

Correlations between Strategic Planning and Financial Performance:  
A Focus on Lutheran Colleges and Universities

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## **Dedication**

This dissertation is dedicated to my beautiful and amazing wife, Susie. She never failed to encourage and support me in the pursuit of this goal. She especially understood when our nights and weekends were sacrificed to my aspiration. Remarkably, this is not the first degree program in which she has supported me, yet she remained unflagging in her zeal to cheer me to the finish line of this one.

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## **Abstract**

Higher education finance is complex, and a grasp of it by governing boards and academic leaders is enormously important if colleges and universities are to effectively pursue their missions. The notions of achieving positive operating results and growing net assets are foreign to many educators, yet vitally important to the long-term health and vitality of institutions of higher education. Nonprofit private colleges and universities are often particularly vulnerable to the vicissitudes of the macro-economic conditions around them, as well as their own particular financial circumstances. Within the cohort of private, nonprofit institutions of higher education in the United States are 40 colleges and universities which identify as Lutheran.

Strategic planning has long been touted as an important mechanism for achieving positive financial results. This study examined the strategic planning practices at Lutheran colleges and universities to determine whether there is a correlation between strategic planning and financial condition. A key part of the research was a survey of four administrators at 38 of the 40 accredited, four-year Lutheran colleges and universities in the United States. The four administrators surveyed were the 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 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 (as reported by 96 of 98 respondents) 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. More specifically, the results revealed statistically significant relationships between financial performance and a number of financial best practices, which may or may not have been implemented at the Lutheran institutions as a result of their strategic planning processes.

A secondary descriptive benefit of the study was the observance of perspectives among the four categories of administrators at each campus. The research frequently revealed statistically significant differences in perspectives among the four administrators in their perceptions of strategic planning and financial performance. College and university leadership teams may find it helpful to review these observed differences in order to gain a better understanding of the relative viewpoints and expectations of strategic planning among the individual members of their teams.

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## **Chapter One: Introduction**

### *Statement of the Problem*

Why is there variability in the financial condition of private nonprofit colleges and universities? Why, for example, does one institution continually generate positive financial operating results and an increasingly strong financial position, while another of similar size and mission experiences operating deficits and a deteriorating financial position? Are there specific financial practices that consistently contribute to positive financial performance? If so, can institutional performance on these practices be meaningfully measured and correlated to financial outcomes as measured by financial ratios? Perhaps most importantly, can these practices be replicated at other colleges and universities to improve the financial performance and position of those institutions?

A growing body of literature discusses key characteristics and best practices that contribute to positive institutional financial performance. There are many good ideas and some anecdotal evidence to support these characteristics and practices. But, empirical hypothesis testing measuring performance on best practices against financial outcomes might help researchers, institutional leaders, and governing boards evaluate whether there is a meaningful correlation between best practices and financial performance. Lutheran colleges and universities are one set of institutions within which this relationship should be studied.

The precarious financial condition of a number of Lutheran colleges and universities compared to the relative strength of other Lutheran institutions was one reason to study this set. The comparison raises the question of what specific financial

practices contribute to these divergent results. Forty four-year, fully-accredited colleges and universities in the United States identify as Lutheran and operate as nonprofit institutions of higher education. As recently as 2009, there were 43. In 2009, Waldorf College, founded in 1903 by Norwegian Lutherans in Forest City, Iowa, was sold to for-profit Mayes Education, Inc. and ceased to operate as a Lutheran entity. The sale was made to remedy financial difficulties, which saw the college \$20 million in debt by the end of 2008, and struggling in the midst of a severe economic recession to remain open as a nonprofit college (Biemiller, 2011). In 2010, Dana College, founded in 1894 in Blair, Nebraska by Danish Lutherans, was forced to close due to financial difficulties and a failed attempt by an investor group to purchase the institution and operate it as a for-profit college. The college's accreditor, the Higher Learning Commission of the North Central Association of Colleges and Schools, rejected the sale on the grounds that the proposal failed to demonstrate sufficient continuity of the college's mission and educational programs, and to show that the college's institutional and educational integrity would be protected (Huckabee, 2010). In 2012, it was announced that Concordia University Wisconsin would acquire Concordia University, Ann Arbor, Michigan, through an assumption of debt in cooperation with both universities' parent denomination, The Lutheran Church – Missouri Synod (Heflin, 2012; Schlueter-Ross, 2012).

In 2009, the U. S. Department of Education (DOE) reported that, based upon 2008 operating results, 114 private, nonprofit degree-granting colleges were in such fragile financial condition that they failed the department's financial responsibility test

(Blumenstyk, 2009). On the list were six Lutheran institutions, including Waldorf and Dana. Conversely, eight Lutheran colleges and universities achieved the highest possible score, 3.0 on a scale of -1.0 to 3.0: Augustana College SD, Carthage College WI, Concordia University OR, Concordia University WI, Luther College IA, St. Olaf College MN, Texas Lutheran University TX, and Wagner College NY.

A second reason to study this set of institutions as a group was their similar historical and ecclesiastical roots. Solberg (1985) traced the beginnings of Lutheran higher education in the United States in general, as well as the origin of each institution in particular. All were started to serve immigrant populations of Lutherans, most with a primary mission to prepare students for vocations in the church. Each today continues to express its Lutheran character and culture (Christenson, 2004; Simmons, 1998), while serving much more diverse populations of students through a much broader range of liberal arts-based academic programs than ever before in their collective history. Within this shared context, some demonstrate financial strength and others, financial fragility.

A third reason for a study of this set of institutions was the tradition of collaboration and cooperation among the institutions. Of the 40 U. S. Lutheran colleges and universities, 38 are affiliated with the Lutheran Education Conference of North America (LECNA). Formed in 1910, LECNA is the oldest existing inter-Lutheran organization in the United States and Canada. (Because the DOE does not monitor or provide information on their financial performance, two Canadian institutions affiliated with LECNA are not included in the data set for this study.) LECNA's purpose is to encourage, assist, and promote cooperation among Lutheran colleges and universities in

the United States and Canada. LECNA's mission is to be an informed voice of Lutheran higher education and an active and effective standard-bearer for American church-related higher education (LutheranColleges.org, 2012). LECNA member institutions participate in joint analytical studies and marketing efforts, and senior administrators of the member institutions meet annually to share ideas and best practices, and provide mutual support.

The researcher in this study of Lutheran colleges and universities has a long personal history with Lutheran higher education, is a graduate of two Lutheran colleges and a Lutheran seminary, previously held positions as assistant to the president for university relations, and vice-president for finance and operations at Concordia University, St. Paul, Minnesota, and currently serves as president of that institution. The researcher has experienced the atmosphere of community and collegiality which exists among administrators and faculty at Lutheran colleges and universities, and believes the study provided helpful information on the financial performance of Lutheran colleges and universities to administrators, regents, and other key stakeholders at these institutions, as well as made a positive contribution to the overall body of higher education research.

### *The Research Question*

The specific research question guiding this study was: 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? There are numerous internal and external factors that impact financial condition at private colleges and universities, a subset of which are Lutheran institutions. Hunter (2012) identified 24 variables, which he clustered into four sets, in a study of the financial health

of small, private colleges and universities. Hunter examined public data from 673 private colleges and universities in the United States with enrollments of less than 2,000 students in either the 1998-99 or 2008-09 academic years, and analyzed survey data from 244 of the 673. Conversely, Prinvale (1992) focused on a single variable, strategic planning, in a study of the financial health of small, private colleges and universities. The targeted population was 873 institutions in the United States, of which 106 provided survey responses. The study described in this dissertation mirrored the Prinvale (1992) study, albeit focusing on a smaller set of institutions, namely Lutheran colleges and universities.

## Chapter Two: Literature Review

This literature review examines the economic context of higher education in the United States, the financial performance of U. S. colleges and universities, strategic planning in higher education, and U. S. colleges and universities with historic Lutheran roots and character.

### *The Economic Context of Higher Education*

Financing higher education is a never-ending challenge for college and university leaders (Birnbaum & Shushok, 2001). Macro-economic issues and micro-economic, institution-specific factors converge to create the particular challenges of keeping institutions of higher education financially sound. Colonial colleges in America were funded through a combination of church support, public subsidies, gifts from benefactors, and tuition fees (Brubacher & Rudy, 2002; Thelin, 2011). In these earliest days of American higher education, colleges and universities were often financially challenged. Revenue seldom exceeded expenses, faculty salaries were low, student accounts were frequently in arrears, and college administrators had to stretch their dollars in order to keep the enterprise afloat. Often fundraising presidents made the difference between institutional survival and demise (Thelin, 2011).

As higher education developed in the United States through the nineteenth and twentieth centuries, funding patterns evolved along four principal paths: 1) endowments, sometimes provided by wealthy individuals, 2) taxes for public and, to some extent, private institutions, 3) subsidies from governing bodies such as religious denominations for private institutions, and 4) tuition (Brubacher & Rudy, 2002). Geiger's (2005) "The

Ten Generations of American Higher Education” traces the development of not only the forms but also the primary funding patterns of higher education in the United States. During Geiger’s (2005) third generation, the Republican period (1776-1800), a shift toward stronger public funding emerged, most notably in the vision of Thomas Jefferson and the University of Virginia. The generation of the classical denominational colleges (1820–1850) witnessed a groundswell of religious colleges, primarily Christian, being established especially in the Midwestern states. Denominations or sponsoring societies were often strong sources of funding (Thelin, 2011). The latter half of the nineteenth century saw not only more colleges of a religious nature, but also the emergence of major philanthropists who invested heavily in education.

In the two decades following the Second World War, federal and state funding for both public and private institutions increased dramatically, as U. S. public policy focused on keeping ahead of the rest of the world in higher education in general, and science and technology in particular. The G.I. Bill was the impetus for millions of veterans to attend college, dramatically increasing enrollments at campuses across the country. Federal investment in higher education was further heightened as the United States responded to the Soviet Union’s launch of Sputnik I in 1957. This investment in the space race was to continue for eight more years (Douglass, 2005). For private, church-related institutions, direct denominational support for denomination-owned or affiliated colleges and universities, though waning, was still significant (Gwaltney, 1966; Patillo & Mackenzie, 1966). Even as these financial inflows to higher education grew, however, colleges and universities developed a consistent pattern of outspending their available revenues



(Ehrenberg, 2000; Bowen, 1980). Brubacher and Rudy (2002) observed that the financial problems of higher education seemed tied to the propensity of the educational establishment to continually increase in size, often without adequate strategic considerations.

As the decade of the 1970s dawned, three factors converged to begin an environment of financial pressure on higher education that continues to the present time. First, contributions from both public and private sources began a steady decline amid calls from taxpayers and other sponsoring entities for increased accountability (Keller, 1983). Second, runaway inflation throughout the decade drove educational and general institutional expenses higher, at rates even faster than the growth period of the previous two decades. Third, the debate as to who should fund higher education took a palpable turn toward the consumer (Bowen & Breneman, 1992; Breneman, 1994, 1993; Johnstone, 2010, 2001, 1986). Critical observers increasingly noted that students themselves, who were the lifetime financial beneficiaries of the higher personal incomes accompanying earned baccalaureate and post-baccalaureate degrees, should bear a higher percentage of the cost (Carnegie Commission, 1973). Thus began a pattern of shifting the expense from taxpayers and sponsoring bodies to college students and their families, and a shift in perception from higher education as a public good to a private good (Baum & McPherson, 2011). As financial pressures on higher education began to mount, a number of prophetic voices began to forecast the demise of many colleges and universities. The Carnegie Commission in 1970 estimated that the majority of colleges and universities in the United States were headed for financial trouble or already in trouble (Brubacher &

Rudy, 2002; Carnegie Commission, 1973). Cheit (1971) predicted a “new depression in higher education.”

The body of literature dealing with higher education finance began to grow. Throughout the 1970s, the focus of the literature was primarily on the issue of the funding of higher education as a shared responsibility among government, students, and their families. Alchian (1968) challenged the notion of free tuition in the California State higher education system as early as 1968, refocusing the discussion onto students as consumers of the economic good called education, and calling for these consumers to bear greater responsibility for the funding of their education. Singer (1972) advocated that public aid be directed to students rather than to colleges and universities, empowering students to make their own choices about where to attend college, and further called for greater public sector investment in providing sufficient information to allow families of all socio-economic strata to make informed decisions on educational choices. The notion of shifting the burden to pay to students reflected the free market view of Friedman (1962), who advocated that public support for even primary and secondary education should be directed toward individuals rather than to government institutions, giving individuals the right – and the dollars – to themselves make choices among publicly funded social services. Levin (1968) accepted Friedman’s basic premise, and advocated that subsidization be distributed based on family income, with lower-income families receiving a greater benefit. Hansen and Weisbrod (1969) similarly argued that the economic benefits of the California zero-tuition system were in fact inequitable, flowing most to those who needed them the least. Students from higher

income families, who predominantly attended more expensive schools in California's three-tiered higher education system, received a disproportionately greater benefit.

Hansen and Weisbrod (1969) also called for a more balanced approach to funding public higher education by expecting students to carry more of the burden themselves, while providing public aid to students based on family income.

Bowen (1971) continued to advocate for low, publicly subsidized tuition at public colleges and universities, and argued that financial aid continue to be in the form of grants, not loans. But the 1972 renewal of the Higher Education Act of 1965 instead emphasized loans by creating the Student Loan Marketing Association (Sallie Mae) to expand the marketplace of available loan dollars (Breneman, 1991; Hannah, 1996). Further, the 1972 amendments initiated various attempts to keep higher education institutions more accountable for the investment of federal funds being made in higher education (Hannah, 1996). The Committee for Economic Development (1973) called for increased but "better targeted" (read "targeted at students") financial support for higher education funding. Leslie and Johnson (1974) introduced their "market model" for higher education, noting that where there is demand the consumer should pay. Herzlinger and Jones (1981) spoke of appropriately pricing public sector services such as education, with an emphasis on raising prices to reflect the true economic benefit to the consumer receiving the service.

By the beginning of the 1980s, the student-pay argument was becoming widely accepted and the concept of a greater emphasis on loans rather than grants was increasingly taking root in public policy (Leslie & Brinkman, 1988). These trends attuned

well with a political viewpoint for smaller government and more individual responsibility, articulated masterfully by President Ronald Reagan. During the 1980s under the Reagan administration, public investment in higher education was directed increasingly toward students. Johnstone (1986) and Breneman (1994) articulated the concept of *cost sharing*, reflecting the fact that the underlying costs of higher education are shared by governments (or taxpayers), parents, students, and philanthropists. Leslie and Brinkman (1988) concluded that student financial aid had become a major tool for social policy. As a result of rising college costs, which again exceeded other measures of inflation, and decreasing federal investment, by the end of the 1980s students were paying a greater share of their educational costs than ever before and student loans had replaced grants as the dominant form of student aid (Hannah, 1996). In the mid-1970s, 76% of federal aid was distributed in the form of grants and 20% in loans. By the mid-1980s, the proportion was 29% in grants and 67% in loans (Hannah, 1996). The 1992 renewal of the Higher Education Act was again expected to address this growing imbalance, which was leaving college graduates with unprecedented levels of indebtedness. Instead, the 1992 renewals reemphasized the place of loans as the principal financing mechanism for students attending colleges (Hannah, 1996).

The current climate in higher education has been characterized as one of “austerity” (Johnstone, 2009, 2010; Toutkoushian, 2001), a phenomenon occurring not only in the United States but worldwide, in countries of both low and relatively high per capita income. This austerity is rooted in a combination of rising costs and static or even diminishing revenues (Johnstone, 2010). Rising costs are the function of two main

factors. The first is continually increasing per-student costs of instruction, in an industry (higher education) that has little opportunity for the continuous productivity-enhancing substitution of capital for labor, which is the main engine of rising productivity and economic growth in the manufacturing and construction sectors of an economy. Second, perhaps ironically, is increasing demand for higher education, which, as a labor-intensive industry, has difficulty benefitting from economies of scale. Diminishing revenues are rooted in the inability or unwillingness of governments (taxpayers) to pay. Furthermore, even in countries where there might be an ability and willingness, opportunity costs of increasing tax revenues tend to squeeze out higher education as a beneficiary. In the public sector, opportunity costs are represented by pressure for public investment in primary and secondary education, healthcare, and law enforcement, as well as a nation's infrastructure.

In the current economic climate, small private colleges that rely heavily on tuition are particularly vulnerable (Keierleber, 2014). Like their public counterparts, private nonprofit colleges and universities were affected to some degree directly and certainly tangentially by the public policy shift from predominantly government-funded higher education to cost sharing (Breneman, 1994; Johnstone, 2010; Zumeta & LaSota, 2010). Certainly students enrolling at these institutions found sources of government aid increasingly weighted toward loans. In addition, many private religious colleges were affected by reductions in support from their sponsoring denominations (Burtchaell, 1998). Caught in the same inflationary conditions as their public counterparts, costs of operation at private institutions also increased significantly in the 1970s and 1980s. These

cost increases, coupled with declining denominational support, left private institutions with no alternative but to shift a greater burden of funding to students and their parents. From 1997 to 2007, average cost of attendance (tuition, required fees, and room and board) rose at private universities from \$13,075 to \$40,640, an increase of 211%. Average cost of attendance at public universities during the same period rose from \$4,619 to \$14,915, an increase of 230%. Tuition alone at private universities increased from \$8,771 to \$30,360 (Johnstone, 2009).

The impact of declining denominational subsidy and increasing educational costs on student tuition rates at a private, religious liberal arts university is illustrated in the tuition and denominational subsidy history of Concordia University, St. Paul, Minnesota, a liberal arts university affiliated with The Lutheran Church – Missouri Synod (LCMS). Concordia, like all of its sister institutions in the Concordia University System, was established primarily for the preparation of pastors and teachers for the Synod’s congregations and parochial schools. For over sixty years, from its founding in 1893 until 1955, tuition rates remained static at \$0 per year as shown in Figure 1. Tuition began to increase in 1956, moving from \$0 to \$112 that year, and continued increasing every year thereafter. By the 2012-13 academic year annual tuition for a full time student was \$29,700. (For the 2013-14 academic year, Concordia University, St. Paul, Minnesota implemented a \$10,000 drop in tuition, but the reduced tuition was accompanied by a comparable reset in institutional financial aid; DeBoer-Moran & Schieffer, 2012).

Figure 1: Growth in Annual Tuition at Concordia University, St. Paul, Minnesota, 1893-2013

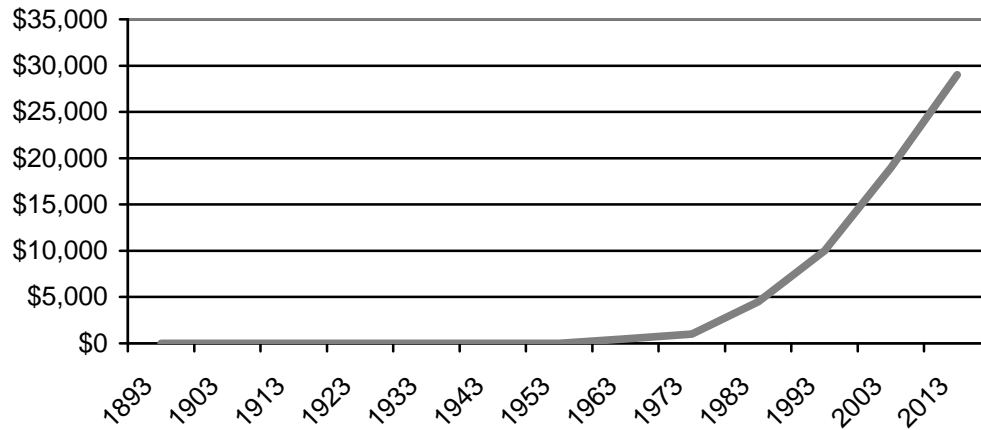
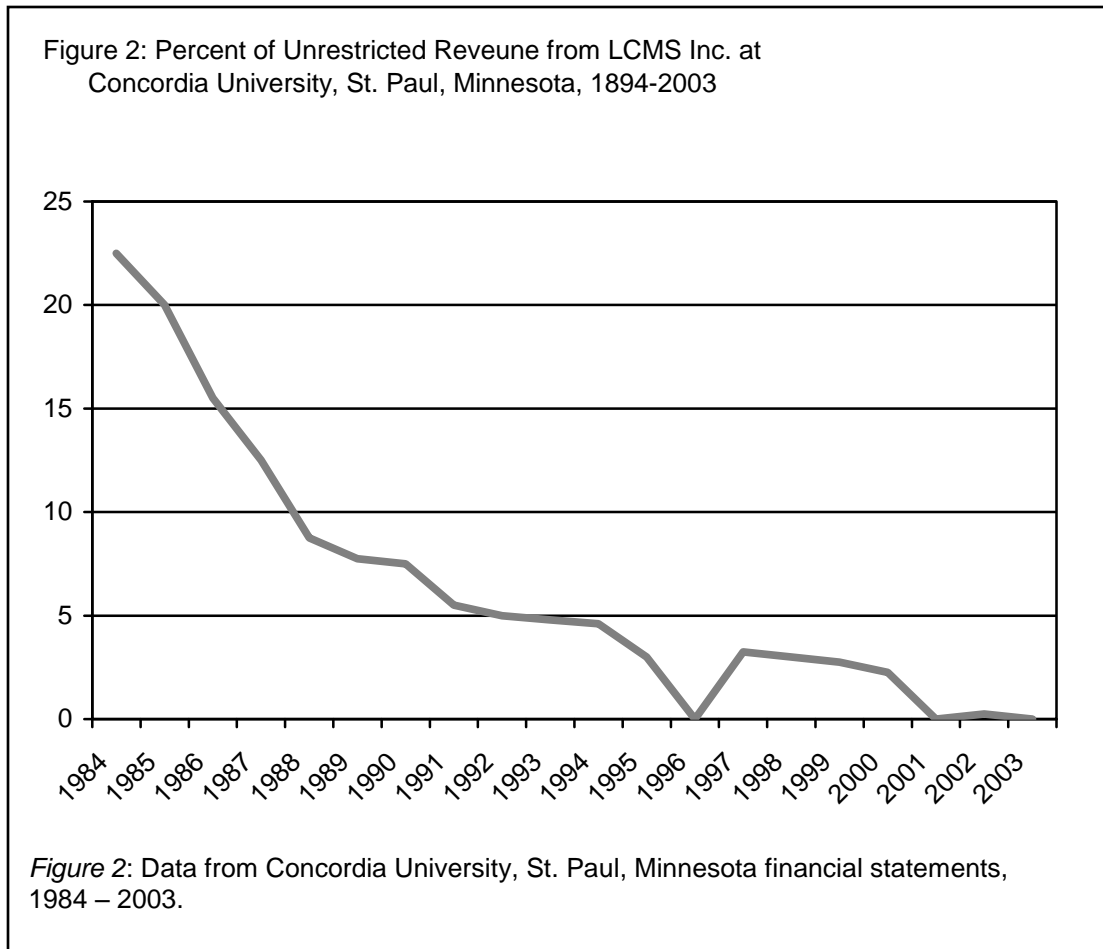


Figure 1. Data from Concordia University, St. Paul, Minnesota College and University catalogues, 1893 to 2013.

This inexorable rise in tuition was accelerated in part by a continuous decline in denominational support as a percentage of total institutional revenue as shown in Figure 2. In 1984, Concordia received 21.9% of its total unrestricted revenues from its sponsoring denomination, the LCMS, but by 2003 that percentage had dropped to 0%. While affiliation with the denomination does provide some economic benefits, such as access to lines of credit, shared health care, disability, retirement plans, and joint efforts in administrative computing services, the denomination no longer provides direct, unrestricted financial support for the operation of its colleges and universities.

Despite the heavier burden to pay, which has been shifted onto students from government, sponsoring denominations, and other organizations, enrollment at private nonprofit colleges and universities has continued to grow over the last two decades. It

has, however, declined as a percentage of total enrollment in higher education (Johnstone, 2010; Zumeta & LaSota, 2010).



Three basic conditions explain much of the development of private higher education in a public-dominant system of higher education (Geiger, 1988; Levy, 1986). First, private institutions may offer something different from the public sector, whether through a special curriculum, a particular religious or cultural emphasis, or some other feature distinguishing them from institutions in the public sector. Second, the private sector can sometimes provide a higher quality of education, often accompanied by stricter



admission standards. Finally, the private option may serve additional students who find the public system closed to them because of capacity or geographic constraints.

Of the nearly 4,350 U.S. accredited degree-granting colleges and universities, more than 1,600 are private nonprofit institutions and more than 1,000 are private, but operated for profit (Zumeta & Lasota, 2010). Zumeta and LaSota (2010) examined the growth of post-secondary enrollments in the United States between 1996 and 2007, and found significant growth in every sector as the results in Table 1 suggest. Among private institutions, growth on a percentage basis was greatest in graduate and first professional programs.

During the same 1996 to 2007 period, Lutheran college and university enrollments also experienced growth as is shown in Table 2. The comparative rate of growth was somewhat less on a percentage basis for undergraduate students (11.3% for Lutheran institutions compared to 19.6% for all private 4-year nonprofit institutions) and more for graduate students (226.5% for Lutheran institutions compared to 32.6% for all private 4-year nonprofits, as noted in Table 1).

Not all private institutions flourished during the period studied by Zumeta and LaSota (2010), who reported that the “death rate” of private nonprofit institutions apparently increased from 1996 to 2007 compared with the period from 1980 to 1995. The apparent number of institutional deaths in the sector (162 total and a net loss of 20 institutions over the 11 years) is considerably larger than in the earlier period. No Lutheran institutions closed in the 1996-2007 period studied by Zumeta and LaSota (2010). During the ten-year period immediately prior to Zumeta and LaSota’s study,

however, two, two-year and two, four-year Lutheran colleges closed, and two, four-year Lutheran colleges merged into one. Golden Valley Lutheran College, an independent

Table 1

*Percent Change in Total Fall Enrollments for U.S. Colleges and Universities by Sector from 1996 to 2007*

Sector	Sum of All Students	Sum of All UG Students	Sum of All GR + PF Students
<b>4-Yr Private NP</b>			
1996	2,867,181	2,037,065	830,116
2007	3,537,521	2,436,841	1,100,680
	30.7%	19.6%	32.6%
<b>2-Yr Private NP</b>			
1996	75,375	75,253	122
2007	33,486	33,486	0
	-55.6%	-55.5%	-100.0%
<b>4-Yr Private FP</b>			
1996	130,976	105,858	25,118
2007	33,486	33,486	190,337
	606.9%	594.8%	657.8%
<b>2-Yr Private FP</b>			
1996	173,489	173,489	0
2007	260,325	260,325	0
	50.1%	50.1%	0.0%
<b>4-Yr Public</b>			
1996	5,787,490	4,607,321	1,180,169
2007	7,151,376	5,798,499	1,352,877
	23.6%	25.9%	14.6%
<b>2-Yr Public</b>			
1996	5,251,340	5,250,915	425
2007	6,324,119	6,323,810	309
	20.4%	20.4%	-27.3%

Abbreviations used in the table are: UG = undergraduate, GR = graduate, PF = First Professional, NP = nonprofit, FP = for-profit. Data from Integrated Postsecondary Education Data System (IPEDS), published in Zumeta and LaSota (2010)

two-year Lutheran college located in Golden Valley, Minnesota, closed in 1985 (Burger, 2011). St. Paul's College, a two-year college affiliated with The Lutheran Church –

Missouri Synod (LCMS) located in Concordia, Missouri, closed in 1986 (Saint Paul History, 2012). St. John’s College, a four-year college affiliated with the

Table 2

*Percent Change in Total Fall Enrollments for U.S. Lutheran Colleges and Universities from 1996 to 2007*

Sector	Sum of All Students	Sum of All UG Students	Sum of All GR + PF Students
4-Yr Lutheran NP			
1996	68,859	63,273	4,316
2007	84,492	70,399	14,093
	22.7%	11.3%	226.5%

Abbreviations used in the table are: UG = undergraduate, GR = graduate, PF = First Professional, NP = nonprofit. Data from Integrated Postsecondary Education Data System (IPEDS)

LCMS and located in Winfield, Kansas, closed in 1986 (St. John’s College Alumni Association, Inc., 2012), and Uppsala College, a four-year college affiliated with the Evangelical Lutheran Church in America (ELCA) located in East Orange, New Jersey, closed in 1995 (Townesley, 2002). Two colleges affiliated with the Wisconsin Evangelical Lutheran Synod (WELS), Dr. Martin Lutheran College located in New Ulm, Minnesota and Northwestern College located in Watertown, Wisconsin, merged to form Martin Luther College in 1995 and were located to the New Ulm campus (About Martin Luther College, 2012). In the years since the period studied by Zumeta and LaSota (2010), two additional colleges have ceased operation as Lutheran institutions. Waldorf College, a four-year college affiliated with the ELCA located in Forest City, Iowa was sold in 2009 to a for-profit college management company (Biemiller, 2011), and Dana College, a four-year college affiliated with the ELCA, located in Blair, Nebraska, discontinued

operations in 2010 (Huckabee, 2010). Yet another, Concordia University, Ann Arbor, Michigan was acquired by Concordia University Wisconsin in 2012, and ceased operating as an independent university (Heflin, 2012).

### *Financial Performance of Colleges and Universities*

The financial performance of colleges and universities is an important strategic issue in higher education today. Leaders of nonprofit organizations in general and colleges and universities in particular increasingly realize the importance of sound financial management. The phrase *No Margin, No Mission*, which emerged in the health care industry and is attributed to Sister Irene Krause, former head of the Daughters of Charity National Health Care System (Bryant-Friedland, 1998; Smith, 2011; Wilkerson, 2011), is now also broadly used in education to help stakeholders understand that without a sound financial basis, schools, colleges and universities cannot fulfill their intended purpose (O’Keefe, 1996; Thomas, 2010; Wellman, 2010).

Diamond, Gardiner, and Wheeler (2002) insisted:

There must be a close integration of financial and academic planning at all institutional levels. The fiscal and academic sides of the house must work together toward achieving learning goals. Policies and priorities for all institutional operations should support stated missions. Financial operations, the fundraising priorities of the development office, and budgeting practices should be integrated with the academic goals of the institution. You must forge alliances with staff members across campus to ensure that policies and practices do not work against important learning goals (p. 20).

Shattock (2003) noted that success in a university’s core business of teaching and research is underpinned by financial stability and good financial management. According to Shattock (2003), academic work is bound to suffer in conditions of financial instability. Conversely, the availability of resources at the right time and the existence of

a well-understood process of financial reporting and administration provides a secure financial basis from which programs of teaching and research can readily be launched.

Shattock (2003) outlined five broad principles of successful financial management:

- That financial stability makes a key contribution to successful academic work.
- That financial management and understanding financial indicators of performance are too important to be regarded as the sole prerogative of the central finance officer.
- That a conservative approach to institutional spending at the top sends a message through the institution.
- That risks should be examined carefully but when accepted the investment should be generous to ensure a successful outcome.
- That good financial management requires that where financial messages such as failure to meet financial targets, shortfalls in particular areas and over expenditure in others, these should be acted upon in an alert and effective manner (p. 44).

Wellman (2010) urged increased productivity in higher education. Productivity goals and performance need to be a regular part of fiscal decision making. Along with goal setting targeted at increasing productivity, a commitment to accountability and the capacity to demonstrate productivity are essential. Increased productivity may be achieved through spending reductions, reducing pressure on tuition through revenue diversification, greater access for students, reinvestment in core areas, and greater fiscal

transparency to build credibility. The objective is an integrated strategy throughout the organization with the end of improving financial performance.

The movement to improve financial performance of colleges and universities is not new and may be traced to the 1890s. It is the outgrowth of several developments: 1) the Efficiency Movement in industry, embodied in the work of Frederick Taylor, 2) increased interest of business leaders and philanthropists in higher education, 3) the growth of the accounting profession, and 4) the rise of the survey movement in business and higher education (Hines, 2000; Witmer, 1972).

Allen (1917) observed that the survey movement emerged in early twentieth century higher education as “. . . contentment gave way to question; self-assurance gave way to self-analysis; and submission to the past gave way to concern for the future” (p. 1). Notable among influential philanthropists who took an interest in the business affairs of institutions of higher education were John D. Rockefeller Sr., who founded The General Education Board in 1902 to promote and financially support education at all levels in the United States (General Education Board, 1915), and Andrew Carnegie, who founded the Carnegie Foundation for the Advancement of Teaching in 1906 (Carnegie Foundation for the Advancement of Teaching, 2011, 1910). Their involvement helped instigate the development of consistent efforts at standardizing financial management reporting and practices.

Russell (1954) identified five major landmarks in the first half of the 20<sup>th</sup> century leading toward standardization (Witmer, 1972). First, the publication of the Carnegie report of 1910. Andrew Carnegie appointed Dr. Henry S. Pritchett as the first president of

the Carnegie Foundation (Carnegie Foundation for the Advancement of Teaching, 2011; Hines, 2000; Witmer, 1972). Pritchett provided the financial reports of a number of colleges and universities to auditor Henry S. Chase, who developed a standard reporting format for the financials of these institutions. This study was published in 1910 as *Standard Forms for Financial Reports of Colleges, Universities, and Technical Schools*. The Foundation thus sponsored the first effort toward standard reports as well as the first survey (Carnegie Foundation for the Advancement of Teaching, 1910).

The second landmark was the 1917 report of John C. Christensen's committee to the Association of Business Officers of the State Universities and Colleges of the Middle West. Organized in 1912 as the first association of college and university business officers, the Middle West Association later became the Central Association, to distinguish it from the Eastern Association, organized in 1920, the Southern, organized in 1928, and the Western, organized in 1936 (Heywood, 1953; Hines, 2000; Witmer, 1972). Christensen, Controller of the University of Michigan (Conner, 2006; Hines, 2000), was appointed to chair a committee to review then current practices in college and university financial management. The "Christensen Committee" recommended a standard classification of receipts and expenditures.

The third landmark was the publication of Trevor Arnett's *College and University Finance* in 1922, widely considered the first authoritative book in the field (Hines, 2000; Russell, 1954; Stevens, Manley, Clement, Mays, & Read, 1955; Witmer, 1972). Arnett, business manager at the University of Chicago, comprehensively covered such topics as receipts, disbursements, endowments, physical plant, accounting, account books and

records, financial reports, annual report of the trustees, and college organization (Arnett, 1922).

The fourth landmark was the 1935 report of the National Committee on Standard Reports for Institutions of Higher Education (Hines, 2000; Russell, 1954; Witmer, 1972). The American Council on Education, formed in 1918, organized the Committee in 1930. The Committee, chaired by Lloyd Morey, controller and later president of the University of Illinois, brought together strands of research based upon the examination of approximately 100 financial reports from higher education institutions (Hines, 2000) and contributions from various industry experts. The Committee released a number of interim bulletins, a common practice in the accounting profession, and published its final report in 1935 under the title *Financial Reports for Colleges and Universities*.

Russell's (1954) fifth landmark was the 1952-1955 revision of the 1935 reports. As early as 1937, the Central Association of College and University Business Officers discussed the prospect of revising the 1935 reports. The next year, 1938, the four regional associations – Central, Eastern, Southern, and Western, met in Pittsburgh to form the National Committee on the Preparation of a Manual on College and University Business Administration. John C. Christensen chaired this committee (Hines, 2000). The Carnegie Foundation provided grants to the American Council on Education in 1942 and 1943 to fund the work. The revision process took over a decade, culminating finally with publication of the seminal *College and University Business Administration, Volumes I and II*. (National Committee on the Preparation of a Manual on College and University Business Administration, 1955, 1955). The first volume was released in 1952 and the



second, in 1955. The long duration and wide scope of the project brought many recognized experts in the field into the revision process. Thomas E. Blackwell, vice chancellor and treasurer of Washington University, was appointed editor in 1946. The Committee utilized the master's thesis of Harvey Sherer, researched and written under Lloyd Morey at the University of Illinois, as the basis for Volume I. Members of the Committee contributing to Volume II included E.S. Erwin of Stanford University; L.H. Foster, Jr., Tuskegee Institute; John F. Meck, Dartmouth College; W.T. Middlebrook, the University of Minnesota; and Clarence Scheps, Tulane University (Hines, 2000). So influential was this publication, that it was universally referred to in the profession as simply "the manual" or "Volumes I and II" (Hines, 2000; Witmer, 1972).

The first revision of "the manual" was issued in 1968, combining the two editions into a single volume, *College and University Business Administration (revised edition)*, hereinafter referred to as *CUBA* (National Committee to Revise Volumes I and II, 1968). This revised or second edition of *CUBA* was prepared under the auspices of the American Council on Education, which secured funding for the project in 1964. The impetus for the National Committee to Revise Volumes I and II, however, had come from the National Federation of College and University Business Officers Associations, formed in 1951, the predecessor body to the National Association of College and University Business Officers (NACUBO).

Today, NACUBO is acknowledged as the leading national association for college and university business administration (NACUBO, 2011). The NACUBO office was established in Washington D.C. in 1967. So, while ownership of and funding for the

project to revise *CUBA* emanated from the American Council, NACUBO was a key player in the revised edition and the responsibility for subsequent editions was henceforth transferred to NACUBO (NACUBO, 1974). *CUBA* is the recognized industry standard for college and university business administration. The third edition was published in 1974 (NACUBO, 1974), the fourth in 1982 (Welzenbach, 1982), the fifth in 1992 (NACUBO, 1992), and the sixth in 2000 (Grills, 2000). In 2012, a seventh edition began to be released in installments over three years (NACUBO, 2011).

In reviewing the 1996 higher education literature for the Education Research Information Center (ERIC) Higher Education Trends series, Kezar (1999) reported that writings on higher education finance for the previous three-year period were limited, a surprise given the abundant rhetoric and discussion about the economic and financial climate. Kezar (1999) found that finance-oriented writings made up 6.5% of the total higher education literature, and were grouped into six areas: 1) Reduced federal role and increased state role in funding, 2) ways to manage costs, 3) concern about rising tuition and its impact on access, 4) concern about changes in funding patterns and the resulting impact on institutional mission, 5) management of endowments, and 6) international comparisons.

Writing for the ERIC Trends series one year later, Kezar (2000) reported that financial issues had increased in the literature, and identified eight areas of concern: 1) Increase in public funding, 2) use of funding priorities, 3) focus on faculty salary issues, 4) use of profit sharing, 5) use of multiple financial strategies, 6) new revenue generation, 7) proliferation of for-profit higher education, and 8) increased marketing. Kezar (2000)

characterized the financial picture as having changed from one of constraint, to one of entrepreneurialism, pursuit of additional revenue, and increased marketing.

During the 1990s and 2000s, standards and techniques used in the financial management of for-profit businesses were brought into colleges and universities. Garland (2009) acknowledged that higher education lacks the one overriding standard metric which is the key indicator of success in the business world: Profit. In business, internal performance criteria are independent variables and profitability is the dependent variable. By contrast, says Garland (2009), in higher education there is no bottom line “except in the sense that colleges must live within their budgets” (p. 12). But higher education has gradually adopted from business, financial indicators in the form of financial ratios, discussed in detail below, as metrics of financial performance (Tahey, Saluzzo, Prager, Mezzina, & Cowen, 2010). While not completely analogous to profit in for-profit corporations (Garland, 2009), financial ratios nevertheless do provide relevant metrics for assessing financial performance and viability in nonprofit organizations and, when viewed over time, assessing organizational progress.

Since 1973, the Financial Accounting Standards Board (FASB) has been the designated organization in the private sector for establishing standards that govern the preparation of financial reports by nongovernmental entities. These standards are officially recognized as authoritative by the Securities and Exchange Commission and the American Institute of Certified Public Accountants (FASB, 2011a). Standards undergo a lengthy review process before being accepted as standards in the industry.

In 1993, FASB issued two statements significantly altering accounting for nonprofits, including colleges and universities. FASB 116 (FASB, 2011b) altered the accounting for contributions, primarily to accurately account for both unconditional and conditional promises to give, and valuing these commitments at fair value (i.e., discounted by the projected years before donors fulfill their commitments to give.) The intent of the statement was to give the most relevant valuation of commitments made by donors, an important consideration for users of financial statements seeking to determine the financial health of organizations. The statement also required nonprofits to establish an allowance for doubtful accounts (i.e. the probability that donors might not fulfill their commitment to give) and distinguish between contributions received that increase permanently restricted, temporarily restricted, and unrestricted net assets.

FASB 117 (FASB, 2011c) established standards for general-purpose financial statements provided by a nonprofit organization for external users. The objective of FASB 117 was to enhance the relevance, understandability, and comparability of financial statements issued by those organizations. It required that all nonprofit organizations provide a statement of financial position, a statement of activities, and a statement of cash flows. It required the reporting of amounts for the organization's total assets, liabilities, and net assets, including accounting for depreciation of capital assets, in a statement of financial position using methods similar to those used in for-profit entities. It further required that the amounts for each of three classes of net assets – permanently restricted, temporarily restricted, and unrestricted – be displayed in a

statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

During the last three decades, financial statement analysis using financial ratios has been broadly introduced as a tool for evaluating financial performance and institutional viability (Abraham, 2004; Anderson, 1985; Chabotar, 1989; Tahey, et. al., 2010). A financial ratio is the relationship between two numbers drawn from an organization's statement of financial position, operating statement, and related records (Chabotar, 1989). The relationship between specific numbers converted into ratios provides insights into the financial condition and viability of organizations. One of the values of ratios is that the insights they provide are comparable between organizations, regardless of their size. In addition, ratios may be examined over time to derive insights about trends that are occurring in an organization's financial performance. The accounting profession provides templates for the calculation of financial ratios and there is consistency in the higher education industry in their use (Tahey, et. al., 2010). Individual institutions or groups of institutions, however, may choose to emphasize certain ratios or even construct some custom ratios to track, assess, and address specific operating or financial capacity issues.

Table 3 shows an example of one Lutheran institution's (Lutheran Institution A) use of financial ratios for Academic Years 2006-2010. Operations Data gives some of the raw data from which ratios are calculated. The source of the data is the institution's year-end audited financial statements, specifically the statement of financial position, statement of activities, and other related documents. Generally Accepted Accounting Principles

(GAAP) specify that the fiscal year for higher education institutions is July 1 through June 30. Operations Ratios provide analyses of key data related to the institution's annual operation.

Table 3

*Financial Ratios for Lutheran Institution A, Fiscal Year (FY) 2006-2010*

Data/Ratio	FY2006	FY2007	FY2008	FY2009	FY2010
<b>Operations Data</b>					
Permanent endowment (M)	\$18.6	\$21.3	\$21.4	\$22.0	\$23.0
Tuition and fees rate	\$21,312	\$22,378	\$23,496	\$24,900	\$26,400
Semester hours sold	58,977	58,564	60,827	66,250	68,061
Net property disposal results	\$0	\$0	\$0	\$0	(\$160,741)
Depreciation	\$166,948	\$1,266,029	\$1,287,656	\$2,250,219	\$1,886,120
Net investment & swap results	\$0	\$0	(\$2,287,366)	(\$3,149,473)	\$1,720,590
Expendable net assets	\$2,815,995	\$2,378,454	\$747,617	\$4,376,018	\$7,287,102
Interest expense	\$381,644	\$517,211	\$700,781	\$564,780	\$398,666
Long-term debt	\$8,817,892	\$8,790,403	\$25,939,718	\$23,770,406	\$23,256,096
Debt service	\$791,644	\$1,062,211	\$1,100,781	\$1,019,780	\$918,666
<b>Operations Ratios</b>					
Debt burden ratio (Target < 7%)	2.60%	3.40%	3.40%	3.00%	2.70%
Debt coverage ratio (Target > 1.25)	0.31	1.05	(0.53)	0.01	5.89
Leverage ratio (Target > 2.0)	2.60	2.62	0.78	1.01	1.17
Net tuition dependency ratio	67.50%	64.70%	83.50%	74.20%	66.30%
<b>Strategic Ratios</b>					
Primary reserve ratio (Target >.40)	0.09	0.07	0.02	0.12	0.21
Viability ratio (Target > 1.25)	0.32	0.27	0.03	0.18	0.31
Return on net assets ratio (Target > 6%)	.50%	6.70%	-6.30%	10.30%	9.60%
Net operating rev. ratio (Target > 3%)	-4.30%	-2.10%	-9.30%	-8.60%	8.10%

Abbreviation used in the table is: M = millions. Data from Concordia University System.

For some ratios, a standard industry benchmark is offered. For example, the Debt Coverage Ratio evaluates the institution's capacity to meet its debt payment obligations through income generated from operations. The targeted benchmark, determined by the accounting profession, is that the ratio be greater than ( $>$ ) 1.25 as is noted in Table 3. Lutheran Institution A exceeded the benchmark once in the five-year period, which should be a source of concern for the institution's administrators and governing board. Since ratios provide only indicators of institutional strengths or areas of concern, a deeper inquiry into the factors contributing to the relatively weak capacity to service debt is required.

Strategic Ratios provide key data related to the institution's capacity to pursue its mission in the future. The Primary Reserve Ratio, for example, measures financial reserves available to fund ongoing operations. The targeted benchmark is that the ratio be greater than ( $>$ ) .4. Table 3 indicates that Lutheran Institution A has not met or exceeded this ratio in any of the previous five years, which signals an area of concern for that institution's leaders.

Table 4 shows financial ratios for Lutheran Institution B. Though Institution B is larger than Institution A, as measured by semester hours sold, the ratios of both institutions may be compared to each other because they draw on the same categories of data sets and the ratios are calculated in an identical manner. In general, Institution B has stronger performance and capacity relative to the targeted benchmarks than Institution A.

Whereas Institution A exceeded the targeted benchmark for the Debt Coverage Ratio of ( $>$ ) 1.25 only once in the five-year period, Institution B exceeded the target in

each of the five years. Similarly, while Institution A failed to exceed the benchmark for the Primary Reserve Ratio of (>) .4 in any of the five years, Institution B exceeded the target in each of the five years.

Table 4

*Financial Ratios for Lutheran Institution B, Fiscal Year (FY) 2006-2010*

Data/Ratio	FY2006	FY2007	FY2008	FY2009	FY2010
<b>Operations Data</b>					
Permanent endowment (M)	\$14.8	\$15.3	\$16.0	\$17.6	\$18.4
Tuition and fees rate	\$17,190	\$18,050	\$18,950	\$19,900	\$20,900
Semester hours sold	100,307	99,334	105,183	117,799	30,751
Net property disposal results	\$0	(\$549)	(\$58,845)	(\$12,110)	(\$12,011)
Depreciation	\$2,136,410	\$2,157,341	\$2,525,930	\$2,936,180	\$2,973,767
Net investment & swap results	\$0	\$0	(\$3,209,534)	(\$7,379,211)	\$1,793,896
Expendable net assets	\$30,449,040	\$18,817,679	\$31,907,333	\$29,520,063	\$32,588,185
Interest expense	\$455,569	\$973,696	\$409,067	\$561,080	\$210,891
Long-term debt	\$14,753,167	\$21,258,728	\$18,955,289	\$22,415,358	\$21,843,339
Debt service	\$1,601,878	\$4,743,696	\$1,399,067	\$1,231,080	\$790,891
<b>Operations Ratios</b>					
Debt burden ratio (Target < 7%)	4.10%	10.70%	3.10%	2.50%	1.50%
Debt coverage ratio (Target > 1.25)	6.07	2.46	6.80	0.70	8.07
Leverage ratio (Target . 2.0)	4.63	3.74	4.34	3.71	4.54
Net tuition dependency ratio	71.60%	69.00%	70.60%	90.50%	8.90%
<b>Strategic Ratios</b>					
Primary reserve ratio (Target > .40)	0.76	0.44	0.69	0.58	0.59
Viability ratio (Target > 1.25)	2.06	0.89	1.68	1.32	1.49
Return on net assets ratio (Target > 6%)	11.70%	13.90%	3.60%	2.70%	16.90%
Net operating rev. ratio (Target > 3%)	15.00%	16.70%	12.50%	-5.40%	16.80%

Abbreviation used in the table is: M = million. Data from Concordia University System.



While financial analysis is used to measure outcomes and evaluate performance over time, higher education is continually examining inputs in the form of priorities, characteristics, and so-called best practices that, when effectively employed, contribute to positive financial results. Kezar (2000) reported on campuses employing strategies such as prioritizing spending, establishing alternative employment contracts, and adopting financial planning to minimize financial constraints. Kezar (2000) also noted an increasing number of institutions establishing practices such as enrollment management and endowment investment for strengthening financial condition.

It is informative to compare various authors' "prescriptions" for financial well-being of colleges and universities. The following section compares and contrasts listings from three authors of characteristics or behaviors which they believe either correlate with or contribute to positive financial performance. The authors are Martin and Samels (2009), Shattock (2003), and Townsley (2009, 2002).

Of the three, Martin and Samels' (2009) list may be described as identifying the most global or macro-economic institutional characteristics. After presenting perspectives from a wide range of higher education researchers, Martin and Samels (2009) estimated that nearly 1,000 colleges and universities in the United States faced major challenges. By their own admission, Martin and Samels (2009) found it difficult to put their fingers on a discrete set of characteristics that are consistently represented in successful universities. But they did finally state what they considered five areas essential to institutional success: 1) Clarity of mission, 2) financial stability, 3) infrastructure health, 4) accreditation transparency, and 5) engaged board, executive, and faculty leadership.

In a review of public education in England, Shattock (2003) offered six characteristics of financial health, which may be described as less global and more specific than Martin and Samels' (2009) list. Shattock's (2003) six were: 1) Short-term solvency, 2) retention of reserves, 3) effective management of long term debt, 4) effective management of the estate, 5) ability to generate non-state funding, and 6) alignment of budgetary strategy with mission. It is helpful to clarify Shattock's list for American readers by pointing out that "retention of reserves" corresponds to the more common American concept of "contingency," the "estate" corresponds to the American concept of "infrastructure," and "ability to generate non-state funding" corresponds with the more commonly expressed notion in American higher education of "diversified revenue streams."

These two lists may be compared and contrasted on four counts. First, they overlap completely in one characteristic, infrastructure health. Second, they are similar in two characteristics, mission and positive operating results. In his listing, Shattock (2003) omitted or assumed Martin and Samels' (2009) first characteristic of "clarity of mission," but emphasizes that budgetary strategy must be consistent with mission. Martin and Samels (2009) used the term "financial stability," which is similar to Shattock's (2003) "short-term solvency," both of which imply positive operating results. Third, Martin and Samels (2009) alone cited "accreditation transparency" and "engaged board, executive and faculty leadership." Fourth, Shattock (2003) alone mentioned "retention of reserves," "effective management of long term debt," and ability to generate non-state funding," i.e., diversity of revenue.

Table 5 is Townsley's (2002) list of 20 keys to successful financial strategy for small colleges and universities. His list may be described as more specific, micro-economic, and even prescriptive than either Martin and Samels' (2009) or Shattock's (2003). Even so, there is some overlap. Townsley's first key, for example, "eliminate deficits from operations," corresponded to Martin and Samels' (2009) "financial stability" and Shattock's (2003) "short-term solvency."

Table 5

*Townsley's Keys to Financial Strategy*

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Financial Strategies

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1. Eliminate deficits from operations, subject to producing a positive net income.
2. Balance revenue (including excess funds for positive net operating income) with expense growth rates.
3. Build a coherent net pricing strategy or raise funds to reduce unfunded financial aid.
4. Focus strategy on main income flows into the college.
5. Diversify the main income flows to reduce risk.
6. Trade gifts for debt to raise the debt ratio above 2:1.
7. Build budgets that:
  - a. Include forecasts, goals, and plans for working capital (cash, receivables, payables, accruals, inventory) and permanent working capital (endowment, debt, and net asset position);
  - b. Add employees discriminately;
  - c. Contain expense growth;
  - d. Estimate revenue conservatively and prior to the budgeting of expenses;
  - e. Increase revenue scrupulously (not arbitrarily) to support expenses; and
  - f. Revamp incentives when they fail to improve effectiveness.
8. Build a capital reinvestment fund for renovations and equipment replacement.
9. Build a contingency fund.
10. Establish a monitoring system for financial performance using ratios, trends, and benchmarks based on industry standards suggested by Moody's, KPMG/Prager, or other reliable sources.

-- Table 5 continued --

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Table 5 (continued)

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Financial Strategies

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11. Install budget controls by:
  - a. Establishing protocol for handling over-expended budgets;
  - b. Tracking variances between actual and forecast revenue and expenses;
  - c. Having a plan for variances (positive or negative); and
  - d. Limiting addition of new employees during the fiscal year.
12. Conduct regular budget, financial condition, and financial strategy meetings to review goals and policies using appropriate financial ratios, the CFI scoring system, and trend analysis.
13. Bill students monthly and enforce collection procedures.
14. Set a bad debt goal not to exceed, for instance, 2.5 per cent of receivables.
15. Commit to cash and short-term investment goals equal to at least 8 percent of expenses.
16. Require auxiliaries to achieve a net income minimum goal that covers direct expenses, depreciation, and fixed expenses from the college.
17. Reorganize or outsource auxiliaries, administrative services, or other operations that fail to meet financial goals.
18. Expect alumni relations to produce income equal to their costs, plus some portion of total revenue.
19. Set net income goals for athletics.
20. Incorporate options in the financial strategy that promote flexibility during times of economic stress.

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Adapted from M. Townsley, 2002, *The Small College Guide to Financial Health: Beating the Odds*, p. 178-179.

The work of these researchers, Marten and Samels (2009), Shattock (2003), and Townsley (2009, 2002), is representative of the types of financial best-practices that are often discussed in higher education and implemented to varying degrees by individual colleges and universities.

*Strategic Planning in Higher Education*

Underlying each of the foregoing lists is the foundation of mission-driven strategic planning. The emergence of strategic planning in higher education is well documented (Chabotar, 2006; Dooris, 2003; Dooris, Kelley, & Trainer, 2004; Dooris &

Lozier, 1990; Duderstadt, 2007; Keller, 1983; Mintzberg, 1994; Townsley, 2009, 2002). Strategic planning has its roots in the military, and entered business and industry in the United States during the 1950s and 1960s (Dooris, 2003), becoming firmly established in most large corporations by the mid-1960s (Mintzberg, 1994). During those two decades, higher education was in a growth mode and the use of planning was confined mainly to facility expansion projects among colleges and universities (Dooris, 2003). The Society for College and University Planning (SCUP) was organized in 1966, with 300 members, but the emphasis of the organization was mostly campus facility planning (Holmes, 1985).

Despite the post-World War II growth mode of higher education, already in the early 1970s, the competitive nature of higher education as an industry and the financial and operational challenges facing individual colleges and universities were already beginning to cast a shadow over the higher education landscape (Carnegie Commission, 1973). The need for more comprehensive planning on college and university campuses began to emerge. The 1983 publication of George Keller's seminal *Academic Strategy: The Management Revolution in American Higher Education*, signaled a change in attitude toward planning in higher education. Keller warned of the specter of decline and bankruptcy haunting higher education, and cited predictions that between 10 and 30 percent of America's colleges and universities would close their doors by 1995, based on worsening financial condition at many institutions and declining birth rates of traditional age college students (Keller, 1983).

While the decline in the number of colleges and universities was not nearly as severe as forecast (Skolnik, 1986), institutions of higher education were spurred into planning action. In fact, by 2001 Rowley and Sherman reported that nearly every campus had engaged in some sort of strategic planning. But the degree of success in the planning experience varied widely from institution to institution (Rowley & Sherman, 2001). Planning models, generally borrowed from business, did not always translate easily to higher education (Bryson, 2011; Mintzberg, 1994; Rowley, Lujan, & Dolence, 1997). Prinvale (1992) blamed the results on the poor fit between the Rational Decision-Making theoretical foundation of most strategic planning models and the loose-coupling governance and operational environment in most institutions of higher education.

Advocates for strategic planning in higher education advised academic leaders to adopt planning models that were adjusted to the particular characteristics, needs, and expectations of their institutions (Rowley & Sherman, 2001; Schmidtlein, 1990). Townsley (2002) emphasized the special planning issues that concerned small private institutions. The fiscal health of these primarily teaching-focused, tuition-dependent, and often under-endowed institutions depends on student enrollment and the associated net revenue from discounted tuition. Crucial to the success, and even survival, of these small institutions is their capacity to allocate or redeploy internal resources to changing external conditions.

Given this challenging environment, Rowley and Sherman (2001) advised that there is no alternative but for colleges and universities to plan purposefully and execute plans effectively. Change in the higher education environment is the dominant factor

driving the need for strategic planning (Hunt, Oosting, Stevens, Loudon, & Migliore, 1997; Rowley & Sherman, 2001). Previously, societal and economic changes tended to proceed from the academy (Rowley, Lujan, & Dolence, 1998). Today, however, the academy itself must respond and adapt to change.

Foundational is the change from the Industrial Age to the Information Age, which has shattered old paradigms of higher education and created the need for dynamic, adaptive new ones (Rowley & Sherman, 2001). A second major change is the transition from student to learner (Rowley & Sherman, 2001). Students may be described as seekers of knowledge looking to the academy to provide it. Learners seek knowledge, but are willing to find it anywhere; the academy is but one resource among dozens of others where the learner may find what he or she requires. Moreover, learners today include the life-long learner and the non-traditional student.

The increase in competition in the higher education marketplace is yet another change to which the academy finds itself reacting (Porter, 2008, 1996, 1980; Rowley & Sherman, 2001; Drucker, 1990). Previously immune from competition due to the high growth nature of higher education, colleges and universities now are competing for increasingly discriminating “customers” (a term heretofore eschewed in higher education) and increasingly scarce public and private resources. New entrants to the industry challenging traditional colleges and universities include corporations designing their own programs and schools for employees, for-profit colleges and universities offering undergraduate and graduate degrees, and other proprietary alternative schools.

Complicating the matter is the question of “Who pays?” for higher education, as public policy has taken a definite shift to the consumer pay model, while educational costs continue to rise faster than average costs for many other goods and services. Further complicating the matter for traditional colleges and universities is the role of the liberal arts as a foundation of education. When the stated goal of many students is to achieve increased job-related knowledge and skills to qualify for career advancement and higher pay, faculty and administrators often find it difficult to advocate for the reflective and holistic personal development often associated with a liberal arts education (Ferrall, 2011). Whether they see themselves as students or learners, individuals pursuing the knowledge and credentials attained through education are often designing their own paths to achieve their educational goals, and are willing to go wherever they find the provider that best meets their needs.

Figure 3 shows a representative strategic planning framework incorporating common elements found in most approaches to strategic planning. While there is no single approach to strategic planning, most methods have common elements, which include defining the mission, scanning the organization’s external environment, analyzing internal strengths and weaknesses, setting objectives and a tactical strategy to pursue them, and developing an approach to evaluating progress. Strategic planning is distinguished from tactical planning, which is more short-term than long-term and includes more operational detail (Bryson, 2011; Chabotar, 2006; Hunt, et. al., 1997; Mintzberg, 1994; Rowley & Sherman, 2001). But, strategic plans have tactical plans within them.



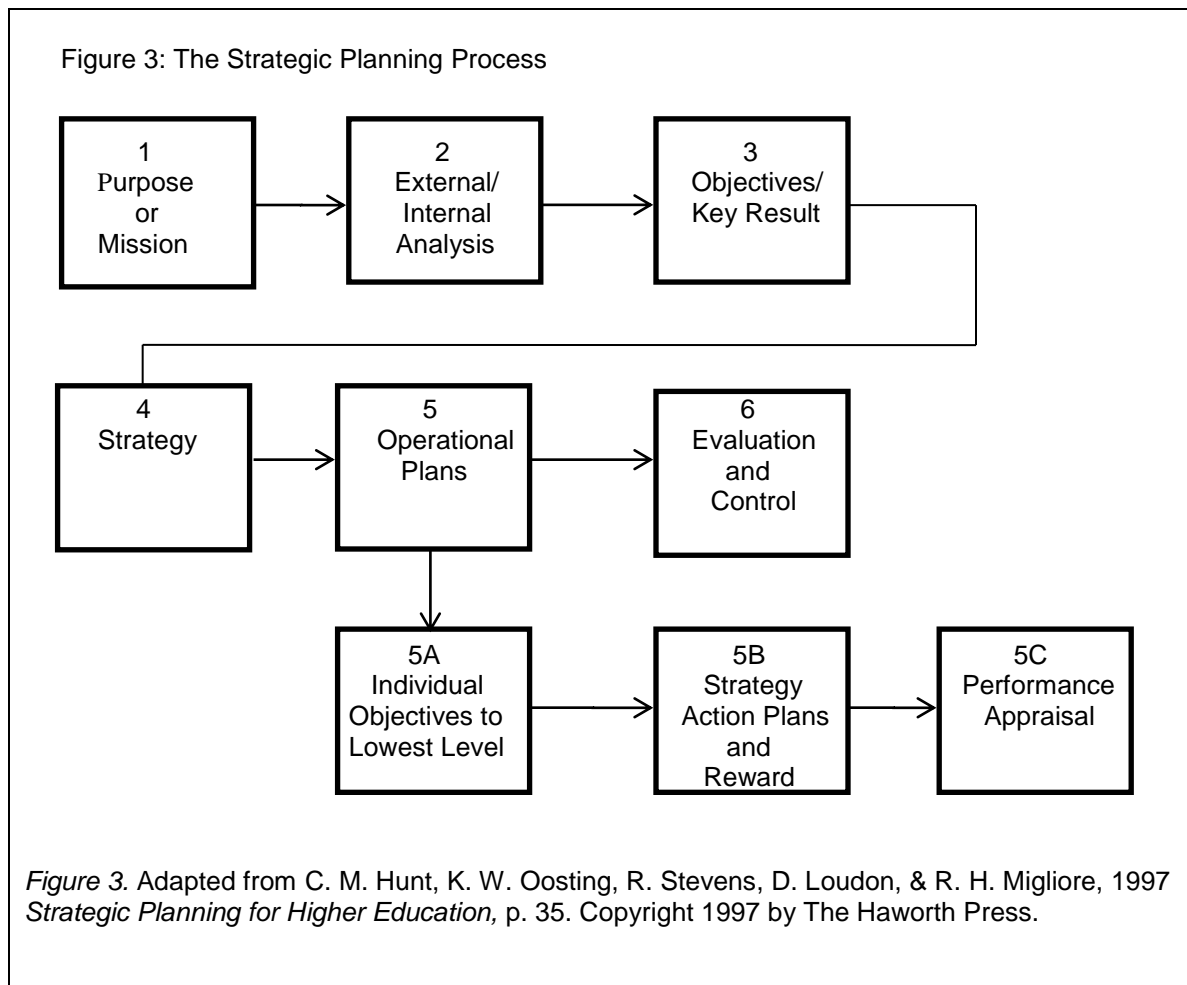
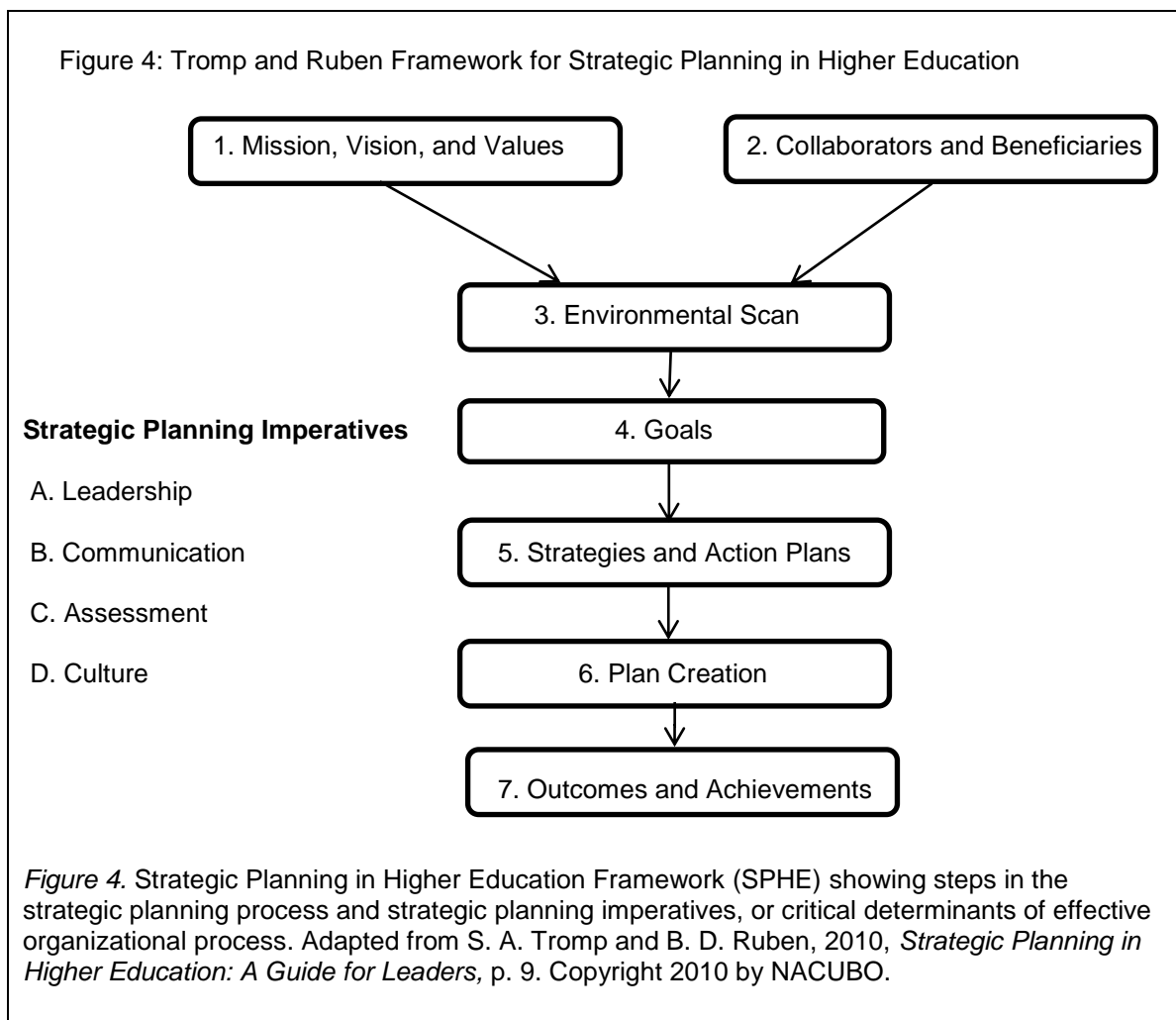


Figure 4 shows Tromp and Ruben’s (2010) framework for strategic planning, which has many points of commonality with Hunt, et. al. (1997), including an initial phase of defining Mission, Vision, and Values, followed by an Environmental Scan, setting of Goals, creation of Strategies and Action Plans, and evaluation of Outcomes and Achievements. Tromp and Ruben (2010) add an additional preliminary phase of Identifying Collaborators and Beneficiaries, the individuals and organizations who benefit from the organization’s mission, as well as those who are partners in pursuing the mission.

Interwoven into all steps in the Tromp and Ruben (2010) model are four strategic planning imperatives: Leadership, Communication, Assessment, and Culture. These dynamics help account for the fact that, while many strategic planning approaches share common characteristics or steps, each organization is unique. In the planning process, unique organizational dynamics of leadership, approaches to effective communication, assessment of progress, and culture must be taken into account as the process unfolds.



A core question is: Does strategic planning make a difference to the financial strength of an institution? Prinvale (1992) conducted a study of 873 (106 provided survey responses) research, doctorate-granting, comprehensive, or liberal arts institutions in the 1987 Carnegie classification, regardless of size. Due to differences in governance and funding models, public institutions were not included.

The objective of the study was to determine whether strategic planning correlates to fiscal condition. The study found no significant differences between the fiscal condition of institutions before and after planning began, between planners and non-planners, or between minimal and intensive planners. The conceptual framework for strategic planning in the study was based on rational decision-making, which Prinvale (1992) characterized as ineffective in a higher education environment. Prinvale (1992) suggested that a shift in the research on the use of strategic planning is required. Rather than focus on quantitative issues, such as financial condition, higher education practitioners and researchers would benefit from research on how strategic planning can be adapted for use in a professional, decentralized, loosely coupled environment.

Yet other researchers and practitioners advocate that mission-driven strategic planning is in fact indispensable to institutional budgeting and financial condition (Bryson, 1995; Chabotar, 2006; Haberaecker, 2004). Chabotar (2006) noted:

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 (p. vii).

Chabotar's thesis was that mission-driven strategic planning *must* be linked to budgeting, and that financial performance, measured by financial ratios, is the indicator of its effectiveness. Bryson (1995) was similarly unequivocal:

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 (p. 170).

Bryson further noted (2011):

Most important, however, is the need to make sure that strategic thinking proceeds, rather than follows, budgeting. . . . Unfortunately, the only strategic plans many organizations have are their budgets, and those budgets have typically been formulated without benefit of much focused strategic thought (p. 267-268).

These differing conclusions on the effectiveness of strategic planning in improving the financial condition at private colleges and universities warrant additional research. Furthermore, the effectiveness of financial management strategies and techniques being implemented or not, as a result of strategic planning or lack thereof, are also in need of research. In addition, the fit of strategic planning models to the higher education environment has evolved in the 20 years since Prinvale's (1992) research, and should be further studied. Grant (2010) noted that while there is literature on both strategic planning and funding in higher education, lacking in the field is an analysis of the relationship between strategic planning and resource allocation.

### *Lutheran Higher Education*

#### *Brief History of Lutheran Higher Education*

Lutheran institutions of higher education in North America are rooted in the passion for education that eighteenth and nineteenth century Lutheran immigrants

brought with them from Denmark, Finland, Germany, Norway, and Sweden. The first group of permanent Lutheran colonists in North America arrived from Sweden and Finland (then a Swedish dependency) in 1638. These colonists settled primarily in the Delaware River Valley (Nelson, 1980), but Lutherans were also among seventeenth-century settlers in the Hudson River Valley and Pennsylvania. Lutheran pastors among the immigrants helped form congregations, which met in homes or log houses of worship. The first two more permanent church structures, made of brick and stone, were erected in Wilmington, Delaware in 1699, and Philadelphia, Pennsylvania in 1700 (Nelson, 1980).

Solberg (1985) cited John Christopher Kunze as the pioneer in Lutheran higher education in North America. In 1773, Kunze established a “Seminarium” for boys who had completed elementary level education. The curriculum included Greek, Latin, English, and German, as well as geography, history, philosophy, mathematics, and other sciences. To help maintain and fund the school, Kunze organized *The Society for the Propagation of Christianity and Useful Knowledge among the Germans in America*. In so doing, Kunze anticipated the most common pattern for the founding and initial support of Lutheran church-related colleges, namely individuals or a grass-roots association of pastors and laypersons taking the initiative and developing the early funding, followed by involvement on the part of an organized Lutheran church body. In the case of Kunze’s Seminarium, the Pennsylvania Ministerium, the first organized Lutheran church body in America, eventually lent its support to the effort, but did not take ownership (Solberg, 1985). While many Lutheran academies, colleges and seminaries were founded by individuals or small groups of congregations, others were also established by

denominations. Regardless of origin, most eventually became affiliated with a denomination.

The first Lutheran seminary for the preparation of pastors in the United States was Hartwick, founded in 1797, near Cooperstown, New York (Solberg, 1985). Hartwick became a four-year college in 1927. In 1968, the college and the Lutheran Church concluded that the time had come for an amicable separation, and Hartwick has since been an independent college (Hartwick College, 2012). The first Lutheran institution of higher education in the United States specifically founded as a college, Gettysburg, also extended from a seminary. In 1826, Gettysburg Seminary was founded by German Lutherans in Pennsylvania. The first seminarians proved to be inadequately prepared for the rigors of the curriculum, so a preparatory program patterned on the German Gymnasium system was established in the same building as the seminary (Solberg, 1985). Chartered in 1832 as Pennsylvania College in Gettysburg, the name was officially changed to Gettysburg College in 1921 (Solberg, 1985). Thus, Gettysburg is the oldest continually operating Lutheran college in North America.

Today, of the 40 accredited, four-year colleges and universities with a Lutheran identity in the United States, 38 are affiliated with Lutheran denominations, and two identify as independent Lutheran. Of the 40, 38 are members of the Lutheran Educational Conference of North America (LECNA), an inter-Lutheran organization formed in 1910, which serves as “an informed voice of Lutheran higher education and an active and effective standard-bearer for American church-related higher education” (LutheranColleges.org, 2012). Of the LECNA institutions, 26 are affiliated with the

Evangelical Lutheran Church in America (ELCA), 9 with The Lutheran Church – Missouri Synod (LCMS), one with the Wisconsin Evangelical Lutheran Synod (WELS), and two are independent. Of the two non-LECNA member institutions, Martin Luther College is owned and operated by the Wisconsin Evangelical Lutheran Synod (WELS), and Bethany College, Mankato, Minnesota is owned and operated by the Evangelical Lutheran Synod (ELS). Table 6 lists the accredited U.S. Lutheran institutions with year founded, denomination of origin, and current denominational affiliation.

*Table 6*

*Origin of Lutheran Colleges and Universities in the United States*

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<u>College and State</u>	<u>Year Founded</u>	<u>Denomination of Origin</u>	<u>Current Denomination</u>
Augsburg College, MN	1869	Independent Norwegian Lutherans	ELCA
Augustana College, IL	1860	Independent Scandinavian Lutherans	ELCA
Augustana College, SD	1860	Independent Scandinavian Lutherans	ELCA
Bethany College, KS	1881	Independent Swedish Lutherans	ELCA
Bethany College, MN	1927	Evangelical Lutheran Synod	ELS
California Lutheran U., CA	1959	California Lutheran Ed. Foundation	ELCA
Capital University, OH	1850	Ohio Synod	ELCA
Carthage College, WI	1847	Ev. Lutheran Synod and Synod of Illinois	ELCA
Concordia College, AL	1922	Synodical Conference	LCMS
Concordia College, MN	1891	Northwestern Lutheran College Association	ELCA
Concordia College, NY	1881	Lutheran Church – Missouri Synod	LCMS
Concordia University, TX	1926	Lutheran Church – Missouri Synod	LCMS
Concordia University, IL	1864	Lutheran Church – Missouri Synod	LCMS
Concordia University, CA	1975	Lutheran Church – Missouri Synod	LCMS
Concordia University, WI	1883	Lutheran Church – Missouri Synod	LCMS
Concordia University, OR	1905	Lutheran Church – Missouri Synod	LCMS
Concordia University, MN	1893	Lutheran Church – Missouri Synod	LCMS
Concordia University, NE	1894	Lutheran Church – Missouri Synod	LCMS
Finlandia University, MI	1896	Suomi Synod	ELCA
Gettysburg College, PA	1826	General Synod	ELCA

-- Table 6 continued --

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Table 6 (continued)

College and State	Year Founded	Synod of Origin	Current Synod
Grand View University, IA	1896	Independent Danish Lutherans	ELCA
Gustavus Adolphus Col., MN	1863	Augustana Synod	ELCA
Lenoir-Rhyne University, NC	1891	Ev. Luth. Tennessee Synod	ELCA
Luther College, IA	1857	Norwegian Ev. Luth. Ch. In America	ELCA
Martin Luther College, MN	1884	Wisconsin Evangelical Lutheran Synod	WELS
Midland University, NE	1887	General Synod	ELCA
Muhlenberg College, PA	1848	Independent Lutherans	ELCA
Newberry College, SC	1956	South Carolina Synod	ELCA
Pacific Lutheran U., WA	1890	Independent Norwegian Lutherans	ELCA
Roanoke College, VA	1842	Independent Lutherans	ELCA
St. Olaf College, MN	1874	Independent Norwegian Lutherans	ELCA
Susquehanna University, PA	1858	Maryland Synod pastors	ELCA
Texas Lutheran U., TX	1891	First Evangel. Lutheran Synod of Texas	ELCA
Thiel College, PA	1865	Independent Lutherans	ELCA
Trinity Lutheran Col., WA	1944	Lutheran Bible Institute of Minneapolis	Ind.
Valparaiso University, IN	1859	Independent non-sectarian Lutheran 1925	Ind.
Wagner College, NY	1883	Independent Lutherans	ELCA
Wartburg College, IA	1852	Independent Lutherans	ELCA
Wisconsin Lutheran Col., WI	1973	WI Lutheran College Conference	WELS
Wittenberg University, OH	1844	English Evangelical Lutheran Synod	ELCA

Abbreviations used in the table are: ELCA = Evangelical Lutheran Church in America, ELS = Evangelical Lutheran Synod, Ind. = Independent Lutheran, LCMS = Lutheran Church – Missouri Synod, WELS = Wisconsin Evangelical Lutheran Synod. Sources: J. F. Ohles and S. M. Ohles (Eds.), 1982, *Private Colleges and Universities*; R. W. Solberg, 1985, *Lutheran Higher Education in North America*; and <http://lutherancolleges.org/colleges/states>

### *Lutheran Denominations*

In order to understand the character of Lutheran institutions of higher education, it is helpful to have some knowledge of Lutheran denominations. Often the term “synod” in North American Lutheranism is used to describe a Lutheran denomination. But in the ELCA, and one of its predecessor bodies the Lutheran Church in America (LCA), the term “synod” describes a geographical subdivision within the larger church body. These kinds of subdivisions are termed “districts” in the Lutheran denominations which use “synod” in their national church body’s title. The first Lutheran church body in North



America was the Pennsylvania Ministerium, organized in 1748. Hundreds of Lutheran denominations/synods and affiliations of denominations/synods followed the formation of this first one, organized around ethnic and linguistic groupings, regional proximity, and doctrinal affinity (Nelson, 1980; Wiederanders, 1998).

In addition to the formation of new synods by groups of congregations, scores of mergers and fellowship agreements were enacted among the Lutheran synods from the time of the formation of the Pennsylvania Ministerium until the twentieth century. The most significant of these in the nineteenth century were the General Synod, 1820-1918, the General Council, 1867-1918, and the Synodical Conference, 1872-1967. In 1918, the General Synod, the General Council, and a number of other Lutheran denominations joined to form the United Lutheran Church in America (ULCA), 1918-1962. Nearly 50 historic Lutheran denominations, many with predecessor synods of their own, made up the ULCA. In 1962, the ULCA merged with a handful of smaller synods to form the Lutheran Church in America (LCA), a body which existed from 1962 to 1988. The LCA, in turn, was one of the two major bodies which merged to form the Evangelical Lutheran Church in America (ELCA) in 1988. The other major partner forming the ELCA was the American Lutheran Church (ALC), 1960-1987, itself a composite of many historic Lutheran synods (Wiederaenders, 1998).

Instead of merging with other bodies, the Synodical Conference, which was more of an affiliation of synods rather than a merged body, disbanded in 1967. The affiliated synods went their separate ways, the largest of which still exist as The Lutheran Church Missouri Synod (LCMS), the Wisconsin Evangelical Lutheran Synod (WELS), and the

Evangelical Lutheran Synod (ELS) (Wiederaenders, 1998). Burtchaell (1998) offers a concise view of the Lutheran landscape in America:

Historically, there have been three major (and endlessly shifting) confluences [of Lutherans]. The Eastern colonial branch, Pietistic and German ‘American Lutherans’ once gathered into the LCA, and the Upper Midwest Scandinavians and Germans, or “Confessing Lutherans,” gathered into the ALC, amalgamated in 1987 to form the ELCA. The third group were dissident German Lutherans who left behind them hostile rulers and compromising coreligionists and created a large cluster in Illinois and Missouri. These three traditions – LCA, ALC, and LCMS – tell three different tales of the church, and also of church-related higher education (p. 459-460).

Table 7 shows the U. S. Lutheran denominations with affiliated colleges ranked by size. Two denominations – the Evangelical Lutheran Church in America and The Lutheran Church – Missouri Synod account for over 90 percent of the Lutherans in the United States.

Table 7

*U. S. Lutheran Denominations with Affiliated Colleges, Ranked by Size (2012)*

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Denomination	Year Founded	Members	Colleges/ Universities
Evangelical Lutheran Church in America	1988	3,950,924	26
Lutheran Church – Missouri Synod	1847	2,196,788	9
Wisconsin Evangelical Lutheran Synod	1850	380,728	2
Evangelical Lutheran Synod	1918	22,000	1

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Sources: <http://www.elca.org/News-and-Events/ELCA-Facts>;  
<http://www.lcms.org/Document.fdoc?src=lcm&id=2725>; <http://www.wels.net/about-wels/wels-numbers>;  
<http://www.evangelicallutheransynod.org/history-of-the-els-brochure/>

*Denominational Affiliations of Lutheran Colleges and Universities*

Each of the denominations with affiliated colleges and universities administers its institutions in its own way. The ELCA, a collection of nearly 200 historic predecessor

church bodies, which merged and realigned over two centuries, administers its 26 institutions along a decentralized format. The institutions are independent and each has its own method for board configuration and appointments. The colleges and universities which joined the ELCA were brought in from predecessor church bodies in 1988, and became part of a decentralized umbrella under which the institutions are linked missionally but not formally or structurally (Wilhelm, personal communication, June 8, 2011). The denomination itself is structured around three Churchwide Units, and the department responsible for colleges and universities lies under the unit for Congregational and Synodical Mission (Constitutions, Bylaws, and Continuing Resolutions of the Evangelical Lutheran Church in America, 2013).

The LCMS, a church body which essentially experienced organic rather than merger growth since its founding in 1847, administers its institutions through a subsidiary corporation called the Concordia University System (CUS). While the institutions operate independently with respect to academic curricula, admissions standards, student life programs, and operations, they are governed by certain shared policies (Commission on Constitutional Matters, 2010). Board composition, for example, is prescribed by the Synod through CUS, and includes the requirement that all regents must be members of LCMS congregations and a specific number must be on the roster of minister of religion commissioned and minister of religion ordained.

The WELS, another church body which grew organically, administers its one synodically owned and operated institution, Martin Luther College, through a synodical Board for Ministerial Education. The mission of the institution is to give pre-seminary

training to men who intend to enroll at the WELS seminary after graduation from college, and prepare men and women as teachers for the Synod's elementary and secondary schools. In this respect, Martin Luther College is the sole surviving Lutheran college or university in North America that retains its historic roots to exclusively prepare pastors and teachers for the church. The MLC website noted: "While every institution has its strengths, Martin Luther College is distinctive. We are the WELS College of Ministry. We exist solely to train future pastors, teachers, and staff ministers for the public ministry in the Wisconsin Evangelical Lutheran Synod" (About Martin Luther College, 2012). Wisconsin Lutheran College, while closely affiliated with the WELS, is not owned by the denomination, is administered through a local Board of Regents, and offers a broader range of liberal arts majors than offered at Martin Luther College.

The ELS administers its one Synod-owned and operated institution through a Board of Regents elected through a process prescribed by the Synod in the college's bylaws, which are part of the Synod's official documents. The *Handbook of the Evangelical Lutheran Synod* contains articles of incorporation, constitution and bylaws, and policies for the Synod and its related entities (Bylaws of Bethany Lutheran College, Inc., 2014).

#### *Research on Lutheran Colleges and Universities*

The body of literature on the history of North American Lutheran colleges and universities is quite large, especially when compared to research on other aspects of Lutheran institutions, such as Lutheran identity, leadership, student experience, and financial matters. Solberg and Diefenthaler (1988) listed 106 historical works on

Lutheran higher education. General histories of Lutheranism in America (Nelson, 1980; Wentz, 1955) make reference to the higher education institutions. Solberg (1985), however, is the most comprehensive history of specifically Lutheran higher education in North America. The Concordia Historical Institute in St. Louis, MO, is the largest single repository of Lutheran history in North America, and holds historical documentation on all extant and extinct Lutheran colleges and universities.

While much smaller than the aggregation of historical accounts, the next largest single grouping of literature concerns Lutheran identity, especially in the context of changing culture and missional ambiguity. Lagerquist (2011) typified the argument that in view of growing American religious diversity and awareness of religious diversity worldwide, Lutheran theology should be the standard for revising educational practices at Lutheran colleges to better serve students and in the hope of a transformation of church and theology. But the expected outcome of any transformation of church and theology is much debated, as are the often contradictory objectives of preserving the Christian faith as a transforming influence in society over against altering the character of Lutheran higher education, and especially theology, to be more palatable to contemporary culture.

Christenson (2004), allowing that Lutheran colleges and universities are less “religious” today than in the past, argued that a Lutheran college/university is one that pursues the essential tasks of a university in a way informed by Lutheran theology, particularly as it shapes an understanding of what it means to be human (a Lutheran anthropology), the enterprise of knowing and learning (a Lutheran epistemology), and a particular understanding of community.

Simmons (1998), attempting to interpret Lutheran character to faculty at Lutheran colleges and universities, hypothesized:

The central mission of Lutheran higher education is to prepare students for vocational service to society by maintaining a dialogical interaction between faith and learning. This mission entails helping students develop critical and informed reflection on the nature of the world and the Christian tradition. . . . The great challenge for the future of Lutheran higher education is to keep the questions of faith and learning alive on our campuses (p. 2).

Less optimistic about the Christian, let alone Lutheran character of the Lutheran institutions were Marsden (1994), who observed a wide drift from the principles of Christianity upon which many major American universities were founded, and Burtchaell (1998), who examined institutions of lesser influence, but no less Christian origin. Burtchaell (1998) included three Lutheran institutions in his more pessimistic assessment of true Lutheran identity on Lutheran campuses – Gettysburg, St. Olaf, and Concordia Chicago, one from each tradition of American Lutheranism, Confessing Lutheranism, and “dissident German” Lutheranism, respectively. He found lacking some of the more obvious metrics of Lutheran identity – enrollment of Lutheran students, Lutheran presence among faculty and staff, involvement in campus worship life, engagement in the doctrine and practices of the church, and emphasis on specific church professions – and did not see them adequately replaced by a more ambiguous emphasis on “vocation in the Lutheran sense.”

In addition to Lutheran identity as a philosophical construct, researchers have examined its impact on several very specific aspects of Lutheran universities. Childers (2010) examined Lutheran identity at three ELCA institutions, and found that preservation or diminishment of a college’s religious identity is closely related to

leadership and its response to mission focus. Fawaz (2009) examined the impact of religious affiliation on hiring practices in a case study of Concordia University Irvine, an institution which follows a guideline that 90 percent of its faculty be Lutheran, and found the guideline to be a hindrance to the university's ability to adequately serve students. Brandon (2005) and Frusti (2001) studied the changing role of Concordia College, Ann Arbor, Michigan (later Concordia University, Ann Arbor, Michigan and now merged into Concordia University Wisconsin), observing how the college managed a shift in institutional purpose from preparing full-time professional workers in the church to providing a broader liberal arts curriculum for students with a wide range of educational objectives. Brandon (2005) concluded that the college remained both a values-driven and market-driven institution. In a case study of St. Olaf College, Snell (1996) investigated the problem of retaining religious identity while attaining academic credibility at Protestant, church-related colleges.

Leadership is another dimension of Lutheran colleges and universities that has received some attention by researchers. Okendu (2008) examined the effect of leadership on strategic change in a case study of an unnamed Midwest Lutheran university which attempted to remain true to its core Lutheran values while at the same time becoming programmatically responsive to the marketplace. Tunheim (2008) documented the experience of four presidents leaving institutions of the ELCA, analyzing the dynamics of the pre-exit, exit and post-exit stages of a presidential departure. Inbarasu (2008) studied the effectiveness of servant leadership at a Midwest Lutheran university. Friedrich (2005) examined the role of leadership in building endowment at three Lutheran colleges and

universities. Friedrich observed that endowment building is a complex process that demands leadership from many constituents, and requires an actionable plan, expertise by president, staff, and board, development of investment policies, long-term allocation of resources, and continual buy-in. Watkins (2000) examined decision making by senior level administrators, specifically the effects of faith, theology, and denominational governance on the decision process. Parker (1999) appraised athletic staff in the Concordia University System. Hanson (1999) studied the role of faculty in academic restructuring at Pacific Lutheran University, concluding that on the whole, faculty are significantly involved in leading change, while demonstrating the circumstances under which faculty may resist change.

Jones (1997) studied the effectiveness of strategic planning in student services at Lutheran colleges and universities, applying a modified form of the Hensley-Schoppmeyer (1992) model for strategic planning. Jones (1997) termed the modified model the Jones-Hensley Model and evaluated its effectiveness especially when used in the context of declining resources and financial cutbacks. Teclu (1995) studied participative leadership at a Lutheran liberal arts college, finding that there are many viewpoints and expectations for participative leadership, and factors such as institutional history, mission, and structure, as well as individual differences with respect to gender, position, status, background, interest, beliefs, and values determine the interpretation and implementation of this approach to leadership. Hayes (1994) examined the attitudes of presidents of Lutheran colleges and universities regarding the nature and limits of free expression for students on their campuses, a particularly informative topic as by that time



most Lutheran colleges and universities had experienced several decades of evolution from predominantly Lutheran student bodies to much more diverse student populations.

The student experience at Lutheran colleges and universities has received a modest amount of attention by researchers. Hall (2006) examined 371 students-of-color in leadership roles at California Lutheran University, finding a flawed system of advocacy and sponsorship that discouraged students of color from seeking leadership positions and severely disadvantaged students-of-color who did apply. The study uncovered strategies to increase student-of-color representation, beginning with dispelling erroneous beliefs by administrators that students-of-color were disinterested in leadership, were ignorant of the benefits of leadership, or had too many other commitments to be involved, and continuing with formation of a campus team to strengthen advocacy and sponsorship. Simon (2002) studied the retention of student athletes at Concordia University Irvine, showing that athletes persisted at the same or higher rates than other students. Hoffmann (2000) studied student characteristics and success, making a comparison of majority and non-majority students at a Lutheran university. In this study, non-majority included both racial and religious identity on a campus where 74.5% of students were white, 50.1% were Lutheran, and 100% of full-time faculty were Lutheran. Developmental transcript data tracking co-curricular involvement for 188 students were used to identify involvement patterns. Significant participation differences were found between major racial and religious cohorts, with non-majority groups having lower co-curricular involvement. Given that co-curricular involvement is one predictor of student success, expected rates of persistence were lower

among non-majority than majority students. Hoffmann (2000) further found high school Grade Point Average (GPA) to be a better predictor of student success than performance on standardized tests for non-majority students who did persist. An unexpected result was a strong negative relationship between living in the residence halls and retention for students of color. Since living in a residence hall is considered a positive predictor of student success, the findings indicate that there are unique barriers to persistence for non-majority students at a university with strong religious and racial majorities.

Lack (1997) examined parent participation and student persistence at four private, Nebraska colleges, including two Lutheran ones: Dana and Midland Lutheran. Using Tinto's (1975) model for student attrition, the study demonstrated that parent participation was higher for persisting than non-persisting students. Over 100 parents participated in the study.

Little research has been done on the financial performance of Lutheran colleges and universities. Opatz (1994) studied the assessment of financial risk at 17 ELCA colleges and universities, using an approach called "fuzzy logic," which enables policy-makers to use their expert judgment to translate commonly used quantitative risk factors into qualitative variables, theorizing that qualitative variables provide a more flexible approach to assessing risk and one that is congruent with the complex decision-making environment of a higher education institution. The methodology employed was to interview key financial experts/decision makers on the campuses to examine their use of quantitative data in assessing risk and making decisions for their institutions.

No peer-reviewed research has been published on institution-wide strategic planning at Lutheran colleges and universities, let alone its correlation with financial performance. The study described in this dissertation is a first entry into this area of research.

## Chapter Three: Methodology

### *Research Question*

The research question for this study was: 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? The research methodology was quantitative, measuring strategic planning activity at each institution in the population of 40 Lutheran institutions as the independent variable, and performing correlation analysis with the dependent variable, financial condition, measured by each institution's U. S. DOE financial score. Two types of research were conducted: Descriptive and Explanatory.

### *Descriptive Research*

The descriptive research sought to answer three questions about strategic planning. An initial question asked: "What strategic planning methodologies are used at the set of 40 Lutheran institutions?" This question was intended to provide a description of the strategic planning methodology used at the set of Lutheran institutions. The context of the question was more recent conceptual research in strategic planning methodologies since Prinvale's (1992) study. For example, Prinvale's observation was that strategic planning, rooted in the rational planning model, is incompatible with the decentralized, shared-governance nature of higher education. Bryson (2011) suggested a synthesis of the rational planning model and the political decision-making model as a workable fit for strategic planning in a higher education context.

A logical next question was: “To what extent do campus leaders link strategic planning with budgeting?” This question examined the possible connections that college and university leaders make between strategic planning and budgeting. Do leaders see the importance of the connection? Is there broad campus awareness of the link between planning and financial results or, to borrow a phrase, is there widespread understanding of the concept of *No Margin, No Mission* (O’Keefe, 1996; Thomas, 2010; Wellman, 2010)? Are resources reallocated according to institutional priorities adopted through the strategic planning process, or are no material changes made to academic, student life, and other programming?

The third question asked: “To what extent do campus leaders evaluate the impact of strategic planning on financial performance?” This question addressed both the financial awareness of campus leaders, and the priority they place on improving financial performance. Given that four specific leaders from each institution were surveyed, a secondary purpose of this analysis was to examine the degree of congruence in the perspectives of the four categories of leaders.

### *Explanatory Research*

The second set of research questions examined the linkages, or lack thereof, between strategic planning, including connections to certain financial management strategies, and key financial ratios indicative of institutional financial well-being.

“Do specific financial management techniques campus leaders have developed as a result of mission-driven strategic planning supported by budgeting correlate with key financial ratios indicative of financial strength?” This question related to the awareness

and implementation of specific financial management strategies connected to institutional strategic planning of the sort identified by Martin and Samels (2009), Shattock (2003), and Townsley (2002). What adjustments have been made in financial management, and can leaders identify what they are? Have there been noticeable changes in financial strength since the adjustments have been made? For example, if a strategic planning process suggested a priority to diversify revenue streams, what changes were made toward that priority? Can the results of those changes be found in improved financial performance as indicated by key financial ratios?

The prior review of literature stressed the need to connect strategic planning to the budgeting process, with the intent that financial condition will, in fact, improve. Characteristic of this type of planning and budgeting is the expectation that high priority programmatic activities will be evaluated according to their specific financial contribution margin and their general capacity to help the institution grow its net assets. The goal of this research was to test the hypothesis that *there will be stronger relative financial condition at those institutions which conduct mission-driven, institution-wide strategic planning linked to the budgeting process compared to institutions which do not implement a mission-driven strategic planning process*. Rejection of the hypothesis means that strategic planning connected to budgeting does not correlate with an institution's financial condition.

#### *Precedent Research*

The present study mirrored Prinvale's 1992 survey of 106 private colleges and universities in the United States (873 were in the population, and 106 responded to the

survey). That study was an attempt to systematically determine which private colleges engage in strategic planning, and used an empirical research design to determine what effects on financial condition, if any, resulted when institutions conduct institution-wide strategic planning. Prinvale's null hypothesis, that there would be no statistically significant difference in financial condition between planners and non-planners, was supported. Prinvale (1992) noted:

Whether examining financial strength, financial independence, tuition dependence, or liquidity, the use of an institution-wide strategic planning process did not create greater differences in the fiscal condition of institutions which conducted planning compared with institutions which did not use institution-wide strategic planning (p. ix).

The present study reexamined Prinvale's question in a subset of Prinvale's population, namely Lutheran colleges and universities in the United States. The review of literature indicated that strategic planning is today more widespread in higher education and accepted by college and university leaders than at the time of the Prinvale (1992) study.

More recently, Hunter (2012) correlated 24 independent variables with financial health at independent colleges with fewer than 2,000 students. The population of the study included 673 four-year private institutions that met the defined size parameter. Hunter clustered the 24 independent variables into four families: Financial indicators, institutional characteristics, strategic choices, and external environment. The dependent variable, financial health, was defined as the U. S. DOE Test of Financial Strength, a composite financial score defined below. (Note: This test is now referred to in the DOE's literature as the Financial Responsibility Composite Score.) Results of four regression

models for 2008-09 demonstrated that small, private colleges with larger undergraduate enrollments, stronger cash reserves, and deeper donor bases as measured by unrestricted giving, scored significantly better than their peers on the DOE's Test of Financial Strength. The Hunter (2012) study did not examine separately the set of Lutheran colleges and universities, nor did Hunter examine the characteristics of the institutions' strategic planning processes.

The Prinvale (1992) and Hunter (2012) studies suggested a variety of independent variables, some of which informed the present research. Like Prinvale's (1992) study, the present study centered on a single independent variable, strategic planning. On the other hand, the Hunter (2012) study provided insights into the plethora of control variables which could be taken into account in the study described in this dissertation. Like Hunter's (2012) study, the present study used DOE scores as the dependent variable, a measurement that was unavailable to Prinvale in 1992.

### *Population*

The population for this study was the 40 fully-accredited, Lutheran colleges and universities in the United States. Table 8 contains identifying data for each institution, retrieved from the National Center for Education Statistics (NCES) Integrated Post-Secondary Education System (IPEDS).



Table 8

*2011 IPEDS Identifying Data for U. S. Lutheran Colleges and Universities*

IPEDS ID	College and State	Carnegie Classification	Campus Setting Classification
173045	Augsburg College, MN	Master's L	City: Large
219000	Augustana College, IL	Bac/Diverse	City: Small
143084	Augustana College, SD	Bac/A&S	City: Midsize
154721	Bethany College, KS	Bac/Diverse	Town: Remote
173142	Bethany College, MN	Bac/A&S	Town: Remote
110413	California Lutheran U., CA	Master's L	City: Midsize
201548	Capital University, OH	Master's M	Suburb: Large
238476	Carthage College, WI	Bac/A&S	Suburb: Midsize
101073	Concordia College, AL	Bac/Diverse	Town: Remote
173300	Concordia College, MN	Bac/A&S	Suburb: Midsize
190248	Concordia College, NY	Bac/Diverse	Suburb: Large
112075	Concordia University, CA	Master's L	City: Midsize
144351	Concordia University, IL	Master's L	Suburb: Large
173328	Concordia University, MN	Master's L	City: Large
180984	Concordia University, NE	Master's S	Town: Distant
208488	Concordia University, OR	Master's L	City: Large
224004	Concordia University, TX	Master's L	Rural: Fringe
238616	Concordia University, WI	Master's L	Rural: Fringe
172440	Finlandia University, MI	Bac/Diverse	Town: Remote
212674	Gettysburg College, PA	Bac/A&S	Town: Distant
153375	Grand View University, IA	Bac/Diverse	City: Midsize
173647	Gustavus Adolphus Col., MN	Bac/A&S	Town: Remote
198835	Lenoir-Rhyne University, NC	Bac/Diverse	City: Small
153834	Luther College, IA	Bac/A&S	Town: Remote
173452	Martin Luther College, MN	Bac/Diverse	Town: Remote
181330	Midland University, NE	Bac/Diverse	Town: Distant
214175	Muhlenberg College, PA	Bac/A&S	City: Midsize
218414	Newberry College, SC	Bac/Diverse	Town: Distant
236230	Pacific Lutheran U., WA	Master's M	Suburb: Large
233426	Roanoke College, VA	Bac/A&S	Suburb: Midsize
174844	St. Olaf College, MN	Bac/A&S	Town: Distant
216278	Susquehanna University, PA	Bac/A&S	Town: Distant
228981	Texas Lutheran U., TX	Bac/Diverse	Town: Distant
216357	Thiel College, PA	Bac/Diverse	Town: Distant

--Table 8 continued --

Table 8 (continued)

IPEDS ID	College and State	Carnegie Classification	Campus Setting Classification
235769	Trinity Lutheran Col., WA	Bac/Diverse	City: Midsize
152600	Valparaiso University, IN	Master's L	Suburb: Large
197197	Wagner College, NY	Master's M	City: Large
154527	Wartburg College, IA	Bac/A&S	Town: Distant
240338	Wisconsin Lutheran Col., WI	Bac/A&S	City: Large
206525	Wittenberg University, OH	Bac/A&S	City: Small

Abbreviations used in the table are: Bac/A&S = Baccalaureate Colleges - Arts and Sciences, Bac/Diverse = Baccalaureate Colleges – Diverse Fields, Master's L = Master's Colleges and Universities (larger programs), Master's M = Master's Colleges and Universities (medium programs), Master's S = Master's Colleges and Universities (smaller programs). Data from Integrated Postsecondary Education Data System (IPEDS).

Although it may be the case that the relationships that emerge from a study of the entire set of private colleges and universities (Prinvale, 1992) hold true for distinct subsets of institutions, the present study focused on the 40 institutions in the United States which identify as Lutheran because they share some common features, including similar historic origins and development along a common trajectory from church-related colleges, founded primarily to prepare workers for church vocations and to transfer the values of the Lutheran faith, to comprehensive liberal arts-based institutions identified as such in the 2010 Carnegie classification. Moreover, all but two of the 40 institutions continue to have a formal affiliation with each other through the Lutheran Education Conference of North America. Only accredited four-year Lutheran institutions were included. One non-accredited four-year Lutheran college, as well as 14 institutions specifically accredited as Lutheran seminaries, were excluded.

### *Theoretical Framework*

The theoretical framework for the present study was grounded in Bryson's (2011) synthesis of the rational planning model and the political decision-making model, typical of nonprofit institutions. Tromp and Ruben's (2010) strategic planning model is an illustration of this theoretical framework. A common criticism of strategic planning at institutions of higher education is that the rational planning foundation of classic strategic planning design is inappropriate for the decentralized, shared-governance environment of colleges and universities. The rational planning approach is fundamentally cognitive, goal driven, and reliant on deductive reasoning, with an aim to derive policies, programs, and actions directed toward the achievement of institutional goals (Simon, 1955, 1979). The rational model assumes a high degree of consensus or control within an organization, which effectively channels both the creation and implementation of plans toward stated goals. That assumption often may not hold in nonprofit organizations.

Bryson (2011) contrasted the rational planning model with the political decision-making model. The political model, first articulated by Cyert and March (1963), is inductive rather than deductive, and begins with issues instead of goals, issues which inherently involve conflict instead of consensus. The model rests heavily on the assumption that actors within organizations often do not make rational choices, but are instead driven by a plurality of viewpoints and often self-interested biases. As a result, coalitions within organizations form around issues rather than goals.

Bryson (2011) posited that the two models are not necessarily antithetical. He proposed that a proper sequencing of the approaches represented in the two models can effectively drive strategic planning. The political decision-making model is useful in working out a consensus on which programs and policies will best resolve key issues. Then rational planning can be used to recast that consensus in the form of goals, policies, programs, and actions that will best resolve key issues.

Tromp and Ruben's (2010) Strategic Planning in Higher Education (SPHE) Framework reflects Bryson's synthesis. The SPHE Framework is essentially a rational model, which at the same time acknowledges the key dynamics of leadership, communication, assessment, and culture in the planning process. Effective leadership in Tromp and Ruben's (2010) framework recognizes the importance of collaboration, consensus building, and teamwork. Effective communication uses a broad range of both message-sending and message-receiving skills, involving more than mere one-way communication of facts and directives. Assessment acknowledges the gaps that exist between the organization's current state and the desired outcomes, and promotes multidimensional dialogue among actors to deal with these gaps. The emphasis on culture takes into account the unique history, mission, traditions, symbols, and personality of organizations and the actors in them. The theoretical framework for the present research is constructed on Bryson's (2011) sequencing of political decision-making and rational planning, and the dynamics integrated into Tromp and Ruben's (2010) SPHE planning model.

### *Variables Included in the Research Design*

The present research was a quantitative analysis to examine the correlation between mission-driven strategic planning and financial condition, measured by a five-year average (2007-2011) of U. S. Department of Education Financial Responsibility Composite Score for each institution in the population. Several survey-based responses concerning strategic planning served to operationally define mission-driven strategic planning, including those elements specifically linked to budgeting. The survey was prepared in an online version and sent via email to the Chief Advancement Officer (CAAdvO), Chief Academic Officer (CAO), Chief Executive Officer (CEO) or President, and Chief Financial Officer (CFO) of each of the 40 institutions. The initial research design was to send the survey to three participants, the CEO, CAO, and CFO. Duderstadt (2007) cites coordination among these three administrators as critical to institutional financial well-being. The researcher's dissertation committee suggested the addition of the CAAdvO to the list of survey participants, given the importance of philanthropic fund development to financial condition at many private institutions (Friedrich, 2005). Unlike Prinvale's (1992) research, which surveyed only the CEO, the present research design included the intent to compare responses among the four categories of administrators.

Appendix A contains a copy of the cover email sent with the survey, and Appendix B is a copy of the survey. The researcher obtained email addresses for participants from the websites of each of the 40 Lutheran institutions. The survey was administered by the University of Minnesota's Office of Measurement Services (OMS). The first survey invitation was sent on September 24, 2013. At ten-day intervals, a

reminder email was sent to invited participants who had not responded. Reminders were sent three times.

Survey participants were assured that their responses would remain confidential. Each survey response was sent to a representative of the OMS, who linked the response to the respective institution using a randomly assigned five-digit Institution Code. The representative then provided survey response data to the researcher only by the assigned code number instead of by name of institution.

*Independent Variables Related to Strategic Planning.*

Survey responses from the four groups of administrators constituted the independent variable. Data obtained from the four administrators was coded as follows: Chief Advancement Officer (CadvO, coded 1), Chief Academic Officer (CAO, coded 2), Chief Executive Officer (CEO, coded 3), and Chief Financial Officer (CFO, coded 4). The survey measured effectiveness in strategic planning, specifically the institution's planning activities and attitudes, the degree to which planning is linked to budgeting, and the degree to which planning is evaluated in terms of financial results. Survey data provided the basis for the descriptive research.

The survey data also provided the basis for the explanatory research. Mean survey response data for each institution was correlated with the five-year mean DOE Financial Responsibility Composite Score (DOE score) for each institution for the years 2007 to 2011, to examine the hypothesis that stronger performance in strategic planning is correlated with financial condition.

The number of institutions in the proposed data set was 40, leading to a potential of 160 total survey responses. The actual number of responses was 98, for an overall response ratio of 61.25%. Twelve potential respondents indicated they would not reply because they felt they had not been at their respective institutions for a long enough period of time to give an informed response. At least one response was received from 38 institutions. Four responses were received from six institutions, three from 14, two from 14, and one from four. The number of responses from each category of administrator was: 22 CAdvOs, 21 CAOs, 29 CEOs, and 26 CFO. The survey was administered by an independent third-party, who coded responses to a randomly selected five-digit number for each institution and reported results to the researcher anonymously.

#### *IRB Approval*

The Institutional Research Board (IRB) is an administrative body established to protect the rights and welfare of human research subjects recruited to participate in research activities conducted under the auspices of the institution with which it is affiliated. The IRB has the authority to approve, require modifications in, or disapprove all research activities that fall within its jurisdiction as specified by both the federal regulations and local institutional policy (Office for Human Research Protection, 2013). The researcher secured IRB approval before commencing this research.

#### *General Background Questions*

The survey instrument was organized around seven categories of questions. A description of the set of questions under each category follows. The first set of questions asked for general background about strategic planning at the respondent's institution. Survey Question 01 was a threshold question to determine whether the institution does, in

fact, engage in strategic planning. Respondents answering “Yes” continued with a series of questions related to the strategic planning process, shown in Appendix B as Questions 02 through 05. Respondents answering “No” were to continue with a series of questions related to attitudes toward and potential future prospects for strategic planning, shown in Appendix B as questions 06 through 08. There were no responses of “No” to question 01, which indicates that all respondents answered the questions related to the strategic planning process at their respective institutions.

Questions 02 and 03 asked for the dates and time horizon of the strategic planning process. Question 02 asked the month and year when the most recent strategic planning process began and Question 03 asked when it ended. Questions 02 and 03 introduced a response of “Not Sure” to identify the level of awareness of the respondents about the strategic planning process.

Question 04 asked for the planning horizon, the number of years the most recent plan projects into the future. Current thinking on strategic planning has generally led to shorter planning horizons. Rowley, Lujan, and Dolence (1997) referenced five- and ten-year planning horizons. Tromp and Ruben (2010) suggested a five-year horizon. Practitioners, such as Schneider and Leslie (2012) noted that planning horizons are influenced by industry-specific and environmentally-influenced variables, but generally recommended horizons of 18 to 36 months. They allowed that in rare cases, some large organizations with high capital costs and significant interdependencies may stretch this to five years. Question 05 asked whether the institution intends to continue strategic planning in the future.



### *Topics Discussed in Strategic Planning*

Question 09 asked about 13 specific topics discussed in the strategic planning process that are often discussed in higher education planning, such as budget/finances, tuition/financial aid, and adding, deleting, or modifying academic programs (Chabotar, 2006; Rowley, Lujan, & Dolence, 1997; Prinvale, 1992; Tromp & Ruben, 2010). The question referenced critical issues identified by Chabotar (2006), Marten and Samels (2009), and Townsley (2002) that are linked to financial condition. For each specific topic listed in this question, respondents checked “Yes” or “No.” Question 10 invited respondents to identify other topics discussed at their institution, not listed in question 09.

### *Planning Activities Used in Strategic Planning*

Question 11 asked about the activities used in the planning process. The 13 activities on the list are common to many planning processes (e.g. a strategic planning committee was formed, institutional goals were established, and tactical plans were identified). The activities listed derived primarily from Tromp and Ruben’s (2010) Strategic Planning in Higher Education (SPHE) Framework. For each specific activity listed in this question, respondents checked “Yes” or “No.” Question 12 invited respondents to identify other planning activities used at their institution, but not listed in Question 11.

### *Levels of Involvement of Key Stakeholders.*

Questions 13 through 19 asked about levels of involvement of the institution’s key stakeholders and constituents in the planning process. The lists in questions 13, 15, and 17 were drawn from Chabotar (2006), Prinvale (1992), and Tromp and Ruben

(2010). Chabotar (2006) was particularly inclusive in the range of participants who may be included in an institution-wide planning process. Question 13 asked about seven specific individuals from within the institution (e.g. chair of the governing board, president), question 15 about four specific groups from within the institution (e.g. governing board, faculty, students), and question 17 about six specific groups from outside the institution (e.g. alumni, members of the community, members of a religious consistory). For each specific individual or group in these questions, respondents were asked to make a forced choice from the following options: 1) not involved, 2) slightly involved, 3) involved, 4) very involved, 5) extremely involved, and 99) not applicable. Questions 14, 16, and 18 invited respondents to name other participants in the planning process from each category of stakeholders, not specified in the respective questions. Question 19 asked for an estimate of the number of individuals who are thought to have been involved in the planning process.

#### *Attitudes of Key Stakeholders*

Questions 20 through 25 asked about the degree of importance the institution's key stakeholders and constituents place on strategic planning. These questions were rooted in Bryson's (2011) synthesis of the rational planning model and the political decision-making model, and in strategic planning imperatives of leadership, communication, assessment, and culture that are dynamic elements of Tromp and Ruben's (2010) Strategic Planning in Higher Education Framework. Question 20 asked about the attitudes of seven specific individuals from within the institution (e.g. chair of the governing board, president), question 22 about the attitudes of four specific groups

from within the institution (e.g. governing board, faculty, students), and question 24 about the attitudes of six specific groups from outside the institution (e.g. alumni, members of the community, members of a religious consistory). For each specific individual or group in questions 20, 22, and 24, respondents were asked to make a forced choice from the following options: 1) not important, 2) slightly important, 3) important, 4) very important, 5) extremely important, 99) not applicable. Questions 21, 23, and 25 invited respondents to make additional comments about the degree of importance various stakeholders place on strategic planning.

#### *Strategic Planning Linked to Budgeting*

Questions 26 through 28 asked about the linkage between strategic planning and budgeting at the respondents' respective institutions. Effective strategic planning must be linked to the budgeting process (Bryson, 2011; Chabotar, 2006; Tromp & Ruben, 2010). Question 26 asked to what extent strategic planning is linked to the budgeting process. Respondents were asked to make a forced choice from the following options: Strategic planning is: 1) not linked to the budgeting process, 2) somewhat linked to the budgeting process, 3) linked to the budgeting process, 4) largely linked to the budgeting process, 5) completely linked to the budgeting process. Question 27 asked to what extent financial metrics are used to evaluate the effectiveness of strategic planning. Respondents were asked to make a forced choice from the following options: Financial metrics are 1) not used to evaluate intended outcomes of the strategic plan, 2) used to evaluate a few intended outcomes of the strategic plan, 3) used to evaluate some intended outcomes of the strategic plan, 4) used to evaluate most intended outcomes of the strategic plan, 5)

used to evaluate all intended outcomes of the strategic plan. Question 28 invited respondents to comment on the importance placed upon linking strategic planning to budgeting and evaluating the results of strategic planning in terms of financial outcomes.

#### *Impact of Strategic Planning on the Institution*

Questions 29 through 34 asked about the impact strategic planning has had on the institution. Question 29 asked to what extent the goals of the most recent institution-wide strategic planning process were achieved. Respondents were asked to make a forced choice from the following options: 1) much less than expected, 2) less than expected, 3) as expected, 4) more than expected, 5) much more than expected, 99) not applicable. Question 31 asked respondents to evaluate the extent to which specific attributes of the university were affected by the planning process, and was based upon Marten and Samel's (2009) and Shattock's (2003) characteristics of financial health. Respondents were asked to make a forced choice from the following options: 1) much less than expected, 2) less than expected, 3) as expected, 4) more than expected, 5) much more than expected, and 99) not applicable. Question 32 asked respondents to rate the impact strategic planning has had on the U. S. Department of Education Financial Responsibility Composite Score at their respective institutions. Respondents were asked to make a forced choice from the following options: 1) did not improve, 2) improved somewhat, 3) improved, 4) definitely improved, 9) not sure. Question 33 asked about financial-related adjustments made as a result of the strategic planning process, and was based upon specific steps prescribed by Townsley (2002) to improve financial condition. Respondents were asked to make a forced choice from the following options: 1) yes, 2)

no, 3) was already in place, 9) not sure, 99) not applicable. Questions 30 and 34 invited respondents to comment on the impact of strategic planning on their institutions. Question 30 asked: “Please identify other goals of strategic planning and offer any comments on the degree to which the goals of the most recent institution-wide planning process at your institution have been achieved.” Question 34 asked: “Please offer any additional comments on the impact of strategic planning at your institution.” Question 34 was the last question in the survey.

*Dependent Variable*

The dependent variable was financial condition, measured by each institution’s mean U. S. Department of Education (DOE) Financial Responsibility Composite Score for the years 2007 through 2011, which the researcher obtained through the Federal Student Aid website (Federal Student Aid, 2011). A five-year average was selected based on Tromp and Ruben’s (2010) suggestion of a five-year planning horizon, and Hunter’s (2012) use of a five-year average.

Table 9 presents an interpretation of the DOE Financial Responsibility Composite Score. The DOE score is a composite of three ratios derived from an institution’s audited financial statements. The three ratios are the primary reserve

Table 9

*U. S. Department of Education Financial Responsibility Composite Score*

<u>Strength Factor Score</u>	<u>Interpretation</u>
1.5 – 3.0	Financially responsible
1.0 – 1.4	Financially responsible but additional oversight is required
-1.0 – 1.4	Not financially responsible

Source: Federal Student Aid (2012).

ratio, an equity ratio, and a net income ratio (Federal Student Aid, 2012). A description of the calculation of the composite score follows.

The Primary Reserve Ratio represents a measure of a school's viability and liquidity. The Equity Ratio represents a measure of a school's capital resources and its ability to borrow. The Net Income Ratio represents a measure of a school's profitability.

A strength factor score is calculated for each ratio using equations established by the DOE. The strength factor score reflects a school's relative strength or weakness in a fundamental element of financial health, as measured by the ratios. Specifically, the strength factor scores reflect the extent to which a school has the financial resources to: 1) replace existing technology with newer technology; 2) replace physical capital that wears out over time; 3) recruit, retain, and retrain faculty and staff (human capital); and 4) develop new programs.

A weighting percentage is applied to each strength factor score to obtain a weighted score for each ratio. The weighting percentages reflect the relative importance that each fundamental element has for a school in a particular sector (proprietary or private nonprofit). The sum of the weighted scores equals the school's composite score. Because the weighted scores reflect the strengths and weaknesses represented by the ratios and take into account the importance of those strengths and weaknesses, a strength in the weighted score of one ratio may compensate for a weakness in the weighted score of another ratio (Federal Student Aid, 2012).

Dependent variable data were descriptive insofar as they reflect one measure of financial condition among colleges and universities. Profit is the ultimate measure of

financial performance in a for-profit corporation (Drucker, 1990; Garland, 2009). While there is no one, single indicator of financial performance in nonprofit organizations, a variety of financial ratios used in for-profit corporations to measure financial performance, financial condition, and financial viability are also used to measure the same outcomes in nonprofits. Financial ratios make it possible to compare companies within industries regardless of size, compare companies across industries, and observe trends over time. As with for-profit companies, financial ratios allow for comparisons of colleges and universities regardless of size, and the observation of trends in performance over time.

Table 10 presents the U. S. DOE scores for U. S. Lutheran colleges and universities for the years 2007 to 2011, and the five-year average for this period for each institution.

Table 10

*U. S. Department of Education Composite Financial Scores for U. S. Lutheran Colleges and Universities, Fiscal Years 2007-2011*

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College and State	Year					Five-Year Average
	2007	2008	2009	2010	2011	
Augsburg College, MN	3.00	2.10	1.50	2.30	2.00	2.18
Augustana College, IL	3.00	2.20	2.20	2.70	3.00	2.62
Augustana College, SD	3.00	3.00	2.50	3.00	3.00	2.90
Bethany College, KS	0.60	1.10	NS	0.60	0.70	0.75
Bethany Lutheran College, MN	3.00	2.20	2.20	2.70	1.40	2.30
California Lutheran University, CA	3.00	2.30	2.40	3.00	3.00	2.74
Capital University, OH	3.00	2.90	2.40	3.00	3.00	2.86
Carthage College, WI	3.00	3.00	2.90	3.00	3.00	2.98
Concordia College, AL	1.90	1.20	NS	1.10	2.50	1.68
Concordia College, MN	3.00	2.50	2.20	3.00	3.00	2.74

--Table 10 continued --

Table 10 (continued)

College and State	Year					Five-Year Average
	2007	2008	2009	2010	2011	
Concordia College, NY	2.10	2.60	2.20	2.70	2.40	2.40
Concordia University, CA	2.50	0.50	0.70	1.50	2.20	1.48
Concordia University, IL	1.90	1.40	NS	2.00	2.10	1.85
Concordia University, MN	1.90	2.20	1.90	2.70	2.70	2.28
Concordia University, NE	2.60	2.60	2.30	3.00	3.00	2.70
Concordia University, OR	2.70	3.00	2.80	2.00	2.70	2.64
Concordia University, TX	3.00	2.40	1.50	1.60	2.00	2.10
Concordia University, WI	3.00	3.00	2.30	3.00	3.00	2.86
Finlandia University, MI	0.90	1.30	1.40	1.40	1.40	1.28
Gettysburg College, PA	3.00	2.80	2.20	3.00	3.00	2.80
Grand View University, IA	2.80	2.30	2.50	2.70	2.80	2.62
Gustavus Adolphus Col., MN	3.00	2.60	2.20	3.00	3.00	2.76
Lenoir-Rhyne University, NC	3.00	2.80	2.30	3.00	3.00	2.82
Luther College, IA	3.00	3.00	3.00	2.90	3.00	2.98
Martin Luther College, MN	2.20	2.20	2.50	3.00	3.00	2.58
Midland University, NE	2.90	2.20	1.10	2.40	1.10	1.94
Muhlenberg College, PA	3.00	2.40	2.20	2.60	2.60	2.56
Newberry College, SC	2.40	2.20	NS	1.50	2.60	2.18
Pacific Lutheran University, WA	3.00	2.40	1.80	2.40	3.00	2.52
Roanoke College, VA	3.00	2.30	2.20	2.70	3.00	2.64
St. Olaf College, MN	3.00	3.00	2.20	3.00	3.00	2.84
Susquehanna University, PA	3.00	2.60	2.20	3.00	3.00	2.76
Texas Lutheran University, TX	3.00	3.00	2.20	2.50	3.00	2.74
Thiel College, PA	2.00	2.00	1.70	2.20	2.50	2.08
Trinity Lutheran College, WA	1.00	1.00	NS	NS	1.50	1.17
Valparaiso University, IN	3.00	2.40	2.20	2.70	3.00	2.66
Wagner College, NY	2.80	3.00	2.90	2.00	2.90	2.72
Wartburg College, IA	3.00	2.50	2.00	2.80	2.90	2.64
Wisconsin Lutheran Col., WI	3.00	2.20	2.00	2.00	2.90	2.42
Wittenberg University, OH	3.00	2.20	2.20	2.50	3.00	2.58

NS=No Score. Data from Federal Student Aid (2011).

### *Control Variables*

Hunter's (2012) research indicated that many variables may correlate with financial condition. For the purposes of the present research, three of Hunter's (2012) independent variables were selected as control variables: 1) Enrollment, measured by 2011 fall semester enrollment, 2) Total Endowment, measured by market value as of June



30, 2011, and 3) Private Gifts and Grants, measured by all gifts and grants for Fiscal Year 2011. Table 11 contains the data for the three control variables used in the present research.

A substantial endowment may be a key factor in financial condition (Friedrich, 2005). Generally the larger the endowment, the greater the spendable cash available to support operations. One of Friedrich's (2005) assumptions is that a larger endowment correlates with stronger financial condition, although that research did not include quantitative correlation analysis. On the other hand, Hunter (2012) found no statistically significant correlation between size of endowment and financial condition, although allowed that few of the institutions in the data set for that research had what could be termed substantial endowments. The researcher in the present study selected Endowment as one of three control variables despite Hunter's finding. Table 11 provides June 30, 2011 market value of endowments for the 40 Lutheran institutions, and also endowment per Full-Time Equivalent (FTE) enrollment. Market values ranged from \$3.3 million to \$346.0 million among the 40 institutions.

Hunter (2012) found that effectiveness in fundraising activities correlated positively with financial condition. Based on Hunter's finding, the researcher in the present study selected Fundraising as a control variable for the present research. Table 11 provides 2011 data on Private Gifts and Grants at each Lutheran institution.

Table 11 also provides 2011 fall enrollment data for each institution. Hunter (2012) found that enrollment is positively correlated with financial condition. Although Hunter studied institutions with enrollments of 2,000 students or less, the results of the

study indicated that institutions in the data set with larger enrollments tended to demonstrate stronger financial condition. Based on Hunter's finding, the researcher in the present study selected Enrollment as a control variable for the present research.

Table 11

*2011 IPEDS Quantitative Data for U. S. Lutheran Colleges and Universities*

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IPEDS ID	Institution/State	Fall Semester Enrollment	Total Endowment	Per FTE Endowment	Private Gifts and Grants
173045	Augsburg, MN	3,906	33,268,035	9,451	6,242,374
219000	Augustana, IL	2,524	118,922,000	47,116	18,396,836
143084	Augustana, SD	1,871	52,786,578	28,892	6,531,066
154721	Bethany, KS	626	23,038,379	39,585	3,484,729
173142	Bethany, MN	612	37,015,377	58,292	5,052,124
110413	California Lutheran, CA	4,103	56,611,628	15,591	7,399,400
201548	Capital, OH	3,550	61,948,819	16,848	3,790,076
238476	Carthage, WI	3,082	51,870,347	15,595	10,314,498
101073	Concordia, AL	719	3,292,342	6,719	2,610,706
173300	Concordia College, MN	2,772	83,501,874	29,579	18,972,023
190248	Concordia, NY	825	8,346,648	11,449	1,496,819
112075	Concordia, CA	3,251	11,155,458	3,404	1,450,303
144351	Concordia, IL	5,135	16,699,136	4,548	1,875,811
173328	Concordia University, MN	2,961	21,698,513	8,241	4,148,162
180984	Concordia, NE	2,196	34,623,376	19,807	5,406,699
208488	Concordia, OR	2,509	6,996,846	3,220	1,620,856
224004	Concordia, TX	2,658	16,105,462	7,568	2,325,626
238616	Concordia, WI	7,618	47,332,051	9,512	2,654,612
172440	Finlandia MI	602	3,587,275	5,890	3,354,260
212674	Gettysburg, PA	2,494	245,889,239	92,370	9,730,801
153375	Grand View, IA	2,229	15,514,212	8,051	1,257,397
173647	Gustavus Adolphus, MN	2,519	108,942,183	42,373	10,295,931
198835	Lenoir-Rhyne, NC	1,860	61,678,109	33,964	7,052,949
153834	Luther, IA	2,471	117,581,196	43,117	10,236,955
173452	Martin Luther, MN	1,513	7,864,627	8,652	1,698,438
181330	Midland, NE	1,030	11,651,933	12,075	2,137,578
214175	Muhlenberg, PA	2,483	150,240,718	53,239	6,755,286
218414	Newberry, SC	1,110	21,201,593	18,230	4,217,688
236230	Pacific Lutheran, WA	3,461	74,653,552	20,917	31,030,595
233426	Roanoke, VA	2,057	122,373,030	52,096	8,345,683
174844	St. Olaf, MN	3,179	345,973,626	110,818	11,085,651
216278	Susquehanna, PA	2,261	117,423,088	45,478	1,968,819

--Table 11 continued --

Table 11 (continued)

IPEDS ID	Institution/State	Fall Semester Enrollment	Total Endowment	Per FTE Endowment	Private Gifts and Grants
228981	Texas Lutheran, TX	1,415	81,293,492	68,834	3,870,983
216357	Thiel, PA	1,109	24,312,991	23,930	3,040,206
235769	Trinity Lutheran, WA	163	3,585,385	27,369	1,413,901.
152600	Valparaiso, IN	3,964	163,721,000	39,922	25,180,000
197197	Wagner, NY	2,237	46,002,845	22,842	6,878,112
154527	Wartburg, IA	1,805	49,190,421	26,082	4,503,363
240338	Wisconsin Lutheran, WI	1,022	19,891,887	22,004	11,867,827
206525	Wittenberg, OH	1,910	96,082,820	48,429	4,908,471

Data from Integrated Postsecondary Education Data System (IPEDS).

### *Data Analysis*

#### *Descriptive*

Survey responses from 38 institutions provided the basis for descriptions of strategic planning practices at Lutheran colleges and universities, including responses to general questions about when the most recent planning process was begun and completed, the number of years in the planning horizon, and the number of individuals involved in the strategic planning process. Mean responses to other, more-specific survey questions indicated the most common topics discussed in the strategic planning process, planning activities used, types of individuals and groups involved and their perceived attitudes toward strategic planning, the degree to which planning was linked to budgeting and results of planning evaluated using financial metrics, the degree to which strategic goals were met, the perceived degree to which specific institutional attributes were affected by strategic planning, and the types of financial-related adjustments made as a result of the strategic planning process.

Secondary descriptive research was conducted to examine correlation between the four administrators in their responses to the survey questions through a series of one-way analysis of variance (ANOVA) and other analyses appropriate to the data.

*Explanatory*

To address the primary research question, a number of correlation analyses were used to test for statistical significance. Mean responses to each survey question from all administrators from each institution were correlated with five-year mean DOE scores for the period 2007 to 2011 to test for statistically significant correlation between strategic planning practices, attitudes, outcomes, and financial condition measured by DOE scores. Pearson product-moment correlations between the mean survey responses and the five-year mean DOE scores identified statistically significant correlations.

Mean survey items which showed a statistically significant correlation with the dependent variable were used along with three control variables (Enrollment, Endowment, and Private Gifts and Grants) in a multiple regression to determine the correlation of the set of variables with the dependent variable. Finally, the DOE scores were classified into quartiles and were used as an independent variable in a series of independent sample t-tests to investigate statistically significant correlations between the top and bottom performing financial institutions with performance on strategic planning.

## Chapter Four: Results

The purpose of this study was to examine whether particular characteristics of mission-driven, institution-wide strategic planning correlate with institutional financial condition at private, four-year colleges and universities which identify as Lutheran. Two types of data analysis strategies (descriptive and explanatory) serve as the basis for the results in this chapter. Survey responses provided a glimpse into what is happening in strategic planning on Lutheran campuses. Survey responses were received from 38 of 40 Lutheran colleges and universities.

### *Descriptive Research - Dependent Variable*

U. S. Department of Education (DOE) Financial Responsibility Composite  
Financial scores for 40 Lutheran institutions were presented previously in Table 9. Table 12 indicates the range, mean, and standard deviation of the five-year average DOE scores (2007-2011) for the 38 institutions from which survey responses were received.

Table 12

*Range, Mean, and Standard Deviation of Five-year Average DOE Scores (2007-2011) for U. S. Lutheran Colleges and Universities (N=38 institutions)*

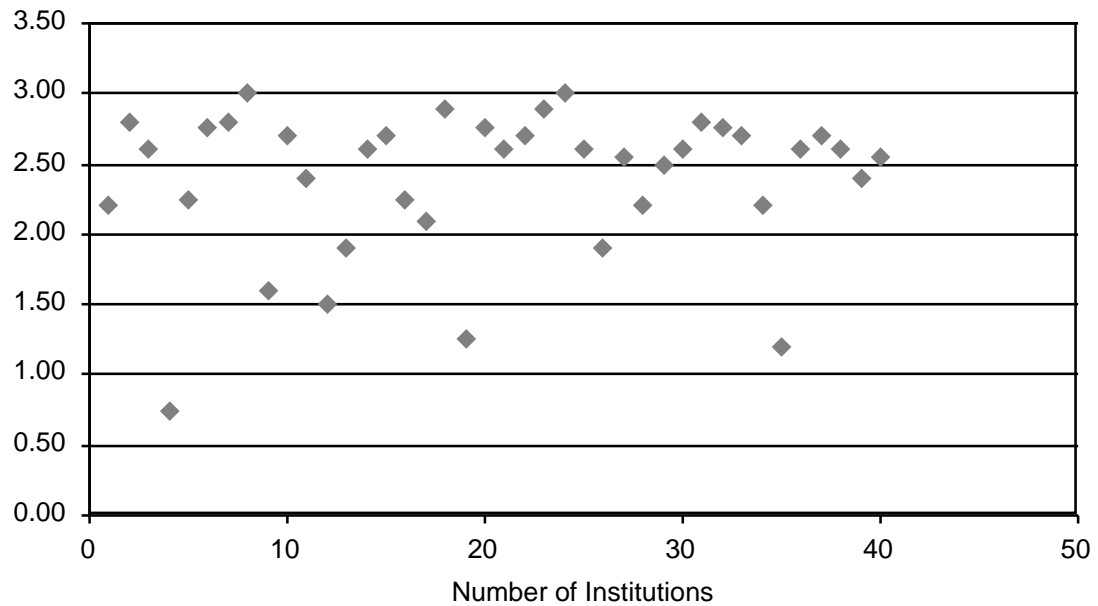
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	Range	Mean	Standard Deviation
Five-year Average DOE Scores Fiscal Years 2007 - 2011	.75 - 2.98	2.44	.50

---

Figure 5 indicates the distribution of five-year average DOE scores for the 38 institutions from which survey responses were received.

Figure 5: Distribution of 5-year Average DOE Scores (2007–2011) for U.S. Lutheran Colleges and Universities (N=38 institutions)



*Descriptive Results – Independent Variable*

The descriptive results provide a comprehensive overview of strategic planning methodologies used at Lutheran institutions, the extent to which institutional leaders link strategic planning with budgeting, and the extent to which campus leaders evaluate the impact of strategic planning on financial performance. The relative perceptions of the four administrators surveyed were examined through a series of one-way analyses of variance (ANOVA) or Chi-square tests.

*General Information on Strategic Planning*

An initial set of survey questions asked for general information on strategic planning at each campus. All 98 respondents said that a centrally-coordinated, institution-wide strategic planning process had been conducted at their institution sometime since 2003. Respondents were asked to report when the most recent planning process was begun and when it ended; 89 reported a beginning date and 57, an ending date. When more than one administrator reported for an institution, and there was a discrepancy in reported dates, the decision rule was to record the date given by the CEO first, or if no date was given by the CEO, then the CAO, the CFO, and the CAdvO, in respective order. Table 13 shows the dates for the most distantly and most recently begun processes, and the most distantly and most recently completed processes.

Table 13

*Dates of Strategic Planning Processes (2003 to 2013) at U. S. Lutheran Colleges and Universities (N=38 institutions)*

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<u>Beginning/Ending of Process</u>	<u>Month/Year</u>
Most Distantly Begun Process	September 2005
Most Recently Begun Process	October 2013
Most Distantly Completed Process	December 2006
Most Recently Completed Process	August 2013

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The planning horizon is the number of years the strategic plan projects into the future; 97 administrators reported a planning horizon. The shortest reported horizon was two years and the longest, more than five years. Ninety-one respondents reported that

their institution would continue to perform institution-wide strategic planning in the future and seven were not sure.

Following the general information questions about strategic planning, six sets of survey questions explored various aspects of strategic planning: 1) Specific topics discussed in the planning process, 2) planning activities used in the planning process, 3) levels of involvement by key stakeholders and constituent groups in the planning process, 4) attitudes of key stakeholders and constituent groups toward strategic planning, 5) the extent to which strategic planning is linked to budgeting and financial metrics are used to evaluate the effectiveness of strategic planning, and 6) specific financial-related adjustments made as a result of the planning process.

#### *Topics Discussed in Strategic Planning*

The first set of survey questions asked about *specific topics discussed in the strategic planning process*. Respondents rated 14 topics using the following five-point scale: 1) Not important, 2) somewhat important, 3) important, 4) very important, and 5) extremely important. An optional response was: “Not Applicable.” Not Applicable responses were not included in the calculation of means (i.e., means across the number of institutional respondents.) The means were calculated by summing the responses of the respondents and dividing by the number of respondents. As the results in Table 14 indicate, the highest importance as measured by mean responses from all respondents at the institutions was for the topic of Budget/Finances (M=4.25), followed by Admission/Enrollment Management (M=4.17).



Table 14

*Institutional Importance Rating for Strategic Planning Topics at U. S. Lutheran Colleges and Universities (N=38 institutions)*

<u>Survey Question/ Topic Discussed</u>	<u>Range</u>	<u>M</u>	<u>SD</u>
Budget/Finances	1.00 - 5.00	4.25	.87
Admissions/Enrollment Management	1.00 - 5.00	4.17	.89
Development/Fundraising	1.00 - 5.00	3.98	.85
Physical Facilities	2.00 - 5.00	3.97	.69
Academic Support for Students	1.00 - 5.00	3.85	.84
Tuition/Financial Aid	2.00 - 5.00	3.78	.72
Student Support Services	1.00 - 5.00	3.73	.82
Adding Academic Programs	2.00 - 5.00	3.70	.86
Capital Campaign	1.00 - 5.00	3.67	1.22
Faculty Recruitment/Retention	2.00 - 4.50	3.32	.68
Modifying Academic Programs	1.50 - 5.00	3.21	.78
Other	1.00 - 5.00	2.76	2.02
Administrative Restructuring	1.00 - 5.00	2.48	.82
Deleting Academic Programs	1.00 - 4.50	2.22	.97

Respondents were given the opportunity to identify other topics discussed at their institutions, but not specified in the list of 13 topics (i.e. 14 topics, less the response of “Other”). Table 15 indicates the frequency with which 98 respondents mentioned additional topics more than one time. Eight respondents mentioned racial and ethnic diversity, followed by five who mentioned environmental sustainability.

Table 15

*Other Topics Discussed in Strategic Planning Processes at U. S. Lutheran Colleges and Universities*

Topic Discussed	Frequency
Racial and Ethnic Diversity	8
Athletics	3
Marketing	3
Retention Challenges and Goals	3
Technology Infrastructure and Training	3
Differentiated Instruction	2
Experiential Learning	2
Online Course Delivery	2
Lutheran/Christian Identity	2
Innovation	2
Careers/Career Services	2
Building Community Partnerships	2
Affordability	2
Value/Return on Investment of a College Education	2

A one-way Analysis of Variance (ANOVA) was conducted to compare the 13 importance ratings across the four institutional administrators, and a Bonferroni multiple-comparison was conducted to identify statistically significant differences among the four administrators. Table 16 indicates the ANOVA results for which there were statistically significant differences among the four groups. For two topics, respondents showed a statistically significant difference at the  $p < .05$  level. For the topic Admissions/Enrollment Management, there was a significant difference between Chief Advancement Officers (M=4.68) and Chief Financial Officers (M=3.96). On the topic Tuition/Financial Aid, there was a significant difference between Chief Advancement Officers and Chief Academic Officers.

Table 16

*Statistically Significant ANOVA Results for Topics Discussed in Strategic Planning at U. S. Lutheran Colleges and Universities*

Topic Discussed	Position Title								F-ratio
	Chief Advancement Officer		Chief Academic Officer		Chief Executive Officer		Chief Financial Officer		
	M	SD	M	SD	M	SD	M	SD	
Admissions/ Enrollment	4.68	.57	4.50	.69	4.28	.80	3.96	.87	4.08*
Tuition/Financial Aid	4.27	.94	3.43	1.21	3.69	.81	3.88	.86	3.09*

\* $p < .05$

*Planning Activities Used in Strategic Planning*

The second set of survey questions asked about *planning activities used in the institution-wide strategic planning process*. Respondents were asked 14 questions about whether specific strategic planning activities were used in the strategic planning process at their institutions. Responses were: 1) Yes, or 2) No. Table 17 indicates the number of responses for each planning activity, ranked by highest number of “Yes” responses for each activity. The activities receiving the highest numbers of “Yes” responses were Identified Internal Environmental Factors (96 “Yes” responses) and Identified External Environmental Factors (96 “Yes” responses).

Table 17

*Planning Activities Used in Strategic Planning Processes at U. S. Lutheran Colleges and Universities*

<u>Planning Activity</u>	<u>Yes</u>	<u>No</u>
Identified Internal Environmental Factors	96	2
Identified External Environmental Factors	96	2
Established Goals	93	5
Identified Student Populations to be Served	89	9
Established Measurable Objectives	83	13
Formed Steering Committee	80	18
Established Formal Evaluation Process	66	32
Identified Tactical Plans	65	33
Identified Collaborations with Other Organizations	60	38
Created/Revised Mission Statement	54	44
Identified Collaborations with Other Colleges	37	61
Engaged an External Consultant	34	64
Other	21	77
Formulated Contingency Plans	18	80

Respondents were given the opportunity to identify other planning activities used at their institutions but not specified in the list of 13 activities (i.e., 14 activities, less the response of “Other”). Table 18 indicates other planning activities mentioned by respondents. One institution conducted an Academic Quality Improvement Program (AQIP) steering committee process in parallel to the strategic planning process. Another began coordinating departmental plans with the university’s plan. Another conducted Six Sigma process improvement training (Keller, 2011; Mikel, Mann, DeHodgins, Hulbert, & Lacke, 2010). Respondents from another institution mentioned creating dashboards to monitor progress and demonstrate accountability.

Table 18

*Other Planning Activities Used in Strategic Planning Processes at U. S. Lutheran Colleges and Universities*

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Planning Activities

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As part of the university's participation in Academic Quality Improvement Program (AQIP) for the Higher Learning Commission (HLC), the AQIP steering committee assessed 9 required areas.

Conducted over 40 sessions involving all employees at the institution, held to gather data regarding value perceptions and opportunities.

Began aligning department level planning with the university plan.

Conducted focus groups, surveys, and interviews

Formed national commissions around key topics.

Formed thematic committees.

Formed an environmental scan committee

Formed a Board of Trustees planning committee

Conducted Six Sigma training.

Created dashboards to monitor progress and demonstrate accountability.

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Table 19 indicates that there was often inconsistency among respondents, even from the same institution, in perspectives about which strategic planning activities were used at their respective institutions. The summary of responses in Table 19 is listed in order of highest level of congruency, i.e., the least number of mixed responses. For example, there was complete congruency in responses to survey questions about two of 14 planning activities. All respondents from 36 institutions responded "Yes," and all respondents from two institutions responded "No" to Examined Internal Environmental Factors. Likewise, all respondents from 36 institutions responded "Yes," and all respondents from two institutions responded "No" to Examined External Environmental Factors. In responses to survey questions about 12 of 14 planning activities, respondents did not have complete agreement on what planning activities were conducted at their

institution. The greatest level of inconsistency was in responses to Identified Tactical Plans, where respondents from 21 of a possible 38 institutions were mixed. A Chi-square analysis conducted to compare responses to the questions across the four administrators surveyed indicated no statistical significance among the four categories of administrators in perspectives about which strategic planning activities were used in the planning process.

Table 19

*Congruency of Responses about Planning Activities Used in Strategic Planning Processes at U. S. Lutheran Colleges and Universities (N=38 institutions)*

Question	<u>Respondents from Same Institution</u>		
	All Yes	All No	Mixed
Examined Internal Environmental Factors	36	2	0
Examined External Environmental Factors	36	2	0
Established Measurable Objectives	28	9	1
Identified Collaborations with Other Organizations	13	22	3
Established Goals	33	0	5
Engaged External Consultant	10	20	8
Identified Student Populations to be Served	29	0	9
Formed Steering Committee	24	3	11
Created Revised Mission Statement	14	11	13
Formulated Contingency Plans	3	22	13
Identified Collaborations with Other Colleges	10	14	14
Other	3	21	14
Established Formal Evaluation Process	17	4	17
Identified Tactical Plans	13	4	21

*Levels of Involvement of Key Stakeholders*

The third set of survey questions asked about *levels of involvement by key stakeholders in the strategic planning process*. Respondents rated the involvement of specific stakeholders using the following five-point scale: 1) Not involved, 2) somewhat

involved, 3) involved, 4) very involved, and 5) extremely involved. An optional response was: “Not Applicable.” Not Applicable responses were not included in the calculation of the means. Data were collected regarding three sets of stakeholders: 1) Individuals from within the institution, 2) groups from within the institution, and 3) groups from outside the institution. The mean level of involvement across the responses within each set of stakeholders was as follows: Individuals from within the institution (M=4.08), groups from within the institution (M=3.02), and groups from outside the institution (M= 2.06), indicating that on average individuals from within the institutions were most involved in the planning process, groups from within the institutions were second most involved, and groups from outside the institutions were least involved.

As the results in Table 20 indicate, for individuals from within the institution, the President was rated as having the highest level of involvement (M=4.62), followed by the Chief Academic Officer (M=4.41).

Table 20

*Involvement in Strategic Planning Processes by Specific Individuals at U. S. Lutheran Colleges and Universities (N=38 institutions)*

<u>Individuals Involved</u>	<u>Range</u>	<u>M</u>	<u>SD</u>
President	2.50 - 5.00	4.62	.55
Chief Academic Officer	2.33 - 5.00	4.41	.61
Chief Financial Officer	2.33 - 5.00	4.25	.62
Chief Enrollment Officer	2.00 - 5.00	4.17	.68
Chief Student Services Officer	2.33 - 5.00	4.00	.70
Chief Advancement Officer	2.33 - 5.00	3.99	.72
Other Individuals	0.00 - 5.00	3.66	1.14
Chair of Governing Board	1.75 - 5.00	3.52	.96

Respondents were given the opportunity to identify other individuals who were involved in the planning process, but not specified in the list of seven individuals from within the institution. Among the additional individuals mentioned were the Athletic Director, deans of colleges, and specific members of the faculty.

A one-way ANOVA, conducted to compare the eight ratings of individuals' level of involvement in the strategic planning process across the four administrators, showed no statistically significant differences among groups at the  $p < .05$  level.

Table 21 presents the mean levels of involvement for groups from within the institution. Governing boards ( $M=3.59$ ) and faculty ( $M=3.59$ ) had the highest mean scores.

Table 21

*Involvement in Strategic Planning Processes by Internal Groups at U. S. Lutheran Colleges and Universities (N=38 institutions)*

<u>Groups Involved</u>	<u>Range</u>	<u>M</u>	<u>SD</u>
Governing Board	2.00 - 5.00	3.59	.84
Faculty	1.00 - 5.00	3.59	.83
Other Administrators	1.00 - 5.00	3.29	.89
Students	1.00 - 5.00	2.71	.84
Other Groups	1.00 - 5.00	1.92	1.28

Respondents were given the opportunity to identify other groups from within the institution. Among the additional groups from within the institution were the following:

- Faculty and staff, rotated to serve on the planning council
- People from different parts of campus on the steering committee



- Every staff/faculty member had scheduled blocks with the president in the planning process
- Alumni (Note: considered an external group on the survey but mentioned 10 times in responses to a question about additional internal groups)

A one-way ANOVA was conducted to compare the five ratings of involvement by internal groups across the four administrators and a Bonferroni multiple-comparison was conducted to identify significance among the four administrators. Table 22 indicates the ANOVA results for which there were statistically significant differences among groups. For the involvement of one internal group, Faculty, respondents showed a statistically significant difference at the  $p < .05$  level. There was a significant difference between Chief Academic Officers (M=3.29) and Chief Executive Officers (M=4.07), and between Chief Executive Officers (M=4.07) and Chief Financial Officers (M=3.31).

Table 22

*Statistically Significant ANOVA Results for Internal Groups Involved in Strategic Planning at U. S. Lutheran Colleges and Universities*

Groups Involved	Position Title								F-ratio
	Chief Advancement Officer		Chief Academic Officer		Chief Executive Officer		Chief Financial Officer		
	M	SD	M	SD	M	SD	M	SD	
Faculty	3.64	1.00	3.29	1.06	4.07	.90	3.31	1.01	3.60*

\* $p < .05$

Table 23 presents the mean levels of involvement for groups from outside the institution. Alumni (M=2.65) were identified as having the highest level of involvement.

Respondents were given the opportunity to identify other groups from outside the institution. Two were mentioned one time each: donors and Six Sigma trainers.

Table 23

*Involvement in Strategic Planning Processes by External Groups at U. S. Lutheran Colleges and Universities (N=38 institutions)*

<u>Individuals Involved</u>	<u>Range</u>	<u>M</u>	<u>SD</u>
Alumni	1.00 - 5.00	2.65	.80
Advisory Councils, Not Alumni	1.00 - 5.00	2.39	.94
Members of the Community	1.00 - 5.00	2.30	1.01
Members of a Religious Consistory	1.00 - 4.00	2.14	.84
Local Business Leaders, Not Alumni	1.00 - 5.00	2.13	.99
Local Government Officials	1.00 - 4.00	1.71	.86
Other	1.00 - 4.00	1.09	.86

A one-way ANOVA was conducted to compare the seven ratings across the four administrators, and a Bonferroni multiple-comparison was conducted to identify significance between the four administrators. Table 24 indicates the ANOVA results for which there were statistically significant differences among groups. For four external groups, respondents showed a statistically significant variance at the  $p < .05$  level. For Advisory Councils, not Alumni, there was a statistically significant difference between Chief Advancement Officers (M=1.90) and Chief Executive Officers (M=2.81).

For Members of the Community, there was a statistically significant difference between Chief Advancement Officers (M=1.91) and Chief Executive Officers (M=2.78). For Local Business Leaders, Not Alumni, there was a statistically significant difference among groups, but no statistically significant difference between pairs of administrators. For Members of a Religious Consistory, there was no statistically significant difference

among groups, but a Bonferroni multiple-comparison showed a significant difference between Chief Executive Officers (M=1.75) and Chief Financial Officers (M=2.12) at the  $p < .05$  level.

Table 24

*Statistically Significant ANOVA Results for External Groups Involved in Strategic Planning at U. S. Lutheran Colleges and Universities*

Groups Involved	Position Title								F-ratio
	Chief Advancement Officer		Chief Academic Officer		Chief Executive Officer		Chief Financial Officer		
	M	SD	M	SD	M	SD	M	SD	
Advisory Councils, Not Alumni	1.90	1.04	2.21	1.03	2.81	1.11	2.24	1.01	3.19*
Members of the Community	1.91	1.11	2.10	1.00	2.78	1.09	2.00	1.20	3.31*
Members of Religious Consistory	2.09	.97	2.05	1.13	1.75	.90	2.12	1.05	2.51
Local Business Leaders, Not Alumni	1.91	1.02	2.00	1.20	1.75	.99	2.08	1.10	2.75*

\* $p < .05$

Respondents were asked how many individuals participated in the planning process at their institution, reporting the number of individuals on the following six-point scale: 1) Fewer than 10, 2) 11 to 25, 3) 26 to 50, 4) 51 to 75, 5) 76 to 100, and 6) more than 100. Table 25 indicates the range of mean score responses by institution, and the mean and standard deviation of mean scores by institution. Responses from institutions ranged from M=1.00 to M=6.00, indicating that the number of individuals participating at

all institutions ranged from less than 10 to more than 100. Mean responses for all institutions was  $M=4.53$ , indicating that among all institutions the mean number of individuals participating in the planning process was between 51 and 100.

Table 25

*Number of Individuals Participating in the Strategic Planning Process at U. S. Lutheran Colleges and Universities (N=38 institutions)*

	Range	<i>M</i>	<i>SD</i>
Score	1.00 – 6.00	4.53	1.28

Table 26 indicates the distribution of the number of individuals participating in the planning process across all institutions. The highest percentage of institutions reported 51 to 75 individuals participating (29.0%) and more than 100 (29.0%). The lowest percentage of institutions reported less than 10 (2.6%), and 11 to 25 (2.6%).

Table 26

*Distribution of Individuals Participating in the Strategic Planning Process at U. S. Lutheran Colleges and Universities (N=38 institutions)*

Number Participating	Number of Institutions	Percentage of Institutions
Fewer than 10	1	2.6
11 – 25	1	2.6
26 – 50	9	23.7
51 – 75	11	29.0
76 – 100	5	13.2
More than 100	11	29.0

### *Attitudes of Key Stakeholders*

The fourth set of survey questions asked about *attitudes of key stakeholders and constituent groups toward strategic planning*. Respondents rated the attitudes of specific stakeholders using the following five-point scale: 1) Not important, 2) somewhat important, 3) important, 4) very important, and 5) extremely important. An optional response was: “Not Applicable.” Not Applicable responses were not included in the calculation of the mean. Data were collected on three sets of stakeholders: 1) Individuals from within the institution, 2) groups from within the institution, and 3) groups from outside the institution. The mean level of attitude toward planning across the responses within each set of stakeholders was as follows: Individuals from within the institution (M=4.20), groups from within the institution (M=3.02), and groups from outside the institution (M= 2.28), indicating that on average individuals from within the institutions were perceived to place the highest importance on strategic planning, groups from within the institutions were perceived to place the second highest importance on planning, and groups from outside the institutions were perceived to place the least importance on planning.

Table 27 indicates that of individuals from within the institution, the President was rated as placing the highest importance on strategic planning (M=4.52), followed by the Chief Academic Officer (M=4.47), and the Chief Enrollment Officer (M=4.41). The mean scores of the attitudes of all categories of administrators toward strategic planning were at the level of “very important” or higher.

Table 27

*Perceived Attitude toward Strategic Planning by Specific Individuals at U. S. Lutheran Colleges and Universities (N=38 institutions)*

<u>Individuals Involved</u>	<u>Range</u>	<u>M</u>	<u>SD</u>
President	1.00 - 5.00	4.52	.79
Chief Academic Officer	3.00 - 5.00	4.47	.57
Chief Enrollment Officer	3.00 - 5.00	4.41	.58
Chief Financial Officer	3.00 - 4.00	4.36	.60
Chair of Governing Board	2.00 - 5.00	4.23	.72
Chief Advancement Officer	3.00 - 5.00	4.15	.59
Chief Student Services Officer	3.00 - 5.00	4.10	.59
Other Individuals	1.00 - 5.00	3.34	1.39

Respondents were given the opportunity to identify the attitudes toward strategic planning of other individuals not specified in the list of seven individuals from within the institution. Among the additional individuals mentioned were: Assistant Vice-President for Facilities, Athletic Director, Director of Human Resources, and Vice-President for Mission.

A one-way ANOVA, conducted to compare the eight ratings across the four administrators surveyed, showed no statistically significant differences among respondents regarding the perceived attitude of individuals toward planning.

Table 28 presents the mean levels of perceived attitudes toward planning for groups from within the institution. Governing Board (M=4.27) had the highest mean, followed by Other Administrators not in Table 19 (M=3.37).

Table 28

*Perceived Attitude toward Strategic Planning by Internal Groups at U. S. Lutheran Colleges and Universities (N=38 institutions)*

<u>Groups Involved</u>	<u>Range</u>	<u>M</u>	<u>SD</u>
Governing Board	3.00 - 5.00	4.27	.59
Other Administrators	1.00 - 5.00	3.37	.85
Faculty	2.00 - 4.50	3.29	.70
Students	1.00 - 4.00	2.32	.61
Other Groups	1.00 - 5.00	1.84	1.52

Respondents were given the opportunity to identify other groups from within the institution, but identified none. One respondent noted that members of the governing board with business experience were perceived to place a particularly high degree of importance on institution-wide strategic planning.

A one-way ANOVA, conducted to compare the five ratings across the four administrators, showed no statistically significant differences among the four sets of respondents regarding attitudes of internal groups toward planning.

Table 29 presents the mean perceived attitude toward planning for groups from outside the institution. Advisory councils, not Alumni (M=2.94) had the highest score, followed by Alumni (M=2.94) and Members of a religious Consistory (M=2.67). The mean scores of the attitudes of all categories of groups from outside the institution toward strategic planning were at the level of “somewhat important” or lower.

Table 29

*Perceived Attitude toward Strategic Planning by External Groups at U. S. Lutheran Colleges and Universities (N=38 institutions)*

<u>Individuals Involved</u>	<u>Range</u>	<u>M</u>	<u>SD</u>
Advisory Councils, Not Alumni	1.00 - 5.00	2.94	.94
Alumni	1.00 - 4.00	2.84	.72
Members of a Religious Consistory	1.00 - 4.00	2.67	.91
Members of the Community	1.00 - 4.00	2.51	.89
Local Business Leaders, Not Alumni	1.00 - 4.50	2.43	.89
Local Government Officials	1.00 - 4.50	1.34	.91
Other	1.00 - 5.00	1.20	1.41

Respondents were given the opportunity to comment on the perceived attitude toward planning of other groups from outside the institution. One institutional administrator commented that “most outside groups are interested in the product of our planning but [are] not much involved in the process.” Another stated: “Local government is most concerned about student population, parking, and future development.”

A one-way ANOVA, conducted to compare the seven ratings across the four administrators surveyed, showed no statistically significant differences among the four sets of respondents regarding perceived attitudes toward planning of groups from outside the institution.

#### *Strategic Planning Linked to Budgeting*

The fifth set of survey questions asked about the extent to which *strategic planning is linked to budgeting and financial metrics are used to evaluate the effectiveness of strategic planning*. Respondents rated the extent to which strategic planning is linked to budgeting using the following five-point scale: 1) Not linked to the



budgeting process, 2) somewhat linked, 3) linked, 4) largely linked, and 5) completely linked.

Table 30 provides a summary of survey responses to a specific question about the extent that planning is linked to budgeting. Mean responses from institutions ranged from M=1.75 to M=5.00, indicating that respondents' perception of the linkage of the planning process to budgeting at their institutions ranged from somewhat linked to completely linked. The mean of responses for all institutions was M=3.40, indicating that among all institutions the perception was that planning is linked to budgeting.

Table 30

*Linkage of Strategic Planning to Budgeting at U. S. Lutheran Colleges and Universities (N=38 institutions)*

	Range	<i>M</i>	<i>SD</i>
Linkage of Planning to Budgeting	1.75 – 5.00	3.40	.70

Table 31 shows the distribution of the extent to which planning is linked to budgeting at all institutions. Fifty percent of responses concerning the linkage of strategic planning to budgeting reported the planning process linked to budgeting, 29.0% reported the planning process is largely linked to budgeting, and 15.8% reported the planning process is somewhat linked to budgeting. One respondent reported the process is completely linked, and one, not linked.

A one-way ANOVA, conducted to compare the responses of the four administrators, showed no statistically significant differences among the four types of respondents regarding the extent to which strategic planning is linked to budgeting.

Table 31

*Distribution of the Linkage of Strategic Planning to Budgeting at U. S. Lutheran Colleges and Universities (N=38 institutions)*

Extent	Number of Institutions	Percentage of Institutions
Not linked	1	2.6
Somewhat linked	6	15.8
Linked	19	50.0
Largely linked	11	29.0
Completely linked	1	2.6

Respondents rated the degree to which financial metrics are used to evaluate the effectiveness of strategic planning at their institution using the following five-point scale. Financial metrics are: 1) Not used to evaluate intended outcomes of the strategic plan, 2) used to evaluate a few intended outcomes of the strategic plan, 3) used to evaluate some intended outcomes of the strategic plan, 4) used to evaluate most intended outcomes of the strategic plan, and 5) used to evaluate all intended outcomes of the strategic plan.

Table 32 indicates a summary of survey responses to the question about the extent that financial metrics are used to evaluate the intended outcomes of the strategic plan. Mean responses from institutions ranged from M=2.00 to M=4.00, indicating that respondents' perception of the use of financial metrics to evaluate strategic outcomes ranged from a few intended outcomes to most intended outcomes. The mean of all responses for all institutions was M=3.16, indicating that among all institutions, the perception was that financial metrics are used to evaluate some intended outcomes.

Table 32

*Use of Financial Metrics to Evaluate Strategic Outcomes at U. S. Lutheran Colleges and Universities (N=38 institutions)*

	Range	Mean	Standard Deviation
Use Financial Metrics to Evaluate Planning Outcomes	2.00 – 4.00	3.16	.49

Table 33 indicates the distribution of the extent to which financial metrics are used to evaluate strategic outcomes. Of the 38 institutions, 65.8% reported that financial metrics are used to evaluate some outcomes, followed by 29.0% which reported that financial metrics are used to evaluate most outcomes.

Table 33

*Distribution of the Use of Financial Metrics to Evaluate Strategic Outcomes at U. S. Lutheran Colleges and Universities (N=38 institutions)*

Extent of Use	Number of Institutions	Percentage of Institutions
None	0	0.0
A few outcomes	6	15.8
Some	19	65.8
Most	11	29.0
All	0	0.0

A one-way ANOVA was conducted to compare the five ratings across the four administrators and a Bonferroni multiple-comparison was conducted to identify significance between administrators. Table 34 indicates the ANOVA results for which there were statistically significant differences among groups at the  $p < .05$  level.

Table 34

*Statistically Significant ANOVA Results for Extent to Which Financial Metrics Are Used to Evaluate Strategic Outcomes at U. S. Lutheran Colleges and Universities*

	Position Title								<i>F-ratio</i>
	Chief Advancement Officer		Chief Academic Officer		Chief Executive Officer		Chief Financial Officer		
	<i>M</i>	<i>SD</i>	<i>M</i>	<i>SD</i>	<i>M</i>	<i>SD</i>	<i>M</i>	<i>SD</i>	
Financial metrics	3.05	.84	2.90	.77	3.59	.73	2.96	.72	4.55*

*p* < .05

There were statistically significant differences between Chief Academic Officers (M=2.90) and Chief Executive Officers (M=3.59), and between Chief Academic Officers (M=2.90) and Chief Financial Officers (M=2.96).

Respondents were given the opportunity to comment on the importance placed upon linking strategic planning to budgeting and the extent to which financial metrics are used to evaluate strategic outcomes at their institutions. The following comments were made regarding linking strategic planning to budgeting:

- Although strategic planning is not currently directly linked to the budgeting process, this link will – and needs to be – developed in the future.
- We have an annual tactical plan that outlines specific objectives within the context of the broader strategic plan that identified rather vague goals. The budget is closely linked to these annual priority plans.
- We are in the process of linking the strategic plan that is being developed to budgeting and financial evaluation.

- In terms of the budgeting process, a lot of "arm wrestling" is occurring between all stakeholders given the lack of resources and the size of our vision. The hard question we have begun to ask is how will we navigate through the process and establish goals.
- We're working on linking.

The following comments were made regarding the use of financial metrics to evaluate the outcomes of strategic planning:

- We have a well-developed strategic planning process that is embraced by the organization's management structure with excellent reporting metrics, both financial and other.
- This remains a process to be perfected. We have made strides in assessment of various metrics, and we have sought to link more closely the planning and budgeting processes.
- One component of our new Vision statement is to “stop being a budget-driven institution but rather one that is mission-driven but budget mindful.”
- I am anticipating that financial metrics will be used to measure outcomes. Unfortunately, we are nowhere near that stage.
- Learning outcomes and assessment is part of the strategic plan, however that is hard to measure financially, yet is budgeted for financially.
- I expect a stronger link in the future as more specific strategic planning is done and Key Performance Indicators (KPIs) are developed.
- Future initiatives generally must be identified before budgetary funding is considered.
- Financial metrics are used to evaluate each of our four strategic goals.
- The impact of the strategic plan on the budget is evident in regard to new initiatives

but it has little impact on long-existing budget items.

- The tactical activities of a strategic plan have financial implications and thus, the financial allocations need to be allocated along the lines of the strategic plan. Within this, there are still priorities within priorities of action plans such that some tactics have to wait for available funds (either through growth of funds or reallocation of existing funds).
- We are striving to better link to the budget - our goal and priorities are there but not all the funding so we keep evaluating.
- We are evolving toward a greater emphasis on financial metrics and their links to strategy – we're part way there!

#### *Impact of Strategic Planning on the Institution*

The sixth set of survey questions asked about the *impact of strategic planning on the institution*, evaluated by the extent to which goals were achieved, specific attributes of the institution were affected, impact was seen on financial condition (as measured by the U. S. Department of Education (DOE) Financial Responsibility Composite Score), and financial-related adjustments were made as a result of the strategic planning process.

Respondents rated the extent to which the goals of the most recent institution-wide strategic planning process were achieved using the following five-point scale: 1) Much less than expected, 2) less than expected, 3) as expected, 4) more than expected, and 5) much more than expected. As the results in Table 35 indicate, the highest area in which goals were met, as measured by mean responses from all respondents, was Reputational Goals (M=3.16).

Table 35

*Extent to Which Goals Were Met in Most Recent Strategic Planning Process at U. S. Lutheran Colleges and Universities (N=38 institutions)*

Goals	Range	<i>M</i>	<i>SD</i>
Reputational Goals	1.00 - 4.50	3.16	.97
Fundraising Goals	1.00 - 4.50	3.05	.91
Academic Program Goals	1.00 - 4.33	3.02	.77
Budget Goals	1.00 - 4.67	3.02	.85
Improved Ability to Make Changes	1.00 - 4.67	2.97	.95
Enrollment Goals	1.00 - 5.00	2.93	1.00
Ability to Compete for Faculty	1.00 - 4.00	2.93	.98
Improved Morale	1.00 - 4.00	2.73	1.01
Other Goals	1.00 - 5.00	1.09	1.64

A one-way ANOVA was conducted to compare the nine goals across the four administrators, and a Bonferroni multiple-comparison was conducted to identify significance between administrators. Table 36 indicates the ANOVA results for which there were statistically significant differences among groups. For three goals, results indicated statistically significant differences among the means of the four groups. For Academic Program Goals there was a statistically significance difference among groups at the  $p < .05$  level, specifically between Chief Academic Officers ( $M=3.13$ ) and Chief Financial Officers ( $M=2.84$ ). For Fundraising Goals there was a statistically significant difference between Chief Advancement Officers ( $M=3.92$ ) and Chief Academic Officers ( $M=2.89$ ), Chief Advancement Officers ( $M=3.92$ ) and Chief Financial Officers ( $M=2.56$ ), and Chief Executive Officers ( $M=3.43$ ) and Chief Financial Officers

(M=2.56). For Reputational Goals there was a statistically significant difference between Chief Academic Officers (M=2.95) and Chief Executive Officers (M=3.69).

Table 36

*Statistically Significant ANOVA Results for Extent Goals Were Met at U. S. Lutheran Colleges and Universities*

Goals	Position Title								F-ratio
	Chief Advancement Officer		Chief Academic Officer		Chief Executive Officer		Chief Financial Officer		
	M	SD	M	SD	M	SD	M	SD	
Academic Program Goals	3.13	.89	3.48	.81	3.19	.56	2.84	.75	2.86*
Fundraising Goals	3.92	.64	2.89	.81	3.43	.96	2.56	.92	8.68*
Reputational Goals	3.33	.72	2.95	.67	3.69	1.01	3.42	.58	3.54*

\* $p < .05$

Respondents were given the opportunity to identify other goals at their institutions not specified in the list of eight goals, and to offer comments about their results in achieving goals. The following comments were made:

- One of the goals for the most recent process was to raise the visibility of the strategic plan and to make certain that it was communicated opening [sic] and in print. This was achieved and the effect has been positive.
- Athletic program launches were less than expected.
- DOE Ratio was less than expected, yet financial health was closer to as expected.



- Diversity and internationalization exceeded expectations both in terms of the percentages of domestic minority and international students, and in terms of the support services developed to serve them.
- The Lutheran character of the school has been strengthened beyond expectation.
- We are still in the planning process.
- We are still in the first year of implementation.
- The strategic plan has largely been put aside in favor of the annual tactical plan. The former had very few specific measurable goals.
- The strategic plans developed this year will make the difference in this category. In other words, this is a work in progress under the leadership of our new president.
- We are still in the implementation phase of several of the pieces so I answered N/A at this point because it is still being evaluated.
- We are currently running ahead on fundraising and look to land the largest campaign in the history of the institution but it is not complete yet.
- We are very early in the plan execution process. It is difficult to determine whether the goals will be met under the term of the plan. Five of the eight specific goals [from the survey] are not specific elements of our plan.
- We have engaging [sic] the community through service learning and multi-culturalism as well as honoring our Christian identity that are well on their way of meeting expectation and engaging challenging conversations that will ultimately lead to better understanding and positive relationships for learning.
- Remains to be seen if goals of most recent institution-wide planning process are

achieved. Measures will be as of 2017.

- The strategic plan continues through 2020.
- Goals and outcomes were not specifically identified in the planning process so it is hard to measure whether the goals were achieved.

Respondents rated the extent to which specific attributes of the institution were affected by the most recent institution-wide strategic planning process using the following five-point scale: 1) Not affected, 2) slightly affected, 3) affected, 4) definitely affected, and 9) not sure. An optional response was: “Not Applicable.” Responses of Not sure and Not Applicable were not included in the calculation of the means. As the results in Table 37 indicate, Key Leaders were More Engaged (M=3.10) and Financial Stability Improved (M=3.03) received the highest ratings.

Table 37

*Extent to Which Specific Institutional Attributes Were Affected in Most Recent Strategic Planning Process at U. S. Lutheran Colleges and Universities (N=38 institutions)*

<i>Attributes Affected</i>	<i>Range</i>	<i>M</i>	<i>SD</i>
Key Leaders More Engaged	1.00 - 4.00	3.10	.73
Financial Stability Improved	1.00 - 4.00	3.03	.83
Infrastructure Condition Improved	1.00 - 4.00	2.86	.85
Financial Reserves Strengthened	1.00 - 4.00	2.81	.91
Accrediting Bodies' Views Improved	1.00 - 4.67	2.80	.88
Long-term Debt Position Improved	1.00 - 4.00	2.77	.88
Mission Clarified	1.00 - 4.33	2.59	.89

A one-way ANOVA was conducted to compare the seven ratings across the four administrators and a Bonferroni multiple-comparison was conducted to identify significance among the four groups of administrators. Table 38 indicates the ANOVA

results for which there were statistically significant differences among groups. For five institutional attributes, there were five statistically significant differences among the four groups. For View of the Institution by Accrediting Bodies Improved, there was a statistically significant difference among groups at the  $p < .05$  level, but no statistically significant difference between specific administrators. For Financial Stability of the Institution Improved, there was a statistically significant difference among groups at the  $p < .05$  level, but no statistically significant difference between specific administrators. For Condition of the Infrastructure Improved, there was a statistically significant difference among groups at the  $p < .05$  level, specifically between Chief Executive Officers (M=3.32) and Chief Financial Officers (M=2.56). For Long-term Debt Position Improved, there was a statistically significant difference among groups at the  $p < .01$  level, specifically between Chief Advancement Officers (M=3.25) and Chief Financial Officers (M=2.00), Chief Academic Officers (M=2.95) and Chief Financial Officers (M=2.00), and Chief Executive Officers (M=3.11) and Chief Financial Officers (M=2.00). For Financial Reserves were Strengthened, there was a statistically significant difference among groups at the  $p < .01$  level, specifically between Chief Executive Officers (M=3.11) and Chief Financial Officers (M=2.24).

Table 38

*Statistically Significant ANOVA Results for Attributes of the Institution Were Affected at U. S. Lutheran Colleges and Universities*

Attributes	Position Title								F-ratio
	Chief Advancement Officer		Chief Academic Officer		Chief Executive Officer		Chief Financial Officer		
	M	SD	M	SD	M	SD	M	SD	
View by Accreditor	2.80	1.01	2.26	1.10	3.19	1.08	2.42	1.21	2.86*
Financial Stability	3.12	0.93	3.33	0.73	3.25	0.93	2.62	1.20	2.72*
Infrastructure	2.88	1.11	2.81	0.81	3.32	0.86	2.56	1.08	2.86*
Long-term Debt	3.25	0.93	2.95	1.00	3.11	0.99	2.00	0.95	7.40**
Financial Reserves	3.19	0.83	2.95	0.97	3.11	1.10	2.24	1.13	4.08**

\* $p < .05$  \*\*  $p < .01$

Respondents rated the extent to which financial condition of the institution improved as measured by the DOE Financial Responsibility Composite Score using on the following five-point scale: 1) Did not improve, 2) improved somewhat, 3) improved, 4) definitely improved, and 9) not sure. Responses of “Not Sure” were not included in the calculation of the means. As the results in Table 39 indicate, respondents rated improvement in DOE score as (M=2.41), or between “Improved somewhat” and “Improved.”

Table 39

*Perceived Improvement in U. S. Department of Education Financial Responsibility Composite Scores at U. S. Lutheran Colleges and Universities (N=38 institutions)*

	Range	Mean	Standard Deviation
Improvement in DOE score	1.00 - 4.00	2.41	.90

Table 40 indicates the number of institutions rating themselves at each level of improvement in DOE scores. As the results in Table 40 indicate, the highest percentage of institutions (39.5%) believed their DOE scores improved somewhat.

Table 40

*Distribution of Institutional Perceived Improvement in U. S. Department of Education Financial Responsibility Composite Scores at U. S. Lutheran Colleges and Universities*

Perceived Level of Improvement	Number of Institutions	Percentage of Institutions
Did not improve	9	23.7
Improved somewhat	15	39.5
Improved	11	29.0
Definitely Improved	3	7.9

A one-way ANOVA was conducted to compare the four perceptions (i.e. excluding “Not Sure” responses) across the four administrators. Table 41 indicates the ANOVA results for which there was a statistically significant difference among groups. There was a statistically significant difference among administrators at the  $p < .01$  level on Perceived Improvement in DOE Scores, specifically between the Chief Financial

Officer and each of the other three administrators; the person most likely to know the exact scores, the Chief Financial Officer, had a considerably lower mean than each of the other groups..

Table 41

*Statistically Significant ANOVA Results for Perceived Improvement in DOE Scores at U. S. Lutheran Colleges and Universities*

	Position Title								<i>F-ratio</i>
	Chief Advancement Officer		Chief Academic Officer		Chief Executive Officer		Chief Financial Officer		
Perception	<i>M</i>	<i>SD</i>	<i>M</i>	<i>SD</i>	<i>M</i>	<i>SD</i>	<i>M</i>	<i>SD</i>	
Improvement In DOE Scores	2.77	0.83	2.69	0.87	3.00	0.98	1.77	1.07	7.60**

\*\* $p < .01$

Table 42 indicates the number and percentage of responses by administrator category, including the response of “Not Sure,” providing greater detail on the difference between Chief Financial Officers and the other three categories of administrators. The results of a Chi-square analysis indicated a statistically significant difference among groups at the  $p < .01$  level. As the results in Table 42 indicate, 61.5% of Chief Financial Officers and 4.5% of Chief Advancement Officers believed that DOE scores did not improve as a result of their institution’s strategic planning process, representing the highest and lowest percentages of administrators who held this view. 31.0% of Chief Executive Officers and 7.7% of Chief Financial Officers believed that DOE scores definitely improved, representing the highest and lowest percentages of administrators who held this view. 40.9% of Chief Advancement Officers and 0.0% of Chief Financial

Officers were not sure whether scores improved, representing the highest and lowest percentages of administrators who held this view.

Table 42

*Distribution of Administrators Perceived Improvement in U. S. Department of Education Test of Financial Responsibility Scores at U. S. Lutheran Colleges and Universities (N=98 administrators)*

Perceived Level of Improvement	Chief Advancement Officers		Chief Academic Officers		Chief Executive Officers		Chief Financial Officers	
	N	%.	N	%	N	%	N	%.
Did not improve	1	4.5	2	9.5	2	6.9	16	61.5
Improved somewhat	3	13.6	3	14.3	5	17.2	2	7.7
Improved	7	31.8	9	42.9	8	27.6	6	23.1
Definitely Improved	2	9.1	2	9.5	9	31.0	2	7.7
Not sure	9	40.9	5	23.8	5	17.2	0	0.0
Total	22	100.0	21	100.0	29	100.0	26	100.0

Respondents indicated whether 18 specific financial-related adjustments were made as a result of the strategic planning process using the following four-point scale: 1) Yes, 2) no, 3) already in place, and 9) not sure. An optional response was: “Not Applicable.” Table 43 indicates the total responses by all administrators for the 18 financial-related adjustments, arranged in order from most “Yes” responses to least “Yes” responses. A “Yes” response indicates that the institution adopted the financial practice as a result of the most recent strategic planning process. Focused Strategy on Main Income Flows (41 “Yes” responses) and Made Changes in Budgeting Process (40 “Yes” responses) were the top two financial-related adjustments made by institutions as a result of the most recent strategic planning process. Set Bad Debt Goal and Worked Toward It

(seven “Yes” responses) was the least often mentioned financial-related adjustment made as a result of the most recent strategic planning process.

Table 43

*Frequency of Financial-related Adjustments Made as a Result of the Most Recent Strategic Planning Process at U. S. Lutheran Colleges and Universities  
(N=98 administrators)*

<u>Financial-Related Adjustment</u>	<u>Yes</u>	<u>No</u>	<u>Was In Place</u>	<u>Not Sure</u>	<u>Not Applicable</u>
Focused Strategy on Main Income Flows	41	10	34	6	7
Made Changes in Budgeting Process	40	28	18	3	9
Diversified Main Income Flows	34	29	23	4	8
Established Monitoring System for Finances	32	13	43	3	7
Reduced Long-term Debt/Raised Debt Ratio	25	26	31	6	10
Built Coherent Net-pricing Strategy	23	24	33	9	9
Conducted Financial Strategy Meetings	20	14	57	1	6
Built Capital Reinvestment Fund	20	41	25	7	5
Built Contingency Fund	21	28	43	2	4
Planned for Financial Strategy Flexibility	19	27	34	9	9
Installed Budget Controls	18	9	60	5	6
Eliminated Deficits from Operations	17	7	50	5	19
Reorganized or Outsourced Auxiliaries	17	39	24	6	12
Set Net-income Goals for Auxiliaries	10	29	37	11	11
Set Income Expectations for Athletics	9	55	11	6	17
Enforced Student Collection procedures	8	16	51	16	7
Set Income Expectations for Alumni Relations	8	57	12	8	13
Set Bad Debt Goal and Worked Toward It	7	22	43	14	12
Total	369	474	629	121	171
Percentage of total responses	20.9	26.9	35.7	6.9	9.7

As Table 43 indicates, the highest percentage of respondents (35.7%) indicated that these 18 financial-related adjustments were already in place at their institutions. The



most frequently mentioned adjustments already in place were Installed Budget Controls (mentioned 60 times) and Conducted Financial Strategy Meetings (mentioned 57 times).

Table 44 presents the number and percentage of responses by category of administrator. As Table 44 indicates, Chief Executive Officers (27.0%) most frequently mentioned that financial-related adjustments were made as a result of the most recent strategic planning process. Chief Financial Officers (40.4%) most frequently mentioned that financial-related adjustments were already in place. Chief Advancement Officers (15.2%) and Chief Academic Officers (11.4%) were most often “Not Sure” which financial adjustments have been made, while Chief Financial Officers (0.9%) and Chief Executive Officers (2.7%) were least often “Not Sure.”

Table 44

*Distribution of Administrators Responses Identifying Financial-related Adjustments as a Result of Most Recent Strategic Planning Process at U. S. Lutheran Colleges and Universities*

Administrator	Responses									
	Yes		No		Was In Place		Not Sure		Not Applicable	
	N	%.	N	%.	N	%.	N	%.	N	%.
CAdvO (N=22)	75	18.9	101	25.5	118	29.8	60	15.2	42	10.6
CAO (N=21)	87	23.0	84	22.2	135	35.7	43	11.4	29	7.7
CEO (N=29)	141	27.0	125	23.9	187	35.8	14	2.7	55	10.5
CFO (N=26)	66	14.1	164	35.0	189	40.4	4	0.9	45	9.6
Total	369	20.9	474	26.9	629	35.7	121	6.9	171	9.7

Abbreviations used in the table are: CAdvO=Chief Advancement Officer, CAO=Chief Academic Officer, CEO=Chief Executive Officer, CFO=Chief Financial Officer

Respondents were given the opportunity to make other final comments on the impact of strategic planning at their institutions. The following comments were made:

- The current strategic plan improves upon past plans in that it has been published and widely distributed.
- Room for growth exists in linking the strategic plan to budgeting, having all units base their goals on the strategic plan, and in consolidating/ coordinating planning with accreditation.
- In the future, alumni and other stakeholders should be given a voice/role in developing the strategic plan.
- We have a long way to go! But there is great potential.
- The survey implies a "once in a while" approach, while our organization uses a continuous, certainly annual approach.
- The strategic plan did not impact any of the above indicators because it was not tied to any specific objectives. It was largely a vision document.
- The history of the university has been long-range, ten-year plans and annual initiatives. We are moving to a strategic planning process. Many of the responses are marked not sure because we are still in the process of developing the plan and it is not yet complete.
- Future development of strategic plans will certainly tackle some of the issues listed in this survey, but they were not applicable to the long range plan.
- The strategic planning process was very organized and very helpful. It focused the attention of the university on four main goal areas.
- While there was some initial input from a wide array of groups on campus, the final product was designed by a small group of people who also controlled the

content. While larger group input may be "messy" it would also enhance understanding and buy-in of the campus, as a whole.

- We used an internally designed strategic planning process that engage[d] individuals at all levels (board, administration, faculty, staff, students, alumni and benefactors). The president was clearly leading the process that allowed for open and honest dialogue as well as input before any directions were articulated. The input stage was very valuable to reaffirm our current path, but also to build buy in by the stakeholders. In the end, the strategic plan was clear, transparent and resulted in a culture where many university units identify themselves by the goal with which they predominantly are working toward. This was the best strategic planning experience I have participated in and witnessed as a faculty member and administrator.
- The strategic planning process will not come to any conclusion, it is an ongoing process which is constantly evolving as market conditions change.
- Our recent plan has more qualitative measurements than quantitative outcomes. I feel that is the nature of strategic planning at historic Lutheran faith-based schools. In many cases you have leadership that have not seen effective strategic planning implemented in a college setting so leadership reverts to more qualitative outcomes of the process.
- Since we are just in the process of performing on the strategic plan it is difficult to rate what has been accomplished. A number of items are part of the stewardship of assets section that is currently being structured.

- The plan has served as a "nuts and bolts" framework to push the institution forward. Although implementation detail on some initiatives are still in development, many initiatives have been accomplished. The plan and progress is reviewed quarterly by the President's Leadership Team and reported to the Board at each meeting.
- Provided a way for deans to have a say in how resources were allocated across the university. Helped institution achieve consensus re: allocation of resources.
- We've been doing regular strategic planning since the mid-1980s. It continues to drive what we do on a regular basis. We are currently beginning a next planning cycle and will have the next plan in place by summer.
- Since we're approximately 6 months into what will end up being a 12-month process, it's difficult to answer some of the questions or check boxes because we're not far enough into those parts/discussions.
- There was no impact on federal ratios because we have always been at the maximum levels.
- It was very important to have a wide range of views in creating the strategic plan. We saw increased support from all groups and we are now moving into a capital campaign, enrollment growth plan and a new common core.
- The university has been financially stable for several years so there is not a perceived need to make significant changes in the organization over the period of time in the strategic plan. As a result, the goals set are easily achieved and the measurement to hold everyone accountable for the results has either not been developed or is something we were already doing.

### *Explanatory Results*

The primary research question posed in this research asked whether or not a relationship existed between institution-wide strategic planning and an institution's financial performance. Data on strategic planning for each of the 38 institutions were obtained from the responses of up to four key institutional administrators. For purposes of analyzing data to address the research question, a mean institutional score was obtained by averaging responses across the individuals from that institution who responded to the survey. This section of the dissertation presents the research of three sets of analysis.

In the first section, Pearson product-moment correlations (or other types of correlations appropriate to the data) between the mean institutional survey responses and the DOE score, averaged across the five years from 2007 to 2011, are presented. For those instances in which fewer than five DOE scores are available, the denominator was reduced to correspond to the number of years. In the second section, three mean survey items, which showed a statistically significant correlation with the dependent variable, were used with control variables in a multiple regression to determine the correlation of the set of variables with the dependent variable. In the third section, the DOE scores were classified into quartiles, and institutions in the bottom quartile and institutions in the upper quartile were used as an independent variable in a series of independent sample t-tests of the characteristics of strategic planning prowess at the institutions.

#### *Survey Set 1: Topics Discussed in the Planning Process*

A first set of survey questions asked respondents to indicate which of 13 specific topics were discussed in the planning process. Table 45 shows the correlation and statistical significance level of each of the questions about the extent to which specific

topics discussed in the planning process when correlated with financial outcomes as measured by DOE scores. Of the specific inputs surveyed, Administrative Restructuring showed a statistically significant correlation at the  $p < .05$  level.

Table 45

*Correlation between the Extent to Which Specific Topics Were Discussed in Strategic Planning and DOE Scores at U. S. Lutheran Colleges and Universities*

Topic <sup>a</sup>	N	Pearson Correlation	Two-tailed Significance
Adding Academic Programs	38	-.19	.27
Deleting Academic Programs	38	-.24	.15
Modifying Academic Programs	38	.08	.63
Academic Support for Students	38	.27	.11
Administrative Restructuring	38	-.33	.04*
Admissions/Enrollment Management	38	.07	.67
Faculty Recruitment/Retention	38	-.22	.18
Budget/Finances	38	.00	.99
Development/Fundraising	38	.15	.37
Tuition/Financial Aid	38	.17	.32
Student Support Services	38	.07	.67
Physical Facilities	38	-.13	.43
Capital Campaign	38	-.06	.72
Other	38	.20	.23

<sup>a</sup>Responses were obtained on a five-point scale.

\* $p < .05$

The correlation was negative, indicating that as the extent to which institutions discussed Administrative Restructuring increased, mean DOE scores decreased.

#### *Survey Set 2: Planning Activities Used in Strategic Planning*

The second set of survey questions asked respondents to indicate which of 13 planning activities were used in the strategic planning process. For these categorical data, a Pearson Chi-square test was used to determine the relationship between survey

responses and quartile groupings of DOE scores. Table 46 shows the correlation and significance level of each of the activities used in the planning process when correlated with financial outcomes, as measured by quartile groupings of DOE scores. Of the specific inputs surveyed, Identified Collaboration with Other Colleges and Universities and Identified Collaborations with Other Organizations (not other colleges and universities) showed statistically significant correlations at the  $p < .05$  level.

Table 46

*Relationship between Planning Activities and DOE Scores at U. S. Lutheran Colleges and Universities*

<u>Planning Activity<sup>a</sup></u>	<u>N</u>	<u>Pearson Chi Square</u>	<u>Two-tailed Significance</u>
Formed Steering Committee	38	4.00	.26
Created/Revised Mission Statement	38	7.30	.06
Identified Student Populations to be Served	38	2.99	.39
Identified Collaborations with Other Colleges	38	7.67	.05*
Identified Collaborations with Other Organizations	38	9.58	.02*
Examined Internal Environmental Factors	38	2.04	.56
Examined External Environmental Factors	38	2.34	.51
Established Goals	38	2.71	.44
Established Measurable Objectives	38	.71	.87
Identified Tactical Plans	38	.73	.87
Formulated Contingency Plans	38	2.56	.47
Established Formal Evaluation Process	38	.35	.95
Engaged External Consultant	38	2.22	.53
Other	38	2.72	.44

<sup>a</sup>Responses were coded as 1=Yes and 2=No.

\* $p > .05$

*Survey Set 3: Levels of Involvement of Key Stakeholders*

A third set of survey questions asked to what extent specific individuals from within the institution were involved in the planning process, to what extent specific groups of individuals from within the institution were involved in the planning process, and to what extent specific groups of individuals from outside the institution were involved in the planning process. Tables 47, 48, and 49 show the Pearson product-moment correlations and statistical significance level of the involvement by each of these key stakeholders in the planning process when correlated with financial outcomes as measured by DOE scores. Of the specific inputs surveyed, the extent of involvement of the Governing Board showed a statistically significant correlation at the  $p < .05$  level. At institutions where the governing board was perceived to be more involved, there was a significant positive correlation with high DOE financial scores.

Table 47

*Correlation between Involvement by Specific Individuals and DOE Scores at U. S. Lutheran Colleges and Universities*

Involvement by Individuals, Internal <sup>a</sup>	N	Pearson Correlation	Two-tailed Significance
Chair of Governing Board	38	.05	.78
President	38	.13	.44
Chief Academic Officer	38	.16	.33
Chief Advancement Officer	38	.03	.85
Chief Enrollment Officer	38	.27	.10
Chief Financial Officer	38	.10	.57
Chief Student Services Officer	38	.31	.06
Other individuals	38	-.02	.90

<sup>a</sup>Responses were coded on a five-point scale.



Table 48

*Correlation between Involvement by Specific Internal Groups and DOE Scores at U. S. Lutheran Colleges and Universities*

Involvement by Groups, Internal <sup>a</sup>	N	Pearson Correlation	Two-tailed Significance
Governing Board	38	.35	.03*
Faculty	38	.02	.92
Other administrators, not in Table 30	38	.31	.06
Students	38	-.06	.72
Other groups	38	.22	.18

<sup>a</sup>Responses were coded on a five-point scale.

\* $p < .05$

Table 49

*Correlation between Involvement by Specific External Groups and DOE Scores at U. S. Lutheran Colleges and Universities*

Involvement by Groups, External <sup>a</sup>	N	Pearson Correlation	Two-tailed Significance
Alumni	38	.24	.15
Advisory councils, not alumni	38	-.17	.30
Members of community	38	-.01	.93
Members of a religious constituency	38	-.12	.47
Local business leaders, not alumni	38	-.02	.92
Local government officials	38	-.06	.72
Other	38	.23	.16

<sup>a</sup>Responses were coded on a five-point scale.

#### *Survey Set 4: Attitudes of Key Stakeholders*

A fourth set of survey questions asked about the perceived degree of importance that individuals from within the institution place upon strategic planning, the perceived degree of importance that specific groups of individuals from within the institution place

upon strategic planning, and the perceived degree of importance that specific groups of individuals from outside the institution place upon strategic planning. Table 50 shows the correlation and significance level of the perceived degree of importance that specific individuals from within the institution place upon the planning process when correlated with financial outcomes as measured by DOE financial scores. Of the specific inputs surveyed, none showed a statistically significant correlation at the  $p < .05$  level.

Table 50

*Correlation between Perceived Attitudes of Specific Individuals toward Strategic Planning and DOE Scores at U. S. Lutheran Colleges and Universities*

<u>Attitudes of Individuals, Internal<sup>a</sup></u>	<u>N</u>	<u>Pearson Correlation</u>	<u>Two-tailed Significance</u>
Chair of Governing Board	38	-.11	.51
President	38	-.17	.30
Chief Academic Officer	38	-.22	.18
Chief Advancement Officer	38	-.22	.18
Chief Enrollment Officer	38	-.09	.59
Chief Financial Officer	38	-.15	.36
Chief Student Services Officer	38	-.20	.24
Other Individuals	38	-.05	.75

<sup>a</sup>Responses were coded on a five-point scale.

Table 51 shows the correlation and significance level of the perceived degree of importance that specific groups from within the institution place upon the planning process when correlated with financial outcomes as measured by DOE financial scores. Of the specific inputs surveyed, none showed a statistically significant correlation at the  $p < .05$  level.

Table 51

*Correlation between Perceived Attitudes of Specific Internal Groups toward Strategic Planning and DOE Scores at U. S. Lutheran Colleges and Universities*

<u>Attitudes of Groups, Internal<sup>a</sup></u>	<u>N</u>	<u>Pearson Correlation</u>	<u>Two-tailed Significance</u>
Governing Board	38	.06	.74
Faculty	38	-.06	.70
Other Administrators	38	.25	.14
Students	38	-.14	.41
Other Groups	38	-.14	.42

<sup>a</sup>Responses were coded on a five-point scale.

Table 50 shows the correlation and significance level of the perceived degree of importance that specific groups from outside the institution place upon the planning process when correlated with financial outcomes as measured by DOE financial scores. Of the specific inputs surveyed, none showed a statistically significant correlation at the  $p < .05$  level.

Table 52

*Correlation between Perceived Attitudes of Specific External Groups toward Strategic Planning and DOE Scores at U. S. Lutheran Colleges and Universities*

<u>Attitude of Groups, External<sup>a</sup></u>	<u>N</u>	<u>Pearson Correlation</u>	<u>Two-tailed Significance</u>
Alumni	38	-.02	.90
Advisory Councils, not Alumni	38	-.07	.69
Members of the Community	38	-.20	.22
Members of a Religious Consistory	38	-.31	.06
Local Business Leaders, not Alumni	38	-.16	.34
Local Government Officials	38	-.17	.30
Other Groups	38	.09	.60

<sup>a</sup>Responses were coded on a five-point scale.

*Survey Set 5: Strategic Planning Linked to Budgeting*

A fifth set of survey questions asked to what extent strategic planning is linked to budgeting, and to what extent financial metrics are used to evaluate the effectiveness of strategic planning. Table 53 shows the significance level of the extent to which strategic planning is linked to budgeting when correlated with financial outcomes, as measured by DOE scores. Table 54 shows the significance level of the extent to which financial metrics are used to evaluate the effectiveness of strategic planning when correlated with financial outcomes, as measured by DOE scores. Of the specific inputs surveyed, neither had a statistically significant correlation at either the  $p < .05$  or  $p < .01$  level.

Table 53

*Correlation between Planning Linked to Budgeting and DOE Scores at U. S. Lutheran Colleges and Universities*

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<u>Planning Linked to Budgeting<sup>a</sup></u>	<u>N</u>	<u>Pearson Correlation</u>	<u>Two-tailed Significance</u>
Extent planning is linked to budgeting	38	-.01	.95

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<sup>a</sup>Responses were coded on a five-point scale.

Table 54

*Correlation between the Extent to Which Financial Metrics Are Used to Evaluate Strategic Planning and DOE Scores at U.S. Lutheran Colleges and Universities*

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<u>Financial Metrics<sup>a</sup></u>	<u>N</u>	<u>Pearson Correlation</u>	<u>Two-tailed Significance</u>
Extent financial metrics are used to evaluate effectiveness of planning	38	-.20	.23

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<sup>a</sup>Responses were coded on a five-point scale.

*Survey Set 6: Impact of Strategic Planning on the Institution*

A sixth set of survey questions asked to what extent the goals of the most recent institution-wide strategic planning process were achieved, to what extent specific attributes of the institution were affected by the most recent institution-wide strategic planning process, and what specific financial-related adjustments were made as a result of the strategic planning process. Table 55 shows the significance level of the extent to which the goals of the most recent institution-wide strategic planning process were achieved when correlated with financial outcomes, as measured by DOE financial scores. Of the specific inputs surveyed, none had a significant correlation at the  $p < .05$  level.

Table 55

*Correlation between the Extent to Which Strategic Planning Goals Were Achieved and DOE Scores at U. S. Lutheran Colleges and Universities*

<u>Extent Goals Were Met<sup>a</sup></u>	<u>N</u>	<u>Pearson Correlation</u>	<u>Two-tailed Significance</u>
Enrollment Goals	38	.00	.99
Academic Program Goals	38	-.16	.35
Budget Goals	38	-.16	.34
Ability to Compete for Faculty	38	-.12	.49
Fundraising Goals	38	-.16	.35
Reputational Goals	38	-.07	.69
Improved Morale	38	-.23	.16
Improved Ability to Make Changes	38	-.27	.10
Other Goals	38	.04	.81

<sup>a</sup>Responses were coded on a five-point scale.

Table 56 shows the significance level of the extent to which specific attributes of the institution were affected by the most recent institution-wide strategic planning

process when correlated with financial outcomes, as measured by DOE scores. Of the specific inputs surveyed, none had a significant correlation at the  $p < .05$  level.

Table 56

*Correlation between the Extent to Which Specific Attributes Were Affected and DOE Scores at Lutheran Colleges and Universities*

Attributes Affected <sup>a</sup>	N	Pearson Correlation	Two-tailed Significance
Mission Clarified	38	-.03	.86
Key Leaders More Engaged	38	.04	.81
Accrediting Bodies' Views Improved	38	-.02	.90
Financial Stability Improved	38	-.25	.13
Infrastructure Condition Improved	38	.12	.49
Long-term Debt Position Improved	38	-.17	.31
Financial Reserves Strengthened	38	.06	.71

<sup>a</sup>Responses were coded on a five-point scale.

Table 57 shows the correlation and statistical significance level of each of the specific financial-related adjustments when correlated with financial outcomes, as measured by DOE scores. Of the specific inputs surveyed, Focused Strategy on Main Income Flows, Reduced Long-Term Debt and Raised the Debt Ratio, Made Changes in the Budgeting Process, Conducted Regular Budget, Financial Condition and Financial Strategy Meetings, and Set a Bad Debt Goal and Worked toward It had a significant positive correlation with DOE scores at the  $p < .05$  level. Established a Monitoring System for Finances and Installed Budget Controls had a significant positive correlation with DOE scores at the  $p < .01$  level.

Table 57

*Correlation between Financial-related Adjustments and DOE Scores at U. S. Lutheran Colleges and Universities*

Financial-related adjustment <sup>a</sup>	N	Pearson Correlation	Two-tailed Significance
Eliminated Deficits from Operations	38	.24	.15
Built Coherent Net Pricing Strategy	38	.20	.24
Focused Strategy on Main Income Flows	38	.37	.02*
Diversified Main Income Flows	38	.09	.59
Reduced Long-term Debt/Raised Debt Ratio	38	.34	.04*
Made Changes in Budgeting Process	38	.35	.03*
Built Capital Reinvestment Fund	38	.27	.10
Built Contingency Fund	38	.25	.13
Established Monitoring System for Finances	38	.44	.01**
Installed Budget Controls	38	.53	.00**
Conducted Financial Strategy Meetings	38	.34	.04*
Enforced Student Collection Procedures	38	.17	.32
Set Bad Debt Goal and Worked toward It	38	.32	.05*
Set Net Income Goals for Auxiliaries	38	.27	.11
Reorganized or Outsourced Auxiliaries	38	.15	.37
Set Income Expectations for Alumni Relations	38	.03	.87
Set Income Expectations for Athletics	38	.19	.24
Planned for Financial Strategy Flexibility	38	.27	.11

<sup>a</sup>Responses were coded on a three-point scale; 1) Yes, 2) No, 3) Was already in place.

\* $p < .05$ , \*\* $p < .01$ .

*Correlation of Multiple Strategic Planning Factors with DOE Scores*

Multiple regression analysis was used to test if three specific mean survey items, identified in the previous analysis, significantly predicted DOE scores. The analysis was limited to three survey items based on the size of the population. The three survey items were selected based on the finding in previous analyses of their statistically significant correlation with DOE scores. The three survey items, with survey codes in parentheses, were Governing Board Was Involved in the Planning Process (15a), Established a

Financial Monitoring System (33i), and Installed Budget Controls (33j). The analysis also included three control variables, which were Size of Enrollment, Total Endowment, and Private Gifts and Grants. The results of the regression indicated that the six predictors (three survey items and three control variables) explained 38.5% of the variance ( $R^2=.39$ ,  $F(6,31)=3.23$ ,  $p<.01$ ). It was found that Governing Board was Involved ( $\beta = .34$ ,  $p < .05$ ) and Enrollment ( $\beta = .37$ ,  $p < .05$ ) significantly predicted DOE scores. Table 58 shows the results of the multiple regression.

Table 58

*Standardized Regression Coefficients for DOE Scores Regressed on Statistically Significant Strategic Planning Characteristics*

Variable <sup>a</sup>	F	R <sup>2</sup>	Correlation with DOE Scores		
			B	t-value	p-value
Constant	3.233	.385	1.654	3.910	.00
Governing Board was Involved			.335	2.108	.04*
Established a Financial Monitoring System			-.014	-.083	.93
Installed Budget Controls			-.209	-1.238	.22
Enrollment			.366	2.302	.02*
Total Endowment			.303	1.780	.08
Private Gifts and Grants			-.029	-.162	.87

\* $p < .05$ .

*Correlation of Statistically Significant Variables with DOE Quartiles*

A series of independent sample t-tests was used to determine if there was a statistically significant difference in strategic planning processes between Lutheran



institutions in the top quartile and those institutions in the bottom quartile, based on their five-year average DOE scores. The bottom quartile was institutions with five-year average DOE scores of 2.18 or below and the top quartile was institutions with five-year average DOE scores of 2.76 or above.

Table 59 indicates the results of the independent sample t-tests for which there were statistically significant differences between the two groups. Sample size (N) varies for each variable depending upon the number of valid survey responses about that variable. A valid response is any response other than “Not Sure” or “Not Applicable.” For this analysis, responses to survey questions about what financial related adjustments were made as a result of the planning process, were recoded from: 1) Yes, 2) no, and 3) already in place, to: 1) No, 2) yes, 3) already in place.

As the results in Table 59 indicate, there were statistically significant differences between the top and bottom quartiles for 11 strategic planning variables. The 11 survey items, with survey codes in parentheses, were: Discussed Administrative Restructuring (09e), Governing Board was Involved (15a), Condition of Infrastructure Improved (31e), Eliminated Deficits from Operations (33a), Built a Coherent Pricing Strategy (33b), Focused Strategy on Main Income Flows (33c), Built a Capital Reinvestment Fund (33g), Built a Contingency Fund (33h), Established a Financial Monitoring System (33i), Conducted Financial Strategy Meetings (33k), and Set a Bad Debt Goal and Worked toward It (33m).

Two of these 11 variables may properly be termed inputs to the strategic planning process. Administrative Restructuring is a topic discussed in the strategic planning

Table 59

*Statistically Significant Results for Independent Sample t-test Comparing Top Quartile and Bottom Quartile Five-Year Average DOE Scores (2007-2011)*

Variable	N	M	SD	t-value	p-value
Discussed Administrative Restructuring				3.048	.00**
Bottom Quartile	25	3.04	.98		
Top Quartile	27	2.19	1.04		
Governing Board was Involved				-2.348	.02*
Bottom Quartile	25	2.96	1.27		
Top Quartile	28	3.68	.95		
Condition of Infrastructure Improved				-2.498	.02*
Bottom Quartile	24	2.75	.99		
Top Quartile	26	3.38	.80		
Eliminated Deficits from Operations				-3.255	.00**
Bottom Quartile	21	2.38	.59		
Top Quartile	18	2.89	.32		
Built a Coherent Pricing Strategy				-2.384	.02*
Bottom Quartile	19	1.74	.81		
Top Quartile	25	2.32	.80		
Focused Strategy on Main Income Flows				-3.921	.00**
Bottom Quartile	19	1.89	.66		
Top Quartile	26	2.62	.57		
Built a Capital Reinvestment Fund				-3.536	.001**
Bottom Quartile	20	1.45	.61		
Top Quartile	24	2.25	.85		
Built a Contingency Fund				-2.793	.01**
Bottom Quartile	21	1.90	.83		
Top Quartile	28	2.54	.75		
Established Financial Monitoring System				-3.753	.00**
Bottom Quartile	20	2.05	.87		
Top Quartile	28	2.68	.95		
Conducted Financial Strategy Meetings				-2.698	.01**
Bottom Quartile	22	2.05	.79		
Top Quartile	28	2.61	.69		
Set a Bad Debt Goal and Worked toward It				-3.144	.00**
Bottom Quartile	19	1.79	.79		
Top Quartile	20	2.60	.82		

\* $p < .05$ , \*\*  $p < .01$

process, and Governing Board was Involved represents the involvement of a stakeholder group in the strategic planning process. One of the 11 variables, Condition of the Infrastructure Improved, is a specific attribute of the institution which respondents perceived improved as a result of the strategic planning process. The remaining eight of the 11 variables are all financial-related adjustments that either were made as a result of the strategic planning process or were already in place prior to the strategic planning process.

Six of the 11 independent variables identified in the independent sample t-tests, were also identified in prior correlation analyses as having statistically significant correlations with DOE scores. The six variables which were common to both sets of analyses were: Discussed Administrative Restructuring, Governing Board was Involved, Focused Strategy on Main Income Flows, Established a Financial Monitoring System, Conducted Financial Strategy Meetings, and Set a Bad Debt Goal and Worked Toward It.

## Chapter Five: Discussion, Conclusions, and Implications

### *Overview*

The gospel of strategic planning has been preached from higher education pulpits for more than three decades. Beginning with the publication of Keller's (1983) *Academic strategy: The management revolution in American higher education*, the body of literature has grown and been expanded to link strategic planning to financial performance at colleges and universities. More refined methodologies have been brought into the research to link strategic planning to budgeting (Bryson, 2011; Chabotar, 2006; Haberaecker, 2004; Shattock, 2003; Townsley, 2009, 2002), to bring greater consistency and clarity to financial reporting (FASB, 2011b; FASB 2011c), and to evaluate financial performance through the use of sophisticated ratio analyses common in for-profit corporations (Chabotar, 1989; Garland, 2009; Tahey, et. al., 2010).

Not all critical observers are convinced, however, that effective strategic planning does, in fact, lead to positive financial performance. Mintzberg (1994) called into question the effectiveness of strategic planning in general. Prinvale's (1992) quantitative study of 106 private colleges and universities found no correlation between strategic planning and financial performance. Nevertheless, colleges and universities continue to engage in strategic planning, using increasingly more sophisticated methodologies. In 2001, Rowley and Sherman reported that nearly every campus has conducted some form of strategic planning.

The urgency for consistency in financial performance is driven not only by the motive of institutional survival (Keierleber, 2014), but also by expectations for greater accountability from the United States Department of Education (DOE), which has developed its system of Financial Responsibility Composite Scores (Federal Student Aid, 2012, 2011) to serve as a barometer for qualifying institutions to distribute Title IV funds to students. In 2009, 114 private, nonprofit degree-granting institutions of higher education failed to pass the test, including a number of Lutheran institutions (Blumenstyk, 2009).

The study described in this dissertation was conducted among a cohort of 40 colleges and universities which identify as Lutheran, 38 of which provided independent variable data on various aspects of their strategic planning processes through survey responses. It was designed as a quantitative study to investigate the correlation between strategic planning and financial performance. Data for the independent variables in the study were gathered from a survey of four key administrators at each Lutheran institution. Data for the dependent variable were obtained from the DOE's publicly available Financial Responsibility Composite Scores. Correlation analysis revealed statistically significant relationships between only certain aspects of strategic planning and financial results, as measured by the U. S. Department of Education's Financial Responsibility Composite Scores. More specifically, the results revealed statistically significant relationships between financial performance and a number of financial best practices, which may or may not have been implemented at the Lutheran institutions as a result of their strategic planning processes.

A secondary aspect of the study compared the perspectives of the four categories of administrators who responded to the survey. Statistically significant variance among categories of administrators may be of interest to institutional leaders and researchers. Duderstadt (2007) observed the importance of three key administrators – Chief Executive Officer, Chief Academic Officer, and Chief Financial Officer – being “on the same page” when it comes to leading and guiding their institutions toward financial health. To those three, the researcher who conducted the study described in this dissertation added a fourth perspective, that of the Chief Advancement Officer. Some statistically significant findings among the perspectives of these four administrators are described below.

### *Findings*

This section discusses the results for the primary research question and secondary findings related to the perspectives of the four categories of administrators who were surveyed. Descriptive research indicated that all 38 responding institutions engaged in centrally-coordinated, institution-wide strategic planning at some time since 2003. Administrators at all 38 institutions reported that they would engage in institution-wide strategic planning in the future. Budget and Finances was the topic most frequently discussed, followed by Admissions/Enrollment Management. In addition, eight institutions reported discussing Racial and Ethnic Diversity and five reported discussing Environmental Sustainability. The most frequently reported strategic planning activities were a scan of the institution’s internal and external environments.

The President was identified as the individual most often involved in the strategic planning process, and also the individual who places the greatest degree of importance on

planning. The Governing Board was identified as the internal group most often involved in the strategic planning process, and the internal group which places the greatest degree of importance on planning. External groups were reported as being only slightly involved in the strategic planning process. The number of individuals involved in the strategic planning process at the 38 Lutheran institutions varied from less than ten at one institution to more than 100 individuals at 11 institutions.

The primary research question asked whether or not a relationship existed between institution-wide strategic planning and an institution's financial well-being. Responses to six sets of survey questions about strategic planning practices, attitudes, and outcomes provided the independent variables. The dependent variable, financial well-being, was defined by using each institution's five-year (2007-2011) mean U. S. Department of Education (DOE) Financial Responsibility Composite Score.

The research identified a statistically significant relationship between 11 independent variables and DOE scores. For ten of these variables, the research indicated a positive correlation. Three of these ten variables may be termed strategic planning inputs and were: 1) Identified Collaborations with Other Colleges and Universities, 2) Identified Collaborations with Other Organizations, not other colleges and universities, and 3) Involved the Governing Board in the planning process. The remaining seven were specific financial-related adjustments that were either made as a result of the strategic planning process or were already in place prior to the planning process. These seven variables 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.

For one of the independent variables, the research indicated a statistically significant negative correlation with DOE scores. That variable was: Discussed Academic Restructuring as part of the planning process. The findings on this variable also support the hypothesis that a statistically significant positive relationship exists between strategic planning and financial well-being, since academic restructuring may have been implement based on negative financial results.

Two observations should be made about these findings. First, of the 11 independent variables, seven may more properly be termed financial best-practices which may or may not have been implemented by the institutions as a result of their respective strategic planning practices. The seven are: 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. These seven variables were derived from a single survey question which asked: Were the following financial-related adjustments made as a result of the strategic planning process, including the evaluation of results? Responses were received on a total of 18 financial related-adjustments, based on Townsley's (2002) keys to financial strategy, and are related less to the strategic planning process itself and more to adjustments made as a result of the planning process. Of the responses to all of the 18 adjustments, 35.7% indicated that the adjustments were already in place prior to the most recent planning



process, while only 20.9% indicated that the adjustments were made as a result of the planning process. It is fair to say that, while the research indicated a statistically significant correlation between these seven variables and financial results, the variables may more properly be termed financial adjustments or best practices rather than strategic planning inputs, and may or may not have been implemented by the institutions as a result of their strategic planning processes.

A second observation is that on two key survey questions related to the linking of budgeting to planning and the use of financial metrics to evaluate the results of strategic planning, no statistically significant correlation was found between these strategic planning practices and financial results. The linkage of strategic planning with financial planning or budgeting, and the use of financial metrics to evaluate the results of planning are important parts of the strategic planning literature (Bryson, 2011; Chabotar, 2006; Haberaecker, 2004; Shattock, 2003; Townsley, 2009, 2002). The study found no statistically significant correlation between these strategic planning inputs and financial results.

The results of a multiple regression analysis correlating three independent variables and three control variables, and DOE scores, indicated that Involvement of the Governing Board in the Strategic Planning Process was a statistically significant predictor of DOE scores. The analysis also indicated that one of the control variables, size of Enrollment, was a statistically significant predictor of DOE scores.

The descriptive research indicated a number of statistically significant findings related to variations in the perspectives of the four administrators. Previous research

conducted by Prinvale (1992) on the relationship between strategic planning and financial well-being relied upon survey responses from only the Chief Executive Officers of 106 private colleges and universities. The study described in this dissertation received survey responses from four categories of administrators: Chief Executive Officer, Chief Academic Officer, Chief Financial Officer, and Chief Advancement Officer.

Overall, the research indicated statistically significant differences among administrators in their responses to 17 survey questions. An analysis of responses to the 17 questions showed statistically significant differences which involved Chief Advancement Officers eight times, Chief Academic Officers eight times, Chief Executive Officers 12 times, and Chief Financial Officers 11 times.

On two of the 17 questions, the research indicated statistically significant differences among all four administrators. The first of these two questions related to perceived improvement in long-term debt position as a result of strategic planning. The research indicated that Chief Financial Officers were more confident that long-term debt position had not improved, than were the other three administrators. The second question related to perceived improvement in DOE scores as a result of strategic planning. The research indicated that Chief Financial Officers were far more confident that scores had not improved, than were the other three administrators. In fact, on this question, none of the Chief Financial Officers were unsure whether DOE scores had improved, and 61.5% were confident that scores had not improved as a result of strategic planning.

That these differences in perspectives exist is not necessarily a bad thing. Certainly the findings may reflect that the different roles each of the respondents fill at

their institutions inherently carry with them differences in perspective. Moreover, differences in perspective can be enriching, not detrimental, to an institution. But the fact that significant differences in perspectives do exist is worthy of discussion within leadership teams at Lutheran institutions and other institutions of higher education as well.

### *Limitations*

One limitation to this study is the source of the dependent variable. The dependent variable for this study was the publicly available Financial Responsibility Composite Score, calculated by the Department of Education for every private nonprofit college and university which distributes Title IV funding to students. The advantages of using this score are that it provides a consistent picture of financial condition among all institutions and that it is, indeed, publicly available. To attempt to obtain these data from the individual institutions themselves would be difficult, as many would be reluctant to provide what they might consider to be proprietary information. Further, the method of calculating the ratios would not necessarily be consistent among the institutions. The disadvantage of using this score is that the validity of the score has been called into question. When more than 100 institutions failed the test in 2010, the Board of Directors of the National Association of Independent Colleges and Universities (NAICU) initiated a review of the DOE's process for calculating scores (NAICU, 2012). Even more recently, the score of an institution in Minnesota (not Lutheran) that has a reputation for financial strength was reported by the DOE to be far lower than the institution expected, and the results have been challenged by the institution's Board of Regents and

administration (Sundholm, 2013). Nevertheless, until a better alternative for a comprehensive picture of financial health can be developed, DOE scores remain the best option for researchers (Hunter, 2012).

Another limitation of this study was the focus on a single set of independent variables centered in strategic planning as a predictor of financial health. Admittedly, this was the purpose of the study, but its very purpose constitutes a limitation. One can easily imagine a wide variety of factors that may impact the financial well-being of colleges and universities. In his monumental study of factors contributing to financial condition at private colleges and universities with enrollments of fewer than 2,000 students, Hunter (2012) considered 24 factors, organized into four “families.” It should be noted that Hunter’s study found statistically significant positive correlations between only three independent variables and DOE scores: Size of enrollment, diversified income streams (especially unrestricted giving from donors), and cash reserves. Hunter (2012) also found a statistically significant negative correlation between tuition discount rate and financial health. Nevertheless, despite the fact that it is difficult to isolate factors that consistently contribute to financial condition at independent colleges and universities, it should be noted that a limitation of the study described in this dissertation is its narrow focus on strategic planning prowess.

### *Implications*

There are at least four practical implications of the study for private, nonprofit colleges and universities. First, administrators and governing boards at colleges and universities seeking to improve financial condition should study the planning practices of

colleges and universities with stronger financial condition, particularly those aspects of planning and resulting financial-related adjustments which show statistically significant correlations with financial outcomes.

Second, strategic planning should be intentional. Since the results of the study may be tempered by the factors discussed above, and there are a large number of planning activities which could be utilized in a planning process, both planning activities and the objectives for strategic planning should be considered based on the needs and the culture of each institution. Planning should not be done with only the hope that it will “make us better off financially,” although financial outcomes should be a consideration in the hoped-for outcomes of a planning process. The effort that these 38 Lutheran colleges and universities as a group are putting into planning is considerable. To attain broad buy-in to strategic planning from regents, administrators, and faculty members, the process and hoped-for outcomes should be thought through carefully.

A third implication is that while institutions can learn from each other about planning processes and expectations, planning should be contextual. Each institution is different and, while most strategic planning processes have many common elements, the way the process is implemented will be unique to each campus. The variety of “other” responses to open-ended questions about strategic planning used in the survey for this research provide ample indication that each institution faces its own unique bundle of challenges, and that each has its own unique culture within which the planning process is implemented. Bryson’s (2011) emphasis on the dynamics of the planning process and Tromp and Ruben’s (2010) acknowledgement of such intangible factors as leadership and

culture in their planning model, articulate the need for a contextual approach to planning on each campus. These newer models for strategic planning in many respects address Prinvale's (1992) concern that strategic planning is too much rooted in a Rational Decision-Making theoretical foundation to be effective in the shared-governance environment of the academy.

A fourth implication derives from the frequently observed variance in responses to survey questions among the four categories of administrators. Readers of the results of the study, especially administrative teams at private colleges and universities, may benefit from examining the topics where there were statistically significant differences among administrators. Indeed, one administrator who participated in the survey telephoned the researcher to request a copy of the dissertation when it is completed to use as a discussion piece with his administrative team.

There is at least one policy implication for all colleges and universities: financial condition matters. Not only is financial condition vitally important if the college or university is to be able to pursue its educational mission, but it is also important as a key accountability measure for such federal agencies as the Department of Education. While, as noted above, the objective of strategic planning cannot be solely the attainment of financial well-being, financial improvement must be taken seriously by governing boards and key leaders.

#### *Suggestions for Future Research*

There are at least five areas for future research which emerge from the study described in this dissertation. While the study was designed as a quantitative study of the

set of Lutheran institutions, a case study of a limited number of institutions may have provided additional insights regarding the connection between strategic planning and institutional financial strength. Cases could be selected based upon the institutions' track record of financial performance, perhaps more broadly defined than only outcomes on DOE scores. A case study approach could allow for more in depth probing on the planning practices of a select group of institutions. Friedrich (2005) conducted such a study of the role of leadership in building endowment at Lutheran colleges and universities and found a statistically significant correlation between leadership and endowment growth.

The role of leadership in strategic planning provides another opportunity for future research. The written survey approach provided limited opportunity to examine the dynamics of leadership and culture, both of which shape the planning process (Bryson, 2011; Tromp & Ruben, 2010). Indeed, it would be helpful for future research to consider such intangibles as leadership and culture, as well as specific nuances and characteristics of communication methods used in the planning process in order to assess the effectiveness of planning and its correlation with financial condition.

The correlation between an institution's governance paradigm and financial performance is another area of potential study. The results of the study described in this dissertation showed a statistically significant correlation between the Involvement of the Governing Board in the strategic planning process and financial well-being as measured by mean DOE scores. A study of the overall role of the governing board and its correlation with financial condition within a set of institutions could provide insights into

the relative financial strength within that set. The literature review for the study described in this dissertation revealed differences in the way boards are formed and engaged at various Lutheran universities, particularly differences between those institutions affiliated with The Lutheran Church – Missouri Synod and the Evangelical Lutheran Church in America. The perceived role of governing boards at the various institutions and its correlation with financial condition could enhance the study.

The interplay among the four categories of administrators also warrants further study. The descriptive research for the study described in this dissertation revealed many statistically significant differences in perspectives between and among Chief Executive Officers, Chief Academic Officers, Chief Financial Officers, and Chief Advancement Officers. A study to examine the synergies or lack thereof among teams and their correlation with financial condition could prove fruitful. A possible hypothesis might be: Greater synergies among administrative leadership teams contribute to more positive financial operating results and financial condition.

Finally, the correlation between specific financial best-practices and financial results also warrants further study. Seven of the 11 statistically significant inputs identified by the researcher in the study described in this dissertation may properly be termed financial best-practices, and these findings intimate the value that could be derived from a study of best financial practices and financial performance. A starting point for such a study could be Townsley's (2002) Keys to Financial Strategy, as well as literature from the Financial Accounting Standards Board (FASB) and the National Association of College and University Business Officers (NACUBO). Both FASB and



NACUBO are dedicated to improving financial performance of institutions of higher education, much as the Carnegie Foundation for the Advancement of Teaching (1910) and the General Education Board (1915) were a century ago when the financial performance of colleges and universities first began to be studied seriously.

### *Conclusion*

Strategic planning is practiced by each of 38 participating colleges and universities which identify as Lutheran, and there appears to be a link between certain aspects of strategic planning and financial performance. While colleges and universities which engage in planning should do so with more than financial motives in mind, financial condition is nevertheless increasingly important to colleges and universities, first of all simply to survive, and secondly to meet stringent accountability expectations from government agencies like the U. S. Department of Education.

College and university administrators frequently displayed perspectives that varied somewhat from person to person. While the study did not link congruence in perspective, or lack thereof, with financial condition, the results of the study do provide food for thought and discussion on Lutheran campuses and beyond.

As was found in this study of strategic planning at 38 Lutheran institutions, strategic planning processes were universal, although there were some variations among institutions as to the procedures of certain strategic planning activities. Since a condition for identifying statistically significant correlations is adequate variance in both the independent and dependent variables, it may not be possible to connect strategic planning with financial condition. As the data for the dependent variable suggests, there is not

always clearly defined variance in financial condition among the group of institutions. In fact, the five-year mean DOE score of the population was improved by the exclusion of three Lutheran colleges and universities from the data set which, because of financial stress, ceased to operate as independent Lutheran institutions just prior to the research. Certain financial-related best practices do hold promise for future research and seem to be closely related to financial condition. These best practices may or may not emerge from the process of strategic planning, but were frequently found to be practiced at those institutions with relatively stronger five-year mean DOE scores.

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## Appendix A: Cover Email for Strategic Planning Research Questionnaire

**From:** Thomas K. Ries [mailto:noreply@qemailserver.com]  
**Sent:** Tuesday, September 24, 2013 2:31 PM  
**To:** Tom Ries  
**Subject:** Strategic Planning at Lutheran Colleges and Universities - Your Feedback is Requested

Dear Tom Ries,

I am writing to ask you to complete a survey to help me fulfill the research requirements for my PhD dissertation at the University of Minnesota. You are receiving this survey as the Chief Advancement Officer of a private college or university in the United States with historically Lutheran roots.

The survey will take 15-20 minutes to complete. You will be asked about your institution's most recent institution-wide strategic planning process, specific issues address in the process, the scope of planning activities, who was involved in the planning process, attitudes toward planning, how planning is related to budgeting, and the impact of strategic planning on your institution.

For the purposes of this study, institution-wide strategic planning is defined as a **centrally-coordinated planning process which considers issues that cross departmental and administrative boundaries.**

Survey responses will be collected by an independent third party, the University of Minnesota Office of Measurement Services (inquiries regarding the survey administration may be directed to Deveny Benting at [dbenting@umn.edu](mailto:dbenting@umn.edu)). Your responses will be held in strict confidence and will not be individually identifiable.

**Follow this link to the Survey:**

[Take the Survey](#)

Or copy and paste the URL below into your internet browser:

[https://umn.qualtrics.com/WRQualtricsSurveyEngine/?Q\\_SS=3lqno2KOfFMEePP\\_esQC\\_hdxS6QRI2Sp&\\_=1](https://umn.qualtrics.com/WRQualtricsSurveyEngine/?Q_SS=3lqno2KOfFMEePP_esQC_hdxS6QRI2Sp&_=1)

**I respectfully ask you to complete the survey by Thursday, October 31, 2013.** If you have questions, please contact me at [ries@csp.edu](mailto:ries@csp.edu).

Very truly yours,

Thomas K.Ries, PhD Candidate  
University of Minnesota

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## Appendix B: Strategic Planning Research Questionnaire

### Strategic Planning at Lutheran Colleges and Universities

This survey asks you to respond to a series of questions about strategic planning at your institution. For the purposes of this study, institution-wide strategic planning is defined as a centrally-coordinated planning process which considers issues that cross departmental and administrative boundaries. These questions should only take about 20 minutes of your time to complete and do not require you to refer to any records or statistics. All responses will be held in strict confidence.

#### Header1 General Background Questions About Strategic Planning at Your Institution

Q01 Has your institution conducted a centrally-coordinated institution-wide planning process at any time since 2003? (Select one answer)

- Yes (1)
- No (2)

Answer If Has your institution conducted a centrally-coordinated in... Yes Is Selected

Q02 When did your most recent institution-wide planning process begin? (Select one answer and enter date if applicable)

- Month and Year: (1) Q02\_TEXT
- Not sure (9)

Answer If Has your institution conducted a centrally-coordinated in... Yes Is Selected

Q03 When did it end? (Select one answer and enter date if applicable)

- Month and Year: (1) Q03\_TEXT
- It has not ended yet (2)
- Not sure (9)

Answer If Has your institution conducted a centrally-coordinated in... Yes Is Selected

Q04 The planning horizon is the number of years the strategic plan projects into the future. What was the length of the planning horizon for your most recent institution-wide planning process? (Select one answer)

- 1 year (1)
- 2 years (2)
- 3 years (3)
- 4 years (4)
- 5 years (5)
- More than 5 years (6)
- Not sure (9)



Answer If Has your institution conducted a centrally-coordinated in... Yes Is Selected

Q05 Will your institution continue to perform institution-wide planning? (Select one answer)

- Yes (1)
- No (2)
- Don't know yet (9)

Answer If Has your institution conducted a centrally-coordinated in... No Is Selected

Q06 Did you conduct institution-wide planning before 2003? (Select one answer)

- Yes (1)
- No (2)
- Don't know (9)

Answer If Has your institution conducted a centrally-coordinated in... No Is Selected And Did you conduct institution-wide planning before 2003? (... Yes Is Selected

Q07 What year was the planning completed? (Select one answer and enter date if applicable)

- Year: (1) Q07 TEXT
- Don't remember (9)

Answer If Has your institution conducted a centrally-coordinated in... No Is Selected

Q08 Does your institution intend to begin an institution-wide planning process in the next three years? (Select one answer)

- Yes (1)
- No (2)
- Don't know (9)

Header2 Specific Topics Discussed in the Strategic Planning Process at Your Institution

Q09 During an institution-wide planning process, many topics may be discussed, but often certain topics are the focus of the planning process. How important were each of the following topics during your most recent institution-wide planning process? (Select one answer for each topic)

	Not important (1)	Slightly important (2)	Important (3)	Very important (4)	Extremely important (5)	Not Applicable (99)
Adding academic programs (Q09_a)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Deleting academic programs (Q09_b)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Modifying academic programs (Q09_c)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Academic support for students (Q09_d)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Administrative restructuring (Q09_e)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Admissions/Enrollment management (Q09_f)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Faculty recruitment and retention (Q09_g)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Budget/Finances (Q09_h)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Development and fundraising (Q09_i)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Tuition and financial aid (Q09_j)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Student support services (Q09_k)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Physical facilities (Q09_l)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Capital campaign (Q09_m)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other (Q09_n)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q10 Please identify other topics discussed at your institution but not listed above

### Header3 Planning Activities Used in the Strategic Planning Process at Your Institution

Q11 What activities were used in the institution-wide planning process? (Please select one answer for each activity)

	Yes (1)	No (2)
A strategic planning steering committee was formed to lead the planning process (Q11_a)	<input type="radio"/>	<input type="radio"/>
The institution's mission or vision statement was created or revised (Q11_b)	<input type="radio"/>	<input type="radio"/>
Student populations or other specific beneficiaries to be served were identified (Q11_c)	<input type="radio"/>	<input type="radio"/>
Collaborations with other colleges and universities were identified (Q11_d)	<input type="radio"/>	<input type="radio"/>
Collaborations with other types of organizations were identified (5 Q11_e)	<input type="radio"/>	<input type="radio"/>
Internal factors affecting the institution were examined (Q11_f)	<input type="radio"/>	<input type="radio"/>
External factors affecting the institution were identified (Q11_g)	<input type="radio"/>	<input type="radio"/>
Goals were established (Goals describe in general terms the steps which will be taken to achieve the institution's mission or vision) (Q11_h)	<input type="radio"/>	<input type="radio"/>
Objectives were established (Objectives are specific, measureable outcomes used to gauge progress toward achieving goals) (Q11_i)	<input type="radio"/>	<input type="radio"/>
Tactical plans were identified and articulated (Tactical plans are the specific steps or tactics needed to achieve the goals of a strategic plan) (Q11_j)	<input type="radio"/>	<input type="radio"/>
Contingency plans were formulated (Contingency	<input type="radio"/>	<input type="radio"/>

<p>plans describe how plans might be modified to deal with unexpected events) (Q11_k)</p> <p>A formal process for evaluating outcomes was established (Q11_l)</p> <p>An external consultant was engaged to help guide the planning process (Q11_m)</p> <p>Other (Q11_n)</p>	<p><input type="radio"/></p> <p><input type="radio"/></p> <p><input type="radio"/></p>	<p><input type="radio"/></p> <p><input type="radio"/></p> <p><input type="radio"/></p>
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Q12 Please identify other planning activities used at your institution but not listed above

Header4 Levels of Involvement by Key Stakeholders in the Strategic Planning Process at Your Institution

Q13 How involved in the institution-wide planning process were the following individuals from within your institution? (Select one answer for each individual)

	Not involved (1)	Slightly involved (2)	Involved (3)	Very involved (4)	Extremely involved (5)	Not Applicable (99)
Chair of the Governing Board (Q13_a)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
President (Q13_b)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Chief Academic Officer (Q13_c)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Chief Advancement Officer (Q13_d)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Chief Enrollment Officer (Q13_e)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Chief Financial Officer (Q13_f)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Chief Student Services Officer (Q13_g)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other individuals (Q13_h)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q14 Please identify other individuals from within your institution involved in the strategic planning process but not listed above

Q15 How involved in the institution-wide planning process were the following groups from within your institution? (Select one answer for each group)

	Not involved (1)	Slightly involved (2)	Involved (3)	Very involved (4)	Extremely involved (5)	Not Applicable (99)
Governing Board (Q15_a)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Faculty (Q15_b)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other administrators not listed in the previous table (Q15_c)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Students (Q15_d)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other (Q15_e)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q16 Please identify other groups from within your institution involved in the strategic planning process but not listed above

Q17 How involved in the institution-wide planning process were the following groups from outside your institution? (Select one answer for each group)

	Not involved (1)	Slightly involved (2)	Involved (3)	Very involved (4)	Extremely involved (5)	Not Applicable (99)
Alumni (Q17_a)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Advisory councils, not alumni (Q17_b)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Members of the community (Q17_c)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Members of a religious consistory (Q17_d)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Local business leaders, not alumni (Q17_e)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Local government officials (Q17_f)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other (Q17_g)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q18 Please identify other groups from outside your institution involved in the strategic planning process but not listed above



Q19 Overall, approximately how many individuals took part in the planning process, regardless of how small or large their role? (Select one answer)

- 10 or fewer (1)
- 11 to 25 (2)
- 26 to 50 (3)
- 51 to 75 (4)
- 76 to 100 (5)
- More than 100 (6)
- Not sure (9)

Header5 Attitudes of Stakeholders and Constituent Groups at Your Institution Toward Strategic Planning

Q20 In your opinion, what degree of importance do each of the following individuals from within your institution place upon strategic planning? (Select one answer for each individual)

	Not important (1)	Slightly important (2)	Important (3)	Very important (4)	Extremely important (5)	Not Applicable (99)
Chair of the Governing Board (Q20_a)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
President (Q20_b)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Chief Academic Officer (Q20_c)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other Advancement Officer (Q20_d)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Chief Enrollment Officer (Q20_e)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Chief Financial Officer (Q20_f)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Chief Student Services Officer (Q20_g)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other individuals (Q20_h)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q21 Please offer any comments on the degree of importance each of the individuals above places upon strategic planning at your institution

Q22 In your opinion, what degree of importance do each of the following groups from within your institution place upon strategic planning? (Select one answer for each group)

	Not important (1)	Slightly important (2)	Important (3)	Very important (4)	Extremely important (5)	Not Applicable (99)
Governing board (Q22_a)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Faculty (Q22_b)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other administrators not listed in the previous table (Q22_c)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Students (Q22_d)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other (Q22_e)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q23 Please offer any comments on the degree of importance each of the groups above place upon strategic planning at your institution

Q24 In your opinion, what degree of importance do each of the following groups from outside your institution place upon strategic planning? (Select one answer for each group)

	Not important (1)	Slightly important (2)	Important (3)	Very important (4)	Extremely important (5)	Not Applicable (99)
Alumni (Q24_a)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Advisory councils, not alumni (Q24_b)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Members of the community (Q24_c)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Members of a religious consistory (Q24_d)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Local business leaders, not alumni (Q24_e)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Local government officials (Q24_f)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other (Q24_g)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q25 Please offer any comments on the degree of importance each of the groups from outside your institution place upon strategic planning

## Header6 Strategic Planning and Budgeting

Q26 To what extent is strategic planning linked to the budgeting process at your institution (Select one answer)

- Strategic planning is not linked to the budgeting process. (1)
- Strategic planning is somewhat linked to the budgeting process. (2)
- Strategic planning is linked to the budgeting process. (3)
- Strategic planning is largely linked to the budgeting process. (4)
- Strategic planning is completely linked to the budgeting process. (5)

Q27 To what extent are financial metrics used to evaluate the effectiveness of strategic planning at your institution? (Select one answer)

- Financial metrics are not used to evaluate intended outcomes of the strategic plan. (1)
- Financial metrics are used to evaluate a few intended outcomes of the strategic plan. (2)
- Financial metrics are used to evaluate some intended outcomes of the strategic plan. (3)
- Financial metrics are used to evaluate most intended outcomes of the strategic plan. (4)
- Financial metrics are used to evaluate all intended outcome of the strategic plan. (5)

Q28 Please offer any comments you may have on the importance placed upon linking strategic planning to the budgeting and financial evaluation at your institution

Header7 Impact of Strategic Planning on Your Institution

Q29 To what extent were the goals of the most recent institution-wide planning process achieved? (Select one answer for each goal)

	Much less than expected (1)	Less than expected (2)	As expected (3)	More than expected (4)	Much more than expected (5)	Not Applicable (99)
Enrollment goals (Q29_a)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Academic program goals (Q29_b)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Budget goals (Q29_c)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ability to compete for faculty (Q29_d)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Fundraising goals (Q29_e)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reputational goals (Q29_f)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Improved morale (Q29_g)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Improved ability to make changes (Q29_h)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other (Q29_i)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q30 Please identify other goals of strategic planning and offer any comments on the degree to which the goals of the most recent institution-wide planning process at your institution have been achieved

Q31 Please evaluate the extent to which specific attributes of the university were affected by the most recent institution-wide strategic planning process. (Select one answer for each attribute)

	Not affected (1)	Slightly affected (2)	Affected (3)	Definitely affected (4)	Not sure (9)	Not Applicable (99)
Mission was clarified (Q31_a)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Key institutional leaders were more engaged than they had been before (Q31_b)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
View of the institution by accrediting bodies improved (Q31_c)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Financial stability of the institution improved (Q31_d)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Condition of the infrastructure – buildings, equipment, technology – improved (Q31_e)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Long-term debt position improved (Q31_f)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Financial reserves were	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>



strengthened (Q31_g)						
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Q32 As a result of your institution's strategic planning process, the financial condition of the institution as measured by the U.S. Department of Education's financial responsibility test:

- Did not improve (1)
- Improved somewhat (2)
- Improved (3)
- Definitely improved (4)
- Not sure (9)

Q33 Were the following financial-related adjustments made as a result of the strategic planning process, including the evaluation of results? (Select one answer for each item)

	Yes (1)	No (2)	Was already in place (3)	Not sure (9)	Not Applicable (99)
Eliminated deficits from operations (Q33_a)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Built a coherent net pricing strategy (Q33_b)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Focused strategy on main income flows into the institution (Q33_c)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Diversified the main income flows to reduce risk (Q33_d)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reduced long debt and raised debt ratio (Q33_e)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Made changes in budgeting process (Q33_f)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Built a capital reinvestment fund for renovations and equipment replacement (Q33_g)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Built a contingency fund (Q33_h)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Established a monitoring system for financial performance using ratios, trends and benchmarks based on industry standards (Q33_i)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Installed budget controls (Q33_j)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Conducted regular budget, financial condition and financial strategy meetings (Q33_k)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Billed students monthly and enforce collection procedures (Q33_l)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Set a bad-debt goal and worked toward achieving it (Q33_m)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Set minimum net income goals for auxiliaries (Q33_n)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reorganized or outsourced auxiliaries	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

(Q33_o) Expected alumni relations to produce income equal to their costs (Q33_p)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Set net income goals for athletics (Q33_q)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Incorporated options for flexibility in financial strategy during times of economic stress (Q33_r)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q34 Please offer any additional comments on the impact of strategic planning at your institution

EndText THANK YOU for completing this survey. Please click the “Submit” button below to ensure your responses are recorded.