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2-2016

Quo Vadis?.....

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Recommended Citation

Ng, L. & Festin, V. (2016). "Quo vadis?.....". Ateneo de Manila Graduate School of Business.

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Case Study (02/16) *Educational Research and Development Assistance (ERDA)*

“Quo Vadis?.....”

Recent history provides many examples of both for-profit and non-profit organizations collapsing due to their failure to institute proper governance practices. A closer reading of their stories provide insights into how they could have used appropriate governance structures, policies and processes to create value, meet their objectives and achieve sustainability. What went wrong? What should have been done? Who should be held accountable? And more importantly, what policies, practices and controls can be put in place to prevent this from happening again?

This case is built around the challenges confronting the Philippine province (indeed, most Jesuit provinces), where the Provincial is attempting to sustainably operate their many and varied apostolates despite the dual challenge posed by dwindling financial resources and declining vocations.

The case discussion will explore questions of adapting corporate governance structures to Jesuit institutions and Jesuit ways of proceeding, increasing the role of lay collaborators while maintaining fidelity to Ignation values and adherence to the Instruction on the Administration of Goods (IAG), and developing tools and frameworks that can help the Provincial in setting priorities amid competing province goals.

After undergoing the case analysis, the participants should have a better understanding of key governance principles such as transparency, accountability, risk management and succession planning and be able to apply them wherever appropriate to the situations and contexts appropriate to their roles as provincials and treasurers of the Society of Jesus.

The Philippines' incumbent Provincial Fr. Antonio Moreno oversees seven ministries, with Fr. William Abbot and Fr. Cesar Marin supporting Fr. Moreno as Socius and Treasurer respectively. More than 80% of the Philippine population professed Catholicism (National Statistics Office, 2010). In a country where majority of its people look up to the church for guidance and counsel, Jesuit governance plays a key role of aiding in the government's efforts on human development, and as a catalyst for social change.

Two issues confronting Fr. Moreno are the challenges of declining vocation and dwindling financial resources. There are approximately 20,000 Jesuits around the world today, with about 1,625 Jesuits in East Asia (region where the Philippines belong). There is a declining rate of Jesuits entering into the Society in the East Asia region, and a much steeper decline in the United States and Europe. The only region showing a steady increase in numbers are from Africa and South Asia (Gaunt, 2015). The slow and gradual declining trend as a result of departures and largely because of deaths, brings forth the need for more entrants into the Society and increased lay collaboration.

On the matter of decreasing financial resources, there is also the desire for existing funds to generate satisfactory returns for sustained project implementation. It continues to be a challenge for Treasurers worldwide, given the volatility of financial markets specifically equity funds. The Asian Financial Crisis in 1997, and the world wide financial (subprime) crisis that occurred in late 2007 brought forth crucial implications for both investors and policy makers. A balance is needed to ensure preservation of capital and at the same time provide acceptable returns on investments.

Educational Research and Development Assistance (ERDA) Group

The founder of ERDA, Fr. Pierre Tritz established ERDA in 1974 for the main purpose of providing educational assistance to children of poor families. In the course of the next 21 years, Fr. Tritz founded three other non-government organizations (NGOs) namely, Foundation for the Assistance to Hansenites (FAHAN) 1978, ERDA Tech Foundation (ET) 1993, and the Albert Schweitzer Association Philippines (ASAP) 1995, all with the similar objective of taking care of a variety of poor children in the Philippines.

Three of these foundations (ERDA Foundation, ET and FAHAN) were consolidated and hence, with a common board. ASAP was not able to complete the consolidation process and eventually ceased to operate, with its activities subsumed into a special project of the ERDA Foundation. FAHAN also ceased operating by January 2010, its programs farmed out to Non-government organizations (NGOs).

One of the problems of the ERDA Group is the lack of funding that is needed to sustain the operations of the group. In view of the financial crises that faced the region and the globe, sources of donations started to dry up. Most of its funding came from donations from local and foreign benefactors. Among the foreign funds received were from long time supporters of Fr. Tritz in Europe, the United States Agency for International Development (USAID) and the United Nations Education, United States Department of Labor (USDOL) to run special projects related to poverty alleviation. Local funds came from their fund raising events, Xavier School Parent's Auxiliary (XSPA) support and for ET's student scholarship program. There is a pressing need to raise not only more funds but to secure financial returns to sustain ERDA Group. Internal audit for ERDA's

finances are performed by the Treasurer of Xavier School (XS). The ERDA/XS Treasurer chairs the Finance Committee, whose functions include overseeing/reviewing budgets, financial operations and investments. whereas external audit is handled by SyCip Gorres Velayo & Co. (SGV) accounting firm. The primary objective of the board in getting funds was to maximize donations instead of focusing on a financial strategy that will ensure the long term sustainability of ERDA Group.

There was also the unwieldy governance structure with three separate foundations of the group. It was governed by the same board. All major policy decisions are routed to board members, discussed and ratified accordingly. Cross directorship let alone the same members of the board for different organizations opened the doors for a weaker governance structure, but is implemented perhaps to streamline board decisions and get things done faster. There was a question on impact and effectivity, and whether the foundations were achieving the goals as articulated in their vision-mission statements.

Then there was the issue of succession planning. On the area of operations, there was no other Jesuit involved with the ERDA Group (except the four Jesuits who sit on the board) save Fr. Tritz who was 60 when he started ERDA and continued to be active until his 80s.

ERDA Tech

Originally a special project of ERDA Foundation but eventually managed on its own due to operational scope and intricacies, ET is an educational program designed for poor but promising youth who wish to complete their secondary education and employable technical skills. No other Jesuit has been involved with the ERDA Group until the involvement of Xavier School.

Vision Statement

RDA Tech envisions a society that respects and develops the dignity and uniqueness of each person and integrity of creation and promotes justice, solidarity and interdependence among all members. Thus, we envision ERDA Tech to be a center of innovative and quality education for socially disadvantaged Filipino youth to enable them to become God-loving, highly skilled, self-propelled and socially responsible citizens.

Mission

1. To enable the students and trainees to overcome their current feelings and attitudes on life brought about by their poverty and life experiences and open themselves to and aspire for opportunities towards a better life for themselves,

- their families and society.
2. To enable underprivileged students to realize their ambitions and continue their education as working students by providing a well-rounded academic and technical curriculum.
 3. To help build the country's pool of quality-trained and responsible workers by preparing students and trainees for entry into the work place and encouraging productivity through entrepreneurship.
 4. To create and maintain an atmosphere conducive to spiritual growth of students and trainees.
 5. To provide opportunities for values formation that upholds truth and respect for life and enables the students and trainees to internalize such values.
 6. To inculcate discipline and sense of responsibility in all aspects of their lives.

Former provincial Fr. Danny Huang believed that the work of ERDA Group was worthwhile and decided to have XS take it under its wing in May 2009, which is one of the educational apostolate of the Philippine province. However, the Memorandum of Understanding (MOU) between XS and ET were formalized in mid 2015.

Succession Planning. Fr. Huang initially broached the idea to then XS President Fr. Go to take over ET. The main concern was that Fr. Tritz, then in his mid 90s was getting too old and needed help. Given the better governance structure of Xavier School and networking advantages from its alumni/lay board members, it was considered a strategic move that helped ensure the survival and sustainability of ERDA Group.

Fr. Go was optimistic about the adoption of ET, as this was an opportunity to: (1) To streamline the outreach efforts of XS and make a more lasting impact. By pooling XS resources and concentrating on one institution, ET would benefit greatly from this adoption. (2) To provide a more permanent venue for XS' sense of social responsibility of their employees and students, especially teachers. (3) To experiment with a new model of social work by basing it in school (XS). This will provide XS students and faculty sustained social responsibility formation.

Operational Costs. The immediate issue that Fr. Go addressed was over spending, therefore a simple budgetary process was implemented. Fr. Go observed that the group was poorly managed, hence his implementation of shared administrative resources/services with XS. He also decided that the best strategy to help ERDA Foundation institutionally was to second XS administrators and teachers to elevate the standards of education. Their salaries were considered the annual contribution of XS, which was approved by the ET Board as part of its annual budget. This helped ET greatly in reducing operational costs. With XS leading the governance of ET, decisions were made by the XS/ET shared board.

Benefactors. Since the early days of ERDA Group, Fr. Tritz's benefactors were primarily foreign. Fr. Tritz introduced Fr. Go to these donors but Fr. Go realized that he would not be able to rely on Fr. Tritz' network because firstly, he couldn't speak French, second, they were devoted to Fr. Tritz and lastly, they were aging. While solicitations

from these donors continued, Fr. Go decided to focus efforts on acquiring help domestically particularly from alumni and parents of students studying in XS. Fr. Go was successful in this endeavor.

Lay Collaboration. A key area of development is that of involving the lay with the Society's mission. Fr. Go believed that increase lay collaboration is not only a strategy to address this concern but is also the default. His main issue in this front was lay staff training and formation so that they could be "traditional bearers" in institutions with fewer Jesuits. Another issue was their understandable lack of confidence simply because they are not Jesuits.

In the case of ET, laity involvement starts at the board level. Majority of the board were lay persons. Generous with their time, expertise and resources, they served pro bono. The lay board members have demonstrated commitment to the vision and mission of ERDA. In a similar manner, the XS lay stakeholders (faculty, staff, students, alumni and parents) have also whole-heartedly supported ET in various ways (such as fundraising, securing industry partners for technical training of ET students and organizing service immersion of XS students and alumni at ET).

Fr. Johnny Go who had been President of XS since 2001 was elected Chairman of the (common) Board of the ERDA Group in 2007 when the three foundations were consolidated. With Fr. Tritz appointed as President Emeritus in 2012 when he was 98 yrs. old, the board elected Fr. Go in his place as President, with Atty. Charlie Yu as Chairman of the Board. In effect, Fr. Go became President of ERDA Foundation, ET and FAHAN, whilst serving concurrently as XS President. Fr. Go ended his term as XS President in March 2013.

ERDA Today and the Challenge Ahead

Upon completion of Fr. Go's term which ended in 2013, Fr. Ari Dy was elected as a Board member and as President of the ERDA Group to replace Fr. Go. Fr. Dy is the incumbent President, now on his second 3-year term as ERDA President.

All major policy decisions are made at the board level. Current XS and ERDA Tech President Fr. Ari Dy works closely with the board who continues to provide oversight of ET. Fr. Dy has the continuing authority to select and appoint the Principal and other key officers of ET for as long as deemed necessary by both parties.

Strategy. The vision and mission statements of ERDA Group has not changed and are being carried out consistently, in the spirit that it was originally formed by Fr. Tritz.

Strategic timetables are set in ten year horizons. Upon taking on the Presidency and Chair of ET/XS, Fr. Dy and the board embarked on a project which will take ET further in terms of academic/technical competence.

ET South. With the K-12 implementation (High School education consisting of four years preparatory academics for college will now have an added two years, i.e., 4 years Junior High and 2 years Senior High) by the Philippine's Department of Education (DepED), ET transitioned from a Junior High School to a 2-year Tech-Voc Senior High School plus a one year internship program. The additional internship will take effect upon transfer to ET South (Batangas) in 2019.

With limited resources, this was also a choice between supporting a 6 year High School program and a 2 year program. The board ensured that current Junior High students will all graduate even if the Junior High program will be discontinued.

The said area is an industrial and technical enclave where many companies have decided to relocate and/or establish their new plants and factories. Demand for persons with technical skills is expected to rise exponentially over the next few years. The funding of the said school is expected to be drawn from the family that owns much of the industrial complex but will also rely on new sources to be tapped. ET South is expected to be a feeder-institution, one that will respond to the demand for skilled workers in the area.

Financial Resources. The incoming donations from benefactors (XS community) have been steady but in view of the ET South project, much more funding is needed. Fr. Dy has been successful in this area and plans on tapping foreign foundations in the immediate future. His most urgent concern for the moment is to cover the annual operating cost of ET and secure funding for ET South. Resources between ET and ERDA Foundation are kept separate and distinct.

However, Fr. Go has his misgivings about certain changes in the direction that the current board has taken regarding ET. Below is an excerpt of his letter to Fr. Dy regarding ET:

“Let me begin by saying that it is a daring and ambitious project--which is always a good thing. I am an advocate of dreaming big and I don't like too much talk about constraints, as you know. But I also believe that when we dream big, we must examine our resources and imagine the costs as much as we can, and here is where my problem with the plan for ERDA begins.”

Fr. Go expressed his admiration for this worthwhile project but his concerns were: (1) The project was overwhelmingly complex on top of the constant management requirement of XS San Juan and XS Nuvali. (2) The Province was quite wary about expansion and in fact closed down some parishes. (3) The proposed senior High School may not be faithful to Fr. Tritz' vision of helping the needy rather than the best students. (4) Original benefactors were not aware of the changes. (5) Lack of resources, namely financial and technical expertise. Sustainability on these resources are critical for the success of the project.

Fr. Go suggested further discussions with the XS Board and Philippine Provincial Fr. Moreno before the project goes full steam ahead.

Decreasing Vocation. This has been a concern for over fifty years. The Society has already articulated Jesuit-Lay collaboration as a necessity. Fr. Dy has this to say about lay collaboration:

“...empowering the laity is not only a response to diminishing Jesuit vocations. I believe we are entering more and more into the Age of the Laity and this means trying and getting used to new models of leadership and governance. We cannot expect lay leaders to do things exactly as Jesuits would do it. There has to be plenty of room for change and we cannot be attached to the old ways.”

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Questions for discussions:

Governance structure

1. What are the basic governance principles of the Society? How do you think will a Provincial best govern his province? Cite specific instances with reference to principles.
2. How would you structure the ET foundations? Is it practical to have several NGOs compressed into one foundation? Discuss implications.
3. Is it advisable to have cross directorships? What are the advantages and disadvantages of cross directorship?
4. Is it also advisable to have a single person heading the executive leadership of XS and ET?

Functions of the Board (Strategy, Accountability, Monitoring, Policy)

1. Is ERDA Group a fully functioning board? Explain.
2. Which function of the board should be prioritized to ensure the long term survival and growth of ET?
3. What is the difference between an internal and independent (external) audit? What role does it play in Jesuit governance? Is an independent audit necessary?
4. How can a Provincial/Treasurer strengthen budget management and implementation? Who should be directly accountable for budget performance?
5. Is the strategy of separating resources between ET and ERDA foundation sound? Why or why not?

Risk management

1. Given the low interest rates in the market today, should you consider going into riskier investments by increasing equity investments? If yes, how should it be managed?
2. If riskier investment is not an option, how can the Provincial increase financial resources? What measures are being taken to manage this risk?

Succession Planning

1. Identify the strengths and weaknesses of lay collaboration. How do you think will lay collaboration fortify Jesuit governance?
2. Did the ERDA Group prepare for Fr. Tritz's successor? What kind of succession planning would you deem appropriate and how would you go about this?
3. Do you think there is succession planning in the Philippine Province? Why or why not? Explain.

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Textbook:

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