Strategic Resource Allocation

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Identifying Resources to Finance Strategic Plans

1. Capture a portion of expected revenue increases from recurring activities
2. Utilize surpluses generated by new activities
3. Across-the-board reallocation cuts
4. Donor support
5. Dickeson model (i.e., prioritization)
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Dickeson Model

• Presented in *Prioritizing Academic Programs and Services*, Jossey-Bass, 2010

• Revised and updated version of book originally published in 1999

• Successfully employed at dozens if not hundreds of institutions
  – Reduce and redirect resources
  – Finance strategic plans
  – Direct incremental resources

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Dickeson’s Postulates (adapted)

1. Academic programs drive institutional costs
2. HE adds programs but rarely subtracts them
3. Too many “try to be all things to all people”
4. Insufficient resources to do everything well
5. Across-the-board cuts lead to mediocrity
6. Reallocation of resources is best option
7. Reallocation requires prioritization
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Approach

• Get organized
  – Identify champion
  – Select task force members
  – Identify chairs (or co-chairs)
  – Agree on target or stratification goals
  – Develop communication plan

• Conduct kickoff meetings
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Facilitation Group

Academic Task Force

Support Task Force
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Approach

• Key decisions
  – Operating mission statement (if needed)
  – Define programs
  – Distribute programs between task forces
  – Establish criteria and weights
• Develop templates
• Conduct training
Approach

• Collect data
• Review and assess submissions
• Classify submissions
• Develop package of recommendations
• Review and approval by senior leadership
• Review and approval by board
• Implementation
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Recommended Criteria

For academic programs

1. History, development, expectations
2. External demand
3. Internal demand
4. Quality of inputs and processes
5. Quality of outcomes...
Recommended Criteria

For academic programs *(cont’d.)*

6. Size, scope, and productivity
7. Revenues / resources generated
8. Expenses / other costs incurred
9. Impact, justification, and overall essentiality
10. Opportunity analysis...
Recommended Criteria

For support programs

1. Importance to the institution
2. Internal demand
3. External demand
4. Quality
5. Cost-effectiveness
6. Opportunity analysis
Let’s apply Dickeson’s prioritization model
Illustration

- Independent Midwest comprehensive university
- 5,600 students
- Serious financial stress—including a structural deficit on a $100 million budget
- Sought to find a way to effect permanent budget savings
- Chose Dickeson’s model
Illustration

• Parallel efforts focused on academic and non-academic units
• Started with training for entire institution
• Established two committees
  – Academic chaired by provost
  – Nonacademic co-chaired by CFO and CHRO
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Illustration

• Nonacademic committee
  – Identified goals of eliminating costs while also enhancing services
  – Established guiding principles
    • Institutional versus unit perspective
    • Minimize adverse impact on students
    • Protect employee interests
Illustration

• Focused on units with specific activities or responsibilities and a defined budget
• 130 units / activities examined
• Standard template used to gather data—no supplemental material allowed
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Illustration

• Criteria utilized
  – Importance of the activity to institution
  – External / internal demand
  – Quality as measured by established metrics
  – Cost-effectiveness as measured against benchmarks
  – Opportunity analysis
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Illustration

• All programs were slotted into one of four categories
  1. Enhance
  2. Maintain
  3. Reduce / restructure
  4. Eliminate
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Illustration

• Overall results
  – Review process completed within one fiscal year
  – Process to effect savings from eliminations and restructuring required 3.5 fiscal years
  – Combined permanent budget reductions of $4 million
  – Achieved ongoing annual surpluses
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Questions, Comments, and Reactions?

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