ADVANCING HIGHER EDUCATION

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SMART LEADERSHIP IN DIFFICULT TIMES

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Difficulties mastered are opportunities won.
–Winston Churchill

EXECUTIVE SUMMARY

Higher education, like other sectors of the economy, continues to address the challenges posed by the recession. Concurrently, colleges and universities are facing the challenges of access, cost and effectiveness in providing higher education to a growing population of potential students, most of whom do not resemble the stereotypical freshman straight from high school. In November 2009, the TIAA-CREF Institute hosted *Smart Leadership in Difficult Times*, a conference focused on uncovering new strategies in a resource-constrained environment to address such challenges now and in the future. The economic success of individuals and the U.S, economy as a whole, as well as the vitality of America's democracy, is more dependent than ever in a global society on the ability of higher education to fulfill its core missions of education, research and service.

Several common themes emerged from the presentations and dialogue. There will be no return to the pre-recession status quo in higher education. The new normal for colleges and universities consists of a continued resource-constrained environment as public funding remains tight, fundraising remains difficult, endowments recover slowly, and pressures mount against continued tuition increases at current rates. The new normal simultaneously entails innovating to meet the need 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, as well as a population of students returning to college mid-career to retool or reinvent themselves for the labor market. Such innovations will involve partnerships with the k-12 sector, as well as partnerships and coordination between 2-year and 4-year institutions. It will also involve rethinking the development and delivery of curriculums to a new generation of students that communicates and learns differently than any prior generation. Engaging faculty will be crucial to the success of any change strategy.

INTRODUCTION

The focus of the 2009 Higher Education Leadership Conference, *Smart Leadership in Difficult Times*, was uncovering new strategies in a resource-constrained environment to address challenges fundamental to fulfilling the mission of higher education. According to a recent Moody's *Outlook on Higher Education*, the short-term budget pressures buffeting colleges and universities have begun to abate, but the harshest effects of the economic downturn are likely still ahead as campus leadership turns its attention to enrollment, affordability and fundraising. Most institutions have already implemented significant expense reductions; such measures run the gamut and include cuts or consolidations in academic departments and degree programs, structural reorganizations in administration, early-retirement incentives, increased class sizes in tandem with higher student to faculty ratios, and increased teaching loads. While not accustomed to layoffs 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. While large questions regarding the long-term ramifications of the recession remain unanswered, colleges and universities must tackle the challenges of providing higher education to 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, as well as a population of students returning to college mid-career to retool or reinvent themselves for the labor market.

OPENING KEYNOTE

David Gergen, Professor, Harvard University, Editor-at-Large, U.S. News & World Report, and Senior Political Analyst, CNN

David Gergen opened the conference by expressing deep concern that the economy will not fully emerge from the recession for the foreseeable future and arguing that there will be no return to the old normal. Praising colleges and universities as the crown jewel of America, he maintained that the role of higher education will be paramount if America is to successfully sort out and adjust to the new normal in a global economy and society. He also observed that the same macro-level forces are impacting higher education and leading it to its own new normal as well.

He sees the new normal for higher education involving a continued budget crunch that gets worse over the next couple years before it gets better. Gergen also maintained that higher education must own up to the reality that increasing costs for higher education, in addition to decreasing public funding, led to the crunch. He noted that the cost of healthcare has gone up 250% over the last 25 years, while the cost of higher education has risen over 400%. The crunch is forcing college and university boards to rethink the business model. He argued that higher education will need to find very creative forms of financing, which will likely violate what many view as a good college education.

Gergen maintained that many, including himself, feel that a college education ought to be a rich experience involving serious student contact with tenured faculty members, whereby students have a chance to think through and be exposed to the best thinking from over the centuries. It ought to be an experience in which students study and work under faculty who have earned their way there through earning PhDs. But he fears that it's going to be increasingly difficult to find those kinds of faculty in colleges and universities in the new normal as institutions become less dependent on tenured faculty in efforts to create greater efficiencies in their structure. Gergen is persuaded that the internet can play an indispensable role in higher education in the new normal. The new generation coming up is accustomed to the internet and colleges and universities must wrestle with how to use it to save money while preserving the quality of the higher education experience. He noted that this is not simply a matter of developing great online courses.

He also maintained that higher education must think and function globally in the new normal. Competition from rapidly improving colleges and universities abroad will be intense. This includes competition for the best student and faculty minds. He also noted that international competition will bring increased pressures on colleges and universities, in particular, pressure for accountability. To thrive in a globally competitive environment, Gergen argued that higher education must adopt the mindset emerging in the business community that innovation is the key to the future. This holds for business, for higher education and for the country as a whole. Higher education needs to remain the source of innovation for the country, particularly in research and development, but this will require it innovating itself.

Gergen concluded by observing that one of today's redeeming features of American colleges and universities is its young students. He sees a generation that represents great hope for the future, that is idealistic, that cares about the quality of life in the country, and that is service-oriented. He maintains that this generation will be loyal to the higher education system and be highly supportive of colleges and universities because they believe fundamentally in higher education and its role in promoting social equity.

THE NEW NORMAL IN HIGHER EDUCATION

Muriel A. Howard (Moderator), President, AASCU
Michael Crow, President, Arizona State University
Bobby Fong, President, Butler University
Charles Reed, Chancellor, California State University System

The first session of the conference explored the "new normal" for higher education, recognizing that the most successful institutions will not be those that simply ride out the economic downturn and then seek to return to the status quo. Muriel Howard opened by noting that higher education leaders must base plans and programs on realistic assessments of the future, including the economic situation facing higher education in both the near-term and long-term. She maintained that while colleges and universities experience permanently reduced revenue streams, they must take the lead in ensuring that America's economy just doesn't recover, but prospers and grows through the creation of new knowledge and the education of millions of additional individuals.

Michael Crow expressed concern that the present recession is symptomatic of a growing complacency in American society that in his estimation comes as a consequence of our success. He argued that the quality of life and standard of living Americans take for granted has been shaped by a trajectory of economic competitiveness that is to a remarkable extent the product of scientific discovery and technological innovation. Public sector investment in the infrastructure of higher education and allied knowledge organizations during the twentieth century has produced a level of educational attainment conducive to innovation and thus competitiveness in the global knowledge economy. Yet with that success, he noted that public investment in higher education has declined, corresponding to a slackening in the pace of innovation and diminishment of our national competitiveness.

Given the imperative to sustain continuous innovation, Crow maintained that the concept of "normal" should be stricken from the lexicon of higher education. If as a nation we are to maintain our position as the dominant force for innovation worldwide, Crow argued, we must rethink the organizational paradigms of our colleges and universities. He sees insufficient differentiation across higher education and a lack of innovation in the organizational structures of our knowledge enterprises. He maintained that each college and university must determine its identity and differentiate accordingly.

Bobby Fong agreed with the need to focus on differentiation. He offered a basic taxonomy of private colleges and universities based on two axes—well-endowed versus tuition-dependent schools and selective admissions schools versus those with more open enrollment. He argued that too much attention has been focused on the well-endowed, selective institutions at a time where a fundamental assumption has been undercut; namely, that a large endowment is an unmitigated good. Such schools have suffered greatly because of their endowment dependence. He noted that some well-endowed institutions have not been able to remain selective in their admissions since much of their endowment has typically been devoted to financial aid. These institutions have experienced a loss of competitive advantage in what they are able to offer in terms of financial aid. This will remain a challenge for such institutions moving forward.

Fong noted that most private institutions are tuition-driven and not well-endowed, and ironically in the current economic crisis, institutions that have maintained their admissions have not suffered some of the difficulties of well-endowed colleges and universities. For those that have been able to make class enrollment targets and keep students, there have been far fewer challenges. But there are also the institutions having difficulty making class sizes that are not well-endowed. This situation raises the specter of institutional casualties among private colleges and universities. Fong foresees such casualties given a lack of alternative revenue sources among some institutions that are already struggling for sufficient enrollments.

If the current economic situation continues, Fong sees well-endowed selective institutions making operational cuts, moving to greater tuition dependency and looking for alternative revenues. But these institutions will still flourish. Ironically, well-endowed non-selective institutions will lose a competitive advantage and experience a possible deterioration of their entering student profiles. The tuition-driven selective institutions, so long as they can keep their enrollments, will experience fewer short-term problems. But he also emphasized the long-term challenge of resistance to tuition increases by arguing that individuals will ultimately look for cheaper alternatives; this in turn will pose the greatest danger to the tuition-driven non-selective colleges.

Charles Reed emphasized the imperative for higher education to focus on educating the growing number of students of color from underserved communities. He noted that 55% of California's students are students of color and that this demographic experience is moving across the country. He maintained that serving this population will require long-term planning which is not something that higher education does well. But such planning will be necessary and involve difficult choices as higher education continues to experience revenue cuts.

Reed also argued that as public institutions do the future work of educating the masses, higher education needs to better communicate its values. He sees the new normal intertwined with determining how to serve this new population which needs to be well educated to be competitive on a worldwide basis. Doing so will require institutions, especially publics, to proactively outreach into these communities. He emphasized the need to develop an understanding of how to prepare for college among the new underserved and their parents.

Crow maintained that serving the emerging population of students from across the full spectrum of socioeconomic backgrounds necessitates a thorough restructuring of public higher education. America's educational infrastructure remains little changed from the mid-twentieth century, he observed, and is unable to accommodate projected enrollment demands at scale. He argued that universities must advance unique and differentiated research and learning environments that address the needs of students with different levels of academic preparation and differing types of potential. He noted that Arizona State University has established differentiated intellectual enterprises within given disciplines to provide multiple pathways to a degree. He also calls for colleges and universities to eliminate financial barriers to access. A newly established program at ASU, for example, ensures that resident undergraduates from families with annual incomes below $60,000 admitted as incoming freshmen would be able to graduate debt free. Finally, he recommended that institutions focus on the needs of their particular regions.

Fong noted that the future is a multi-cultural society and if higher education is to remain true to its mission to educate, then it must give all students an experience of diversity and the practical experience of differences as students. He emphasized that this is ultimately a question of values and addressing the question of what constitutes a higher education. He does not believe there can be one uniform answer. Higher education must rethink what it means to deliver an education, not only of the mind, but of character. He sees a challenge in doing so as the personalized education associated with the liberal arts tradition becomes less feasible. What does it mean to teach liberally if you're online? What does it mean to teach liberally when your students are not in residence?

Reed noted that universities and colleges will need to partner more with the k-12 system and community colleges to ensure that students are on a pathway to be prepared and eligible for a higher education. He sees different models for these partnerships and argued for institutional aid for those serving students from lower socio-economic classes, with such aid justified by the extra expenses of remediation, counseling and other assistance.

Fong summarized a common emphasis on the need for institutions to define their mission and then define outcomes to demonstrate whether that mission is being fulfilled. He argued that a mission is not a ranking within a classification, but rather what an institution does that's unique, more comprehensive, or of a higher standard of quality. And how does an institution then prove that its students are graduating with the educational attributes consistent with its mission?

NEW THINKING ON WHAT WORKS

Jared L. Cohon (Moderator), President, Carnegie Mellon University
Robert C. Holub, Chancellor, University of Massachusetts-Amherst
Elizabeth Huidekoper, Executive Vice President for Finance and Administration, Brown University
Eduardo Padrón, President, Miami Dade College

The second session explored strategies to address difficulties imposed by the troubled economy. Jared Cohon noted that the search for what works involves examining what doesn't work. He maintained that while all colleges and universities share common challenges, they also have different challenges dependent upon institutional-type and mission. He also emphasized that current economic challenges are emerging in the context of a regulatory climate that questions higher education and its mission, that pushes for assessment and accountability, and that audits ever more aggressively.

Robert Holub started as Chancellor at the University of Massachusetts-Amherst just a couple months before the financial crisis hit. One of first things he examined for savings was the administrative organization of the campus, starting with the Provost and the Chancellor's offices where certain functions were merged. Next he examined potential combinations in various colleges and anticipated that this would be well-received by the faculty given the potential savings in administration. But he explained that the strategy was only partially successful because a significant portion of the faculty would rather sacrifice funding in other areas than to have the identity of their college potentially changed and damaged. The merger strategy was welcome, supported and ultimately successful in the sciences where faculty were doing very similar work. Holub noted that at the same time, the College of Humanities and Fine Arts and the College of Social and Behavioral Sciences did not view such a merger as viable; there simply was not a willingness to come together. His takeaway for pursuing a strategy of college and program mergers was the importance of identifying faculty and scientists that are eager to work with each other. Institutional history, culture and the relationships across colleges and programs matter a great deal. He also emphasized the necessity of assuring faculty that there will be real savings that will be used for their benefit.

Elizabeth Huidekoper discussed managing regulatory and audit demands in a budget cutting environment, while the institution desires to grow and become better. She highlighted the importance of creating a risk management network across campus to share ownership and ensure that a number of people are focused on risks. She noted that while Brown implemented a freeze last year on open positions, it maintained full staffing of positions focused on risk, such as police officers and audit positions. She explained that Brown has twelve teams of administrators, with faculty and students on some teams, examining administrative structures and processes. While enormously labor-intensive and challenging, they are conducting these reviews in a fairly constrained timeframe. She views a lack of understanding regarding the necessity for change as leading to resistance against restructuring efforts. She noted that those engaged at Brown have developed an understanding of the challenges facing the university, believe that change is necessary, and are very creative regarding how to change while still focusing on things the institution must do, such as support the faculty. She views change as an opportunity and anticipates adding staff in some areas, while significantly reducing it in others. She explained Brown's efforts to communicate this as an opportunity, and to engage faculty by creating the mindset that this is the chance of a lifetime to design the new structures focused on the institution's highest priorities, all the while recognizing regulatory constraints and responsibilities. She acknowledged that it is challenging, but noted that the people involved believe it should be an ongoing process for the university.

Cohon noted that efforts such as those described by Huidekoper take advantage of a crisis to do what should be done regardless. He argued that communication is key for faculty to understand not only what is happening in their department, but in other departments in their college and throughout the college or university. This increases the acceptance level.

Eduardo Padrón discussed efficiency, technology and innovation in the delivery of education, especially to large numbers of students. He started by emphasizing the bottom line that all colleges and universities need to balance their budget, but in the process try to do the best in advancing the purpose of the institution. That can mean finding different ways to contain costs, finding effective ways of streamlining bureaucracy, introducing technology in operations or in the academy, consolidating programs or eliminating inefficient programs, pursuing sustainability, etc. He praised the practice in higher education of sharing innovations and learning from other colleges and universities.

Padrón then discussed deciding what not to do as a college or university, and in that regard he feels that institutions need to define effectiveness and efficiency based on the role that they need to play in a global society and in a knowledge-based economy. The real efficiency in that regard is how well we integrate, support and graduate this new generation of college students, how successful we are with the existing student base and how effectively we're able to expand it. This is the challenge for growing the larger society as per the Obama administration's emphasis on access to higher education.

He explained that in this regard higher education is not an end in itself, but a means to something bigger. So higher education needs to focus on its role in society and its role in furthering the goals of the nation. He emphasized the need to maintain a liberal and broad learning agenda in the face of the urge to cuts costs. Learning that allows students to become globally aware and locally engaged is essential in today's marketplace. He noted a significant alignment in the views of policymakers, analysts and foundations that education made America as we know it today, and that the promise of American democracy depends on giving full participation in education to all citizens, but that the U.S. is falling behind in terms of post-secondary achievement. Addressing this necessitates serving low income minorities that are presently underserved, but Padrón argued that higher education is ineffective and inefficient in providing access to these individuals.

Padrón expressed his view that serving a large number of students from an array of backgrounds and with varying degrees of preparedness requires that an institution's faculty and staff have a sense of ownership of the challenges as well as the rewards of the system. A college or university must create a culture of success for its students. This can require significant resources and continual creativity in areas of entry assessment and instructional approaches when serving a large low-income population. But communication remains paramount—it's critical to convince people to be part of the solution.

Holub opined that higher education and the country do not have a model in place able to educate the number of students that need to be educated, that there is no prospect for such a model, and that the federal government is not taking steps to provide the funding needed for the task. Huidekoper argued for a fundamental rethinking of how colleges and universities approach and engage students. She sees a genuine opportunity to educate in dramatically different ways given that today's young students learn in dramatically different ways than previous generations. She believes that the evolving diversity of not only the student body, but of the higher education product is going to be fascinating. She foresees some colleges and universities leveraging such opportunities, while others resist fundamental change in curriculum and delivery.

Cohon shared that Carnegie Mellon, recognizing that the current generation has integrated technology into their ways of communicating and learning, has used innovations developed jointly by its Cognitive Science and Computer Science groups to create a new platform for wholly online college-level courses. The early results have been encouraging. The platform is self-paced, interactive, and incorporates current best thinking regarding the cognitive process of learning. Because it's online, real-time information regarding student performance is available and thus the assessment capability potential is great. He argued that such innovation has the potential to address the challenge of educating a mass number of students effectively and efficiently.

Padrón cautioned that a challenge for such technology is that many students from low-income backgrounds are not yet independent learners when they enter college. He commented on the large potential cost-savings if higher education could partner with k-12 to provide students with an indication of their college readiness so that they could then develop lacking skills before arriving on campus. He urged caution in cost cutting with an eye to the long-term impact on institutional capacity and learning for a rapidly changing workplace.

CHANGE IN THE FACE OF OPPOSITION

Elson Floyd (Moderator), President, Washington State University
J. Michael Adams, President, Farleigh Dickinson University
Mary Cullinan, President, Southern Oregon University
Devorah Lieberman, Provost and Vice President for Academic Affairs, Wagner College

The third session of the conference focused on implementing change in the face of opposition, gaining buy-in and support from key stakeholders, and maintaining morale in the process. Elson Floyd opened by articulating a long held belief that bold, significant change in the delivery of higher education in America requires new paradigms, new ways of thinking and new platforms of knowledge. He believes that the new paradigm will be based on innovation, creativity and ensuring that higher education has a product that provides meaning and value to its various constituencies. He maintained that colleges and universities must change their roles and responsibilities in a planned, coordinated way that focuses on what is done exceedingly well, while shedding mediocre programs, services and activities.

Devorah Lieberman shared how Wagner has addressed impediments to change. She noted two main obstacles in pursuing change—ego and economics. She reasoned that because higher education is inherently intellectual, it's easy to mask things that have to do with ego and to reshape those that have to do with economics, and subsequently put forth compelling arguments against change. She discussed how Wagner engaged individuals across the campus so that egos and intellect were involved in the change, and how it focused on an economic win for everybody. A decade ago Wagner redesigned the undergraduate curriculum around the mission of graduating students who are civically engaged and view themselves as civic professionals. Subsequently, it was concluded that students did not see themselves as civic professionals. Furthermore, the community did not see Wagner as a partner, and thus Wagner was not receiving investments from the community.

In response, Wagner decided to create community connected departments. Faculty, staff, students and administration were involved in the design, thus engaging everyone's ego. In addition, everyone examined the economics of approaching the program properly. Classes in each department were connected collaboratively with a specific community agency in a way that provided students with a developmental ladder. Surveys now show that students feel connected with agencies within the community. In addition, investments in Wagner increased as community trust rose. The program also improved retention rates, with every percentage point in retention translating into $450,000. Lieberman argued that egos get involved when individuals know that a program helps student learning, furthers the institutional mission, improves retention and increases revenue. Lieberman also emphasized the importance of regular conversations with faculty and students in an environment where it is safe to ask questions and exchange information and ideas. She further argued that an administration can not promote interdisciplinary collaboration by suggesting or asking for it; rather, it should outline target objectives and leave faculty to achieve them. Faculty will work in an interdisciplinary manner if that is the most efficient means to achieve the objectives.

Mary Cullinan outlined a number of operational innovations that Southern Oregon University has undertaken in recent years, including coordinating with the local community college, Rogue Community College, in building a new facility where the institutions share staff and coordinate student advising. SOU has also implemented a three-year degree program and established a dual entry program with the local high school. The object of the dual entry program is to increase the number of students who finish the first year of college by the time they graduate from high school.

Cullinan noted that financial challenges specific to the university necessitated financial retrenchment before financial markets collapsed and the recession started. Numerous communication strategies were implemented, many involving the direct personal engagement of the president, to address the need for significant communication The process was aided by faculty and staff union contracts specifying what had to be done when the university went into retrenchment. Reorganization task forces were created, given objectives and goals, but delegated responsibility and authority for developing appropriate reforms. In Cullinan's view, the key to engaging faculty is leveraging what they love about being faculty—teaching and/or research. Faculty worked reorganization of the whole university—five schools came forward with a proposal for a college and two schools, and twenty-four departments came forward with proposals for fourteen departments. Cullinan maintained that doing this process as collaboratively as possible helped create stronger morale while also generating meaningful innovation.

She also advocated against the tendency to think short-term, which results in trimming around the edges. She argued that bold thinking envisions long-term partnerships, both public and private, and long-term partnerships with community colleges and with other universities. Bold thinking includes the willingness to cut deeply enough so that the institution can build back a better university that responds to values and priorities.

Michael Adams began by sharing a favorite quote—"For every complex problem there's a simple solution and it's usually wrong." He argued that there are multiple strategies for addressing the problems facing higher education and different strategies are appropriate for different institutions, but there are no simple solutions. The challenge is motivating change in higher education when colleges and universities in many ways operate as they have for decades, even centuries. Adams observed that most large organizations change from the outside, not from within, as forces external to an industry drive the recognition of the need for change.

Adams expressed the conviction that there must be a focus on mission emphasized by the college or university president. Furthermore, the president must authorize good things to happen, must authorize great people to do good things, and must authorize the real change agents, i.e., the faculty. He maintained that the challenge is motivating and giving license to faculty to do good things, and identifying those individuals with the capacity to build "empires" of academic excellence—programs that are selective, in high student demand, with high retention, graduation and placement rates, where facilities are funded by outside parties, and individuals want to join an elite group of faculty. He argued that dynamic faculty must be authorized and empowered to become models of change in the university setting, and part of the motivation provided by a president should be funding for promising programs and initiatives that are well-designed in structure and budget. He views the resources required as typically incremental, and faculty as generally excellent stewards of such resources, with an end-result that such investments generally yield a very attractive return.

Lieberman also discussed promoting a given change by engaging predisposed faculty through appeals to their scholarly intellect, rather than by spending significant time on those predisposed against change, and supporting the predisposed in the process so that they continue the process. This will subsequently engage many who were initially undecided. She maintained that change then becomes part of the institutional culture in the process.

Floyd noted the demand for transparency by faculty, students, legislators, and other stakeholders, who sometimes want more information than perhaps leaders are comfortable delivering. Cullinan noted the difficulty inherent in effectively communicating certain complex issues to the campus community, such as the implications of a budget decision. She also emphasized the need to be sensitive to headlines that can be generated and perceptions that can be created; campus leaders must think in terms of coherent sound-bytes regarding developments and implications.

Adams shared his personal focus on brainstorming revenue generation with senior leadership at Farleigh Dickinson. In his mind this leads to consideration of "where are the students that can't come to us?" An initiative he cited as arising from such brainstorming is a partnership with community colleges in southern New Jersey, where there are no four-year institutions, to deliver the last two years of a baccalaureate degree directly on their campuses. He sees such brainstorming also pushing an institution to think in terms of being the solution to problems faced by its community and society.

Cullinan addressed the question of enlisting support from staff to pursue bold initiatives, especially around the notion of efficiencies and economies of scale. She believes it's inherent that people working at a university want to think creatively about serving the institution's mission in their role. So the same approaches to engaging change with faculty can be effective with staff in her view. Adams added that sometimes a president must mandate that something be done or else "valid" reasons will keep it from ever happening.

Molly Corbett Broad of ACE shared her perspective that when seeking sustainable change it is important to start from the values of the university and the enduring characteristics that explain why universities exist, such as excellence, integrity, openness, inclusiveness and fairness. Aligning the goals of the change with those values is an important step in minimizing any criticism. When combined with an argument that outlines the strategic alignment relative to a compelling force on the horizon, securing support is much more likely. She maintained that it will be hard for those who do not support the change to criticize the fundamental decisions because they are based on shared values.

WHERE IS THE MONEY?

John Lippincott (Moderator), President, CASE
Kent Chabotar, President, Guilford College
C. Alan Korthals, Director of Client Support, Kaspick & Company, LLC
Jane Wellman, Executive Director, Delta Project on Postsecondary Education Costs, Productivity and Accountability

This session considered new revenue streams, the evolution of fund raising, the use of technology, and alternative strategies to address funding challenges. John Lippincott began by noting that governments in Europe and the Asia Pacific are not cutting higher education funding at this time because they view higher education as the way out of the recession. Citing CASE data, he maintained that the new normal regarding fundraising in higher education is a lot like the old normal, only harder. According to the CASE Fundraising Index from July 2009, giving to higher education declined by roughly 4% over the academic year that ended June 30. Considering that giving to colleges and universities has increased an average of 7% annually over the last 20 years, a 4% decline represents an 11 percentage point swing from the old normal. In addition, the Index indicated that fundraisers expect a 2 ½% increase over the year that just ended. While the expected increase is welcome news, Lippincott noted this suggests a rebound not as rapid as those of previous recessions. Lippincott further postulated that the new normal for fundraising also involves changing sources, purposes and types of giving, with support increasingly coming from individuals and abroad. He also sees giving increasingly focused on financial aid and programs with clear social impact. He also believes that contributions will increasingly come in the form of planned or deferred gifts. Lippincott concluded by arguing that fundraising programs remain one of the best investments that a college or university can make, implying that investments in relationship building with donors, alumni and other constituents is also one of the best investments an institution can make.

Jane Wellman explained that all generalizations about finance in higher education are wrong. She maintained that what is true for one sector or one type of institution is abundantly not true for most of the rest. She noted that higher education is stratified economically, with a relatively small cluster of institutions having access to significant resources. For the most part, the dominant revenue pattern in the 1990s was one of privatization according to Wellman, meaning tuition increased as a source of general institutional revenue. This movement occurred as public resources, primarily state finance, eroded. She noted that a very limited number of intuitions prior to the 1990s had access to private revenues other than tuition, such as endowments. Much of the private higher education sector is heavily tuition dependent. However, the growth in access to private resources through endowments and gifts spiked considerably among a handful of institutions during the 1990s. By 2006, private gifts and endowment revenue had risen to approximately 40% of operating revenues among these institutions which collectively enrolled approximately 10% of students across higher education. Wellman explained that endowment revenues have historically not funded general operating expenses and gifts were typically assigned to special functions, so this development represented a paradigm shift for these institutions.

Wellman projects a negative trajectory forward for state appropriations, with significant continued near-term erosion in every state and long-term structural deficit in most states. She concludes that the pressure will be on tuition revenues and on managing within the resources as the spike in private sources returns to long-run normal. She observed that the "new" money will be money that colleges and universities already have.

Lippincott interjected that philanthropic support comes in a restricted form, so it is not a substitute for state funding at an institution, and it does not necessarily serve as operating budget relief. So even as higher education looks for potential growth in the philanthropic sector, it needs to understand that such support will come in restricted forms.

Kent Chabotar shared his view that tuition and fees will remain the top revenue source for private colleges and universities. But he maintained that it will grow as a share of revenue not because of continued tuition increases in the 10% range, but because other sources of revenue will grow more slowly, as will budgets. Chabotar also foresees increased pressure on tuition discounting, particularly on funded discounting, as less financial aid will be endowment funded. He also foresees an increased level of funding from bequests, planned giving, life income trusts, and other such arrangements, with more directed to areas of greatest need, particularly financial aid. He noted that an institution will always accept a restricted gift as long as the restriction is budget relieving. Chabotar maintained that the usual sources which bailed out higher education in previous financial downturns—full-pay students, endowments, and government funds—will not provide the kinds of increases that helped offset losses in the past.

Alan Korthals pointed to the strong culture of philanthropy that exists in the U.S. and expressed his belief that if colleges and universities work with donors to help them understand the type of support needed, e.g., financial aid, there will individuals that respond. His experience indicates, however, that the president and trustees must make a very strong case for the type of giving that's needed and that it takes time to effectively communicate the message. Korthals then reiterated that there is no clear indication of when the current downturn in fundraising will turn around. He argued that the jobless recovery to date bodes poorly for annual giving and even major giving efforts. In addition, fundraising professionals are concerned about the long-term impact on future capital campaigns from the loss of wealth experienced over the past year. He explained that any drop in large scale gift giving creates the challenge of relationship-building and fundraising with a much broader set of individuals. This in turn could drive up development expenses due to the need for more staff.

Korthals outlined several fundraising imperatives. One is finding ways to build stronger ties with key donors as studies show that individuals are rethinking and narrowing the lists of institutions they will support. Second is identifying and pursuing promising gift opportunities through closer teamwork among senior leadership and professional fundraising staff. This may entail repositioning development resources and revising staff incentives to foster greater collaboration. Finally, research efforts should be strengthened to increase institutional knowledge regarding potential donors.

Wellman warned that higher education can not look for revenue solutions to structural spending problems. She argued 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. She noted that the flashpoint of public critiques regarding higher education is largely motivated by perceptions that costs must be increasing because tuitions are increasing, when in reality costs are not increasing nearly as rapidly as tuitions. But the public sees tuitions rising and assumes that institutions are bad managers of resources. Wellman argued that unless higher education reigns in tuition hikes and increases public transparency regarding its fiscal stewardship, it's never going to turn the tide of negative public policy perceptions that are the excuse as much as the reason for the disinvestment of public resources.

LEADING SUCCESSFULLY INTO THE FUTURE

Blenda Wilson (Moderator), Former President, Nellie Mae Foundation; Former President, California State University-Northridge
William E. Kirwan, Chancellor, University System of Maryland
Gregory O'Brien, Former Chancellor, University of New Orleans; President Emeritus, Argosy University
Stephen Joel Trachtenberg, President Emeritus, The George Washington University

The final session of the conference explored necessities for leading a college or university from current difficulties into an uncertain future. Blenda Wilson opened the session by expressing her belief that the mandate of smart leadership revolves around making higher education more accessible, affordable and effective, particularly for the increasing percentage of students who will be non-traditional, students of color, and students who are under-prepared academically. She considers it a national imperative for all sectors of higher education to address the challenges of cost and accountability, and to rethink how higher education is delivered.

Brit Kirwan considers it imperative, especially in and despite difficult economic times, for higher education to serve a much broader population of students than it has traditionally, including under-represented minorities and low income students. He emphasized that the situation for higher education won't simply return to more or less the way it was before the current financial crisis. Kirwan does not believe that higher education as an enterprise has come to grips with the depth of the risk posed for the U.S. if this broader population does not receive a higher education. In his opinion, lack of resources can not serve as an excuse to not act.

Gregory O'Brien sees complacency in higher education born of the mindset that higher education has already changed and adapted, as evidenced by various new programs. He argued that higher education must address the new reality that most students will start at one institution, drop out, got a job, lose a job, and then return to a different institution. He maintained that students will come to higher education at very different stages of life, with different states of mind, and that this poses a dramatic challenge. O'Brien argued for a fundamental change in the models of how higher education reaches people and how it engages faculty. He opined that the for-profit higher education sector, which would more appropriately be called the investor-owned sector, may be the only sector that has the ability to raise the capital necessary to meet this need. He does not see states as having the capacity to develop programs to meet large numbers of new needs, so society has to consider alternative ways to find the capital and explore new models to efficiently deliver higher education.

Steve Trachtenberg observed that knowledge of the past is necessary to understand the present and realize that common practices in higher education are not unchangeable. He pointed out that one-half of the post-secondary education institutions in the U.S. are community colleges within commuting distance of every American. Given the low cost of attending a community college, combined with the availability of Pell Grants and other financial discounting, he argued that the access issue has in a sense been effectively addressed irrespective of socioeconomic background. But he further observed that many, maybe even most, minority and low-income individuals do not know how to access these opportunities. An effort is needed to educate people from all walks of life, particularly from lower income backgrounds, on how to access higher education.

Trachtenberg views community colleges as part of the answer to the challenges facing higher education and the country. He argued for reengineering higher education with a three-year program leading to a bachelor's degree for those coming out of high school or a master's degree from those coming out of two years at a community college. He maintained that many of the baccalaureate degrees presently awarded in this country are substantially hollow, thus explaining at least partially why so many people pursue a Masters Degrees. He pointed to GWU's experiment with a seven-year BA/MD degrees program and noted there are schools in the U.S. with similar programs. He also criticized what he sees as the mismatch between the typical PhD curriculums and the subsequent jobs held by those degree earners.

Kirwan observed that if community colleges are to be a major part of the solution, then four-year institutions have to recognize two-year institutions as genuine partners and part of the pipeline to a four-year degree. He maintained, however, that such a partnership is absent in too many states. He noted that the University System of Maryland has partnered with the two-year colleges in Maryland to create a number of degree programs, including engineering, teaching and nursing, where a two-year associates degree leads seamlessly into the final two years of degree completion. Students in Maryland can now be admitted simultaneously to a community college and a four-year institution, and they are advised from day one by the four-year institution. Kirwan argued that higher education needs to emphasize completion of a two-year degree in community college before matriculation at a four-year college or university as part of its solution for serving more students. He noted that this will require breaking a mindset, especially among faculty, regarding how higher education operates. On the opposite end of the spectrum, he maintained that pressures for community colleges to begin awarding baccalaureate degrees should be resisted since that would negate cost efficiencies and ultimately limit access.

Wilson raised the issue of cost for an individual once he or she moves from a community college to a four-year institution. Trachtenberg argued that there's no reason to have a discounted price for somebody who can pay full tuition, and there's every reason—social and civic—to have a very deeply discounted price for individuals who could not pursue a college degree without financial aid. He maintained that colleges and universities should provide financial aid only for those who cannot afford the cost on their own, implying a move away from merit-based aid.

O'Brien noted that part of the reason for higher costs at four-year institutions is their range of activities other than education, which results in a cross-subsidization from tuition to support the required infrastructure. He observed that this infrastructure does not necessarily support the needs of a transferring community college student. He then argued that one reason for the growth of the for-profit higher education sector is the singular focus of its culture on its revenue source, i.e. the student; every decision, even curriculum-related, is about the student and what works best for the student. He concluded that such a mindset must be imported into public and non-profit higher education.

Wilson discussed the experience of Western Governors University, a public online university started by western state governors who believed that their public universities were not efficient and effective in educating certain necessary kinds of students. Its programs are competency based and each student has both a progress mentor and a faculty academic mentor. The cost effectiveness of Western Governors University arises from drawing upon the best available online courses in the world. Most students can practically cover the cost of a full year of instruction ($5,600) with a Pell Grant if they qualify; and she noted that it's clear where the costs go. Competency based programs enable documentation of student learning. Wilson observed that while such an online education may not be ideal for the traditional student entering college directly from high school, it's likely an excellent model for working adults.

A panel consensus emerged that the traditional lecture mode of delivery will not work with new generations of college and university students, and that a paradigm shift will result. Wilson hypothesized that instruction will be a team effort by professionals who are academic specialists, technology specialists and learning theory specialists. O'Brien hypothesized that there will be much more collaborative learning in the curriculum and more standardization in the delivery, all of which will make faculty uncomfortable. But he argued this would allow the constant infusion of new material into the curriculum and more effective adaptation to the new learning styles of students. Furthermore it was noted that evidence indicates the use of technology can both lower costs and improve learning in certain classroom settings.

CONCLUSION

As noted by Roger Ferguson, President and CEO, TIAA-CREF, 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 U.S. economy.

ABOUT THE AUTHOR

Paul Yakoboski is a Principal Research Fellow with the TIAA-CREF Institute. He conducts, manages and communicates research on issues such as income and asset management in retirement, defined contribution plan design, the preparation of higher education faculty for retirement, managing faculty retirement patterns, options for funding retiree health care, and research on issues related to strategic management in higher education. He is also responsible for the development and execution of Institute symposiums on such issues. In addition, Yakoboski serves as director of the Institute's Fellows Program and editor of the Institute's *Trends and Issues* and *Advancing Higher education* publication series. Prior to joining the Institute, he held positions as Director of Research for the American Council of Life Insurers (2000 to 2004), Senior Research Associate with the Employee Benefit Research Institute (1991 to 2000) and Senior Economist with the U.S. Government Accountability Office (1989 to 1991). He is a member of the American Economic Association and serves on the editorial advisory board of *Benefits Quarterly*. He previously served as Director of Research for the American Savings Education Council (1995 to 2000). Between 1986 and 1988 he served as an adjunct faculty member at Nazareth College. Yakoboski earned his Ph.D. (1990) and M.A. (1987) in economics from the University of Rochester and his B.S. (1984) in economics from Virginia Tech.