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Mary Lynn Williamson and Helen L. Mamarchev

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# A Systems Approach to Financial Management for Student Affairs

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The authors explore the four components of a unified approach to financial management—long-range planning, accountability, evaluation, and an applied model of systems budgeting.

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## INTRODUCTION

Taxpayers, through their elected and appointed officials, are increasingly exercising their right to impose budgetary limits and spending conditions on educational institutions (Magrath, 1980). Predictions for the immediate future call for a continuing emphasis by policy-makers and government agencies on accountability, greater public scrutiny over the educational enterprise, more spending conditions on educational institutions, and declining human and budgetary resources over the next several years (Blyn & Zoerner, 1982; Breneman, 1981; Callan & Jonsen, 1980; Lupton, 1980; Magrath, 1980).

Even a cursory review of related literature reveals some relevant areas of impact for student affairs. Where significant budget reductions persist for two or more fiscal years (*second phase reductions*), select programs may be cut back or eliminated, salaries frozen, and personnel reduced. Under these second phase reductions, student affairs and other academic support areas may become particularly vulnerable, absorbing a disproportionate share of cutbacks as measured by total program funding and full-time employee position decreases (Barnes, Morton, & Austin, 1983).

Meyerson (1985) identifies six complex forces that contribute to the decline of direct institutional support for student affairs: (a) competition for institutional resources, (b) shifting institutional priorities, (c) declining external resources, (d) a

shift to community services, (e) rising student consumerism, and (f) the inability of student affairs personnel to evaluate themselves.

Given an environment of increased public scrutiny, calls from legislative and governmental agencies for more accountability, the vulnerability of student affairs during second phase budget reductions, and decreasing institutional support, it is surprising that most student services divisions proceed with "business as usual." An effective systems approach for the management of student affairs can address these concerns. Four crucial components—long-range planning, accountability, evaluation, and an applied model of systems budgeting—must be welded together into a unified approach to financial management. Implementation of only some of these components will improve a student affairs operation, but piecemeal implementation falls short of using all available theory and techniques in the most effective manner.

### LONG-RANGE PLANNING

A survey of institutions conducted by the Indiana University Long-Range Planning Office (Priest, Alphenaar, & Boer, 1982) revealed very little organized planning activity by student affairs units. In many instances, it appeared that student affairs had become ends in themselves rather than services designed to support the primary missions of campuses. In such cases, it becomes increasingly difficult to justify budgetary support for many student affairs functions.

Why should student affairs units invest the time to engage in long-range planning? According to Priest, Alphenaar, and Boer (1982), "If properly formulated and executed, long-range plans should help units avoid inappropriate staffing, over-response to transient situations, and chronic misinterpretation of persistent trends." Student affairs has, for too long, made budget, personnel, and resource decisions based on intuition and perceived student needs, which may or may not be accurate. The development and adoption of a long-range plan is an important first step in reversing this practice and moving to a proactive systems approach to financial management.

### ACCOUNTABILITY

The last decade has ushered in a new phase in American higher education. Pressures and demands for accountability are now a constant. As the available pool of 18-22 year-olds continues to shrink, the cost of delivering educational services continues to rise, and the competition within the academy for resources grows ever fiercer, the demand for accountability within student affairs is almost certain to intensify.

In the struggle to meet ever increasing demands for accountability, much confusion has arisen over what the term means for the student affairs practitioner. In an attempt to define *accountability* as precisely as possible, Anderson, Ball, and Murphy (1975) state that it has been closely associated with efficiency measures, managerial responsibility, and public answerability. The term has been expanded to include a wide array of applications for schools, including performance contracts (Forsberg, 1971; Lessinger, 1970) and goal-setting and evaluation of goal attainment (Riles, 1973). This definitional ambiguity is certainly a barrier to both understanding the concept and adopting a working model.

Harpel (1975) found that familiarity with available accountability techniques among student affairs managers was moderate to low; however, nearly three-fourths of the material sample (chief student affairs officers) "recognized

the need for additional accountability training in terms of staff development, budgeting, and management theory."

In short, although student affairs finds itself in a tighter and worsening financial situation, amidst calls for accountability, the profession is unfamiliar with available accountability techniques. Barnes, Morton, and Austin (1983) provide a practical model that responds to the need for clarity and conciseness. The four elements of their model are:

- 1. Identification of education goals and performance objectives.**
- 2. Development of alternative strategies for achieving educational goals and performance objectives and for delivering services.** The field of business or government management concepts and techniques, although largely unexplored, is rich in potential applications for student affairs. The strategies include—management by objectives (Baldrige & Tierny, 1979), management information systems (Hussain, 1977), team-building (Bentley, 1980), zero-based budgeting (Caruthers & Orwig, 1979), and cost effectiveness analysis (Lovell, 1973).
- 3. Periodic evaluation of personnel and program performance.** Evaluation is so crucial to an effective management system that it will be discussed in more detail as the third component of this proposal.
- 4. Inclusion of nonpractitioners in educational decision-making.** While this concept may be difficult for practitioners to accept, the inclusion of "outsiders" is politically prudent and programmatically sound.

Application of an accountability model like the one detailed above is sound management not only from a theoretical perspective, but in terms of the real benefits such a systems approach can yield. Barnes, Morton, and Austin (1983) summarize: "When approached intelligently and systematically, accountability procedures offer the salutary benefits of providing (a) increased credibility for student affairs programs and practitioners within the total educational community, (b) an insurance policy against arbitrary reductions in services, staff, and support budgets, and (c) better programs and services for students."

### EVALUATION

Kerr (1980) identifies six reasons for systematic evaluation of student affairs: (a) to develop evidence of effectiveness and anticipate external pressure rather than simply react to it, (b) to improve program effectiveness, (c) to improve staff morale by incorporating all staff members into the process, (d) to decrease cost and improve efficiency, (e) to build credibility, and (f) to increase coordination and communication within student affairs and with other segments of the institution.

Staff and program evaluations may take place at the individual unit level or divisionwide, or a combination of both. *Consumer feedback mechanisms* is the term that describes many of the unit level systematic evaluation tools. These consumer feedback mechanisms are characteristically inexpensive, simple in design and statistical analysis, short in duration, and immediately useful for modifying programs or services (Kerr, 1980). Northern Illinois University, for example, uses many of these feedback mechanisms. For one week in each six-week cycle, every person who uses a student service at NIU is offered a 3x5 inch card asking the person to (a) state how long he or she waited to receive service, (b) rate the receptionist on a 5-point courtesy scale, (c) rate the degree to which needs were met, (d) rate the service provided by the professional staff

member, (e) identify an employee he or she wishes to commend for good service, and (f) provide other appropriate comments.

With effective systematic evaluations in place at the unit level, divisionwide evaluation becomes possible. The annual report format is a simple, concise, practical example of how evaluation can be instituted in almost all student affairs divisions. Components of a comprehensive annual report include (a) a statement of purpose, (b) a description of current operations, (c) planned objectives, (d) a report of unplanned activities, (e) objectives to be undertaken in the coming year, and if I an organizational chart.

Kerr (1980) recommends that the annual report be reviewed not only by student affairs staff, but by a group of administrators outside the department. "This systematic review process," Kerr reports, "accomplishes two goals: (a) the student services units are provided with an objective evaluation of their outcomes for the year, and (b) it provides comprehensive information to administrators other than [those in] student services."

Systematic evaluations are a necessary component of a systems approach to financial management. Properly conducted, evaluations lead to benefits for both the student affairs division and the institution as a whole. With increasing demands for accountability, the question is no longer "Will we be held accountable for the services provided?", but rather, "How will we be held accountable?" Systematic evaluations thus become an important tool in the repertoire of the successful student affairs manager.

## BUDGETING

With long-range planning, an accountability model, and systematic evaluations in place, the successful administrator must then tie these activities to the allocation of resources. Budgeting cannot be viewed as an independent activity. "In fact," McClenney and Chaffee (1985) offer, "the budget should reflect the values of the organization, and it should reveal choices about future directions for the institution." Viewed in this context, the traditional method of taking last fiscal year's "bottom line" and adding 5% will no longer suffice as student affairs competes to meet the challenge of the 1990s.

Regardless of the specific process adopted, the following elements from McClenney and Chaffee (1985) should serve as important guidelines:

1. Set up a clear format and definite time schedule. (Managers must, however, be prepared to adjust the divisional budget as a result of shifting internal and/or external priorities.)
2. Look beyond the upcoming fiscal year.
3. Limit the budget process to brief periods of intense activity.
4. Link the budget process to decision-making.
5. View planning as a prerequisite to the allocation and reallocation of resources.
6. Stress the ongoing process of internal and external assessment.

In almost every institution the chief student affairs officer (CSAO) is given the acceptable parameters for the submission of a budget for the forthcoming fiscal year. Ideally, the institution has engaged in a strategic planning process and identified priority agenda items the CSAO can use to develop the student affairs divisional budget. Even if the institution has not engaged in such activities, the implementation of the systems approach to financial management should result

in little or no resistance, as long as the academic mission of the institution is complemented. The following applied budget shows how the crucial elements identified by McClenney and Chaffee (1985) can be incorporated into the student affairs budgeting process. The process described is patterned after one successfully implemented at Stanford University in the mid-1970s.

### An Applied Budgeting Process

1. As the chief administrative officer of the division, the CSAO identifies the criteria to be used in assessing budget requests. These criteria should reflect the core values of the institution, the mission of the student affairs division, and compliance with regulatory rules and procedures.
2. Once the CSAO defines priorities and identifies criteria for evaluating budget requests, a budget letter outlining these factors and inviting requests is sent to all department heads. The financial parameters for the divisionwide budget should also be detailed.
3. Before these requests become written documents, however, the CSAO meets with each department head to discuss them and their implications for other departments.
4. In the budget letter, the CSAO states that he or she expects the discussions with department heads to (a) relate budget decisions to program goals and priorities, (b) stimulate critical analyses of existing structures and functions, (c) compare actual performance with prior plans, and (d) relate budgeting to planning.
5. Department heads meet with department staff to develop the departmental budget, using the systems approach to financial management detailed above.
6. Department heads submit budget requests in appropriate budget categories, including revenues generated or fees for service if applicable.
7. The CSAO arranges the budget requests into a prioritized master list as candidates for various types of funds operating expenses, personnel, capital outlay, grants, auxiliary enterprises revenue, special funds), depending on how well each request meets funding criteria as well as state or federal regulations or constraints.
8. The CSAO allocates resources according to the prioritized master list.
9. The CSAO sends the approved budget back to the departments.
10. Each department head continues to evaluate all programs, activities, and personnel to determine prioritized needs within that department.
11. The CSAO monitors the divisionwide evaluation of programs, activities, and personnel to prepare for decision-making in subsequent fiscal years.

Inherent in this process is the assumption that student affairs units engage in long-range planning, use an accountability model, and systematically evaluate programs, services, and personnel. It is further assumed that these components will dictate the direction of all budget requests.

### REACTIONS TO AN APPLIED BUDGETING PROCESS

The student affairs administrator who attempts to implement a budgeting model such as the one presented above should expect resistance both from within and without the division. McClenney and Chaffee (1985) identify the most frequent barriers as fear of change, lack of planning time, bad attitudes based on uncertainty, protection of "turf," and lack of skills in establishing priorities.

Inevitably, requests will exceed resources. As Bacchetti (1978) notes, "We haven't enough money is an unacceptable response to a request. We have lots of money. The question is, *Is this item high enough on the priority list to be funded?*"

There are strategies available to make adoption of a new budgeting model more palatable. Development of long-range plans at both the unit and divisional levels provides focus and direction. Clearly stated goals and systematic evaluation provide insight at the individual, unit, and divisional levels about necessary modification, adoptions, or deletions of programs, services, and personnel. Thus, the budgeting procedure becomes a dependent function, integrally linked to planning, accountability, and evaluation on one side and delivery of services on the other. Viewed in this context, budgeting serves as the linchpin in the systems approach to effective and efficient financial management of student affairs.

### RECOMMENDATIONS FOR STUDENT AFFAIRS PROFESSIONALS

Most student personnel training programs require at least one course in higher education finance. But the general content of such courses is often theoretical and abstract and lacks the identification of an applied systematic process for budgeting specifically targeted to student affairs. If student affairs administrators are to become adept at implementing an applied budgeting process, it is imperative that more specific courses be offered for those in the masters, specialists, and doctoral level preparation programs.

For those professionals already in the field, one of the most common strategies for acquiring new knowledge and skills is participation in the pre/post workshops and program sessions offered at national, regional, and state personnel association conventions. Unfortunately, a review of 1987 and 1988 convention programs of the major student personnel associations reveals an appalling scarcity of sessions devoted to this topic. This indicates the lack of importance placed on fiscal management by members of the student affairs profession. Conference coordinators and association leaders should take responsibility for providing fiscal training sessions at their meetings. Additionally, opportunities should be provided by the major student personnel associations in the form of reasonably priced specialized summer institutes, workshops, and forums for those whose specific job responsibilities include fiscal planning and management.

On campus, student affairs personnel with fiscal responsibilities should develop strong working relationships with the chief planning/budgeting officer, who is often one of the primary sources of information about an institution's budget process. In addition, he or she may be particularly well-informed about the overall mission and goals that will ultimately determine the allocation of resources.

### SUMMARY

We must plan, program, evaluate, and budget in an accountable manner. There is no longer any question about that. The ability to effectively manage the resources and services needed to implement the unique mission of student affairs is one of the critical challenges facing the profession. Student affairs professionals must recognize this challenge. Beyond recognition, however, is an inherent responsibility to accumulate the fiscal acumen that will enable them to maintain credibility in an educational enterprise increasingly limited by financial constraints. Those who do not heed this challenge face the possibility of program and staff reductions. A grave danger may then be the absorption of student affairs into other components of the institution. While expertise in the financial arena is not the focal point of most student affairs operations, it can no longer be avoided if the student affairs mission is to continue safely into the 21st century.

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