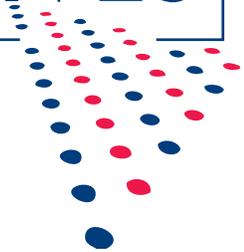


PRESIDENTIAL PERSPECTIVES



a higher education presidential thought leadership series

2011/2012 Series: **Strategies to Address the Rising Cost of Higher Education**

chapter **10** • **A Propitious Moment**
• *Building Quality While Managing Costs at a Public Liberal Arts University*



A Propitious Moment

Building Quality While Managing Costs at a Public Liberal Arts University

Dr. John W. Stewart, III: President of the University of Montevallo

A new president with his first year—and a career in industry—behind him, reflects on the challenge of ensuring academic rigor while exercising assiduous financial stewardship.

Hemingway once admonished young writers, “Do not think something is interesting just because it happened to you.” (“Hemingway on Writing”) With that advice (and his economy with words) in mind, I offer a snapshot of my first year as a university president in the hope that you may find among my reflections an idea or two useful to your own important work.

In March 2010, I was appointed president of the University of Montevallo (UM), a small public liberal arts institution situated in the geographic center of the state of Alabama, 35 miles south of Birmingham. Montevallo is respected in the region and beyond for an institutional ethos that values—above all—the teaching of critical, independent thinking. In that strange, three-month interregnum before my first official day on the job, two questions gave me significant pause:

1. How would I work with my new team and Board of Trustees to manage rising costs and a \$50 million annual budget that had been stripped to the tune of 25 percent in lost state funding in the previous three years?
—and,
2. How, in this time of exigency, would I craft and present an overarching vision for Montevallo that would at once increase revenue, cement our future financial viability, and also move us to new levels of meaning and efficacy?

“ When we were first building our business, we would wring our hands every night at dinner trying to figure out how to save a nickel here and a dime there. It really drove us crazy, until one night we simply concluded that it would be a lot easier—and much more fun—to sell more copiers!”



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Montevallo has been doing things well academically for 115 years. Our faculty is well credentialed, dedicated, and passionate. I knew that I had to tackle those aforementioned orders of business, namely *cost control* and *revenue production*, to preserve and build on our traditions of rigor and challenge within the classroom. I was, and remain, keenly aware that students, parents, and no less than the United States Congress, continue to tell university presidents that raising tuition significantly and annually is simply not sustainable. This is especially the case here in rural Alabama, where demographics and socioeconomics weigh heavily on price elasticity at our universities, colleges, and schools. At an institution where 80 percent of the student population receives some form of financial assistance, 31 percent receive Pell grants, and 78 percent plan to work to fund college expenses, setting tuition is a critical task, one in which the president must weigh the gravity for both the institution's financial challenges and those of the current and incoming student body. Therefore, our task as presidents is to aggressively and creatively discover and promote models that work for all the students and families we serve well into the future—and to share these models with each other as we learn.

Selling More Copiers

When I was hired, the trustees were clear in their desire for me to raise money. Anxious to jumpstart those efforts, I began visiting supporters of our foundation during my second week. One of these meetings was with a former foundation board member, who along with his wife, owns an extremely successful copier business in three cities. At the end of the meeting, he invited me to fly with him and his wife to Dallas for dinner where they had a business and a home. Two days later during this dinner, I engaged in a conversation with this couple that helped shape my first year. In response to concerns that I voiced about the budget and cost cutting, he told a story that went something like this: “When we were first building our business, we would wring our hands every night at dinner trying to figure out how to save a nickel here and a dime there. It really drove us crazy, until one night, we simply concluded that it would be a lot easier—and much more fun—to sell more copiers!” While not necessarily a “light bulb moment,” that conversation stayed with me. My vision for our University, already alive with a 115-year history of academic quality and distinction, began to take shape.

Following conversations with many constituents, we set ourselves toward an exciting adventure to build an *enrollment management culture* that had not existed previously and that I believed would provide our campus community a unifying, common goal in which *everyone* had a stake and role. We will always be small (our mission is to provide an affordable, “honors college” experience); however, growing by 500 residential, undergraduate students will replace nearly all the funds lost to state budget cuts. Prudent, measured growth per our strategic plan will help us with deferred maintenance and technology. This type of growth will also make us a more lively, robust, and talented community of learners and a more dynamic economic engine for our city and county.

Rebuilding Revenue: Year 1

We settled on a half dozen “points of pride” or distinctive characteristics that we could work into every discourse generated about our University. These “points” helped us to focus on a unifying theme—Montevallo’s *value proposition renders us one of the most compelling stories in higher education*. We were determined to tell every prospective student, parent, alumnus, high school educator, donor, and legislator we could find that:

- Ninety-five percent of full-time faculty hold a Ph.D. or terminal degree in their fields.
- Our student faculty ratio is 17:1.
- Recent graduates study at prestigious schools such as Duke and Oxford.
- Twenty-nine of our academic programs are accredited by rigorous specialized, programmatic, and professional accrediting bodies—quite a feather in the cap of *any* institution.
- One hundred percent of graduates from our “health track” program in Biochemistry were accepted to medical, dental, or veterinary school during the past four years.
- **Our cost—for tuition, room, board, and fees—is approximately \$12,500 before any discounts for scholarships or financial aid. Talk about a value proposition!**

To tell this story far and wide, we planned our first comprehensive branding and marketing campaign that will launch during the fall of 2011. In support of this effort, we:

- Chose a select group of faculty and staff to initiate a Montevallo speakers bureau and took every opportunity to tell our story of academic quality and extreme value
- Created a presentation outlining our faculty credentials, class size, and other attributes set beside our cost of attendance vis-a-vis small, very reputable *private* liberal arts colleges—In many cases we compare favorably and are one-third of the cost.
- Engaged UM marketing professors and students in a two-semester study of our brand
- Hired a highly regarded external agency to help us prepare for launch of a branding and marketing campaign

To build enrollment and improve retention, we:

- Hired a respected consultant to review our admissions program and help us write a *Strategic Enrollment Management Plan*
- Increased the recruitment goals of our admissions staff—the staff responded by visiting twice the number of guidance counselors and prospective students as the previous year



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- Created a Strategic Enrollment Management Team of key recruitment and retention leaders on campus (cabinet members, deans, admissions, and student affairs representatives)
- Drafted a Retention Plan that identified and addressed needs in advising and student activities (increased significantly the level of weekend activities for residential students)
- Talked to faculty and staff at every opportunity to build support and buy-in
- Accompanied the Admissions staff on recruitment events and meetings with high school officials around the state
- Completed national search for our first-ever vice president for enrollment management (we landed a rock star)
- Visited with colleagues at two- and four-year schools around our state and region
- Developed plans to create a *Montevallo Science Trail* comprised of our wetlands, lake, and observatory— High School students will spend the day and evening at these facilities studying with our faculty and students offering them a one of a kind college experience.
- Invited prospective art students working in clay from around our region to fire their pottery in our unique Anagama kiln

To advance fundraising efforts, we:

- Visited the state capital many times to meet with the governor and legislators
- Established a year-round annual *Fund Call Center* and hired an additional gift officer
- Restructured the advancement shop to place emphasis on our top 100 prospects and 500 “capital or special giving prospects”
- Committed myself to at least 100 fundraising visits, 50 cultivation and alumni events, and multiple such dinners at our home
- Hired a new advancement services director to gear up for our first comprehensive campaign

Also, we expanded our academic program offerings to build enrollment and achieve even greater distinction. Among them, a *Game Studies and Design* minor (hopefully soon to be a major) will allow students who are aficionados of video and board games an opportunity to indulge their passions in what is a \$20 billion industry. A new *Interdisciplinary Studies* major will enable students to craft their own courses of study and create a unique, customized curriculum.

Back to Basics Cutting Costs

Prior to my arrival, the University had been striking a balance in mitigating the impact of state funding losses. Fortunate to have modest reserves in unrestricted net assets, the University shared the burden with faculty, students, and staff. Budgeting to use a fraction of reserves annually for operations, the University had been able to maintain the level of support in student financial assistance programs and avoid furloughs of faculty and staff. However, this came at the cost of departmental budgets, which had suffered from a 25 percent cut in materials, supplies, travel, and equipment. I also arrived at a time when the University was planning for the loss of federal stimulus funding of more than \$1.6 million, which was currently upholding the University budget.

While diving into enrollment management and fundraising, we also took a hard look at the budget. I immediately realized that the 25 percent budget cuts across campus could not be sustained without sacrificing quality. As a result, I continued my endeavor to apply my industry experience to this challenge. I spent the first 15 years of my career working with my father, a true entrepreneur, as an industrial contractor in a family business. When we won a substantial contract, we would add to our workforce and “thin out” as the project came to a close, always keeping a core of our most trusted and valued craftsmen on the payroll. I learned from my mother and father that our people, this core group, were everything. When we did have downturns or completed large projects, most of the employees laid off found work through their union halls or other companies, so everyone involved expected a cyclical kind or style of employment. Not so with higher education and especially for a liberal arts university. For instance, we would likely refrain from cutting academic programs close to our core values.

Applying this experience, in the first year, we took a hard look at areas that might be run more efficiently. Two areas immediately rose to the top, one in which we had heavy salaries and benefits without the return—international student services. The number of paying international students didn’t support the overhead of the area. I found myself asking questions like:

- Are we currently saturating the Alabama market?
- Have we adequately addressed regional recruiting? What markets could we improve at a lower cost?
- Could we hold our own or even improve paying international students with a strong international agent relationship by seeking a reputable and ethical agent to represent UM internationally?

The ultimate outcome of this review was a very small (though obviously not small to the people involved) reduction in force, netting savings of almost \$250,000. After the initial shock on campus, we found ourselves stronger, more focused, and a portion of our stimulus loss secured in our tools for survival.

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After several years of legwork by key staff, the University appealed to a primary vendor regarding performance and cost, and we successfully negotiated an annual reduction of \$600,000, a total savings of approximately \$3.3 million over the remaining five years of the contract. I began monitoring and actively participating in negotiations of rising costs, such as health insurance benefits. Additionally, working closely with our provost, finance, and human resources teams, we designed a voluntary retirement incentive program, positively received by our campus, that resulted in permanent budget reductions of more than \$300,000.

My father-in-law, a former railroad executive, advised me to, “Keep looking at your budget. There is always something there that you missed the first time.” I can now say that a deliberate plan to regularly and diligently review the budget with my very talented senior staff has helped us weather these storms. While the seas around us are not entirely calm, the time invested in the details of the budget has aligned our resources to put some wind behind our sails.

It occurs to me that our country is at its best when we are building, creating—on the move—not when we are simply hyper-focused on cost cutting alone. As presidents, we must be ever determined to lead in the endeavor of creating and building—as well as the pruning of budgets.

** I would like to acknowledge the assistance of Dr. Michelle Johnston and Mrs. DeAnna Smith of the University of Montevallo in the preparation of this chapter.*



Dr. John Stewart, III is the University of Montevallo’s 15th president. The UM Board of Trustees selected Dr. Stewart as the University’s new leader at a special meeting March 3, 2010. Dr. Stewart came to UM in mid-June from his position as vice president for institutional advancement at Flagler College in St. Augustine, Florida.

Stewart brings a unique mix of experience to Montevallo, including marketing, in industry, fundraising, and teaching. He received a doctorate in English with a focus on African/Caribbean and Harlem Renaissance literature from the University of Southern Mississippi. He also holds an M.A. in English from Washington College in Chestertown, Maryland, and a B.A. in history from Wake Forest University.

While at Flagler College, Stewart increased the total fundraising from \$1.3 million to \$22 million in his first two years there and raised \$30 million from July 2005 to Spring 2008. The alumni giving participation rate rose from 17.5 percent to 25 percent.

Stewart has served as Vice President for Development at William Carey University, Director of Capital Giving at Swarthmore College in Pennsylvania, and Director of Major Gifts and Director of Development Operations at University of Southern Mississippi.

Dr. Stewart was a Marketing Representative and Project Manager for J.W. Stewart Inc. Industrial Contractors in Delaware from 1983–97. He was Vice President of Operations and Business Development for the company from 1990–97.