HIGHER EDUCATION COVID-19 RESPONSE:
EFFICIENCY & COST REDUCTION: WHAT TO **STOP DOING**

Universities are frequently seeking ways to "get more efficient." Generally, that is code for "we need to cut costs." But often institutions want to reduce their costs without giving up much in the process and want as little disruption as possible. Even in the wake of the Great Recession, universities averted material structural change through revenue relief. Efforts such as strategic sourcing, business process redesign, decreases in service provision, and slow decreases in staffing levels represent the promise of assembling small pockets of savings into cost reductions. Such efforts also represent an aversion to tough choices related to the institution's portfolio of activities, programs, and operations.

In a recent white paper, Huron outlined a three-phase framework for higher education's evolution through this pandemic and impending recession. In this framework, the sector enters first into a triage phase, then transitions to a period of stabilization while it begins to explore opportunities for fundamental transformation. The following table outlines both near- and long-term methods for evaluating and potentially stopping activities aligned to the three phases of this crisis response.

TRIAGE	STABILIZE	TRANSFORM
Rapid response to urgent pandemic-related needs	*Shift resources to Mid-term stabilization*	*Implement change to ensure long-term success*
• Travel • Conferences • Supplies • Events • Catering • Hours of Operation	• Benefits • IT Applications / Licenses • Student Activities • Leases • Underperforming Food Operations • Health & Wellness Programs	What Can We No Longer Afford to Do? Examples: • Athletics Teams • Centers & Institutes • Extra-curricular Programs

Triage: Eliminate "Nice to Haves" and Reduce Discretionary Spending

The misconception about "administrative bloat" at a university is that institutions have hired more staff to support the same output. The growth of support costs, however, has often been driven by an increase in **what** universities provide beyond the core academic and research portfolios, such as: increased student services, more co-curricular programming, proliferation of centers and institutes, new facilities, among others. Few would argue that any of these investments negatively contribute to the student experience, learning opportunities, interdisciplinary collaboration or to the overall prestige and attractiveness of the institution. Yet, Huron finds universities don't often engage in a holistic tracking of these endeavors, or a disciplined review of their cost versus measured impact.

Huron recommends starting with an inventory of operations and programming, and their associated direct costs, for review through the lens of corresponding *impact*. Huron thinks about this type of review through a simple framework: breadth of impact and depth of impact. *Breadth* refers to the number of students, faculty, or community members impacted by a program or operation. *Depth* refers to the actual impact that program has on in individual or community (often qualitative). This impact score is tied to the direct and indirect costs to develop a return-on-investment (ROI) metric. The reduction in "nice to have" activities may lead to immediate savings in the form of compensation of staff supporting the program, elimination of leased or rented space, and recurring purchases of goods and services that support the operation's or program's objective.

A **starting point for this list may be a review of operations frozen in the immediate response to the COVID-19 outbreak (e.g., travel, conferences, events, supplies, catering)**. Huron would anticipate that many of these activities will be found to have a low ROI based on either the *breadth* of *depth of impact* metric, especially when compared to other programs in the inventory more directly tied to core teaching, research, and outreach activities.

Stabilize: Make Some Tough Decisions

During Stabilization, institutions should charge leadership with evaluating the full inventory of programs and activities with an agreed upon framework for ROI in mind. Where can we scale back without creating risk? Where can we decrease our investment with limited impact on quality or standards of service? When can we determine a program is non-essential? Huron anticipates that these operations are part of portfolios or ecosystems with potential dependencies or secondary impacts. The time horizon, therefore, for these reductions or restructurings is likely longer – six to 18 months – because unwinding the operations is more complex and the change management challenges require greater care.

Unlike efficiency projects aimed at maintaining the same level of output with fewer resources, these tough decisions are focused on asking which aspects of core support portfolios “can we stop doing” without creating a need that will require reinvestment down the road. This will likely include a wide array of activities such as benefits programs, student activities, duplicative IT applications, and underperforming food operations.

This is not to say scaling back these activities would not have impact, potentially a negative impact, but they represent better alternatives than further threatening enrollment, cuts to the academic enterprise, or sacrificing investment in research.

Transform: (Re)Evaluate “Sacred Cows”

Evaluation of some areas may extend beyond the stabilization phase and can be considered more transformative to the university when activities are considered closer to core mission or may be traditional “sacred cows” like athletics teams or (highly subsidized) centers and institutes. Such examples highlight the need for this process to be frequent and repeated.

Evaluating and then continually reevaluating the impact of programs and operations should not just be part of a crisis response, but rather be a regular and core practice of institutional management. Growth of programs, support operations, and services are commonly in response to evolving demands and expectations. However, universities are too resource constrained to allow for “check the box” investments. Resource allocations need to be measured against objectives and effectiveness, because expense growth represents opportunity costs to core programs, research capabilities, or affordability.

For most universities, this evaluation and accountability to defined metrics will represent a material culture shift. The first step in building these organizational muscles is defining who will own this responsibility and how decisions will be made and executed. Regular evaluation should take place within disciplines or functions, but then need also to calibrate across campus. These efforts need to be informed by data and analysis, which is likely to include peer benchmarking or industry research, evaluation of funding sources, review of the university’s portfolio for complementary or redundant efforts, and a reassessment of the objectives in the current environment. Of course, the most important element of a new commitment to evaluation will be that those evaluations are supported with transparent and meaningful action.

Call to Action: Time to “Stop Doing Some Things”

Start making the comprehensive list of non-core programs, operations, and activities. Highlight those activities that have been affected as part of recent campus shutdowns and begin the evaluation process with, “What if this activity never restarted?” or “What if we only invest at 50% of our prior levels?” Would the institution be materially worse off without that conference? Will alumni be less engaged without that one extra “lifetime engagement” program? Will employees still be fairly compensated if we sunset that benefit program? Will students still enroll if we eliminate that extracurricular activity? These are tough questions, but ones that need to be asked. It is never easy to shift course, to say that a program or activity is not “impactful enough,” but the world of higher education is transforming, and more revenue cannot be the only solution for universities to rely upon. In fact, in the history of growing for-profit or not-for-profit enterprises, it never has been.

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