

Time for a “Strategy Refresh” for Your University

A Blueprint for Post-Pandemic Priorities

BY PAUL N. FRIGA

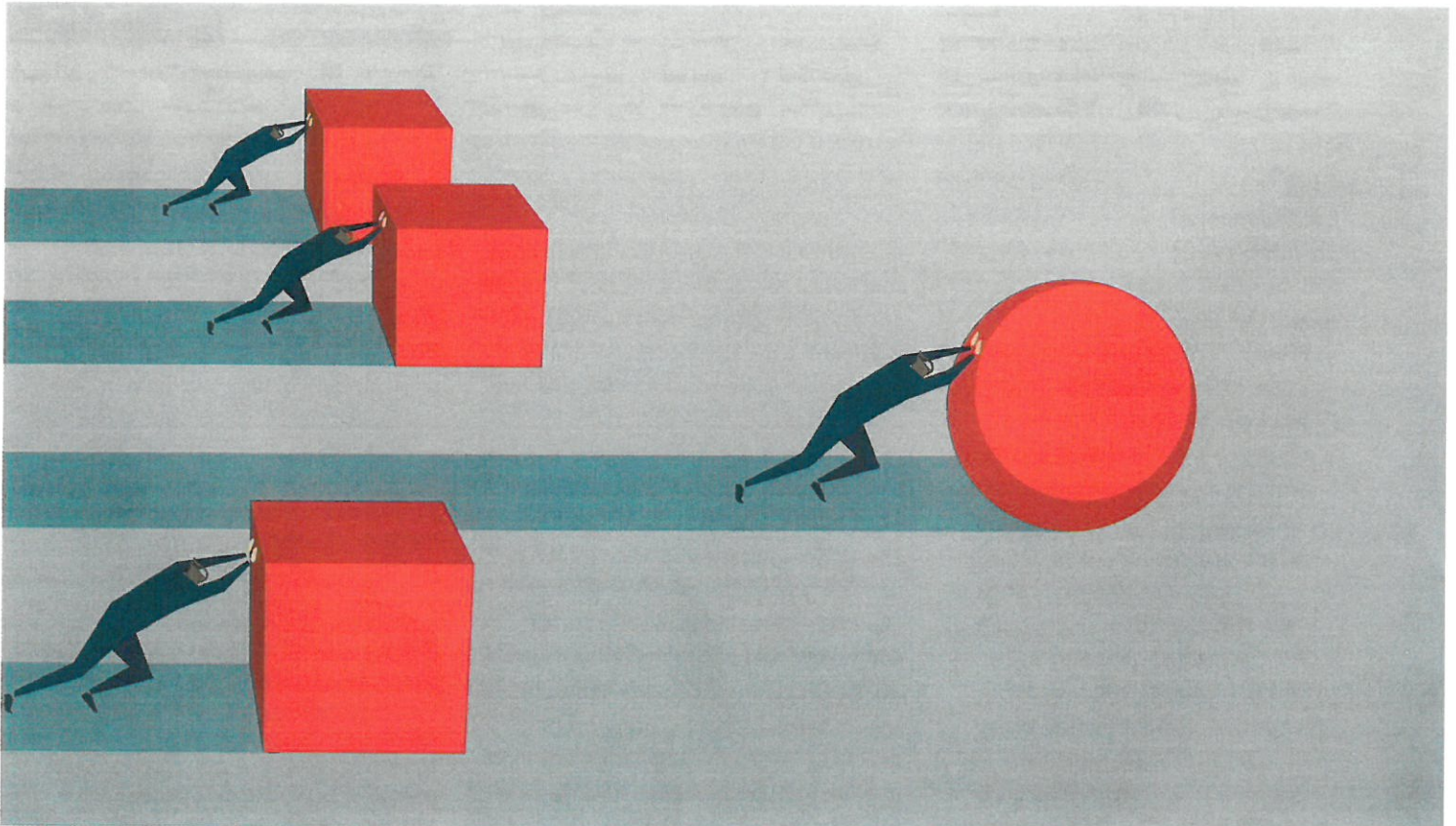
WHILE COVID-19 is still affecting our college campuses, the situation seems much better than last year at this time. While we are not completely out of the woods, vaccines are being widely distributed and campuses across the country have returned to in-person learning. It is time for board members and presidents to begin to look toward the future with lessons learned from the pandemic experience and the new world order in mind.

What are the key takeaways from one of the most disruptive years in higher education? From a negative perspective, there is substantial financial wreckage from COVID-19. According to my research, the average hit to revenues was approximately 14 percent and the overall potential damage to higher education as a whole, including additional COVID-19 related expenses and decrease of state and local support, could eventually reach \$183 billion.¹

In addition to the financial losses, the

social and emotional toll on faculty, staff, and students has been immeasurable. Beyond the obvious health concerns of COVID-19, mental health concerns are at the top of presidents' concerns according to recent surveys.² The challenges to operate in a safe manner especially with the dramatic increase in virtual learning have had significant negative consequences.

On the positive side, university leaders have shown an unprecedented level of agility in instruction (online), finances



The Possible Transformation of Higher Education

(controlled), and collaboration (high). We have discovered that we can actually deliver administrative services such as IT, mental health counseling, and advising remotely—perhaps even more efficiently and effectively than before. Faculty who never imagined teaching a class remotely are increasingly supportive of the movement toward online education. And the level of collaboration between boards and cabinets and faculty and staff have risen to new levels, out of necessity, if nothing else.

Board members and presidents with whom I have spoken recently, while exhausted, are finally ready to look forward. With board meetings, retreats, and strategy reviews on the docket, I felt that it would be helpful to offer specific guidance on the key strategic topics for universities as they look toward the future. As a strategy professor and management consultant, I will of course offer a few frameworks and tools to support that process. In particular, since most institutions have completed some sort of strategic planning over the past few years, I suggest a “strategy refresh” during which you examine your existing strategy statements and priorities while the lessons learned from COVID-19 are still fresh and the openness toward bold collaborative actions may be high. In other words, leverage your past strategic planning but tighten it up with strategy slogans and revised priorities to motivate your university for a bright future.

The Macro Trends

The starting point for a strategy refresh is to look outside the institution. Macro (external) forces are those beyond our control but should be considered in strategy as they provide opportunities for growth and change as well as threats that could thwart the best-designed plans.

It is clear that the pandemic has not only shifted some of the macro trends but also accelerated the impact of the macro trends by years or even decades. Below is a

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	18–24-Year-Old	18–80-Year-Old
National Universities	Few	Many
Credentials	2 and 4-Year Degrees	Degrees + Badges + Certificates

Source: Paul N. Friga, Ph.D.

summary of some of the key macro trends as well as my prediction as to how they will continue to change over the next decade. These are critical topics for board and cabinet conversations as they examine their mission, values, vision, and priorities with this new world order in mind.

Let’s start with tuition, the largest source of revenue on most universities and colleges. For decades, the norm has been to raise tuitions between 3–5 percent every year and even more at private institutions. The bottom line is that tuition rates have reached levels that make higher education out of reach for many prospective students, particularly those from lower-income families. The \$1.7 trillion in student debt is a significant burden in our society.

Given declining enrollment trends of traditional-age college students, universities have adopted aggressive discounting strategies, resulting in actual net tuition revenues between 40–60 percent of published rates. In fact, the most recent discount rate report shows an average discount of 52 percent for private universities—a new record—and

trends for the past decade have shown steady and significant growth on discounts. Public universities, such as UNC-Chapel Hill, have worked to maintain low tuitions over time and beef up scholarship programs such as the Carolina Covenant that provides full tuition for any accepted students without the means to cover the cost. Other universities, including Purdue University and Arizona State University, have taken leadership positions over the past five years and frozen tuitions and made up for the lost incremental revenues with careful cost containment efforts.

The pandemic may have accelerated the trend of a movement toward lower overall and net tuition, and more than half of the universities in a recent research study I conducted actually decreased or froze tuition over the past fiscal year. The new administration under President Joe Biden is floating proposals for free community college and college debt forgiveness, which should be monitored closely. The three national stimulus programs have also provided significant funding to students during the

COVID-19 crisis (essentially half of the total \$77 billion provided to higher education).

A key tenet of strategies for organizations is to see differentiation in the eyes of consumers. The goal is to set your institution apart from others in terms of dimensions that are important to customers (such as students, parents, and employers). Unfortunately, higher education suffers from widespread isomorphism, as so many universities try to resemble each other rather than differentiating. Much of this is driven by the ranking systems, such as that published by *U.S. News & World Report*, which compare all universities by the same metrics—whether or not they are related to a unique mission.

In the future, universities will need to specialize and differentiate what they offer the market, given decreasing student enrollments and the resulting increased competition. Separating from the status quo will require courageous leadership, as exemplified by Michael Crow at Arizona State University (ASU). A minor tweak to their mission statement, to be evaluated by whom they “include” vs. whom they “exclude,” has had significant impact on operating strategies as well. As they moved away from the mind-set of a lower acceptance rate was the goal, they adjusted their offerings accordingly, in particular by providing more online education to a different type of student and evaluated their success by the positive student outcomes.

Accessibility and online education are both destined for growth if we are truly committed to democratizing higher education and thinking of it more as a “right” than a “privilege.” Again, ASU, as well as Southern New Hampshire University, were leading in this space through lower tuition strategies and significant investment in online education capabilities well before the pandemic moved so many students into the virtual world. The outcomes? The number of students at ASU is approximately 140,000 with a goal of 300,000 over the next three years, including major partnerships with corporations such as Starbucks, who

offer a free college degree to employees through online program offerings.

Two more macro trend dimensions have accelerated during COVID-19 times—virtual campus services and intercompany partnerships. The leading virtual campus services benefiting from a “forced experiment” as employees were working from home, include IT support, mental health counseling, class advising, and financial aid transactions. Intercompany partnerships will continue to expand—both interuniversity and between universities and private companies. There is a national trend afoot whereby universities are “affiliating” for joint degree programs as well as shared administrative services. Private-public partnerships are also on the rise, in areas such as utilities, parking, and other auxiliary services that can be better managed by a professional service provider, with cash going to the university up front in exchange for long-term predictable contracts. There is also a need for universities to be more relevant to industry partners—both in terms of majors as well as research.

The changes described above may even shift the organizational structure of universities, with increased consolidation and the emergence of large national (even international) universities that scale their unique competitive assets (such as online education) in partnership with or market-share capture from other universities. In other words, we may finally see a more competitive market structure in higher education, resembling most other industries including health care. Faculty, which traditionally align almost exclusively with one university at a time, will become more “free agents” and move fluidly between multiple universities for teaching and research opportunities.

Finally, as described above, online education will grow—both for hybrid residential programs as well as fully virtual. The target audience for these programs will be nontraditional-age students, essentially developing around a lifelong education strategy. The programs offered will also shift from tradi-

tional degrees to more certificates as badges along the way that are much more customized and tailored to employer demands for skills and knowledge.

The Strategy Refresh

Now that we have reviewed the key dimensions of what may happen in higher education over the next decade, we must now integrate those insights into the strategic plan for your institution. There are four key priority areas that require significant conversation for your board meetings and retreats: purpose, products, partnerships, and profitability.

Purpose

Does your university have a unique value proposition that speaks to external and internal constituents in a clear concise way? My research suggests that there is a great amount of isomorphism in higher education. For example, I am working with a university that set a vision to become a top 100 university in 10 years. As part of our analysis, we created a database of the top 100 universities and looked at all of their key operating metrics and strategy statements. We found that there appeared to be very strong similarities in the words used in their mission statements such as “academic,” “commitment,” “impact,” “serve,” “students,” and “society.”

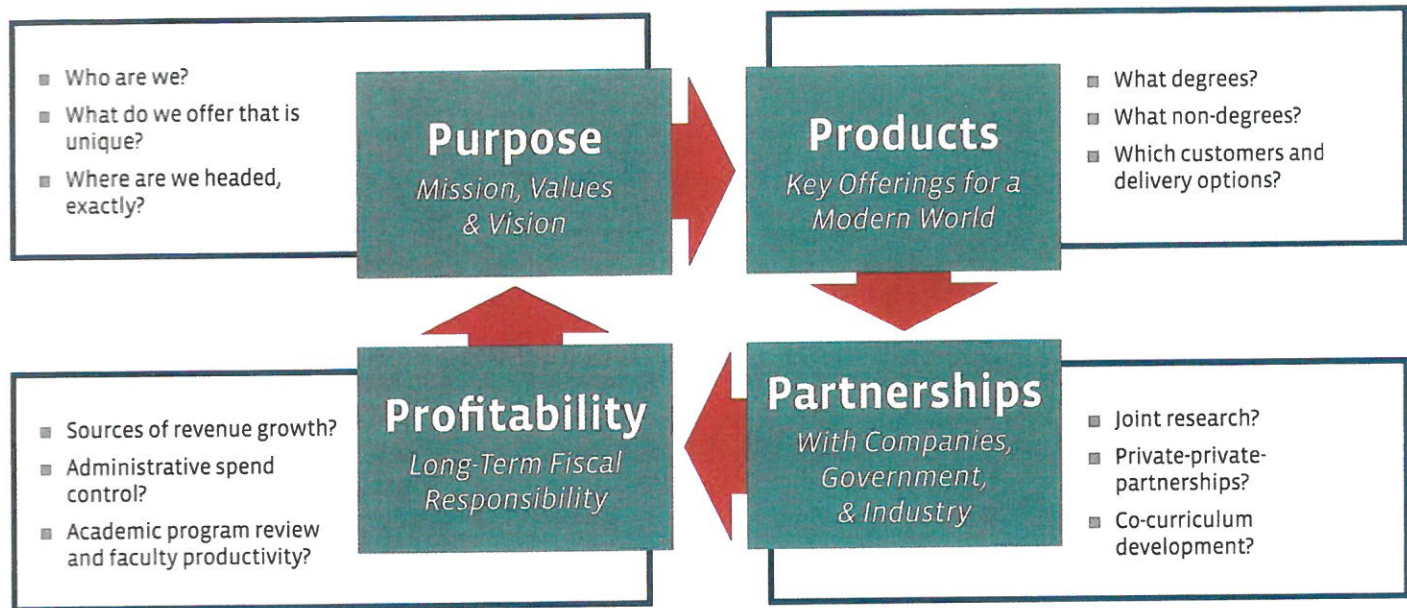
Of course, we would expect similarity in the mission of higher education institutions, but I recommend that universities strive to find some unique aspect of their identify for what I call mission, values, and visions slogans. For example, the new slogans were created as part of a recent strategy refresh project from this summer, not to replace past strategic planning and “full” strategy statements but to compliment the ideas and make them easier to remember.

Mission: Creating leaders to impact society

Values: Respect for one another in all that we do

Vision: Become the most modern global university

Strategic Priorities for Universities for the Next Decade



While the words do sound familiar, the university leaders, faculty, and staff found more uniqueness in the definitions of each of the words above that specifically identified the priority areas of focus, context, goals and supporting initiatives for differentiation. We call these detailed supporting statements “drill downs” and help the university align people and resources to prioritized focus areas.

Another great example of a mission slogan that has led to differentiation and great success comes from Arizona State University. President Michael Crow dares to disrupt the traditional educational model by clearly articulating its mission for all to see, which helps guide decision-making within the university:

ASU is a comprehensive public research university, measured not by whom it excludes, but by whom it includes and how they succeed; advancing research and discovery of public value; and assuming fundamental responsibility for the economic, social, cultural, and overall health of the communities it serves.

What is your university’s core differentiation? Perhaps social mobility, access, col-

laboration, specific programs of distinction, application of research, new models of private-public partnerships, etc.? My advice for a mission is that it makes employees proud, so find the unique value-add of your campus and create and promote a succinct mission slogan for both internal and external purposes.

Products

I believe that we are on the precipice of some of the biggest changes to academic “products” to be offered by universities. Of course, the primary and distinct offering is the degree. And the traditional approach to academic programs is to offer what others do and then incrementally add around the edges.

For your strategy “refresh,” it is time to require full “academic program portfolio review.” The approach would be to take a full inventory of the programs offered at your institution and collect data on enrollments, net tuition, direct expenses, and indirect expenses and essentially do a profit and loss analysis of each program. It is quite common that some programs require subsidization. The goal is to map results against mission of the university and anticipated needs in the market moving forward. Health universities

trim program and add new programs every year. Some of the most popular degrees moving forward are in health sciences, computer sciences (especially AI), business, and interdisciplinary programs.

The most interesting “product” planning is related to nondegree offerings. Due to the need in lifelong learning, universities will significantly increase their part-time and modular curricular options. For example, executive education will grow in many fields beyond just business and certificates, badges, and other microcredentials may comprise more than 25 percent of universities’ offerings within 10 years. Many of these will be developed with external organizations and corporations as described in the next section. Finally, online education is here to stay—in terms of new degree offerings, nondegree options as well as complementary pedagogies for traditional residential students.

Partnerships

With the magnitude of changes facing leaders in higher education, they should be comforted in the fact that they do not need to go at this alone.

As far as interuniversity partnerships are concerned, we are seeing more and more joint research arrangements, joint degree programs, and even an increase in full mergers. There are revenue and expenses synergies driving this activity. For example, a group of private Catholic universities could offer new online programs in different areas and geographies under one joint advertising campaign that leverages unique strengths and unified branding. Public system universities can work together to centralize administrative functions such as IT and HR and decrease decentralized redundant expenses on local campuses.

From a global perspective, international universities are looking to partner with other universities, particularly U.S. institutions, in many ways, including research collaborations, study/teaching abroad, and increasingly, joint program offerings. Look for a future full of mega-universities (like Arizona State University) and collaborations that extend throughout the globe.

Profitability

As mentioned earlier, COVID-19 delivered a dramatic blow to most institutions' financial situations. Universities had to make hard choices about expenses: academic and in some cases, academic. According to my research, 92 percent of university leaders made "significant" or "some" cuts, although many of them were temporary in nature.

It is time for universities to continue to keep a close eye on expenses. For too many years, many institutions incrementally increased budgets every year, subsidizing it with tuition increases, endowment returns, and in some cases, enrollment increases. Those days are over. The debt to students is unsustainable and state governments continue to keep their support at below levels prior to the Great Recession.

Conclusion

In summary, this is truly a special time for higher education. We are weathering a tremendous storm but can learn from it.

To do so, we need to step back from the day-to-day operations of our universities and apply a strategy refresh given the post-pandemic environment in which we find ourselves. Additionally, we should use a long-term lens to identify where we want our institutions to go and tighten up our guidance and investment to enable campus leaders to make that happen. The future of our institutions depends on it. ■



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Endnotes

- 1 https://www.chronicle.com/article/how-to-fight-covids-financial-crush?cid2=gen_login_refresh&cid=gen_sign_in
- 2 <https://www.acenet.edu/News-Room/Pages/New-Pulse-Point-Survey-of-College-Presidents-Shows-Increase-in-Mental-Health-Concerns-Ongoing-Impact-of-COVID-19.aspx>

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