The new normal: Higher education in a post-COVID-19 world

For the last decade, higher education has faced considerable headwinds. COVID-19 has created severe short-term financial and operational challenges for higher education institutions, and accelerated the impact of external demographic, financial, technological, and political trends on the higher education sector. Higher education leaders remain steadfast in their commitment to their organizations' core missions even in the face of these severe challenges.

However, now is the time for higher education institutions to reconsider their value propositions and operating models if they are committed to successfully and sustainably delivering their mission in the years to come. In these uncertain times, discerning "what is next" for the higher education sector will likely require calculated speculation and some risk-taking. Our work has allowed us to identify ideas and principles that we hope will help higher education institutions navigate the uncertainty ahead.

Understanding the effects of COVID-19

To understand how institutions can adapt to the effects of the COVID-19 pandemic, TIAA and EY-Parthenon analyzed publicly available data and industry publications, and interviewed leaders at 14 four-year higher education institutions ranging from small liberal arts colleges to large flagship public universities.[1]

This effort is also informed by numerous surveys and consultations with higher education institutions in recent months. Each leader we spoke with is laser-focused on immediate challenges, namely, managing the health, welfare, safety and financial impacts of the COVID-19 crisis on students and families, faculty and staff, and other key stakeholders.

Looking beyond the pandemic, some leaders are evaluating what, if anything, will need to change in their institution's operating model–including their organizational structure, decision-making processes, and uses of capital–to help ensure long-term financial sustainability and achieve their institutional mission.

Leaders evaluating potential changes to their operating models may need to:

- More clearly identify the student population(s) and stakeholders they seek to serve, implementing changes to their program portfolio and operations to reflect their refined focus
- Deploy agile decision-making processes that enable flexibility in response to an ever-changing environment
- Redeploy human, financial, physical, and reputational capital in alignment with their new operating models

In this paper, we provide historical context for the challenges higher education leaders face, explore the current state of thinking among leaders as a result of COVID-19, and describe how leaders can utilize four sources of capital—human, financial, physical, and reputational—as they plan for an uncertain future.

Putting higher education in the context of capital

After more than 50 years of significant growth, colleges and universities have in recent years experienced flat to declining student enrollment.[2] During the past period of growth, most four-year institutions competed on the same set of fundamental terms.

Generally, colleges and universities offered myriad academic programs targeted at broad swaths of the student population, with limited differentiation or specialization. These structural and competitive dynamics have resulted in suboptimal utilization of "capital." For the purposes of this analysis, we have categorized capital as follows:

Categories of capital

Human

An institution's students and alumni, as well as the skills, knowledge, and experience of administrators, faculty and staff.

Financial

The monetary assets available to an institution, measured by levels of revenue, liquidity, and ability to borrow.

Physical

An institution's land, buildings, technology infrastructure, and other physical assets such as residence halls and medical centers.

Reputational

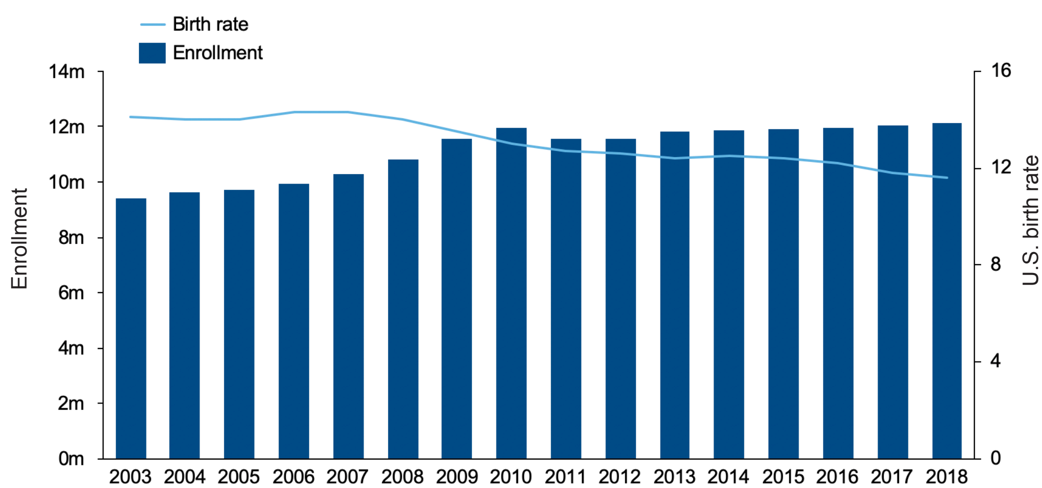
The perception of an institution's brand and intangible assets stemming from its mission, values, leadership, and contributions to its local community and society at large.

Human capital

Higher education institutions are facing shrinking pools of both domestic and international students, driven by U.S. demographic trends, declining college enrollment rates as a result of the pandemic, and political uncertainty that has negatively affected international student enrollment in U.S. institutions.[3] Since 2010, overall U.S. higher education enrollment has declined by almost 1%.[4] Additionally, U.S. birth rates have declined by .5% year-over-year from 2013 to 2018, driven in part by the Great Recession, indicating enrollment will likely decline further in the future (see Figure 1).[5] Enrollment declines have left U.S. institutions contending with excess supply of faculty. EY-Parthenon estimates there were 2.5 million excess seats for students at U.S. four-year institutions in 2018.[6]

The number of adjunct and other non-tenure-track faculty members has grown 3% annually over the past decade, driven in part by the need to support new programs created in response to perceived student demand. This growth in adjunct faculty, however, has not been offset by retirement of tenured faculty. Tenured faculty grew by .5% year-over-year over the same period, leaving many faculty underutilized.[7] Higher education leaders can begin to consider whether new faculty workforce models will be needed in the post-pandemic environment, and whether such models will require different recruitment, retention, and retirement strategies to help renew and diversify the faculty. Options such as multiyear renewable contracts, teaching-only tenured positions, faculty-sharing models across institutions, and diversified incentive structures may be paths forward.[8]

Figure 1: U.S. birth rate and enrollment at four-year degree-granting institutions, 2003-2018[9]

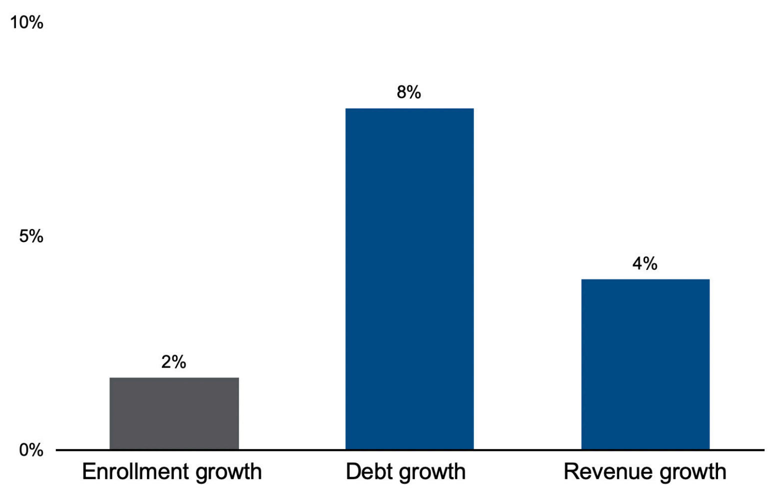


Financial capital

Higher education debt growth has far outpaced revenue growth in recent years. From 2003 to 2018, public and not-for-profit institutional debt grew an average of 8% per year compared to 4% revenue growth over the same period, as outlined in Figure 2.[10] As of 2018, 74% of public and private four-year institutions held some form of interest-bearing debt, which amounts to nearly $294 billion.[11] This represents a 36% increase in total institutional debt since 2011, far outpacing revenue growth. On average, institutions are borrowing $2 for every dollar they receive in net revenue.

In part, debt has increased due to favorable interest rates. Much of this borrowing has been to finance physical capital investments as part of a competition for students based on facilities and amenities.[12] Debt can be a valuable tool, especially as institutions face immediate spending needs for remote teaching technology and campus safety infrastructure. However, the ratio of debt to revenue growth raises the question of whether and how colleges and universities can continue to grow revenues or reduce debt under current and anticipated market conditions.

Figure 2: Annual change in enrollment vs. debt and revenue growth for four-year, U.S. degree-granting institutions, 2003-2018[13]

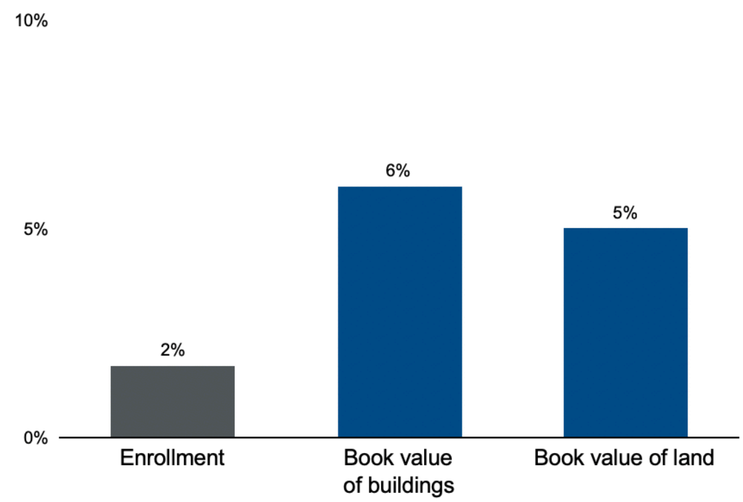


Note: All data represent Title IV, four-year, U.S. degree-granting institutions; does not include for-profit institutions. Source: IPEDS; EY-Parthenon Analysis; Internal Revenue Services.

Physical capital

Despite declining enrollment, institutions have continued to invest in physical campus infrastructure during the last decade. With fewer students on campus, spaces built to accommodate peak enrollment periods have gone underutilized. While the book value of buildings and land improvements grew ~6% and 5% per year, respectively, from 2003 to 2018,[14] full-time equivalent enrollment grew less than 1% (and much of that growth was in online enrollments),[15] leaving many schools without the revenue needed for critical loan repayments and building maintenance, and creating delays in physical capital repairs and improvements that will presumably become more costly in the future, as outlined in Figure 3. This has already created significant deferred maintenance liabilities for many institutions.[16]

Figure 3: Annual change in enrollment vs. book value of buildings and land for U.S, four-year degree-granting institutions, 2003-2018[17]



Note: All data represent Title IV, four-year, U.S. degree-granting institutions; does not include for-profit institutions. Source: IPEDS; EY-Parthenon Analysis; Internal Revenue Services.

Furthermore, few institutions have made necessary investments in digital infrastructure to support the rising demand for online and hybrid learning offerings and virtual support services.[18] From 2013 to 2018, in-person enrollment decreased 2% annually while hybrid and online enrollment increased 8% annually.[19] COVID-19 has underscored the burden of physical campus infrastructure and the need for technical infrastructure improvements. As students continue to shift online, the outlook for increased utilization of institutions' physical capital appears unlikely.

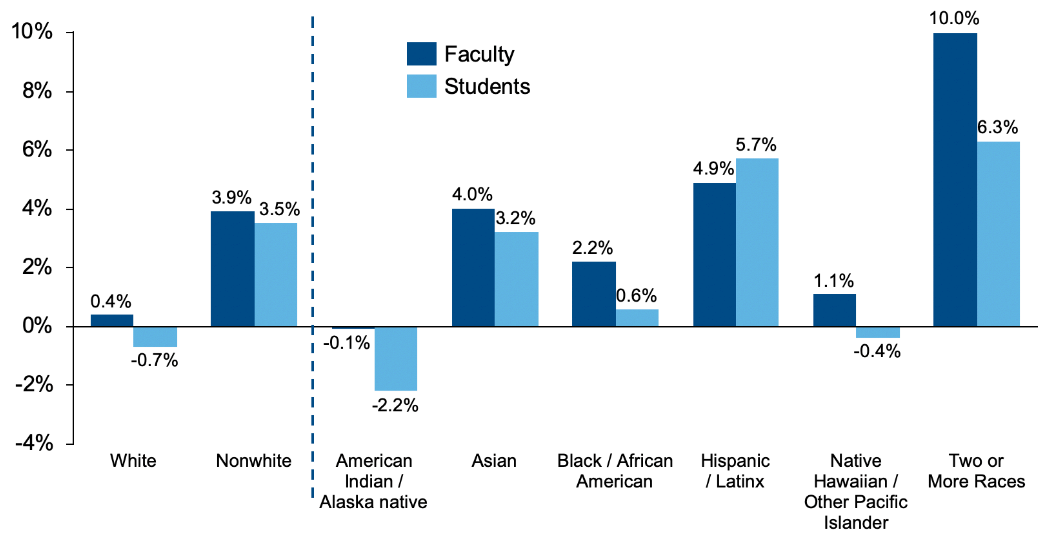
Reputational capital

In recent years, perceptions of higher education and its value have declined sharply.[20] In 2013, 70% of Americans indicated they believed college education is "very important," compared with only 50% of respondents in 2019.[21] As sentiment around the value of higher education has declined, institutions have taken steps to more intentionally build distinctive brands and to connect those brands with strong student outcomes. Future enrollment will be significantly impacted by students' and families' perceptions of the value to be gained from a postsecondary degree, and whether there is more (or less) value to be derived from one institution over another.

A demonstrated commitment to diversity, equity, and inclusion (DEI) for students and the academic workforce also is central to reputational capital, particularly as racial and social unrest have intensified in the United States. Despite broad demographic shifts in the U.S. population, from 2013 to 2018, four-year degree-granting institutions have shown just small increases in their proportions of students and faculty of color.[22] However, when comparing the compound annual growth rates (CAGRs) from 2013-2018, the gap between proportions faculty and students of color appears to be closing among all ethnic groups with the proportions of American Indian/Alaska native and Hispanic/Latinx, as shown in Figure 4. The rising emphasis on DEI and racial and social justice means institutions will likely need to invest in attracting and retaining diverse and inclusive faculty and staff as a foundation for attracting and retaining a similarly diverse student body.

Figure 4: Faculty and student race/ethnicity at U.S, four-year degree-granting institutions[23]

5-year CAGR, 2013-2018



Current state of thinking among higher education leaders

The COVID-19 pandemic and its unprecedented social and economic disruptions have intensified pressures on the U.S. higher education sector arising from preexisting external demographic, financial, technological, and political trends. Change has come abruptly, as the pandemic has demanded immediate responses and institutions have been consumed with operational triage and prioritizing safety, communication, and education continuity.

After quickly shutting down campuses last spring, most institutions have undertaken meaningful efforts to safely conduct in-person and/or hybrid education for the fall of 2020.[24] Even so, many have had to revert to remote learning and even evacuate dormitories, at least temporarily, as COVID-19 cases have spiked in their communities.[25] Despite the ongoing challenges the pandemic presents, institutions could benefit from leaders carving out time to look beyond immediate demands and consider their institution's longer-term prospects. This paper aims to help facilitate such longer-term thinking.

Common themes across the sector

While every institution is navigating the crisis within its own context, our conversations with higher education leaders from 14 institutions, as well as broader surveys and industry research, surfaced two common themes emerging across the sector:

1. Commitment to higher education's core mission

Leaders remain committed to their core missions of education, research, and creating a space for young people to develop valuable skills and grow into engaged citizens. In the face of challenges created by the pandemic, institutions are leveraging technology to launch hybrid and fully remote teaching, along with virtual academic, career, and health support services at a time when students and their families need them most. Further, recent racial and social unrest has reinforced leaders' commitment to diversity, equity and inclusion (DEI) initiatives as fundamental to their mission and to student success—and elevated in importance the question of how their institutions can best support all students.

2. Importance of an agile and inclusive decision-making approach

Institutional leaders consistently noted that centralizing and accelerating decision-making processes, while soliciting input from key stakeholders, was critical to their COVID-19 responses. Led by the president's cabinet (including the provost, CFO, COO, etc.), and with input from faculty, staff, students and families, many institutions demonstrated agility and flexibility as they responded in real-time to constantly shifting demands. For example, the rapid development and launch of COVID-19 testing and contact tracing procedures to protect the campus community has been a critical success factor for institutions that reopened for in-person learning. As leaders see the value of more centralized models of decision-making, there appears to be growing interest in reevaluating decision-making approaches in contexts beyond COVID-19 operational responses.

During our interviews, leaders recognized that higher education is likely to change significantly post-COVID-19, but they often did not acknowledge the degree to which their own institutions may need to change. Virtually all industries are being forced to evolve rapidly–including healthcare, retail, real estate, etc. During the uncertain times ahead, higher education institutions and their leaders may need to seize upon the momentum COVID-19 has created to continue evolving quickly meet the future needs of students and their families—after or else possibly risk further, potentially irrevocable, degradation of higher education's perceived value and that of their own individual institution as well. Institutions need to consider whether and how they should pivot in response to their rapidly changing environment.

Planning for the future: developments and key questions

The pandemic has upended every facet of life as we knew it just a few short months ago—including higher education.

The current turmoil and uncertainty, amid headwinds already affecting the industry, point toward four developments likely to may shape the future of higher education:

Development #1: Bifurcation of institutions:

As enrollment continues to decline, we will likely see a bifurcation in the higher education sector. Institutions with weak financial or reputational capital may be forced to merge with others to survive. On the other hand, those with strong reputational capital may continue to thrive and attract their traditional student base.[26]

Development #2: Academic program reviews:

To proactively manage their balance sheets, institutions will likely need to review their academic programs and carefully consider whether those that are nonessential to their core mission can be justified, and whether they should invest in programs that attract price-conscious students.

Development #3: Alternative pathways:

Certificate and digital pathway programs are will likely thrive in the remote economy as nontraditional students and others seeking to enhance their workforce skills look for ways to learn continuously without needing to invest in a four-year degree. Institutions may pursue a dual strategy of developing physical and online resources to expand their student pool.

Development #4: Declining public support:

The fate of public support for higher education is uncertain. The notion of a generational social contract has been criticized over the last few years; going forward, there likely will be increased scrutiny of the value of higher education and accompanying declines in state funding. Declining public support may be a harbinger of sustained adoption of remote/hybrid classes as a lower-cost delivery model and/or increased attendance at two-year colleges as a gateway to four-year degrees.

Key planning questions

During these uncertain times, higher education institutions may need to become more agile to meet the future needs of students and their families or risk further, potentially irrevocable, degradation of their perceived value. To enable a successful transition to the post-pandemic environment, college and university leaders can ask themselves the following key questions:

- **Does my institution's core mission need to evolve?**
- **What organizational obstacles are preventing my institution from achieving its core mission in this new environment—and post-pandemic?**
- **How can the four capital levers be used to better support my institution's mission?**

Each of these planning questions is addressed below with insights gleaned from research and our interviews with higher education leaders. Our goal is to help higher education leaders map out a strategy for successfully guiding their institutions into the future.

Planning question #1: Does my institution's core mission need to evolve?

Most leaders interviewed expressed commitment to their existing core missions. In some cases, they recognized that external trends may require their core mission to evolve. This evolution may include aspects of four models of future states that could serve as a point of reference in assessing both current and evolved core missions:

Scale education providers

Institutions with strong digitally-native curricula designed to provide personalized and flexible online learning at scale.

Global research centers

Institutions organized primarily to conduct research activity, spanning academic fields.

Pathway provider institutions

Institutions that emphasize vocational, skills-based learning, and allow students to use work experience for academic credit.

Interdisciplinary learning colleges

Institutions that focus on traditional, residential, interdisciplinary learning that strengthens personal development and builds global citizenship.

To move toward these future-state models, any combination thereof, or any others that may emerge, institutions may need to leverage their capital levers more effectively to improve efficiency. The path forward will be different for each institution, depending on its current core mission and future operating model. For example, research and interdisciplinary learning colleges may more heavily emphasize human and financial capital going forward, with minimal changes to physical capital. Conversely, scale education providers may focus most on reputational capital as they build an online presence, and decrease investment in human and physical capital.

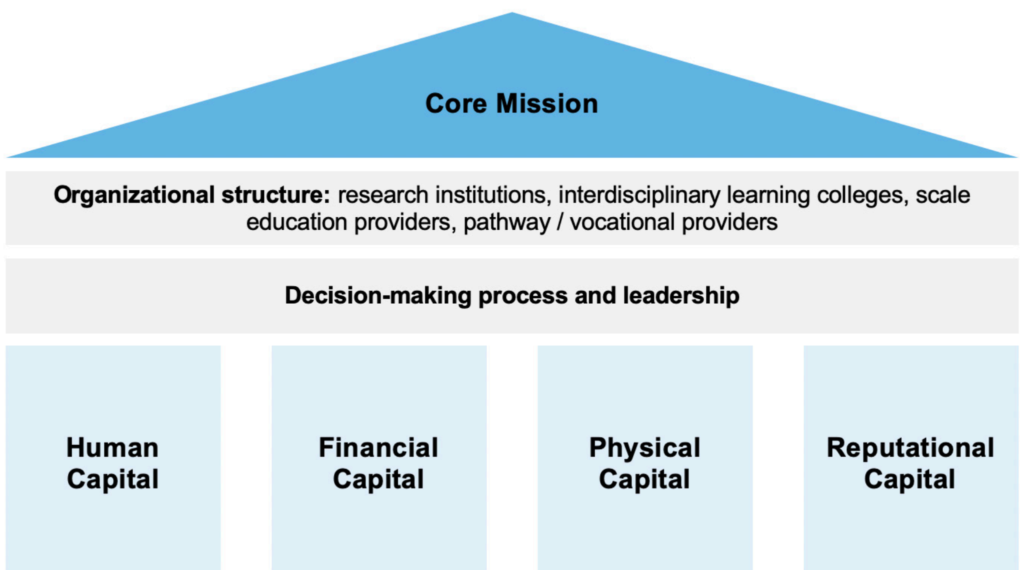
Combining future-state models

It is important to note that institutions may embody more than one future state model; for example, an institution could have an undergraduate population served primarily by an interdisciplinary learning college, and a school of continuing studies geared more toward certificate programs as a pathway provider. Each institution can embody combinations of the above models for different student populations and schools, and other models of education that may emerge in the future. During our interviews, more than half of the leaders indicated a willingness to explore other organizational structures while still maintaining their institution's core position as an interdisciplinary learning college (see Figure 6 - next page).

The Institutional Planning Framework below illustrates how an institution's core mission is achieved via its organizational structure and decision-making processes, all supported by the four pillars of human, financial, physical, and reputational capital. Note that for planning purposes, institutions may want to begin by establishing the end goal, i.e., your institution's core mission.

Organizations may need to evaluate their academic programs to determine if they truly support their institutional mission and value proposition.

Institutional Planning Framework

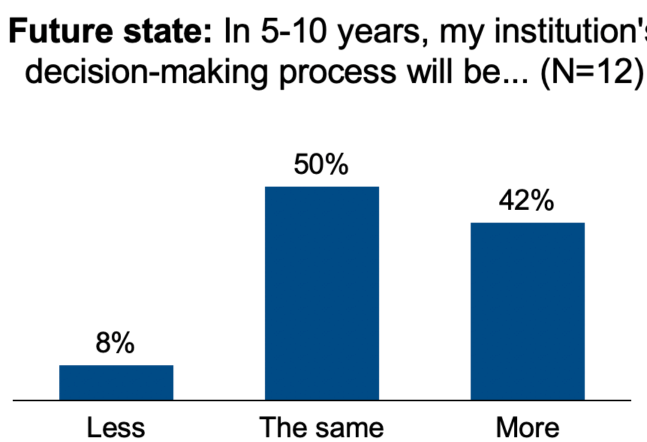


Post-COVID-19, institutions may need to consider the most effective way to organize decision- making to allow for agility and flexibility while soliciting and considering input from faculty, staff, board members, students, and other stakeholders.

Planning question #2: What organizational obstacles are preventing my institution from achieving its core mission in this new environment—and post-pandemic?

The decision-making processes described by the interviewees spanned the spectrum from centralized to decentralized. That said, nearly half the interviewees expressed the desire to increase centralization of the decision-making process in the future.[27] Determining the right decision-making approach, with input from key constituents such as faculty, staff, and students, may be critical for institutions striving to achieve their mission.

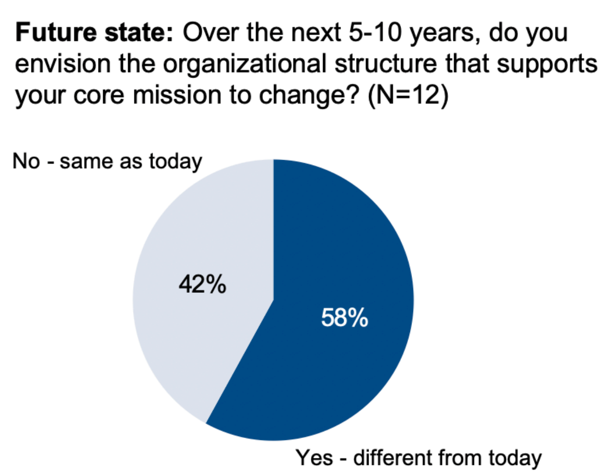
Figure 5: Four-year degree-granting institution leader feedback[28]



Interviewees also described a variety of other pressures that add to the complexity of organizational decision-making such as boards challenging institutions to elevate rankings at the expense of mission-critical priorities. At the same time, legislatures have decreased appropriations and increased regulatory requirements. Each institution's board will set key institutional priorities, which leaders will need to balance and address carefully as they plan for operations in a new environment.

58% of respondents indicated their institutions may change how they are organized in the future to support their core mission.

Figure 6: Four-year degree-granting institution leader feedback[29]

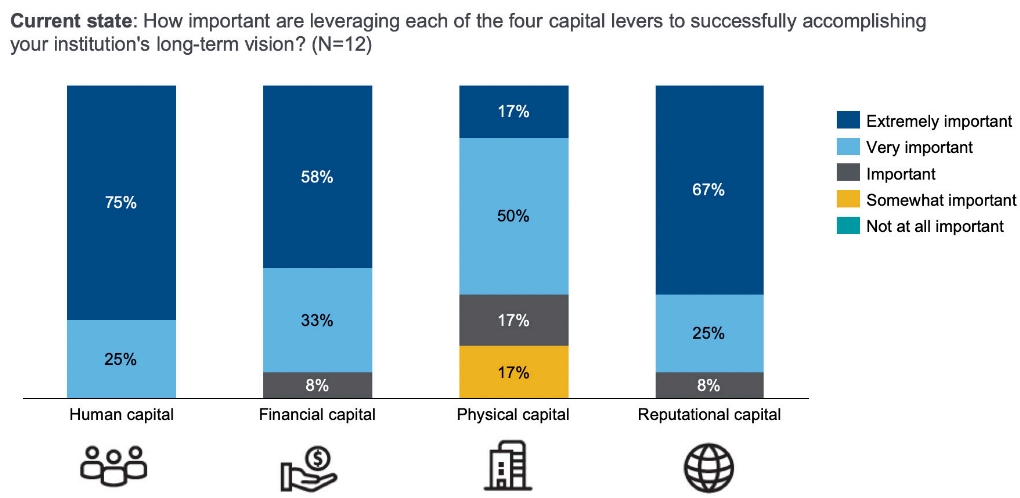


75% of respondents rated human capital as extremely important.

Planning question #3: How can the four capital levers be used to better support my institution's mission?

Institutions will likely flex their capital levers to facilitate the changes needed to support their institutions' respective missions. All four levers—human, financial, physical, and reputational —are important to institutions, with three-quarters of interviewees citing human capital as extremely important. Most institutions also cited reputational and financial capital as being extremely or very important as shown in Figure 7 below.[30]

Figure 7: Four-year degree-granting institution leader feedback[31]



Actions several college and university leaders are taking relative to each capital lever are described below, along with suggestions for adjusting use of capital going forward.

Human capital

Human capital costs (salaries and benefits) make up nearly 60% of institutional budgets, which are under enormous strain.[32] Fortunately, there are several potential focus areas for human capital as a lever to evolve institutions' operating models for future success.

Strategic Planning Questions:

What will the role of tenure be for your academic workforce going forward?

How can you enable a more efficient workforce (e.g., decrease administrative complexity, enable telework)?

Many leaders are considering early retirement incentives for staff and faculty members, including offerings that honor faculty tenure and emeritus status while allowing institutions to lower costs and rethink their programmatic footprint. For instance, some institutions are offering retired faculty continued access to campus libraries, campus parking, and research programs as a means of addressing the psychological barriers to retirement. Other institutions are offering generous financial packages for faculty who are eligible for retirement.

Some institutions are revisiting tenure policies and practices as they seek to adjust their faculty size to lower costs, improve efficiency, and maintain appropriate student-to-faculty ratios. For research institutions, tenure may be less likely to change because of its ties to the production of scientific research. In contrast, institutions with a greater focus on teaching may have more flexibility when revisiting tenure.

University leaders also have leveraged furloughs, headcount reductions, and improved operational efficiency as short-term solutions to their current challenges. Looking ahead, some leaders we spoke with expressed a willingness to consider outsourcing of "non-critical" functions, such as administrative tasks and payroll. Institutions also are increasingly open to implementing shared services for such functions–though many institutions have shied away from any immediate shared services consolidation.

"Our human capital priority is going to be right-sizing... rationalizing all of the work that needs to be done. It raises questions like, why do I still have a payroll function when I could outsource that?"

– EVP for Finance, R1 research institution (public)

Financial capital

COVID-19 has increased operating costs, driven in part by investments in technology and extensive preparations to allow faculty, staff and students to safely return to campus.

Strategic Planning Questions:

How can your institution develop a more predictable and sustainable revenue stream while bolstering liquidity and reducing costs?

How will you decide how much financial aid to provide to students to ensure an affordable education?

At the same time, revenues have declined as auxiliary services (e.g., dorms, dining, museums, sports) have not reopened or have been heavily underutilized, given that many students are still living and learning remotely. Institutional leaders also noted declining revenues from state funding, as states have cut higher education budgets to offset their own increased costs as a result of the pandemic. Further, public institutions face potentially severe funding cuts for FY2021 and beyond. While many institutions have reduced their reliance on state funding over the past decade given its steady decline, it remains a significant source of revenue.[33] Some institutions, for example, rely on state appropriations for more than 30% of revenue and have had state funding cut by 60%.[34] Finally, given the economic fallout of the pandemic, travel restrictions, and the political environment, institutions are increasingly unable to rely on students–particularly international students–to pay full tuition.

As institutions navigate these financial realities, they also may need to bolster liquidity. More effectively managing liquidity should help institutions to better navigate the ongoing uncertainty facing the higher education sector. Ultimately, increased merger and acquisition activity among institutions can be expected, with state systems continuing to consolidate in response to financial instability and market demand. Additionally, more institutions may partner with other local institutions (e.g., shared facilities and services) or businesses (e.g., public-private partnerships) to minimize costs and improve their financial capital.

> **"We do have to become nimbler...We're trying to encourage more entrepreneurialism here. We're trying to diversify our revenue sources. We did a public-private partnership to privatize our utilities system here on campus, a billion-dollar-plus transaction.**
>
> **The revenue that we're going to earn off that endowment is really going to be invested directly back into our core missions, but with the idea of trying to diversify and become more self-reliant and less dependent on state resources. We cannot ride that wagon much longer. We've just seen a steady decline since the '90s."**
>
> – Chief Financial Officer for R1 research institution (public)

Physical capital

The spring 2020 shift to remote learning compounded existing issues with excess physical capacity on campuses.[35] Utilization of classrooms and other physical campus spaces decreased to less than 60% of capacity, the pre-pandemic norm.[36]

Strategic Planning Questions:

What does the campus of the future look like?

How will your institution right-size its physical footprint?

How will you maximize the value of your physical capital?

Many institution leaders, perhaps due in part to declined use of their physical assets and dependence on revenues from in-person enrollment (e.g., dorms, dining, museums, sports.), opted to devote resources to creating a campus environment safe enough to allow students to return to campus for the fall 2020 term. But post-pandemic and over the long-term, institutions may need to right-size their physical assets and increase space utilization. To accomplish the latter, some institutions are emphasizing the student residential experience and the importance of a physical campus. With the transition to remote or hybrid learning, many students and parents have increasingly been critical of an online-only education, which has helped to highlight the importance of a residential experience, from peer-to-peer learning to in-person services such as mental health and student clubs.

Flagship public universities and other institutions in "college towns" also are cognizant of their role as key employers in their communities and lifelines for local small businesses such as restaurants and cafes that depend on a robust student population. However, institutions in urban and suburban settings, or those with large digital footprints, are working to lease or sell physical capital to decrease their physical footprint, in alignment with their increased hybrid or remote learning needs.[37]

Additional considerations for physical capital stem from increased telework. The work-from-home trend is likely to alter administrative staff needs and decrease the amount of administrative space needed by prompting a move toward a hoteling approach, with shared offices used at different times. Many institutions expressed satisfaction with the sustained productivity of their workforce despite the abrupt transition to telework—not only on the part of administrative staff, but also for some faculty research roles as well. These institutions noted that they are willing to allow a portion of their employees to continue to work from home, which will help them downsize their physical footprints. Remote work was also viewed as a means of generating a broader pool of talent across a larger geographic area to hire from.

Finally, institutions are considering how best to monetize their physical assets, including leasing buildings to local businesses and creating more seasonality in their real estate model by potentially shifting school calendars to accommodate community events or space rentals. At the same time, institutions are working to improve their technological infrastructure and cybersecurity practices to protect all sources of capital—human, financial, physical, and reputational.

Reputational capital

As higher education institutions think about their post-COVID-19 missions and value propositions, most leaders indicate they will focus first on reputational capital, with the goal of translating stronger brands into a wider reach. Facing increasing competition for students, institutions will aim for distinctiveness—that is, what "selling points," existing or new, can elevate their brand and attract students?

Strategic Planning Questions:

What contributions to society will your university be known for?

What will success look like as it relates to diversity, equity, and inclusion (DEI) at your institution?

University leaders also noted that the disproportionate impact of COVID-19 on underrepresented minorities, in combination with recent social justice protests, have brought racial and identity issues to the fore on many campuses this fall. Institutions are supporting their on-campus and virtual communities, providing social and emotional health resources for their students, staff and faculty, and enhancing their approach to social justice. Leaders also are responding with a renewed focus on DEI initiatives, including increased recruitment of diverse faculty through nontraditional job markets (i.e., two to eight years postgraduate) and ensuring that third-party vendors, such as contractors for dining and security, match the DEI values of their institution.

Some higher education institutions have dedicated spaces to minority students and artists, giving them an opportunity to tell stories, which is increasingly important amidst the Black Lives Matter movement and opportunities for improved representation of Black arts and culture on campuses around the country.

"...it's very important to diversify the faculty and staff before you diversify the student body. Otherwise, you invite a lot of students into the fold who cannot see themselves in the educational infrastructure, and it's a recipe for failure.

So, we started, about four years ago, revamping the way we hire faculty, and really educating our academic departments about the need for bias training, for inclusive search practices, and then extending that into support and mentoring once we make a hire."

– Provost for a liberal arts university

The path forward

Through interviews, surveys, and secondary research, we found that leaders are consumed by their COVID-19 response. The immediate, severe impact to primary revenue streams is top of mind for most leaders, as well as the operational complexity of COVID-19-safe campuses and remote learning during the pandemic. In the short term, the immediate actions leaders are taking to address COVID-19 appear to be a step in the right direction. However, COVID-19 has accelerated existing headwinds in higher education, and leaders may need to seize this opportunity as a catalyst for institutional transformation.

Some leaders are starting to evaluate their value propositions and the operating model–organizational structure, decision-making processes, and sources of capital–that support their institutions. We encourage all leaders to pause and develop more holistic plans to enable lasting, transformative changes and to create a differentiated value proposition that targets specific student populations and stakeholders. As institutions learn and adjust accordingly, the importance of agility will remain central to the process of change. Transformation may entail redeploying the four sources of capital–human, financial, physical, and reputational–to move toward the desired future state.

Instead of expecting things to "return to normal", leaders can anticipate a new normal –one that reflects the educational and social purpose they are looking to fulfill alongside existing financial realities. Leaders can look to the three planning questions, future operating models, and sources of capital as toolkits to help define and plan for the future.

Key TIAA contributors:

Christina Cutlip – Senior Managing Director,
Head of Client Engagement and National Advocacy

Dave Richardson – Managing Director, TIAA Institute Research

Anup Vidwans – Senior Managing Director,
Higher Education Practice Leader

Key EY-Parthenon contributors:

Haven Ladd – Principal, EY-Parthenon, Ernst & Young LLP

Kasia Lundy – Principal, EY-Parthenon, Ernst & Young LLP

EY | Assurance | Tax | Strategy and Transactions | Consulting

About EY

EY is a global leader in assurance, tax, strategy, transaction and consulting services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. For more information about our organization, please visit ey.com.

Ernst & Young LLP is a client-serving member firm of Ernst & Young Global Limited operating in the US.

About EY-Parthenon

EY-Parthenon teams work with clients to navigate complexity by helping them to reimagine their eco-systems, reshape their portfolios and reinvent themselves for a better future. With global connectivity and scale, EY-Parthenon teams focus on Strategy Realized — helping CEOs design and deliver strategies to better manage challenges while maximizing opportunities as they look to transform their businesses. From idea to implementation, EY-Parthenon teams help organizations to build a better working world by fostering long-term value. EY-Parthenon is a brand under which a number of EY member firms across the globe provide strategy consulting services. For more information, please visit ey.com/parthenon.

US SCORE No. 10686-201US

ED None

ey.com

References

[1] TIAA Survey of Higher Education Leaders, administered September 2020

[2] Integrated Postsecondary Education Data System (IPEDS); EY-Parthenon Analysis.

[3] Chung (2020). Opening Doors to Foreign Students: An Insight into the History of U.S. Government's Stance on International Students. In: Gaulee, Sharma, Bista (2020) Rethinking Education Across Borders. Springer, Singapore. (https://doi.org/10.1007/978-981-15-2399-1_10)

[4] IPEDS

[5] National Center for Health Statistics (NCHS); Births and General Fertility Rates: United States. (https://data.cdc.gov/NCHS/NCHS-Births-and-General-Fertility-Rates-United-Sta/e6fc-ccez/data)

[6] IPEDS and EY-Parthenon Analysis. Available seats are calculated based on an institution's peak student-faculty ratio.

[7] IPEDS

[8] Kezar, Holcombe, and Maxey (2016). Rethinking Faculty Models/Roles: An Emerging Consensus about Future Directions for the Professoriate. TIAA Institute. (https://www.tiaainstitute.org/sites/default/files/presentations/2017-02/rethinking_faculty_models_roles.pdf)

[9] IPEDS and NCHS

[10] IPEDS

[11] Lundy (2020). How institutional debt became the other educational debt crisis. EY–Parthenon. (https://www.https://www.ey.com/en_us/strategy/looming-educational-debt-crisis)

[12] See, for example, Marcus (2016) The Paradox of New Buildings on Campus. The Atlantic (https://www.theatlantic.com/education/archive/2016/07/the-paradox-of-new-buildings-on-campus/492398/), and Altbach (2010). Competition's Impact On Higher Education. Forbes. (https://www.forbes.com/2010/08/01/higher-education-competition-opinions-best-colleges-10-altbach.html#63326427722a)

[13] IPEDS

[14] Ibid

[15] Ibid

[16] Kadamus (2014). Another Brick in the Wall? Increased Challenges Face the Physical Campus. New England Board of Higher Education. (https://nebhe.org/journal/another-brick-in-the-wall-increased-challenges-face-the-physical-campus./)

[17] IPEDS

[18] DeVaney, Shimshon, Rascoff and Maggioncalda (2020). Higher Ed Needs a Long-Term Plan for Virtual Learning. Harvard Business Review (https://hbr.org/2020/05/higher-ed-needs-a-long-term-plan-for-virtual-learning); Grajek and EDUCAUSE IT Issues Panel (2020). How Colleges and Universities Are Driving to Digital Transformation Today. EDUCAUSE review. (https://er.educause.edu/articles/2020/1/how-colleges-and-universities-are-driving-to-digital-transformation-today)

[19] IPEDS

[20] Parker (2019). The Growing Partisan Divide in Views of Higher Education. Pew Research Center. (https://www.pewsocialtrends.org/essay/the-growing-partisan-divide-in-views-of-higher-education/)

[21] Nietzel (2019). Americans' View of Higher Education Takes A Major Drop. Forbes. (https://www.forbes.com/sites/michaeltnietzel/2019/12/12/americans-view-of-higher-education-takes-a-major-drop/#6cbc15c75ba5)

[22] IPEDS; Schuster, Finkelstein, and Conley (2016). The Faculty Factor: Reassessing the American Academy in a Turbulent Era. Johns Hopkins University Press.

[23] IPEDS

[24] Elias, Troop, and Wescott (2020). Here's Our List of Colleges' Reopening Models. The Chronicle of Higher Education. (https://www.chronicle.com/article/heres-a-list-of-colleges-plans-for-reopening-in-the-fall/)

[25] Renton (2020). Reversals in Colleges' Fall 2020 Reopening Plans. Inside Higher Ed. (https://www.insidehighered.com/coronavirus-colleges-reverse-reopening-plans)

[26] Azziz, Hentschke, Jacobs, Jacobs, and Ladd (2017). Mergers in Higher Education: A Proactive Strategy to A Better Future? TIAA Institute. (https://www.tiaainstitute.org/publication/mergers-higher-education)

[27] TIAA Survey of Higher Education Leaders, administered September 2020

[28] Ibid

[29] Ibid

[30] Ibid

[31] Ibid

[32] IPEDS

[33] Ibid

[34] TIAA and EY-Parthenon Interviews; Mitchell, Leachman, Masterson, and Waxman (2018) Unkept Promises: State Cuts to Higher Education Threaten Access and Equity. Center on Budget and Policy Priorities. (https://vtechworks.lib.vt.edu/handle/10919/86950)

[35] Sightlines (2015) Decline in Student Enrollment Creating Shortfall of Students to Fill New Space on College Campuses, According to Sightlines Report; Cheston (2012) Students in space: Universities Build a Lot of Classrooms, But use Them Infrequently. The John William Pope Center for Higher Education Policy.

[36] TIAA and EY-Parthenon Interviews.

[37] See, for example, Burns (2020). A tiny college with lots of land plots a tough strategy for survival. The Business Journals (https://www.bizjournals.com/bizjournals/news/2020/08/24/college-plans-to-sell-campus-land-to-survive.html); Wilson (2020). FSCJ sells 10-acre lot for $4M, luxury apartments planned for property. Jacksonville Business Journal. (https://www.bizjournals.com/jacksonville/news/2020/08/27/fscj-sells-10-acre-lot-for-4m-luxury-apartments.html)