Addressing the Value Proposition in Higher Learning

Jane Wellman
WICHE Academic Leadership Forum
Boise, ID
April 23, 2015
Deconstructing the ‘business model’ of higher education

• Despite growing consensus that American higher education suffers from an unsustainable business model (public opinion polls, focus groups with Presidents, polls with institutional finance officers, reports from state budget offices...)
  – There is not a single ‘correct’ frame for the problem
  – The inconsistency in the definition of the ‘cost problem’ IS part of the problem
  – Finding solutions requires a better diagnosis
<table>
<thead>
<tr>
<th>Group</th>
<th>Definition of problem</th>
<th>Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td>Caught between growing importance, rising prices and increased student debt</td>
<td>Protect access at all costs! Lower student debt! Get students into jobs!</td>
</tr>
<tr>
<td>State fiscal officers and legislators</td>
<td>Need more college graduates Need more jobs</td>
<td>Increase productivity and get more graduates! Use higher education to create jobs and economic development!</td>
</tr>
<tr>
<td>Faculty</td>
<td>Deteriorating quality of students and declining standards, threat to faculty jobs, administrative bloat</td>
<td>Raise standards, improve K-12, stop talking about productivity, and reverse the tide of administrative growth!</td>
</tr>
<tr>
<td>Public college presidents</td>
<td>Caught in the iron triangle</td>
<td>Reinvest in public higher education</td>
</tr>
<tr>
<td>Private college presidents</td>
<td>Caught in a spending ‘arms’</td>
<td>Find ways to reduce</td>
</tr>
</tbody>
</table>
A sustainable “business model” – requires balance among four dimensions: value, resources, processes, and costs/margins

**Value**
A product or service that allows consumers or other investors to meet goals at a price they are able and willing to pay

**Resources**
Revenues, physical assets, people, brand, demand

**Covering costs and producing margins**
Assets and the fixed costs, margin and velocity required to cover them

**Processes**
Ways of working together to address recurring tasks
The etymology of value in higher education

Notions of value evolving from institutional measures to consumer/investor measures

Value = institutional quality: faculty qualifications, research funding, class size, books in library, endowments, admissions selectivity

Value by society/investors needs: attainment, employment outcomes, earnings, graduation rates
All of these statements are true.....

• Nationwide, state appropriations for higher education more than tripled between 1987 and 2011 – from $49,806 million nationwide in 1987 to $170,364 million in 2011.

• When adjusted for inflation and enrollment, state spending for higher education increased by 21 percent between 1987 and 2011 – and spending in 2011 had fallen by 12 percent below spending levels in 2000.

• When looking ONLY at state general fund appropriations, adjusted for enrollments and spending, state funding for higher education declined between 1987 and 2011 by 20 percent – far higher than declines in funding for any other state function.

• States have reduced funding for higher education far more than any other area of spending.

• After tuition and fees are added in per capita revenues for colleges and universities have declined LESS than most other areas of state spending.
The end!

Jane V. Wellman

janevwellman@gmail.com