



Financial Management Systems in the U.S. and Kazakhstan HEIs

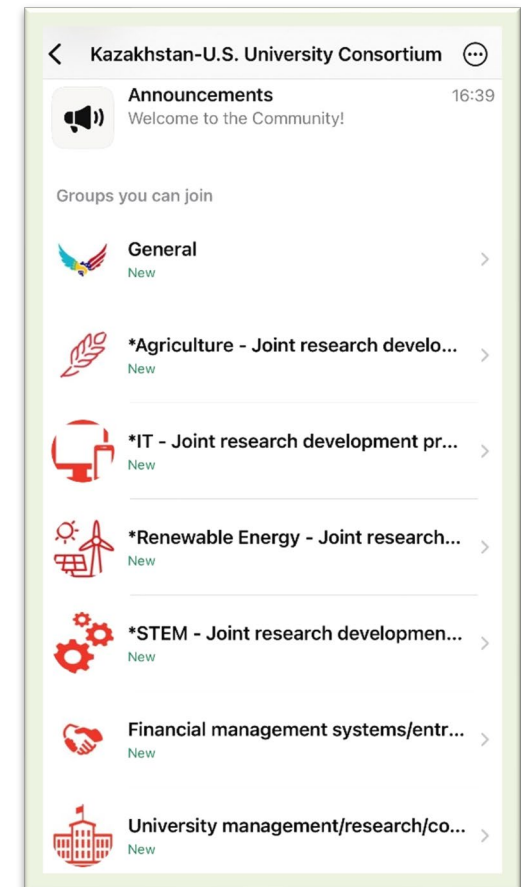
Thematic Webinar

Agenda

- I. Opening Remarks – Updates**
- II. Financial Management in U.S. Universities**
 - *Hazem Said*, University of Cincinnati
 - *Ravi Lakshmikanthan*, Brandeis University
 - *Vicki Nicole* and *Noelle Sanchez*, Colorado School of Mines
- III. Financial Management in Kazakh Universities**
 - *Gaukhar Turgenbekova*, IIE Almaty Office – Introduction
 - *Nurlan Turgenbayev*, Almaty Management University
 - *Yerlan Turgenbayev*, Yessenov University
- IV. Q&A**

UPDATES

- Monthly Thematic Webinars
- Office hours - every third Thursday of the month
- WhatsApp Community
- Seed grants to be launched by the end of June
- Portal
- In-person event in Kazakhstan
September 30 – October 2 in Almaty and October 3-4
optional in Astana. *Arrivals no later than September 29,
recommended – September 28





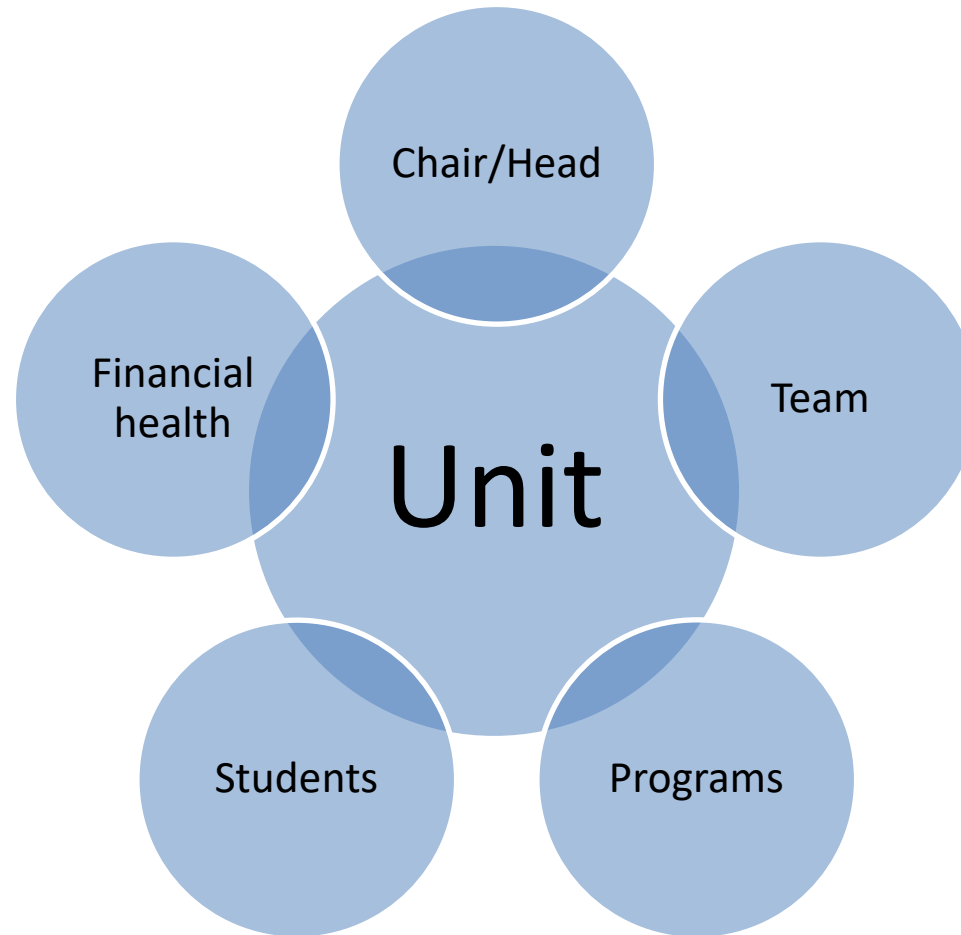
Dr. Hazem Said

School of Information Technology Director
University of Cincinnati



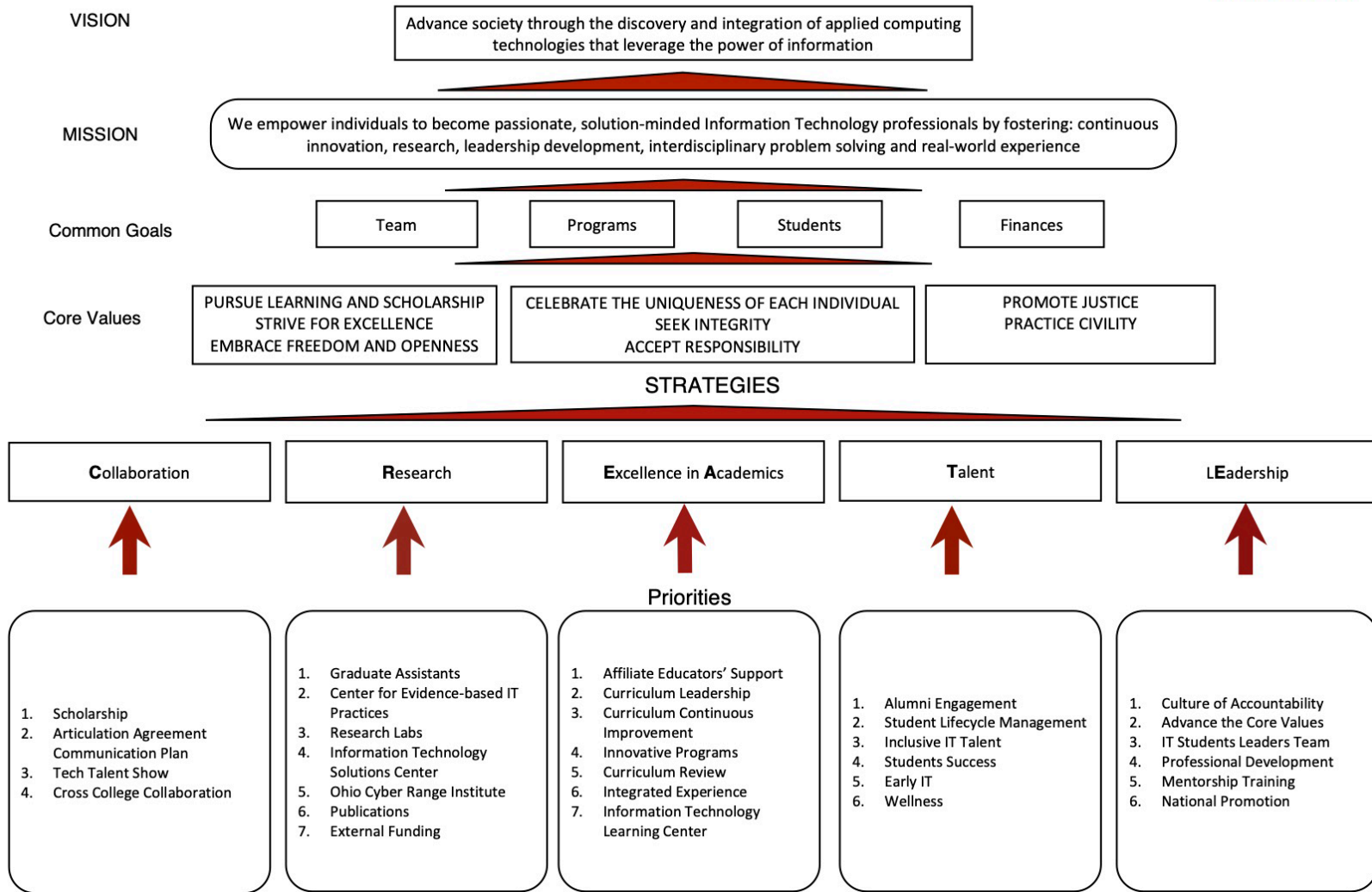
- Financial management from an academic unit head perspective

Framework for academic unit transformation

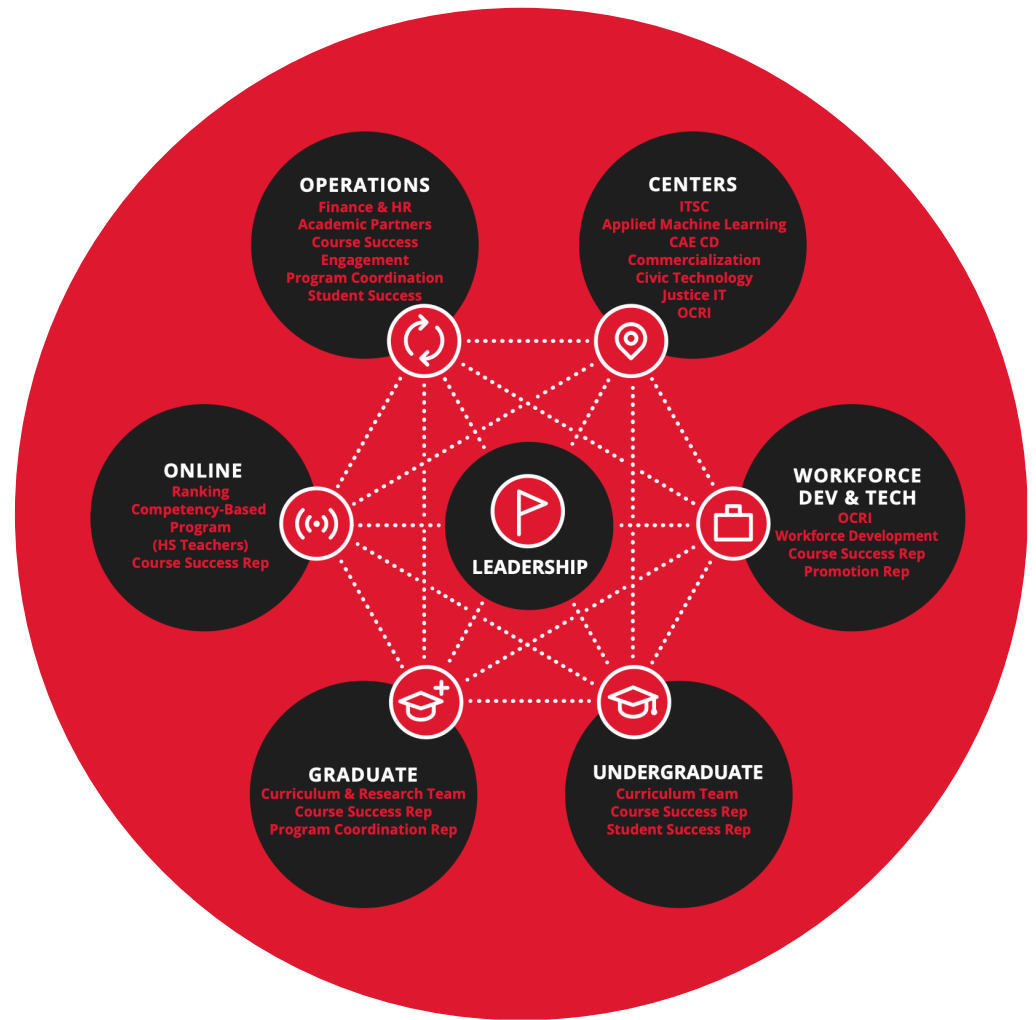


Said, Hazem (2023). "Embracing the Change: Personal Experience in Academic Unit Transformation," Academic Chairpersons Conference Proceedings. <https://newprairiepress.org/accp/2023/operations/1>

Example: Strategic plan



Example: Functional Structure



Financial Management – Unit Head Perspective

- Primary Source of Revenue -> tuition
 - Used for salaries and operation
 - Initiatives to increase enrollment, retention, and graduation -> result in increasing main source of revenue.
- Secondary Sources of Revenue
 - Government grants
 - Ohio Cyber Range Institute
 - Scholarship for Service programs
 - Private grants and contracts
 - Consulting Services (faculty + Students)
 - Information Technology Solutions Center
- Integrating secondary source of revenues into primary mission
 - augmenting faculty salary, hiring new personnel, and creating opportunities for students.



Brandeis

THE HELLER SCHOOL
FOR SOCIAL POLICY
AND MANAGEMENT

Dr. Ravi Lakshmikanthan

Associate Dean, Global and Strategic Initiatives
Heller School for Social Policy and Management
Brandeis University



- ❑ Responsibility Centered Management vs. Centralized Budget

Higher Education Budgeting Models

- Incremental Budgeting
- Zero-Based Budgeting
- Activity-Based Budgeting
- Responsibility Center Management (RCM)
- Centralized Budgeting
- Performance-Based Budgeting



Responsibility Centered Management

Definition:

- A decentralized budgeting approach
- Allocates revenues and costs to individual responsibility centers (e.g., colleges, schools, departments)
- Responsibility centers operate like independent units
- Units are responsible for generating their own revenues and managing their own expenses
- Encourages entrepreneurial behavior and financial accountability

Responsibility Centered Management

Key Features:

Revenue Generation:

- Tuition
- Research grants
- Auxiliary services

Cost Allocation:

- Direct costs (e.g., faculty salaries, program expenses)
- Indirect costs (e.g., administrative support, facilities)



Responsibility Centered Management

Key Features:

Incentives:

- Financial rewards for revenue growth and cost savings
- Greater autonomy for academic units

Challenges:

- Potential for competition between units
- Complexity in cost allocation methodologies



Responsibility Centered Management

In the Responsibility Centered Management (RCM) model, each unit typically gives back a portion of its revenues to the central administration to cover operational costs and shared services. This contribution is often referred to as a "tax" or "assessment." The percentage or amount given back can vary widely between institutions, but it generally ranges from 20% to 40% of the unit's revenues. The exact determination of this contribution involves several factors.....



Responsibility Centered Management

Fixed Percentage Model

Tiered Percentage Model

Cost Allocation Model

Negotiated Contributions

Performance-Based Contributions



Centralized Budgeting

Definition:

- A top-down budgeting approach
- Central administration retains control over budget decisions
- Funds are allocated to academic and administrative units based on institutional priorities
- Emphasis on alignment with strategic goals and objectives

Centralized Budgeting

Key Features:

Budget Allocation:

- Centralized control over revenue distribution
- Allocation based on historical data, strategic priorities, and institutional goals

Decision-Making:

- Central administration makes key financial decisions
- Limited autonomy for individual units

Centralized Budgeting

Key Features:

Advantages:

- Simplified budget process
- Ensures alignment with institutional strategy
- Easier to implement institution-wide initiatives

Challenges:

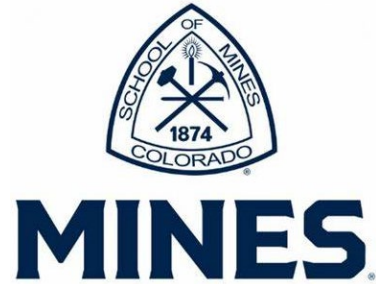
- Limited incentives for revenue generation at the unit level
- Potential for slower decision-making process



Centralized Budgeting

In a Centralized Budgeting model, units do not give back a specific portion of their revenues for operational costs. Instead, the central administration allocates budgets to units based on institutional priorities, historical data, budget requests, and strategic considerations. The central administration directly manages, and funds shared services and operational costs from the institution's overall budget.





Vicki Nicole, Noelle Sanchez
Financial Experts
Colorado School of Mines



□ Reasons for switching to a new ERP system and expectations



Financial Sustainability in HEIs of Kazakhstan

- Provided by developing strategic development plans that consider the main areas of financing and expenditure.
- Achieved through structuring and gradual expansion of the budget, which allows universities to effectively plan and distribute their resources.

Main Sources of Funding

- Funding from the Ministry of Science and Higher Education of Kazakhstan through state educational grants;
- Budget programs of the Ministry – programs for attracting foreign specialists, attracting foreign top managers, academic mobility, etc.;
- Payment for educational services on a reimbursable contractual basis;
- Paid additional educational services;
- Commercialization of the implementation of scientific activities (R&D);
- Income from other activities: rent payments, payment for dormitories, for the summer semester, for prerequisites, etc.

Key Priorities

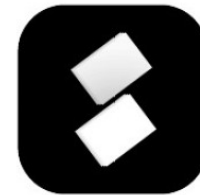
- **Cost optimization and modernization:**
 - Identification and reduction of unproductive costs.
 - Allocation of funds to infrastructure modernization and increase in employee salaries.
 - *Introduction of automated systems to improve management efficiency and reduce paperwork.*
- **Attracting investments and commercial activities:**
 - Attracting investments along with traditional budget sources.
 - Expanding commercial activities and increasing revenues from the implementation of scientific activities.

Digitalization and Automation

- Use of electronic document management systems such as Documentlog, Directum RX and Salem Office.



DirectumRX



- Transition from the automated information system Hero Study Space or intranets to Platonus.





Nurlan Turgenbayev

Project Coordination Department Director
Almaty Management University



□ How to improve the financial standing of a private university?



How to improve the financial standing of a private university?

Target	Areas	Actions	Results
Diversify revenue sources 2021 - 99% of revenue from teaching	Academic Research	<ul style="list-style-type: none"> • Crystallized the strength of schools and tutors • Introduced KPIs and remuneration packages for research & publication • Hired researchers from other countries • Launched Brown Bag sessions • Enhanced collaboration with other institutions • Created technical support desk 	<ul style="list-style-type: none"> • Scopus/WoS articles: 24 in 2020-21 vs. 61 in 2022-23 • Projects: 1 in 2020-21 vs. 15 in 2023-24 • Amount received: 55 mln in 2021 vs. 532 mln in 2023-24 • International applications: Erasmus+, The Wellcome Foundation, The Spenser Foundation, NIHR (UK)
	Commercial Research	<ul style="list-style-type: none"> • Let them know about yourself: address hot issues of the society • Find your niche market: go to the industry • Be the first in introducing global initiatives 	<ul style="list-style-type: none"> • Center for Urban Studies: Almaty City plan • Center for Creative Industries: recognized experts • School of Media and Film: office in Qazaq Film • School of Digital Technologies: software for Air Astana • School of Entrepreneurship: experts for QazInnovations • Center for SDG: Planting Saxaul Trees in Aral Basin
	Endowment	<ul style="list-style-type: none"> • Collaborate with businesspeople • Strengthen the ties with graduates • Prepare initiatives for the endowment law 	<ul style="list-style-type: none"> • Renovation of the Tatishev Wing by Tatishev Foundation
	Research Commercialization	<ul style="list-style-type: none"> • The 911 for researchers and inventors from any university 	<ul style="list-style-type: none"> • Start-up huddles • Investor pitching sessions jointly with MOST Ventures • Project pipelines from the Academy of Sciences • MUNIS project in Uzbekistan



Yerlan Turgenbayev

Senior Advisor
Yessenov University



- Financial management challenges

Endowment Fund

A new law regulating endowment fund is under the development

Kazakhstani universities are limited in their right to exercise investment opportunities

- Example – leading universities of the USA have substantial investment portfolio which allows to diversify revenue
- Does university do the investment or other affiliated entities ?
- What are the ways of investing into start-up and spin-off companies?
- Universities of the USA attract investment in exchange for title awarding to schools or of having campus building by sponsor contribution

Revenue diversification

Funding from the Ministry of Science and Higher Education of Kazakhstan through state educational grants;

International experience –

- Universities of the USA fully experience in awarding major and minor degrees within the standard study period

Kazakhstan had implemented the Bologna Process which gives a full academic autonomy to design structure and curriculum of academic programs.

State grants awarded for having a single degree

Revenue models of major and minor degree programs at Kazakhstani universities are not fully understood, at least, at state funded universities.

Can it be changed to award to major and minor degrees?

Example: University has 5000 students with the state educational grants. Can university make additional revenue by offering minor degrees? How does impact on period of study?

