In Conversation

Mission vs. Money Is it Really an Either Or?

By Matthew Carnes, S.J., Dorothy A. Hauver, Natasha Holiday and Alan Miciak

What roles should mission and market play in making financial decisions at a Jesuit institution? What do campus communities need to know about topics like tuition rates and endowments? How should college and university leaders approach conversations about institutional agility in a period of financial instability for higher education?

In June 2023, a group of leaders in Jesuit higher education explored these questions together.

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Matthew Carnes, S.J.: I find that many people think about finances only when a tuition increase or a salary change is announced. But you each think about finances daily, so I want to start by surfacing your principles and processes and how you balance what I'll call "mission analysis" and "market analysis" in financing your institutions.

Jesuits like to talk about discernment — trying to choose the best for the current moment, choosing from a number of good things hopefully, not between good and bad. And in your discernment process, I wonder if you have any particular principles you employ.

Alan Miciak: I start with this: Never compromise on values and mission. And when I talk about values and mission, the two most important things are first, serving students, and second, serving the long-term health and prosperity of the institution.

I think if everyone is aligned on keeping students first, we serve the mission by generating a personal, formative, academic experience so they might go out into the world. Of course, there is no end to the immediate need in the world and in the needs of communities around our institutions. But our mission really is focused, first and foremost, on the students and their development.

Dorothy A. Hauver: Balancing mission and the market is difficult because we operate within financial realities we can't change. Holy Cross has been educating people for 180 years, and we'd like to continue for 180 more. To do this, a key part of our financial balancing act is to make serving the long-term health and prosperity of the institution a core principle. Getting down to the practical reality, we have to understand and analyze market risks and trends. At our best, we're using market analysis to support our mission-driven institutions into the future.

One important thing I think about when making financial decisions is supporting and retaining a best-in-class workforce. We need the top of the line in faculty, student affairs, IT, facilities, athletics, and beyond. In this vein, we've responded to changing market needs and desires by creating new wellness benefits around mental health and family support, professional development and mentoring — thinking about the totality of compensation. And we've been getting really strong feedback and support for these things.

Natasha Holiday: As a trustee and finance committee member for the past 13 years, I think the place to start is to recognize that good financial stewardship is a core tenet of good governance, and stewardship is what enables institutions to fulfill their mission.

I really do believe that the institutional values should be centered in financial decisions and other decisions, too. I also believe that what you invest in reflects what you care about — in particular, when you've got a more strained fiscal situation which a lot of universities, Jesuit and non-Jesuit, are facing today.

But I want to highlight the importance of Ignatian values in trustees' work. We've been able to help support and center Xavier's board around Ignatian values, for example, by anchoring every committee meeting with shared prayer to start right. We also have a reflection period about our work and our commitment to mission, and more recently we added reflection on our commitment to diversity, equity, and inclusion in our decision making.

So we're asking together: Given our limited financial resources, how do our decisions impact various constituencies that are part of the University's fabric? How do our financial decisions impact the most vulnerable people in our communities? What are the investments that cannot wait? What are the things we need to change?

Carnes: I appreciate that what you focus on first at your committee meetings — prayer and core values — as preparation for your work. And it sounds like that could be considered a "best practice" — foregrounding mission in everyone's minds as they make financial decisions.

Natasha, do you think your board work at this Jesuit institution is different from other boards you've served on?

Holiday: Yes, these practices anchor our ability to serve and make good decisions in a way that's very different from other boards I've served on. Every board — whether it's a corporate, nonprofit, or university board — is there to support an institutional mission. But the difference with a Jesuit approach comes in using the specific tools that allow us to come together and focus on the best outcome for our specific Jesuit mission.

Miciak: Speaking of practices that center mission, I would just highlight that trustees and administrators need practices that align them not only on what we do and why we do it, but also on how we are going to go about doing it. I think that's a critical piece when it comes to stewardship and good governance.

During my time, I've experienced good alignment with trustees around balancing mission analysis and market analysis. But I know that other leaders haven't always experienced that alignment. It has to be there, though. Otherwise there can be some disruptive forces in play that are detrimental both to mission and to our competitiveness in the marketplace.

Carnes: In my experience as a trustee, I've come to recognize that appropriate onboarding and formation is necessary — and that's true at every level, whether it's new administrators, new students, new faculty. We want to make sure that people can come into the community, learn the community's values, and contribute to advancing those values because they feel like they own those values.

So, turning to the present moment, institutions face some great opportunities, but also some economic tensions, or potentially even economic crises. What do you see as key financial challenges and variables at work today?

Hauver: For many of us, the challenges of access, affordability, and setting tuition rates are constant. And that's because, at Jesuit institutions, we take accessibility and affordability seriously as part of our mission. At Holy Cross, as at many of our institutions, we are tuition-dependent. As costs rise, tuition rates need to rise. Still, for financial aid purposes, we meet 100 percent of students' demonstrated need. We're faced with the challenge of how to balance the budget while ensuring that students and families are able to pay tuition.

Holiday: The first thing we have to do is acknowledge the overarching economic climate and remember that many institutions may not survive in the current climate. So, we have to figure out a business model that works to allow educational institutions to operate for the next 100 years. As we do this, some of the biggest challenges include the pressures of maintaining or expanding enrollment, combined with the pressure to lower tuition.

And there's the fact that we're not just competing against other private institutions, but also against public ones that are seeing significant enrollment gains because families and students are making a choice about affordability and the "value proposition" that higher education institutions are offering.

A big part of this conversation is about that value proposition. We need to be really clear not just about communicating our mission, but also communicating that value proposition. We are creating people of high integrity, thoughtful and discerning people. But we've got to ensure that these people have pipelines for employability and that we're strengthening our alumni networks to help with that. Doing these things allows our value proposition to address what people are looking for today.

Miciak: I'd also add another challenge we all face: In this market, you have to be premium at everything you do — academics, residence life, athletics, campus facilities. And so you have to find ways to finance it all.

But beyond that, it's difficult for organizations that have been around for 100 years and more to come to grips with the challenges they face. So, it's important that we inform our campus communities about our financial challenges and that everyone understands that the future does not look like the past. When we really consider the financial realities — the challenges of access and affordability, of pricing competition, of competition around our value proposition, of the fact that we're in a shrinking demographic market — that different future becomes clear.

And I agree, both internally and externally, we have to communicate that value proposition. I don't think everyone sees how much it matters in this environment to communicate this. Of course, part of this work is sharing the good news that Jesuit education demonstrates tremendous outcomes. One thing we know is that people make the difference, and an engaged campus community, as our campuses tend to be, will outperform a disengaged campus every time.

Carnes: I want to ask about some of the variables you have at least some control over, the levers you can push or pull in financing your institutions. For example, I think of tuition rates, salaries and benefits, spending on capital investments, endowment spending, and engaging philanthropy to finance parts of our institutional work.

What would you want people to understand about those kinds of variables and how much you can engage them in financing your institutions?

Hauver: To begin, there's not a complete understanding of how much of a lever the endowment actually is. As someone at an institution that has a billion-dollar endowment, I can say we're incredibly fortunate. But the reality of that endowment is that it is there in perpetuity to ensure intergenerational equity. Generations before us have spent at a reasonable rate to help sustain later generations, and we need to do that, too. We need an appropriate spending rate to meet current needs in a way that leaves a sustainable endowment for future needs. And so even though that's the lever everybody tends to go to — "let's just spend more of the endowment" — the reality is that it's meant to be available in perpetuity.

Another thing many don't understand that well is how institutions manage the "discount rate" — he extent to which they discount tuition from the advertised price. We've had to put a cap on our discount rate, and though we had been "need-blind," meaning we did not take financial status into account in admissions, we couldn't continue that in a sustainable way. We hold firmly to the Jesuit belief that education should be accessible to all who want to pursue a life of passion and service to others. Providing financial aid to students is part of our mission. And so we pursue partnerships with foundations and specific fundraising to allow us to support as many needy students as possible.

But in the meantime, people don't always understand how strategic we have to be about the discount rate, and they sometimes see it as another lever that we can move more easily than we can in reality.

Holiday: I also think it's important to understand the difference between restricted and unrestricted assets. At most institutions, endowment funds are

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restricted in some way, and so we can't just spend more without going back to each of the donors who, sometimes long ago, made agreements with the institution about how their money will be spent over time.

Having said that, there is a need for institutions to increase unrestricted funds in their endowments, particularly in a rapidly changing economic environment where you need more institutional flexibility and adaptability. So, I think our institutions need to explain to the donor base that we're in a partnership and invite them into agreements that leave open the ability to come back and have a conversation about change in utilization of their funds.

Another point I want to make is that allocating money for tuition discounting is a social justice issue. Still, we have to balance that with the need to remain competitive institutions with the highest achievers and performers. And so the challenge is how to balance the mission-based desire to address societal inequities by supporting students that can't pay while also having enough top performers at the institution.

Studies show that students who grow up in two-parent households where parents have college degrees typically live in wealthier communities with better schools and perform better on standardized tests. So, when we allocate dollars, we need to take the opportunity to help correct for societal disadvantage, and we also need to remain competitive institutions that attract the highest achievers and performers.

Miciak: I think we're also trying to recognize that what our institutions looked like historically will often be different from what they need to look like in the future. And when it comes to socioeconomic diversity, it's all in the execution. You set goals, act on them, and then measure effectiveness. You're trying to shape a class, and you have the ability to set parameters for how much financial aid you give, both merit and need-based. But you allocate knowing that you want to shape that class. So, the questions are: What are the goals? And where do we allocate the money to support those goals?

And all of this can be tricky because we are a nonprofit and not a charity. We have to work within that reality, even as we all want to make the gift of a Jesuit education available to people with greater financial need.

Another point: I try to encourage people at our institution to think that they're spending their own money, not the institution's money. If they really want to know how to make a smart decision, I think this is a good place to start, and this is ultimately a cultural thing — how to build a culture of making smart decisions knowing that we have limited financial resources.

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Finally, in a world where financing higher education is not getting easier, I want to highlight the importance of partnerships. In order to work our way through this, we're going to have to be more efficient, to concentrate efforts, and to look for partners that align with our mission. At the same time, we have to realize that there's no magic formula, no one solution.

Carnes: So, we've learned in this conversation that there's not a single solution to complex problems and that even a billion dollars, or multiple billions, doesn't fix everything. But I think we've also learned that when you put students and the institutional workforce first, that means you're thinking both about the community right now and the community of the future. And you want to make credible promises to each group — now and in the future — that can allow them to flourish.

And so you don't want to be irresponsible and make offers of financial aid that you ultimately can't provide. Nor do you want to deprive a future generation of an education that you might be able to provide to a group now.

What I'm hearing is that, for the flourishing of the community, you may have to say, "I'm sorry I can't do that, because it would jeopardize someone else." Or, "I could make a promise that I'll give you this financial aid, but it might turn out in year three I can't fulfill that." It seems that here's where the rubber hits the road in terms of communicating about institutional finances.

A final question: We all hear about new models for higher education — partnerships, for example, or even mergers. As you think about new models being proposed, where do you see them fitting into our Jesuit educational landscape?

Holiday: I think in considering partnerships we've got to be very focused on "motivational alignment." What are our motivations, and what are our partner's motivations? Do we or they want to partner because of dire financial straits? Is partnership a way out of a bad situation? Is it a revenue-driven partnership from one partner's perspective? What blind spots might we each have?

I think the key is in finding true motivational alignment. We spend a lot of time focused on "mission alignment" in thinking about partnerships, but we need to be focused on motivational alignment if we're going to get better outcomes.

Miciak: I love this idea of motivational alignment and thinking about how these motivations can move toward something transformative in nature, even in terms of smaller successes with partners. I think there's a lot of consolidation coming in higher education, but I think it's consolidation driven by financial difficulties rather than motivational alignment. It's good to remember the old adage that two wrongs don't make a right: in the same way, two weaknesses do not make a strength.

Holiday: It's important to remember, too, that the projection is rarely as good as the reality, despite all the institutional energy invested in the partnership. Every Jesuit institution should be focusing on what in the partnership makes us special.

Hauver: I wonder if we can find ways that Jesuit institutions can strategically partner, where we can do some shared services that make significant operational improvements and savings at the local level. Can we distinguish between the things that make us distinctive that we need to do locally and things that we all do, but that don't add to our distinctiveness? Part of what our institutions do right is emphasize how mission makes us unique and special. At the same time, this can cause us to think that we can't possibly collaborate because we're all so unique and special. But if we were able to develop some shared services, maybe at the local level we could hire another faculty member or give another scholarship.

Think about supplies and procurement, for example. Maybe we could invite Jesuit institutions to work together in this area to save money and limit inefficiency while also working with minority and diverse vendors. And this may be a good example of where a motivational alignment and mission alignment match up and might help us, where a simple emphasis on mission alignment might cause our institutions to just go back to doing our own thing.

Carnes: What I like about this conversation is that it hasn't been just highlighting all good things, but has allowed everyone to talk about financial challenges realistically, and it suggests that when we talk about financing Jesuit higher education, we need to allow room for the various tensions in the conversation. Thank you for helping to model that for us.