

HIGHER EDUCATION

# Improving Your Budget Cycle

## *Introducing Efficiencies into Your Process*

*By Tony Ard, Stewart Clark, and David Woodward*



**KaufmanHall**  
axiom software

# Importance of Modern Financial Planning Tools

64%

**Acknowledge higher education  
is behind most other industries in terms  
of adopting modern financial planning  
practices and tools**

66%

**Say they are not prepared to respond  
quickly to change, or were unsure if  
they could use existing tools and  
processes to do so**

When it comes to adopting modern financial planning practices, nearly two-thirds of respondents acknowledged that higher education is behind most other industries, according to a recent survey by Kaufman Hall. Slightly more respondents believe their institutions are not prepared to respond quickly to changes in the market or are unsure whether they could use

their existing tools and processes to do so. Higher-education institutions that not only understand the importance of modern financial planning tools and processes, but also regularly apply those tools and processes have a higher probability of success over the next 5 to 10 years.

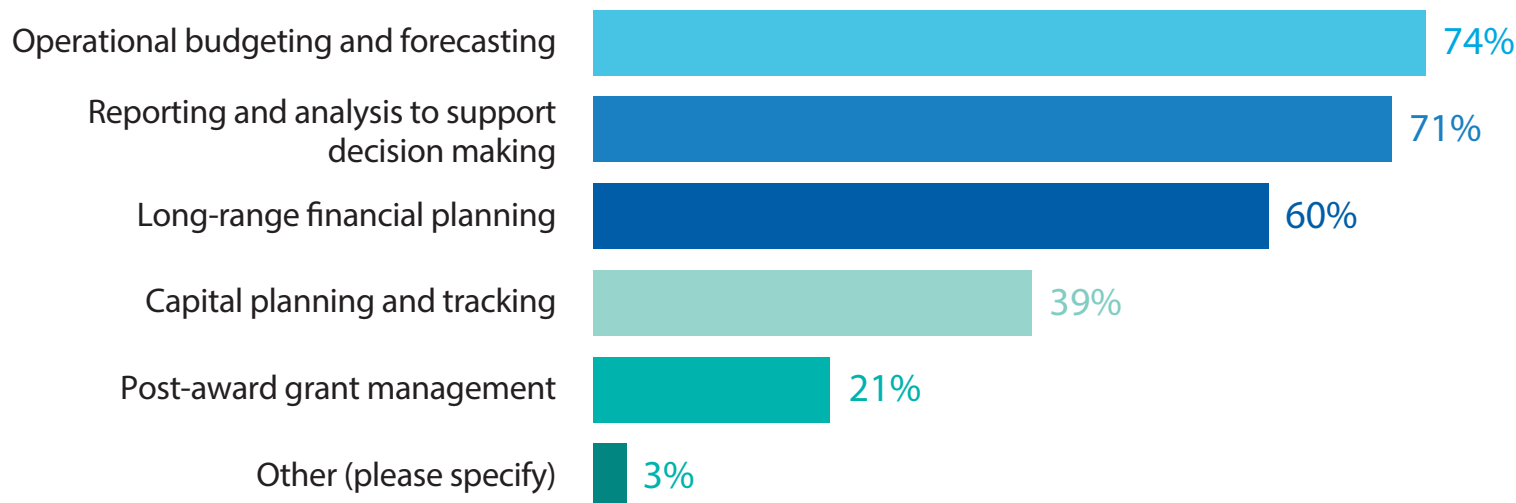
# Budgets Are the Foundational Financial Process

Budgets have been and remain the foundational financial process in higher education. Year after year, operational budgeting and forecasting continue to be top financial planning and analysis initiatives for the industry, in addition to reporting and analysis for decision support and long-range financial planning.

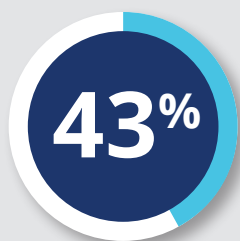
## Top financial planning and analysis initiatives for 2018

- Budgeting
- Reporting
- Long-range planning

**Which of the following financial planning and analysis initiatives is your institution looking to improve in the coming academic year?**

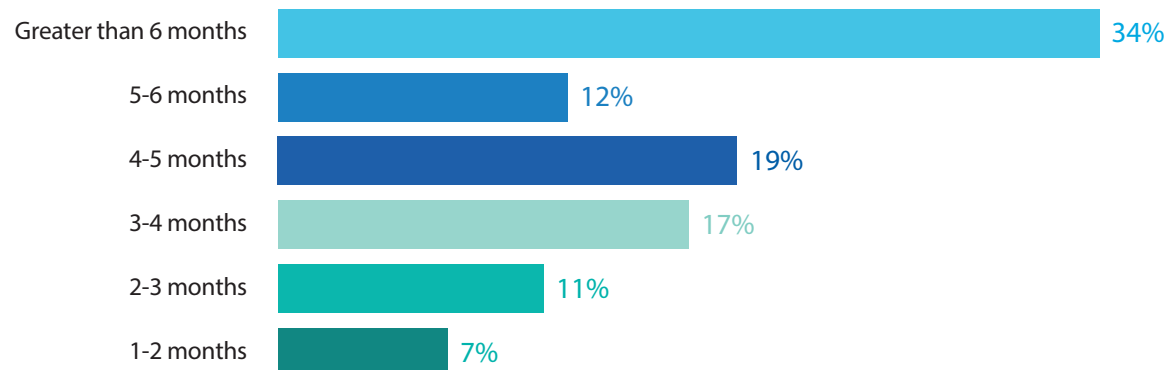


# More Timely Budgets Are Needed to Support Institutional Planning



said the current length of their budget cycle limits the ability to make informed decisions and react to changing circumstances

We recommend cycle times not exceed five months. Shorter cycles are better as long as they support the iterative priority-setting process of departments, schools, and the institution. Cycle times depend on an institution's particular circumstances and culture along with external timelines, such as timelines around publishing a tuition rate or state funding decisions.



# Reasons to Avoid Long Budget Cycles

- 1 Budget assumptions can become stale or even irrelevant by the time the final budget is approved.
- 2 Long budget-cycle times make it difficult to incorporate new information that often comes through the year-end forecasting process.
- 3 The resource intensiveness of the process can lead to fatigue among finance staff and stakeholders. Specifically, a resource-intensive budget process:
  - Distracts from other, more productive use of staff time
  - Leaves institutions vulnerable to excessive time spent on annual budgeting and insufficient time spent on financial planning



# 4 Ways to Reduce Your Budget Cycle Time



Data Consolidation



Process Automation



Resource Optimization



Baseline Incorporation



## Consolidate Relevant Data into One Place

To make truly informed decisions, administrators need to review a range of supporting information. Prior-year general ledger actuals, human resource data, and enrollment statistics are just some of the key data needed to drive the budget. Typically, this information resides in disparate systems across the institution, and inevitably, data structures and hierarchies do not align. Attempting to consolidate this data into offline spreadsheets is a process that is prone to error and introduces data security risks.

A true enterprise planning solution solves many of these problems by securely aggregating data from pertinent university source systems into one place. These solutions integrate with enterprise resource planning systems and allow for the capture of offline or unstructured sources. This enables users to quickly and easily leverage a range of financial and nonfinancial data for use in budgeting, reporting, analysis, and planning.



## Automate Your Budgeting Process with Modern Technology

Excel spreadsheets are still the primary tool used by many institutions to develop their annual budget. Budgeting using stand-alone spreadsheets is highly error prone and lacks a meaningful audit trail. Additionally, institutions can end up spending most of their time gathering historical data, managing inputs and assumptions, and routing spreadsheets for input and approval.

With the goal of shifting the focus from data organization to analysis, some institutions have begun to leverage modern technology for their budget process. Leveraging a solution that automatically consolidates data, manages planning assumptions, and provides real-time reporting allows institutions to not only reduce cycle times, but also take advantage of driver-based planning models. This agility enables institutions to more clearly model options and make better decisions more quickly.





## Get the Right People Involved at the Right Time

Developing a viable budget in any college or university requires buy-in from a range of key stakeholders. The budget process requires not only input from budget submitters, but also negotiations, trade-offs, and approvals. Institutions can reduce budget-cycle times by seeking to automate and optimize as many of these tasks as possible.

Intuitive budget input forms allow non-finance users to easily and quickly review and submit budget requests. These tools drive budget input to the level of the institution that will manage spending, which serves to increase confidence in the budget process and foster buy-in for financial plans.

Automated workflows and web-based collaboration tools provide universities with a powerful solution for navigating the decentralized decision-making environment in higher education. Workflow and collaboration tools automatically route the budget through each department's specified hierarchy, allow for conditional approvals (e.g., new FTE requests are sent to Human Resources for special approval), and provide real-time tracking and reminders. By automating the process, colleges and universities reap the benefits of distributed decision making and reduce the budget cycle.



## Spend Planning Time and Effort on Strategic Activities

Many university expenses are fairly predictable from one year to the next or are driver based. Rather than starting from scratch each year, institutions can create a reasonable baseline budget using one of two methodologies:

- Based on prior-year history with inflation factors, **OR**
- Driver based using a projected factor, such as enrollment or total FTEs

A modern technology platform can rapidly generate these baseline budgets and distribute them across the institution. Flexible and configurable planning templates automate the process of assigning specific business rules to each element of the budget. This increases efficiency while also improving accuracy and level of detail where it makes sense. Institution leaders can then simply plan by exception from the baseline.

A significant amount of time and effort can be reduced throughout the budget cycle by employing these methodologies. On balance, the finance department will spend more time doing meaningful analytics, and end users will experience a budget process that feels less bureaucratic.





# Conclusion

Together, the four practices just outlined can significantly reduce both staff effort and process time without compromising essential budget information. Managers can make more informed decisions and, when necessary, react faster to changing circumstances. Ultimately, the budget process should be placed in the context of the institution's long-range strategic financial plan and proceed from that plan. As budget cycles become more efficient, institutions will be better positioned to align the budget process with the planning process and ensure the institution achieves its mission.



# Team Profiles

**Tony Ard** is the Vice President for Higher Education with the Software division of Kaufman Hall. His responsibilities include setting the vision and strategy for the firm's higher education software business. In this role, Mr. Ard leads product management for the Axiom Higher Education Software Suite, and works across functional groups to ensure the success of our software customers.

With more than 15 years of experience in leadership roles within the enterprise performance management software industry, Mr. Ard has built high performing teams and innovative solutions with a focus on client satisfaction. He has expertise with solutions spanning budgeting, strategic financial planning, capital planning, forecasting, and analytics. Mr. Ard previously was Director of Solutions Engineering with Axiom EPM, before the company joined Kaufman Hall in 2014. Prior to Axiom, he was Solutions Manager with SAP and BusinessObjects, where he brought industry solutions to market for the education, government, and healthcare sectors. Earlier in his career, Mr. Ard held positions as a Consultant with SRC Software, a Project Manager with Intel, and an Accounting System Manager with Qualex, a division of Eastman Kodak.

Mr. Ard is a frequent speaker on topics such as planning in higher education and decision making in uncertain environments. He holds an M.B.A. in Finance and Management Information Systems from the University of Minnesota Carlson School of Management, and a B.A. in Economics from Carleton College. [tonyard@kaufmanhall.com](mailto:tonyard@kaufmanhall.com)

**Stewart Clark** is a Senior Solutions Engineer in the Higher Education practice of Kaufman Hall. He assists colleges and universities of varying sizes nationwide in the development of solutions to analyze and improve their financial performance using the Axiom Higher Education Software Suite.

Mr. Clark has extensive experience in finance and software engineering. His areas of expertise include strategic planning, financial analysis, financial modeling, variance analysis, and forecasting. Prior to joining Kaufman Hall, he was Senior Associate Director of Financial Operations for the MIT Sloan School of Management. He previously held multiple positions at Harvard University, including Senior Manager of University Accounts Receivable Services, and Senior Financial Analyst for the Office of Financial Strategy and Planning. Mr. Clark began his career as a Senior Financial Analyst with the Raytheon Company.

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## Team Profiles, continued

**David Woodward** is a Vice President of Kaufman Hall in the Higher Education division of the Strategic and Financial Planning practice. He has more than 24 years of experience in higher education finance, working within universities and as a consultant with organizations nationwide. His areas of expertise include university financial planning, budget process and reporting, and financial system design.

Prior to joining Kaufman Hall, Mr. Woodward was a Senior Director at Tufts University, where he led the organizational design and implementation of a consolidated Budget Center. He was responsible for oversight of staffing, customer service, and administrative process alignment, and led development of the university's Axiom Software system for budgeting, forecasting, and grants planning. Mr. Woodward's previous positions include serving as an Assistant Vice President for Budget Process and Reporting at Brandeis University, and as a Senior Financial Planning Officer at MIT.

In consulting, he has worked as an independent contractor, a Senior Consultant with the Stillwater Group, and an Associate with Cambridge Associates. In those roles, he developed approaches for all-funds budgeting, resource planning, capital budgeting, debt capacity and management, and reporting for universities such as Northwestern, Dartmouth, Brandeis, University of Kentucky, Case Western, Tufts, and University of Chicago.

Mr. Woodward is a regular presenter at higher education conferences, and has authored articles in professional journals. He holds an M.B.A. from Dartmouth College's Amos Tuck School of Business, an M.A. in Religion from Yale University's Divinity School, and a B.A. from Colgate University. [dwoodward@kaufmanhall.com](mailto:dwoodward@kaufmanhall.com)



# About Kaufman Hall

Since 1985, Kaufman Hall has been a leading advisor to senior management teams and Boards of the nation's most distinguished institutions, helping them to incorporate proven methods into their strategic planning and financial management, quantify the financial impact of their plans and actions, and consistently achieve their goals. Our services use a rigorous, disciplined, and structured approach that is based on the principles of corporate finance.

The breadth and integration of our advisory services is unparalleled. Services encompass strategy; financial and capital planning; debt and derivatives-related financial transactions; capital allocation and decision making; and mergers, acquisitions, real estate, and joint ventures. No other professional services firm operating in the non-profit education and healthcare sectors combines all of these services under a single corporate umbrella.

To complement our advisory services, for more than 20 years Kaufman Hall has provided software products that support decision-making processes and sustainable strategies and plans. In 2014, Kaufman Hall acquired Axiom Software, a leading provider of planning systems to higher education. The acquisition of Axiom has provided Kaufman Hall with a world-class software platform, creating a unified company with unmatched expertise and experience in data-driven analysis to transform financial, operational, and strategic planning.

Kaufman Hall's Axiom Higher Education Suite offers the industry's leading enterprise performance management platform for finance users. Configured for higher education solutions, the suite supports long-range planning, budgeting, and forecasting, and delivers rich analytics.

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