

INTEGRATION OF PLANNING, BUDGETING, AND EFFECTIVENESS

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ABSTRACT

Imagine an annual budget process where: (a) planning actually drives budgeting, (b) all organizational units develop zero-based budgets with item-by-item justification on-line through the Internet, (c) administrative review and approvals take place electronically, (d) real-time budget status reports are generated instantly, (e) budget analysis requires no paper forms or manual calculations, and (f) units and supervisors can enter revisions to proposed budgets to balance expenditures with projected revenues. Further imagine that all resulting resource allocations would be linked to specific college goals for later analysis of goal achievement and costs.

The online “Planning-Budgeting-Effectiveness System” at Southwest Tennessee Community College now performs all those functions (plus extensive support for unit planning and institutional effectiveness documentation) on a routine basis. The system is a proven, working model for fully integrating planning, budgeting, and evaluation processes at an institution of higher education. For FY03 budget preparations, the system reduced at least two weeks of processing time as well as eliminated human errors of transcription and data entry.

Introduction to the Organization

Southwest Tennessee Community College was formed July 1, 2000, by the consolidation of two existing state institutions of higher education: Shelby State Community College and State Technical Institute at Memphis. Southwest is a two-year public, open-access college offering associate degrees and certificate programs under the governance of the Tennessee Board of Regents. The institution serves approximately 12,000 credit students at two major campuses, five centers, and many other sites in the Memphis area.

Statement of the Problem/Initiative

Each former institution had distinctly different missions as well as different approaches to college planning, budgeting, and improving effectiveness. The processes were linked to only a limited extent. Consolidation created the opportunity to design altogether new management support systems, drawing upon the strengths of successful practices, including strong campus commitments to institutional effectiveness. Ultimately, three principles guided the development of a new planning system:

- **Evaluation should drive planning**
- **Planning should drive budgeting**
- **Principles of institutional effectiveness should drive college operations**

The new college needed to integrate planning fully with evaluation and budgeting as well as merge different planning, information, and financial systems. Additionally, the college needed more efficient tools for reporting its plans, achievements, and accountability for internal

and external purposes, such as college management, accreditation, performance funding, and governance.

Design of the Best Practice: Integration of Planning, Budgeting, and Effectiveness

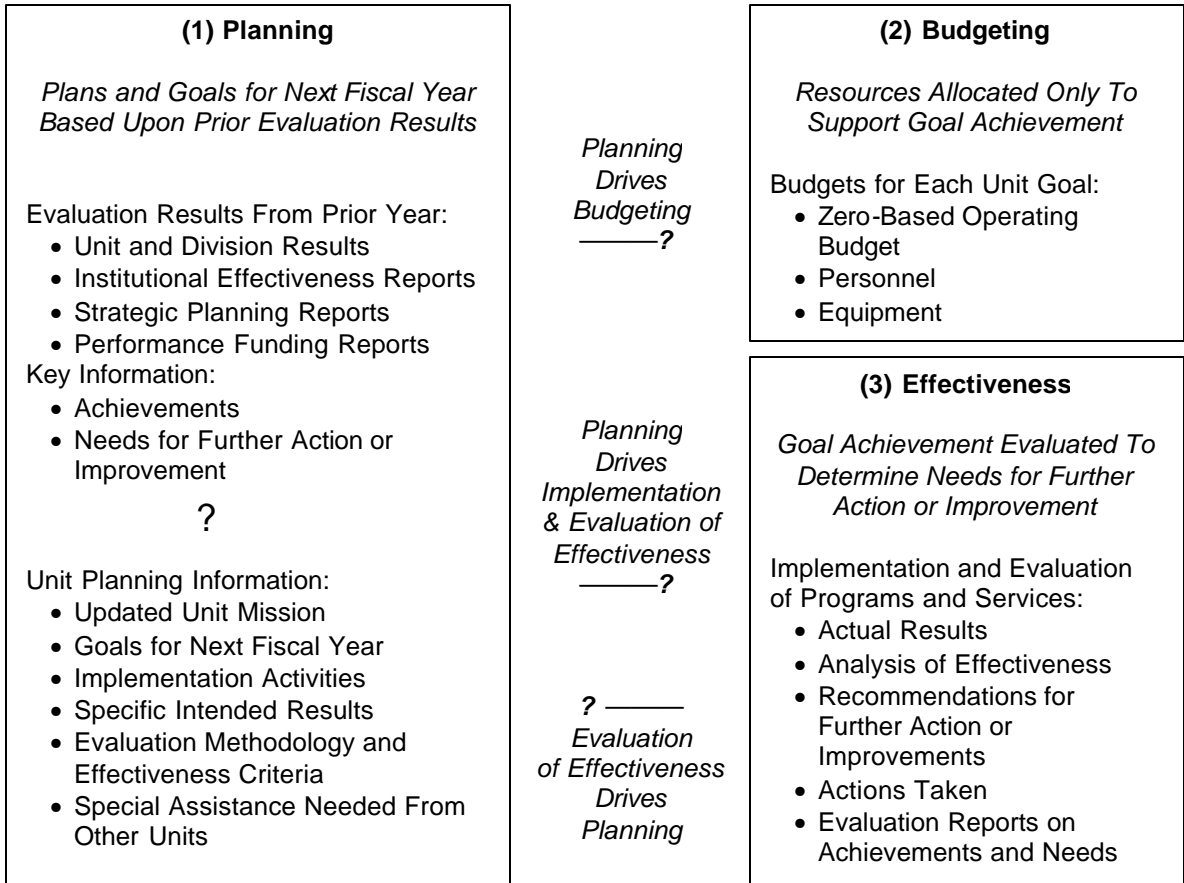
Integrating college planning, budgeting, and effectiveness processes required both procedural change and database development. Once both the conceptual process and the database system were prepared, every organizational unit of the college was able to plan, budget, and oversee annual activities through a centralized database on the college intranet. Automatic reports supported accountability to college management, the governing board, accrediting associations, and other agencies.

The framework for integrating the processes is shown below in Figure 1. The model requires that the right information be available at the right time to support each administrative process. Descriptions and schedules for the three major processes are presented below.

1. Develop Plans

Institutional level planning takes place each fall semester for the next fiscal year. The college's mission statement and strategic plan are reviewed in light of diverse college, community, and state conditions to determine any needs for changing the college's mission or plans. Strategic planning results, institutional effectiveness reviews, and other evaluations influence planning decisions. The college refines its strategic goals and translates them into priorities for action the next fiscal year. The annual priorities provide the framework for planning and budgeting for all college units.

Figure 1. Integration of Planning, Budgeting, and Effectiveness



Unit level planning takes place each spring semester as college units refine their mission statements and update goals in support of college priorities and the college’s mission and strategic plan. Every goal is made measurable through the specification of intended results and evaluation methods. The first goal for every unit must be its *principal mission goal*, representing the intended results of performing its routine operations and achieving its unit mission. Additional *special initiative goals* are optional, representing efforts to strengthen the unit or achieve institutional strategic goals.

Unit mission and goals are entered into an online college-wide database system that links unit, division, and college-level mission and goals. Administrative review and approval takes place online.

2. Allocate Budgets and Resources

Budgets are used to allocate resources in support of successful goal achievement. Budgeting is linked so fully with planning that budgets cannot be proposed unless annual goals and plans have been proposed first. All budgets are proposed on a goal-by-goal basis. All college budget requests are zero-based; all budget managers are required to anticipate and fully justify all budgetary needs for the new fiscal year.

After unit plans have been drafted and reviewed, units request the resources needed to achieve their unit goals. Collectively, all unit budgets should reflect the on-going, routine operating expenses required to achieve the unit's principal mission goal. If additional *special initiative goals* are proposed to strengthen the unit or achieve institutional strategic goals, funds or assistance may be requested at the unit's discretion.

Budgets are entered into the college database system by line item. All proposed items are available instantly for reports of unit, division, and college budget totals in terms of budget categories, organizational structure, and strategic goals.

During the institutional level review, college management approves unit plans and budgets within the context of college priorities and available resources. Approved plans must receive adequate resources for implementation. Where resources are not sufficient to support a goal fully, the goal and its scope of work must be modified. When all plans and resource

allocations have been approved, the fiscal year budgets are prepared and forwarded to the governing board for review and approval.

3. Improve Effectiveness

With the beginning of the new fiscal year, college management oversees the implementation and effectiveness of approved plans for the fiscal year. Units conduct their routine institutional effectiveness activities of documenting actual results, analyzing effectiveness, and recommending improvements. If departmental funds are not adequate to implement immediate action, a special Institutional Effectiveness Mini-Grant program provides moderate funds to ensure that minimal funds do not prevent small improvements from taking place.

All evaluation results and subsequent improvements are documented in the online database and linked to college goals and mission. College management reviews progress and results periodically through automatic reports. Annual reports to college management and external agencies are produced at the conclusion of each fiscal year for accountability and later planning purposes.

Implementation Through an Online College Database System

When the two colleges were consolidated, a multi-campus, ad-hoc committee developed a new model for planning, budgeting, and evaluation to serve the needs of the new, larger institution. Evaluation methods and cycles were revised to ensure that evaluation information would be available prior to annual strategic and operational planning. Planning cycles were established to ensure that college and departmental goals would be established before budget

plans were formulated. Budget cycles were designed to allocate resources towards the achievement of goals. The new cycles were integrated fully through the creation of an online “Planning-Effectiveness-Budgeting System.”

The fully integrated system was developed in several stages. First, a part-time contract programmer was employed to develop a process for updating and reporting database information via the Internet. Initiated in February 2001, the new system enabled college departments to propose fiscal year 2001-02 goals, evaluation methods, and operating budgets. During the next year, the system was expanded to include budgets for personnel, electronic approvals by administrators, and automatic summaries of budget requests.

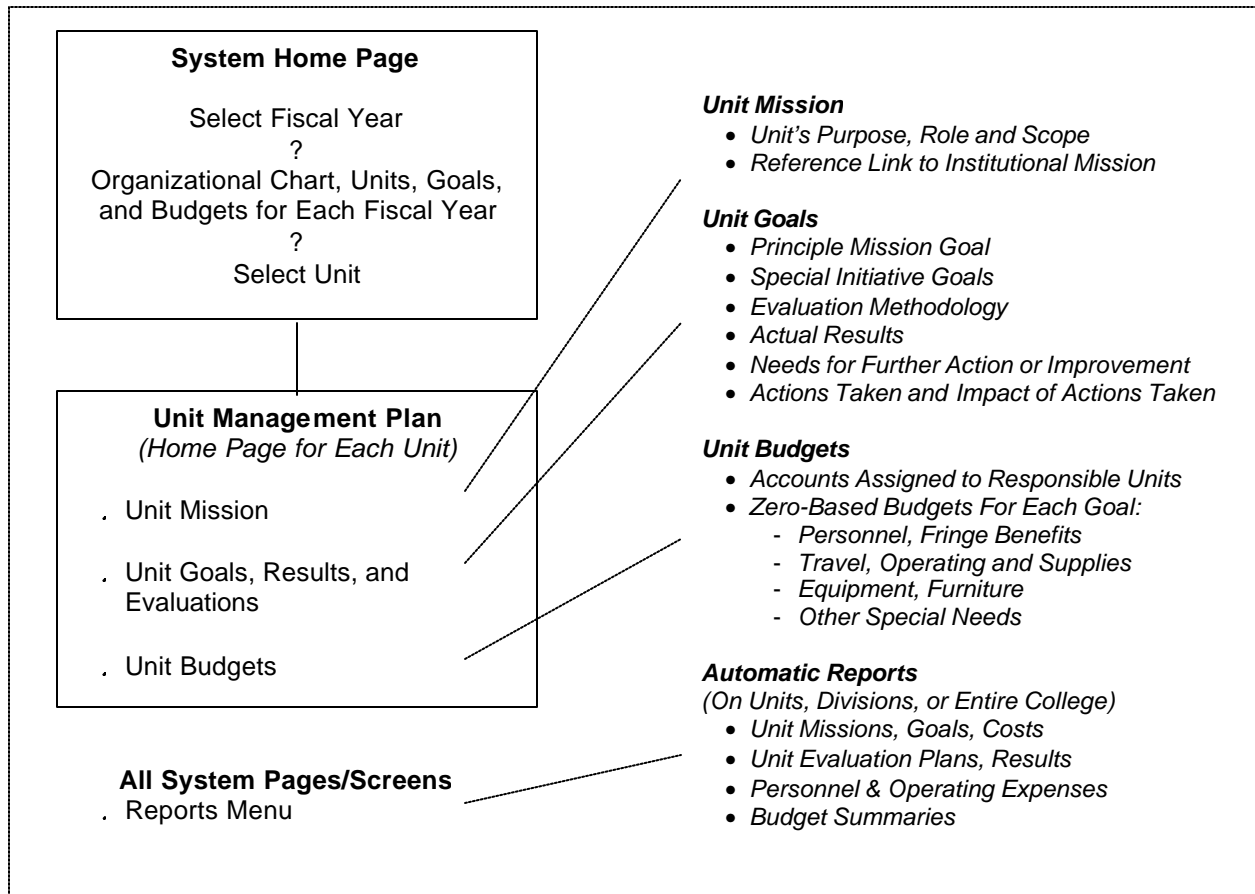
The system was designed for college-wide access and direct unit input. Using the technology of databases and modern web browsers, the system enabled users to view any unit information and produce reports at any organizational level that summarize plans, budgets, institutional effectiveness, or other information with just the click of a button. By entering proper passwords, organizational units at all levels developed annual management plans and administrators approved plans electronically.

The structure of the system is depicted in Figure 2 below. The *system home page* links users to unit information for any of at least three fiscal years. The *unit management plan* serves as the home page for each organizational unit of the college and offers a single location for developing, viewing, or updating key unit information each year. The *reports menu* produces real-time summaries of all system information.

The system is designed to operate separately from the college’s administrative data system for financial, student, and human resource records. Unit budgets are uploaded each May into the administrative data system for annual fiscal management purposes. Unit goals, plans,

and evaluations are maintained in the planning system for program management and institutional effectiveness purposes.

Figure 2. Planning/Effectiveness/Budgeting System



Benefits of the Integrated System

The Southwest Planning-Budgeting-Effectiveness System has already served practical and important purposes such as the following:

- Documented Institutional Effectiveness for FY 2000-01 and FY 2001-2002
- Prepared unit and divisional goals and assessment plans for FY 2002-2003
- Integrated Performance Funding Standards into the evaluation plan
- Prepared entire college operating budgets for two fiscal years
- Linked FY 03 budget directly to unit and college goals
- Provided budget managers with real-time budget request details and totals
- Automatically prepared institutional effectiveness documentation for the October 2002 regional accreditation site visit
- Automatically prepared key information for annual state strategic planning report

Retrospect

After completing five years of system development and two years of system use, the following factors were identified as especially important to consider:

- Broad-based participation in planning strengthened the development of the conceptual framework and the technological system.
- Key design elements of the system proved to be immensely successful: twenty-four hour access via the Internet and web browsers, instant links and downloads for key information, and menus of automatic reports at any organizational level.
- The college's Senior Staff should have been involved earlier and more fully in the planning process to facilitate system design, approval, implementation, and improvement.

- User training and a help desk were essential for both the initial implementation and continuing operation of the system.
- The use of in-house programmers (instead of external consultants) would have simplified the process of developing and maintaining system programming.
- The college should adhere closely to prescribed planning and budgeting calendars to reduce the difficulty of meeting external reporting deadlines.
- The system should have been implemented in simple stages instead of as a full-scale version with limited training time and a short implementation schedule.
- An annual forum offered a valuable critique of the system by the users.