

MINNESOTA STATE COLLEGES AND UNIVERSITIES

BOARD OF TRUSTEES RETREAT OCTOBER 22-23, 2008 BEMIDJI STATE UNIVERSITY AMERICAN INDIAN RESOURCE CENTER BEMIDJI, MINNESOTA

Trustees Present: Chair David Olson, Duane Benson, Cheryl Dickson, Jacob Englund, Ruth Grendahl, Clarence Hightower, Allyson Lueneburg, Dan McElroy, David Paskach, Thomas Renier, Christine Rice, Louise Sundin, Scott Thiss, Terri Thomas and James Van Houten

Trustees Absent: None

Day One: October 22, 2008

Welcome and Overview of Retreat Objectives

Chair David Olson convened the retreat at 1:00 p.m. After introductions were made, Chair Olson announced that the focus of the retreat was on 2020 planning. He continued that Trustees Christine Rice and Scott Thiss would serve as advisors to Chancellor James McCormick and his staff as the plan is being developed over the next several months.

Chair Olson introduced the panelists, Tom Gillaspy, Minnesota State Demographer; Stephen Shank, Founder/Chairman and Chief Executive Officer, Capella Education Company; and Donald Norris, President, Strategic Initiatives. He also introduced the facilitator, Kent Eklund, Vice President, Fairview Health Services and President, Fairview Foundation. Dr. Eklund also served as the facilitator for the Board of Trustees retreat in October 2007. Dr. Eklund commented that the retreat is an opportunity for the Board to step back and think about where they want the system to be in the year 2020. He recommended that the Board keep the system's current Strategic Plan for 2008-2012 in mind as they listen to the panelists and ponder some of the big themes that need to be mastered in order to fulfill the system's mission.

Tom Gillaspy, Minnesota State Demographer

Dr. Gillaspy commented that since World War II, rising education levels were a major component of Minnesota's success. In the 1970s, Minnesota per capita income surpassed that of the United States. In 1940, Minnesota ranked 23rd of 48 states in high school graduation rates, rising to 2nd out of 50 states in 2000. For bachelor's degrees or higher, Minnesota ranked 31st of 48 states in 1940, rising to 11th out of 50 states by the year 2000.

The first wave of the Baby Boom generation turned 62 in 2008, making it a watershed year. High school graduates peak in the spring for the next decade. College age population will soon begin to decline in Minnesota and the United States. Competition for the future workforce will increase as the labor force growth is about to slow sharply. Even the Republic of China will see a decline. Much of the world will see declining rates of growth in the workforce. Higher education is essential for Minnesota's prosperity to continue. The three most important factors for future

economic success are productivity, productivity, productivity.

Dr. Gillaspay reviewed projected openings in Minnesota Occupations for the years 2006-2016. For many important occupations, more than a fifth are over age 55. More than a fifth of dentists, truckers, nurses, tool and die makers and other occupations are over the age of 55. High school graduation rates are declining in the United States and Minnesota, while increasing in our competitor countries. Currently, Minnesota and Nebraska lead the nation with kids with high school diplomas.

The state revenue growth rate is projected to slow. Minnesota's population will change. The three largest cost drivers in the state budget are for those ages 18-24, 65+, and 5-17. By 2020, the 65+ population will surpass 18-24 year olds not only in Minnesota but in the entire United States. Health care spending jumps after age 55. If state health care costs continue their current trend, state spending on other services cannot grow, leaving little else for the remainder of the state's budget.

Dr. Gillaspay cited the following challenges for Minnesota State Colleges and Universities from 2008 to 2020:

- Potential for declining enrollment.
- Increased competition for students.
- Slower government revenue growth from slower economic growth and aging.
- Rapidly rising health care costs and budget cuts for everything else.
- Aging workforce.

In conclusion, Dr. Gillaspay summarized the following opportunities for Minnesota State Colleges and Universities over the next decade:

- Reach out to non-traditional students such as groups with low education attainment, older or those seeking retraining.
- Work with K-12 schools to improve outcomes.
- Work with other institutions and business to identify critical occupations and train to meet needs.
- Find new ways to cut costs and improve product. Need a new business model for how and where education is done.
- Conduct workforce planning for they system.

Stephen Shank, Founder/Chairman and CEO, Capella Education Company

Mr. Shank acknowledged that Minnesota State Colleges and Universities is incredibly important to the state. There are critical areas where higher education is just not producing the workers of the future to keep our society prosperous. Mr. Shank explained that his comments are one point of view and that he would answer the questions that were provided to him in advance, including: is there a natural division of labor between Capella and Minnesota State Colleges and Universities, and how might the experience of a for-profit higher education institution provide opportunities for Minnesota State Colleges and Universities?

Mr. Shank explained that Capella University is an adult-serving, exclusively online school serving a national geography. Its enrollment is 24,000 students, including 2,000 Minnesota residents. Eight-four percent are in graduate programs and the average age is 40. Virtually all are employed full -time and are focused on career or professional advancement. Forty-two percent are minority enrollment, primarily African Americans. Capella is a for-profit university, operating in a highly regulated world. Its basic operating principles are: that the student is the customer; learner success is critical drive of organizational success; the higher education market is dynamic with a high rate of change; and Capella must focus on doing a few things well. Its graduation rate is about 50 percent.

Capella's cultural blueprint, an important factor in higher education, explicitly frames the organization's values to pursue transformation in teaching and learning; have a passionate commitment to learner success; and to marry higher education and business values. Mr. Shank continued that he believes business practices can be applied to higher education but only if mediated by people who understand and can translate the concepts.

Mr. Shank outlined some future issues and opportunities:

- Access - Capella has done well with serving minorities, but it is a drop in the bucket.
- Affordability - thinks things will get worse with federal constraints and student loan problems.
- Accountability and transparency - this is a big opportunity. Capella has been working on this for five years. It is in the business of providing services to adults for their advancement, so Capella needs to be clear about why students are being asked to take this course and what outcomes it can deliver.
- Future opportunities for technology enabled learning. Online education is growing 15 percent annually, and Capella expects it to grow even more. Online learning is an appealing educational form. Mr. Shank observed that we are in primitive ages when it comes to teaching online. We are so heavily regulated; we can do it any way we want to as long as we do it the way it has been done for the past 1,000 years.
- Increasing competition.

Capella and Minnesota State Colleges and Universities share some commonalities, but have many differences that would challenge cooperative efforts. Capella's resources and capabilities are very, very different. Its impact on enrollments in Minnesota is very small. Looking at the issue of cultural capability, one question is whether Minnesota State Colleges and Universities faculty would approve of any programmatic collaboration.

Mr. Shank commented that higher education is not doing a good job of preparing workers. Employers are not doing a good job in letting higher education know what they need. He would like to see a future where higher education is not doing everything alone. Mr. Shank outlined some thoughts on cost reduction opportunities.

- Cultural and change management considerations will determine success.
- Focus on both cost reduction and improving learning outcomes and student value.
- Data and analytics are essential. What activities don't add value?

- Small, siloed activities generally increase cost and detract from value.
- Can third parties do some transactions better?

Mr. Shank concluded by noting that there are opportunities for Minnesota State Colleges and Universities. One advantage it already has is that it can offer courses across the system. Underutilized courses are a big concern for Capella.

Donald Norris, President, Strategic Initiatives

Dr. Norris commented that Minnesota State Colleges and Universities has a choice; it can either innovate or decline. Globalization increases competition and American competitiveness is declining. Minnesota State Colleges and Universities face increasing diversity and demographic challenges. Remediation needs are at an all-time high. Public financing of higher education continues to decline, and recession-driven cuts in funding will further reduce capacity. Minnesota State Colleges and Universities must innovate to change practices and establish financial stability. The foundation for financial sustainability resides in the following areas:

- Aggressively leverage PK-16 and business partnerships.
- Leverage innovations to dramatically change practices.
- Build career pathways and competency observatories.
- Improve performance and reduce costs.
- Slash the need for remediation.
- Dramatically improve retention, reduced time to earn degree.

Dr. Norris reviewed hypothetical experiences of four students in the year 2020, at different phases in their educational attainments. To meet the needs of future students, he presented a toolkit for sustainability for Minnesota State Colleges and Universities:

- Build seamless processes - transparency, transitions.
- Deploy and leverage E-Tools - iSEEK; efolio; Call Center 24/7; MnOnline; CENTSS; DARS/CAS; and Career One Stop.
- Leverage partnerships - P-16 and Workforce; Centers of Excellence; Access and Opportunity; and Career One Stop.
- Enhance bridging programs and relationships.
- Leverage metrics, dashboards, modeling, analytics - AQIP/Baldrige; strategy maps; and workforce applications.
- Support and extend learner segment initiatives - serving the underserved; Veterans; and PSEO.

Dr. Norris concluded his remarks by citing specific examples of the above toolkit. For example, today, there are seamless policies and practices across the system, but in the near-future there would be seamless concurrent enrollments among all of the system's institutions, and by 2020 there would be seamless concurrent enrollments in K-12 bridge programs and Minnesota State Colleges and Universities.

Facilitated Dialogue with the Panelists

Dr. Eklund thanked the panelists and opened the floor for conversation. There were several questions about Capella's faculty that is predominately part-time or adjunct status. Mr. Shank commented that there is a fixed compensation for every course; additional units receive additional compensation. Capella limits course section enrollments. Capella conducts a nationally known employee satisfaction survey and there is huge satisfaction - non-faculty employees benchmark 10-15 points above the national norm, while faculty also ranks another 10-15 points above that.

Responding to a question about whether Six Sigma, Baldrige or other quality improvement programs could be applicable to Minnesota State Colleges and Universities as it looks to the future, Dr. Norris commented that the University of Maryland has had some success in improving outcomes and reducing costs. He continued that the current financial model in the United States is not sustainable. The cost of the service is greater than the cost of the charge.

Responding to a question about Capella's percentage of African Americans - 42 percent - Mr. Shank commented that they are far surpassing the Latino population in educational attainment. These are individuals who have not had or perceived they have not had educational opportunities. Many African Americans perceive higher education to be extremely unfriendly. In Atlanta, Capella is a major educational player in the community and by reputation. Institutions need to be friendly. With respect to learner success, Mr. Shank stated that Capella is defining it in every course, every program, with outcomes tied to outcomes in the profession. He noted that Capella needs to go further in this area. Dr. Norris commented that he preferred the term "student-centered." A student-centered approach is that students decide because success may be improving their skill level for a specific job, or progress towards a degree. Many students are not interested in a degree. Some want to take a couple of courses or get a certificate and get a job.

Responding to another question about prioritizing funding, Dr. Norris commented that learners are very interested in what the marketplace needs. If the learners understood completely what the marketplace wanted, there would be an even closer match. There are not enough teachers in the nursing fields. Higher education has a good track record for providing engineers, but does not do such a good job with doctors and nurses. Companies cannot wait two or three years to fill their needs, and there is a real possibility there will be a shortage of people in critical fields.

Responding to a question, Mr. Shank replied that about 40 percent of Capella's students received some form of tuition reimbursement. Capella has agreements with companies such as Medtronic, for example. Medtronic in turn will market Capella's programs to its employees.

In response to a question about what the future of higher education leadership might look like, Dr. Norris replied that this is a difficult environment. Leadership is needed on both the administrative and faculty sides. Mr. Shank commented that leadership matters a lot during present times. Leadership is crucial for the Board, Chancellor, presidents, faculty, chairs, and individuals running enrollment management programs. We hire people who are experts; we are influencing people. Start with the organization's vision. It is important that the entire organization understand and is on board with the vision and change.

Dr. Eklund thanked the panel and announced a short break.

Presidents, Senior Vice Chancellor and Chancellor Panel

James McCormick, Chancellor

Chancellor McCormick commented that he had five thoughts that all have a leadership focus. First, he explained that his view is that every person with the ability and the will to advance his or her life through higher education should not be denied the opportunity to do so because he or she cannot afford it. Chancellor McCormick continued that we do not know the future, though some work hard to predict it. In America, in Minnesota, we can take some comfort in knowing that we have not slipped back in the education community as much as others around the globe have pushed ahead. What we want to do and must do will need monetary backing. Fiscal realities dictate that support cannot be from one source. We will need to look more vigorously to Federal possibilities, private resources, state funding, and just doing things differently.

The old apple-through-the-snake model that P-12 to higher education has used for decades no longer is viable. We now teach with broad accommodation in mind – for the new immigrant, the stay-at-home parent, the full-time worker, the part-time worker, the career changer, the underrepresented, the curious, the traditional, and the non-traditional student – all ages, all interests. The pipeline has turned into a tree with sturdy roots, but reaching and branching out in all directions. We really must work more closely with the public schools, a primary supply line.

Students are why we exist in public higher education. They need to learn from the best and those preparing to be the best. We cannot be successful without an outstanding and committed workforce in the classroom, on the campus, or through the Internet. Approximately 50 percent of the system's full and part time permanent employees are currently 50 years old or older. It is estimated that 72 percent of these will have retired or otherwise left employment in the system by 2020. We need to do more in the professional development arena for our faculty and staff to be second to none.

When we have partners in our work, we recognize that we cannot do some things alone. We also acknowledge the power of working together, cooperation, and time and fiscal efficiencies.

Technology is our friend. A reluctance to recognize this fact will be our failure. To accomplish all that we should, we must turn to technology, but it should be hand-in-hand with innovation. Technology provides more time and increased methods to make it possible to extend pathways to our doors, and to expand our outreach.

Richard Davenport, President, Minnesota State University, Mankato

President Davenport commented that he viewed innovation, global education, and financial sustainability as important areas for higher education. We need to prepare students not only for life but for world issues, issues that are a global concern such as the current economic challenges, widespread disease, energy demands and terrorism. Higher education is not preparing students very well for global challenges

Patrick Johns, President, Anoka-Ramsey Community College

President Johns commented that he was concerned about the future of the state's workforce and the system's workforce. It is thirteen years since merger, and the system has a strong organization, but it needs to be more flexible in innovation, technology, accountability and leadership. Given Minnesota's changing demographics, the need for access and opportunity will be even greater.

Linda Baer, Senior Vice Chancellor for Academic and Student Affairs, Office of the Chancellor

Senior Vice Chancellor Baer commented that this is an era of the unknowable. No one knows what the future holds only that the rules of higher education will be rewritten. Higher education must be engaged at all levels of education beginning with preschool. Higher education also must be engaged with business and industry and more. Higher education will need to be more flexible, adaptable, responsive and open to change. We will need to stretch our resources, our structures and our policies to support the changing nature of education.

Dr. Eklund thanked the panelists and invited questions and comments from the Trustees. There were comments on the need to do a better job of educating teachers including setting standards for admission into teacher training programs. There also were comments on whether the system could be more flexible with labor agreements. Every expense that does not impact student learning should be reviewed and consolidated if practicable from a system perspective.

Small Group Discussions

Dr. Eklund announced the guidelines for the three small group discussions. He asked the Board members to consider the input they heard from both panels and the background readings and develop a first draft of between 4-7 key themes of what was heard. The Trustees were divided into three groups.

Group One: Chair Olson and Trustees Grendahl, Hightower and McElroy.

Group Two: Trustees Dickson, Renier, Thiss, Thomas and Sundin.

Group Three: Trustees Benson, Englund, Paskach, Rice and Van Houten.

Trustee Lueneburg was not present for the small group discussions.

Small Group Discussion Reports

Group One. Trustee McElroy reported.

1. Success for all students.

Faster completion; technology; results; partnerships; pipeline; access; transparency; welcome mat.

2. Financial stability.

System leverage; cost control; funding model; reduce curriculum; efficiency; technology; partnerships.

3. Organization culture.

Flexibility; change capacity; leadership.

4. Innovation.

Technology; delivery methods; partnerships; facilities; contracts.

5. Teaching and learning.

Delivery methods; partnerships; well-prepared teachers.

Group Two. Trustee Thomas reported

1. New economic/business model.
2. Organizational change.
3. Technology.
4. P-12 impact. Redesigning teacher education.

Group Three - Trustee Benson reported.

1. Programs aligned to meet the state's needs. Boeing-employer; workforce partnerships; supply/demand.
2. Leverage advantages of being a system. Eliminate redundant functions; leave DOER.
3. Remediation. Whose responsibility?
4. Student as customer. Competency-based programs; economic model should be student centered; cost of programs; ability to pay.
5. Change leadership. Reward innovation; pay for performance; succession planning; teacher assessment; continuing education for all.

Jon Quistgaard, President, Bemidji State University

President Quistgaard was listed as one of the presenters with Chancellor McCormick, but unexpectedly had been called away. Dr. Eklund invited him to make some comments before concluding for the day. President Quistgaard commented that he is an advocate for lifelong learning, but if he had to pick three themes they would be issues associated with increased access which he feels especially strong about, and improved success and international competitiveness. He concluded that he also was concerned with graduation rates, retention and student success.

Before closing for the day, Dr. Eklund encouraged everyone to think about these themes tonight and return tomorrow prepared to discuss them in greater detail.

Day one ended at 5:50 p.m.

THURSDAY, OCTOBER 23, 2008

Review of Day One

Dr. Eklund distributed the notes from the small group reports. He commented that the 2020 planning exercise also will help define some of the attributes that the Board will need when it begins a search for the next Chancellor. Dr. Eklund asked the Board to review the notes and nominate some themes. For example, two groups identified financial model, not just revenue but also the expense side.

Identify Key Themes and Process for Producing 2020 Plan

Trustee Paskach offered organizational culture change. Dr. Eklund noted that the financial model will drive some organizational change. Trustee Benson commented that the focus has to be much more on the student as customer. Trustee McElroy explained that it is subtle, but the customer may be students, parents or even communities when they host a school in their region. He continued that he is not convinced that student and customer are synonymous. Trustee Benson said that to him the student is customer. Dr. Eklund observed that there still can be a dialogue. There is a difference between customer and stakeholder. Student success is another term. Trustee Benson commented that the system's singular focus is to educate students. Chair Olson remarked that at the retreat last year, the Board decided that the student was the customer and others were the stakeholders. Trustee Dickson added teaching and learning as a theme, both inside the system and better preparing the teachers we train. Redesigning teacher education and well-prepared teachers are similar. Trustee Van Houten commented that remediation is a concern and it affects teacher preparedness. Seems that there needs to be priority method of what education programs will have a priority. Trustee Thiss noted that technology seems to go through everything. Trustee McElroy asked whether technology is a goal or a tool. Innovation is the theme and technology is one component of achieving innovation. Trustee Thiss observed that innovation does capture bigger idea. Trustee Dickson added that technology is part of the infrastructure.

Trustee Hightower suggested student preparedness as a theme. Trustee Sundin commented that success for all students goes with students as customer and student preparedness. Also, system redesign could go under organizational change. Dr. Eklund listed the following six themes:

- Financial Stability /Model
- Organizational Cultural Change
- Student As Customer/Student Centered/Success for All Students
- Student Preparedness
- Teacher Learning-Teacher Focus
- Innovation

Dr. Eklund noted the goal for the retreat is to identify main themes for 2020. A lot of the activity will center on the system's vision and mission, unless the Board says another important theme is to lead organizational change. Building on these six themes, Dr. Eklund began a brain-storming exercise that resulted in the following key themes for 2020 planning.

Financial Stability/Model

A. Revenues

1. Less State Funding Strategies
2. Role of Philanthropy
3. Tuition Redesign
4. Commercialization of Programs/Services
5. Grant Funding
6. Private Sector Partnerships
7. Federal Funding Strategies
8. Consider Becoming Customized Training "Vendor"
9. More Enrollment Growth
10. Pricing Models

B. Expenses

1. Going "Green"
2. Position of Bricks and Mortar/Less Real Estate
3. Reducing Redundancies/Systems Efficiencies
4. Relation to "DOER"
5. Downsizing Services/Administrative Services
6. In-House Internalization of Resources
7. Reducing Costs of Delivery
8. Techniques of Acceleration of Student Progress
9. Increased Faculty Production Based on Assessments/Evaluations
10. Outsourcing
11. Institution/Administrative Structures
12. Curricular Expense Issues
13. Packager/Arranger of Services
14. Review of Academic Programs

C. Campus/System Intersections

Organizational Cultural Change

1. Making the Case
2. Develop Sense of Urgency
3. Leadership Development
4. Leadership Succession
5. Flexibility
 - Comfort with Change
 - Obsolescence – Identity and Reactions
6. Sense of Responsibility for Leading Change
7. Clear Sense of Market Positioning for Minnesota State Colleges and Universities
8. Centralization/Decentralization
 - Best Practices/Local Autonomy

9. Linkage of Performance/Productivity/Outcomes
10. Mindset of Offense/Not Reaction
 - Defense to Reaction for Better Parallel Construction
11. How to Become First Choice Based on Quality
12. Residential Component of Campuses
13. See Pricing Models Among Our Institutions – Lower Diversity Courses

Student as "Customer"/Student Centered/Success for All Students

1. Completion Times
2. Campus Environments
3. Linkages to Secondary Education
4. Proactive Assessment of In-coming Student Needs/Expectations
5. Review of Access
6. Welcome "Mats" for New Students
7. Portal Approach to Education
8. Value Added for the Student Arranger
9. Campus Connections to Communities
10. Entrance "Recognition" – I.B. and A.P.
11. CRM Models/Pathways/Student Knowledge/Lifelong Transcripts/Lifelong Customer – Relationships
12. Transparency in Reporting All Results

Student Preparedness

1. Who Pays for Remedial?
2. Access Trade-Offs
3. Partnerships Opportunities
4. How Do We Tell the Story About Who Shows Up at Our Door
5. High School Connections

Teaching/Learning – Teacher Focus

1. Teacher Preparation – New and Retooled – Best Practices
2. Continuing Education for Teachers/Partnerships with K-12
3. Faculty Development
4. Pedagogical Methods – New Delivery Mechanism
5. Redesign of Teaching Preparation – Experiential/Residency Based
6. Pipelines for Teaching Training for K-12 – Second Careers (Including Modeling)
7. Post Tenure Assessments of Faculty

Innovation/Technology/Infrastructures

1. Technology
2. Role of Place – Real and Virtual Space

- Delivery Methods
- 3. Review Enabling Language – Campus/System Intersections
- 4. Funding for Technology
- 5. On-Line Access to More Rural Campuses
- 6. Contracts

Dr. Eklund summarized that these themes may be enough for the Board to focus upon, but that they may decide to move some of the pieces after additional analysis.

Timeline

Trustee Thiss suggested that the Board consider this planning process with the end in sight. He continued that the goal is for a draft strategic plan to be ready for a first review in May, so that it can be approved before Chair Olson's term as chair is over in July. There are only three regularly scheduled Board meetings between now and May; an additional meeting may be needed. Chancellor McCormick will lead the effort with the Leadership Council's Executive Committee, and Trustees Thiss and Rice will be advisors to this group.

Chancellor McCormick commented that he sees his role as leading the team with Leadership Council Co-chair Patrick Johns, with Presidents Richard Davenport (Vice-Chair) and Jon Quistgaard (Past Chair) and Senior Vice Chancellor Linda Baer. There will be ample consultations with the students, faculty leaders and other constituents.

Board Self-Evaluation

Chair Olson reported that the overall evaluations were pretty good. Dr. Eklund added that from his perspective as the Chair of the Trustee Candidate Advisory Council, the evaluations showed that the Board's focus was on an efficient model of governance. Individual satisfaction is high. Chair Olson commented that unless there was a particular issue that someone wanted to discuss he saw no need to review it.

Retreat Concludes

Chair Olson thanked Dr. Eklund, Chancellor McCormick, the presidents and staff for their work and contributions to a productive conversation.

The retreat concluded at 11:30 a.m.

Ingeborg K. Chapin
Secretary to the Board