

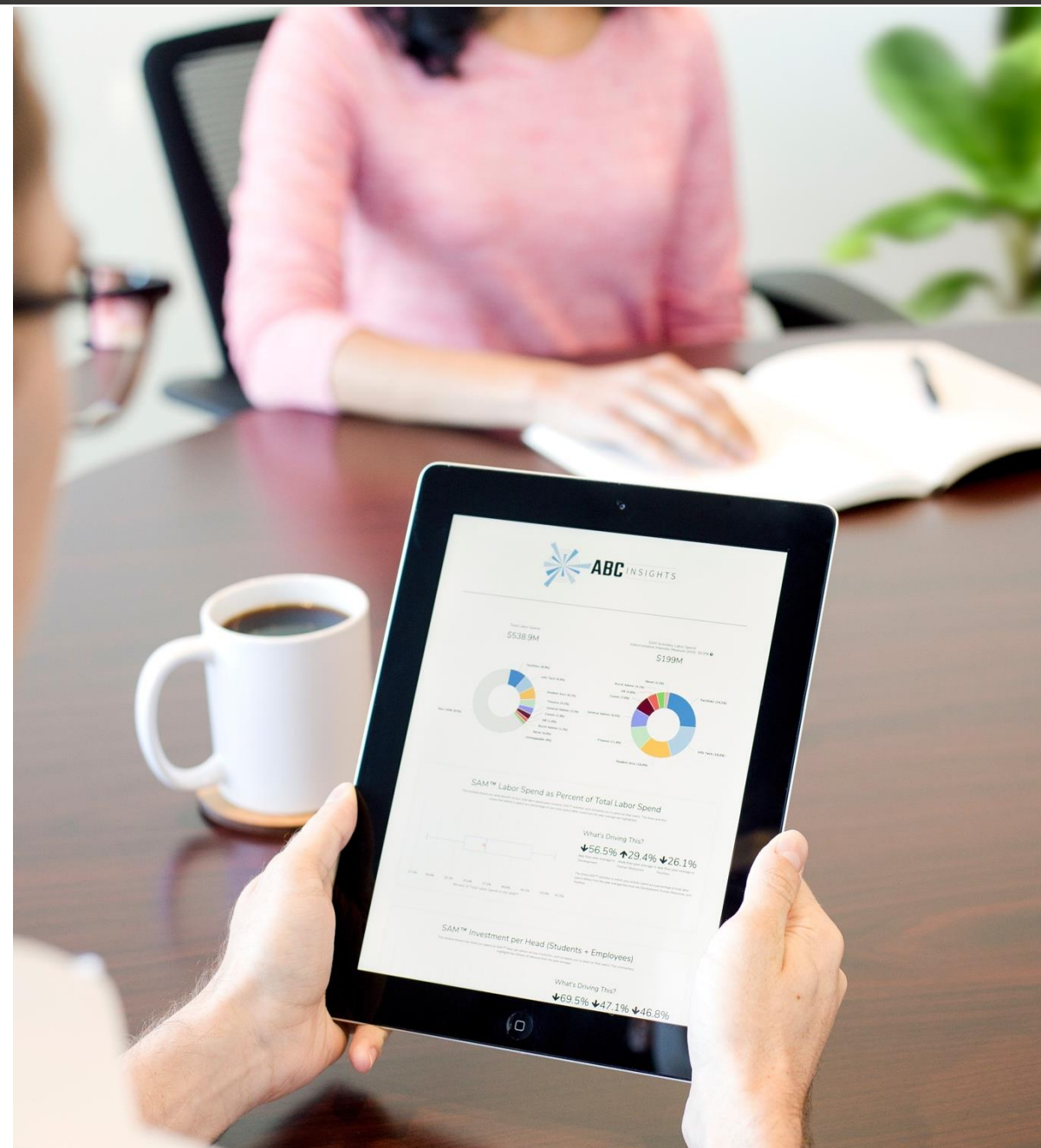


ROI Webcast Series

University-Level ROI:

How to Get Better Results With Less

April 23, 2020 1:30-2:45 pm EST



Your presenters for this webcast



Kelli Shomaker

Vice President for Business and Finance,
CFO, Auburn University



Mark Polatajko

Vice President for Business and Finance,
Kent State University



Morgan Olsen

Executive Vice President, Treasurer, and
CFO, Arizona State University



Paul Friga

Clinical Associate Professor UNC CH, Co-
founder of ABC Insights

Overview

Efficiency

Effectiveness

Agenda

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Pressure for Change

Current Measures

ROI Framework

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Tremendous pressure for change in higher education – before and after Coronavirus and potential recession

COVID-19 AND LOOMING RECESSION WILL DRIVE GREAT NEEDS FOR EFFICIENCIES

Demand-Side Pressures

- Investment in facilities, and services to attract top students, faculty and staff
- Investment in research infrastructure to support top faculty

Revenue Pressures

- Continued cuts in state appropriations
- Nascent limitations on increasing tuition
- Declining projections in traditional students

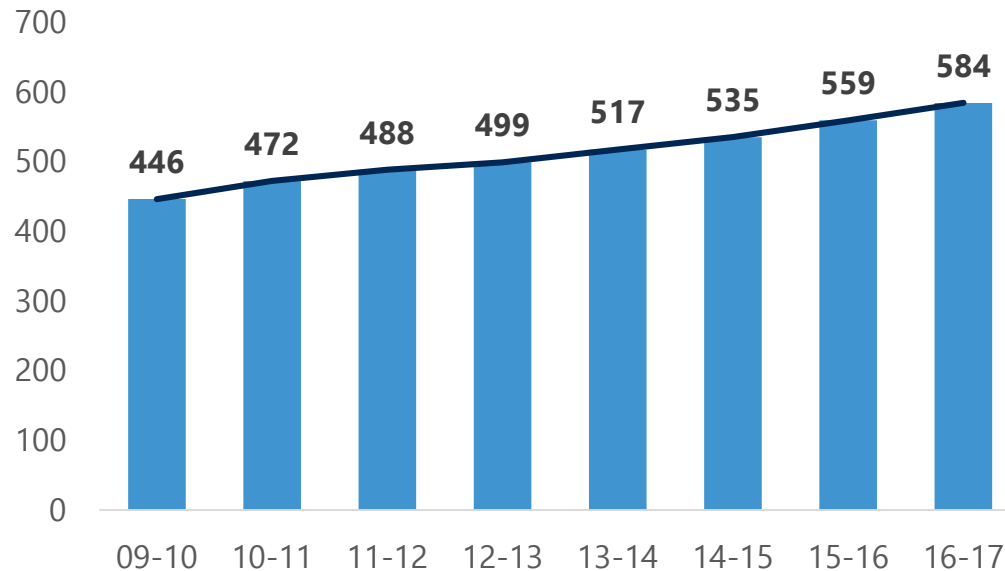
Raising Regulatory Compliance

- State and Federal laws
- Title IX
- Research Administration
- Facilities and Athletics

BUDGET AND COST MANAGEMENT

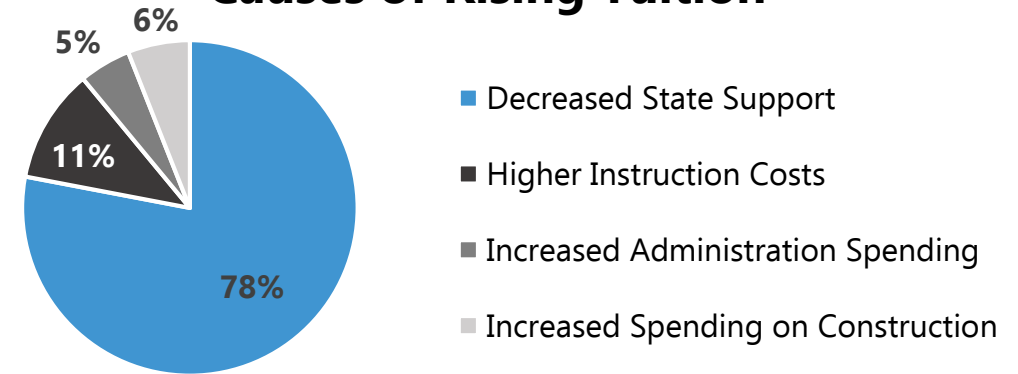
Spending in higher education continues to rise fueled by tuition increases and government subsidies

Spending in Higher Education (Billions)



31% growth over past 6 years

Causes of Rising Tuition



- ***Annual published tuition at four-year public colleges has risen by \$2,484, or 35 percent, since the 2008 school year***
- *Non-academic administrative and professional employees have more than doubled in the past 25 years*
- *Administrative spend now represents an equal percentage of total spend when compared to spend on faculty and all other educational expenses*
- *"According to the Department of Education data, administrative positions at colleges and universities grew by 60 percent between 1993 and 2009, which Bloomberg reported was 10 times the rate of growth of tenured faculty positions."*

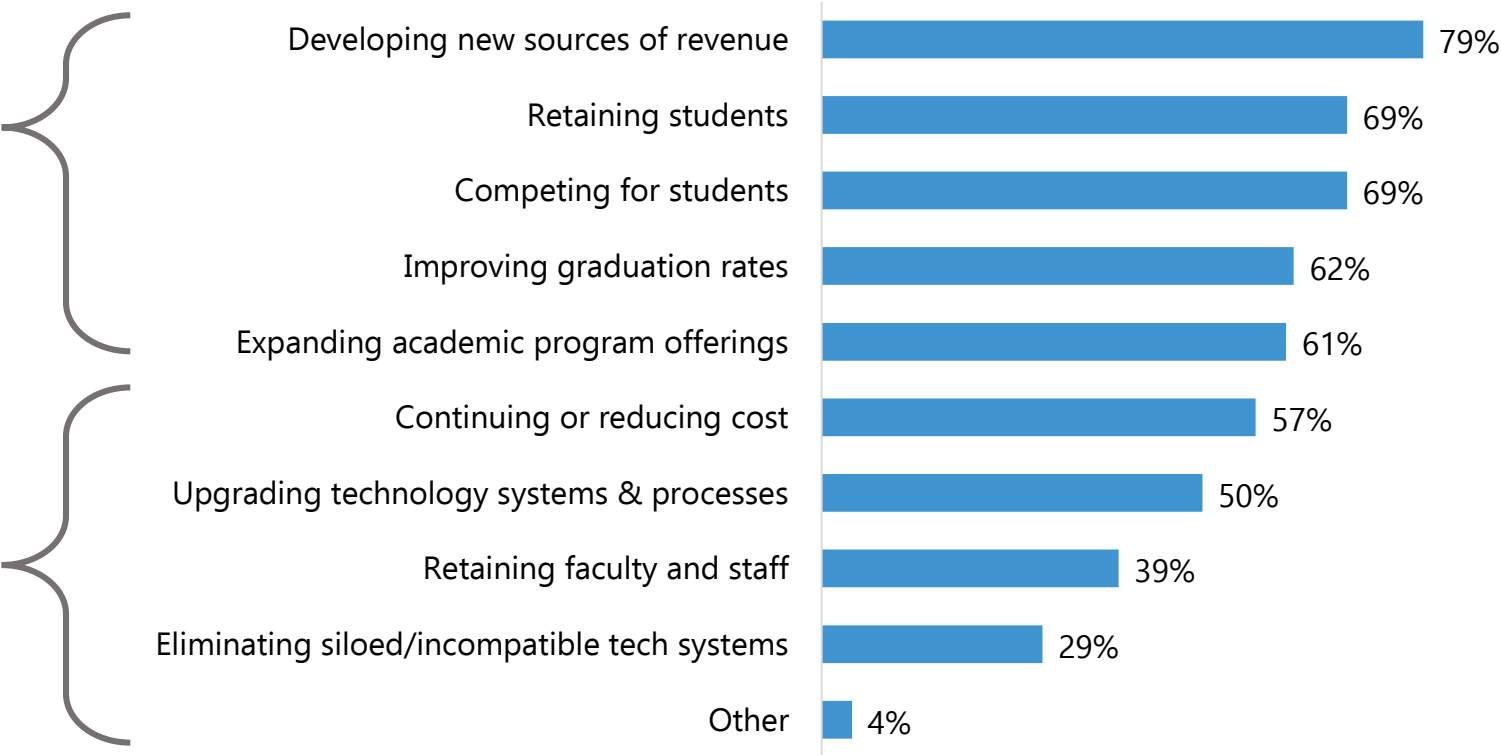
Growth and increasing efficiency are top priorities on campuses in higher education around the nation



Top Institutional Challenges According to Academic Leaders

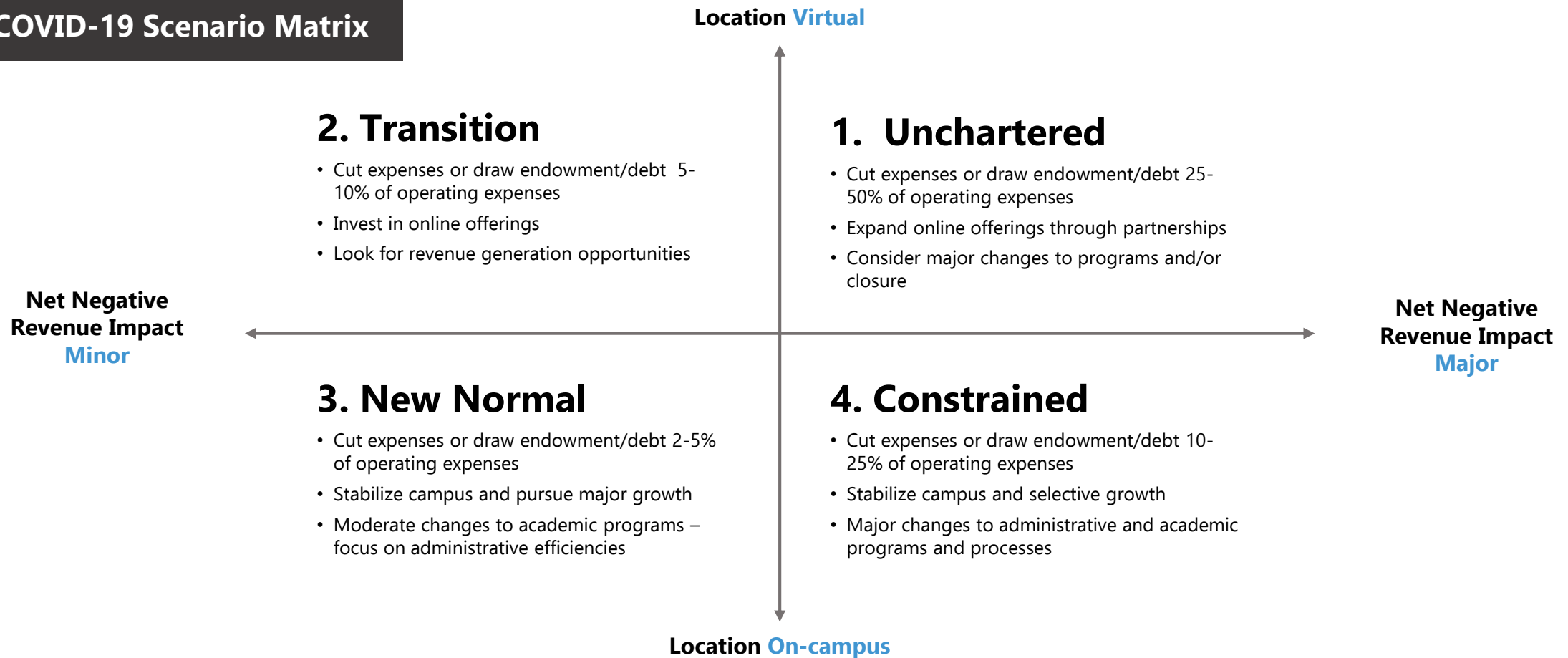
Growth in revenue and enrollment

Efficiencies and cost management



Higher education is under a dramatic transformation period

COVID-19 Scenario Matrix



How many of you believe that your university expects:

- 1. Major negative revenue impact next year (10-25% of more)**
- 2. To be fully on campus next fall**

Introducing some very efficient and effective universities



Enrollment - 119,151
Tuition In-State - \$10,710
Faculty/Staff – 17,719
Op Budget - \$3.22B
Efficiency Ranking - #10



Enrollment - 29,776
Tuition In-State - \$9,336
Faculty/Staff - 5,109
Op Budget - \$1.44B
Efficiency Ranking - #17



Enrollment – 37,411
Tuition In-State - \$10,982
Faculty/Staff – 5,700
Op Budget - \$644M
Efficiency Ranking - NA

Student success and future earnings as a basis for ROI

ROI: Return on Investment for universities can be based not only on the profitability of an institution's administrative operations, but also on student success outcomes

Net Present Value (NPV)

NPV at Multiple Years

Net Price

Type & Level of Institution

Earnings-Price Return

Earning-Debt Return

7-Year Repayment Rate

Graduation Rate

Additional Institution Filters

ROI University NPVs

Institution	10-year NPV	20-year NPV	30-year NPV	40-year NPV
Arizona State University-Tempe	\$134,000	\$492,000	\$786,000	\$1,028,000
Auburn University	\$81,000	\$447,000	\$748,000	\$995,000
Kent State University	\$63,000	\$348,000	\$582,000	\$775,000
Average of All 4,500 Institutions				\$723,000

One common measure of university success is ranking

US News & World Report uses the following weighted combination of academic quality indicators to calculate rankings:

Ranking Factor	Weight (2017)	Weight (2019)
Graduation and Retention Rates	22.5%	22%
Undergraduate Academic Reputation	22.5%	20%
Faculty Resources	20.0%	20%
Student Selectivity	12.5%	10% (0% accept. rate)
Financial Resources	10%	10%
Graduation Rate Performance	7.5%	8%
Alumni Giving Rate	5.0%	5%
Social Mobility	0%	5%
Total	100 %	100%

* Financial resources include "average spending per student on instruction, research, student services, and related educational expenditures in the 2015 and 2016 fiscal years"
(Source: [US News](#))

USNWR also ranks the most efficient (and effective) university



$$\text{Operating Efficiency} = \frac{\text{Spend per student on education-focused activities}^*}{\text{Overall 0-100 Score}^+}$$

* "US News measures financial resources by calculating how much a school spends per student on instruction, public service, research, student services, institutional support and academic support. Unrelated spending on amenities like dorms and cafeterias do not count"; Financial resources has 10% weight in US News & World Report Best Colleges Ranking methodology (Source: [US News](#))

Introducing the most efficient (and effective) universities (those indicated in blue are members of ABC Insights Consortium)



Efficiency Rank	University (state)	U.S. News National Universities Rank	Overall Score	Financial Resource Rank	Spending per student for each point in U.S. News overall score
1	Miami University – Oxford (OH)	78 (tie)	55	226	\$362
2	Florida State University	81 (tie)	54	211	\$390.18
3	Brigham Young University – Provo (UT)	61 (tie)	174	174	\$411.92
4	San Diego State University	140 (tie)	42	250	\$413.62
5	Binghamton University – SUNY	87 (tie)	53	190	\$436.49
6	University of Alabama	110 (tie)	48	211	\$443.19
7	College of William and Mary (VA)	32 (tie)	70	111	\$466.87
8	Clark University (MA)	81 (tie)	54	163	\$481.80
9	University of Georgia	54 (tie)	62	121	\$484.40
10	Arizona State University – Tempe	115 (tie)	47	197	\$489.01
11	Texas Christian University	78 (tie)	55	158	\$489.16
12	Indiana University – Bloomington	90 (tie)	52	163	\$493.10
13	University of Texas – Dallas	145 (tie)	41	217	\$494.94
14	DePaul University (IL)	120 (tie)	46	197	\$497.35
15	Clemson University (SC)	67	59	129	\$501.72
16	University of South Carolina	103 (tie)	49	179	\$501.77
17	Auburn University (AL)	103 (tie)	49	174	\$517.16
18	George Mason University (VA)	140 (tie)	42	202	\$522.68
19	Villanova University (PA)	46 (tie)	64	103	\$524.05
20	St. John Fisher College (NY)	145 (tie)	41	202	\$528.42
21	Virginia Tech	69 (tie)	57	114	\$546.37
22	Stevens Institute of Technology (NJ)	69 (tie)	57	114	\$552.13
23	University of Missouri	120 (tie)	46	163	\$556.18
24	University of Oregon	103 (tie)	49	147	\$561.80
25	Duquesne University (PA)	120 (tie)	46	163	\$565.05

Source: [US News](#)

Overview

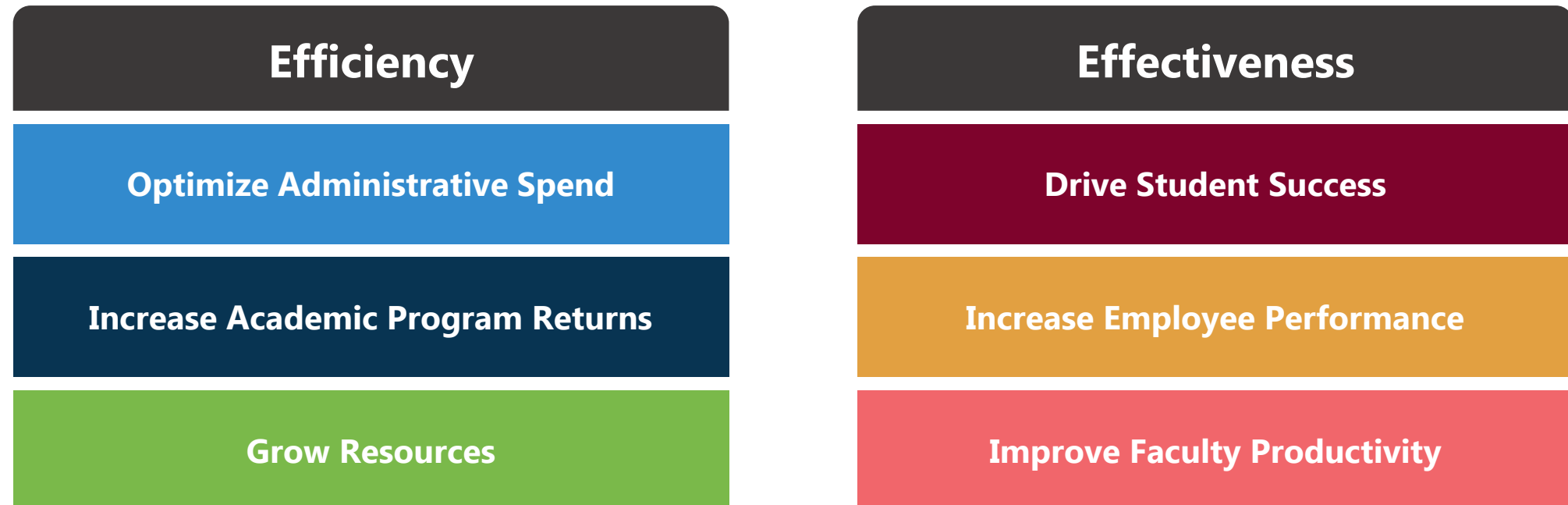
Efficiency

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The ABC Insights Framework for ROI in Higher Education



ABC Insights® ROI = More efficient and effective universities will result in higher returns for investment



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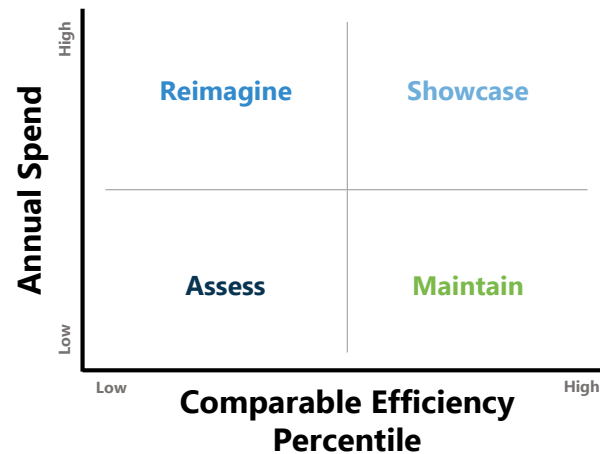
Effectiveness
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Key areas for increasing efficiency of a university from the ABC Insights ROI framework

Optimize Administrative Spend

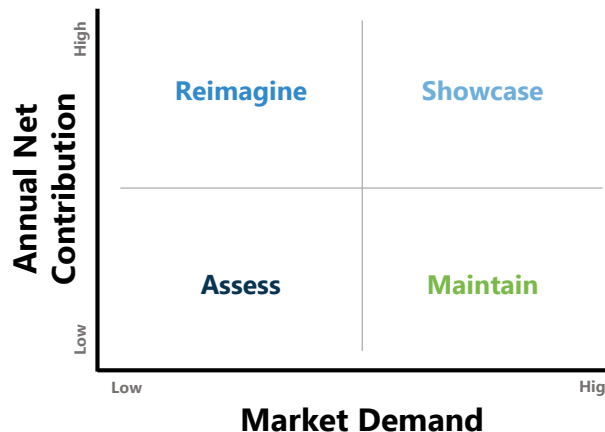
Assess level of investment vs strategy



Mapping: Activities and Sub-Activities
Size of bubble: Level of FTEs

Increase Academic Program Returns

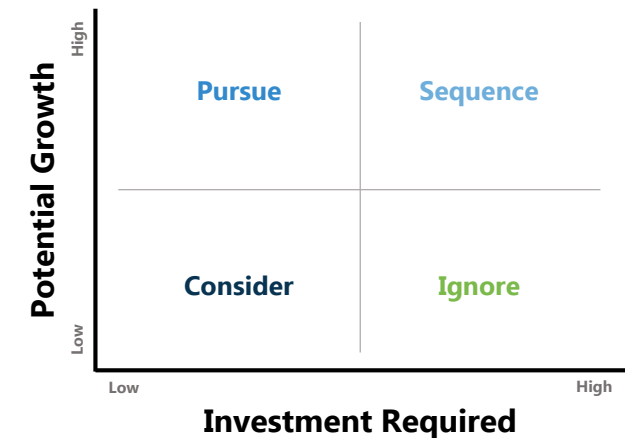
Rationalize academic offerings based upon demand



Mapping: Schools and Majors
Size of bubble: Student Outcomes

Grow Resources

Increase enrollments and revenue



Mapping: Sources of Revenue
Size of bubble: Current Revenue Level

Explore and prioritize administrative efficiency initiatives per the ABC Insights ROI Framework



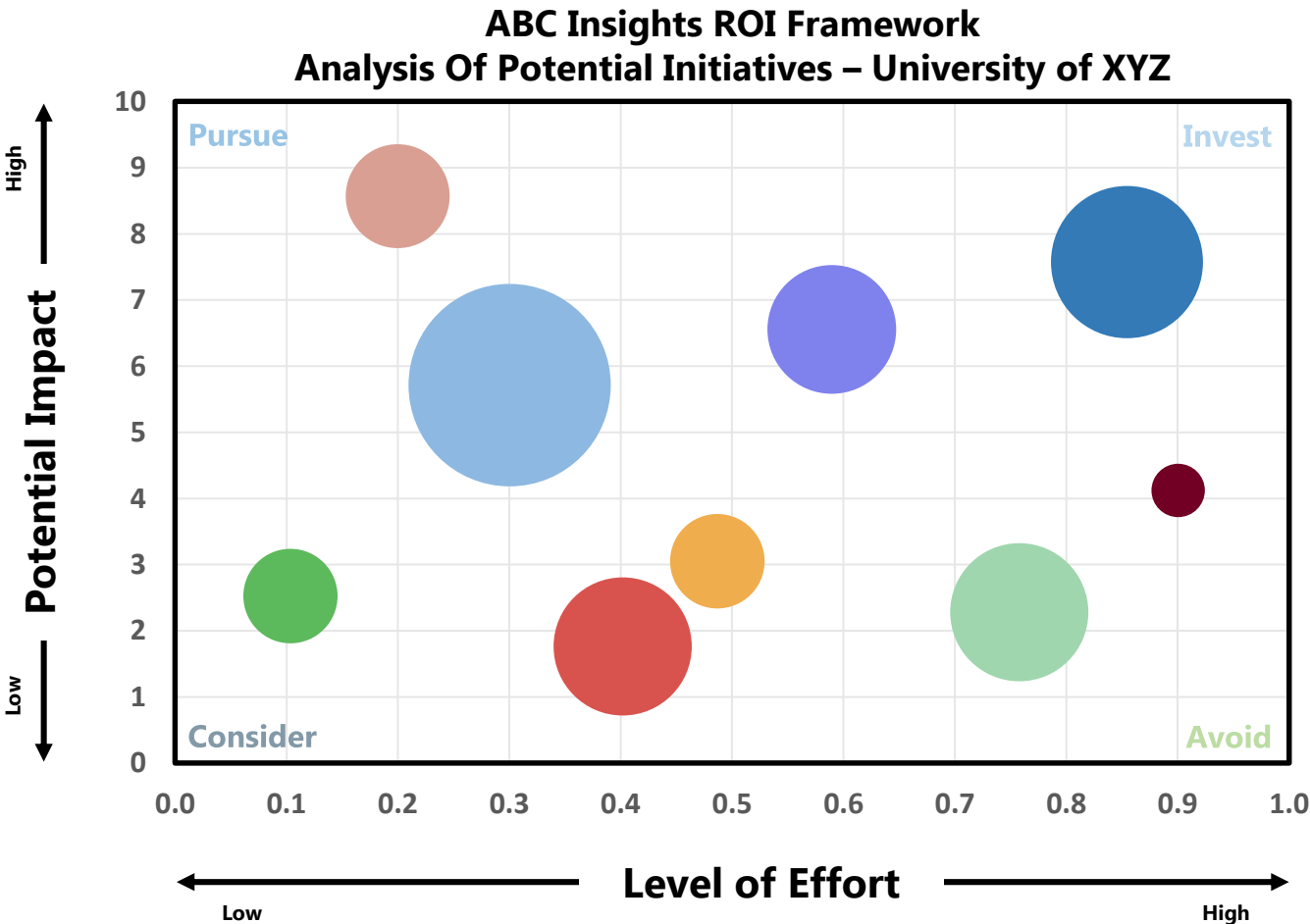
Optimize Administrative Spend

Assess level of investment vs strategy

Chart Key

- Consolidate Purchasing
- Cut Staff
- Re-engineer Processes
- Outsource
- Centralize/Shared Services
- Modernize Technologies
- Merge Multiple Locations
- Increase Spans of Control
- Decrease Energy Use
- Manage Debt

Size of Bubble: Level of FTEs



Explore and prioritize academic spend strategic initiatives per the ABC Insights ROI Framework

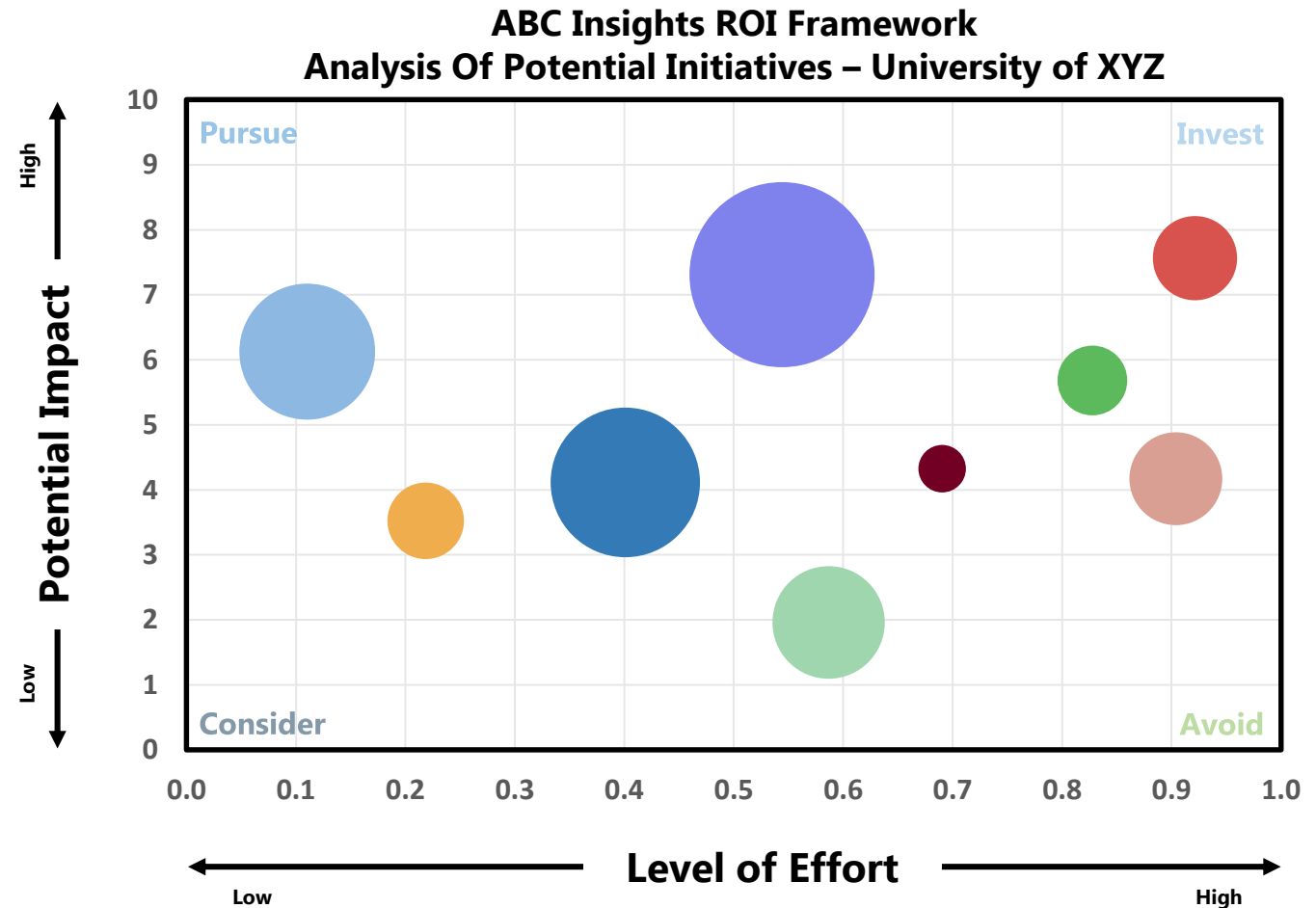
Increase Academic Program Returns

Rationalize academic offerings based upon demand

Chart Key

- Sunset Programs
- Grow Existing Programs
- Launch New Programs
- Increase Teaching Loads
- Hire More PT Faculty
- Hire More NTT Faculty
- Freeze New Faculty Hires
- Decrease # of Faculty
- Increase Student Retention

Size of Bubble: Student Outcomes



Explore and prioritize resource growth initiatives per the ABC Insights ROI Framework

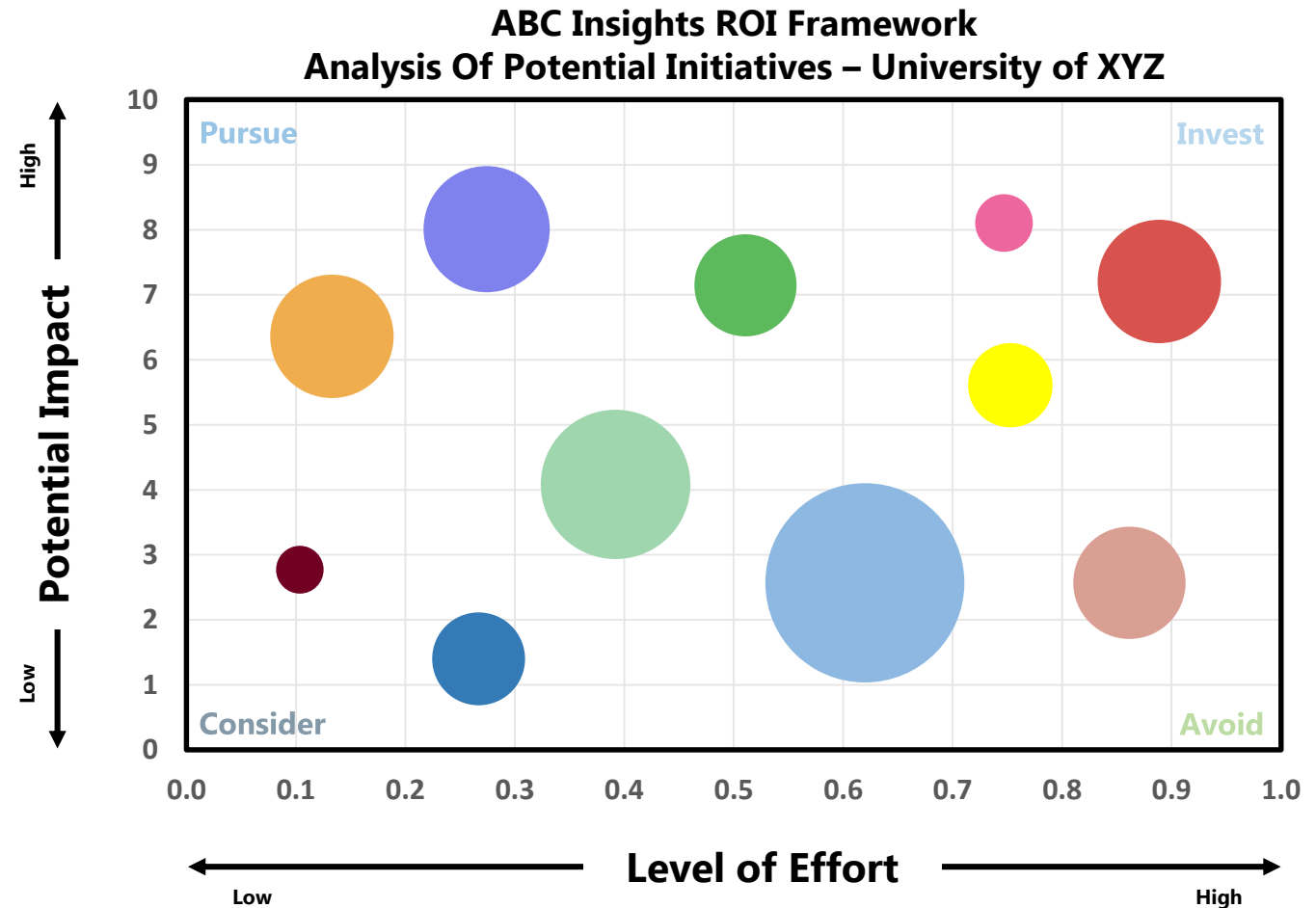
Grow Resources

Increase enrollments and revenue

Chart Key

- Launch New Development Campaign
- Determine Unique Positioning
- Invest in Advertising Campaigns
- Collaborate with Other Universities
- Pursue PPPs (facilities, energy, etc.)
- Launch Medical Services
- Develop More Executive Education
- Increase Online Program Offerings
- Secure New Debt Offerings
- Grow Research Portfolio
- Sell Excess University Assets (land, etc.)

Size of Bubble: Current Revenue Level



Arizona State University - Efficiency



Objectives

Initiatives

Impact

Optimize Administrative Spend

- **Modernize Technologies:** Have begun initial efforts using robotics in procurement and systems testing to help improve efficiency of transactional-type jobs
- **Decrease Energy Use:** ASU's Sustainability Initiatives Revolving Fund reduced annual electric utility costs and use by approximately \$1,000,000 and 9,000,000 kWh, respectively, while addressing important deferred maintenance needs

- ASU has maintained competitive administrative spend against large R1 universities especially in facilities, development, & HR

Increase Academic Program Returns

- **Grow Existing Programs:** Continued efforts in improving and expanding online education, providing new methods of gaining ROI through a broader audience

- To be determined

Grow Resources

- **Increase Enrollments:** Strategic enrollment growth has led to out-of-state enrollments increasing by 8% in 2019 and online enrollments increasing by 60% since 2016
- **Raise More Development Dollars:** Fundraising has been increasingly successful, with a recent campaign bringing in 30%+ more than its original goal of \$1.5B
- **Develop Executive Education:** Acquired Thunderbird School of Global Management in 2014

- Grew tuition revenues 8% and auxiliary enterprises 10% in FY19
- Recently hit 44,273 students in online degree programs

Auburn University - Efficiency

Objectives

Initiatives

Impact

Optimize Administrative Spend

- **Cut Staff:** implemented Jaggaer, software to help provide more efficiency with decentralized staff, targeting administrative staff
- **Modernize Technologies:** projects totaling \$234.5 million were either completed or placed into service during FY 2019, adding 461,000 square feet of new facilities

- Created and maintained partnerships with the city
- Built infrastructure that fuels research and funding

Increase Academic Program Returns

- **Grow Existing Programs:** Primarily promote provost activity

- TBD

Grow Resources

- **Raise More Development Dollars:** completed a campaign at the end of 2018 and gained 20% more than current budget, to a total of \$1.2 billion, with intentions of continued annual contributions
- **Restructure Debt:** freed up \$20 million in savings with an NPV savings of 11.4%, of which \$1.5 million/year contributes to need-based scholarships

- Elevated to 'R1' university with increases in research
- Achieved record student enrollments, retention rates, and graduation rates

Kent State University - Efficiency



Objectives

Initiatives

Impact

Optimize Administrative Spend

- **Reduce Staff:** successful employee separation plan matched with centralized strategic hiring process led to over 100 FTE decrease over 4 years (every new position must be assessed with ABC staffing analytics model)
- **Decrease Energy Use:** reduced consumption through energy conservation measures and performance contracting
- **Manage Debt:** 3 bond refundings leading to annual debt service reductions of nearly \$2.7M
- **Reduce Healthcare Spend:** delivered plan design changes, wellness program expansion, and medical carrier consolidation saving over \$2 million annually

- Cut energy expenses by 40%
- Total salary expenses have decreased YOY for 3 FYs
- Total value of savings for FY2015 – 2019 exceeds \$75 million

Increase Academic Program Returns

- **Program Cost Review:** Recently began study of academic program enrollments and demands via Delaware Cost Study data

- TBD

Grow Resources

- **Increase Govt. Appropriations:** secured additional funding from Ohio by increasing graduation rates/student outcomes
- **Raise More Development Dollars:** concluding successful comprehensive campaign"
- **Restructure Debt:** significantly decrease cash outlays with bond restructuring in 2020
- **Enhance investment performance:** implemented outsourced CIO model/discretionary investment advisory services to deliver annual savings of over \$1.5 million in fees with maximized portfolio return and risk mitigation

- Doubled growth of student success over the 10 years
- Facilitated development fundraising goal of \$40M+ per year

What questions do you have for our panelists?

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Key Levers for increasing the effectiveness of a university from the ABC Insights ROI framework



Drive Student Success

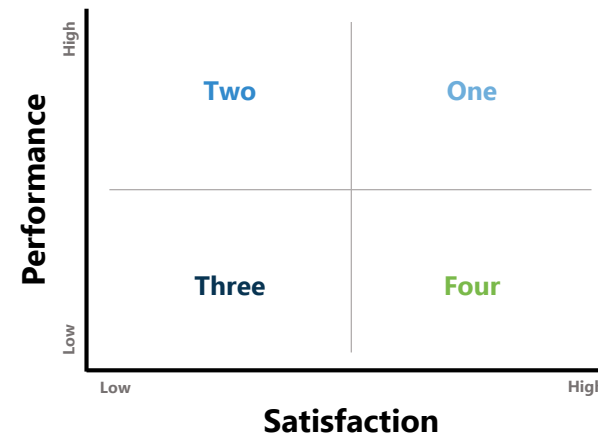
Increase retention, graduation, and earnings



Mapping: Activities and Sub-Activities
Size of bubble: Level of Investment

Increase Employee Performance

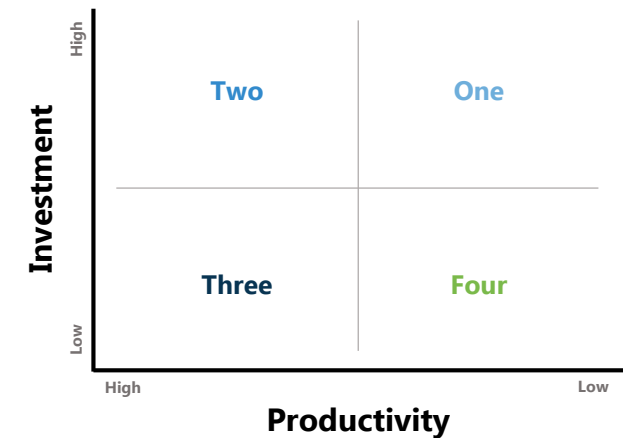
Recruit, train, evaluate, develop and reward



Mapping: Schools and Majors
Size of bubble: Average Salaries

Improve Faculty Productivity

Teaching and Research



Mapping: Sources of Revenue
Size of bubble: Current Revenue Level

“Drive Student Success” From the ABC Insights ROI Framework

– Strategic Initiatives



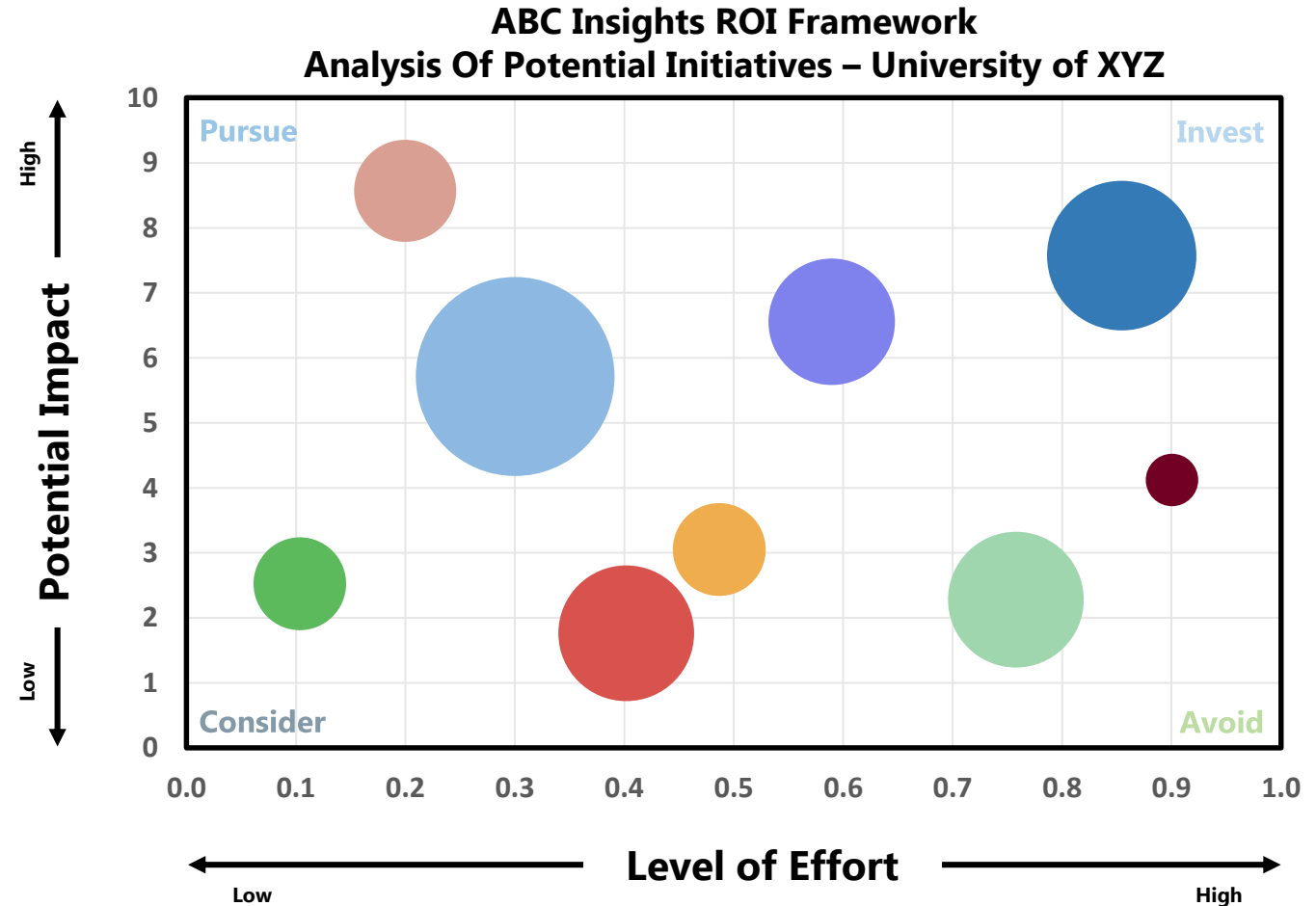
Drive Student Success

Increase retention, graduation, and earnings

Chart Key

- Academic Advising
- Admissions
- Career Services
- Diversity
- Financial Aid
- International Programs
- Recreational Services
- Registration
- Residential Services
- Student Engagement
- Tutoring and Learning

Size of Bubble: Level of Investment



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“Increase Employee Performance” From the ABC Insights ROI Framework – Strategic Initiatives



Increase Employee Performance
Recruit, train, evaluate, develop and reward

Chart Key

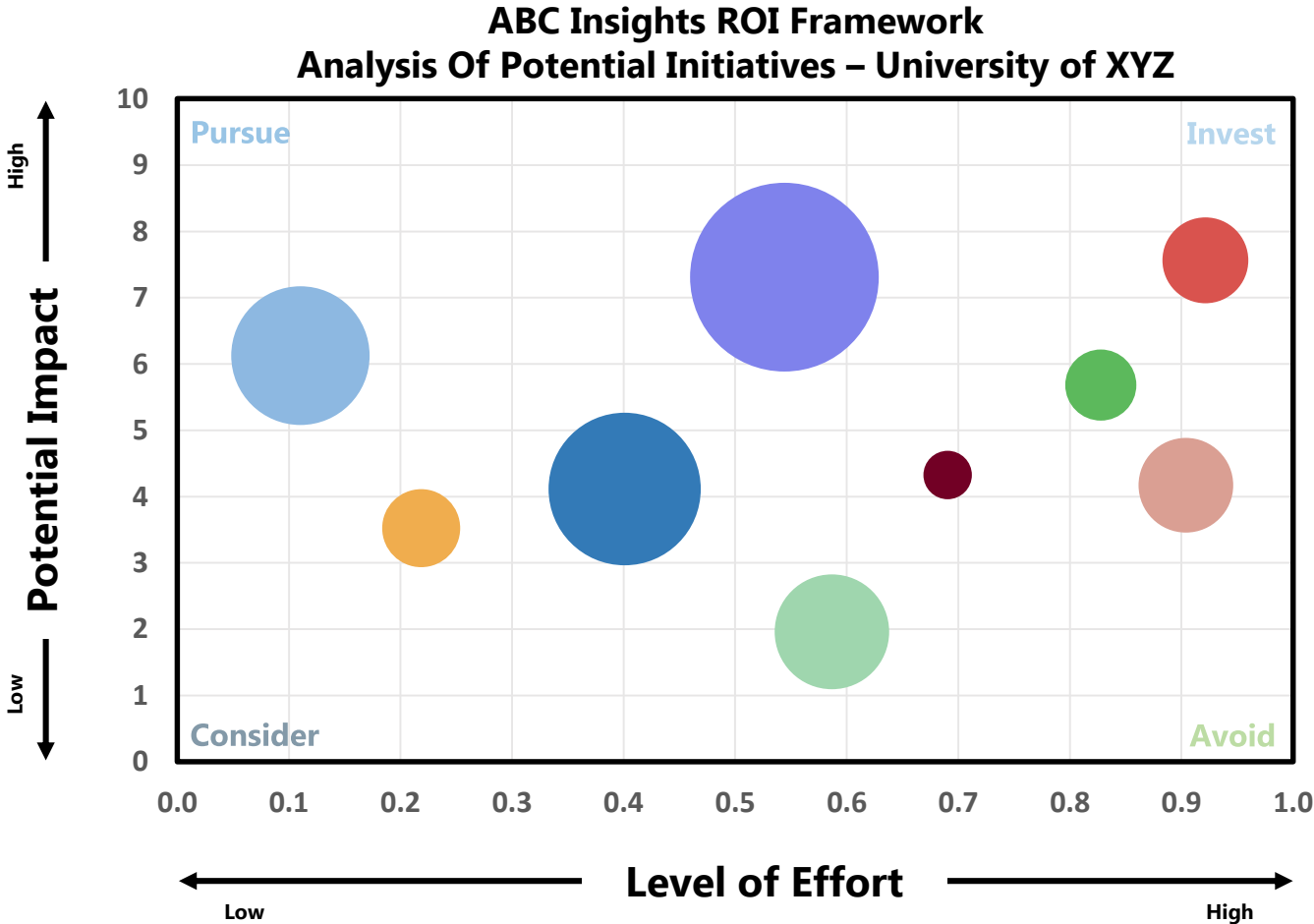
Hiring

Training

Evaluating

Rewarding

Size of Bubble: Average Salaries



"Improve Faculty Productivity" From the ABC Insights ROI Framework – Strategic Initiatives

Improve Faculty Productivity

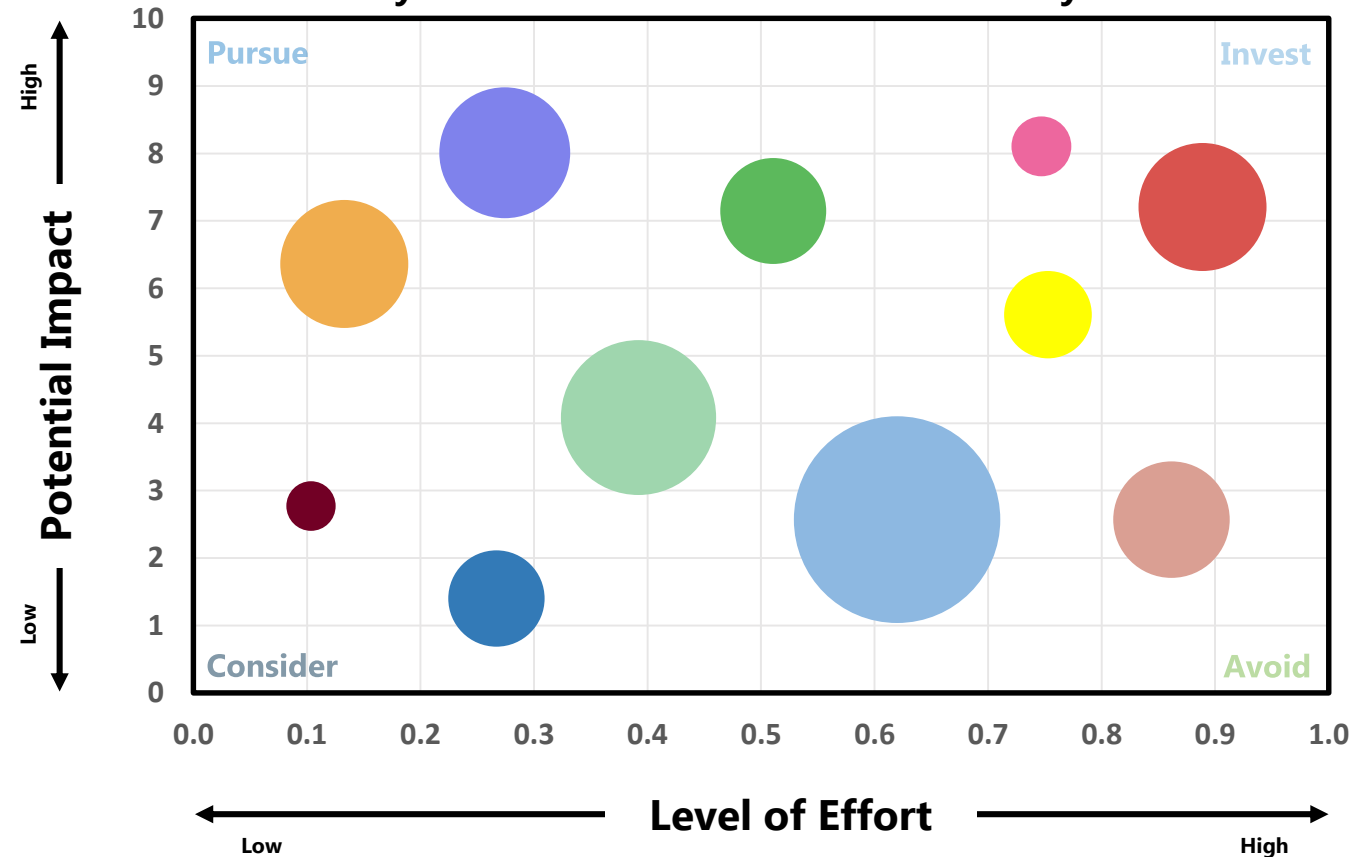
Teaching and Research

Chart Key

- Student to Faculty Ratio
- Class Size
- Load
- Support
- Tenure vs. Clinical Mix
- Teaching Support
- Research Support

Size of Bubble: Current Revenue Level

ABC Insights ROI Framework
Analysis Of Potential Initiatives – University of XYZ



Arizona State University - Effectiveness



Objectives

Initiatives

Impact

Drive Student Success

- **Academic Advising:** Invest in systems to identify when students are getting off track as soon as possible to help ensure the best outcomes and retention rates
- **Tutoring and Learning:** Now offering 200+ fully online degree programs to non-traditional students, and offer on-campus students additional learning opportunities

- Increased 4-year graduation rate 10% over the last 5 years, with regular increases since 2002

Increase Employee Performance

- **Training:** Invested in CareerEdge LMS software July 2019 to provide improved employee training, as well as detailed data to understand their workforce and more accurately recruit internally
- **Training:** Created 1,100 unique ASU training courses, with over 167,000 courses completed to date

- One system to locate, track and keep a training record
- Ability to gauge level of interest across the organization and more globally with LinkedIn popular/trending features

Improve Faculty Productivity

- **Technology:** Adaptive learning technologies to scale

- TBD

Auburn University - Effectiveness



Objectives

Initiatives

Impact

Drive Student Success

- **Diversity:** achieved a robust and diverse enrollment of students, increasing international enrollment by 6.0%
- **Financial Aid:** moved to a blend of merit and need-based financial aid, providing 1,239 new endowed scholarships and 2,108 new need-based and merit-based scholarships

- Increased the proportion of underrepresented students
- Increased access to Pell-eligible and first-generation students

Increase Employee Performance

- **Training:** Opened Onboarding Center
- **Training:** Launched New Supervisory Leadership Program (sold out)
- **Evaluating:** Simplified evaluation forms and process - all part of University's 3Rs Focus: Recruit, Retain and Reward

- Lower turnover

Improve Faculty Productivity

- **Class Size:** Examine and adjust class size

- More efficient academics and higher rankings

Kent State University - Effectiveness

Objectives

Initiatives

Impact

Drive Student Success

- **Academic Advising:** Significantly increased investment on academic advising, university colleges, tutoring, etc. over past decade
- **Career Services:** Enhanced investment and optimization of resources dedicated to career services in order to drive results

- Have seen strong growth in student success (access, completion, and outcomes)
- Doubled retention and graduation rates over the past 10-year period

Increase Employee Performance

- **Hiring:** Focus on hiring a diverse and dedicated group pf faculty and staff that operate effectively

- Recently named the best university for "diversity hiring"

Improve Faculty Productivity

- **Research Support:** Increase external support to better facilitate faculty research

- Federal research awards grew by more than 30% in FY19

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For more information, articles, webinar links, and original research, visit the ABC Insights homepage – www.abc-insights.com



Colleges and Coronavirus

As higher education faces an unprecedented moment in its history and an unpredictable future, ABC Insights is happy to partner with The Chronicle of Higher Education to offer three free virtual discussions entitled, "Colleges and the Coronavirus: Time to be Proactive"

Time To Be Proactive

Our society, including higher education, is experiencing a crisis never experienced in our lifetimes. The impact on universities will be significant – from dramatically decreased resources to needs for budget cuts (potentially up to 50%) in response. These discussions are each focused on how colleges and universities can be more efficient and effective while saving millions of dollars and weathering the storm ahead.

ABC Insights and The Chronicle of Higher Education have teamed up to offer this free series designed for all colleges and universities.

THE CHRONICLE of Higher Education

Each Session Hosted By:



Scott Carlson

Senior Writer, Chronicle of
Higher Education



Paul Friga, Ph.D.

Clinical Assoc. Prof. UNC CH,
Co-founder of ABC Insights



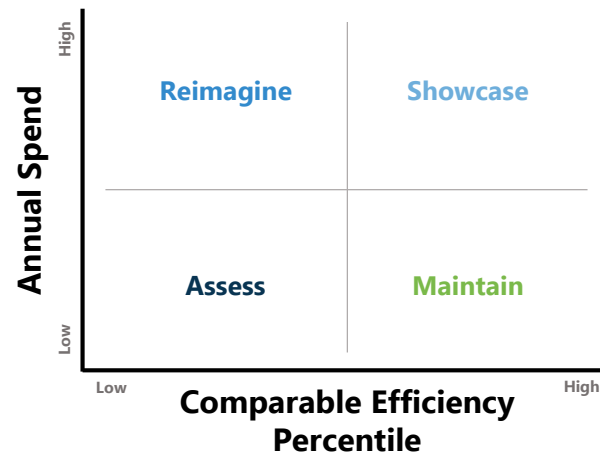
Appendix



Key areas for increasing efficiency of a university from the ABC Insights ROI framework

Optimize Administrative Spend

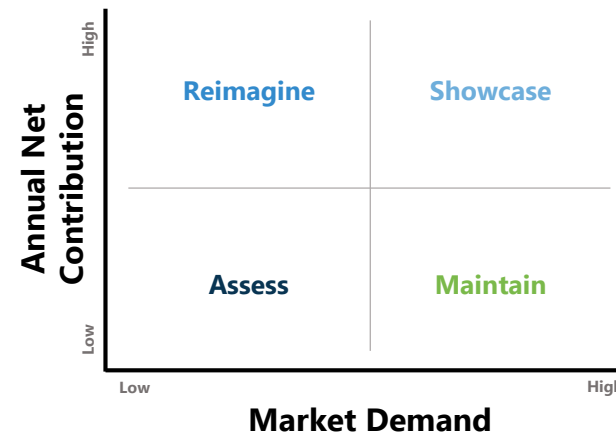
Assess level of investment vs strategy



Mapping: Activities and Sub-Activities
Size of bubble: Level of FTEs

Increase Academic Program Returns

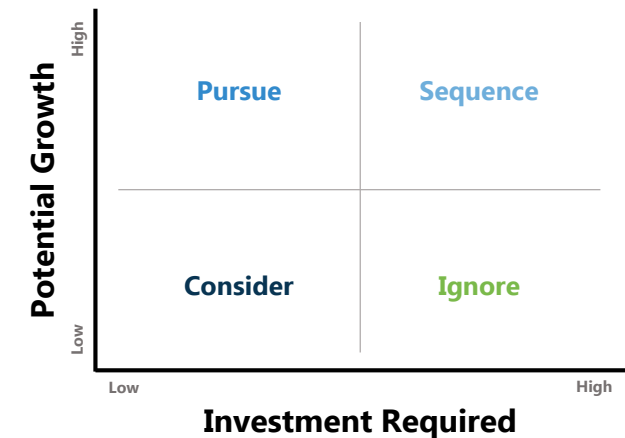
Rationalize academic offerings based upon demand



Mapping: Schools and Majors
Size of bubble: Student Outcomes

Grow Resources

Increase enrollments and revenue



Mapping: Sources of Revenue
Size of bubble: Current Revenue Level

Key areas for increasing efficiency of a university from the ABC Insights ROI framework



Optimize Administrative Spend

Assess level of investment vs strategy

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Increase enrollments and revenue

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- Grow Research Portfolio
- Sell Excess University Assets (land, etc.)

Key Levers for increasing the effectiveness of a university from the ABC Insights ROI framework



Drive Student Success

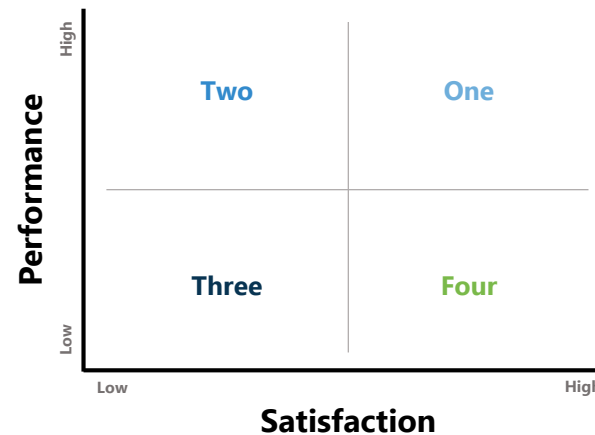
Increase retention, graduation, and earnings



Mapping: Activities and Sub-Activities
Size of bubble: Level of Investment

Increase Employee Performance

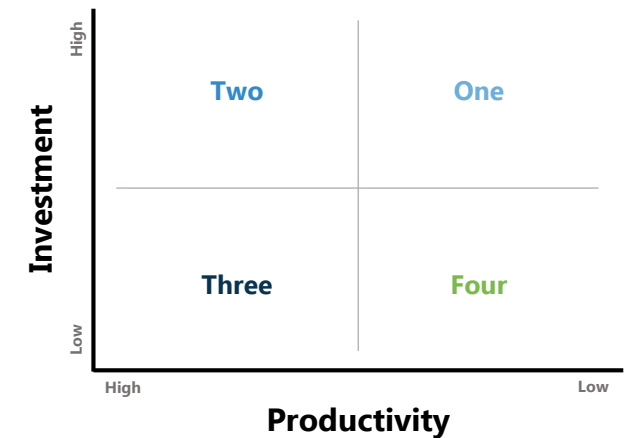
Recruit, train, evaluate, develop and reward



Mapping: Schools and Majors
Size of bubble: Average Salaries

Improve Faculty Productivity

Teaching and Research



Mapping: Sources of Revenue
Size of bubble: Current Revenue Level

Key areas for increasing effectiveness of a university from the ABC Insights ROI framework



Drive Student Success

Increase retention, graduation, and earnings

- Academic Advising
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- Career Services
- Diversity
- Financial Aid
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- Residential Services
- Student Engagement
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Increase Employee Performance

Recruit, train, evaluate, develop and reward

- Hiring
- Training
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Teaching and Research

- Student to Faculty Ratio
- Class Size
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