

A watercolor illustration of a city skyline. The buildings are rendered in various colors: light blue, green, pink, and yellow. The style is soft and painterly. In the foreground, there are several small, dark silhouettes of people walking on a yellowish ground. The background is a mix of light yellow and white washes.

Andersson Elffers Felix

Management Summary of the
Evaluation of the Allocation
Model

Erasmus University Rotterdam

Management Summary

Context of the evaluation

In 2018 the allocation model of the Erasmus University Rotterdam was revised on the basis of a number of goals. Andersson Elffers Felix (AEF) was asked to evaluate this revised allocation model by looking at to what extent these goals have been achieved in the new model. Next to that AEF has also evaluated how the model corresponds to new and coming external developments. For each of the six goals and the correspondence to the external criteria we describe the conclusions below.

Transparent The model has become clearer and more understandable for actors within the university due to the introduction of the six boxes in the model. However, the interviewees do not see the model as a whole as very transparent. While the workings of some parts of the model are clear to them, a number of parts are not. Examples are the (base for the) prices within the performance allocation model and which fixed fee is used for the different faculties.

The problem with transparency is partially due to the complexity of certain parts of the model, which makes it hard to understand. For a larger part it is

due to the process around the model: according to representatives of the different organisational units the communication about the model and its workings is not clear and active enough.

Simple and reliable The model is reliable in the sense that large fluctuations are prevented by the use of the three year averages in the parameters. On the other hand, these averages do cause difficulties when faculties experience long-term strong growth. Additionally, it is not simple for actors within faculties to estimate their allocation reliably with their current knowledge of the model. Moreover, the allocation to the professional services is complicated according to interviewees from different organisational units.

Robust and sustainable: Primary process The primary process is not regarded as the centre of the model and the balance in allocation between the faculties and the professional services causes friction. This is in part due to the model itself (for instance because of the use of the pay-out ratio) but also due to the process around the model: there is little structural conversation about the allocation and corresponding efforts between the services and faculties.

Robust and sustainable: Future-proof The model is robust and sustainable because it largely follows the national allocation model. On the other hand, the model does not encourage innovation of organisational units very much. For faculties it is difficult to finance new degrees and professional services face limited room to innovate. Innovation is a matter which is mostly positioned at a central level in the allocation model, since it is positioned in the boxes outside the faculty allocation model. This causes it to be strenuous to continue innovations past the central financing and limits the critical reflections within faculties and professional services about the innovations and their necessity.

Contributing to strategic goals In the model there is a separate box for strategic goals which secures financial space for strategy, which is positive. On the other hand, this does stir up competition between the organisational units which want to make use of this budget. They also indicate that the process around the allocation of this budget is not fully transparent to them. In addition, the current model restricts faculties in easily organising interdisciplinary education or research because of the way the performance allocation model works.

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Supporting optimization of external income

The allocation model stimulates the optimization of external income to some extent, because there is a parameter in the model in relation to faculty revenue in the second money stream. However, this incentive is rather small. Faculties indicate that this parameter does not stimulate them much to generate more external income. Some actors think adding (a part of) the third money stream to this parameter might increase this incentive. Others are against a parameter linked to the revenue in external money streams because the chances of getting these funds are not equal between faculties.

Corresponding to external developments The model is and will be able to absorb most external developments, such as the recommendations by the van Rijn Commission and the possible reintroduction of the government student grants. However, certain external developments, such as the new labour agreement, will put financial pressure on the university, which might call for a re-evaluation of certain aspects of the model.

Conclusion and reflection

All in all interviewees see some positive points in the current allocation model, such as the clearness of the six boxes, the robustness and the designated financial space for strategy. However, in general they are quite critical of the model. Especially about the transparency of the model and the balance between the faculties and the professional services quite some discontent was voiced.

Remarkably, this critical stance did not fully match the amount of knowledge interviewees have about the model. Quite frequently interviewees did not fully understand (parts of) the model or had quite a different idea about its workings than its functioning in reality. This in itself is an interesting finding. It occasionally made it hard to have a conversation about the functioning of the model and called for a lot of verification.

Next to the critical stance we also noticed a strong us-vs-them-mentality regarding the model in many of the interviews. Representatives of faculties voiced their feeling that money allocation to the services comes at the cost of "their" primary process while representatives of professional services feel that faculties do not understand their necessity for that

primary process to be carried out. We also noticed friction between organisational units and central parts of the university and between certain (types of) faculties.

Partially, this is inherent to an allocation model: everyone wants a share of the same cake. However at the EUR this us-vs-them-mentality was quite prevalent: the perspective that organisational units are, essentially, working towards the same goals of making good education and research possible was largely absent in the interviews.

The reasons behind the critical stance and the us-vs-them-mentality around the allocation model might lie partially in the model itself. We find, however, that a much larger reason for these sentiments is the process around the model. There are issues *within* the model, but more prevalent are those *around* the model. The most important process issues are the lack of transparency due to insufficient communication around the model, the ambiguity of certain processes (such as the division of a part of the budget for the professional services) and the lack of structured conversation about mutual expectations and the fitting financial distributions between different organisational units.

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Recommendations

Our recommendations are divided in three layers: there are process recommendations that we recommend the Erasmus University Rotterdam to carry out whether or not the allocation model will be revised. Then there are recommendations about the process of the revision, might there be a revision. Lastly we identified certain focus areas within the model that we recommend to address in a possible revision.

The process around the model

- ▶ Communicate more actively to relevant parties about the model, including on alterations and how they came into being
- ▶ Organise conversations around expectations between organisational units, especially around levels of service. In these conversations focus on finding a common understanding of which services are desired, what they may cost and which processes can be used to expand them
- ▶ More clearly define certain currently ambiguous processes (such as the division of a part of the

budget of the services and the budgets for strategy and innovation). This can increase transparency and trust

- ▶ Take the common goals of the university as a starting point for these processes

The process towards a possible revision

- ▶ Start from the wishes and principles that prevail within the university. Organise a separate process to gather information on these wishes and formulate leading principles for the revision
- ▶ Make use of inspiration from other universities. Every university in the Netherlands comes across similar issues in their allocation and a benchmark study around certain principles for the allocation model could add a lot of value.
- ▶ Select different scenarios for the revision on qualitative grounds before calculating their effects. Include people that work with the model on a daily basis, such as the controllers, in this selection process.

Focus areas for a possible revision

- ▶ Clarify and update the division within box 3 for the services
- ▶ Assess the desirability of the use of three year averages for the parameters and investigate alternatives
- ▶ Assess together with relevant parties how strategy and innovation can best be placed in the model
- ▶ Assess the desirability of the pay-out ratio and investigate alternatives

About this evaluation

In this evaluation AEF answered the question: to what extent does the current allocation model meet the goals set in the revision? To answer this question AEF carried out desk research, did a financial analysis and interviewed many different actors from within the university, including but not limited to the deans of all faculties, three service directors, the university council, employees of Corporate Planning and Control and three directors at the central level.