Thought Leaders at Five: Assessing and Forecasting Facilities in Higher Education

Including the Top Facilities Issues

SECTION I: Executive Summary

The APPA Thought Leaders Series turned five years old this year—a significant event in a momentous time for higher education. Participants in the 2010 symposium looked back at both the achievements and the missteps of higher education over the last half-decade, a period that posed many challenges for colleges and universities. Soaring enrollment, fluctuating energy prices, an economic crisis, demands for reform, sweeping changes in technology—all have stretched the resources and ingenuity of higher education leaders.

The focus of this year's symposium was general, almost global, as the group worked to get a big picture of higher education in 2010. The group began by considering the origins and achievements of the Thought Leaders Series. Participants reviewed the results of previous symposia and evaluated the impact of the program on both higher education in general and facilities leaders in particular. This discussion is reviewed in Section II of this paper.

Next, participants conducted what is known as a "SWOT analysis" on higher education, assessing the strengths, weaknesses, opportunities, and threats confronting colleges and universities. Participants identified the **mission** and **scholarship** of institutions as key strengths, while **an inability to be nimble** and a **flawed business model** were noted as weaknesses. Nevertheless, higher education has an opportunity to **build a new business model** and **take advantage of technology,** so long as it overcomes the threats posed by **economic stressors** and **lack of leadership.**

The next stage of the symposium was devoted to identifying major **issues confronting higher education** now and in the next five, ten, and twenty years. The top issues identified were:

- securing the future of higher education;
- reduced public support for higher education;
- a broken financial model;
- communicating the value of higher education;
- campus safety and security;
- shifting workforce demographics;
- global competition; and
- developing leaders to drive change.

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Participants considered the ramifications of these issues and proposed approaches institutions should take to minimize potential negative impacts. Section III of this paper reviews both the SWOT analysis and these major issues.

The Thought Leaders symposium then turned to what has become a signature discussion of the event: the identification of the **critical facilities issues for 2010**. The results are wide-ranging, reflecting the multiplicity of challenges facing higher education and the built environment:

1. **Crafting an integrated strategic plan**
2. **Achieving financial sustainability**
3. **Creating change agents in facilities**
4. **Addressing regulatory compliance**
5. **Facing the challenge of changing demographics**
6. **Creating an environmentally sustainable and energy efficient campus**
7. **Managing the impact of technology**
8. **Addressing campus safety and security.**

The final stage of the Thought Leaders symposium introduced a new area of discussion: the role of the senior facilities officer within colleges and universities. APPA members have long been concerned that these highly skilled, educated, and experienced professionals do not fulfill their potential in contributing to strategic decision-making on campus. Symposium participants began by assessing the status and role of senior facilities officers. They then identified steps that these individuals should take to improve their image and influence—align facilities with the institution's mission; create more opportunities for collaboration; and increase understanding and improve communications—to ultimately achieve a position of influence with senior institutional officers.

At the end of the day, a big-picture view of higher education reveals both remarkable strengths and intimidating challenges. On the one hand, the fundamental structure and financing of colleges and universities seems unlikely to survive in its current form. On the other hand, students and parents seem more convinced than ever before of the value of post-secondary education.

So we turn to you and the view from your campus. How has your institution changed in the last five years? How do you expect it to evolve in the next five? Is the structure of your institution sound, or are major shifts in governance and financing on the horizon? Have you considered the impact of factors such as campus security, changing demographics, regulatory compliance, global competition, and new technology? Have you embraced sustainability and made it a factor in all decision-making? How will you position yourself to achieve greater influence in the decision-making process?

We look forward to your feedback as the dialogue continues.

SECTION II: The Thought Leaders Series at Five Years

As the APPA Thought Leaders Series reached its fifth year, it is appropriate to consider the origins and evolution of the program. The Thought Leaders project began when APPA leaders and senior staff decided to address a longstanding concern of members: that facilities professionals were not in a position to influence strategic decision making on their campuses. How could APPA help its members achieve greater influence?

Part of the answer was to prepare its members to understand the challenges facing senior administrators and to give them better tools for addressing the long-term shifts in higher education and their impact on the built environment. While facilities professionals are often busy in the trenches of day-to-day activities, they also have the opportunity to focus on the big-picture issues—the challenges that will, in the long run, dramatically affect facilities.

The result was the Thought Leaders Series. The purpose of Thought Leaders is to *engage in an annual discussion and distillation of the driving forces, major trends, and current issues impacting the future of higher education with particular attention to its built environment.* The goals of the annual symposia are to:

- Identify and analyze driving forces and trends for the education enterprise
- Identify critical facilities issues
- Enhance institutional dialogue
- Connect the goals of the facilities operations with educational outcomes
- Help improve performance
- Positively impact the future state of educational facilities.

A process was established in which both senior facilities professionals and other institutional officers and administrators would gather annually to participate in structured workshops designed to determine and assess broad industry trends and the top critical facilities issues. After the symposium, a written analysis of the results and supporting background information is disseminated both to APPA members and to the entire education

Data Point: Driving forces in higher education
A 5-Year View from the Thought Leaders Series

While each year's Thought Leaders symposium considered a targeted set of driving forces, the following have consistently been identified as major drivers of change:
- Financial constraints
- The evolving role of technology
- Changing stakeholder expectations
- Shifting demographics
- Impact of competition
- Demand for innovation *and* tradition
- Institutional resistance to change
- Accountability
- Energy cost and volatility
- Sustainability.

community.

So who has the Thought Leaders Series engaged and touched over the past five years?

- Nearly 90 people have gathered to discuss the future of higher education, including 53 higher education representatives, 24 corporate representatives, and 7 industry association representatives.
- Participants have represented 46 colleges and universities in the United States and Canada.
- Institutional job titles of participants include chancellor, president, executive vice chancellor, provost, trustee, vice president of finance and planning, associate vice president for student affairs, director of human resources, chief information officer, director of residence life, associate vice provost for facilities, vice president of operations and facilities management, capital planning director, and director of energy services.
- More than 10,000 copies of the Thought Leaders monographs have been printed and/or distributed to higher education institutions as well as to key

education associations including the American Council on Education, the Association of Governing Boards, the National Association of College and University Business Officers, and the Council of Higher Education Management Associations, among others. In addition, several thousand copies have been downloaded from the APPA website.

■ Associations actively contributing participants to the Thought Leaders symposia have included NACUBO, SCUP, ACPA, CUPA-HR, AACC, ACE, AGB, EDUCAUSE, ACUHO-I and NAEP.

■ APPA has received generous support from business partners, without whom the Thought Leaders Series would not be possible. Sponsors have included Carter & Burgess, Inc.; Delta Controls; Haley & Aldrich, Inc.; IBM; Jacobs; and UGL Unicco, now known as UGL Services.

And what has the Thought Leaders Series achieved in five years? The greatest achievement is the way the monographs have helped facilities professionals understand critical issues and engage in further dialogue on their campuses. The senior facilities officer at a large private institution in the Southeast highlights relevant points from the Thought Leaders report for his vice president for further conservation. The SFO of a large public university in the Midwest uses the monograph during a standing annual meeting with senior institutional officers to pinpoint the critical facilities issues and discuss their impact on his campus in particular. Another facilities AVP at a large public university in the Southeast engages his senior staff in a dialogue about the issues to help determine their focus and direction in addressing the state funding challenges for the coming year.

APPA believes the Thought Leaders Series has helped both facilities professionals and the entire higher education community gain a clearer understanding of the challenges facing our campuses. APPA is committed to continuing the series and furthering the task of helping facilities leaders increase their influence in support of their institutions.

SECTION III: A View of Higher Education in 2010

Assessing Higher Education's Strengths, Weaknesses, Opportunities, and Threats

Higher education has endured a rocky decade. The global recession capped off a period of growing financial constraints; public institutions faced sharp declines in state support, while private colleges and universities saw the value of their endowments plummet. Technology expanded into every corner of the institution. The **demographics of students shifted slowly but steadily to become older and more diverse**. A scandal erupted over financial aid, resulting in changes in the entire financial aid system, and a study by the U.S. Department of Education raised concerns about both **educational standards and regulatory interference**. A growing class of for-profit and online universities attracted an astounding number of students, and **enrollment rose** across the board—particularly after the recession resulted in job losses and **large numbers of Americans returned to school for education and retraining.**

The first task of participants at the Thought Leaders symposium this year was to **assess the status of higher education in the wake of all of these challenges**. The group conducted a SWOT analysis, looking at the strengths, weaknesses, opportunities, and threats facing colleges and universities. SWOT is a technique used to assess both the internal (strengths and weaknesses) and external (opportunities and threats) factors that will affect the future of a project or organization.

Strengths. The strengths of higher education will be critical to helping colleges and universities confront future challenges.

- **Mission.** Several participants noted that the mission of higher education was a unique strength. No other organization combines the goals of education, research, and public service through learning, discovery, and engagement with social and scientific challenges.

- **Scholarship.** The brain power of the community of learning is a powerful strength. Participants pointed to the research resources on campus as well as the knowledge base and formalized learning processes.
- **Economic engine.** Higher education infuses the economy with new ideas, new technologies, new workers, and new leaders.
- **Community.** Colleges and universities are masters at creating and supporting communities—among students, alumni, fans, businesses, non-profits. A tradition of collaboration makes these communities all the more powerful.
- **Diversity.** Higher education has a long-standing appreciation for others and unique skills at fostering diversity.
- **International opportunities.** Higher education has always been a global enterprise, and college and university faculty routinely collaborate with colleagues around the world. This international engagement promotes global economic growth and increases the competitiveness of North American institutions.
- **Infrastructure.** Perhaps it is not surprising that a symposium crowded with facilities professionals would point to campus infrastructure as a strength, but buildings and grounds are a strength others in the academy would be wise to notice. Higher education institutions own some of the most valuable real estate in the world with some of the most significant architecture, specialized research facilities, and beloved sports complexes.
- **Identity.** The "brand" of higher education is widely respected. The public values higher education institutions and education in general.
- **Tradition.** The United States and Canada are still young countries, but our colleges and universities are some of our most long-standing institutions—some even older than our constitutions. The traditions of higher education give these institutions a solid footing on which to build while promoting a powerful sense of community and continuity.
- **Change engine.** Higher education may have strong

traditions, but it also has the ability to change and evolve along with society—sometimes, even, in advance of society. Further, society accepts the role of higher education as a leader of social, technological, and intellectual change.

Weaknesses. Higher education must face its weaknesses to succeed in the future—particularly since many weaknesses are the flip side of strengths.

- **Inability to be nimble and flexible.** Higher education may be a change engine, but that doesn't mean that change happens easily. It requires huge effort for many colleges and universities to overcome institutional inertia. Many struggle to respond to external pressures to change and find it difficult to react to shifts in the marketplace. Ironically, many institutions have on hand experts in change management who teach flexibility and adaptability in the classroom. Institutions struggle to move from a theoretical understanding of change management to the actual practice of implementing change.
- **Lack of focus.** The mission of higher education as a whole may be clear, but individual institutions struggle with a lack of focus. All higher education institutions, public and independent alike, have public obligations, and these must have priority lest they lose public confidence. When institutions wander from their mission or try to reconcile conflicting visions, the result is a faltering of momentum and institutional confusion.
- **Communications failures.** Even if an institution does possess a clear sense of its mission, it is often unable to articulate that mission and vision to the wider community. Many Thought Leaders participants saw communications failures—both internal and external— as a profound weakness.
- **Unsustainable business model.** Thought Leaders participants expressed concern that higher education was pricing itself out of business. The model is broken—it's not sustainable for tuition to rise at an average rate of nearly 5 percent greater than inflation over a decade while state appropriations decline by 12 percent. Entrenchment in the current model was perceived as a contributing factor, as was a rigid organizational structure.
- **Political intrusion.** Government and political interference pose a particular challenge for colleges and universities, since so much of their funding is tied to government sources.
- **Infrastructure.** While campuses and facilities were identified as a strength, they were also perceived as a weakness. Aging buildings combined with rising materials and energy costs can make the physical campus a drag on the institutional budget.
- **Sense of entitlement.** Its many strengths and long traditions can give higher education an unwarranted arrogance. Colleges and universities tout their uniqueness at the risk of unnecessarily alienating potential allies.

Opportunities. Despite these weaknesses, higher education can take advantage of available opportunities to overcome challenges and embrace future success.

- **Develop a new business model.** If the old model is broken, it's time to create a new one. This won't be an easy process, but widespread acceptance of the systemic problems with current higher education financing means now is the time to tackle the problem. Colleges and universities have a chance to embrace best practices from other industries and apply strategic business thinking to their institutions. Although higher education is not a private sector business, taking a more business-like approach to markets, services, and financing would help institutions secure their futures.
- **Build partnerships.** Collaborative relationships will be critical to higher education's long-term success. Partnership opportunities are available with businesses, social services, state and local governments—in fact, with a whole range of national and international organizations and agencies. Partnerships can also be formed with other colleges and universities, opening up opportunities to share resources. Further, embracing the challenge of being a partner with the community rather than separating from it will give higher education new insight into community needs and new allies to support the academy.
- **Take advantage of technology.** Too often, higher education has seen technology as a problem to be solved rather than as an opportunity to be seized. Yet technology is already transforming education in North America—for-profit, online institutions were the first to really recognize this. Colleges and universities need to understand the potential for

Data Point: The Chronicle of Higher Education on *strategic finance*
Using rigorous analysis to identify the actual cost of programs

"Simply put, strategic finance is an approach to planning and budgeting that involves rigorously identifying the full expenses of programs to gain a complete picture of their costs—including indirect costs (like utilities and marketing) that are rarely quantified to that scale. With that information, an institution or system can better identify where costs might be out of line and where to invest to take advantage of new opportunities, untapped demand, and, in the best tradition of the academic mission, societal need. Large public institutions in Indiana, South Carolina, West Virginia, and Wisconsin, as well as many private institutions, have already taken the plunge.

"The approach, which [Ellen Earle] Chaffee [a former college president who heads up a Lumina Foundation for Education-backed project on strategic finance for the Association of Governing Boards of Universities and Colleges] describes as "more of a concept than a method," is no magic bullet.

"But for an industry where the general level of financial analysis is still relatively unsophisticated—privately, one expert calls it "primitive"—any movement that pushes universities closer to actually adding up the direct and indirect expenses of the programs they offer is a good first step toward understanding what makes higher education's spiraling cost model so unsustainable. . . .

"Used thoughtfully, strategic finance can help to identify opportunities. Richard Staisloff, vice president for finance and administration at the College of Notre Dame of Maryland and another member of the cadre,

often cites the example of his institution's psychology department. Initially identified as overly expensive based purely on enrollment, the department won more support from the college once professors were able to show how it could be a revenue generator. They did that by putting extra resources and attention toward attracting the prospective students who initially expressed interest in the major but then failed to enroll. . . .

"More clarity, contends Kent Chabotar, president of Guilford College and another member of the cadre, could even strengthen the case for continuing so-called unprofitable programs and using (diminishing) cross subsidies to support programs that fall within the institution's mission-guided strategic priorities. "Those subsidies will be "easier to justify because they'll be out there," he says, even as he allows that people "might be ticked" when they understand which programs receive financial support.

"It's a sensible theory. But it no doubt depends on an institution's having not only a realistic mission and a practical strategy for achieving it, but also a leadership with the managerial and political wherewithal to shed what's unnecessary and subpar, and truly protect and strengthen what's vital, promising, or just plain important."

— Goldie Blumenstyk
Excerpt from *"A Bottom-line approach that looks beyond the bottom line,"* The Chronicle of Higher Education, *April 4, 2010*

technology to enhance learning, increase communication, cut costs, and build community. Technology is another arena where institutions need to move from the theoretical to the practical. The same colleges and universities where advanced technological solutions are pioneered for research and teaching may have difficulty maximizing technology's potential for transforming institutional operations.

■ **Embrace changes in student demographics.** The "traditional" student—middle-class, white, between 18 and 24—is rapidly ceasing to be the norm on college campuses. Institutions need to understand how their student population is changing in terms of age, income, ethnicity, experience, and goals. Different students want and need different things from higher education, and these new needs create

new opportunities for colleges and universities.

■ **Act now.** Thought Leaders participants felt that the time is ripe for change. The environment is right, the opportunities are out there, and institutions need to strike while the iron is hot. The economic crisis exposed many of the flaws of the current educational system, making it clear to faculty and administrators that change is necessary. Meanwhile, government officials are calling for change, and the student body is positioned to understand and accept new approaches.

Threats. If institutions want to act now, what would get in their way? What threatens higher education's future?

■ **Economic stressors.** Economic challenges confront higher education from all sides. Rising energy costs. Union demands. An unskilled workforce that requires training. Healthcare expenses. Higher interest rates and the threat of inflation. Combine these threats with the long-term decline in state appropriations and you have the potential for a perfect storm of financial unsustainability.

■ **Internal competition.** Economic challenges only grow worse when everyone in the organization is fighting for scarce resources. Individual units within colleges and universities have typically valued their autonomy and operated independently, but that approach isn't viable when the stability of the entire institution is at stake.

■ **External competition.** College and universities have always competed, but that competition could grow much more intense in the next few decades. Demographic shifts will result in a smaller traditional college population. Meanwhile, nontraditional students have different priorities and are more likely to look for direct correlation between the price they pay for education and the jobs they can secure after graduation. Furthermore, international students who once looked almost exclusively at North America have an increasing number of quality global institutions from which to choose.

■ **Perceived value.** The previous threat is related to this one: In an era of increased competition, the general value of higher education is increasingly questioned. Students, parents, businesses, and even governments are asking what accounts for the difference between one degree and another. How is a $50,000/year

education different from a $5,000/year education? While some lower-priced institutions could gain against this threat, many could lose if public perception concludes that all degrees are the same and that the only value in an institution is its ability to grant that degree.

■ **Lack of leadership.** Thought Leaders participants agreed that higher education lacks visionary leaders who can envision future trends and then articulate how the institution needs to respond. Too often, leadership is focused on the short-term and fails to provide that inspirational and visionary guidance and direction. What is needed are iconic figures who can articulate higher education issues and shape the debate with elected officials, government authorities, the media, and the public at large. A good starting point for reasserting higher education leadership is to "speak truth to power" and acknowledge the weaknesses as well as strengths of colleges and universities, buttresses by an agenda for constructive change to better align institutional mission with higher education's public purpose.

Determining the major issues facing higher education

The second step undertaken by participants at the Thought Leaders symposium was to identify the critical issues facing higher education in general.

The group first generated a long list of issues that they expect higher education will likely confront in the next several decades. Then they narrowed this list to focus attention on the most significant issues. At the end of the process, several issues were determined to have the greatest potential to impact the future of higher education.

Securing the future of higher education. Institutions need to be true to and confident in their articulated mission and vision and retain the integrity of that focus and direction rather than be pressured to change by other externalities.

Close consideration of the issues raised on day one of the Thought Leaders symposium meant examining threats to the very existence of higher education. Symposium participants felt that these threats will not just go away but need to be confronted aggressively and confidently. One of the biggest risks is that change could

Data Point: Looking ahead
Preliminary list of issues identified by Thought Leaders participants

Participants at the Thought Leaders symposium developed a list of issues they anticipate will impact higher education in the next several decades. Most of those issues are listed below:

- Limited access to higher education for the middle class
- Increased gap between Haves and Have-Nots
- Increased uncertainty
- Potential loss of tax-free status for higher education institutions
- Increased risk/liability associated with facilities and the built environment
- Changing workforce demographics
- Changing student demographics
- Reduced public support
- Increased demands for accountability
- Decline of the traditional 4-year institution; rise of research institutions focused on product development and commercialization
- New regulatory demands
- Increased energy cost volatility
- Threats to the safety of the campus
- Increased global competition
- Transformations in information technology
- New accountability demands related to sustainability
- Political shifts that could lead to either reduced or increased environmental regulations
- Need for a new financial model to ensure viability
- Global events that could cause breakdowns in communications
- Privatization of public institutions
- Implementation of a voucher system to replace direct appropriations to higher education
- Decline of K-12 public education

overtake the institution and render it unrecognizable. Colleges and universities need to be ready for change and committed to the mission, vision, and form of their organization. Only if the institution knows itself will it be able to retain that identity through the twists and turns of the coming years.

Thought Leaders participants believe higher education could be a very different type of institution a century from now. It is not clear if the current models of public, private, and for-profit will remain relevant or that traditional structures will continue indefinitely. Change will have many drivers including cost, access, and competition:

- **Cost:** Will affordability impact the mission of higher education? Are the finances of the institution sustainable? How will public institutions manage with reduced state support?
- **Access:** Will some students be priced out of higher education? How will the institution retain diversity in the race/ethnicity and economic origins of students?
- **Competition:** How will the institution position itself to compete for a smaller pool of quality students? Is the institution prepared to compete globally?

Institutions also need to ask if their core processes are up to the challenge of the future. Is the business model sound? Are other models available that would make more sense or provide more opportunities for the institutions? What drives the business model?

The ultimate question is this: Who decides? Who decides what an individual college or university will become in 15, 50, or 100 years? University leaders will naturally say that the institutions themselves should decide—that those within higher education know best what their mission should be and how that mission should be executed. However, there is a risk that university leaders will fail to act (or fail to act quickly enough). Other players—state governments, the federal government, business leaders—could step in and shape higher education to their liking if university leaders are not committed to a clear mission.

Some strategies identified to address this challenge include accepting that higher education will inevitably change in the next century and taking on the challenge of shaping that change; focusing on the mission of higher education as a whole and the individual institution in particular; confronting the challenges of cost, access, and competition; and analyzing the institution's organizational structure, governance, and financial systems for their long-term sustainability.

Reduced public support for higher education. State-sponsored higher education is facing both a short- and

long-term funding crisis. State governments have historically provided significant subsidies for their residents, creating a nationwide system of public colleges and universities that provide first-class educations at cut-rate prices. However, that entire system is under threat.

The recession exacerbated the continued challenge to adequate state funding. The financial crisis created state budget shortfalls that could only be met by either raising taxes or reducing spending, and few were willing to raise taxes. In fiscal year 2009-10, state support of higher education declined nationwide, although the impact was blunted by federal stimulus money through the State Fiscal Stabilization Fund. These nearly $40 billion in federal funds resulted in only an average 1.1 percent

decline in state support instead of the 6.8 percent decline had stimulus money not been available. That average hides significant variability between states: funding drops ranged from 0.2 to 16.4 percent across the nation. The harder-hit state institutions had no choice but to slash budgets, close programs, and increase tuition and fees. For example, the University of California system turned away 2,300 students in the fall of 2009 and 1,500 students in the fall of 2010, since no money was available to educate them, while fees for students who did attend rose by 32 percent for 2009-10 and 2010-11 combined.

Even more worrisome is the budget situation for the upcoming year. Stimulus funds are running out, but tax

Data Point: State funding for higher education
Implications of state funding cuts

As of August 2010, at least 43 states have implemented cuts to public colleges and universities and/or made large increases in college tuition to make up for insufficient state funding. Here's a survey of the situation in several U.S. states:

- Alabama's fiscal year 2011 cuts to higher education have led to 2010-11 tuition hikes that range from 8 percent to 23 percent, depending on the institution.
- The University of California increased tuition by 32 percent and reduced freshman enrollment by 2,300 students; the California State University system cut enrollment by 40,000 students.
- Colorado funding for higher education was reduced by $62 million from FY 2010 and this has led to cutbacks at the state's institutions. For example, the University of Colorado system will lay off 79 employees in FY 2011 and has increased employee workloads and required higher employee contributions to health and retirement benefits.
- Florida's 11 public universities will raise tuition by 15 percent for the 2010-11 academic year. This tuition hike, combined with a similar increase in 2009-10, results in a total two-year increase of 32 percent.
- Georgia cut state funding for public higher education for FY2011 by $151 million, or 7 percent. As a result, undergraduate tuition for the fall 2010 semester at Georgia's four public research universities (Georgia State, Georgia Tech, the

Medical College of Georgia, and the University of Georgia) will increase by $500 per semester, or 16 percent.
- New York's state university system increased resident undergraduate tuition by 14 percent beginning with the spring 2009 semester.
- In North Carolina, University of North Carolina students will see their tuition rise by $750 in the 2010-2011 school year and community college students will see their tuition increase by $200 due to fiscal year 2011 reductions in state higher education spending.
- Texas instituted a 5 percent across-the-board budget cut that reduced higher education funding by $73 million.
- Washington reduced state funding for the University of Washington by 26 percent for the current biennium; Washington State University is increasing tuition by almost 30 percent over two years. In its supplemental budget, the state cut 6 percent more from direct aid to the state's six public universities and 34 community colleges.

*– Nicholas Johnson, Phil Oliff, and Erica Williams
"An Update on State Budget Cuts: At Least 46 States
Have Imposed Cuts that Hurt Vulnerable Residents
and the Economy," Center on Budget and Policy
Priorities, August 4, 2010*

revenues haven't improved; states are looking at drastic mid-year and next-year cuts. In Nevada, for example, lawmakers approved a 6.9 percent midyear cut in state allocations to higher education—on top of the 24-percent reduction the previous year. Even though the economy seems to be recovering, the situation looks grim for the next two to five years, since the recovery of state budgets tends to lag behind the economy as a whole.

Even worse could be on the horizon if long-term trends in reduced public support continue. State spending on higher education has steadily declined in terms of the proportion of state budgets and the proportion of college budgets; funding has not kept pace either with enrollment growth or with inflation. For example, between 1992 and 2010, appropriations to higher education in Virginia dropped from 14 percent to 11 percent of the state budget. On a per-student basis in Virginia, general fund allocations declined by 18 percent at four-year institutions and 9 percent at community colleges during the same period.

Participants at the Thought Leaders symposium believed declining state support threatens the entire higher education system in the United States. They acknowledged solutions won't be easy. Institutions are working to develop creative solutions to the problem other than eliminating faculty and reducing programs. Many are seeking **funding from alternative sources** including corporations, foundations, and the federal government; others are increasing fundraising and recruiting lucrative out-of-state students. But these strategies aren't enough.

Participants believe a critical strategy will be to **focus on and invest in core competencies.** Outsourcing is not a panacea, but sometimes it is the right solution to providing services at a reasonable cost. Higher education also needs to better leverage its resources through smart purchasing decisions and strategic partnerships. Finally—and most critically—**higher education needs to make a better case for itself**. As an industry, education needs to explain the value it provides to the local community, to the state, and to the nation. Colleges and universities value their independence, but in this instance they need to speak with one voice and deliver a consistent message: that the success of higher education determines the success of the nation.

Broken financial model. Related to the challenge of declining public support is the challenge of the entire higher education financial model. In short: it's unsustainable.

The cost of higher education simply cannot continue to rise at its current rate. If established trends continue, higher education will become too expensive for the average family. In the past 25 years, average college tuition and fees have risen by 440 percent, more than four times the rate of inflation and almost twice the rate of medical care, according to the National Center for

Data Point: State funding for higher education
Higher education at a critical junction

"Enrollment demand has grown relentlessly for more than a quarter century, from 7.0 million in 1980 to 10.8 million in 2009, with no signs of stopping. Even with the substantial increases in state and federal funding for higher education, public financial support has not generally kept pace with enrollment growth and inflation. These trends have contributed to persistent increases in tuition and fees, and in some states, to subtle, less visible reductions in opportunity and quality. . . .

"State support for higher education has been resilient, but inconstant. In every recession over the past 35 years, enrollments have grown, while state funding has not kept up with enrollment growth and inflation. During economic recoveries following recessions, states historically have "caught up" by providing more support. While the historical pattern provides reassurance and evidence of enduring public commitment, the current recession and a convergence of other pressures on states and the American economy have eroded the ability of states to rebuild their financial support for higher education. The resiliency of public financial support for American higher education is threatened, putting its quality and capacity at risk."

– Paul E. Lingenfelter, President, State Higher Education Executive Officers (SHEEO), in his editorial "A Critical Juncture for Higher Education in the United States," published to coincide with SHEEO's annual report on state funding for higher education

Public Policy and Higher Education. This dramatic increase in the cost of an education is increasingly difficult for families to bear; between 1999 and 2007, a degree from a public institution jumped from 39 percent to 55 percent of the median income of the lowest-earning quintile of American families. Still reeling from the sub-prime mortgage crisis and the credit freeze, families are increasingly reluctant to take on huge loans. Increases in financial aid are unlikely to keep up with demand; Congress recently increased Pell Grant limits from $4,731 to $5,350 a year, but that figure is still $14,000 less than total expenses for a residential student at a public institution at in-state rates—and more than $33,000 less than expenses at the average private college or university.

Institutions must continually raise tuition and fees, conduct fundraising campaigns, and lobby for state funding because their internal costs keep going up. To some degree, the pressures on higher education are the same as those on every large organization in the United States; healthcare costs, for example, have risen sharply. But these types of costs cannot account for all of the price pressures on higher education. The organization and governance systems at colleges and universities can promote high costs and discourage efficiencies.

For example, the shared system of governance between trustees, administrators, and faculty makes it difficult for institutions to react quickly to changing situations. College deans are disincentivized to comply with university-wide cost-cutting initiatives since their base of support is with the faculty in their own college and provosts or presidents are limited in their ability to motivate or further penalize recalcitrant deans.

Further, the budget system at universities often gives significant financial freedom to deans in what researcher Ronald Ehrenberg of the Cornell Higher Education Research Institute calls the "tub" model of resource allocation. In this model, each college keeps the revenue it generates, including tuition, and is responsible for all costs it incurs, remitting funds to central administration to cover shares of general costs. According to Ehrenberg, the tub model is not the best model for improving efficiency and controlling costs, since the best interests of the individual unit are not necessarily the best interests of the entire university.

Fundamental changes will be necessary to reduce the cost of higher education and stop the spiral of ever-rising tuition. The solutions generally adopted by institutions when faced with budget cuts are short-term reductions of obvious targets—hiring freezes, travel restrictions, training budget reductions, limits on library purchases, etc. As noted by higher education economics expert David W. Breneman, "Few institutional leaders have undertaken the hard tasks of rethinking the university strategically and systematically reallocating resources to permanently lower costs."

Nevertheless, participants at the Thought Leaders symposium pointed to several measures already underway at institutions. Colleges and universities are looking for areas of redundancy and seeking to **consolidate services**. Some have examined their real estate assets and leased out land and facilities not used for academic purposes to raise revenues. Other institutions are making the difficult decision to **close underperforming academic programs**.

However, more needs to be done. Thought Leaders participants pointed to **better space management** as a powerful tool. Colleges and universities historically have used their space poorly, using buildings heavily for a few hours a day, a few months a year and hardly at all other times. Keeping buildings full all day/every day, all month/every month, makes better use of the investment in facilities and reduces the need for new buildings. **Energy conservation strategies** are usually considered in

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Data Point: Higher education costs
Why does college cost so much?

"The objective of selective academic institutions is to be the best they can in every aspect of their activities. They aggressively seek out all possible resources and put them to use funding things that they think will make them better. To look better than their competitors, the institutions wind up in an arms race of spending to improve facilities, faculty, students, research, and instructional technology. . .

"Top institutions have chosen to maintain and increase quality largely by spending more, not by increasing efficiency, reducing costs, or reallocating funds."

– Ronald Ehrenberg
Tuition Rising: Why College Costs So Much

terms of environmental sustainability, but they can also have a significant effect on cutting energy costs and reducing risk posed by energy price volatility. Tuition needs to be reassessed so there is a clear **relationship between what a student pays and what it costs to educate that student**. Institutions need to analyze their organization and governance, eliminate disincentives to cost-cutting and university-wide thinking, and institute management and budget approaches that **encourage efficiency.**

Communicating the value of higher education. Thought Leaders symposium participants believed strongly that higher education is not adequately nor effectively communicating its value, its role in society, or its achievements. Higher education is widely perceived as important; nevertheless, with so many assaults on public support and so many criticisms of large endowments, higher education needs to increase its efforts to communicate its value. Institutions need to make the case for higher education not only to encourage students to enroll but also to keep education as a priority in national and state policy. Colleges and universities would be severely impacted, if not devastated, if state governments came to doubt the impact of public institutions or if families lost faith in the power of higher education to help their children build a brighter future.

Some key points about higher education will be universal. Everyone can agree that colleges and universities contribute immeasurably to the economies of the United States and Canada by training workers, supporting businesses, and developing new technologies. Most will also come together on the value of educational institutions in creating informed citizens, promoting culture, and generally preserving an environment where creativity, innovation, intellect, and endeavor are valued. Beyond these core principles, different institutions will have different stories to tell. A community college, for example, might need to promote its ability to train a wide range of students of all levels of ability for the next step in their education and/or for their careers. A research institution, on the other hand, might need to tell the story of its technological innovations. College and universities need to understand their institutional assets, tangible and intangible—which are likely to be more than one.

Only once the institution understands what differentiates it from the competition should it craft a

Data Point: Communicating the value of higher education
Effective branding

"Build on strong facts: Bob Dylan said, 'All I got is a red guitar, three chords, and the truth.' Without denigrating Dylan's guitar chops, it's fair to say that he relied primarily on the truth. University marketing and communications programs should do the same.

"Effective marketing (or public relations – the terms mean different things to different practitioners) should be thought of as an accelerant. It's the lighter fluid we pour on a fledgling fire to create a full-blown blaze. As a result, even the strongest communications program will fail if it is not built on strong facts—on the truth.

"Within your institution, find three to five strong institutional assets—the ideas, initiatives, and people that differentiate you from the rest. These could be research programs, student successes, or an innovative approach to admissions. The point is, you should fan the flames where you have the potential to outshine others."

– Michael Armini, senior vice president for external affairs at Northeastern University, from "Beware Higher Ed's 'Mad Men', Inside Higher Ed, May 27, 2010

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communications message. It is essential that the communications strategy be rooted in the vision and truth of the institution—that it reflect the real values and identity of the college or university. Faculty and staff at some institutions have reacted against the rash of branding and marketing that they see as ineffective and hollow—usually when a brand identity or marketing message reflects a lack of understanding about the organization. Communications messages should not attempt to make a college or university into something it is not. The effort will be dismissed internally and ultimately will be ineffective externally: audiences are too savvy and too well-informed not to see through an ill-prepared message.

If, however, the message arises out of the truth and vision of the institution, then the institution should be able to develop a plan for promoting that message. An experienced public relations and marketing team needs

to craft a strategy that includes multiple media and multiple ways of telling the story. Good communications plans are hard work—they require sustained effort. Smart institutions will stick to a plan for years: the rule of thumb in marketing is that by the time you are sick of a message, your audience has just noticed it. The final element of a strong communications plan is the creation of mechanisms to evaluate its impact. Institutions need to measure the effect of their strategies with surveys and other tools.

Campus safety and security. Campus security poses one of the most urgent and difficult problems for colleges and universities. One on the one hand, colleges and universities need to create a safe and secure campus. On the other hand, institutions need to preserve the rights of their students, faculty, and staff, including the right to privacy, and seek to create an open environment conducive to community, learning, and exploration.

Tragedies in recent years exposed many flaws in campus security, and in the last decade strides have been made in developing security plans. A 2010 survey by the University of Central Florida discovered that 85 percent of respondents had developed comprehensive emergency management plans, results identical to those of a 2009 survey by the National Campus Safety and Security Project, an initiative of nine higher education associations including APPA. These plans generally address the institution's response to acts of violence, natural and manmade disasters, and pandemics; about half of responding institutions also have plans to deal with disruptions to communications and computer systems. Many of these plans were developed in association with local police and emergency response personnel and include emergency communications systems.

However, gaps remain in campus security. To some degree, these gaps are inevitable. Campuses are not controlled environments like airports or courthouses, nor do most people desire background checks of new students or metal detectors at classrooms. But other gaps should be confronted by campus leaders. For example, a 2008 study of security on University of California campuses identified several aspects of security that needed improvement, including communications interoperability with local police, fire, and emergency medical service providers; lack of established procedures to handle situations such as active shooters and hostage

Data Point: Campus safety and security
Behavioral Concerns Advice Line helps students, faculty, and staff concerned about others

One program that is proving successful at preventing dangerous incidents on campus is the University of Texas's Behavior Concerns Advice Line (BCAL). Begun in 2007 as a partnership between the dean of students, the Counseling Mental Health Center, the Employee Assistance Program, and the University Police Department, BCAL operates 24 hours a day, 7 days a week taking calls from students, faculty, staff, and parents. Individuals are encouraged to call when they have concerns about the behavior of another member of the campus community; these concerns might include a faculty member bothered by disturbing comments in a paper, a student worried about a roommate's drinking habits, a staff member upset about an increasingly angry co-worker, or a parent anxious about changes in their child's behavior.

Calls are assessed first for the level of threat they represent, and immediate threats are passed along to campus police. Barring a crisis situation, calls are routed to either the student or faculty referral processes.

As a partnership between several campus departments, BCAL avoids many pitfalls. It's not a counseling service, so information doesn't fall under the confidentiality rules of the mental health center. It's not a police line, so students or faculty don't feel they're "ratting out" their friends. UT staff believe the program has been highly successful at intervening in potentially dangerous situations; reported cases include incidents of stalking/harassment, aggressive behavior, mental health breakdowns, erratic behavior, and abuse of alcohol or drugs. This collaborative program gives UT a unique tool for identifying problems before they escalate.

situations; and the lack of multidisciplinary behavioral management teams designed to identify and address students, staff, or faculty who may pose a threat to the campus community.

Thought Leaders participants believed more extensive planning was needed to address **emergency**

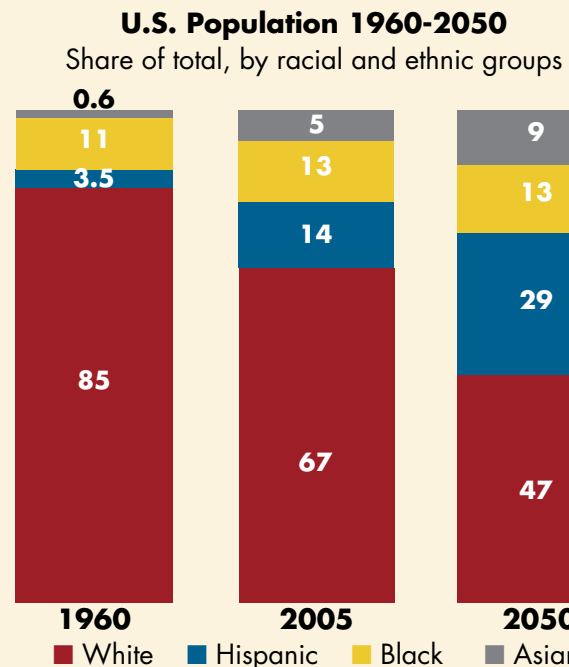**preparedness, incident command, business continuity,** and **campus community involvement and awareness**. In particular, symposium participants believed a gap existed between the administration and operations side of colleges and universities and the academic and research side; few faculty members have received adequate training. Plans are good, but if faculty are stuck in classrooms with students and do not know the plan, its usefulness is limited.

Further, participants believed more emphasis should be placed on **prevention**, particularly the prevention of dangerous incidents from students, faculty, and staff. Members of the campus community need to know how to recognize troubling behavior as well as how to report that behavior to someone who can take action.

Workforce demographics. The population of the United States is changing in unprecedented ways. The population is expected to hit 438 million by 2050, and the majority of that growth will be among minority populations, according to a 2008 report by the Pew Research Center. The white population will grow to 207 million, but the African American population will grow to 59 million, the Asian American population to 41 million, and the Hispanic population to 128 million. In other words, by the middle of this century, 47 percent of the population will be white, 29 percent Hispanic, 13 percent African American, and 9 percent Asian American.

At the same time, the population as a whole is aging as the baby boomers reach retirement age and life expectancy increases. The workforce is aging, as well, and not just due to population shifts: older workers are staying in the labor force longer and younger adults are delaying going to work. According to one government estimate, 93 percent of growth in the labor force from 2006 to 2016 will be among workers ages 55 and older. Some older workers simply enjoy the activity—54 percent of workers ages 65 and above cite this as their reason for working, compared to 20 percent of those 64 and younger, according to Pew—but others have delayed retirement due to the recession. Meanwhile, a rising share of Americans 16 to 24 years of age are in school and thus not participating in the labor force, a drop from 66 percent in 2000 to 57 percent in 2009. Nevertheless, baby boomers will eventually retire, taking with them their skills and institutional wisdom and knowledge, and the smaller generations that follow will enter the

Data Point: Changing demographics
Shifts in the U.S. population by 2050

U.S. Population 1960-2050
Share of total, by racial and ethnic groups

	1960	2005	2050
Asian		5	9
Black	11	13	13
Hispanic	3.5	14	29
White	85	67	47
(top)	0.6		

■ White   ■ Hispanic   ■ Black   ■ Asian

– U.S. Population Projections: 2005-2050, Pew Research Center

workforce with less training.

Of particular concern is the anticipated shortage of skilled workers. It doesn't seem possible right now, with an estimated 2 million construction workers out of a job, but the situation is expected to quickly reverse itself, and skilled trade workers will be in high demand. Different researchers have made different predictions of the extent of the problem—the U.S. Department of Labor predicts that by 2012 the construction industry would be short 1.5 million workers, while the Construction Labor Research Council estimates that each year for the next decade the industry will need 95,000 replacement workers and another 90,000 new workers. The situation is likely to exacerbate if many of those out of work now retrain and find jobs in other industries, notes FMI Corporation, a management consulting and investment banking firm to the construction industry; furthermore, many of the most highly skilled and experienced tradesmen are nearing retirement age. "When backlogs approach capacity in 2013 and 2014, the industry will have lost expertise and be in need of skilled workers," notes FMI in a recent

report, "The Next Big Threat . . . And It's Probably Not What You Were Expecting." According to FMI, "It will not just be a matter of finding skilled workers; the challenge will be recruiting and training specialists for a changed industry."

Participants in the Thought Leaders symposium felt higher education is **paying insufficient attention to the challenge of shifting demographics**, particularly for facilities departments. Facilities professionals are right to fear they will be unable to hire enough skilled staff to fill the holes created by retirements; many believe the institution will need to train new employees itself. Participants observed that some institutions have begun to recognize the problem and have developed new training resources as well as started apprenticeship programs. However, the recession resulted in hiring freezes for many institutions, so the majority of organizations have been unable to fill the gaps left by retirees or begin to train the next generation of workers.

Institutions need to do more to identify the staff members they will need in the next five, ten, and fifteen years and then develop a plan to find those employees. Facilities departments need to work with human resources experts on **strategies for recruitments, skills assessment, and compensation structures**. They also need to work on **skills development and training** to bring on the needed skilled workers. Institutions need to look at building partnerships with technical and community colleges—with the understanding that competition for these workers will increase. Finally, departments need **succession/accession** plans so employees are confident they have a future with the institution.

Global competition. At first glance, the United States seems to be highly successful at attracting students from around the world. In academic year 2007-08, the U.S. set a new record of 623,805 foreign students, up 7 percent from the previous year. However, 7 percent really isn't as good as it sounds—the U.S. would need to attract far more students to keep up with competitors in Europe, Asia, and Australia.

It all comes back to supply and demand. An increasing number of students are seeking to study outside their home countries; the total of international students has grown from 600,000 in 1975 to 1.2 million in 1990, to a whopping 2.9 million in 2006, according to a report from the Centers for Study in Higher

Education at the University of California, Berkeley. Experts anticipate this number will only grow as the world's population increases in numbers and mobility. At the same time, students find it increasingly difficult to attend U.S. colleges and universities. The rising cost of education as noted elsewhere in this report has discouraged students, as have complicated and lengthy visa procedures implemented after the September 11, 2001 terrorist attacks. Global politics have played a role, with many nations expressing their disapproval with U.S. policies by looking elsewhere for an education.

Other nations have taken advantage of the situation to make their higher education institutions more attractive to international students. While the United States was once the leader in recruiting international students and faculty, other countries have increasingly recognized the benefits of international students and have begun eliminating barriers and encouraging enrollment. Several nations, including Australia, New Zealand, the UK, and France, expedited visa approvals for students, visiting faculty, and researchers and modified their immigration policies to make it easier for foreign nationals to work in the country following the completion of their degrees. Institutions have created curricula and degree programs targeted to the needs of the international market and developed financial aid programs for foreign students. Several in non-English-speaking countries have even adopted English as the language of instruction, particularly at the graduate level.

As a result, the U.S. share of the market of international students is on the decline. From 25.1 percent market share in 2000, the United States dropped to 20 percent by 2006; at the same time, Australia rose from 5.6 to 6.3 percent, Japan from 3.3 to 4.4, France from 7.2 to 8.5, and New Zealand from 0.4 to 2.3.

The implications of this decline are greater than a reduction in the diversity of U.S. campuses. International students are the lifeblood of many graduate programs; since 1977, in fact, virtually all of the growth in doctorates in the sciences and engineering can be traced to foreign students. Some programs might find it hard to survive if these international students go elsewhere. Further, international students have had a major impact on the U.S. economy.

International students inject more than $15 billion into the economy through tuition and living costs. Those students who choose to stay in the U.S. after

graduation bring unique energy and have a significant economic effect; one study found that in the 1990s, more than one-third of successful start-ups in Silicon Valley were founded by foreign nationals, most of whom received their education at American universities. Another study estimated that immigrants helped start one of every four technology companies between 1997 and 2007, companies that generated $52 billion in sales in 2005.

Thought Leaders participants believed higher education institutions need to take action to increase their share of international students. Symposium participants recognized that several institutions have begun to fashion responses. For example, some institutions are actively **recruiting overseas**. Others are **establishing joint ventures** with local institutions or creating satellite campuses in other countries—a move that not only produces revenue but also promotes the institution and attracts students to the United States and Canada.

However, these measures are not enough to reverse the trend. Some of the solutions to the problem fall outside of the control of higher education and will require extensive lobbying and education. First, the **immigration process needs to be streamlined** to shorten application times and reduce complexity. Second, the United States needs to develop a national higher education policy that encourages everyone in U.S. higher education to think of institutions not as simply local or state assets but as **nationally important**. This policy also needs to support recruiting of faculty and staff, provide new financial aid opportunities, and seek out other ways to make the U.S. higher education system more competitive. Finally, **new funding for research and development** should have the side effect of promoting international enrollment by increasing enrollment in research programs overall.

Other solutions are more easily controlled by institutions. Colleges and universities can begin by striving to **increase the diversity of their faculty** and recruiting internationally. They can also find new ways to increase their profile around the world and attract international students. Academic units should examine their **programs to see if they are desirable to international students**. Could programs be modified so that they better meet the needs of international students? Could the time to graduation be reduced, or

options for study at home institutions for some courses be expanded? In general, institutions should not take international students for granted and should start focusing further on making themselves competitive globally.

Developing leaders to drive change. Thought Leaders

Data Point: Global competition
Economic impact of foreign students in the U.S.

Top Ten States	# of Foreign Students	Tuition and Fees (billions)	Total Contributions (billions)
California	85009	$1.40	$2.45
New York	69940	1.30	1.90
Massachusetts	31683	.80	1.00
Texas	51823	.60	1.05
Pennsylvania	25994	.60	.72
Illinois	28604	.56	.71
Florida	26780	.43	.67
Michigan	22697	.43	.52
Ohio	19346	.33	.43
Indiana	15502	.30	.37
U.S. Total	**623,805**	**$10.60**	**$15.54**

— John Aubrey Douglass and Richard Edelstein, "The Global Competition for Talent: The Rapidly Changing Market for International Students and the Need for a Strategic Approach in the U.S."

participants agreed with many industry observers that higher education is in need of dynamic, committed leaders to address the challenges of the next decades—and fear that these leaders are in short supply. It will take a skillful navigator to steer unwieldy colleges and universities through the rocky shoals ahead, and these navigators seem to be increasingly hard to find.

Institutions often turn to business and politics for senior leaders on the assumption that skills in these arenas will translate to skills in academic administration. This belief has some merit—savvy leaders from outside the institution look at seemingly intractable problems with fresh eyes. Business leaders often have a performance mindset that encourages them to get things done, quicker. However, business leaders sometimes lack understanding of the nuances of academia. One expert,

writing in *The Chronicle of Higher Education,* predicts the rise of college and university presidents with corporate backgrounds will result in "an increase in the number of presidents who are more skilled at keeping their boards and the news media happy than they are at listening to faculty members, staying up to date with the changing state of research fields, or thinking deeply about the role of their institutions in society and the world."

Perhaps the optimal solution is a combination of leaders from both within and outside higher education. However, that means higher education organizations need to work harder to develop their own people. Thought Leaders symposium participants agreed with many industry observers that colleges and universities often do a poor job nurturing leadership from the inside. This seems to be an odd problem for higher education, since so many schools have built strong business programs that train expert leaders and managers. Colleges and universities should consider following the lead of a few savvy institutions that have created leadership institutes for their own staff.

Alternatively, they should look at involving promising candidates in external leadership programs. For example, the Council for Independent Colleges, in partnership with the American Academic Leadership Institute and the American Association of State Colleges and Universities, offers the Academic Leadership for the 21st Century program, which helps prepare chief academic officers for the role of college president. Similarly, the American Council on Education offers the ACE Fellows Program, in which vice presidents, deans, department chairs, faculty, and other emerging leaders spend a year in intensive leadership training.

Finally, participants at the Thought Leaders symposium agreed that leadership is necessary not only on individual college and university campuses but also nationwide. Higher education needs advocates who will both sing the praises of academics and research and urge appropriate transformation and reform. Institutions need to encourage their leaders to take on this role within their communities, states, provinces, and regions, and welcome the chance for their senior leaders to take a place on the national stage.

Data Point: Developing higher education leaders
Growing from the inside at Emory's Excellence Through Leadership program

One university confronted the challenge of institutional leadership head-on by developing a program to strengthen leadership performance across the institution and establish a leadership pipeline for succession planning. Emory University's Excellence Through Leadership program was established in the fall of 2006 in response to the shifting landscape of higher education and a concern about the scarcity of top-quality leaders.

Up to 15 participants, drawn from various schools and departments, are selected through a rigorous screening process. Then over the course of a year, they attend courses taught by business-school professors and Emory administrators. Classes cover a wide range of topics, including strategic planning, marketing, branding, and higher education finance. Participants also receive individual leadership mentoring.

Participants also complete a group project, in which they address major challenges facing the university and make recommendations for solutions. The work is hands-on and often gets the aspiring leaders involved in areas of the institution that are completely new to them. To date, about half of the recommendations made by group project teams have been put into place.

The program is getting results. As of June 2009, 16 percent of participants have received promotions, 5 percent have changed division, and all graduates consistently receive higher merit-pay increases than their colleagues. "Our evolving Excellence Through Leadership initiative is supporting our aim to develop leaders with the competencies that we believe will best serve them and the university in the future," says Peter Barnes, Emory vice president of human resources.