Quality vs. Quantity: Running the Academy as a Business

The Conference for Industry and Education Collaboration (CIEC)
Palm Springs, California
February 4-6, 2015

Dr. Mitchell Springer; Prof. Mark Schuver
Overview

- “We don’t need you!”
- What is a Business?
- How does a business work?
- Differences in Mission
  - For-profit
  - Nonprofit
  - Public institutions of higher education
- Burning platform
“...We Don’t Need to be in the Distance Ed Game...”

- “The programs are watered down,
- the faculty are business people/adjuncts,
- the students aren’t like normal students,
- the whole distance education concept is unnecessary, and,
- we are not a business...”
What is a Business and How Does it Work?

- Why are for-profit businesses in business? ...to serve the greater good?
- What keeps businesses in business? ...demand for products/service ...$$
- Why do businesses right-size, down-size, create efficiencies of scale, cut back, delayer, smart size, redeploy, force shape, reduce in force ...lay-off?
  - Because we demand it! What? Who Demands It?
  - Resultant impact to company stock – goes up!
    • Shareholders - Want the greatest return we can get
    • Money not paid to salaries ... is money to the bottom line!
Money not paid to salaries goes directly to the bottom-line!

Google plans to hire more than 6,200 workers this year in company's biggest expansion yet

Who owns the stock? We Do!

Economics 101 – understanding the Motivation of all parties

Fatter Profits!
The Cycle – We Create It - Fundamental Economics

- We make money $$$$$
  - We put $$ in the investment with the highest return
    - The fund we invest in has to compete with other investors for our money
      - They compete by making investments in other companies that have high returns to shareholders
        » Companies want others to invest in them so they create efficiencies ...yielding profits
          - Outsource
          - Reduce headcount
          - Streamline operations
            - They are rewarded with our money
Money, Money, Money, Money, Money..

- Competition for Funding
- Cash is King
- Mergers and Acquisitions
- Stakeholders
Mergers and Acquisitions – Why do Them?

- Two or more companies coming together
- Why?
  - To create shareholder value
  - Create efficiencies
  - Target future markets
  - Serve combined markets more effectively
  - Stakeholders are rewarded with higher returns

- What does creating efficiencies and being more effective mean?
  - Reductions in plant, equipment, people, ...
  - Increases in efficiencies and effectiveness through common policies, processes, methodologies, practices...
Space Shuttle - Kennedy Space Center, Brevard County, Florida

(April 1, 2012, High joblessness in the home of U.S. space flight - CBS News)

- Last shuttle launch July 2011; Fifty years of liftoffs
- Kennedy Space Center, 7,000 layoffs at the space center triggered 7,000 more in the community
- Mass business closings; town devastated
  - “…to fly into space is to buy a seat on a Russian rocket…”
  - “…enormous pride in doing for America what no other workers in the world could even dare…”
- Why? –
  - “…to save three billion dollars a year [it’s not personal, it’s just business]”
Differences in Mission
For-profits vs Nonprofits

- Nonprofits –
  - Strongly related to tax implications
  - How profit is handled
    - Charge for products, services or memberships
    - Profits are reinvested back into the nonprofit organization to advance the mission – i.e., not passed on to shareholders
  - Mission of the organization
    - Typically to serve the greater public or social good
    - Healthcare, education, social and community programs
  - Oversight of the board of directors
  - Source of funding
    - Contributions, grants, donations, agency/industry funding and foundations
Common Underpinnings

- Moving resources where needed
- Increasing support in areas of weaknesses
- Eliminating those activities or initiatives that are a monetary drag on the interests of the whole organization
- Other efficiency gaining opportunities in an effort to serve their stated missions.
Public Institutions of Higher Education

- State General Funding
- Student Tuition
- Annual increases for time in position – in some colleges/universities differentiated by merit
- In some instances – guaranteed lifetime employment
Impetus for Immediate Change is Frequently Called a “Burning Platform”
Burning Platform

- Creates a call to action
- Instills a sense of urgency; a sense of immediacy
- Rallies our collective efforts toward that which will make us once again safe and secure
- We recognize in its image, a catastrophic and cataclysmic fate
Challenges to the Comfort Zone

- Higher tuition rates
- Poor social or economic conditions
- Increasingly greater debt loads of graduating seniors
“...[Too much security]...”I’ve worked here a long time and have done what you expected. I’ve earned my security.” That is the working presumption of a majority of people who work in our various government bodies, in all levels of our schools, in our large and powerful unions, and in our mature and prosperous corporations. It amounts to total job security. Too much security is what entitlement is all about.”

“...Instead of strength, courage and confidence, people trapped by entitlement are cautious and avoid risk. When security is very high and people shouldn’t be afraid, they are... the long-term result of too much protection is an endless search for protection because we are afraid of losing it [...we are afraid we can’t compete without it...]”

Bardwick, Danger in the Comfort Zone. p. 10
Threats from Every Angle

- Two-year institutions in 21 of 50 States offering Bachelor degrees
- Reduction in State funding
- Increasing student debt
- Presidential demands for accountability
- Disruptive alternatives proliferating
- 60% of graduating BS/BA students moving back home
- Economic impact – through delayed marriage, family formation, material spending on homes, cars, TVs and furniture, etc.
“..Despite the tear-filled nostalgia that the image of college evokes – tree-shaded quads, ivy-covered neo-Gothic buildings, and fall football weekends – the truth is that in the last two decades higher education in the United States has evolved into a big business...there are some 5,300 colleges and universities in the US, everything from beauty schools to Harvard. They bring in $490 billion in revenue each year. They employ more than 3.5 million people. They hold more than $990 billion in assets, including cash, investments and campuses that are essentially mini-cities. And they spend $440 billion on goods services and people each year (Selingo, p. 4).”

Bottom Line –
“...While their [academies] stated mission is more like that of a nonprofit than a for-profit, organizationally, they are a business...”

- SWOT analysis
- International and National ranking
- $2,000,000,000 in total funding
  - $641,000,000 in student tuition
- ~ 16,000 employees

Purdue University Data Digest 2013-2014, Budget by Source of Funds
(Being Purdue’s president) is a lot like my previous job. I used to get stopped by people at my last job who said, ‘Oh, I love it, you’re running government as a business.’ And I go, ‘Wait. Government is not a business. It’s not supposed to be a business.’ But that doesn’t mean it can’t be a lot more business-like,” Daniels said. “Frankly, it’s a dereliction of duty not to be business-like when you can be because it means you wasted money that could have educated another student or brought a new, great faculty member here or somehow enhanced the quality (of a Purdue education).”

He went on to scorn oppositional thinking, saying it was “shameful to be sloppy” with funds....