# Using the balanced scorecard as a turnaround strategy: a model and application

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## ABSTRACT

The primary subject matter of this case explores the use of the Balanced Scorecard (Kaplan & Norton, 1993) as a turnaround strategy at King's College, Wilkes-Barre, PA. Secondary issues include accounting, finance, marketing, and strategic management. The case presents the situation at King's College following the format of the Balanced Scorecard and provides a guide to the successful conclusion for the College and how it can be a tool to assist other institutions considering the size of and conditions found in those institutions. As an academic tool this case can be adapted to a not-for-profit strategic planning course as a turnaround case.

King's College is small to medium sized liberal arts based college with about twenty-five hundred students located in Northeastern Pennsylvania. Although traditionally used in industry as a form of control, the authors also found the tenets of the Balanced Scorecard to be constructive as a basis for a reengineering strategy. The paper will provide the model used in formulating the strategy and well as the actual tactics used to successfully implement the strategy. Questions and possible answers are also provided to stimulate discussion.

Keywords: College, management, processes, balanced, scorecard, strategy, and turnaround.

## CASE SYNOPSIS

King's College is small to medium sized liberal arts based college with about twenty-five hundred students located in Northeastern Pennsylvania. Although traditionally used in industry as a form of control, the authors also found the tenets of the Balanced Scorecard to be constructive as a basis for a reengineering strategy. The paper will provide the model used in formulating the strategy and well as the actual tactics used to successfully implement the strategy. Questions and possible answers are also provided to stimulate discussion.

## THE BALANCED SCORECARD

The balanced scorecard is a tool used to determine if a firm is achieving an appropriate balance when using strategic and financial controls as a means of improving performance (Freisl & Silberzahn 2012); (Kaplan & Norton, 2009).

The underlying premise is that firms jeopardize their future performance when financial controls are overemployed at the expense of strategic controls. Overemphasis on financial controls may sacrifice the firm's long-term, value-creating potential for short-term gains. Research shows that decisions balancing short-term goals with long-term goals generally lead to higher performance (Haynes, Josephy & Hitt, 2015; Kaplan & Norton, 2001). In a college or university setting, some of the terms and definitions are modified to reflect the nature of operations as they may differ from that of business organizations which has been described as a "Modified Balanced Scorecard" (Keyt 2001). The four perspectives that are integrated in the balanced scorecard as utilized by the College are as follows:

1. Financial, the effective and efficient use of resources to improve the financial performance of the College (Financial perspective).
2. Customer (in this case, students), provide a level of performance in the view of the student that will be a value proposition and motivate the students to matriculate and graduate from the College (Customer perspective).
3. Internal business processes (in this case, integration of the education of the hearts and minds of students, housing, community service, other student services, and traditional business operations and services)effectively and efficiently provide students with the necessary services that the College must excel at and do so in a quality manner to achieve the "greatest impact upon customer satisfaction (Internal business perspective) (Keyt 2001, 97), and
4. Learning and growth, provide the human capital and organizational culture necessary to effectively and efficiently change programs and services, provide new programs that meet the needs of the students of the future, and innovate for success and short-term and long-term growth (Innovation and learning perspective).

As will be demonstrated in the following sections, strategies and tactics utilizing this methodology were utilized and provide a template for other institutions. Each of the areas covered reflect one or a combination of each of the four areas of the balanced scorecard approach. For each phase the perspective will be identified in addition to the strategies and tactics used.

### Outline

The outline of the materials in this case is as follows:

- College History
- Mission of the College
- A Model of Continuous Improvement
    - Strategic Alignment
    - Mission Alignment
- Five Phase Model of Sustainability – Outcomes Phases
    - Phase 1: Improved operations
    - Phase 2: Debt Restructuring
    - Phase 3: Pricing and Enrollment
    - Phase 4: Investment in Foundation; Invest in New Programs; Development of New Programs; Creating More Demand
    - Phase 5: Endowment Growth
- Evolving the Model
- King's College Balanced Scorecard Map

## THE TURNAROUND STRATEGY

### History

King's College is a Roman Catholic liberal arts college in Wilkes-Barre, Pennsylvania, United States. It is accredited by the Middle States Association of Colleges and Schools. The campus covers nearly 50 acres in downtown Wilkes-Barre (adjacent to the Susquehanna River). King's College was founded in 1946 by Congregation of Holy Cross priests and brothers from the University of Notre Dame. The original mission of the college was to educate the sons of local coal miners, mill workers and soldiers returning from World War II who lived in the Northeastern Pennsylvania region. King's College today is an independent, coed, four-year Catholic college with approximately 2,500 students.

King's academic programs are recognized by leading accrediting agencies, including AACSB International - The Association to Advance Collegiate Schools of Business, the National Council for the Accreditation of Teacher Education, the Accreditation Review Commission on Education for Physician Assistants, the Commission on Accreditation of Athletic Training Education, and the Middle States Commission on Higher Education.

King's grants bachelor's degrees in 40 majors (including business, education, engineering, humanities, sciences, social sciences, and allied health programs), 11 concentrations, and seven pre-professional programs. All of the degree programs at King's encourage students to develop practical experience and skills that prepare them to pursue rewarding and successful careers. The college's newest programs include civil and mechanical engineering and nursing. The average class size is 18 with a student-to-faculty ratio of 12:1. The average GPA for entering first-year students is 3.4.

The college has 131 full-time teaching faculty, 13 full-time members with faculty status and 96 part-time faculty members in the fall semester of 2016. With eighty-eight percent of full-time faculty members have Ph.D. or equivalent terminal degrees (graduate assistants do not teach courses). Approximately seventy percent of all enrolled students graduate from King's, and 99 percent of graduates are employed or attend graduate school within six months of graduation.

King's also offers a Master of Science (M.S.) degree in health-care administration, a Master of Education (M.Ed.) degree in reading or curriculum and instruction, and a five-year physician assistant studies program leading to a master's degree.

The mission and vision of the College provided the guidance that was followed in arriving at the strategies that were to be followed. It is the mission of the College that was identified as the key driver in measuring success or failure of the strategies, both long-term and short-term, that were put into operation. While the balanced scorecard approach uses the four strategies outlined previously, it is the behavioral aspect at the College and its relationship to the Congregation of Holy Cross that guided the strategy and success factors. Holy Cross sponsorship and the Catholic intellectual tradition are important components of a King's education. Fr. Basil Moreau, C. S. C., founder of the Congregation of Holy Cross, expressed his vision of educating the whole person, both mind and heart, as the essential philosophy of all Holy Cross schools. In the words of its founding President, Fr. James Connerton, C.S.C., "King's teaches students not only how to make a living, but how to live."

**Mission**

King's College is a Catholic institution of higher education animated and guided by the Congregation of Holy Cross. King's pursues excellence in teaching, learning, and scholarship through a rigorous core curriculum, major programs across the liberal arts and sciences, nationally-accredited professional programs at the undergraduate and graduate levels, and personal attention to student formation in a nurturing community.

**Vision**

Since its founding in 1946, King's has been dedicated to the Holy Cross ideal of transforming minds and hearts with zeal in communities of hope. The College's commitment to students is expressed both in the curriculum and in co-curricular programs encouraging service, fostering reflection, and cultivating leadership skills. Inspired by the teaching and example of its namesake, Christ the King, who taught by example and ruled by love, King's forms graduates who will champion the inherent dignity of every person and will mobilize their talents and professional skills to serve the common good. In the words of its founding president, "King's teaches its students not only how to make a living, but how to live." *

* Father James Connerton, CSC, Founding President of King's College

## MARCH TO FINANCIAL SUSTAINABILITY - A MODEL OF CONTINUOUS IMPROVEMENT

The starting point for this case is 2012 and the financial situation and operational model at that time is the benchmark for determining the successful resurrection of the educational and financial stability of King's College. The balance sheet of the College in 2012 showed net assets with a basis of $96 million (MM). The debt service coverage ratio had fallen to what would be considered to be a default level of 1.2 to 1.0. Net tuition revenue was flat as compared to previous academic years with 2011 revenue at $35.6MM and 2012 revenue at $35.9MM. The college was experiencing consistent operating losses with the losses from 2011 and 2012 at $1.2MM. The College had projected a loss in 2013 at $4.0MM. The resulting lack of free cash flow had created large deferred maintenance pools and financial conditions were such that invoices were being held for payment.

## A MODEL OF CONTINUOUS IMPROVEMENT

### Strategic Initiatives

In early 2013, the College adopted a strategic restructuring process called the "March to Financial Sustainability". In March 2014, the report outlining the strategic initiatives was presented to the Board of Trustees of the College after being vetted through the appropriate stakeholders of the College. The "March to Financial Sustainability" is a concept that transcends all four parts of the balance scorecard approach and includes the concept of sustainability which has been considered a fifth element of the balanced scorecard by some organizations (Pineno 2013). The approach taken by the College followed the traditional four step approach outlined earlier in the balanced scorecard approach with the strategic initiatives include multiple tasks that together meet all the elements of the scorecard (Kaplan & Norton, 2009).

The "March to Financial Sustainability" strategic initiatives included 5 strategies:

1. Stabilize through improved processes;
2. Efficiency in resource allocations;
3. Create new resources through cost rationalization and price validation;
4. Invest new resources based upon data (evidence based management) employing continuous checks while developing new programs (demand vs. expertise); and
5. Continue to create and invest in future programs and operational efficiencies to make the College sustainable.

### Mission Alignment

As a mission and vision driven process, each of the five strategies in the: "March to Financial Sustainability "and the operational changes and implementation that followed are guided by the Mission and Vision of the College. The mission and vision alignment with and guidance for the balanced scorecard approach used are outlined as follows by relating them to each of the balanced scorecard elements. While business organizations have focused upon the business aspects of the approach, it is important that a College maintain its focus upon its distinctive mission and vision throughout the process (Keyt 2001). Examples of how each area is furthered are provided as guidance to demonstrate a mission centric approach and provide guidance to other institutions.

1. Financial perspective. As King's College seeks to provide "excellence in teaching, learning and scholarship" as driven by its Mission, Vision, and sponsorship by the Congregation of Holy Cross it must provide the financial framework necessary for the short-term and long-term operational and strategic success of the College and its Mission and Vision. These financial perspectives must meet the economic reality of the competitive nature of college and university student recruitment and retention issues along with the ever escalating costs of delivering a quality educational experience.
2. Customer perspective. Proceeding from the Mission and Vision, the College seeks to provide students with the "Holy Cross ideal of transforming minds and hearts with zeal in communities of hope". In doing such the College must provide students with the

knowledge of how they will grow personally and professionally and how a King's College education will differentiate them from graduates of other colleges and universities. In the words of Rev. James B. King, C.S.C., "The contemplation of new ideas and needs beyond our comfort zones requires a sacrificial willingness to put at risk everything that we think we already know." (King 2013, 36). Through the enrollment management portion of the College experience to the current academic programs and new academic programs, the students as customers must see the education they are receiving as a value for which they are willing to exchange tuition and fees to receive.

3. Internal business perspective. In order to fulfill the portion of the Mission and Vision related to the student, the College seeks to provide "personal attention to student formation in a nurturing community." To do this the College must provide services as outlined earlier to its present and future students that "takes place in service learning centers, classrooms, and residence halls" (King 2013, 28). These internal business perspectives and be in areas seen and unseen by the student yet are equally as important to the strategic success in fulfilling the Mission and Vision of the College. These areas involve the improvement of revenue and cost reductions through bond refinancing or cost savings that result in a manageable pricing strategy for the current and future student. It also involves the creation of new programs and modification of existing programs to insure "A Catholic education in the Holy Cross tradition transforms minds and hearts with zeal in communities of hope." (King's 2017)
4. Innovation and Learning perspective. The College further seeks to "… pursues excellence in teaching, learning, and scholarship through a rigorous core curriculum, major programs across the liberal arts and sciences, nationally-accredited professional programs at the undergraduate and graduate levels, and personal attention to student formation in a nurturing community." The ability to do such requires a collective belief in the financial ability, quality student inputs, and the appropriate level of academic, student, and administrative support systems to make such a reality. Innovation is also an aspect that draws upon the collective talents of the College and is a driving force in the acquisition of talent to staff areas that may not have the talent to meet the requirements for development and implementation of innovative strategies for success.

## OUTCOMES PHASES

### Phase I – Create New Resources Through Improved Operations

Improved operations created through elegant solutions required a reengineered approach for financial review and management of existing and new programs and systems. New managerial talent was hired; many with industrial or commercial experience which brought the corporate model to higher education. Employing a thoughtful and data driven process, the new management team undertook a strategic overhaul of processes and systems to insure efficiency in resource planning and allocation. To achieve these lofty goals, the College looks to the innovation and teaching perspective and the financial perspective of the balanced scorecard approach to strategic management is designing the new process. From this new process came the application of the internal processes perspective for short-term and long-term implementation strategies and the transformation of assets into customer and financial perspectives (Karpagam & Suganthi 2012).

Attention was first focused on the balance sheet and its position in relation to financial markets and institutions. The goal was to avoid future use of endowment funds to shore up the financial integrity and the operations of the institution. The reengineering evaluated the college practices in a thoughtful data driven way to insure processes were efficient. The goal was to insure the institution was at current market levels, relative to delivering services and activities, benefits and compensation, and to determine alignment from a staffing perspective to insure the institution was meeting the needs of our customers - students.

Through careful analysis of strategy and attention to details surrounding the execution, synergistic cost savings resulted from the strategic initiatives undertaken. From fiscal year 2012 through fiscal year 2016, the new team created $10MM in new resources (including those derived from cost reductions and savings) out of a total $55MM spend. The savings resulted from contractual changes in food service, staff rightsizing, debt refinancing, lease restructuring, medical cost sharing, insourced facilities & purchasing functions, faculty redesign, retirement plan redesign (early retirement offers), bring your own device (BYOD) campus planning, and prescription plan redesign; as well as through other initiatives. The facilities team insourced things that were previously outsourced and major contracts were renegotiated all at cost savings. The efforts were designed to produce a short term cost savings and to produce a financially sustainable model which would continue the expectation of further cost savings.

Recognizing the College cannot cut their way to prosperity the critical element was creating a system to capture the expected wave of new resources for future investment. This required a system to reinvest the additional resources produced through cost savings and increased revenue programs and activities where demand met the institutions expertise and could produce additional incremental revenue sources. Finally, the College developed a continuous operational process to identify future savings to be reinvested in the institution. By utilizing the financial perspective of the balanced scorecard, a "chain of logic" for the conversion of assets to value for the College is clarified and demonstrates how the balanced budget measure is fulfilled (Karpagam 2012).

**Phase 2: Debt Restructuring**

In February 2013, the management team embarked on an effort to recapitalize the College focused on reengineering and replacing its high risk and prohibitively priced capital structure. The goal was to add duration to lower risk, improve liquidity and extinguish high cost bonds and operating leases to fund much needed growth and initiatives in other areas. The expected result was to return the institution to an investment grade status for its current debt and future debt offerings. From the internal business perspective, the staff was utilized to develop the overall strategy from which strategic alliances with consultants created tactics to implement the plan.

As the institutions financial picture improved and interest rates declined, the management team used discrete windows of opportunity to improve the College's capital structure. The financial restructuring took several tactics to complete. The successful execution of each phase added duration to debt, improved liquidity and lowered overall cost. The final phase resulted in an investment grade rating of BBB stable by Standard & Poors. Below are some highlights of each phase:

Tactic I: Five-Year Notes. In May 2013, the management team initiated the syndication of a five-year $45MM Tax Exempt, Non-Bank Qualified Notes. The Notes refinanced approximately $30.5MM of the College's existing variable rate demand bonds ("VRBDs"), refunded $7MM to the College's endowment to replenish funds temporarily used to fund College operations at the peak of the College's financial crisis and $7,500,000 to fund new facilities to support program expansions.

The Notes Offering has several advantages: Through the creation of a diversified bank group and demonstrating to the group the College's potential, the College was able to receive pricing at a BBB credit spread even though the implied rating was CCC. The Notes eliminated the cost and rollover risk associated with the current need for annual letters of credit. Debt service requirements were also lowered freeing up $3,000,000 annually.

Tactic II: Revolving Credit Facility (RCF). The College expanded the RCF to ensure liquidity. In October 2014, this was accomplished by upgrading the revolving credit facility to a five-year, $7 million facility. Subsequently the RCF was expanded to $10 million. The RCF has several advantages: Through the creation of a diversified bank group, the College was able to receive pricing at a BBB credit spread despite what was the current financial condition. The College lowered the risk of the structure by eliminating the cost and rollover risk associated with the pre-existing, one-year RCF.

Tactic III: Ten Year Notes. To support funding for the advancement of new programs at the College, the management team initiated the syndication of a Ten-year $70MM Tax Exempt, Non-Bank Qualified Notes in October of 2014. The Use of proceeds was to refinance approximately $45MM of the College's existing Notes, approximately $7MM to the King's College educational complex on public square in Wilkes-Barre, PA construction project and approximately $18MM for the financing of the high cost operating lease on the College's cornerstone O'Hara Hall facility. The Notes Offering has several advantages. Through the creation of a diversified bank group, the College was able to receive pricing at a BBB+/A- credit spread despite our current rating of BB+/BBB-. The Notes eliminated the cost and rollover risk associated with 5 year notes and lowered debt service requirements by $3,000,000 annually.

Tactic IV: Fix Interest Rates. To reduce interest rate risk in the future, the College initiated interest rate swap program on all of the previously syndication of a Ten-year $70,000,000 Tax Exempt, Non-Bank Qualified Notes. This increased the fixed rate portion of the debt portfolio to 100% fixed for ten-years. This was done at an average of 2.95%. This hedge reduces exposure to rising interest rates and creates a more appropriate C-curve progression for the capital structure.

Tactic V: Investment Grade Rating And Longer Term Fixed Interest Rates. During 2016 we entered into and completed a ratings process with Standards & Poor's (S&P). On November 2, 2016 the College was notified that it achieved an S&P private rating of BBB with a stable outlook. This rating is considered investment grade. This positive outcome resulted in the College moving forward with a refinancing plan that extended its outstanding debt duration by 15 years. On January 10, 2017 the College completed its four-year process to redesign the College's capital structure making it more resource efficient, longer duration and lower risk. The College terminated its existing swap on its Series B notes at a cost of $10,000 and entered into a new swap that fixed the interest rate of our Series B notes ($50 million of debt) at 2.95% (1.70% 15-year swap rate and 1.25% bank spread) for the next 15 years. Debt amortization was locked in on our Series B notes for 15 years when we completed the refinancing. The College now has a debt portfolio that has 100% fixed rate with a favorable debt amortization.

The financial perspective of the balanced scorecard is demonstrated here through by how the College created sustainable value and resources through cost rationalization. These resources were then utilized to achieve other strategic initiatives or support the measure of a balanced budget with a reserve and investment grade bond rating (Karpagan 2012).

**Phase 3: Pricing and Enrollment**

The customer perspective of the balanced scorecard approach required the College to differentiate itself from other institutions and also create a value proportion to its targeted customer base. In an educational institution the college administration in consultation with its stakeholders must identify the student (customer) populations that it wishes to target based upon the financial expectations developed by the institutions to meet its needs while considering the value proposition to the students. From this target market of students, objectives and measures had to be established based upon the existing financial constraints and communicated to students to influence their behavior as it relates to selecting a college or university to attend (Kaplan and Norton, 2004a and 2004b). These objectives and measures should influence both the short-term enrollment and tuition expectations of the College but also place in a long-term position for success over time (Karpagam 2012).

King's College was in a financial scenario with tuition discount levels, the amount between the posted tuition rates and the actual amounts being paid after subtracting institutional financial aid, increasing without strategic management of the discount rate and financial aid awards. While the increase in discount rate that is strategically allocated amongst the applicant pool can result in an increase in net tuition revenue, the process that was being utilized had caused net tuition revenue to remain virtually flat for a period of three academic years while in the same period of time the cost structure of the college continued to rise. With a flat net tuition revenue stream and increasing costs, a systemic deficit was created that would not change without a strategic change in direction in the area of enrollment management. The methodology of discounting student tuition rates, strategic allocation of financial aid, and enrollment levels had to be improved to increase revenue and help overcome this ongoing systemic deficit.

The first step in this area was to raise the focus upon and prominence of Enrollment Management in the organizational structure of the college. To begin the College made a financial commitment to establish a Vice President of Enrollment Management position and fill the position through a national search. That was followed with the engagement of a financial aid and enrollment management consultants to assist in generating the data, both internal and external to the College, which would produce meaningful information for tuition positioning of the college, in making individualized financial decisions, and developing prospective students.

Simultaneously, the Enrollment Management division of the college was reorganized to include all the operational areas of enrollment from developing the prospects, marketing to those prospects, financially positioning the financial aid, and matriculating a class of students. This restructuring insures that the necessary talent and skill sets are available to meet the demands of the process and provide a depth of talent within the division to achieve the goals outlined by the senior administration of the College. The goals for the division are structured around the size of prospect pool to produce the necessary applicants from whom the use of data analytics in the application of financial aid will produce an incoming class appropriate in educational quality, class size in number of students, and net tuition revenue to meet the needs of a balanced budget sustainable over time.

To further these goals as outlined, the College took a strategic step in rebranding the institution based upon the mission, vision, and values of the College. To begin this the College invested strategically in hiring an associate vice president of marketing and communications at

King's College. His duties would oversee the College's branding initiative and coordinate the implementation of a strategic, integrated marketing communications plan for the college. As with the other strategic use of the appropriate consultants, in this area also the College reached out to marketing consultants to assist in the updating the College's look and feel to reflect the academic and athletic vitality of King's College and to be able to outreach those to prospective and current students as well as alumni and others in the broader community. Through these efforts, applications rose, accepted students increased, and enrolled students increased. This resulted in a strategically determined tuition discount rate and a resulting increase in net tuition revenue, a central component of deficit elimination.

In regard to the balanced scorecard approach this phase represented a reengineering of internal processes, systems, and talent with the goal of improving outcomes related to those areas. It also dealt with the financial strategies necessary for success which resulted from the streamlining and improvements in processes used in higher education and contributing to a balanced budget with a surplus.

**Phase 4: Invest in Foundation; Invest in New Programs; Development of New Programs: Creating More Demand**

This phase has the clearest connection to all four components of the balanced scorecard amongst the all the phases of the strategic initiative phases. The goal of this phase is to grow the College into a financially sustainable position. To accomplish this goal, the College had to strategically identify opportunities that were financially attractive (financial perspective), appealed to our current and future students (customer perspective), capitalized on our strengths from both a human resources perspective and upon the College's infrastructure (internal business prospective) and position the College for the future with new programs (innovation learning perspective). The balanced scorecard was utilized to measure the performance as outlined in this and the other phases with the strategy employed. It also demonstrates in this phase the relationship of strategy and mission through the development and enhancement of programs both internal to the organization and through collaborative efforts (Tsasis & Harber 2008).

One initiative in phase 4 was to reinvision the marketing effort of the College. This included changing how the College is branded and the processes that will be used to market the College. This effort involved a move toward digital marketing with social media becoming a more prominent piece of the marketing strategy. In addition, the College also solicited feedback from various constituencies (faculty, current students, and alumni) regarding our brand. As a result of this feedback the new brand created and implemented reflects the vitality and energy of the college experience at King's.

Another initiative in phase 4 was to upgrade facilities and technology to enhance the student learning experience. One of the most impressive changes the College made was in the McGowan School of Business. The facilities that house the McGowan School of Business have been remodeled and now incorporate two collaboration rooms which are also called active learning rooms or flat rooms. These rooms have transformed the traditional classroom settings where students face the instructor with lectures or problem solving performed on one board or screen. These new collaborative environments are settings with a set of group tables or learning pods for students to work at in a bi-directionality setting. A bi-directional classroom is what separates the College's collaboration rooms from traditional classrooms. The instructor can send the content from one of the group tables to the main screen at any point in the lecture. The instructor can invite student groups to present the results of their work as well as allowing the comparison of multiple groups at the same time by adding their content to the main display and sharing this back to all student tables. This created a means of differentiating student instruction from that received at other AACSB International accredited institutions. Further, the technology allows for video conferencing and other advanced features.

A third component of phase 4 was to create new athletics programs that are attractive to prospective students. The College researched student participation rates in high school sports and discovered two opportunities for growth. Approximately two years into the plan King's started a track and field team, which required building a new facility at our sports complex utilizing the financial opportunities discussed earlier in this case. Track and field has the highest participation rate among female high school students and second highest rate among male students. Secondly, in the fall semester of 2017 King's created intercollegiate ice hockey teams for both male and female students. Ice hockey is highly popular and student interest in both of these sports has exceeded the College's expectations.

Lastly, the largest growth opportunities came in the area of academics. The most popular academic program at King's is the physician assistant program. A building near campus was acquired and remodeled that has enabled the College to double its enrollment in the PA program. Moreover, the facility provided space for the College to create a new program in exercise science, which has been well-received by prospective students. Furthermore, King's has utilized the network of Congregation of Holy Cross colleges and universities to create a strategic partnership with the University of Notre Dame. King's now offers a 3-2 engineering program in which students attend King's for 3 years and then move on to Notre Dame to complete their engineering degree and receiving a degree at King's College also. The success of this program has lead King's to create a 4-year undergraduate engineering programs in civil and mechanical engineering.

Two further programs with the University of Notre Dame permits graduates to enroll in master's degree programs at Notre Dame as part of a 4+1 articulation agreement. First, allows accounting majors who meet certain academic requirements necessary to attend the Master of Science in Accountancy (MSA) program upon graduation from King's College. Second, for non-business majors a Master of Science in Business (MSB) program allows students to obtain an advanced business degree upon attaining certain academic requirements. In addition, another partnership was identified to meet a pressing employment need. a 1-2-1 nursing program which starts in 2018 will be a partnership of King's College with the local community college that has an established nursing program. Students interested in nursing can now receive a bachelor's degree from King's while attending the community college for the clinical portion of the program.

Overall, this phase of the turnaround strategy of the College has several components that will be financially attractive, appeal to potential and existing students, and enhance the reputation of the College. It incorporates all key aspects of the College: academics, athletics, human resources, student life, facilities and technology.

**Phase 5: Endowment Growth**

The cumulative result of the first four phases of the turnaround strategy was to achieve the financial perspective measure of endowment fund replenishment and growth in two significant ways. The first was to increase alumni giving to the College both through annual giving and endowment or long-term giving. The result of development efforts coupled with the initiatives in the other phased that have created excitement amongst the alumni and friend of the College base resulted in the number of alumni donating to the College growing from 2,636 in 2011 to 2,759 in 2016. This growth was partly reflected in the number of dollars generated in the same time period as the endowment grew from $50,908 (in millions) in 2011 to $69,715 (in millions) in 2016. Another benefit to the College of the endowment growth was to permit the spending rate from the endowment to fund new program initiatives to grow from a 4% withdrawal rate to a 5% withdrawal rate during the period of the march to sustainability.

## EVOLVING THE MODEL

As the Balanced scorecard approach to this case is cyclical in nature, the model will continue to evolve and provide additional balanced scorecard perspectives on the Colleges performance. As an example, in 2017, the College began to move away from a sole criteria time based salary program toward building a pay-for-performance model (Innovation and learning perspective). The intent is to strengthen the link between results and rewards in a manner that rewards those who help the College excel. This model allows the institution to allocate monies for rewarding the highest performers based on the achievement of the College's performance and the employee's personal performance. Only the highest performers will receive an increase in salary based on merit and only if the College's overall results warrant it (Internal business perspective). To the extent the College has available resources; the plan is to provide additional compensation above the base raise to the top performers in the form of a merit increase to their base salary each year (Financial perspective).

In order to ensure the performance evaluation system yields the results of the College's plan, a 5 step process was defined:

- Goal Setting: Supervisors were trained on the new goal setting process. The supervisors worked closely with employees to establish individual goals which align to the College goals. Goals will evolve throughout the year and as they do, supervisors and employees will revise individual goals.
- Feedback & Coaching: Supervisors are encouraged to provide continuous feedback and coaching to their employees throughout the year.
- Annual Evaluation & Rating: With the updated performance evaluation system, an employee's performance is rated one of three different ratings: Needs Improvement, Meets Expectations and Exceeds Expectations.
- Calibration: Once the employee ratings are determined, a calibration discussion is held with the Leadership team. The objective of this meeting is to ensure that similar standards are being used to measure and evaluate performance across the College.
- Salary Decisions: During the calibration discussions, those determined to be the highest performers, should be the individuals receiving the recommendation for a merit increase. Over time, the College will be driving toward both market based and performance driven compensation rather than the current "time in role" driven compensation scale.

The performance evaluation process will continue to evolve. The primary reason for the College's initial success in moving forward with a balanced scorecard approach was leadership support and by-in from the stakeholders affected by the process. The College senior administration team provided feedback into the program design, goal setting and aligning rewards for performance. Strong leadership support and engagement will be important as the College continues to monitor and evolve the process in order to insure a mission centric approach to change which will meet the needs of the entire campus community and provide students with a distinctive educational experience (Customer perspective).

## KING'S COLLEGE BALANCED SCORECARD STRATEGY MAP

### Objectives

The "March to Financial Sustainability" objectives were designed to insure that the expectations of the King's College Mission could be fulfilled and result in a sustainable culture of strategic management as the College moves forward. The strategy map that follows provides a road map of the individual strategies of the "March to Financial Sustainability" as they were designed around the balanced scorecard approach to strategic management. The map also provided the responsible divisions of the College repsponsible for each strategy and the measures for determining successfully completing the stratgey and element of the balanced scorecard approach. The outcomes indicate which phase that was discussed earlier demonstrate the success. The map presents an integrated approach of all the divisions of the College which provides the overall macro strategy, responsible divisions, measures, and outcomes for the organization. The comprehensive strategy proceeds from this integration to allow for specific or micro level strategies, responsible persons, measures, and outcomes under each of the balanced framework elements (Pineno 2013)

| King's College<br>Balanced Scorecard Strategy Map | | | | |
|---|---|---|---|---|
| **Balanced Scorecard** | **Strategy (s)** | **Responsible Division (s)** | **Measure (s)** | **Outcomes - See Detail in Phase Section Listed Below** |
| **Financial Perspective** | 1. Stabilize through improved processes;<br>2. Efficiency in resource allocations.<br>3. Create new resources through cost rationalization and price validation.<br>4. Invest new resources based upon data employing continuous checks while developing new programs.<br>5. Continue to create and invest in future programs and operational efficiencies to make the College sustainable. | 1. Business Affairs<br><br>2. Institutional Advancement | 1. Investment grade bond rating<br><br>1. Balanced budget with a reserve<br><br>2. Endowment fund replenishment and growth | Phase I<br>Phase II<br>Phase III<br>Phase IV<br>Phase V |
| **Customer Perspective** | 4. Invest new resources based upon data employing continuous checks while developing new programs.<br><br>5. Continue to create and invest in future programs and operational efficiencies to make the College sustainable. | 1. Enrollment management<br><br>2. Academic affairs<br><br>3. Business affairs | 1. Enrollment benchmarks<br><br>2. Student retention rates<br><br>2 and 3. Evaluation & creation of new programs | Phase III<br>Phase IV |

| King's College<br>Balanced Scorecard Strategy Map | | | | |
|---|---|---|---|---|
| **Balanced Scorecard** | **Strategy (s)** | **Responsible Division (s)** | **Measure (s)** | **Outcomes - See Detail in Phase Section Listed Below** |
| **Internal Business Perspective** | 1. Stabilize through improved processes;<br><br>2. Efficiency in resource allocations. | 1. Business affairs<br><br>2. Academic Affairs<br><br>3. Enrollment management | 1. Cost savings from initiatives undertaken<br><br>1. Savings from vendor contractiual revisions and bidding<br><br>2. Academic program cost ratios<br><br>3. Number inquiries and applications<br><br>3. Talent acquisition | Phase I<br>Phase II<br>Phase IV |
| **Innovation and Learning Perspective** | 4. Invest new resources based upon data employing continuous checks while developing new programs.<br><br>5. Continue to create and invest in future programs and operational efficiencies to make the College sustainable. | 1. Enrollment management<br><br>2. Academic affairs<br><br>3. Student affairs<br><br>4. Business affairs | 1. Net tuition revenue target<br><br>2. New program creation and collaborations<br><br>3. New athletic program creation<br><br>4. Acquisition and upgrade of facilities | Phase I<br>Phase III<br>Phase IV |

**QUESTIONS**

1. How does the institutions strategic plan align with its mission, vision and values statements as they relate to financial strategies? Identify how the mission, vision, and values statements inform and drive the strategic plan and the financial strategies that flow from it.

> Suggested approach to answer: Answers will vary.
> Teaching suggestions: Ask the users of this case to prepare a balanced scorecard strategy map and to obtain an organizational chart to identify the lines of authority and structure of the organization.

2. Does the mission, vision, or values statements need to be modified to provide guidance for a strategic plan with a focus upon an institutional financial vision using the balanced scorecard approach?

> Suggested approach to answer: Answers will vary.
> Teaching suggestions: Ask the users of the case to prepare a situational analysis or environmental scan to be used in the analysis of the mission, vision, or values statement. A chart or other comparison of mission, vision or values as they tie to strategy should be prepared.

3. Complete a balanced scorecard improvement plan for each of the four perspectives identified in the case as applied to the institution being studies which includes:

- Goal(s) and objective(s) for each.
- Benchmarks for the measurement of each goal and objective related to the plan.
- Initiatives to achieve success including specifics of the relationship to the goals and objectives to operationalize the initiative and measure it against the benchmarks.

> Suggested approach to answer: Answers will vary.
> Teaching suggestions: Ask the users to prepare answers of each bullet point. They can utilize the balanced scorecard strategy map from question 1 along with the situational analysis or environmental scan from question 2 as needed.

4. Do the enrollment management strategies meet the needs of fulfilling the finances perspective of the balance scorecard approach while matching the needs of the student (customer) as related to attracting and retaining the students?

> Suggested approach to answer: Answers will vary.
> Teaching suggestions: Ask the users to include in your analysis the management of human capital (talent), marketing, and the strategic allocation of financial aid.

5. Part 1. The largest human resources expense for most colleges/universities is instruction primarily faculty salaries and benefits). Identify at least three initiatives a college/university can implement to control this expense.

Suggested approach to answer:

- Salary freeze (or cut)
- Reduce benefit allocations (e.g., make employees pay higher % of healthcare premiums, reduce employer contribution to retirement)
- Increase utilization of part-time/adjunct faculty to teach more courses
- Capitalize on grad students to teach more courses
- Decrease course releases for faculty (&/or increase faculty teaching load)
- Increase class caps
- Cancel more courses with low enrollment
- Cut/reduce faculty benefits (sabbatical leave, travel funds, etc.)

Part 2. Identify at least two concerns with each of your ideas in Part 1.

Suggested approach to answer:

Depending upon which options they picked above, most of the concerns pertain to negative effects on faculty and/or students.

- Could damage faculty job satisfaction
- Could lead to higher faculty turnover
- Could damage research accomplishments of the faculty (publications, grants, books)
- Grad students may publish less before completing their degree
- Higher class sizes could impair the learning process (less active learning)
- Student interaction with faculty could be reduced
- Students may have a harder time completing certain majors
- Student retention may suffer

Part 3. Based upon the analysis of the initiatives and the concerns outlined which would be the first choice. Provide in your answer the impact upon each of the four perspectives of the balances scorecard approach.

Suggested approach to answer: The student needs why the option chosen and how it would result in significant savings, while minimizing the negative impact on faculty and/or students. The type of institution, small to medium liberal arts college versus major research university should influence the answer to this question and should be included in the answer.

6. Identify the areas of the institution that will require a reengineering to meet the needs of your plan.

Suggested approach to answer: Answers will vary. For example, do any of the functional areas of enrollment management or the human capital (talent) in the area need to be restructured to meet the needs of the balanced scorecard? This includes the use of consultants to fill the talent needs where a resource is not available to the organization on a short or long term basis. Provide as many areas here as is needed.

7. Are the branding strategies aligned with the mission, visions, and values of the organization while focusing upon outreach that align with the enrollment management goals of the institution?

> Suggested approach to answer: Identify in the strategy what makes the organization distinctive, emphasizes the needs of the target audience in making a value added decision regarding enrollment or philanthropy, and what will be the message that you want to deliver to all the stakeholders of the organization. Identify how this fulfills the measures of the balanced scorecard strategy map as outlined in question 1.

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