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**What happens when colleges plan? The use of strategic  
planning in four-year colleges and universities**

**Prinvale, Jean Marie, Ph.D.**

**Stanford University, 1992**

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**WHAT HAPPENS WHEN COLLEGES PLAN?  
THE USE OF STRATEGIC PLANNING  
IN FOUR-YEAR COLLEGES AND UNIVERSITIES**

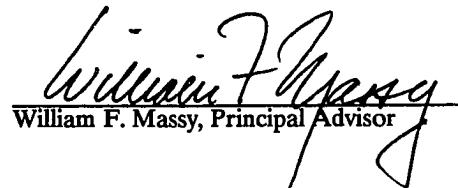
**A DISSERTATION  
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OF STANFORD UNIVERSITY  
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FOR THE DEGREE OF  
DOCTOR OF PHILOSOPHY**

**By  
Jean Marie Prinvale  
August 1992**

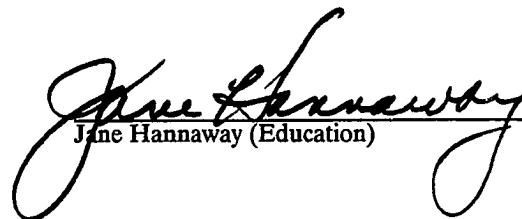
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## ABSTRACT

A large body of literature has developed describing how to implement strategic planning, enumerating its benefits, and presenting case studies of its use in postsecondary education. But three serious weaknesses plague the literature. First, the term is not well-defined. Second, no empirical research has been published which measures whether strategic planning enables an institution to change more efficiently or more effectively than through the use of other planning or decision-making processes. Numerous case studies are available but the lack of a rigorous research design severely limits their comparability or generalizability beyond the specific institution described. The third weakness is that researchers and practitioners have not examined the compatibility between the assumptions about decision-making behavior inherent in strategic planning and the assumptions about decision-making behavior in colleges and universities. Critical differences include centralization versus decentralized organizational structures, goal conflict, and the primacy of the faculty's authority.

This study tested the following four hypotheses:

- H<sub>o1</sub> The percent change between the year planning began and one to two years after planning began in the ratio of total assets to total liabilities will not improve more for four-year private colleges and universities which engaged in institution-wide strategic planning than for comparable institutions which did not engage in institution-wide strategic planning during the same time period.*
- H<sub>o2</sub> The percent change between the year planning began and one to three years after planning began in the ratio of endowment income to total educational and general revenues will not improve more for four-year private colleges and universities which engaged in institution-wide strategic planning than for comparable institutions which did not engage in institution-wide strategic planning during the same time period.*

- H<sub>03</sub> The percent change between the year planning began and one to three years after planning began in the ratio of tuition and fees to total educational and general revenues will not improve more for four-year private colleges and universities which engaged in institution-wide strategic planning than for comparable institutions which did not engage in institution-wide strategic planning during the same time period.*
- H<sub>04</sub> The percent change between the year planning began and one to two years after planning began in the ratio of the unrestricted funds balances to total education and general expenditures plus mandatory transfers will not improve more for four-year private colleges and universities which engaged in institution-wide strategic planning than for comparable institutions which did not engage in institution-wide strategic planning during the same time period.*

The independent variable was institution-wide strategic planning, defined as follows: *strategic planning is a formalized and structured procedure during which policy and financial issues are considered, and internal and external factors affecting the institution are assessed, so that the institution can decide how to allocate its resources and implement policies in such a way that the institution's comparative advantage will be improved.* The dependent variables were:

- a) the ratio of total assets to total liabilities (financial strength);
- b) the ratio of endowment income to total educational and general revenues (financial independence);
- c) the ratio of tuition and fee revenues to total educational and general revenues (tuition dependence); and
- d) the ratio of unrestricted funds balances to total educational and general expenditures plus mandatory transfers (liquidity).

Whether an institution conducted strategic planning was determined based on the results to a mailed survey to the presidents of the 873 four-year private colleges and universities in the United States. Due to major differences in funding and mission, public institutions, military institutions, seminaries, medical schools, other separate health professional schools, law schools, or schools which do not award

bachelor degrees were excluded. By measuring the percent change on the individual measures of fiscal condition prior to the onset of planning, I controlled for conditions, such as institutions nearing bankruptcy, which could skew the measurement of change. Carnegie classification, enrollment, established date, and the date planning began also were used as control variables. The primary methods used to analyze the effect of strategic planning on financial condition were analysis of variance and simple and multiple linear regression.

Ninety-four percent of the sample reported they had conducted a centrally-coordinated planning process which considered issues that crossed departmental and administrative unit boundaries at some time since 1984. The strategic planning scores were somewhat high and clustered fairly closely together. Nearly one-fourth of the sample reported that the most recent institution-wide planning process began between 1984-1987. Another 50 percent began planning between 1988-1990 and the remainder began their most recent institution-wide planning process in 1991. There were no significant differences based on the date institutions began their most recent institution-wide planning process.

Since both planners and non-planners experienced negative percent changes in financial condition, it does not appear that the existence of financial problems in and of itself acts as an impetus to engage in institution-wide strategic planning. Rather, it was when the percent changes across time were extremely volatile (when there were large standard deviations) that the pressure for planning seemed to be the greatest. Unfortunately, more stringent tests failed to support this supposition.

Ninety-eight percent of the planners indicated that academic programs and budget and finances were part of the planning agenda. Nearly 19 percent of the sample said all issues were considered as a very important component of the planning process. More than 11 percent of the institutions said that faculty recruitment and retention issues were not considered at all. Issues concerning physical facilities and/or capital campaign, student support services, and tuition and financial aid were considered least often. Regarding exercises performed, for most institutions, most exercises were performed.

Respondents were asked to select all the reasons why people do not agree that colleges and universities should conduct institution-wide planning. The reason cited most often was that "planning doesn't tell us anything we don't already know." Slightly more than one-third of the respondents indicated that people think "planning is too time-consuming." Eighteen percent of the respondents said that the most common reason was that "planning doesn't tell us anything we don't already know" and 17 percent reported that "planning was tried before and it didn't work."

In general, level of involvement in institution-wide planning was somewhat high. But while more than 90 percent of the institutions reported that presidents, CAOs, and CFOs were highly involved, less than 75 percent of the institutions said that faculty and non-senior level administrators were highly involved in planning. A positive sign was the increased involvement of chief academic officers between 1984 and 1988.

More than 80 percent of the institutions reported that governing boards, presidents, CAOs, and CFOs were reported to agree strongly that institution-wide

planning should be conducted at their institution. But only 40 percent of the institutions said that faculty agreed strongly; this was the lowest percentage of any constituent group. The degree to which constituent groups within the institution agreed that institution-wide planning should be conducted by their institution was consistently higher than how involved in planning were the same constituent groups. People talk but do not act.

An institution's financial condition prior to the onset of planning was not a predictor of an institution's strategic planning score (SPSCORE). A predictor of SPSCORE was the extent to which constituent groups agreed that planning was a good idea. An institution's established date, the data at which planning began, and Carnegie classification were not significant predictors of SPSCORE. Enrollment changes explained approximately 40 percent of the variation in the intensity of strategic planning among research and doctoral institutions and about 16 percent of the variation among comprehensive institutions. While some raw ratios were statistically significant, no more than three percent of the variation in SPSCORE was explained.

The analyses of variance revealed no statistically significant results, thus, the hypotheses were supported: whether examining financial strength, financial independence, tuition dependence, or liquidity, the use of an institution-wide strategic planning process did not create greater differences in the fiscal condition of institutions which conducted planning compared with institutions which did not use institution-wide strategic planning. These results were further confirmed by the failure to find any significant predictive ability when planning was regressed on each financial measure. There was substantive evidence that the failure to find a

relationship between the use of institution-wide planning and changes in financial condition could be explained by the mismatch of assumptions concerning decision-making behavior.

This research was the first known attempt to systematically determine which private colleges engage in strategic planning and one of a very few empirical studies using a formal research design to determine what effects, if any, resulted when such institutions conduct institution-wide strategic planning. Future research is needed to investigate how the use of strategic planning affects other aspects of the functioning of an institution of higher education. It also is suggested that a shift in the research on the use of strategic planning is required. Higher education practitioners and researchers would benefit from research on how strategic planning can be adapted for use in a professional, decentralized, loosely coupled environment.

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**CHAPTER 1**  
**INTRODUCTION**

## INTRODUCTION

The history of our nation's colleges and universities is characterized by prosperity and success, as evidenced by rapidly expanding physical facilities, burgeoning enrollments, and the achievement of world-wide distinction. However, during the 1970s, college and university leaders began to perceive that the "golden age" of higher education was getting tarnished: not only were more things changing, but the changes were occurring more quickly. Diverse enrollments, a volatile economy, changing social and political attitudes, and major demographic changes -- college administrators justifiably were threatened and discouraged by the magnitude of change which would affect their institutions in the coming years. They confronted a future which was not only expected to be radically different from the past, but one which was increasingly harder to predict with accuracy or confidence. College administrators realized that if they depended upon the methods of the past to achieve success in the future, most likely they would be sorely disappointed. Change was inevitable and planning processes such as strategic planning, which embodied flexibility and made explicit the influence of factors external to an organization, were seen as "an organizational necessity in the information age for success and survival" (Bossert, 1989, p. 4).

It was within this context that Keller's *Academic Strategy: The Managerial Revolution* was published in 1983. His book quickly gained a large following, in part because it echoed higher education administrators' concerns that because "most colleges and universities have lacked adequate planning, strong internal management, and a transparent set of academic objectives, higher education has drifted" (Keller, 1983, p. 25). In order to cope with these changes, a shift was

needed from the short-term, ad hoc planning that comprised 90 percent of the planning currently practiced at institutions of higher education (*Ibid.*, p. 25). Subsequent to the publication of Keller's book, a large body of literature developed describing how to implement strategic planning, enumerating its benefits, and presenting case studies of its use in postsecondary education [a short list of examples includes Chaffee, 1984; Glock, 1984; Hussey, 1984; Richardson & Gardner, 1983; Ringle & Savickas, 1983; Steeples, 1986; Stubbart, 1986].

But three major weaknesses plague the literature on the use of strategic planning in higher education. First, researchers and practitioners use the term "strategic planning" to describe a broad spectrum of activities and processes -- ranging from a set of specific activities (Ackoff, 1970; Ansoff, 1965) to a more general concept of management styles (Cope, 1981, 1987; Mintzberg & Quinn, 1991; Wahrman, 1988; Young, 1981). Even "Keller used a rather global definition of strategic planning and management..." (Hearn, 1988, p. 214). No single definition of strategic planning with which all might agree is found in the literature.<sup>1</sup>

The second weakness is the lack of empirical research which measures whether strategic planning enables an institution of higher education to change more efficiently or more effectively than through the use of other planning or decision-making processes. Numerous and interesting case studies and anecdotes are available but the lack of a rigorous research design severely limits their comparability or generalizability beyond the specific institution described.<sup>2</sup>

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<sup>1</sup>Steiner (1979) makes the same point.

<sup>2</sup>For example, many of the existing studies focus on the planning process, as opposed to planning outcomes. One notable exception, however, is research being done by Meredith, 1985; Meredith, Cope, & Lenning, 1987; Meredith, Lenning, & Cope, 1988).

The third weakness is that the literature on the use of strategic planning in higher education is not grounded in research on the "critical factors differentiating higher education organizations from other organizations" (Chaffee, 1985, p. 162). There is no lack of research on how colleges are or should be managed (e.g., see Baldridge & Tierney, 1979; Birnbaum, 1988; Blau, 1973; Clark, 1983; Jedamus, Peterson, & Associates, 1980; Kemerer, Baldridge, & Green, 1982; Kuh & Whitt, 1988; Tierney, 1988; Weis, 1985). Unfortunately, seldom have these researchers examined the compatibility between the assumptions about decision-making behavior inherent in strategic planning and the assumptions about decision-making behavior in colleges and universities.

Due to these weaknesses, therefore, one must question whether colleges and universities can expect to reap the benefits that the advocates of strategic planning claim will result when strategic planning is performed at their institutions (James, 1990). This research is an attempt to provide some initial answers to that question. I begin with a brief history of the uses of, and benefits associated with, strategic planning in business and higher education. Then I develop a theoretical framework contrasting the assumptions underlying decision-making behavior of strategic planners and decision-making behavior characteristic of higher education organizations. Strategic planning is characterized as rationally-based decision-making behavior (March, 1988b; March & Sevon, 1988; Scott, 1987a; Simon, 1976). Decision-making behavior in higher education is depicted as collegial, political, bureaucratic, or anarchic within a professional culture. Due to the discrepant assumptions regarding decision-making, I then argue that higher education practitioners should not expect to enjoy the improvements in their

institutions' fiscal condition that the advocates of strategic planning claim will result. Finally, I describe the results of an empirical study to test this argument. The empirical study evaluates the effects of institution-wide strategic planning on an institution's fiscal condition when it is implemented in four-year private colleges and universities.

There are several benefits associated with this research. First, the outcomes of the empirical study should help higher education researchers and practitioners assess whether strategic planning is an effective management tool in order to improve their institution's financial condition. Second, the research will shed light on difficulties associated with the measurement and evaluation of planning processes in an organization. Third, it is the only known study to evaluate systematically, applying *a priori* a definition of strategic planning, the extent of the use of institution-wide strategic planning among private postsecondary institutions in the United States.

### **STRATEGIC PLANNING DEFINED**

While strategic planning is "popular and familiar, it is a(n)...obscure notion" (Cope, 1981, p. 214; Meredith, et al., 1987, p. 1). This is underscored by the disparate views regarding the use of strategic planning in higher education. Hearn (1988), for example, concludes "there is no evidence in the literature of a clear evaluation of a truly 'strategic' effort at a large, complex institution" (p. 264; Meredith, et al., 1987, 1988). Cope (1987), however, is more optimistic. He estimates that of a representative sample of 196 institutions in 1985, only 24 institutions were not using strategic planning. So, while "planning is clearly a

decision-making process; equally clearly not all decision-making is planning" (Ackoff, 1970, p. 2). Furthermore, not all planning is strategic planning.

In this study, I define strategic planning as follows: *strategic planning is a formalized and structured procedure during which policy and financial issues are considered, and internal and external factors affecting the institution are assessed, so that the institution can decide how to allocate its resources and implement policies in such a way that the institution's comparative advantage will be improved.* The literature does not reach consensus on a specific process that must be implemented. But the following model of a strategic planning process incorporates the activities which are cited most often in the literature as a necessary part of strategic planning (Prinvale, 1988):

- 1) development (or revision) of the organizational mission,
- 2) analysis of internal and external factors affecting the organization,
- 3) determination of goals,
- 4) determination of objectives, and
- 5) determination of constraints and contingency plans.<sup>3</sup>

What strategic planning is can be clarified by examining what strategic planning is not. Strategic planning is not multi-year budgeting; it is not simply the extrapolation of past or current trends; it is not a one-shot exercise; it is not a highly detailed, static plan (Ackoff, 1970; Ansoff, 1965; Chaffee, 1983; Hearn, 1988; Hipps, 1982; Jedamus, et al., 1980; Keller, 1983; Mintzberg & Quinn, 1991; Strategic Planning Committee, 1988; Ulrich & Weiland, 1980). Rather, strategic planning is a process for determining the overall direction of the enterprise and its ultimate viability in light of the predictable and unpredictable changes which may

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<sup>3</sup>Also see Meredith, et. al. (1987, 1988) and Steiner (1979).

occur in the surrounding environment. Strategic planning is a means for administrators to "look ahead to seize hold of the future and to guide it, and not just to react to what otherwise will happen" (Carnegie Council, 1980, p. 64). Instead of being at the mercy of what is happening around them, "to have a strategy is to put your own intelligence, foresight and will in charge instead of outside forces and disordered concerns" (Keller, 1983, p. 75). When administrators engage in strategic planning, they take an active, not passive, position regarding the institution's place in history. Strategic planning is proactive, ongoing problem-solving behavior, as opposed to crisis-oriented or ad hoc planning, which both creates change and manages change.

Because strategic planning incorporates flexibility and foresight into the institution's decision-making processes, administrators should be able to direct the actions of their institutions more successfully. "Strategic planning is concerned with the long-term development of the institution, its essential character, its personality, its essence" (Cope, 1978, p. 10). Strategic planning results in the formulation of mission and goals which delineate the broad limits within which the enterprise operates (Chaffee, 1983; Chandler, 1963; Cope, 1978; Hightower, 1992; Meredith, et al., 1987, 1988; Mintzberg & Quinn, 1991). Whereas tactical decisions derive from strategic decisions and help answer the question "how are we going to do it?", "a strategic move changes the institution, its stakeholders, and its competition. Anything less is not strategic, only tactical..." (Cope, 1987, p. 82). This is one reason the formulation of a mission statement, based on an examination of the internal and external factors which affect the institution, is critical. While goals and objectives are important, they are descriptions of more specific activities which

will be implemented at a particular time in order to achieve the institution's mission. But developing (or revising) the mission statement inspires, animates, provides a systematic sense of direction for ongoing programs, and provides assistance in developing feasible objectives for new programs. According to the Census Bureau, the mission statement "succinctly defines what the Bureau stands for as opposed to our specific purposes and work. The mission should also help distinguish us from other agencies. It, combined with basic beliefs, is the organizational backdrop for the strategic directions of the Bureau" (Strategic Planning Committee, 1988, p. 10).

### **THE EVOLUTION OF STRATEGIC PLANNING AND ITS USE IN BUSINESS**

Strategic planning did not originate within higher education. Indeed, it has a long history in the military and in business (Chaffee, 1985; Hax & Majluf, 1984; Hurst, 1986; Mintzberg & Quinn, 1991). "With a few exceptions...the most basic principles of strategy were in place and recorded long before the Christian era" (Mintzberg & Quinn, 1991, p. 6). For example, Philip and his son Alexander used strategy at Chaeronea in 338 B.C. when they were trying to rid Macedonia of Greek influence. Their battle strategy included analysis of their own and their opponents' strengths and weaknesses, alignment of forces in a unique posture so as to enhance strengths and offset weaknesses, development of a focused major thrust, and planned counterattacks. Similar approaches continued throughout history. In the early nineteenth century, Von Bulow emphasized geographic positioning, logistical support systems, concentration, points of domination, and rapid

movement. During World War II, Patton's and Rommell's battle strategies were almost a carbon copy of the strategies of Philip and Alexander, including planned concentration, rapid breakthrough, encirclement and attack on the enemy's rear (*Ibid.*, pp. 7-8).

Definitions of strategy and strategic planning have proliferated over the years. For example, Cope notes that the "meaning suggests the deployment of armed forces so as to meet an enemy in combat under advantageous conditions" (1978, p. 8). Chandler defines strategy as "the determination of the basic long-term goals and objectives of the institution...and the adoption of courses of action and the allocation of resources necessary for carrying out these goals" (1982, p. 13). Mintzberg and Quinn define strategy as a "pattern or plan which integrates an organization's major goals, policies and action sequences into a cohesive whole" (1991, p. 5).

An analysis of the evolution of strategic planning used by Chaffee (1985) describes three strategy models which have developed over the past two decades. The first planning strategy is a linear model which emphasizes methodical, direct, and sequential actions. Top managers are assumed to possess considerable capacity to change the organization and change is achieved through a distinctly rational process: goals are identified, alternative methods of achieving them are determined, and specific methods are selected and implemented (Ackoff, 1970, describes a similar process under the rubric of a "satisficing planning philosophy").

The second model is adaptive strategy (Ackoff, 1970, uses the term "adaptavizing" or "innovating"). Rather than focusing on what is produced, the emphasis changes to the process of planning -- in order that the need for

retrospective planning (planning to clean up past mistakes because of a failure to monitor the external environment) is reduced (*Ibid.*, p. 16). Adaptive strategy not only might lead to a change in the types or quantity of products, so also might there be changes in the way the organization is structured (Chaffee, 1985).

The final planning strategy described by Chaffee is interpretive strategy. A common theme in interpretive strategy is organizational culture and symbolic management. Interpretive strategists believe that reality is socially constructed. Thus, the most detailed strategies will fail unless the planners recognize the need to manage meaning and to manipulate symbols. While rationality is still assumed as the basis for making decisions, only when the proper culture and context for action have been created can the planners be certain that the members of the organization will act in ways which will foster achievement of the organization's goals (Chaffee, 1985; Deal & Kennedy, 1982; Peters & Waterman, 1982).

All three conceptual models are apparent to varying degrees in the strategic planning processes implemented in the business sector. For example, Deal and Kennedy (1982) and Peters and Waterman (1982) highlight the importance of the management of meaning and manipulation of culture as part of a strategic planning process. But this emphasis, while becoming popular, is not as common as strategic planning processes which are more linear and emphasize the formulation of "integrated decisions, actions, or plans that will set and achieve viable organizational goals" (Chaffee, 1985, p. 140).

In the past thirty-five years, strategic planning has become one element of a broader strategic management model of business management (Hurst, 1986, p. 5; Mintzberg & Quinn, 1991; Steiner, 1979). The use of the term has expanded

beyond the performance of specific activities to embody a concern for the totality of an organization's decision-making and management behaviors, with special emphasis on the influence of the external environment (Ackoff, 1970; Ansoff, 1965; Chaffee, 1985; Hax & Majluf, 1984; Mintzberg & Quinn, 1991; Robert, 1984; Stonich, 1982). Strategic planning is a means by which timely and important questions are brought to the attention of the organization, and allows for attempts to simulate the future. Strategic planning applies a systems approach that enables management to see the organization as a whole, forces the setting of objectives, identifies opportunities and threats, provides a performance measure, provides channels of communication throughout the organization, and facilitates a greater sense of participation by the members of the organization (Hightower, 1992, p. 65; also see Cope, 1987; Mintzberg & Quinn, 1991; Steiner, 1979).

Despite such plaudits, strategic planning is not without its critics in business. Of 33 company strategies implemented in 1979 and 1980, only 14 could be considered successful by Fall, 1984 (Business Week (1984), cited in Schmidlein & Milton, 1990, p. 65). Despite original intentions, in these companies strategic planning often became a quantitative and rigid process which was strongly resisted by operating managers -- "a natural resistance" that escalated into out-and-out hostility and which meant that even when the planners were right, operating managers often would not listen to them (*Ibid.*). It also is argued that strategic planning encourages managers to take too short a perspective in the running of their business and to make the faulty assumption that the environment can be objectively determined. "But strategic planning only works for the future as long as the pattern of the future mimics the past and such stability is not typical. Strategic

planning is good for looking backward and for what it excludes; it is not good for looking forward and for what it includes and contains" (Hurst, 1986, p. 15).

It also is difficult during strategic planning to maintain an appropriate balance between the more general mission statement and the specificity of objectives. Both are critical. Mission supplies the form to which strategy can give substance. One must not forget the values and vision that lie behind the objectives (*Ibid.*, p. 22). Yet, unless more specific goals and objectives are formulated, it is likely that the planning process will lead to little, or no, change. The challenge is to achieve a formal planning process which allows brilliant ideas to be implemented.

Schmidlein and Milton (1990) summarized several other critiques of strategic planning in the business sector. "Many top managers have begun to question the value added by increasingly time-consuming and sophisticated strategic planning processes" (Hunsicker (1985), cited in Schmidlein & Milton, 1990, p. 65). Hunsicker suggested that strategic planning processes lead to "tunnel vision" because planning assumptions tend to be accepted as "eternal truths" (*Ibid.*). Hayes (1985) asserted that strategic planning's assumptions about business decision-making are "completely backward from the reality." As a result, "the methodology of formal strategic planning and, even worse, the organizational attitudes and relationships that it often cultivates can impair a company's ability to compete" (cited in Schmidlein & Milton, 1990, p. 66). Ackers, IBM Chairman, commented: "There was not as much value-added from corporate HQ as the time spent to see if you would get that value" (cited in Schmidlein & Milton, 1990, p. 65).

This description of the evolution and use of strategic planning in the business sector highlights the goals associated with the process and some of the more common complaints associated with its use. How do these experiences compare with what has happened when strategic planning is used within higher education? Why is strategic planning so popular in higher education? Why is it implemented? Have higher education practitioners encountered problems with implementation and unmet expectations as experienced by business planners? If so, is it arguable that the reason strategic planning has not been as successful as expected is due to a mismatch of assumptions relative to how decisions are made in higher education organizations and how decisions are made within the ideal strategic planning model? These are the questions that will be explored in the next chapters.

**CHAPTER 2**

**THE USE OF STRATEGIC PLANNING  
IN HIGHER EDUCATION**

While Keller's *Academic Strategy* is considered by many to be the call to action of the strategic planning movement in higher education, discussions of strategic planning's applicability to higher education already was occurring in the late 1960s and early 1970s (Anderson, 1977; Baldridge, Curtis, & Riley, 1978; Baldridge & Tierney, 1979; Cannon & Wolff, 1978; Cope, 1978; Palola & Padgett, 1971; Steiner, 1979).<sup>4</sup> As increasing attention was paid to the management of *all* of an organization's resources in order to achieve competitive advantage and protect the institution from future instability, administrators gravitated towards planning techniques which were broader in scope than PPBS (planning-programming-budgeting systems: a quantitatively-based approach to planning and management) or MBO (management by objectives: a process by which an organization adjusts its priorities in order to improve its position in the market) (Simon, 1976). But decisions still tended to focus on the allocation of fiscal resources or on program evaluation, not on both (Hussey, 1984; Lorange, 1982; Schmidlein & Milton, 1990).

Then, as the 1970s ended, higher education researchers and practitioners saw "a rapid growth of interest in higher education planning in the United States....Books, journal articles and workshops on this topic...proliferated. A professional association concerned with higher education planning was formed [the Society for College and University Planning]; it now has over 1,800 members and publishes its own journal" (Schmidlein, 1990, p. 1). Since then, "'strategic' management and planning seem so much in full flower on American campuses that Miller (1983) has

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<sup>4</sup>According to Cope, in the 1970s and early 1980s, almost every author writing about the use of strategic planning in higher education had a background in business management (1981, p. 21).

termed them part of a 'movement' rather than simply an approach to management and leadership....This latest management approach...has often been praised as not only revolutionary but also critical to the survival of institutions in the era of decline and challenge" (Hearn, 1988, p. 213).

As strategic planning gained popularity, among the predominant themes stressed were environmental sensitivity, open systems thinking, wide participation in planning processes, the use of qualitative data, and a focus on a continual process rather than the production of written documents (Cope, 1981, 1987; Hax & Majluf, 1984; Hearn, 1988). An examination of the literature about the use of strategic planning in higher education reveals many similarities with the business literature in terms of the features which distinguish strategic planning from other kinds of planning and a stress on its benefits in terms of improving an institution's comparative advantage, financial condition, and decision-making processes.

One feature which distinguishes strategic planning from other kinds of planning is that both internal variables (an examination of the institution's strengths and weaknesses) and external variables (views of government, alumni, etc.) are assessed. For example, when reviewing the institution's curricular goals, the views of external constituencies, such as the local community, are considered, along with an examination of the institutional resources. "Strategic planning involves the ongoing analysis of the institutional environment to ascertain what long-term changes are occurring which may provide opportunities with relation to emerging educational needs or demands" (Young, 1981, p. 1). "Strategic planning deals with the futurity (sic) of current decisions. It is the systematic identification of opportunities and threats that lie in the future, which in combination with other

relevant data provide a basis for an organization to make better current decisions to exploit the opportunities and to avoid the threats" (Steiner (1979), cited in Hightower, 1992, pp. 31-32).

Second, when institution-wide strategic planning is conducted, academic policies and financial policies are considered simultaneously. This is critical since, as noted by the University of Southern California (1985), when academic planning and financial management were not linked, "plans evolved without adequate attention to resource development and budgets evolved without adequate attention to whether they furthered progress toward the goals" (p. 14). "Fiscal health supports the real objective of achieving academic excellence. Only a balanced budget which advances the purposes of the university is meaningful. Similarly, values, goals and academic strategies have no meaning without attention to the resources required to support them" (University of Southern California, 1984, p. 7). A financial plan offers a set of limits and a procedure for testing the appropriateness of those limits; it serves as the context for the more operational annual review and planning cycle. However, this integration is not easy to achieve: "One of the more vexing problems which campus administrators must face is how to integrate financial planning with efforts to introduce the notion of intermediate or longer term planning in the academic arena" (Finnerty, 1991, p. 2). The difficulty is highlighted by this description of the evolution of strategic planning at Yale University:

The roots of the current planning effort at Yale go back to the mid-1980s when, having only recently achieved a few years of recurring operating budget balance, Yale began to address a backlog of long deferred facilities investment needs....This effort was motivated in part by the Board's desire to provide some analytical

framework for defending the University's debt capacity....

Following presentation of this information to the Board, it was agreed that we should use the information as it was developed to begin a University-wide assessment of precisely what were our highest priority capital needs....

The initial financial planning generated yet another planning effort, which was far more narrowly based and centralized (it dealt with the University's development effort).

The Board response to these three early elements of the planning process...was enthusiastic. Not surprisingly, their response was to call for more planning, in a more in-depth way and over a far more extended time frame....The Board also concluded that the recommendations of the three planning efforts undertaken thus far,...could not be properly pursued without a similar long-term look at the direction and needs of the academic program. Much debate ensued. After all, such tangible needs as the structural and engineering requirements of the campus facilities, economic estimates around the identifiable University revenue sources and marketing estimates of the potential for fund raising, were not that different from the element of a business plan....*The highly decentralized scholarly process of a university was quite another matter. Not only is there no attempt to centrally define specific academic program goals and objectives, it would be considered quite at variance with the fundamental character of a university. The evolution of the various and disparate academic programs on a university campus is organic in nature and the result of the frequently unplanned activities of thousands of individual scholars, faculty, and students. How then could the administration even presume to put together for the Board a central concept for the future of the academic program that would define specifically enough future demands to facilitate the development of a discrete facilities plan and the establishment of particular fund raising program targets.* The central point of the Board's concern could not be avoided,

however. Where would the Board and the Administration be, if after five to ten years of massive investment in facilities and an intensive effort with the alumni and others on the fund raising side, we found ourselves with both a physical plant and a financial structure that did not support the academic programs it then would exist.

No one at the University five years ago began these processes with the notion that we would develop a 'Strategic Plan for Yale University.'...Even more significantly, the precipitating events that spurred the early planning processes included, without exception, none of those elements of the University's operations which were at the core of the academic program or value system...(Finnerty, 1991, pp. 3-13, emphasis added).

The third distinctive feature of strategic planning is its horizon. Generally, strategic planners look ahead 4-6 years. The horizon is not the 1-3 year span typical of incremental or budgetary planning, nor is it the broad, generic predictive planning which looks 10-20 years ahead. It is the period of time needed for the institution to plan and implement most essential changes (Ackoff, 1970; Hax & Majluf, 1984; Meredith, 1985; Meredith, et al., 1987; Strategic Planning Committee, 1988; Young, 1981). "Most programs because they take long development and hundreds of thousands if not millions of dollars, must necessarily be considered in detail and in relation to the total institutional program well in advance. The time has passed when new moves can be made without comprehensive advance planning" (Cope, 1978, p. 13).

Besides these distinguishing elements, the literature describes several features characteristic of successful strategic planning processes. Among the most commonly cited are processes in which institutional leaders actively sought to

create trust and confidence among constituencies and to clearly articulate institutional vision. Successful planning structures were consistent with institutional traditions and culture, and were integrated into normal decision-making processes. Planning focused on the most salient issues and opportunities; it was not a comprehensive effort. The process was flexible, inexpensive, and simple (Schmidlein, 1990, pp. 15-16).

Why should colleges and universities engage in strategic planning? What benefits might accrue? A major benefit associated with strategic planning is that it is a process by which postsecondary institutions can strengthen their comparative advantage (Cameron, 1983; Cannon & Wolff, 1978; Chaffee, 1984; Cope, 1987; Cyert, 1983; Meredith, 1985; Meredith, et al., 1987; Morgan & Newell, 1981; Steeples, 1986). "Seeking an advantage is the first principle (and aim) of strategic planning" (Cyert, 1983, p. 15; Meredith, 1985; Meredith, et al., 1987). In fact, Carnegie-Mellon University attributes its success directly to strategic planning. "It [strategic planning] guides us in seeking new opportunities in areas in which the university can achieve excellence in education and research" (Carnegie-Mellon, January, 1985). The same sentiment is echoed by the former president of the University of Southern California (1985): "We have applied [the concept of strategic excellence] thoroughly....We know what distinguishes our service and attracts our students. We know how to enhance our distinctiveness to secure further our market position....We are orienting our resources to achieve the unique excellence within our grasp" (p. 9). Strategic planning is "A Strategy For Becoming Number One....It is a method which...will enable the university to "achieve and maintain a competitive position...[and] to determine the factors central to success"

(Massachusetts Institute of Technology, 1988-89). For Rensselaer (1987), "planning is the most effective means we know of to guarantee systematic, purposeful actions in service to our students and society" (p. 1). Strategic planning enables a particular academic unit to achieve distinction in the areas that it decides to emphasize (Cope, 1987) and to develop academic programs of unique distinction -- programs which will have advantages over comparable programs at peer universities and which will advance the school (University of Southern California, 1984, 1985; Carnegie-Mellon, 1985, 1988).

Strategic planning involves deciding the areas in which a university should be doing research or offering courses, specifying the goals of the institution, and determining the markets for which it is going to produce an output and the subset of the potential student population to which it is going to appeal...it touches the basic nature of the institution....The strategic plan should enable the particular academic unit to achieve distinction in the areas that it decides to emphasize" (Northwestern University, 1989, p. 9).

"Thinking strategically means asking what business we are really in, what this institution does (or can do better and more distinctively than any other, what comparative advantages we have over our competitors, what we can do and should aspire to be" (Keohane, 1991, p. 4)?

An important component of enhanced comparative advantage is improved financial condition. According to the advocates, strategic planning facilitates dealing with sudden financial shifts since the institutional mission and goals have been prioritized and it will be evident which areas can or should be cut and which should be protected (Bossert, 1989). Strategic planning is a vehicle by which the

college can answer the question "What can we continue to afford to do" (Rensselaer, 1987)? By answering this question, the institution is more assured that it will achieve success with its mission because its mission is founded on realistic expectations of the anticipated availability of needed resources (Prinvale, 1988, p. 12). "The institution's future is linked to anticipated changes in the environment in such a way that the *acquisition of resources*...is faster than the *depletion of resources*" (Cope, 1987, p. 3; University of Southern California, 1985). Strategic planning is a process during which an institution can "implement a comprehensive resource plan that will support program objectives while protecting the physical and financial assets of the University" (Northwestern University, 1989, p. 9).<sup>5</sup>

In a 1988 study by Meredith, et al., respondents from institutions following more strategically-oriented planning processes reported that they believed they were getting better results from the process, and a faster increase in the amount of funds available after six years for education and general expenses. Financial improvement also was ranked as one of the ten most important reasons for conducting strategic planning by the institutions studied. Strategic planning improves the institution's ability to garner resources and "resources...provide the opportunity to weather storms and experiment where possible without jeopardizing the institution's future" (Dickmeyer, 1982, p. 21, Dickmeyer & Hughes, 1982).

The strategic planning process results in a long-range plan which provides guidelines for the operational planning process. The program plans, including staffing and facilities plans, developed during the operational planning

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<sup>5</sup>The goal is to achieve a better balance among various income sources, e.g., decreasing reliance on tuition, increasing support from external research funding and unrestricted giving, having acceptable levels of debt and debt service, and developing adequate reserves (Northwestern University, 1989, p. 22).

process provide goals and objectives for each department to use in negotiating the performance budgets or individual activity plans with the faculty and staff. These performance budgets provide direction for the decisions and activities of faculty and staff in completing day-to-day assignments....Each phase draws information from the previous phase (Bossert, 1989, pp. 70-71).

Another reason strategic planning is advocated for use within higher education is that it reminds administrators that efficiency and effectiveness are not necessarily synonymous (Cameron, 1983; Cannon & Wolff, 1978; Chaffee, 1984; Cope, 1987; Cyert, 1983; Morgan & Newell, 1981; Steeples, 1986). One can be present without the other, and neither by itself is a sufficient measure of success. "In the current...environment, efficiencies are no longer the solution to organizational problems....The dominant problems...have become managing its exchanges and its relationships with the diverse interests affected by its actions" (Pfeffer & Salancik, 1978, p. 94).

A fourth benefit associated with strategic planning is that it improves the quality of decisions made as well as the quality of the decision-making process itself (Chaffee, 1983; Meredith, 1985; Meredith, et al., 1987). Since the strategic planning process includes an examination of the external variables affecting the institution, the institution's leaders are confronted with the opportunity to discern mismatches or incongruencies between the institution's goals and the demands of the external environment (Hax & Majluf, 1984, p. 72). Higher quality decisions result since the institution has the information needed to make decisions which respond to the demands imposed by the external environment but do not jeopardize the institution's basic mission.

Strategic planning, according to its advocates, also creates the conditions for more rational decision-making processes (Chaffee, 1983, p. 60). As a result, a higher proportion of excellent decisions will result and "when controversial decisions affecting an institution's achievement of important goals must be made, [the tension between faculty and administrators] can be lessened and polarity avoided" (*Ibid.*, p. 2). The decision-making process becomes more predictable, participants are more likely to feel that the best possible decision has been made, and there will be greater credibility in the leadership capability of the administration. "Administrators who use rational decision processes...provide the grounds...[so] that difficult decisions can be made, explained, and carried out with minimal disruption" (*Ibid.*, pp. 2, 62-65).

However, as within the business sector, there are a number of criticisms leveled at the use of strategic planning in higher education, many of which are similar to those mentioned by practitioners and researchers in the business sector. For example, Meredith (1985) notes that key problems encountered in strategic planning include a planning process which is not interwoven into the entire management process; a chief executive officer who is not personally committed to the process, and a process during which there is a failure to identify and evaluate planning assumptions.

Another concern mentioned quite frequently in the literature is that strategic planning imposes too much structure and, thus, stifles creativity and risk-taking behavior (*Ibid.*). It can be too mechanical a process and an institution may become so committed to a plan that an unanticipated opportunity is not considered.

If a college creates a long-range plan or a systematically institutionalized planning process in accordance with accepted patterns and then attempts to live by it, the institution has effectively blocked the freedom essential for innovation, change, adaptation, and formative reaction....The two practical reasons for not planning in the classical manner were the sense of being locked into a plan or a constraining process and the great expense in time, effort, and money that planning requires (Peck, 1983, p. 22).

Not all agree with this criticism, however. While too rigid a structure can kill innovation, others (Glock, 1984; Hearn, 1988; Hurst, 1986; Hussey, 1984) complain that the flexibility inherent within strategic planning models can result in the aimless and ineffective use of scarce resources, especially if administrators are fooled into believing they can predict the future more accurately than is possible. The pitfalls of such an attitude are noted by Keller (1983): "He who lives by the crystal ball will often eat broken glass" (p. 106). Also, planning is risky, particularly for administrators who agree with Stadtman (1980) that "it is the institution which strives most for distinctiveness that is most vulnerable to failure" (p. 101). Furthermore, some believe that strategic planning, given increasing complexity and an accelerating rate of change, becomes more and more difficult (Meredith, 1985). It is a process which provides inadequate direction with respect [to] ongoing operations, especially short-term decisions (Flagler, undated).

Another substantive criticism of strategic planning is that it relies on administrators to initiate change. But many believe that you should rely on faculty and departments, not the administration, to originate change (Young, 1981). Finnerty (1991) notes that "the highly decentralized nature of the academic

program has made prospective long-term planning extremely difficult, if not impossible. This has been reinforced by a very healthy skepticism on the part of academics as to an institution's ability to project forward and predict the shape and direction of academic programs" (p. 2). This issue will be discussed in more detail later.

Another criticism leveled against the use of strategic planning in higher education, as in business, is that "planning typically was an intense 'overload' activity....Comprehensive institution-wide planning processes often appeared to preclude devoting sufficient attention to particular concerns....Planning processes were criticized by nearly everyone interviewed for creating unrealistic expectations that could not be fulfilled because of resource constraints" (Schmidlein, 1990, p. 11). All too often strategic planning was a process in which managers did not have the skills, or the tools, or the time needed to conduct the strategic planning process (Meredith, 1985).

As noted, the lack of a consistent definition of strategic planning and the mixed reviews it has received are reasons to doubt the validity of the claims associated with strategic planning when it is implemented in postsecondary institutions. If one is not sure an institution is using strategic planning, how do you know if the outcomes are the result of strategic planning? Further reason to doubt these claims is that strategic planning research is not grounded in an understanding of the decision-making behavior of strategic planners versus decision-making behavior within institutions of higher education. The discrepancies between these decision-making assumptions are the subject of the next chapter.

**CHAPTER 3**  
**ORGANIZATIONAL THEORY**

In this chapter I discuss the main components of rational decision-making theory and then compare that theory with the assumptions about how strategic planners make decisions.<sup>6</sup> With that as the foundation, I then explore the assumptions of how decisions are made within colleges and universities and how those assumptions are not congruent with the assumptions inherent within rational decision-making theory.

### RATIONAL DECISION-MAKING THEORY

Organizations characterized by rational decision-making are "oriented to the pursuit of relatively specific goals and exhibit relatively highly formalized social structures" (Scott, 1987a, p. 22). In order to achieve the desired goals, rational choice models presume that behavior is purposive and consistent, and that autonomous, conscious, and foresighted action can be taken to achieve some goal or value (Pfeffer, 1980; Pfeffer & Salancik, 1978). Rational choices are those which involve the selection of the one alternative from among many which is considered to be the most appropriate means for reaching the desired ends (Chaffee, 1983, p. 2; Simon, 1976, pp. 61-62). "The choice must be based on previously recognized values and on evidence that the alternative will, in fact, result in the realization of these values" (Chaffee, 1983, p. 2). Furthermore, the link between the decision and the institution's goals and values is critical (*Ibid.*, p. 2), as highlighted by the focus on the concept of "means-ends chains" (Cohen & March, 1986; March, 1988b; March & Sevon, 1988; Simon, 1976). Means-ends chains

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<sup>6</sup>Remembering that this is a simplified and idealized description of strategic planning.

imply that there is a hierarchy of goals such that actions taken to achieve a goal at one level are selected so that they enhance the achievement of goals immediately above it (Simon, 1976, p. 65). This concept assumes that one can, and should, make explicit how decisions inhibit or foster achievement of the institution's goals and mission (Chaffee, 1983, p. 2). It also assumes that the decision-makers have a set of alternatives for action; the alternatives are defined by the situation and are known unambiguously. Decision makers are assumed to know the consequences of alternative decisions -- at least their probable distribution -- and a decision rule exists. Decision makers have rules by which to select the best alternative on the basis of its consequences for the preferences (March, 1988b, p. 371; March, 1988a; Chaffee, 1983).

Rational decision-making theory, therefore, assumes that optimal choices are made within a highly specified and clearly-defined environment (March & Simon (1958), cited in Grusky & Miller, 1981, p. 135). In fact, "the organizational and social environment in which the decision maker finds himself determines what consequences he will anticipate, what ones he will not; what alternatives he will consider, what ones he will ignore" (*Ibid.*, p. 137). Therefore, it is critical to recognize that organizations are "constrained by their context" and "are inescapably bound up with the conditions of their environment" (Pfeffer & Salancik, 1978, pp. 1, 88). It does not make sense to speak of an organization outside of its environmental context. The events of the world around us do not present themselves with neat labels and interpretations (*Ibid.*, p. 72); rather individuals interpret and give meaning to those events. The focus shifts from describing the characteristics of an objective situation to taking steps which enhance the

organization's control over the processes by which information is selected or ignored so that the organization is protected from external influences and demands. In fact, "organizations are in the business of making sense. If they attend to anything with consistency and regularity, it is to their sense-making activities" (Weick (1979), cited in Birnbaum, 1988, p. 250).

One option organizations may use to enhance control over, and make sense of, the environment is to alter their structure in order to increase coordination (Pfeffer & Salancik, 1978, pp. 2, 9, 11, 74, 77-81, 94; Tolbert, 1985). "Coordination involves fitting together the activities of an organization's members...in order to control access to and use of information. Another technique is to restrict the amount and/or type of information that is available, and to whom" (Pfeffer & Salancik, 1978, p. 99). One way of doing this is to emphasize that only professionals are equipped to evaluate performance (especially if outputs are difficult to measure) or to limit the visibility of behaviors (*Ibid.*, p. 104). Another option is to alter reporting relationships. Whichever option is chosen, the important point is that it is recognized that such structural decisions have a direct effect on the type and quality of information conveyed, and thus, on the decision-makers.

#### **RATIONAL THEORY AND STRATEGIC PLANNING**

Having presented the basic assumptions associated with rational decision-making theory, this section will demonstrate that strategic planning is grounded in this theory. A key similarity is that both strategic planners and rational theorists assume that superordinate organizational goals exist and can be specified. Both also assume that alternative courses of action can be identified and evaluated with respect to their potential for furthering goal achievement and that decisions as to

which courses of action to follow can be reached using logical and analytic procedures. "Because there is goal congruence...or enough formal authority to ensure that the selected objectives are pursued" (Pfeffer, 1980, p. 31), strategic planners and rational theorists also assume that implementation is feasible and likely to occur (Chaffee, 1983; March & Sevon, 1988; Pfeffer, 1980; Schmidlein & Milton, 1990). Both assume that performance can be assessed and that there is reasonable agreement on the dimensions used in the assessment.

Another similarity between strategic planning and rational theories of decision-making relates to the management of interdependencies. Rather than decoupling the links between the organization and environmental influences (Pfeffer & Salancik, 1978; Tolbert, 1985), strategic planners and rational theorists initiate actions aimed at *tightening* the coupling between levels of the organization and between organizational outcomes and the means used to achieve them. So, when implementing strategic planning, administrators can, and should, consider making structural changes which increase coordination (Chaffee, 1983). For example, like rational decision-making theorists, strategic planners believe that creating a systematic planning structure which limits choices and alternatives is one method by which individual actions become rational and by which organizational performance is enhanced (Simon, 1976). Establishing such a planning structure acknowledges that organizational structures, if left uncontrolled or unmanaged, come to have a life of their own and will inhibit the organization's effectiveness and efficiency.

As discussed above, rational decision-making theorists believe it is important to understand how the environment comes to be known by the organization (Pfeffer

& Salancik, 1978, p. 62). Strategic planners, similarly, "do not believe that environmental forces rigidly determine an institution's identity" (Kemerer, Baldridge, & Green, 1982, p. 16). Rather, strategic planners "believe that an active, aggressive stance will allow institutions to adjust to the coming future...[and] well-planned action is needed, and is needed now, if future events are not to overrun many campuses" (*Ibid.*, p. 16). Since strategic planning is "a conscious process by which an institution assesses its current state and the likely future condition of its environment" (Lorange, 1982, p. 114), administrators can be more confident that the interdependence between the institution and its surrounding environment is consciously planned for and taken advantage of when decisions are made and strategies implemented (Cope, 1987). By practicing strategic planning, administrators can take steps which foster successful and timely adaptation to external events.

The utilization during strategic planning of a technique called claimant analysis (King & Cleland, 1978) reflects this belief. Claimant analysis is the process by which the demands and needs of external environmental groups can be determined. Two factors are examined. First, which groups of people believe they have the right to influence the institution's actions to some degree because of the institution's impact on them? Second, what are the claims -- demands -- of those people and how do the claims relate to the objectives of the institution? Claimant analysis enables the college's administrators to articulate more clearly the institution's goals to its external constituency and to the general public. As a result, the external constituents will better understand the institution's role and purpose in

the community and, presumably, be willing to support the institution's activities more generously.

Both strategic planners and rational decision-making theorists are concerned with organizational culture, i.e., the manipulation of meaning and symbols, as part of how the environment comes to be known by the organization (Pfeffer & Salancik, 1978, p. 62). Evidence of strategic planners' concern with organizational culture is their emphasis on developing a planning culture (Cope, 1987; King & Cleland, 1978; Meredith, 1985; Palola & Padgett, 1971; Peters & Waterman, 1982; Prinvale, 1988).<sup>7</sup> Strategic planners argue, furthermore, that the success of strategic planning is more sensitive to the quality of the planning culture than to the specific planning techniques used. An anti-planning culture can defeat the most carefully planned process (King & Cleland, 1978; Palola & Padgett, 1971; Prinvale, 1988). Therefore, strategic planners should take purposive actions to influence and direct the individuals' perceptions of their environment, such as why they should support strategic planning.<sup>8</sup>

Another similarity between rational theorists and strategic planners is the concern with effectiveness. "In the current...environment, efficiencies are no longer the solution to organizational problems....The dominant problems...have become managing its exchanges and its relationships with the diverse interests affected by its actions" (Pfeffer & Salancik, 1978, p. 94). Yet, it is very easy for

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<sup>7</sup>Culture is defined as an "integrated system of acquired behavioral patterns in an organization that is characteristic of the members of the organization and that influences the attitude and modus operandi of the organization" (King & Cleland, 1978, p. 24). An excellent review of the literature on organizational culture in higher education can be found in Kuh & Whitt (1988).

<sup>8</sup>Prinvale (1988) describes how the best intentions of strategic planners at a major western research university were foiled, in part, because of the planners' failure to create a planning culture.

decision-makers to get trapped in questions of efficiency, rather than questions of effectiveness. The natural tendency is to focus on information that can be measured since it is easier to understand, manipulate, and control. Strategic planning, because it requires an examination of the quality of what is produced, helps counter this tendency because it reminds administrators that the institution's short-term goals can defeat its long-term goals. Strategic planning stresses that the important question to ask is "are we doing the right things?" not "are we doing things right?"

### **THE ORGANIZATION OF HIGHER EDUCATION**

Having analyzed the congruence between how decisions are made by strategic planners and rational decision-making theorists, the next step is to set the stage for assessing the effectiveness of strategic planning within higher education. First, I describe how the structure and decision-making behavior of colleges and universities is consistent with the behavior and structure of professional organizations. Then I describe the collegial, political, bureaucratic, and organized anarchy decision-making models which characterize these particular professional organizations. This description, like the description of strategic planning, is more uniform than is true -- size, reputation, presence of graduate students, and financial strength are among many of the factors which influence the structure and behavior of colleges and universities. But this simplified description underscores the contrast between how decisions are made in colleges and universities, and how decisions are made by strategic planners.

### ***HIGHER EDUCATION INSTITUTIONS ARE PROFESSIONAL ORGANIZATIONS***

Using Etzioni's definition, postsecondary institutions qualify as professional organizations: at least half of the staff are professionals with five years or more of training, the primary goals of the organization are the creation and application of knowledge, and an organizational hierarchy may exist but the professionals are not involved in the hierarchy (Etzioni, 1964, pp. 77-78, 87, Goode, 1969). The profession is accepted as the final arbiter in disputes over the validity of any technical solution lying within its area of supposed competence and the profession itself should help to create, organize, and transmit the knowledge (Etzioni, 1964; Goode, 1969). They gain this right based on the exceptional skill that can only be developed through long study and experience (Bowen, 1980).

Another feature of postsecondary institutions which distinguishes them as professional organizations are their structural characteristics.

Universities have some bureaucratic characteristics, such as a formal division of labor, an administrative hierarchy, and a clerical apparatus. But they do not have other bureaucratic attributes; for example, there is no direct supervision of the work of the major group of employees, the faculty, and there are no detailed operating rules governing the performance of academic responsibilities (Blau, 1973, p. 11).

Thus, a "unique dualism in organizational structure" exists: the conventional administrative hierarchy and the faculty (or professionals) (Corson (1960), cited in Birnbaum, 1988, p. 10). These two structures exist in parallel and neither have consistent patterns of structure, delegation, or authority. Unlike a business, in which those high in administrative rank direct the activities of others, in the

professional world of higher education, the staff-line structure is reversed. The professionals (the faculty) maintain superior authority to decide what will be the major goals, while the authority of the administrators is limited to deciding the means to achieve those goals and for setting performance standards (Birnbaum, 1988; Etzioni, 1964, pp. 77, 81; Goode, 1969). Furthermore, "although faculty members vary in rank and influence over academic affairs, they are not organized into a hierarchy of supervisors and subordinates" (Blau, 1973, p. 48). A clear and definitive hierarchical authority structure for faculty does not exist. Worsened by the "built-in rigidities of the faculty personnel system, the difficulty of reallocating funds fast enough, and the resiliency and tenacity of individual academic programs" (Hearn, 1988, p. 251), it is not surprising that this dual system of authority in the university often restricts administrative influence. "Faculty are likely to be influenced more by internalized principles of academic freedom and ethical behavior and recognition of expertise, rather than by a willingness to acquiesce to an administrator's power stemming from his or her particular rank or position" (Langfitt, 1989, p. 4).<sup>9</sup>

Academics have in common with professionals the insistence on exclusive authority over their own work, the demand for self-regulation without administrative interference, and the claim that the colleague group alone may set standards of specialized competence and judge the performance of individuals. These claims...create potential conflicts with the bureaucratic authority of administrators, since administrative and professional considerations are often at variance, for example, when

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<sup>9</sup>"The better the formal qualifications of the faculty in an academic institution, the less likely are faculty members to express allegiance to it [the institution]" (Blau, 1973, p. 120).

budgetary requirements conflict with optimum professional service...or when administrative demands infringe upon the specialized responsibility of experts (Blau, 1973, p. 159).

"The differentiation of the academic structure...that permits...faculties to carry out highly specialized scientific and scholarly tasks, which are most likely to contribute to the advancement of knowledge *simultaneously* creates administrative problems and heightens the division between administration and faculty" (*Ibid.*, p. 153).

Conflict is not resolved by recognizing the supremacy of administrative authority. In fact, "the president's total span of control...is...inversely related to the number of hierarchical levels in academic institutions, just as in government bureaus" (*Ibid.*, p. 57). Several other factors further undermine the power of the president and other senior administrators. These include the faculty's links with groups external to the campus, greater fractionalization of the campus into interest groups, increased external funding and increasing regulations, and the number and pervasiveness of environmental forces which have increased exponentially (Birnbaum, 1988, p. 11).

It also must be remembered that, unlike a business, in colleges and universities, there is not a single line of authority where decisions are made. As a result, "the authority of the president of the institution is limited by the need to achieve consensus" and by the need to maintain some semblance of control among "faculty members [who are] capable of making substantial academic contributions [and thus] are more important to their university or college than it is to them, because its academic standing depends on them, and because they have good opportunities

elsewhere" (Blau, 1973, p. 163).<sup>10</sup> So, while the administration may provide advice, the professional uses his own discretion to decide to what degree the administration's considerations will be taken into account. Active administrators, thus, face the risk that "overinfluence by the administration...undermines the goals for which the organization has been established and endangers the conditions under which knowledge can be created and institutionalized" (Etzioni, 1964, p. 82).<sup>11</sup>

#### ***DECISION-MAKING IN HIGHER EDUCATION***

As professional organizations, the traditional models of business management are not compatible with the management structure of higher education institutions. In fact, according to Birnbaum (1988), colleges and universities can be distinguished from other organizations by their governance structure. He defines governance structure as the structures and processes through which institutional participants interact with and influence each other and communicate with the larger environment (*Ibid.*, p. 4). Higher education also is distinguished by its decision-making models. "In practice, a decision process is not likely to follow the pattern of any single model. However, models are useful analytic devices that serve as templates through which decision processes may be categorized, understood, and evaluated" (Chaffee, 1983, p. 3). A "chief advantage of using models to analyze events is that they create distance between decision-makers and decisions" (*Ibid.*, p. 7). There are four models which traditionally have been used to describe decision-making in colleges and universities: the collegial, the political,

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<sup>10</sup>"Not the reliable performance of duties but the power acquired in social exchange by faculties who have superior academic standing is the source of their authority within their university or college" (Blau, 1973, p. 187).

<sup>11</sup>For instance, does overinfluence undermine academic freedom?

the bureaucratic, and the anarchic (Birnbaum, 1988; Chaffee, 1983). As described below, each model contains features which diverge from rational decision-making theory.

#### ***THE COLLEGIAL MODEL***

Traditionally, decision-making within colleges and universities has been described in terms of a collegial model. Features of this model are a shared sense of community and responsibility, consensus, localized responsibility for implementation, and informal feedback systems (Birnbaum, 1988; Chaffee, 1983). Since members of the collegial body are presumed to be equals, a hierarchy is not very important and no leader is appointed. Even the president is seen as the agent of the faculty, a first among equals, rather than as an independent actor (Birnbaum, 1988, p. 89). Consensus may exist relative to institutional goals; however, unlike rational decision-making, the selection of alternatives is based on the interests and experiences of the participants, in particular, the faculty. Faculty, acting together as peers, reason together toward their common goals and their goals may not be congruent with the whole institution's goals (*Ibid.*, p. 88; Chaffee, 1983). And faculty are likely to be influenced more by internalized principles of academic freedom and ethical behavior and communication from colleagues seen as sharing their values than by salary increases or threats of administrative sanctions.

Application of the collegial model tends to be confined to the academic arena, in particular, at the departmental level. This model of decision-making is reflected within the organizational development model (OD model) of planning (King & Cleland, 1978; Prinvale, 1988). The OD model of planning is one in which the needs and concerns of the individuals who comprise the institution are emphasized.

The process used to accomplish goals centers around team-building and achieving consensus.

### **THE POLITICAL MODEL**

In the political model, decisions are made through the use of power, coalition-building, and negotiation (Birnbaum, 1988; Chaffee, 1983; March & Sevon, 1988). It is recognized that actors have multiple and conflicting goals which are defined primarily by their self-interests (Chaffee, 1983) and power does not rest on the appeal to organizational values. Rather, power is diffused. As a result, development of a pervasive or coherent culture is inhibited by the various and competing interests of the different groups within the institution (Birnbaum, 1988, p. 133) and the power of any one party depends to some extent on the value of that party's contribution to the community and the extent to which such a contribution is available from other sources (*Ibid.*, p. 132). Contrary to one's expectations, however, the political model does not cause chaos since, as within most organizations, colleges and universities tend to develop continuing and quasi-stable dominant coalitions. Furthermore, individuals often belong to more than one group and this crossing of boundaries provides another check against major disruptions. Also, within normative organizations such as colleges, there is a reliance on referent power (the willingness to be influenced by another because of one's identification with the other) and expert power, which inhibit the factors which can cause alienation and disintegration (*Ibid.*, p. 14).

### **THE BUREAUCRATIC MODEL**

The bureaucratic decision-making model is characterized by the presence of standard operating procedures and a clearly delineated hierarchy. Functions are

codified and there is an emphasis on written job descriptions and rules to guide behavior. A conventional explanation of increased bureaucracy is to link it with increased centralization, i.e., a shift in power from lower to higher levels (Meyer, Scott, Strang, & Creighton, 1985, p. 16). There is a systematic division of labor, rights, and responsibilities; this structure is enforced through a hierarchical control system (Birnbaum, 1988, p. 111; Weick, 1976) and persons are expected to respond to each other in terms of their roles, not their personalities (Birnbaum, 1988, p. 111). The hierarchical structure of the college administration presumes that the determination of goals and how they will be achieved rests with the top administrators. There is a conscious effort to link means to ends, resources to objectives, and intentions to activities (*Ibid.*, p. 113; Weick, 1976). Tendencies towards partiality are constrained by the emphasis on rationality and expertise. The hierarchy, besides indicating who will make what kinds of decisions, also is a major determinant of the degree of coupling between organizational units and, in general, a predictor of the nature of the interactions between the subsystems of the institution. Regardless of the number of subsystems, there is one center of authority where final decisions are made and conflicts can be resolved. That central authority, furthermore, is directly related to the primary goal activities of the organization and only indirectly related to the secondary ("means") activities. As is clear, the bureaucratic model is used most often to describe decision-making within the administrative side of the higher education institution.

#### **ORGANIZED ANARCHY**

The fourth model used to describe decision-making behavior in colleges and universities is organized anarchy (Birnbaum, 1988; Chaffee, 1983; Cohen & March,

1986). An organized anarchy describes an institution in which 1) goals are unclear, 2) the means to achieve those goals (the technology) are ambiguous, and 3) time and resources are scarce. Regarding unclear goals, in an organized anarchy, there is a lack of consensus regarding the organization's mission and/or goals. For example, the mission statements of most colleges and universities in the United States are nearly indistinguishable. Thus, even though the mission statement is supposed to guide the development of the curriculum, because the college is an organized anarchy, the college curriculum "in actuality often reflects primarily the interests of individual departments and faculty members. Specific college goals are often stated, after, rather than before, programs have been developed" (Birnbaum 1988, p. 155).

A second feature of an organized anarchy is ambiguity regarding what technology should be used to achieve the mission and goals. This is, perhaps, one of the most widely agreed upon features of colleges and universities. What methods of teaching are effective and under what circumstances and, especially important, why? We do not yet know how to answer those questions; that is, the link between the techniques and the outcomes is not understood. As a result, choices about technology tend to be based on trial and error, previous experiences, imitation, and inventions born of necessity (Cohen & March, 1986). This is one reason the lack of clear goals is tolerated.

In an organized anarchy, most issues have low salience for most people. Therefore, participation in decision-making is erratic and fragmented. The total system has high inertia so that anything requiring coordination is not likely to be initiated. What items are discussed in the context of any particular decision

depends less on the specific decision or problems than on "the timing of their joint arrivals and the existence of alternative arenas for exercising problems" (Cohen & March, 1986, p. 206; Chaffee, 1983). As a result, decision outcomes tend to become separated from the formal decision-making process (described by Cohen & March (1986) as loose coupling).<sup>12</sup> The college or university discovers what it prefers by seeing what it has already done, not by acting on the basis of *a priori* preferences (*Ibid.*, p. 206). There may be a sophisticated management system in place on campus, but because of the loose coupling between problems and outcomes, and because of the existence of the more powerful faculty hierarchy, that management system is relatively ineffective.

This loose coupling is tolerated for several reasons. First, the resulting flexibility is congruent with the ethos of academic freedom (Lutz, 1982). Second, since the link between a specific problem and a specific decision is obscure, people can "have their cake and eat it too." For example, the faculty senate will make a decision about grade inflation yet due to lack of senate supervision or control, faculty behavior does not have to change. People can substitute belief for action (Birnbaum, 1988, p. 165). Third, loose coupling can be particularly effective in a complex and turbulent environment because each individual unit can be more sensitive and more responsive to changes in its external environment without causing conflicts in another unit (Pfeffer & Salancik, 1978; Birnbaum, 1988).

The coordinated anarchy planning model (Peterson in Jedamus, et al., 1980), embodies the concepts of organized anarchy decision-making. The coordinated

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<sup>12</sup>An organization is loosely coupled when the linkages between structural characteristics and actual behavior are not present (Cohen & March, 1986; Meyer & Rowan, 1978; Pfeffer, 1980; Pfeffer & Salancik, 1978; Weick, 1976).

anarchy model assumes that campus-wide coordination of planning activities is unnecessary since there are experts in each unit and they are the ones most qualified to make the planning decisions. Since each unit has maximum freedom and autonomy to pursue diverse goals, it is assumed that the units require little outside impetus to adapt to internal or external influences. The president must give more attention to forming coalitions to get what he wants. The use of communication is vital. The president must try to explain and clarify events to others so they are more likely to interpret their environment as he does. He tries, that is, to change their perceptions by changing the values, symbols, and emotions which affect how people interpret what is happening, rather than by trying to convince them that his position is right.

While flexibility is a virtue of the coordinated anarchy model, a primary disadvantage is that its effectiveness is seriously hampered during times of decline. When resources are limited, usually it is inevitable that the actions taken by one unit affect another unit. Uncoordinated, decentralized decision-making and planning make it extremely difficult for an institution to ensure that necessary resources are re-allocated in a timely manner. Similarly, anarchical institutional processes flourish when resources are abundant and in excess of the level needed to function (Birnbaum, 1988, p. 173; Prinvale, 1988).

### **CONTRASTING ASSUMPTIONS**

This description of decision-making in higher education highlights several features inconsistent with the assumptions inherent in rationally-based strategic planning. These include management of the external environment, loose versus

tight coupling, and clarity of goals. The next section describes these conflicts in anticipation of what those differences mean when higher education administrators implement strategic planning at their institution.

I mentioned earlier that a concern for the external environment -- how it is perceived and how the organization adjusts to meet its demands -- is a critical element of rational decision-making that is consistent with the assumptions of strategic planning. Members of institutions of higher education are concerned, too, with the ability of their organization to acquire resources and manage the demands of external groups. But there is a complicating factor. While higher education administrators are concerned with the relationship between the external environment and the college as a whole institution, faculty concerns often are discipline-based.<sup>13</sup> For example, an institution confers rank (e.g., tenure) but prestige is often conferred by groups outside the institutions. While one might speculate that strategic planners would offer suggestions based on the influencing of culture and/or the imposition of more formalized structures to resolve this dilemma, this can only be speculation since the conflict between how different groups define their external environment is not addressed in the literature on the use of strategic planning in higher education.

Another inconsistency between strategic planning and decision-making in colleges and universities is the loosely coupled and decentralized structure of the college versus the more centralized and coordinated elements of strategic planning.

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<sup>13</sup>A landmark article discussing the difference between faculty "locals" and faculty "cosmopolitans" is by Gouldner (1957). Also see Becher (1987).

A number of structural tensions are likely to result from strategic planning in higher education, owing to its effective tightening of loosely coupled systems....The strategic values of goal statements, instructional cohesiveness, and program centrality can come into conflict with the contrasting values of localized departmental) quality....Additional evidence that department heads may have some difficulties with strategic planning...[is that] the department chairman's role is regarded as protective of a unit when, in fact, the chairmen are being called on in the institutional context to reduce budgets and make hard decisions about filling and cutting faculty positions (Hearn, 1988, pp. 233-34).

Whereas strategic planners depend upon a rationally-based hierarchical and centralized decision-making structure (Chaffee, 1983; Hax & Majluf, 1984; Keller, 1983), "at the institutional level [in colleges and universities], gaining commitment to productivity improvement will likely require decentralized budgeting and decision-making to the school or department level" (Mingle, 1989, p. 15). "The nature of academic work dictates that many of the tradeoffs between quality and quantity be resolved at the level of the individual faculty member" (Massy, 1990, p. 21; Blau, 1973, p. 60). In fact, Volkwein (1987) notes that many within the higher education community are convinced that the great colleges and universities have been those that were the least managed.<sup>14</sup> As task uncertainty increases, organizational use of rules to increase coordination declined and reliance on personal, horizontal channels of communication increased (Van de Ven & Ferry, 1980, p. 421).

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<sup>14</sup>Volkwein (1989), however, presents data that contradict this view.

Therefore, it is by expanding decentralization and loose coupling which make it possible to meet, simultaneously, the competing demands facing a higher education institution. "The structural solution to conflicting demands is a differentiated organization of loosely coupled subunits, each of which deals with special environmental interests, and each of which is only slightly interdependent with other subunits within the organization" (Pfeffer & Salancik, 1978, p. 275). Coordination is not accomplished by tightening linkages between hierarchical levels or establishing more formalized control system (Tolbert, 1985). Rather, coordination within the system is provided by the "spontaneous corrective action of the college's parts" (Birnbaum, 1988, p. 46). For example, in a college, teaching, research, and service each require different structures for effective implementation: teaching is focused at the department level, research involves individual faculty as well as a separate accounting process, and service requires more centralized coordination. Also, faculty involvement in graduate work and in undergraduate education depend on opposite conditions in academic institutions (*Ibid.*, p. 154). Therefore, "if a college or university is to effective...the looser must be the linkages between the management subsystem..." (*Ibid.*, p. 46). Loose coupling permits considerable flexibility in the behavior of their subsystems and, thus, such organizations are better able to survive (Lutz, 1982, p. 653). Loose coupling is one of the ways "academic institutions cope with the dilemma posed by the incompatibility of bureaucracy and scholarship" (Blau, 1973, p. 2).

The ambiguity regarding institutional goals is another feature of higher education incongruent with the assumptions of strategic planning as rationally-based decision-making behavior. Colleges and universities are

characterized by multiple, and often, conflicting goals (Clark, 1983; Kelly, 1980; Langfitt, 1989; Mingle, 1989). "What sort of institution could subsume classical literature and social work, knit together physics and sociology, integrate archeology and zoology" (Clark, 1983, p. 18)? Mission statements focus on teaching, research, and public service as a "trinity of purposes;" but this still leaves unlimited scope to what can be taught, researched, or considered public service (*Ibid.*, pp. 18-19).

Thus, strategic planning, a process which assumes the presence of superordinate goals, is inconsistent with an organization which must choose among competing missions. Rationally-based strategic planning assumes that a clear set of specific values can be developed which will serve as the criteria for decision-making.

"Administrators who use rational decision processes...provide the grounds...[so] that difficult decisions can be made, explained, and carried out with minimal disruption..." (Chaffee, 1983, p. 65). However, when "rationality isn't the driving force and major purpose of administration" (Birnbaum, 1988, p. 64), such consensus is much more difficult, if not impossible, to attain as the result of a strategic planning process within an institution of higher education.<sup>15</sup>

Furthermore, even if agreement on goals is obtained, goals are not easily measured in postsecondary institutions. Administrators cannot point to a "profit maximization" rule as a measurement of success. "There is no metric comparable to money and no goal comparable to profits" (Birnbaum, 1988). The not-for-profit organization maximizes subjectively-determined utility instead of

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<sup>15</sup>Chaffee (1983) disagrees. She argues that if the value structure of the participants is known prior to their considering alternatives and making a decision, and if those values are consistent with a larger goal of the organization, the process exhibits at least some of the requisite characteristics of an ordered list of preferences. She says, in fact, that even if the preferences from which a decision is made reflect only the values of the president, that is sufficient evidence that the college had a prior value premise (p. 14).

objectively-determined profits (Massy, 1990, p. 4) and "efficiency and cost-effectiveness measures alone provide no clear guidance for allocation of resources" (Kelly, 1980). "The short-run efficiency of academic work cannot be measured in comparable units that permit regular computation of profit or loss" (Blau, 1964, p. 68). Also, there is often disagreement on how to measure outcomes. For example, faculty, students, and administrators may agree that improving the quality of the institution is a goal. But faculty may view institutional quality in terms of prestige; administrators may view it in terms of resources they command; students may view quality in terms of access to resources and personal and academic growth; and community groups may view quality as a matter of the institution's contribution to the economic development of the region (Hearn, 1988, p. 254).

There appears to be a fundamental conflict between the concept of strategic planning and pluralistic democratic forms of decision making (Schmidlein, 1990). As noted earlier, strategic planners assume that decision-making power is based, in part, on one's position in the hierarchy. But power is dispersed at most institutions of higher education and power relationships are highly complex. "Success would depend on our ability to make difficult choices, to articulate our common values and shared aspirations, and to work collegially to create the kind of future we all want for our College." (Colby, 1991, p. 1). "Academic planning is a statement of internal educational policy and a statement of means and schedule of implementation of that policy. Effective policy requires the achievement of a substantial consensus among those who make rules and those who are to carry them into execution" (Knorr, 1985, p. 7). "The execution of change from one

strategy to another is ideally a consensual process" (Young, 1981, p. 2).

Unfortunately,

Comprehensive planning processes frequently opened up a broad array of latent as well as obvious political issues, overloading an institution's capacity for resolving them. [So,] while planning is promoted as a way to reveal problem areas and devise solutions, strategic planning does not recognize that priorities appear to be determined through political interactions and are evident after decisions are reached, not before bargaining takes place (Schmidlein, 1990, pp. 11-13).

Higher education administrators who used strategic planning said that there were unrealistic beliefs that units would reveal priorities and openly discuss problems. Nearly everyone complained about the inability of planners to resolve partisan concerns and to act in the collective interest, and a tendency for planning to avoid politically sensitive but critical issues (*Ibid.*, pp. 11-13; Meredith, 1985). In addition,

Faculty frequently voiced concerns about their lack of effective involvement in planning and sometimes complained that, even when they devoted substantial time to planning efforts, their recommendations went unheeded. However, senior campus administrators expressed concern about faculty ability to come to grips with sensitive problems involving program and staff reductions or competing interests of various campus constituencies. They often commented that faculty typically focused on protecting their 'turf' rather than on institutional welfare (Schmidlein, 1990, pp. 14-15).

"Strategic planning will not erase the inevitable conflict between institutional and departmental goals or between institutional and departmental and personal goals"

(Cope, 1978, pp. 14-15; Schmidlein, 1990). Even worse, "chief administrative officers of small colleges often complain that planning in the conventional form leads to a loss of control" (Peck, 1983, p. 20).

Are the organizational characteristics of academic institutions so different from other institutions that traditional management theories do not apply (Baldridge, Curtis, & Riley, 1978, p. 9)? The list of differences is substantial. Unlike a corporation, higher education institutions have less specialization of work based on rank (e.g., assistant and full professors do essentially equal work) and greater specialization based on expertise, the hierarchies that do exist are flatter, there is lessened interdependence among the parts of the organization, less control over raw materials, low accountability, and less visible (observable) role performance. Besides these structural characteristics, definitions of the external environment, agreement on goals, measurement of outcomes, and degree of participation in planning are four other key issues on which higher education is not consistent with the assumptions of strategic planning. In fact, perhaps the values of the academic culture generally are inconsistent with the underlying concepts of strategic planning (Kotler & Murphy, 1981; Schmidlein & Milton, 1990, p. 34)? If so, "will the innovations wrought by the new devices of management widen the gulf between faculty and administrators and thus intensify the antagonism, latent and overt, which has traditionally existed between the administrative and the academic cultures" (Rourke & Brooks (1964), cited in Birnbaum, 1988, p. 7)? And if such differences exist, why should higher education administrators expect swifter or greater degrees of improvement in fiscal condition when they conduct strategic planning? This latter proposition is the target of my empirical study.

**CHAPTER 4**  
**METHODOLOGY**

The popularity of strategic planning among postsecondary institutions has generated a profusion of writings concerning how to do it and what benefits an institution can expect as a result of its utilization. Viability, comparative advantage, and distinction are a few of the "buzz words" that populate the literature on the benefits of strategic planning. Does strategic planning promote or strengthen the institution's fiscal viability? The foregoing analysis of how the behavior of strategic planners can be explained in terms of rational decision-making theory compared with an explanation of the behavior of colleges and universities as professional organizations reveals many inconsistencies. Could not these differences mean that higher education administrators who engage in institution-wide strategic planning should not expect to improve their fiscal viability to a greater degree than institutions which do not engage in strategic planning?

The goal of this research was to test that claim. My hypothesis was that *there will not be greater degrees of improvement in the financial condition of those institutions which conduct institution-wide strategic planning compared with institutions which did not conduct institution-wide strategic planning during the same time period.* Rejection of the hypothesis means that strategic planning does have a significant effect on an institution's fiscal condition. The specific tests of financial condition were assessment of changes in financial strength, financial independence, tuition dependence, and liquidity.

#### ***POPULATION***

The population for this empirical study was the 873 four-year private colleges and universities denoted as research, doctorate-granting, comprehensive, or liberal arts institutions in the 1987 Carnegie classification. Due to the difficulty of

controlling for differences resulting from unique funding and governance, public institutions were not included. Due to differences in mission, military institutions, seminaries, medical schools, other separate health professional schools, law schools, or schools which do not award bachelor degrees were not included either.

For each institution, the following identifying data were gathered:

FICE Code (A unique identification number assigned by the federal government to every postsecondary institution)  
Name and title of the chief executive officer  
Mailing address for each institution  
Enrollment (1990-91)  
Established date

The source for the above data was the 1991 Higher Education Directory, as compiled on computer disk by John Minter Associates.<sup>18</sup>

#### ***FINANCIAL DATA***

In the late 1970s and early 1980s, as the "golden age" of higher education began to fade, literature on the "new depression" in higher education and strategies for dealing with retrenchment burst forth (Carnegie Council, 1980; Chaffee, 1984; Cheit, 1971; Cyert, 1987; Mayhew, 1979; Stadtman, 1981). The growing popularity of the use of strategic planning in institutions of higher education can be attributed in part to its potential for alleviating such fiscal problems. As noted in Chapter Two, advocates for strategic planning postulate that one of the key reasons for conducting institution-wide strategic planning is to strengthen the institution's financial condition (Carnegie-Mellon, 1981). By using strategic planning, you identify sources and quantify resources needed to achieve the institution's longer-range objectives (University of Southern California, 1985). Financial condition is a

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<sup>18</sup>Copyright 1991, John Minter Associates.

useful measure of the success of a strategic planning process because of the link, constantly reiterated in the literature by researchers and practitioners, between finances and prestige (Anderson, 1977, 1983, 1985; Astin, 1985; Bowen, 1980, 1981). For example, poorer institutions are generally viewed as those with less prestige, i.e., as those which have been less successful. A key indicator, further, of prestige and success is the size of one's endowment (Massy, 1990b). Last, but not least, unless an institution can manage its resources well, success is fleeting. "It must be said that reputation ranks high among the purposes of most institutions....As an institution pursues its own interests, operating within the given constraints, it seeks a special niche for itself" (Bowen, 1980, p. 14; Freed, 1987).

Accompanying the growing interest in strategic planning was a renewed interest in methods of assessing the financial condition of colleges. For example, in the late 1970s, the National Association of College and University Business Officers (NACUBO), the National Center for Education Statistics (NCES), and the American Council on Education (ACE) sponsored three annual working conferences as part of its Financial Measures Project. The conferences and project "reflect[ed] a fresh burst of interest in assessing financial conditions...and help[ed] speed the development and use of improved measures of financial conditions of higher education institutions" (American Council on Education, 1978, p. iii). A few years later, a volume of *New Directions for Higher Education* (Vol. 38, 1982) was devoted to "new approaches to financial self-assessment" and the National Center for Higher Education Management Systems (NCHEMS) undertook a two-year effort to develop indicators of institutional financial conditions.

Since then a substantial literature has developed supporting the use of ratios as a useful tool for measuring fiscal condition (Anderson, 1983; Chabotar, 1989; Minter, 1978; Minter, Hughes, Robinson, Turk, Buchanan, & Prager, 1982a; Minter, Prager, Hughes, Robinson, & Turk, 1982b). "Financial ratios offer a capsulized view of key conditions affecting institutional activities" (Minter, et al., 1982a, p. 25). Financial ratios have been used for years in business; their use in higher education was pioneered by NACUBO, John Minter Associates, and Peat Marwick in order to provide an early warning system for financial trouble and difficulty (American Council on Education, 1978; Millett, 1976; Schipper, 1981). And while financial measures are not the sole indicators of institutional performance, they cannot be omitted from an analysis of institutional success. "The budgets and expenditures of a college or a university reveal a great deal about its activities, achievements, and vicissitudes" (Bowen, 1980). Financial ratios are not being used in order to provide an extensive assessment of an institution's financial condition or as a comprehensive assessment of institutional quality.<sup>17</sup> But the use of financial measures is appropriate "because of the belief that internal and external decisions affect these resources first....Of course, this focus also benefits from the objectivity of the many financial indicators" (Dickmeyer & Hughes, 1982, p. 20). The use of ratios also recognizes the importance of assessing change over time in order to

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<sup>17</sup>Anderson (1983) is correct that it makes little sense to talk independently about the financial health of nonprofit organizations; their health is determined by their ability to effectively carry out their mission (p. 12). Furthermore "there is no claim that adequate financial resources are indicative of the desire to innovate or make changes; such resources merely provide the opportunity to weather storms and experiment where possible without jeopardizing the institution's future (Dickmeyer & Hughes, 1982, p. 21). "With physical assets alone, the re-creation of a successful institution would be a long and costly process. It's the intangible assets which are of vastly greater importance and which determine to a large degree which institutions can produce excellent services" (Bowen, 1980).

minimize the effect of exceptions or anomalies. An added advantage is that the use of ratios controls for differences in institutional size across institution and across time (Chabotar, 1989). It also is true that there are not many standards for judging if a particular ratio is good or bad (Chabotar, 1989). Evaluation must be done within the context of the particular institution's internal and external environment.<sup>18</sup> "The precise goal...is to develop indicators which allow their users to distinguish those institutions which are in a strong financial condition from those which are in a weak financial condition" (American Council on Education, 1978, p. 14; Schipper, 1981).

Considering the diversity of institutions, it is not surprising that one precise, single definition of fiscal health cannot be identified. The selection of the measures used to assess fiscal condition was, ultimately, a subjective judgment. In this dissertation, the four ratios which I selected are those which serve as warning signs of potential problems or fiscal vulnerability: financial strength (ratio 1), financial independence (ratio 2), tuition dependence (ratio 3), and liquidity (ratio 4). The ratios were drawn from the work of Anderson (1983), Chabotar (1989), Dickmeyer and Hughes (1982), Minter (1978), Minter and Bowen (1977), and Minter, et al. (1982a,b). Ratios were calculated for 1980, 1984, and 1986 (or 1987, depending upon data availability). By examining change before the onset of planning (1980-1984), it was possible to control for fiscal trends previous to the

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<sup>18</sup> A good example is the ratio of financial viability (capital fund balances divided by current fund expenditures and mandatory transfers). In 1971, the ratio for liberal arts colleges was .50 but, in 1974, it had dropped to .32 -- which is where it remained for the rest of the decade. If a researcher had examined only the figures for 1971, expectations for future ratios would be skewed (Anderson, 1983).

onset of strategic planning that would skew the determination of a statistically significant degree of change.

#### *Operationalization of the Financial Measures*

The source of the financial data for this empirical study was the Higher Education General Information Survey (HEGIS), and the Integrated Postsecondary Education Data System Survey (IPEDS), conducted by the Department of Education's National Center for Education Statistics (NCES), and accessed through the NSF CASPAR System.<sup>19</sup> From FY 1966 (HEGIS I) through FY 1986 (HEGIS XXI), these data are derived from the annual Higher Education General Information Survey (HEGIS). Beginning in FY 1987 (IPEDS I), these data are derived from the new Integrated Postsecondary Education Data System Survey (IPEDS). FY 1987 is defined as the institutional fiscal year which ends in 1987. Data are current as of January 1991.

I now describe the four ratios used to assess fiscal condition.

##### *Ratio 1. The ratio of total assets to total liabilities.*

This ratio is a measure of an institution's overall financial strength. A high ratio indicates an institution has obtained a sufficient financial cushion to cover its long-term debts as well as to meet emergencies. A healthy endowment strengthens the asset side of the balance sheet and thus increases this ratio. In fact, because endowment is such an important income source, Standard and Poor's (1990) financial analysis of a university incorporates not only a close look at the endowment's absolute and relative size but also its growth potential as one

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<sup>19</sup>Quantum Research Corporation, copyright 1991.

evidence of financial flexibility. A positive percentage change in the ratio is the desired direction of change.

*Ratio 2. The ratio of endowment income (yield) to total educational and general revenues.*

This ratio measures an institution's financial independence. It is an indicator of an institution's ability to weather financial stress and to bridge the gap between institutional needs and students' and taxpayers' ability to finance those needs. For many institutions, its endowment is the difference between survival and true vitality (Massy, 1990b). As with ratio 1, a positive percentage change in the ratio is the desired direction of change, other things being equal. For example, it is possible that this ratio could change because of an unplanned (and undesirable) decrease in revenues.

*Ratio 3. The ratio of tuition and fee revenues to total educational and general revenues.*

The institution's dependence on one specific revenue source -- tuition and fees -- is another indicator of financial condition. It is reasonable that the ratio of tuition and fee revenues to general educational revenues should be as low as possible and, when looking at trends, declining over time, as long as the decline is not due to unplanned enrollment decreases, inelasticity in tuition pricing, or inability to control the percentage of students on aid. It is also recognized that if this ratio declines it is hoped that it is not due to an influx of revenues whose attainment is not under the control of the institution (i.e., "soft" money).

**Ratio 4. The ratio of unrestricted funds balances to total educational and general expenditures plus mandatory transfers.**

This ratio is a measure of an institution's liquidity. The unrestricted current funds balance indicates how much money an institution has immediately available for emergencies and unexpected demands. Put another way, this ratio can be described as the amount of cushion available to an institution for meeting liabilities. Ideally, this cushion should either be increasing slowly or remain constant in real terms. A ratio which is declining is a warning that expenses may be rising too quickly. As with ratios 1 and 2, a positive percentage change in the ratio is the desired direction of change.

**Computation of the ratios**

The following section details the specific variables used to calculate the ratios. For each ratio, percent change over time was calculated. However, there was an unequal number of intervening years: there were four years between the initial measure of financial condition and the onset of planning but only two or three years (1984-1986 or 1984-1987, depending upon data availability) when measuring change after the onset of institution-wide planning. In order to compensate for the differing time span, annualized figures were computed.<sup>20</sup> In order to compensate for inflation, figures were put in 1980 dollars using the Consumer Price Index for each year.<sup>21</sup>

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<sup>20</sup>The formula was: the exponent of the  $\log$  of Year N/Year 1 divided by the number of intervening years minus 1.

<sup>21</sup>The constants were based on the Consumer Price Index for 1980 of 1.215: the 1984 constant was .7909 (1.215/.961), the 1986 constant was .7514 (.913/1.215) and the 1987 constant was .7242 (.880/1.215) (Statistical Abstract of the United States, 1991).

**Ratio 1: The ratio of financial assets to total liabilities.**

**Financial Assets**

Sum of the following variables:

**Total Endowment - Ending market value**

Includes market value of gross investments of endowment, term endowment, and quasi-endowment (funds functioning as endowment) at the end of the fiscal year. If market value on some investments is not available, includes whatever value was assigned by each institution in reporting market values in the annual financial report. Data were not available for FY 1987 so FY 1986 data were used.

**Current Funds Balances - Ending**

This variable represents the fund balance at the end of the fiscal year, after all additions, deductions, and transfers. The ending fund balance was computed as the difference between the beginning fund balance and the net increase or decrease.

**Total liabilities (Balance Owed at End of Year)**

The amount shown in the liability section of the plant fund balance sheet for each institution at the end of the fiscal year. This includes liability against auxiliary enterprises facilities as well as educational and general facilities. Examples of auxiliary enterprises facilities are those used for operation of housing, food service, book stores, and other units which are classified as auxiliary enterprises. Data were not available for FY 1987 so 1986 data were used.

**Ratio 2: The ratio of endowment income (yield) to total educational and general revenues.**

**Endowment Income**

Includes the unrestricted income of endowment and similar funds, the restricted income of endowment and similar funds to the extent expended for current operating purposes, and income from funds held in trust by others under irrevocable trusts. For FY 1975-1987, the variable was defined as the sum of restricted endowment income and unrestricted endowment income.

**Total current educational and general revenues**

Sum of the following variables:

**Federal Grants and Contracts**

Includes revenues from Federal agencies which are for specific research projects or other types of programs, such as training programs. Pell Grants, starting in FY 1983, are not included. For

FY 1975-1987, this variable was defined as restricted federal grants and unrestricted federal grants.

**Federal Government Appropriations**

Includes all amounts received from or made available to the institutions through acts of Congress, except grants or contracts. These funds are for meeting current operating expenses and not for specific projects or programs.

**State & Local Government Appropriations**

Includes all amounts received from or made available to the institutions through acts of State or local legislative bodies, except grants or contracts. These funds are for meeting current operating expenses and not for specific projects or programs.

**State & Local Government Grants and Contracts**

Includes revenues from State and local agencies which are for specific research projects or other types of programs, such as training programs. For FY 1975-1987, this variable was defined as restricted state grants, restricted local grants, unrestricted state grants, and unrestricted local grants.

**Private Gifts, Grants & Contracts**

Includes revenues from private donors for which no legal considerations are involved. Private contracts include those funds for which specific goods and services must be provided to the funder as stipulation for receipt of the funds. This category includes only those gifts, grants, and contracts that are directly related to instruction, research, or public service. This category also includes moneys received as a result of gifts, grants, or contracts from a foreign government. For FY 1975-1987, this variable was defined as the sum of restricted private grants and unrestricted private grants.

**Other Sources of Revenues**

Includes all items or revenues not covered elsewhere. Examples are interest income and gains (net of losses) from investments of unrestricted current funds. Also includes revenues resulting from the sales and services of internal service departments to persons or agencies external to the institution, for example, the sale of computer time.

**Ratio 3: The ratio of tuition and fee revenues to total educational and general revenues.**

**Student Tuition and Fee Revenues**

All tuition and fees assessed against students for current operating purposes.

**Total educational and general revenues**

See above (ratio 2)

**Ratio 4: The ratio of unrestricted funds balances to total educational and general expenditures plus mandatory transfers.**

**Unrestricted Current Funds Balances - Ending**

This variable represents the fund balance at the end of the fiscal year, after all additions, deductions, and transfers. The ending fund balance was computed as the difference between the beginning fund balance and the net increase/decrease.

**Total educational and general expenditures**

The sum of the following variables:

**Academic Support Expenditures**

Includes expenditures for the support services that are an integral part of the institution's primary missions of instruction, research, or public service. Includes expenditures for libraries, museums, galleries, audio/visual services, academic computing support, ancillary support, academic administration, personnel development, and course and curriculum development.

**Institutional Support Expenditures**

Includes expenditures for the day-to-day operational support of the institution, excluding expenditures for physical plant operations. Includes general administrative services, executive direction and planning, legal and fiscal operations, and community relations.

**Public Service Expenditures**

Includes all funds budgeted specifically for public service and expended for activities established primarily to provide non-instructional services beneficial to groups external to the institution. Examples are seminars and projects provided to particular sectors of the community. Includes expenditures for community services and cooperative extension services.

**Research Expenditures**

Includes all funds expended for activities specifically organized to produce research outcomes and commissioned by an agency either

external to the institution or separately budgeted by an organizational unit within the institution. Does not include non-research sponsored programs (for example, training programs).

#### Scholarship Expenditures

Includes only those moneys given in the form of outright grants and trainee stipends to individuals enrolled in formal coursework, either for credit or not. Aid to students in the form of tuition or fee remissions is included. Excludes those remissions which are granted because of faculty or staff status; these are charged to staff benefits. Excludes College Work Study program expenses. For FY 1975-1982, this variable was defined as the sum of unrestricted scholarships and restricted scholarships. For FY 1983-1987, the variable was defined as the sum of unrestricted scholarships and restricted scholarships minus any Pell Grants.

#### Student Services Expenditures

Includes funds expended for admissions, registrar activities, and activities whose primary purpose is to contribute to students' emotional and physical well-being and to their intellectual, cultural, and social development outside the context of the formal instruction program. Examples are career guidance, counseling, financial aid administration, student health services (except when operated as a self-supporting auxiliary enterprise). Starting in FY 1983 the variable includes the administrative allowance for Pell Grants.

#### Instruction and Departmental Research Expenditures

Includes expenditures of the colleges, schools, departments, and other instructional divisions of the institution and expenditures for departmental research and public service which are not separately budgeted. Includes expenditures for both credit and non-credit activities. Excludes expenditures for academic administration where the primary function is administration (e.g., academic deans). Includes general academic instruction, occupational and vocational instruction, special session instruction, community education, preparatory and adult basic education, and remedial and tutorial instruction conducted by the teaching faculty for the institution's students.

#### Educational Mandatory Transfers

Includes those transfers from current funds that must be made in order to fulfill a binding legal obligation of the institution. Includes mandatory debt-service provisions relating to academic and administrative buildings, including amounts set aside for debt retirement and interest, and required provisions for renewal and replacements to the extent not financed from other sources.

### ***INDEPENDENT VARIABLE: STRATEGIC PLANNING***

In order to determine if an institution conducted institution-wide strategic planning, a survey was developed by the researcher which asked questions about the institution's planning activities and attitudes.<sup>22</sup> Five questions were used to determine if an institution used strategic planning. There were two threshold questions. First, Question 1 asked whether the institution had conducted an institution-wide planning process at any time since 1984.<sup>23</sup> Institution-wide planning was defined in the survey as "a centrally-coordinated planning process which considers issues that cross departmental and administrative unit boundaries." If an institution answered no to this question, they were not considered a strategic planning institution. If they answered yes, the second threshold question was used which asked whether their plan specified that it would take four to six years to achieve the majority of the institution-wide planning goals (Question 6). If the institution responded yes to both Questions 1 and 6, then their scores on Questions 4 (what issues were considered during the process), 5 (which exercises were part of the institution-wide planning process), and Question 7 (how involved were members of the following groups in the institution-wide planning process) were combined to create a strategic planning score.

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<sup>22</sup>Please see the appendix for a copy of the survey. Please see below for a detailed discussion of the development and testing of the survey.

<sup>23</sup>Institutions began planning at various times but, as is discussed in detail in Chapters 5, 6, 7, and 8, extensive analysis demonstrated no differences due to these differences.

### *Creation of the Strategic Planning Score (SPSCORE)*

#### Question 4

On Question 4, the respondents were asked to rate how important were eight issues during the most recent institution-wide planning process. Issues could be very important, somewhat important, or not considered. The eight issues were:

- Academic programs
- Enrollment and/or admissions
- Faculty recruitment and retention
- Budget and finances
- Development and fund-raising
- Tuition and financial aid
- Student support services
- Physical facilities and/or capital campaign.

#### Scoring

One of the unique features of strategic planning is the integration of budget and academic planning. However, processes which include academic planning are less common than those which include financial issues. In order to recognize this, therefore, a weight of 10 was assigned to academic programs and a weight of nine to budget and finances. Enrollment and/or admissions, faculty recruitment and retention, and tuition and financial aid were assigned weights of eight.

Acknowledging that the remaining issues are often considered in separate planning processes, rather than as part of a centrally-coordinated institution-wide planning process, a weight of three was assigned to development and fund-raising, a weight of two to physical facilities and/or capital campaign, and a weight of one to student support services.

Level of importance was rated on a Likert scale (1=very important and 3=not considered). In order to incorporate greater variance of scores, if an issue was very

important it was recoded to be a 10, somewhat important was recoded to five, and not considered was zero. Each score on each issue was then multiplied by the assigned weight and the scores were summed. The sum was divided by the total of the weights (49) and the total possible score was 10 if all issues were considered.

### **Question 5**

Based on my synthesis of the activities which comprise most strategic planning processes,<sup>24</sup> this question asked respondents which of the following exercises were part of the institution-wide planning process:

- Internal and external factors affecting the institution were examined
- The institution's mission or vision statement was created or revised
- Goals were established
- Objectives were established
- Contingency plans were formulated.

### **Scoring**

Similar to Question 4, weights were assigned to each issue. Recognizing that a unique feature of strategic planning is the examination of internal and external factors, that exercise was assigned a weight of 10. Also quite important is establishing goals; thus, this activity was assigned the second-highest weight (9).

Creation or revision of the mission statement was weighted as an eight, establishment of objectives as five, and formulation of contingency plans as three. The latter was assigned a low rate since it was expected that few institutions would have completed this activity. A sum of the activities, using the weighted values, was then calculated for each institution. The sum then was divided by the total weights

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<sup>24</sup>See Chapter 2 and Prinvalle (1988).

(35). The total possible score on Question 5 was two (if every exercise was performed).

### Question 7

Question 7 on the survey asked how involved in the institution-wide planning process were members within the institution. Seven groups were listed: governing board, president, chief academic officer (CAO), any other academic administrators, chief financial officer (CFO), any other non-academic administrators, and faculty who are not administrators. Level of involvement was rated on a Likert scale (1-5) of not involved, slightly involved, somewhat involved, quite involved, and very involved. Since some positions are not present at all institutions, a "does not apply" category was included.

### Scoring

As in Question 4, in order to introduce greater variance into the scale, the responses were recoded as follows:

Not involved	1 = 1
Slightly involved	2 = 3
Somewhat involved	3 = 5
Quite involved	4 = 8
Very involved	5 = 10
Does not apply	6 = 0

Then, since the involvement in institution-wide planning of the above groups is not equally important, the following weights were assigned to the groups.

Consistent with the literature's emphasis on the vital role of the president (Cope, 1978; Freed, 1987; Meredith, 1985; Schmidlein & Milton, 1990), a weight of 10 was assigned to the president. A weight of nine was assigned to the CAO and a weight of eight was assigned to the CFO. A higher weight was assigned for the

CAO because the involvement of the CAO implied that academic issues were prominent and thus I wanted to "reward" institutions for an action that appears to recognize this link. A weight of eight also was assigned to any other academic administrators; a weight of seven was assigned to faculty (acknowledging the literature's discussion that faculty tend to be less involved and not wanting to skew in either direction the institution's involvement score by assigning a really high or really low weight). A weight of six was assigned for non-academic administrators and a weight of five for the governing board, recognizing the generally low involvement expected for these two groups.

For each institution, the weighted involvement scores were summed and then divided by the total weights (53). This number then was divided by the number of items on which zero was not answered. This was done in order to eliminate "does not apply" on one or more items. If the zeros had been included, the involvement score would have been artificially deflated. The maximum possible involvement score was 70.

#### Calculation of the Strategic Planning Score (SPSCORE)

The SPSCORE was the sum of the institution's scores on Questions 1, 4, 5, 6, and 7. Since they were threshold questions, the score on Question 1 for all institutions was two and ten for Question 6. Again, in order to incorporate the unique features of strategic planning into the scoring design, weights were assigned to the five questions. Question 1 was assigned a weight of one (since every institution and to answer yes in order to be included in the planning category). Question 6, concerning the span of the planning process, was assigned a weight of 10 since the 4-6 year span of planning is one of the critical features of planning.

Question 4, which asked about the issues which were part of the process, was assigned a weight of nine; question 5 (exercises performed) was assigned a weight of eight, and Question 7 (levels of involvement) was assigned a weight of seven. The sum of the weighted scores on each question was calculated and then divided by the total weights (35), leading to a total possible SPSCORE of 19.94.

#### *Other Strategic Planning Information*

Besides the questions which were used to denote which institutions conducted institution-wide strategic planning, other attitudinal and behavioral questions concerning the planning process were asked.

#### Questions 2 and 3

Questions 2 and 3 asked when the most recent institution-wide planning process began, when it had ended or was scheduled to end, or whether the planning process was a continuous process. When the data were being coded, it was realized that the ending dates were spurious since nearly every respondent who noted an ending date also said the process was continuous. Thus, a derived variable was created which was coded to indicate whether the planning process was continuous (2=continuous, 1=not continuous).

#### Question 8

Question 8 on the survey asked "to what extent do you think the groups listed below agree that institution-wide planning should be conducted?" A preliminary caveat was stated indicating that this was a potentially sensitive question but that the researcher recognized that the answers would be impressions and that the answers were fully confidential. This caveat appeared to allay concerns since there were very few non-respondents.

The groups listed were the same groups as in Question 7:

Governing Board  
President  
CAO  
Any other academic administrators  
CFO  
Any other non-academic administrators  
Faculty who are not administrators.

### Scoring

The score on Question 8 was a measure of the extent to which constituent groups within the institution agreed that institution-wide planning should be conducted at their institution. Because different groups have varying levels of influence of the groups (for example, the governing board generally has less visibility and direct influence on the institution's day-to-day activities), each group was assigned a weight. The same weights were assigned to each group as in

Question 7:

President	10
CAO	9
Any other academic administrators	8
CFO	8
Faculty who are not administrators	7
Non-academic administrators	6
Governing Board	5

The original Likert scale of agreement levels was recoded in order to incorporate greater variance into the scale:

Strongly Disagree	1 = 1
Somewhat Disagree	2 = 3
Slightly Disagree	3 = 5
Slightly Agree	4 = 7
Somewhat Agree	5 = 8
Strongly Agree	6 = 10
Doesn't Apply/Can't Say	7 = 0

An institution's agreement score was the sum of the weighted responses, divided by the total weights (53). The maximum possible score (indicating high agreement) was 70.

### **Question 9**

There were two components of Question 9 which asked about the reasons people do not agree that colleges and universities should conduct institution-wide planning. Based on the literature review, respondents were asked to indicate all the reasons they thought people in their institution did not agree that institution-wide planning should be conducted at their institution. The ten reasons listed were:

Because institution-wide planning:

- a. Is too expensive
- b. Is too time-consuming
- c. Doesn't tell us anything we don't already know
- d. Was tried before and it didn't work
- e. Is futile because the future is too unpredictable
- f. Is a business activity not appropriate for colleges and universities
- g. Interferes with the right of professors to decide what they will teach and research
- h. Is not consistent with existing academic decision-making processes at the institution
- i. Imposes too much rigidity and limits flexibility
- j. Wasn't needed in order for our institution to achieve success

An other category was also included in which respondents could add reasons not listed.

Question 9 also asked respondents to indicate which reason they thought was the most common reason that people at their institution disliked planning.

### **Question 10**

Question 10 on the survey was an attempt to gauge the success of the strategic planning process as reported by the respondents. Nine goals (derived from the set

of issues in question four) were listed and the extent to which the goals were achieved was a Likert scale ranging from one (too early to tell) to six (much more than expected). Respondents also could indicate if the item was not a goal of the process. The nine goals were:

- Enrollment goals
- Academic program goals
- Budget goals
- Ability to compete for faculty
- Admissions goals
- Fund-raising goals
- Reputational goals
- Improved morale
- Improved ability to make changes

Again, an "other" category was available for adding goals not listed (less than 1% of the respondents listed additional goals).

#### Scoring

The success score was the sum of the values circled multiplied by the number of goals for which a success level was indicated (2-6). This eliminated items which were not a goal, which were left blank, or for which success was too early to determine so that the "success" score was not artificially deflated. The maximum possible score on this question was 12.

#### Questions 11 and 12

Question 11 on the survey asked whether the institution intended to continue to perform institution-wide planning [yes (3), no (1), or don't know yet (2)]. Question 12 asked whether it "would be accurate to characterize your institution-wide planning process as a *strategic planning* process?" Respondents could answer yes or no. This was the first time the term strategic planning was used in the survey. Since strategic planning is so popular, and in some people's eyes something that

should be done, it was feared that use of the term throughout the survey could skew responses such that the institution's strategic planning score would be inflated. Thus, the term was not mentioned in the cover letter. It was used, in fact, only once -- in Question 12 at the end of the survey. Since more than 90 percent of the respondents said they thought their process could be characterized as a strategic planning process, it appears that this strategy was a wise choice.

#### Questions 13, 14, and 15

The last three questions were identifying questions. Question 13 asked for the name of the respondent, his title, and the name of the institution. One purpose of this question was to ensure an accurate match between the FICE code and the institution.<sup>25</sup> The person's title was coded as one if president and zero if not the president and the information was used to determine if there were any response biases.<sup>26</sup> Question 14 asked how long (number of years) the person had been at their institution and Question 15 asked how long (number of years) the person had been in their position at that institution. The latter two questions were included in order to determine if there was any response bias based on how long a person had been at the institution or in his/her position.<sup>27</sup>

#### Weighting

As discussed above, weightings were used when scoring several of the survey questions in order to incorporate assumptions about differing levels of importance regarding issues considered, activities performed, and personnel involved in the

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<sup>25</sup>Each survey was checked by the researcher when it was coded. There were no mismatches.

<sup>26</sup>Approximately 80 percent of the respondents were the president and there were no biases when responses made by presidents and non-presidents were compared.

<sup>27</sup>No bias was apparent.

planning process. Recognizing that weights affect statistical analyses, all of the statistical tests were calculated using both weighted and unweighted scores. There were no material differences in the final conclusions. In this research, the results are reported using the weighted scores; copies of the tests using unweighted scores are available from the researcher.

#### ***INSTITUTIONS WHICH WERE NOT CATEGORIZED AS INSTITUTION-WIDE PLANNERS***

Institutions which answered no to Question 1 -- that they had not conducted a centrally-coordinated institution-wide process at any time since 1984 -- were instructed to skip to page 10 of the survey and answer six questions. Question 16 asked if the institutions conducted institution-wide planning before 1984 (yes, no, or don't know). Question 17 asked in what year, if a process had been conducted, it was completed. Question 18 asked if the institution intended to begin an institution-wide planning process in the next three years (yes, no, or don't know). The last three questions (19, 20, and 21) were the same identifying questions as Questions 13, 14, and 15, and used to determine response biases and ensure accurate coding.

#### **DATA COLLECTION: STRATEGIC PLANNING SURVEY**

Whether an institution conducted strategic planning, and to what extent, was determined based on the results to a mailed survey developed by the researcher.<sup>28</sup> The survey was pre-tested in two stages. First, the survey was distributed to various

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<sup>28</sup>The survey format was based on research conducted by (Dillman, 1978) of techniques which enhance the return rate of mailed surveys. Human Subjects Approval was granted by Stanford University on July 26, 1991.

experts in strategic planning known by the researcher.<sup>29</sup> Based on their feedback, the survey was revised and a second pre-test was conducted. For the second pre-test, the survey was sent to the presidents of four-year private colleges located in the San Francisco Bay Area.<sup>30</sup> The final survey was sent October, 1991 to the presidents of the institutions. A cover letter, personally addressed to the president, explained the basic purpose of the survey. A second follow-up was sent three weeks later, resulting in a response rate of 67.3 percent.<sup>31</sup>

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<sup>29</sup> Persons who served as critics were Ray Bacchetti (Stanford University), Robert Cope (University of Washington), George Keller (University of Pennsylvania), James Hearn (University of Georgia), Marvin Peterson (University of Michigan), Jann Freed (Iowa), Nancy Roberts (Naval Postgraduate School), and Lyn Hutton (Dartmouth).

<sup>30</sup> The institutions were College of Notre Dame, University of Santa Clara, Golden Gate University, Mills College, St. Mary's College (Moraga), University of San Francisco, Dominican College, California Maritime Academy, and John F. Kennedy University. Presidents at Golden Gate University and College of Notre Dame were interviewed by the researcher for further details. Local institutions were selected so that personal follow-up was possible at minimum expense.

<sup>31</sup> Please see the appendix for copies of the letters and the survey instrument.

## **SUMMARY OF THE RESEARCH STUDY VARIABLES**

- 1) Institution-wide strategic planning score
- 2) The ratio of total assets to total liabilities (financial strength)
- 3) The ratio of endowment income to total educational and general revenues (financial independence)
- 4) The ratio of tuition and fee revenues to total educational and general revenues (tuition dependence)
- 5) The ratio of unrestricted funds balances to total educational and general expenditures plus mandatory transfers (liquidity)
- 6) Date institution established
- 7) 1987 Carnegie Classification
- 8) Enrollment (1980, 1984, 1986, 1987, 1990)
- 9) Number of years respondent in position
- 10) Number of years respondent at institution
- 11) Was planning conducted before 1984?
- 12) Will planning be conducted in the next three years?
- 13) Year planning began
- 14) Level of agreement that planning a good idea
- 15) Level of involvement in planning
- 16) Exercises performed during planning
- 17) Issues considered during planning
- 18) Intensive and minimal strategic planning institutions
- 19) Continuity of planning
- 20) Extent to which planning goals achieved
- 21) Number of goals for which success too early to determine
- 22) Will your institution continue to perform institution-wide planning?
- 23) Is your process a strategic planning process?
- 24) Financial strength, financial independence, tuition dependence, and liquidity (raw data)
- 25) Endowment income
- 26) Total liabilities
- 27) Total revenues
- 28) Total expenditures
- 29) Tuition and fee revenues
- 30) Current funds balance

## HYPOTHESES

My hypothesis is that there will not be greater degrees of improvement in the financial condition of those institutions which conduct institution-wide strategic planning compared with institutions which did not conduct institution-wide strategic planning during the same time period. Four specific hypotheses were tested:

- $H_{01}$  *The percent change between the year planning began and one to two years after planning began in the ratio of total assets to total liabilities will not be significantly greater for four-year private colleges and universities which engaged in institution-wide strategic planning than for comparable institutions which did not engage in institution-wide strategic planning during the same time period.*
- $H_{02}$  *The percent change between the year planning began and one to three years after planning began in the ratio of total endowment income to total educational and general revenues will not be significantly greater for four-year private colleges and universities which engaged in institution-wide strategic planning than for comparable institutions which did not engage in institution-wide strategic planning during the same time period.*
- $H_{03}$  *The percent change between the year planning began and one to three years after planning began in the ratio of tuition and fees to total educational and general revenues will not be significantly less for four-year private colleges and universities which engaged in institution-wide strategic planning than for comparable institutions which did not engage in institution-wide strategic planning during the same time period.*
- $H_{04}$  *The percent change between the year planning began and one to two years after planning began in the ratio of the unrestricted funds balances (monies available for meeting institutional liabilities) to total education and general expenditures and mandatory transfers will not be significantly greater for four-year private colleges and universities which engaged in institution-wide strategic planning than for comparable institutions which did not engage in institution-wide strategic planning during the same time period.*

Analysis of variance (ANOVA) and simple and multiple linear regression were used to test the hypotheses. Analysis of variance was used to determine if there were differences in the fiscal condition of institutions which used institution-wide strategic planning (planners) compared with institutions which did not use

institution-wide strategic planning (non-planners). Additional ANOVAs were tested comparing intensive and minimal planners, planners who began their process at different times, and institutions in different Carnegie classifications. Analysis of variance also was used to test for response bias.

The statistical technique of linear regression was used as an additional test of the relationship between changes in financial condition and the use of institution-wide strategic planning. For example, one model tested was whether institutions' fiscal condition prior to the onset of strategic planning was a predictor of the intensity of planning conducted by an institution. Regression models also were used to determine if other characteristics of the planning process, such as when planning began, agreement and/or involvement levels, and the various control variables (the date institution was established, enrollment, Carnegie classification, prior financial condition) were predictors of strategic planning scores. Finally, a variety of regression models were tested to determine what, if anything, predicted the changes in financial condition after planning began. This included, of course, financial condition prior to the onset of planning. Other variables tested were established date, enrollment, Carnegie classification, and the date planning began.

**CHAPTER 5**

**RESULTS:**

**DESCRIPTION OF THE SAMPLE**

In the previous chapters I have defined strategic planning, described the advantages and disadvantages associated with its use in business and higher education, and explored the assumptions underlying how strategic planners make decisions in contrast with how decisions are made within the professional arena of a college or university. Because of the major inconsistencies between how decisions are made, we must question whether the use of institution-wide strategic planning in a college or university will have the desired results.

In this, the first of four chapters analyzing the research findings, I describe the characteristics of the sample, including a discussion of who are the non-planners. In Chapter 6, I examine the institutional and financial characteristics of the institutions which have conducted an institution-wide strategic planning process since 1984. Chapter 6 concludes with an analysis of what, if any, financial conditions appear to be an impetus for the use of planning. In Chapter 7, I describe the characteristics of the institutions' planning processes. This discussion includes an examination of the issues included on the planning agenda, the activities performed during planning, who was involved in planning, the extent to which the planning goals were achieved, and the extent to which members of the organization agreed that planning was a good idea. Then, in Chapter 8, I analyze the results of the empirical study which tested the nature of the relationship between the use of strategic planning and changes in financial condition.

#### **DESCRIPTION OF THE SAMPLE**

Of the 873 four-year private colleges and universities in the United States classified as research, doctorate-granting, comprehensive, or liberal arts institutions,

surveys were received from 67.3 percent (see Table 1).<sup>32</sup> The response rates within individual Carnegie classification categories were nearly 70 percent, except among research universities (41%). The low response rate among research institutions meant that this category of institutions was slightly under-represented in the sample (they comprise 3.5% of the population but only 2.2% of the sample). Otherwise, the sample reflected the composition of the population, one feature necessary to be able to generalize the results to the population.

**TABLE 1**  
**BREAKDOWN BY 1987 CARNEGIE CLASSIFICATION**

Type	Population N	Sample %	n	Percent of Sample	Percent of Class
Research	29	3.5%	12	2.2%	41.4%
Doctorates	39	4.8	29	4.9	69.2
Comprehensives	243	29.8	171	31.1	70.4
Liberal Arts	505	61.9	339	61.7	67.1

Examination of institutional characteristics confirms that there do not appear to be significant distinctions between respondents and non-respondents (see Table 2). For example, both groups were composed of a majority of institutions founded between 1850-1900 and which enrolled 1000-2500 students.

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<sup>32</sup> Of the 873, 47 institutions were eliminated from the sample due to lack of financial data.

**TABLE 2**  
**COMPARISON OF DATE ESTABLISHED AND ENROLLMENT**

<b>Respondents by Carnegie Class</b>			
<u>Date Established</u>	<u>N</u>	<u>Mean</u>	<u>S.D.</u>
All Institutions	549	1886	51.4
Research Institutions	12	1851	83.8
Doctorates	29	1886	39.7
Comprehensives	171	1895	38.7
Liberal Arts	339	1883	55.3
<b>Non-Respondents by Carnegie Class</b>			
<u>Date Established</u>	<u>N</u>	<u>Mean</u>	<u>S.D.</u>
All Institutions	267	1886	45.9
Research Institutions	17	1831	58.8
Doctorates	12	1872	30.1
Comprehensives	72	1904	41.3
Liberal Arts	166	1886	42.4
<b>Respondents by Carnegie Class</b>			
<u>Enrollment</u>	<u>N</u>	<u>Mean</u>	<u>S.D.</u>
All Institutions	549	2422	2928
Research Institutions	12	11686	6742
Doctorates	29	7791	5428
Comprehensives	171	3409	2060
Liberal Arts	339	1178	788
<b>Non-Respondents by Carnegie Class</b>			
<u>Enrollment</u>	<u>N</u>	<u>Mean</u>	<u>S.D.</u>
All Institutions	267	2815	4136
Research Institutions	17	11999	7179
Doctorates	12	10194	8465
Comprehensives	72	3243	2027
Liberal Arts	166	1155	725

Nor were there statistically significant differences in the percent changes in financial condition between 1980 and 1984 for respondents and non-respondents (see Table 3).<sup>33</sup> However, the low means (3% or less) belie the variability in financial condition (see Table 4). For example, changes in the measure of financial strength among survey respondents ranged from a 39 percent decline to a 36 percent improvement. Non-respondents experienced as much as a 35 percent decline and a 48 percent improvement. Similar patterns exist for all the other measures of financial condition.

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<sup>33</sup> As explained in Chapter 4, changes between 1980 and 1984 assess fiscal condition before the onset of institution-wide strategic planning and changes between 1984 and 1986(7) assess financial condition after planning began.

**TABLE 3**  
**ANALYSIS OF VARIANCE**  
**ARE THE AVERAGE PERCENT CHANGES**  
**IN FINANCIAL CONDITION BETWEEN 1980 AND 1984**  
**SIGNIFICANTLY DIFFERENT BETWEEN**  
**RESPONDENTS AND NON-RESPONDENTS? (df 1/803)**

Variable	Difference Bet. Means	Sum of Squares	Mean Square	F-Ratio	Prob.
Ratio 1	-1.0%	.0196	.0196	3.64	.07
Ratio 2	0.0%	.0007	.0007	.11	.75
Ratio 3	0.1%	.0002	.0002	.33	.57
Ratio 4	-.3%	.0026	.0026	3.15	.08

The actual means are displayed in Table 4.

**TABLE 4**  
**PERCENT CHANGES IN FINANCIAL CONDITION BETWEEN 1980 AND 1984**

Ratio	All		Research		Doctorates		Comprehensive		Liberal Arts	
	R	NR	R	NR	R	NR	R	NR	R	NR*
Ratio 1	2%	3%	-4%	-3%	3%	.6%	2%	4%	3%	4%
	(7)	(9)	(10)	(8)	(7)	(7)	(6)	(8)	(7)	(9)
	-39	-35	-24	-16	-19	-18	-17	-13	-39	-35
	36	48	6	17	15	9	22	33	36	48
Ratio 2	2	2	.3	-.2	2	3	1	1	2	2
	(8)	(9)	(5)	(2)	(5)	(15)	(7)	(6)	(8)	(10)
	-31	-30	-11	-3	-4	-10	-29	-17	-31	-30
	46	67	7	6	17	49	23	21	46	67
Ratio 3	.8	.7	1	2	.7	.5	.6	.5	.9	.8
	(2)	(2)	(.9)	(1)	(.7)	(1)	(1)	(1)	(3)	(2)
	-9	-5	-.6	0	-.9	-2	-4	-5	-9	-4
	32	16	2	3	2	2	8	6	32	16
Ratio 4	-1	-.7	-.7	-.05	-.8	-.1	-.1	-.4	-.1	-.8
	(3)	(3)	(.8)	(2)	(3)	(2)	(3)	(3)	(3)	(3)
	12	-9	-2	-3	-10	-4	-12	-9	-11	-9
	16	17	5	7	2	5	7	10	16	17

\*R = Respondents NR = Non-Respondents

All Institutions	538	267
Research	12	17
Doctorates	26	12
Comprehensives	163	72
Liberal Arts	337	166

Table Key:

- Row 1: Mean Percent Change
- Row 2: (Standard Deviation)
- Row 3: Minimum
- Row 4: Maximum

Similarly, while there were no significant differences between respondents and non-respondents in the changes in financial condition between 1984 and 1986(7) (see Table 6), there were startling degrees of variability in financial condition across the sample (see Table 5). For example, respondents experienced change ranging from a negative seven percent to a 458 percent improvement in financial

strength (the 458% change was at a research institution). Changes in liquidity (ratio 4) ranged from a 65 percent decline to a 327 percent improvement.

TABLE 5 PERCENT CHANGES IN FINANCIAL CONDITION BETWEEN 1984 AND 1986(7)											
	All		Research		Doctorates		Comprehensives		Liberal Arts		
	R	NR	R	NR	R	NR	R	NR	R	NR	
Ratio 1	6%	5%	55%	16%	-3%	-0.6%	3%	4%	6%	4%	
	(28)	(19)	(140)	(45)	(20)	(10)	(14)	(15)	(19)	(17)	
	.7	-53	0	0	-71	-18	-53	-52	-52	-53	
	458	138	458	138	14	15	76	46	211	87	
Ratio 2	.7	-.1	NA	-3	-1	2	1	-.1	.7	0	
	(9)	(7)		(11)	(-5)	(2)	(1)	(6)	(9)	(8)	
	-38	-45		-45	-18	-2	-36	-12	-38	-25	
	71	56		0	12	6	71	25	67	56	
Ratio 3	.1	.04	-.04	-.2	.1	.3	-.03	0	.2	0	
	(2)	(2)	(1)	(2)	(2)	(.5)	(1)	(2)	(3)	(2)	
	-18	-9	-3	-7	-5	-4	-8	-6	-18	-9	
	26	10	2	5	4	1	4	5	26	10	
Ratio 4	.9	2	45	29	1	1	-.009	.2	.2	-.3	
	(18)	(18)	(107)	(67)	(2)	(3)	(5)	(3)	(6)	(5)	
	-65	-34	0	0	-5	-2	-54	-9	-65	-34	
	327	211	327	211	4	7	13	9	15	26	

\*R = Respondents    NR = Non-Respondents  
N                      N  
All Institutions    538    267                      Table Key:  
Research            12     17                      Row 1: Mean Percent Change  
Doctorates        26     12                      Row 2: (Standard Deviation)  
Comprehensives    163    72                      Row 3: Minimum  
Liberal Arts       337    166                      Row 4: Maximum

TABLE 6 ANALYSIS OF VARIANCE ARE THE AVERAGE PERCENT CHANGES IN FINANCIAL CONDITION BETWEEN 1984 AND 1986(7) SIGNIFICANTLY DIFFERENT BETWEEN RESPONDENTS AND NON-RESPONDENTS? (df 1/803)						
Variable	Difference Between Means	Sum of Squares	Mean Square	F-Ratio	Prob.	
Ratio 1	-1.00%	.027	.027	.43	.52	
Ratio 2	1.70%	.014	.014	1.93	.17	
Ratio 3	.06%	.000	.000	.41	.52	
Ratio 4	-1.10%	.012	.012	.37	.55	

The actual means are displayed in Table 5.

### **NON-PLANNERS**

Similar to the whole sample, the majority of the non-planners were liberal arts institutions (63%, see Table 7). Nearly six percent were research institutions, about nine percent were doctorate-granting institutions, and the remaining 22.8 percent were comprehensives. The average non-planning institution was founded in 1875. The average enrollment was 2465. The survey respondent from a non-planning institution had been in his/her position for an average of nearly six years and had been with the institution for an average of nine years. The majority of respondents were the president (60%).<sup>34</sup>

**TABLE 7  
PROFILE OF NON-PLANNERS**

Carnegie Class	Percent of Sample		
Research	5.7%		
Doctorates	8.6		
Comprehensives	22.8		
Liberal Arts	62.9		
Respondent=President	60.0%		
	Mean	S.D.	Range
Date Established	1875	61.5	1636-1972
Enrollment	2465	3405.4	137-17762
No. of Years Respondent in Position	5.72	6.03	0.25-22
No. of Years Respondent at Institution	9.15	9.00	0.25-32

Regarding planning attitudes and intentions, the vast majority of the non-planners (more than 75%) reported that they intend to initiate a planning process within the next three years (see Table 8). Slightly more than one-quarter used to conduct institution-wide planning, while nearly another third reported that institution-wide planning had not been conducted previously. Among non-planners,

<sup>34</sup> It was noted in my cover letter that if another person was more informed about the institution's planning activities, s/he could complete the survey. This was done in order to enhance the response rate.

**TABLE 8**  
**NON-PLANNERS' ATTITUDES REGARDING PLANNING**  
**(N=35)**

**Question 16: Did you conduct institution-wide planning before 1984?**

Group	Percent
Yes	31.4%
No	28.6
Don't Know	37.1
No Answer	2.9

**Question 18: Do you intend to start an institution-wide planning process within the next three years?**

Group	Percent
Yes	77.1%
No	8.6
Don't Know	8.6
No Answer	5.7

**Correlation Matrix**

	Estdate	Enroll	CCLASS	Q16	Q18	Q20	Q21*
Enroll	-.72	1.00					
CCLASS	.46	-.78	1.00				
Q16	.15	-.19	.19	1.00			
Q18	.11	.17	-.25	.08	1.00		
Q20	.05	-.11	.16	.15	-.35	1.00	
Q21	-.17	.14	.01	.22	-.31	.78	1.00

**\*Variables:**

Estdate	Date institution established
Enroll	1990-91 Fall Enrollment
CCLASS	1987 Carnegie Classification
Q16	Was institution-wide planning conducted before 1984?
Q18	Does your institution intend to begin an institution-wide planning process in the next three years?
Q20	How long respondent has been in position
Q21	How long respondent has been at the institution

there was essentially no correlation between whether an institution had conducted planning before 1984 and their intention to conduct planning in the future ( $r=.08$ ). Nor was there a substantive correlation between non-planners' future intentions and the date the institution was established ( $r=.11$ ). There was a .16 correlation between intentions and enrollment, and a -.29 correlation between intentions and Carnegie classification. These low correlations indicate that knowing an institution's enrollment, established date, or Carnegie classification provides little information about a non-planner's intentions to conduct planning. There was a negative correlation between the tenure of the respondent and future intentions. That is, it appears that institution-wide planning was more popular among

respondents who had been at their institution or in their position for shorter periods of time ( $r = -.35$  and  $-.31$  respectively).

This chapter delineated the institutional and financial characteristics of the research sample, noting that the sample represents the general population. It concluded with a description of those institutions which had not conducted a institution-wide strategic planning process since 1984 and noted the difficulty in making any assumptions about this group's intentions to conduct planning in the future based on information about an institution's characteristics.

**CHAPTER 6**

**RESULTS:**  
**DESCRIPTION OF THE PLANNERS**

In this chapter, I describe the institutional and financial characteristics of the four-year private colleges and universities which conducted institution-wide planning. Comparisons are made between institutions which began planning at different times, across Carnegie classification, in terms of the intensity of the planning process, and between planners and non-planners. The chapter concludes with an analysis of the financial conditions which appear to be an impetus to the use of institution-wide strategic planning.

The vast majority of the sample reported that institution-wide planning had been conducted at their institution since 1984. The average institution which conducted planning was established in 1886 and enrolled nearly 2000 students (see Table 9). The distribution of institutions, based on their Carnegie classification, reflects the population. Unlike the non-planners, slightly less than half of the respondents were the institution's president. This is not surprising since, as noted earlier, the survey instructions indicated that a person more familiar with the institution's planning activities could complete the survey. Finally, the average respondent had been at the institution for nearly 12 years and in his/her position for nearly seven years.

Using the methodology described in Chapter 4, a strategic planning score was determined for these institutions (see Table 10). The strategic planning scores were somewhat high and clustered fairly closely together (the mean weighted score was 16 and the s.d. was 2.28). Only one institution, a liberal arts college, had the maximum score of 19.94. The lowest score was 8.03, at a comprehensive institution. The distribution of scores was similar within the individual Carnegie classes. There were no differences in the average scores among institutions which began planning at different times.

**TABLE 9**  
**PROFILE OF PLANNERS**  
**(N = 516)**

Carnegie Class	Percent of Sample		
Research	1.9%		
Doctorates	4.7		
Comprehensives	31.7		
Liberal Arts	61.7		
Respondent = President	47.9%		
Date Established	Mean	S.D.	Range
	1886.4	50.8	1258-1971
Enrollment	2421.5	2891.4	57-28895
No. of Years Respondent in Position	6.62	5.6	.08-45
No. of Years Respondent at Institution	11.94	9.1	.08-45

**TABLE 10**  
**DISTRIBUTION OF STRATEGIC PLANNING SCORES**

	N	Mean	S.D.	Min.	Max.
All Instns.	516	16.08	2.28	8.04	19.94
Research	10	16.01	2.74	10.95	19.58
Doctorates	24	16.27	2.48	10.88	19.71
Comprehensives	164	16.15	2.23	8.04	19.90
Liberal Arts	318	16.03	2.28	9.33	19.94
Started Plng 1984-86	71	16.15	2.20	10.95	19.90
Started Plng 1987-91	403	16.09	2.30	8.04	19.90
Unweighted Score, All Institutions	516	55.03	3.51	34.00	64.00

One of the questions on the planning survey asked when the most recent institution-wide planning process began (see Table 11). Nearly one-fourth of the sample reported that the process began between 1984 and 1987. Another 50 percent began planning between 1988 and 1990 and almost 20 percent began the most recent institution-wide planning process in 1991.

**TABLE 11**  
**YEAR PLANNING BEGAN**

Year	Percent	Year	Percent
1984	4.4%	1985	5.1%
1986	4.7	1987	9.3
1988	14.9	1989	16.3
1990	22.1	1991	18.4

Extensive analysis was performed to determine what, if any, characteristics differentiated institutions which began the most recent institution-wide planning process at different times. Essentially no differences were revealed. Institutions which began planning at different times did not differ in terms of average strategic planning scores, average total scores on the measures of planning characteristics and attitudes, Carnegie classification, or average changes in financial condition between 1980-1984 or 1984-1986(7) (see Tables 12, 13, 14). One exception was a statistically significant difference in the average percent change between 1984-1986 in the measure of financial strength (ratio 1, see Table 14). Upon examination, however, one learns that significance was due to a research institution which experienced a 458 percent change in this ratio ( $t$ =non-sig. when this institution was removed and the ANOVA was re-calculated). The other exception was that institutions which began the most recent planning process before 1987 had, on average, lower levels of agreement that planning should be used at their institution (see Table 13). This is discussed more fully in Chapter 7.

**TABLE 12  
TABLE OF MEANS**

Year Planning Began	SPSC	UNWSP	Q4SUM	Q5SUM	Q7SUM	Q8SUM
1984	16.30	54.83	10.74	7.39	25.70	30.13
1985	15.91	54.40	10.56	7.52	25.32	33.40
1986	16.28	55.96	11.00	8.17	25.79	32.25
1987	15.58	55.45	11.15	7.91	25.38	33.87
1988	16.20	55.13	11.09	7.61	25.43	32.63
1989	16.25	54.95	10.80	7.70	25.45	32.96
1990	16.00	55.27	10.71	7.72	25.84	33.53
1991	16.06	54.97	10.42	7.74	25.81	33.51
1984-1986	16.15	55.21	10.76	7.69	25.60	31.97
1987-1991	16.09	55.09	10.79	7.72	25.63	33.28

Variables:	
SPSCORE	Institution's strategic planning score
Q7SUM	Total unweighted score of level of involvement (low score means higher level of involvement)
Q8SUM	Total unweighted score on level of agreement (low score means higher level of agreement)
Q5SUM	Total unweighted score on number of exercises performed (high score = more exercises performed)
Q4SUM	Total unweighted score on issues considered (low score = more issues considered)
UNWSP	Unweighted strategic planning score

**TABLE 13**  
**ANALYSIS OF VARIANCE**  
**ARE THERE DIFFERENCES BETWEEN INSTITUTIONS WHICH**  
**BEGAN PLANNING BEFORE OR AFTER 1984? (df 1/498, 1/467 for Q2a)**

Variable	Source	Diff. between Means	Sum Square	Mean Square	F-Ratio	Prob.
Q7	Q84*	-0.03	.18	.18	.02	.89
	Q2V**	0.00	12.31	12.31	1.09	.29
Q8	Q84	-1.46	156.47	156.47	5.29	.02#
	Q2V	-0.37	62.92	62.92	2.12	.15
Q5	Q84	-0.08	.24	.24	.08	.78
	Q2V	0.10	.02	.02	.01	.93
Q4	Q84	-0.25	2.69	2.69	.52	.47
	Q2V	0.08	9.15	9.15	1.76	.18
CCLASS	Q84	0.83	29.14	29.14	.79	.37
	Q2V	0.80	8.55	8.55	.23	.63
	Q2A***	n/a	218.32	31.12	.83	.57
SPSCORE	Q84	-0.14	.77	.77	.15	.69
	Q2V	-0.16	.28	.28	.05	.82
<u>Using unweighted scores</u>						
UNWSP	Q2A	See Table	43.61	6.23	.51	.83
Q4SUM	Q2A	12	29.57	4.22	.80	.59
Q5SUM	Q2A	for	11.15	1.59	.52	.82
Q7SUM	Q2A	means	19.86	2.84	.31	.95
Q8SUM	Q2A		302.33	43.19	1.91	.07

#Significant at .05 level or higher

Variables:

- \*Q84 Institutions which began planning before or after 1984
- \*\*Q2V Institutions which began planning 1984-1987 or 1988-1991
- \*\*\*Q2A Planning began: 1=1984, 2=1985, 3=1986, 4=1987, 5=1988, 6=1989, 7=1990, 8=1991
- Q7 Total score on level of involvement in planning
- Q8 Total score on level of agreement that planning a good idea
- Q5 Total score on exercises performed during planning
- Q4 Total score on issues considered during planning
- SPSCORE Institution's strategic planning score
- Q7SUM Total unweighted score of level of involvement (low score means higher level of involvement)
- Q8SUM Total unweighted score on level of agreement (low score means higher level of agreement)
- Q5SUM Total unweighted score on number of exercises performed (high score = more exercises performed)
- Q4SUM Total unweighted score on issues considered (low score = more issues considered as very important)
- UNWSP Unweighted strategic planning score
- CCLASS 1987 Carnegie Classification

**TABLE 14**  
**ANALYSIS OF VARIANCE**  
**ARE THERE DIFFERENCES IN FINANCIAL CONDITION DUE**  
**TO DIFFERING PLANNING START DATES?**

Variable	Source	Diff. between Means	Sum of Squares	Mean Square	F-Ratio	Prob.
Ratio 1a*	Q2V+	0%	.00	.00	.00	.95
	Q84++	1	.00	.00	.42	.52
	Q2A+++	**	.04	.01	1.36	.22
Ratio 1b**	Q2V	2	.32	.32	4.48	.03#
	Q84	-1	.01	.01	.13	.72
	Q2A	**	.67	.10	1.28	.26
Ratio 2a	Q84	0	.00	.00	.03	.85
	Q2V	2	.01	.01	2.57	.11
	Q2A	**	.07	.01	1.74	.10
Ratio 2b	Q2V	0	.02	.02	2.66	.10
	Q84	-1	.00	.00	.40	.53
	Q2A	**	.09	.01	1.59	.14
Ratio 3a	Q84	0	.00	.00	.26	.61
	Q2V	0	.00	.00	.06	.81
	Q2A	**	.00	.00	.85	.55
Ratio 3b	Q2V	0	.00	.00	.32	.57
	Q84	0	.00	.00	.10	.75
	Q2A	**	.00	.00	1.32	.24
Ratio 4a	Q84	1	.00	.00	2.99	.08
	Q2V	-2	.00	.00	.90	.34
	Q2A	**	.00	.00	.45	.87
Ratio 4b	Q84	0	.00	.00	.02	.89
	Q2V	-1	.02	.02	.89	.35
	Q2A	**	.15	.02	.83	.56

#Significant at .05 level or greater

\*\*Table of Actual Means

	R1A	R1B	R2A	R2B	R3A	R3B	R4A	R4B
1984	2%	4%	2.0%	0.06%	0.8%	0.2%	-2%	0.3%
1985	1	4	0.5	-0.08	0.1	0.3	-1	0.02
1986	0.7	15	3	-2	1	-1	-1	-0.3
1987	4	8	5	1	0.8	0	-1	-1.0
1988	2	10	2	0.3	1	0.2	-0.01	5
1989	1	1	1	-0.2	0.5	0.4	-0.7	-0.5
1990	3	3	2	1	1	0.1	-1	0.3
1991	3	5	1	3	0.7	-0.1	-1	0.2
84-86	1	7	2	-1	1	-0.3	-1	-0.06
87-91	2	5	2	1	0.8	0.1	-0.9	0.7

Variables:

+ Institutions which began planning between 1984-1987 or 1988-1991

++ Institutions which began planning before or after 1984

+++ Starting dates: 1 = 1984, 2 = 1985, 3 = 1986, 4 = 1987, 5 = 1988, 6 = 1989,  
7 = 1990, 8 = 1991

"a" ratios: percent changes in financial condition between 1980 and 1984

"b" ratios: percent changes in financial condition between 1984 and 1986 (ratios 1/3)  
or 1987 (ratios 2/4)

Ratio 1 Financial Strength

Ratio 2 Financial Independence

Ratio 3 Tuition Dependence

Ratio 4 Liquidity

### *Intensive versus Minimal Institution-wide Strategic Planning Institutions*

Besides comparing all planners as a whole group, it is informative to compare intensive versus minimal strategic planning institutions (see Table 15). Intensive strategic planning institutions (InSPs) were those with strategic planning scores in the top ten percent of the sample (scores ranging from 18.82 to 19.44, n=52).

Minimal strategic planning institutions (MinSPs) were those whose scores were in the bottom ten percent of the sample (scores ranging from 8.03 to 12.91, n=51). There were no differences in the number of years the respondent had been in his/her position at InSPs or MinSPs (mean of 5.4 years for both groups).

Presidents of intensive strategic planning institutions had been at their institution for slightly more years (mean of 12.2 years compared with 9.78 years for presidents at the minimal strategic planning institutions). Among InSPs and MinSPs, most institutions were founded between 1850 and 1900. Regarding size, the data indicate a tendency for smaller institutions to do more intensive strategic planning. This makes sense since strategic planning implies more centralization, a characteristic more common among institutions with smaller enrollments.

TABLE 15 PROFILE OF INTENSIVE AND MINIMAL STRATEGIC PLANNING INSTITUTIONS						
Respondent = President	Intensive Planners (n=52)			Minimal Planners (n=51)		
	Mean	S.D.	Range	Mean	S.D.	Range
Date Established	1879	37	1776-1991	1878	1885	1258-1971
Enrollment	2389	2664	375-13354	2855	4474	57-28895
No. of Years Respondent in Position	5.4	4.8		5.4	5.0	
No. of Years Respondent at Institution	12.2	10.2		9.8	8.8	

**DOES FINANCIAL CONDITION PRIOR TO THE ONSET OF PLANNING  
PREDICT THE INTENSITY OF INSTITUTION-WIDE STRATEGIC PLANNING?**

There were no statistically significant differences in the average percent changes in fiscal condition between 1980 and 1984 between planners and non-planners (see Table 17). However, in general, institutions which said they had conducted a centrally-coordinated institution-wide planning process at some time since 1984 demonstrated greater variation between 1980-1984 in financial strength, financial independence, tuition dependence or liquidity than non-planners between 1980-1984 (see Table 16). For example, the planning institutions experienced a range of 75 percent change in financial strength (ratio 1), compared with only a 35 percent range among non-planners. In terms of financial independence (ratio 2), the range of change for planners was 77 percent, versus 57 percent for non-planners. The data show that planning institutions experienced a range of a 41 percent change in tuition dependence (ratio 3), compared with only 14 percent for non-planners. Finally, planning institutions experienced a 28 percent range of change in liquidity (ratio 4), compared to only 17 percent for non-planners. Also, one notices that there was somewhat greater deviance from the average percent changes (as measured by the standard deviation) among planners as compared with the non-planners between 1980-1984.

**TABLE 16**  
**COMPARISON OF PLANNERS AND NON-PLANNERS:**  
**PERCENT CHANGES IN FINANCIAL CONDITION BETWEEN 1980 AND 1984**

	Planners					Non-Planners				
	N	Mean	S.D.	Min.	Max.	N	Mean	S.D.	Min.	Max.
<b>Ratio 1: Financial Strength</b>										
All instns.	504	2%	6%	-39%	36%	34	2%	8%	-24%	11%
Research	10	-.02	4	-7	6	N/A				
Doctorates	23	2	8	-19	15	N/A				
Comprehensives	156	2	6	-17	22	7	4	1	3	7
Liberal Arts	315	3	7	-39	36	22	3	5	-12	11
<b>Ratio 2: Financial Independence</b>										
All instns.	504	2	7	-31	46	34	2	9	-26	31
Research	10	.07	5	-11	7	N/A				
Doctorates	23	2	5	-4	17	N/A				
Comprehensives	156	1	7	-29	23	7	.97	2	-2	4
Liberal Arts	315	2	8	-31	46	22	2	12	-26	31
<b>Ratio 3: Tuition Dependence</b>										
All instns.	504	.8	2	-9	32	34	.8	2	-5	9
Research	10	.9	.8	-6	2	N/A				
Doctorates	23	.8	.7	-.9	2	N/A				
Comprehensives	156	.7	1	-4	8	7	.5	.5	-.09	2
Liberal Arts	315	.9	3	-9	32	22	.7	3	-5	9
<b>Ratio 4: Liquidity</b>										
All instns.	504	-1	3	-12	16	34	-1	3	-10	7
Research	10	-.7	.8	-2	5	N/A				
Doctorates	23	-.9	3	-10	2	N/A				
Comprehensives	156	-1	3	-12	7	7	-1	.9	-2	-.2
Liberal Arts	315	-1	3	-11	16	22	-1	4	-10	7

**TABLE 17**  
**ANALYSIS OF VARIANCE**  
**DIFFERENCES IN FINANCIAL CONDITION**  
**PRIOR TO THE ONSET OF PLANNING**  
**PLANNERS VERSUS NON-PLANNERS (df 1/536)**

Variable	Difference Bet. Means	Sum of Square	Mean Square	F-Ratio	Prob.
Ratio 1	0%	.001	.001	.16	.69
Ratio 2	0%	.000	.000	.00	.98
Ratio 3	0%	.000	.000	.03	.85
Ratio 4	0%	.000	.000	.01	.91

Actual means are in Table 16.

Since all institutions experienced negative percent changes in financial condition, it does not appear that the existence of financial problems in and of itself acts as an impetus to engage in institution-wide strategic planning. Rather, it was when the percent changes across time were extremely volatile (when there were large standard deviations) that the pressure for planning seemed to be the greatest.

Unfortunately, more stringent tests failed to support this supposition. For example, a comparison of changes in financial condition between 1980-1984 among intensive and minimal planners shows that both experienced similar amounts of variability and deviation from the mean (see Table 19) and the differences in average changes (using ANOVA) were not statistically significant (see Table 18). For intensive and minimal planning institutions which began planning in 1988 or later, changes in financial condition between 1984-1986 or 1984-1986 were not significantly different either (see Table 18). Finally, analyses of the average differences in changes in financial condition among institutions which started planning at different dates revealed only two statistically significant differences (see Table 20). Among planners who began planning in 1987, there was a statistically significant difference in the average percent change between 1980-1984 in financial independence. Second, there was a statistically significant difference between the changes in tuition dependence (ratio 3) among planners who began their most recent institution-wide planning process in 1990. Otherwise there were no significant differences in the average percent changes between 1980-1984 or between 1984-1986(7).

**TABLE 18**  
**ANALYSIS OF VARIANCE**  
**ARE THERE DIFFERENCES IN FINANCIAL CONDITION**  
**PRIOR TO THE ONSET OF PLANNING?**  
**INTENSIVE AND MINIMAL PLANNERS**

Year Planning Began	Intensive and Minimal Planners Compared				
	Variable	Sum of Squares	Mean Square	F-Ratio	Prob.
1984-1986	Ratio 1a	.002	.002	.24	.63
	Ratio 2a	.000	.000	.17	.69
	Ratio 3a	.000	.000	2.69	.12
	Ratio 4a	.001	.001	1.83	.20
	Ratio 1a	.000	.000	.00	.95
	Ratio 2a	.008	.008	.79	.38
	Ratio 3a	.000	.000	1.80	.26
	Ratio 4a	.001	.001	1.01	.32
1987-1991	Ratio 1b	.003	.003	.26	.61
	Ratio 2b	.000	.000	.07	.80
	Ratio 3b	.000	.000	.00	.98
	Ratio 4b	.001	.001	.57	.45
	<b>Intensive Planners Only</b>				
	Ratio 1a	.000	.000	.02	.89
	Ratio 2a	.000	.000	.08	.78
	Ratio 3a	.000	.000	.12	.73
1987-1991	Ratio 4a	.000	.000	.13	.72
	Ratio 1b	.010	.010	.16	.69
	Ratio 2b	.001	.001	.09	.77
	Ratio 3b	.000	.000	.09	.76
	Ratio 4b	.008	.008	.27	.60
	Ratio 1a	.000	.000	.00	.97
	Ratio 2a	.000	.000	.06	.81
	Ratio 3a	.001	.001	1.11	.29
1984-1986	Ratio 4a	.000	.000	.04	.83
	<b>Minimal Planners Only</b>				
	Ratio 1a	.002	.002	.40	.53
	Ratio 2a	.020	.020	2.91	.09
	Ratio 3a	.000	.000	.45	.50
	Ratio 4a	.002	.002	3.05	.08
	Ratio 1b	.004	.004	.06	.81
	Ratio 2b	.000	.000	.03	.86
1987-1991	Ratio 3b	.000	.000	.01	.92
	Ratio 4b	.002	.002	.07	.80
	Ratio 1a	.001	.001	.36	.55
	Ratio 2a	.000	.000	.01	.90
	Ratio 3a	.000	.000	.03	.86
	Ratio 4a	.003	.003	3.64	.06

"a" ratios: Changes in financial condition between 1980-1984  
 "b" ratios: Changes in financial condition between 1984-1986(7)

**TABLE 19**  
**PERCENT CHANGES IN FINANCIAL CONDITION BETWEEN 1980 AND 1984:**  
**INTENSIVE VERSUS MINIMAL STRATEGIC PLANNING INSTITUTIONS**

	Mean Intensive Strategic Planning Instns.	S.D.	Min.	Max.	Mean Minimal Strategic Planning Instns.	S.D.	Min.	Max.
Ratio 1a:	3.0%	5.0%	-9.0%	12.0	3.0	5.0%	-9.0%	11.0%
Ratio 2a:	2.0	8.0	-24.0	23.0	3.0	10.0	-13.0	46.0
Ratio 3a:	0.7	2.0	-8.0	4.0	0.6	1.0	-3.0	5.0
Ratio 4a:	-0.6	3.0	-6.0	6.0	-0.9	3.0	-8.0	9.0
	<b>Intensives who began 1984-86</b>				<b>Minimals who began 1984-86</b>			
Ratio 1a	2.0	5.0	-4.0	9.0	1.0	4.0	-9.0	5.0
Ratio 2a	1.0	2.0	-2.0	4.0	2.0	6.0	-8.0	12.0
Ratio 3a	-0.2	0.8	-1.0	0.8	0.7	1.0	-2.0	2.0
Ratio 4a	-0.8	3.0	-6.0	3.0	-3.0	3.0	-8.0	-0.9
	<b>Intensives who began 1987-91</b>				<b>Minimals who began 1987-91</b>			
Ratio 1a	2.0	5.0	-9.0	12.0	3.0	5.0	-8.0	14.0
Ratio 2a	2.0	9.0	-24.0	23.0	4.0	11.0	-13.0	46.0
Ratio 3a	0.9	2.0	-3.0	4.0	0.6	2.0	-3.0	5.0
Ratio 4a	-0.9	2.0	-6.0	4.0	-0.3	3.0	-5.0	9.0
Ratio 1b	4.0	13.0	-39.0	30.0	5.0	9.0	-11.0	36.0
Ratio 2b	0.3	6.0	-9.0	22.0	0.5	9.0	-38.0	22.0
Ratio 3b	0.3	2.0	-4.0	5.0	0.1	3.0	-9.0	7.0
Ratio 4b	-0.4	3.0	-11.0	5.0	0.2	4.0	-8.0	15.0
Variables:								
Ratio 1	Financial Strength				"a" ratios: changes between 1980-1984			
Ratio 2	Financial Independence				"b" ratios: changes between 1984-1986(7)			
Ratio 3	Tuition Dependence							
Ratio 4	Liquidity							

**TABLE 20**  
**ANALYSIS OF VARIANCE**  
**ARE THERE DIFFERENCES IN FINANCIAL CONDITION**  
**PRIOR TO THE ONSET OF PLANNING**  
**DUE TO DIFFERING PLANNING START DATES?**

Year Planning Began	Variable	Sum of Squares	Mean Square	F-Ratio	Prob.
1984	Ratio 1a	.00	.00	.09	.77
	Ratio 2a	.00	.00	.01	.91
	Ratio 3a	.00	.00	.02	.89
	Ratio 4a	.00	.00	1.13	.29
1985	Ratio 1a	.00	.00	.46	.50
	Ratio 2a	.00	.00	.83	.36
	Ratio 3a	.00	.00	.02	.89
	Ratio 4a	.00	.00	.52	.47
1986	Ratio 1a	.01	.01	1.46	.23
	Ratio 2a	.00	.00	.32	.57
	Ratio 3a	.00	.00	1.69	.19
	Ratio 4a	.00	.00	.02	.89
1987	Ratio 1a	.01	.01	2.42	.12
	Ratio 2a	.06	.06	10.13	.00*
	Ratio 3a	.00	.00	.00	.96
	Ratio 4a	.00	.00	.00	.95
1988	Ratio 1a	.00	.00	.19	.66
	Ratio 2a	.00	.00	.12	.73
	Ratio 3a	.00	.00	.41	.52
	Ratio 4a	.00	.00	.10	.75
1989	Ratio 1a	.01	.01	3.59	.06
	Ratio 2a	.01	.01	.94	.33
	Ratio 3a	.00	.00	1.46	.23
	Ratio 4a	.00	.00	1.80	.18
1990	Ratio 1a	.01	.01	2.06	.15
	Ratio 2a	.00	.00	.01	.90
	Ratio 3a	.00	.00	3.79	.05*
	Ratio 4a	.00	.00	.01	.92
1991	Ratio 1a	.00	.00	.60	.44
	Ratio 2a	.01	.01	1.04	.31
	Ratio 3a	.00	.00	.11	.74
	Ratio 4a	.00	.00	.01	.93

\*Significant at .05 level or greater

"a" ratios: Changes in financial condition between 1980-1984  
 "b" ratios: Changes in financial condition between 1984-1986(7)

Nearly all of the regressions testing whether prior financial condition predicted intensity of planning (as measured by SPSCORE), demonstrated no statistical significance.<sup>35</sup> Changes in financial condition between 1980-1984 were not significant predictors of institutions' planning scores whether an institution began planning between 1984-1986 or between 1987-1991 (see Table 21). It was suspected that changes in financial condition between 1984-1986 would predict the intensity of strategic planning among institutions which began planning after 1986. This was not demonstrated. In fact, changes in prior financial condition explained less than one percent of the variation in strategic planning scores (see Table 21).

When dividing the institutions according to the year that planning began, essentially the same results were revealed. But there were some interesting anomalies (see Table 22). First, several of the R<sup>2</sup>'s were quite high. For example, among intensive planners who began planning between 1984-1986, changes in liquidity (ratio 4) between 1980-1984 explained 70 percent of the variation in SPSCORE. Change in financial strength (ratio 1) between 1980-1984 explained nearly 50 percent of the variation in SPSCORE and change in financial independence (ratio 2) between 1980-1984 explained approximately 36 percent of the variation in SPSCORE. But only one of the models, change in liquidity (ratio 4), was a significant predictor of SPSCORE ( $t = -3.10$ ). A unit percent decline in liquidity was associated with a four unit decline in SPSCORE. Among institutions which began planning in 1991, a unit percent change in financial independence

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<sup>35</sup>In these regressions, and for every regression performed in this study, leverage tests were performed to identify cases which might have unduly influenced the regression. In only three instances was leverage above 0.5 detected. Re-analysis of the regression with removal of the outlier did not affect the final results. The results reported include those cases with leverage of 0.5 or greater.

between 1980-1984 was associated with a six unit decline in SPSCORE. While the data were not highly consistent, and despite some anomalies, the data are unclear as to what type of financial risks, if any, act as an impetus for engaging in institution-wide strategic planning.

**TABLE 21**  
**DOES FINANCIAL CONDITION**  
**PRIOR TO THE ONSET OF PLANNING**  
**PREDICT AN INSTITUTION'S**  
**STRATEGIC PLANNING SCORE?**

Independent Variable	Beta	s.e.	t-ratio	R <sup>2</sup>
<b>Institutions Which Began Planning Between 1984-1987 (n=142)</b>				
Ratio 1a				
	-2.86	3.80	-.75	0.4%
Ratio 2a	1.95	2.61	.75	0.4%
Ratio 3a	3.82	7.56	.51	0.2%
Ratio 4a	9.87	7.67	1.29	1.2%
<b>Institutions Which Began Planning Between 1988-1991 (n=356)</b>				
Ratio 1b				
	.24	.43	.56	0.1%
Ratio 2b	.61	1.26	.48	0.1%
Ratio 3b	5.50	5.28	1.04	0.3%
Ratio 4b	.44	.68	.65	0.1%
Variables:				
Ratio 1:	Financial Strength			
Ratio 2:	Financial Independence			
Ratio 3:	Tuition Dependence			
Ratio 4:	Liquidity			

a = changes between 1980-1984 b = changes between 1984-1987

**TABLE 22**  
**DOES FINANCIAL CONDITION PRIOR TO THE ONSET OF PLANNING**  
**PREDICT AN INSTITUTION'S STRATEGIC PLANNING SCORE?**

Dependent Variable: Strategic Planning Score								
Instns. which began planning in 1984				Instns. which began planning in 1985				
Variable	Beta	s.e.	t-ratio	R <sup>2</sup>	Beta	s.e.	t-ratio	R <sup>2</sup>
Ratio 1a	8.79	10.31	.85	3.3%	-13.02	9.14	-1.42	8.1%
Ratio 2a	-9.53	10.15	-.94	4.0	13.13	6.94	1.89	13.5
Ratio 3a	-1.00	33.86	-.03	0.0	-14.65	32.99	-.44	0.9
Ratio 4a	22.20	16.90	1.31	7.6	33.85	22.05	1.54	9.3
<b>Instns. which began planning in 1986</b>				<b>Instns. which began planning in 1987</b>				
Ratio 1a	1.31	7.20	.18	0.2	-3.78	8.40	-.45	0.4
Ratio 2a	1.85	5.66	.33	0.5	1.40	4.46	.32	0.2
Ratio 3a	6.19	7.96	.78	2.8	-15.43	26.09	-.59	0.8
Ratio 4a	13.97	13.81	1.01	4.6	-9.93	14.15	-.70	1.1
<b>Instns. which began planning in 1988</b>				<b>Instns. which began planning in 1989</b>				
Ratio 1a	4.74	5.13	.93	1.1	1.85	3.01	.61	0.5
Ratio 2a	-2.23	3.22	-.69	0.6	2.27	4.24	.54	0.4
Ratio 3a	-25.20	22.10	-1.14	1.7	19.08	14.35	1.33	2.2
Ratio 4a	9.28	12.05	.77	0.8	11.34	7.92	1.43	2.5
<b>Instns. which began planning in 1990</b>				<b>Instns. which began planning in 1991</b>				
Ratio 1a	-1.70	3.34	-.51	0.2	2.96	3.66	.81	0.7
Ratio 2a	1.60	2.91	.55	0.3	-6.34	3.10	-2.05*	4.5
Ratio 3a	2.19	6.19	.35	0.1	.73	12.34	.06	0.0
Ratio 4a	2.55	7.12	.36	0.1	-13.89	8.68	-1.60	2.8
<b>Instns. which began planning in 1988</b>				<b>Instns. which began planning in 1989</b>				
Ratio 1b	.06	.51	.12	0.0	1.65	1.91	.87	0.9
Ratio 2b	7.06	3.89	1.82	4.3	-1.96	2.89	-.68	0.6
Ratio 3b	6.15	13.47	.46	0.3	-.79	8.25	-.10	0.0
Ratio 4b	.44	.73	.61	0.5	.94	3.79	.25	0.1
<b>Instns. which began planning in 1990</b>				<b>Instns. which began planning in 1991</b>				
Ratio 1b	1.37	1.29	1.07	1.1	-.55	1.73	-.32	0.1
Ratio 2b	-.04	2.14	-.02	0.0	.88	2.18	.40	0.2
Ratio 3b	6.34	11.08	.57	0.3	15.88	11.99	1.32	1.9
Ratio 4b	-9.93	6.77	-1.47	2.0	5.89	6.47	.91	0.9
<b>Intensive Planners who began 1987-1991</b>				<b>Minimal Planners who began 1987-1991</b>				
Ratio 1a	.10	.92	.10	0.0	3.92	3.88	1.01	2.7
Ratio 2a	-.53	.51	-1.04	2.6	-.11	1.92	-.06	0.0
Ratio 3a	-2.21	2.83	-.78	1.5	.12	12.95	.01	0.0
Ratio 4a	1.96	1.95	1.00	2.5	6.65	7.53	.88	2.1
Ratio 1b	.07	.38	.18	0.1	-2.96	2.16	-1.38	4.9
Ratio 2b	-.23	.76	-.30	0.2	-.16	2.19	-.08	0.0
Ratio 3b	2.27	2.93	.78	1.5	1.78	8.00	.22	0.1
Ratio 4b	-.31	1.63	-.19	0.1	-1.71	5.75	-.30	0.2
<b>Intensive Planners who began 1984-1986</b>				<b>Minimal Planners who began 1984-1986</b>				
Ratio 1a	2.33	1.25	1.86	46.4	.87	5.79	.15	0.3
Ratio 2a	-4.32	2.86	-1.51	36.3	1.07	4.24	.25	0.9
Ratio 3a	-5.27	9.04	-.58	7.8	1.09	22.38	.05	0.0
Ratio 4a	-4.25	1.37	-3.10*	70.6	6.66	9.67	.69	6.3

Variables:

Ratio 1: Financial Strength  
 Ratio 3: Tuition Dependence

Ratio 2: Financial Independence

Ratio 4: Liquidity

a = changes between 1984-1987

b = changes between 1984-1987

**CHAPTER 7**

**RESULTS:**

**PERFORMANCE AND ATTITUDES**

**REGARDING PLANNING**

In this chapter, I examine the characteristics of institution-wide planning processes and the attitudes regarding institution-wide planning at four-year private postsecondary institutions. Characteristics studied were the issues considered and the activities performed during planning, the level of involvement in planning, the continuity of planning, the extent to which the planning goals were achieved, and future planning intentions. Attitudes examined were the extent to which people agreed that planning should be conducted at their institution and why people did not like planning. The chapter concludes with a discussion of what characteristics or attitudes regarding planning, if any, predict the use and intensity of institution-wide strategic planning.

#### *ISSUES CONSIDERED*

Among all planners, 98 percent indicated that academic programs and budget and finances were part of the planning agenda. As noted by a liberal arts institution, "planning processes which are a *spending* plan without regard to available resources are failures." A weakness which needs to be "resolved is the linking of budgets to plans. Budgets must support planning" (reports of one liberal arts college and two comprehensive institutions). Nearly 19 percent of the sample said all issues were considered as a very important component of the planning process (see Table 23). More than 11 percent of the institutions said that faculty recruitment and retention issues were not considered at all. At first glance this is startling. Yet, since faculty issues are more often within the prerogative of the school or department, it is not unusual that such issues would not be part of an institution-wide planning process.

Issues concerning physical facilities and/or capital campaign, student support services, and tuition and financial aid were considered least often (more than four percent of the sample said these issues were not considered at all). These findings are not surprising for several reasons. First, physical facilities generally require a significantly longer planning period than the 4-6 year span of strategic planning. Second, capital campaign goals often are focused within the development or facilities office, rather than as part of an institution-wide planning process. Third, since it is not possible to consider every issue during strategic planning, it makes sense that student support services, which frequently are considered less crucial to the institutional mission, rarely are part of the institution-wide planning process.

Perhaps one reason tuition and financial aid issues were considered less often concerns the importance of tuition. For private institutions, tuition is *the* key source of revenue. Decisions regarding tuition and financial aid form the boundaries for most other institutional decisions. Thus, they must be decided before a planning process begins.

Earlier it was noted that there were no substantial fiscal or institutional differences between institutions which began planning before or after 1984. This also was true in terms of institutions' weighted and unweighted average scores on Question 4. However, it was more likely that institutions which began planning after 1987 included on their planning agenda issues regarding physical facilities and student support services, compared with institutions which began planning before 1988 (see Table 24).

**TABLE 23**  
**IMPORTANCE OF THE ISSUES CONSIDERED**  
**DURING THE PLANNING PROCESS**

**Total Unweighted Score on Question 4**

	All Planners	Intensive	Minimal	Began	Began
				1984-87	1988-91
Mean	10.72	9.17	12.75	10.82	10.74
S.D.	2.27	1.35	3.56	2.05	2.37
		All VI	Intensive VI	Minimal VI	SI* +
Academic programs		83.1%	14.9%	92.2%	5.9%
Enrollment/admissions		91.7	7.8	96.1	3.9
Faculty recruitment/retention		36.4	52.5	66.7	33.3
Budget/finances		84.9	13.0	98.0	2.0
Development/fund-raising		73.3	23.4	94.1	5.9
Tuition/financial Aid		63.2	32.9	88.2	11.8
Student support services		45.5	50.4	76.5	23.5
Physical facilities/campaign		67.4	28.3	78.4	19.6

\*VI = Very Important      SI = Somewhat Important

+ Percents do not add to 100% because not answered or not considered responses omitted.

**TABLE 24**  
**ANALYSIS OF VARIANCE**  
**ARE THERE DIFFERENCES IN ISSUES CONSIDERED**  
**BY INSTITUTIONS WHICH BEGAN**  
**PLANNING BEFORE AND AFTER 1987? (df 1/498)**

Variable	Source	Diff. Bet. Means	Sum of Squares	Mean Square	F-Ratio	Prob.
Q4A	Q2V*	.06	.27	.27	1.61	.21
	Q84**	.02	.02	.02	.10	.74
Q4B	Q2V	-.02	.06	.06	.69	.41
	Q84	-.04	.06	.06	.70	.40
Q4C	Q2V	-.04	.42	.42	1.01	.32
	Q84	-.08	.23	.23	.56	.45
Q4D	Q2V	.03	.19	.19	1.08	.30
	Q84	.04	.07	.07	.37	.54
Q4E	Q2V	.02	.09	.09	.34	.56
	Q84	.01	.01	.01	.03	.87
Q4F	Q2V	-.03	.18	.18	.56	.46
	Q84	-.03	.05	.05	.17	.68
Q4G	Q2V	.11	2.79	2.79	8.65	.00#
	Q84	.01	.01	.01	.03	.86
Q4H	Q2V	-.06	.54	.54	1.71	.19
	Q84	-.19	1.58	1.58	5.03	.03#

**Institutions which began planning**

**Before 1987      After 1987**

	Mean	S.D.	Mean	S.D.
Q4G	1.34	.81	1.55	.57
Q4H	1.09	.70	1.38	.57

# Significant at .05 level or greater

\*Q2V      Institutions which began planning between 1984-1987 or 1988-1991

\*\*Q84      Institutions which began planning before or after 1984

**Variables**

- Q4A Academic programs
- Q4B Enrollment and/or admissions
- Q4C Faculty recruitment and retention
- Q4D Budget and finances
- Q4E Development and fund-raising
- Q4F Tuition and financial aid
- Q4G Student support services
- Q4H Physical facilities and/or capital campaign

### **EXERCISES PERFORMED**

On Question 5 of the survey, institutions were asked which exercises were part of their institution-wide planning process. The mean score for all planners was 1.6 (the maximum possible score was 2.0). There were no differences across Carnegie classes, or between intensive and minimal planners. For most institutions, most exercises were performed and 24 percent of the planners said that all exercises were performed (see Table 25). About 95 percent of the institutions indicated that both internal and external factors affecting the institution were examined and that goals were established. Slightly fewer institutions reported that the institution's mission or vision statement was created or revised (79.3%) and that objectives were established (84.7%). It was not anticipated that so many institutions would have established objectives since past reviews of completed strategic plans by the researcher indicated that formulating objectives was not common. This leads one to wonder how specific the objectives were. It also is possible that respondents confused the definition of goals and objectives.<sup>36</sup> Even though the survey defined the terms, the literature uses the terms "goals" and "objectives" interchangeably. This ambiguity may have caused an inflated score.

It was not surprising that fewer institutions (only 31%) said that contingency plans were formulated.<sup>37</sup> This activity, while touted in the strategic planning literature as a part of the ideal planning process, is acknowledged to be

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<sup>36</sup>In the survey, I defined goals as general descriptions of the steps which will be taken to achieve the institution's mission or vision. In contrast, objectives were defined as checkpoints used to measure progress towards achievement of the goals.

<sup>37</sup>Contingency plans were defined in the survey as a description of how plans might be modified to deal with unexpected events.

time-consuming, difficult, and, perhaps, worthless, due to the rapid pace of change facing postsecondary institutions and the number of factors outside their control.

As with Question 4, there was not a significant difference in the average total scores on this question when institutions which began planning before or after 1987 were compared. However, indicative of the recent emphasis on an examination of the external environment, institutions which began planning after 1987 were more likely to have analyzed the internal and external factors affecting the institution (see Table 26).

TABLE 25					
EXERCISES PERFORMED					
DURING THE PLANNING PROCESS					
<b>Total Unweighted Score on Question 5</b>					
	All	Intensive	Minimal	Began 1984-87	Began 1988-91
Mean	7.71	8.19	7.08	7.80	7.70
S.D.	1.75	1.14	1.99	1.63	1.77
Percent of Institutions which Said Exercise was Performed					
	All	Intensive	Minimal		
a) Internal and external factors affecting the institution were examined		94.8%	94.1%	92.3%	
b) The institution's mission or vision statement was created or revised	79.5	88.2	80.8		
c) Goals were established	95.3	100	84.6		
d) Objectives were established	84.7	96.1	75.0		
e) Contingency plans were formulated	31.2	31.4	21.2		

**TABLE 26**  
**ANALYSIS OF VARIANCE**  
**ARE THERE DIFFERENCES IN THE**  
**EXERCISES PERFORMED DURING PLANNING**  
**BY INSTITUTIONS WHICH BEGAN PLANNING**  
**BEFORE AND AFTER 1987? (df 1/498)**

Variable	Source	Diff. between Means	Sum of Square	Mean Square	F-Ratio	Prob.
Q5A+	Q84*	.02	.02	.02	.09	.76
	Q2V**	.06	1.33	1.33	6.79	.01#
Q5B	Q84	-.07	.21	.21	.33	.57
	Q2V	.00	.16	.16	.25	.62
Q5C	Q84	-.09	.35	.35	2.08	.15
	Q2V	-.02	.06	.06	.36	.55
Q5D	Q84	.00	.00	.00	.00	.98
	Q2V	.02	.32	.32	.63	.43
Q5E	Q84	.06	.17	.17	.19	.66
	Q2V	.05	.36	.36	.42	.52

**Examination of Internal and External Factors (Q5A)**  
**Institutions which began Planning**

Before 1987		After 1987	
Mean	S.D.	Mean	S.D.
1.6	.80	1.9	.48

# Significant at .05 level or greater

+Variables: Please see previous Table for description

\*Q84 Institutions which began planning before or after 1984

\*\*Q2V Institutions which began planning between 1984-1987 or 1988-1991

The positive correlation, while low, between Questions 4 and 5 ( $r=.24$ ) suggests that consideration of more issues leads to a more complex process, i.e., a process in which more exercises are performed (see Table 27). The same pattern exists when examining intensive and minimal planners and within the individual Carnegie classes.

**TABLE 27**  
**CORRELATIONS**  
**ISSUES CONSIDERED AND**  
**ACTIVITIES PERFORMED**

Group	Correlation between Questions 4 and 5
All Planners	.24
Research Planners	.36
Doctorates' Planners	.38
Comprehensives' Planners	.15
Liberal Arts Planners	.27
Intensive and Minimal Planners	.33

### ***REASONS WHY PEOPLE DO NOT LIKE INSTITUTION-WIDE STRATEGIC PLANNING***

Respondents were asked to select from a list all the reasons why people did not agree that institution-wide planning should be conducted at their institution (see Table 28). More than 300 of the 500 respondents said it was because "planning doesn't tell us anything we don't already know."<sup>38</sup> Yet when the respondents were asked to choose which reason they thought was the *most common* reason that people did not agree that institution-wide planning should be conducted at their institution, no one reason garnered a clear majority. Slightly more than one-third of the respondents indicated that people thought "planning was too time-consuming." Eighteen percent of the respondents said that the most common reason was that "planning doesn't tell us anything we don't already know" and 17 percent reported that "planning was tried before and it didn't work." None of the other seven reasons garnered more than five percent of the responses.<sup>39</sup>

More than ten percent of the respondents added written comments regarding why people at their institutions disliked planning. Two liberal arts institutions noted that planning is disliked because it does not make any difference. Four liberal arts and two comprehensive institutions indicated that "the plan is not carried out" or "it will sit on the shelf." Another comprehensive institution voiced the view that "planning is a black-hole -- much activity but minimal results." And typical of several respondents, three liberal arts institutions said that "the plan is

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<sup>38</sup>The reason cited second most often was that "planning is too time-consuming." The same pattern was generally true within individual Carnegie classes except that among doctorate-granting institutions, the reason cited most often was that "planning is too expensive."

<sup>39</sup>On this question, it was possible that the negative attitudes regarding planning would be inflated due to missing values. This does not appear to be the case since there were only ten (out of 517) missing values.

too general and not followed-through on, it is merely wishes." "It is time-consuming and overdone," and "doesn't get me what I want."

TABLE 28 REASONS WHY PEOPLE DISLIKE PLANNING	
Reason	%
Planning	
Is too expensive	2%
Is too time-consuming	5
Doesn't tell us anything we don't already know	88
Was tried before and it didn't work	<1
Is futile because the future is too unpredictable	1
Is a business activity not appropriate for colleges and universities	<1
Interferes with the right of professors to decide what they will teach and/or research	<1
Is not consistent with existing academic decision-making processes at the institution	<1
Imposes too much rigidity and limits flexibility	0
Wasn't needed in order for our institution to achieve success	0
Total citations: 505	

#### ***LEVEL OF INVOLVEMENT IN THE INSTITUTION-WIDE STRATEGIC PLANNING PROCESS***

Question 7 on the survey asked how involved were members of certain constituent groups in the institution-wide planning process. In general, level of involvement in institution-wide planning was somewhat high (a mean of 59.5, maximum possible score was 70, see Table 29). As expected, institutions reported that governing boards were reported to be the least involved (only 50 percent of the institutions indicated that governing boards were either very or quite involved). Looking at the highest level of involvement, it was found that while more than presidents, CAOs, and CFOs at 90 percent of the institutions were very involved, less than 75 percent of the institutions reported that faculty and non-senior level administrators (academic and non-academic) were very involved in planning.

These results confirm what a liberal arts institution said: "We have not yet crossed [the] crucial step of appropriate faculty participation. Faculty participation is uneven" (also noted by a comprehensive institution). Despite planning's popularity,

TABLE 29 EXTENT TO WHICH CONSTITUENT GROUPS INVOLVED IN INSTITUTION-WIDE PLANNING					
	Total Unweighted Score on Question 7		Began 1984-87	Began 1988-91	
	All	Intensive Minimal			
Mean	25.62	28.75	21.15	25.51	25.66
S.D.	2.98	.93	3.33	3.02	2.96

BREAKDOWN BY CONSTITUENT GROUP (ALL PLANNERS)			
	V/QI %	S/SI %	NI*
Governing Board	50.6%	44.4%	3.3%
President	92.2	7.2	0.6
Chief Academic Officer	95.6	3.3	0.4
Other Academic Admins	75.9	14.9	2.3
Chief Financial Officer	89.7	9.5	0.6
Non-Academic Adminis.	83.2	13.0	1.2
Faculty	77.9	20.6	0.8

\*V/QI: Very + Quite Involved  
S/SI: Somewhat + Slightly Involved  
NI: Not Involved

garnering faculty involvement in strategic planning is challenging and not highly successful (Meredith, 1985; Schmidlein, 1990; Schmidlein & Milton, 1990).

An examination of institutions which began planning before and after 1987 provides evidence that certain constituent groups have increased their average level of involvement in strategic planning processes (see Table 30). Specifically, CAOs tend to be more involved in planning at institutions which began planning after 1987. The involvement of budget administrators is common but the increased involvement of the top academic administrators can be viewed as a sign that institutions recognize the importance of integrating academic and financial planning in a strategic planning process.

**TABLE 30**  
**ANALYSIS OF VARIANCE**  
**ARE THERE DIFFERENCES IN LEVELS OF INVOLVEMENT**  
**BY INSTITUTIONS WHICH BEGAN PLANNING**  
**AT DIFFERENT TIMES? (df 1/498)**

Variable	Source	Diff. Bet. Means	Sum of Square	Mean Square	F-Ratio	Prob.	
Gov Board	Q84*	.25	2.71	2.71	2.12	.15	
	Q2V**	.08	.01	.01	.01	.94	
President	Q84	-.07	.23	.23	.46	.49	
	Q2V	-.05	.98	.98	1.98	.16	
CAOs	Q84	-.13	.80	.80	2.44	.12	
	Q2V	-.17	1.75	1.75	5.36	.02#	
Acad. Admins. +	Q84	-.06	.14	.14	.10	.75	
	Q2V	.02	.44	.44	.32	.57	
CFOs	Q84	.09	.38	.38	.64	.42	
	Q2V	-.03	.62	.62	1.04	.31	
N-A Adms. ++	Q84	-.09	.32	.32	.31	.58	
	Q2V	-.03	.80	.80	.76	.38	
Faculty	Q84	.07	.23	.23	.26	.61	
	Q2V	.00	.08	.08	.09	.77	
<b>Institutions which began Planning</b>							
<b>Before 1987</b>		<b>After 1987</b>					
Mean		Mean					
CAOs		3.80		4.60		.80	

# Significant at .05 level or greater

+ Acad. Admins. Other academic administrators other than those listed

++ N-A Adms. Non-Academic Administrators other than those listed

\*Q84 Institutions which began planning before or after 1984

\*\*Q2V Institutions which began planning between 1984-1987 or 1988-1991

#### **LEVEL OF AGREEMENT THAT INSTITUTION-WIDE STRATEGIC PLANNING SHOULD BE CONDUCTED**

Differences between faculty and senior administrators were not limited to how involved they were in the process. There also were differences in levels of agreement that institution-wide strategic planning should be conducted at their institution (see Table 31). More than 80 percent of the institutions reported that most governing boards, presidents, CAOs, and CFOs were reported to agree strongly that institution-wide planning should be conducted at their institution. But only 40 percent of the institutions said faculty agreed strongly; this is the lowest percentage of any constituent group.<sup>40</sup> Many of the survey comments underscored

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<sup>40</sup>The next closest is 53.6% for non-academic administrators and 56.3% for other academic administrators.

the difficulty of obtaining faculty (and others') support for planning. Planning is "a threat to decision-making authority" and is "not consistent with the institution's decision-making processes" (one liberal arts and one comprehensive institution). "We don't like planning because we don't want to change" (liberal arts institution).

Planning is an administrative matter...since they [the faculty] are not paid for it, it is not worthwhile for them to be involved.

[Furthermore,] there is, or can be, discordance between the goals of a plan, the resources of the institution, and the sense of ownership {responsibility or acceptance} by all constituents of a college. Boards nod and then leave campus and can forget the plan. Sometimes, individual staff members have a stronger commitment to their profession than to the college and ignore the plan unless it contributes to their own goals (the president of a liberal arts college).

According to the survey respondents, some faculty prefer to focus on planning for their individual unit; their primary concerns are departmental or school-based (one comprehensive, two liberal arts, and two research institutions). And planning is "frightening....[It is] recognized that good planning means hard decisions that may affect funding, personnel, and future security of one's own area (comprehensive institution). It "will result in the need to take calculated risks" and faculty are not willing "to make hard decisions" (two liberal arts institutions).

**TABLE 31**  
**AVERAGE LEVEL OF AGREEMENT THAT  
 PLANNING SHOULD BE CONDUCTED**

All	Total Unweighted Score on Question 8			
	Intensive Minimal		Began 1984-1987	Began 1988-1991
	S.D.	Mean	S.D.	S.D.
Mean	33.02	33.94	32.69	32.83
S.D.	4.93	5.81	3.50	5.06
				33.20
				4.55

BREAKDOWN BY CONSTITUENT GROUP (AVERAGE SCORES, ALL PLANNERS)				
	S/SWA	SA	SD	S/SWD*
Governing Board	93.6	2.1	0.2	2.2
President	94.7	1.4	1.0	2.2
Chief Academic Officer	94.4	1.7	0.2	2.1
Other Academic Administrators	83.7	6.6	0.2	2.1
Chief Financial Officer	92.4	3.5	0.2	2.5
Non-Academic Administrators	85.3	8.1	0.4	1.8
Faculty	75.4	17.1	2.5	2.7

*S/SWA:	Strongly Agree + Somewhat Agree
SA:	Slightly Agree
SD:	Slightly Disagree
S/SWD:	Strongly Disagree + Somewhat Disagree

There is evidence that low levels of faculty participation impede the success of centrally-coordinated, institution-wide planning processes. For example, in a study by Prinvalle (1988), it was concluded that the absence of faculty ownership of the planning process and the failure to allow extensive participation by those who would be directly affected contributed to the fact that it took nearly eight years before any change occurred. Similar sentiments were echoed in this research:

The initial energy for a campus-based strategic plan came from the administration but it involved all-campus meetings, discussion, and department meetings, interviews, write-in opportunities and *every phase* was voted on at three all-campus meetings. This did *not* lead to broad-based ownership of the goals and strategies....The ownership issue remains troubling (president of a liberal arts institution).

This issue will be explored more fully in Chapter 8.

Comparing agreement and involvement, it is not surprising that the degree to which constituent groups within the institution agreed that institution-wide planning should be conducted by their institution was consistently higher than how involved in planning were the same constituent groups. For example, there was only a .26 correlation between agreement and involvement (see Table 35). Certainly many people support the concept of planning (as evidenced by the volume of literature describing the benefits of the use of strategic planning in higher education). However, since planning is time-consuming and expensive (as confirmed in Question 9 above), and something which faculty often do not support actively (as shown in the results for Question 8), one would expect that people will tend to be less involved in planning, regardless of their strength of support for the idea.

People talk but do not act.

#### ***SUCCESS OF THE INSTITUTION-WIDE STRATEGIC PLANNING PROCESS***

How successful did respondents perceive the institution-wide planning process? The average level of the extent to which goals had been achieved was low (the mean score was 3.5 ("about as much as expected") of a maximum 12 ("much more than expected," see Table 32). The scores were similar for InSPs and MinSPs. InSPs did report slightly greater levels of success (InSPs' mean score was 3.9 versus 3.6 for MinSPs), with comprehensive InSPs reporting a high score of 5.5. Among MinSPs, scores ranged from a high 4.8 (doctorates) to 4.0 (comprehensives).

As discussed in Chapter 4, the score for this variable did not include those goals for which it was too early to determine success. But it does not appear that the success score is artificially deflated due to there being a large number of goals on

which it was too early to determine success: more than 60 percent of the sample reported some level of success for all nine goals.

The relatively low success scores, even among intensive strategic planning institutions, suggest that strategic planning may not be as successful as its advocates claim. One reason may be that change in colleges and universities is slow to occur: "improving the institution's ability to make changes" was the goal cited most often as being too early to tell if it had been achieved (14.2%). However, it is possible that another reason for the low success rates is due to the fact that the time span measured on the survey (as little as one year and not more than three years) is an insufficient period during which change might be expected to occur. This issue will be discussed more fully in Chapter 8.

**TABLE 32**  
**EXTENT TO WHICH PLANNING GOALS WERE ACHIEVED**

	Mean	S.D.
All Planners	3.75	2.17
Research	2.46	2.15
Doctorates	3.22	2.53
Comprehensives	3.72	2.25
Liberal Arts	3.84	2.08
Intensive Planners	3.86	2.44
Minimal Planners	3.64	2.31

NUMBER OF GOALS FOR WHICH IT WAS TOO EARLY TO EVALUATE SUCCESS		
	Mean	S.D.
All Planners	2.29	3.41
Research	3.50	3.84
Doctorates	3.42	3.80
Comprehensives	2.47	3.53
Liberal Arts	2.08	3.29
Intensive Planners	2.80	3.80
Minimal Planners	2.88	3.62

Number Goals	Percent Responding		
	All Planners	Intensive	Minimal
0	58.80%	54.90%	44.20%
1	5.64	5.88	11.50
2	5.84	3.92	9.62
3	3.11	3.92	1.92
4	2.92	1.96	3.85
5	2.72	1.96	1.92
6	1.56	0.00	1.92
7	2.72	3.92	3.85
8	1.75	1.96	1.92
9	15.00	21.60	19.20

### **CONTINUITY OF INSTITUTION-WIDE STRATEGIC PLANNING**

Respondents were asked if the planning process was intended to be a continuous, ongoing process or whether it was scheduled to end (or had ended) at a specific time (see Table 33). Nearly half of all planners indicated the process was ongoing. There were some differences between intensive and minimal planners; slightly more intensive planners said that planning was continuous.

TABLE 33 CONTINUITY OF PLANNING (N=516)	
	Percent Stating <u>Planning Continuous</u>
All Planners	49.9%
Research	40.0
Doctorates	37.5
Comprehensives	55.2
Liberal Arts	48.4
Intensive Planners	51.0
Minimal Planners	40.4

### **PLANNING INTENTIONS**

Questions 11 and 12 on the survey asked respondents if institution-wide planning was going to continue at their institution and whether they would characterize their institution's centrally-coordinated, institution-wide planning process as a *strategic planning* process. Slightly less than five percent said they did not know if planning would continue (see Table 34). Less than one percent said planning would not continue. The remaining 95 percent said institution-wide planning would continue. The same pattern was true among intensive planners (98% said institution-wide planning would continue). "Only" 86 percent of the minimal planners thought that institution-wide planning would continue at their institutions. Institution-wide, centrally-coordinated planning may not earn overwhelming support but it does

appear to be firmly entrenched as a management technique utilized in higher education.

Although only one institution had a perfect strategic planning score, 90 percent of the planning institutions indicated that they would characterize their planning as strategic planning. Slightly fewer of the institutions characterized as intensive strategic planners (95%) responded affirmatively to this question, perhaps an indication of more sophistication and understanding regarding planning. Nearly three-fourths of the minimal planners so responded. The discrepancy between this study's assessment of strategic planning activities and respondents' perceptions highlights the ambiguity surrounding how strategic planning is defined.

**TABLE 34**  
**PLANNING INTENTIONS AND CHARACTERISTICS**

**Question 11: Will your institution continue to perform institution-wide planning?**

	Percent Responding*		
	Yes	No	Don't Know
All Planners	94.9	<1%	4.5%
Research	100.0	0	0.0
Doctorates	100.0	0	0.0
Comprehensives	94.5	0	4.9
Liberal Arts	94.6	<1	4.7
Intensive Planners	98.0	0	1.9
Minimal Planners	86.5	0	11.5

**Question 12: Would it be accurate to characterize your institution-wide planning process as a strategic planning process?**

	Percent Responding*	
	Yes	No
All Planners	89.9%	7.9%
Research	90.0	10.0
Doctorates	91.7	8.3
Comprehensives	87.1	11.0
Liberal Arts	91.2	6.6
Intensive Planners	94.1	0.0
Minimal Planners	71.2	26.9

\* Percents don't add up to 100% due to missing values

***RELATIONSHIPS BETWEEN ATTITUDES AND BEHAVIORS  
REGARDING STRATEGIC PLANNING AND THE INSTITUTION'S STRATEGIC PLANNING SCORE***

These results reveal that most institution-wide strategic planning processes embodied a broad range of issues and most of the activities considered to be crucial to strategic planning. Level of involvement was relatively low while level of agreement that institution-wide planning should be conducted at the institution was higher. Most processes were continuous and there was relatively low level of reported success in achieving the planning process' goals. Surprising, however, were the relatively low correlations between an institution's strategic planning score (SPSCORE) and some of the characteristics of the planning process (see Table 35). For example, higher levels of planning were associated with higher levels of agreement. But the correlation is only .22. Also, it is somewhat puzzling that there was essentially no correlation between the extent to which planning goals were achieved and the intensity of planning ( $r=.04$ ). This may be due to the fact that overall success scores were low since a relatively short time span was measured (this will be considered more fully in Chapter 8). Perhaps it is an indication that the major benefits associated with institution-wide strategic planning are not changes in enrollment, academics, or finances. Rather, comments made by respondents hint that the more important benefits of planning may relate to collegiality, enhanced sense of ownership regarding the institution's mission or goals, or reduction of conflict regarding goals. Or perhaps it is evidence that strategic planning is not an effective technique for creating change in institutions of higher education. These issues will be discussed in Chapter 8.

Another surprisingly low correlation was between the continuity of planning and an institution's success in achieving the planning goals. The literature emphasizes

that continuous, ongoing planning is preferred to ad hoc or crisis-oriented planning (Cope, 1978, 1981, 1987; Cyert, 1983; Hax & Majluf, 1984; Keller, 1983; Steiner, 1979). While the correlation is positive, as expected, it is so low ( $r=.05$ ) as to not be very meaningful. Nor is there is a correlation between continuity of planning and agreement that planning is a good idea ( $r=.01$ ) or level of involvement in planning ( $r=.004$ ). It is not clear that failure to take the advice of the strategic planning advocates to engage in continuous, not short-term, planning makes much difference in terms of planning outcomes.

	Q7	Q8	SPSC	Q10	Q10E	Q11	Q12	Q3
Q8	.26	1.00						
SPSC	.79	.22	1.00					
Q10	.05	.01	.05	1.00				
Q10E	-.03	-.03	.01	-.33	1.00			
Q11	.14	.15	.16	-.01	.02	1.00		
Q12	.24	.12	.27	-.02	-.01	.27	1.00	
Q3	.00	.01	.03	.05	-.06	.13	.08	1.00

Variables:

Q7	Level of involvement in planning
Q10	Extent to which planning goals achieved
Q10E	Number of goals for which success too early to determine
Q11	Will your institution continue to perform institution-wide planning?
Q12	Is your process a strategic planning process?
Q8	Level of agreement that planning a good idea
Q3	Continuity of planning
SPSC	Institution's strategic planning score

## WHAT PREDICTS THE USE OF STRATEGIC PLANNING?

As noted earlier (see Tables 21, 22), an institution's financial condition prior to the onset of planning seldom was a predictor of an institution's strategic planning score. Were any of the planning descriptors, such as agreement or continuity, or institutional characteristics, such as established date, predictors of an institution's strategic planning score? Utilizing linear regression, a variety of models were tested. One predictor of SPSCORE among those who began planning between 1987-1991 was the extent to which constituent groups agreed that planning was a good idea (Question 8, Equation 4, see Table 36). A one unit change in total agreement level was associated with about a half unit increase in SPSCORE (Q8,  $t=2.62$ ). Among those institutions which began planning between 1984-1986, a unit change in the president's level of agreement was associated with nearly a unit increase in the institution's strategic planning score (Q8PRES,  $t=2.06$ ). This was not true among those who began planning more recently, perhaps an indication that institution-wide strategic planning has become a more accepted management technique and, thus, the support of the chief executive officer is less critical.<sup>41</sup>

It was expected that Carnegie classification would be a predictor of SPSCORE since much of the literature on the use of strategic planning in higher education focuses on the smaller liberal arts college. Even though institutions classified as research universities were, in one instance, a significant predictor of SPSCORE ( $t=2.00$ , see Equation 5, Table 36), Carnegie classification was not a significant predictor in any other instance. For example, when SPSCORE was regressed on CCLASS, only three percent of the variation in SPSCORE was explained among

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<sup>41</sup> It is noted, however, that the t-ratio approaches significance among those who began planning between 1987-1991 ( $t=1.58$ ). Thus, this does not mean that presidential support is not important.

institutions which began planning between 1984-1986 and the predictive ability was not significant (see Equation 9, Table 36). Less than one percent of the variation in SPSCORE of institutions which began planning after 1986 was explained (see Equation 10, Table 36).

**TABLE 36**  
**WHAT PREDICTS AN INSTITUTION'S STRATEGIC PLANNING SCORE?**  
**PLANNERS AND NON-PLANNERS (N=516)**

Dependent Variable: Strategic Planning Score.								
Independent Variable	Instns. began planning 84-86			Instns. began planning 87-91				
	Beta	s.e.	t-ratio	R <sup>2</sup>				
<u>Equation 1</u>				<u>Equation 2</u>				
R1b	-1.42	1.03	-1.38	3.1%	.18	.76	.23	4.5%
R2b	-.73	4.55	-.16		-.33	1.30	-.25	
R3b	-12.89	14.65	-.88		8.33	5.61	1.49	
R4b	-1.11	7.43	-.15		-.07	1.23	-.06	
R1a	-3.83	5.57	-.69		.98	1.82	.54	
R2a	.74	4.84	.15		-1.49	1.64	-.91	
R3a	-9.42	17.14	-.55		5.12	5.59	.92	
R4a	13.87	11.02	1.26		-1.27	4.38	-.29	
Q8GB	-.05	.39	-.14		-.05	.17	-.31	
Q8PRES	.94	.46	2.06*		.39	.24	1.58	
Q8CA0	-.59	.55	-1.06		-.27	.21	-1.30	
Q8OTHACAD	-.19	.38	-.49		.09	.17	.56	
Q8CFO	-.51	.51	-.99		-.18	.21	-.84	
Q8NONAC	-.14	.31	-.46		.31	.16	1.96	
Q8FAC	.55	.39	1.43		.07	.14	.53	
CCLASS	.06	.05	1.39		-.02	.02	-1.27	
<u>Equation 3</u>				<u>Equation 4</u>				
Q8	-.01	.04	-.24	8.2%	.07	.02	2.62*	
resudummy**	-.26	1.30	-1.97		.93	.88	1.06	
docdummy	.89	1.30	.59		.31	.53	.58	
compdummy	-.78	.59	-1.31		.25	.25	1.00	
<u>Equation 5</u>				<u>Equation 6</u>				
Q3	.19	.29	.64	8.7%	.13	.14	.96	0.7%
resudummy	-2.59	1.29	-2.00*		.98	.88	1.11	
docdummy	.82	1.29	.63		.35	.54	.66	
compdummy	-.82	.59	-1.39		.21	.25	.85	
<u>Equation 7</u>				<u>Equation 8</u>				
CCLASS	.06	.04	1.37	10.1%	-.02	.02	-1.23	1.2%
R1a	-4.02	5.03	-.80		1.19	1.83	.65	
R2a	1.56	4.18	.37		-1.58	1.64	-.97	
R3a	2.03	7.95	.26		4.08	5.33	.77	
R4a	19.48	10.14	1.92		-.24	4.38	-.05	
R1b					.19	.76	.26	
R2b					-.17	1.31	-.13	
R3b					7.60	5.64	1.35	
R4b					-.07	1.23	-.06	
<u>Equation 9</u>				<u>Equation 10</u>				
CCLASS	.06	.04	1.49	3.1%	-.02	.02	-1.24	0.4%

\* Significant at .05 level or greater.

\*\*The missing class is liberal arts institutions.

Variables:

R1	Financial strength	"a"	Changes between 1980-1984
R2	Financial independence	"b"	Changes between 1984-1986(7)
R3	Tuition dependence	Q3	Continuity of planning
R4	Liquidity	CCLASS	Carnegie Classification
Q8	Level of agreement that planning a good idea	Estdate	Date institution established

Since changes in enrollment may be indicative of potential financial problems, due to institutions' dependence on tuition, SPSCORE was regressed on changes in enrollment between 1980-1984, 1980-1987, 1984-1986, and 1984-1987 to determine if there was any predictive ability (see Table 37). Among planners and non-planners combined, change in freshmen enrollment between 1984-1987 was a significant predictor of SPSCORE. A unit percent change in enrollment between 1984-1987 was associated with a four unit change in an institution's SPSCORE (F8487D,  $t=2.65$ ). This remained true even when CCLASS was controlled. CCLASS also was significant, although it was associated with a relatively minor (less than 0.5 unit change) in SPSCORE (CCLASS,  $t=5.62$ ). Among individual Carnegie classifications, however, F8487D was significant only for liberal arts institutions; a percent change in freshmen enrollment between 1984-1987 was associated with a five unit change in SPSCORE. Enrollment changes did explain approximately 40 percent of the variation in the intensity of strategic planning among research and doctoral institutions and about 16 percent of the variation among comprehensive institutions.

**TABLE 37**  
**WHAT PREDICTS AN INSTITUTION'S STRATEGIC PLANNING SCORE?**

Dependent Variable: Strategic Planning Score.

Independent

Variable	Beta	s.e.	t-ratio	R <sup>2</sup>	Beta	s.e.	t-ratio	R <sup>2</sup>
<b>Equation 1: Planners and Non-Planners (N=516)</b>		<b>Step 2 (CCLASS variable added)</b>						
AS8084D	17.07	8.72	1.96	7.0%	16.98	8.71	1.95	7.5%
AS8486D	-3.83	8.67	-.44		-3.23	8.67	-.37	
AS8487D	6.23	9.73	.64		5.83	9.72	.60	
AS8087D	-13.41	7.87	-1.70		-13.27	7.86	-1.69	
UG8084D	-3.49	9.61	-.36		-4.54	9.62	-.47	
UG8486D	3.72	8.19	.45		3.63	8.18	.44	
UG8487D	4.96	11.20	.44		3.48	11.23	.31	
UG8087D	4.72	8.75	.54		5.79	8.77	.66	
F8084D	.31	.57	.55		.36	.57	.63	
F8486D	-2.97	1.53	-1.95		-3.09	1.53	-2.02*	
F8487D	4.45	1.68	2.65*		4.53	1.68	2.70*	
F8087D	-1.05	.77	-1.37		-.99	.77	-1.29	
G8084D	.11	.11	.95		.09	.11	.88	
G8486D	-.02	.34	-.07		-.04	.34	-.12	
G8487D	-.11	.45	-.24		-.12	.45	-.27	
G8087D	-.18	.11	-1.63		-.19	.11	-1.65	
CCLASS					.08	1.43	5.62*	
<b>Equation 2: Research P/NP</b>		<b>Equation 3: Doctoral P/NP</b>						
AS8084D	19.63	903.10	.02	43.5%	-359.20	537.50	-.67	38.0%
AS8486D	241.23	443.90	.54		-76.12	72.43	-1.05	
AS8487D	-49.23	996.00	-.05		-363.59	561.80	-.65	
AS8087D	-37.18	852.10	-.04		404.54	544.10	.74	
UG8084D	295.69	677.90	.44		91.80	323.90	.28	
UG8486D	104.39	200.10	.52		35.29	28.68	1.23	
UG8487D	223.74	731.10	.31		65.20	343.30	.19	
UG8087D	-344.52	666.00	-.52		-97.42	328.90	-.30	
F8084D	-124.14	101.80	-1.22		-4.73	18.27	-.26	
F8486D	19.17	26.30	.73		-31.36	17.04	-1.84	
F8487D	-134.80	104.00	-1.30		25.24	19.70	1.28	
F8087D	140.23	112.00	1.25		1.56	10.55	.15	
G8084D	75.95	191.30	.40		-69.86	104.70	-.67	
G8486D	-83.54	184.70	-.45		8.55	25.03	.34	
G8487D	94.43	205.40	.46		-58.75	88.92	-.66	
G8087D	-77.41	186.40	-.42		56.95	89.81	.63	
<b>Equation 4: Comprehensive P/NP</b>		<b>Equation 5: Liberal Arts P/NP</b>						
AS8084D	10.70	20.62	.52	16.0%	14.41	15.34	.94	13.1%
AS8486D	-13.18	32.73	-.40		-6.43	14.57	-.44	
AS8487D	-23.76	23.17	-1.03		10.37	16.72	.62	
AS8087D	-10.99	19.60	-.56		-18.38	14.37	-1.28	
UG8084D	12.81	24.13	.53		-1.64	14.32	-.01	
UG8486D	17.26	29.72	.58		8.78	14.05	.63	
UG8487D	49.57	26.25	1.89		-5.59	17.67	-.32	
UG8087D	08.08	21.69	-.37		12.09	14.20	.85	
F8084D	.64	1.09	.59		.09	.81	.12	
F8486D	-3.33	3.32	-1.00		-2.73	2.01	-1.36	
F8487D	.30	3.24	.09		5.69	2.31	2.46*	
F8087D	.55	1.40	.39		-.54	1.74	-.31	
G8084D	.58	.80	.73		.11	.11	1.01	
G8486D	4.38	2.85	1.54		.11	.39	.29	
G8487D	.73	.93	.78		-.41	.54	-.75	
G8087D	-.98	1.07	-.91		-.16	.12	-1.34	

\* Significant at .05 level or greater.

Variables:

Changes in enrollment between 1980-84, 1984-86, 1984-87, 1980-87

AS = All students      UG = All undergraduates

F = All freshmen      G = All graduates

Source of enrollment data: NSF CASPAR

Regressions also were performed to test whether the raw ratios for 1980 and 1984 or the raw data which were used to compute the ratios were significant predictors of an institution's strategic planning score. While some raw ratios (ratio 2 and ratio 4) were statistically significant, no more than five percent of the variation in SPSCORE was explained (see Table 38).

**TABLE 38**  
**WHAT PREDICTS AN INSTITUTION'S STRATEGIC PLANNING SCORE?**

Dependent Variable: Strategic Planning Score				Equation 2					
Independent Equation 1				Equation 2					
Variable	Beta	s.e.	t-ratio	R <sup>2</sup>	Variable	Beta	s.e.	t-ratio	R <sup>2</sup>
CCLASS	.00	.03	.11	3.4%	CCLASS	-.02	.03	-.67	5.2%
ENROLL	.00	.00	.16		ENROLL	.00	.00	.73	
ESTDATE	.00	.00	-.41		ESTDAT	-.00	.00	-.05	
REVEND80	.00		1.65		Q1	.41	1.05	.39	
REVEND86	.00		-.41		R180	.00	.00	.97	
REVEND87	.00		.10		R184	-.00	.00	-1.31	
ENDMV80	.00		-1.34		R186	-.00	.00	-1.26	
ENDMV84	.00		.67		R280	4.77	2.42	1.97	
ENDMV86	.00		-.20		R284	-6.31	3.01	-2.10*	
DEBT80	.00		.29		R287	3.83	3.35	1.14	
DEBT84	.00		-.05		R380	-.82	1.38	-.59	
DEBT86	.00		.39		R384	-2.68	1.74	-1.54	
TREV80	.00		.39		R387	1.79	1.47	1.22	
TREV84	.00		.17		R480	-.30	.15	-2.05*	
TREV87	.00		-1.47		R484	.63	.28	2.22*	
TEXP80	.00		.55		R486	-.36	.26	-1.37	
TEXP84	.00		-.27						
TEXP86	.00		-.26						
TEXP87	.00		.73						
REVTUF80	.00		-.42						
REVTUF84	.00		.29						
REVTUF87	.00		1.53						
FUND80	.00		-.99						
FUND84	.00		1.44						
FUND86	.00		-1.00						

\* Significant at .05 level or greater

Variables:

CCLASS	Carnegie Classification	ENROLL	1990-91 enrollment
ESTDAT	Date institution established	Q1	Does institution do institution-wide planning?
R1	Financial strength (raw data)	R2	Financial independence (raw data)
R3	Tuition dependence (raw data)	R4	Liquidity (raw data)
REVEND	Endowment income (see Chapter 4 for a detailed description of these items)		
ENDMV	Ending market value of endowment		
DEBT	Total liabilities (balance owed at end of year)		
TREV	Total revenues		
TEXP	Total expenditures		
REVTUF	Tuition and fee revenues		
FUND	Current funds balance		

This chapter has focused on the activities and attitudes which characterized the institution-wide strategic planning processes conducted at four-year private colleges and universities between 1984 and 1991. It was noted that a variety of issues usually were included on the planning agenda. Nearly every institution examined internal and external factors affecting the institution, one of the key features of strategic planning. There appeared to be, according to the survey respondents, substantial dissatisfaction with planning. Apparently faculty were dissatisfied as well, since they were the least actively involved in the planning processes and they were reported to have the highest levels of disagreement that the use of institution-wide planning at their institution was a good idea. There was evidence, too, that faculty's dissatisfaction with planning impeded the achievement of the planning goals.

An examination of factors which predicted the use and intensity of institution-wide strategic planning revealed few clues. Despite a few exceptions, changes in financial condition prior to the onset of planning, institutional characteristics, attitudes regarding planning, and characteristics of the planning process did not have any significant influence on the use of planning. In the next chapter I explore how these findings anticipate the absence of a relationship between institution-wide strategic planning and changes in financial condition after planning began.

**CHAPTER 8**

**RESULTS:**

**RELATIONSHIP BETWEEN PLANNING  
AND CHANGES IN FINANCIAL CONDITION**

## HYPOTHESIS TESTING

The general hypothesis tested in this empirical study was:

*There will not be greater degrees of improvement in the financial condition of institutions which conducted institution-wide strategic planning compared with institutions which did not conduct institution-wide strategic planning during the same time period.*

As described in Chapter 4, a single measure of the financial health of a college or university is not sufficient. Therefore, four measures of financial condition were used. Analysis of variance was employed to determine if the use of institution-wide strategic planning produced differences in the average changes in the financial condition of planners and non-planners (alpha .05). Control variables included Carnegie classification, intensity of planning, institutional characteristics (size and established date), the date planning began, and fiscal condition prior to the onset of planning. Since it makes no sense to evaluate the effect of planning on changes in financial condition between 1984-1986(7) for institutions which began planning after 1986, the following analyses only include those institutions which began planning between 1984 and 1986.

$H_{01}$  *The percent change between the year planning began and one to two years after planning began in the ratio of total assets to total liabilities will not improve more for four-year private colleges and universities which engaged in institution-wide strategic planning than for comparable institutions which did not engage in institution-wide strategic planning during the same time period.*

TABLE 39 HYPOTHESIS 1 PERCENT CHANGES IN FINANCIAL STRENGTH BETWEEN 1984 AND 1986 PLANNERS VERSUS NON-PLANNERS											
Descriptive Data		Planners					Non-Planners				
	N	Mean	S.D.	Min.	Max.		N	Mean	S.D.	Min.	Max.
All Instns.	72	7%	27%	-40%	211%		34	12%	38%	-20%	201%
Intensive	6	2	11	-10	21						
Minimal	9	25	70	.9	211						

Analysis of Variance: Ratio 1		Diff. Bet. Means		df	SS	MS	F-ratio	Prob.
Group								
Planners and Non-Planners	-5			1/107	.11	.11	1.51	.22
Intensive and Non-Planners	-10			1/41	.09	.09	1.26	.26
Minimal and Non-Planners	+13			1/44	.37	.37	4.97	.03*

\*Significant at .05 level or greater

$H_{02}$  *The percent change between the year planning began and one to three years after planning began in the ratio of endowment income to total educational and general revenues will not improve more for four-year private colleges and universities which engaged in institution-wide strategic planning than for comparable institutions which did not engage in institution-wide strategic planning during the same time period.*

TABLE 40 HYPOTHESIS 2 PERCENT CHANGES IN FINANCIAL INDEPENDENCE BETWEEN 1984 AND 1987 PLANNERS VERSUS NON-PLANNERS											
Descriptive Data		Planners					Non-Planners				
	N	Mean	S.D.	Min.	Max.		N	Mean	S.D.	Min.	Max.
All Instns.	72	-1.0%	7%	-34%	26%		34	1.0%	7%	-14.0%	22%
Intensive	6	0.3	2	-2	3						
Minimal	9	-0.4	3	-5	4						

Analysis of Variance: Ratio 2		Diff. Bet. Means		df	SS	MS	F-ratio	Prob.
Group								
Planners and Non-Planners	-2.0			1/107	.0146	.0146	1.85	.17
Intensive and Non-Planners	-0.7			1/41	.0004	.0004	.06	.81
Minimal and Non-Planners	-1.4			1/44	.0000	.0000	.01	.93

\*Significant at .05 level or greater

$H_{03}$  *The percent change between the year planning began and one to three years after planning began in the ratio of tuition and fees to total educational and general revenues will not improve more for four-year private colleges and universities which engaged in institution-wide strategic planning than for comparable institutions which did not engage in institution-wide strategic planning during the same time period.*

TABLE 41 HYPOTHESIS 3 PERCENT CHANGES IN TUITION DEPENDENCE BETWEEN 1984 AND 1987 PLANNERS VERSUS NON-PLANNERS									
Descriptive Data					Non-Planners				
	Planners	N	Mean	S.D.	Min.	Max.	N	Mean	S.D.
All Instns.	72	-0.3%	3%		-18%	4%	34	0.5%	3.0%
Intensive	6	0.6	2		-2	3			
Minimal	9	0.8	2		-1	4			

Analysis of Variance: Ratio 3		Diff.	df	SS	MS	F-ratio	Prob.
Group	Bet. Means	Diff.					
Planners and Non-Planners	-0.8		1/107	.0003	.0003	.48	.48
Intensive and Non-Planners	+0.1		1/41	.0007	.0007	1.22	.27
Minimal and Non-Planners	+0.3		1/44	.0010	.0010	1.66	.20

\*Significant at .05 level or greater

$H_{04}$  *The percent change between the year planning began and one to two years after planning began in the ratio of the unrestricted funds balances to total education and general expenditures plus mandatory transfers will not improve more for four-year private colleges and universities which engaged in institution-wide strategic planning than for comparable institutions which did not engage in institution-wide strategic planning during the same time period.*

TABLE 42 HYPOTHESIS 4 PERCENT CHANGES IN LIQUIDITY BETWEEN 1984 AND 1986 PLANNERS VERSUS NON-PLANNERS									
Descriptive Data					Non-Planners				
	Planners	N	Mean	S.D.	Min.	Max.	N	Mean	S.D.
All Instns.	72	0.06%	6%		-45%	13%	34	6%	36%
Intensive	6	2	3		-1	7			
Minimal	9	0.9	3		-2	6			

Analysis of Variance: Ratio 4		Diff.	df	SS	MS	F-ratio	Prob.
Group	Bet. Means	Diff.					
Planners and Non-Planners	-5.9		1/107	.01	.01	.46	.50
Intensive and Non-Planners	-4.0		1/41	.08	.08	2.83	.09
Minimal and Non-Planners	-5.1		1/44	.07	.07	2.40	.12

\*Significant at .05 level or greater

The analyses of variance revealed no statistically significant results. That is, the hypotheses are supported: the use of institution-wide strategic planning did not produce statistically significant differences in the financial condition of four-year private colleges and universities at which it was used compared with institutions at which it was not used. Whether examining financial strength, financial independence, tuition dependence, or liquidity, the use of an institution-wide strategic planning process did not appear to have any effect on an institution's fiscal condition. In Hypothesis 1, the comparison of average changes in financial strength between minimal planners and non-planners was statistically significant. Examination of the data reveal, however, that this was due to a minimal planning institution which experienced a 211 percent change in financial strength. The ANOVA no longer was significant when this outlier was removed.

Further confirmation of the absence of a relationship between planning and change in financial condition was the failure to find any significant predictive ability when SPSCORE was regressed on each financial measure (see Step 1, Table 43). In fact, strategic planning explained essentially *none* of the change in financial condition after planning began. This was true among all planners, all classes. One exception occurred among institutions which began planning before 1988; in this instance, SPSCORE was a significant predictor ( $t = -2.03$ ) of changes in financial strength between 1984-1987. However, SPSCORE explained only about three percent of the variation and was associated with just a two percent decline in the ratio.

**TABLE 43**  
**WHAT PREDICT CHANGES IN FINANCIAL CONDITION?**

Dependent Variable: Change in Financial Condition Between 1984-1986(7) All Planners (n=516)								
Independent Variable	Step 1 Beta	s.e.	t-ratio	R <sup>2</sup>	Step 2 Beta	s.e.	t-ratio	R <sup>2</sup>
<u>Ratio 1B</u>								
SPSCORE	-.00	.01	-.41	0.0%	-.00	.01	-.45	0.5%
RATIO 1A					-.10	.19	-.56	
CCLASS					.00	.00	-1.06	
ESTDATE					.00	.00	-.22	
ENROLL					.00	.00	-1.40	
<u>Ratio 2B</u>								
SPSCORE	-.00	.00	-.00	0.0%	-.00	.00	-.24	10.2%
RATIO 2A					-.37	.05	-7.02*	
CCLASS					.00	.00	-.28	
ESTDATE					.00	.00	2.36*	
ENROLL					-.00	.00	-1.14	
<u>Ratio 3B</u>								
SPSCORE	.00	.00	.79	0.1%	.00	.00	1.12	17.3%
RATIO 3A					-.41	.04	-10.10*	
CCLASS					.00	.00	1.08	
ESTDATE					-.00	.00	-.18	
ENROLL					.00	.00	.45	
<u>Ratio 4B</u>								
SPSCORE	.00	.00	.19	0.0%	.00	.00	.13	1.7%
RATIO 4A					-.03	.25	-.14	
CCLASS					-.00	.00	-2.13*	
ESTDATE					-.00	.00	-.26	
ENROLL					-.00	.00	-.14	

**Does strategic planning predict change in financial condition?  
Among Institutions Which Began Planning Between 1984-1987 (n=72)**

Independent Variable: SPSCORE  
Dependent Variable: Change between 1984-1986(7) in the financial measure

Beta	s.e.	t-ratio	R <sup>2</sup>
<u>Ratio 1B</u>			
Ratio 1B	-.02	.01	-2.03*
Ratio 2B	-.00	.00	-.43
Ratio 3B	-.00	.00	-.77
Ratio 4B	-.00	.00	-1.49
			2.8%
			0.1%
			0.4%
			1.6%

\* Significant at .05 level or greater  
Variables:

Ratio 1      Financial strength  
 Ratio 2      Financial independence  
 Ratio 3      Tuition dependence  
 Ratio 4      Liquidity

A = Changes between 1980-1984  
 B = Changes between 1984-1986 (ratios 1/4),  
 or changes between 1984-1987 (ratios 2/3)

The data generally were the same for minimal and intensive planners (see Table 44). An institution's strategic planning score was not a predictor of changes in any of the financial measures and did not explain more than one percent of the variation in changes between 1984-1986(7) for either group. The t-ratio for the SPSCORE variable approached significance ( $t=1.75$ ) when SPSCORE was regressed on change between 1984-1987 in tuition dependence and a unit change in SPSCORE was associated with a two percent change in the ratio. But only about six percent of the variation in changes in tuition dependence between 1984-1986 was explained.

**TABLE 44**  
**WHAT PREDICTS CHANGES IN FINANCIAL CONDITION?**

Dependent Variable: Change in Financial Condition Between 1984-1986(7)

Independent Variable	Minimal Planners (n=51)							
	Step 1 Beta	s.e.	t-ratio	R <sup>2</sup>	Step 2 Beta	s.e.	t-ratio	R <sup>2</sup>
<u>Ratio 1B</u>								
SPSCORE	.03	.04	.71	1.0%	.02	.04	.61	4.9%
RATIO 1A					1.01	.95	1.06	
CCLASS					.01	.01	.65	
ESTDATE					.00	.00	.12	
ENROLL					.00	.00	.11	
<u>Ratio 2B</u>								
SPSCORE	-.00	.01	-.01	0.0%	.00	.01	.03	21.7%
RATIO 2A					-.39	.11	-3.36*	
CCLASS					-.00	.00	-.11	
ESTDATE					.00	.00	.55	
ENROLL					-.00	.00	-.25	
<u>Ratio 3B</u>								
SPSCORE	.00	.00	.34	0.2%	.00	.00	.14	12.7%
RATIO 3A					-.59	.24	-2.44*	
CCLASS					-.00	.00	.45	
ESTDATE					-.00	.00	-.57	
ENROLL					.00	.00	-.77	
<u>Ratio 4B</u>								
SPSCORE	.00	.00	.22	0.1%	.00	.00	.21	2.2%
RATIO 4A					-.15	.18	-.82	
CCLASS					-.00	.00	-.10	
ESTDATE					-.00	.00	-.42	
ENROLL					-.00	.00	-.29	
<b>Intensive Planners (n=52)</b>								
<u>Ratio 1B</u>								
SPSCORE	-.00	.05	-.08	0.0%	-.00	.05	-.01	9.5%
RATIO 1A					-.15	.35	-.41	
CCLASS					.01	.01	1.90	
ESTDATE					.00	.00	.83	
ENROLL					.00	.00	1.10	
<u>Ratio 2B</u>								
SPSCORE	.00	.03	.05	0.0%	-.01	.03	-.35	7.4%
RATIO 2A					-.18	.12	-1.49	
CCLASS					.00	.00	1.27	
ESTDATE					-.00	.00	-.01	
ENROLL					.00	.00	1.33	
<u>Ratio 3B</u>								
SPSCORE	.02	.01	1.75	5.9%	.00	-.01	.18	44.2%
RATIO 3A					-.83	.16	-5.31*	
CCLASS					.00	.00	.58	
ESTDATE					-.00	.00	-.43	
ENROLL					.00	.00	.58	
<u>Ratio 4B</u>								
SPSCORE	-.007	.016	-.46	0.4%	-.01	.02	-.41	18.6%
RATIO 4A					-.50	.19	-2.69*	
CCLASS					-.00	.00	1.00	
ESTDATE					-.00	.00	-.62	
ENROLL					-.00	.00	-.08	

\* Significant at .05 level or greater

Variables:

- Ratio 1      Financial strength
- Ratio 2      Financial independence
- Ratio 3      Tuition dependence
- Ratio 4      Liquidity

A = Changes between 1980-1984  
 B = Changes between 1984-1986 (ratios 1/4),  
 or changes between 1984-1987 (ratios 2/3)

In Table 44, significant predictors occurred only when prior financial condition variables were added to the equations. But although one would have expected that prior financial condition (changes between 1980 and 1984) would be a significant predictor of changes between 1984-1986(7), this was not always true. For example, among all planners, change in financial strength (ratio 1) between 1980-1984 predicted less than one percent of the change in this measure between 1984-1986 ( $t = -.51$ , Table 45). When CCLASS, SPSCORE, ESTDATE, and ENROLL were added to the equation (along with prior fiscal condition), none of the variables were significant predictors and still less than one percent of the variation in the change in financial strength between 1984-1986 was explained (see Table 43). Similarly, change in liquidity (ratio 4) between 1980-1984 was not a predictor of change between 1984-1987 ( $t = -.11$ , Table 45). When CCLASS, SPSCORE, ESTDATE, and ENROLL were added to the equation, CCLASS was a significant predictor ( $t = -2.13$ , Table 43). That is, institutions classified as comprehensives or liberal arts were associated with a three percent decline in liquidity. This is not surprising since liberal arts institutions, in particular, tend to be smaller and thus more vulnerable to financial exigencies. Yet this model cannot be given too much weight since even with all these variables included, less than two percent of the variation in change in liquidity was explained.

For the measures of tuition dependence and financial independence (ratios 3 and 2, respectively), changes between 1980-1984 were significant predictors of changes between 1984-1986(7). For example, prior change in tuition dependence explained nearly 17 percent of the change between 1984-1987 ( $t = -10.1$ , Table 45). Interestingly, a unit percent change in tuition dependence between 1980-1984 was

associated with a 40 percent improvement in tuition dependence between 1984-1987. When CCLASS, SPSCORE, ESTDATE, and ENROLL were added to the equation, there was no change in the predictive capability of prior changes, none of the control variables were significant, and less than one percent more of the variation in change between 1984-1987 was explained (Table 43).

Regarding ratio 2, prior change in financial independence explained nearly nine percent of the variation in changes between 1984-1987 and a unit change between 1980-1984 was associated with a 37 percent deterioration in financial independence between 1984-1987 (see Table 45). This underscores the critical role of endowment in the vitality of private institutions. When the control variables were added to the equation, prior changes still remained a significant predictor ( $t = -7.02$ ) and the date the institution was established was also significant ( $t = 2.36$ , Table 43). However, a unit change in established date was associated with less than a one percent improvement in financial dependence between 1984-1987. With these variables added to the equation, only about two percent more of the variation in changes in financial independence were explained.

When one examines minimal and intensive planners, the results are just as weak (see Table 45). Only changes in financial independence and tuition dependence between 1980-1984 were significant predictors of changes in those variables between 1984-1986 among minimal planners who began planning between 1987-1991. Among intensive planners who began planning between 1987-1991, only prior change in tuition dependence was a significant predictor of changes in the variable between 1984-1986. It is not surprising that prior changes in tuition

dependence were, of all variables, significant since at private institutions tuition is such a critical revenue source.

The data are similar for non-planners but there are some interesting differences. For example, while changes between 1980-1984 in financial strength (ratio 1) predicted less than one percent of the differences between 1984-1986 among all planners, the  $R^2$  for non-planners was 20 percent (see Table 45). In contrast, the  $R^2$ , when change in tuition dependence between 1980-1984 was regressed on change between 1985-87, was nearly 17 percent for all planners but less than one percent for non-planners. Since the analysis of variance comparing non-planners and planners was not significant, these data are puzzling. Specific case studies of the non-planning institutions are needed to determine why these differences exist but part of the reason may be the divergent sample sizes ( $n=34$  for non-planners versus 516 for planners).

What is notable about these data is that an institution's planning activities provided scant information about an institution's financial condition. Whether planning occurs at all, the intensity of the process, for how long planning has been performed -- none of these variables provide significant predictive or explanatory information about an institution's financial condition. Thus it now seems less surprising that the four hypotheses tested in this study were not rejected.

**TABLE 45**  
**DOES PRIOR FINANCIAL CONDITION PREDICT**  
**FINANCIAL CONDITION AFTER PLANNING BEGAN?**

Dependent Variable: Change in Financial Condition Between 1984-1986(7)

Independent Variable	All Planners (n=516)				Minimal Planners who began Planning 1984-1986 (n=9)			
	Beta	s.e.	t-ratio	R <sup>2</sup>	Beta	s.e.	t-ratio	R <sup>2</sup>
<u>Ratio 1B</u>								
Ratio 1A	-.09	.19	-.51	0.1%	6.55	5.51	1.19	16.8%
<u>Ratio 2B</u>								
Ratio 2A	-.37	.05	-6.96*	8.8%	-.36	.13	-2.79*	52.6%
<u>Ratio 3B</u>								
Ratio 3A	-.41	.04	-10.10*	16.8%	-.50	.46	-1.09	14.5%
<u>Ratio 4B</u>								
Ratio 4A	-.027	.25	-.11	0.0%	-.05	.42	-.13	0.2%
Independent Variable	Intensive Planners Who Began Planning Between 1984-1986 (n=6)				Non-Planners (n=34)			
	Beta	s.e.	t-ratio	R <sup>2</sup>	Beta	s.e.	t-ratio	R <sup>2</sup>
<u>Ratio 1B</u>								
Ratio 1A	1.54	.93	1.66	40.7%	-2.23	.79	-2.83*	20.0%
<u>Ratio 2B</u>								
Ratio 2A	-.05	.42	-.12	0.4%	-.15	.12	-1.28	4.9%
<u>Ratio 3B</u>								
Ratio 3A	-.79	.94	-.85	15.1%	-.06	.19	-.32	0.3%
<u>Ratio 4B</u>								
Ratio 4A	-.41	.42	-.98	19.2%	1.02	2.07	.49	0.8%
Independent Variable	Intensive Planners Who Began Planning Between 1987-1991 (n=45)				Minimal Planners Who Began Planning Between 1987-1991 (n=43)			
	Beta	s.e.	t-ratio	R <sup>2</sup>	Beta	s.e.	t-ratio	R <sup>2</sup>
<u>Ratio 1B</u>								
Ratio 1A	-.28	.38	-.73	1.3%	.24	.29	.84	1.9%
<u>Ratio 2B</u>								
Ratio 2A	-.16	.10	-1.53	5.5%	-.39	.13	-3.02*	19.7%
<u>Ratio 3B</u>								
Ratio 3A	-.48	.13	-3.63*	24.7%	-.57	.25	-2.28*	12.3%
<u>Ratio 4B</u>								
Ratio 4A	-.35	.18	-1.91	8.4%	-.19	.22	-.88	2.1%
Independent Variable	All Planners Who Began Planning Between 1984-1986 (n=72)				All Planners Who Began Planning Between 1987-1991 (n=404)			
	Beta	s.e.	t-ratio	R <sup>2</sup>	Beta	s.e.	t-ratio	R <sup>2</sup>
<u>Ratio 1B</u>								
Ratio 1A	.16	.61	.27	0.1%	-.11	.21	-.55	0.1%
<u>Ratio 2B</u>								
Ratio 2A	-.48	.11	-4.23*	20.4%	-.36	.06	-6.10*	8.5%
<u>Ratio 3B</u>								
Ratio 3A	-.64	.07	-8.90*	53.1%	-.28	.05	-6.08*	8.4%
<u>Ratio 4B</u>								
Ratio 4A	-.45	.28	-1.62	3.6%	.06	.30	.19	0.0%

\*Significant at .05 level or greater  
Variables:

Ratio 1 Financial strength  
 Ratio 2 Financial independence  
 Ratio 3 Tuition dependence  
 Ratio 4 Liquidity

A = Changes between 1980-1984  
 B = Changes between 1984-1986 (ratios 1/4),  
 or changes between 1984-1987 (ratios 2/3)

### **DESCRIPTIVE DATA**

While there were no statistically significant differences in the average percent changes in financial condition between planners who conducted institution-wide strategic planning between 1984-1986 and non-planners, and there were few predictors of financial change among non-planners and institutions which began planning before 1987, the data reveal some fascinating information (see Tables 39, 40, 41, 42). For example, non-planners experienced more positive change in financial strength (ratio 1) than did the planners (mean of non-planners was 12% versus 7% for planners). The same is true for ratio 2 (non-planners' mean = 1% versus -1% for planners) and ratio 4 (means of 6% for non-planners versus .06% for planners). On average, more positive change was experienced by non-planners. While it is true that the differences were not significant, these data are worthy of further research to determine if there are characteristics of planning processes that may in fact cause a deterioration rather than improvement in financial condition.

Comparing degrees of change, the greatest amount of change was in financial strength (ratio 1); none of the average changes were less than three percent. In contrast, there were relatively minor changes in ratio 2, the measure of financial independence. The average change was not greater than two percent. The narrower range of change makes sense since this ratio includes endowment income as the numerator and while institutions would welcome significant increases in endowment funds, this is relatively rare. Ratio 3, the measure of tuition dependence, and ratio 4, the measure of liquidity, showed the least amount of change (not more than one percent on average). The one exception was among

non-planners. This group of institutions experienced a six percent improvement in liquidity (compared with only a 0.6% improvement for planners).

## **ANALYSIS OF RESULTS**

In this research, it was hypothesized that the discrepant decision-making styles which characterize strategic planners and colleges and universities would explain the lack of relationship between the use of institution-wide planning and change in financial condition. But before describing the data to support that explanation, it is necessary to consider other possible explanations for the results. These reasons include measurement of the wrong planning goals, measurement of change over too short a time period, lack of information about the planning process, problems with the planning survey, uncontrollable variables, problematic financial data, ceiling effects, and alternative theoretical explanations.

### ***MEASUREMENT OF THE WRONG PLANNING GOALS***

As noted in earlier chapters, while fiscal condition is one element of comparative advantage, it is not the only measure on which a postsecondary institution's success is based. Therefore, higher education administrators may engage in strategic planning not to improve the financial condition but in order to achieve other goals, such as enhanced reputation and morale. As noted by survey respondents, planning was important because it cultivated more communication, a better sense of direction, and was an outline for communicating institutional intent to constituents (three liberal arts and two comprehensive institutions). Also, success in higher education is largely associated with reputation and national visibility, and faculty reputation and publishing are critical factors for achieving

such success (Cameron & Bilimoria, 1985). While the budgets and expenditures of a college or a university reveal a great deal about its activities and achievements, the real measures of success must focus on HOW resources are used, not just their accumulation (Bowen, 1980). Thus, perhaps it could be argued that measuring financial change is unreasonable since finances are not the primary measure of institutional success. However, this does not seem to be a viable argument. First, while finances are not the sole measure, there is no doubt that an institution's financial condition is an element of success that cannot be ignored. Second, more than 90 percent of the sample indicated that financial and budget matters were part of the planning agenda. An institution conducting institution-wide strategic planning will want to achieve as much success on its financial goals as on any of its other goals. Therefore, while financial goals may not be the only planning goals, it is not certain that this means that the failure to find a link between planning and financial change was due to the level of success achieved on other goals.

#### ***MEASUREMENT OF TOO SHORT A TIME PERIOD***

Another potential reason for the failure to see significant differences in changes in financial condition between planners and non-planners in this study may be that a sufficient period of time had not passed during which change could occur. Due to the unavailability of data, this research was limited to examining change after only one to three years of planning. However, analyses of means were conducted on the degree of change between 1980 and 1986(7) (four years prior to the onset of the planning and one to three years after planning began) for planners and non-planners. These analyses did not reveal any significant differences between the group means even after seven years. Furthermore, "even on campuses that stress

rational planning and budgeting, opportunities for short-term effects are minimal. For example, one relatively wealthy institution found that its extensive planning program accounted for less than six percent of the variance in the budget over ten years" (Birnbaum, 1988, p. 18). Similar results were found by Anderson (1983), who collected financial data for 1967-68 through 1979-80 and measured changes in institutional climate. Anderson did not find a significant correlation between changes in climate and changes in institutional finance. While this is not sufficient evidence to discard the time span measured as an explanation, it appears that measuring a longer time span may not necessarily explain these research findings.

#### ***LACK OF INFORMATION ABOUT THE PLANNING PROCESS***

One limitation with the use of mail-in surveys is that it is difficult to collect detailed information, such as about how the planning process was conducted. These kind of data might have revealed weaknesses such as lack of staff support, inadequate data, or managers not equipped with the conceptual skills or understanding of planning, which undermined the potential success of the strategic planning process. For example, one feature associated with successful planning is effective leadership (Cope, 1978, 1987; Schmidlein & Milton, 1990). "Being convinced of the value of such planning and being willing to take initial 'flak' are necessary attributes needed by the top administrators" (president of a comprehensive institution). Another liberal arts institution noted that "*leadership* is the key to effective strategic planning here -- the leadership of the president, yes -- but also a strong chair for the strategic planning council -- one who will keep things moving, facilitate effectively (always moving toward goals), and provide for regular review in which progress is measured and documented." If the president

was not committed to the process or was not able to garner the support needed to implement the plans, the success of planning can be undermined.

The existing survey data did demonstrate very high levels of involvement in the planning process, and agreement that it is a good idea, among college presidents and the institutions' other senior administrators. And few of the survey comments indicate that failure to achieve the planners' expectations were related to characteristics of the planning process. While this is not sufficient evidence to state with certainty that the research findings are not due to lack of detailed information about the planning process conducted at the institutions, it is not clear that just knowing more about the planning process would be adequate explanations for the research findings.

#### ***PROBLEMS WITH THE SURVEY***

Besides a lack of detailed information about the process, perhaps there were weaknesses associated with the survey instrument and its administration that skewed the research findings. For example, perhaps relying on the institution's president meant that a more positive evaluation was reported. This does not appear to be the case since there were no differences revealed between responses based on who answered the survey. Furthermore, while many respondents indicated their personal support for planning, about 99 percent of the sample listed one or more reasons why planning was not liked by other constituent groups.

Another problem might be inconsistencies within the survey itself. For example, no other instrument existed that could be used to compare content validity or reliability. Yet, as described earlier, examination of the correlations between various questions (e.g., involvement and agreement) were generally high and in the

expected directions. Second, added comments by more than 10 percent of the survey respondents did not contradict answers to the questions. Thus, the survey appear to be valid. Subsequent uses of the survey in future research is necessary, however, before one can state with total confidence that the current research findings are not related to problems with the survey instrument.

#### ***UNCONTROLLABLE VARIABLES***

A related concern that might explain the failure of planning to create change in financial condition is the fact that "the future is too unpredictable." "Planning necessitates dedication to acting on the basis of contemplation of the future, a determination to plan constantly but not be overly reliant on a set of procedures or techniques." (Steiner (1979), cited in Hightower, 1992, p. 32). Strategic planning assumes the environment can be objectively determined (Hurst, 1986). However, given increasing complexity and an accelerating rate of change, strategic planners may not be able to adequately account for (and thus affect) those variables which cause change in financial condition. This may be exacerbated by the belief that strategic planning processes are too broad. "Comprehensive institution-wide planning processes often appeared to preclude devoting sufficient attention to particular concerns" (Schmidlein, 1990, p. 11). A few of the survey respondents echoed this view: "planning is often too general" (a comprehensive university). Perhaps this is even more true of continuous planning processes. Continuous planning processes often do not have a clearly defined beginning and end; therefore, the reasons for engaging in planning get lost in the mire of the process and critical decisions are made outside the planning process.

Unpredictability, however, is eliminated as sufficient explanation for the current results. An unpredictable future is a fact of life that all planners and managers confront. The question is whether strategic planning is a more effective technique than other processes for coping with unpredictability. Also, while comprehensive processes may undermine the level to which goals, especially lower priority goals, are achieved, there is no indication from the survey respondents that financial goals were a low priority (see Question 4 data). Thus, just because a planning process incorporates multiple goals does not appear to be a complete explanation for the research findings.

It also is possible that failure to control for certain factors may have skewed the research findings. While it is impossible to control for every variable, in this study it was attempted to control for all the critical variables, such as previous financial condition, changes in enrollment, institutional size, length of time for which planning was conducted, intensity of the planning effort, institutional prestige (Carnegie classification), and institutional control (only private institutions were sampled). Also, as described earlier, the composition of the sample reflected the population.

#### ***PROBLEMATIC FINANCIAL DATA***

Another possible explanation for the research findings is faulty financial data. This does not seem a satisfactory explanation for several reasons. First, publicly available data were used and while there have been problems with IPEDS-HEGIS data in past years, these data are now considered reliable and accurate (Conger, 1978; Hyatt, 1983; Patrick & Collier, 1978). Second, there were no significant

differences whether the percent changes, raw ratios, or individual variables were used in the statistical analysis.

#### ***CEILING EFFECTS***

Another potential explanation for the lack of results is that previous planning processes had already led to the desired improvements in financial condition and if variance did exist across institutions, these earlier planning activities had reduced or eliminated them so that significant differences no longer existed. One reason this does not seem to be a viable explanation is related to the volatility of financial change which was found. There obviously was substantial room for change, whether positive or negative, even after prior financial condition was controlled. Second, nearly 100 percent of the respondents indicated that budget goals were part of the planning process and the importance of these goals was mentioned in several of the survey comments. It appears that there was room for substantial improvement.

#### ***ALTERNATIVE THEORIES***

Another reason for the failure to find a relationship between the use of institution-wide strategic planning and change in financial condition may be related to the reason planning occurs. According to institutional theory, strategic planning is employed in order to enhance a college's "...legitimacy and survival prospects, *independent of the immediate efficacy of the acquired practices and procedures*" (Meyer & Rowan, 1977, p. 340, emphasis added). Administrators engage in planning because isomorphism with the environment enhances success, promotes stability, and buffers the organization from turbulence (*Ibid.*, Scott, 1987b). Furthermore, failure to adapt processes which makes the organization like others

in its field (i.e., enhances isomorphism) is seen as irrational and negligent (Meyer & Rowan, 1977, p. 345). Therefore, since it cannot be assumed that the rise of formal structures is only done in order to enhance coordination and control of work (*Ibid.*, p. 343), then it may not be so surprising that there is not a link between achievement of financial goals and the use of planning.

This research did not focus on why strategic planning was adopted and, thus, institutionalization cannot be discarded as a potential explanation for the study results. Furthermore, as noted by Scott (1987b), an empirical test of whether institutionalization is a valid predictor of why certain processes are incorporated into an organization's environment is not easy. While institutional theory can explain the fact that strategic planning enjoys widespread support, it is not clear, based on the current findings, that institutional theory answers questions related to discrepant decision-making styles which would provide a thorough explanation of why the use of this particular institution-wide planning process does not enable an institution to achieve its goals.

#### ***DISCREPANT DECISION-MAKING STYLES***

While there is not sufficient data to eliminate these issues as explanations for the research findings, I believe the weight of evidence leads one to advance the argument that problems associated with the mismatch of assumptions regarding how decisions are made by strategic planners and how decisions are made by members of higher education organizations adequately explain the research findings.

One of the significant findings in this empirical study was that involvement in the planning process was especially low among faculty members (less than 75% of the

institutions reported that faculty were highly or somewhat involved). Similarly, the level of faculty agreement that planning is a good idea was the lowest of all the constituent groups. This was due, we know, partly because of the opinion that planning is too time-consuming (cited by one-third of the sample as the most commonly stated reason people disliked planning). However, written comments reveal that concerns regarding decision-making also existed and that, as a result, the success of institution-wide planning may have been undermined. For example, several institutions added comments that planning is a "threat to decision-making authority" and "not consistent with the institution's decision-making processes." "Academic Affairs wants no control over their accountability. They will not 'buy into' the planning process. They would rather try to intimidate the administration rather than try responsible participation" (a liberal arts institution). It is not surprising, therefore, that "institutional units often believe central initiatives [are] insensitive to their circumstances and concerns while central officials believe unit initiatives and interests sometimes [are] inconsistent with institution-wide interests." Also, it is likely that some senior administrators believe that faculty "typically focus on protecting their 'turfs' rather than on institutional welfare" (Schmidlein, 1990, p. 13; Prinvale, 1988). Nor is it surprising that faculty believe that strategic planning "is too top-down" (a liberal arts institution).

One effect of such sentiments may have been an inability to re-evaluate the link between institutional and departmental goals. As commented by the president of a

liberal arts college, "the challenge remaining is to implement the plans and form new goals as we proceed." A similar sentiment was echoed by another respondent:

An important objective of strategic policy is to go beyond typical mission statements to set visible goals. Visible goals serve to focus personnel effort and can increase personal motivation; individuals can see how their needs and responsibilities fit the direction in which the institution is moving and thus are less likely to be administering policy or moving in a direction that is inconsistent with the carefully-arrived-at emphases of the institution" (Cope, 1978, pp. 12-13).

"As Colby's most recent planning process began, the members of the planning committee realized that all of the College's constituencies -- faculty, staff, alumni, students, parents, and other friends -- would need to collaborate in setting and achieving goals" (Colby, 1991, p. 1). "Nearly all effective planning efforts have required a central planning team serving in a policy-recommending and responsibility-allocating capacity....*Without widespread participation, however*, the planning function is committed to oblivion" (Cope, 1978, p. 67, emphasis added). Since planning was not incorporated into the internal structure and process of the institution, it had little chance to affect substantively institutional performance, such as change in financial condition (Schmidlein, 1990; Meredith, 1985; also mentioned by two liberal arts institutions).

These views also highlight the problems associated with the presence of mutually conflicting goals in postsecondary institutions. The administrators of any organization must cope with the existence of conflicting goals. Yet, while strategic planners assume that the conflicts can be resolved by those at the top of the hierarchy, this is not always possible within the decentralized, loosely-coupled

organizational environment of a postsecondary institution. Faculty, as professionals, are not willing to submit to the authority of the administration *just because* they are administrators, especially if the administration proposes cuts in their department or discipline. If the goal or decision will adversely impact the faculty's school or unit, faculty are often less willing to implement the decision, regardless of its institution-wide benefit. This conflict of loyalties between institution and school (or unit) is exacerbated by the fact that faculty, as discussed earlier, often are just as, if not more, loyal to their discipline, than to their institution. But expecting change in financial condition when, as do strategic planners, it is assumed that institutional goals will have primacy, may not be reasonable.

Another aspect of the organizational characteristics of a college which can stymie the potential success of strategic planning relate to the difficulties inherent in a decentralized and loosely coupled environment. A key relationship is how to achieve consensus. Strategic planners have not incorporated into their process the tools to deal with organizational conflict in an environment where the centralized authority cannot mandate agreement.

Budgetary process politics make it highly unlikely units voluntarily, in advance of actual decisions, will reveal priorities and propose plans that could result in budget reductions. Priorities appear to be determined through political interactions and are evident after decisions are reached, not before bargaining takes place. Even when reductions appear inevitable, bargaining takes place before concessions to obtain *quid pro quos*....Nearly everyone commented on the extensive time, resources and *political capital* required to conduct comprehensive institution-wide

planning efforts....Comprehensive planning processes frequently opened up a broad array of latent as well as obvious political issues, overloading an institution's capacity for resolving them" (second emphasis added, Schmidlein, 1990, pp. 4, 11, 13).

As a result, if consensus must be achieved on goals, only mediocre results will accrue (survey comment from the president of a comprehensive institution).

A less pessimistic explanation of why strategic planning may not succeed is that even if administrators and faculty agree on goals, "there is a lack of consensus on how units and divisions relate to the university planning committee" (a liberal arts institution's comment). Uncertainty and confusion, and lack of experience, may stymie even the best intentions.

Flexibility is another characteristic which deserves attention. Perhaps an artifact of the inherent goal ambiguity, coupled with the professionalist culture, the organizational environment of higher education tends to be characterized by flexibility. Loose coupling and minimal control are characteristic, rather than tight links between organizational units and centralized authority. As noted by about four percent of the sample, in such a context strategic planning imposes too much rigidity and limits flexibility. "I am not sure but what the best planning is that which sort of evolves" (comment by the president of a liberal arts institution). If a college creates a long-range plan or a systematically institutionalized planning process in accordance with accepted patterns and then attempts to live by it, the institution has effectively blocked the freedom essential for innovation, change, adaptation, and formative reaction (Peck, 1983, p. 22). "Successful organizational strategy really evolves as iterative, incremental, experimental adjustments to the

dynamics of opportunity" (president of a liberal arts college). Strategic planning, because it focuses on the development and implementation of pre-determined plans does not allow, many feel, for an environment in which such flexibility is possible and in which, as a result, success could be achieved.

In Chapter 3, it was noted that strategic planners assume that alternatives can be known and goals agreed upon. It also was noted that these features are not necessarily present within the postsecondary institution. As a result, perhaps the critics are correct that strategic planning only leads to discovery of what is already known (Hayes, 1985; Hunsicker, 1980, Schmidlein & Milton, 1990). It is good for looking backward and for what it excludes; it is not good for looking forward. (Hurst, 1986, p. 15). One wonders, too, if the purpose of strategic planning is not so much to make decisions as to lend legitimacy to actions already taken (March & Cohen, 1986; Meyer & Rowan, 1977). Strategies can be either *a priori* statements to guide action or *a posteriori* results of actual decision behavior. In many organizations, one would be hard-pressed to find a complete *a priori* statement of a total strategy that's actually followed. Windham (1978) is even more blunt:

Planners never determine actual outcomes of policy. They can only set in action forces which they anticipate, with or without rational justification, will have certain effects. The effects themselves are the result of millions of micro-decisions made by individuals who are responding to the planners' policies in terms of (1) the actual patterns of rewards (positive or negative) which their decision matrix presents and (2) their perception of this pattern (p. 4).

If it is true that strategic planning is really the description of decisions *after* they have been made, then one cannot expect that strategic planning will be an accurate predictor of change.

In this research, goal ambiguity, discrepant decision-making styles, and dual authority structures were found to be associated with decreased levels of involvement in, and agreement with the use of, institution-wide strategic planning. While further research is needed, there appears to be initial evidence that these issues will have a detrimental impact on the potential success of institution-wide strategic planning when it is used in four-year private colleges and universities. "Effective planning requires the achievement of a substantial consensus among those who make rules and those who are to carry them into execution." (Knorr, 1985, p. 7). "The execution of change from one strategy to another is ideally a consensual process" (Young, 1981, p. 2). But achieving a consensus is not made easier when less than half of the faculty agree that planning should be conducted at their institutions. Under such circumstances, it is not unreasonable that the lack of faculty participation in, and acceptance of, the process inhibited acceptance and implementation of the types of decisions which were needed in order to effect a change in financial condition.

Institution-wide planning enjoys the support of many higher education practitioners. "Our long-term survival will depend on very careful planning for wise use of resources and many past frustrations relate to failure to plan comprehensively. Solving problems piecemeal is often wasteful of resources" (*sic*, liberal arts college). "Planning is critical to survival and to growth" (liberal arts college). The results of this empirical study reveal, however, that the boasts of

strategic planning's advocates must be tempered by an understanding of the non-rational decision-making features which distinguish colleges and universities from the rationally-based decision-making of strategic planning. Those who apply strategic planning, but fail to account for these distinctions, are likely to be frustrated and disappointed.

**CHAPTER 9**  
**SUMMARY AND CONCLUSION**

Keller's *Academic Strategy: The Managerial Revolution* was published in 1983.

Since Keller's book appeared, a large body of literature has developed describing how to implement strategic planning, enumerating its benefits, and presenting case studies of its use in postsecondary education. But three serious weaknesses plague the literature. First, the term is not well-defined. Researchers and practitioners use the term "strategic planning" to describe a broad spectrum of activities and processes -- ranging from a set of specific activities to a more general concept of management styles. Second, no empirical research has been published which measures whether strategic planning enables an institution to change more efficiently or more effectively than through the use of other planning or decision-making processes. Numerous case studies are available but the lack of a rigorous research design severely limits their comparability or generalizability beyond the specific institution described. The third weakness is that researchers and practitioners have not examined the compatibility between the assumptions about decision-making behavior inherent in strategic planning and the assumptions about decision-making behavior in colleges and universities.

In this dissertation I argued that the inconsistencies between how decisions are made by strategic planners versus how decisions are made in higher education institutions lead one to suspect that strategic planning would not result in the benefits associated with improved financial condition championed by its advocates. Critical differences included centralization versus decentralized organizational structures, goal conflict, and the primacy of the faculty's authority. Perhaps the values of the academic culture are incompatible with the underlying concepts of strategic planning? If the organizational characteristics of academic institutions are

so different from other institutions that traditional management theories do not apply (Baldridge, Curtis, & Riley, 1978, p. 9), what do these differences mean in terms of what we can expect when strategic planning is implemented?

This study tested four hypotheses:

- $H_{01}$  *The percent change between the year planning began and one to two years after planning began in the ratio of total assets to total liabilities will not improve more for four-year private colleges and universities which engaged in institution-wide strategic planning than for comparable institutions which did not engage in institution-wide strategic planning during the same time period.*
- $H_{02}$  *The percent change between the year planning began and one to three years after planning began in the ratio of endowment income to total educational and general revenues will not improve more for four-year private colleges and universities which engaged in institution-wide strategic planning than for comparable institutions which did not engage in institution-wide strategic planning during the same time period.*
- $H_{03}$  *The percent change between the year planning began and one to three years after planning began in the ratio of tuition and fees to total educational and general revenues will not improve more for four-year private colleges and universities which engaged in institution-wide strategic planning than for comparable institutions which did not engage in institution-wide strategic planning during the same time period.*
- $H_{04}$  *The percent change between the year planning began and one to two years after planning began in the ratio of the unrestricted funds balances to total education and general expenditures plus mandatory transfers will not improve more for four-year private colleges and universities which engaged in institution-wide strategic planning than for comparable institutions which did not engage in institution-wide strategic planning during the same time period.*

The primary independent variable was institution-wide strategic planning.

Strategic planning was defined as follows: *strategic planning is a formalized and structured procedure during which policy and financial issues are considered, and internal and external factors affecting the institution are assessed, so that the institution can decide how to allocate its resources and implement policies in*

*such a way that the institution's comparative advantage will be improved.* The dependent variables (measures of financial condition) were:

- a) the ratio of total assets to total liabilities (financial strength);
- b) the ratio of endowment income to total educational and general revenues (financial independence);
- c) the ratio of tuition and fee revenues to total educational and general revenues (tuition dependence); and
- d) the ratio of unrestricted funds balances to total educational and general expenditures plus mandatory transfers (liquidity).

Whether an institution conducted strategic planning was determined based on the results to a mailed survey to the presidents of the 873 four-year private colleges and universities in the United States. Due to the difficulty of controlling for differences resulting from unique funding and governance, public institutions were not included. Due to major differences in mission, military institutions, seminaries, medical schools, other separate health professional schools, law schools, or schools which do not award bachelor degrees were excluded, too. By measuring the percent change on the individual measures of fiscal condition prior to the onset of planning, I controlled for prior financial conditions which could skew the measurement of change. Carnegie classification, enrollment, established date, intensity of planning, and the date planning began also were used as control variables. The primary methods used to analyze the effect of strategic planning on financial condition were analysis of variance and linear regression.

The results of this empirical research encompassed two important features. First, a substantial amount of information was collected regarding the characteristics of institution-wide strategic planning processes at four-year colleges and universities. Planning process characteristics which were studied were issues considered and activities performed during institution-wide planning, level of

involvement in the process, level of agreement that planning was a good idea, reasons why planning was disliked, the continuity of planning, the extent to which the planning goals were achieved, and future planning intentions.

Ninety-four percent of the sample reported that they had conducted a centrally-coordinated planning process which considered issues that crossed departmental and administrative unit boundaries at some time since 1984. The strategic planning scores were somewhat high and clustered fairly closely together (the mean score was 16 and the s.d. was 2.28). Nearly one-fourth of the sample reported that the process began between 1984 and 1987. Another 50 percent began planning between 1988 and 1990 and the remainder began their most recent institution-wide planning process in 1991. Essentially no differences were revealed among institutions which began the most recent institution-wide planning process at different times. The only material exception was that institutions which began the most recent planning process before 1987 had, on average, lower levels of agreement that planning should be used at their institution.

There were no statistically significant differences in the average percent changes in fiscal condition between 1980 and 1984 between planners and non-planners. However, in general, institutions which said they had conducted a centrally-coordinated institution-wide planning process at some time since 1984 demonstrated greater variation between 1980-1984 in financial strength, financial independence, tuition dependence or liquidity than non-planners between 1980-1984. Since all institutions experienced negative percent changes in financial condition, it does not appear that the existence of financial problems in and of itself acts as an impetus to engage in institution-wide strategic planning. Rather, it

was when the percent changes across time were extremely volatile (when there were large standard deviations) that the pressure for planning seemed to be the greatest. Unfortunately, more stringent tests failed to support this supposition.

Ninety-eight percent of the planners indicated that academic programs and budget and finances were part of the planning agenda. Nearly 19 percent of the sample said all issues were considered as a very important component of the planning process. More than 11 percent of the institutions said that faculty recruitment and retention issues were not considered at all. Issues concerning physical facilities and/or capital campaign, student support services, and tuition and financial aid were considered least often. Regarding exercises performed, 24 percent of the planners said that all exercises were performed.

Respondents were asked to select all the reasons why people did not agree that colleges and universities should conduct institution-wide planning. The reason cited most often was that "planning doesn't tell us anything we don't already know." Slightly more than one-third of the respondents indicated that people think "planning is too time-consuming." Eighteen percent of the respondents said that the most common reason was that "planning doesn't tell us anything we don't already know" and 17 percent reported that "planning was tried before and it didn't work."

In general, level of involvement in institution-wide planning was somewhat high. Looking at the highest level of involvement, while more than 90 percent of the institutions reported that presidents, CAOs, and CFOs were highly involved, less than 75 percent of the institutions said that faculty and non-senior level administrators (academic and non-academic) were highly involved in planning.

The results confirmed what a liberal arts institution and a comprehensive institution said: "We have not yet crossed [the] crucial step of appropriate faculty participation." A positive sign was the increased involvement of chief academic officers between 1984 and 1988.

More than 80 percent of the institutions reported that governing boards, presidents, CAOs, and CFOs were reported to agree strongly that institution-wide planning should be conducted at their institution. But only 40 percent of the institutions said that faculty agreed strongly; this was the lowest percentage of any constituent group.

The degree to which constituent groups within the institution agreed that institution-wide planning should be conducted by their institution was consistently higher than how involved in planning were the same constituent groups. People talk but do not act.

The average level of the extent to which goals had been achieved was relatively low. Nearly half of all planners indicated the process was ongoing. Ninety-five percent of the planners said institution-wide planning would continue. A surprisingly low correlation was found between the continuity of planning and an institution's success. It is not clear that failure to follow the advice of the strategic planning advocates to conduct ongoing, continuous planning made much difference in terms of planning outcomes.

Changes in financial condition between 1980-1984 were not significant predictors of institutions' planning scores whether an institution began planning between 1984-1986 or between 1987-1991. It was suspected that changes in financial condition between 1984-1986 would predict the intensity of strategic planning

among institutions which began planning after 1986. This was not demonstrated. In fact, changes in prior financial condition explained less than one percent of the variation in strategic planning scores.

The only predictor of SPSCORE was whether the extent to which constituent groups agreed that planning was a good idea. In particular, and as expected due to the critical role played by an institution's chief executive officer, a unit change in the president's level of agreement was associated with nearly a half unit increase in the institution's strategic planning score. An institution's established date, the data at which planning began, and Carnegie classification were not significant predictors of SPSCORE. Enrollment changes explained approximately 40 percent of the variation in the intensity of strategic planning among research and doctoral institutions and about 16 percent of the variation among comprehensive institutions. While some raw ratios were statistically significant, no more than three percent of the variation in SPSCORE was explained.

The analyses of variance revealed no statistically significant results, thus, the hypotheses were supported: whether examining financial strength, financial independence, tuition dependence, or liquidity, the use of an institution-wide strategic planning process did not appear to have any effect on an institution's fiscal condition. These results were further confirmed by the failure to find any significant predictive ability when planning was regressed on each financial measure.

In this research, it was hypothesized that the discrepant decision-making styles which characterize strategic planners and colleges and universities would explain the lack of relationship between the use of institution-wide planning and change in

financial condition. Other possible explanations for the results which were considered included measurement of the wrong planning goals, measurement of change over too short a time period, lack of information about the planning process, problems with the planning survey, uncontrollable variables, problematic financial data, ceiling effects, and alternative theoretical explanations.

One of the significant findings in this empirical study was that involvement in the planning process was especially low among faculty members. Similarly, the level of faculty agreement that planning is a good idea was the lowest of all the constituent groups. This was due, we know, partly because of the opinion that planning is too time-consuming (cited by one-third of the sample as the most commonly stated reason people disliked planning). However, written comments reveal that concerns regarding decision-making also existed and that, as a result, the success of institution-wide planning may have been undermined. One effect of such sentiments may have been an inability to re-evaluate the link between institutional and departmental goals. Since planning was not incorporated into the internal structure and process of the institution, it had little chance to affect substantively institutional performance, such as change in financial condition.

These views also highlight the problems associated with the presence of mutually conflicting goals in postsecondary institutions. While strategic planners assume that the conflicts can be resolved by those at the top of the hierarchy, this is not always possible within the decentralized, loosely-coupled organizational environment of a postsecondary institution. Faculty, as professionals, are not willing to submit to the authority of the administration *just because* they are administrators, especially if the administration proposes cuts in their department or discipline. This conflict of

loyalties is exacerbated by the fact that faculty often are just as, if not more, loyal to their discipline, than to their institution. So, expecting change in financial condition when, as do strategic planners, it is assumed that institutional goals will have primacy, may not be reasonable.

Another aspect of the organizational characteristics of a college which can stymie the potential success of strategic planning relate to the difficulties inherent in a decentralized and loosely coupled environment. A key relationship is how to achieve consensus. Strategic planners have not incorporated into their process the tools to deal with organizational conflict in an environment where the centralized authority cannot mandate agreement.

In this research, discrepant decision-making styles were found to be associated with decreased levels of involvement in, and agreement with the use of, institution-wide strategic planning. While further research is needed, there appears to be initial evidence that these issues will have a detrimental impact on the potential success of institution-wide strategic planning when it is used in four-year private colleges and universities.

#### ***FUTURE RESEARCH***

This study used a quantitative approach to examine the relationship between the use of institution-wide strategic planning and changes in financial condition. One advantage of the quantitative approach was that it was a direct challenge of the claims of strategic planners that changes in financial condition would result. If time and money had been available, incorporation of a case study would have been used to enrich and supplement the survey data. Also, it would have been ideal if data could have been collected on other elements which influence comparative

advantage, such as changes in yield or quality of faculty and students. In fact, measures of such variables were included in the original research but had to be eliminated when the data were not easily accessible.

Another goal of future research would be to ask faculty directly (rather than rely on the perceptions of college presidents or planning directors) how they feel about planning, especially since there is some evidence that the views are discrepant. For example, a study of the planning process at a major western research university (Prinvale, 1988) revealed that some faculty, despite the directness of the planning committees' charges, felt there was a "hidden agenda." Most of the faculty felt they were intentionally excluded from the process because planners had a specific goal in mind and would not pay attention to the views or concerns of the department. Yet interviews with the planners revealed that involvement of non-department faculty was intended to heighten objectivity and make it easier to implement major changes. "Sometimes one needs a whole new generation of scholars in order to implement needed changes" (Prinvale, 1988, p. 80).

It also appears important to conduct research which investigates how the use of strategic planning affects other aspects of the functioning of an institution of higher education. For example, does its use exacerbate the conflict between administrators and faculty? Do "the innovations wrought by the new devices of management widen the gulf between faculty and administration and thus intensity the antagonism, latent and overt, which has traditionally existed between the administrative and the academic cultures" (Rourke & Brooks (1964), cited in Birnbaum, 1988, p. 7). Does strategic planning enhance or hinder the institution's ability to achieve consensus on critical issues? Does the use of strategic planning

improve other variables associated with institutional success, such as improved competitiveness relative to hiring faculty and admitting students? These are issues as critical to the operation of colleges and universities as financial viability.

Another area for future research is to examine the reasons why planning is implemented. If the institutional theorists are correct, planning is important because it enhances legitimacy and not because of its impact on internal goals. Such research may demonstrate to administrators that they may find it desirable to restructure the planning process so that it focuses less on achievement of institutional change. This may, as a result, lessen faculty-administrator conflict, and save precious resources.

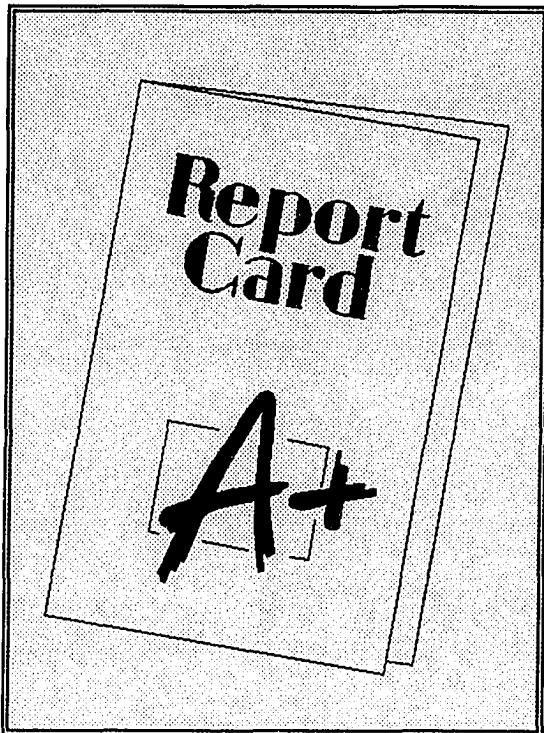
It also is suggested that a shift in the research on the use of strategic planning is required. Rather than focusing on primarily quantitative issues, such as financial condition, higher education practitioners and researchers would benefit from research on how strategic planning can be adapted for use in a professional, decentralized, loosely coupled environment. More research on its use at the departmental level also would be welcome, especially since anecdotal evidence suggests that its use at lower levels of the college organization may be associated with greater success and acceptance.

This research was the first attempt to systematically determine which institutions engage in strategic planning and one of a very few empirical studies using a formal research design to determine what effects, if any, resulted when a four-year private college or university conducted institution-wide strategic planning. Higher education administrators are bombarded with information about the newest planning technique that could be used to help enhance their institution. The

results of this empirical research should alert higher education researchers and practitioners to the dangers associated with utilizing such techniques in the absence of an adequate understanding of the assumptions underlying the techniques and their potential incompatibility with the culture and decision-making styles of their institutions.

**APPENDIX**

**SURVEY INSTRUMENT  
AND LETTERS**



**DOES  
PLANNING  
MAKE  
THE  
GRADE ?**

**IMPORTANT INFORMATION**

This survey is being administered with the approval of the Human Subjects Office at Stanford University. Concerns about any aspect of the survey can be communicated (anonymously if you wish) to the Human Subjects Administrator, Sponsored Projects Office, 125 Panama Street, Stanford, CA 94305 (telephone 415-723-4697 -- you may call collect). Your participation in this project is voluntary and you have the right to refuse to answer any question and discontinue participation at any time.

**IDENTIFICATION**

In order to associate your survey responses with other sources of data about your institution, the survey uses your institution's FICE code (a federally assigned code) as an identifier. Your individual privacy will be maintained in all published and written data and reports resulting from this study. If you have any feedback or comments, please use the blank page at the end of the survey or contact Jean Prinvale, telephone 415-366-5522 or email [jmp@leland.stanford.edu](mailto:jmp@leland.stanford.edu).

Please check here if you wish to receive a summary of the study (available July 1992).

The purpose of this study is to assess what happens when colleges and universities engage in institution-wide planning.

**DEFINITION:** *Institution-wide planning is a centrally-coordinated planning process which considers issues that cross departmental and administrative unit boundaries.*

These questions should only take about 15 minutes of your time to complete and do not require you to refer to any records or statistics.

1) **Has your institution conducted a centrally-coordinated institution-wide planning process at any time since 1984? (Please circle the letter)**

a. YES

b. NO

**IF YOU ANSWERED YES  
TO QUESTION 1:**

Please answer questions 2 through 15 in terms of the most recently completed institution-wide planning process.

If the process now underway (but not yet completed) is the first institution-wide planning process your institution has conducted, please respond in terms of that process.

Thank you!

**IF YOU ANSWERED NO  
TO QUESTION 1:**

Please turn to page 10 and answer questions 16-21.

Thank you!

**2) When did your most recent institution-wide planning process begin?**

MONTH \_\_\_\_\_ YEAR \_\_\_\_\_

**3) When did it end?**

- a. MONTH \_\_\_\_\_ YEAR \_\_\_\_\_
- b. IT HAS NOT ENDED YET
- c. IT IS A CONTINUOUS, ONGOING PROCESS

**4) During an institution-wide planning process, many issues may be discussed. But often certain issues are the focus of the planning process.**

**How important were the following issues during your most recent institution-wide planning process? (Please circle all that apply)**

<b>IMPORTANCE OF ISSUES CONSIDERED</b>			
	<b>Very Imp't.</b>	<b>Some- what Imp't.</b>	<b>Not Con- sidered</b>
ACADEMIC PROGRAMS	1	2	3
ENROLLMENT AND/OR ADMISSIONS	1	2	3
FACULTY RECRUITMENT AND RETENTION	1	2	3
BUDGET/FINANCES	1	2	3
DEVELOPMENT AND FUND-RAISING	1	2	3
TUITION AND FINANCIAL AID	1	2	3
STUDENT SUPPORT SERVICES	1	2	3
PHYSICAL FACILITIES AND/OR CAPITAL CAMPAIGN	1	2	3

-3-

**5) Which exercises were part of the institution-wide planning process? (Please circle all that apply)**

- a. INTERNAL AND EXTERNAL FACTORS AFFECTING THE INSTITUTION WERE EXAMINED
- b. THE INSTITUTION'S MISSION OR VISION STATEMENT WAS CREATED OR REVISED
- c. GOALS WERE ESTABLISHED (Goals describe in general terms the steps which will be taken to achieve the institution's mission or vision.)
- d. OBJECTIVES WERE ESTABLISHED (Objectives are checkpoints used to measure progress towards achievement of the goals.)
- e. CONTINGENCY PLANS WERE FORMULATED (Contingency plans describe how plans might be modified to deal with unexpected events.)

**6) Goals, and how long it will take to achieve them, are often specified during a planning process.**

**Excluding facilities goals, which often take many years to complete, how many years did your plan specify it would take to achieve the majority of your institution-wide planning goals? (Please circle the letter)**

- a. 1-3 YEARS
- b. 4-6 YEARS
- c. 7-10 YEARS
- d. 11 OR MORE YEARS
- e. TIMELINES FOR ACHIEVING THE GOALS WERE NOT SPECIFIED

- 7) How involved were members of the following groups in the institution-wide planning process? (Please circle the number)

***EXTENT OF INVOLVEMENT IN  
INSTITUTION-WIDE PLANNING ACTIVITIES***

	Not Involved	Slightly Involved	Somewhat Involved	Quite Involved	Very Involved	Does Not Apply
GOVERNING BOARD	1	2	3	4	5	6
PRESIDENT	1	2	3	4	5	6
CHIEF ACADEMIC OFFICER	1	2	3	4	5	6
ANY OTHER ACADEMIC ADMINI- STRATORS	1	2	3	4	5	6
CHIEF FINANCIAL OFFICER	1	2	3	4	5	6
ANY OTHER NON-ACADEMIC ADMINI- STRATORS	1	2	3	4	5	6
FACULTY WHO ARE NOT ADMINI- STRATORS	1	2	3	4	5	6

-5-

- 8)** This is a potentially sensitive question but it is recognized that your answers will be impressions. Also, please remember that your answers are fully confidential.

To what extent do you think the groups listed below agree that institution-wide planning should be conducted by your institution? (Please circle the number)

---

**AMOUNT OF AGREEMENT REGARDING  
THE USE OF INSTITUTION-WIDE PLANNING**

---

	Strongly Disagree	Some-what Disagree	Slightly Dis-agree	Slightly Agree	Some-what Agree	Strongly Agree	Doesn't Apply or Can't Say
GOVERNING BOARD	1	2	3	4	5	6	7
PRESIDENT	1	2	3	4	5	6	7
CHIEF ACADEMIC OFFICER	1	2	3	4	5	6	7
ANY OTHER ACADEMIC ADMINISTRATORS	1	2	3	4	5	6	7
CHIEF FINANCIAL OFFICER	1	2	3	4	5	6	7
ANY OTHER NON-ACADEMIC ADMINISTRATORS	1	2	3	4	5	6	7
FACULTY WHO ARE NOT ADMINISTRATORS	1	2	3	4	5	6	7

- 9) Listed below are some of the reasons people do not agree that colleges and universities should conduct institution-wide planning.

If people in your institution do not agree that institution-wide planning should be conducted at your institution, why do you think they feel that way? (Please circle the letter of all that apply)

*Because institution-wide planning:*

- a. IS TOO EXPENSIVE
- b. IS TOO TIME-CONSUMING
- c. DOESN'T TELL US ANYTHING WE DON'T ALREADY KNOW
- d. WAS TRIED BEFORE AND IT DIDN'T WORK
- e. IS FUTILE BECAUSE THE FUTURE IS TOO UNPREDICTABLE
- f. IS A BUSINESS ACTIVITY NOT APPROPRIATE FOR COLLEGES AND UNIVERSITIES
- g. INTERFERES WITH THE RIGHT OF PROFESSORS TO DECIDE WHAT THEY WILL TEACH AND/OR RESEARCH
- h. IS NOT CONSISTENT WITH EXISTING ACADEMIC DECISION-MAKING PROCESSES AT THE INSTITUTION
- i. IMPOSES TOO MUCH RIGIDITY AND LIMITS FLEXIBILITY
- j. WASN'T NEEDED IN ORDER FOR OUR INSTITUTION TO ACHIEVE SUCCESS
- k. OTHER (Please specify) \_\_\_\_\_

What do you think was the most common reason?

Please write in the letter of the item circled \_\_\_\_\_

- 10) To what extent were the goals of the most recent institution-wide planning process achieved? (Please circle all that apply)**

<b>EXTENT TO WHICH GOALS WERE ACHIEVED</b>							
	<b>Too Early To Tell</b>	<b>Not At All</b>	<b>Less Than Expected</b>	<b>As Much As Expected</b>	<b>More Than Expected</b>	<b>Much More Than Expected</b>	<b>Not A Goal</b>
<b>ENROLLMENT GOALS</b>	1	2	3	4	5	6	7
<b>ACADEMIC PROGRAM GOALS</b>	1	2	3	4	5	6	7
<b>BUDGET GOALS</b>	1	2	3	4	5	6	7
<b>ABILITY TO COMPETE FOR FACULTY</b>	1	2	3	4	5	6	7
<b>ADMISSIONS GOALS</b>	1	2	3	4	5	6	7
<b>FUND-RAISING GOALS</b>	1	2	3	4	5	6	7
<b>REPUTATIONAL GOALS</b>	1	2	3	4	5	6	7
<b>IMPROVED MORALE</b>	1	2	3	4	5	6	7
<b>IMPROVED ABILITY TO MAKE CHANGES</b>	1	2	3	4	5	6	7
Other (Please specify)	1	2	3	4	5	6	7

-8-

- 11) Will your institution continue to perform institution-wide planning?**  
(Please circle the letter)
- a. YES      b. NO      c. DON'T KNOW YET
- 12) Would it be accurate to characterize your institution-wide planning process as a *strategic planning* process?** (Please circle the letter)
- a. YES      b. NO
- 13) In order to ensure accurate coding, please complete the following:**
- Your Name \_\_\_\_\_
- Title \_\_\_\_\_
- Institution \_\_\_\_\_
- 14) How long have you been in this position?**
- \_\_\_\_\_ Years
- 15) How long have you been at this institution?**
- \_\_\_\_\_ Years

*Thank you very much for your time!*

*Please return the survey by October 11 using the enclosed stamped, addressed envelope to:*

*Stanford Institute for Higher Education Research  
Attention: Jean M. Prinvalle  
Stanford University  
Stanford, CA 94305-3084*

*If you have any comments, please use the last page of the survey (p. 12).*

-9-

**IF YOU ANSWERED NO TO QUESTION 1:**

Please take a few moments to answer Questions 16-21.

**16) Did you conduct institution-wide planning before 1984? (Please circle the letter)**

- a. YES                      b. NO                      c. DON'T KNOW

**17) If YES, what year was the planning completed? (Please circle the letter)**

- a. YEAR \_\_\_\_\_              b. DON'T REMEMBER

**18) Does your institution intend to begin an institution-wide planning process in the next three years? (Please circle the letter)**

- a. YES                      b. NO                      c. DON'T KNOW

Finally, three background questions.

**19) In order to ensure accurate coding, please complete the following.**

Your Name \_\_\_\_\_

Title \_\_\_\_\_

Institution \_\_\_\_\_

**20) How long have you been in this position?**

\_\_\_\_\_ Years

**21) How long have you been at this institution?**

\_\_\_\_\_ Years

*Thank you very much for your time!*

*Please return the survey by October 11, using the enclosed stamped, addressed envelope to:*

*Stanford Institute for Higher Education Research  
Attention: Jean M. Prinvalle  
Stanford University  
Stanford, CA 94305-3084*

*If you have any comments, please use the next page of the survey (p. 12).*

-11-

*Is there anything else you would like to say about the kind of planning your institution conducts or about this survey? If so, please use this space for your comments.*

*Your contribution to this effort is greatly appreciated. Thank you very much!*

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**First Pre-Test Letter**

**July 10, 1991**

**Dear :**

I write to ask for your help in critiquing the enclosed survey. It is part of the data collection effort for my dissertation.

In my dissertation I will develop a theoretical framework contrasting strategic planning as rationally-based decision-making behavior with the depiction of decision-making in higher education as collegial, political, bureaucratic, or anarchic. Then I will perform an empirical study to evaluate the effects of strategic planning on financial condition and prestige when it is implemented as an institution-wide activity in 4-year private colleges and universities. Four financial ratios and the number of years a deficit occurred are used to measure an institution's fiscal condition 5 years before planning began (1980 for institutions which did not conduct strategic planning), for the year in which planning began (1985 for non-strategic planners) and 3-5 years after planning began (1989 for non-planners). For the same time periods, selectivity, based on entering students' SAT scores, will be used to measure prestige. The outcomes of my research should help higher education researchers and practitioners assess whether strategic planning is an effective management tool in order to improve their institution's prestige and/or financial condition.

The enclosed survey will be used to identify institutions which conduct strategic planning. Please see the attached sheet for my definition and the decision rule that will be used to identify strategic planners. The survey will be sent in September to the presidents of the 4-year private colleges and universities in the U.S.

Because of your interest and expertise in strategic planning and management, I would be most grateful if you could complete the survey as if you were the institution's president and return it to me with your feedback as to how it can be improved. In order to meet my deadlines, I hope you can return your comments by July 20.

If you have any questions, please feel free to contact me at 415-366-5522 (home) or by email at [jmp@leland.stanford.edu](mailto:jmp@leland.stanford.edu). I will be out of town until Wednesday, July 17.

Thank you very much in advance for your assistance.

Sincerely,

Jean M. Prinval  
1320 Redwood Avenue  
Redwood City, CA 94061

Enclosures

**Second Pre-Test Interview Letter**

August 20, 1991

<sup>^F1?</sup>, President

<sup>^F2?</sup>

<sup>^F3?</sup>

<sup>^F4?</sup>

Dear <sup>^F5?</sup>:

What happens when your college plans? Are your goals achieved? Are the faculty willing to participate? These are a few of the questions which college presidents often ask when beginning a planning process. Unfortunately, answers to these questions are not easy to find. And if administrators turn to the literature for guidance, all they find are case studies and anecdotes - fascinating but of limited help due to the lack of a rigorous research design which severely limits their generalizability beyond the specific institution described.

In order to fill these gaps in the research, I am conducting an empirical study to assess the effects of institution-wide planning on the fiscal condition and comparative advantage of four-year private colleges and universities. A survey, which will be sent to the four-year private colleges and universities in the U.S., will be used to collect data about the type of planning conducted by institutions.

Before sending the final survey, it is important that the survey is critiqued by representatives of those who will be asked to complete it. Thus, I write to ask if I could meet with you to discuss your reactions to the survey. Enclosed is a copy of the survey; it is not necessary for you to complete it until we meet.

You are just one of 5 people whom I hope to interview; thus I hope a mutually convenient meeting can be arranged when I call your office on Wednesday, August 28th. Thank you in advance for your assistance.

Sincerely,

Jean M. Prinvalle  
Doctoral Candidate  
Stanford Institute for  
Higher Education Research  
Stanford University  
Stanford, CA 94305-3084

Enclosure

**Second Pre-test Letter**

August 20, 1991

**^F1?^, President**

**^F2?^**

**^F3?^**

**^F4?^**

Dear **^F5?^**:

What happens when your college plans? Are your goals achieved? Are the faculty willing to participate? These are a few of the questions which college presidents often ask when beginning a planning process. Unfortunately, answers to these questions are not easy to find. And if administrators turn to the literature for guidance, all they find are case studies and anecdotes - fascinating but of limited help due to the lack of a rigorous research design which severely limits their generalizability beyond the specific institution described.

In order to fill these gaps in the research, I am conducting an empirical study to assess the effects of institution-wide planning on the fiscal condition and comparative advantage of four-year private colleges and universities. A survey, which will be sent to the four-year private colleges and universities in the U.S., will be used to collect data about the type of planning conducted by institutions.

Before sending the final survey, it is important that the survey is critiqued by representatives of those who will be asked to complete it. Thus, I write to ask if you would please take the time to complete the enclosed survey and include *any* comments or criticisms about the questions or its format. Enclosed is a stamped, self-addressed envelope for returning the survey to me. If it is more convenient, you may communicate your comments by telephone (415-366-5522) or email ([jmp@leland.stanford.edu](mailto:jmp@leland.stanford.edu)). A response by Friday, August 30th is requested so that I can meet my final printing deadline.

You are just one of 8 people to whom I am sending this survey and thus your response is very important. Thank you in advance for your assistance.

Sincerely,

Jean M. Prinval  
Doctoral Candidate  
Stanford Institute for  
Higher Education Research  
Stanford University  
Stanford, CA 94305-3084

Enclosure

**Survey Cover Letter**

October 1, 1991

**^F5?^ ^F6?^ ^F8?^, President  
^F10?  
^F11?  
^F12^, ^F16^ ^F17?^**

Dear **^F5?^ ^F8^:**

After a lengthy history of use in business, formalized planning has gained popularity within higher education during the past two decades. Institution-wide planning, in particular, is often touted as a technique for improving an institution's comparative advantage. Unfortunately, little systematic data exists indicating what really happens when colleges or universities engage in institution-wide planning.

I am using the enclosed survey to determine what type of planning is conducted by four-year private colleges and universities. This information will be combined with publicly available financial data about your institution to assess how institution-wide planning affects a college's fiscal condition and market power.

Each response is critical so I hope you will take the time (less than 15 minutes) to answer the survey. You will not need to refer to any records or statistics. The results of my research should help higher education administrators and researchers assess whether institution-wide planning is an effective management technique.

In order to meet my deadlines, I would appreciate a response by October 11. If you are not able to respond personally, please direct the survey to the person at your institution who has the most knowledge about the history of your institution's planning activities.

Thank you in advance for your assistance. If you have any questions, please contact me at 415-366-5522 or by email at [jmp@leland.stanford.edu](mailto:jmp@leland.stanford.edu). Also, I will be pleased to send you a summary of the study if you check the appropriate space on the first page of the survey.

Sincerely yours,

**Jean M. Prinvale**

Enclosure

## **Follow-up Letter**

October 26, 1991

<sup>^F5?^ ^F6?^ ^F8?^</sup>, President  
<sup>^F10^</sup>  
<sup>^F11?^</sup>  
<sup>^F12^, ^F16^ ^F17?^</sup>

Dear <sup>^F5?^ ^F8?^</sup>:

On October 1, I wrote asking you to answer a survey regarding the type of institution-wide planning conducted by your college. To date, I have not received your response.

This research study is the first known attempt to evaluate systematically what kind of planning is conducted at four-year colleges and universities. Therefore, your response is important so that I have a genuinely representative sample. The results of my research should help higher education administrators and researchers assess whether institution-wide planning is an effective management technique.

I hope you will take the time (less than 15 minutes) to complete the survey. In case it was misplaced, another copy of the survey, along with a stamped, self-addressed return envelope, is enclosed. You are not required to refer to any records or statistics. In order to meet my deadlines, I would appreciate a response by November 11. If you are not able to respond personally, please direct the survey to the person at your institution who has the most knowledge about the history of your institution's planning activities.

Your cooperation is greatly appreciated. If you have any questions, please contact me at 415-366-5522 or by email at [jmp@leland.stanford.edu](mailto:jmp@leland.stanford.edu). Also, I will be pleased to send you a summary of the research results if you check the appropriate space on the first page of the survey.

Cordially,

Jean M. Prinvale

Enclosure

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