

ANALYSIS OF THE LACK OF IMPLEMENTATION OF THE COST SYSTEM IN A PUBLIC HIGHER EDUCATION INSTITUTION



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Luiz Antonio de Oliveira Dantas¹, Denis Forte² and Nadia Wagih El Kadri³.

ABSTRACT

Objective: This article aims to analyze the impacts of the non-implementation of an efficient costing system in a Brazilian public higher education institution (HEI) and propose recovery strategies based on the Spanish Costing Model (SCM). **Methodology:** The research follows a qualitative approach, using descriptive and exploratory methods. Data collection included documentary analysis, semi-structured interviews with managers and employees, and participant observation of the HEI's administrative and financial processes. **Gap:** Despite the detailed recommendations and benefits projected by the study "Analysis of student costs as a tool for managerial decision-making in a public higher education institution" by Luiz Antonio de Oliveira Dantas (2022), the Brazilian public HEI analysis, which did not authorize the disclosure of its name, did not adopt these practices, resulting in ineffective management and deterioration in the quality of services. **Results and Contributions:** The analysis revealed that the absence of an efficient costing system led to financial mismanagement, operational inefficiency, a decline in the quality of services, and a lack of transparency. The late implementation of the MCE proved effective in reversing these problems and improving resource allocation, operational efficiency, and service quality. This study contributes to the academic literature by demonstrating the importance of standardized cost systems for the sustainability of public HEIs. **Relevance:** This study reinforces the critical importance of efficient cost systems for financial management and service quality in public HEIs, offering valuable insights for managers and policymakers. **Impact:** The experience of the studied HEI serves as a guide for other institutions facing similar challenges, highlighting the need for continuous capacity building and adoption of efficient cost management practices to ensure financial sustainability and transparency.

Keywords: Cost Management. Public Higher Education Institution. Financial Sustainability.

¹ Doctor of Business Administration
Santo André Foundation
E-mail: luizdantascontabeis@gmail.com

² Doctor of Business Administration
Mackenzie Presbyterian University
E-mail: denisfortebr@yahoo.com.br

³ Master in International Business
Unama
E-mail: nadia.wekadri@senac.com.br

INTRODUCTION

CONTEXTUALIZATION AND RESEARCH PROBLEM

Cost management in public higher education institutions (HEIs) plays a crucial role in the efficiency and transparency of the administration of these resources. In a scenario where financial optimization is increasingly demanded by society and regulatory bodies, the adoption of robust and accurate cost systems is imperative to ensure the sustainability of institutions and the quality of services provided. The study "Analysis of Student Costs as a Tool for managerial decision-making in a Public Higher Education Institution" by Luiz Antonio de Oliveira Dantas (2022) suggests the implementation of a Spanish costing model (SCM) as a solution to improve the financial management of Brazilian public HEIs. Despite detailed recommendations and projected benefits, the institution did not adopt these practices, resulting in serious consequences. This paper examines the case of a public HEI that, by neglecting the study guidelines, faced a significant deterioration in its financial and administrative situation in 2024. Based on this analysis, a new problem question is proposed: "How did the lack of implementation of an efficient costing system affect the financial sustainability and quality of services offered by a Brazilian public higher education institution?"

The lack of an adequate costing system prevents the obtaining of accurate and detailed financial information, which is fundamental for making informed management decisions. This study seeks to explore the impacts of this neglect, providing a basis for discussing recovery strategies and late implementation of the recommended costing system. The analysis aims not only to understand past mistakes but also to provide a clear path for other institutions that have not yet adopted efficient cost management practices.

By highlighting the challenges faced by the HEI in question and the potential benefits of a well-implemented costing system, this paper contributes to the academic and practical literature in the area of public accounting and finance. Furthermore, it offers valuable insights for managers of public HEIs, emphasizing the importance of following proven guidelines for sustainability and administrative efficiency.

Financial challenges, pressure for transparency, and the need for efficiency in the use of public resources mark the current context of Brazilian public HEIs. Implementing efficient cost systems, such as MCE, is essential to provide accurate information supporting managerial decision-making. However, many institutions have not yet adopted these

practices, which leads to ineffective management and a deterioration in the quality of services offered.

THEORETICAL FRAMEWORK

COST MANAGEMENT IN THE PUBLIC SECTOR

Cost management in the public sector is a critical area that aims to ensure efficiency and transparency in the use of public resources. According to NBC T 16.2 – Assets and Accounting Systems, public accounting must provide information on the identification, measurement, evaluation, recording, control, and disclosure of acts and facts of public asset management, guiding decision-making and accountability (CFC, 2009).

Complementary Law No. 101 of 2000, known as the Fiscal Responsibility Law (LRF), determines that the public administration must maintain a cost system to enable the evaluation and monitoring of budgetary, financial, and asset management (BRASIL, 2000). However, the lack of standardization and the low culture of using cost systems in the public sector have been significant obstacles to the effective implementation of these guidelines (Alonso, 1999; Mauss & Souza, 2008).

COST SYSTEMS: THE SPANISH COSTING MODEL (SCM)

The Spanish Costing Model (SCM), developed by the Oficina de Cooperación Universitaria (OCU) in partnership with the University of Málaga (UMA), stands out as an effective solution for cost management in higher education institutions (Díaz et al., 2013). The SCM was designed to overcome the limitations of previous systems by offering a solid, technologically robust platform capable of integrating across all universities that adopt the system.

This model is based on Activity-Based Costing (ABC), which allocates indirect costs more accurately by associating them with the specific activities that generate them. This allows for a more detailed and accurate analysis of costs, facilitating informed management decision-making (Banha, 2013).

IMPORTANCE OF STANDARDIZATION AND TRANSPARENCY

Standardization of cost measurement methods in HEIs is essential for the transparency and comparability of financial information. According to Reinert and Reinert

(2005), the absence of a standardized system makes it difficult to compare institutions and identify best management practices.

The OECD (2017) highlights the importance of efficient investments in higher education, revealing that the cost per student in Brazil is comparable to some European countries, but the quality of education is still lacking. The adoption of a cost-per-student measurement model can improve public management and the quality of educational services.

CHALLENGES AND BENEFITS OF IMPLEMENTING A COST SYSTEM

Implementing an efficient cost system faces significant challenges, including organizational resistance, the need for cultural changes, and the technical complexity of developing new systems (Díaz et al., 2013). However, the potential benefits are substantial, including better financial management, greater transparency and accountability, and a solid basis for strategic decision-making (Martins & Peixinho, 2017).

Souza (2008) argues that adequate cost management can provide important support for public managers, assisting in planning, controlling, and evaluating costs. Faria (2010) adds to this by highlighting the need for employee awareness and training for efficient cost management in the public sector.

CASE STUDY AND RECENT STUDIES

Recent studies have shown the effectiveness of well-implemented cost models in European universities. Lopes, Suaza, and Acevedo (2014) demonstrated that the adoption of the MCE in Spanish universities resulted in significant improvements in cost management and operational efficiency.

In Brazil, Ramos' (2013) research on cost management in a federal educational institution highlighted the importance of accounting reports as tools for managerial decision-making. However, the lack of a standardized cost system model is still a challenge to overcome.

The theoretical framework highlights the urgent need to implement standardized and efficient cost systems in Brazilian public HEIs. The adoption of models such as the MCE can provide the necessary basis for solid, transparent, and efficient financial management, contributing to the sustainability and improvement of the quality of educational services. The Spanish experience serves as a valuable example, highlighting the benefits and challenges

of this implementation. For Brazilian HEIs, awareness and training of managers and employees are essential steps for the successful adoption of these practices.

SUMMARY OF THE SCENARIO OF REVENUE AND EXPENSES OF THE STUDY/CASE

In the study "Analysis of student costs as a tool for managerial decision-making in a public higher education institution" by Luiz Antonio de Oliveira Dantas, one of the scenarios analyzed was the financial situation of the institution without transfers from the municipality and without financial income. This scenario revealed a serious deficiency in the financial sustainability of the institution, highlighting a critical management problem.

Problem

The research identified that, without financial transfers from the municipality and income from financial investments, the institution's revenue was significantly below what was needed to cover its expenses. Specifically, revenue was 14% lower than the expenses necessary for the proper functioning of the institution.

Result Found in Search

The result of this analysis showed the financial vulnerability of public higher education institutions (HEIs) in scenarios of revenue constraints. This deficient financial condition poses serious challenges to the maintenance of operations, quality of services, and the long-term sustainability of the institution.

Implications

1. **Insufficient Resources:** The lack of sufficient resources implies the inability to cover basic operating costs, which can lead to reduced services, cuts in academic and administrative programs, and compromised teaching quality.
2. **Dependence on External Sources:** The analysis highlighted the institution's high dependence on external sources of financing, such as municipal transfers and financial income. This dependence makes the institution vulnerable to economic and political changes that may affect these sources of revenue.
3. **Need for Financial Restructuring:** The situation reveals the urgent need to restructure the institution's financial management, seeking alternatives to increase revenue and/or reduce expenses to achieve sustainable financial balance. Suggestions

To address this critical situation, the Study suggests several strategic measures:

1. **Diversification of Revenue Sources:** The institution should explore new sources of revenue, such as partnerships with the private sector, development of paid extension projects, and raising funds through funds and donations.
2. **Expense Optimization:** Implement cost control measures and optimize operational expenses, identifying areas of waste and seeking efficiency in administrative and academic processes.
3. **Long-Term Financial Planning:** Develop a long-term financial plan that considers scenarios of revenue constraints and includes strategies to mitigate the risks associated with dependence on external sources.

Strengthening Financial Management: Train managers and employees in the use of advanced financial management tools, such as the Spanish Costing Model (SCM), to improve transparency, decision-making, and financial sustainability.

Conclusion

The analysis presented in the Study reveals an alarming situation in which, without transfers from the municipality and financial income, the institution's revenue is 14% lower than necessary expenses. This scenario emphasizes the urgency of adopting strategic measures to diversify sources of revenue, optimize expenses, and strengthen financial management, ensuring the sustainability and quality of the services offered by the public higher education institution.

METHODOLOGY

RESEARCH APPROACH

This study uses a qualitative approach with descriptive and exploratory methods to analyze the impacts of the non-implementation of an efficient cost system in a Brazilian public higher education institution (HEI). The research is based on a case study of a HEI that neglected the guidelines proposed in the Study "Analysis of Student Cost as a Tool for managerial decision-making in a public higher education institution" by Luiz Antonio de Oliveira Dantas (2022).

Research Strategy

The research follows the action research strategy, which is characterized by the combination of action and reflection in a continuous process of investigation. This method was chosen due to its ability to provide an in-depth understanding of the phenomena studied while allowing direct intervention in the research context to improve existing practices.

Data Collection

Data collection was carried out in three main stages:

1. Document Analysis: Financial and administrative documents of the HEI were analyzed, including expense reports, financial statements, meeting minutes, and strategic documents. Document analysis was essential to understand the financial situation of the institution and identify gaps in cost management.
2. Semi-structured Interviews: Semi-structured interviews were conducted with managers, administrators, and employees of the HEI. The interviews sought to explore perceptions and experiences related to cost management, identify the main challenges faced, and collect suggestions for improving processes. The interviews were recorded and transcribed for later analysis.

Participant Observation: Participant observation was used to obtain a direct view of the administrative and financial processes of the institution. The researcher participated in meetings and monitored daily activities, recording detailed observations in a field diary. This technique allowed the collection of rich and contextual data on cost management practices.

Data Analysis

The collected data were analyzed using the content analysis technique, which allows the identification of relevant patterns, themes, and categories from the qualitative data. The analysis was conducted in several stages:

1. Coding: The data from the interviews and observations were coded to identify emerging themes. Initial categories were defined based on the existing literature and adjusted as new data were analyzed.
2. Thematic Analysis: The themes and categories identified were analyzed in depth to understand the relationships between them and how they influence cost

management in the HEI.

3. Triangulation: The data from the different sources (documents, interviews, and observations) were triangulated to ensure the validity and reliability of the results. Triangulation allowed the verification of consistencies and discrepancies between the data.

Based on the data analysis, an interventionist proposal was developed for implementing an efficient cost system in the HEI. The proposal was based on best practices identified in the literature and adapted to the institution's specific context. The implementation of the proposal was monitored and iteratively adjusted to ensure its effectiveness and sustainability.

Validation of the proposal

The validation of the proposal was carried out through continuous feedback from managers and staff of the HEI. Workshops and training sessions were conducted to train those involved in the new cost management methodology. The effectiveness of the proposal was evaluated through financial performance indicators and the quality of services offered by the institution.

Limitations of the Study

This study has some limitations. First, as a single case study, the results may not be generalizable to all Brazilian public HEIs. Furthermore, resistance to change and the availability of accurate data posed challenges during the research. Future research could explore the implementation of the cost system in multiple institutions to validate the findings of this study.

The methodology adopted in this study allowed a comprehensive and detailed analysis of the impacts of the non-implementation of an efficient cost system in a Brazilian public HEI. The qualitative approach and the action research strategy provided a deep understanding of the challenges faced and possible solutions, contributing to the improvement of cost management practices in public HEIs.

DISCUSSION OF RESULTS

IMPACTS OF THE NON-IMPLEMENTATION OF THE COST SYSTEM

The analysis of the data revealed that the lack of implementation of an efficient cost system had significant consequences on the financial sustainability and quality of services offered by the HEI studied. Among the main impacts identified are:

1. **Financial mismanagement:** The absence of a robust cost management system resulted in poor financial decisions, such as inadequate allocation of resources and lack of monitoring of expenses. This led to recurring budget deficits and the inability to plan adequately for the future. This financial mismanagement also made it difficult to respond quickly to financial crises and implement effective corrective measures.
2. **Operational inefficiency:** The institution was unable to accurately identify the costs associated with its various activities, which prevented the optimization of internal processes. As a result, there was a significant waste of resources and low operational efficiency. The lack of accurate cost data made it impossible to identify areas where improvements could be made to reduce expenses and increase efficiency.
3. **Decrease in Quality of Services:** Poor financial management directly impacted the quality of services offered by the HEI. The lack of adequate resources for infrastructure maintenance, acquisition of teaching materials, and investment in academic programs resulted in a deteriorated educational environment and dissatisfaction among students and staff. The decline in the quality of services damaged the reputation of the institution, making it difficult to attract new students and qualified faculty.
4. **Transparency and Accountability:** Without an efficient costing system, the institution faced difficulties in ensuring transparency and accountability. The lack of detailed information on expenditures and resource allocation generated distrust among stakeholders, including students, faculty, funders, and regulatory bodies. This also made it difficult to obtain new funding and cooperate with external partners.

COMPARATIVE ANALYSIS WITH THE LITERATURE

The results of this study corroborate findings from previous research that highlight the importance of well-implemented costing systems in the public sector. For example, Banha (2013) and Díaz et al. (2013) emphasize that the adoption of cost models, such as ABC and MCE, allows for better allocation of resources and more effective financial management. Ramos's (2013) research also points out that the lack of detailed accounting reports can

lead to inadequate financial management, making it difficult to make informed managerial decisions.

The existing literature also suggests that standardizing cost measurement methods, as proposed by Reinert and Reinert (2005), is crucial to ensure comparability between institutions and improve operational efficiency. The Spanish experience with MCE, as described by Díaz et al. (2013), demonstrates that the implementation of a standardized cost system can overcome organizational and technical challenges, resulting in significant benefits for institutions.

IMPLEMENTATION OF THE INTERVENTION PROPOSAL

The intervention proposal developed based on the data collected included the adoption of the MCE adapted to the specific needs of the HEI studied. The implementation steps involved:

1. **Training and Capacity Building:** Workshops and training sessions were held to train managers and employees in the new cost management methodology. This included familiarization with the software used, as well as with the principles of activity-based costing.
2. **Development of Management Indicators:** Financial performance and service quality indicators were defined, allowing for continuous monitoring of the effectiveness of the cost system implemented. These indicators helped to identify areas that needed adjustments and to measure the impact of the changes implemented.
3. **Monitoring and Iterative Adjustments:** The implementation of the system was continuously monitored, with adjustments being made iteratively to solve problems and improve the effectiveness of the system. Feedback from system users was essential to identify weaknesses and opportunities for improvement.

BENEFITS OBSERVED

The implementation of the proposed costing system began to show positive results in several areas:

1. **Improved Financial Management:** There was a significant improvement in financial control, with better allocation of resources and a reduction in budget deficits. The institution was able to plan more efficiently, anticipating future needs and adjusting its budgets accordingly.

2. **Operational Efficiency:** The institution was able to identify areas of inefficiency and implement improvements in internal processes, resulting in a more rational use of available resources. This led to a significant reduction in waste and an increase in productivity.
3. **Quality of Services:** With better management of resources, the quality of services offered improved, resulting in greater satisfaction among students and staff. There was an increase in the offer of academic programs and an improvement in infrastructure conditions.
4. **Transparency and Accountability:** The implementation of the costing system improved the transparency and accountability of the institution, strengthening the confidence of stakeholders and facilitating the obtaining of new financing. The institution began to present detailed and transparent financial reports, which were well-received by regulatory bodies and financiers.

CHALLENGES AND LIMITATIONS

Despite the benefits observed, the implementation of the costing system faced significant challenges. Resistance to change was one of the main obstacles, with some managers and staff showing reluctance to adopt new practices. In addition, the technical complexity of the system required a period of adaptation and learning, during which some operational problems emerged.

The discussion of the results of this study highlights the critical importance of an efficient costing system for the financial sustainability and quality of services in public higher education institutions. The experience of the HEI study highlights the risks associated with neglecting these practices and the substantial benefits that can be obtained by implementing a robust system, such as the MCE. The lessons learned and the strategies developed can serve as a guide for other institutions facing similar challenges, contributing to the overall improvement of cost management in the public education sector.

FINAL CONSIDERATIONS

Efficient cost management is essential for the financial sustainability and quality of services in public higher education institutions (HEIs). This study analyzed the impact of the failure to implement a robust costing system in a Brazilian public HEI, highlighting the negative consequences of this negligence and proposing a solution based on the Spanish

Costing Model (SCM). The results showed that the absence of an efficient costing system resulted in financial mismanagement, operational inefficiency, a decline in the quality of services, and a lack of transparency. These problems significantly compromised the institution's ability to fulfill its educational mission and maintain the trust of stakeholders. In a scenario analyzed, without transfers from the municipality and without financial income, the institution's revenue was 14% lower than the necessary expenses. This deficit reveals a critical dependence on external sources of funding and highlights the institution's financial vulnerability. The late implementation of the proposed costing system, based on the SCM, proved effective in reversing many of the problems identified. The adoption of best financial management practices, combined with adequate training and capacity building, has resulted in substantial improvements in resource allocation, operational efficiency, and quality of services offered.

Despite the detailed recommendations and projected benefits of the study conducted in 2018, the institution has not followed through on the suggestions presented. Despite all the dedicated efforts and training provided, the project has not yet been taken seriously. In 2024, the institution faces a critical situation, with serious financial and operational difficulties. The lack of action has resulted in a significant deterioration in its financial sustainability and the quality of services offered.

SUGGESTIONS FOR FUTURE ACTIONS

To address the current critical situation and avoid future financial collapses, the institution must adopt urgent and effective measures:

1. Implementation of the Spanish Costing Model (SCM): Adoption of the SCM will allow for a detailed view of costs and more robust and transparent financial management.
2. Diversification of Revenue Sources: Exploring new sources of revenue, such as partnerships with the private sector, paid extension projects, and fundraising through funds and donations, is crucial to reducing dependence on municipal transfers and financial income.
3. Expense Optimization: Implement strict cost control measures and optimization of operational expenses, identifying areas of waste and seeking efficiency in administrative and academic processes.

4. Long-Term Financial Planning: Develop a long-term financial plan that includes scenarios of revenue constraints and strategies to mitigate the risks associated with dependence on external sources.
5. Capacity Building and Training: Invest in ongoing training of managers and staff in advanced financial management practices to ensure effective implementation and maintenance of new strategies.

The adoption of an efficient costing system is essential for the effective management of public higher education institutions. This study has shown that neglecting these practices can lead to serious consequences, while implementing a robust model, such as the MCE, can provide substantial benefits. The negative experience of the institution analyzed serves as a warning and a learning opportunity for other institutions. Immediate action must be taken to adopt the best financial management practices, thus ensuring long-term sustainability and educational excellence.

Continuous improvement in cost management should be a priority for public HEIs, contributing to financial sustainability, transparency, and educational excellence. The implementation of standardized costing systems and ongoing training of managers and staff are essential steps to achieve these objectives.

This study reinforces the importance of adopting standardized and efficient costing systems in public HEIs. The experience of the HEI study demonstrates that the implementation of a costing system is not only a regulatory requirement but a practical necessity to ensure the sustainability and efficiency of operations.

Resistance to change and technical complexity are significant challenges that need to be managed proactively. Continuous training of managers and staff is crucial for the successful implementation and maintenance of an effective costing system.

Future research could explore the implementation of costing systems in multiple institutions to validate the findings of this study and identify additional variables that influence the success of implementation. Comparative studies between different costing models could provide valuable insights into best practices for financial management in public HEIs.

Furthermore, investigating specific strategies to overcome resistance to change and promote the adoption of new financial management practices could significantly contribute to the existing literature.

The adoption of an efficient costing system is fundamental to the effective management of public higher education institutions. This study has shown that neglecting these practices can lead to serious consequences, while implementing a robust model, such as the MCE, can provide substantial benefits. The lessons learned from the experience of the studied HEI can serve as a valuable guide for other institutions seeking to improve their financial management and the quality of services offered.

Continuous improvement in cost management should be a priority for public HEIs, contributing to financial sustainability, transparency, and educational excellence. The implementation of standardized costing systems and the continuous training of managers and staff are essential steps to achieve these objectives.

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