At the same time that the United States is perceived as a problem, other countries have aggressively moved into the international education market. Australia and the United Kingdom now count on international enrollments to help solve serious financial problems at home. The EU wants to encourage students to study in Europe to build future relationships for trade and politics. Japan seeks to bolster its relationships in Asia by providing "scholarship diplomacy."

Repercussions

The most important effect of America's declining presence in worldwide academe is not on the more than $12 billion that international students contribute to the U.S. economy annually, but rather on the future of U.S. scientific and intellectual leadership. In the globalized world of science and scholarship, knowledge knows no borders. The United States is currently the most successful academic system in the world and benefits by attracting the best and brightest from other countries. Some of this talent remains in the country after completing academic degrees—the large majority of graduates from China and India, the two largest senders of students to the United States, do not return home–and they greatly benefit U.S. universities and the economy. Most foreign graduates do return to their home countries but maintain their connection with the United States.

For American universities to maintain their quality and influence, they must continue to attract top-quality students and scholars from abroad. The sign of scientific power is quite literally the attractiveness of the university to people from around the world. If the present barriers are allowed to remain, the United States will inevitably see a decline in both the quality and the influence of its universities—and this will have lasting implications for the economy, for science and research, and for America's role in the world.

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What Can Be Done?

A combination of factors has contributed to a tipping point in international education. While it is now time to declare a crisis, American academe has many strengths, and it is possible to reverse the decline. The American university system is the best in the world, and foreigners say that the United States, all things being equal, is their preferred choice. American culture also has a certain lure for students from around the world. English is the lingua franca of scholarship, and studying in an English-language environment is an attraction. And America remains a relatively welcoming environment for students and scholars from other cultures. But there needs to be a significant and concerted change in government policy to ensure that the United States is again seen as a preferred destination for study. If this does not occur, the decline will accelerate, and the inevitable result will be the weakening of a major resource—the university.

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Revenue Diversification in Higher Education

James C. Hearn

James C. Hearn is professor of public policy and higher education, Department of Leadership, Policy, and Organization, Peabody 514, Vanderbilt University, Nashville, TN 37203-5721, USA. E-mail: j.hearn@vanderbilt.edu.

Pressure to maintain quality and competitive standing in the face of menacing resource constraints has become the primary challenge facing colleges and universities in the United States and elsewhere. Faced with limited tuition revenues and public subsidies, institutions have increasingly entered into the aggressive pursuit of alternative revenue streams. Now, rising proportions of institutional revenues are being provided by sources other than governments and tuition. New revenue-seeking efforts fall into eight general domains. Each is introduced below.

Instructional initiatives: many institutions have begun targeting new markets of learners, focusing on people seeking nondegree pre- and postbaccalaureate certification as well as those seeking degrees. Often, instructional initiatives require significant new investment on the front end, signaling a need for careful examination of likely financial and nonfinancial costs and returns. Sometimes, new offerings are delivered through for-profit subsidiaries or partnerships with corporations, governments, or other institutions. Ideally, such partnerships can leverage a university's name and existing course content with minimal expenditure of time, money, and credibility—all without endangering the exclusivity of the institution's own degrees.

Research and analysis initiatives: many universities are reorganizing their research and analysis capabilities in pursuit of revenues. Many have developed technology-transfer offices to improve chances for such financial returns from ideas developed on campus. Among the other approaches adopted by various institutions are creating on-campus incubator units to nurture start-up firms, entering “e-commerce” (the selling of goods and services electronically), and developing fee-for-service offerings. Overall, the results of these new efforts have been mixed.

Pricing initiatives: growing numbers of institutions are providing discounts on tuition for students with certain desired characteristics, to generate a student body providing more revenue overall. In addition, institutions are increasingly “unbundling” their fees into separate areas and allowing students to choose which services to purchase. The user-fee approach has made pricing and costing more transparent to consumers and, in many cases, has allowed institutions to increase their revenues. Many institutions are also differentiating their standard tuition in various ways, including by a student’s major area, courseload, degree level, and program year; by a course’s home department; by class size or facility usage; and by an instructor’s degree level and rank.

Reforms in financial decision making and management: institutions have pursued improved returns on their liquid assets through participating in nontraditional investments (e.g., options markets) as well as large investment pools with lower administrative costs. To create faculty-level incentives for the pursuit of new revenues (and the reduction of costs), some institutions have implemented decentralized budgeting systems, which treat each organizational unit as a quasi-independent financial entity responsible for its own revenues and losses.

Some have refined compensation and promotion processes to provide more explicit incentives for faculty’s revenue-generating activities.

Human-resource initiatives: some institutions are deploying human resources in new ways to improve revenues. For example, some have refined compensation and promotion processes to provide more explicit incentives for faculty revenue-generating activities. Institutions can also tighten rules and regulations concerning individual consulting by faculty.

Franchising, licensing, sponsorship, and partnering arrangements with third parties: collaborations in noninstructional activities with externally based partners can provide new revenues. Institutions often outsource bookstore and dining facilities, and are increasingly outsourcing other operations as well. In addition, institutions are allowing other parties to use their resources, such as the expertise of faculty members or the athletic logo, in exchange for additional revenue.

Initiatives in auxiliary enterprises, facilities, and real estate: in some but assuredly not all cases, revenues generated by auxiliary units such as hospitals, athletics departments, bookstores, dining facilities, and hotels exceed costs. Classrooms, residence halls, recreational areas, and undeveloped land are assets that can ideally provide additional revenue for institutions. In recent years, this arena has been a hotbed of new ideas. For example, many campuses have initiated debit-card programs that are convenient for students, attractive to merchants, and lucrative for institutions.

Development-office initiatives: most institutions in the United States are aggressively expanding efforts to bring in donations from alumni, private individuals, foundations, and charitable organizations. Efforts in the public institutions, especially, have grown in recent years, as have efforts to attract funding from other nations.

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Pursuing New Revenues

The generation of new *net returns* should be the ultimate goal of any revenue-diversification effort, not simply the generation of new revenue. Potential returns can be nonfinancial as well as financial and can come in the short or long term. The generation of new institutional revenues that are fully offset or even dwarfed by new, associated costs (including the costs of foregone activities) is acceptable only if there are nonfinancial returns of note and the new net costs are viewed as acceptable from an individual, institutional, or public perspective.

Any new revenue-seeking initiative should meet criteria relating to mission, cultural, and strategic fit, substantive quality, short- and long-term financial prospects, market understanding, the risk tolerance of all involved parties, and organizational sustainability. The importance of individuals should not be overlooked in making investment decisions: success in revenue seeking depends in good part on opportunistic, talented people with good ideas. Central administrators need to set up appropriate financial, professional, and personal incentives to stimulate the energy and commitment of faculty and staff. Because the support and engagement of all on campus is important, special attention should be paid to the likely concerns of faculty in the humanities regarding some new initiatives.

Senior administrators' involvement must continue over the course of any significant new entrepreneurial initiative. Importantly, they must be appropriately responsive to any ethical or legal considerations, to any restructuring needs arising from new technologies, and to possible changes in the expectations and reward systems within academic units.

Because each college or university faces a distinctive context shaping its choices, there is no one best approach for institutions seeking new revenue sources.

Conclusion

Because each college or university faces a distinctive context shaping its choices, there is no one best approach for institutions seeking new revenue sources. Local context must be central to institutional decision making. At the same time, some general principles may be discerned from the literature and from the experiences of those involved in this arena.

Importantly, care should be taken to avoid public authorities coming to believe that higher education can obtain enough new revenue to take care of itself without substantial societal investment in subsidies and student aid. There are limits on the amount of funds institutions can garner in new ways, and further restraint on government support would exacerbate what is already a difficult situation for many institutions around the world. The status of higher education as a public as well as individual good, and thus its worthiness as a recipient of government funding, must be preserved.

From an internal perspective, the implications of new revenue seeking must be thoroughly considered. Some revenue-seeking choices will affect an institution only at its periphery. Usually, no substantive strategic or philosophical debate need accompany a choice regarding the rental of athletic facilities for a high school lacrosse tournament, for example. Other revenue-seeking choices, however, raise the possibility of more profound change. For such choices, it is important that institutional leaders weigh the applicable costs and benefits carefully and fashion an approach that coheres and motivates those on campus.

Unlike businesses, institutions cannot acquire and drop product lines with little more than financial returns in mind. Unreflective movement toward diversified revenue streams can corrode commitments to established and valued institutional cultures, identities, and missions. The offering of degrees online, for example, involves the "brand" of the institution in a very fundamental way. In those circumstances, institutional leaders should ask: "Is this effort truly core to who we are and who we want to be? Is this a legacy I wish to leave as a leader?" At its worst, the pursuit of new revenues can be mindless and dispiriting. It is essential that institutional leaders help fashion a path that coheres and motivates all on campus. When ideas for new revenue streams may be promising in a business sense but threatening in a cultural and organizational sense, and perhaps disserving of the public good, the best choice may be to walk away. When promising ideas are also inspired and inspiring, however, wisdom may lie in moving forward.

This article is shortened version of a report prepared for the American Council of Education. To access that report, go to http://www.acenet.edu/bookstore/pdf /2003_diversify_ campus.pdf.

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Student Loan Financing in the University Sector in Thailand

Gamon Savatsomboon

Gamon Savatsomboon is director of the Northeastern University Graduate School. Address: Graduate School, Northeastern University, 199/19 Mitraphab Road, Muang, Khon Kaen 40000, Thailand. E-mail: gamon_s@yahoo.com.

In October 1996, Prime Minister Thaksin Shinawatra announced two major policies for the university sector: the income contingency loan (ICL) and the voucher scheme. This article discusses the context in which ICL was developed and the programs's impact on the Thai university sector.

The Education Loan Fund

In 1996, the Education Loan Fund (ELF) was established, becoming operational in 1997. In 1998, the Education Loan Act (ELA) was passed, to provide a legal framework. The Education Loans Office (ELO) was subsequently established. The stated purpose of the ELF was to increase higher education access solely for students of disadvantaged economic status. The Thai concept of the loan fund is borrowed from the Australian example.

Three ministries are involved in the provision of the ELF: the Ministries of Education and of Finance and the Commission on Higher Education. The ELF is managed by the ELF Committee. Krung Thai Bank is responsible for loan execution.