

From Financial Captivity to Financial Freedom

How UMKC is reinventing itself as a quantum university. First order of business – culture change.

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It is irrational, at best, to repeat the same behavior but expect a different result. Individuals fall prey to this nonproductive pattern, and so do organizations, including universities.

In 2000, the University of Missouri-Kansas City (UMKC) realized that our old behavior no longer worked. We decided that we had to change – not incrementally, as most universities and organizations do, but dramatically – in order to achieve the results we desired.

Not surprisingly, a major impetus for our decision was financial. Since 1989, state support for Missouri public higher education has trended down. In January of 2002, the trend gained momentum with a 10 percent cut in core funding.

To provide context, only 11 states invested less per capita in higher education than Missouri in 2002. Still, we do not stand alone. Forty-three states are considered to be in a state of crisis in higher education funding. A reported issued by the National Governors Association last November said that states face “the most dire fiscal situation since World War II.” And The Center on Budget and Policy Priorities said last December that “The budget deficits now looming over state governments will likely reach \$60 billion to \$85 billion in state fiscal year 2004 and constitute the largest state budget gaps in half a century.”

In short, state budgets for public higher education are far more likely to be cut – significantly – than maintained in the foreseeable future.

That is the “big picture” context for UMKC’s decision to dramatically change behavior. But there are other important contributing factors. For example, we know that we must adapt more effectively to society’s growing pluralism, to markets that extend beyond traditional age groups and geographic boundaries, to competition from for-profit enterprises and to technology that, according to one futurist, will produce a \$1,000 computer with speed and memory roughly equivalent to the human brain by 2020.

But what kind of change should we undertake?

We knew that more incremental change was not the answer. As David Breneman has written so wisely in *The Chronicle of Higher Education*, “The danger lies in the cumulative effect of the incremental changes (of the past), each one seemingly minor but collectively altering the nature of the enterprise.”

We also knew that real change had to begin with our culture. As James Duderstadt, former President of the University of Michigan, has written, “... the real challenge (to higher education) lies in transforming the culture of the institution. Financial or political difficulties can be overcome if the organization can let go of rigid habits of thought, organization, and practices that are incapable of responding rapidly or radically enough.”

We adopted a quantum approach to the “how” of accomplishing culture change. Put simply, the quantum model is the theoretical opposite of an incremental or Cartesian model. Instead of defining success as an incremental improvement, the quantum model holds the possibility of remarkable improvement, a state change. On the other hand, the

Cartesian model also is low risk while the quantum model is both risky and messy. We accepted the risk – and the messiness.

Here are five elements of the culture change process we have learned are essential to success.

Extensive participation. Literally, thousands of people – including several hundred on an intensive basis – joined together to develop UMKC’s vision and values. This involvement began with a group of 80. In 15 months of small and large sessions, we expanded participation exponentially.

Leadership development. Some 250 people were most responsible for creating the UMKC dream. We considered them leaders/owners of that vision, and they agreed to assume that role. Then we trained them. One example: Culture exists and is transferred in conversations in the institution. If you wish to change the culture, you also must change the conversations. So, we worked with these 250 leaders on ways to shift conversations from complaining (old culture) to positive action (new culture). Then we armed these leaders with facts to deal with rumors and negativity.

Leadership accountability. If people have official authority, they must be held accountable to live the values and the vision consistently and continually. If they do not, changes must be made to avoid breakdowns in adoption of the new culture.

Momentum/confidence building. Choose meaningful projects with strong champions and produce early quantum or remarkable results. We called these “breakthrough” projects, and some 700 UMKC people chose 11 they wanted to make reality.

No excuses. Once a large number of people have created a new vision and values, it can not be ignored. All leaders must live the values and work toward the vision consistently and continually. When I or a member of my leadership team slips, many people notice, because many people are involved and care. So, we have to own up to any error and correct it to maintain the credibility that is essential to keep the change process on track.

Do these five key factors for success mean more work? Of course they do (and at quantum rather than incremental levels).

However, in my experience, most university statements of vision and values are developed by a small high-level group. Even if large numbers of people are involved, that involvement generally represents form more than substance and short-term rather than continuing participation. Further, few institutions actually measure progress toward meeting their vision and values. And even fewer hold administrators accountable for performance.

Deleted: very few

Given these limitations, institutions can not realistically expect ownership, involvement – or success. The fact is that success does not automatically follow the creation of a vision or the proclamation of values. Success comes from actually living the vision and values, however difficult that may be.

So, what has UMKC accomplished since our 2000 decision to change?

Ten of 11 breakthrough projects have achieved targeted milestones and the outcomes established as measures for success. Also, characteristic of a quantum organization, we have accomplished many things we did not establish as goals.

Space considerations preclude anything but an overview, but following are examples of accomplishments in six categories that we track to monitor progress of our transformation process.

1) Shift the culture

- Employee survey results produce very high responses that “I can make a difference” and other indicators of culture change
- Responsibility-centered budgeting implemented with incentives program

2) Improve the capacity to perform

- Financial Captivity to Freedom plan established for revenue enhancement
- Enrollment Management Plan producing quantum results (7.5% increase in one-year)
- Master Plan for facilities aligned with vision

3) Lead in Life Sciences

- Proteomics Consortium in Kansas City launched with initial resources in hand
- Research focus plan developed with some new hires
- New hires, equipment and curricula in bioinformatics developed

4) Deepen, expand strength in visual and performing arts

- UMKC Belger Arts Center for Creative Studies established
- Endowed chairs in the Conservatory enhanced

5) Develop a professional workforce; collaborate in urban issues and education

- Urban Studies degree program established
- “Students in the City” service-learning, part of the Center for the City, now launched

6) Create a vibrant learning and campus life experience

- Trustees fellowship program established
- Undergraduate research opportunities widely available
- Student Center planning underway, and student endorsement of special fee to help fund it received

In my view, the single value that has been most important in enabling a culture change that is capable of quantum improvement is this: “We encourage free, honest and candid communication, and we collaborate, partner and interact.”

When we actually “lived” that value, we began to move away from the silo mentality and turf-protective behavior that preclude shared values, productive partnering and acting as a community. Once we moved away from that old behavior, it became possible to fundamentally change the way UMKC manages its finances. Here are examples of financial accomplishments.

- **We have made the budget process transparent.** In short, there are no more “off-budget” items in UMKC units.
- **We have moved from centralized budgeting to a decentralized, responsibility-centered approach.** Each school is responsible for its budget. Central administration does not take back unspent money as it used to.

- **We do not cut budgets across-the-board, even when confronted with a surprise 10 percent cut from the state.** UMKC units voluntarily re-allocated their budgets as a community rather than competing fiefdoms, maintaining funding for breakthrough projects and keeping faith with our vision and values.
- **We have established incentives for enrollment.** Our slogan is “Enrollment is everyone’s business,” and strong results demonstrate units’ ownership.
- **By 2006, we will have the resources to fuel our vision.** This means we will meet revenue growth and diversification goals for financial freedom. Core programs and services will be fully funded, and \$2 million annually will be available for innovation projects.

In summary, UMKC has made many highly significant changes in a relatively short period. In my view, few of these changes would have been possible without culture change.

We have begun to act as one institution, with one mission. We have stopped pointing fingers and accepted responsibility. We have stopped thinking about constraints and now realize that anything is possible.

However, it would be naïve to declare victory. In the parlance of change, we are at a “tipping point.” It will take discipline and courage from many UMKC people to continue to live our vision and values, particularly with little or no marginal funding for incentives.

Having seen UMKC people tested, I know they can succeed, and I believe they will.

I also know that nothing else is so worth doing.

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Graphic elements

UMKC Vision Statement

UMKC is a Community of Learners Making the World a Better Place

I sometimes wonder--- had we focused over the last 20 years on community, on learning, and on making the lives of our constituents better---would state funding have declined as it has?

We can never know, but we will focus now.

- **M.W.G.**

UMKC Transformation Process – Chart Overview 2000-2006 Fig 3 from strategic plan

- separate pdf file, will be forwarded promptly

