**IS HIGHER EDUCATION LEARNING ANYTHING?**

**The Dangers to U.S. Institutions of Higher Education from the Disruptive Challenges in the 21st Century?**

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Abstract: This address will attempt to share the disruptive forces battering institutions of higher education in the U.S. with special emphasis upon those that will most likely result in institutional insolvency and/or industry restructuring.

Introduction: Thank you for this opportunity to share on a topic important to our nation. First some **disclaimers**: (a) I graduated law school without taking a course in bankruptcy, but I have spent my career cleaning up messes. (b) There is nothing original in this material; it is all stolen ideas; therefore, no accusation of plagiarism will stand. (c) Lots of quotes from experts—they put it in writing—or better yet, on the internet, so it must be right! (d) Many charts and statistics—easy to both wow and deceive. So you have been **warned**.

Lot of **negative** in this presentation; I don’t wish to discourage, but then, AIRA members used to dealing with negative—in fact, I guess you survive and thrive on it! No negative!—No AIRA!

Actually my hope is that sharing this information will not just get you added business, but that you will put on your creative restructuring hats and will seek out and help higher education institutions that you care about to realistically face the environment and restructure themselves to survive and thrive in the 21st Century.

Q&A at the end

A sampling of headlines from the past few years:

* ***Bryan College, Facing Enrollment Drop, Cuts Positions***. Bryan College, facing enrollment declines, is eliminating 20 of the 173 full-time employee positions… The college is also halting retirement contributions for a year, and imposing salary cuts on top administrators. “Inside Higher Ed” June 2, 2014
* ***Moody's Downgrades Laureate's Credit Outlook.*** Moody's Investor Service, has [downgraded](https://www.moodys.com/research/Moodys-changes-Laureates-outlook-to-negative--PR_300256) the credit outlook for Laureate Education, Inc. to negative from stable, citing the [global for-profit chain's](http://www.insidehighered.com/news/2013/10/10/laureates-growing-global-network-institutions) increasingly leveraged position. Laureate, which is based in Baltimore and enrolls 800,000 students at 200 campuses around the world, has used debt (now $6 billion) to finance many of its acquisitions. Inside Higher Ed, June 2, 2014
* ***Business School, Disrupted***. NYTimes, May 31, 2014
* ***College Credentials by Condé Nast***. Inside Higher Ed, June 3, 2014
* ***13 Reasons Colleges Are in This Mess***
* ***Moody’s Warns of ‘Sharp Deterioration’ in College Finances***
* ***More than 100 Colleges Fail Education Department’s Test of Financial Strength***
* ***The College-Cost Calamity: Many American Universities are in Financial Trouble –*** The Economist, August 4, 2012
* ***In Hard Times, Colleges Search for Ways to Trim the Faculty***
* ***Time to Close the College?***
* ***The Ivory Tower: Crumbling from Within?***
* [***Colleges In Crisis As Enrollment Dips****.*](http://hereandnow.wbur.org/2013/01/15/college-enrollment-crisis) Here & Now, January 15, 2013.
* [***Bursting the Higher Ed Bubble***](http://theweek.com/article/index/96989/Bursting_the_Higher_Ed_Bubble)*.*  The Week, May 27, 2009
* [***Led By For-Profit Colleges, Student Loan Defaults At Highest Level In A Decade****.*](http://www.huffingtonpost.com/2011/09/12/for-profit-colleges-student-loan-_n_959058.html)Chris Kirkham. Huffington Post, September 12, 2011
* [***Will Higher Education Be the Next Bubble to Burst?***](http://chronicle.com/article/Will-Higher-Education-Be-the/44400) Joseph Marr Cronin and Howard E. Horton. The Chronicle of Higher Education, May 22, 2009
* [***The Higher Education Bubble***](http://www.economist.com/blogs/lexington/2009/06/the_higher_education_bubble). The Economist, June 11, 2009
* [***Popping the Higher-Education Bubble***](http://article.nationalreview.com/427786/popping-the-higher-education-bubble/dan-lips). National Review, March 15, 2010
* [***Further Thoughts on the Higher Education Bubble***](http://www.washingtonexaminer.com/opinion/columns/Sunday_Reflections/Glenn-Harlan-Reynolds-Further-thoughts-on-the-college-tuition-bubble-100216064.html). Glenn Harlan Reynolds. Washington Examiner, August 8, 2010
* ***The Higher Education Bubble***. Glenn Harlan Reynolds. New York: Encounter Books. p. 1. [ISBN](http://en.wikipedia.org/wiki/International_Standard_Book_Number) [1594036659](http://en.wikipedia.org/wiki/Special:BookSources/1594036659), 2012
* [***Higher Education, The Latest Bubble?***](http://www.economist.com/blogs/schumpeter/2011/04/higher_education) [*The Economist*](http://en.wikipedia.org/wiki/The_Economist), April 13, 2011
* [***Is a College Diploma Worth the Soaring Student Debt?***](http://www.pbs.org/newshour/bb/business/jan-june11/college_05-27.html) [PBS NewsHour](http://en.wikipedia.org/wiki/PBS_NewsHour), May 27, 2011
* [***46 Percent Of Federal Loans Paid To For-Profit Institutions Will Go Into Default***](http://www.huffingtonpost.com/2010/12/23/46-percent-default-rate-o_n_800283.html)*.* Danielle Wienerbronner. huffingtonpost.com/AOL.com, December 23, 2010.
* [***Private Student Loan Bankruptcy Bill... The 4th Attempt***](http://studentloanjustice.org/action-room.htm)***.*** Alan Collinge. StudentLoanJustice.org, 2011
* [***When Will the Education Bubble Explode?***](http://www.forbes.com/sites/peterjreilly/2011/11/02/when-will-the-education-bubble-explode/) Forbes
* [***Infographic: The higher education bubble, Part one****.*](http://opensource.com/education/12/3/infographic-education-bubble) Education News
* **SUMMATION OF ARTICLES - “The environment in which higher education operates today and the rules of engagement are changing rapidly and drastically, and those who fail to prepare and adapt are doomed to decline or failure.”**
* **Even More dire predictions:**
  + ***“The higher ed revolution is coming. Just a few decades hence, half the colleges and universities in the United States will have disappeared, but schools like Harvard will have millions of students.*** In fifty years, if not much sooner, half of the roughly 4,500 colleges and universities now operating in the United States will have ceased to exist. The technology driving this change is already at work, and nothing can stop it. The future looks like this: Access to college-level education will be free for everyone; the residential college campus will become largely obsolete; tens of thousands of professors will lose their jobs; the bachelor’s degree will become increasingly irrelevant; and ten years from now Harvard will enroll ten million students.” -- **The End of the University as We Know It,** [NATHAN HARDEN](http://www.the-american-interest.com/articles/byline/nathan-harden/)in “The American Interest” 12/11/12
  + **“In 15 Years From Now Half of US Universities May Be in Bankruptcy. … in the end I’m excited to see that happen. So pray for Harvard Business School if you wouldn’t mind.”**  Interview with Clayton Christensen of HBS and touted #1 management thinker today, and co-author of [*Disrupting Class: How Disruptive Innovation Will Change the Way the World Learns*](http://hollis.harvard.edu/?itemid=%7Clibrary/m/aleph%7C011514703). McGraw-Hill, 2008.
* Institutions of higher education are in an industry that doesn’t often think of themselves as **needing your services**, but it is a growing phenomenon that institutions are increasingly insolvent, and if it is not time to declare bankruptcy, some are **precariously close**. We tend to think of higher education as a fundamental part of the fabric of society; it is always there; it is non-profit and thus not susceptible to the external forces buffeting every other industry; with brand loyalty that blinds administrations, faculty, alumni, and boards. We often consider it too important to fail, yet in denial of reality. Just because it has been a favored industry doesn’t mean it isn’t vulnerable to the disruptive forces in our world.

1. **Recent History & Current Status of U.S. Higher Education** – We will look at current status and some challenges/forces created within the industry.
   1. **Perception of Perseverance**:
      1. University of Bologna – Founded 1088
      2. Many universities begun in middle ages—Oxford, Cambridge, Heidelberg, Vienna, Turin, St. Andrews, etc.
      3. Sense of stability; sense of place; stately buildings
      4. Golden Age - 50-year run of growth since WWII. Ticket to upward mobility, international student surge, no competition, GI Bill, student loans, research money, 10-fold increase in enrollment in 60 years.
   2. **Prevailing Model**—Follows wealthy schools: high tuition costs; high discounting (NACUBO—first-time, full-time paid avg. of **57.6% of the sticker price**; requires large number of full-paying students who are hard to find; propped up by **820,000 international students** primarily from China, India, Korea, Saudi Arabia); expensive instruction—low faculty loads and small class sizes; residential life on beautiful campuses; relatively rigid schedules and calendars with little flexibility; one-size fits all curriculum; limited course and degree offerings; leadership recruited as stewards to preserve the best of the university, not as innovative leaders; stately (i.e., expensive) buildings; massive investments in brick & mortar; molasses-style movement (one report of **2 years to change the name of a degree**); shared governance; very high marginal cost and little scalability. Claimed uniqueness – learning for its own sake; research; environment. In 2 words: **ivory tower**.
   3. **4,599 degree-granting institutions**; 2,870 are 4-year; increase of 42% since 1980, to accommodate a 97% increase in the number of students. (National Center for Education Statistics, U.S. Dept. of Education) Most student increases **absorbed in the mega-universities**, but most of the increase in number of institutions has been small independent colleges--many inefficient/underfunded.
   4. It is reported that **tuition and fees** have climbed **30% faster than health care costs** and 4 times the rate of inflation since WWII. Tuition was **23%** of **median earnings** in 2001 and was **38%** in 2010. If recent trends continue, four years at a top-tier school will cost $330,000 in 2020 per Mark Taylor, Chm. Religion Dept. at Columbia U. in “Academic Bankruptcy,” NYTimes, August 14, 2010
   5. **Cost pressures** – expectations have multiplied; resort-like atmosphere—gourmet foods/4-star dorms/climbing walls/state-of-the-art athletic facilities/multiplied student services. Salaries have climbed faster than inflation, with some faculty, coaches, and administrators making $1 million or more; Smith College professors earn $130,000; declining teaching loads; and regulatory burdens. [Delta Project on Postsecondary Education Costs, Productivity, and Accountability](http://www.deltacostproject.org/), (non-partisan American Institutes for Research) reported spending per student at Smith College $61,655 vs. U. of Mass at Amherst at $31,762 vs. Holyoke Community College at $10,935 with varying percentages going for education.
   6. **Social Stature Declining**– Families are questioning whether it is still a ticket to **upward mobility?** Stories abound of **jobless** or **underemployed** graduates and credit-ruining debt. **Not delivering value** for the extra costs. No longer teach **values/character/citizenship** because of prevailing political correctness today says there are no absolutes or values better than others. According to “Academically Adrift” by Richard Arum and Josipa Roksa, **45%** of students surveyed at major universities demonstrated **no significant learning** in the first two years in critical thinking, complex reasoning, or writing. 36% do not improve in 4 years. Others only marginally improve.
   7. Tendency of boards/administration to **deny reality**; ostrich effect; after all traditions have survived all changes to date! Pressures for positive public relations.
   8. Rise of **For-Profit** educational institutions:
      1. By 2010 - $29.6 B revenue; high profit margins.
      2. Enroll 2.5 million students; 2000-2012, CAGR of 16%; 11% of enrollments in 2012; 25% of financial aid and 47% of loan defaults. Enroll 65% of students over age 25. But from 2011 to 2012 – for-profit enrollments declined 7%, while overall HE enrollment declined only 1.8%.
      3. For-profits receive 80% of revenue from federal aid programs; average of $6,997/student.
      4. Largest 14 institutions average market cap of $776.5 M, with Apollo, DeVry, and Grand Canyon Education, Inc. at or approaching $2 B each; Apollo had EBITDA of $758 MM in most recent reported year.
      5. 74 mergers through 2010 for $11.8 B; 88 transactions since 1999 for $12.5 B.
      6. 25% of revenue spent on advertising and recruiting; 17% on educating; and 19% profits. Title IV regulations now forbid commission/bonus/incentive payments for recruiting.
   9. **Is the HE Industry Venerable? Yes, but there is a growing sense of unease**. Could such stable institutions be disrupted? Look at 3rd estate—print media; 60% decline in print advertising in 10 years; 150-year old newspapers closing; newspapers selling for 10-15% of prior value. Look also at music, books, POTS, Cable TV—all information-based industries impacted by technology.
   10. **Can it happen in H.E.?** An information-based industry subject to same political, geographic and economic forces.
2. **21st Century Disruptive Forces Outside the Academy That Challenge Sustainability.** Each one deserves a separate discussion and deeper consideration. Change is the only constant in our world.

“[Even if you're on the right track, you'll get run over if you just sit there.](http://www.brainyquote.com/quotes/quotes/w/willrogers104938.html)” [**Will Rogers**](http://www.brainyquote.com/quotes/quotes/w/willrogers104938.html)

* 1. **Demographics** – Reported that only 16% of college students fit the traditional undergraduate student model—ages 18-22, full-time students, living on campus.
  2. **Competition:**
     1. For-Profit – Apollo/Phoenix; mkt. share – 6-12%; 2.4 million; $32 B
     2. Non-Profit – GA Tech – offering computer science masters for $7,000
     3. International – # of Chinese colleges 1999—1,071; 2009—2,305.
     4. Increased cost of recruiting – averaging $2-4,000 in many colleges.
  3. **Cultural Shifts** (good or bad). Attention Span/quick fixes/sound bites/lack of depth—simplicity/no critical thinking. Families are questioning value. Abandonment of long-held cultural, political, economic, and moral values. What is a college education—being **redefined**. “The illiterate of the 21st Century will not be those who cannot read and write, but those who cannot learn, unlearn, and relearn. -- Alvin Toffler. Much of what passes for higher education brings to mind former Boston University President John Silber’s quip: “Higher than what?”

There are too many **soft courses**, economist Thomas Sowell recently noted, “that allow students to spend years in college without becoming educated in any real sense.” Oklahoma (a generally conservative state) institutions of higher education offer courses such as Badminton, Principles of Floral Arranging, Beginning Bowling, Puppetry I, Billiards, Star Wars and the Hero’s Journey, Six Years in the Life: The Beatles and the Counterculture, Disney Dogs and Popular Pets, Monsters, Mummies, Myths: A Study of Bad Archaeology and Pop Culture, The Evolution of a Media: Hip Hop Narrative, Environmentally Conscious Living, South Park and Stereotypes: TV Racism in the Obama Era, Jersey Shore-GRC: Depictions of Gender, Race and Class on The Shore, Sociology of Gender and Sexuality in Media, Rough Girls and Sweet Boys: Gender, Personality and Communication, and Food, Culture, and Society, but lessening attention to history, economics, civics, grammar, math, and science. An Oklahoma University professor once published academic research entitled “Towards Queering Food Studies: Foodways, Heteronormativity, and Hungry Women in Chicana Lesbian Writing.” This degradation of the curriculum can be found multiplied thousands of times throughout U.S. higher education. Is it any wonder that families are losing faith in the value of higher education—or that its cost is escalating?

The above is just one indication of the **Dumbing Down** of K-12 and college education. There is a easily demonstrable lack of preparation—emotional, intellectually, and socially for college or for life. Higher education is investing heavily in remedial classes. 8th grade tests of the 1800’s were beyond the capability of most college graduates. The stories of abysmal learning at many universities have been well documented. It reminds me of the football player who was having a hard time passing his science class, and the coaches asked the teacher for help. The science teacher told the coach that if the student could memorize the chemical formula for water, he would pass the class. So the coaches prepped and prepped, and the day came for the test. The science teacher asked the football player, “What is the chemical formula for water?” The student beamed and said “h-i-j-k-l-m-n-o.”

* 1. **Technology**—a great tool for delivery of much content. 5.5 million students took online classes in 2012 (NCES), about half in fully online programs. Between 2000-2010 online enrollments had a 31% CAGR. Online enrollments account for 58% of for-profit enrollment. Massive Open Online Courses (MOOCs), such as **edX**—Harvard and MIT; **Coursera**—Stanford, Penn, Princeton, U. of Michigan, and UC Berkeley; **Udacity**; and **Western Governors University**. There are now 528 schools with online degrees. US News is now ranking online degrees and received 1,000 applications. Online learning has the following benefits: convenience; mass customization vs. fit our model; flexibility; cost; interactive; and can accommodate different learning styles. Faculty roles are changing from **“sage on stage” to “guide on the side.”** Several **studies** are now showing that students learning through technology do as well on tests as those in the classroom (possible self-selection?) and that the **time** required is much less. The Internet is destroying or drastically altering all industries that rely on the sale of information. Nearly all young people today are ‘digital natives’ vs. ‘digital immigrants.’ **Credentialing** is the key to dramatically increasing online education, and that is now being promoted by the American Council on Education (ACE) and by many schools, and being experimented with by the regional accrediting agencies. Anant Agarwal, an MIT computer science professor and edX’s first president, told the *Los Angeles Times*, **“MIT’s and Harvard’s mission is to provide affordable education to anybody who wants it.”** That should put the fear into the higher education industry.
  2. **Skewing of Common Sense Economics creates and continues to inflate the higher education bubble.** 
     1. We’ve heard plenty about the “college bubble” in recent years. On a Google search, I got **87,300,000 hits for college bubble**! It ought to at least get our attention. Let’s look some at what created and continues to inflate the bubble.
     2. Government changed **funding paradigm** from family to government and debt.
     3. Student Debt Bomb. Next to housing, now highest source of debt—above credit cards at $1 Trillion or 1/3 of all personal debt. It averages $23,000+ per student; some are well over $100,000 and I am aware of graduate students with over $200,000 in student loans. Defaulting on payments is at an all-time high. Such debt makes some borrowers now unmarriageable!
     4. According to Will Rogers, “We don’t have to worry about anything. No nation in the history of the world was ever sitting as pretty. If we want anything, all we have to do is go and buy it on credit.”
     5. Something in the range of 3.1% of America's GDP was spent on higher education in 2007 (Organisation for Economic Co-operation and Development (OECD), "[Education at a Glance, 2010: OECD Indicators](http://www.oecd.org/dataoecd/45/39/45926093.pdf)"). Some 2.1% of this was tax-funded. This was in the range of $300 billion each year. As with any bureaucracy that is funded by the government and which is granted a licensing monopoly by the government, it exists above all to make sure that the funding and licensing continues.
     6. **2005 Bankrupcy Abuse Prevention and Consumer Protection Act** removed private student loans from bankruptcy protection. Several bills to overturn it, including S. 114: Fairness for Struggling Students Act of 2013; and H.R. 2028 (112th): Private Student Loan Bankruptcy Fairness Act of 2011. Once again the government has sought to remove the link between cause and effect, between the act and its natural consequences, between risk and reward.
     7. Again, Will Rogers has some advice for us: “Be thankful we’re not getting all the government we’re paying for.”
  3. **Further Examination of the Higher Education Bubble.** Let’s compare it to the all-too-familiar Housing Bubble. Were bankers greedy? Sure, but they were just as greedy before the bubble. However, before the bubble, bankers were also cautious. Profit appealed to their greed. Risk appealed to their caution. The balancing forces of greed and caution—profit and risk—are what cause a free market to produce the right amount of loans. What changed was that government meddling removed caution by separating loan profits from loan risks. The government (i.e., the taxpayers) shouldered the mortgage risks and banks got to keep profits without risk. The Government created the conditions for wholesale failure. And failure ensued.

Just as the government sought to engineer people into houses, it now seeks to

engineer them into higher education. Congress established Sallie Mae in 1972 to

encourage banks to loan more money for college. The Affordable Care Act of 2010

allowed the government to loan money directly to students. The following year the

Taxpayer Relief Act extended tax breaks to student loan borrowers. Predictably, the

Federal Reserve artificially kept interest rates at historically low levels, making

college loans cheaper.

And the price of a college education soared—just as one would expect from a market flooded with cheap money. I didn’t confirm these numbers, but from 1976 to 2010, the prices of all commodities rose 280 percent. The price of homes rose 400 percent. Private education? A whopping 1,000 percent.

By law, lenders cannot even deny Stafford and Perkins loans (types of federal student loans) based on the borrower's credit or employment status. What other reason is there to deny a loan? And just as home buyers took out loans to speculate on houses they could never hope to afford, students are taking out loans to cover educations they often cannot complete and which often do not hold value in the market even when completed. Government meddling has again separated profit from risk. Universities get to keep the tuition profits while taxpayers are forced to shoulder the risk of students not paying back their loans. Once again government has created the conditions for wholesale failure, and failure is upon us.

While the **U.S. College and Higher Education Bubble** isn’t an *asset* bubble like stock or real estate bubbles, it is a *bubble-like phenomenon* with very similar risks and implications as asset bubbles. The crucial components of all bubbles are present in the US College Bubble: a highly convincing and partially-legitimate cultural appeal, soaring prices and profits, decreasing affordability, a highly overpriced/overvalued product, blatant profiteering, a “gold rush” mentality, extrapolation of the boom’s growth far into the future and debt-fueled overinvestment/overexpansion. The end result will be similar to what asset bubbles experience when prices become overvalued and unaffordable: prices will be forced down to realistic levels again and large-scale industry downsizing will occur, resulting in massive capital losses. ["The College Bubble Exposé"](http://www.thebubblebubble.com/college-bubble/), TheBubbleBubble.com, Jesse Colombo, “Forbes”

“The college bubble is not as big now as the housing bubble was five years ago, but it is much like that one in featuring a large population of buyers who are goaded by federal subsidies and tax benefits into a borrowing binge and then wake up with a hangover. “Will Higher Education Be the Next Bubble to Burst? Forbes 1/15/13

* 1. **State government support declining** - moving rapidly toward “user pays.”
  2. Political pressure that **higher education is for all** (though not true); but in recent years only half of graduates are working in jobs that require a college education.
  3. **Stratification of Higher Education** into the haves vs. have-nots. Multi-Billion Dollar Campaigns; outbidding for faculty and resources; undermining diversity which has been a major source of greatness in American higher education. 80% of small schools have experienced declines in enrollment in past 3 years, and they are trying to address it with massive increases in the discount rate, and thus further undermining their own revenue source—a deadly downward spiral.
  4. **Accreditation** – It was once the higher education mote—protecting from the forces of competition, but it is now changing to recognize other ways of validating education. Accreditation will soon no longer be based on seat time, but rather on content—what was learned, not how it was learned. Even ACE is calling for “learning assessment accreditation” - competency-based education – earn credit based on what students know, not where or how they learned. 600 corporations and government agencies are now establishing their own accrediting criteria. ACE reports that 82% of the students received some credit for ACE recommendations.
  5. Push toward **occupational training**; relevance to finding jobs; payers are wanting a say in the curriculum which in the past has belonged to the faculty.
  6. **Investment returns** are declining, impacting payouts from endowments.
  7. Increasing government **regulation** – Washington thinks it has all the solutions:
     1. Composite Scores (100 failed); improperly capitalized; illiquid; survivability—can be skewed by hedging; effectively prevent leveraged acquisitions.
     2. Gainful employment regulations - $60 million to comply + $10 M/year; 36 data elements; debt and earnings ratios; default rates by cohort.
     3. 90/10 Rule for Title IV programs
     4. Cohort Default Rates >30% for 3 years
     5. Cannot use bankruptcy restructuring, or lose Title IV funding and accreditation
     6. Reporting requirements ranging from diversity to health to crime to ….
     7. Legal causes of action proliferating
     8. Teach Out plans if close and institution
     9. Pell Grant eligibility reduced from 8 years to 6 years; $7.5 B/year
  8. **Research** is now highly commercialized and less fundamental original research.
  9. **Commodification of information**—with so much online and in libraries, information is no longer the private treasure of universities; again, the public is questioning the value of higher education in this new information paradigm.
  10. **Demand for accountability**—costs have dramatically outpaced inflation and even health care. Price sensitivity is real and is affecting selection.
  11. **Demand for flexibility** – unbundling, time, customized programs.
  12. **Rating Agencies** – S&P, Moody’s etc. are now decreasing bond ratings

Moody’s Investors Service, **Jan 2013 – negative outlook for the entire HE sector**, citing “mounting fiscal pressure on all key university revenue sources.” Since 2009, Moody’s has been negative on all except research/selective universities. - "The U.S. higher education sector has hit a critical juncture in the evolution of its business model," said Eva Bogaty of Moody’s.

1. **Positive Forces Impacting Higher Education**—Not a totally bleak picture.
   1. Tradition – much residual faith in the value of a college degree.
   2. Inertia.
   3. Upward mobility.
   4. International student numbers increasing; not long-term because other countries. catching up. Even a French University offering degrees in English.
   5. Brand Loyalty of Alumni/Benefactors.
   6. Devotion of faculty and staff.
   7. Continuing need to teach critical thinking.
   8. Waking up to the need for values/build a strong society; critical thinking and character formation, not just occupational training.
   9. Shift to a knowledge society from manual labor.
   10. Use of technology – MOOCs, etc. has a profound impact, but it will be an evolutionary shift. Blended learning vs. the extremes of all online or all on campus. "Rather than being disruptive to **Bowdoin**, I am convinced that technology and modes of learning emancipated by technology will have the power, potentially, to incrementally, rather than disruptively, improve our educational model," wrote Bowdoin President Barry Mills.
   11. Evidence from the U.S. Bureau of Labor Statistics, says higher education still pays more than the cost.
   12. Higher education leadership is waking up to the challenge—hires are increasingly for leadership/change/business skills/bias for action. Resource allocations – cannot just trim across the board; must shed programs, campuses, buildings, etc. Will Rogers nails it again: “[There are three kinds of men. The one that learns by reading. The few who learn by observation. The rest of them have to pee on the electric fence for themselves.](http://www.brainyquote.com/quotes/quotes/w/willrogers393513.html)”
   13. Education has been and will continue to be one of the major contributing factors to our prosperity and freedoms. In the 1940’s Sydney Harris noted that “Education turns mirrors into windows.”
2. **Some insights into correction:**

I have been asked to present challenges—thankfully not solutions. Besides if I gave AIRA my wisdom on the subject with regard to higher education your association would have nothing to do! I do want to appeal to your restructuring expertise—the “R” in AI***R***A.

Caution about predicting the future:

* "640K ought to be enough for anybody." -- Bill Gates, 1981
* "There is no reason anyone would want a computer in their home." -- Ken Olson, president, chairman and founder of Digital Equipment Corp., 1977
* “We are continually faced with great opportunities brilliantly disguised as insoluble problems.” -- John W. Gardner
  1. Recognize that the college cannot change the forces – only resist, ignore or innovate.
  2. Identify which forces are benign, positive, negative, and both – SWAT
  3. Strengthen the financial reserves – focus on the balance sheet
  4. Business model must change
  5. Unbundling of degrees—credit from multiple universities
  6. Opportunities for needed mergers, but that could just delay the inevitable if other factors are not addressed (i.e., a short-term fix).
  7. Tenure systems must evolve to allow flexibility—it is good to protect faculty against retaliation for new or different ideas, but not good to protect against economic forces and mission changes. In 1975, 75% of faculty members were tenured or on a tenure track; today it is 30%.
  8. Differentiate—distinguish; be market sensitive; and demonstrable value.
  9. Create nimble institutions with a culture of measurement; institutional flexibility; financial viability; focus on what to stop doing; and educational innovation.
  10. *Above all, higher education must resist the ‘first instinct’ to hunker down, hide out, take refuge in the fox hole, and wait for the storm to pass.”* One of the biggest challenges may be how to decide what to stop doing.
  11. Elite Universities will survive this easily, but a large segment may not if they are not distinctive, have a purpose and a price that is desirable, and adjust to the storms of culture, while protecting and maintaining the central values of education.

1. **Conclusion**
   1. Big changes are coming, and old attitudes and business models are set to collapse as new ones rise. Awareness of impact of the external forces and the internal traditions is growing, while still lagging somewhat behind reality. Severe financial contraction and/or adjustment in the higher education industry is on the way.
   2. “But if our goal is educating as many students as possible, as well as possible, as affordably as possible, then the end of the university as we know it is nothing to fear. Indeed, it’s something to celebrate.  – Nathan Harden, “The End of the University as We Know It.”
   3. Let me close with the final advice from my fellow Oklahoman, Will Rogers. “[Instead of giving money to found colleges to promote learning, why don't they pass a constitutional amendment prohibiting anybody from learning anything? If it works as good as the Prohibition one did, why, in five years we would have the smartest race of people on earth.](http://www.brainyquote.com/quotes/quotes/w/willrogers122573.html)”