

Understanding the Landscape for Public Research Universities and Identifying Future Directions

Prepared for West Virginia University



State of the Union for Higher Education

Unpacking the Narrative Around Higher Education

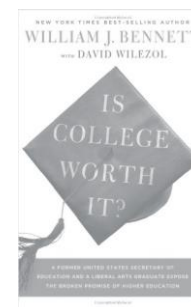
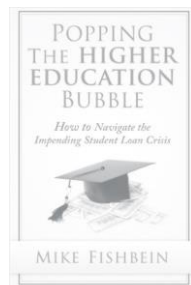
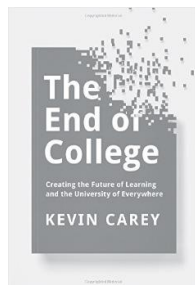
Shifting Demographic and Economic Realities:
Implications for Finance

Trends in Enrollment and Academic Programs

Shifting Conceptions of Value: "ROI" Thinking Across the
University

PART ONE

Higher Ed Assailed By A Drumbeat of Critiques



The Other Side of the Story

Popular Accounts Driven by Lack of Understanding

Public Perception

Reality



The cost of higher education is out of control



The public doesn't understand "net" versus "sticker" price; net cost for publics is still very low; and greatest barriers to low-income students are cost of living (room and board) due to stagnant wages and lost borrowing



College degree is losing value



College premium has never been higher; baccalaureate holders earn far more than high school graduates



Colleges and universities have triggered a student loan crisis



Figures used by media are flawed; most debt and defaults stem disproportionately from non-completion, graduate/professional school, and for-profits; public B.A. holders who finish in four years owe on average less than \$10,000 when they graduate



Disruptive innovation will cause universities to lose students to low-cost providers



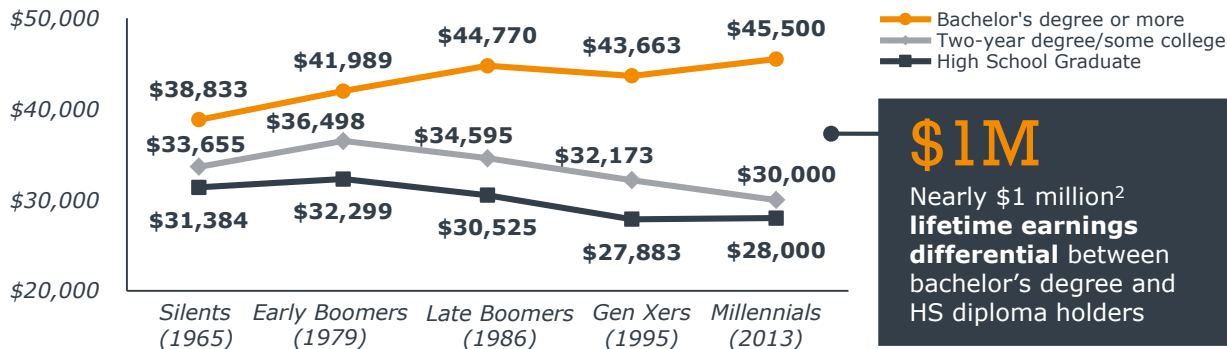
Community colleges and for-profits losing enrollment, "disruptive" innovators focused more on non-consumers, new formats like MOOCs and Competency Based Education not yet to scale



Value of College Degree has Never Been Higher

Bachelor's Degree Holders See ROI¹ in Lifetime Earnings and Beyond

Median Annual Earnings Among Full-Time Workers Ages 25 to 32



Benefits Beyond Earnings

+47%

Likelihood of having health insurance through employment

+72%

Likelihood of having a retirement plan through employment

+44%

Likelihood of reporting health to be very good or excellent

+21%

Likelihood of being married

1) Return on Investment.

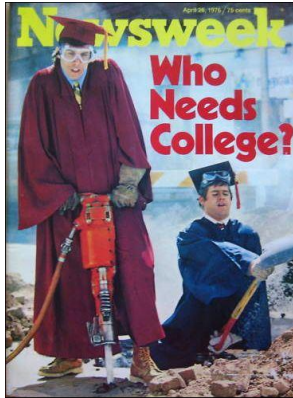
2) Median lifetime earnings differential \$964,000.

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Source: Pew Research Center, 2014, "[The Rising Cost of Not Going to College](#)"; Georgetown University Center on Education and the Workforce, 2011, "[The College Payoff](#)"; Lumina Foundation, 2015, "[It's Not Just the Money](#)"; EAB interviews and analysis.

Not Exactly News...

College Has Been Called into Question for Decades



April 1976

Guess Which Quotes Are From 1976 vs. 2012

- “By all estimates, the rising costs of college have been paced by diminished economic returns on the college investment.”
- “Is all this investment in college education really worth it? The answer, I fear, is that it’s not.”
- “As much as 27 percent of the nation’s work force may now be made up of people who are “overeducated” for the jobs they hold.”
- “More than half of all recent graduates are unemployed or in jobs that do not require a degree.”



Source: “Who Needs College,” *Newsweek*, April 1976; “Who Needs College? The Answer Might Surprise Newsweek,” *Huffington Post*, October 2012; <http://www.forbes.com/sites/katiesola/2015/11/11/rubio-welders-philosophers/#2a80837d12a1>; EAB interviews and analysis.

The World Turned Upside Down

Economic Underpinnings of the Traditional Academic Model Shifting



Student Populations



Family Finances



Public Support



Career Outcomes



Competition

1995-2007

A generally supportive environment

- Increasing HS graduates
- Growing demand for adult education
- International student growth
- Increasing family wealth
- Middle class income and savings cover most college costs
- Annual increases in state support
- Headcount based funding
- Rising federal funding
- Rising incomes for graduates
- BA sufficient for middle class income
- Less expectation of job-ready grads
- Competition mostly within peer groups
- Regional catchment areas
- Few compete nationally for elite students

2007-Present

Mounting threats to sustainability

- Declining population of traditional students
- Working adults leave education for work
- Hollowing of the middle class
- How long can high-tuition/high-discount go on?
- Cuts in state support
- Shift to outcomes funding
- Federal research cuts
- 'Lost class' during recession
- Declining incomes for BA's
- Credential inflation
- Cross-segment competition
- Geographical expansion
- Alternative providers

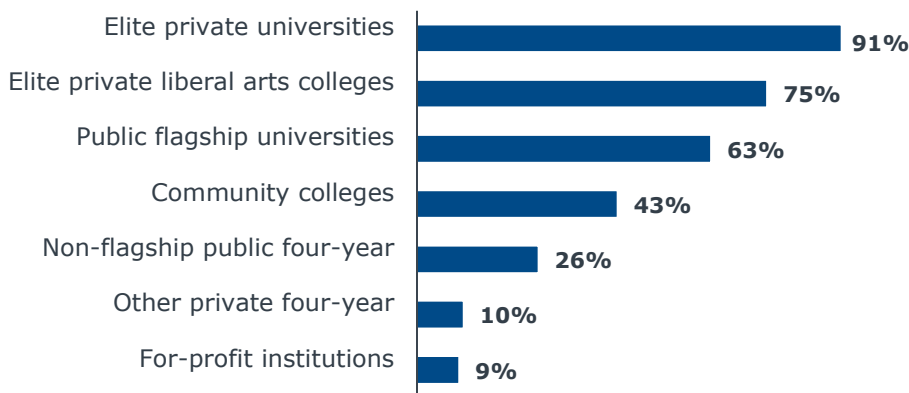
Financial Sustainability in the Decade Ahead



Existential Urgency Dependent on Segment...

Percent of presidents that strongly agree/agree business models for each type of institution will be sustainable over next ten years:

Inside Higher Ed and Gallup 2017 Survey of College and University Presidents, (n = 706)



...But Worries Span Institutional Type

"We're not going to go out of business. But will our current financial model allow us to maintain excellence, serve the community, and meet our ambitions? I don't think so."

-- Public Flagship Research University



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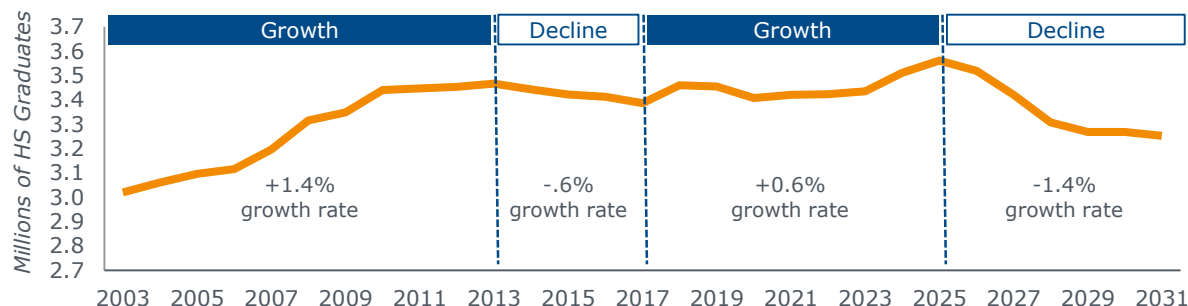
Shifting Conceptions of Value: “ROI” Thinking Across the University

PART ONE

Not Enough Growth to Go Around for Everyone

High School Graduate Growth Rate Plateaus Before Precipitous Decline

Number of High School Graduates and Compound Annual Growth Rates



Change in High School Graduates from School Year 2012-2013, by Region

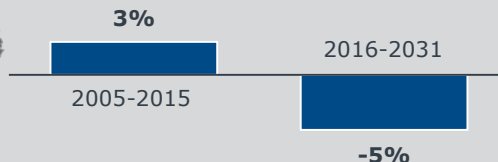
	West	Midwest	Northeast	South
2019-2020	-11,500	-41,200	-42,000	32,200
2024-2025	24,900	-29,700	-26,200	117,900
2029-2030	-45,900	-26,200	-72,300	7,100

Demographic Change Overview: West Virginia



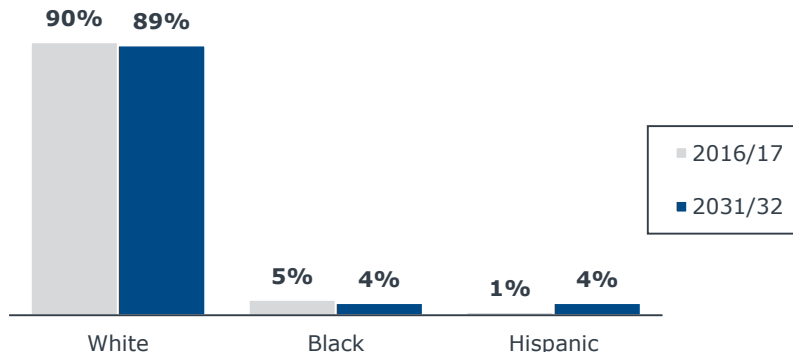
Change in Number of High School Graduates, 2005-2015 Vs. 2016-2031

Data Source: Western Interstate Commission for Higher Education



Hispanic, White, and Black Students as a Share of All High School Graduates, 2016 Vs. 2031

Data Source: Western Interstate Commission for Higher Education



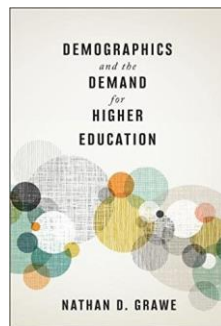
Source: Knocking at the College Door: Projections of High School Graduates, Western Interstate Commission for Higher Education, 2016, www.wiche.edu/knocking; EAB interviews and analysis.

Diverging Fortunes by Selectivity



THE WALL STREET JOURNAL. U.S. Colleges Are Separating Into Winners and Losers *February 2018*

"...U.S. not-for-profit colleges and universities are segregating into winners and losers—with winners growing and expanding and losers seeing the first signs of a death spiral."



Nathan D. Grawe
Professor of Social Sciences
Carleton College

Developed a new probabilistic model that projects **college-going population** from 2012 to 2029

Higher Education Demand Index

↓ 9%

Projected decline in
4-year college-
bound students,
2017-2029



HEDI aims to predict
first-time college
students, disaggregated
by state and selectivity

Falling Birthrates From 2007 to Present Projected to Hit HEIs Across the US

11% to 30% growth

0% to 10% growth

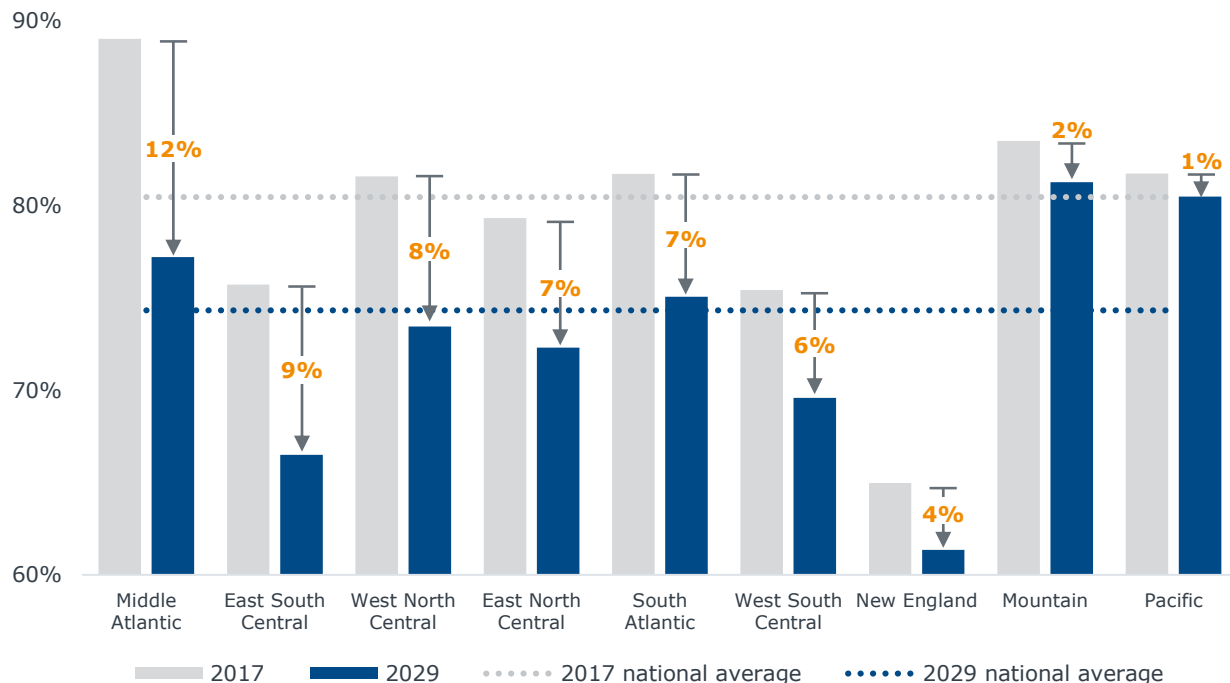
-1% to -9% decline

-10% to -19% decline

-20% + decline

College Participation Projected to Decline

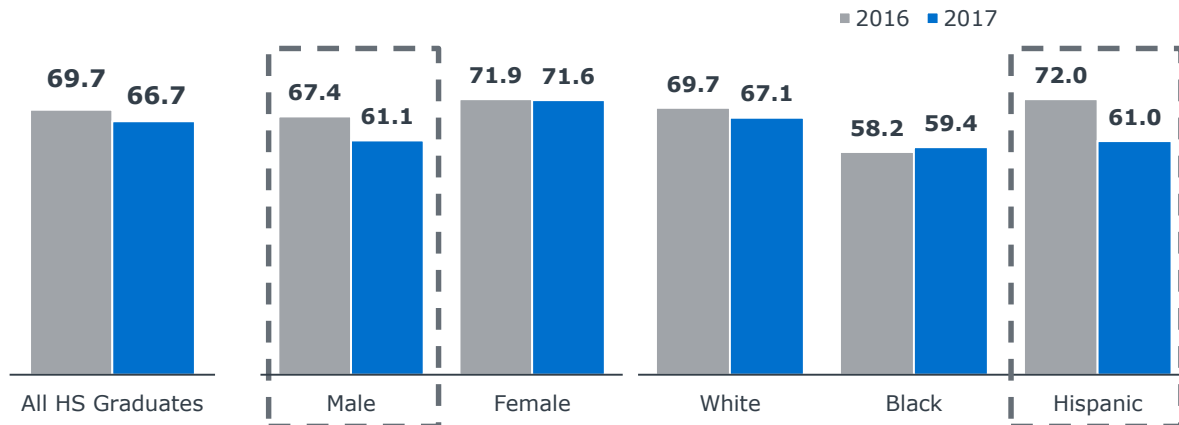
Change in College Attendance Rates, 2017 to 2029



Labor Market Impact on College-Going Behavior

Hispanic and Male College Participation Most at Risk as Economy Improves

College Enrollment Rates of Recent High School Graduates

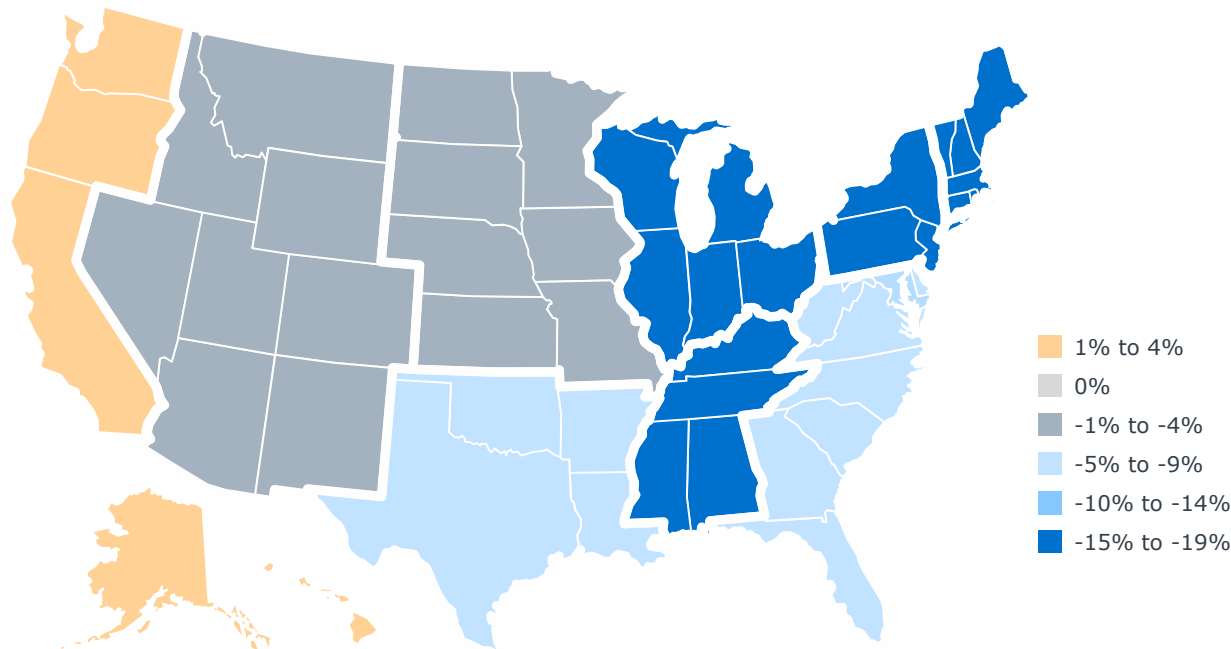


Source: Melissa Korn, "Fewer High-School Grads Enrolled in College Last Year," *Wall Street Journal*, <https://blogs.wsj.com/economics/2018/04/26/fewer-high-school-grads-enrolled-in-college-last-year/>, April 2018; Bureau of Labor Statistics; EAB interviews and analysis.

Regional Outlooks Look “Uniform” at First Glance

Region-Level Analyses Smooth Over Differences Below the Surface

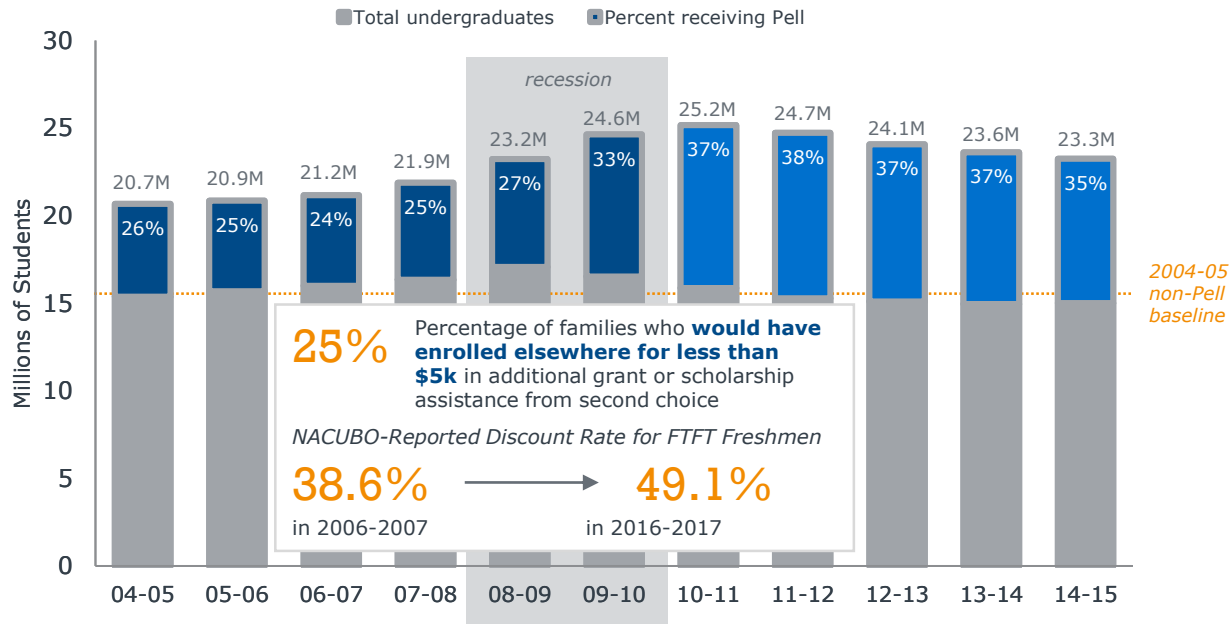
Projected Change in 4-Year College-Going Students Regionally, 2017 to 2029



Enrollments Did Rise During the Recession

But Nearly All Growth Was Low-Income, Accelerating the Demographic Shift

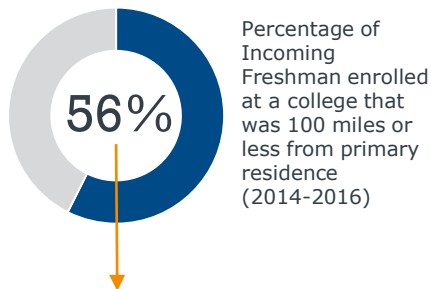
Undergraduate Enrollments and Pell Status



Today's Undergrads More Challenging to Reach

Place Remains Important

EAB Royall & Company Student Mobility Analysis
(n = 708,016 students, 290 colleges)



Will Changing Demographics Make the U.S. Even More Place-Bound?

Median miles traveled by ethnicity

42	Hispanic	79	White
40	Asian	78	Black

A More Demanding "Shopper"

Attending Multiple Orientations to Decide

22%

Increase in withdrawn deposits from 2007-2015

New Marketing Approaches Needed

87%

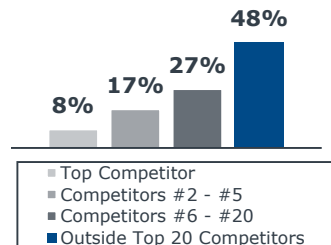
Percentage of prospects who say they don't trust university websites, seeking validation from external source

A Long Tail of Competitors

Where Admitted Students Who Did Not Deposit Went
(n = 81,827)

108%

Increased applications from 2001–2014 with just an 11.6% increase in prospects



Getting Ready for the Student of the Future

Preparing Not Only for Changes in Demographics...

-10%

Students with household incomes >\$100K (2017-2029)

-19%

Non-Hispanic white 18-year-olds (2012-2029)

64%

18-year-olds in a household where neither parent holds a bachelor's degree (2029)



...But Also a Change in College-Going Attitudes

A resurgence of the trades?

"Men who otherwise would likely attend community colleges are **now finding employment opportunities** in areas like manufacturing."

The Wall Street Journal
April 26, 2018

Is college worth it?

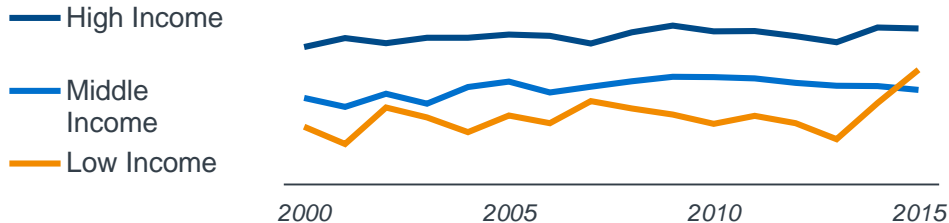
"We appear to be approaching a time when, even for middle-class students, the **economic benefit of a college degree will begin to dim.**"

The New York Times
May 16, 2018

Future Students Likely to Need More Support

Higher Proportion of At-Risk Populations

Immediate College Enrollment Rate¹ Increasing Among Low-Income Students



A National Snapshot: First Generation Students

30%

Of entering first-year students in US are first generation college students

25%

Leave after their first year, a drop-out rate four times higher than peers¹

89%

Of low-income first generation students leave college after six years without a degree

1) Students who are enrolled in a college or university the October immediately following high school graduation.

Generation Z Brings New Challenges



Traits, Preferences of Today's Students Manifested in Lifestyles

Generational Traits

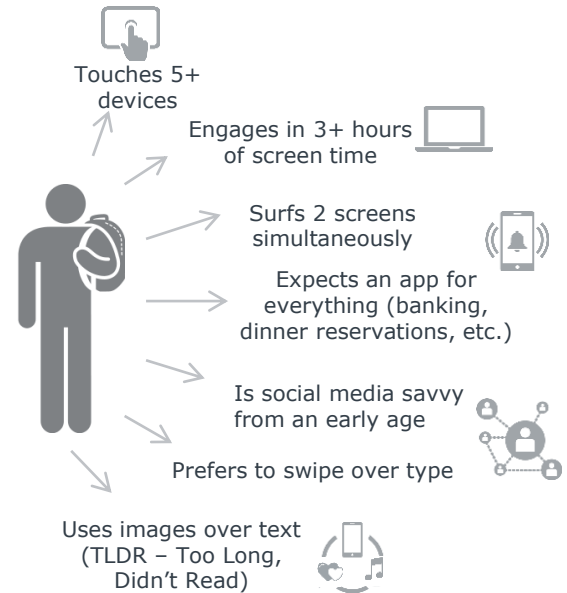


Generational Traits Ages (13-21)

Focus: Practical, Open, Connected

- **Tech driven** – Prone to unplug, yet hyper connected; expects smart, flexible tech
- **Digital natives**– Comfortable with technology at a very early age
- **Open to sharing** – Puts lives online without filter
- **Self-Educators** – Uses online media; has seen it all

A Typical Day in the Life of a Gen Z'er



Messaging Preferences



Marketing or Communication Preferences

Focus: Humanity, Collaboration, Sharing, Personal

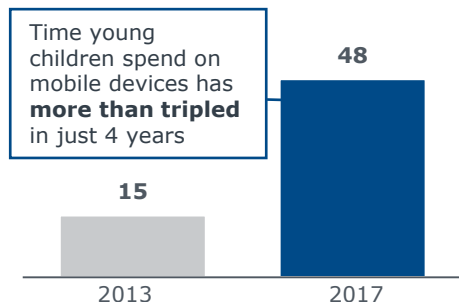
- **Expects authenticity** – Expects demonstrated commitments to worthy causes
- **Personalized** – Prefers customized content
- **Shared values** – Needs to establish common ground to build trust, loyalty
- **FOMO** (Fear of Missing Out) – Needs to be in the loop; driven to connection via social media

Prevalent Technology Makes Screen Time Ubiquitous

Today's Kids Have Never Known Life Without Phones

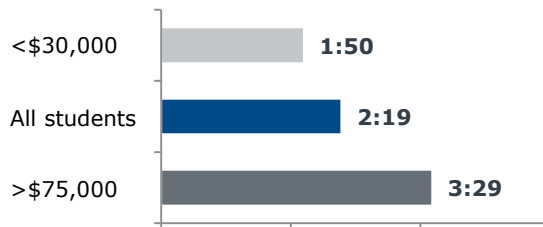
Mobile Screen Time on the Rise for Young Kids

Average Time Kids 8-Years-Old and Younger Spend on Mobile Devices per Day, in Minutes



Variation Plays Out Along Income Lines

Average Screen Time Per Day (hrs:min), by Family Income



Long-Term Effects of Screen Time Largely Unknown

But Excessive Exposure Has Been Linked to...



Sleep
Deprivation



Greater Risk of
Aggression



Risk of
Obesity



Decreased
Physical Activity



The Great Recession and Its Aftermath

Today's Students Were Born Amid Economic Downturn...

Economic and Societal Hardships Resulting from the Great Recession (2007-2009)



Decline in median household family incomes



Reduction in household net worth



Homes were foreclosed annually



Decline in the number of jobs



Americans lost their jobs, doubling historical high of long-term unemployment



Americans lost employment-based healthcare

...That Had a Detrimental Influence on Home-Life Stability



Poverty rates for youth under age 18 reached 22% in 2010, higher than that of any other age group



8.1 million children (an increase of 67%) were living with an unemployed parent in 2010, increasing their likelihood of homelessness



Percentage of **food-insecure households with children peaked at 21.3%** in 2009



Domestic violence grew in relation to unemployment, resulting in **75% of shelters reporting an increase in women with children seeking assistance¹**

1) Based on national findings from a survey of domestic violence shelters, n=672.

Substance Abuse Rates on the Rise

Alcohol Abuse Rising to Troubling Levels...

Results from the National Epidemiologic Survey on Alcohol and Related Conditions, 2002-2013

29.6M

Americans engaged in high-risk¹ drinking in 2012-13

50%

Increase in alcohol abuse and dependence

66%

Increase in alcohol abuse and dependence among low income² individuals



...While Opioid Crisis Continues to Intensify

Data Based on a 2016 Governmental Account of Nationwide Drug Deaths

11.4M

People **misused prescription opioids** between 2016-2017

>115

People **die every day** in the United States from an opioid overdose



Drug overdose is the leading cause of death for people under 50

Kids Suffer As a Result of Adult Behavior

25%

Of American kids grow up in households where substance abuse is present



Experts find that children struggle to regulate behavior because they don't know boundaries of right and wrong

1) "High-risk" drinking defined as women drinking four or more drinks in a day or men drinking five or more drinks in a day, on a weekly basis.

2) Low income defined as earning less than \$20,000.

The Mental Health Epidemic

Mental Illness Has Become a Nationwide Crisis in Recent Years

Mental Illness Is a Consistent Struggle for Many Americans



18%

Of adults in the US in 2015 had a mental, behavioral, or emotional disorder

...And Disproportionately Affects Adults of Lower Income Backgrounds



2x

Adults below 100% of the federal poverty line are **nearly 2x more likely to experience serious mental illness**

Rate of Suicide Steadily on the Rise

24%

Increase in the national suicide rate 1999-2014



2%

Yearly increase in the national suicide rate **since 2006**

Increase in "Deaths of Despair," Due to Rise in Suicide and Drug/Alcohol Abuse

Mortality of US Middle-Aged¹ White Non-Hispanic Men with a HS Diploma or Less

0.5%

Annual increase in mortality rate from 1999-2013, *while every other demographic group continued to see mortality rates decrease*

96K

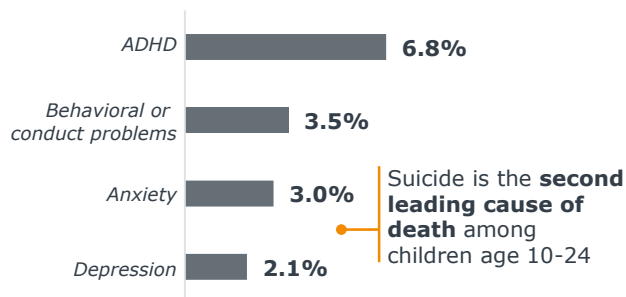
Number of deaths in this population segment that would have been avoided between 1999-2013, had the 1998 mortality rate continued

Affecting Individuals Younger and Younger

Leaving Educators Very Concerned With How to Respond

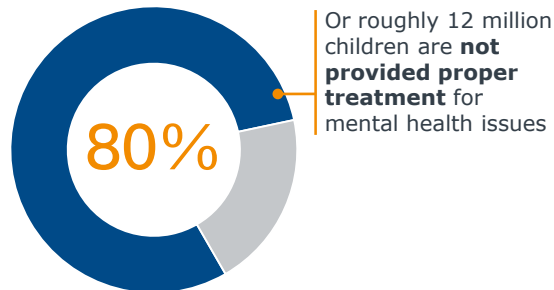
Adolescents and Children Not Immune to Mental Illness

"% of Youth Ages 3-17 Diagnosed with ____"



But Most of These Kids Fail to Receive Adequate Treatment

% of Youth Ages 3-17 with a Diagnosable Disorder who Go Untreated



The New Normal

Demand for Campus Mental Health Services Continues to Soar

Breaking News for 2017



Surging Demand for Mental Health Care Jams College Services

...And for 2016...



The Number of Students Seeking Mental Health Treatment is Growing Rapidly

...And 2015...



More Stress, Less Stigma Drives College Students to Mental Health Services

...And 2014



Students Flood Counseling Offices

Demand for Services Outpaces Enrollment Growth

Average Growth, 2009-10 to 2014-15

5.6%

Average percent change in **institutional enrollment**

29.6%

Average percent change in **counseling center utilization**

5x

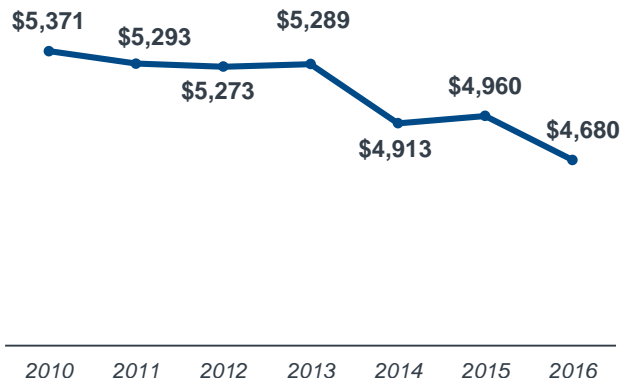
Rate at which counseling center utilization outpaced enrollment growth

State Appropriations Overview: West Virginia



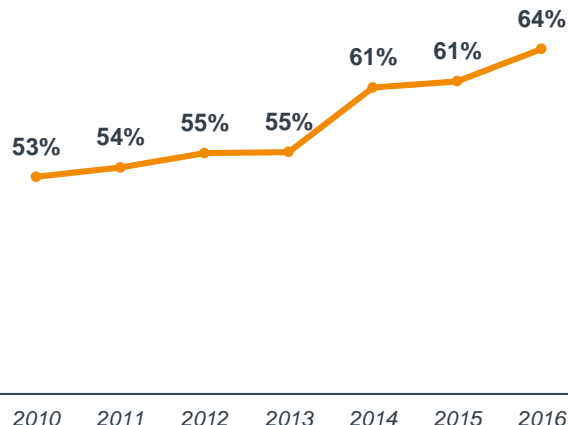
Educational Appropriations per Student FTE, West Virginia

Data Source: State Higher Education Executive Officers Association Data



Net Tuition as a Percentage of Total Educational Revenues, West Virginia

Data Source: State Higher Education Executive Officers Association Data



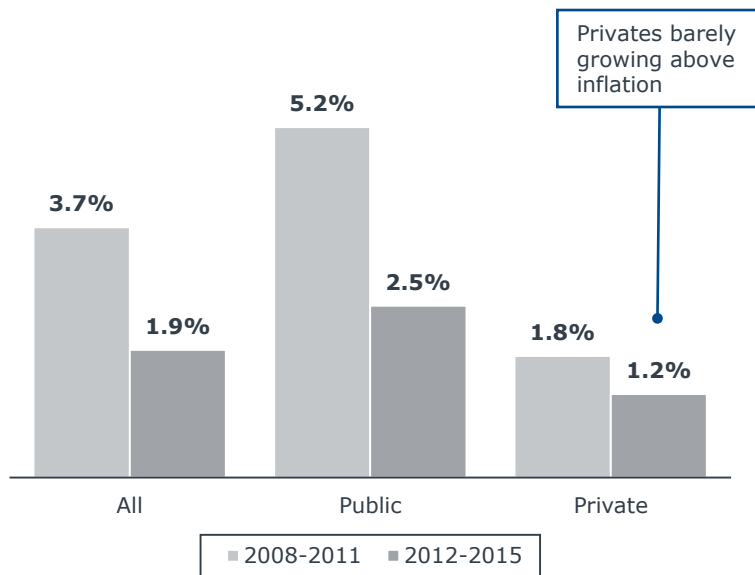
Source: "2016 State Higher Education Finance (SHEF) Report", State Higher Education Executive Officers, <http://www.sheeo.org/projects/shef-fy16>; EAB interviews and analysis.

Tuition Revenue Growth Slows Across Sectors

Certainly Not at the Moody's-Recommended 3% Per Year Rate

Slow Tuition Revenue Growth Continues

Net Tuition Revenue Growth Rates, 2008-2015



**Proportion Facing
Tuition Revenue per
Capita Declines from
2010-2016**

37%

of **private** four-years

21%

of **public** four-years



Education
Advisory
Board

Business Affairs Forum

Efficiency and Effectiveness Initiatives

What Business Leaders Should Know About Higher
Education's Million-Dollar Consulting Engagements

Research Briefing

eab.com



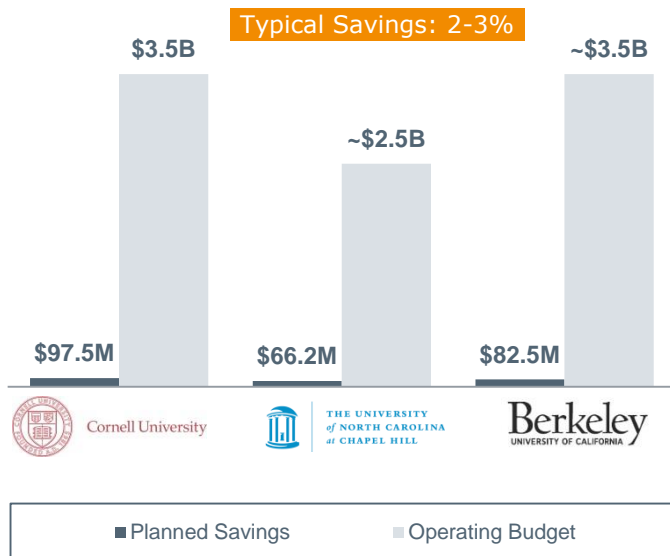
Study in Brief: Efficiency and Effectiveness Initiatives

This research briefing is based on consultant engagements and resulting cost-reduction initiatives at 21 distinct colleges and universities. Throughout, we highlight financial data, cost reduction targets, and implemented savings tactics, but do not attribute data to individual institutions. However, a full list of the 21 colleges and universities, the consultants they utilized, and the scope of their respective engagements can be found starting on page 18.

Blood From a Stone

Cost-Savings Measures a One-Time Windfall, Not a Panacea

Prominent Consulting Engagements Achieve Savings But Not A Long Term Solution



Struggling to Meet Consultants' "Best Case" Savings Targets

4.30%

Average "best case" savings estimate provided to institutions engaged in consultancy-led efficiency audits

2.03%

Actual savings as a percentage of total operating budget achieved

“

“Cost containment is an important issue, but **once you’ve achieved it, you won’t become more efficient every year.** At some point there has to be revenue growth.”

*Higher Education Analyst
Credit Rating Agency*

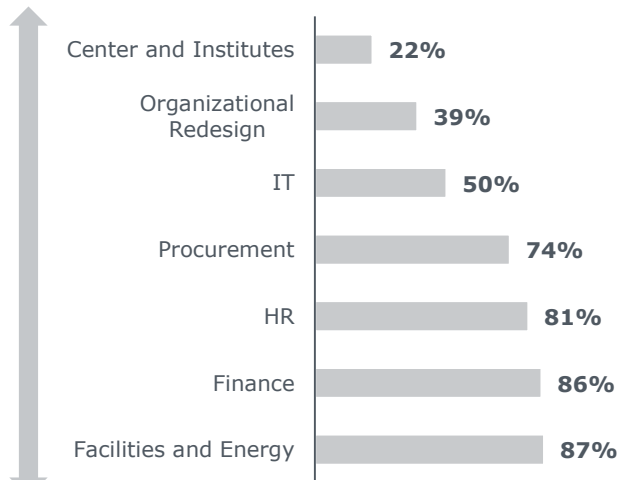
“Hold Harmless” No More

Years of Shielding Academics from Change No Longer Sustainable?

Percentage of Identified Savings Realized

n=21 consultant audits

Highest Faculty Impact



Lowest Faculty Impact

”

“We worked so hard to protect our faculty throughout the recession that many of them have no idea how fragile our finances are.”

Provost, Public Master’s University

”

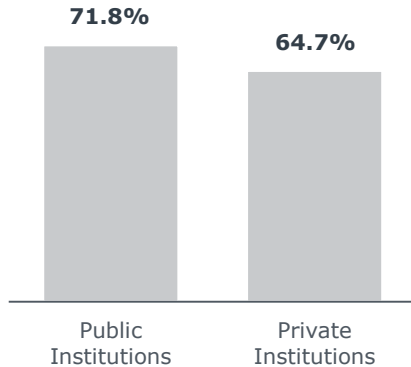
“We keep improving our administrative efficiency and then just reinvesting those dollars in a much less efficient academy.”

CBO, Private Research University

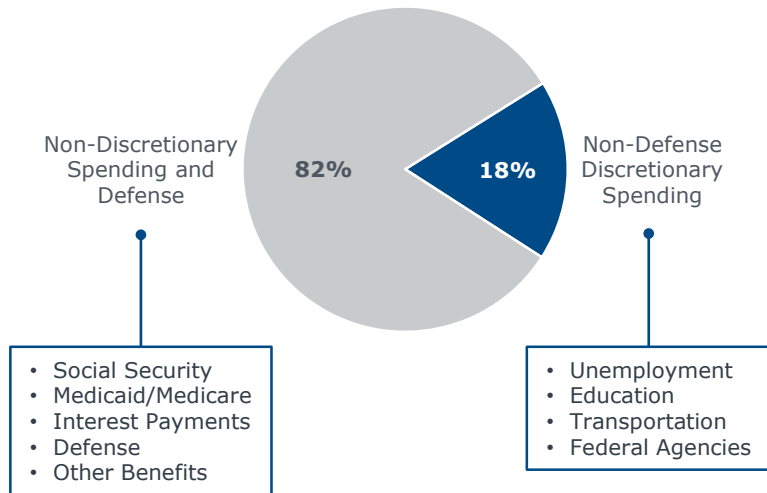
Vast Majority of Resources Tied Up in Academy

Academic Expenses Too Often Treated As “Non-Discretionary”

Average Percentage of Revenue Dedicated to Academy¹



Breakdown of Federal Spending, FY18



1) Percentage calculated as academic expenses per FTE over total university revenue. Academic expenses include: instruction expenses, research expenses, public service expenses, academic support expenses, and student services expenses. Revenue includes revenue from tuition and fees, state appropriations, local appropriations, government grants and contracts, private gifts, grants, and contracts, investment returns, and other core revenues.

The Third Rail

Do We Have the Appetite to Go After Inefficiency in the Academic Enterprise?



Space Utilization

- Identify course access bottlenecks
- Better leverage existing space

50%

Classroom Utilization



Course Offerings

- Consolidate underutilized sections
- Reduce number of small courses

33%

Underutilized Sections



Course Success

- Expand bottleneck courses
- Redesign high-DFW courses to increase engagement

20%

Attempted Credits Not Completed



Curricular Complexity

- Streamline major requirements
- Reduce elective offerings

30%

Students Graduating with Excess Credits



Faculty Workload

- Maximize capacity utilization
- Differentiate faculty workloads

60%

Faculty Teaching Less than Standard Load

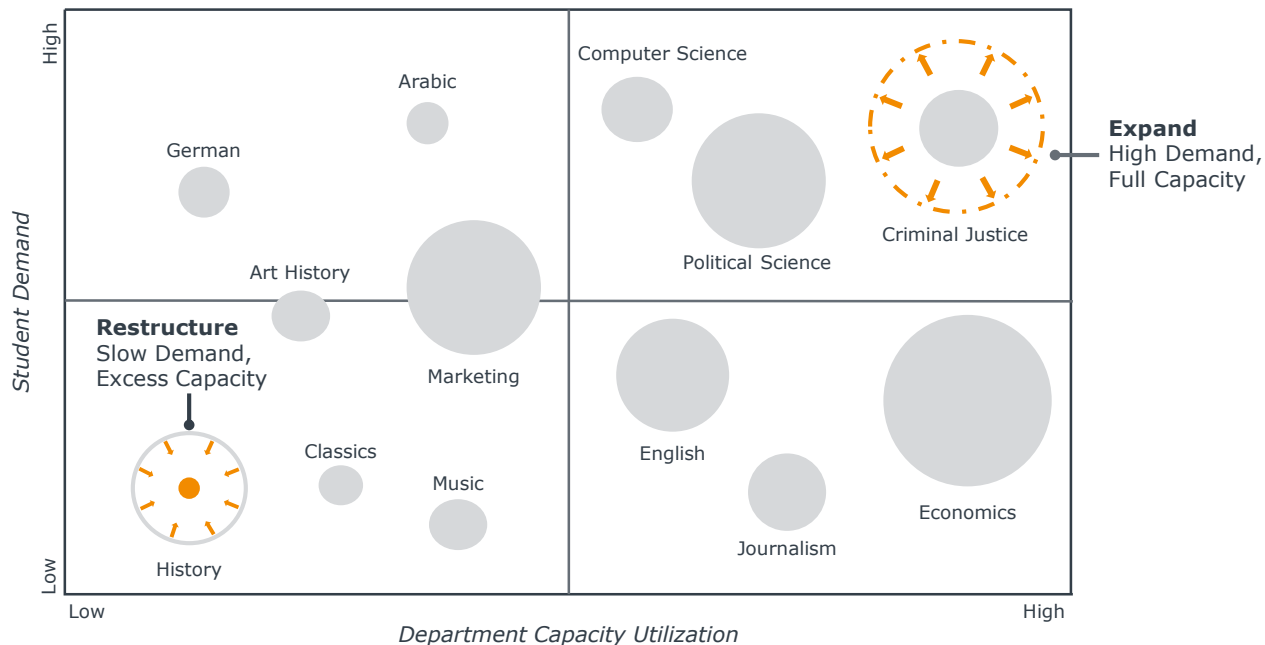


A Structural Imbalance

Intra-Unit Improvement Will Only Get You So Far

Turning the Battleship

Institutional Program Portfolio (Illustrative)



An Arm to Save a Leg

Leaders Acknowledge Necessity of Reallocation

Chief Business Officers

"New spending at my institution will come from reallocated dollars, not an increase in revenue."

57%

Agree or
Strongly Agree

Provosts

"Most new funds for academic programs will come from reallocation rather than new revenue."

66%

Agree or
Strongly Agree

”

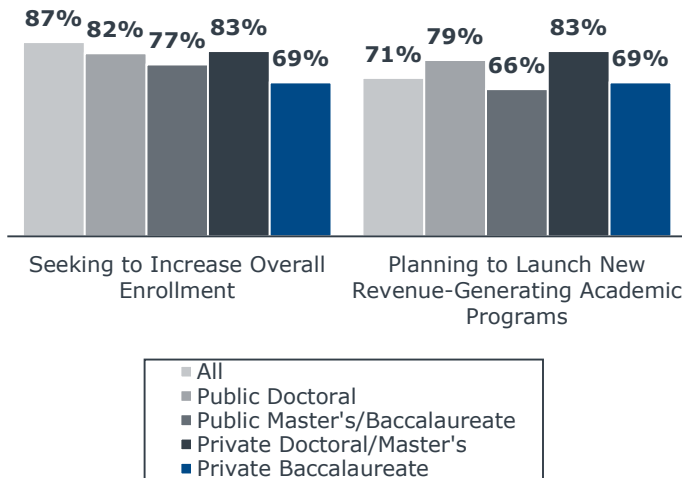
"We're not seeing the same student growth that we used to, and our governor is saying that we're not going to get the tuition bump we were expecting. **If we're going to do anything new, then it's got to come out of what we already have.** And folks around here don't want to hear that."

*Chief Business Officer
Regional Public University*

Growth the Top Institutional Imperative for Most

Key Focus Across Different Campus Leaders and Segments

CBOs with Strong Growth Aspirations¹ by Segment



Leaders Across Campus Affirm Growth Imperative



Provosts agree¹ that financial concerns prevalent in institutional discussions about launching new programs



Online education administrators indicate plans to launch new online programs in next 3 years

1) Agreeing or strongly agreeing with survey statement.



State of the Union for Higher Education

Unpacking the Narrative Around Higher Education

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Shifting Conceptions of Value: "ROI" Thinking Across the
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PART ONE

The High Price of the High-Price Model

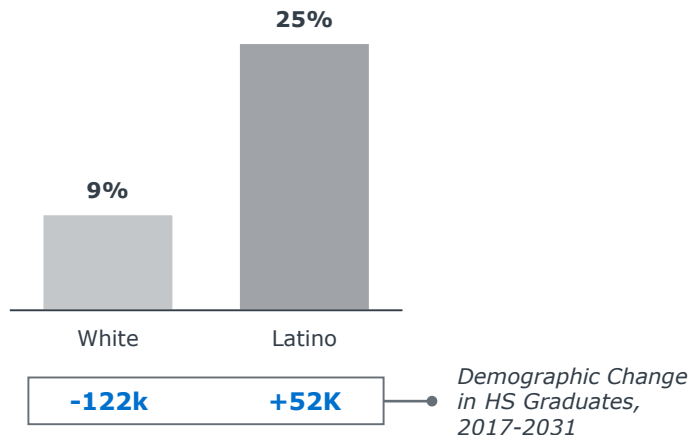
Sticker Shock Scares Prospects from Entering the Funnel

Students Ruling Out Schools on List Price Alone

-  **69%** of students have some (or major) concern about financing college
-  **59%** of students consider only list price when evaluating schools early in the process
-  **17%** of students decide not to *apply* to a school because of its list price
-  **175%** average parent overestimation of four-year tuition and fees

Price-Sensitive Attitudes More Prevalent Among Ascendant Demographics

Percentage of Students Reporting "Major" Concern About Financing College



Sources: Richard A. Hesel and Ryan C. Williams, "Students and Parents Making Judgments about College Costs without Complete Information," *Student Poll*, vol. 8, 1, 2010; Kevin Eagan et. al., "The American freshman: National Norms Fall 2016," *Higher Education Research Institute*, 2017; Peace Bransberger and Demarée K. Michelau, "Knocking at the College Door," *WICHE*, December, 2016; Student Loan Hero fast facts; Royall and Company, "Access and Higher Education: The Case of High-Ability Low-Income Students," Fall, 2014; EAB interviews and analysis.

Baseline Thresholds for Communicating Value to Prospective Students

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Proactive High Performer Outreach

University of Michigan's Hail Scholarship



Connect Low-Income Students with Targeted Information



Michigan sends information packets offering free tuition and fees to low-income students across the state



Information also sent to parents and principals at qualifying high schools



Prospective students receive detailed information on applying and connecting with counselors



Proactive outreach provides high-need students with clear information and guided support

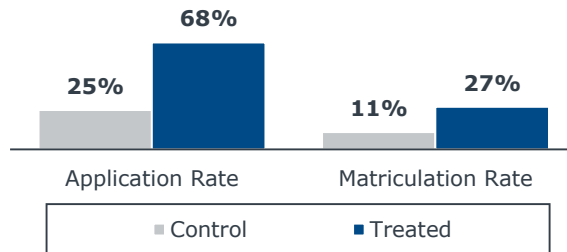


Controlled Experiment Reveals Effectiveness of Proactive Outreach

- Divided high schools with scholarship qualifiers into control and treated groups
- Students in treated group received scholarship packets
- Treated group **applied and matriculated at higher rates** than control group



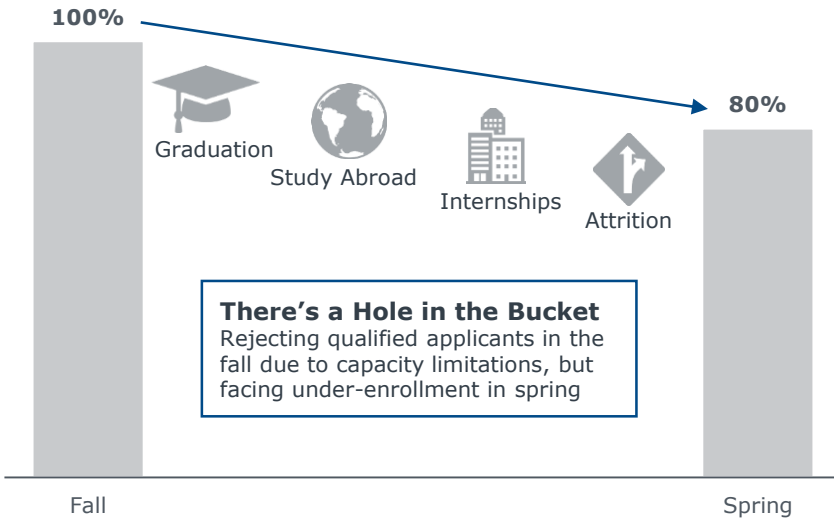
Average Application and Matriculation Rates at Michigan High Schools, 2015-2016 Senior Class



From All Seats Full to Excess Capacity

Fall Flight Results in a Large Proportion of Empty Spring Seats

Typical Proportion of Seats Filled in Fall vs. Spring



**First-Term Study
Abroad Requirement**



Northeastern



**First-Term Evening
Schedule**



**UNIVERSITY OF
MARYLAND**



**Off-Cycle
Academic Years**

**UF UNIVERSITY of
FLORIDA**

Barriers to Transfer at Every Stage

Slow and Confusing Process Prevents Many Students from Transferring

5.9M

community college students
intend to transfer



1.9M

community college students
transfer to four-years

Lifecycle of a Prospective Transfer Student



Preparation

Search

Decision



**Wants to transfer,
unsure how**

- Confusing transfer guides
- Over-burdened two-year advisors

**Looks for four-year,
unsure of best fit**

- Transfer fairs provide insufficient detail
- Infrequent visits from four-year recruiters, sparse contact

**Wants to apply, still
unsure if feasible**

- How many credits will transfer?
- How much will it cost?
- How long will it take?



4M

potential
transfers lost



Intended Transfers Drop Out of Pipeline

Competing on Clarity

Answering Three Core Questions to Boost Transfer Yield

How many credits
will transfer?



How much will it cost
to complete?



How long will it take
to get a degree?



“The three common threads for prospective student delays in decision-making are: I need to know what credits transfer, I need to know how much it will cost, and I need to know how long it will take me to finish... We need to develop a capability to provide this information to students before they apply.”

Scott Booth
Executive Director of Marketing and Enrollment
Franklin University

Program-Specific Curriculum Alignments

Partner with Community College Programs to Advance STEM Preparation

UF UNIVERSITY of FLORIDA A Wealth of Transfers, But Not in Engineering



Transfers Not Prepared for Engineering Success

- Lack of STEM preparation, insufficient remedial coursework
- Low-division engineering courses not available at CC

Engineering Unable to Fill Upper-Division Seats

- Lower-division attrition
- Upper-division coursework inaccessible to transfers, who lacked high-level intro courses

University of Florida's "Build-Your-Own" Engineering Transfer Pipeline



Offer rejected freshman engineering applicant deferred admission



Require initial matriculation in partner program at neighboring community college



Oversee instruction of missing lower-division coursework



Fill upper-division capacity with students prepared to succeed

Program-Specific Curriculum Alignments (cont.)



University of Florida and Santa Fe College Share Load, and Yield



Community College

- Guarantee seats in required lower-division coursework
- Provide office space for UF advisor
- Support "Gator Engineering" student organization



Four-Year University

- Administer applications, admissions, and enrollment
- Provide "missing course" instruction at the community college
- Oversee academic advising (1FTE)
 - Oversee course completion, flag when ready for transfer
 - Guide students to UF research opportunities

Engineering program increases in appeal...

457

additional engineering applicants from 2011 to 2014

91

additional engineering admits from 2011 to 2014

...and fills capacity with dually-admitted students

85

dually-admitted engineering enrollments in first two years

\$1.3M

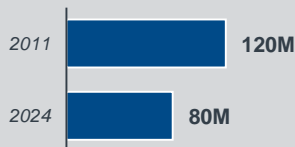
annual tuition revenue from dually-admitted students

International Challenges Mirror Domestic



Traditional Age Demographic Decline

Drop in China's 18-22 Year Old Population

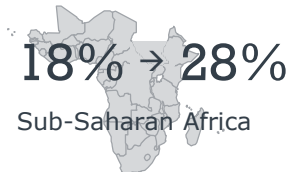
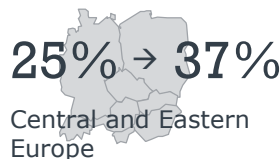
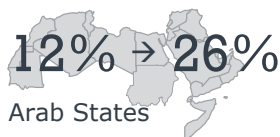


Countries Where 18-24 Year Old Population to Fall 15%+ Between 2005 and 2025

<i>Austria</i>	<i>Greece</i>	<i>Korea</i>
<i>Czech Republic</i>	<i>Hungary</i>	<i>Poland</i>
<i>Germany</i>	<i>Japan</i>	<i>Slovak Republic</i>
		<i>Spain</i>

Increased Regionalism

Change in Portion of Students Staying in Region, 1999 and 2012



Emerging Competitors

2,638

Fully Taught English Degree Programs in Asia

440k

International Students in China in 2016 – **11.4% Increase from Previous Year**

30k

Number of International Students Taiwan Plans to Court by 2019

International Students and the U.S. Political Climate

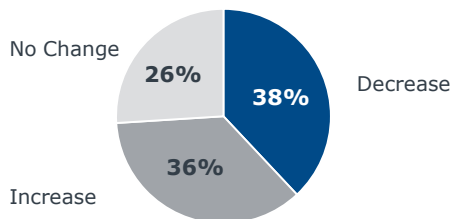


48

Mixed Picture in Fall 2017

IIE, AACRO, NACAC, NAFSA, CGS Joint Study

Change to Application Volume, 2016 to 2017



Notable Variations

**46%**

Graduate school deans reported declines in yield rates of 2%+ more at master's level, compared to 24% domestic

**18%**

Decrease in offers of admission to international students in TX, with a yield decrease from 44% to 35%

**31%**

Institutions concerned Middle Eastern students won't arrive (melt)

Next Year's Prospects More Concerned Than This Year's

EAB Royall & Company International Students Survey (n = 28,000 high school students)

Percent of Students Whose Interest in Studying the U.S. has Declined Due to Current Political Climate

31.1%

2017 prospects

42.8%

2018 prospects

Primary Reasons Interest Has Decreased

68.9%

Concerns about U.S. presidential administration

54.6%

Worried about travel restrictions for international students

52.5%

Worried about my personal safety

Source: IIE Center for Academic Mobility Research and Impact, "Shifting Tides? Understanding International Student Yield for Fall 2017 (2017), EAB Royall and Company, "Effect of the Current Political Environment on International Student Enrollment" (2017).

Developing Capabilities through Partnerships

University of Arizona Expands Access, and Revenue Potential, by "Exporting" Education



Fast Facts on UAZ's Microcampuses

13

Campus partnerships reached, goal of 25

25,000

Projected students educated through microcampuses



Microcampuses, and affiliated programs, only launched with dept- or college-level buy in



Center for the Study of Higher Education evaluating student and faculty expectations and outcomes

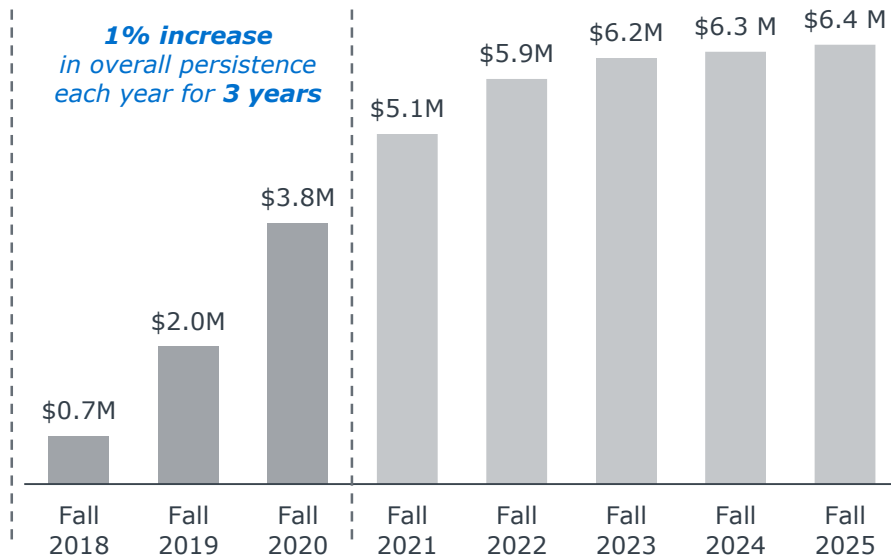
The Economic Case for Student Success

Financial Impact of a Retention Improvement

Projected Net Revenue Above Baseline



- **10,000** student public institution
- **\$12,000** net revenue per student



No Clear Root Cause of Attrition

Complexity and Diversity of Underlying Issues Make Progress Difficult



Thousands of pages of task force recommendations



Hundreds of new student success administrators



Hours spent in campus meetings and town halls



Countless presentations on improving completion

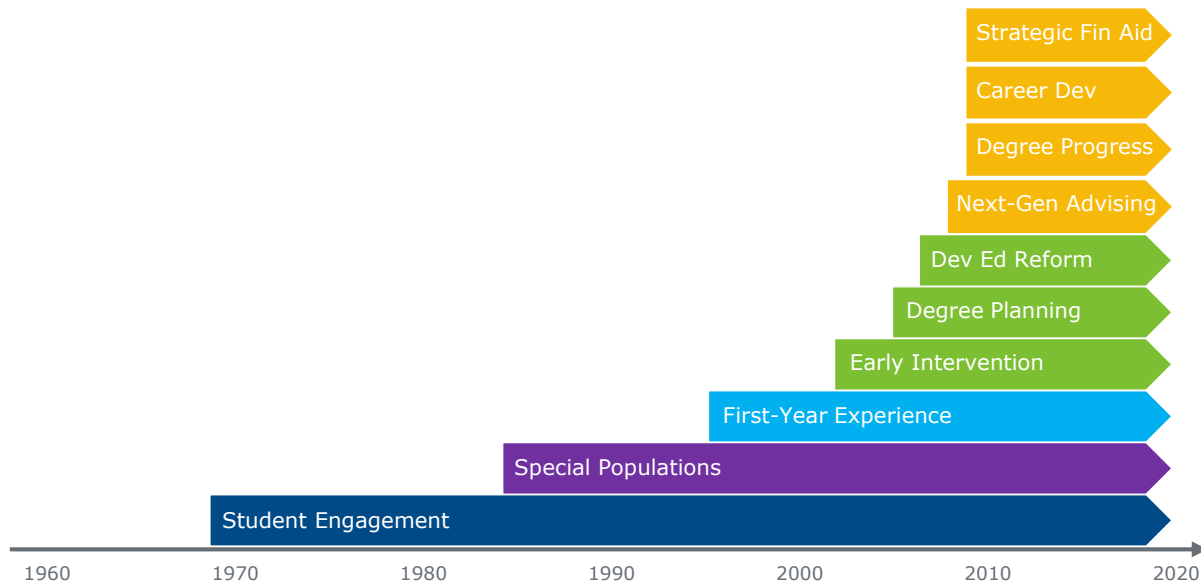


In my interviews with students, I have found that the biggest reasons for a delay in graduation are that students ***switch majors, fail out of courses, cannot get required courses, do not qualify for their intended majors; they have to work to pay for their living expenses, do not think there are any jobs for them after graduation, pursue double majors, do not receive adequate advising, have medical problems and personal issues.***

Faculty Member,
Large Public Research University

The Evolution of Student Success Strategy

Most Growth in Sophistication Has Come in Last Decade



On the Horizon: Strategic Financial Aid

Microgrants of \$1,000 or Less Can Make a Huge Difference

Strategic grants of
\$1,000 or less
are repeatedly shown
to improve outcomes

Funded by:



President
or trustees



Unspent
endowment



Alumni
fundraising



Aid returned
by stop-outs



Grants awarded for
GPA and progress

+5% retention



Discretionary
emergency grants

+5%-8% retention



Qualified bursar
balance forgiveness

70% graduate



Reenrollment grants
for senior stop-outs

71% graduate

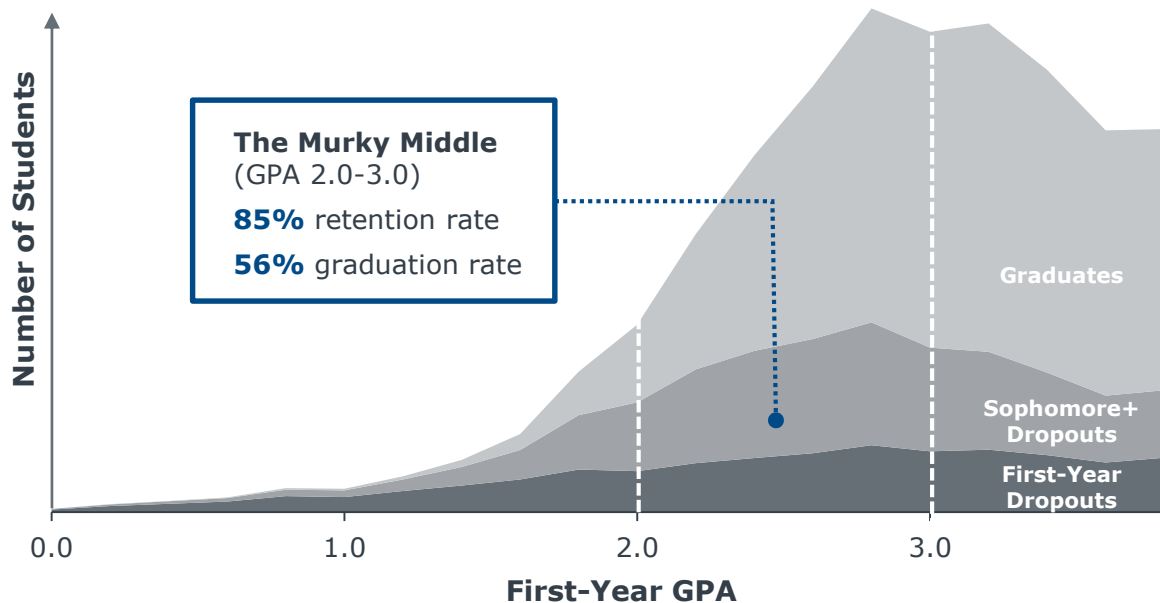
A Big Opportunity in the “Murky Middle”

Large Numbers of Mid-Range Students Leaving Sophomore Year or Later

A Topographical Map of National Student Outcomes

6.7 million student records

■ 1st Year Departures ■ 2nd Year or Later Departures ■ Graduates



The Evolving Role of Advising

Moving Beyond Registration to Put Student Success at the Core

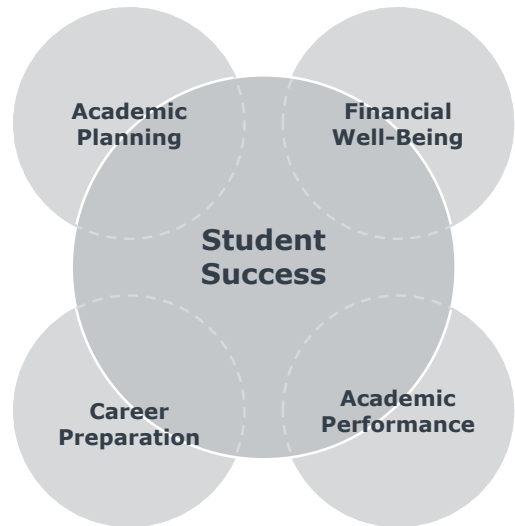
Traditional Advising

The advisor is an academic guide with the goal of getting the student on a good plan



"Success Advising"

The advisor is an account manager with the goal of bringing the student back



Steering Choice Architecture in Our Favor

Behavioral Economics Comes to Higher Ed

Minor Changes in Policy and Framing Affect All Aspects of Life

Framing

"Medium" most popular coffee size, even when actual size manipulated



The Default Option

Retirement plan enrollment climbs after "opt in" changed to "opt out"



Convenience

Consumers more likely to purchase food within easy reach, at eye level



Burdening Bad Choice

Motorcyclists must pass extra test and prove insurance to forgo helmet



But Too Often, Students are "Nudged" in the Wrong Direction



Students take "full load" of 12 credits, assume they're on track for timely graduation



Students only register one term at a time, and many stick to minimum course requirements



Students pick courses from huge catalog based on flawed criteria, delay graduation requirements



Students able to withdraw from courses, drop out, or deviate from plans with easy transaction

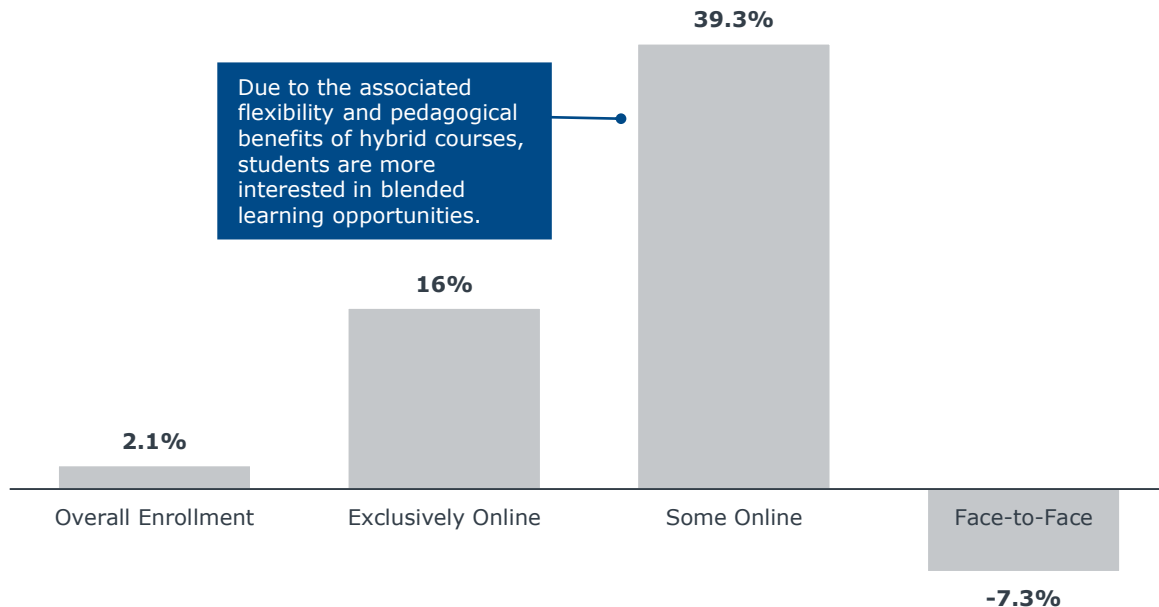


Online Courses Increasingly Popular

Online Enrollment Growth Outpaces Face-to-Face Enrollment Growth

Enrollment in Online and Hybrid Courses and Programs Continues to Grow

Percentage change in student enrollment at four-year, degree-granting institutions, 2012-2016



From “Whether” to “How” We Will Go Online

Rising Above Misconceptions and Semantic Debates

Modality Debate Misses Important Distinctions

Online is **not a market**



Online is **neither more nor less effective**



Online is **neither more nor less profitable**



Online **will not replace your campus**



Online is **not a strategy**



Key Lessons in Starting a Productive Conversation

Different populations require different programmatic strategies

Wrap-around services and design standards critical to student success

Costs and revenues driven primarily by instructional model and class size

Instruction and services will be delivered in multiple modalities

Institutional priorities and goals should drive decisions about technology

Modality Debate Misses Market Distinctions

Three Unique Student Segments Comprise Online Opportunity



Multimodal Undergraduates

Opting for Convenience and Enrichment



Professional Graduate Students

Investing in Career Advancement



Adult Degree Completers

Looking for Fast, Flexible Degrees

Goals and Motivations

- On-Time Graduation
 - Curricular Exploration
- Promotion
 - Career Change
- On-Time Graduation
 - Curricular Exploration

Selection Process

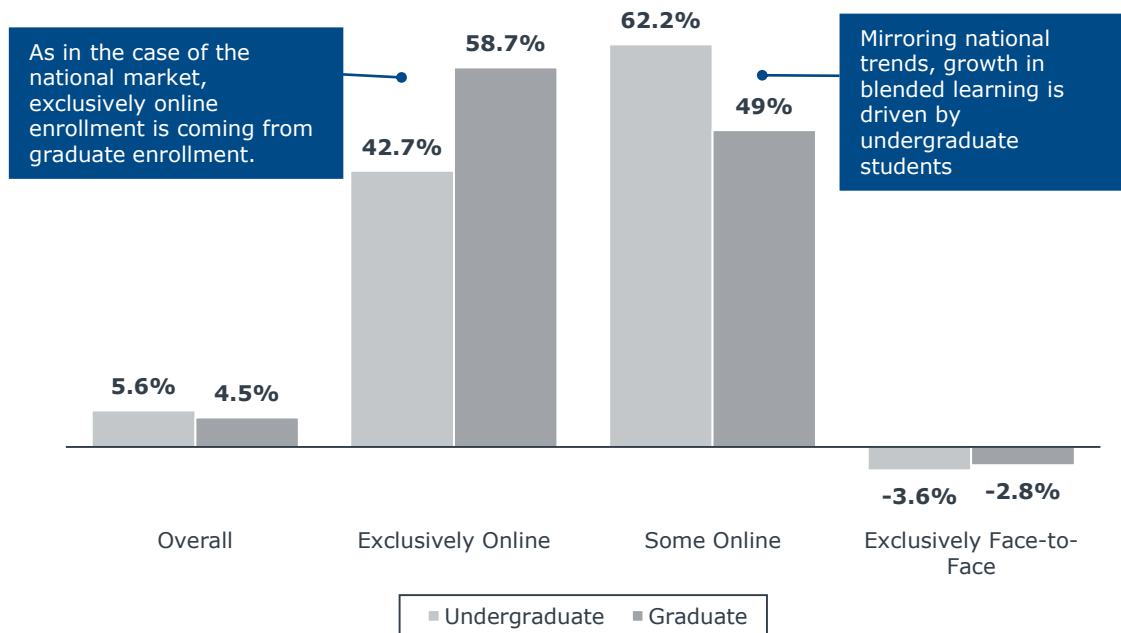
- Location
 - Reputation
 - Cost
- “Search and Shop”
 - Reputation in Industry
- “Search and Shop”
 - Cost
 - Convenience

Segment Overview: Research Universities

Graduate Enrollment Contributing to Major Online Growth

Exclusively Online Enrollment Growth Driven by Graduate Students

Percentage change in student enrollment at four-year, degree-granting institutions, 2012-2016



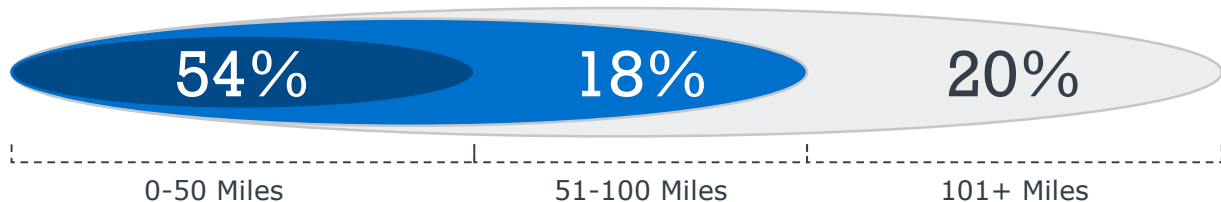
Online Ed Not the Out-of-State Solve



Online Students Still Local

Online Student Distance from Institution, 2017¹

1) Eight percent of respondents indicated that they were not sure how far they lived from the closest campus/service center of the college/university in which they enrolled



Access to In-Person Services Valued

75%

Proportion of Students Who Visited Campus or a Campus Center at Least Once During Program

Sudden Generational Shift Unlikely

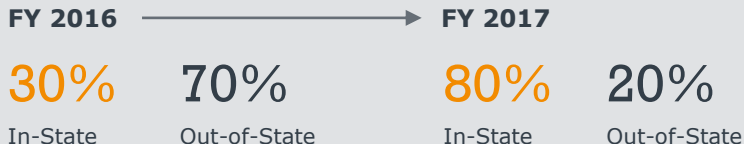
83%

Percentage of Gen Z preferring face-to-face connection—despite sending 100 texts per day.

Online Leader Pivots Marketing Spend Back Home



Proportion of Online Marketing Budget Spent In- vs. Out-of-State



Source: "Online College Students 2017," Learning House, 2017, <https://www.learninghouse.com/ocs2017/>; Corey Seemiller and Meghan Grace, *Generation Z goes to College* (Jossey-Bass, 2016). EAB interviews and analysis.

Institutional Snapshot: Research Universities

Top Ten Institutions by Exclusively Online Enrollment

Institution Name	State	Control	Total Exclusively Online Enrollments 2016	Total Some Online Enrollments 2016	Number of Programs Offered Online 2016 ¹
University of Texas at Arlington	TX	Public	15,510	5,820	21
University of Central Florida	FL	Public	10,035	26,072	43
Florida International University	FL	Public	8,495	21,631	33
Johns Hopkins University	MD	Private	6,658	2,224	69
University of Florida	FL	Public	6,309	24,411	61
Oregon State University	OR	Public	5,682	5,569	48
University of Southern California	CA	Private	5,435	1,587	11
University of Cincinnati-Main Campus	OH	Public	5,295	9,196	57
University of South Florida	FL	Public	4,995	16,666	24
Georgia Institute of Technology	GA	Public	4,877	0	9

Source: EAB analysis of IPEDS data; "2U Announces 12-Year Contract Extension with USC Rossier School of Education," *Cision PR Newswire*, April 13, 2016.; Merrill Balassone, "USC embraces online graduate education," *USC News*, September 17, 2012.

1) Based on analysis of the number of programs in which there are completions in 2016.

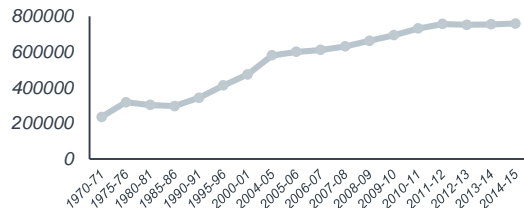
Master's Gold Rush No More



63

Conferrals Now Flat

Number of Master's Degrees Conferred by Year



Increasingly Expensive to Recruit

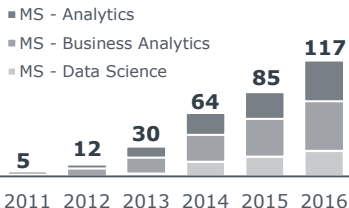


226%

Increased **cost per click** for graduate programs from 2009-2014, as high as \$88 for "RN to BSN Online" and \$69 for "Online MBA"

Competition Even in "New" Fields

Fast Growth in New Data Science and Analytics Degrees...



...And More on The Way

57%

Increase in COE market research requests on data analytics opportunities, 2015-2016

Favorable Climate for New Entrants

126% vs. 57%

Growth in post-bacc certificates awarded from 2001 to 2015, compared to master's degrees (conservative estimate)

Support for Alternative Short Format Providers

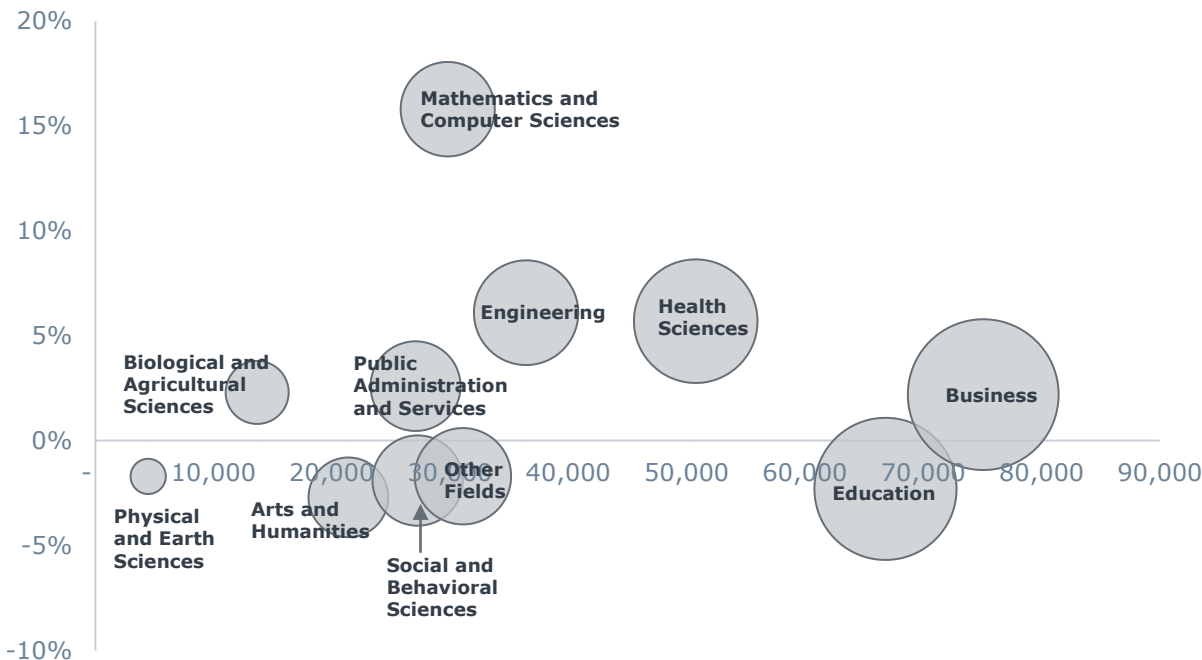


Source: U.S. Department of Education, National Center for Education Statistics, Higher Education General Information Survey (HEGIS), "Degrees and Other Formal Awards Conferred" surveys, 1970-71 through 1985-86; Integrated Postsecondary Education Data System (IPEDS), "Completions Survey" (IPEDS-C; 91-99); and IPEDS Fall 2000 through Fall 2015, Completions component. NCES; "Master Degree Programs in Analytics and Data Science,"

Masters Driven More by Professional Goals

Math and Computer Science, Engineering and Health Lead Master's Growth

First Time Enrollment in MASTER'S Degree Programs by Broad Field (2015) and Percentage Change 2010-2015



1) Masters enrollment numbers also include graduate level certificate and education specialist programs

Examples of Niche Programs

Agricultural Communications

Aging Services and Gerontology

Actuarial Science

Biodefense

Bioinformatics

Computational Linguistics

Construction Management

Cyber-Physical Systems
Engineering

Cybersecurity

Data Analytics

Design Thinking

Digital Fabrication

Emerging Media

Geodesign

Geographical Information
Science

Geospatial Intelligence

Health Care Analytics

Health Informatics

Human-Computer Interaction

Intelligence Analysis

Mechatronic Engineering

Nursing Informatics

Online Education

Quality Engineering

Regulatory Affairs

Renewable Energy Engineering




Social Media Management

Sustainability Management

Technical Writing

What Millennials Want

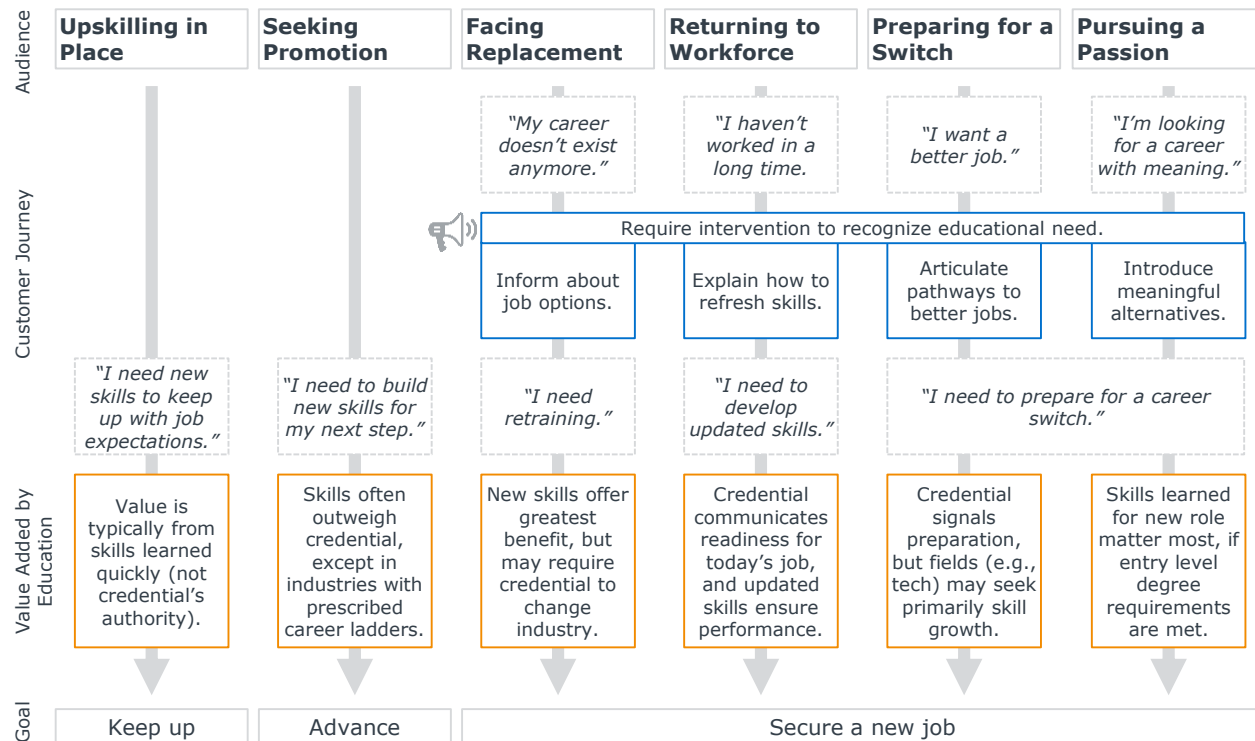
Institutions Capitalizing on Changing Credential and Delivery Preferences

Emerging Preference	Stackable Certificates	2 nd Bachelor's Degrees	Bootcamps
<i>Description</i>	General and specialized certificates that can be combined into full master's degrees	Accelerated undergraduate programs for bachelor's degree holders. Students complete only major, not foundational, coursework	Intensive, face-to-face, non-credit programs that teach specific skills
<i>Millennial Demand Drivers</i>	<ul style="list-style-type: none"> Employers limiting tuition reimbursement to programs directly applicable to short-term job functions Young professionals seeking specialized credentials for long-term career enhancement 	<ul style="list-style-type: none"> High number of under- and unemployed recent graduates Greater salary premium for STEM-focused bachelor's compared to liberal arts master's 	<ul style="list-style-type: none"> Student preference shifting towards intensive, face-to-face learning experiences For-profit start-ups targeting millennials in bootcamp marketing
<i>Example</i>	 <p>Core landscape design and specialized sustainable landscape certificates can be combined into a MPS¹ in Landscape Design</p>	 <p>Post-baccalaureate BS in Computer Science requires no prior technical training; offered online in full- and part-time formats</p>	 <p>Coding bootcamp prepares students for web developer careers in 12 (full-time program) or 24 (part-time program) weeks</p>

1) Master of Professional Studies.

Getting Beyond “Working Professionals”

Complex Motivations and Inflection Points Across Career Lifecycles



Faster, Please

Speed to Launch Critical in Fast-Moving Online Professional Market

Most Institutions Take 1-2 Years to Approve New COE Programs

<i>Approval Process Length</i>	<i>Public (n = 67)</i>	<i>Private (n = 36)</i>
• 1-5 months	3.5%	24.4%
6-11 months	31%	27.3%
1-2 years	58.6%	45.5%
3-5 years	6.8%	3%

Privates disproportionately represented in fastest-to-market group

Activities Correlated with Faster Program Launch



Allow approval committees to meet as needed, rather than waiting for monthly or quarterly scheduled meetings



Conduct governance body voting by email or electronic survey



Use a dedicated governance body



Programs with fast approval turnarounds best positioned to seize early market share in growing fields

If We Build It, Will They Come?

Ensuring Sufficient Demand Before Program Launch

Require Data-Driven Market Analysis Before Launch

Internal Data

- Application and inquiry trends in comparable F2F programs
- Yield and conversion rates

External Data

- Graduate figures, by field and by competitor (IPEDS)
- Employment trends (BLS)

Harness faculty expertise to validate analysis



1 Informed Go or No-Go Decision

Central seed funding based on initial needs and growth potential



2 3-Year Viability Audit: Are Targets Being Met?

Opportunity to reassess target market or curricular offerings

Next-Generation Employer Data



Highlighting Hot Markets



Mining for Emerging Job Titles and Skills





State of the Union for Higher Education

Unpacking the Narrative Around Higher Education

Shifting Demographic and Economic Realities:
Implications for Finance

Trends in Enrollment and Academic Programs

**Shifting Conceptions of Value: “ROI” Thinking
Across the University**

PART ONE

The End of Information Asymmetry

When an Experience Becomes A Commodity – Or a Transaction

Buying a Car: Then and Now



1989

Salespeople Have Exclusive Access to Product Details



Consumer

Financials:

- Sticker Price
- Personal Budget

Priorities:

- Safety
- Towing and Storage Space
- Reliability
- Color: Red



Salesperson

Financials:

- Invoice Cost
- Financing Options

Safety:

- Rating
- New Airbags

Towing and Storage

- Competitor Specs

Reliability

- Repair frequency
- Cost to repair

Color

- Availability of other colors

2018

Readily Available Information Shifts Power to the Consumer

TRUECar.

- Invoice price
- Rebates
- Shows distribution of prices paid

carwoo!

- Dealers bid for sale
- Buyer selects most favorable deal

Consumer Reports

- Reliability data
- Safety ratings

cars.com

- Aggregated car availability
- Specs for all models

Source:

<http://www.usatoday.com/story/money/cars/2012/12/06/car-shopping-prices-roundtable/1749101/>

A New Kind of Ranking

Proliferation of Rankings and Search Tools Based on Career Outcomes

New Resources to Measure ROI Emerge Post-Recession

2010



College salary and ROI reports

BUSINESS INSIDER

Survey asks which schools best prepare for postgrad success

2012



State-level salary data for VA, AR; later expanded to CO, FL, TN, TX

2013



Alumni giving as indicator of outcomes, ROI



20% of ranking based on earnings

2014



Placement rate at top companies in hot industries



One-third of rankings by career outcomes

2015



Value added vs. predicted salary



Colleges' value added based on Scorecard data



Increased weight for outcomes in rankings formula



College Scorecard

Median earnings 10 years out; Percent students earning >\$25K

College Scorecard Now Front and Center in Online Search


Georgia State Undergraduate Admissions
admission-requirements • Georgia State University •
Rankings to select SAT or ACT scores. Please refer to the state
accepted GSD students

review • CollegeData College Profile
georgiastate_univ1.html?technology=206 •
1913, is a public university. It is the South's • Overall
licensing were admitted. Early Action.

admission Chances, SAT and ACT Scores ...
georgia georgia state university admission •
by • What are the SAT and ACT requirements for students to
study and what score do you need to get in? • 47 percent of
regional State University

admissions • Niche
state university admissions •
Including tips from current students on ... If it's not within
are an 100% SAT, the team
applicants: 8,445
on Rate: 57%

niche
university



Georgia State University

Admissions

Georgia State University is a public research university in downtown Atlanta, Georgia, United States. Founded in 1913, it is one of the University System of Georgia's four research universities. [link]

Acceptance rate: 67.1% (2014)

Graduation rate: 53.2% (2014) [link]

Average cost for students residing in-state: \$10,853 USD (2013)

Average salary after attending undergrad: \$5,800 USD (2013) [link]

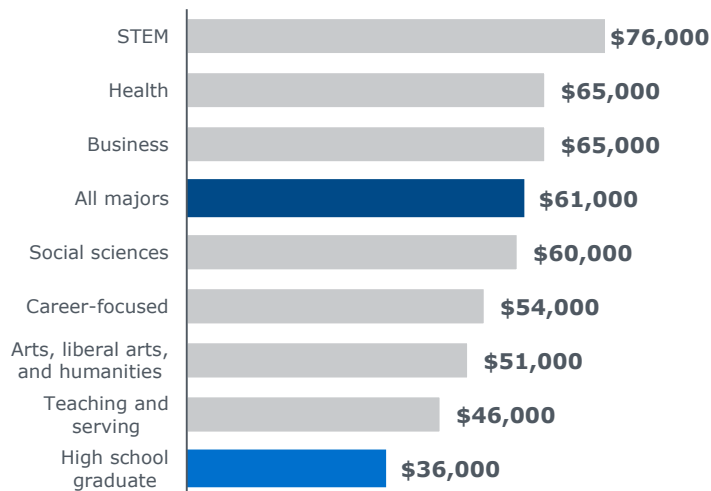
Undergraduate tuition and fees: International tuition: 28,896 USD (2015), Non

Majors Matter



ROI Varies Significantly by Discipline

Median Annual Wages of College-Educated Workers Age 25-59 by Major Supergroup



Difference in lifetime earnings between highest and lowest-earning major (\$3.4M) exceeds difference between college and HS degree (\$1M)

An Information Experiment



Sample of students asked to predict their earnings at age 30



Students then exposed to data showing their major's expected earnings



12%

Percentage of students who decided to change major in response to earnings data

Sources: "The Economic Value of College Majors," Georgetown University Center on Education and the Workforce, 2015; Wiswall, M. Zafar, B. "Determinants of College Major Choice: Identification Using an Information Experiment," Federal Reserve Bank of New York Staff Reports, June 2011; revised August 2014; EAB interviews and analysis.

Data ≠ Transparency

Severe Limitations for Salary Data

Methodology Limitations



Not adjusted for program mix



Not adjusted for subsequent masters or professional degrees



Focus on early career salary
(Scorecard: 10 yrs, PayScale 20 yrs)



Limited Sample
(Scorecard: federal aid recipients,
PayScale: self reported)

Which Universities Benefit?

Those with more engineering and health professions majors

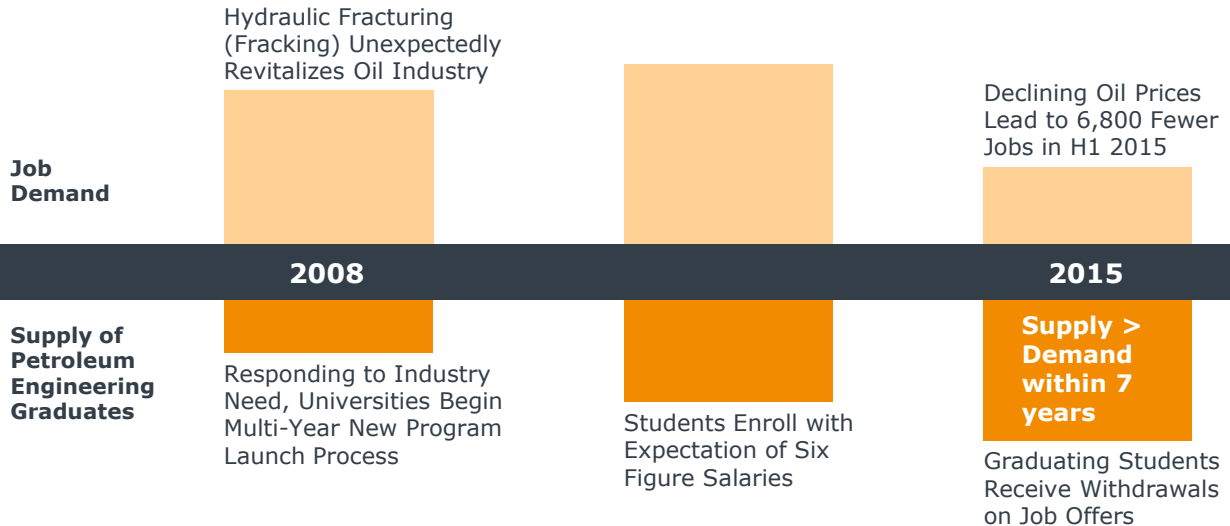
Those where more students who get professional degrees

Those who send students to high paying entry-level jobs

Those with more highly paid students who self report

The Difficulty of Chasing “Hot Jobs”

The Case of Petroleum Engineers in the U.S.



“The economy bounces all over the place in terms of jobs that we hear are ‘hot’ all the time, like tech jobs. The reason that they’re hot is precisely because you can’t predict them.”

Peter Cappelli, Professor, Wharton School of Management

The New Learning Economy



**B.A.
Lundvall**
Danish
Economist

Knowledge Economy

Economic value from knowledge of a topic, skill, or process not held by others



Learning Economy

Economic value from gathering, adapting, and applying knowledge from diverse sources



Constant skill and information acquisition needed



Traditional siloes of knowledge less relevant

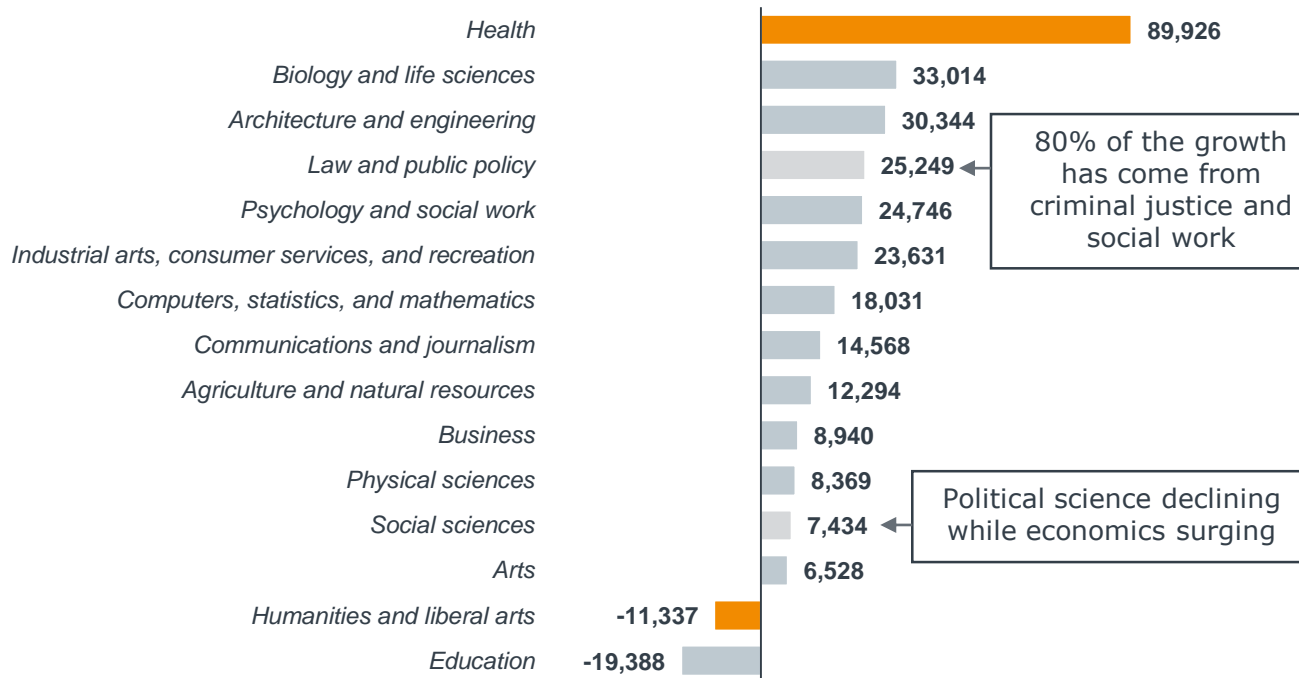


Networks even more important—for individuals and organizations

Students Pursuing Workforce Oriented Degrees

Students Move to Health & Engineering, Away from Education & Humanities

Change in Number of BA Degree Completions by Major Group, 2007-2015, All Institutions



A New Low in Perception of Liberal Arts Value

“

The Political Challenge

“Find entire parts of your campus ... that don't need to be there... [that are] not helping to produce that 21st-century educated work force... If you're studying interpretive dance, God bless you, but there's not a lot of jobs right now in America looking for people with that as a skill set.”

Kentucky Governor Matt Bevin

BA East Asian Studies, Washington and Lee University

”

“

The Branding Challenge

The term "liberal arts" no longer works as an effective means of communicating one of higher education's most precious assets... Putting the words liberal and arts together is a branding disaster, and the most effective way to save or defend the liberal arts may be to change what we call them.

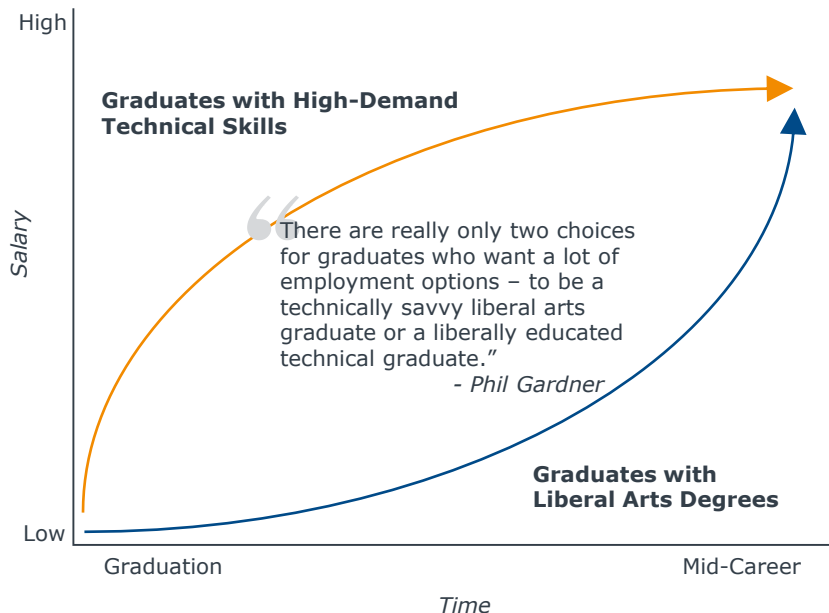
Brandon Busteed

Executive Director of Education and Workforce Development, Gallup

”

The Fox and the Hedgehog

Two Worrisome Trajectories Facing Underprepared Graduates



92%

Executives¹ say “soft” skills as important or more important than technical skills

89%

Struggle to find candidates with appropriate soft skills

“Among graduates with a baccalaureate degree only, those with humanities and social sciences degrees consistently earn less than anyone else, peaking at about \$58,000 a year.”

1) According to a survey of 900 executives: Kate Davidson, “Employers Find ‘Soft Skills’ Like Critical Thinking in Short Supply”, *Wall Street Journal*, 2016.

Innovations in Liberal Arts Majors

Orienting Liberal Arts Majors Towards 21st Century Careers



Reframe or add tracks to struggling liberal arts majors oriented around today's industries

English ➔ Publishing and Editing

- Prepare students for marketing, public relations, media production, journalism
- Industry-specific practicum taught by professional-in-residence
- Students required to complete relevant internship
- New program-specific capstone
- A few new major-specific courses were added to the curriculum

95%

School of Arts and Sciences graduates employed or continuing education

80%

Growth in enrollment in English in two years

Pairing Liberal Arts with Professionally-Oriented Tracks



Nexus program focuses on emerging fields:

- *Data science*
- *Engineering*
- *Global business*
- *Non-profit leadership*
- Prepare students for internships, research projects, careers

Pre-Experience Programming

3 Academic Courses

Pre-selected course options tailored to track

Practical Experience

Related internship, research project, or summer job

Curriculum to Career Course

Presentation on Experience

5% *Students declaring track in 2015*

Preparing Students to Put Skills to Work



Intersession Professional Skills Boot Camp



- 4-week summer or winter session business bootcamp
- Team projects simulate the work environment
- Basic business, professional, and entrepreneurship skills
- Psychology major feels prepared to apply for job in HR; English major for job in marketing

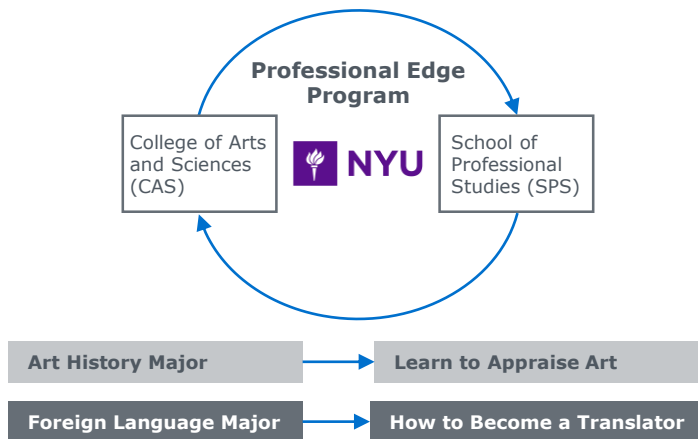
Giving Students a “Professional Edge”

Serious students, who can handle extra work

- 3.65 GPA; juniors and seniors
- CAS pays SPS tuition

Ensuring maturity to sit aside working professionals

- Application, advisor conversation required
- B grade required but won't count on transcript



Finding the Next Managerial Cohort

Long-Term Partnerships Help Employers Hire and Retain Future Leaders

“Test-Driving” Potential Talent



Contract-to-Full Time Student Pipelines

- Aeronautics firms pay WSU students for contract projects (\$25/hour, \$15K/year)
- WSU sources and trains students; retains 25% of contract revenue
- One faculty advisor assigned to 20-30 students; 200-300 participants at any time



Keeping Talented Students Local

83% Students accepting jobs in Wichita after completion

35% Contract students hired as full-time staff

Building a Management Pipeline



Apprentice School Partnerships

- Students concurrently enroll in ODU bachelor's and Newport News Shipbuilding Apprenticeship
- Apprentices paid \$16/hour plus free tuition in ODU; shipbuilders receive pipeline of management-ready apprentices



Elite Group Primed for Success

10 Students selected for ODU program annually

\$55K Starting salary of apprentices with bachelor's degree

Public (Dis)Engagement

While Data Vary, It's Clear There is More Work to Do

Unengaged in Science...

81%

Of public cannot name a living scientist

66%

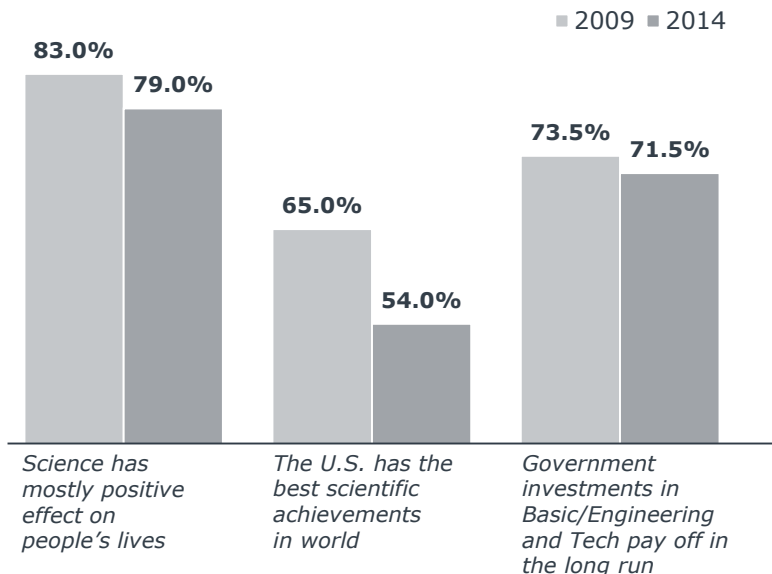
Of public cannot name where science is done

60%

Of public do not report having confidence in science

...And Signs That Opinions Are Slipping

Public Opinions About Value of Science



Could Newton Get Funded Today?

Changing Expectations for the Impact of Scientific Research



Directorate for Mathematical and Physical Sciences

Project Title	Mathematical Principles of Natural Philosophy
Abstract	This project will describe the mathematical laws that govern the motions of all bodies and will propose a law of universal gravitation from which can be derived the motions of the planets.
Principal Investigator	Isaac Newton Lucasian Professor Trinity College Cambridge University
Email Address	Isaac.Newton@trinity.cam.ac.uk
Proposed Budget	\$500,000 over 3 years

Reviewers' Comments

What kind of societal impact might this project have?

Have you lined up any corporate partners?

Do you have institutional matching funds?

Do you have collaborators from other disciplines (esp. engineering, bioscience)?

Are there potential military applications?

What types of outreach will be involved (beyond an academic publication in Latin)?

The Grand Challenge Model

Redefining the Aims and Approaches of the Scientific Enterprise



Indiana University (\$300M)

Grand Challenges Program

"This is the most significant investment in IU's research infrastructure in the university's history."

UCLA (\$300M)

Grand Challenges Program

"The two Grand Challenges [Sustainable LA, Depression] are the biggest, most collaborative, and potentially most transformative efforts UCLA has undertaken to date. "

UCLA



University of Michigan (\$255M)

Data Science Initiative (\$100M)

Biosciences Initiative (\$150M)

Michigan Humanities Collaboratory (\$5M)

What is a Grand Challenge?

- Large-scale
- Multi-disciplinary
- Multi-institutional
- Multi-sector
- Globally collaborative
- Use-inspired
- Translational
- Educational
- Socially impactful
- Engaged with the local community

Growing Pains

Tensions Arise as Universities Try to Manage Both Models Simultaneously

	Individual Investigator Model	Grand Challenge Model
Hiring	Department-led	Joint hires, Cluster hires
Performance Metrics	Publications, Citations, Grants	Collaboration
Indirect Cost Revenue Returns	Department, PI	Centers, Institutes
Pre-Award Support	Limited local support	Centralized support for large proposals
Institutional Investment	Departmental facilities, faculty lines, funding	Institutional seed funds, Multidisciplinary facilities
Corporate Partnerships	One-off contracts, small donations	Large-scale, long-term collaborations



The Promise and Perils of Strategic Planning: Lessons Learned From Successful Institutions

**Pitfalls to Avoid, Case Studies to Emulate,
and Practical Advice Moving Forward to
Achieve Rigor and Granularity**

Discussion Moving Forward

PART ONE

The Promise and Perils of Strategic Planning

Lessons Learned From Successful Institutions: Pitfalls to Avoid, Case Studies to Emulate, and Practical Advice Moving Forward to Achieve Rigor and Granularity

Prepared for the University of South Dakota

“Strategic planning is the continuous process of making present entrepreneurial (risk-taking) decisions systematically and with the greatest knowledge of their futurity; organizing systematically the efforts needed to carry out these decisions; and measuring the results of these decisions against the expectations through organized, systematic feedback.”

Peter Drucker, "Management Tasks and Responsibilities", 1973

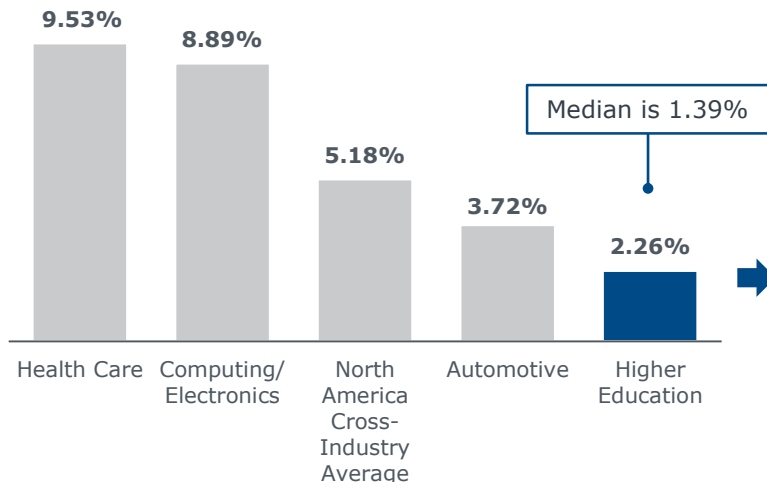
“There's a fundamental distinction between strategy and operational effectiveness...Strategy is about making choices, trade-offs; it's about deliberately choosing to be different...The essence of strategy is choosing what not to do.”

Michael Porter, "Competitive Strategy", 1980

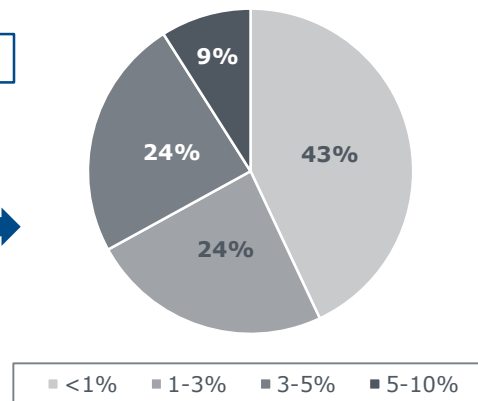
Underfunding “R&D”¹

Higher Ed Reinvests Relatively Little into Innovation of Operations or Offerings

R&D Spending as Percentage of Revenue by Industry



Breakdown of Higher Ed Institutions by Percentage of Revenue Dedicated to Strategic Initiatives

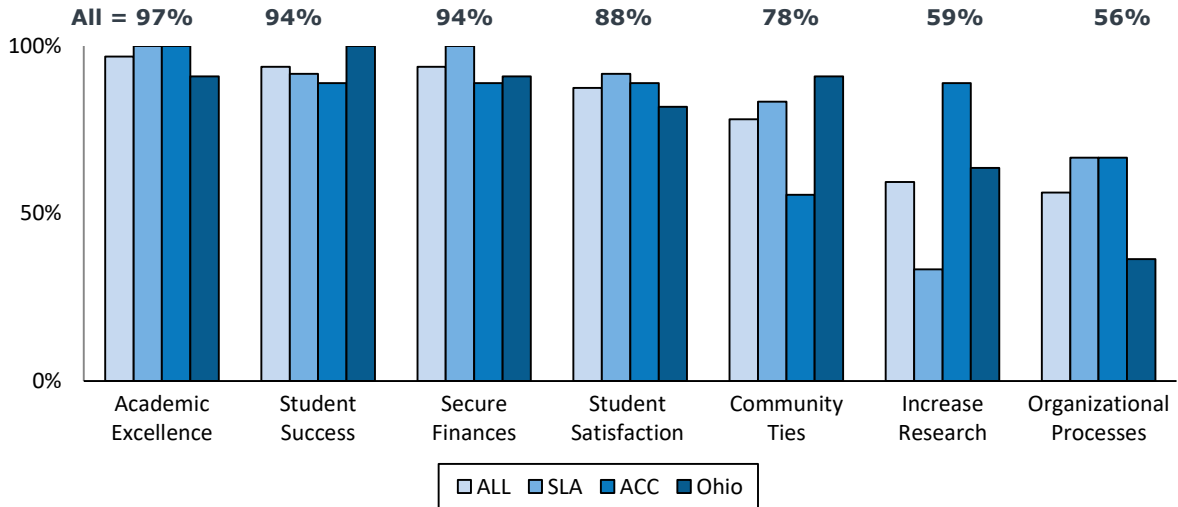


1) Research and development.

All Things to All People

Strategic Plans Too Often A Declaration of Values, Not a Roadmap Toward Differentiation

Percentage of Strategic Plans That Include Indicated Strategic Goal



(n=32 strategic plans; ACC=9; Ohio=11; SLA=12)*

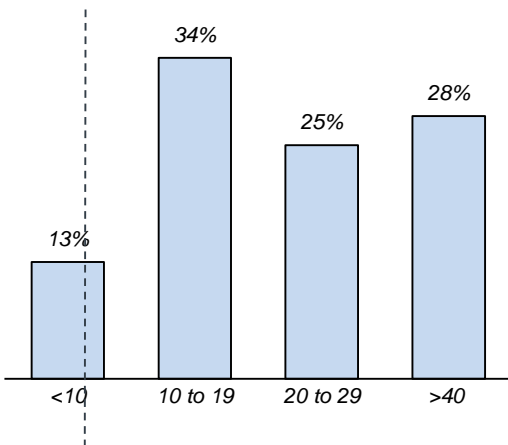
1) *Audit participants include a selection of schools from the Atlantic Coast Conference, the University System of Ohio, and several small liberal arts conferences.

“Our Most Important Stakeholders are Students, Faculty, Staff, Alumni, and the Community”



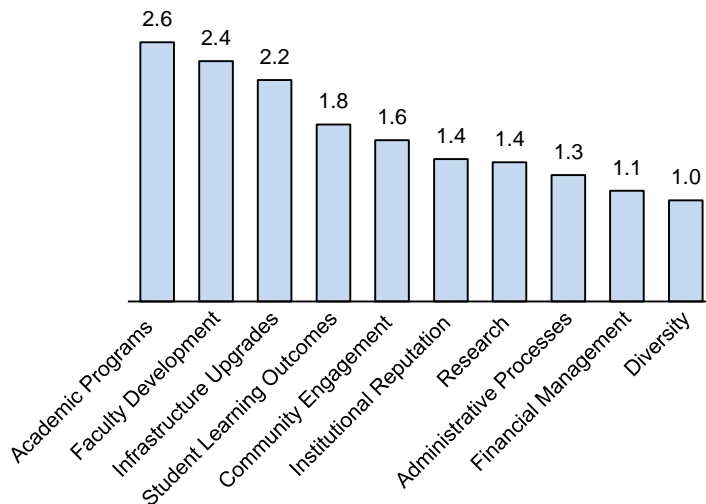
Priority Creep and Initiative Proliferation Turns Strategic Plan Into a Wishlist that Disperses, not Concentrates, Resources

*Number of Total Initiatives
(Per Plan)*



Experts recommend that plans identify no more than seven strategic initiatives per planning cycle.

*Number of Individual initiatives
(Per Plan by Category)*



Strategic Plans Are Useful...But Not For Strategy

While An Opportunity to Assess Stakeholder Needs,
Strategic Plans Not Designed To Enable A Differentiated Strategy

Strategic Plans Serve Multiple Constituencies ...

Accreditors: Plans need to comply with accreditation requirements

State Legislatures: Many states require funding requests to be in line with the strategic plan

Fundraisers: Broadly written plans allow for flexibility in matching donor interests to goals

Incoming Presidents: Many new presidents use the planning process to conduct stakeholder analyses

...And Have Many Productive Uses

Maximize Fundraising Dollars: A broadly written strategic plan allows for flexibility in matching donor interests with goals.

Promote Inclusivity: The consensus-based nature of higher education strategic planning enables multiple stakeholders to voice their opinion on the direction of the university.

Inspire Big Thinking and Innovation: Strategic plans encourage faculty to think expansively about the school's value proposition

Boost Morale: In a time of seemingly unending cuts, aspirational plans help energize the community

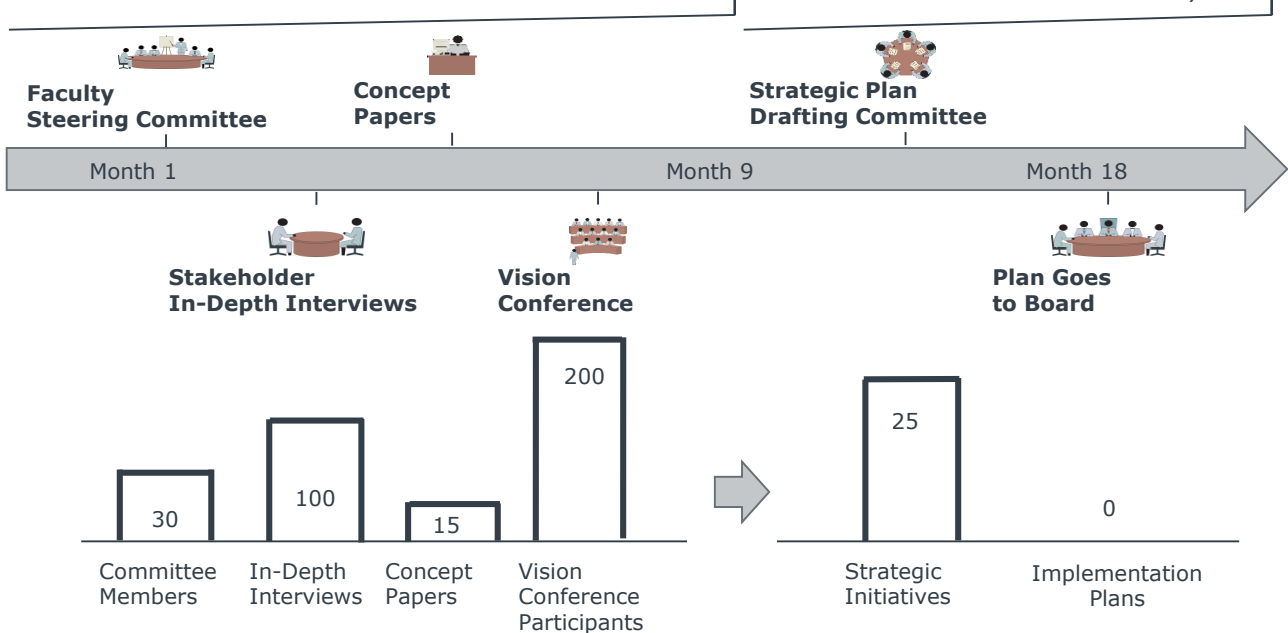
All Ends and No Means: A “Last Mile” Problem

Consensus-Based Planning Consumes Most Planning Resources

The Strategic Planning Process at a Midsize Research University¹

Inclusive to a Fault

Little Focus on Achievability



1) As outlined in Patrick Sanaghan's *Collaborative Strategic Planning in Higher Education*.

Total Time Committed to Plan Development: 3,200 Hours

1

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Getting Strategic Planning “Just Right”



Open-Ended Strategic Planning

- “Blue ocean, blank canvass brainstorming” sounds desirable but is rarely what campus needs
- “Leadership by buzzword” fails to direct energy towards actual needs

Sweet Spot – Exploration Within Goals and Guardrails

- ✓ Leadership should provide initial direction based on their diagnosis of challenges, opportunities, and resource constraints, especially those where campus stakeholders lack visibility or expertise into administrative realities (e.g., demographics, financial needs, capital planning, accreditation, applicable legislation)
- ✓ A small cohort should conduct an “environmental scan” to identify initial direction before initiating a campuswide process
- ✓ Channel campus energies into tangible categories of goals, focus areas, areas for initial exploration, while also cordoning off areas *not* for investment
- ✓ Set timeframe (3-7 years)



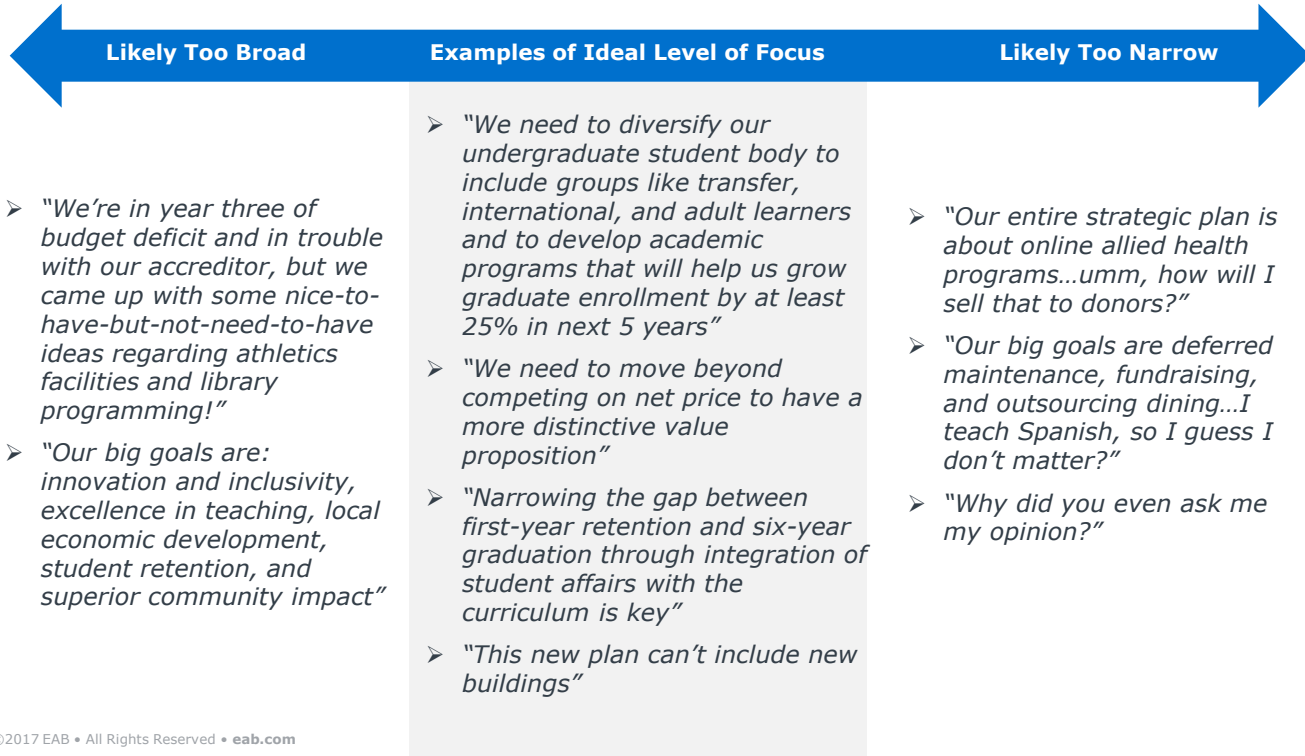
Predetermined and Prescribed Strategic Planning

- Overly identified needs stifles creativity and limits potential of process to socialize ideas and gain buy-in
- Campus entities who don't see themselves reflected in plan disengage

Guardrails and Goals

Leadership Should Infuse Planning Process with Initial Sense of Direction

Optimal Specificity of Direction




Big Money From Donors Is Only For Big Ideas

What Will Excite Stakeholders?






Ensuring Success By Clarifying What is Expected

A Big Idea Should:

-  Transform the University and the world
-  Make the University unique in the marketplace
-  Focus on where the University is good but could become better
-  Include areas where the University is emerging as a leader

A Big Idea Should Not:

-  Be defined *solely* by a capital project
-  Bundle together smaller ideas
-  Lead to slow, incremental improvement

Embedding Transparency in the Decision Process



Creating a Principled Scoring Process



Big Ideas Criteria

- ☒ Aligned with the strategic plan
- ☒ High degree of distinction related to preeminence in select disciplines
- ☒ Required philanthropy to achieve excellence

80 Proposals met criteria and continued to scoring process →

Big Ideas Scoring System

Transformative impact on campus	10
Meets an immediate need	8
Increases national acclaim	6
Creates pan-campus collaboration	4

Maximum score possible	28

1

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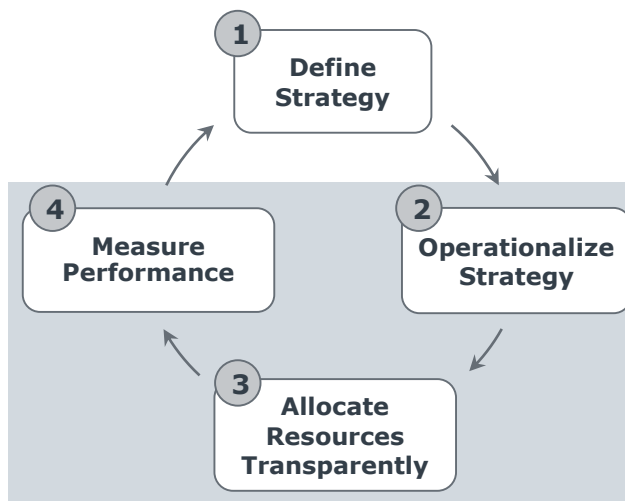
4

Lesson #4: Hardwire Accountability in Implementation and Follow-Through

Only 25% of The Way There

Attention Must Shift to Implementation and Execution

Optimal Higher Education Strategic Planning Cycle



Most Institutions

Most planning efforts stop at the definition stage, leaving units to complete remaining steps.



Progressive Institutions

Increased demands and bigger bets push leading institutions to focus additional energies on the execution stages of the planning cycle.

Both Top-Down and Bottom-Up

Two Ways to Fund Strategic Priorities

Annual Budgeting Process



Institution funds strategic priorities directly through annual budgeting process

Strategic Investment Fund



Institution funnels portion of revenue into formal strategic investment fund, used to directly support institutional priorities

**Breakdown of
Institutions Using
Each Approach:**

46%

54%

Two Types of Strategic Investments

↓ Top Down

University executives identify cross-campus strategic priorities

70-80%

of strategic funding dedicated to top-down investments

Imperative: Prioritize Executive-Driven Investments by Developing Total Cost Forecast

↑ Bottom Up

Faculty and staff propose initiatives that advance university's mission

20-30%

of strategic funding dedicated to bottom-up investments

Imperative: Structure Seed Funding to Minimize Financial Risk and Make Fund Self-Sustaining




Thinking Like a Venture Capitalist






You Win Some, You Lose Some: Not Every Bottom-Up Investment Pays Off in the Long-Term

Deploying Seed Funds to Maximize ROI

Common Challenges with Seed Funding Investments

-  **Lax Screening Processes**
Institutions fund low-priority or unproductive initiatives due to informal or unclear evaluation criteria
-  **Sunk Cost for the Institution**
Institutions do not require initiative sponsor to repay seed funds, forcing leaders to constantly reload the fund with limited central resources
-  **Funding Provided in Perpetuity**
Institutions lack a formal mechanism to sunset unsuccessful initiatives, forcing them to continue funding unproductive investments in perpetuity

Key Characteristics of Successful Seed Funding Programs

-  **Rigorous Vetting Process**
Institutions establish clear seed fund criteria and require faculty and staff to build strong business case for initiatives
-  **Compelling Revenue-Sharing Agreements**
Institutions establish revenue-sharing agreements that ensure approved initiatives keep reloading the fund
-  **Sunseting Mechanism for Unsuccessful Initiatives**
Institutions ensure seed fund policies empower leaders to sunset funding if initiatives do not hit proposed targets

Encouraging Applicants to Self-Screen Proposals



Establish Clear, Quantitative Seed Funding Criteria

Institutions announce concrete seed fund criteria that all initiative proposals must meet



Ensure Applicants Have “Skin in the Game”

Institutions require faculty and staff to match funding requests or demonstrate a commitment to funding initiatives with their own dollars



Seed Fund Criteria

- Initiative must either help CSU reach its strategic goals or save \$100K
- Units may request between \$100K and \$500K
- One request per unit
- Increases rigor and transparency so faculty understand the rules guiding seed funding allocation process



Process for Obtaining Seed Funding

- Deans must commit to funding initiative regardless of whether they win additional support, and must submit two proposals for initiatives
- First proposal describes how they will support the initiative with their own funds
- Second indicates what they could accomplish with additional central funds
- Forces deans to propose only those initiatives that they are truly committed to supporting and limits the number of weak or unsustainable proposals

Building a Better Business Case Template

Critical Elements of Business Case Template

Grouped by Level of Difficulty from Faculty Perspective

Difficulty	Business Case Criteria	Guidelines for Faculty
High	Horizontal Impact	How do initiatives affect other academic, administrative, and support units (e.g., IT requirements, space needs)?
	Key Performance Indicators	How will administrators measure the success of each initiative?
	Cash Flow Analysis	What are the financial requirements to implement and sustain unit-level initiatives?
Medium	Risk Assessment	What are the risks associated with unit-level initiatives (e.g., budget cuts, staff departures, regulatory changes)?
	Options to Accomplish Initiative	Are there multiple pathways to accomplish the initiative?
Low	Required Actions and Timeframe	What are the timeframe and action items for the initiative?
	Strategic Partners	Do unit-level initiatives involve partnerships with outside entities?
	Alignment with Institutional Strategic Priorities	How do initiatives support institution-wide goals?
	Business Need	What is the problem or opportunity the business case seeks to address?

Collecting Details From Idea Sponsors

Key Information to Objectively Review Ideas



Ensuring RFP Provides Necessary Information

Faculty required to explain:

- Alignment with mission and academic plan goals
- Building on existing academic strengths
- Fostering interdisciplinary collaboration
- Links to fundamental societal challenges or opportunities
- Viable funding model, including philanthropy and institutional funding
- Sustainability beyond three to five years

Questions to Create an Institution-Specific RFP



Institutional Niche

- How does this take advantage of our existing strengths?
- How does this make us unique, or differentiate us in the marketplace?
- How will this make a difference on campus in the long-term?
- Which regional or global problems does this initiative solve?



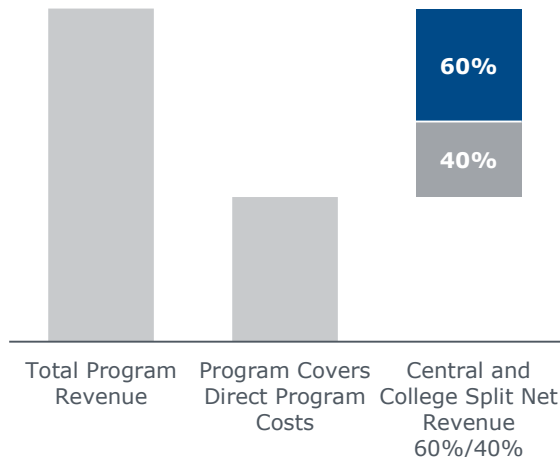
Implementation Thresholds

- How much is this idea worth?
- Could this idea be funded through philanthropy or other outside sources?
- How will funding be sustained over time?
- How will the project use both existing and new resources on campus?

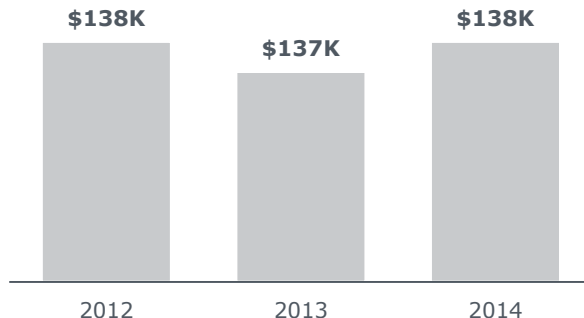
Building Mutually Beneficial Incentives

UW Oshkosh Successfully Launched Many Programs with 60/40 Revenue Split

University of Wisconsin Oshkosh Revenue-Sharing Agreement for New Programs Launched Through Campus Initiative Fund



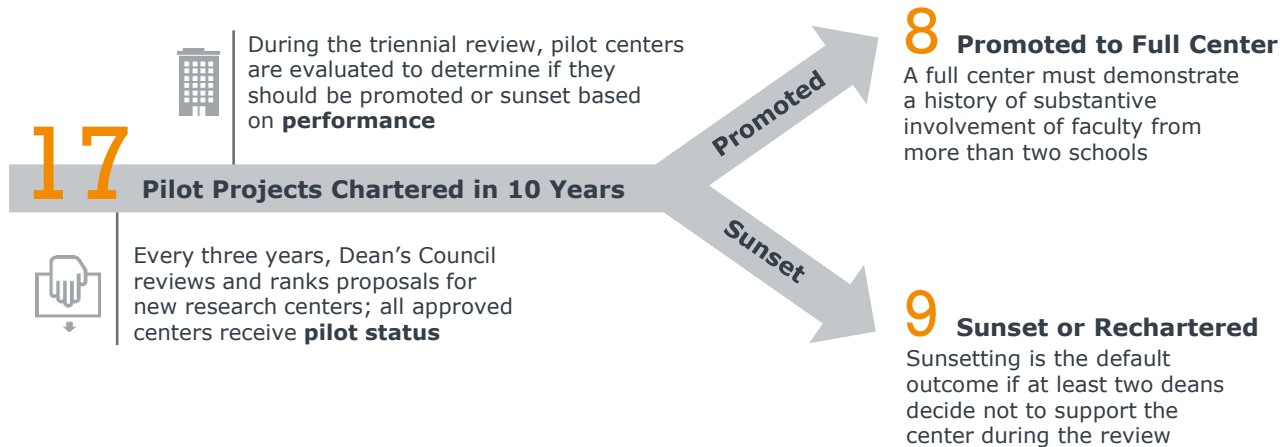
Central's Portion of Revenue from Accelerated Nursing Program



Making Sunsetting the Default Option

UAB Starts All Research Centers as Pilots Under Probationary Approval Period

University of Alabama at Birmingham's Evaluation and Promotion Process



1

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Assess True “Strategic” Imperatives

Cull All the Good Ideas to Select Goals, Objectives, and Action Steps that Are Ultimately Worth Pursuing

Resources Required and Ease of Implementation

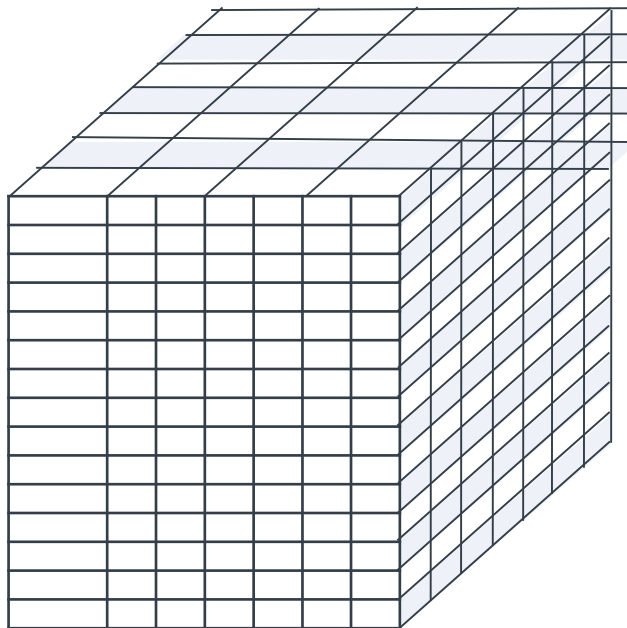
Leadership capacity, political will, and initial start-up and long-term maintenance costs in staff time (salary), operating expenses, space and technology needs

Contribution to Mission and/or Revenue Generation Potential

Impact on constituents' ability to teach, learn, research, outreach, and succeed or magnitude and likelihood of increased financial resources in next 10 years

Alignment with Strategic Goals and Market Differentiators

Will help the institution broaden or deepen its offerings and its value proposition to stakeholders relative to market/society



Be Ambitious, but Please Be Specific

Translate “World Peace” Action Steps Into Programmatic, Policy, and Practice-Level Recommendations, with Costs and Key Performance Indicators That Can Be Tracked Over Time

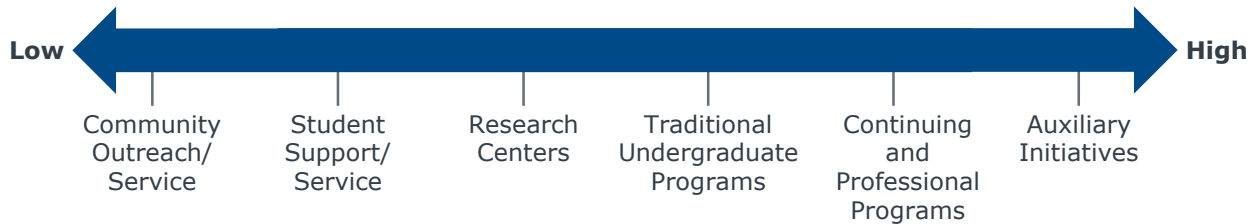
Common Challenges with Strategic Plan Objectives

- | | | |
|--|---|---|
| Nobody can oppose this – because nobody knows what it means or would entail | → | <i>“Realign all procedures and practices to provide better service to our mission without adding costs”</i> |
| Defers the bulk of the work until later | → | <i>“Create a taskforce to design and implement a sustainable plan to invest in high-quality academic programs”</i> |
| Aspirational goal with no substantive recommendation guarantees it will never be pursued | → | <i>“Identify and combat every systemic barrier to gender and ethnic inequality”</i> |
| So cross-disciplinary or multi-functional that it’s difficult to know where to start | → | <i>“Ensure that the university employs best practices to promote health, wellness, and work-life balance for faculty, staff, and graduate assistants”</i> |
| Proposes a “fool’s errand” research task instead of a plausible pilot program | → | <i>“Undertake thorough study of the learning environments that enable intellectual risk-taking”</i> |

What Kind of ROI Should You Expect?

Impossible to Evaluate Every Initiative on Cost and Revenue

Clarity of Revenue Impact from Strategic Initiatives



Potential Evaluation Procedures



Non-Financial KPIs



Formalized Evaluation and Sunsetting Procedure



Cost and Revenue Targets



Requirement to Eventually Self-Fund

Please Be Specific

Example #1



High-level goal

FIU will improve the first-to-second-year retention rate among its undergraduate students from 76 percent to 90 percent.

Action steps

Require all first-year students to purchase a personal computer/laptop to ensure they have the appropriate tools for academic success: percent to 90 percent.

Tactics

- Provide financial aid to those who qualify.
- Provide grant opportunities for those who do not qualify for aid.
- Explore bulk purchases at the university level to maximize supplier discounts.
- Educate faculty in the use of technology to engage students with the concepts of the discipline.

Where Do We Start?

Inclusive Nature of Strategic Planning Often Results in Broad Goals



Strategic Planning by Committee...

Committee of more than 70 faculty, staff, students, alumni, and community members develops strategic plan over the course of a year.



...Often Leads to Goals That Lack Specificity

Example goals from University of North Carolina at Greensboro strategic plan:

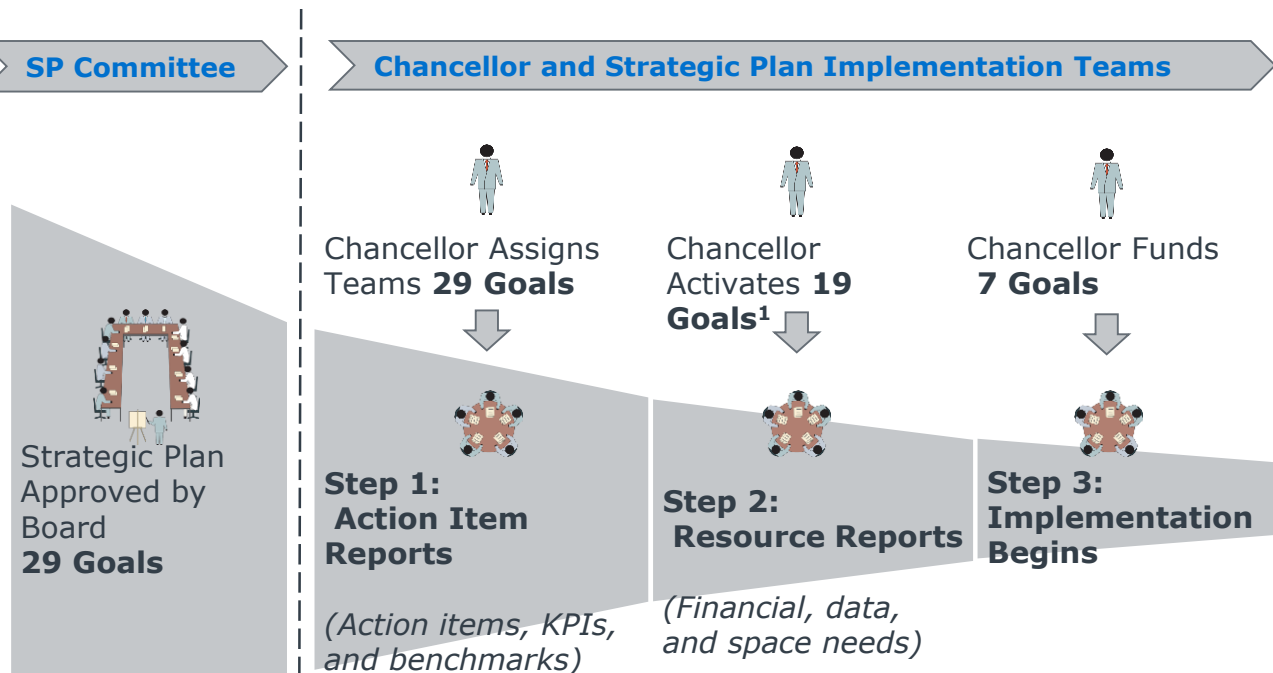
1. Make UNCG the first choice of more students
2. Improve health, wellness, and quality of life for children, adults, families, and communities
3. Offer transformational undergraduate and graduate education
4. Support faculty as they work collaboratively with diverse communities
5. Integrate international and intercultural experiences

A Focusing Process

Implementation Teams Bring Definition to Broadly-Stated Strategic Plans

SP Committee

Chancellor and Strategic Plan Implementation Teams



1) The Dean's Council recommends to the Chancellor which goals should be activated.

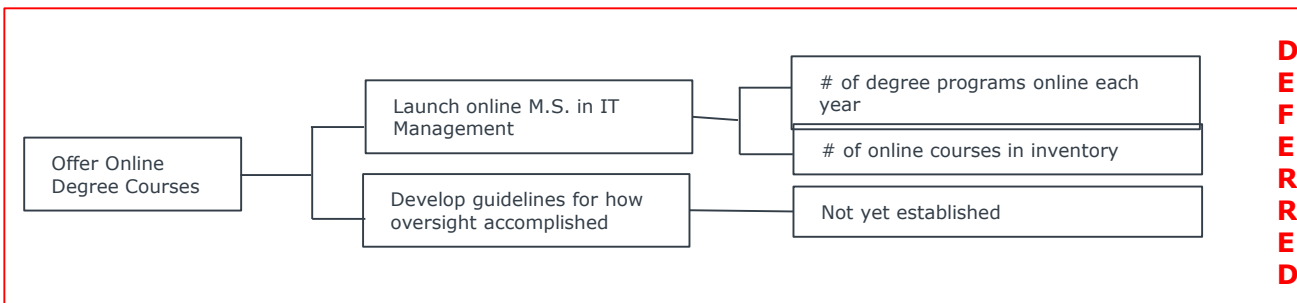
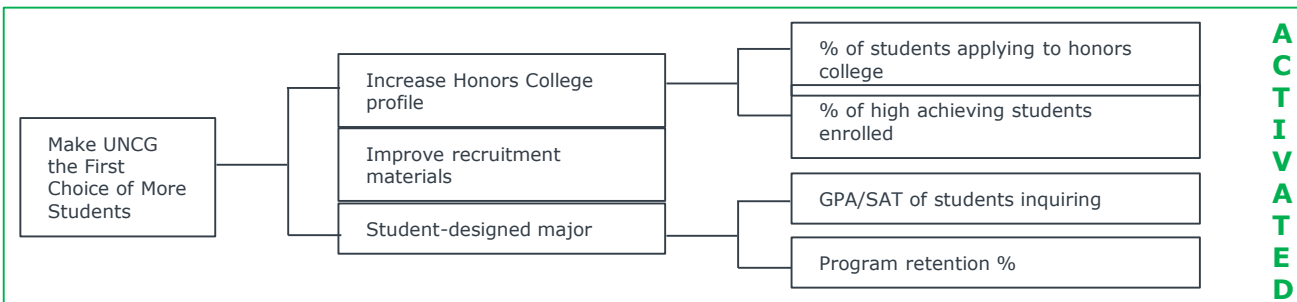
Doing the Legwork

Defining Action Items and KPIs Helps Chancellor Decide What to Activate

Strategic Plan Goal *SP Committee*

Action Items Established *Implementation Team*

KPI Targets Determined *Implementation Team*



Defining the Requirements

Financial, Space, Faculty, and IT Requirement Specificity
Enables Accurate Planning

Key Areas of Resource Requirement Definition at UNCG



Financial Needs

- **3-Year Projections:**
Define annual and total costs as well as revenue or cost-savings potential
- **Funding Sources:**
Determine most appropriate source—state recurring, state one-time, or discretionary—for each action item



Space and Faculty Needs

- **Space and Seats:** Identify support space (i.e. conference room, analytical core lab), seat-use frequency, and specialized equipment
- **Collaboration Potential:** Establish if space:
 - Needs to be near existing
 - Can be shared
 - Can be off-campus
 - Will impact classroom scheduling
- **Position Specificity:** Specify positions (i.e. adjunct, web designer) and spatial need (private office, bullpen)



IT and Data Needs

- **Services Required:**
Establish IT support provider (i.e. central, contracted)
- **Data Focus:** Define if and where metrics and reporting exist (i.e. Banner, IR)
- **Back-up Plan:** If services, data, or reporting do not exist, develop cost estimates

Not Everything All At Once

Phase-Stage Goals by Year, Prioritizing Revenue-Generating Objectives and Action Steps and Incorporating Quick-Wins that Build Momentum

Illustrative Gant Chart

	2016	2017	2018	2019	2020	2021	2022	2023
Expand alumni relations and development staff	Add 3 FTE to increase annual dollars raised by 75%							
Launch bioinformatics master's program		Reach 30 enrollments, results in \$300,000 annual revenue annually						
Commission economic impact report			\$50,000 cost					
Invest in power grid maintenance to reduce long-term costs			Save \$150,000 annually					
Add new interdisciplinary faculty lines			Inclusive of fringe benefits, 4 new FTE will cost \$390,000					
Grow faculty research seed funding program					20 \$10,000 awards budgeted annually			

1

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The Buck Stops Here, at Elon

Hardwire Accountability for Initiative Execution with Regular Monitoring, Clear Assignments, and Follow-Up

Elon University's Strategic Goal Owner Assignments

Assign One Person to Manage Each Goal

Goal	Owner
Prepare Students for Global Society	Provost
Remain Best-Value University	CBO

Initiative	Partners with
Study abroad as 100% accessible	International Director
Reconfigure merit-based aid	VP EM

"Our culture is one of performance and transparency and so, you don't ever see a strategic goal owner showing up at retreat and saying not much happened [with my initiative] this last year."

*Gerald Whittington
SVP, Business, Finance and
Technology
Elon University*

Making Goal Success Part of Annual Review Ensures Strategy Stays Top of Mind



Presidential Reviews

- **Assessing Progress:** President leads end-of-year evaluation with senior leadership to discuss annual performance with a specific focus on the development of strategic initiatives
- **Art and Science:** Evaluations are based on progress against quantitative metrics (i.e. benchmarks and budget management) and a qualitative review of key accomplishments and challenges



Cabinet Retreats

- **Presenting to Peers:** Strategic goal owners will present twice a year to senior leadership about progress and expectations for initiative advancement in the coming year
- **Part of the Culture:** Additionally, strategic initiatives are routinely discussed in weekly senior staff meetings

Elon Strategic Plan Progress Scorecard









Strategic Goals Owners Responsible for Reporting Progress to Community

Goal	Status	Updates
Establish Advisory Council on Diversity	Green	Council and five sub-committees formed to address issues in faculty/staff recruiting and retention, diversity, campus climate, student recruitment and retention, and assessment.
Double Need-Based Financial Aid	Yellow	First \$8 million dollars set aside in endowment, in combination with annual budget dollars, to award significant scholarships in 2011-2012.
Provide 100 Percent Study Abroad Access	Red	Completed focus groups with students graduating in 2011 who have not studied abroad.

It's come a long way: <http://www.elon.edu/e-web/administration/president/strategicplan2020/progress.xhtml>

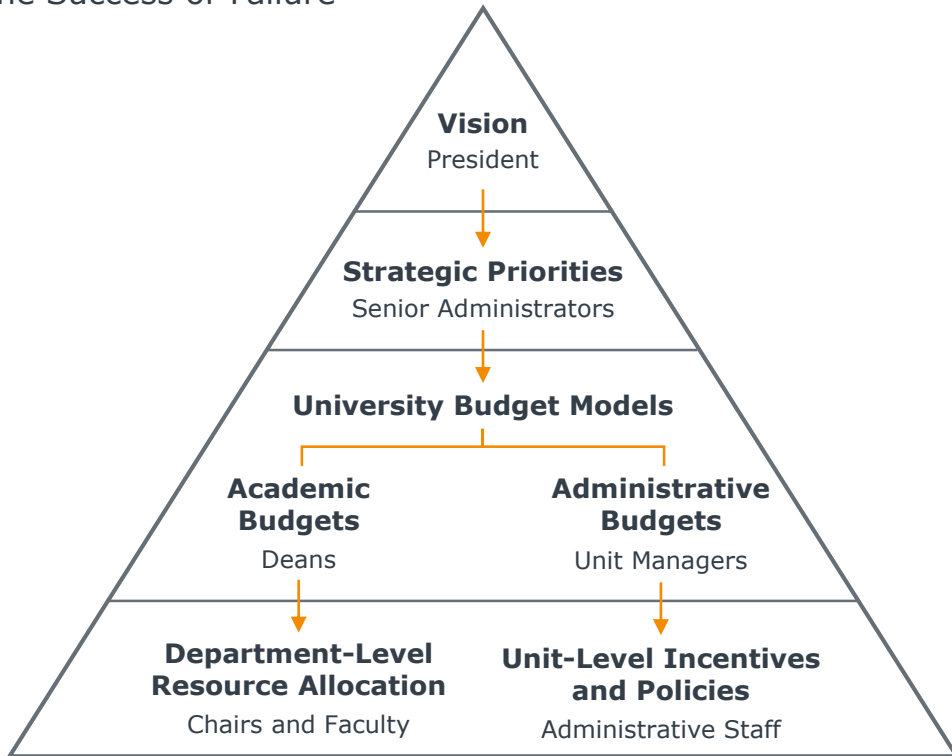
Synthesizing Multiple Information Streams

Johnson University¹ Strategic Plan

Priorities	Objectives	Measures	Targets	Status	Initiatives	Initiative Progress
Become Employer of Choice	Improve experience of staff during first year employment	Turnover rate among new staff with less than one year of experience	22%		<ul style="list-style-type: none"> Launch new hire support group Design mentorship program 	 
		Employee satisfaction score among staff with less than one year of experience	>75%		<ul style="list-style-type: none"> Semi-annual staff-manager new-hire lunch Develop staff appreciation award 	 
		New-hire rating of unit-specific orientation	3.7		<ul style="list-style-type: none"> Redesign orientation program to focus less on HR processes and benefits and more on culture and innovation 	

“Vision Without Execution Is Hallucination”

Resource Allocation and Incentive Alignment Processes Will Ultimately Determine Success or Failure



One Size Doesn't Fit All

Overly Top-Down, Uniform Approach to Metrics Alienates Departments

The Traditional Unit "Accountability" Narrative



**Central
Admin.**

"These are our strategic goals – figure out how to get there."



Dean

"I'm evaluating our progress using these metrics."



Department

"Huh? These don't describe what we do at all!"

The Predictable Consequences

- 1 Unit Culture Poisoned Against Future "Efficiency" Initiatives
- 2 Deans (and Central) Miss Genuinely Valuable Faculty Input
- 3 Missed Opportunity to Segment Departmental Missions

Customizing Metrics to Departmental Mission

Dept. Planning Provides Flexibility within Strategic Priorities Set by Dean



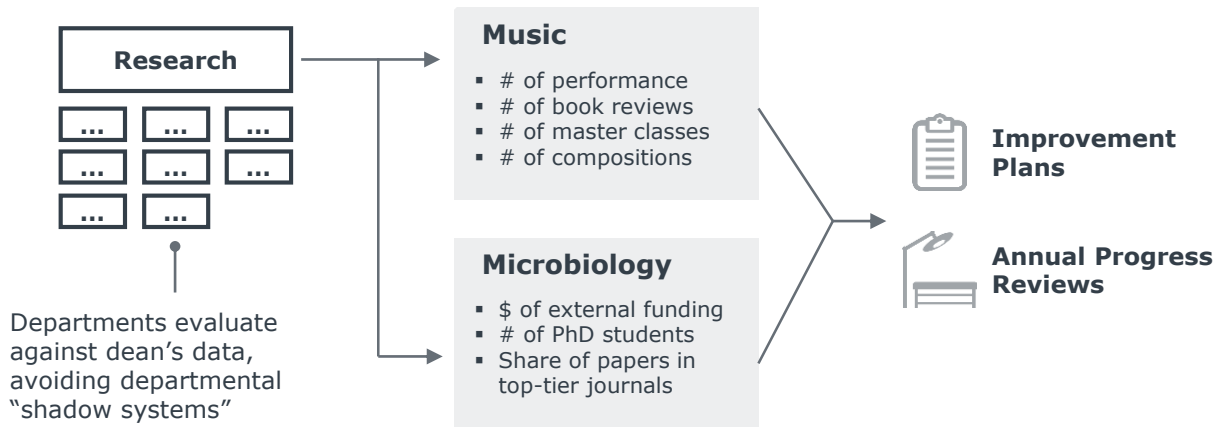
College of
Arts & Sciences

Department-led Strategic Planning Process

**Dean Provides Departments
with 9 Strategic Goals...**

**... Departments Choose Key
Indicators from the Data...**

**... And Complete Strategic Plans
Emphasizing Their Metrics**



Integrating Data into the Culture

Departmental Customization Builds Buy-in

Three Key Value Propositions for Departmental Planning



Acculturation

Integrates metrics into culture, acquaints faculty with their own data



Accountability

Provides a single version of the truth to justify future resource reallocation, policy changes



Assessment

Suggests foundation for potential “department taxonomy,” recognizing differential contributions to mission

“We expect increased autonomy will improve buy-in and effort towards goals, moving departments more quickly towards academic distinction.”

Bret Danilowicz

Dean, College of Arts & Sciences, Oklahoma State University



**Revenue
Generator**

**Service
Unit**

**Enrollment
Driver**



**Research
Leader**

Creating Departmental Accountability

Mission-Adjusted Performance Bonuses Push Units to Improve



Strategic Accountability Matrix

Department	Student Success Metric			
	Example: Student Credit Hours lost to DFW			
	Weight	Expected	Actual	Score
Biology	2.0	381	518	 0.74
Anthropology	1.0	201	173	 1.16



Student success metrics include both outcomes and unit programs / investments



Ratio of actual to expected performance determines share of annual bonus funds (\$400,000 pool)

Metric weight adjusted
according to unit characteristics
(Philosophy judged less on
internship placements)

Negotiated by chair, dean, and
provost to avoid unjustified
alterations to formula

Department performance evaluated across 18 strategic priorities, including:

High-Impact Practices

1. Internships
2. Intercultural immersion
3. Freshmen degree plans
4. Advisee satisfaction

Student Progression

1. Credit hours lost to DFW
2. Midterm grade reports
3. 30 credits first year
4. 60 credits first two years

Measurement Spurs Grassroots Innovation

Departments Quick to React to Now-Visible Performance Gaps

1 Local Curricular Reforms

Aligning pre-requisites with local community colleges: Biology department adjusted introductory curriculum to better suit transfer students

Revitalizing first-year instruction: Low-enrollment science programs shifted from “weeding freshmen out” to more engaged pedagogy

2 Greater Investment in Student Support

Increasing instructional support for at-risk groups: Psychology department added supplemental instruction to address noticeable achievement gap

Requiring four-year degree plans: Share of all first-year students with complete degree plans grew 45% in first two years of assessment

3 Lasting Cultural Change

Clarifying each unit’s role in contributing to institutional performance goals: Unprecedented awareness of how the actions of each department add up to ultimate success or failure

Preempting performance-based funding: Faculty, staff, and unit leaders acclimated to culture of evaluation and focused on continuous improvement, without top-down system dictate



The Promise and Perils of Strategic Planning: Lessons Learned From Successful Institutions

Pitfalls to Avoid, Case Studies to Emulate, and
Practical Advice Moving Forward to Achieve Rigor
and Granularity

Discussion Moving Forward

PART ONE



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