

**WALKING THE FINANCIAL TIGHTROPE: BALANCING COSTS  
AND REVENUES WITH COMMITMENT TO MISSION**

**Robert L. Clark and Madeleine B. d'Ambrosio**

Paper based on the author's presentation at the TIAA-CREF Institute Conference  
*The New Balancing Act in the Business of Higher Education*

New York City, November 3 - 4, 2005

## **1.1 Balancing the counterweights in the academic market place**

Virtually all colleges and universities are facing the twin challenges of revenue enhancement and cost containment. The new balancing act in higher education requires innovative policies to increase revenues but to do so in a manner that does not deny access to students from low-income households. The decline in traditional revenue sources such as state appropriations has caused many institutions to raise tuition in an effort to maintain total revenues. Thus, part of the balancing act necessitates a careful assessment of needed revenues, the cost of providing quality education, and the net price that students must pay to attend the universities of their choice. To maintain access, greater emphasis and concern has been placed on need-based financial aid even as there is pressure to provide broad-based merit aid to qualified students to offset the increasing price of higher education.

To attract public and private funds, colleges and universities must prove themselves to be good stewards of their resources. Efficiency and accountability have entered the lexicon of higher education and academic leaders must balance the need for adequate resources to achieve their teaching, research and service missions with the bottom line. Traditional management methods are now inadequate and universities are recognizing the need to partner with their stakeholders as they walk the tightrope of cost containment and quality education. Examples of major changes in management and pricing policies include the move to greater operational autonomy by three Virginia universities, the use of vouchers for state residents to attend colleges and universities in

Colorado, and Miami of Ohio's adoption of a single tuition for both in-state and out-of-state students coupled with the establishment of scholarship for Ohio residents.

College budgets are dominated by the compensation for faculty and staff. In response to adverse economic conditions, universities have traditionally reduced faculty size and left positions unfilled thus increasing class size and reducing course offerings. Recently, there has been a significant shift by many institutions toward the utilization of more part-time and contract faculty and reduced reliance on tenure-track faculty. Generally, contingent faculty teach more classes and are paid less than tenure-track faculty. In addition, they often are not provided employee benefits such as health insurance and pension plans. Thus, more contingent faculty typically means lower cost per student credit hour of instruction. But students may receive a very different educational experience when they are taught by contingent instructors instead of tenure-track faculty. As utilization of tenure-track faculty declines, there will be less research at the institution. Furthermore, contingent faculty tend to have less long-term commitment to the university so the level of service to and governance of the institution may decline. The balancing of these factors will determine whether institutions of higher education in the United States continue to be the world leaders in graduate education and research and whether American undergraduates are encouraged to seek graduate degrees and careers in research.

The challenge to American higher education in the global market is clearly shown by graduation and employment data. In 2000, Asian universities produced 1.2 million graduates in science and engineering while European universities graduated 850 000. In

contrast, the US produced 500 000 new graduates in these fields (Kirwan, Chapter Four). National comparisons are equally striking. The United States now lags behind the United Kingdom, South Korea, Germany, Australia, Singapore, Japan, Canada and France in the percentage of 24 year olds who have degrees in science and engineering (Ikenberry, Chapter Two).

The fraction of PhD degrees granted by US universities that go to American citizens and permanent residents has been declining for the past three decades. In 1974, non-US citizens with temporary visas received 11 per cent of all doctoral degrees from American universities. The proportion of PhD degrees being awarded to such individuals had risen to 29 per cent in 2004. The trends are even more dramatic in the areas of science and engineering. Ehrenberg (Chapter Eight) reports that 38 per cent of PhD degrees awarded by US universities in the physical sciences now go to foreign students and they receive 55 per cent of all doctorate degrees in engineering.

Recognizing the challenges facing higher education is not enough. Developing and implementing solutions is required. Achieving fundamental change at universities often has proven to be difficult. Identifying key principles that facilitate real change in the management structure of colleges and universities is essential. Knowing the elements of successful change will help academic leaders in their balancing act. This volume consists of 15 chapters that focus on the new balancing act in the business of higher education. The chapters include analyses of the major national trends affecting higher education and case studies focusing on how some institutions have walked the financial tightrope and balanced the challenges. The authors are prominent thought leaders in

higher education including university presidents and chancellors and leading researchers on the business of higher education. What do we learn from their thoughtful examinations of these issues?

In Chapter Two, Stanley Ikenberry, Regent Professor and President Emeritus of the University of Illinois, provides a clear assessment of many of the major challenges facing higher education today. He argues that the social compact between higher education and the American people is no longer in place and that the United States is adrift on higher education policy. One manifestation of this is the decline in state appropriations for higher education. Between 1977 and 2002, state funding for higher education declined from \$8.50 per \$1000 in personal income to \$7.00. The ensuing higher tuition rates have continued to push the price of a college degree up faster than the general rate of inflation in the US. This reduction in state support is due in part to the increasing requirements of other mandated expenditures such as those associated with an aging population, i.e. Medicare and pensions, and the need to provide health care for low-income families through Medicaid. However, the most recent data show an increase in state appropriations averaging 5.3 per cent for 2005–06 compared to the previous year.

Ikenberry questions whether colleges and universities are still contributing to upward mobility across generations and reducing the income inequality among American households. He notes that children from families in the top income quartile have a 75 per cent chance of going to college but only 10 per cent youths from households in the lowest income quartile are attending college. Given economic trends, Ikenberry does not believe that higher education will return to the days of low tuition. Thus, universities must make

better use of financial aid if a higher proportion of low-income students is to attend colleges and universities in the future. He challenges academic leaders to develop policies to moderate the differences in attendance rates by income level.

Further, Ikenberry notes that other countries are catching up to the quality of education provided by US institutions. In addition, enrollments in other countries are surging forward while the college attendance rate in the US is stagnant. He presents evidence that the relative number of graduate students in the US is declining especially the areas of science, technology and engineering. By comparison, growth in education in Asian countries such as China and Korea is increasing rapidly.

In this context, he argues that colleges and universities must once again partner with the American people and reestablish the trust that Americans have historically placed in higher education. A central component for many academic leaders on this tightrope is what does it mean to be a 'public' institution. This balancing act requires improving the image of higher education, containing costs, raising new revenues but still providing access to all qualified students. By reviewing the current landscape of higher education, Ikenberry defines the challenges and questions that are addressed in the following chapters. Is higher education in the US in a state of crisis that will mark the end of American preeminence in educational quality and academic research? Or can academic administrators make the difficult decisions that result in another century of greater access to high quality education? The balancing act is defined, now how do academic leaders move American higher education forward?

## **1.2 The balancing act part one: enhancing revenues while reducing costs**

The challenges associated with shifting revenue streams are examined in the next five chapters. In Chapter Three, James Hearn, Professor of Public Policy and Higher Education, Vanderbilt University, reviews recent trends in revenue sources. He points out that colleges and universities are quite diverse and have different options and opportunities to generate new revenues. One balancing act that every institution faces is to utilize its assets and reputation to appeal to stakeholders to adequately fund the university. Revenue options include research partnerships with industry, patents, sale of university items, donations and endowments, tuition, state appropriations and government grants. Hearn notes that in 2000 tuition and fees and government appropriations accounted for only half of total revenues at public four-year institutions. Thus, other fund raising activities were needed to generate the remaining half of the funds needed to run these institutions of higher education.

Hearn's historical review notes that universities have long been in the business of raising money from these activities. The challenge confronting many public institutions is how to balance the need for state revenues with the restrictions of state regulations. As the proportion of state appropriations in the total university budget declines, the demand for fewer restrictions and more autonomy grows. Hearn believes that increased reliance on market factors for revenues is inevitable but that appropriate responses mean that this can be done without abandoning core academic values. One approach has been to charge differential tuition for courses by discipline and degree level. These higher prices can reflect demand for popular majors and the cost of providing certain courses. In response

to the pressure to raise funds with diminishing allocations from state appropriations, public colleges and universities have considered many options to generate new sources of revenues and to attempt to reduce operating costs. The stories of higher education in two states are presented in Chapters Four and Five.

William Kirwan, Chancellor, University System of Maryland, in Chapter Four describes what he perceives as a funding crisis facing higher education. Kirwan states that the crisis is either a wake up call for our nation or a harbinger of our worst nightmare. The nation's responses to the current problems will determine whether we achieve an appropriate balance of increasing revenues and reducing costs, access to all qualified students and a continued commitment to quality, and a use of the market to augment revenues without losing sight of fundamental academic values.

Nationwide, Kirwan believes that America is developing an education deficit compared to the demands of our economy and in relationship with other industrialized nations. Only a few years ago, the US was the global leader in high school completion rates and in the college participation rates among high school graduates. Today, America ranks fifth among industrialized nations in high school completion rates and seventh in college participation rates. Finally, the US is the only industrialized nation with a declining college participation rate. Determining the causes of these changes and developing policies to offset the declines is essential if American universities are to remain worldwide leaders. To reestablish higher education in the US, academic leaders must work with stakeholders to choose appropriate policies.

Kirwan addresses several aspects of the new balancing act of higher education and how the University System of Maryland has been moving ahead in this challenging environment. At Maryland, he developed an approach to the funding crisis which he titled Effectiveness and Efficiency. This policy required that all of the campuses in the system demonstrate that they were cutting costs and increasing teaching loads for tenure-track faculty. The policies mandated that the average faculty teaching load for tenure-track faculty be increased by 10 per cent and the number of hours for any university degree was capped at 120 credit hours. Kirwan stated that in his view just being more efficient will not alleviate the financial crisis. Working with the state legislature, results from the Effectiveness and Efficiency plan helped to convince the state to provide additional funding for the system. Thus, partnering with stakeholders is essential to develop a funding plan for the future.

Still tuition was rising at the University of Maryland. A review of financial aid policies indicated that low-income students were accumulating significantly more debt than the average student. This occurred as the proportion of institutional financial aid awarded on the basis of need declined from 90 per cent in 1990 to 60 per cent today. The University developed new targets and aid policies to move toward a substantial reduction in the debt load that future students from low-income backgrounds will have upon graduation. Kirwan and the University System of Maryland have tried to walk the financial tightrope by reducing costs and partnering with key stakeholders while continuing to provide access to the citizens of Maryland.

In Chapter Five, David Breneman, University Professor and Dean, Newton and Rita Meyers Professor of Economics of Education, Curry School of Education, University of Virginia, and Lane Kneedler, Partner with Reed Smith LLP in Richmond, discuss the emergence of a new relationship between the state of Virginia and three of its universities, the University of Virginia, Virginia Tech and The College of William and Mary. They begin by placing the decline in state appropriations for higher education in Virginia in the context of national trends. Funding for higher education was 17 per cent of Virginia's general fund budget in 1985 but had fallen to 10 per cent by 2004. As a result, state support as a share of the total budget of these universities declined. For example, state appropriations as a per cent of the budget of the University of Virginia dropped from 35 per cent to only 13 per cent.

Over the past three years, these institutions negotiated with the state government for greater autonomy over setting tuition and in their general operations. The objective was to remove them from the status of state agencies and to provide greater freedom from regulation. The negotiations were driven by the belief that state appropriations to the universities would not recover and that the universities must seek alternative funding sources in order to remain competitive. However, the universities did not seek to drop their public status and state funds remain an important, though diminished, source of revenues to each of the universities.

After three years of discussions, the Restructured Higher Education Financial and Administrative Operations Act of 2005 was enacted. The process produced a new set of goals for higher education in Virginia, standards for accountability to which the

universities would be held, and financial incentives to those institutions achieving their goals. Breneman and Kneedler provide a detailed review and assessment of the unique changes in higher education funding in Virginia. The details of the agreement and its implications provide important lessons for academic leaders and policy makers in other states. Chapter Five also represents an important contribution to this volume through its discussion of the change process and how to achieve fundamental change in higher education which is the theme of the last section of the book.

David Longanecker, Executive Director, Western Interstate Commission for Higher Education, in Chapter Six, presents an overview of the funding status of public education by state. He argues that the funding crisis is not as bad as many believe and that universities have a difficult time in committing to major changes. He presents data showing that public funding for higher education has fluctuated greatly over the past 30 years; however, funding per student has actually increased over the past 30 years after adjusting for inflation. In Longanecker's view, the perception of a decline in funding is due to the decline in state appropriations to higher education as a per cent of the state government's budget and the decline in these appropriations as per cent of the university's budget.

While he believes that public higher education has not faced a crisis in the past, the future does not look bright. He cites projections that indicate that every state faces a structural budget deficit in the next decade. Competing demands for public funds and limited increases in future revenues will make it more difficult for states to continue to fund higher education at current levels. Methods to solve the pending crisis include

increasing productivity, cutting costs, and enhancing revenues. Longanecker is not optimistic that real cost savings can be achieved. While he notes that universities have become very good at expanding their search for new resources, in general these new funds do not support the teaching mission of the university. Instead, funds are raised for research and new activities.

Challenges to public higher education vary substantially across the country. Longanecker presents projections of enrollments by states over the next 15 years. Some states are expecting declines in enrollment in excess of 10 per cent while others are anticipating growth in student populations of 25 per cent or greater. States with a sharp decline in enrollments can expect considerable decline in revenues from tuition and thus will have to balance reduced revenues with fewer students and the need to cut costs. Institutions expecting a growth in enrollments of 25 per cent or more will have to balance the increased student demands in the face of a potential shortfall in resources necessary to maintain quality. The projections of differential growth in student population means that developing a national policy toward higher education will be difficult. The challenges facing states with declining enrollments are very different from those confronting states whose student populations are expected to grow by more than 25 per cent over the next 15 years. As a result, states will need to assume the leadership in balancing revenues and costs.

In Chapter Seven, Benjamin Quillian, Senior Vice President, Business and Operations, American Council on Education, provides an excellent historical perspective of public funding of higher education in the United States. He describes the basis of the

compact between federal, state and local governments with institutions of higher education beginning in President Jefferson's administration. He sees a strong and developing commitment by the federal government in the nineteenth century to providing access to a low cost college education as illustrated by the Morrill Act of 1862, the Hatch Act of 1887 and the second Morrill Act of 1890. Support for higher education for the general population continued in the twentieth century with the GI Bill after World War II and the passage of the Higher Education Act in 1965. This support by the federal government along with major funding by state governments helped to stimulate an increase in the proportion of Americans with college degrees which provided significant public and private returns.

Quillian notes that universities are now competing with other public interests such as those associated with an aging population, defense and the war on terror. Concern over rising costs, inefficiencies and the lack of accountability have weakened the social compact with higher education. In the current environment, academic leaders must strive to reestablish the public's faith and trust in higher education. They must refocus the nation's attention on the public benefits to higher education which include a more educated electorate, a stimulus to national economic growth and the value of research. Colleges and universities must prove that they still provide access to all Americans and contribute to upward mobility, the reduction of poverty and the ending of discrimination. In sum, the higher education community must demonstrate its worth to society in order for it to maintain the historical commitment from the public.

### **1.3 The balancing act part two: changing faculty employment practices while achieving the mission of teaching, research and service**

An important component of the new balancing act is how colleges and universities will decide on the optimal mix between tenure-track and contingent faculty and how institutions will balance the needs of the faculty of the future. Ronald Ehrenberg, Irving Ives Professor of Industrial and Labor Relations and Economics, Cornell University, describes the increasing use of part-time and contract faculty and the reduced reliance on tenure-track faculty (see Chapter Eight). Across the country, retiring tenured faculty are being replaced by contingent faculty. Ehrenberg reports that the proportion of faculty at two and four year colleges and universities represented by tenured and tenure-track faculty declined from 57 per cent in 1975 to only 35 per cent in 2003.

In general, the factor tipping the balance toward greater use of contingent faculty seems to be one of cost. Contingent faculty are typically paid less than tenure-track faculty, often do not receive important employee benefits, and teach more classes. Ehrenberg notes that salary differentials between public institutions and private institutions are growing. A related trend is the widening of average faculty salaries across departments (for example between English and Finance) and salary inversion within departments as new assistant professors are hired at salaries that exceed current faculty.

Ehrenberg describes potential adverse effects associated when the employment balance is tipped toward contingent faculty. Research by Ehrenberg and others points to less student learning, slower progress toward graduation, less research conducted by university faculty and less commitment by the faculty to the institution. Ehrenberg also discusses the importance of student access to research-oriented professors and how this often turns students on to research and leads them to consider graduate school. He argues that these adverse productivity effects are an important counter balance to the lower cost of contingent faculty. Ehrenberg believes that balancing revenues and costs in this manner will alter the quality of higher education.

In Chapter Nine, John Sexton, President, New York University (NYU), objects to this conclusion. A hallmark of his tenure as president of NYU has been the development of what he calls the common enterprise university. In this new paradigm for faculty composition, Sexton argues that there has been a disconnect between the research enterprise of the university and the teaching enterprise of many of our leading universities. He believes that all faculty should teach but there can also be specialization in the common enterprise university. His idea for balancing the competing interests at research universities is to devote significant resources to the hiring of contingent faculty. However, contingent faculty at NYU are not low-paid, fill-in when needed faculty.

Sexton's plan for contingent faculty is to hire master teachers that will specialize in teaching but these master teachers must also be respected in their field. He wants to utilize experts in the professions such as law, the arts and financial services to provide a different set of experiences for students. He is striving to make part-time faculty

permanent members of the NYU faculty. They may be part-time, year round or full-time but part year. They should be well respected in their fields and add to NYU's reputation. Some of these part-time faculty will be internationally prominent faculty at prestigious universities around the world; these faculty Sexton calls the global professor. Thus, Sexton promotes greater reliance on contingent faculty because of their positive effects on the university. These nationally and internationally prominent individuals may actually be more costly to NYU than tenure-track faculty, not less. An important issue on whether the common enterprise university can be a model for the future is whether this academic structure can only be successful in major urban areas like New York City. In less urban areas, colleges and universities will not have the same access to experts in professional fields that are so prevalent in New York City. As Sexton notes, each university has its own version of change and each successful institution will shape its future through an explicit commitment to its own mission.

Kermit Hall, President, University at Albany, State University of New York, and Robert Wagner, Ph.D. candidate in Political Science at Albany examine the challenges of faculty employment practices at public universities in Chapter Ten. They begin their analysis with an assessment of the state of the social contract on higher education. In particular, they focus on the different perspectives of academic leaders, public policy makers and the public at large. While academic leaders focus on the decline in the share of public dollars going to higher education, lawmakers note that total spending per student has risen. While those in the academy tout the public good aspects of a college education, the general impression of others is on the private gains individuals receive

from their college degrees. Finally, Hall and Wagner report that while academic leaders, and their organizations such as the American Council on Education, argue that more funding is needed to retain competitiveness; the public seems more concerned about accountability and performance.

Hall and Wagner examine the implications for faculty in this environmental disconnect between the various stakeholders of American universities. They note two key developments that will affect faculty employment and compensation policies of the future: the continuing trend toward greater use of contingent faculty and the increasing diversity of the population and student bodies of public universities. Human resource policies of institutions of higher education will help to determine how universities balance their changed funding status with the need to continue to provide a quality education. In particular, Hall and Wagner focus on developing policies that have flexibility, provide equity to all employees and promote efficiency. Employment and compensation policies must be appropriate for the more diverse faculty and student population of the future (see Trower, Chapter Eleven).

To assess the value of policies that achieve these goals, Hall and Wagner provide a brief overview of the employment policies of SAS, a software company that has received national attention for its innovative policies and working conditions that help them attract and retain high quality employees. The employment policies of SAS offer flexible working conditions that can be tailored to the preferences of its employees. The policies are equitable and apply to all employees. And, in the view of James Goodnight, founder of SAS, they promote efficiency by treating people well and this enhances their

job performance. Hall and Wagner then speculate on whether similar policies can work in the public university environment and whether they could apply to both tenure-track and contingent faculty.

Cathy Trower, Co-Principal Investigator and Research Associate, Graduate School of Education, Harvard University, provides a much different assessment of the most important issues concerning faculty employment contracts in Chapter Eleven. She notes the relative lack of female faculty and faculty of color in institutions of higher education and laments the lack of change in their representation at most campuses over time. The low levels of representation is especially high among tenure-track faculty and even more so among full professors. In comparison to the other authors who describe crises in higher education and the rapid changes to address these issues, Trower examines the compensation and working conditions of today's faculty and thinks universities move more like a glacier. She concludes that universities change very slowly, 'almost imperceptible'.

Trower argues that evaluation standards, promotional requirements and tenure standards have not changed much. Further, she argues that these methods of identifying meritorious performance were developed years ago and reflect the lifestyles of white men at that time. She raises questions whether these reward structures of our universities are appropriate for today's academic labor market. Trower argues that to attract more women and faculty of color, universities must reconsider the academic career and rewards structure that was developed years ago in response to the life styles of a more homogenous professorate. She proposes new criteria for identifying and promoting

quality faculty that places higher value on teaching and service to the community and institution and allows a more flexible life style for faculty. She believes that such changes would attract more faculty from underrepresented groups and enrich the academy.

#### **1.4 The balancing act part three: implementing change in higher education while working with all stakeholders**

Kenneth Shaw, Chancellor Emeritus and University Professor, Syracuse University, presents in Chapter Twelve a model of how fundamental change can be achieved at colleges and universities. He draws on the lessons he learned while Chancellor of Syracuse. During his tenure, Syracuse faced a significant budgetary shortfall and Shaw was forced to walk the financial tightrope. To reduce the annual operating budget, he significantly reduced the number of faculty. The balancing act he confronted was how to reduce the university's labor cost while increasing the focus on the quality of undergraduate education and maintaining Syracuse's position as a research university.

In restructuring Syracuse, Shaw developed a series of basic principles that he believes are essential to achieving fundamental change. First, he notes that having a crisis really helps because it forces all stakeholders to focus on the issues. As one develops a plan of action, academic leaders must consider the entire system and how its various parts are integrated. The change process must be driven by a commitment to the institution's mission and its core values and all aspects of the process should be

transparent to all stakeholders. Resources must be allocated in accordance with the key goals or as Shaw writes—walk the talk. He believes that it is important to benchmark other universities and borrow policies that have worked. To achieve the change goals, leaders must maintain their commitment for change and keep the pressure on the change process. Appropriate groups and key individuals should be involved in the process and they should be empowered to facilitate change. It is important to show immediate progress and continue to make improvements along the way to the final goals. Finally, Shaw notes the importance of continued commitment to the change process and the persistence needed to reach those final objectives.

In Chapter Thirteen, Michael Adams, President of the University of Georgia, describes how his university has fundamentally altered their approach to capital budgeting. Through the use of innovative approaches to generating and managing new resources for enhancing the infrastructure of the Athens campus, the University of Georgia was able to make significant improvements in its campus. In 1999, Adams established the University of Georgia Real Estate Foundation for the purpose of providing a mechanism that would allow the university to dramatically shorten the construction time for new buildings. The Real Estate Foundation allowed the university to develop a strategic capital and property acquisition plan in a fiscally responsible manner outside the limits imposed on the use of state funds. The use of the foundation also allowed Georgia to focus on erecting quality buildings that were architecturally pleasing.

Under Adams' leadership, the University also created the UGA Research Foundation that manages an endowment that is helping to more swiftly build research complexes on campus. Rapid change and a remodeling of the university was achieved by involving relevant stakeholders in key decisions and by seeking and finding ways to move the university forward at a faster pace. Working together the university was able to break out of the traditional financing model and achieve fundamental change.

Robert Bruininks, President, University of Minnesota, describes in Chapter Fourteen how he led a change process that focused on changing the academic aspirations, directions and culture of the University of Minnesota. His chapter describes the change process at Minnesota and identifies key aspects needed for successful change. The first step was to organize a new strategic planning process. The planning committee was drawn from stakeholders throughout the University system in an effort to involve students, faculty, state leaders, and the citizens of Minnesota in the effort to reshape the university. The University community has engaged in this process through town-hall style meetings, University-wide messages, and postings of the strategic plan on the web. Working with faculty leaders, the provost then presented the strategic planning and positioning process to three dozen groups and organizations inside and outside the University. The primary objective of the initiative was to improve academic quality and strengthen the top academic programs on all campuses of the university. The planning process recognized that the University must continue to diversify its connections and partnerships to generate new revenue sources even as it tried to reestablish its partnership with the state legislature.

Bruininks offered some lessons learned from leading the change effort. First, academic leaders must prepare the stakeholders for change and make a strong case for why change is needed. Second, buy-in must be obtained from faculty, staff, the Board of Regents and the community. Third, each component of the change process must have strong and visible leadership. Fourth, change is an integrated process and the institution should examine both its academic and administrative operations. Fifth, the process must be transparent and the vision and objectives must be clearly communicated. Sixth, the change process must be centered on a plan of action which calls for timely and identifiable results. Finally, the entire process must include measurable goals and public accountability. Bruininks along with Shaw and Adams emphasized that a clear and open communications policy is essential to achieving buy-in to the change process and without the buy-in, successful change is unlikely.

In Chapter Fifteen, Allan Cohen, Edward Madden Professor and Director of Corporate Entrepreneurship, Babson College, comments on some of the key points raised in the earlier chapters and how they define the need for change at institutions of higher education. The need for new sources of funds that offset cuts by state and federal governments has placed greater pressure on tuition. Higher tuition has intensified the race to attract students which has caused universities to build fancier facilities and provide more and better amenities for students. Balancing these competing interests requires new policies in the use of funds, the search for funds, the organization of the institution and the ability to attract a diverse student body.

Cohen notes that 'at the heart of the educational enterprise is the behavior of the faculty.' To achieve its mission, a university must have a faculty that deliver quality teaching services, provide the level of research appropriate to the school's mission, and generate service activities essential to operation of the enterprise. Trower, in Chapter Eleven, described the slowness of change by faculty and in the management areas dominated by faculty decisions. Cohen picks up on this theme and argues that many individuals and faculty groups can block change but few are empowered to make it happen.

While many challenges exist, he is hopeful that transforming change can occur. In fact, Cohen argues that such change did occur at Babson College. A comprehensive structural change at Babson led to a reorganization of curriculum at the undergraduate and graduate levels that has received national recognition. New faculty decision-making structures were implemented along with the mandating of greater cooperation and flexibility in the development of courses and curriculum. These changes at Babson produce significant improvements in their programs, higher national rankings and the attraction of more qualified students. Based on his experiences in achieving real change at Babson, Cohen presents a simple model of the change process that emphasizes the state of the current problem, a vision for the future, support from stakeholders for change and the methods of achieving change. It is clear that change is costly, but the balancing act requires a careful consideration of the cost of doing nothing with the cost of moving ahead to fundamentally alter the way the institution manages itself.

## **1.5 Walking the tightrope while balancing costs, revenues, and commitment**

American colleges and universities must attempt to balance the need to raise sufficient resources from various sources to build and maintain the faculties and facilities that are necessary to continue to provide the best undergraduate and graduate education in the world. This balancing act has become more difficult in recent years as the social compact between higher education and the American public has weakened and competing public interests draw resources away from institutions of higher education. This volume examines the steps of academic administrators on this tightrope and provides insights into the future of higher education in the United States.

As cost pressures have mounted, tuition and fees have been increased. The ever rising cost of a college degree threatens access to universities for many individuals from lower income households. Many public institutions have been given greater authority in setting their own tuition rates and as a result have become more responsible for raising funds and ensuring access. This financial balancing act requires a rethinking of need-based versus merit-based financial aid. The following chapters show how difficult these decisions can be in today's environment where institutions compete for students, faculty and revenues.

Lawmakers and the public generally are demanding more accountability from colleges and universities. Academic leaders must show that they are good stewards of their resources and that they are attempting to provide high quality education at

reasonable costs. Efficiency demands that the academy reevaluates how it recruits and retains quality faculty and how the appropriate mix of contingent versus tenure-track faculty is determined. Faculty employment, evaluation and compensation policies must be revised so universities can successfully walk this tightrope of competing financial and social demands. The chapters in this volume provide different opinions on the use of contingent faculty and their value to colleges and universities. The authors express concern over how to balance low cost teaching of undergraduates with the quality of instruction and their exposure to research methodology and how to balance the need for a more diverse faculty with the existing methods of performance review. To remain the best educational system in the world, American colleges and universities must have the best faculty, compensate them appropriately and reward teaching, research and service.

The world is changing and institutions of higher education must also change. Successful change is a complicated process. It requires inspired leadership, buy-in from all stakeholders and a clear vision of the future. Chapters in this volume present models of change and provide guidance on how successful leaders balance the competing interests that are always present. Several authors describe the experiences of their institutions in creating the environment that is conducive to achieving successful change.

In summary, the challenges are great and at times, the tightrope seems to be wavering instead of remaining taut. As academic leaders walk the tightrope, they must balance costs versus access, reform versus commitment to tradition, retaining world class faculty with cost containment and providing appealing facilities without shortchanging

their teaching mission. The authors of this volume describe the challenges and provide methods of performing the balancing act and successfully walking the tightrope.