

GEORGE MASON UNIVERSITY
BOARD OF VISITORS CONTINUING EDUCATION SESSION
Pursuant to Code of Virginia § 23.1-1304

April 4, 2023
12:30 – 3:40 p.m.

Hazel Conference Room
Merten Hall 1201

AGENDA

12:00 p.m.

Lunch

I. AGB Presentations & Discussion

12:30 p.m. – 2:00 p.m.

A. The Role of the Strategic Board in Creating Realistic Expectations

2:00 p.m.

Break

2:10 p.m. – 3:40 p.m.

B. Sharpening the Board’s Strategic Focus: Top Five Issues for Board Leadership

The purpose of this session is to provide an additional opportunity to meet the State Council of Higher Education for Virginia’s (SCHEV) continuing education requirement. Compliance is to be reported every year by July 1 to SCHEV. The following is the specific continuing education code.

The SCHEV for Virginia, in fulfilling the requirements under § [23.1-1304](#), shall develop educational materials for board members with more than two years of service on the governing board. Each such board member shall participate in further training on board governance at least once every two years, and the Council shall develop criteria by which such board members shall demonstrate compliance with this requirement.

No public comment will be taken at this session.

Board of Visitors Continuing Education Session



The Role of the Strategic Board in Creating Realistic Expectations

12:30-2:00 PM ET

Sharpening the Board's Strategic Focus: Top Five Issues for Board Leadership

2:10-3:40 PM ET

Presented by: Association of
Governing Boards

April 4, 2023

Your host for this session



Paul N. Friga, Ph.D.

- **AGB Practice Area Lead – Transformation of Public Higher Education; AGB Senior Consultant**
- Clinical Associate Professor of Strategy – UNC Chapel Hill
- Former Chief Strategy Officer, HelioCampus
- Leading higher education thought leader with over 20 articles in the Chronicle of Higher Ed and InsideHigherEd and numerous webinars over the past 12 months; significant consulting projects
- Former consultant – McKinsey & PwC
- Former Trustee – Saint Francis University, Loretto, PA
- Former Board Chair – Saints Francis & Clare Church, Greenwood, Indiana
- Founded ABC Insights, a leading higher ed benchmarking consortium
- Created NACUBO Master Class in Financial Transformation for CFOs
- Author of ***The McKinsey Mind*** and ***The McKinsey Engagement***

Paul N. Friga, Ph.D.

Practice Area Leader: Transformation of Public Higher Education

About (visit his [website](#) for articles, blogs, and videos)

Paul is one of the foremost higher education thought leaders and strategists. With 20 years of experience as a professor, researcher and consultant at UNC CH and Indiana University, Paul understands how public education really works and how it should change. His former experience as a consultant with PwC (earned CPA and CMA designations as) and McKinsey (including projects in public higher education) round out additional relevant experience. He has also served as a Trustee at Saint Francis University and the Board Chair at Saints Francis and Clare Church in Greenwood, Indiana. He has an MBA and Ph.D. from UNC Chapel Hill.

For the past 7 years, Paul has been researching best practices strategic resource allocation in higher education, presenting at international conferences, and co-founded ABC Insights, a premier higher education benchmarking consortium that was acquired by HelioCampus. Over the past nine months, Paul has authored 20 articles in the Chronicle of Higher Education and InsideHigherEd on strategies for change in higher education for surviving the COVID crisis and positioning universities for the long-term (over 300K views/downloads). He has also conducted many strategic planning projects and board retreats for universities, not-for-profit entities (including the Marines), and corporations (including The Biltmore Estate). He has written two best-selling books on team problem-solving (***The McKinsey Mind*** and ***The McKinsey Engagement***) and is an award-winning teacher of strategy and consulting for undergrads, MBAs, and Executives. He created a year-long board workshop series for AGB.

See all my articles, videos and presentation slides at www.paulfriga.com

Agenda

12:30pm-2:00pm Session I:

The Role of the Board in Creating Realistic Expectations

2:10pm-3:40pm Session II:

Sharpening the Board's Strategic Focus: The Top 5 Issues for Board Leadership

Session I:

The Role of the Board in Creating Realistic Expectations



Let's start with the role of a higher education board – emphasis on fiscal responsibility

"The Governing Board's Basic Responsibilities" from Effective Governing Boards

Establish, disseminate, and keep current the institution's mission

Select a chief executive to lead the institution

Support and periodically assess the performance of the chief executive and establish and review the chief executive's compensation

Charge the chief executive with the task of leading a strategic planning process, participate in that process, approve the strategic plan, and monitor its progress

Ensure the institution's fiscal integrity, preserve and protect its assets for posterity, and engage directly in fundraising and philanthropy

Ensure the educational quality of the institution

Preserve and protect institutional autonomy and academic freedom

Ensure that institutional policies and procedures are current and properly implemented

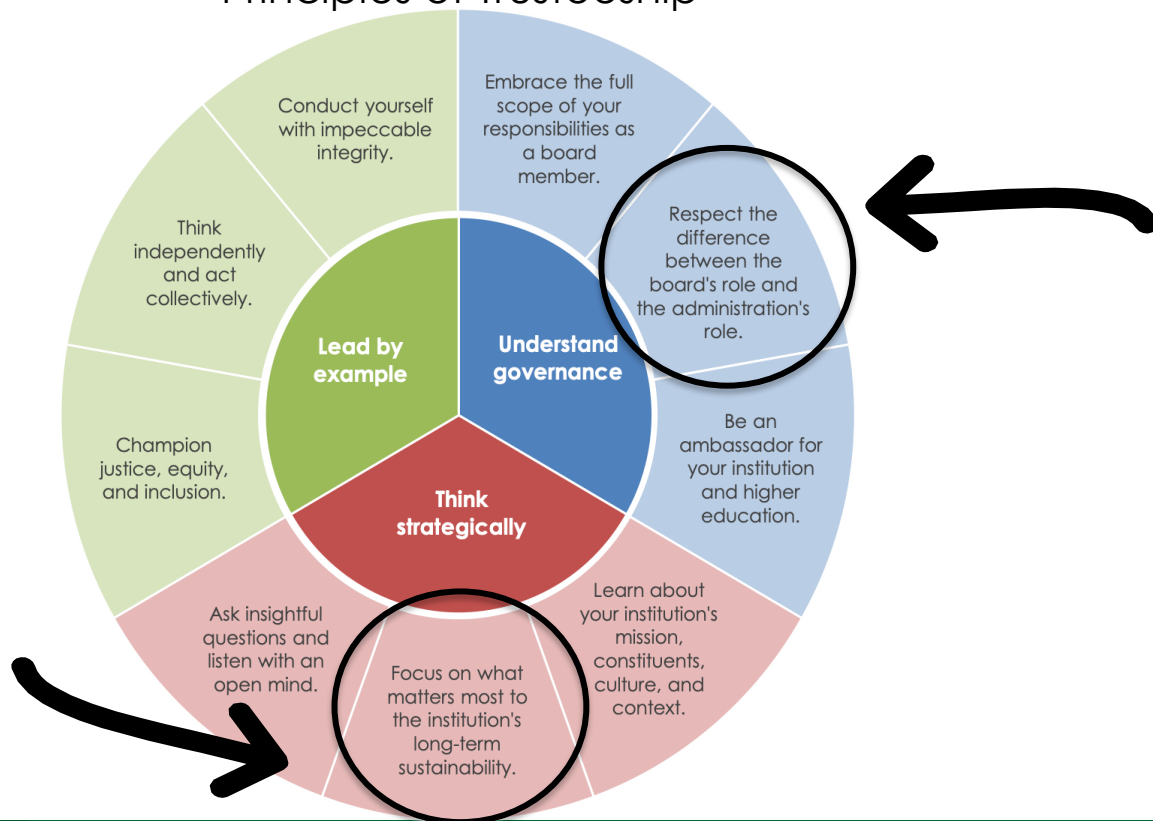
In concert with senior administration, engage regularly with the institution's major constituencies

Conduct the board's business in an exemplary fashion and with appropriate transparency; ensure the currency of board governance policies and practices, and periodically assess the performance of the board, its committees, and its members



AGB has released guidance to help governing boards be more effective

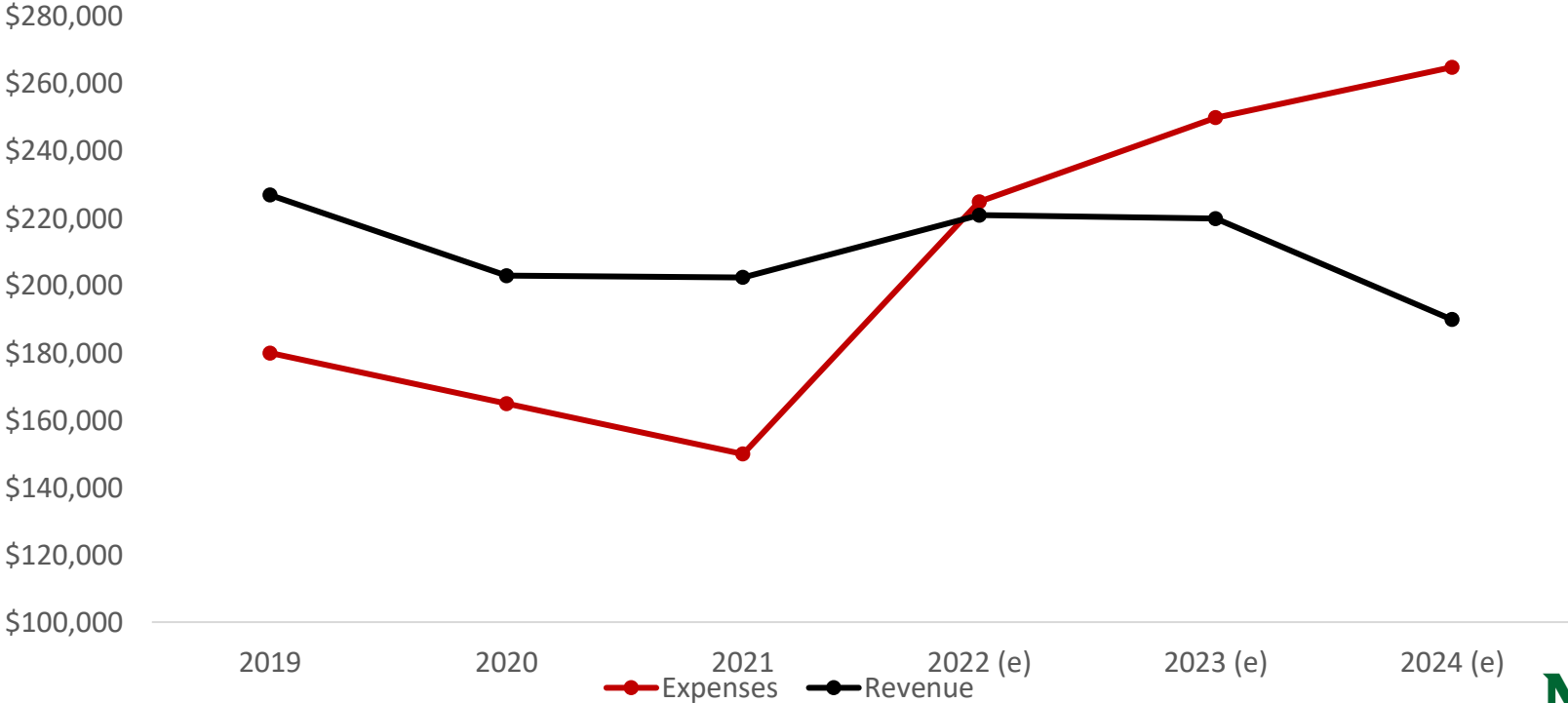
Principles of Trusteeship



A checklist of improvement opportunities from AGB

	Fiduciary	Team Member	Individual
Understanding Governance			
1. Embrace the full scope of your responsibilities as a board member.	Fulfill your fiduciary responsibilities.	Recognize that governance is a collective endeavor.	Prepare in advance, show up fully present, and participate productively.
2. Respect the difference between the board's role and the administration's role.	Honor the academic norm of <i>shared governance</i> , which includes the president, administration, and faculty.	Be humble and respect your partners in governance and leadership.	Provide advice and counsel but leave operational decisions to the administration.
3. Be an ambassador for your institution and higher education.	Advocate on behalf of your institution and higher education.	Represent the institution proudly and recognize who speaks for the board and for the institution.	Engage actively and appropriately.
Lead by Example			
4 Conduct yourself with impeccable integrity.	Act in the institution's best interests, putting them ahead of your personal preferences and political allegiances.	Preemptively disclose conflicts— actual and perceived—and dualities of interest.	Uphold the highest ethical standards.
5. Think independently and act collectively.	Constructively challenge and support the president, administration, and committees.	Speak up on important issues, even if they are uncomfortable or unpopular.	Express your concerns diplomatically to the appropriate person(s) at an appropriate time.
6. Champion justice, equity, and inclusion.	Protect and promote justice and equity throughout the enterprise.	Seek diversity and model inclusion on the board.	Be mindful of how your experience shapes your assumptions.
Think Strategically			
7. Learn about your institution's mission, constituents, culture, and context.	Shape your institution's vision and strategy based on its unique purpose and constituents.	Understand the present state of the enterprise and focus on its future needs.	Become a student of higher education.
8. Focus on what matters most to long-term sustainability.	Make decisions based on the strategy and vitality of the entire enterprise.	Help define what constitutes success for your institution.	Focus your personal and professional talents on significant strategic issues.
9. Ask insightful questions and listen with an open mind.	Pose the right questions, rather than prescribe answers.	Listen actively and seek to understand.	Bring genuine curiosity and an open mind to board service.

A key step in setting expectations is to discuss multi-year financial forecasting



Another step is to clarify the strategy and differentiation for a competitive marketplace

Proposed Strategy Statements – Hypothetical Regional Public University

Mission

**Creating leaders to
impact society**

Vision

**Become the university
that students call home**

Values

**Student Focused
Equity & Diversity
Outcomes &
Accountability**

Proposed Priorities

Priority 1

**Create a compelling
vision around student
success, personalized
education, and
athletics**

Priority 2

**Grow research in
high-impact
disciplines**

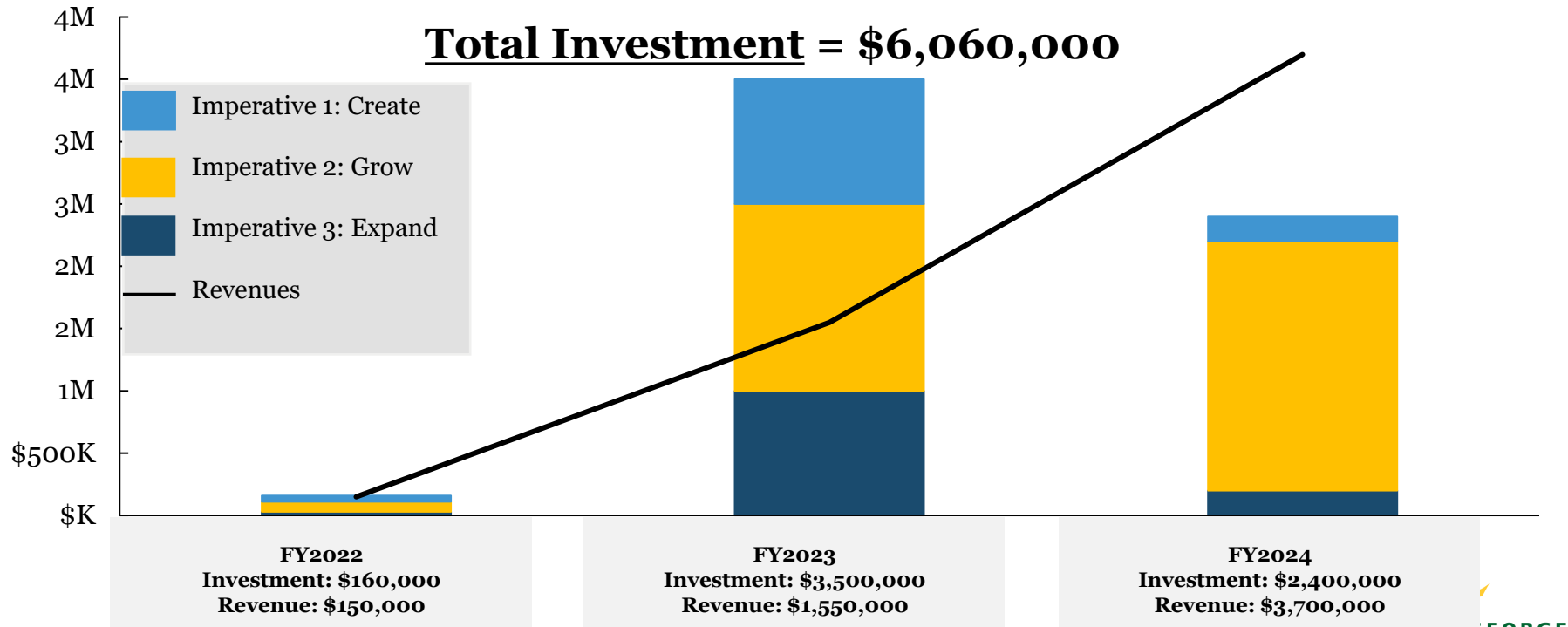
Priority 3

**Expand external
partnerships**

You will want to translate the priorities into a clear implementation plan

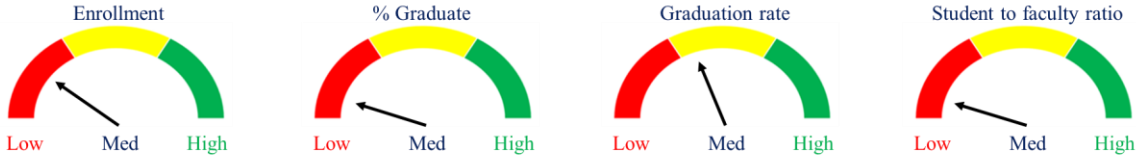
	Priority 1: Create a compelling vision around student success, personalized education, and athletics			Priority 2: Grow research in high-impact disciplines			Priority 3: Expand external partnerships		
	Objective 1.1: Launch New Strategic Vision	Objective 1.2: Conduct Program Review to Reallocate Resources	Objective 1.3: Expand Athletic Programs	Objective 2.1: Develop Academic Plan	Objective 2.2: Research & Innovation	Objective 2.3: Create Nursing School	Objective 3.1: Develop Modern Pedagogies and Offerings	Objective 3.2: Strengthen Relationships with Employers, Alumni, and Partners	Objective 3.3: Launch New Online Program with Community Colleges Nationwide
Initiative 1 (Y1)	Assist all divisions and colleges in university-wide strategic refresh effort	Examine student enrollments, demand, and fit with faculty	Benchmark athletic programs and student success against peers	Prioritize research areas and redesign faculty incentives accordingly	Launch research institutes and grant writing office	Solicit input from stakeholders and finalize acquisition target strategic scoring matrix	Conduct market analysis of target student populations, demand, and competitive offerings	Expand partnerships with employers interested in diverse student graduates	Build business plan for expansion of degree completion programs and target markets
Initiative 2 (Y2)	Develop multi-year strategic performance dashboard	Eliminate lowest performing programs and invest in high market demand areas	Invest in athletics department, coaches, and new sports	Hire additional research faculty	Create equity fund and incubation facilities	Identify acquisition targets and conduct due diligence on top-scoring candidates	Invest in current and new digital offerings; promote inclusive pedagogical techniques	Grow key alumni engagement; invest in analytics and staff to prepare for comprehensive campaign	Create seamless transfer routes with community colleges in our state and beyond
Initiative 3 (Y3)	Share division and college level results on an annual basis	Communicate reputation for retention, graduation, and post-employment success	Leverage athletic programs to target prospective students nationwide	Create endowment to support research and launch academic journal	Expand commercialization and tech transfer capabilities	Develop robust integration plan, complete acquisition, and hire key leaders	Launch new micro-credential, certificates, and non-degree executive education offerings	Invest in incubator and SBD offices	Launch national advertising campaign to expand program
Underlying Values	Student Focused			Equity & Diversity		Outcomes & Accountability			

Multi-year budgeting of investments and returns are necessary for tracking strategic initiatives

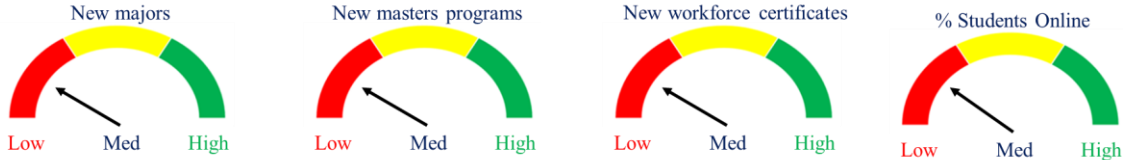


A performance dashboard can help the board track the progress of a strategic plan

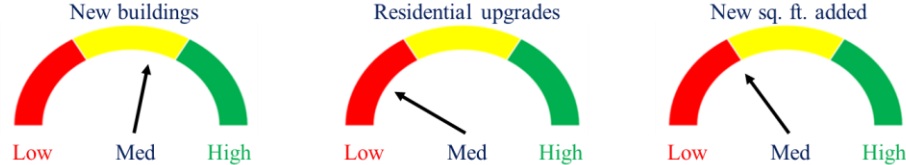
Students



Academics



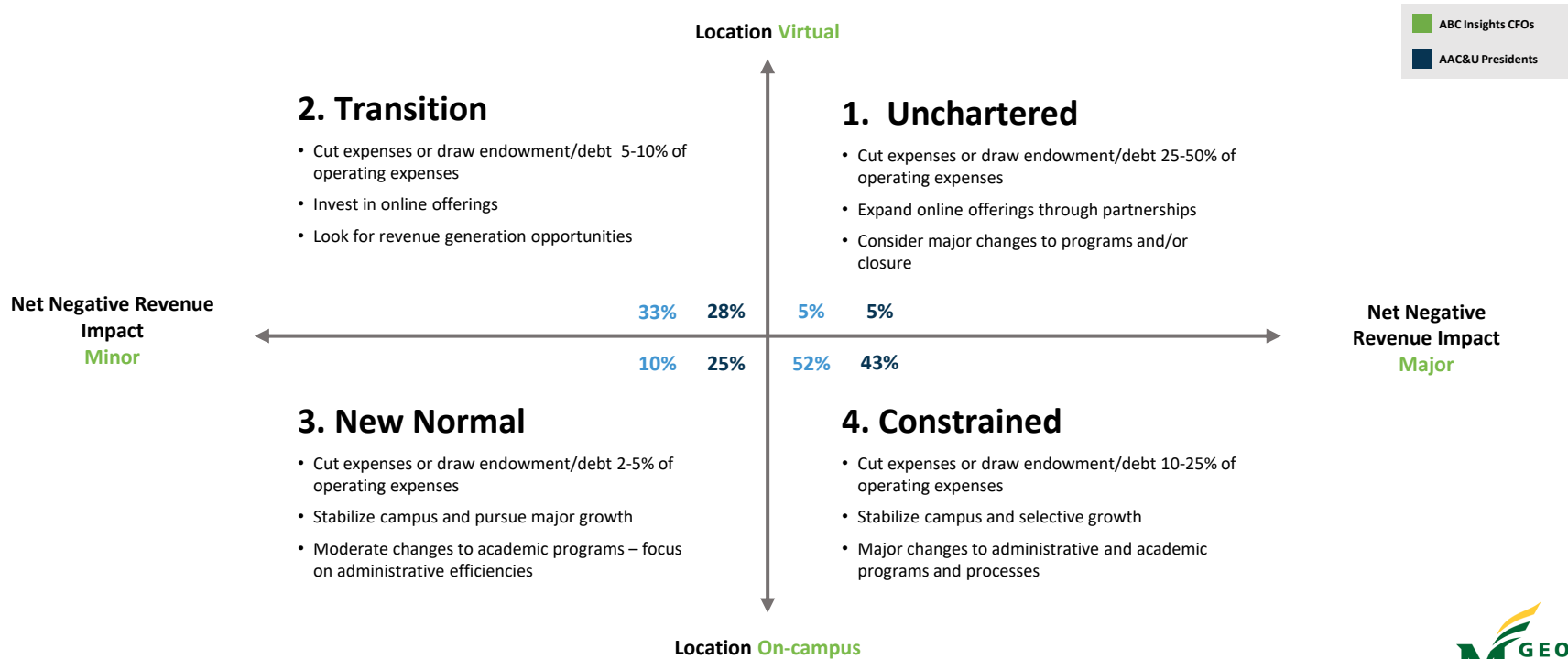
Campus



Financials



Scenario Planning is focused on modeling different dimensions that may affect the future forecasting – example given below related to COVID 19



■ ABC Insights CFOs
■ AAC&U Presidents

Proprietary and Confidential

Source: Paul Friga, AAC&U Survey of Presidents, July 12, 2020 n=119; ABC Insights Survey of CFOs n=21

Expert guidance, proven solutions.

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The Board should be discussing key strategy initiative ideas with the Cabinet

Strategic Initiatives for Adapting Your Business Model to Tough Times

Optimize Administrative Spend

Increase Academic Program Returns

Grow Resources

Examples of Strategic Initiatives For Change

- Consolidate Purchasing
- Cut Staff
- Re-engineer Processes
- Outsource
- Centralize/Shared Services
- Modernize Technologies
- Merge Multiple Locations
- Increase Spans of Control
- Decrease Energy Use

- Sunset Programs
- Expand Existing Programs
- Launch New Programs
- Increase Teaching Loads
- Hire More PT Faculty
- Hire More NTT Faculty
- Freeze New Faculty Hires
- Decrease # of Faculty
- Increase Student Retention

- Launch New Development Campaign
- Determine Unique Positioning
- Invest in Advertising Campaigns
- Collaborate with Other Universities
- Pursue PPPs (facilities, energy, etc.)
- Launch Medical Services
- Develop More Executive Education
- Increase Online Program Offerings
- Secure New Debt Offerings
- Grow Research Portfolio
- Sell Excess University Assets (land, etc.)
- Grow Enrollments

Let's take a look at George Mason University

26,882

UNDERGRADUATE ENROLLMENT (FALL 2021)

\$13,119 / \$36,579

IN-STATE TUITION AND FEES (2021-2022)
OUT-OF-STATE TUITION AND FEES (2021-2022)

49%

FOUR-YEAR GRADUATION RATE (FALL 2015 COHORT)

15,441

UNDERGRADUATES RECEIVING GRANT OR SCHOLARSHIP AID
(2020-2021)

\$8,675

AVERAGE AMOUNT OF AID RECEIVED (2020-2021)

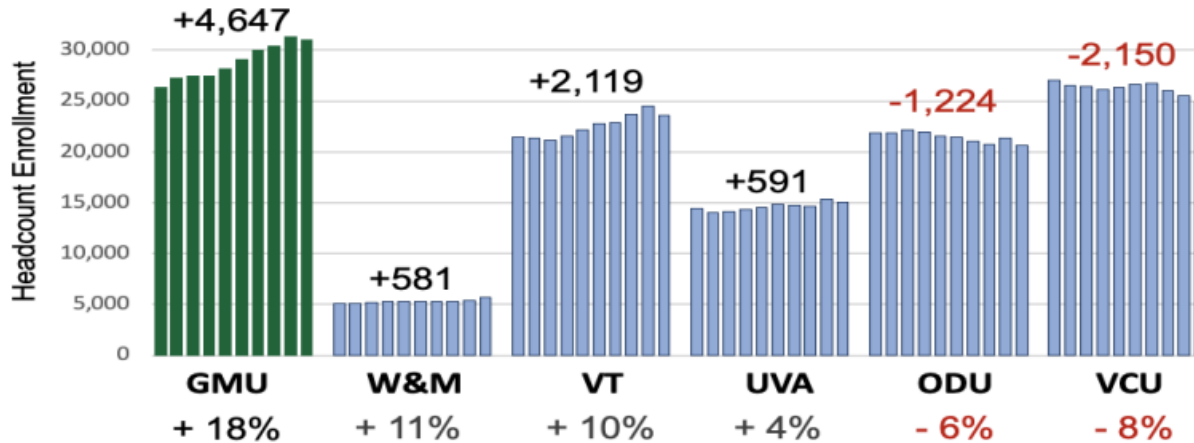
84%

FULL-TIME RETENTION RATE (FALL 2021)



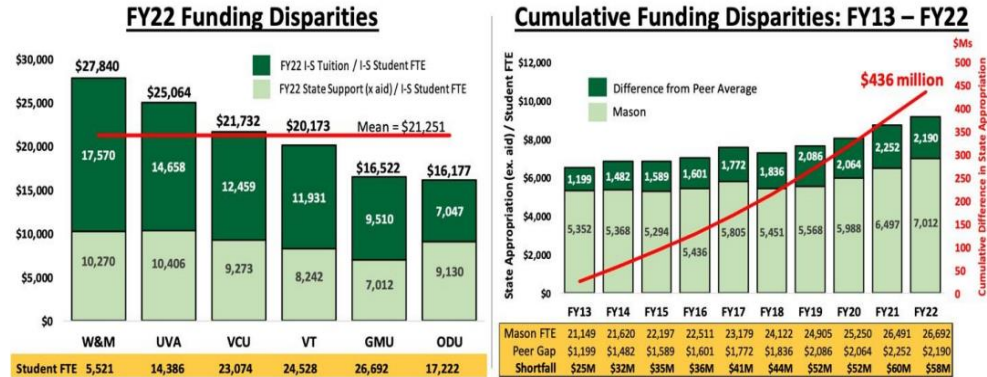
A fantastic story of enrollment growth!

In-State Enrollment Growth: FY13 – FY22



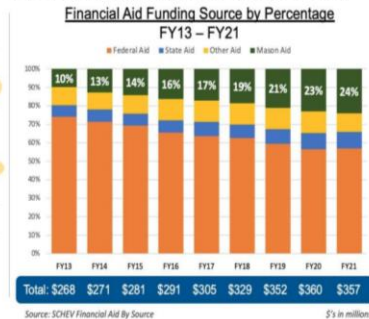
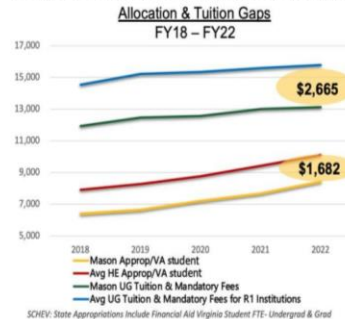
Source: SCHEV Fall Headcount Enrollment

Data highlighting the funding issues from the state



Mason's Commitment to Financial Aid and Affordability

Despite receiving lower appropriations than our peers, Mason has kept tuition and fees low.



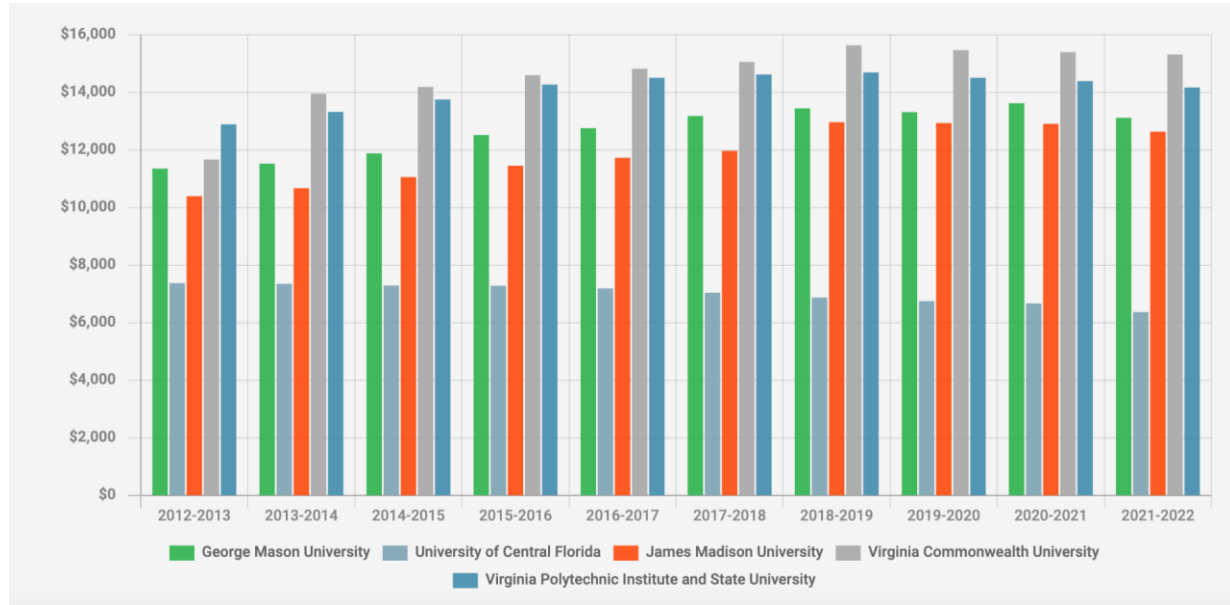
A high-level look at the GMU Financials

<i>Cash basis</i>	FY20	FY21	FY22	FY22	FY23
	Actual	Actual	Budget	Actual	Budget (Amended)
Revenues					
Net Tuition and Fees	442	459	458	466	486
State Appropriations	190	185	234	251	266
Grants & Contracts	210	211	236	247	245
Auxiliary Enterprises	227	181	236	233	245
Other Operating Revenue	25	18	15	13	16
Non-Operating Revenue:					
Relief Funding	13	49	72	40	46
Capital Grants	46	72	50	32	89
Total Revenues	\$1,152	\$1,175	\$1,300	\$1,283	\$1,393
Expenses					
Salaries and Wages	462	478	540	526	565
Fringe Benefits	129	135	152	149	158
Contractual Services	171	147	206	191	194
Travel and Training	20	5	8	13	21
Supplies	21	23	24	26	26
Equipment	21	18	20	26	31
Capital Outlay	80	73	100	46	130
Debt Service	50	36	14	14	25
Scholarships & Fellowships	119	140	168	168	157
Occupancy	48	38	46	46	48
AE-Infrastructure Funding	31	83	21	78	38
Total Expenses	\$1,152	\$1,175	\$1,300	\$1,283	\$1,393

A little AGB Benchmarking – Inflation Adjusted Tuition

GMU falls within their peer class among tuition cost within Virginia.

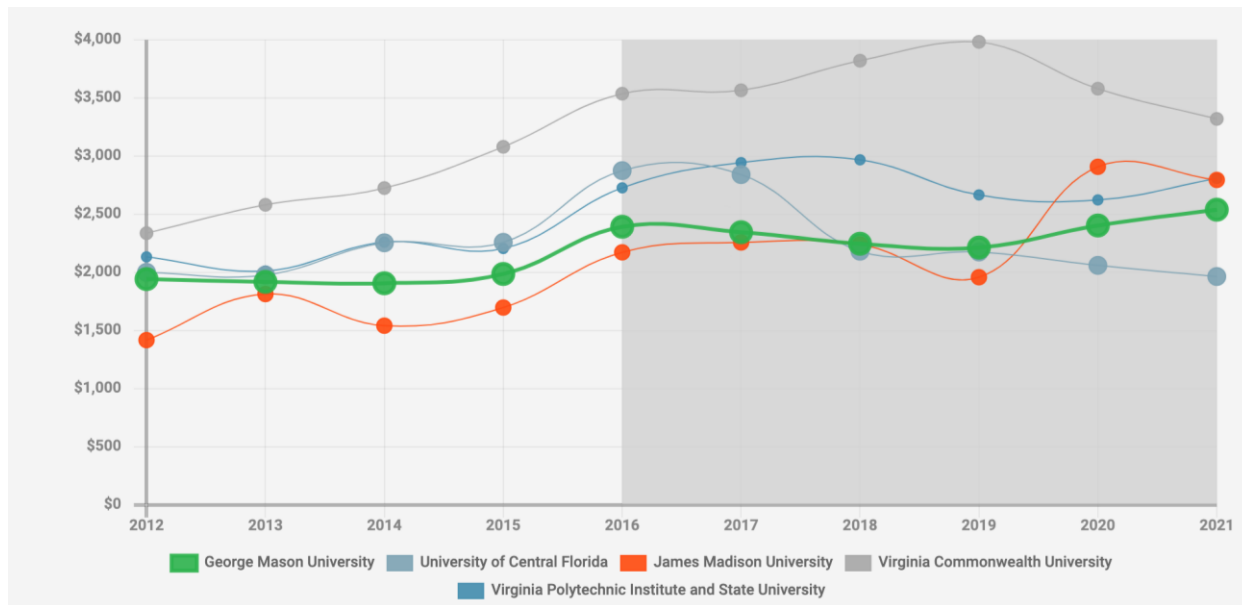
Illustrative Peer Group



Administrative Cost per Student

GMU falls within their peer class administrative costs per student.

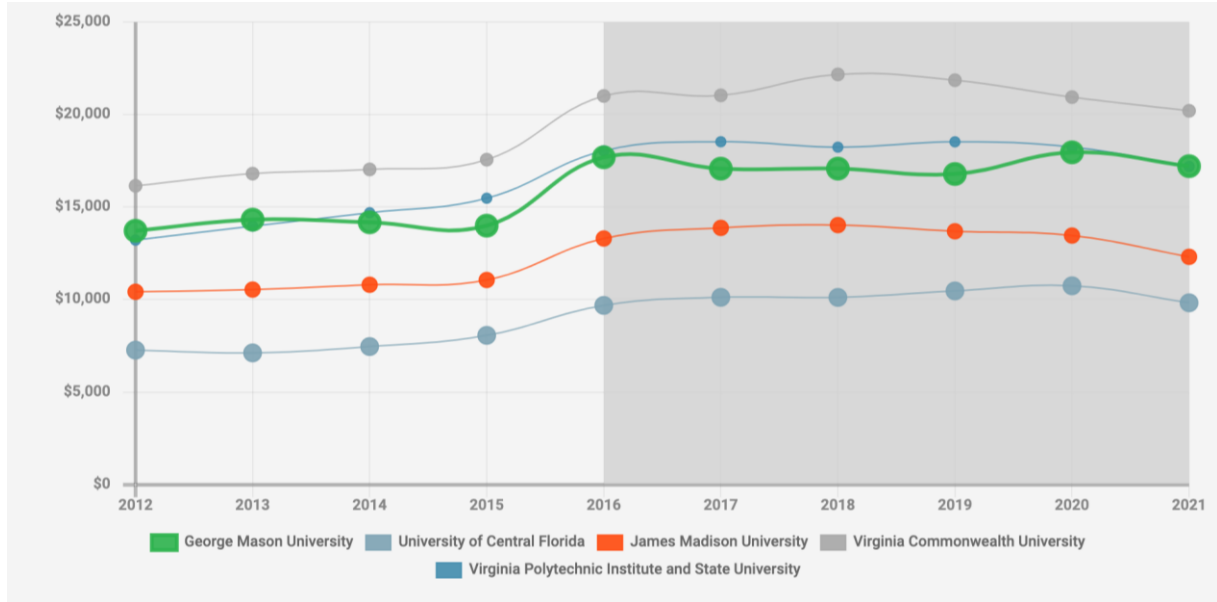
Illustrative Peer Group



Instructional Cost per Student

GMU has higher costs than several peers within Virginia for instructional costs.

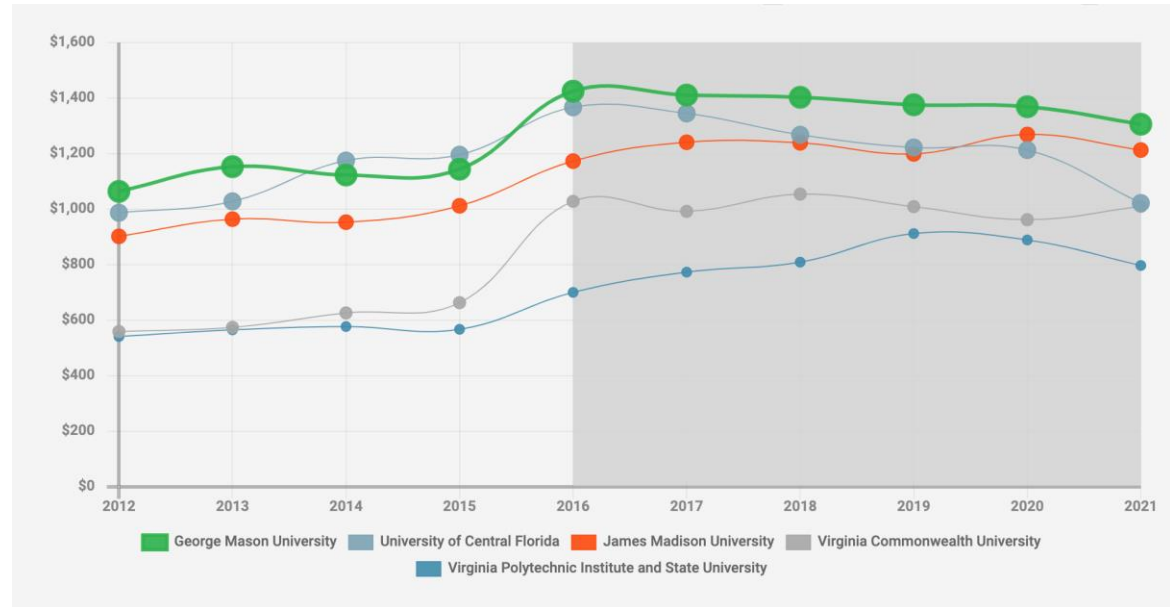
Illustrative Peer Group



Student Service Cost per Student

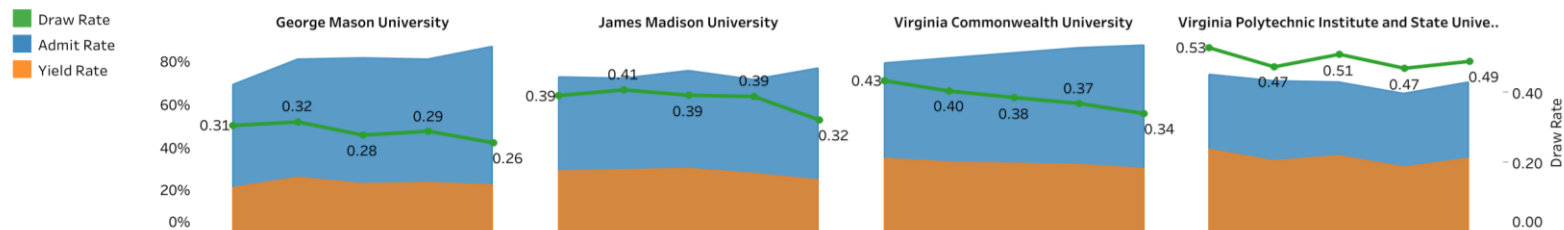
GMU in investing in student services - higher costs than most peer universities in this set.

Illustrative Peer Group

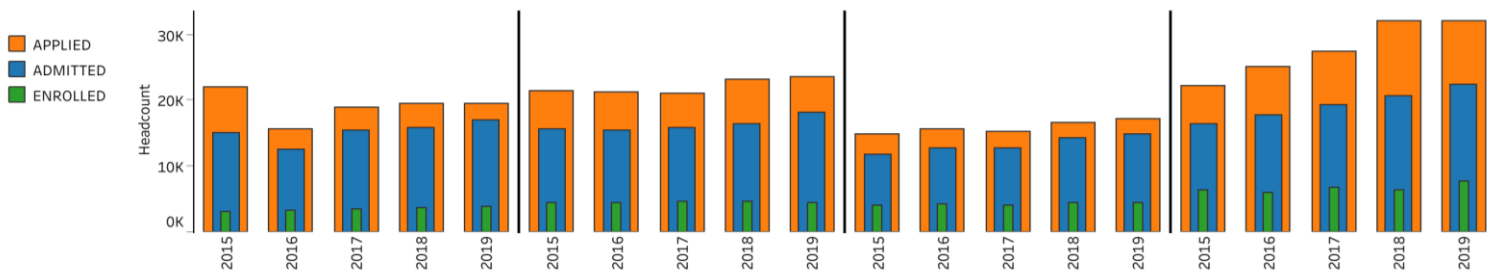


Admissions Metrics Comparison

GMU had stable enrollment metrics from 2015-2019 compared to peers.



Admission Funnel Summary: The Fall Cohort size (Enrolled stage) at George Mason University **increased** from **3,181** to **3,763** between 2015 to 2019, a change of **+582**.



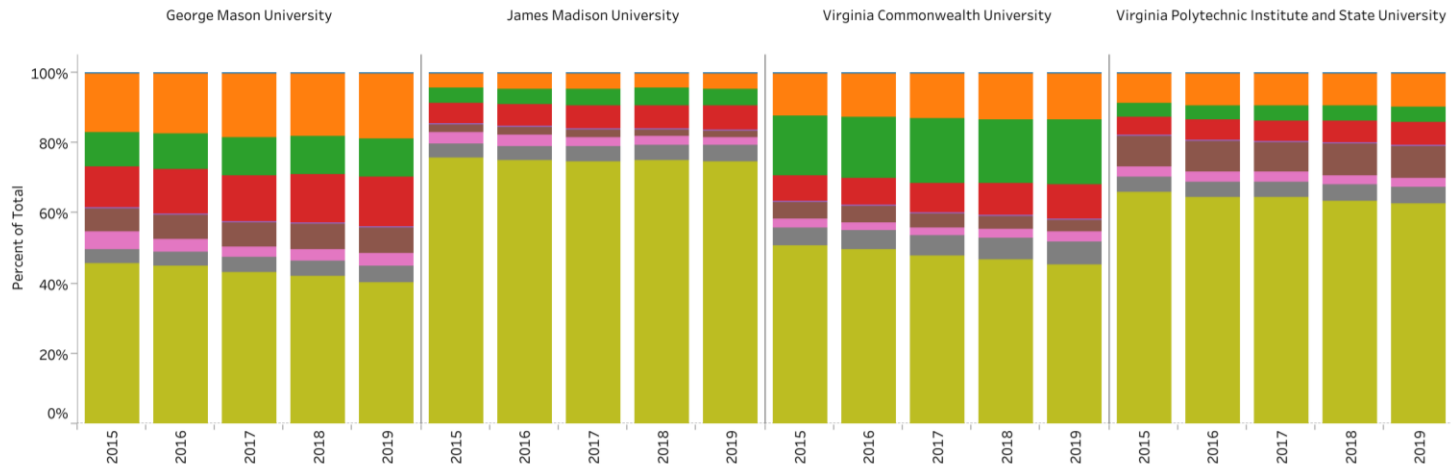
SOURCE: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS), Institutional Characteristics and Admissions surveys. These numbers reflect First Time Full Time Degree Seeking Freshmen. Note that 2019 data is preliminary only.



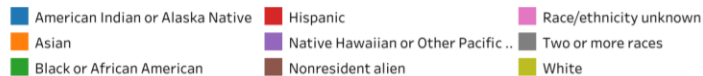
Diversity Metrics Comparison

GMU had higher diversity than JMU and VT and matches VCU.

Ethnicity Composition of *Enrollments*



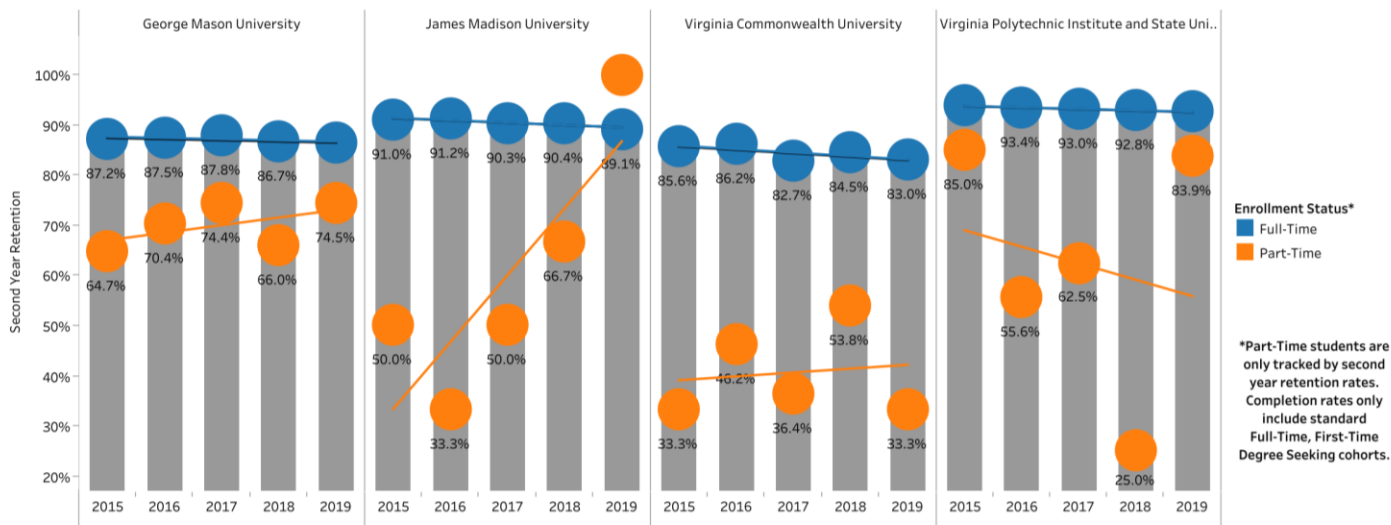
SOURCE: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS), Fall Enrollments survey. Note that 2019 data is preliminary only and older data sets are revised versions.



Retention Metrics Comparison

GMU had stable full-time retention rates alongside peers.

Second Year Retention Trends



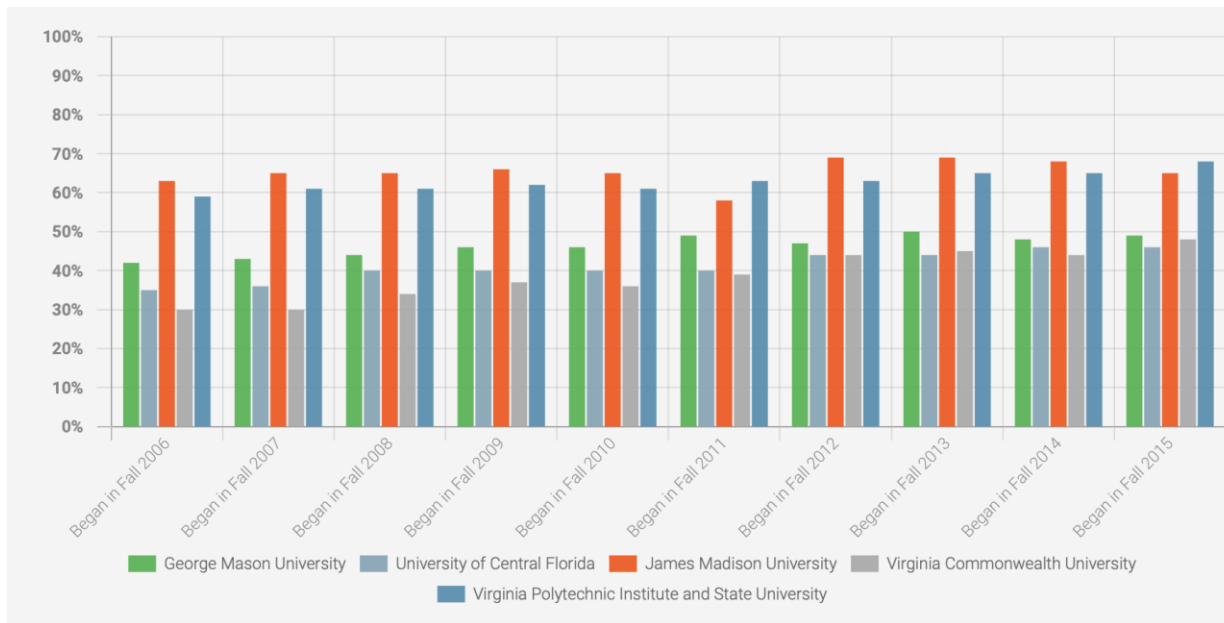
SOURCE: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS), Finance surveys and combines it with data from the Graduation Rates (gr200_YY) and Fall Enrollments surveys. Note that 2019 data is preliminary only and older data sets are revised versions.



Graduation Rates Comparison

GMU had stable graduation rates alongside peers but lower than JMU and Va Tech.

Illustrative Peer Group



Planning for the Future: The Path Forward

Today, we anticipate resources constrained by slower enrollment growth, pressures to keep tuition increases low or at zero, and the highest inflation in forty years impacting our operating costs. We need to position ourselves financially so that we have institutional resources to weather potential enrollment shortfalls, economic downturns, and/or reductions in State support. We also need to have a funding mechanism for innovation, university priorities and investment in more efficient infrastructure and services. Mason has developed plans to implement strategic priorities to move the institution forward into our next half century. We are focused on supporting the Governor's Agenda for Higher Education:

- **Promoting a Vibrant Campus Life**
- **Maintaining Affordability & Reducing the Cost of Higher Education**
- **Preparing Students for the Increasing Demands of the Knowledge Economy**
- **Building the College and Career Ready Pipeline in Partnership with K-12 School Divisions & Other Key Stakeholders through Lab or Innovation Schools Mason continues to make the best use of or limited resources, investing in our people, systems and students**

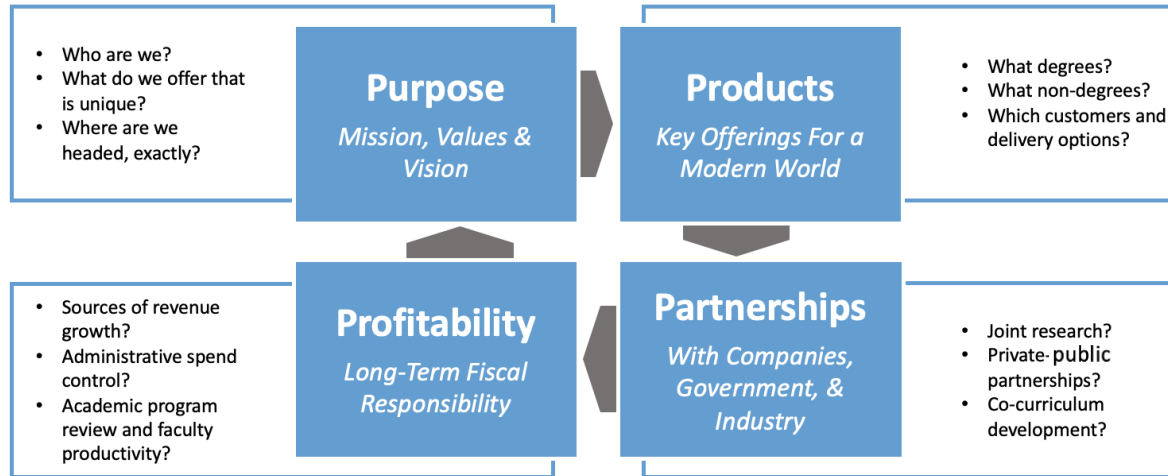
Session II:

Sharpening the Board's Strategic Focus: The Top 5 Issues for Board Leadership



Profitability is one of the key priorities in my strategic planning framework for higher education

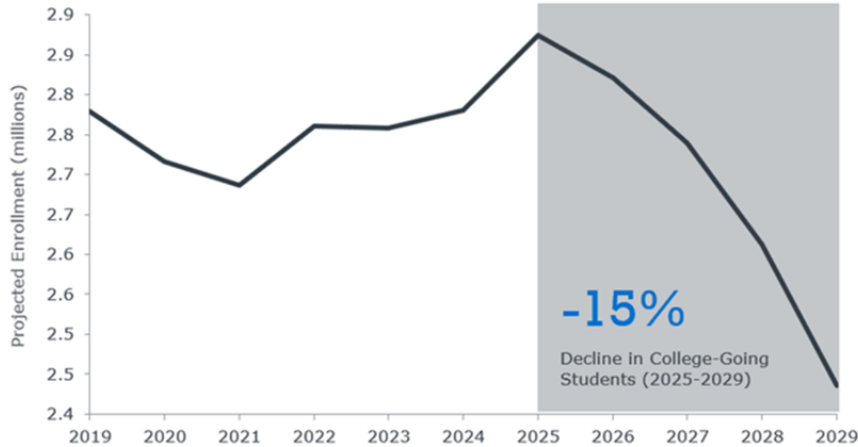
Declining Enrollments



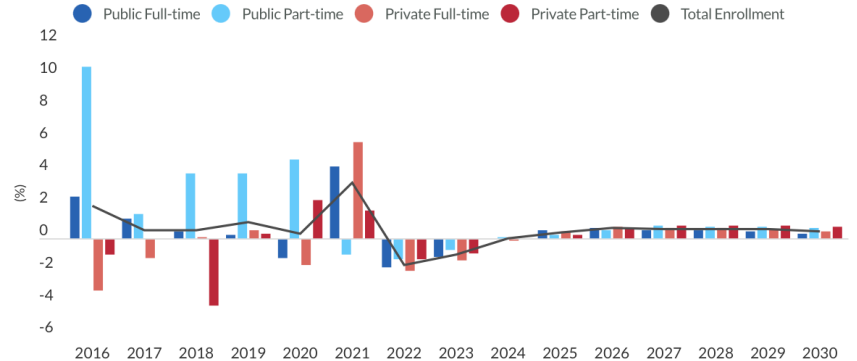
Declining high school graduates and fighting for enrollments are big issues

Enrollment Projected to Drop Sharply After 2025

Forecasted Number of College-Going Students in the U.S. (millions), by Year of High School Graduation



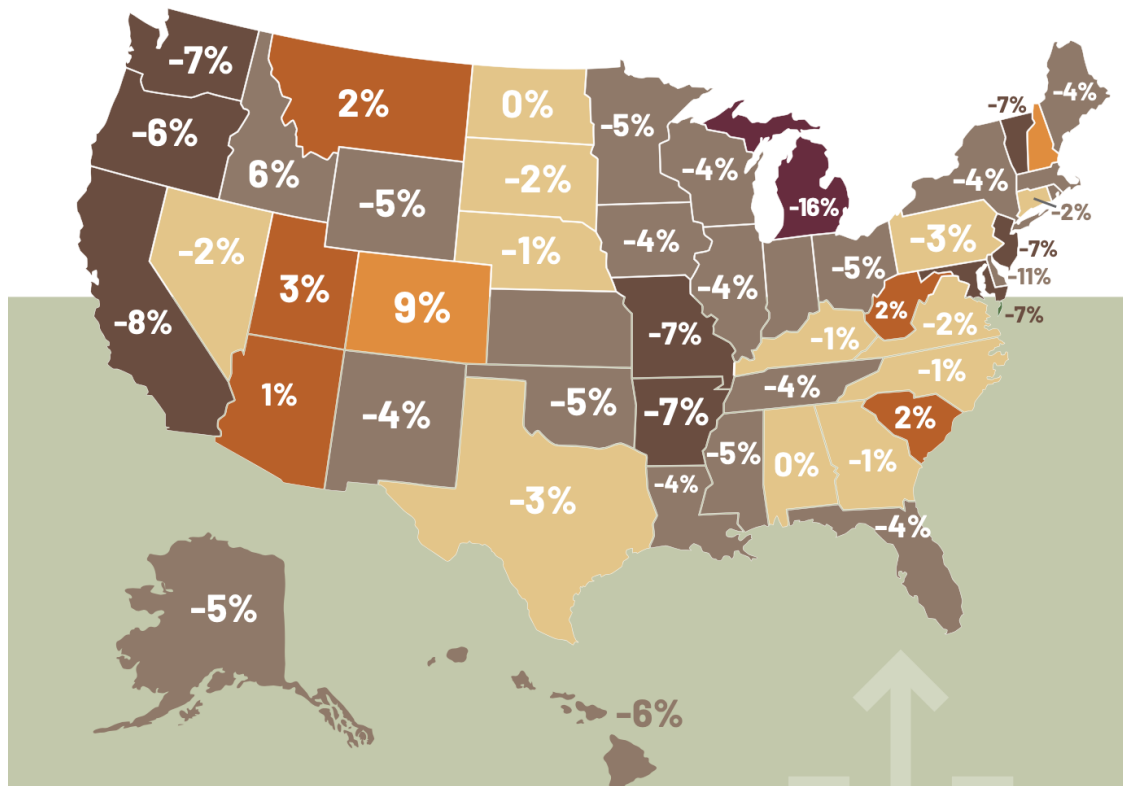
Four-Year College Enrollment, Fall Semester Yoy Change



Note: Calculations for change based on data as reported by National Center for Education Statistics - 2016-2020 (actual) and 2021-2030 (projected).

Source: Fitch Ratings, National Center for Education Statistics.

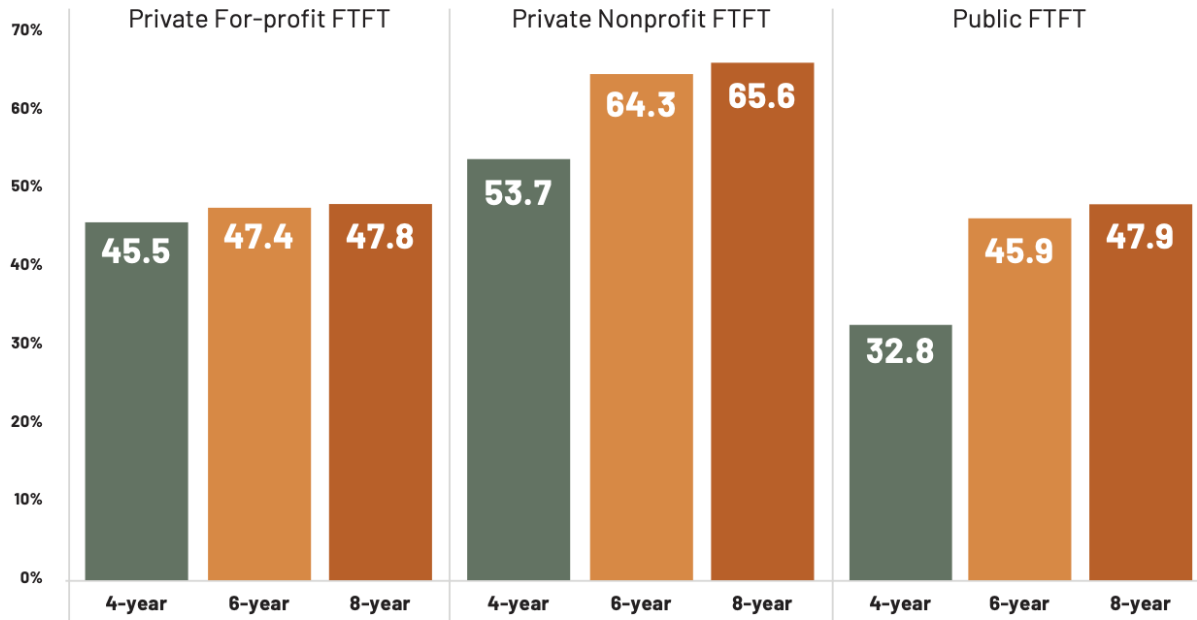
The impact of declining enrollments varies across the country (changes from 2021 to 2022)



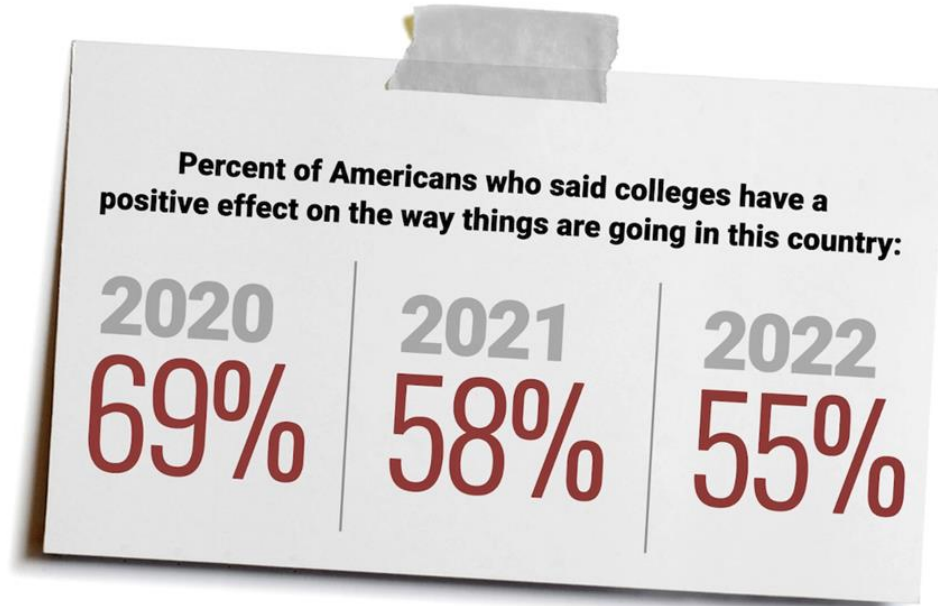
- Montana, Arizona, Utah, Colorado, South Carolina, West Virginia, Washington D.C., and New Hampshire all saw an **increase in their enrollments**
- Michigan saw the greatest decline in enrollments overall with a **16% decline**

Graduation rates continue to be low

Graduation Rates by Institution Type



Public trust in higher education has significantly eroded



The 2022 survey of business officers suggests that the majority are somewhat confident moving forward

33% respondents strongly agree that their institution will be financially stable over the next 5 years (another 37% somewhat agree)

Over **60%** said they are in better shape than last year and **37%** think they will be worse off next year

Reasons for Better Financial Shape

- “We received significant funding from American Rescue Plan”
- “We reduced our expenses in the wake of Covid-19 and our budget remains smaller”

Reasons for Worse Financial Shape

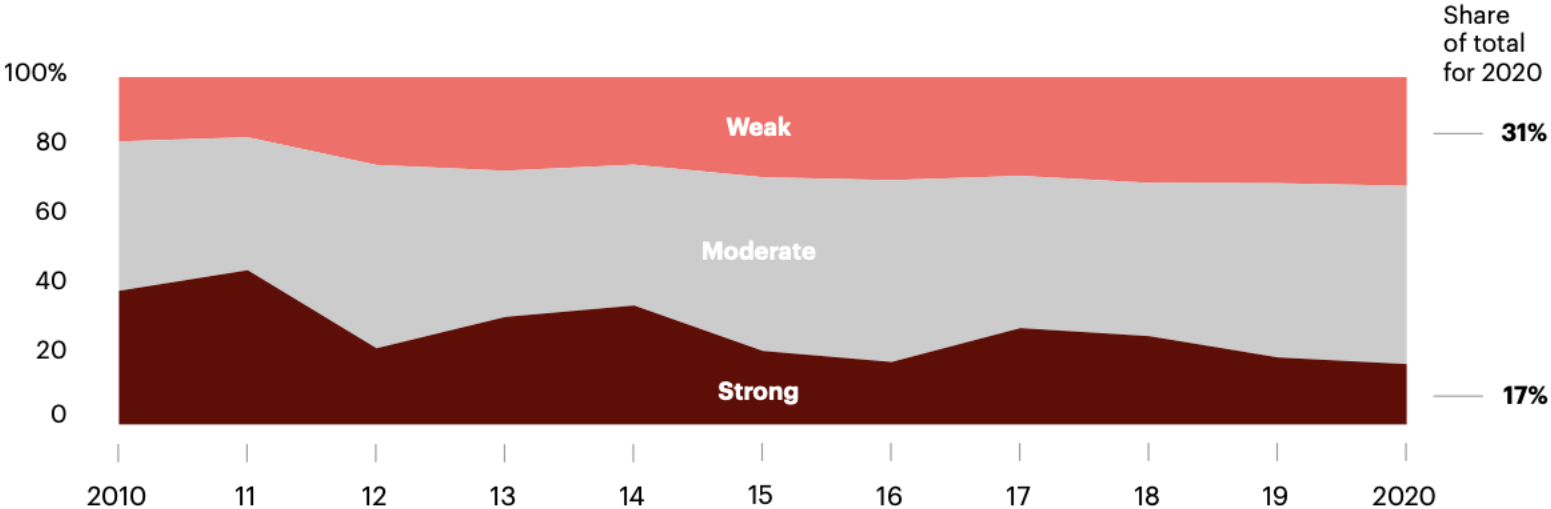
- “Enrollment is lower”
- “Tuition revenue has declined”
- “My institution has not been able to make enough budget cuts”

While improving due to temporary government support, higher education remains challenged

- “S&P Global Ratings revised its view of the U.S. not-for-profit higher education sector to stable, ending four years of negative outlooks even as it said it is monitoring divergence in fortunes between strong and weak institutions in the market.”
- “Risks to colleges and their credit quality remain, including enrollment pressures, inflation, staffing issues, cybersecurity breaches and the possibility of events like governance scandals or social unrest.”

One-third of universities face an unsustainable financial future

The annual composite score measures a university's resiliency based on three equally weighted metrics: **primary reserve ratio**, **net margin**, and **three-year enrollment growth**



Expenses continue to grow and now exceed revenues on average

Balance Sheets

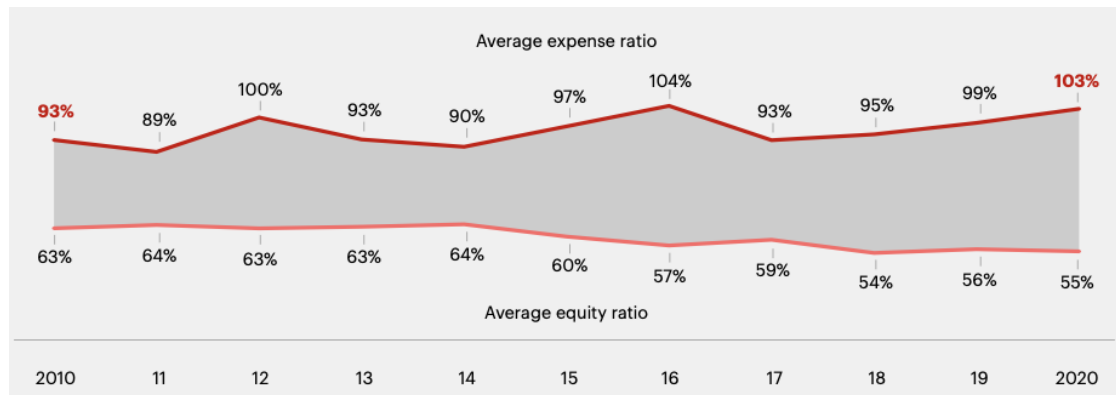
Average equity ratios have declined by **8 percentage points**

34% of universities saw equity ratios drop more than **5%**

Income Statements

Average expense ratios have increased by **10 percentage points**

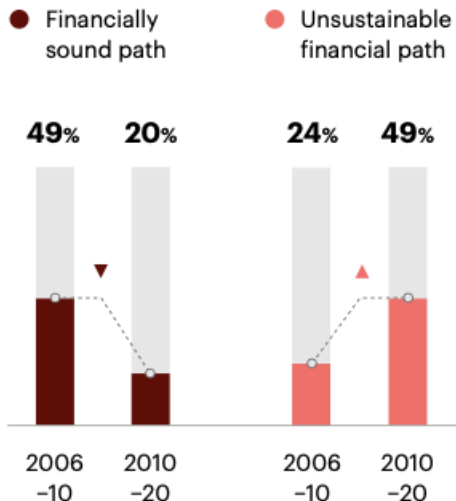
56% of universities saw expense ratios increase by more than **5%**



Private and Public Institutions face financial deterioration at different rates

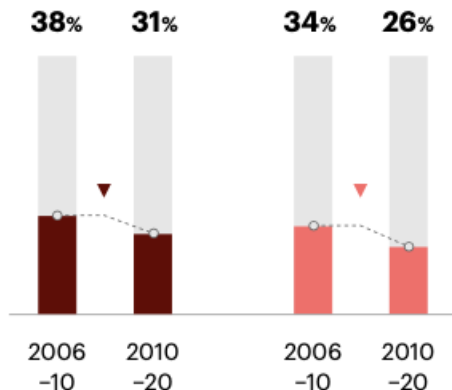
PUBLIC UNIVERSITIES

saw their positions deteriorate more than average, primarily through declining equity ratios



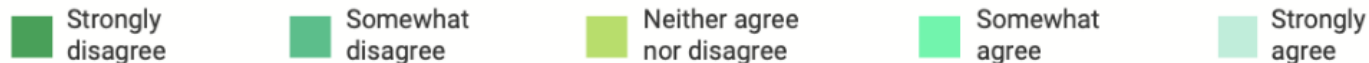
PRIVATE INSTITUTIONS

fared better, although the number of financially sustainable institutions still **fell about 20%**, primarily through worsening expense ratios



The 2022 survey of business officers suggests that the majority are somewhat confident moving forward

CONFIDENCE IN INSTITUTIONAL FINANCIAL STABILITY



I am confident my institution will be financially stable over the next five years. (n=238)

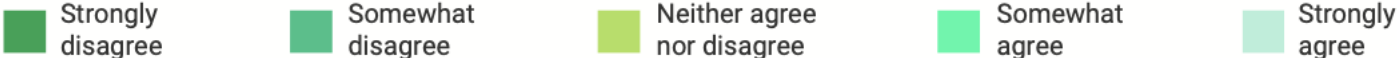


I am confident my institution will be financially stable over the next 10 years. (n=238)



Over 60% said they are in better shape than last year and 37% think they will be worse off next year

FINANCIAL SITUATION



My institution is in better financial shape now than it was in 2019. (n=238)



My institution is in better financial shape now than I expect it to be a year from now. (n=238)

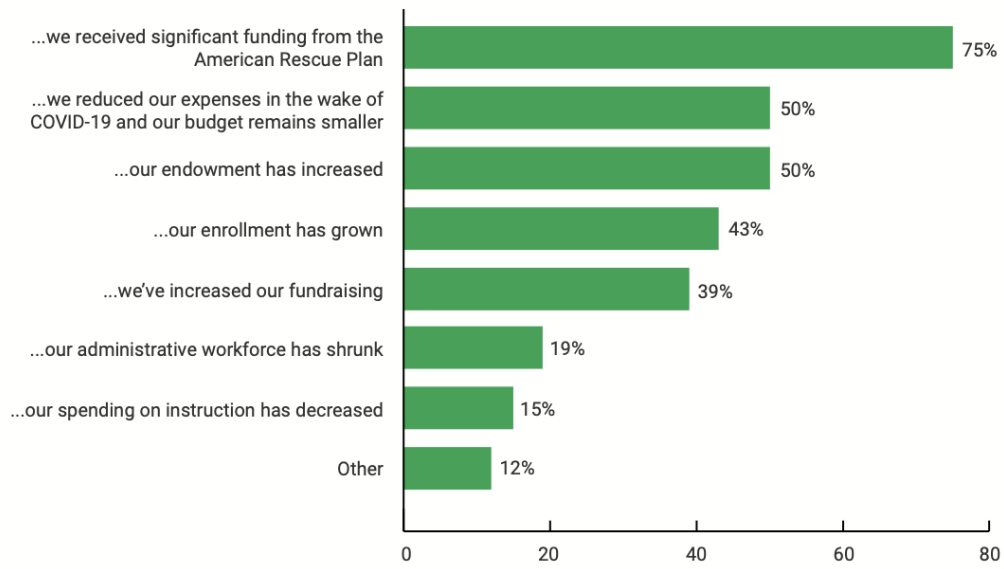


Business officers have taken some financial control steps and benefited greatly from government

REASONS FOR BETTER FINANCIAL SHAPE

Why do you feel that your institution is in better financial shape now than it was in 2019? Please select all that apply. (n=155)

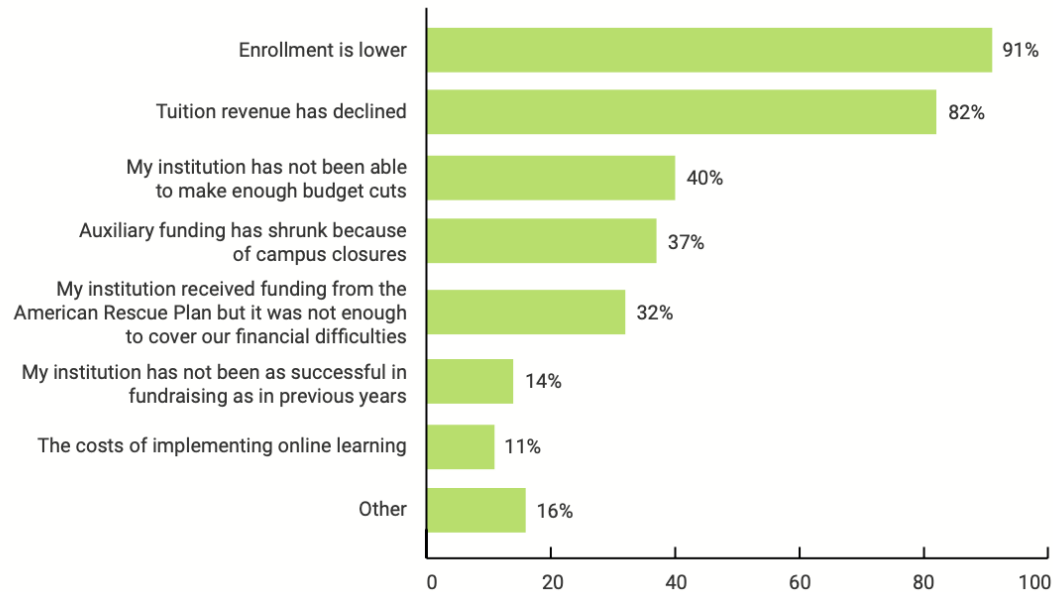
My institution is in better shape now than in 2019 because...



The macro forces are requiring hard changes for higher education institutions

REASONS FOR WORSE FINANCIAL SHAPE

Why do you feel your institution is in worse financial shape now than it was in 2019?
Please select all that apply. (n=57)



Recognizing the need for new strategies in higher education boards is crucial for effective governance

- “Trustees are facing challenges such as the pandemic, the enrollment cliff, declining state funding, and increasing online learning that ultimately will make or break the institution they govern and are responsible for”
- To face these challenges, it requires wise leadership at the trustee level as well as a paradigm shift in the governance structure
 - Boards need to move into oversight AND consultative roles to offer critical guidance to presidents and the institution as a whole
 - Expertise in understanding macro trends (new regulations, technology, the global environment, a changing workforce, and funding) redefine how higher education creates and maintains value

Resources – Contact me if you don't have access to any of these and I can send you a copy

- [Why Multiyear Forecasting is So Important in Higher Education](#)
- Paul's other AGB Blogs...
 - [Way Too Early New Year's Resolutions to Improve Your University's Governance](#)
 - [Don't Forget Long-Term Strategy](#)
 - [Why Every University Should Continue to Optimize Post-Pandemic Administrative Spending](#)
 - [It's Time to Increase the ROI of Your Academic Spend](#)
 - [How to Invest Your Federal Rescue Plan Funds](#)
 - [It's Time to Transform Your University](#)
 - [It is Time to Get Strategic About Enrollments](#)
- AGB Resources
 - [Principles of Trusteeship Overview & E-Book](#)
 - [Increasing Diversity on the Boards of Colleges and Universities](#)
 - [Trusteeship Podcast: Higher Education Business Models Under Stress](#)
 - [Mental Health Issues on Campus: Time for New Solutions](#)
 - [ESG Powering Sustainable Business Models in Higher Education](#)
- Plus – Paul Friga's [website](#) with more articles, podcasts and videos