

DiMeo Schneider & Associates, Nonprofit Investment Stewards Podcast

Episode 2, November 11, 2020

Higher Education: Part 1 — With Donna M. Carroll

[00:00:00] Welcome to Nonprofit Investment Stewards with Bob DiMeo and Devon Francis from DiMeo, Schneider and associates, Bob and Devon are passionate about helping nonprofit organizations prosper. Whether you oversee endowment foundation or retirement plan investments, this podcast exists to help stewards, improve performance, reduce costs and discover strategies that enable your charitable organization to prosper and advance its mission.

[00:00:28] Now onto the show. Hello, and welcome back to the Non-profit Investment Stewards podcast. I'm Bob DiMeo as always joined by my co-host Devon Francis. Today, we launch a three-part mini series on a super important topic, a topic that impacts families, employers, students, pretty much everyone. And the topic is higher education.

[00:00:52] How are schools navigating the pandemic? What does it mean from an economic perspective, including the endowments, the budgets [00:01:00] fundraising, and a lot more. And we have a very special guest, a university president who will share an incredibly useful perspective. But before that, Devon, how are you today? I am wonderful.

[00:01:12] Thanks. The sun is shining and I have no complaints. I'm also very excited to hear from our guest Donna Carroll. Donna is president of Dominican university in river forest, which is just outside of Chicago. And let me share you a bit of her background and then I'm sure she will expand upon some of these topics.

[00:01:32] But, uh, president Carol is in her 27th year at Dominican, where she has precedent over. Really remarkable growth and success. Us news ranks, Dominican, the number one best value in Chicago land. They are also ranked number one for social mobility in Illinois. And not only is Dominican top ranked in academics.

[00:01:54] This is something that I'm sure president Carroll will touch upon, but they consider themselves to be [00:02:00] profoundly inclusive. So that's definitely something that we would like to speak with you about today. Donna. So welcome to the show. Thank you very much. I'm delighted to be here, Donna. We are just thrilled to have you here and it's such a, such a pleasure and an honor.

[00:02:15] So you became president of Dominican some 27 years ago. And at the time one of the youngest university presidents in the country, as you reflect back, what was one of the most fulfilling parts of your role at that time? When I, when I initially joined what was then rosary college? Is, is that the question?

[00:02:35] That is the question. Well, I, I think it was part the challenge of being the first lay president of the institution. So the institution was at a pivot point. I'm looking to be more externally oriented. I'm looking to have a broader strategic focus and a [00:03:00] stronger financial base. And it gave me the opportunity as a precedent to, to build an institution, you know, anchored in mission, but, but also forward-looking, and that continues to be both the challenge and the satisfaction.

[00:03:21] And what would you say is either the most challenging or rewarding aspect of your job today? Well, perhaps pre pandemic. We'll talk certainly about the pandemic, but you know, as you've gone through these 27 years at the helm in your most recent years, what has been either the most challenging or most rewarding or perhaps both at once.

[00:03:42] When you look at the president of an institution, she or he is, I always say either a sprinter or a marathon. And had you asked me coming to Dominican university? I might've said to you, I would

be a sprinter. I would be [00:04:00] here for five to seven years and then move on to my next presidency. But the fit. Here was so, so magical for me.

[00:04:13] So what the mission of the institution and what is meaningful to me in my personal life and values, the two were such a strong fit that it has kept me here longer than, much longer than is the norm I would say. And, and that in part has to do with. In some ways, the size of the institution, you know, the ability to both be a strategic leader and still be closely connected to students, the opportunity to, to take a, a mission and tradition and, and make it vibrant and relevant in it.

[00:04:57] Current context. And I think Dominican [00:05:00] has done that very well. Um, particularly as you look at the changing demographics of higher education and our ability to recruit and retain and graduate an increasingly diverse student body, um, And that in a way that speaks to the challenge to that Dominican is a dramatically tuition driven institution.

[00:05:24] We are wealthy in talent and in personality and in mission, we are, we are financially modest. And so the challenge of being affordable to an increasingly diverse often first-generation college student body. And at the same time being a vital and stable financial enterprise is, is always a balance. Well, Donna, when you talk about the university being wealthy in certain areas, just knowing you and the incredible success you've had there, [00:06:00] it feels like you're very wealthy and spirit as well.

[00:06:03] And your spirit has, has really, really. Impacted the trajectory of the university over these many years. Can we ask you a little bit about the overall current environment? What you're experiencing, what Dominican is experiencing here in the midst of the pandemic? Sure. I mean, I think, I think this is something of a magnitude that, that we've never quite experienced as a sector.

[00:06:31] Before, I mean, high, you know, higher ed was, um, challenged before COVID-19. As we're seeing financials and credibility and demographics, so many things that are changing, but, but COVID-19 has, has really halted many of the processes that are part of our day to day. It has, and it has made us rethink not only.

[00:06:58] Our teaching [00:07:00] modalities, but how we serve students, how, how we relate to donors, how we provide, um, a vibrant campus context when in fact most of what you're doing is remote and online. So it's, it has, it has totally up ended many of the things that we, um, We think of as traditional and really challenged us to, to think, um, very, very differently, which has not, which is not all bad.

[00:07:31] I've been in many decisions. We simply about how this period has taken us five years ahead. Technology-wise in ways that we would not have moved as quickly, um, under other circumstances. And I think that's positive. On the other hand for a, a deeply relationship centered institution like Dominican, the rapid move to [00:08:00] such a remote teaching experience has been challenging for us.

[00:08:05] Not, not that we feel the quality has diminished online, but so many of the, um, Informal encounters. And the, the, the sense of the culture of the campus are, are, are not as easily translatable online as, as you would like. You're so right. I think it really strikes to the, the importance of being adaptable and being to evolve or being able to evolve based on the circumstances.

[00:08:40] But you're right. That some of the magic and the relationships are kind of lost, although. The end product is still being delivered, albeit in a different format. You know, it's, it's a change, uh, and it takes some getting used to, and I think even folks in the office environment feel the same way I [00:09:00] can get my work done, but I'm missing those water cooler interactions with my colleagues.

[00:09:04] And I'm sure many people can identify with those comments. So I was hoping that you could share with us, obviously your experience has been with Dominican, which is a relatively small school. But can you provide some comments on higher ed in general and perhaps how there is dispersion in circumstances, given factors like size, geography, demographics?

[00:09:33] Sure. There are challenges across sectors of higher education. Um, and, um, And each, each institution or each set of institutions has its strengths and weaknesses in this context. Um, if, if I use Dominican as an example, no, we, we actually are, are [00:10:00] blessed in this particular circumstance to be a urban - suburban institution, so accessible to Chicago.

[00:10:08] We do not have a large international student body. So that has been to our advantage in, in balancing financial challenges, nor do we have a particularly large, um, resident students we're to some extent we are, well, yeah. Position to move through this particular challenge. Better than many institutions, you know, demographics, location, reputation, academic profile, all of these factors contribute to, to sort of that mix of experiences that gives an institution resilience.

[00:10:52] I mean, you often, you often hear when people are talking about higher ed right now that. 10 [00:11:00] institutions a year or 25% of all institutions are going to disappear. I don't believe that, you know, I think higher ed is much more resilient than that people give us credit for being on the other hand.

[00:11:17] There are certain institutions and mix of characteristics that makes, um, some stronger than others to, you know, you've probably heard the top three Location Reputation and Endowment. And I would add a fourth, which is the, um, your academic portfolio or your, your, your mix of modalities, you know, Dominican located right outside Chicago with a top 10 ranking has, has an advantage.

[00:11:53] We have an advantage because we have a, a very diverse academic [00:12:00] portfolio, undergraduate graduate liberal arts career, um, to face-to-face online BA to PhD, so that we have the opportunity to balance a program that is struggling in the market with a program that is growing in the market. It is much harder for an institution that is a single portfolio institution or a single level of academic offering, because there's less resilience there.

[00:12:36] It sounds like progress being born of necessity. Right. And that we've seen throughout time. And so that's terrific. And, and I liked that you are suggesting. It's not all bad and, and there will be a greater survival rate. So we'll jump to endowments and such in a moment. But before we do that, let's just get a little more granular on [00:13:00] advancement.

[00:13:00] How does the school need to think differently about fundraising in this setting? Well, I think you might want to flip that question and say, how, how is the donor behaving differently in the setting? And I would say there is. A very clear pivot toward addressing immediate needs and that, and that's justifying that as you see more families and more programs and more institutions under, uh, under stress, you know, the gift that affects.

[00:13:38] The, the individual student's academic progress or the institution's ability to, um, maintain its programs or support its faculty, the impact of those gifts in an environment like COVID-19 is much more pronounced and, [00:14:00] and I'm seeing donors very willing, willing, and anxious. To give their Alma maters gifts that will secure the future of the institution and perhaps a little less.

[00:14:18] Willing to invest in the longer term for the moment. So they would much rather give that expandable scholarship that would enable a student to stay in school. Whereas five years ago, they might've, um, in, started an endowment for that scholarship. Not that the other won't happen eventually, but right now the focus is more on the immediate.

[00:14:48] Gift with the immediate impact. And I guess that leads perfectly into a question about spending, because if you have found that donors are more inclined [00:15:00] in the current environment to give a gift, that's focused on the short-term, rather than the long-term. As you look at your endowment pool and drawing from that pool, have there been any conversations at the investment committee level or the finance committee or the board about increased spending to help navigate through the current landscape in is about the long-term security of the institution.

[00:15:27] So I think it's unusual to, to see, uh, dramatics. Uh, swing in the spending pattern, unless it either addresses a short-term crisis or a modest adjustment in, you know, in the average span, you know, if you're going from 4% to 4.5% or so, you know, I think there might be, and I'm speaking more for [00:16:00] Dominican than others.

[00:16:02] There might be a change in, in how we think about endowment and in, in those institutions who benefited from large general endowment revenue and then lost it. And the volatility of that has, I think, made us all caught cautious about depending upon endowment revenue to cover core expenses as distinct from.

[00:16:43] Um, restricted scholarships or endowed chairs or specific programmatic, um, endowments and really looking at endowment revenue as something that can enhance [00:17:00] quality, not necessarily support operations. Now that that's just my own sense of how. You know, the defensive play of higher education right now. And if we stay with the endowment and look at investments here, and you're talking about on the spending front and, and the endowment and, and balancing both near and long-term needs, let's talk about what might have evolved or not with respect to the investment structure or strategy, any changes or special considerations by your investment committee becoming more conservative or more measured or more opportunistic in the midst of the pandemic.

[00:17:43] Not specifically the pandemic, but we, we have had more active conversations about investment recently, you know, for one thing, but, but we've also talked [00:18:00] about, and I'd say debated, actively debated about whether, um, our investments should be more actively managed or passively managed. No, as we look at our investments relative to the big outcomes, is, is it.

[00:18:16] Is it best for the institution to be somewhat passively invested and then follow the market? Or is it important to be more aggressive? And, um, and I think some of it depends on the size of your endeavor. You know, where Dominican's endowment is relative. What's bigger than many, but it's relatively small.

[00:18:39] And so we're, um, We have a tendency to be more conservative because we're trying to grow the endowment. So the volatility that comes very often with that active management is something that, and the cost is something that we've been debating. [00:19:00] So concerning socially responsible or ESG investing, environmental social governance in the higher ed space, many universities are still in the exploration and maybe the discussion phase while others have gone to full implementation of an ESG strategy in their portfolio.

[00:19:19] So has Dominican's committee and your board discussed this topic, particularly in light of the values of the institution, or is that not a path that you've ventured down just yet? We discuss that regularly and, and for a long time now, now I, I would say we are not as conservative about it as our founding congregation.

[00:19:46] You know, although we're very sensitive to their investment policies and we, and we look to the advice are our investment council, trying to assure that we [00:20:00] are, we are investing with integrity. We're sensitive to our historic Catholic Dominican mission. Um, and yet at the same time are good stewards of. Of the, um, the gifts that people have put in, in trust to us.

[00:20:19] Can we talk a little bit about the investment committee and you've talked about how there are active conversations, even debates with respect to active versus passive, and perhaps over the years. Social or ESG strategies and other topics. So talk a little bit about the constitution of your investment committee, what role they play versus your staff, your financial officers, and so on, and, and just broadly what you think makes for a quality and successful investment committee.

[00:20:52] We, we have a finance committee with an investment subcommittee, so that that's our governance structure. [00:21:00] We benefit from several very experienced, um, and committed trustees. And I think as a smaller university, That's essential not we have a, we have a fine, the VP for finance, a very talented VP, and he is actively involved in those discussions.

[00:21:24] But, but as a small operation, without separate internal in investment officers, we, we really look to, to the trustees on our finance and investment committee for, you know, for their knowledge of the market. For their experience with large investing and for that. So that devil's advocate conversation that that often comes with an external perspective.

[00:21:55] That's great. Thank you, Donna. Um, and finally, the last question that we'll leave you with [00:22:00] before we get to some of the fun, personal stuff for someone in your role, are there any positive steps that you can recommend or maybe missteps to avoid? So, you know, kind of some words of wisdom that you've gleaned throughout your 27 year career at the helm of Dominican, what, what advice might you share with someone in a similar role?

[00:22:23] Lead with humility, I think because when you're the president of an institution, you can possibly know everything. And with so much changing, you definitely don't know everything. Build a strong cabinet. Um, one that compliments your strengths and weaknesses and listen to them, even when they're challenges may be painful because, um, the collective wisdom of the group is often deeper and broader than your own [00:23:00] leadership.

[00:23:00] And then finally, Don't be afraid to make a decision. I mean, when you're the president of an institution in a challenging time, um, the confidence of the community has a great deal to do with their faith in your courage to make the right decision at the right time for the best interests of the institution.

[00:23:22] And that gives them confidence that the institution is, is well led. And I guess the, the other thing I would say, which, which has a lot to do with the time we're in, um, there's never been a time where transparency is not more important because these are, these are challenging, strategic and financial times for higher education.

[00:23:51] And there are a few easy decisions. And the extent to which the faculty and [00:24:00] staff believe you're that you are being forthright. That you're being consistent with the information you provide, that your decisions are data driven and in the best interests of the institution, um, has a great deal to do with their, their confidence in, in the future of the institution.

[00:24:22] And these, these are times when an institution's confidence and leadership is tremendously important. Donna. Thank you so much for sharing those. Those are words of wisdom, not only for a higher ed or university leader and leadership, but for corporations and governments and so on. That is so helpful.

[00:24:44] Thank you. So let's talk a little bit about. Donna Carroll president, Donna Carroll, the person, and when you are not working and we realize that you do not have finite set hours to your day and, and that the university really consumes [00:25:00] a lot of your time, but when you're not doing that, what do you do for fun?

[00:25:05] Well, I will start by saying, I find a lot of fun in what I do. Wonderful. You know, and, and I, I say that half, half joking, but I, but it's important that when you're in a role, that is, it's not a job, it's a lifestyle like the presidency is that you, you get a great deal of personal as well as professional satisfaction in what you do.

[00:25:33] I'm a great reader. I, you know, I love to write. So when I have personal time, I, I spend some of it writing, crafting language. Um, I used to like to travel and I hope that will be enough opportunities sometime in the future. And I also think that for a president, quiet time is important too. And so. [00:26:00] I can enjoy my own company, taking a long walk or, you know, making sure I'm actively engaged.

[00:26:08] Um, I do a lot of volunteer work in the community. I, I know that sounds like work, but that that's a change of scene and satisfying at this, at this juncture in, in my, um, presidency, I do a lot of mentoring and coaching of aspiring presidents and that gives me great satisfaction. I try to keep busy. It sounds like you do.

[00:26:34] That's excellent. Well, we hope in your retirement, you are able to spend lots of time reading and writing and traveling to places far and wide. I am looking forward to it, but I've have 10 months left. So I'm, I'm working full, full throttle. Those 10 months. That's great. I'm sure they'll fly by. So Donna, it was excellent to have you on the show.

[00:26:57] We really appreciate your insights and your [00:27:00] words of advice. As Bob said, I really do think that any leader or, or part of any team can walk away with the advice that you shared and can certainly put it to good use. So, yeah. Thank you. We appreciate it. You've been fantastic. I'm excited that we have two follow up pieces to our higher ed mini-series.

[00:27:19] So in addition to hearing the great words of advice from Donna Carroll, we also will be joined by a chair of a university investment committee, as well as an attorney who works. Primarily with non-profit clients and in particular, many higher ed clients. So it should be a fantastic mini series. And Donna, thank you for being our first guest as in our higher ed mini series.

[00:27:46] Thank you for inviting me. Donna thank you so very, very much. And as we wrap things up three things for our listeners, one, remember to subscribe to the show and know that we welcome your reviews. Next. If you have a topic you'd like us to [00:28:00] address. Or if you or someone, you know, would be a great guest, please reach out to me or Devon on LinkedIn.

[00:28:05] And then finally, if you lead a nonprofit or perhaps you serve as a board or a committee member, and you hope to explore strategies to potentially better manage the investments you oversee, please contact me or Devon and certainly visit DiMeo Schneider.com where you'll find a ton of great resources. So to all your good stewards, Thanks for investing time to help your nonprofits prosper.

[00:28:30] We'll connect with you soon on the next episode. Thank you for listening to the nonprofit investment stewards podcast. Click the subscribe button below to be notified of new episodes and visit DiMeo Schneider.com . For more information, the information covered. Yes, posted represents the views and opinions of the guests and does not necessarily represent the views or opinions of DiMeo Schneider and Associates.

[00:28:51] Content is made available for informational and educational purposes only. And does not represent a specific recommendation, only seek the advice of qualified [00:29:00] professionals, familiar with your unique circumstances.