PRESIDENTIAL PERSPECTIVES

2010/2011 Series: Economic Prosperity in the Next Decade

chapter nine: Economic Prosperity in the Next Decade

Coping with Unprecedented Change and Disruptive Technology and Market Forces

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Economic Prosperity in the Next Decade

Coping with Unprecedented Change and Disruptive Technology and Market Forces

Dr. Arthur Kirk: President of Saint Leo University

Yogi Berra famously said, "The future just ain't what it used to be." He could not be more correct about higher education today. More recently, and expertly, Ohio State University President Gordon Gee observed, "Today, higher education faces a simple choice: reinvention or extinction."

Within our own institutions and all around us, we see abundant evidence that our present and future will be very different. And few of us can afford to remain unchanged. Our model of higher education, which has served us well in this nation for centuries, will for all but the few enormously endowed among us be different—and in some cases, radically so within a decade.

Consider the evidence—dozens of small, struggling colleges have been purchased by for-profit entities with the intention of launching online programs on a national scale. For-profit schools now enroll 10 percent of all students in college. And while enrollments at many not-for-profits are flat or declining, the for-profit schools grew exponentially and gained more and more market share until only recently. Community colleges now offer four-year degrees, and some are lobbying to also grant the master's degree. More colleges and universities, especially the smaller, private, not-for-profit colleges, are branching out to bring education to students (particularly working adults) where they are. It might be 20 miles away, across the country, or halfway around the globe. Meanwhile, state university systems are being privatized by annual budget reductions, generally with all governmental strings still attached. While community colleges in many states are overrun with students, these colleges lack money for new facilities or faculty to teach them. Online programs proliferate from all sectors.

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Kentucky's Jefferson Community and Technical College offers an online program that lets students begin class whatever day they choose and take as long as they wish to complete it. The once sacrosanct academic calendar of two semesters or four quarters has given way to five- and eight-week models, monthly starts, and now, potentially, our only calendar will be the one on the wall. We read that a survey revealed that a growing number of students at large universities don't go to class anymore. An InterCall Survey recently reported that a majority of students preferred to view lectures by video when they wish, and 78 percent said the lectures are available on live video feed or videotape. The majority said video streaming prepares them better for exams, improves their grades, and is more effective than going to class.

Signs, evidence, and predictions of ominous change abound. An op-ed piece authored by a Columbia University professor in the *New York Times* (Taylor, 2010) entitled **Academic Bankruptcy** opined "many colleges universities are borrowing more and betting on an expanding market in higher education at the precise moment their product is affordable for fewer people." Moody's Investor Service seems to agree. According to *Forbes Magazine* (Barrett, August, 4, 2010), only four schools had their bond ratings upgraded by Moody's; however, they downgraded two dozen colleges. The National Association of College and University Business Officers' (NACUBO) 2009 tuition discounting study revealed that the average freshman discount rate for 355 independent colleges reached 42.4 percent, an increase from 38 percent in 2005. Taylor argued that the level of long-term indebtedness of colleges and universities is unsustainable, so too is a discount rate of more than 40 percent. High discount rates threaten the ability of many colleges to meet their financial obligations.

The College Board reports that the net tuition received from students at private not-for-profit colleges actually declined from the 2007/08 school year to 2009/10. Yet, the high tuition and high discounts have not lowered the level of student borrowing. The average indebtedness of students in 2008 from private non-profit institutions was $27,650 (according to the Project on Student Debt). This level also may be unsustainable. Now, 6.3 percent of those borrowers from 2006 are in default three years later (according to the U.S. Department of Education). With the unemployment rate among college graduates under the age of 25 at its highest level in nearly 30 years (according to the U.S. Bureau of Labor Statistics), and less than half of those employed working in jobs that required a degree (according to the Center for Labor Market Studies), higher defaults seem inevitable.

If the situation for private colleges looks bad, public colleges and universities may be in for worse trouble. State budget gaps averaging more than 15 percent are predicted for 2011 (according to Moody's). One state university president recently said to me: "We used to be a state university. Then we were a state-supported university. Now, we are a state-regulated university." Most public university budgets have been slashed repeatedly. Goldie Blumenstyk reported in the Chronicle of Higher Education (July 13, 2010) that Moody's also predicted that in more than half the states, a recovery is not expected until at least 2013, 2014, or later. Even then, states will face pressures for spending on public employee pensions, healthcare, primary education, and various other services. More immediately, stimulus money accounted for "at least 5 percent of budgeted state support for higher education in 20 states in 2009 and 2010." There is no more stimulus money to ameliorate the problems of lack of state money. Moody's also predicted that more public institutions bond ratings could be downgraded.

In the October 12, 2010 *Grand Forks Herald*, the president of the University of Oregon made a radical proposal that makes sense. His "New Partnership" proposes that state budget money that supports his university today (some $63 million a year) be used to amortize a state-backed $800 million bonds issue. University of Oregon President Dr. Richard Lariviere would raise an equal amount from gifts and endow the entire $1.6 billion, drawing 4 or 4.5 percent a year to support operations. Dr. Lariviere says that the state's support has been too unpredictable and volatile to depend on. Reflecting the trends everywhere, state support per student in Oregon was twice the amount of tuition revenue a generation ago. Today, tuition revenues account for 40 percent of the University's budget, and state support accounts for 9 percent and is declining. Reinvention is inevitable.

All of these trends may be the new normal for the economic and social forces affecting colleges and universities. What then are the new realities for presidents? The first and most obvious is that business as usual will not suffice. When books like *Higher Education? How Colleges Are Wasting Our Money and Failing Our Kids*, by Andrew Hacker and Claudia Dreifus, argue that many U.S. colleges are a waste of money (they are talking about Harvard and Yale here, too); we need to accept that public sentiment is not going to be supportive, as in the past. *The Economist* questions if our universities will go the way of U.S. automakers and states: "This luxury model is unlikely to survive what is turning into a prolonged economic downturn." These pundits do not raise new questions, no less than Peter Drucker predicted in 1993 the demise of many colleges wedded to our traditional model. Most of us face reinvention or demise.

It may be too easy to identify the challenges, threats, and criticisms. But what must a college president do to reinvent his or her institution and ensure it remains relevant and viable? It now is axiomatic with our economic, demographic, and technologic realities that if we continue to do what we have always done, we will not get what we always got. And what we get will not sustain us. Our trustees, administrators, staff, and many (but often not all) of our faculty understand that we are very unlikely to see a return to the good old days of the early part of the new millennium. The demographics will not change quickly, and technologic change will only accelerate. Additionally, many experts believe that the causes of the recent recession were more severe than those that caused the Great Depression and the effects—psychological and real—could last for decades.

A president's first response must be to resist the temptation that will be widely supported to wait out the bad economy without strategic reinvention. If we try to just protect what we have today, we will surely have less tomorrow. Across-the-board cuts advance mediocrity. Freezing vacant positions accelerates decline. Resisting technologic innovations to enhance teaching, courses, and educational delivery guarantees a loss of market share. Our responsibilities as leaders must be to help everyone see the positive possibilities that lie ahead if we confront the brutal facts, become more strategic, increase our distinctiveness, make all of our decisions based on our mission and values, and act faster and more courageously with abundant compassion and concern for all of our stakeholders.

That speaks to the how, but what is the what? There is no one set of answers for us all. But some things seem obvious—we have to find ways to grow our resources. Most of our schools do not have serious problems caused by expense budgets out of control—most have inadequate resources. Declining enrollments and high discounts make these problems much worse. We will, of course, have to find ways to become far more efficient in administrative operations. Our schools will have to become far more sophisticated in the use of technology—websites need to produce conversions from inquiry to applicant, administrative systems must help fewer staff deliver better service to more students, and online courses have to produce more net tuition revenue and increase enrollments. Low-tech, mom-and-pop administrative operations will doom colleges. The sophisticated will prosper.

Higher levels of sophistication must start with college presidents. If we do not know what we must expect from our vice presidents, chief technology officers, faculty, and others, we will not get what our institutions require. We don't need all of the answers, but we do need to know the questions to ask. A college president must be the challenger in chief. He or she should ask the right questions. Why should we sustain this program? Why can't we outsource the registration process to students? How can we reduce this expense or that? What new technology will make our teaching better or processes more efficient? What can we live without? What initiatives can generate new revenues? How can we reduce our staff levels? Why do we even do this? What can we abandon?

Presidents, their boards, and vice presidents will require support from one another to demonstrate the courage to make these and other tough strategic choices. The president must be the institution's leading example of a courageous leader. And he or she will need to be expert in moving an entrenched culture to the entrepreneurial one required for effective reinvention. The future may not be what it used to be; however, people and institutions will still follow those who really lead.

Dr. Arthur F. Kirk, Jr. assumed the presidency of Saint Leo University in January 1997. He earned his Bachelors and Masters degrees from Kean University and his Doctorate from Rutgers University, where he wrote his dissertation on small-college survival strategies. Dr. Kirk became Director of Alumni Affairs at Kean University in 1971, and later served as the University's Assistant Director of College Development. In 1975, he was appointed Director of Development and Planning for Raritan Valley Community College. In 1979, he became Executive Vice President and CFO of College Misericordia, and in 1984, Dr. Kirk was named President of Keuka College, where he served until 1997.

Dr. Kirk has received honors and awards from Rutgers University, Kean College of New Jersey, and Keuka College. Currently, he is a member of the boards of the Council for Adult and Experiential Learning, World Presidents Association, the Association of Governing Boards President's Advisory Council, and the National Association of Independent Colleges and Universities' Public Policy Committee. He is the immediate past chair of the Independent Colleges and Universities of Florida, current Vice President of the Florida Association of Colleges and Universities Board of Directors, and serves on several corporate and community boards.

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