Gradually & Then Suddenly – A Farewell to Revenue

As Funding Challenges Continue, Collaboration Can Pave the Way for Sustainability in Higher Education

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Revenues are challenged. From large public schools to small private schools, east coast to west coast, the pulse of a strained revenue system is resonating throughout higher education. The pressure is mounting.

There's a line from Ernest Hemingway's, The Sun Also Rises that refers to bankruptcy. "How do you go bankrupt?" Hemingway wrote. "Two ways. Gradually and then suddenly." It's an interesting paradox that rings true. Some situations begin slowly and insidiously and then before you realize…it's too late.

In some ways, that's what I see happening in higher education.

Colleges and universities have grown somewhat accustomed to an overflowing revenue spigot, and those continual revenues have driven everything. But that's changing. Many institutions are facing herculean challenges in terms of funding. Tuitions and appropriations from the state are strained. Grant money is more competitive, and some schools are digging into their endowments at rates that will eventually make the endowment unsustainable. Many schools have invested in huge capital projects for the future, and they are now battling alarmingly high debt ratios.

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The truth is, there are all sorts of challenges for the future of education, some we're aware of, and some we don't even see coming. And it all leads back to revenue. No matter the size, location, or demographic make-up of students, it's fundamental that today's higher ed institutions get a better handle on costs. Higher ed is so accustomed to that revenue spigot running, many institutions haven't fully realized the urgency in terms of cost stewardship or cost management.

Something's got to give.

For starters, higher ed must focus on ensuring a functional and optimal supply chain. To do so effectively, the procurement department needs to be part of the equation. Oftentimes procurement is regarded as an obstacle or a hindrance to the educational process, and it's time to dispel this misconception. Procurement plays an integral role in advancing a university's mission and these folks deserve a seat at the table. There's enormous potential regarding how they can impact spend.

According to a recent operational assessment study conducted by E&I, on average, each procurement professional saves their institution $575 thousand a year. That's a significant savings, the equivalent of an $11.5 million gift! And consider this: about one-third of an institution's operating expenses is allocated for goods and services. By leveraging spend effectively, colleges and universities have an opportunity to put a significant dent in that one-third.

This can be done unilaterally, but it is often best done cooperatively. A great deal of spend can be leveraged by aggregating an institution's purchasing power. And this savings increases exponentially when you expand that buying power with other universities on a regional or national basis.

Cooperation and collaboration are essential toward ensuring a sustainable future for many institutions. I'm confident that together, we can uncover new and meaningful ways to contain costs and provide valuable revenue generating opportunities, but it's going to require some fundamental changes to the way higher education does business. Before the spigot runs dry.