



CFO one-on-one



Dr Morgan R. Olsen is the Chief Financial Officer of the largest university in the United States, **Arizona State University**. Dr Olsen serves on the Board of Directors of the United Educators Insurance Company, and is a past Chair of the Board of Directors for the National Association of College and University Business Officers (NACUBO). With about 73,000 students studying across ASU's 5 campuses and an additional 22,000 online students, Dr Olsen discusses the challenges and opportunities associated with running such a large and complex institution.

As a CFO, what are the recent trends in the university sector in the US?

There are many similarities between the university landscape in the US and other countries around the world, such as Australia. In the US, there has been roughly a decade of 'public disinvestment in universities'. In fact, at ASU during the 'great recession' (2008-2012), we saw a 40% decrease in state government investment, or about \$200m, and this downtrend is pretty consistent across the country. This metamorphosis has led to a significant change to the business model, where universities have been forced to seek other sources of funding.

Tuition pricing and student fees also have been pushed higher to help make up the shortfall, representing a far greater percentage of our total

revenue than ever before. At ASU, less than 16% of total revenue is now from state government investment.

What makes the US higher education sector unique is the great diversity of institution types, whether private, public, for-profit, two-year, four-year, specialty, etc., and so there is a great deal of competition for students and funding.

Has growth been at the cost of quality?

I don't believe so. At ASU we are always concerned about ensuring a high-quality student experience and outcomes. Investment in technology applications that follow principles of adaptive learning has improved the student experience. Technology also has allowed us to personalise the student experience with customised learning programs. Being able to do things well at scale is a key part of ASU's success.

Has this change in the business model changed the way you work?

I subscribe to the phrase 'never waste a good crisis'. When you go on such an austere revenue diet it forces you to do things differently. Certainly, we have become much more entrepreneurial and nimble.



We now exploit the "power of partnership" far more to do things better and to identify synergies with the right partners. This is true of the support functions at ASU, whether we are working with partners on joint real estate developments, the delivery of student housing or sustainable energy projects. It is also true of our teaching and learning functions, where we are working with more than 100 different companies, mostly in the educational technology space, to improve the effectiveness of teaching and learning processes.

As a research university, we work with partners such as other research universities or industrial corporations who may be interested in co-developing and commercialising specific applications, licensing our intellectual property or starting a company with us to commercialise and monetise our research.

I think it is often useful to hire people with different experience sets out of industry to assist with this commercialisation process. However we need always to remember why the university is here and what is our mission, ensuring those people can make the adjustment.





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Phil McCann speaks candidly with Arizona State University's CFO Dr Morgan R. Olsen...

How has your CFO role evolved?

As mentioned, there is now a much greater responsibility for revenue generation. Historically, university CFOs were more about helping to manage the university finances and ensuring that it lives within its means; effectively managing the balance sheet and debt portfolio, endowments etc. Over the last 5-10 years the CFO has had to play a much bigger role in looking for opportunities to generate revenue. The days of waiting for state appropriations to roll in and do what you have always done are now gone. This is much more a world where you need to generate your own resources and so I believe that is the single biggest change.

My role is now far more strategic. I partner with the University President and my colleagues to make a concerted effort to manage the innovation process. Everyone's role is to identify strategies or emerging practices which we think might be applicable to us. While as executives you still manage your portfolios, whether finance or research or administration, increasingly everybody is expected to contribute more broadly. I am constantly figuring out connections across what otherwise might be silos and identifying opportunities to create value.

Another evolution is the onus on figuring how to work well with partners, where we may have done it ourselves in the past. Whereas we used to work with 'suppliers', we are now looking for multidimensional

relationships where we can identify greater synergies. Maybe developing a product or service where there is mutual benefit, such as brand affiliations.

The university has therefore become much more entrepreneurial and so has the leadership. This also has manifested itself by our 2015 recognition as the leading innovation university in the US*. This has created a virtuous cycle and helps attract both students and partners to the university.

How has the use of data analytics changed your role?

ASU has introduced analytics to the curriculum, with new Masters-level programs in big data and predictive analytics. However, analytics also has significantly infiltrated the way we do business in terms of managing the institution. There is now so much data out there, much of it unstructured, and figuring out how to use it to best effect is the challenge.

Data analytics provides us with better ways to identify if a student is struggling at an early stage. This is vital as it is so much less expensive to retain a student than recruit a new one. Finding ways to do that by identifying and measuring certain signals can be very successful. We also can effectively measure the impact of various strategies on student retention and graduation rates.

ASU recently appointed a Chief Marketing Officer (CMO,) which is a relatively new role in higher education, and the CMO is focussing significantly on business intelligence and analytics. The world is changing and we can now measure so many more things. Our big challenge is being imaginative enough to figure out ways to operationalise the data and make them actionable.

What keeps you awake at night?

Higher education is a rewarding industry in which to work and I am fortunate to have that opportunity. What we do is to enable people to reach their full potential and in doing so help in making the world a better place. I truly believe that. Education is the single most important source of social mobility. What keeps me awake is constantly evaluating how we do this better, particularly in this environment of public disinvestment. How do we generate revenue but constantly honor our mission? Also, at ASU we work really hard to ensure access and affordability for the entire socio-economic spectrum and we are constantly re-engineering the institution to do so. This allows us to remain competitive in a changing landscape.

What is your career highlight?

I like to think I haven't realised it yet! Perhaps my highlight to date is seeing ASU accomplish many things that are meaningful at the highest level. Helping facilitate that is most important to me. When people really value what your organization is doing, that is a real highlight. These accomplishments are manifested in different ways; one way could be what ASU is achieving in athletics or sustainability; maybe a very important research discovery, or thirdly something we are doing to extend educational opportunity in a broad way, such as our College Achievement Program where we are partnered with Starbucks Corporation.



*US News & World Report's 2015 "Most Innovative Schools" list.