Understanding the Business of Higher Education: Creating Context for Your Staff Development Plan

By Janet Ward

Editor's note: A version of this article appeared in 2005 on the Web site of the Pacific Association of Collegiate Registrars and Admissions Officers (PACRAO) (Ward 2005).

Effective organizations strive to impart through staff development plans more than a set of specialized and departmental skills, or information tied to institutional policies and processes. This article expands traditional staff development plans to include encompass topics important to college presidents, administrations, and state legislatures—the role higher education plays within the society, the pillars that support the learning enterprise, and the business fundamentals for a healthy organization.

Each year new professionals enter our offices and begin developing a set of skills (*e.g.*, leadership, management, systems, technology, processes, and policies) that support the overall operation or an enrollment management specialization (admissions, registration and records, financial aid, institutional research, orientation, academic advising, etc). Even as we develop experts within the various specializations on campus, we must provide a broader context for understanding the drivers of public policy and institutional decisions. This article addresses three questions:

- Why is higher education valued?
- What are the administrative pillars that support the learning enterprise?
- What are the top ten factors that influence institutional decision makers?

When I entered higher education administration over twenty years ago, it never dawned on me to try to understand the connections between my daily tasks and role in the institution with how higher education benefits both society and individuals. The Institute for Higher Education Policy has provided information that clearly outlines the benefits to the society and the individual (see chart) and answers the first question.

WHY IS HIGHER EDUCATION VALUED? WHAT ARE THE BENEFITS TO SOCIETY IN GENERAL AND TO THE INDIVIDUAL IN PARTICULAR?

It is important to understand the two perspectives—societal and individual—outlined in Table 1, on page 54.

From the societal perspective, research has shown that higher education provides significant economic and societal benefits (see chart) as an educated public has a higher level of productivity and consumption, reduced crime rates, and less reliance on governmental financial support. Higher education moves society toward social cohesion

Table 1.

Value of Education

Society		Individual	
Economic	**Social**	**Economic**	**Social**
Greater productivity	Reduced crime rates	Higher salary and benefits	Improved health and increased life expectancy
Increased consumption	Increased charitable giving and community service	Employment (less unemployment)	Improved quality of life
Increased tax revenues	Social cohesion and appreciation of diversity	Higher savings levels	Better consumer decision making
Decreased reliance on governmental financial support	Improved ability to adapt to and utilize technology	Improved work conditions	Increased personal status
		Increased personal and professional mobility	More hobbies and leisure activities

Source: Institute for Higher Education Policy IHEP (1998)

and appreciation of diversity, increased charitable giving, and community, as well as improved adaptation to and use of technology. Together, these could be considered the *return on investment* made by state and federal governments through financial aid, improvements to physical structures, and the attraction and retention of qualified employees (faculty and staff). The critical policy question during budget planning is whether the return on the public's tax dollars is reasonable and whether continued investment (or, more specifically, an increase in the level of investment) is warranted.

From the perspective of the individual, the critical question is whether the investment of time and financial resources to attend a higher education institution and complete a program of study will translate into personal benefits, including an improved quality of life. Research has shown repeatedly that individuals with college degrees enjoy improved economic and societal status. The higher the educational attainment, the higher the salary and benefits; the greater the savings; the better the work conditions and quality of life; and the greater the mobility.

In marketing our programs, we must understand our prospective students' motivation for going to college: Is it to improve job skills for that next promotion? Is it for the chance to experience greater personal freedom by attending college in another state? Whatever the motivation, it is important when counseling prospective students to provide a balanced view: discuss the personal sacrifices that may be required, along with the personal benefits in lifetime earning power, increased personal and professional opportunities, and, in general, the improved quality of life that result from earning a degree.

WHAT ARE THE PILLARS THAT SUPPORT THE LEARNING ENTERPRISE?

Regardless of the type of institution, the core mission of higher education is learning—in the classroom, online, through internships, study abroad, or co-curricular activities (performing groups, athletics, student government, etc.). Support for academic leaders and faculty who are on the front line of the learning enterprise requires experts in other fields. Without the following "pillars" to support the learning enterprise, institutions would struggle to achieve their mission and vision:

- **Marketing and Communication:** These related efforts develop the brand and messages that will pique interest in the institution and establish the processes and systems to respond to inquiries. Marketing and communication support the entire university; resources are used to support the president, recruiting and admissions, alumni relations and development, and fundraising. Leadership of this effort varies according to the institution's organizational structure but typically falls to a member of the president's executive team.
- **Fundraising:** This is a primary revenue stream for most institutions and it provides a funding source that enables the institution to invest in its vision. Figure 1 on page 55 demonstrates the following primary components of fundraising:
  - *Mega-Gifts:* Once in a lifetime gifts

- *Planned or Major Gifts:* May be cash, but more often consists of real estate, stock, or other appreciable assets
- *Annual Fund:* Unrestricted current giving. Alumni are typically greatest contributors.

Interspersed between "mega" and major gifts are contributions from foundations and corporations. Leadership for fundraising typically is provided by the president and the chief advancement officer.

- **Administration and Finance:** Administration and finance provide leadership and management expertise to ensure that sound business practices are followed and that progress is made toward institutional goals (vision) while maintaining a balanced budget. Leadership typically is provided by the chief financial officer or the chief executive officer.
- **Facilities and Infrastructure:** Facilities and infrastructure ensure that the buildings, grounds, and institutional infrastructures are maintained to effectively support the learning enterprise and administrative operations. The infrastructure includes information technology (*e.g.*, computer network, telecommunications, hardware, software, etc.). Leadership typically is provided by the chief financial officer or the chief executive officer.
- **Enrollment Management ("recruiting satisfied graduates"):** Enrollment management is a comprehensive planning and implementation process that maximizes resources to achieve enrollment and net revenue goals. Key principles focus on *recruiting* students who will benefit from an institution's educational programs and *retaining* them until their educational goals are achieved. A comprehensive enrollment management approach includes academics, student life, residence life, admissions, financial aid, student accounts, registration and records, orientation, academic advising, and institutional research. Leadership typically is provided by the chief enrollment officer, provost, or chief executive officer.

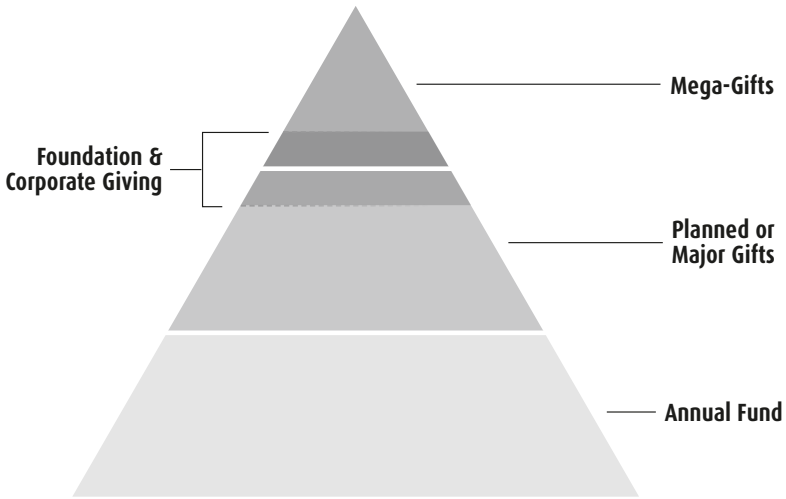

FIGURE 1. *Primary Fundraising Components*

WHEN THINKING OF HIGHER EDUCATION AS A BUSINESS, WHAT ARE THE TOP TEN FACTORS THAT INFLUENCE STRATEGIC DECISIONS ON CAMPUS?

A challenge most institutions face is campus units' competing demands for resources to support existing or new institutional priorities. Typically, the following emerge as the top ten factors when campus administrators wrestle with decisions about where finite resources (funding or personnel) should be invested and/or redistributed to reflect campus priorities:

- **Revenue Structures:** This refers to all institutional revenue streams—tuition, fees, room and board, auxiliaries (*e.g.*, bookstore, conference services), fundraising, etc. The key question for the administration is whether new revenue structures should be added or eliminated. New revenue structures could be associated with the addition of new programs which are designed to be self-sustaining, such as new graduate programs, continuing education, new satellite campus or online course offerings.
- **Expenditure Structures:** The largest expenditure is compensation; as a result, faculty and staff productivity is a key factor when aligning resources with institutional priorities. Other expenditure structures include maintenance and repairs, capital improvements, operational support (*e.g.*, travel, printing, mailing, food service, etc.). For

institutions that utilize tuition discounting, financial aid would be considered an expenditure structure (see discount rates, below).

- **Current Fund Revenue and Expenditures:** This refers to the institutional budget for the current fiscal year. The key questions revolve around monitoring of the net revenue goals for each revenue stream (net revenue = gross revenue - expenditures). Departmental budgets must be effectively managed if they are to be deficit free at the end of the fiscal year.
- **Institutional Selectivity and Yield:** Admissions and, to some extent, financial aid professionals have influence in this area. *Selectivity* depends on the institutional mission and admissions criteria. The higher the admissions standards (*e.g.*, entering high school or transfer GPA, SAT/ACT scores, etc.), the more selective the institution. *Yield* is the conversion of new student admits to enrolled students. Financial aid strategy and award packages influence yield rates as students compare the "out-of-pocket" costs to attend various institutions.
- **Faculty Workload:** Institutions quantify the amount of time spent on teaching, research, and/or service activities for the institution and academic department (*e.g.*, advising, committee work, etc.). As stated earlier, compensation is a critical expenditure structure, and faculty workload is one measure of productivity.
- **Discount Rates:** This is a measure used to determine what percentage of undergraduate gross tuition revenue is used to support institutional financial aid in the form of merit- and/or need-based aid. For example: An institution charges $18,000 annually for tuition; $5,400 of the gross revenue is used for institutional financial aid. The discount rate is 30 percent ($5,400 divided by $18,000 = 30 percent discount rate). The higher the discount rate, the more tuition revenue dollars are being used to fund student financial aid; dollars available for academic program or other institutional investments are thereby reduced.
- **Tenure Status:** This factor influences expenditure structures. Faculty with tenure status or rank annually

(ORIGINAL ADVERTISEMENT REMOVED)

receive a contract (fixed cost) while adjuncts are hired on a per class section basis. This is important on several levels: The greater the percentage of tenured faculty, the greater the continuity within the learning enterprise; this influences the overall quality of education at the institution. Further, the greater the percentage of instruction taught by adjuncts, the lower the fixed instructional costóand the greater the flexibility as instructors are hired to meet student class section demand.

- **Mission and Program Mix:** Mission and program mix are unique to each institution. Together, they become a primary recruiting message for admissions and provide the foundation for fundraising strategy. It is important to note that enrollment leaders and staff possess the ability to influence program mix as they share with supervisors the new ideas or hopes expressed by students, parents, high school or college counselors, and business leaders. Most institutions are open to exploring new programs and/or new ways to deliver existing programs to better serve the local community.
- **Maintenance Backlog:** While most of us have heard about deferred maintenance due to budget shortfalls, the administration has to make critical decisions when investments need to be made to update existing facilities. Prospective and current students expect the learning environment to be well-lighted, the grounds to be well-groomed, and the buildings to be comfortable and accessible.
- **Alumni Giving:** Alumni giving constitutes an essential component for fundraising as programs focus on sustaining relationships between graduates and the institution.

In developing a comprehensive staff development plan, it is important to remember that employees benefit from learning the societal and individual benefits of higher education; the pillars which support the learning enterprise; and the factors which drive the administration's business decisions. Within this context, employees should be able to better understand the institution's mission and how their own role supports the educational enterprise. Enrollment leaders and staff who truly understand the value of higher education are better able to respond to the questions and concerns of legislators, parents, community leaders, and others.

REFERENCES

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About the Author

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