# EAB

# New Presidents Intensive 2024

**Critical Considerations for Achieving Financial Sustainability and Resilience**
Hardwiring Academic and Administrative Efficiency

July 23, 2024

Zoom Features and Settings

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# New Presidents Intensive Curriculum

## VIRTUAL INTRODUCTION | 1:00 – 2:00 PM ET

**Tuesday, June 18, 2024**

## IN-PERSON SESSION | EAB HEADQUARTERS | WASHINGTON, DC

**Sunday, June 23, 2024**
6:00–8:00 pm ET

*Welcome Dinner*

**Monday, June 24, 2024**
9:00 am–7:00 pm ET
*2024 State of the Sector*
*Dynamic Strategy and Principled Differentiation*

**Tuesday, June 25, 2024**
9:00 am–1:00 pm ET
*AI, The Future of Work and Implications for Higher Ed*
*What Every President Needs to Know about Athletics*
*The President as Fundraiser-in-Chief*

## VIRTUAL SESSIONS | TUESDAYS | 1:00 – 3:00 PM ET

**July 2, 2024**

*Shared Governance 2.0*

**July 9, 2024**

*Understanding "Generation P"*

**July 16, 2024**

*Blueprint for Growth*

**July 23, 2024**

*Critical Considerations for Achieving Financial Sustainability and Resilience*

**July 30, 2024**

*The Balancing Act of Free Speech, Safe Spaces, and Deplatforming*

# Meet Your Presenter



**Dr. David Vuletich**
*Research Advisory Services,
Managing Director*

# Special Guest President



**President Gordon Gee**
*West Virginia University*
*(President -Emeritus - Ohio State University,*
*Vanderbilt University,*
*Brown University,*
*University of Colorado)*

## Facing Pressure, Institutions Turn to Familiar Cost-Cutting Measures

**West Virginia University**

- $45M deficit
- Approved plan to cut 28 programs, 143 faculty

**Southern OREGON UNIVERSITY**

- 13% reduction in workforce
- Early retirement, no backfilling roles

**chatham UNIVERSITY**

- 20 staff laid off
- Hiring freeze
- Reduced overtime and benefits

**HENDERSON STATE UNIVERSITY 1890**

- Financial exigency
- 90-day hiring freeze
- Restructured academic departments

**DE PAUL UNIVERSITY**

- $56M budget gap
- 77 voluntary separations

**Queen's UNIVERSITY**

- $62.8M operating budget deficit
- Hiring freeze

## Getting Ahead of the Storm

*With Pressures Only Growing Worse…*

- Eroding state allocations
- Rising real estate and maintenance costs
- Shifts in international enrollment trends
- Research funding funneling to the top
- Domestic undergraduate decline
- Weakening adult and transfer markets
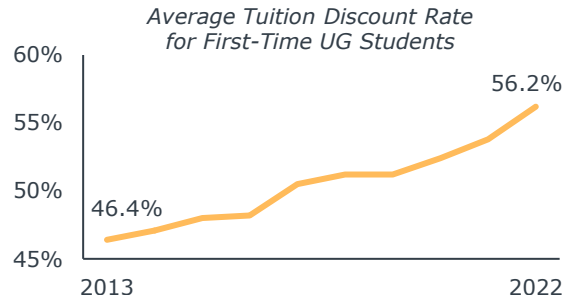
*…Universities in the Black Also Cutting Costs*

**Bates**

Senior staff asked to reduce programmatic spending by 5%, despite $3M surplus in FY 2022.

Source: Quinn, "Despite National Pushback, West Virginia Will Cut Faculty, Programs," *Inside Higher Ed*, Sept. 15, 2023; Deto, "Chatham University reduces staff, streamlines operations to address budget deficit," *Tribune-Review*, Sept. 12, 2023; Querolo, "Largest Catholic University in US Faces $56 Million Budget Gap," *Bloomberg*, April 14, 2023; Coppolino, "Queen's projects a $62.8 million deficit," June 26, 2023; Collins, "Worried about rising costs, Bates College plans cuts," *Sun Journal*, Jan. 9, 2023; EAB interviews and analysis.

## Inflation, Discounting, Operational Costs Worsen Simultaneously

*Average Yearly Increase in Higher Ed Inflation Rate[1]*



1.6%
5.2%

*Total Asset Backlog ($/gross square foot)*



$92
$133

*Average Yearly Increase in Higher Ed Staff Wages*



1.6%
8.6%

*Average Tuition Discount Rate for First-Time UG Students*



46.4%
56.2%
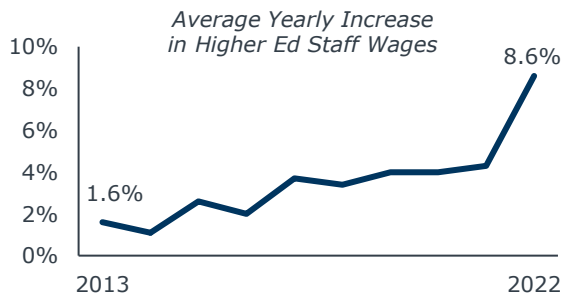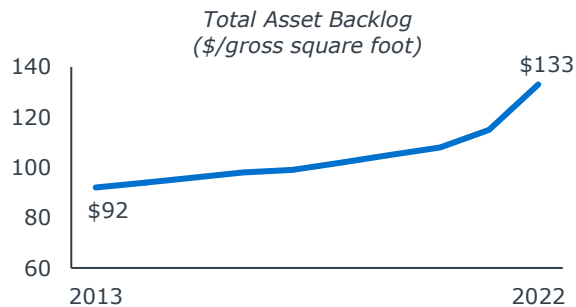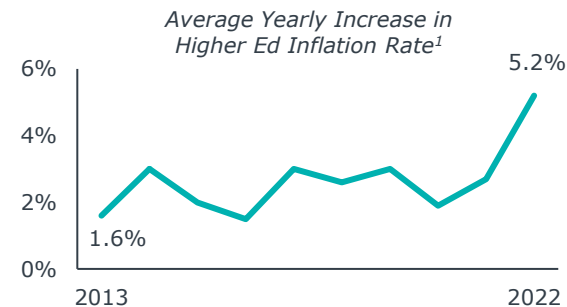
1) From the Commonfund Institute's Higher Education Price Index

## Typical Reactions to Rising Costs Not Viable in Current Conditions

**Myth: "We will grow our way out of it."**

*Reality:* **Growth Remains Important, But Less and Less Achievable**

**62%**

of institutions will see flat or shrinking enrollments by 2030

**566**

institutions estimated to see 25% decline in enrollment by 2040

Learn More with EAB's
Enrollment Analytics Portfolio

**Myth: "Cutting admin bloat will resolve the problem."**

*Reality:* **Administrative Organization Relatively Lean After Decade of Reductions**

**-5.5%**

change in *public* 4-year institutions' administrative costs per student, 2016-2021

**-0.6%**

change in *private* 4-year institutions' administrative costs per student, 2016-2021

**Myth: "Only fair strategy is across-the-board cuts."**

*Reality:* **Blanket Cuts Rarely Lead to Sustained Savings— and Damage Capacity**

**43%**

of organizations achieve desired savings in first year of blanket cuts

**67%**

of HE institutions' three-year-average cost growth increased following blanket cuts

## Institutions (Re)Discovering and (Re)Deploying Cost Tactics to Great Effect

**Travel Reductions**

**Louisiana State University** restricted faculty and staff travel to avoid layoffs

**Printing Cuts**

**University of Central Arkansas** contracted print services, reducing desktop printers for net savings of $112k

**Vacancy Review**

**Simmons University's** hiring and promotions committee reviews vacancies, restructurings, and promotions to determine alignment with strategic goals and the overall budget

**Healthcare**

**Alverno College** leveraged consortium for insurance negotiations; modified health plan cost share and options

**Space Reductions**

**Pepperdine University** moved roles to hybrid/remote schedule with less space needs, eliminating office building lease

**Voluntary Separations**

**Maple University[1]** offered targeted voluntary separations, eliminating or modifying 30+ positions

### Coming Soon: EAB's Comprehensive Cost Containment Playbook

- Single resource hosting 100+ proven tactics across functions and cost centers
- Accessible, easy-to-search language to make conducive for team usage
- Implementation guidance, estimated ROI, and institutional examples included

1) Anonymized institution

Source: Alverno College, Milwaukee, WI; Louisiana State University, Baton Rouge, LA; Pepperdine University, Malibu, CA; Simmons University, Boston, MA; University of Central Arkansas, Conway, AR; EAB interviews and analysis.

Plan for Future At Least One Scenario Ahead of Current State

| Stewardship | Proactive | Concerned | Crisis | Existential Threat |
|---|---|---|---|---|

**Institutional Financial Status Worsening**

| Growing, investing in future efficiency | Stable, but facing increased pressure | Operating at a structural deficit | Struggling to meet financial obligations | At-risk of closing |
|---|---|---|---|---|

## Cost Management Strategies

| | | | | |
|---|---|---|---|---|
| • Create 5-year Budget Plan | • Position Control | • Benefit Evaluation | • Layoffs | • Sell Assets |
| • Organizational Review Committee | • Travel Restrictions | • Hiring Freeze | • Restructure Units | • Program Cuts |
| • Process Improvement Team | • Interinstitutional Partnerships | • Shared Services | • Reduce Leases | • Mergers |

Source: EAB interviews and analysis.

## Magnitude of Challenge Causes Leaders to Look at Academic Savings

**Expenditures Outstripping Revenue at Unsustainable Levels[1]**

## 37%

Of surveyed senior university leaders say their institution is in a structural deficit

**Cost Reduction a Major Focus for Senior University Leaders Across Segments[1]**

## 91%

Of respondents say containing costs is a current institutional priority

**Administrative Cuts Not Sufficient, Institutions Seek Savings from the Academy[1]**

## 63%

Of respondents plan to contain costs by improving academic program efficiency

**Enrollment Numbers No Longer Able to Support Academic Portfolio**

## 58%

Of presidents agree their institution has too many majors, programs, or departments for current enrollment

## Tangible Savings Few and Far Between

### 25% Derailed Before Completion

**Snapshot:**

*Regional Public in the Northwest*

- Provost announces prioritization without compelling case for a reallocation methodology

- Faculty research into prioritization leads to senate vote to protect all faculty lines and programs from closure

- Effort abandoned after failure to reach consensus on data definitions and reliability

**Key Factors:**

- Faltering executive commitment to reallocation

- Tenuous buy-in from campus stakeholders about the need for prioritization

- Data either unavailable or (perceived as) untrustworthy

### 50% Completed with Minimal Changes

**Snapshot:**

*Private Master's in the South*

- Three rounds of prioritization eliminate program tracks in departments without touching faculty, leading to virtually no savings following major effort

- Efforts have created comfort with metrics; leaders hope to move to more regular review to avoid angst surrounding prioritization

**Key Factors:**

- No programs with any real cost implications closed

- Primary savings lever—faculty headcount—left untouched

- Prioritization effort too exhausting and demoralizing for follow-through

### 25% Successful Reallocation

**Snapshot:**

*Public Research in the Midwest*

- Easy-to-sacrifice minors and tracks taken off the table before proceeding with ranking

- Lowest quintile degree programs in each college expected to make major changes

- Deans given authority to reallocate budget as saw fit

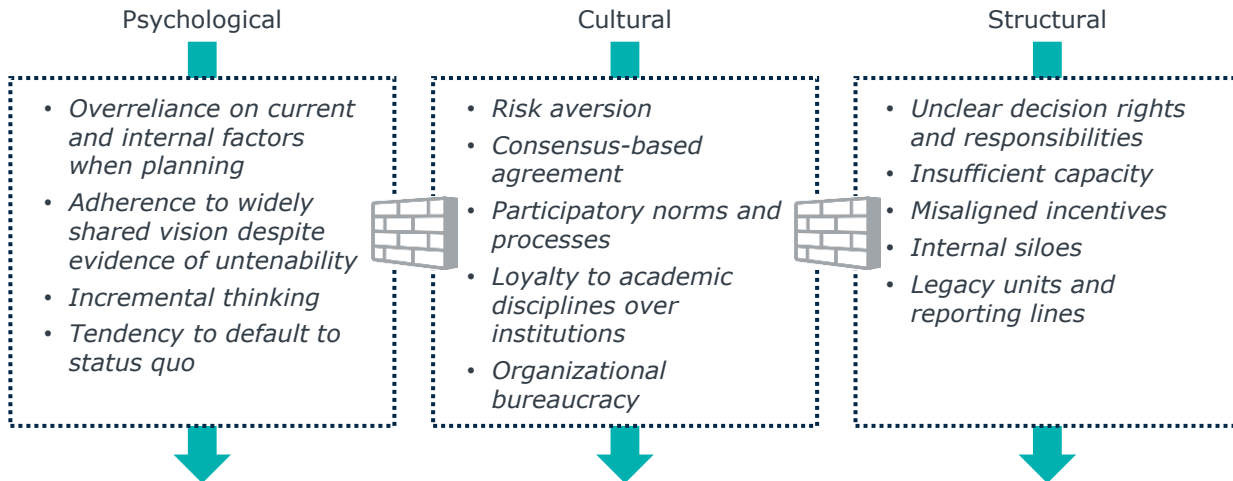- New state funding redirected to priority areas in top quintile

**Key Factors:**

- Singular focus on mission, whether in response to budget cuts or surplus

- Previous data collection leads to quicker decision-making

- Effort takes on "local flavor"

# High Barriers to Change in Higher Ed

## Campus Leaders Face Strong Aversion, Stakeholder Resistance

**Types of Barriers to Change**

### Psychological

- *Overreliance on current and internal factors when planning*
- *Adherence to widely shared vision despite evidence of untenability*
- *Incremental thinking*
- *Tendency to default to status quo*

### Cultural

- *Risk aversion*
- *Consensus-based agreement*
- *Participatory norms and processes*
- *Loyalty to academic disciplines over institutions*
- *Organizational bureaucracy*

### Structural

- *Unclear decision rights and responsibilities*
- *Insufficient capacity*
- *Misaligned incentives*
- *Internal siloes*
- *Legacy units and reporting lines*

**Outcomes**

1 Deters leaders from initiating change initiatives entirely

2 Stops change initiatives early in their tracks

3 Leads to long-term stall outs and change fatigue

Source: EAB interviews and analysis.

**Academic Program Costs**

- Academic programs with declining students but flat or rising instructional costs
- Academic programs with poor student outcomes

→ **Review academic program portfolio to align resources with mission**

**Instructional Costs**

- Unnecessary sections of multi-section courses
- Courses that are small due to lack of demand or inaccurate caps rather than pedagogical necessity
- Large variation in instructor teaching loads

→ **Realign instructional resources with student needs**

**Academic Unit Overhead Costs**

- Sub-scale academic units with higher than necessary administrative overhead costs
- Separate academic units with significant curricular overlap

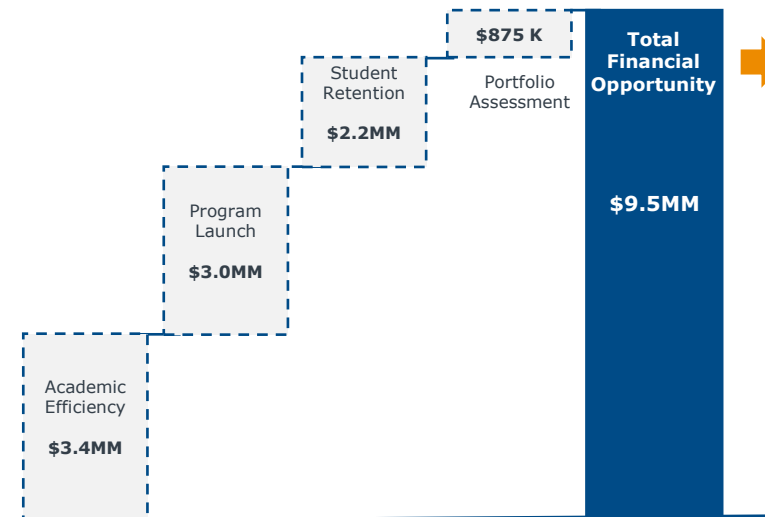→ **Reorganize academic units for efficiency and effectiveness**

## Identify and Size the Primary Financial Opportunities

### Regional Public University*

*Sources of Financial Opportunity*



Academic Efficiency

**$3.4MM**

Program Launch

**$3.0MM**

Student Retention

**$2.2MM**

Portfolio Assessment

**$875 K**

**Total Financial Opportunity**

**$9.5MM**

### Financial Opportunity

*Available Savings and Revenues*

**Academic Efficiency**
- Reorganizing academic departments
- Recapturing excess faculty capacity
- Reducing small and underfilled sections

**Program Launch**
- Identify your next best program opportunity and breakeven point
- Understand principles of successful program design

**Student Retention**
- Identify barriers to retention and strategies to remove those barriers

**Portfolio Assessment**
- Understand performance of each program against value drivers
- Identify savings associated with cutting programs

*12,000 Undergraduates

Lasting Results Require Great Systems, Not Just Great Leaders

**7** Average tenure of college and university **presidents**, in years

**4** Average tenure of college and university **provosts**, in years
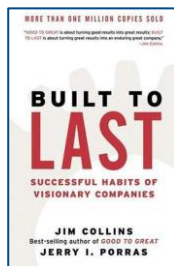
**6** Average tenure of college and university **deans**, in years

**4** Average tenure of department **chairs**, in years

**7%** Likelihood that all four individuals will overlap in service for 4 years

MORE THAN ONE MILLION COPIES SOLD

# BUILT TO
# LAST

SUCCESSFUL HABITS OF
VISIONARY COMPANIES

JIM COLLINS
Best-selling author of *GOOD TO GREAT*
JERRY I. PORRAS

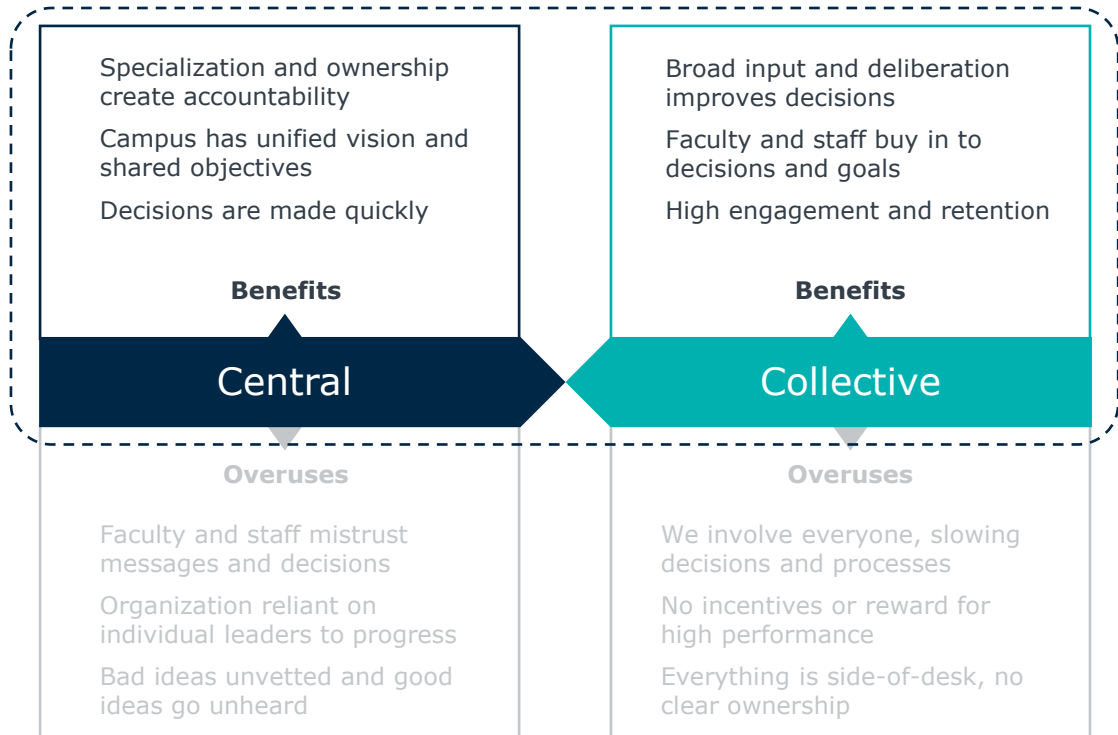**A Lesson from High-Performing Organizations**

"Having a great idea or being a charismatic visionary leader is 'time telling;' building a company that can prosper far beyond the tenure of any single leader and through multiple product life cycles is 'clock building.' Those who build visionary companies tend to be clock builders."

*Jim Collins*
*Built to Last: Successful Habits*
*of Visionary Companies*

## Central

**Benefits**

Specialization and ownership create accountability

Campus has unified vision and shared objectives

Decisions are made quickly

**Overuses**

Faculty and staff mistrust messages and decisions

Organization reliant on individual leaders to progress

Bad ideas unvetted and good ideas go unheard

## Collective

**Benefits**

Broad input and deliberation improves decisions

Faculty and staff buy in to decisions and goals

High engagement and retention

**Overuses**

We involve everyone, slowing decisions and processes

No incentives or reward for high performance

Everything is side-of-desk, no clear ownership

## Department Chairs Best-Positioned, but Least Prepared to Lead Change

Budget Model

**Central Administration**

Strategic Plan

✖ *Rarely transparent or animating for faculty leaders*

✖ *Rarely translated into unit-level expectations*

Chairs receive little training or data on performance…

**67%** Receive no formal training

**40%** Of existing trainings last < 5 hours

**66%** Say training didn't prepare them for the job

**Departmental Leaders**

…but influence innumerable departmental decisions

- Faculty recruitment
- Promotion and tenure
- Workload and releases
- Course scheduling
- Student advising
- Program design
- Faculty evaluation
- Pedagogical support

Source: Chair training data from survey of 336 department chairs by the University Council of Educational Administration's Center for the Study of Academic Leadership (2017); EAB interviews and analysis.

# A Two-Part Effort

From One-Time Initiatives to Continuous Improvement

**❶ Translate Institutional Goals into Departmental Performance Indicators**

Institution

Department

- Accurately measure departmental performance
- Motivate and direct departmental action
- Identify opportunities for improvement

**❷ Sustain Momentum Through Ongoing Evaluation**

Evaluate

Act

Plan

- Ensure ongoing improvement
- Inform short- and long-term resource decisions
- Create continuity through leadership transition

# Academic Efficiency and Effectiveness Playbook

Given inflation, shifts in enrollment patterns, waning government support, and intensified stakeholder expectations, college and university budgets are under pressure. Proactive leaders are preparing their campuses with tough conversations about academic portfolio health as well as administrative operations. For both areas, EAB has organized 15+ years of research into playbooks of on-demand resources, expert consultations, and facilitated workshops. While there are no one-size-fits-all solutions, EAB can help your campus **better manage academic efficiency and effectiveness** via the essential steps below.

## 1

*Immediate action*

### Align stakeholders on urgency

*Select EAB support*

- EAB State of the Sector presentation to socialize industry pressures
- Academic budget scenario trade-off workshop

## 2

*Short-term interventions*

### Unlock instructional capacity

*Select EAB support*

- Instructional capacity playbook to align workloads with student demand
- No-regrets analyses to enhance resource allocation

## 3

### Improve space utilization

*Select EAB support*

- Best practices for improving efficacy of space governance
- Guidance on space implications of financial, policy, and design shifts

## 4

*Long-term solutions*

### Manage program health

*Select EAB support*

- Templates for designing effective annual portfolio reviews
- Strategies for revitalizing underperforming programs

## 5

### Increase retention and persistence

*Select EAB support*

- Student success strategy playbook and workshops to improve outcomes
- Best-practice roadmaps to transform advising, belonging, careers, and more

## 6

### Launch market-smart programs

*Select EAB support*

- Market Insights opportunity scans paired with expert recommendations
- New program launch toolkit to avoid common failure paths

# Poll

## I'd like to...

1 Speak with Dr. Vuletich or another EAB expert to discuss financial sustainability at my institution.

2 Have my provost and CBO speak to an EAB expert about financial sustainability at my institution.

3 I'd like to receive the EAB Comprehensive Cost Containment Playbook.

4 Something else? Choose this and we will follow up with you.

# See You Next Week! Final Session
*Tuesday, July 30, 2024 at 1 pm ET (Virtual)*

**The Balancing Act of Free Speech, Safe Spaces, and Deplatforming | Depolarizing Campus Conversations, Navigating Flashpoints**

**President Suzanne Rivera**
*Macalester College*

**Khadish Franklin**
*Managing Director, Research Advisory Services*

Sunday, June 23, 2024 – Tuesday, June 25th, 2024
EAB Headquarters | Washington, DC