



# The Enrollment Paradox: How the Quest for Growth May Weaken Your Institution

## Grow enrollment – or...?

For leaders in higher education, the mandate is clear: grow enrollment. This goal is driven by the dual imperatives of expanding impact and strengthening financial stability. Meanwhile, over the last decade, most institutions have faced enrollment decline, making the pressure to attract more students immense. It is a core objective for governing boards, presidents, and state policymakers, seen as the most direct path to securing an institution's future.

But what if this ***conventional wisdom is flawed***? What if, for many institutions, the relentless pursuit of enrollment is unintentionally deepening their financial distress?

This is the central paradox facing American higher education. Without a sophisticated understanding of an institution's finances at the margin, enrolling the next student can often mean losing money. This isn't a sign of mismanagement; it is a predictable outcome of a widely misunderstood funding architecture. When institutions become heavily reliant on government subsidies and their funding doesn't increase proportionally with enrollment, a perilous dynamic emerges: the revenue gained from a new student is often less than the true additional cost of educating them to the same standard of quality.

The result is a structural deficit that multiplies with every new student who walks through the door. We call this the vicious loop: success in the mission of access leads directly to a decline in financial health and educational quality.

### The Vicious Loop in Action

When an institution consistently loses money on each new student, it is forced to balance its budget by degrading the educational experience. The cuts are slow but devastating. They manifest in multiple ways but three primary instances are particularly pernicious.

**Hollowing out the core:** To lower the marginal cost of instruction, colleges become overwhelmingly reliant on part-time, non-tenure-track adjunct faculty. While this provides immediate cost savings, it leads to a more fragmented student experience, with less faculty-student interaction and a curriculum managed by a contingent workforce disconnected from the campus community.

**Student supports in name only:** When budgets tighten, support services like academic advising, tutoring, and mental health counseling are often reduced – or case loads are gradually increased with the same result. For the very students access institutions are chartered to serve, low-income and first-generation learners, these supports are prerequisites for success. Cutting them transforms a financial problem into a profound problem of outcomes, disproportionately harming the most vulnerable learners.

**Deferred maintenance:** To preserve cash, facility repairs and technology upgrades are postponed, sometimes indefinitely. The campus infrastructure begins to crumble, and the digital tools necessary for a modern education become obsolete. And with many institutions established or going through significant growth in the 1960s and 1970s, facilities are often already in disrepair with needs for modernization.

This cycle of decline is not theoretical. It is one that is playing out on campuses across the country. The pressure to grow, when disconnected from financial reality, forces leaders into a series of impossible trade-offs that ultimately undermine the institution's core mission and threaten its long-term viability.

## Escaping the Loop: A Strategic Imperative

Breaking this cycle requires the leadership, sophistication and ability to confront the economics head-on. There are only two fundamental levers an institution can pull: increasing marginal revenue or decreasing marginal cost.

Increasing marginal revenue is very unpopular in institutions' external environments as it often means raising tuition. This is an approach that is neither feasible nor desirable for many institutions, particularly the open-access colleges that serve as engines of social mobility. While diversifying revenue through philanthropy or corporate partnerships can help, these are rarely sufficient to solve the core structural problem.

Therefore, for most institutions, the only sustainable path forward is to fundamentally redesign their operating model to strategically and intelligently reduce their marginal cost footprint.

Doing so will require going beyond the normal tools in the financial toolbox of hiring freezes and across-the-board budget reductions. It is about defining and implementing a disciplined and visionary approach to operational excellence in institutions. Doing so requires a deep, data-informed understanding of an institution's own cost drivers, followed by a commitment to strategic standardization, process repeatability, organizational simplification, and overhead reduction.

It means asking hard questions: If we rethink everything, what is the minimal operating model that provides high quality education? How do we leverage AI as a core tool to reimagine educational delivery and streamline core processes? What is the very core of our promise to students – deliver nothing less ... and nothing more.

## The moment to act is now

America's global standing and economic competitiveness are inextricably linked to the vitality of its higher education sector. Yet, over the last 30 years, our system of higher education has significantly underperformed our industrialized peers. This is an unsustainable path that risks cutting off the very branch we are sitting on.

The challenges are significant, but they are not insurmountable. With strategic focus, courageous leadership, and expertise and creativity, it is possible to break the vicious loop and build an operating model that truly supports, rather than undermines, the critical mission of higher education.

# Executive consulting leadership

*Lynnerup & Ansell serves leaders within the higher education sector by helping them solve their most vital challenges.*

## Rasmus Lynnerup

### Senior Partner

Rasmus Lynnerup is a transformative leader with over 20 years of experience spanning strategy management consulting and executive roles in the public and civic sectors. His work is driven by a mission to apply the best elements of the private sector to serve the public good, with a particular focus on reforming higher education to improve student outcomes. His experience includes:

- Vice President at Arizona State University, the most innovative institution of higher education
- Principal of the Civic Consulting Alliance focusing on strategic issues facing the Chicago region. Clients included City of Chicago, Cook County, and State of Illinois executive leadership
- Executive Vice Chancellor (Chief Strategy Officer and Chief Academic Officer) for the City Colleges of Chicago, a district of 110,000 students
  - Led "Reinvention," a highly successful reform program in higher education
- Strategy and Operations consulting with McKinsey & Company

As a first-generation college student, he is passionate about creating a more transparent and integrated public higher education system in America.

## Charles Ansell

### Senior Partner

Charles Ansell has focused on designing and executing student success reforms across urban institutions, statewide systems, and national networks. His career has been dedicated to building more effective pathways for students, with a focus on data-informed strategies and the practical application of technology.

- Vice President at Complete College America, a national non-profit organization advancing credit mobility, student success, and guiding institutions on the responsible integration of AI.
- Chief Operating Officer (COO) for the Community College System of New Hampshire, overseeing strategic planning, finance, and technology.
- Senior Associate Vice Chancellor at the City Colleges of Chicago, where he was instrumental in designing and implementing a systemwide structured pathways system.

A nationally recognized expert in connecting metrics to action, he is committed to helping institutions use data and AI to build systems that reflect the real journey of the learner and foster continuous improvement.