

**Marshall University
October 11, 2013 Retreat – Findings and Action Plan**

October 16, 2013

Background

Marshall University conducted a retreat on October 11, 2013 to explore the changing external environment and the University's response. The goals identified for the retreat were:

1. Understand the current external environment for higher education nationally and in West Virginia;
2. Achieve greater clarity for the stakeholder groups regarding the current and future sustainability of the institution's business model;
3. Consider appropriate changes to be explored in the institutional business model to allow for:
 - a. Affordable tuition without sacrificing educational quality or the financial health of the University;
 - b. Management of financial risk; and
 - c. Strategic realignment of the institution's mission/vision within a more variable resource environment;
4. Assess resource allocation decision-making at the institution in terms of its transparency and effectiveness in supporting strategic programs and services that provide a mission/market/margin framework;
5. Create an action plan; and
6. Identify appropriate information and a communication strategy to support the proposed November Board of Governors' Budget/Finance Planning Summit.

In addition to these six goals, University leadership created a long term goal for the retreat participants to consider, specifically

how the University might engage in financial re-engineering and sustainability planning in anticipation of a markedly lower public funding environment,

potentially approaching 90% less state funding (\$50 million reduction in State Support) by Fiscal Year 2024.

Process

In advance of the retreat, the participants were provided with a set of guiding questions to consider, which included the following:

1. Consider what you know about the current external environment in which Marshall University operates. Is the University positioned for success in this changing environment? If so, how? If not, why not?
2. What additional information would be helpful to share in order to foster greater understanding among Marshall stakeholders about the external factors that are influencing and altering the public higher education landscape?
3. What are the service expectations of units and how are institutional processes aligned to provide these services? Based on your understanding of current service practices/processes, what service improvement changes do you recommend?
4. Currently, how are resources (*e.g.*, funding, personnel, *etc.*) distributed across the University? If priority was given to achieving greater strategic alignment of University resources to support the mission and maximize the opportunity for student success, what changes in current processes/practices would you recommend?
5. How significantly would the business model and the operations of the University need to change to achieve a proposed long term goal of reducing the reliance on State support by 90% (or \$50 million) by 2024?

External Environment and Marshall's Response

After introductions, the group began the session by capturing key changes in the external environment in which Marshall operates. The group identified the following key changes in the external environment:

- Shift from Inputs to Outcomes
 - From access to attainment
 - Demands for heightened transparency and accountability
 - Demand to demonstrate return on investment, to the state for their funding, to students after investing their time and money, and to fundraisers for their gift giving
- The long term trend of declining state funding
- Declines in federal grant funding
- Demands to strengthen strategic partnerships - K-12 and employers

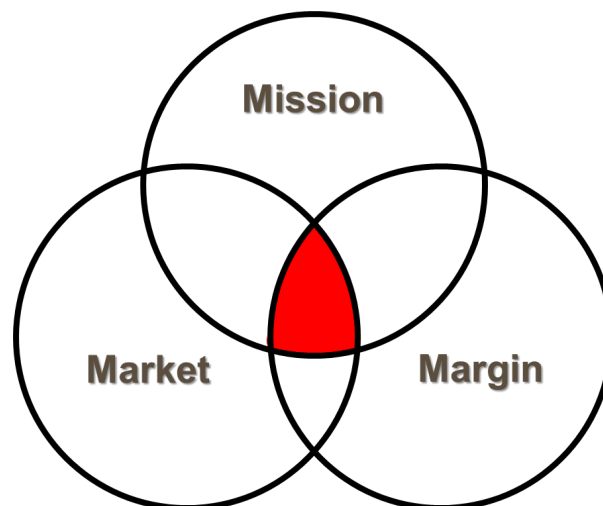
- Need to connect students to the world of work
- Increased regulation and compliance
- Increased competition
- Pace of change
- New technologies and uses of these technologies (e.g. Flipped Classroom environments)
- Changing demographics

In response to this external environment, the group felt that Marshall had taken some important steps to date, including a move into online learning, the adoption of a more entrepreneurial approach in the School of Medicine, and the use of long-term pro forma analysis for new program development such as pharmacy and physical therapy. The group identified gaps, however, between the external environment and the structure and operations of the internal University environment which would likely have to be addressed for Marshall to continue its success. Most critically, the participants communicated that these internal changes would ultimately require a change in the culture at Marshall.

Assessment of the Current Business Model

The group next turned its attention to the current business model at Marshall. “Business Model” was discussed using a Mission/Market/Margin framework, as depicted in Figure 1 below.

Figure 1



The model was further defined as:

- Market - What is the job to be done?

- Mission - What is our unique value (how do we address the job to be done)?
- Margin - How do we price our programs/services to reflect true cost and provide the returns needed for sustainability?

As a small group exercise, participants were asked to consider Marshall's current business model. Two questions were posed: 1) How well does the model respond to the current and projected environment?; and, 2) Where are the gaps between what we have and what we need?

As a whole, the small groups surfaced several key gaps in the current model which would have to be addressed. These identified gaps were:

- **Value Proposition** - The need for a clear understanding and communication of Marshall's value proposition
- **Outcomes Focus** - The need to focus on outcomes, especially around student success
- **Student Success** - Importance of connecting students to the world of work, and of understanding student next steps and success after graduation
- **Resource Allocation** - Better connection of resources to strategic initiatives, and the need to understand net revenue drivers

Just as critically, the group noted that achieving this operating environment would require the creation of a culture at Marshall where change was embraced.

Moving Toward a New Business Model

Building on the gap analysis outlined in the previous section, small groups next engaged around what a new business model for Marshall might look like. The participants noted that any new model which Marshall adopted would need to address the following:

1. **Focused on a clear value proposition** – This value proposition, once identified, would guide resource allocation decisions, branding and marketing, and new decisions around the academic portfolio and service offerings. It was suggested that this value proposition could be communicated in the guise of "The Marshall Advantage".
2. **Outcomes focused** – In an effort to increase the level of transparency and accountability throughout the campus, the new business model would need to be built upon robust data and analytics. The model would focus on student success, and ensure student connection to the world of work and their identified goals post graduation.
3. **Recognize risk** – Any new model would need to respond to an external environment in which there was less certainty around revenue streams and

heightened risks.

4. **Self-generated revenue streams** – More of the revenue will need to come from revenue sources Marshall controls, especially tuition and fee revenue. The University will also need to prepare for the possibility of a performance based funding model. Long term, Marshall should be prepared for a continued decline in State funding, perhaps resulting in a 90% decline in State support by FY 2024.
5. **Entrepreneurial** - Structures and culture will need to be created to allow the University to be flexible, and respond quickly to the markets it serves. The University will also need to identify and respond to strategic partners (e.g. K-12 and area employers).
6. **Storytelling** – Marshall will need to better understand itself and tell its story to various stakeholders.

To move toward this new model, the group felt that further data and analysis would first be required. This “need to know” list included:

- identification of the “job to be done”;
- better understanding of the current business model;
- better understanding of the current budget process;
- projection of the state’s finances and strategic higher education goals and direction;
- market trends and competitor analysis;
- net revenue analysis;
- analysis of the academic portfolio; and,
- surfacing of likely barriers to success.

Resource Allocation Process

The current resource allocation process was described as largely an iterative process, with budgets rolled forward from year to year without an assessment of return on investment. The budget process appeared reactive to the group, focused on reducing identified deficits. Finally, the participants noted a culture of “my money”, in which budget unit heads did not view resources as belonging ultimately to the University.

In response, participants suggested the creation of a new process in which resources would be connected to the identified value proposition. This would require the creation of new metrics and cost analysis. In addition, better reporting would need to be established. The Chief Financial Officer shared her thoughts on new initiatives which would support a move toward the new budget process described.

Board Retreat

Understanding that the strategic conversations occurring at the retreat would need to be shared more widely with the campus community, the group provided input into the upcoming Board retreat. As desired take-aways from that retreat, participants suggested that the retreat follow a theme that the best way to predict the future is to create it. While assuring the board that the student experience is still at the core of all Marshall activities, it was felt that a recognition of the changes in the external environment would be critical. The group suggested three key roles for the board: 1) support the University's move to change the culture; 2) understand the risks posed by this new environment and how the University might respond; and, 3) assist in communicating with stakeholders around the environment and Marshall's response.

Action Plan

Building off the day's discussion, the group developed an action plan to guide the University's next steps, as follows:

- 1. Communication Plan – Develop a comprehensive communication plan allowing the University to share the findings of today's retreat, obtain feedback and create a dialog with stakeholders. It was expressed that the engagement with stakeholders be consultative. The plan must ensure that the University can address two key questions: 1) Why are we changing; and 2) Why are we changing now?**

Lead Person: Matt Turner

Draft Plan Deadline: October 18, 2013

- 2. Shared Future Vision – The University must create a Shared Future Vision. This Vision would address the question of “What will Marshall look like in 2018 and beyond?”.**

Lead Person: President Kopp

Draft Statement Deadline: January 10, 2014

- 3. Roles and Responsibilities – Clearly delineate and clarify the responsibilities and accountability of University stakeholders, to include Board of Governors, administration, deans, faculty and staff.**

Lead Person: President Kopp

Draft Statement Deadline: January 10, 2014

The creation of the shared future vision and establishment of clear roles and responsibilities will support the University in establishing its value proposition (the Marshall Advantage), setting and achieving its long-range strategic goals and outcomes, manage risk, allocate resources and establish performance targets for all units.

4. **Academic Portfolio Review** – Creation of a process to analyze the academic portfolio to determine contribution of colleges, departments and programs/majors using a mission, market and margin framework. The approach document would outline the process, timelines, stakeholders and key questions to be addressed.

Lead Person: Dr. Gayle Ormiston in collaboration with college deans and department chairs

Draft Process Development Deadline: January 10, 2014

- 4A. **Services Portfolio Review** – Create a process and analyze the entire services portfolio and processes of the University to determine their contribution(s) to the mission, their value proposition for MU and process improvement opportunities. This undertaking would outline the process, criteria, timelines, stakeholders, service beneficiaries and key questions to be addressed on a continuing quality improvement basis.

Lead Persons: Drs. Gayle Ormiston, Jan Fox, Karen Kirtley, Layton Cottrill, Mary Ellen Heuton, Shari Clarke, John Maher, Joe Shapiro and Mike Hamrick

Draft Process Development Deadline: January 10, 2014

5. **Budget Process** – Modeling of the current budget process and timeline, and suggested revisions to increase transparency and allow for the connection of resources to strategic initiatives of the University. The new process would also reflect the establishment of unit performance targets by the University.

Lead Person: Mary Ellen Heuton working with Budget Work Group

Draft Process Deadline: March 1, 2014

6. **Pro Forma Model** – Creation of a pro forma model template which could be used initially at the college level to capture student activity, revenue and expense structures and assess contribution margin, sustainability and identified “cost pers”. The model would also support a review of the cost of program/service in comparison to price.

Lead Person: Michael McGuffey

Draft Model Deadline: March 1, 2014

7. Key Performance Indicators – Establishment of institutional Key Performance Indicators (KPIs) tied to the identified value proposition and the University's response to the external environment.

Lead People: Gayle Ormiston/Mary Ellen Heuton/Michael McGuffey

Draft Deadline: March 31, 2014

Wrap Up

Concluding the day, Dr. Kopp thanked the participants and received their feedback. He noted that this was the beginning of a longer process which will engage the entire campus in a new way to consider Marshall's future and its contribution to the State of West Virginia and beyond.