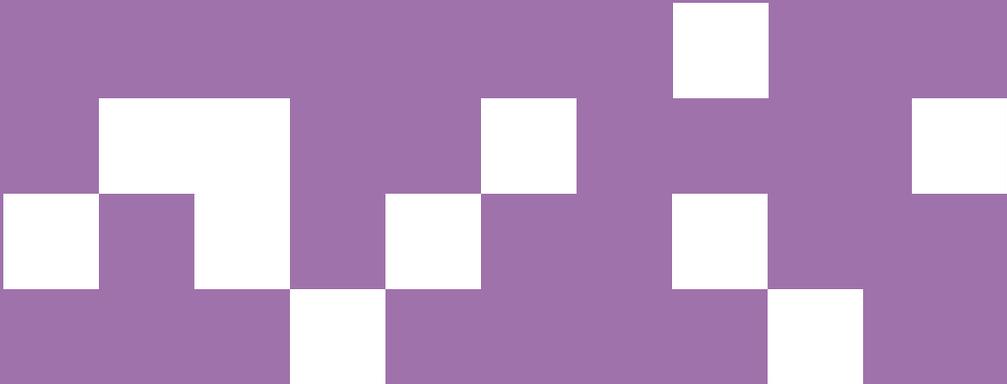


The Faith-Based Institution: A Case Study



By Michael J. Lochhead

CF0 Perspectives



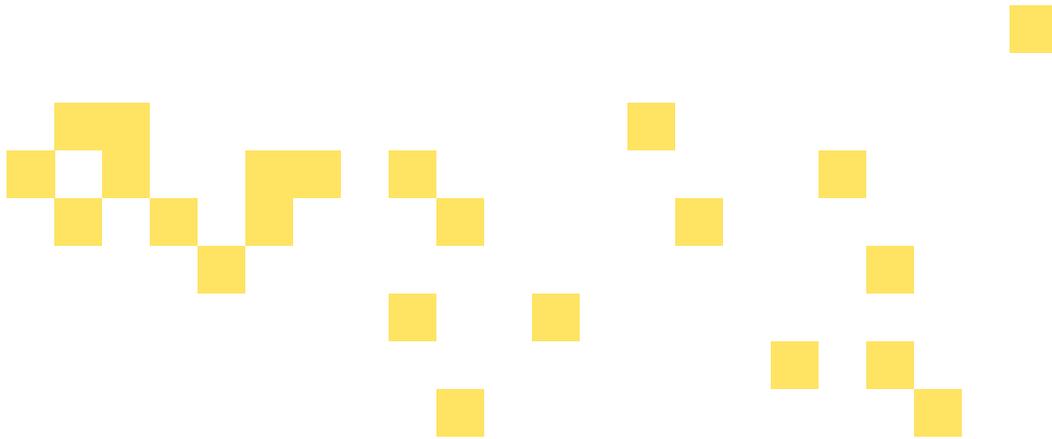
Additional Perspectives

CFO Perspectives: The Faith-Based Institution: A Case Study is one in a series of white papers that looks at the role of the CFO within different institutional or operational settings. Each white paper, available free from NACUBO and released during 2012, the 50th anniversary, focuses on the unique demands of a particular type of institution and how to manage strategy and business operations within that distinctive context.

Written by authors with extensive experience in financial operations, the white paper series offer insights that may prove helpful to new CFOs or board members, presidents, senior administrators, faculty, and staff. For a list of the other titles available in this CFO Perspectives series, please visit www.nacubo.org.

Acknowledgement

A special thank you to **Michael Townsley**: for his contributions in developing publications for the business office. NACUBO would like to recognize his leadership in bringing together a collection of articles that cover key topics and issues that will resonate with NACUBO members for years to come.



In good financial times and bad, an institution's mission provides the bearing point for decision making and resource allocation. Faith-based institutions add another consideration to their decision making processes—adherence to their religious and intellectual traditions and tenets.

For example, at the College of the Holy Cross—a Jesuit, liberal arts, undergraduate institution in Worcester, Massachusetts—decisions regarding resource allocation, strategic planning, and leadership all emanate from the intersection of its religious heritage and its academic mission. As the oldest Catholic college in New England, Holy Cross has long been committed to the principle of educating men and women for others. Its approximately 2,700 undergraduates are part of a 450-year, Catholic educational tradition that encompasses intellectual rigor, high academic standards, and religious and moral sensitivity.

Regardless of denomination, however, key lessons from the Holy Cross experience can be applied to other higher education institutions.

New Plan, More Effective Leaders

In August 2004, the college had already begun work on a strategic plan covering the years 2007–2011. At the same time, the college was in the midst of “Lift High the Cross,” its \$175-million capital campaign. In some regards, the timing of the strategic plan development and the capital campaign were reversed: ideally, the strategic plan would inform and serve as the basis of the capital campaign.

Early in the strategic plan development process, however, one fundraising priority of the capital campaign emerged—a \$63-million integrated science complex. The complex represented approximately 50 percent of the additional expenditures related to the strategic plan and marked the largest individual capital project in the college's history.

The senior administration, working with the board of trustees, spent significant time discussing the mission statement, identifying the college's core strengths and weaknesses, and assessing the opportunities and threats emanating from the external environment. In response to this work, they crafted the following vision statement to guide the 2007–2011 strategic plan:

“As a Jesuit and Catholic liberal arts college, Holy Cross distinguishes itself by its rigorous pursuit of excellence in teaching, learning, and research, and by its unparalleled commitment to the religious and moral development of its students. To this end, Holy Cross generates in students a fascination with ideas, a passion for justice, both local and global, and an aptitude for wonder.”

One key observation from the strategic planning process was that Holy Cross experiences continual tension between its mission and market orientations (student programs, services, amenities, and so forth). With that in mind, the college's leadership ranked the new plan's strategic initiatives based on their contribution to the dual filter of mission adherence and demands of the marketplace.

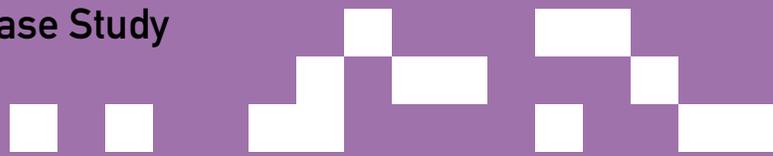
After the strategic plan was written in 2006, the President expressed the desire to improve feedback provided to the senior management team, especially as it related to the plan's implementation. At the time, Holy Cross had a formal performance evaluation process, but most people—at least those who used it—felt it lacked several key features, notably an assessment of leadership competencies at different levels of management responsibility. Specifically, the President identified the need to develop and implement a “talent management system” that included a 360-degree leadership assessment tool.

First, a planning group consisting of the President, CFO, Director of Administrative Services, and an external consultant decided on criteria that would identify participants. After reviewing organizational charts, the group decided to limit participation to managers within two direct reporting levels of the President who also had at least five direct reports. While providing an objective way to identify participants, the criteria identified several faculty administrators who, in retrospect, should have been excluded (and subsequently were). More important, the criteria omitted several high-level positions—including the Chief Investment Officer, the Director of Planning and Budget, and the General Counsel—from the initial identification efforts.

What a Leader Looks Like

Over a six-month period, several meetings—some rather lengthy—focused on identifying the most important characteristics of leadership competency at Holy Cross. Eventually, the planning group identified eight model competencies,

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comprising general leadership traits as well as those reflecting the college’s Catholic and Jesuit mission and key cultural changes the President wanted to facilitate:

1. Leadership is visionary.
2. Works for the common good of Holy Cross.
3. Empowers and develops others.
4. Commits to excellence.
5. Has deep commitment to Catholic and Jesuit identity.
6. Communicates effectively.
7. Generates working teams.
8. Manages through others.

Within each of these eight broad categories, the group identified 51 individual behaviors. As an example, the chart below shows the model behaviors in each category that speak specifically to the Catholic and Jesuit mission or the desired cultural changes:

Once the group members settled on the eight competencies and 51 behaviors, they chose a four-point scale by which respondents would rate participants (1 = Strongly Disagree, 2 = Disagree, 3 = Agree, 4 = Strongly Agree). With

no “middle ground,” the four-point scale forced respondents to either agree or disagree with the statement.

Holy Cross did not use the 360-degree leadership assessment as a performance evaluation model but rather as a tool to help individuals identify and leverage their strengths while simultaneously strengthening weaknesses and identifying areas for professional growth. This important distinction helped gain the team’s full support of the process, especially during the early stages of development.

Strategy Alignment

The inaugural 360-degree leadership assessment process, administered in the fall of 2007, proved a success. Even participants who had been initially apprehensive or generally negative about the assessment indicated that they found the process—and the resulting feedback—beneficial to them personally and professionally.

Even so, the President wanted the process to do more, particularly in the area of strategy alignment. After re-engaging the external consultant to discuss these strategy alignment gaps, we settled on a balanced scorecard approach to identify performance measures that are balanced across key operational areas and strategic drivers.

Jesuit and Catholic Competencies and Cultural Change Behaviors

COMPETENCY	JESUIT/CATHOLIC – CULTURAL CHANGE BEHAVIOR
Is Visionary	<ul style="list-style-type: none"> • Finds opportunities to position the Holy Cross mission and values for new generations.
Works for the Common Good of Holy Cross	<ul style="list-style-type: none"> • Avoids parochialism—not putting self-interest first but always asking what is in the greater good of the institution.
Commits to Excellence	<ul style="list-style-type: none"> • Adopts best practices to keep Holy Cross on the leading edge of higher education.
Deep Commitment to Catholic and Jesuit Identity	<ul style="list-style-type: none"> • Commits to social justice with visible and noteworthy accomplishments within the community. • Promotes Catholicism to stakeholders outside the institution. • Upholds the institution’s traditions and legacies.
Communicates Effectively	<ul style="list-style-type: none"> • Transparency—deals honestly and openly with conflict to the benefit of peers and colleagues. • Intention—shares genuine feelings and intentions (does not play mind games).
Generates Working Teams	<ul style="list-style-type: none"> • Creates a climate of intellectual honesty that pushes critical issues to the team for resolution. • Works with colleagues collaboratively to prevent unhealthy conflicts, trade-offs.
Manages Through Others	<ul style="list-style-type: none"> • Removes barriers, bureaucracy, or non-value-added work.

To develop the balanced scorecard, we started with the College's strategic plan and its three primary strategic drivers:

1. Provide students with a unique and powerful experience that reflects Jesuit values.
2. Enhance Holy Cross's reputation and external visibility.
3. Intentionally build and strengthen a Holy Cross community built on dignity and respect.

In addition, we incorporated four key elements shared by all successful organizations: customers, human capital, finance, and operational effectiveness. Next, we identified the key performance indicators where the three strategic drivers and the four key success elements intersected. Eventually, we decided upon 29 college-wide indicators for measuring the College's attainment of its strategic goals.

Each team member took on the responsibility of identifying the key indicators for his or her division or sub-division that supported the College's strategic drivers and the key operational indicators that reflected the results and effectiveness of that work. As the consultant explained, the operational measures would indicate to the outside world whether "the trains were running on time."

Each division, therefore, has its own balanced scorecard consisting of the following elements:

- Division Balanced Scorecard Measures of Performance/
Operating Unit Measures of Performance
- College-Wide Balanced Scorecard Measures of
Performance
- Leadership Assessment (360) Results/College Mission
Statement

Lastly, we created a template that provides a convenient mechanism for senior leaders to document their annual and longer-term goals. These goals, derived from the key sections of the balanced scorecard, include:

- Divisional goals that support the College's strategic drivers.
- Divisional goals that enhance the operational, financial, customer-focused, or human capital elements of the division.

- Personal goals aimed at leveraging key individual strengths or strengthening key improvement areas identified by the 360-degree leadership assessment process.

Through facilitated meetings with the senior leadership team, the President developed relevant goals for the institution and ensured strategic goals aligned with divisional goals. At the same time, division heads ensured that divisional goals aligned with sub-divisional goals.

Mission-Informed Financial Management

During good financial times, Holy Cross generally focuses its operating budget on allocating additional resources to enhance our mission. During challenging financial times, as we experienced during the 2007–2009 recession, we shift our focus to preserving the institution's core mission and value elements, including the College's need-blind admission policy and its commitment to faculty and staff.

Admitting students without regard to their financial status—and to meet 100 percent of their demonstrated need—reflects Holy Cross's Catholic and Jesuit mission. This core policy ensures that the College remains accessible and affordable to all qualified students. During normal economic growth cycles, the College sets aside additional resources—primarily from fundraising, endowment returns, and tuition increases—for financial aid to help mitigate any increases in tuition above the level of median family income. Under these circumstances, budget allocations to financial aid are prioritized against a backdrop of other operational or strategic priorities.

During times of financial stress, however, the focus shifts to preserving core elements of the College's mission. Given the rising unemployment rate and the inverse impact on median family income, financial aid was projected to rise when the College's financial resources were under immense downward pressure. As a result, Holy Cross developed a comprehensive plan to make some cuts in non-core services and programs in favor of preserving and enhancing (via contingency budgets) its financial aid policy.

As the summer 2009 issue of *Holy Cross Magazine* explained: "Though Holy Cross has had to make some tough decisions about where to cut its budget in the face of the worst financial crisis in decades, it remains on solid

financial footing and has been able to preserve two of its core commitments—to protect its stellar faculty and to increase the money it has devoted to need-based financial aid for students.”

Another example of mission-informed financial management relates to faculty, administrators, and staff. As a matter of course, Holy Cross periodically studies the competitiveness of its salary and benefits packages and makes adjustments to fill identified gaps. The strategic plan included a multi-year initiative (FY2006-FY2010) to improve the comparative level of faculty compensation. Despite intense financial pressures brought on by the 2008 financial crisis, the College kept its commitment to fund the faculty compensation plan in fiscal 2010. Although budget cuts were required to accommodate the continued funding of this initiative to maintain a balanced budget, the College made those sacrifices to honor its commitment to the faculty and to pursue its goal of enhancing faculty compensation relative to peer institutions.

In addition, several years ago, Holy Cross embarked on a study to help ensure that it paid all employees a living wage. At the time, the living wage was above current market wages in many cases. Consistent with its Catholic and Jesuit mission, the College decided to raise all base wages to the living wage rate for the Commonwealth of Massachusetts. This decision consumed resources that might otherwise have funded additional amenities, program enhancements, or capital improvements, but it reflected the College’s commitment to its employees. The living wage policy continues to this day.

Furthermore, when the financial crisis hit in September of 2008 and the College moved into a contingency financial planning mode, management agreed to preserve as many jobs as possible while taking advantage of

Takeaway Points

- In addition to using the mission as a touchstone for resource allocation decisions, faith-based institutions must consider their religious and intellectual traditions and tenets.
- Mission-informed financial management, even during times of financial uncertainty, enables an institution to honor its core commitments.
- A 360-degree leadership assessment tool can help individuals identify and leverage their strengths while simultaneously strengthening weaknesses and identifying areas for professional growth.
- Built upon overall competencies—including general leadership traits as well as desired traits specific to the institution—the assessment tool should also identify the model behaviors related to each competency.

voluntary separation and normal attrition to thin the ranks. In the spring of 2009, Holy Cross offered voluntary early retirement to 54 employees, 37 of whom (68%) accepted. These retirements, combined with normal attrition, enabled Holy Cross to eliminate 25 positions without resorting to layoffs or terminations. The elimination of these positions represented approximately \$1.7 million in annual budget savings, which we used to fund mission-essential activities. So, even during a period of financial uncertainty, the College was able to maintain the goodwill of its employees and confidence in senior management by adhering to our commitment of basing decisions on the Holy Cross ethic.

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