THE BOTTOM LINE

- St. John Preparatory School's market position as leader among Catholic schools but mid-range among secular independent schools requires constant vigilance to ensure value proposition is strong.
- Administrators undertook a process of "deep benchmarking" in areas of enrollment, advancement, personnel and purchased goods and services to understand not just how the school compared to peers, but also what led to St. John's Prep's performance and ways to adjust it.
- Action plans included changing enrollment strategies, rethinking faculty hiring, moving away from event-based fundraising and refinancing debt, among many others.

HEAD TOGETHER

By Harry Bloom, Measuring Success, with contributions from Cynthia Fanikos, St. John's Preparatory School

All photos courtesy of St. John's Preparatory School in Danvers, Massachusetts.

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Benchmarking, data analysis and school-wide brainstorming enabled St. John's Preparatory School to moderate tuition increases, adjust revenue and spending, and enhance its value proposition.

ST. JOHN'S Preparatory School just north of Boston teaches its students to pursue the common good. The all-boys Catholic, Xaverian Brothers day school challenges young men to promote human dignity and to act with compassion and integrity. So it's fitting that when St. John's Prep, which enrolls 1,470 students grades six through 12, undertook a planning process to maximize its value to families, it would enlist a wide range of staff to work together towards a common goal that would benefit the whole community. The outcomes? A total of $9 million in combined budgetary savings and additional revenue over the next five years as well as a clearer vision of how St. John's Prep can strengthen its value positioning in the near and more distant future.

A DELICATE BALANCE

St. John's Prep occupies a singular position within its marketplace. With middle school tuition of approximately $23,000 and high school tuition of $24,000 during the 2018-2019 school year, its price point is higher than that of all other Catholic schools in the area, but half

that of nearby secular independent schools. This middle ground offers strategic advantages but necessitates constant vigilance to ensure the school's perceived value relative to tuition is as high as possible among prospective families.

In recent years, application growth rates had slowed, and financial aid applications were increasing. Additionally, to fund investments in program and facilities, the board implemented a series of tuition increases that outpaced the school's historic norms. Judging these trends to be unsustainable, the board in late 2016 chartered an "access and affordability committee" under the leadership of CFO Cindy Fanikos to optimize the school's value to tuition. "We sought to create a plan to steward our financial resources and ensure that our expenses aligned with our mission," Fanikos explained.

In May of the following year, the school hired Measuring Success to guide the committee's inquiry and encourage a collaborative process, among other reasons. "The CFO is already seen as a 'no' person," Fanikos said. "If we'd had these conversations [about budgeting] internally, people would have felt threatened." An external partner as well as objective data took some of the pressure off the business office.

Another factor in St. John's Prep's decision to undertake this project was findings from the white paper, "Effects of Tuition Increases on Enrollment Demand," published jointly by NBOA, Measuring Success and ISM in 2017. The study demonstrated that tuition price alone does not impact independent school enrollment. Rather, enrollment changes are linked to perceived value. Find the white paper at ***go.nboa.org/TuitionWhitePaper*** or a link in this article on ***NetAssets.org***.

STRETCH GOALS

The access and affordability committee, in consultation with the finance committee, established three goals before embarking on data collection, analysis and development of action plans. The goals were to enhance the school's financial plan to:

- Fund depreciation of approximately $2 million.
- Meet 100 percent of demonstrated financial aid need for all accepted students, which amounted to increasing the financial aid budget by $2 million.
- Moderate the rate of tuition increases.

The school ultimately wanted to adjust expense and revenue levers to achieve $6 million in additional revenue and savings over five years.

THE BIG DATA DIG

Measuring Success collected data to allow school staff members to engage in a process of "deep benchmarking" the school's performance relative to that of both Catholic and secular independent school peers. Data on staffing ratios, compensation ratios, spending per student, purchased goods spending and non-tuition revenue sources, including fundraising and auxiliary income, was drawn from NBOA's BIIS data collection platform as well as customized surveys. A significant number of the school's faith-based peers did not participate in national association data collection efforts but agreed to share data in the customized survey in exchange for receiving the results. Assembling quality data was critical to building support among the leadership team for the planning efforts ahead.

Then the leadership team considered the data on three levels:

- Level I: **What** is our performance relative to relevant peers, and where can we improve?
- Level II: **Why** is our performance the way it is, and how can we improve?
- Level III: **How** can we redesign key drivers to enhance our performance?

Crucial to the process was thinking that went beyond relative benchmark positioning to designing an action plan that would result in needed changes.

AREAS OF OPPORTUNITY

The intensive benchmarking revealed a number of potential financial improvement opportunities that a wider group of school staff set out to research. From May to September 2018, a total of twenty-five staff members looked into virtually every material contributor to revenues and expenses for opportunities to increase value relative to tuition. Senior leaders spearheaded four committees that encompassed all potential areas of improvement: enrollment and tuition revenue, advancement, staffing and compensation, and purchased goods and services and auxiliary income. Proposed measures included a range of activities.

Enrollment and Tuition Revenue

This committee utilized demographic data mining to identify similar new prospective families who were similar to current family profiles.The data also helped accurately quantify St. John's Prep's enrollment growth potential in high, moderate and low penetration communities.

Goals:

- Grow enrollment among St. John's Prep "lookalike" families by focusing recruitment and marketing resources on these groups.
- Reduce emphasis on traditional open houses and establish a student and family ambassador program to directly connect current families with prospective ones in a familiar setting.
- Replace printed viewbook with electronic viewbook to reduce printing and postage costs.

Advancement

Benchmarking and income and wealth analysis revealed that St. John's Prep giving levels had room to grow. The advancement team with support from the board advancement committee decided to move away from more expensive event-based fundraising to more cost-effective donor-based fundraising.

Goals:

- Increase participation levels among current parents, trustees, grandparents and alumni.
- Eliminate one advancement role.
- Reduce campaign expenses.

Staffing and Compensation

One third of St. John Prep's faculty was retiring over the next five to ten years, which offered a sizable opportunity for change.

Goals:

- Replace faculty retirees with faculty at a lower salary or consider no replacement if class size warrants it.
- Strategically evaluate staff transitions to consider no replacement or hire staff at lower salary.

Purchased Goods and Services, and Auxiliary Income

Benchmarking data inspired this committee to creatively reduce operating expenses, revamp staffing levels and generate incremental auxiliary revenue.

Goals:

- Improve energy conservation.
- Refinance existing short-term debt.
- Implement staffing changes and eliminate one budgeted role.
- Improve planning to minimize overtime pay.
- Increase rental rates on facilities to increase profitability.

A STRONGER FUTURE

This process of inquiry and analysis, which required intense effort and robustly challenged the status quo, initially raised feelings of doubt and concern among some leadership team members, explained Headmaster Ed Hardiman. Eventually, however, the leaders' desire to improve and their belief in the quality of the data enabled them to move forward. "The leadership team worked together to challenge the norms of how things had been done in order to create a new strategy for the future that would strengthen the school and our ability to perpetuate the mission," said Fanikos.

Senior leaders validated and endorsed the improvement programs generated by the four committees and then developed implementation plans, which included calculating the timing of required investments and anticipated benefits. The final step of the planning process was to incorporate the improvement programs into St. John's Prep's long-range plan. It should be mentioned that the deep benchmarking process surfaced a full roster of future improvement opportunities in addition to those implemented in the near term.

In November 2018, the finance committee approved the plan, which it then shared with the full board for its endorsement in January 2019. The goal of $6 million in planned improved financial performance was exceeded for a total of $9 million, as quantified by St. John's Prep leadership. St. John's Prep is now implementing the planned improvements, creating for itself a future with greater certainty. A mastery of deep benchmarking and the overall improvement methodology will ensure this remains the case well into the future.

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