CFO Colleague

KPI’s That Every CFO & President Should Track & Understand

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KPI’s That Every CFO & President Should Track & Understand

Overview: It’s understood – the CFO is the institutional numbers person.

But all numbers aren’t created equal.

What are the right key performance indicators (KPIs) that should be on the institutional dashboard?

Why should they be carefully tracked and analyzed?

Agenda

- Key Performance Indicators (KPIs) – what are they?
- Choosing the right KPI's – what they are and why?
- Listening to the right numbers – interpretation matters.
- Sharing vital intel – with whom, when, and how?

Key Performance Indicators (KPIs) – what are they?

Key Performance Indicators (KPIs)

Why Select Key Performance Indicators?

- Track, measure, and analyze use of resources to achieve the institution’s mission
- Quantify status, sources, and uses of resources
- Benchmark institutional performance
- Tools for understanding and measuring success
- Focus planning on institution’s financial profile in relation to vision and mission

Key Performance Indicators (KPIs)

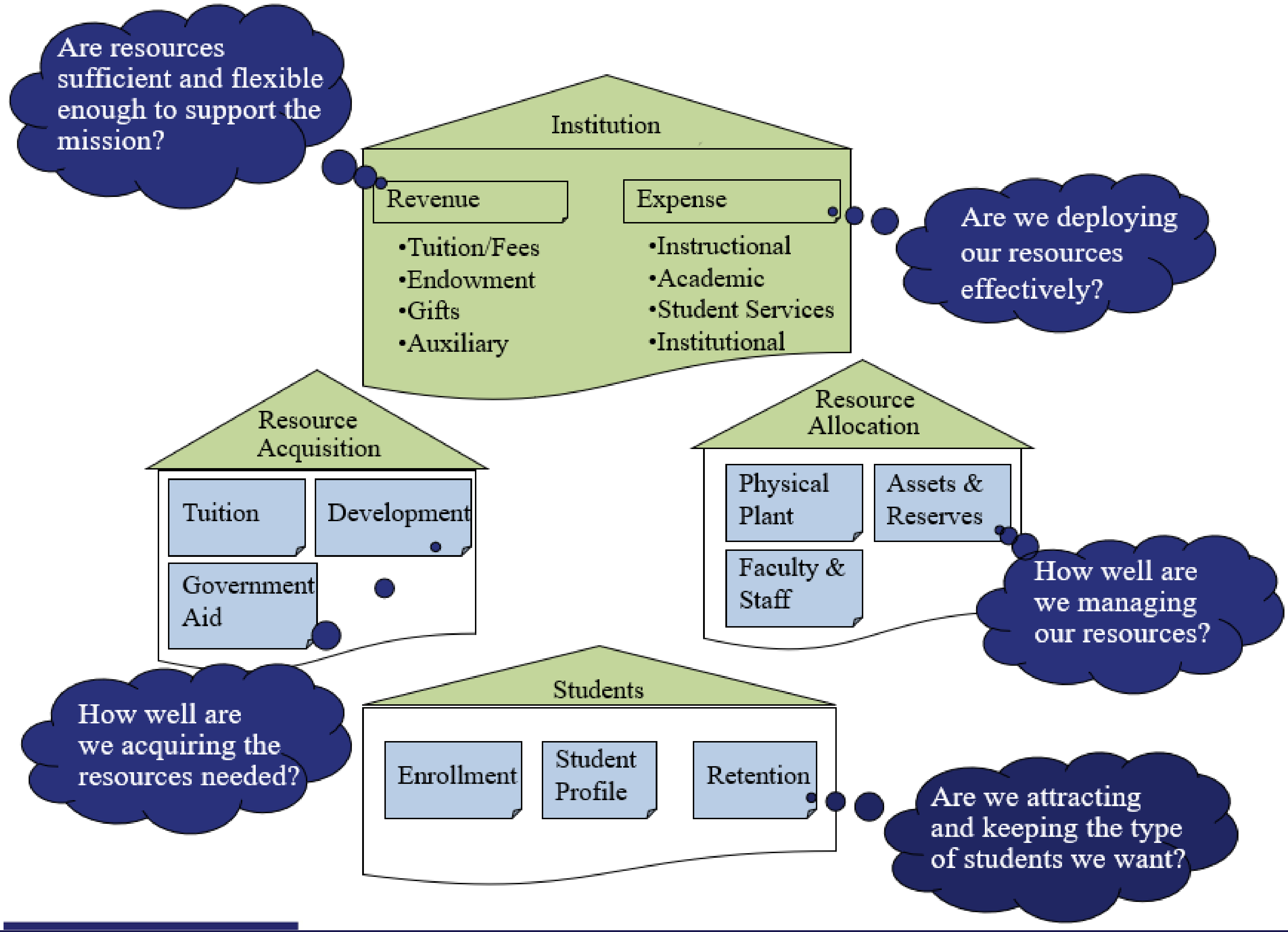
Key Performance Indicators (KPIs)

Leading Indicators

- Focus on the future situation of the economy
- Tend to change before a change in the economy
- Accuracy cannot be guaranteed
- Monitored to predict any future movements in the markets
- Input-oriented
- Hard to measure

Lagging Indicators

- Focus on the past movements of the economy
- Tend to change after a change
- Accuracy can be relied upon
- Monitored after movements in the market
- Output-oriented
- Easier to measure


Are resources sufficient and flexible enough to support the mission?
Institution
Revenue
•Tuition/Fees
•Endowment
•Gifts
•Auxiliary
Expense
•Instructional
•Academic
•Student Services
•Institutional
Are we deploying our resources effectively?
Resource Acquisition
Tuition
Development
Government Aid
Resource Allocation
Physical Plant
Assets & Reserves
Faculty & Staff
How well are we managing our resources?
How well are we acquiring the resources needed?
Students
Enrollment
Student Profile
Retention
Are we attracting and keeping the type of students we want?

How well are we acquiring the resources needed?

How well are we managing our resources?

Are we deploying our resources effectively?

Are resources sufficient and flexible enough to support the mission?

Are we attracting and keeping the type of students we want?

1	Key Performance Indicators (KPIs)	Category	Sub Category	Operations	Cabinet	Board	Source	Definition
4	Return on Endowment	Acquisition	Endowment				NACUBO	
7	Annual overall cost of fundraising	Acquisition	Fund Raising				CFOC	Annual overall cost of fun
30	% Credit hours Taught by FT Faculty	Allocation	Faculty & Staff					The percentage of credit h
45	Debt Coverage Ratio	Allocation	Finance				KPMG, S&P, Moody's, Stra	Indicates the institution's a
65	Average age of plant	Allocation	Physical Plant				S&P, Strat Fin	Accumulated depreciation
66	Capital spending plus net principal payments	Allocation	Physical Plant				CFOC	> 120% of annual depreci
83	Equity Ratio	Expense	[illegible]				DOE FRCS	Indicates the relative prop
87	Net Income Ratio	Expense	[illegible]				DOE FRCS, KPMG	The institution's total reve
96	Tuition Discount R[illegible]	Expense	[illegible]				KPMG, Moody's, MSCHE,	The share of tuition and fe
101	Annual traditional net t[illegible],000	Revenue	[illegible]				CFOC, Moodys, NACUBO	
113	Investment income return	Revenue	[illegible]					
114	Monthly liquidity as a percent total cash and investments	Revenue	Fina[illegible]					
124	Primary Reserve Ratio	Revenue	Finance				CFI, DOE FRCS, KPMG	This ratio measures the fin
140	Enrollment by Ethnicity	Students	Demographics					
141	Female : Male Ratio	Students	Demographics					
145	Head Count by Race or Ethnic Group, Degree, and Gender	Students	Demographics				ATS	
154	Completions by Degree [illegible]	Students	Enrollment				ATS	
163	FTE Enrollment by [illegible]	Students	Enrollment				ATS	
181	Student to Faculty [illegible]	Students	Faculty & Staff				U.S. News	The number of students p
186	Net Tuition $ conc[illegible]	Students	Instructional				ATS	
187	Number of under-enrolle[illegible]	Students	Instructional					
216	Workforce placement rate	Students	Student Success					

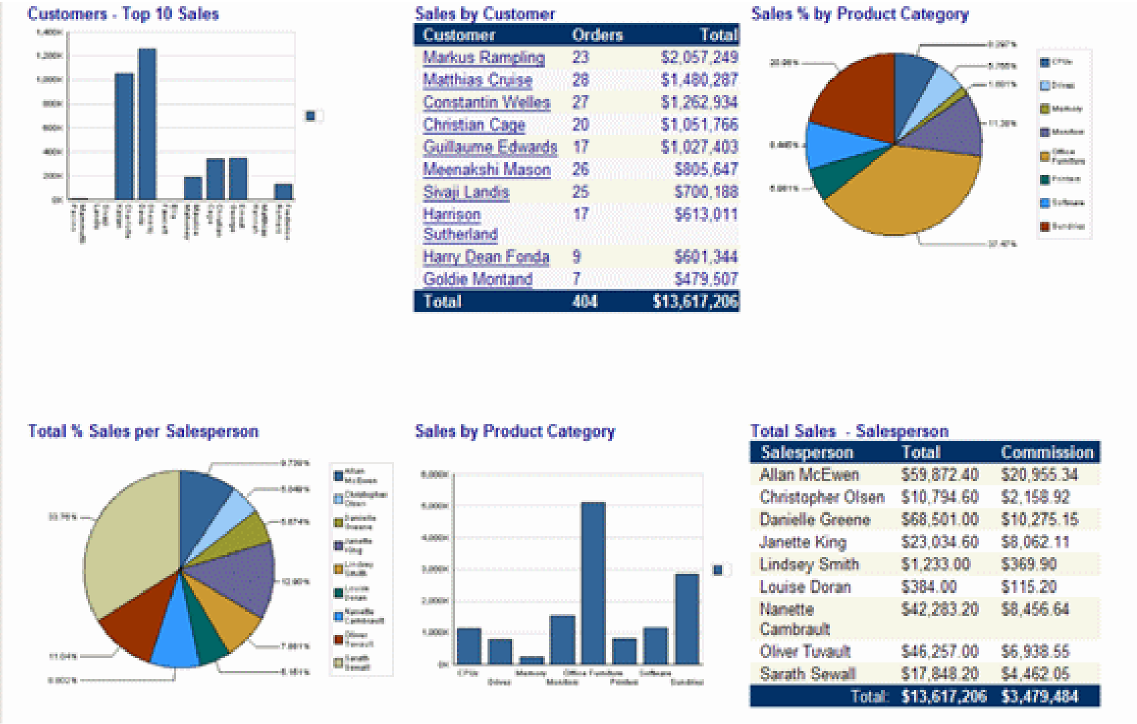
Choosing the right KPI’s – what they are and why?

Choosing the right KPIs

"There is a difference between numbers and numbers that matter."

Jeff Bladt and Bob Filbin, Harvard Business Review, https://hbr.org/2013/03/know-the-difference-between-yo

The Right KPIs



The Right KPIs

- Clarify the mission and the business process by which you achieve the mission
- Measure those things most relevant to the success of your mission
- Present information relevant to level of responsibility
- Answers questions being asked
- Accurate and timely

The Right KPIs

4 Ways Higher Education Can Make the Most of Their KPIs

1. Set goals and targets
2. Plan and measure strategically
3. Assemble the right team
4. Automate the process

The Right KPIs – CFI & DOE FRS

Composite Financial Index (CFI)

- Primary Reserve
- Net Income
- Return on Net Assets
- Viability

Department of Education Financial Responsibility Score (DOE FRS)

- Primary Reserve
- Equity
- Net Income

Example College

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RATIOS	weight / strength	Actual 2021 - 22	Projected 2022 - 23	/ - - - - - - F o r e c a s t - - - - - / 2023 - 24	2024 - 25	2025 - 26	2026 - 27	2027 - 28
Primary Reserve Ratio:	35%							
Expendable Net Assets / Total Expenses	55% / 0.133	0.311	0.224	0.219	0.129	0.256	0.208	0.174
Net Income Ratio:	10%							
Change in unrestricted net assets / Total unrestricted income	15% / 0.007	0.007	0.034	-0.031	-0.069	0.136	-0.040	-0.030
Return on Net Assets Ratio:	20%							
Change in net assets / Total net assets	30% / 0.020	0.062	0.055	0.013	-0.018	-0.024	-0.024	-0.018
Viability Ratio	35%							
Expendable Net Assets / Long-Term Debt	0% / 0.417	0.617	0.451	0.333	0.208	0.439	0.389	0.356
Liquidity Ratio								
Total Liquidity / Long-term indebtedness		175%	170%	132%	128%	131%	134%	143%
Debt Service Coverage Ratio								
Net Revenues / Maximum annual debt service		1.93	2.09	0.96	0.40	3.36	0.86	1.72
CFI		**2.1**	**2.0**	**0.6**	**-0.7**	**1.8**	**0.1**	**0.2**
DOE		**2.7**	**2.9**	**2.4**	**2.2**	**2.8**	**2.0**	**1.9**

The Right KPIs – CFI & DOE FRS

Primary Reserve	$\frac{\text{Expendable Net Assets}}{\text{Total Expenses}}$
Equity	$\frac{\text{Modified Net Assets}}{\text{Modified Assets}}$
Net Income	$\frac{\text{Change in Net Assets without Donor Restriction}}{\text{Total Unrestricted Revenue}}$

The Right KPIs

"Perhaps the greatest mistake I've seen executives make is to confuse expectations with inspection. ………….. But, alas, too often the executive does not understand that people do what you inspect, not what you expect. Execution is all about translating strategies into action programs and measuring their results. It's detailed, it's complicated and it requires deep understanding of where the institution is today and how far away it is from where it needs to go. Proper execution involves building measurable targets and holding people accountable to them."

Gerstner, Louis V. Who Says Elephants Can't Dance?: Inside IBM's Historic Turnaround. New York, NY: HarperBusiness, 2002. Print.

Listening to the right numbers – interpretation matters.

Listening to the right numbers

Managers have a critical role to play in the beginning and end of the process, framing the question, and analyzing the results.

Listening to the right numbers

Six questions that managers should ask to push back on their analysts' conclusions.

1. Wh
2. Ho
3. Do
4. Wh
5. Wh
6. How likely is it that the independent variables are causing the changes in the dependent variable?

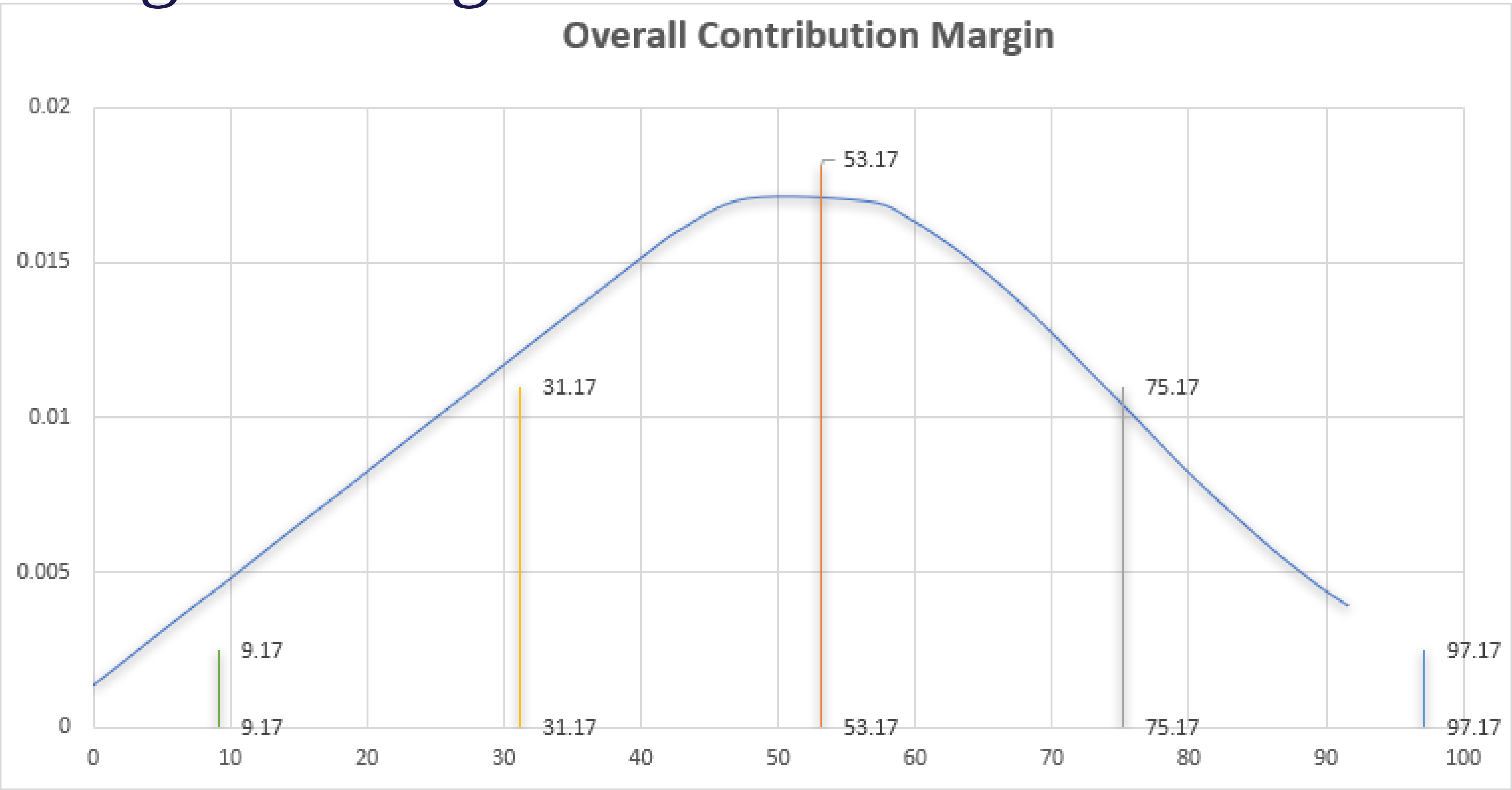
	College A	College B
Tuition Discount Rate (TDR)	54%	40%

Listening to the right numbers

Benchmarking

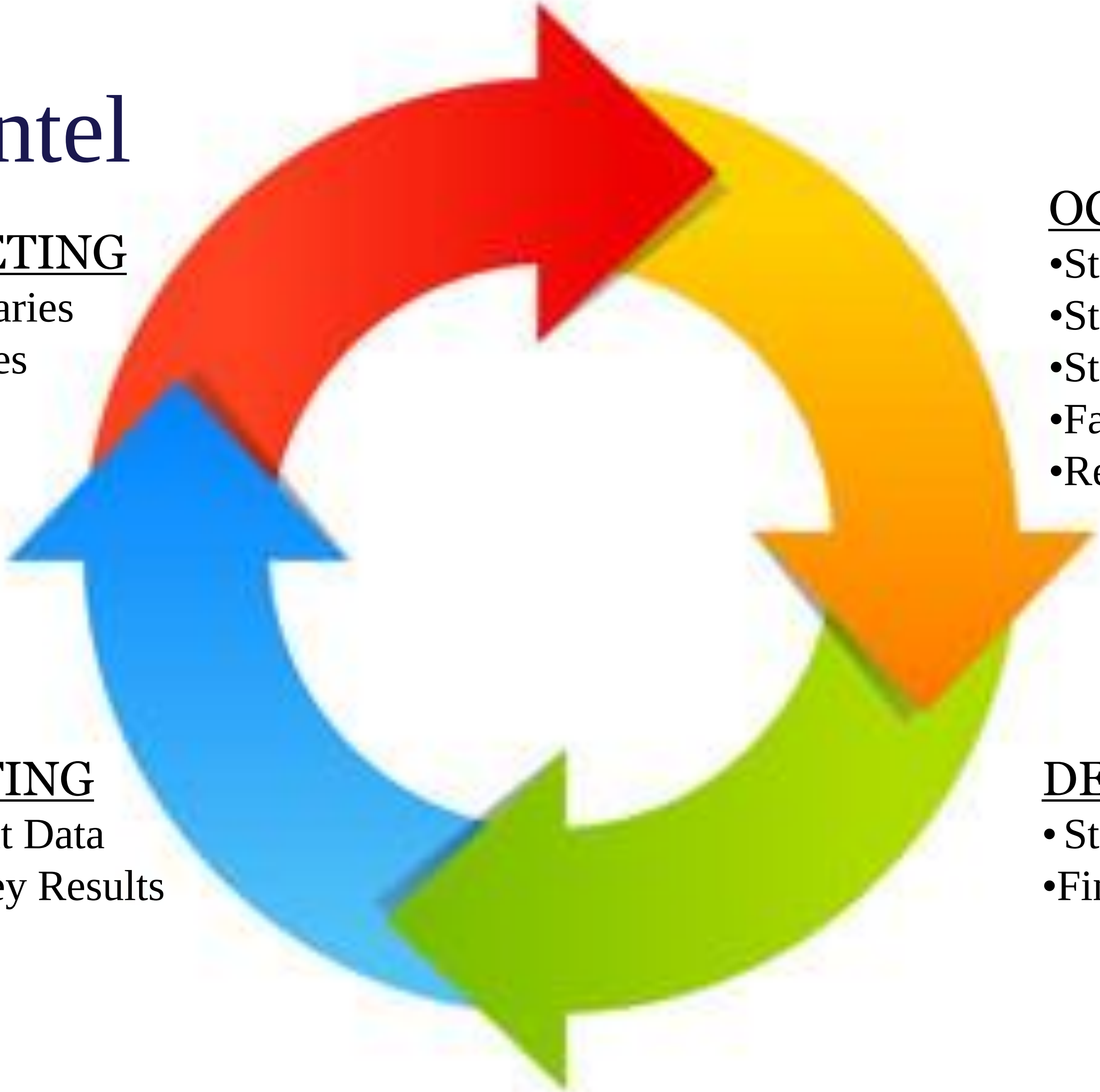
- Measuring certain characteristics
- Establishing that which is worthy of emulation
- Creating a process to accomplish desired outcomes
- Higher education must seek new benchmarks

Listening to the right numbers



Sharing vital intel – with whom, when, and how?

Sharing Vital Intel



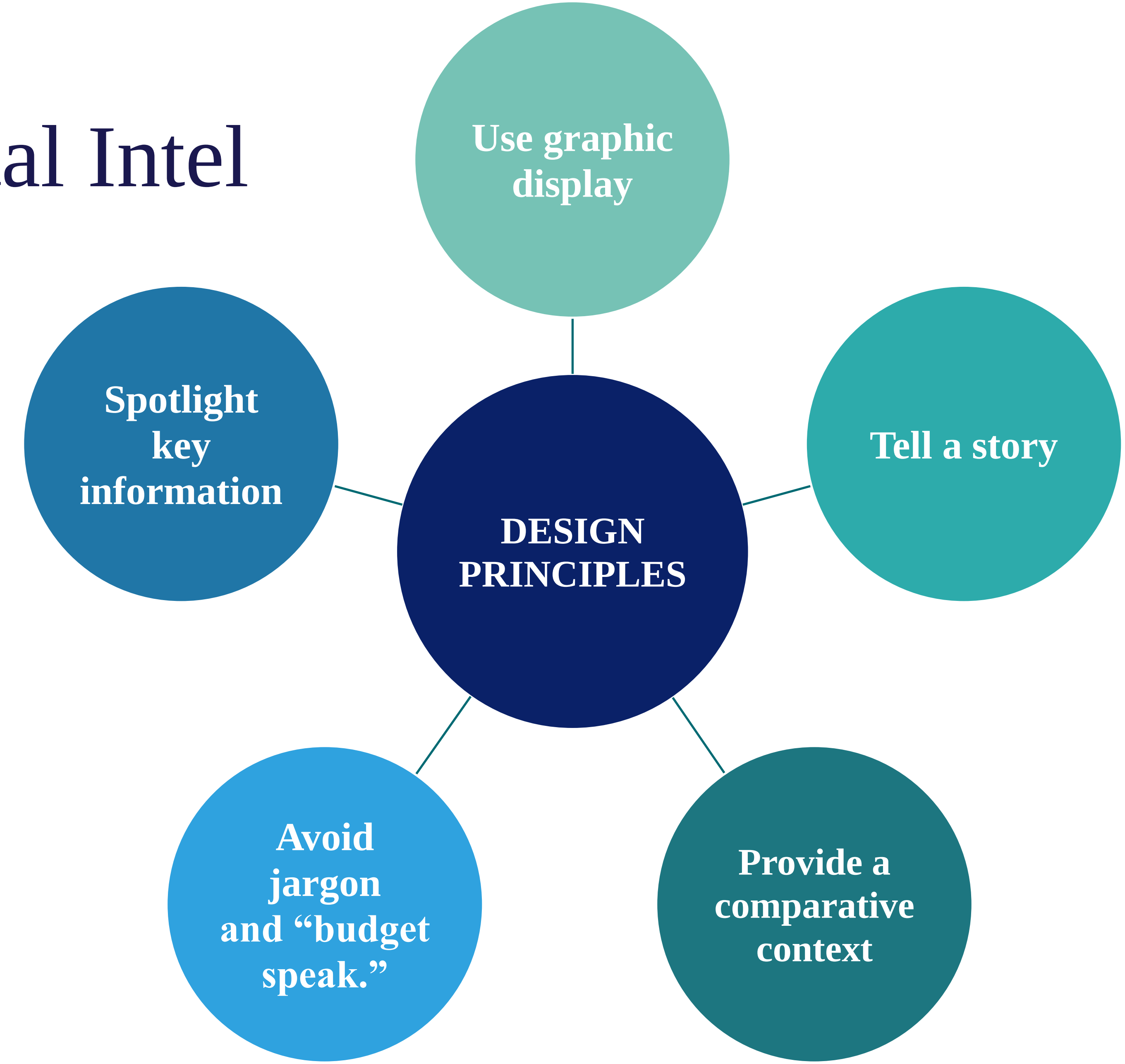
MAY MEETING
- Faculty Salaries
- Staff Salaries

OCTOBER MEEETING
- Student Enrollment
- Student Quality
- Student Diversity
- Faculty/Staff Diversity
- Retention

DECEMBER MEETING
- Strategic Indicators
- Financial Ratios

MARCH MEETING
- Student Placement Data
- Satisfaction Survey Results

Sharing Vital Intel

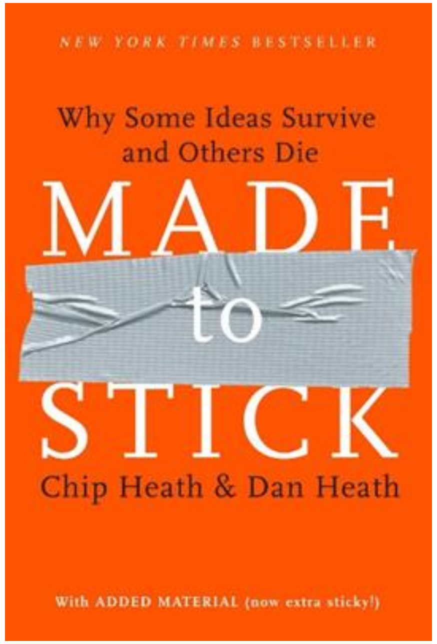


Sharing Vital Intel

Anticipate the Board's Questions

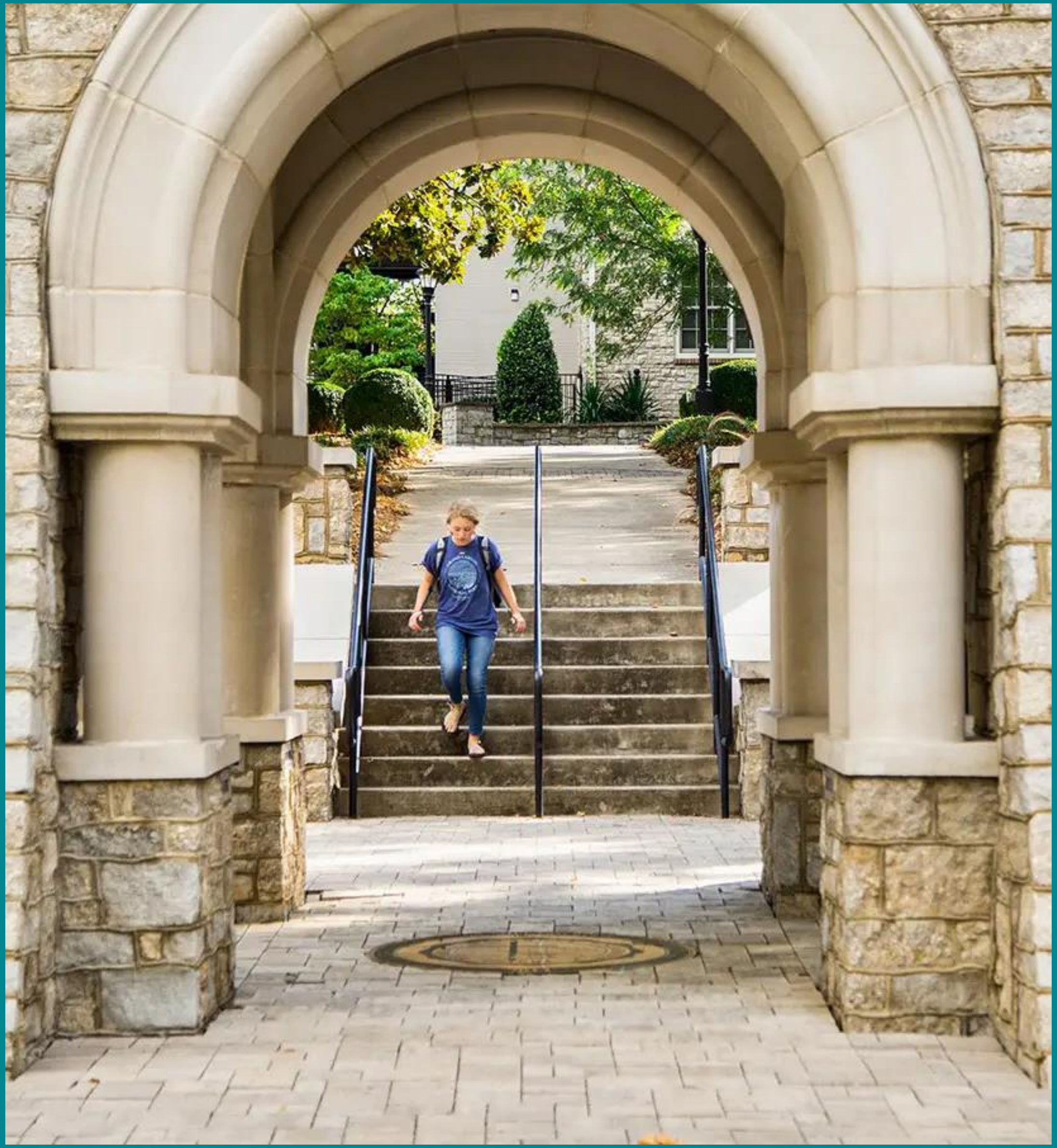
- Are we measuring the right indicators to define the path to success?
- Does it matter to the mission? (resource allocation)
- Are the results sustainable? (cost model)
- Is it cost-effective? (cost model)
- Is the proposed practice truly superior to the current method, program, or policy?

Create Leadership Team “Buy-In”



Tell a Story

1. The Anatomy of a Story: 22 Steps to Becoming a Master Storyteller by John Truby
2. Resonate: Present Visual Stories that Transform Audiences by Nancy Duarte
3. Long Story Short: The Only Storytelling Guide You’ll Ever Need by Margot Leitman
4. The Storytelling Method: Steps To Maximize a Simple Story and Make It Powerful, Inspiring, and Unforgettable by Matt Morris
5. Wired for Story: The Writer’s Guide to Using Brain Science to Hook Readers from the Very First Sentence by Lisa Cron
6. Story Trumps Structure: How to Write Unforgettable Fiction by Breaking the Rules by Steven James
7. Made to Stick: Why Some Ideas Survive and Others Die by Chip and Dan Heath
8. Bird by Bird: Some Instructions on Writing and Life by Anne Lamott
9. Big Magic: Creative Living Beyond Fear by Elizabeth Gilbert
10. I like Business Storytelling for Dummies by Karen Dietz and Lori Silverman.



Free!

- COMP4cast® and instructions
- Program Development Analysis
- Thirty (30) Benchmarks

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Thank you!

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