Introduction

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As the U.S. economy emerges from the severest recession in a generation, the harshest effects of the economic downturn are likely ahead for higher education as campus leadership focuses on enrollment, affordability and fundraising. Most colleges and universities have implemented significant expense reductions, such as cuts or consolidations in academic departments and programs, reorganizations in administration, and increases in class sizes and teaching loads. While not accustomed to lay-offs or furloughs, a number of colleges and universities have taken such steps. Institutions have also slowed or canceled capital projects to limit additions to debt or preserve liquidity.

With large questions regarding the long-term ramifications of the recession unanswered for higher education, the TIAA-CREF Institute hosted the Higher Education Leadership Conference, “Smart Leadership in Difficult Times” in November 2009. The conference brought together presidents, chancellors, other senior campus officials, higher education researchers and thought leaders, and the senior management of TIAA-CREF to examine pursuit of higher education’s mission moving forward in a resource-constrained environment. The economic success of individuals and the U.S. economy as a whole, as well as the vitality of America’s democracy, are directly dependent in a global society on colleges and universities fulfilling their core missions of education, research and service.

During his keynote address at the conference, David Gergen, Professor at Harvard University, Editor-at-Large with U.S. News & World Report, and Senior Political Analyst with CNN, argued that there will be no return to the old normal for the economy as it emerges from this recession. Praising colleges and universities as the crown jewel of America, he maintained the paramount role of higher education if America is to successfully adapt to the new normal in a global economy and society. Furthermore, he observed that the same macro-level forces are leading to a new normal in higher education as well.

Gergen maintained that colleges and universities must confront the
reality that the increasing cost of a higher education, combined with decreasing public funding, led to the current crunch in their collective budgets. He noted that while the cost of health care has risen 250 percent over the last 25 years, the cost of higher education has increased over 400 percent. Budget duress is forcing college and university boards to rethink their business model. He argued the need for a model that can address challenges such as providing a rich experience in the best tradition of a liberal arts education where students study under professors with doctorate degrees, using the internet to save money while preserving the quality of student’s experience, and recognizing that innovation is key to thriving in a globally competitive environment.

This volume was inspired by the conference presentations and dialogue, and all chapters are authored by conference participants. Several themes that emerged during the conference are further explored throughout this volume:

● There will be no return to the pre-recession status quo in higher education. In fact, the new normal confronting higher education is not driven by the economic recession, but rather by demographics and globalization. The United States must increase the share of its population receiving a higher education if it is to lead and succeed in the emerging global order and economy.

● The new normal entails innovating to meet the needs for higher education among a growing population of potential students from disadvantaged socioeconomic backgrounds, many of whom are ill-prepared for a college education and unaware of how to access it, and a population of mid-career students seeking to retool or reinvent themselves for the labor market.

● The environment of the new normal is constrained resources as public funding for higher education remains tight, fundraising remains difficult, endowments recover slowly, and pressures mount against current rates of tuition increases.

● Innovation in higher education must involve partnerships with the K-12 sector and better coordination between two-year and four-year institutions. It also means rethinking the development and delivery of curriculums to a student generation that communicates and learns differently than any prior generation.

● Engaging faculty will be crucial for the success of any change strategy.

Many parties will wish to return to the old normal, but fulfilling the mission of higher education will require implementing change in the face
of opposition, gaining support from key stakeholders, and maintaining morale in the process.

Chapter 1 of this volume, authored by David Breneman, University Professor at the University of Virginia and co-editor of the volume, examines the question of whether the business model of higher education is broken. In the realm of higher education, Breneman interprets “broken” to mean an inability to provide a college-level education for all citizens able to benefit and an inability to develop the new knowledge necessary for the United States to lead and compete in the global economy. The question and the issues it raises are central to the topics addressed throughout the remainder of the volume. Furthermore, if higher education’s business model is broken, then how should colleges and universities change and adapt?

In the chapter Breneman explores arguments on both sides of the question. Evidence supporting the proposition of a broken business model includes rates of tuition increases that are unsustainable without pricing hundreds of thousands of students out of a higher education, severe budgetary challenges despite such tuition increases, and a lack of organizational flexibility and adaptability in the face of these challenges.

On the other side, evidence cited against a broken business model includes steady enrollment rates among high school graduates and enrollment levels at historic highs. Affordability does not seem to be an issue as long as individuals can borrow to fund their investment in higher education, but many families do not, or cannot, view higher education as an investment. The argument is also outlined that very low, subsidized tuition levels were economically inefficient since they benefited not only those in need, but also those who could afford a college education at a market price. High tuitions with need-based financial aid are viewed as more efficient. Finally, for-profit institutions are not seen as direct competition for traditional college and university students; they are best viewed as expanding the market for a higher education to new population segments.

In Chapters 2 and 3, chancellors of two large state university systems, Brit Kirwan of the University System of Maryland and Charles Reed of the California State University System discuss the challenges faced by public higher education in the new normal and how public higher education must respond. Both consider it imperative, despite difficult economic times, for colleges and universities to serve a broader population of students, in particular, under-represented minorities and low income students.

In Chapter 2, Kirwan spells out three key challenges facing higher education – completion, cost and competitiveness. He foresees too many high school graduates failing to earn a college degree in the future, with serious repercussions not only for the individual, but for the United States
in today’s global economy. He sees the completion challenge as at least partially driven by costs with many college-ready and capable students priced out of a higher education.

Subsequently, Kirwan elaborates on specific problems that must be addressed by public higher education. In particular, he notes the existing gap between high school graduation requirements and college-entrance expectations, a gap that can be especially large for those from disadvantaged backgrounds. Kirwan calls for a recognition by higher education of its responsibility to students before they even enroll on campus. This means a significant change in the relationships between four-year colleges and universities, the K-12 system and community colleges, with a focus on enhancing teacher training and development, improving student learning, and making higher education a desirable, realistic and achievable goal irrespective of a student’s socioeconomic background. As part of this response, Kirwan also calls upon colleges and universities to refocus financial aid so it is based on need, not merit.

In Chapter 3, Reed elaborates on higher education’s greatest challenge in his view – “helping underserved students, ethnic minority students, and low-income students to graduate from high school, start college, graduate, and move into the workforce.” He discusses efforts in California, a majority-minority state, to address this challenge with fewer resources than ever. Reed maintains that K-12 teacher preparation and development must be a priority for public colleges and universities; beyond recruiting individuals and training them well, this means developing effective classroom pedagogies. Reed also outlines efforts in California to improve student readiness for college-level work before their arrival on campus. He also explains California State University’s (CSU) efforts to proactively reach into the communities where underserved students live to assist with college preparation and to motivate a desire to pursue a college degree. Reed argues that colleges and universities have a responsibility to do more than “simply holding the door open” for such students. He also outlines the need for a reengineered student experience on campus to enable and promote degree completion by these students.

Michael Crow, President of Arizona State University (ASU), begins Chapter 4 by describing his view of a deep-rooted lack of innovation in higher education that has led to what he sees as design flaws in colleges and universities and shortcomings in the overall model of higher education. Combined with public disinvestment in higher education, this has led to a lack of access, particularly for the disadvantaged. But beyond mere access, Crow maintains that more individuals must be educated successfully at higher levels of attainment than is typical today.

He then proceeds to argue the need for “perpetual innovation” in the
evolution of higher education, particularly research universities which he contends should be understood as “comprehensive knowledge enterprises committed to discovery, creativity, and innovation.” He presents the case study of the reconceptualization of ASU as pioneering the model for the “New American University” which is “an egalitarian institution committed to academic excellence, inclusiveness to a broad demographic, and maximum societal impact.” Design aspirations guiding the reconceptualization include creating a culture of academic enterprise and knowledge entrepreneurship, pursuing use-inspired research, transcending disciplinary limitations, becoming a force for societal transformation, and advancing global engagement.

Crow explains that the reconceptualization of ASU has resulted in four differentiated campuses, each with a clustering of related but distinct colleges and schools, including two dozen transdisciplinary colleges and schools that are complemented by transdisciplinary research initiatives. ASU has also expanded access to all qualified students, including those “who do not conform to a standard academic profile” and those lacking the financial means to pursue a four-year degree. In addition, ASU has established differentiated learning platforms within disciplines to offer students multiple pathways to a given degree.

In Chapter 5, Eduardo Padrón, President of Miami Dade College (MDC), emphasizes the theme of organizational effectiveness in mission driven institutions dedicated to “student learning, research for the good of society, a ready workforce and strong communities.” Padrón maintains that evaluation of institutional effectiveness must consider access to a higher education experience and completion of the requirements for a college degree, as well as the finances of the college and university. He argues that the reemergence of a strong middle class in America depends on wide access to higher education, especially for those individuals from disadvantaged socioeconomic backgrounds.

Padrón outlines how technology and demographics, especially the growth of the Hispanic population, are impacting higher education. He explains that the Hispanic population is younger and significantly less educated relative to the United States population as a whole. Padrón maintains that higher education must respond by partnering with public K-12, especially in urban areas, and argues that such partnerships send youth a message that going to college is essential and doable. Once students from disadvantaged backgrounds are enrolled, colleges and universities must be “intentionally intrusive regarding academic progress” to maximize the chances of completion.

While technology is a crucial element in planning higher education’s future, Padrón maintains that it is the most challenging to address and
manage given the pace of change involved. For this reason technology planning must be incorporated into the overall institutional planning process and it must address faculty support and professional development as well as effective student learning.

Padrón then moves on to a broader discussion of the planning process on campus, which he believes should serve as “a source of clarity regarding the direction of the institution, and just as importantly, an opportunity to engage members of the college or university community in setting that direction.” Done well, Padrón maintains the planning process creates ownership throughout the institution. Planning at MDC starts from an articulation of the ideal regarding the institution’s mission and that ideal is then translated into a practical and accessible plan.

In the following two chapters, Mary Cullinan, President of Southern Oregon University (SOU), and Robert Holub, Chancellor of the University of Massachusetts – Amherst, share their experiences as new presidents who needed to bring immediate, dramatic change to their institutions.

Cullinan begins Chapter 6 by outlining major challenges confronting higher education – state disinvestment, tuition increases and student debt, negative perceptions, and a less-educated populace. She then presents Southern Oregon University as a case study of a public institution in the process of adapting to its “new normal.” Upon her arrival in 2006, SOU was in precarious financial shape with enrollment below target and low financial reserves. Financial retrenchment entailing organizational restructuring and lay-offs was necessary. Two years later, SOU’s finances had been stabilized. Ironically, this retrenchment better positioned SOU to face the economic challenges of 2008–09.

Cullinan outlines key components of the process followed by SOU – listening and communicating with all the university’s constituencies, making the budget process more transparent, recreating and filling a team structure necessary to make difficult decisions for repositioning the university, planning and branding a unified vision and mission for the university, restructuring and redefining positions while decreasing the number of administrators and instructors, addressing enrollment and other revenue streams, pursuing partnerships that match SOU’s mission and strategic plan, and maintaining campus morale.

In Chapter 7, Holub discusses the beginning of his tenure shortly before the financial crisis. Part of the UMass–Amherst financial gap was addressed through common strategies, such as increased fees, hiring freezes and travel restrictions. Holub explains that in striving to move beyond such typical actions, the most challenging endeavor has been reorganizing the university’s administrative structure. The merger of certain functions in the Provost and the Chancellor’s offices was straightforward,
but attempts to reorganize the university’s nine colleges and schools have been problematic, as described by Holub.

The reorganization strategy, based on both academic rationale and financial necessity, was met with faculty objections driven by, in Holub’s description, considerations of impacts on individual units, as opposed to consideration of the best interest for the campus as a whole. Holub’s merger strategy was supported in the sciences where faculty were doing similar work, but not elsewhere. A committee of department chairs made recommendations to Holub which he viewed as insufficient to save the necessary dollars or achieve the desired academic synergies. At this juncture, a new College of Natural Science has been created from merged departments, but other planned mergers have been delayed pending more study.

Holub shares several lessons for campus leaders regarding reorganization—personal contact is as important as rational arguments in making the case for change, saving money is not necessarily enough to gain faculty support, faculty buy-in for reorganization is dependent on research and curricular possibilities, institutional history matters greatly, identify and work with faculty leaders who share your vision for the institution, and make the budget and budget process transparent.

Chapters 8 to 11 present views from several leaders of private, non-profit colleges and universities. Michael Adams, President of Fairleigh Dickinson University (FDU), begins Chapter 8 by arguing that higher education is highly resistant to change and discussing reasons for the prevalence of this resistance. He notes that basic fear and uncertainty are powerful deterrents to change, especially on campus. He then relates this resistance to recognition of the need for internationalizing American campuses.

How then to initiate and accelerate change? Adams explains that change is often triggered by external pressures. But he maintains that it need not and should not be this way in higher education. He argues that colleges and universities must be more agile and that empowering faculty is key—“...faculty entrepreneurial thinkers who can best adapt to the particular needs of their constituents and their times while remaining true to the institutional goals.”

Adams then explains that forces of globalization are currently exerting the greatest pressures for change in higher education, but colleges and universities have generally been slow to respond. He states that “education must be global, or we risk being irrelevant.” This means preparing students to be global citizens and Adams outlines the FDU model for providing a global education. He explains that a new institutional mission “to prepare world citizens through global education” was developed in 2000, and all mission-driven changes and initiatives since have been spearheaded by FDU faculty.
Kent Chabotar, President of Guilford College, begins Chapter 9 by noting the danger and risk inherent in predicting the future for higher education, and then proceeds to make several observations regarding future campus revenue streams. First, tuition and fees will continue as the primary revenue source for private colleges and universities. Furthermore, they will likely continue growing as a share of revenue, but not because of continued tuition increases in the ten percent range, rather because other revenue sources and budgets will grow more slowly. Second, Chabotar expects increased tuition discounting and more pressure to secure endowment support for this aid. He also sees an increase in the practices of unbundling and price discrimination as they relate to tuition. Third, colleges and universities will receive more funding from bequests, planned giving and life income trusts, with more of those gifts directed to areas of greatest need. Fourth, Chabotar does not expect sources that have helped offset losses for higher education in previous financial downturns – full-pay students, endowments and government funds – to do so to the same degree this time.

In addition, Chabotar anticipates more use of program prioritization based on standards such as student demand, centrality to mission and cost. He also believes that there are lessons to be learned from the for-profit sector, such as the value of course standardization in selected cases. Finally, Chabotar believes that private colleges and universities must be strategic with respect to growth so that new capital costs do not negate the financial gain from increased enrollments.

In Chapter 10, Bobby Fong, President of Butler University, explains that any consideration of the implications of the “new normal” for colleges and universities must distinguish across institutional sectors, types and missions. For privates, Fong offers a basic taxonomy of institutions along two dimensions – well-endowed versus tuition-dependent and selective admissions versus more open enrollment. The fundamental assumption regarding well-endowed, selective institutions that a large endowment is an unmitigated good has been undercut. When a disproportionately large share of an institution’s operating budget is funded by its endowment, a large drop in the endowment value stresses the ability to sustain programs and personnel levels. Moving forward, Fong expects such institutions to use endowments less for ongoing operations and more for one-time initiatives. In turn, this could mean tuition and enrollment increases.

Well-endowed, less-selective institutions typically use endowments to underwrite financial aid which helps fill classes. In this case, a significant endowment drop eliminates the competitive advantage of relatively generous aid packages, making it harder to achieve enrollment targets. This can place such institutions in a precarious position as they may experience deterioration in the size and profile of future entering classes.
Fong next explains that tuition-driven, selective institutions that have been able to maintain their enrollments are experiencing relatively few problems. Since endowments account for only a minor share of operating budgets (for example, six percent in the case of Butler), the impact of endowment drops has been minor. Such institutions should continue to flourish if they maintain their enrollment levels. Fong notes, however, that resistance to continued tuition increases was an issue prior to the economic downturn and will remain a challenge moving forward.

Tuition-driven, non-selective institutions may be the hardest hit according to Fong, and he foresees the possibility of closures in this sector if economic stresses continue. A spiral can ensue as enrollment decreases necessitate cuts in programs and personnel, but such cuts make it harder to attract and retain students.

Fong then argues that higher education in the United States can best serve the needs of individual students if colleges and universities focus on maintaining their institutional distinctiveness. Each institution needs to deliberately define its mission and focus on its comparative advantages according to Fong.

In Chapter 11, Devorah Lieberman, Provost and Vice President for Academic Affairs at Wagner College, argues that culture drives the success of a college or university. Furthermore, a college or university must evolve and adapt to its changing environment. But this necessitates culture change and culture change is dependent upon faculty. Lieberman concludes that it makes sense then to invest in strategies to nurture and sustain faculty commitment to the institution.

After considering research regarding faculty career motivations and current job satisfaction, Lieberman argues that faculty development must be an ongoing process throughout an individual’s career. She first discusses strategic faculty recruitment based on program and departmental needs, but also with a vision of the evolution in courses, pedagogy, student demographics, market demand for graduates, and competition with peer institutions. Next she focuses on professional development broadly defined as “an ongoing process that evolves the capacity of individuals to achieve their personal goals and intellectual passions while meeting institutional expectations set for performance of their duties.”

Lieberman then outlines Wagner College’s faculty development strategy which is based on four principles – (1) active learning requires continuing evolution of the pedagogy, (2) professional growth is a developmental process, (3) development includes social interactions where institutional information is exchanged, and (4) finding renewal and meaning in work is critical to continued growth and development. These principles lead to a multi-pronged approach including personal support, financial support
and structural support, along with intentional venues for promoting collegiality. Lieberman discusses Wagner’s programs along each of these dimensions and expresses her institution’s view that these commitments are particularly important to maintain during periods of economic and political uncertainty.

In Chapter 12, Jane Wellman, Executive Director of the Delta Project, exhorts colleges and universities to drop assumptions that get in the way of change; assumptions such as “it is impossible to control costs without harming quality” and “money equates with excellence.” She notes that research reveals little correlation between spending and performance.

Wellman begins the chapter by explaining that higher education is stratified economically, with a relatively small cluster of institutions having access to significant resources. She notes that privatization was the dominant revenue trend in the 1990s with tuition increasing in relative importance as a source of general revenue. While the majority of private higher education is heavily tuition dependent, the growth in access to private resources (endowments and gifts) spiked considerably among a handful of institutions during the 1990s. By 2006 these revenue sources accounted for approximately 40 percent of operating revenues among these institutions which collectively enrolled approximately ten percent of students across higher education. Wellman explains that endowment revenues had not historically funded general operating expenses and gifts were typically assigned to special functions, so this development represented a paradigm shift for these institutions.

Wellman warns that higher education can not look for revenue solutions to structural spending problems. She argues that higher education must manage its resources to support increased educational attainment and that it cannot retreat from collective responsibility for serving public needs simply because there is not as much money. She does not view recent levels of tuition increases as sustainable. Furthermore, she maintains that unless higher education reigns in tuition hikes and increases transparency regarding its fiscal stewardship, it will not turn the tide of negative public perceptions that are the excuse as much as the reason for disinvestment of public resources.

She also argues that higher education must increase the focus on learning productivity so that courses and credits accumulate towards degrees in a more efficient manner; she cites Delta Project research estimating that 40 percent of the cost of degree production at the undergraduate level is attributable to excess credits earned by graduates and attrition. Along these same lines she later lauds the for-profit sector’s emphasis on a structured curriculum and student counseling.

Chapter 13 focuses on the for-profit, or in the terminology of the chapter
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authors, the investor-owned sector of higher education. Gregory O’Brien (Principal of The Higher Education Group and former President of Argosy University), Craig Swenson (President of Argosy University), and Geoffrey Bannister (former President of Schiller International University and Butler University) maintain that investor-owned institutions address the pressures facing higher education differently than public and non-profit private institutions, and therein lies lessons for the latter.

The authors begin by noting that similarities across sectors far exceed the differences, and they discuss some widely held assumptions across institutional types regarding short-term versus long-term focus, faculty roles in curriculum development and governance, and the pressures for consistency and uniformity in course offerings. From there, O’Brien, Swenson, and Bannister detail differences that have evolved in the investor-owned sector, along with the lessons to be learned from these differences –

- Operating with agility and just-in-time decision-making
- Emphasizing scalability
- Making student needs the priority
- Using adjunct faculty purposefully
- Developing metrics for every aspect of operations
- Evaluating new initiatives as capital investments with a cost-benefit perspective
- Decision-making based on mission focus and clarity
- Understanding and targeting the market of potential students
- Collaborating while competing

The authors explain that there are sound reasons for the growth of investor-owned colleges and universities, and lessons for the rest of higher education in understanding that success.

In Chapter 14, Stephen Trachtenberg, President Emeritus of The George Washington University (GWU), concludes the volume with a set of observations and arguments pointing to the peril of a well-ingrained resistance to substantive change in the higher educational model in the absence of financial necessity. He maintains that administrators and academics see few if any new solutions to the structural problems confronting higher education operations and governance.

Trachtenberg argues that common practices in colleges and universities are not unchangeable. For example, he argues that an undergraduate degree should not take four years to earn and he then makes several suggestions on how to address the time to degree challenge. But he sees such proposals as non-starters within the higher education community and relates the resistance to even considering the idea at GWU.
Trachtenberg also makes the case that the structure of the research university does not realistically make sense for, nor does it benefit, the majority of state universities and the students they serve. On the administrative side of higher education, Trachtenberg argues that a vast oversupply of Ph.D.’s continues to be produced relative to demand in the liberal arts and social science academic labor markets. He also questions the teaching loads of many senior tenured professors. He views much of this as resulting from a reticence among senior administrators to take on the faculty who typically wield great power over changes in governance. Nonetheless, Trachtenberg remains hopeful that American higher education will overcome this grim moment as it has ones before.

CONCLUDING THOUGHTS

As noted by Roger Ferguson, President and CEO, TIAA-CREF, in his keynote presentation during the conference, there are a limited number of levers – layoffs, salary and hiring freezes, benefit reductions, certain structural reorganizations and postponement of major initiatives – that colleges and universities can pull to work through the current economic crisis in the short-run. In the face of what he projects to be a likely lengthy and challenging economic recovery, Ferguson maintained that while such actions make sense today, they can perversely make progress more difficult tomorrow.

The good news, as demonstrated by the dialogue throughout the course of the conference, is that the higher education business model is evolving and creative strategies are emerging to address the long-term strategic challenges recognized by the leadership of higher education; challenges that are primarily related to, but not restricted to, access, cost and effectiveness, particularly for individuals from poor socioeconomic backgrounds. As further noted by Ferguson, while higher education is dealing with stressful and difficult times, it is showing the kind of resilience and creativity that one would expect of a leading sector in the United States economy.