



**Managing Finance,
Resources and
Stakeholders in
Education**

Lesley Anderson, Ann RJ Briggs and Neil Burton

Managing Finance, Resources and Stakeholders in Education

MBA in Educational Management by Distance Learning

This book, *Managing Finance, Resources and Stakeholders in Education*, is a core unit for one of the modules of the MBA in Educational Management offered by the EMDU, University of Leicester.

The other modules in this course are:

Human Resource Management in Schools and Colleges
Managing Finance and External Relations in Education
Managing the Curriculum
Research Methods in Educational Management

For further information about the MBA in Educational Management, please contact the EMDU at emdu@le.ac.uk. For further information about the books associated with the course, contact Paul Chapman Publishing at <http://www.paulchapmanpublishing.co.uk>

Educational Management Research and Practice series

Managing People in Education (1997)
edited by Tony Bush and David Middlewood
Strategic Management in Schools and Colleges (1998)
edited by David Middlewood and Jacky Lumby
Managing External Relations in Schools and Colleges (1999)
edited by Jacky Lumby and Nick Foskett
Practitioner Research in Education (1999)
by David Middlewood, Marianne Coleman and Jacky Lumby
Managing Finance and Resources in Education (2000)
edited by Marianne Coleman and Lesley Anderson

Course books

Human Resource Management in Schools and Colleges (1999)
by David Middlewood and Jacky Lumby
Leadership and Strategic Management in Education (2000)
by Tony Bush and Marianne Coleman
Managing Finance, Resources and Stakeholders in Education (2001)
by Lesley Anderson, Ann R.J. Briggs and Neil Burton



EDUCATIONAL
MANAGEMENT
DEVELOPMENT
UNIT



Managing Finance, Resources and Stakeholders in Education

Lesley Anderson, Ann R.J. Briggs
and Neil Burton



© Lesley Anderson, Ann R.J. Briggs and Neil Burton 2001

First published 2001

Apart from any fair dealing for the purposes of research or private study, or criticism or review, as permitted under the Copyright, Designs and Patents Act, 1988, this publication may be reproduced, stored or transmitted in any form, or by any means, only with the prior permission in writing of the publishers, or in the case of reprographic reproduction, in accordance with the terms of licences issued by the Copyright Licensing Agency. Inquiries concerning reproduction outside those terms should be sent to the publishers.



Paul Chapman Publishing
A SAGE Publications Company
6 Bonhill Street
London EC2A 4PU

SAGE Publications Inc
2455 Teller Road
Thousand Oaks, California 91320

SAGE Publications India Pvt Ltd
32, M-Block Market
Greater Kailash - I
New Delhi 110 048

Library of Congress Control Number: 2001132897

A catalogue record for this book is available from the British Library

ISBN 0 7619 7258 7

ISBN 0 7619 7259 5 (pbk)

Typeset by Anneset, Weston-super-Mare, North Somerset
Printed in Great Britain by Cromwell Press, Trowbridge, Wiltshire

Contents

<i>The authors</i>	vii
<i>Acknowledgements</i>	vii
<i>Introduction</i>	ix
1. The significance of finance, resources and stakeholders in education	1
Introduction	1
Financial and resource management	2
Managing stakeholders	2
Self-management	4
2. A UK perspective of self-management	12
Introduction	12
The nature of 'self-management' in schools in England and Wales	12
Local management of schools (LMS)	13
Fair funding	14
Other sources of state school funding	17
Schools in Scotland	17
Independent schools and the involvement of the private sector	18
Incorporated further education colleges	19
3. Financial management in schools and colleges: theoretical perspectives	21
Introduction	21
The resource management cycle	22
Financial and real resources	23
Effectiveness and efficiency	24
Budgeting within educational organisations	27
Costing in educational organisations	31
Models of financial decision-making	39
The economic realities of education	42
4. Delegated financial and resource management	44
Introduction	44
Managing the delegated budget	45
Managing the staffing resource	47
Management of accommodation	50
Management of learning resources	52
5. Managing external relationships: theoretical perspectives	55
Introduction	55
The increasing influence of stakeholders upon schools and colleges	55
Schools and colleges as 'open' organisations	57
Schools and colleges as 'accountable' organisations	62
Marketing and external relations	65
6. Managing relationships with stakeholders	74
Introduction	74
The nature and purpose of relationships with different stakeholder groups	74
Customer relationships	81
Competition and collaboration among educational establishments	86

Managing relations with the local community	89
Education and the state	93
7. Working with governing bodies	95
The nature of 'governance'	95
What is a governing body?	96
Models of governing bodies	96
The membership of a governing body	99
Roles and responsibilities of governing bodies	101
The role of FE college governors – the effect of incorporation	111
Governor training	112
Conclusions: issues for management	113
8. Conclusions: a final word on accountability	114
<i>Appendix: Self-management in education – vignettes from around the world</i>	115
<i>References</i>	125
<i>Author index</i>	137
<i>Subject index</i>	139

The authors

Ann Briggs and **Neil Burton** both work in the Educational Management Development Unit (EMDU) at the University of Leicester, based in Northampton. **Lesley Anderson** was also a member of EMDU throughout most of the production period of this book. She now works in the Centre for Educational Policy and Management at The Open University.

Dr Lesley Anderson is a lecturer in educational management specialising in finance and resource management at The Open University. At EMDU she was Director of MBA in Educational Management by distance learning. Her publications include: 'A "third way": towards self-governing schools? New Labour and opting out', *British Journal of Educational Studies*, 2001, Vol. 49, no. 1; 'The move towards entrepreneurialism', in *Managing Finance and Resources in Education*, which she edited with Marianne Coleman (Paul Chapman, 2000); 'Farewell to grant maintained schools: the future of self-governing schools', *School Leadership and Management*, 2000, Vol. 20, no. 3; and 'Educational standards and grant maintained schools: perceptions of headteachers and chairs of governors', with Tony Bush, *Educational Management and Administration*, 1999, Vol. 27, no. 1.

Ann Briggs is a lecturer in educational management in the EMDU. She has considerable experience of secondary and further education, including a range of middle-management posts. She has researched and written on issues of resource management and accessibility to learning. She has contributed to both *Managing Finance and Resources in Education* (2000) and *Managing the Curriculum* (2001) in the *Educational Management: Research and Practice* series, published by Paul Chapman, and is a contributor and co-editor with Marianne Coleman to the forthcoming volume in the same series: *Research Methods in Educational Leadership and Management*.

Dr Neil Burton is a lecturer in educational management with the EMDU of the University of Leicester on EdD and MBA courses and course leader of the BA (hons) in Primary Education. Neil has taught and managed in both the primary and secondary sectors as well as holding posts in initial teacher training and in a school curriculum advisory service. He has published journal articles and chapters on educational management (most recently in Brundrett, M. (ed.) *Principles of School Leadership*, Peter Francis, 1999) and is currently editing a second volume of case studies focusing on the experience of Beacon Schools with Mark Brundrett. He is co-editor (with David Middlewood) of and contributed to *Managing the Curriculum* (2001) in the *Educational Management: Research and Practice* series published by Paul Chapman.

Acknowledgements

Philip Buckle, Headteacher, Booth Lower School, Northamptonshire

Dr Steve Lewis, Dubai College, United Arab Emirates

John O'Neill, Massey University, Palmerston North, New Zealand

Tova Ron, The Centre for Educational Technology, Israel

Professor Mike Thurlow, University of Natal, Durban, South Africa

Vincent Chiu Shiu Yim, Senior Lecturer, Hong Kong Institute of Education, Hong Kong

The authors of the previous edition of this text: Dr Marianne Coleman, Professor Tony Bush and Dr Derek Glover

Academic and associate staff at the Educational Management Development Unit (EMDU), in particular, Joyce Palmer for her work on the manuscript and Tracy Harazdiuk for administrative support.

Introduction

This book is intended primarily for students studying for postgraduate courses in educational management such as the University of Leicester Educational Management Development Unit's MBA in Educational Management. It is therefore written as a teaching text. However, it offers much to the general reader, especially those working in education, in terms of providing an opportunity to increase their understanding and knowledge of, and develop their skills in aspects of, educational management.

The specific aims of this book are to:

- equip readers with a body of knowledge that will improve their understanding of financial and resource management as well as the role of stakeholders and how these groups can be managed;
- enable readers to reflect on concepts, theories and models of management in education;
- provide a range of analytical frameworks that can be applied by readers to their own working environments;
- provide opportunities for the improvement of their skills in the management of finance, resources and stakeholders through site-based research; and
- enable readers to contribute to school or college improvement.

By the end of the book, readers should be able to:

- understand the link between finance and resources and the role of stakeholders in education;
- appreciate the opportunities that are provided through decentralisation to school/college level and be aware of the international trend towards self-management in education;
- understand the relationship between theory and practice in education;
- draw on knowledge about different levels of self-management and funding mechanisms in education in a variety of settings;
- analyse critically their own institution's current practice in managing finance, resources and stakeholders; and
- apply concepts of financial, resources and stakeholder management to their own management practice.

□ **Activities**

Throughout the book you will find activities that ask you to:

- analyse and reflect on what you have read;
- examine and criticise practice constructively; and
- develop explanations to test the relationship between theory and practice.

These activities help you reflect upon what you have read and relate it to your own management practice, now and in the future. They may also assist you when you are considering a specific topic to investigate for a written assignment.

□ **Linked reading**

This text is free-standing and contains ample material for the reader to be able to improve his or her management practice and produce a course assignment or project. However, additional reading is clearly helpful and, for students, is essential. There are three books to draw your attention to:

1. Coleman, M. and Anderson, L. (2000) *Managing Finance and Resources in Education*, London, Paul Chapman. All the chapters in this volume are relevant to your study and you will be asked to read certain chapters at specific points in the text.
2. Lumby, J. and Foskett, N. (1999) *Managing External Relations in Schools and Colleges*, London, Paul Chapman. As above, all the chapters in this volume are relevant and, as you work through this book, at various points you are asked to read specific chapters.
3. Bush, T. and West-Burnham, J. (eds.) (1994) *The Principles of Educational Management*, Harlow, Longman. The following chapters are particularly relevant to this book and you may wish to read them quickly before you start: Chapter 15 (Tony Bush) – ‘Accountability in education’; Chapter 16 (Brent Davies) – ‘Managing resources’; Chapter 17 (Brent Davies) – ‘Models of decision-making in resource allocation’; and Chapter 18 (Marianne Coleman) – ‘Marketing and external relations’. You may also like to note that a new version of this text, edited by Tony Bush and Les Bell, will be published in 2002 by Paul Chapman.

The references provide an additional source that may be helpful in preparing assignments.

□ Structure of this book

Throughout the book, we focus on self-management as a policy approach that enables schools and colleges to take varying levels of control of the management of their own finance and resources and, thus, to put into practice, to some extent at least, the theories presented here. The relationship between schools and colleges and their communities is considered and from this we develop the link with stakeholders and the importance of managing relationships with them. Chapters 1 and 2 provide an introduction to the key concepts of managing finance, resources and stakeholders, as well as providing a context for them. Chapters 3 and 5 are concerned with the theory of financial management and the management of external relations – or stakeholders – respectively, whilst in Chapter 4 we consider the various levels of management responsibilities and the roles adopted by the key players in schools and colleges. In Chapters 6 and 7 we take a more practical approach to working with, and strategies for managing, the various stakeholder groups, including governors. We conclude in Chapter 8 with final thoughts on the over-arching concept of accountability.

1. The significance of finance, resources and stakeholders in education

This chapter considers:

- financial and resource management;
- managing stakeholders; and
- self-management.

Introduction

Changes in the structure of public education systems around the globe during the last two decades of the twentieth century have resulted in new responsibilities for many educational managers. In particular, the effective and efficient management of finance and resources is now crucial for the success of individual institutions. At the same time, these changes mean that schools and colleges can no longer (if they ever did) regard themselves as 'separate' from their local communities and the various 'stakeholders' who have an interest, and often an investment, in the provision of high-quality education. The shift to more open enrolment and formula funding brings with it the need for schools and colleges to compete to recruit and retain pupils and students. Educational managers operating within this environment must now be concerned with marketing their organisation and working with the different stakeholder groups in ways that maximise the potential for mutual support, both direct and indirect, between the school or college and its stakeholders. The management of resources, including finance, and the management of stakeholders, or external relations as it is sometimes described, are then implicitly linked and, thus, they are considered together in this text.

As a school or college manager you are likely to be involved in some, or all, of the following activities:

- Preparing a budget for your school/college, faculty, department or course.
- Considering and controlling the costs of certain educational activities.
- Deciding resource allocation within your school/college or department.
- Securing additional funding and/or resources for your school/college or department through entrepreneurial activities.
- Working closely with your governing body.
- Responding to the needs and concerns of parents.
- Developing and maintaining links with local businesses, industry and commerce.
- Preparing and implementing a marketing strategy for your school or college.
- Accounting for delegated spending and demonstrating value for money.

This core unit addresses these, and other, issues in the management of finance, resources and stakeholders. In this opening chapter we make the vital links between these aspects of management and the core functions of any educational organisation – those of learning and teaching. Additionally, we consider the policy context of self-management. We focus on this approach for two reasons. First, it has direct relevance for students working in a growing number of locations. Secondly, there is an implicit relationship between the level of autonomy experienced and the opportunity and flexibility to manage finance, resources and stakeholders. Thus we believe the development of knowledge and understanding about self-management is pertinent to all students of educational management as it will enable you to put your own experiences of management into context.

Financial and resource management

It is a basic premise that all educational institutions exist to enable learning to take place. To whatever extent they are held accountable, and by whatever means they are 'judged', their success, or otherwise, is based upon the 'effect' they have upon their students' learning. This effect is achieved in a variety of ways although it is always dependent, to some extent at least, on the resources available. Thus, there is an explicit link between the core purpose for which any educational organisation exists, that is, to promote learning and teaching, and the management of resources.

Reading and Activity

Please read Rosalind Levačić's chapter, 'Linking resources to learning outcomes', Chapter 1 in Coleman, M. and Anderson, L. (eds.) *Managing Finance and Resources in Education*.

In this chapter, Levačić asks 'Do resources matter?' She goes on to provide a comprehensive framework for the analysis of resource management in educational organisations. As you read, try to summarise the key points of the chapter. Our summary is shown below, but please do not read it until you have completed the activity.

□ Key points from the chapter

- Resources are necessary both for the operational core (teaching and learning) and for providing the environment within which learning can take place.
- The impact of the external environment on the educational organisation is crucial to its survival and success.
- The purpose of resource management and how it is, or should be, undertaken depends on the organisational perspective adopted.
- The rational model is predominant in the practice of resource management – official pronouncements on the subject are made from this perspective.
- The rational model conceives the link between resource inputs and learning outcomes as a production process.
- The concepts of effectiveness and efficiency are not easy to operationalise because of the highly diverse and intangible range of learning outcomes that are valued by educational organisations.

The second point in this list highlights the link between the management of resources, including finance, and the other aspect of this module – the management of external relations or stakeholders. As mentioned earlier, the two are implicitly connected as will be demonstrated throughout this core text. Therefore, we now move on to open discussion on why the management of external relations is important.

Managing stakeholders

The changes in the nature of educational systems have meant schools and colleges are now unlikely to succeed as 'closed' organisations that are unaware of, and unreactive to, their communities. As Lumby and Foskett (1999, p. ix) explain in the reader, *Managing External Relations in Schools and*

Colleges, schools and colleges are 'at the centre of a web of relationships with individuals and groups'. Exactly who these groups and individuals are, and how they can be managed, will be considered later in this volume. The point here is to highlight why they need to be managed and in doing this make the connection between finance, resources and stakeholders.

An implication of the basic premise that schools and colleges exist to enable learning must be that they require learners. Thus a fundamental reason for managing community links is connected with the recruitment of students and pupils. However, the reason is more than just one of viability. An implication of self-managing schools and colleges is that, alongside devolution of decision-making, the funding system applied to them is (usually) based on student/pupil numbers and the greater the number of students/pupils the college/school can recruit, the larger its revenue grant. There are, of course, limitations on the number any one institution can accommodate and educate but this figure falls at the extremity of a range within which it is in the school or college's interest to increase its recruitment. (This issue is considered in detail in Chapter 3.) Hence, the management of external relations is linked directly to the level of funding achieved.

Another way in which a school or college can generate income and/or increase its resources is by developing its relationship with other parties, either locally, nationally or even, possibly, internationally. Business, industry, commerce, the government, individuals are all possible sources of resource and it is important a school or college manages its contacts with them effectively. Thus, this is another reason why the management of external relations is important and *why* it is linked to financial and resource management. (Again, these matters are explored in much more detail in Chapter 5.)

However, perhaps the overriding reason *why* the management of external relations – or stakeholders – is important for schools and colleges operating as 'open' organisations is linked to their accountability. The move towards self-managing schools and colleges, as described later in this chapter, not only involves the devolution of financial and managerial control to more local levels but frequently also brings with it parental rights to choose schools. (There is an assumption that college students *choose* the college to which they apply.) Thus, schools and colleges are not only held accountable to their direct funding bodies, usually national and local government or a government quango, but need also to be responsive and responsible to a whole range of other stakeholders in the form of parents, industry and business, the local community and so on if they are to survive and be successful. Accountability, then, is an important dimension of this module and it will be considered in more detail in Chapter 5.

Reading

Please read Tony Bush's chapter, 'The vanishing boundaries: the importance of effective external relations', Chapter 1 in Lumby, J. and Foskett, N. (eds.) *Managing External Relations in Schools and Colleges*.

In this introductory chapter, Bush explores reasons for the growing importance of managing external relations – or stakeholders – and among them he includes the impact of self-management. We have summarised the key points from the chapter below. When you have read the chapter, compare your own list with ours. Please do not look at ours until you have read the chapter.

□ Key points from the chapter

- The emergence of school and college self-management in many countries has enhanced the importance of effective management of stakeholders.
- Educational institutions are now generally characterised as ‘open systems’ with permeable boundaries.
- Effective leaders and managers adopt a proactive approach, build partnerships with stakeholders, research so they can anticipate change and ensure that marketing is integral to their strategic planning.
- Successful schools and colleges adopt an inclusive approach to working with their stakeholders.

At this point it is important to state that, although schools and colleges have been coupled together in all that has been said so far, there are differences between the two that need to be considered. The management of finance and resources in colleges in the post-compulsory education sector differs in a number of ways. In scale, colleges are generally much bigger than schools; thus their budgets are usually of a different magnitude. They differ in nature because it is more usual, and possibly acceptable, for colleges to charge their students or their employers for the education they receive. Generally, government-provided education at school level is ‘free’. Finally, there is a difference in the security schools and colleges experience – once a pupil has entered a school, mostly that resource is secured for a number of years. College students can, and do, leave at any time. Thus, as you work through this core text, you are encouraged to compare and contrast school and college management.

We now move on to consider self-management as a context for the management of finance, resources and stakeholders. We acknowledge that the concept of self-management has not been implemented universally and, indeed, where it has been introduced, its operational level varies considerably. However, it is of interest to school and college managers across the world in terms of providing a backdrop for the opportunity for the management of finance, resources and stakeholders at institutional level. In focusing on self-management we want to emphasise we are not trying to suggest that self-management is in any way *the* desired approach or that it is superior to other organisational policies. Indeed, we acknowledge the existence of counter literature (for example, Ball, 1990a; 1990b; Bowe *et al.*, 1992; Smyth, 1993; Ranson, 1996) in which it is argued that self-management is a fallacy and that even in schools that are described as self-managing, resource decisions may be relatively limited. In many countries schools do not have control of staff recruitment and staff rewards and, consequently, the percentage of the resources they are actually responsible for is very small. It is in this context that we present the rest of this chapter. We begin the discussion by considering what we mean by a self-managing school or college.

Self-management

The term ‘the self-managing school’ is generally associated with the Australian writers, Caldwell and Spinks. They used it first in 1988 as the title of their highly successful book in which they define a self-managing school as ‘one for which there has been significant and consistent decentralisation to the school level of authority to make decisions related to the allocation of resources’ (Caldwell and Spinks, 1988, p. 5). By the time they were writing their third book on self-management, Caldwell and Spinks’ definition had been refined as a result of their work over the past decade as well as being influenced by the work of Bullock and Thomas (1997). This third book emphasises the centrality of decisions on resources in self-management: