

# THE STUDENT FINANCIAL AID ADMINISTRATOR AND THE BUSINESS OFFICER: A MANAGEMENT TEAM?

by Joe L. McCormick

## *Introduction*

Never before in the history of postsecondary education has the need for sound financial management of our institutions and their resources been greater. With the ever-expanding role of the federal government in postsecondary education, the demand for greater accountability to the institution's various publics (students, parents, alumni, governmental agencies, etc.) has increased sharply. Rising operating costs, limited resources, and an increasingly competitive market for students have caused institutions to become more and more aware of the need for improved management of their operations, to re-examine their goals and objectives, and to reassess their proper role in society.

With the phenomenal growth of student financial aid programs in the past ten years, as well as the expansion of other programs of support to institutions, the future growth and stability of an institution may depend a great deal on just how effectively the student financial aid administrator and the business officer work together as a management team. The first question for each of us to decide, whether we are aid administrators or business officers, is whether or not we are to be a part of the problem or part of the solution.



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### *The Present State of Affairs*

The second question to which we should address ourselves is threefold: 1) how did we evolve to the present state of affairs in postsecondary education, 2) what is the present state of affairs in postsecondary education, and 3) what is management really all about and where do I really fit into this "management team?" A brief summary of each area will assist us in achieving a broader perspective on the critical need for the effective management of our institutional aid programs.

It is probably an understatement of the year to say that over the past thirty years the federal government has had the greatest impact on postsecondary education of any socio-economic force in its history. During this time national policy toward the support of postsecondary education has changed from limited support of special groups such as the World War II Veterans to the present-day national policy of providing access to postsecondary education to all our citizens who lack the financial resources to pursue their education beyond high school. Ironically enough, it was the launching of the Russian Sputnik I in 1957 that spurred the Congress, in panic, to enact the National Defense Education Act (NDEA) in 1958 to improve the American educational system. The legislation gave birth to the first major federal student loan program, which we now know as the National Direct Student Loan (NDSL) program.

The NDEA of 1958 was followed by the "golden age" of postsecondary education, the 1960's. During the 1960's institutions enjoyed a boom in both enrollments and federal financial support. The passage of the Higher Education Act of 1965 established once and for all the national policy of substantial federal support to achieve the goal of equal postsecondary educational opportunity for all citizens with the establishment of the Supplemental Educational Opportunity Grant (SEOG) program and the College Work-Study (CW-S) program.

The early 1970's brought inflation and a leveling off of enrollments across the country. Nevertheless the Congress passed the Education Amendments of 1972, amending the Higher Education Act of 1965 to include the concept of an "entitlement" grant for virtually all financially needy students pursuing postsecondary education. This program, called Basic Educational Opportunity Grants, has had a tremendous impact on institutions and an effect on their aid administrators and business officers. An examination of the dollars appropriated to the major federal student aid programs will illustrate this impact:

- A. NDSL - In 1958, \$31.0 million; in 1977, approximately \$321.9 million.
- B. SEOG - In 1965, \$58.0 million; in 1977, approximately \$250.0 million.
- C. CW-S - In 1965, \$55.7 million; in 1977, approximately \$390.0 million.
- D. BEOG - In 1973, \$122 million; in 1977, over \$1.9 billion.

These figures demonstrate that the appropriations for the Basic Grant program have, in four short years, nearly doubled the total appropriations for the campus-based federal programs (NDSL, SEOG, CW-S).

Along with the increased benefits of the vast growth in federal dollars to students and institutions have come severe burdens for college administrators. In the *College Board Review*, Spring 1977, Earl F. Cheit, Dean of the School of Business Administration of the University of California, Berkeley, discussed the "Benefits and Burdens of Federal Financial Assistance to Higher Education."

Dean Cheit succinctly outlines the intrusion of the federal bureaucracy into college life and offered some alternatives to the present state of affairs.

In his article, Cheit pointed to four major developments which contribute to the situation in which institutions now as a result of federal support find themselves:

A. The federal government has extended its role to controller — although federal programs have always provided regulations to assure program purpose and legal use of the funds, institutions now find the regulations expanded to include non-discrimination, affirmative action, privacy of student records, and facilities for the handicapped.

B. Bureaucracy is the mechanism of control, and its intrusion into college and university life has been disruptive and expensive. Not only has there been an explosion of new rules and regulations for institutions in recent years, there has been lengthy delay and confusion in informing institutions just what rules to follow. All of this has greatly increased the cost of administering programs at the institution, while the cost allowances for program operations has been either inadequate or nonexistent.

C. Federal control is growing, but federal financial assistance is declining, both in relative importance to institutions and in total dollars appropriated; the portion of federal dollars to institutional budgets has dropped from 23.1 percent in 1963-64 to 15.7 percent in 1973-74.

D. College and university officials are most concerned about what will happen if present trends continue — put very simply, if the above trends continue, the burdens may outweigh the benefits. Institutions may reach the point that they simply no longer can afford the inherent costs, both in terms of dollars and loss of autonomy, of participation in federal programs.

While no one can predict the future expectations of and requirements for institutions administering financial aid programs, one prediction is obvious: student aid administrators and business officers must improve their management skills and work as a management team more than ever before.

It is vitally important in today's world of bureaucracy, rules and regulations, and complex program administration, for the college administrator, particularly the aid officer and the business officer, to examine his or her role as a manager and as a member of the institution's management team. If one were to reflect for a moment on the day-to-day duties he or she performs, it is obvious that much of a college administrator's time is spent in the exercise of management skills. Unfortunately, too many college administrators today have had little, if any, formal training in management theory and practice; nevertheless, they must spend a majority of their time managing people and programs.

If one were to examine the present state of our institutions, their organization and management, I suspect he or she would find the situation as described in Robert Townsend's book, *Up the Organization*:

"In the average company: the boys in the mailroom, the president, the vice-president, and the girls in the steno pool have three things in common: they are docile, they are bored, and they are dull. Trapped in the pigeonholes of organization charts, they've been made slaves to the rules of private and public hierarchies that run mindlessly on and on because nobody can change them."

Townsend goes on to offer two solutions to the problem of organizations which can easily be applied to our own situation on the college campus:

"Solution One is the cop-out: you can decide that what is must be inevitable, grab your share of the cash and fringes, and comfort yourself with the distractions you call leisure.

Solution Two is nonviolent guerilla warfare: start dismantling our organizations where we're serving them, leaving only the parts where they're serving us. It will take millions of such subversives to make much of a difference.

Solution Three is for those who have the courage, the humor, and the energy to make a non-monster company, or a non-monster piece of a monster company, operate as if people were human."

It should be stated prior to any examination of current management theory, particularly for the benefit of those administrators who have not been exposed to any formal study of the subject, that the study of management theory will not solve all the problems of administrators within our institutions. Rather, it will provide an empirical basis for understanding more fully the behavior of the institution as an organization and the "management style" of administrators within the organization. In order to review management theory in a brief but broad sense, it is necessary first to examine the theory of organizations, and second to examine the management of people theories (human resource theories).

### *Theories of Organization*

Three major schools of organizational theory exist today: the classical theory, the human relations theory, and the social system theory. The classical theory of organization is the formal approach to organizations. It asks such questions as: How is the work divided? How is the labor force divided? How many levels of control and authority exist? How many people exist at each level? What are the specific job functions of each person? A formal organization is defined as a system of coordinated activities of a group of people working cooperatively toward a common goal under authority and leadership. There are four key components to the classical organization theory:

A. Division of labor refers to how a given amount of required work is divided among the available human resources.

B. Scalar and functional processes — scalar refers to the levels of the hierarchy (chain of command) in the organization, while the functional processes denote the specific job duty of each employee.

C. Structure — refers to the network of relationships and roles existing throughout the organization. There are two major structures: line and

staff. The line includes the chain of command and the primary functions of the formal organization. The staff exists as a supplement to the line and services the line structure.

D. Span of control — refers to the number of employees a manager can effectively supervise. The span-of-control influences the shape of the organization and how centralized or decentralized an organization will be structured.

The second approach to organizational theory is the human relations theory. This school of thought examines human and social concerns and asks such questions as: What roles do people assume in the organization? What status relationships exist as a result of various roles? What is the morale and attitude of the people? What social and psychological needs exist for the people? What informal groups exist within the organization? The basic logic of the human relations approach is to increase concerns for the employees which will improve their satisfaction and morale and, at the same time, provide lower resistance and improved compliance with management's authority. Organizations operating under the human relations approach are more apt to be informal, less stable than formal organizations and, due to its subjective nature, less prone to management control in the way that the formal organization is. This approach provides the foundation for the management theories to be discussed later in this paper.

Finally, the social system school of organizational theory emphasizes the relationship of the parts to the whole organization. Questions commonly asked in the use of this approach are: What are the key parts of the organization? How do they relate interdependently to each other? What processes in the organization facilitate these interdependent relationships? What are the main goals of the organization? What is the relationship between the organization and its environment? The main principles which define an organization as a system are:

- A. A number of subsystems exist within the organization, all of which are interrelated and interdependent.
- B. The system is open and dynamic, having inputs, outputs, operations, feedback and boundaries.
- C. There is a constant struggle in the system for balance through both positive and negative feedback.
- D. There is a multiplicity of purposes, functions and objectives, some of which may be in conflict.

Systems are of two types, open or closed, depending upon the nature of their boundaries. Open systems are dynamic; closed systems are static. Open systems are constantly changing; closed systems remain very stable. Open systems constantly interact with their environment; closed systems shut out their environment. A good example of these types of systems can be found in our own institutions of higher education. During the 1960's it was charged that colleges and universities were not responsive to the community around them. In effect, the colleges were a closed system. On the other hand, the community colleges were open systems in that they responded specifically to the needs of the community around them.

### *Management of People: Key Human Resource Theories*

Now that the major theories of organization have been introduced, what about the people within those organizations, and how does one effectively manage them? Although there are many theories of the management of people, this examination will limit itself to the three major theories developed by Abraham Maslow (1954), Douglas McGregor (1960) and Rensis Likert (1967).

The fundamental basis for Maslow's human resource theory of management is that our basic human needs are arranged in a hierarchy according to their strength. The physiological needs come first and tend to have the highest strength until they are satisfied. These are the needs to sustain life — hunger, thirst, clothing, shelter, etc. The most common denominator of these physiological needs in our society today is money. When physiological needs have been met, the next level of needs — security — becomes predominant. These are simply man's desire to be free from danger in the present and in the future. The third level of needs to be satisfied is affiliation (or acceptance), which represents man's need to belong, to be accepted, to be liked, and to be respected by his friends. Next comes esteem or recognition by his peer group. The last need, and probably the most difficult need to satisfy, is self-actualization: Man has become what he is capable of becoming; he does what he thinks is important, and receives satisfaction simply from an act itself. It should be noted that the above hierarchy of needs is typical for the majority of people, and what fulfills a need one week may not satisfy it the following week.

Maslow's work provided the foundation for the development of Douglas McGregor's theory of human behavior in organizations, the "Theory X and Theory Y concept." Theory X is based on the traditional or classical theory of organizations. Theory Y is based on Maslow's higher levels of needs: affiliation, esteem and self-actualization. The assumptions of Theory X and Theory Y are as follows:

#### *Theory X*

1. The average human being has an inherent dislike of work and will avoid it if he can.
2. Therefore, most people must be coerced, controlled, directed, and threatened with punishment if management is to get them to put forth adequate effort toward the achievement of organizational objectives.
3. The average human prefers to be directed, wishes to avoid responsibility, has relatively little ambition, and wants security above all.

#### *Theory Y*

1. The expenditure of physical and mental effort in work is as natural as play or work.
2. External control and the threat of punishment are not the only means for bringing about effort toward organizational objectives.
3. Commitment to objectives is a function of rewards associated with their achievement.
4. The average human being learns, under proper conditions, not only to accept but to seek responsibility.

5. The capacity to exercise a relatively high degree of imagination, ingenuity and creativity in the solution of organizational problems is widely, not narrowly, distributed in the population.
6. Under the conditions of modern industrial life, the intellectual potentialities of the average human being are only partially utilized.

Last to be examined is Rensis Likert's "systems" approach to the management of styles of organizations. Likert organizes management styles into four classifications which he labels systems, 1, 2, 3 and 4. Briefly described, the systems are as follows:

- A. *Systems 1* — very similar to Theory X and the classical theory of organization. Management shows no trust or confidence in employees; the use of fear, threat, punishment, and reward is common; communication is nearly always downward; decisions are made at the top level of management.
- B. *Systems 2* — similar to systems 1, but less formal and with more interaction between management and employees; control and decisions are still very much in the hands of management.
- C. *Systems 3* — managers exhibit substantial trust and confidence in employees; considerable interaction (upward and downward) between management and employees; broad policies are set by upper-level management, but specific decisions are made at lower levels; the goals of management and the goals of employees appear congruent.
- D. *Systems 4* — this system closely parallels Theory Y; there is complete trust and widespread decision-making at all levels of the organization; information flows freely and much interaction between management and employees takes place; there exists a true integration of goals and objectives between employee and manager.

For an in-depth examination of Likert's theory on Systems Four, review his book entitled, *The Human Organization; Its Management and Value*.

The basic theories of management have now been reviewed and summarized, but how does management theory apply to the theme of this paper: the aid administrator and the business officer — a management team? Simply stated, in order to be an effective member of the management team, one must have a basic understanding of good management theory and practice. It is imperative as administrators that we continually update and improve our human, technical, and conceptual skills.

#### *The Management Team: Aid Administrator and Business Officer*

Because it deals with money, the financial aid office is perceived by many to have a business office function on the campus. True, there is a tremendous responsibility for accurate record-keeping and fiscal responsibility for the proper program administration of aid funds. But the function of the financial aid office extends beyond a mere accounting of dollars. The aid administrator must also provide the needed services to students and parents which facilitate the use of financial aid programs. He or she has many roles to play in order to serve the

various publics (counselor, legal adviser, student budget expert, etc.). Therefore, it is imperative for the aid administrator and the business officer to work together as a team in order to achieve both the goals of the institution and of the programs being administered. It is not only imperative, it is matter of law for all institutions participating in the federal programs of student financial aid that the aid and business officers work together in a cooperative and effective manner to insure their proper administration. Consider, for example, the following quote from Section 175.28 — fiscal procedures and records of the current regulations for the College Work-Study program as published in the September 1, 1976 issue of the *Federal Register*:

“(a) Fiscal procedures. (1) The institution shall administer the College Work-Study program in such a manner as to provide for an adequate system of internal controls. The various administrative procedures shall be divided so as to provide for a system of checks and balances under which no person will be responsible for all aspects of the program. . .”

This regulation and many more like it clearly point to the dual responsibility on the part of the aid administrator and the business officer to maintain proper program administration.

In order to improve the effective interaction and teamwork of the aid administrator and business officer, it is important for both administrators to improve the management skills mentioned earlier: (1) human skills, (2) technical skills, and (3) conceptual skills. The following is a list of activities for both the aid administrator and business officer to consider for improving not only management skills, but the overall effectiveness of the “management team:”

A. Communication — evaluate how you communicate. Is it mostly by memo or word-of-mouth? Is it seldom or frequent? Is it timely and well understood?

B. Information — evaluate the kinds of information important to both the aid office and the business office — Is it shared on a timely basis?

C. Procedures and their effect — evaluate those procedures in one's own office which affect or impact upon other offices. Are you aware of those procedures that relate to your function which are carried out in other offices? Do the aid administrator and business officer review those procedures on a regular basis to identify problems and make improvements?

D. Relationships with the aid office and the business office — do good relationships exist between the employees of the two offices? Is there a genuine spirit of cooperation present? If not, when was the last time the aid administrator and the business officer discussed the causes and possible solutions?

E. Awareness of each offices' goals, objectives and responsibilities — evaluate the goals, objectives, and responsibilities of both offices (financial aid and the business office). Are the goals and objectives compatible or in conflict? Are there overlapping responsibilities which represent a duplication of effort? If so, is it possible to eliminate such overlap?



F. Decision-making — are decisions made before or after consulting all parties concerned? Are decisions made on a timely basis and determined on sound information?

G. Improve management skills — take courses or do reading in management, theory and practice.

Although many more suggestions could be made to encourage aid administrators and business officers to improve their skills and teamwork, it is hoped the above suggestions will serve to encourage greater and more meaningful interaction between these two vitally important “managers” on the college campus. Administrators should ascertain in which category they now fit:

“People can be divided into three groups: those who make things happen, those who watch things happen, and those who wonder what happened.”

Together, as a viable and effective management team, the aid administrator and the business officer can really “make things happen” for their institutions and the students they serve.

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