dearborn), but a great many deans, directors, associate vice presidents, and other senior officers. More specifically, during the first five years of the new administration, roughly 80 percent of the senior leadership positions in the University turned over. As a result, there was an very unusual opportunity to rebuild an administrative team capable of and committed to moving the University in new strategic directions.

The strategic approach first taken by the new administration involved four simultaneous activities:

- Setting the themes
- Building the leadership teams
- Building the networks
- Implementing the plans, actions, processes

Of course, these activities were all based upon and guided by the strategic planning activity conducted during the 1986-88 period.

1. Setting the Themes

The key themes of change first identified and considered by the strategic planning process:

- The increasing pluralism and diversity of the American people
- The globalization of America and the shrinking global village
- The Age of Knowledge

were first set out publicly in the Presidential Inaugural address of 1988. They were reinforced and expanded upon on may subsequent occasions, including commencement addresses, the State of the University addresses, and other major speeches and interviews. These themes served as the rationale for the first major initiatives of the new administration, e.g., the Michigan Mandate, several actions designed to strengthen and better coordinate international activities, and the major leadership role played by the University in building and managing national computer networks (e.g., NSFnet, MREN).

In subsequent years, three new themes were added to the original list:

- A finite world (global change)
- The post-Cold War world
- Rebuilding America (human and physical capital and infrastructure)

Again, strategic initiatives were developed and launched in these areas, including the Global Change Project funded through the Presidential Initiative Fund, and the efforts to position the University better in an array of economic development activities (e.g., the Flint Project, the IPPS State Economic Study, and redesigning the University's technology transfer effort).

There were additional themes articulated that could better be classified as opportunities than challenges:

- Creation (of knowledge, objects, intelligence, life forms . . .)
- Exploration (of knowledge, the planet, the universe . . .)

These were the frontier themes traditionally addressed by research universities,. The rapid evolution of powerful tools such as information technology, molecular biology, and materials science triggered a rapid acceleration of University research in these areas. Examples here include the Molecular Medicine Institute in the School of Medicine, the Ultrafast Optics Laboratory in Physics and Engineering, and the adaptive complex systems activity, affiliated with the Santa Fe Institute (the "Bach" group).

Efforts were also made to articulate the particular challenges facing higher education during the 1990s:

- 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

While these themes of challenge were faced by most institutions, an effort was made to take the University of Michigan one step further by defining unique strategic themes for our institution during the 1990s:

- Inventing the University of the twenty-first century
- Redefining the nature of the public university in America
- Financing the University in an era of limits
- The Michigan Mandate
- A world university
- An electronic university
- Global change
- A strategic marketing plan
- "Keeping our eye on the ball"

(The last theme, of course, referring to the fact that consistency and persistence were essential to the success of any strategic effort).

These themes were carefully woven into communications activities, both on and off campus. They served as the rationale and foundation for a wide array of specific objectives and strategic actions—all aimed at moving the University toward Vision 2000 goal of leadership.

2. *The Leadership Teams*

The unusually large turnover in University leadership occurring in the late 1980s required that a significant amount of energy and effort be directed at attracting outstanding people into key leadership roles. Further, these leaders had then to be formed into a number of leadership teams.

The formal leadership teams of the University could be identified as follows:

- Executive Officers
- Academic Policy Group (Deans, Provost, President)
- Budget Priorities Committee (later PACE and ACUB)
- SACUA and Senate Assembly
- Regents

However, in addition, there were a number of ad hoc or informal planning groups formed by the President and Provost:

- Strategic Planning Groups
- Seminar on University Priorities (SOUP)
- Futures Group
- Change Group (Michigan Mandate)

Further, there were a series of special events such as leadership retreats (including EOs, Deans, SACUA, and student leaders), school and college teams including executive committees and chairs, and administrative unit planning teams—all of which play a key role in the planning effort.

3. *Building the Networks*

Of course, key in any strategic process are a series of networks that link together participants in moving the institution forward. At Michigan we have relied on several classes of networks. First, there were a group of internal networks, linking leadership, faculty, staff, and students:

- Leadership networks (EOs, Deans, Directors, Regents)
- Faculty (SACUA, Senate Assembly, S and C Executive Committees)
- Students (MSA, RHA, IFC, PanHell, S and C Student Governments)

But in addition it was important to build networks external to the University:
- Presidential Advisory Council
- Michigan Business-Higher Education Roundtable
- Michigan Presidents' Council
- Alumni networks (e.g., Citizens' Council)
- National Associations (AAU, NASULGC, Big Ten)
- Communities (Ann Arbor, Detroit, Flint, Grand Rapids)

Further, there were a number of important special constituencies that we needed to develop strong ties with:

- Minority communities
- Media
- Political constituencies at the state, federal, and local level
- Public-at-large

This effort of network building is of great importance in the success of any strategic effort, particularly in propagating from various leadership planning groups to the University community more broadly.

4. *Strategic Thrusts*

Over the course of the past several years, there have been a great many specific strategic actions spawned by the strategic planning effort:

- The Michigan Mandate
- Information Technology
- University Initiative Fund
- Asset Management Strategy
- The Campaign for Michigan
- State Relations
- Washington Relations
- Communications
- Community Relations
- Campus Safety
- Student Behavior
- Sense of Community
- International Strategies
- Resource Acquisition and Management Strategies
- Graduate and Professional Education
- Research Environment
- Human Resource Development
- Intercollegiate Athletics
- and, of course, the strategic planning process itself

Many of these initiatives continue to evolve, reflecting the overlap of the phases of initiative launch, implementation, achieving and sustaining the goals.

The Evolution of the Strategic Planning Process

Below we have summarized some of the key stages of the University strategic planning process over the past several years:

1986-87:
Executive Officer Retreats—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
>> knowledge—> networking, ITD
>> restructuring revenues and expenditures
>
> External relations strategy

1990-92:
>
> Strengthening leadership teams
> The Reality Test
> Ten Point Plan for the 1990s
> M-Quality
> Restructuring Student Environment
> Futures Group

1993-
>
> The Refined Goals
> Strategic Assessment (C. K. Prahalad)
> The Michigan Metrics Project
> Beyond 2000

It is useful to review briefly some of the features of these earlier efforts.

1. The Early Effort (1986-87)

The early strategic planning effort proceeded from several underlying principles:

i) Placing the highest premium on focusing resources to achieve excellence.

ii) 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 out of their way. We should let our best people push the intellectual thrusts and determine the pace of the University.

iii) The importance of an entrepreneurial environment . . .
. . . which stresses excellence and achievement . . .
. . . which removes all constraints from talented people . . .
. . . which lets our most creative people "go for it" . . .

Based on these principles, we set the following general goals

1. *To pick up the pace . . .*
   To pick up the pace of the University, to build a level of intensity and expectation to settle for nothing less than the best in the performance of our faculty, students, and programs. National leadership requires a sustained commitment to excellence and a disdain for mediocrity.

2. *To focus resources to build spires of excellence . . .*
   To break away from the tendency to attempt to be all things to all people, and instead to focus our resources on building spires of excellence. In a world of limited re-

sources, the quest for quality must dominate the breadth and capacity of our programs.

3. *To establish academic excellence as our highest priority . . .*
   To re-establish the core academic programs of the University as its highest priorities. While the strength of the professional schools and colleges play critical roles in determining the reputation of a university, over the long term these programs will inevitably draw their strength from the academic core.

4. *To develop a "change-oriented" culture in the University . . .*
   To make the University better adaptive to change; to instill in faculty, students, and staff a relish and enthusiasm for change.

5. *To give highest priority to bold, new initiatives . . .*
   To achieve the objective of leadership, we should focus wherever possible on exciting new initiatives. The best institutions are those which always seek to do something new, not just to maintain traditions. To simulate, encourage, and support more high-risk scholarship on the "exponential" part of the knowledge curve.
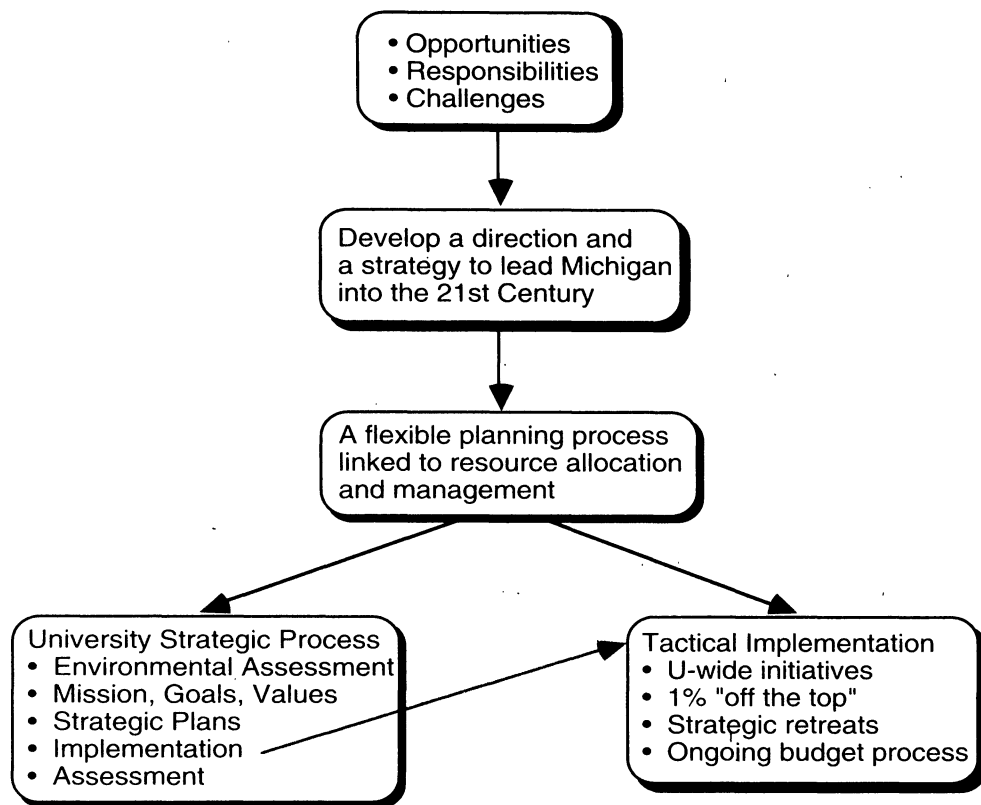
Consistent with these goals, we chose the following set of strategic actions:

1. To move toward an "every tub on its own bottom" management style in which authority and responsibility are decentralized to the lowest possible level—albeit with strong central themes and information flow.

2. To develop a "strategically-driven" resource allocation process in which all resource allocation and management decisions are developed within the context of clear strategic priorities and objectives . . . both at the institution and the unit level.

3. To stimulate a strategic planning process at all levels of the University capable of guiding tactical decisions such as resource allocation.

4. To develop and implement policies designed to alter or ameliorate constraints as they arise.

5. To develop stronger management at all levels of the University.

6. To develop new organizational structures which stimulate change and better allow adaptation in a dynamic environment.

In this early stage of the process, the hope was that we could trigger a process involving progressively larger groups of faculty, students, and staff aimed at grappling with the difficult task of identifying and articulating a mission for the University as it prepared to enter the twenty-first century.
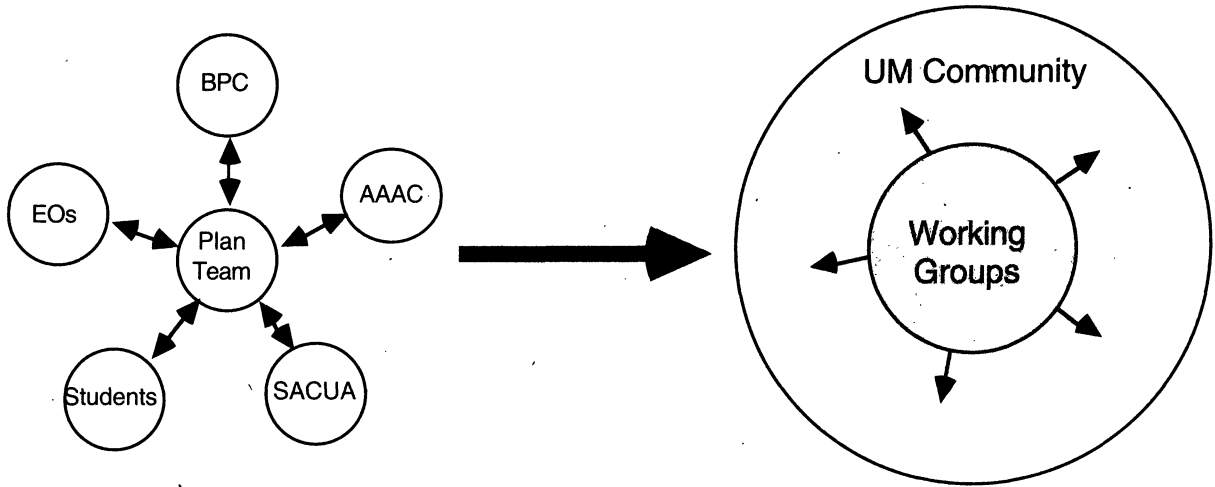
We referred to the effort during this early phase as the "Strategic Leadership Process." It was characterized by a flow diagram as follows:

- Opportunities
- Responsibilities
- Challenges

Develop a direction and a strategy to lead Michigan into the 21st Century

A flexible planning process linked to resource allocation and management

University Strategic Process
- Environmental Assessment
- Mission, Goals, Values
- Strategic Plans
- Implementation
- Assessment

Tactical Implementation
- U-wide initiatives
- 1% "off the top"
- Strategic retreats
- Ongoing budget process

Of critical importance was an effort to coordinate parallel planning efforts at the unit level—schools and colleges and administrative units—with the University-wide planning effort. This led to a parallel, interactive planning process.

Key features:
- in parallel
- interactive
- iterative

```
Environmental Assessment
• IC, BC, Futures
• Assumptions
        ↓
Institutional Objectives
• Objectives
• Priorities
        ↓
Strategic Plans
• Institution level
• Unit level
        ↓
Tactical Implementation
• Institution level
• Unit level
        ↓
Assessment
• Institution level
• Unit level
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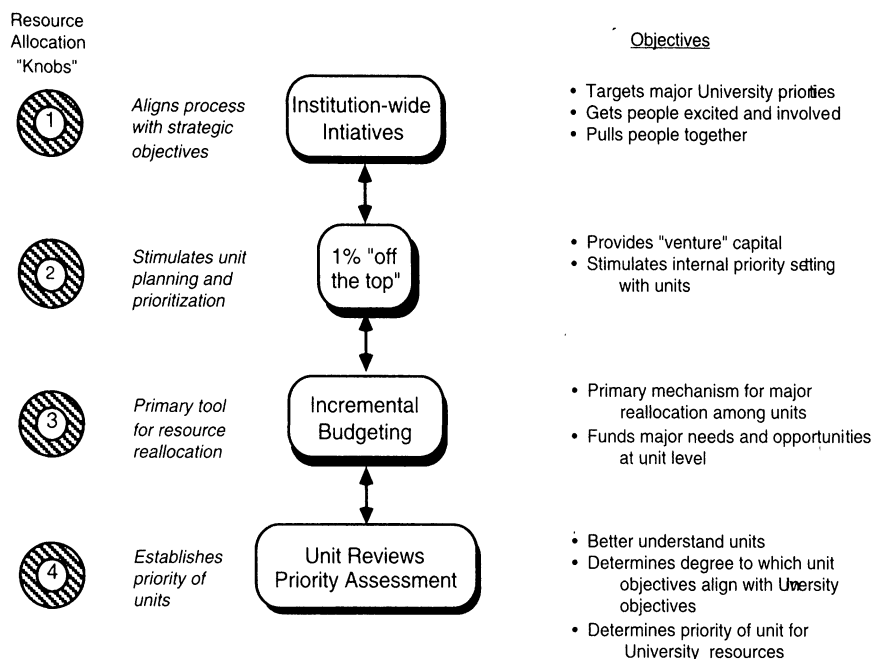
```
Ongoing unit
planning activities
        ↓
Discussions
(EOs, AAAC,...)
        ↓
Strategic
Retreat
Process
        ↓
Strategic
Initiative
Process
        ↓
"Spires
of
Excellence
Theme"
```

The unit strategic planning processes proceeded in parallel with the University-wide effort. Key in this was a series of unit level retreats for both academic and administrative units. Over the course of three years, every major academic and administrative unit developed an internal strategic plan through interaction with the Office of the Provost.

To provide reality to the planning process, we were determined to link the planning process closely to resource allocation decisions. Hence we chose the following hierarchy of resource allocation decisions:

Resource Allocation "Knobs"			Objectives
①	Aligns process with strategic objectives	Institution-wide Intiatives	• Targets major University priorties • Gets people excited and involved • Pulls people together
②	Stimulates unit planning and prioritization	1% "off the top"	• Provides "venture" capital • Stimulates internal priority setting with units
③	Primary tool for resource reallocation	Incremental Budgeting	• Primary mechanism for major reallocation among units • Funds major needs and opportunities at unit level
④	Establishes priority of units	Unit Reviews Priority Assessment	• Better understand units • Determines degree to which unit objectives align with Unversity objectives • Determines priority of unit for University resources

A critical component here was the Strategic Initiative Process, in which 1 percent of the General Fund of the University was allocated into a special fund, the Strategic Initiative Fund, to support key strategic thrusts. The criteria for such projects were: i) broadly supported strategic priorities of the University, ii) University-wide, iii) strong grassroots involvement, and iv) one-time (flexible) projects. For example, during the first two years of the program the following initiatives were supported:

FY87-88 University Initiatives:

- Undergraduate Initiatives Fund ($1 M)
- Presidential Initiatives Fund ($1 M)
- Diversity Initiatives ($1 M)
- Graduate Education ($800 K)
- Sciences ($600 K)

FY88-89 University Initiatives:

- Target of Opportunity Minority Faculty Fund ($1 M)
- Special Faculty Salary Program ($2 M)
- Sciences ($500 K)
- Classroom Renovation Project ($1 M)

A number of other strategic initiatives were taken during this early phase of the strategic planning process:
- 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
- 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

2. *Ten Goals for the 1990s*

The planning effort sharpened a bit in 1990, with an effort to develop a list of 10 goals for the decade of the 1990s. Here, we sought goals that were quantitative and measurable as possible so that we could assess progress, e.g., "increase private giving plus endowment income to a level equal to our state appropriation." Further, we sought to develop such goals with an aim to implementing a system of "management-by-objectives" in which people would be evaluated in terms of their success in moving toward the goals. The specific goals chosen were as follows:

1. To protect and enhance the University's autonomy.

The single most important characteristic of the University is its capacity to control its own destiny. This has been threatened in recent times by state government, federal government, the media, and public attitudes at large. Hence our first priority for the 1990s would be to secure this autonomy.

Possible "measures" of progress include:

i) developing the capacity to control instate tuition and outstate enrollments without political interference
ii) achieving a balance of funding sources able to withstand major changes (e.g., a 25 percent decline) in any single funding source

2. To strengthen the University leadership.

Clearly the quality of the leadership of the University is critical to the future of the University. Hence we sought to evaluate the quality of leadership throughout the University, from executive officers to deans to chairs and directors, and to attract the most capable leaders to Michigan.

3. To build private support to a level comparable to state appropriation.

Measurable objectives (in 1990 dollars):

i)   increase annual gifts received from $95 M (90-91) to $200 M in 2000-2001 (1990 dollars)
ii) increase endowment from $500 M (1991) to $2 B (2001)

4. To achieve the objectives of the Michigan Mandate.

- Student representation
- Faculty, staff, leadership representation
- Building a "Multicultural UNIversity"
- Moving ahead with a similar effort on women's issues

Measurables:

i)   representation targets
ii)   signs of integration rather than separation
iii) pipeline goals

5. To affirm and sustain the University's character as a public institution even as it is becoming increasingly privately supported

Some measures of progress might include:

i)   Adjusting instate tuition to more accurately reflect the true costs of education and the declining state subsidy
ii)   Achieving a better balance of instate/outstate/foreign enrollments
iii) Moving toward great decentralization in management (cost/revenue center strategies)
iv)   Launching public/private experiments (Business Administration, Law, Medicine)

6. To restructure the University to better utilize available resources to achieve teaching and research of the highest possible quality.

Possible elements:

i)   Better (and fairer) resource allocation
ii)   Implementation of Total Quality Management efforts
iii) Right-sizing (e.g., rearranging academic units into more efficient organizations)

7. To enhance the quality of UM as a comprehensive research university.

Every unit would attempt to achieve and be tested against the highest possible standard. Those that fail to meet that standard should face either investment . . . or divestiture ("up or other").

Usual measures: faculty reputation, student achievement, surveys (particularly upcoming NRC graduate survey), visiting committee evaluations, etc.

Particular thrusts:

    i) undergraduate education (CUE, Gateway Center)
    ii) graduate education (breaking the mold)
    iii) professional education (better linkages)

8. To attract, nurture, and achieve the extraordinary.

People: Attract and sustain students and faculty of true genius . . . Nobel Laureate . . . national academicians . . . MacCarther awardees . . . Pulitzer prize winners . . . "wild, crazy, creative people . . . since these "essential singularities" will set the pace of excellence for the institution.

Units: Encourage all units of University to build "peaks of excellence" . . . to identify areas which have capacity for true national leadership and then to reallocate resources to build and sustain such extraordinary excellence.

9. To position UM as a "world university."

Shift perspective of the University from a state or national university to a world university.

Possible elements:

    i)   Provide opportunity for international experience for all undergraduates and faculty
    ii)   Increase international enrollment
    iii) Establish strong relationships with top 4-5 great universities of the world
    iv) Increase financial support from international donors
    v)   Achieve high visibility for Michigan as an international university . . . and build an understanding of the importance of this role for people in the state

10. To develop more compelling images of what we are or wish to become . . . and what we are not.

    i)   Image of UM of as a leading world university (in state, nation, world)
    ii)   Image of university as a process and a concept rather than a place or an institution
    iii) Willingness of "customers" (students, parents, government agencies) to pay full costs for our services
    iv) Weaken the expectation that a degree guarantees a job. . . rather it helps one create a job.
    v)   Portray the undergraduate experience as trying on a variety of lives ("a library of virtual realities")
    vi) Equate university with a "rain forest," preserving the "cultural insurance" for our future—but also threatened with decimation by a misunderstanding public.

It should be noted that in this phase of the planning process, a variety of other goals were considered, including:

- Achieve dramatic improvement in the quality of the undergraduate experience (CUE recommendations, Gateway Campus)
- Build a sense of community on campus that fosters a greater sense of pride, loyalty, commitment to the University on the part of students, faculty, staff.
- Bring breadth and capacity of University into line with realistic estimates of available resources (e.g., 36,000 —> 30,000 —> 25,000. . .)
- Be a pathfinder in defining, developing, and applying information technology in a knowledge-based organization (e.g., collaboratories, telecommuting)
- Shift from solitary learning to collaborative (team) learning experiences
- Broadening financial aid to outstate students, merit aid
- Getting rid of the image of "good, gray Michigan" with some great architecture
- Shifting more of our educational efforts to adult's lifetime education, upperclass/graduate/professional focus
- Establishing "skunkworks" operations; "University within a University" concepts
- Present the university as a place that affirms and renews. . .not that just undermines belief and criticizes
- Explore more specific roles and connectivity for all of our various shareholders; get alumni, friends, industrial leaders, political leaders "on the organization chart"

Many of these additional goals have been examined and implemented in subsequent planning activities.

3. Proposed Goals for 1993

It is instructive to note how our institutional goals have evolved in a fashion consistent with the logical incrementalism approach to strategic planning process:

1986:	Themes
	Teams
	Networks
	Planning
1987-88:	Pace
	Spires
	Excellence
	Change-orientation
	New Initiatives
1990-92:	Autonomy
	Leadership
	Private Support
	Michigan Mandate
	Public/Private
	Cost Containment
	Spires
	Quality
	World University
	Image Goals

In 1993 we took the next step in the strategic process by refining from the planning process more specific goals, consistent with the leadership vision, but more amenable to measurement. Further, we are attempting to develop more precise metrics capable of giving us an accurate assessment of our progress toward Vision 2000.

The goals we proposed can be separated into three categories: leadership goals, resource goals, and trailbreaking goals:

Leadership Goals

1. To enhance the quality of all academic programs
2. To sustain UM blend of broad access and highest quality
3. To build more spires of excellence
4. To achieve more "firsts" for the University
5. To become the leading research university in the nation
6. To achieve the objectives of the Michigan Mandate
7. To make UM the university of choice for women leaders
8. To develop a new paradigm for undergraduate education
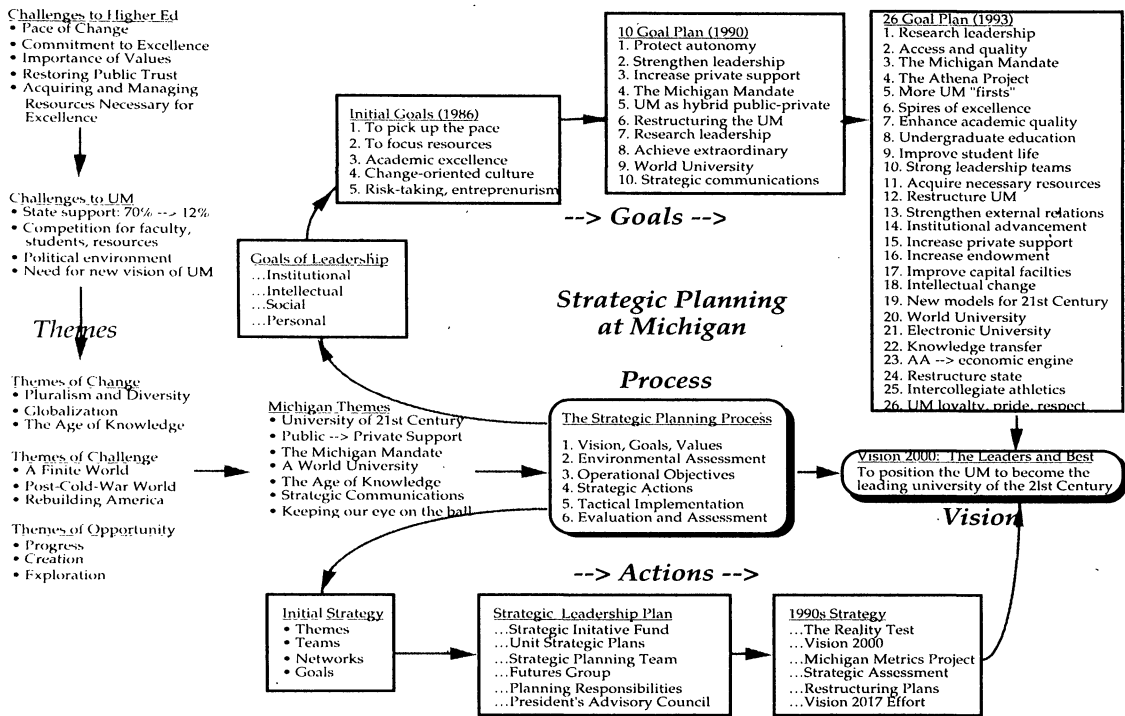9. To enhance the quality of the student living/learning environment

Resource Goals

10. To build strong leadership teams for the University
11. To acquire resources to compensate for the loss of state support
12. To restructure the University to better utilize existing resources
13. To strengthen external relationships (state, feds, public)
14. To enhance the quality of institutional advancement activities
15. To increase private support to exceed the state appropriation by 2000
16. To increase endowment to $2 B by 2000
17. To dramatically improve the quality of UM facilities

Trailbreaking Goals

18. To restructure the University to better respond to intellectual change
19. To explore new models for the University of the twenty-first century
20. To position UM as a "world university"
21. To position UM as an "electronic university" of the twenty-first century
22. To make UM a leader in knowledge transfer to society
23. To make the Ann Arbor area the economic engine of the midwest
24. To help implement a plan for "restructuring" the State of Michigan
25. To have the leading intercollegiate athletics program in the nation
26. To build more of a sense of pride in, respect for, excitement about, and loyalty to the University of Michigan!

The strategic planning process leading to the setting of these goals and the development and execution of plans to achieve them has been illustrated in the diagram below.

Challenges to Higher Ed
- Pace of Change
- Commitment to Excellence
- Importance of Values
- Restoring Public Trust
- Acquiring and Managing Resources Necessary for Excellence

Challenges to UM
- State support: 70% --> 12%
- Competition for faculty, students, resources
- Political environment
- Need for new vision of UM

Themes

Themes of Change
- Pluralism and Diversity
- Globalization
- The Age of Knowledge

Themes of Challenge
- A Finite World
- Post-Cold-War World
- Rebuilding America

Themes of Opportunity
- Progress
- Creation
- Exploration

Initial Goals (1986)
1. To pick up the pace
2. To focus resources
3. Academic excellence
4. Change-oriented culture
5. Risk-taking, entreprenurism

Goals of Leadership
...Institutional
...Intellectual
...Social
...Personal

Michigan Themes
- University of 21st Century
- Public --> Private Support
- The Michigan Mandate
- A World University
- The Age of Knowledge
- Strategic Communications
- Keeping our eye on the ball

10 Goal Plan (1990)
1. Protect autonomy
2. Strengthen leadership
3. Increase private support
4. The Michigan Mandate
5. UM as hybrid public-private
6. Restructuring the UM
7. Research leadership
8. Achieve extraordinary
9. World University
10. Strategic communications

--> *Goals* -->

Strategic Planning at Michigan

Process

The Strategic Planning Process

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

26 Goal Plan (1993)
1. Research leadership
2. Access and quality
3. The Michigan Mandate
4. The Athena Project
5. More UM "firsts"
6. Spires of excellence
7. Enhance academic quality
8. Undergraduate education
9. Improve student life
10. Strong leadership teams
11. Acquire necessary resources
12. Restructure UM
13. Strengthen external relations
14. Institutional advancement
15. Increase private support
16. Increase endowment
17. Improve capital facilties
18. Intellectual change
19. New models for 21st Century
20. World University
21. Electronic University
22. Knowledge transfer
23. AA --> economic engine
24. Restructure state
25. Intercollegiate athletics
26. UM loyalty, pride, respect

Vision 2000: The Leaders and Best
To position the UM to become the leading university of the 21st Century

Vision

--> *Actions* -->

Initial Strategy
- Themes
- Teams
- Networks
- Goals

Strategic Leadership Plan
...Strategic Initative Fund
...Unit Strategic Plans
...Strategic Planning Team
...Futures Group
...Planning Responsibilities
...President's Advisory Council

1990s Strategy
...The Reality Test
...Vision 2000
...Michigan Metrics Project
...Strategic Assessment
...Restructuring Plans
...Vision 2017 Effort

Evaluation and Assessment

A key aspect of any strategic effort involves an accurate assessment of progress toward meeting various goals. As we have refined our goals, we have also sought to identify "metrics," parameters subject to measurement and suitable for determining progress. Each of the 26 goals listed above has been characterized by an array of such metrics, and we are in the process of gathering data characterizing these parameters over the past decade.

For example, one metric that can be used to characterize national research ranking is annual R&D expenditures, since this parameter is monitored by federal agencies such as the National Science Foundation. In this particular case, we might use either the time series for University R&D activity over the past decade:

UM Research Expenditures
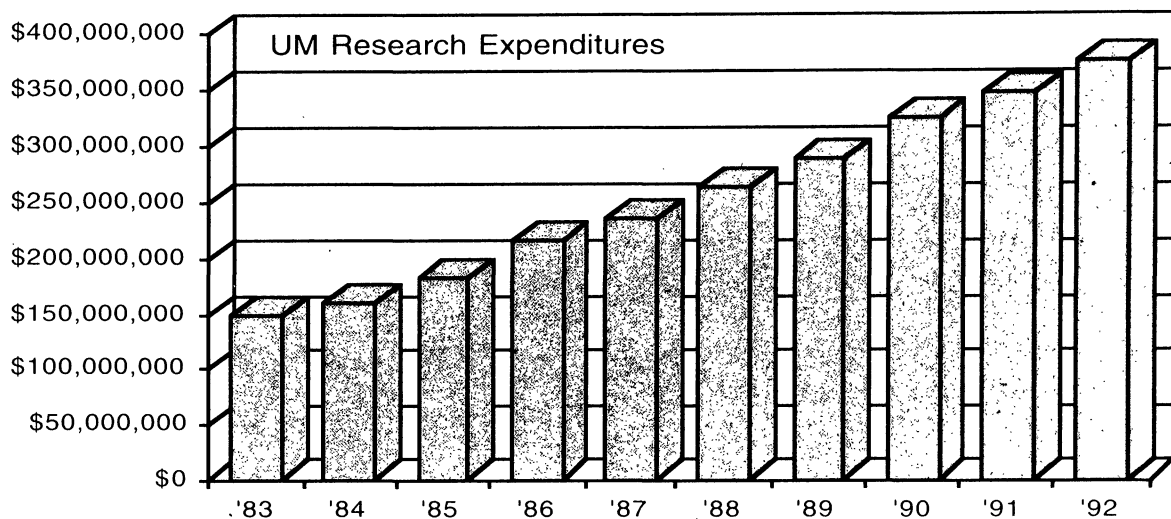
or the ranking of the University's R&D activity relative to other research universities:

UM National Ranking in Research Volum
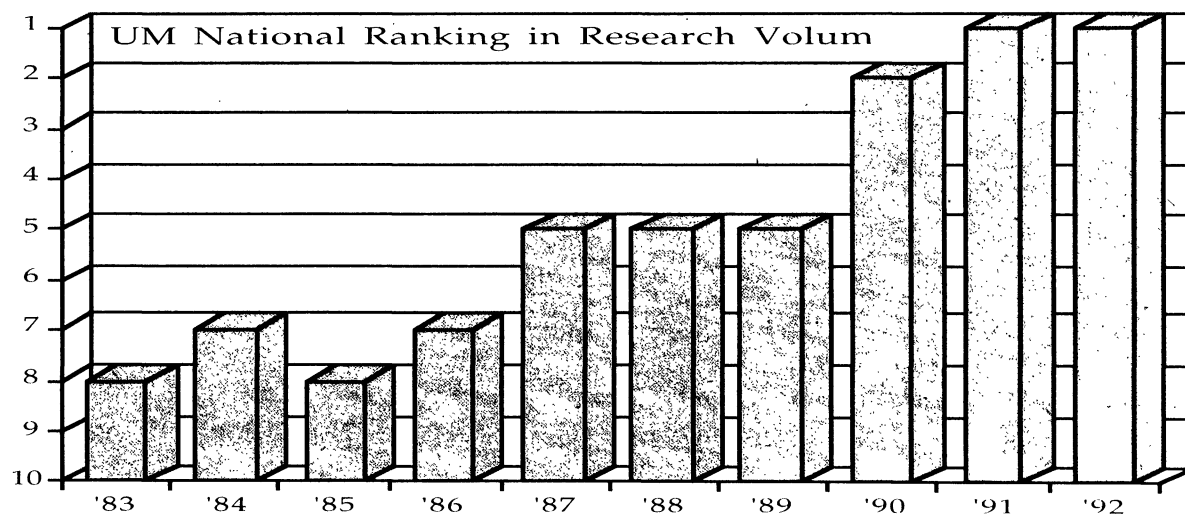
In a similar fashion, we can easily measure progress in our objective of increasing representation of students of color on our campus:

Minority Student Enrollment
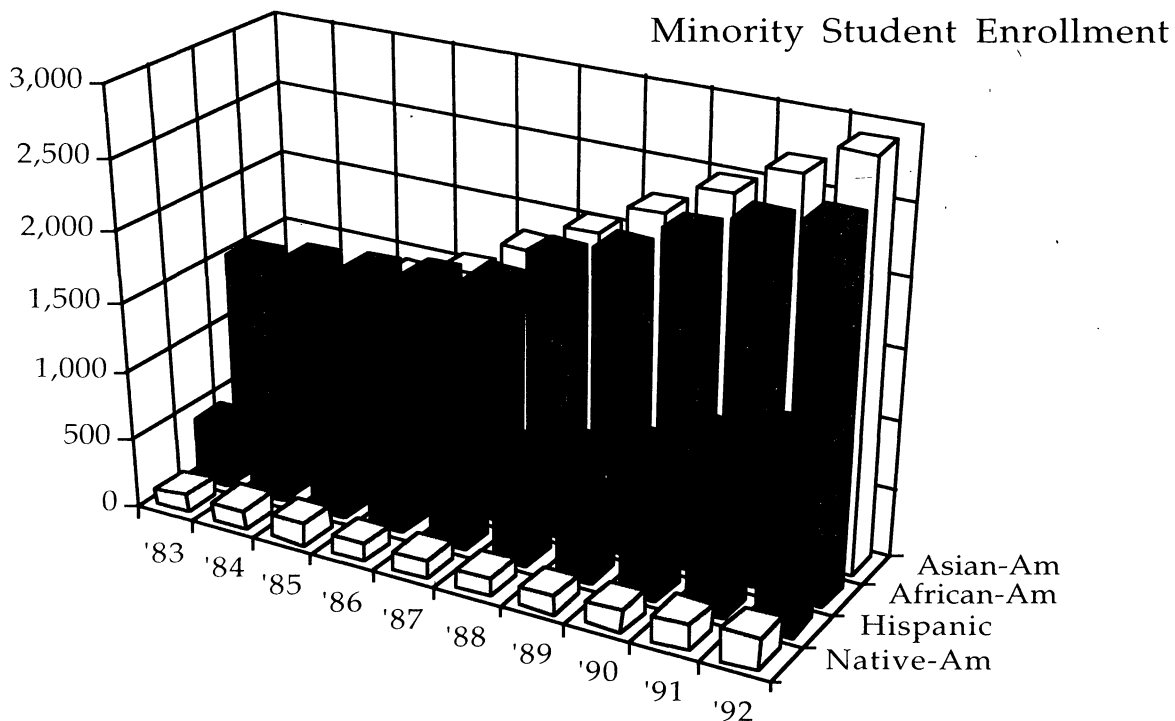
or by comparing the present (1992-93) University representation for each ethnic group and University category with broader population representation:

	Persons of Color	African American	Hispanic Latino	Native American	Asian American
National*	24.8%	12.1%	9.0%	0.8%	2.9%
State*	17.8%	13.9%	2.2%	0.6%	1.1%
UMAA ---					
Students	21.5%	7.8%	4.1%	0.7%	8.8%
UG	21.9%	7.6%	4.1%	0.7%	9.4%
Grad	18.3%	7.0%	4.2%	0.5%	6.6%
Prof	22.8%	9.7%	4.3%	0.6%	8.2%
Faculty	12.3%	4.5%	1.4%	0.1%	6.2%
Acad Admin	11.5%	10.7%	0.8%	0.0%	0.0%
P&A	15.0%	6.4%	1.3%	0.4%	6.9%

Indeed, we can even measure the success of our athletic programs, both by winning records and graduation rates:

Women's Swimming and Diving

Big Ten Finish
National Ranking
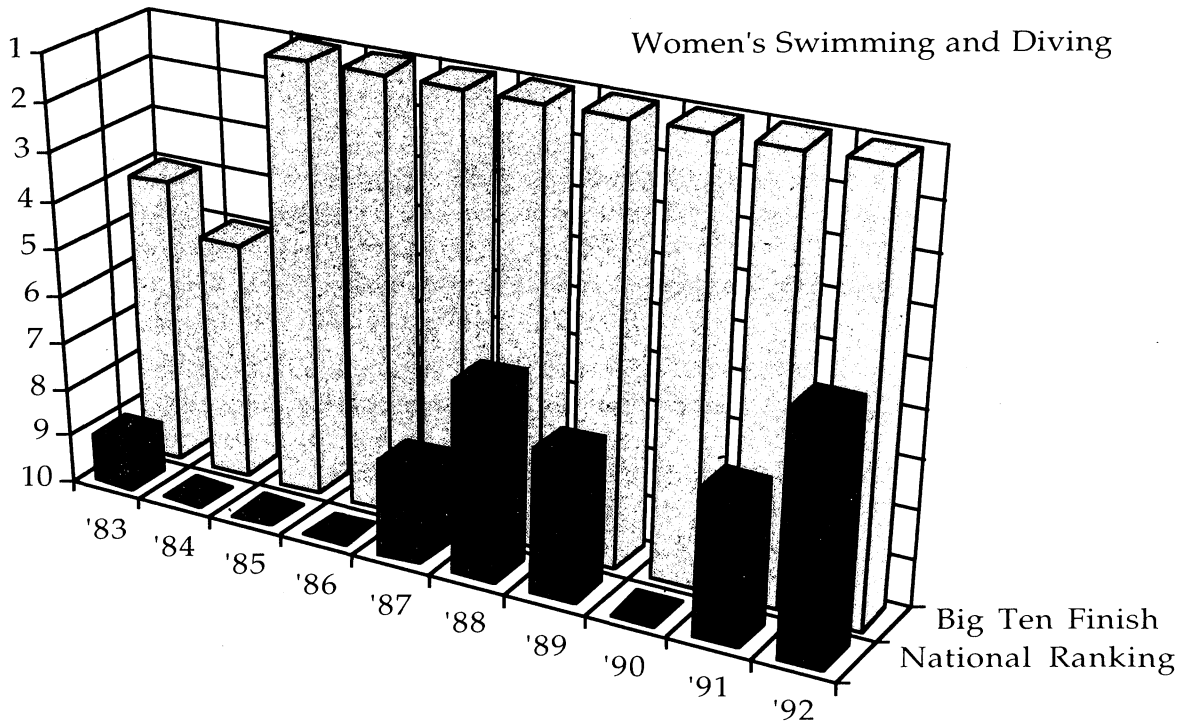
The first effort to provide an annual report of the progress of the University toward these goals is available as a separate document, **The Michigan Metrics Project**.

The Business Plan

Key to any successful strategic effort is a plan to acquire the necessary resources to achieve the goal. This was particularly important for the University's strategy, since it had experienced a serious deterioration in its state support through the 1970s and 1980s, with the state appropriation declining from 60 percent of the total University operating budget in the 1960s to less than 12 percent of the total operating budget in 1993.

To provide a planning context, during 1992 officers of the University conducted a "reality test" by meeting on separate occasions with leaders from the public and private sector to get their assessment of the possibilities of enhanced state support. Each group was asked to challenge the following two premises:

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 "Eastern Michigan University level").

2. Further, political pressures will make it increasingly difficult to set priorities for 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").

We were unable to find anyone in these various groups who disagreed with the premises. Further, all agreed that the only prudent course was for the University to approach its future assuming that state support will continue to deteriorate throughout the 1990s.

With this reality test behind us, we set out to develop a business plan based upon the following objectives:

1. To take steps to build alternative revenue sources 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.

More specifically, we focused our attention on the following areas:

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

An assessment of each area is given below:

State Support

While education is a priority of Michigan's Governor, so too is a commitment to a reduction in property taxes, which could require a reallocation of general tax revenue to compensate school districts and local. Further, there are powerful political forces which will

prevent major reallocation within the existing tax expenditure priorities, e.g. from corrections to education or through the elimination of tax loopholes (so-called "tax expenditures"). Finally, the two-decade trend toward increasing public support of private colleges is likely to continue because of their strong political influence, and this support will come at the expense of public universities.

Hence, while there is some hope that we will be able to protect higher education in Michigan against the massive cuts in state appropriation experienced in other states such as California, Ohio, and New York, it is also unlikely that we will see any real growth in state support in the near term. Indeed, from a planning point of view, the very best we can expect is to see state appropriations for the University track the inflation rate during the 1990s—and even this is likely to be too optimistic during the period 1992-1995.

State Appropriation as Percentage of UMAA Budget
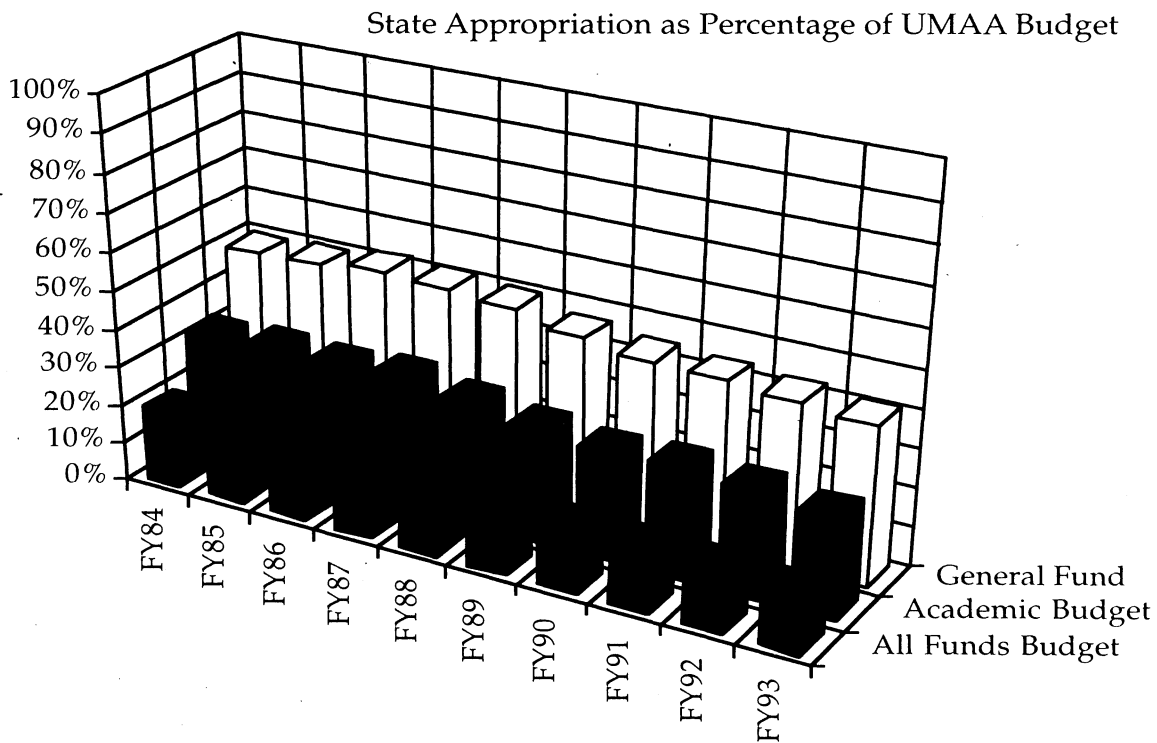
Federal Support

In the late 1980s, federal support—primarily sponsored research support and student financial aid—of the University began to exceed its state support for the first time. In 1992, the University of Michigan passed MIT in total R&D expenditure to become the nation's leading research university. Hence it is clear that the University has not only been remarkably successful in competing for federal support, but that such support has now become the largest single component of the University's resource for academic programs.

Yet, while we should take pride in the ability of our faculty to compete for these resources, there are also certain risks associated with becoming ever more dependent on federal support. First, it seems likely that the efforts to constrain or reduce the federal deficit will have an impact on the availability of sponsored research funds. Second, the recent efforts to modify indirect cost reimbursement policies—which is, in reality, an effort to shift more research costs from the federal government to the research universities—will have a serious impact on the University of Michigan because of the particular way that we account for such indirect costs. Finally, as a leader in federal R&D, the University also becomes a highly visible target for those in Washington—or the media—who wish to attack higher education.

The prognosis for federal financial aid is also quite uncertain. It is likely that the decade-long deterioration in federal financial aid programs, which saw the magnitude of federal aid decline by 50 percent during the 1980s, will come to an end with the Clinton administration. However, it is also likely that the trend away from federal grants to federal loans will continue, with the introduction of new direct loan and income-contingent repayment plans. While such programs will clearly assist students in meeting the costs of a college education, they will only help the University if we can implement tuition rates which more closely reflect the real costs of education.

It is likely that the tendency toward increasing federal regulation will continue (health, safety, conflict of interest, scientific misconduct, foreign involvement)—and hence, so too will the costs associated with compliance continue to rise. Similarly, the need to generate additional tax revenue to deal with the federal deficit will likely have an impact on higher education just as it does on other sectors of our society.

The final area of concern has to do with the political influence of the Michigan congressional delegation itself—an important factor in both protecting and advancing the interests of the University. The loss of seats through reapportionment, coupled with the retirement of several key members of the delegation significantly eroded the political strength of the state—and, indeed, the entire midwest.

Tuition

Clearly the University has significant potential for increasing tuition revenues. While outstate tuition rates are essentially at private levels—and hence constrained by the private marketplace—instate tuition is quite low, particularly when measured against the costs of institutions of comparable quality.

Further, state support has eroded to the point at which it no longer provides adequate subsidy to compensate for the difference between instate and outstate tuition for those Michigan residents enrolled in the University. The University's aggressive efforts to maintain strong financial aid programs in the face of rising educational costs have protected the principle that any Michigan

UMAA Instate Tuition

$5,000	
$4,500	
$4,000	
$3,500	
$3,000	
$2,500	
$2,000	
$1,500	
$1,000	
$500	
$0	

'83 '84 '85 '86 '87 '88 '89 '90 '91 '92 '93

Instate
Instate (CPI)
Net (CPI)
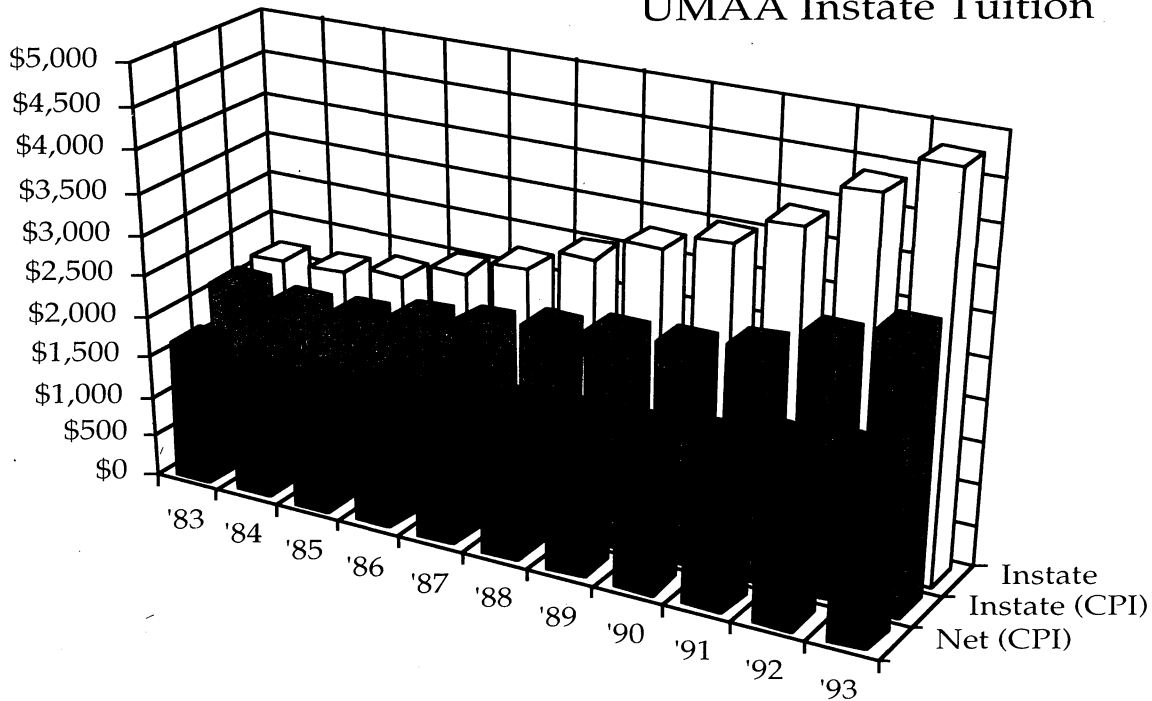
resident academically qualified to enter the institution will be provided with sufficient financial aid to attend. Indeed, when the financial aid provided to instate undergraduate students is taken into account, it is clear that the average net tuition has remained remarkably stable during a period in which state support has plummeted.

Private Fund Raising

Beyond tuition, the component of our revenue base over which we have the most control is that associated with private support. Here there are two subcomponents: i) the annual gifts to the University, and ii) the income on endowment. Currently we receive roughly $120 million per year in gifts and pledges.

Private Giving
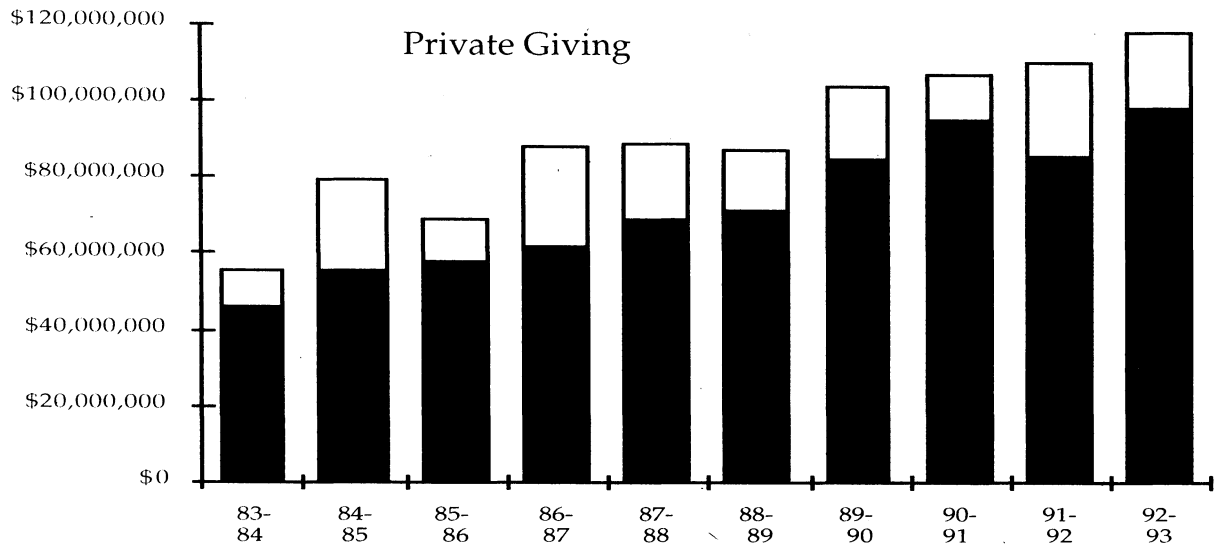
Our $900 million endowment generates another $45 million per year (at 5 percent payout).
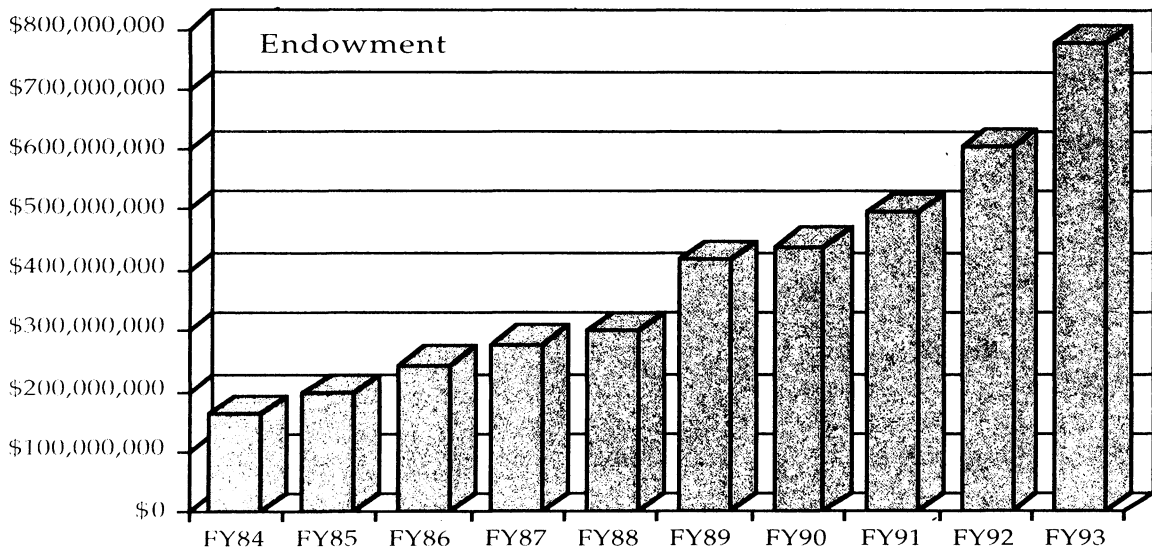
Endowment

We have set a goal for the 1990s of increasing such private support to the point at which its exceeds our state appropriation. More specifically, we have set a goal of achieving a $2 billion endowment and an annual giving level of $150 million per year—in 1990 dollars—which would equal our present state appropriation of $260 million.

Both of these goals seems achievable through the Campaign for Michigan., which has now reached the 50 percent level ($500 million).

Auxiliary Funds

The funds generated by auxiliary units of the University—particularly the University Hospitals—have been the fastest growing component of our resource base through the past decade.

UMAA All Funds Budget
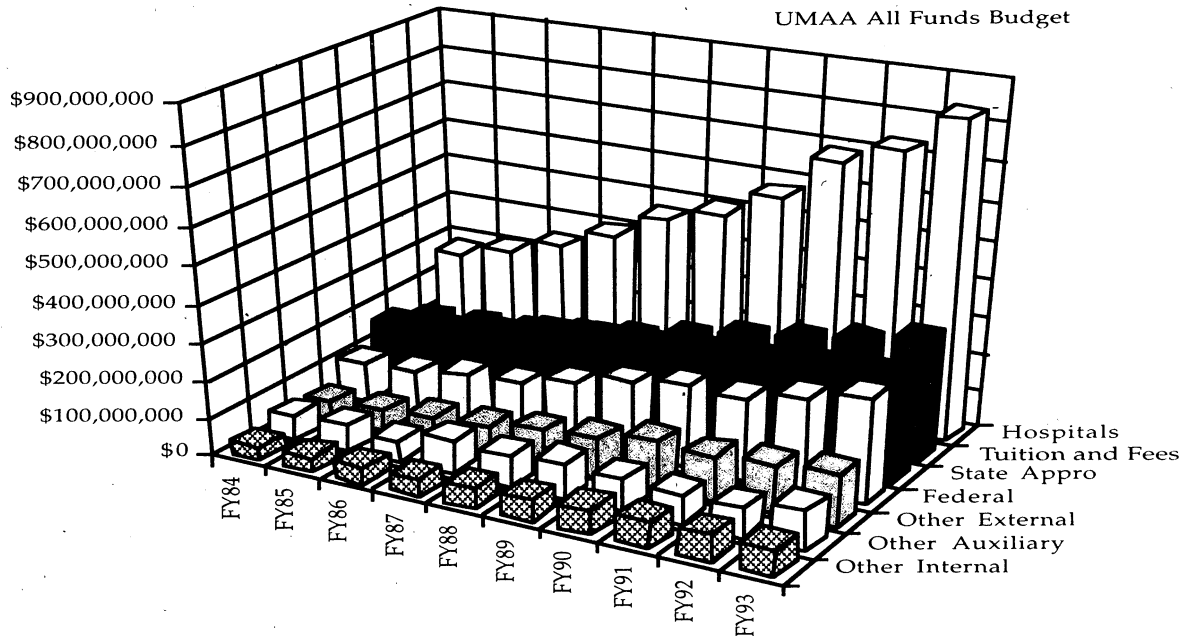
Further, for the past several years the University Hospitals have been running unusually large surpluses. Yet these resources are also uncertain because of the rapidly changing national health care environment. While there is an opportunity to utilize the short-term profitability of such activities to make important investments in those academic units that contribute to the bottom line of the UM Hospitals (e.g., clinical research facilities), it would be unwise to make permanent base commitments based on these funds.

While most other auxiliary units such as Intercollegiate Athletics barely generate revenue sufficient to cover their own operating expenses, there are two important opportunities beyond the UM Hospitals. First, University Housing rates are somewhat below those of peer private institutions, so there may be some additional capacity here to generate additional revenue to cover the costs of academic programming activities associated with the residence halls.

Continuing education also presents an excellent opportunity to generate additional revenue. Both the Executive Education Program in the School of Business Administration and the Continuing Engineering Education program in the College of Engineering provide examples of the degree to which high quality programs, aggressively marketed, can generate resources which directly benefit academic units, while responding to the teaching mission of the institution.

"Restructuring" Approaches

As we noted in our introduction to the business plan, we view the wise and efficient deployment of resources as of comparable importance to the effort to generate sufficient revenue to compensate for eroding state support. Here a variety of steps are being taken:

- Focusing resources to achieve excellence
- Total quality management
- Cost containment

So too, we believe it important to understand better how we utilize resources to perform our many different missions. In a sense, the University is like a conglomerate, with many different business lines: education (undergraduate, graduate, professional), basic and applied research, health care, economic development, entertainment (intercollegiate athletics), international development, etc. Each of these activities is supported by an array of resources: tuition and fees, state appropriation, federal grants and contracts, federal financial aid, private giving, and auxiliary revenues. Part of our challenge is to understand the cross-flows, e.g., cross-subsidies, among these various activities.

A Summary of the Business Plan

Before leaving this brief discussion of the business plan for resource generation and expenditure, it is important to make some more general comments. First, it should be noted that throughout the past decade, there has been general agreement that the academic programs of University are underfunded by roughly 20 percent—or $200 million per year—with respect to their present size, quality, and breadth of activities relative to peer institutions. To this concern should be added the recognition that the University is entering one of the most competitive decades in its history—for outstanding students, outstanding faculty, and the resources necessary to achieve and sustain excellence.

We have noted that from a revenue perspective, state support is unlikely to increase and will probably continue to decline through the 1990s. Federal support is also problematical, although the University will certain continue to hold its own in competition with other leading research universities. Since resident tuition levels are seriously underpriced—with respect to actual costs, state "subsidy," or market competitiveness—there is some opportunity to generate significant additional resources through both increasing instate tuition levels and shifting instate/outstate enrollments ratios. However the political difficulties of both approaches are apparent.

While focusing and achieving more efficient use of resources is clearly a priority, we should not underestimate the difficulty in taking the necessary steps within a large, complex, and decentralized organization that has a management culture that can best be characterized as a "voluntary anarchy." Further, unlike smaller private universities, the University of Michigan has already taken advantage of its vast scale to achieve a quality of academic programs at only a fraction of the cost (typically one-half to one-third) of other leading institutions. Hence, while greater efficiency is a priority, it will probably have only a marginal impact on the basic funding challenges faced by the University. Indeed, there is some evidence that suggests that the University of Michigan is already the most cost-effective university in the nation, at least as measured by administrative costs and staffing.

Finally, we should keep in mind two lessons learned from the past: First, while the "smaller but better" strategy of the early 1980s did help position the University to deal with the loss of roughly 30 percent of its state support, in other respects it was a disappointment. The University didn't get any smaller (indeed, it continued to grow). Further, the reallocation process did not release significant funds for reallocation. Rather than creating a psychology of setting priorities and cost-effectiveness, the strategy undermined the morale of the University community and created a spirit of distrust and cynicism that we are only now beginning to shed. The moral of the "smaller but better" story: We have to be very careful in using "doom and gloom" strategies. It is far preferable to 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 we have adapted from the private sector.

The second lesson learned from past experience concerns the importance of a balanced strategy. Our three primary objectives are:

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

We must achieve a balance among the attention, energy, and effort directed at each objective. For example, it is clear that the University of Michigan currently achieves a quality (and capacity) comparable to peer private and public 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 thenation. Hence, while our cost containment efforts will be very important, they will not solve the problem of our seriousunderfunding relative to peer institutions. Revenue enhancement must receive equal emphasis.
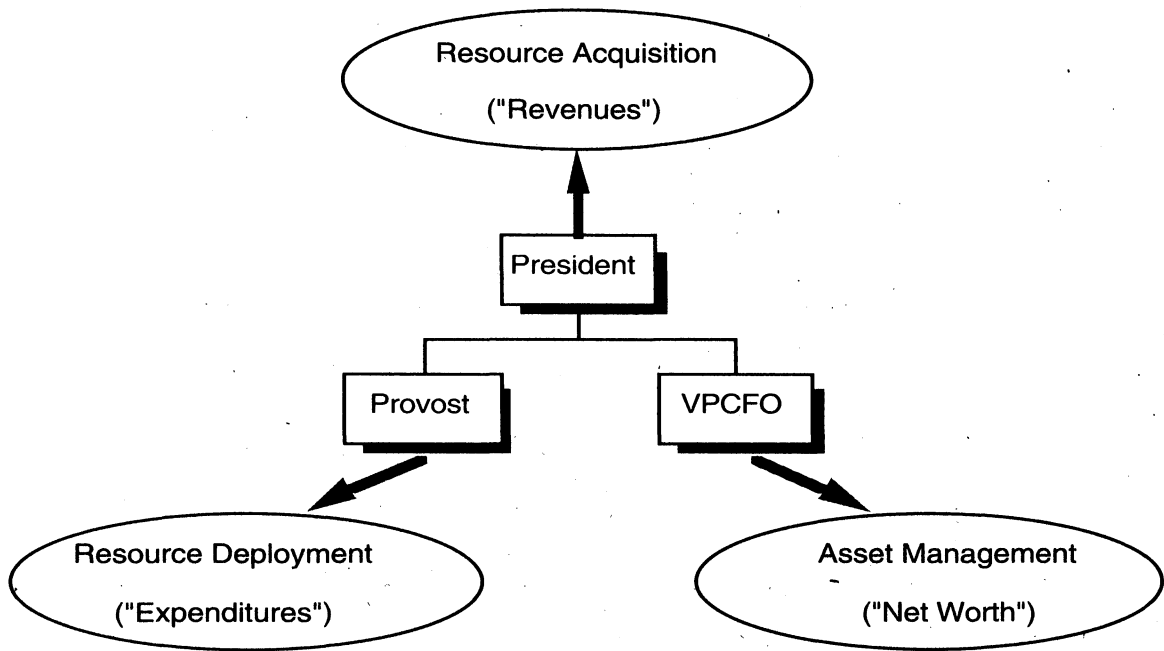
Responsibilities for the Strategic Process

The Executive Officers of the University responsible for the UMAA campus are presently organized as follows:
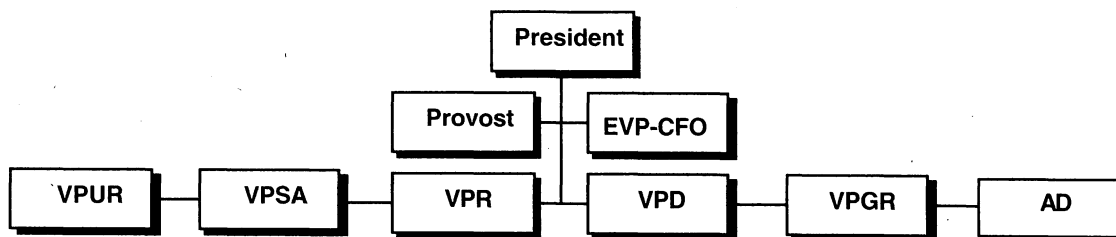

Here, both the Executive Director for External Relations and the Athletic Director are included on the organizational chart since both manage relatively large organizations and report directly to the President. Since the focus of this paper is on the planning process for the UM Ann Arbor campus, the Chancellors of the UM-Dearborn and UM-Flint campus have not been included.

Both the Provost and VPCFO have been noted as senior executive officers since they, along with the President, have the primary responsibility for the resources of the University:

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              ┌──────────────────────────┐
              │   Resource Acquisition   │
              │       ("Revenues")       │
              └──────────────────────────┘
                          ▲
                          │
                    ┌───────────┐
                    │ President │
                    └───────────┘
                    ┌─────┴─────┐
              ┌─────────┐   ┌────────┐
              │ Provost │   │ VPCFO  │
              └─────────┘   └────────┘
                 ↙                 ↘
   ┌──────────────────────┐   ┌──────────────────────┐
   │ Resource Deployment  │   │  Asset Management    │
   │    ("Expenditures")  │   │    ("Net Worth")     │
   └──────────────────────┘   └──────────────────────┘
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Of course it is true that all executive officers share, to some degree, responsibility for generating the resources of the University, working closely with the President in these activities:
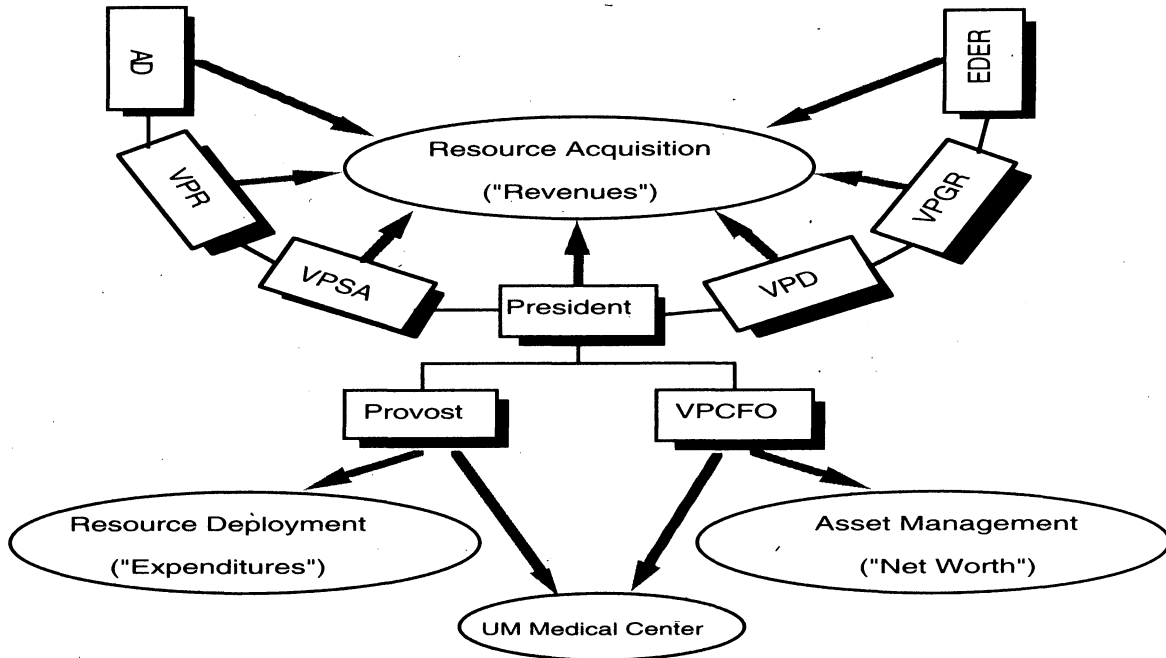
The role of the executive officers go far beyond resources, however. In the early 1990s, a series of retreats was held concerning the assignment both of strategic planning functions and issues. The planning areas felt to be most appropriate for the University administration included:

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

3. Michigan Mandate II
   - Moving to a multicultural community
   - Broadening 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
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 twenty-first century University
   - Core missions (teaching and scholarship)
   - Other primary missions
   - Secondary missions (possible for elimination)

Those areas most appropriate for faculty bodies such as the Senate Assembly included:

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)

The various academic and administrative units of the University were assigned responsibility for their own internal planning activities.

The Role of the President

In general, the roles of the President can be identified as follows:

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

Of course, no president can possibly fulfill all of the dimensions of this role. Hence, a president must first determine which aspects of the role best utilize his/her talents. 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.

Concerns and Questions

Despite the fact that we have made considerable progress toward both the Vision 2000 and the goals, there are still many concerns and questions about the process and the planning environment:

1. State Support: A Doomsday Scenario?

We have assumed a continued but gradual decline in real state support through the 1990s. However the State of Michigan's capacity to support higher education could deteriorate far more rapidly that we have assumed. For example, the recent elimination of the property tax for the support of K-12 public education could cause a crisis in Michigan's tax system with catastrophic consequences for those areas supported in part by state tax dollars such as higher education. So too, a more rapid decline of the automobile industry in Michigan or further cost shifting from the federal government in areas such as Medicaid could accelerate the decline in state support.

2. Faculty Support—or Resistance?

The increasing specialization of faculty and their disciplinary fragmentation make it difficult to build grassroots support for major institutional change. We have seen recent evidence of the sensitivity of faculty governance to special interest issues (e.g., the ability of a few faculty with narrow agendas to manipulate faculty governance). We have also seen strong faculty resistance to changes at the local level.

We should recall that strong faculty resistance blocked a number of important actions proposed in the "smaller but better" strategy of the early 1980s. Will similar faculty resistance constrain the University's efforts to move ahead toward Vision 2000? How can we design an internal communications strategy and a process of engagement to help faculty view change as empowering rather than threatening?

3. External Public Perceptions

External public perceptions at the state level and their consequent political implications could seriously constrain our strategic efforts. For example, there seems little understanding at the grassroots level of the importance of the University of Michigan and its impact on the state. Further, there is growing hostility toward the independence of the University, fueled in part by public concerns about the costs of education and the rise of populist (anti-intellectual) attitudes. And, of course, there is remarkably little public awareness of either the true costs—not to mention value—of a quality college education or of the serious erosion in state support of this activity.

So too, public perceptions at the national level could have major implications. Both the national media and Congress have continued their attacks on higher education in recent months, and it is unlikely that there will be a positive sea change in attitudes in the near future.

4. The Dangers of Falling Into a Reactive Mode

The keys to our strategy for the 1990s can be captured in the words **consistency**, **persistence**, and **focus**. It is essential that we keep our eyes focused on the key goals and actions. Yet, the University is an extraordinarily complex institution; and much of the time, energy, and effort of its leadership is frequently directed to handling an array of "hot spots" that flare up from time to time. Included in these are student activism; political controversy at the local, state, or national level; intercollegiate athletics; community relations; and many other issues that require immediate, effective attention and action. Unfortunately, many of these issues tend to be quite unpredictable. They bubble up out of the extraordinary complexity and size of the University and as a result of its diverse range of interactions with a wide range of constituencies.

Are there any steps we could take to get a better handle on such matters, to achieve greater control of the agenda? The standard approaches involve greater centralized knowledge of activities throughout the institution, more central authority, and a greater insistence on accountability at the unit level. Yet such efforts run counter to the University culture. Greater centralized knowledge and control require more bureaucracy. Insistence on greater accountability may inhibit risk-taking and innovation and could make it difficult to attract our most creative people into key leadership positions.

5. The "C" Concerns

The concerns commonly mentioned on most college campuses these days include:

- morale, malaise, separatism, intellectual fragmentation
- behavior (substance abuse, crime, racism, vandalism)
- special interest agendas
- "what's in it for me?; what have you done for me lately?"
- students vs. faculty vs. staff vs. administration vs. Regents

Part of the problem is that the modern "multiversity," highly fragmented by academic discipline and increasingly void of faculty loyalty, has moved away from the important "C" words—words such as community, communication, comity, collegiality, collaboration, cooperation, coherence, and concern. These are the "glue" values that bind together complex

institutions, and these are the characteristics that we sometimes fail to appreciate or to stress.

Beyond that, one also finds a remarkable lack of

pride in

   ...respect for

     ...excitement about

      ...and loyalty to

       the University of Michigan

on the part of students, faculty, and staff—although it is certainly present among our alumni and friends. Somehow we have to re-establish such a love for the institution if we are to be successful in moving toward Vision 2000.

6. Management Issues

The ever-broadening mission of the University, along with its increasingly complex and interwoven array of constituencies, suggests that we need to rethink how we manage the institution. In the past we have taken great pride in lean management, relying heavily on academic—and inexperienced—leadership.

But, in reality, the University of Michigan today is a $2.3 billion enterprise—a Fortune 500 company—yet, in fact, far more complex than any private corporation. Further, for the past decade the University has grown at over a 10 percent per year compound rate, and it will almost certainly pass the $4 billion level by the year 2000, regardless of the level of state support. Indeed, since the "knowledge business" is a growth industry, the University may grow even more rapidly in the years ahead.

Hence, we really need to think more carefully and expansively about the management of the University. For example, do we need to encourage the Board of Regents to evolve more rapidly into a true "board of directors," complete with a standard committee structure (Audit, Compensation and Organization Committees, Finance , etc.)? Do we need to intensify our efforts to ensure greater accountability across the University with additional audit operations, tracking, management information systems? Do we need to recruit a more experienced management team to handle the complexities of the UM, Inc.? Do we need to provide more formal training for all faculty moving into key management positions (department chairs, directors, deans), e.g., through the Executive Education program in the School of Business Administration?

7. A Question About Focus

Are we focusing our revenue generating efforts correctly? We have assumed that our priorities are:

Tuition > Private Giving > Federal > State > Auxiliary

But is this the right order?

Further, thus far we have followed a strategy of across-the-board cuts with selective reallocation to achieve the necessary reallocation of limited resources. However, we might question whether such a strategy is really adequate for the resource-constrained future we may be facing. Should we shift to more of a differential cuts strategy similar to the early 1980s?

Finally, where should the energy of the President of the University be focused?
visioning, stimulating change, attracting great people?
fund-raising, politics, public relations?
state, national, higher education agendas?
specific initiatives (Michigan Mandate, Athena Project, M-Quality)?

8. Are We Thinking Boldly Enough

While the strategic process we have developed and implemented is moving the
University forward quite rapidly toward Vision 2000, there is a growing concern that we may
not be thinking boldly enough. Perhaps we are thinking too narrowly, constrained by the
mind-set of a university of some distant past, which does not even resemble the university of
today, much less that of the next century.

An example to illustrate the point. Much of the discussion of the 1980s and 1990s has
been focused on narrowing the mission of the university back to the classic triad: teaching,
research, and service. Yet, perhaps we should not attempt to narrow the current mission of
the university, but rather let it evolve naturally to respond to the increasing needs of a knowl-
edge-driven society.

A bit of history is appropriate here. When Angell arrived in Ann Arbor in 1878, he
couldn't imagine a university of 5,000 students. Yet that is the size of the institution he ended
up building. Hatcher faced a similar challenge with the return of the war veterans and the
commitment of a nation to broadening the opportunities for a college education. Not only
did the UM double in size during his tenure, but two regional campuses (UM-Dearborn and
UM-Flint) were added.

In the 1990s we are approaching the end of the demographic decline of young people
associated with the post-war baby boom and bust cycles. Although we have thought in terms
of downsizing the University to better align our activities with our resources, perhaps we
should think instead of selective growth strategies. After all, in a knowledge-driven society,
the creation and transmission of knowledge is certainly a "growth industry." And certainly,
because of its quality, size, and breadth of activities, the University of Michigan is as well
positioned as any institution in the world to take advantage of this fact.

The Vision Beyond 2000

The strategic planning process described in this paper has involved a great many
people and many groups, both within and outside the University, over the past decade. In
each of these planning exercises, the participants eventually focused on the theme of leader-
ship. Hence we have set a course toward a vision that positions the University of Michigan to
be the leading university in America by the year 2000. Further the Michigan Metrics Project
provides strong evidence that the University has made significant progress toward this vision
in recent years.

Yet, the Vision 2000 strategy is very much a **positioning** effort. It is designed to
position the University of Michigan as the leader of higher education by the end of the
decade. But this strategy does not propose a specific direction beyond this point. Rather,
the current strategy and the vision should both be regarded as intermediate phases and not

as a final goals. Put another way, the strategy for the 1990s has been designed to move Michigan into a true leadership position in American higher education. But the task of determining just where the University will lead in the twenty-first century is still in an early stage of development.

Of course, one might adopt a "Tao" philosophy and assume that the effort of positioning Michigan as a leader will itself establish objectives for the century ahead. A more pragmatic view would suggest that during the positioning effort of the 1990s, we will develop a better understanding of the challenges, responsibilities, and opportunities facing higher education and the University of Michigan in the next century.

Yet, the responsibility of leadership requires more than such a passive approach. If Michigan is to play a leadership role in defining the paradigm of the university in the twenty-first century, it must take steps now to better understand and articulate possible futures for higher education. That is, we should now shift at least a part of our strategy planning activity to the longer term, to the year 2020 and beyond.
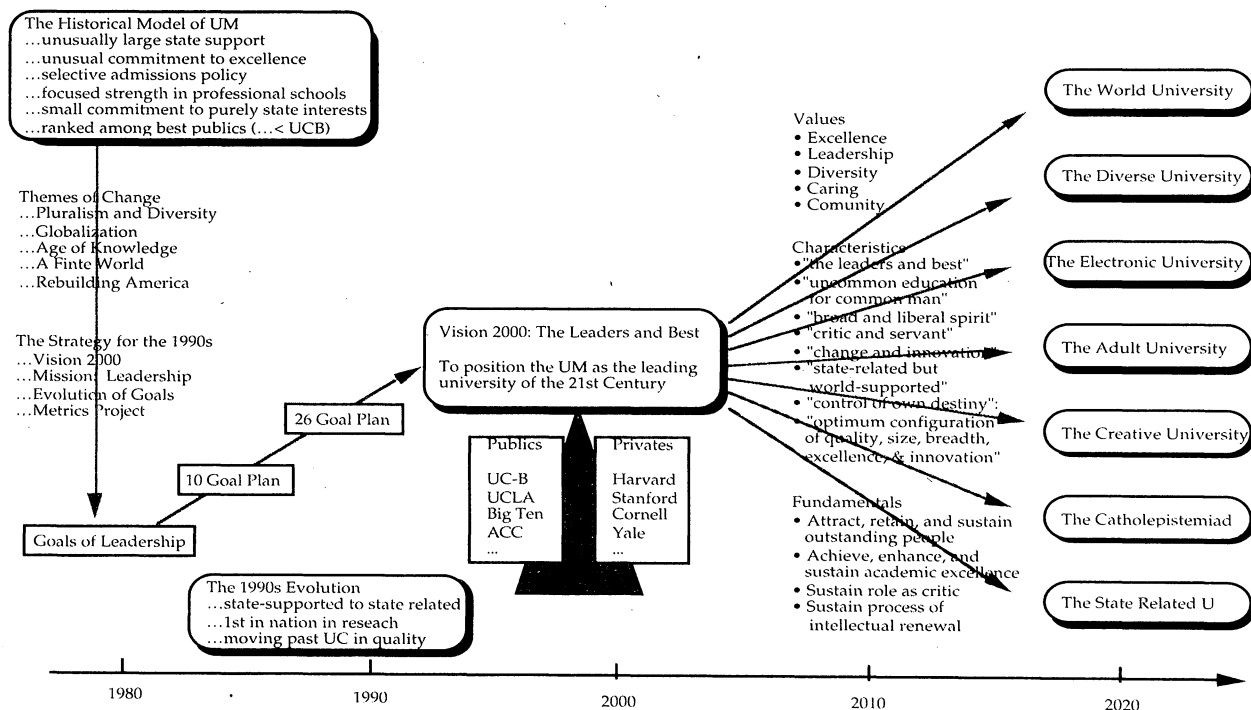
Here the President must play a particularly critical role. There is a need to better articulate those aspects of our values and our tradition that must be preserved, while suggesting as well those changes in the University that will be required by a changing world with changing needs.

While the Vision 2000, "The leaders and best," is exciting, compelling, and clearly attainable for the 1990s, it is still only a short range vision. The development of a vision for the longer range—for the University of Michigan's third century—will pose an even greater

challenge because the university itself is such a dynamic institution. During the 175-year history of the University of Michigan, we have seen its mission evolve to include teaching, research, and service across an extraordinarily broad array of disciplines and professions. We are only beginning to sense that the comprehensive university is evolving rapidly once again during the 1990s, broadening considerably beyond its traditional teaching-research-service mission to an array of activities which can best be described as "knowledge-intensive." Yet even this evolutionary process may just be a transitional phase to institutional forms we cannot even imagine today.

Indeed, the pace of change today is so great and our vision of the future is so hazy, that many suggest we should settle for the positioning strategy represented by Vision 2000 and not attempt to venture further. In such a more restricted strategy, the University would take the steps during the 1990s necessary to preserve its options, to create flexibility, to develop the capacity to adapt to and control change, to open up opportunities. In a sense, by climbing to the peak of higher education, the University would then position itself to see farther into the future, to understand better the alternatives before higher education, and better position itself to pursue them. The Vision 2000 strategy would then be clearly identified as an effort to position the University of Michigan for a changing world (universe) in a way that would assume a far more organic, evolutionary view of our goals and the institution itself.

But such a laissez-faire approach to the future is not the Michigan style. Rather, the University has tended to flourish when it has been enlivened—indeed, emboldened—by an exciting, compelling, and challenging vision of the future. Hence, while acknowledging the difficulties and the risks inherent in very long-range planning exercises, we nevertheless believe it important to engage the University and its various constituencies in a dialog about the very long-term nature of higher education and the University of Michigan as it approaches its third century. The development and articulation of a "Vision-2017" is a fitting exercise for an institution aspiring to become "the leader and best."