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TUTORIAL

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ABSTRACT

Approaches to generating external funding for research and to support other initiatives and university programs are presented. Emphasis is placed on value added research that stimulates intellectual activity and provides revenue that offsets the increasing limitations of university funding. The approaches presented proved successful for both urban and non-urban university environments.

Keywords: External funding, research funding, value-added research

I. INTRODUCTION

Historically, universities provide just enough funding to be adequate but not outstanding. Excellence usually requires either entrepreneurial effort on the part of the faculty or generosity from benefactors of the university. In this paper entrepreneurial strategies for increasing university funding through outreach programs are presented. These strategies are based upon the author's over 25 years of experience, during which time he has brought into the respective universities where he has served over $10,000,000 in funding through research centers, executive programs, and gifted honorariums.

A good lesson all business professors should know is that the marketplace does not lie to you. It is one of the most honest relationships there is. When value does not meet marketplace demands, suppliers are punished. The marketplace did not lie to IBM when it missed the boat on minicomputers and again on personal computers. Though IBM was able to recover (painfully), it was only through accepting the truth the marketplace was providing. Other companies such as DEC were not able to recover (i.e., when DEC's CEO stated that he saw no reason why anyone would want a computer in their home, the market brutally delivered the truth.)

Higher education without a doubt is struggling financially. There are inadequate resources for faculty salaries, facilities, technology, and research. I believe the marketplace is telling us something…and it is the truth. We are not adequately responsive to the marketplace when it comes to providing research and knowledge advancement that is sufficiently relevant to be properly funded, and we do not adequately market intellectual activity that is responsive and deserving of funding.

II. RESEARCH MODEL

Two key types of research are important for a college of business: basic and applied. Both are important though there tends to be dissension, even battle lines, drawn between those who are primarily committed to one or the other. Perhaps one of the most important roles of a business school dean is to recognize the battle exists and make sure nobody wins it. If the basic researchers win, the result is a business school with little to offer the professional business community. If the applied researchers win, the result is a business school that is too similar to a consulting organization.

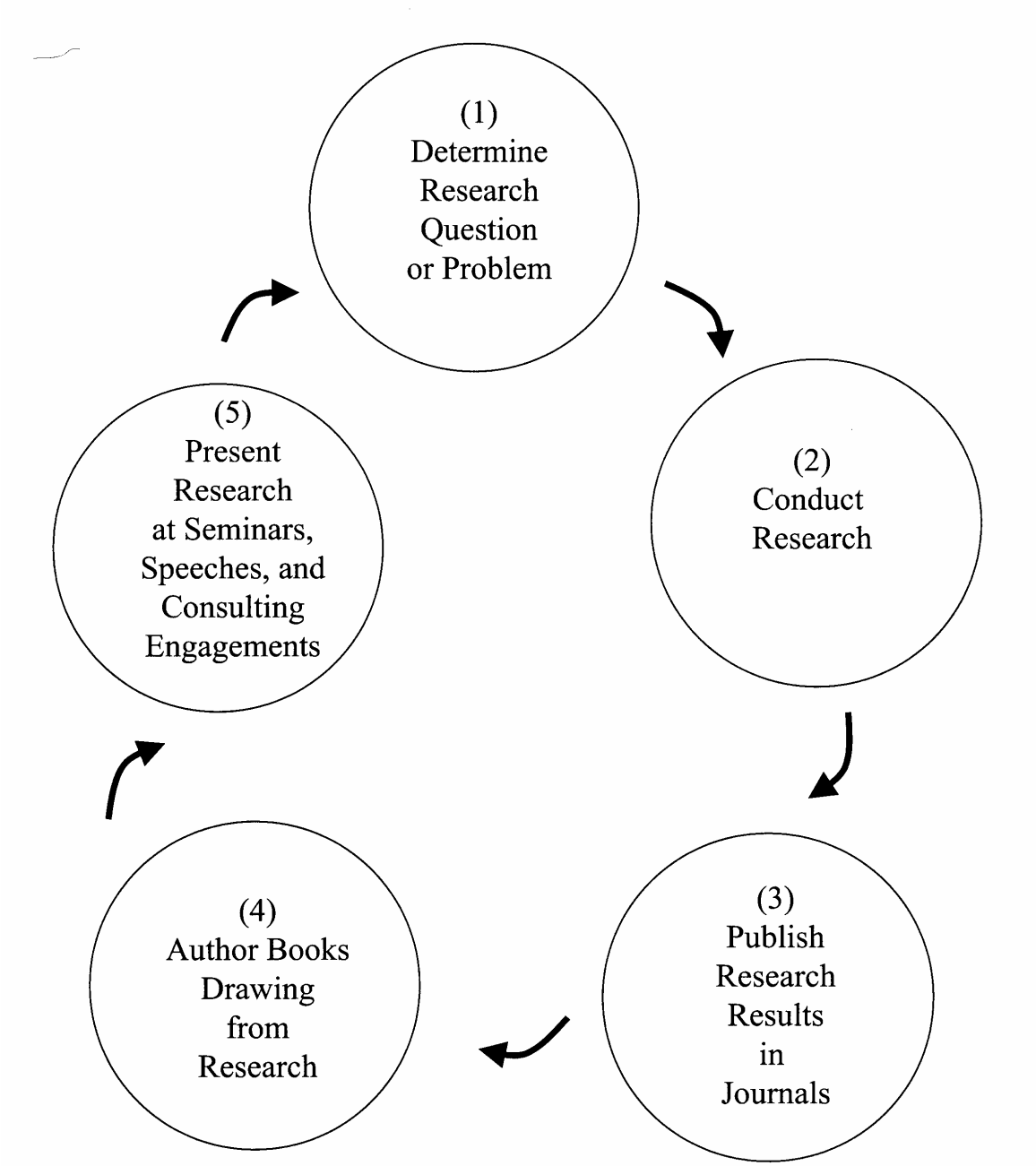
One particularly productive way to resolve the dilemma between basic and applied research faculty is to fund applied research such that is sufficiently profitable and use part of the profits to fund basic research, which is more

difficult to fund. This win/win approach can greatly diminish friction between basic and applied researchers. This approach is discussed later.

Regardless of the type of research being conducted, it should either answer a worthwhile question or contribute towards solving a meaningful problem. To that end, a simple model of intellectual activity can be developed as shown in Figure 1. Step one involves determining a worthwhile question or problem. That leads to step two, which involves conducting research to help answer the question or solve the problem. The appeal of being a researcher is just that: discovering new knowledge that has value and relevance. Step three involves disseminating new knowledge via publication in journals. Journal articles are piece parts for creating books, which is step four. New knowledge well placed in journals and books functions as billboards for researchers that can lead to step five, which is opportunities to share the knowledge in seminars, speeches, or consulting engagements. The conversations that result from interacting with business people during seminars, speeches, or consulting engagements leads to awareness of new or emerging questions or problems that are deserving of research. Accordingly, the circle of knowledge continues.

Organizations are very willing to provide funding to support research that addresses issues that they are struggling with. It is simply a matter of doing some up front investigation to determine what issues they are willing to fund.

Universities have a comparative advantage at researching solutions to those issues. First, research is a core competency of academics. Second, faculty performance is measured by research and publication activity. What is amazing is how often faculty will conduct rigorous research that is not funded. If research is part of the work and love of being a professor, why not get funding for the research. In other words why do something for nothing? Besides, determining if research can be funded is a pragmatic way to "market test" the value of the research. The third comparative advantage universities have for conducting



Research Model
Figure 1

research is the graduate student. Here we have a resource that is primarily doing research to get an advanced degree. The research they conduct has the potential to be useful or useless. For example, the formidable task of the doctoral dissertation involves on average over one year of full time work. Given the starting salaries for a business professor, one could realistically place an economic value on that amount of labor at $100,000. That provides a significant opportunity to acquire funding if the proper effort is placed into exploring funding possibilities. There is an old joke that is too revealing about doctoral dissertations. It goes "you can put a $100 dollar bill in a copy of your dissertation that is kept in the library and retrieve it whenever you want."

Research funding can occur on a "push" or "pull" basis. Push involves the researcher promoting a research idea in search of funding. Pull involves a business organization promoting a research need in search of a researcher. These phenomena can happen on an individual "one by one" basis or through an organized approach involving a research institute or research center. The latter approach involves creating an infrastructure where researcher and organizations desiring research can conveniently find each other through some form of formal or informal "match making." The first university research center in information technology was created at the University of Minnesota in 1968 and still thrives today as the MIS Research Center. The founding director of the center was Dr. Gordon Davis. Later, in 1977, the MIS Research Center in conjunction with the Society of Information Management founded the *MIS Quarterly*, which quickly emerged as a leading journal in the field. I had the privilege or directing the MIS Research Center for 20 years beginning in 1980.

III. DIFFERENT MODELS OF RESEARCH CENTERS

To be effective, a research centers need to focus on a timely "issue" that warrants investigation and therefore funding. A university can become recognized as a thought leader on a key issue through initiating a quality

research on a new topic. Research centers can be organized using three basic models as discussed below.

MULTI-CLIENT WITH MULTIPLE BENEFACTORS

The multi-client model involves engaging a number of organizations to share the funding expense of the research center. This was and is the model used by the University of Minnesota and is also used by the Center for Information Systems Research at MIT. It works best when a university has convenient access to a large number of organizations (i.e., a large metropolitan area with a good collection corporate headquarters) and/or can establish a research program of national or international prominence. The research issue needs to have broad appeal and therefore be attractive to a broad array of clients.

A multi-client model typically involves a fixed annual fee (e.g. $10,000-25,000) for the basic relationship that usually involves a speaker series, discussion groups, and working papers. Through these activities "match making" for more specific funded projects that involve additional funding evolve through the "push and pull" phenomena described above.

Unfortunately, most universities do not have convenient access to a generous collection of corporate headquarters to establish a high quality, multi-client research program as Minnesota and MIT do. There are however, two other models that work quite well as discussed below.

SINGLE CLIENT WITH SINGLE BENEFACTOR

The single client with single benefactor model involves engaging an organization in what is typically a proprietary research interest in which the funding organization is the primary benefactor of the research. It involves capitalizing on the comparative advantage of the university and finding a niche that works well with a carefully selected client. This model was used in creating the Institute for

Internet Buyer Behavior (IB2) at Texas Tech University by a grant funded by Best Buy. In this case we have an organization with a strong need to understand how consumers are sorting through their "click" versus "brick" decisions so that they can better position themselves to compete with the emergence of the internet. Though Texas Tech is a "college town" university located over a thousand miles from Best Buy's corporate headquarters, Tech has a strong research faculty in marketing and information technology. By organizing an interdisciplinary research team they were able to make a viable research proposal that was responsive to a need in the market place.

The tricky part of this type of relationship from an academics perspective is gaining permission to publish results in academic journals given the proprietary preference of the client. This can usually be overcome as it was in this case by reassuring the "first mover" advantage will have long been exercised by the client before any respectable academic journal will get around to publishing results.

Another possibility is that the client may see the advantage of marketing its proprietary knowledge as a means to recover or profit from research expense and/or as a way to enhance its image in the industry by providing leadership in a critical topic area. This can be real win for the participating university as their faculty can play a role in developing learning material and conducting seminars, all of which promote the university and the research program.

SINGLE CLIENT WITH MULTIPLE BENEFACTORS

Another context for creating a funded research program is where a university is located in a mid-size metropolitan area that may have few but significant corporate headquarters (in other words, insufficient corporate headquarters to create a high powered multi-client research program using local companies.) In this rather innovative variation, the funding organization provides research service and/or results for its customers who are not necessarily located in proximity to the university. The notion here is to find a research agenda that is

complementary to the mission of the funding organization. This agenda then becomes a "value added" service or additional "core competency" that is offered in conjunction with the cooperating university. A good illustration of this model is the FedEx Center for Cycle Time Research at the University of Memphis. FedEx is in the business of helping organizations take time out of supply chains through expediting deliveries. But they do much more in terms of providing expertise and guidance on how to improve the overall performance of organizational and interorganizational supply chains. Therefore, they were receptive to the idea of providing a $1,000,000 grant to establish a research program with a neighbor university that would allow that expertise to be developed and made available not only to solve FedEx cycle time challenges, but to also serve customers of FedEx with similar challenges.

To operationalize the model, FedEx and the Center for Cycle Time Research established an advisory board that approved all research projects. Research projects, which on average required $75,000 in funding, could be initiated by FedEx account managers who were aware of customers incurring cycle time problems, or by faculty who came across an interesting problem through their research or seminars on cycle time. FedEx paid for the research to be done on behalf of their customer. If the customer wanted additional research work done beyond the grant provided by FedEx, the customer could fund it through the research center.

An applied research journal entitled *The Journal of Cycle Time Research* was funded by FedEx and published by the University of Memphis. The journal provided a focused outlet for publication of cycle time research projects conducted at Memphis and elsewhere. It is provided without charge to FedEx customers worldwide (a nice promotion of the University of Memphis) and is available to academics on a subscription basis. For the university it was an immediate financial success since the "corporate sponsor" covered production

costs. In comparison, the *MIS Quarterly*, a more prestigious journal, did not break even for several years.

SUMMARY OF RESEARCH CENTER MODELS

The most fruitful environment for executing a research center is at a highly regarded university in a corporate headquarter rich, metropolitan area. The degree of difficulty increases as the size of the metro area decreases, the number of corporate headquarters decreases, and the prestige of the university decreases.

To offset increasing degrees of difficulty requires focusing on comparative advantages that are unique and being a "first mover" on a timely, relevant research issue that has not yet been addressed.

IV. KEEPING FUNDING (OR DEBUNKING THE OVERHEAD MYTH)

It is one thing to bring in research funding, quite another to keep it. Clear agreement on how the funding is to be handled once received can be as important as obtaining funding in the first place. The biggest challenge is keeping the university from applying the infamous 40% (give or take some %) off the top, by claiming the university is entitled to recovering overhead. These large overhead claims result from the tradition of taking overhead from government grants such as NSF and can be argued for in cases where laboratories are used (e.g., in medical labs or physics labs).

Be assured if you land a large grant, the overhead argument will likely be used to claim a large percentage of your grant. The arguments for doing so are made by graduate and/or research offices so presumptuously and convincingly that most faculties pay as if it is the law of the land. I take great pride in not having paid

any overhead for any of the three research centers I have directed. But it has been a challenge.

The logic is simple. There are plenty of faculty who conduct non-funded research. They use the same amount of office space, lighting, heating, and other resources as faculty who do funded research. Why should the funded researcher have to give up 40% of a grant to the university? If there are direct costs (e.g., additional staff or space needs) that is an acceptable direct cost--it's the blanket application of a fixed percent for overhead that is objectionable and needs to be defeated.

V. CASE STUDIES IN AVOIDING UNIVERSITY OVERHEAD

Protecting research funding from the overhead threat is important enough to share the following experiences at three universities.

MIS RESEARCH CENTER, UNIVERSITY OF MINNESOTA

As discussed in Section III, the MISRC is a multi-client with multiple benefactors model. Clients paid annual fees that go into a pool to support intellectual activity. No overhead is paid. The center was the result of hard work and entrepreneurial efforts of the faculty. At no cost to the university, a highly regarded and prestigious MIS program resulted. Minnesota is generally regarded as one of the top MIS programs internationally.

As with most externally funded research centers, the MISRC is to a great extent a "business within a business". Accordingly, it created its own self-sufficient revenue stream and maintained a cash reserve for "hard times".

In the late 1980s, after the MISRC had been operational for 20 years, a new business school dean was having difficulty balancing the school's budget. He had hired a new controller to get a handle on the problem. The controller

discovered that the budget could indeed be balanced by taking money from the "haves" (e.g., MISRC) and giving it to the "have nots" (i.e., university funded departments).

This situation got ugly. We explained to the dean that we were under no obligation to run such a financially viable research center. It was voluntary. If he were to take money from the center for other purposes we would close it down. He ignored our arguments. It took my resignation as director to convince him we were serious and reverse this action.

It never happened again.

FEDEX CENTER FOR CYCLE TIME RESEARCH, UNIVERSITY OF MEMPHIS

A drawback to the MISRC is that its funding model did not allow for discretionary money to support activities in the school outside the MIS area. This had a political downside in that the primary benefactors of the MISRC were MIS faculty. Sibling rivalry from other departments occasionally resulted. There was no reason for other departments to rally to our defense when the dean tried to take grant money from us.

With the experience gained from the MISRC, I took a different approach when I was appointed FedEx Professor and founded the cycle time research center at the University of Memphis in 1993[1]. First I reached an agreement with the president of the university that the research center would do all the good things centers do such as increase resources, prestige, attract better faculty and students, and build a relationship with a key corporate citizen.

However, we would not pay overhead based upon the simple logic described earlier as to why not. I proposed that FedEx should be willing to accept that

[1] The math on the concurrent appointments at Memphis and Minnesota are explained by my having a joint appointment for seven years, 1993-1999.

though the university was "not for profit" we should be able to take a 25% margin from the grant and use it to improve the business school. I further negotiated that I, as a senior faculty member, would decide where the funding went. Operationally, this meant the dean would be asking for money for PCs, faculty development, faculty travel, and even faculty moving expenses. It also meant I wanted to (and did) avoid saying no to the dean or anyone else with a worthwhile request.

It goes without saying this approach enhanced the political posture of the cycle time center. There were those who voiced resentment at the resources we had, but they were always reminded of things the school would not have were it not for our financial contributions back to the school. Basic researchers were grateful to what was an applied research center because it provided resources to help all types of research.

Before the FedEx Center was established, FedEx was not hiring University of Memphis MIS graduates. Five years later they were not only hiring our graduates, they had worked with the State of Tennessee to jointly fund a $25,000,000 facility called the FedEx Emerging Technology Building to be attached to the business school.

In spite of all that success, a new graduate dean came in and when she found out about the no overhead policy for the FedEx center she stated publicly "A relationship like the FedEx Cycle Research Center will never happen again." I could not believe it. It was as if we had done some terrible deed. I went to the president and said, "We never again want to get millions from a prestigious company, 25% of which we were able to use to improve the business school, turn a non employer into an employer, and develop a relationship that resulted in a $25,000,000 building? Why would we never want a relationship like that to happen again?"

He explained when he hired the new graduate dean he had told her she would have to get her research budget through overhead. He told me new centers would have to pay overhead. This again was a tough battle. However, while I was serving as interim dean we launched a new research center called the Institute for Emerging Technology directed by Dr. Brian Janz. It does not pay overhead.

INSTITUTE FOR INTERNET BUYER BEHAVIOR, TEXAS TECH UNIVERSITY

Older and wiser, I ran into similar problems when creating the most recent research center at Texas Tech. Though I was founding director, I have since replaced myself with Dr. Glenn Browne. I took a different approach to funding, which if it can be sold to the funding agency, makes life much more simple. In this case I simply educated the client, Best Buy, in the dynamics of university politics and funding. I explained all those trials and tribulations could be avoided if rather than a research grant they would make a gift to the university foundation. Foundation money is the most flexible and is not subject to overhead nonsense. The downside is that they would have no contract guaranteeing the research would be done, but by making the donations annually they could terminate after one year if they were not satisfied with the results.

They agreed.

VI. EXTERNALITIES OF FUNDED RESEARCH PROGRAMS

Beyond the obvious benefit of getting funded research resulting in better research, prestige, stipends, getting costs of research covered, and providing additional resources to the university, there are two other key areas where value can be added. First, a research center facilitates the development of intellectual material that can add to a school's executive education programs. The more timely and far reaching the mission of the research center, the greater the potential to have a differentiated educational product. This approach can bring in

revenue to the faculty and the executive development center, and add prestige to the school.

Second, leading edge material, as presented in Figure 1 and discussed earlier, leads to speaking and consulting opportunities. It provides great visibility for the school and extra income for what are usually underpaid faculty. In the event that demand for the presentation of the research exceeds the time allowed by university policy, another opportunity presents itself. Faculty can donate the honorarium back to the university as a benefactor and/or to support other desirable programs. In my case I have funded my own travel, supported emerging junior faculty, purchased technology and office furniture, funded course buy-outs, and most recently am endowing a professorship.

VII. CONCLUSION

The market doesn't lie to you. If you are willing to listen to the truth of what it cares about, it can lead you to meaningful, relevant, and fundable research. Properly considering the context in which your university exists can guide a research model that is appropriate for your environment. Obtaining funding is half the battle. Protecting it once achieved is another. Don't fall victim to the "standard overhead" agreement. But at the same time don't make a research center be totally self-serving. Add value to your academic community. Be a good scholar and a good citizen.

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He is the author of 18 books including *Information Technology for Management, So, What's Your Point?, Systems Analysis and Design: Best Practices, and The World On Time: 11 Management Principles That Made FedEx an Overnight Sensation*. He is the founding publisher of *Cycle Time Research* and was executive editor of the *MIS Quarterly*. Wetherbe is also the author of over 200 articles, writes regular columns, and serves as a consulting editor for publishers.

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