

In Search of a 2x4:
Change and the Academy

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Introduction

I'm from Missouri, where we have an old saying that in order to get a mule to move, you sometimes have to whack it over the head with a 2x4 to first get its attention. After two decades of leading change in higher education, I am convinced that the same statement applies equally well to the university. We sometimes need a 2x4 to get the attention of faculties, governing boards, and our patrons before we can lead them along roads of change.

Sometimes public policy has provided the 2x4; at other times it has been social or economic change. Some examples from our history illustrate the point:

1. The GI Bill that led to exploding enrollments on our campus and stimulated the evolution of the multiversity and the public university stem
2. The research partnership between the federal government and our universities, as articulated in Vannevar Bush's report, Science, the Endless Frontier, that created the research university.
3. The student protests of the 1960s that forced us to re-examine our values.
4. And the occasionally meltdown of our state economies in the early 1980s and again the early 1990s, that eroded our confidence in unlimited growth and challenged us to become (in the words of Harold Shapiro), "smaller but better".

Yet today—at least until September 11—our world seemed placid and benign.

Recent times have been very, very good to higher education. Private fund-raising was at an all-time high. Endowments were mushrooming in a bull market. The states had money once again. Federal research support was strong (albeit highly skewed toward the life sciences). The past five years have probably been the most prosperous in the history of higher education in America. And all of those university leaders who should have been worry about the future were out playing golf all day. There is already evidence that the old habits of "stop worrying about tomorrow" are returning. The hard-won fiscal discipline of the 1980s and 1990s seems to be evaporating in the heat of a hot economy.

Last year, at just about this time, I was invited to spend an evening with the executive board of presidents of the Association of American Universities to lead them through a discussion of the forces driving change in higher education. In part they saw me as an existence proof, since although a bit battered and scared, I had managed to survive two decades of leading change in higher education. They also sought my

reassurance that the light at the end of the transformation tunnel was not just a train headed in their direction!

(I might add that after that late night meeting in Chicago, I caught an early morning flight to Washington to testify before the Knight Commission concerning the appalling state of intercollegiate athletics...yet another area of university activity that needs a 2x4, not just to get its attention, but to beat it back into its cage!)

As you might expect, the early conversation with the AAU presidents involved all of the usual subjects: money, students, technology, and markets. But it was soon apparent that there deeper issues that these university leaders really wanted to talk about, issues concerning the powerful forces driving change in our society and our world:

- the globalization of commerce and culture,
- the lifelong educational needs of citizens in a knowledge-driven, global economy,
- the increasing diversity of our population and the growing needs of under-served communities,
- the exponential growth of new knowledge and new disciplines,
- the compressed timescales and nonlinear nature of the transfer of knowledge from campus laboratories into commercial products.
- And the rapid evolution of information and communications technologies which obliterate conventional constraints of space, time, and monopoly and drive rapid, profound, and unpredictable change in our world

They expressed their concerns that in today's good times, many on their campuses viewed the waves of change lapping on the beach as nothing unusual, just the time coming back in once again as it always had. Yet they feared that as universities sunned themselves in the warm sunshine of a prosperous economy, out over the horizon there could well be a tsunami of economic, social, technological, and market forces, building to heights that could sweep over higher education before we had a chance to respond.

Before leaping into the fray concerning the tactics of transformation, of managing change, it seems appropriate to first mention several of the 2x4s that are beginning to get the attention of the academy, drawn from my discussions with the AAU presidents.

Changing Demands for Education

Today, a college degree has become a necessity for most careers, and graduate education desirable for an increasing number. A growing population will necessitate some growth in higher education to accommodate the projected increases in the number of traditional college age students. But even more growth and adaptation will be needed to respond to the educational needs of adults as they seek to adapt to the needs of the high performance workplace. Some estimate this adult need for higher education will become far larger than that represented by traditional 18 to 22 year old students.¹ Furthermore, such educational needs will be magnified many times on a global scale, posing both a significant opportunity and major responsibility to American higher education.²

Both young, digital-media savvy students and adult learners will likely demand a major shift in educational methods, away from passive classroom courses packaged into well-defined degree programs, and toward interactive, collaborative learning experiences, provided when and where the student needs the knowledge and skills. The increased blurring of the various stages of learning throughout one's lifetime—K-12, undergraduate, graduate, professional, job training, career shifting, lifelong enrichment—will require a far greater coordination and perhaps even a merger of various elements of our national educational infrastructure. We are shifting from "just-in-case" education, based on degree-based programs early in one's life, to "just-in-time" education, where knowledge and skills are obtained during a career, to "just-for-you" educational services, customized to the needs of the student. The student is evolving into an active learner and eventually a demanding consumer of educational services

Diversity

The increasing diversity of the American work-force with respect to race, ethnicity, gender and nationality presents a similar challenge. Women, minorities, and immigrants now account for roughly 85 percent of the growth in the labor force, currently representing 60 percent of all of our nation's workers. The full participation of currently underrepresented minorities and women is crucial to our commitment to equity and social justice, as well as to the future strength and prosperity of America.

The growing pluralism of our society is one of our greatest strengths and most serious challenges as a nation. The challenge of increasing diversity is complicated by social and economic factors. Far from evolving toward one America, our society continues to be hindered by the segregation and non-assimilation of minority cultures.

Both the courts and legislative bodies are now challenging long-accepted programs such as affirmative action and equal opportunity.

As both a leader of society at large and a reflection of that society, the university has a unique responsibility to develop effective models of multicultural, pluralistic communities for our nation. We must strive to achieve new levels of understanding, tolerance, and mutual fulfillment for peoples of diverse racial and cultural backgrounds both on our campuses and beyond. But it has also become increasingly clear that we must do so within a new political context that will require new policies and practices.

Technology

Last year the presidents of our National Academies launched a project to understand better the implications of information technology for the future of the research university, which I was asked to chair.³ The premise of the National Academies study was a simple one: The rapid evolution of digital technology will present many challenges and opportunities to higher education in general and the research university in particular. Yet there is a sense that many of the most significant issues are neither well recognized nor understood either by leaders of our universities or those who support and depend upon their activities.

Over the last year our steering group has met on numerous occasions to consider these issues, including site visits to major technology laboratories such as Bell Labs and IBM Research Labs and drawing upon the expertise of the National Academy complex and then this past January we pulled together over 100 leaders from higher education, the IT industry, and the federal government, and several private foundations for a two-day workshop at the National Academy of Sciences to focus our discussion. (This workshop was broadcast by the Research Channel and is now available through video-streaming from their Web servers.)

Let me mention three key conclusions from this study:

Digital technology is characterized by an exponential pace of evolution in which characteristics such as computing speed, memory, and network transmission speeds for a given price increase by a factor of 100 to 1000 every decade. Over the next decade, we will evolve from “giga” technology (in terms of computer operations per second, storage, or data transmission rates) to “tera” and then to “peta” technology (one million-billion or 10^{15}). To illustrate with an extreme example, if information technology

continues to evolve at its present rate, by the year 2020, the thousand-dollar notebook computer will have a data processing speed and memory capacity roughly comparable to the human brain.⁴ Except it will be so tiny as to be almost invisible, and it will communicate with billions of other computers through wireless technology.

For planning purposes, we can assume that by the end of the decade we will have available infinite bandwidth and infinite processing power (at least compared to current capabilities). We will denominate the number of computer servers in the billions, digital sensors in the tens of billions, and software agents in the trillions. The number of people linked together by digital technology will grow from millions to billions. We will evolve from “e-commerce” and “e-government” and “e-learning” to “e-everything”, since digital devices will increasingly become our primary interfaces not only with our environment but with other people, groups, and social institutions.

Information and communications technology will affect the activities of the university (teaching, research, outreach), its organization (academic structure, faculty culture, financing and management), and the broader higher education enterprise. However, at least for the near term, meaning a decade or less, we believe the research university will continue to exist in much its present form, although meeting the challenge of emerging competitors in the marketplace will demand significant changes in how we teach, how we conduct scholarship, and how our institutions are financed.

Universities must anticipate these forces, develop appropriate strategies, and make adequate investments if they are to prosper during this period. Procrastination and inaction are the most dangerous courses for universities during a time of rapid technological change.

Markets

The growing and changing nature of higher education needs will trigger strong economic forces. Already, traditional sources of public support for higher education such as state appropriations or federal support for student financial aid have simply not kept pace with the growing demand. This imbalance between demand and available resources is aggravated by the increasing costs of higher education, driven as they are by the knowledge- and people-intensive nature of the enterprise as well as by the difficulty

educational institutions have in containing costs and increasing productivity. It also stimulated the entry of new for-profit competitors into the education marketplace.

The weakening influence of traditional regulations and the emergence of new competitive forces, driven by changing societal needs, economic realities, and technology, are likely to drive a massive restructuring of the higher education enterprise. From our experience with other restructured sectors of the economy such as health care, transportation, communications, and energy, we could expect to see a significant reorganization of higher education, complete with the mergers, acquisitions, new competitors, and new products and services that have characterized other economic transformations. More generally, we may well be seeing the early stages of the appearance of a global knowledge and learning industry, in which the activities of traditional academic institutions converge with other knowledge-intensive organizations such as telecommunications, entertainment, and information service companies.⁵

The Skills Race

Ask any governor about state priorities these days and you are likely to hear concerns expressed about education and workforce training. The National Governors Association notes that “The driving force behind the 21st Century economy is knowledge, and developing human capital is the best way to ensure prosperity.”

The skills race of the 21st Century knowledge economy has become comparable to the space race of the 1960s in capturing the attention of the nation. Seventy percent of Fortune 1000 CEOs cite the ability to attract and retain adequately skilled employees as the major issue for revenue growth and competitiveness. Corporate leaders now estimate that the high performance workplace will require a culture of continuous learning in which as much as 20% of a worker’s time will be spent in formal education to upgrade knowledge and skills. Tom Peters suggests that the 21st Century will be known as the “Age of the Great War for Talent”, since in the knowledge economy, talent equates to wealth.⁶

The signs of the knowledge economy are numerous. The pay gap between high school and college graduates continues to widen, doubling from a 50% premium in 1980 to 111% today. Not so well known is an even larger earnings gap between baccalaureate degree holders and those with graduate degrees.

The market recognizes this growing importance of intellectual capital, as evidenced by a comparison of the market-capitalization per employee of three companies:

General Motors	\$141,682
Walt Disney Company	\$743,530
Yahoo	\$33 million

In fact, the market-cap-per-employee of the top 10 Internet companies averages \$38 million! Why? In the knowledge economy, the key asset driving corporate value is no longer physical capital or unskilled labor. Instead it is intellectual and human capital.

But here we face a major challenge, since it is increasingly clear that we are simply not providing our citizens with the learning opportunities needed for a 21st Century knowledge economy. Recent TIMMS⁷ scores suggest that despite school reform efforts of the past two decades, the United States continues to lag other nations in the mathematics and science skills of our students. Despite the growing correlation between the level of one's education and earning capacity, only 21% of those in our population over the age of 25 have graduated from college. Furthermore, enrollments in graduate programs have held constant or declined (particularly in technical fields such as engineering and computer science) over the past two decades.⁸

The space race galvanized public concern and concentrated national attention on educating "the best and brightest," the elite of our society. The skills race of the 21st Century will value instead the skills and knowledge of our entire workforce as a key to economic prosperity, national security, and social well-being.

Education is becoming a powerful political force. Just as the space race of the 1960s stimulated major investments in research and education, there are early signs that the skills race of the 21st Century may soon be recognized as the dominant domestic policy issue facing our nation.

Accountability

As many of you know, the National Governors' Association has launched a project on higher education chaired by Paul Patton of Kentucky. The guiding principles for the project are:

- Insisting that higher education contributes to the state's economic development, recognizing that competitive states in the 21st Century recognize that an educated workforce is critical to economic vitality.

- Confronting the challenging of educating a more diverse citizenry (“leaving no adult behind”.)
- Promoting a customer orientation by focusing on learners, employers, and the public who supports educational opportunities.
- Holding high expectations for postsecondary education providers and expecting results in areas of access, quality, cost containment, civic engagement, public/private partnerships, and innovation.

Clearly such principles will demand very significant changes not only in the nature of our colleges and universities, but in how we as stakeholders, patrons, and government bodies relate to them.

Some of you may recall a 1998 poll conducted of the nation’s governors that found their four highest priorities were:

In contrast--and most tellingly--the bottom four items were: (1) maintain faculty authority for curriculum content, quality, and degree requirements (35 percent); (2) maintain the present balance of faculty research, teaching load) and community service (32 percent); (3) ensure a campus-based experience for the majority of students (21 percent); and (4) in last place--enjoying the support of only one of the governors responding--maintain traditional faculty roles and tenure (3 percent).

A New Social Contract

Even more fundamentally, as we enter the new millennium, there is an increasing sense that the social contract between the university and American society may need to be reconsidered and perhaps even renegotiated once again.⁹

The ultimate challenge for the university in the 21st Century may be to assist our nation's evolution into what one might call *a society of learning*, in which opportunities for learning become ubiquitous and universal, permeating all aspects of our society and empowering through knowledge and education all of our citizens, might be the most appropriate vision for the future of the public university.

Today we have entered an era in which educated people and the knowledge they produce and use have become the keys to the economic prosperity and social well-being. The "space race" of the 1960s has been replaced by the "skills race" of the 21st Century. Education, knowledge, and skills have become primary determinants of one's personal standard of living. It has become the responsibility of democratic societies to provide their citizens with the education and training they need, throughout their lives, whenever, wherever, and however they desire it, at high quality and at an affordable cost.

Of course, this has been one of the great themes of higher education in America. Each evolutionary wave of higher education has aimed at educating a broader segment of society, at creating new educational forms to that—the public universities, the land-grant universities, the normal and technical colleges, the community colleges, and today's emerging generation of cyberspace universities.

But we now will need new types of colleges and universities with new characteristics:

1. Just as with other social institutions, our universities must become more focused on those we serve. We must transform ourselves from faculty-centered to learner-centered institutions, becoming more responsive to what our students need to learn rather than simply what our faculties wish to teach.
2. Society will also demand that we become far more affordable, providing educational opportunities within the resources of all citizens. Whether this occurs through greater public subsidy or dramatic restructuring of the costs of higher education, it seems increasingly clear that our society—not to mention the world—will no longer tolerate the high-cost, low-productivity paradigm that characterizes much of higher education in America today.
3. In an age of knowledge, the need for advanced education and skills will require both a personal willingness to continue to learn throughout life and a commitment on the part of our institutions to provide opportunities for lifelong learning. The concept of student and alumnus will merge.
4. Our highly partitioned system of education will blend increasingly into a seamless web, in which primary and secondary education; undergraduate, graduate, and professional education; on-the-job training and continuing education; and lifelong enrichment become a continuum.
5. Already we see new forms of pedagogy: asynchronous (anytime, anyplace) learning that utilizes emerging information technology to break the constraints of time and space, making learning opportunities more compatible with lifestyles and career needs; and interactive and collaborative learning appropriate for the digital age, the plug-and-play generation. In a society of learning, people would be continually surrounded by, immersed in, and absorbed in learning experiences, i.e. ubiquitous learning, everywhere, every time, for everyone.
6. The great diversity characterizing higher education in America will continue, as it must to serve an increasingly diverse population with diverse needs and goals. But it

has also become increasingly clear that we must strive to achieve diversity within a new political context that will require new policies and practices.

It is clear that the access to advanced learning opportunities is not only becoming a more pervasive need, but it could well become a defining domestic policy issue for a knowledge-driven society. Public higher education must define its relationship with these emerging possibilities in order to create a compelling vision for its future as it enters the new millennium

The Imperatives of Change

A rapidly evolving world has demanded profound and permanent change in most, if not all, social institutions. Corporations have undergone restructuring and reengineering. Governments and other public bodies are being overhauled, streamlined, and made more responsive. Even the relevance of the nation-state is being questioned and re-examined.

Certainly most of our colleges and universities are attempting to respond to the challenges and opportunities presented by a changing world. They are evolving to serve a new age. But most are evolving within the traditional paradigms, according to the time-honored processes of considered reflection and consensus that have long characterized the academy. Change in the university has proceeded in slow, linear, incremental steps—improving, expanding, contracting, and reforming without altering its fundamental institutional mission, approach, or structure.

While most colleges and universities have grappled with change at the pragmatic level, few have contemplated the more fundamental transformations in mission and character that may be required by our changing world. For the most part, our institutions still have not grappled with the extraordinary implications of an age of knowledge, a society of learning, which will likely be our future. Most institutions continue to approach change by reacting to the necessities and opportunities of the moment rather than adopting a more strategic approach to their future.

Furthermore change in the university is rarely driven from within. After all, one of the missions of the university is to preserve time-honored values and traditions. So too, tenured faculty appointments tend to protect the status quo, and the process of shared governance provides the faculty with a mechanism to block change. Most campus administrators tend to be cautious, rarely rocking the boat in the stormy seas

driven by politics either on campus or beyond. Governing boards are all too frequently distracted from strategic issues in favor of personal interests or political agendas.

Earlier examples of change in American higher education, such as the evolution of the land-grant university, the growth of higher education following World War II, and the evolution of the research university, all represented reactions to major forces and policies at the national level. The examples of major institutional transformation driven by internal strategic decisions and plans from within are relatively rare. Change is a particular challenge to the public university, surrounded as it is by powerful political forces and public pressures that tend to be conservative and reactionary.

The glacial pace of university decision making and academic change simply may not be sufficiently responsive to allow the university to control its own destiny. There is a risk that the tidal wave of societal forces could sweep over the academy, both transforming higher education in unforeseen and unacceptable ways while creating new institutional forms to challenge both our experience and our concept of the university.

The Challenges to Change

The Complexity of the University. The modern university is comprised of many activities, some nonprofit, some publicly regulated, and some operating in intensely competitive marketplaces. We teach students; we conduct research for various clients; we provide health care; we engage in economic development; we stimulate social change; and we provide mass entertainment (athletics). The organization of the contemporary university would compare in both scale and complexity with many major global corporations.

The Pace of Change. Both the pace and nature of the changes occurring in our world today have become so rapid and so profound that our present social institutions—in government, education, and the private sector—are having increasing difficulty in even sensing the changes (although they certainly feel the consequences), much less understanding them sufficiently to respond and adapt.

Bureaucracy. Part of the challenge is to clear the administrative underbrush cluttering our institutions. Both decision making and leadership is hampered by bureaucratic policies and procedures and practices, along with the anarchy of committee and consensus decision making. Our best people feel quite constrained by the

university, constrained by their colleagues, constrained by the "administration", and constrained by bureaucracy. Yet leadership is important. If higher education is to keep pace with the extraordinary changes and challenges in our society, someone in academe must eventually be given the authority to make certain that the good ideas that rise up from the faculty and staff are actually put into practice. We need to devise a system that releases the creativity of individual members while strengthening the authority of responsible leaders.

The Resistance to Change. In business, management approaches change in a highly strategic fashion, launching a comprehensive process of planning and transformation. In political circles, sometimes a strong leader with a big idea can captivate the electorate, building a movement for change. Change occurs in the university through a more tenuous, sometimes tedious, process. Ideas are first floated as trial balloons, all the better if they can be perceived to have originated at the grassroots level. After what often seems like years of endless debate, challenging basic assumptions and hypotheses, decisions are made and the first small steps are taken. For change to affect the highly entrepreneurial culture of the faculty, it must address the core issues of incentives and rewards.

Of course, the efforts to achieve change following the time-honored traditions of collegiality and consensus can sometimes be self-defeating, since the process can lead all too frequently right back to the status quo. As one of my exasperated presidential colleagues once noted, the university faculty may be the last constituency on Earth that believes the status quo is still an option. To some degree, this strong resistance to change is both understandable and appropriate. After all, the university is one of the longest enduring social institutions of our civilization in part because its ancient traditions and values have been protected and sustained.

Mission Creep and the Entrepreneurial University. All of higher education faces a certain dilemma related to the fact that it is far easier for a university to take on new missions and activities in response to societal demand than to shed missions as they become inappropriate or threaten the core educational mission of the institution. This is a particularly difficult matter for the public university because of intense public and political pressures that require the institution to continue to accumulate missions, each with an associated risk, without a corresponding capacity to refine and focus activities to avoid risk. Whether particular academic programs, services such as health care or

economic development, or even public entertainment such as cultural events or intercollegiate athletics, each has a constituency that will strongly resist any changes.

Resource Requirements: Clearly, we will need significant resources to fuel the transformation process, probably at the level of five percent to ten percent of the total university budget. During a period of limited new funding, it will take considerable creativity (and courage) to generate these resources. As we noted earlier in our consideration of financial issues, the only sources of funding at the levels required for such major transformation are tuition, private support, and auxiliary activity revenues.

Leadership and Governance: The contemporary university is one of the most complex social institutions of our times. The importance of this institution to our society, its myriad activities and stakeholders, and the changing nature of the society it serves, all suggest the importance of experienced, responsible, and enlightened university leadership, governance, and management. American universities have long embraced the concept of *shared governance* involving public oversight and trusteeship, collegial faculty governance, and experienced but generally short-term administrative and usually amateur leadership. While this system of shared governance engages a variety of stakeholders in the decisions concerning the university, it does so with an awkwardness that tends to inhibit change and responsiveness.

University governing boards already face a serious challenge in their attempts to understand and govern the increasingly complex nature of the university and its relationships to broader society because of their lay character. This is made even more difficulty by the politics swirling about and within governing boards, particularly in public universities, that not only distract boards from their important responsibilities and stewardship, but also discourage many of our most experienced, talented, and dedicated citizens from serving on these bodies. The increasing intrusion of state and federal government in the affairs of the university, in the name of performance and public accountability, but all too frequently driven by political opportunism, can trample upon academic values and micromanage institutions into mediocrity. Furthermore, while the public expects its institutions to be managed effectively and efficiently, it weaves a web of constraints through public laws that make this difficult. Sunshine laws demand that even the most sensitive business of the university must be conducted in the public arena, including the search for a president. State and federal laws entangle all aspects of the university in rules and regulations, from student admissions to financial accounting to environmental impact.

Efforts to include the faculty in shared governance also encounter obstacles. To be sure, faculty governance continues to be both effective and essential for academic matters such as curriculum development, faculty hiring, and tenure evaluation. But it is increasingly difficult to achieve true faculty participation in broader university matters such as finance, capital facilities, or external relations. The faculty traditions of debate and consensus building, along with the highly compartmentalized organization of academic departments and disciplines, seem incompatible with the breadth and rapid pace required in today's high momentum university-wide decision environment. Most difficult and critical of all are those decisions that concern institutional transformation.

The university presidency is all too frequently caught between these opposing forces, between external pressures and internal campus politics, between governing boards and faculty governance, between a rock and a hard place. Today there is an increasing sense that neither the lay governing board nor elected faculty governance has either the expertise nor the discipline—not to mention the accountability—necessary to cope with the powerful social, economic, and technology forces driving change in our society and its institutions.

The Particular Challenges faced by Public Universities: All colleges and universities, public and private alike, face today the challenge of change as they struggle to adapt and to serve a changing world. Yet there is a significant difference in the capacity that public and private institutions have to change. The term “independent” used to describe private universities has considerable significance in this regard. Private universities are generally more nimble, both because of their smaller size and the more limited number of constituencies that have to be consulted—and convinced—before change can occur. Whether driven by market pressures, resource constraints, or intellectual opportunity, private universities usually need to convince only trustees, campus communities (faculty, students, and staff) and perhaps alumni before moving ahead with a change agenda. Of course, this can be a formidable task, but it is a far cry from the broader political challenges facing public universities.

The public university must always function in an intensely political environment. Public university governing boards are generally political in nature, frequently viewing their primary responsibilities as being to various political constituencies rather than confined to the university itself. Changes that might threaten these constituencies are frequently resisted, even if they might enable the institution to serve broader society better. The public university also must operate within a complex array of government regulations and relationships at the local, state, and federal level,

most of which tend to be highly reactive and supportive of the status quo. Furthermore, the press itself is generally far more intrusive in the affairs of public universities, viewing itself as the guardian of the public interest and using powerful tools such as sunshine laws to hold public universities accountable.

As a result, actions that would be straightforward for private universities, such as enrollment adjustments, tuition increases, program reductions or elimination, or campus modifications, can be formidable for public institutions. For example, the actions taken by many public universities to adjust to eroding state support through tuition increases or program restructuring have triggered major political upheavals that threaten to constrain further efforts to balance activities with resources.¹⁰ Sometimes the reactive nature of the political forces swirling about and within the institution is not apparent until an action is taken. Many a public university administration has been undermined by an about-face by their governing board, when political pressures force board members to switch from support to opposition on a controversial issue.

Little wonder that administrators sometimes conclude that the only way to get anything accomplished within the political environment of the public university is by heeding the old adage, "It is simpler to ask forgiveness than to seek permission." Yet even this hazardous approach may not be effective for the long term. It could well be that many public universities will simply not be able to respond adequately during periods of great change in our society.

Some Lessons Learned

So how does one begin such an effort? Typically groups such as this begin with issues such as:

1. Financing public higher education
2. Managing (or governing) public colleges and universities
3. Developing plans and strategies (perhaps even a Master Plan a la California)

But from our own experience, let me suggest a somewhat different set of issues:

Values

It is important to always begin with the basics, to launch a careful reconsideration of the key roles and values that should be protected and preserved

during a period of transformation. For example, how would an institution prioritize among roles such as educating the young (e.g., undergraduate education), preserving and transmitting our culture (e.g., libraries, visual and performing arts), basic research and scholarship, and serving as a responsible critic of society? Similarly, what are the most important values to protect? Clearly academic freedom, an openness to new ideas, a commitment to rigorous study, and an aspiration to the achievement of excellence would be on the list for most institutions. But what about values and practices such as shared governance and tenure? Should these be preserved? At what expense?

A Commitment to Excellence, but in an Increasingly Diverse Way

Of course, we all aspire to excellence, but just how do we set the standards? Frank Rhodes refers past several decades as the Harvardization of American higher education, in which the elite private universities became the gold standard, the model that other types of institutions, whether they be large public universities, private liberal arts colleges, or even regional and community colleges, attempted to emulate. But in the years ahead, Rhodes believes that we will see the de-Harvardization of higher education, as people begin to realize that an elite paradigm which simply focuses more and more resources on fewer and fewer does not serve the needs of American society.

Rather the premium will be on the development of unique missions for each of our institutions, missions that reflect not only their tradition and their unique roles in serving society, but as well their core competency. As industry has learned, in an increasingly competitive global marketplace, you have to focus on what you can do best, where you are truly world-class, and outsource other products and services.

This will require not only that each of our colleges and universities develop a unique vision, but beyond that, that they be prepared to focus resources to achieve it. They must be prepared to shift resources when necessary, possibly reducing or even eliminating some programs and activities in order to improve or initiate others. In such decisions, it must keep in mind the important criteria of quality, centrality, and cost-effectiveness.

Engaging the Stakeholders

Next, as a social institution, the public university should endeavor to listen carefully to society, learning about and understanding its varied and ever-changing needs, expectations, and perceptions of higher education. Not that responding to all of

these would be desirable or even appropriate for the public university. But it is important to focus more attention on those whom we were created to serve.

The Principles of Externality and Subsidiarity

University leadership and governance, management and decision-making should always reflect the fundamental values of the academy, e.g., freedom of inquiry, an openness to new ideas, a commitment to rigorous study, and a love of learning. Yet, these processes should also be willing to consider and capable of implementing institutional change when necessary to respond to the changing needs of our society.

Luc Weber, former vice-chancellor at the University of Geneva suggests that higher education would do well to draw their attention to the economic theory of federalism that was developed to address the challenges faced by the European Economic Community.¹¹ First one should stress the importance of externality in all decisions, that is, that the benefits or costs of a decision accrue not only to the members of the community which makes it but also to the broader community. In America we would recognize this as a “customer-oriented” strategy, focusing on those we serve. Second, a principle of subsidiarity should characterize governance in which all decisions ought to be made at the lowest possible level. For example to decentralize budget authority that encourage entrepreneurial behavior of faculty at the grassroots level provide good examples of this philosophy.

It is particularly important to prepare the academy for change and competition. Unnecessary constraints should be relaxed or removed. There should be more effort to link accountability with privilege on our campuses, perhaps by redefining tenure as the protection of academic freedom rather than lifetime employment security or better balancing authority and responsibility in the roles of academic administrators. It is also important to begin the task of transforming the academy by considering a radical restructuring of the graduate programs that will produce the faculties of the future.

A Word About Financing Public Higher Education

Today in the face of limited resources and more pressing social priorities, the century-long expansion of public support of higher education has slowed. While the needs of our society for advanced education can only intensify as we evolve into a knowledge-driven world culture, it is not evident that these needs will be met by further growth of our existing system of public universities.

The terms of the social contract that led to these institutions are changing rapidly. The principle of general tax support for public higher education as a public good and the partnership between the federal government and the universities for the conduct of research are both at risk. These changes are being driven in part by increasingly limited tax resources and the declining priority given higher education in the face of other social needs.¹²

We now have at least two decades of experience that would suggest that the states are simply not able—or willing—to provide the resources to sustain growth in public higher education, at least at the rate experienced in the decades following World War II. In many parts of the nation, states will be hard pressed to even sustain the present capacity and quality of their institutions. Little wonder that public university leaders are increasingly reluctant to cede control of their activities to state governments. Some institutions are even bargaining for more autonomy from state control as an alternative to growth in state support, arguing that if granted more control over their own destiny, they can better protect their capacity to serve the public.

Most pessimistically, one might even conclude that America's great experiment of building world-class public universities supported primarily by tax dollars has come to an end. Put another way, the concept of a world-class, comprehensive state university might not be viable over the longer term, at least in terms of an institution heavily dependent upon state appropriations. It simply may not be possible to justify the level of tax support necessary to sustain the quality of these institutions in the face of other public priorities, such as health care, K-12 education, and public infrastructure needs—particularly during a time of slowly rising or stagnant economic activity.¹³

One obvious consequence of declining state support is that the several of the leading public universities may increasingly resemble private universities in the way they are financed and managed. They will move toward higher tuition-high financial aid strategies. They will use their reputation, developed and sustained during earlier times of more generous state support, to attract the resources they need from federal and private sources to replace declining state appropriations. Put another way, many will embrace a strategy to become increasingly privately financed, even as they strive to retain their public character.

Let me illustrate the point with a case study: Throughout much of the twentieth century the University of Michigan benefited from generous state support when a booming automobile industry made the Michigan economy unusually prosperous and a time when the University of Michigan was the only major university in the state. However by the 1970s, the energy crisis and foreign competition weakened Michigan's

industrial economy. Furthermore, regional needs, ambitious leadership, and sympathetic political forces allowed a number of other public colleges in Michigan to grow into comprehensive universities, thereby competing directly with the University of Michigan for limited state appropriations.

During the 1950s and 1960s, almost 70 percent of the University's operating budget was provided through state appropriations from general tax revenues. However, over the past three decades, this has dropped to less than 10 percent of the University's total operating budget in the 1990s and less than 20 percent of its General and Education budget. During this period the University of Michigan evolved from "state-supported" to a "state-assisted" to a "state-related" to, today, what might be only characterized as a "state-located" university. Yet even this last identifier is questionable, since the University has campuses around the world, from Hong Kong to Seoul to Sao Paulo to Paris. In fact, the University has launched major new cyberspace "virtual" universities that have released it entirely from the constraints of geographical location. One of my colleagues suggested that University of Michigan today remains only a "state-molested" university, referring to the abuse it sometimes receives from opportunistic state politicians.

Perhaps a better way to phrase this is to observe that the University of Michigan has become, in effect, a privately-financed public university, supported by a broad array of constituencies at the national—indeed, international—level, albeit with a strong mission focused on state needs. Just as a private university, it must earn the majority of its support in the competitive marketplace (i.e., via tuition, research grants, and gifts). It allocates and manages its resources much as private universities. Yet it still retains a public character, committed to serving the people whose ancestors created it two centuries earlier.

It seems clear that the financial challenges to the public university require a serious rethinking and possibly even restructuring of all of its financial activities, from asset acquisition and allocation to financial management to cost containment.

- Universities need to explore new financial models that strive to build far more diversified funding portfolios, less dependent upon state appropriations, that enable public universities not only to increase the resources available for academic program support but moreover provide resilience against the inevitable ebb and flow of state support.

- Universities need to build adequate reserve capacity, both in the budgets of operating units and through endowment accounts.
- The allocation and management of resources, the containment of costs, and the adoption of efficiency measures common from business such as systems re-engineering and total quality management are important strategies
- But perhaps most significant is an entirely new approach to financial management, responsibility, and accountability that will enable the public university to thrive during a period of constrained public support.
- Public universities must break free those traditions that depend heavily upon generous state support, and instead manage their financial affairs much as private universities. They must become more entrepreneurial and proactive, seeking both the resources and the autonomy that will allow them to thrive in spite of the vicissitudes of public funding. In a sense, they must become privately financed and privately managed public universities.

The Need to Restructure University Governance

Many universities find that the most formidable forces controlling their destiny are political in nature—from governments, governing boards, or perhaps even public opinion. Unfortunately, these bodies are not only usually highly reactive in nature, but they frequently either constrain the institution or drive it away from strategic objectives that would better serve society as a whole. Many university presidents—particularly those associated with public universities—believe that the greatest barrier to change in their institutions lies in the manner in which their institutions are governed, both from within and from without. Universities have a style of governance that is more adept at protecting the past than preparing for the future.

The 1996 report of the National Commission on the Academic Presidency¹⁴ reinforced these concerns when it concluded that the governance structure at most colleges and universities is inadequate. “At a time when higher education should be alert and nimble, it is slow and cautious instead, hindered by traditions and mechanisms of governing that do not allow the responsiveness and decisiveness the times require.” The Commission went on to note its belief that university presidents were currently

unable to lead their institutions effectively, since they were forced to operate from “one of the most anemic power bases of any of the major institutions in American society.”

While it is certainly impolitic to be so blunt, the simple fact of life is that the contemporary university is a *public corporation* that must be governed, led, and managed like other corporations to benefit its stakeholders. The interests of its many stakeholders can only be served by a governing board that is comprised and functions as a true board of directors. Like the boards of directors of publicly-held corporations, the university’s governing board should consist of members selected for their expertise and experience. They should govern the university in way that serves the interests of its various constituencies. This, of course, means that the board should function with a structure and a process that reflect the best practices of corporate boards. And, like corporate boards, university governing members should be held accountable for their decisions and actions through legal and financial liability.

Again, although it may be politically incorrect within the academy to say so, the leadership of the university must be provided with the authority commensurate with its responsibilities. The president and other executive officers should have the same degree of authority to take actions, to select leadership, to take risks and move with deliberate speed, that their counterparts in the corporate world enjoy. The challenges and pace of change faced by the modern university no longer allow the luxury of “consensus” leadership, at least to the degree that “building consensus” means seeking the approval of all concerned communities. Nor do our times allow the reactive nature of special interest politics to rigidly moor the university to an obsolete status quo, thwarting efforts to provide strategic leadership and direction.

Yet a third controversial observation: While academic administrations generally can be drawn as conventional hierarchical trees, in reality the connecting lines of authority are extremely weak. In fact, one of the reasons for cost escalation is the presence of a deeply ingrained academic culture in which leaders are expected to “purchase the cooperation” of subordinates, to provide them with positive incentives to carry out decisions. For example, deans expect the provost to offer additional resources in order to gain their cooperation on various institution-wide efforts. Needless to say, this “bribery culture” is quite incompatible with the trend toward increasing decentralization of resources. As the central administration relinquishes greater control of resource and cost accountability to the units, it will lose the pool of resources that in the past was used to provide incentives to deans, directors, and other leaders to cooperate and support university-wide goals.

Hence, it is logical to expect that both the leadership and management of universities will need increasingly to rely on lines of real authority just as their corporate counterparts. That is, presidents, executive officers, and deans will almost certainly have to become comfortable with issuing clear orders or directives, from time to time. So, too, throughout the organization, subordinates will need to recognize that failure to execute these directives will likely have significant consequences, including possible removal from their positions. While collegiality will continue to be valued and honored, the modern university simply must accept a more realistic balance between responsibility and authority.

It is simply unrealistic to expect that the governance mechanisms developed decades or, in some cases, even centuries ago can serve well either the contemporary university or the society it serves. It seems clear that the university of the twenty-first century will require new patterns of governance and leadership capable of responding to the changing needs and emerging challenges of our society and its educational institutions.

Alliances

Public universities should place far greater emphasis on building alliances with other institutions that will allow them to focus on core competencies while relying on alliances to address the broader and diverse needs of society. For example, flagship public universities in some states will be under great pressure to expand enrollments to address the expanding populations of college age students, possibly at the expense of their research and service missions. It might be far more constructive for these institutions to form close alliances with regional universities and community colleges to meet these growing demands for educational opportunity.

Here alliances should be considered not only among institutions of higher education (e.g., partnering research universities with liberal arts colleges and community colleges) but also between higher education and the private sector (e.g., information technology and entertainment companies). Differentiation among institutions should be encouraged, while relying upon market forces rather than regulations to discourage duplication.

Experimentation

We must recognize the profound nature of the rapidly changing world faced by higher education. Many of the forces driving change are disruptive in nature, leading to quite unpredictable futures. This requires a somewhat different approach to transformation.

A personal example here: during the 1990s we led an effort at the University of Michigan to transform the institution, to re-invent it so that it better served a rapidly changing world. We created a campus culture in which both excellence and innovation were our highest priorities. We restructured our finances so that Michigan became, in effect, a privately supported public university. We dramatically increased the diversity of our campus community. We launched major efforts to build a modern environment for teaching and research using the powerful tools of information technology.

Yet with each transformation step we took, with every project we launched, with each objective we achieved, we became increasingly uneasy. The forces driving change in our society and its institution were far stronger and more profound than we had first thought. Change was occurring far more rapidly than we had anticipated. The future was becoming less certain as the range of possibilities expanded to include more radical options. We came to the conclusion that in a world of such rapid and profound change, as we faced a future of such uncertainty, the most realistic near-term approach was to explore possible futures of the university through experimentation and discovery. That is, rather than continue to contemplate possibilities for the future through abstract study and debate, it seemed a more productive course to build several prototypes of future learning institutions as working experiments. In this way we could actively explore possible paths to the future.

- For example, we explored the possible future of becoming a privately supported but publicly committed university by completely restructuring our financing, raising over \$1.4 billion in a major campaign, increasing tuition levels, and dramatically increasing sponsored research support to #1 in the nation. Ironically, the most state support declined as a component of our revenue base (dropping to less than 10%), the higher our Wall Street credit rating, finally achieving the highest AAA rating (the first for a public university).
- Through a major strategic effort known as the Michigan Mandate, we altered very significantly the racial diversity of our students and faculty, doubling the population of underrepresented minority students and faculty over a decade,

thereby providing a laboratory for exploring the themes of the “diverse university.”

- We established campuses in Europe, Asia, and Latin America, linking them with robust information technology, to understand better the implications of becoming a “world university.”
- We played leadership roles first in the building and management of the Internet and now Internet2 to explore the “cyberspace university” theme.

But, of course, not all of our experiments were successful. Some crashed in flames, in some cases spectacularly:

- We tried to spin off our academic health center, merging it with a large hospital system in Michigan to form an independent health care system. But our regents resisted this strongly, concerned that we would be giving away a valuable asset (even though we would have netted well over \$1 billion in the transaction and avoided the \$100 million annual losses we are now experiencing as managed care sweeps across Michigan.
- Although we were successful eventually in getting a Supreme Court ruling that provided relief from intrusive nature of the state’s sunshine laws, we ran into a brick wall attempting to restructure how our governing board was selected and operated. (It remains one of the very few in the nation entirely determined by public election and partisan politics.)
- And we attempted to confront our own version of Tyrannosaurus Rex by challenging our Department of Athletics to better align their athletic activities with academic priorities, e.g. recruiting real students, reshaping competitive schedules, throttling back commercialism...and even appointing a real educator, a former dean, as athletic director. Yet today we are posed to spend \$100 million on skyboxes for Michigan Stadium after expanding stadium capacity two years ago to over 110,000.

Nevertheless, in most of these cases, at least we learned something (if only our own ineffectiveness in dealing with cosmic forces such as college sports). More

specifically, all of these efforts were driven by the grass-roots interests, abilities, and enthusiasm of faculty and students. While such an exploratory approach was disconcerting to some and frustrating to others, fortunately there were many on our campus and beyond who viewed this phase as an exciting adventure. And all of these initiatives were important in understanding better the possible futures facing our university. All have had influence on the evolution of our university.

Our approach as leaders of the institution was to encourage strongly a “let every flower bloom” philosophy, to respond to faculty and student proposals with “Wow! That sounds great! Let’s see if we can work together to make it happen! And don’t worry about the risk. If you don’t fail from time to time, it is because you aren’t aiming high enough!” We tried to ban the word “NO” from our administrators.

Turning Threats into Opportunities

It is important for university leaders to approach issues and decisions concerning transformation not as threats but rather as opportunities. True, the status quo is no longer an option. However, once we accept that change is inevitable, we can use it as a strategic opportunity to control our destiny, while preserving the most important of our values and our traditions.

Creative, visionary leaders can tap the energy created by threats such as the emerging for-profit marketplace and technology to engage their campuses. to lead their institutions in new directions that will reinforce and enhance their most important roles and values.

Concluding Remarks

We have entered a period of significant change in higher education as our universities attempt to respond to the challenges, opportunities, and responsibilities before them.¹⁵ Much of this change will be driven by market forces—by a limited resource base, changing societal needs, new technologies, and new competitors. But we also must remember that higher education has a public purpose and a public obligation.¹⁶ It is possible to shape and form the markets that will in turn reshape our institutions with appropriate civic purpose.

From this perspective, it is important to understand that the most critical challenge facing most institutions will be to develop the capacity for change. As we noted earlier, universities must seek to remove the constraints that prevent them from

responding to the needs of a rapidly changing society. They should strive to challenge, excite, and embolden all members of their academic communities to embark on what should be a great adventure for higher education. Only a concerted effort to understand the important traditions of the past, the challenges of the present, and the possibilities for the future can enable institutions to thrive during a time of such change.

Clearly higher education will flourish in the decades ahead. In a knowledge-intensive society, the need for advanced education will become ever more pressing, both for individuals and society more broadly. Yet it is also likely that the university as we know it today—rather, the current constellation of diverse institutions comprising the higher education enterprise—will change in profound ways to serve a changing world. The real question is not whether higher education will be transformed, but rather *how* . . . and by *whom*. If the university is capable of transforming itself to respond to the needs of a society of learning, then what is currently perceived as the challenge of change may, in fact, become the opportunity for a renaissance, an age of enlightenment, in higher education in the years ahead.

Several years ago, during a meeting with my executive officers following my announcement of my decision to step down as president and return to the faculty, one of my vice-presidents slipped me a piece of paper with the well-known quote of Machiavelli:

“There is no more delicate matter to take in hand, nor more dangerous to conduct, nor more doubtful of success, than to step up as a leader in the introduction of change. For he who innovates will have for his enemies all those who are well off under the existing order of things, and only lukewarm support in those who might be better off under the new.”

After almost a decade of attempting to lead a transformational change process at the University of Michigan, I could only respond with an emphatic “AMEN!” The resistance can be intense, and the political backlash threatening.

To be sure, it is sometimes difficult to act for the future when the demands of the present can be so powerful and the traditions of the past so difficult to change.

Yet, perhaps this is the greatest challenge for our institutions, and the most important role of our leadership, in the years ahead as we attempt to build universities for the 21st Century.

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- ² John S. Daniel, *Mega-Universities and Knowledge Media* (Kogan Page, London, 1996)
- ³ The co-principal investigators of the National Academies project are William A. Wulf, President of the National Academy of Engineering and Professor of Computer Science at the University of Virginia and James J. Duderstadt, Professor of Science and Engineering at the University of Michigan. Raymond E. Fornes, Associate Vice President for Research at North Carolina State University, has served as the senior Academy staff member for the project.
- ⁴ Ray Kurzweil, *The Age of Spiritual Machines: When Computers Exceed Human Intelligence* (New York: Viking, 1999).
- ⁵ Marvin W. Peterson and David D. Dill, "Understanding the Competitive Environment of the Postsecondary Knowledge Industry", in *Planning and Management for a Changing Environment*, edited by Marvin W. Peterson, David D. Dill, and Lisa A. Mets (San Francisco: Jossey-Bass Publishers, 1997) pp. 3-29.
- ⁶ Michael Moe, *The Knowledge Web: People Power—Fuel for the New Economy* (Merrill-Lynch, New York, 2000)
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- ⁹ Vernon Ehlers, "Unlocking Our Future: Toward a New National Science Policy," a report to Congress by the House Committee on Science (September 24, 1998).
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- ¹¹ Luc Weber, "Subsidiarity in Higher Education", Glion II Conference, La Jolla, 2000
- ¹² Robert Zemsky, "Rumbling," *Policy Perspectives*, The Pew Higher Education Roundtable, sponsored by the Pew Charitable Trusts, (April, 1997); ¹² Robert Zemsky and Gregory Wegner, "A Very Public Agenda," *Policy Perspectives*, Vol. 8, No. 2, Knight Higher Education Collaborative, Philadelphia, (1998).
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¹⁶ Robert Zemsky and Gregory Wegner, "A Very Public Agenda," *Policy Perspectives*, Vol. 8, No. 2 (Philadelphia: Knight Higher Education Collaborative, 1998).