

Resource Allocation, Management, and Planning

Steering Committee #2

Executive Summary



Agenda

Huron is pleased to have the opportunity to partner with WKU on this resource allocation, management, and planning (“RAMP”) initiative.

Our goals for today’s meeting include:

1. Review recent efforts and project plan
2. Share interview themes and guiding principles
3. Overview alternative model framework and design
4. Discuss next steps
5. Answer remaining questions

Project Goals and Objectives

Huron understands that WKU desires a consulting partner to assist with the development of a new performance-based resource allocation model and proposed implementation schedule.

The RAMP model will seek to address the following desires:

- Align with the State's funding formula to better position WKU to increase State funding
- Address current financial trends, which include declines in student enrollment and sponsored programs
- Allocate funds in a way that will support the University's new strategic plan
- Reward performance and invest in strategic priorities in an equitable manner
- Increase transparency and simplicity in resource allocation

Project Plan

Huron's project plan structures the primary activities into several overlapping work streams that will take place over a 20-week period.

Workstream	Week →	Jan 29	Feb 5	Feb 12	Feb 19	Feb 26	Mar 5	Mar 12	Mar 19	Mar 26	Apr 2	Apr 9	Apr 16	Apr 23	Apr 30	May 7	May 14	May 21	May 28	May 4	May 11	
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	
Current State Assessment • Assess of strengths and challenges of WKU's current approach to resource allocation																						
Data Review • Organize, interpret, and analyze financial and activity-level data																						
Initial Model Build • Develop guiding principles, model framework, and structure																						
Stakeholder Engagement • Engage academic deans, business officers, and additional stakeholders																						
Model Refinement • Review feedback, discuss with Committee, and determine what refinements are needed																						
Model Training • Review of the model framework, design, functionality, and calculations																						
Steering Committee Meetings		★			★			★		★		★						★				





Interview Themes and Guiding Principles

Summary of Interview Themes and Insights

Three primary themes emerged from Huron's discussions with WKU stakeholders on their perspectives on the current state of resource allocation, management, and planning on the campus.

Theme	Description
Empowerment	Stakeholders commented that the current budget model lacks incentives that reward entrepreneurship, flexibility to effectively manage funds, and accountability for the use of resources
Process / Information Flow	Community members expressed concern about the opaque, "top-down" approach to budgeting and a lack of campus feedback involved in the University's current budgeting process
Financial Philosophy	Community members expressed concern that the budget process does not tie to a strategic plan and funding priorities are not clearly communicated by leadership

Importance of Guiding Principles

As WKU considers the possibilities for alternative budgeting models, it is valuable to create a set of guiding principles to inform the development of a new model and to communicate its objectives.

A Principles-Based Approach to Model Development:

- Describes the vision for the desired future state
- Establishes priorities for the desired future state
- Incorporates broad community feedback across academic and administrative units
- Informs rules for revenue and expense allocations in the new budget model

Huron recommends that guiding principles be concise, reinforce the institutional mission, and invoke a positive tone.

Draft Guiding Principles

Steering Committee members submitted proposals for guiding principles, which are summarized below. These principles will be used to inform decisions surrounding the development of the new budget model.

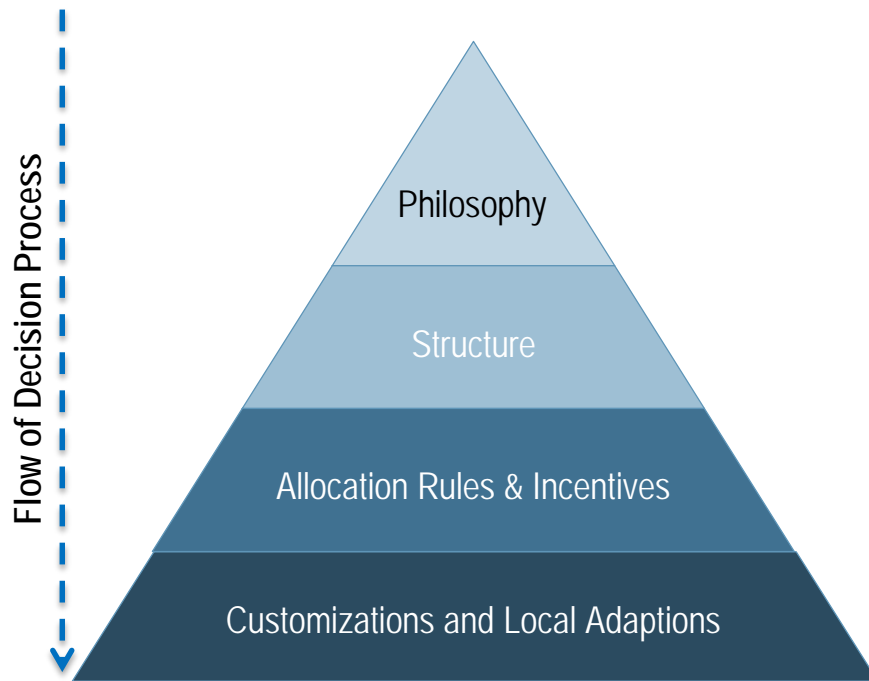
- Create a **clear link** between resource allocation and the University's **mission, strategic priorities, and commitment to student success**
- Develop a model that remains **flexible** and can **adapt and respond** to changing conditions, evolving priorities, and new mission-aligned opportunities
- Provide a **consistent and predictable** methodology for revenue and cost allocation that is **easy to understand** and features **incentives** that reward performance, entrepreneurship, and innovation
- Promote a **collaborative and sustainable** budget process that promotes **transparency, efficiency, and accountability** across all units
- Use a **holistic approach** to budgeting that reflects a **shared commitment** to the fiscal health of campus and ensures that **institutional priorities** can be funded
- Leverage **trusted and reliable data** to facilitate **data-driven decision making** and to promote enhanced **forecasting and long-range planning**



Model Framework and Design

Stages of Model Development

Effective resource allocation redesign typically requires four stages of decisions, with each stage requiring increased levels of institutional insights and customizations.



- **Philosophy** – reflects the university's desired financial management model, considering elements such as centralization, authority, accountability, and responsibility
- **Structure** – reflects the elements of the model with respect to scope of funds, categorization of operating units, presentation of data, etc.
- **Rules** – reflects how the model will portray the institution's internal economy and drive behavior
- **Customizations** – reflects model tweaks to address operational realities, institutional culture, and local unit needs

Material consensus for each stage is needed among model development leaders prior to moving forward with implementation.

Model Structure

An incentive-based model requires the identification of units to serve as the drivers of revenue-generating activities; other units are expected to support the activities of revenue generating units.

Primary Units

- Ability to influence revenue generation:
 - Price
 - Quantity (not captive market)
- Cover direct costs with generated revenue
- Fully-allocated central (support unit) costs
- Accountable for performance, retaining both surpluses and losses
- Pay subvention tax

Central Support Units

- Limited-to-no ability to influence revenue
- Provide services and/or support to academic, research, and auxiliary units
- No allocation of central costs
- Accountable for optimal service levels
- Encouraged to justify funding levels through benchmarking
- Accountable for fiscal performance
- IT, HR, and Facilities may have service-level agreements with select primary units

Hybrid Units

- Units that do not fall cleanly into one of the other categories; some operations may act like a primary unit while others act like a support unit
- For simplicity and consistency, these are not typically recommended

Model Structure: Central Support Units

Those units that are not categorized as primary units are typically considered central support units; these are grouped into cost pools, the number of which should be driven by balancing the desired level of transparency with the desired level of model complexity.



- Simple
- Drives academic focus to revenues
- Provides flexibility to central administration
- Avoids functional “witch-hunts”
- Reduces time spent in committees
- Increases transparency
- Closer approximation of economic reality
- Provides functional accountability
- Connects costs and service levels
- Allows adjustments to balance start points
- Supports implementation buy-in

A model with limited transparency into support unit activities can fail to drive efficiencies; however, a model with too much transparency can sensationalize decisions.

Model Development

The process to develop a customized model is an iterative one during which Huron and WKU will rely heavily upon community feedback for each model iteration, which culminates in a highly customized model that reflects the unique culture and strengths of the University.

Actuals Model

This screenshot shows the 'Actuals Model' spreadsheet. It contains a detailed financial breakdown for FY 2022, including categories like Personnel, Equipment, and various departmental expenses. A large blue circle with the number '1' is overlaid on the center of the spreadsheet.

- No use of allocation rules
- Reflects general ledger activity
- Reorganization of transactions to align with unit and account definition

Baseline Model

This screenshot shows the 'Baseline Model' spreadsheet. It is a more structured version of the actuals model, with standardized data-driven allocation rules. A large blue circle with the number '2' is overlaid on the center of the spreadsheet.

- All data-driven allocation rules
- Reflects internal economy
- Baseline for sensitivity analysis

Customized Model

This screenshot shows the 'Customized Model' spreadsheet. It is a highly tailored model that incorporates strategic investment priorities and fits the University's unique culture. A large blue circle with the number '3' is overlaid on the center of the spreadsheet.

- Highly customized incentives to drive mission-critical needs
- Fits with University culture and strengths
- Features strategic investment pool for University priorities

During model orientation meetings with the Deans, we will present the current "Actuals Model". During our next set of meetings, we will review the various allocation methodologies that make up the "Baseline Model".

Next Steps

In accordance with the proposed project plan, Huron suggests the following next steps:

1. Continue to organize, interpret, and analyze financial and activity-level data
2. Incorporate Committee feedback to refine guiding principles and unit classifications
3. Continue to build the “Actuals” model framework and structure
4. Reconvene at the next steering committee meeting on 3/13



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