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Take a Hard Look at Academic Programs, and Weed Out the Weak

By Charles Miller

There is severe pressure to reduce the cost of college. To achieve that, institutions must go far beyond traditional cost-cutting and embrace a broader concept of improving productivity—paying attention to not just what we spend, but what we get for funds expended.

There are aspects of the financing system of higher education that can be considered dysfunctional. Traditionally, higher education operates on a revenue-based model, focused on top-line income, with very little capacity or interest in outcome measurements. This has been lightly, but accurately, described as, "Get all the money you can, and spend all that you get." There is no bottom line in this financing model.

As a result of this structure, specific spending decisions lack the kind of discipline urgently needed when both cost pressures and financing pressures are severe.

One powerful way to attack costs—or improve productivity—is to examine academic programs that constitute a major portion of costs and are a major cost driver, and develop a culture of program accountability.

Many academic programs operate with negative margins. Costs are rarely allocated fully or directly or appropriately to academic programs. Research is often cross-subsidized by teaching revenue. Some programs with large enrollments and lower costs, such as education, have a positive margin—they are the cash cows—and they subsidize smaller, expensive programs, such as the sciences.

Colleges often maintain academic programs with small enrollments, high costs, and questionable academic purpose if those programs serve the overall mission of the institution. However, without methods applied in a regular and rigorous fashion to reduce, improve, or eliminate weak programs—a strong system of accountability—most programs continue simply because of inertia or politics.

As a result, limited resources are very poorly allocated, and institutions become inefficient and less effective.

In the broadest sense, institutions without program accountability experience mission creep, in which resources and management are spread among too many programs. That leads to poorer program quality on average and few programs of the highest quality.

A systematic review of all programs—in which both specific direct and estimated indirect costs are calculated and allocated to each program and compared with the revenue derived from that program—would bring to light the true program costs. An evaluation of programs as cost drivers, placed in the context of the academic mission, would allow college administrators to set priorities and make additions and reductions.

Over time, this process could produce the highest quality at the best cost, creating a much more efficient and productive financing system for the institution and higher education as a whole.

But academic-program accountability is a difficult process. It could be considered the "third rail" of academia. It would require a change in culture and a departure from the current revenue model, including the use of more and better analytical tools to allocate costs and measure outcomes.

As difficult as this process might be, it is common in most successful organizations. Without academic-program accountability, cost drivers will remain disguised, management decision making will remain clouded, and the providers of funds will remain uninformed about the results of their expenditures.

In a period of inexorably rising costs and inevitably declining revenue, it is dangerous for higher education to maintain its dysfunctional revenue system of financing. After all, no academic programs, or even institutions, are guaranteed their existence.

Charles Miller, a former investment manager, was chairman of the secretary of education's Commission on the Future of Higher Education during the George W. Bush administration.

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