

COST MANAGEMENT STRATEGIES FOR EFFICIENT UTILIZATION OF RESOURCES IN PUBLIC UNIVERSITIES

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ABSTRACT: This paper investigated cost management strategies for efficient utilization of resources in public universities in Rivers State, Nigeria. Cost management is the process of measuring costs against benefits and identifying ways of reducing costs while improving the competitiveness of the organization in business. Cost management strategies are measures that businesses and educational institutions adopt to stem the tide of the global financial crisis. Some examples of cost management strategies available to public universities in Rivers State as identified in this paper include: Benchmarking, balanced scorecards, total quality management, cost estimation and budgeting. It was concluded that cost management strategies are expected not to impact negatively on the quality and standard of output of public universities but rather they may result in their improvement. Suggestions on the way forward which include the following were made: administrators of public universities in Rivers State should not put all their costs in one basket, they should separate them and staff members should be adequately trained on cost management strategies especially total quality management by the university in order for them to internalize them.

Keywords: Cost, Cost Management, Strategies, Efficient, Resources and Universities.

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INTRODUCTION

Nigeria operates a mono-cultural economy because its major source of revenue is oil. This implies that when the price of crude oil in the international market is favourable, the economy will enjoy financial relief and there will be enough money to finance the different sectors of the economy. The reverse is the case when oil prices drop. Education is one of the sectors of the economy that requires huge financial investment due to its unique nature and relevance to economic growth and development. Education is regarded as a social service that every responsible government must provide for its citizens. The citizens have the right to access any level of education of their choice without any molestation or restriction. The Child Rights Act of 1948 which includes the right to quality education; and the Education for All (EFA) policy have resulted in a growing increase in enrolment at the various levels of education over the years.

Universities constitute a class of tertiary education institutions existing in Nigeria as in other parts of the world. In Nigeria, universities exist to pursue their primary and secondary mandates. The primary mandate is to train people for the acquisition of degrees and conduct research, while the provision of community services remains the secondary mandate. The demand for university degrees has risen tremendously in recent times. This is

because university graduates are highly rated worldwide. They are seen as people with special skills and embodiment of knowledge hence they are rated higher than graduates of other classes of tertiary education institutions such as Colleges of Education and Polytechnics. This perception accounts for the high demand for enrolment in universities in Nigeria (Agabi, 2006).

Universities in Nigeria have been responsive to this role by attempting to accommodate rising student demand even in the case of dwindling resources. This has placed several strains on their capacity. According to Giroux (2004), the capacity challenge facing tertiary institutions is in two groups. One is the need for more lectures and the other is the need for more infrastructures such as; Lecture halls, hostels, standard libraries, standard laboratories, staff quarters etc. Supporting this observation, Asodike and Umeh (2012) observed that tertiary institutions in Nigeria are facing new realities which bother expansion in order to cope with the ever-increasing student enrolment.

Complicating this whole issue is the unstable economic conditions and funding pattern of public universities in Nigeria, as they rely on governments for funding. They are not allowed to charge school fees according to market forces. Bamiro and Adediji (2010) stated that tertiary institutions are affected by government policies such as the restriction of federal universities from the collection of school fees. The cost of university education is rising more than the corresponding rate of increase in available funds. This has resulted in an inadequate supply of necessary resources in public tertiary institutions in Nigeria. Affirming this, Akinyemi (2013) stated that public tertiary institutions in Nigeria lack the financial resources to maintain educational quality in the face of an enrolment explosion.

This paper is directed at examining cost management strategies for efficient utilization of resources in public universities in Rivers State. Specifically, the study identified cost management strategies that can be adopted to ensure efficient utilization of resources; the roles of university administrators in cost management processes; the involvement of contractors and school community in cost management strategies; and examine the benefits of cost management strategies in the efficient utilization of resources in public universities in Rivers State.

CONCEPTUAL CLARIFICATION

Cost

Costs in education may refer to monies spent on different kinds of resources put into use in the course of providing university education to consumers. This cost may be in the form of direct or indirect costs. It is also necessary to see education cost in this regard as opportunity cost (indirect cost), which is the real cost sacrificed in the process of providing education (Owolabi, 2006). The concept of cost depends on the contextual usage. It is obvious that there is a shortage of needed resources in our public universities, and this has given room for overutilization of available ones. Funds for expansion and procurement of needed resources are in short supply and available funds need to be efficiently utilized. Therefore, the management of public universities needs to adopt cost management strategies that will help them to run their universities and achieve their targets with minimal resources.

Cost Management

Cost management is the process of measuring costs against benefits and identifying ways of reducing costs while improving the competitiveness of the organization in business (Oyewo, 2013). Cost management could also be viewed as the process of controlling costs through the

formal process of budget development, monitoring and adjustment to achieve the maximum amount to work at a specified level of quality where uncertainties may cause costs to increase beyond acceptable levels (Benviolent et al., 2013). The main objective of cost management is to reduce the cost expended by an organization while strengthening the strategic position of the organization. This goal can be accomplished by having a thorough understanding of which costs support an institution's strategic position and which costs either weaken it or have no impact on the institution.

A visit to public universities in Nigeria speaks volumes about the inadequacy of lecture halls, hostel accommodations, lecture offices, laboratories, library facilities, lecturers, lecturers' quarters, and health and safety facilities just to mention but a few. Due to the inability of the government to adequately fund public universities, the management of these universities has been advised to embark on internally generated revenue and cost management policies to cope with the cost of administering these universities. Educational cost is the translation of educational needs into a financial plan which is interpreted to the public in such a way that when formally adopted, it can sustain a school system financially, morally and socially for one year. It is a plan for financing the school system for a given period (Ike-Obioha, 2011).

Incurring costs in the administration of public universities just like in any other organization is inevitable. One cannot avoid it. Therefore school administrators need to understand the determinants of these costs and the cost management measures they can adopt for efficient utilization of available resources. The current economic trend necessitates the need for cost management measures within the university system. The measures have to be integrated into all levels of administrative activities within the school and collaborations between the school and stakeholders. The need to manage cost may enhance the school administrator's chances of increasing, his/her output at a lower cost. Furthermore, the attainment of cost at the operational and administrative level would make the school a social service available to more people at a moderate cost. It is against this background that the researcher seeks to find out the cost management strategies for efficient utilization of resources in public universities in Rivers State.

Cost of Education

The cost of education has been viewed from different perspectives by different scholars. The cost of education is an attempt to estimate the total resource cost of education to the economy. This involves the accumulation of the private and social costs. On the other hand, the cost of education as the monetary value of resources used in the production of human capital at a given period. Educationally, the cost of production can be measured in terms of the input used to derive the benefits of being educated (Ebong, 2006).

Types of Cost

Cost can be grouped into different types. They include:

Private Cost: This includes expenses for school fees, uniforms, books transportation, etc., borne by parents. This also includes the earnings forgone by the student and his parents in the course of funding education. These forgone earnings constitute private opportunity costs of education.

Institutional Cost: It involves the expenditure incurred by the educational institution in the course of service delivery. Institutional costs are categorized into recurrent costs and capital

costs. Capital costs are expenditures on infrastructure, facilities, equipment and other durable assets while recurrent costs are costs of personnel service and materials which re-occur regularly.

Social Costs: These are expenditures rendered by the society for the education of her citizens. Unit cost is the expenditure on education of an individual at a given time. The direct cost of the Universal Basic Education programme, for instance, is a social direct cost. It includes the cost of school buildings, institutional resources, staff salaries etc. It includes recurrent and capital costs of running the UBE programme and other public educational institutions at subsequent levels of education.

Opportunity Cost: This is the cost of the forgone alternatives. Educational inputs can be measured in monetary terms or using the real resources in the educational process such as staff, books and other materials, equipment, buildings and time used by both teachers and students. These resources have the opportunity to be used for other purposes than the provision of educational services. These other purposes that were sacrificed for education constitute the opportunity cost of education.

Efficient Utilization of Resources

Resources are scarce and their supply is hardly enough. No organization can survive without a proper combination of resources which are in the form of factors of production. They are very important due to the useful roles they play in the process of production. Resources cover everything useful in the attainment of institutional goals. The importance of resources and their inadequate supply call for careful planning and adoption of prudent measures in their utilization in order to avoid wastage. University administrators need to put in place various strategies to ensure that the resources available to them are adequately utilized. Efficiency in the utilization of resources could be measured based on the relationship between input and output (Nwadiani in Adeyemi, 2012). It is the outcome of greater output with minimal use of available resources. The achievement of efficiency in any organization and especially in a school system.

Cost Management Strategies

Cost management strategies are measures that business concerns and educational institutions use to stem the tide of the global financial crisis. In light of the limited financial resources and numerous units competing for their share of what is available, institution managers are expected to adopt cost management strategies such as Benchmarking, Balanced Score Card, and Total Quality Management (Ebong, 2016; Gogo, 2012). On the other hand, Benviolent et al. (2013) observe that the strategies employed by contractors to manage cost include: Cost reports, cost estimating and budgeting, and variance analysis and resource management. Benchmark: is a competitive tool that measures standards for the comparison of programmes in institutions. The comparison according to Ebong (2016) leads to the evaluation exercise of benchmarking. It is the strategy for measuring the increasing competitiveness, changing methods and information availability in educational institutions and businesses. The emergence of benchmarking was a follow-up from the concept of quality in organizations that have for decades been concerned with upgrading and keeping up with competition from corporate bodies and organizations.

In universities, programmes are evaluated based on the National University Commission (NUC) benchmark. NUC benchmark provides guidelines on the way

programmes should be run or implemented. It specifies the necessary resources educational institutions should put in place before they will be qualified to offer certain courses or programmes. Benchmarks are provided for the maintenance of standards and quality in our educational institutions. It saves the cost of beating about the bush looking for how to run certain programmes or doing trial and error in some cases.

Balance Score Card (BSC): This tool was designed to ascertain the level of performance of individuals and groups in an organization to determine their level of efficiency. Niven (2006) thinks that BSC can assist organizations in attaining tremendous achievement. This is because the BSC helps to evaluate the effectiveness of various units in an organization in contributing to the success of the entire system. As the name implies, BSC assists in balancing the activities of an organization by ensuring that each unit in the system is operating efficiently and effectively. This helps to save costs. Balanced Scorecards have been found very useful in cost management in private and public education institutions.

This strategy can be adopted in public universities in Rivers State to set up a competitive working culture, where everybody will be willing to put in his/her best in terms of skills and strength promptly. This will enhance productivity and at the same time reduce cost through the maintenance of efficiency and effectiveness. This approach helps every unit to sit up and attempt to compete favourably with other units. The various unit heads in this case have to be on their feet to watch the attitude of each staff under their care very closely and score them accordingly. Anyone whose score is below average should be encouraged to sit up. Those who refuse to sit up can be transferred to other units or they can be disciplined. The level of achievement of any unit of the university depends on the attitude to work and the performance of the individuals in that unit. If the scorecard of each individual is above average and the performance level is high, this will encourage efficiency and effectiveness, which in turn impacts positively on cost management.

Total Quality Management (TQM): is another strategic tool useful in cost management in business organizations. TQM is a process that moves the entire organization towards a culture of total and continuous improvement. Ololube (2024) have identified key features of TQM to be intense focus on customer needs; concern for continual improvement; improvement in the quality of everything the institution does; wide use of team and task forces for finding and solving problems; teamwork and emphasis on participation. Important lessons from TQM relevant to quality assurance in educational institutions are said to be: emphasis on prevention of wastage; involvement of students; teachers; heads of departments; inspectors and parents in the quality process; as well as securing the right attitude and commitment of all concerned stakeholders so that quality process becomes the concern of all and sundry. This practice is very useful in cost management as it keeps everybody on his/her toes in doing the right thing at the right time.

Business Progress Review: It is important to review the performance of the business or institution as an administrator. Once your business is established and running well, you may be inclined to let things continue to run as they are (Tandon, 2016). However, the taking off of a business plan marks the beginning of another phase of planning. After the crucial early stages of the business take off. The administrator should regularly review his/her progress, identify how he/she can make the best out of the market position and decide how to take his/her institution to the next level. Administrators of public universities in Rivers State could have business progress review meetings at least once a week. In this meeting, the heads of departments, directors of centres, deans of faculties and principal officers of the universities will assess and evaluate reports from all the different faculties, departments and units as well

as review previous reports and decisions on certain important issues. This helps to ensure that relevant issues are addressed on time with important decisions taken early enough to avoid some negative consequences. Especially issues concerning students' unions and workers' unions should be carefully and promptly addressed in public universities before they degenerate into protests and rampage destruction of school properties. Business progress review helps so much in cost reduction in the management of public universities.

Cost Reports: Cost reports provide progress information that is used to assess project performance against set targets. Cost reports should be prepared often so that excessive project costs can be detected while there is enough time to take corrective action. For instance, jobs awarded to contractors should be frequently inspected and cost reports on such jobs should be equally evaluated (Benviolent et al., 2013). This will help public university administrators to ascertain the performance of the contractors. Sometimes contracts agreed to last for two years may last longer due to contractors' gimmicks. This is not in favour of the universities because the cost of the project increases with time due to inflation and other factors. University administrators should demand for cost reports and review of such reports should be carried out from time to time vis-à-vis the progress of the project. This strategy aids a lot in cost management and public universities' administrators should adopt it in their institutions.

Cost Estimating and Budgeting: Cost estimates and budgets are used by organizational managers and contractors in cost management. Administrators prepare cost estimates and produce budgets based on the goals and needs of the organization. These cost estimates and budgets become the benchmark upon which cost performance will be monitored and controlled. Administrators of public universities should involve all the heads of departments, deans of faculties, directors of centres and other stakeholders in cost estimating and budget preparation. Cost estimating and budgeting is an outstanding tool for cost management used by public universities since time immemorial. Once the budget is approved, it becomes a guide to all the financial transactions in the school. This helps in cost management because all expenditures within the fiscal year are expected to fall within the provision of the budget.

Variance Analysis and Cost Value Reconciliation: Variance analysis as a cost management strategy tries to compare budgeted expenditure against actual expenditure on a project. Cost value reconciliation goes beyond the comparison of planned against actual expenditure but also focuses on value generation. Cost value reconciliation allows forecasts to be made in terms of the project cost and profitability at any given rate of reconciliation. Collectively, variance management allows the administrators to note the existence of variance in project costs (labour, materials or overhead costs) thus offering the opportunity for the administrators to assess the possible drivers of cost variance to institute appropriate remedial measures (Benviolent et al., 2013). In public universities, there could be a budget surplus or budget deficit depending on the prices of goods and services at the time of budget preparation and budget execution. A budget surplus will mean that administrators will have more money to spend within the fiscal year while a budget deficit implies otherwise. In any circumstance, it is expected that Public university administrators ensure that increases in costs are equal to the value generated. Appropriate estimation of costs is therefore very important to avoid much difference between planned cost and actual cost bearing in mind, the inflation and trend at any point in time.

Resource Management Related Strategy: Resources are central to the achievement of set goals. Resource utilization impacts so much on the cost of administration or the cost of

programs/projects. Resource management strategy is divided into: material management which involves bulk-buying of materials, secured storage of materials, monitoring site material movements and material reconciliation. Labour management which involves labour engagement strategy, supervision of site labour, monitoring labour outputs performance-based labour rewarding and employment of site security personnel. Plant and equipment management: This takes care of plant utilization schedules and timing of plant availability. Apart from bulk purchase of materials, at-site strategies such as; material registers, plant registers and labour time cards should be used to manage the movement of resources and to minimize idleness and misuse of resources. These efforts are put in place to check variance in resource utilization in terms of quantity and efficiency which may negatively impact cost if not adequately controlled.

Ways of Building a Successful Cost Management Strategy

Tandon (2016) developed five ways of building a successful cost management strategy. They are as follows:

- **Define Cost Management Objectives:** Establish clear and specific cost reduction goals aligned with organizational objectives.
- **Identify Cost Drivers:** Determine the factors that influence costs, such as labour, materials, and overheads.
- **Analyze Cost Behavior:** Understand how change in response to changes in activity levels or other factors costs.
- **Develop Cost Reduction Initiatives:** Implement strategies to reduce costs, such as process improvements, outsourcing, or renegotiating contracts.
- **Monitor and Evaluate Performance:** Regularly track and assess cost management performance to ensure objectives are being met.

Role of University Administrators in Cost Management

University administrators have crucial roles to play in the cost management process. They have to set a good example and be at the forefront of the whole process. They have to make effective cost management policies aimed at the efficient utilization of available financial and non-financial resources. In setting their cost management strategies they may solicit equipment donations, endowment funds, alumni donations, joint programmes with corporate bodies, professional chairs, campaigns for sponsorship of special programmes, demand for renewable energy, public/private partnership, award of prizes, etc. School administrators are the mouthpiece of their schools. They are expected to defend and protect their staff members while implementing cost-management strategies in their schools.

School administrators need to see themselves as symbols of the ideals of their institutions as well as agents of control. They need to be firm and objective in their decisions and the implementation of such decisions. School administrators are often guided by the understanding that the major reason for cost management is to bring about desirable change through efficient and effective utilization of available resources. The School Administrator with his/her team need to identify the various units with high-cost units and adopt measures of cost cuts in such units. Costs should be incurred based on necessities and not wants. School administrators should ensure that accurate financial records are maintained by all the departments and units of the school, as this forms the basis of cost comparison. The school administrator needs to work in close association with development and government agencies as well as administrators of other tertiary institutions around him. They can exchange relevant

ideas which could be of mutual benefit to them. They also need to step up internal checks of the activities of every member of staff because they are expected to be responsible and accountable to one another.

Involvement of Contractors in Cost Management

School contractors are those vendors that execute school projects. They could be part of the cost management process by ensuring that quality jobs are delivered by them to the school at a rational cost. Jobs must be publicly advertised and bidden for by qualified contractors. The university management team must inform the vendors about their contract policies and what they stand for. The Contractors should be made to key into the quality control measures of the university management in order to deliver quality jobs and services. Cost-efficient measures must be adopted in the costing and management of school projects. University managers should not embark on elephant projects which they cannot effectively fund but rather execute projects that satisfy the needs of the university community and maximize their welfare.

Involvement of the University Community in Cost Management

The community plays a major role in the school. Their roles may be direct or indirect. The school is an integral part of the larger society. They are systematically arranged to offer formal education. The school community in this case will include those who are working or living inside the school and those who are working or living within the host communities. According to Anyaogu (2014), the term community refers to a small socialized, political, economic and social unit whose members share values and believe in common existence. The school community covers a group of people who share an interest in the development of the school. The school management should share their needs, policies and strategies with these people. The school community plays a major role in determining the cost of education. The school community may be in a better position to suggest ways of reducing the cost of education.

The School community could also promote inter-agency collaboration interagency collaboration is a process by which two or more agencies or organizations can come together to solve a specific problem or meet a specific need (Cauham, 1979). School safety, security and general management of students' conduct may be shared by the school and the community as part of cost management strategies. Resource persons which the school used to source from outside could be sourced from the school community. The school community can also facilitate inter-agency assistance in different areas of need between the school and community agencies.

Benefits of Cost Management

The major benefit of cost management in educational institutions is that it lowers the overall running costs or expenses of the institution. Schools reduce costs by placing a cap on how much money can go out as expenses. Therefore only the pressing need of the school is considered first and this must be an unavoidable need. This implies that the school will have more money to carry out only activities that are necessary for the smooth running of the school with lots of ancillary benefits. An ancillary benefit of cost management is to ensure and facilitate accounting and help finance planning by setting limits on the costs incurred by the school.

Savings in the course of cost management practices may be passed to students and their parents in the form of reduced costs of providing school services. This could lead to increased enrolment. Proper cost management can lead to an increase in profit which can be utilized for the expansion of infrastructure and programmes in the school. This in turn could lead to the employment of more people from proper cost management, government can gain higher tax revenue. Cost management provides the basis for more output to be achieved with fewer resources. It may provide more money for staff welfare. Cost management could make education available at a cheaper rate.

Challenges of Cost Management Strategies

Cost management strategies are challenged by the following factors:

Inflation: An increase in the cost of goods and services can affect the costs of administration of public universities. It will create a cost variance between the planned cost and the actual cost.

Unstable Power Supply: Power supply is very necessary for the utilization of some facilities and equipment. The cost of electricity from the Power Holding Company of Nigeria is cheaper than using a generator to power your facilities. The school will be spending much on diesel. The use of generating sets also causes pollution of the school environment thereby creating health hazards.

Technology: The type of technology the school adopts in its operations will affect the amount of cost that is incurred. For instance, if the school is still managing student and personnel files manual, it will lead to the employment of more hands, the buying of more files and the creation of more spaces for storing files. Thus, increasing the cost of staff and student personnel management, whereas, the use of digital technology will save the whole of this cost for the school.

Administrative Decision: Effective administrative decisions can enhance cost management in public universities while ineffective administrative decisions will escalate costs. Public university administrators need to acquire enough information before making any decision. Decisions based on inaccurate information could cause a lot of damage and waste of resources.

Money: Prompt release of money for approved projects or facilities could enhance cost management while the reverse could be the case where money is not promptly released. This is because the cost of goods and services is not stable in Nigeria. Moreover, prices of goods in Nigeria fluctuate with the exchange rate of foreign currencies. The higher the exchange rate, the higher the cost of materials in our markets. This is because our economy is import-oriented.

CONCLUSION

Adequate cost management strategies no doubt would lead to efficient resource utilization. Considering the dwindling financial and non-financial resources available to administrators of public universities in Rivers State, rational choice of cost management strategies that are practicable and helpful in ameliorating the harsh economic challenges is very important. It is important to ensure that every staff is carried along, and the application of cost management

strategies should not impact negatively on quality and standard of output of these universities but rather result in their improvement.

Suggestions

The following suggestions are made by the researcher as the ways forward:

- Administrators of public universities in Rivers State should not put their costs in one basket. They should separate their costs into different cost areas for proper evaluation and cost cuts.
- In addition to cost estimation and budgeting, total quality management and a balanced scorecard should be adopted by public universities in Rivers State.
- Staff members should be adequately trained on cost-reduction strategies adopted by university administrators. They should internalize them and even seek more innovative approaches to effective service delivery.

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