# IBB: The Case for the Negative

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## I. The five-minute elevator talk

The basic problem for a state university is that higher education is no longer seen as a public good, resulting in an educated public for all scientific and civic purposes, and therefore worthy of generous public support; now it is seen as a private commodity, resulting in higher career earnings for individuals, to be purchased by individuals on the open market. That makes the university think like a private company, and on the justification of "ensuring that students get value for their money," the university adopts strategies that maximize "efficiency," not just eliminating waste but enhancing revenue, cutting costs, acting like General Electric. The result is completely incompatible with any university's mission, which commits the organization to the intellectual, social and spiritual growth of the student, through the pursuit and transmission of the truth. You can't do that and run General Electric at the same time.

or

Such systems have been tried in universities across the country, with awful consequences: they provide incentives to attract as many students as possible into your existing courses (one professor gave only As for several years running to attract more students!), they discourage the introduction of new cutting-edge courses which might not enroll as many, they discourage interdisciplinary programs (who's going to pay for them, when you're all in competition to keep costs down?), and in general, they have the deans at each other's throats to keep the revenue internal to their schools and the costs external, just like any good private corporation. (Like General Electric) They're death on any collegial spirit or effort, and that bodes very ill for the university's future.

## II. The fifteen-minute presentation

1. IBB attempts to structure university decisions in accordance with capitalism's motives and mechanisms: keep revenue high and costs low. But recall:
    1. Any university is defined by its mission, which includes the traditional commitment to the pursuit, preservation, and transmission of the truth, and at least at the undergraduate level, to the intellectual, social and spiritual growth of the student.
    2. Capitalism assumes the private pursuit of self-interest, and there is very little connection between the university's commitments and the self-perceived self-interest of the student at the time he/she is in the university.
    3. Capitalist institutions, from small shops to General Electric, exist for a world of competition, in which the point is, by greater efficiency, to surpass and ultimately eliminate competitors; such competition within a university, as proposed by RCM (and IBB) is fatal to the pursuit of the university's mission.
    4. (If you want self-interested education, sold as such, go for short-course certificates in specific areas of knowledge.)
2. Efficiency, in its original meaning of the elimination of waste, is compatible with any organization's purposes; but each organization is going to have to specify what it takes to be "waste." The university's definition of waste will follow from its mission, not from any set of numbers on revenue and costs. (The Classics Department, for example: is it waste?)
3. The functions of the university that follow from the mission are necessarily run by the faculty, as the dialectic among scholars is the process that establishes "the truth" for this generation. There are real functions for the administration, but they are limited.
    1. Mutual respect among the scholars makes the competition among the colleges proposed by RCM impossible, incompatible with the mission.
    2. The administration's task, guided by the Trustees, is to steward the assets of the university and watch, as above, for unnecessary costs, or waste. The tension that arises around "unnecessary" is inevitable, and probably healthy.
    3. But if the tension goes too far, and administrations wrest control over central functions from the faculty, they become the university's rulers instead of its servants, and the mission is badly threatened.
4. IBB is best seen as an attempt by an administration to control the work of the faculty, and not in any fruitful direction: it aims to make faculty . Therefore it must be resisted, not necessarily abolished, but firmly limited.
5. Where they have been adopted, RCM/IBB policies have created a landscape of perverse anti-academic incentives and practices. (Some of these are mentioned in the next section.)

**III. Perverse Incentives: Favorite stories**

a. Source: The pro-IBB report "Responsibility Center Management at Major Public Universities" prepared for the University of California at Berkeley by The Hanover Research Council (2008). Page references are to this report. Problems with source:
    i. Riddled with grammatical errors, apparently failure of proofreading.
    ii. Not clear who is speaking when participant universities are quoted, but it's most likely administrators tied up with the plan. No faculty voices are sought or heard. (See especially p. 19)
    iii. Given to windy stuff: "while they only provide impressionistic data to support their claim, the review committee at Indiana-Bloomington also discovered a broad consensus among University policy makers that RCM provides incentives for units to monitor their performance, with the goal of increasing efficiency and effectiveness." P. 12
b. Stories:
    i. "More popular courses bring more money to the department, and courses that are 'easier' tend to be more popular. Richard Miller (formerly of USC) offers an example within the Engineering School, 'where a professor of Petroleum Engineering awarded only As to his students for several years, in an effort to attract more students and to generate more revenue for his department.' RCM can exacerbate the problem of 'gut courses' by tying revenue to popularity, so departments must be vigilant in combating grade inflation as a means of encouraging student enrollments." P. 18
    ii. From the University of Michigan: because of the arcane assignment of costs, especially indirect costs on grants, colleges can often save money by turning back grants and scaling down curricular offerings, so that's what they did. Authors point out that such behavior is contrary to the intent of the system, not to mention the university's mission. P. 19
    iii. Some incentives may vary with the institution. At Minnesota the professional schools did beautifully under their RCM system, while other schools did less well, and resented it. P.20
    iv. "Negative incentives embedded in the RCM system may lead not only to the advantaging of particular schools over others, but also to the creation of competition between schools and the erosion of collegiality and cooperation—hoarding credit hours, the rise of trade barriers, and the decline of interdisciplinary work can all result from RCM." P. 20
    v. "Attaching tuition revenue to teaching activity by credit hours, as occurs at Indiana University, may incite inter-college rivalries for student credit hours. 'At Indiana University, this fierce competition [for student credit-hours] led to a plunge in enrollments in the core courses taught by the college of Arts and Sciences.'" P. 20

vi. "Additionally, determining revenue by student credit-hours can lead to the erection of 'trade barriers' by limiting students' abilities to take courses in other schools. 'Both Penn and USC cite examples of their engineering schools finding compelling arguments for their students to need courses in mathematics and communications taught by engineering faculty rather than arts and sciences faculty. Their management schools have been known to introduce special statistics and computing courses taught by their faculty rather than mathematics and computer science faculty.'" P. 20

vii. When revenue is attached to registration (credit assigned to the school on the basis of students registered in that school, rather than by enrollment in courses), the opposite incentive is created: the school cuts its courses to the bone and sends its students elsewhere for their courses, saving money on faculty. P.21

viii. Interdisciplinary work becomes much more difficult to justify. "The four-year report on the 1994 USC Strategic Plan explicitly noted that 'RCM has created behaviors and incentives that often benefit individual schools to the detriment of broader university interests. As a consequence, many interdisciplinary initiatives that demand central support and funding have been actively or passively discouraged.'" P. 21

**IV. Further considerations**

**a.** From the same source.

**i.** Detailed graph of "results," p. 22. Note following the graph: There is little evidence that the anticipated undesired changes, in response to RCM pressures, have actually taken place. And where they have (at USC), "practices such as erecting trade barriers and hoarding credits 'were public and as such, were corrected, where necessary, through peer pressure and curriculum committee review.'" P. 22. **In short, practices incentivized by RCM but undesirable as contrary to the university's mission, were halted by faculty resistance and traditional faculty mechanisms**. Be advised.

**ii.** The best part of the new budget plan, as far as the departments were concerned, was a "carry forward" provision, which allowed departments to hang onto their funds into the next fiscal year. Some frugal departments got so good at keeping their money that the administration had to step in again and limit the amount that could be carried forward—thereby modifying the incentives.

**iii.** Sometimes the only defense that could be offered for undesired results was that the system "is not carved in stone" and could be "tweaked" where necessary to make the results come out right. But that leads to new difficulties. A dean at Minnesota complained that it's very difficult to do the "long-term planning" he's now supposed to be able to do when the budget system is a "moving target," changing every year.

**b.** This document bears all the signs of one whose assignment was very limited and whose conclusions were dictated in the contract. While all the difficulties anticipated by UA were found in the subject universities and documented, they nonetheless conclude that "implementation of RCM at public universities has produced positive financial results." Just financial, and they don't really prove that.

**V.** Another approach: Kim Emery, writing from the University of Florida: This whole budget pressure thing is derivative from a management technique, "management by stress," in which crises are continually created to keep employees focused on the next report, the next set of numbers, so they can't think outside the crisis framework imposed. Key: think outside the crisis. Ask where it came from, is it real.

**a.** Note that "decentralization" is not.

**b.** Note use of very expensive consultants, all of whom come to the conclusion that management techniques of stress and crisis creation are necessary to "prevent disasters in the coming years."

**c.** Emery's links between "cultural conservatism," including pressure to "diversify," i.e. hire politically conservative faculty, and the adoption of stress management, may work in Florida, but do not seem to be an issue in Vermont.

**VI.** Final reflection: have we thought of really costing out this "crisis" mentality? The number of faculty hours spent (including this summer), the consultant fees, the amount of administration time—maybe even salaries of administration we wouldn't need if we didn't go down these garden paths?

(very brief) Bibliography

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