

# ASSESSING THE TRUE COSTS OF THE ACADEMIC PORTFOLIO

Holistic academic planning is gaining in prominence as a best practice at future-facing institutions. Financial pressures compel institutions to develop a deeper understanding of their internal economy, grow revenues and approach budgeting strategically. At the same time, student characteristics and student interest in degrees, and programs are evolving rapidly. Top institutions integrate evidence-based understanding of the impact of all these factors — as well as institutional mission and competitive position — in devising an academic strategy built for long-term sustainability.

Higher education leaders are consequently moving away from a surgical approach of simply cutting costs towards one of developing and nurturing portfolios based on market needs. To do so effectively, requires a rigorous and objective analysis of an institution's academic practices and program viability.

Knowledge of the true cost of delivery across the portfolio provides an essential ingredient in academic planning. Many colleges and universities have little or no visibility into cost and profitability at the level of individual programs, majors and courses. Huron's academic cost management diagnostics address this vital need.

## Build the Case for Change

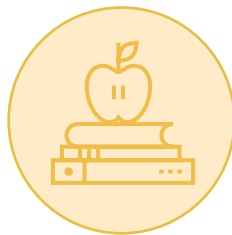
When universities are faced with financial challenges, institutional leaders typically take immediate steps to protect the academic core, searching first for administrative efficiencies. This is a logical step, yet often proves insufficient given the environment. Institutions must recognize that:



Financial sustainability and the student experience are intertwined and directly correlated with institutional health.



Academic offerings often comprise 45-55 percent of total institutional expenditures, requiring institutions to manage the academic enterprise more effectively.



Liberal arts programs have historically acted as a financial engine for other, higher cost programs, yet 49 percent of chief academic officers anticipate declines in liberal arts education.



85 percent of chief business officers report that the ability to experiment with new programs is the key to building new revenue streams.

## The Portfolio Paradigm

Huron recommends that institutions think of academic programs as a portfolio of offerings. This requires an understanding of the cost of each academic activity. Armed with these analyses, institutions can better understand the financial viability and sustainability of colleges, schools, programs and courses. For example, academic costing allows for questions such as, “Which programs are under-utilized?” and “How much is this program subsidized?” to be answered. Comparing programs with other programs within the university as well as analyzing trends over time and against peer universities, allows institutions to understand relative performance.

Executive leadership, school and college deans, and program chairs need to understand the true cost to implement new or operate existing programs as well as the profitability of course offerings to students. In addition to the use of Microsoft Excel as an analysis and tracking tool, the use of innovative third party solutions is becoming more prominent in higher education. These solutions offer the level of detailed analyses of revenues, costs and profitability, that institutions require to better address their budgetary constraints and improve resource allocations.

This analytical approach to evaluating an academic portfolio informs discussions among senior academic leaders about the implicit and explicit financial implications of current management practices that quantify the impacts. Huron partners with institutions to look at the intersection of competitor programming, market demands, program economics, academic policies, program structures, and academic offerings to help create a common understanding of the academic portfolio and to inform decision making.

## Huron's Collaborative Approach

Few institutions have strategically addressed the entirety of their academic portfolio. Therefore, while academics remain at the core of each institution's operations, partnering with Huron for an academic assessment can help your institution:



**Ensure financial stability:** balance revenue generating programs with mission-critical programs



**Fulfill strategic priorities:** leverage data to differentiate between programs and motivate faculty and staff to embrace change



**Strengthen market differentiation:** build on institutional strengths to create demand and enhance reputation



**Align student outcomes with market needs:** increase student satisfaction and success



**Assess and implement technology options:** determine which third-party solutions best fit an institution's analytical needs and integrate the preferred solution seamlessly with existing systems

Learn more about Huron's Academic Cost Management offering by contacting one of our leaders:

**Andrew Laws**, Managing Director  
312-823-8407 | [alaws@huronconsultinggroup.com](mailto:alaws@huronconsultinggroup.com)

**Peter Stokes**, Managing Director  
617-226-5507 | [pstokes@huronconsultinggroup.com](mailto:pstokes@huronconsultinggroup.com)

**Ida Quamina**, Senior Director  
813-765-7129 | [iquamina@huronconsultinggroup.com](mailto:iquamina@huronconsultinggroup.com)

**Lauren Halloran**, Director  
602-332-2521 | [lhalloran@huronconsultinggroup.com](mailto:lhalloran@huronconsultinggroup.com)

### ABOUT HURON

Huron is committed to helping institutions resolve complex student lifecycle challenges. Our higher education professionals work closely with clients to develop tailored approaches that align each institution's vision, organizational strategy, technology and financial resources to improve the student experience, outcomes and institutional financial performance.