

The Role of the Strategic Board in Creating Realistic Expectations

Strategies to Define, Measure, and Assess Strategic Priorities

Brought to you by: AGB Consulting

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Today's speakers & organizers



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Agenda



The role of a
strategic board



Macro trends are
putting pressure on
higher education



Pragmatic advice
moving forward

The role of a strategic board



Let's start with the role of a higher education board – emphasis on fiscal responsibility


"The Governing Board's Basic Responsibilities" from Effective Governing Boards

Establish, disseminate, and keep current the institution's mission

Select a chief executive to lead the institution

Support and periodically assess the performance of the chief executive and establish and review the chief executive's compensation

Charge the chief executive with the task of leading a strategic planning process, participate in that process, approve the strategic plan, and monitor its progress



Ensure the institution's fiscal integrity, preserve and protect its assets for posterity, and engage directly in fundraising and philanthropy

Ensure the educational quality of the institution

Preserve and protect institutional autonomy and academic freedom

Ensure that institutional policies and procedures are current and properly implemented

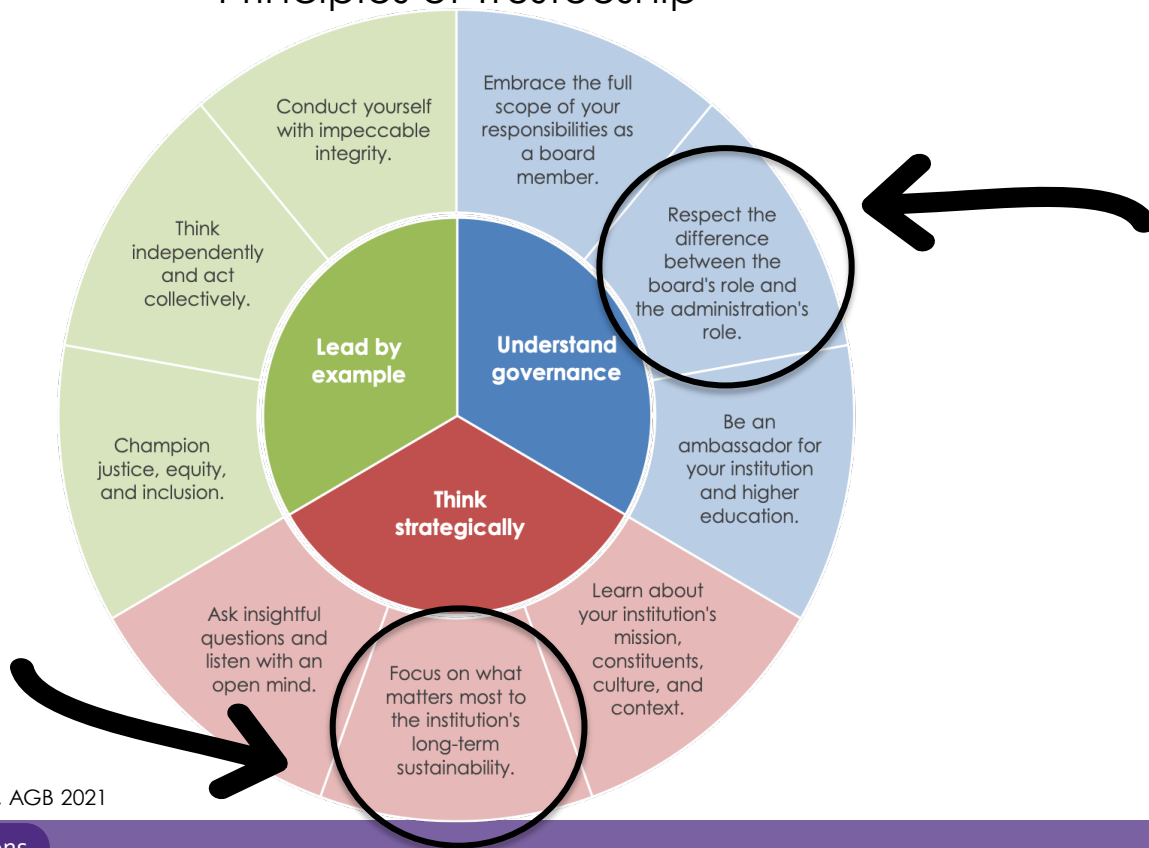
In concert with senior administration, engage regularly with the institution's major constituencies

Conduct the board's business in an exemplary fashion and with appropriate transparency; ensure the currency of board governance policies and practices, and periodically assess the performance of the board, its committees, and its members

Source: AGB

AGB has guidance designed to help governing boards be more effective

Principles of Trusteeship



Source: Principles of Trusteeship, AGB 2021

A checklist of improvement opportunities from AGB

	Fiduciary	Team Member	Individual
Understanding Governance			
1. Embrace the full scope of your responsibilities as a board member.	Fulfill your fiduciary responsibilities.	Recognize that governance is a collective endeavor.	Prepare in advance, show up fully present, and participate productively.
2. Respect the difference between the board's role and the administration's role.	Honor the academic norm of <i>shared governance</i> , which includes the president, administration, and faculty.	Be humble and respect your partners in governance and leadership.	Provide advice and counsel but leave operational decisions to the administration.
3. Be an ambassador for your institution and higher education.	Advocate on behalf of your institution and higher education.	Represent the institution proudly and recognize who speaks for the board and for the institution.	Engage actively and appropriately.
Lead by Example			
4 Conduct yourself with impeccable integrity.	Act in the institution's best interests, putting them ahead of your personal preferences and political allegiances.	Preemptively disclose conflicts— actual and perceived—and dualities of interest.	Uphold the highest ethical standards.
5. Think independently and act collectively.	Constructively challenge and support the president, administration, and committees.	Speak up on important issues, even if they are uncomfortable or unpopular.	Express your concerns diplomatically to the appropriate person(s) at an appropriate time.
6. Champion justice, equity, and inclusion.	Protect and promote justice and equity throughout the enterprise.	Seek diversity and model inclusion on the board.	Be mindful of how your experience shapes your assumptions.
Think Strategically			
7. Learn about your institution's mission, constituents, culture, and context.	Shape your institution's vision and strategy based on its unique purpose and constituents.	Understand the present state of the enterprise and focus on its future needs.	Become a student of higher education.
8. Focus on what matters most to long-term sustainability.	Make decisions based on the strategy and vitality of the entire enterprise.	Help define what constitutes success for your institution.	Focus your personal and professional talents on significant strategic issues.
9. Ask insightful questions and listen with an open mind.	Pose the right questions, rather than prescribe answers.	Listen actively and seek to understand.	Bring genuine curiosity and an open mind to board service.

Source: Principles of Trusteeship, AGB 2021

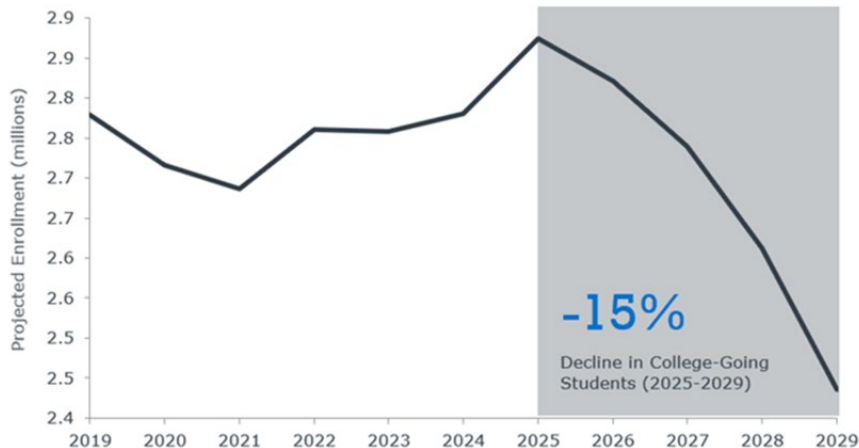
Macro trends are putting pressure on higher education



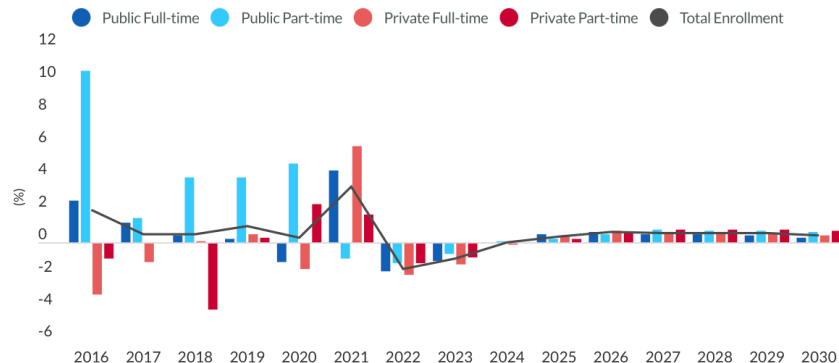
Declining high school graduates and fighting for enrollments are big issues

Enrollment Projected to Drop Sharply After 2025

Forecasted Number of College-Going Students in the U.S. (millions), by Year of High School Graduation



Four-Year College Enrollment, Fall Semester Yoy Change

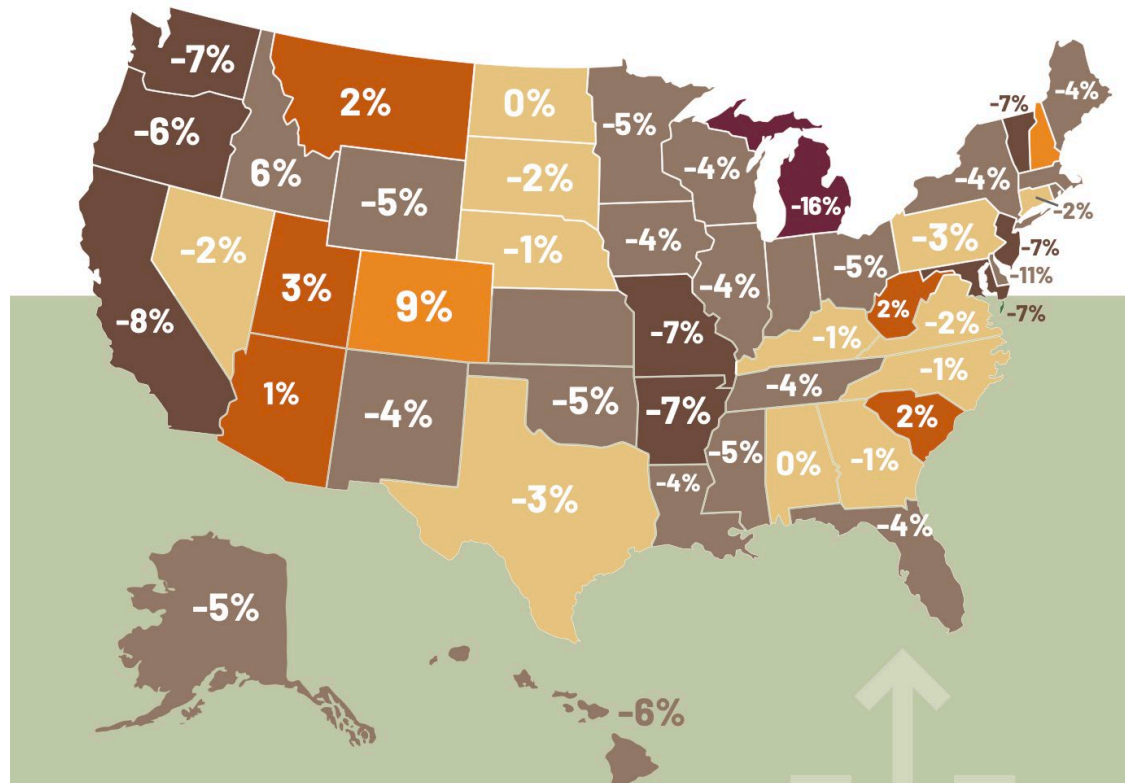


Note: Calculations for change based on data as reported by National Center for Education Statistics - 2016-2020 (actual) and 2021-2030 (projected).

Source: Fitch Ratings, National Center for Education Statistics.

Source: "FitchRatings, 2022

The impact of declining enrollments varies across the country (changes from 2021 to 2022)

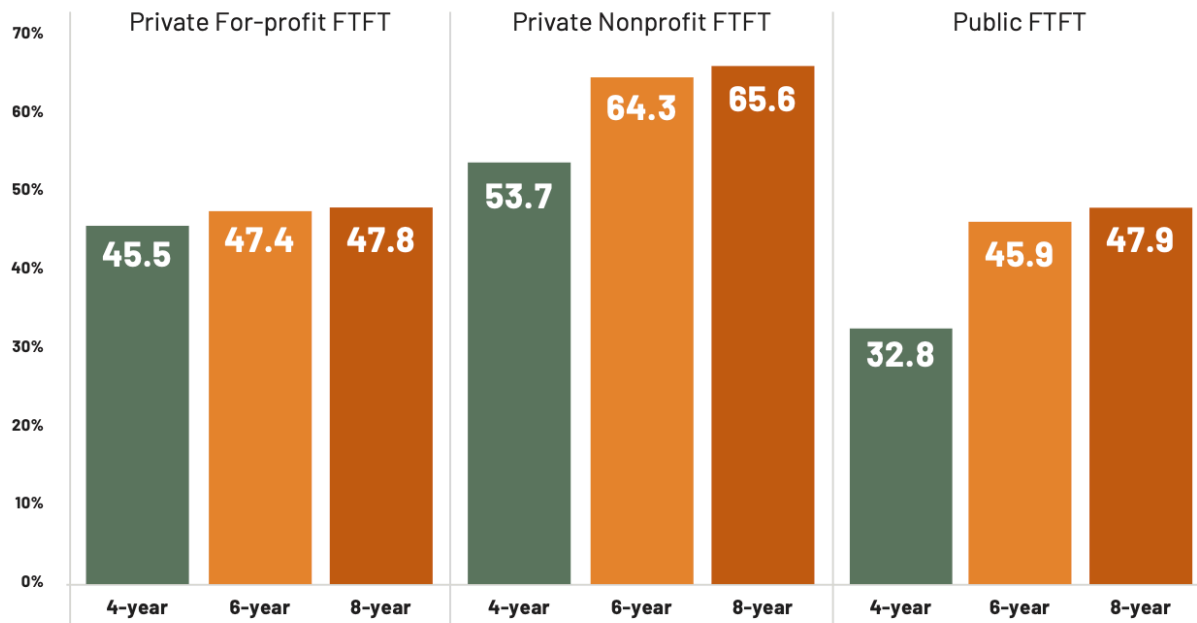


- Montana, Arizona, Utah, Colorado, South Carolina, West Virginia, Washington D.C., and New Hampshire all saw an **increase in their enrollments**
- Michigan saw the greatest decline in enrollments overall with a **16% decline**

Source: "Survey of the higher education landscape", National Student Clearinghouse Research Center, Estimated Enrollment Change by State Spring 2022

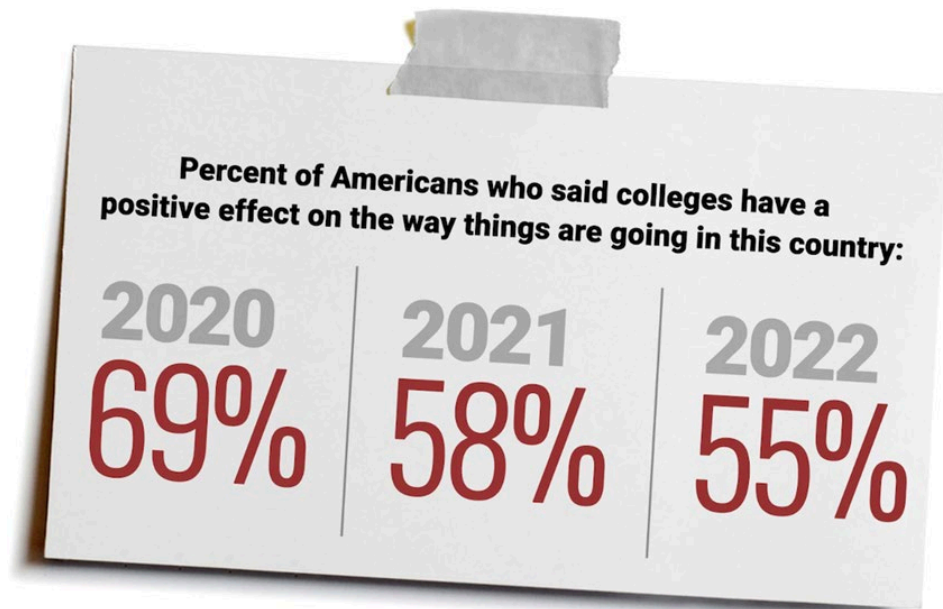
Graduation rates continue to be low

Graduation Rates by Institution Type



Source: "Survey of the higher education landscape", National Student Clearinghouse Research Center, 2022

Public trust in higher education has significantly eroded



Source: <https://www.newamerica.org/education-policy/reports/varying-degrees-2022/>

The 2022 survey of business officers suggests that the **AGB** majority are somewhat confident moving forward

33% respondents strongly agree that their institution will be financially stable over the next 5 years (another 37% somewhat agree)

Over **60%** said they are in better shape than last year and **37%** think they will be worse off next year

Reasons for Better Financial Shape

- “We received significant funding from American Rescue Plan”
- “We reduced our expenses in the wake of Covid-19 and our budget remains smaller”

Reasons for Worse Financial Shape

- “Enrollment is lower”
- “Tuition revenue has declined”
- “My institution has not been able to make enough budget cuts”

Source: Inside Higher Ed | 2022 Survey of College and University Business Officers

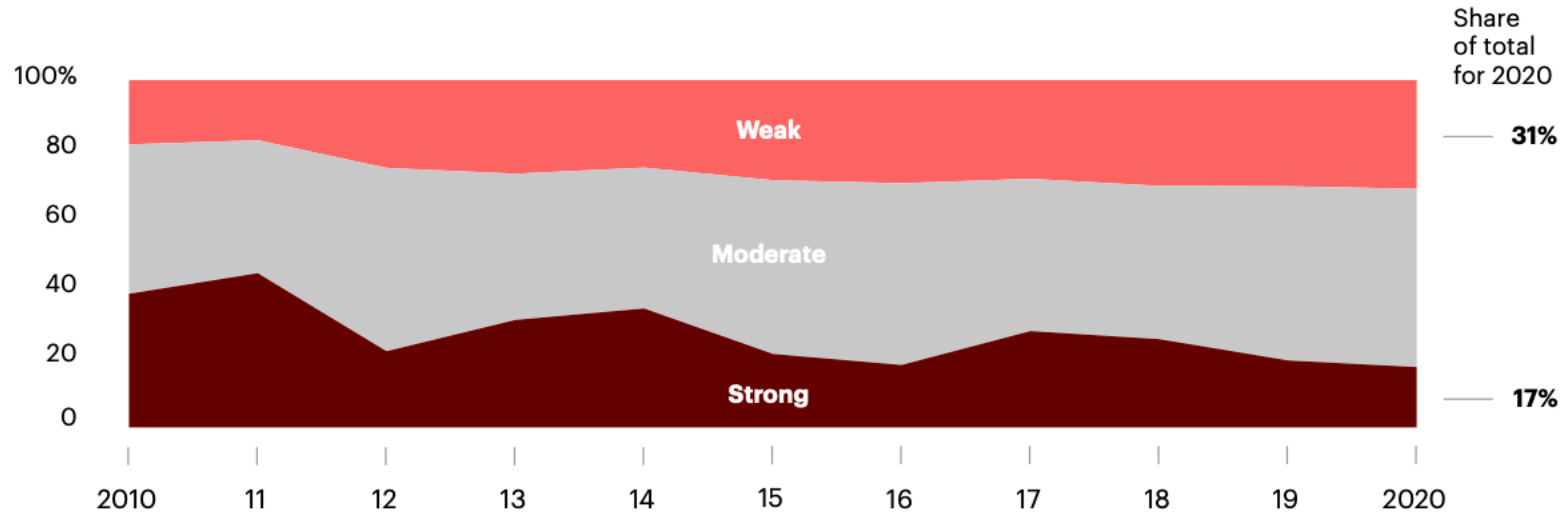
While improving due to temporary government support, higher education remains challenged

- “S&P Global Ratings revised its view of the U.S. not-for-profit higher education sector to stable, ending four years of negative outlooks even as it said it is monitoring divergence in fortunes between strong and weak institutions in the market.”
- “Risks to colleges and their credit quality remain, including enrollment pressures, inflation, staffing issues, cybersecurity breaches and the possibility of events like governance scandals or social unrest.”

Source: <https://www.highereddive.com/news/sp-raises-view-of-higher-ed-sector-for-2022-but-colleges-fortunes-are-di/617809/>

One-third of universities face an unsustainable financial future

The annual composite score measures a university's resiliency based on three equally weighted metrics: **primary reserve ratio**, **net margin**, and **three-year enrollment growth**



Source: "The Financially Sustainable University: The Lost Decade", Bain

Expenses continue to grow and now exceed revenues on average

Balance Sheets

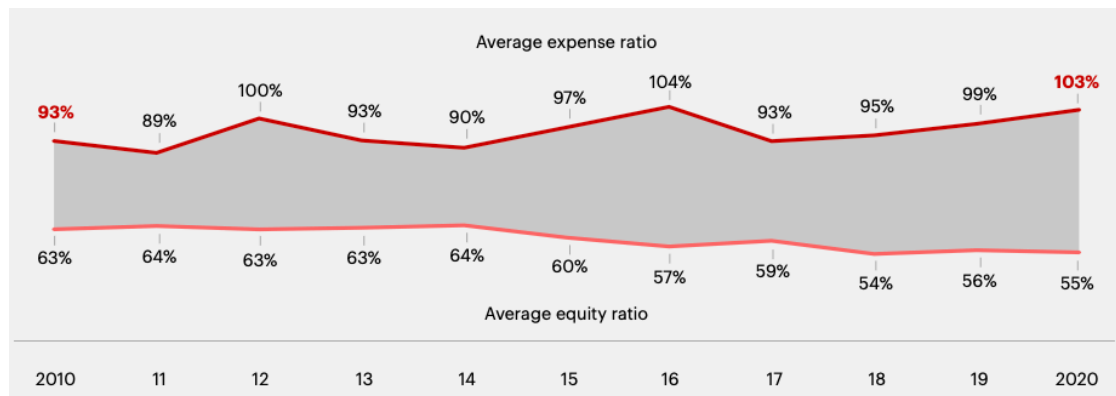
Average equity ratios have declined by **8 percentage points**

34% of universities saw equity ratios drop more than **5%**

Income Statements

Average expense ratios have increased by **10 percentage points**

56% of universities saw expense ratios increase by more than **5%**

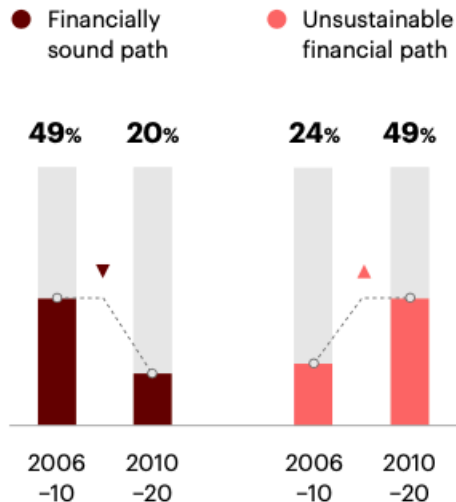


Source: "The Financially Sustainable University: The Lost Decade", Bain

Private and Public Institutions face financial deterioration at different rates

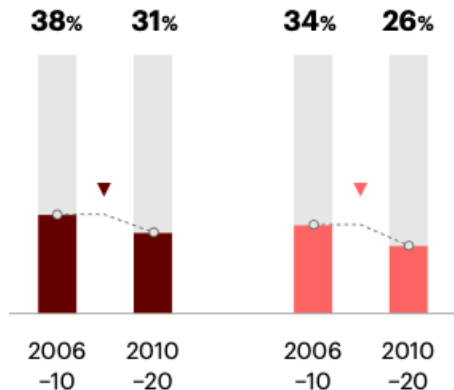
PUBLIC UNIVERSITIES

saw their positions deteriorate more than average, primarily through declining equity ratios



PRIVATE INSTITUTIONS

fared better, although the number of financially sustainable institutions still **fell about 20%**, primarily through worsening expense ratios



Source: "The Financially Sustainable University: The Lost Decade", Bain

Pragmatic advice moving forward



Advice from the panel



- Get everyone involved in the conversation
- Measurable outcomes are important – you must know how you are making progress and showing success
- Flexibility: should be able to adapt and reassess the landscape at intervals during strategic planning, pay attention to what is happening on the landscape

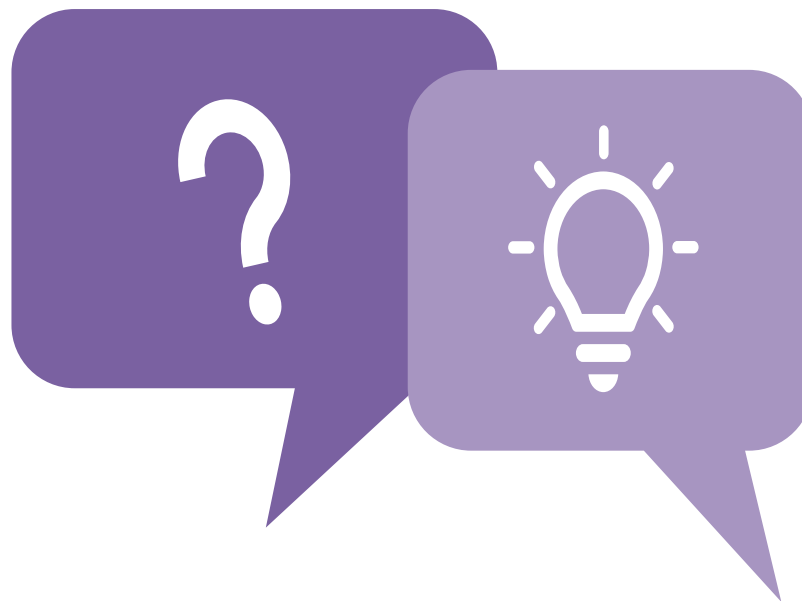


- A strategic plan should be both aspirational and realistic. The first without the second is a fantasy. The second with the first is a missed opportunity. Analyze your individual institution's mission personalized to your institutions
- Strategic planning should be part of a continuing process. Strategic leadership infuses the plan into every aspect of institutional life over an extended period
- Dedicate yourself to getting everyone on board with realistic goals



- Be realistic and succinctly clear about your institution's position – find your true identity
- Do multi-year forecasting with scenario planning and benchmarking data
- Create a high-level dashboard to make sure things stay aligned and realistic

Q&A for the Panelists



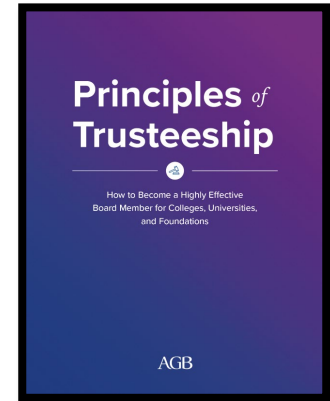
Appendix

Resources – Contact Paul Friga if you don't have access to any of these and we can send you a copy

- Paul's related AGB Blogs...
 - [Why Multiyear Financial Forecasting Is So Important in Higher Education](#)
 - [Don't Forget Long-Term Strategy](#)
 - [Why Every University Should Continue to Optimize Post-Pandemic Administrative Spending](#)
 - [It's Time to Increase the ROI of Your Academic Spend](#)
 - [How to Invest Your Federal Rescue Plan Funds](#)
 - [It's Time to Transform Your University](#)
 - [It is Time to Get Strategic About Enrollments](#)
 - Plus – Paul Friga's [website](#) with more articles, podcasts and videos
- AGB Resources
 - [Principles of Trusteeship Overview & E-Book](#)
 - [Top Strategic Issues for Boards 2022–2023](#)
 - [AGB Board of Directors' Statement on Justice, Equity, and Inclusion and Guidance for Implementation](#)
 - [AGB Report on Board Structure](#)
 - [Increasing Diversity on the Boards of Colleges and Universities](#)
 - [Trusteeship Podcast: Higher Education Business Models Under Stress](#)
 - [Mental Health Issues on Campus: Time for New Solutions](#)
 - [ESG Powering Sustainable Business Models in Higher Education](#)

Additional Resources

- [Webinar - Characteristics of a Strategic Board](#)
- ["Don't Forget Long Term Strategy" Blog by Dr. Paul N. Friga](#)
- [Book - An Anatomy of Good Board Governance](#)
- [Book - Principles of Trusteeship](#)
- [Web - Strategic and Transformation Resources](#)
- [Governance Checklists \(for self-diagnostics\)](#)

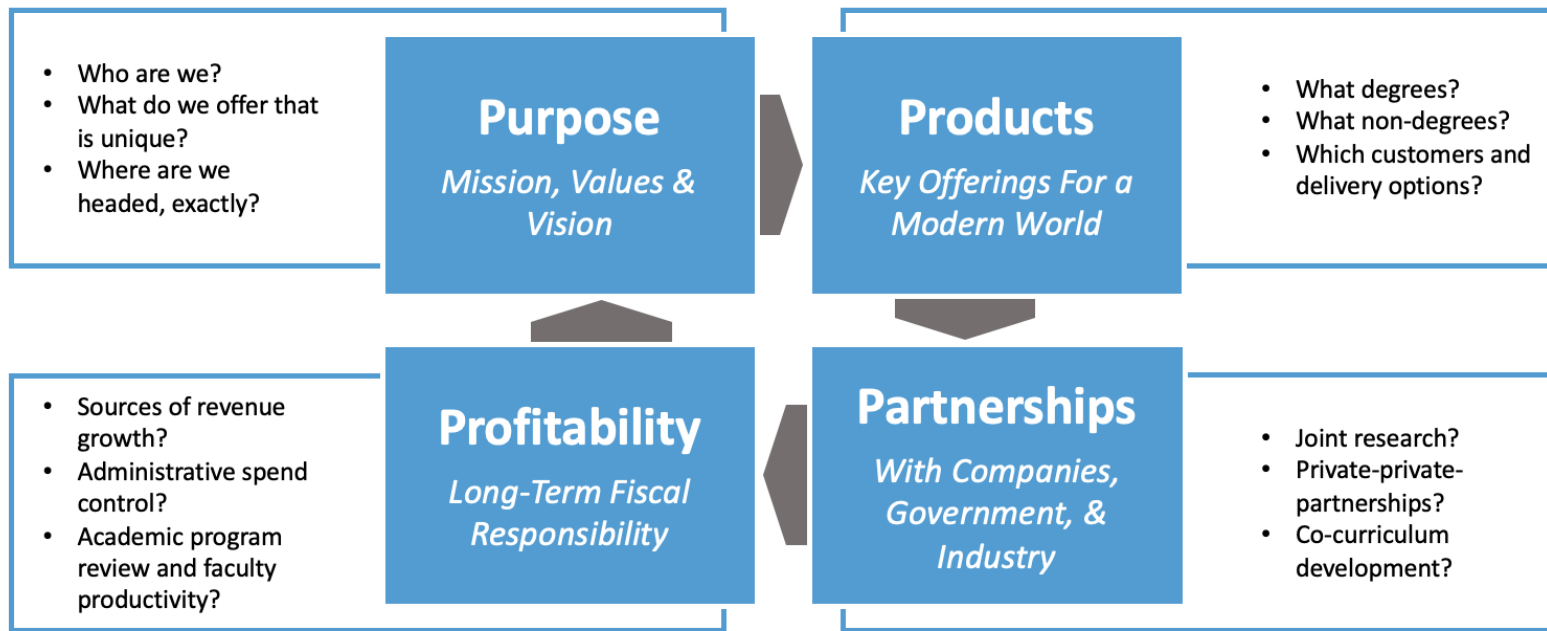


Upcoming Events – We look forward to seeing you!

EduCause	• Oct. 26-27, 2022, Denver, CO
SACSCOC	• Dec. 5, 2022, Atlanta, GA
MSCHE	• Dec. 7, 2022, Philadelphia, PA
CIC President's Institute	• Jan. 4-7, 2023, San Francisco, CA
AAC&U	• Jan. 18-20, San Francisco, CA
AGB Foundation Leadership Forum	• Jan. 29-31, 2023, San Antonio, TX
ACCU	• Feb. 3-6, 2023, Washington, DC
NAICU	• Feb. 5-8, 2023, Washington, DC
AGB NCT - Strategy Workshop	• Sunday, April 2, 2023, San Diego, CA

Join Paul,
Chris, and
many others
and others in
2022-23.

A Framework for Strategic Priorities Over the Next Decade



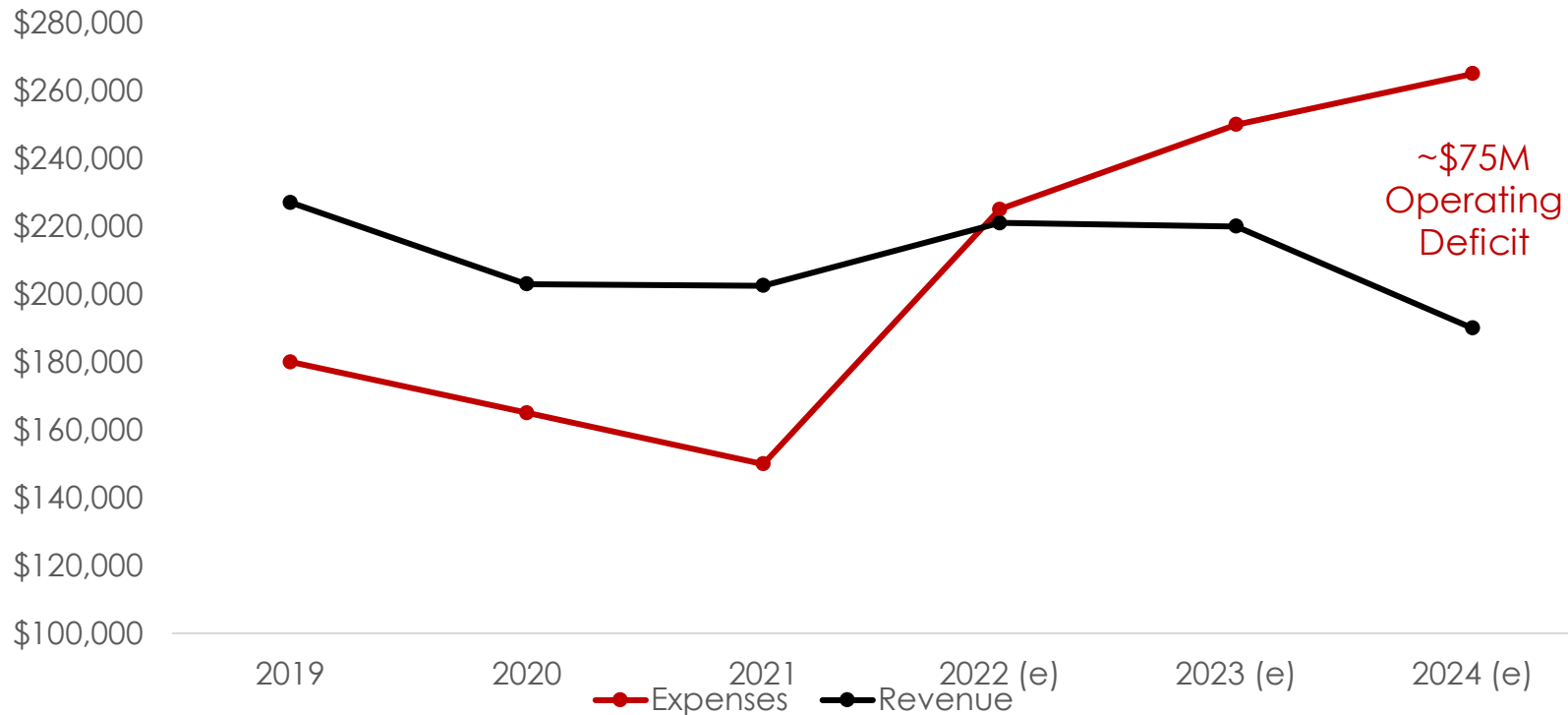
Source: Dr. Paul Friga

We are entering a dramatically changing landscape

Dimension	Current	Future
Tuition	Medium - High	Free - Low
Differentiation of Providers	Low	High
Accessibility	Low	High
Online Education	Low	High
Partnerships with Employers	Medium	High
Virtual Campus Services	Low	High
Inter-University Collaboration	Low	Medium
Relevance	Low	High
Faculty	Single-University	Multi-University / Free Agent
Students	18 - <u>24-Year Old</u>	18 - <u>80-Year Old</u>
National Universities	Few	Many
Credentials	2 & 4-Year Degrees	Degrees + Badges + Certificates

Source: Dr. Paul Friga

A key step is to have the university provide the board with realistic financial projections



Another step is to clarify the strategy and differentiation for a competitive marketplace

Proposed Strategy Statements – Hypothetical Regional Public University

Mission

**Creating leaders to
impact society**

Vision

**Become the university
that students call home**

Values

**Student Focused
Equity & Diversity
Outcomes &
Accountability**

Proposed Priorities

Priority 1

**Create a compelling
vision around student
success, personalized
education, and
athletics**

Priority 2

**Grow research in
high-impact
disciplines**

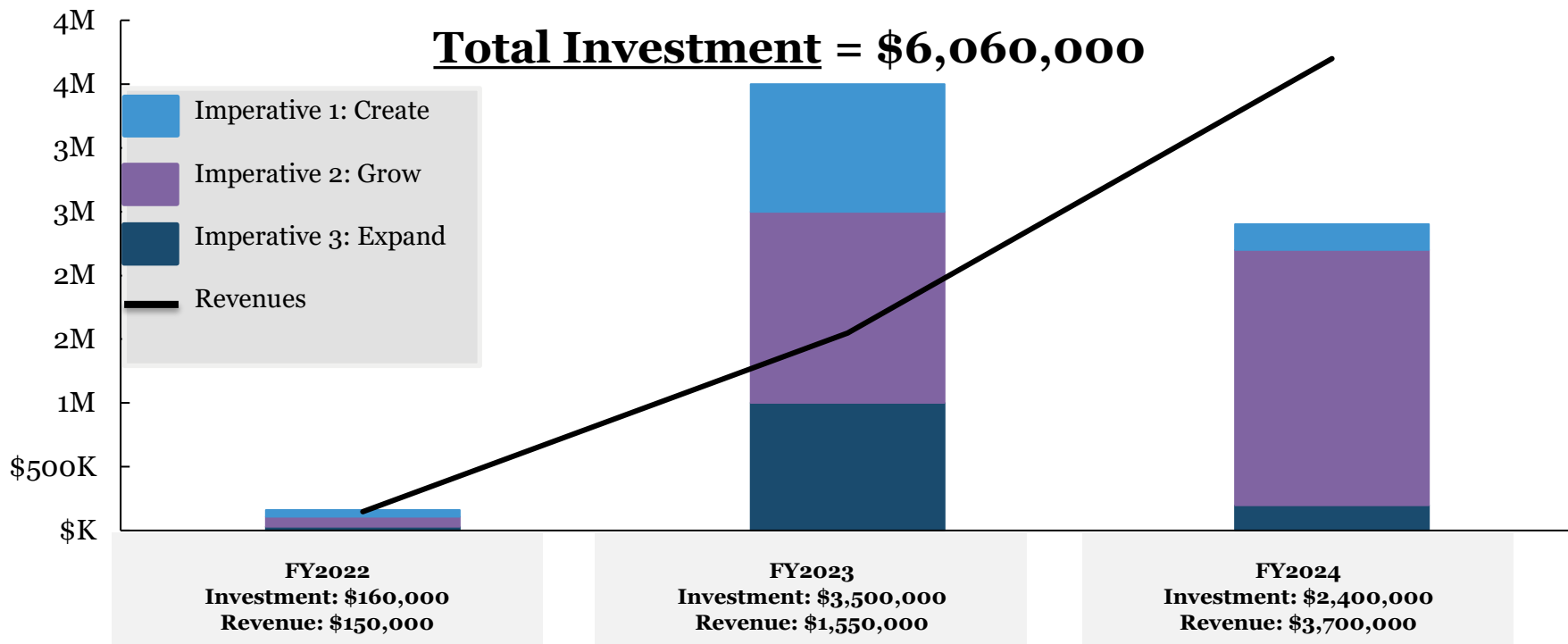
Priority 3

**Expand external
partnerships**

There should be a clear road map that the university is planning

	Priority 1: Create a compelling vision around student success, personalized education, and athletics			Priority 2: Grow research in high-impact disciplines			Priority 3: Expand external partnerships		
	Objective 1.1: Launch New Strategic Vision	Objective 1.2: Conduct Program Review to Reallocate Resources	Objective 1.3: Expand Athletic Programs	Objective 2.1: Develop Academic Plan	Objective 2.2: Research & Innovation	Objective 2.3: Create Nursing School	Objective 3.1: Develop Modern Pedagogies and Offerings	Objective 3.2: Strengthen Relationships with Employers, Alumni, and Partners	Objective 3.3: Launch New Online Program with Community Colleges Nationwide
Initiative 1 (Y1)	Assist all divisions and colleges in university-wide strategic refresh effort	Examine student enrollments, demand, and fit with faculty	Benchmark athletic programs and student success against peers	Prioritize research areas and redesign faculty incentives accordingly	Launch research institutes and grant writing office	Solicit input from stakeholders and finalize acquisition target strategic scoring matrix	Conduct market analysis of target student populations, demand, and competitive offerings	Expand partnerships with employers interested in diverse student graduates	Build business plan for expansion of degree completion programs and target markets
Initiative 2 (Y2)	Develop multi-year strategic performance dashboard	Eliminate lowest performing programs and invest in high market demand areas	Invest in athletics department, coaches, and new sports	Hire additional research faculty	Create equity fund and incubation facilities	Identify acquisition targets and conduct due diligence on top-scoring candidates	Invest in current and new digital offerings; promote inclusive pedagogical techniques	Grow key alumni engagement; invest in analytics and staff to prepare for comprehensive campaign	Create seamless transfer routes with community colleges in our state and beyond
Initiative 3 (Y3)	Share division and college level results on an annual basis	Communicate reputation for retention, graduation, and post-employment success	Leverage athletic programs to target prospective students nationwide	Create endowment to support research and launch academic journal	Expand commercialization and tech transfer capabilities	Develop robust integration plan, complete acquisition, and hire key leaders	Launch new micro-credential, certificates, and non-degree executive education offerings	Invest in incubator and SBD offices	Launch national advertising campaign to expand program
Underlying Values	Student Focused			Equity & Diversity			Outcomes & Accountability		

Multi-year budgeting of investments and returns are necessary for tracking strategic initiatives



A performance dashboard can help the board track the progress of a strategic plan



The 2022 survey of business officers suggests that the majority are somewhat confident moving forward

CONFIDENCE IN INSTITUTIONAL FINANCIAL STABILITY



Over 60% said they are in better shape than last year and 37% think they will be worse off next year

FINANCIAL SITUATION

Strongly disagree Somewhat disagree Neither agree nor disagree Somewhat agree Strongly agree

My institution is in better financial shape now than it was in 2019. (n=238)



My institution is in better financial shape now than I expect it to be a year from now. (n=238)



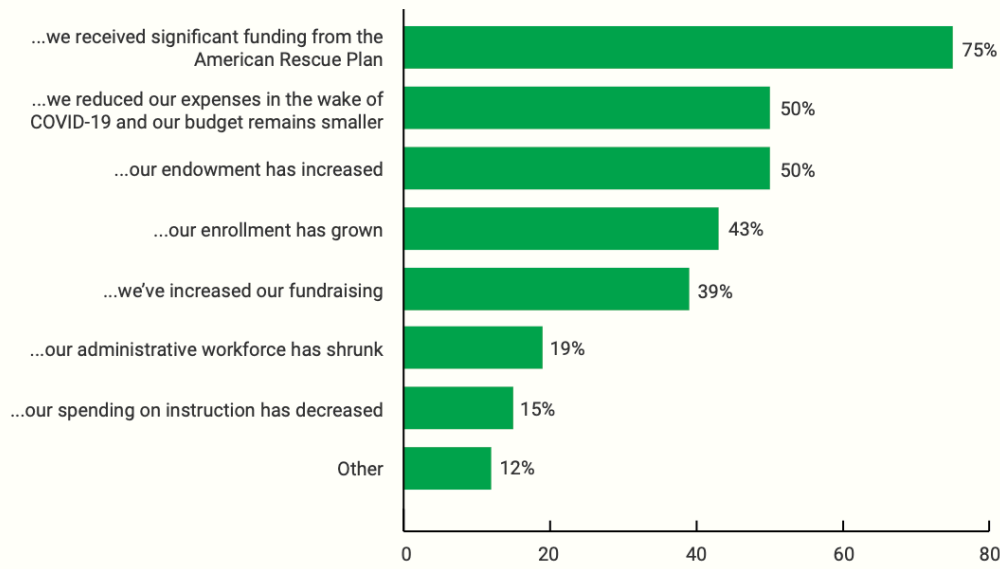
Source: Inside Higher Ed | 2022 Survey of College and University Business Officers

Business officers have taken some financial control steps and benefited greatly from government

REASONS FOR BETTER FINANCIAL SHAPE

Why do you feel that your institution is in better financial shape now than it was in 2019? Please select all that apply. (n=155)

My institution is in better shape now than in 2019 because...



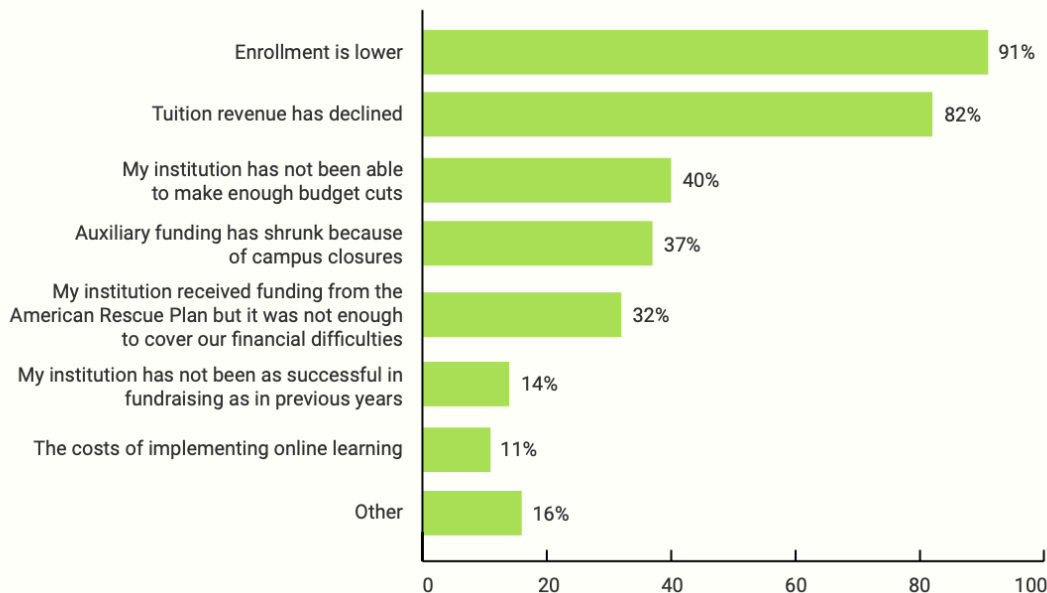
Source: Inside Higher Ed | 2022 Survey of College and University Business Officers

The macro forces are requiring hard changes for higher education institutions

REASONS FOR WORSE FINANCIAL SHAPE

Why do you feel your institution is in worse financial shape now than it was in 2019?

Please select all that apply. (n=57)

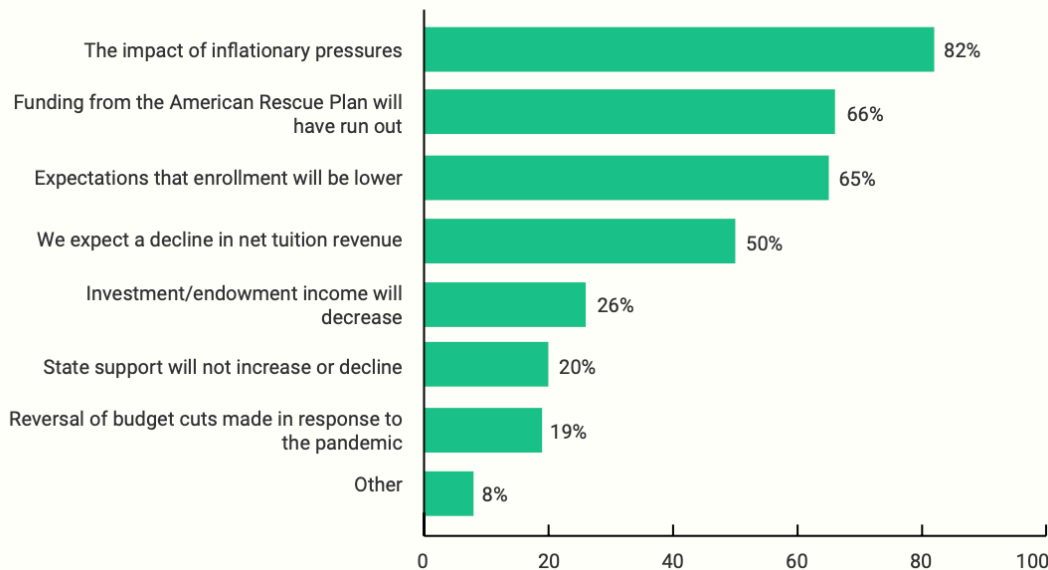


Source: Inside Higher Ed | 2022 Survey of College and University Business Officers

Looking forward, these are key areas for analysis and realistic projections in the upcoming years

REASONS FINANCES WILL WORSEN NEXT YEAR

Why do you feel that your institution is in better financial shape now than it will be a year from now? Please select all that apply. (n=101)



Source: Inside Higher Ed | 2022 Survey of College and University Business Officers