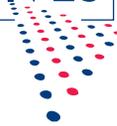


**PRESIDENTIAL
PERSPECTIVES**



a higher education presidential thought leadership series

2009/2010 SERIES: **LEADERSHIP IN THE GREAT RECESSION**

CHAPTER FOUR

IT'S TIME TO INVEST
WHAT'S IN YOUR INSTITUTIONAL PORTFOLIO?

It's Time to Invest

What's In Your Institutional Portfolio?

Dr. Dan Angel: President, Golden Gate University

It happened in August 2009. Hard to believe, but true. News media nationwide reported that the number one source of income for state and local governments was no longer sales tax, income tax, or property tax. It was the federal government's \$787 billion stimulus package!

Although most reports emphasized that the stimulus was working, my reaction was more in a second dimension: "Wow, that is simply NOT sustainable!"

The sudden nature, size, depth, and length of the recession of the past two years has hit the nation in such a way that virtually all of us have been profoundly affected. That is certainly true of higher education. Wage freezes and cuts, furloughs, buyouts, layoffs, reductions in retirement matching, curtailment of course offerings, and caps on student enrollment have become part of the higher education landscape.

Wouldn't it be wonderful if we could simply turn to Thomas Geissler's new invention? His company, TG-Gold-Super-Markt, will allow you to purchase chunks of gold via automats in airport vending machine. Starting this past summer, Geissler moved forward on plans to install as many as 500 vending machines in Germany, Austria, and Switzerland. Customers will be able to purchase 1-, 5-, and 10-gram pieces of gold, Canadian Maple Leafs, and South African Krugerrands. However, since we can't turn to this new source for institutional gold, maybe we can pan, pick, and shovel our way to some new institutional nuggets.

Should your institution invest in Demographics 101, Risk Management 202, Online Education 310, Global Initiatives 404, or choose from the graduate catalogue?

Exploring the Terrain

American higher education is looking at one of the toughest periods in its history. There are challenges on every front. Public institutions are facing significant cuts in state support. The National Council of State Legislatures reported recently that 44 states expect a total shortfall of \$120 billion in FY2010. Private institutions have been ravaged by sharp and steep endowment losses. Community colleges are unable to enroll the increased demand of would-be students. For-profit institutions are multiplying and growing.

This June, the U.S. Department of Education (DOE) reported that 114 non-profit degree-granting institutions had failed the department's financial responsibility test. Half of the institutions on the list now must post letters of credit to protect federal grant and loan funds. Failing the DOE test is a reasonable indicator of survival risk, and some sources place the endangered species list at perhaps 250 and growing.

Another risk indicator is Moody's estimate that colleges and universities lost \$120 billion in endowment value between July 2008 and April 2009. Several bond rating downgrades have been announced, and more are on the way.

Significant tuition increases at private institutions do not appear to be an option. In the past 25 years, tuition and fees have gone up 240 percent—about four times the rate of inflation. Over the past decade, the increase was 72 percent for public institutions and 98 percent for private institutions. The number of high school graduates will decline over the next decade. The practice of discounting also seems to be nearing its limits, with the national undergraduate average at 35 percent. Most believe discounting beyond one-third of your tuition income to be a serious financial mistake.

Warren Buffett once remarked, "When the tide goes out, you can see who has been swimming naked." Well the tide IS out! And a sizable number of higher education institutions will need to invest in new swimsuits.

What's in your institutional portfolio?

Time to Invest

On the eve of the Great Depression, Kellogg and Post cereal companies were neck-and-neck competitors. Post chose the conservative route, but Kellogg chose to snap, crackle, and pop! Kellogg continued to invest and went boldly forward. By the end of the Depression era, Kellogg was the undisputed ready-to-eat cereal leader and has been ever since. The same is true of several other businesses that prospered in poor economic times.

And that is the choice we presidents face in today's quagmire.

But what's on our high-caloric menu?

Should your institution invest in Demographics 101, Risk Management 202, Online Education 310, Global Initiatives 404, or choose from the graduate catalogue? Maybe Encore Generation 501 or Non-Traditional Education 602?

One University's Approach

Golden Gate University (GGU) began its comprehensive strategic planning process at about the same time that the economy began to tank. We fully realized that, in terms of Gestalt psychology, the whole is greater than the sum of its parts. We used a three-step approach, beginning with a university-wide Strategic Direction Plan and followed by a more specific University Strategic Action Plan. Both led to the development of School and Unit Strategic Action Plans within the University-structured framework.

Our Strategic Direction Plan yielded three broad themes that will guide strategic institutional goals and future University funding decisions: fostering student success; building a culture of innovation; and earning recognition as a thriving institution.

This fall, we will complete our University Strategic Action Plan, with full awareness of the many complexities of today's environment. Our focus, however, goes beyond sustainability. We are aiming for vitality and enhancement.

Our work has included: updating our mission statement, reviewing our value proposition, identifying our core competencies, examining critical external trends and their likely impact on our market positioning, and constructing strategies and objectives that leverage all of the prior five components. We then checked the strategies to ensure that they drew upon the competencies, accounted for the trends, and responded to accreditors.

Such a process will deliver different and unique outcomes for each university. Some will be more strongly guided by history, some by location, some by mission expansion, and some by other key factors.

Let's examine two of the many outcomes for Golden Gate: global span and location and cyber and location.

Global Span and Location

In June 2009, *The Chronicle of Higher Education* reported that, “the number of students who study outside their home countries is projected to grow from 3 million to 8 million over the next 15 years!”

For GGU, on the edge of the Pacific Rim, those numbers have great meaning. The nine-county Bay Area has the fourth highest concentration of global companies in the world, ranking only behind Tokyo, London, and New York. There are 650 foreign-owned companies in greater San Francisco.

Additionally, there are important demographic and linguistic considerations. The percentage of Bay Area residents born outside the U.S. is twice the national average (27 percent versus 13 percent). San Francisco ranks third in the U.S. with 30 percent foreign-born residents (behind Miami’s 37 percent and Los Angeles’s 35 percent). Not surprising, then, that 40 percent of Bay Area residents speak a language other than English in their homes.

This information becomes more significant looking at the specific two-degree program areas comprising all of GGU: business and law. For our Ageno School of Business, it is important to realize that people are three times more likely to do business with companies who speak their language and know their culture. For our School of Law, the study of both comparative law and international law are key components of the future. That is one of the reasons we have a summer program in Paris.

For an institution that is narrowly based on business and law, these international opportunities satisfy our twin goals of sustainability and enhancement. We feel compelled to recognize the global interdependence and relevance of our viable San Francisco location. And there is one important kicker—international students generally attend full-time and pay full tuition. It is a compelling case!

Cyber and Location

Margaret Brooks, writing in the May 29, 2009, *The Chronicle of Higher Education*, makes a keen observation. She notes that the main driver of online education is not the economy or the convenience. Within our lifetime she notes, “Technology has fundamentally changed everything we do.” That is precisely what is driving e-college opportunities.

Our students are “voting with their feet”: they are not using them! According to recent Sloan Foundation reports, enrollment in online courses grew by 20 percent over the 2002-07 period, while the overall growth rate of enrollment was less than 2 percent. The Foundation also noted that in 2007, 20 percent of college students were taking at least one online class. Of the 300,000 University of Phoenix students this year, more than half are online. Brooks considers the growth of cyber education inevitable. I agree.

An Adobe white paper (May 2008) adds further verification of the trend. In “Delivering on the Promise of eLearning,” Ellen Wagner pegs the global education and training opportunity as a “\$2 trillion market.”

Two other bits of information seem relevant to the future of cyber proactivity. A Zogby International survey last year found that eight out of ten CEOs and small business owners believed that online education was “equally credible with in-person.” And, in August 2009, the U.S. Department of Education released a study concluding that a mix of online and face-to-face education “produced the BEST learning outcomes.” The research also found that online education was “slightly more effective” than purely face-to-face classes.

At GGU, we began our cyber college offerings 12 years ago. Technology is also of key importance in the classroom. We renovated half of our classrooms this past year with technology upgrades.

We believe cyber to be a key component of our future. And, again, our location is important. We are smack dab in the downtown business district of San Francisco. Many of our students work part- or full-time. Traffic is dense, time is precious, and gas is expensive; many students want to spend quality time with their families and friends.

For GGU, the blended approach—half of the class in-person and half online—is a popular offering. This year, we will teach more than 45 percent of our business offerings via our online unit of CyberCampus. Our undergraduate number is 65 percent.

Many More Targets

There is a story with a moral that universities should heed. A military sharp shooter had learned of a 12-year-old boy who had shot a dead center bullseye on multiple targets. The sharp shooter was so impressed that he went to visit the boy, curious to know how he had achieved this remarkable shooting.

“Shucks,” the 12 year old said, “it’s not so hard. I just shoot the holes then draw the bull’s eye.”

Unfortunately, we have to draw our targets first and then lead our institutions toward the center.

At Golden Gate University, we have pinpointed the sand traps and selected the clubs to use as we aim for enhancement in 2020. We have many other clubs in our bag: more advertising, full use of social media, and bringing to an end our “edifice complex.”

What are your institutional targets?

Conclusion

So there you have it. In a time of diminished resources, Molly Broad of ACE advises, “Hunkering down is not a good option.” I agree. We need to be proactive and perhaps downright aggressive to move beyond sustainability.

We presidents, like hockey great Wayne Gretzky, must skate not to where the puck is, but to “where the puck is going to be” for our institutions. We need to make crucial choices and we need to put on some speed. A vice president of General Motors once quipped, “University speed is deceptive. They are much slower than they look.”

We are NOT Pogo. The opportunity IS surmountable!



About the Author

Dr. Dan Angel was appointed president of Golden Gate University in January 2007. His career includes five other presidencies: Marshall University (West Virginia), Stephen F. Austin University (Texas), Austin Community College (Texas), Citrus College (California) and Imperial Valley College (California). He was elected to the state legislature in Michigan and served as a special assistant to a U.S. senator in Washington D.C. His university teaching experience includes Purdue University, Wayne State University, the University of Delaware, Albion College, and Queens College in New York City.

A prolific writer, Angel has published 12 books, including a political biography of former Michigan Governor George Romney, a primer on long-range planning, and a book on management. His areas of expertise are in higher education, development, strategic planning, communications, and forensics.

His educational credentials include a BS and MA in education from Wayne State University and a PhD in Communications at Purdue. Major public service assignments have included membership on the Federal Reserve Board (Dallas). Career honors include: Distinguished Alumnus at Wayne State University in Michigan, Public Administrator of the Year in Austin, Texas, and an invitation to the Oxford Roundtable.

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