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# BUSINESS OFFICER

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## Drafting the FUTURE



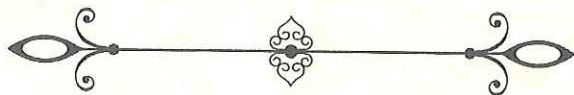
As higher education hits a wall  
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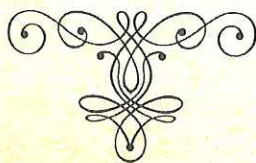


# **BUSINESS OFFICER**

## **Drafting the FUTURE**



As higher education hits a wall  
of disruption and discontent,  
institutions rewrite economic business  
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Three perspectives outline ways in which institutions can ensure their future relevance and economic sustainability.

Edited by Preeti Vasishtha

# The Next Chapter

**S**o what can college and university leaders do now to maintain their economic solidity and future relevance? The possibilities are many, ranging from maintaining the status quo to replacing current institutions with something completely different.

*Business Officer* invited a university president, a former president, and a futurist to share their insights on the future of higher education.



**Waded Cruzado**, president, Montana State University, Bozeman, discusses strategies that MSU has adopted to make its own economic foundation stronger.



**Brian Mitchell**, former president of Bucknell University, Lewisburg, Pa., and Washington & Jefferson College, Washington, Pa., advocates the need for institutions to look within themselves to change their internal operations in order to achieve financially viable models.



**Bryan N. Alexander**, a futurist, researcher, and consultant, presents four future scenarios that institutions may find themselves in by 2025. Each situation presents major challenges and opportunities for business officers.

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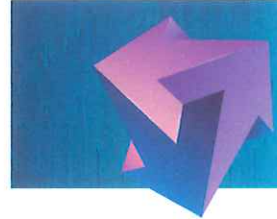
# INSTITUTIONAL INTROSPECTION



To achieve financially viable models, institutions need to look within themselves to change their internal operations.

**By Brian Mitchell**

The current operational models used by U.S. colleges and universities are based on outmoded revenue and expense assumptions. The premise is that student-generated revenues will expand to offset increasing operational expenses of the institutions. However, the decline in per-student net tuition revenues and the backlash against higher student loan debt have pushed this core assumption off the planning table. At the same time, higher education faces evolving demographic, political, and economic trends that will constrain revenue, and produce smaller and more diverse admission classes.



NACUBO's Economic Models Project aims to help institutions adopt new operational structures that anticipate revenue shifts, center on key operational needs, and bring focus on financially viable models. Those working on the project argue without apology that change is coming throughout *every* sector of higher education, including public two- and four-year colleges and universities; private colleges; graduate, professional, and heavily research-oriented universities; and for-profit institutions. To achieve financial viability, each institution will have to manage change by developing new financial models after evaluating its own set of strengths and weaknesses. Many institutions will succeed; some will not.

## THE ROLE OF SHARED GOVERNANCE

Each school has its own sense of self, defined in part by its financial health, internal politics, shared governance, student markets, reputations, and donor bases. The biggest variable is the experience and innovative capacity of the leadership—management and the board.

Some institutions have the financial resources to introduce change in a timely, orderly, and humane fashion. Others do not. Some have the luxury of a few years to introduce change and others may never even reach the starting line because it may be too late. Many variables will determine the fate of each institution, not the least of which is how the need for change is introduced into the campus politic, and how campus communities respond.

Perhaps the greatest threat to systemic change is the politics of shared

governance. Strong leadership is required at times when change is necessary, but difficult to accomplish and unwelcomed by those who fear its outcome. At present, the old operational models are still limping along so there is no special reason—and considerable risk—for a president to be a change agent.

In many colleges, the process of shared governance is entangled with deep cultural inertia, and those involved often intentionally get mired in endless discussions on the process itself. Trustee support of the president often quickly evaporates when faculty object to the president's positions on matters they consider to be theirs to decide.

## OTHER CHALLENGES

There are other challenges as well. The concerns over the impact of massive open online courses (MOOCs), the potential preference for credentialing over degrees, and the expansion of online programming will continue to grow. The for-profit community—now on the defense—will

**As for-profit institutions measure their costs increasingly against retention, graduation, employment, and future income levels, the same criteria will also be applied to the nonprofits.**

still maintain a healthy market share and key political support. But, as for-profit institutions measure their costs increasingly against retention, graduation, employment, and future income levels, the same criteria will also be applied to the nonprofits.

To support a new economic model, there must be a coherent, consistent, and compelling effort to educate key stakeholders about higher education.

## OPPORTUNITIES EXIST

American colleges and universities must reimagine what tools they have and how to use them. They must learn how to do more with less. Four opportunities are emerging:

- **Compete better through collaboration.** Higher education leaders must find a way to create new administrative and program efficiencies, based on type of institution, program direction, conference affiliation, geography, and the formation of ad hoc coalitions of the willing. The foundation community must fund tests of the most promising approaches.
- **End "mom and pop" financial aid shops.** Colleges and universities must develop financial aid models that best fit the institution's strategic direction, achieve strategic goals, and end late spring semester cost overruns that compromise budget cycles. The only way to cap big budget surprises such as a late discovery of missed budgeted admission targets is good use of informed data to become better at the game. Institutions assume that sophisticated operational models are out of their price range, when, in fact, a lack of sophistication is costing them much more.
- **Review the entire base of institutional assets, including real estate.** Can public/private partnerships attract private investment without incurring new institutional debt? Can student service policies adapt to third-party development



to reserve debt for academic programs and the buildings that support them? Can higher education work with the bond rating agencies, private developers, and taxing jurisdictions to seek new financial structures to finance capital expansion?

- **Embrace communities and demonstrate higher education's value to them.** Colleges must be seen as economic engines, nurtured and supported by government and industry because they provide jobs, make community investments, and center the quality of life in their regions. They must make the critical transition from "them" to "us," by illuminating their invaluable role as employers creating a productive workforce. In short, they must work to be viewed as the most prized community asset of their region.

## MOVING FORWARD

As for-profit institutions measure their costs increasingly against retention, graduation, employment, and future income levels, the same criteria will also be applied to the nonprofits.

What's striking about higher education modeling is that there's so little to work with at the margins. Higher education will always be an inefficient business with extraordinary fixed costs. But it has enough flexibility built in to put the pieces of the puzzle together differently.

Many institutions will adapt and move ahead. Technology will not make hands-on learning obsolete. The liberal arts tradition that undergirds the missions of many colleges and universities may be diminished, but not appreciably.

America will still educate productive citizens better prepared than most societies to innovate and to create. Yet, the way that we in higher education go about accomplishing that must evolve and change as the nation, its people, and its economy move ahead.

A global social, economic, cultural, and political network now interconnects America's colleges and universities. Few in American higher education want to return to the pre-Internet model where institutions were among the primary repositories of the world's collective knowledge but isolated geographically. Systemic change in the transmission of information transformed educational institutions for the better. Now it must change how they operate internally.

**BRIAN MITCHELL**, former president of Bucknell University, Lewisburg, Pa., and Washington & Jefferson College, Washington, Pa., is president of Brian Mitchell & Associates LLC, Boston.

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