

Fostering financial accountability among academics - Small steps become leaps of faith, responsibility

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One of the challenges many college administrators face is how to strengthen a sense of financial accountability in academics who generally do not use the bottom line to define success.

Department chairs and deans tend to focus on academic accomplishments. They may note that their department budgets are comprised largely of salary line items over which they have little control, and view themselves as having only minor roles in budget oversight.

On the other hand, budgets are a constant concern to presidents and chief financial officers who are laboring to sustain the fiscal health of their institutions. They feel those concerns could better be addressed if academics would share them.

Both sides addressed the issue during a recent meeting of the CFO Think Tank of the New England Resource Center for Higher Education. The Resource Center, housed at the University of Massachusetts, provides ongoing collaborative opportunities for college and university officials from throughout New England to strengthen higher education.

The reality, according to that discussion, is that neither academics nor administrators fully understand the motivations and pressures on the other and neither has much interest in delving into the other's concerns.

As evidenced in recent publications, the separation between academics and administrators exists in most institutions of higher education.

Josef Martin, a seasoned academic, typified the academic point of view in his book "To Rise Above Principle: The Memoirs of an Unreconstructed Dean," saying that many non-academic university managers "genuinely do not care about the academic

side of things...they don't understand what it takes to make an environment intellectually attractive, and they do not accept that this has to be the top priority."

From the other perspective, a new book, "Leading Academic Change: Essential Roles for Department Chairs" by Anne F. Lucas and Associates, doesn't even mention budgets or resource allocation as issues.

Dissonance hinders progress

The two camps' not sharing each other's concerns isn't necessarily divisive, but it does little to strengthen either financial stability or institutional loyalty. At best, the separate points of view make creating the annual budget frustrating for all concerned; at worst, they give rise to the sort of gamesmanship that can lead to financial calamity.

At Rhode Island School of Design (RISD) in Providence, for example, academics unmoved by administrative cries of doom and gloom sometimes opened new courses and registered students before informing the administration that the courses had to be taught. At other times, they hired faculty for non-essential courses and then demanded more teachers to staff the required programs.

Those and other tactics allowed them to make annual end runs around the financial department, which had always maintained "hidden" surplus funds that saw the school through such maneuvers.

The situation finally changed when administrators at the private, 2,000-enrollment school used a combination of incentives, education, collaboration and honesty to begin turning things around.

Administrators met with academic financial managers for a department-by-department budget analysis that revealed college funding inadequacies as well as departmental overdrafts. Administrators also attended faculty meetings to explain how the overall college budget works and how each department's activities fit into that picture.

To curb overspending, the basis for allocating funds was changed and a new incentive system was established. In addition, the school increased division heads' salaries and decreased department heads' teaching loads to give them more time for administrative duties.

As a result, overspending has measurably decreased and campus collegiality has increased in the three years since the program was launched.

Beyond budget cuts

The situation was somewhat different at Salem State College in Salem, Mass., a public institution with about 8,500 students, but the results were similar.

State funding covers only collective bargaining positions, with tuition and fees providing about half of a \$60 million operating budget. Over 10 years, tuition and fees had decreased by 20 percent and the budget had dipped 21 percent below inflation.

Clearly, across-the-board budget cuts and freezes were no longer enough.

Like RISD, Salem State increased education, communication and participation among academic administrators.

Three years ago, the college established the Resource Allocation Committee, comprised of senior managers – including three deans – to help resolve the problems. Since then, non-personnel funds have been cut by 25 percent, budget controls have been tightened, mid-year reviews have been strengthened and a financial responsibility policy ensures that departments in danger of overspending are not allowed to do so.

The budget system is also open to inspection by all interested parties, meaning each department can compare its own budget with those of other disciplines – and the administration.

With the help of the Resource Allocation Committee, Salem State has reallocated \$5 million to accommodate needs in the last three years. Equally important, the budget is no longer the hottest topic of conversation on campus.

Progress continues at both schools as RISD prepares to implement new teaching units and Salem State re-examines its central business processes and evaluates a purchasing card pilot program, but the work already done has established a foundation for continued change.

RISD and Salem State illustrate the importance of several key factors in fostering financial accountability among academics:

- **Communication, communication, communication.** The worlds of business and academics are different and administrators must learn to

communicate effectively in both. That means discussing issues that are important to the audience in terms that are most meaningful to them – not necessarily to the speaker.

A budget director, for example, is likely to view the issue of class size from an economic perspective: what will it cost to run this classroom? Faculty members, on the other hand, are interested in how many students will be in which classes. Cost is tangential, except insofar as it requires them to defend a department salary line item.

There is mutual ground for discussion, but both sides will have to listen to find it.

- **Build trust through honesty.** There are some time-honored traditions that cannot be allowed to stand on any campus. One is the academic habit of turning a deaf ear to administrative claims of impending financial doom – which annually are viewed as false alarms when the institution manages to cover overruns.

Administrators must tell the truth, even when the truth involves “the elephant in the living room” types of topics that are contentious or uncomfortable. When such difficult subjects are not discussed, the evasiveness eventually weakens the whole organization.

In sharing facts, administrators are taking the first step toward negotiating valuable trade-offs.

- **Facilitate involvement.** Academics often become interested in the business of running a college or university if they are involved in that business. One way to promote such involvement is to establish a faculty budget committee to help academics air their concerns. Such committees should not make decisions, but they are excellent advisory resources that help spread the budget message as members discuss their work with other faculty.

In addition, an enlightened academic leadership can help answer budget questions as they come up, rather than referring all such queries to administrators.

- **Give power to get power.** When difficult decisions are necessary, allowing academics to make some of those decisions can build goodwill and trust – as well as help clarify the benefits of trade-offs. By presenting a full range of options – as in “we could raise tuition, OR we could reduce teaching units OR we could look more closely at class sizes” – and leaving the faculty to decide which is best, administrators encourage academic leadership as well as ensure that difficult choices are palatable.
- **Visibility counts.** The task of encouraging financial accountability begins with the president of the institution. He or she sets the agenda and tone of the discussion, and a president who never mentions the budget sends a message that the budget is unimportant. Communication must be open and ongoing, whether through memorandums discussing annual budget deliberations and potential ramifications or through individual evaluations that include assessment of budget management.

Administrators also should become more involved – and therefore more understanding – of academics and their concerns. A CFO, for example, could serve on an academic committee, attend faculty meetings or perhaps teach a course.

The process of building a sense of financial accountability throughout a college or university campus is a slow one. At times it involves simply airing concerns and establishing a dialogue rather than attempting to immediately resolve certain issues. Most important is that beleaguered administrators and harassed academics realize they are not distinct entities, but interlocking halves of the same whole.

Constant communication, honesty and involvement by both academics and their administrators are the stepping stones to trust between both sides. That trust will eventually bring fiscal stability to institutions where it has been absent for too long.