Mission-driven Strategic Planning in Lutheran Education

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Abstract: Mission-driven strategic planning originated in the military, migrated to for-profit businesses, and has been used increasingly in non-profit organizations for over three decades. In his doctoral research, the author studied planning at 38 Lutheran colleges and universities in the United States and found that all have conducted some kind of centrally-coordinated strategic planning process within the past ten years, and that they will continue to conduct this kind of planning in the future. This article discusses the purpose and function of strategic planning in a Lutheran education context, and specifically the role of planning in developing and allocating financial resources to support mission.

The catch-phrase, "No margin, no mission," is attributed to Sister Irene Kraus, who served for many years as Chief Executive Officer of the largest non-profit health care system in America.[1] The phrase has migrated into every part of the non-profit world, including church-related schools, colleges, universities, and seminaries. The notion implies that without adequate, reliable financial resources even the most admirable mission will not be achieved.

Most readers of *Missio Apostolica* would likely agree that education in the Lutheran tradition is an admirable mission. Its roots extend to Luther himself. However, the funding of Lutheran education at all levels is a ubiquitous concern, both in the United States and internationally. Lutheran congregations with affiliated parochial schools struggle with setting tuition and fees at rates that are competitive with other private schools and reasonable when compared to the tax-supported public education offered in their respective areas, yet generate adequate financial resources to fund operations. Lutheran high schools, generally affiliated with some kind of association of congregations, face the same challenges. Lutheran colleges, universities, and seminaries strategize setting tuition levels accompanied by certain discounting tactics, taking into account various sources of public and private financial aid. The practice of discounting, that is, setting a high tuition rate and reducing it based on a student's or family's ability to pay or on other factors, has

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even begun to find its way into Lutheran elementary and secondary schools.

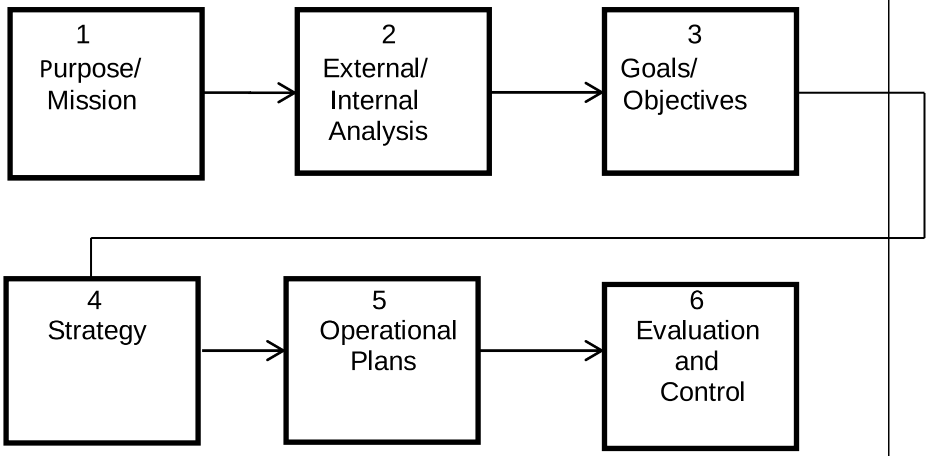
Funding education is generally achieved through three revenue streams. The primary source of revenue is tuition and fees directly related to the teaching and learning process. Auxiliary enterprise revenue is the second source and can include payments for room and board at residential schools, sales through bookstores and other retail operations, ticket sales for athletic contests and performing arts events, charges for parking, and rental of facilities. The third source of revenue is money raised through gifts from donors, grants from foundations and other agencies, cash generated through other fund-raising activities, and spending from both temporarily and permanently restricted endowments.

Strategic planning has often been touted as a means to achieve, among other things, positive financial outcomes for educational institutions.[2] The author studied the correlation between strategic planning and financial conditions at Lutheran colleges and universities and found statistically significant correlations between some aspects of strategic planning and financial outcomes. A specific question guided the research: To what extent does strategic planning correlate with financial performance at U. S. Lutheran colleges and universities, allowing for the effects of certain institutional-level control variables?[3] The lessons learned may have implications for Lutheran education at all levels.

Strategic Planning

Strategic planning is not first and foremost about money. Rather, it may be defined as “a systematic process of envisioning a desired future and translating this vision into broadly defined goals or objectives and a sequence of steps to achieve them.”[44] While there are many nuanced approaches to the strategic planning process, most follow similar patterns. Figure 1 offers a representative framework for the strategic planning process. The process begins with a clear statement of mission or purpose and continues with some evaluation of the external and internal environment, the setting of clear goals and measurable objectives directed at the mission, and the adoption of tactical or operational plans leading to the achievement of goals. Every strategic plan includes an evaluation component, along with the capacity to adjust and adapt as circumstances change.

Figure 1: The Strategic Planning Process[5]



Tromp and Ruben add that special attention should be paid to defining precisely the beneficiaries of the school's mission and determining which collaborators assist the school in achieving the mission. Tromp and Ruben add that four important dynamics shape how planning is carried out on the local level: Leadership, Communication, Assessment, and Culture.[6] The style and approach to leadership within the school has an impact on how the planning process is conducted. Similarly, the culture of each school, if not unique, is certainly distinctive and should be taken into account when considering a local approach to planning. Leadership style and organizational culture are linked to the style of communication and methods of assessment that are used in the planning process.

Planners generally make a distinction between goals, which are intentionally visionary and qualitative, and objectives, which are more specific and quantifiably measurable. Goals inspire, while objectives assess whether goals are being achieved. Goals are sometimes characterized as big, reaching-out, audacious, and dynamic (BROAD) and objectives as specific, measurable, achievable, results-focused, and time-bound (SMART).

Planning is, of course, not primarily directed at financial outcomes. The intent of planning is to achieve the mission successfully. But because mission cannot be achieved without some degree of financial support, one important aspect of planning is financial.

Planning at Lutheran Colleges and Universities

The data set for the Ries study[7] was the forty colleges and universities in the United States that identify as Lutheran. Thirty-eight of the forty participated in the study. A key part of the research was a survey of four administrators at the institutions: President/Chief Executive Officer (CEO), Chief Academic Officer (CAO), Chief Financial Officer (CFO), and Chief Advancement Officer (CAdvO). Survey data were collected from a total of 98 administrators.

Descriptive research revealed that a centrally-coordinated, institution-wide strategic planning process had been conducted at all 38 institutions since 2003, and 91 of 98 respondents reported that their institution would definitely continue to perform institution-wide strategic planning in the future. Some form of internal and external environmental scan was part of the planning process at all 38 institutions, and Budget/Finances was the topic most often cited as extremely important in the planning process.

Correlation analysis revealed statistically significant relationships between some aspects of strategic planning and financial performance as measured by the U. S. Department of Education’s Financial Responsibility Composite Scores.[8] More specifically, the results revealed statistically significant relationships between financial performance and a number of financial best practices.

The dependent variable for the research was financial performance, defined as each Lutheran institution’s five-year average (2007–2011) Department of Education (DOE) Financial Responsibility Composite Score. DOE scores are publicly available for every private institution of higher education that distributes Title IV funding to students; they may be found at https://studentaid.ed.gov/about/data-center/school/composite-scores.

The independent variable was performance on strategic planning, measured through a survey of the four administrators at each Lutheran institution. Data was obtained on six topical areas related to strategic planning: (1) Topics discussed in the strategic planning process, (2) activities used in the strategic planning process, (3) involvement of key stakeholders in the strategic planning process, (4) attitudes of key stakeholders toward strategic planning, (5) the extent to which strategic planning is linked to the budgeting process and is evaluated using financial metrics, and (6) the extent to which goals were achieved, attributes of the institution were affected, and financial-related adjustments made as a result of the strategic planning process.

As noted above, all 98 administrators reported that some form of institution-wide strategic planning had been conducted at their institutions from 2003–2013, and 91 of 98 administrators reported that some form of institution-wide strategic planning would be conducted at their institutions in the future. Among the specific aspects of strategic planning were the following:

- The most common topic discussed in strategic planning was Budget/Finances, followed by Admissions/Enrollment Management.
- The most common planning activities used were the Identification of Internal and External Factors Affecting the Institution.
- The President was rated as the individual from within the institution having the highest level of involvement in the strategic planning process, followed by the Chief Academic Officer. Both were rated, on average, as being "extremely involved."
- The Governing Board was rated as the group from within the institution having the highest level of involvement in the strategic planning process, followed by the Faculty.
- Alumni was the group from outside the institution having the highest perceived level of involvement in the strategic planning process, albeit as a group only perceived to be "somewhat involved."
- The President was rated as the individual from within the institution placing the greatest importance on strategic planning, followed by Chief Academic Officer.
- The Governing Board was perceived to be the group from within the institution placing the greatest importance on strategic planning.
- Advisory Councils, not Alumni, were rated the groups from outside the institution placing the greatest importance on strategic planning.
- Thirty-one of the 38 institutions reported that their strategic planning process is linked to the budgeting process, and 30 reported that financial metrics are used to evaluate at least some or most of the outcomes of the strategic planning process at their institutions.
- Respondents reported that, on average, Reputational Goals, Fundraising Goals, and Academic Program Goals were achieved "as expected."
- Respondents reported that the attributes of their institution most "affected" by the strategic planning process were Key Leaders Were More Engaged and Financial Stability Improved.
- Fourteen of the 38 institutions reported the impression that their average DOE Scores "improved" or "definitely improved" as a result of strategic planning.
- Of the financial-related adjustments made as a result of the strategic planning process, the most common response was Focused Strategy on Main Income Flows, followed by Made Changes to the Budgeting Process.

The explanatory research identified a statistically significant relationship between eleven independent variables and DOE scores. One of these, Discussed Administrative Restructuring as part of the strategic planning process, was negatively correlated with DOE scores, meaning that those institutions involved in administrative restructuring, five-year mean DOE scores tended to be among the lowest in the population.

Three of the ten independent variables with statistically significant positive correlations with DOE scores may be termed "strategic planning inputs." The institutions that (1) Identified Collaborations with Other Colleges and Universities, (2) Identified Collaborations with Other Organizations, not colleges and universities, and (3) Involved the Governing Board in the Strategic Planning Process exhibited statistically significant higher DOE scores.

Seven of the ten independent variables with statistically significant positive correlations with DOE scores were termed "financial-related adjustments," either made as a result of the strategic planning process or were already in place. The so-called "financial best practices" were (1) Focused Strategy on Main Income Flows, (2) Reduced Long-term Debt and Debt Ratio, (3) Made Changes to the Budgeting Process, (4) Established a Financial Monitoring System, (5) Installed Budget Controls, (6) Conducted Financial Strategy Meetings, and (7) Set a Bad Debt Goal and Worked Toward It.

A multiple-regression analysis was conducted using three selected independent variables and three control variables to determine which, if any, were statistically significant predictors of DOE Scores. The research identified one independent variable, Governing Board Was Involved in the Strategic Planning Process, as a statistically significant predictor. The research identified one control variable, Size of Enrollment, as a statistically significant variable. Institutions with larger enrollments tend to exhibit stronger financial performance.

Some form of strategic planning is conducted at all Lutheran colleges and universities, and the implication is that strategic planning may be desirable at all Lutheran schools. Planning processes display many similarities, but they should be carefully constructed to reflect local conditions of leadership, culture, methods and styles of communication, and appropriate levels of assessment. Schools that intentionally identify partners for collaboration seem to perform better financially than their peers. Schools that involve the governing board and key stakeholders in the planning process also perform better financially than their peers. Schools that take seriously certain financial management processes, such as focusing strategies on the main areas of cash flow and managing debt, also perform better. Of course, as might be instinctively expected, larger enrollments tend to correlate positively with financial condition.

A Case Study in Planning: Concordia University St. Paul

In 2011, the author was elected as president of Concordia University St. Paul (CSP). Within six months, the institution embarked on a strategic planning process. The process itself took thirteen months to complete so that the beginning of the strategic plan's five-year horizon coincided with the beginning of the third year of the new presidency.

The planning process included a review of the institutional mission, identification of beneficiaries and collaborators, an environmental scan, the setting of four institutional goals, the setting of objectives to measure progress toward the four goals, the selection of a prioritized set of tactical plans designed to help the institution achieve its goals and objectives, and a continuous as well as an annual evaluation of the progress on the plan.

The time horizon for the strategic plan is academic years 2013–14 through 2017–18.[89] The short-hand version of the institutional mission is *to prepare students*. Four goals directed at that mission are (1) to grow the enrollment, (2) to increase persistence to graduation, (3) to improve transitions to jobs or graduate school, and (4) to grow the net assets of the institution. Specific numerical targets are established for each of the four goals. The objectives had to meet the SMART-test of being specific, measurable, achievable, results-focused, and time-bound. For example, under the goal to grow the enrollment, the objective is to grow the enrollment to 5,000 students by 2018, more specifically 1,500 students in the traditional undergraduate programs, 1,000 in the non-traditional undergraduate programs, and 2,500 in the graduate programs.

At CSP, it was important to reiterate that the university's mission is *to prepare students*. At an educational institution, many mission-related activities can be perceived to be core to the mission, but in reality are cash- and energy-draining activities that ultimately deter the school from achieving its mission. This was the case at CSP. Activities like this needed to be evaluated as to whether they are in fact core to the mission. By reiterating that the mission of the university is to prepare students, the strategic plan serves as a continual reminder to all key stakeholders that student interests and student success are paramount to the mission.

A number of tactical plans were adopted. For example, the planning process led to the adoption of a new pricing strategy. Traditional undergraduate tuition was reset to $10,000 less that it had been at its peak, and tuition for most non-traditional undergraduate and graduate programs was frozen for the first two years of the planning horizon. Another key tactic was to bring two new academic programs, or revitalized existing programs, to the marketplace each year.

The planning process has within it the capacity to adapt to change as conditions change or unforeseen situations arise. For example, in the initial version of the five-year plan, no mention was made of international students as a tactic to grow enrollment. Subsequently, the university was contacted by the Saudi Arabian Cultural Mission and asked to consider a cohort of Saudi students, seeking to further their education in the United States. After consideration of this opportunity, the university invested in personnel and other measures to establish an Office for International Student Services. The most recently revised version of the strategic plan, now in its third year, includes direct mention of serving international students. Because of the university's increased capacity to serve internationals, students from 17 countries are enrolled for the 2015–16 academic year.

The strategic planning process at Concordia University St. Paul has helped give all key stakeholders—especially regents, faculty, and staff—a clear picture of where the university is going, how it expects to get there, and how it will measure and evaluate results.

Conclusion

As recently as 2009, 43 U. S. colleges and universities identified themselves as Lutheran. One, Waldorf College in Iowa, discontinued operating as a Lutheran institution in 2009 and became a for-profit college. A second, Dana College in Nebraska, discontinued operations altogether in 2010. A third, Concordia University Ann Arbor, ceased operating as an independent institution in 2014 and was acquired by a sister school, Concordia University Wisconsin. In the more distant but still recent past, there were 48 Lutheran colleges and universities in the United States. But between 1986 and 1995, four colleges closed their doors and another merged with a sister institution. Financial viability, or lack of same, was at the root of all these transitions.

Strategic planning in education is designed to help schools achieve their missions. For planning to be effective, each school must be clear about its mission, strategic in how it hopes to achieve its mission, and willing to rigorously evaluate its progress. This rigor includes an informed view of the financial underpinnings of the school and the capacity to develop adequate funding to achieve mission. *No margin, no mission* is still in effect.

Endnotes

[1] "Sister Irene Kraus Remembered for Vision, Leadership," *Florida Times Union*, accessed December 14, 2013, http://jacksonville.com/tu-online/stories/082598/met_2a1Siste.html#.Ve3PD2qFOM8.

[2] Kent John Chabotar notes that the primary focus of planning is purpose and vision: "Defining an institution's fundamental purpose, vision and core values, its environment and markets, and then deciding what long-term strategies and tactics are needed to fulfill a vision for the near and distant future are the hallmarks of strategic planning. The essence of strategic planning lies in raising money through earning, borrowing, or investing funds and then allocating the resulting income among virtually unlimited competing and pressing needs."

Kent John Chabotar, *Strategic Finance: Planning and Budgeting for Boards, Chief Executives, and Finance Officers* (Washington DC: Association of Governing Boards of Universities and Colleges, 2006), vii.
John Bryson notes the importance of linking budgets to strategic plans: "Budget allocations have crucial, if not overriding, significance for the implementation of strategies and plans. Budgets often represent the most important and consequential policy statements that governments or nonprofit organizations make. Not all strategies and plans have budgetary significance, but enough of them do that public and non-profit leaders should consider involving themselves deeply in the process of budget making." John Bryson, *Strategic Planning for Public and Non-profit Organizations: A Guide to Strengthening and Sustaining Organizational Achievement*, revised edition (San Francisco: Jossey-Bass, 1995), 170.
[3] Thomas Ries, "Correlations between Strategic Planning and Financial Performance: A Focus on Lutheran Colleges and Universities" (PhD diss., University of Minnesota, 2014), 4.
[4] "Strategic Planning," BusinessDictionary.com, accessed September 6, 2015, http://www.businessdictionary.com/definition/strategic-planning.html.
[5] Adapted from C. M. Hunt, K. W. Oosting, R. Stevens, D. Loudon, & R. H. Migliore, *Strategic Planning for Higher Education* (New York: The Haworth Press, 1997).
[6] S. A. Tromp and B. D. Ruben, *Strategic Planning in Higher Education: A Guide for Leaders*, 2nd ed. (Washington, DC: National Association of College and University Business Officers, 2010).
[7] Ries, "Correlations between Strategic Planning."
[8] "Financial Standards," *Federal Student Aid Handbook*, 2012–13, accessed January 15, 2014, http://ifap.ed.gov/fsahandbook/attachments/0910FSAHbkVol2Ch11Financial.pdf.
[9] Concordia University St. Paul Strategic Plan, 2014–18, http://www.ave.csp.edu/s/286/index.aspx?sid=286&gid=1&pgid=883.