

# [The theatre budget](https://assignbuster.com/the-theatre-budget/)

[Business](https://assignbuster.com/essay-subjects/business/), [Management](https://assignbuster.com/essay-subjects/business/management/)

The case titled The Theatre Budget was a short journal about a frustrated Vice-President of a performing arts theatre that had a Board of Directors more concerned about artistic values than how they would pay the bills. Janet Dobbs was Vice President for Administration and President-elect for this small taxexempt organization called the Greater Euclid Little Theater (GELT). It is obvious in the case that there is a divide between industries; business administration/accounting and the arts.

One can only imagine the frustration Dobbs faced trying to inform and educate a Board of Directors about the financial crisis at hand to only have it fall on deaf ears and have blunt resistance. Being a non-profit organization means GELT needs to be very careful with their resources and how they obtain and distribute their funds. The Theatre Budget demonstrates how important it is to have a strategic plan meet the goals and objectives of an organization whether it is quantitative or qualitative.

With the acquisition of a new Artistic Director (Andy Spaulding), the small theatre grew to become quite successful after eleven years of operating; with its new found success, GELT adopted a new mission statement: “ to provide professional quality theatre at an affordable price for the families of the greater Euclid area. ” (Tucker, H. , 2003, p. 1) The beginning of a budget formulation needs a strategy; Chapter 7 of the text discusses how managers must understand the linkages between their programs and the organization’s overall strategic directions (Young, D. p. 149). In the case, GELT’s treasurer informs Dobbs that prior to 2001, Spaulding’s salary had been paid for by the tuition from the students taking classes from him at the theatre. Spaulding decided he didn’t want to teach the classes in the future which was going to result in a significant loss of revenue.

Spaulding would not be convinced that realistic budgeting was necessary for GELT and that there was a direct tie between the programs (or classes) being offered and their future revenue projections. (Tucker, H. , 2003, p. ) In addition, if Spaulding is serious about raising artistic awareness in the community, what not a better way than to teach the classes to the youth of Euclid? It just doesn’t make any sense why he would decide to stop teaching these classes nor does the case explain that decision.

The Board of Directors gives the impression of being so utterly ignorant it is dumbfounding! If an organization’s strategy is to evolve over time because of shifting environmental opportunities and threats, and changing organizational strengths and weaknesses, senior management i. . Board of Directors, must find ways to monitor and manage the organizations programs so they remain consistent with, and supportive of the evolving strategy and potential growth. (Young, D. , p. 149-150) Managers must be careful not to allow the quantitative factors to dominate the decision. Maybe Dobbs needed to try to relate to the Board of Directors in a language they feel more comfortable with. For example, explain the impact it has had on the students in the community since Spaulding stopped teaching classes.

Perhaps bring one of the old students in to tell the Board how much they wished they could still take those classes. Maybe it is a little manipulative but these people need something real that will make them understand in a different way how important the classes are; it’s a win-win situation. There isn’t any real indication that the mission was considered in developing the rejected budget. Reading through the budget problems and solution, there was not a sense that it was tying back to GELT’s mission at all, it was more Dobbs trying to prove a point about how unrealistic their budgeting practices had been.

There was no “ feeling” behind her proposal and the Board of Directors may have not immediately gone on the defensive if Dobbs may have taken more time to explain how things got the way that they did and perhaps tried to keep bringing their mission back into what she was trying communicate to them since they are the ones who originally adopted the mission! This brings the next topic of goal congruence into consideration. Since GELT, like any other organization, does not have a mind of its own, cannot have goals and are therefore actually the goals of the board and/or senior management.

Senior management wants the organization to attain these goals but the goals are not always congruent with the personal goals of the operating managers and professionals; in this case, Spaulding. Because participants tend to act in their own self-interest, the achievement of the organizational goals may be frustrated. (Young, D. , p. 127) This is the case with almost everyone involved! Dobbs wanted to get her point across to the Board and vice-versa. A lot can be said though about the fact that the budget committee was persuaded by Dobbs’s proposal.

Here you have a team of individuals who understand finance, and then you have a Board of Directors who rejected it. Is this because the Board simply is not as fiscally knowledgeable or because they are just being resistant to change? The case does not give the reader the impression that there is much support towards the budget process at all yet the Board of Director’s thought Spaulding would view no salary increase as a lack of support; their priorities seem a little backwards when it comes to budgeting. Any management control process includes two phases that deal with organizational planning; programming and budgeting.

Programming decisions frequently involve investments in fixed assets that senior management expects will be used for several years, and that will result in a financial return. By contrast, the budgeting phase typically has a one-year focus and is concerned with only operating activities. The end results usually are an operating budget and a cash budget. (Young, D. , p. 137). The initial budget from Dobbs followed the revenue-first policy which means that those responsible for budgeting first decide on what the organization will have in terms of resources (revenue), and then decide on how it will be spent.

The text states: The general purpose of a non-profit organization is to provide as much services as it can with available resources... The goal in preparing an operating budget, therefore, is to decide how best to spend it. This suggests that the basic approach should be to first estimate the available resources. Most managers would agree that the policy of anticipating revenues first, and then budgeting expenses below or equal to them, is fiscally sound. (Young, D. , p. 168)

The GELT Board expressed their displeasure about the fact that in Dobbs’ proposed budget revenue was less than the year before even though their previous year’s actual revenue was $15, 000 less their anticipated revenue and their expenditures were more than their revenue. Dobbs reduced expenditures to reflect realistic projected revenues. There are exceptions to the revenue-first policy; the exceptions that would relate to this case include discretionary revenue, anticipated revenue or short-run fluctuations. All possible in GELT’s case, but it does not hold enough weight to consider budgeting expenses before revenue given the organization.

Two of the Board members felt that limiting revenue projections was going to directly affect incentive and that high revenue estimates would give the organization incentive to work to make “ dreams” come true. While this statement can hold true, it has proven not to be working in GELT’s case for many years now – they need a change if they want to survive. Sometimes, a realistic goal can give people more motivation than an unrealistic goal because it is within reach. Think of the feeling staff would have if that realistic goal is then surpassed? GELT can look at increasing revenue eventually, but they need to start breaking even first.