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## Reforming higher education from within: Lessons learned from other mature sectors of the economy

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### ABSTRACT

Transformative organizations are innovative, adaptable, contextually aware, and cross the divide between leaders and their employees to provide products and services at prices that appeal to their customers. Such enterprises continuously adapt, maintain competitive advantages, hire the right people, strategically prioritize goals, and effectively manage performance to achieve outcomes. Effective leadership is characterized by dedication to operational soundness, product innovation and reliability, embracing leading edge technologies to improve performance and service delivery, and after sale service quality to inspire customer confidence and loyalty. Community colleges, colleges and universities who apply these lessons will be better positioned to meet the expectations of their students and other stakeholders. Institutional business models must align with institutional priorities in delivery of the basic educational mission in higher education. The original research for this paper draws upon broad professional experiences in private industry, and a 29-year career as an executive in the banking industry.

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### 1. Introduction

Contested views of higher education in the United States are found at the intersection between quality and effectiveness of education, the needs of students to realize their life and career ambitions, and increasing concerns among employees about college graduates who are not adequately prepared to work in the private sector. At one end of the spectrum are those within higher education who believe that prevailing educational models are satisfactory. They insist that tuition pricing solely reflects inflation, increases of non-discretionary expenses, and the decline of public funding. In contrast, critics both within and outside of higher education contend that: curriculum is unfocused and less relevant than it should be, many tenured faculty are self-centered, too many leaders are ineffectual, discretionary spending is excessive, and tuition price increases suggest incapacity to undertake systemic reform. Realities at many institutions probably rest somewhere between these extreme views. Significant differences exist from one institution to another, and from between sectors of higher education.

Profound degrees of separation exist between the missions and functions, for example, of community colleges, four-year colleges, and major research universities. Community college missions, for

example, often afford special attention to their role in developing the workforce development skills of some students, while preparing others for transfer to four year colleges and universities. Public and private research I universities recruit and retain tenure track faculty considered most likely to add to the body of scholarship in their respective specializations. Many private four year colleges aim their curriculum on liberal arts through an articulated focus upon their general education goals. But regardless of institutional type, leaders in higher education feel the pressure to change as never before.

At a national level, economic cycles have proven to be inevitable. Some private enterprises have fared better than others through good times and bad, and evolved as environments changed. Their leaders envisioned future opportunities and figured out ways to meet consumer needs. Others stagnated and were ultimately overtaken by events. Why did some enterprises persist while others faltered? Which organizations adapted to changing times and consumer expectations? What traits did they seem to share? Who failed and why? Is higher education so unique from other organizations that lessons learned from them are inapplicable?

The socio-economic and political context for higher education in the U.S. is complex. Agricultural and industrial dominance of gross domestic product gave way to services, consumption, and a technologically driven economy. The more recent emergence of technology as a driver of change presents profound opportunities

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and risks. Political officials seek a career-oriented curriculum, affordable tuition, and improved output metrics that include graduation rates and job placement. Performance-based funding is taking hold in many states as a way to reward publicly subsidized institutions that yield desirable results. The more recent College Scorecard from the US Department of Education assists applicants for a post-secondary education to make informed decisions. Scar tissue from the 2008–2009 economic recession has caused wariness of student debt as a means of financing post-secondary education.

Higher education in the U.S. faces many other challenges. Enrollment is diverse, with more adult learners, ethnic/racial minorities, first-generation, and international students in the mix (NCES, 2015). It functions in an era of technologically proficient visual learners who are bored by lectures and actively use social media. Some organizations outside of higher education have successfully redesigned their missions, strategies and operational environments to meet their customers' changing expectations while developing more relevant and compelling institutional value propositions. Some community colleges, colleges and universities have done the same. Others failed to adjust and suffer from enrollment declines.

This presentation examines organizational exemplars of change outside of higher education and questions the assumption that higher education is so distinctive that the leadership skills and transformative models from the private sector are irrelevant. Can community colleges, colleges and universities dedicated to knowledge creation and delivery transform themselves? Do we observe a gradual shift from a knowledge age economy to a performance age economy at the individual and institutional levels? If this is occurring, then what are the implications for higher education? What causal relationships are found between the gradual defunding of higher public higher education by many states and tuition increases? Have certain non-elite private four year colleges and universities and non-flagship state universities become unaffordable relative to their perceived value propositions, thereby precipitating declines of enrollment. Has the emergence of online education and degree programs brought about a paradigm shift that renders campus-based learning and social/developmental experiences less relevant? Are leaders in higher education doing all they can to foster a culture of accountability and increasing financial self-reliance through excelling at those variables relatively within their control? Are an increasingly body of students demanding greater return for the dollar spent to further their post-secondary education in much the same way that they make consumer decisions on other products? If so, then what can be learned by observing the experiences of leaders and organizations outside of higher education?

## 2. Higher education in the United States and a case for reform

Much of higher education faces the unenviable task of repairing a largely broken revenue dependent business model amid rising performance expectations from students, their parents, and public officials. Critics point to unaffordable tuition, declining access to postsecondary education, alleged unaccountability by too many faculty and administrators, and a "one size fits all" approach to student services. To compound matters, too many high school graduates who enroll in postsecondary education are not college-ready. Many institutional graduation rates disappoint, and employers complain about the shortcomings of many college graduates they hire.

Data informs us that tuition pricing has materially exceeded inflation during the past three decades, causing aggregate student debt to reach approximately US\$1.3 trillion. According to the College Board, tuition at private nonprofit four year colleges

increased 241% over the rate of inflation between 1973 and 1974 and 2013–2014, and 219% at four year public institutions during the same years (College Board, 2015). Public funding for higher education declined from US\$8497 to \$5188 per full time equivalent student between 1987 and 2012, no doubt contributing to tuition increases at public institutions (SHEEO, 2014). Mandated state increases of Medicaid spending and underfunded pension and health benefits for government retirees weigh against the likelihood for significant increases in public subsidies going forward.

Tuition affordability worries are particularly acute for middle and lower income families. Median household income declined 11.6% between 2000 and 2012 (Gould et al., 2013). Student and parent awareness about affordable tuition is rising, which may profoundly influence the choice of college. According to a survey conducted by Gallup for *InsideHigherEd*, 60% of higher education business officers neither agree nor strongly agree that their institutional business models are sustainable over the next 10 years (Jaschik and Lederman, 2014). A recent study by the American Association of Community Colleges calls for a "budget reengineering dream team to help colleges design programs in a much smarter way while working within the budgets they do have" (AACC, 2012, p.4). The pressure mounts for proof statements of educational quality, goal attainment by students, and affordable tuition at non-elite enrollment-dependent institutions.

In fairness, certain non-discretionary internal operating expenses have increased as a cost of doing business. Lack of preparedness of incoming freshmen prompts increases of staff support for student services, including math and writing centers, counseling, and academic and career advisory services. Information technology expenses have risen, accompanied by the need for more bandwidth and technical support. Growing concerns about cyber and campus security cause other expenses to rise. An aging physical plant causes repair and maintenance bills to rise. Compliance with an expanding body of state and federal regulations is costly.

Many of the elite research universities, four-year colleges, and community colleges in the United States are the envy of other countries and educational leaders. The ranking of world-class universities is still dominated by the United States. Those who award Nobel prizes recognize breakthrough research by US scholars. The best colleges and universities nurture students better able to think critically, interact effectively, and function within an increasingly complex global context. Many community colleges are exceptionally responsive and agile in developing new programs to meet the changing workforce needs of the communities they serve. For some institutions, the issue may be less one of reinventing themselves than building upon what works and fixing that which does not. Others may find the challenges to be more daunting.

Notwithstanding socio-economic, political and financial realities, many informed observers express concerns about the gap between the changing needs and expectations of students and their actual learning experiences. Derek Bok, former president of Harvard, believes:

No informed observer claims that university faculties pay enough attention to the quality of their instruction or that their educational programs serve the interests of their students as well as they might. By common account, lectures are frequently boring, most of the teaching is too passive, and feedback to students is often too skimpy and late to be effective. (2003, p. 179)

Other insiders have expressed concerns. Frank Rhodes, former president of Cornell, opined: "a century of explosive growth and the mixture of institutional opportunism, legislative concern, personal entrepreneurship, and collegiate absentmindedness have turned the American university into an indigestible hodgepodge"

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