Strengthening University-Industry Partnerships

Contract Costs

New Models in Spending Controls

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- COVID-19 ushered in the term "new normal" to describe fundamental transformations in human life.

- Within industry, "new normal" describes a number of changes in business practices driven by a more risk averse, results-intensive focus on production and profits.

- This conceptual change has led to practical changes in expectations around project costs and spending controls.

- How do we develop and apply best practices in response?

Some Things Change

Industry

Standardization of practices, flattening of differences between universities and other contractors

Some Things Remain the Same

Universities

Mission remains the same - pursuing public-facing research and enhanced educational opportunities for students, thus policies and practices are not easily displaced.

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Stop Work Orders

New normal of potential shifts in business practices with less predictability. Interest in being able to control adverse impact on cashflow by suspending work as business circumstances change. Project reconvenes, or not, solely as directed by sponsor.

- Potential impact on universities
- Best practices

Restrictions on Performance

Staffing qualifications, travel expenses, specific accounting of activities, etc.

New normal of tighter budgets drives increased demand for cost efficiencies. Interest in controlling expenses not deemed essential to the sponsor's aims.

- Potential impact on universities
- Best practices

Return on Investment

New normal of tighter budgets drives increased demand for demonstrable returns on investment. Results that do not yield value commensurate with amounts expended can be problematic. Interest in controlling losses by conditioning payment on the quality of deliverables.

- Potential impact on universities
- Best practices

Overhead Waivers/Reductions; Cost-Sharing

New normal of escalating expenses creates impetus to “balance” costs between sponsors and universities. Requests for overhead waivers or reductions and mandatory cost-sharing are presented as a way of balancing cost burdens.

- Potential impact on universities
- Best practices

Spend Cycle Controls

New normal of tighter financial management controls within companies creates interest in universities matching the sponsor’s spend cycle. One example is a rise in requests for annual spending caps on multi-year projects.

- Potential impact on universities
- Best practices

Risk Mitigation

New normal of escalating expenses combined with tighter financial management controls within companies creates interest in balancing, or even reversing, typical asymmetries in financial risk management. Examples include increased requests for bilateral limitations of liability, generally, and uncapped liability, specifically, for certain areas such as breaches of confidentiality.

- Potential impact on universities
- Best practices

Summary

Industry seeks standardization of practices, flattening of differences between universities and other contractors.

Certain bright-line issues for universities remain difficult to navigate, e.g. guarantees of performance and uncapped liability.

Some, but not all, “new normal” concepts can be accommodated with mutual buy-in up front, clear terms, and reliable compliance processes on the backend.

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Questions?