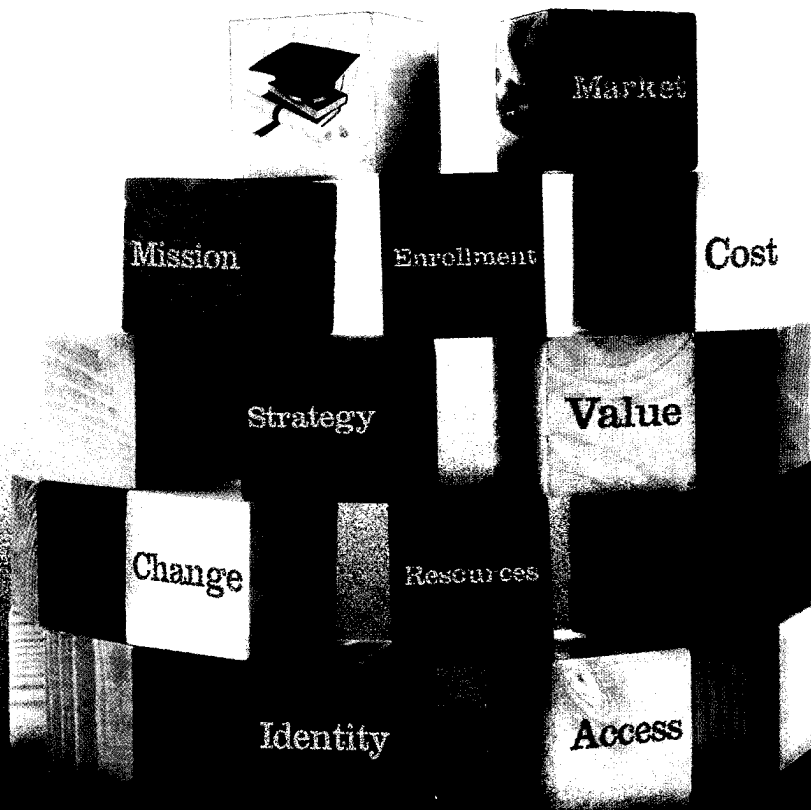


EDUCATIONOMICS

AND THE NEW MARKETPLACE FOR HIGHER EDUCATION



BY JON MCGEE

Colleges and universities across the country have entered a new world of increasingly complicated issues and challenging choices. Nearly all institutions will face more uncertainty in the coming years than prior to the start of this decade. The challenges as well as the solutions belong to everyone on campus: student affairs professionals, presidents, provosts, enrollment deans, development professionals, finance officers, and board members. The ongoing success of higher education institutions will require the active and integrated engagement of all campus communities.

But let's start at the beginning. The expansion of postsecondary educational opportunity is among the great post-World War II success stories in America. For most of the last 65 years, higher education has been a boom industry. In 1946, fewer than 10 percent of all 18-to-24-year-old Americans were enrolled in college. By 2011, that participation rate had risen to 43 percent. The number of degree-granting institutions in the United States has more than doubled since 1950, while the total number of students enrolled at all levels of postsecondary education has risen nearly tenfold.

Today, America's colleges and universities enroll more than 20 million students of all ages, types, and abilities. U.S. higher education is characterized by a remarkable intellectual, technical, and professional smorgasbord of choices. If there is a program of study that can be imagined, it probably is offered somewhere.

While the incomes of young college graduates have suffered in the same way as the incomes of the population as a whole in recent years, the economic premium associated with college completion remains extraordinary. In 2011, the Georgetown University Center on Education and the Workforce noted that obtaining a postsecondary credential is almost always worth it, as evidenced by higher earnings over a lifetime. The higher the level of educational attainment, the higher the payoff. In 2002, a bachelor's degree-holder could expect to earn 75 percent more over a lifetime than someone with a high school diploma. Today, that premium is 84 percent, according to *The College Payoff: Education, Occupations, Lifetime Earnings* by Anthony Carnevale, Stephen J. Rose, and Ban Cheah.

Students and families now understand that college has become the signature gateway for access to the American middle class and the best opportunity (albeit not a guarantee) for economic security. In 2012, more than 90 percent of all parents with at least one child under age 18 indicated that they expected their children to attend college, according to a 2012 Pew Research Center study, *College Graduation: Weighing the Cost...and the Payoff*.

If all is good on the higher education front, why do higher education leaders feel so uncomfortable and under so much pressure today?

Forces of Disruption

For most of the 1990s and up to the beginning of the Great Recession in 2008, colleges and universities across the country operated in a period in which the economic, demographic, and cultural stars were aligned. This remarkable period provided fuel for enrollment and financial success at most institutions. Operating strategies and tactics, as well as institutional and personal aspirations, typically were designed to take full advantage of those favorable conditions. Unfortunately, as the seemingly endless good times rolled onward, the higher education community placed itself at risk of believing those times represented the long-term reality rather than a fleeting moment of beauty.

The immediate effects of the Great Recession on students and families, as well as institutional operations, were inescapable, undeniable, and sometimes quite significant. Many of those broader changes continue to impact us in deep and lasting ways.

Nearly all colleges and universities today must address three important disruptive forces that have converged and crystallized over the past five years: demographic disruption, economic disruption, and values disruption. Each had been brewing and developing for a long period of time, and most institutions had to address their effects prior to 2008. However, the pace and force of change has accelerated, and the combined effect of these disruptions has intensified institutional challenges. Few colleges and universities will get a free pass as the key forces of disruption continue to unfold and reshape the marketplace for higher education.

The new landscape for higher education can be framed around four key ideas and their attendant questions:

- ▶ **Accessibility.** Who will have access to what kind of college experience? That question demands an assessment of demography, institutional and family economics, and market position. The industry is nearing the bottom of a long-term, though shallow, decline in the number of high school graduates that began in 2010. That decline will present its own challenges to many institutions accustomed to market growth. However, the numbers mask a more compelling change: The characteristics of the traditional college-age population are shifting rapidly as every region of the country becomes more racially, ethnically, and culturally diverse. Most institutions will need to adapt to both sets of change.
- ▶ **Affordability.** How will students and their families pay for college? Without doubt, the cost of college has become the central issue and challenge facing all colleges and universities today. As the price of a college education has increased, angst about affordability has skyrocketed. Pricing and financial aid strategies most often seek to simultaneously maximize access for students and revenue for colleges. However, that position has become increasingly difficult to hold for many institutions. In the end, two sides of the affordability equation must be addressed: Who can afford higher education and who can higher education afford? Institutions will engage both questions simultaneously, and the product must yield an equilibrium for long-term sustainability. The balancing act has become significantly more complex after five years of difficult economic times. Family incomes have not kept pace with inflation for more than a decade, and most families do not have the savings or asset strength to pay for the rising cost of college.
- ▶ **Accountability.** What outcomes should students, parents, and society expect of higher education? Higher education institutions have struggled with how to answer that question in an understandable and compelling way. The too-frequent inability to muster convincing responses to accountability and value questions has resulted in an enormous amount of skepticism about the motives and operations of higher education and has fueled increased federal and state regulation of colleges and universities. We cannot consider the pressure on affordability independent of demands for accountability. In homes, in the halls of government, and in philanthropic circles we face a singular central question: Is the investment in higher education worth making?

► **Sustainability.** Can colleges and universities generate the resources required to continuously improve academic and developmental quality and remain accessible? Unfortunately, those twin objectives very often compete with each other, particularly at less wealthy institutions, forcing difficult trade-offs. Equally important, sustainability questions get to the heart of revenue and expense realities. Institutions must assess both their *real* (not imagined or wished for) revenue opportunity and their *real* expense values and imperatives in the context of their *real* market position. As uncomfortable as these choices may be, most institutions will be forced to address them in some way. The moment at which higher education is no longer willing to adjust its operations to meet its aspirations, those aspirations must change.

These issues present a particularly significant set of challenges to higher education leaders today because they operate independently and interdependently. As stand-alone issues, none are easily resolved by the application of a few palliative measures. Collectively, they form an even more difficult context in which colleges and universities must make enrollment, programming, pricing, and budget decisions.

Disruptive Adaptation

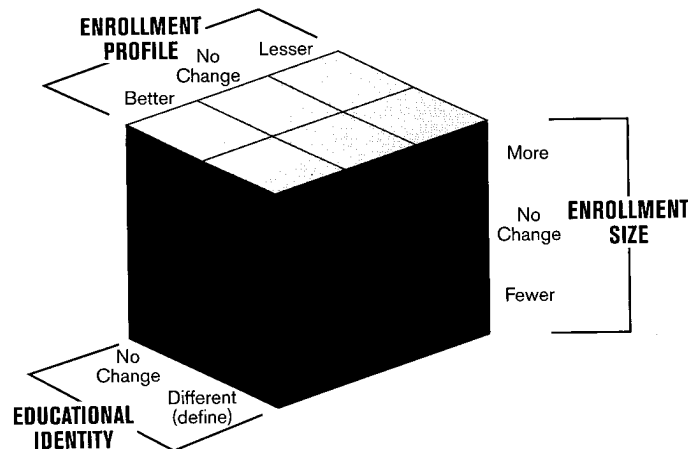
The ongoing disruption of the last several years has challenged long-held, often revered, practices and values. The signature characteristic of the new market trajectory, for colleges and families alike, is scarcity. Make no mistake, the battleground for what is best described as disruptive adaptation will be defined by economic choices. Colleges and universities of all types will be challenged in remarkably complex ways to find new approaches to align mission, market, and management practices and aspirations—challenges that will require an extraordinary commitment to leadership. In the face of continuing disruption, it is important for colleges and universities to have a deep and integrated understanding of their students, their institutional identities, and the market changes occurring around them.

As the higher education community assesses its options, senior administrators must think about the choices in ways that clarify points of intersection and highlight the trade-offs required to make them happen. The universe of market-related choices can be encompassed along three distinct but related dimensions: enrollment profile, enrollment size, and educational identity. Choices made along any one dimension have consequences for the others. Taken altogether, the three dimensions collectively form a strategic decision cube, not unlike the shape of a Rubik's Cube. Behind the concept of cubic thinking lies a framework and tool for disruptive adaptation and making choices in turbulent times. It requires college leaders to articulate the multiple marketplace dimensions of their choices, moving from incremental to integrative decision making and leadership.

The three outer dimensions of the decision cube present the following choice fields:

► **Enrollment profile.** Enrollment profile reflects the broad mix of traits and attributes that define students, including academic, geographic, racial, ethnic, and social characteristics. All colleges and universities have three

Decision Cube Connects Institutional Choices



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basic choices related to their student profiles: maintain the current characteristic profile, broaden it to capture a wider range of one or more characteristics, or narrow the profile to capture a more selective range of characteristics. Any decision to change the current student profile must be clearly specified in terms of the particular characteristic(s) institutions seek to change.

► **Enrollment size.** All institutions have three basic enrollment size choices: enroll more students, enroll fewer students, or maintain current enrollment. Those goals are easy to conceive and discuss, but difficult to achieve. An enrollment target is a singularly consequential choice for most colleges and universities, particularly those that are tuition dependent. A missed enrollment goal creates more anxiety and fear on campus than almost any other performance measure. While setting a numeric goal, it is important to keep in mind that enrollment opportunity is highly influenced not just by an institution's actions or wishes but also by those of competitors and the shifting needs and interests of the marketplace. Enrollment strategy must take into consideration the recruitment of new students and retention of current students.

► **Educational identity.** Educational identity represents the constellation of experiences and values each institution brings to the marketplace, conveying a brand as much as an identity. Two basic market choices related to educational identity include: maintaining identity in its current form or modifying it into something different that must be carefully defined and specified. Can an institution successfully remain the same kind of institution it has been? What must change to succeed in

a new market? Transforming an educational identity is even more complicated than changing the enrollment profile because identity is often deeply rooted in history and sense of self and is contextualized by any number of taxonomies and peer and aspirant groupings. An institution's view of the world, of itself, and of its value is shaped by an identity forged over time. Nonetheless, changing or modifying identity represents a real choice, particularly during disruptive or transitional periods.

The strategic decision cube demands simultaneous consideration along all three of its dimensions for any one choice. For example, a decision to increase undergraduate enrollment also requires reflection on enrollment profile and educational identity. What will happen to the profile when an institution chooses to enroll more students? Who will comprise the increment? Is current educational identity appealing enough to attract the additional students the institution seeks to enroll? Does an institution have the brand horsepower to achieve and sustain increased enrollment or the support services and physical capacity to serve a larger student body? These questions require careful thought, but the overarching point is quite simple. There are no wholly independent or discrete choices. Instead, all market-related choices must be considered through an integrative lens, which is an exercise in horizontal thinking.

The profile, identity, and size dimensions of the decision cube define market and mission choices. But the choice combinations clearly also have significant management and operational implications. Consequently, in addition to basic choices about numeric size, desired profile characteristics, and marketplace identity, each box in the cube carries four tactical management imperatives that bring market and mission dimensions together.

- **Program requirements.** Does the institution have the curricular, cocurricular, and administrative programs and infrastructure in place to ensure the success of its choice? Programs and activities, new or existing, cannot be constructed independent of the needs, interests, and demands of the market. Decoupling enrollment and program choices is a prescription for trouble later.
- **Financial requirements.** Is the choice financially sustainable? Choices along any of the dimensions of the strategic decision cube must either yield revenue in excess of expenses or be financed by a set of trade-offs and reallocations that balance the revenue and expense equation. Long-term fiscal health demands attention to fiscal equilibrium.
- **Recruitment requirements.** Do we have a recruitment strategy and infrastructure in place to support the choice? The marketplace for higher education is too crowded and competitive to assume that program choices, independent of tactical recruitment planning, will be sufficient to attract the appropriate students. Recruitment strategy requires an assessment of current student markets as well as a capacity for new market development. Enrollment success rarely results from hopes and wishes.
- **Market position requirements.** Is the institutional brand appropriately positioned and understood to support the choice? The more significant the change along any of

the three dimensions of the decision-making framework, the more important brand communication becomes. Successful market positioning is not about the development of clever taglines or colorful billboards. It requires deep and thoughtful consideration of how the institution is understood in the marketplace and whether the identity, profile, or size choices will change perceptions.

All colleges and universities begin the cubic decision-making exercise in one place: a current level of enrollment, a current enrollment profile, and a current educational identity. That place reflects an institution's summative marketplace identity today. The exercise can begin on the outer dimensions of the cube along its broad size, profile, or identity vectors or along the more detailed management vectors on the inside of the cube. During disruptive times, the first challenge for many institutions will be to determine whether current market position and identity are sustainable. If not, the decision cube model provides a tool for considering adaptive or innovative change. Wherever an institution chooses to begin the exercise, its ultimate purpose is to create a structure for more integrative decision making capable of yielding a sustainable and successful future.

Educationomics

The new and evolving marketplace for higher education—characterized by changes in demographics, economics, and cultural expectations—demands a recalibration of equilibrium. Most colleges and universities will need to find a new point of sustainable mission, market, and management balance. The industry must take steps to create sustainable conditions for excellence in the context of shifting student needs, demands, and expectations. For their part, students and families also will seek a new point of equilibrium, striking a new balance between what they are able to pay (an economic question) and what they are willing to pay (a value question) for college. Each point of equilibrium, institutional and familial, is the result of a complex set of decisions wholly owned by neither institutions nor families.

Mission, market, and management choices should not be by-products of neglect or drift. Few colleges and universities today can afford the cost and consequences of either. It will take decisive, determined, and thoughtful leadership to address the challenges and choices we face in the coming years. The fact that no easy or readily apparent solutions exist to these choices and challenges makes our commitment to addressing them that much more important. Leaders must make complex choices just as students and families face complex decisions.

The changing conditions reshaping our world should not lead us to gloom or to despair, but rather to the pursuit of opportunity and advantage. This is not the first disruptive period in higher education nor will it be the last. With a better understanding of the forces at play in the world and a more complete understanding of higher education's place in that world, we can make choices that advance our values and serve students and the common good for generations to come. ■

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