# How Higher Education's **Core Planning Problems** Disrupt Financial Plans

Amid rising costs, declining enrollments, and volatile government funding, higher education institutions need effective planning processes to remain financially sustainable. However, higher education's planning culture often prioritizes comfort, optimism, and caution over realism and timely action. In financial planning, that tendency can delay difficult budget decisions and undermine institutions' ability to sustain strategic priorities over time.

**This infographic shows how higher education's five core planning challenges manifest in financial planning.** Use it to diagnose institutional behavior, the finance disruption that follows, and the corrective move leaders can make to preserve financial strength.

## 1 Overly Optimistic Assumptions

Growth- and stability-based assumptions disconnect plans from structural risk and reality, failing to account for prolonged strain or downturns.

FINANCIAL PLANNING DISRUPTION

**Missing Financial Warning Signs**

POTENTIAL CONSEQUENCE

Leaders ignore demographic trends and plan for enrollment growth; when tuition falls short, they claw back funds and force unit cuts.

WHAT TO DO INSTEAD

Invest in timely and accurate multiyear forecasts to build plans around the real trends taking shape internally and in the market.

## 2 Box-Checking over Strategy

Oversight-driven plans produce compliance documents—not adaptive, decision-ready guidance.

FINANCIAL PLANNING DISRUPTION

**Focusing on Reporting, Not Insight**

POTENTIAL CONSEQUENCE

Compliance-driven five-year plan is not used to respond to a growing deficit; debt covenant breach triggers cash restrictions and emergency cuts.

WHAT TO DO INSTEAD

All cabinet-level strategic discussions prioritize alignment with the institution's financial plan as a primary decision factor.

## 3 Lack of Capacity to Pivot

Staffing gaps, limited skills, and underused tools in the FP&A function drive reactive planning.

FINANCIAL PLANNING DISRUPTION

**Leaving No Margin for Error**

POTENTIAL CONSEQUENCE

Small finance office creates annual forecast without contingencies; low state funding forces abrupt cancellation of technology upgrades, disrupting operations.

WHAT TO DO INSTEAD

Reduce time spent on transactional tasks, enabling finance staff to focus on strategic FP&A capabilities.

## 4 Built for Caution, Not Speed

Consensus-driven culture delays decisions until conditions shift, making plans obsolete before they can influence outcomes.

FINANCIAL PLANNING DISRUPTION

**Correcting Plans Too Late**

POTENTIAL CONSEQUENCE

Cabinet cannot agree on where to reduce costs in response to rising costs; they resort to across-the-board cuts, pulling back resources from signature programs.

WHAT TO DO INSTEAD

Use decision-making structures such as RAPID or RACI to allow individuals to move forward on urgent priorities when consensus cannot be reached.

## 5 Mismatched Goals and Incentives

Rather than aligning with institutional needs, leaders are motivated by visible wins, and units seek to protect autonomy.

FINANCIAL PLANNING DISRUPTION

**Locking In Unsustainable Budgets**

POTENTIAL CONSEQUENCE

Units retain full carry-forward balances, reducing flexible central funds; the institution is unable to fund provost's top priorities, and its market position is weakened.

WHAT TO DO INSTEAD

Create financial incentives for units that align financial decisions with institutional progress.

**Address planning gaps and avoid disruptions** by reviewing EAB's resources on Change Leadership and Decision Discipline in the Context of Shared Governance

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Interested in learning more about finance and administration?
Reference the Administrative Effectiveness Resource Center.

eab.com/administrative-effectiveness-resources