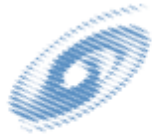


Unless otherwise noted, the content of this course material is licensed under a Creative Commons CC:BY-NC-SA 3.0 License.
<http://creativecommons.org/licenses/by-nc-sa/3.0/>

Copyright © 2009, Tiffany Veinot.

You assume all responsibility for use and potential liability associated with any use of the material. Material contains copyrighted content, used in accordance with U.S. law. Copyright holders of content included in this material should contact open.michigan@umich.edu with any questions, corrections, or clarifications regarding the use of content. The Regents of the University of Michigan do not license the use of third party content posted to this site unless such a license is specifically granted in connection with particular content. Users of content are responsible for their compliance with applicable law. Mention of specific products in this material solely represents the opinion of the speaker and does not represent an endorsement by the University of Michigan. For more information about how to cite these materials visit <http://michigan.educommons.net/about/terms-of-use>.

Any medical information in this material is intended to inform and educate and is not a tool for self-diagnosis or a replacement for medical evaluation, advice, diagnosis or treatment by a healthcare professional. You should speak to your physician or make an appointment to be seen if you have questions or concerns about this information or your medical condition. Viewer discretion is advised: Material may contain medical images that may be disturbing to some viewers.



SCHOOL OF INFORMATION
UNIVERSITY OF MICHIGAN

SI 626 – Management of Libraries and Information Services

Class Nine: Financial Management I - Budgeting



Overview

- Leadership.
- Budgets and budgeting.
 - Cost analysis.
- Conclusion.



Leadership

- Learning Objectives
 - To develop an understanding of theories and principles of leadership.
 - To promote critical thinking and reflexivity about library leadership.



Leadership

- What is leadership?
- Leadership traits and styles
- Decision making
- Why libraries need leadership



Leadership

- Mini-paper:
 - Think about a leader whom you admire and reflect on the following questions.
 - What makes her/him a good leader?
 - What personality traits does this leader seem to exhibit?
 - How would you describe his/her leadership style?
 - What impact has this person had on you (if any)?



Leadership

- What is leadership?
 - Behaviour in context
 - A role: power and vision
 - A relationship: leaders, followers
 - An experience
 - Shareable: can occur at various levels of an organization
 - Achievable: can be developed
 - A catalyst for change
 - A key factor in organizational success

Leadership

Management	Leadership
Coping with complexity: order, consistency	Coping with change: to help survive, compete
Planning and budgeting; implementation	Setting a direction – creates vision and strategies
Organization and staffing	Aligning people: communicating, credibility, empowerment
Administering, controlling and problem-solving	Motivating and inspiring: energy, human needs

(Kotter, 1990; Stueart & Moran, 2007)

Leadership

Management	Leadership
Asks: how and when?	Asks: what and why?
Qualities of the mind	Qualities of the soul
Focus: systems and structure	Focus: people
Short-range view	Long-range perspective
Does things right	Does the right thing

(Riggs, 2001)



Leadership traits & styles

- Traits
 - Personality – extraversion, conscientiousness, openness, neuroticism
 - Emotional intelligence – self-awareness, self-management, social awareness, social skill

(Goleman, 2000; O'Connor, 2007; Roberts & Rowley, 2008; Stueart & Moran, 2007)



Leadership traits & styles

- Behavioral Styles
 - Autocratic, democratic*, laissez-faire
 - Consideration-initiating structure
 - Production-centered, employee-centered*, mixed
 - Likert's Four Systems of Leadership:
 - 1) Exploitative-authoritative;
 - 2) Benevolent-authoritative;
 - 3) Consultative; and
 - 4) Participative

(Stueart & Moran, 2007)



Leadership traits & styles

- Behavioral Styles
 - Concerns re: productivity or human relations (Blake & Mouton's Leadership Grid):
 - Team Management (high-high)
 - Country Club Management (low-high)
 - Authority-Compliance (high-low)
 - Middle of the road (medium-medium)
 - Impoverished Management (low-low)
 - Transformational – transformation of self interest to that of organization vs. Transactional
 - “Post-heroic” – humility and will

(Stueart & Moran, 2007)



Leadership traits & styles

- Styles in context (Situational/contingency)
 - Contingency model with situational variables: Leader-member relations, task structure, power position combinations aligned with task-oriented and relationship-oriented styles
 - Path-goal theory: directive, supportive, participative and achievement-oriented leadership applied according to worker characteristics and environmental factors

(Stueart & Moran, 2007)



Decision making

- A leader's most important judgment calls:
 - People
 - Strategy
 - Responding to crises

(Tichy & Bennis, 2007)



Decision making

- Process model of decision making
 - Preparation
 - Sense and frame issue; align team members
 - Decision
 - Implementation
 - Never stop learning and adjusting – “redo loops”
- A leadership “storyline”.

(Tichy & Bennis, 2007)



Decision making

- Preparation
 - Ongoing and habitual – helps with early detection
 - Sensing issues
 - “Framing and naming” issues
 - Engage and energize stakeholders around the issue
 - Re-do loop

(Tichy & Bennis, 2007)



Decision making

- Decision
 - Clear decision, clearly explained
 - Re-do loops if needed

(Tichy & Bennis, 2007)



Decision making

- Implementation
 - Leader should stay involved
 - Mobilization of people, information and technology
 - Clear goals
 - Continuous feedback
 - Re-do loops

(Tichy & Bennis, 2007)



Decision making

- Example:
 - Strategic planning, partnership development, consultations.
 - Competitive funding call, with possibility of loss of funding.
 - New funding streams announced.
 - Other organizations plan to compete.
 - Do we submit funding proposals in new funding streams?



Why Leadership

- Why do we need leaders?
 - Your reflections



Why Leadership

- Why do we need leaders?
 - To anticipate or initiate change
 - To make things happen
 - To ensure competitiveness
 - To bring us together
 - To challenge us

(Kotter, 1990; Riggs, 2001; Stueart & Moran, 2007)



Why Leadership

- Need for library leadership
 - Technological change
 - Competitive environment
 - Flatter organizational structures
 - Complexity of challenges faced
- Challenges in library leadership
 - Demographics of profession (2002: 65% of US librarians 45+)
 - Professional literature and education
 - Systematic opportunity



Budgets & Budgeting

- Learning Objectives
 - To develop an understanding of theories and principles of budget preparation.
 - To develop skills in the budgeting functions in libraries and information services.
 - To promote critical thinking and reflexivity about the practice of budgeting.



Budgets

- A budget is a financial plan – a forecast of income and expenditures.
- A plan of action, with resources attached, for a given time period.
- Financial and operational service planning should be implemented in concert.

(Evans & Ward, 2007; Prentice, 2005; Stueart & Moran, 2007)

Budgets

- Budgets express goals and priorities through allocation of resources – a choice between alternatives.
- Budgets are communication tools within an organization.
- Budgets are also tools for monitoring and evaluation.

(Evans & Ward, 2007; Prentice, 2005; Stueart & Moran, 2007)



Budgets

- Types of budgets (1):
 - Operating – amount of money to be spent on activities in a given time (fiscal year).
 - Links to operational plan.
 - Capital
 - Large-scale, planned expenditures that will add value to the organization over multiple years.
 - e.g., buildings, land purchase, major new technologies.

(Evans & Ward, 2007; Prentice, 2005; Stueart & Moran, 2007)



Budgets

- Types of budgets (2):
 - Operating
 - Funds allocated annually, from parent body (university, local government, etc.).
 - Funds from fundraising efforts.
 - Capital
 - Not tied to annual budget activities.
 - Funds from endowments, fundraising, etc.

(Evans & Ward, 2007; Prentice, 2005; Stueart & Moran, 2007)



Operating Budgets

- Types:
 - Line-item.
 - Lump-sum.
 - Formula.
 - Program.
 - Performance.

(Evans & Ward, 2007; Prentice, 2005; Stueart & Moran, 2007)



Line-item Budgets

- Broken down by “objects of expenditure”.
- Hierarchical classification of expenses.
 - E.g., “personnel”, comprised of salaries and benefits
- How much money is spent, and for what purpose.
- Assumes some continuity of activities.
- Allocation often incremental.

(Evans & Ward, 2007; Prentice, 2005; Stueart & Moran, 2007)



Line-item Budgets

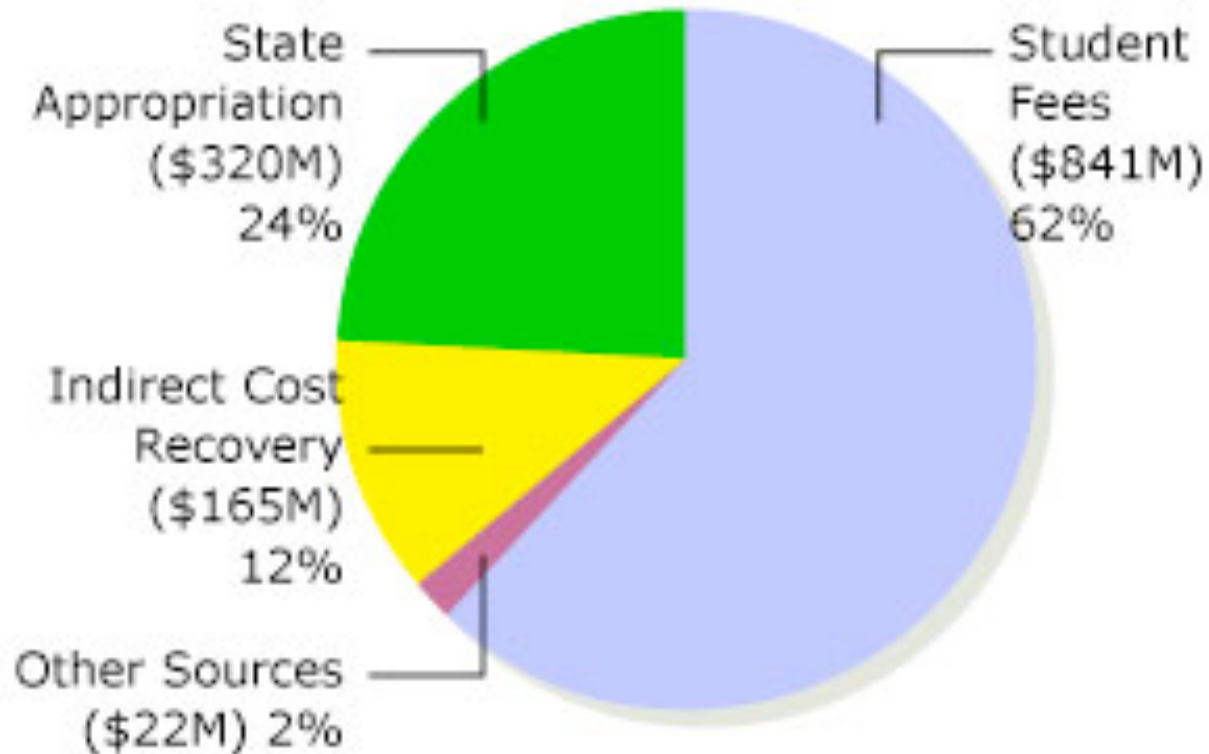
- Example:
 - U of M libraries
 - A centrally budgeted, academic unit.
 - Libraries and Museums are a line item in the General Fund budget.

(Courant & Knepp, [n.d.])



Line-item Budgets

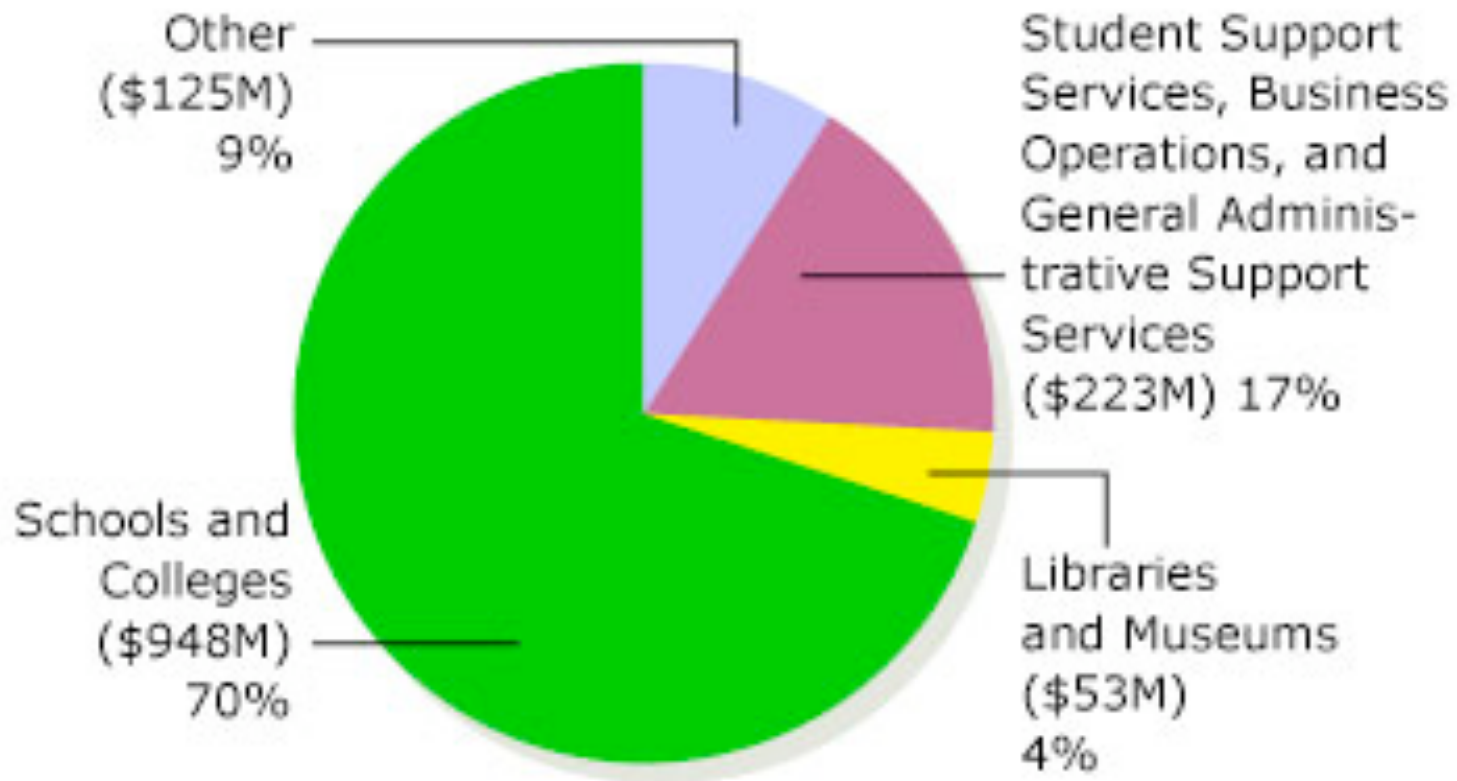
Sources of General Fund Revenue – Ann Arbor Campus, 2007-8





Line-item Budgets

Uses of General Fund Revenue – Ann Arbor Campus, 2007-8





Line-item Budgets

- Example - U of M Libraries:
 - See handout #1.
 - Income:
 - Typically receive an incremental General Operating Program (GOP) increase.
 - Inflationary costs allocated for collections.

(Courant & Knepp, [n.d.])



Line-item Budgets

- Example – U of M Libraries:
 - See handout #2.
 - Line item budget within libraries.
 - Take base amount from general fund as a given.
 - Other sources of revenue (via fundraising).
 - Expenses:
 - Salaries, benefits, supplies, transportation, subcontracts.
 - Narrative budget request also submitted to provost.

(Courant & Knepp, [n.d.])



Line-item Budgets

- Discussion:
 - What are the strengths of line-item budgeting?



Line-item Budgets

- Discussion:
 - What are the strengths of line-item budgeting?
 - Simplicity.
 - Easy to justify and categorize expenses.
 - Easy to show that monies were spent as intended.
 - In a stable environment, may be all that is needed.

(Evans & Ward, 2007; Prentice, 2005; Stueart & Moran, 2007)



Line-item Budgets

- Discussion:
 - What are the weaknesses of line-item budgeting?



Line-item Budgets

- Discussion:
 - What are the weaknesses of line-item budgeting?
 - Difficult to link to operational service plans.
 - Assumption of continuity.
 - Does not force evaluation of accomplishments or comparative value of investments.
 - Very easy to cut, since not linked to consequences.
 - Lack of flexibility.

(Evans & Ward, 2007; Prentice, 2005; Stueart & Moran, 2007)



Lump-sum Budgets

- Lump-sum budget allocation:
 - A lump sum dollar amount is transferred.
 - Not generally linked to specific program plans and budget proposals.
 - Often based on prior allocations, with incremental increases or decreases.
 - Rarely used; a primitive form of the line-item budget.

(Evans & Ward, 2007; Prentice, 2005; Stueart & Moran, 2007)



Formula Budgets

- Approach to allocation:
 - Input-based.
 - Allocations based on predetermined standards.
 - A percentage of total institutional cost.
 - May be based on:
 - Number of student FTEs or full-time faculty.
 - Collection/staff figures to support specific offerings.
 - Per capita allocation.

(Evans & Ward, 2007; Prentice, 2005; Stueart & Moran, 2007)



Formula Budgets

- Example:
 - Santa Cruz City-County Library System
 - Tax base from:
 - Quarter cent sales and use tax throughout county
 - Property tax
 - Allocated by Library Financing Authority
 - Amount: \$54.50 per capita (per person in the population)
 - Amount determined by Joint Powers Agreement between the County of Santa Cruz, and the Cities of Capitola, Santa Cruz, and Scotts Valley

(Santa Cruz City-County Library System, 2006)



Formula Budgets

- Discussion:
 - What are the strengths of formula budgeting as an approach to budget allocation?



Formula Budgets

- Discussion:
 - What are the strengths of this approach to budget allocation?
 - Appearance of equity if used in multiple organizations in the jurisdiction.
 - Facilitate comparisons: inter-institutional and year-to-year.
 - Systematic, objective allocation.
 - Easy to prepare.

(Evans & Ward, 2007; Prentice, 2005; Stueart & Moran, 2007)



Formula Budgets

- Discussion:
 - What are the weaknesses of formula budgeting as an approach to budget allocation?



Formula Budgets

- Discussion:
 - What are the weaknesses of formula budgeting as an approach to budget allocation?
 - Complexity.
 - Often viewed as equivalent to quality.
 - Not linked to specific programs or results.



Program Budgets

- Allocations to programs based on organizational objectives.
- Permits identification of the total costs of a program – e.g., youth services.
- Line-item allocations within programs.
- Attempt to link all costs, including overhead (maintenance, admin, etc.), to programs.

(Evans & Ward, 2007; Prentice, 2005; Stueart & Moran, 2007)



Program Budgets

- Examples:
 - County Library Bookmobile Service (from textbook)
 - Handout: Texas State Library Budget Request
 - Simon Fraser University's Collections budget (by academic unit)

(Evans & Ward, 2007; Prentice, 2005; Stueart & Moran, 2007)



Program Budgets

SFU Library - Library Materials Budget 2006 - 2007 - Windows Internet Explorer

http://www.lib.sfu.ca/about/collections/libcollbud2006-2007.htm

File Edit View Favorites Tools Help

del.icio.us TAG

SFU Library - Library Materials Budget 2006 - 2007

... are purchased out of the general funds.

2006/07 Library Materials Budget

	05/06 appropriation	05/06 expenditure	05/06 encumb	05/06 expd + encumb	06/07 allocation
OPERATING BUDGET TOTAL					
Departments/Faculties					
APPLIED SCIENCE					
Communications					
Books - Approvals	\$18,000	\$17,074	\$0	\$17,074	\$18,000
Books - Forms	\$6,500	\$10,887	\$2,151	\$13,038	\$7,000
Books - Discretionary	\$15,000	\$11,373	\$3,613	\$14,987	\$15,700
Periodicals	\$24,000	\$26,031	-\$1,049	\$24,982	\$15,200
Serials	\$250	\$0	\$0	\$0	\$0
Databases	\$17,800	\$12,384	\$0	\$12,384	\$12,520
Communications Total	\$81,550	\$77,749	\$4,716	\$82,465	\$68,420
Computing Science					
Books - Approvals	\$7,500	\$19,863	-\$889	\$18,973	\$13,600
Books - Forms	\$42,000	\$35,261	\$4,055	\$39,316	\$38,000
Books - Discretionary	\$18,500	\$16,197	\$1,995	\$18,192	\$18,500
Periodicals	\$91,150	\$86,406	\$157	\$86,563	\$85,200
Serials	\$65,000	\$65,801	\$240	\$66,041	\$70,000
Databases	\$39,000	\$35,550	\$482	\$36,032	\$38,100
Computing Science Total	\$263,150	\$259,077	\$6,040	\$265,117	\$263,400
Engineering Science					
Books - Approvals	\$24,000	\$28,658	\$0	\$28,658	\$28,600
Books - Forms	\$42,000	\$41,228	\$9,463	\$50,691	\$44,000
Books - Discretionary	\$16,000	\$14,754	\$1,348	\$16,103	\$16,900

Done Internet 100%



Program Budgets

- What are the strengths of program budgeting?

(Evans & Ward, 2007; Prentice, 2005; Stueart & Moran, 2007)



Program Budgets

- What are the strengths of program budgeting?
 - Link to goals and activities.
 - Expresses program priorities.
 - Can help with funding – easier explain needs.
 - Can make real costs clear.
 - Easy to roll up to agency-wide line-item budgets.

(Evans & Ward, 2007; Prentice, 2005; Stueart & Moran, 2007)



Program Budgets

- What are the weaknesses of program budgeting?

(Evans & Ward, 2007; Prentice, 2005; Stueart & Moran, 2007)



Program Budgets

- What are the weaknesses of program budgeting?
 - Complexity.
 - Time consuming to establish – e.g., FTE allocations.
 - Categories may not match the ways in which work is organized.

(Evans & Ward, 2007; Prentice, 2005; Stueart & Moran, 2007)



Performance Budgets

- An extension of the program budget.
- Specific activities, number of units performed and their costs.
- Focus on quantity of service offered and its cost, e.g., - total cost of adding an item to the collection.

(Evans & Ward, 2007; Prentice, 2005; Stueart & Moran, 2007)



Performance Budgets

- May overshadow issues of quality.
- But, can help with fundraising,
 - e.g., cost to help a child to read in a literacy program.

(Evans & Ward, 2007; Prentice, 2005; Stueart & Moran, 2007)

Budgeting

- Steps involved:
 - Determine programs and priorities.
 - Estimate financial costs of plans for each unit.
 - Combine all estimates in an overall budget;
 - Preparation of budget justification.
 - Submission and approval of budget.
 - Ongoing monitoring (budgeted/actual).

(Evans & Ward, 2007; Prentice, 2005; Stueart & Moran, 2007)



Budgeting

- Timing:
 - Budgeting cycle – of parent organization.
 - Various fiscal year models.
 - Time delay between writing and implementation creates uncertainty.

(Evans & Ward, 2007; Prentice, 2005; Stueart & Moran, 2007)



Budgeting

- Who is responsible?:
- Individual reflection:
 - Reflect on what must be considered when deciding who will be responsible for a library's budget, and list three of the most important factors.

(Evans & Ward, 2007; Prentice, 2005; Stueart & Moran, 2007)



Budgeting

- Who is responsible?:
 - Standardization (e.g., templates).
 - Expertise.
 - Extent of delegation.
 - Extent of involvement.
 - Coordination by staff or committee.

(Evans & Ward, 2007; Prentice, 2005; Stueart & Moran, 2007)



Cost analysis

- Individual reflection:
 - Think about a specific library you know of, and list the categories of costs which it might incur.
 - Choose two types of costs. Now consider what factors might influence how you estimate costs for these budget lines?

(Evans & Ward, 2007)



Cost analysis

- Types of costs:
 - The whole cost of libraries

(Dunn & Martin, 1994)



Cost analysis

- Basis for cost projections:
 - Past expenses.
 - Inflation.
 - Economic situation.
 - New or revised activities.
 - Quotes and research!

(Evans & Ward, 2007; Prentice, 2005; Stueart & Moran, 2007)



Conclusion

- Leadership
- Budgets
- Costs