Foreword

In fall 2011, I ran into my longtime friend and colleague Larry Goldstein. In the course of our conversation, he mentioned the new edition of his book on college and university budgeting. A few weeks later, he sent me the manuscript for the fourth edition so I could have the pleasure of reviewing it in advance.

The term "budget" may have many definitions in an organization and can serve many purposes. A budget, for example, can be viewed as:

1. A planning document
2. A reflection of values and priorities of an organization
3. An indication of institutional culture
4. A sign and degree of organizational transparency
5. A manifestation of decision making in an enterprise

Of course, some people view budgeting as a mechanistic exercise based on a purely prescriptive and bureaucratic procedure. Given the complexity of the concept, every one of these perspectives has some merit.

In higher education, the concept and nature of budgets become even more confusing and multifaceted. One plausible explanation is that higher education is a political enterprise rather than an economic one. Within such a framework, budgets in colleges and universities become a mystery—perhaps because, despite the common rhetoric of transparency and openness, higher education favors opaque budgeting processes.

This is where I notice the strength of this book. The author demonstrates the organic link between planning and budgeting, making it unambiguously clear that budgets and plans represent two sides of the same coin. In other words, the budget is the financial manifestation of the university's plans. He discusses factors essential to the success of the budgeting process, including open communication with key stakeholders, clear articulation of the budget to the strategic plan, budget implementation and monitoring processes, and the role of technology.

In addition, Larry has done a very good job of introducing the concepts and variables special to higher education, which, like any enterprise, has its own unique vocabulary. His ability to illustrate complex concepts in easily understood terms makes this book a must-read for leaders who are new to this sector, even if they have held senior leadership positions in the for-profit sector.

In his book, *Honoring the Trust: Quality and Cost Containment in Higher Education,* William F. Massy states that, for-profit entities offer a fixed number of products and services with the intent of maximizing return for the investors. In the nonprofit environment, however, the organization has a fixed amount of resources and a mission to maximize value for all its stakeholders. If a corporation makes an innovative change that reduces the cost of production, it either invests in infrastructure to offer more products and services to more customers, increases profits returned to investors, passes the savings to its customers, or undertakes a combination of all three options.

By contrast, in a nonprofit organization, savings from an efficiency gain are not passed on—because there are no owners. Instead, the organization invests in other activities to add more value. For instance, if a university invests in a new information technology (IT) system or energy management project that results in cost reductions, the savings typically will not result in reduced tuition prices. Because there are limitless projects that, in theory, will maximize the value for stakeholders, the university will deploy its available resources toward those projects. Therefore, the relationship between cost and efficiency gains is more complex in universities (although this may be less true for the small number of for-profit institutions). This subtle difference may not be obvious to those coming from the corporate sector to higher education. That is one way this book can provide excellent context for them.

Even for those who have come up through the ranks in higher education, this book offers a wealth of knowledge. Most likely, they will not have been exposed to all of the concepts covered in the book—or they may have learned the concepts in a biased or incomplete fashion.

The author not only explains various types of internal budgets—namely, operating, capital, and special allocation—but also talks about the external factors that can affect those budgets, such as the federal government, state statutes, local ordinances, and the overall political and regulatory environment. He discusses how the budgeting process reflects subtle elements of the organization's culture—such as the degree of transparency and openness, institutional character, and decision-making authority—and emphasizes the starring role that budget flexibility plays in enabling a college or university to respond to challenges. The true strength of an organization—and the true test of leadership—is how one deals with such challenges during economic downturns and other financial emergencies, not just in stable situations.

Having spent more than three decades in higher education, including positions as chief financial officer of two universities, I was impressed with the book's depth and breadth of the coverage of topics pertinent to higher education budgeting. I was equally impressed by the brevity of the discussion, without any compromise on its technical rigor or quality. The author has very capably treated the subject matter in an easily understandable fashion.

I highly recommend this book to up-and-coming managers in higher education who aspire to move further up the administrative ladder, as well as to seasoned leaders looking for a comprehensive resource. Finally, for those coming to higher education from other sectors, this is a must-read.

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