MANAGEMENT STYLES: IMPACT ON FINANCE AND RESOURCES

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INTRODUCTION: THE CONTEXT FOR INTERNAL RESOURCE ALLOCATION

Internal resource allocation is not simply a routine administrative process; it is a means of expressing and making operational the values of the institution, or perhaps of dominant groups and individuals within it. Spending decisions reflect the priorities of the decision-makers and often represent the outcome of a complex process of deliberation and review. The resource allocation process is an important aspect of strategic management.

Resource allocation has become more important in many countries as educational organizations have been accorded more autonomy. In England and Wales, this trend is represented by Local Management of Schools (LMS) and by incorporation of colleges. A parallel development in Hong Kong is the School Management Initiative (SMI) while Singapore has introduced a small number of independent and autonomous schools. Similar initiatives are evident in New Zealand and parts of the USA and Australia.

The shift to self-management in educational institutions has radically changed the context of resource allocation and also heightened the importance of this process. Because schools and colleges, in England and elsewhere, have a high degree of autonomy, they have a greater measure of control over the resource allocation process. Many schools now manage multimillion-pound budgets and spending decisions can and do have a powerful impact on their effectiveness and on the quality of teaching and learning. The principle underpinning the international trend to self-management is a belief that those 'close to the action' are more likely to make appropriate spending decisions than local or national
politicians or officials, however well-intentioned they may be. The specific needs of pupils and students can be assessed better by those inside schools and colleges than those remote from the institution: 'The improvement of efficiency, quality and standards is best achieved by a reliance on micro-level decision-making through which relevant decisions about resource deployment are located as close to the point of delivery as possible, that is to say, within institutions' (Simkins, 1998, p. 64).

Devolved financial management is underpinned by the philosophy that decisions should be more efficient and effective if they are made by site managers who understand their impact on students and pupils. This argument can also be used to justify internal devolution by principals and governors to middle managers and other staff. Self-management provides the potential to empower staff because schools have much more control over financial and real resources: 'Certain groups of people in the community now have the opportunity to influence the course of events in the life of the school to a greater extent than in the past' (Caldwell and Spinks, 1992, p. 18).

Purkey and Smith (1985) argue that site management and collaborative decision-making are essential components of the framework for successful change: 'The staff of each school is given a considerable amount of responsibility and authority in determining the exact means by which they address the problem of increasing academic performance. This includes giving staffs more authority over curricular decisions and allocation of building resources' (Purkey and Smith, 1985, p. 358). If this view is accepted, devolution of power within schools is an important dimension if the potential benefits of devolved financial management are to be realized.

Effective resource management is likely to be even more important in periods of turbulence, such as that experienced by further education colleges in England and Wales in the 1990s. College incorporation, linked to independence from their local education authorities (LEAs), produced radical changes, not least in the funding regime introduced by the Further Education Funding Council (FEFC). One college principal explained the problems in her college:

There were urgent reasons for reforms within resource management and more generally. These ranged from an inability to serve student and client needs adequately, to an increasing vulnerability for the college as a viable educational institution. The causes of these problems were deep and pervasive, and their removal was to require high-quality and long-term thinking. The direct barriers to effective resource management included ... internal secrecy regarding allocations combined with a lack of feedback to spending areas.

(Shackleton, 1994, p. 113).
MODELS OF EDUCATIONAL MANAGEMENT

Many writers on financial management in education (Bush, 1997; Coleman, Bush and Glover, 1994; Davies, 1994; Levačič, 1995; Simkins, 1989; 1998), draw on organizational theory to conceptualize and explain resource allocation in schools and colleges. Bush (1995) discusses six models of educational management which serve to explain events, situations and behaviour in educational institutions. Four of these have been cited in the financial management literature:

- rational models;
- collegial models;
- political models;
- ambiguity models.

The main features of these four models will be discussed in this section while their applicability to internal resource allocation will be considered later in the chapter.

Rational models

Bush (1995, p. 38) includes rational models within a broader discussion of bureaucracy and notes its emphasis on 'the process of decision-making':

The process of rational decision-making is thought to have the following sequence:

1) Perception of a problem or a choice opportunity.
2) Analysis of the problem, including data collection.
3) Formulation of alternative solutions or choices.
4) Choice of the most appropriate solution to the problem to meet the objectives of the organization.
5) Implementation of the chosen alternative.
6) Monitoring and evaluation of the effectiveness of the chosen strategy.

The process is essentially iterative in that the evaluation may lead to a redefinition of the problem or a search for an alternative solution.

This process is captured in Figure 6.1.

Rational models are normative in that they reflect views about how organizations and individuals ought to behave. They present an idealized view and have serious limitations as a portrayal of the decision-making process in education:
• There may be dispute over objectives and the definition of the ‘problem’ is likely to be dependent on the particular standpoint of the individuals involved.
• Some of the data needed to make a decision may not be available.
• Most problematic of all is the assumption that the choice of solution can be detached and impartial. In practice, individuals and groups are likely to promote their own favoured solutions which in turn may reflect individual rather than organizational objectives.
• The perceived effectiveness of the chosen solution may also vary according to the preferences of the people concerned.

Collegial models

Collegial models emphasize the importance of participation in decision-making. Particularly in professional organizations, it is thought to be important for staff to be involved in those decisions which affect their working lives. Resource allocation is an important dimension of professional decision-making. The ability of teachers to perform well in the classroom is inevitably conditioned by the availability and quality of resources. Bush (1995, pp. 53–5) sets out the main features of collegiality:

• Teachers have an authority of expertise which arises from their professional training and experience. This expertise, which is often based on specialist subject knowledge, gives teachers the right to take part in decision-making.
Management Styles

- Teachers have a common set of values arising from their training and early years of professional practice. These shared values guide the managerial activities of the school or college and provide the basis for a participatory approach to decision-making.
- Decisions are made by consensus rather than managerial decree or inter-group conflict. ‘Consent’ is regarded as an essential principle in school management.

Collegiality is an attractive model because it seems to provide for staff to engage in collaborative decision-making. In practice, though, it has certain limitations which are summarized by Bush (1995, pp. 67–9):

- Collegial decision-making tends to be slow and cumbersome, leading to frustration with the process.
- The notion of consensual decision-making is flawed and it is more likely that participants will represent sectional interests, leading to conflict rather than co-operation.
- Collegiality creates problems for principals who are accountable for decisions, even those which do not enjoy their personal support.
- Collegiality may fail because of the apathy or hostility of staff; it is wrong to assume that all staff want to participate.

Political models

Political models emphasize the prevalence of conflict in organizations. Interest groups form and pursue their interests at every opportunity. Decision-making involves bargaining and negotiation and the outcome is usually dependent on who has the most power. Bush (1995, pp. 74–7) sets out the main features of political models:

- Individuals have both personal and professional interests which they pursue within the organization. These coalesce so that interest groups form which may relate to subject specialism.
- The aims of different interest groups are likely to conflict.
- Decisions follow an often protracted process of bargaining and negotiation.
- Decisions are likely to be determined by the relative power of individuals and interest groups involved in the debate.

Political models are often regarded as realistic portrayals of decision-making in education. Teachers frequently recognize the applicability of these models to their professional settings. However, they may also overstate the prevalence of conflict in schools and colleges and underestimate the importance of both professional collaboration and routine bureaucratic processes.
Ambiguity models stress uncertainty and unpredictability in organizations. Ambiguity is regarded as a prevalent feature of complex organizations such as schools and colleges. Environmental and organizational turbulence combine to create a climate which is ill-suited to rational decision-making. Bush (1995, pp. 112–14) sets out the main features of ambiguity models:

- Lack of clarity about the goals of the organization.
- Schools and colleges are characterized by fragmentation and ‘loose coupling’ (Weick, 1976).
- There is fluid participation in decision-making, making the outcomes uncertain and unpredictable.
- There is an emphasis on unplanned rather than planned decisions.

Ambiguity models are valuable in countering the assumptions underpinning rational models but, in practice, schools and colleges operate with a mix of rational and ambiguous processes. The balance in individual institutions will depend on a whole range of organizational and environmental variables. These will certainly include the culture of the organization and the management style of its leaders, as Carr suggests in respect of colleges: ‘Budget development is an organisational process which cannot be separated from the management style of the college senior management team. Management styles, whether autocratic, democratic, dictatorial or participative, influence the management process and so the manner in which the budget is built’ (Carr, 1994, p. 29).

We turn now to examine the ways in which rational, collegial, political and ambiguity models impact on resource allocation in education. Rational models have been dominant in the academic and official literature on financial management, and they are given particular attention in this chapter.

RATIONAL MODELS OF RESOURCE ALLOCATION

The rational model of resource management is dominant in the literature and in official policy statements about financial resource allocation (Simkins, 1998, p. 65). The LMS policy in England and Wales was underpinned by assumptions of a rational approach to management. The government commissioned Coopers and Lybrand to prepare a report which has been influential and is clearly rational in orientation, as Levačič explains:

The model of good management practice contained in the Coopers and Lybrand report is essentially a rational one. It advocates a system for allocating resources which is directed at the explicit achievement of institutional objectives. This requires clarity in the specification of objectives, gathering and analysing information on alternative ways of
attaining the objectives, evaluating the alternatives and selecting those actions judged most likely to maximize achievement of the objectives.

(Slevčič, 1995, p. 62)

Simkins (1998, p. 66) shows that the rational model places a strong emphasis on ‘value for money’ and concepts of economy, efficiency and effectiveness. These are defined as follows:

1) *Economy*. The purchase of a given standard of good or service at lowest cost.
2) *Efficiency*. The achievement of given outcomes at least cost.

Devolution of resource management to schools is based, in part, on the assumption that these objectives of economy, efficiency and effectiveness are more likely to be achieved by site managers than by those remote from the specific educational context.

The principles of rational management

The concept of rational management is underpinned by five core principles which include some overlapping elements:

1) *Aims and priorities*. Resource allocation should be informed by clearly articulated aims and by determining priorities among these objectives (Slevčič, 1995, p. 62). Linked to this is the notion of output budgeting, where spending is related to objectives, rather than input budgeting, where the emphasis is on areas of spending such as staff, equipment and buildings (Davies, 1994, p. 346).

2) *Long-term planning*. Budgetary decisions should reflect an awareness of their long-term implications. This means going beyond the typical annual budget cycle to a consideration of the longer-term aims of the organization. Davies (1994, p. 347) refers to this as the ‘multi-year-time-horizon’ which ‘is necessary if longer term financial planning and budgeting is to take place’.

One of the reasons for the remarkable success of the Singapore economy has been the government’s commitment to planning for the long term. ‘Singapore’s stable government means that, unlike most countries, it can and does adopt a long-term planning horizon which goes well beyond immediate economic and political imperatives’ (Bush, 1999, p. 4).

3) *Evaluating alternatives*. There should be a thorough consideration of alternative patterns of expenditure based on evaluation of past actions.
and assessment of the opportunity costs of different spending options. This process should involve environmental scanning to help in assessing the longer-term implications of expenditure (Levačić, 1995, p. 62; Simkins, 1989, p. 154).

4) **Zero-based budgeting.** Linked to a consideration of alternative spending options is the notion of ‘zero-based’ resource allocation. This involves taking a fresh look at all areas of expenditure rather than simply making incremental changes to previous spending patterns. In its purest form, this would mean that no previous activities would necessarily be funded in the future but would depend on a new justification of their relevance to institutional goals. In practice, it is likely to mean a more thorough scrutiny of current spending but not necessarily a fresh justification for all activities. Simkins (1989, p. 154) refers to this as ‘some zero-basing’. We shall return to zero-based resource allocation later in this chapter.

5) **Selecting the most appropriate options.** Once the possible alternative spending patterns have been identified and scrutinized, with an element of zero-basing, rational models require a choice of the most appropriate option linked to organizational objectives. Levačić (1995, p. 62) refers to this as ‘selection of the best set of actions which are judged to be most likely to maximise achievement of the objectives’.

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**Incremental budgeting**

There are two main rational approaches to resource allocation: incremental and zero based. The incremental model treats the previous year’s budget as the starting-point for the preparation of the new budget. There are marginal or ‘incremental’ changes but the budget remains largely unaltered from the previous year. Discussion is largely confined to the margin rather than focusing on the whole budget. An example of incremental budgeting would be a decision to increase departmental budgets by a fixed amount, say two per cent. Levačić reviews the merits and demerits of incremental budgeting:

> The attractions of incremental budgeting are that it requires far less information processing than zero-based or programme budgeting and is less likely to arouse micro-political activity as the status quo is not disturbed by groups and individuals being asked to justify their claim on resources. Its disadvantages are that the efficiency and effectiveness in resource use are not promoted by an unquestioning adherence to past patterns of resource allocation.

(Levačić, 1995, p. 75)

Sutton (1996, p. 7) agrees that ‘this “creeping incrementalist” approach is time-saving and low on conflict, but never challenges the status quo.’ It is likely to be particularly inappropriate in times of dramatic change such as that impacting on further education in England and Wales in the 1990s, as
Shackleton (1994, p. 124) stresses: 'Those that have managed roll-forward budgets with little reflection will struggle with inappropriate definitions of efficiency and debilitating attempts at cost-cutting. In our case, paradigms and parameters were decisively changed.'

Zero-based budgeting

As we noted earlier, zero-based resource allocation begins with the assumption that all categories of spending should be scrutinized. Budget-holders must justify all expenditure, not just new initiatives or those at the margin of existing provision. Each area of expenditure is assessed against the organization's priorities and ranked in importance; funding then depends on the size of the budget. Cardiff High School, for example, changed its approach to internal resource allocation with the introduction of LMS. We decided to adopt a 'needs' approach – "zero-based" in accountancy jargon – which in its simplest form requires the people who are to spend the money to bid for their share and justify their claim' (Hendrickson and Roberts, 1991, p. 5).

We noted earlier the importance of zero-based thinking at times of radical change. One such example was the introduction of grant maintained status at more than 1,100 schools in England in the 1990s. This sometimes led to a zero-based approach to resource allocation as the deputy head of Wold Newton, a small primary school, explains: 'The advent of GM status has led to a fundamental look at the school's budget. We have not simply been topping up previous budgets' (Bush, Coleman and Glover, 1993, p. 61). Carr takes up this theme in respect of English further education:

In such circumstances colleges should consider the use of zero or priority based reviews as a means of establishing spending level options across discretionary budget areas. Without the use of priority based budget reviews colleges run a real risk of perpetual year on year incremental increases without the benefit of a fundamental appraisal.

(Carr, 1994, p. 51)

Zero-based approaches have become popular in the literature, and in official reports on educational spending, but there is only limited evidence of their applicability in education. In practice, most educational programmes are not open to serious debate. Many countries have a compulsory curriculum, for example, and this reduces the scope for zero-basing in schools. Levačić (1995, p. 75) notes that 'it is time-consuming and potentially disturbing for staff who are made to feel insecure' and these disadvantages may outweigh the benefits except where schools and colleges are undergoing fundamental change.

A modified version of zero-basing is virement where managers move spending from one area of the budget to another. One of the main
advantages of self-management is this ability to tailor spending to school priorities by viring expenditure from one area to another. This virement might involve spending more on one subject than another or varying the resource mix by increasing support staff or spending more on equipment rather than employing another teacher:

The ability to vire between budget heads is the key to the flexibility in resource management which schools gain from LMS. The crucial issue is how that flexibility is to be exploited most effectively . . . Given the flexibility of virement, schools are responding by taking care over expenditure on utilities and getting better value for money for maintenance services.

(Levac, 1992, pp. 25–7)

**Formula funding**

Once areas of spending have been determined, using a zero-based or incremental model, organizations have to determine how to allocate budgets to subunits. An increasingly popular model, according to Thomas and Martin's research, is 'formula funding':

The trend in funding departmental learning materials appears to be towards a 'formula' funded system based upon pupil numbers and timetable sessions for each subject, usually with a weighting allowance for practical subjects, such as science, which require increased funding for consumables. Such a system is perceived to be more equitable for allocating a basic allowance to each curriculum area. In School 17 for example, this was perceived as a more effective process by which staff can see how decisions on budgets are reached.

(Thomas and Martin, 1996, pp. 76–7)

Sutton's (1996, p. 8) survey of 49 secondary and middle schools showed that 65 per cent 'used a formula based upon weighted student periods to allocate finance for educational resources'. Formula funding is an example of rational resource allocation in its implementation because the formula provides an 'objective' basis for decision-making. There is, however, plenty of scope for political activity in determining the weightings and we shall explore this prospect later.

**COLLEGIAL MODELS OF RESOURCE ALLOCATION**

The collegial model is popular in the educational management literature (Bush, 1995; Caldwell and Spinks, 1992; Campbell, 1985; Campbell and Southworth, 1993; Little, 1990; Wallace, 1989) but it has rarely been
applied to budgeting or resource allocation. The implication of the rational model is that decisions will be made by the principal, ‘the headteacher acting as the all powerful autocrat’ (Sutton, 1996, p. 6), or by the senior management team. The assumption of the collegial model is that the rational process will involve the participation of a wider range of stakeholders.

Budgetary decisions are likely to be made through a participative process involving many staff and all of the main groups, as well as senior staff and governors. This process should lead to wide acceptance or ‘ownership’ of the decisions because it gives so many people the opportunity to take part.

(Coleman, Bush and Glover, 1994, p. 17)

Davies summarizes the case for staff participation in financial management:

‘The arguments for involving staff usually centre on the fact that staff want to be involved, decisions are better if staff are involved and that staff have to implement the changes decided upon’ (Davies, 1990, p. 29).

Levačić’s (1995, p. 89) study of LMS in one English county suggests that power is located with senior staff and governors: ‘Headteachers derived their priorities from the general knowledge of the school and ad hoc discussion with staff.’ Drawing on her work with 11 case study schools, Levačić summarizes the budgetary process:

While there was considerable variation in the detailed practice of how priorities emerged and shaped the budget, a common core could be identified in all the schools. The priorities which informed budget-setting emerged from the strategic thinking of headteachers (and senior management teams in secondary schools). This involved discussions and negotiations with other staff, though the extent and nature of such consultation varied . . . In general, the budget reflecting such priorities was drawn up by the headteacher in the primary schools and by the senior budget manager and headteacher in the secondary schools.

(Levačić, 1995, p. 90)

Levačić (1995, p. 97) attributes the limited degree of staff involvement, in part, to ‘the problem of finding sufficient time’ and concludes that LMS has had little impact on staff participation in financial management:

Teacher involvement . . . had not changed significantly as a result of local management in most schools. This was particularly the case in the secondary schools where non-promoted teachers were not budget-holders. The situation of heads of department being budget-holders for departmental allocations had not changed. If anything there was a trend to less budgetary autonomy for heads of department due to
centralization of decision-making within the senior management team and a greater emphasis on addressing whole school priorities. (Levačić, 1995, p. 128)

Thomas and Martin's (1996) research also emphasizes the importance of the head in financial matters. While the SMT also has a part to play, the head remains the key decision-maker: 'What emerges ... is the pivotal role of the headteacher in giving shape and direction to developments in his or her school ... In all schools, except one, the headteacher alone is mentioned as the decision-maker' (Thomas and Martin, 1996, p. 53).

The conclusion from the research reviewed in this section is that the potential benefits of teacher empowerment are not being realized because senior staff are retaining control in order to impose centrally determined school-wide priorities.

POLITICAL MODELS OF RESOURCE ALLOCATION

The main alternatives to rational resource allocation are the political models. The assumption here is that spending decisions depend on the interplay between interest groups, and the ultimate decisions owe more to the relative power of these groups than to rational considerations:

'Resource management is ... a micropolitical process, providing an arena within which participants compete for the resources which will enable them to develop programmes of activity which embody their values, further their interests and help to provide legitimation for the activities in which they are engaged' (Simkins, 1998, p. 71).

'Resource allocation decisions are the outcome not of rational analysis but of the interplay of power, involving negotiation and bargaining. Thus the spending decisions represented in the budget are determined by the relative power and tactical stratagems of the different interest groups' (Levačić, 1995, p. 81).

Simkins (1989, p. 158) argues that the political model focuses on three variables which are relevant to an analysis of budgetary processes:

1) Differences in values and interests among individuals and groups. Such differences are most likely to result from different discipline groups. It is understandable that members of science or languages departments, for example, disagree about the relative importance of their subjects in the school or college curriculum.

2) The power that individuals and groups can bring to bear upon the decision-making process of the organization. Sources of power include the individual's formal position in the organization or their level of expertise. The power of groups may be influenced by their ability to mobilize
external resources and by their perceived centrality to the aims of the organization. For example, departments hosting core subjects within the English and Welsh National Curriculum are likely to hold more power than those responsible for the less significant foundation subjects.

3) The processes through which power is brought to bear on the decision-making situation. In budgeting, emphasis is likely to be on persuasion through the marshalling of expertise and the control of information, or upon the use of bargaining and exchange strategies to reach acceptable compromises on resource allocation.

Although there may be an elongated process of negotiation, resource allocation decisions ultimately depend on the relative power of participants in the bargaining process. Simkins (1998, p. 73) refers to ‘an increasing centralisation of power over strategic choice’ while research on grant maintained schools (Bush, Coleman and Glover, 1993; Thompson, 1992) shows that resource management is located overwhelmingly with headteachers. Wildavsky emphasizes that the resource allocation process is likely to have winners and losers:

Since the budget represents conflicts over whose preferences should prevail, . . . one cannot speak of ‘better budgeting’ without considering who benefits and who loses or demonstrating that no-one loses. Just as the supposedly objective criterion of ‘efficiency’ has been shown to have normative implications, so a ‘better budget’ may well be a cloak for hidden policy preferences.

(Wildavsky, 1974, pp. 132–3)

Bidding systems

Political processes may influence any modes of resource allocation. Formula funding may well involve political activity in determining the weightings, as we noted earlier. Similarly, autocratic budgeting may involve preliminary negotiations with interest groups to help ensure the acceptability of resource allocation decisions while incremental budgeting could lead to conflict, although this will probably be confined to the marginal activities under scrutiny. However, the type of resource allocation most likely to involve political activity is bidding.

A bidding system involves individuals or groups applying for resources to sustain or expand existing activities or to develop new initiatives. Bidding usually involves set criteria to enable bidders and decision-makers to assess priorities. This is a political exercise because applicants have to decide whether, and how much, to inflate bids while decision-makers have to assess the extent to which this has occurred as well as judge the relative merits of bids. The merit of this approach is that it does put pressure on curriculum leaders to justify and cost their requirements, and show how
the proposed spending will impact on learning (Sutton, 1996, p. 7). Thomas and Martin illustrate the bidding system by giving examples from their case study schools:

In School 5 each head of faculty made his or her case for the departmental budget requirements. This bid had to be based on curriculum need and justified in full. The process then required all information to be circulated prior to a meeting of all faculty heads at which the bids would be decided. The result of such a process is that some faculties would be more successful than others in ‘winning’ their funding. However, it was strongly felt that such an arrangement provided optimum use of the budget and it was accepted by staff that other faculties might have more pressing curriculum needs and that their own needs would be met appropriately. Such a needs-based system tended to follow National Curriculum demands.

School 14 also organised a bid system. However, more of the school’s budget was delegated to the departments and the type of bid therefore needed to be more comprehensive. This included consumables, including reprographics, curriculum maintenance and development, any special curriculum activities, ancillary support and furniture repairs. Each department was also required to forecast the future trend anticipated for three years ahead in order to give senior management a base from which to plan.

(Thomas and Martin, 1996, pp. 77–8)

Thomas and Martin’s (1996) research suggests that the bidding system was accepted by staff as an appropriate way of linking resourcing to curriculum needs but there is little doubt that bidding is likely to lead to political activity as Knight (1983, p. 116) suggests: ‘This approach encourages departments to inflate their estimates ... it tends to undervalue the modest and realistic departments against the pushy and wily ones; and it still leaves unsolved the problem of the final decision.’

The main merit of a political approach to resource allocation is that it is likely to satisfy a higher proportion of participants than many other methods, particularly those involving only the principal or a small number of senior staff. In this sense, it is likely to be preferable to a zero-based model which is designed to change the status quo and is bound to offend certain interest groups:

It may be preferable to produce a budget that keeps the main interest groups and constituencies of the organisation happy rather than being involved in radical solutions which dissatisfy key stakeholders ... an acceptable solution which satisfies the different goals and objectives in an organisation may be preferred to the most efficient one on rational grounds.

(Davies, 1994, p. 350)
AMBIGUITY MODELS OF RESOURCE ALLOCATION

Ambiguity models challenge many of the assumptions of rational resource allocation. They suggest that there is little clarity over the goals of organizations, thus making problematic the notion of linking budgeting to aims. Because goals are unclear, it is difficult to determine priorities among competing alternatives and the concept of an optimum choice is also contentious. Budgetary decisions are likely to be characterized by a lack of clarity rather rationality. Levačić shows the impact of ambiguity on the rational model:

The rational model is undermined by ambiguity, since it is so heavily dependent on the availability of information about relationships between inputs and outputs – between means and ends. If ambiguity prevails, then it is not possible for organizations to have clear aims and objectives. Reliable information about the relationships between different quantities and combinations of inputs and resulting outputs cannot be obtained, and so the second and third stages of the rational decision-making process cannot be carried out. This state of affairs would explain why decision-making, particularly in the public sector, does not in fact follow the rational model, but is characterized by incrementalism.

(Levačić, 1995, p. 82)

Ambiguity damages the rational model which is based on the flawed assumption that there will always be sufficient information to make a clear choice among competing alternatives on objective criteria. In practice, and particularly at times of rapid and multiple change, there may always be sufficient ambiguity to make rational processes of resource allocation both imperfect and problematic.

CONCLUSION: INTEGRATING THE MODELS

The four models discussed in this chapter are all ‘ideal types’ and are not likely to appear in a pure form in any organization. Most schools and colleges will exemplify aspects of several models in their budgeting and resource allocation processes. The rational model is dominant in the official literature, but advocating a particular approach does not mean that this necessarily happens everywhere, or anywhere.

We noted earlier that zero-based budgeting, one of the rational models, was likely to be prevalent in organizations undergoing radical change. This has been the case in further education in England and Wales in the 1990s and Shackleton (1994) argues that a fundamental reappraisal of budgets is essential in this turbulent environment. Simkins (1998, p. 73) also notes that ‘the severe funding pressures which are being placed on further
education are causing the efficiency objective to dominate all others.' However, unpredictability also provides the breeding ground for ambiguity and the potential for damaging political activity.

Wildavsky (1974, p. 129) claims that only 'totalitarian regimes impose their normative theories of budgeting on others' but an inflexible commitment to rational models represents just such an imposition. He suggests that incremental budgeting is better because it helps in securing agreement and reduces the burden of calculation. Given the imperfections of the rational process in terms of inadequate information and unclear aims, it may be better to develop a modified form of rationality which recognizes the competing claims of collegial, political and ambiguity models. Simkins (1989) and Wildavsky both stress the benefits of linking rational and political models: 'Rationality must be built in to the budgetary process in ways which use organisational procedures to manage actively the political tensions which will almost inevitably be generated by difficult choices' (Simkins, 1989, p. 167); 'Economic rationality, however laudable in its own sphere, ought not to swallow up political rationality . . . economic rationality . . . might have bad consequences if it works as intended – indeed, if it can work at all' (Wildavsky, 1974, p. 194).

These suggestions for an accommodation between rational and political models can be extended to the other models considered in this chapter. Managers can improve the acceptability of resource allocation decisions by encouraging full participation by staff and other stakeholders. They should also recognize that planning must be flexible if it is to be adapted to the rapid and multiple changes emanating from the external environment. Rational planning needs to be tempered by an explicit recognition that educational organizations are there to meet the needs of their pupils and students and that leaders do not have a monopoly in judging those needs. Conceptual pluralism, rather than adherence to one model, is likely to be a more effective approach to resource allocation.

REFERENCES


