

POSITION OF STRENGTH:

A Case Study in Strategic Sustainability Planning

THE BOTTOM LINE

- Greenhill School's long-term financial sustainability initiative is projected to achieve \$5 million in combined savings and increased revenue over five years, allowing it to limit tuition increases to an expected 3 percent in the coming school years.
- Engaging staff and faculty from across the campus helped give the effort integrity and break down silos that could otherwise prevent cross-departmental collaboration.
- Data-rich "briefing books" ensured that all participants understood the school's current and historical positions.

By Dr. Harry Bloom, Measuring Success



Drawing on extensive data analysis and in-depth, campus-wide discussions, leaders at Greenhill School are on a five-year path toward reducing costs, increasing revenue and sustaining a financially diverse student body.

An ambitious long-term planning effort is underway at Greenhill School in Dallas, which serves more than 1,300 students from prekindergarten through 12th grade. Is the school struggling? To the contrary, Greenhill is in a strong economic position by almost any measure. Its many advantages include small classes, a waiting list at each grade level, nationally competitive faculty compensation, a 75-acre campus with a state-of-the-art performing arts center, a \$35 million endowment and a generous financial aid budget. But last January, the school set its sights on the future. In partnership with Measuring Success, the education-focused data, analytics and research consulting company where I work, the school's leadership set out to solve a vexing riddle: How could it sustain its investments in educational quality without also having to increase tuition to a degree that would jeopardize its mission-critical goal of a financially diverse student population?

"It's the compounding nature of the business," said Melissa Orth, Greenhill's CFO from 2000 until August (she is now CEO of a faith-based senior housing and health care organization). Despite some previous success in efforts to slow tuition increases, in recent years the school's commitment to continuous investments in quality programming had led to tuition growth as high as 4.5 percent annually. "If we did nothing, we'd see tuition levels continue to increase at escalating rates." The only way to slow them, Orth knew, was to increase revenues and decrease expenditures.

Scott Griggs, Greenhill's head of school, agreed. "We are well aware that costs are rising rapidly, and we are under no illusion that we can freeze or stop them," he said. In his 18 years as a head of school, he's heard endless conversations about financial sustainability, "but no one has found an answer. We haven't found the answer, but we are addressing this question in a very specific way and have identified concrete steps to take."

5 WORKING GROUPS, 5 LEVERS

This is Greenhill's most comprehensive long-term planning effort, but not its first. In 2008, the school assembled an internal team to develop a long-term plan, only to narrow the plan's focus to the short term when the recession hit. "We didn't have trouble filling the school," Orth clarified, noting that applications actually rose in those years, in part because Dallas had taken less of an economic hit than other parts of the country. But some families were struggling, and the school managed to slow tuition growth in support of them by adding 20 students and cutting \$600,000 in expenses. Those efforts helped slow tuition increases to the range of 3 percent to 3.5 percent — temporarily.

For the 2017 planning process, "we wanted someone to push us in ways we hadn't thought of previously," Griggs said. "Someone with a broader point of view and who had worked with other schools." He and Orth contacted Measuring Success, knowing how we had helped other independent schools analyze financial data, and set out on a five-month process of analysis, cross-departmental discussions and an unwavering commitment to educational mission. Funding came from the operating budget as a one-time special cost approved by the finance committee.

In monthly visits to Dallas, combined with frequent teleconferences, staff from Measuring Success worked hand in hand with Griggs, Orth and other members of the Greenhill staff. A fundamental initial decision was to form five working groups and to staff them with some of Greenhill's most reflective and knowledgeable thinkers. The five working groups centered around key "levers" in the school's financial sustainability:

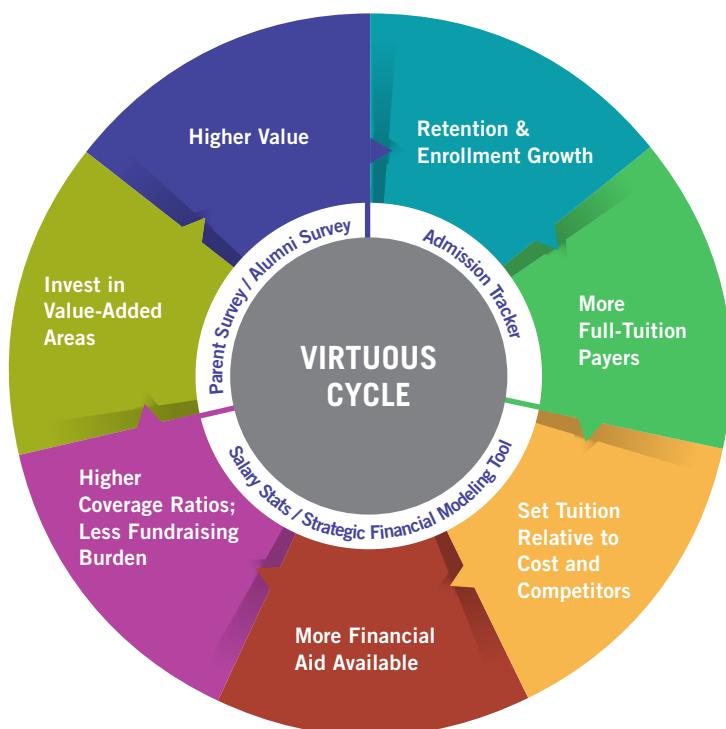
- Personnel
- Teaching and Learning
- Net Tuition Revenue
- Non-Tuition Revenue
- Purchased Goods and Services

Each working group included a mix of staff from different departments such as faculty, HR, finance, facilities



FOCUS ON QUALITY, NOT COST

In pursuing this project, leaders at Greenhill School (shown above and on page 28) focused on the fact that the school's value proposition lies in its academic quality, and the knowledge that lowering tuition alone would not attract mission-appropriate families. Their careful planning resulted in a program that would maximize Greenhill's value perception. Supporting this hypothesis was a white paper published in conjunction with the project "Effects of Tuition Increases on Enrollment Demand." In it, Measuring Success, NBOA and ISM studied data from 259 diverse schools to conclude that schools can raise tuition and grow as long as their perceived value is increased. See Net Assets' coverage of this study at goo.gl/cse62e.



Measuring Success research shows that independent schools benefit from a "virtuous cycle" of investments in value-added areas that drive higher perceived quality, enrollment and student and family satisfaction.

and admissions, as well as board members with relevant expertise. The groups also included experts who could contribute knowledge about different areas of operations and individuals who understood how the school community might perceive certain changes and who could advocate for action items the school ultimately adopted. Griggs, Orth, the chair of each of the working groups, and three members of Greenhill School's Board of Directors formed a steering committee to provide overall project management and make final decisions.

The groups' charters were clear on two key points:

- Each would develop "action items" in support of the end goal of lowering tuition increases and maintaining a financially diverse student population without sacrificing mission and program quality.
- Any changes would be consistent with Greenhill's distinct mission and culture. "Given the nature of the project, we realized that most of the groups would be focused on financial goals," Orth said. But they were also asked to identify promising trends (such as in teaching and learning) to ensure that the identified action items would not conflict with them.

The Net Tuition Revenue Group included Sarah Markhovsky, Greenhill's director of admission. The diversity of voices was "one of the best pieces of the project," she said. Other group members included the school's directors of financial aid, communications, and equity and inclusion; two teachers and a learning specialist; and two board members with unique areas of expertise.

"I now have a better sense of how other sectors of the school function," said Markhovsky. "It's easy for people to get siloed, especially faculty. With this process, people felt like they had more agency and input into the way the school is run."

Griggs and Orth sat in on all working group meetings to ensure discussions took into account academic as well as financial priorities, as did representatives from Measuring Success, who provided additional data and analysis. From our perspective as a data analysis firm, we held that every offering and expenditure was a chance to increase return on investment.



Founded in 1950, Greenhill School has 15 buildings on 75 acres in Addison, Texas.



The five-step, hypothesis-driven financial planning and testing process was developed by Dr. Bloom as a way to engage multiple working groups in data-driven decision-making. It is a distinguishing aspect of Measuring Success's financial planning methodology.

REVIEWING, THEN CHALLENGING, THE STATUS QUO

The Measuring Success process was methodical — what we consider a disciplined process of data-driven scientific inquiry. Each working group was tasked with analyzing its focus area systematically, through five steps.

Situational Analysis

The first step was to give everyone a firm understanding of the school's current and historical positions. To that end, Measuring Success collaborated with Greenhill to develop individualized briefing books so each team could review in-depth benchmarking analysis from the school's records. Staffing and student-spending ratios, enrollment demographics, employee benefits, donors and alumni giving, utilities expenses, online learning usage — just about every potentially relevant piece of data was on the table. And necessary data that was not available from Greenhill sources came from Measuring Success, for example, by mining regional demographics to provide perspective on the school's market share. The briefing books took a great deal of the guesswork out of the process by providing a firm fact base to the members of each working group.

Some data points were particularly eye-opening. "We came across the fact that we use 1.9 million gallons of water a year," said Mike Willis, who was in his first year as Greenhill's director of facility operations and services. He led the Purchased Goods and Services Group. "With the amount we pay to the city, we realized we could drill our own well [a one-time expense] and spend pennies where we're now spending dollars, and save nearly \$100,000 a year."

Others were reassuring. The Net Tuition Revenue Group thoroughly analyzed income stratification in its student body for the first time. "We're more evenly distributed than we thought," said Markhovsky.

Improvement Hypotheses

With data in hand, groups sought areas where challenges to the status quo might yield incremental value in the form of enhanced revenues and reduced expenditures. All ideas were fair game so long as they were consistent with

Greenhill's mission and culture and would not diminish educational quality. Each team formulated hypotheses, defined validation techniques and then used some combination of research and/or analysis to confirm or deny hypotheses. Where facts were lacking, Measuring Success worked to secure them — for example, launching surveys to gather detailed information nationally and regionally on staffing and compensation.

Research/Hypotheses Shaping

The groups then assessed ideas, accepting, rejecting or refining them, with Measuring Success again providing additional data.

The theme of reducing water consumption was a fertile focus area for Willis's group. In addition to their recommendation of digging a well, members explored replacing traditional urinals with waterless ones, saving \$30,000 a year.

Similarly, in considering the costs and benefits of printing and mailing publications and marketing materials, they concluded that many products were more dynamic and user-friendly online. Discontinuing some print pieces and improving the digital experience would save tens of thousands of dollars while improving outreach. Other ideas: Replacing lighting with LEDs. Replacing some grass playing fields with turf. Changing the school's electrical provider and using electricity more efficiently.

Members of the Non-tuition Revenue Group discussed adapting Greenhill's respected theater program as a summer offering and also developing skills-based summer programs. And the Teaching and Learning Group, together with the Personnel Group, determined the school could enhance educational quality in certain grades, and modestly increase enrollment, by shifting from a teacher-plus-teaching-fellow model to a two-faculty-member model offering more expertise.

Each working group finalized its proposed initiatives before submitting them to the steering committee.

Improvement Initiatives

Under the scrutiny of the steering committee, all hypotheses were placed into one of three buckets:

1. Validated for inclusion in the five-year plan

2. Rejected due to mission incompatibility or insufficient payoff
3. Under consideration for future implementation

"Part of the process was cost-benefit analysis," explained Orth. "We asked: What was the pain of implementing a change? If it would impact morale and didn't have much payback, we didn't approve it. But most of what was brought forward to the steering committee, we accepted."

For example, although benchmarking data suggested that Greenhill could increase facility rentals to generate additional nontuition revenue, expanding rentals beyond current practices was deemed inconsistent with the school's mission to educate students. However, the school could raise rental rates and remain competitive in the Dallas market.

"We turned over every rock we could find and did not shy away from tough issues," said Griggs. "Change is hard," particularly changes that impact staffing. "But by engaging the staff broadly in these candid discussions, we were able to make high-quality decisions that balanced the interests of all parties, including the faculty with its single-minded focus on quality, and the parents, with due concern for affordability and the highest possible value for the tuition dollar."

Financial Plan

In all, Greenhill's working groups and Measuring Success agreed to initiatives that would yield approximately \$5 million in combined savings and increased revenue over a five-year period — even as the school continues to make significant investments in technology infrastructure. These savings, in turn, will allow the school to limit the tuition increase to an expected 3 percent in the 2018-2019 school year and for a few years beyond that.

Moving forward, some items that were not adopted may get further review. "This is not a one and done," Orth said. The plan is malleable. In addition, the school develops a five-year financial model every year, and will use that time to measure how actual expenditures and revenues are doing against goals. "The bottom line is that this process needs to be done every five years," Griggs said.

While sometimes intense, Griggs said the effort was worth it. "Jaws dropped" following a presentation to the Greenhill



Staff from Greenhill School and Measuring Success who worked on the initiative.

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Board of Trustees, he said. But it wasn't just the board that was impressed. He added that working group members are proud of the results they achieved, and their relationships are stronger. "We surmise that the cooperation of so many parties helped to give the effort integrity while also satisfying the school's staff and faculty that this was not only about cost reduction but plowing reserves back into academic quality."

"We were always pursuing a group decision," Markhovsky remarked. "Something I love about working at Greenhill is that we are looking forward and doing our best not to be caught unawares. We don't sit back and say we know how to do it. There's no resting on our laurels." **N**



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