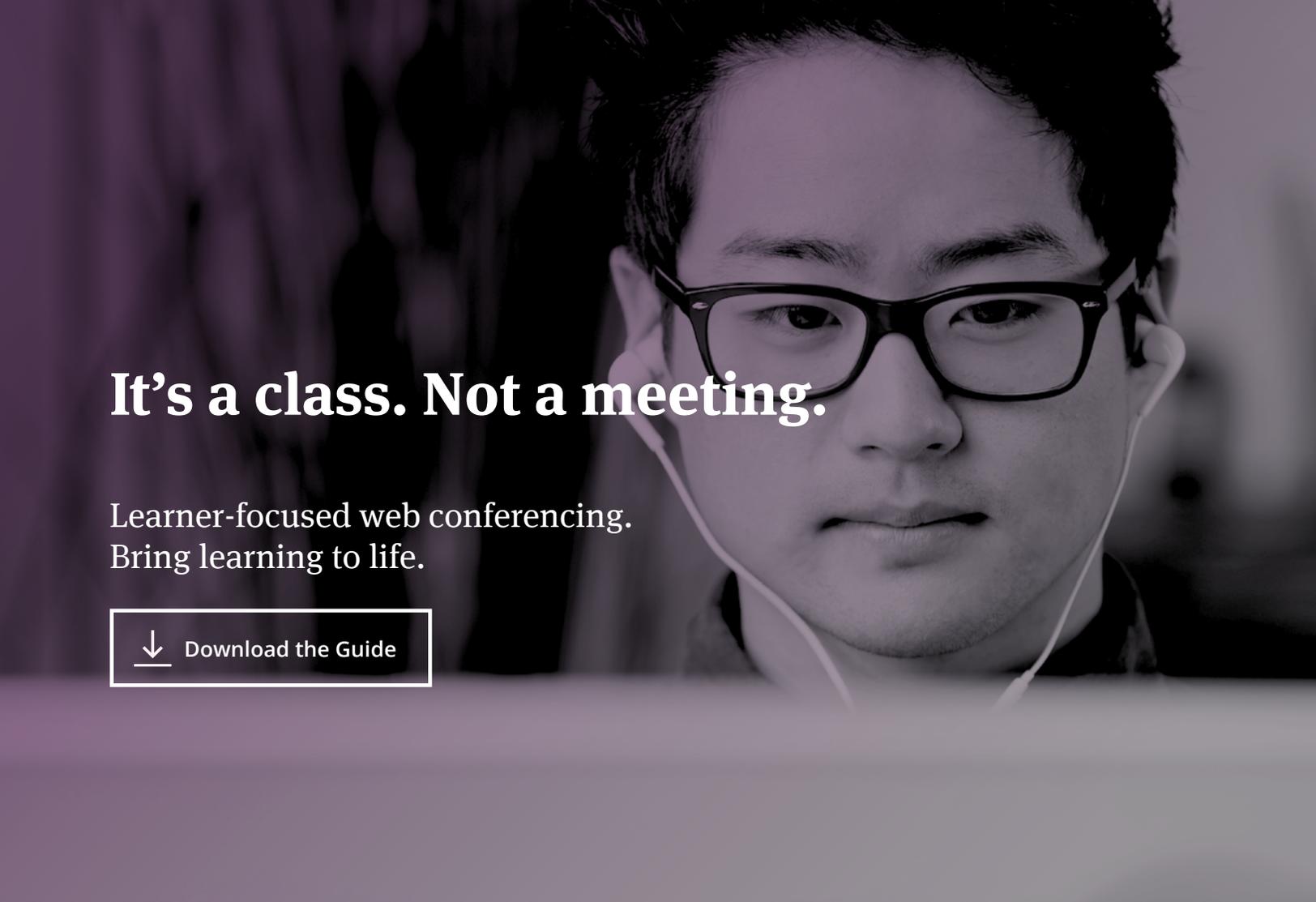


THE VIEW **FROM THE TOP**

What Presidents Think About
Financial Sustainability, Student Outcomes,
and the Future of Higher Education





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TABLE OF CONTENTS

EXECUTIVE SUMMARY	4
INTRODUCTION	6
A BROKEN ECONOMIC MODEL	7
THE RETURN ON INVESTMENT OF COLLEGE: STUDENT OUTCOMES	13
RATING COLLEGES BY CHOICE OR GOVERNMENT MANDATE?	20
CONCLUSION	25
METHODOLOGY	26



The View from the Top: What Presidents Think About Financial Sustainability, Student Outcomes, and the Future of Higher Education is based on a survey conducted by Maguire Associates, Inc., was written by Jeffrey J. Selingo, contributing editor at The Chronicle of Higher Education, Inc. and is sponsored by Blackboard. The Chronicle is fully responsible for the report's editorial content. Copyright © 2015.

EXECUTIVE SUMMARY

Two-thirds of college and university presidents feel that American higher education is going in the wrong direction.

American higher education has been under extreme pressures for nearly a decade from a perfect storm of financial, political, demographic, and technological forces. The Great Recession of 2008 put the brakes on what always had seemed like a growing stream of revenues and students for many colleges and universities. As tuition costs spiraled ever upward and family income stagnated, institutional leaders began to consider whether they were entering a “new normal,” where their expectations of future growth would need to be reconsidered, and in some cases, require a radical makeover.

At the same time, the Obama Administration was shining a spotlight on higher education, demanding better outcomes for the tens of billions of dollars the federal government

spends annually on student aid. Colleges and universities, which had long considered Democrats friendlier to their interests than Republicans, wondered if they had any allies in Washington.

College and university presidents, in particular, felt the convergence of these pressures on their institutions as they responded to internal and external questions about the sustainability of the higher-education business model from faculty, students, alumni, and policymakers.

The seemingly never-ending list of worries year after year is beginning to crack the confidence of college leaders. An extensive survey of college and university presidents, conducted by The Chronicle of Higher Education in January 2015,

found that two-thirds of them feel that American higher education is going in the wrong direction, with public college leaders worried about the decline of state financial support and leaders of private institutions most concerned with the intense competition for students.

The survey, completed by nearly 400 presidents at four-year colleges, focused on their attitudes about financial sustainability, college rankings, and student outcomes. Among the findings of the survey:



STATE OF THE ECONOMY

Overall, presidents are optimistic about the state of the U.S. economy even as they worry about the financial sustainability of their own institutions. Public-college presidents are more concerned about the ability of institutions like theirs to survive in the next decade than are private-college leaders about their campuses.



STUDENTS AND TUITION DISCOUNTS

The decline in the number of high school graduates in many parts of the country in recent years has impacted public colleges more than private colleges. Meanwhile, private institutions have been able to fill their classroom seats largely by adjusting their tuition discount rates more often than public colleges.



FEDERAL GOVERNMENT RATINGS

College presidents from both the private and public sectors found one common point of agreement in the survey: their opposition to the federal government's plan to publish ratings of institutions. Nearly half of the presidents from private sector institutions think it is inappropriate for the government to rate their colleges.



FAVORED METRICS FOR MEASUREMENT

However, if the federal government is successful in its attempts to rate colleges, presidents would most like policymakers to focus on completion rates, average net price, and percentage of students receiving Pell Grants. Presidents oppose using transfer rates and graduate school attendance as metrics.



RANKINGS

Among the increasing number of ways to rate colleges, presidents still say that the annual U.S. News & World Report college rankings remain by far the most influential. Six in 10 presidents say the rankings have about the same or more influence compared to a decade ago.



LAUNCHING AFTER GRADUATION

Despite surveys that say experience matters more to employers than academic background, college presidents still believe that what's learned in the classroom is most important when students are seeking jobs after graduation.



INTRODUCTION

No doubt about it: Running a college or university has become a much more difficult job since the onset of the housing crisis that touched off a global economic slowdown in 2008. Since then, the financial underpinnings that supported higher education for generations weakened considerably for all but a few hundred of the wealthiest institutions. Everything is more difficult now: recruiting students, finding new revenue sources to make up for losses in state appropriations, and raising private dollars in a much more competitive market.

As a result, college presidents are under pressure to perform—some say to work miracles—from their boards, faculty members, and students. Notwithstanding their paychecks, the past few years have not been kind to college presidents and chancellors, as several high-profile leaders have either resigned or left for other gigs:

Michael K. Young at the University of Washington, Rebecca Chopp at Swarthmore College, Michael R. Gottfredson at the University of Oregon, and Edward L. Ayers at the University of Richmond. Many on the roster were at large public universities, but the battle scars are just as deep at tuition-dependent private colleges struggling with the effects of a bad economy.

Demographic trends tell us that we're about to enter a period of profound change in the corner office on campuses. The average age of college presidents is 61, according to a survey by the American Council on Education. Nearly six in 10 presidents are 61 or older, a proportion that has grown in recent years. Nearly one-third of presidents who answered this Chronicle survey said that it was "very likely" or "extremely likely" that they would retire in the next five years.

These veteran presidents are considering retirement just as the higher-education landscape is changing for a new generation of college leaders who will confront a host of emerging concerns from measuring student outcomes to new regulations from Washington.

Presidents and their boards must better prepare for this future, with a strategy for the financial sustainability of their institutions and a plan for training their successors. This brief attempts to inform those discussions. It is based on a survey of college and university presidents that explores their attitudes about the future of higher education, the financial sustainability of their institutions, and how to measure and report student outcomes.

A BROKEN ECONOMIC MODEL

The tumult in the financial stability of the higher-education business model is coupled with a major shift in student demographics.

The disruption that technology has inflicted on music, bricks-and-mortar retailers, and publishing over the past decade is often used to illustrate what is about to happen in higher education. The narrative goes something like this: Traditional colleges, particularly the many that are in the middle of the pack but charge high prices, will lose out to nimbler, cheaper competitors offering degrees on flexible timelines, either in hybrid format (in-person and online) or fully online.

This forecast comes with its own set of headline-grabbing predictions about the number of institutions that will go out of business as a result. Clayton M. Christensen, a Harvard Business School professor and champion of disruptive innovation, has suggested that the bottom 25 percent of every tier of colleges will disappear or merge in the next 10 to 15 years.

While college presidents tend not to agree with Christensen's dire prediction, they generally are pessimistic about the financial stability of higher education. This comes even as they remain generally optimistic about the overall state of the economy. Six in 10 presidents say that the higher-education industry is going in the wrong direction. That's about the same number who are more hopeful about the U.S. economy compared to a year ago (see Figure 1). When asked about the financial prospects of their own campuses, private-college presidents were much more confident in the future than public-college leaders, who have seen their state appropriations trimmed significantly in recent years (see Figure 2).

FIGURE 1:

THE STATE OF THE ECONOMY **vs.** THE STATE OF HIGHER EDUCATION

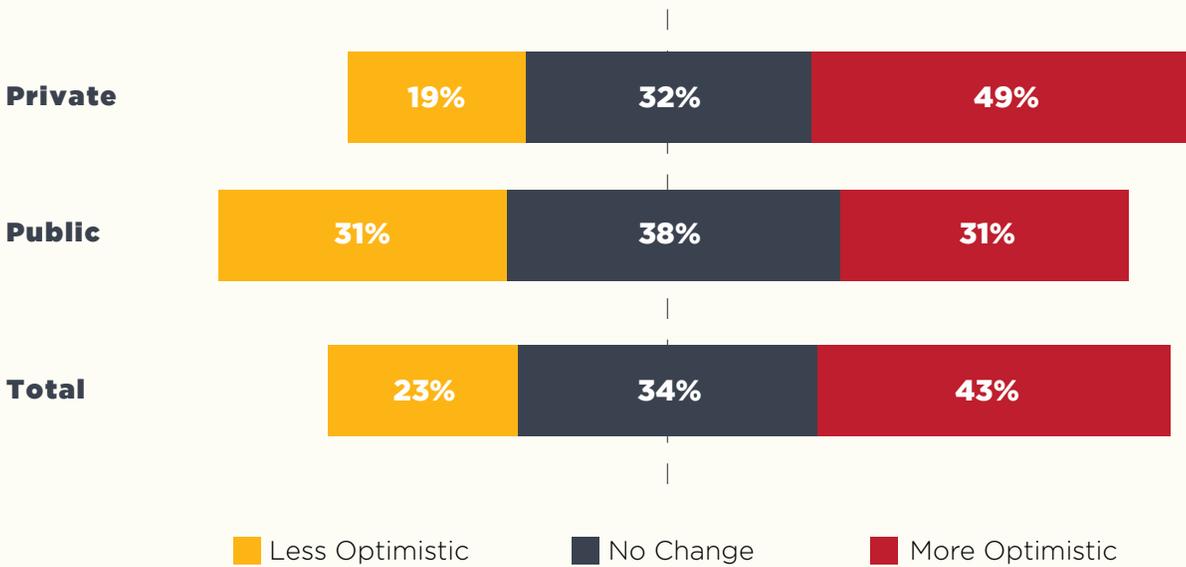
Compared with one year ago, how do you feel about the general state of the U.S. economy?

Thinking about the financial stability of the higher-education industry overall in the United States today, do you think it is generally going in the right direction or the wrong direction?



FIGURE 2:

PRIVATE-COLLEGE LEADERS MORE BULLISH ON THEIR OWN FUTURES



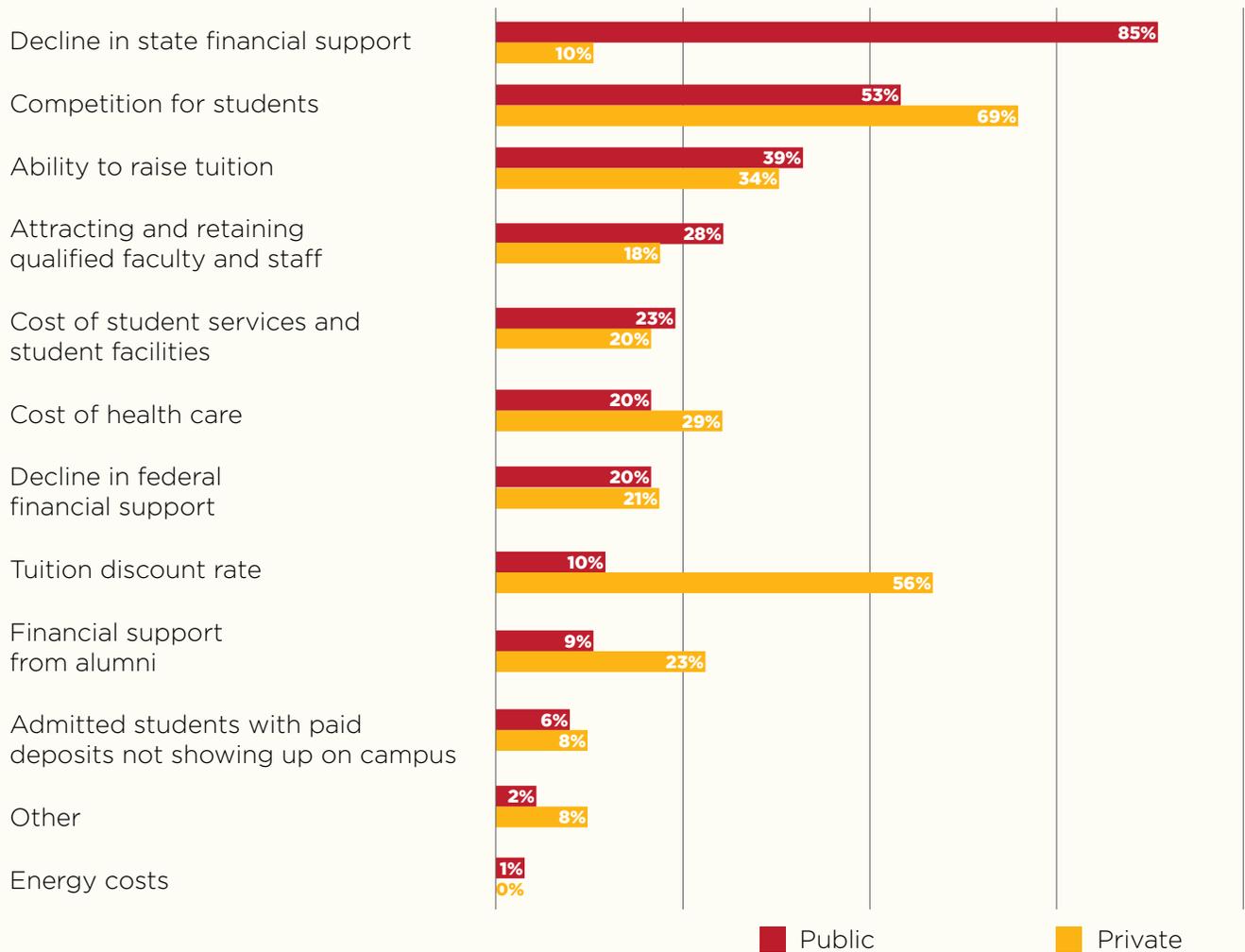
The host of pressing issues facing college leaders these days is extensive. When asked what most worries them as they enter 2015, the concerns of many presidents clustered around a few key issues. A clear majority of public-college executives, for example, are worried about declining state financial support. For their part, private-college presidents are concerned

about the competition for students. One-third of presidents in both sectors cited their ability to raise tuition as a major worry (see Figure 3).

The tumult in the financial stability of the higher-education business model is coupled with a major shift in student demographics. In half of the states, more young children are

Asian, and in nearly every state more are Hispanic, according to an analysis published in 2014 by The Chronicle. In many states in the Northeast and Midwest, the number of high-school graduates is dropping, and almost everywhere median family income is falling.

FIGURE 3:
THE BIGGEST WORRIES OF PRESIDENTS IN 2015



Nearly half of presidents surveyed by The Chronicle say their institution is feeling the effects of these demographic changes. The impact of smaller high-school graduating classes is most apparent among public-college presidents who tend to draw their applicants from specific regions within their state. Presidents at private institutions see the effects of lower socioeconomic status of applicants more than their

public-college counterparts largely because they give out more of their own dollars in financial aid. And both sectors are feeling the effects of the changing racial and ethnic mix of students (see Figure 4).

Nearly every college, of course, is searching for new revenue streams. Increased fund raising from private sources is the No. 1 strategy that both

public and private institutions are employing in the hunt for new funds. In addition, private institutions see new graduate programs as potentially lucrative while public universities view online programs as a source for new cash (see Figure 5).

FIGURE 4:
HOW COLLEGES ARE FEELING THE EFFECTS OF SHIFTING DEMOGRAPHICS

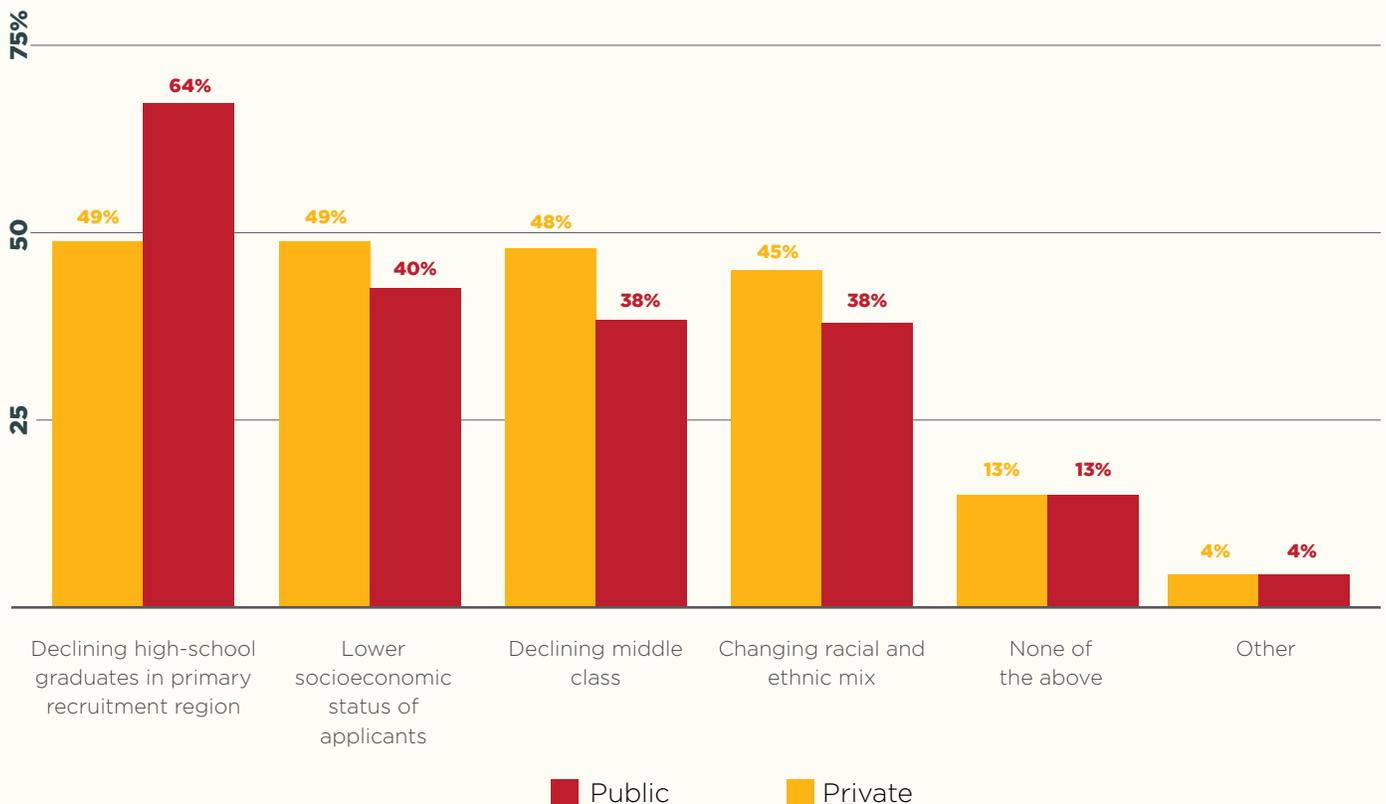
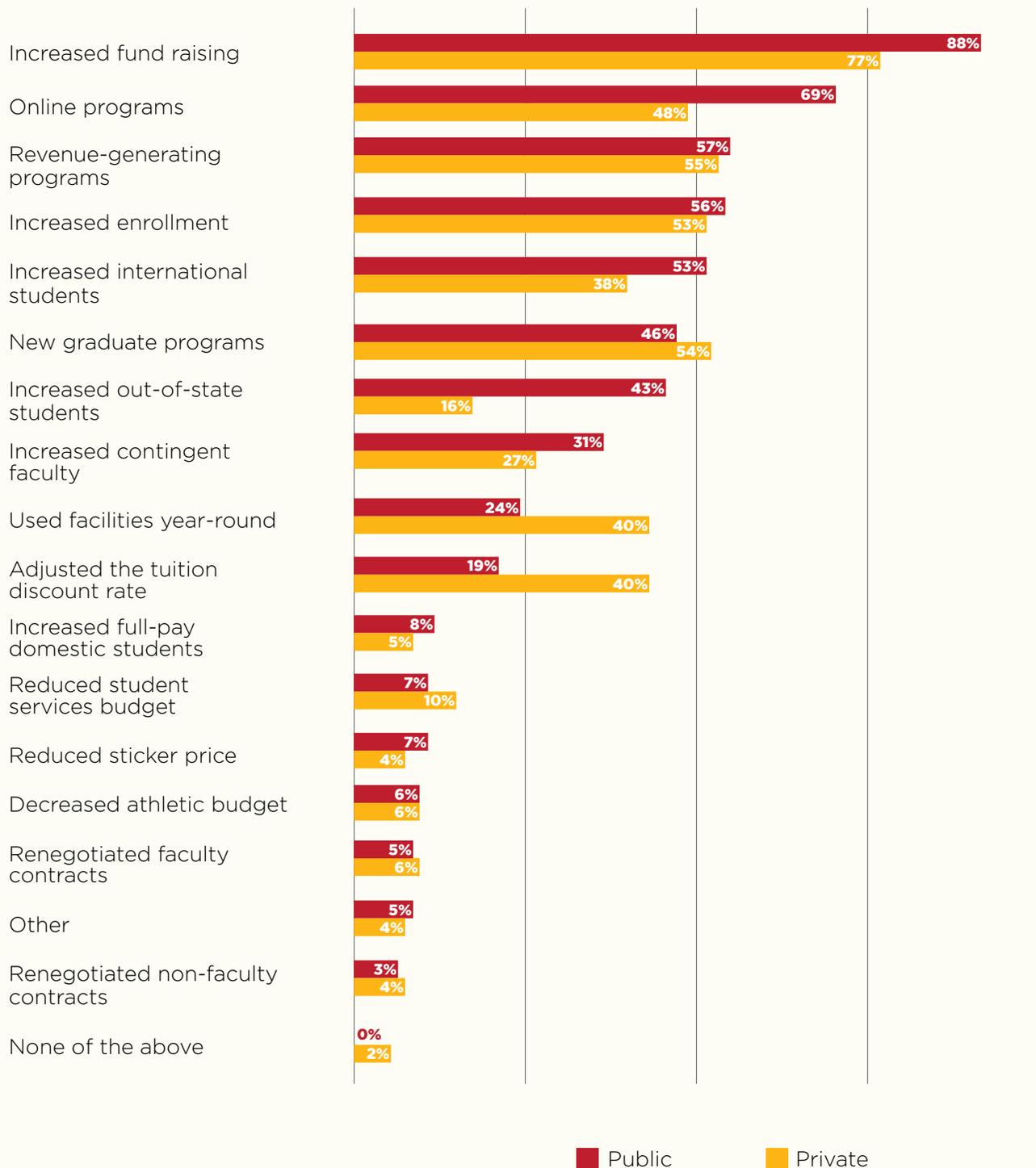


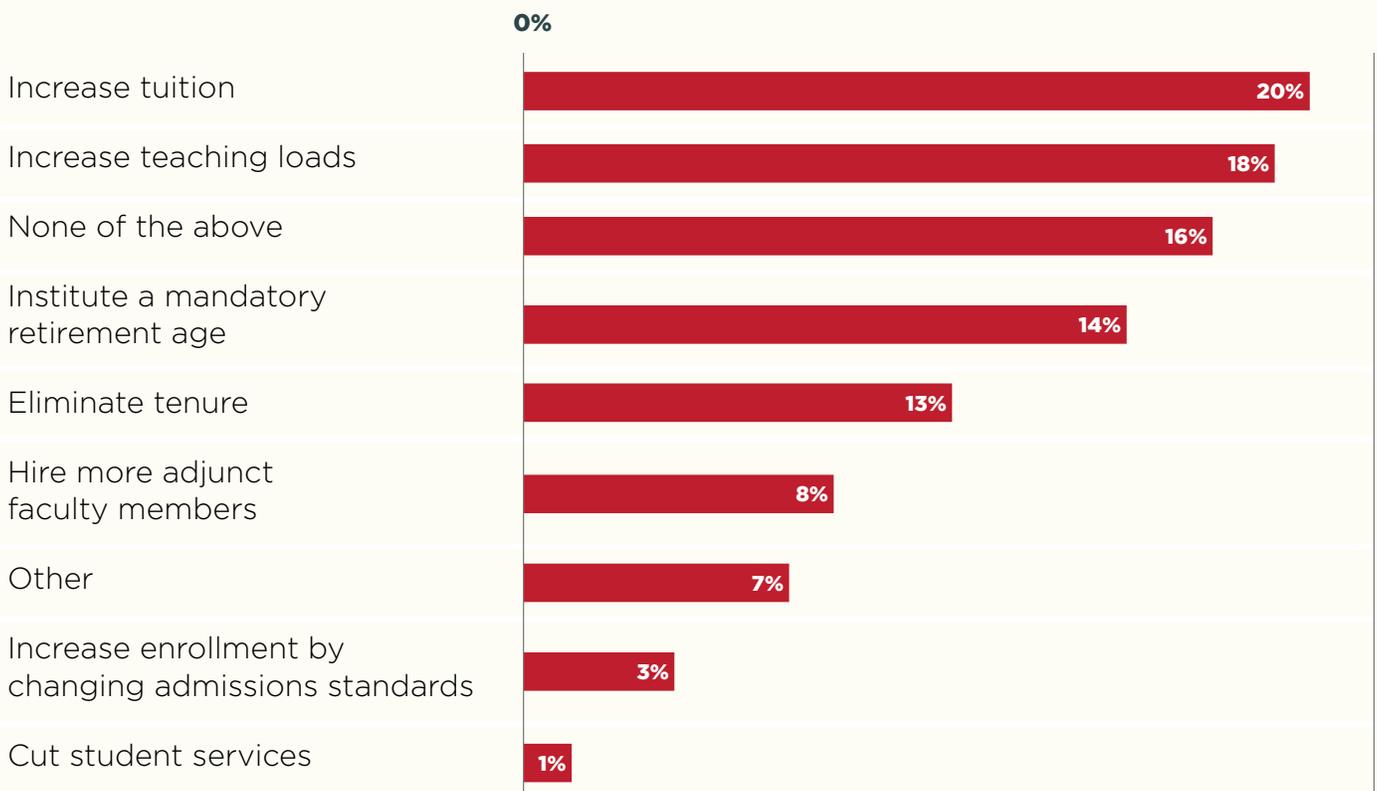
FIGURE 5:
ACTIONS COLLEGE PRESIDENTS ARE TAKING TO BOOST REVENUES



When presidents were asked what one strategy they would use to cut costs or raise new revenue if they didn't have to worry about the consequences among their constituents, many took aim almost equally at students and faculty. Twenty percent of presidents said they would boost tuition and another 18 percent said they would increase teaching loads. What's more revealing, perhaps,

is that 16 percent of leaders didn't choose any of the options presented. Even when given a pass from the potential consequences of their actions, presidents remain reluctant to make major changes on their campuses (see Figure 6).

FIGURE 6: STRATEGIES PRESIDENTS WOULD CONSIDER IF THEY DIDN'T HAVE TO WORRY ABOUT THE CONSEQUENCES



THE RETURN ON INVESTMENT OF COLLEGE: STUDENT OUTCOMES

Much has been made in recent years about the value of a college degree, given the grim state of the economy for recent college graduates. Unemployment remains high among those with newly minted bachelor's degrees. And an estimated 50 percent of recent college graduates are underemployed, meaning they are working in jobs that do not require a bachelor's degree. One-third of presidents in the survey said that it's more difficult for their students to launch their careers compared to 10 years ago.

No matter what the job market holds for their graduates, presidents believe they have armed students with the right skills for today's workplace. Some three-fourths of campus executives believe their students are either well prepared or very well prepared for the

job search, with presidents of private colleges the most confident (see Figure 7). Perhaps one reason presidents are so confident is that the issue of job preparedness is discussed much more on campuses now than in the past. Three-quarters of college leaders said there are more conversations about getting ready for the job market today compared to just three years ago (see Figure 8).

A majority of college presidents believe the four-year bachelor's degree is worth more in today's job market than it was five years ago.

FIGURE 7:
HOW WELL PREPARED STUDENTS ARE FOR THE JOB SEARCH

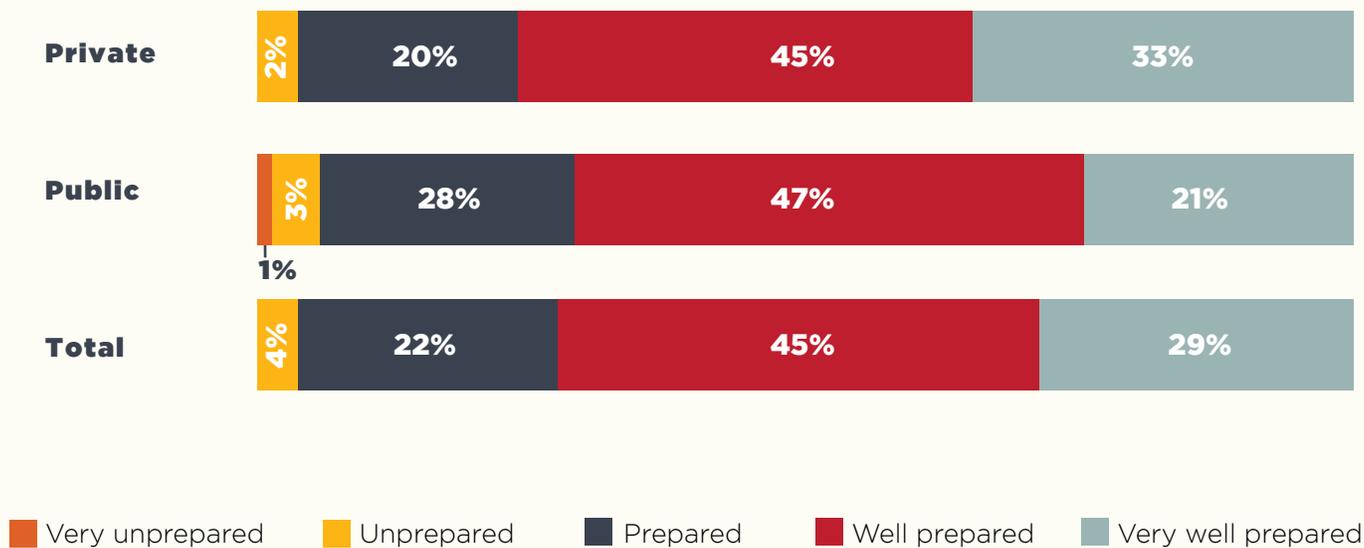
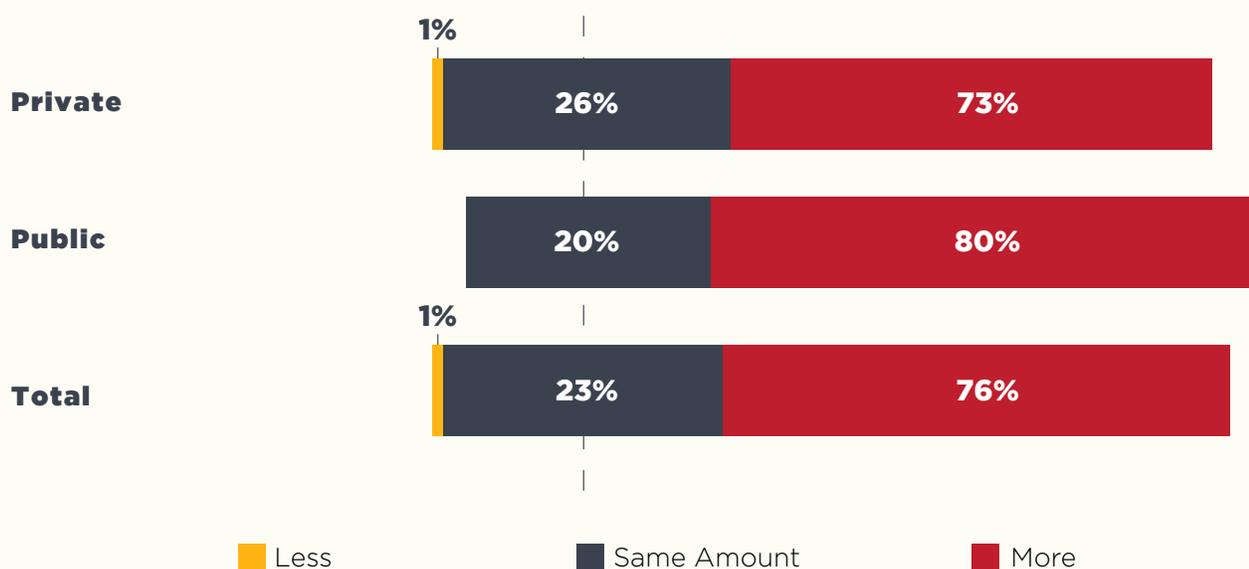


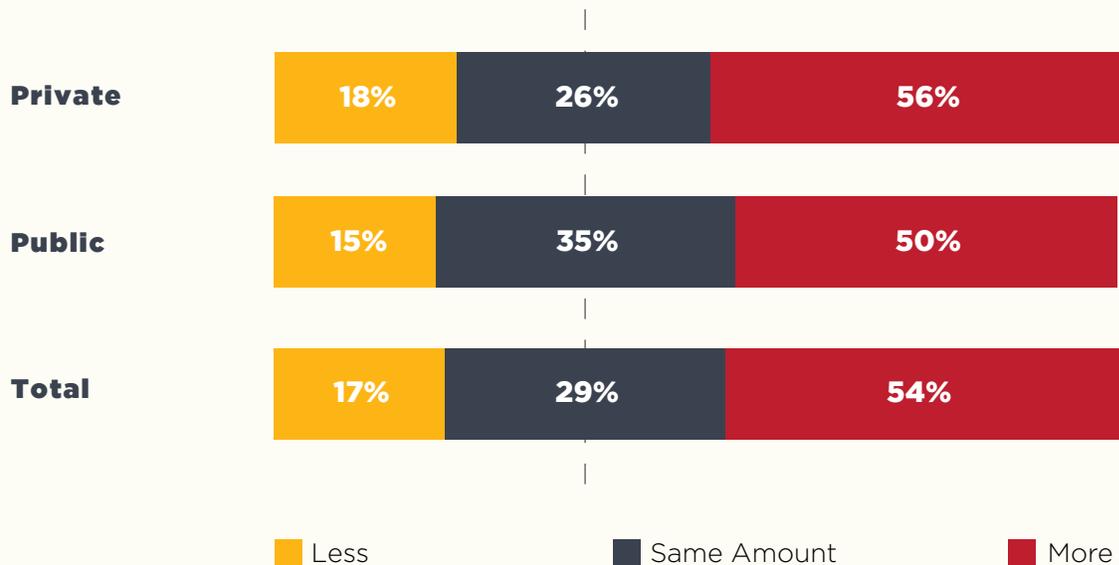
FIGURE 8:
THE LEVEL OF DISCUSSION ABOUT JOB PREPARATION FOR GRADUATES COMPARED TO THREE YEARS AGO



Presidents remain optimistic about the value of a college degree, much more than employers do. A majority of college presidents believe the four-year bachelor's degree is worth more in today's job market than it was five years ago (see Figure 9). Meanwhile, surveys of employers by The Chronicle and other organizations in recent

years have consistently found those who hire college graduates more neutral on the value of a degree. In a Chronicle survey of employers, for instance, 39 percent said a bachelor's degree was worth the same as five years ago, and 26 percent said it was worth less.

FIGURE 9:
VALUE OF A COLLEGE DEGREE COMPARED TO FIVE YEARS AGO

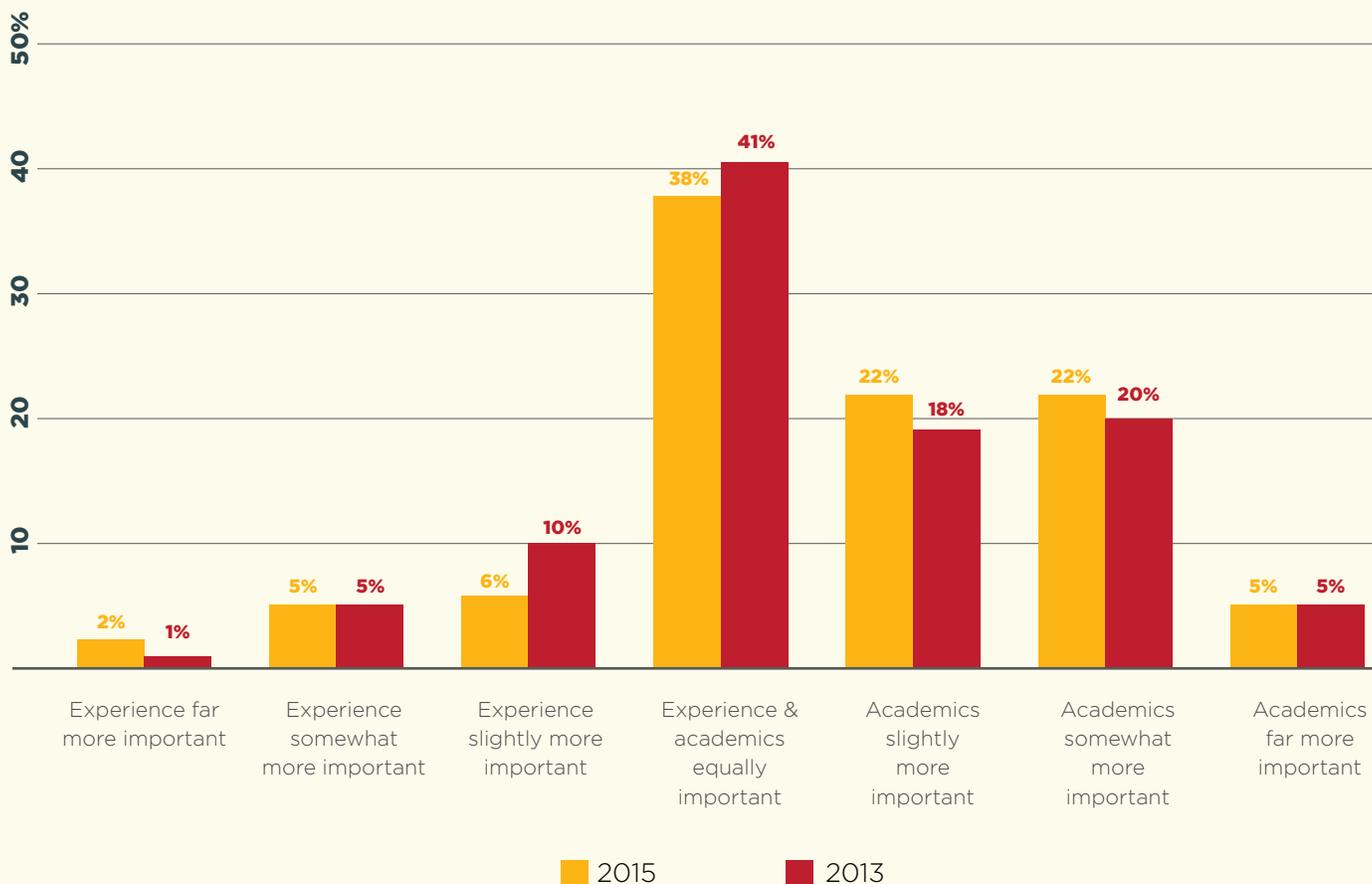


College leaders and employers often don't see eye-to-eye on what today's graduates most need to succeed in the workplace. While companies seek recent college graduates with real-world experience, presidents continue to emphasize the value of academics over experience among their graduates. Indeed, compared

to a similar survey of presidents conducted by The Chronicle in 2013, campus executives are even more in favor now of emphasizing academics over real-world experience (see Figure 10).

FIGURE 10:

THE PROPER BALANCE BETWEEN ACADEMICS AND REAL WORLD EXPERIENCE (2015 VS. 2013 SURVEYS OF PRESIDENTS)



When it comes to getting students ready for the job market, presidents are not always in agreement with employers and parents on what role the institution should play in the process. A majority of college leaders believe it's their job to offer experiential learning, such as internships, as part of the curriculum as well as offer career preparation in programs and offices across the campus, both in formal and informal settings.

But presidents are more divided about whether colleges should provide a broad education or specific training, and one-third of them don't want to be held accountable for the career outcomes of their students (see Figure 11).

FIGURE 11:
WHERE COLLEGES SHOULD PLAY A ROLE IN CAREER DEVELOPMENT

Experiential learning is an increasingly important feature of college/university curricula

Career preparation is a responsibility that cuts across the college/university

A college or university should take future labor force demand into consideration when planning curricular or co-curricular offerings

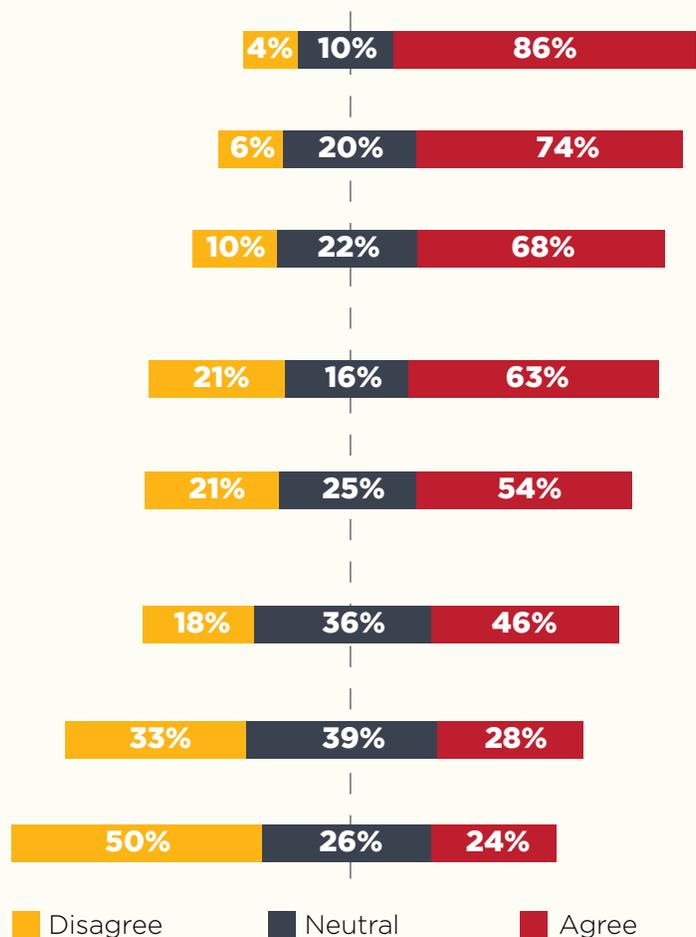
The quality of the academic program and the quality of career preparation are not separable

Colleges and universities should provide a broad education not career-specific training

Students entering college/university today are driven equally by successful outcomes and the quality of the academic program

Colleges and universities should be held accountable for the career success of their students

A college or university whose graduates are not satisfied with their careers is not doing its job

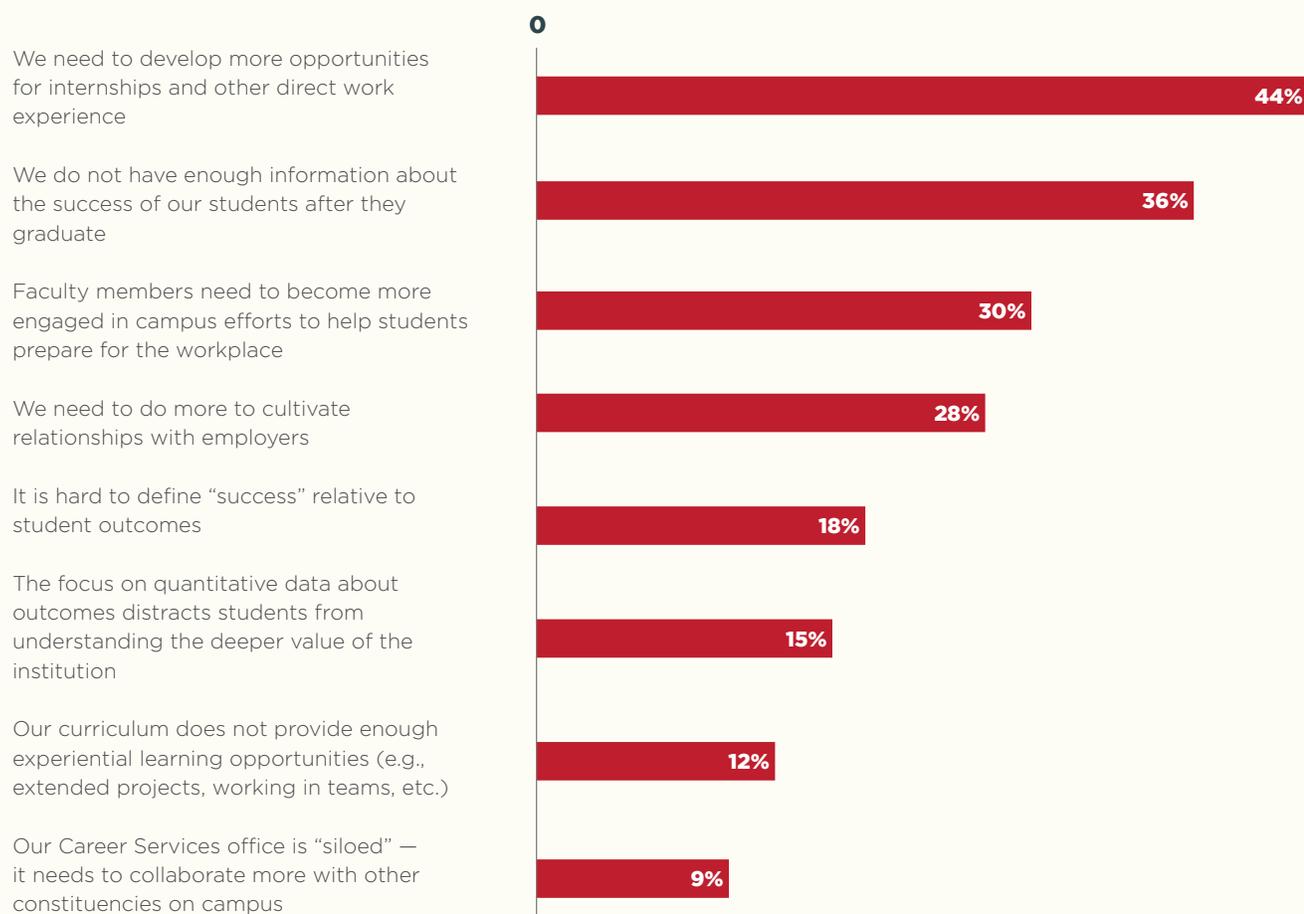


In the survey, the presidents expressed the most worry about the ability of their institutions to develop enough opportunities for students to gain real-world skills through internships and other work experiences. Almost half of presidents said in the survey that their institutions need to build more

work opportunities for students. The executives also believe they need to do more on highlighting the success of their graduates in the workplace and engage faculty members more often in preparing students for careers (see Figure 12).

An estimated 50 percent of recent college graduates are underemployed.

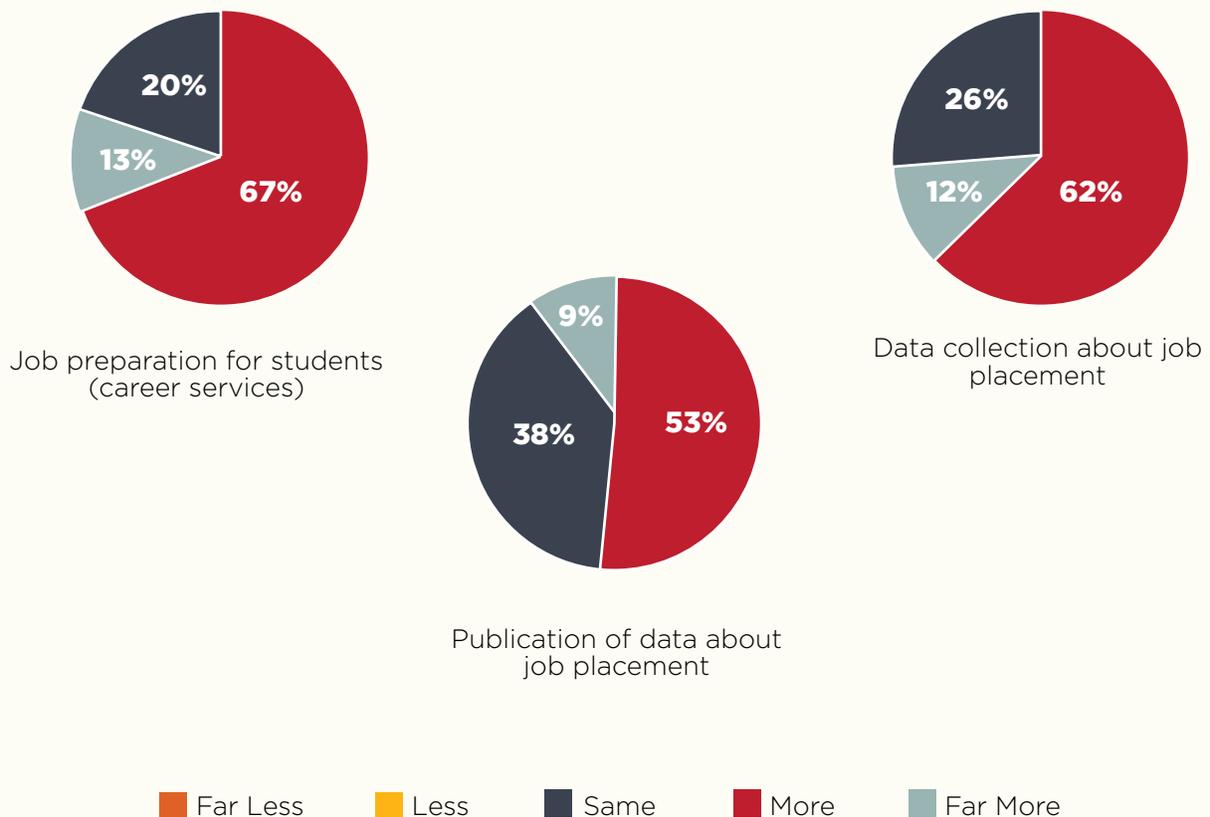
FIGURE 12:
PRESIDENTS' BIGGEST CONCERNS ABOUT CAREER PREPARATION FOR THEIR STUDENTS



The attention given to the topic of student outcomes and employability after graduation has certainly made a difference on campuses in recent years. Most presidents in the survey said they are offering additional job

preparation services for students, collecting more data about job placement and publishing additional information about job outcomes compared to three years ago (see Figure 13).

FIGURE 13: DISCUSSION AND ACTIVITY AROUND JOB READINESS ON CAMPUSES TODAY COMPARED TO THREE YEARS AGO



RATING COLLEGES BY CHOICE OR GOVERNMENT MANDATE?

Presidents in the survey largely agree on three primary metrics: completion rates, average net price, and the percentage of students receiving Pell Grants.

In 2013, in a series of high-profile bus stops on campuses in New York and Pennsylvania, President Obama proposed a new federal ratings system that would hold colleges and universities more accountable to students and parents. After a year and a half of hearings and debate, the Education Department released its first take at the ratings system in December 2014. But what officials released were not the ratings themselves, but a framework for what the ratings might be, a tacit admission that trying to reshape how we value specific colleges was more difficult than anyone thought.

College presidents seem skeptical of any ratings system, according to The Chronicle survey. Overall, presidents of public colleges and universities seem more comfortable with the idea of a federal ratings system. Meanwhile, some 40 percent of private

college presidents believe it is inappropriate for the federal government to publish ratings that allow students and families to compare colleges. Nearly half of presidents in both the private and public sectors are taking a wait-and-see attitude: Such a tool is a reasonable federal mandate, they say, depending on the format of the rankings (see Figure 14).

FIGURE 14:
PUBLIC COLLEGE PRESIDENTS MORE SUPPORTIVE OF FEDERAL RATINGS

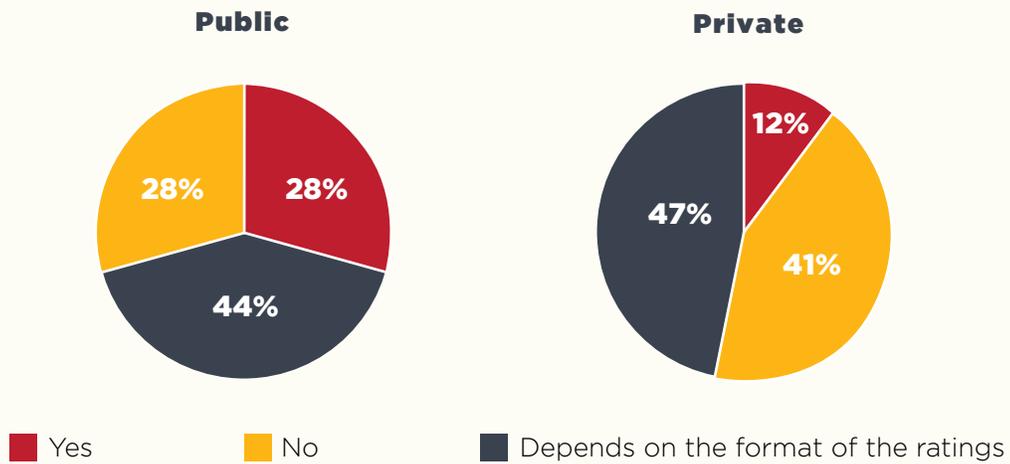
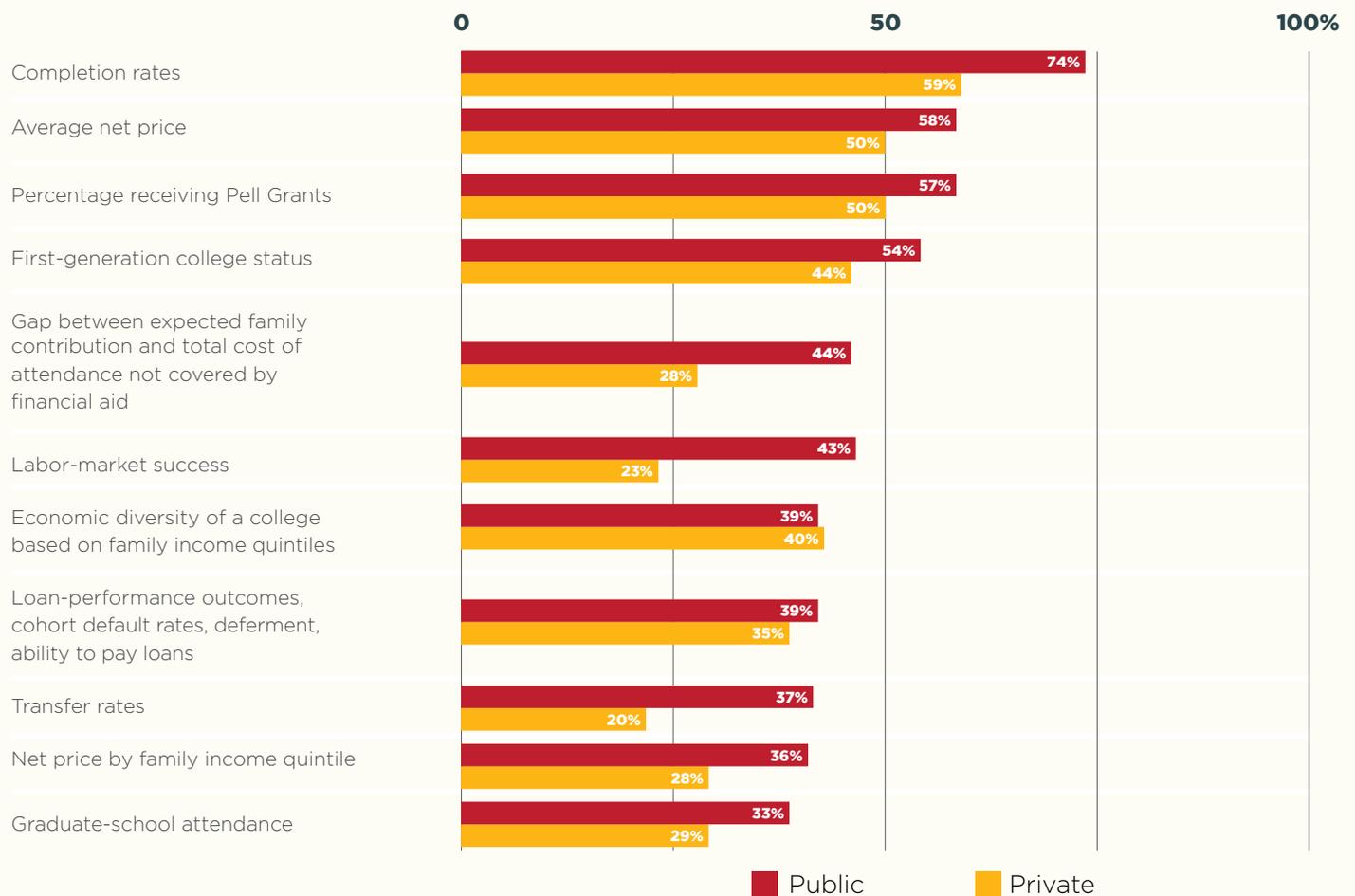


FIGURE 15:
THE METRICS COLLEGE PRESIDENTS WANT THE FEDERAL GOVERNMENT TO USE IN A RATINGS SYSTEM



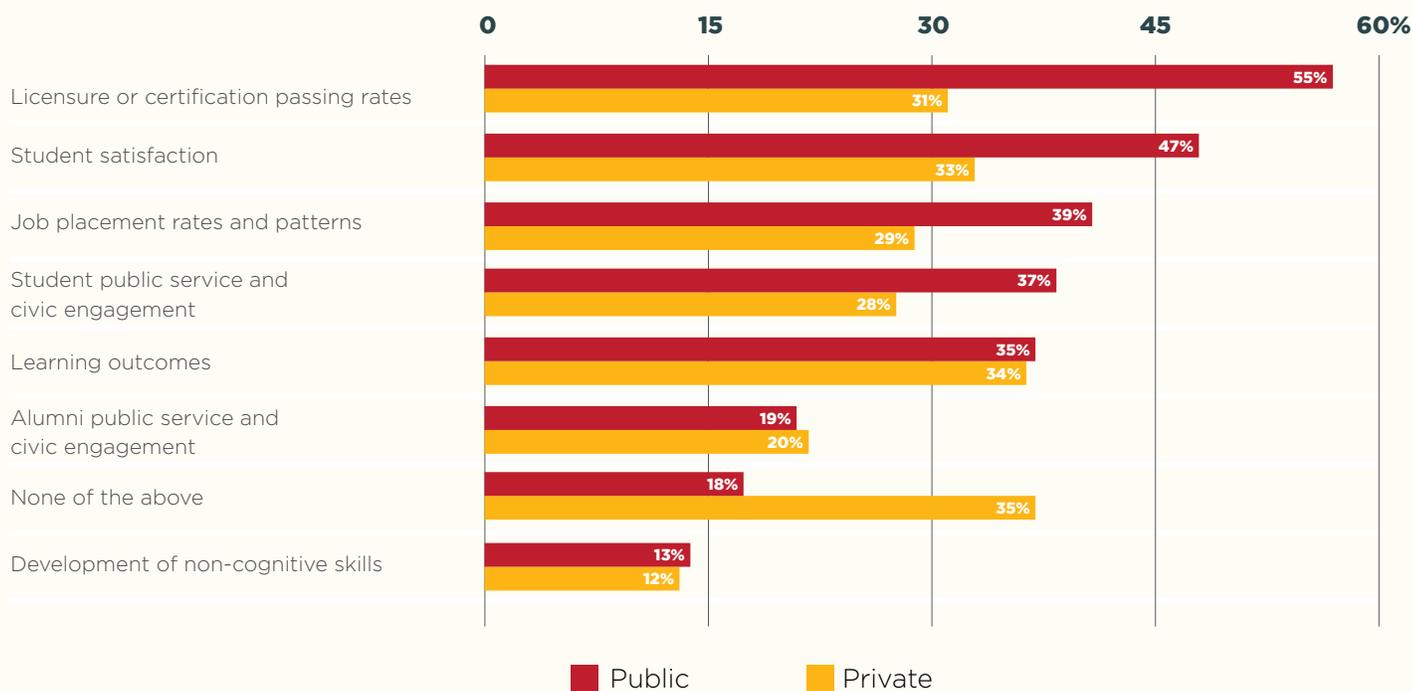
The format of the ratings rests largely on the metrics the federal government ends up using. Presidents in the survey largely agree on three primary metrics: completion rates, average net price, and the percentage of students receiving Pell Grants. What’s surprising in the survey results is that completion rates are the favorite metric of public-college presidents, even though their institutions tend to perform

worse on that measure than private institutions. Public college presidents also were much more likely to favor using labor-market outcomes and transfer rates as metrics compared to leaders at private colleges and universities (see Figure 15 on previous page).

Presidents surveyed had plenty of ideas for the Obama Administration

on potential metrics that the Education Department is not currently considering. The metric most favored by public colleges was to use passage rates for licensure exams; for private colleges it was “none of the above.” (see Figure 16).

FIGURE 16:
OTHER METRICS PRESIDENTS WANT THE FEDERAL GOVERNMENT TO USE IN A RATINGS SYSTEM

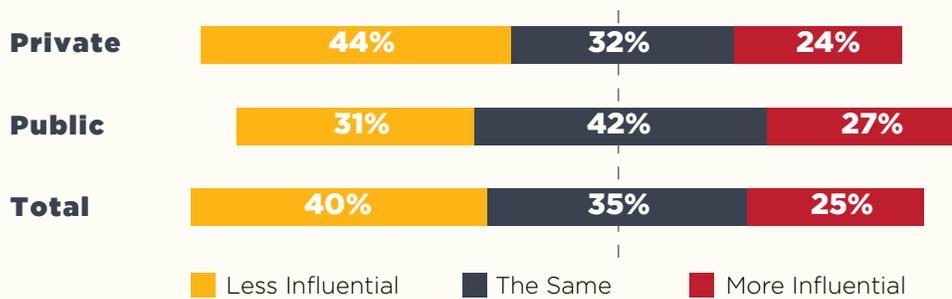


Even if the federal ratings system is put into place, presidents who responded to the survey believe it is unlikely to have a strong impact on the influence of the variety of college rankings published by commercial providers, particularly U.S. News & World Report. Indeed, a quarter of campus leaders report that the U.S.

News rankings have more influence today than 10 years ago and will remain by far the most influential ranking system in the near future (see Figure 17).

College presidents seem skeptical of any ratings system.

FIGURE 17:
THE INFLUENCE OF THE U.S. NEWS RANKINGS COMPARED TO 10 YEARS AGO



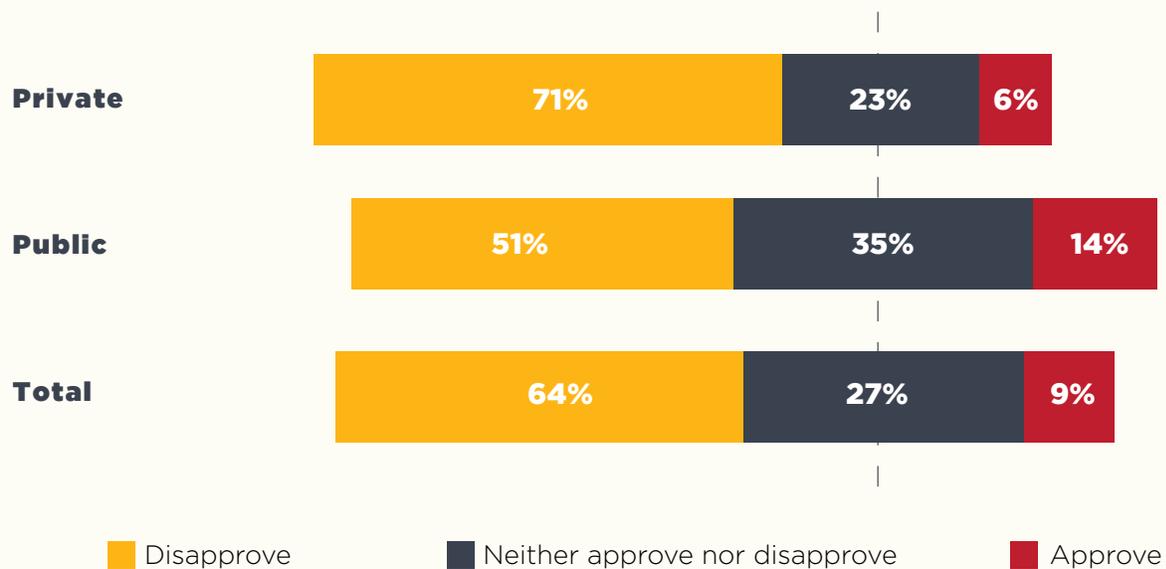
MOST INFLUENTIAL RANKINGS IN THE NEXT FIVE YEARS



President Obama’s proposed ratings plan clearly has struck a nerve with college leaders and has shaped their view of the administration’s overall strategy when it comes to higher education: The administration rates poorly with both private and public

college presidents. In fact, 64 percent of campus leaders say they disapprove of the president’s higher-education policies (See Figure 18).

FIGURE 18:
APPROVAL RATINGS FOR THE OBAMA ADMINISTRATION
ON HIGHER EDUCATION POLICY





CONCLUSION

Having survived the depths of the Great Recession, college presidents remain upbeat on the state of the U.S. economy even as they are worried about the financial sustainability of their own institutions. They are making attempts at new approaches to raise revenue in the face of essentially flat tuition and declines in state appropriations, although it's too early for them to determine what is working and sustainable for the long term.

The outcomes of higher education, particularly job preparation, are clearly much more on the minds of college presidents today than just a

few years ago. Presidents are investing more time and money in making sure the graduates of their institutions are ready for a changing job market. Even so, there remains a disconnect between higher education and employers over the most important skills graduates need to succeed in today's workplace. Even though campus leaders still favor academics over work experience, they remain worried about giving students enough experiential learning opportunities to stand out in a crowded job market.

Outcomes are also on the minds of presidents because of a push by the

federal government to rate colleges so that students and parents can better compare their options. Presidents are clearly skeptical of any federal government ratings system, especially one that focuses on what they see are the wrong metrics. The debate over the ratings, however, has focused presidents on outcomes and might in the end better prepare their institutions to navigate a different market for higher education in the future.

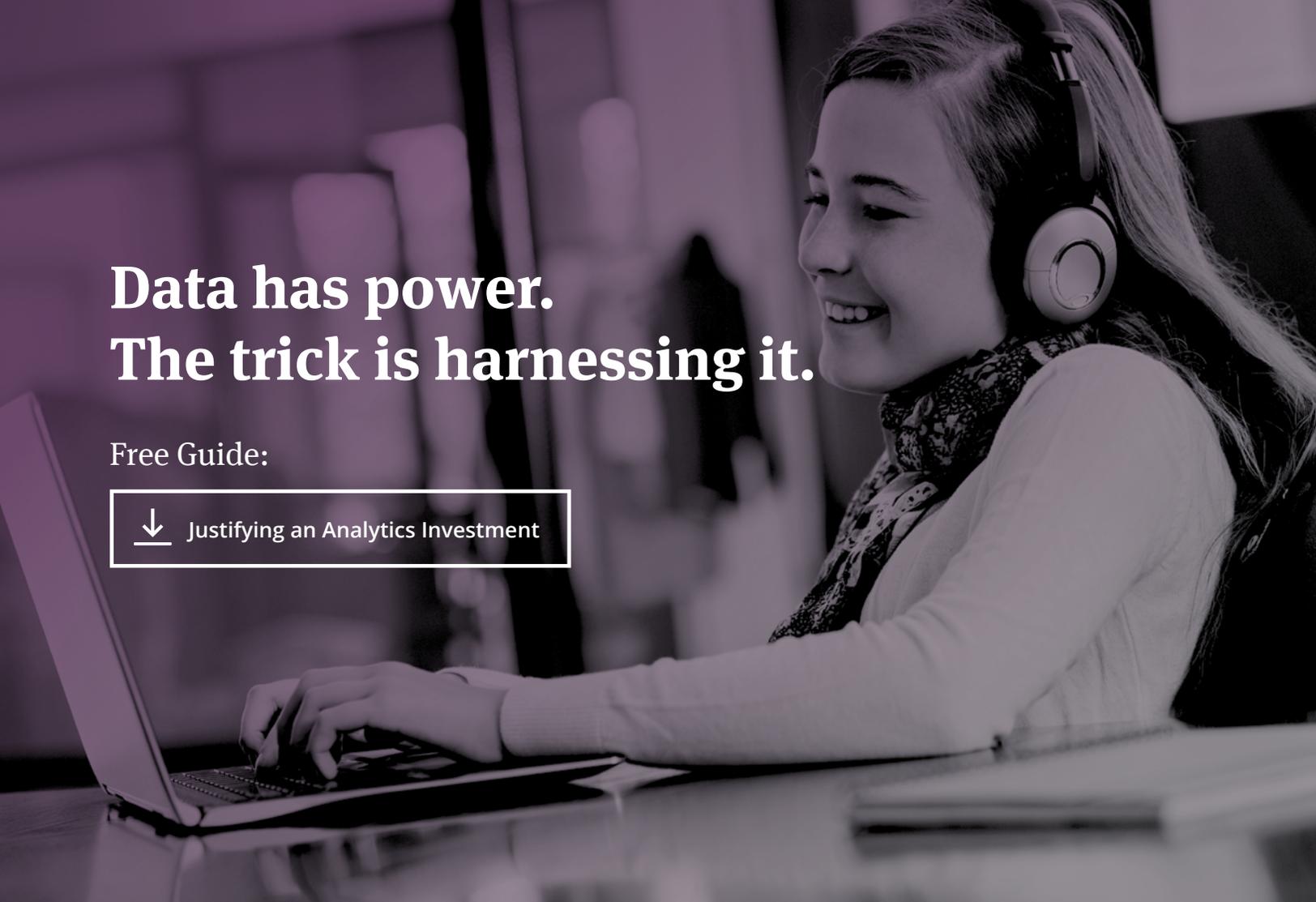
METHODOLOGY

The results of *The View from the Top: What Presidents Think About Financial Sustainability, Student Outcomes, and the Future of Higher Education* are based on a survey of presidents at four-year, not-for-profit institutions that fall into a selected group of classifications developed by the Carnegie

Foundation for the Advancement of Teaching. Maguire Associates, of Concord, Mass., which conducted the online survey for The Chronicle, invited 2,179 presidents to respond, and 376 did. The data collection took place in January 2015.



The View from the Top: What Presidents Think About Financial Sustainability, Student Outcomes, and the Future of Higher Education is based on a survey conducted by Maguire Associates, Inc., was written by Jeffrey J. Selingo, contributing editor at The Chronicle of Higher Education, Inc. and is sponsored by Blackboard. The Chronicle is fully responsible for the report's editorial content. Copyright © 2015.



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