



# Piedmont University

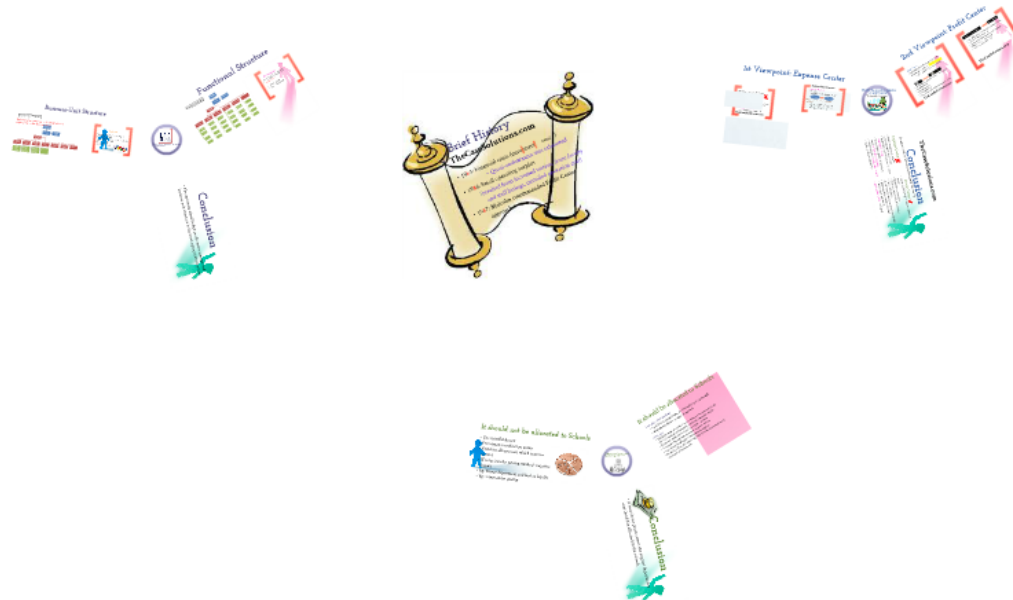


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# Brief History

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- 1984: Financial crisis (enrolment ↓ cost ↑)
  - Quasi-endowment was exhausted
- 1986: Small operating surplus  
(resulted from increased tuition, froze faculty and staff hirings, curtailed operation cost)
- 1987: Malcolm recommended Profit Center approach

Should the school be expense  
or profit center?

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Public benefit entity- stakeholder □ Trustee



adds to the  
cost

*Discretionary expense center*

- no relationship between input and output

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## Annual Expenditure Budget

- Control cost
- Participate in planning, sharing information



Actual expenditure → Budget Expenditure

Evaluate Financial performance: Efficiency & Effectiveness

- Discretionary expense center would be more appropriate for certain school e.g. unpopular Theological School

## Profit Center

-responsible for both revenues and costs

-Level of performance:

- value of profit (revenue – cost )

School



Profit center

- gain greater control over school's cost structure
- more responsive
- more competitive
- more independent
- developing more income-generating activities

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Support Departments



Profit center

- e.g. administrative, maintenance, computer, library
- charge for services rendered
- generate enough business (revenue=expenses)
- break even goal & cost analysis
- is motivated to control costs



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## Conclusion

Problem of financial crisis in Piedmont University

### Expense Center ✗

- Negative impact on surplus
- Cost consideration- cut cost
- Rollback & layoff (budget cut)- affect stakeholder- staffs
- Compromise quality of education- affect stakeholder- students
- Violate objective stakeholder- trustee
- Lead to declining enrolment

### Profit Center ✓

- Turnaround strategy to improve financial health
- Responsive to pressure
- Improve competitive performance
- More enthusiastic
- Profit consciousness enhance responsibility
- Higher quality academic standard
- Attract more enrolment
- Stakeholder- staffs-> no layoff

