



# Board leadership in times of fiscal stringency: Defining the value proposition

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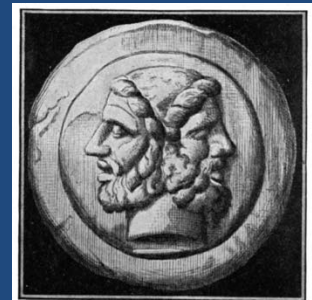
## The changed context

- Challenge to increase degree attainment
- Structural shift away from public funding
- Greater tuition dependency, risks low-income access and success
- Rising public skepticism about college and university values – and value
- “Fractured dialogue” between college presidents, the public, policy makers, and faculty

# Outside inside: the fractured dialogue about college costs and the road ahead

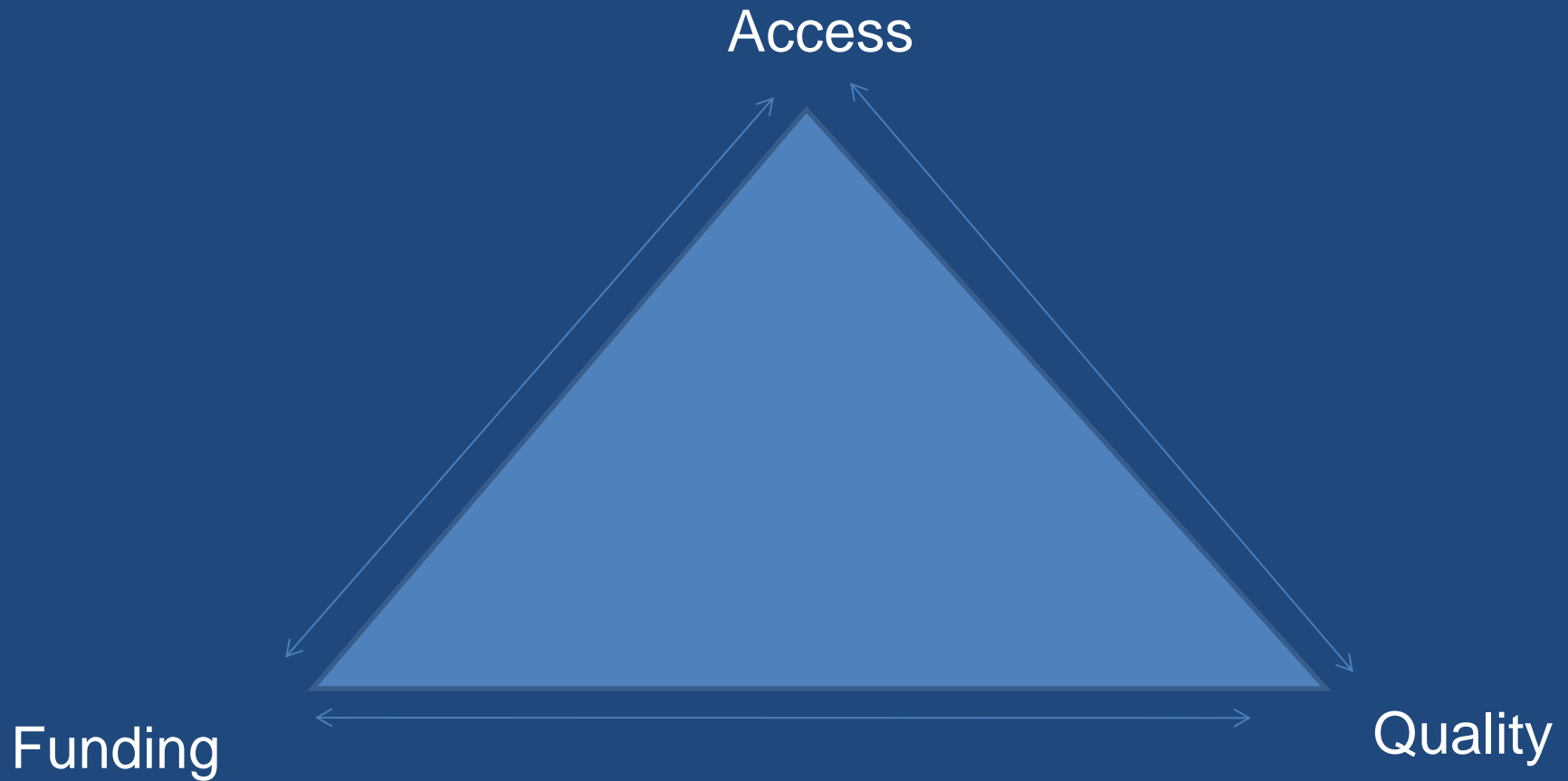
Group	Definition of Problem	Solution
College Presidents	Caught in iron triangle	Reinvest in higher education!
Public	Caught between growing importance and decreasing access	Protect access at all costs!
State Financial Officers (and legislators)	Need more college graduates	Increase productivity and retention!
Faculty	Deteriorating quality of students and declining standards	Raise standards, improve K-12, stop talking about productivity!

Source: John Immewahr, Villanova University, based on research for Public Agenda.





# The “Iron triangle”



## The view from the outside: growing public critique about spending priorities

	2010	2008	2002
Which comes closer to your views?			
a) Colleges today mainly care about education and making sure that students get a good education	32%	35%	43%
b) Colleges are more like businesses and care about the bottom line	60%	55%	52%
Which comes closer to your views?			
a) The state system of higher education needs to be overhauled.	49%	48%	48%
b) The state system of higher education is okay as it is.	39%	39%	39%
If colleges cut budgets, the quality of education will be hurt	40%	42%	40%
Colleges could spend less and still protect quality	54%	53%	56%



## Changing the value proposition

### Value = more money

- Quality = \$\$/admissions selectivity/research (inputs)
- Belief in the inevitability of spending increases
- Cost reduction equated with loss of quality
- Doing new things requires new money

### Value = cost effectiveness

- Value = results for dollar spent
- Continuous attention to cost management and reinvestment
- How the money is spent more important than \$\$ alone
- Focus on core resources and not total budget



## The evolving Board role

### Historic focus – year-to-year budget balancing

- Fund-raising
- Annual budget review
- Focus on generating revenue to balance the budget
- Public advocacy



### Evolving focus – strategic finance

- Fund-raising
- Multi-year focus on fiscal sustainability
- Cost and performance review
- Data-driven public accountability

# Defining the terms: Cost Effective: Cost Reductions + Productivity

**Cost reductions =**

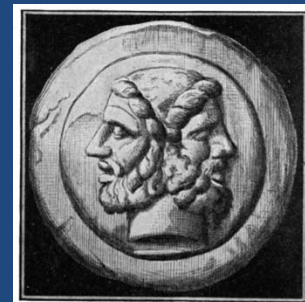
**Permanent structural reductions in spending**

From paying \$1 for X  
To paying \$0.75 for X

**Productivity improvements =**

**Increase in output (learning, research, jobs), without changing admissions or spending**

From paying \$1 for X  
To paying \$1 for X + 2





# A comprehensive approach to cost-effectiveness

Primary institutional decision authority	Efficiency	Innovation/Transformation
Administration	<ul style="list-style-type: none"> <li>Consolidate administrative functions</li> <li>Restructure debt</li> <li>Reduce administrative costs</li> <li>Tackle “automatic” cost increases in benefits</li> <li>Partner, pool, outsource</li> </ul>	<ul style="list-style-type: none"> <li>Reduce spending in non-revenue producing activities</li> <li>Cross-sector sharing including public/private partnerships</li> <li>Expand/condense course scheduling</li> <li>Buy capacity from alternative providers</li> <li>Increase opportunities for workplace-learning</li> <li>Differential pricing by program</li> <li>Create/preserve low-price options</li> </ul>
Academic leadership	<p><u>Degree productivity</u></p> <ul style="list-style-type: none"> <li>Increase retention/graduation rates</li> <li>Increase credit-by-exam</li> <li>Encourage test-out options</li> <li>Academic course redesign</li> <li>Minimize ‘rework’</li> <li>Reduce credits and time to the degree</li> </ul> <p><u>Academic program streamlining</u></p> <ul style="list-style-type: none"> <li>Eliminate/consolidate programs</li> <li>Trim non-productive research</li> <li>Consolidate high cost programs in fewer locations</li> </ul> <p><u>Savings to students</u></p> <ul style="list-style-type: none"> <li>Reduced time and credits to the degree</li> <li>Textbooks/course materials</li> </ul>	<p><u>Convenience</u></p> <ul style="list-style-type: none"> <li>Increase distance delivery</li> <li>Offer hybrid courses</li> </ul> <p><u>New Academic Strategies</u></p> <ul style="list-style-type: none"> <li>Reengineer curricula</li> <li>Cohort scheduling</li> <li>Reengineer course delivery</li> </ul> <p><u>Reinvention</u></p> <ul style="list-style-type: none"> <li>Comprehensive quality improvement approach</li> <li>Learning-driven models</li> <li>Customized learning</li> <li>Alternative faculty career paths</li> </ul>



## Board tools for improving a focus on value

- Set the agenda for continuous attention to investments in value: spending, efficiency and effectiveness
- Support establishment of institutional process for doing the deeper work
- Adopt appropriate metrics for benchmarking spending and performance to measure changes over time
- Communication! Internal as well as external



## Setting the agenda

- Process is key: Board needs to find ways to focus the work and bridge gaps between internal and external audiences
- Work with the President to frame the agenda and set goals for aspects of the work
- Frame the work in positive and not punitive ways
- Look for evidence of progress in meeting goals
- Continuous attention to documentation and communication



## Questions for dialogue

- Where is your institution on a continuum – from a primary focus on budget balancing and revenue enhancement, to a focus on strategic finance?
- Is your strategic plan specific and strong enough to guide a financing strategy that includes cost reductions and performance improvements?
- What are the greatest barriers to change within the institution?
- What are the greatest barriers to change with external stakeholders?
- What can be done within your institution v. what needs to happen collaboratively in public/political context?
- Do you have the tools to look at spending and value?