



RESPONSIBILITY CENTER MANAGEMENT

INNOVATION – COLLABORATION -  
LEADERSHIP



Responsibility Center Management

**ALGONQUIN**  
COLLEGE

# Algonquin College...

- delivers 167 postsecondary programs plus a roster of apprenticeship, career and college preparation, continuing education, and corporate training programs
- operates with an annual budget of \$300 million
- serves more than 20,000 fulltime and 37,000 part-time students
- employs nearly 4,000 full and part time faculty and staff

# RCM: Responsibility Center Management

- Strategic resource allocation
- Empowers academic and non-academic departments to manage their own resources within the framework of a unified institutional vision
- Gives leaders greater authority and control in their area
- Promotes “full picture” planning – both revenue and expenditures
- Promotes entrepreneurial thinking on both revenue enhancement and program delivery

# How is RCM different?

- Stewardship: Department deans and directors challenged as good stewards of resources
- Focus on earned income for the school and costs associated
- Expenses include both direct program costs and indirect or common costs to the College
- Academic programs evaluated on more than just academic merit or financial value

# Keeping Good Company...

## In the 1970s...

RCM was initially a managerial framework created when American universities were approaching bankruptcy.

RCM was designed to share the control of **expenses**, but it has proven to be an even stronger driver of **revenue**.

## Since then...

Queen's University  
University of Toronto  
University of Pennsylvania  
University of Michigan  
Kent State University  
University of Florida  
Okanagan College  
...and over 40 others



# Why now?

- Enhance our organizational effectiveness
- Anticipate that an RCM model will
  - Enhance competitive advantage
  - Support financial sustainability
  - Improve transparency
  - Drive innovation and entrepreneurialism

# Resource Allocation at AC today... and tomorrow

## Today

- Each school primarily responsible for financial performance for expenditures and tuition revenue
- Budget approved based on academic & financial necessity
- School is not responsible for full “matching” revenue and costs
- Limited program costing reporting
- President’s Council deals with operational budget decisions

## Under RCM

- Each school primarily responsible for financial performance for revenues and expenditures
- Budget approved based on academic & financial necessity
- School is responsible for full “matching” revenue and costs
- Continued program costing reporting
- President’s council deals with strategic direction of budget

# RCM: What you need to know



Promotes “big picture” thinking

Drives innovation and entrepreneurship in academic and non-academic departments

Fosters financial transparency and sustainability

Recognizes diversity in school/departmental structures, capacities and delivery methods

Has been successful at many colleges and universities

Supports managers through simulations, training and knowledge exchange

Promotes stewardship of limited resources

Empowers management with timely information for decision making

Can be custom tailored to each institution



# What have we done ...

- ALEI III study July 2013
- The Learning Alliance Study Sept 2013
- Hired RCM project manager Dec 2013
- Lunch & Learn Dec 2013
- Formed Steering Committee Jan 2014
- Met with CLC and PC members for Gap and Risk Analysis Jan 2014
- External research of Canadian & US institutions
- Development of “Algonquin” RCM principles
- Project Mandate approved PC March 2014
- Webinars on RCM March & April 2014
- Creation of Communication Plan and Website
- Discussion with various groups of interest within College
- Working with Advancement, Human Resources, Center for Learning, Corporate Training, Information Technology Services and Physical Resources on detailed project plans

# Where is Algonquin in this process?

## 1. Consider RCM Model Options

- Continuum from NO RCM to FULL RCM
- How best to optimize resources?

## 2. Select Optimal Model

- Define principles that will govern this model
- How will grants be allocated?
- How will central administration work?
- What about physical resources?

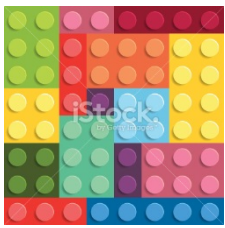
## 3. Develop Road Map

- Working out the details
- How far out to budget?
- Define dedicated space/open space/administrative space

## 4. Put into Action

- Simulations
- Training and support
- "Hold harmless" principle
- Evaluate and adjust





# Project Plan: Short term

## May-June

- Town Hall and “Road Show” for schools, faculties & departments on RCM model scenarios, principles and risks
- Institutional wide training (example: Manage through Transitions)

## Summer

- RCM Budget Model scenarios considered & Algonquin model identified
- 2014/15 Annual Budget ‘mock up’ developed using RCM model
- Training plans developed, including Tool Kit for managers
- Modifications to PeopleSoft chart of accounts and Budget Utility System (BUS)
- Impact analysis of model & changes, including feedback & evaluation framework – within existing systems (feedback loop)

## September

- Model communicated, supported by RCM principles and processes
- Continued Institutional Education workshops

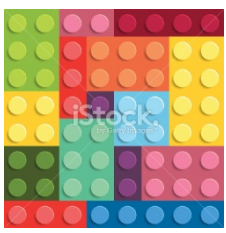
## October-November

- Operational Training on business and system changes
- Cross-college leadership engagement

## November-December

- First draft 2015/2016 Pro-forma budget in RCM format





# Project Plan: longer term

- Service Level Agreements – template, conversations & completion, including performance metrics
- Review of committee mandates (CBC, CTC, CSEC) and budget processes on decision making
- Creation of policies and processes to support RCM structure, with review and evaluation processes
- Review of College policies impacted by RCM
- Job analysis and impact assessment to ensure support to Deans and Directors
- Continue Institutional and Operational training
- Review of affected business processes
- Implement further required changes to financial systems/configure new ERP system
- Enhance financial reporting tools developed and deployed
- Develop feedback & evaluation process for budget



SCENARIO OPTIONS

WHAT COULD RCM LOOK LIKE AT  
ALGONQUIN?



Responsibility Center Management

**ALGONQUIN**  
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# Academic Departments

- Algonquin College in Ottawa Valley
- Algonquin Heritage Institute
- Faculty of Arts, Media & Design
- Faculty of Health, Public Safety & Community Studies
- Faculty of Construction, Technology & Trades
- School of Business
- School of Hospitality & Tourism
- Center for Continuing & On-line Learning
- Language Institute
- Corporate Training

# Non-Academic departments

## Central Administrative:

- Academic Operations
- Academic Development
- Advancement
- Applied Research
- Business Development
- Community Partnerships
- Finance & Admin
- Foundation
- Human Resources
- Information Technology Services
- International
- Learning & Teaching Services
- Registrar's Office
- Student Support Services
- Workplace & Personal Development
- Office of President, BOG
- Office of VPA

Space:

Physical Resources

Ancillary (not part of shared costs)

# Roles of Deans and Directors

- Deans will be key to setting direction for School/faculty
- More control over resources
- Authority to try new things
- Accountable for financial results
- Directors held accountable for delivery of service
- Use of metrics through Service Level Agreements
- Demonstrate their resource optimization
- Accountable for financial results



# Fundamental Implementation Rules

- Schools do not get Carte Blanche
- Provincial regulations & laws must still be followed
- Common practices must prevail (i.e. HR, IT platform, financial reporting)
- College wide projects must still go forward and be supported
- Common purpose & core values are KEY

# RCM Principles –for consideration

- We will have an internal costing process under RCM – whereby chargebacks are based on standard methodology
- Prior to any college level approval, a department must co-ordinate new initiatives with other departments which may be affected. – promotes co-operation and shared resources & efficiencies
- Non-academic costs will not grow as a % more than the academic revenue % growth – budget assumptions will still need to be reviewed by department annually
- We will define total costs of delivering a program or service and budget accordingly



# RCM Principles –for consideration

- The net investment and impact of RCM is sustainable – benefits will outweigh the costs
- There will be a formal evaluation process to evaluate new/changing server based software –promotes co-operation and shared resources & efficiencies
- There will be a “hold harmless” period following RCM implementation to allow for internal change – no school will be disadvantaged by a change in budget methods
- Both academic and non-academic departments will be allowed to retain a significant portion of their net budget savings – to be spent in a defined period for allowable expenses



# Allocation Methodology

Basis for the RCM Allocation model

- Tuition and Direct Costs already allocated
- Specific & Direct Revenue already allocated

Feedback into BIG 3 questions on how to allocate:

- Provincial Grant
- Central or Corporate Administration (non-Academic)
- Space Costs



# Grant Allocation - Proposal

- Grant allocation be assigned to schools based on Weighted Funding Unit's x budgeted enrollment
- Variance reporting to be done based on actual to budgeted enrollment
- % of grant allocated – not 100%
- “holdback” would go to balance schools (subvention), fund new opportunities (Strategic Investment Priorities (SIP)) or contingencies

# Distribution of Costs

- Distribution of Central Administrative Costs
  - Research suggests to use % of total Direct Costs
- Distribution of Space costs
  - Per square foot allocation (usable space) broken down between overhead & specific campus costs
- Still to decide:
  - Treatment of SIP projects
  - Treatment of bursary tuition “hold back”

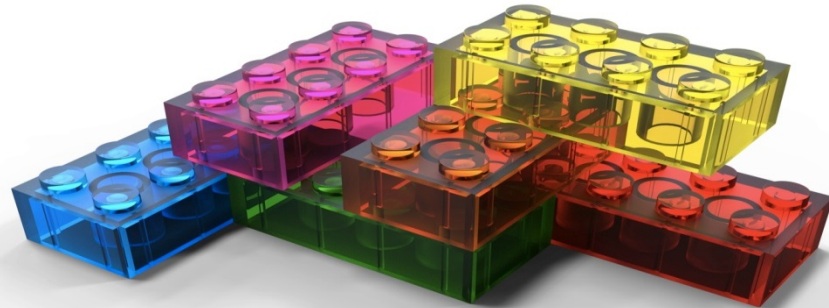
# Fostering Dialogue

- Share your thoughts
- Using RCM how can we strengthen our financial stewardship at:
  - the department level?
  - the school level?
  - the college level?

## Feedback

<http://www3.algonquincollege.com/rcm/>





Comments and Questions  
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