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We hope that you found the recent discussion invigorating, thought provoking and useful. Together you lead institutions that educate 1.6 million students. That is a remarkable statistic: put another way, 1 out of every 12 students in the United States are touched by the group assembled around the table on June 19th. As such your institutions have the privilege – and perhaps the duty – of being catalysts for evolution and reform, reforms that we all agreed must occur to improve the impact and sustainability of U.S. Higher Education.

In this memorandum we briefly summarize the primary themes from the session. Let us call this the beginning of a dialogue, one that sparks ideas that we hope will prove powerful for each of your institutions.

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Our most striking observation was the convergence in themes, a convergence that reinforces the value of coming together as a group of peers to share ideas and best practices.

1. Economic sustainability. Each of you raised this issue as one of your top priorities. You are all considering the same forces at work: inflation in tuition that has outpaced growth in GDP and household income; fiscal deficits at the state and federal levels that have led to double digit declines in both state and federal support in real dollar terms; and an operating environment that has focused on academic freedom, not efficiency. The specific nature of how you are addressing sustainability, however, does vary in important ways across public and private institutions.

- Amongst the private institutions, the focus is squarely on the tuition model: how to make tuition sustainable in a world of “needs-blind” admission and financial aid that is both “needs-based” and “needs-meeting”. This triad of commitments has led to unexpected second order effects, including dramatic growth in headline tuition rates (even while net tuition growth is in fact quite moderate) and a pricing out of middle-class households. In addition, upholding these deep, heartfelt and historical “pledges” to affordable access are now conflicting with the Board’s fiduciary responsibilities and eroding into the institution’s ability to fund current and future commitments. One suggested starting point was basic transparency: core facts around the situation today (e.g., net tuition yield per \$1 of headline tuition growth) and dispassionate projections of what the current approach would mean in 5- and 10-years’ time.
- Among the public institutions, the focus is understandably different. Here the strategic focus is on sustainability of public funding and transforming cost productivity. On public funding, the issue is both the absolute level of funding as well as the predictability of it: how to reduce year-to-year volatility and fickleness, so that institutions can formulate a 5-year plan of strategic investments. The answer here seems to lie in making the institutions’ social contract with the state a more explicit one: agreement on what measurable outcomes constitute performance, and commitment to accountability on these measures in exchange for more and more reliable funding.

On cost productivity, many of you have already made great strides, applying best practices from the corporate world in areas such as purchasing or the centralization of certain administrative functions. In each case, though, you sense a tremendous opportunity to go much further. In some cases this is the bold scaling up of current efforts to rationalize non-instructional costs. In other cases this is asking tough questions around the utilization of current capital assets, and whether additional capital investments measured in the \$100’s of millions of dollars are in fact required. Finally, some of you are beginning to tackle provocative questions around your instructional portfolio: do we have the right number of campuses, of the right size? Do we have the right portfolio of programs and courses – and are they all still relevant in tomorrow’s world?

2. Digital and online strategy. In our closing session, digital was the most frequently cited topic for us to focus on in subsequent sessions. The momentum in this area is striking: over 30% of degree-seeking students already take at least one online course, and over 1 in 10 undergraduate students today are obtaining their degree fully online. Established institutions are among those leading the charge: the University of Maryland already has 15,000 fully online degree-seeking students.

Drexel, a private institution in Philadelphia, has 8,000 fully online students, offering Bachelor's and Master's degrees in areas such as nursing, education and electrical engineering. Last but not least, the past 6 months alone have witnessed the birth of the MIT-Harvard collaboration edX, and the Stanford faculty-founded Udacity and Coursera, all experimental platforms aimed at enabling massively open online courseware.

This disruptive level of innovation calls to mind several fundamental questions:

- Does digital learning work?
- What will the landscape look like in 5 years' time? 15 years?
- How will this evolution change how education is delivered? How will this vary by type of student and by discipline?
- What does all of this mean for the role of the traditional higher educational campus in general, and for each of your institutions in particular?

3. Governance. The majority of you also raised questions about how the Board could more effectively work with the academic leadership in setting and advancing the institution's priorities.

In some instances, this was a question of how to improve the effectiveness of the Board as a governing unit. The sizes of Boards ranged from less than 15 to greater than 60, with public and private systems represented at both ends of this spectrum. There was similar diversity in approaches to the selection of Board members: ranging from completely self-renewing (i.e., future Board members elected by current ones) to completely selected by a third party (e.g., the state Governor) to a pre-determined ratio of constituencies (e.g., alumni, agriculture, commerce). There was general agreement that effective decision making and debate requires relatively small (<10) groups of highly interested leaders. One strategy for achieving this is to create sub-committees and delegate out the work of the Board. We also discussed at least one instance of successfully reducing the size of the Board – triggered by a reflective self-discovery process beginning with what the Board wanted to achieve and then comparing that against what it is today.

There was also a robust and passionate debate around the role of the Board with respect to academic leadership. All agreed on the role of the Board as a safeguarding entity, focused on direction setting, selection of the administration, and oversight of existential issues (e.g., compliance). A subset of you also saw the Board as a change agent that should be playing an active role in setting goals for the academic leadership and in holding the institution accountable to them. In this model the Board would play an active and challenging role, forcing discussions

around financial aid, contribution to economic development (e.g., gainful employment of graduates) and the portfolio of courses and campuses in a manner that might accelerate the efforts of the administration and academic leadership.

While these were the most common themes, they were by no means the only ones. Several of you talked about the importance of working with the K-12 system to ensure that students are adequately prepared for college; failure to do so leads to substantial remediation costs (\$30-\$80 million per year) as well as negative impacts on graduation rates and faculty morale. Several of you also raised concerns about the relationship between your institution and the university medical center and hospital. For many institutions the clinical enterprise has historically been a robust source of cash flow that helped fund the broader academic mission. Growth and consolidation, however, now means that for some institutions the clinical entity is >50% of the total enterprise (measured in terms of operating budget, capital budget or headcount). Combined with the significant headwinds and uncertainties as the Affordable Care Act takes effect, several of you asked what stance the university should take towards these hospital assets. We also discussed the challenges of working with adjunct faculty (vs. full-time), as well as governance in the specific context of powerful internal stakeholder groups (e.g., certain departments or certain alumni groups).

We hope that this summit proved to be a useful forum for sharing ideas and forming connections. Let us call this the beginning of a dialogue, one that sparks ideas that we hope will prove powerful for each of your institutions.