

What Should Executive Compensation Look Like at Catholic Colleges and Universities?

By Frank A. Casagrande, president of *Casagrande Consulting*.

The subject of executive compensation at colleges and universities is a fixture among the press. Recent articles include: “Platinum Pay in Ivory Towers” in the *New York Times*, “Ivy League Presidents Are Starting to Get Paid Like Corporate Executives” in *Bloomberg News*, and “Yale Gives Former Leader \$8.5 Million Payout” in the *Wall Street Journal*. As the competition for the limited supply of high-performing mission-driven leaders of higher education institutions increases, we can expect to see the press return to the topic of high executive compensation.

How does increasing executive compensation impact an organization’s ability to pay a just and livable wage to others?

The role of the Catholic faith in these conversations has not escaped some media outlets, which have focused specifically on the Church’s perspective on executive compensation: “The Paradox of the Christian CEO” in *Time* magazine, “Too Much? CEO Compensation and Catholic Social Teaching,” in *America* magazine, and “CEO Pay: Identifying the Moral Problems,” in *Catholic Moral Theology*. They all raised the following basic questions: Should there be some ceiling on executive compensation? How does increasing executive compensation impact an organization’s ability to pay a just and livable wage to others? What would Jesus do? These articles are not specific to colleges and universities, but the questions feel relevant to presidents of faith-based institutions of higher education.

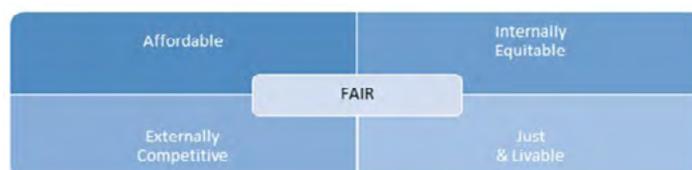
During an interview with a religious chair of a client board, I asked her what she thought the essence of their executive compensation philosophy should be. She simply said, “They (the executives) shouldn’t come here for the money, but they shouldn’t leave because of it, either.” This Goldilocks version of an executive compensation

philosophy—not too small, not too big, but just right—seems to get at the heart of the challenge in recruiting, rewarding, and retaining high-performing, mission-focused leaders in a highly competitive environment. It seems to me that the answer to the question of what is “just right” in the Catholic world doesn’t need to be different from the rest of higher education, but it does need to be discerned in a unique manner: through a detailed executive compensation philosophy that carefully balances several considerations.

Discernment of Philosophy

The most important task of an executive compensation consultant is to help boards discern a philosophy and process that can withstand the scrutiny of all stakeholders and be perceived as fair. In sitting down with the board of one Catholic college, I scratched out the following matrix of forces affecting perceptions of fairness:

Each institution and each stakeholder group will think differently as to which of these factors is most important and



what they mean, but a general description of each can help begin the conversation.

Affordability. A college or university with decreasing enrollment, increasing discount rates, decreasing return on endowment, and increasing costs will have to consider paying *all* of its employees differently than one without these resource constraints.

Just and Livable Wage. On the flip side of that consideration is paying a just and livable wage. While this may not seem directly connected to executive compensation, there is some floor as to what a Catholic institution should be paying its employees, regardless of constrained resources. One dollar of compensation spent on executive compensation is a dollar not available for just and livable compensation for other employees. We have seen a recent flurry of college presidents giving up their bonuses or salary increases to raise the minimum wages paid by their institution to the lowest-paid employees.

Internal Equity. This is an area in which a number of institutions are missing an easy win. Simply using the same

peer group and targeting the same level of competitiveness for executives, faculty, and staff can increase the perception of internal equity.

External Competitiveness. This is typically the first—and sometimes the only—perspective on executive compensation examined. Unfortunately, many not-for-profit institutions of higher education behave as though they are the College of Lake Wobegon, where all the executives are above average. The spiraling costs of executive compensation will not be stopped as long as every institution is looking to pay its executives well above most peers.

What Matters...

Every Catholic college and university board should be able to proudly state the following:

We take our fiduciary responsibility for financial stewardship seriously in all areas, especially executive compensation.

We have established an independent committee of trustees to execute our carefully discerned executive compensation philosophy.

That committee has compared our executive compensation to those of our peer institutions.

We are pleased to have in place executive compensation processes and programs that are defensible to all our stakeholders and allow us to recruit, reward, and retain high-performing, mission-focused leaders in a competitive environment.

ACCU is contemplating a survey of its member institution presidents to learn what specific executive compensation topics are of interest, including those mentioned in this article. These topics will be considered for future, more detailed articles on the subject. In the meantime, Catholic colleges and universities should thoughtfully address the question of executive compensation, considering answers that best help them achieve their mission. ✧

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