APS Summit

2019

Hidden Enemies to Strategy

Five Mindsets to Defeat Incrementalism

EAB

The Changing Higher Education Landscape

Why the Status Quo Is Not Sustainable

Changing Types of Students

- Fewer traditional undergraduate and master's students
- More diverse backgrounds (race, income, first gen)
- More transfers in and out

Changing Student Needs and Expectations

- Expect more personalization and flexibility
- Need more support (academic, financial, social, emotional)
- Focused on social responsibility

Changing Career Structures

- Higher expectations for entry-level jobs
- Tech skills assumed, collaborative skills differentiate
- Need for lifelong learning

Changing Competitive Environment

- Not enough traditional undergraduate and master's students to sustain all existing universities
- Agility and differentiation critical for success
- Analytics key for mapping changing market

No Easy Fixes for Strategic Planning Problems

Challenges We Encountered In Helping You with Strategic Planning

You Asked:

"How can I help my team create a bold vision for the future?"

What We Tried:

Aspirational Brainstorming

Facilitated discussion to build a collective vision for the institution

What Went Wrong:

- **Incremental Ideas**
  Emphasis placed on existing investments
- **Unrealistic Goals**
  Initiatives disconnected from external trends

"How can I build stakeholder support for the plan?"

What We Tried:

Campus-wide Focus Groups

Helped synthesize ideas from multiple focus groups across campus

What Went Wrong:

- **Tedious and Long**
  Requires large time and energy investment
- **Loudest Voices Win**
  Larger groups, but narrower discussion

"What private sector practices can we use in strategic planning?"

What We Tried:

Out-of-Industry Solutions

Popular strategy consulting frameworks adapted for use in colleges and universities

What Went Wrong:

- **Fad-Focused**
  Already-popular ideas dominate discussion
- **False Precision**
  Adds metrics, but goals and strategy unchanged

Source: EAB interviews and analysis.

Re-Thinking Our Approach

Focusing on How People Think About Strategy

What We Heard: Strategy Doesn't Drive People

- Unclear Mission
- Legacy Culture
- No Appetite for Change
- Lack of Vision
- Insufficient Data
- Not Actionable
- Lack of Trust

What We Found: People Don't Drive Strategy

- 'We've always done things this way'
- 'What are our peers doing?'
- 'We can't afford any big changes right now'
- 'We just need to tell our story better'
- 'This is part of who we are as an institution'

Source: EAB interviews and analysis.

The Role of Cognitive Biases

Underlying Forces Work Against Leaders to Hamper Strategic Planning

Rooted in Human Nature

Adapted to the Challenges of Our Ancestors

- Cooperating in Small Tribes
- Hunting and Foraging
- Avoiding Danger

Not Always Negative

Cognitive Biases Remain Useful in Many Situations:

- Rapidly evaluate complex situations
- Inferring similarities in different environments
- Conserving mental capacity

Widely Studied

Disciplines Influenced by Cognitive Bias Research:

- Neuroscience
- Sociology
- History
- Business
- Linguistics
- And more

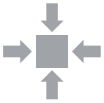
Cognitive Bias

Definition:

A systematic inclination toward thought patterns that deviate from formal logic

Source: Dan Ariely, *Predictably Irrational*, (New York: Harper Collins, 2008); EAB interviews and analysis.

In Strategy and Beyond

Strategic Planning Challenges	Underlying Cognitive Biases		
1 **Unrealistic Goals** Initiatives disconnected from external trends		**The Here and Now Fallacy**	Overreliance on current and internal state information when planning for the future
2 **Fad Focused** Already-popular ideas dominate discussion		**Buzzword Blindspot**	Desire for an innovation or trend without consideration of its personal utility or costs
3 **Incremental Ideas** Emphasis placed on existing strategies		**Stay the Course Syndrome**	Adherence to a widely-shared vision even in the face of evidence of its untenability
4 **Loudest Voices Win** Larger groups, but narrower discussion		**Paradox of Participation**	Efforts to seek out diverse and representative input produce narrowly-focused vision
5 **False Precision** Focus is on metrics rather than on the strategy		**Data Delusion**	Sole reliance on a narrowly-defined set of measures as indicative of success

Crafting Strategy

Implementing Strategy

Cognitive Bias #1

The Here and Now Fallacy

Overreliance on current and internal state information when planning for the future

The Inherence Heuristic

The tendency to explain phenomena in terms of inherent, or internal (vs. external) causes

Projection Bias

The tendency to overweight the extent to which the future will resemble the present

Source: Hussak, L. J., & Cimpian, A., "An Early-Emerging Explanatory Heuristic Promotes Support for the Status Quo," 2015; Loewenstein et al., "Projection Bias in Predicting Future Utility," 2003; EAB interviews and analysis.

Looking Back from the Future

Lessons To Move Higher Ed Strategy Out of the Here and Now

Boldly Envision a Different World

LOWE'S

Lowe's used the power of storytelling—including hiring science fiction and comic book writers—to encourage leaders to think boldly and futuristically

Stanford2025

Formulated as an experimental exhibit in 2014, Stanford2025 envisions the higher education landscape in 2100 based off a collection of technology, demographic, and market projections

Read the Market

UNIVERSITY of DENVER

DU places college leaders on every local nonprofit and community board to increase visibility in the region and gain valuable market intel

CAL POLY SAN LUIS OBISPO

Using rigorous market and data analysis, Cal Poly programs make predictions about how the world will look in 20 years. They then reverse engineer coursework to meet the needs of future students

Plan For a Multiplicity of Futures

Future-Focused Scenario Planning

Assemble local, national, and global trend data to construct at least three unique future states, as well as the strategies necessary to achieve sustainability within each

Potential toolkit contents:

- Imaginary futures exercise
- Regional enrollment and labor market projections
- Emerging trends analysis
- Future student profiles

Source: Nathan Furr, Kyle Nel, & Thomas Zoëga Ramsøy, *Leading Transformation: How to Take Charge of Your Company's Future*, (Cambridge, MA: Harvard University Press, 2018); EAB interviews and analysis.

Take Your Next Meeting Out of the Here and Now

Quick Wins to Launch Your Team Into the Future (Mindset)

Look Outside

Take an Extra 20 Seconds

Research has found that when people spend an extra 20 seconds crafting an explanation, they're more likely to incorporate external, historical, and market information

Take Action: Stop and Think

- After a new idea is posed, impose a mandatory "thinking period" before soliciting responses

Look Ahead

Take Your (Inner) Child to Work Day

Children's imaginations are less constrained by present-day and physical realities. Incorporating imagination activities frees leaders from operational thinking and encourages bold ideas

Take Action: Imagination Station

- Conduct a 15-minute "imagination intensive" at the outset of strategic conversations. Reward the most creative idea generated

Source: Hussak, L. J., & Cimpian, A., "Memory Accessibility Shapes Explanation: Testing Key Claims of the Inherence Heuristic Account," 2018; EAB interviews and analysis.

Cognitive Bias #2

Buzzword Blindspot

Desire for an innovation or trend without consideration of its ultimate utility or costs

Pro-Innovation Bias

The tendency toward excessive optimism about an innovation's usefulness, without considering it's limitations or weaknesses

Law of the Instrument

Assumption that if a popular tool worked in one situation, it will work in all situations

Source: Rogers, E. M., "Diffusion of Innovations: 4th Edition," 2010; Maslow, A. H., "The Psychology of Science," 1966; EAB interviews and analysis.

Temper Optimism with Rigorous Analysis

The Cautionary Tale of Competency-Based Education

Assess the Buzz Before It Stings

Reverse Engineering

Work backwards from a desired end state to identify required institutional capabilities and competencies to achieve success

Potential toolkit contents:

- Process and infrastructure diagnostic
- Capabilities inventory
- "Doability" questionnaire
- Expertise assessment

Sector Assumptions	*Sector Realities*
Students and employers are demanding CBE	Little objective evidence that students and employers are a) aware of and b) asking for CBE
Established CBE programs (e.g., WGU, SNHU) are representative of the market	CBE-exclusive institutions remain in the minority, despite media attention
CBE is faster and lower-cost for students than traditional models	Adult student segment targeted by CBE less likely to complete, and thus pay more
CBE is a cost savings for institutions	Unanticipated expenses, investments make CBE programs more expensive than traditional programs

Source: EAB interviews and analysis.

Check the Hype at the Boardroom Door

Consider Losses

Quantify Opportunity Costs

People tend to make fewer frivolous purchases when they use cash instead of credit. This is due to the fact that the opportunity cost is made concrete (i.e., you see money leaving your hand)

Consider Obstacles

Write a Eulogy

One of the most effective ways to reign in an overly optimistic outlook about an innovation is to flip the script and consider all of the ways it won't work

Take Action: Ask This, Not That

✔ What would we need to give up in order for this to succeed?

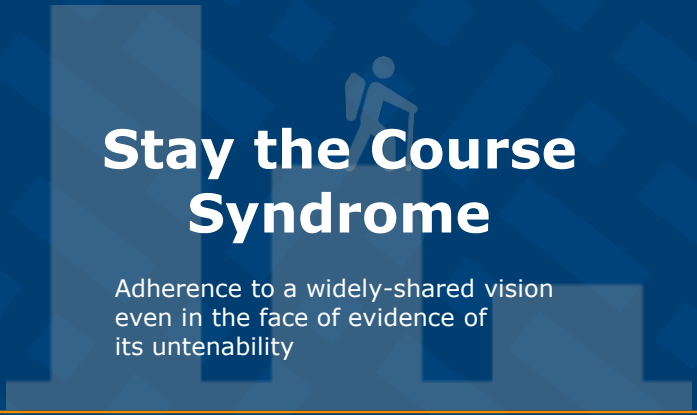
✖ What are universities of our size in our region doing with this innovation?

Take Action: Pre-Mortem Primer

- What problem did we hope to solve? Was our understanding of that problem real or hype?
- What cultural aspects did we fail to consider before making the call?
- How did the competitive landscape shift in a way that made this purchase irrelevant?
- In what ways did this decision run at odds with students' actual needs?

Source: EAB interviews and analysis.

Cognitive Bias #3



Stay the Course Syndrome

Adherence to a widely-shared vision even in the face of evidence of its untenability

Sunk Cost Fallacy

The justification of investment based on past cumulative investment

Availability Cascade

Heightened plausibility of a belief or strategy based on its repetition in public discourse

Source: Staw, B. M., "The Escalation of Commitment: An Update and Appraisal," 1997; Kuran, T. & Sunstein, C., "Availability Cascades and Risk Regulation," 1999; EAB interviews and analysis.

What a Difference 10 Years Makes

Lengthy Planning Horizons Further Hinder Colleges' Ability to Be Agile

When Strategic Assumptions Ignore Market Reality

Ten-Year Vision: 2017-2027

We will grow enrollments by 10% by 2027 leveraging our longstanding reputation in professional masters programs in Business, and expanding our international presence

Strategic Assumptions:

- ✖ Demand for MBA will remain high
- ✖ International student pool will be sufficiently large
- ✖ Current delivery model will remain competitive

FT FINANCIAL TIMES

Sept. 2018—"Demand for MBAs Falls for the First Time"

INSIDE HIGHER ED

Nov. 2018—"New International Enrollments Decline Again"

Pittsburgh Post-Gazette

Dec. 2018—"MBA of the Future: More Courses Online, Less Time on Campus"

> "These [strategic planning] documents don't actually drive decision-making because they **don't represent reality about three months after they're produced**"
>
> *President, Private Baccalaureate College*

Source: Moules, J., *Demand for MBAs Falls for the First Time,* Financial Times, September 30, 2019; Redden, E., *New International Enrollments Decline Again*, Inside Higher Ed, November 13, 2018; Gannon, K., *MBA of the Future: More Courses Online, Less Time on Campus*, December 10, 2018; EAB interviews and analysis.

Revisit, Revise, Restart

Three Ways to Embed Agility into Strategic Implementation

1 Ongoing Strategic Investment Fund

PennState

- Uses internal RFP process to fund strategic initiatives
- Funding is time-constrained
- Efforts scaled or sunset based on progress

2 Rapid Portfolio Adjustment

Northwestern SCHOOL OF PROFESSIONAL STUDIES

- Tests demand for new certificate programs via pilot courses
- Courses are launched in existing programs
- High-demand courses are scaled into certificate programs

3 Sunsetting Triggers

MARIST

- Monitors new program launch enrollments for five years
- Enrollment thresholds are set at launch
- Low performance triggers marketing adjustment, sunset

Low-Risk → **Market-Responsive** → **Proactive**

Source: EAB interviews and analysis.

Lay the Groundwork for Increased Agility

Leverage Signposts and Tripwires to Signal Need for Change

Anticipate Disruption With Contingency Triggers

Assumptions Evaluation

Outline all assumptions underlying strategic goals and establish contingency plans for when those assumptions are violated:

- Tripwires: Objective thresholds that indicate that certain assumptions have been violated such that immediate action is warranted
  - Ex: 5% enrollment decline from 2019

Four Ways Presidents Can Stay Open to Market Signals

- ❑ Ensure your strategy includes assumption measurement, not just outcomes measurement
  - ❑ Establish assumptions tripwires
- ❑ Reward sharing news that may signal that your strategy is going off track
- ❑ Ask next level questions around an assumption shift based upon qualitative input
  - ❑ Is it true? How do you know?
- ❑ Surround yourself with strategy dissenters on a regular basis

Stay curious about evidence both supporting and not supporting an assumption

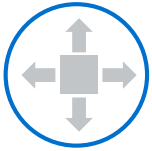
Balance assertiveness and humility

Expect emotional responses. Be prepared to answer why

Source: EAB interviews and analysis.

Three Tools to Drive Transformation

Three Steps to Crafting Future-Focused Strategy



Scenario Planning

- Imaginary futures exercise
- Regional enrollment and labor market projections
- Emerging trends analysis
- Future student profiles

Key Questions Answered:

What will the future look like?

What kind of organization should we be in the future?

Reverse Engineering

- Process and infrastructure diagnostic
- Capabilities inventory
- "Doability" questionnaire
- Expertise assessment

Key Question Answered:

What are the steps needed to get from where we are to where we want to be?

Assumptions Evaluation

- Strategic assumptions identification checklist
- Signpost identification
- Tripwire setting exercise
- Contingency planning diagnostic

Key Questions Answered:

What assumptions are we building our strategy on?

How will we act if those assumptions are invalid?

Source: EAB interviews and analysis.

Cognitive Bias #4

The Paradox of Participation

Efforts to seek out diverse and representative input produce narrowly-focused vision

Ringelmann Effect

The tendency for individual group members to become less productive as group size increases

Groupthink

Prioritization of consensus over critical evaluation, leading to suppression of dissenting views

Dunning-Kruger Effect

The tendency for inexperienced individuals to overestimate their expertise or ability

Source: Ringelmann M., "Research on Animate Sources of Power: The Work of Man," 1913; Janis, I. L., "Groupthink," 1971; EAB interviews and analysis.

Why Higher Ed Culture Eats Strategy

Mission-, Culture-Driven Ethos Often a Double-Edged Sword

Worthy Efforts to Build Consensus Frequently Prevent Strategic Thinking

"Everyone deserves a seat at the table"

Participation in planning seen as necessary to further individual or departmental agendas

- ✖ Prohibitively long planning process
- ✖ Few in-depth discussions
- ✖ Conversations dominated by a few, loud voices

"Every idea is a good idea"

Culture of inclusion fosters belief that every contribution has equal merit

- ✖ "Wish list" plan
- ✖ Few trade-offs
- ✖ Little consideration of actionability or scale

"We've got to all be on board"

Complete consensus viewed as the only way to move ideas beyond committee meetings

- ✖ Bold ideas are rejected outright
- ✖ End goals are vague, watered down
- ✖ Potential disruptors prevented from participating

Source: EAB interviews and analysis.

Wearing Many Hats

How to Achieve Diversity of Perspectives in Small, Efficient Teams

Apply Psychological Principles at Your Next Meeting

Role Play: Assign a role to each team member to avoid groupthink and ensure that a variety of interests (if not bodies) are represented in strategic conversations

Potential Role Frameworks:

- ☑ Institutional Divisions
- ☑ Functional Archetypes
- ☑ "Thinking Hats"

Six Thinking Hats Framework:

White
- Focus on data
- Analyze trends
- Identify gaps

Red
- Focus on emotion
- Provide skeptics' gut reaction

Black
- Focus on weaknesses
- Be critical

Yellow
- Focus on strengths
- Be optimistic

Green
- Focus on creativity
- Brainstorm out-of-the-box solutions

Blue
- Focus on steering the meeting
- Direct conversation

Source: Edward de Bono, *Six Thinking Hats: An Essential Approach to Business Management*, (Boston: Little, Brown and Co, 1985); EAB interviews and analysis.

Cognitive Bias #5

Data Delusion

Overestimation of the extent to which data can and should be leveraged to make a decision

Surrogation

The tendency to lose sight of the strategic concept that a measure is intended to represent, and instead substitute the metric for the construct of interest

Information Bias

The tendency to seek additional information, even when it does not meaningfully contribute to action

Source: Vaughan, M., "The Thinking Effect: Rethinking Thinking to Create Great Leaders and the New Value Worker," 2013; Choi et al., "Strategy Selection, Surrogation, and Strategic Performance Measurement Systems," 2012; EAB interviews and analysis.

The Need for a New Approach

A Changing Environment Requires New Management Tools

The Era of Incremental Growth

- Consistent increases in state funding
- Consistent enrollment growth
- Predictable increases in tuition

Low-Stakes Management

- Across-the-board funding increases
- Launch new programs and keep the old
- Quality always requires spending more
- Build consensus by spreading resources

The Era of Revenue Volatility

- State funding per student declining
- Volatile swings in program-level enrollment
- Revenue growth not keeping up with costs

Difficult Trade-Offs

- Reallocate resources across academic units
- Launch new programs and retire or reorganize underperforming programs
- Find ways to maintain or increase quality with fewer resources
- Engage deans and chairs in understanding the financial impact of academic decisions

Two Sides of the Same Coin

Opposing Attitudes Toward Data Lead To The Same Flawed Conclusion

Simplicity

- Fear of overcomplication
  "Let's not get bogged down"
- Desire for accessibility
  "I want everyone to understand"
- Prioritizes acting with speed
  "I want to get moving on this"
- Common in leaders

Surrogation

The Spectrum of Data Delusion

Comprehensiveness

- Fear of being uninformed
  "I don't want to miss anything"
- Desire for thoroughness
  "We should cover our bases"
- Prioritizes acting with intention
  "Let's take our time on this"
- Common in lower-level stakeholders

Information Bias

> "At the end of the day, all that matters is what the data says."

Source: EAB interviews and analysis.

"Data-Informed" Not "Data-Driven"

Corporate Business Analytics Easily Misapplied in Higher Education

Six Caveats about the Use of Metrics

1. Quality is essential but much harder to measure than cost or efficiency
2. A narrow focus on metrics can create perverse incentives to improve one metric by sacrificing something else
3. Metrics should supplement rather then replace academic judgment
4. Metrics can be highly misleading without appropriate context
5. There is such a thing as too much transparency
6. Benchmarks require context to be meaningful

> "**We increasingly live in a culture of metric fixation**: the belief…that scientific management means replacing judgment based on experience and talent with standardized measures of performance. Though often characterized as "best practice," **metric fixation is in fact often counterproductive, with costs to…organizational effectiveness and economic growth**."
>
> Jerry Z. Muller, *The Tyranny of Metrics*

Filtering Out the Noise

Identify the Right Approach to Linking Metrics and Strategy

Six Presidential Imperatives for Balancing Judgment and Measurement

Understand the System

List all of the factors that may interact with and/or influence the metric of interest

Diversify Your Measurement

Check to ensure you're assessing your assumptions, as well as outcomes

Broaden Your Perspective

Ask whether the metric aligns with the professional judgment of relevant practitioners

Determine Controllability

Assign a controllability score to each metric before determining how to communicate it to relevant groups

Weigh the Costs

Consider the expenses—time and resources—of collecting, analyzing, and interpreting metric data

Make it Real

Identify how the metric is going to change your day-to-day focus, and anticipate perverse incentive risks

Source: EAB interviews and analysis.

In Strategy and Beyond

Enemies to the Plan	Underlying Cognitive Biases
1 **Unrealistic Goals** Initiatives disconnected from external trends	**The Here and Now Fallacy**
2 **Fad Focused** Already-popular ideas dominate discussion	**Buzzword Blindspot**
3 **Incremental Ideas** Emphasis placed on existing investments	**Stay the Course Syndrome**
4 **Loudest Voices Win** Larger groups, but narrower discussion	**The Paradox of Participation**
5 **False Precision** Adds metrics, but goals and strategy unchanged	**Data Delusion**

Beyond Strategic Planning

Cognitive biases manifest in many areas across campus:

Academic Program Reviews

Cognitive biases influence evaluations of program performance and closure decisions.

Capital Planning

Campus building projects leave a lasting legacy. Planning requires long-term strategic thinking.

Budget Management

Resource allocation requires strategic decisions about short and long term priorities.

Student Recruitment

Recruiting tomorrow's students will require managing trade-offs and difficult choices.

Source: EAB interviews and analysis.

Appendix: Recommended Reading

1 Cognitive Biases

Thinking, Fast and Slow
Daniel Kahneman

Predictably Irrational: The Hidden Forces That Shape Our Decisions
Dan Ariely

The Art of Thinking Clearly
Rolf Dobelli

Algorithms to Live By: The Computer Science of Human Decisions
Brian Christian & Tom Griffiths

Blink: The Power of Thinking Without Thinking
Malcom Gladwell

Heuristics and Biases: The Psychology of Intuitive Judgment
Thomas Gilovich, Dale W. Griffin, & Daniel Kahneman (editors)

2 Out of Industry Strategy

Playing to Win
A.G. Lafley & Roger Martin

Start With Why: How Great Leaders Inspire Everyone to Take Action
Simon Sniek

The Design of Business
Roger Martin

Good Strategy, Bad Strategy: The Difference and Why it Matters
Richard Rumelt

Lower Ed
Tressie McMillan Cottom

The Agile Enterprise: Building and Running Agile Organizations
Mario Moreira

Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant
W. Chan Kim & Renee Mauborgne

Source: EAB interviews and analysis.

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