



Mind the Gap

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If a higher education institution's first step to get out of today's hot-water challenges is, as I proposed in a recent blog, [Coming to a Boil](#) [1], what, then, is the second step?

Take the temperature! "How much trouble are we in?" is an astute question—although one often avoided—and its answer varies widely by state, mission, control, and other factors. It is not uncommon for a president and a vice president to have very different perceptions of the answer, or for board members to assume that they would know if trouble loomed. How to find out? Start by asking each leader to rate his or her concern for the future on a simple numeric scale, and then discuss reasons for any discrepancies.

But the strongest foundation for effective action is a data-informed shared understanding of the size and shape of the challenges ahead. We know how to achieve that, typically by employing the "SWOT" (strengths, weaknesses, opportunities, and threats) analyses that we use for strategic planning.

Fortunately for their ability to find the light at the end of today's tunnel, nearly every institution has a strategic plan. However, we tend to do SWOT analyses only about every five or more years.

Depending on the age of the plan and how much has changed for the institution since the economic downturn of 2008, the next question may very well be, "Do we need a new strategic plan, one that is based on our new circumstances and projections?"

Unfortunately, it is rare indeed to find a strategic plan that has systematically tested the costs and benefits of each objective and action plan. We tend to propose things that make intuitive or political sense without significant analysis. We seldom ask ourselves whether each objective and action plan is causally related to achieving the vision. Habits like these leave us with hopes of progress, not expectations, and with significant risk of lost time and

money.

But the most serious gap occurs at the end of the planning horizon: few analyze whether achieving the vision and plans will leave the institution viable and vital in terms of resource dynamics, such as the trend lines of revenue and expense, adequacy of facilities and maintenance, or access to and development of appropriate talent.

In other words, leaders need to mind these potential gaps in their strategic plans:

- Is our existing strategic plan sufficient for our new conditions?
- Will our strategic objectives and action plans yield the vision we aim for at an appropriate level of investment?
- Will achieving our vision create sustainable resource dynamics for the institution?

When the answers to questions like these are sobering, leaders need to develop new mind-sets and call upon new skills. Hard as it may be to link planning with budgeting, we must also link strategy with vision and financial projections. Our orientation must shift from “we need more money” to “we need more value.” We must align all our activities, not just the new ones, with the mission and vision; understand how we allocate time as well as money; and maintain our talent asset base at least as well as we maintain our physical asset base.

This is what we mean by “strategic finance,” defined as aligning resource decisions with institutional mission and strategic plan. Support from Lumina Foundation for Education allows us to offer [strategic finance workshops](#) [2] until June 2011 for only the cost of facilitator travel. If a workshop would help launch what you need to do next, please contact us.

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