Strategic Integrated Planning and Budgeting  
May 22, 2007 

Western Michigan University  
Prepared by Division of Student Affairs Auxiliaries 

Guiding Principle  
As a public institution we are committed to adding value while containing costs so that access to higher education remains attainable and affordable for those who would otherwise be shut out and denied the opportunity to improve their station in life. In the not to distant past, you could go from high school to the assembly line and find a good paying manufacturing job. In today’s global economy, education beyond high school is the key to success for Michigan’s citizens and for Michigan’s economy. 

Integrating Planning and Budgeting  
Integrated Planning and Budgeting (IPB) is a model that captures synergies and leverages efficiencies by combining planning and budgeting as a single process. IPB integrates and synergizes institutional goals with key strategic initiatives, objectives, performance management, collaborative budgeting and financial guidance. Elemental to IPB are cost containment, quality control, and resource management. Cost containment, quality control, and resource management are not islands unto themselves; they have crossover implications and impact departments collectively. The IPB strategy allows for focus on the “big picture.” Also, significantly and importantly, IPB supports the deconstruction of boundaries and silos between departments. An integrated comprehensive central management planning and budgeting team is the key to our success. 

IPB will provide: (1) oneness in responsibility and accountability at the source of revenue generation (2) team decisions that are made comprehensively and closest to the market served (3) budget and financial planning decisions that are simplified by reducing layers of institutional involvement. IPB will allow for a team to make decisions and provide services and programs that are efficient and effective in support of the University’s priorities and goals. 

Planning Process  
The planning process must result in resource allocation decisions and personal actions that move the division and university towards success. The process should: influence everyday decisions and actions; allow for us to know what success looks like and to move towards it; allow us to know what is important for success. We should keep in mind that what gets measured gets managed and that we should measure what’s important focusing on accountability in lieu of control. 

Planning is the hard part-when it is done well, budgeting and evaluation are easy. Effective planning identifies what is important and what’s not important. Budget is the quantitative representation of what’s important. All resource allocation decisions should support what’s important. 

Transformational Integrated Planning and Budgeting: “How Must We Change To Meet Our Challenges”  

Rationale  
Our environment is in flux and threatening; we have to change to survive/thrive; we need and could benefit most from a culture of change; we need a plan that assesses the environment and comes up with a strategy for change; we need a budget process that is integrative and that allows for planned and unplanned expansion and contraction of resources. 

Strengths
Meets challenges in environment; open to a wide range of guiding strategies; is adaptable and can be made responsive to new forces; defines success for the whole.

Weaknesses
High level of resistance is normal; business-like; requires a strategy; requires a high degree of goal acceptance.

Structure
Foundation  Mission and values: (what we do, who we serve, and how we serve), transparency, integrity and integration.

Future  Vision and critical forces; overarching vision; economic factors; market position/where should we be in the market; overarching strategy-what is the future telling us.

Strategy  Market, services and programs, partnerships, human resources, positioning, finances; operational strategy-how are we going to change. Identify the primary internal and external factors and actors. Examine the forces on them. Predict their future behavior in dealing with these forces. Estimate the impact on us given our capacities (where can we maneuver). Position ourselves favorably in this future. Develop 1, 3, and 5 year strategies. (detailed operating budgets?)

Design  Buy-in and timing; rationale for overarching strategy is based on environmental trends; when will goals be achieved; resource allocation timing; celebration.

Assess  audit and evaluate

Overarching Vision
Student Success Focus

Overarching Strategy
The external and internal environments are in a constant state of change. We will analyze academic, social and economic trends and leverage divisional and institutional expertise and resources to position us to be competitive in the market. We will respond to changes in the broader environment. We will be intentional and purposeful in anticipating environmental changes. We will be proactive and not reactive.

Operational Strategic Priorities
Establish criteria for setting operational strategic priorities: most important for success of overarching strategy; in line with values; in line with capacity; financially feasible: market change: outreach strategy; product change: student success strategy; service change: services and programs strategy; financial change: finance strategy.

Operational Strategy

Strength Within
We will prepare to serve a changing external environment by strengthening and building bridges in our internal environment to create a more responsive and rapidly adaptable service and program delivery paradigm. (’07-’08 goals and report card established by team)
Enrollment Management
We will align, re-focus and streamline resources to improve services and programs to allow us to achieve our enrollment management goals: recruitment, retention, and student mix. We will work to eliminate student unfriendly practices in our division and throughout campus. (’07-’08 goals and report card)

Student Experience and Success
We will support divisional/university initiatives that: promote diversity; improve graduation and retention; encourage student engagement; advance and enrich technological environments that serve student needs; positively impact student employment, nutrition, health, safety, security; advance and enhance facilities, enrich living environments; provide for academic success and achievement. (’07-’08 goals and report card established by team)

Partnerships
We will develop linkages with and engage: outreach and pre-college programs; academic units; admissions; FYE; orientation; Fall Welcome; faculty, staff, and administrative labor groups; parents; community organizations and community members/leaders; national organizations; athletics; student committees, student organizations, and student advisory groups. (’07-’08 goals and report card established by team)

Human Resources
We will enhance recruitment, retention, and training opportunities to open career path development for staff. We will create work-place environments that are free from fear, supportive, inclusive, diverse, and committed to the well-being of each person. We will be leaders and secondarily managers and supervisors. (’07-’08 goals and report card established by team)

Tell and Sell the Story
We will convey the division’s message and University’s Brand to internal and external communities and constituents and we will improve inter and intra-divisional communication. (’07-’08 goals and report card established by team)

Design

Approach determined by necessary degree of change
Transformational strategic planning requires a strategy
Strategies must inform daily decisions
Imbed planning cycle within the budgeting cycle
Use models to link budgets to plan

Prior year/current year-to-date results
Assumptions
“Soft” (qualitative) inputs e.g. quality of services/programs
“Hard” (quantitative) inputs e.g. enrollment, revenues, expenses
Identify areas of emphasis
Plan (strategies): constrain the plan to financial feasibility; constrain the budget within the plan
Cycle planning design including forecasting future strategies and budgets
Buy-in and timing (with stakeholders and others)
Timeline to achieve goals
Resource allocation timing
Implementation
Evaluation/report card

Western Michigan University’s Institutional Priorities—“Empowering Our Students to Succeed”
The University's priorities for the next two years are to enroll more undergraduate and graduate students and to retain the students admitted.

Western Michigan University's Institutional Goals for Fall 2007
Retain 85% of the fall 2006 full-time freshmen
Increase the yield rate for admitted freshmen to 40% (5% increase)
Increase the yield rate for admitted transfer students to 67% (5% increase)
Increase the number of new graduate students
Increase the number of new international students
Halt the enrollment decline in Extended University Programs

External and internal factors that support the need to “change and adapt” if the institution is to live. Past practice for the sake of past practice is no longer viable.

External Factors
Declining student demographic
Increased competition
Decline in state support
Operational cost increases
Lack of brand identity
Increased focus on accountability
Evaluate anticipated/projected 1, 3, and 5 year fluctuations/changes in factors
Un-funded expectations, e.g. security upgrades

Data
Information
Measurements

Internal Factors
Weak retention
Expensive disparate incremental decision making
Un-funded deferred maintenance
Aging facilities
Lack of long term plan to repay debt principle
No ability to adapt to environmental factors
Declining revenues
Excess physical plant capacity
Need to fund University-wide cost centers
Inability to enable capital improvements
Significant financial pressure to perform operations efficiently and effectively within budget
Increased focus on accountability along with expectations of performance
Staff acquisition, retention and development
Information systems capabilities (IT budget as a percentage of revenue, mission aligned)
Evaluate anticipated/projected 1, 3, and 5 year fluctuations/changes in factors
Un-funded expectations, e.g. security upgrades

Data
Information
Measurements

Cross-functional Team:

We are a group of colleagues working towards common goals. We have different functional expertise. We are committed to a strong shared governance structure that involves all stakeholders. We embrace a responsive organizational structure, collective participation, and shared responsibility. We will address and plan responses to achieve our goals in the current and future environments. We will create an environment where people are free to express their true feelings, views and opinions without fear. We have a team leader/coach but the goal is to reach decisions by consensus.
We know that relationships are built and sustained because of trust-building behaviors demonstrated by all. Likewise, many work relationships have been destroyed by trust-eroding behaviors. One of the most important roles for the team leader/coach is to build collaborative partnerships. Collaborative activities help to engage everyone in decision-making that affects how everyone gets their work done, as well as building trust between and amongst the team and the team members’ various constituent groups. By sharing ideas and designing solutions to challenges, all feel appreciated, respected, and valued. Working synergistically together to achieve common goals is one of the most essential factors needed to build and sustain results. At the core of it all is trust.

We will
• build and maintain support from top executives
• have authority to command sufficient resources for success
• take a strategic educational/business perspective rather than a narrow departmental focus
• enlist broad acceptance and cooperation
• avoid or nullify the negative impacts of university politics.

We will evaluate and make recommendations taking into consideration guiding principles; integrated planning and budgeting; University’s institutional priorities; external and internal forces; and the futures of the division and the University. We will place organizational objectives ahead of personal preference or personalities.

Actions and initiatives to consider

Reserve Fund Balance

Determination of an appropriate reserve balance (including reserve, contingency/rainy day, and fund balance) is essential particularly in the integrated planning and budgeting model. The recommended reserve balance—amount, formulae, rules and/or policies vary greatly from institution to institution and should be determined at the local level. Most planners make no recommendation regarding the amount to maintain in a reserve balance. As part of the budget planning process, our team must determine the reserve fund balance amounts to be, e.g.:

• retained for working cash needs, recognizing that the working cash fund also serves as the contingency or "rainy day" fund.
• used to fund expenditures of the next fiscal period, recognizing that if used for recurring expenditures, future budget decisions will revolve around finding resources to continue funding these expenditures.
• more…..add details for above

With an appropriate fund balance we can:

• avoid negative service and program impacts during excessive short term budget fluctuations; maintain a consistently high level of services to students through difficult economic times
• accumulate sufficient funds to make designated purchases or cover unforeseen expenditure needs.
• demonstrate financial stability and therefore preserve or enhance our ability to lower debt payments or maintain debt payments when losing revenue generating operations.
• fund fixed costs? for six months to a year to provide for an orderly transfer of those costs to other university units/funds.
• more…..add details for above

Once targets are established reserve funds should not grow significantly beyond defined and approved levels. Excess funds beyond these targets should be reinvested in programs and services for students that support the mission, goals and objectives of the division and university.
The most commonly asked question and/or statement (at least on this campus) regarding our reserve fund balance is “how large should it be? or, it’s too large?” Perhaps the best answer to the question/statement would be: an amount sufficient to avoid negative impacts on student services and programs during short term fluctuations in revenue; and setting aside sufficient funds to support/realize longer range goals. However, this may not always be practical or politically possible particularly if the environment is such that conservative, educationally focused, fiduciary stewardship is not recognized as being strategically important for the long term health of the division and university.

Sources

“Implementing Strategic Plans,” Nathan Dickmeyer, Dickmeyer Consulting, LLC, May ©2005
“EDUCAUSE Financial Reserves and the EDUCAUSE Leadership Fund,” EDUCAUSE Board of Directors Meeting Minutes, January 28, 2004
“Knowledge Management,” Wayne Rash, providersedge.com October 2001
“Exactly What is Thinking Outside the Box,” Ed Bernacki, canadaone.com Magazine 2002
“Responsibility Center Management, What It Is and How It Works,” Larry Ladd, Grant Thornton LLP
“TU 2010,” Towson University, new.towson.edu, 2004
“Integrated Planning and Budgeting,” NACUBO, Atlanta, Georgia, May 15-17, ©2005
“Granholm Committed To Making Higher Education Affordable, Accessible For Every Child in Michigan,” Jennifer Granholm, Office of the Governor, Michigan.gov, 2006
“Building a Culture of Student Success,” Diether Haenicke, October, 2006
“Integrated Planning and Budgeting: Planning Overview,” Nathan Dickmeyer, Dickmeyer Consulting, LLC, May ©2005