

# Trends, truths and themes: an assessment of trends related to the competitive position of Augustana College

The task force focused on Augustana's competitive position created this preliminary report within a very aggressive timeframe, meeting regularly through the spring term and engaging various stakeholders in discussion about our preliminary findings.

## **WE'D LIKE TO START WITH THE BOTTOM LINE:**

Private higher education is in deep trouble. By some estimates, one-third or more of all colleges and universities are on the path to closure. Another third face the prospect of permanent fiscal crisis: a state in which the institutions remain open but bleed quietly (faculty lines transitioned from tenurable to adjunct, staff lines unfilled, "real" wages frozen, programs constricted). The remaining institutions are blessed with some combination of large endowments, global reputations or ideal locations.

Augustana is probably in a better-than-average position as private colleges go; we are somewhere in that second group rather than in the first. On the whole, we aspire to better.

Based on a review of hundreds of pages of reports and data, the task force would like to share three trends defining our ability to attract, educate and graduate students; several undeniable truths impacting Augustana and the broader higher-education industry; and themes around which strategies might be built in an effort to strengthen the college's competitive position.

The task force organized its discussions around the three essential imperatives of the college as an organization: we need to get the students here, we need to get them to successfully navigate through a welter of options and complete a degree, and we need to help get them placed after graduation.

## **KEY TRENDS OBSERVED IN EACH AREA**

**Getting students here:** In the past five years, we have had inconsistent admissions and recruitment results because of increased competition in our core market and continued resistance (in terms of willingness and ability) to our price and real cost. In simple terms, the population is declining, price and cost resistance is increasing, and we probably have maxed-out the contribution from the enrollment and marketing teams. We have been able to maintain essentially flat revenue, but growth in net tuition revenue per student has been elusive since the recession.

**Getting students through:** The NSSE and Wabash data show that we do a comparatively excellent job in educating our students. We are not always intentional about linking classroom and out-of-class opportunities and highlighting why a residential environment is superior. Too often, capable students lack the guidance, ambition, or a combination of factors, to take advantage of many opportunities; 18%, for example, do not use their Augie Choice money. Retention and graduation patterns for some student populations show signs of weakness. We have not been able to demonstrate to employers that our graduates are highly competent, and in our last senior survey, only 4 in 10 graduates indicated that they had a graduate school placement or job waiting for them at the time of graduation.

**Getting students placed:** Graduates find above-average jobs and graduate-school placements. However, their searches may not reflect sufficient sophistication or ambition; first jobs do not appear to be among the highest paid; placements do not seem to consistently reflect successful learning outcomes; and placements have not markedly improved Augustana College's reputation in the past 10 years. The proliferation of external scorecards, which profess to calculate "return on investment," increasingly complicates our discussions.

## UNDENIABLE TRUTHS WE FACE

**We are, and will remain, tuition dependent.** There are no plausible, alternate sources of significant operating funds. Eighty-eight percent of our operating revenues come from tuition. Hostile market conditions likely will force us to reduce our annual draw from the endowment. We are hostage to our ability to attract 700 students, every year, who are willing and able to pay a substantial fraction of our advertised tuition. With already-lean budgets, a 5-10% “miss” in a single year will lead to painful choices. Misses of that magnitude in consecutive years would lead to incredibly painful decisions.

**Resistance to paying a substantial fraction of our cost** is rising; many families able to afford Augustana default to flagship state institutions without serious consideration of the private college alternative, and National Clearinghouse data\* suggests many who apply to and can afford Augustana choose to attend larger private universities with higher costs, which signals their skepticism about our value and, perhaps, their savvy about name recognition and reputation over which we have limited control. We are steadily increasing our tuition discount (the proportion of “forfeited tuition”). Our discount is similar to our competitors, but it is not sustainable, and increases have done nothing more than barely maintain enrollment. The unfunded tuition discount has grown from 34.7% in 2002 to more than 46% for this past year. In terms of yield, we are seeing a steady decline in the percentage of students accepting our offer of admission. Yield has fallen from 32% in 2007 to 23% in 2012.

**More intense emphasis on outcomes**—especially focused on jobs (placement and starting salary) and graduate-school placement—dominates many families’ college screening process; evidence of excellent career preparation and job placement is their first and most powerful sign of a good school. Eighty-eight percent of families cite “getting a better job” as the prevalent reason for going to college (Gallup, 2013).

**High fixed costs** (predominantly faculty and other staff, debt service, facilities, and operating expenses that would be painful to reduce further) and a stagnant revenue stream will increasingly limit our ability to sustain our existing structure and/or to make new investments in people and programs. Our ability to provide scholarship assistance has not kept up with rising costs; the average Augustana family now faces \$7,200/year in unmet financial need, double what it was a decade ago.

**Continued difficulty in making a compelling case** that we offer a distinctive, life-changing experience makes us increasingly vulnerable to flagship public colleges and larger private, regional universities. Families are more focused on “a degree” than on “an education”; and our strengths—a strong and caring faculty, liberal arts grounding, international study, community engagement—are claimed by many colleges. Fewer families believe we are able to meaningfully demonstrate that we are worth the cost.

## FIVE STRATEGIC THEMES

In our meetings with on- and off-campus constituencies, we encountered an almost universal impulse to jump directly from an indistinct sense of a problem to a series of pet initiatives. Those initiatives generally represent nice ideas and occasionally really great ideas, but they do not clearly solve the initial problems we are facing. In that sense, they may also represent a fundamental threat to the college’s future. We believe that only intentional focus has the potential to strengthen the college’s competitive position for the years to come.

Given the combination of limited time in which to act, limited resources with which to act, and several fundamental challenges to overcome, we believe it is very important to focus efforts on those things that build on existing capabilities and strengthen our competitive position as a college, rather than try to build new capabilities.

**The task force proposes five broad themes as touchstones to strengthen Augustana’s competitive position as we understand it.** We believe that any action proposed should address the themes that follow, and its value should be judged by the extent to which it demonstrably and efficiently pursues one or more of these themes.

In addition to the recommendations for five strategic themes to consider in light of Augustana's competitive position, the task force has highlighted a framework for strategic planning that outlines roles. The framework is adopted from Howell Malham's book *I have a strategy; No you don't*. Malham's outline\*\* encourages planners to stay at a high level, and clearly distinguishes between a strategy and tactics developed to support a strategy (i.e. series of actions). In a perfect world, the efforts of the planning steering committee and other task forces will fit into this framework, and the series of actions developed throughout the plan will align with these areas, which appear to be key to strengthening Augustana's competitive position.

The task force for Augustana's competitive position recognizes that the planning steering committee will be the ultimate body to determine the college's strategic direction, and so these are merely suggestions for close consideration.

### **1. Attract a Serious Look**

Purpose: *Rethink the current price/cost model to respond to a negative perception of affordability.*

Plan: TBD

Series of actions: To be completed by other task forces and functional units

Measurable goal(s): To be identified by the planning steering committee

### **2. Create a Culture of Successful Results and Placements**

Purpose: *Make post-graduation advising and planning a priority from day one to ensure Augustana College graduates achieve the best possible post-graduation results and placements in graduate school and jobs.*

Plan: TBD

Series of actions: To be completed by other task forces and functional units

Measurable goal(s): To be identified by the planning steering committee

### **3. Embrace our Market**

Purpose: *Compete for and enroll students who value and who have the greatest potential to benefit from the environment and experiences we can offer them.*

Plan: To be outlined by the planning steering committee

Series of actions: To be completed by other task forces and functional units

Measurable goal(s): To be identified by the planning steering committee

### **4. Emphasize our Strengths**

Purpose: *Shift the focus of families toward our distinctive strengths, to deepen those strengths and to formally recognize students' successful engagement in trans-curricular experiences. (Beyond a strong liberal arts foundation, data suggests the more transformative experiences in preparing our graduates for the greatest post-graduation success include Augie Choice, location and access to internships and a strong job market, residential focus and international study.)*

Plan: TBD

Series of actions: To be completed by other task forces and functional units

Measurable goal(s): To be identified by the planning steering committee

### **5. Advance Beyond Traditional Campus-Bound and Calendar-Bound Learning Models**

Purpose: *Extend the reach and ambitiousness of our use of learning technologies, emerging technologies, more progressive pedagogy and alternate program structures.*

Plan: TBD

Series of actions: To be completed by other task forces and functional units

Measurable goal(s): To be identified by the planning steering committee

We recognize that other task forces and the planning steering committee will need to determine whether these are the most relevant themes for Augustana College today; we believe they are and should be the college's intentional focus for the next three to five years. Paying close attention to these themes and building greater capacity in these areas is key to improving our position, reputation and addressing the questions of worth and value in the college-decision making process.

\* Through the National Clearinghouse we are able to verify enrollment of those students accepted by Augustana who choose not to enroll. Data for the past five cycles reveals that the following institutions enroll the largest proportion of cross-accepted students: Illinois Wesleyan University, Marquette University, DePaul University, Loyola University (Chicago), Bradley University, North Central College, Elmhurst College, Illinois State University, University of Illinois and University of Iowa. This list of colleges is confirmed by FAFSA submission and it is rationale to view these institutions as our competition.

\*\* *Strategy*: What is it? This is what it looks like, using Boeing's strategy as an example.

Purpose: Make air travel as efficient and comfortable as possible for passengers...and as profitable for their customers, the airlines.

Plan: Rather than rely on economy through scale, go for economy through innovation.

Series of actions: Invest in lighter, faster, high-tech planes that can fly farther, which will allow airlines to offer more point-to-point or direct flights to travelers who will then have more alternatives.

Measurable goal: Deliver more airplanes than Airbus, for more happy customers, who want more airplanes.

*(Adapted from Howell Malham Jr., I have a strategy; No you don't)*

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## APPENDIX

### **What is Augustana's value proposition and how strong is it?**

The hard truth of the matter is that Augustana is a good college. We have much to be proud of. Our students show substantial intellectual growth. Many engage in research or undertake international study. An above-average percentage of them earn a degree within four years. They are far less likely to default on their loans and far more likely to contribute to their alma mater than are their peers.

We are not, as families currently must measure such things, a great college. We measure what we do: we have small classes, we have meaningful conversations with students, we expose them to other cultures. By those measures, we do well. Parents measure what their children will do: get jobs, make a good living, advance at work. By those measures, we are more or less average: our peer assessment score (3 on a scale of 1–5) is roughly average, our student indebtedness is roughly average, our starting salaries are roughly average, our placement rates are roughly average, and our middle-career salaries are roughly average. Our problem is captured by the following marketing text:

#### **Augustana is a Great College at a Great Price**

What is so transforming about Augustana College?

- Our students want to make a difference in the world
- Our faculty are scholars and teachers and mentors
- Our campus combines its peaceful setting with easy access to major cities
- Our students live on campus, learning what it means to live in community
- Our students have amazing internships and opportunities to study abroad
- Our students, regardless of major, are active in choirs, jazz bands, athletics, multicultural clubs, drama, Mock Trial team, Model U.N., and many other activities
- Our seniors get jobs within six months of graduation—at a rate of over 94 percent

There is little to add to those claims and nothing to remove, which reflects our challenge: the text, quoted from another school's messaging, describes a college half our size, with a third of our endowment, substantially lower costs and a weaker academic profile.

In flush times, when the number of students and the economic security of their families both were growing, our strengths were more than adequate to attract and retain a cadre of academically able students from families willing to pay for those students to attend Augustana. In the current, more uncertain times, when the number of students and the economic securities of their families are declining, the justifiable perception is that we are an undistinguished representative of an increasingly unaffordable commodity.

The following questions were proposed and answered by members of the competitive position task force. They are good questions for all of the strategic planning task forces, and others concerned for the future of our college, to consider and respond to.

#### **What is our value proposition and how strong is it?**

- Augustana College's value proposition is unclear and is perceived to be strikingly similar to our competitors: small classes, lots of special experiences and caring faculty.

#### **Is our internal assessment of value consistent with public perception?**

- Not really. We value the intellectual growth that our students demonstrate and a breadth of out-of-class experiences. There is a considerable amount of bristling about "too much emphasis on a career and not enough on life-long learning." Nonetheless, CIRP shows that an overwhelming number of students attend college "to get a good job" and that is the metric upon which we're judged by outsiders.

### **How are we distinctive from other liberal arts colleges?**

- We are not primarily in competition with other liberal arts colleges. Our students seem to be selecting from among a potpourri of flagship state universities, private urban universities, second-tier state schools and liberal arts colleges. We do have distinctions against each of those groups, separately, but there seems nothing universally distinctive about us.
- Generally, within the universe of liberal arts schools, colleges have very few genuine distinctions and Augustana is no exception to this. However, over the course of the past few years the college has been increasingly intentional about attempting to distinguish itself on the following grounds:
  - o Augie Choice
  - o #6 in the nation in student-athletes achieving Academic All-America recognition
  - o The location of the college and the learning resources provided in the Quad Cities
  - o Our four-year graduation agreement, which is distinctive among private colleges

These are genuine distinctions; however, many other qualities we frequently cite are increasingly common (i.e. international study and study away, internships, combination of liberal arts and pre-professional programs, capstone projects).

We have some majors that are uncommon among small colleges (CSD, MJMC, accounting) and others with distinctive approaches (geography, environmental studies). Our academic calendar is distinctive, as, increasingly, is our commitment to a more ecumenical spirituality.

### **Are there effective programs or practices that we should consider?**

That seems likely. We might choose to pursue membership in the Education Advisory Board, which researches and documents “best practices” on a variety of higher education challenges.

### **To what extent do we understand our competition for students?**

Understanding of competition is mixed throughout campus, with some functions possessing a full understanding of the environment (admissions, financial assistance, athletics and music), while other sectors have a less complete understanding of the competitive environment for Augustana. Our use of the term “competition” is situational, which contributes to the lack of understanding across stakeholder groups.

At one level, we can view our competition fairly narrowly by considering the fact that only about 4% of the college-bound population enrolls at a college like Augustana (private, liberal arts, tuition in excess of \$35,000). However, this is a somewhat narrow view, because it suggests that we cannot compete successfully for those students who apply to but do not end up enrolling at colleges like ours.

The challenge in defining our competition is that we tend to apply different criteria depending upon the comparison we might wish to make. This leads to confusion about what colleges we genuinely compete against for students, which is the essence of our competitive position, given our tuition dependence.

While it is prudent to use a variety of institutions to compare salaries, workload, FTE, endowment per student, price, etc., the institutions used for such purposes seldom are true competitors, but they become known as such to many stakeholders. An excellent example of this is our frequent reference to Luther or Gustavus Adolphus, because we have a similar size, resource base and mission. But neither Luther nor Gustavus Adolphus has a meaningful position within our competition for students if we look at application and enrollment patterns. Simply put, we share very few applications with either of these colleges.

If we are willing to agree that our competitive position is more accurately defined through applications and acceptances—which seems to be an appropriate way to look at this, since we know that 100% of the students who don’t apply, don’t get admitted and don’t enroll—our competition is very different, as outlined below.

A recent review of cross-admits that we submitted to the National Clearinghouse, an agency that verifies enrollment based on national data, reveals that the following institutions enrolled the largest number of students who also were admitted to Augustana: Illinois Wesleyan University, Marquette University, DePaul University, Loyola University (Chicago), Bradley University, North Central College, Elmhurst College, Illinois State University, University of Illinois and University of Iowa

**To what extent is what we do and deliver effective relative to competitors?**

In many measures of educational growth we are superior to many of our competitors. Our residential program distinguishes us from some of our competitors. Our exclusive focus on undergraduate education makes us different from some competitors. We are data-rich and use data to assess performance and inform decision-making.

**To what extent is what we do and deliver distinct from competitors?**

Positioned against some competitors, we do offer smaller classes, more full-time faculty teach, and the three-year residential component appears to be distinct. However, for an equal number of our competitors, what we do and deliver appears to be very similar, or we are perceived to be too large or too urban. The bottom line is that what we do and deliver is not so demonstrably different from our competition that we enjoy a position of noteworthiness.

**To what extent is what we do and deliver in demand within the broader marketplace?**

Only about 4% of the college-bound public chooses to attend colleges like Augustana, which suggests demand for an education such as what we offer is somewhat limited. However, college-going is increasing nationwide and the bachelor's degree is increasingly perceived as necessary to advance or maintain a stable future.

**To what extent does what we do and deliver increase the value of an Augustana education?**

This question does not have a clear answer.

**Do we test our assumptions about the value our students will derive from what we do and deliver?**

We are a data-rich institution with an emphasis on assessment of our methods, programs and practices. We have a robust understanding of the value our students derive from what we do and deliver. However, we have not always translated this understanding into something that represents worth or value in the mind of our current or prospective students. We have not consistently tested whether what we believe to represent worth or value translates to a student's choosing to pay more for what we offer or fully believing that what we offer is distinguishable from what can be done/achieved at another college or university. Perhaps the greatest challenge to our competitive position in this area is contextualizing and translating what appear to be measures of educational growth in which we are superior, so that the public is more convinced that we produce distinguished results and are worth more.

**Do we understand in detail the costs associated with what we do and deliver?**

We are a high-tech and high-touch industry reliant upon a high-cost delivery model, and understand very well the major cost-drivers at the college. In addition, the Office of Academic Affairs recently assessed the cost to generate a credit hour by department. We also understand that we have some cost structures that are unusual. For example, the cost of many study-abroad programs is more significant because we use our own faculty to deliver these important programs.

**To what extent does what we do and deliver depart from the average within higher education?**

Please see previous answer regarding distinctions.

**How many points of genuine difference can be identified across major sections of the institution?**

Several majors/departments enjoy a very strong reputation and stand out from other colleges, and there are some practices within these majors/departments that may serve as a model for programming at the institutional level. But, genuine distinctions at the institutional level are somewhat limited and have been described previously.

**Do the points create genuine value?**

Of the distinctions identified (Academic All-Americans, Augie Choice, the Quad Cities and The Four-year Graduation Agreement) at the institutional level, each creates genuine value; and, in combination, the four distinctions make a strong case for Augustana College.

**Do all elements of our organization positively reinforce one another?**

Not consistently. There is a perception that many programs and efforts that are directly related are perceived to be silos; examples include LSFY, AGES and Senior Inquiry, and the connection between curricular, co-curricular and residential learning. We have struggled to more intentionally connect efforts, which has resulted in a muddled understanding of intentions.

**Are there elements within our organization that look anomalous to stakeholders?**

Our academic calendar limits partnering opportunities.