



Entrepreneurial and Fiscally Prudent Presidents, Boards, & Campuses: *Ensuring Financial Vitality & Preserving Mission*©

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Utica College**



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The Imperative of Social Entrepreneurship, Innovation and Transformation



Books, articles, presentations galore

- The Innovation University: Changing the DNA of the Higher Education from the Inside Out (Christensen & Eyring, 2011)
- Crisis on Campus: A Bold Plan for Reforming Our Colleges & Universities (Taylor, 2010)
- Reinventing Higher Education: The Promise of Innovation (Wildavsky, Kelly & Carey, 2011)
- Moody's Investor Service, "US Higher Education Outlook Negative in 2013," January 16, 2013 (<http://marquette.edu/budget/documents/USHigherEducationOut...>)

Perspectives on the state of higher education



Higher education could be among the next economic sectors to “undergo massive restructuring.”

or

“The American model is beginning to creak and groan, and may not be the model the rest of the world wants to emulate.”

**James J. Duderstadt
President Emeritus, U. of Michigan**



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“I would maintain that efforts directed toward the restoration of normalcy in the academic sector are inherently misguided because, long before the economy proved that our sense of mastery over the course of events was not fully justified, American higher education had been marked not by advancement or even equilibrium but rather ossification, if not outright decline...”

(continued)



...What is required is a new model for our colleges and universities, a new set of assumptions that encourages institutions to innovate and differentiate....What will be required are institutional models that offer access to excellence to a broad demographic range of students. This, then, is a call for our colleges and universities to recover some of our nation's core egalitarian values to advance a system of higher education that will meet our needs in the future.”

**Michael M. Crow
President, Arizona State U.**



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“Colleges & universities are not immune to the desire to see over the horizon... .

Institutional executives face decisions that have become so complex and capital-intensive that there is virtually no margin for error. Institutions—and their leaders—must be flexible enough to see around the next corner, nimble enough to jump over sudden obstacles, focused enough to create opportunities, and decisive enough to seize them.“

Kaludis Consulting, 2011



“But there is nothing funny about the need for innovation and the resistance to change [by universities]... .

Change only happens on the ground. The American university, the place where new ideas are born and lives are transformed, will eventually focus that lens of innovation upon itself. It’s just a matter of time.”

**Ann Kirschner
University Dean
William E. Macaulay Honors College
City University of New York
and Director, The Apollo Group**



And a cautionary note...

As more nonprofit colleges disappear or are acquired by for-profits, we will experience a continued erosion of something special and profound: a true and enduring commitment to the well-rounded development of the student. In that respect, we all lose.

Jonathan Brand
President, Doane College



A different caution from Moody's

The US higher education sector has hit a critical juncture in the evolution of its business model. Most universities will have to lower their cost structures to achieve long-term financial sustainability and to fund future initiatives.



Also from Moody's

Better strategic leadership, predicated on improved governance and management, will be the backbone to transforming university operations and taking on the entrenched cost drivers of the business model: shared governance, classroom instruction, tenure, and student life services.

**Moody's Investor Service
January 16, 2013**



Similar note from Moody's...

The negative economic and political pressure built up during the post 2009 financial crisis period is finally proving to be the catalyst for universities to focus more aggressively on operating efficiency and cost containment. However, deeper and more structural changes will be necessary to adjust to the long-term muted prospect for revenue growth.

**Moody's Investor Service
January 16, 2013**



More from Moody's...

We expect the higher education sector to continue to invest in online education and distance learning programs... .These programs allow universities to both grow enrollment and tuition revenue, as well as increase flexibility and productivity of faculty.

**Moody's Investor Service
January 16, 2013**



Still more from Moody's...

Universities are complex organizations playing an increasingly important public and economic role in their communities and regions... . Universities now require board and senior management teams that can produce competitive strategies, transparent policies, and effective oversight as well as decisive action on important subjects or in times of crisis.

**Moody's Investor Service
January 16, 2013**



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**Caution is prudent
BUT
the forces of change are
enormous**



External Forces

Demographics

The Economy

Affordability

Changing perception of
value



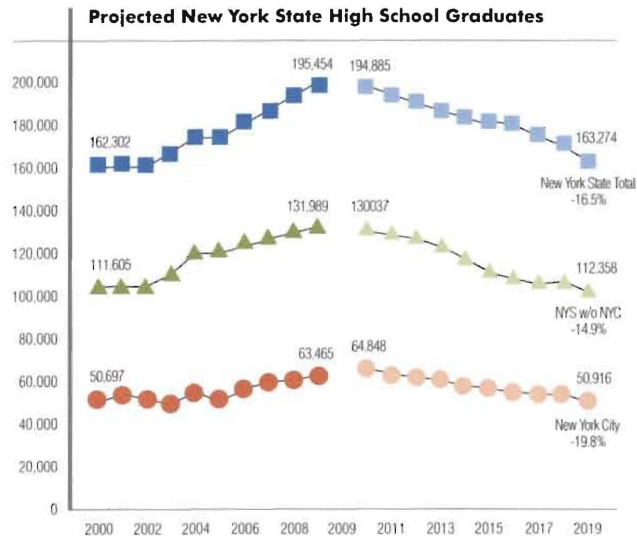
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SOLUTIONS FOR NEW YORK'S FUTURE



State High School Graduates Declining



Source: New York State Education Department, Office of Research and Information Systems
Note: Percentage decrease calculated using actual 2008 graduates to projected 2019 graduates.

- ▶ New York State entering a period of decreasing traditional student enrollments
 - High school graduates are forecast to drop 16.5%



But...In this changing world there are significant challenges:

External

Demographics

The Economy

Reduction in State Funds

Wild fluctuations in
endowments & loss of
contributions



But...In this changing world there are significant challenges: External

**Affordability & changing
perception of value (see next slide)**



- Price of tuition, fees, R&B has risen avg of 6.3% annually for 3 decades
- From 1990-2009 tuition and fees have risen 275%---health care costs have risen 245% !!
- Colleges are reaching the limits of the \$ that underwrite costs—discounts, annual giving, state subsidies, federal aid, endowment earnings
- **THE H.E. FINANCIAL MODEL IS BREAKING DOWN!**



And more...

Emerging international competition (Bologna Accord, Asia Pacific alliances, emerging universities in China)

Competition between and among sectors

- BS/BAs at community colleges
- 2-year colleges becoming 4-year
- State universities recruiting transfers
- Independent schools seeking state dollars
- State schools adopting private marketing methods



And more...

Disruptive innovation

Competition & challenges from proprietary institutions & innovative nonprofits & publics

Consumer needs & expectations

Declining marketplace differentiation



Internal Challenges

Capitalization of initiatives & new ventures

Discount rates

Aging campuses



Internal continued...

Shared governance & the apparatus of decision making

Aversion to risk

Expense structure



Internal continued...

Reverence for tradition

Institutional Inertia

Politics of change



Internal continued...

Entitlements of academic life

Fill in the blank with your own realities



External Forces & Internal Challenges Aside...

Our Reality is Changing

The “world” we know is changing

We know the fate of the old auto industry...



Do we know the fate of the traditional college campus?





There will always be a market for the traditional college



But...



But the market is expanding rapidly and becoming more diverse

- Emergence of
 - new business models
 - new “product lines”
 - new delivery methods
 - and alternative institutions



Pioneers Early Adopters of New Business Models

- Regis University
- St. Leo University
- Southern New Hampshire University
- Webster University
- TCS, Inc.
- Western Governors
- Hiram College
- Empire State
- Others



“TCS Education System (TCS ES) is an innovative, nonprofit enterprise built on the premise that business success and social impact need not be mutually exclusive.”

The Chicago School of Professional Psychology

TCS Southern California

- Los Angeles Campus
- Westwood Campus (California Graduate Institute of The Chicago School at Westwood)
- Irvine Campus (California Graduate Institute of The Chicago School at Irvine)

China Office (Shanghai, China)

Santa Barbara Graduate Institute

*Education Corporation *Pacific Oaks*

Pacific Oaks College

Pacific Oaks Children's School

TCS Community Education Garfield Park Preparatory Academy (K-3 elementary school in Chicago, Ill.)

TCS Foundation

TCS Global (market-supported division) TCS Online

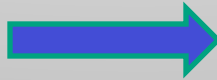


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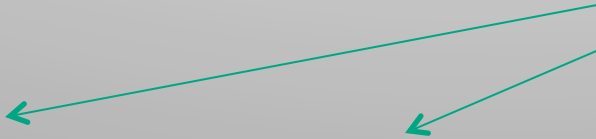


Hiram College Model

Hiram Ventures, Inc.



**Hiram
Ventures Inc.**



Nursing
Home –
Retirement
Facility

Internet
Cloud
Venture

Specialized
Product Sales

Conference
Center



Drexel eLearning Inc.

(creation of a monetizable asset)

Drexel Real Estate

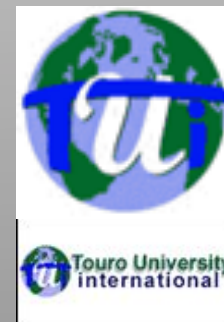
Drexel Insurance

Drexel Investments

30% of gross revenue



Touro College
Los Angeles





CHAPMAN UNIVERSITY SYSTEM



**CHAPMAN
UNIVERSITY**
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Founded 1861
Orange, CA



**BRANDMAN
University**
CHAPMAN UNIVERSITY SYSTEM

Online and
thru 26
campuses in
CA & WA

Educational Services Providers



Recruitment & Marketing

Online Services & Building Capacity

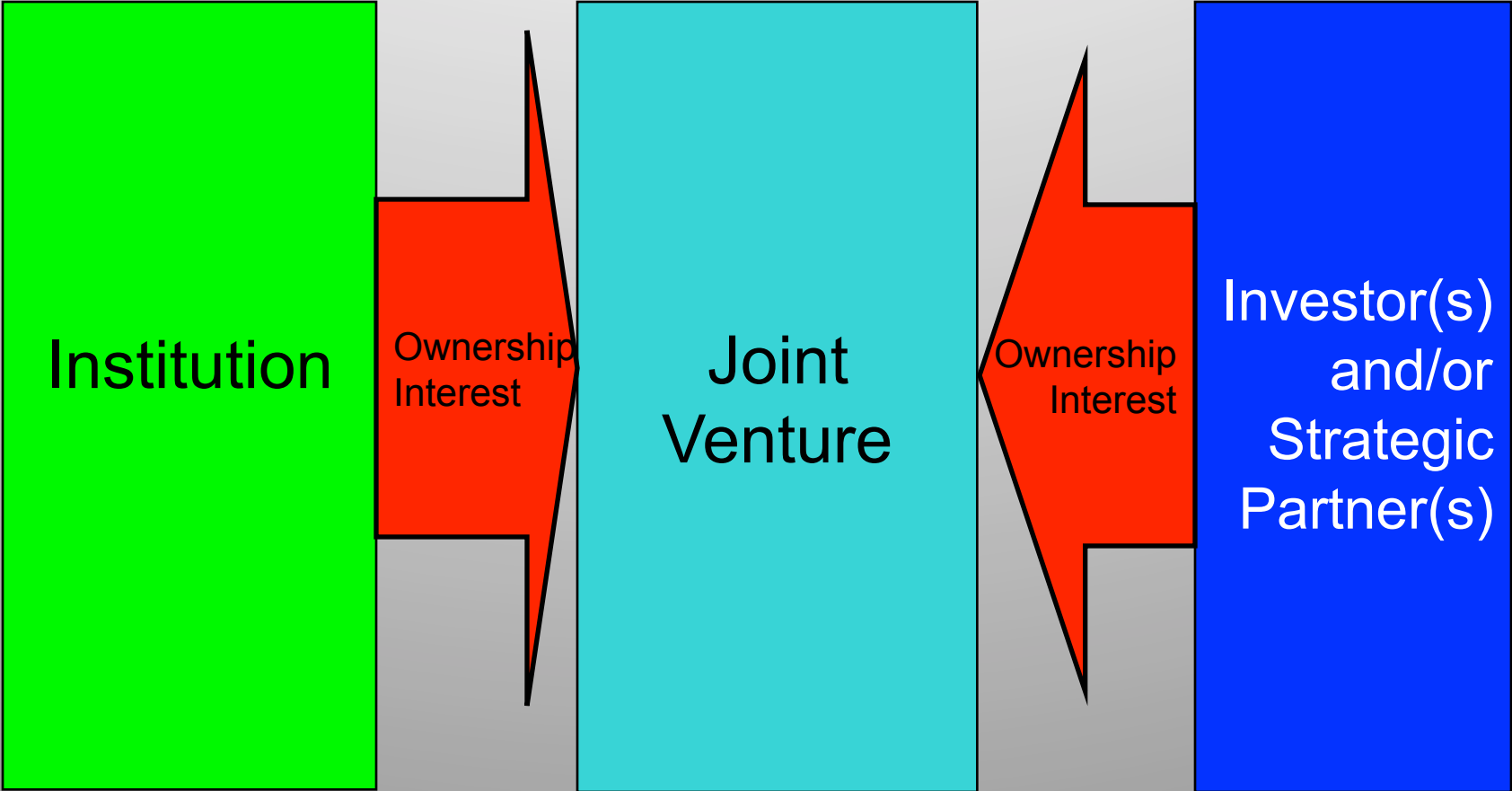
24/7 Help Desk

Instructional Development



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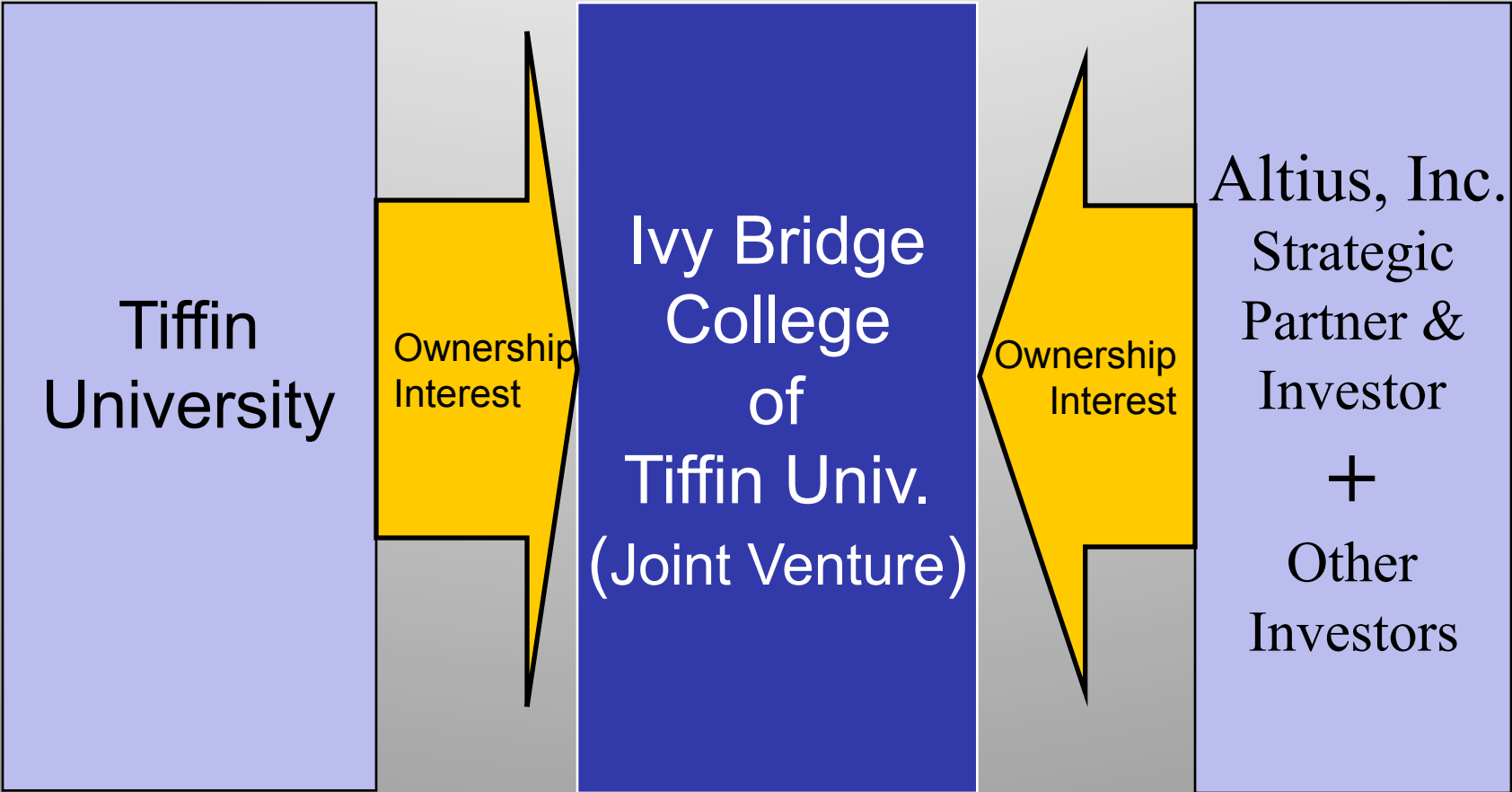
One Form of Hybrid



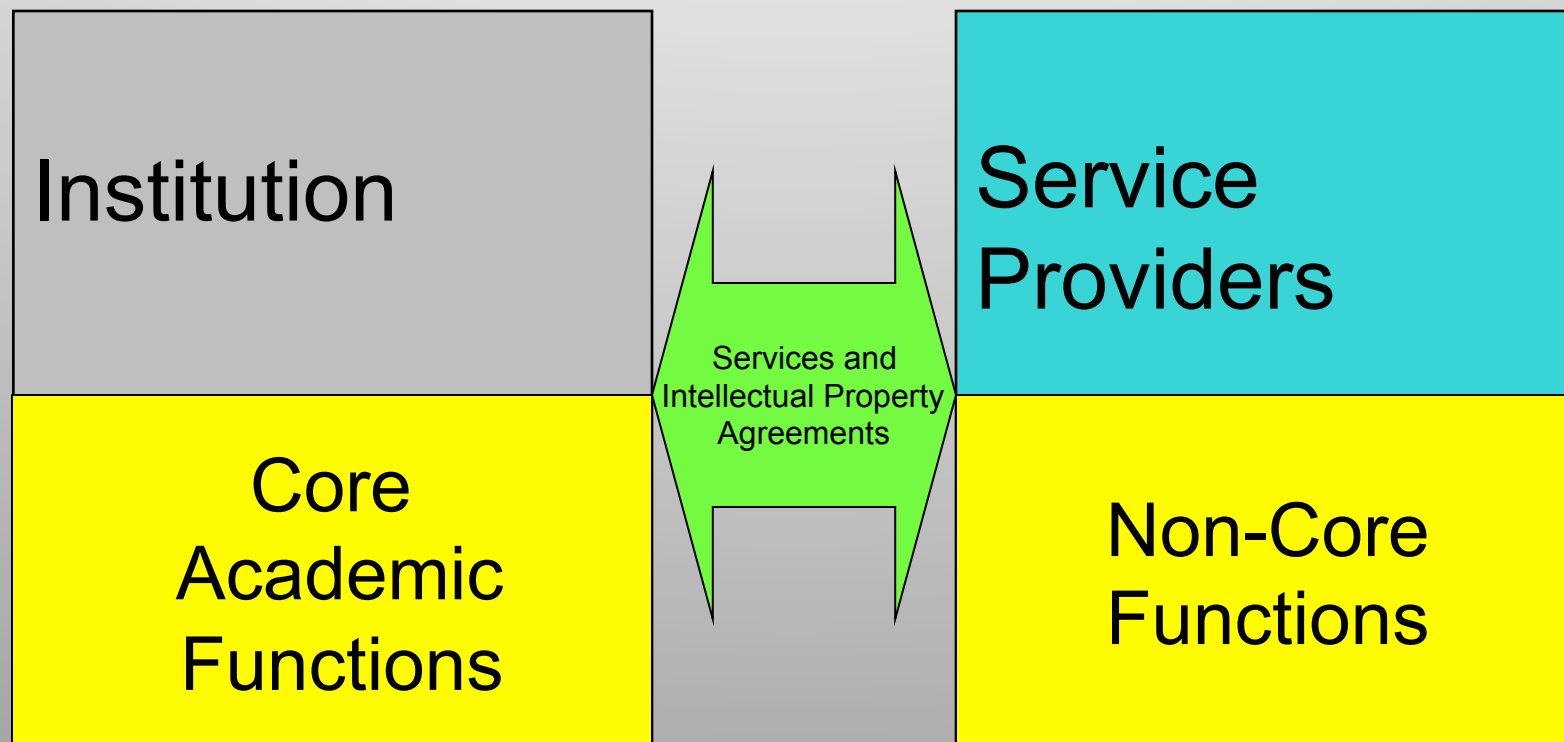


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An existing hybrid



The Emerging Hybrid: Goldstein's "Newer Model"





Fundamental Premises

- **Control over core academic functions remains with the Institution.**
- **Non-core functions are *contracted* to the Service Provider (JV).**
- **The relationship between the Institution and the Service Provider is *transparent* to and does not *compromise* the accreditation, licensure or tax status of the institution.**



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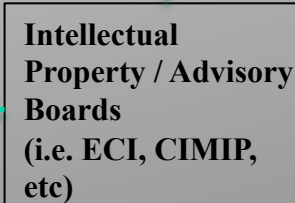
Possible Corporate Structures



New revenue streams



Royalty stream invested back into UC





Utica University Holdings, Inc.



Utica College Asia LTD.
(Singapore)

Utica University Global, LLC.
(not-for-profit with expanded Partner relationship)

Partner & Utica College Joint Venture
(for profit future opportunities)





A hybrid will...

Demand that institutions develop new markets even more ambitiously... geographic, disciplinary,

Require new ways of thinking, delivering, and assessing

Require an expanded business model

Necessitate careful infusion of new talent as old & new positions are filled



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Necessitate careful infusion of new technologies as old & new are phased in...and out

Maintain a dynamic equilibrium between mission and evolving models

Require preserving core values



- ✓ **new business models**
- **new “product lines”**
- **new delivery methods**
- **and alternative institutions**

We have an undifferentiated market at this time.

Udemy

**Khan
Academy**

MOOC.CA

Coursera

Ted-Ed

Udacity

Minerva

MITx

**MOOC
Stanford**



**Disaggregated
Programs &
Degrees**

**Course
Exchanges**

**Open Source
Learning
Networks**

**Distributed
Coursework**

**Open
Source
Courseware**

**Competency
Based
Credentials—
e.g. Badges,
Certificates**



Will we see disruption to the extent that Clayton Christensen predicts?

Will we lose our monopoly on degree credentials?

Only the market will tell.



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And we ignore the
market at our own
peril!



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A Word about Possible Barriers



- **Uncoordinated state authorization of online programs (national)**
- **State authorization that requires unnecessary financial fees (national)**
- **Definition of program (NY)**
- **Definition and regulation of the use of “university”**
- **Definition of site, center, and branch**
- **Resources of NY DOE to serve higher education**



Acknowledgements & References

James Brown, Principal Presenter, with Todd Hutton Co-Presenter, “The Next Action Plan: The Emerging Marketplace(s)...and more,” presented to Utica College Board of Trustees, April 29, 2010; use of selected slides for this presentation.

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