

INNOVATION IS OUR TRADITION

PROVOST JILL TIEFENTHALER

ANNUAL ADDRESS TO THE FACULTY, FEBRUARY 21, 2011

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Thank you for taking time out of your busy day to join me at this annual event. It's something I look forward to for a number of reasons. First, it's not often that so many of us from across the campus come together in the same room. And as I look out and see the faces of my colleagues, I'm reminded again why this is such a special community.

Second, preparing this talk prompts me to reflect on the events of the last year, both positive and challenging. Just as we can never step foot in the same river, we are not the same University as we were a year ago. We are growing in so many exciting ways—and at the same time being recognized for our achievements—which doesn't always happen in this busy world.

ACCOMPLISHMENTS TO CELEBRATE

Let me just name a few of our accomplishments here. I wish we had time to include all of your efforts that are bringing distinction to our campus community. I'll begin with the steadfast efforts of Dean Franco, Mary Foskett, Sally Barbour and David Phillips. Thanks to them, and the strong support of Vice Provost Mark Welker, the newly established Humanities Institute received a \$500,000 challenge grant from the National Endowment for the Humanities. Our 3:1 match of this grant will result in an endowment of \$2 million to help promote interdisciplinary humanities scholarship and creative activity at Wake Forest in the years ahead. With federal funding being cut in this area, there is tremendous opportunity for us here.

Another example is the well-deserved recognition received by Dean Lynn Sutton and her faculty and staff in the Z. Smith Reynolds Library. The 2011 Excellence in Academic Libraries Award, given by the Association of College and Research Libraries, recognizes the accomplishments of librarians and other library staff as they support the mission of their institution. As Lynn has said several times, “This award is for libraries what winning the NCAA Tournament is for basketball teams,” and it isn’t even March yet! We are so proud of our team!

I also offer special congratulations to the faculty members who prepared the team of Business School undergraduates to win first place in the national round of the KPMG International Case Competition in New York. It is wonderful that Wake Forest students will represent the United States in a global competition in Istanbul this spring. They are following the success of last year’s team that competed against teams from France, Sweden and Germany to win the global competition in Athens, Greece.

Finally, let me acknowledge the addition of the two science centers that are boosting creativity and innovation on our campus. We launched the Center for Energy, Environment and Sustainability in the fall to encourage critical thinking and effective action across the fields of renewable energy, biodiversity and ecosystem conservation,



environmental policy, and environmental markets. This group, led by Miles Silman, also aims to promote interdisciplinary collaboration and engage the public on issues of sustainability.

The Center for Molecular Communication and Signaling is the other new science center, designed to help multidisciplinary teams identify mechanisms that allow communication between and within cells. With these two centers joining Bioethics, Health, and Society and Translational Science, we have added unbelievable strength to our science programs—and to the fields that help to complete these multidisciplinary efforts. This kind of growth is thrilling to watch.

CONDITIONS FOR OUR WORK

During the rest of our time together, I want to talk about how we are moving forward with the priorities we've set, and how I believe we should use those priorities to shape change—even dramatic change that may seem to fly in the face of some traditional models of higher education. Of course, as an economist, my first thought is usually about the financial environment, which is driving much of the change we face.

An article in last month's science magazine *Seed* described the forces this way: "Our world is not the stable workhorse we once presumed it to be. Financial markets are inherently volatile; seemingly healthy ecosystems can collapse suddenly; the favorable window of life-supporting conditions that humans currently enjoy is an anomaly in the cosmic history of the planet. Change, sometimes in the form of radical, transformative shifts, is the defining characteristic of our existence." (*Seed*, Dec. 13, 2010)

Applying these ideas to higher education, I would say that the decades before the Great Recession when we could count on a steady stream of endowment earnings, philanthropy and tuition increases were the anomaly. I don't believe we're going to see that kind of stability again. We find ourselves now in a period of enormous transition, trying to do more with less while continuing to ensure that our students and faculty receive the resources, support and encouragement they need.

In the few minutes I have, I'd like to talk about how we can draw on this new reality to move Wake Forest forward with fresh energy and an even stronger sense of purpose. When I became provost three and a half years ago, President Hatch welcomed me with an unusual offering—72 individual strategic plans. Each school, department, unit and office had formulated a plan, and it was my job to work with the Strategic Planning Committee to integrate them into one unified vision for the next decade.

I did not know it then, but the plans were a great beginning. During a year of hard, careful work, we fashioned them into one narrative that represented your 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 innovative strategies for the future.

But that was the *summer of 2008*. A few months later the economy melted down, and those who were once so excited about our vision suddenly had good reason to worry about our future. Most people believed the plan would not move forward until better times came along.

And indeed, in 2009 the reality was quite stark. The market value of the endowment dropped by over 20 percent from June 2008 to June 2009, which was close to the national average for private universities of our size. Alumni giving declined. Meanwhile, the average student need in terms of financial aid increased significantly. To meet these challenges, we cut all administrative budgets and froze staff hiring for a year. This move placed additional burden on existing staff who received no raises for the year. This was also a period of undergraduate enrollment growth—we had deliberately increased the size of the student body and raised the faculty-student ratio back above 10:1, causing even more pressure on our system.

These setbacks called the question: Do we circle the wagons and wait 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 other needs to take a back seat. As we considered our best approach, we realized that our priorities—chosen in better times—could guide reduction as well as growth. When that became clear, the plan became even more relevant as we faced constraint.

SETTING AND PURSUING PRIORITIES

As we faced our new reality, we chose to invest in priorities at the heart of Wake Forest and had even greater reason to protect their strength. The priorities are (1) building the

Our priorities are at the heart of Wake Forest

- The best teacher-scholars in the world
- The right students and strong support
- A campus that encourages intellectual exchange



best faculty of teacher-scholars in the world, (2) bringing the right students and mix of students to Wake Forest and supporting them appropriately while they are here, and (3) creating a vibrant campus with the kind of intellectual climate that capitalizes fully on our many opportunities for faculty-student engagement.

In terms of building the best faculty of teacher-scholars in the world, our strategy is to recruit aggressively and use competitive packages to hire the very best, and at the same time support and develop our existing faculty with merit pay, faculty development opportunities and clear standards for excellence in teaching and scholarship.

Attracting the right students and the right mix means that Admissions focuses on building a class rather than just on enrolling a random collection of strong students. It also means that the University provides enough aid and support to ensure the success of students from diverse backgrounds.

And when we talk about a vibrant campus that offers opportunities for faculty-student and student-student engagement, we mean not only the right kind of physical spaces and social options, but also the centers and institutes that enhance interdisciplinary collaboration and stimulate creativity and innovation.

How are these strategies different from those at other leading universities? I would say that we pursued each of them with *equal* intensity and conviction. You'd be hard-pressed to find this same energy elsewhere.

So setting and pursuing priorities is one important way to move forward in times of disruption. But what happens if the economy continues to stall, and we are compelled to dig deeper?

During the fall semester I spent a lot of time talking with Wake Forest parents and alumni about issues of cost and financial aid. Two messages were consistent and clear: First, high quality and the intimate character of education at Wake Forest are our most important assets. In higher education, quality is the driver of demand. Students are looking for academic excellence measured in terms of faculty, academic programs and peers.

In recent years, these students have found more to like at Wake Forest because of our investments in essential areas—faculty compensation, admissions, intellectual life—that boost the overall quality of the University. The improvement in these areas also shows up in *U.S. News and World Report's* rankings as we have moved up five spots in a few years. To keep this momentum going, we hope to avoid the kind of cost cutting that threatens these areas.

Parents who can afford private education are willing to pay because they understand the long-term value of academic excellence. Most are willing to sacrifice because they understand that higher education is an

investment in a lifetime of learning, productivity and personal growth.

Talking to families about cost and aid

Our high quality and intimate character are critical assets.

But rising costs make it harder for some top students to be here.

Year	Median Household Income	Elite Private Universities (Tuition and Fees)
2000	~\$35,000	~\$15,000
2005	~\$45,000	~\$25,000
2010	~\$55,000	~\$45,000
2015	~\$65,000	~\$65,000
2020	~\$75,000	~\$85,000

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But for some families, rising costs will make it extremely difficult for their high-achieving students to become part of our vibrant

intellectual community. Please understand that the majority of our costs are related to people and financial aid, with about 50 percent of our budget going to faculty and staff salaries, and another 20 percent to financial aid.

Last year, the cost of private education at the most highly rated schools was more than the median household income in the U.S. As a result, for the majority of American households, the price of higher education is out of reach, and so our continued investment in financial aid is absolutely critical to bringing the best students and, more importantly, the best mix of students to Wake Forest.

LEVERS TO INCREASE REVENUE

And so these two realities—the drive to continue to increase excellence and the necessity of making Wake Forest accessible to worthy students from various backgrounds—point to a significant

challenge before us. Ideas for building quality are abundant—you bring me many each week. But where can we find the funding to act? Since additional cost cutting endangers quality, we need more revenue.

A university has a limited number of levers it can use to increase revenue. It can (1) increase enrollment; (2) raise tuition; (3) encourage more philanthropy; and (4) create new streams of revenue. Let's look at these levers one by one.



CLASSROOM AND CLASS YEAR SIZE

Three years ago the trustees approved an increase in the size of the undergraduate student body by 500 students over five years. As a result, we admitted more students to the class in fall 2008 and continued to grow over two more years. We now see that about

1220 first-year students is our new steady state. To accommodate this change, the faculty-student ratio increased from 9.4:1 to 10.5:1. While our size is one of our signature strengths, we felt that we could retain our character with some modest growth. We believed that if the incremental revenue—millions of dollars—could be pumped back into three key areas—achieving competitive faculty salaries, increasing financial aid and enhancing facilities and the overall campus—the trade-off would not damage us, but potentially increase our strength.

In addition, with our strategic focus on admissions and financial aid, we were able to increase the size of entering classes while also 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 has increased from 65 percent to 81 percent. Next fall's entering class marks the fourth year of the gradual phase-in process for that higher enrollment goal, so that lever has been pulled for now. We need to hold our entering classes at 1220 and evaluate the impact of the growth on our community.

Enrollment grows to increase revenue and strength

- First year class increased to 1220
- Faculty-student ratio increased to 10.5:1
- New revenue improves faculty salaries, financial aid and facilities.



TUITION

The second lever is tuition. Despite endowment losses, declines in charitable giving, and increased need for financial aid, most private institutions have held tuition increases at lower-than-usual levels while still increasing financial aid. According to *The New York Times*, the average increase in tuition and fees at private institutions in the 2009-2010 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.

Tuition is up, but less than usual

- Increase of 3.5% last year moved us to the middle of our peers.
- Next year's 3.9% increase will take advantage of high quality demand while enabling a diverse class.



Historically Wake Forest has remained among the least expensive of elite private universities, and we have increased our tuition to come into the middle of that pack. This year we pulled back the growth in tuition rates for an increase of only 3.5 percent, which is among the lowest increases in our peer group. We recently announced next year's tuition increase at 3.9 percent. For the foreseeable future, that level of increase is our goal as we aim at staying in the middle of these peers when it comes to tuition. This level takes advantage of the relative inelasticity of demand for high quality private education while also allowing us—with the help of financial aid—to attract a socio-economically diverse pool of prospective students.

PHILANTHROPY

Philanthropy is another revenue-increasing lever, and since our founding it has been a critical source of support. But our history also poses unique challenges. From the 1950s through the 1970s, when many of our peers were building large endowments that would support their core mission in the future, Wake Forest was developing the Reynolda Campus. This left us with a smaller endowment per student than our peers.

Now our core mission requires a more solid foundation of support, so we are embarking on a comprehensive capital campaign. We are in the first year of the ‘quiet phase’ of this campaign, and it will bring even more focus and direction to our development and communication efforts over the next several years.

Of course, the campaign is designed to support our key priorities. Therefore, during this first year, the Advancement team is working closely with our academic leaders to develop, test and gain support for two programs that will drive our capital campaign: the Endowment for Wake Forest Scholars and the Presidents’ Trust for the Teacher-Scholar Ideal. The scholars’ endowment will help us keep Wake Forest affordable and competitive by lowering the debt burden our students face, and the President’s Trust will build on the success of our recent efforts to bolster faculty support. We are paying particular attention to critical needs you have identified, like professional development travel and leave, student

Philanthropy provides critical support

- Endowment for Wake Forest Scholars will ease student debt.
- President’s Trust for the Teacher-Scholar Ideal will support professional development and leaves, department funds, and recruitment of top faculty.



research funding, departmental excellence funds and resources for recruiting and retaining top faculty. Each of these efforts has goals at or above the \$100 million level, and we believe that each can be transformative for the University.

NEW PROGRAMS

And now we come to the fourth lever—programs with the capacity to produce new revenue streams. At Wake Forest our core value is our commitment to the liberal arts, a tradition that is more important than ever in

this globally connected, rapidly changing world. Cultural awareness, critical inquiry and communication skills are vital inside the academy and out. We are proud of the fact that our professional school students have opportunities to draw on this liberal arts foundation as they consider their life’s work in the context of service to society. And, in turn, students with a strong foundation in the liberal arts have opportunities to hone their professional credentials as well.

But we need to do more than just look at these options as professional schools versus liberal arts. I like to describe this fourth area of focus as expanding our range to think in whole new ways about the right academic programs for new and emerging populations of students. We already have several new offerings that are meeting the mark.

New programs would draw on *and* enrich our Liberal Arts Core by...

- Advantaging our professional programs now.
- Connecting learning to social problems and solutions.
- Using new offerings to emphasize our strength.

The slide features a photograph of a student in a dark jacket speaking at a podium on a stage. The background of the slide has a light-colored floral pattern. A Wake Forest University logo is visible in the bottom right corner of the slide.

For instance, the Master of Arts in Management degree is a great example of how Wake Forest can meet the rising demand of interests and needs. In this program, students with an undergraduate degree in the liberal arts spend a year at Wake Forest studying business in a curriculum similar to the first year of an MBA program. This course of study will develop well-rounded students into graduates with core business knowledge that should make them very competitive in today's marketplace.

Examples that meet our very high mark and respond to market demand



- MA in Management
- MA in Bioethics
- MA/MFA in Documentary Production
- MA in Translation



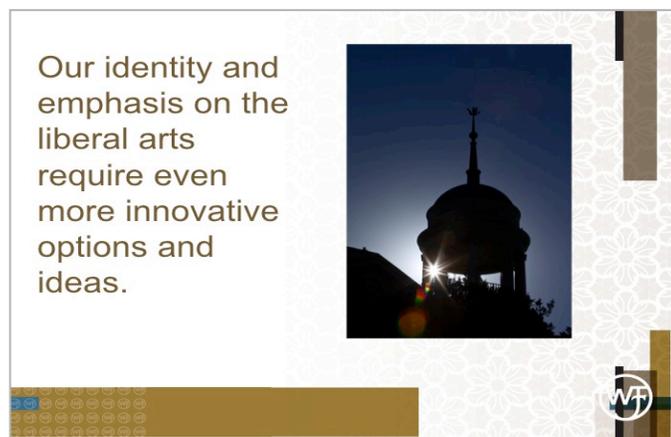
Two other new MA programs are using their revenue to fund new faculty and programs. The new Documentary Film Studies Program is able to support its three new faculty members, who joined us from the University of

Florida, with the revenue from the MA, and MFA, in Documentary Production. And the additional revenue from the new MA in Bioethics has allowed that group of faculty to support their growing center. Both are excellent examples of recent additions that benefit their new graduate students as well as the faculty, current students and the traditional programs that fostered them.

I want to mention another program that is in development in the Department of Romance Languages. The Master of Arts in Translation is designed to equip students for the ballooning needs of the health care industry. Establishing this program as a graduate degree is consistent with our heritage of offering professional study grounded in the liberal arts, and

the reasoning is clear: the professional skills of translation, especially for the medical field, are highly specialized and require dedicated attention. But the very nature of language demands a broader foundation like the one our undergraduates receive. For that reason, this program will draw on resources in the College, leveraging those resources to provide this new opportunity for students. In turn, new revenue from the program will be used to enhance the faculty, which will benefit undergraduate students.

These new programs are important steps for Wake Forest. They represent high-demand offerings in areas where we have competitive advantage, and they will help to sustain our core mission



by deepening and expanding faculty expertise, opening our view into new trends in pedagogy and student demand, and requiring that technologically we remain on the cutting edge.

But there is a limit to the ways we can develop similar new initiatives. The current trend in graduate and professional education is continual, part-time education throughout one's career. Yet our potential students face challenges due to time constraints, work and family responsibilities, and issues with proximity to our physical campus in Winston Salem. Wake Forest's distinctive identity and emphasis on the liberal arts make us consider even more innovative options and ideas.

INVESTING IN ENTREPRENEURIAL ENERGY

Considering the limitations of our fixed geographic location and space on campus that is fully used, I believe that one promising option involves new technologies that allow remote and blended education within the context of specialized, post-baccalaureate programs. There is increasing demand for programs in this category that could fit within our framework of high quality academics, strong faculty-student engagement and a rich learning environment.



Traditional higher education institutions may be cutting budgets and jobs, but enrollment in nearly 3,000 for-profit career colleges is strong. 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. For-profit colleges currently enroll over 3 million students, about 12 percent of all students. This reflects an increase of more than 20 percent over the preceding year, and a rise of more than 60 percent since 2004-2005. Recently the University of Phoenix, with about 450,000 students, eclipsed Cal State as the second largest system in the country. The University of Phoenix is behind only the State University of New York in size.

Last month, the latest version of the Carnegie Classifications reflected the ways higher education has changed over the past 5 years. According to *Inside Higher Ed*, of the 483 institutions classified for the *first time*, 77 percent are for-profit institutions, compared to only 4 percent that are public

Of the 483 institutions classified by Carnegie for the first time, 77 percent are for-profit, compared to only 4 percent that are public and 19 percent that are independent nonprofits. Other changes reflect the growth of pre-professional and career-oriented programs and suggest shrinkage for liberal arts-focused institutions.

Released last month by the Carnegie Foundation
for the Advancement of Teaching



and 19 percent that are independent nonprofits. As a result, the percentage of all institutions that are for-profit increased from 21 to 26 percent from 2005 to 2010.

How can we explain the explosive growth in the for-

profit sector? One reason is that they appeal to a much broader base than elite private universities. By providing an alternative to vocational and community colleges, most do not compete with what we do at Wake Forest. But we should recognize that part of the demand relates to their ability to increase students' options to meet their diverse needs. As we know, learning does not end once an undergraduate degree is earned. Our graduates continue to pursue new careers and new interests, and if we've instilled the idea that learning is a lifelong pursuit, they will continue their studies for many years to come.

And why shouldn't they look to Wake Forest for flexible ways to continue their educations? Most of us dismiss for-profit colleges as inferior alternatives that consume too much federal student aid, don't graduate their students and turn out a high percentage of unprepared students who default on their loans. While some of these charges are true, it is a fact that this is the most robust sector in higher education. This fact is leading many people—including Wake Forest—to rethink educational options in the twenty-first century.

Some of our neighbors and peers are already meeting this challenge. UNC's recent partnership with 2tor on the MBA program is a game changer, but it is not unique or surprising. Elite private universities like Vanderbilt, George Washington and Southern California have partnered with industry experts to present high-quality programs. George Washington offers six distance learning programs including a Master of Political Management and an MBA in Health Care. Vanderbilt offers a Masters in Health Systems Management. The University of Southern California is working with a private industry partner to provide online components for their Master of Arts in Teaching and Master of Social Work degrees.



The days when online, non-residential components were used only in second-rate degree or certificate programs are over. These schools are showing that when such programs are run well, they become an important revenue stream, like an endowment, that can support—for example—the deep traditions of faculty-student engagement and education of the whole person that we value. Given the relatively small size of our endowment, we must consider seriously such educational programs that could provide us with similar support.

Graduate professional programs are moving online, and universities without this option will find it increasingly difficult to compete. While our residential liberal arts program and our primary professional programs will

always form the backbone of the Wake Forest experience, both in terms of education and personal growth, there is room for online education to supplement certain areas.

Throughout the years, Wake Forest has a rich tradition of building on and reinvigorating our unique character. These new programs offer that opportunity, and they could encourage innovation in our core mission as well. For faculty and students, interacting on new platforms could bring a new kind of quality to our on-campus offerings, enriching instead of damaging them. For example, a higher level of technological literacy could help students who study abroad remain engaged with Wake Forest while they are away.



Now I must admit that I have explained the coming challenge of online education as a developing force in such detail for two reasons. First, it is shaping our future and we need to understand it. And second, it is one of several factors that

require us to look again at our academic priorities and how we should invest in them now. For all practical purposes, we have achieved the academic elements of our current strategic plan, and lately a new question has kept me awake at night.

DOING MORE TO ENHANCE OUR STRENGTH

How can our challenging conditions—continuing economic constraint, exploding diversity on every front, technology that offers new options every day—and our ever-deepening well of good ideas do even more to shape and

What feeds classroom innovation?



- Blend of face-to-face and online education frames courses and outcomes in new ways.
- Technological literacy can deepen faculty-student engagement.



enhance our strength? Yes, I did say *enhance*. The more challenging conditions I encounter, the more I understand the capacity of these forces to encourage productive change—and the more I admire your capacity to use them.

And so I want to tell you about a new agenda of opportunities for the spring and a bit beyond. My goal for us is to think hard together about our priorities—the highest levels of academic quality, the best faculty of teacher-scholars, the right students and the right mix, and a campus that promotes vibrant intellectual exchange—and what could happen at the intersections of these values. We know, for example, that almost any investment in faculty/student interaction is a good one. How can we encourage more of our current excellence, and use new conditions to go even further? We know that the right space can help our mix of students do their best work. Is this space always physical, or are there other useful forms as well?

And here is a big one. As a collegiate university, we are rightly proud of our courses of study and we want to protect their greatness. In light of

new conditions, are there new methods we should consider? Are we doing enough to encourage team teaching? Are there curricular components that could help students get more out of internships and similar experiences? Has our newly robust focus on interdisciplinary scholarship found its way into the classroom?

These are not easy questions, and I will be talking about them with many of you. My office will also help you think about them together. I am imagining a new internal grant program to encourage your innovative ideas and support summer opportunities to collaborate on new curricular approaches—innovative ways to improve what we doing or do new things that are in sync with our mission. I am also asking you to let me know what you need. So stay tuned for much more as the spring unfolds.

What could online capacity offer?



- Graduate and professional programs need it to compete.
- New platforms could enrich on-campus offerings.
- Study abroad could reap new gains.



I want to close by returning to our discussion of online education and our responsibility to consider it. As the trend takes hold, we—the finest institutions in the best system of higher education in the world—need to draw on our strength

and quality to shape the field. We cannot let for-profits and more entrepreneurial not-for-profits control educational possibilities for students who are seeking a high-quality learning experience.

You might argue that we should cede this market because it just does not fit our traditional mold. It will be increasingly difficult to do that,

however, because of potential damage to our core. In addition to meeting the demands of today's students (and remaining relevant), we need to move toward this development because we can't afford not to. If Vanderbilt, USC and George Washington are enrolling thousands of students in these programs and investing that revenue (millions of dollars) in traditional programs, they will move ahead in that critical space as well. They already surpass us in terms of endowment. If they pass us by with online revenue to invest in faculty, traditional students and facilities, we will fall further behind in the quest for top scholars and students.

For those of you who know the potential of online pedagogy, this may be the most exciting thing you've ever heard me say. For others, online and blended education models may seem sharply opposed to the models you hold dear. It will take more work and discussion for us to resolve these questions. But we are fortunate that our vision provides room for new programs that take advantage of the incredible resources that exist at Wake Forest and support our mission to educate the whole student for a life of purpose.

Like other universities, we are weighing short-term financial concerns against investment in great ideas that can lead to enhanced excellence and long-term strength. Now our task is to think with lively energy

Are there gains at the intersection of our priorities?

This is our challenge now.

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about our priorities, new forces and how to use them to enrich the values that will guide our next exciting phase.

As always, I thank you for all you do for Wake Forest. I look forward to talking to you much more about these ideas and working together to create an even more inclusive, more interesting, more robust and more valuable place of learning and inquiry!