

Global Operations Require Strategic Assessment

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Academic health center
CEOs can provide leadership
and direction



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As globalization changes the face of higher education nationwide, academic health center leaders must take a new and strategic look at global priorities and operations within their institutions. Given that international activities can affect all mission areas and almost every aspect of administration, academic health center leaders should examine and assess global operations from a comprehensive, systematic perspective. A broad range of issues—from human resources to institutional liability—impact academic health center practices and policies, calling attention to the complexity of global operations and the ongoing need for institutional leadership, guidance, and strategic direction in these changing times.

GLOBAL ENGAGEMENT: RISKS AND REPUTATION REQUIRE ACTION

While global engagement is not a new phenomenon for academic health centers, the nature and scope of operations are transforming administrative infrastructures at many universities. From public health and biomedical research projects to faculty and staff exchanges to launching new relationships with universities overseas, academic health centers are engaged in improving health and education and contributing to the development of people, institutions, and countries around the world. International activities create great benefits, but they are also accompanied by multiple and complex challenges, threats, and risks. Ultimately, the academic health center's name and reputation are at risk, which is the most critical reason to ensure global operations are conducted ethically, legally, and in an administratively and fiscally sound manner.

The changing nature of faculty and staff activities overseas has heightened concern on the part of academic health center leaders about institutional risk and liability. Academic health center senior administrative and fiscal officers, in

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particular, perceive a critical need for guidance in many areas, as well as standardization in practices and policies.

STRATEGIC PLANNING AND LEADERSHIP NEEDED IN GLOBAL OPERATIONS

Increasingly, institutional leaders are asking “What is the strategic plan for international activities?” and “What are the driving forces for engagement in one or more countries or regions of the world?” as they recognize a need to establish or enhance engagement overseas or to address a rapid expansion already underway. Often, leaders find that no plan or standards are in place. It is not uncommon for international activities within an academic health center to develop in an ad hoc manner, with one or more faculty or students driving or managing activities in different divisions of the institution.

Information about international activities and related fiscal and operational issues is often scattered throughout the institution. International activities can range from major engagements in education, research, and service programs throughout the world to individual projects of one faculty member or a range of student or faculty exchanges.

Today, many institutions are considering the consolidation of global projects and programs into initiatives or centers; some already exist, with institutions reporting \$100 million or more in international activities. Centers and initiatives are one way of focusing attention on global priorities, aligning international activities with specific institutional goals or resources, or asserting an institution’s leadership in the sector.

Even with such centers, strategic plans do not exist and many programs and initiatives are not operating under, or even known to, the center.

Such situations are motivating some leaders to bring an array of stakeholders together to collect and analyze information, review current activities, identify institutional strengths and weaknesses, and develop strategic plans.

An effective review will raise questions about the myriad operational issues that can place the institution at risk. Such a review can also provide an opportunity to record achievements and outcomes of programs, and consider whether new or different visions, strategies, or tactics are needed as the institution moves forward. Finally, program review and strategic planning on global issues provide a valuable opportunity to gain insights on what, if any, coordinating mechanisms exist within the academic health center, as well as between the parent university and the academic health center.

ISSUES AND QUESTIONS TO ADDRESS

Even as universities and academic health centers plan for the future, an array of critical issues and questions, for which there are not always guidelines or readily apparent answers, must be addressed now. From representatives of the Global Operations Workgroup of the Senior Administrative/Fiscal Officers executive leadership group of the Association of Academic Health Centers (AAHC), the following issues were recommended for priority consideration:

From Initial Operations to Exit

Determining the means and methods for setting up and engaging in business overseas is perhaps the first and most critical issue to address.

Universities are required to comply with the laws and practices of the host country. Thus, institutions must determine how and where to register in foreign nations and whether to

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engage legal counsel who practice within the host nation or use international firms with experience in multiple nations. Each inquiry is country specific, according to academic health center legal counsel, and there is no single available source for information on various country-specific regulations.

Institutions also have to determine whether they are required to or should do business through a non-governmental organization (NGO) when entering into business in a foreign country. Should a corporation be set up in the country? What happens when an institution works with or through an international organization or a university in the host country? What if the institution is developing a research project in a foreign country as a totally independent operation from any other foreign institution or company? To what extent do procedures and practices change? Are subcontracts appropriate? Some academic health center fiscal officers reported that they do not subcontract with affiliates. Regardless of the process, use of the institutional name must be controlled and managed.

Representatives from some academic health centers noted that institutional guidelines are also needed for the internal review process at the academic health center. Who and how many people need to review documents that outline operational processes and procedures related to foreign initiatives?

Finally, is there an exit strategy when the institution is ready to leave a country? Who is in charge and what policies and implementation plans exist to ensure success? Particular consideration must also be given to severance pay, as well as obligations to subjects enrolled in clinical trials.

Overlapping Issues: Regulatory and Legal

It is quite clear that the nature of international activities require the engagement of legal counsel. Every realm of activity interfaces with national laws, regulations, and trade and commercial treaties that require legal advice and analysis. In the U.S., legal counsel must continually be aware of trade, economic sanctions, anti-bribery provisions, anti-boycott laws, anti-terrorism laws,

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corrupt business practice policies, tax issues, and the Bayh-Dole Act. Contracts often involve intellectual property rights and myriad regulated research issues and related practices.

Employment Issues

Human resource issues are extremely complex and challenging, especially when hiring host nationals to work on university projects in the host nation. Do employment laws of a foreign country apply to all university hires? What is the university’s relationship with its international workers? Are foreign nationals categorized as university employees, consultants, or contractors? Academic health center senior fiscal officers, and others engaged in international activities, noted that employment practices must recognize issues ranging from the nationality of the employee to the duration of employment.

How does the institution hire such people—directly or via an employment bureau in the host country? Should outside counsel be consulted to assist with international employment issues? If so, should the university hire a firm with offices in multiple countries? Is it better to hire one firm in each country where the university does business? Some universities lease employees through an attorney or firm in the host country. How does a university find an appropriate and reputable company with which to do business?

Payroll issues must also be considered, including how an institution pays international employees. Does it deposit funds into a foreign bank account, pay cash, or use an international payroll company? Are foreign taxes withheld?

Some universities have been advised that creating a foundation is the best way to do business and to provide appropriate benefits to their workers. Is such an approach necessary? And, if so, how is this set up? It is clear that often one

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administrative question leads to another question rather than to an easy answer.

Employment issues often revolve around salaries and benefits. What is a fair salary for a senior research nurse working on a U.S. university site in Zambia, when Zambia’s per capita income is approximately \$860. That same position at the university for an employee who resides in the U.S. may command a salary of \$50,000. Should different salary grades be created for employees working in a country with a different salary base?

Salary questions can also raise ethical questions that must be addressed. Differential pay scales (i.e., hardship pay) and danger pay guidelines for U.S. citizens working abroad can often become part of the salary equation.

Finally, university benefits that include health plan, retirement, and tuition scholarship monies raise questions about which employees should receive such benefits. Once the appropriate recipients of benefits are determined, academic health center administrators are finding that all issues are not resolved. Fringe rates become an issue. Which fringe rate should apply and/or should a new fringe pool be developed with a new fringe rate for the foreign nationals? Administrators do not currently have the answers in policy documents.

Academic health center senior fiscal officers have cautioned that employment agreements are often mandated by local labor laws and warned about the use of independent contractors to be sure Supplemental Security Income is paid.

Insurance and Risk

The risk tolerance of the academic health center is central when considering what types of insurance should be provided to international workers. General liability, property, automobile liability, professional liability, medical, travel assistance, and security assistance are insurance areas that must be

considered. Institutions must also be aware of the many exclusions (e.g., working in war zone) in life insurance and long-term liability contracts. Often institutions have to work with insurance carriers to remove exclusions.

The academic health center must also research whether there are exclusions written into national trade and economic policies. Administrators must be aware of export controls, trade sanctions, and terrorism policies. For example, does a university need to develop policies that define its obligation to provide protection to, or evacuation of, employees or workers in countries that are under sanction by the U.S. Department of Treasury?

Who or what is included in the coverage and what level of coverage should be given? Some institutions have their faculty pay for their own air ambulance insurance, for example; others have the academic department pay. If someone is injured overseas, is he or she covered by workmen’s compensation? Is the individual covered if the institution has not listed all the places where the individual is working or traveling? What is the institution’s obligation to the employee working overseas if the employee needs help when not conducting the business of the institution?

Equipment purchases also require monitoring. If an employee working overseas makes a purchase, how and when does it get inventoried at and insured by the institution?

Professional liability or malpractice insurance often becomes an issue when U.S. physicians provide care overseas. Some countries require that the physician is licensed by and covered under the malpractice insurance of the host country. Often, a memorandum of understanding between the U.S. institution and the hospital in the host foreign nation includes stipulations that medical residents be covered by the existing malpractice insurance of the U.S. institution.

All of these issues must be determined and questions answered well in advance of sending staff overseas. Often long lead times are necessary to process all the appropriate paperwork, both in the U.S. and abroad, prior to sending the employee overseas or hiring the foreign national.

Senior academic health center legal counsel have raised concerns about policies and practices

that relate to university staff assisting in times of disaster, such as occurred with the Haitian earthquake. What happens when academic health center faculty and/or staff volunteer for projects or leave to assist without informing the university? What are the policies and procedures to follow when staff then asks for additional support or aid from the university?

Health and Safety

With regard to health and safety issues, research projects, in particular, prompt multiple questions of what, if any, U.S. and institutional policies apply. Policies can relate to needle sticks or the shipment of research samples and materials. In terms of people, evacuation is always an issue. Many institutions have agencies that can provide evacuation services; however, institutional officers have noted that it is not always easy to know exact locations of university staff members.

Banking and Finance

Academic health center senior fiscal officers have noted that there are no simple answers to banking and finance questions. In fact, new antiterrorism regulations have heightened reporting requirements for international financial transactions, often requiring additional staff time to sort out policies and procedures. The global economic crisis has also raised questions about whether an academic health center should have insurance on bank accounts in foreign countries in the event of bank failures, especially if the U.S. institution is depositing federal grant monies.

Academic health center administrators should pay attention to issues that range from policies for wire transfers to signatory authorities for international bank accounts to the type of deposits that must be managed to pay international workers. Some institutions permit the opening of bank accounts overseas; others do not. Confirming currency conversion rates is critical. Reconciliation of expenses and audits are areas where no standard practices are apparent. The time spent on reconciliation of documents from overseas can also be quite costly in staff time, but senior academic health center fiscal officers have said they have not found recommendations, standards,

or guidelines for recording and keeping such documentation. Who conducts overseas audits to ensure strong business practices are being followed and who pays for these audits? What role, in fact, does the internal auditor play? One institution reported that it conducts internal auditing of its global operations every three months. Other institutions did not have set policies.

Institutional Structure

Several institutions are in the process of reviewing and reorganizing their institutional structures. One university created a university-wide international advisory council, comprising legal, external relations, development, and representatives from the health science center to develop an institutional strategic plan. Leaders at this institution believe that a single point of contact is key for any faculty member, student, or employee needing help and support with international administrative issues. A communications network was established and a web entity is also under development. Leaders from this institution recommend having experts to serve current needs and to think about succession planning to ensure that individuals with the appropriate skills will be available to support and sustain the administrative infrastructure over time. Having a business coordinator can help in this regard. This institution is also taking on operational issues by forming a committee comprising human resource, tax, comptroller, and research personnel.

The challenge for this and other institutions is that the divide between the university and the academic health center often creates parallel administrative structures, which requires examination. One state-supported academic health center reported that a separate non-profit

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entity with four staff has been established to develop in-country programs as well as policies and procedures for NGOs, procurement practices, and related issues.

TAKING ACTION ON GLOBAL OPERATIONS

The realities of globalization point to the need for academic health center leaders to examine global operations and the administrative infrastructure supporting these ever expanding activities in academic health centers today. Recognizing the importance of this issue, the Association of Academic Health Centers, with its executive leadership group of Senior Administrative/Fiscal Officers, established a workgroup to assess the landscape of global operations in academic health centers. The group has already started the process to develop administrative and fiscal institutional guidelines and best practices, with a focus on faculty-staff issues and activities.

Even as this work is underway, it is important that CEOs of academic health centers draw their attention to global operations to ensure a systematic approach to issues. Academic health center CEOs need to become involved to develop and plan for the future, and thus avoid any crisis situation for their institutions. CEOs can assess the institutional context for globalization, raise awareness about global operations, articulate new visions and strategies, gain the commitment of key players, and provide sufficient resources to start the process to build strong and sustainable administrative infrastructures within academic health centers for the future.

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