Thank you for joining us for what I believe will be an engaging conversation about how to build quality in the new realities that define higher education. During our time together, I want to talk about the value of planning, and about the value of making difficult choices as well. The new reality is that we are all trying to do more with less. In this environment, I think decision-making just could be our best friend. To start our conversation, I’d like to tell you about my experience with choices at my own university. Next—speaking as an economist who is experienced with higher education issues—I will address current conditions and the economic levers most of us are working with to manage our resources. Then we will consider some questions that are designed to open a conversation among the group.

I am in my fourth year as provost at Wake Forest University in Winston-Salem, North Carolina. Wake Forest is a private university that includes an undergraduate college, a graduate school and professional schools in business, law, medicine, and divinity. We enroll just over seven thousand students. We are fortunate enough to have been led by stewards who believed in being financially conservative long before the economic downfall. Here is our profile [Slide 1 with basic numbers about Wake Forest].

I’d like to add to our definition by describing Wake Forest as a collegiate university. This means that we aim to provide a vibrant
intellectual community with a faculty of teacher-scholars who offer a well-rounded liberal arts education inside and outside the classroom. In other words, our faculty are both top teachers and scholars, and our students come to Wake Forest because they want an education that is both rigorous and deeply engaging. This is a core value. It underscores everything we do.

When I think back on my early days at Wake, I always recall my first gift from President Hatch. It wasn’t a pen, or a dictionary, or even a book about our rich history. It was a 72 individual strategic plans. Each school, department and office at the University did one and it was my job to pull them together into one unified vision for Wake Forest for the next decade.

And what a great gift it turned out to be. The plans represented a year’s worth of hard, careful work by the deans, department chairs, faculty, students, and staff. In essence, it represented the community’s vision of what Wake Forest—already strong and vibrant—could become in our next phase. And from this vision, we drafted a plan that the Board approved in summer 2008. All of us had great reason to be excited about this important step. We thought then—and we know now—that the plan contained all the right elements. It maintained the core of Wake Forest while laying out new and innovative strategies for the future.

But that was the summer of 2008. That fall the economy melted down and those who were once so excited about our vision were suddenly worried about our future. Most people believed the plan would not move forward until better times came along.

And indeed, the stark reality did present us with a choice. In 2008, our total alumni giving declined by 3.4 percent. The market value of the
endowment, which remained relatively stable from 2007-2008 dropped by about 25 percent from June 2008 to June 2009. Meanwhile, from 2006 to 2008, the average student need in terms of financial aid increased by over four thousand dollars. These surprises called the question: Do we hunker down and ride out the storm, or continue to move forward, navigating as best we can? We took—most wisely, I believe—the harder path of choosing very carefully among our priorities, and allowing others to take a back seat. Once we made that choice, we realized that a strategic plan is not irrelevant in times of constraint but, in fact, more important than ever!

**Pursuing Three Priorities When Conditions Changed**

Today I want to tell you about three priorities we chose to pursue and reflect on the differences our approach has made. Three top priorities were to [Slide 2]:

- Hire and sustain the best teacher-scholars, using specific programs to mentor and guide their development;
- Bring them together with bright students who are hungry for the challenge of intense engagement both inside and outside the classroom; and
- Improve the vibrancy of our campus community.

Since 2008 we have continued to rely on our strategic process to shape the way we have implemented our plan. Because we are fortunate to have strong leaders in our departments and schools, vibrant collaboration across those units, and committed individuals at every level, we have been able to advance our aims in concrete and strategic ways.
The first key priority was to compete harder for the best teacher-scholars in the nation and the world—and to support them as they reached their highest aspirations. But we didn’t build strength only by adding new colleagues. We also boosted our levels of support for existing faculty—and we had a long way to go. In 2008, Wake Forest was at the bottom of the top 40 universities in terms of compensation for assistant professors and not much better for associate and full professors. With the support of the Board, we increased faculty salaries in all ranks and used a new merit system to guide that distribution. In fact, this past year, we exceeded the mean compensation for assistant and associate professors by 4.5 percent and 3.6 percent, respectively, in our peer group.

We realized that if we wanted our faculty to be the best teachers and scholars, we needed to support them on both fronts. To invest more in teaching, we doubled the budget for the Center for Teaching and Learning, and extended its reach to the professional schools. To invest in research, we increased funding for conferences and other research-related travel. We also created a Professional Development Center, which enriches leadership opportunities for faculty and staff.

Just as we focused more of our efforts on building and retaining the right faculty, we concentrated on recruiting and keeping the right students as our second priority. After careful consideration of reports from the National Association for College Admission Counseling and other research, we decided to no longer make it mandatory for prospective undergraduate students to submit scores on the SAT or any other standardized test. We believe that this decision to go test-optional and the added emphasis we place on personal interviews and creativity assessment began sending out a
signal to young people that we value academic excellence AND a diverse learning community.

Our goal was to build a class where every single student is hungry for engagement with faculty. In addition to the new SAT-optional policy, we implemented a new strong recommendation for a personal interview with a virtual interview option on Skype, and hired our first admissions counselor working full-time abroad.

Also, for students whose families earn less than $40,000, we began capping their loans at $4000 per year over four years. Designed to improve socioeconomic diversity, this change reaffirms our longstanding goal to enroll students of modest means. We also added a new program for first-generation college students that includes a special orientation and continued mentoring resources. Mostly as a result of these two programs, the percentage of the first year class who are the first in their families to attend college has doubled.

With these changes and other recruiting and retention strategies in place, our own experience during the past tough years has been positive. While the number of applications at many top-tier universities went down, our numbers have increased by about 50 percent since 2008. Minority student applications went up 46 percent.

**Our third priority is to create a more vibrant intellectual community, and one strategy was to carefully invest in several centers and institutes to infuse even more energy and creativity into our community.** Our centers cross disciplines and bring faculty together into new collaborations with each other in areas that can have a great impact in the world. The Center for
Bioethics, Health and Society is one of its kind in the nation to span a university rather than being located in a medical school. This center creates an educational forum for issues in bioethics—particularly biotechnology—that fully engages the academic community and the public.

The Center for Translational Health supports an interdisciplinary team of scholars to inform the ways we promote and maintain functional health in aging. The Humanities Institute, just launched this fall, will support innovative scholarship and make sure that humanistic inquiry remains at the center of our curricula, community, and our relationships beyond. The Institute for Public Engagement, in its second year, prepares students for civic leadership, action, and reflection. It provides faculty with resources to enhance their work in the community and supports innovative relationships among everyone in the broader community.

At the same time, these centers and institutes introduce an entrepreneurial perspective to our campus. Faculty must submit competitive grant proposals to receive research funding. The centers themselves have a sunset clause—so, after a defined period, they will be renewed based on their performance. This policy encourages collaboration and produces results. We believe it will help us continue to address timely issues with more flexibility and efficiency as well.

Another strategy to increase the vibrancy of our campus—to keep students and faculty interacting on campus throughout the day and evening—is to enhance and build new facilities that support our values of personal attention and engagement. Given the tight economic times, we focused our new projects in two areas—(1) small projects that created new social spaces for the community and (2) projects that could generate
additional revenue. In the former category, we added a Starbucks and study lounges to our library, renovated the food court and added a sit-down restaurant, and are building a “barn” on campus for student activities. In the latter category, we went through the incredibly painful process of repurposing our on-campus faculty apartments for students and built a new dorm; both of which resulted in incremental beds and, therefore, revenue. We are also about to open a new Admissions building. We made this investment because undergraduate tuition revenue, and therefore admissions, is our bread and butter. Less than 10% of our annual operating budget comes from the endowment.

When we chose to invest in these priorities, we had to make sacrifices elsewhere. We cut all administrative budgets by 5 percent and made those cuts permanent. We froze staff hiring for a year, which placed additional burden on existing staff, who received no raises for the year. Because this was also a period of enrollment growth, the freeze caused even more pressure.

Most importantly, we increased our enrollment as we held the sizes of the staff and faculty steady. We increased the size of the student body by 10 percent and deliberately raised the faculty-student ratio from 10:1 to 11:1. While our small size is one of our signatures and strengths, we felt that we could retain our character with some modest growth. We also felt that if the incremental revenue - millions of dollars – could be pumped back into (1) achieving competitive faculty salaries, (2) increasing financial aid, and (3) adding more vibrancy to facilities and the overall campus, the trade-off was well worth it. In addition, with our strategic focus on admissions and financial aid, we were able to increase the size of our entering classes by
increasing diversity (international, West Coast, race, socioeconomic status) without suffering a decline in academic quality. In fact, in the last two years the percentage of students in the top 10 percent of their high school class increased from 65 percent to 81 percent.

I realize that other institutions, particularly state universities, have suffered cutbacks and hardships far more severe than ours. But I believe the schools that have fared better are the ones that, regardless of financial realities, have leaders who have developed priorities and kept their focus on them. These goals and aspirations provide the values and foundation that guide growth as well as cutbacks. In a time when universities can no longer be all things to all people, schools with a focus can find a way to protect their chosen strengths and keep up the morale of faculty, students, and staff.

Looking at Current Economic Conditions

So does this recession represent a low point in our economic cycle, the kind we’ve experienced before from 1973 to 1975, 1981 to 1982, and in 2001, or a real change for the U.S. and the world? I like what Tom Friedman wrote recently, “Things are getting better, except where they aren’t. The bailouts are working, except where they’re not. Things will slowly get better, unless they slowly get worse. We should know soon, unless we don’t.” (NYT, 8/17/10)

It may be the best-case scenario that we have entered a slow-but-steady recovery period. But I feel we can safely say that the old status quo is unlikely to return soon. With talks about a double dip recession, an unemployment rate that could linger at 9 or 10 percent until the end of 2011, and problems that need structural solutions to support growth, we need to
retrench for the longer term.

State budgets are one sign of this reality. Now governors who made tough decisions about budget deficits are making even tougher decisions as the flow of federal stimulus money slacks off or stops. According to the Wall Street Journal in June, states will deal with deficits of $127 billion over the next two years. State tax revenues are not expected to recover until the 2012 cycle, and these ongoing problems are and will continue to affect universities. Coupled with proposed cuts in federal spending for research, universities need new sources of revenue to help fund their work.

Meanwhile, private non-profit institutions had the smallest increase in tuition and fees, and many private institutions are facing declines in tuition revenue and are spending more on student aid than ever before. According to a recent report of the National Association of College and University Business Officers, the average tuition-discount rate for students entering private institutions in fall 2008 was 41.8 percent, up from 39.1 percent in 2007. As this statistic suggests, the economic conditions have reduced families’ ability to pay for college just when institutions need to keep enrollment strong.

And students are feeling this pressure as well. In a national survey last year, freshmen told us that their big worry is cost. Across the nation, about two-thirds of freshmen worry about their ability to finance their education. This concern is boosted by the fact that more parents are out of work. Last year a record 4.5 percent of students said their fathers are unemployed, and the number of unemployed mothers increased as well.
At the same time, students need for us to invest more on their success in the classroom. Thirty-nine percent of freshmen said they would need tutoring while in college. In fact, one freshman in five has already come to depend on additional academic help.

These pressures will continue to mount. The current recession is coinciding with a growing enrollment demand from low-income families and from historically underrepresented ethnic groups. Referred to as “the third great wave of college enrollments,” this generation of students will be the most ethnically heterogeneous—and the poorest—ever to seek higher education. Currently, only 3 percent of freshman at the top 146 colleges come from the poorest quarter of the population.

Along with the rising tide of high school graduates from more diverse backgrounds, especially Latino and first-generation college students, comes a greater need for financial aid and an infrastructure that can help these individuals be successful in what can be a very challenging environment.

**Options to Consider**

So, what are our options? In higher education, there are just a few economic levers available to us when we need to change the cost equation—we can cut expenses, which translates to scaling back people and programs and, therefore, quality; increase tuition revenue by either increasing tuition or enrollment, one placing a greater burden on families and the other placing a greater burden on faculty, staff and facilities; or seek out new streams of revenue. <Slide 3>

*Let’s consider each of these options, beginning with cutting costs.*

As an industry, we are known for our long-term planning, conservative
approach to change, and avoidance of knee-jerk reactions to external forces. All of this adds to our stability and integrity, but it also makes it difficult for us to make large cuts in our operating budgets. Instead of eliminating schools or departments—an extremely painful move that involves tenured faculty and longstanding programs—first we rely on incremental changes like job freezes, building moratoriums, programming cutbacks.

Most colleges and universities have cut costs in those areas, and I believe this will serve us well in the years ahead. At the same time, some schools have used this opportunity to make selective hires, something Wake Forest has been able to do. Given the current state of the job market and the high quality of PhDs looking for positions, this is a good time to build for the future.

But what happens if the economy continues to stall, and we are forced to make deeper cuts when we’ve already trimmed the fat and are dangerously close to the bone? What happens when the federal stimulus funds go away, or if federal funding agencies reduce the amount they contribute to research in the sciences or humanities?

If we cut more, we will change who we are and what we can offer students. We will hurt quality. For example, we may have to take another look at how much support we can provide middle-class families, a demographic that often finds itself left out of financial-aid packages. We may see a further increase in our faculty-to-student ratio, something we’ve worked hard to keep low. We may be unable to compete as successfully with universities overseas that are making tremendous investments in the infrastructure of higher education.
Recently Warren Bennis, the great thinker about organizations who pioneered the field of leadership studies, and Max Nikias, the new president of the University of Southern California, warned colleges not to let cost cutting endanger the American model of education. They write, “To preserve the best within the American model—while making it accessible to as many of our citizens as possible—we feel compelled to emphasize that cost-cutting must be done without losing sight of higher goals that are unique to the mission of higher education. America’s colleges and universities are not revenue centers. They are investment centers, reflecting a broadly shared covenant to prepare future generations to lead successful lives and create healthy societies.”

**The second option is to increase tuition.** Despite endowment losses, declines in charitable giving, and increased need for financial aid, most private institutions have cut their administrative budgets to keep tuition increases at lower-than-usual levels while still increasing financial aid. According to the *New York Times*, for example, the average increase in tuition and fees at private institutions in the 2009 academic year was the smallest in 37 years — 4.3 percent, or just a little higher than inflation. In the 10 years prior to the recession, the average tuition increase at private, nonprofit colleges was 6 percent per year. Meanwhile, the average institutional student aid was up 9 percent last year and is up an additional 6.8 percent for 2010-11. In the private sector, we are doing all we can to help ease our students’ significant needs.

Meanwhile, public institutions may be under even greater pressure. According to David Boren, president of the University of Oklahoma, three states have taken the power to set tuition away from their universities and
their boards of regents. As Boren said, this change creates a terrible situation “because when state legislators have that authority, they hold you prisoner as a university on many other issues.”

While some public university systems are seeking to cap enrollment to cut costs, notably the California system, other publics and privates are looking at careful growth to increase tuition revenue. The caveat is that this may only work if your school is not already at capacity in facilities, from student housing to dining halls to classrooms, teaching loads, and support services. To be effective, each institution must look closely at its own capacity and determine its best balance of students and resources.

Given that we have streamlined our operations and are doing all we can to hold the line on tuition, I’d like to talk about another option that could become the very welcome focus of new creative action.

**The third option is to increase our streams of revenue, including fundraising and expanding our range—and thinking—of how to offer new academic programs for new populations of students.** You might think that universities would be ramping up their fundraising efforts, but these tough times are causing many schools to cut back on staff, travel, and events. According to recent surveys, more than two-thirds of public institutions have cut advancement budgets by 6 to 25 percent, and private institutions have predicted cuts of 1 to 5 percent. Cultivating a large donor is a long process, because major gifts are usually due to a relationship that has grown over many years. So universities may want to think twice before making cuts in this delicate area.
In fact, it is not surprising that colleges with upward trends made a greater investment in their fundraising programs. Rice University, for example, achieved a 10 percent increase in revenue and a 1 percent rise in participation by reaching out to young alumni—traditionally the group with the lowest participation rate.

In addition to focusing more on fundraising efforts, we in traditional institutions should be envisioning entirely new streams of revenue—and this is where I want to encourage our focus. Traditional higher education institutions may be cutting budgets and jobs, but enrollment in nearly 3,000 for-profit career colleges is increasing steadily. In fact, it has grown by an average of 9 percent per year over the past 30 years, compared with only 1.5 percent per year for all institutions. According to an article by Inside Higher Ed (8-26-10), an Education Department report released in August showed that for-profit colleges enrolled a total of 3.2 million students, 11.8 percent of the nearly 27.4 million students who studied at all institutions in 2008-09. This reflects an increase of more than 20 percent over the preceding year, and a rise of more than 60 percent since 2004-5. Recently the University of Phoenix eclipsed Cal State as the second largest system in the country. With 455,600 students, the University of Phoenix is behind only the State University of New York.

Why are for-profits experiencing such success? Part of their success relates to their ability to offer more options to meet students’ diverse needs. As we all know, learning does not end once an undergraduate degree is earned. Our graduates continue to pursue careers and interests, and if we’ve done our job of instilling the idea that learning is a lifelong pursuit, then they will seek a continuation of their studies or learning related to their interests.
Why shouldn’t they look to us for flexible ways to participate in courses and activities outside the traditional residential college degree path? Most of us dismiss for-profit colleges as inferior alternatives that cost too much, consume too much federal student aid, and turn out unprepared graduates who default on their loans. While these points hold some truths, we cannot dismiss the fact that this sector is more robust than the rest of higher education and is helping to force all of us to change.

Some schools have established track records of reaching out to adults, starting online programs, and expanding the use of adjunct lecturers where appropriate. In 1991—twenty years ago—Harvard took in about $150 million a year from continuing education classes—roughly 10 percent of its $1.5 billion annual budget. At the time, 60,000 students a year were taking part-time continuing education classes at Harvard—more than three times the number in full-time undergraduate, graduate, and professional programs.

Yes, we can’t all be Harvard. But in this new environment, we can leverage the institutional brands that we’ve been forging over many decades. For example, we could begin offering more certificate programs. In 1999 New York University's School of Continuing and Professional Studies brought in $92 million per year with the help of 107 certificate programs, which ranged in length from four to eight courses and covered areas such as financial planning or computer programming. This kind of market might have encouraged the rise of for-profit universities that is so dramatic today.

NYU and Harvard have many advantages, among them they are both located in cities with lots of demand and a seemingly endless supply of adjunct faculty. This isn’t the case in Winston-Salem, North Carolina. But with online education, these issues of geographical proximity and human

Provost Tiefenthaler’s Address to the SCUP Conference
October, 2010, Page 15
resources have been erased. At Wake Forest, we are bringing our own high standards to bear on developing both new professional and graduate degree programs to offer online as well as continuing education certificates. I believe that we and other non-profit institutions can successfully compete in, and actually dominate, this growing market through creative partnerships with for-profit companies.

However, we can only do this if we rethink the traditional ways that we recruit and educate students. That means weighing access and exclusivity, and perhaps providing more flexibility in structuring a degree or certificate program—for example, allowing students to progress at their own rate rather than forcing them into a calendar that’s more suitable to our full-time residential students. These are issues that we will be discussing quite a bit this year.

**Concluding Remarks**

So what is success in the new reality? I would argue that it may be innovation, entrepreneurial thinking, and bold action. In fact, I believe that we may be entering the most entrepreneurial period in higher education. New technologies encourage this drive, and new economic realities are boosting it as well. Both forces are leading us to rethink our traditional ways of doing things. We will need to do this collaboratively.

No matter what the economy does over the next few weeks, months or years, one thing seems clear—we have experienced a great cultural shift that will likely stay with us for years. What does that mean for our institutions? I think it means that we need to be more nimble than ever before. Change is the new normal, not the exception, and it’s going to be the rule of the world.
If we as leaders don’t embrace this idea, we may find ourselves reacting again to outside forces rather than charting courses that are true to our values.

By embracing change, we protect our core values and preserve their relevance. Our challenge now is to continue to support these values aggressively, despite the difficult times. Like other institutions, we are weighing short-term financial worries versus investment in the great ideas and initiatives that lead to enhanced excellence and long-term growth. To sustain our progress, we must think creatively, continue to look for ways to cut costs, and be watchful for new opportunities that reflect the changing environment around us. No one wants an economic crisis, but it does give you an imperative to make changes and move forward in a way you can’t really do as easily during other economic cycles.

I am confident that we will emerge from this economic experience with pride in the way we responded during trying times. Not only are there lessons for our students and community, but on a national level other institutions are watching us to see how we live out our values.

At Wake Forest, I’m proud we know that our community must continue to transform itself to remain strong. I am encouraged that we are creating an even more inclusive, more interesting, and more valuable place of learning and inquiry that will serve our nation, our world, and our students in the months and years to come.

I close by thanking you for your attention to these ideas and welcome the contributions of my colleagues and our further discussion.
Questions for the group

At your institutions, what are students asking for in terms of how they learn? Within this arena, what is the most innovative thing your institution is doing?

If the traditional university is at the cusp of a big change, what characteristics do we alter and what do we preserve?

If we see a move toward away from classroom teaching for some portion of our traditional student body, what does this mean for facilities? For example, what kinds of facilities would support a blend of classroom and on-line learning?