

## The Financial Management of Research Centers and Institutes at U.S. Medical Schools

In the past decade, U.S. medical schools have increasingly created broad-based interdisciplinary research centers and institutes to tackle complex medical and scientific problems that, proponents argue, cannot be solved through traditional department-based structures. A central concern for institutional leaders is how medical schools allocate institutional resources to these units.

A common assumption is that research centers should be self-sufficient; that is, institutional leaders expect centers to secure outside funding to support their activities. In fact, a 2004 AAMC survey of research centers found that 87 percent of center funds, on average, came from sources outside the university.

Yet even with the expectation that research centers and institutes will generate their own funding, the fact remains that nearly all consume university and/or medical school resources. Based on a qualitative research study with over 150 administrators and faculty members at six medical schools,<sup>1</sup> this Analysis in Brief analyzes how medical schools identify, decide upon, and allocate internal funds to support research centers and institutes.<sup>2</sup>

### Dimensions of financial allocations

All six schools in this study ultimately expected most research centers to secure external funding in order to survive long term. But in their nascent stages, centers and institutes need money to begin operation. The medical schools differed along four dimensions in their management of such needs: the timing of when institutional funds are allocated to centers, the funding request process, the decision-making structure, and funding culture.

#### *Timing: first dollar or last dollar?*

The first dimension concerns the point at which the school considered a financial contribution to a research center. Several of the schools in this study took a “last dollar in” point of view. In these cases, research centers were expected to have secured external funding before the medical school would consider a financial investment. The alternative was a “first dollar in,” or seed-funding, model, in which the medical school had a process for allocating small financial resources to jump-start innovative research ideas. In this model, the medical school saw its contribution to centers as a lever to secure additional external support. Several of the institutions in the study had “innovative research funds” that new centers could tap for seed funding. These programs typically did not provide

substantial or ongoing amounts of money, but they enabled center directors to get their operation moving forward.

#### *Funding request process*

The second dimension of resource allocation to research centers and institutes concerned the degree of formality of the funding process—that is, the systematic steps in which faculty and administrators made requests for budgetary allocations to the medical school administration. In some institutions, centers obtained school funds in an ad-hoc, informal manner, typically based on the individual persuasiveness of the center director in appealing for funds from the dean. This process reflected a traditional entrepreneurial paradigm in academic medicine, in which individual chairs, chiefs, and directors who successfully “made their case” to institutional leaders garnered resources to grow.

In contrast, other medical schools in this study had migrated to a formal institutionalized process for reviewing and awarding funding requests. Center directors did not make individual appeals and negotiations with the dean, but rather applied for funds through a formal peer-reviewed, competitive process operated and governed by a committee of faculty and research administrators.

#### *The financial decision-making structure*

The third dimension of resource allocation is funding structure; that is, the formal organizational arrangements in which budgetary choices are debated and decided, not only regarding centers and institutes but other organizational units as well. Several of the institutions

<sup>1</sup> The medical schools included were Case Western Reserve University School of Medicine; Stanford University School of Medicine; University of Alabama School of Medicine; University of California, San Francisco School of Medicine; University of Michigan Medical School; and University of North Carolina at Chapel Hill School of Medicine.

<sup>2</sup> This Analysis in Brief focused on centers and institutes that organize, facilitate, or conduct basic, clinical, or another type of research (such as health services, health policy, or community health research). It did not consider centers and institutes organized primarily for purposes of education, clinical service, or outreach, although the issues of institutional funding to these types of units may be similar.

**Table 1: Two Models of Financial Resource Allocation to Research Centers and Institutes at U.S. Medical Schools**

Aspect of the model	Charity model	Planned-giving model
Timing	First or last dollar in, depending on will of institutional leaders	First dollar in through seed-funding, or “venture capital,” mechanism
Process	Ad-hoc, informal	Formalized, institution-wide process, dependent on competitive peer-review
Structure	Controlled by dean. Closed doors. Data not shared.	Peer committee makes financial allocation recommendations based on transparent criteria, shared knowledge, and accountability
Culture	Zero-sum game	Non-zero-sum game, win-win
Overall	Center directors make hat-in-hand appeals directly to dean, the result of which may depend on individual negotiation skills and personal relationships. Decisions can be made adaptively and responsively but without comparative information or peer input.	Process for obtaining and renewing funds is institutionalized, agreed upon, and monitored. Decisions made based on relative value of other centers and institutional priorities, but process can be bureaucratic and cumbersome.

in this study had a funding structure in which financial resource decisions typically were made behind closed doors. Department chairs and center directors were only aware of and responsible for the financial particulars of their domain, not of the institution as a whole.

Alternatively, at other medical schools, financial decisions were more open and shared, reflecting the school’s desire to broaden participation, create mechanisms for peer accountability, and emphasize the interrelated nature of the various departments and centers to the financial health of the medical school as a whole. In these cases, representative groups of faculty and administrators decided which centers receive institutional financial support. For example, one school formed a research advisory committee, which had among its responsibilities the review of funding requests from centers and recommendation of annual budget allocations to the dean.

*The funding culture*

A fourth dimension of resource allocation to centers and institutes is the funding culture; that is, the shared assumptions, espoused values, group norms, and implicit rules of the game that dictate organizational behavior.<sup>3</sup> At the institutions in this study, two distinct cultures emerged regarding budgetary allocations to centers and the

view of research centers in the life of the medical school and university.

First, some participants saw the financial allocations made to centers and departments as a zero-sum game. In economic terms, a zero-sum game describes a situation in which one participant’s gain is another’s loss. Those who adopted this philosophy viewed the interaction between centers and departments as a competition. If the center secured institutional financial (or other) resources, then the department lost.

Study participants at other institutions described a non-zero-sum or “win-win” culture. At the institutions where the “win-win” mentality predominated, faculty and administrators articulated the vision in which the campus eschewed political battles, valued collaboration, and supported interdisciplinary efforts.

**Overall models of allocation**

Examining these four dimensions—funding timing, process, structure, and culture—produces two models of how medical schools approached the financial management of research centers: a “charity” model and a “planned-giving” model (described in Table 1). Schools that operated under the charity model allocated resources to centers through an informal, hat-in-hand appeal directly to the dean and a

private funding culture. Academic leaders operating in the charity model provided seed funding for some centers but left others to find their own resources. Because the choice process was not open and explicit, other organizational units viewed those who tapped the dean’s largess skeptically and with mistrust, contributing to the “zero-sum game” mentality in the institution. The advantage of this model of resource allocation was in its responsiveness. Someone with an innovative idea could tap institutional resources quickly, with little bureaucracy or formality.

The second type of resource allocation was the planned-giving model, in which the institution had a formal, systematic method of allocating funds to research centers, institutionalized in a committee structure and peer-reviewed decision-making process, and an open, transparent funding culture. In a planned-giving model, goals were explicit and the process of decision making was clearly defined. The process for research centers to obtain funds and the duration of those funds was institutionalized, agreed upon, and monitored. The advantage of a planned-giving model was that the medical school could make resource decisions based on the relative value of each center compared to all others rather than on a case-by-case basis. This planned process also opened up decision making to a wider group of interested people, subjected the centers to peer-review, and made the process visible and transparent, thereby allaying mistrusts and rumors about allocation decisions.

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<sup>3</sup> Schein EH. *Organizational Culture and Leadership*. 2nd ed. San Francisco: Jossey-Bass, 1992