# STRATEGY OF FINANCIAL MANAGEMENT

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Limited budget
Not-for-profit
Multiple goals
Private HE
Egalitarian in nature
Distributed strategy
No direct return

HEI must ensure its viability to improve its ability to reach its goals.

# CRITERIA for GOOD FINANCIAL MANAGEMENT MODEL

| | |
|---|---|
| **Stability** | • Long term orientation<br>• Planned |
| **Flexibility** | • Regulated vs flexible posting<br>• Central vs local authority |
| **Accessibility** | • Clear & simple procedures<br>• Quick accessing time |

# CRITERIA for GOOD FINANCIAL MANAGEMENT MODEL

## Legitimate

- Transparency
- Accountable
- Fair

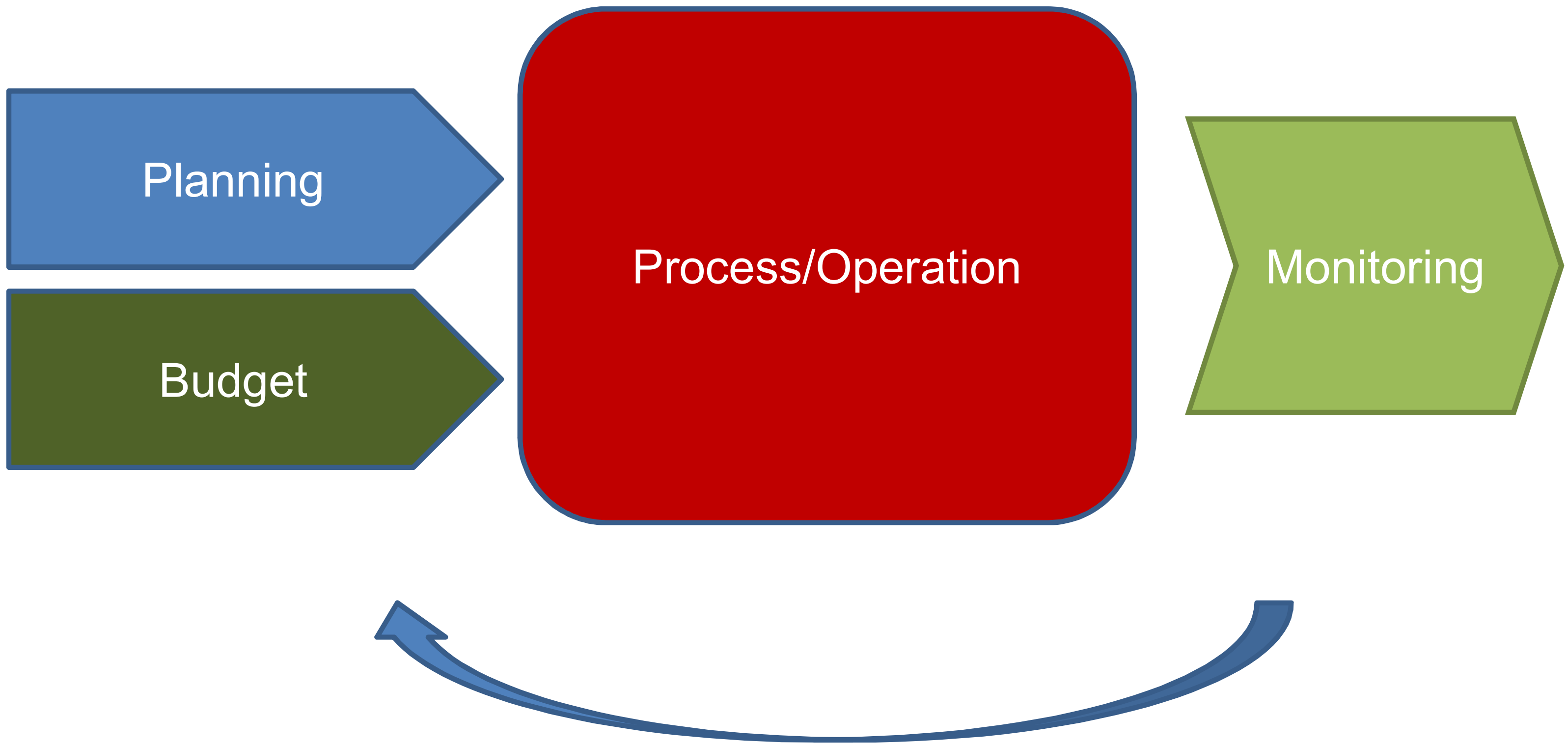
## Efficient

- Goal/performance oriented
- Cost-efficient oriented

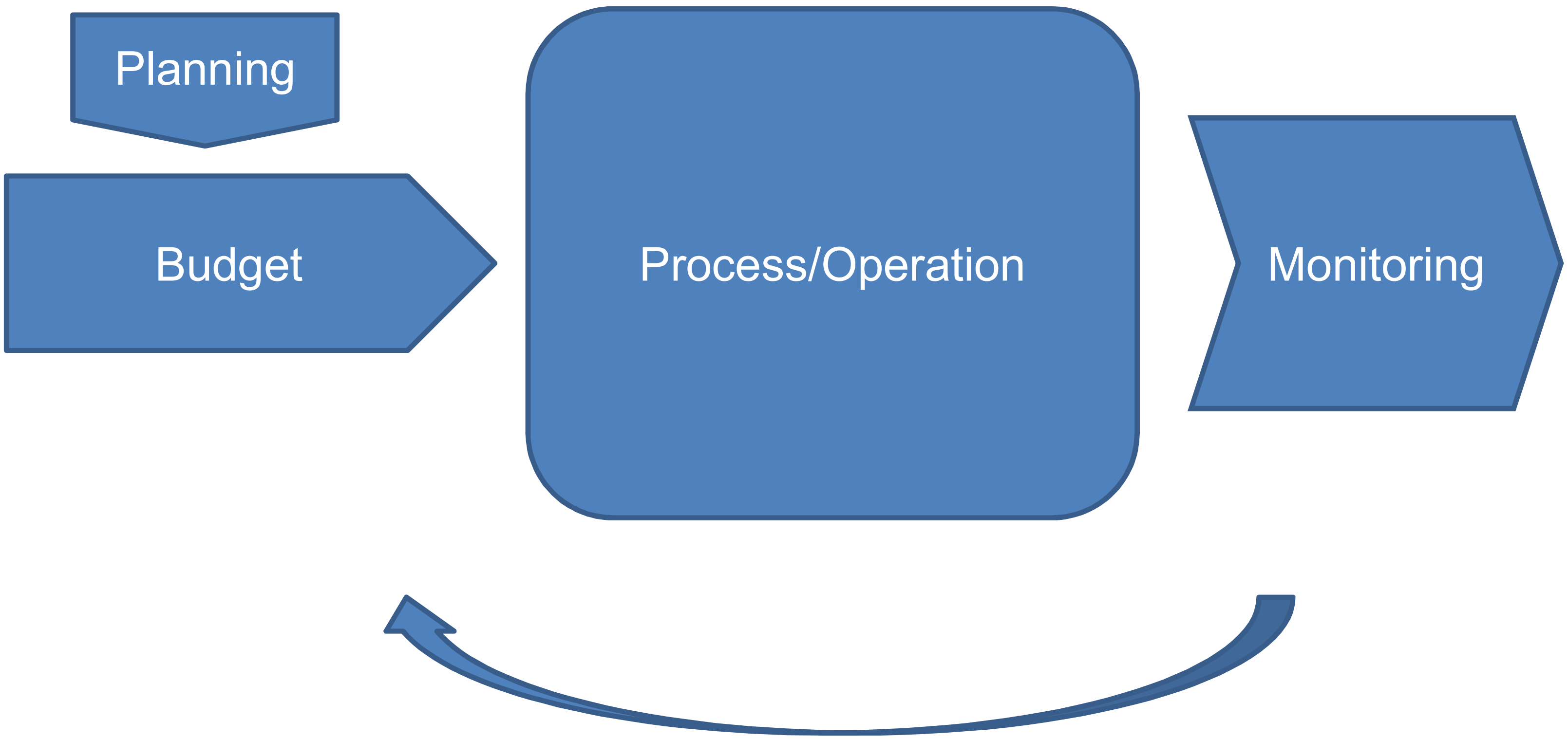
## Incentive

- Stimulate innovation
- Respond to demand
- Stimulate healthy competition

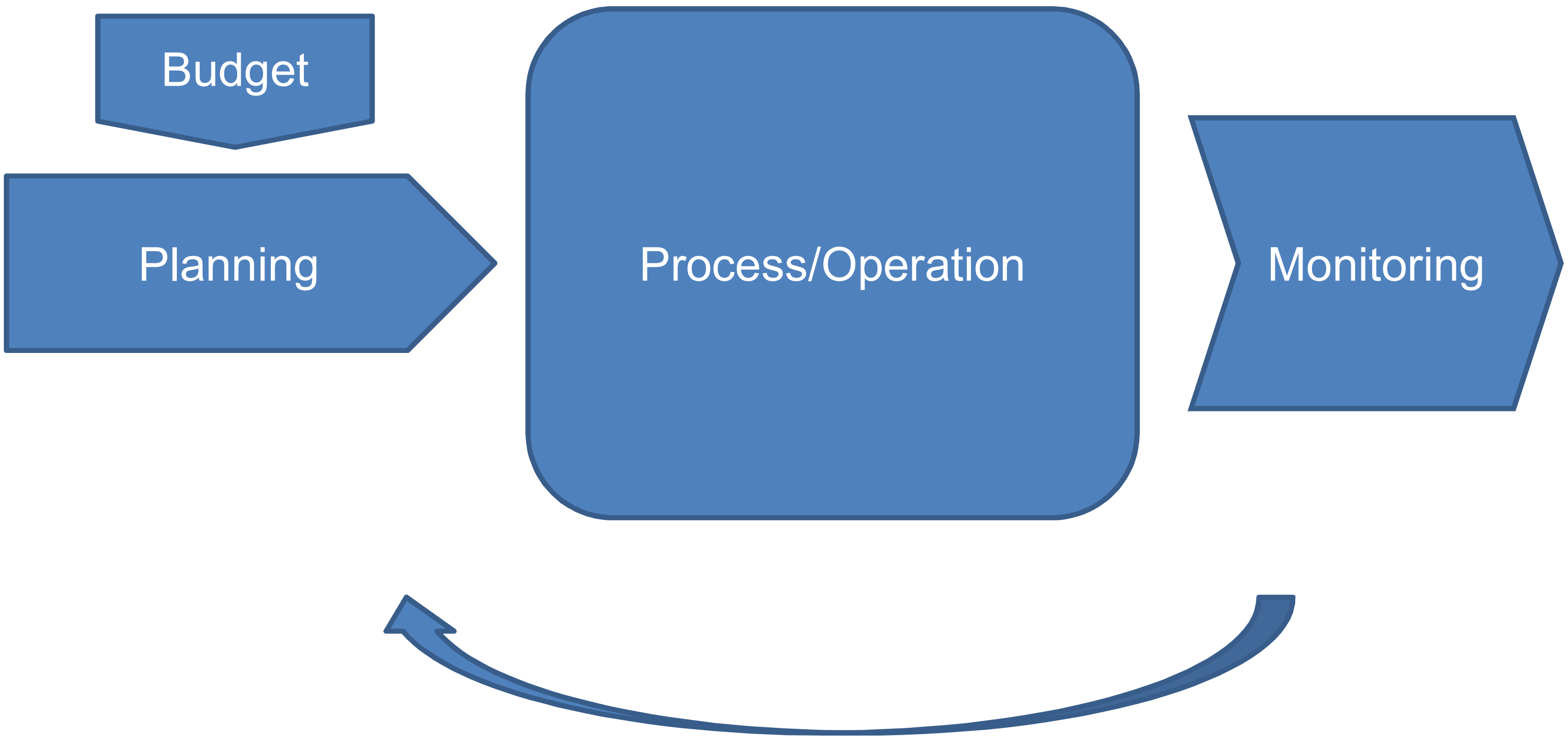
# HEI FINANCIAL MANAGEMENT Model



## HEI FINANCIAL MANAGEMENT Model



## HEI FINANCIAL MANAGEMENT Model



# INCREMENTAL BUDGET MODEL

- Allocations are based upon the funding levels of the previous year

# ZERO-BASED BUDGET MODEL

- Every part of the institution must re-request funding levels, and all spending must be re-justified.

# ACTIVITY BASED MANAGEMENT

- Awards financial resources to institutional activities that see the greatest return (in the form of increased revenues) for the institution

## RESPONSIBILITY CENTER MANAGEMENT

- Each unit receives all of its own revenues and income, including the tuition of its enrolled students. However, units are also responsible for their own expenses, as well as for a portion of expenses incurred by the university’s general operations.

## CENTRALIZED BUDGET MANAGEMENT

- All decision-making powers to be in the hands of upper level administration

## PERFORMANCE BASED MANAGEMENT

- Awards funds based on performance, which is determined by a number of defined outcomes standards.

## FORMULA BASED BUDGET MODEL

- Allocations are based upon a formula that accommodates many factors (organization size, performance, priority, etc.)

## COMPETITION BASED MODEL

- A kind of zero-based budgeting but units are competing to each other to gain the allocated budget.

## Other MODELS

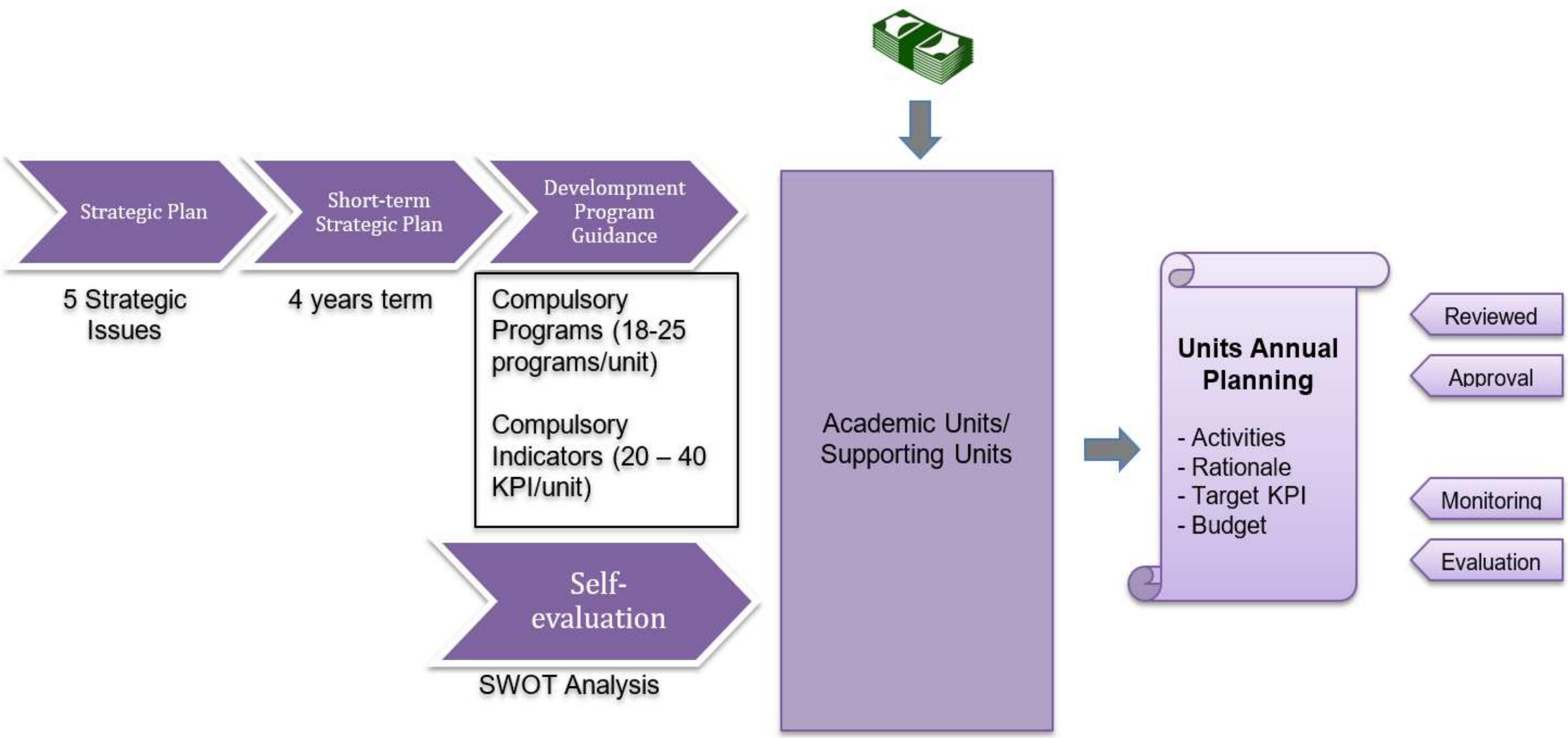
- ***

BUDGETING MODEL Ubaya

Anggaran Rutin (centralized)
Salary, infrastructure, consumable

Anggaran Pengembangan (Formula-based)
social/exact (fix), #student, #staff,

Anggaran Strategis
(Incremental)


Strategic Plan
5 Strategic Issues
Short-term Strategic Plan
4 years term
Develompment Program Guidance
Compulsory Programs (18-25 programs/unit)
Compulsory Indicators (20 – 40 KPI/unit)
Self-evaluation
SWOT Analysis
Academic Units/ Supporting Units
Units Annual Planning
- Activities
- Rationale
- Target KPI
- Budget
Reviewed
Approval
Monitoring
Evaluation

Work in groups of 8/9, discuss the financial management model in some HEIs, formulate your group financial management model

- What is the budgeting model?
- What is the planning process?
- What is the execution procedures?
- What is the evaluation and monitoring model?