Charitable gift development strategy Sacred Heart School of Theology

William R. O'Toole Jr.

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Charitable Gift Development Strategy
Sacred Heart School of Theology

by
William R. O'Toole, Jr.

An Applied Management
Decision Report
submitted in partial fulfillment
of the requirements for the degree of
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This committee has approved the Applied Management Decision Report of William R. O'Toole, Jr.

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CASE SUMMARY

Sacred Heart School of Theology, (SHST), is a Roman Catholic seminary located in Hales Corners, Wisconsin. The seminary specializes in the education and formation of men over the age of 30 for the priesthood.

The school is owned by the Priests of the Sacred Heart and governed by a board of directors. The school is financially sound and began long-range planning in 1990. This planning was stimulated by enrollment growth of 78% from 1985 to 1990. The planning process culminated in a document known as SHST Priorities for the 1990’s.

Given the increasingly competitive fund raising climate, limited school financial resources, the school’s mission, and the formulation of institutional long-range plans, what is the best charitable gift growth strategy for SHST to pursue?

Three directions were examined against recent seminary development survey data. A comprehensive approach, congruent with the school’s mission, planning and vision was chosen as the strategy for SHST. This approach recognizes the strengths of the existing development operation and builds on them consistent with established criteria for effective seminary development programs.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>APPROVAL PAGE</td>
<td>ii</td>
</tr>
<tr>
<td>CASE SUMMARY</td>
<td>iii</td>
</tr>
<tr>
<td>INTRODUCTION</td>
<td>1</td>
</tr>
<tr>
<td>CURRENT SITUATION</td>
<td>4</td>
</tr>
<tr>
<td>Organizational Structure</td>
<td>4</td>
</tr>
<tr>
<td>Finance</td>
<td>5</td>
</tr>
<tr>
<td>Revenue Analysis</td>
<td>6</td>
</tr>
<tr>
<td>Tuition, Room and Board</td>
<td>6</td>
</tr>
<tr>
<td>Grant</td>
<td>7</td>
</tr>
<tr>
<td>Contributed Services</td>
<td>7</td>
</tr>
<tr>
<td>Expenditure Analysis</td>
<td>8</td>
</tr>
<tr>
<td>Instruction</td>
<td>8</td>
</tr>
<tr>
<td>Institutional Support</td>
<td>8</td>
</tr>
<tr>
<td>Development</td>
<td>9</td>
</tr>
<tr>
<td>Marketing</td>
<td>11</td>
</tr>
<tr>
<td>PROBLEM STATEMENT</td>
<td>16</td>
</tr>
<tr>
<td>PROBLEM ANALYSIS</td>
<td>17</td>
</tr>
<tr>
<td>DESCRIPTION OF POTENTIAL SOLUTIONS</td>
<td>28</td>
</tr>
<tr>
<td>Option One...Direct Mail</td>
<td>29</td>
</tr>
<tr>
<td>Option Two...Merger</td>
<td>31</td>
</tr>
<tr>
<td>Option Three...A Comprehensive Approach</td>
<td>33</td>
</tr>
<tr>
<td>RESOLUTION</td>
<td>35</td>
</tr>
</tbody>
</table>
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>REFERENCES</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>38</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>BIBLIOGRAPHY</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>39</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>APPENDIX A:</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mission Statement</td>
<td>40</td>
</tr>
<tr>
<td>B: Organizational Chart</td>
<td>42</td>
</tr>
<tr>
<td>C: Expenditure Pie Chart</td>
<td>44</td>
</tr>
<tr>
<td>D: Enrollment Graph</td>
<td>46</td>
</tr>
<tr>
<td>E: Income/Grant Graph</td>
<td>48</td>
</tr>
<tr>
<td>F: Development Income/Expenses</td>
<td>50</td>
</tr>
<tr>
<td>G: Church Leaders Questionnaire Results</td>
<td>52</td>
</tr>
<tr>
<td>H: SHST Priorities for the 1990's</td>
<td>55</td>
</tr>
</tbody>
</table>
SECTION 1
INTRODUCTION

Sacred Heart School of Theology, (SHST), Hales Corners, Wisconsin is a private, not-for-profit, educational institution. Its primary mission is the preparation of men over the age of 30 for the Roman Catholic Priesthood (see Appendix A). Its secondary focus is to offer education in academic theology through a Masters degree program in theology and through courses in a Continuing Education program.

Sacred Heart School of Theology is owned and operated by a not-for-profit Roman Catholic religious order, the United States Province of the Priests of the Sacred Heart. The provincial superior of the order is the elected leader who governs the religious community along with an elected five member provincial council. These individuals are elected to serve for three-year terms. The provincial superior is responsible for the appointment of the chief operating officers of SHST and for insuring the financial solvency of the school.

In the 1970's the religious community established a board of directors for SHST. This board governs the school in matters of policy. The board selects and approves its
membership subject to the confirmation of the provincial council. The board of directors consists of men and women, religious and lay, who are principally educators and business persons.

Sacred Heart School of Theology is accredited by the Association of Theological Schools (ATS) which has approved its two degree programs, the Master of Divinity and the Master of Arts in Theology. The priestly formation program requirements for admission clearly states that no candidate who is not presented or sponsored by his ordinary, the bishop of the diocese or religious superior, may be considered for admission. The September 1990 seminarian enrollment was 166 men representing 60 dioceses and nine religious communities.

The school building was constructed and dedicated in 1968, and in 1972 the name Sacred Heart School of Theology was officially adopted to signify the beginning of the new program for older seminarians. In 1990, the Priests of the Sacred Heart set aside a million dollar major maintenance fund to provide for the major capital needs of the school building. Sacred Heart employed 65 individuals and had an annual operating budget of $2.7 million in 1989-90. The Priests of the Sacred Heart contributed, through the form of
a grant, $750,000 in 1989-90 or 26.8% of the total school revenue.

During the 1985-86 school year, a committee convened to study the possibility of a merger with St. Francis School of Pastoral Ministry, Milwaukee, Wisconsin. After lengthy deliberation, the committee concluded that the proposal was not feasible and recommended against it. The Archbishop, appointed by the Pope to lead the Catholic community in Milwaukee, and the provincial superior of the Priests of the Sacred Heart accepted the recommendation. In early 1986, a major administrative restructuring took place at Sacred Heart School of Theology when the board of directors separated the position of president/rector into two distinct positions. The resulting structure made the president the chief executive officer.
Organizational Structure

The provincial superior of the Priests of the Sacred Heart is entrusted by Church law with the governance of the Sacred Heart School of Theology. The provincial superior has chosen to share his authority for governance with the Sacred Heart School of Theology Board of Directors. As president of the board, the provincial serves as an important leader of the twenty-four men and women, religious and lay, board members. Certain board decisions require a consultative or deliberative vote of the provincial council. These decisions include: The appointment of the president and the rector, the approval of new board members and the annual SHST budget, purchase or sale of real estate or any item valued in excess of $10,000, and any major change in mission or building use.

In 1986, the board, with the approval of the Provincial Council, divided the position of president/rector. Currently, the president as chief executive officer is responsible for all administrative functions. The rector is responsible for the program of priestly formation, teaches, and monitors the other academic programs.
The organizational structure has undergone many revisions in attempting to clarify authority and speed-up the decision making process (see Appendix B). This case analysis shall not delve into the rector's areas of responsibility except to note the following: the rector meets regularly with the department heads reporting to him in a consultative group fashion. Periodically through the year, these same individuals are joined by the president and his department heads for meetings as a joint council. The significant administrative areas that need to be examined are: finance, development, and marketing.

Finance

The finance department is primarily responsible for the development and control of the annual budget. The various school departments use a modified zero-base budgeting process. Since 1982, the school has had annual independent audits performed by a Milwaukee certified public accounting firm. The school buildings and grounds are not owned by The Sacred Heart School of Theology but are assets of the United States Province of the Priests of the Sacred Heart.

The major annual income sources for Sacred Heart School of Theology are tuition, room and board, the grant from the Priests of the Sacred Heart, charitable gifts and contributed services. Significant annual expenditures include those
for instruction, institutional support, and plant operations (see Appendix C).

Revenue Analysis

Tuition, Room and Board. In the 1989-90 school year tuition, room and board was $8,800 per student. Tuition generated $686,651 or 24.6% of the total revenue budget. Room and board amounted to $669,804 or 24% of the total revenue budget. Tuition payment is made by either the student or the sponsoring diocese or religious community.

Sacred Heart School of Theology tuition ranks favorably and competitively when compared with similar seminaries. According to the Association of Theological Schools 1989-90 fact book, the average tuition charge for seminaries with enrollment of 151-300 was $4,364. Tuition as a percentage of the overall revenue budget has been increasing primarily because of gains made in enrollment. Many seminaries are able to keep tuition low because they are heavily endowed; Sacred Heart School of Theology does not have a sizeable program endowment. Sacred Heart's tuition increases have averaged less than two percent annually over the last three years. However in 1991-92 the increase in tuition, room and board will average 12%. As a national seminary, Sacred Heart's seminarians incur other significant costs such as travel which means that it generally costs that much
more to attend Sacred Heart School of Theology. Enrollment trends seem to indicate a steady acceptance of Sacred Heart School of Theology (see Appendix D). Should the trend continue to hold, Sacred Heart School of Theology will need to determine how many students they can serve based on plant size and faculty/staff numbers.

**Grant from Priests of the Sacred Heart.** The sponsoring religious community of the seminary, the Priests of the Sacred Heart make a significant annual contribution to the school in the form of a grant. In 1989-90 the grant was $750,000 or 26.8% of the total revenue budget. These funds provide, in part, for the maintenance and upkeep of their asset, the building and grounds. The grant as a percentage of total income for Sacred Heart School of Theology has been steadily decreasing (see Appendix E). Without this grant, Sacred Heart School of Theology would not be able to operate with a balanced budget. Because of the continuing capital demands of a 22-year old building, and the lack of a sizeable program endowment and without a significant increase in gifts or tuition, this grant will remain vital to Sacred Heart School of Theology.

**Contributed Services.** This represents the total dollar value of the services of the many priests and religious at Sacred Heart School of Theology. In 1989-90 this figure
amounted to $213,220 or 7.6% of the total revenue budget. If Sacred Heart School of Theology had to replace these priests and religious it would cost the school a minimum of $213,220 to hire comparable lay teachers.

Sacred Heart School of Theology needs to be aware that the continuing decline in the number of priests and religious may force them to hire more lay instructors. Therefore, the overall cost of instruction may rise above and beyond normal growth and inflation. This, of course, assumes continued growth in enrollment of all type of students and therefore the need to hire more faculty.

Expenditure Analysis

Instruction. The amount Sacred Heart spent on instruction in 1989-90 was $1,088,044 or 39.4% of total expenditures. The cost to educate a seminarian at Sacred Heart is almost double what is charged in tuition, room and board. This has been a consistent financial strain for the past several years at Sacred Heart School of Theology.

Institutional Support. In 1982-83 institutional support costs were $473,000. In 1989-90 it was $584,650, or 21.1% of total expenditures. This sum represents an increase primarily in administrative costs. In 1982 the plant operations costs were $386,000. In 1989-90 they were
Fluctuations in plant costs are common and expected annually to provide for unplanned minor improvements or equipment purchases.

Overall expenditures increased between 1983 and 1990 from $2,279,917 to $2,762,220 an increase of slightly more than 20%. During this same period revenues rose from $2,262,539 to $2,793,115 or an increase of slightly more than 23%. Revenues slightly outpaced expenditures during this time period.

Development

Early in 1987 the development department was restructured to make existing personnel more contributing to development goals. Accordingly, the two full-time staff positions were redefined. In 1990 the staff consisted of the director, a foundations coordinator, a special events/alumni coordinator and a part-time administrative assistant. The development office is computerized and operates in spacious offices at Sacred Heart School of Theology.

The development director works closely with the president and together they visit major donors and foundations throughout the United States. An annual awards dinner is held in the spring and provides an ideal opportunity for
recognizing benefactors and friends of Sacred Heart School of Theology. The department prepares an annual report which highlights the school's achievements and provides an accounting to their many publics.

Increased analysis of the department's income and expenses has enabled a more thorough understanding of problems and potential. The summary of income and expenses illustrates the operations importance to the organization (see Appendix F). It should be noted that it is difficult to determine how much it cost the school to raise each dollar prior to the 1986-87 fiscal year since all aspects of development, including recruitment and communications, were included in the department's budget. The finance department could retrieve only some information necessary to determine costs per dollar for the first four fiscal years. However, normal methods of cost accounting cannot be used with accuracy since prior to fiscal 1986-87 the department did not keep accurate records on the percentage of time spent on fund-raising prior to 1986-87.

An analysis of revenue and expense figures reveals some very important factors. These factors are highlighted as follows:

1. The donor base has grown since the 1982-83 school year, but the growth is less significant than the numbers seem to indicate.
2. Several major gifts have accounted for a significant rise in revenue. Major gifts are very difficult to budget and to anticipate. Therefore, revenue projections must be adjusted so as to provide realistic projections which, in turn, will influence expense items such as future staff hiring.

3. To minimize the fluctuations in revenue, a stronger, broader donor base must be developed.

4. Continued emphasis must be given to income growth areas such as foundations and major donors.

5. Future expenses and additional staff must be carefully weighed in light of realistic revenue growth to keep the cost of raising one dollar at a minimum.

Marketing

Marketing at Sacred Heart School of Theology is a team effort. Several departments: Development, Recruitment, and Public Relations implement various aspects of the marketing plan and the whole approach is coordinated by the president. Currently, Sacred Heart School of Theology is attempting to be more conscious of customer service and being responsive to customer needs. Marketing efforts are sometimes plagued by departmental interests and need to be viewed more from an institutional perspective.

In September 1990, Sacred Heart School of Theology reached an all-time record enrollment of 166 seminarians. These men are sponsored by 60 dioceses and 9 religious communities. The average age of these seminarians was 43, and the ages ranged from 29 to 64. Sacred Heart School of
Theology has successfully positioned itself as the largest national seminary serving "second-career" seminarians. Enrollment has been steadily growing over the past several years and demographic projections relative to the baby boomers indicate increasing numbers of potential candidates in the age group served at SHST and are pointing in the direction of stable to moderate growth.

With a large segment of the United States' male, Catholic population being in the 30-45 age group, opportunities for increasing enrollment are encouraging. The significant trend regarding all men entering the priesthood is that their average age was going up. It seems that men today are much less willing to make a life commitment at age 21 than the men of 30 years ago. The significant trend regarding the second-career seminarians is that this group continues to grow despite the low priority placed on it by most of those involved in religious recruiting.

The seminarians at Sacred Heart have been active in their parishes and dioceses and most considered the priesthood when they were younger. All share a strong desire to serve. Approximately ten percent have been married and are now widowers or their marriage was annulled. The largest segment at Sacred Heart tends to be age 30-45, have a college education and are comfortable making a life commitment.
Sacred Heart School of Theology is a specialized seminary and as such has little competition. At least three smaller seminaries have a similar focus but, according to a survey conducted for SHST in 1988 Sacred Heart enjoys a credible image with church leaders (see Appendix G). One problem that does exist is making the decision makers aware that sending a second-career man to a traditional seminary is a mistake, educationally and socially, and that he will fit in better at Sacred Heart School of Theology with men of his own age group. The most significant recruitment tool Sacred Heart uses is in-person visits by their director of recruitment with bishops and vocation directors who determine where a man will go.

Sacred Heart School of Theology provides continuing education, and an M.A. program in Theology as well as retreats for lay people and religious. The growth in these programs seems to indicate an intense search by Catholics for understanding their faith better. In this arena, Sacred Heart School of Theology has competition from St. Francis Seminary in Milwaukee as well as many area Catholic Colleges and Universities.

In 1989, Sacred Heart School of Theology received a ten-year unrestricted re-accreditation from the Association
of Theological Schools. This stamp of approval provides an increased level of credibility with all of their consumers.

To summarize, SHST by being positioned as a national seminary and through in-person visits with bishops and vocation directors is attempting to solidify its hold on a unique market niche. Sacred Heart wants to be the leader in this market and through an emphasis on quality and credibility hopes to attain that position. Sacred Heart School of Theology believes it is still in a growth stage. The product, second-career seminarians is still new to the church. As more people come to understand that this opportunity exists and as the shortage of priest worsens, Sacred Heart believes future growth will come.

This strategy is augmented by a long-term publicity program targeted at specific media by which Catholics are served. Through news stories, brochures, annual reports and newsletters, Sacred Heart attempts to tell its story.

Current trends in society, people marrying later, starting families later, going back to school at any age, changing careers often seem to indicate people are open to making life commitments later in life. A decision to enter the priesthood may not be any different and possibly the growth in the number of "second-career" vocations may, in
fact, substantiate it. What changes are down the road for the priesthood and the Catholic Church? Married clergy and women priests are both possibilities in the future. While Sacred Heart School of Theology can't determine these issues, they must be poised to take advantage of any opportunity presented to them by these issues.
SECTION 3

PROBLEM STATEMENT

Sacred Heart School of Theology is at a critical stage in its growth. Through developing a unique program and marketing it nationally, it has experienced considerable growth. Financially, the pressure from the Board and Provincial Council to keep tuition competitive and reduce the amount of the annual grant from Priests of the Sacred Heart is strong. The capital requirements of a 23-year old physical plant are considerable and most often are prioritized by urgency. The donor base is small and would require a considerable investment to expand it. In order to meet some of their financial objectives, Sacred Heart was looking to the development department for some recommendations. Within the context of the organization’s mission, its current situation and long range vision and plans, what would be the most effective charitable resource development growth strategy for Sacred Heart School of Theology to pursue?
The analysis of this problem must go beyond a critique of fund raising strategies. This analysis must be institutional in scope. It is imperative that the fund raising strategies flow from and are consistent with the organization’s mission, long range goals and plans. It is also important that the strategies reflect an understanding of trends in society, the Catholic Church, and fund raising activities at other seminaries.

This section will begin with a review of the mission statement and an analysis of the internal planning process and the significant environmental factors that have confronted the school in recent years. Following that, the organization’s long range plans, vision and competitive strategies will be explored. Potential fund raising strategies will then become clearer and will be analyzed for their congruency with the institutions overall vision and plans in the following section.

Philip Kotler (1981) defined strategic planning "as the process of developing and maintaining a strategic fit between the organization and its changing marketing opportunities." Kotler contends that institutions of higher
education must "understand its environment, review its major resources and then formulate institutional goals." Kotler further suggests that strategy development should then determine the most cost effective strategy for reaching the goals. The strategy would indicate what changes in the organization's structure are necessary to implement the strategy. The theory here, according to Kotler, is that an organization should pursue goals, opportunities and strategies that are suggested by or congruent with its strengths and avoid those where its resources are too thin or weak.

As a starting point in this process the SHST mission statement was examined to be certain that it was clear and appropriate. Flowing from that the school needs to have a vision of where it is going and a plan and strategies as to how to get there.

In 1988, SHST received a ten year accreditation from the Association of Theological Schools (ATS). ATS directs that institutions have a mission statement. In preparation for the visiting accreditation team, Sacred Heart conducted an extensive self study. This internal analysis and the follow-up report by ATS indicated that the schools mission statement is acceptable. More recently, in 1990 the SHST Board of Directors reaffirmed the school's commitment to the
One may conclude from this affirmation of the mission, that the school knows what its work or ministry is. However, this does not necessarily mean that one can assume the school or its leadership knows where it is heading!

Barbara Taylor (1989) conducted a survey of theological school trustees and chief executive officers to learn more about board characteristics and needs. The survey was sent to all 204 chief executive officers of the ATS member schools listed in the 1987 ATS directory. The response rate was 69.1%. The significant findings revealed that presidents would encourage their trustees to attend programs on trustee responsibility, fund raising and strategic planning. Presidents themselves would be most interested in workshops on strategic planning and fund raising. Trustees on the other hand are most interested in workshops on strategic planning and board responsibilities. They are considerably less interested than presidents in workshops on fund raising. The SHST board expressed opinions consistent with the findings of this survey.

One can conclude from this survey that there exists a strong desire on the part of those entrusted to lead theological schools for a better understanding of strategic
planning. Holly Hall (1990) wrote in the Chronicle of Philanthropy that interest in strategic planning has been growing in the last five years in the non-profit sector because, "many organizations are dealing with financial problems, mergers, or other issues requiring managerial direction---the essence of strategic planning."

SHST has been involved in strategic planning for the past several years. The school has seen its enrollment grow from 93 seminarians in 1985 to 166 seminarians in 1990. This five year 79% increase in students has been the most significant factor in driving the planning process. A clear plan and vision was required to face the challenges that this growth brought and to have a context and criteria for evaluating strategies and making decisions among alternative plans and ideas.

Successful planning must involve the many publics or constituencies of the organization. However, in many cases the leadership will develop ideas consistent with the mission, design tentative plans and then disseminate those plans to the many constituencies of the school for further input and development. It should be noted that many planners will argue that the planning should initiate from the bottom and move up. Regardless, the most important factor is that all those involved have an opportunity for
input and have a real chance to make a meaningful change if they strongly believe it is in the plans interest. Ownership of the final plan and vision is extremely important if the plan is to be successfully implemented. Granted not all will like the total plan but consensus building is essential for a good plan to become a practical tool for decision making and not just an academic exercise. In this case, the CEO of SHST along with a team of administrator and trustees identified the challenges and drafted possible strategies for addressing the areas. These tentative plans were then disseminated to faculty, staff, and students, as well as published in the school magazine for donors and friends to read and respond to. The result was a planning document known as Priorities for the 1990’s (see Appendix H).

Sacred Heart did not begin its planning with an analysis of how much money could be raised. This, of course, would have been rather pointless as a thorough analysis of the organization's current situation and needs must first be performed. With the current situation being analyzed in section two, we shall now proceed to examining how Sacred Heart compares with other seminaries around the country and review several issues that may confront theological schools in the future.
William Thorkelson (1989) in an article in the National Catholic Reporter titled, "Researchers see signs of Hope at Seminaries", analyzed research on seminaries done by Sister Katarina Schuth. Thorkelson indicated that Sister Katarina Schuth of the Weston School of Theology and a noted Catholic scholar had done a great deal of study of Catholic seminaries and concludes that it is likely that several schools will have to close or merge in the next five years because of the continuing decline in seminarians. The number of seminarians enrolled in U.S. seminaries has dropped in the past twenty years from about 8,000 to 3,700, according to research gathered by Schuth. However, Schuth sees signs of hope in the surviving seminaries because of their fiscal management, and responsiveness to those they serve, namely seminarians and lay students. Seminaries now have almost as many lay students and women religious as seminarians preparing for the priesthood, according to Schuth. SHST is unique in that its enrollment has continued to grow over the past five years due to the focussed mission of the school. This fact helps in fund raising strategy because it points out the differentiation that exist among SHST and other Catholic seminaries. The continuing education component of the SHST program illustrates the schools success in meeting the needs of the laity and other non-seminarian students. The continuing education program helps in building the SHST case through reaching out and
sharing its theological resource with the larger community. From a fund raising perspective this is extremely important as continuing education students are also potential donors. The enrollment success and meeting the needs of the laity help to establish a credible case for donor support of SHST.

Sacred Heart will need to keep that sense of responsiveness to society and the church if it is to remain vital in the future. James Franklin (1989) analyzed some recent research dealing with future trends in the Church. These trends are important for SHST to track because it will help them better position themselves for any growth opportunities. Franklin writes that Catholic University sociologist Dean Hoge has surveyed Catholics nationwide and concludes that the priests shortage, "is long-term, not temporary, and responsible church leaders should look for other options for furnishing the best possible parish leadership in the future." Hoge is certain that ordaining married men and relying on lay pastors will have the greatest and most immediate assistance in dealing with the priests shortage. These options must be viewed from the perspective of change because the status quo would not permit either for the most part. However, SHST should have contingencies for dealing with change of this sort because the impact would be enormous. Some researchers have also pointed out that the Catholic church is becoming more
pluralistic. The increasing number of Hispanics coming to the United States and the great majority being Catholics indicates we need to be sensitive to their culture and traditions. SHST has developed a Hispanic Ministry program in response to this trend. Donor friendly letters or recruitment brochures written in Spanish may be an example of effective tools for SHST to employ in response to this demographic change.

The next part of this analysis must examine what other seminaries are doing in terms of fund raising and provide us with some additional criteria for accepting or rejecting fund raising strategies. John Zehring (1990) wrote an article that examined the success of the Lilly Endowments efforts to enhance development in seminaries. Zehring concludes that significant strides have been made in the area of seminary development but the work is not yet complete. For many years seminaries didn’t pay much attention to fund raising and then realized that this lack of concern was a mistake, according to Zehring. The Lilly Endowment helped to develop programs and provided the funding to address this problem. Their success has been extraordinary. In the ten-year period since 1977-78, gifts to ATS accredited theological schools grew 166.6% to $165,720,000. Zehring also notes that "in 1979, prior to the training programs, seminaries employed 1.8 full-time-
equivalent professional development staff members. By 1985 the figure was 2.4 and by 1988 it was 3.1." Salaries of development officers in seminaries have also grown considerably since the late 1970s to an average $49,410 but that is still below their counterparts in higher education. Recruiting and retaining competent development staff is still a big challenge. The all important role of the CEO in fund raising has also been appreciated in recent years according to Zehring (1990) and he also adds, "future presidents must be people who have demonstrated their ability to raise money."

Salaries, staff sizes, recruiting and retaining competent staff and the role of the president in fund raising are clearly issues in seminary fund raising today. R. Mark Dillon (1990) did a study recently on fund raising effectiveness among Protestant seminaries in the United States. His study, also funded in part by the Lilly Endowment, reveals several key findings about effective development programs at seminaries. The findings help to confirm the positions set forth by Mr. Zehring. To summarize his key points, Dillon found that "seminaries that spend more for fund raising raise more money---considerably more money. The old adage you have to spend money to make money seems right at home here. His second finding confirms
Zehring's point about staff size, according to Dillon, "the more effective seminaries employ a greater average number of full-time professionals than the less effective. Dillon goes on to state as Zehring also points out that presidential leadership is extremely important and that it characterizes effective development programs. This leadership is especially important as the solicitor of major gifts. Presidential leadership is also important in the planning process and Dillon found that effective seminary development programs were more likely to be involved in goal setting and institutional long-range planning. Dillon also found that trustees play an important role in effective programs both as donors and through active involvement with a development committee consisting of these board trustees. Dillon notes that seminaries that have a variety of appeals in terms of their needs, especially in the area of capital fund raising seem to do better. This may be due to providing donors and potential donors with many gift options, according to Dillon. An interesting and promising area of fund raising is planned giving. Dillon noted that while planned giving is highly valued in seminary development programs especially for its future financial considerations, planned giving is "woefully understaffed in most seminaries." This again is due to the pressure to raise current dollars and time is just not available for the long-term cultivation of donors for planned gifts.
In examining potential fund raising strategies for SHST we need to judge them in light of these findings as well as the institutional long-range vision, plans and resources. Further, future market considerations need to be weighed in terms of how the appeal is positioned and care is taken in developing the fund raising case for support of SHST.
In the SHST planning document known as Priorities for the 1990s, several points were made regarding fund raising. As part of the needs analysis, the planners concluded that "it is necessary for us to further develop our annual support and begin to significantly increase program endowment." The problem analysis section of this paper analyzed research, Dillon (1990), for defining criteria for judging effective development programs in seminaries. This understanding along with a thorough understanding of the organizations current environment and future challenges would prove essential in evaluating the potential solutions. The potential solutions must be examined for their consistency with the organizations mission, its long range plans and its competitive marketing strategy. That strategy of focus and differentiation has been the hallmark of a successful recruitment effort that has yielded a record enrollment of seminarians.

The three potential solutions that Sacred Heart examined were as follows: SHST should develop a direct mail operation at the school, independent of the Priest of the Sacred Heart direct mail offices; merge all SHST fund
raising with the Priests of the Sacred Heart fund raising office; or build on the school's fund raising focus by concentrating on what it does best and expanding into planned giving.

**Option One Direct Mail**

Holly Hall (1990) wrote in the Chronicle of Philanthropy that "growing pressures are making direct mail fund raising...more complicated and expensive than ever before." She cites the major problems as massive postage rate increases, higher costs of paper and printing and increasing costs for renting mailing lists that are often of poor quality. Hall goes on to note that some experts warn "it will be increasingly difficult for new groups to get started in direct mail because of its costs and complexity."

Ms. Hall's research is based on what the experts have been saying for some time: if one is in direct mail now, there is a chance, but to get into direct mail at this point is very risky. SHST is positioned as a national seminary and therefore might benefit from using direct mail to reach its national constituency in a far more effective manner. However, the school has never done direct mail fund raising and does not have the existing personnel that could conduct such a function. Hall contends that many experts believe that the breakeven time for a new direct mail operation may
be as long as five years, far too long for SHST to gamble on. A conservative projection developed in 1986 by a Milwaukee based fund raising firm estimated the start-up cost at that time to be $100,000. They projected a break even point slightly longer than three years. At that time the Board of Directors voted it down.

The direct mail picture is complicated by another consideration. The sponsoring religious community, the Priests of the Sacred Heart are one of the largest Catholic direct mail fund raising groups in the United States. In fact, Ms. Hall (1990) in her extensive article quotes the director of one of the Priests of the Sacred Heart three direct mail offices. As such, the Priests of the Sacred Heart are vitally aware of the problems associated with direct mail and would view any attempt to start another office as an expensive duplication of existing efforts and poor stewardship. Political and financial support for this approach would be weak to nonexistent.

High costs, lack of resources and personnel are just a few of the shortcomings of this approach. How could this approach be helpful? This approach would enable SHST to mail to thousands of people on somewhat qualified lists with the hope of broadening the schools base of support. This approach does not necessarily conflict with the schools long
range vision except in the area of good stewardship and the high risk associated with this approach. This approach is not widely used by seminaries because of costs.

**Option Two Merger**

Should SHST as an independent apostolate of the Priests of the Sacred Heart merge its fund raising operation with that of the religious community? The religious community owns the building and grounds, and it is committed to insuring the financial viability of the school through written agreements made with the board. It clearly is in the communities interest that this apostolate continue. The orders fund raising office takes advantage of the schools success and fund raising appeal but does so without ever calling the ministry by name. Their generic approach is designed to make clear that their relationship with the school is not to raise funds directly for it. This approach does not take advantage of the unique marketing opportunities that SHST presents and therefore is limited. The other key negative point in this option concerns removing fund raising from SHST and the seriously damaging effect on the other activities that are closely related to fund raising and are essential to the organization; namely, planning and communications. Also in a merger the primary fund raising activity would then become direct mail and the other areas would also suffer as the focus of the order is
direct mail. The order's office does not have a comprehensive development approach. Daniel Conway, (Personal Communication Feb. 1990), an expert in the field of seminary fund raising, believes it is essential that SHST have its own development program and that it can further develop through a systematic approach to planning, communications and fund raising. Mr. Conway, of Louisville, Kentucky has been associated with St. Meinrad's Seminary for over ten years. Since 1982, he has served on the development advisory board of the Association of Theological Schools. Mr. Conway suggested that a coordinated approach with the religious community would be preferable to an outright merger.

Another significant problem with a merger is leadership and the role of the SHST trustees in fund raising. Who would be responsible for articulating the SHST vision to its many publics and inviting them to become a part of the mission? Would it be the head of the fund raising office or the president of the school? Leadership conflicts of this nature would be extremely damaging. The board's role in fund raising would be what? Without personnel at the school to assist the board who are acutely aware of the school's needs and vision the board would not have sufficient fund raising direction. Certainly there would be staff cutbacks in the merger and any duplications of efforts would be
eliminated but the cost savings would pale by comparison to the long-term damage that this approach would bring on the school.

Option Three A Comprehensive Approach

This approach would work with the existing structures and would aim at taking advantage of the competitive strategies of focus and differentiation. Following this approach, the school would focus its fund raising efforts on foundation support, major gift solicitation, special events and planned giving. The annual fund would continue to grow by systematically purging and adding names annually. The president would be the leader of this effort and would require the active involvement and support from the board of trustees. Public relations and communications would become part of the development team to make sure an integrated approach was taking place. The staff size, now at 2.5 full time equivalents should remain the same with the thought that in the future an additional staff person might be needed in the area of planned giving. Initial development of the planned giving program should first take place. Planned giving focuses on donors who may consider making a sizeable gift at some future date usually as part of their estate planning. As the research on seminary fund raising indicates, planned giving receives a lot of lip service in seminary development offices but little attention. Yet this
is where many major gifts come from and often provides the type of gifts for endowment or scholarships. An effort should be made to have the direct mail office of the order do more campaigns and provide a larger share of revenue, therefore allowing the schools office to take a more long-term approach. This is only cited as the financial position at this time is such that the religious community could do so if they were so inclined. This approach confirms an independent status for the fund raising office at the school but it also suggests that an effort be made to build better relations with the Priests of the Sacred Heart fund raising office from a stewardship perspective if nothing else. Building better relations must first start with better communication and progress to sharing of information and working together on joint projects. Special events and establishing special relationships with organizations interested in supporting the seminary should be explored as part of the strategy. The overall theory here is that the schools fund raising office remain focussed on doing the type of activities it does best and what it is set-up to do, foundations, major gifts, events and developing planned giving. The top leadership would then articulate the schools mission and vision to its many publics and invite them to become a part of this unique seminary.
Sacred Heart School of Theology has enjoyed a remarkable 79% growth in seminarian enrollment over the past five years. Sacred Heart has accomplished this despite the downward trend in enrollment at most Roman Catholic seminaries by focussing on its mission and differentiating itself from other seminaries.

The opportunities presented to the school by this growth were influential factors in developing institutional planning. The ATS accreditation process was another stimulus for planning. Sacred Heart has been unique and responsive to the needs of the Church and trends in society. The school, while knowing its mission also has developed a long range vision. This vision, articulated in the planning document Priorities for the 1990s discusses needs as well as institutional dreams.

Many seminaries have only recently begun to do sound long range planning. Seminary presidents and trustees see the need for more attention to this area. Sacred Heart has to continue to focus on long term planning as it is an ongoing process. In discussing planning, Philip Kotler
(1981) notes that an organization should pursue strategies and opportunities that are suggested by or congruent with its strengths and avoid those where its resources are too weak. This is precisely the theory that this case resolution will advocate.

Several studies have demonstrated that there are identifiable characteristics associated with successful seminary development programs. Presidential leadership, adequate resources for expenditures, recruitment and retention of competent staff, trustee involvement and planning are some of those significant traits. Mr. Conway, an expert in the field of seminary development, suggests that development must be comprehensive; incorporating good planning, communications and fund raising.

The resolution of this case requires that the fund raising plans for Sacred Heart provide the overall direction but leave flexibility for change. Fund raising plans need to evolve and grow as conditions change. Good fund raising plans are constantly evaluated for their effectiveness by the staff, the president and the trustees. As opportunities and trends change, plans must be updated. Through this process these plans will become a real management tool or as Mr. Kotler (1981) says, "a tool for managerial direction... the essence of strategic planning."
The comprehensive approach outlined in option three provides the approach most compatible with the organization's vision and plans. This plan would incorporate into the development program a solid focus on its strengths. The activities outlined are within the scope of the institutional resources and provide for presidential leadership and trustee involvement. Planning and communication would be incorporated into development helping to insure a consistent message being delivered to its many publics. Planned giving would be developed as a vehicle to assist in securing long term gifts to help build endowment and scholarships. This would be consistent with the institutional goal as outlined in Priorities for the 1990s to build endowment funds.

In conclusion, this comprehensive approach to development enables Sacred Heart to compare its activities more readily with other seminaries for a better measure of its effectiveness and success. This approach is congruent with the school's mission, an outgrowth of its vision and suggested by its strengths.
REFERENCES


BIBLIOGRAPHY


Appendix A

Mission Statement
Sacred Heart School of Theology is a seminary whose primary mission is the preparation of men of mature years and experience for the Roman Catholic priesthood, both diocesan and religious.

The school strives to be responsive to the presence of the Holy Spirit, to the individual talents and needs of the students, and to the challenges which face the Church and society, especially those of justice and peace.

The school is operated by the Sacred Heart Fathers and Brothers, who work with others, including diocesan priests, men and woman religious and laity towards the achievement of this mission.
Appendix B

Organizational Chart
Appendix C

SHST 1989-90 Expenditure Pie Chart
SHST 1989-90

Institutional Expenditures

Expenditures
$2,762,220

- Institutional Support $584,650 21.1%
- Operation Maintenance of Plant $512,536 18.6%
- Student Auxiliary Services $576,990 20.9%
- Academics $1,088,044 39.4%
Appendix D

SHST Enrollment Graph 1985-90
FULL-TIME SEMINARIAN ENROLLMENT AT SACRED HEART
1985-90
Appendix E

Graph: Total School Income, Priests of Sacred Heart Grant
SACRED HEART SCHOOL OF THEOLOGY INCOME

Year Ended June 30

Total Income

Grant from Province
Appendix F

SHST Development Income/Expenses 1987-89
<table>
<thead>
<tr>
<th></th>
<th>1987</th>
<th>1988</th>
<th>1989</th>
</tr>
</thead>
<tbody>
<tr>
<td>INCOME</td>
<td>$467,044</td>
<td>$308,052</td>
<td>$396,805</td>
</tr>
<tr>
<td>EXPENSES</td>
<td>126,126</td>
<td>163,920</td>
<td>166,588</td>
</tr>
</tbody>
</table>
Appendix G

SHST Church Leaders Questionnaire Results
1. There is a great deal of satisfaction with Sacred Heart School of Theology expressed by the church leaders who responded to the questionnaire. Ninety-two percent say that the school met with their expectations, and the same number, 92% say the school met the students' expectations.

2. Although the church leaders are, overall, satisfied with Sacred Heart School of Theology's programs (96% Question 16), as the table below suggests (Question 20) there are areas that the school might consider strengthening. These ratings were made primarily by respondents who have sponsored a candidate to the school. In their ranking of the following characteristics of the school, Liturgical Preparation received a 38% Acceptable rating and Academic Quality a 30% Acceptable rating. Both characteristics received an Excellent - Good rating of well over 50%, but these ratings are still below the Excellent-Good ratings of the others.

<table>
<thead>
<tr>
<th></th>
<th>Excellent</th>
<th>Very Good</th>
<th>Acceptable</th>
<th>Poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academic Quality</td>
<td>7%</td>
<td>61%</td>
<td>30%</td>
<td>2%</td>
<td>100%</td>
</tr>
<tr>
<td>Spiritual Formation</td>
<td>14%</td>
<td>60%</td>
<td>26%</td>
<td>-</td>
<td>100%</td>
</tr>
<tr>
<td>Field Education</td>
<td>15%</td>
<td>57%</td>
<td>25%</td>
<td>3%</td>
<td>100%</td>
</tr>
<tr>
<td>Liturgical Preparation</td>
<td>8%</td>
<td>50%</td>
<td>33%</td>
<td>4%</td>
<td>100%</td>
</tr>
<tr>
<td>Ability to Meet Sponsor's Needs</td>
<td>15%</td>
<td>58%</td>
<td>25%</td>
<td>2%</td>
<td>100%</td>
</tr>
</tbody>
</table>

3. Fifty-four percent say they have sponsored a candidate to Sacred Heart School of Theology. Of these, 65% have sponsored a candidate in the last two years and 21% in the past five years.
4. The church leaders are generally familiar with the school, its programs and degree offerings. But as the table below shows, there are certain areas in which a significant number of church leaders are misinformed: for example, 41% are not aware that Sacred Heart "offers only second-career programs," and 23% report they are unaware that the school "offers only programs for seminarians who are in their late 20's to mid 60's." (All the statements below are true):

<table>
<thead>
<tr>
<th>Sacred Heart School of Theology</th>
<th>YES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is a national seminary</td>
<td>83%</td>
</tr>
<tr>
<td>Offers only second-career programs</td>
<td>59%</td>
</tr>
<tr>
<td>Offers only programs for seminarians who are in</td>
<td>77%</td>
</tr>
<tr>
<td>their late 20's to mid 60's</td>
<td></td>
</tr>
<tr>
<td>Has a four-year program that includes a pre-theology component</td>
<td>96%</td>
</tr>
<tr>
<td>Has a special accredited combined B.A./M.Div. program for men without previous college education</td>
<td>93%</td>
</tr>
<tr>
<td>Has an Hispanic ministry studies program</td>
<td>84%</td>
</tr>
<tr>
<td>Is fully accredited by the Association of Theological Schools</td>
<td>99%</td>
</tr>
<tr>
<td>Offers a M.A. in Theology in addition to a M/Div.</td>
<td>86%</td>
</tr>
</tbody>
</table>

5. Nine out of ten church leaders would prefer receiving current information on Sacred Heart School of Theology by direct mail. Only 5% would prefer a personal visit and 3% to hear by telephone.

6. Twenty-seven percent of the church leaders say they first learned about the school through the diocese while nearly the same number, 27% report their first contact was through direct mail. The next three most popular ways of learning about the school were friends/peer 11%, article/newsletter 10%, and personal visit by recruitment officer 8%.
Sacred Heart School of Theology has earned a distinctive place among seminaries in the United States. This has been accomplished through faithfulness to our mission: to prepare men of mature years and experience for the Roman Catholic priesthood, both diocesan and religious. In carrying out our mission we strive to be responsive to the presence of the Holy Spirit, to the individual talents and needs of the students, and to the challenges which face the Church and society, especially those of peace and justice.

While many seminaries around the country have closed or merged, our enrollment has grown to over 150 seminarians! Our continued success rests on our ability to develop plans rooted in our tradition and mission. Our goal must be nothing short of developing one of the finest seminaries in the United States.

The priestly formation program is the heart of the seminary. We balance the program with academic, spiritual formation and field education components. We strive to prepare men who will be pastoral minded, socially aware, effective communicators and prayerful priests who will minister to the sacramental and spiritual needs of those they are called to serve. Our programs must ensure that our graduates can effectively minister in ways which are flexible, resourceful and empowering especially to women, Hispanics and African-Americans. We are determined never to sacrifice or compromise our quality by our growth. In conjunction with the Board of Directors we are studying the question of maximum residential enrollment given our faculty size and plant capacity.

Faculty development is extremely important to the continued accreditation and quality reputation we enjoy. We must make in-service opportunities available for our faculty, especially in the area of pedagogy and sensitivity to passage and faith development during the life cycle.

Our commitment to the post-ordination formation of our alumni and the education of the laity through our continuing education and Masters Degree program in Theology remains very strong and further development of these programs is warranted.

The Board of Directors continues to govern and guide us with confidence and leadership. Developing greater collaboration between board committees and the respective departments in the school is a high priority. In service opportunities for board members to learn more of what membership entails and
opportunities for greater involvement in the seminary community will be the focus of our future plans.

Continued financial openness and accountability will take place through our published annual report and our yearly independent financial audit. We must develop further our annual support and begin to significantly increase program endowment to help secure our financial future. We remain committed to the principles of justice in our employment practices and policies. The continued renovation of our building is a major priority especially in the area of the Sacred Heart Chapel and Lobby. We must find ways in which we can be better steward of our natural resources and surroundings. To insure the handicapped accessibility to our programs, we must continue to make our building as barrier free as possible.

Our vision emphasizes continued growth and quality programs meeting the needs of our seminarians and students. Our accomplishments of the past hold the promise of still greater achievements. We need your partnership to make our dreams a reality.