THE BOARD’S ROLE IN SETTING STRATEGIC BUDGET PRIORITIES TO SUPPORT EFFECTIVE STRATEGIC GOVERNANCE

We will get started in just a few minutes.

Brought to you by: AGB Consulting

June 12, 2024

Webinar Overview

- ❑ Webinar recording and slides are emailed to you.
- ❑ <u>Structure</u>:
  - ❑ Conversation & slides
  - ❑ Audience Q&A
- ❑ <u>Interaction</u>: Questions and comments are strongly encouraged. Please use the Q&A button to send us questions.

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Meet Your Panelists

Stephen T. Golding

AGB Senior Consultant

Former VP Administration/CFO at Ohio University

Chair of Washington College Board of Visitors and Governors

Mark Heckler, PhD

AGB Senior Consultant

Former President of the Valparaiso University

Trustee, Elizabethtown College

Marna C. Whittington, PhD

Former CEO Allianz Global Investors Capital

Former EVP and CFO University of Pennsylvania

Chris Moloney, PhD

AGB Associate Vice President and Associate Managing Principal, Consulting

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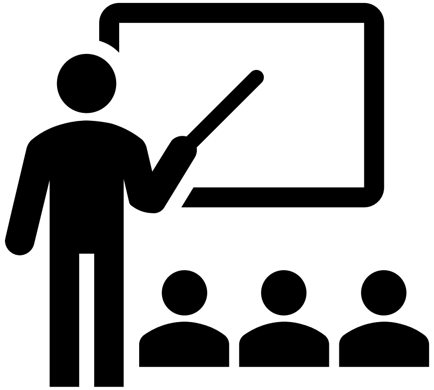
Today's Agenda



1. Laying the Foundation
2. The Board's Roles and Responsibilities
3. Conclusions

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Laying the Foundation for Essential Leadership Conversations

While it is not possible for most institutions to completely immunize their business model from the array of disruptive market forces, there are policies and processes that governing boards and senior leadership can put in place to take advantage of emerging opportunities and mitigate risks.

- A **leadership structure** with clearly defined roles and responsibilities with a culture of trust, transparency, and mutual support
- An **articulated organizational strategy** with well defined goals and objectives supported by a multi-year financial planning model
- A **commitment to robust institutional data and research capabilities** that measure progress against goals and provide management with sound analytics to assess risk and inform decisions.
- A disciplined process for **systematically stress testing** the underlying business model assumptions with the capacity to understand tradeoffs and optionality as the business climate evolves.

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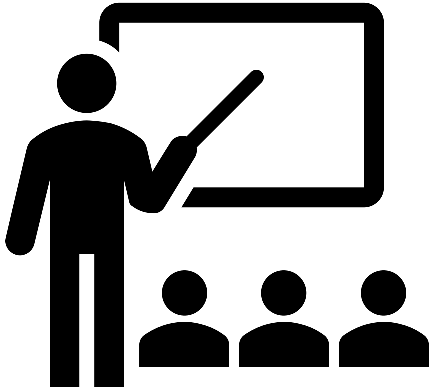

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What are Board Leadership's Roles and Responsibilities

Assessing leadership's capacity to manage both in periods of economic and organizational stability and instability is an essential part of a board's fiduciary responsibility.

- **Strong board leadership** that appoints strong committee chairs with clearly defined charters and delegation of roles and responsibilities
- Work with the **appropriate committees** to ensure board members have requisite skill sets to support their fiduciary responsibilities and promote periodic wide-ranging education sessions regarding the college's business model
- Promote a **culture of data driven decision making** and transparency
- Build **trust between board and college leadership** by empowering president and senior staff to be innovative when dealing with difficult business decisions

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Working Knowledge of the Institutional Business Model

Comprehending the properties of an institution's business model and how it may need to evolve in the face of changing market conditions is essential to not only leading the institution but managing successful institutional transformation if required.

- Who do we serve?
- What is our value proposition?
- What channels do we use to access our students?
- What is our relationship with our students?
- Where do revenues come from?
- What are our key program offerings?
- What are our key resources – competitive advantage?
- Who do we partner with?
- What is our cost structure?

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Strategic Planning

Incrementalism can lead to the depletion of critical resources and more importantly time, potentially an institution's most valuable commodity, to successfully address an immediate opportunity or crisis it may be facing.

- Conduct **environmental scans and undertake SWOT analyses**, as well as prepare diagnostics such as the institution's competitive advantage, and resource requirements
- Select and rank order the **major strategic opportunities and/or threats**
- Develop, test, **and rank order strategic opportunities or mitigation action plans, monitoring protocols and implementation schedules**

Benchmarking

The use of data to better understand our students and our own operations paves the way to developing new, innovative approaches for improved student recruiting, better student outcomes, greater institutional efficiency, cost containment, and much more. Data are an institutional asset and should be used as such.

"Analytics Can Save Higher Education. Really."
Association for Institutional Research, EDUCAUSE, and National Association of College and University Business Officers

Situational Awareness

Stress testing provides governing boards and senior leadership with the situational awareness required to deal with stressful situations—i.e.:

- Key points of potential failure
- The relationship between correlated components
- The scenarios that will adversely impact the institution
- The components of financial viability
- Potential hedging or mitigation opportunities
- Training to prevent panic when things go wrong

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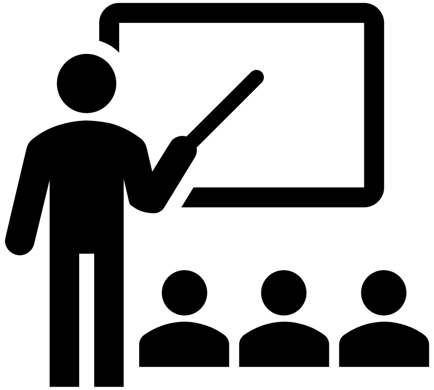
Has the Institution Reached an Inflection Point?

The ultimate challenge for the governing board, president, and CFO comes when stress-testing results and benchmark data show significant opportunities for or risks to the business model---that is, the institution is at an inflection point.

- **Identification and assessment** of institutional opportunities and/or threats
- An understanding of the **organizational impacts**
- Creating a **multidimensional business continuity plan** that responds to evolving conditions
- **Leadership training, testing, and plan maintenance** to ensure relevance

Today's Agenda



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Conclusion

An **empowered leadership structure** with clearly defined roles and responsibilities and a culture of trust, transparency and mutual support.

Well **articulated organizational strategy, goals, and objectives** supported by a multi-year financial planning model.

Robust institutional data and research capabilities that measure progress against goals and provide management with sound analytics to assess risk and inform decisions.

Disciplined process for systematically stress testing the underlying business model assumptions and understanding tradeoffs and optionality as the business climate evolves.

Resources

- *Principles of Trusteeship* (AGB, 2021)
- *An Anatomy of Good Board Governance in Higher Education* (AGB, 2018)
- Collaborative Leadership for Higher Ed Business Model Vitality (page and article)
- *Higher Education Business Models Under Stress* (book)
    - *Higher Education Business Models Under Stress (podcast)*
    - *Higher Education Business Models Under Stress (toolkit)*
- *Developing Better Situational Awareness (board level)*
- *Better, Faster, Stronger Strategy for Higher Education*

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Q&A and Discussion

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Opportunities to Engage

Engage us in a conversation – we'd like to learn how we can help your board, leadership, and institution!

Email consulting@agb.org
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