Future Perfect—A Strategic Planning Tool

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The Case for Using Strategic Planning Tools

- Business cycle
- Volatile capital markets
- Changing demographics
- Increased stakeholder scrutiny
- Enhanced reporting requirements
Uses of Strategic Planning Tools

- Frame and monitor your budget
- Analyze alternative enrollment, pricing, and aid scenarios
- Consider various employee compensation plans
- Plan/monitor a development campaign
- Manage endowment and other assets
- Manage your debt portfolio
- Manage maintenance backlog
- Understand and monitor space
- Monitor debt covenants and test for debt capacity
- Manage to a prescribed set metrics
- Explore complex institutional questions

Quantify strategic ramifications of changes in operating variables, operating initiatives, and/or capital initiatives
Current Practices (at many institutions)

- Budget-only focus
- Short-term focus
- Disaggregated (silos)
- Reactive
- Estimated
- Static
- Opaque
Best Practices

- Comprehensive
- Long- or near-term
- Integrated
- Proactive/organic
- Estimated
- Dynamic
- Transparent

A single institutional point of view
Key Aspects of Effective Strategic Planning Tools

- Establish relationships among key independent operational drivers
  - Develop *bottom-up* analysis
  - Incorporate institutional idiosyncrasies and nuances
  - Check veracity of projection logic (reconcile to audited financial statements)
  - Consider multi-order relationships

- Consider class of restriction
  - Operating
  - Non-operating
  - Investments (by type) and endowment

- Integrate capital assets and the funding thereof into the analysis
  - Facilities
  - Debt
  - Space
  - Maintenance backlog
Key Aspects of Effective Strategic Planning Tools

- Incorporate structure that permits easy sensitivity analysis
  - Operating initiatives
  - Capital initiatives

- Customize output in consideration of different stakeholder needs
  - Financial statements
  - Budget statement(s)
  - Rating agency metrics
  - DOE ratios
  - CFI

- Create architecture that permits easy evolution of the model
Sample Architecture of a Strategic Planning Tool
Apply a Consistent Analytical Methodology

- Establish a Base Case
  - Test assumptions
  - Develop a consensus view of the future

- Perform sensitivity analysis
  - Alternative capital plans
  - Alternative operating plans
  - Define worse-case scenario(s)

- Contingency planning
  - Develop proactive plan to address worse-case scenario(s)
  - Establish “envelope” for discrete variables
  - Identify preferred portfolio

- Revisit analysis throughout the year
Benefits of Strategic Forecasting

- Better decision-making
  - Ground conversations
  - Provide feedback

- Better capital budgeting
  - Consider timing, cost, and funding on an integrated multi-year basis
  - Better assessment of affordability
  - Better allocation of scarce resources

- Better communication
  - Within the institution
  - With Trustees
  - With outside stakeholders
    (contributors, rating agencies, accreditation bodies, lenders)

- Better oversight and control
Develop a Thinking Partner

- Consider institutional aspirations in context of **prospective** resource constraints
College of Saint Benedict
A Case Study
Facts about CSB

- Founded in 1913 by Benedictine Sisters, it is the only Benedictine college for women in the country.
- Highest ranked Catholic college for women in the country with enrollment of 2,030 women
- Nationally recognized for its promotion of character and values development
- CSB was ranked third among eleven liberal arts colleges in the "Up-and-Coming" category. Says U.S. News, these colleges "have recently made the most promising and innovative changes in the areas of academics, faculty, student life, campus or facilities."
- A community committed to academic excellence, social justice and leadership
- CSB/SJU were included among only 39 liberal arts colleges cited as institutions that do the best job of teaching undergraduate students.
- Among the more than 2,300 four-year colleges and universities in the country, CSB/SJU were cited with just 37 institutions for the quality of their study abroad program.
Why CSB Needed a Different Model

- Strategic planning and budgeting were on different cycles
- Data and projections were in multiple databases often in different areas of the institution
- Lack of ability to answer questions quickly
- Desire to have more sophisticated tools for scenario building
- Desire to have benchmark data
How CSB Developed Our Model

- Cabinet retreat to different institutions to discuss their strategic planning and budgeting processes
- Research questions for the model were formulated by each VP office
- Full cabinet discussion utilizing the model
- Presidential support and leadership to use a new planning tool
- Collaborative and transparent across all areas of the institution
Benefits of Model

- Ability to do just-in-time analysis
- CAO/CFO relationship enhanced
- Collaboration from all areas built buy-in and trust in the model
- Assists in developing an institutional viewpoint related to planning and budgeting
- Provides a roadmap to reaching our strategic goals
- Enhances decision-making for our Strategic Directions Council, Cabinet and Board
- Provides greater understanding of trade-offs, resource allocation and the institution’s overall financial health
Issues for Analysis

- Impact of enrollment changes
- Impact of student composition on tuition discount
- Change in percentage of tenure/tenure track faculty and resource implications

Model
Small Group Questions

✓ Describe the CAO/CFO relationship on your campus.

✓ What are the biggest issues/research questions on your campus?

✓ How could this tool, Future Perfect or another planning tool, enhance your cabinet leadership deliberations?
Report Out from Small Group Discussion