



Prioritizing Long-Term Financial Planning ... Amid Today's Emergencies

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Presenters



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How We Feel Most Days



TeoLazarev/Getty Images

Agenda

Macro Environmental Analysis

SWOT Analysis

Strategic & Financial Planning

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The Most Significant Macro Force: Declining Enrollments

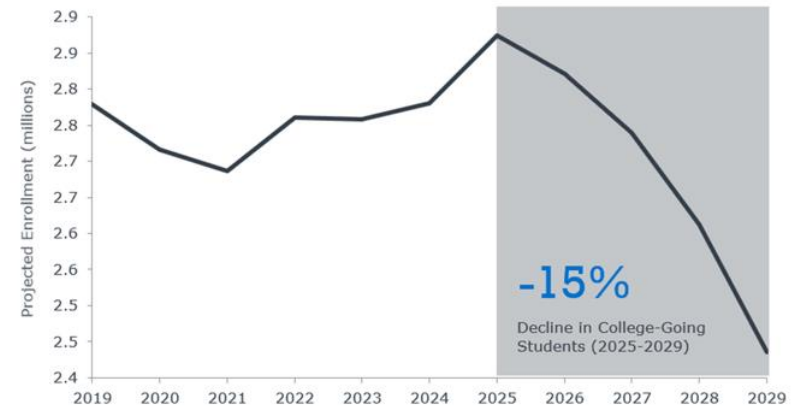
The higher education market has experienced nine consecutive years of enrollment decline on a national basis; contracting from approximately 21M to 18M students



- Only 34% of institutions met their 2019 fall enrollment targets – declining market for degrees
 - Fall 2020 private college enrollment was down ~4%
 - Arizona State University enrollment grew by 23% in fall 2020
- There is more capacity than student demand for traditional brick and mortar institutions.
- Students are choosing alternative knowledge pathways versus degrees, including credentials, certificates, work-force related skill-sets.

Enrollment Projected to Drop Sharply After 2025

Forecasted Number of College-Going Students in the U.S. (millions), by Year of High School Graduation



Source: Paul Fain, "College Enrollment Declines Continue," Inside Higher Ed (May 30, 2019)

Understanding the Higher Ed Macro Environment



	Theoretical Model (STEEP)	Applied to Higher Ed
SOCIAL/DEMOGRAPHIC	<ul style="list-style-type: none"> ▪ Domestic & int'l population shifts ▪ Speed of technology adoption among consumers ▪ Workforce demographics (e.g., diversity) ▪ Income distribution 	<ul style="list-style-type: none"> • Traditional tuition increases of 3+% unsustainable - \$1.6T of student debt • 9 consecutive years of enrollment decline on a national basis and steeper declines forecasted • Adult students increasingly interested in higher ed
TECHNOLOGICAL	<ul style="list-style-type: none"> ▪ Advances in consumer electronics technology ▪ Advances in computer technology ▪ Advances in automotive technology ▪ R&D and new product introductions 	<ul style="list-style-type: none"> • Online education methodologies widely available • Increasing analytics capabilities for decision-making • Benchmarking data and platforms growing significantly
ECONOMIC	<ul style="list-style-type: none"> ▪ Domestic & int'l growth cycle (e.g., recession) ▪ Inflation rates ▪ Unemployment rates ▪ Interest rates ▪ Currency fluctuations ▪ Domestic & Int'l wage rates ▪ Trade deficits 	<ul style="list-style-type: none"> • Poor quality of earnings – 3 years of negative ratings by Moody's and S&P for higher ed • Recovering from recessionary conditions (state support for higher ed at risk) • Over 1,200 colleges either at or approaching "not financially viable" status (DOE Financial Composite Scores)
ENVIRONMENTAL/ GEOGRAPHIC	<ul style="list-style-type: none"> ▪ International competitor locations ▪ Transportation costs ▪ Ecological issues – pollution, recycling, energy use, air/water quality, natural resources, & power sources 	<ul style="list-style-type: none"> • More supply of brick-and-mortar colleges than student demand • Pressure for more sustainable energy use • Growth in international higher ed competitors
POLITICAL/LEGAL/ GOVERNMENTAL	<ul style="list-style-type: none"> ▪ Int'l legislation (e.g., import/export laws) ▪ Domestic legislation (e.g., labor laws) ▪ Federal agencies (e.g., OSHA, EEOC, Trade agencies) ▪ Government involvement 	<ul style="list-style-type: none"> • New White House administration • Significant stimulus funding and additional proposals on the table • Potential for increased governmental intervention

Source: Dr. Paul N. Friga; AGB/Rick Beyer; Craig S. Fleisher, "Strategic and Competitive Analysis: Methods and Techniques for Analyzing Business Competition"

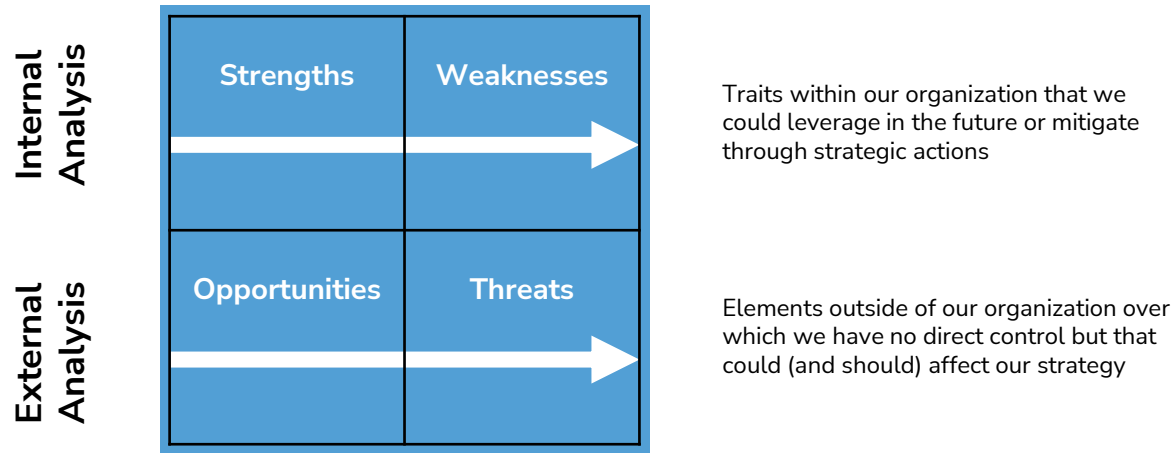
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SWOT Analysis: a Great Starting Point



Sample SWOT: University XYZ (Hypothetical Small Public Institution)



Strengths

- Strong Employment Relationships with Industry
- Exceptional and Dedicated Faculty – Especially in Health Sciences
- Commitment to Success of Students on a Personal Level

Weaknesses

- Low Number of Active Research Faculty
- Unclear Resource Allocation
- Underdeveloped External Partnerships

Opportunities

- National Shift Toward Student Outcomes and Accountability
- Affiliate with Hospitals and Other Faculty/Universities
- Launch New Online Programs

Threats

- Declining Resources
- Decreases in Traditionally-Aged Students
- Increasing Competition

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Scenario Planning at a High Level



1. Understand the baseline strategy and related assumptions
2. Review the external environment
3. Develop a list of key factors that may affect strategy
4. Prioritize the 2 most important factors
5. Develop 4 scenarios (with names) and display in a 2x2
6. Identify key strategic initiatives in each scenario

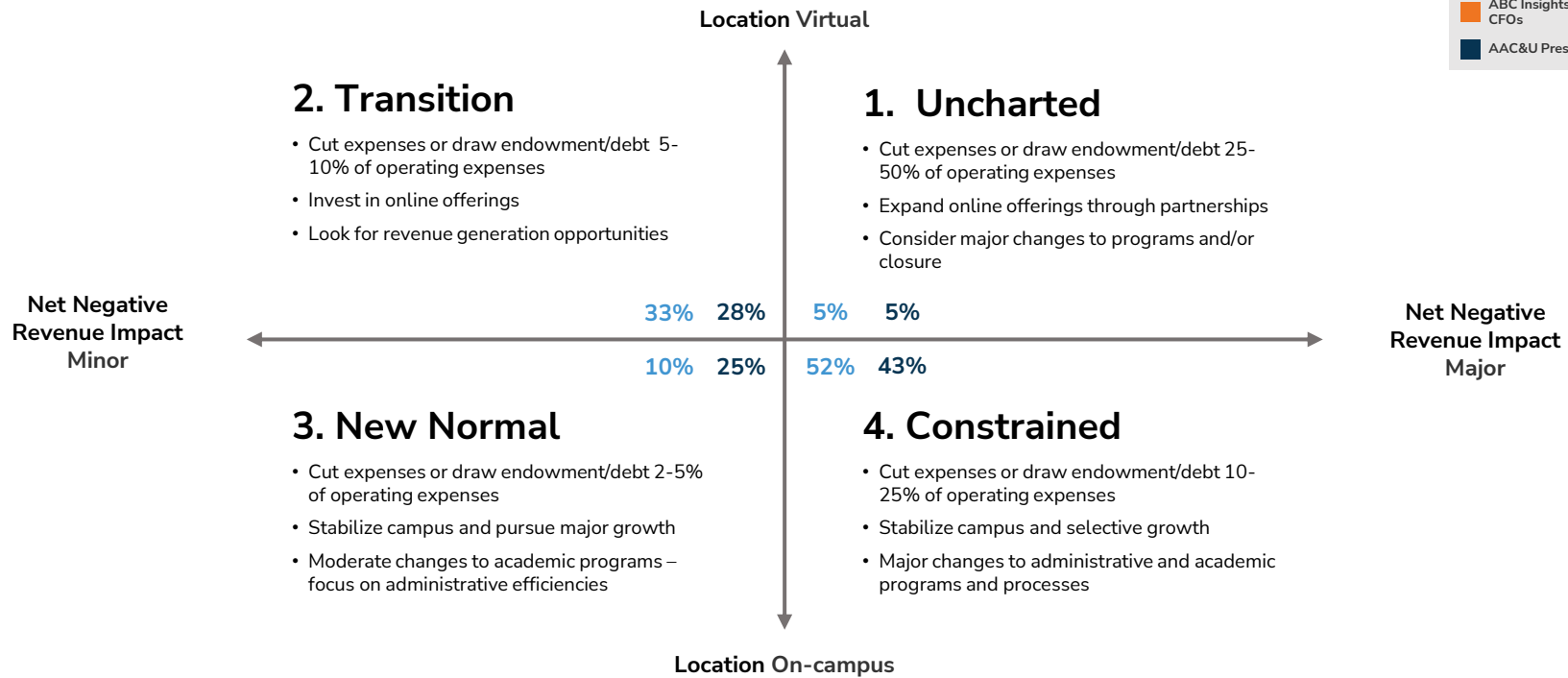
Example: March 2020 Scenario Planning for Coronavirus



Context Variables	Quick Recovery	Global Slowdown	Global Pandemic & Recession
Teaching	Little effect; some student absenteeism; cuts in study abroad programs	Major effect on many campuses on spring residential classes and canceling of study abroad programs	Dramatic effect -- spring, summer and fall in-person classes canceled/switched to online format
Operations	Some affected employees	Many employees affected and not able to work; others work from home; conferences canceled in spring and perhaps summer; employee travel limited; major campus cleaning	Campus shutdowns through end of fall semester; employee layoffs/furloughs; coordinate with health-care organizations to handle surge requirements
Community	Decreased attendance at events	Canceled attendance at sporting and other events; coordination with local department of health and other communities on risks/actions	Canceled fall sports, concerts and major events; preparation for shutdown of local tourism/restaurant offerings
Financials	Minor ($\leq 0.49\%$ of operating expenses)	Major (0.5 to 4.9% of operating expenses)	Dramatic (5 to 50% of operating expenses)

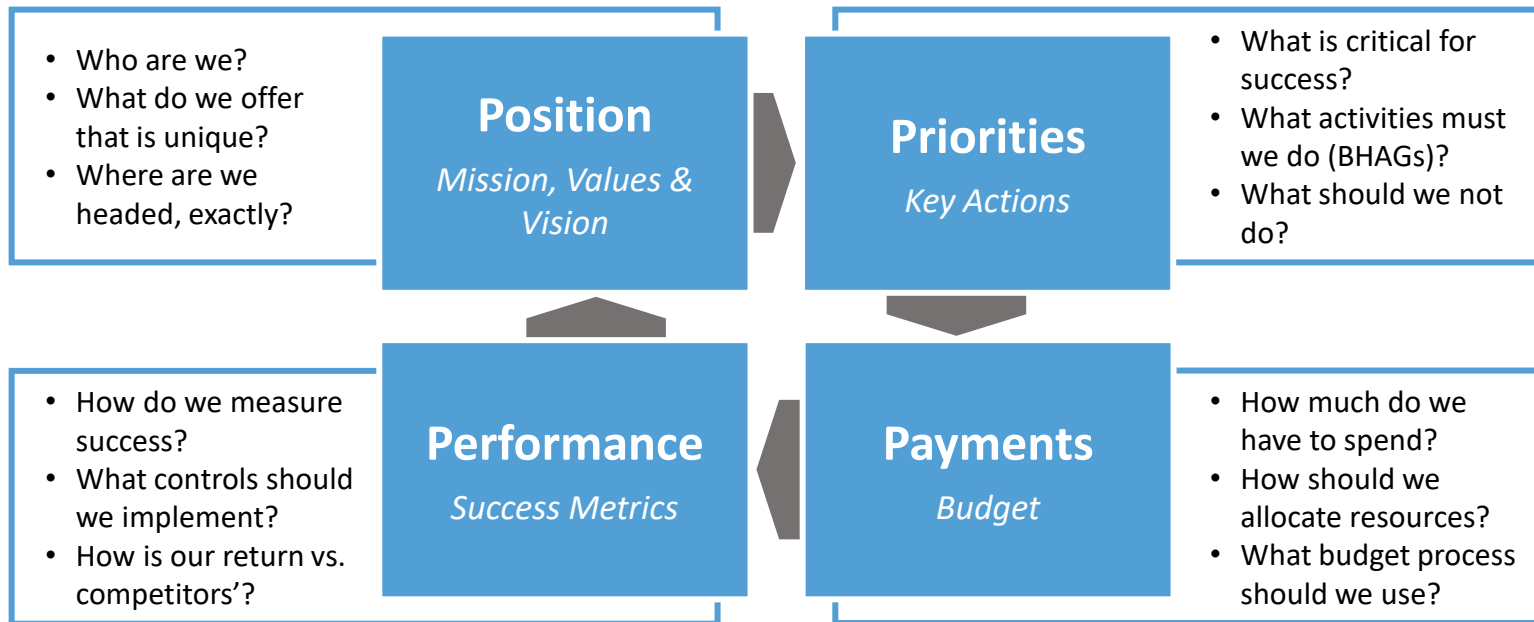
Source: Paul N. Friga, "Scenario Planning for Coronavirus," Inside Higher Ed (March 13, 2020)

Example: Modeling the Magnitude of Students Returning to Campus and the Impact on Revenues



Source: Dr. Paul Friga; ABC Insights AAC&U Survey of Presidents, July 12, 2020 n=119; ABC Insights Survey of CFOs n=21

Four P's of Strategy



It is helpful to create core strategy statements

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."

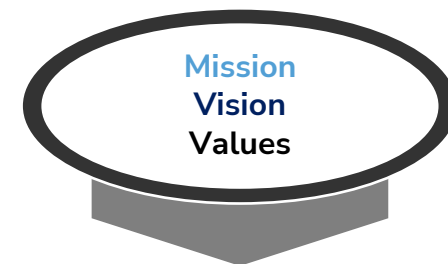
Vision Statement

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)



Priorities
Objectives
Initiatives
Actions

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



Proposed Strategy Statements

Mission

**Creating leaders to
impact society**

Vision

**Become the university
that students call home**

Values

**Student Focused
Equity & Diversity
Outcomes &
Accountability**

Proposed Priorities

Priority 1

**Create a compelling
vision around student
success, personalized
education, and
athletics**

Priority 2

**Grow research in
high-impact
disciplines**

Priority 3

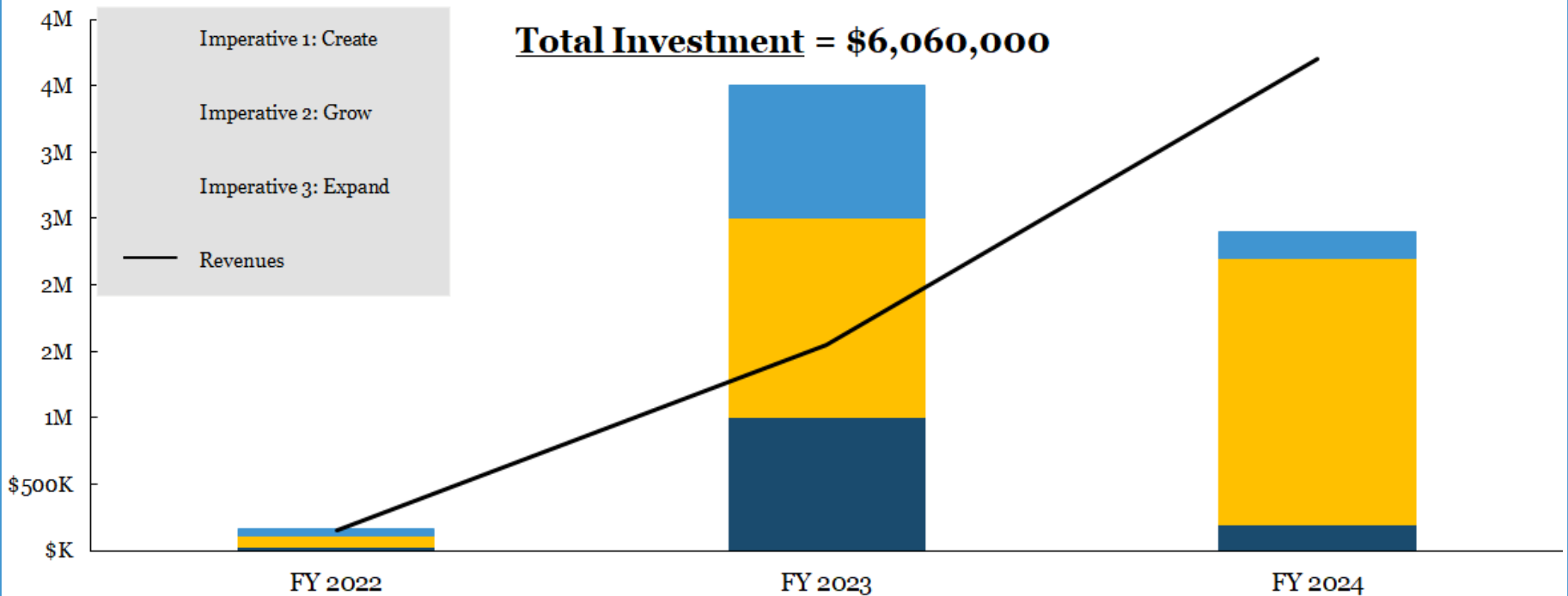
**Expand external
partnerships**

Example: University XYZ (Hypothetical Small Public) -- Multi-Year Implementation Plan

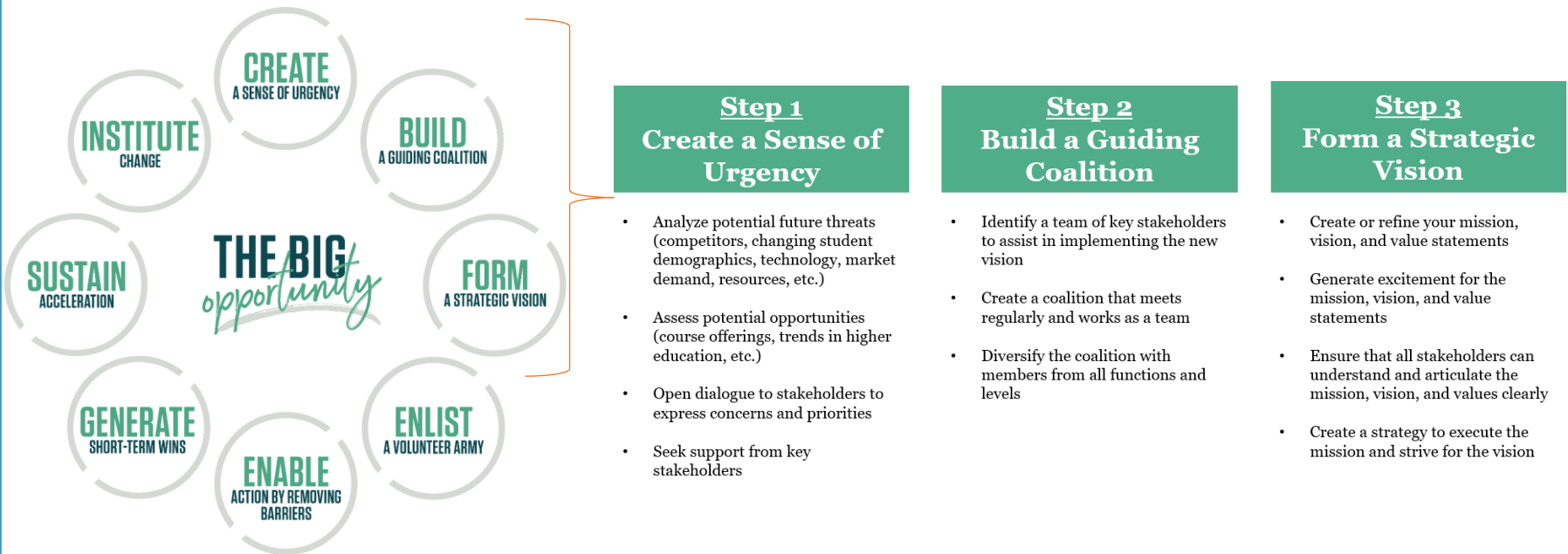


	Priority 1: Create a compelling vision around student success, personalized education, and athletics			Priority 2: Grow research in high-impact disciplines			Priority 3: Expand external partnerships		
	Objective 1.1: Launch New Strategic Vision	Objective 1.2: Conduct Program Review to Reallocate Resources	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			Outcomes & Accountability		

Example: University XYZ (Hypothetical Small Public) – Strategic Investments



Change Management: Balancing Long-Term & Short-Term



Source: Dr. John Kotter

With Thanks ...



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