Workshop 2 – Time to do Strategy Differently in Higher Ed

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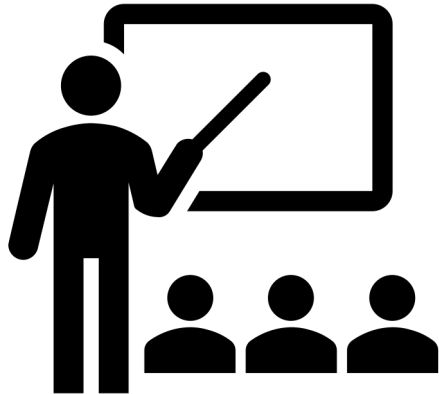
Chris Moloney, PhD

AGB Associate Vice President and Associate Managing Principal, Consulting

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Nov. 8, 2023

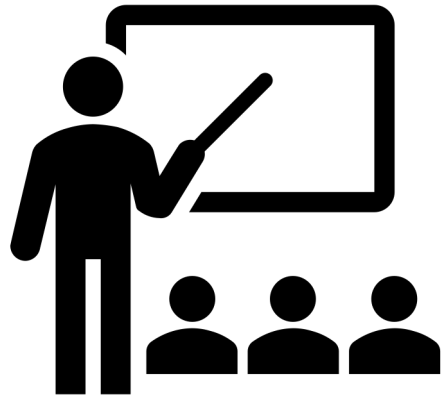# Time to do Strategy Differently in Higher Ed – Agenda

1. What is Strategy and Who are the Key Players?

2. What are the Most Important Trends in HE?

3. What Should we Consider Moving Forward?

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Time to do Strategy Differently in Higher Ed – Agenda

1. **What is Strategy and Who are the Key Players?**
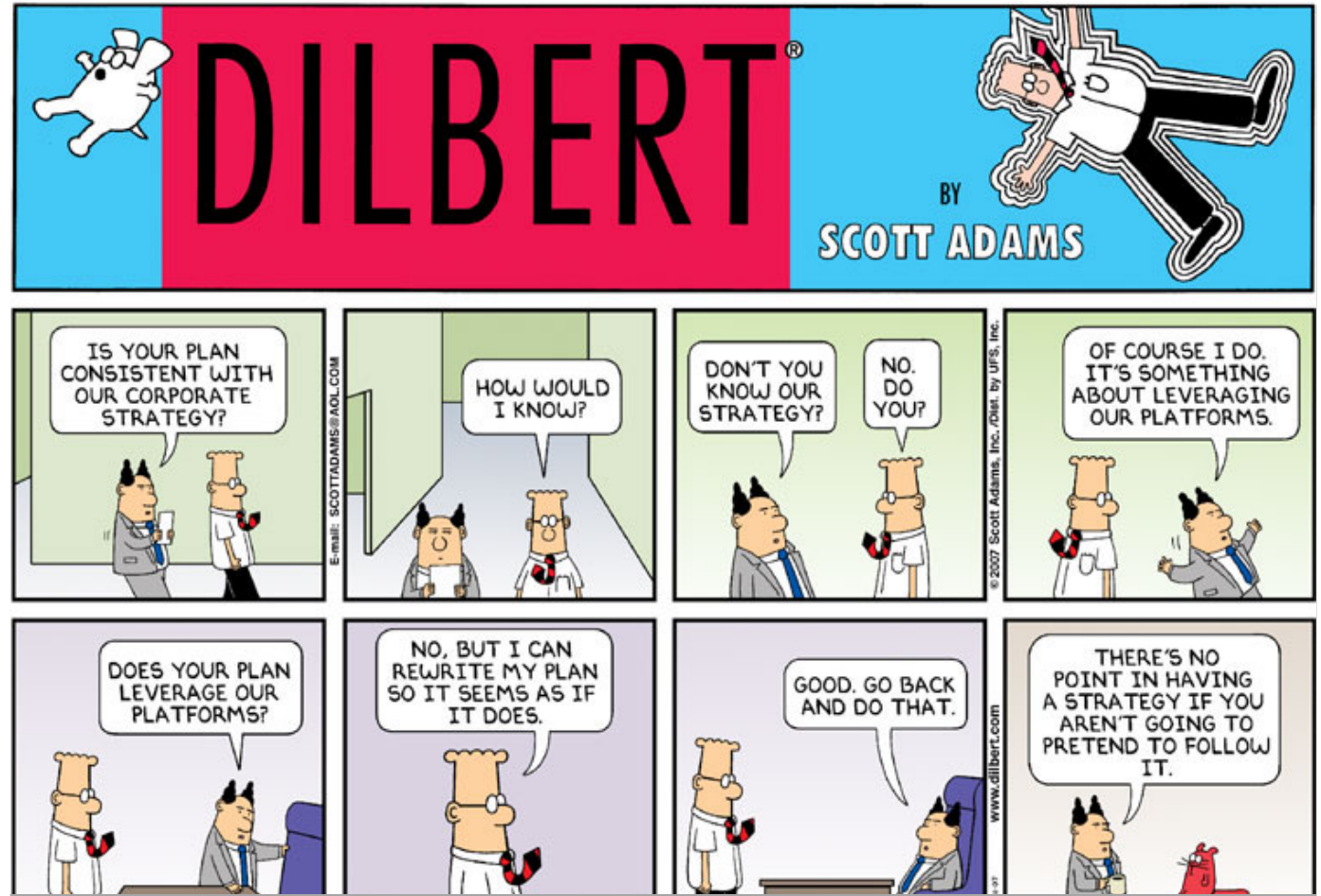
2. What are the Most Important Trends in HE?

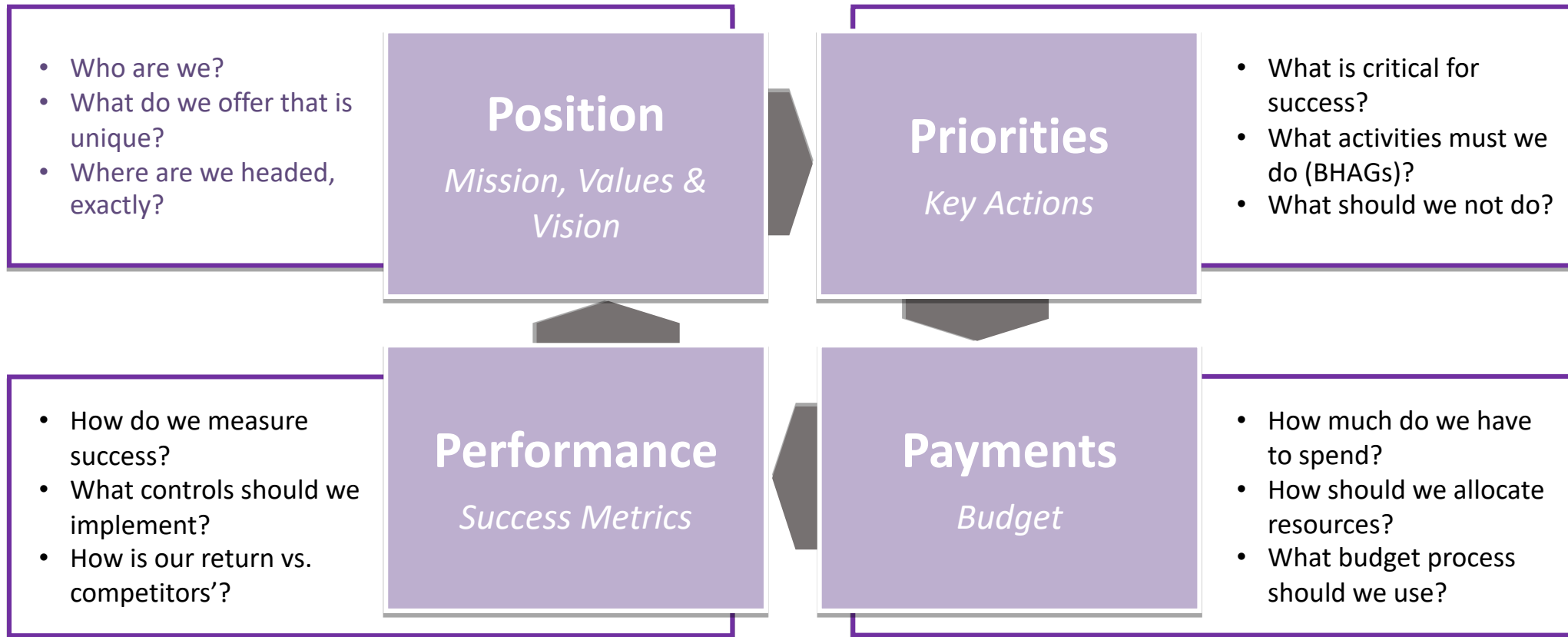3. What Should we Consider Moving Forward?

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What is Strategy?

Strategy

Noun.

An elaborate and systematic plan of action.

Four P's of Strategy

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

Position
Mission, Values & 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?

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Strategy Statements In The Strategic Planning Process

Mission Statement

Statement which specifies a firm's purpose or "reason for being" and the primary objective toward which the firm's programs & plans should be aimed. Statement specifying the firm's key constituents and how the firm will serve them. It must be clear and understood.
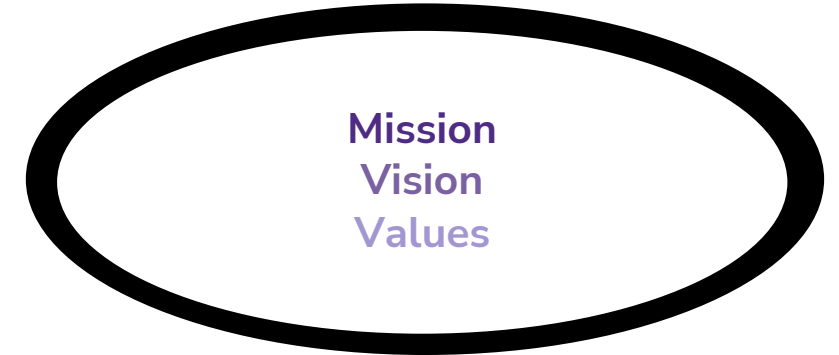*It "makes you proud."*

Vision Statement

Statement describing what the firm strives to be at some future time. It should be specific and motivating.
It "makes you excited."

Values

It is what we believe in, our guiding principles, and how we interact.
It "makes you belong."

The T-Shirt Theory
(Strategy on one page)

Mission
Vision
Values

Priorities
Objectives
Initiatives

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Implementation Planning: Objectives, Metrics and Initiatives

Priority – thing we do to live our mission and achieve our vision; first of mind; more important than other things; could be noun or verb statement

Objective – thing aimed for or sought after; achieving the objective will indicate progress toward our priority (Note that each objective has metrics/outcomes that measure the progress and targets which are the target within that metric.)

Initiatives – project or action that is carefully defined and designed to achieve your objective (will ultimately have owners who lead and report out on progress)

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Example: University XYZ (Hypothetical Small Public Institution) – Strategy

Proposed Strategy Statements

Mission	Vision	Values
Creating leaders to impact society	Become the university that students call home	Student Focused Equity & Diversity Accountability

Proposed Priorities

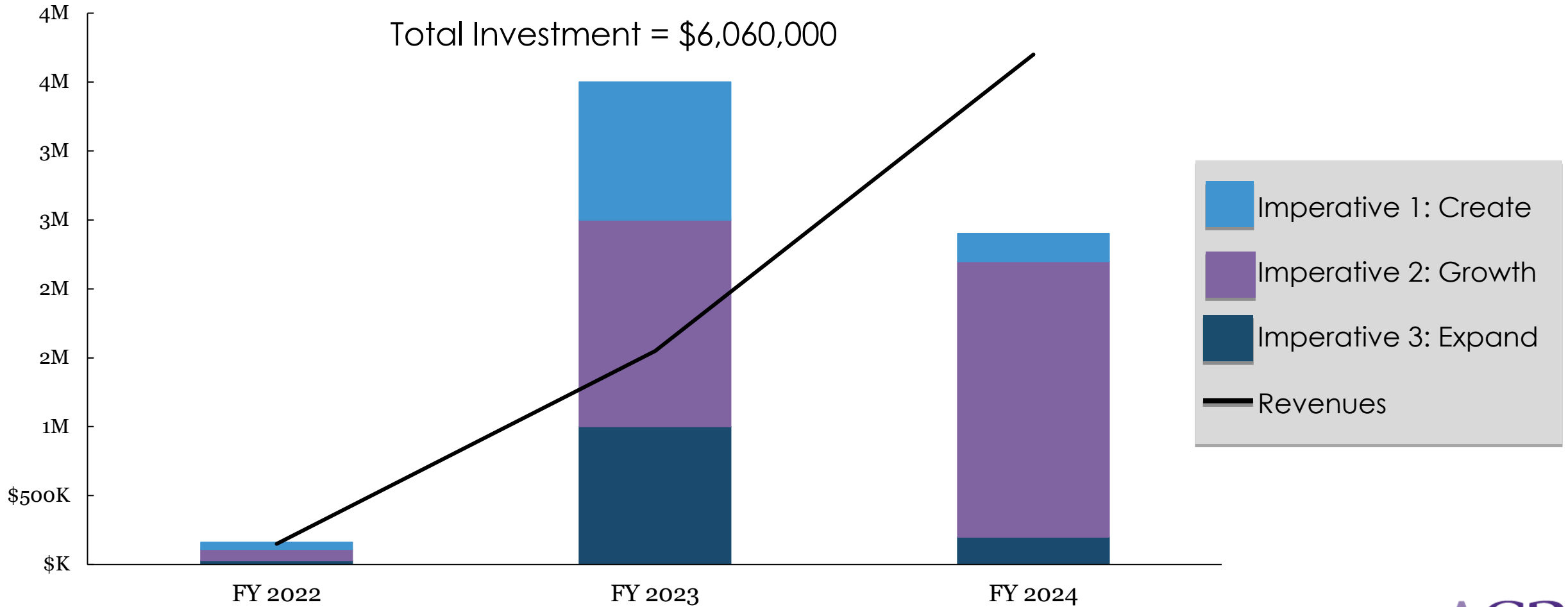| Priority 1	Priority 2	Priority 3
Create a compelling vision around student success, personalized education, and athletics	Grow research in high-impact disciplines	Expand external partnerships

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Example: University XYZ (Hypothetical Small Public Institution) – Strategy

	Priority 1: Create a compelling vision around student success, personalized education, and athletics			Priority 2: Grow research in high-impact disciplines			Priority 3: Expand external partnerships		
	Objective 1.1: Launch New Strategic Vision	Objective 1.2: Conduct Program Review to Reallocate Resources	Objective 1.3: Expand Athletic Programs	Objective 2.1: Develop Academic Plan	Objective 2.2: Research & Innovation	Objective 2.3: Create Nursing School	Objective 3.1: Develop Modern Pedagogies and Offerings	Objective 3.2: Strengthen Relationships with Employers, Alumni, and Partners	Objective 3.3: Launch New Online Program with Community Colleges Nationwide
Initiative 1 (Y1)	Assist all divisions and colleges in university-wide strategic refresh effort	Examine student enrollments, demand, and fit with faculty	Benchmark athletic programs and student success against peers	Prioritize research areas and redesign faculty incentives accordingly	Launch research institutes and grant writing office	Solicit input from stakeholders and finalize acquisition target strategic scoring matrix	Conduct market analysis of target student populations, demand, and competitive offerings	Expand partnerships with employers interested in diverse student graduates	Build business plan for expansion of degree completion programs and target markets
Initiative 2 (Y2)	Develop multi-year strategic performance dashboard	Eliminate lowest performing programs and invest in high market demand areas	Invest in athletics department, coaches, and new sports	Hire additional research faculty	Create equity fund and incubation facilities	Identify acquisition targets and conduct due diligence on top-scoring candidates	Invest in current and new digital offerings; promote inclusive pedagogical techniques	Grow key alumni engagement; invest in analytics and staff to prepare for comprehensive campaign	Create seamless transfer routes with community colleges in our state and beyond
Initiative 3 (Y3)	Share division and college level results on an annual basis	Communicate reputation for retention, graduation, and post-employment success	Leverage athletic programs to target prospective students nationwide	Create endowment to support research and launch academic journal	Expand commercialization and tech transfer capabilities	Develop robust integration plan, complete acquisition, and hire key leaders	Launch new micro-credential, certificates, and non-degree executive education offerings	Invest in incubator and SBD offices	Launch national advertising campaign to expand program
Underlying Values	**Student Focused**			**Equity & Diversity**			**Accountability**		

Example: University XYZ (Hypothetical Small Public Institution) – Multi-year Implementation Plan

Total Investment = $6,060,000

Legend:
- Imperative 1: Create
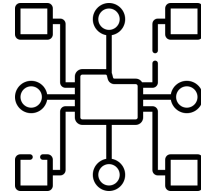- Imperative 2: Growth
- Imperative 3: Expand
- Revenues

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It is Imperative That Boards Have a Strong Foundation to Respond to Modern Challenges

Effective Governing Boards and Strategies:
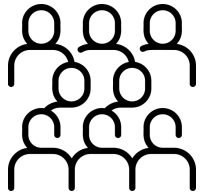
Distinctions:
Trustee vs. Administrative distinctions and guardrails

Structures:
Are committee structures and responsibilities adequate?

Process:
Are general board meetings and practices effective?

Source: Paul Friga, Way Too Early New Year's Resolutions to Improve Your University's Governance, AGB Blog (November 15, 2021)

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It is Imperative That Boards Have a Strong Foundation to Respond to Modern Challenges

## Resolutions for Improving Governance
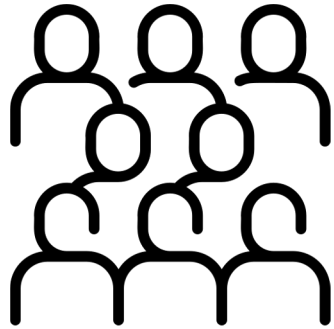
Distinctions

Boards
- Clarify role related to strategy and accountability (oversight)
- Invest more time in strategic discussions and less in operations

Campus
- Clarify role related to strategy and accountability (execution)
- Articulate multiyear strategic vision, priorities, and initiatives

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It is Imperative That Boards Have a Strong Foundation to Respond to Modern Challenges

Resolutions for Improving Governance
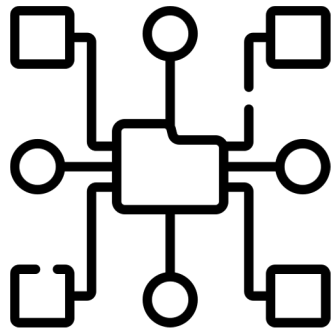
Structures

Boards

- Move to more ad-hoc committee structure
- Recruit more diverse profiles and talent
- Meet more often (virtually and in-person)

Campus

- Take inventory of names, positions, descriptions of administrative leaders
- Benchmark against peers
- Modernize structure

It is Imperative That Boards Have a Strong Foundation to Respond to Modern Challenges

Resolutions for Improving Governance

Process

Boards

- Include campus representatives to board & committee meetings to improve transparency
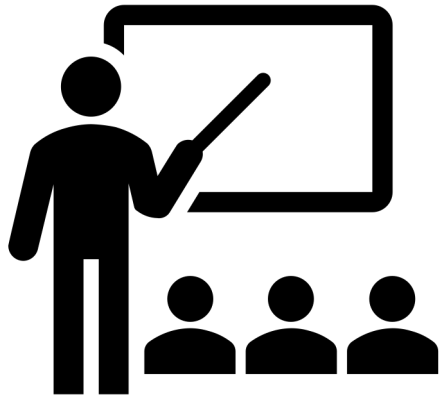- Spend time on campus to understand culture & perspectives

Campus

- Report out on objective performance metrics around priorities
- Involve campus leaders in long-term thinking sessions and seek creative hypotheses for change

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Experiential Interaction

- Self assessment of strategy and share your experiences
- Table discussions

Time to do Strategy Differently in Higher Ed – Agenda

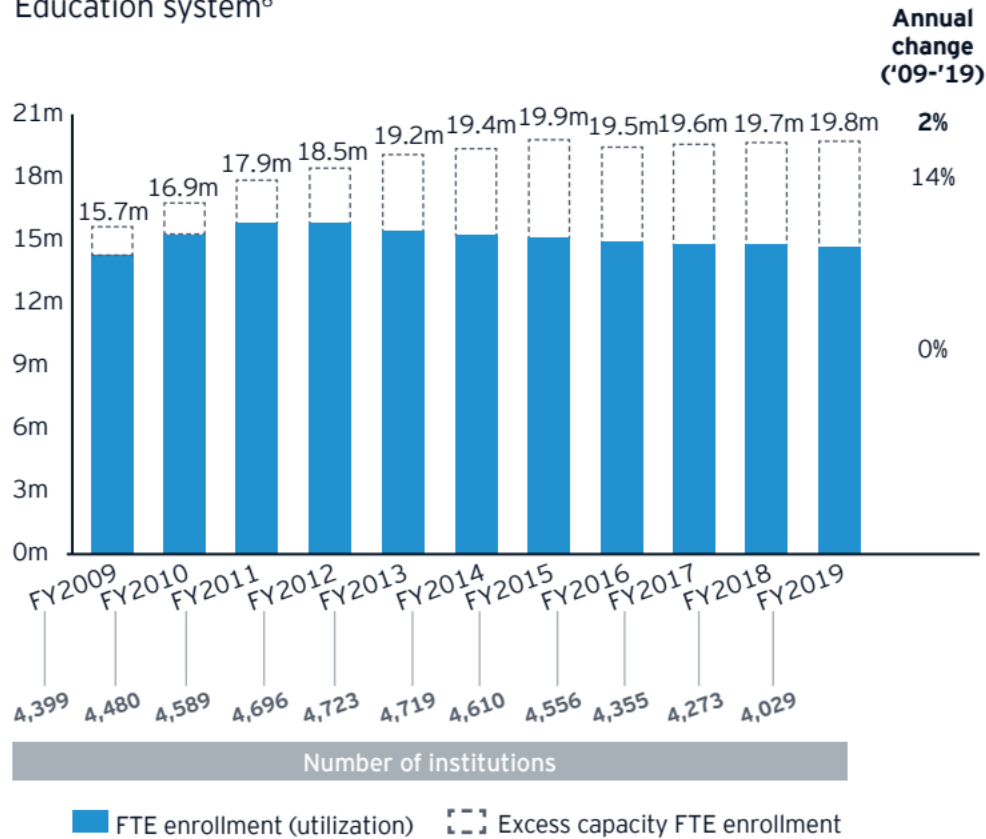1. What is Strategy and Who are the Key Players?

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Research Shows That There is an Over Supply of Higher Education Capacity vs. Demand

Figure 2. Excess and utilized capacity in the US Higher Education system[6]

Capacity growth of 26% dwarfs enrollment growth of 3% (FY2009–FY2019)

75% usage implies excess capacity of 3 million to 5 million seats

The cost of excess capacity could be as high as $50 billion annually

Declining Number of High School Graduates and Fighting For Enrollments Are Big Issues

Enrollment Projected to Drop Sharply After 2025
Forecasted Number of College-Going Students in the U.S. (millions), by Year of High School Graduation


-15%
Decline in College-Going Students (2025-2029)
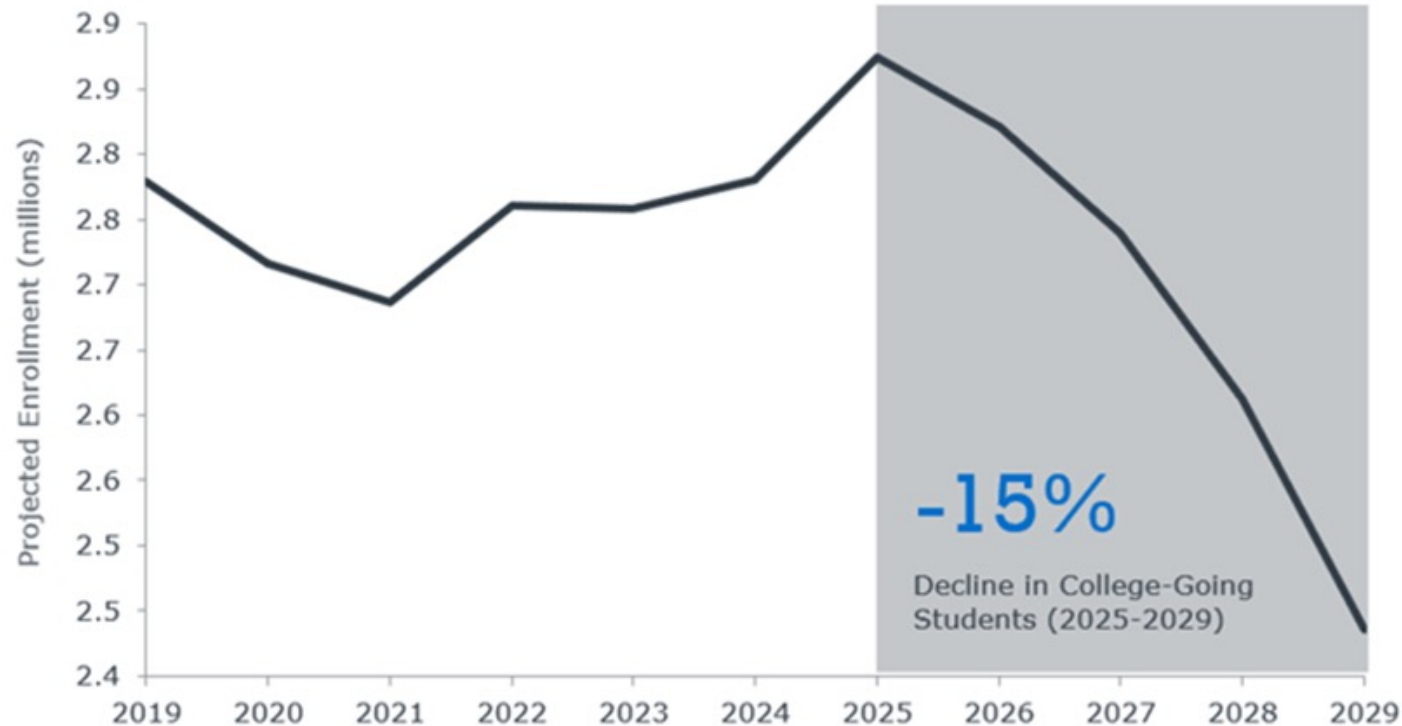
Update on Recent Enrollments:
Enrollment has recently declined at all levels, with the steepest declines in the undergraduate sector. Here, enrollments have fallen year-over-year for the past two years, **-4.9% in spring 2021, -4.7% in spring 2022,** and another **-0.2% in spring 2023.**

However, graduate-level enrollments have been more resilient throughout the pandemic. They decreased by only -0.1% in spring 2020, grew by 4.6% in spring 2021, declined -0.8% in spring 2022, and declined again by -2.2% in spring 2023.

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The Impact of Declining Enrollments Varies Across The Country (Changes From 2021 to 2022)
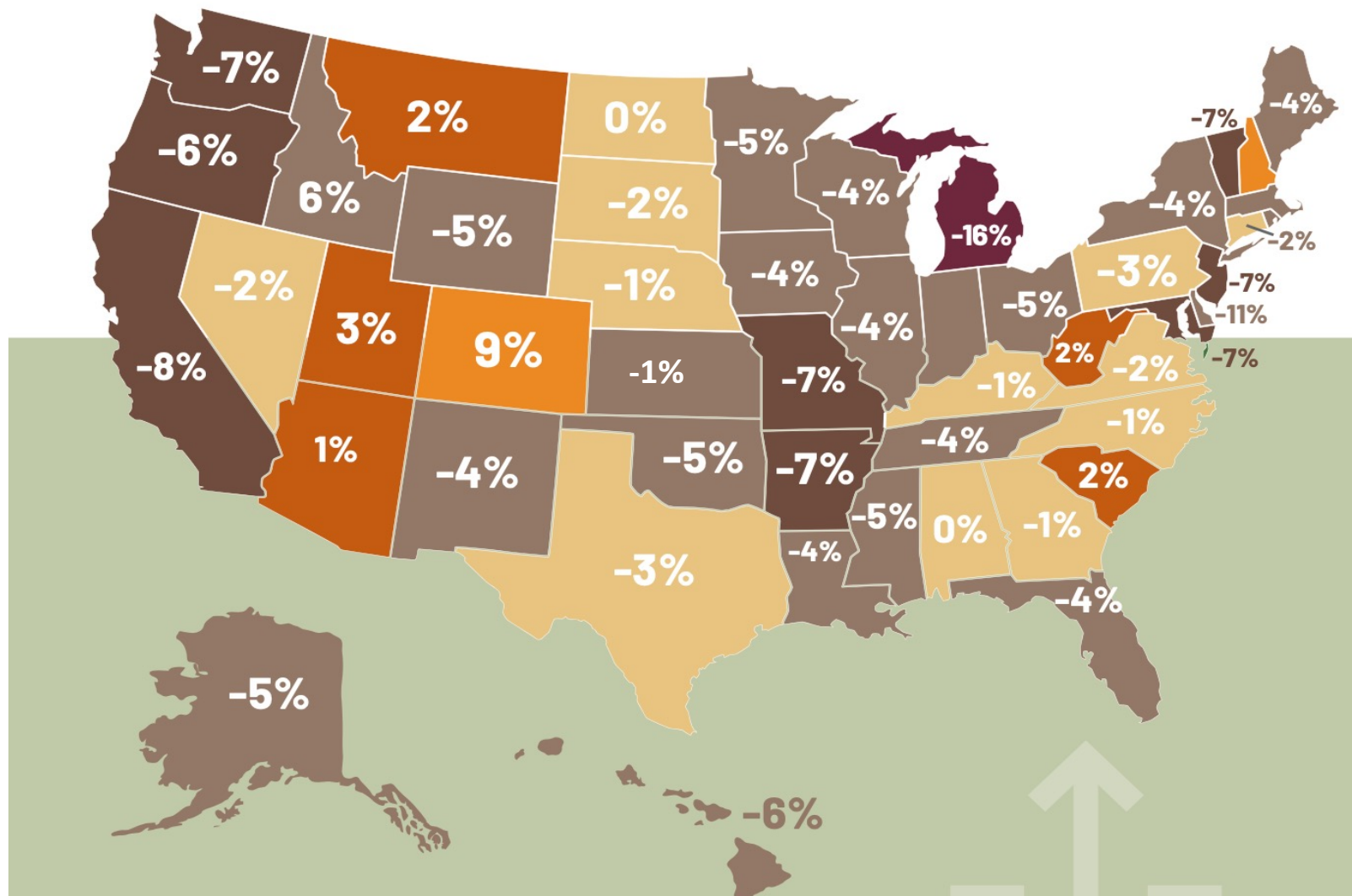
- Montana, Arizona, Utah, Colorado, South Carolina, West Virginia, Washington D.C., and New Hampshire all saw an **increase in their enrollments**

- Michigan saw the greatest decline in enrollments overall with a **16% decline**

The Majority of Universities and Colleges Are In a Weak to Moderate Financial Position

The annual composite score measures a university's resiliency based on three equally weighted metrics: **primary reserve ratio, net margin**, and **three-year enrollment growth**
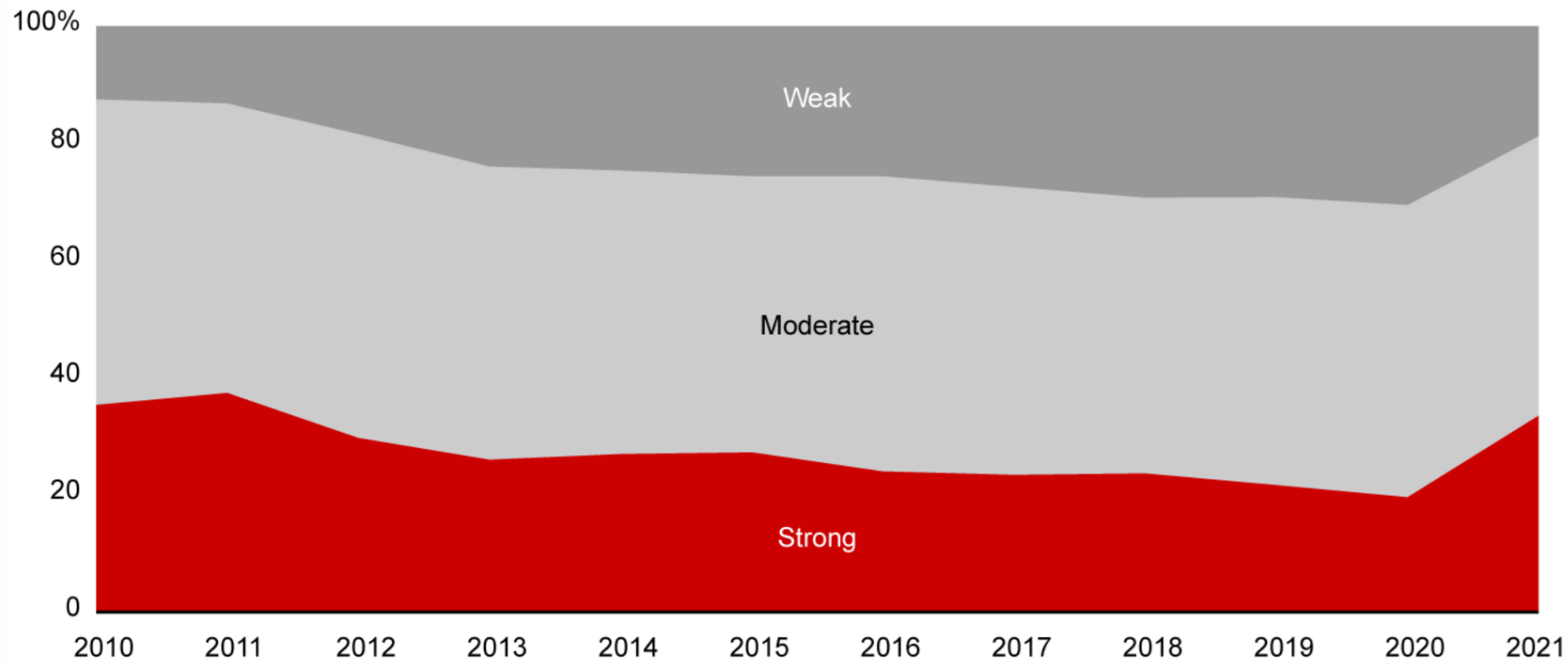
Temporary uptick due to significant federal support and strong endowment returns (not likely to be sustainable).

Note: n=1,504; primary reserve ratio is calculated as expendable net position (excluding net position restricted for capital investments) divided by total expense (benchmark 0.4)

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Expenses Continue to Grow and Now Exceed Revenues on Average

Balance Sheets

Average equity ratios have declined by
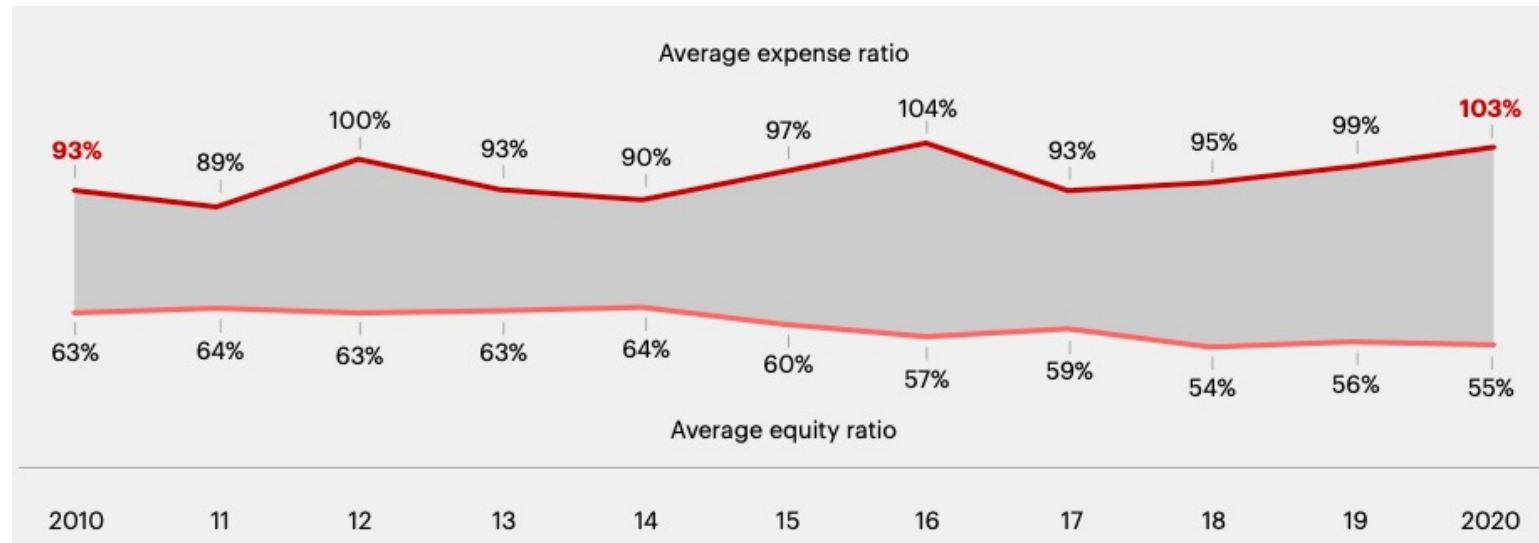
8 percentage points

34% of universities saw equity ratios drop more than **5%**

Income Statements

Average expense ratios have increased by

10 percentage points

56% of universities saw expense ratios increase by more than **5%**

Average expense ratio

93% · 89% · 100% · 93% · 90% · 97% · 104% · 93% · 95% · 99% · **103%**

63% · 64% · 63% · 63% · 64% · 60% · 57% · 59% · 54% · 56% · 55%

Average equity ratio

2010 · 11 · 12 · 13 · 14 · 15 · 16 · 17 · 18 · 19 · 2020

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Small (Less Than 5K) and Mid-sized (5K – 15K) Institutions Are at Most Risk

"One deep" on all functional areas of the organization, limiting the ability to successfully execute

Many outdated and "out-of-market" operating policies and procedures

Lack 7x24 digital student acquisition systems, resources, and organizational depth

Outdated technology and limited tech resources

Quality of earnings – prosperity gap that requires major long-term revenue growth

Concentrated revenue positions in declining markets

Underpay employees, making it difficult to retain top talent

Attempt to use "tactical funds" for strategic initiatives

Growth initiatives & ambitions are too small and even if successful will not bridge their prosperity gap
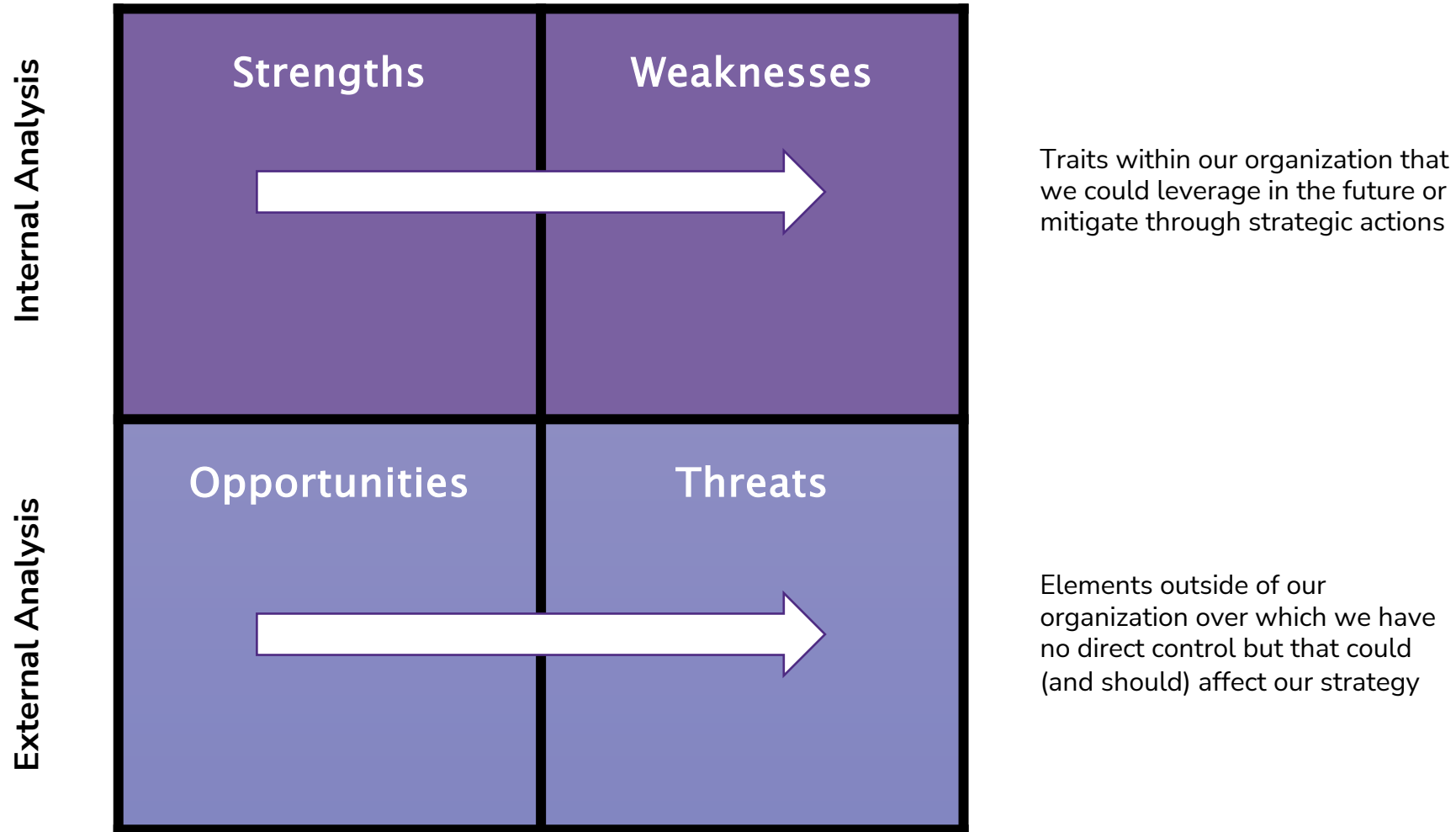
*Summary of 62 - Small and Mid-Sized Institutions From 2017 to 2022 (Common Themes)

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Break

The SWOT Analysis is a Great Tool for Strategic Planning

Internal Analysis

Strengths	Weaknesses

Traits within our organization that we could leverage in the future or mitigate through strategic actions

External Analysis

Opportunities	Threats

Elements outside of our organization over which we have no direct control but that could (and should) affect our strategy

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Experiential Interaction

- SWOT for your campus
- Table discussions

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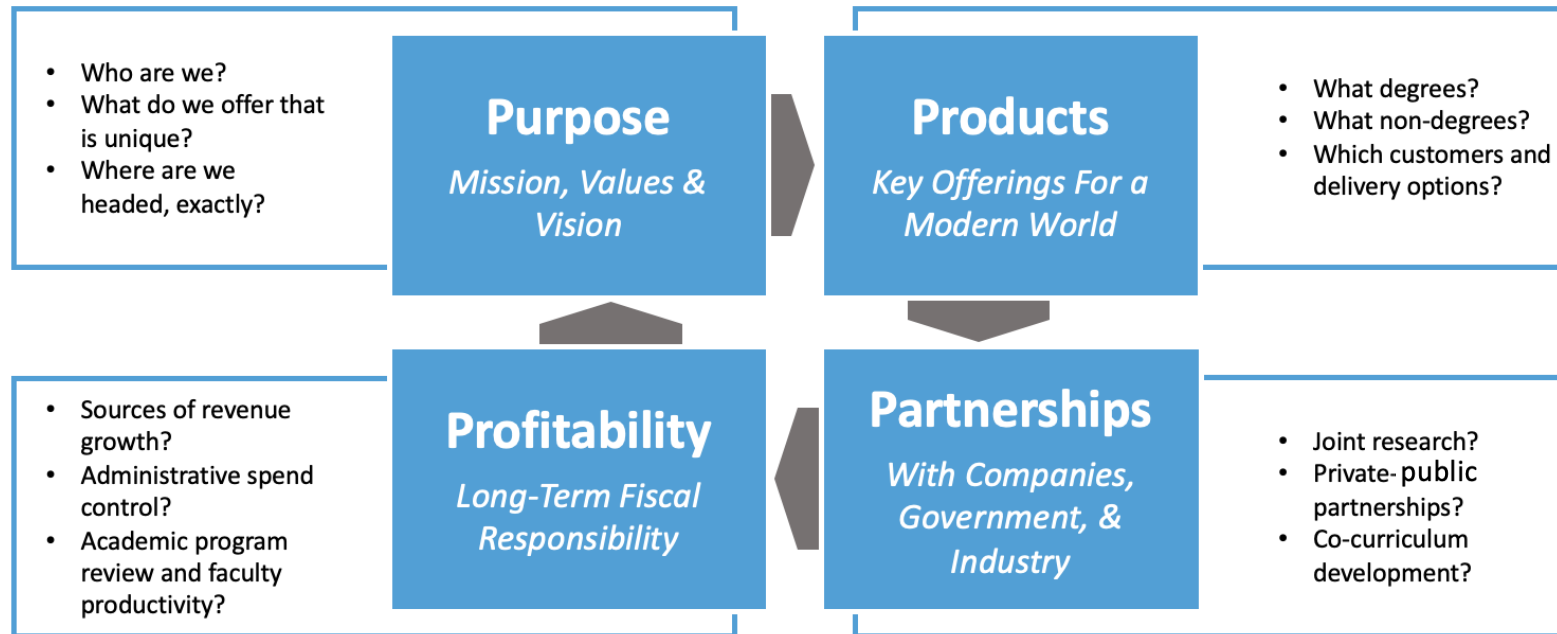
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Tips on Modern Strategic Planning in Higher Education

- How can modern strategic planning be **BETTER**?
  - Truly seek differentiation in what you do
  - Focus on strategic vs. operational issues
  - Tackle the hard challenges

- How can modern strategic planning be **STRONGER**?
  - Craft strategy "slogans"
  - Involve your campus in the strategy process
  - Manage the change carefully (use Kotter Model – see Appendix)

- How can modern strategic planning be **FASTER**?
  - Shorten the strategic planning period
  - Keep the planning horizon to three years
  - Think of strategy as a living document

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Key Strategic Issues In Higher Education Today

Declining Enrollments

Purpose
Mission, Values & Vision

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

Products
Key Offerings For a Modern World

- What degrees?
- What non-degrees?
- Which customers and delivery options?

Profitability
Long-Term Fiscal Responsibility

- Sources of revenue growth?
- Administrative spend control?
- Academic program review and faculty productivity?

Partnerships
With Companies, Government, & Industry

- Joint research?
- Private-public partnerships?
- Co-curriculum development?

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Our Strategic Action Methodology

Assessment	Visioning	Implementation
• Review financials • Benchmark key data • Review strategic plans • Analyze competitors	• Create strategy statements • Share with campus community and gather feedback • Obtain input from board	• Create objectives, initiatives, and metrics with campus leaders • Finalize plan with timeline and high-level budget • Obtain approval from board
SWOT & Supporting Analyses	**Strategic Framework**	**Implementation Plan**

Transformation Priorities

- Articulate Clear Strategy
- Identify prosperity gap
- Right size programs/faculty
- Streamline administration
- Grow enrollments
- Invest in new programs
- Connect to capital campaign

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Consider a Wide Range of Potential Strategic Actions

Optimize Administrative Spend
Assess level of investment vs strategy

- Consolidate Purchasing
- Cut Staff
- Re-engineer Processes
- Outsource
- Centralize/Shared Services
- Modernize Technologies
- Merge Multiple Locations
- Increase Spans of Control
- Decrease Energy Use

Increase Academic Program Returns
Rationalize academic offerings based upon demand

- Sunset Programs
- Grow Existing Programs
- Launch New Programs
- Increase Teaching Loads
- Hire More PT Faculty
- Hire More NTT Faculty
- Freeze New Faculty Hires
- Decrease # of Faculty
- Increase Student Retention

Grow Resources
Increase enrollments and revenue

- Launch New Development Campaign
- Determine Unique Positioning
- Incest in Advertising Campaigns
- Collaborate with Other Universities
- Pursue PPPs (facilities, energy, etc.)
- Launch Medical Services
- Develop More Executive Education
- Increasing Online Program Offerings
- Secure New Debt Offerings
- Grow Research Portfolio
- Sell Excess University Assets (land, etc.)

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Cooperation Will Be Key For Survival

- A macro trend is forming that will see multiple institutions join or create Private System Affiliation (PSA) supporting organizations and Course Sharing.

- Private institutions will have an opportunity to access a significant depth of resources to grow their revenue and transition their business model.

- Clayton Christenson's prediction: "by 2028, a quarter of universities in the US could go bankrupt, merge, restructure or close" – not likely to happen at that pace but still coming

Over the next five years, additional private system affiliation models will be created.

Arizona State University Example (1/3)

Arizona State University has become the foundational model for the **New American University,** a new paradigm for the public research university that transforms higher education. ASU is committed to **excellence, access and impact** in everything that it does.

No. 1 university for innovation (ahead of MIT and Stanford)
— U.S. News & World Report (2016-2023)

No. 1 in the U.S. (ahead of Michigan State and Penn State) and No. 2 in the world for global impact in research, outreach and stewardship
— Times Higher Education (2022)

No. 6 in the U.S. for total research expenditures among universities without a medical school (ahead of Caltech and Carnegie Mellon University)
— National Science Foundation HERD Survey (FY2021)

Top 10 'Best Buy' college in the U.S. (ahead of Purdue and UNC-Chapel Hill)
— The Fiske Guide to Colleges (2023)

No. 1 U.S. public university of choice for international students (ahead of University of Illinois at Urbana-Champaign, Purdue and UCLA)
— Institute for International Education (2021/2022)

Mission & Goals

Demonstrate leadership in enabling academic excellence and accessibility at scale

- Maintain the fundamental principle of accessibility to all students qualified to study at a research university.
- Maintain university accessibility to match Arizona's socioeconomic diversity, with undifferentiated outcomes for success.
- Ensure that **more than 90%** of students continue studies beyond their first year.
- Enhance the university graduation rate to **greater than 85%** and more than **40,000** graduates.
- Continuously enhance quality while maintaining affordability.
- Overcome geographic and financial barriers to education by enrolling **150,000** online degree-seeking students.
- Continuously increase measured student development and learning outcomes.
- Engage learners of all socioeconomic, geographic and demographic backgrounds.

Establish national standing in academic quality and impact of colleges and schools in every field

- Advance and maintain national standing in academic quality for each college and school.
- Attain national standing in learning and post-graduation outcomes for students in all colleges and schools.
- Become the leading university academically (faculty, discovery, research, creativity) in at least one department or school within each college and school.

Expand ASU's role as the leading global center for interdisciplinary research, discovery and development by 2028

- Launch the prototype medical center for the planet.
- Become the leading American center for discovery and scholarship in the integrated social sciences and comprehensive arts and sciences.
- Enhance research competitiveness to more than **$1 billion** in annual research expenditures.
- Drive regional economic competitiveness through research, discovery and socioeconomically integrated programs.
- Serve as a leading American center for innovation and entrepreneurship.
- Create the leading global center for education and learning technology.

Enhance our local impact and social embeddedness

- Leverage ASU as a public enterprise to strengthen Arizona's interactive network of teaching, learning and discovery resources.
- Co-develop solutions to the critical social, technical, cultural and environmental issues facing 21st-century Arizona, ensuring sustainability and resilience.
- Meet the needs of 21st-century Universal Learners through personalized learning pathways that promote adaptability to emergent social and technological changes.
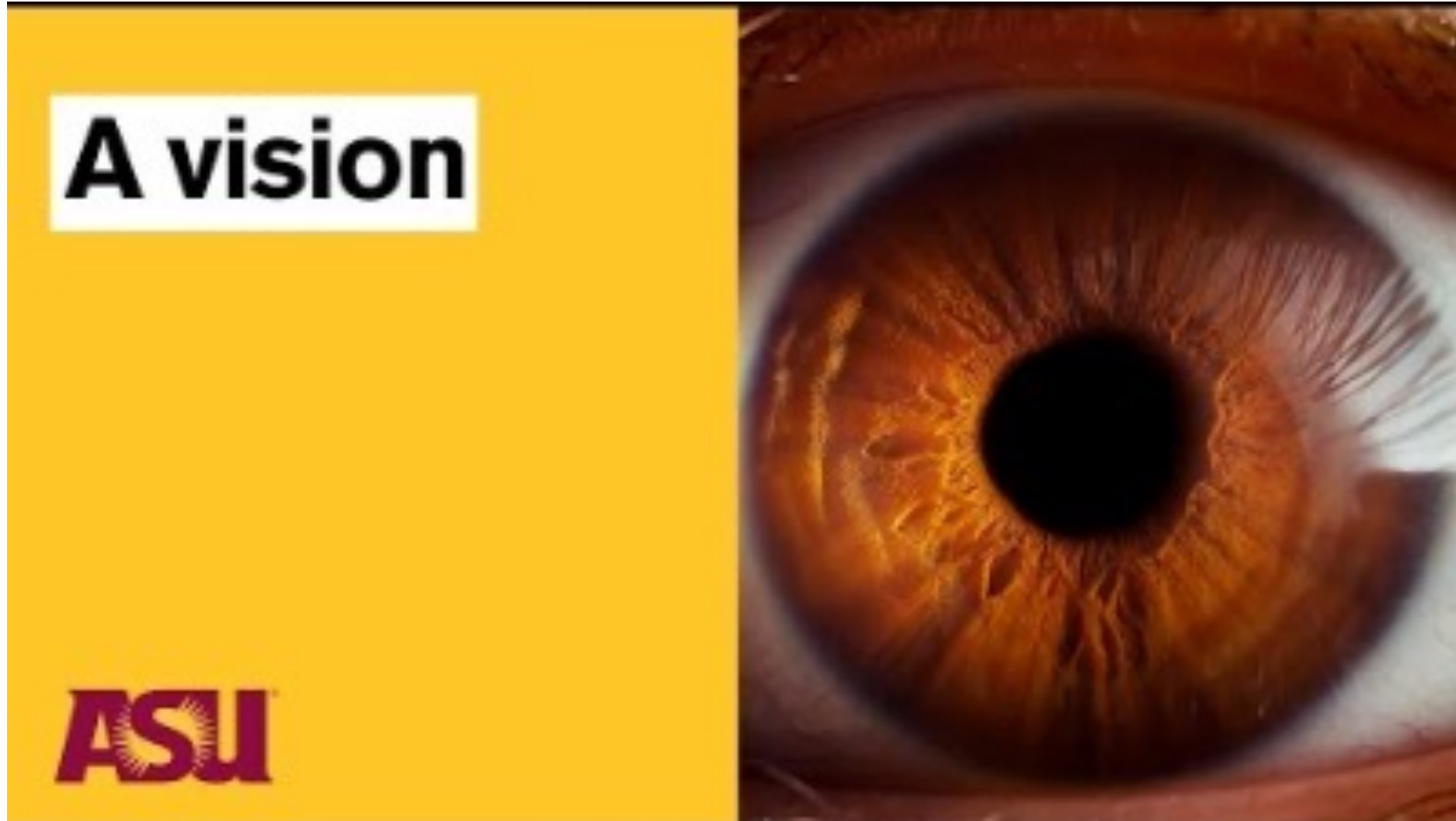
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MAY 29-31 | HYATT GRAND RESERVE PUERTO RICO

The Strategy Symposium

A Blueprint for Higher Education Trustees

- Price includes hotel accommodations and all meals.
- Agenda well-suited for individual or small team attendance.
- Early-bird pricing ends January 19, 2024

Learn More: www.chronicle.com/trustee-strategy-symposium

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Upcoming Webinars and Opportunities to Engage

- **Nov. 28, 2pm ET** – *Navigating Financial Challenges: Strategies for Small to Mid-Sized Independent Institutions* Register here or via www.agb.org/webinars.

- **December 14, 2pm ET** – Navigating Turbulence: Modern Strategy for Presidents and Trustees – for Private Institutions (with Marjorie Hass, President of CIC)

- **January 10, 2pm ET** – Navigating Turbulence: Modern Strategy for Presidents and Trustees – for Public Institutions (with Mark Becker, President of APLU)

- Paul Friga's website has videos and articles related to strategy and higher education

- Engage us in a strategy conversation – we'd like to learn how we can help your board!
  - Email consulting@agb.org, cmoloney@agb.org, or pfriga@agb.org

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Discussion With Attendees