

THE FUTURE OF HIGHER EDUCATION

WILL HIGHER EDUCATION SEIZE THE FUTURE OR FALL VICTIM TO IT?



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My optimism comes from the fact that a path for change exists. My caution comes from the fact that getting on that path is difficult.

- Participant in Academic Impressions Presidential Dialogues, April 2018.

In every boardroom, cabinet meeting, professional conference, news outlet, and whitepaper, the most talked about theme in higher education is the avalanche of impending changes confronting our institutions. We have new populations of students who both learn differently and are less prepared for higher education. New technologies boast tremendous opportunity to increase student success and yet threaten the very model of higher education itself.¹

Increased competition sharpens our focus while making our work more difficult every day. The irreversible declines in state funding and public confidence strain the implied compact between university and society. As we face tomorrow, we are not dealing with just one of these challenges. We are dealing with all of them at the same time.

Whether you subscribe to the theory of disruption and you suspect that we are on the brink of hundreds of college closures or mergers, or whether you are more optimistic than that, the one thing most of us can agree on is that higher education is going through a significant period of upheaval and change. The good news is that the institutions that thrive in this time of change will emerge stronger, more competitive, more dynamic, and more able to educate students for a changing society and workforce. That is the good news. The bad news is that the path for change, knowing how to confront these issues, is wholly unclear. There are no easy answers to

these “adaptive” challenges,² and finding the answers will test even the brightest and most capable leaders we have.

This portrait of higher education in a moment of upheaval was the context to for our recent 5th *Presidential Dialogues: Focus on the Future*,³ and has also been informed by a conversation we held with the Midwest Board Chair Forum, where we were so graciously invited to facilitate a discussion by the Forum sponsor Franke Associates, a consulting firm providing Presidential leadership transitions and board governance services to higher education. When we are dealing with complexity and change, we need more perspectives—and more diverse perspectives—at the table.

What follows is a summary of what we’ve learned—**four unforgiving paradoxes** that today’s higher-ed leaders must confront, and four critical strategies for navigating these paradoxes.

2 Heifetz, Ronald, Alexander Grashow, and Marty Linksy, *The Practice of Adaptive Leadership*, Harvard Business Review Press (2009). Heifetz, Grashow, and Linksy highlight the difference between “technical” and “adaptive” challenges, and this distinction has important implications for leaders in higher education. *Technical challenges* are situations we have encountered before, and we can apply our current knowledge, expertise, and resources to deal with them effectively. What makes a problem or challenge technical is not that it is trivial but that its solution already lies within the organization’s repertoire.

With *adaptive challenges*, however, there are no clear answers as to how leaders and organizations can effectively respond to the challenge or crisis. These challenges require experimentation, risk taking, and creative, innovative thinking.

3 Academic Impressions has held four previous Presidential Dialogues: Focus on the Future meetings. At each of these conversations, 3-6 college and university presidents gather in a small, intimate setting to discuss an issue facing higher-ed leadership in depth and consider practical strategies for how presidents can respond. After each of these meetings, the conversation’s findings are presented to the rest of the higher-ed sector in the form of a brief paper. You can read the previous (fourth) paper here: Amit Mrig, *Presidential Dialogues: Leading in Complex Times*, Academic Impressions (2017).

1 See Amit Mrig, *The Other Higher-Ed Bubble*, Academic Impressions (2013). This paper reviews the data on the state of the higher-ed industry, warns of a short window in which higher-ed presidents and boards can respond while significant tailwinds persist, and issues a call to action that is only more urgent now, five years after the paper’s initial publication.

4 Unforgiving Paradoxes Facing Leaders

When unpacking the case for change versus the capacity for change, we surfaced four unforgiving paradoxes that higher-ed leaders will have to face. These seemingly contradictory sentiments demonstrate the complexities of the challenges facing higher education—and illustrate how these challenges confound simple or straightforward solutions. These are the four paradoxes:

1. Even amid growing awareness that the business model is broken, colleges and states are doubling down on that traditional model.
2. The way we are managing our educational model is undermining its relevance and value.
3. We need to change quickly, but our institutions are operating at capacity and both our decision making and governance models are not supportive of rapid innovation.
4. The research is clear that the value of a degree is increasing, but public skepticism of the value is growing at the same time.

Our recent conversations with both college and university presidents, and Board Chairs from a wide variety of institutional contexts—large public, open-access university systems, mid-sized institutions, and selective liberal arts colleges—make it clear that these are the gaps institutional leaders need to address. The objective for the 5-10 years ahead of us in higher ed is to build the capacity for change despite these challenges.

As one of the presidents at our 5th Presidential Dialogues remarked, “My optimism comes from the fact that a path for change exists. My caution comes from the fact that getting on that path is difficult.”

Most of this paper will be focused on documenting the gap and making the case to change *now*. If you find this case

compelling, we hope you will reach out to us at Academic Impressions to explore how we can help your institution build the capacity of its leaders and middle managers, who will be the agents driving the changes needed. To help start the conversation, at the end of this paper we will share specific insights that surfaced in our conversations and that may provide clues to the way forward.

First, drawing from the insights of the seasoned presidents and Board Chairs we spoke with, let’s examine these four unforgiving paradoxes. Here, we are also able to draw on conversations that we have had at all five previous Presidential Dialogues and in future timeline activities⁴ conducted with hundreds of higher-ed leaders at Academic Impressions’ leadership programs.

1. Even amid growing awareness that the business model is broken, colleges and states are doubling down on it.

The viability of the business model in higher education has been called into question for many years now – by pundits, economists, legislators, and the public media.⁵ Recently, we’re hearing university *presidents* questioning the business model, both at private and public institutions:

- Nearly all presidents believe that additional colleges will merge or close this year, with 30% predicting that between 1-5 colleges will close, 40% predicting between 6-10 will close, and 29% predicting that more than 10 will close.

⁴ For the Future Timeline activity, see Larry Goldstein and Patrick Sanaghan, “Looking Beyond the Moment,” *Business Officer*, NACUBO, 2003.

⁵ For just a few examples, see: Rick Seltzer, *The Growing Role of Mergers in Higher Ed*, Inside Higher Ed, 2018; Joni E. Finney, *Why the Finance Model for Public Higher Education is Broken and Must Be Fixed*, Penn Wharton Public Policy Initiative, 2014; Lester A. Lefton, James M. Danko, Cornelius M. (Neil) Kerwin, and Chris Bustamante, “Broken?” in *The Presidency*, ACE: 2013; John C. Cavanaugh, “Higher Education in the Postdegree Era,” *Inside Higher Ed* (2018); Kathy Caprino, “If Our Higher Education System is Broken, How Can We Fix It?” in *Forbes* (2017); and KaufmanHall’s *Financial Outlook: 2018 Report for Higher Education*, in which nearly half of senior finance officers at colleges and universities report that their institution’s current model is not sustainable.

- Thirteen percent of presidents say they could see their *own* college closing or merging in the next five years.⁶ That is higher than the 9% of chief business officers who answered that question in an *Inside Higher Ed* survey last summer.

Board Chairs are expressing deep concern about the sustainability of the business model, too. Undertaking a “future timeline” exercise at the Midwest Board Chair Forum, several dozen Board Chairs noted the increasingly tuition-dependent financial model for higher ed as an immediate concern for 2018 and 2019—citing (among other critical and pressing challenges) a shrinking pool of available traditional-aged students, declining state support, unsustainable discount rates, and rising tuition price, when paired with the slow pace of change within our institutions. “By 2022,” one Board Chair predicted, “the first higher-ed institution will publish a \$100,000 tuition sticker price.”

Independent institutions have long relied on the ability to increase net tuition revenue through raising price and growing enrollment—two levers that are much harder to pull in 2018 than they were a decade or even five years ago. As demographics change—fewer high school graduates, declining enrollments—universities have responded competitively with short-term discounting strategies that aren’t financially sustainable. We can only discount so much.

At the same time, state-supported institutions are often subject to a vexing combination of declining state funding and legislature-mandated limits on tuition increases. In 28 states, tuition provides more revenue for higher education than the state. This continuing “defunding” of higher education is a prevailing concern in all of our conversations with leaders of state-supported institutions across the country.

So, when we talk about a broken business model, this doesn’t apply only to small liberal arts colleges or to one select group. Unless you are in the proverbial “top 100” institutions in North America or can rely on the relative security of a multi-billion-dollar endowment, the need to take a hard look at the business model applies to you, too.

The issue with being increasingly reliant on tuition revenue is that tuition alone cannot and does not cover the full cost of education. Yet, many of the leaders we have spoken with acknowledge (in private) that they can no longer afford to pay for the cost of educating their students. For example, if an institution charges x amount for tuition and the full cost of educating the student is $x + 10\%$, and the discount rate is near 50%, this isn’t sustainable.

This is true even for the richest and most selective of institutions; all institutions subsidize the cost of education through philanthropic support, state funding, auxiliary revenues, and other sources. Yet because tuition revenue doesn’t cover the full cost of education, the many institutions that are having to generate more and more of their operating budget from tuition are in an unenviable place. This is further complicated by the emphasis on student debt and the desire by many institutions to provide of full demonstrated financial need for all students. This creates an unending pressure to keep increasing revenues to pay for the rising costs of the operation.

Because tuition can only be raised so far or so fast, endowment is an essential part of the funding mix. One of our presidents mused that *sustainability = endowment * enrollment*. Another mentioned that, like it or not, there is a line in the sand that determines the institution’s financial viability—and that line is endowment size. This statement reinforces how reliant all institutions are on forms of revenue besides tuition. Yet hundreds of institutions have less than \$100 million in their endowment, leaving them especially vulnerable to the impact of enrollment declines on the operational budget. Even a sizable endowment doesn’t mean exemption from financial challenges; Earlham College in Indiana just announced huge operational shortfalls despite a large per-student endowment.

In the case of public institutions, state support is the de facto endowment, generating annual revenues without which the institution could not continue to operate. The unique challenge that public institutions face is that even while state support decreases⁷, many states regularly impose constraints on tuition increases. This is done often for noble intentions—

⁶ See [Survey of College and University Presidents](#), Inside Higher Ed (2018).

⁷ See [State Higher Education Finance: FY 2017](#), a report by the State Higher Education Executive Officers Association (SHEEO).

to ensure access and affordability—but it creates a structural deficit; the institution loses money on each student, so as enrollment grows, so too do the institution’s losses, which then have to be made up elsewhere. The cost of delivering education becomes like a mortgage that is too high for one’s salary to pay. People know they can’t live that way—so why do colleges and universities? How long can our institutions persist with this kind of structural deficit?

One of the factors that reinforces this dynamic is the high fixed cost structure of higher education. All institutions rely on highly paid professionals whose compensation and benefits amount to the largest share of an institution’s total expenditures. Notably, the staffing required to educate a set number of students has stayed the same over time, but the costs for these professionals has grown. This dynamic, labeled the “cost disease” by economists Baumol and Bowen,⁸ has been used to explain why costs have increased so dramatically. Unfortunately, the theory by itself does not explain what can be done to mitigate these rising costs. It is not an easy riddle to solve. If non-instructional costs amount to only 20% of the budget, how much can you cut, realistically, from that—especially given that most institutions already trimmed costs during the recession? The courageous and difficult conversation higher-ed leaders need to have is how to redesign the way they deploy their people, especially faculty.

One of our Presidential Dialogues participants remarked, “As public institutions, we are becoming increasingly privatized, and yet we don’t have the structures to operate the way private institutions do. As we become increasingly privatized, how do we preserve the public mission and access?” This is an essential question, highlighting the growing complexity involved in finding an equilibrium between access and financial sustainability.

In the face of this complexity, many higher-ed presidents and board members continue to restrict themselves to asking primarily tactical questions: How do we grow the endowment quickly enough to mitigate reliance on tuition? Too often, they aren’t asking the strategic questions: How do we avoid being

8 W.J. Baumol and W.G. Bowen, “[On the Performing Arts: The Anatomy of Their Problems.](#)” *The American Economic Review* (1965).

endowment-reliant? How do we change the business model so that reliance on tuition is sustainable?

One of the presidents we conversed with told us, “What distinguishes one institution from another is how they respond to this problem. Some will. Others will become smaller and smaller and will become less relevant to the public mission. These institutions will ultimately face an existential threat.”

2. The way we are managing our educational model is undermining its relevance and value.

The economic case for change and reinvention is clear. However, the broken business model is not the only reason why we need transformational change. We also need transformational change because the world of work – and therefore the learning needs of our students – is on the verge of rapid and dramatic change. There is abundant research documenting how we stand at the precipice of a “fourth industrial revolution,” defined by a range of new technologies that are fusing the physical, digital, and biological worlds.

Technological breakthroughs like artificial intelligence and a connected infrastructure are poised to destroy millions of current jobs while creating millions of new ones. In fact, it’s estimated that 65% of today’s primary school students will work in a job that doesn’t exist yet.⁹ The Board Chairs we spoke with cited these sweeping changes to the world of work—entailing workforce shortages and shifting skillsets needed for students to be successful after completing college—not just as a future threat but as an immediate concern that higher-ed leaders need to be discussing *this year*.¹⁰

After all, the implications for higher education are staggering. Many factors will influence how institutions respond, and there can be no one-size-fits-all approach. These trends are powerful and irreversible—and are pushing us to a new

9 See Alan Ritacco and Heather McGowan’s article “[Preparing Students to Lose Their Jobs \(And Faculty To Keep Theirs\).](#)” *Academic Impressions* (2017), in which Ritacco and McGowan review the evidence for the “fourth industrial revolution” and make the case that the increasingly automated workforce of the future will be focused on “human skills,” not technical skills.

10 See [The Future of Jobs and Jobs Training.](#) Pew Research Center, 2017.

normal, whether we like it or not. We need to get ahead of the trends and adapt quickly to rapidly changing circumstances. We can't afford to be slow or reactive, because if we are, our options will then be very limited.

There are two key issues here:

1. We are cutting the liberal arts and the humanities, when the importance of the liberal arts is likely to increase rapidly over the next 20 years.¹¹
2. Our institutions are oriented and constructed to deliver a one-and-done, two-year or four-year, or graduate model of education. We are not designed, staffed, or prepared to support continuous and lifelong learning through varied delivery models.

What needs to change? First, we will need to educate our students to thrive in an evolving and increasingly automated workforce. Graduates will need to be adaptive, engaged in self-directed and continuous learning and self-transformation. They will need to be able to move horizontally between many careers over the course of their lives, as industries change and adapt around them.

The skills that matter in these evolving industries are skills traditionally associated with the liberal arts—critical thinking, intellectual flexibility and adaptability, communication, teamwork, comfort and facility in diverse environments, and writing. Yet, as one president told us, the challenge for today's university is not how to get more students into the liberal arts; it's how to infuse and integrate the liberal arts throughout *all* the disciplines. We can't assume that these skills are taught explicitly in our classrooms and that students are already "getting" them just by virtue of attending courses in the liberal arts.¹²

11 See Fareed Zakaria's talk "[The Enduring Value of a Liberal Arts Degree](#)," *WBUR* (2015).

12 See also Ryan Craig, "[The Top 10 Higher Education Issues We Can All Agree On](#)," *Forbes* (2017). Under issue #10, Craig asserts, "Unless and until colleges and universities are able to document that liberal arts programs actually produce the outcomes we've taken on faith, this exodus will continue and liberal arts programs will be increasingly a plaything for rich kids (who'll use connections to get good first jobs, so it doesn't matter what they study). Incorporating assessments demonstrating critical thinking, problem solving and situational judgment is the most likely way to convince employers (and students) of the value of our beloved liberal arts programs. As Purdue President Mitch Daniels has said, higher education has to get past the 'take our word for it' era. Increasingly, people aren't."

Despite popular rhetoric, both quantitative¹³ and anecdotal¹⁴ evidence suggests that employers, especially in the STEM fields, deeply value the skills they find in liberal arts graduates. They recognize that the future isn't just about technology, it's about how you can marry technology with the human experience. Mark Zuckerberg, founder of Facebook, is famous for saying that Facebook is as much about psychology and sociology as it is about technology.¹⁵ Steve Jobs said, "It is in Apple's DNA that technology alone is not enough—it's technology married with liberal arts, married with the humanities, that yields us the results that make our heart sing."¹⁶

But many colleges aren't thinking that way; in fact, they're moving in the opposite direction. One of the presidents in our conversation remarked, "Change is so rapid, yet we're moving too slow as a sector. There are so many cases of colleges cutting English majors, the Languages, and the Arts, in order to respond to a demand in STEM." Such examples are unfortunately all too commonplace in higher ed.¹⁷ The president we spoke with emphasized the difference between responding to today's demands versus anticipating tomorrow's. They posed a powerful question to the group: "Are we making changes that will hurt us over the next 20 years, undoing what we need to be doing next?" Cutting the liberal arts and boosting investment in STEM is a short-term strategy at the expense of the long term.

Board Chairs also emphasized the need to rethink *what* and *how* our institutions are teaching students: How do you marry the liberal arts and the practical arts? How do you convey the employability of the liberal arts education? How do you help students secure employment and make that promise very concrete?¹⁸ "We isolate the liberal arts too much," one Board

13 See AAC&U's chart "[Employer Priorities for Most Important College Learning Outcomes](#)" (2015).

14 See J.M. Olejarz, "[Liberal Arts in the Digital Age](#)," *Harvard Business Review* (2017).

15 *ibid.*

16 Steve Jobs, "[Technology Alone Is Not Enough](#)," *The New Yorker*, 2011.

17 For a recent example, see Fernanda Zamudio-Suarez, "[4 Months Into His Tenure, a Flagship's President Proposes 50 Faculty Layoffs](#)," *The Chronicle of Higher Education* (2018).

18 Consider the example of Carroll University, which is incentivizing partnerships between academic departments to create certifications for their liberal arts disciplines. In this way, a student can graduate with a major in philosophy but also with 3-4 certificates in music, business, computer science, etc.

Chair emphasized. “We need to convey a concrete definition of ‘liberal arts.’ The liberal arts are core to developing the leaders and leadership we need in this country for the future.” This clarification and retargeting of the mission of the liberal arts, the group suggested, might provide a route to recapturing the relevance and value proposition of a traditional baccalaureate degree.

Second, our institutions are currently designed to provide a “front-loaded” educational experience. We typically take an 18-year old or even a “non-traditional” student and expect to provide all of the education they need in a set period of time—2 years, 4 years, or perhaps 6. The idea is that after they graduate, they are equipped with the skillset necessary to succeed (and continue to succeed) in the workplace.

That may have been true 20 years ago, and even to some extent today. But when you think about how quickly most industries are being disrupted or entirely displaced by new technologies, the idea that a static education at the beginning of our formal careers will be sufficient to prepare graduates for sustained success in the future is questionable at best.

Given the pace of change in our economy, education can no longer be viewed as a one-and-done accomplishment. Instead, education must be focused on developing a lifelong skillset: the ability to learn, re-learn, fail, bounce forward from that failure, and succeed continuously. As one president noted, “We have to prepare our institutions to provide education throughout the lifecycle of learners; we have to have many touches throughout their lifetime.” Institutions will need to innovate in both the timing and delivery of education for lifelong learners. These maturing and growing students will not be returning, decade after decade, to campus to attend small classes or attain another degree. They will need education on demand—with access to highly skilled faculty and with curriculums that help them adapt to an ever-changing workforce. Institutions will need to complete the shift from learning that is driven by faculty expertise and faculty research to learning that is tailored to complex and diverse student needs. There are some interesting examples of this emerging, especially in business schools that recognize that for students’ MBA’s to retain their value,¹⁹ alumni must

continue to update their skillset—much in the same way that a doctor or a lawyer has to document continued professional development on an annual basis.

While the thought of this transformational shift in how we provide higher education can be daunting, it can also be exciting. In this evolving environment, education no longer needs to be viewed as a zero-sum game, in which, if one institution “wins” a student, someone else must lose. The reality is that the total amount of education we need is ever-growing. Today and tomorrow’s students will need *more* education throughout their career and lives, not less. Even though the number of students may not be growing, their educational needs and appetite will be. And colleges and universities, if they position themselves well, can be the providers of this education and reassert not only their relevance but also their value.

3. We need to change quickly, but our institutions are operating at capacity and our governance models are not supportive of rapid innovation.

Until recently, our sector has been insulated from the need for rapid innovation, because higher education has long been the sole grantor of the credentials that mattered. If you wanted a good job, you needed a Bachelor’s degree, and if you wanted a Bachelor’s degree, you needed to go to a four-year college. Now all of that is changing and changing quickly.

As the world of work evolves more rapidly, several factors—including the need for a more diverse workforce, a shortage of qualified workers, and the fierce competition for talent—are forcing companies to pursue a range of new approaches to finding credentialed workers.

In some cases, companies are questioning the credentials they want. Large companies, especially in the technology sector, are no longer requiring applicants to have a college degree. That would have been unheard of a decade ago. In fact, 15% of the employees that IBM hires in the United States don’t have college degrees.²⁰

19 For example, see the University of Michigan’s [Ross School of Business](#).

20 See “[Why IBM Wants to Hire Employees Who Don’t Have a 4-Year College Degree](#),” CNBC, November 7, 2017.

Still others are happy to hire graduates of Coding Bootcamps as opposed to graduates of four-year degree programs. Coding campuses such as Galvanize and General Assembly are projected to produce almost 23,000 graduates in 2018, equivalent to almost 30% of the total number of computer science graduates that 4-year institutions will produce.²¹

In other cases, new technologies are developing so quickly that companies are acutely aware that the skills they need aren't taught yet in any college curriculum. Companies like AT&T, Google, and Mercedes-Benz are partnering with groups like Udacity to offer "nanodegrees" in emerging fields for which four-year degrees don't exist: self-driving car engineers, VR developers, natural language processing, digital marketing, and more. It's only a matter of time, one Board Chair remarked during our conversation, "before Google buys the University of Phoenix." The competitive landscape is changing rapidly.

Finally, some companies are questioning whether the credential is actually the best measure of quality. Ernst & Young and PWC have both stopped asking for college transcripts and instead are using their own assessments to identify the best applicants.

The challenges for universities are clear. How can institutions deploy new academic programs rapidly *and* ensure there is a match between the graduates they are producing and the demand from employers? Further, how do leaders confront a common faculty mindset that often says, "our purpose isn't to get students jobs but to create a fully educated person." How do we effectively shift the narrative from one of "either-or" to a "both-and?" These are questions universities must answer—and are uniquely situated *to* answer. As one president pointed out, if the biggest companies are now investing deeply in their employees' professional development and are launching their own training "universities," designed to fit the specific and emerging issues facing their companies, then colleges' comparative advantage is to provide a broader education that does more than just replicate a set of term-limited skills. However, we have to do this in new ways.

Speed is essential, but universities move slowly; stories of curriculum reform that takes multiple years to complete are commonplace in our sector. Highly specialized faculty are

not easily transferrable from one discipline to the next, and tenure and accreditation requirements can make it difficult to spin new programs up and wind others down in response to changing demand. And even if your institution doesn't offer tenure (or has a majority of non-tenured faculty), unions or the threat of unions can also slow down change. The "consensus mentality" in some higher-ed institutions can slow progress significantly.

Nor is board governance usually structured in ways that empower universities to innovate. Boards are more often focused on minimizing risk—financial, reputational, legal—rather than re-framing the conversation around which risks they must be willing to take in order to secure their future. A *risk* is anything that might pose either a negative or positive outcome for the institution, but too often the conversation remains focused on how to avoid the negatives and not how to seize the positive potential. As one speaker at the Midwest Board Chair Forum asked, "How do we create more dynamic models of risk?"

The risk aversion and slow pace of change isn't an issue only at the Board or executive level, however. One has to only look at how universities are organized for clues as why our institutions are not more nimble. One of our participating presidents asked, "Why in the 21st century do we continue to use 19th century labor organization on campus? This makes no sense. We are all organized around departmental groupings that come out of 19th century German institutions. Why do we have a department of biology, when what we need today is the study of ecological interactions?"

This president went on to say, "Most of our programmatic structures and curricular designs are driven by the epistemologies of specific disciplines. What is needed now are curricular designs that are based in phenomenological approaches. Look at the changing demographics of the Western hemisphere, the complexity of climate change—to understand these, we need individuals with different expertise to come together. But our existing departmental structures confine expertise within units, and this prevents a cross-disciplinary curriculum design and a cross-disciplinary approach to research."

Many faculty and academic leaders have recognized the value of cross-disciplinary pedagogy and interdisciplinary research

21 See "2017 Coding Bootcamp Market Size Study," Course Report.

for decades—but our faculty and our curriculum are not organized and structured in cross-disciplinary ways. However, recent examples can be found of institutions—like Plymouth State University²²—that are taking fundamental rather than incremental steps to reimagine their curriculum.

In addition to how we organize faculty, the way we define their workload can prevent us from moving quickly. As one president stated, “Every faculty member’s workload mirrors every other faculty member’s. That is so counterintuitive to efficiency. Why don’t we assign workloads at the departmental level (give me x hours of teaching, x of research, x of course design and assessment, x of etc.); then you will see faculty specialize according to their strengths and interests. Some will teach, some will assess.” These conversations will be difficult to start but have the potential for tremendous impact to the business model.

College and university leaders must find ways to catalyze innovation and new thinking on campus, and yet instead, over the last 10 years since the recession, colleges have survived by asking fewer faculty and staff to take on more work. One president summed up the challenge: “In our institutions, there is a capacity gap. Every day, we are so focused on everyday things that no one is waking up and thinking about the future. There is no unit out there that is R&D or Skunkworks.” Yet in this environment, we need a lot of our people thinking about and discussing the future together—not just the senior cabinet.

Leaders must empower innovation and future thinking throughout the institution. Consider the example of Abilene Christian University, which conducted a two-year study with faculty, staff, and students on the use of mobile technology to enhance teaching and learning, tapping expertise and knowledge at every level of the institution to produce a “horizon report” that then guided the institution’s investments in new course design and new methods of course delivery.²³ This approach allowed ACU to implement change rapidly and effectively.

22 See Vimal Patel, “[Want to Revamp Your Curriculum?](#)” *The Chronicle of Higher Education*, March 2018.

23 See Abilene Christian University’s [2010-11 Mobile Learning Report](#).

But in a culture where predictability and stability are normally valued over risk-taking, altering the structure of our institutions will be a difficult task. Administrators proposing new directions will receive pushback on the expected outcomes. People will ask: How can they know with certainty that the path they are proposing will work? This question is a trap that lulls leaders into inactivity. Today’s challenges are what Pollak and Wakid refer to as “Lewis and Clark problems” in which organizations must venture into unknown territory without a clear map.²⁴ Lewis and Clark challenges are ambiguous situations that have a myriad of variables that can’t be solved by relying on past experience or currently available data. These challenges require exploration, experimentation, curiosity, and learning.

The good news—at least with the members of the Midwest Board Chair Forum—is that many Board Chairs are keenly aware of these dynamics and are asking thoughtful questions about how they can help their institutions navigate this uncertainty, overcome potential resistance to change, and find creative solutions to move forward.

To catalyze innovation on campus, we need to develop leaders at every level of the institution to help them cultivate a higher tolerance for ambiguity and a willingness to take creative risks and learn from failures along the way. Without this willingness to learn while we lead, strategies to anticipate and respond to a changing future will face significant organizational barriers to implementation. As one of our presidents said, “I need to be able to say, ‘I don’t know yet.’ We don’t just need to think outside the box, we need to redesign the box.”

To empower institutions to redesign the box, senior leaders will need to invest rapidly in leadership development programs and convene broad sets of stakeholders to challenge status quo thinking, present the evidence of the need for change, and invite creative problem-solving. We can’t continue to rely on only the most senior leaders to be thinking about or planning the future.

For more on the type of leadership skills—including anticipatory thinking, risk taking and creativity, resilience, courageous decision making, and the ability to convene diverse stakeholders—needed to ensure that institutions not

24 See Lauren Pollak and Katherine Wakid’s “Thriving in Ambiguity: Lessons from Exploratory Organizations.” *Harvard Business Review*, 2010.

only survive but thrive in coming years, we recommend the paper *The Skills Future Higher-Ed Leaders Need to Succeed*.²⁵

4. The research is clear that the value of a degree is increasing, but public skepticism of the value is growing at the same time.

Finally, urgent action is needed because public confidence in higher education is waning.²⁶ This can appear frustrating because the data is clear that the value of a degree remains high. Graduates of post-secondary degree programs still make higher salaries than their peers; in fact, the pay gap is increasing and is likely to increase more.²⁷ It is projected that by 2020, 65% of jobs will require training beyond high school and 35% of jobs will require at minimum a bachelor's degree. According to a recent study by Georgetown's Public Policy Institute, based upon our current pipeline of students, we are expected to fall 5 million workers short of the total needed with post-secondary credentials.²⁸

Yet even as the importance of attaining a degree increases for most Americans, a number of factors are fueling public doubt about the return on investment for those degrees. Average tuition has risen 400% since the 1980s.²⁹ Student loan debt, at \$1.5 trillion, has overtaken credit card debt as the largest single pool of debt in the United States. One third of Americans³⁰ no longer believe that a four-year degree prepares graduates to succeed in a job. And for the first time

25 Amit Mrig and Patrick Sanaghan. *Report: The Skills Future Higher-Ed Leaders Need to Succeed*. Academic Impressions, 2017.

26 See "[Public Confidence in Higher Education](#)," Association of Governing Boards, 2018. This report documents the decline in public trust and offers nuanced perspectives on the key factors involved.

27 See Christopher G. Rugaber's article "[Pay Gap Between College Grads and Everyone Else at a Record](#)," *Associated Press*, Jan 12, 2017.

28 See the [2014 report](#) by the Georgetown University Center on Education and the Workforce.

29 See "[It's Time for Elite Universities to Lead in Non-Elite Ways](#)," Gallup, 2017.

30 See "[The State of American Jobs](#)," Pew Research Center, 2017.

in recent history, we are also seeing steep partisan divides³¹ in the public's outlook on the value of higher education.

At the same time, employers and legislators alike are voicing growing impatience with higher education's slow response to the skills gap; colleges and universities are not producing graduates with the skills that employers want—even though these are the liberal art skills that, in theory, higher education is uniquely positioned to help students develop.

"The value of a college degree, for the public, is increasingly unclear," one of the Board Chairs noted. Yet it was also evident from our conversations with presidents and Board Chairs that leaders can no longer stop at lamenting that the general public doesn't "get it." While the decline in public confidence and support has accelerated in recent years, it is not a recent trend. The challenge is not an ignorant public that must be reminded the value of the liberal arts; this is not just about "telling our story" more effectively. If higher education is to remain the economic engine of America's economy (and be regarded as that economic engine by the public), then real changes—to both the cost structure and student outcomes—are needed to begin to turn the tide.

As one of our presidents noted, "There is a big challenge and a big opportunity here—I like putting those two together. We are in an interesting time of rising anti-intellectualism, suspicion of the academy, and suspicion of the advancement of the life of the mind and knowledge itself. At the same time, there's a lack of recognition of the importance of creativity and of the humanities to science and technology. Yet some of the best work on artificial intelligence is coming from the department of English, from researchers looking at syntax. Together with our mathematicians, they are engaging new levels of creativity around the nature of language."

Rarely have we seen such a unique paradox of growing societal needs and significant doubt in higher education's ability to meet them. This final paradox raises the stakes for leaders. If they do not move quickly and decisively, we will only continue to see alternative providers of credentials try and disrupt higher education.

31 See "[Sharp Partisan Divisions in Views of National Institutions](#)," Pew Research Center, 2017.

These challenges are not new, but the response has to be. In this environment of growing distrust in the value and return on higher education, it is crucial that college and university leaders act quickly to transform the business model and curriculum—and revive public confidence in the value proposition of higher education. And leaders need to act collaboratively; they can't just *mandate* the change and expect it to be implemented.

Simply doing what we have done before—adding a few new academic programs, increasing tuition discounting, or investing in new facilities to attract faculty and students—will not be enough to dispel public doubt, nor to increase the relevance and value of higher education, nor to prepare students for a rapidly evolving future. Changing demographics, new technologies, fundamental shifts in public funding models, declining financial support, and growing public skepticism have created a tipping point for the academy.

In the face of these pressures, we need academic and administrative leaders who are looking for opportunities to invest in their institution's future, not only its present. There are few models to draw upon so instead we need to build our own leadership capacity to make the changes we need.

We need leaders who recognize the futility of just continuing to make incremental changes to delay the inevitable, leaders who aren't content with a mistaken hope that sooner or later, matters will return to "the way things have always been." As one of the presidents remarked, "We need leaders who won't just 'wait it out.'" The tide has turned; "waiting" and "hope" are no longer effective strategies.

4 Strategies to Navigate These Paradoxes



It's not about what's wrong. It's about what's next.

– Mary Hinton, President, College of Saint Benedict

Fortunately, there *are* ways forward. Four key strategies emerged in our conversations:

1. Student success will generate financial resources we need—and grow public support.
2. To transform the academy, we need to leverage the creativity, flexibility, and energy of those faculty who already see the need for change.
3. We need to look for models of innovation, both within and outside of higher education.
4. Developing leadership capacity within our institutions will provide us with the "strategic wedge" to drive swifter, transformational change.

1. Student success will generate financial resources we need.

We have all heard the axiom that it costs less to retain a customer or student than it does to recruit one. If institutions can tackle the issue of student retention comprehensively, scalably, and effectively—rather than dispersing efforts

across many siloed departments and initiatives—institutions can increase their revenue and (by graduating more students) increase public goodwill and support. These efforts have to be integrated and they have to be real on-the-ground initiatives, not just “pie in the sky” objectives. They will need deep support throughout the institution (especially among the faculty) to be successful.

As one president explained, “Our business model has to be turned around to recognize the connection between enhancing student success and secular increases in revenue. Even 2-3% increases in retention rates drive up secular increases in revenue. Say we recruit 100 students but 30 leave us in the first 2 years. Our challenge is that we have built capacity as if we have 100 students all the time. That means we have 30 students’ worth of excess capacity. So, if we increase student retention, we see revenue. So, my cautious optimism is founded in the opportunities to rethink how we support our students and rethink intervention strategies both inside and outside the classroom.”

Consider the turnaround story of Drexel University, which halted and reversed an enrollment slide by a concerted shift from traditional recruitment to a focus on identifying best-fit students and supporting them effectively through the first year of their academic study. As their vice president overseeing enrollment stated, “Enrollment isn’t about who you enroll, it’s about who you keep.”³²

2. We need to leverage those faculty who “get it.”

The presidents we spoke with recognized an opportunity that has been less present in the past—a growing willingness among faculty to engage in discussions about more creative approaches to the curriculum, faculty workload, and departmental structure. “Faculty are facing existential threats, too,” one president advised. “Tenure as lifetime employment is coming under attack because the likelihood of retrenchment is going up. They are more willing to engage in these conversations.”

32 See “Susan Snyder. “Tuition was rising, appeal was falling. Here’s how Drexel University is stopping the slide.” *The Philadelphia Inquirer*, June 2018.

This president suggested that when facing change, one third of faculty adopt an “over my dead body” response, one third struggle to adapt, and one third “get it.” This final third consists of those faculty who are not as invested in the existing structure or who see the impetus for change. The key is to leverage those faculty to help the middle third adapt. “If we have two thirds,” the president suggested, “then we can effect meaningful change. We have to find ways to engage that middle third in the difficult conversations.”

The Board Chairs also spoke about the need to educate and engage the faculty in the future of the institution, asking: “What percentage of faculty understand the issues of the university, and do they understand why the university is making the decisions they make? How do we make them aware?”

Too many presidents are reluctant to “upset” the faculty and shy away from the courageous conversations that need to happen—but that is not an effective strategy. We have smart and creative faculty throughout our institutions who can help us meet and address the complex challenges we’re facing—if we get better at empowering the most creative members of our faculty to help us do so.

3. We need to look for models of innovation, both within and outside of higher education.

Amid the constant narrative that the model for higher education is broken, there are, in fact, multiple examples of institutions experimenting with their model. Like these institutions, we too need to question long-held assumptions about the academic calendar, faculty workload, and the relationship between learning and work.

During our meeting, the Board Chairs brought up the example of Lakeland University, which is redesigning its Business and Hospitality curriculums around a co-op program in which every student will have an internship. Based on grants and paid internships (9-18 months), most students will be able to graduate with little debt. Lakeland is seeing significant faculty buy-in and cooperation—the faculty are actively redesigning their courses throughout the relevant academic programs.

They are also thinking outside the box in terms of the academic year. For example, if the best time for internship with a

corporate partner is January through May, then students take the internship then and follow it up with summer coursework—rather than trying to squeeze the internship in during the summer months in order to accommodate the traditional academic year. Lakeland is piloting the effort with 120 students, and their fall enrollment in these programs has surpassed their goal. The approach integrates work and education and allows the institution to maximize facility use year-round.

Another example is National Louis University, which designed the curriculum, student support, and financial model of its Harrison Professional Pathways Program³³ specifically to meet the needs of first-generation and often low-income students. The program offers a \$10,000/year “all-in” Bachelor’s degree and is expected to soon be self-sustaining, able to fund its recurring operational costs fully while also seeing a (projected) 30% margin in net tuition revenue per student. Examples of efficiencies in the operating model that enable the low price point include: a) streamlining the range of general education and elective offerings to provide clear pathways to a degree; b) scheduling courses during times when the institution’s facilities had been traditionally under-utilized; and c) having program faculty carry a full teaching load, allowing the program to operate with a lean staff.

Finally, we can look to Plymouth State University, a smaller public institution in New Hampshire. With just over 5,000 undergraduates, this university is redesigning its entire curriculum around seven interdisciplinary “clusters”³⁴ and is using project-based learning to both enhance the institution’s service mission and prepare students for the world of work. Plymouth State is one of the few institutions attempting to transform the curriculum on this scale, recognizing that societal challenges don’t live in single disciplines. Curricular clusters (such as *innovation & entrepreneurship, justice & security, and tourism, environment, & sustainable development*) better position students to address the current and future needs of the region. A central feature of the new curriculum is open laboratories, and students participate in real projects

at local businesses and nonprofit organizations, forming interdisciplinary teams to solve current problems in the region. Three thousand undergraduates have been embedded in these projects in the first year of the new curriculum.

We can also learn from other sectors that have already been disrupted and have had to adapt—such as healthcare. One of our presidents foresaw that companies will soon begin echoing what has already occurred in healthcare—that is, buying campuses or starting their own post-secondary institutions, in the same way that Amazon is starting its own healthcare program for its employees. “We are only about 20 years behind healthcare,” this president warned, “and there are a lot of similarities between sectors. Healthcare used to rely heavily on physician co-ops, and in higher education, we rely heavily on faculty co-ops. We can learn from how the healthcare sector has reimagined itself.”

4. Developing leadership capacity is the strategic wedge.

With decision making concentrated at the top and with a risk-averse culture of middle management in higher education, our institutions are limited in responding to pressing challenges either creatively or rapidly. One president described the conundrum this way: “My desk is a swirling vortex; things get sucked into it. The immediate always consumes the important. I was lucky enough to have a board chair who would say, ‘You’re too involved, you need to delegate.’” Another president added, “We have a lot of little crises, lots of brushfires everywhere. The president needs to focus on just 2-3 things. How do you do this? How do you build capacity in leadership positions at the other levels within the institution—so that you can persevere with that strategic focus?”

Institutions must develop mid-level leaders who are open to new and different ideas and are empowered and encouraged to take thoughtful risks, make courageous decisions, anticipate and respond to opportunities, and work together collaboratively to create the future.³⁵

33 See Daniel Fusch, “[The \\$10,000 Bachelor’s Degree That Works.](#)” Academic Impressions, 2016.

34 See Plymouth State University, “[Our Learning Model.](#)”

35 See Amit Mrig and Patrick Sanaghan, *Report: The Skills Future Higher-Ed Leaders Need to Succeed.* Academic Impressions, 2017.

Change is difficult; in fact, Alan Deutschman contends in *Change or Die* that even when confronted with personal mortality or organizational extinction, few leaders actually undertake change.³⁶ This is why building the capacity of leaders—not just on the senior team—is both the prerequisite for an institution’s survival and the strategic wedge that institutions can use to overcome the paradox of needing to change quickly with limited capacity to do so.

³⁶ Alan Deutschman. *Change or Die: The Three Keys to Change at Work and in Life*. HarperCollins, 2009.



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