Budgeting and Organizational Trust in Canadian Universities

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ABSTRACT

The purpose of this research was to investigate the relationship between budget processes and levels of organizational trust in universities. A series of semi-structured interviews were conducted with senior administrative personnel in universities across Canada. A relationship was found to exist between university administrators' level of organizational trust and their views regarding the approach and value of the budgeting process at their institution. The trust levels are influenced by the correspondence between the stated goals and directions of the university with actual resource allocations, the level of influence the individual felt they had on the budget process, and the degree that the budget could be used to predict financial impacts under various scenarios.

This study provides new information on the way budgets can affect the workings and organizational culture of the university. It shows that there is a relationship between budgets and organizational trust and presents evidence that individuals' attitudes toward cost information differ from that of the budget itself. It shows that the usefulness of budgets as a management tool is increased when users recognize that it functions as a broad communications medium - both the manner in which it is developed and the financial information it presents can affect organizational trust

"Nowhere is the competition for funds as brutal or political as in most universities" (Bublitz & Martin, 2007)

This paper presents the findings from a preliminary investigation into the relationship between university administrators' attitude toward the budgeting process at their institution and their level of organizational trust. Budgeting within universities has received increased attention as institutions of higher learning across the globe deal with strains on funding (see the ies National Center for Education Statistics; Blumenstyk, 2010; Goetzmann *et al.*, 2010 for information on university funding levels), as well as the application of formula-based costing approaches (Thomas, 2000), and the use of incentive based budgeting systems (Priest *et al.*,2002). In the ideal a budget is an instrument of resource distribution in line with the strategic focus of the organization, and can serve as a basis of evaluation and control. The nature of universities is such though, that their approach to the budget process can emphasize the political. Universities are institutions designed both to educate and to develop new knowledge, the outcomes of which are difficult to quantify, and the relationship between resources expended and these outcomes being fuzzy at best. The result is that in universities the utilization of authority, power, and/or influence, i.e. the political, can have a significant influence on the distribution of resources.

In this politically charged environment the level of organizational trust held by individuals may influence, or be influenced by, the budget process. Trust is seen to provide an advantage to an organization. It leads to more effective communication, increased co-operation, and a diminished resistance to change. Given the unique nature of the university – their knowledge based outcomes and politically charged environment – together with their increased focus on cost structure and control, the relationship between budgeting

practices and organizational trust is worthy of further investigation.

BUDGETS AND TRUST

Accounting textbooks define a budget as a formal, quantitative expression of an organization's strategic plans (see Horngren *et al.*, 2007). The budget process translates "qualitative mission statements and corporate strategies into action plans, link(ing) the short term with the long term, bring(ing) together managers from different hierarchical levels and from different functional areas, and at the same time provid(ing) continuity by the sheer regularity of the process" (Umapathy, 1987, pg. xxii). A budget translates an institution's plan into priorities (Whalen, 2002). Complications can arise however from a long list of considerations: when organization goals are not clear or are conflicting; when there is a lack of agreement regarding priorities; when there is inconsistency between stated priorities and subsequent resource allocations; when the methods for achieving outcomes are unclear; when there are limited resources; or when individuals determining resource allocations and/or performance benchmarks have a conflict of interest. In other words, the nature of complex organizations such as universities can result in a budget that is a reflection of these complexities as opposed to strict economic considerations.

The budget, together with the process used to create it, can be seen to be something far different than a rational statement of resource allocation based on agreed upon strategic goals. For example, the budget can be seen to be the product of a negotiation exercise (Wildavsky, 1984). Given a finite level of resources, a commitment of resources to a specific unit or activity within an organization necessitates that other units or activities will do with less. The planning aspect of the budget process can thus be viewed as less a division of resources to achieve an agreed upon result, and more of a political exercise where competing organizational interests vie for recognition and support. Budget projections can also be affected by budget gaming (Jensen, 2003), where resource allocations are set at levels designed to force increased efficiencies (low), or resource needs requested at levels designed to allow for slack (high). In neither case would the budget

figure be an amount representing actual need. This "gaming" of the budget is especially problematic when budget values are used as part of an organization's performance evaluation/control system. But perhaps the most limiting view of the budgeting process is when it is considered to be lacking in relevance. Where the process is seen as a time consuming bureaucratic exercise that is either not reflective of company strategies, or flexible enough to allow for changing conditions, or both. (Hope and Fraser, 2003; Libby and Lindsay, 2010).

As institutions of higher learning whose focus is on teaching, research and service, resource distribution decisions within universities can be subject to a high level of political influence. The goals of research and teaching are understood, but the exactness of what is to be learned is not agreed upon nor is the relationship between effort (resources) and outcome determinable. Reputation plays a key role, allowing for the impact of authority, power and influence in the development of goals and the distribution of resources. Social attributes such as the non-profit character of the universities goals (Gross, 1968), strong attachments to traditional academic values (Paterson, 2003; Lapsley and Miller, 2004), and the nature of contemporary academic work as both a public service and creative knowledge work (Deem, 2004), support the unique nature of the university as an organization. It is this that can make the allocation and evaluation of resource usage especially problematic.

Studies have shown resource allocation processes and models to be historically and culturally situated within the context of each university, with the models in use being more a matter of internal fit than of best practice (Goddard and Ooi, 1998; Jarzabkowski, 2002). Empirical findings indicate that the existence of models in universities provided a sense of objectivity, but that the strong collegial culture proved unwilling to accept a strongly centralized organization of the resources allocation processes (Jones, 1994; Scapens *et al.*, 1994). And although the use of computer-based models for planning is seen as being more transparent, knowledge of how universities allocate resources appears to be largely restricted to those involved in the process (Angluin and Scapens, 2000). Even formula based approaches

to resource/cost allocation have been found to be influenced by patterns of micro-political activity, the influence of sub-unit power, and the priorities and preferences of key individuals (Thomas, 2000). Clearly political, social and group effects influence the development and utilization of budgets in a university context.

Trust is a social construct that can occur between individuals or between individuals and groups. It is recognized as an important factor in determining organizational success, organizational stability and the well-being of employees (Albrecht and Travaglione, 2003; Cook and Wall, 1980; Shaw, 1997; Kramer and Tyler, 1996). High levels of trust between senior management and employees strengthen an organization's ability to remain competitive (Davis *et al.*, 2000). This competitive advantage is assumed to come about from the reduced transactions costs (Cummings and Bromiley, 1996), more effective communication, increased co-operation among organization members and diminished resistance to change (Kramer, 1999) – factors important in a university as well as a business context. In terms of budgeting, it has been argued that trust between the resource allocation process members plays an important role since it facilitates better management of the process and supports structures of accountability between participants (Manochin, 2008).

Researchers have defined trust in a number of ways. Mayer *et al.* (1995) characterized trust as a willingness to be vulnerable. Cook and Wall refer to trust as the extent to which one is willing to ascribe good intentions to and have confidence in the words and actions of other people (1980). Albrecht and Travaglione define trust in senior management as "an employee's willingness to act on the basis of the words, actions, and decisions of senior management under conditions of uncertainty or risk" (2003, pg 78). The definition of trust used in this study is the one articulated by Cummings and Bromiley (1996). Trust being a belief that "another individual or group (a) makes good-faith efforts to behave in accordance with any commitments both explicit or implicit, (b) is honest in whatever negotiations preceded such commitments, and (c) does not take excessive advantage of another even when the opportunity is available" (pg 303). In universities where resource pressures are high; where tradition, micro-political activity, and differential sub-unit power exists, and where there is limited knowledge of resource allocation practices; an understanding of the relationship between an administrator's level of organizational trust and their views and perception of the budget could lead to improved functionality.

METHOD

The researcher undertook a series of interviews with senior university administrative personnel across Canada. Twelve individuals at four universities representing the Western, Central, and Maritime regions of Canada were interviewed. All individuals were actively involved in the budget process at their university and included deans, associate deans, members of the University Budget Committee, as well as non-academic senior financial personnel. Academic areas represented included Business, Economics, Education, and Social Work. None of the academics interviewed had in-depth accounting training, but the senior financial personnel held accounting designations. The research was conducted over a 5 month period.

A semi-structured interview method based on a 42 item questionnaire was used. The questions covered their general understanding of budgets and cost determination; the nature of the budget and the budgeting process at their specific institution; as well as the level of budget participation they felt appropriate and why. They were also asked to provide as overall evaluation of the budget process at their institution considering time spent, overall effectiveness and any dysfunctional behavior it might cause. Associated with the questions on budgeting and the budget process, interviewees discussed the manner in which costs were determined and allocated across the different functional units of their university. As well, issues surrounding the frequency and accuracy of cost and budget reporting and the reports usefulness for future planning and program evaluation were raised.

Included in the 42-item questionnaire was a modified version of the Cummings and Bromiley short-form organizational trust inventory (1996) to aid in determining individual trust levels. The

questions provided a starting point for a broader discussion on the level of organizational trust at their institution. In all cases the individuals related a critical incident surrounding the budgeting process. The interviews provided rich insight into the relationship between the participants perceived level of trust within the organization, their attitude toward the budget and the budgeting process, and their confidence in and desire for more detailed cost information.

FINDINGS

Trust

Eight of the twelve individuals interviewed indicated that they did not trust the governing administration of their university, with four indicating strong levels of trust.

Trusting individuals felt that those involved in the administration of the university were reliable, they kept their word, and negotiated fairly and honestly. In all of these cases the interviewees talked about working closely with central administration. They considered themselves to be a part of the decision making process and believed that their views were considered. When asked about their opinion regarding the need for increased financial controls, one trusting individual became strongly defensive. S/he emphasized how hard those in "Centre" worked and how administration was trying to build the university "in spite of strong resistance to change" (P4)[1]. Another trusting respondent spoke of his/her close working relationship with the president and the need for a stronger "business approach" (P5) to university finances.

One interviewee, a dean of a non-business professional faculty (P3), expressed a strong level of trust in academic members of university administration but articulated his/her belief that there was a high level of mistrust throughout the institution. S/he attributed this mistrust to the actions of the union and the non-academic management professionals working in the university. Through their defence of individuals whose actions did not warrant support, the union had "harmed" the institution and made their mem-

1 In order to assure confidentiality participants have each been assigned a unique number.

bership "worse off" through the creation of an us versus them mentality as opposed to that of a single working team. Likewise, the management professionals had harmed the institution through the implementation of an ever changing set of inappropriate controls and procedures. To illustrate this point this dean referenced the implementation of mandatory four year budget projections by senior administration. It was his/her view that the revenue and cost in these four year budget projections were "worthless". Demanding that the deans take actions to assure that their budgets were balanced for the next four years while regularly changing the revenue and cost projections, created a lack of confidence in both the skills of the management professionals making the projections, and the administration who put such a system into place.

This dean felt that the "us versus them" mentality at the university, together with the increased focus on financial controls, had resulted in a high level of mistrust between central administration and regular faculty. Senior administration were seen as viewing faculty members as completely self interested - only concerned with how change was going to affect their individual lives in terms of teaching loads and personal research agendas. They viewed the regular faculty member has having no concern about the greater institution. Individual faculty members, on the other hand, were seen to view senior administration as only looking to the bottom line without respect for the faculty or concern about the quality of research and the education process.

Support for this dean's (P3) perception that there exists a high level of mistrust between central administration and the faculty was found in the responses of the other interviewees. One of the structured interview questions asked if the participants believed that the central administration, the operating units, and the faculties/schools held a common view regarding the purpose and focus of the university. There was unanimous agreement amongst all the academics that a common view was *not* held. There was disagreement as to the reasons for this lack of a common view, ranging from "the faculty members' resistance to change (P4)," to the administration being "out of touch with really happens in the classroom (P11)," to "they (specific individuals in

administration) are sucking resources away from the people doing the real work so they can inflate the salaries of their friends" (P7). This proved to be an emotionally charged area for some of the interviewees. Based on these responses one could conclude that the Universities had failed to create, or perhaps maintain, a generally accepted overarching idea of their purpose and how best to pursue it.

Those interviewees who expressed a lack of trust with the governing administration felt that those in central administration failed to keep their word, that they tried to get the upper hand, and that they would take advantage of people who are vulnerable. The interviewees felt distanced from the decision making body at their institution and resentful that their expertise was not recognized or their views considered. They felt that a hierarchical leadership style dominated, as opposed to the more desired collegial governance model, with the increased dominance of the financial within university discourse as evidence of this shift. The view expressed was that the budget was in fact a reflection of the attitude of those governing the institution, but that this attitude did not match the stated goals of the university. Rather, the budgeting process served as evidence of a shift from traditional university ideals towards a more managerialist approach and the creation of a well compensated managerial class.

Those who felt cut out from the decision process looked to the budget to communicate the "real" intention of the governing administration, resource allocation being seen as a stronger indication of objectives than rhetorical statements surrounding the University's goals and purpose. If the resource allocation did not reflect the stated goals of the university mistrust increased. If budgets were not adjusted to reflect faculty input mistrust increased. If technical computations were not clearly explained, were changed, or were inconsistently applied mistrust increased. One non-trusting individual gave a detailed description of the failure of central administration to implement a promised new approach to budgeting and resource allocation at their school.

> We were told that the resources would flow to the four priorities of the University as outlined in our Strategic Plan.

We spent hours justifying our resources needs in terms of these priorities, building a strong case for our request. In the end they gave us the same as they did before. They didn't pay any attention to our arguments. In fact there was no acknowledgement at all... They could have said something, 'Hey we recognize and value the case you put forward, but we just don't have the money right now".... But there was just silence. This year at budget time we just upped last year's numbers by X% and submitted that. Why waste your time. (P2)

Another talked about the failure to determine an accurate profit for different executive education programs.

> He (the budget officer) manipulated the information so that the people he liked appeared to do well and the people he didn't like did badly. He didn't like (director of program X) so they received a significant allocation of overhead costs, making it look like they were losing money. But he did like (director of program Y) so he argued that (Y) was a new program and should be given a chance to prove itself without having to cover overhead. It looked like (Y) was making money when really they were losing money hand over fist. Our new budget officer fixed it, but those people in Central never caught on. Proves you can't trust the numbers or the system. (P8)

In summary there were a greater number of interviewees who expressed a sense of mistrust in their institutions than those who expressed a sense of trust. This perception was strongly influenced by the level of participation the interviewee felt they had in the decision making process at their universitsy. For those who felt they were part of the decision making process, trust was expressed for individuals in the central administration. For those who felt set apart from the decision process, a lack of trust was expressed and the internal accounting processes provided evidence for this mistrust.

Budgets

In addition to questions about trust, interviewees were asked their views on the budget and the budgeting process at their institution. Included were their views on university budgeting in general; the nature of the budget and the budget process at their specific institution; as well as the level of budget participation they felt appropriate and why. They were also asked to provide an overall evaluation of the budget process at their institution considering time spent, overall effectiveness, and any dysfunctional behaviour it might cause.

When asked how best to consider the role a budget plays in the operations of a university, all those interviewed indicated that the budget should be thought of as a plan and that this plan should be based on the strategic goals/direction of the university. One Dean expressed it slightly differently, stating that the "real planning takes place when developing the strategic goals and objectives of the faculties" (P3), with the budget being a reflection of this plan. Still, there was unanimity that in the ideal the budget should serve as a reflection of the strategic direction of the university – a plan of action with the relevant resource implications clearly laid out.

Even with this unanimity regarding the planning role of the budget, many of the academics interviewed felt the need to bring up the fact that actual financial results would differ from what was budgeted. One emphasized the inevitability that budget numbers would not match the actual numbers, that "rapidly changing external conditions overwhelm... and there is no way to (determine) an accurate estimate of costs and revenues" (P7). Another discussed the issue of budget estimates differing from the actual figures, and described it as "a truism – just the nature of the beast" (P4). One program director felt that the budget provided a general direction, but that too much detail was costly to produce and could serve as a "straight jacket". In his/her view budget variances were valuable only in that they provided a starting point for discussion (P12). Thus while there was an expressed consensus among those interviewed that operating budgets at universities should function as a plan, or a reflection of a plan, the academics felt the need to call for flexibility when comparing actual results to this plan. This corresponds to their views regarding financial controls discussed later in the paper and points to tensions related to the use of the budget as a control device.

When asked to how the operating budget at their university was treated *in practice* there was disagreement. The trusting responders again indicated that it was in practice treated as a plan. The non-trusting responders gave a more diverse set of responses. The most common response of the non-trusting interviewees was that that the budget was a negotiations tool – it provided a forum by which an astute administrator could obtain (or protect) resources from a limited pool. The next most common response was that it was a bureaucratic exercise without impact. Little time was spent on determining accurate projections of costs (and in some cases revenues), but rather individuals tended to put forth last year's numbers or last year's numbers multiplied by a set percentage. Two described the budget at their institutions as predominately a means to control expenses. Only one non-trusting interviewee indicated that the operating budget at their university was, in practice, treated as a plan.

When asked if the budgeting process should begin at the top of the organization and work down, or at the faculty member level and work up, one interviewee replied:

> "Not either/or (top or bottom), it should be both. To me this is the negotiation. This is the crux of it. Don't know where you start, but it is important to start the discussion." (P3)

Another talked about the "lack of consensus between 'units' versus 'university'" and the need to "talk about what we are as a collective. What we are going to do and, importantly, what we are not going to do." Without a two way discussion, without agreement regarding which activities/programs will be pursued and which will not, s/he worries about the "'atomization' of dollars – the breaking down of the dollars into smaller bits until nobody has enough money to do anything" (P1). Importantly to this individual the difficult decision regarding resource distribution should not be made unilaterally by Central Administration but by discussion, directed by strategy, across functional and hierarchical lines.

All those interviewed expressed interest in having input into the budgeting/resource allocation process at their universities, with their current level of perceived input being strongly associated with organizational trust. This desire for input was the case even though as one individual stated: "it is a very fuzzy thing to people. It is seen as another bureaucratic activity that takes time away from the real job of teaching and research" (P2).

The individuals with higher levels of individual trust believed that their concerns regarding budget distributions were considered and had affected the estimates included in the final budget. Those who indicated low levels of organizational trust felt that they had limited – if any – meaningful input into the budget process. The revenue/cost estimates included in the final budget were "not helpful for planning" and "subject to arbitrary change based on the needs and wants of central". These final figures were determined "based on history and not as a result of consultation or need." Those most negative toward the budgeting process were those who felt that their requested input was mere pseudo-participation. Statements about the process included: "No correspondence between what we submitted and the way the money flows down;" "Nothing I can control affects the outcome;" and "Hell of a lot of work - no impact."

The perceived usefulness of the budget as a tool for determining the financial impact under various scenarios not only affected the user's perceived value of the budget itself, but also influenced their level of organizational trust. One individual talked about how budgeted monthly costs did not reflect the actual utilization of resources across the academic year. Another spoke about the timing of revenue distributions not corresponding to what was budgeted. In both cased the individuals felt this lack of correspondence minimized the value of the budget as a control tool and caused them to question the ability of individuals in the central budget office.

Changes to the budget approach such as an inclusion of multi-year forecasts, or the requirement for a contingency fund were not seen as process improvements but as additional work for "meaningless" results. Those changes to the budget numbers or the budget processes brought up in discussion by the interviewees were, in all cases, communicated as directives from central administration and not as a result of informed debate between interested parties. As such, and since the changes tended to reduce the dollars or the flexibility of the departments/faculties affected, the motivations for the changes were called into question. The discussion then moved to the need for more and better cost information. Cost information was seen to provide real and useful information on the state of the organization as opposed to the biased or inaccurate projections of the budget.

To conclude the discussion on budgeting, the interviewees were asked to provide an overall evaluation of the budget process at their institution. Based on the question developed by Murray and Lindsay (2010), interviewees were asked to assign and overall "grade" of the process taking into account time spent, system effectiveness, and any dysfunctional behaviour it might cause. Trusting respondents ranking the process as falling between a 60, "more helpful that harmful", and 70, "good", with the average being a 65. Non trusting respondents gave a wider range of responses falling between 30, which the respondent labelled as "useless," to 70, or good. The average grade assigned the budget process by the non-trusting respondents was a 52, with a 50 on the scale being labelled as "no value". This scores indicate a relationship between held levels of organizational trust and individuals' views regarding the value and effectiveness of the budget process, and is worthy of further investigation.

Costing

The individuals interviewed expressed a different view towards cost information than that held towards budgets. Whereas budget figures were plans or tools of negotiation, costs were considered to be a real reflection of the true state of things. There was a general desire for more cost information and a belief that a significant contributor to the financial constraints facing universities today was the absence of sufficient accurate financial information. Information that enabled/supported an appropriate response to changing conditions was needed.

When asked if they believed that accurate costing information should be determined for all activities within the university, all but two individuals agreed. The two who disagreed with the statement both expressed low levels of organizational trust and in both cases they focused on the word "activities". Both individuals had worked with activity based costing systems (ABC) in organizations outside of the university. Their views of ABC were negative, believing that the approach was expensive, time intensive, and that it caused the organization to move its focus away from its primary mission.

Participants were asked if they would find *full costing* information – costs including an allocation of all overheads - on student enrolments, course sections, research and various program activities valuable to their decision making. This led to wide ranging discussions on the nature of costs within the universities; the level of expenditures directed towards infrastructure, administrative compensation, student support services and the difficulty of allocating professorial time. Most agreed that they would find full cost information valuable. One dean said

> "we can't get mired in minutiae. I don't want to drown in data, don't want to be data driven, but *I need information*. No one can tell me how much it costs to run a program. I took faculty salary and tried to divide it between teaching and research, then between programs. ... I don't know how much it costs to educate a student. I don't know how much it costs for a function – like research" (P3).

Participants were aware and frustrated by the fact that a high percentage of costs within the University were fixed, limiting their ability to respond to changing conditions. Most wanted the full cost information because they believed it would make more transparent the level of cost directed toward the administration of the schools. The value of the full cost approach was seen to come from a consistent approach to costing across the institution making comparisons meaningful and making transparent the level of expenditures directed towards various cost categories, especially senior administration. Issues surrounding the arbitrary nature of fixed costs

allocations were not a concern to most (as in the dean quoted above) and the view was that more information was always better. Two individuals did, however, express the view that that a full cost/student figure would be meaningless given the high percentage of fixed cost in universities. When the individuals were asked if they would find *incremental cost* valuable, there *was* unanimous and strong support for the calculation and distribution of such figures.

Participants were anxious to express their views on the reasons for the financial constraints confronting their institution and/or faculty and in many cases were looking for detailed cost reports to confirm their held beliefs. There was a repeated call for "full disclosure of all university expenditures from the President on down" (P12) and an expressed need for re-evaluation of procedures associated with the financial aspects of running the university. To quote one dean "(The VP) is interested in establishing a transparent but one size fits all method. I am interesting in establishing a transparent but not one size fits all approach. There has to be local relevance" (P3). Reasons for financial difficulties ranged broadly. They included too much money being spent on buildings, a lack of sufficient government support, an increase in the size and compensation levels of senior administration, and faculty members who only cared about protecting their own comfortable lives. Some called for increased decentralization of decision making and others called for increased centralization. All interviewed were looking for increased cost transparency to shed light on the issue.

When asked "if there should be a government policy that mandates a detailed, consistent, and transparent costing approach to all institutions of higher learning in my Province", most voiced agreement. Follow up discussion indicated differing views, however, on the level of direct control that governments and or central administration should exercise over expenditures. One vice president who had moved to academia from industry stated "I thought that as a public institution (X) would have a higher level of fiduciary responsibility, but I've learned that we have very little. A Mom & Pop grocery store has better controls. Maybe because it is *their* money" (P1). S/he felt that in addition to a consistent approach

to costing across and between universities, there was a need for increased monitoring as well.

In general the academics interviewed held a differing view. They viewed increased financial monitoring and control as an impediment to getting the real work done. "There is too much focus on where to put costs, and not enough on the real work of the organization." (P12) Another interviewee complained about how many signatures you needed to hire a graduate student. A third colourfully stated that the financial office of their university needed to "get the hell out of micromanaging" (P3) and focus on outcomes based evaluations. One interviewee, a department head and member of the university budget committee, stated that: "deans should be given carte blanche on developing world class faculty and measured against this directive 5 to 8 years out" (P4). In his/her view deans should be given full discretion on how the money allocated to School/Faculties is spent. Essentially the call was for financial control to come about through results based evaluation as opposed to the monitoring of spending. The outcomes/results measures mentioned included research productivity and reputation, student quality and placement, and institutional rankings.

The academics interviewed wanted increased cost disclosure and outcomes based assessment. Increased cost disclosure would serve to make the general public aware of what was driving costs and "make sure that monies are being directed to activities in line with the wishes of tax payers and funding bodies" (P7). Disclosure would also give those responsible the information they needed to effectively run the centre/activity over which they were responsible. They were willing to be held accountable for the results of their financial decisions but were frustrated by close monitoring and being told no. These individuals wished to be given broad say over the financial resources made available to them and sufficient time for the results of their decisions to manifest. In effect. detailed financial systems and information were desired when it increased the users' knowledge and control, but were viewed negatively if seen to limit their autonomy.

CONCLUSIONS

The information obtained through the interview process indicated that there exists a relationship between university administrators' level of organizational trust and their views regarding the approach and value of the budgeting process at their institution. Both the final resource allocations as specified in the budget and the procedures and processes utilized to determine these allocations, affected the trust levels. This affect comes about through: the correspondence between the stated goals and strategic directions of the university with the actual resource allocations, the level of input and influence the individual felt they had on the process and the final allocations, and the degree that the individual could use the budget to predict the actual financial impacts under various situational alternatives.

The messaging from the top university administration regarding the mission, vision, values, and/or strategic direction of the institution were viewed with a degree of scepticism by those interviewed. Whereas, the resource allocations as outlined in the budget were seen to be a accurate reflection of the true priorities and power politics of the institution. A correspondence between the stated goals and strategic direction of the university with the allocation of resources supported organizational trust, whereas a lack of correspondence decreased trust.

Individuals who felt they had more input into how the resource decisions were made, were more likely to express trust in the governing body of the university. Since budgets were seen to be a reflection of the power politics of the institution, individuals who felt they had meaningful input into the budget process tended to feel they had influence with the administration. This increase in influence was associated with increased levels of trust. The perceived usefulness of the budget as a devise for predicting resource allocation under various situations was also associated with organizational trust. Lack of consistency regarding approaches to budget development, changes in government funding projections, changes in student number projections, or changes in overhead charge rates all resulted in reduced trust in senior administration. Numerous incremental changes over a relatively short period of time caused indi-

viduals to question the competency and/or motives of central administration.

In spite of the utilization of cost information in the development and use of budgets, interviewees expressed differing views with regard to cost information from those expressed about the budget. Budgets were viewed as a reflection of the priorities and politics of the institution composed of estimates and subject to change. Cost data was considered to provide a picture of the true state of things by all those interviewed and to provide valuable information for decision making. Individuals wanted increased disclosure of detailed costing across all levels of the organization. It was felt that seeing this information would help to form a clearer picture of the basis underlying the financial state of the university and their faculty/department. It would provide them with the data they needed to predict the financial impact of different scenarios – such as changing student enrolment, the addition of a program, or a change in organizational structure. The high proportion of university costs that could be described as fixed in nature was clearly understood by those interviewed, but the impact of this cost structure on the meaningfulness of a cost/student number was not clear to those without a financial/ accounting background. With the exception of two individuals who expressed concern, those interviewed felt that having detailed cost information available was worth the additional expenditure required to obtain it.

When asked if there was a need for greater levels of cost control within the organization, non-academic financial personnel agreed. The academics interviewed did not want to see increased financial controls applied to them. They spoke of financial controls as adding an additional impediment to getting the task accomplished and limiting their personal autonomy. Instead the academics preferred having a clear unchanging picture of the resources available to them over an extended period of time in order to accomplish a specific set of objectives. The objectives most often mentioned included research productivity, research reputation, student quality, and institutional reputation/rankings.

DISCUSSION AND LIMITATIONS

It has been stated that university budgeting should help "translate an institution's plan into priorities, allocate resources that reflect those priorities, empower heads of academic and supporting units to use the resources allocated to them to accomplish the objectives assigned to them, and monitor their progress"(Walen, 2002). Too often the resource allocations as specified in the budget are not seen as aligning with the university's espoused goals and objectives. When this lack of alignment occurs trust decreases. Individuals turn to the budget to determine what the true goals are and/or to speculate as to whom and in what manner influence over these decisions was exercised. This preliminary research has found that university administrators possessing a higher level of organizational trust were those who felt their views on the budget were heard and considered, who saw a correspondence between the stated goals of the institution and the subsequent resource allocations, and who had available to them useful financial information. Those who did not witness this approach to university budgeting had low levels of organizational trust.

A university budget is more than a statement of resource allocations by operating area. It functions as a medium for communicating the goals, objectives, and power structures of the institution. A distribution of resources based on favouritism, self-serving wants, capriciousness, or volume of complaint will be recognized as such. Resource allocations that correspond to the stated goals of the institution provide evidence of the legitimacy of these goals and objectives - in effect money talks. It also builds trust in those individuals outlining the goals and determining the resource distributions.

Recognizing that the budget functions as a device for communicating the true priorities and power politics of the institution increases its usefulness as a management tool. The fact that all the university administrators interviewed wanted more and better cost information would indicate that, independent of their level of trust, they wanted to be part of making the university function effectively. The cost information would provide them with a necessary tool for making this happen.

Applying these findings, top university administrators could make their budgeting and financial control systems function more effectively by following some key practices. First, resource allocations should correspond to the stated priorities of the institution. Second all financial information should be accurate and its determination well understood. Allocation methods and overhead charges need to be clear and consistent. Cost data needs to be provided in a timely manner and their variations from budget understood with a format that allows individuals to drill down into the detail should they choose to do so. Lastly, a system should be design that utilizes the minimal level of controls necessary to execute appropriate fiduciary responsibility with a focus on outcomes. A part of the skill set of academics is the development of new and innovative insights and solutions to existing problems. Providing the detailed accurate information needed and focusing on the outcomes required, shows recognition of the skills of the academic members enhancing trust.

The generalizability of the findings of this preliminary research to a broader university environment is limited by the number of individuals interviewed. Expanding the research to include a larger number of individuals and institutions would strengthen our understanding of these relationships. In addition, future research should include other organizations both for profit and those whose primary outcomes are assessed more subjectively and where the relationship between inputs and outcomes less clearly understood. Determination of the presence of a strong relationship between budget processes, within-organization cost disclosure, and organizational trust across various organization types would contribute to our understanding of the attributes necessary for their effective functioning.

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