How to Shift Your Institution's Cost Containment Strategy from **Reactive** to **Proactive**

Higher education is traditionally reactive to financial pressure, implementing short-term cost-saving tactics instead of proactively pursuing long-term solutions. While short-term tactics may be necessary, they can limit or undermine long-term cost adjustments required to prepare the university for future challenges. To break this reactive cycle, leaders must impose long-term cost containment strategies alongside immediate decisions. Below, we pair common short-term cost containment strategies with essential long-term strategies necessary for financial sustainability.

Cost Philosophy

Execute sweeping cuts
Short-term strategy

Across-the-board cuts seem equitable but often lead to higher costs post-implementation. Of institutions that implemented across-the-board cuts, 67% of them experienced immediate cost increases, and within the next two to three years, 45% of them incurred higher expenses than if no action had been taken.

Complete targeted budgetary adjustments
Long-term strategy

Evaluate areas where cuts could either help revitalize programs or funding could be redirected to necessary areas.

Explore merger and acquisition (M&A) options
Short-term strategy

The looming demographic cliff and financial constraints are prompting institutions to consider M&A opportunities. Issues with M&As often arise when consolidating workforces and assuming the debt of another institution.

Create interinstitutional consortia
Long-term strategy

Form interinstitutional consortia to pool resources for shared student services and reduce costs while maintaining individual identities.

Labor

Initiate a hiring freeze
Short-term strategy

Labor expenses occupy 50–70% of an institution's budget. Freezes reduce costs but risk demoralizing the remaining staff and may lead to over-hiring once lifted.

Implement position control
Long-term strategy

Streamline the review of staffing decisions to align positions to the university's needs. With positions properly defined, the institution can effectively monitor salary and benefit costs, allowing for stronger financial planning.

Pause nonessential travel
Short-term strategy

Pausing nonessential travel briefly limits overspending, allowing habitual travel spending to continue once resumed.

Determine opportunities for hybrid or virtual engagements
Long-term strategy

Standardize virtual attendance by organizing events based on attendance costs and virtual feasibility, thus minimizing travel expenses.

Real Estate and Campus Operations

Make scheduling decisions to save energy
Short-term strategy

Canceling classes or changing course hours can contribute to energy and cost savings but also can cause disruptions in the learning environment.

Retrofit classrooms and buildings for energy efficiency
Long-term strategy

Adjust temperature settings in low-occupancy buildings, upgrade to sensor technologies, and turn off HVAC units in unoccupied spaces. These changes achieve significant cost savings and can be made with minimal disruptions to campus operations.

Discontinue athletic programs
Short-term strategy

Shuttering athletic programs can save millions as athletic programs traditionally operate in a deficit or break even at best. However, discontinuing athletic programs can impact fundraising, enrollment, and campus culture in the long term.

Revitalize the athletics portfolio
Long-term strategy

Perform annual program assessments to revitalize athletic programs by evaluating their impact on the institution's brand, net tuition, yield, and retention.

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To learn more on **cost containment strategies**, access our **Cost Containment Playbook** for **130+ tactics** for immediate and long-term cost savings.

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