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ABSTRACT

The primary responsibilities of chief financial or business officers at community colleges include attending to business and financial affairs, dealing with the physical plan and real estate, handling legal affairs and auxiliary enterprises, providing leadership for policy matters, and acting as a financial advisor. Due to the significant supervisory responsibilities, it is recommended that as a job qualification chief business officers be trained and skilled in staff management and organizational development. With respect to the roles of financial advisor, investment manager, and legal affairs manager, officers should protect the college president by ensuring that all expenditures are legal and play the role of conservative spender. Because officers must handle funds that are a public trust, all members of the office must practice high standards of ethical behavior. Business officers, like other members of the administration, are faced with rising concerns over resources and revenue in postsecondary education and should be able to provide some knowledge of the economic outlook and specific legislation that may affect the institution. Officers must also work with other administrators to develop an effective institutional plan, taking into account academic priorities, enrollment projections, and potential sources of funds, as well as to prepare a balanced budget to implement institutional priorities. Contains 10 references. (HAA)

The Role of the Business Officer

Brenda C. Weitman

THE ROLE OF THE BUSINESS OFFICER

by

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The purpose of this article is to detail the role of the business officer at postsecondary institutions and to examine this role in three areas: 1) management of the business operation, 2) the political dynamics of managing the business operation, and 3) the role of the business officer in institutional planning.

The primary responsibilities of the chief financial or business officer generally include business and financial affairs, investments, physical plan, real estate, legal affairs and auxiliary enterprises such as housing and food services (Ford, 1992; Greene, 1992). The chief business officer should provide leadership for policy matters relating to business and financial aspects of institutional operations and activities and should serve as financial advisor to the president and governing board (Ford, 1992; Greene, 1992).

The role of the chief financial or business officer can be divided into two major roles (Greene, 1992):

1) a major participant on the president's senior management team, and

2) the leader and manager of the part of the organization that provides essential business and financial services (Ford, 1992).

In a response to Bowen (1971), Hans H. Jenny responds that "it is the chief function of the business officer to extend the life of the institution into the indefinite future. His main job is to manage the finances, the income, the expenditures, the people, so as to give the institution another chance, and then another, and another."

The Role of the Business Officer in the Management of the Business Operation

The business officer has many different responsibilities and duties in the management of the business operation of a postsecondary institution. Chief business officers are assigned substantial supervisory responsibilities and, in general, the larger the institution, the larger the staff supervised. However, the size of the chief business officer's subordinate staff is ultimately determined by the organization of the institution, the organizational philosophy and attitudes of the president, the chief business officer's experiential background, and the technical skills and supervisory strength of the chief business officer (Calver, 1985). Due to the significant supervisory responsibilities, Calver and Vogler (1985) recommend that as a job qualification the chief business officer should be trained and skilled in staff management and organizational development. According to Cullen (1973) the responsibilities of the community college business manager, in broad terms, are accounting, budgeting, inventory control, operation and maintenance of physical plant, personnel and purchasing. While this role has expanded since the early 1970's, the business officer continues to oversee a staff that provides services and often must act as the comptroller. The business officer's many duties and responsibilities may also include financial advisor, investment manager, legal affairs manager, and support services. Each of these four duties are discussed as follows.

Financial Advisor

The chief business officer acts as the financial executive for the president and the financial advisor to the governing board. The officer is responsible for protecting the president and the board by making sure that all expenditures are legal and by playing the role of the "conservative spender," which helps the institution focus on its highest priorities - emphasizing effectiveness and efficiency (Ford, 1992; Greene, 1992). According to survey results collected by Calver and Vogler (1985), the governing board's expressed desire is for the chief business officer to improve efficiency and facilitate sound business practices and be held accountable to the board through the president. It is the business officer's responsibility to maintain sufficient financial reserves to handle unforeseen contingencies as well as to provide for some very important flexibility.

Investment Manager

The chief business officer is often responsible for managing the endowment fund and the operating fund cash flow. For the endowment, institutions generally select several outside investment managers and give them discretionary authority to make investment decisions. The chief business officer provides leadership in selecting the investment managers and then carefully monitors their performance relative to agreed-upon benchmarks, such as the Standard & Poor's 500 Index, that are approved by the governing board (Ford, 1992; Greene, 1992).

However, in a study by Calver and Vogler (1985), when public community college chief business officers were surveyed, the responsibility for endowments was most often not assigned to them. Although endowments are becoming more prominent in public community colleges, they may often be assigned to an administrator who is accountable for development activities or college foundations.

Legal Affairs Manager

The chief business officer may be called upon to provide legal advice and services in the following (Ford, 1992; Greene, 1992):

1) ensuring that operating decisions are in compliance with the various state and federal laws and regulations
2) performing all documentation involved in business transactions such as land acquisition and bond issues
3) defending the institution from lawsuits and charges of

discrimination, environmental violations and contract disputes

The chief business officer must manage the use of legal services and ensure that legal counsel only serves as an advisor to management and that it does not become a substitute for management.

Support Services

The chief business officer is responsible for providing a large number of support services for the benefit of the whole institution. These services usually include the following (Ford, 1992).

Business and Financial Services

Accounting
Budgeting
Contract administration (including research contract and grants)
Administrative computing and information processing
Human resources (nonacademic)
Purchasing
Student financial aid, including loan collection
Debt management
Internal auditing
Managing investments (cash flow and endowment)
Managing legal affairs
Managing insurance and risk
Managing miscellaneous auxiliary enterprises (bookstore, machine shop, transportation pools, printing shop)
Managing payroll
Cashiering

Physical Facilities

Facilities planning (design, construction, renovation and repair)
Facilities upkeep (operation and maintenance)
Utilities (heating, cooling, power, telephone) and energy conservation
Grounds maintenance
Safety and security
Parking and traffic control
Environmental health and safety

Housing and Food Services

The following functions are sometimes shared with student services:

Campus residences

College union or student center

Food service operations

In managing support services, the business officer should remember (Ford, 1992):

1) The best environment for learning requires the best support services; support services must be provided with excellence.

2) Support staff should be as efficient as possible while spending as few dollars as necessary to provide excellent support services, so as to conserve available dollars to fund the direct academic mission that is the main reason for the existence of the institution.

The chief business officer has two potentially conflicting roles involving the provision of a wide variety of customer-oriented services and the provision of control services to the organization. To minimize the conflict of being both service provider and controller, standards for what is and is not permissible need to be clearly communicated throughout the organization.

A primary standard calls for ethical behavior and practices, because the chief business officer must handle funds that are a public trust; therefore, all members of this office and staff must practice high standards of ethical behavior. The business officer and his staff must always have a friendly, service-oriented attitude. Two kinds of professional development are involved for the business office staff and includes development of skills that are people-oriented, such as supervisory and leadership, and technically oriented, such as accounting and computer programming (Ford, 1992).

Political Dynamics of Managing the Business Operation

The business officers, as well as other members of administration, are faced with rising concerns over resources and revenues in postsecondary education, including tuition, federal and state aid, state tax revenues, federal research grants, and a slowing economy (Rush, 1992). In addition, institutions must consider the relationship of these funding sources to governance and institutional size (Calver, 1985).

The problem of tuition growth passing the families' ability to pay has been compounded by declining federally funded student aid. The business officer should provide some knowledge of the economic outlook in general and the specific actions of Congress that may affect institutions (Bowen, 1971). Government revenue sources are being redirected to other competing societal programs such as welfare, public health, elementary and secondary education, and criminal justice. The low rate of inflation and intense competition for students has limited the ability to pass on significant tuition increases. The burden of financial aid has increasingly passed to the institutions, resulting in a 130 percent increase in institutional funded student aid from 1980 to 1988 (Rush, 1992).

State and local governments are the single most important source of financial support of higher education in the United States (Meisinger, 1994). However, Breneman (1994) suggests that state support of public higher education will continue to decline and that options must be found for use of limited state dollars. Shifting state support from institutions into need-based student aid could result in public institutions raising tuition to make up for reduced state support.

In addition, competition for federal research dollars has grown. Although the government is still the most significant source of research funding, this funding has slowed since the 1980's (Rush, 1992). Academic institutions and the private sector are assuming a greater share of the nation's research efforts. The shift away from federal funding has created two problems for institutions: first, as they move toward self-funding the direct costs of research, the cost level for research will rise; second, research grants from private foundations and companies generally do not fund indirect costs.

A number of critical needs have arisen in postsecondary education which have presented definite concerns to administrators. Five of these concerns are changing student demographics, government intervention, new technology, declining enrollment and long-deferred maintenance. Each of these, in some way, have a major effect on the budget demands of an institution. These concerns, in addition to other institutional needs, require that most colleges have the same kind of expert management that is found in business and industry. However, this management is made even more complex in colleges due to the lack of a traditional bottom line. There is no simple means or widely accepted measure of success or failure for the total organization or for many of its parts.

Unlike business corporations, which must answer primarily to a single constituency, the stockholders, colleges have many constituencies including students, faculty, parents, alumni, donors, legislators and the local community, to which they must answer.

Colleges have always been considered a public trust operating for the benefit of society, but they have been generally excluded from close federal regulation. However, this situation is changing, and regulations affecting campus affairs, from the use of hazardous chemicals to public disclosure of student graduation rates, are making the operation of higher education more detailed and more costly.

The general relationship between program and finance has been characterized by tensions stemming from the perception that the role of the business office has been to constrain both the growth of programs and improvements in their quality (Finnerty, 1992). To overcome these misconceptions, the business office must reconstruct its relationship with the academic programs to help academic leaders understand the resources available to them, then encourage these leaders to use analytical and planning skills available within the business office as a means of supporting the quality of academic programs.

The business officer can help all of the constituencies of the community college to think intelligently about concepts such as productivity in an educational setting (Bowen, 1971). Many believe that efficiency and productivity can be reached by increasing class size; however, faculty members and administrators need to be encouraged to think about class scheduling procedures, sharing of scarce library and computer resources with other institutions and other innovative methods to save resources and reduce costs.

The Role of the Business Officer in Institutional Planning

Planning is one of the most difficult managerial functions, particularly strategic long-range planning. The chief business officer must emphasize careful short-and long-term planning to his staff. Effectiveness and efficiency of operations require careful planning, mostly of a short-term nature, because most operating costs are variable from one to 3 years. On the other hand, facilities planning, whether it is a new construction or repair and renewal, by its very nature requires long-range planning or strategic planning, which is the first level of institutional planning and budgeting (Greene, 1992). In both new construction and repair and renewal, the chief business officer should develop and keep current master plans covering at least a 10-year period that are in concert with academic program planning and priorities. Continuous review and monitoring are essential to respond to changing demands.

The financial or business officer plays the key role in financial planning and facilities planning, but this must be done in concert with the other members of the management team (Ford, 1992; Greene, 1992). The planning must take into account academic priorities from the chief academic officer, realistic enrollment projections from the student services officer, and potentially available gift funds from the development officer.

In every community college, no matter what its size, there are never enough resources for all that is needed and desired by academic administration, faculty and students. Therefore, it is necessary for the business officer to develop priorities under the leadership of the president with the involvement of the chief academic officer. Input should be gathered from all groups before the priorities are set. Once set, the priorities must be carefully reviewed and regularly updated.

Once priorities are approved by the president and the governing board, the president sets the guidelines for the chief academic officer, chief business officer, and their staffs to plan for budget preparation and other matters.

Budgeting, which includes planning, preparation, implementation, management, control and evaluation, is critical at all levels of the organization. The budget is the financial plan for the institution and is used to implement the priorities developed under the president's leadership. While the business officer provides the leadership and staffing for much of the budgeting process, the senior administrators, especially the chief academic officer and the deans, must work together to prepare a balanced budget within guidelines approved by the president. Finally, this budget must be approved by the governing board.

During the institutional planning and budgeting cycle there is a second level of decision making called the focusing-in process (Greene, 1992). Although the focusing-in phase has as its target the generation of appropriate operating and capital budgets for the next one to three years, the time lines of the decisions that underlie those budgets are usually much longer. During this phase, the business officer acts as the process manager by bringing together essential financial and quantitative information and leading the way in finding solutions that optimize the value and viability of the institution. The role in this process may be the business officer's largest contribution to the institution, outweighing the provision of financial information or the management of business functions (Greene, 1992).

To play the management role effectively, the business officer must determine the difference between the decision-making process for the institution and the advocacy of favored financial or business practices and activities. The business officer must be able to concentrate on making the process work even if it does not support individual opinions or philosophy.

The decisions made in the focusing-in process, and therefore the nature of the processes and information needed, are different from those involved in strategic vision or implementation. Changes in strategic vision are infrequent, irregular in timing, often heavily value based and intuitive, and driven by information from outside the institution as well as internal data. Focusing-in decisions tend to be updated annually for budget purposes. They, too, involve information from outside the institution, such as comparative data, but depend more heavily on internal trend and analytical data.

The third level of the budget decision involves implementation of the programs and the priorities that emerge from the focusing-in process (Greene, 1992). An important area of implementation is the development of operating and capital budgets that reflect those decisions. Basic costing and pricing philosophies must be decided on and carried through during budget development so that budgets are sound and comprehensible.

Implementation decisions, on the other hand, tend to be repetitive and based largely on internal information. Institutions are organized in departmental and other functional units to deal with these frequent decisions, which can often be facilitated by well-designed management information systems.

Other implementation processes are also significant, though they may not occur on the same annual cycle. Examples include appointment of key personnel, development or phasing out of major academic programs, planning and construction of facilities, changes in information technology, initiation of major fund-raising campaigns, and development of additional resources.

In contrast to these, many implementation decisions are operational in nature, in that they involve somewhat minor year-to-year adjustments of the institution's continuing programs to new budgets (Greene, 1992). Implementation decisions are more important to the people directly involved but usually have little impact on the institution as a whole.

Summary

While many other administrators have had careers as faculty members and have gained management skills through on-the job training, the business officer is usually a professionally trained administrator who brings his or her professional management skills and training into play as part of the president's management team.

The business officer must have an understanding of the institution in which he is employed, as well as a knowledge of finance for higher education.

According to Clarence Scheps (Bowen, 1971), the business officer has to develop new ways and new techniques, not only to provide meaningful input to the academic world but, of equal importance, to achieve a situation in which the academic world uses this input in making educational choices.

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