ROUNDTABLE REPORT

Building the Streamlined College

How college leaders find efficiencies and prepare for the changing financial landscape

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THE CHRONICLE of Higher Education®

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INTRODUCTION

Higher education faces ever-mounting pressures. Waning tuition revenue and public funding, rising labor costs, deferred maintenance, and demographic shifts are all putting strain on the college business model.

Campus leaders must wrestle with costs and revenues in order to set priorities wisely. Institutions cannot not simply return to their usual financial playbook — they must find innovative ways to shore up their finances. And they must answer the question: "Toward what end?"

Institutions under pressure are searching for efficiencies. Leaders must uncover waste in how the college operates, whether it's superfluous academic programs, costly resources, or siloed services that should be offered under one roof.

But streamlining means more than coming up with ways to buy supplies cheaper, or pay less for electricity, or cut courses. It's finding opportunities. Creating engagement. Supporting change. It's moving an organization toward optimization.

We invited three campus-finance experts to *The Chronicle's* offices in Washington, D.C., to discuss streamlining colleges, how to manage spending to strengthen an institution, and ways the role of the chief financial officer is changing. The participants offered varying perspectives drawn from their experiences in a public university system, a small private college, and higher-ed consulting.

This report offers key points from the discussion to help college financial officers and other campus leaders as they work through budget challenges and seek innovative ways to meet them. The following excerpts from the roundtable conversation have been edited for length and clarity.

PANELISTS

Walter Brooks is vice president for financial affairs and chief financial officer at Trinity Washington University. He has also been vice president for finance and administration and chief financial officer at Cape Cod Community College, and as an associate professor of economics and executive director of financial services at Mercer County Community College, in New Jersey.

Ellen Herbst is vice chancellor for administration and finance at the University System of Maryland. Previously she served in the Obama administration as chief financial officer and assistant secretary for administration in the Department of Commerce.

Richard Staisloff is founder and a principal of rpk Group, which helps colleges create sustainable business models. Before that, he was vice president for finance and administration at Notre Dame of Maryland University and a finance-policy analyst for the Maryland Higher Education Commission.

MODERATOR

Scott Carlson covers the cost and value of college as a senior writer at *The Chronicle of Higher Education*. In 20 years there, he has written about a range of issues, including college management and finance, campus planning, energy, architecture, and sustainability. He has also written two in-depth reports, "Sustaining the College Business Model" and "The Future of Work," and a series on how higher education perpetuates inequality.

SECTION 1

"I see more and more faculty engaging around good data that's shared in a very transparent way, as long as there's trust that there isn't a preconceived answer."

—Richard Staisloff

Streamlining

Colleges across the country are grappling with diminishing revenue, spiraling costs, and growing skepticism about the value of a degree. Competitors are offering alternative credentials. When higher-ed leaders talk about innovation, the conversation almost always focuses on students and academic issues. Less discussed is how those in another vital part of the campus are rethinking how it works: business operations. Leading colleges are taking creative steps to find efficiencies in campus activities and functions.

During the conversation at *The Chronicle*, the panelists discussed how they look to do more with less, rethink how to reduce cost and maintain quality, and spark a shift in campus mind-sets to move from budgeting to investing.

Scott Carlson: Where is higher ed when it comes to innovation in the finance area?

Richard Staisloff: It's in early days of innovation in the finance area. Generally speaking, higher ed does an excellent job around resource allocation and management, around controls, around auditing, so that they're making sure that resources are used appropriately. But higher ed doesn't understand return on investment and what it gets for the resources that it uses. And that's really next. When you think about innovation and finance, it's, How do I not just do what I'm doing for less, but how do I reallocate resources to get more in the way of mission and student success?

Ellen Herbst: I agree with that — and in a time where the sector is seeing trends that are going to potentially desegregate service offering, desegregate in product, we are talking about credentials, badging, and in addition to degrees, the role of technology, the role of non-in-kind competitors, about how to invest in a world where it is not the same as it was 20 years ago.

Walter Brooks: Students are paying online. There's less need to come to a window and interact with someone that's going to take their payment. So that has already started.

There's some innovation that can happen about how to get data more efficiently to use in our functions on the planning side, which can also assist with finding more resources, utilizing things differently.

Herbst: And you and I are more than finance officers. We are responsible for a wide swath of administrative functions as well. So if we brought the lens out from the traditional financial person to what our responsibilities are today, some of that data analytics goes into how we can be more efficient and effective in delivering some of the other services, or making the decisions around facilities or energy use.

I've got some background in the private sector. There may not be the same sense of urgency to adopt new ways of doing things in higher ed as there might be in, say, the business world. And the risk profile is maybe a little bit more risk-averse still in higher ed than it is in other sectors as a result.

So how do you take that into account when you're thinking about, How do I put some more artificial intelligence in some of the things I'm doing?

I know you [Walter] have done some energy-conservation things. We've done some energy-conservation things. How do you put money into the data analytics around our traditional role, but also working with the academic side to start really doing a lot of student-data analytics, both for figuring out who we should be trying to get into our schools and then to help with retention and graduations?

Brooks: I know at Trinity, we don't have an institutional researcher as a separate position. The problem that can bring, and I kind of see it happening, is that we need more and more data.

Staisloff: You both point to the first stake in the ground in terms of financial innovation and where it needs to go around business intelligence [BI]. Hands down, that's the next key investment in terms of clear understanding of what are the right questions, what are the data we need, at the right level. That's impacting decision-making, and not just at the senior-leadership level. If you look at institutions across the country, you almost never see a home for business intelligence. It's either everywhere or nowhere, which ends up being the same thing.

There is no structure within organizations that says, These are the important questions, I'm helping you monitor that track, and therefore we're making informed decisions. And that is clearly whether it's, Do we make money or lose money on history versus engineering? Do we care? What is the return investment from all these student-success initiatives? That BI piece is the next real frontier.

Carlson: I want to come back to your point that higher education hasn't reached the next level yet. What are the barriers to that, and why is that important?

Staisloff: One, it hasn't had to. When you think about higher ed, it hasn't until relatively recently been forced to think hard about efficiencies. It's been focused on quality. Of course you never want to lose that.

More recently, it's been thinking about student success. But good stewardship, and efficiency, and ability to reinvest — it's a different mind-set. Because it hasn't had to, it didn't develop that muscle. Candidly, a lot of the leadership coming up wasn't trained in that kind of thinking. And so they're not bringing that capacity to the table.

Brooks: And the enrollment trends, the declines that have been happening nationwide — it's forcing us now to figure out how to use this money more effectively and more efficiently.

Herbst: I would say that public institutions, or at least the public system that I'm a part of, for almost 20 years now, and certainly since the Great Recession, have had to routinely talk to elected officials about how we're using money, how we're making decisions, and so forth.

So I would say that maybe the publics, at least in our state, have had to come to the table earlier with answering the question, What are we getting for the money? Maryland is still incredibly committed to higher education. And we're very grateful for that. But that doesn't mean that they just hand over a check and go, Here, go ahead and go do what you want to do.

But I agree with the primary premise that the sector is changing. The customer base is changing. The demographics are changing — what students want and what they expect. The employers have different needs, needs that the traditional four-year degree isn't necessarily the answer for. And we've got not-in-kind competition coming in. So all of those things are going to put more and more pressure on thinking about return on investment.

Carlson: Just practically, where are you seeing some of the innovations?

Brooks: We're looking to save money on utilities. We haven't done solar-powered energy yet, but we're looking into it. We're just putting on new roofs, because we don't have a lot of land to put land-based solar. But we're putting in LED lighting. Water-conservation projects that can help us save money. What I call low-hanging fruit. The payback is very quick on some of these projects. You have to put up the dollar first, but then it's quick to get it back.

Herbst: Similarly, we see on the energy and water side a lot going on in our universities. We do have land enough to do some land-based solar as well. Our biggest savings place is still the consortial buying.

Staisloff: How do we move from "I'll help you buy stuff" to getting smart about aggregating all of that spending so we can leverage vendors and drive savings? Strategic sourcing.

Herbst: The systems to implement it to do it.

Staisloff: And that is a culture change in and of itself. I'll help you buy stuff according to the rules — that's different than, How can we be more strategic about what we buy, from whom, when?

Herbst: I want your data about everything that you buy.

Staisloff: Huge data needs, new structure. It's a whole new way to think about purchasing things. Strategic sourcing's huge.

In higher ed we have huge issues with people with management titles, management salaries, who aren't managing people. And I'm not going to say they aren't adding value in some way. But it makes decision-making murky, and it adds a lot of dollars to overall payroll. So getting clarity, getting more streamlining around the hierarchy of decision structure has huge payoffs.

On the academic side, the shifts are toward what we would call faculty throughput. Really measuring what faculty are contributing to the business model. Millions of dollars come back to the table just by creating some efficiencies around how you use what is your biggest investment, quite frankly.

Herbst: And I think a lot of people have done the gen eds, right? It's easier to get at. I've got this many people teaching English 101. Is that the right number? It's when you start looking at programs and say, How many students over the last five years, how big is the cohort each year? Boy, is that tough.

Staisloff: And the last one I'd point to would be shared service models. You talked about that from your experience, both inside and outside of higher ed, in terms of things get very fractured, and people think, We have to do communication marketing this way here and that way there.

Herbst: We have some folks who are focused on the student experience, not the academic student experience, but the kind of customer-service experience with registration, with the bursar, and thinking about how to transform and streamline those processes. Are you seeing any of that?

Brooks: The lines we used to have at the bursar's office, going around and down the hall.

Staisloff: Right. You don't see that so much anymore. Registration's a lot cleaner. Do we need to make bigger leaps strategically? Of course. But it's good to be able to celebrate improvements we have made along the way. That gives people confidence they can continue to make improvements.

I've been pleased to see that as the data and analysis get better, that actually creates engagement. And I see more and more faculty engaging around good data that's shared in a very transparent way, as long as there's trust that there isn't a preconceived answer.

It's like, Hey, we should probably know, are we subsidizing these programs, and why? Not because we won't, but we should know.

And then we can make a decision, do we want to invest there or not? Faculty, generally, aren't real motivated by generating margin, revenue, and savings. But they do care about investing in their discipline. They do care about investing in things that support student success. And that's the hook, then, to bring them into the strategic conversation.

SECTION 2

"There has to be a constant communication. It has to constantly be there, or it's just not going to happen. Everyone needs to be part of whatever change you're going through, or it's never going to work."

—Walter Brooks

Change Management and the Modern CFO

Change is difficult, particularly in institutions that draw their identities in large part from tradition, rigorous analysis, and independent thought. At the roundtable, the financial experts pointed to the importance of change management — and emphasized that leaders must include stakeholders at all points in the process. Effective communication and follow-up are key to cultivating greater openness to emerging opportunities and acceptance of sometimes painful adjustments.

The chief financial officer is in the middle of this shifting ground. The days are gone when a CFO could balance the budget and be done. Now we are seeing a shift to a new kind of CFO, one who sits at the intersection point of strategy, resource reallocation, metrics, change management, and culture-building.

Scott Carlson: What about the sharing among institutions that goes beyond consortial buying? I mean sharing programs — short of mergers, but just working together.

Ellen Herbst: It's all about change management. It's about spending the time upfront — and feedback. No matter how much you think you have people bought in to change, you have to constantly reinforce. The stakeholder group has to see the value from their point of view. Just saying that this is good medicine, and you're going to feel better at the end, doesn't work, because it's hard.

Walter Brooks: It has to start with the leadership. The president of the college has to be committed to and lead the efforts around change. There has to be a constant communication. It has to constantly be there, or it's just not going to happen. Everyone needs to be part of whatever change you're going through, or it's never going to work.

Carlson: To what extent is the CFO at a university or college empowered to push change? Or to what extent is that person perceived as, Oh, that's the numbers person we have to get around, or get by, or go through?

Brooks: Well, I have responsibilities for all the nonacademic areas of the college, although my title just says CFO. So yes, I'm involved with pushing change, and facilities, renovations, cost-saving, utilities, public safety. So we do play a rather large role. Maybe at some other institutions, their breadth of responsibilities isn't as large.

Herbst: It depends. It depends on the individ-


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ual, but also on the environment they're in. Because our roles are business-partner roles. If you've got a seat at the table at the cabinet level, you're there as a business partner. Now, that has to come from both the individual understanding that that's their role, but then you also have to be in an environment that sees it that way, too.

Richard Staisloff: One of the key questions on the table right now for higher ed is sustainability. What is the business model that allows quality and student success to happen? I believe that a strategic CFO has one of the lead roles around that discussion. Because if you think about it, what you sit within is obviously resource allocation, strategy, risk management, compliance, all the way over into, How do you reach out into the change-management piece, how do you create the partnership, particularly at the provost level?

If we're really trying to figure out the sustainability piece — and I don't mean sustainability as in not close the doors, but sustainability as in a thriving, vibrant organization that can reinvest in itself toward future needs of student success — that requires the skill set that a CFO brings to the table, not exclusively, but as a business partner to other members of the cabinet.

It's a really exciting time to be in the CFO role. I say to CFOs all the time, If you're not a little bit scared, you're missing it. You should be a little bit scared. Because think about what all of us have said around change management and culture change. Man, that's the hard stuff. I mean, yeah, it's hard to run the numbers and the analysis and all that, but bringing people along toward some future vision, that's the heavy lift. And that's what strategic CFOs need to be asked to do.

Herbst: That's exciting.

Staisloff: It's thrilling. But you're in the front seat of the roller coaster, and you got your hands up, and you're like, I wonder if this safety bar actually works.

Herbst: If you want to be a maintenance manager, this is not the place to start at today.

Staisloff: There is an element in CFO-dom of, Well, I have to protect the resources, because you all don't understand, we have only so much in the cigar box. If you're going to play that strategic role, you're going to have to open up and let people truly see where the money comes from, where it goes, and together figure out what success looks like. And not everybody is comfortable with that. Not everybody was trained to do that. You can't just protect. You really have to be able to open up and let people in and around that whole dialogue.

Carlson: Would it be helpful if higher ed had more CFOs from non-higher-ed backgrounds? Or is that a hindrance?

Staisloff: That's a huge benefit. As long as you've got your head in the right place about the environment and culture you're coming into. When it fails, in my experience, it's not because people didn't have a good skill set. It's because they didn't understand how different the culture was that they were stepping into, and they didn't take the time to truly appreciate and value it, absorb it.

Herbst: If you're coming in from another sector, and you've had some success, you're like, I know what I'm doing. But you have to be willing to step back into learning mode to understand the key differences in the sector. Pace of change is one of them. The fact that you have to partner with the academic side. Someone once said to me that you have to marry secular — they were describing my role — with the spiritual.

SECTION 3

"The people who have the hardest job thinking about money are the people who have this enormous investment in the status-quo way of doing it."

—Ellen Herbst

Strategic Planning for the Future

The decade head looks like a bleak one for colleges and their financial managers. An economic downturn seems likely, public spending on higher ed may weaken more, and there'll be fewer students graduating from high schools (further shrinking revenue from tuition). What's more, colleges face competition from new players, many online, that offer flexible types of credentials and are more efficient because they don't have to maintain a traditional campus.

While acknowledging the challenges, participants at the roundtable did not say it was a time for despair, or that the dire predictions of Clayton M. Christensen — a Harvard Business School professor who said that half of colleges would go bankrupt by 2033 — are coming true. Thinking strategically about costs, always asking "why" about operations, and finding ways to reinvest in successful academic programs, they said, will put a college on solid footing not only to survive, but also to grow.

Scott Carlson: There's an attitude out there that higher education is on this trajectory of more distress in terms of demographics, in terms of the state funding, and so on. How do you see it from your chair?

Walter Brooks: From the private side, we don't worry about state funding so much. But the change in student demographics is a stress point. We have to figure out ways to meet what the customer — the student — needs and wants, and to be able to deliver that in a way that is going to get them that ultimate outcome.

How do I balance this budget, or provide the resources for the things we need to do to get those students successful? We have to keep the lights on; we have to maintain our buildings. We can't let them crumble. We have to make sure we're providing a safe place for people to walk around, sit, and study. It takes a lot of money. And it's tough. It's very stressful.

Ellen Herbst: What we see in our student population over the next 10 years is an acceleration in changing demographics for even the traditional full-time, first-time freshmen. And the increasing importance of working adults in continuous education, which is going to lead us to have to be more nimble. We're going to have to figure out how to disaggregate what we're offering. Which, in the private sector, always drives margin down.

So we have to figure that out. We have to figure out what the no-kidding market for residential campuses are. Because outside of the cost of personnel, you get to the next big one,

which is all the facilities-related costs.

And how do we look at risk of investments we're making today, whether it be academic buildings — because the way we're going to teach is becoming more and more different — or certainly student housing? And how do we think about de-risking those capital decisions today for whether those buildings are still relevant or not in 15 years?

We're going to have to deliver different things, more things, to smaller cohorts. So we're fracturing the marketplace, essentially. Or the marketplace is fracturing around this, probably more so. And there are people who don't have the same sunk investment who are going to be competing in those newer areas.

In the private sector, when you think about disruptive events, disruptive technology, disruptive ways of thinking about disaggregation of the delivery module, the people who have the hardest job thinking about money are the people who have this enormous investment in the status-quo way of doing it.

I've got billions of dollars of buildings, right? Somebody brand-new coming in can say, I'm not going to even touch the residential market because of the business structure of the residential type of experience. I'm going to go after this other slice of working adults who need credentials and badges, and I'm going to deliver them online. How do we think about them?

Richard Staisloff: I think about that on two fronts. One, what are employers going to do? What is the signaling that is going to come from the people who are hiring your graduates? So far we've used this not-so-great proxy called a degree, which says, I think you learned some stuff, and you're probably smart, and you can add value.

To the extent that employers start signaling that that's actually not such a great proxy — and there are components, whether badges or microdegrees, there's lots of different ways to think about it — if you were to move to more of a true lifelong-learning model, I think you

could see a lot of change very quickly. Because students would say, Well, why am I going to spend four years and that much money if I can do this at lower cost?

The second thing that's been on my mind a lot lately is you have to imagine there's some kind of economic downturn coming at some point. And so I've been thinking a lot about what that means. In the past, that was to higher ed's benefit, because students said, Well, I'll upskill, reinvest in myself, because I'll get more from that, ultimately, lifetime, than I will going out and working.

I wonder if that's what we will see this time around. And the reason I say that is because there has been a lot of questioning about the value of the degree. And so will students opt for what has been that countercyclical model as the economy goes down, more students go back and upskill themselves? Maybe, maybe not. Does that introduce opportunity for a more disruptive kind of model that says, Don't get your M.B.A., let's go get this package of five great core [courses] — and by the way, we're connected into these employer bases. We're not only going to help you get more skills and exposure and ability, we're going to connect you into how you want to put that to use.

Are there more closures? Yeah. Are there more mergers? Yeah. But come on, in any given year, they're single digits, or low double digits. So we're not at the Clay Christensen moment, at least not yet. But we do see more pressure. There's just no question.

Carlson: I want to bring back some more of the high-level streamlining in the CFO role, as a closure.

Staisloff: There's opportunity. I've never not seen an institution be able to save 5 percent to 10 percent of its operating budget by looking really hard at the kinds of things we talked about under that general idea of streamlining. And it takes time, effort, energy. But that money is there.

Is that insufficient? Yes, you need to do it. It's part of healthy organizations and how they run themselves. But you need to be able to think about reinvesting and answering the "why" question.

Carlson: Let's explore that. How do you think about smart reinvestment strategically?

Staisloff: When I see those efforts fail, it's because nobody — really the presidency or leadership — was able to paint a picture of, What are we going to become five years from now?

Brooks: Everyone says we've got to have a strategic plan. But what about the why — what are we going for five years from now? And how are we doing along the way, the follow-up? Are we meeting that plan? Are we on target, are we not, what have we got to do to fix it? That is the part that fails, the execution and the follow-up.

Carlson: But why does it fail?

Staisloff: Because if we don't know how we earn a living for what we do now, then we don't know what we might invest in to get someplace new. I'll give you an example. We just did a study in a state that looked at a student-success initiative. It's getting funded by the state, but

nobody really knew what it cost. And it turned out that it actually generated lots of margin. And when we looked at the community colleges involved, it turned out that they were cutting those programs as part of budget adjustments.

It is a fascinating example of, Wait a minute, this is something, from a mission perspective, it fits what you want to do. It looks like it supports student success. It actually generates more revenue than it costs you to offer. And you're cutting — eliminating the executive director, cutting the number of offerings and courses. Which showed that there wasn't a good understanding of how we earn a living and how that connects into our mission. We don't understand how to think about ROI [return on investment]. And culturally, we're more comfortable giving a little to a lot. True strategy means making choices. This is what I see around not understanding the business model and the culture pieces that keep us from choosing.

Herbst: I would agree with all that. And having a culture of setting measurable targets, and then holding people accountable.

Brooks: Totally agree with that.

Staisloff: Everybody loves the transparency side. And then when you talk to them about accountability, they want to hide under the table.

Herbst: So if there are no consequences to not achieving goals, or if you don't even know, were we successful? We didn't decide how we were going to measure success.

FURTHER READING

"Don't Let Energy Costs Devour Your Budget," by Lawrence Biemiller, *The Chronicle of Higher Education*, November 19, 2017.

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