

“Strategies for a New Future in Difficult Economic Times”

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It is an honor to be part of the NAICU Annual Meeting and to exchange experiences, war stories, and fresh ideas with colleagues in the independent higher education sector. Seeing all of us together is a powerful reminder of the significant contributions that private, non-profit colleges and universities make to American higher education. Together private, non-profit colleges and universities account for some 1,745 institutions—compared to 1,737 public institutions and 909 for-profit institutions—and NAICU ably represents nearly 1,000 of them.

Some private, non-profit institutions, like Cornell University, are research universities. Others are liberal arts colleges, comprehensive universities, church- and faith-related institutions, historically black institutions, single-sex institutions, and specialized institutions that provide professional training in law, medicine, engineering, or other fields. But together we are a critical part of the nation’s intellectual infrastructure, enrolling approximately 4.7 million students at all levels and ensuring that students seeking higher education have a wide range of opportunities available to them. At a time when high-level skills and broad knowledge are essential to building a new innovation economy, we in private, non-profit higher education need to communicate the scope and impact of our activities as widely and forcefully as we can.

Now, more than ever, our nation needs a highly skilled and adaptable workforce to bolster and grow our economy, along with a steady stream of new ideas generated through research and creative activity to solve the great challenges facing us and the rest of world—from developing safe and renewable sources of energy, to addressing global climate change, to improving human health and reducing poverty and inequality, among many other urgent societal concerns.

In addition, in the U.S. and many other developed countries, education beyond high school is a prerequisite for jobs that make possible a middle-class lifestyle. We can expect the demand for higher education to continue to increase even after the children of baby boomers like me pass

beyond the college years and into the workforce. More and more people in the U.S. and elsewhere will be seeking a better future for themselves and their families by continuing their education beyond high school.

On the other hand, expanding capacity for higher education is enormously costly—to the students, families, colleges and society at large. New educational initiatives, new research programs, and new forms of outreach and service usually require additional funding. The continuing global economic challenges have already placed considerable strains, directly or indirectly, on all of American higher education, and many private colleges and universities have been especially hard hit. Loss of endowment income, lower-than-expected fund-raising results, greater need for financial aid by students and their families, constraints on tuition increases—all part of the fallout from the Great Recession—are the “new normal” on many of our campuses.

In the past, American colleges and universities commonly dealt with shortfalls in our budgets, in part, by expenditure control but primarily by revenue enhancement—including ambitious fundraising and regular and significant tuition increases. The Great Recession, however, has reduced the pace of fundraising substantially. Between April 2008 and April 2009, according to one study, the amount of money raised by a dozen of the colleges engaged in higher education's biggest fund-raising campaigns fell 32 percent, with many donors having to postpone gifts or adjust the timing or amount of what they planned to give. As the economy slowly climbs out of recession, we can expect fundraising to recover gradually—in fact, a more recent study by the fundraising consulting firm of Marts & Lundy found that most capital campaigns by colleges and universities seeking to raise \$1 billion or more are still on track. However, gifts of \$50 million or more have slowed considerably, and institutions that launched campaigns before the recession officially began in December 2007 are doing much better than those whose campaigns began in 2008. It will be quite some time before overall fundraising returns to its pre-recession pace, though, and even schools in the midst of large campaigns may need to focus on smaller gifts, which typically cost the institution more per dollar raised than large ones.

As for tuition increases, indications are that in the short- to medium-term, we are fast approaching limits to what we can charge students and families. According to the National Center for Public Policy and Higher Education, the percentage increases in college costs in the U.S. have far exceeded those in housing, transportation, and even health care for more than a decade. Family incomes, for the most part, have not kept pace. In the current economic climate, many families are coping with job loss and other economic setbacks that further limit their ability to afford higher education and increase their need for financial aid. In addition, more students are taking on debt, and those students are graduating with higher levels of indebtedness. This indebtedness has a significant impact on students' choice of fields of study, on the kinds of jobs that students can afford to take after graduation, and on how soon they can buy a home, start a family, and fully contribute as citizens.

If revenue enhancement is not an immediate solution to our challenges in this climate, then how realistic is significant expenditure reduction? Most of us have already made adjustments to the new economic realities we face—trimming our operating budgets, reducing our staff, reducing faculty hiring, cancelling or postponing building projects, cutting back on travel and conferences, and making other changes designed to improve our bottom lines and balance sheets.

I want to suggest today that the current economic downturn should also be a sound opportunity to make bold changes to sharpen our focus and enhance our quality and impact—changes that would be much more difficult to make in more prosperous times. We are unlikely to control the cost of higher education—or improve overall quality—if we simply add new programs on top of what we already offer. It is time to look at the other side of the equation—to find ways to maintain and enhance what we offer to students and to society in the face of revenue constraints. We need to think much more carefully about priority setting and strategic planning in order to live within our means while maintaining excellence and allowing room and flexibility for innovation. At least five areas require attention.

First, the current economic crisis provides a clear incentive for colleges and universities to identify areas where it is important to maintain intellectual leadership or position the institution for future leadership. It also provides a significant opportunity to identify areas that might be phased out, reduced, or reorganized. It is often said that the college curriculum changes only with faculty renewal, but for the first time in many years we have an opportunity to pick up the pace of needed change and thereby improve the quality and effectiveness of our institutions and what we offer to our students and society. For example, Cornell University, which enrolls approximately 20,000 students at all degree levels, offers more than 4,000 courses, 70 undergraduate majors, 93 graduate fields of study, undergraduate and advanced degrees, and continuing education and outreach programs. Many other large, research-intensive universities offer equally ambitious programs. But how many majors does a college or university need to offer? How many courses are needed to provide adequate coverage, with a reasonable amount of choice, within those majors? Might introductory courses now offered by multiple departments within the college or university be combined or otherwise restructured in a more efficient and effective way? What is the optimal course size, and what is a reasonable faculty teaching load? These are largely questions to be answered in collaboration with the faculty as well as to plan the future of research and scholarship, but if there were ever a time to ask them, the time is now.

To answer questions of this sort—as well as to bring our budget back in balance—Cornell is in the midst of a comprehensive strategic planning initiative called “Reimagining Cornell,” led by the Provost and me with strong involvement of the faculty. Academic task forces from each of Cornell’s colleges and schools, as well as from cross-disciplinary areas like the life sciences and the social sciences, worked through the summer and fall of 2009 to determine how Cornell should be organized and focused in the context of a significant reduction in resources and

budgets. Many of the task forces also used this difficult time as an historic opportunity to rethink the focus, scope and direction of our academic enterprise.

A draft strategic plan outline, informed by the task force reports and developed by a faculty committee, was released for comment by the Cornell community last month. Even at this stage, though, I can share with you some of the proposals that are on the table and being given careful study. One involves creating a common academic experience for first-year undergraduate students with the goals of highlighting the core competencies that define a Cornell education and providing broad coherence for undergraduate education. Another, being studied by our Provost's Office, in conjunction with our Office of Human Resources and the colleges and schools, is regular and effective post-tenure and post-promotion review to ensure that all faculty members meet effort and performance expectations of their colleagues throughout their careers at the university. In consultation with the relevant academic units and faculties, we are looking to reduce the number of very small doctoral fields and/or establish field clusters to improve efficiency and external visibility of specialized graduate programs while retaining the ability to offer high-quality education in fields that have limited enrollments.

I expect that we will also see some new ways to organize research, teaching and outreach, including multidisciplinary approaches that explore broad themes using problem-focused, collaborative teams—building on some of the successful efforts of this sort that are already proving their value at Cornell. For example, Cornell's Institute for the Social Sciences (ISS), established in 2004, brings together faculty members from across the university to work on cross-cutting, interdisciplinary themes. The first ISS theme project focused on "The Evolving Family: Family Processes, Contexts, and the Life Course of Children." Team members produced nearly 60 publications, and the synergy created during the project, which ran from 2004-2007, led to the development of the Cornell Population Program, which in 2008 competed successfully for a million-dollar grant from the National Institutes of Health to support its growth over five years.

Another example of a new cross-disciplinary structure focused on critical issues is Cornell's Center for a Sustainable Future (CCSF). Over 300 of the roughly 1,600 Cornell faculty members on our Ithaca campus have self-identified as working on sustainability topics, and CCSF provides mechanisms for bringing them together for multidisciplinary research and innovative collaborations within and beyond Cornell. Headed by senior faculty members, CCSF focuses on three critical components of sustainability: energy, the environment, and economic development (including poverty alleviation). One of its key programs is an academic venture fund designed to stimulate new, original, cross-disciplinary research, emphasizing work that has the potential to involve external partners such as industry, government, foundations and NGOs. CCSF helped earn Cornell a place on the top-10 list of "cleantech" universities for 2010—universities that are likely to spawn the next generation of clean technology companies.

As part of the strategic planning process, we are now studying additional ways to strengthen Cornell's position in several fields that span multiple schools and colleges. These include management sciences, the life sciences, and several disciplines within the social sciences, including economics, psychology, sociology, and public policy.

To guide our thinking about how to better deal with many choices inherent in planning in the context of resource constraints and a highly decentralized management structure, I have outlined several principles:

- Decisions on reorganizing our programs and activities should be made based on the importance of those activities to the university's core mission with the objectives of enhancing academic excellence, increasing effectiveness and efficiency of functions, and reducing expenditures.
- Expenditure reductions should be greatest in administrative operations, consonant with appropriate processes and risk management, recognizing that those operations occur across the university, in colleges and central units, and must be viewed holistically.
- All units across the university will contribute to reducing the structural financial deficit of the university.
- Final decisions will be made by me and the provost after broad and transparent consultation, with special consideration of the opinions of those most conversant with the areas under review.
- Decisions should be made as much as possible with the intention of optimizing the quality and value of colleges, individual units, and the entire university but, if a conflict exists, it should be decided in favor of the greater university.

These principles may or may not be a good fit for your particular institution, but it is important to have a framework of broader principles consistent with the core mission of the institution to guide difficult decisions—rather than operating in an ad hoc manner.

Second, collaboration across institutional boundaries—internal and external—is going to make more and more sense going forward. Drawing on each other's strengths will enable us to blunt the impact of budget cuts while continuing to innovate. We are doing that at Cornell, for example, to maintain the quality of our library in the face of budget reductions. With the help of a grant from the Andrew W. Mellon Foundation, our library and the library at Columbia University are developing partnerships in collaborative collection development, acquisitions and processing. We expect the partnership will allow us to continue to offer excellent service with fewer resources by eliminating redundant operations and increasing productivity.

Of course, many NAICU members, especially smaller colleges, have pioneered ways to achieve intellectual synergies, broaden their offerings, and reduce costs through partnerships

with sister institutions. I think of the Olin College of Engineering, which has developed strong partnerships with nearby Babson College, Wellesley College, Brandeis University, and with other educational institutions in the Boston area so that its students gain the benefit of courses in the liberal arts, entrepreneurship and other non-technical fields without having to develop faculty strength in those areas in-house. In Amherst, MA, a consortium of five public and private institutions shares many administrative functions as well as several academic departments. Consortium members make joint faculty appointments, use a joint library system and have a common academic calendar.

Many of us are also finding that we can save money by collaborating with nearby institutions or within our own institutions on administrative operations and to obtain preferred pricing on products and services. As part of its strategic planning process, Cornell contracted with an international consulting firm to look for ways of streamlining our non-academic operations in areas such as procurement, information technology, facilities and utilities, human resources and finance. The consultants determined that we could make much more widespread use of “preferred vendors” to take advantage of negotiated, less expensive contract pricing where appropriate—and save up to \$40 million per year.

Several smaller colleges—in the Lehigh Valley, for example—have established consorial arrangements for collaborative purchasing, which have given the colleges better pricing and access to higher quality goods and services than individual institutions could achieve on their own. The NAICU website offers an impressive list of collaborations—both academic and administrative—in which member institutions participate (along with other creative ways that member institutions are trimming costs), and I commend it to you if you are looking for ideas that might be applicable to your own institution.

Third, colleges and universities, in partnership with industry and government, must help their communities, regions and states participate fully in the new knowledge economy by educating tomorrow’s workforce and assisting in business development and commercialization of emerging technology. Last year I chaired a governor’s task force that analyzed how New York State can create new jobs by leveraging its existing economic and research strengths through more effective university-industry partnerships. Cornell, like most of the other institutions represented on the task force, became involved in this project out of a sense of citizenship as well as enlightened self-interest. We need a strong and economically viable environment if we are to recruit and retain the next generation of outstanding faculty and staff. We need a diversified and healthy state if we want to continue to recruit top-notch students. Without an adequate tax base, we won’t continue to have good local schools, functioning local governments, adequate social services and infrastructure, or a state government capable of nurturing our colleges and universities. Also, unique to our situation, Cornell—a private institution—serves as the land-grant university for New York State, and receives substantial state funding. I’m pleased to report

that two of the task force’s recommendations—concerning a state R&D tax credit to help grow the innovation economy and a \$25-million new technology seed fund to encourage university-based entrepreneurs to develop proof-of-concept products and services—have been put forward by Governor Paterson in his 2010 State of the State message.

Even if your institution’s focus is primarily on undergraduate education, I encourage you to reach out to business and industry in your region to determine ways in which you might join forces to improve the economic life of the wider community. Student internships and summer employment at local industries, coop programs, guest lectures by industry representatives can all provide closer connections between higher education and industry and provide a source of highly trained future employees who can contribute to the new knowledge economy. As Governor Paterson has said, “In the new economy...today’s ideas are tomorrow’s jobs.” And ideas are what colleges and universities are all about.

At the same time, we in higher education need to stand firm in our commitment to basic research across a wide spectrum of fields. Time and again—in fields as disparate as molecular biology, mathematics and high-energy physics—investments in basic research have paid off years or even decades after the initial discovery was made. Basic research is the precursor to future economic and societal progress, and we in higher education must continue to champion its importance, even as others press us for immediately applicable results.

Fourth, in addition to addressing immediate economic challenges and spurring economic development, colleges and universities must maintain their traditional commitment to the liberal arts and sciences. As we all know, beyond the specific facts and knowledge they impart, the liberal arts nurture a suite of more broadly applicable skills that have relevance to the contemporary world. Among them are:

- the ability to think critically about a variety of subjects;
- the ability to express oneself with clarity, precision, and a sense of style;
- a grounding in ethics, which should be the cornerstone of every profession;
- new ways of perceiving, appreciating, and influencing the world as a result of a deepening acquaintance with the arts and humanities and opportunities to share ideas and personal friendships with people from many cultures, backgrounds, and nations.

These benefits of the liberal arts component of American higher education open new possibilities for personal growth and professional challenge that endure for a lifetime. Jon Meacham, editor of *Newsweek*, wrote perceptively about “the difficulty of making the case for something so expensive and so seemingly archaic—an undergraduate liberal education—in an economic and cultural climate that favors efficiency and tangibility.” But, pointing to such liberally educated innovators and leaders as Steve Jobs and Barack Obama, Meacham asserted,

“It is just possible...that the traditional understanding of the liberal arts may help us in our search for new innovation and new competitiveness. The next chapter of the nation’s economic life could well be written not only by engineers but by entrepreneurs who, as products of an apparently disparate education, have formed a habit of mind that enables them to connect ideas that might otherwise have gone unconnected.”

Beyond all their newly discovered relevance and utility, the liberal arts help us explore what it means to be human; they add significantly to the richness of our experiences and enhance our enjoyment of life. We need make no apology for our continuing commitment to a liberal arts education—in fact, we can make a strong case for strengthening our commitment to these disciplines based not only on their usefulness but also on their inherent worth.

Fifth, in spite of the financial challenges we face, we must maintain our commitment to student access and choice. Some institutions are adapting to the new realities by developing programs designed to make education more affordable or attractive, including accelerated degree programs, four-year graduation guarantees, and promises of job placement assistance after graduation.

Prompted by the Great Recession, many of us, including Cornell, have been attempting to reduce the rate of tuition increases. A NAICU report released last June noted that private colleges had raised tuition for 2009-10 by the smallest average amount in 37 years—just 4.3 percent, compared to an average of 6 percent annually during the previous decade. At the same time, these colleges increased their institutional student aid budgets by an average of 9 percent for 2009-10. In fact, according to the U.S. Department of Education, 90 percent of the full-time, dependent students at private, non-profit four-year colleges and universities pay less than “sticker” price because of the student aid they receive.

Before the Great Recession, many institutions, including Cornell, actively sought to enroll more students from low- and middle-income backgrounds in order to keep the doors of opportunity open and to increase diversity within the student body. With unanimous support from our Board of Trustees, despite the economic challenges we face, Cornell has significantly improved its financial aid programs to assist low and middle-income students, including by replacing loans with grants for those in the lowest income groups. These initiatives helped bring about a substantial increase in the racial diversity of the Cornell undergraduate class that entered in Fall 2009—but the initiatives come at an annual cost of more than \$24 million.

To meet the cost of our commitment to access, we are drawing on our endowment and refocusing several hundred million dollars of Cornell’s \$4-billion university-wide fundraising campaign from facilities to student financial aid and other “people” costs.

I realize, of course, that financial realities have made it necessary for many institutions to become more “need aware” than they once were or would like to be or to use other means of increasing tuition revenue. Some colleges and universities have chosen to preferentially admit some students who can pay the full cost of tuition. Some are increasing the size of their entering classes.

Maintaining student access to higher education as we adapt to “the new normal” of constrained resources is a daunting challenge. But as a first-generation college student and someone who would not have been able to afford college without scholarships and loans, I can attest to the difference that access to higher education can make in a person’s life. I firmly believe that access must continue to be a hallmark of higher education, public and private, in the United States.

Today, one month into the new year, most of us are more than happy to have put 2009 behind us. But as we reshape our campuses and our programs to address the new economic realities, I hope we will also take advantage of the unprecedented opportunity we now have to make American higher education more efficient, effective, and more relevant to the needs of the U.S. and societies around the world.

I call on NAICU and the institutions it represents to join me in reaffirming our shared commitment to quality, access, and broad social purpose, which together have made American higher education—and most notably private, non-profit higher education—the standard and the beacon of hope for the world. This annual meeting is a great place to start, and I look forward to our conversations while we are together here in the nation’s capital over the next few days, and to our joint efforts throughout the coming year.

In the time we have left, I’d welcome your questions and comments.