

**LINKING STRATEGIC PLANNING
AND BUDGETING**

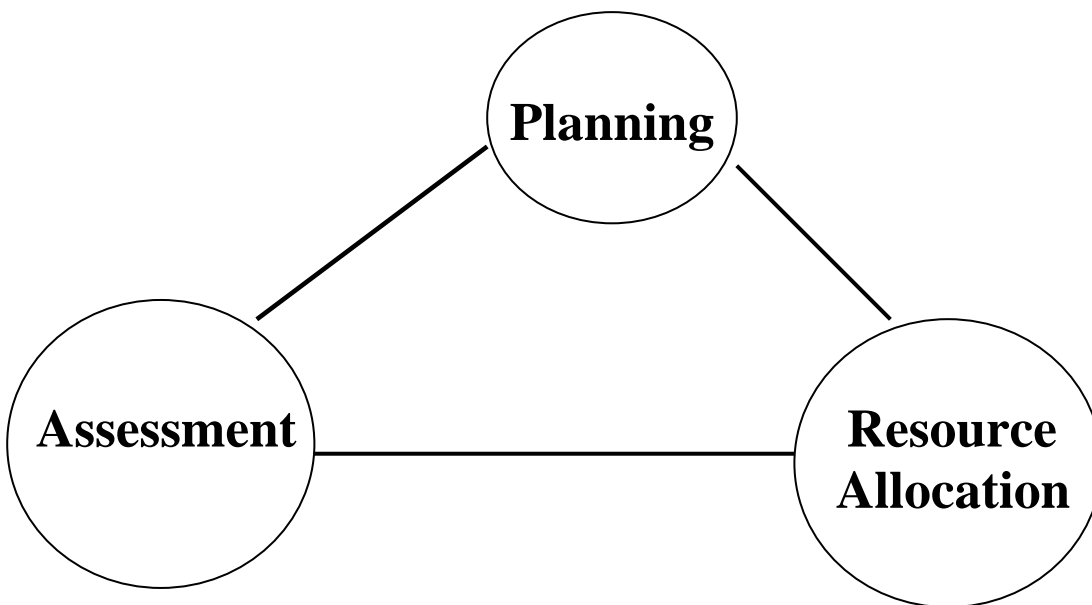
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Presented by Dennis Jones

**Dallas, Texas
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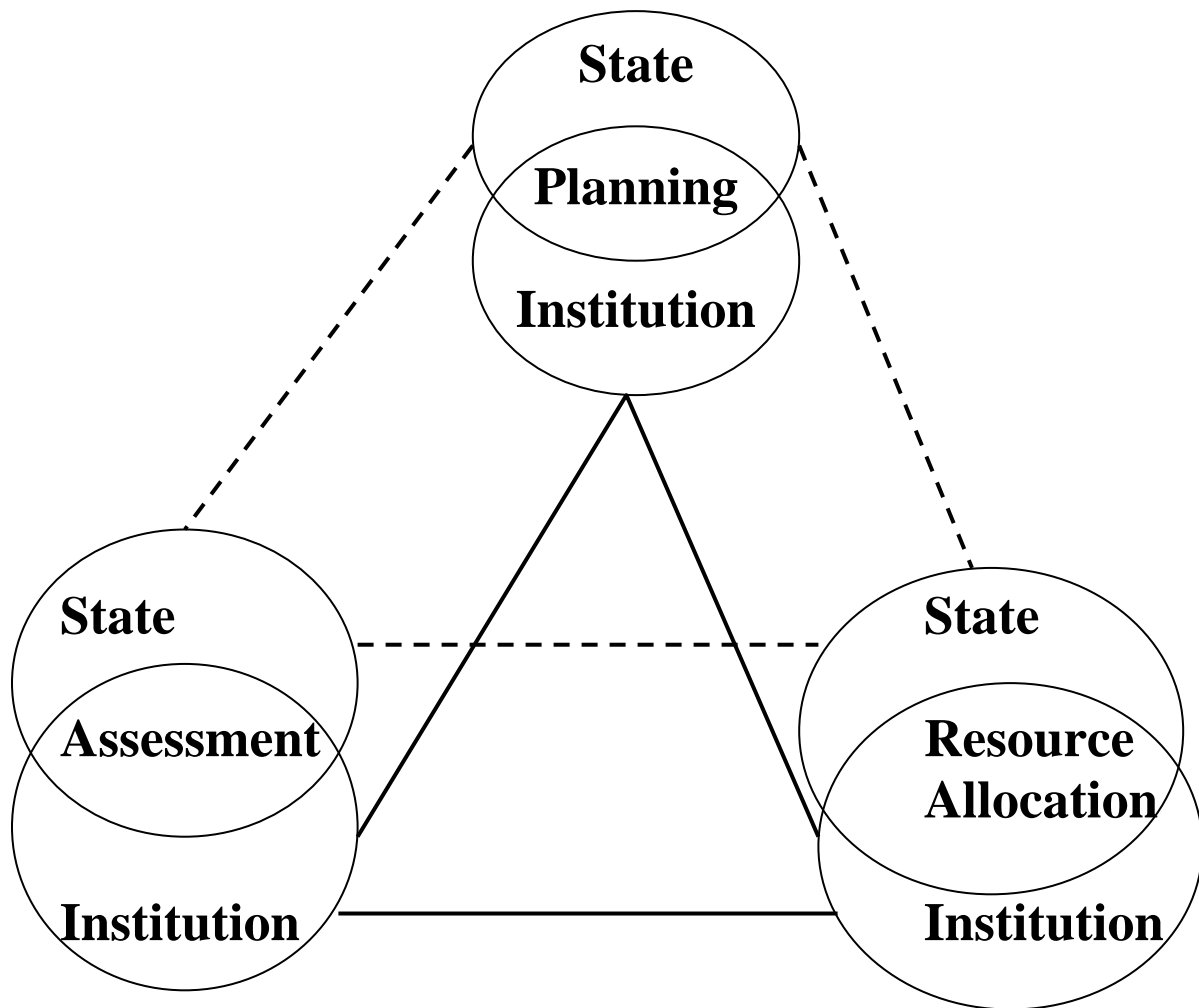
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MANAGEMENT CYCLE



Strategic Management – The allocation of resources to programmed activities calculated to achieve a set of goals.

THE MANAGEMENT CYCLE IN A PUBLIC INSTITUTION



PLANNING

Making *decisions* about organizational *priorities* that specify what changes in *intentions, competencies, or behaviors* the organization will pursue. It is the mechanism through which organizational values and methods of identifying them are affirmed.

NOTE:

- **Planning must result in *decisions*.**
- **It is fundamentally a *change process*.**

STRATEGIC DECISION AREAS

Basic Mission

Basic Purposes of the Enterprise and It's Guiding Principles for Behavior

Clientele

Target Audiences of the Institution

Program/Service Mix

Program Offerings and Priorities of the Institution

Comparative Advantage

“Differential Advantage” Sought Over Other Organizations Engaged in Similar Activities

Assets

Changes Needed in Human, Physical, Information or Intangible Assets of the Enterprise

Objectives

What the Organization Must Accomplish in Order to Move from the *Existing* to *Desired* State of Affairs

THE PRODUCT OF THE STRATEGIC PLANNING PROCESS—INSTITUTIONAL PRIORITIES/STRATEGIC THEMES

CHARACTERISTICS:

- **Are *Institutional* Issues—Cannot Be Addressed by a Single Unit**
- **Are Long-Term—Cannot Be Resolved in a Single Year**
- **Require Responses Through Basic Institutional Processes—Are not Programmatic “Add-Ons”**

EXAMPLES OF STRATEGIC THEMES

- **Develop a Stronger “Student-Centered” Approach**
- **Become More Responsive to Employer Needs**
- **Address the Particular Needs of Underserved Clients**
 - **Minorities**
 - **Geographically Remote Areas**
 - **Academically Poorly Prepared**
- **Improve Retention and Graduation Rates**

What Is BUDGETING?

Making *Decisions*

That Distribute *Resources*

To Enable *Action*

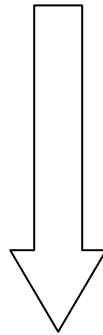
The budget Is the Device by which an Organization

- **Carries Out Its Plans**
- **Signals Its Priorities**

**It Is the Primary Mechanism Through Which
Positive Incentives for Change Can Be Created**

LINKING PLANNING AND BUDGETING IS SO DIFFICULT BECAUSE:

- **Planning Is Typically Conducted at the Strategic Level**
- **Budgeting Is Typically Focused at the Operational Level**



**We Need to Develop an Approach to Strategic
Budgeting**

**STRATEGIC DECISIONS FOCUS ON
THE CREATION AND
MAINTENANCE OF
INSTITUTIONAL CAPACITY**

**Operational Decisions Focus On The Utilization Of
That Capacity In Ways Designed To Accomplish
Specified Purposes**

THE FOCUS OF BUDGET DECISIONS

Assets

- **What Kinds Will We Have/Own?**
- **In What Quantities/How Many?**
- **Of What Quality?**
- **At What Price?**
- **What Are Assumptions About Levels of Utilization?**

Consumables (Utilities, Insurance, Supplies, Etc.)

- **In What Quantities?**
- **At What Prices?**

Revenues

- **In What Amounts?**
- **From Which Sources?**

Allocation

- **To Which Units?**
- **To What Ends? (the Basis of Accountability)**

ONE SET OF TRADE-OFFS

	Quantity	Quality	Utilization	Unit Cost	Total Cost \$	Total Rev \$	Revenues Sources
Assets							Tuition
Personnel							Appropriations
Facilities							Govt. Grants
Equipment							Private Gifts
Collections							Endowment
Students							Sales & Services
Finances							Other
Program							Reserves
						=	
Consumables							
Services							
Supplies							
Utilities							
Contingency							
New Initiatives							

A SECOND SET OF TRADE-OFFS

	Assets Personnel...Equipment...Etc.	Consumables
Organizational Units		
College A		
Dept. 1		
Dept. 2		
.		
.		
.		
College B		
Dept. 10		
Dept. 11		
.		
.		
.		
Administrative Units		

In Order that the budget Respond to the Responsibilities of Institutional Leaders and Link to the Strategic Plan, It Is Suggested that

1. The Budget Be Given a Structure that Explicitly Reflects the Areas of Responsibility of Strategic Level Decisionmakers-That It Contain the Following Components

- **Base/Continuation-the Status Quo Adjusted for Price Changes**
- **Strategic Initiatives**
- **Contingency**
- **Asset Maintenance**
- **Asset Creation/Deletion – Intentional Changes in the Asset Structure**

2. The Budget Process Require Guidelines to Be Established Around Each Component Prior to Initiating Unit Level budget-Building

TO EVALUATE THE BUDGET, ASK QUESTIONS

- **About Changes in the Asset Structure**
 - **How will staffing patterns change?**
 - **How will materials acquisitions be affected?**
 - **How will the stock of equipment change?**

- **About Asset Maintenance**
 - **What is relationship between expenditures on renovation and renewal of plant and the replacement value of plant?**
 - **What is rate of replacement of equipment?**
 - **What is the ratio of personnel development to compensation?**
 - **What is trend in expenditures on curriculum development?**
 - **What level of financial reserves is being maintained?**

- **How effective is the investment in student financial aid?**

TO EVALUATE THE BUDGET, ASK QUESTIONS

- **About the Consequences of Resource Utilization**
 - **What is the evidence that the state/system priorities are being achieved?**
 - **What is the evidence that the institutional priorities are being achieved? That the institution is fulfilling its mission?**
- **About the Contingency Fund**
 - **How Large Is the Contingency Fund Relative to the Operating Budget?**

