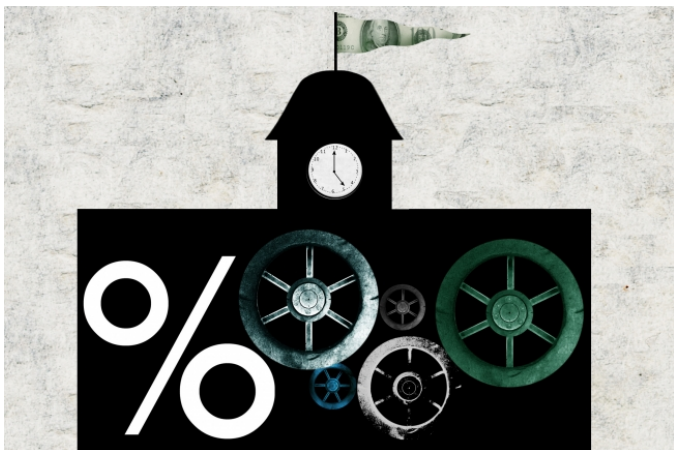


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COMMENTARY

# The Bailout Is Just the Start: Why Higher Ed Needs to Build a Sustainable Model



Michael Morgenstern for The Chronicle

*By Richard Staisloff* | MARCH 31, 2020

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*This article is part of a series on the financial challenges facing colleges amid the coronavirus pandemic, and the need for proactive strategies. Please join a virtual discussion on Wednesday, April 8, at 2 p.m., EDT, to hear from experts about what colleges should not do during a recession.*

**E**very sector in the United States has been shaken by the coronavirus pandemic. In higher education, the immediate needs seem clear: maximizing the safety of students, faculty, and staff; providing opportunities for remote learning; and adopting flexible policies for the duration of the crisis.

At some point, however, colleges will have to turn their attention to a post-Covid-19 world — one where endowments will be decimated, enrollments will be hard to fill, and private and public money will be hard to come by. What then?

Congress, as part of its \$2-trillion stimulus bill, voted to give colleges \$14 billion in emergency relief. That will certainly provide some relief, but it is much less than the \$50 billion that higher-education leaders said they need. And it very likely won't be enough to influence Moody's Investors Service, which recently downgraded the financial outlook for the higher-education sector from stable to negative.

Robert Zemsky, a professor of higher education at the University of Pennsylvania and a co-author of *The College Stress Test*, talks about the "dislodging events" that can force needed change in higher education. Could Covid-19 become a dislodging event that forces higher education to examine its cost structures? Rather than continue the search for ways to write ever-larger checks, might we finally figure out why the delivery of good-quality higher education costs so much?

Financial experts in higher education have long questioned the sustainability of colleges' current business model. But what might a post-Covid-19 shift to a more sustainable model look like? Here are some key features:

**A streamlined academic portfolio.** Higher education has historically operated with a "more is more" strategy, focusing on expanding its curriculum offerings — more programs, more courses, more sections. That growth, however, has spread faculty members across too many offerings and created significant inefficiencies. A sustainable business model is one in which colleges streamline their academic offerings based on mission (What are we good at?), market (What do students want and need?), and margin (How can we generate net revenue for reinvestment?). An analysis by the education-consulting firm rpk Group consistently shows that two-thirds of an institution's undergraduates major in no more than 12 programs. By understanding student demand and the net revenue for each existing program, institutions can make hard choices about what to expand, what to maintain on the basis of mission, and what to sunset.

**Improved academic efficiency.** Professors shouldn't have so many empty seats. At rpk, our research finds that colleges could be teaching as many as 30 percent more students with existing resources by paying closer attention to class size, percentage of seats filled, scheduling, and the mix of face-to-face, online, and hybrid offerings. Hard to believe? At a recent all-faculty meeting with an R1 institution, we noted nine sections of a course in which 40 percent of the seats were empty, and enrollments ranged from a low of six to a high of 27.

**Streamlined administrative functions.** Over time, services become spread across an institution, with multiple departments handling functions like marketing, purchasing, and tech support. Similarly, manager-level positions are created in which little

management is taking place. Consolidating administrative services and oversight enables not only significant cost savings but also clearer lines of authority and faster decision-making. Ask yourself within this current crisis: Is it clear who gets to make what decisions?

**Clear connection between resources and strategy.** Institutional budgets are largely a function of historical spending. A sustainable business model for higher education requires financial decision-making that is more deliberate. There needs to be a better connection between institutional strategy and resources, along with appropriate metrics to track return on investment in terms of student success and net revenue.

**Structures for business intelligence.** Higher education has lots of data. What it lacks is the ability to create meaning that supports informed decision-making. Colleges have had great success with internal business-decision support groups, reallocating positions from finance, information technology, institutional research, and assessment to create a cohesive focus on business intelligence. At your institution, who wakes up in the morning ready to synthesize incoming data on finances, enrollment, market, and outcomes for use by leadership?

By using these opportunities to create a more sustainable business model now, higher education could create a foundation to build toward a new, shared vision that better supports student success. That vision could include bolder models for teaching and learning, such as competency-based education, flipped classrooms, a three-year degree, lifelong-learning approaches, and an unbundling of faculty and administrative roles.

In the short term, aid from federal, state, and local sources can certainly ease the immediate fiscal pain caused by Covid-19. Relying on bailouts alone, however, avoids the truly hard work necessary to create a sustainable shared vision for the long term.

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*This article is part of:*  
Coronavirus Hits Campus

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