

# HIRING AND HIGHER EDUCATION:

› Business Executives Talk about  
the Costs and Benefits of College

Written by Steve Farkas | 2011



## PURPOSE AND METHODOLOGY

- › The Committee for Economic Development (CED), in collaboration with Public Agenda, launched this qualitative research effort to explore the attitudes of business leaders toward higher education. The goal is to understand the starting point of business executives: What are their views on the purposes, importance, strengths and weaknesses of the higher education system? What do they think is going on in terms of cost, access and quality? The research is a prelude to a public engagement effort with business leaders on these very issues.

Four focus groups with local business leaders were conducted in September 2011, two in Texas (Frisco and Bryan) and two in Ohio (Columbus and Akron). In total, 27 business leaders from large- or mid-sized companies took part. Additionally, 12 one-on-one telephone interviews were conducted with business leaders from across the country. Participants were assured of confidentiality and hailed from companies of different sizes and a variety of fields, including accounting and financial services, communications, hospitality, insurance, manufacturing, sales, technology, tourism and conventions, and utilities.

As with all qualitative research, these interviews reflect the opinions and experiences of the individuals participating in the research and cannot be taken to definitively represent the views of all U.S. business leaders. Still, the themes highlighted below emerged repeatedly and are a valuable tool for giving voice to the views of American business leaders toward the system of higher education in this country.



## I. HIGHER EDUCATION IS AN ISSUE AREA THAT HAS TRACTION AMONG BUSINESS EXECUTIVES

### › The topic sparks interest.

Business people are engaged and energized by discussion of higher education. Moreover, they are thoughtful and not simplistic when they talk about it – often speaking from direct personal experience. They may not walk into the room thinking about higher education but they clearly care – it is an issue that resonates.

For one thing, concern about education and the workforce – though not necessarily higher education per se – is often the first thing executives bring up when asked how to keep the U.S. competitive and innovative. **Business people are uneasy about workers' skills**, and about economic competitiveness and innovation. Their unease feeds their qualms about the state of higher education.

We also found that business executives typically defined higher education broadly as any education beyond high school – not just 4-year colleges. At different points in the discussion, interviewees would sometimes make explicit or implicit distinctions between community and 4-year colleges. All in all, the distinctions they made revealed nuanced thinking.

### › Personal experiences often inform their views.

It also turns out that the business executives we spoke with had many potential points of contact with the nation's system of higher education. Sometimes their engagement was as straightforward as being consumers who've attended a particular college themselves – or who have had children attending. Sometimes it was as representatives of their companies doing business with local colleges or going to job fairs. Other times their involvement was at a fairly high level, working with schools to design curriculum to fit their company's needs, or serving on the boards of college foundations. And, of course, often times it was their direct experience working with graduates from local or regional institutions of higher education. These points of contact meant that much of the discussion was informed by direct personal experiences, not just press coverage or hearsay.



## II. WHAT BUSINESS PEOPLE BELIEVE: QUALITY, COST, THE TALENT GAP AND INNOVATION IN HIGHER EDUCATION

### › “The best system in the world.”

The business people interviewed believe America’s system of higher education is the best in the world – the number of foreigners who come here to study is the obvious go-to indicator. They think higher education is critical to the nation’s economic competitiveness and that the system must remain top-notch for our nation to stay innovative. Few mention the civic virtues of a college education.

*“In terms of the system of higher education, I think the U.S. has the best system in the world, one of the best. The testament to that is the number of students from all over the world that want to come and get an education here.”*

*“There is no doubt in my mind that by educating more people the country will be stronger. It will have greater tax revenue because people will earn more, and it will produce more. It will be more innovative.”*

Most also believe higher education is critical to an individual’s financial success and quickly point out the earning differential between those with a degree and those without.

*“I know to be successful in life you need a degree. I really don’t care what you get your degree in, but I think you need to have higher education, otherwise you’re not going to be able to compete with everyone else.”*

### › Have we gone too far in hyping the virtues of 4-year colleges?

**But there’s also some sense that a 4-year college degree isn’t for everybody, and that we don’t value skilled labor enough.**

Some believe the nation may have gone too far in promoting the importance of the traditional college experience. Still, when it came to their own kids, a 4-year college education was non-negotiable to virtually all the focus group participants.

*“The world needs ditch diggers. That’s what my mom used to tell me. We need people to do welding, and we need people to do plumbing, and those don’t necessarily take college degrees.”*

*“It seems like now the market is saturated with college degrees. What I see, everybody has a college degree. It’s almost becoming worthless. I get waited on at restaurants by people that have college degrees now.”*



## › Costs are out of control.

Interviewees point to serious weaknesses in the country's system of higher education. One of the most often voiced concerns is the out-of-control price of higher education, particularly a 4-year degree. Some are asking: Is higher education a good value given the cost – especially when so many graduate with tremendous debt?

*"I think the amount in student loans that people are graduating with now is outrageous. I don't think that's good for the economy. I don't think it's good for someone to be paying that back for ten or twenty years instead of saving up to buy a house or buy a car."*

*"The return on investment just isn't there anymore."*

*"It makes no sense, the amount of money they charge and the rates of increase in tuition."*

*"You'll see reports out there now that say it's not worth it. If you're going to get a job doing this, the investment of spending or borrowing 'X' isn't worth it anymore. What's the payoff for making that investment?"*

One consequence of over-emphasizing the value of a 4-year college degree is that it has become a must-have for so many that institutions have carte blanche to raise prices. It's become a seller's market, since the colleges are offering something perceived to be critical for individual success.

*"It is a demand issue that more people are seeing a college degree as their only avenue for success, so there's a lot more people looking for a college degree, and so colleges are saying, 'Okay, there's a lot more people applying. One way to thin that number down is to charge more.' They're able to get it, right? There's a line of people out the door. If they doubled their tuition, there'd still be a line of people out the door."*



## › Are we losing people?

Some are concerned that too many qualified students may be kept out altogether by the high costs of tuition and fees. More often than not, business people thought that although it was getting more difficult, if you were savvy enough to work the system or had guidance you could still figure out a way to pay for higher education. But the trend was definitely in the wrong direction.

*"I don't see how they get away with it. I think people are just biting the bullet, but I just think that college is really becoming out of reach for a lot of people."*

*"I think as soon as you raise the price you're going to lose people who might have gone and said, 'Man, this is difficult. I've got to feed my family now. I don't know how I'm going to do this.'"*

*"The middle class is not going to be able to afford it. If their parents are really poor they can get a grant. If the parents are very wealthy it's not a problem. It's a real struggle for the middle class kids."*

*"Three of my employees have quit school. Their parents have been laid off and they've applied for loans... One has just given up the fight. He tried to go to school and pay for it, and he's got to support himself as well, so he just gave up school."*

People talked about students – sometimes their own kids – saving money by going to community college for a couple of years and then transferring to a 4-year institution.

*"The question is why go the four years over there when you can cut one-third or one-fourth of the price if you go the first two years here [at a community college]? At the end of the day when the recruiter goes there and finds you, your diploma is from the bigger college anyways, so the perception is there."*

*"My daughter went to [Junior College] for a couple of years before she went to A&M and it's much more economical that way. Get all your little base stuff out of the way and then get into the meat and potatoes."*



› **Waste and inefficiency prevail – especially at 4-year colleges.**

Business executives don't see the justification for rising prices – and in any case don't believe higher prices are commensurate with improving quality. Most are convinced that institutions of higher education are wasteful and inefficient, suspecting that they are paying too much attention to aesthetics and frills, e.g., overspending on sports programs, on the salaries of college presidents and professors, and on the physical plant. According to business leaders, much of this spending is to enhance their prestige, to compete with other schools for students and to make the campuses look more attractive. There's also the belief that education is no different from any other industry – there's always fat that can be cut, and if the colleges had to make do with less, they'd find a way. These criticisms seemed mostly pointed at 4-year colleges.

*"Have you seen that campus lately? Oh, my goodness! They've built all these buildings, new student center, new this, new that. They've been building all these nice, new dorms that are completely different, and we wonder where the money's going?"*

The sense that 4-year colleges invest in programs to increase their prestige was pervasive. Sometimes, this meant going after a high-priced professor or an observatory – even if not many were going to make use of it. Other times, it meant big outlays on athletics.

*"For a college that is primarily a research institution, the more money that they invest into research, the more prestigious the university is. In Texas, they invest money into sports, because the reality is, that makes these schools prestigious – because of our athletic programs here."*

*"What does it really cost to teach four or five classes to kids in a school? You don't need the Taj Mahal of gyms and you don't need a swimming pool if nobody swims, right? 'We've got to have it, got to have it in the brochure.'"*

It was clear that when participants visualized excess and frills, they were talking about 4-year colleges and universities – not community or junior colleges.

*"It's easier to point to those universities as a more identifiable place where they waste money. Beautiful campuses. More ornate buildings than a community college. The stadiums. The coaches. All this stuff. When you get to a community college, there's not a lot of those frills out there."*



- › If they had to, colleges – especially 4-year institutions – could reduce their costs.

The sense was that colleges could cut costs without cutting quality, that they would adjust to lower budgets if it came to that. To the mind of business people, there's always fat and waste in large organizations – thus you could always reduce by 10%.

*"Necessity is the mother of innovation. If the times were tough, and parents were not sending people to school, or government stopped funding colleges, or corporations stop footing the bill, they will adapt. Some of them will perish. It's just nature, right? But they will adapt."*

*"I think if a college, university had to tighten their belt and live in the real world, in the business world, and not rely on just turning the tap on government funding, they would make better choices. They wouldn't pay their basketball coach \$8 million a year."*

- › There aren't enough graduates in STEM fields.

According to our interviewees, there's a serious talent shortage – especially in science, technology, engineering and math (STEM). Even in an economy with high unemployment many business executives talk about jobs at their companies that are going begging for qualified talent.

*"We cannot get qualified people. An electrician is not somebody you pull off the street. You have to be able to read blueprints. You have to know some trigonometry. There's a lot of stuff involved in that. We cannot get qualified people so we start 30 kids every year in a four-year [company] program. We're having to produce our own."*

*"We have lots of unfilled positions. We know there are people looking for jobs but they don't match the skill set that we need from them. We just can't find the people."*



According to business leaders, there's a mismatch between what the higher education system is producing and what the broader economic system needs. They worry that we are falling behind other developing nations, especially India and China, in STEM fields. Meanwhile, we may be producing too many liberal arts graduates.

*"I think we're being surpassed. When you look at China, for example, and some of the skill sets that kids have at a much younger age, and the jobs that they're taking on, and the next big things that they're doing – at like an Intel for example. That, to me, is a signal that there's something wrong with our system. We should be in the top tier if you're trying to make sure you can produce products within your own country that you can reinvest."*

*"Especially in engineering and science and math, in those areas we're falling behind the world. You hear these stats about who's developing all the world's great technologies now; they're not really being developed in the US any more. They're being developed in China or in India that have these very smart young people who've been educated."*

*"Colleges are turning out young people with degrees that don't have the skill sets. They've got a degree but they're in that stack of applications that keeps getting tossed out because they don't have the skill sets that [we are] looking for, the Columbus Dispatch is looking for, that AEP is looking for."*

There was also some concern about the graduation rate – how many students actually complete their studies and leave with a degree. The notion that many enter but too few leave is starting to penetrate the consciousness of business executives.

*"The number of students that go to the college is pretty high and higher than other countries, but the number of students that get the degree is very low. The gap between entering the school and coming out with a degree, there is a major gap."*



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› **Graduates lack basic and interpersonal skills.**

Across all four focus groups and in many of the individual interviews, business executives complained about the character, interpersonal skills and comportment of the young people they encounter. These were persistent criticisms of the motivation and work ethic of new workers, a view that they come in with a sense of entitlement. **Even such basic skills as writing a clear memo were called into question.** While much of the public discourse revolves around the need for 21st century skills, these business executives were also unhappy about far more prosaic skills.

*"We're dealing with economics majors. They can't write. They come to us and they cannot write a decent document. We spend so much effort teaching them how to actually write."*

*"Where I see consistent problems is in interpersonal communication. A lot of their job is to verify information – we need them to call the restaurant. They would be happy to email the restaurant or get on Google and see what Google says. But we specifically have to confirm listings on the telephone because frequently Google is wrong. But we just can't get them to pick up the telephone."*

*"The people skills. We've had to have classes with some of the interns just to teach them some of the basics. Not wearing flip-flops and raggy jeans to the office; having a professional conversation with a supervisor, even if it's on email."*

Almost inevitably, the attention of business people would turn to the K-12 school system. The perception was that many problems with the skills of college graduates start much earlier in their lives.

*"In our industry most of the people that I talk to that are in management, they're discouraged with not only the higher education part, but just coming out of high school, the quality of people, the students that are coming to potential employees. That they may have a high school diploma, but they can't even fill out an application correctly. They can't spell. They can't read and write. But yet they got this diploma."*



## › Unable to adapt.

The widely shared perception is that higher education is highly resistant to change, and that innovation and adaptability are hardly the forte of colleges and the administrators who run them. Some executives talked about experiences they had trying to work with their local colleges only to run up against a “can’t-do” system tied up by committees, paperwork requirements and institutional prerogatives. Some pointed to tenure as emblematic of institutional rigidity. Their sense was that higher education institutions would not be productive until they had to be – “necessity is the mother of invention,” and the necessity is not there now.

*“It’s under enormous stress financially from the standpoint of state funding, but it’s also under enormous stress because of its inability to even conceive of how one adapts. They behave as though the problem will go away, if only we can survive long enough.”*

*“The colleges, as creative as they may be, lack innovation. They’ve set up a certain structure, tenured staff, and because of that they’re opposed to change. Globally we’ve got to be more competitive so that means even our education institutions have to think out of the box.”*

*“They [the colleges] say, ‘It has to be a 900-hour course. If you want somebody to teach here, they have to have a teaching credential, their years of teaching in your line school doesn’t mean anything,’ and so on and so on. As a business, it’s just frustrating. It’s easier just to say, ‘If you’ve got kids, just send them over.’” (A business executive describing his company’s attempt to collaborate with a local college on developing a course leading to jobs.)*

There were intimations that changes are afoot in some institutions of higher education, especially in community or junior colleges.

*“There’s been a big shift in junior colleges anyway over the last few years in Texas to go from being the traditional junior college, the academic type of institution, to be more of a community college, [where] they have academics, but then they also do workforce training.”*

*“When it comes to innovation, I just don’t think that way about big colleges, because if they were going to they would have. They haven’t. Do I think there are colleges out there that are small, maybe that are innovative? I think there are, because if there’s a way to make money at it, then people will do it.”*



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### III. TWO AREAS WHERE ATTITUDES ARE EVOLVING: ONLINE INSTRUCTION AND ACCOUNTABILITY

#### › We need accountability, but what should it look like?

The general sense is that higher education is a system lacking accountability, not subject to market forces or public policy constraints. Just like government, 4-year colleges are wasteful and lack innovation and responsiveness. Like businesses, they charge what the traffic will bear. And since a 4-year college education is so widely perceived to be critical for individual success, they can raise their prices without driving customers away. Some business leaders raised the possibility of creating accountability measures – whether on costs, or insuring quality education or graduation rates. Typically, these ideas were not fully formed and discussions brought up ways they could backfire. For example, in discussing the possibility of holding colleges accountable for the percentage of students that graduate in four years, they worried that schools would be incentivized to water down quality to hit their targets. Nevertheless, interest in accountability is strong.

*“In higher education we don’t have any accountability systems. All that we have are third parties that produce ranking and rating systems, the top ten, or the top hundred colleges, and they’re not particularly effective. In the area of accountability, I think we need much more creative partnerships between the public and the private sector, and more financial incentives that are real and disincentives that are real to be able to continue to promote quality.”*

*“A university shouldn’t be in the business to make money, shouldn’t be in the business to have these huge endowments that never get spent. They should be efficient with the taxpayers’ money – especially your public university.”*

*“You have the private universities versus publically funded or state funded. The boards of those universities obviously have to play an integral part in their judgment. I haven’t a clue as to how to hold them accountable, but I feel that they should be.”*

Accountability may have a direct resonance for business people because it’s often in the nature of their work – especially when they own their own companies.

*“If anybody here in the room hires me to do work for them they’re going to hold me and my people accountable to make sure that we did it properly. I don’t know how you keep colleges accountable. Maybe it’s percentages of pass/fail. I don’t know. There’s got to be some kind of level of accountability and otherwise it’s just going to keep going the way it’s going.”*



But in the discussions, participants would instantly raise concerns about how to make accountability work without giving incentives to colleges to water down their standards in order to reach benchmarks.

*"If you make universities accountable, what are they going to do? They're going to start printing diplomas off like that [snaps fingers], even if they haven't earned them, so that they can check off the accountability."*

*"What's it tell you? So they have a 90% graduation rate. Does that mean it's so easy here, come on here and get your degree? Somebody has a 20% – I'm exaggerating for emphasis – graduation rate, you almost might be more drawn as a go-getter to go to the place that has a low graduation rate, because you know it's a challenging environment."*

## ➤ Online instruction, pros and cons.

There's resistance and suspicion among the executives we interviewed toward online instruction in higher education, but also pockets of enthusiastic support. People prize the interpersonal learning and exposure to new thinking that goes on in traditional classrooms and it's easy for them to visualize students goofing off when learning online. On the other hand, those with some exposure to online education – and there were more than a handful – say it is rigorous and uniquely capable of allowing nontraditional students to continue their studies. A few are won over by mixed instruction – partly traditional, partly online. Attitudes are clearly evolving and in flux.

*"If you're online, next thing you know you're watching TV and you have another window up on your computer. You're checking your Facebook. There's too many distractions."*

*"If it's online you miss the networking. Now is it better than nothing? Yes. But I think most of the learning and your growth comes from interacting with other people with similar interests or different interests. I think that's the difference between information and education."*

*"I interview plenty of people. But if I see somebody who has an Internet degree, to me, I just give it less value."*



*"To be able to get that education in the evening in your home office once the kids are down – it opens up the universe, the number of people that could potentially participate. They're not easy. It gave me access. I thought it was excellent, it served my need."*

*"For certain classes I think it works well because there were times at college when I was there that all I did was sit there and listen, and there wasn't really any interaction between the students and the teacher. I could have done just as well in current times with it online."*

Interestingly, in one focus group where there had been fairly strong resistance to online coursework, the conversation ended with a conviction that theirs would not be the last word on this issue. It seemed to them that online learning would inevitably be more prevalent – and accepted – in the future.

*"If you talk to a kid at college probably 50% of what they got is online. I mean most of the professors are putting websites out there. They've got all of their syllabuses there. Their last lectures are there. I mean they're already pushing it towards that direction."*

*"What I think is if you were to sit in this table ten years from now with the kids that are growing up right now, the perception of ... distance learning, I believe will be different."*



## IV. THE CHALLENGE OF ENGAGING BUSINESS LEADERS

Business executives most easily conceptualize their potential involvement in higher education through a traditional mix of mentorship and apprenticeship programs, participation in curriculum committees, or letting colleges and students know the needs of business. The notion that they can get together and speak out on the macro-political level and weigh in on policy debates regarding higher education reform or advocacy does not come naturally to them. Once the concept of broader involvement is introduced, they're open to it and give it some thought – but it does not provoke spontaneous desire for action. Whether it's a meeting or organizational involvement or speaking out, business people have to feel that there's something concrete they and their companies have to gain. Reaching out to business leaders in communities also means relying on intermediary organizations that have links to them.

*"I think businesses can give back in mentoring and apprenticeships, things like that. Get people interested in trades and different types of businesses."*

*"We've got some good programs here like that Youth to Career. We've got the shadowing programs in the high school. During the summer companies can agree to open their doors to students."*

*"The value of an established business person would be in communicating to college students. If you went to graduate level classes, you could give real life applications of what they're studying. You could also go to the freshmen during orientation and say, 'Guys, this is four years of your life. Make the best use of it you can.' You could be a big benefit to somebody who doesn't know what direction they're going yet just by saying, make use of this opportunity you have."*

It was rare to hear a participant volunteer political involvement at the policy level. Interestingly, the one exception was a business executive who was fairly influential and very active in his community.

*"Businesses need to be involved in the political process, too, because that's where the institutions are from the public point anyway, that's where they get their funding. They listen to the politicians. They don't necessarily listen to the business community."*

But when the moderator introduced the concept of business involvement regarding higher education at the political level, it resonated.

*"Actually, the last thing you just said – I didn't even think about that. That is such a great idea – the businesses playing in a political realm a more positive force and influence in what higher education looks like. This is what we need pushing forward. Yeah, that's powerful."*



## RELATED MATERIAL

This examination of the views of business leaders is one of several recent Public Agenda studies looking at how key stakeholders are thinking about higher education. These include:

› The Public:

*Squeeze Play: How Parents and the Public Look at Higher Education Today* (2007)

*Squeeze Play: Continued Public Anxiety on Cost, Harsher Judgments on How Colleges Are Run* (2010)

› College Students and Young Adults:

*With Their Whole Lives Ahead of Them: Myths and Realities About Why So Many Students Fail to Finish College* (2009)

*One Degree of Separation: How Young Americans Who Don't Finish College See Their Chances for Success* (2011)

› College Presidents and Financial Officers:

*The Iron Triangle: College Presidents Talk About Costs, Access and Quality* (2008)

*Campus Commons? What Faculty Financial Officers and Others Think About Controlling College Costs* (2009)

› College and University Trustees:

*Still on the Sidelines: What Role Will Trustees Play In Higher Education Reform?* (Forthcoming in late 2011)





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