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PERSPECTIVE

A SERIES OF WHITE PAPERS EXAMINING ISSUES IN HIGHER EDUCATION

WHO CAN AFFORD
PRIVATE COLLEGES?

WHO CAN PRIVATE
COLLEGES AFFORD?

By Jon McGee

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EXECUTIVE SUMMARY

- **Looking forward, the corridor for success for many private colleges (perhaps most) will be increasingly narrow.** How will we align our values with the marketplace and in relation to our competitors? Our challenge as institutions will be to create distinction in a crowded marketplace and to be more transparent and compelling in the way we convey that distinction.
- **College affordability—both real and perceived—is among the most pressing issues today in higher education.** Affordability and “access-to-the-education-I-want-for-my-child” are generally interchangeable public concerns. As both price and the economic and social return on education rise, higher education finds itself in a conundrum similar to the one the health industry has faced for years: the experience is lionized as valuable and a necessity while the producer is demonized for poor price management. Though often examined only in relation to sticker price and family income, college affordability is influenced both by ability to pay (the family resources required after consideration of all sources of assistance) and willingness to pay (a judgment about value independent of income). Increasingly, not only families but also institutions must address the same questions. Can my institution *afford* to enroll this student? Is my institution *willing to invest* in this student? In other words, in the new economics of higher education, the question of affordability not only has implications for demand but also for supply.
- **Your future prospects depend, in part, on where you live—which makes deep knowledge of the local and regional market an imperative.** In spite of media reports forecasting a tidal wave of higher education enrollment in the next decade, prospects for growth, or even maintenance of current enrollment, are not evenly distributed across the country. Many regions of the country (most notably the Northeast and Midwest) will experience nearly continuous declines in the traditional-age college population over the next decade. For any individual institution, demography is not destiny. It does, however, provide a particularly powerful and important lens through which we can view and define our opportunities and imperatives.
- **While college students often are characterized as footloose travelers crisscrossing the country to pursue their educational dreams, most of American higher education operates locally or regionally, not nationally.** Fewer than one in five private college students travels a long distance to college, and nearly half of all new students in the United States travel less than 100 miles from home to college. In other words, they buy what they know, and what they know best is local. The local environment (however understood geographically) defines both the challenges and the opportunities for the vast majority of private and public colleges in the country. Though we might like to believe otherwise, most higher education brands are local. And the local area defines not only our primary enrollment market but most often also includes all of our primary competitors.
- **Money matters more than it ever has—both in relation to meeting demonstrated financial need and as an enrollment inducement independent of need.** In just the last five years, institutional grant aid

awarded by members of the Council of Independent Colleges increased by more than \$1 billion—an increase of more than 50 percent in just half a decade, and a rate of growth twice as fast as the rate of increase in average tuition and five times faster than growth in undergraduate enrollment. Though data detailing how that aid was distributed often are scarce, strong anecdotal evidence suggests that a very significant portion of the increase was awarded in the form of characteristic-based grants—merit aid offered independent of ability to pay. In the race to enroll students—particularly high-achieving students, who often come from families in upper-income brackets—we almost surely have created a marketplace where nearly everyone perceives himself or herself as “needy,” or at least “deserving.” As a result, today the enrollment marketplace bears an increasingly disturbing resemblance to “Let’s Make a Deal.” We have conditioned families of all types and means to seek and demand a sale price.

- **Higher education is an intensely competitive industry, and the combination of demographic change and an increasing desire to enroll high-achieving students will up the competitive ante even further.** Though circumstances vary greatly by region or locale, taken as a whole, there may simply be too many seats chasing too few students, or, more accurately, too many seats chasing too few students of a particular type or characteristic. The stakes associated with meeting enrollment goals are particularly high since we are not, by and large, a “repeat customer” industry. An undergraduate education is most often a once-in-a-lifetime purchase—meaning we either enroll you now at whatever price or do not enroll you at all, ever. The binary nature of the transaction intensifies the competitive engagement among colleges and places enormous pressure on price competition. While a great deal of attention is paid to the seemingly endless enrollment demand for a handful of prestigious private colleges (described recently in the *Atlantic Monthly* as the “gotta get ins”), most of the more than 1,600 private colleges in the country operate along the continuum of respectability and survivability, and must simultaneously worry about making and shaping their classes.
- **We enter our future having invested heavily in our past and present.** As the expectations, needs and demands for higher education change, our relevance—and even our survival—demand that we better understand how values and value creation integrate mission and market. Too many strategic plans begin with a simplistic affirmation of mission and values, and then follow with an environmental assessment—as if mission and environment operate independently of one another. They do not. Mission and market assessment must be conducted simultaneously to ensure a two-way value connection.
- **Money and rankings matter more than they should today because too many colleges have not identified nor clearly articulated distinguishing purposes, experiences or outcomes.** We must define for ourselves and our students clear and compelling value markers beyond price and units of input that make it clear why the education we each provide is worth pursuing and purchasing in the first place. In a post-discounting world, the lure of money cannot be the primary tool for differentiation, because it will forever expose us to those who are wealthier than we are or more foolish than we are, or, heaven forbid, both.

WHO CAN AFFORD PRIVATE COLLEGES?

It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair, we had everything before us, we had nothing before us, we were all going direct to Heaven, we were all going direct the other way. Charles Dickens, "A Tale of Two Cities"

Nearly 150 years after it was written, Dickens' opening passage in his classic prelude to the French Revolution offers a remarkably accurate description of the environment for colleges and universities across the country today. Though it is unlikely we will experience anything as dramatic as the storming of the Bastille, or even the storming of the president's office, it is clear that American higher education is entering a period of great challenge—a period characterized by a demographic transformation that will change the faces and needs of our students, substantial economic pressures that will cause us to change the way we consider and construct the learning experiences we provide, and remarkably intense competition that will cause us to more clearly assess the distinctiveness and value of our missions.

The corridor of success for many, and perhaps most, private colleges will be increasingly narrow. How will we align our values with the marketplace and in relation to our competitors? Our challenge as institutions will be to create distinction in a crowded marketplace and to be more transparent and compelling in the way we convey that distinction. For some, it will be the best of times, for others the worst.

COLLEGE AFFORDABILITY AND THE FUTURE OF PRIVATE HIGHER EDUCATION

A number of issues (most long developing) will converge to alter the landscape for higher education over the next decade. While each change is important in its own right, it is appropriate to begin by framing these

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changes in the context of affordability. Affordability and accessibility are among the most pressing issues—both real and perceived—facing colleges today. They shape the way students and families consider us and make enrollment decisions. At the same time, they frame the way each college considers its mission, value and the marketplace. At its roots, affordability is linked to demand for college education—both individual demand and social demand. Affordability concerns have risen as both the price of college and the economic and social return on a college education have risen. Today, much of the higher education industry finds itself in a conundrum similar to the one the health care industry has faced for years: the experience is lionized as an economic and social necessity, while the producer is demonized for poor and even inept or corrupt price management.

College affordability must—and will—be considered in the following context:

- College is an increasingly critical gateway experience to social and economic opportunity.
- In spite of tremendous range in the price of a college education, many do not perceive themselves as financially prepared to support the kind of college education they want for their children.
- Concerns about financing a college education—both real and perceived—have created enormous pressure at colleges and in the political process.
- The most rapid and significant changes in the college-age population are occurring among those who historically have been the least likely to attend college or least likely to be able to afford a college education at any price.

All colleges must address these issues, though not all in the same way. How we address them has enormous institutional and social implications. Though often examined only in relation to family income, college affordability (or, put in the language of economics, demand for college education) is influenced both by ability to pay and willingness to pay.

Ability to pay reflects not only the financial resources available to families (inclusive of savings, earnings and debt) but also the resources provided by other non-family sources, including college aid, government aid and aid from other private sources. Ability to pay must ultimately be judged not against sticker price, but against the net price of attendance after all forms of financial assistance, including debt financing, have been applied.

Willingness to pay reflects a judgment about value. What is a particular college education worth to me, irrespective of my ability to pay? The question requires an assessment of not only College A and College B, but also an assessment of College A in relation to some other purchase. Today, the question for many families is, “Is College A worth more to me than a new Ford Explorer?” Sadly, the answer is often “no.”

Ability to pay and willingness to pay are most often considered only in relation to the student’s enrollment decision. However, in today’s competitive marketplace, colleges also are asking the same question in relation to the students they enroll: can our institution *afford* this student and are we *willing to pay* what it will take to attract this student? In other words, in the new economic world of higher education, the question of affordability not only has important market implications, it also has important mission implications.

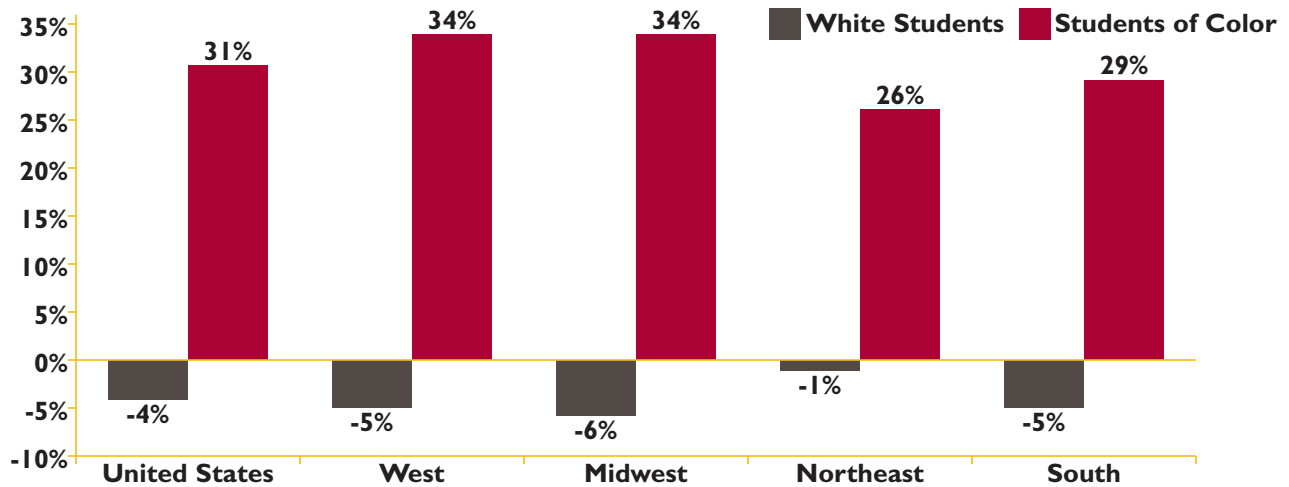
THE CHANGING MARKETPLACE FOR HIGHER EDUCATION

As institutions consider the balance of mission, market and value, it behooves us to understand the changing characteristics of the marketplace shaping higher education demand and performance. A number of key drivers will influence and frame our opportunities for years to come:

YOUR FUTURE DEPENDS IN LARGE PART ON WHERE YOU LIVE.

Realtors are right: location matters. The future prospects of many colleges will depend, in part, on where they are located, making deep knowledge of the local and regional marketplace a strategic imperative. National reports suggest a tidal wave of higher education enrollment in the next decade. The number of high school graduates in the United States is expected to rise by almost 8 percent between 2003 and 2010. However, prospects for growth, or even maintenance of current enrollment, are not evenly distributed across the country. The lion’s share of population change will occur in the South and West. Half of all states will experience declines to the end of the current decade, with the sharpest to occur in the Midwest and the Northeast (source: Western Interstate Commission for Higher Education, 2003). For any individual institution, demography is not destiny. It does, however,

PROJECTED CHANGE IN PUBLIC HIGH SCHOOL GRADUATES, 2003 TO 2010



Source: Western Interstate Commission for Higher Education, 2003

provide a particularly powerful and important lens through which we can view and define our opportunities and imperatives.

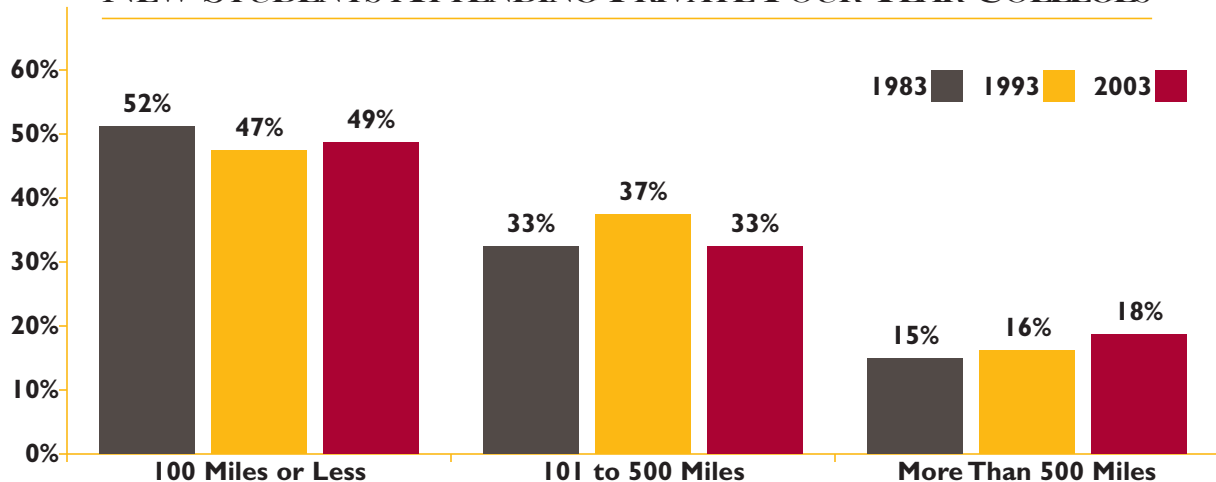
The population shift west and south is part of a larger demographic trend that has been at work for some time. However, no evidence suggests that absent a well-established national reputation, a particular attraction or highly valued niche, or a long-term sustained market presence students will—without some other inducement—travel long distances to college, particularly when that travel means moving from warm to cold climates.

Geographic change is not the only demographic variable that will exert significant influence on our future. What growth does occur regionally and nationally will occur exclusively among young people of color—who traditionally have been the least likely to pursue a four-year degree, least able to afford a college education of any type, and least likely to attend four-year private colleges. Nationally, the number of white high school graduates will decline by 4.4 percent between 2003 and 2010, while the number of graduates of color will rise by 35 percent. This change represents a tremendous opportunity, but is not a lay-up in terms of enrollment. In 2002, 34 percent of all 35- to 54-year-old white families were headed by someone with a baccalaureate degree, compared to just 17 percent of all similar-aged non-white families (source: U.S. Census Bureau, *Current Population Survey*, 2003). Students with the most highly educated parents are themselves the most likely to attend college. Moreover, students of color have been significantly less likely to seek or be prepared for a four-year college education. In Minnesota, for example, fewer than half of all students of color take the ACT exam (compared to 70 percent of white students) and their mean composite scores are significantly lower: 19 vs. 22.3.

MOST OF AMERICAN HIGHER EDUCATION OPERATES LOCALLY OR REGIONALLY, AND NOT NATIONALLY.

While college students often are characterized as footloose travelers crisscrossing the country to pursue their educational dreams, the reality is that most students do not travel far from home to attend college. In fall 2003, less than 18 percent of all new entering private college students traveled more than 500 miles to college. Nearly half (49 percent) traveled less than 100 miles. Students from long distances made up more than one-third of total enrollment at only the most highly selective non-sectarian colleges in the country (source: Higher Education Research Institute, *Survey of the American Freshman*, 2003). In other words, it appears that young people by and large buy what they know, and what they know is local. Data on millennial generation students, who began enrolling in college four years ago, suggest that young people today value close physical contact with their parents (and vice versa). If that is true, then long-distance travel from home to college will likely not become more prevalent—and higher education will become even more regionally focused.

DISTANCE FROM HOME TO COLLEGE AMONG NEW STUDENTS ATTENDING PRIVATE FOUR-YEAR COLLEGES



Source: Higher Education Research Institute, *Survey of the American Freshman*, 2003

Students have not suddenly become less mobile; this is not a post-9/11 phenomenon. In 1993, only 16 percent of all private college students traveled more than 500 miles to school, and in 1983 only 15 percent traveled that distance. The point is that the local or regional environment defines the challenges and opportunities for the vast majority of private and public colleges. Most higher education brands are local. Our local region more often than not defines not only our primary enrollment market but also our primary competitors—and it therefore shapes our behavior.

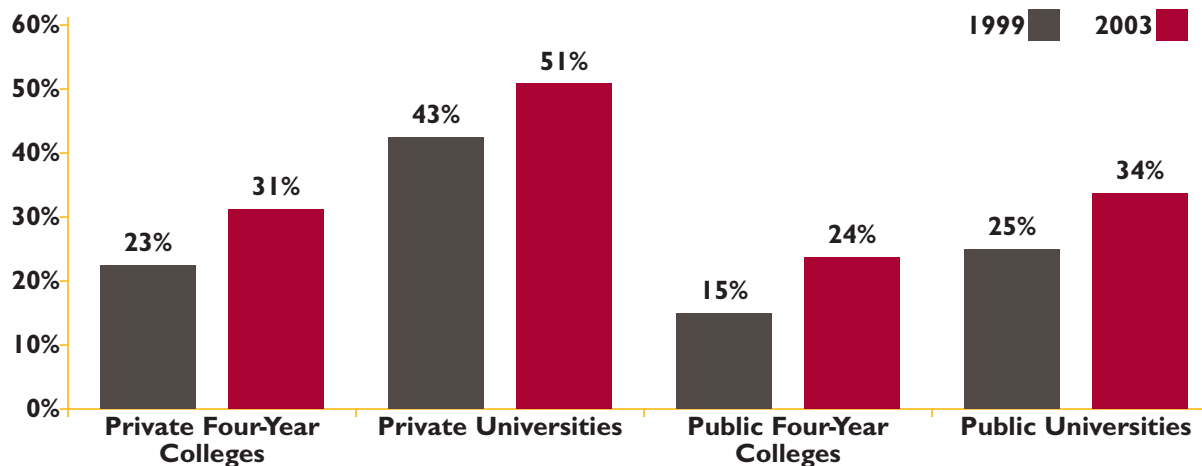
MONEY MATTERS MORE THAN EVER.

It should hardly come as a surprise that in a marketplace characterized by rapidly rising prices, and in a culture conditioned to expect a deal, that money matters more than it ever has in relation to college enrollment. Last year, nearly half of all new entering private college students nationally said the financial aid they received was a very important factor influencing their enrollment decision (second only to academic reputation as a decision-making factor). Fully three-quarters of all new private college students reported that they received grant aid of some kind (source: Higher Education Research Institute, *Survey of the American Freshman*, 2003). Among the most highly ranked liberal arts institutions by *U.S. News & World Report*, nearly one-third report that 90 percent or more of their new entering students receive an institutional grant award, and almost one in five indicate that 95 percent or more receive an institutional aid award (source: National Center for Education Statistics, Integrated Postsecondary Education Data System, 2003).

Money matters both in relation to meeting demonstrated financial need and as a powerful inducement for enrollment independent of need. In the race to enroll students, we almost surely have created a marketplace where everyone perceives themselves as “needy” or at least “deserving.” We have conditioned families of all types and means to seek and demand a sale price. The data are compelling and disturbing:

- Between 1998 and 2003, institutional financial aid commitments at member institutions of the Council of Independent Colleges increased by 51 percent—a rate of growth more than five times faster than the change in undergraduate enrollment at those colleges. In just five years, total financial aid spending rose at those institutions by more than \$1 billion. A staggering 90 percent of that increase was not funded by endowed or gifted resources.

PERCENTAGE OF FIRST-TIME, FULL-TIME STUDENTS REPORTING FAMILY INCOMES OVER \$100,000



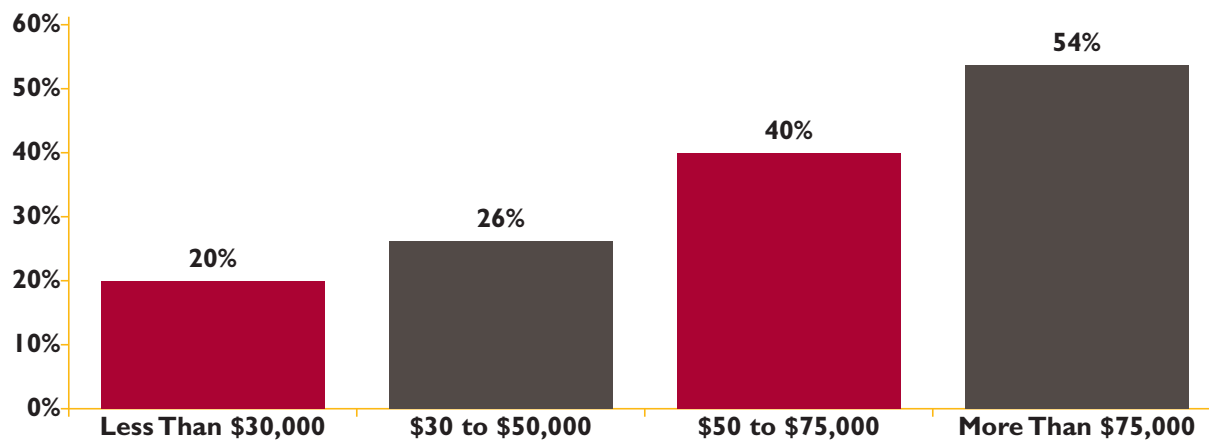
Source: Higher Education Research Institute, *Survey of the American Freshman*, 2003

- Tuition discount rates at private colleges have climbed sharply since 1990, particularly at small private colleges with tuitions under \$21,000 (a group that represents the vast majority of private colleges in the country, most of whom are not well endowed). According to data collected annually by the National Association of College and University Business Officers (NACUBO), tuition discount rates at private colleges nationally rose from 27 percent in 1990 to 39 percent in 2002. However, at small colleges with lower tuition, discount rates rose from 28 percent to more than 42 percent. NACUBO data indicate that today nearly half of all private colleges report discount rates in excess of 40 percent, while less than one in five report rates below 30 percent.
- More students than ever receive financial aid even though students at private (and public) colleges today are wealthier, as a group, than they have ever been. The median parent income for new entering students at private colleges nationally last fall was approximately \$70,000. Nearly one-third reported family incomes over \$100,000 (source: Higher Education Research Institute, *Survey of the American Freshman*, 2003). At the most highly selective private colleges, more than half of all students reported family incomes over \$100,000, and even at those institutions, nearly 60 percent reported receiving a grant or scholarship award.

The gentrification of public and private college students is not surprising. College participation rates rise dramatically with family income. In 2002, 54 percent of all 18- to 24-year-olds with family incomes greater than \$75,000 were either enrolled in a four-year college or had finished their

degrees, compared to just 23 percent of those with incomes under \$50,000. Nearly one in six of those with incomes under \$50,000 had not even finished high school, compared to less than one in 20 of those with incomes over \$75,000 (source: U.S. Census Bureau, *Current Population Survey*, 2002). Competition to enroll the limited number of higher income–dependent 18- to 24-year-olds with family incomes over \$75,000 represent only 28 percent of the age group–has intensified as more colleges seek to enroll them. In other words, today more colleges are competing for the very same, increasingly well-heeled, students.

PERCENTAGE OF 18- TO 24-YEAR-OLD DEPENDENTS ENROLLED IN FOUR-YEAR COLLEGES BY FAMILY INCOME, OCTOBER 2002



Source: U.S. Census Bureau, 2003

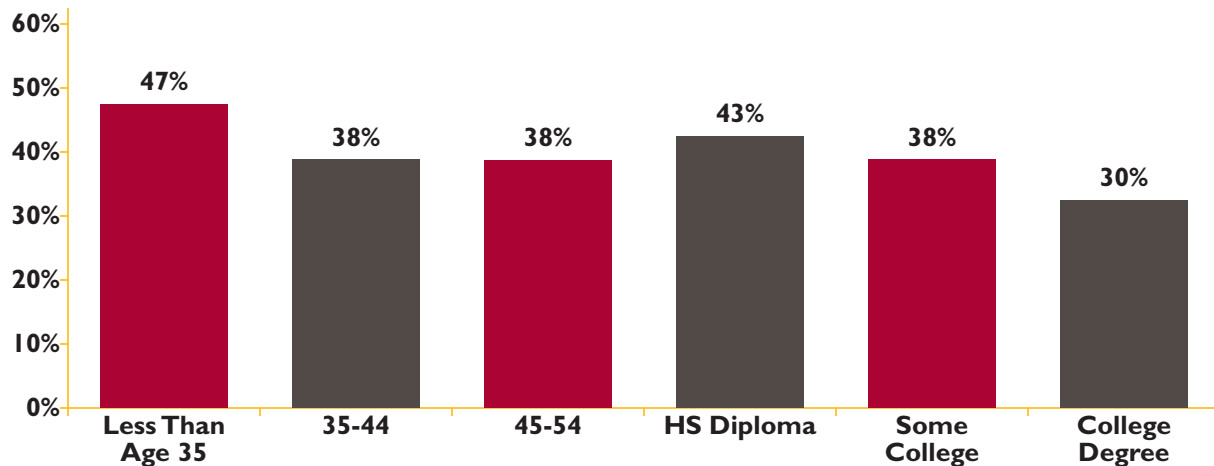
We can expect demonstrated financial need to rise significantly (or, failing our ability to address need, enrollment to fall) as the college-age population becomes more diverse. In 2002, nearly 60 percent of all black and Hispanic families nationally reported incomes below \$41,440, compared to just 37 percent of all white families (and 33 percent of all Asian families). The median family income for white families with children was nearly \$55,000 in 2002, compared to just \$31,000 for black families and \$32,000 for Hispanic families (source: U.S. Census Bureau, *Current Population Survey*, 2002).

FAMILIES ARE NOT WELL-PREPARED TO MEET COLLEGE COSTS.

Though average family income and personal wealth in America grew rapidly during the 1990s, the desire to use past, present and future income on current consumption was apparently insatiable, leaving many families remarkably unprepared to meet college expenses. Nationally, personal income increased by a robust 66 percent between 1992 and 2002. However, over the same period, personal consumption expenditures rose by 74 percent. Thus far this decade, aggregate personal savings nationally as a percent of total income is just 2 percent, the lowest decade total in 40 years.

The 1998 Federal Reserve Board's *Survey of Consumer Finances* indicated that only 57 percent of all families with children, and just 36 percent of those with children under age 18, saved anything at all. Not much improved by 2001, when one-third to one-half of all American families responding to the same survey indicated they saved nothing at all.

PERCENTAGE OF FAMILIES WHO DO NOT SAVE BY CHARACTERISTIC, 2001



Source: *Survey of Consumer Finance*, Federal Reserve Board, 2003

Americans have not simply spent current income, but have happily borrowed from the future as well. In 1990, outstanding consumer debt nationally (excluding home mortgages) totaled \$800 billion, or approximately \$8,600 per U.S. household. By 2003, average outstanding monthly consumer debt totaled nearly \$2 trillion, and had risen to a staggering \$18,300 per household. Total debt has risen one and one-half times faster than personal income in the last decade. In this context, rising student borrowing is not particularly surprising. Parents have tied up extraordinary resources in debt service and served as debt role models for their children. This does not suggest that many or most families live on the cusp of bankruptcy. The Federal Reserve Chair cheerfully indicated recently that the vast majority of families meet their debt obligations. However, comparatively expensive colleges, which would include most private colleges, are particularly vulnerable in this environment, as less expensive substitutes (i.e., public colleges) look more affordable and attractive.

MOST COLLEGES ARE NOT AND WILL NOT EVER BE WEALTHY.

Among the 681 four-year colleges who participated in the 2003 NACUBO *Endowment Survey*, only 39 (less than 6 percent) reported endowments of \$1 billion or more (11 of those institutions were public universities). An additional 48 reported endowments between \$500 million and \$1 billion (16 of them public institutions). The median endowment among the nation's wealthiest colleges was \$930 million in FY 2003, 4 percent higher than the previous year.

Among the remaining 87 percent of institutions—whose endowments were all less than \$500 million—the median endowment in FY 2003 was just \$55.8 million—2.7 percent less than the prior year. While headlines of extraordinary gifts to colleges make splashy news, they do not represent the typical experience for most institutions. Instead, many private colleges in the country will struggle to have endowments that generate just 5 percent of annual operating income. Lacking significant endowed resources, tuition today typically supports 70 percent or more of annual operating expenses. Consequently, failure of colleges to meet their enrollment (and net revenue) goals—even by small amounts—has an immediate and tangible impact on institutional budgets and livelihood.

THERE IS LITTLE PROSPECT THAT TAXPAYER SUPPORT OF HIGHER EDUCATION WILL RETURN TO THE “GOOD OLD DAYS.”

Higher education generally cannot be counted among the winners in state or federal budget competition in the last decade. For public colleges in particular, but for all colleges who directly or through their students receive government support, taxpayers have become a more tenuous financial partner. Over the past decade, other fiscal priorities—notably medical care, prisons and taxpayer relief—have overtaken higher education in the pecking order of public priority. Between 2003 and 2004, state appropriations for higher education declined in 23 states (source: Center for the Study of Education Policy, Illinois State University).

A 2002 projection prepared for the National Center for Higher Education Management Systems suggested that state budget challenges will continue for years. The report indicates that by 2010, 44 states will face budget gaps, and 12 of those states will have to address gaps of 5 percent or more (source: NCHEMS, October 2002). In spite of the increasing need for a highly educated workforce, and the accessibility needs of a changing (and increasingly needy) student population, higher education has become a discretionary spending item in many or most states.

HIGHER EDUCATION WILL REMAIN AN INTENSELY COMPETITIVE INDUSTRY.

Higher education is an intensely competitive industry. The combination of demographic change and an increasing desire at many institutions to enroll high-achieving students will up the competitive ante even further. There are nearly 2,400 four-year colleges and universities in the United States, more than two-thirds of them private colleges. Last fall, 42 percent of all new entering private college students applied for admission to five or more colleges. The National Association for College Admission Counseling reported last winter that three-quarters of colleges nationally experienced an increase in applications between 2002 and 2003. They noted that the trend has been upward since 1996. Rising numbers of multiple applications suggest that overlap applications are the fastest growing part of most colleges' applicant pools. Though circumstances vary greatly by region, taken as a whole (given the limited mobility of students) there may simply be too many seats chasing too few students—or, more accurately, too many seats chasing too few students of a particular type or characteristic.

The stakes associated with enrollment are particularly high since we are not a repeat customer industry. An undergraduate education is for most people a single lifetime purchase. While I can shop at Target today, Wal-Mart tomorrow, and Costco the next day, that purchase pattern is not typical in higher education. Most new students seek an institutional match that will last, and we encourage them to find “the one.” The binary (or zero sum) nature of the transaction—I either enroll you and net something greater than zero, or fail to enroll you and net zero forever—intensifies the competitive engagement among colleges. And, for institutions who do not hold a medallion reputation (and there are very few) but who wish to maintain their traditional mission, their traditional market (most often full-time, 18- to 24-year-olds), and their traditional product line (e.g., undergraduate liberal arts education), the most easily manipulated management lever often is price.

A very large percentage of private colleges across the country annually face the worry of making their class. Though the characteristics of the class are important, it is a secondary concern to the number of seats and beds filled. Put simply, most colleges do not generate enough secure admission applications nor do they have a broad enough reputation to simply expect a full house. This creates enormous pressure to achieve the enrollment goal at whatever cost—and lends itself to decision-making with high long-term consequences and limited short-term benefits.

ASSESSING OUR FUTURE: MISSION, MARKET AND VALUE

We enter our future having invested heavily in our past and present. As the expectations, needs and demands for higher education change, our continued relevance—and even our survival—demand that we better understand how values and value creation integrate mission and market. Too many strategic plans begin with a simplistic affirmation of mission and values, and then proceed with a separate environmental assessment, as if mission and environment operate independently of one another. They do not. Few colleges will be able to maintain themselves operating only in relation to their own interests. At the same time though, we must be careful to avoid acting only in response to what the marketplace offers or rewards—a valueless and ultimately directionless proposition. Long-term success will require that

institutions better understand how values and value creation integrate mission and market. Value creation should be the primary tool for differentiation. Our learning experiences and commitments must express our values and create value. And the experiences and outcomes we provide must be valued by the marketplace.

Money and rankings matter today more than they should because too many colleges either have not identified nor clearly articulated distinguishing purposes, experiences or outcomes. In the absence of those defining purposes, the marketplace has simply retreated to variables that are seemingly easy to explain and understand—variables more often than not developed (and sold) by organizations outside of higher education. A focus on distinction—and a set of metrics that define it—clearly would be preferable. Though seemingly intuitive and direct, a focus on distinction is not without its own challenges. Among colleges, for example, there is extraordinary pressure (especially within particular institutional classifications) to be more alike than unlike both programmatically and in terms of mission—a condition that often rewards mimicry and often penalizes difference.

CONCLUSIONS AND QUESTIONS: WHERE TO FROM HERE?

The challenges before us are immediate. The demographic, economic and social tide has already begun to turn. In many states, the number of high school graduates has peaked and has entered a protracted period of decline—suggesting an increasingly intense zero-sum enrollment environment. The racial and ethnic makeup of the nation’s young population is rapidly changing—which presents tremendous new opportunities, but which will require even larger investments in accessibility. Economic and income growth has not returned to levels of the go-go 1990s—and there is no evidence that families of any income will become less price aware. And, while increasing numbers of institutions struggle each year to bring their budgets into balance, they too often approach budget decision-making as a marginal or incremental exercise rather than a strategic one.

The stakes and importance of integrating mission, market and value have never been higher. Several axioms must be considered as we plan and design our futures:

WE ALL HAVE STRONG COMPETITIVE INSTINCTS.

Projected market conditions clearly indicate that competitive pressures will intensify even further. We must acknowledge the kinds of competition in which we are engaged. Colleges today compete ferociously not only on the core learning experience, but also on amenities and net price—a trio of values that most institutions will find extraordinarily difficult to balance financially in the long term. We need to do a better job discerning and identifying our priorities among that mix. At the same time, it is clear that the need for meaningful collaboration among institutions is more important than ever.

We Have Strong Survival Instincts.

Irrespective of their missions, all institutions have a fundamental desire to remain open and they will respond to marketplace conditions as quickly as they can to do so. In spite of the popular attention paid to prestige, it has not been my experience that most institutions seek prestige—which by its very definition is scarce. Instead, most operate on an axis bounded by respectability and survivability. Though we have a strong survival instinct, there is great danger when survivability—and the financial gymnastics that characterize it—becomes a central operating principle. It can overwhelm good sense, diminish commitment to a set of core values and purposes, and corrode our ability to imagine a future or vision that is worth attaining. Colleges instead must define and deliver value and distinction on their own terms, and in relation to the students they serve (not those served by someone else). Prestige may result from those decisions, but it should be a by-product of strategic decision-making, not the objective.

We Cannot Turn Back the Clock.

While we may lament the passage of time or the loss of practices once cherished, we have to live in the present and prepare for our future. These may be the “good old days.” We are institutions who relish and celebrate our histories. Unfortunately, that too often leads us to the conclusion that the only way to better is through more—more students, more faculty, more money, more programs, more

Key Questions for Campus Leaders

1. How can we engage our campus communities to understand that integration of mission and market is not simply a marketing or communication exercise?

2. How can we move beyond the guidebooks to create and convey value and distinction in meaningful ways?

3. How can we engage our peers to ensure that our survival is more than a Darwinian exercise?

4. How can we foster and lead campus-based discussions more strategically oriented to distinction, value and purpose than budgetary survival and incrementalism?

beautiful spaces, etc. We resist contraction because it is painful and because we view it through the lens of loss. However, rather than approaching our challenges as a requiem for the historic and the cherished, we would be better served simply asserting a cogent set of values and outcomes. In trite but simple terms, it is not to do more with less or less with less, but simply to excel at any level.

We Will Not be Able to “Revenue” Our Way Out of Danger.

It is tempting to believe that somewhere around the corner lies a well-heeled, well-prepared group of students ready and anxious to enroll at our institutions without need for additional financial aid inducements—if only we and our admission offices could locate them. That, however, is highly unlikely for most institutions. Demographics alone suggest an even needier future population. Moreover, having figured out how to play colleges for large merit awards (a game—and trap—our industry willingly created), there is no evidence that higher income families will perceive themselves as less deserving of assistance in the future. At the same time, while capital fundraising efforts will continue and intensify everywhere, most colleges also will not produce non-tuition revenue at anything close to the demand for increased spending. Solutions will be complex, will require extraordinary leadership, and will demand discipline and focus on both the revenue and expense side of the budget.

A college’s mission should not be a simple derivative of survivability. The values and value associated with the learning experiences we provide must be real and present. Does that mean we can ignore the realities of the marketplace? Of course not. However, we must be more imaginative in the ways we think of ourselves and our vision—and more imaginative in the ways we present those purposes to the young people we seek to enroll, teach and form.

Ultimately we have to design for ourselves and for our students value markers beyond price that make it clear why the education we each provide is worth pursuing and purchasing in the first place. In a post-discounting world—a world where the financial aid dials have been turned as tightly as they can—money cannot be the primary tool for differentiation, because it will forever expose us to those who are wealthier or more foolish than we are, or both.

ABOUT THE AUTHOR

Jon McGee is a regular Lawlor presenter and contributor on topics related to private higher education. Jon serves as Vice President for Institutional Planning, Research and Communication at the College of Saint Benedict and Saint John's University. He has worked in the field of higher education research and policy for 14 years.

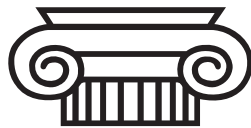
After earning his master of arts degree in 1988 from the Hubert H. Humphrey Institute for Public Affairs at the University of Minnesota, Jon worked for the Minnesota Department of Finance as a budget analyst. His responsibilities included executive branch planning and development of public sector postsecondary operating and capital budgets.

From 1992 to 1999, Jon was Vice President for Research and Policy Development at the Minnesota Private College Council, Fund, and Research Foundation.

At the Council, Jon was responsible for analysis of state and federal education policies, particularly as they related to education financing and student financial aid, as well as collection and analysis of institutional enrollment and financial aid data.

In 1999 Jon joined the College of Saint Benedict and Saint John's University. He serves on the cabinet at both colleges and is responsible for leading campus-based strategic planning processes, research and analysis in support of executive decision-making, and leadership in support of campus visibility and marketing.

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