Controversy

Frozen in Place: Higher Ed Faces Tough Times--Again

Last time, IHEs that went with across-the-board cuts and postponed investments survived, but made themselves market dependent.

by Robert Zemsky, Chair, The Learning Alliance, University of Pennsylvania

The political pundits have now confirmed what nearly every university president has recently discovered: The next two years will likely bring on the worst financial crunch since the Second World War. Then, as if to rub salt in the wounds, Standard & Poor's warned that for American higher education, the years ahead would necessarily include consolidations, mergers, and outright closures in the face of stagnant resources and mounting debt.

Despite the eye-catching appeal of the headline, Standard & Poor's got it wrong. Colleges and universities are hardly equipped, either organizationally or psychologically, to consolidate--and are even less likely to close, given their almost indomitable will to survive.

In the 1970s, and then again in the '80s and early '90s, American higher education faced similarly tough times. Then, as now, most institutions hunkered down, frozen in place. The unspoken message was that preserving jobs would be the top priority--people were more important than programs or things. As the financial crisis deepened, management teams turned inward, assuring themselves that all the expertise they needed was already at hand; no outside perspective was required. Libraries stopped buying books and journals. Computers were not upgraded, and new purchases were abandoned altogether. When cuts in people proved unavoidable, the first to be let go were part-timers. Thereafter, the pain was spread evenly across the institution. Every unit was expected to absorb its fair share of the institution's layoffs and job freezes. Cutting a perk here, cutting off the telephones there, seldom saved much money but said to the campus community, "We're all going to bleed--equally."

The sad truth is that most institutions were substantially weakened in the process. It takes a long time to rebuild an institution's confidence in its ability to invest in its own future. Even when state appropriations returned to their previous levels, it proved easier to go on saying no to

new initiatives, choosing instead to allow everybody to add back the positions previously sacrificed to the necessity of a balanced budget. Among the many, however, there were a few institutions that emerged stronger, more competitive, and hence better positioned and advantaged. These were institutions that not only made targeted (as opposed to across-the-board) cuts, but more importantly, chose to rethink how they operated, while continuing to invest--albeit on a smaller scale--in new initiatives.

In the 1970s, it was the **University of Pennsylvania** that invented and then refined Responsibility Center Management as a way of encouraging its schools and deans to adapt to their changing economic circumstance. In the '80s it was the **University of Michigan** that figured out how to encourage its schools and institutes as well as individual faculty to develop new markets as a means of offsetting the declining value of the university's state appropriation. In the early '90s it was the **University of Maryland Baltimore County** that invested in its science and engineering programs, thereby making itself more competitive both regionally and nationally.

These were also changed universities, having come to understand that the way to remain mission centered was, in fact, to be market smart. The irony is that most of the institutions that hewed to the older, more conservative strategy of across-the-board cuts and postponed investments survived, but in the process made themselves more market dependent. They came to rely on tuition and enrollment increases as the principal means (in many cases the only means) of offsetting declining state appropriations. Although these institutions did not choose to subordinate educational mission to market dynamics, in the end, surviving meant doing just that.

But if most institutions did, in fact, survive, what's the worry? The answer is that Americans, principally in the form of increased tuitions, ended up paying more for less: less experimentation, less investment in new ideas, less recasting of institutional practices that preserved, without strengthening, higher education.

History is now in the process of repeating itself. Most states facing truly horrific budget deficits are about to do what they have so often done in the past: reduce their appropriations to higher education while complaining about but tolerating the tuition increases their institutions will, as a last resort, institute, in order to survive intact.

But there will be some institutions now, as in the past, that will use this opportunity to reposition themselves, making the painful choices to help secure a more robust future. The only question that remains is whether or not a substantially larger proportion of higher education will now adopt this latter strategy than did last time around. Alas, at the moment, the smart money is betting that most of higher education is heading for "more of the same." We would all be better off, however, if more than just a handful of institutions learned how to navigate this current downturn such that they emerged stronger, more nimble enterprises capable of investing in their own futures.