

EDITOR'S NOTES

No previous *New Directions for Institutional Research* volume has been dedicated to the generalized use of financial and human resource data by institutional researchers. With tightening budgets for higher education and new programs being developed to contend with those shrinking budgets, some institutional research and strategic planning offices increasingly are being asked to provide information on data that are usually under the auspices of business affairs organizations.

Programs such as "The Lean Enterprise Process" (Argent Global Services, 2008) are being implemented at some universities as a way to reduce costs with regard to work processes. In 2008 The University of Texas at Dallas became one of the most recent organizations to implement the Lean Enterprise Process (Jamison, 2008). Implementation of the process at The University of Central Oklahoma has already led the institution to realize cost and personnel efficiencies. Programs such as this require accurate expenditure data to establish a baseline of expenses before program implementation to compare with expenses after implementation (Moore, Nash and Henderson, 2007).

Universities and colleges derive their funding from multiple sources and through various methods. For private institutions, tuition, fees, and alumni giving (and in some cases, research contracts and grants) are the primary sources of income. Private institutions must therefore determine the cost of educating students and set tuition and fees so that those costs are properly financed. Public institutions are partially subsidized by public funds so that tuition and fees can remain low. However, public institutions can be influenced by political models for funding. Hellriegel and Slocum (2007) noted:

The political model describes decision making by individuals, groups, or units when the parties perceive that they have separate and different interests, goals, and values. Preferences based on self-interest goals may not change as new information is learned. Problem definition, data search and collection, information exchange, and evaluation criteria are methods used to bias the outcome in favor on the individual, group, or unit [p. 375].

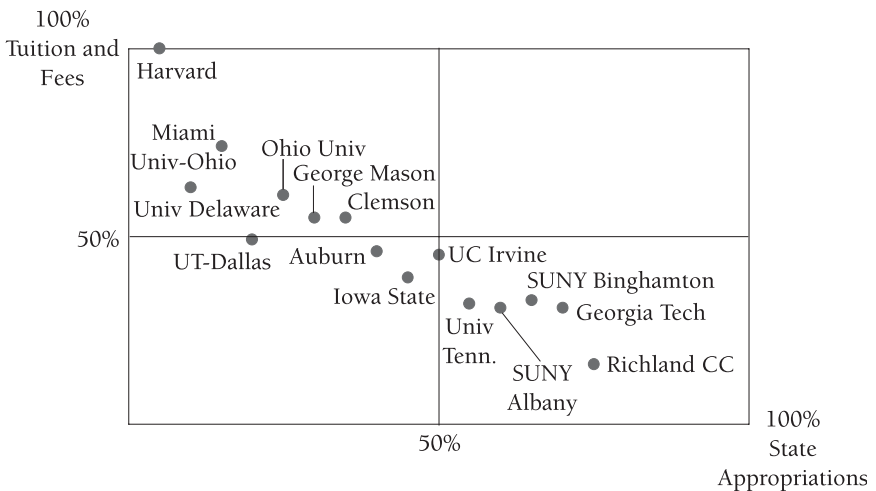
Simply stated, legislators pass funding and revenue bills to make their constituents happy. Pfeffer (1992) notes, "Political leaders, too, confirm that the willingness to build and wield power is a prerequisite for success in public life" (p. 13). Therefore public institutions that are receiving revenue from

federal, state, or local entities will put more priority on determining revenue streams that are coming into the public institution (due to enrollment growth) since tuition and fees are set by legislative statutes in many cases.

The fact that public higher education institutions can be heavily dependent on state legislatures for funding does not necessarily indicate that actual costs and expenditures are being taken into account when legislative statutes are being formulated or passed (see Chapter Six for an example of this type of funding). According to Gortner, Mahler, and Nicholson (1987), “Above all else, governmental policies are developed for political purposes. The process by which policies come about and the interests they promote or maintain (whether broad public interest, organized groups, elected or appointed officials, or even bureaus and their members) are political in nature” (p. 35).

Figure 1.1 illustrates the relationship between tuition and fees revenue and state appropriations at various higher education institutions. When combining only two revenue sources for an institution (state appropriations and tuition and fees), one would expect to see private institutions primarily supported by tuition and fees revenue and public institutions supported primarily by state appropriations (other forms of revenue, such as contracts and grants, alumni donations, and endowment assets, are not included in this study). The figure demonstrates this relationship effectively with Har-

Figure 1.1. Proportion of Revenue Derived from State Appropriations Compared to Tuition and Fees, Fiscal Year 2005–2006



Note: Only tuition and fees and state appropriations revenues are included. All other revenue sources are excluded.

Source: L. Redlinger, professor and executive director for the office of strategic planning and analysis at The University of Texas. I extend my thanks to Lawrence Redlinger for producing this figure.

vard University on one end of the spectrum (0 percent from state appropriations) and Richland College, an associate-level institution in the Dallas County Community College District, on the other end (84 percent from state appropriations). All other institutions in the figure are public doctoral-granting institutions. The proportion of tuition and fee support to state appropriations runs the entire spectrum from modestly subsidized by the state (Miami University–Oxford, University of Delaware) to heavily supported (State University of New York institutions). This clearly demonstrates how state appropriation revenue streams vary significantly among public institutions due to a multitude of factors, such as elections, legislative agendas, and the local or regional economy, and highlights the potential impact of unexpected legislative changes to the appropriations revenues of some universities.

This volume of *New Directions for Institutional Research* investigates how institutional research offices can analyze financial and human resource data to complete mandatory federal and state reporting and provide timely, quantifiable data for forecasting, planning, and policymaking to decision makers. While the research that uses human resource data can be (and sometimes is) conducted by budget offices or human resource departments, those departments can lack the resources or skills necessary to integrate multiple data sources to produce meaningful analyses and forecasts. An institutional research department can achieve a better understanding of how its institution operates holistically by tapping into human resource data. Furthermore, successful integration of human resource, student, financial, and even facility data can result in more comprehensive reports, which enable upper administrators to make data-driven decisions on institutional policies.

In addition, this volume is designed to address more generalized human resource issues and gradually segue to more theoretical, analytical, and financial uses of human resource data. Chapters One through Four explain why the use of human resource and financial data is important and how these data can be used to address general operational issues. Chapter One discusses the usefulness and practicality of using human resource data as well as general concepts regarding revenue streams that flow into institutions. Chapter Two explores the potential uses for human resource data and the organizational aspects of obtaining such data successfully. Chapter Three examines the integration of faculty, human resource, and financial data to enhance the decision-making process at an institution. Chapter Four addresses the use of human resource data to analyze salary compensation to determine if possible inequities exist in relation to faculty positions and, if so, where salary adjustments can be made.

Chapters Five through Eight relate to formula funding, legislative budgeting mandates, and revenue generation by institutional employees. Chapter Five discusses how formula funding is calculated by the state of North Carolina with the Delaware Study, a cost model the state legislature uses to

determine educational funding. Chapter Six reviews the state of Kentucky budgetary process, which combines political decision making and enrollment forecasting to establish financial aid for Kentucky high school students who matriculate in Kentucky's higher education institutions. As a contrast to the funding methodology described in Chapter Six, Chapter Seven describes a method that relies on a mathematical formula to calculate a return on investment from faculty salary data and formula funding generation. Chapter Eight summarizes the volume and discusses formula funding issues and other potential uses for human resource data. These chapters are designed to provide institutional researchers with a broad understanding of how human resource data can be put to greater operational and analytical use and to offer insight into how revenue streams flow through (and are determined by) various organizations across the country.

I thank all of the chapter authors and support staff who worked diligently on this volume. Without skilled and professional institutional researchers to undertake such endeavors, information that could be useful to other institutional researchers and government agencies would not be readily available to provide a foundation for future research and an opportunity to resolve current organizational needs.

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