Financial decision making: teacher involvement and the need for trust

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Introduction

The education systems of many countries are experiencing a period of radical reform. Governments are attempting to improve instructional quality and learning outcomes through the implementation of school-based management (White, 1989). A dominant theme of this reform movement has been the development of collegial and participative decision-making procedures at the school level (Weiss et al., 1992).

The focus on teacher involvement in decision making is not without historical precedent (Rice and Schneider, 1992). Educational researchers have long studied the effects of participative decision making (Conway, 1984; Rice and Schneider, 1992). In 1972 Alutto and Belasco noted that much of the research had been based on the implicit assumption that teachers have a desire to increase their absolute involvement in all forms of decision making and that there is a direct relationship between increased teacher participation and improved educational outcomes. Such a relationship remains unconfirmed (Imber and Duke, 1984; Taylor and Levine, 1991).

A major component of school-based management reform has been the delegation of financial management to the school site. The extent of delegation in many countries suggests that education authorities believe that it will lead to improved school effectiveness (Knight, 1993). The rationale for reform appears to be that financial decision making near the point of delivery of service will closely reflect the needs and priorities of the students and the school community. Delegation of financial management to the school level has a number of critical implications for principals and teachers if this belief is to be operationalized. Careful strategic management is required for programmes, responsive to school needs, to be identified, prioritized, implemented, evaluated and reviewed. Traditional budgeting procedures should be supported by a component of programme budgeting to ensure that resource expenditure is closely related to educational outcomes (Jones, 1989). Programme budgeting not only costs the resources to be provided but identifies the school’s policies under which the particular services or programmes are justified.

Devolution of financial management to the school site recognizes the importance of participative decision making in educational organizations (Duignan, 1990). The level of participation in financial decision making needs to be extended to the classroom teacher; otherwise school site financial management could be just another form of centralized control, with the principal at the “centre”. However, in an attempt to establish a high level of teacher involvement in decision making and to promote an image of self-management, some schools have established administrative structures that, in effect, distract teachers from their primary instructional role (Robertson, 1993). Some teachers are required to attend many meetings such as budget committees, financial planning groups and staff development committees. They are encouraged to be involved in a plethora of financial issues ranging from income generation to marketing and long-term financial planning. Despite this wide range of apparent participation, in many cases teachers find that, while these committees create an illusion of involvement, they can actually impede any real teacher influence (Imber and Duke, 1984). While some teachers agree that, in some cases, the potential benefits of participation may outweigh the costs of their involvement, they (the teachers) feel that there is little possibility of these potential benefits being actually achieved unless their level of participation is matched with a similar level of influence over the final decision outcomes (Duke et al., 1980).

A study of devolution reforms in government schools in Western Australia suggested that the change to self-management and teacher participation in decision making ushered into “a new regime of uncertainty” (Robertson and Soucek, 1991). In that study, teachers spoke of secrecy, politicking and backroom bargaining. Financial management of schools was a new experience for most, and teachers doubted their own
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Financial decision making is based on full disclosure of information, an absence of perceived bias in the decision-making process and effective implementation of the decisions resulting from the collaborative process. Research has shown that increased trust in the school’s administration often results (Conley et al., 1980). However, in cases where misrepresentation of information is used to manipulate decisions (Rasmussen and Rothstein, 1990) or there is an underlying authoritarian approach by principals despite a policy which professes democratic involvement of teachers (Brown, 1990; Kirby, 1992), resentment, anger and a total lack of confidence in the administration often develop (Duke et al., 1980).

Any misrepresentation, circumvention or failure to disclose financial information places teachers in the frustrating position of being involved in the decision-making process but with virtually no real influence over decision outcomes.

Some studies (Duke, 1978; Lortie, 1975) suggested that teachers have little desire to be involved in decision making unless it relates to classroom practice. In fact, Robertson found that teachers in the managerial and corporate life of the school reported an undermining of their commitment to the classroom. Opportunities for curriculum development were said to be reduced, little time was available to confer with colleagues, lesson preparation was affected and involvement with students outside the classroom was limited. Teachers found that there was “little time for personal and professional reflection for developing a sense of pedagogic purpose” (Robertson, 1993). Despite these disincentives to teacher participation in financial decision making, a school environment where there is a perceived lack of openness regarding financial information and a belief that there may be inefficient management of funds and perceived bias in the allocation of resources, it is likely that teachers will seek some level of involvement in an attempt to secure efficiency and equity in resource allocation.

Theory as a basis for best practice

Although there has been considerable research into participation in decision making in general, little has been done specifically in the area of teacher participation in financial decision making. Researchers appear to have combined financial issues with other decision issues. At the same time, educational administrators seem reluctant to acknowledge the need for a theoretical approach to the process of decision making, feeling that such an approach would be too far removed from the realities of everyday practice (Bush, 1989). Bush reports that many practitioners prefer to face the challenges of devolved financial responsibility by applying a “trial and error” approach rather than by working within an established set of theoretical guidelines. This approach is, of course, a form of theorizing based on “unspoken assumptions and unrecognized limitations” (Hughes, 1986) and tends to produce a very narrow outlook on organizational procedures. A central purpose of this paper is to propose a theoretical framework for research in the area of teacher involvement in financial decision making.

In constructing the framework, this paper is guided by the theory developed through the literature on participative decision making and organizational outcomes. A detailed analysis of this literature will also identify special situational factors that appear to affect teachers’ attitudes towards participation in financial decision-making processes.

Relevant research

A number of theoretical models have been used to explain participative decision-making processes in schools (Bacharach et al., 1990; Hoy and Missel, 1991; Hoy and Tarter, 1993; Mohrmann et al., 1978). Hoy and Tarter (1993) expanded previous research (Barnard, 1938; Bridges, 1967; Hoy and Missel, 1991; Simon, 1947) to develop a normative model of participative decision making in schools based on Simon’s zone of acceptance. This zone was described as the range of decisional issues within which subordinates would accept the decisions of their superiors. The zone is conceived as a "two-dimensional construct..."
defined by relevance and expertise" (Hoy and Tarter, 1993, p. 5). Hoy and Tarter (1993) proposed that if teachers have a personal stake in the issue, and the knowledge to contribute, then they should be involved in the decision-making process. The extent of their involvement would be determined by the principal's perception of their commitment to the organizational goals of the school.

The Hoy and Tarter model assumes that principals determine the zone of acceptance for their teachers (Rice and Schneider, 1992). However, administrators' perceptions of their own zone of influence are generally greater than the teachers' perceptions of their zone of acceptance (Clear and Seager, 1971). A teacher's zone of acceptance is not externally determined. It is an amalgam of personality, experiences, role expectations and various situational variables such as an individual's perception of the school environment and the school's administrators.

Teachers have been found to rate “time” as the main deterrent to involvement in decision making (Duke et al., 1980). Therefore, the Hoy and Tarter model fails to consider situations where some teachers, even though expertise and relevance exist, prefer to extend their zone of acceptance and allow certain decisions to be made by others. Such situations could reflect a teacher's absolute preference for the classroom or could reflect the influence of situational factors such as decision content, openness of communication and trust in the administration. In such circumstances “individuals may feel less strongly about the need to participate in the decision-making process” (Conley et al., 1988).

The concept of decision content is important for a more complete understanding of participation in decision making and the association between the individual and the particular decision issue was investigated (Mohrman et al., 1978) using Parson's (1960) functional analysis to identify two decisional domains (technical and managerial). The technical domain encompasses issues directly related to the performance of the operational functions of the organization; one of the main purposes of the managerial domain is to provide the resources required to support the technical function. In the study by Mohrman et al. (1978) 12 decisional areas (Alutto and Belasco, 1972) were used and these, as expected, factored into two decision domains. The financial issue “planning school budgets” was found to fit in the managerial domain.

Using this multi-domain approach, Mohrman et al. (1978) found that teachers reported a higher level of actual and desired involvement in the technical domain than in the managerial domain. However, in apparent contradiction, their level of desired involvement in managerial decision making was found to be higher than their level of actual involvement. In attempting to explain this apparent paradox, the researchers proposed that teachers were more concerned with the level of co-ordination between the managerial and technical domains than with their direct participation in managerial decision making. The difficulty in clearly separating issues into the two domains was also seen as a possible explanation for the anomaly (Conley, 1991). Teachers' desire to increase their participation in decision making in the managerial domain may reflect their lack of trust in the decision makers and the decision-making processes. Their increased desired involvement may be seen as a "buffer" against attempts by management to reduce any influence gained by teachers in the instructional area. Teachers may see their involvement in managerial decision making to be necessary to safeguard their influence over classroom practice, rather than for any intrinsically worthwhile purpose (Mohrman et al., 1978; Thompson, 1967). Their reactions may also stem from a perception that administrators frequently perceive participation as something altruistically bestowed on teachers (Conley et al., 1988), rather than as a professional contribution by teachers. These results are generally consistent with other findings (Bacharach et al., 1990; Schneider, 1984).

Before inferences concerning teachers' desired involvement in financial decision making are drawn from the work of Mohrman et al. (1978), consideration should be given to the nature of the particular decisional issues in the managerial domain. In this research (Mohrman et al., 1978) the financial decision issue “planning school budgets” was not described in sufficient detail for participants in the research to ascertain whether “school budgets” referred to “whole school” resource allocation, or allocation within a particular teaching area, or a combination of the two. Because of this, it is not possible to decide whether this financial decision issue lies in the managerial or in the technical domain. Bacharach et al. (1990) extended the decisional domains proposed by Mohrman et al. (1978) and identified decision issues based on the concept of operational (technical) and strategic (managerial) domains, and whether the particular issue had a direct effect on the individual or the organization. These two dimensions generated four decisional domains. Using this classification, “whole school budgeting” would lie in the strategic (managerial)/organizational domain, while “budgeting for specific teaching areas” would be in the strategic (managerial)/individual domain. In
the study, 19 decision items were used and were found to factor into the four decisional domains of the conceptual framework. Financial issues were again clustered under the general headings of facilities planning, budget development and expenditure priorities and were factored into the strategic-organizational domain. Findings showed that decisional deprivation in the strategic-organizational domain was negatively related to job satisfaction and was more apparent in secondary than in primary schools. This result was explained by the fact that secondary teachers work in a more complex, decentralized environment than primary teachers and are more aware of deprivation in resource allocation and other financial issues, thereby decreasing their job satisfaction. While this research (Bacharach et al., 1990) involved more financial issues than previous studies, it did not clearly identify them as potentially having a direct or indirect effect on instructional activities.

Rice and Schneider (1992) replicated a study carried out by Thierbach in 1980 and reported in Schneider (1984). They sought to determine whether a decade of reform in the area of teacher empowerment had significantly changed teachers' levels of decisional participation, satisfaction with decision-making processes and interest and expertise in decisional issues. The study specifically considered whether teachers' interests in technical and managerial issues had changed over time. Factor analysis was applied to 20 decisional issues, dividing them into two domains, instruction/technical and schoolwide/managerial. This study clearly identified two financial issues contained in the listing of decision issues. "Preparing subject department or instructional team budgets" was found in the instructional/technical domain, while "allocating materials and equipment to subject departments or teams" was located in the schoolwide/managerial domain. A clear distinction was made between financial issues directly associated with instructional activities and those related more to schoolwide procedures. Results from the study indicated that despite ten years of attention to teacher empowerment, teachers continued to desire more participation in decision making than they are currently afforded. The replicated study showed, as did the original study, that teachers reported low levels of actual involvement and higher levels of desired involvement in managerial/schoolwide issues. While teachers continued to report higher levels of decisional deprivation in managerial issues than in instructional issues, a noticeable trend had emerged with financial decisional issues.

In considering these questions a number of points emerge. Teachers may have a preference for involvement in decision making that directly affects their classroom practice (Bachus, 1992; Bridges, 1967; Duke, 1978; Lortie, 1975); full disclosure of all financial information is regarded by teachers as essential for effective financial decision making (Hartman, 1985); and effective decision making in financial management relies on a climate of trust, openness and mutual benefit (Caldwell and Misko, 1984). Other studies (Bachus, 1992; Mohrman et al., 1978; Rice and Schneider, 1992) have revealed that teachers reported higher levels of deprivation regarding managerial or schoolwide issues. This apparently paradoxical situation, where teachers have indicated a desire for greater participation in an area in which they derive little satisfaction, has been addressed by a number of researchers (Conley, 1989; Mohrman et al., 1978; Thompson, 1967). It was partly explained by Frase and Sorenson in terms of some teachers having "high growth needs" (1992, p. 40). That is, such teachers may have a strong desire for professional growth and in order to achieve job satisfaction require involvement in shared decision-making structures (Farber and Miller, 1982). Some of these teachers will, undoubtedly, have managerial aspirations and will consider involvement and experience in financial and non-financial
managers. Issues essential to future career opportunities. There is no paradox for these teachers. They desire to be involved and will achieve satisfaction from their involvement. Not all teachers desire advancement in the managerial sector; some see even a low level of involvement in financial decision making tantamount to being deprived of valuable classroom time. They view managerial financial decision making only in terms of a mechanism for delivering decision outcomes supportive of their teaching activities. If the situational conditions necessary for this mechanism to work effectively are perceived by teachers to be in place, then their desire to be involved in the process is likely to decrease. If teachers judge the decision outcomes to be inequitable, ill-conceived and not supportive of their teaching efforts then they will feel it necessary to be involved. A major situational variable associated with these conditions is conceptualized as “organizational trust” (Gamson, 1968).

The concept of trust and financial decision making

In a study by Alutto and Belasco (1972), trust, conceived as teachers’ perceptions of the friendliness or otherwise of their social environment, was not found to be significantly associated with varying levels of satisfaction. This result was contrary to the earlier work of Bennis (1967) who found that higher levels of job satisfaction were associated with increased trust. Both studies were limited by small samples and both defined trust from a personal rather than organizational perspective.

Some researchers perceived trust as a global personality trait (Rosenberg, 1956; Rotter, 1971) while others (Gamson, 1968) considered it from an organizational orientation. Organizational trust is defined as the probability that certain decision outcomes, preferred by an individual or group, will result without the involvement of that individual or group in the decision-making process. It is argued that organizational trust is the major determinant of an individual’s orientation towards the decision-making processes of the organization. In Gamson’s (1968) study, organizational trust was strongly related both to overall satisfaction and to satisfaction with involvement in decision making, while personal trust failed to predict such associations.

Gamson’s concept of trust was described by Driscoll (1978) as a political assessment of an organization’s decision makers. He found that, regardless of the relationship between actual and desired participation, teachers with a greater degree of trust in hierarchical decision makers were more satisfied with their level of participation in decision making.

Trust, identified as interpersonal or dyadic trust, may also be conceived as a global measure of teachers’ perceptions of the decision makers or the decision-making processes (Scott, 1980). Researchers (Butler and Cantrell, 1988; Roberts and O’Reilly, 1974; Tyagi, 1985) have used the multi-dimensional nature of trust, as explored by Jennings (1971) and Gabarro (1978), to determine a measure of dyadic trust. Dimensions used include integrity, competence, consistency, loyalty, fairness, and openness.

Trust, in a financial context, may be conceptualized in terms of both organizational and dyadic trust. This trust can be conceived as teachers’ perceptions of: the integrity of the decision makers and the decision-making processes; the expertise of the decision makers and the effectiveness of the decision-making processes; the consistency of the decision outcomes; the degree of fairness of the decision outcomes; and the degree of disclosure of financial information.

If teachers are working in an environment where there is full disclosure of financial information, and where they perceive that unbiased decisions are made by decision makers skilled in the particular financial decision area, then their level of trust will be high. Studies (Duke et al., 1980) have shown that teachers are well aware of the costs as well as the benefits associated with participation in any form of decision making. Thus, if trust in the school’s financial decision makers and decision-making processes is high, teachers may, through a simple cost-benefit analysis, be very selective when determining the nature of the financial decision issues with which they will become involved. Their focus will almost certainly then be on those decisions more directly affecting their work as teachers.

A conceptual framework

An analysis of relevant research literature in the area of teacher participation in decision making and the concepts of organizational and dyadic trust may be used to develop a theoretical framework for teacher participation in decision making in a financial context.

Financial decisions can be allocated into two distinct domains: the technical domain, which encompasses issues directly related to instructional or classroom functions, and the managerial domain, which provides school-wide support for the instructional activities. Teachers have a greater desire to influence
decisions pertaining directly to instructional matters than to influence decisions relating to managerial issues (Duke, 1978; Lortie, 1975). Their desired participation in the managerial domain depends on their perceptions of the financial decision-making processes and of financial decision makers. An important situational variable affecting these perceptions has been identified as organizational and dyadic trust (trust). Trust has been conceptualized in terms of the integrity, consistency, and fairness of the decision makers and the decision-making processes; the expertise of the decision makers, the effectiveness of the processes and the degree of disclosure of financial information.

Practical implications for schools

This paper has considered participative decision making from a theoretical perspective. In order to draw some practical strategies from the conceptual framework presented, it is necessary first to view participative financial decision making in the overall context of the financial management of schools.

If schools are to create working environments for teachers based on trust, then a number of issues, both internal and external to schools, must first be addressed. Some of these issues are beyond the scope of this paper. They include a review of the way schools are funded, based on equity considerations; clarification of the role of the school council in the financial management of the school; determination of the role of the principal, be it financial manager, educational leader or a combination of both; training of key personnel (one or two) in financial management of schools; and a basic level of training for cost centre managers (subject coordinators and the like) in the areas of strategic management processes, budgeting, negotiation and teamwork.

Once these issues are resolved, it is possible to establish an environment of trust through the implementation of structures and processes based on integrity, openness, consistency, fairness and a professional approach to financial decision making. These processes must clearly distinguish between the financial issues associated with the technical aspects and those associated with the managerial aspects of schools. This will give teachers an opportunity to minimize their involvement in financial issues relating to the managerial or corporate life of the school and to concentrate their efforts on a commitment to classroom practice and to their students.

A financial decision-making model

The following model is suggested for a school where the management philosophy is based on the concept of trust as conceptualized in this paper. The model assumes that the ultimate responsibility for the financial management of the school rests with the chief executive officer (CEO) of the school (traditionally the principal, although this need not be the case). The school council is the main governing body of the school. The council is assisted by the CEO and usually comprises representatives of the school community, including parents and in some circumstances senior students. A staff finance committee (SFC) prepares the budget work papers and advises the CEO on all financial matters. This committee should consist of two or three members of the staff who have received intensive training in financial management of schools. In some cases the principal may be a member of this committee. Membership of the SFC should be acknowledged by a period allowance and/or by a monetary allowance.

The main functions of the SFC are: to estimate the school’s annual revenue; to provide relevant information to all cost centre managers (managerial and technical) in order to assist them with their budget submissions; to collate budget information from all cost centres; and to prepare work documents for the budget work group (BWG). These documents detail all anticipated revenue and proposed budgets for all managerial and technical cost centres. The BWG usually comprises the CEO (assumed to be the principal), a representative from the SFC and all cost centre managers, and meets to decide on required expenditure cuts in cases where the total of the expenses from all cost centres exceeds the anticipated revenue of the school. The SFC does not have a decision-making role; it acts as a secretariat to the BWG and should be seen as an unbiased collator and distributor of information. The SFC prepares the final budget and forwards it to the CEO for presentation to and ratification by the school council.

The flow chart in Figure 1 illustrates the decision-making sequence which occurs in the area of financial management. It is important to note that the only involvement of classroom teachers in financial decision making is when they meet with their cost centre groups to prepare and prioritize their resource requirements for the coming year.

The degree of trust associated with the implementation of the model depends, to a large extent, on the policies underpinning the structure and processes and on the way the participants in the decision making perceive and carry out their roles. The school council, through the principal and the SFC, must have a policy of full disclosure of all financial information (Hartman, 1985). Monthly cash flow statements and cash position reports, after ratification by the school council, should be
made available to all cost centre managers and their teams.

Participants in the process need to be acutely aware of their roles and responsibilities. The principal's main role is to ensure that decisions are always made within the broad framework of school needs (established in the mission statement) and the policies of any external authority. The principal should try to minimize any self-serving behaviour from cost centre managers (Duignon, 1990), to highlight any obvious imbalances in the allocation of resources and to facilitate cordial relations within the group. Cost centre managers have a critical role in the process. They must enthusiastically pursue the resources required to implement their team's academic goals, while being mindful of the overall needs of the school. They must understand the implicit rules of the process and avoid ambit requests and claims about the dire consequences that will result should claimants be denied a particular budget request. Cost centre managers should have a thorough understanding of the complete financial decision-making process and, through their behaviour and comment, help to convey to all staff the integrity and effectiveness of the process.

If the process is perceived by teachers to be effective, open and fair, it will help to allay the suspicions and uncertainties commonly associated with financial decision making. Participation at all levels in the process (from team member to manager) develops a sense of commitment, cohesion and confidence among staff. Through the cost centre managers, teachers will obtain a whole-school view of the resource needs and priorities. Cost centre managers will have a vested interest in resource allocation decisions being accepted by their team (Hartman, 1985).

The process will greatly reduce the need for the majority of teachers to be involved in managerial financial issues and will minimize teachers' involvement in financial issues in the technical domain. This, in turn, should have a positive impact on classroom practice.

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