

Multi-year Forecasting for Strategic Transformation



Brought to you by: Paul N. Friga
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Paul Friga's Background



Paul N. Friga, Ph.D.

- AGB Practice Area Lead – Transformation of Public Higher Education; AGB Senior Consultant
- Clinical Associate Professor of Strategy – UNC Chapel Hill
- Former Chief Strategy Officer, HelioCampus
- Leading higher education thought leader with over 22 articles in the Chronicle of Higher Ed and InsideHigherEd and numerous webinars and blogs over the past 24 months; significant consulting projects
- Former consultant – McKinsey & PwC
- Former Trustee – Saint Francis University, Loretto, PA
- Former Board Chair – Saints Francis & Clare Church, Greenwood, Indiana
- Founded ABC Insights, a leading higher ed benchmarking consortium
- Created NACUBO Master Class in Financial Transformation for CFOs
- Author of *The McKinsey Mind* and *The McKinsey Engagement*

*Paul N. Friga, Ph.D., Clinical Associate Professor of Strategy – UNC Kenan-Flagler
AGB Practice Area Leader: Transformation of Public Higher Education*

About (visit his [website](#) for articles, blogs, and videos on strategy)

Paul is one of the foremost higher education thought leaders and strategists. With 20 years of experience as a professor, researcher and consultant at UNC CH and Indiana University, Paul understands how public education really works and how it should change. His former experience as a consultant with PwC (earned CPA and CMA designations as) and McKinsey (including projects in public higher education) round out additional relevant experience. He has also served as a Trustee at Saint Francis University and the Board Chair at Saints Francis and Clare Church in Greenwood, Indiana. He has an MBA and Ph.D. from UNC Chapel Hill.

For the past 10 years, Paul has been researching best practices strategic resource allocation in higher education, presenting at international conferences, and co-founded ABC Insights, a premier higher education benchmarking consortium that was acquired by HelioCampus. Over the past 24 months, Paul has authored 22 articles in the Chronicle of Higher Education and InsideHigherEd on strategies for change in higher education for surviving the COVID crisis and positioning universities for the long-term (over 500K views/downloads). He has also conducted many strategic planning projects and board retreats for universities, not-for-profit entities (including the Marines), and corporations (including The Biltmore Estate). He has written two best-selling books on team problem-solving (*The McKinsey Mind* and *The McKinsey Engagement*) and is an award-winning teacher of strategy and consulting for undergrads, MBAs, and Executives. He created a year-long board workshop series for AGB.

Agenda



Importance of Multi-Year Forecasting



Example
Benchmarking on
Financials



Team Discussion

Importance of Multi-Year Forecasting



Reasons for Multi-Year Forecasting

About **30%** of all higher education institutions were running operating deficits even before the effects of COVID on enrollments, other revenues, and additional expenses.

We need to recognize that universities have been banking on continually increasing tuition and enrollments to address the financial issues, but they will not! Only through fiscal discipline and longer-term realistic financial forecasting will we be able to address the underlying operating model challenges in our sector.

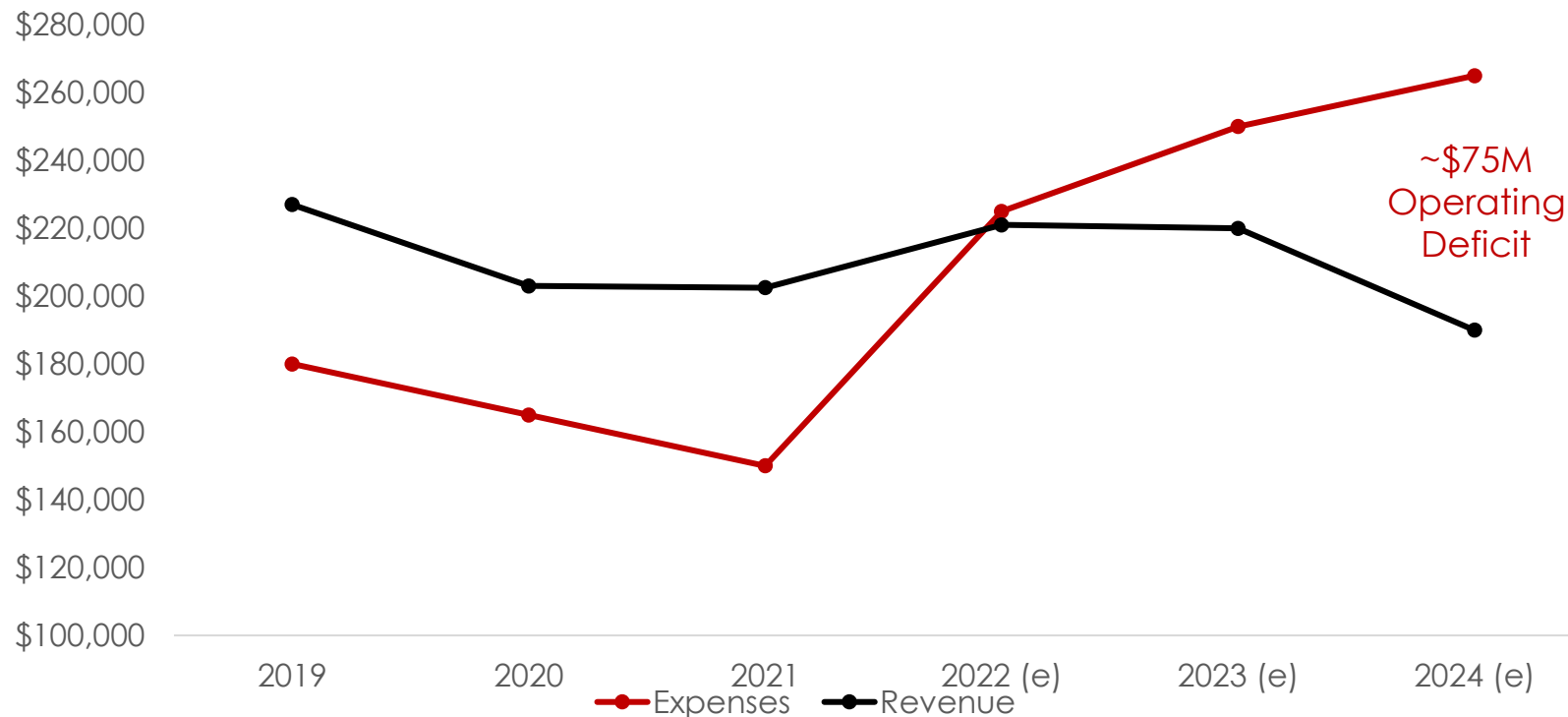
Reasons for Multi-Year Forecasting (*continued*)

- Major strategic moves such as academic program portfolio changes, mergers/affiliations, and new building investment have a natural analysis period of 3 to 10 years.
- Deciding whether to move forward with a new initiative should include assessing how it fits the institution's strategy as well as how it impacts the financial model. These are the kinds of discussions that boards and cabinets should be having, rather than conversations about shorter-term operational issues.
- It is also a better use of a talented Board of Trustees, as many of them likely have experience with multi-year planning exercises as they are quite common in business sectors.

Key Success Factors for Multi-Year Forecasting

1. Review historical numbers and baseline projections moving forward
2. Create base, best, and worst-case scenarios of how things may develop
3. Assess the potential financial impact of the new planned strategic initiatives over the forecast period

Example: University XYZ (Hypothetical Small Public Institution) – Multi Year Expenses & Revenues

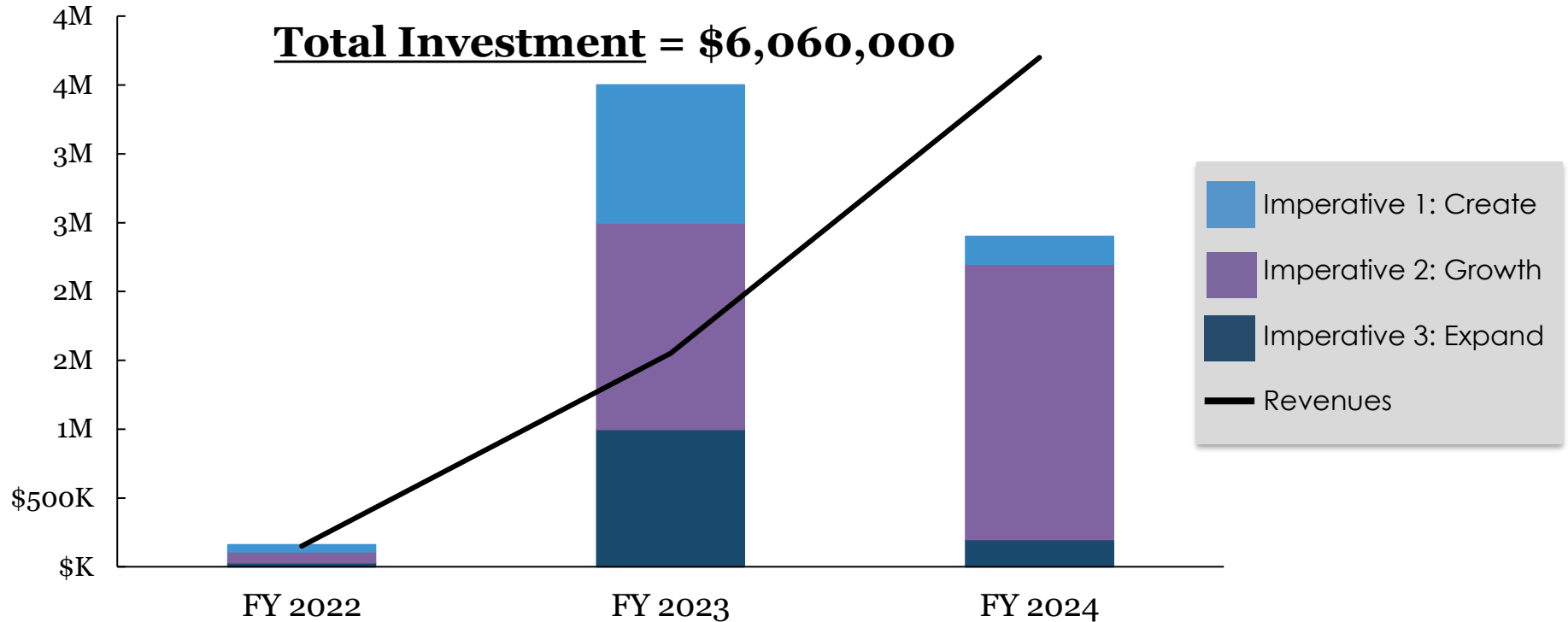


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Example: University XYZ (Hypothetical Small Public Institution) – Multi-Year Implementation Plan

	Priority 1: Create a compelling vision around student success, personalized education, and athletics			Priority 2: Grow research in high-impact disciplines			Priority 3: Expand external partnerships		
	Objective 1.1: Launch New Strategic Vision	Objective 1.2: Conduct Program Review to Reallocate Resources	Objective 1.3: Expand Athletic Programs	Objective 2.1: Develop Academic Plan	Objective 2.2: Research & Innovation	Objective 2.3: Create Nursing School	Objective 3.1: Develop Modern Pedagogies and Offerings	Objective 3.2: Strengthen Relationships with Employers, Alumni, and Partners	Objective 3.3: Launch New Online Program with Community Colleges Nationwide
Initiative 1 (Y1)	Assist all divisions and colleges in university-wide strategic refresh effort	Examine student enrollments, demand, and fit with faculty	Benchmark athletic programs and student success against peers	Prioritize research areas and redesign faculty incentives accordingly	Launch research institutes and grant writing office	Solicit input from stakeholders and finalize acquisition target strategic scoring matrix	Conduct market analysis of target student populations, demand, and competitive offerings	Expand partnerships with employers interested in diverse student graduates	Build business plan for expansion of degree completion programs and target markets
Initiative 2 (Y2)	Develop multi-year strategic performance dashboard	Eliminate lowest performing programs and invest in high market demand areas	Invest in athletics department, coaches, and new sports	Hire additional research faculty	Create equity fund and incubation facilities	Identify acquisition targets and conduct due diligence on top-scoring candidates	Invest in current and new digital offerings; promote inclusive pedagogical techniques	Grow key alumni engagement; invest in analytics and staff to prepare for comprehensive campaign	Create seamless transfer routes with community colleges in our state and beyond
Initiative 3 (Y3)	Share division and college level results on an annual basis	Communicate reputation for retention, graduation, and post-employment success	Leverage athletic programs to target prospective students nationwide	Create endowment to support research and launch academic journal	Expand commercialization and tech transfer capabilities	Develop robust integration plan, complete acquisition, and hire key leaders	Launch new micro-credential, certificates, and non-degree executive education offerings	Invest in incubator and SBD offices	Launch national advertising campaign to expand program
Underlying Values	Student Focused			Equity & Diversity		Outcomes & Accountability			

Example: University XYZ (Hypothetical Small Public Institution) – Strategic Investments



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A performance dashboard can help the board track the progress of a strategic plan

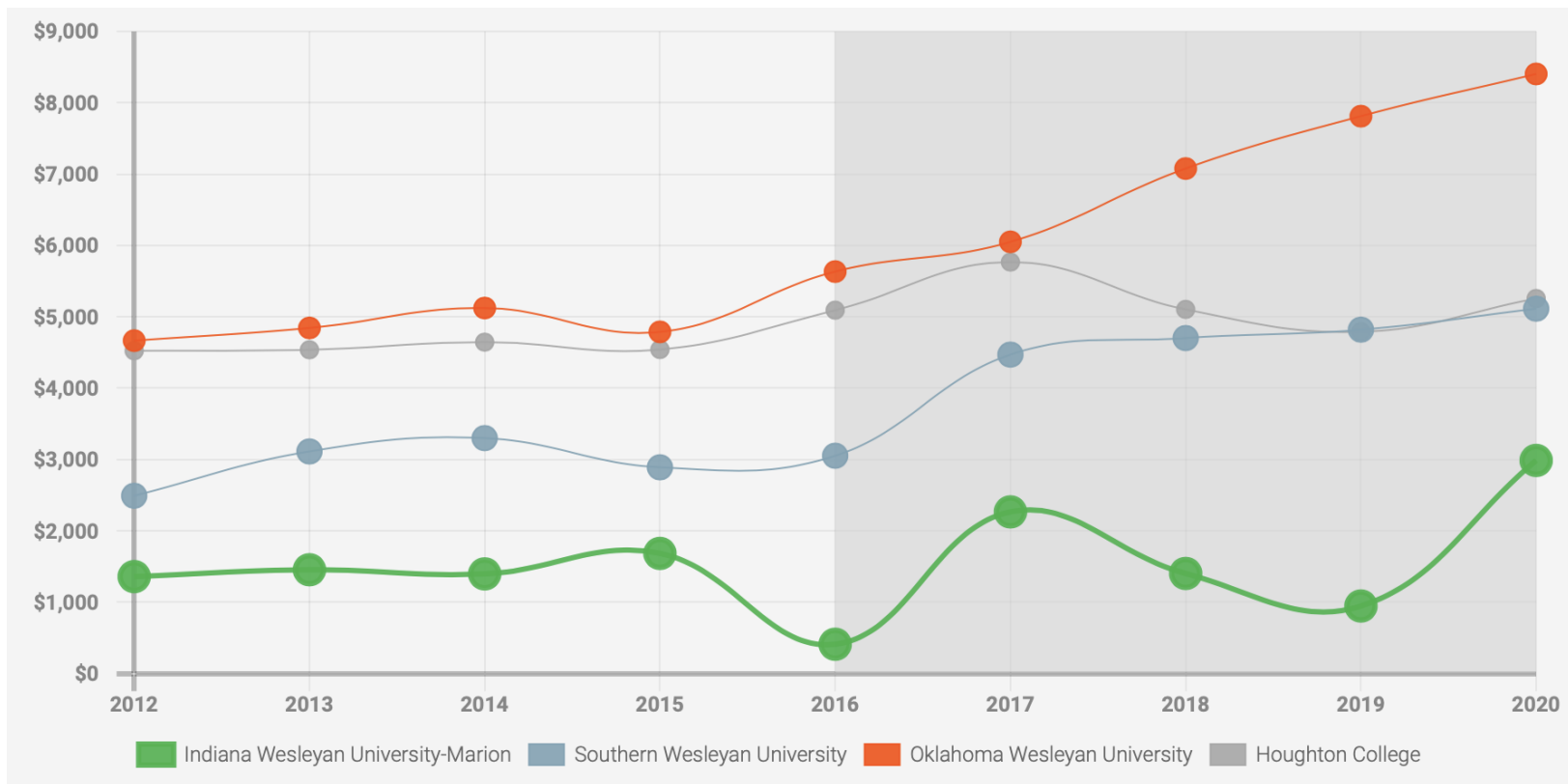


Example Benchmarking Financials – Participants

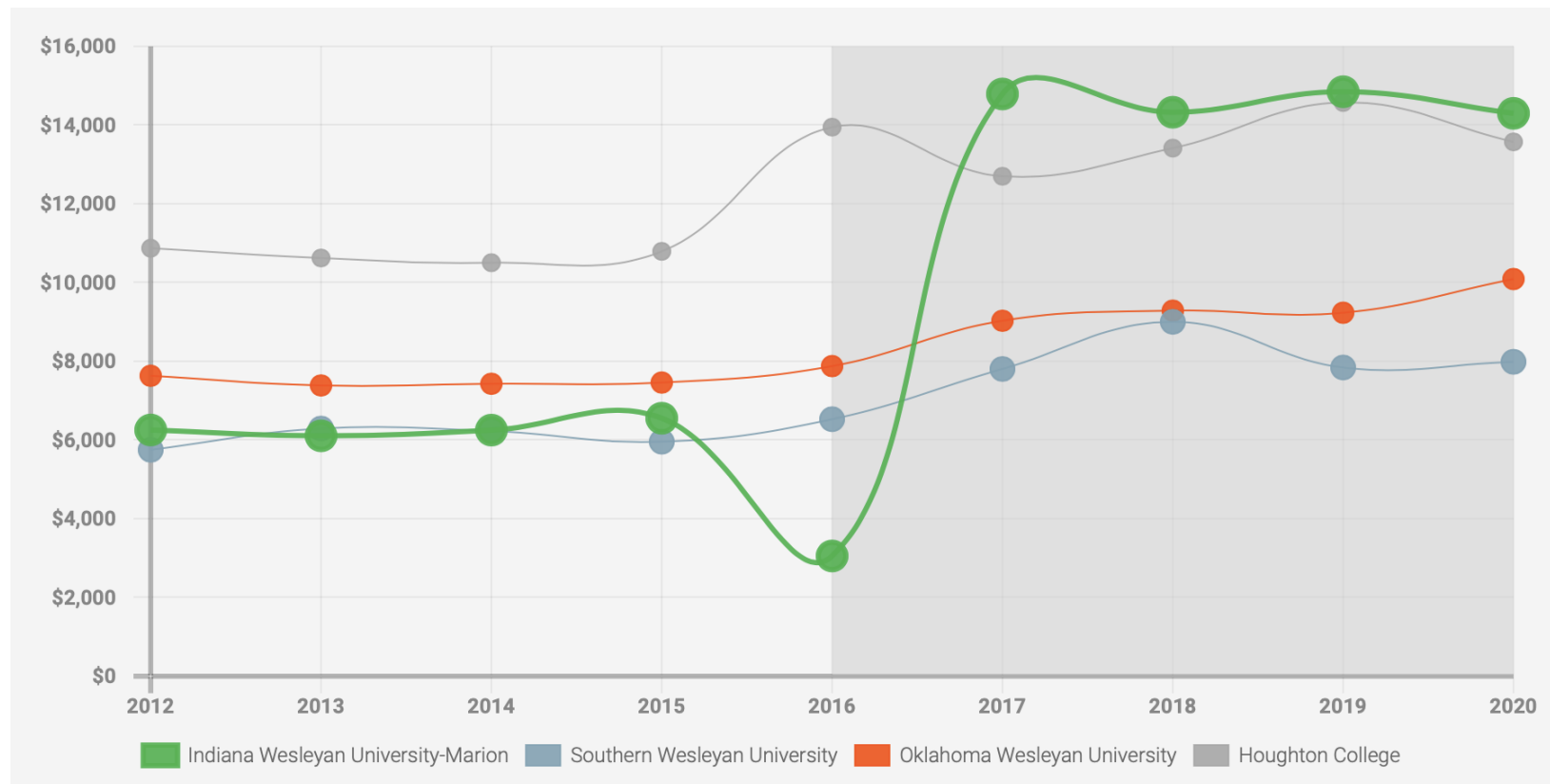


To make things interesting, I've done a very early look at some key benchmarking data for your institutions. I used various sources, and some participant institutions' data were unavailable, so this is for illustrative purposes only.

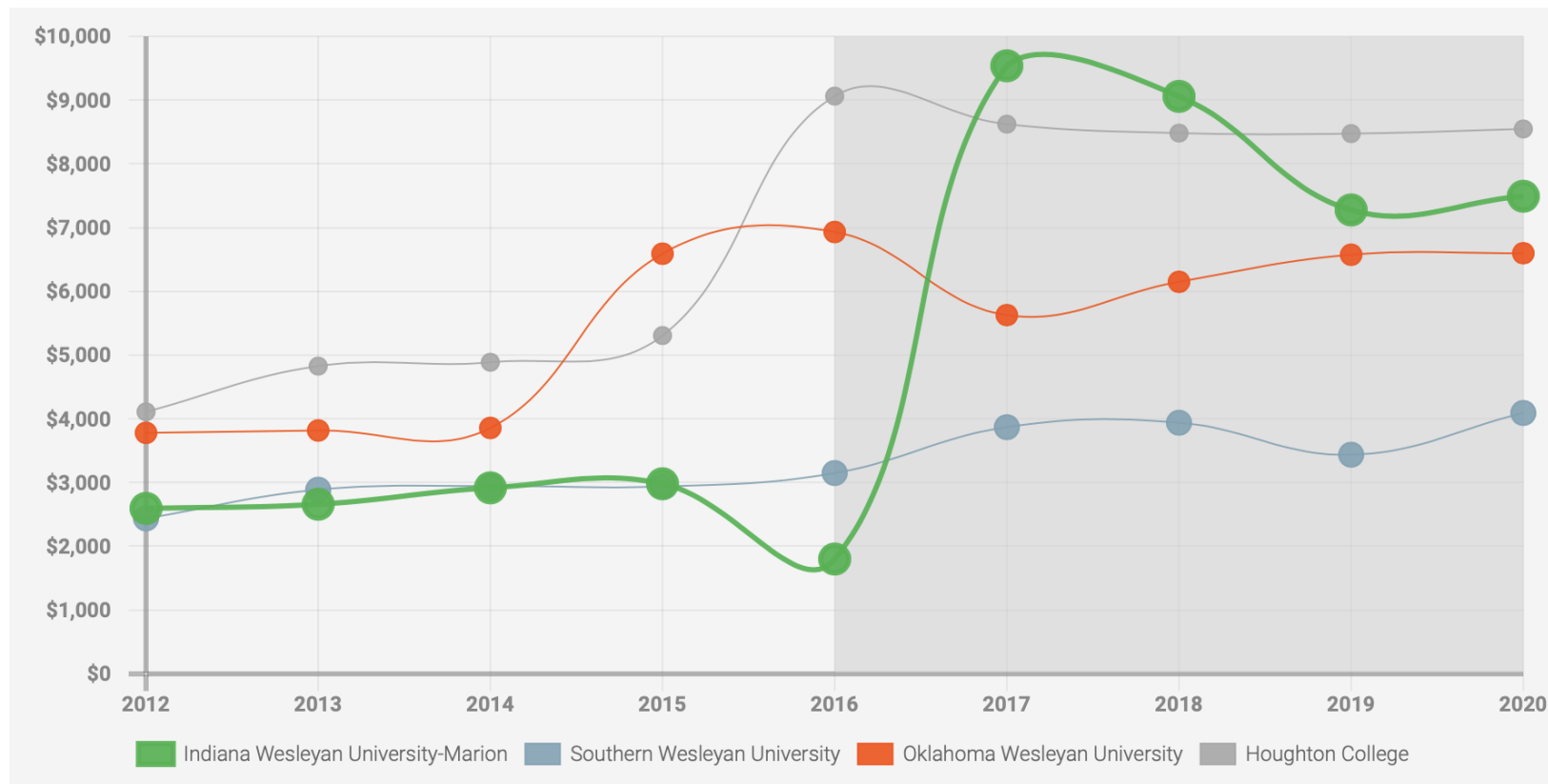
Administrative Cost Per Student



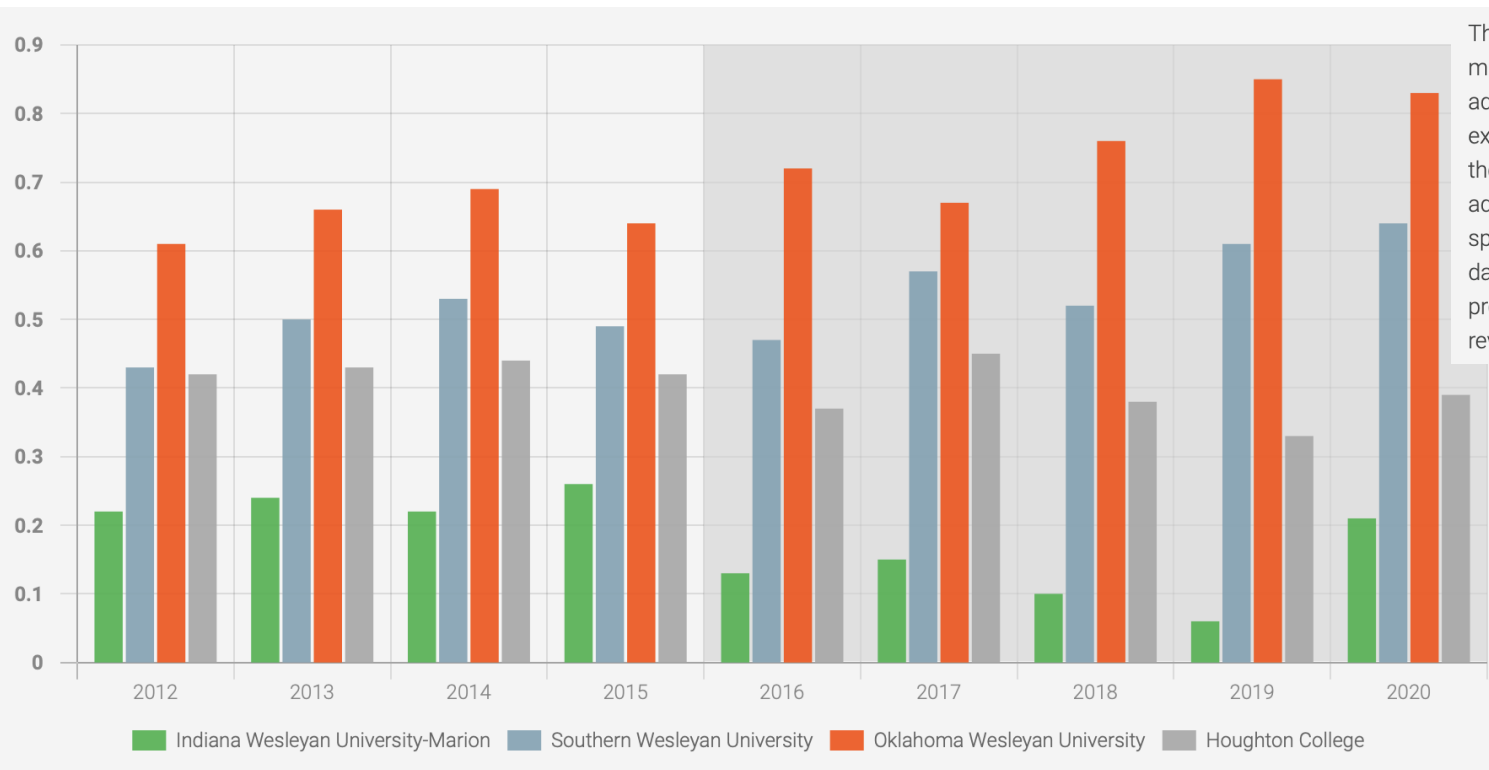
Instructional Cost Per Student



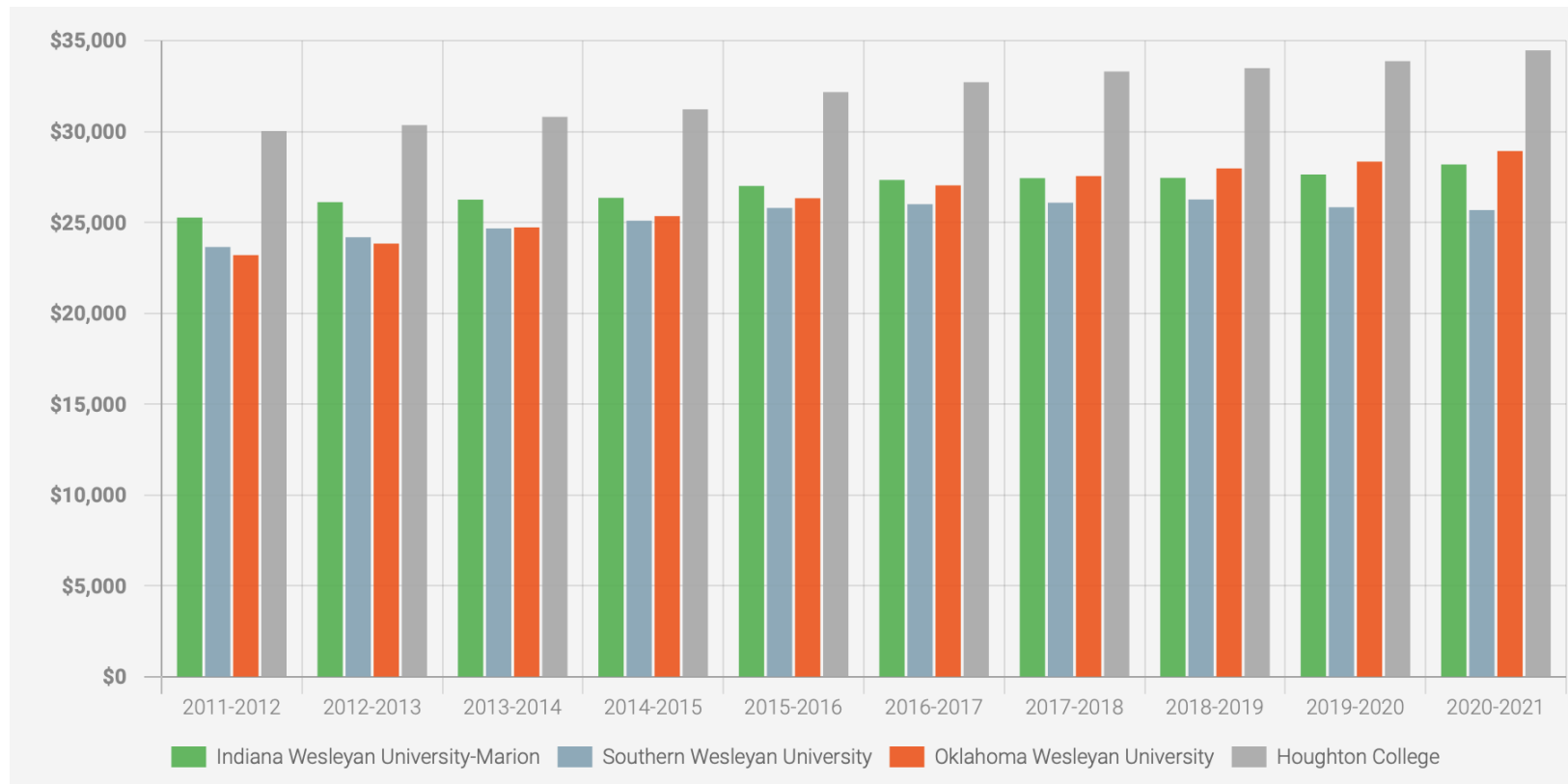
Student Services Cost Per Student



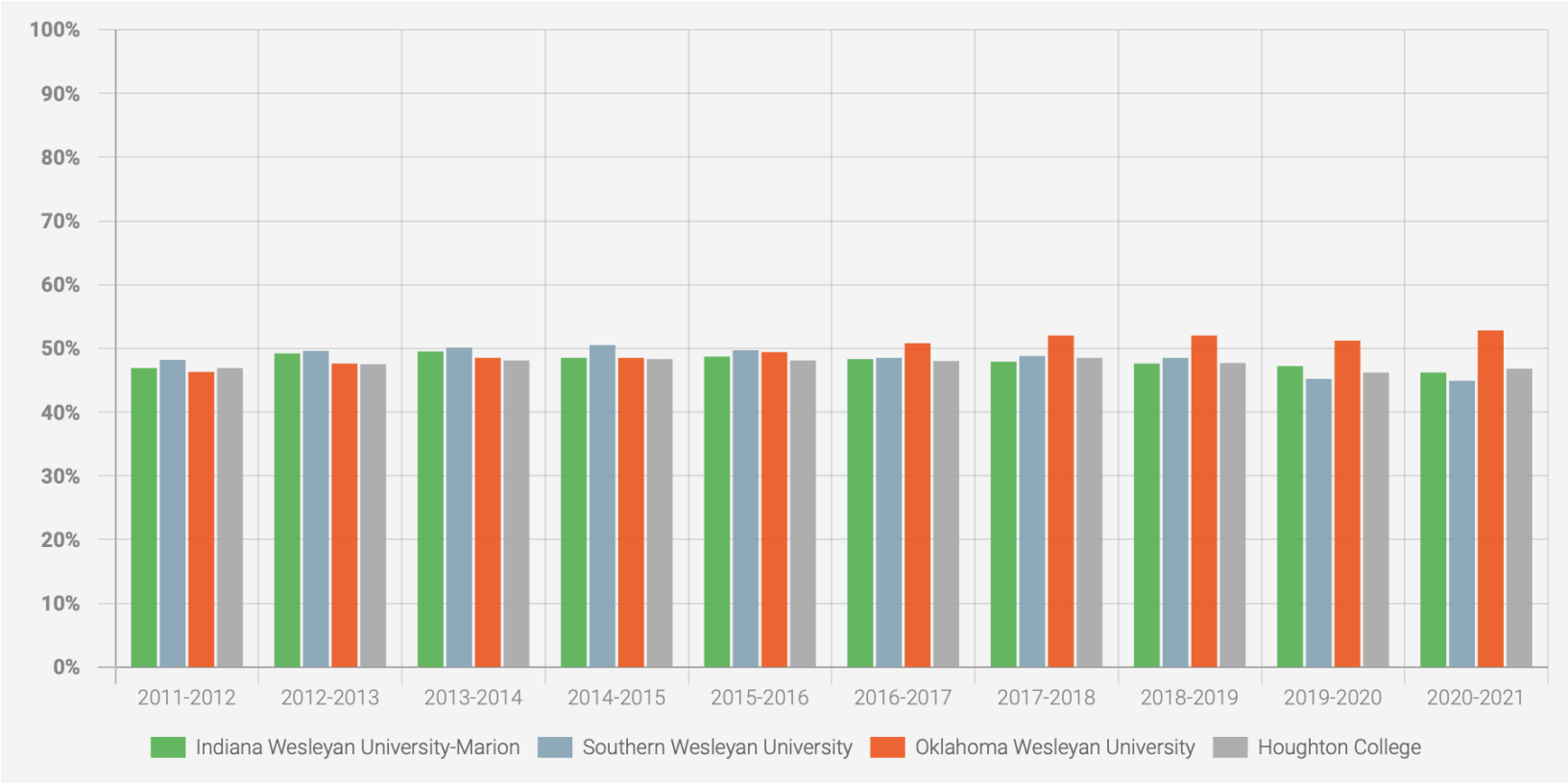
Administrative/Instructional Cost Ratio



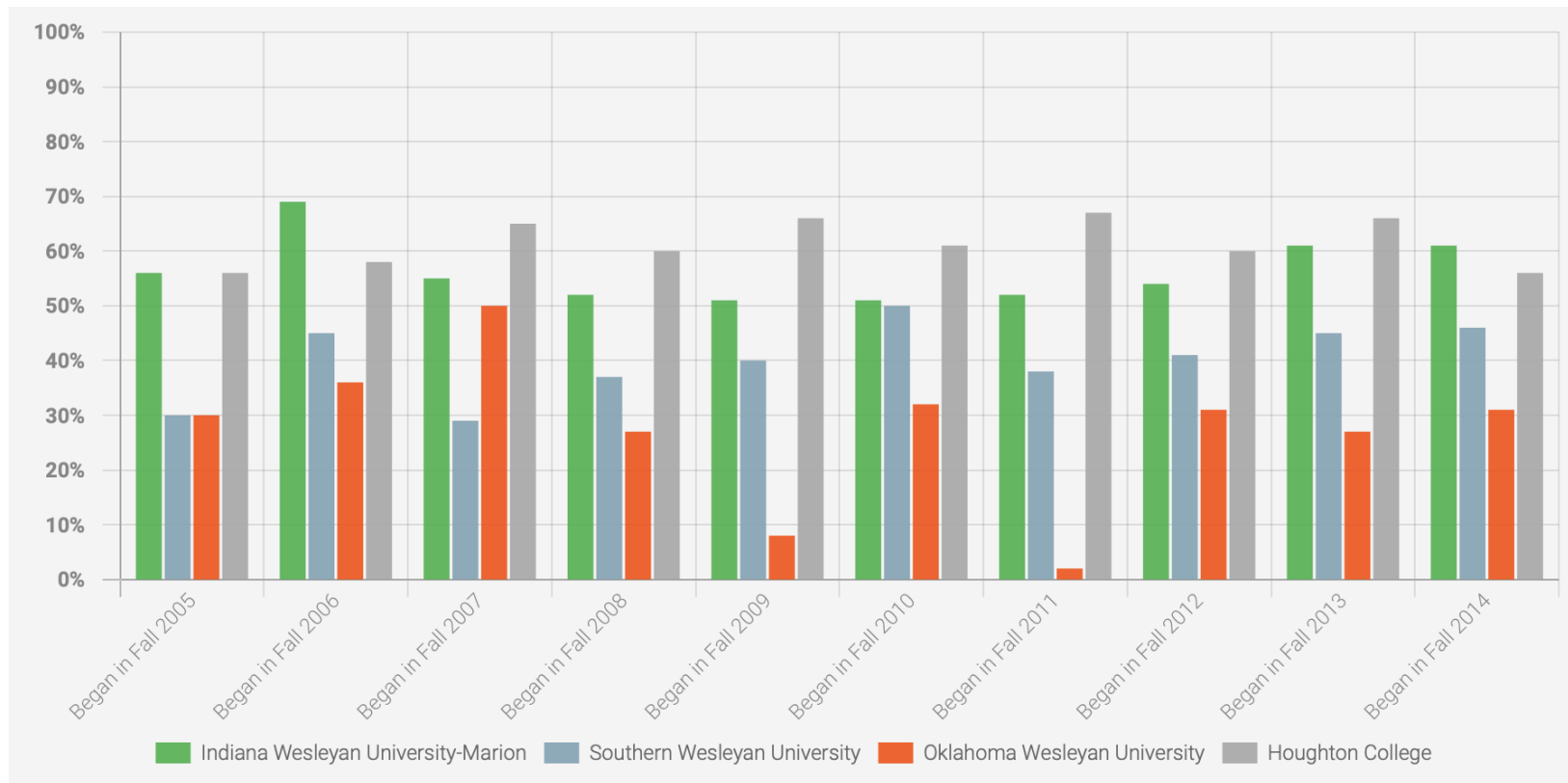
Inflation Adjusted Tuition



Tuition as a Percentage of State Median Household Income



4-Year Graduation Rates



Team Discussion



Multi Year Forecasting – Discussion Questions

- Do you feel as a trustee that you have a high-level understanding of the finances of your institution?
- Has your board been presented with multi-year forecasting?
- Do you use a dashboard to have strategic discussions related to university finances?