

# The impacts of budget cuts on organisational structures



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## Contents

- Decision

As the recession deepens, universities are cautious of pending redundancies which will unimpeachably impact the organizational constructions. AnA organisational structureA consists of activities such as undertaking allotment, coordination and supervising, which are directed towards the accomplishment of organizational purposes ( Pugh, 1990 ) . A It can besides be considered as the sing glass or position through which persons see their organisation and its environment ( Jacobides, 2007 ) .

Universities are likely to fight financially cut downing their options. The cuts are besides to take consequence in the current academic twelvemonth, and this is likely to impact the controlling and allotment of resources ( Exquisite <https://assignbuster.com/the-impacts-of-budget-cuts-on-organisational-structures/>

Life Research, 2011 ) . Can universities adapt to these alterations in clip with immediate consequence? Or will these do perplexities. I believe this is dependent on many factors such as the universities current capablenesss and civilization every bit good as the environmental fortunes where I believe will impact more instruction led over research driven universities. The processs for be aftering and commanding resources can be found in the universities scheme for that peculiar twelvemonth. This includes their cardinal strategic purposes, sustainability, challenges, cost allotment, growing of finance and many more. However non all universities will unwrap this, merely a selected few.

### **Forms of organizational control ( Hopwood, 1974 )**

Hopwood ( 1974 ) stated three of import controls in order to organize an endeavor. Although a university is considered an ' institution ' , the opinion and running of some establishments can be classified in a concern mode. Further support can be taken from Jones ( 1994 ) who asserted that universities can profit from a more industrial theoretical account of direction. There is force per unit area to maximize the efficiency with limited resources available in universities, but where should this efficiency be gained?

I believe this is dependent on the universities doctrine and tradition and where they maximise their constitution. In other words, this is the civilization in the university.

CultureA describes the psychological science, attitudes, experiences, beliefs and values in a university. It has been defined as the specific aggregation of values and norms that are shared by people and groups in an administration

and that control the manner they interact with each other and with stakeholders outside the administration. [

### **‘ Research-led and ‘ Teaching-led ‘ Universities**

In building links between research and learning the subject ( university ) is an of import go-between ( Healey and Jenkins 2003 ) . This is because the behavior of research and the instruction attacks tend to differ between universities in the UK. This frequently leads universities to move as distinguishable ‘ academic folks ‘ ( Becher and Trowler 2001 ) or ‘ communities of pattern ‘ ( Wenger 1998 ) . These strong positions in portion reflect the importance of associating research and instruction in the individuality of many faculty members ( Henkel 2000 ) , all which will be impacted by the budget cuts. But which political orientation will be affected more?

The nature of the universities doctrine in associated with the environment of different civilizations in which research and learning take topographic point. Hundreds of old ages of subject are improbable to alter, and hence the budget cuts will impact in diverse ways. Additionally, I believe there is the nature of answerability and the internal political factors that will encroach on the impact in commanding and planning of resources. But where does the answerability prevarication? This depends in who is in control of the fundss. I believe carry throughing public answerability duties is of import for universities. Further support can be taken from Coy ( 2001 ) who states that with more open commercial, administrative or political aims ; public answerability can be minimised.

## **Accountability**

Sinclair ( 1995 ) produced “ The chameleon of answerability signifiers and discourse in public sector ” which is all peculiarly relevant in this instance survey. Accountability can be distinguished as a relationship affecting the “ giving and demanding of grounds for behavior ” ( Roberts and Scapens, 1985, page 447 ; Robinson, 2003, page 172 ) . It is this facet of answerability which has been a focal point in the accounting literature ( Jacobs and Walker, 2004 ) .

Accountability may be dictated or implied by jurisprudence, ordinance, or understanding or outlook in the university ; the people in the administration have to bear the effects for failures for these controls ( Hoskin, 1996 ) . As Emmanuel ( 1990 ) provinces, there are different ways in which control in an administration can be accomplished. Once once more, I believe civilization has a cardinal impact in all of this.

The universities will reason that their reform is a uninterrupted and dynamic procedure. Therefore it is hard to pull a unvarying image of the impact of the alterations. However it is normally accepted that Universities have to alter what they do, but traditional university constructions, describing mechanisms and control procedures are confronting troubles in get bying with these alterations. Is this a control system?

Charles HandyA ( 1985 ) popularized the 1972 work of Roger Harrison of looking at civilization which some bookmans have used to linkA organizational structureA to organisational civilization. He describes aA Power CultureA which concentratesA powerA among a few. Control radiates

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from the centre like a web. Power and influence spread out from a cardinal figure or group. Power derives from the top individual and personal relationships with that single affairs more than any formal rubric of place. Power Cultures have few regulations and littleA bureaucratism ; fleet determinations can result. In aA Role Culture, people have clearly delegated governments within a extremely defined construction. Typically, these organisations form hierarchal bureaucratisms. Power derives from a individual ' s place and small range exists for adept power. Controlled by processs, functions descriptions and authorization definitions. Predictable and consistent systems and processs are extremely valued.

I believe internal alterations in the organizational construction is hard ; establishments are seeking to get by at the same time with increased work loads and decreased degrees of resources ( Ackroyd and Ackroyd, 1999 ) whilst altering the ways things are done in the university. Universities have besides been described as bureaucratic administrations ( Blau 1973 ; Holdaway et Al. 1975 ) trusting on formalistic functions and processs for control. Becker and Gordon ( 1966 ) proposed that university constructions combined both collegial and bureaucratic features.

The primary benefits for the University that would be realised is the increased ability to excite inter-disciplinary activities that presently straddle Faculty boundaries, cut downing dealing and co-ordination costs and holds. In add-on it is expected that the alterations will take to a secondary benefits such as the facilitation of a alteration in civilization towards greater legerity, less bureaucratism, enhanced

interdisciplinary working and improved invention.

It is imperative for British universities to cover with these cuts every bit expeditiously as per chance due to its fond regard to the civic function for Higher Education and strong traditional academic values ( Paterson, 2003 ) . The universities are socially embedded such as educating, keeping and developing the state ' s civilizations, fixing pupils to lend to community and economic development ( Jarzabkowsky, 2002 ) , nevertheless non all universities will portion this doctrine. These budget cuts can go linked to public presentation indexes such as graduation rates occupation placement statistics ( Vestrich 2006 ) . Lord Mandelson, the universities secretary broadcasted that ? 135 million would be cut in the vice-chancellors budgets next twelvemonth, on top of ? 180 million of efficiency nest eggs ( Times Online, 2011 ) . But how is this is likely to impact the administration? I believe this is dependent on its hierarchy of communicating and determination devising.

There are different attacks by universities to present, and how to be organised and how answerability and control should be run. A typical account can be derived from my current university. Aston University ' s manner of coordination can be classed as bureaucratic ; the counsellor/senate responds to what to make and the schools study back which is besides the instance in universities such as Cambridge University who hold collegial schools that want to desire to do the determinations which feeds up to the counselor and senate. Oxford University like to convey all cognition under one establishment and non needfully doing any hierarchy.

The hierarchy and constructions can be impacted in many ways ; one which I <https://assignbuster.com/the-impacts-of-budget-cuts-on-organisational-structures/>

believe is of import is in determination devising. Universities such as Aston University, it is really much research-led within its modules such as the Business School and School of Engineering. Outside of these schools, the vice-chancellors and dean make the top determinations. Will these budget cuts affect the determination doing Aston University as a whole? Or will there still be some sort of segregation? It is hard to reason this deduction but it is understood that Aston University, and Aston Business School run their ain fundss seeing that the Business School has a major influence in its hard currency coevals. It is improbable that they will hold much say in determinations such as developing schemes in Aston services which is provided centrally, as they have their ain service to be accountable in their research based modules. Therefore it is apparent universities have different political orientations.

Several theories have been used to explicate differences in the rationalized, formal constructions of organisations that are used to organize and command their members. Two of the most outstanding theories, eventuality theory and institutional theory, take about opposite attacks to understanding the factors that lead to the development of different formal constructions. Contingency theory suggests that the demands imposed by proficient undertakings in the organisation promote the development of schemes to organize and command internal activities, and institutional theory ( discussed subsequently ) suggests that the outlooks sing appropriate organisational signifiers and behavior that are expressed in the wider societal environment promote the development of an organisation ' s formal construction.



## Contingency Theory

Contingency theory has two basic implicit premises ; foremost, that there is no 1 best manner to organize. Second, any manner of organizing is non every bit effectual ( Galbraith, 1973 ) . This is stating that the best manner to organize depends on the nature of the environment to which the university relates ( Scott, 1992 ) .

Depending on if the university is ' research-led ' or ' teaching-led ' , the budget cuts will hold different deductions on organizational constructions and the planning and controlling of resources. I believe cuts of this magnitude will doubtless impact on the sustainability or universities which are ' teaching-led ' .

This is supported by the fact that there will ? 27. 6 million decrease in the research budget and a ? 162 million, cut in support for learning ( Exquisite Life Research, 2011 ) .

Contingency theory suggests that the demands imposed by the budget cuts in the university promote the development of schemes to organize and command internal activities whereas Institutional theory suggests that the outlooks sing appropriate establishments behavior that are expressed in the wider societal environment promote the development of a universities formal construction.

Harmonizing to the eventuality position, a university focuses on its proficient activities and shapes its work processes to advance those activities while protecting them from perturbations in the external environment. As with the environment being an of import variable in the eventuality theory,  
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establishments besides operate at different degrees of legal power, from the universe system to localised interpersonal relationships.

Education functionaries are turning the attending to answerability in higher instruction as the revenue enhancement remunerator ' s money is pumped in. These cuts are likely to impact the academic success through enrolment figures and graduation rates ; these alterations are likely to keep different impacts, at different universities with diverse standardised answerability policies introduced. Universities in the UK are really diverse in their doctrine and civilization and whilst we look at this through the eventuality theory ; it is clear that universities do non easy accommodate to a one size fits all sort of environment.

Scott and Richard ( 2001 ) mentioned that there is no individual and universally agreed definition of an ' institution ' in the institutional school of idea. He stated that Institutions are composed of cultural-cognitive, normative, and regulatory elements that, together with associated activities and resources, provide stableness and significance to societal life. Just as the eventuality concludes that there is no 1 best tantrum attack, establishments are transmitted by assorted types of bearers, including symbolic systems, relational systems, modus operandis, and artifacts.

## **Institutional Theory**

As I mentioned earlier, the civilization of a university is an of import facet of its reaction to such budget cuts, and we can see this through the theoretical lenses of Institutional theory. Here it attends to the deeper and more resilient facets of societal construction. It considers the procedures by which

constructions, including scheme ; regulations, norms, and modus operandis, go established as important guidelines for societal behavior ( Scott & A ; Richard, 2004 ) . Institutional theory inquires into how these cultural elements are created, diffused, adopted, and adapted over infinite and clip ; and how they fall into diminution and neglect ( Scott & A ; Richard, 2004 ) . Although the apparent topic is stableness and order in societal life, universities must perforce non merely to consensus and conformance but to conflict and alterations in societal constructions.

Van de Ven ( 1976 ) suggested three manners of coordination and control that are used to pull off: the bureaucratic manner, the personal manner, and the group manner. The bureaucratic manner relies on standardized undertakings to restrain. The integrating mechanisms include pre-established programs, agendas, and prognosis ; formalized regulations, policies, and processs ; and standardized information and communicating systems.

Universities are likely to be fined for enrolling excessively many pupils in the UK accordingly many pupils will lose out in inscribing to higher instruction. This is non to state that pull offing the procedure will non be hard, but it may be premature to declare this a catastrophe as some have done ; so, even warning over the possibility of poorer learning resources may be counter-productive in the international pupil market on which so many universities now depend. The fundss raised can battle the budget cuts which would supply universities with limited resources.

Scott ( 1995 ) indicated in his pillars of establishments that, in order to last, universities must conform to the regulations and belief systems predominating in the environment ( DiMaggio and Powell, 1983 ; Meyer and Rowan, 1977 ) , because institutional isomorphy, both structural and procedural, will gain the universities legitimacy.

Three pillars of establishments ( Scott, 1995 ) ;

## **A**

Regulative

Normative

Cognitive

Footing of conformity

Expedience

Social Duty

Taken for given

Mechanisms

Coercive

Normative

Mimetic

Logic

Instrumentality

Appropriateness

Orthodoxy

Indexs

Rules, Torahs, countenances

Certification, accreditation

Prevalence, isomorphy

Footing of legitimacy

Legally sanctioned

Morally governed

Culturally supported, conceptually right

I believe universities runing in different parts with changing institutional environments will confront diverse force per unit areas. Some of those force per unit areas in host and place institutional environments are testified to exercise cardinal influences on competitory scheme and planning and controlling of resources.

Institutional theoreticians assert that the institutional environment can strongly act upon the development of formal constructions in a university, frequently more deeply than market force per unit areas. Advanced

constructions that improve proficient efficiency in early-adopting universities are legitimised in the environment. At this point new and bing universities will follow the structural signifier even if the signifier does n't better efficiency. Legitimacy in the institutional environment helps guarantee the universities endurance. However, these formal constructions of legitimacy can cut down efficiency and impede its competitory place in their environment.

In contrast to the eventuality theory, harmonizing to the institutional position, a university, additions legitimacy by conforming to external outlooks of acceptable pattern while dividing its internal activities from externally directed symbolic shows. A university therefore may ceremoniously follow elements of formal constructions, such as standardized coordination and control patterns, to show the reason of its operations to external components, instead than to command its members ( Meyer and Rowan, 1977 ; DiMaggio and Powell, 1983 ) . I find that there is a high degree of consensus and cooperation within the institutional environment, and the diffusion of advanced constructions is steady and durable. However, when the institutional environment is combative and unfocussed, acceptance of advanced constructions is likely to be slow and probationary.

However, there have been few systematic attempts to prove the isomorphism-legitimacy nexus because of go oning troubles in specifying and mensurating legitimacy ( Bozeman, 1993 ; Galaskiewicz, 1985 ; Suchman, 1995 ; Terreberry, 1968 ) .

The budget cuts require specific signifiers of information to supervise the activities of the organisation. This will stand for a alteration in the regulations, i. e. the signifier of the direction accounting system. As these regulations are introduced and implemented, new modus operandis will emerge, i. e. existent processs will be developed and reproduced by the assorted people involved. These processs must work alongside the many other organizational modus operandis already in topographic point, and they will be shaped by the bing establishments. Gittel ( 2003 ) argues that the coordination of extremely mutualist work is more efficaciously carried out through high-quality communicating and relationships, peculiarly through relationships of shared ends, shared cognition, and common regard.

### **Comparison of the two theoretical positions**

Despite the evident incompatibility between these two positions, theoreticians working within each recognise its interrelatedness with the other. Drazin and Van de Ven ( 1985: 516-517 ) who used eventuality theory, recognised that many internal coordination and control patterns may go institutionalized over clip and therefore may be unresponsive to the undertaking engineering the administration uses. Similarly, Gresov ( 1989: 439 ) observed that certain coordination and control patterns may function a symbolic function while others may function an instrumental function in accomplishing control and bettering public presentation.

The impact of external and internal eventualities has besides been recognized in institutional theory. Meyer and Rowan ( 1977 ) theorized that organisations may utilize comparatively formalistic control patterns for symbolic intents while really exerting control over their members via more

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idiosyncratic and societal agencies. Scott ( 1987: 507-509 ) has observed that eventuality and institutional theory accounts, when applied individually, offer merely an uncomplete apprehension of the different functions played by assorted coordination and control patterns that are used in modern-day organisations but that both theories together could be used to understand better the instrumental and symbolic functions fulfilled by coordination and control patterns.

Institutional theoreticians by and large ground that because an organisation depends for endurance on the support of external components, it must conform to accepted societal norms ; this concluding applies particularly in the instance of authorities organisations ( Meyer and Rowan, 1977 ; Meyer et al. , 1978 ; DiMaggio and Powell, 1991 ; Scott, 1987 ) . These institutionalised outlooks are expressed in a wide category of elements that includes regulations, designs for action, standard operating processs, impersonal prescriptions, apologizing techniques, formalisation, and certification ( Meyer and Rowan, 1977: 341-343 ; Scott, 1987: 497-499 ) .

Although critics recognise the benefits of suiting these rules to single state of affairss, they besides argue that eventuality theory provides no utile generalisations for administrations to use. On a research degree, eventuality theory has been disparaged for being ' atheoretical ' ( Argyris and Silverman 1985 ) . One necessity of theory is the accomplishment to prove the legitimacy of premises by demoing that opposing premises do non annul the theory. In a eventuality model, if opponent consequences are attained, the eventuality answer would be that the fortunes are alone or that imperative



dimensions impacting the fortunes were non weathered. Therefore, demoing that contradictory premises disprove the theory would be hard at best.

However, Institutional theoreticians disagree about how an institutional environment should be conceptualized and which of its characteristics are most outstanding ( Scott, 1992 ) . Because an institutional environment “ can non be defined a priori, but must be defined on the footing of empirical probe ” ( DiMaggio and Powell, 1983: 148 ) . A major disadvantage with eventuality theory, is that it is inactive ; a snapshot. However institutional theory by definition connotes stableness but is capable to alter procedures, both incremental and discontinuous ( Powell & A ; DiMaggio, 1991 ) .

No such thing as a perfect theory ; need theory to understand pattern and the complexness. We use theories to believe in abstract ways and to simplify things.

## **Role of Accountants**

In my vision, accounting is one of the strongest methods of control in the administration as it is the most easiest to implement. Anthony ( 1965 ) stated that Management Control Systems ( MCS ) is the procedure by which directors assure that resources are obtained and used efficaciously and expeditiously in the achievement of the administrations aims ; connoting that directors are accountable for the achievements of the concerns aims. Sing that this is a motivation for the executing of MCS, it can be assumed that in the broadest sense, an comptroller ' s function is to use and set into operation the MCS in commanding and be aftering resources expeditiously.

With old universities ' they are run by faculty members to believe about the costs. The job with this is universities are run by faculty members who are non best to command costs. Therefore comptrollers are needed to command budgeting. For e. g wellness professor will desire finance for to happen a remedy for malignant neoplastic disease. University does non cognize if this will present. Finance people will state ' it ' s about the money ' but professors will state ' it ' s about the wellness ' . This is a quandary in itself but the comptrollers recognise that results have to be delivered. Further support can be taken from Schuh ( 2000 ) who stated it is non easy to be a budget officer or fiscal director in an establishment of higher instruction

A typical illustration is of the NHS ; they are run by physicians, they do n't acquire adequate money to command costs - money should n't be the issue. The function of comptrollers in administrations is non to turn into academic but trefoils, but to happen ways to salvage money. There will ever be deficits of resources, this demand to be controlled. You have to ever believe about resources - but non to do the faculty members think that their research is non valuable. A balance needs to be found. The finance people will hold to convert, that these Numberss are of import, non merely to do people experience squeezed - how they should pass on resources. The money needs to be invested in substructure - the value is non necessarily Numberss but the experience.

In decision, finance managers and comptrollers should ever cover with costs otherwise there will ever be issues with planning and controlling resources.

Accountants will inquire the inquiry at such universities ; is it worth funding?

This is really political and one time once more we can state that this is <https://assignbuster.com/the-impacts-of-budget-cuts-on-organisational-structures/>

dependent on the universities tradition and specialization. Institutions such as the University of Edinburgh will diminish its allotment through the budget cut, nevertheless other universities such as BCU will command its resources guaranting that the planning after the budget cuts ensures adequate is financed for its teaching-led doctrine.

## **Decision**

With major cuts, it is clear that universities will hold to concentrate on costs in commanding and be altering their resources which later is likely to hold an immediate consequence on the organizational construction. It may be that the construction will necessitate to follow the industrial theoretical account and go centralized and in consequence the relationships really much ' managerialised ' . If the industrial theoretical account is replicated in an establishment, the Chancellor of the Exchequer of a university can be recognised as the main executive. Additionally ; post 92 ' the executive determinations were made through merely like a concern through boards of managers. Therefore this reproduction can be really easy managed. This is besides supported by the Jarrott study. If universities become more centralized, the centrality of disposal can ensue in increased operating expense costs and inflexible bureaucratism. Universities will necessitate to develop devolved authorization structures that will assist to get by with big size and diverse activities ; do the best usage of ' local ' and adept cognition ; speedier determination pickings ; encourage invention and answerability ; and derive greater cost and gross consciousness ( Bourn, 1994 ) .

My research has led me to believe that the budget cuts are likely to impact on 'teaching led' universities over 'research led' over the universities organizational constructions and the controlling of their resources. Much current pattern as to ways of associating research and instruction reflects tradition, but there is considerable variability in attacks within topics. This is chiefly due to the universities civilization of their establishment where these resources are affected.

The statement is that eventuality fit produces internal effectivity, whereas institutional tantrum produces external legitimacy and support. Eventuality and institutional theories tend to conflict by ordering different constructions as their tantrums. The undertaking for universities, and their local stakeholders, is to guarantee that they manage the sort of efficiencies and develop the type of proviso that will enable them to sit out the current budget cuts.