

OnCourse

Business and financial insights for trustees and higher education administrators Spring 2010

The three C's of strategic leadership

In this issue, guest commentator Robert A. Scott, president of Adelphi University, outlines his “three C’s” of strategic leadership for academic institutions: communication, cash and credit. This article is excerpted with permission from a speech Dr. Scott delivered to the National Association of Collegiate Business Officers in Boston, Mass., on Jun. 28, 2009.

Robert A. Scott, President, Adelphi University

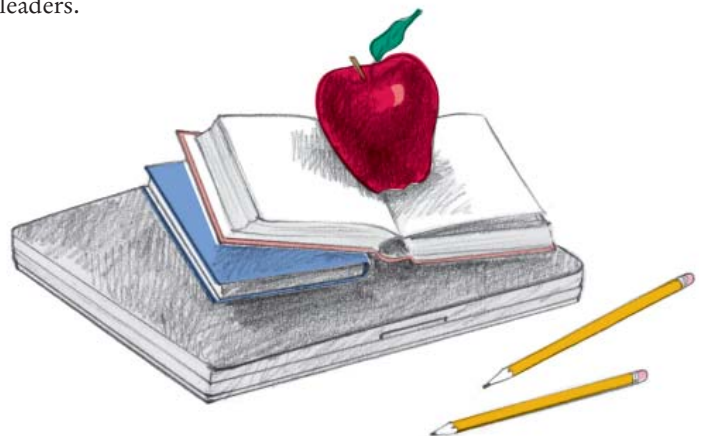
I want to begin by acknowledging that we at Adelphi University have a great leadership team, including the board of trustees all the way through the vice presidents to their direct reports. In addition, I have enough experience to know that the CEO who promotes himself or herself as an expert will likely live to regret the remarks — and I also know that luck plays a role in all stories of success. That said, allow me to introduce the three C's of strategic leadership: communication, cash and credit.

Communication

Too often, organizational leaders think communication refers to one-directional imparting of information. But communication involves speaking, listening, writing and reading. Not only do we need to listen to others, we need to “listen to data” and ensure that all of the data we measure are roadmaps to our priorities as an organization. Our historical trending and comparative data are essential to good communication and are routine documents for meetings with trustees and campus leaders.

Data — which reflects both information we like and information we wish were different — should not be hidden, but shared. I learned long ago that a source of reliable information with relevant comparisons gains credibility that assists in moving an organization forward. And it is equally important to look forward with forecasts and assumptions as it is to look backward for trends.

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The three C's of strategic leadership (continued)

Communication is all about people — not only listening to them and informing them, but selecting, developing and training them. It also includes the involvement of people from off campus to serve on both formal and informal advisory boards and councils.

Communication also involves understanding and interpreting the institution's history, heritage and culture. Too often I have seen leaders join an enterprise, only to talk about change and new goals without grounding those ideas in the history and culture of the organization.

Another essential element of effective communication is “no surprises.” This principle often requires late-night advisories and early-morning phone calls with trustees and others about news stories likely to appear in the morning papers. This can be particularly difficult to accomplish during the summer months, but we cannot afford to give up one-quarter of the year because of the academic calendar.

Before each board meeting, I send the trustees a confidential report on a standard set of topics; this report highlights the issues before each committee and the full board. We also use a chart showing institutional development in phases over the past 12 years. The chart covers board governance, academic strengths, undergraduate admissions selectivity and pricing, financial strength, board giving as a percentage of total annual fund giving, undergraduate alumni participation, and public perception.

Effective communication also requires a rigorous questioning of assumptions and an ongoing sensitivity analysis of those levers of change and markers of progress that can go awry. This type of questioning requires a culture that encourages staff to “speak truth to power” and know that their questions and suggestions will be respected. Adelphi's success today is a result of a total community, empowered with information, moving collectively toward common goals.

A strategic plan is an essential element of communication and an important point of leverage for leadership. A strategic plan is all about principles and priorities. Such choices can be difficult, even contentious, but we abide by the idea of open dialogue based on valid information to guide our thinking. During times of demographic, technological and economic challenges, hard choices need to be made, and our work over the last few years has enabled us to go to the bargaining table with credibility.

Our rallying cry at Adelphi — for a decade — has been that enrollment is everyone's job, if everyone is to have a job. And everyone includes the faculty in the classroom, advisers, secretaries, public safety staff and

admissions officers. Accurate and enthusiastic communication with prospective students and families can affect admissions yield and enrollment. Equally important is our communication with current students as we listen to their successes and concerns, because all of them are related to retention and graduation.

Communication is all about people — not only listening to them and informing them, but selecting, developing and training them. It also includes the involvement of people from off campus to serve on both formal and informal advisory boards and councils. We have used such groups with great success in reviewing plans and critiquing assumptions.

Important stakeholders include donors and prospects. We need to listen to them, keep them informed, get them involved, thank them, tell them the university's story, ask them to comment on visions and plans, be with them at personal events as well as in professional settings, and help them understand priorities. In difficult times, we can help them network. At all times, we can ask them to give career advice to students.

Communication also involves quality and the level of our expectations, as well as external forms of validation such as arboretum and museum status, in addition to formal academic program reviews, operations audits, and annual goal setting and post-tenure reviews.

The design of the curriculum and “extra-curriculum,” as well as faculty and staff appointments, should communicate our goals and the outcomes we expect.

Communication is the sea on which we adapt to the wind, but always tack toward our goals.

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The three C's of strategic leadership (continued)

Cash

It has become evident again in the recent financial turmoil that cash is king and liquidity is essential. Cash management requires consistent controls on positions, salaries and expenses. Rigor must be routine, not episodic. The standard analyses we all know about — tuition diversity, expense and financial aid ratios, debt ratios, liquidity ratios, FTE revenue and expense ratios, and FTE expenditure ratios — must all be monitored routinely, along with enrollment ratios in terms of inquiries, applications, offers, deposits and student contacts.

The high priority of cash should be articulated throughout the strategic plan, the facilities master plan and the technology plan — each of which, in a coordinated way, sets priorities for the campus. These priorities must guide the annual budget process, including plans for non-tuition income, and must be the foundation for any deviation from spending plans. In all of these areas, and others, the CFO has a critical strategic role in any organization.

As everyone knows, expense control is critical; amenities can drag an institution down both fiscally and in reputation. The best time to establish controls is when times are good. We have seen that institutions which have taken on extensive amounts of debt in order to build new and varied facilities can get into difficulty and need to furlough employees and freeze salaries. Some of these projects can be called frills, exemplifying the “edifice complex” charge leveled at colleges by critics.

We monitor a set of enrollment and financial statistics weekly as a senior staff. The CFO does so daily, and our deans, often viewed as points of expense control and not revenue generation, are critical to our enrollment-by-design management structure, as enrollment equals the revenue necessary for positions, equipment and facilities.

We also monitor facilities and grounds maintenance. Keeping the facilities and grounds in good shape should never be lowered in priority. We have seen what happens to institutions when that occurs.

Cash is also related to fundraising. While all gifts are important, those of cash and securities can be applied to the highest priorities the most quickly.

Cash is also related to investments and investment policy, the allocation formulas used, and whether and to what extent investment income is used. As we have seen in the current climate, those who have relied upon investment income to support a significant portion of the operating budget have run into difficulty because of declines in value and the lack of liquidity. We have not drawn on investment income to support the operating budget in over seven years. Our goal is to build for the next hundred years, not to ease the management of the next few.

Credit

We have seen that the institutions which took on variable-rate credit, expensive credit and taxable-rate debt, sometimes for operating purposes, are heading down the wrong road. The amount, type and purpose of debt are critical elements, and discipline is necessary.

We have a set of ratios we use to compare ourselves with more highly rated institutions. We aspire to raise our rating and in the fall were upgraded to A by Standard & Poor's, which cited our planning, execution and controls. We want to maintain and upgrade our rating as a measure of fiscal soundness.

Credit also involves maintaining good communications and relationships with banks and other lending institutions, agencies at the state and federal levels, and local officials. Good credit has given our board confidence in our position of strength and has allowed us to act quickly when strategic opportunities are presented.

Conclusion

It is better to be restrained routinely than to have to shrink suddenly, as abrupt and unanticipated course corrections often undermine confidence. Think three C's — communication, cash and credit. •



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