

Appreciative Budgeting: Providing Financial Transparency and Inclusion

Farley S. Leiriao¹

Abstract

Budgeting in higher education is often an avoided subject area between employers and employees. The budgeting process is usually handled by a limited number of administrators and is frequently not openly communicated with the faculty and staff at higher education institutions. The Appreciative Budget Model (ABM) is a framework for fiscal administrators to clearly convey to all members of an institution how the budget is formed and open up opportunities for everyone to provide their input. A strong planning process improves organizational support for financial decisions as well as the final outcomes of the adopted budget.

Keywords

Budgeting, Appreciative Education, finance, inclusion

Budgeting at a university is typically viewed as an economic exercise with the purpose of distributing resources to ensure the continued operation of the institution. Budget administrators typically share the basic accounting logic with appropriate constituents about their budgeting decisions, including: making general financial changes, ensuring accounts balance, tracking revenues, and verifying funds are available to cover expenses. However, when requests are submitted to budget administrators for additional details on the decision-making process for other items, including additional budget requests, determining institutional fiscal strategies and investments, and dealing with specialized funding requests, there is typically less information made available to constituents. The purpose of this article is to introduce a new and more transparent approach to budgeting at universities - the Appreciative Budgeting Model (ABM). The ABM combines the required technical financial processes of designing and distributing a university budget with the Appreciative Education (AE) framework to enhance the communication and decision-making processes. The ABM will give financial administrators a theory-to-practice framework for clearly conveying to all members of an institution how the budget is created and invite their input on the process.

Traditional Approaches to Budgeting

It is important to understand how the higher education budgeting system operates in its current form in order to properly incorporate the ABM. There are two main approaches that institutions utilize to create budgets. The first process is known as the centralized budget process, which requires departments to submit their reports to a single entity and then await a decision. One example of this type of budget is called zero based, where all budgets are reset at the beginning of each fiscal year and then proposals are submitted to determine how much each area is allocated. The decision-making about the budget is done behind closed doors and could either improve or detrimentally alter the financial budget (Hearn et al., 2016). Another centralized example is the incremental budget, which involves setting a certain base threshold that must be met every year and funding increases depend on additional revenues gained at

¹ Florida Atlantic University, Florida, United States of America

Corresponding Author: Farley S. Leiriao, Email: fleiriao@fau.edu

the institution as well as needs of certain departments. In both examples, additional funding relies on presentations by administrators and additional funding is obtained from other accounts or metrics that are continually changed on a yearly basis depending on the needs of the institution as a whole (Szatmary, 2011).

The second budgeting process is known as the decentralized process. In the decentralized process, each department is assigned a certain allotment and then based on administrative policy can keep their additional revenues and absorb their own losses. Decentralized approaches include the Responsibility Center Management (RCM) technique, allows departments to see the overall budget, but formulas and decisions are made behind the scenes. Each area of the institution whether a college, service department, support area or other section are responsible for showing how they contribute to the revenue generation of the unit. As a result, departments that successfully increase their revenues are rewarded, while those that did not either do not gain from the additional revenue or may even lose funding in their future budgets (Hensley et al., 2001).

There are often several different parties involved in the higher education budgeting system. The final decision-making group, Senior Level Administrators, see the entire picture of the university, but typically are unaware of base level concerns or changes that are needed. There are Division/Academic leaders who have a clear perspective for their own area based on strategic goals and priorities brought by direct reporting staff. These individuals are not always included in conversations about other divisional needs or institutional goals. Finally, there are Senior Budgetary Personnel with the role of providing financial clarity on transactions and reporting on overall fiscal health of the institution. These individuals are typically not involved in conversations about goals or objectives, other than receiving requests for available funds (Hearn et al., 2016).

Appreciative Education

The Appreciative Education (AE) framework provides an approach that can greatly improve the higher education budgeting process. He et al. (2014) defined Appreciative Education as “a framework for educators to embrace positive mindsets, leverage learners’ assets and strengths, and empower learners to take ownership of the learning process for their academic success” (p. 1). AE can be incorporated into all administrative enterprises and duties at the institution as well as guide how the higher education organization functions on a daily basis (Bloom & McClellan, 2016). AE incorporates the Appreciative Mindset, which focuses on unleashing the positive abilities within all members of the organization (Cooperrider et. al., 2008). Additionally, communication strategies, planning processes, and activities can be planned and delivered using the AE approach to guide individual and organizational goals. There are six phases that comprise the AE framework: Disarm, Discover, Dream, Design, Deliver, and Don’t Settle (Bloom & McClellan, 2016).

In order for the ABM model to be effective with combining budget processes and AE, certain principles like transparency, trust, being proactive, and clarity must first be instituted. *Transparency* includes providing all information upfront and educating those who do not understand the process (Schnackenberg & Tomlinson, 2016). *Trust* includes building personal connections between all involved parties that allow for open sharing of ideas and a willingness to discuss issues (Li & Betts, 2003). *Being proactive* includes planning ahead and developing awareness of possible issues before they become unmanageable (Crant, 2000). *Clarity* involves providing well-thought-out directions and being mindful on how to effectively communicate, which can be summed up by Steve Covey’s (2004) *The 7 Habits of Highly Effective People*. One of the habits Covey discussed is “to seek first to understand

others before seeking to be understood” (Covey, 2004). It is important that both the budget personnel and the university employees are willing to listen to each other and not prematurely decide what they are hearing.

Appreciative Budgeting Model

The main purpose of the ABM is to create a model for budget administrators to communicate with the institution’s faculty and staff about the budgeting process. Previous studies have shown that when the members of the college community are informed about the budget process and are provided involvement opportunities, they are supportive of the final decisions made even if they are not always popular (Kissler, 1997). The budgeting processes that have been previously used to make decisions, such as the centralized and decentralized methods discussed earlier, will still be utilized to make the final budget. When implementing the ABM, using the six phases from the AE framework is essential in achieving the budgetary goals of the institution. This section will highlight by phase how the ABM can be implemented on college campuses.

Disarm

The Disarm phase focuses on creating an open environment in which all attendees feel welcome and can freely express themselves (Bloom & McClellan, 2016). With the ABM, all employees within a unit are invited to attend a short series of budget sharing events. The primary objectives of these events are to share budget information and gather participants’ ideas regarding the budget. The budget leaders will warmly welcome participants and start the meeting by sharing successful budget examples that were generated by employees to establish a history of employee ideas being funded. Examples may include reclassifications of roles, which either saved funds or created new positions, as well as detailed budget submissions that demonstrated how allocations of existing funds were used to advance a department’s objectives.

Discover

The Discover phase utilizes the trust built during the Disarm phase by sharing how participants voices matter and by asking questions to learn about their needs as well as their thoughts and feelings related to the budget. These conversations help employees understand the budget as well as reframe their role as an active participant in the budget process. Examples of questions to ask employees include:

- What aspects of the budget process would you like more information about?
- How can having more information about the budget allow you to perform better in your role?
- How can it help your unit?
- What role would you like to play in helping to create the budget?
- How might you be able to positively contribute to achieving our shared budgetary goals?

By taking notes and listening carefully to participants’ responses, budget officials can reconceptualize how they approach the budget and subsequent sharing of information about the budget.

Dream

The Dream phase invites participants to collaborate to envision a shared future for the unit (Bloom & McClellan, 2016). The ABM encourages conversations on how the budgeting

process can be more inclusive and updated. This discussion will be led by questions about the budget process and how it can be reimagined through the ABM including:

- What are your greatest hopes and dreams for our university in the next 5-10 years?
- How can the budget help us achieve our goals?
- What might result from a well-designed budget?

Design

Once a shared dream is established, the Design phase involves co-creating a plan for achieving the shared dream and assigning people to work on specific tasks (Bloom & McClellan, 2016). Based on the conversations in the Dream phase, the group will co-design a system that will include who does what, when will it take place, and how it will happen. The plan utilizes the strengths that each person brings to the group, allowing the dream to become a reality (Cooperrider & Whitney, 2005). Ideally, assignments will be made based on participants' interests.

Deliver and Don't Settle

The Deliver phase involves the various task groups established during the Design phase working on completing their assigned objectives in a collaborative and supportive manner. The Don't Settle phase is a reminder that the improvement is continuous. As small successes accrue, it builds momentum for accomplishing other tasks and for continual improvement (Bloom & McClellan, 2016). Everyone in the group is responsible for ensuring collaboration throughout the process and that each person is supported in the role they have been assigned. It is important to schedule time for task groups to share about their successes with the university community. Leaders provide continuous, generative quantitative and qualitative budgetary data feedback about which processes are working well and which need to be improved. Additionally, each person should be encouraged to self-reflect before and after the budgeting process to evaluate how improvements can be made in the next budget cycle. This process should include questions to encourage open discussions including:

- What challenges did you encounter learning about the budget?
- What information should be included as part of the education sessions about budget process in the future?
- What strategies can you use to overcome obstacles related to the budget as they arise?

After the self-reflection, it is important to recognize individual and team accomplishments, no matter the size, to emphasize the importance of all contributions. Furthermore, celebrating what members of the group did well along with reflecting on their individual purpose and values promotes the unique skills of each person involved in the process and the goals that can be accomplished through dedicated team efforts.

Conclusion

Incorporating the ABM into the budgeting process would create more clarity and buy-in from a wider audience. The benefits of the AE framework include improving personal interactions between stakeholders and budget administrators, leveraging the strengths of people throughout the unit, and generating new fiscal ideas from across the unit. The ABM framework is a powerful way for budget administrators to enhance the effectiveness of their budgeting process.

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