



# CFO Outlook for Higher Education

Performance management trends  
and priorities



# 2022

# Introduction

Higher education leaders nationwide are optimistic about the future financial health of their institutions heading into 2022. Nearly seven in 10 college and university finance professionals anticipate their organizations will be financially stable over the next decade. Moody's Investors Service is maintaining a stable outlook for the sector in 2022, with operating revenues projected to increase 4%-6% as colleges and universities continue to regain solid ground following the disruptions of COVID-19 in 2020 and 2021.<sup>1</sup>

While the sector has largely moved away from crisis mode, higher education faces substantial and ongoing challenges. These include decreased funding, increased costs, workforce shortages, and fluctuating enrollments due to concerns such as the "demographic cliff," which is projected to drive sharp declines in the numbers of traditional college-age students in the years to come. Undergraduate enrollment has already fallen 8% over the past two years, its largest two-year drop in 50 years, according to a recent National Student Clearinghouse Research Center report.<sup>2</sup>

Many institutions continue to try to navigate such issues using inadequate analytics and outdated financial planning tools and processes. A vast majority (84%) of higher education finance professionals believe their organizations should do more to leverage financial and operational data for more informed decisions. To get ahead of current and future challenges, college and university leaders plan to focus on a broad range of financial planning and analysis initiatives throughout 2022.

This report features findings of Syntellis Performance Solutions' annual survey examining trends and priorities in higher education finance, including how finance professionals at more than 100 institutions view the current environment, the tools they rely on, and their future plans.

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<sup>1</sup> Whitford, E.: "[Moody's Forecasts Stable Outlook for Higher Ed in 2022](#)," *Inside Higher Ed*, Dec. 9, 2021.

<sup>2</sup> National Student Clearinghouse Research Center: "Fall 2021 Enrollment (as of October 21)." National Student Clearinghouse Research Center's Regular Updates on Higher Education Enrollment, Nov. 18, 2021.

# A Year for Optimism

## Confidence Is High Heading Into 2022

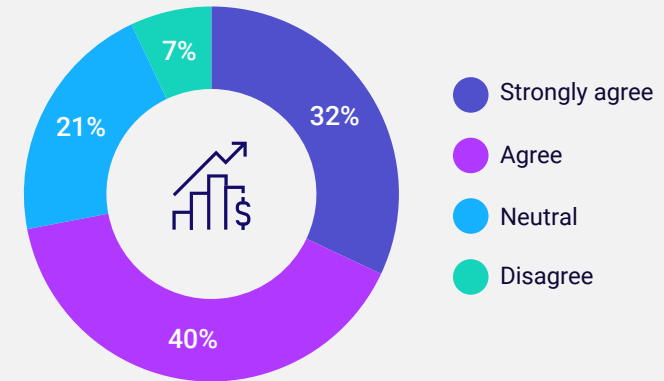
Finance professionals at colleges and universities across the country expressed a high level of confidence in the future financial stability of their institutions. Seventy-two percent of respondents agreed or strongly agreed that their institutions would be financially stable over the next five years. That is up from 62% in the previous year's survey.

Sixty-nine percent of respondents expect their institutions will be financially stable over the next 10 years. Just 7% did not think their institutions would be financially stable over either the next five or 10 years.

Finance professionals from public institutions were more optimistic than those from private institutions. Eighty-one percent of respondents from public four-year colleges or universities anticipate their organizations will be stable in five years versus 69% from community colleges and 65% from private institutions. Looking over the next 10 years, 78% of respondents from public four-year institutions, 75% of those from two-year colleges, and 56% from private four-year institutions anticipate their organizations will be financially stable.

Several factors may be contributing to lower levels of confidence at private institutions, such as a lack of government funding, decreased enrollment, and increased competition from lower-cost colleges and universities coupled with a general devaluation of college degrees.

## Institution will remain financially stable over the next five years: All higher education



## Institution will remain financially stable for next five years: Private/Public

Public 4-year institutions



Public 2-year colleges



Private 4-year institutions



## Most Institutions Returned to Pre-COVID Budget Cycles

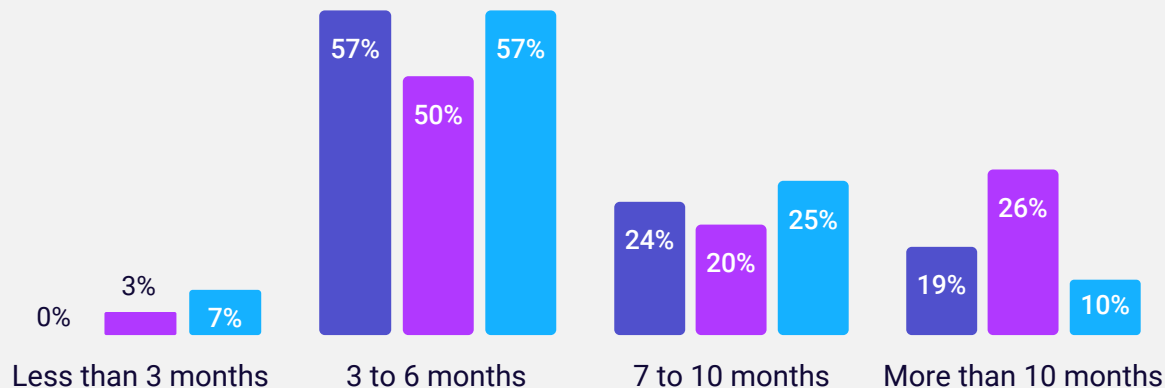
Overall, colleges and universities decreased the length of their budget cycles in 2021 compared to 2020, when the turbulence of the pandemic's early months caused organizations to extend their budget cycles. Many showed budget cycles returning to pre-pandemic lengths.

Fifty-seven percent of survey respondents said their institutions have a budgeting cycle of three to six months, up from 50% in 2020 but in line with levels seen before the pandemic in 2019. A quarter indicated a budget cycle of seven to 10 months, up from 20% in 2020 but close to the 24% seen in 2019. Just 10% of respondents said they have a budgeting cycle that exceeds 10 months, down significantly from 26% during the height of the pandemic in 2020 and down from 19% in 2019.

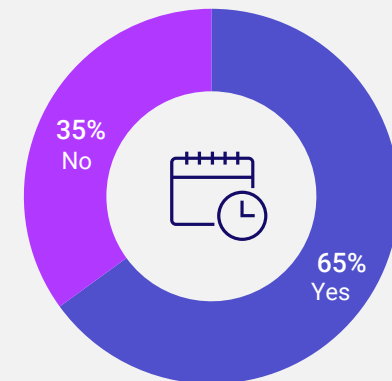
Nearly two-thirds (65%) said their budget cycle gives them ample time to conduct value-added analysis to inform strategic decisions. Still, more than a third of organizations (35%) said they do not have ample time to conduct such analyses.

### Length of budgeting cycle

● 2019 ● 2020 ● 2021



### Budget cycle provides ample time to conduct value-added analysis to inform strategic decisions



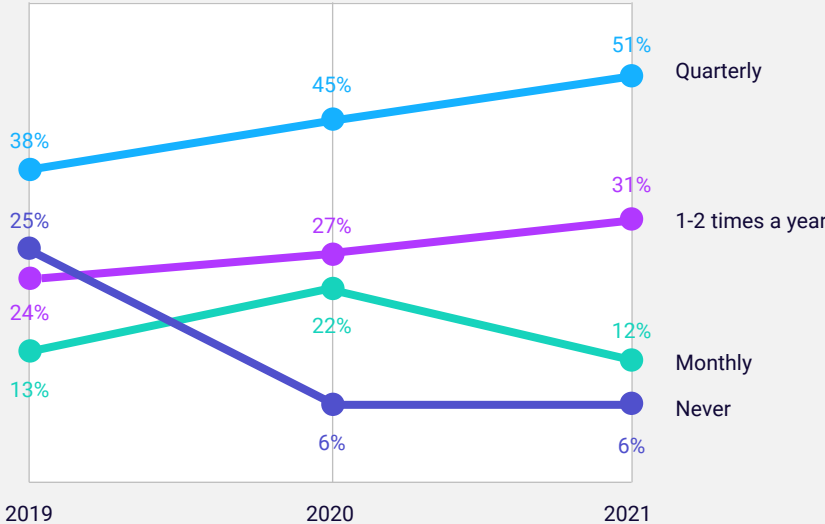
# More Frequent Forecasting Supports Agility in Uncertain Times

Many colleges and universities adopted in-year forecasting to respond to budget pressures at the height of the pandemic, and they have increased the frequency of those forecasts as they continue to navigate an uncertain environment.

Fifty-one percent of respondents said their organizations perform such forecasting quarterly, compared to 45% in 2020 and 38% in 2019. The proportion of those conducting forecasts once or twice a year has increased from 24% in 2019 to 27% in 2020 and 31% in 2021. Twelve percent of respondents to the most recent survey said they conduct forecasting monthly and just 6% do no forecasting – down from 25% in 2019.

More frequent forecasting reflects efforts by finance leaders to proactively stay ahead of economic and industry volatility seen over the last two years. In-year forecasting helps finance leaders model the future and track performance using real-time revenue and expense information to ensure they respond quickly to changing conditions.

### How often colleges and universities perform in-year forecasting





## Institutions Leverage Scenario Analysis Primarily for Near-Term Decisions

The survey results show that college and university finance professionals increasingly use scenario modeling to inform near-term decisions.

Nearly two-thirds (63%) said they would use it to model the impacts of internal and external drivers over the next 1-5 years, while more than half (53%) said they would use scenario analysis to make go/no-go decisions.

However, only 19% said they plan to model the impacts of internal and external drivers over the next 6-10 years. Another 19% said they have no plans to use scenario analysis in 2022.

Looking to the future, higher education leaders should balance the need to manage near-term priorities with long-term planning. Striking this balance is vital to preparing for future challenges while also making the most of current and emerging opportunities.

With enterprise performance management (EPM) technology, finance leaders can quickly build new scenarios, mixing and matching assumptions and initiatives to provide a range of possibilities for analysis, alignment to strategic plans, and C-suite consideration.



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63%

Plan to use scenario analysis to model the impacts of internal/external drivers over the next 1-5 years

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19%

Plan to model the impacts of internal/external drivers over the next 6-10 years

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# Ongoing Challenges



## The “Demographic Cliff” Looms as the Greatest Enrollment Challenge

Asked about upcoming enrollment challenges, 51% of finance professionals responding to the survey cited the “demographic cliff” as the top concern that will have the greatest financial impact on their institutions over the next 5-10 years. The cliff refers to a projected drop in potential first-time, full-time freshman due to a significant drop in children born during and after the 2008 financial crisis.

The level of concern about the demographic cliff was highest at community colleges, as 88% of respondents from two-year institutions say it will have the greatest impact over the next 5-10 years.

The second biggest challenge across all institutions was the devaluation of college education, cited by 18% of respondents, followed by a decrease in international student enrollment (15% of respondents). Both issues were of higher concern at public institutions. In fact, the devaluation of a college education was rated 56% higher by respondents from public institutions than those from private colleges and universities, and concerns about declining international enrollment were rated 27% higher by public vs. private respondents.

The results reflect some of the fundamental differences between various types of institutions. Because private colleges and universities are more tuition-dependent, they likely feel more vulnerable against increasing, lower-cost competition for students; whereas public colleges and universities are more sensitive to funding uncertainties and changes in student population mix.

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51%

Say the **demographic cliff** will have the greatest financial impact over the next 5-10 years.

### By type of institution, it is the top concern for:

Public 2-year colleges

88%

Private 4-year colleges or universities

47%

Public 4-year colleges or universities

38%

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## The Labor Disconnect

A majority of colleges and universities feel the impacts of staffing and recruiting challenges that are compounded by nationwide workforce shortages.

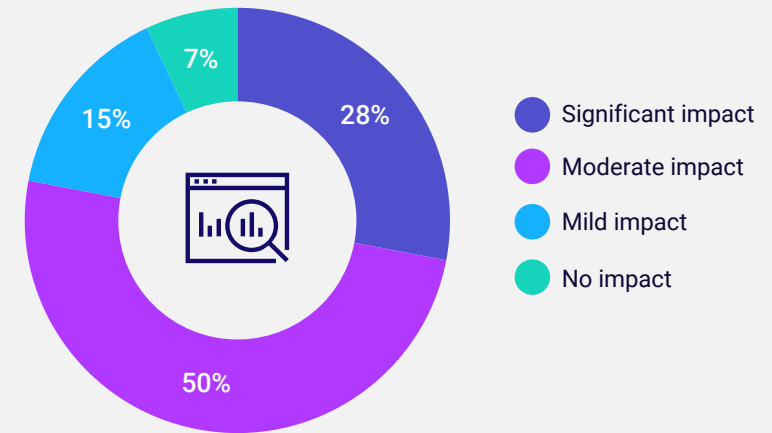
After the pandemic forced institutions to close campuses and furlough or lay off staff members for the 2020-2021 academic year, many colleges and universities faced widespread staffing shortages when they reopened campuses last fall. Those shortages affect campuses in multiple ways, such as creating long lines at understaffed dining halls or long waits for financial aid appointments.<sup>3</sup>

More than three-quarters of survey respondents (78%) said staffing and recruiting challenges have either a moderate or significant impact on financial planning at their institutions.

With labor planning software, institutions can align staffing with the budget by leveraging human resources data and driver assumptions about future salary and benefits rates. Armed with greater insights about the exact funding by position, colleges and universities can better compete for talent in this tight labor market.

<sup>3</sup> <https://news.yahoo.com/college-campuses-are-facing-staff-shortages-amid-labor-crunch-150804112.html>

## Impact of staffing and recruiting challenges on financial planning



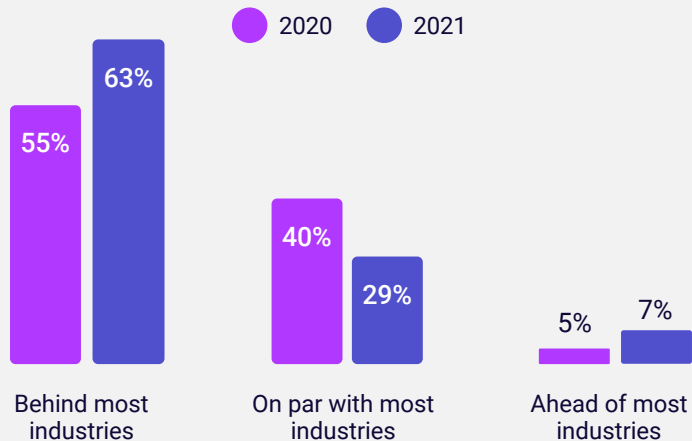
## Higher Education Lags Other Industries

Despite lessons learned from the pandemic, such as improved forecasting and increased use of scenario planning, many feel higher education has significant room for improvement. A growing majority of finance professionals believe the sector is behind other industries when it comes to adopting modern budgeting and financial planning tools – 63% indicated higher education was lagging, up from 55% in the prior year’s survey.

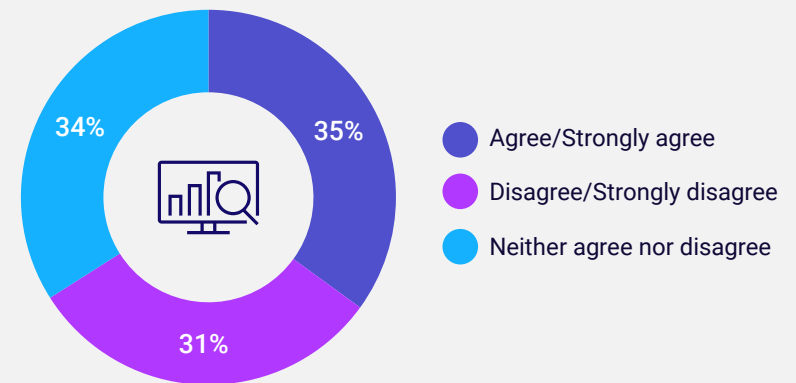
Twenty-nine percent said higher education was on par with most industries, down from 40% in the last survey. Just 7% said higher education was ahead of most industries.

Few survey respondents feel their current solutions provide the kind of agility that today’s environment demands – 31% feel their institutions lack the right budgeting and planning tools to respond quickly to changing conditions and 34% were neutral on the question, while just 35% agree or strongly agree that their institutions have the right tools.

### How does higher education compare to other industries in adopting modern budgeting and financial planning tools?



### My institution has the right budgeting and planning tools to respond to rapid change



# Many Colleges and Universities Continue to Rely on Rudimentary Tools

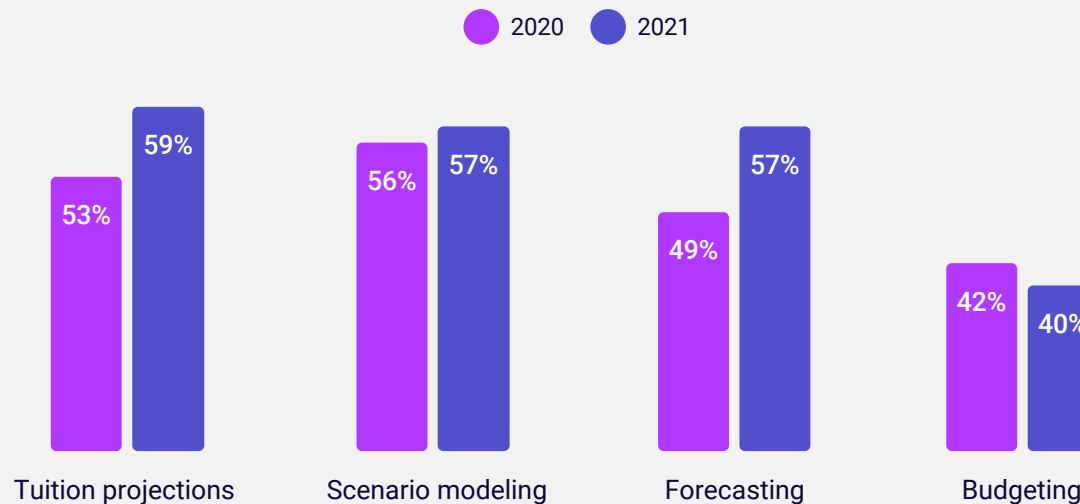
Further illustrating limited progress modernizing higher education budgeting and planning processes, a majority of organizations continue to rely on spreadsheets for key financial processes:

- 59% use spreadsheets for developing tuition projections, a slight increase compared to 53% in the previous year's survey
- 57% use spreadsheets for scenario modeling compared to 56% in the late 2020 survey
- 57% use them for forecasting, up from 49% in 2020

Budgeting has remained about the same since last year, with 40% still relying on spreadsheets for this critical process in 2021.

A quarter of organizations have advanced to using cloud-based performance management applications for budgeting, while 16% use such applications for forecasting. Transactional accounting/ERP systems are the third most common system used for budgeting, as indicated by 19% of survey respondents.

## Organizations that use spreadsheets for key finance functions



## Data Integration Remains a Top Reporting Challenge

The vast majority of survey respondents (84%) believe their organizations should do more to leverage financial and operational data to inform strategic decisions.

A quarter (25%) of survey respondents said the pandemic identified reporting and analytics as a gap at their institutions.

Pulling data from multiple sources into a single report remains the most significant financial reporting challenge for colleges and universities nationwide, as cited by 41% of respondents. The second most common challenge was accessing clean, consistent, and trusted data (18%). Taken together, these challenges show that higher education institutions continue to struggle with reliable data integration.

84%

Of organizations should do more to leverage financial and operational data to inform strategic decisions

### Top 3 reporting challenges:

41% Pulling data from multiple sources

18% Accessing clean, consistent, and trusted data

13% Need for better dashboards and visualizations



# Conclusion

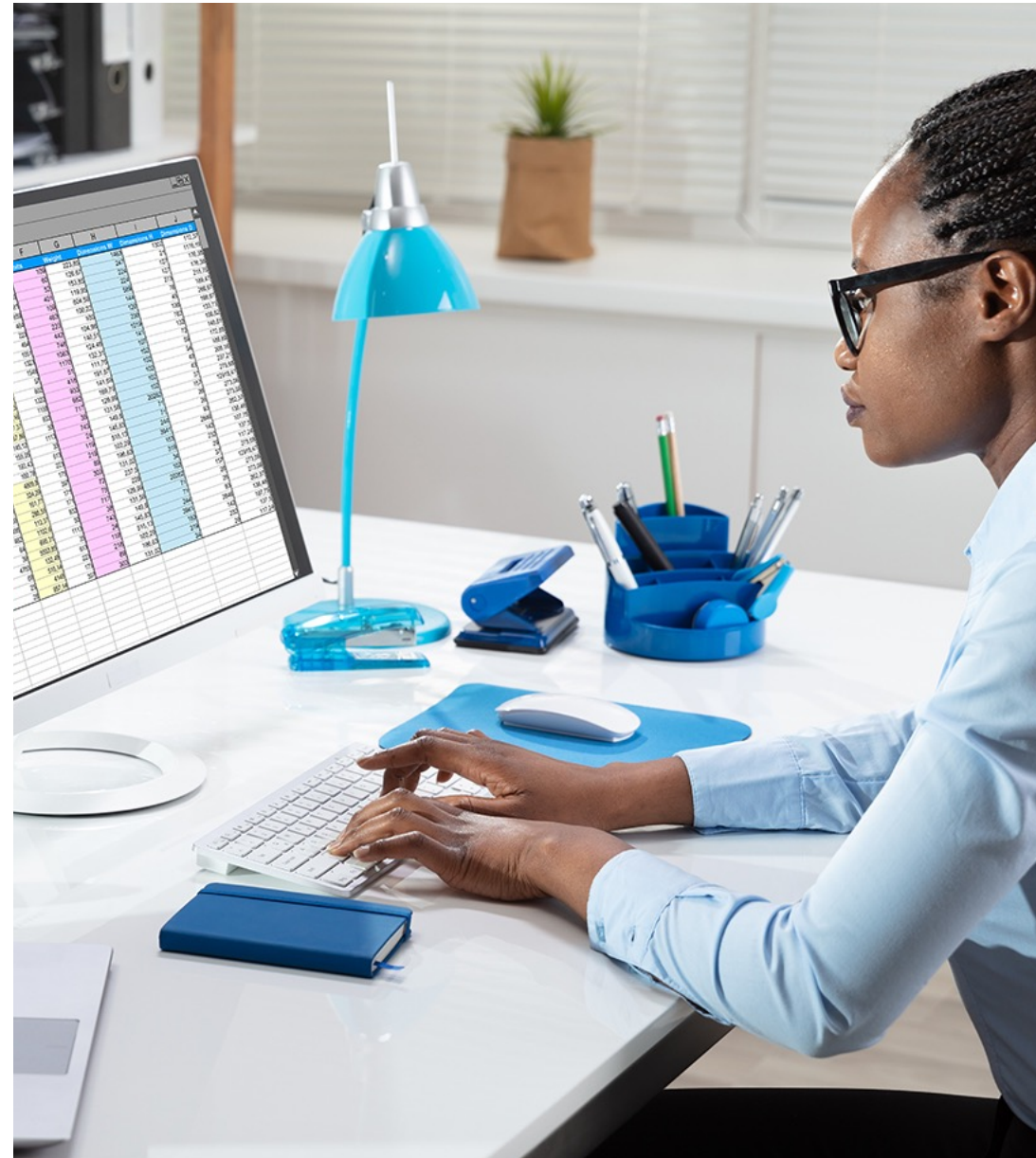


## A Need for Modernization

2021 provided an opportunity for many colleges and universities to steady themselves following the extreme turbulence of 2020, when the start of the pandemic forced widespread campus closures, an abrupt shift to online courses, and costly refunds for room and board. Institutions continue to face uncertain market conditions in the years ahead, but higher education leaders have transitioned from crisis management mode to a more stable environment.

Despite a heavy reliance on technology to facilitate social distancing and other mitigation efforts during the pandemic, higher education has yet to accelerate the adoption of modern financial planning, data, and analytics tools and processes. Far too many continue to rely on inadequate and outmoded spreadsheets and other inefficient tools that pose more difficulties than solutions.

Enhancing processes and investing in new, upgraded technologies do not require years-long development and implementation periods. The advent of cloud-based technologies has created the ability for finance teams to own and operate solutions such as Syntellis' Axiom™ Higher Education Suite. These solutions empower finance teams to automate data integrations and other time-consuming processes, therefore freeing them up to focus on more valuable strategic priorities.



# Key Takeaways

Colleges and universities nationwide face a confluence of challenges testing their financial and operational processes. While institutions have taken steps to ensure long-term financial viability, the volatility of the COVID-19 pandemic coupled with declining enrollment, global supply chain issues, and national labor shortages continue to demand that institutions find new ways to do more with less.



Higher education leaders should take five actions to modernize processes and prepare to meet the demands of current and unexpected challenges:



Leverage in-year forecasting to support agility, model the future, and track performance using real-time revenue and expense data



Track forecasts over time with waterfall reporting that automatically updates as new data becomes available



Strike a balance between near- and long-term priorities using a scenario planning tool designed to help identify and address current and emerging opportunities



Invest in modern EPM technology to quickly respond to changing conditions by running new scenarios, mixing and matching assumptions and initiatives, and leveraging financial and operational data to inform strategic decisions

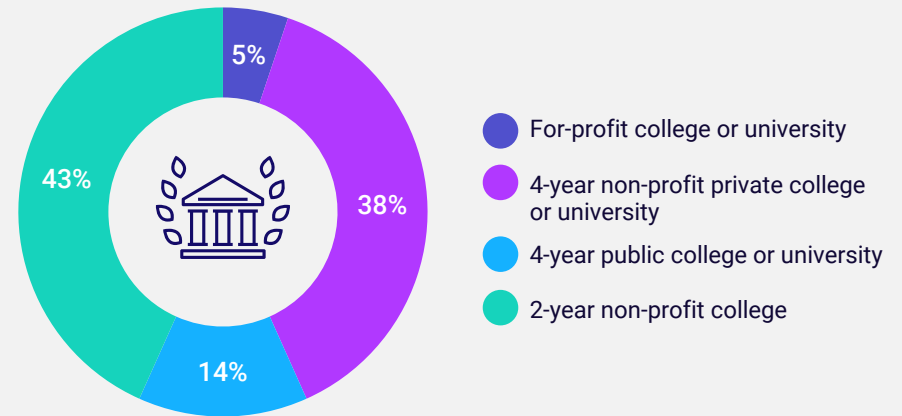


Better compete for talent in a tight labor market by aligning staffing to budget with labor planning software that leverages human resources data and driver assumptions about future salary and benefits rates

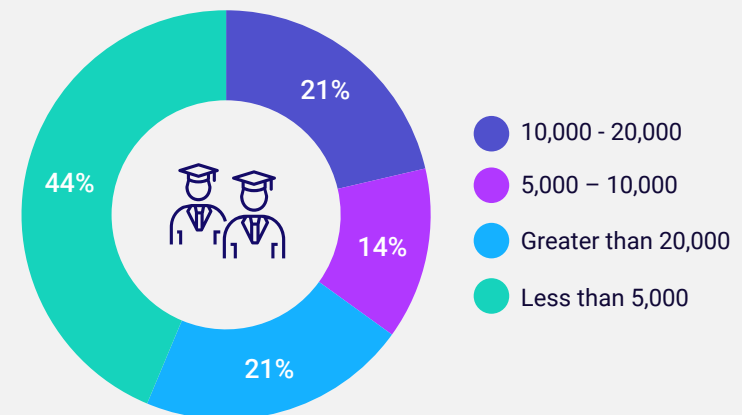
## About the Report

The 2022 *CFO Outlook for Higher Education* report is the fifth annual in-depth look at financial challenges, priorities, and progress at U.S. higher education institutions. The report is based on a November 2021 survey of more than 130 finance professionals from four-year, two-year, public, and private colleges and universities.

### Institution type



### Total full-time student enrollment





Syntellis Performance Solutions provides innovative enterprise performance management software, data and analytics solutions for higher education institutions. Our powerful budgeting, financial planning, and analytics solutions help colleges and universities elevate financial performance and transform vision into reality. With leading institutions using our flexible, powerful, intuitive Axiom software to manage nearly \$60 billion in revenue and \$100 billion in endowments combined with top satisfaction rankings from BPM partners for the past 8 years, our proven industry expertise helps college and universities acquire insights, accelerate decisions and advance their business plans.

For more information, please visit [www.syntellis.com](http://www.syntellis.com).