Business School Responses to the Global Crisis

A Look at Institutional Viability

Milenko Gudić, Managing Director
IMTA, CEEMAN, Slovenia
Institutional Longevity

Scenario Situations
How long could your school survive if revenues dropped by 5%

- 2 years: 4
- 3-4 years: 7
- 5 years and beyond: 97

Frequency
How long could your school survive if revenues dropped by 10%?

- About 1 year: 3
- 2 years: 6
- 3-4 years: 24
- 5 years and beyond: 74
How long could your school survive if revenues dropped by 15%
How long could your school survive if revenues dropped by 20%

Frequency

- Less than a year: 9
- About 1 year: 10
- 2 years: 19
- 3-4 years: 26
- 5 years and beyond: 45
Conclusion

• Overall, business schools see themselves as weathering the crisis.
  – Change in competitive landscape factor?
What about enrollment trends?
<table>
<thead>
<tr>
<th></th>
<th>Significantly Increasing</th>
<th>Increasing</th>
<th>No change</th>
<th>Decreasing</th>
<th>Significantly decreasing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fulltime Crisis</strong></td>
<td>3%</td>
<td>12%</td>
<td>50%</td>
<td>26%</td>
<td>14%</td>
</tr>
<tr>
<td><strong>Fulltime Next Yr</strong></td>
<td>3%</td>
<td>11%</td>
<td>37%</td>
<td>35%</td>
<td>13%</td>
</tr>
<tr>
<td><strong>Parttime Crisis</strong></td>
<td>9%</td>
<td>20%</td>
<td>42%</td>
<td>25%</td>
<td>6%</td>
</tr>
<tr>
<td><strong>Parttime Next Yr</strong></td>
<td>5%</td>
<td>12%</td>
<td>42%</td>
<td>31%</td>
<td>10%</td>
</tr>
</tbody>
</table>
# MBA Enrollment Change

<table>
<thead>
<tr>
<th></th>
<th>Significantly Increasing</th>
<th>Increasing</th>
<th>No change</th>
<th>Decreasing</th>
<th>Significantly decreasing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fulltime</strong></td>
<td>7%</td>
<td>12%</td>
<td>39%</td>
<td>33%</td>
<td>9%</td>
</tr>
<tr>
<td><strong>Crisis</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Next Yr</strong></td>
<td>6%</td>
<td>11%</td>
<td>32%</td>
<td>38%</td>
<td>12%</td>
</tr>
<tr>
<td><strong>Parttime</strong></td>
<td>8%</td>
<td>20%</td>
<td>40%</td>
<td>23%</td>
<td>9%</td>
</tr>
<tr>
<td><strong>Crisis</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Next Yr</strong></td>
<td>1%</td>
<td>15%</td>
<td>32%</td>
<td>43%</td>
<td>8%</td>
</tr>
</tbody>
</table>
## EMBA Enrollment

<table>
<thead>
<tr>
<th>Change due to crisis</th>
<th>Significantly Increasing</th>
<th>Increasing</th>
<th>No change</th>
<th>Decreasing</th>
<th>Significantly decreasing</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>16%</td>
<td>21%</td>
<td>41%</td>
<td>21%</td>
<td>2%</td>
</tr>
<tr>
<td>Forecast change next year</td>
<td>4%</td>
<td>12%</td>
<td>43%</td>
<td>35%</td>
<td>5%</td>
</tr>
</tbody>
</table>
## Corporate Education

<table>
<thead>
<tr>
<th>Change due to crisis</th>
<th>Significantly Increasing</th>
<th>Increasing</th>
<th>No change</th>
<th>Decreasing</th>
<th>Significantly decreasing</th>
</tr>
</thead>
<tbody>
<tr>
<td>forecast change next year</td>
<td>27%</td>
<td>23%</td>
<td>29%</td>
<td>12%</td>
<td>9%</td>
</tr>
<tr>
<td>forecast change next year</td>
<td>5%</td>
<td>12%</td>
<td>31%</td>
<td>43%</td>
<td>10%</td>
</tr>
</tbody>
</table>
Financial Solvency

The Income Side
Cash flow from operations for past two years

- Significantly increasing: 3.81%
- Modestly increasing: 15.24%
- Steady state -- no change: 28.57%
- Modestly decreasing: 42.86%
- Significantly decreasing: 9.52%
Change in cash flow from operations due to crisis

<table>
<thead>
<tr>
<th>Change in Cash Flow</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significantly increasing</td>
<td>12.37%</td>
</tr>
<tr>
<td>Modestly increasing</td>
<td>38.14%</td>
</tr>
<tr>
<td>Steady state -- no change</td>
<td>34.02%</td>
</tr>
<tr>
<td>Modestly decreasing</td>
<td>12.37%</td>
</tr>
<tr>
<td>Significantly decreasing</td>
<td>3.09%</td>
</tr>
</tbody>
</table>
Forecast of cash flow from operations

- Significantly increasing: 11.76%
- Modestly increasing: 18.63%
- Steady state -- no change: 32.35%
- Modestly decreasing: 35.29%
- Significantly decreasing: 1.96%
Student tuition fees for past two years

- Modestly increasing: 2.83%
- Steady state -- no change: 35.85%
- Modestly decreasing: 51.89%
- Significantly decreasing: 9.43%
Change in student tuition fees due to crisis

- Modestly increasing: 15.00%
- Steady state -- no change: 60.00%
- Modestly decreasing: 22.00%
- Significantly decreasing: 3.00%
Forecast of student tuition fees

- Significantly increasing: 0.95%
- Modestly increasing: 3.74%
- Steady state -- no change: 47.66%
- Modestly decreasing: 44.06%
- Significantly decreasing: 2.80%
Level of student tuition discounting for past two years

- Significantly increasing: 1.06%
- Modestly increasing: 7.29%
- Steady state -- no change: 65.62%
- Modestly decreasing: 23.98%
- Significantly decreasing: 2.08%
Change in student tuition discounting due to crisis

- Significantly increasing: 3.23%
- Modestly increasing: 17.20%
- Steady state -- no change: 60.22%
- Modestly decreasing: 16.13%
- Significantly decreasing: 3.23%
Forecast of student tuition discounting

- Significantly increasing: 3.09%
- Modestly increasing: 10.31%
- Steady state -- no change: 65.98%
- Modestly decreasing: 19.59%
- Significantly decreasing: 1.08%
## Change in Student Tuition + Tuition Discounting Responding to Crisis

<table>
<thead>
<tr>
<th>Change in student tuition fees due to crisis</th>
<th>Significantly increasing</th>
<th>Modestly increasing</th>
<th>No change</th>
<th>Modestly decreasing</th>
<th>Significantly decreasing</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Modestly increasing</td>
<td>1</td>
<td>9</td>
<td>2</td>
<td>2</td>
<td>0</td>
<td>14</td>
</tr>
<tr>
<td>Steady state – no change</td>
<td>1</td>
<td>4</td>
<td>43</td>
<td>6</td>
<td>1</td>
<td>55</td>
</tr>
<tr>
<td>Modestly decreasing</td>
<td>1</td>
<td>3</td>
<td>9</td>
<td>6</td>
<td>2</td>
<td>21</td>
</tr>
<tr>
<td>Significantly decreasing</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3</strong></td>
<td><strong>16</strong></td>
<td><strong>55</strong></td>
<td><strong>15</strong></td>
<td><strong>3</strong></td>
<td><strong>92</strong></td>
</tr>
</tbody>
</table>
## Forecast Change in Student Tuition + Tuition Discount

<table>
<thead>
<tr>
<th>Forecast of student tuition fees</th>
<th>Significantly increasing</th>
<th>Modestly increasing</th>
<th>No change</th>
<th>Modestly decreasing</th>
<th>Significantly decreasing</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significantly increasing</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Modestly increasing</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>No change</td>
<td>1</td>
<td>1</td>
<td>37</td>
<td>6</td>
<td>0</td>
<td>45</td>
</tr>
<tr>
<td>Modestly decreasing</td>
<td>0</td>
<td>6</td>
<td>26</td>
<td>12</td>
<td>0</td>
<td>44</td>
</tr>
<tr>
<td>Significantly decreasing</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>3</td>
<td>10</td>
<td>64</td>
<td>19</td>
<td>1</td>
<td>97</td>
</tr>
</tbody>
</table>
Conclusion

• Tuition and tuition discount levels remain relatively constant (ie, no change)
• Business schools are not using tuition discounting to drive enrollment
Level of sponsor’s donations for past two year

- Significantly increasing: 9.38%
- Modestly increasing: 13.54%
- Steady state -- no change: 45.83%
- Modestly decreasing: 27.08%
- Significantly decreasing: 4.17%
Forecast of sponsor's donations

- Significantly increasing: 15.46%
- Modestly increasing: 25.77%
- Steady state -- no change: 35.06%
- Modestly decreasing: 20.62%
- Significantly decreasing: 3.09%
Conclusion

• Sponsors seemed committed to their business schools
  – Increased support levels in response to crisis AND continued support is forecast for next year
  – Longer term -- unclear
Level of external funding for research for two years
Change in external funding for research due to crisis

- Significantly increasing: 15.62%
- Modestly increasing: 32.29%
- Steady state -- no change: 33.33%
- Modestly decreasing: 15.62%
- Significantly decreasing: 3.12%
Forecast of external funding for research

- Significantly increasing: 12.12%
- Modestly increasing: 14.14%
- Steady state -- no change: 34.34%
- Modestly decreasing: 31.31%
- Significantly decreasing: 8.08%
Financial Solvency

Expense Side
Change in capital expenditures due to crisis

- Significantly increasing: 15.96%
- Modestly increasing: 19.15%
- Steady state -- no change: 43.62%
- Modestly decreasing: 13.83%
- Significantly decreasing: 7.45%
Conclusion

• Some schools see opportunity in the crisis
  – Increase in capital expenditures
Institutional marketing expenses for past two years

- Significantly increasing: 2.86%
- Modestly increasing: 9.52%
- Steady state -- no change: 34.29%
- Modestly decreasing: 42.86%
- Significantly decreasing: 10.48%
Change in institutional marketing expenses due to crisis

- Significantly increasing: 10.10%
- Modestly increasing: 23.23%
- Steady state -- no change: 41.41%
- Modestly decreasing: 15.15%
- Significantly decreasing: 10.10%
Forecast of Institutional marketing expenses

Percent

- Significantly increasing: 7.62%
- Modestly increasing: 9.52%
- Steady state change: 43.81%
- Modestly decreasing: 30.48%
- Significantly decreasing: 8.57%
Conclusion

- Increases in institutional marketing expenses seem to be immediate response to crisis; yet next year, institutional marketing expenses will decrease
Level of program marketing expenses for past two years

- Significantly increasing: 3.88%
- Modestly increasing: 8.74%
- Steady state -- no change: 29.16%
- Modestly decreasing: 45.63%
- Significantly decreasing: 13.59%
Change in program marketing expenses due to crisis

- Significantly increasing: 10.00%
- Modestly increasing: 23.00%
- Steady state -- no change: 39.00%
- Modestly decreasing: 21.00%
- Significantly decreasing: 7.00%
Forecast of program marketing expenses

- Significantly increasing: 4.85%
- Modestly increasing: 10.68%
- Steady state -- no change: 39.81%
- Modestly decreasing: 36.89%
- Significantly decreasing: 7.77%
Conclusion

• Program marketing expenses were being trimmed before the crisis
• Program marketing expenses seem to have stabilized at these reduced levels
• Some schools will continue to reduce program marketing expenses
Thank you for your kind attention

Questions and discussion