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Higher Education Policy Conference

Elusive Alignment
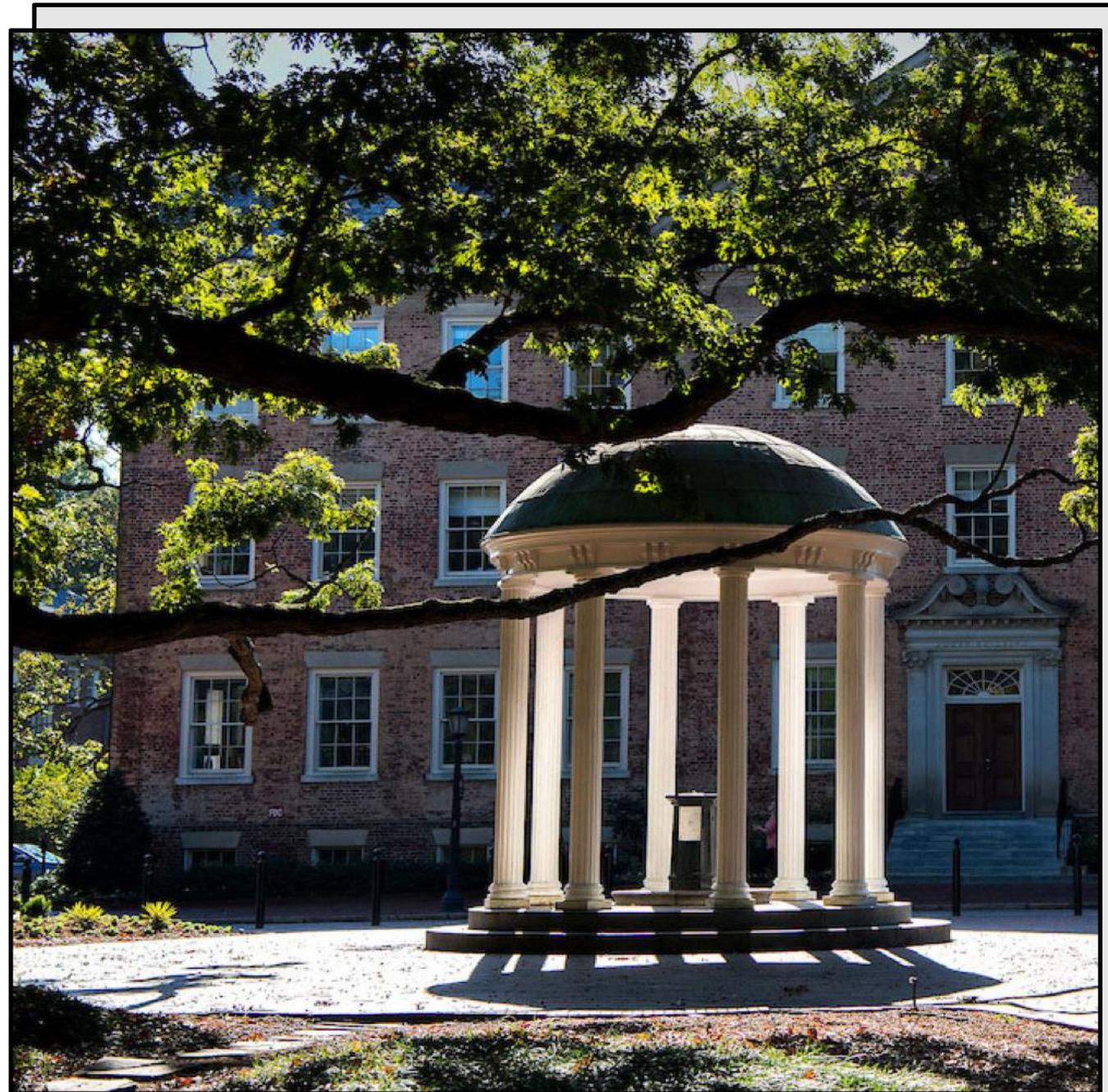
How to Get Universities to Align with Higher Level Strategies

Wednesday August 7th – 3:15 – 4:00 pm

Presented by:

Dr. Paul N. Friga, *UNC-CH and ABC Insights®*

Haven Ladd, *EY-Parthenon*

Your Hosts for This Session

Dr. Paul N. Friga - *pnf@unc.edu*

- Clinical Associate Professor of Strategy, UNC Kenan-Flagler School of Business;
- Chief Strategy Officer and Co-Founder, ABC Insights ® (Benchmarking Consortium) – www.abc-insights.com
- Paul earned a B.S. degree in Management and Accounting from St. Francis University (served on Board of Trustees) and an MBA and Ph.D. from the UNC-Chapel Hill, Kenan-Flagler Business School

Haven Ladd - *Haven.Ladd@parthenon.ey.com*

- Managing Director at EY-Parthenon in the Boston office
- Primarily focuses on strategic issues facing companies and schools in the higher US education market
- Brings a perspective on strategy built on 17 years of consulting experience
- Haven received his undergraduate degree from Harvard University and MBA from Dartmouth

Executive Summary

STRATEGIC ALIGNMENT

Why do it?

What is in it?

How to do it well?

BEST PRACTICES

Position: NC

Priorities: Ohio

Payments: Tennessee

Performance: Florida

MOVING FORWARD

Solutions

Strategic Alignment

STRATEGIC ALIGNMENT

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MOVING FORWARD

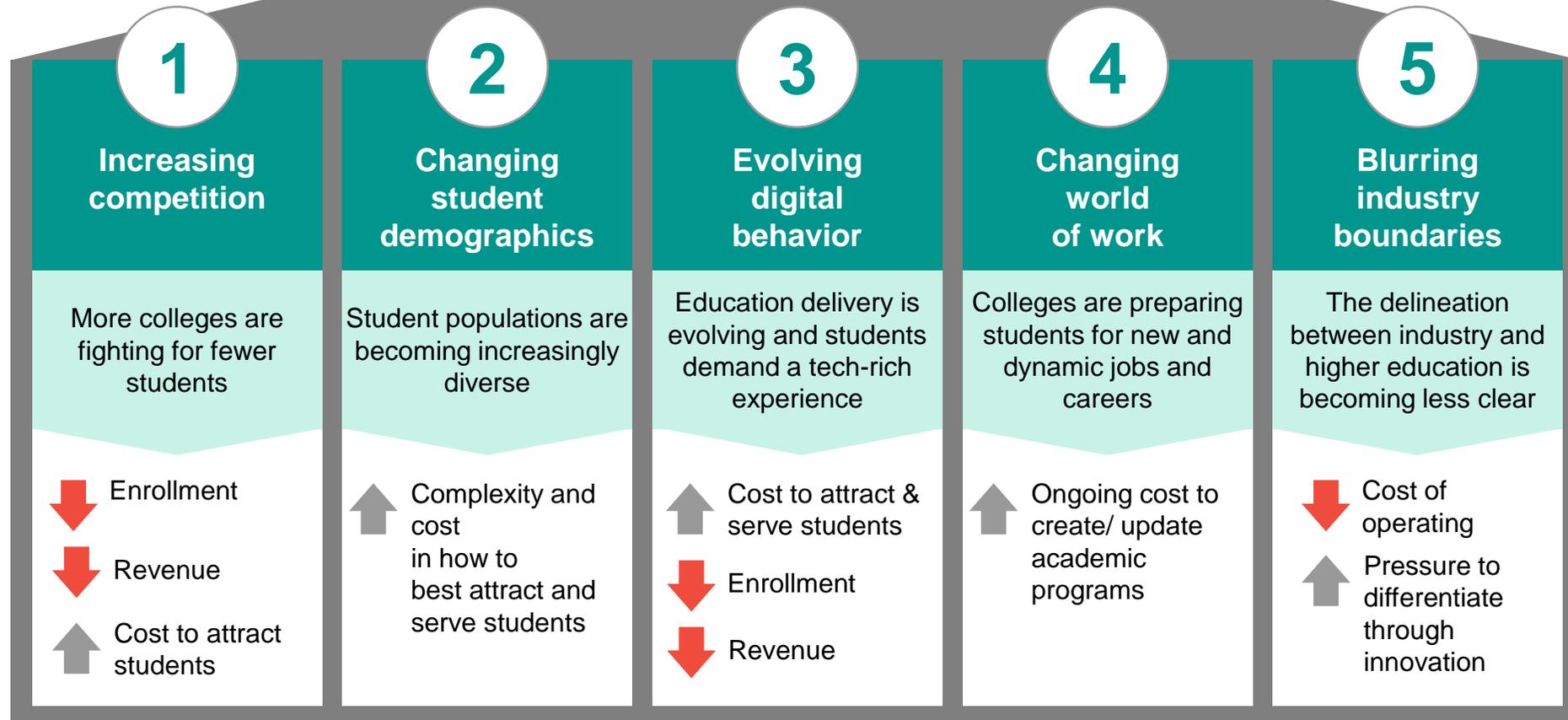Solutions

What are the Challenges with Strategy and Alignment?

Discussion – Aligning Strategy between Systems and Universities

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Institutions Must Rethink Their Service Model

Five mega trends in higher education

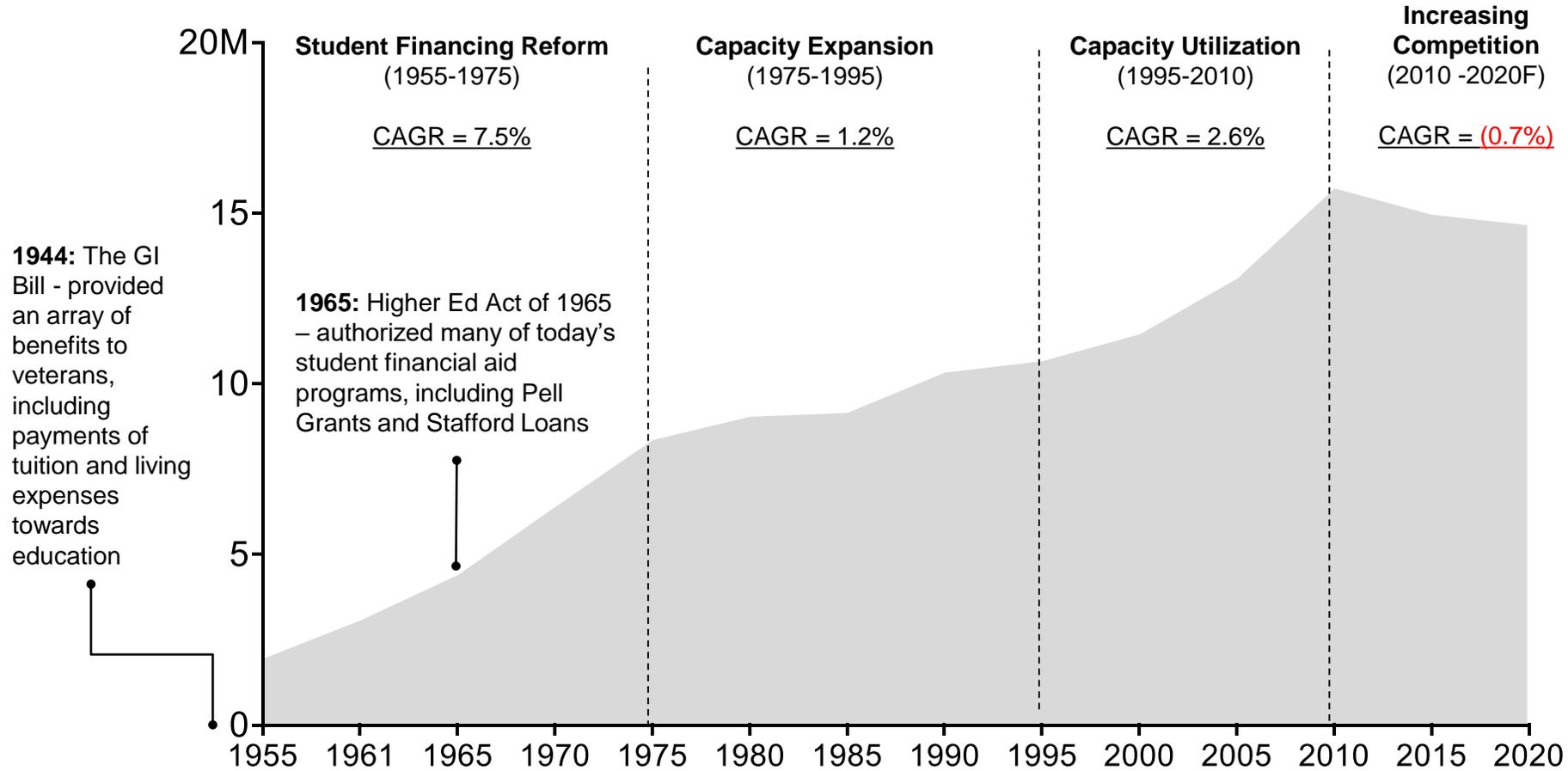| **1** Increasing competition	**2** Changing student demographics	**3** Evolving digital behavior	**4** Changing world of work	**5** Blurring industry boundaries
More colleges are fighting for fewer students	Student populations are becoming increasingly diverse	Education delivery is evolving and students demand a tech-rich experience	Colleges are preparing students for new and dynamic jobs and careers	The delineation between industry and higher education is becoming less clear
▼ Enrollment ▼ Revenue ▲ Cost to attract students	▲ Complexity and cost in how to best attract and serve students	▲ Cost to attract & serve students ▼ Enrollment ▼ Revenue	▲ Ongoing cost to create/ update academic programs	▼ Cost of operating ▲ Pressure to differentiate through innovation

Source: EY-Parthenon analysis

Collectively, higher education mega-trends are placing increased pressure on institutions, forcing them to rethink their service model
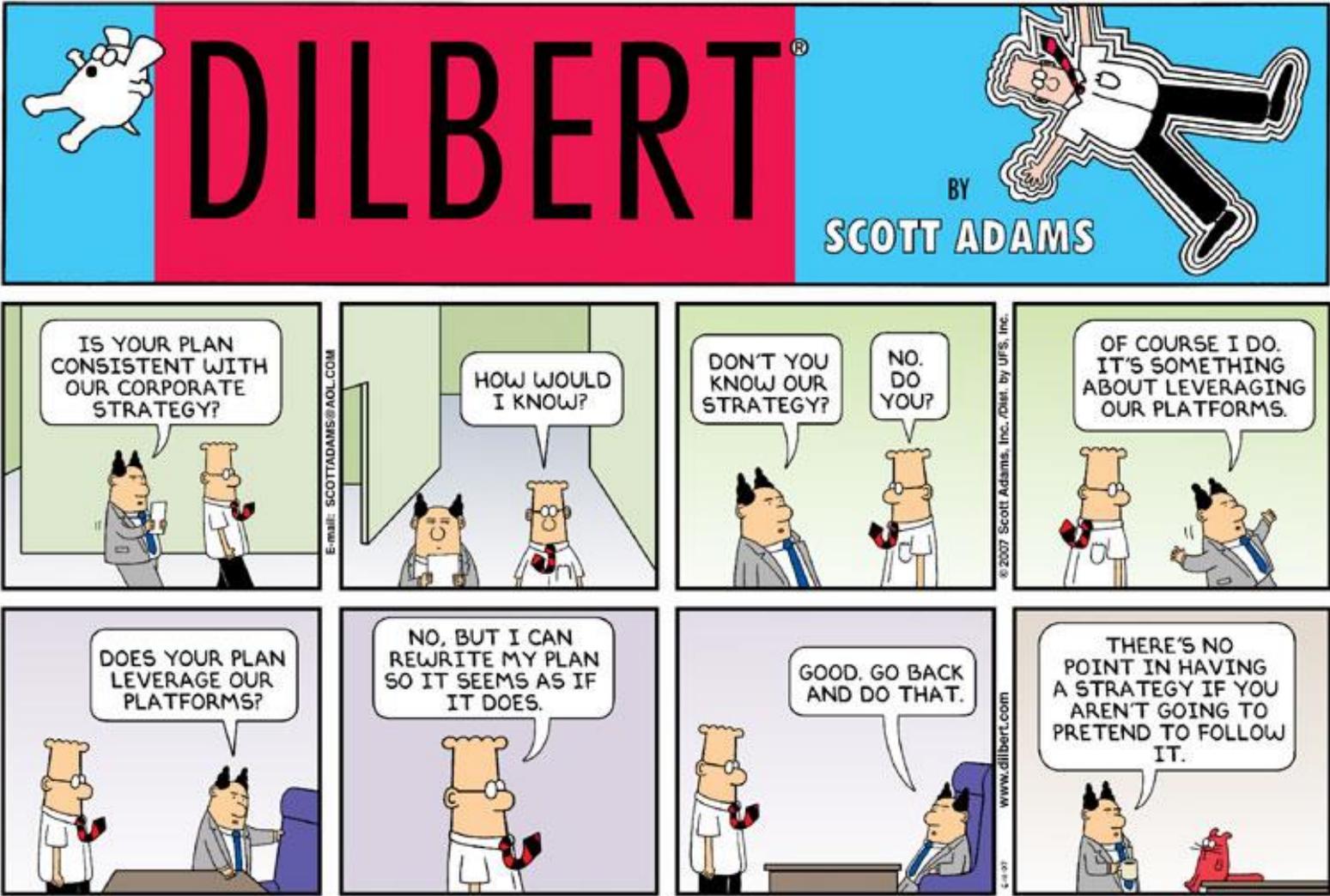
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We are in a Unique Period of Enrollment Decline

Total U.S. tertiary enrollment by institution type,
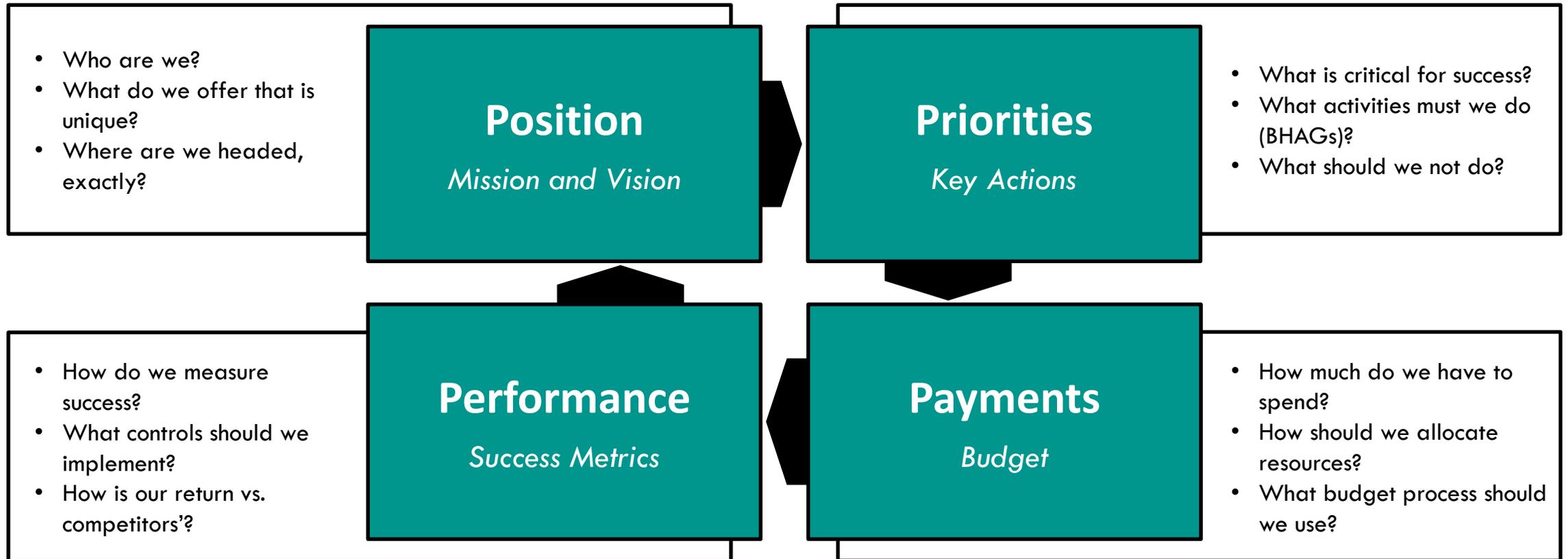**Total Fall Enrollment,**
1955-2020F

Student Financing Reform
(1955-1975)

CAGR = 7.5%

Capacity Expansion
(1975-1995)

CAGR = 1.2%

Capacity Utilization
(1995-2010)

CAGR = 2.6%

Increasing Competition
(2010 -2020F)

CAGR = (0.7%)

1944: The GI Bill - provided an array of benefits to veterans, including payments of tuition and living expenses towards education

1965: Higher Ed Act of 1965 – authorized many of today's student financial aid programs, including Pell Grants and Stafford Loans

Source: EY Parthenon Analysis

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Strategy: n. "An Elaborate and Systematic Plan of Action"

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A Framework for Understanding Strategy

"Paul's 4 Ps of Strategy"

- Who are we?
- What do we offer that is unique?
- Where are we headed, exactly?

Position
Mission and Vision

Priorities
Key Actions

- What is critical for success?
- What activities must we do (BHAGs)?
- What should we not do?

- How do we measure success?
- What controls should we implement?
- How is our return vs. competitors'?

Performance
Success Metrics

Payments
Budget

- How much do we have to spend?
- How should we allocate resources?
- What budget process should we use?

Source: *Friga, Paul N., **From Theory to Action: The Story of One Strategy**, 2010.*

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Exercise – What is the Strategy for Your State/System?

Mission

What do we offer and to whom?
"Makes you proud"

Vision

Where are we going?
"Makes you excited"

Priorities

What is most important?
"Makes you focused"

Best Practices

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Position (NC) – UNC System Strategic Priorities

ACCESS
The UNC system must continue its proud heritage of access and student diversity.

AFFORDABILITY AND EFFICIENCY
Ensure a UNC education is within the financial means of all in the state.

STUDENT SUCCESS
Increase degree attainment and ensure value and relevance for students.

ECONOMIC IMPACT AND COMMUNITY ENGAGEMENT
Deepening partnerships that strengthen local communities and the state's economy.

EXCELLENT AND DIVERSE INSTITUTIONS
Help institutions achieve excellence within individual missions.

Source: University of North Carolina

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Position (NC) – Examining 'Low-Income Enrollment'

ACCESS

- **Increase Low-Income Enrollment**
- Increase Completions by Low-Income Students
- Increase Rural Enrollment
- Increase Completions by Rural Students
- Improve Transition from K-12 to College

AFFORDABILITY & EFFICIENCY

- Increase 5-Year Graduation Rate
- Increase Undergraduate Degree Efficiency
- Close Achievement Gaps
- Implement a Survey of Current Students and Alumni

STUDENT SUCCESS

- Commit to Affordable Tuition
- Increase Operational and Financial Flexibility

ECONOMIC IMPACT & COMMUNITY ENGAGEMENT

- Increase Critical Workforce Credentials
- Increase Research Productivity
- Increase Investment in Strengthening North Carolina Communities

EXCELLENT & DIVERSE INSTITUTIONS

- Identify Academic 'Areas of Distinction'
- Focus on Human Capital
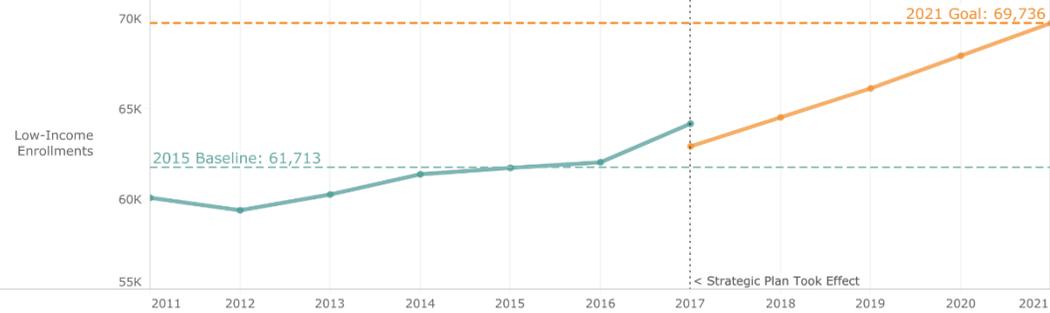
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Position (NC) – Aligning System to University Strategy

UNC System Dashboard

Increase Low-Income Enrollment

System Goal: By 2021, increase low-income enrollment by 13.0% *(over 2015 baseline)*

2021 Goal: 69,736
2015 Baseline: 61,713
< Strategic Plan Took Effect

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Actual Performance	60,073	59,380	60,254	61,373	61,726	62,033	64,173				
Goal							62,916	64,521	66,125	67,931	69,736
Performance vs. Goal							+ 2.0%				

UNC Chapel Hill Dashboard

Increase Low-Income Enrollment

2021 Goal: 3,508
2015 Baseline: 3,368
< Strategic Plan Took Effect
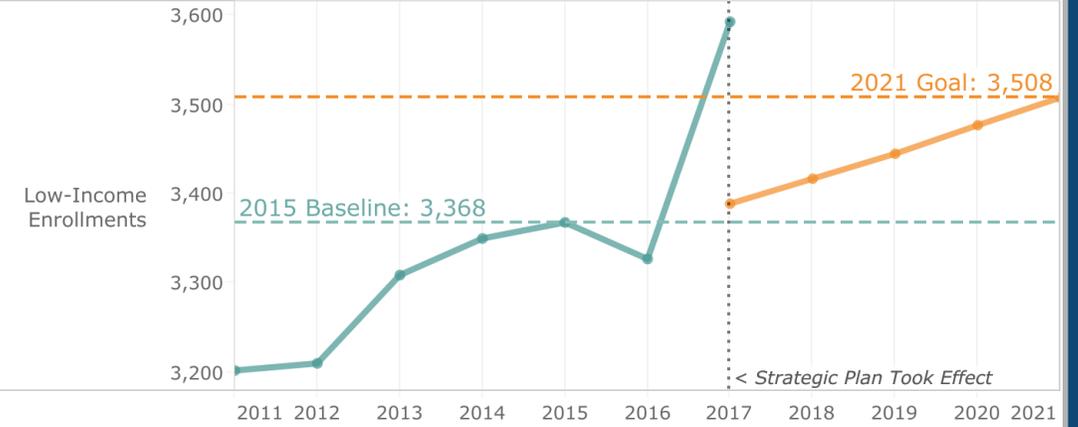
Position (NC) – Each University has Distinct Areas of Focus

University	Distinct Area 1	Distinct Area 2
Appalachian State University	Envisioning a Just and Sustainable Future	Global Engagement: Education Abroad
East Carolina University	Cultural Champion	Social Mobility
Elizabeth City State University	Aviation Science Program	Student Success
Fayetteville State University	**Facilitating Higher Education Attainment by Military-Affiliated Students**	**High Quality and Affordable Online Education**
North Carolina A&T University	Minority Engineer Production	COBE Accountants Production
North Carolina Central University	Jazz Studies	Intellectual Property Legal Education
North Carolina School of Science and Math	Equity of Access for High School Students Statewide	Increasing Participation in Research
North Carolina State University	Lab to Market Innovation – Partnerships with the Private Sector	Engineering and Agriculture, Our Land-Grant Foundation
University of North Carolina at Asheville	High Impact Practices in Liberal Arts Education	Co-curricular Learning Experiences
University of North Carolina at Chapel Hill	**Creating Scientists: Learning by Connecting, Doing, and Making**	**Undergraduate Business Education**
University of North Carolina at Charlotte	Data Science Initiative	Community Engagement
University of North Carolina at Greensboro	Health and Wellness	Visual and Performing Arts
University of North Carolina at Pembroke	Regional Health	Regional Economic Development
University of North Carolina at Wilmington	UNCW and the Marine Sciences	New Academic Programs Serving Regional Needs
University of North Carolina School of the Arts	Expand and Enhance Filmmaking Programs	Increase AP Participation
Western Carolina University	Cultural and Environmental Immersion	Service and Outreach
Winston-Salem State University	Signature Liberal Education Experience	Signature Graduate and Professional Programs

Source: University of North Carolina

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Priorities (Ohio) – The System Has Four Key Priorities

Task Force on Affordability and Efficiency

1. **Assets and Operations**

2. **Administrative Cost Reforms**

3. **Textbook Affordability**

4. **Time to Degree**

IMPACT

Because of their efforts, Ohio's public colleges and universities collectively reported institutional cost savings of $320 million in 2018.

Through the implementation of the various Task Force recommendations, Ohio's colleges and universities estimate collectively saving students $179 million in 2018.

Source: Ohio Dept. of Higher Education

Priorities (Ohio) – Priorities Measured at the University Level

University	Assets and Operations			Administrative Cost Reforms			
	4A: Asset Review	4B: Operations Review	4C: Affinity Partnerships	5A: Cost Diagnostic	5C: Organizational Structure	5E: Data Centers	5F: Space Utilization
Bowling Green State University	I	I	I	I	I	I	I
Clark State Community College	NI	I	NI	W	I	W	W
Eastern Gateway Community College	I	I	I	I	I	NI	I
Hocking College	I	I	W	NI	I	NI	I
Kent State University	I	I	I	I	I	NI	I
Marion Technical College	NI	I	I	W	I	NI	I
Rhodes State College	I	I	I	NI	I	NI	I
The Ohio State University	I	I	I	I	I	I	I
The University of Akron	I	I	I	I	I	W	I
Youngstown State University	I	I	I	I	I	W	I

NI = Not Implemented / W = Working toward Implementation / I = Implemented/Progress Made

Source: Ohio Dept. of Higher Education

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Priorities (Ohio) – Priorities Measured at the University Level

University	Textbook Affordability			Time to Degree				
	6A: Negotiate Cost	6B: Standardize Materials	6C: Digital Capabilities	7A: Education Campaign	7B: Graduation Incentive	7C: Standardize Credits	7D: Data Driven Advising	7G: Competency Education
Bowling Green State University	NI	I	I	I	I	I	I	I
Clark State Community College	I	W	I	I	I	I	I	NI
Eastern Gateway Community College	I	I	I	I	I	I	I	W
Hocking College	I	W	I	NI	NI	I	I	NI
Kent State University	I	I	I	I	I	I	I	NI
Marion Technical College	NI	I	I	I	I	I	I	NI
Rhodes State College	W	I	I	I	W	I	I	NI
The Ohio State University	I	I	I	I	I	I	I	NI
The University of Akron	I	I	I	I	I	I	I	NI
Youngstown State University	I	I	I	I	I	I	I	NI

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Source: Ohio Dept. of Higher Education

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Payments (Tennessee) – Performance Funding is Growing

Performance/Outcome-Based Funding Spreading Across Nation

■ Developing   ■ Implementing & Developing   ■ Implementing   ■ Developed – Not Implementing

Before 2010
- Tennessee
- Pennsylvania
- Indiana
- Ohio

After 2010
30+ States approved or currently planning success-based funding models

Source: EAB Report, HCM Strategists

Payments (Tennessee) – Chosen Metrics Align Strategies

Percentage of State Support Allocated by Outcomes-based Funding

	Less than 10%	10-50%	More than 50%
2-Year	15	6	5
4-Year	10	7	6
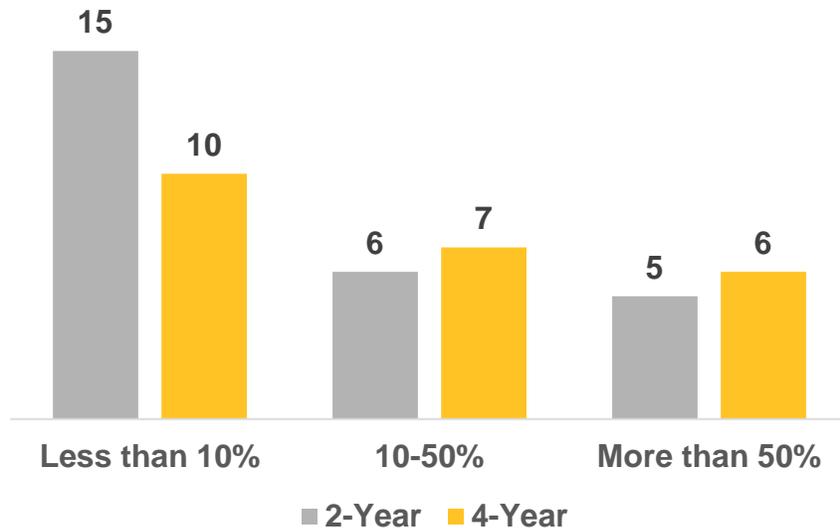
■ 2-Year ■ 4-Year

How 4 States Measure Success

Legend: ■ 4-Year ■ 2-Year

	Colorado		Louisiana		Oregon		Tennessee	
	4-Year	2-Year	4-Year	2-Year	4-Year	2-Year	4-Year	2-Year
Course Completions		■	■	■	■			■
Progression	■	■	■	■			■	■
Completion of degrees	■	■	■	■	■		■	■
Efficiency	■	■	■	■			■	■
Research/public service			■				■	
Job placement or wages			■	■				■
Credentials awarded	■	■	■	■	■			
Disadvantaged students	■	■	■	■	■		■	■

The following state university systems allocate a portion of funding based on equity metrics: Arkansas, Colorado, Florida, Illinois, Indiana, Kansas, Massachusetts, Mississippi, Missouri, Montana, New Mexico, New York, North Dakota, Ohio, Oklahoma, Tennessee, Texas, Utah, Washington, Wyoming
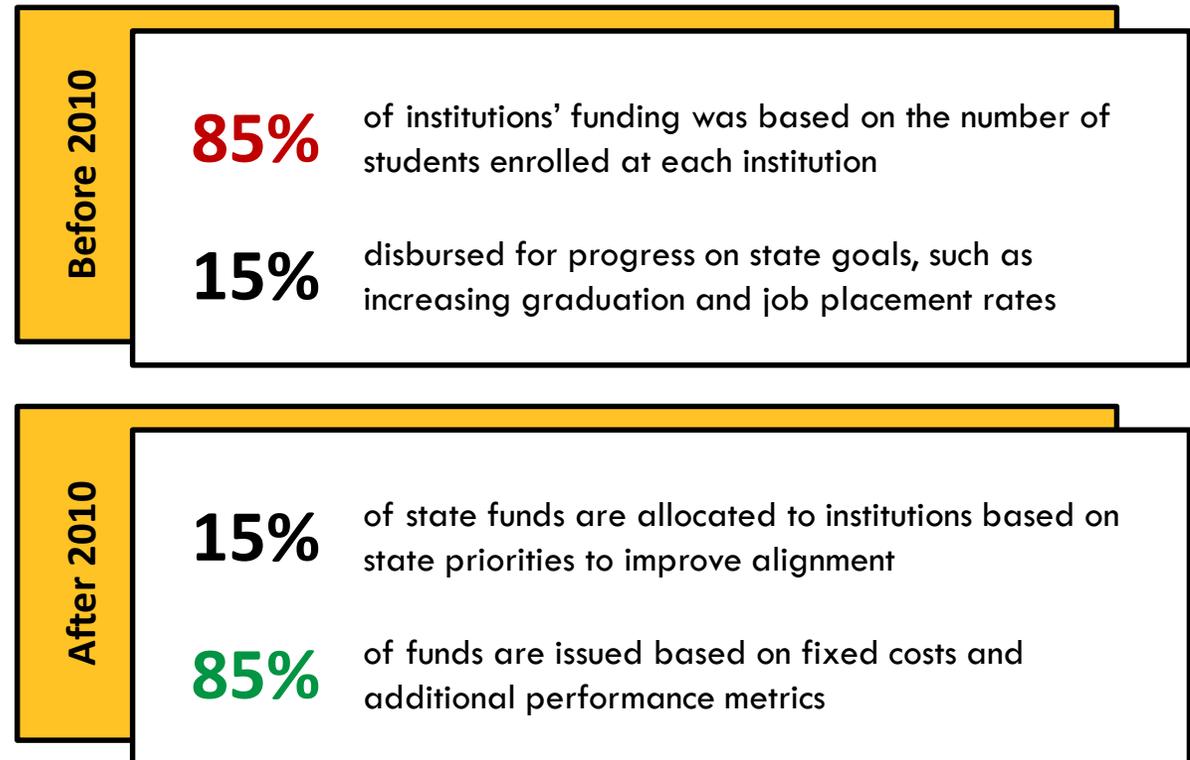
Source: HCM Strategists, SHEEO 'State Higher Education Finance' report, fiscal 2017

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Payments (Tennessee) – Performance Based Funding Model

"Each year every institution's funding is on the table. Once the funding formula determines each institution's allocation, final adjustments are made for selected fixed costs, such as infrastructure size, maintenance, operations, utilities, etc.

Then Quality Assurance Funding is added, allowing institutions to receive up to an additional 5.45% of their allocation by meeting targets related to state level goals such as learning engagement, access, and success."
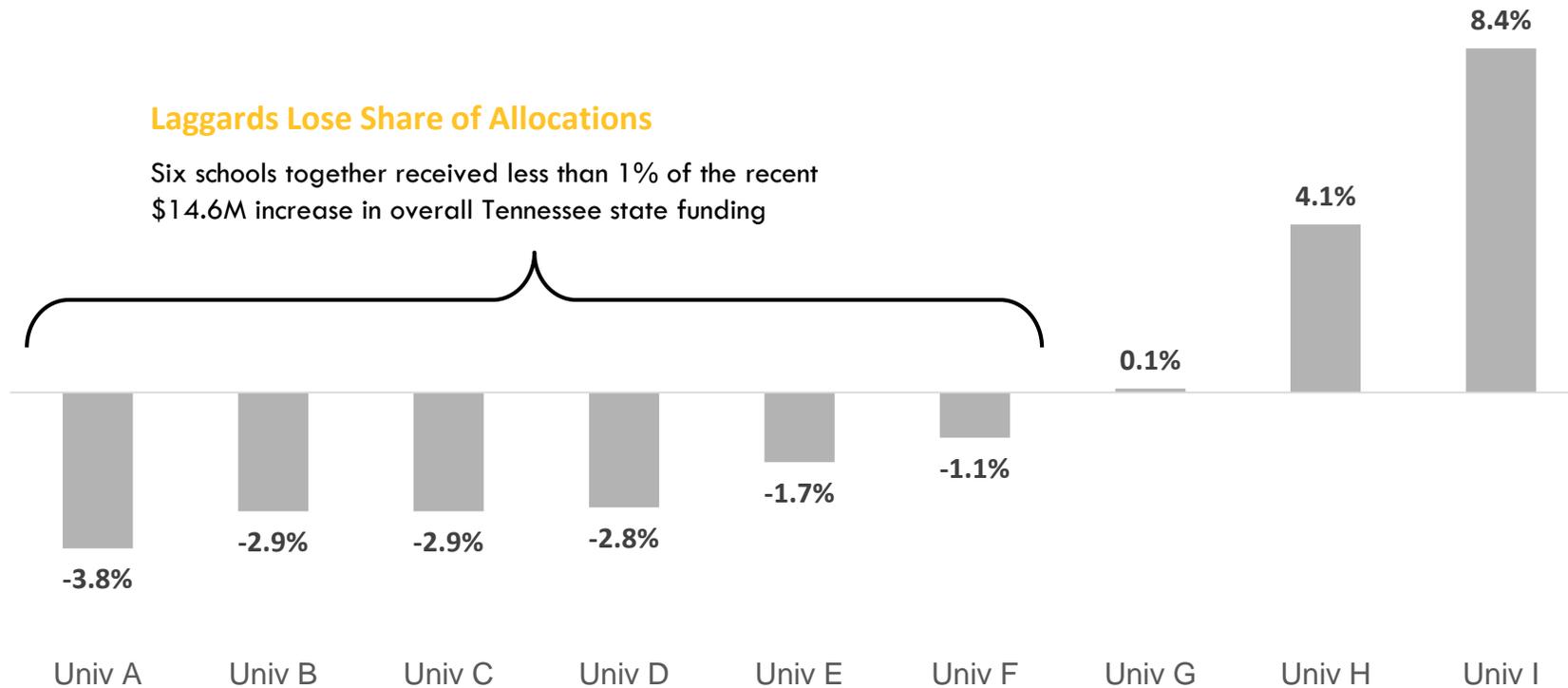
In 2010 Tennessee pioneered a performance based funding plan to improve alignment with higher level goals

Before 2010

85% of institutions' funding was based on the number of students enrolled at each institution

15% disbursed for progress on state goals, such as increasing graduation and job placement rates

After 2010

15% of state funds are allocated to institutions based on state priorities to improve alignment

85% of funds are issued based on fixed costs and additional performance metrics

Source: Tennessee Higher Education Commission, Aligning State Goals; Obergfell

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Payments (Tennessee) – Strategic Allocation of Resources

Percent Change in Share of State Allocations Since Onset of Tennessee's Outcomes Funding Model *(2010-2011 vs. 2013-2014)*

Laggards Lose Share of Allocations

Six schools together received less than 1% of the recent $14.6M increase in overall Tennessee state funding

Univ A	-3.8%
Univ B	-2.9%
Univ C	-2.9%
Univ D	-2.8%
Univ E	-1.7%
Univ F	-1.1%
Univ G	0.1%
Univ H	4.1%
Univ I	8.4%

"This is definitely a philosophical shift. We decided to push money to where it was earned rather than distribute it evenly to all. Our model is rewarding those who outperform the rest."

Tennessee Higher Education Commission representative

Source: EAB Report 2016

Payments (Tennessee) – Evolving Performance Based Funding

Performance Funding 1.0

Bonuses
In addition to enrollment-based allocation

Trivial Funds at Stake
Success metrics affect only 1-2% of total funding, changing yearly

Rates
Completions measured as percentages of cohorts

Performance Funding 2.0

Core Funds
Success KPIs embedded in core funding formula

Meaningful Dollars at Stake
Success metrics apply to 8-100% of allocation in new formula

Counts
Aggregate completion, regardless of student start date

Tennessee's Weighted Outcomes

Success Indicator	UT Knoxville *Very high research*	UT Martin *Masters*
Students @ 30hrs	2%	4%
Students @ 60hrs	4%	6%
Students @ 90hrs	6.5%	10%
Bachelors & Associates	20%	30%
Masters and Specialist	10%	15%
Doctoral and Law	12.5%	0%
Research and Service	12.5%	5%
Degrees per 100 FTE	17.5%	10%
6 year Graduation	15%	20%

Source: EAB Report 2016

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Performance (Florida) - System and University Goals

State University System of Florida Strategic Goals

	EXCELLENCE	PRODUCTIVITY	STRATEGIC PRIORITIES
TEACHING & LEARNING	Strengthen Quality & Reputation of Academic Programs and Universities	Increase Degree Productivity and Program Efficiency	Increase the Number of Degrees Awarded within Programs of Strategic Emphasis
SCHOLARSHIP, RESEARCH, & INNOVATION	Strengthen Quality & Reputation of Scholarship, Research, and Innovation	Increase Research Activity and Attract More External Funding	Increase Commercialization Activity
COMMUNITY & BUSINESS ENGAGEMENT	Strengthen Quality & Recognition of Commitment to Community and Business Engagement	Increase Community and Business Engagement	Increase Community and Business Workforce

Florida State University Strategic Goals

Deepening our Distinctive Commitment to Continuous Innovation
Amplifying Excellence Across Our Academic and Research Programs
Realizing the Full Potential of Diversity and Inclusion
Ensuring Student Success on Campus and Beyond
Investing Strategically in Our Institution and Reputation

Source: State Univ. System of Florida

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Performance (Florida) – Aligning System and Universities

Performance Metric	Florida System	Florida State
National Rankings for Universities		
Freshman in Top 10% of Graduating High School Class		
Professional Licensure & Certification Exam Pass Rates Above Benchmarks		
Percent of SUS courses bearing a "high-quality" rating in the Florida Virtual Campus online catalog		
Average Time To Degree		
Four-Year Graduation Rates		
Six-Year Graduation Rates		
Percent of Bachelor's Degrees Without Excess Hours		
Bachelor's Degrees Awarded Annually		
Graduate Degrees Awarded Annually		
Bachelor's Degrees Awarded to African-American & Hispanic Students		
Number of Adult (Aged 25+) Undergraduates Enrolled		
Percent of Undergraduate FTE in Online Courses		
Number of Institutions with at least 30% of Fall Undergraduates Receiving a Pell Grant		
Academic Progress Rate		

Source: State Univ. System of Florida

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Performance (Florida) – Aligning System and Universities

Performance Metric	Florida System	Florida State
Bachelor's Degrees in Programs of Strategic Emphasis	�orange	
Bachelor's Degrees in STEM & Health	▮orange	▮orange
Graduate Degrees in Programs of Strategic Emphasis	▮orange	
Graduate Degrees in STEM & Health	▮orange	▮orange
Faculty Membership in National Academies	▮orange	
Faculty Awards	▮orange	▮orange
Percent of Undergraduates Engaged in Research	▮orange	▮orange
Total R&D Expenditures	▮orange	▮orange
Percent of R&D Expenditures funded from External Sources	▮orange	▮orange
Number of Patents Awarded Annually	▮orange	
Number of Licenses and Options Executed Annually	▮orange	
Number of Start-Up Companies Created	▮orange	
Number of Universities with the Carnegie Foundation's Community Engagement Classification	▮orange	
Percentage of Baccalaureate Graduates Continuing Education or Employed	▮orange	▮orange

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Moving Forward

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MOVING FORWARD

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What are Practical Ideas For Moving Forward?

Discussion

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