This is the fourth issue of the Professional File. The purpose of the Professional File is to present one or more possible solutions to a current problem in post-secondary education. The solutions that are described have been found to be effective on at least one campus. Topics and authors are approved by the Publications Committee and the Executive Council of CSSHE. The Professional File is published up to four times per year by CSSHE and will be distributed free of charge to CSSHE members. Files 4, 5, and 6 are concerned with planning and budgeting. This file provides a general description of the procedures the University of Toronto employs to link planning and budgeting. Files 5 and 6 will provide two different examples of the application of these procedures. I welcome your comments and suggestions regarding this series.

Norman Uhl, Editor

CSSHE Professional File

Planning and Decision Making
In Universities

BY

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ABSTRACT

Throughout the 1980's colleges and universities have been intensely concerned about strategic planning. As a concept, strategic planning has come to be understood well, as have the several processes by which strategic plans are formed. What remains undeveloped, however, are means of implementing strategic plans and of making strategic choices. Linking planning and budgeting is a particular area in which the conversion of strategy to action is simultaneously of great importance and great difficulty. There are some specific and practical steps that can be taken towards the establishment of such links:

1. The organization and processes necessary for effective planning and decision-making in universities, with a particular emphasis on reduced allocation.
2. The development and use of formal budgeting and planning criteria for evaluating academic programs and administrative services.
3. The development and use of budget models and internal funding formulas to extend the time perspective of budgeting so that it more closely approximates that of planning, to project the probable consequences of strategic choices, and to indicate the areas in which strategic choices are necessary.

The enclosed paper is the first in a series of three which addresses the various ways and means of linking planning and budgeting.

RESUME

Pendant les années quatre-vingts, les collèges et les universités se sont intéressés particulièrement à la planification stratégique. En tant que concept cette planification est bien comprise comme sont les procédés nombreux au moyen desquels les plans stratégiques peuvent être développés. Cependant ce qui demeure non-développé est les moyens par lesquels les plans stratégiques peuvent être exécutés et par lesquels les choix stratégiques peuvent être fait. La relation entre la planification et la préparation de budgets est un domaine dans lequel la traduction de la stratégie en action est à la fois d'une grande importance et d'une grande difficulté. Certaines étapes pratiques et spécifiques peuvent être entreprises pour établir de tels liens:

1. L'organisation et le procédé pour la planification et le processus décisionel dans les universités avec une attention particulière à l'allocation des ressources.
That universities should plan is a proposition that has been widely accepted, sometimes with an almost religious zeal. But why universities should plan and how they should plan are problematic questions. Much of the impetus for planning is stimulated by external circumstances. Boards, commissions, councils, ministries and other agencies virtually demand comprehensive institutional plans. A shortage of funding due to external decisions almost inevitably leads to internal demands for planning.

Exclusively internal stimulation of planning usually is the result of a desire to improve or change academic programs. In time of controversy and uncertainty, internal demands arise for planning as a means to build consensus and plot a new course for the institution.

Of course, the words “internal” and “external” can be applied at several organizational levels. Thus a demand for planning from a university’s governing body may be internal to the institution but external to a part (for example, a department) of that institution. A dual meaning of the words “internal” and “external” is especially common in large, complex universities.

But for all of these reasons for planning, universities are not naturally disposed to plan. They are basically oriented to tradition and to day to day operations associated with research and teaching. Most universities are very good at carrying out these activities. They are efficient and are becoming more so as they must continue their operations with fewer resources. Through research and teaching, universities create change, but in their own affairs they are not inclined to focus systematically on change. And when they do change, they do so slowly, unsystematically and discontinuously. Task forces (or whatever else they may be called) are common in universities; continuing processes of planning and systematic decision-making are not.

In consequence, university decision-making is often overtaken by events thus leading to the lament “Why do we not have a plan?” The answer, of course, is that in the absence of a continuous planning process and of a ready capacity for institutional research and analysis, universities do not usually plan until events require it. And by then it is too late. In consequence, universities plan more to manage crises than to avoid crises.

But should one expect a university to do more than this? Perhaps not. Planning usually begins with statements of institutional goals and objectives, or what planners often call “the institutional mission.” Recent planning methods carry this further to a determination of market strategies in which a university’s programs and services are perceived as commodities. These approaches are orderly and give the appearance of predictability and control. They appear to harness the future.

But universities, however, often do not have clearcut preferences, definitive concepts of academic programs, conscious institutional goals, static boundaries or even the time and resources needed to plan on a large scale. Planning processes, particularly highly formal ones, tend to address the university as it should be instead of taking the university as it is. Processes conceived from this perspective produce plans which seldom are applied to operational decisions, although they may serve promotional purposes in regard to external agencies.

Why should a university plan?

A plan for a university is not a static map of the institution, nor is it a blueprint for development or a forecast of what will occur far in the future. It is a process for determining goals and making decisions necessary for their realization; for predicting the implications of current conditions and decisions; for developing alternative courses of action that can be taken either to reach goals, to create desirable conditions or to avoid undesirable conditions; for identifying decisions that must be made, and for setting priorities when the resources required to realize objectives exceed the resources that are available.
Thinking about the future is not, alone, planning. The process of planning is as important as the plans themselves; often the process is more important for it represents the commitments that a university must continually make as an autonomous institution. Autonomy, which universities as public institutions have in large measure and value highly, inherently depends on planning, with which universities ironically are uncomfortable. This irony can be appreciated by an analogy with one of Alexis de Tocqueville's observations in *Democracy in America*. De Tocqueville noted that:

Men living in democratic centuries do not readily understand the utility of forms; they feel an instinctive contempt for them....As they usually aspire to none but facile and immediate enjoyments, they rush impetuously toward the object of each of their desires, and the least delays exasperate them. This temperament....disposes them against the forms which daily hold them up or prevent them in one or another of their designs.

Yet it is this inconvenience which men of democracies find in forms that make them so useful to liberty....Thus democratic peoples naturally have more need of forms than other peoples, and naturally respect them less.

To associate planning with the forms of democracy and liberty is grandiose, but the analogy remains: planning is a formal system of decision-making of which universities, because they are autonomous and hold a public trust regardless of how they are funded, have a need for which they have little natural affinity.

There is a practical irony as well. Many of the most important decisions that universities make are for the long term. Universities must make decisions about the appointment of faculty, the establishment of academic programs, the admission of students, and the construction of specialized facilities. These decisions impose unavoidably long cycles of decision-making. The shortest practical cycle is the time required to complete a degree program.

Decisions of this sort require an appreciation of future conditions as well as present conditions, and an understanding of the probable implications of each decision. Planning, as a decision-making process, thus has a practical application to the type of decision which is closest to the core of university management. A planning process—as opposed to the periodic determination of rigid, prescriptive plans—engenders the flexibility and adaptability which decisions for the long term require.

But in simple terms, planning is no more than a style of management. It is not the only style. One could say, then, that universities should plan only if they want to. The real question, therefore, is why universities should choose to manage their affairs by planning. There are two answers: circumstance requires it and the nature of the university as an institution makes it preferable, albeit sometimes awkward.

The circumstances are continuing change and the need to adapt to it, the necessity of public accountability, shifts in need and demand for programs and services, new scholarly interests and discoveries, and, lamentably but realistically, severely limited resources. Change creates stress, which in turn stimulates planning. And the probability of change in the affairs of universities in the next decade or two is great.

Although universities are not naturally disposed to plan, they are nevertheless complex and pluralistic institutions. They often are more political than collegiate, and sometimes are anarchical. Planning is a means, perhaps the only means, of adapting to change rationally and or coordinating resources, policies and purposes effectively. In the absence of planning, especially strategic planning, a university can drift at the expense of quality and public responsibility. With planning, a university can take full advantage of opportunities and make maximum use of resources.

Any recitation of the reasons to plan can seem hortatory and hollow. But the alternatives to planning, when realistically considered, reinforce the case for planning. Even with full measures of talent, industry and good will, a university that does not plan tends to be administratively incoherent, organizationally slack, indecisive and arbitrary. Problems are addressed and are resolved, if they are resolved at all, by trial and error. Although participation in decision making in these circumstances is broad, the structure of decision-making is so fluid and ephemeral that the effect of broad-based participation is dissipated, thus engendering frustration, cynicism and confusion.

How does a university plan?

The taxonomy of planning is large. At virtually any established university one can find in various planning documents since the mid-1950's references to academic planning, divisional planning, strategic plan-
ning, institutional planning, complement planning, top down planning, bottom up planning, sectoral planning, facet planning and logistical planning. There are even references to plans for planning. One could imagine, not entirely facetiously, a plan for planning planning. Looking farther forward and backward in time and with a more exhaustive examination, one probably could identify even more terms of planning.

On the one hand we perhaps should be encouraged by the discovery of so many different notions about planning in universities. On the other hand the redundancy and imprecision of many of these approaches to planning suggest confusion and misunderstanding. We should be troubled by this. To misuse or misunderstand various planning techniques can be dangerous in several ways:

1. Some approaches to planning require extensive information, thus leading to the establishment of large data bases. These are expensive to create and to maintain.

2. Mismatching certain planning techniques with certain planning problems can distort as well as inform decision-making. Apparently failures of planning and consequent poor decisions are more the result of a misuse of planning techniques than of weaknesses in the techniques themselves. This danger is greatest in the application of various quantitative approaches to planning. A heavy reliance on what is objectively measurable can mislead by forcing subjective and qualitative factors into the background. Not everything that is measurable is relevant. Not everything that is relevant is measurable.

3. A commitment to planning as a process requires constancy of approach. If one initiates planning without a clear sense of process, the probability of almost continual revision becomes great. This confuses the roles of participants and undermines decisions, if any are reached at all. If it is true that one should not change horses in mid-stream, it is also true that one should allow a planning process to run its full course before replacing it with another process or attempting to conduct two processes simultaneously.

Despite the breadth and variety of the planning lexicon, we do not have to conduct ourselves like the blind men who described an elephant in so many different ways that it seemed to be several different animals. In the management of universities, planning is neither so new nor so haphazard that there are no commonly understood terms for planning. What follows are some of these terms, with brief, generally recognized definitions.

**Strategic planning** is a process of maintaining a continuous fit between a university's environment, its resources and its purposes as an institution. Strategic planning anticipates decisions and the conditions under which they may be made in order to set priorities among alternative means of realizing a university's goals.

The principal purpose of strategic planning is to ensure that long-term goals and objectives and short-term exigencies are properly balanced. To do this, the strategic planning process must anticipate the need for decisions and investigate them sufficiently ahead of time to ensure that they are not made unconsciously, haphazardly, or in a fashion that pre-empts other decisions. Issues and problems that require resolution must be defined and alternative solutions to them developed and assessed.

Accurate definition of problems is essential to direct the focus of strategic planning, to determine the timing of decisions and to ensure that a strategic decision is required. Not all planning is or needs to be strategic.

A sense of timing is critical in strategic planning, for it is oriented to both the future and the present. Priority in terms of strategic planning is often a matter of selecting the time perspective that an institution should emphasize. For example, a university may have equally correct and mutually exclusive alternatives for the present, short-term and long-term. A strategic plan would select a primary time period and modify the alternatives for the secondary alternative accordingly.

Strategic planning is not necessarily prescriptive. It attempts first to define the environment in which a university will operate and then identify the decisions that that environment may make necessary. But it does not force decisions that changes in environment might make obsolete.

**Long-range planning** involves the determination of an institution's fundamental purposes and the configuration of programs which will realize these purposes. As a process, long-range planning is peri-
logistic (as opposed to continuous) and is not closely allied to decisions about resources.

**Logistical planning**, which is sometimes called operational or project planning, is basically a process of scheduling, projection and implementation. It usually is oriented to resources. When will a resource be needed? What combination of resources will be needed? How many resources will be needed? Complement planning is an application of logistical planning to staff resources specifically.

Logistical planning operates within a framework of goals, objectives and priorities that are the result of strategic and long-range plans. In the absence of the direction and control of strategic or long-range plans, logistical planning becomes an impossible task as plans must be developed for every possible eventuality. But it is also the case that in the absence of logistical planning, long-range plans can become unrealistic and fail to anticipate important decisions.

In most universities logistical planning tends to be decentralized to the level at which plans are executed and resources expended, although in larger, more complex universities there is some system of institutional planning which is designed to coordinate logistical plans that are developed locally. Strategic, long-range and institutional planning, however defined, tend to be central processes. The link between strategic or long-range plans and logistical plans is a budget, either operating or capital. In effect, a budget is a kind of logistical plan.

**Program planning** is not a separate form of planning; it is an approach to planning. It is based on functions instead of organizations and is oriented to goals and policies. A program is an organized instructional, research, support or public service activity that contributes to the realization of a university's goals. In the departmental and faculty structure that is common to most universities, each organizational unit represents several different programs. Universities find program planning congenial because they tend to express their purposes in terms of goals and academic activities, hence the term academic planning, which is really a synonym for program planning in a university. Some theorists have devised as many as a dozen separate forms of academic planning.

Program planning is a key ingredient in the devolution of budgetary authority. "Global" or "block" budgeting, which is the basic approach of many large research universities, provides a fixed amount of funding on an annual basis for each division, but usually does not specify how that funding will be allocated within the division. Thus a program (that is, for example, a faculty or department) is funded but no central plans are set for the specific application of funds in support of the program.

This arrangement, which sometimes is called a program planning and budgeting system (PPBS), is desirable in principle, but sometimes is imperfect in practice because organizational units (that is divisions) do not accurately represent programs. There is, then, a paradox in the application of program planning in universities. On the one hand, universities are attracted to program planning because it offers budgetary flexibility and autonomy and a congenial method of expressing institutional goals and priorities. But, on the other hand, the traditional organization of universities into departments, faculties, and graduate schools is not programmatic, thus making it very difficult to link resources and programs realistically. The result, then, is an attractive principle which is difficult to apply in practice. One could advocate that the traditional organization of universities should be abandoned in favour of a functional framework. But this would be administratively inefficient for two reasons. It would overlook the indivisibility of the university's basic resource—the academic staff—and some of its support resources like libraries and laboratories. It also would result in such a highly simplified budget that there would be comparatively little control and sharing of resources. "Zero-base" budgeting is difficult to apply to academic programs for these reasons as well.

There has developed in some universities a practical hybrid process which combines program planning and PPBS. In these universities, budgets—or logistical plans—are not really program plans, but incremental modifications of them often are based on program plans. For example, under this scheme one would say that undergraduate teaching in Faculty A (a program in PPBS terms) has a priority over continuing studies (another program) in Faculty B, or even in Faculty A itself, instead of saying that Faculty A has a general priority over Faculty B. This approach would of course compromise the concept of global budgeting since, in this example, Faculty A would have to use any additional funds that it might receive under this priority for undergraduate teaching and not divert them to some other purpose, but it is nevertheless an approach which allows plans for selective decisions to be expressed in realistic terms of academic programs.

**Complement planning** has recently attracted much attention. In a simple and superficial sense, complement planning is no more than an application
of logistical planning to staff resources. Instead of dollars, complement planning refers to staff positions. But, in the end, both are resources which are scheduled for disposition according to a logistical plan of some kind. Such plans and schedules usually are based on ratios of academic staff to students and support staff to academic staff. Instructional activity, then, is the basis for these simple complement plans. The major—really the only—difficulty in developing and applying this type of complement plan is the determination of the appropriate ratio for each department and division.

In some British and Swedish universities and a few American university systems, this type of complement planning has been carried a step further to establish a simple formula for budgeting. Again, instructional activity is the basis of a complement plan. But in addition to the faculty complements thus set, a formula assigns expenses for supplies, equipment, support staff, and whatever on the basis of the number of academic positions allotted to each budget unit. Hence the only item debated in the budget process is the number of academic positions that a unit should have. And even this is based on a staff:student formula.

As attractive as complement planning appears to be at this level, it is a bit too simple for a complex university. What complement planning usually lacks is some element of program planning. Even if agreement can be reached on appropriate staff:student ratios for different departments and divisions, these ratios will not reflect most of the fundamental decisions that determine the allocation of resources, especially academic staff resources. For most disciplines and fields of study in the university there is a concept of a core body of knowledge and specialization. Academic appointments, especially appointments to the tenure stream, are usually made with this core in mind. It is the protection, maintenance and development of this core that represent program quality. The extent to which this core is or is not properly supported is not a matter of staff:student ratios, although they may be a partial measure of adequate support. The principal measures are balance and coverage. A useful and applicable complement plan, then, is a combination of instruction-based formulas and a definition of a core program.

Three words are used throughout virtually any discussion of planning, however it is defined: goals, objectives and priorities. But these words are not commonly used with precision or even consistency. The result is confusion and an unfortunate perception that planning is extremely complicated and obtuse. It need not be.

Goals and objectives represent separate concepts although the terms often are used interchangeably. Goals represent the purpose of an institution. They are ends towards which efforts, ambitions and resources are directed. They are comparatively general and comprehensive. They are set for the long-term and are changed only when the institution, usually under stress, consciously chooses to change its role and redirect its efforts. Goals customarily are expressed only at the institutional level and, in the case of multi-departmental units, at the faculty or college level.

Objectives are specific statements of means of realizing goals. As plans, objectives are essentially logistical. Programs, in the literal sense of program planning, are objectives in that they are functional means of realizing institutional goals. Objectives can support more than one goal. A pragmatic reason for planning is that it can concentrate and focus disparate objectives on a complex set of goals. Ideally, objectives can be evaluated by measuring actual performance against stated plans. Objectives, unlike goals, are not necessarily set for the long-term. They may change as problems and opportunities arise, and as a university’s environment changes. Strategic planning concentrates on objectives, which it balances and rebalances through an almost cybernetic series of iterations.

Priorities, in one sense, are objectives, for objectives are set by a selection from various alternatives for realizing goals. That selection is essentially a matter of setting priorities, since presumably a university would like to be able to pursue and achieve every alternative objective. The word “priorities” has come to have a particular meaning in a time of limited and shrinking resources, and in a time of declining enrolment.

A limitation of resources forces a university to assume that not all of its goals can be realized fully and that not all of its objectives can be carried out. Priorities therefore must be set to determine the comparative importance of each goal and objective. Importance may be based on necessity, quality, the severity of a problem, the potential benefit of an opportunity, and timing.

The organization of planning is often characterized as a polar relationship between “top down” and “bottom up” planning or between “centralized” and “decentralized” planning. This is an unfortunate perception for it implies an adversarial relationship which should be complementary. This complementary relationship is especially important in strategic planning. The strategic planning process is essentially
sequentiaL. Goals are set, either "centrally" or "at the
top", and operational or organizational plans are then
set in accordance with them. Remember, one is not
considering here participation in the planning process,
but the elements of the process. In a dynamic process,
the so-called "bottom" can be a creative element as it
suggests alternative courses of action or, in strategic
terms, alternative environments. The feasibility of
various plans is often best determined at the divisional
level of the university. The agenda for planning is
often set locally or "at the bottom" as issues are iden-
tified there.

The real issues in regard to "top down" versus
"bottom up" planning (or "centralized" versus "de-
centralized" planning) are:

1. who the participants should be at each level.
Remember that in practice there are several
levels of planning ranging from the "top" to
the "bottom" and that the mixture of
participants varies at each level.

2. what form of planning is appropriate
at each level. As has been explained, plan-
ing cannot be thought of as a general or
universal process. There are many distinct
planning processes and techniques. A
process or technique that is suitable at one
level may be unsuitable at other levels.

The unfortunate appearance of an irreconcilable ten-
sion between "central" and "decentral" interests is
most often the result of mistaken matching of planning
processes or techniques with planning problems, and
of mistaken combinations of participants. Planning
can be mismanaged just as other decision-making and
governance schemes can be mismanaged. But mis-
management of a process does not imply that the con-
sequences are inherent in the process. The structural
tensions between "top down" and "bottom up" plan-
ning or between "centralized" and "decentralized"
planning are more artificial than real.

Taken together, institutional "top down" plan-
ing and divisional "bottom up" planning should
coalesce to form a comprehensive plan for the univer-
sity as a whole. The absence of one element or the other
would render any comprehensive plan defective.
Instead of forcing a choice between one element or
another, universities should balance them in a comple-
mentary fashion.

These terms and definitions constitute only a
small part of the planning lexicon. But without going
on, a major point can be made. Planning is an activity
about which one cannot always generalize. There are
many planning processes and techniques. They are
not interchangeable. Some schemes can assist and
inform certain types of decisions while confusing and
distorting other types of decisions. Some decisions are
not amenable to planning at all. The management of
planning, then, is important. Managing planning is
mainly a matter of selection and coordination.

How should a university plan?

Despite the plethora of planning theories and

techniques, there are basically four types of planning
that a university typically does and should do. The
first of these is the planning that results in detailed
annual budgets and various procedures and schedules
for basic activities. Universities do this sort of plan-
ing well and employ many different techniques—
some formal and some informal—in doing so. This
sort of planning is best done at those levels of organi-
ization which are closest to the point at which decisions
and execution merge, and by those means which local
decision-makers find most congenial. This type of
planning does not necessarily involve a comprehen-
sive process. It may be occasional and disjointed—and
none the worse for it.

The second type of planning is that which is
oriented to a comparatively short and usually defi-
nitely circumscribed period of time. In this category
one usually finds planning for curriculum develop-
ment, recruitment and admission, allocation of ten-
ured positions, renovation and replacement of facili-
ties, adaptations to strategic decisions (for example,
the phased discontinuation or reduction of a program)
and changing environments, and fund raising cam-
paigns. Again, universities do this sort of planning
quite well and may choose from a number of formal
techniques to assist their efforts. Some of these tech-
niques are quite specialized and highly quantitative.
This sort of planning requires coordination of dispa-
rate planning exercises but does not require a com-
prehensive plan. Planning at this level should be sensitive
to long-range implications but should also remain
flexible enough to permit reasonably rapid adaptation
to changing circumstances.

The third and fourth types of planning are similar
in appearance and are at best problematic. Yet they are
the most important. Long-range planning, as its de-
scription implies, is strongly oriented to the future. It
involves the determination of institutional purpose
and the setting of divisional objectives. Long-range planning usually results in a description or prescription of what a university should be like at a specified time. The difference between what that university is like in the present and what it should be like in the future implies the university's priorities. But a long-range plan does not necessarily specify the means for moving from a present condition to a future condition, nor does it rely on a process by which it can be evaluated and revised. Long-range plans are most effective and reliable when confined to specific sectors of activity, for example, campus development or financial reorganization. Long-range plans usually are the products of formal planning processes and are expressed in formal statements.

In regard to these three basic forms of planning, most universities could say that they are always planning and have been doing so throughout most of their histories. But the fourth type—strategic planning—is less common, newer, and far more problematic. The invocations to do strategic planning are far more numerous than proven techniques for conducting strategic planning. However it is conducted, strategic planning should include these elements:

1. The university must have clearly stated goals. Goals form the basis for devising specific operational plans, setting targets and determining standards for evaluation. Techniques for strategic planning often refer to centrality and quality. Neither can be effectively determined in the absence of a definitive sense of purpose. It is virtually impossible to conduct a fair and objective evaluative review of program quality when the purpose of the program is uncertain.

2. The university must have a capability to conduct institutional research and analysis. That capability must be active and continually available. It should involve at least these components:
   a. Evaluation of program quality and purpose.
   b. Analysis of the university’s external environment
   c. Analysis of the university’s resources
   d. A system of relevant and reliable in formation. The university’s sense of what is relevant and reliable should be defined before information is collected. Without this definition, the university will be prone to masses of data collection which are costly and often uninformative in the end.

3. The university must make a commitment, particularly at the level of senior management, to plan and to adhere to a unified formal process. It must recognize that strategic planning is primarily a process; it is not a static plan. The process must be visible to all constituencies. An invisible plan is not really a plan.

4. The university must be aware of the practical cycles of decision-making. Decisions should coincide with these cycles. In consequence, a strategic planning process may have both short-range and long-range components.

5. In locating decision-making responsibility and in selecting planning techniques, the university should recognize a variety of decisions and insist on neither uniformity nor centralization.

6. The university must have a sense of priority both institutionally and divisionally.

7. The university should frankly recognize that, regardless of planning processes and rational analyses, many decisions will have a political element.

8. The university must initiate and maintain a system of academic planning based on divisional objectives.

9. The university must initiate and maintain a system of planning for administrative divisions which is based on the services made necessary by academic objectives.

Why does planning fail?

The ultimate test of planning is the extent to which planning and operational decisions are linked. Before applying this test, one must recognize that not all decisions require or can be improved by planning. One must also recognize that just as there are different varieties of decisions there are different techniques of planning. A test of the links between
planning and decision-making makes sense only if decision-making and planning techniques are properly matched.

Planning fails when the commitment to it is inconsistent and uneven. To be useful and effective, planning requires an executive commitment. That commitment must be more than symbolic. There is a tendency for university executives to separate planning from the regular process of making decisions, and to call on planning only in special cases as if it were an optional form of decision-making. That tendency breaks, instead of forges, links between planning and decision-making, and suggests that important decisions are not influenced by planning. That suggestion in turn discourages participation in planning. Without participation, the consensus on which planning often depends will dissolve. In the absence of a consensus, particularly about institutional purpose, the quality of planning declines.

Planning at all levels fails in the absence of goals. Universities, particularly their leaders, must have a clear understanding about what is to be done and why. That understanding must be expressed clearly and publicly.

In practice, the determination of goals is difficult, contentious, and political. Consequently goals are often the product of compromise and negotiation. These difficulties and conditions can neither be underestimated nor disregarded. But goals are nevertheless essential.

Because the processes for setting goals are laborious and sometimes prosaic, there is a tendency for senior executives at both the institutional and divisional levels to delegate responsibility for setting goals and objectives. This is a mistake. The use of plans and a commitment to them depends on an intimate understanding of institutional purposes. It is unlikely that plans will be used to make decisions if the goals on which the plans are based are not fully understood and appreciated by the decision-makers.

Goals and objectives must be realistic. A statement of purpose which promises or implies more things to more groups than the resources of the university can possibly support will inevitably discredit planning and engender cynicism. The realism of goals and objectives depends partly on judgement and partly on sound analysis. The responsibility for making realistic judgements should not be delegated. Responsibility for analysis and custody of a systematic planning process can be delegated.

A major reason for the failure of planning is the notion that planning can be approached according to personal taste, inclination, or caprice. In simple terms, planning is a procedure and, in complex terms, a system. Unsystematic planning is an oxymoron. Planning that is broadly dispersed or separated into specialized components usually fails. In a large and complex institution, one of the principle reasons for planning is to provide coordination and a continuing focus on strategic goals, objectives and policies. Although the custodial responsibility for planning and analysis can be located in several different places in a university’s organization, it is important that the responsibility be intact and unified. Otherwise coordination is virtually impossible. In the absence of a unified responsibility, the planning process becomes hard to see and what is seen may appear chaotic or imply the existence of several separate processes. At worst, that appearance may become real as several separate processes evolve, each with its own sense of purpose, priority and procedure. When that happens, planning misleads instead of leads and consumes unnecessarily large amounts of valuable time and resources.

Organization and continuity are important ingredients in the formation of links between planning and decision-making. The tension between centralization and decentralization (or “top-down” and “bottom up” planning) is often more an issue of participation (“who will control the process”) than of procedure (“what should the process be”). Planning processes can be so over-simplified that levels of responsibility and generalization disappear, thus emphasizing and exacerbating concerns about participation. The organization of the planning process must be elaborate enough to allow for a sequence of planning, in which all responsibilities move from the general (institutional goals and objectives) to the specific (detailed operational plans at the divisional level). Participation and specific process will vary in this sequence, but with a deliberate and rational purpose. A poorly organized planning process invites mismatches between authority and decision-making, as officials at one level usurp the prerogatives of officials at other (usually lower) levels. It is this usurpation that leads to the perceived polarization of “centralized” and “decentralized” systems.

Because in many universities the turnover of senior academic administrators is quite frequent, an organized and unified planning process provides continuity. Without continuity the links between planning and decision-making gradually dissolve as plans slip into the past while day to day events pre-dominate.
Planning also fails when it is confused with doing a study. A task force report, by definition, is prescriptive and discontinuous. A task force report may assist in setting an agenda for planning, but it is not a substitute for planning.

Other reasons for a failure to link planning and decision-making are incomplete analyses, neglect or disregard of the planning process, poor diagnoses of problems, an over-emphasis and misunderstanding of priorities, an insufficient capability to conduct institutional research and analysis, and the removal of planners from decision-making procedures.

Why do some managers and decision makers prefer not to plan? A day to day approach to making decisions is easier, more interesting and more immediately satisfying than planning for the future. Because a day-to-day approach is less systematic and less analytical in the first place, it imposes fewer demands for accountability over the long-term, thus providing political and managerial leverage in the short term. This further suggests that planning which is intensely technocratic — as some approaches to planning which were developed in the late 1960s and early 1970s were — may be impractical in universities if it does not recognize that many decisions will inevitably be judgmental and political.

Planning and Budgeting at the University of Toronto

In an effort to link planning and budgeting, the University of Toronto has developed and continually maintains a formal system of “General Budget Policies and Procedures.” The system includes the following headings:

- The Budget Development Process
- Basic Budgetary Policies and Procedures
- Divisional Income
- Self-funded Operations
- The Budget Model
- Detailed Internal Funding Formulas and Conventions
- Basic Policies and Principles for Strategic Planning, Evaluation, and Budgeting

The basic outline of the system as it relates to planning and decision-making is as follows:

Although important aspects of the budget must change each year as the University’s financial circum-
stances change, there are some policies and procedures which are relatively stable and need not be greatly changed from year-to-year. Some cannot be changed on an annual cycle.

In order to make the budget process as stable and predictable as possible, and to focus on strategic choices, the Budget Guidelines, beginning in 1983-84, have contained separate sections in which basic budgetary policies and procedures were presented with the intention of placing them permanently in place, subject to review when necessary. Various Budget Reports since then have introduced additional policies and procedures. So has the Governing Council as it approved new policies, such as the new Policy on Day Care, which have costs that must be budgeted for annually.

What follows is a compilation of the current General Budget Policies and Procedures. They are used annually to construct Budget Guidelines, a Budget Model, and finally the Budget Report.

There are a number of different ways in which universities approach budget planning. Although there are many combinations, the possible basic approaches number only four or five:

1. Line-item budgeting by which all expenditures and proposals for new expenditures are listed and controlled by specific categories, for example, travel.

2. Performance budgeting by which generic categories of operational expense are established in terms of their cost or efficiency in terms of the priorities and for them.

3. Program budgeting (sometimes called PPBS) by which budgets are established for broad program areas in terms of the priorities and objectives that are set for them.

4. Zero-base budgeting by which budgets for certain programs are rejustified and reconstructed in terms of varying budget limits or targets.

5. Incremental budgeting by which changes are considered only at the margins which are largely determined by a small number of major budget factors — government funding, salary settlements, enrollment — calculated on an annual basis.
6. Formulaic budgeting by which certain commitments are systematically predetermined by formal convention.

By making "global" allocations to divisions, the University of Toronto allows considerable discretion to divisional managers, both academic and administrative. The effect of that approach is to steer the University's budgeting and planning processes towards program budgeting and distinctly away from line-item budgeting. Performance budgeting has occurred in isolated instances, usually when special funds have been created for purposes that affect many divisions. The Special Equipment Fund and the Alteration and Renovation budget are examples. Although zero-base budgeting has been discussed in several instances it usually occurs only in connection with a shift from incremental budgeting to formulaic budgeting, as happened for example when the University renegotiated the funding arrangements between it and the Federated Universities. For a certain broad range of expenses, the Budget Model amounts to a combination of formulaic and incremental budgeting, which would be the best current description of the budgeting and budget planning at the University.

A final important note is that, with a few exceptions, there is considerable asymmetry between the processes by which the University's budget is set and those by which divisional budgets are allocated. For example, line-item budgeting is quite common in some divisions. Others, like Scarborough College in its allocations to its four academic divisions, follow a local form of program budgeting. There is also an asymmetry between the process by which expenses are added and removed. Additions usually are made in a program budgeting mode, while reductions typically occur as incremental budgeting would in reverse.

Basic policies and principles.

1. The University, its Faculties, Schools and Colleges should have and be guided by reasonable plans. Divisional plans are a matter of official record through the Planning and Priorities Committee of the Governing Council.

2. Plans should be founded on the academic purposes of the University and its Faculties, Schools, and Colleges.

3. Academic purposes should take priority over other purposes.

4. The University's budgets — both operating and capital — should be financial translations of institutional and divisional plans and priorities, and ultimately the academic purposes of the University at large.

5. The effectiveness of the translation of plans and priorities into budget allocations to particular programs, services and activities should be evaluated periodically according to consistent criteria.

6. Budgetary allocations, whether for increases or decreases, should be differential according to plans, priorities, and evaluation.

Budget objectives.

1. To ensure that the University's operating revenue is deployed in ways which best realize the University's objectives, approved plans and academic purposes.

2. To ensure that academic and administrative units have the resources required to carry out their work effectively, subject to the constraints imposed by the flow of revenue.

3. To provide an effective means of monitoring revenue and controlling expenditures, in conformity with the highest standards of financial management and accounting.

Desirable characteristics of the budget process.

1. The budget process should not make demands on the time of administrators which are unreasonable in relation to the importance of the issues.

2. The concerns of divisional heads should receive proper consideration. The process should be fair and consistent.

3. The Governing Council should have confidence in the process and should have the opportunity to review guidelines and major strategies at key stages.

4. The respective executive officers at the various levels should have responsibility for for-
mulating proposals for budgetary allocations within the limits determined by Governing Council regulations and Basic Policies and Principles for Strategic Planning, Evaluation and Budgeting.

5. The budget should receive final approval at least several weeks before the beginning of the budget year.

6. The Budget Model, once set and accepted, will be followed in budget development unless events force radical changes in the assumptions on which the model is based. If this course of action causes surpluses or manageable deficits, they will be dealt with in the next budget cycle. A manageable deficit is one for which there is a feasible plan by which it would be eliminated in a subsequent budget cycle.

Budget development.

1. Budget Guidelines: The Budget Guidelines annually set the parameter of budget development. Of central importance in association with the Guidelines is a series of models that project income and expense. By indicating the most probable model or combination of models, the Guidelines determine the overall adjustments that must be made in the University’s base operating budget in the forthcoming year, and to the extent possible, in the two subsequent years. From year to year the Guidelines may also set special budgetary priorities, indicate the advisability of surpluses or deficits, outline funding and budgetary strategies, and determine the level of discretionary allocation to support new initiatives.

2. Budget recommendations by Vice-Presidential Envelope: The initiative in applying evaluative criteria and recommending alternative courses of action based on them is initially the responsibility of the University’s administration, in particular the Vice-Presidents. Working together and reporting to the President, they develop a preliminary budget recommendation for their Vice-President Envelopes and, in some cases for Functional Groups if they cut across envelopes. Those recommendations may vary considerably, and may include increases as well as decreases. They also develop at this stage general recommendations for funding to offset the effects of inflation on various categories of non-salary expenses.

3. Budget recommendations by division and category of general expense: Working individually, the Vice-Presidents next devise specific recommendations for each academic division, administrative division and category of expense for which they are administratively responsible. These recommendations are devised in close consultation with the heads of divisions and, where responsibilities overlap, with other vice-presidencies. Divisional recommendations are devised under these guidelines:

a. Recommendations for individual divisions should be made in light of divisional plans and evaluative criteria.

b. Divisional recommendations need not coincide with Vice-Presidential Envelope recommendations, although in the aggregate they will.

c. Divisional recommendations should coincide, where appropriate and practical, with any Functional Group recommendations, thus ensuring that certain administrative functions are treated in approximately the same terms institutionally and divisionally.

d. Within a Vice-Presidential Envelope, reductions made in one division may be used to fund additions in another division at the discretion of the responsible Vice-President, provided that the additions are used to fund priorities recognized in officially approved plans.

e. Budget submissions are not required universally. If an early decision is made to make changes in a division's
budget or to change it by comparatively minor proration, no submission is necessary unless the division wishes to request additional funds.

4. Final recommendations: Again working together, the President and Vice-Presidents, review and integrate envelope and divisional recommendations. This review may result in some adjustments as income and expense projections are refined, if some initial recommendations are found to have been impractical, if the cost of contractual obligation and policy commitment expenses is different from initial estimates and if some divisional requirements are too large to be accommodated by reallocation within the respective Vice-Presidential envelope.

5. Advice and consultation: Throughout the process of budget development the University's administration seek advice from the President's and the Provost's Advisory Committees.

6. Development of the capital budget: In the past, the University has not customarily set a prospective capital budget. As the links between capital expense and operating expense become close, particularly through the Alterations and Renovations Fund in the operating budget, it has become advisable to set both budgets in the annual Budget Report.

The capital budget is determined to a large extent by the Ministry of Colleges and Universities' capital grant in response to the University's Capital Requests List, which usually is submitted in December or January of each academic year. The other major determinant is the advice of the Accommodation and Facilities Directorate (A F D) about alteration and renovation projects which need to be carried out in the foreseeable future. Under this arrangement the only operating funds that are assigned to alterations and renovations is a comparatively small contingency fund.

7. Preparation and submission of the Budget Report: The Budget Report is a summary of administrative recommendations which the President annually submits to the Governing Council, through the Budget Committee, the Academic Board, and the Business Board for review and approval.

The Budget Report includes a Financial Report that summarizes the official financial detail of the forthcoming budget. The recommendations of the Budget Report explain the specific purpose of additions to divisional budgets and the general purpose of funds that will be distributed to divisions during the course of the budget year. The Report may also contain a Supplementary Budget Plan to guide adjustments — either upward or downward — that may have to be made in the course of the budget year.

Participation, consultation, and steps in development.

1. Policy and Strategy: General budgetary policy and strategy will be discussed periodically with the President's Advisory Committee.

2. Budget Policy and Strategy Formulation: The President, in consultation with the Vice-Presidents, will formulate policy and strategy proposals, including the Budget Guidelines. In addition, the President, in consultation with the Vice-Presidents, will: make target allocations to budget "envelopes" including the allocation of special funds; review, ratify or over-ride budget model assumptions; review and ratify all changes in General Budget Policies and Procedures; determine overall budget reductions and or additions; review final estimates of obligatory and protected expense; and review divisional submissions. This process will include regularly scheduled consultation with the Provost's Advisory Group about the progress of budget development.

3. Budget Planning Secretariat: A Budget Planning Secretariat has been established on a permanent basis, and has responsibility for budget models, estimates of obligatory and protected expenses, determination of the "relevant base", budget schedule, draft Budget Guidelines and draft Budget Report, development of "non-envelope" proposals, review and analysis of budget submission, interpretation of Budget Report, identification of issues and problems requiring consideration by the President and Vice-Presidents, budget instructions, formulas and procedures for allocating special funds (for example, special equipment fund and administrators on leave fund), and coordination of the budget process. The Secretar-
iat is staffed by the Office of the Vice-President and Provost, the Office of the Vice-President, Human Resources, the Office of the Assistant Vice-President (Planning) and University Registrar, and the Office of the Assistant Vice-President Finance, with the Assistant Vice-President (Planning) as Chairman and the Manager of Budget Department as Vice-Chairman. The Assistant Vice-President (Finance) and the Comptroller are ex officio members of the Secretariat.

The list below and the chart on the following page indicate the basic phases that are followed in developing an annual budget, the participants in each step, and the degree of participation at each step.

1. **FORECASTING INCOME**
   Grants, interest rates, enrolment, designated funds, volume of research.

2. **FORECASTING EXPENSE**
   Contractual obligations, statutory commitments, utilities, transfer payments, policy commitments, compensation, enrolment.

3. **FORMULATION OF STRATEGIC OPTIONS**

4. **SELECTION OF OPTIONS AND FORMULATION OF BUDGET GUIDELINES**

5. **REFINEMENT OF STRATEGY**

6. **BUDGET ENVELOPE DEVELOPMENT**
   - assignment of reductions
   - development of proposals for new discretionary spending
   - special proposals and problems
   - Long Term Adjustment Fund allocations

7. **ASSEMBLY**

8. **REVIEW AND ASSESSMENT**
   - Compliance with Guidelines
   - Allocation of discretionary funds
   - Multi-year commitments

9. **FINAL REVIEW AND APPROVAL**
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<th>PHASE</th>
<th>Budget Planning Secretariat</th>
<th>President and Vice-Presidents</th>
<th>Provost's Advisory Group</th>
<th>Budget Unit Heads</th>
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Table 1. Phases and Participants in Annual Budget Process
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