



# The Finance Function of the Future

## **Part 1: Introducing the Hallmarks of Effective Strategic Finance Teams**

Part 2: Building Central Data Infrastructures to Support Strategic  
Decision Making

Part 3: Maximizing Operating Efficiency and Expanding Long-  
Range Financial Planning

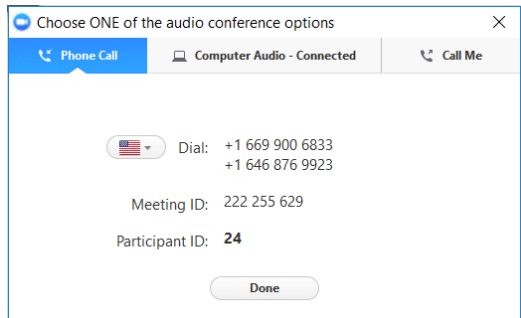
Part 4: Embedding Analytical Support in Academic Decision-  
Making and Providing Just-in-Time Consultation on Unit Planning  
and Strategy

# Audio Options



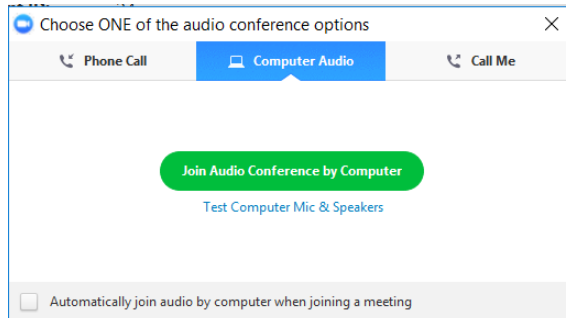
## Using Your Telephone

If you select the “Phone Call” option, please dial in with the phone number and access code provided.



## Using Your Microphone and Speakers

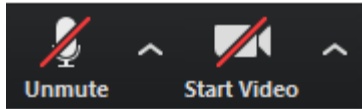
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# Using Zoom

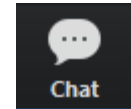
## Mic and Video Controls

Click the mic and camera pictures until they have a red line indicating they are both off.



## Asking a Question

To ask the presenter a question, type it into the Chat panel and press send.





## Today's Presentation

### 1 **Introducing the Hallmarks of Effective Strategic Finance Teams**

- Market pressures driving finance teams to expand their roles to perform more strategic budget planning and financial analysis
- Introduction to the five hallmarks of effective future finance functions

## Future Webinar Sessions

### 2 **Building Central Data Infrastructures to Support Strategic Decision Making**

*Wednesday, March 20*

### 3 **Maximizing Operating Efficiency and Expanding Long-Range Financial Planning**

*Tuesday, April 15*

### 4 **Embedding Analytical Support in Academic Decision-Making and Providing Just-in-Time Consultation on Unit Planning and Strategy**

*Thursday, May 9*



# The Finance Function of the Future

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# Market Forces Threaten Traditional Business Models

## Declining Demographics

**36** States will see slower growth or declines in numbers of high school graduates (2016-2031)

**10%** Estimated decrease in number of 18 to 21-year-old Canadians between 2011 and 2020

## Increasing Price Sensitivity

**69%** Percentage of families who **eliminated institutions from selection due to cost** in 2017

*NACUBO-Reported Discount Rate for FTFT Freshmen*

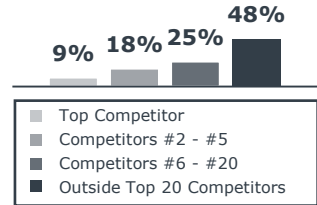
**39.1%** in 2007-2008 → **49.9%** in 2017-2018<sup>1</sup>

## Heightening Undergraduate Competition

**108%**

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

*Where Admitted Students Who Did Not Deposit Went*  
(n = 101,905)



## Unsustainable New Student Pipelines

*Master's*

**7x**

Growth in awarded graduate certificates over master's degrees from 2014 to 2015

*International*

**45%**

of US institutions reported drop in new international student enrollment in fall 2017, average decline of 7%

Source: "Knocking at the College Door: Projections of High School Graduates," Western Interstate Commission for Higher Education, December 2016; "Trends in Higher Education," The Association of Universities and Colleges of Canada; Boeckensdt J, "Yield Rates are Declining - Why?" Academic Impressions, May 11, 2016; "2017 DepositIQ Results," EAB Enrollment Services, May 2017; "How America Pays for College," Sallie Mae; Valbrun M, "Tuition Conundrum," *Inside Higher Ed*, April 30, 2018; Okahana H, Feaster K, and Allum J, "Graduate Enrollment and Degrees: 2005-2015," Council of Graduate Schools, September 2016; Baer J, "Fall 2017 International Student Enrollment Hot Topics Survey," Institute of International Education, November 2017.

1) Estimated.

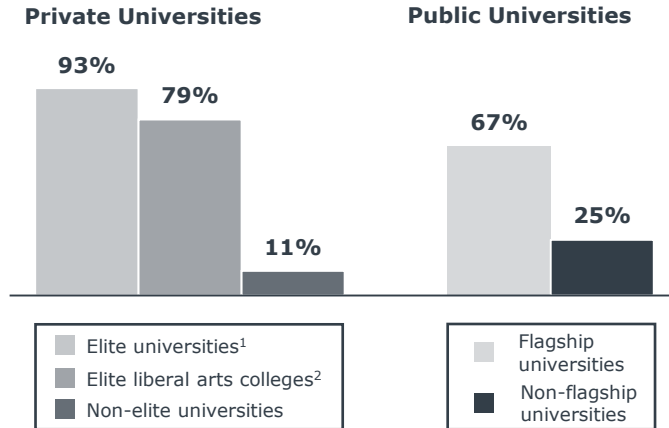
# Sustainability Concerns Span Segments

Degree of Urgency Varies, but All Leaders Feeling Pressure to Respond

## Existential Urgency Dependent on Segment...

Percentage of Presidents that Believe in Sustainability of Business Models Over Next Ten Years for Each Sector

n=618



## ...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.”

President

Public Flagship Research University

”

1) Private nonprofit universities with endowments of at least \$1 billion.  
 2) Private nonprofit liberal arts colleges with endowment of at least \$500 million.

# Finance's Role in Navigating Future Uncertainties



## Traditional Responsibilities Evolving to Meet New Demands

### *Finance Responsibility*

### **Find Meaningful Cost Savings**

### **Fund New Strategic Investments**

### **Monitor and Report Financial Performance**

### *Historical Approach*

Seek opportunities to improve efficiencies and curb cost growth in administrative units

Allocate new funding based on qualitative evaluation of requests and rough cost estimates

Share annual consolidated reports with boards, banks, and ratings agencies

### *Change in Operating Environment*

*Administrative savings near exhausted; revenue growth slowed*

*Funding for new investments shrinking; urgency to invest to compete growing*

*Ratings agencies downgrade industry outlook as revenue prospects soften*

### *Emerging Approach*

Evaluate efficacy of academic investments to identify reallocation opportunities

Model the total costs and expected returns of new investments to assess tradeoffs and ensure funding in highest priority areas

Present long-range forecasts to demonstrate financial viability and maintain access to capital to fund necessary strategic investments



# The Growing Need for Strategic Finance

Current Pressures Require CBOs to Transform Largely Operational Functions

“

**“We don’t do much true finance in higher education.**

The ‘finance’ we perform is operational—accounting, budget management. The operational work isn’t going away, but we need strategic finance working in parallel with the operational.”

**Beth Hardin**  
VP for Business Affairs  
UNC CHARLOTTE

”



“

**“Our capabilities need to be much more analytical and forward-facing.** We need different ways to look at programs and operations, and we need data to inform these discussions. There has to be a connection linking strategy to financial planning to financial operations and analysis.”

**Mike Gower**  
EVP for Finance and Administration  
RUTGERS UNIVERSITY

”

# Bogged Down in Inefficient Processes

Staff Spend Most Time on Transactional Work and Burdensome Requirements

## (All Too) Common Characteristics of Higher Ed Financial Processes



**Paper-Based**



**Shadow Systems**



**Work Duplication**



**Redundant Approvals**

## Transactional Tasks Account for Majority of Finance Staff Time



Finance staff time spent on manual, transactional processes

## Compliance Requirements Increasingly Consuming Staff Time

13%

Average proportion of work hours administrative staff in academic units spend on compliance activities

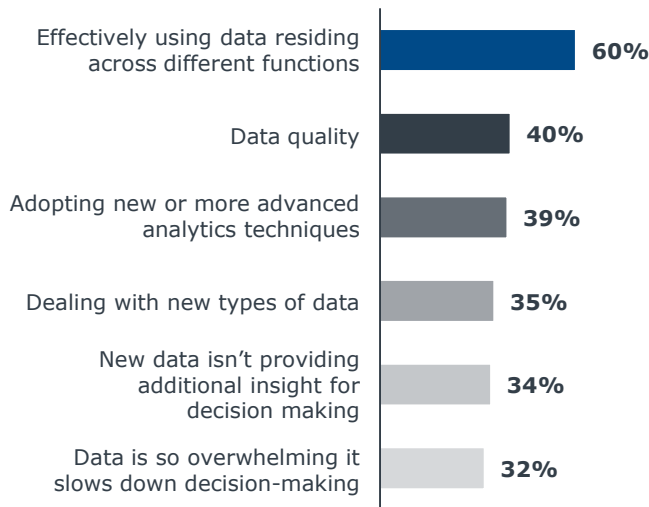


# Data Investments Not Generating Expected Returns

## Institutions Struggle to Manage and Use Data in Strategic Decision-Making

### Top Institutional Challenges to Better Data Utilization

*KPMG Higher Education Industry Outlook Survey*  
(n=102 presidents, CFOs and controllers)



### Making Sizable Investments in ERPs

**33%** of institutions currently upgrading ERPs

**26** Average months to implement ERP in higher education

**\$100M** Est. cost of private research university Workday implementation<sup>1</sup>

### Beyond ERPs, No Shortage of New Data Solutions to Fund

- Learning Management Systems
- Space Management Systems
- Business Intelligence and Analytics Tools
- Systems Integration Solutions

1) Includes Workday HR, finance, and student.

# Strategic Finance Work Demands New Skillsets

## Higher Ed Staff Often Lack Necessary Technical and Analytical Skills

### Introducing the Citizen Data Scientist

- Staff who generates models that leverage predictive or prescriptive analytics but **whose primary job function is outside of the field of statistics and analytics**
- Emerging competency in financial analysts

### Representative New Skills Sought in Higher Ed Financial Analysts

- Data extraction and manipulation
- Data trend analysis
- Statistical modeling

### Current Skills Gaps Hinder Data and Analytics Adoption



60%

of budget managers at Ginsberg University<sup>1</sup> lack finance or accounting degrees



“People are desperate to do their jobs well and make smart decisions, but **they don’t know how to use data** to inform their decisions.”

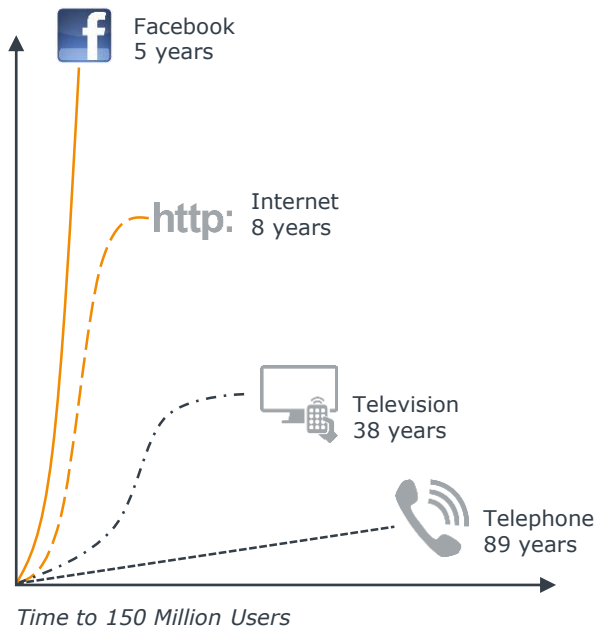
*AVP for Financial Administration and Planning  
Public Research University*

1) Pseudonym.

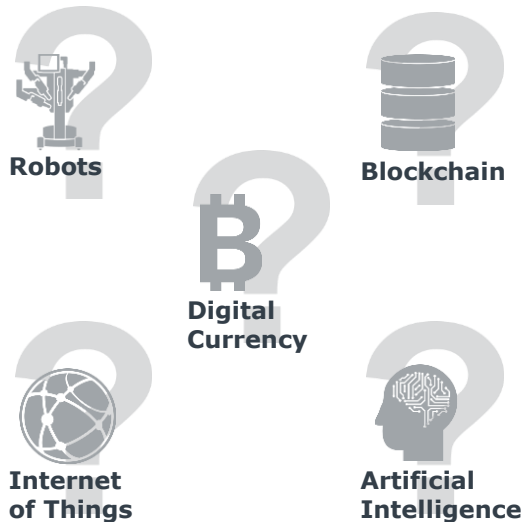
# No Defined End State

## Technological Innovations Outpacing Functional Improvements

### Pace of Technology Change Accelerating



### New Advances Poised for Further Disruption



# Hallmarks of Effective Future Finance Functions

## Five Characteristics Necessary for Success in the Next Decade

- 1** Central Data Infrastructure Supports Strategic Decision Making
- 2** New Technology and Organizational Models Maximize Operating Efficiency
- 3** Long-Range Financial Plans Consider Future Revenue Threats
- 4** Professionalized Staff Support Ongoing Academic Resource Planning
- 5** Central Finance Provides Just-in-Time Consultation on Unit Planning and Strategy

# The Finance Function of the Future

## Promising Innovations in the Migration from Transactional to Strategic Work

**I**

**Central Data Infrastructure Supports Strategic Decision Making**

**Trend 1:**

Executive-Level Data Governance Oversight

**Trend 2:**

Data Refinement for Academic Program Analysis

**Trend 3:**

Business Intelligence Teams

**Trend 4:**

Academic Financial Dashboards

**II**

**New Technology and Org Models Maximize Operating Efficiency**

**Trend 5:**

Technology-Driven Planning Process Redesign

**Trend 6:**

Scaled Budget and Planning Services

**III**

**Long-Range Financial Plans Consider Future Revenue Threats**

**Trend 7:**

Financial Modeling and Scenario Planning

**Trend 8:**

Functional Redesign to Expand Budget and Planning Scope

**IV**

**Professionalized Staff Support Ongoing Academic Resource Planning**

**Trend 9:**

Embedded Analytical Support in Academic Units

**Trend 10:**

Financial Upskilling Programs for Academic Stakeholders

**V**

**Central Finance Provides Just-in-Time Consultation on Unit Planning and Strategy**

**Trend 11:**

Metric-Driven Intervention in Unit Performance Issues

**Trend 12:**

Internal Financial Consulting Teams



# Hallmark 1: Central Data Infrastructure Supports Strategic Decision Making

HALLMARK

- Trend 1: Executive-Level Data Governance Oversight
- Trend 2: Data Refinement for Academic Program Analysis
- Trend 3: Business Intelligence Teams
- Trend 4: Academic Financial Dashboards

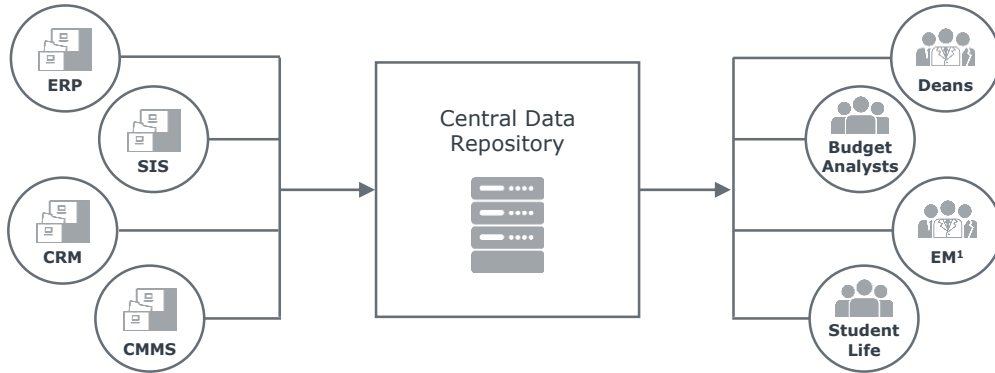
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# Realizing the Promise of Big Data

Optimal Data and Analytics Infrastructure Bolsters Strategic Decision-Making

## Simplified Illustration of High-Functioning Institutional Data Ecosystem



## Advancing Strategic Goals Across Campus with Centralized Data and Decision Support



Campaign Pipeline Optimization



Enrollment Pipeline Management



Targeted Student Advising



Program Demand Analysis



Course Margin Analysis

1) Enrollment Management.

## Challenges to Utilization Span Data Life Cycle



### Collection

- Data recorded at insufficiently granular level to inform decisions
- Staff input data inconsistently, using different definitions

### Aggregation

- Units use shadow systems to conduct analyses and store data outside of main data infrastructure
- Data resides across systems that are not integrated with one another

### Analysis

- Staff struggle to efficiently access data from systems
- Leaders lack skillsets to analyze data for decision-making



# Hallmark 2: New Technology and Organizational Models Maximize Operating Efficiency

HALLMARK

- Trend 5: Technology-Driven Planning Process Redesign
- Trend 6: Scaled Budget and Planning Services

2

# Shifting the Focus of Efficiency Initiatives

CBOs Must Balance Need to Improve Service with Strategic Impact

## Representative CBO Priorities for Efficiency Initiatives in Finance Functions



### Operational Finance Functions

- Accounts Payable
- Bursar
- Controller
- Payroll
- Treasury



### Analytical Finance Functions

- Budget and Planning
- Financial Planning and Analysis

Improve Customer Service



Expand Strategic Impact



# Hallmark 3: Long-Range Financial Plans Consider Future Revenue Threats

HALLMARK

- Trend 7: Financial Modeling and Scenario Planning
- Trend 8: Functional Redesign to Expand Budget and Planning Scope

3

# Looking Beyond the Annual Operating Budget

Industry Moving Towards More Comprehensive, Long-Range Financial Plans

## Charting the Evolution of Institutional Financial Planning

	Historical Approach →	Emerging Approach	Advantage
<b>Outlook</b>	Short-term (i.e., 1-3 years)	Long-range (i.e., 3-10 years)	<ul style="list-style-type: none"> <li>✓ Ensures adequate resources for multiyear commitment</li> <li>✓ Provides advanced notice of impending revenue shortfalls or surpluses</li> </ul>
<b>Scope</b>	Operating funds	All funding sources (e.g., grants, donor gifts, appropriations)	<ul style="list-style-type: none"> <li>✓ Optimizes use of all available funding sources</li> <li>✓ Creates more comprehensive picture of institutional financial health</li> </ul>
<b>Update Frequency</b>	Annually	Multiple times per year (i.e., with every major operating change)	<ul style="list-style-type: none"> <li>✓ Enables more nimble response to changes in operating environment or performance expectations</li> </ul>



# Hallmark 4: Professionalized Staff Support Ongoing Academic Resource Planning

HALLMARK

- Trend 9: Embedded Analytical Support in Academic Units
- Trend 10: Financial Upskilling Programs for Academic Stakeholders

4

# In Search of the Unit-Level CFO

## Institutions Need Professional Finance Support for Academic Units



### Select Academic Decisions With Significant Financial Implications

- Course offerings
- Faculty workload
- Faculty hiring
- Faculty start-up packages
- Curricular re-design
- Reserves management
- Program launch
- Program shrinkage or closure
- Curriculum planning
- Space planning

“80% of our money is spent by academic affairs, primarily through salary. We need to embed a CFO mindset in that organization.”

*Charlie Maimone  
Vice Chancellor for Business Affairs  
University of North Carolina at Greensboro*







# Hallmark 5: Central Finance Provides Just-in-Time Consultation on Unit Planning and Strategy

HALLMARK

- Trend 11: Metric-Driven Intervention in Unit Performance Issues
- Trend 12: Internal Financial Consulting Teams

5

# More Intensive, Focused Financial Services

CBOs Must Thoughtfully Deploy Limited Resources to Unit Special Projects



Scalable

**Central Finance  
Support to Units**

Specialized



**Foundational  
Financial Activities**

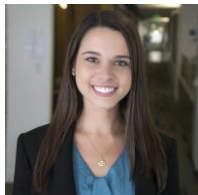
- Operating budget analysis
- Annual budget and forecast compilation
- Reserve management
- Resource planning



**Consultative  
Strategic Assistance**

- Advanced financial modeling
- Strategic planning support
- Business case development
- Departmental process mapping, documentation, and analysis

## Contact Information



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## Evaluating Today's Session



Please take a minute to provide your thoughts on today's presentation.

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## Upcoming Webinars in This Series

### **Building Central Data Infrastructures to Support Strategic Decision Making**

Wednesday, March 20, 2019 | 1:00 PM ET - 2:00 PM ET

### **Maximizing Operating Efficiency and Expanding Long-Range Financial Planning**

Tuesday, April 15, 2019 | 2:00 PM ET - 3:00 PM ET

### **Embedding Analytical Support in Academic Decision-Making and Providing Just-in-Time Consultation on Unit Planning and Strategy**

Thursday, May 9, 2019 | 1:00 PM ET - 2:00 PM ET

Register for all future webinars at [eab.com](http://eab.com).