

On Arriving, Deepening and Sustaining: Key Questions about Elon University's Future

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Fall 2005

Arriving

Several years ago I visited a philanthropic foundation in Florida, and was hosted by a senior officer who opened our conversation by saying, “Dr. Lambert, we make gifts only to institutions that have *arrived*.” It was quite apparent he was referring to institutions that had developed national reputations, admitted students on a very selective basis, and held the traditional hallmarks of excellence that are assumed of fine institutions of higher learning, including excellent libraries, nationally-accredited professional programs, prominent alumni, and significant contributions to scholarship by faculty members. His off-the-cuff assessment of Elon was that it was an institution “on the rise,” but that it had not yet arrived.

In sharing the foundation officer’s statement with students, faculty, staff, trustees, volunteer boards, parents, and alumni since, one frequent reaction to it is that it is not in the character of Elon to say “we have arrived.” Elon’s culture is about striving to be better, innovating rather than imitating, and resisting complacency. We hope that success never diminishes those values.

Nonetheless, the time has come for Elon to recognize and claim ownership of the distinctive place it has risen to on the landscape of American higher education. When Newsweek-Kaplan named Elon one of “America’s 25 Hottest Colleges” this fall, it based its selection on feedback from guidance counselors and other college experts who have been observing the university’s remarkable transformation over the past decade. The U.S. News & World Report *America’s Best Colleges* guide, which listed Elon #39 among Southern master’s-level universities 10 years ago, now ranks Elon #6. Similarly, the top-selling Princeton Review and Fiske college guides now list Elon among the nation’s best and most selective universities. The National Survey of Student Engagement, the most comprehensive assessment of effective practices in higher education, consistently rates Elon among the top 10 percent of colleges and universities on key benchmarks of quality. Elon sends more undergraduate students to study abroad than any other master’s-level school in the nation. Our strong volunteer and civic engagement programs placed the university among the nation’s top 81 schools in Princeton Review’s “Colleges with a Conscience” guidebook, a ranking produced with input from college presidents and other top administrators across the nation.

Elon’s success in the college ranking industry has been reinforced by students and parents, who have been quite effective in spreading the news about Elon’s quality. They have shared the news about Elon’s outstanding graduation and freshman retention rates, which now rank in the top ten percent of the nation’s master’s-level universities. The result has been a remarkable surge of interest by prospective students. Since 2002, the number of applications for admission has increased more than 38 percent. More than 9,000 students applied for the 1,250 positions in this

fall's freshman class. With an acceptance rate of about 41 percent, Elon is now a highly selective private university.

Elon faculty and academic programs are also receiving national attention. The Martha and Spencer Love School of Business was awarded AACSB-International accreditation, and the School of Communications will host an ACEJMC accreditation site visit team in fall 2005. Among the special academic initiatives that are bringing recognition are the Elon Center for Public Opinion Polling, the National Campaign for Student Political and Civic Engagement, Project Pericles, Campus Compact, the Kernodle Center for Service Learning and Elon's "Imagining the Internet" partnership with the Pew Internet & American Life Project.

Our graduate programs in physical therapy (D.P.T.), business (MBA), and education (M.Ed.) are increasingly selective and distinctive, and the new School of Law aspires to create a new model of legal education in the United States that emphasizes community engagement and civic leadership.

Elon's Phoenix athletics program has successfully completed the transition to NCAA Division I and now competes as a member of the prestigious Southern Conference with institutions such as Davidson, Furman and Wofford, which share our ideals about the nature of the student-athlete experience.

Finally, our beautiful campus and land resources are tremendous strategic assets. When Princeton Review cited it as the second most beautiful campus in the nation, we more fully realized what a tremendous resource the campus is in recruiting students, faculty and staff. Since that time, the campus has been formally designated as a botanical garden.

Elon has indeed arrived at an enviable position, ready to chart an important new course at a time of great challenge to higher education. While many colleges and universities are experiencing declining graduation rates, Elon's rates are among the best in the nation ... and rising. While other schools are facing criticism that graduates are unable to perform in the real world, Elon has found ways to connect students with the hands-on experiences that give them a special edge in the marketplace. And while spiraling college costs are making headlines, Elon has used financial efficiency and good strategic planning to maintain a bargain position, with total costs nearly \$4,900 below the average for other top-10 private Southern universities.

Deepening

In December 2004, just prior to the senior staff mid-year retreat, I convened a group of approximately 35 early to mid-career faculty and staff to discuss the changes that have taken place at Elon over the course of the past five years (and especially the ways students have changed), to ponder what lies ahead for Elon beyond the New Century@Elon strategic plan, and to help senior staff better understand challenges faced by faculty and staff in their daily work.

One of the most useful metaphors that was invented by a participant in that meeting was prompted by the visual aid of a large campus map. On the map, property owned by the University was colored green, while adjacent land not owned by Elon was white. The comment

offered by the participant was “Elon should focus more on making the green greener rather than focusing on filling in all the white space.” Obviously, this was not a statement about land acquisition. It was rather a statement about focusing future attention on deepening existing programs, making distinctive programs even more innovative, and making good programs excellent. This is not to say, of course, that Elon will never add another new program, department, or school. It was also not a statement advocating stagnation or maintaining the status quo. This astute comment did suggest that at this stage of our evolution, the institution’s progress and momentum could be sustained by making investments in existing, strategically-important programs.

An Elon student can best explain why this university is enjoying unprecedented success. Junior Geoffrey Lynn, a chemistry major from Deland, Fla., is the first Elon student to receive the prestigious Goldwater Scholarship, awarded to outstanding students in math, natural sciences and engineering. When Newsweek asked to interview a student for its "Hottest Colleges" issue, we asked Geoff to explain his Elon experience. Here are excerpts from his response:

"It's about working with your peers and professors to apply knowledge and theory outside of the classroom. When I talk to students at other universities, they tell me about their assignments and work, and it seems like school is something distant from their real-life objectives. It shouldn't be that way, and it's not at Elon. School is what you do at Elon, and you learn how to have fun with it ... Whether it's an assignment, research idea, or a volunteer activity, you can always find students discussing their work and ideas outside of the classroom with sincere enthusiasm ... As for some examples: I conduct all phases of research with my faculty mentor; we plan the experiments, conduct the experiments, and analyze the results concomitantly. From there, we seek to publish our findings in peer-reviewed journals, or present our work at research conferences. In my two years at Elon, the undergraduate research program has provided me with two semesters worth of research grants, and they have provided the finances for me to attend five professional conferences. I was able to present my work at all but one of the conferences. And it's not just isolated instances around campus that you find these opportunities. All types of opportunities exist across all of the disciplines, and they are all aimed at providing students with a working knowledge.

Geoff has effectively outlined everything that is right about Elon's approach to teaching and learning. While many universities promote student engagement in marketing materials, all of our student surveys and independent program quality studies tell us that Elon is one of the best in actually "walking the talk," blending academics and co-curricular programs into a seamless learning experience. It is clear that our best strategy for the future is to concentrate on enhancing existing strengths, making sure that all Elon students, no matter what their majors or abilities, have the kind of experiences Geoff describes. If we are to be an effective national leader in engaged learning, we must enrich and deepen what we do best.

We have a good idea about where to start:

- We need to endow the many programs that involve students and faculty in research activities and engaged learning projects. The faculty and students who work together on

the kind of experiences Geoff describes are hungry for expanded support. They are doing amazing things with minimal resources, and will make excellent use of additional funds.

- We intend to expand our efforts to internationalize the campus, expanding the world view of on-campus programs and giving more students access to study abroad experiences.
- We need to endow more opportunities for faculty development, summer support, and sabbaticals to keep the Elon faculty at the forefront of their fields and provide funding for faculty and staff to make contributions on the national stage through professional activities.
- We must increase our outreach to employers and organizations so more students can obtain life-changing internship experiences.
- We must more fully fund volunteer service and leadership programs that leverage the incredible energy and altruism Elon students bring to solving social problems.
- We must expand scholarship programs, giving deserving students of all means and backgrounds the opportunity to attend Elon. Scholarships for students with special talents in academic fields, the arts, athletics and other areas will be especially important to ensure a rich and diverse student body. The number of high school graduates will peak in 2008 and students of color will make up 80 percent of the increase. Elon's traditional pool of prospective students will not increase significantly, and efforts must be made to provide financial assistance for the growing number of students who lack the means to attend a private university.

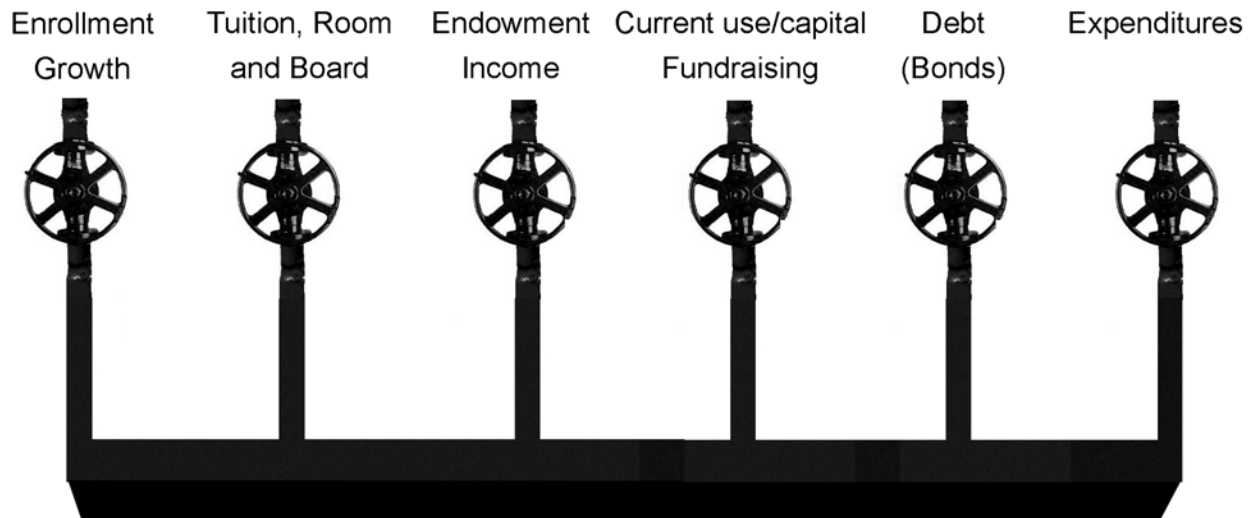
Another challenge the University must face is to articulate to our many external publics the value of a liberal arts and sciences education and its relevancy to a 21st century democracy. The aims of a liberal arts education—critical thinking, persuasive communication, quantitative and scientific reasoning, understanding of world cultures and languages, the cultivation of the love of learning—are enduring values at Elon that we as a community must constantly express.

Sustaining

As a university that is fulfilling its destiny, Elon stands at a pivotal point in its history. The pieces are in place to lead the way to a new definition of quality in American higher education. We have a good idea about the next strategic steps that need to be taken – deepening our programs and fully delivering on the promise of quality that draws thousands of students to this university.

The limiting factor is an inadequate resource stream. Elon is far too dependent on tuition revenue and enrollment growth, and we are fast approaching the day when substantial increases in those two areas will be impractical. Eighty percent of Elon's operating revenue comes from tuition, room and board, compared with 47 percent at other top private universities in the South. At the same time, our budget is inadequately supplemented by an endowment that is much smaller than levels at peer institutions. Investment income makes up about 7 percent of Elon's annual budget compared with 29 percent at other top Southern private universities.

To understand our challenges, it is helpful to walk through a brief primer on Elon's finances. I liken it to a series of valves that control the budget. Think through this model and consider the benefits and consequences of adjusting each valve:



A few comments about the valves:

- **Enrollment growth** – Growth has been synonymous with quality enhancements at Elon. Most important new initiatives to add quality to the institution (improvement of salaries, reductions of teaching loads, increases in library acquisitions, maintaining the best technology, expansion of fellows programs, new faculty and staff lines, additional sabbaticals, to name but a few) have been funded by tuition revenue growth. Growth has occurred both by planned increases in the size of the student body and increases in student retention. If growth continues at the current pace, the current physical plant (Belk Library, McMichael Science Building, faculty and staff office space) will become overtaxed, necessitating additional facilities expansion. In addition, Elon’s prized sense of institutional community may become strained if the institution grows too large.
- **Tuition, room and board** – At a total annual cost of about \$25,000, Elon is perceived as a great value. Private competitors in the Southeast (Furman, Wake Forest, Richmond, Davidson, etc.) are \$7,000-15,000 more expensive. However, the flagship state universities, with lower costs, remain significant admissions competitors.
- **Income from endowment** - Elon’s endowment is one-quarter to one-twentieth the size of those at private peer institutions. The reasons are many:
 - Elon has not had the benefit of a transformative gift, such as those enjoyed by many of our peer institutions decades ago. Those schools benefited by the power of market growth, which dramatically increased the size of their endowments.
 - Elon has a relatively young alumni body, and the older alumni base is not wealthy.
 - Elon's location in a smaller community has limited its access to support from larger corporations.
 - Our fundraising in recent years has been focused on building new facilities – an important strategic decision as part of repositioning the university. Endowment building will be the principal focus of Elon’s next major campaign.

- **Current use/Capital fundraising** – Annual fundraising is a powerful force in any college budget process. Each \$1 million raised is the equivalent of the income from a \$20 million endowment. Capital fundraising has been critical to the growth of Elon's outstanding physical plant. Similar success in the Elon Fund and Elon Athletics Fund have resulted in significant increases in the level of funding available for the university's annual operating budget. Still, Elon lags behind peer institutions in supplementing the annual budget with cash gifts. Less than three percent of the budget comes from annual gifts.
- **Debt (Bonds)** - Elon's bond debt totals approximately \$50 million dollars, and the debt service is approximately 6% of the university's budget. While this is a manageable figure, our bond capacity over the next several years has limitations beyond what we have already planned for new student housing.
- **Expenditures** – Spending at Elon has not been profligate or wasteful, and every effort has been made to ensure that each new budget dollar has maximum impact on campus.

Moderating enrollment growth and building a stronger endowment revenue stream are the central challenges in providing for a secure future for Elon. We need new thinking and creative strategies to find ways to expand Elon's endowment over the next decade while slowing enrollment growth and keeping tuition affordable.

Building a larger endowment is a daunting task and will require the contributions and creativity of the entire community. We must achieve the same high level of focus, discipline, planning, and commitment that Elon has applied to accomplishing other monumental goals.

Discussion Questions

Please help us find answers to these important strategic questions:

- If you visit Elon in 2020, what values and attributes of today's Elon would you want to have been preserved? Also, what would you hope to find in 2020 that is not at Elon today? How would you go about making that happen?
- In the grand scheme of things, have we arrived at where we want to be? Has the scope of the modern Elon University been defined as a mid-sized liberal arts university with focused, distinctive, and excellent professional and graduate programs, a national reputation for student engagement, and a market-niche serving students with B+/A- high school records and with middle 50% SAT in the 1100-1300 range?
- How do we avoid complacency and maintain the innovative spirit that has been so central to our success?
- Elon has rapidly moved up *U.S. News and World Report* rankings in the “Southern Universities” category. We were ranked 39th in the 1996 rankings and 5th in the 2006 rankings. Wake Forest held the #1 position in that category from 1983-1994, when it moved to the “National Universities” category. The University of Richmond then held the #1 position since 1994, but will be ranked in 2006 as a “National Liberal Arts” institution. Is it our destiny to be “channeled” into one of those other two categories, or will we pursue a distinctive, more hybrid-like “third path”? How will that third path be characterized?
- Is this the time in Elon’s evolution to focus even more fully on deepening quality, much as we have done with pursuing AACSB International and ACEJMC accreditations and a Phi Beta Kappa chapter?
- A premier program of international education and top-rated pre-medical and pre-law programs have been suggested as prime foci for “deepening”? What other examples can you suggest and defend?
- We have had great success with our Elon Experiences: study abroad, leadership, service learning, undergraduate research and internships. What would you recommend as the next level of quality in this area? Should we add another experience (what would it be?) or are there ways we should deepen the existing experiences?
- The quality of Elon’s student body continues to rise. SAT scores for the Class of 2009 average above 1200 for the first time in our history. Are Elon students being sufficiently challenged academically?

- Think of the budget valves to answer these specific questions:
 - How concerned should we be about enrollment growth?
 - How much elasticity is there in our cost? How do we find the right price point?
 - What are the most compelling messages we can bring before donors as we strive to build Elon's endowment?
 - How specifically can Elon further develop a culture of philanthropy in our community? What are the roles of trustees, alumni, faculty, staff, students, parents, and friends in such a long-term endeavor?
 - Elon plans to build new housing and dining facilities in order further develop the residential character of the campus by issues additional debt or other alternative financing. Other capital projects include the Academic Village Pavilion #5 (\$1.5 million) and the Academic Village Rotunda Building (\$6 million) and a 1,500 seat auditorium (\$8.0 million), all of which must be fund raised. How would you advise the Board of Trustees and the president about balancing facilities needs and endowment needs as we build the case for the next campaign?