

JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS

V. INDUSTRY SEMINARS AND SPEECHES - SHORT TERM

B. Assessors and Other Public Officials

11. "The Missing Element: The Institutional Role in Economic Development", presented to the Wisconsin Economic Development Association, no date or place given

## WISCONSIN ECONOMIC DEVELOPMENT ASSOCIATION

### The Missing Element: The Institutional Role In Economic Development

#### I. Definition of the Institutions

- A. Economic development is often confused with the hardware of new factories, refineries and resorts.
- B. Economic development actually reflects the existence of software, specifically value systems, strategies and public service institutions ~~systems and~~ like banks, education, legislation and law, and the networking of the regional power structure.  
(Remember Howell of First Boston)
- C. WEDA represents the networking software. Earlier today you have talked about other software such as job training, taxes on capital, and national banking trends.
- D. I would like to talk about the University and its related organizations and its relative isolation from a larger plan for economic development for the State.
- E. In recent months I have been critical of University efforts toward economic development, and the University has responded in kind - that is, unkindly.
  - 1. I consider myself a friend of the University, a patron of Madison and a lover of the State of Wisconsin.
  - 2. I find it necessary to talk to you first as the University almost never talks to its own experts.
- F. Underlying all of my comments is a theme from the book In Search of Excellence which should be applied to public corporations as well as private ones.
  - 1. Every enterprise exists to serve its customers
  - 2. The University must exist to serve the residents of the State of Wisconsin who are its customers.

#### II. In Search of Excellence provides a basic point of departure in looking at the University as a missing link in the Wisconsin program for economic development.

- A. The basic characteristics of America's best run companies are:
  - 1. A bias for action
  - 2. Close to the customer
  - 3. Autonomy and entrepreneurship

4. Productivity through people
5. Hands-on, value driven
6. Stick to the knitting
7. Simple form, lean staff
8. Simultaneous loose-tight properties

B. The strong departments have the attributes above, such as:

1. Hotel and food management - Stout
2. Construction - Platteville
3. Real estate - Madison
4. Environmental engineering - Madison, etc.

C. The departments which practice the best student relations are those which generate the most long time Alumni support. The faculty that maintain~~x~~ the best ties with industry have the best placement record.

D. MBWA, management by wandering around, and listening, doesn't happen much at a University outside of departments.

III. Problem solving moves through the following steps:

- A. Definition of where are we now
- B. Definition of ideally where would we like to be
- C. Recognition of who or what is in the way
- D. Identification of the operators or pushbuttons available to overcome the obstacles.

IV. Where are we now?

- A. Faculty freeze by the Governor followed by divisive formulas for correction is demoralizing the faculty.
- B. Inability to shift resources towards schools supportive of economic development such as business, engineering, medicine, etc.
- C. Inability to make the grand gesture such as a response to GM's robotics study.
- D. Confusion by University officials of land development with economic development.
- E. Absurd public relations - such as announcing an indoor athletic practice facility during salary negotiations with the Legislature.

- F. Faculty governance on internal matters is confused with Monastic isolation from State priorities to allocate scarce resources to larger priorities than just the faculty or the University. The chancellor cannot decide that he will not reallocate resources to departments with increasing enrollments in disregard of customer preference for job oriented skills relative to the arts and social sciences.
  - G. The current division of capital budgets from operating budgets makes no sense. The Business School is offered the opportunity to have a new building or a new tower addition but not an alternative of the interest income on that capital amount for more and better faculty which is the essence of a school.
  - H. Freedom of university professors to pursue truth in the process of sifting and winnowing must be an absolute guarantee. However, that does not provide a license to administrators to misallocate resources without interference by the Regents or the Legislature.
- V. Where would we like to be ideally?
- A. A basic premise of all my comments is that economic progress will depend on our ability to replace the export power of our hard-goods industry in Wisconsin with our agriculture, the soft-goods of superior technology, medical research and technology, and recreation for the flat lands to the south and west. The traditional lead or competitive edge in each of these areas is University related in each of the dynamic states that could serve as prototypes for economic development.
  - B. Therefore, the ideal program would be a university that shifted some of its resources to those specialties which best supply the growth fields appropriate to our state with young people and new research data.
    - 1. The governor needs to understand the role of the university so that he appoints regents who identify and prioritize the tie of education to the State's image of economic development.
    - 2. The Regents must direct the chancellors and the president rather than be reactive and simply flattered by their association with academics.
    - 3. A leading element in search criteria for presidents, chancellors and deans must be their past successes with the business power structure rather than purely academic criteria. They must be salesmen for the State as well as for the University. They must see their primary responsibility to the customers rather than the faculty.

4. Total budget dollars allocated to each division should permit the dean autonomy in the split between operations and capital including rent on the spaces occupied. Given control of the space, the dean could sublease it to others if they needed larger classrooms or reallocate to best serve his own programs. For example, the Business School could gradually modernize its own building and spend more money on improving faculty.
5. The measurement of productivity today through research papers rather than teaching by individual is questionable. Instead, a department should be financed on a basis of FTE counts times a multiplier representing quality of teaching as well as research product of one or more of its research specialists.
6. Currently, the university takes a very large percentage of federal grants for overhead which makes them noncompetitive for consulting assignments. Plus there is a lid on how much you can make over your base salary from university pursuits
6. Salary structures must be related to economic value in terms of critical contributions, money raising skills and comparable pay for comparable responsibility. We lack a president and a dean of the School of Business, among other things, partly due to what is regarded as equal pay.

#### VII. Recognition of who or what is in the way

- A. The tradition that the university is not a major instrument of Wisconsin state policy must be better understood so that we separate the strategic thrust of dollars invested in education from the unacceptable concept of editorial control of content.
- B. The administrative leadership of the university must be responsive in the selection process and in compensation to the need to bridge the growing chasm between the historic isolation of the university and the new recognition that education and technology are the economic base of the future.
- C. The traditional emphasis in terms of productivity of individual faculty members on esoteric research rather than thematic research at the expense of teaching must be redirected by changing the role of faculty peer group review.

#### VIII. The Buttons to Push Are

- A. Focused donations to specific departments and faculty rather than the university as a whole as the measure of customer satisfaction with services provided.
- B. Endowment of the arts professorships so that legislative resources can be directed to university programs supporting economic base elements.
- C. WHEDA should have small committees from various sectors such as banking, metal working, recreation, etc., having some input to the tenure process and salary debates on merit and contribution.

- D. Be sure the next governor and the next president of the university have explicit commitments to economic development and serving the customers, i.e., the tax payers and their kids at the university on all its campuses.
- E. Raise funds for endowed professorships through WHEDA and hold these in reserve as a card to play when courting a GM, or an IBM, or some other new employer to the Wisconsin scene.
- F. Of the 41,000 students at the university, probably no more than 5,000 are required to take an economics course series so that they understand micro- and macro-economics and money and banking. Economic professors may be in short supply or disinterested in the principles courses. Nobody takes a course in entrepreneurial enterprise or the relationship of corporate and public capital budgeting. An educated electorate will provide a governor who can provide positive direction and motivation to the university, presidents and chancellors who understand that universities are for students and taxpayers, and ultimately economic development depends on human capital produced by the university.
- G. Today universities are producing human capital with less future net productivity than the cost of educating them--like building elegant nuclear power plants which will never generate as much energy as it took to build them--or a refinery whose product mix doesn't match market needs. It's time to rebuild the refinery of our human capital into an agency which is more responsive to economic development goals.
- H. Again, I suggest you read "In Search of Excellence" and interpret each element by analogy to the university and its many divisions and specialties.