IN HARMONY

An institution's fiscal success requires a bold and forward-thinking culture that helps campus leaders synchronize budgetary decisions with the strategic plan.

By Joanne Brunn

Most higher education institutions understand the importance of strategic budgeting for long-term viability, but achieving it is often an uphill battle. This struggle is largely due to the culture shift that must first take place in order for strategic thinking to become an integral part of the budgetary process. A budget process that ignores the institutional message and mission has no hope of earning a passing grade.

Cheryl Warner, controller at Northwood University (NU), Midland, Mich., has been part of the Northwood family since her undergraduate days. Throughout her more than 30 years with the university—in various accounting, budgeting, and instructor roles—Warner has championed the importance of transforming NU's budget from a disjointed, once-a-year task to a fully integrated process that keeps pace with institutional goals.

"In today's tough economy, Northwood's budget has been under more scrutiny than ever," says Warner. "This necessitates thoughtful planning to ensure that our budget matches up with our goals. I strongly believe that budgeting to strategy is the best way to ensure success, and bringing everyone together to accomplish this takes persistent and significant effort."

Warner asserts that strategic budgeting has in fact become a prerequisite for effective financial administration in the higher education sector. Institutions like NU have turned attention toward initiatives related to student retention, academic expansion, program optimization, and IT upgrades. New strategies like these are imperative for sustainability—and fiscal success requires a forward-thinking culture that values the critical importance of making monetary decisions based on how well they mesh with the strategic plan.

What Needs to Shift?

If you ask Warner and her peers, Dan Brent, vice president of finance and operations at William James College (WJC), Newton, Mass.; and Lloyd Ricketts, vice president and treasurer at The College of New Jersey (TCNJ), Ewing, they all heartily agree on the importance of intertwining strategy with financial planning—and they have firsthand experience making it work. In recent years, all three have worked with other leaders at their respective institutions to foster a philosophy that moves budgetary planning to the forefront, in synchronous step with university strategy.

"Building a strategic budget involves careful planning and close attention to detail," says Brent. "Budget holders and leadership must be prepared to monitor and make adjustments throughout the budget cycle. We've learned that everyone has to be on board, because timely collaboration among finance, leadership, and department heads is essential."
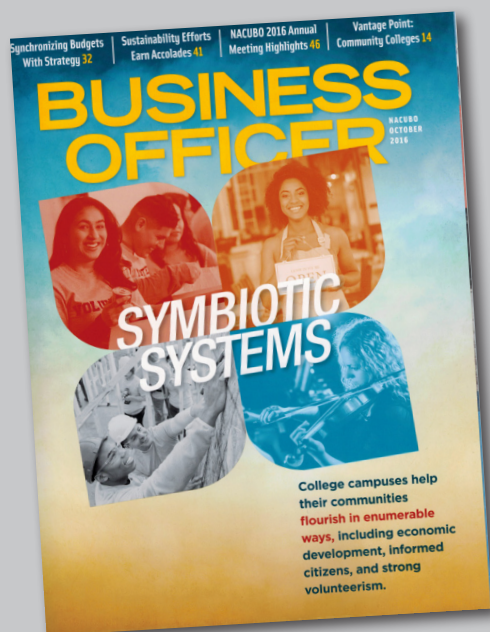
Embracing new systems is never easy. Here are five keys to a shift in institutional culture that Brent has found to be instrumental in WJC's budgetary transformation:

Evaluate your current budgeting solution. Do both the budget managers and the finance team find your current process effective for frequent planning, forecasting, reporting, and progress assessment? (See sidebar, "Ask These 10 Questions," for Brent's tips on evaluating your institution's budget tools and selecting more effective budgeting software, if necessary.)

Build your budget with clarity of purpose. Instead of simply "cutting and pasting" a budget based on last year's numbers, build your budget around specific forward-thinking goals. In the case of William James College, a name change in 2014 from the Massachusetts School of Professional Psychology indicated the institution's growth to the size of a small college and served as a catalyst for embarking on a number of strategic initiatives to set the course for the school's

Forecasting Based on the Facts

Dan Brent, vice president of finance and operations, discusses the importance of forecasting for turning an institution's financial guessing games into a more precise exercise in fiscal planning.

Challenge: Over the past decade, WJC has experienced significant growth. Our student population has doubled to about 750 students, and our budget has nearly tripled, from $9 million to $26 million. WJC's recent move to a more spacious facility in Newton, Mass., has precipitated many fiscal obligations, such as renovation financing, bank covenants, and a lease-to-purchase option that was recently exercised.

At the same time, we've added several masters programs—some online, some with blended curriculum—all with different pricing structures, credit requirements, and financial variables. We've felt pressure to bank as many funds as possible for our building purchase, while increasing operations to keep up with institutional growth.

Approximately one-third of our revenue comes from our incoming class, and while we budget for certain enrollment targets, the actuals can be much, much different depending on economic factors and attrition rates. At WJC, we begin budgeting projections in November, prior to the start of our next fiscal year the following June. But we don't have solid enrollment numbers; we don't know the mix of programs; and we can't determine how many faculty we will hire until the

following September, 10 months after our initial projections. All these variables necessitate a frequent forecasting process, to give us a clear picture of our bottom line throughout the year.

Solution: Because we were using spreadsheets for budgeting, forecasting involved hours of paperwork and guesswork. We would print out revenue, payroll, benefits, supplies, utilities, and other budget data from our accounting systems, and three or four finance members would sit down together with all these pieces of paper strewn across the table, trying to come up with an accurate assessment. When we merged all the data back into a single spreadsheet, one bad click or one bad formula muddled the whole forecast. While this may have been a workable process when we were a smaller school with just one doctorate program, our institutional growth necessitated more precise fiscal planning, and we decided to invest in a purpose-built budgeting solution with integrated forecasting capabilities.

Results: With our new system, everything we need can be found in a single location, which makes forecasting very

WILLIAM JAMES COLLEGE

Largest private graduate psychology institution in New England

STUDENTS: 750
EMPLOYEES: 250
BUDGET HOLDERS: 30
ANNUAL BUDGET: $26 million

efficient. All the controls are built in, and the system houses data for all our employee and cost centers. We can go back and look at notes we've put in the system, and we can create reports and drill down to specific areas. If we want information on, say, professional development expenses in the registrar's office, we easily can view recent forecasts, last year's actuals, and fiscal numbers to date. The system allows us to accurately budget and forecast for strategic imperatives, such as financing our new building and growing our program offerings. Forecasts that used to take three days now take only three hours. And because we do multiple forecasts throughout the year, the combined time savings have been huge.

evolving brand, which reflects its educational philosophy and its commitment to provide critical services to the community.

Assemble an accurate financial framework. Incorporate past, present, and future issues for a more realistic and precise look at the larger financial picture.

Communicate the strategy to all of your constituents. Help individual budget holders understand their specific roles in bringing the strategic plan to fruition within the boundaries of the budget.

Keep strategic goals at the forefront. Strategy is important not only for initial planning and allocation, but for all budgetary phases throughout the year.

How Else Do We Make the Culture Shift?

In the move to better budgeting, it's helpful for you and your team to identify the obstacles you may encounter along the way. (See sidebar, "Avoiding Bumps in the Road.")

Motivated leaders like Ricketts, Warner, and Brent have uncovered additional strategies that have eased the transition from a traditional budgeting culture to an integrated, strategic approach:

Communication is crucial. As Brent noted earlier, building and executing a budget is much more than a financial process; it requires deliberate work to create a culture of open communication among leadership, all individuals with budget authority, and the various departments. These interchanges keep the conversation going throughout the fiscal year. Open communication helps build trust and support across your institution; it will also mitigate misunderstandings and keep employees informed and engaged, for example, in the wake of necessary budget reductions.

"Knowledge is power," says Ricketts. "Having a solid strategic plan is

Engaging Budget Managers in the Process

Cheryl Warner, controller at Northwood University, explains the importance of engaging and empowering each and every one of the university's more than 80 budget managers.

Challenge: Not everyone does budgeting for a living. The reality is that budget managers wear other hats first—those of administrators, faculty, coaches—and we are there to support them. Unfortunately, because of inflexible or cumbersome budgetary processes, finance teams often resort to micromanaging, resulting in a budgetary culture of disempowerment.

For many years, this struggle was Northwood's reality. Our homegrown Excel-based spreadsheets made the annual budgeting process very frustrating for our users. I remember how challenging it was for faculty and staff, including Northwood's head football coach. Because of his role at the university, he was looking at a computer screen only for game stats and playbooks. Like many others, he was not comfortable with Excel formulas, so budgeting was a very unpleasant experience with lots of back-and-forth, errors, and corrections. He and I were spending days on his athletic budget. And he was just one of the more than 80 nonfinancial budget managers with whom I work.

Solution: In 2010, Northwood leadership made a pivotal decision to move from spreadsheets to budgeting software, to make it easier for people to build their budgets, track their progress, and work towards university goals. Budget managers such as the football coach who used to rely on me for everything related to the athletic budget have become very self-sufficient with this new software. Now they can go online and

Private university in Midland, Mich.
STUDENTS: 6,800
EMPLOYEES: 843
BUDGET HOLDERS: 80
ANNUAL BUDGET: $58 million

complete a budget on their own, usually in two hours or less, because they have all the supporting details right within the system, without searching for it. They are becoming more sophisticated system users who can do more with the data because they understand how to access the information they need. For the first time, they manage their own monthly forecasts, which also increases accountability.

Results: In March 2015, we launched a major systemwide restructuring called "Moving Northwood University Forward," which concentrated on moving to a single-campus model at our residential campus in Midland, Mich. This involved investments in academic and facility enhancements, such as new student housing, new graduate school buildings, international partnership growth, and expansion of several degree programs.

The real testament to the process is that, throughout this restructuring, budget managers are using the budgeting system frequently to keep close track of department-specific details. This high level of engagement has positively influenced the success of our restructuring initiative and has dramatically increased our ability to use the budget as a tool for campuswide strategic planning.

Successful communication around the budget process helps your institution engage its budget managers.

important, but ensuring that each department understands its part in fulfilling that plan is imperative. Not only have we made it a priority to keep stakeholders abreast of the current strategy, we also have a specific protocol for submitting funding requests for strategic initiatives, and we ask people to document their justification of how each request aligns with specific strategic goals. In making funding requests, our budget managers know that the more details they include that are linked to strategic priorities, the more likely we are to advance their requests. This protocol has dramatically improved communication and our strategic resource allocation capabilities."

Engage your participants. Successful communication around the budget process helps your institution engage its budget managers. Engaged employees are more loyal and committed, and they often work harder to improve the bottom line. Numerous studies show that employee engagement is an important predictor of future financial performance. For example, Gallup's 2013 *State of the American Workforce* study demonstrates that companies in the top quartile for employee engagement exhibited 21 percent higher productivity and 22 percent higher profitability.

How do you foster engagement? Dale Carnegie and MSW Research conducted a 2012 study (*What Drives Employee Engagement and Why It Matters*) of more than 1,500 employees to discover what creates engaged employees. The study outcomes present senior leadership with five tips for increasing engagement—including the creation of a caring environment based on good communication—all of which directly apply to effective strategic budgeting:

Articulate a clear vision to all employees. Encourage employees to communicate openly and influence your institution's vision through their input.

Ensure that direct managers are fostering healthy relationships with their employees. Continuously demonstrate that employees have an impact on their work environment. Show employees that they are valued as true contributors, giving them a sense of empowerment. "For many institutions, one of the biggest budgeting hurdles is engaging the budget managers," says Warner. "People are busy, and budgets often get left until the last minute—or forgotten completely, until finance comes knocking. We've found that including budget holders in strategic conversations and giving them tools to make the budgeting process quicker and easier has increased their willingness to participate. As a case in point, when we gave our athletic coaches a solution that felt as engaging as their playbook software, participation went up across the board."

Encourage collaboration. If athletic coaches, human resources, admissions, and faculty are encouraged to work in teams, why is budgeting often such an isolated exercise? The truth is that no one can budget in a vacuum, and a successful strategic budget involves teamwork. Genuine collaboration means combining the knowledge of all the experts to achieve a common purpose that will benefit the whole. Your budget managers are the experts in their respective domains, and, as a team, they have a lot to offer.

"Informal conversations and team meetings are an excellent way to encourage collaborative budgeting, but the reality is that people don't always have the time to connect in person," says Ricketts. "And e-mail threads can get out of control pretty quickly, especially when you are attaching

multiple iterations of budget spreadsheets. I'm a big proponent of cloud-based collaboration tools, which provide a cost-effective, quickly implementable alternative to on-site software and enable institutions to securely store and quickly access documents and communications online. At TCNJ, we use a variety of cloud systems, including cloud-based budgeting software that makes collaboration easier—budget managers can use the software to record their work online so that budget supervisors can comment, ask questions, or give suggestions at their convenience. This adds up to better teamwork and a well-planned budget."

Build ownership and accountability. The best way for the finance department to get the essential information it needs is by

A Better Budget in the Cloud

Lloyd Ricketts, vice president and treasurer at The College of New Jersey, shares how a cloud-based budgeting system has improved communication within his institution, leading to increased campuswide ownership and a more accurate budget.

Challenge: Salaries and fringe benefits make up 63 percent of our operating budget, so it is quite an impactful problem when the projections are not realistic. Every year, the state of New Jersey requires us to produce a detailed salary budget, and our centralized, spreadsheet-based budgeting system has made the process extremely cumbersome. With no way to efficiently provide detailed departmental salary overviews for budget holder review, getting well-informed input from budget managers has been a real challenge. Our finance team has spent countless hours creating spreadsheets and distributing them via e-mail, fielding issues from budget holders, then collecting and reconciling; it has taken a lot of effort with great potential for user error.

Solution: Over the past few years, TCNJ has begun shifting toward a more holistic budgetary approach that ties budget allocation to strategic priorities, while engaging the campus in planning, through collaborative efforts and incentives. As part of this shift, we have invested in a cloud-based budgeting system with a guided interface that gives our people an easier way to create their budgets, review historical data, and make requests tied to specific strategic initiatives. The beauty of the cloud is that TCNJ's past and present budgets and actuals are stored online, with controlled user-level access that mitigates security concerns related to which individuals see particular data—and gives the finance office an easy way to communicate down the line without e-mail threads, phone calls, or extra legwork.

TCNJ
THE COLLEGE OF NEW JERSEY

Public residential undergraduate college in Ewing Township, N.J.
FULL-TIME STUDENTS: 7,000
STAFF: 1,000 FT/PT employees, including 300 faculty
BUDGET HOLDERS: 100
ANNUAL BUDGET: $230 million

We have achieved significant improvements in the transparency, communication, and accuracy of our salary planning.

Results: We have achieved significant improvements in the transparency, communication, and accuracy of our salary planning. It gives finance a simple way to present detailed salary data for departmental review, so we can quickly collect critical information. For example, are the employees listed under a department's budget still part of that division, or have they moved on? This system keeps everyone accountable. Department heads can see fringe costs associated with salaries (many are surprised to discover that "fringe" is often 50 percent of an employee's cost). They are also able to quickly determine the budget impact of adding more FTEs to their group. Decisions are much more informed.

Enhanced salary planning is just one of the many positive aspects we've experienced. Another benefit, which has been a testament to the growth of our institutional culture, is that our people feel more in charge of their budgets. They have all the details they need to make educated decisions, and they don't have to rely on finance every step of the way. Not only have the time-saving capabilities of this system been remarkable (we've cut the entire budget process from three months to fewer than 30 days), the high level of user independence has resulted in unexpected cost savings. With the departure of a few finance team members, we were able to restructure the department without hiring replacements, reallocating those salary dollars toward new institutional strategic initiatives—and all because our budget holders are able to do a lot more on their own.

If I were to offer one piece of budgeting advice to finance executives, it would be this: Engage your user base. The finance folks can figure out just about any system. But if we can get our casual users to embrace the process, then half of our job is done.

inspiring budget managers to fully invest in the process by "owning" their numbers.

Another important consideration is an institution's willingness to give budget holders explicit ownership over multiple facets of the budget process. Brent gives an example from WJC: "We've been able to increase ownership by providing budget holders with the tools to make their own updates and run their own reports," says Brent. "People don't have to rely on finance for their every move, so they feel more empowered and accountable. It shifts a portion of the responsibility to the people who are actually spending the money—and when people are more accountable, the accuracy of their numbers improves."

An additional strategy for increasing accountability is the concept of budgetary transparency—the ability to easily access numbers, justification, and progress reports for a clear picture of the current state of the budget. When budget holders know that leadership can (and will) be checking in on their progress throughout the budgetary cycle, they are more likely to put in their best effort. In this way, transparency builds accountability and keeps everyone on target with strategic goals.

Inspire innovation. Ownership, along with engagement and empowerment, leads to innovation. Budget holders who are included in the strategic planning process, and are encouraged to voice their thoughts and opinions, are more willing to risk thinking creatively. And many times, new ideas from faculty and staff lead to program improvements and cost savings that bring institutions closer to achieving their goals.

"When you commit to a strategic budgeting process, and you start spreading that type of thinking throughout the institution, budget managers begin thinking more strategically, too," says Warner. "I know department chairs who used to dread annual budgeting, who are now finding creative ways to cut costs and reallocate funds to accelerate the strategic plan. Motivate, inspire, and encourage your team—and you'll get the type of innovative thinking you need for

Avoiding Bumps in the Road

Being prepared for potential obstacles can help ease the transition to strategic budgeting. Here are suggestions for resolving seven common issues.

■ **Lagging participation?** Provide tools for convenient data entry and analysis. Budgeting systems can and should be as easy to use as the personal technology to which we've all grown accustomed.

■ **Lack of ownership?** Encourage everyone to include justification for their numbers. Research shows that budget managers who share their reasons for budgeting decisions are likely to feel more ownership in strategic objectives—even if their own budget ends up being cut.

■ **Low accountability?** Make transparency a priority. The understanding that everyone's numbers can be seen by leadership at any time keeps budget holders on target.

■ **Too many moving pieces?** Centralize your data. This allows for budget history to be easily maintained and accessed, which can be especially useful in the case of staff turnover.

■ **Not enough time?** Streamline your processes. Sitting down with 40 to 100 budgeting managers isn't time-effective. Look for tools to help you automate your time-consuming tasks.

■ **Misunderstandings?** Communicate status often. Frequent updates with leadership, board members, faculty, and staff will show everyone a clear view of progress—and room for improvement.

■ **Year-end surprises?** Budgeting must be treated as an ongoing process: Frequent forecasting allows for fresh assumptions and revisions to keep the numbers accurate based on the reality of the year.

success." Ricketts concludes: "While our overall strategic plan is to promote the distinctiveness of TCNJ's highly selective program, our foundational plan (and we are held accountable by our president and the board) involves the creation of a sustainable financial model. With reduced state funding and an unpredictable economy, a large portion of our foundational plan addresses the need for cost containment, and we are undertaking a campuswide initiative to engage faculty and staff in the formulation of innovative cost-savings measures. Our budgeting system is a vital piece of this process because it gives folks an accurate look at historical budgets compared to annual actuals, uncovering specific points of feasible cost-reduction and/or budget reallocation. Having access to reliable, visible data makes it easy for people to think creatively about cross-campus savings."

Higher education institutions across the nation are embracing the importance of a budgeting process that supports strategic goals, and are taking steps to

develop user-centric budgeting models that improve communication, transparency, and ownership. With the right mix of forward-looking culture and budgetary tools, institution leaders can work in harmony to achieve effective strategic budgeting and long-term sustainability.

William James College's Brent notes: "Strategic budgeting isn't a destination; it's a journey—one that requires ingenuity, dedication, flexibility, and sometimes revised instrumentation, as an institution grows and changes over time. With the positive outcomes we've experienced at William James College, I can say with great conviction that the journey and the collaborative effort are well worth it."

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