

WEATHERING WHAT'S TO COME: OPERATIONAL, FINANCIAL, & INVESTMENT REALIGNMENT FOR CHALLENGES FACING HIGHER EDUCATION

With the rising costs of tuition, decreased enrollment, waning retention, and increasing financial pressures, higher education institutions are under immense scrutiny to evolve and adapt to survive.

A panel of university administrators and experts in the field of finance convened at the 2023 OACUBO Conference to discuss these challenges as well as potential strategies to address them.

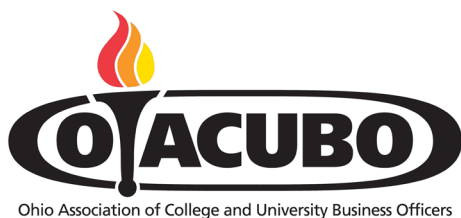
Clearstead, a leading institutional investment advisor located in Cleveland, OH, leveraged its deep experience partnering with colleges and universities to organize, sponsor and lead the session.

This article is a summary of the panel discussion.

WHAT: 2023 OACUBO ANNUAL MEETING

WHEN: FRIDAY, APRIL 21 | 12:00PM

WHERE: OHIO DOMINICAN UNIVERSITY



MEET THE PANEL:

MODERATOR



Dave Fulton – The CEO and Chairman of Clearstead, a private wealth management and institutional investment consulting firm. He is a Trustee and former Chairman of the Board for University School, and a Trustee of the Lake View Cemetery Association, the Shaker Lakes Foundation, and BVU, Inc. Dave holds the Chartered Financial Analyst designation and is a graduate of Amherst College and The Tuck School of Business at Dartmouth.

PANELISTS



Dr. Bob Zemsky – An internationally recognized pioneer in the use of market analyses in higher education research and co-author of, “The College Stress Test,” the impetus for the panel’s discussion. He served as chief planning officer and founding director of the Institute for Research on Higher Education at the University of Pennsylvania. Dr. Zemsky is a graduate of Whittier College, holds a doctorate from Yale, and was awarded honorary degrees from Towson University and Franklin & Marshall.



David Jewell – The Senior vice President of Business Affairs and Chief Financial Officer at Cleveland State University. Jewell is also president of the Euclid Avenue Development Corporation, which supports student housing at Cleveland State. Before CSU, Jewell held executive roles at the University of Wyoming and Vanderbilt University.



Jim Tressel – The retired President of Youngstown State University. Tressel is also a noted football coach, having guided both Youngstown State and The Ohio State University to national championships. He earned his B.A. from Baldwin Wallace University, and master’s degree from the University of Akron. He also holds honorary degrees from Youngstown State University and Baldwin Wallace University.

INTRODUCTION

In his book, "The College Stress Test," Dr. Zemsky described what he believes to be an inevitable and tumultuous storm headed for higher education institutions. The panel's discussion focused on this storm and how colleges and universities might position themselves to defy the data, proactively adapting to the changing landscape and living on to serve future generations of students.

KEY TAKEAWAYS

- ▶ Institutions need to reevaluate their product (degree programs) and how these products are packaged for their consumers (students). This includes revisiting general education requirements and degree maps, optimizing tuition pricing, and more.
- ▶ With the challenges currently facing higher education, institutions may need to shift their method of attack, targeting new demographics and ensuring that proper resources are in place to attract, support, and retain students of varying backgrounds.
- ▶ The labor market is evolving, and higher education must respond accordingly. Businesses are facing workforce challenges, and the role of higher education in preparing students for this new world is more critical than ever.
- ▶ Institutions need to figure out their unique strengths and leverage them to deliver education differently. This could mean fewer majors and courses, or programs tailored specifically to include only the information that students need to know.
- ▶ There is a need for systemic change in higher education, not just change at the margins. One radical proposal discussed was transitioning to a 3-year degree program, cutting the financial burden to students by 25%.
- ▶ Faculty can and should be used as a resource to spearhead the changes necessary for institutions to survive in the ever-changing world of higher education. This will require alignment of objectives, incentives, and a shared understanding of the gravity of potential fallout from lack of adequate proactive preparation. While fewer courses and programs may mean fewer faculty positions or a change in organizational structure, the price to pay for not taking any action could be the end of the institution as a whole.

SUMMARY

The consensus among the panelists was clear: higher education institutions must adapt and reorient their strategies to weather the pressing challenges they face. The traditional higher education model, which has served for centuries, may no longer be sustainable or relevant in the face of these contemporary shifts.

To begin the panel's discussion, Dr. Bob Zemsky described the three primary factors he studied within the higher education marketplace while crafting his book. The first factor explored was first-to-second-year student retention rates. More than half of the institutions in the study were observed to have lost, and anticipated to continue losing, a quarter or more of their freshman students before their sophomore year. Dr. Zemsky emphasized that any business that loses 25% of its customers in the first year is facing a significant challenge.

College and university balance sheets comprised the second factor examined by Dr. Zemsky and his team. Specifically, they were researching how many institutions had expanding rather than contracting balance sheets.

Finally, the third factor they analyzed was total comprehensive enrollment. What Dr. Zemsky and his team discovered through their research was a harsh reality, "The big are getting bigger and the rich are getting richer... It's going to be sure hell."

In response to this gloomy projected outlook, David Jewell and Jim Tressel were asked to provide insight on tactics their institutions are currently using or plan to utilize to influence such factors and stay afloat during volatile times.

David Jewell stressed the need for institutions to reevaluate their degree programs. He emphasized that institutions ought to get to the bottom of what their degrees show a graduate from their college or university can or cannot do. Jewell suggested, "We need to critically examine our product, meaning our degree programs. This would involve revisiting the general education requirements, our degree maps, and even the language we use to communicate with students." This is a testament to the fact that the way education is delivered must be reimagined to cater to the changing needs of the student population.

Jewell described that Cleveland State University is currently making a conscious effort to truly understand their students and treat them with the same caliber of customer service organizations in other industries utilize with their clients. Jewell expressed that at CSU they are analyzing the demographics of their student body, where they are seeing a shift to more non-traditional and adult learners, and launching initiatives targeted to best serve these students. To this end, Jewell stated, "We need to then begin to think about our universities and our offerings and saying, 'Are we ready for our students?' Instead of asking if our students are ready for us."

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Jim Tressel stressed that with the current demands and characteristics of the job market, there has never been a greater need for higher education institutions to be successful in their mission of preparing young minds. He underscored that while it is critically important for institutions to utilize data to inform their decisions, they should not allow the data to deter or discourage them from taking action. Tressel stated plainly, "I used to always tell my teams, 'I'm more interested in being a data changer than I am worrying about what the data tells me. When I got to Youngstown State, the data said there was a 0% chance of being national champions...and ironically, the same thing was the case when I got to Ohio State and everyone said, 'They haven't won a National Championship in 34 years... but that's the fun of it; to see if you can find a way to change the data.'"

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Tressel explained that each institution will have to approach changing the data differently. To succeed, colleges and universities will have to transform raw numbers into actionable insights that can effectively address student needs and contribute to their institution's success. Youngstown State University, for example, has harnessed data to identify at-risk students, addressing their needs proactively to increase retention rates, not only for the betterment of the institution, but for their students' long-term success and the improvement of their community as a whole.

Tressel also touched on the importance of diversification in YSU's funding sources. With the changing landscape of higher education, he advocated for an approach that was not solely dependent on tuition but also included fundraising, philanthropy, and other revenue sources to ensure the university's financial stability. He commended

his institutions' partnership with Clearstead and communicated YSU's commitment to aligning operational and investment strategies is in the best interest of the students' and institution's future*.

All panelists agreed on the need for institutions to understand their unique strengths and leverage them to deliver education in a way that meets the needs of today's students and tomorrow's workforce while also bolstering the strength of their university. The panel was adamant that for smaller and mid-sized higher education institutions to survive, they must adapt, and the change must be significant, rather than on the margin. For this to be successful, Dr. Zemsky suggested institutions communicate openly with faculty, using them as a resource to spearhead initiatives necessary for their organization's survival. The panel provided examples of strategies at-risk universities and colleges could utilize, including decreasing the number of programs and courses being offered, focusing on tailoring curriculums to only what students need to know thereby removing extraneous general education requirements, evaluating the cost of tuition, increasing on-campus student employment opportunities and involvement with the institution, and strengthening resources available to students. Dr. Zemsky also noted that he is doing research on a group of universities across the country that are simulating a shift to a 3-year degree program to attract students due to the tuition savings and targeted curriculum. This simulation is meant to push the universities to make sizable adjustments because marginal change would not be enough to survive .

Looking ahead, the panelists forecast consolidation among several Ohio colleges and universities. For these consolidations and strategic partnerships to be successful, the panel stressed that the consolidating parties must ensure that their institutions are culturally aligned.

CONCLUSION

Reflecting on the insights gathered from the panelists, the future of higher education hinges on the ability of institutions to innovate in the face of ongoing challenges. The panel discussion underscored the necessity for higher education institutions to embark upon strategic realignment across their operational, financial, and investment dimensions. This is not merely a call to sustain amidst financial volatility, but a mandate to excel in an increasingly transformative educational environment. The insights shared by the panelists shed light on the significance of innovative approaches, data-informed decision-making processes, and an unwavering dedication to student success and societal improvement.

In the face of forthcoming challenges, the future also presents abundant opportunities for institutions that are equipped and prepared to navigate the complexity. The wisdom imparted by the panelists provides valuable guidance in traversing these uncertain waters. Their profound insights not only illuminate the route ahead but also underscore the inherent characteristic of education: its capacity to adapt, evolve, effect transformation, and ultimately, weather the storm.



ABOUT CLEARSTEAD

Clearstead is an independent financial advisory firm serving wealthy families and leading institutions across the country. Our mission is to enable families and institutions to meet their financial objectives, achieve their aspirations, and build strong futures for their families, communities, and themselves.

Clearstead advises over \$27 billion in assets, which includes \$21 billion for approximately 200 leading institutions. Institutions Clearstead works with include colleges and universities, healthcare organizations, endowments and foundations, and retirement plans, among other types.

Clearstead is known for being a **steadfast** partner to its institutional clients, with a track record of guiding them toward achieving fiduciary excellence and competitive investment results. Moreover, our institutional advisory model, which includes traditional consulting and OCIO services, has a reputation for precision advice, proactive service, and **clear** and salient client engagement and communication.

HIGHER EDUCATION EXPERTISE

Professionals on Clearstead's institutional team are well versed on The College Stress Test and the challenges facing higher education. We incorporate [financial sustainability principles](#) when advising college and university leadership in the development of investment policy, alignment of asset allocation with financial objectives and covenants, and implementation of tailored and sophisticated portfolio solutions. Working with higher education institutions is a strength of our firm.

Please contact us to share your institution's challenges and learn how we can help.

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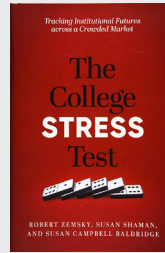
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SUGGESTED READING:

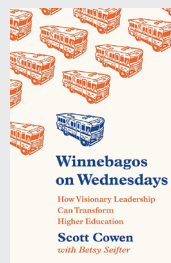
[THE COLLEGE STRESS TEST: TRACKING INSTITUTIONAL FUTURES ACROSS A CROWDED MARKET](#)



By: Robert Zemsky, Susan Shaman, and Susan Campbell Baldrige

Provides an insightful analysis of the market stresses that threaten the viability of some of America's colleges and universities while delivering a powerful predictive tool to measure an institution's risk of closure.

[WINNEBAGOS ON WEDNESDAYS: HOW VISIONARY LEADERSHIP CAN TRANSFORM HIGHER EDUCATION](#)



By: Scott Cowen with Betsy Seifert

A sweeping overview of the higher education landscape, *Winnebagos on Wednesdays* demonstrates that the courage of transformative leadership is essential for colleges and universities to remain vital.

FORTHCOMING:

Be on the Lookout for [additional literature from Dr. Zemsky](#), which continues his team's work on the College Stress Test.

Integrated solutions that drive your financial success.

Learn more on our website.



*Panelists comment is from an organization that is a client of Clearstead. Neither the panelists or organization were compensated for their comments and there are no material conflicts of interest.