SI 626 - Management of Libraries and Information Services, Winter 2009

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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

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

*(Kotter, 1990; Stueart & Moran, 2007)*
## Leadership

<table>
<thead>
<tr>
<th>Management</th>
<th>Leadership</th>
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</thead>
<tbody>
<tr>
<td>Qualities of the mind</td>
<td>Qualities of the soul</td>
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<tr>
<td>Focus: systems and structure</td>
<td>Focus: people</td>
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<td>Short-range view</td>
<td>Long-range perspective</td>
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<tr>
<td>Does things right</td>
<td>Does the right thing</td>
</tr>
</tbody>
</table>

(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 or 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

- Student Fees ($841M): 62%
- State Appropriation ($320M): 24%
- Indirect Cost Recovery ($165M): 12%
- Other Sources ($22M): 2%
Line-item Budgets

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

- Schools and Colleges ($948M) 70%
- Other ($125M) 9%
- Libraries and Museums ($53M) 4%
- Student Support Services, Business Operations, and General Administrative Support Services ($223M) 17%
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

2006/07 Library Materials Budget

<table>
<thead>
<tr>
<th></th>
<th>05/06</th>
<th>06/06</th>
<th>06/06 expd</th>
<th>06/06 encumb</th>
<th>06/07 allocation</th>
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<tr>
<td><strong>Operating Budget Total</strong></td>
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<tr>
<td><strong>Departments/Faculties</strong></td>
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<td><strong>Applied Science</strong></td>
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</table>
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