

The Higher Education Innovation Challenge Toolkit

Institutional Indicators

New England higher education institutions (HEIs) face a myriad of challenges and opportunities: shrinking cohorts of high school graduates; recession-influenced changes to family and student views of higher education and its value; increased levels of tuition-discounting; continued upward pressures on operating costs; ongoing constraints on public investment in institutions and student aid; notable political pressure and mounting criticisms of tuition and fee levels; increased competition among independent, public and for-profit institutions, to name a few.

In light of such forces, this Institutional Indicators tool is intended to assist college and university presidents, CFOs, CAOs, faculty members and trustees to assess some of the key challenges and opportunities facing a higher education institution's efficiency and long-term financial sustainability.

It is designed to help these stakeholders identify specific areas of activity and operation where internal conversations, collaborative analysis and problem-solving might serve to strengthen the institution's ability to compete and respond to the myriad of forces affecting the higher education industry.

Additionally, our conversations with leaders of numerous New England HEIs revealed that one of the challenging tasks facing leaders of HEIs is making a timely and compelling case for the need for change. Data regarding an HEI and its performance can play an important role in educating and engaging key stakeholders—faculty, administrators, trustees, students and others—to explore the need for change and understand the pace at which it must occur.

Often, the case for change is forced when response times are inadequate and the time for productive discussion and effective action may have already passed. Or, at least, the HEI's options and alternatives are reduced and more limiting than might have previously been the case.

Objectives of the Institutional Indicators tool include:

- To support the HEI-stated need for ways to enable campus-based conversations that engage key stakeholders (particularly faculty, as well as others) on critical sustainability-related issues;
- To provide specific data points, trend analyses and an analytical framework for the timely and effective assessment of both academic and administrative dimensions;
- To increase stakeholder awareness and institutional insight, supporting the shared understanding that is necessary for collaborative and proactive change and innovation.

The Institutional Indicators tool was developed by the New England Board of Higher Education (NEBHE), with significant input from a group of expert advisors, including: current and former

college and university presidents, chief financial officers, trustees and higher education finance consultants. Its key elements include questions to assess:

- The HEI's sustainability and level of stakeholder understanding
- Operations, financial Stability and productivity
- Student cost and success
- Enrollment and competition
- Innovation, investment and leadership

The tool is not intended to be exhaustive or extremely technical, though an investment of time, effort and expertise will be required to gather and assemble the data. We hope the tool will serve as a starting point for critical and timely conversations that lead stakeholders to better understand the status and trajectory of their HEI during uncertain times—and the opportunities for change that must be embraced and deliberately pursued, lest the institution's prospects and options become further limited.

NEBHE welcomes advice and input from all who might be interested in contributing to the Institutional Indicators tool. Comments can be sent to John O. Harney at: jharney@nebhe.org.

OVERARCHING QUESTIONS

- Do institutional stakeholders have a clear picture of the true status, competitive standing and sustainability of the institution?
- Given the notable changes and challenge affecting postsecondary education, how sustainable is the institution's operating model and financial stability?
- What critical questions should stakeholders be asking regarding cost, relevance, sustainability, stability and innovation?
- What key data points (including three- to five-year trends) are required to answer such questions, better understand the state and prospects of the institution—and engage key stakeholders in addressing the challenges?

I – OPERATIONS, FINANCIAL STABILITY AND PRODUCTIVITY

Key Questions

- What key data and trends (3-5 years) indicate the institution's financial stability and sustainability?
- What is the balance between revenues and costs?
- Is the institution generating cash to provide a cushion?
- How dependent is the institution on specific revenues?
- How extensively does the institution use "tuition discounting" to attract students?
- What has the institution done to increase revenues and to efficiently reduce costs?
- How effectively does the institution manage strategically, for investment and innovation?
- What outcomes (i.e., degrees, graduates, etc.), does the institution generate?

Primary Indicators

Operations

- Revenue and expense growth rates (and equilibrium in short- and long-term)
- Net income growth (operating surplus)
- Operating margin (overall and by unit, program or level, when feasible)

Revenues

- Revenue growth, by primary sources
- Total net tuition growth (overall and by unit, program or level, when feasible)
- Tuition discounting rates (and funded/unfunded financial aid as percentage of tuition)

Expenditures

- Expenditure growth, by primary categories/types (including depreciation)
- Spending per FTE student
- Instruction as share of education and related (E&R) costs

Financial Stability

- Cash (or quick) ratio or cash trend – cash reserves of institution
- Primary reserve ratio – level of financial flexibility
- Net operating revenues ratio – operating performance

Productivity

- Degrees per 100 FTE
- Cost per degree (overall and by unit, program or level, when feasible)
 - Alternatively:
 - Degrees granted annually, by major or program
 - FTE faculty per degree, by major or program
- E&R spending per completion (by unit, program or level)

Supplemental Indicators

Operations

- Operating surplus (deficit)
- Growth in financial reserves
- Growth in endowment and endowment returns

Revenues

- Concentration of revenues (tuition dependency, ratio of tuition revenue to total revenue)
- Revenue (and net revenue) per FTE student (by unit, program or level)
- Revenue continuity (student retention)

Expenditures

- Administrative staff/faculty ratio
- Administrative staff/faculty expenses (or instructional v. administrative/support expenses per FTE)
- Deferred maintenance

Financial Stability

- Viability ratio – ability to cover debt with available resources
- Net asset growth (unrestricted vs. other)
- Financial issues or concerns: chronic or episodic

Productivity

- Cost of non-completion (or attrition)
- Student/faculty ratio trend
- Average class size trend

II - STUDENT COST & SUCCESS

Key Questions

- How affordable, on a net tuition basis, is the institution to the various student segments it seeks to attract?
- Is the institution pricing out students, dangerously reducing tuition revenue—or both?
- How are such trends affecting enrollment, retention and financial stability?
- What is the impact on student success (and post-graduation financial status, if available)?

Primary Indicators

Cost

- Tuition growth relative to inflation
- Net revenue per student as a percentage of per-student cost
- Net tuition cost by family income level (and/or as percentage of)

Success

- Excess academic credit accrual
- Retention, transfer (one-, two- and three-year) and graduation (four, five and six year) rates

Supplemental Indicators

Cost

- Net tuition share of education and related costs (E&R)
- Debt per student (and as a percentage of average starting salary, if available)
- Loan default rates

III – ENROLLMENT AND COMPETITION

Key Questions

- Given regional demographic decline and increased competitiveness, how well is the institution competing for students?
- What are the unique value propositions and competitive advantages of the institution?
- How competitive is our marketplace and how is the institution positioned?
- What is the impact of such factors on revenue and financial stability?

Primary Indicators

Enrollment

- Enrollment pipeline trends: applications, acceptances, enrollments (and student quality measures)
- Total, FTE, part- and full-time enrollment (by unit, program or level)
- Transfer (in/out) trends and pattern (by unit, program or level)
- Student retention/attrition and replacement rates

Competition

- Destination institutions of accepted/non-matriculating and transfer students
- Uniqueness of program offerings and value propositions
- New program development (number of programs, enrollment and net revenues)

Supplemental Indicators

Enrollment

- Enrollment stability compared to peer/competitor institutions
- Percentage of FT undergraduates receiving aid; percentage of aid supporting need
- Total and FTE enrollment trends in high-cost programs

Competition

- Student segment definition and competition
 - Definition and identification of target student segments
 - Growth and competition for target student segments
 - Student readiness/ability to benefit
 - Ability and willingness to pay
 - Geographic origins and dispersion

IV – INNOVATION, INVESTMENT AND LEADERSHIP

Key Questions

- To what extent is the institution investing in innovations related to programs, delivery, cost reduction and financial sustainability?
- What systems, resources, culture, practices and leadership support these investments?
- How are leaders cultivating stakeholders to contribute to transformative—and not simply incremental—innovations?
- What key measures or indicators are targeted for change and innovation?

Primary Indicators

Leadership

- Strategic initiatives and innovation plans
- Innovation and experimentation culture, including support for “grassroots” innovation
- Innovation resources: spaces, entities, capital, resources, incentives

Investment

- Investment as a percentage of revenues (or net income)
- Innovation-oriented investments in:
 - Program offerings, marketing and delivery
 - Facilities
 - Retention and student support
 - Technology
 - Other

Supplemental Indicators

Leadership

- Talent management plans and strategy
- Innovation metrics, including execution and continuous improvement
- Goal-oriented financial and performance management

Investment

- Innovation-oriented investments in:
 - Talent management and development (academic, administrative, staff, other)