

Principles for Change in Response to the Financial Crisis in Higher Education



Richard Byyny
Chancellor Emeritus, University of Colorado

Donald M. Norris
President, Strategic Initiatives, inc.

We begin with a simple premise. Most institutions have faced revenue shortfalls over the past several years. They will likely continue to face them over the next three to five years. In particular, many state institutions may see appropriations decline by 20% over that time period. Some will face even harsher realities. Given the declining financial capacity of learners and their families, tuition increases cannot be used to fill the gap between available resources and projected expenditures, as they have in the past.

This creates an imperative and reluctant opportunity to provide leadership that will navigate change in innovative ways to increase efficiencies, reduce costs and expenses, potentially increase some aspects of existing revenue streams and discover new ones, reduce the time and cost to achieve learning objectives, and maintain quality and the value of institutional offerings throughout the process.

We offer the following principles to guide institutional processes for grappling with these conditions. Each institutional situation is distinctive. However, we have found that appropriate variations on these principles are useful as a guide, tailored to each set of challenges.

Establish the need for a sustainable vision for 2020. Sustainability has many facets and meanings: green operations, consistent and competitively attractive value propositions, and financial viability in the face of available resources and the deteriorating financial capacity of learners and their families.

Institutions are facing a “new normal” based on changes in available resources and in the means of learners and their families. Unlike previous recessions over the past 30 years, public funding for education will not likely bounce back to pre-recession levels as it has in the past. This situation will require a fresh look at financial sustainability, from all angles. Institutions should create a benchmark vision for what financial sustainability might be in 2020. They should use that vision to shape their financial and programmatic strategies and decisions over the next few years and to force people to face cold realities. This vision will need to be refined in the face of new evidence and cascading critical thinking.

Plan for the worst budget cuts on the first go around and look beyond the short term (six months to one year). Plan for cuts to meet the maximum reduction rather than making frequent incremental cuts that require coming back every 6-12 months over several years with worsening realities. If the worse scenario does not arise, then a modification in the reductions will be welcome. Plan for the worst, then hope and work for better.

Establish budget principles that you can honor over the long term. Many leaders get trapped into making short-term pronouncements that they must abandon in the second or third year of retrenchment. Plan for an extended period of readjustment during which you need to preserve excellence and enhance value in spite of restricted resources.

Freezing the budget is an example of a short-term move that may prove unsustainable over an extended period of realignment. Leadership will need to be able to retain the best faculty and other employees to succeed in the new normal. Some will require increases in compensation and other support. If you freeze the budget and then have to increase someone's funding the entire community will object since the principle was across-the-board cuts.

Understand centers of quality and excellence and protect them; at the same time, enhance value. Too often in higher education, the level of resources is taken as a surrogate for quality. Thoughtful leadership must take time to understand and articulate your institutional centers of quality and excellence that must be protected.

Also, explore how to provide greater value – high quality outcomes and the experiences through which they are achieved, at a lower cost. Value will be an increasingly important measure in a time of resource scarcity.

Learners and their parents will become more discriminating consumers in the face of family financial exigency and concern about job prospects for graduates. Learners will be seeking greater value and lowered total cost of completion. Institutions that are responsive to these needs may establish advantage over institutional leaderships that merely muddle through.

Focus on the right kind of process. Appoint a small group of the most trusted and respected faculty, administrators, staff, and students. Trust and integrity are essential in this group. The majority need to be faculty and administrators to participate in the process and make recommendations for change and budget reductions. Also use focus groups and open forums to solicit input and explain the situation. Engage, engage, and then engage some more. Include representative group participants to the discussion.

Ultimately, however, the President or Chancellor must make the decisions, considering all factors in positioning the institution to fulfill its mission and achieve financial sustainability.

Evaluate the quality and processes of programs requiring subsidization, to decide if the subsidy is justifiable or can you convert it to a cash-funded program or course, eliminate courses, or otherwise redesign the offering. This is the basic microeconomics of program management and requires robust analytics and critical thinking. Programs that are subsidized can be redesigned, combined with other programs, or realigned with resources streams. Cancelling or outsourcing programs is also an option.

Utilize technology in teaching, elearning and administration and leverage that technology to discover financial sustainability for the new normal. If your institution hasn't already begun to leverage technology as an instrument of efficiency, reinvention, and value enhancement, you are already late to the game. But every institution will need to redouble their efforts on this score – which includes making certain you are getting your money's worth out of technology.

Technology is also a great enabler of collaboration with other colleges and universities. In these times, many institutions are focusing their attention on core centers of excellence, and forging relationships with other institutions to provide learning communities in other disciplines that cannot be sustained.

As the required magnitude of reinvention becomes apparent, institutions with an effective reimagining

process will be able to explore increasingly non-traditional approaches to reimagining the academic experience. Institutions without such a process will be unable to move beyond incremental reallocation.

Develop operational and management efficiencies. The successful efficiency program of the University of Maryland not only yielded significant savings, but enabled the University to win the support of the state government in a way that increased the willingness of the state to fund higher education. Efficiency savings can cover the full range of administrative, academic support and academic areas.

The University of California at Berkeley and the University of North Carolina System have also utilized efficiency-focused consulting engagements to identify millions of dollars from efficiency and reorganization-based savings

Doing business as usual won't work; institutional reorganization must be on the table.

Reorganizations of academic and administrative units will be key elements and have proven to be one of the most significant efficiency measures.

Innovate your way out of the Recession. Colleges and universities support many innovations, but seldom scale even successful innovations to enterprise-wide application. Frivolous or vanity innovations cannot be supported during the financial recalibration. But to establish financial sustainability, institutions will need to invest in academic and administrative innovations that will enable them to deliver greater value, tap new sources of revenues, and position the university for 2020.

Sadly, many institutions have responded to the financial cutbacks in 2008-2010 by trimming innovation, in the process eating their seed corn.

Take the opportunity to transform courses and the methods of teaching and learning; use undergraduate tutors and team-based learning in courses. The ground-breaking work of Carol Twigg's National Center for Academic Transformation has demonstrated how to engage faculty in participatory course redesign that yields both improvements in student performance and dramatic savings. Dr. Twigg has demonstrated that faculty will leverage technology to reinvent their course experiences if they are supported and know that savings will not merely be harvested by the administration for other purposes.

The most strategic redesign efforts have achieved other goals, like using undergraduate tutors/mentors in the sciences to improve performance in freshmen courses *and* enhance the pipeline for preparing K-12 science teachers. If your institution hasn't engaged in NCAT-like programs, it should start immediately. Those that have started such efforts should extend these successes to scale, first across the department, then more broadly across the institution.

Pursue numerous means of reducing the total cost of completion for learners. Learners and their families will become even more discriminating in evaluating the cost of learning options. This will include careful comparison of tuition and aid packages, evaluation of different certificate/degree paths (including starting at community colleges), and calculation of total cost.

Many students will be interested in three-year baccalaureate completion programs. Many will desire accelerated study after high school, but others will want to include acceptance of advanced placement, concurrent enrollment in colleges while still in high school, and "pathways" and bridging programs between colleges/universities and high schools. Relationships between institutions and their local (city/region/state) high schools will be critical in this regard. Other learners will desire accelerated bachelors/masters degree programs. Effortless transitions, articulation, and relationships between high schools, community colleges, and four-year institutions will be even more critical in our future.

Consider new sources of revenue including degree completion programs and professional master and certificates. There are abundant opportunities in baccalaureate degree completion and in post-baccalaureate and even post-masters certificates. There are even special opportunities for filling particular knowledge gaps for companies or industries that may not require a full certificate. Most of these opportunities will require well developed online learning capabilities and partnerships with professional societies, trade associations, or business enterprises, as well as other learning enterprises, including for-profit providers..

Partner with other institutions: community colleges, other colleges or universities public or private and share costs and facilities. The opportunities here are huge. On the administrative side: shared services in everything ranging from physical facilities to IT to risk management. On the academic side: joint programs, outsourcing to institutions with excellence in particular areas, and focusing on internal centers of excellence and quality.

Communicate internally and externally: What, why, when, how, effects? Discovering the new normal will not be pleasant. It is a call to courageous leadership. Most chancellors, presidents, and provosts did not get into administration to preside over the diminishment of their institutions. In order for the next few years to avoid being an exercise in the “management of decline,” leaders must engage their stakeholders internally and externally in discussing the what, why, when, how and effects associated with the quest for financial sustainability and the success of the institution and its people.

Communicate, communicate, communicate and use multiple technologies to enhance communication. This cannot be overstated. But communication suggests a one-way flow of information and message. In reality, it is all about real conversations: engage, engage, and engage some more.

Crisis creates the need for the realignment and reallocation of funds to support the institutions mission; implementation of new strategies; and maintenance of quality and value of degrees. The current conditions demand critical decision making and new approaches, not across-the-board cuts. Ultimately, the President or Chancellor must make these decisions, with strong support from the institution’s Board, in the face of likely push back from groups whose interests are not supported by the necessary reinvention.

Use and present data and analytics in the process of creating a plan and communications. During a crisis such as this, everyone has their own data. Leadership must use qualitative and quantitative data wisely, and establish a common framework so everyone can understand the imperative to realign and recalibrate the institution’s vision for financial sustainability and excellence in 2020. It takes time and experience for institutional communities to develop the capacity and culture to utilize these tools.

Take one non-academic and one academic Division and look to reorganize, down size (right size), and outsource as a real example of what can be accomplished. The best way to discover the future is to model the new behavior, using examples that can create teachable moments for everyone else.

Consider using broadly participatory processes to develop community capacity. Most university communities are poorly positioned to substantially realign priorities, change existing practices, and reduce costs. Building community capacity is necessary. The Toyota LEAD process is an example of the sort of process in the community to develop and implement efficiencies and improve quality.

Actively engage in state-level and national conversations about financial sustainability. The quest for financial sustainability for 2020 is engaging the attention of leaders at institutional, state, and federal levels. The campaign by President Obama, State Higher Education Executive Officers (SHEEO), and other groups to increase the numbers of degree completers in the U.S. is colliding with the need for a sustainable financial model. Dramatic changes in financial aid policy and other parameters are likely to

be on the table and must figure in institutional strategy and realignment.

Continually think about establishing financial sustainability and revise the vision in the face of new evidence. This is the prime imperative of the next few years. Institutions that do not make think about the tough decisions will not be well positioned for the future.

Given all the uncertainties, risk-averse leaders may choose to “muddle through” and wait for conditions to clarify before recommending decisive action. However, time is not on our side. Institutions should use the next few years to develop and mobilize their organizational capacity to adapt to the new normal and establish the new model for financial sustainability