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Budgeting for Excellence in Challenging Financial Times

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Budget Cuts

Strike fear into our hearts

Our fear is not unfounded:

A  search for “strategic budget cuts” is dominated by university and education links!

So, what can you do?...

The key is *Strategic Budgeting*

Your strategic plan must drive your annual budget process directly

Pro-actively allocate resources to achieve your strategic vision, rather than by “history” or power struggles among sub-units

Don't let the tail wag the dog!

Make cuts *not* where they are easiest or most convenient, but rather where they truly need to be made



**Strategic
Plan**

**Budget
Cut \$**



Your *strategic plan* enables you to implement your mission

 Univ of Arizona Grad
College mission is
three-fold:

Advance
– *Promotion*

Advocate for graduate
education, diversity, integrity
interdisciplinarity and funding

Oversee – *Policies & Performance*

Manage and provide institutional assessment
support of program quality, curriculum & policies

Serve – *People, Processes & Programs*

Central admissions, degree progress and business services for
graduate students, faculty/staff, academic programs and administration

Cuts need to preserve foundations and
higher levels of your mission,
proportionally ... & surgically

Advance
– Promotion

Advocate for graduate
education, diversity, inter-
disciplinarity and funding

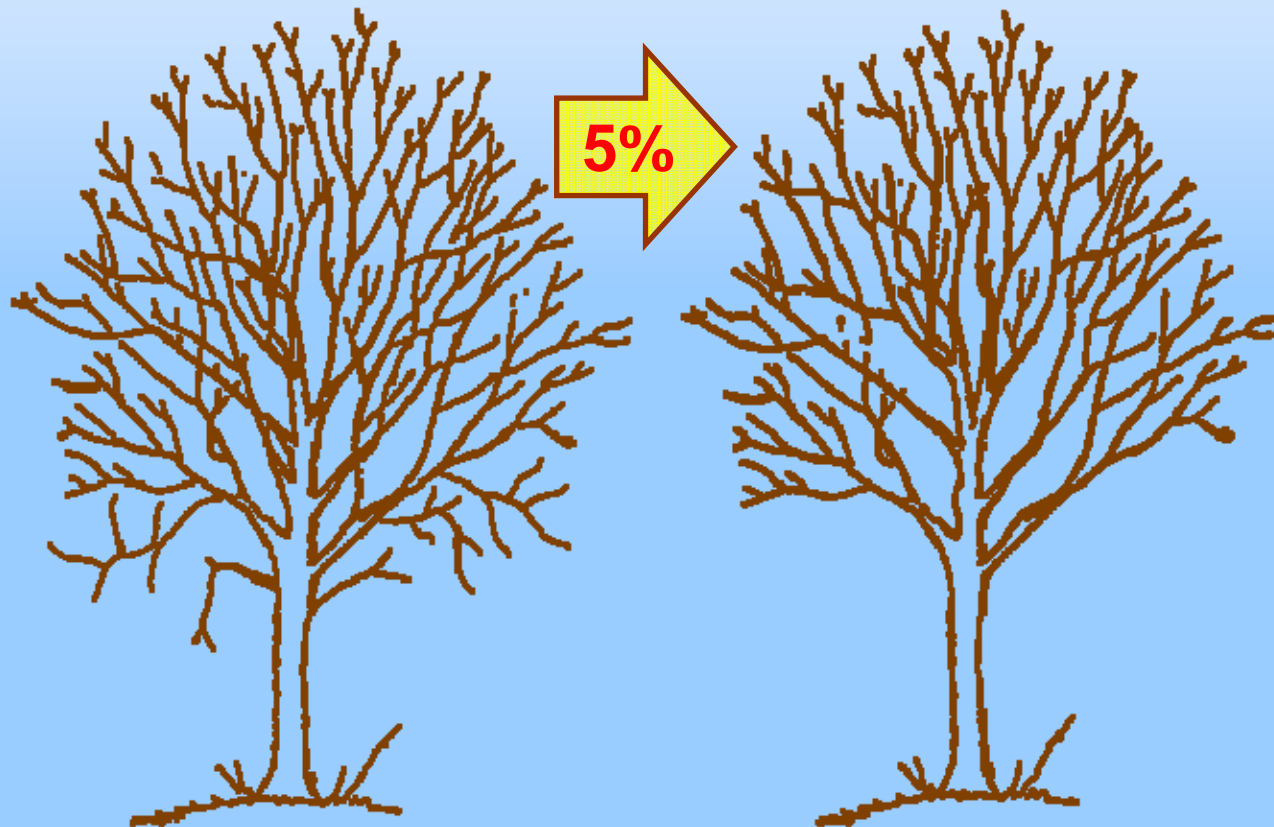
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Serve – People, Processes & Programs

Central admissions, degree progress and business services for
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My preferred metaphor is *Pruning*, which improves your position for future growth



You will likely need to take actions with
short-term and long-term outcomes

Some of those changes may be very tough
to make, so...

“Never let a good crisis go to waste”

- Rahm Emanuel

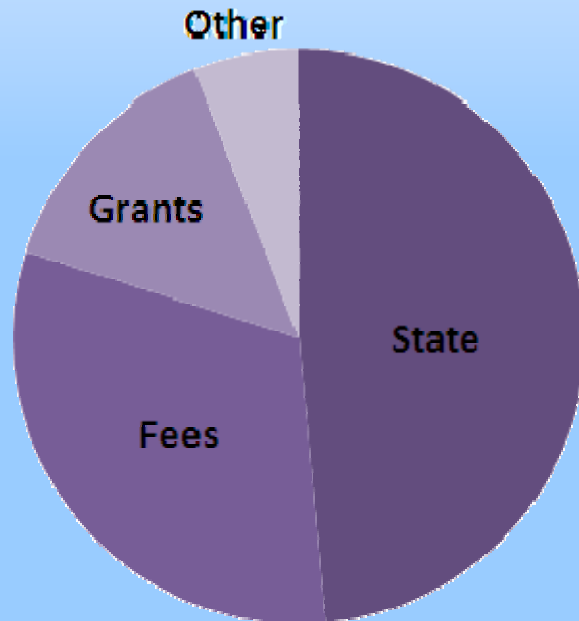
Make tough changes now
that are difficult to do in
better budget times



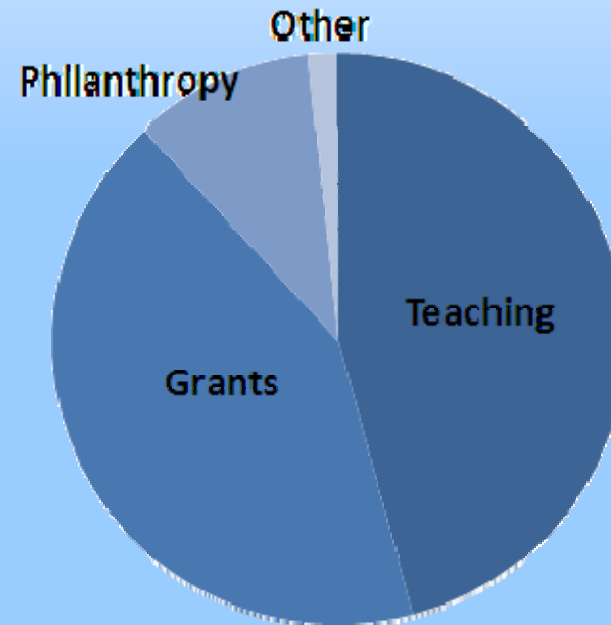
<http://www.noquarterusa.net/blog/wp-content/uploads/2008/12/rahm-emanuel-120707.jpg>

Grow & Diversify Your Revenue Portfolio

Personnel & Operations



Student
Support

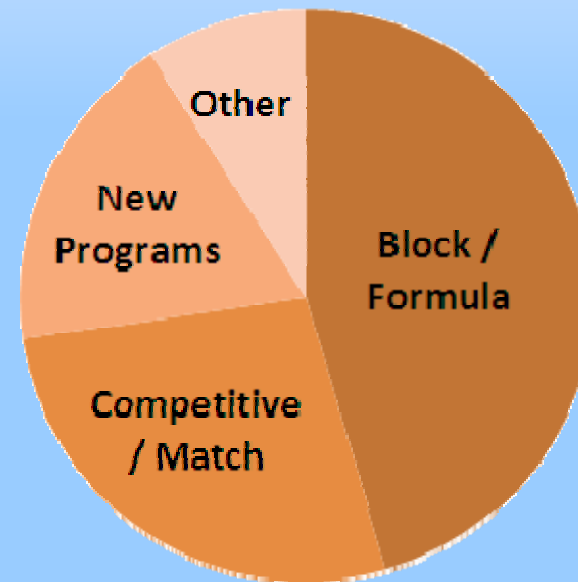


Shrink & Reallocate Your Expenditures

Personnel & Operations



Student Support



Do Things Differently

Cannot simply adjust income/expenses
and keep doing the same work

Change what you do so there is less
work overall – system efficiency

Streamline processes:

- Stop doing some things
- Reduce # steps
- Minimize # people in chain
- Keep only essential elements



<http://blog.smu.edu/forum/system-cogs.jpg>

UA Examples:

~25% total cut to state \$ in last 2 years

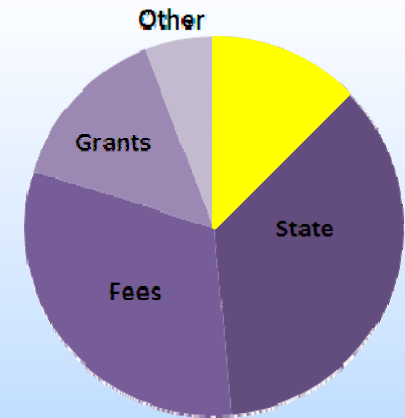
1. Longer-term actions:

• **Personnel & Operations:**

- Anticipated state cuts, increased income (application fees)
- Shifted to more use of IT tools (online services)
- Modified policy and procedures to streamline workflow (timing of forms and signatures, exam rules/response, expiry dates, etc.)
- Obtain grants to fund fellowship/diversity activities and staff (Sloan, MARC, IMSD, etc.)

• **Student Support:**

- Redesign internal funding approach (more competitive/strategic)
- Increase philanthropy (expand development activity)
- Seed more extramural funding applications (tuition waivers)



2. Shorter-term actions:

- **Personnel & operations:**

- Several employee lay-offs plus fortuitous attrition (total ~12% of staff)
- Admissions area now has 30% fewer staff, but close attention to procedures, workflow and IT tools has reduced Spring peak admission processing time from 6 weeks to 4 days
- Added(!) an IT position
- Changed TA contract oversight from 100% scan to a compliance expectation policy with spot-checks (reduction from 2 to 1 staff)
- Reorganize interdisciplinary program admin (core business services)

- **Student Support:**

- Grad program assessment to rate and prioritize programs explicitly (comprehensive, ~3 months, with academic deans)
- Closed/merged small programs with Provost
- Initiate high-end fellowships for leading programs

Making It Happen

- Strategize & Assess, then Act

“Ready, Aim, Fire” **not** “Ready, Fire, Aim”



Strategize

- Strategic planning, not just budgeting
- Targeted cuts and reallocations, not across-the-board
- Strategy vs. tactics: Focus not on “losing the battle” (tactical budget cut) but on “winning the war” (strategic vision at multiple budget levels)
- IT additions will pay off in the medium/long term (tools/efficiency)

Assess

Nature of the cuts:

- One time or permanent base?
- Amount, timing, approach (crisis, speed-bump, reorg?)

Communications (to upper admin and to staff)

Your information needs:

- Students, Operations, Employees, Financial

Who is laid off?

- Often, your strategic weakest link is an underperformer
- Are you “managing around” someone? (“Hired for skills, fired for attitude”)



Refs:

David Maddox, 1999, Budgeting for Not-For-Profit Organizations, Wiley

Richard D. Irwin, 1995, <http://www.csuchico.edu/mgmt/strategy/module1/>

Use Scenarios

- Try 5-10-15%, use the high ones to force you to set priority areas/people
- Break out of “current” thinking, try an exercise:

Exercise: Radical Strategic Budgeting

1. *Imagine your “ideal” configuration of staff and resources. Think big and bold, aiming for excellence.*
2. *Now imagine a drastic cut, say 50%. In terms of staff and resources, what would you still do? What would you not do?*
3. *Take that plan, map it onto your ideal plan, and selectively add in some of the new things you really need to do.*

Even if you have to make deep cuts, the pillars of your strategic plan will support your success

