

Strategic Finance Issues



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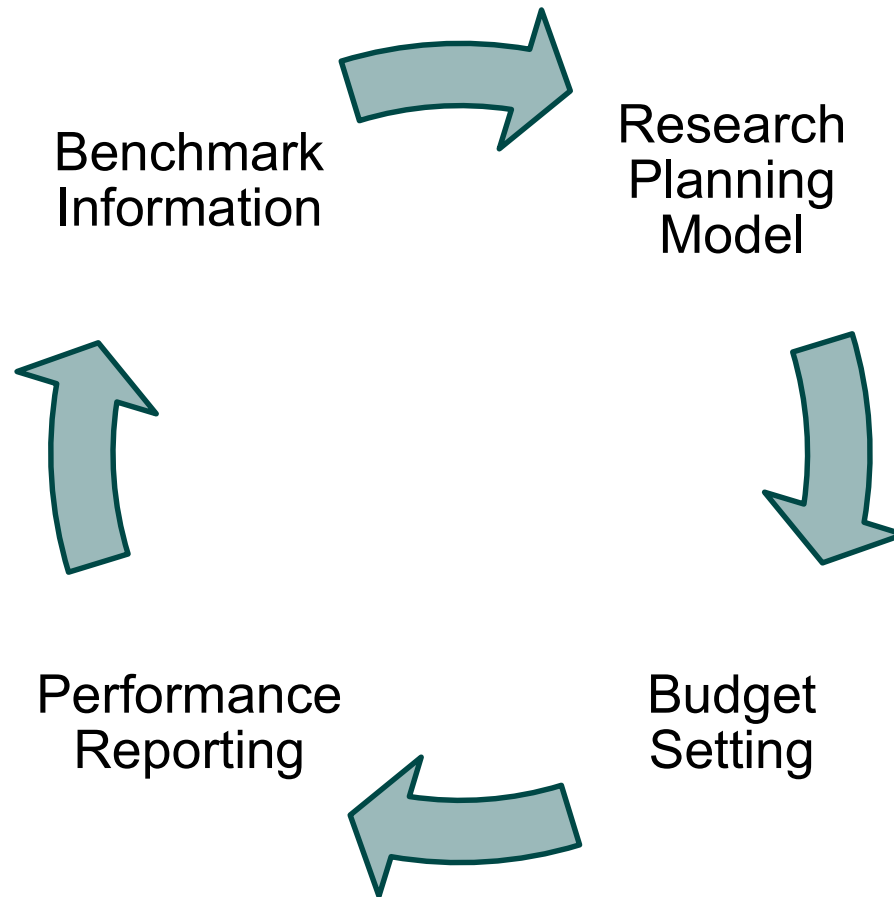
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Areas to be Covered

- Financial Strategy and Process
- Planning and Budgeting
- Risk Management
- Performance Reporting

- A typical finance strategy is:
 - “To be financially viable by operating in a sustainable manner, maximising use of financial resources by investing in areas of continued or potential excellence”
- Links between the Research and Finance Strategies
- Information needed to make decisions; location of decisions
- Pricing and sustainability
- Resource allocation mechanisms
- Incentives and reward mechanisms
- Reporting: financial, management, and project reporting

Planning and Budgeting



Risk Management

- Management, not minimisation or avoidance
- Institutional and Project-level risk assessment and management
- Research risk registers: operational; strategic
- Risk score = likelihood x impact

Institutional Risk Management



- Often linked to institutional objectives
- Requirement to embed in institutional processes
- Development of policies to deal with range of issues, e.g.:
 - Financial Handbook
 - Research Good Practice
 - Research Misconduct
 - Conflicts of Interest
- Range of research risk areas

Range of Research Risks

- Policy / Strategy
- Academic
- Physical
- Financial
- Ethical
- Humans and Animals
- Legal
- Commercial
- Staff-related
- Collaborative
- PR & Perceptions
- IT

Examples (1)

Hazard Type (Strategy & Policy)	Market & portfolio imbalance
Associated Risks & Effects	Exposure to single source of funding; inability to respond
Those Affected	All, but action primarily by policy makers
Countermeasures	Develop research strategy and implementation plan; replanning

Examples (2)

Hazard Type (Academic)	Investing a great deal in writing a proposal with low odds of success
Associated Risks & Effects	Loss of opportunity; damage to career status
Those Affected	Project leaders; researchers
Countermeasures	Replanning; seek info on other funders

Examples (3)

Hazard Type (Commercial)	Over-ambitious plans for work scheduling or funding
Associated Risks & Effects	Inability to deliver to plan; damaged reputation; liabilities
Those Affected	Researchers, project leaders, departments
Countermeasures	Effective project management; training / mentoring; insurance

Range of Research Risks

- Policy / Strategy
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Project Risk Assessment

- To assess viability of a proposal
- To identify areas for attention
- To determine level of authorisation required
- To direct monitoring during the project's life
- Accumulating risks
 - Each high risk project may be acceptable on its own
 - What proportion of a profile is acceptable as high risk?
 - e.g. 50% Low, 30% Medium, 20% High
 - Depends on the level of aggregation (dept or institution)
 - Depends on the risk factors that make it high

Performance Reporting: The use of a Balanced Scorecard



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- Summary of most relevant performance information
 - Financial and non-financial, human and physical
 - Inputs, throughputs, and outputs
 - Four facets:
 - Internal Business Processes
 - Financial
 - Learning and Growth
 - Customer Perspective

Adapting the Balanced Scorecard for Research: the Four Facets



- Internal Business Processes
 - Efficiency and effectiveness of internal processes
 - The internal customer's perspective
- Financial
 - Use of resources
 - Inputs (e.g. funding) and outputs (e.g. publications)
- Learning and Growth
 - Organisational Development
 - Sustaining a dynamic institutional capability, capacity, and profile
- Customer Perspective
 - External Customer / Stakeholder / Sponsor Perspective

Adapting the Balanced Scorecard for Research: Recognising the Layers



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- Danger of conflating operational process with organisational output:
 - Danger of attributing inappropriate metrics to specific individuals, groups or departments
 - Construct a matrix, to recognise four layers:
 - Institution
 - Academic Unit (e.g. Faculty / School / Department)
 - Investigator
 - Support Unit

Internal Processes

- Institution
 - Proportion of staff engaged in research and KE activity
- School
 - Proportion of staff engaged in research and KE activity
 - Turn-round time for school authorisation
- Investigator
 - Proportion of applications arriving >x days before deadline
- Support
 - Application turn-round time (x% processed within y days)
 - Claims turn-round (£days outstanding)
 - Operational cover / availability

Inputs, Outputs, and the Use of Resources



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- Institution
 - Volume of activity (applications, awards, income, PGRs) per FTE
 - Cost recovery rate
 - School
 - Volume of activity (applications, awards, income, PGRs) per FTE
 - PGR completion rate
 - %age of activity rated at 4*/3* (world leading / internationally excellent)
 - Investigator
 - %age of activity rated at 4*/3* (world leading / internationally excellent)
 - Income profile
 - Support
 - Operate within budget

- Institution
 - Number of staff received PI and supervisor training
- School
 - Staff training (days / FTE)
 - Proportion of staff “qualified” to hold external funds and to supervise PGRs
 - %age of staff on fixed-term contracts
- Investigator
 - Training undertaken (days)
 - “Qualified” to hold external funds and to supervise PGRs
- Support
 - Staff turn-over rate
 - Staff training (days / FTE)
 - Training provided for investigators

- Institution
 - %age of activity rated at 4*/3* (world leading / internationally excellent)
 - Level of repeat business
- School
 - Staff on funder decision-making committees
 - Operates an External Advisory Board
- Investigator
 - Positions on external bodies
- Support
 - Satisfaction index
 - Positions on external bodies

Conclusions

- Essential to be part of the (financial) planning process
- Ensure you understand your resource allocation mechanism
- Understand the differences between financial and management accounting, and what is needed to administer research
- Couple the research and finance strategies
- Achieve effective and efficient financial administration to the benefit of research
- Manage risk, individually and across the portfolio
- Provide and use meaningful performance reporting

Questions and Discussion

