More universities face a financial crisis

The financial stability of nearly one-third of universities in 2020 was weak, according to a Bain & Company analysis of business income statements and balance sheets.

The annual composite score measures a university’s resiliency based on three equally weighted metrics: the primary reserve ratio, net margin, and three-year enrollment growth.

In addition, around 100 institutions have been forced to close or merge over the past decade, according to a Bain & Company analysis of business income statements and balance sheets.

Five steps to retool for the future

To respond to the disruptive trends in higher education, universities can follow these principles to improve their financial outlook.

The public/private dichotomy

For example, public universities saw average equity ratios decline more than private institutions, according to a Bain & Company analysis of business income statements and balance sheets.

New pressures emerge

Notes: Average expense ratio is total expenses as a percentage of revenue; average equity ratio is total equity as a percentage of assets.

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Innovate the academic offerings

Rethink what’s possible for the learning model, such as hybrid teaching, integrated multidisciplinary curriculum, and faculty structure.

Transform the economics

Innovate the economic model and focus on the future, including business partnerships and administrative consortia.

Simplify the mission

Remove complexity in degree and program offerings, structures, processes, and services to concentrate exclusively on the target students’ raw needs.

Optimize the operations

Improve efficiency and enhance the student experience by harnessing digital, automation, analytics, core systems, and data.

The Financially Sustainable University: The Lost Decade

One-third of universities face an unsustainable financial future. Those that survive must take action now to prepare for the future.

What’s behind the decline?

The period between 2010 and 2020 brought the deterioration of both:

- The public/private dichotomy
- New pressures emerge

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