



The Library as a Business: Mapping the Pervasiveness of Financial Relationships in Today's Library

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ABSTRACT

THIS ARTICLE IS A TREND ANALYSIS, using the college library as a model, which maps internal and external financial contacts in order to develop an awareness of the pervasive complexity of library financial dealings. Topics for consideration include: the degree to which all the library units have financial transactions within the parent organization and with outside providers of goods and services, placing the library in perspective as a component of the parent organization in terms of financial credits and debits. The library is considered as a unit of the worldwide financial infrastructure. The article will also provide an analysis of financial causal factors responsible for increasing library organizational complexity as well as trends in financial relationships that can lead to the provision of top quality library services.

INTRODUCTION

Finance, money, investments, fund-raising, contracts, leasing, budgeting. Do these words seem to dominate the librarian's life today? For any library administrator, fiscal management has always played a dominant role. However, it is interesting that financial health, activities, and related issues are central to the daily functions of an increasing number of staff.

If the concept that "the library is a business" seems passe, this essay will have no appeal. If one were to map the financial relationships and examine the energy that goes into those relationships,

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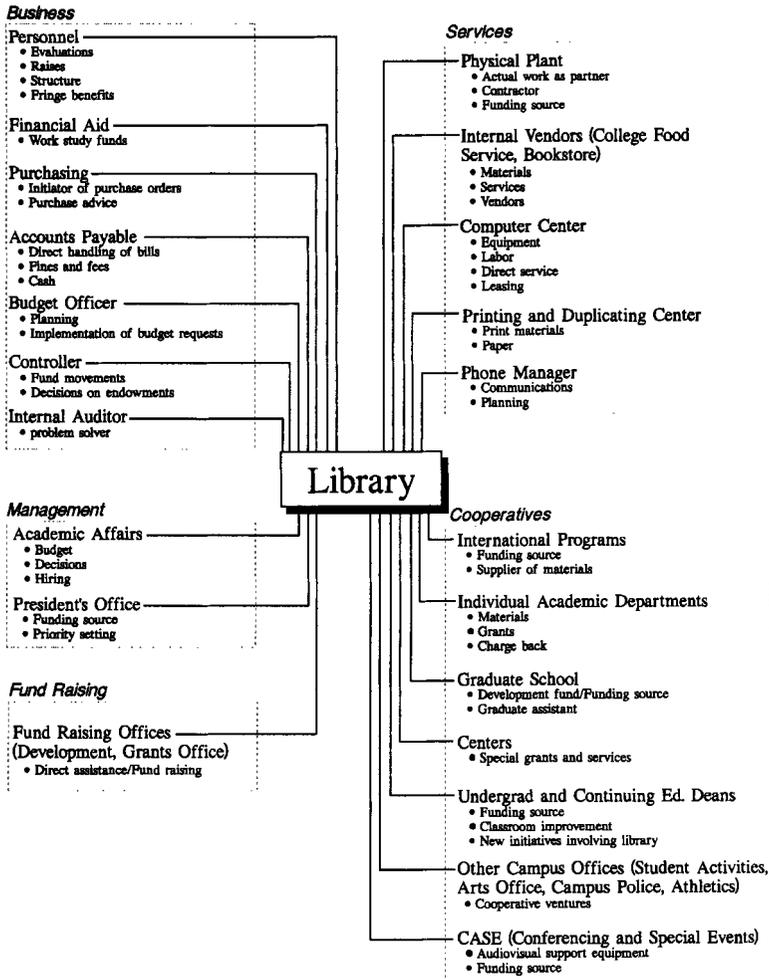


Figure 1. Internal financial relationships

it would be clear that the library is a business and will continue as a business for the foreseeable future.

Total Quality Management (TQM) has stormed into industry and libraries with as many variations of themes as there are consultants promoting the concept. Libraries are no different from businesses which have found insight into financial relationships and organizations from the writings of W. Edwards Deming (Neave, 1990; Walton, 1986). One

constant TQM theme stressed by Deming is the need to understand relationships.

- Who are the customers?
- How does work get done?
- What internal relationships affect quality?
- Who are the key players and teams in the organization?

Deming stresses analyzing activity within the organization. Mapping the relationships visually forces one to think through implications. The following figures map current financial relationships on several levels. With the library as the central single unit:

- What other units in the parent organization does the library deal with financially?
- With what external financial institutions, vendors, and individuals does the library have a financial relationship?
- Which library staff at what intensity deal with these financial relationships?
- How is the library perceived as part of larger industries?

The following figures will document and confirm the increasing number and complexity of library relationships and enable one to understand and improve financial methods and approaches.

Major findings from this mapping are:

- Financial relationships touch almost every unit on campus.
- Relationships can be broken into subcategories to explain how one unit interacts with other units.
- Relationships can be multiple. Many units could be placed in several subcategories. The authors chose to categorize them as dominant roles but believe that multiple relationships are equally critical to management success.
- Although this is a college model, all libraries have a multitude of internal financial relationships if they are part of a larger parent organization.
- Any sense that the library is an independent agent within the organization is quickly dispelled.

External relationships are another part of the financial model. Again, the categories chosen to review library operations are not inherently good or bad. Each institution may pick and choose whatever plan makes sense to them. As shown in Figure 2, some patterns are different from previous years.

New technology vendors evolve into two subcategories. Some come from traditional library/vendor relationships and are set up as such. Many were never part of a traditional library company or

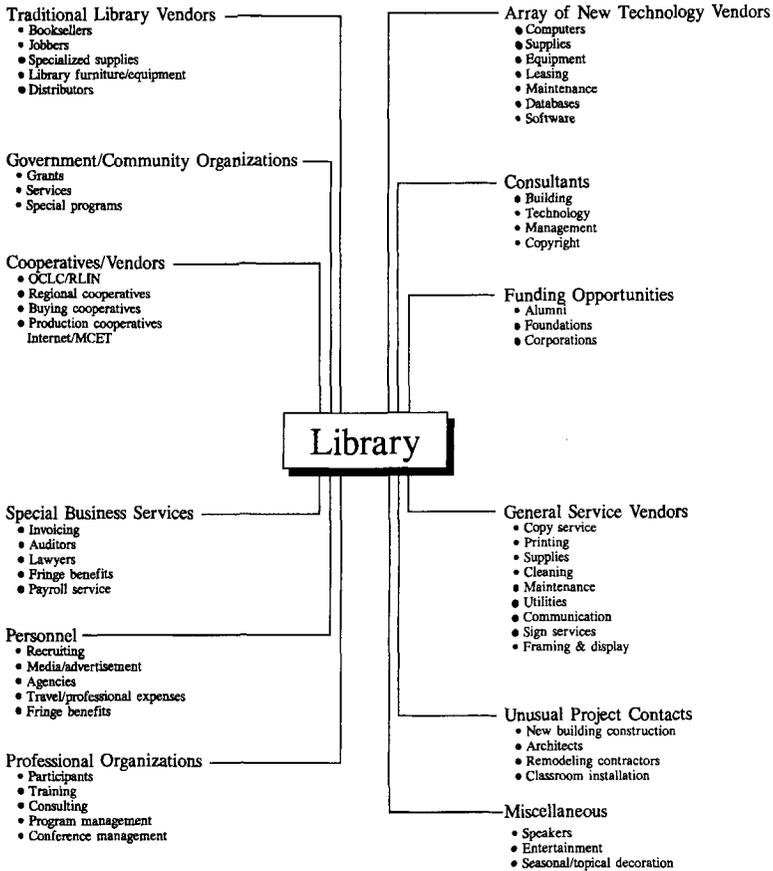


Figure 2. External financial relationships

service and have introduced increased complexities in leasing, planned obsolescence, and maintenance contracts. Bentley College's Computer Center has increased its service role and control over technical aspects because it has special expertise in many of the financial areas of technology management.

Cooperatives/vendors are an important financial entity in the library external market. Along with traditional cataloging cooperatives, there is an increasing number of technology and purchasing cooperatives. Cataloging cooperatives are expanding services and prepayment systems (acting as a bank of sorts) and have become jobbers competing against traditional library vendors.

General service vendors compete against traditional internal suppliers (see Figure 1). Privatization of complete libraries is interesting as it shifts the library from an internal entity to a general service vendor role. Even as most institutions still support their libraries directly, services such as custodial/cleaning, printing, photocopy, physical building maintenance, payroll, travel, consulting, legal services, and communications which were formally provided by campus-based units may now be provided by outside private contractors. What was a financial relationship of internal billing, charge backs, negotiated goodwill, and budget exchanges is now straight purchasing from an outside vendor.

METHODOLOGY

After analyzing the library in relation to outside units, the authors visualized these relationships in comparison to subunits and individuals within the library. Figure 3 uses a contact count as measurement. An additional analysis should be done to weigh the contacts for time and importance to see which staff most actively controls the financial relationships within the library. The initial result demonstrated that no staff member was immune from extensive financial contacts and decision making within the library. There were logical priorities and flows, such as administration, having the most contact and control. Serials may seem to have fewer varieties of contacts but, in reality, almost all of their dealings with a narrower set of contacts were financial. Questions can be asked:

- Is centralization of financial activities an important variable at your library and parent organization?
- If the entire staff makes financial decisions, are they also informed of the library's budget and financial priorities?
- With so many people involved in finance, are there sufficient auditing, security, and control systems in place to protect the library?
- With so many people involved in finance, are there too many controls and/or paperwork trails involved? Do people have independent authority and responsibility?
- After mapping the financial relationships, are there logical changes that need to be made to improve the relationships and workflow?
- The next three graphics attempt to help the manager reorient his or her analysis of financial relationships to a bigger map. The relationships that libraries most regularly influence and control are described in Figures 1-3 (Internal Within Library, Internal Within Parent Institution, and Direct External Contacts).

THE LIBRARY'S ROLE

The library may be the "center" of campus but, in financial terms, it is usually a very small part of the infrastructure and an

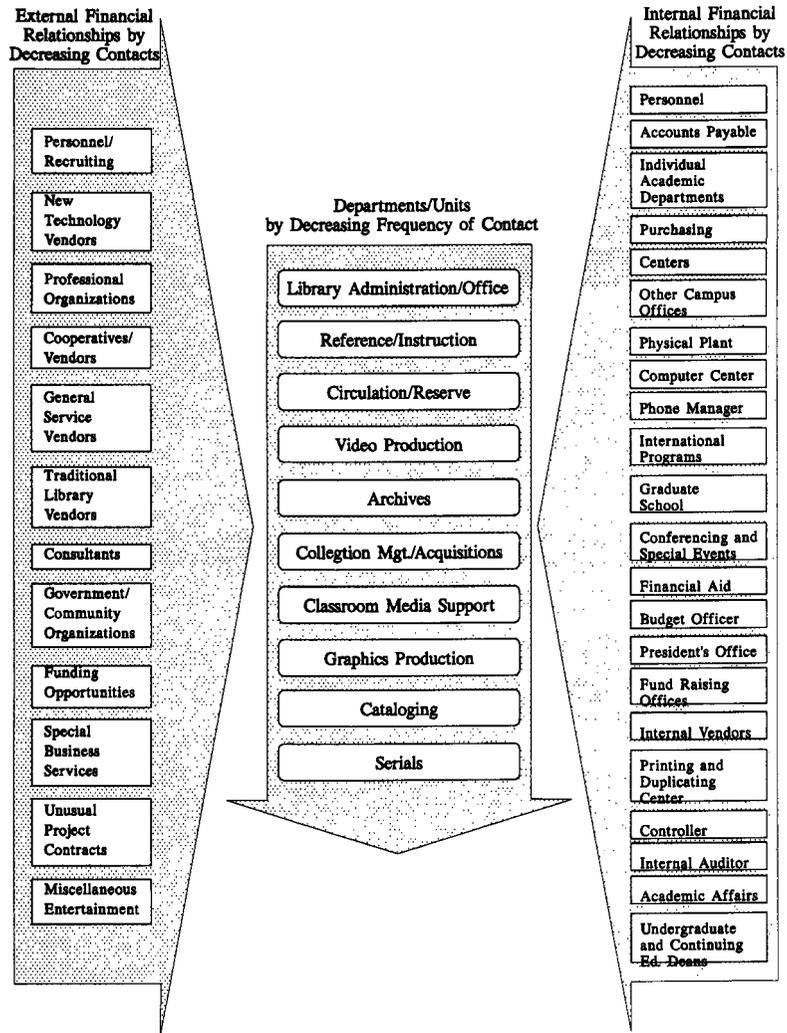


Figure 3. External and internal financial relationships within departments and units of the library

even smaller part of the revenue-generating stream (see Figure 4). Librarians need not be defensive about this statement, but it may help to explain the perception in libraries of lost influence and power. The influence and power libraries have is related to need, services, tradition, and customer satisfaction but seldom comes from financial clout or centrality to the financial health of the parent institution.

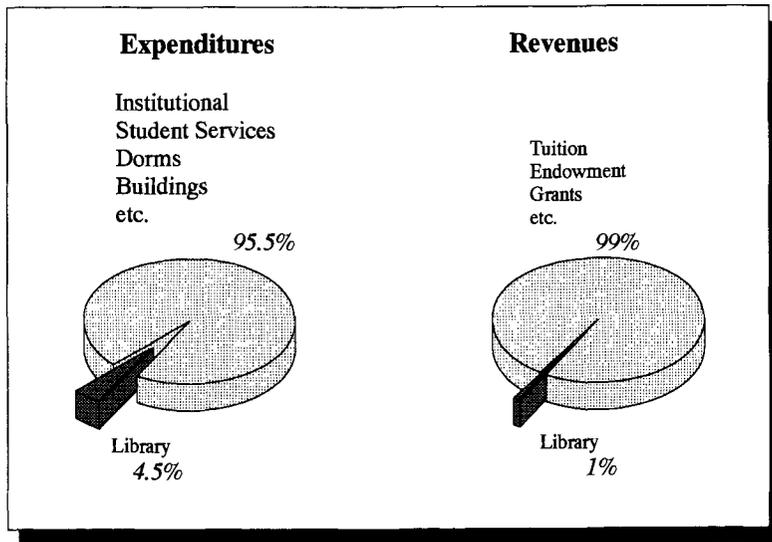


Figure 4. Financial role of library within the college as a whole

Figure 5 carries the analysis one step further. The library is part of one college that is part of higher education that is part of the world's various industries. This analysis does not attempt to discourage or depress the library manager by recognizing this smallness. It is used to recognize and understand that all kinds of financial decisions come into our management influence from outsiders who do not have the library in mind. These outside forces include accrediting organizations, accounting standards boards, professional organizations, and government agencies that control financial institutions.

FINANCIAL CONTROL

Complex vendor relationships are also increasing, as shown in Figure 6. Vendors who sell to the library market face the same dilemma as do libraries. They are a small part of a bigger industry that puts unpredictable financial pressures on them. Much of the publishing industry is part of the radically changing entertainment industry. Computing serves so many markets that one wonders if libraries can financially influence any of them. Higher education depends upon the financial health of primary and secondary education to provide them with a knowledgeable student to work with in the college years. The financial health of secondary education definitely affects the sophistication of the library user upon entering college.

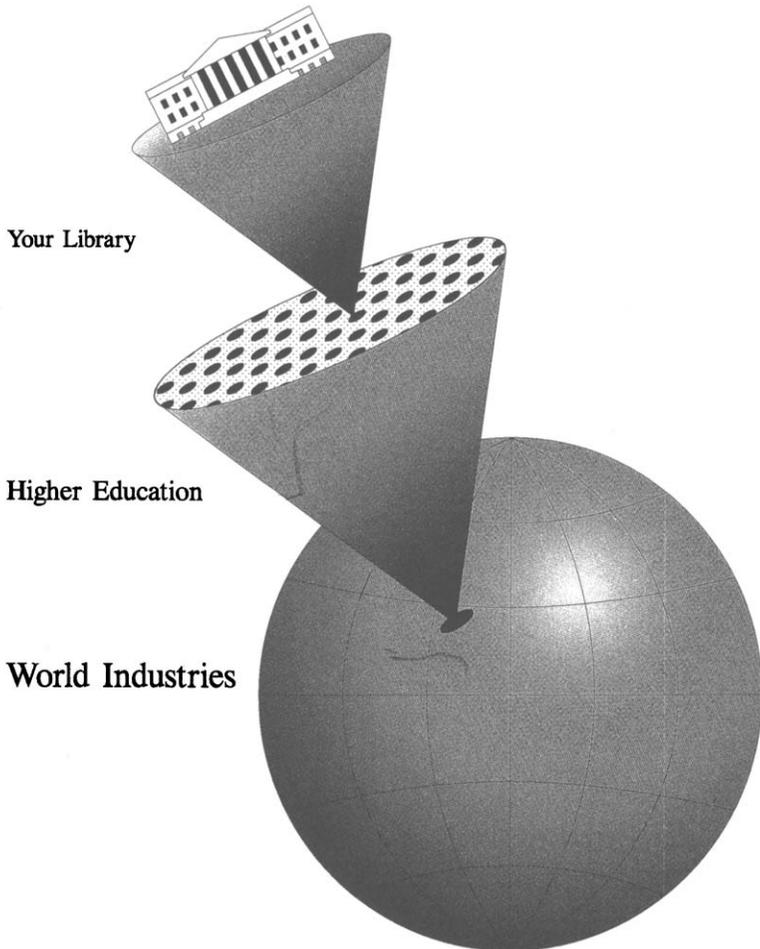


Figure 5. The relationship of “your library” to world industry

Many times the library market is so small that the bigger industry needs to impose pricing, dynamics, and financial techniques that, while not well suited to libraries, serve, in their judgment, a more important industry customer. For example, we all wait to see if the consumer market will drive down the cost of certain interactive video products so that we can afford to purchase the educational end of that new format.

The authors used the college setting to demonstrate relationships because they know that area best. However, both have worked in

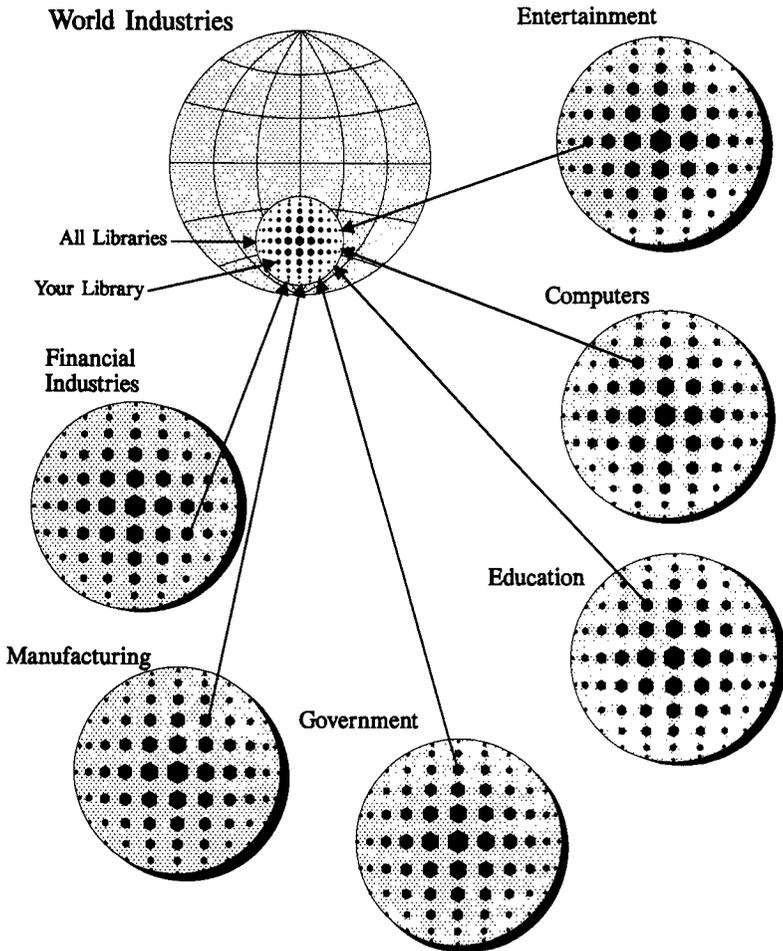


Figure 6. Vendor relationships with libraries

public libraries, technical libraries, and private industry. In fact, while each type of library does have some distinctive characteristics, there are more similarities than differences among them:

- The library is usually part of a larger financial entity and seldom the final arbiter of its financial future.
- The internal accounting operation of the library may be designed and flexibly applied by librarians, but the majority of the structure is applied by outside authority, standards, and rules.

- Most financial decisions guiding the overall parent institution (such as colleges, cities, government agencies, corporations, schools) are not made by librarians. A large number of professional business and finance personnel outside of the library have the greatest influence on financial systems and strategy.
- Customers—whether they be patrons, faculty, students, or children—are seldom the final financial decision makers. These decisions are made by administrators, boards, supervisors, business offices, and budget officers.
- Technology, although selected by librarians, is seldom initiated or designed by librarians directly. The recent popularity of the CD-ROM did not come from librarians as designers but rather from vendors in the information business.
- There is interdependence among providers of library services with the service provided being part of the other unit's budget rather than a charge back (e.g., utilities). In a study done twelve years ago, one institution found that fully 40 percent of the true resources spent on the library came from budgets not controlled by the library.
- While most financial resources come through the budget, there are increasingly diverse sources such as charge backs, customer fees, outside grants and endowments, special deals with vendors, services contributed by other departments, and bartering.
- Tracking expenditures and revenues and strategic financial planning has shifted to computer-assisted systems. There may be increasing information available about how librarians spend but there may not be more wisdom from the new data. The budget remains the primary financial tool as opposed to the profit/loss or revenue/expense statements in the for-profit entity.

CHANGING FINANCIAL ENVIRONMENT

After mapping the financial complexities, the authors believe that the librarian will understand that relationships are important and changing. All the conversations, experience, and literature have firmly convinced the authors—even though they cannot really prove it—that relationships are more complex. If they are right, it is logical to ask why relationships are different and more complex? Consider the following.

Business Modeling

The institution's use of the business model has increased. Concern for the patron, service orientation, high quality product, and cost benefit analysis are concepts that have come to the library field directly from business and have been accepted as central to the administrative model. As one uses business analogies, it follows that business financial priorities become central.

Fees and Cash Flow

As never before, libraries have introduced many direct services that collect money from patrons. Special libraries have always had a more direct business relationship with their management than other libraries. To accommodate their "entrepreneurial operations," they have increasingly set themselves up as cost, profit, or charge back centers. Many large public libraries and even some smaller ones have semi-independent services that charge fees for nontraditional assistance such as database searching. Many libraries are heavily involved in the business of copy services, vending, rental of meeting space, bookstores, gift shops, charging for reserves, and other revenue projects.

FINANCIAL TECHNOLOGIES

The greater financial community continues to introduce technologies and techniques that filter through to library operations. Electronic transfer of funds is standard. Patron credit cards pay for library services, and vending systems dispense cards for photocopying. Cash management and investment techniques are more sophisticated, and business managers are much more cognizant of budget patterns and cash flow into the library.

FORMAT EXPLOSION

Traditional financial practice in libraries, in addition to management/budgeting issues, was centered on the acquisition of print materials and evolved as the industry changed. Libraries struggle with increasing journal costs vis-à-vis book titles. The internal fight among formats has been fought mainly with the same budget pool. Automated services have been funded with new money and some money from traditional sources. Even as formats have shifted to computer technology, it still behooves the industry to monitor the book, journal, and other traditional print source finances. Just because there is more on the "library plate" does not mean that acquisitions librarians can waver in their unstinting efforts to buy more with less.

FUND-RAISING

Fund-raising is the watchword of the 1990s. As traditional resources shrink, libraries turn to the magic of outside funding. The librarian may always have been perceived as a fund-raiser, particularly at large institutions, but it is safe to say that the idea that every single library and almost every single librarian should be fund-raising is a fairly recent phenomenon. With fund-raising comes a greater need to understand techniques, methods, and approaches not only

in raising money but also in investing, protecting, and managing money outside the standard budget.

INCREASED TECHNOLOGY

Increased technology and dependence on it to deliver services has brought with it increased costs; sophisticated payment systems; and expenses for leasing, repairs, telecommunications, replacement, planned obsolescence, software development costs, and equipment purchases. With local automated circulation and cataloging, remote database searching, video/satellite technology, interactive videodisc, CD-ROM, local and remote database tapes, the Internet, office automation, financial reporting, and purchasing automation and graphic systems, there is no part of today's library that is not automated and libraries must deal with questions of how to purchase, maintain, and expand such technologies within a constrained financial setting.

THE PROFESSION'S RESPONSE TO CHANGE

If finance and its relationships have become as central to the library world as the authors think, one could logically ask whether the response of the profession supports that hypothesis. Financial literature, as reflected in this special issue of *Library Trends*, definitely is on the increase. The Library Administration and Management Association (LAMA) of ALA has its own journal, *Library Administration & Management*, introduced within the last ten years. While it covers all management issues, a quick review of its contents shows significant topics of finance, funding, and payment for technology. Other journals regularly cover general and specific financial issues. The *Bottom Line: A Financial Magazine for Librarians* from Neal-Schuman has been published since 1986.

Within the American Library Association, several divisions have expanded and restructured in response to financial issues and changes. The Fund Raising and Financial Development Section of LAMA was created in response to library needs. Within the Library Organization and Management Section (LOMS), the former Budgeting, Accounting and Costs Committee reorganized with a new mission as the Financial Management Committee. The recently created Fiscal and Business Officers Discussion Group has thrived. Since money, money, money is central to institutional health, financial programming for almost every division within ALA and other library organizations has increased. ALA itself has become increasingly visible in its internal efforts to maintain financial viability, provide economical services, keep up with technology, and improve its own financial record keeping.

The Fiscal and Business Officers Discussion Group, mentioned earlier, confirms that not only are there more positions identified with a fiscal component in their title and responsibilities, but also there are more hired for their fiscal rather than librarian background. From anecdotal evidence, this seems to be mainly at the largest institutions which seek talent from nonlibrarians in fiscal and fund-raising areas.

The wide availability and popularity of the Master of Business Administration (MBA) program has encouraged librarians to secure this degree. Sherman Hayes, co-author of this article, received his MBA twenty years ago. At that time he seemed to be a rarity within the library world. Today this specialty degree is frequently held by librarians. The Ph.D. continues to be the degree of choice for top management, particularly in academic settings, but the MBA is also a viable way for library managers to increase their skills.

CONCLUSION

If their speculation on business trends seems accurate, the question logically follows, What is next?

- More of the same. There seems to be no financial relief in sight for the decade, and all librarians will be forced to be financial managers whether they want to or not. There are fewer positions in higher education and other library settings. Those who remain will have to do more with less. We could move to technology as the savior. Many doubt whether it will really save them, but it is here to stay both in new media and those not yet introduced.
- The profession must continue to look to library schools and each library's internal training program to ensure that financial issues are covered early and often. It is critical that new students understand the opportunities/pitfalls of the new technologies and the implications of funding and the resources needed to support them.
- The profession also needs to be careful that finance does not become "the tail that wags the dog." Although there needs to be continued financial discussion and guidance, librarians must remember their primary business, who their customers are, and the models and visions that guide them. Finance is about managing and paying for the vision, but it is hoped it does not become the only model and vision in the end.
- Relationships, those outlined in this article and others, will become the final arbiters of whether a library is successful. Few libraries can stand alone now. Other entities within the parent institutions and the external world will be critical to their success.

- Relationships growing out of technologies between libraries and computer centers will continue to evolve. One area of this evolution is financial. Libraries have controlled the majority of resources related to print/text sources in institutions, and it follows that librarians have greatest management influence and financial control over corresponding issues. It has not been the case for computing, electronic information, and other new media outside the library.
- The high cost of building and managing local, regional, national, and global networks and central computing power has fallen mainly on computer specialists outside the library. Since resources have flowed to the computer centers of the world, it is logical that much of the initiative, guidance, and modeling has fallen to these as well. If libraries do not have financial control over their infrastructure, how can they have service control? This is a major implication of the new financial realities as the profession moves into new technologies.
- The computer center has become central to the entire institution. It cannot afford to take full management control of the resources but must work as a partner with a wide variety of units. This partnership in technology flows to a partnership in financial relationships. In fact, this partnership is reflected in almost every aspect of the parent institution. Libraries that thrive in the 1990s will be those that work best within their financial relationships both inside and outside the institution.
- The financial services industry will continue to innovate. Accounting and finance standards boards will make decisions having broad impact on our institutions. The private information sector will obviously not sit still. The combination of organizations and media, such as cable TV and telephone, will have profound effects on the services a library offers and the services patrons receive from other vendors.
- One of the first lessons a library manager learns, and it can be painful, is that the library is seldom the driving force or innovator in the financial/service area. This is not because the profession is not innovative. Rather, as a service organization within the larger parent organization, libraries do not determine institutional priorities but respond to them as best they can. While not without a voice in setting priorities or influencing change, libraries are seldom the final decision makers for cities, towns, school districts, colleges, universities, or companies. This statement will be true for as long as they are not the primary unit in the institution.
- "Just in time" and "just in case" models for acquiring information highlight an important financial dilemma for most library

managers. Managers get their money in lump sums that lend themselves to "just in case financing." However, more services demand the structure to purchase with "just in time payments" without knowing the cumulative payment demands. For example, if a library wants to budget for a service that charges for each use in variable quantities, it can:

- set aside a flat budget, pay for the service until it hits the budget, and stop providing the service;
 - set aside a budget and rob from other funds when it exceeds that budget;
 - charge the customer directly with no budget impact;
 - decide not to get the service;
 - negotiate to have the service at a flat rate so it no longer is a variable headache.
- Special libraries do an excellent job of shifting their internal funding schemes and structures to better handle "just in time" payments. The rest of the industry has not made that shift and libraries do not know if they can since they are not, as yet, tied to revenue or profit centers.
 - Increased leasing, flat rate database searching subscriptions, flat rate software licensing, flat rate bundled equipment and CD-ROM services, and prepayment plans for standing orders all reflect efforts by libraries and vendors to respond to the financial limits of most libraries. The financial model emulated is that of the continuation and the journal. The title becomes fixed in the library's mix of offerings and, it is hoped, becomes a steady and ever-increasing flow of cash to the vendor. Use may vary within the library, but the payments remain steady. Of course all the problems plaguing serial subscriptions related to price increases above inflationary rates will surely start to be a factor with these new "flat rate" services.
 - When libraries controlled "print only" materials, they set aside monies to manage in a logical manner and controlled the "just in case" scenario. The introduction of more vendor controlled services (remote databases) called for new funding, accounting, and financial control systems which have not necessarily followed.

As parent entities are buffeted financially and technologically by market forces and changing workforce issues, libraries can only expect the same. The financial complexity will increase; relationships will become more critical; and library managers will need more skill in financial matters, services, and human resources.

There is no magic formula to combat the world's increasing complexity, but there are tools available to help one manage financially. Map and study library relationships. Read library and management financial literature. Speak with other people in the parent organization about financial issues. Understand their world. Review the core of important values for both the library and its staff so that finance does not become overwhelming. Remember why you chose the library profession. Financial issues may be part of the reason but seldom the only reason. Participate in professional organizations to learn and share. Encourage training in financial management among your library, other parts of the institution, and at library schools. Remain skilled in your thinking and flexible about using the financial resources at your disposal.

Finally, remember that the forces pressing down upon libraries are the same as those that press down on almost all of the world's industries. The library is part of a rapidly changing, complex world and change is the only financial constant. It will not get any simpler. The institution will continue to need the librarian's financial skills in the struggle to provide the best possible library services with the resources available.

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