

This Executive Briefing is part of EAB's [Dynamic Strategy Resource Center](#). For more on how leading colleges and universities are embedding rigor, agility, and accountability into their strategic plans, [click here!](#)



Building Dynamic External Market Scenarios

Making Assumptions About External Industry Forces Explicit and Adaptable

PART

1



- 1 Effective strategy must address challenges posed by the entire higher education industry like college-going rates, student preferences, funding and pricing trends, and competition, all of which have been upended in the pandemic.
- 2 Conventional strategic planning tends to fast-forward to introspective questions about “how to make ourselves better” before rigorously considering external opportunities and threats, and rarely revisit assumptions underlying strategic bets as conditions change. As a result, plan documents don’t drive decision-making, because they don’t reflect reality mere months after they’re produced.
- 3 Before developing strategy, leadership should spend 1-2 days building **Dynamic External Market Scenarios** featuring explicit assumptions about the magnitude and rate of approach of key market forces, developed through four complementary activities:
 - **Market Force Dashboard:** Visualization of approximately eight critical market forces, with assumption about their trendlines over the next five years and signposts for spotting unexpected deviations requiring strategy pivots
 - **Future Visioning Workshops:** Informed speculation about how uncertain but potentially transformative technology and social changes might affect industry
 - **SWOTs Priority Matrix:** Triaged opportunities and threats into “must-address” and “selectively pursue” levels of urgency, to focus strategy and avoid priority creep
 - **Scenario Change Reprioritization Plans:** Descriptions of alternative medium-term paths the market might take, with pre-litigated shifts in strategic priorities and operations

Together, the elements of the Dynamic External Market Scenarios enable rigor and agility – the ability to make informed strategy pivots quickly, without having to redo the planning process from scratch.

Institutional Introspection No Longer Sufficient

Clear View of External Market Conditions Key to Launching Strategic Vision

With So Much Uncertainty, You'd Rather be Fast than Right

If you know the timing and severity of the next COVID-19 variant, please share that information with public health authorities. If you know whether 7% inflation is temporary, or the new normal for the 2020s, please inform the Federal Reserve. Jeff Bezos would pay a lot to know about student adoption of distance education tools, and employer acceptance of alternative credentials. State legislatures would love to know if the extent to which the pandemic's health care expenditures might crowd out education funding. If you know any of these answers, run for office or start a hedge fund.

If you're a university leader trying to navigate so many consequential uncertainties, you're probably reaching the same realization coming to as many of your peers: that traditional, five-year strategic plans don't provide a strong framework for detecting market shifts and pivoting resources as market conditions change. Long insulated in a slow-moving industry, where careful assumptions would likely stay valid for a decade, higher education is starting to place a premium on agility, embracing the private industry adage "I'd rather be fast than right..."

Universities Need a Clear View of the External Market to Stay Agile, but Strategy Teams Often Look Inward First

Strategy intrinsically combines an external view of industry trends and competition, and internal views on sources of unique value and comparative advantage. It explains how, given what we assume to be true about the market, the institution can deliver a unique value proposition enabling the accomplishment access to students, research funding, first-generation student success, community engagement, or any other priority mission goal.

But EAB has observed while analyzing hundreds of university strategic plans and participating in scores of partner planning retreats the tendency of strategy teams to fact-finding and debate about the external market, and instead leaping to introspective questions about "how we can be better." This is understandable, given that conversation tends to concentrate on what people feel most comfortable discussing:

- **Facts about the market are harder to get than opinions about the institution:** Institutional leaders generally, and academics in particular, likely know more about what's going on inside the four walls of the institution than across the industry
- **Higher education still getting used to culture of market share competition:** Growing tuition-dependency amid declining enrollments requires awareness of competitor strategy and student comparison-shopping that's unfamiliar and unappealing
- **Concern that challenging market trends are demotivating:** In many parts of the higher education ecosystem, fundamentals are deteriorating, and future disruptions are perceived to threaten hallowed parts of campus culture. The scale of implied change can be daunting. Wanting to accentuate the positive, strategy teams sometimes don't leave enough time for robust, candid debate about the implications of difficult trends

Four Exercises to Build Market-Sensing Muscles

Do-It-Yourself Guides and EAB-Facilitated Workshops

We believe that, prior to engaging the inwardly focused steps in strategy formation, strategy teams should devote the equivalent of 1-2 days building the foundations for *Dynamic Market Scenarios*, a one-time effort that will enable fact-based assessment of market shifts and fast strategy pivots later on. Best-in-class external market models combine four complementary activities:

Elements of Dynamic External Market Scenarios

Explicit assumptions about external forces...

Market Force Dashboard

Explicit five-year assumptions for 8-10 key forces

Signposts to spot unexpected deviations



Future Visioning Workshops

Imagining impact of uncertain but potentially transformational technology and social disruptions

Implications for business model



...inform internal Strategy focus and resource allocation contingencies

SWOTs Priority Matrix

Strengths, Weaknesses, Opportunities, Threats

Triaged by leverage and ability to influence



Scenario-Based Reprioritization Plans

Alternative pandemic recovery scenarios

Start-Cut-Adapt action items on strategic initiatives and operations

Making Assumptions About the Future Explicit

Market Force Dashboards and Future Visioning Exercises

Market Force Dashboard

To foster a shared, objective view of ongoing industry trends, establish and socialize a *Market Force Dashboard*, recording best-available data for the 8-10 factors most relevant to availability of target students and key funding sources.

Dashboards also display explicit assumptions about each factor's magnitude and rate of change over the next 2-5 years: do we believe they are likely to improve, worsen or stay the same? Finally, Dashboards define "signposts" for each factor, indicating a change in trendlines significant enough to warrant revisiting strategic positioning and priorities. Generally, deviations of +/- 20% from original assumptions are reasonable tripwire ranges.

Assign responsibility to the Strategic Planning Director (or equivalent) for working with Institutional Research to update the dashboard 1-2 times per year, or as frequently as new data becomes available. Review the dashboard at least quarterly with the strategy team or cabinet, evaluating which forces are changing enough to warrant revisiting strategic priorities.

Beyond precision and transparency, market dashboards have second-order cultural benefits, helping to promote a consistent, consensus narrative about secular trends that stands up amid leadership turnover and disciplinary rivalry.

While each institution may configure dashboards differently based on size, public vs. private status, selectivity, research goals, etc., some of the most common elements tracked are outlined on the following page. Access an editable dashboard workbook [here](#).

Market Force Dashboard (Illustrative)

Short, Easy-to-Interpret Analysis of Assumptions Around 8-10 External Forces

	Assumption What do we believe about the market over the next 5 years?	Signpost Where is reality diverging from our prior expectations?	Strategy Pivot Do we need to change priorities or move resources?
Undergraduate Demographics*	Decline of 3% in in-state 18yr-olds by 2025** Four-year college participation rate steady at 62%	College participation rate drops to 55% Participation in transfer pathways +28% YoY 	Accelerate Transfer Destination Initiatives <ul style="list-style-type: none"> Transfer pathways from all majors Create transfer portal Financial aid for transfers
Student Program Demand	Top 5 majors will enroll 68% of students by 2025		
Student Delivery Preference	Students will achieve 10% of credit hours in online/remote formats		
Adult Learner Market	Online masters flat in most disciplines Short-format program demand up 50% by 2025	Major local employer announces digital badge initiative 	Launch Alternative Credential Pilot Program <ul style="list-style-type: none"> Badging for Cybersecurity Identify regional partner
Net Tuition	Flat NT per student through 2025 Discount rate = 23%		
Public Policy	State graduation performance funding to put \$20M at risk by 2025		
Competition and New Entrants	State flagship enrollments grow 2% by 2025		
Public Funding	Federal funding flat through 2025 State funding down 5% by 2025		

*Break out high-priority student segments (e.g., international students), disciplines, or program type

**Define assumptions using objective metric and fixed time whenever possible

***Use visual symbols or color-coding to highlight deviations of +/- 25% from assumptions

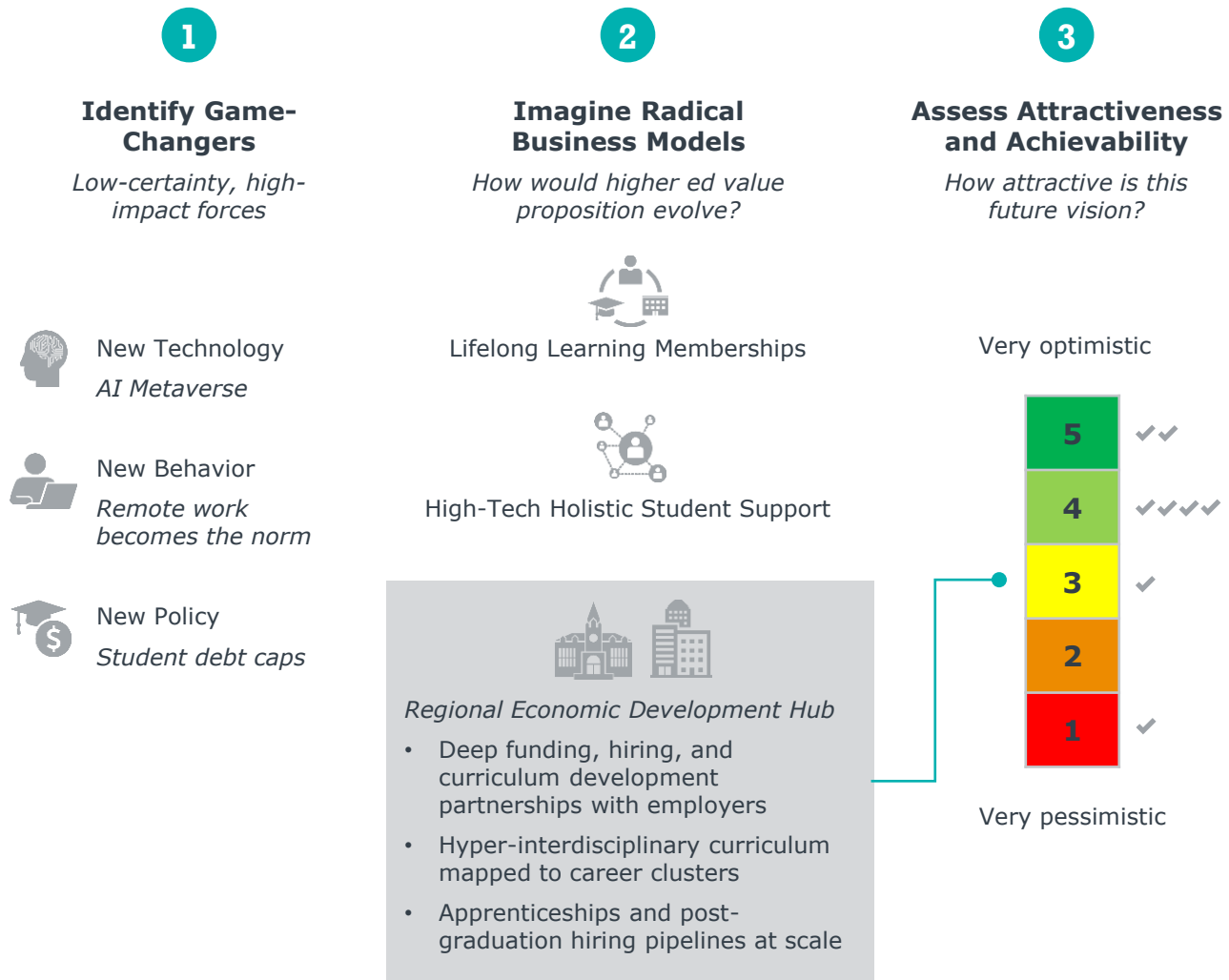
Making Assumptions About the Future Explicit (cont.)

Market Force Dashboards and Future Visioning Exercises

Future Visioning Workshops

While Market Force Dashboards are essential for tracking trendlines, they can be a bit of lagging indicator, not warning of potential market disruptions far enough ahead of time to reposition strategy. As a forward-looking complement, strategy teams should conduct *Future Visioning Workshops* to imagine how higher education would change under less certain but potentially transformational in technological or social disruptions.

Future Visioning Workshops don't try to develop the most accurate predictions possible about higher education ten years on; instead, they're a guard against incrementalism encouraging participants to go beyond perceived constraints and identify big opportunities.



Making Assumptions About the Future Explicit (cont.)

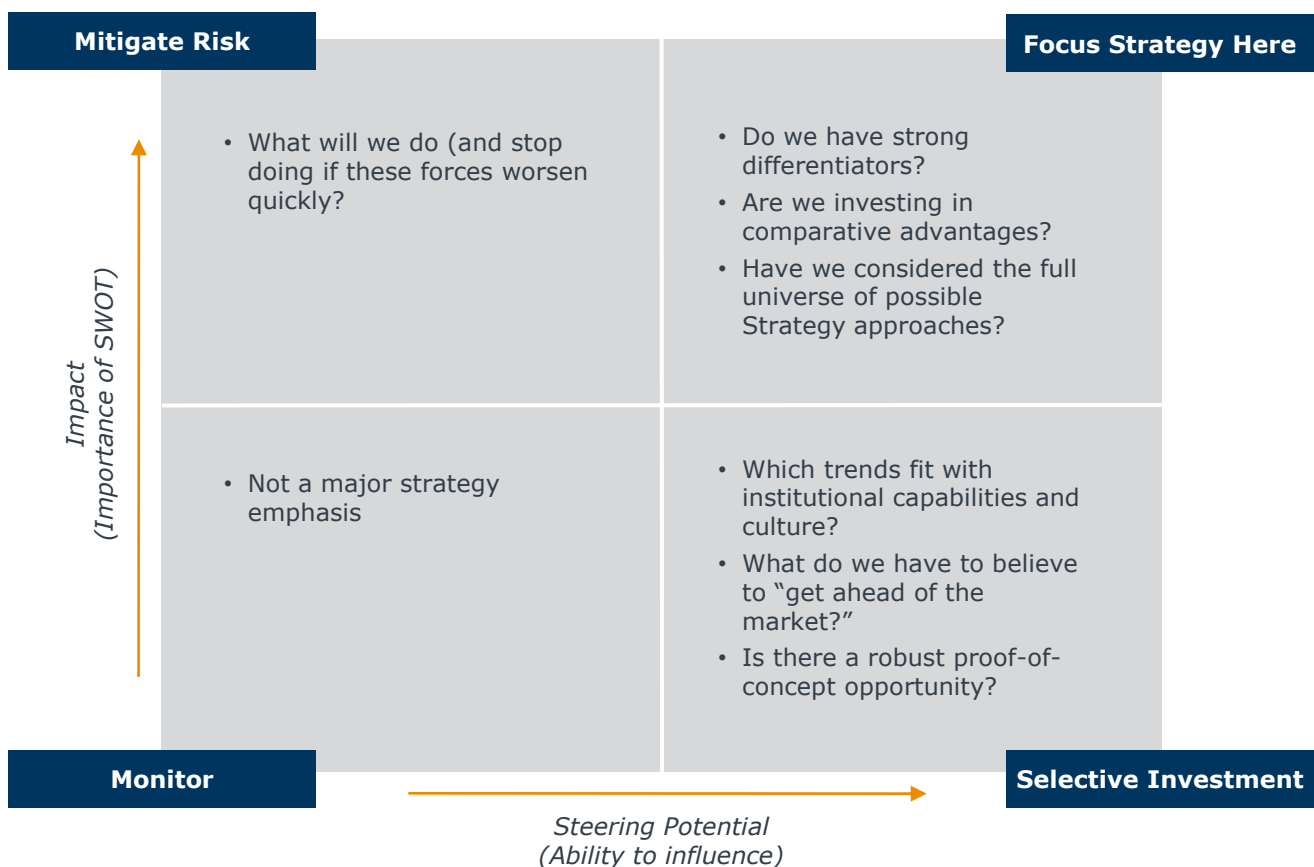
SWOTs Priority Matrix and Scenario Change Reprioritization Plans

SWOTs Priority Matrix

Together, the Market Force Dashboard and Future Visioning Exercises blend objective monitoring of the direction and rate-of-approach of existing trends, with insight into unproven but potentially consequential technology and social disruptions. Once these bookend external assumptions are in place, the strategy team can apply them inward, through the SWOTs Priority Matrix triaging the opportunities and threats that strategy must address.

Most institutions are familiar with SWOTs – the exercise where participants divide into four groups, brainstorming the institution’s Strengths and Weaknesses, given external Opportunities, and Threats. Reserve 50% of the allotted time (typically 1-2 hours) for small-group brainstorming, then 25% for reporting back to the entire group.

The final 25% is for debating and assigning SWOTs into a Priority Matrix, based on Impact (the relative importance of the SWOTs item) and Steering Potential (institutional ability to influence trendlines). There’s no need (or time) to fully answer the questions teed up by matrix, but they should inform allocation of strategy team efforts downstream – does our ultimate strategy and strategic planning have believable answers?



Making Assumptions About the Future Explicit (cont.)

SWOTs Priority Matrix and Scenario Change Reprioritization Plans

Scenario Change Reprioritization Plans

A final activity foundation is to develop 3-4 alternative, high-level scenarios describing paths the external market might take over the next 3-5 years should key uncertainties play out differently, itemizing initiatives to Start, Cut or Adapt in response. A handful of larger research universities with mature strategic planning processes were doing this prior to the COVID19 pandemic; today, regional public and private institutions are following suit for pandemic recovery planning.

As with **Future Visioning Workshops**, the goal of **Scenario Change Reprioritization Plans** isn't to make elegantly detailed forecasts, but instead to think systematically about market inflection points and the responses they require. Start, Cut, Adapt lists help overcome cultural barriers to action ("stay the course syndrome" and sunk-cost fallacies especially) and save leadership time by pre-litigating some decisions rather than revisiting them from the beginning.

Best-Case Scenario: A Passing Storm

With pandemic largely behind us, higher education will revert largely to pre-COVID competitive environment

Scenario #1



New Labor Market

Context

- Employers engage in voracious hiring for hot skills, bypassing BAs
- College participation drops as students opt for microcredentials
- Spike in adult learner demand for reskilling

Reprioritization Plan

Start: Employer curriculum and hiring partnerships

Stop: Online Master's program launch

Adapt: Career Services

Scenario #2



Exploding Academic Calendar

Context

- Waves of COVID variants cause frequent closures
- Students, faculty, and staff expect on-demand remote options
- Pressure to accommodate internships and leaves of absence

Reprioritization Plan

Start: Non-traditional calendars for high-demand majors

Stop: Traditional summer and intersession programs

Adapt: "Digital Divide" equity support services

Scenario #3



Rapid Consolidation

Context

- Online mega-universities and community colleges attract price-conscious students
- State system consolidation
- Private institution mergers and closures

Reprioritization Plan

Start: Identifying potential merger partners

Stop: Construction projects

Adapt: Explore outsourcing noncore administrative functions

The Payoff

Faster Time-to-Response, Greater Leadership Team Buy-In

Investing time upfront building the elements of Dynamic External Market Scenarios pays off many times over later on. The explicit, hardwired assumptions with pivot signposts in the Market Force Dashboard save time identifying when course corrections are needed. Triaged SWOTs priorities ensure the strategy team is focused on addressing the most important opportunities and threats, resisting laundry-list planning. Scenario-Based Reprioritization Plans accelerate decision-making about where to reallocate resources when conditions change. For many, the rigor and time savings enabled by the complementary processes is worth the effort.

Another equally valuable benefit of maintaining an explicit, adaptable lens on external forces is leadership buy-in. Many institutions tell EAB that the process of building the scenarios created unprecedented single view of the market shared by among academic and business leaders, essential for speeding consensus-based decisioning in the fast-changing pandemic reopening. Likewise, the models are valuable leadership development and onboarding tools. They encapsulate the institution's beliefs about the competitive environment, and the logic behind existing strategy choices about where to compete (and not), greatly reducing the time and effort needed to educate early-career leaders or onboard newcomers to cabinet or dean roles.



Dynamic Strategy Self-Assessment

How Confident Are Your Strategy's Foundational Assumptions, Given COVID-Driven Disruptions?

	Not Confident	Somewhat Confident	Highly Confident
1. We have metrics and explicit medium-term assumptions for key external market forces	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Academic and business leaders understand our metrics for external market forces and agree on our assumptions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. We define "signposts" that identify deviation from assumptions requiring strategy adjustment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. We assess the impact of technology, social, and policy disruptions on our competitive position	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. We triage SWOTs into "Focus Here" and "Selectively Invest" tiers to avoid priority creep	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. We have ~3 medium-term future scenarios and identify initiatives to <i>Start, Stop, and Adapt</i> when new scenarios emerge	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>