
A VISION FOR PENN STATE

A Report of the Blue and White Vision Council



Foreword

Penn State is a distinguished university with a long history of excellence. It has changed the lives of hundreds of thousands of graduates and its academic strengths are evidenced in the latest National Research Council survey. Penn State is ranked among the top 50 universities globally¹ and it has the largest number of Fulbright Scholars and 12th highest number of international students in the country.² Annually, the University ranks among the nation's top dozen or so universities in funded research. Its graduates are highly sought after by America's large and small companies and its World Campus is a leader in online education. Penn State's fundraising strength is considerable and growing as it closes in on a goal of \$2 billion in the current campaign.

In preparation for a new era, Penn State has reaffirmed its commitment to become an even greater university in the years ahead. Over the past several months the Blue and White Vision Council has sought ways to bring this vision into sharper focus. We hope you will find the pages that follow to be both useful and inspiring. The analysis took place in the aftermath of the Sandusky scandal, a series of events that brought about one of the most difficult times in Penn State's 150-year history. While the trauma was painful and disruptive, it led the University to reexamine and think afresh. The sense of optimism and readiness for change has never been greater. It brings with it a hunger among Penn State trustees, faculty, staff, and alumni to look forward, to test Penn State's vitality and explore the challenges the University is certain to face in the years ahead.

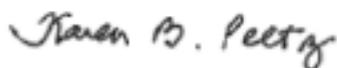
The Vision Council brought together a diverse assembly of talented individuals: several members of Penn State's Board of Trustees, some of Penn State's most distinguished faculty members, prominent students, and senior academic and administrative leaders. Deliberations spanned the better part of the 2012-13 academic year. We are united on one fundamental proposition: the importance of the work of higher education to the future of the world in which we live has never been more compelling. Penn State will remain at the forefront, pursuing excellence in all we do, shaping lives and pushing back the frontiers of knowledge.

Historian Norman Davies was interviewed recently in the *Financial Times*. He reflected on change, using the metaphor of a snow-covered mountainside that appears solid but is nonetheless unpredictable:

*"Historical change is like an avalanche. The starting point is a snow-covered mountainside that looks solid. All changes take place under the surface and are rather invisible. But something is coming. What is impossible is to say when."*³

Our aim has been to acknowledge the magnificent mountains of achievement that are part of Penn State's history and to explore the terrain that lies ahead, probing beneath the surface as we go. We invite you to join in the journey.

Karen Peetz



Chair, Penn State's Blue and White Vision Council
Immediate Past Chair, Board of Trustees, 2012-13

¹ Academic Ranking of World Universities. (2012). Retrieved April 9, 2013 from <http://www.shanghairanking.com/ARWU2012.html>

² Institute of International Education (IEE). (2012). Open doors: 2012 Fast facts. Washington DC: IEE.

³ Barber, M., Donnelly, K., Rizvi, S. (2013). An avalanche is coming: Higher education and the revolution ahead. London: Institute for Public Policy

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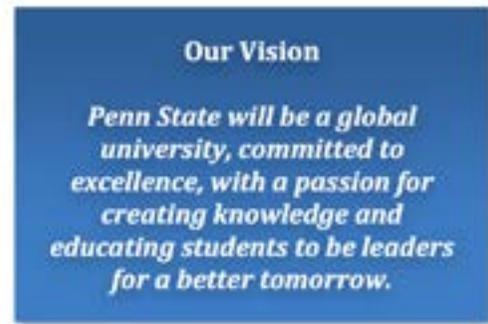
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A View of Penn State

Our History

Penn State takes enormous pride in being among the first land-grant universities in America. The land-grant movement broke new ground, extending college access to individuals who earlier had been excluded, expanding the range of academic fields of study and forming the modern public research university as we know it. Now a century and a half later the nation relies heavily on Penn State and its sister public universities.



From its very founding Penn State has cherished excellence. The University's first President, Evan Pugh, drew on the scientific education he received in Europe to develop a curriculum that combined theoretical studies with practical applications. In the 1880s, President George W. Atherton led a major academic expansion to include the sciences and the liberal arts. Penn State began to emphasize advanced-degree work in 1922 with the formation of the Graduate School, and by 1950 the University had won international distinction for investigations in many fields. In the 1980s, President Bryce Jordan brought new energy and vision to a university with great untapped potential. Jordan believed that Penn State should aspire to be among the top universities in the country. This goal of becoming a top 25 research university was embraced and advanced by Jordan's successors as well as the faculty, trustees, and the Penn State family.

While Penn State is known for the strength of its academic offerings, it is also known for the out-of-classroom engagement of its students. Just one example: THON is the largest student-run philanthropy in the world and a point of particular pride. The first THON, in 1973, consisted of 78 students looking to add excitement to a dreary February in central Pennsylvania; in 2013, the Bryce Jordan Center was packed with more than 700 dancers – along with families, volunteers and supporters – who raised \$12.4 million for the fight against childhood cancer. Students learn not just about philanthropy and giving to something larger than themselves, but also the complex planning and organizational skills required to mount an effort of this scale. In all, Penn State has more than 800 student organizations, a major strength of the Penn State experience.

The excellence of Penn State students is also recognized among top corporate recruiters. The University was ranked first in the nation in a 2010 survey by *The Wall Street Journal*⁴ in producing the best-prepared, most well-rounded graduates who are most able to succeed once hired. Part of that recognition may be linked to the vibrant experiences Penn State offers students outside as well as inside the classroom. But Penn State's strength also derives from the talent and hard work of the students who come here and call Penn State home.

Penn State is one university, geographically dispersed across 24 campus locations. The University has a single undergraduate curriculum and a single regional accreditation. Learning environments vary across

⁴ Evans, Teri. (2010). Penn State tops recruiter rankings. *The Wall Street Journal*. Retrieved September 12, 2012 from <http://online.wsj.com/article/SB10001424052748704358904575477643369663352.html>

campuses: University Park is a large research-intensive campus and the Commonwealth Campuses, while also engaged in significant scholarship, offer a more intimate small-college experience. The virtual learning environment at Penn State's World Campus has garnered three Sloan Consortium awards for its excellence in online education programming. The College of Medicine at Hershey, Pennsylvania College of Technology and the Dickinson School of Law further diversify Penn State's academic portfolio. Together, in one university, these distinct learning environments create the Penn State experience.

Markers of Achievement

While Penn State is at a pivotal moment in its history, it builds on a sustained era of accomplishment. The University has risen from around 30th in annual funded research rankings during the 1970s and early 1980s to being well established among the top dozen or so universities in research investment in the United States. In 1972, Penn State had three faculty members who were fellows of the American Association for the Advancement of Science. By 2012, that number had grown to 70. Penn State is now routinely recognized as a "top producer" of student, faculty, and staff Fulbright grantees. In 2011-12 the University led the nation in the number of Fulbright faculty scholars, with 14 at University Park and two at the Commonwealth Campuses. In the most recent (2010) Academic Ranking of World Universities (ARWU), Penn State was identified as one of the Top 50 universities in the world. Penn State's academic reach broadened in 1990, when it was invited to join the Committee on Institutional Cooperation (CIC) composed of Big Ten universities and the University of Chicago.

While building academic excellence, Penn State also expanded access. *The Education Trust* in recent years has repeatedly recognized Penn State as one of the nation's "top gainer" institutions for both Hispanic and African-American students. In 2012, average years to graduation were comparable across race and ethnicity groups: 4.3 years for Hispanics and Latinos, 4.3 for Asian Americans, 4.3 for African Americans, and 4.2 years for White undergraduates.

Penn State is a strong and positive cultural and economic force within the Commonwealth. According to an independent 2008 analysis by Tripp Umbach, Penn State – through its faculty, staff, students, and alumni – adds more than \$17 billion annually in overall economic impact. And for every dollar invested by the Commonwealth, the University returns a healthy \$25 in economic benefit to Pennsylvania.⁵ In virtually every school, business, hospital, farm, or innovative start-up, Penn State's presence is felt through its people and ideas, translating the Land Grant heritage in a 21st century context.

In particular, Penn State's College of Agricultural Sciences Research and Cooperative Extension programs provide enormous benefit to the Commonwealth. According to the Pennsylvania Department of Agriculture,

*Pennsylvania's 63,000 farm families continue to be the stewards of more than 7.7 million acres of farmland. With \$5.7 billion in cash receipts annually from production agriculture, Pennsylvania farmers and agribusinesses are the leading economic driver in our state.*⁶

⁵ Umbach, T. (2009). The Pennsylvania State University Economic Impact Statement. Retrieved April 9, 2013 from <http://econimpact.psu.edu/>

⁶ Pennsylvania Department of Agriculture. (2012). About PDA. Retrieved April 15, 2013 from http://www.agriculture.state.pa.us/portal/server.pt/gateway/PTARGS_0_2_24476_10297_0_43/AgWebsite/Page.aspx?name=About-PDA&navid=30&parentnavid=0&pageid=9&

In support of this industry, Penn State invests nearly \$97 million in research and graduate study annually. Penn State Extension is present in every county and delivers expertise directly to farmers and related industries.

The full range of the University's achievements in teaching, research, and outreach would be impossible without contributions and support from our alumni and friends. Penn State has become a pacesetter in private fundraising among public universities. The current campaign is closing in on its goal of raising \$2 billion to advance Penn State's academic mission.

In short, Penn State is one of America's great higher education success stories. The University is on an upward trajectory and has been for decades. While many challenges have been encountered and doubtless many lie ahead, Penn State's spirit and vision, paired with its long-term commitment to be among the very best bodes well for the future.

Undergraduate Education: Penn State currently enrolls 81,823 undergraduate students in over 160 baccalaureate and associate degree programs. Students come from all 50 states and more than 40 countries. One in every 120 Americans with a baccalaureate degree or higher graduated from Penn State. Penn State's graduation rate remains a particular point of pride. The most recent six-year graduation rate of 86 percent placed Penn State a close second in the Big Ten, trailing only the University of Michigan's 90 percent.

Penn State has strength across a broad range of academic areas. The College of Engineering was ranked 2nd in the country in the number of bachelor's degrees awarded and 6th in the number of bachelor's degrees awarded to women. The Schreyer Honors College is recognized as one of the foremost undergraduate honors programs in the United States. For the second year in a row, recruiters surveyed by *Bloomberg Businessweek* ranked Penn State's Smeal College of Business as having the top undergraduate business program in the country, the most innovative curricula, and the most effective career services.⁷

Graduate & Professional Education: Penn State's Graduate School is one of the largest in the nation with more than 14,000 graduate students enrolled university-wide. Many graduates go on to join the faculties of other universities across the country, further extending Penn State's reach. International student enrollment in graduate programs has increased to an all-time high with more than 2,850 students from around the world.

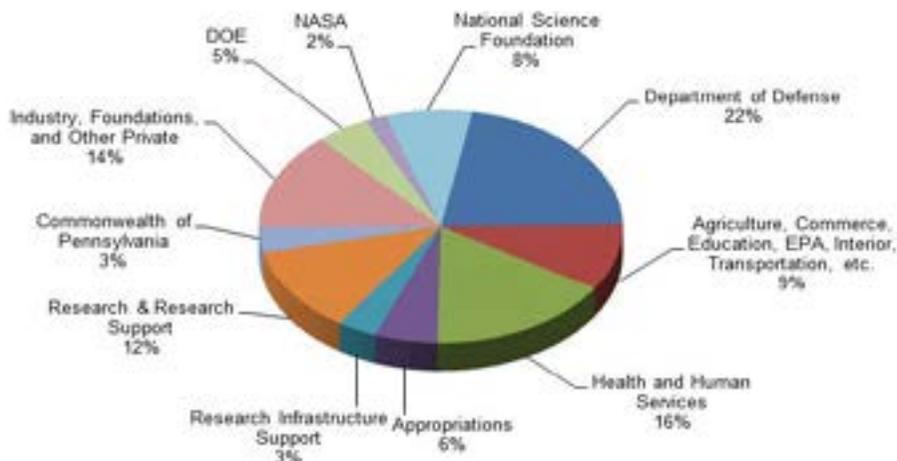
In 2010, the National Research Council assessed doctoral programs in more than 60 fields. Graduate programs of special note included Anthropology, Astronomy and Astrophysics, Plant Biology, Kinesiology, Entomology, and Spanish. Indeed, numerous programs spread across virtually every Penn State college received exemplar ratings. These rankings showcase Penn State's advancement and great academic strength.

Penn State as a Major Research University: Penn State is among the leading research universities in the United States. In 2012, the total research expenditures at Penn State stood at \$807 million. During the last decade Penn State experienced, on average, a \$33 million increase annually in R&D funded

⁷ Smeal College of Business. (2012) Recruiters Again Rank Smeal No. 1 in Businessweek. Retrieved March 21, 2012 from <http://news.smeal.psu.edu/news-release-archives/2012/march/recruiters-again-rank-smeal-no.-1-in-businessweek>

research⁸ with R&D funding from a wide range of federal sources totaling \$499 million. Partnerships with private industry and other universities yielded \$110 million, federal appropriations (agriculture) yielded nearly \$9 million, state appropriations yielded \$36 million, and the University contributed more than \$126 million to support this exceptional level of research funding. While the bulk of the research enterprise is centered at University Park (\$695 million), another \$98.7 million is invested in research at Hershey.

EXPENDITURES ON ORGANIZED RESEARCH by Source for Fiscal Year 2011/2012



Interdisciplinary Research: A significant amount of today’s scholarship and research involves problems that require the collaboration of faculty members from multiple disciplines. Some 38 percent of Penn State’s programs in the NRC assessment ranked in the top 10 percent of their respective fields in the percentage of faculty members engaged in interdisciplinary research. In order to facilitate such collaboration, Penn State has developed numerous consortia and specialized institutes.

Penn State’s Global Reach: Some universities have sought to enhance their academic reach by building campuses internationally. In contrast, Penn State established the Global Engagement Network (GEN), which links already strong institutions around the world, expands access to local networks of intellectual capital, resources and funding, while capitalizing on the strengths, benefits, and opportunities that arise from a multidisciplinary and multicultural approach to problem solving. The GEN strategy allows leverage of our intellectual resources with those of major research universities around the world, integrates research into our educational programs, and provides opportunities for students’ engagement that build global citizenship and leadership.

⁸ The Pennsylvania State University. (2012). Annual Report of Research Activity, Fiscal Year 2012. Office of the Vice President for Research.

Outreach: Penn State is a national leader in outreach, offering thousands of programs that engage our students and faculty with individuals and communities across the Commonwealth and the world. All academic units offer programs through online and continuing education, conduct applied research, and hold conferences, workshops, and public media events. While these programs enable individuals to advance their personal educational goals, they also empower communities to address pressing issues. The College of Agricultural Science’s Cooperative Extension, for example, mounts major outreach initiatives throughout Pennsylvania’s 67 counties.

Penn State’s Academic Configuration

Penn State offers multiple pathways to success. The University is positioned in 24 locations across the Commonwealth, transforming lives and enriching the possibilities for those it serves. This unique campus configuration has evolved over the past century to serve Penn State’s mission and meet the needs of society.

Commonwealth Campuses: Penn State’s 20 Commonwealth Campuses contribute to the educational strength of their communities and society at large. Some 5,000 Penn State degrees are conferred annually to Commonwealth Campus students, constituting nearly a quarter of all degrees awarded by the University. Many campus offerings are career-oriented, professional and pre-professional in nature. Some 50 specially accredited programs in the fields of health, engineering, technology, nursing, education, business and criminal justice are offered at the campuses.



Nearly 40 percent – over 31,500 students – of Penn State’s total residential enrollment is at the Commonwealth Campuses and a large proportion of Penn State’s University Park graduates began their studies at a Commonwealth Campus. In fact, some 265,000 Penn State alumni have attended and/or graduated from a Commonwealth Campus. Together the Commonwealth Campuses employ 1,600 full-time faculty members and 2,100 staff and generate roughly one-third of Penn State’s tuition revenue.

The Commonwealth Campuses provide access to a Penn State education for students who otherwise might not have it. The median family income of campus students is around \$54,000, well below the University Park median. More than 90 percent of the students receive financial aid and nearly two-thirds

work while enrolled. In fact, 40 percent of all students at the Commonwealth Campuses are the first in their families to attend college. The slightly lower tuition and – more importantly, the opportunity to live at home – afford lower-priced access to Penn State.

Pennsylvania College of Technology: Penn College joined the Penn State family in 1989, evolving from Williamsport Technical Institute to the Williamsport Area Community College. It is a national leader in applied technology education. Nearly 6,000 students are enrolled in 100 majors, 46 percent in baccalaureate degree programs and 49 percent in associate degree programs. Penn College is proud of its 95 percent positive placement rate and excellent starting salaries for graduates.

The Milton S. Hershey Medical Center: The Milton S. Hershey Medical Center is one of only 125 academic medical centers in the nation and is home to Penn State’s College of Medicine. Hershey has a combined budget of approximately \$1.5 billion and comprises nearly 30 percent of Penn State’s operating budget. The Hershey Campus offers academic programs for medical and nursing students, basic science graduate students, medical residents and fellows, other students in health care-related professions, as well as for practicing health professionals. Hershey, itself a significant center for education, research, and patient care, has also expanded these efforts through the development of a regional campus at University Park. This campus offers medical students the opportunity to spend two years in community practice settings, including Mount Nittany Medical Center and the Hershey Medical Center clinical practice sites.

Dickinson School of Law: The Dickinson School of Law, acquired by Penn State in 2000⁹, has locations at University Park and Carlisle. The Dickinson School of Law, founded in 1833, is the seventh oldest law school in the United States. In 2012, 96 percent of Penn State’s graduating law students passed the Bar, ranking it second among Law Schools in the Commonwealth.¹⁰ Nationwide, legal education faces profound questions related to numbers of graduates required by the profession and needed by society, the level of tuition pricing, and the very nature of legal education itself. Penn State is grappling with these same issues as it continues to examine the mission and emphases of its two campuses.

Penn State’s World Campus: Fifteen years ago, Penn State became one of the first universities in the nation to offer online education. The World Campus began with just 41 students in five academic programs and today boasts an enrollment of more than 12,000 students in undergraduate, graduate and certificate programs. It has enjoyed five straight years of double-digit enrollment growth. Among the hundreds of higher education institutions included in *U.S. News & World Report’s* “2013 Best Online Education Program Rankings,” Penn State’s World Campus is ranked in the Top 25.

⁹ We began the merger in 1997 and completed it in 2000.

¹⁰ Pennsylvania Board of Law Examiners. (July, 2012). Pennsylvania Bar Examination: Examination Statistics. Retrieved April 9, 2013 from <http://www.pabarexam.org/pdf/statistics/july/j2012.pdf>

Governance and Decision Making at Penn State

The university, as an institutional form, has a long history. As former University of California President Clark Kerr observed:

“About 85 institutions in the western world established by 1520 still exist in recognizable forms, with similar functions and with unbroken histories, including the Catholic Church, the Parliaments of the Isle of Man, of Iceland and of Great Britain, several Swiss cantons and 70 universities.”¹¹

Arguably, universities have endured for so long due to their unique governance, culture, and structure. Penn State, as other major universities, tends to have a broad and rather flat structure for governance and decision making. Proposed changes often emerge from the bottom up, not just from the top down. Universities are also exceedingly porous organizations; faculty members need direct access to their disciplinary and external constituencies in order to excel in teaching, research, and service. This collaborative, shared system of governance and the ability to adapt and change may account for the longevity of higher education institutions.

The Board of Trustees: The Board of Trustees of the University is the corporate body established by charter with overall responsibility for the governance and welfare of the University and all the interests pertaining thereto, including students, faculty, staff, alumni, and the public. The Board of Trustees holds legal authority to enter into contracts and oversees the governance and effective operation of the University. The Board delegates all day-to-day management of the institution to Penn State’s President and, as a consequence, communication between the President and the Board and a collaborative relationship of confidence and trust is crucial.

One special feature of the Penn State governing board is its diversified structure. The 32-member Board of Trustees is composed of six trustees appointed by the Governor, nine elected by the alumni, six elected by organized agricultural societies within the Commonwealth, and six elected by the Board of Trustees representing business and industry. Five trustees serve in an ex officio capacity by virtue of their position within the University or the Commonwealth of Pennsylvania. Currently the President of the University; the Governor of the Commonwealth; and the state secretaries of the departments of Agriculture; Education; and Conservation and Natural Resources serve as voting members, although the Board of Trustees is currently reviewing these policies.

The President: As the chief executive officer of the University, the President works closely with the Board of Trustees and keeps the Board fully informed. This relationship is key to the development of a strong and well-functioning Board as well as to the Board’s execution of its fiduciary duty. The President also serves as the public voice and face of the University and is the conduit for official communication.

Penn State’s President, however, does not labor alone. The President works in partnership with the Board and, as in other universities, relies on the strength of the faculty and a strong academic and administrative leadership team. Students also contribute to University governance and decision making through established mechanisms. Orchestrating these diverse talents, setting forth a clear vision,

¹¹ Kerr, C. (1987). A critical age in the university world: Accumulated heritage versus modern imperatives. *European Journal of Education*, 22(2), 184.

building consensus, moving from plan to execution and assessing progress – these are essential qualities of presidential leadership.

The Faculty: The key engine for innovation and change in knowledge production and dissemination is the faculty. Faculty have authority over the academic enterprise of the University, including the establishment and supervision of policy concerning curriculum, teaching, and research, and they work with the Faculty Senate, the Graduate Council, the Board of Trustees, and the President to institute academic change.¹² This collaborative process also includes governance structures within the academic colleges, departments, and the degree programs. The University Faculty Senate sets academic policy and administers the approval process for new courses and undergraduate degree programs. Among various responsibilities, the Graduate Council governs academic policy for all graduate programs in the University, sets requirements in terms of credits for both master's and doctoral degrees and approves new graduate courses and degree programs. Ultimately, the Board of Trustees must approve policy changes and new degree programs authorized by both of these bodies.

We Are Penn State

Indeed, *we are Penn State*, one of the world's most outstanding research universities. Privately chartered, Penn State is profoundly public, a contemporary land-grant university committed to the public good, meeting myriad needs of society through its programs of teaching, research, and service. We are a University with a proud and distinctive history, an institution that has faced numerous challenges and one that has found creative ways to respond and overcome them. In the pages that follow, the Vision Council explores in greater depth the terrain that lies ahead. It does so with candor and a sense of confidence that Penn State's spirit and unshakable vision to be among the finest universities in the world will lead us toward an exciting and rewarding future.

¹² The Pennsylvania State University Board of Trustees, (2012). Final standing order of the Board. Retrieved April 12, 2013, from www.psu.edu/trustees/pdf/standingorders.pdf.

Recognizing Challenges

As it reviewed Penn State's present state, the Vision Council focused on a number of issues and challenges that invite special attention. Two issues in particular – the challenging economic environment and changes in the way teaching and learning take place – were explored in depth. The intersection of these two spheres merits special attention. MIT President Rafael Reif noted this very point:

*“Higher education is at a crossroads not seen since the introduction of the printing press... the upheaval today is coming from the technological change posed by online education. But that's only the half of it. Just as edX, Coursera, Udacity and other online-learning platforms are beginning to offer the teaching of great universities at low or no cost, residential education's long-simmering financial problem is reaching a crisis point The positive development in online learning and the negative trend in residential-education costs came about independently, but it's now impossible to consider the future of higher education without thinking of both.”*¹³

The Economic Challenge

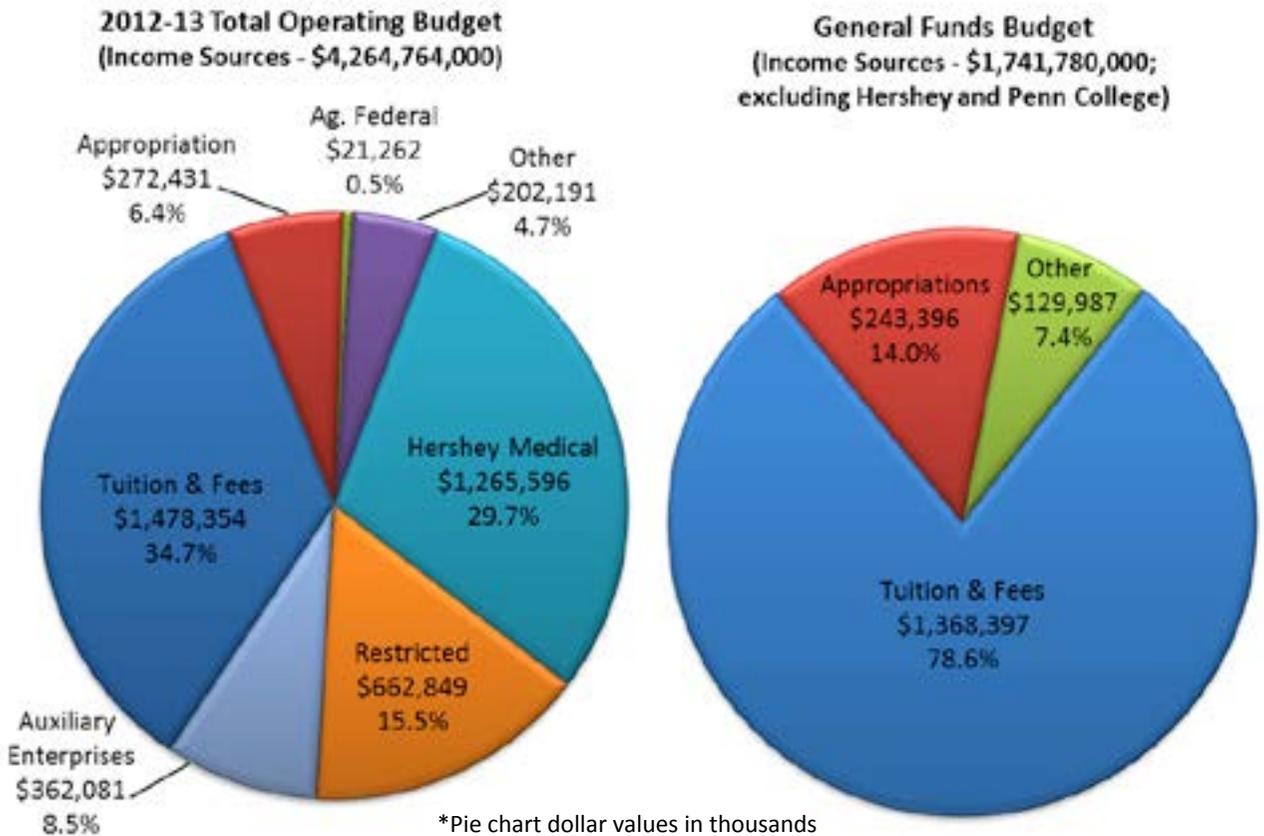
Public universities in America, including Penn State, have entered one of the more difficult economic environments in history: weakened state support, constraints on tuition increases, demographic shifts, and increasing costs have combined to create a new economic reality. While such forces are not unknown in higher education, what makes the current and future economic reality different from the past is the coming together of the several stressful trends and the unknown effect of the rapidly evolving world of digital technologies and online learning opportunities. In the face of these challenges, the response of the Penn State community has been to reaffirm its commitment to excellence while also embarking on a process that will enhance the University's capacity to make informed decisions.

Penn State's general funds budget of \$1.7 billion supports the core of the academic enterprise. For 2012-13, tuition and fee income comprised nearly 79 percent of the general funds budget. Nationally, at virtually every public university, tuition income has surpassed support from state government as the prime revenue source in the educational and general budget. In 1970, the state appropriation represented 62 percent of Penn State's general funds budget while tuition and fees were 32 percent. Today, in contrast, the state appropriation accounts for only 14 percent of that general funds budget.

While Penn State must work with policy makers and the public to stress the importance of a great university to the future of the Commonwealth, one cannot assume there will be an abrupt turnaround. Gary Fetchke and Andrew Policano (2012), in their book *Public No More*, argue the current cuts are likely to be permanent and may portend *“the extinction of the low-tuition—high-subsidy financing model that has been the backbone of public higher education for over a century.”*¹⁴ In other words, this new fiscal environment facing public higher education in America may very well be “a new normal.”

¹³ Reif, R. (October 12, 2012). What campuses can learn from online teaching. The Wall Street Journal. Retrieved October 12, 2012 from <http://online.wsj.com/article/SB10000872396390444620104578012262106378182.html>

¹⁴ Fetchke, G. & Policano, A. (2012). *Public no more: A new path to excellence for America's public universities*. Stanford, CA: Stanford University Press, p. viii.



Because of concerns over mounting student debt and competitive pressures, the Vision Council anticipates that public universities will find it difficult to make the sizable across-the-board tuition increases sufficient to fully fund operating cost increases. Further, with resident tuition charges among the highest for public institutions in the nation, Penn State’s goal is to keep tuition increases as close as possible to the rate of inflation. These constraints will require bringing other strategies into play, including greater attention to cost containment, setting sharper, smarter priorities, and optimizing other revenue options. Concomitant with the challenge of tuition pricing, Pennsylvania faces a decline in the number of high school graduates. While this may mean fewer applications from Pennsylvania, it may also allow Penn State to think strategically about increased access for students from other states and for international students.

Because Penn State is a university with an integral academic medical center, this dimension of the economic landscape must be considered as well. Income from patient care comprised 30 percent of Penn State’s operating budget in 2012-13.¹⁵ Patient care revenues are dedicated to activities that occur at The Milton S. Hershey Medical Center and are not part of the University’s general funds budget. The

¹⁵ The Pennsylvania State University. (2012). Penn State’s budget primer. Retrieved January 16, 2013 from <http://www.budget.psu.edu/openbudget/income1213.pdf>

passage of the Patient Protection and Affordability Act in 2010 includes provisions that impact every aspect of the U.S. health care system from the establishment of individual health insurance exchanges to significant reductions in funding for graduate medical education and uninsured care. Changes to reimbursement models, along with the development of strong regional health care delivery networks and the rising demand for population-based health care approaches have implications for not only the clinical enterprise, but also the availability of support for medical education and research.

In short, for most universities, including Penn State, the economic environment is quite likely to become even more daunting. Setting sharper priorities, changing in response to altered circumstances, and lending more attention to cost containment and revenue enhancement will be strategic necessities going forward.

The Digital (R)evolution

Technology has touched every aspect of contemporary life and work. Even so, a new, different, and likely more intensive transformation in American higher education is under way. A number of forces – technological, economic, and societal – have converged to challenge “business as usual.” It should come as no surprise that universities are struggling to develop a sound digital strategy. *“The traditional model of lectures coupled with smaller recitation sections (sometimes characterized as ‘the sage on the stage’) is yielding to a dizzying array of technology-enabled pedagogical innovations.”*¹⁶

Penn State faculty must continue to question basic educational strategies, both in terms of the quality of learning outcomes achieved and the sustainability of more resource-intensive approaches.

Online, hybrid, and other forms of interactive, technology-enhanced learning have become major strategic issues on virtually every university campus. Higher education is moving toward a competency-based model, one designed less around where and how student learning takes place and geared more toward the resulting capacities and competencies demonstrated. The idea that technology-enhanced learning may have an impact on higher education comparable to that in other sectors of society is simultaneously invigorating and a threat to the traditional university model. Massive Open Online Courses (MOOCs) are the most recent stimulus to the digital conversation, attracting active engagement by scholars from leading universities. Courses reaching thousands of learners worldwide have captured the attention of the media and engaged the public with the promise of high quality learning at low or zero cost.

New organizational structures have been created to accommodate and advance online education such as Penn State’s World Campus and University of Maryland’s University College. New for-profit providers of higher education have emerged — some operating solely or largely online. Some 4,500 residential students at Penn State are taking online courses offered by the World Campus and thousands more are taking online courses in a residential instruction context. More than 40 percent of college students nationally, and at Penn State, have taken at least one course online and that percentage is growing. Hybrid combinations of online and residential instruction are also part of the mix and have been underway at Penn State and many other campuses for years.

¹⁶ Bacow, L.S., Bowen, W.G., Guthrie, K.M., Lack, K.A. & Long, M.P. (May 2, 2012). Barriers to adoption of online learning systems in U.S. higher education. Retrieved April 9, 2013 from <http://www.sr.ithaka.org/research-publications/barriers-adoption-online-learning-systems-us-higher-education>

Although the Vision Council has focused primarily on how the digital revolution impacts teaching and learning, it is important also to acknowledge the impact of technology on the conduct of research. The rise of big data and the facilitation of technologically sophisticated analyses provide opportunities for researchers to advance knowledge in ways previously unimagined. Likewise, scholarly collaboration across campuses and continents is increasingly commonplace and Penn State has been challenged to keep up in its organization and funding of research computing.

Leadership and Change

The economic, demographic, and technological forces discussed earlier are illustrative of the challenges Penn State will face in the years ahead, but in no way exhaust the list. Unanticipated changes in societal needs will have implications for universities. New models of learning will continue to emerge. Competition will intensify. Penn State will need to anticipate and adapt, nurturing the capacity to change in response to evolving circumstances. Leadership at every level – the President, Board of Trustees, faculty, colleges, and campuses – will be needed in the challenging era that lies ahead to keep Penn State at the forefront.

A Strategic Vision for Penn State

Our vision remains steadfast: *“Penn State will be a global university, committed to excellence, with a passion for creating knowledge and educating students to be leaders for a better tomorrow.”* Penn State and other public research universities play a major role in American life. They enroll large numbers of the nation’s most able students across a broad spectrum of disciplines and professions. They perform more than half of all academic research and development and contribute in powerful ways to state and local economies through the graduates they produce, the knowledge they disseminate, and the start-up companies that emerge. They are major providers of health care and the nation’s prime source of basic research. And yet there is reason for concern, as articulated by the National Science Board, about the ability of these universities *“to provide affordable, quality education and training to a broad range of students, conduct the basic science and engineering research that leads to innovations, and perform their public service missions.”*¹⁷

Undergirding the work of the Blue and White Vision Council is a hunger for excellence, an aspiration to be among the very best centers of learning in the world, driven by a passion for knowledge in teaching, research and service to society. This enduring commitment to academic excellence has sustained the University throughout its history and will be the star that guides the University going forward. Defining excellence and understanding “success” in a new era will be the on-going challenge.

Economic Strategies

Analysts at Moody’s Investors Service suggest that, *“most universities will have to lower their cost structures to achieve long-term financial sustainability and to fund future initiatives.”*¹⁸ This is easy to say, but difficult to do in ways that enhance the University’s quality and contribution to society and preserve access to new generations of students.

Changing cost structures to achieve long-term sustainability is a challenge but at the same time it presents a priceless opportunity to use resources in more impactful ways. Faculty and staff salaries must remain competitive. The cost of employee benefits continues to rise. As tuition goes up greater amounts of student aid are required. Facilities and services must be updated and improved. And the list goes on. Finding ways to manage and reduce costs will enable Penn State to align resources with its most important needs and priorities.

Genuine cost cutting means doing things differently, reforming and redesigning processes, and strategically investing in people and technology. Penn State is committed to the process of rethinking and re-envisioning its economic future, as for example in restructuring employee health benefits packages in retirement, reexamining the shape of the University’s footprint, and taking a fresh look at the scope and breadth of academic offerings.

Current strategic options and recommendations of Penn State’s Budget and Planning Task Force build on the idea that revenue, including tuition, should more closely reflect the actual costs of specific academic programs and include incentives for academic units to re-think programs and processes. The University

¹⁷ National Science Board. Diminishing funding and rising expectations: Trends and challenges for public research universities. Retrieved from April 9, 2013 from <http://www.nsf.gov/nsb/sei/companion2/>

¹⁸ Ibid.

is studying a different approach to budgeting and resource allocation that will combine aspects of incremental and activity-based budget models while promoting collaboration across units. The strategic aim is to construct a closer link between decisions that are made in a highly decentralized university and their revenue implications.

Penn State is also studying its tuition structure with two primary goals: better alignment of price with cost, and development of new revenue-generating opportunities. The objective is to reduce cross-subsidies and provide incentives for new program development to increase tuition revenue, thereby decreasing the need for higher across-the-board tuition increases. Changes to Penn State's current tuition structure will sharpen existing differential pricing and add additional differentials that recognize cost differences among more majors, cost differences among Commonwealth Campuses, and costs incurred by the University to provide additional services for the growing number of international students.

The Commonwealth Campuses face special issues. A number of approaches are now under review and include restructuring, re-missioning, and consolidation of academic and non-academic functions. Positioning the Commonwealth Campuses to respond to demographic change is imperative. To the extent it can be done while also taking advantage of the digital revolution presents an exciting opportunity, both for the World Campus and for the Commonwealth Campuses.

Tuition at Penn State's Commonwealth Campuses, although less than University Park, is still comparatively high, nearly twice that of the Pennsylvania State System of Higher Education schools and three or four times that of many community colleges. Current tuition levels disadvantage some of Penn State's smaller Commonwealth Campuses. Responding to that issue and restructuring tuition at the campuses in more flexible and locally responsive ways is also under consideration.

Other promising options for the Commonwealth Campuses include a greater sharing of administrative infrastructure, including shared positions in key administrative functional areas involving clusters of adjacent campuses in ways that improve service while reducing administrative overhead. More sharing of academic programming among campuses is also possible with more extensive use of learning technologies. Inter-campus partnerships can also include the joint use of facilities.

Strategy in a Digital (R)evolution

Penn State has many existing strengths on which to build. A successful digital strategy will be built on the University's legacy of leadership in online and technology-enhanced learning. On the other hand, Penn State's position as a national leader in online education, while an obvious advantage, can also be a liability if it results in complacency and overconfidence. The pace of change is rapid and Penn State's comparative advantage can quickly evaporate.

Significant technological change is also under way in Penn State's residential classrooms and laboratories. There are many fully online and hybrid courses available to the 85,000 students enrolled in residence. Most courses, for example, deliver substantial content through Penn State's online course management system. In others, students employ online portfolios to collect, share, and allow faculty assessment of their work. Some courses offer a hybrid of online and in-class experience. Still others employ technology platforms to enhance peer-to-instructor and peer-to-peer interaction. Technology has the capacity to enable team-based problem solving with counterparts around the world in areas

ranging from language classes to team-based engineering design projects. To accomplish these things, technology-enhanced education requires leadership and sound pedagogy. Further, the University's digital strategy must anticipate future needs and be integrated in planning for capital projects.

Long-term investment in new systems of teaching and learning must be more strategic to be successful. Much of the development of online and hybrid learning systems at Penn State and elsewhere has been opportunistic and entrepreneurial. While Penn State must continue to take advantage of opportunities as they arise, the University will need strategic plans and investments in systems and infrastructure to support growth in both quality and scale. Advances in curriculum, enrollment, delivery and other initiatives across the University are sometimes limited by inadequate information technology systems that are unable to cope with the changing scope of operations. The University has already undertaken a comprehensive plan to upgrade and replace aging systems.

Beyond technology, the University must develop policies, structures, and practices that enable experimentation in both online and on-campus settings. For example, recently Penn State entered into a partnership with Coursera with the development of five course offerings: Introduction to Art; Maps and the Geospatial Revolution; Creativity, Innovation, and Change; Energy, the Environment, and Our Future; and Epidemics – the Dynamics of Infectious Diseases. With this closely assessed, limited entry into the MOOC-world, Penn State will test the possibilities and limitations of these massive open online systems.

This experiment will require some new policies and procedures, for example, in how the University looks at MOOCs as part of faculty workload, how it pays for MOOCs, and how it might develop a business model around them. In MOOCs and other online developments, Penn State needs to be able to quickly and effectively learn from mistakes and capitalize on successes, promoting entrepreneurial activity, learning through innovation, and progress, but also keeping a keen eye on the ultimate metric, academic performance. This will require not just creativity and good intentions, but budget policies and administrative processes that support and encourage experimentation and provide the infrastructure to accommodate more radical innovation and progress on campus and online. Currently, a variety of policies and procedures are being examined with a view toward streamlining, integrating, and better supporting both online and residential learning.

A successful digital strategy must capitalize on already rapidly expanding student and faculty abilities and expectations. Penn State students come to the University having lived in a digital, touch-screen, interactive world; faculty members also have spent their careers in a rapidly changing technology environment. Understanding, nurturing, and capitalizing on these growing talents will be essential. Penn State must engage its students in all disciplines as partners, seeking their help to make the University a leader in this digital education revolution.

It is unrealistic to suggest that universities will be able to control the digital revolution; most of the drivers for change lie outside the control of higher education institutions. Still, Penn State must respond and lead in this turbulent sea. Penn State's prime strategic goal is to create a higher quality, more personalized, competency-based, and cost-effective environment for *all* learners – on campus and online – by protecting and supporting innovation in a rapidly changing and competitive environment. Academic quality and student success – including accelerating academic progress – are the ultimate performance indicators against which the impact of online and hybrid learning innovation and experimentation must be assessed. Capturing and using evidence of student learning will empower

faculty, enhance student engagement and build confidence within the broader Penn State community and nationwide.

Penn State must also attend to its research computing needs. There is evidence that the University has fallen behind its peers in organizing and supporting research computing. An IT strategic planning group has made recommendations for changing the current situation in ways that can provide much better support for faculty across the University who need world class support in this area.

Enhancing Resources

While expenditure control is crucial, Penn State must also enhance revenue. Online programs have generated new revenue to support faculty, students, and programs while serving the educational needs of students all over the world. To keep overall tuition increases low, Penn State needs to explore other opportunities to generate increased revenue.

The University has developed an enviable record in development and fundraising during the past 30 years. Penn State has hundreds of thousands of alumni and friends who are powerfully engaged with the University and prepared to sustain Penn State for future generations. Underwriting undergraduate and graduate student scholarships; sustaining faculty excellence and scholarly contributions through endowed chairs; identifying and empowering new initiatives that will define the future – these are the irreplaceable contributions made by engaged alumni and friends whose lives have been transformed by Penn State and who are inspired to give those same opportunities to the next generation. Soon Penn State will conclude a successful \$2 billion capital campaign, *For the Future: The Campaign for Penn State Students*. Expanding this partnership going forward will be crucial.

In terms of state support, the Commonwealth of Pennsylvania is currently in the bottom five states in terms of higher education funding in both per capita.¹⁹ The University must continue to make the case to policy makers and the general public that the social and economic returns of investment in higher education undergird not just the economy but the health of communities and a well-functioning democracy. There is some cause for hope, however as the Governor's Advisory Commission on Postsecondary Education recently reaffirmed the critical role played by the Commonwealth's public research universities, and recommended a multi-year plan to restore recent funding cuts, to be further built upon in subsequent years.²⁰

Integrity and Trust

Building trust and confidence at every level of the University is imperative; much will depend on the ability of the next President and the Board of Trustees to create a reservoir of confidence and trust among the members of the faculty, staff, students, and alumni of the University and the general public. Penn State is achieving progress in increasing transparency in governance and decision making to assure the soundness and integrity of Penn State in every dimension. This journey must continue.

¹⁹ Palmer, J.C. (ed). (2013). Grapevine, fiscal year 2012-13. Retrieved April 13, 2013 from http://grapevine.illinoisstate.edu/tables/FY13/Table4_FY13.pdf

²⁰ Advisory Commission on Postsecondary Education. (2013). Governor's Advisory Commission on Postsecondary Education: Report and recommendations. Retrieved April 15, 2013 from http://www.education.state.pa.us/portal/server.pt/community/pde-acpse/20753/commission_recommendations/1305393

To that end, the University Faculty Senate convened the Special Committee on University Governance to examine Penn State's governance structure and practices, benchmark them with peer institutions, and provide recommendations for improving communication among faculty, students, staff, administration, and the Board of Trustees. The Committee's report, which the Senate endorsed unanimously, offered 23 recommendations to improve communication and increase the transparency of Penn State's governance structures and processes and to better align them with the academic mission of the University.

The Board of Trustees commissioned an independent review – known as the Freeh Report -- which recommended that Penn State's culture be re-examined in part to “*establish values and ethics-based decision making and adherence to the Penn State principles as the standard for all University faculty, staff and students.*” Building a strong and healthy campus culture has been a point of Penn State pride over many years. For example, the *Penn State Principles*, aspirational statements for students, were issued more than 10 years ago, in July 2001. The *Principles* include four key statements:

“I will respect the dignity of all individuals within the Penn State community; I will practice academic integrity; I will demonstrate social and personal responsibility; and I will be responsible for my own academic progress and agree to comply with all University policies.”

Given the sole focus of these principles on *student* responsibilities, however, Penn State concluded that a new and broader set of Principles was needed. They will be grounded in Penn State's core values and will be relevant for *all* students, faculty and staff. Several steps are now under way to develop the revised Principles. Prominent faculty ethicists have offered advice and expertise on substantive and process issues related to identifying new Principles. A Task Force of faculty, students and staff has been charged to lead the project and to establish a process and timeline for completion. Likewise, an audit of college, campus and administrative unit core values has been undertaken, and benchmarking of core values from other universities has also been completed. Finally, discussions have begun with the Ethics Resource Center, a nonprofit, nonpartisan organization dedicated to independent research that advances high ethical standards and practices in public and private institutions, for the development of an ethical culture survey to be administered to the University at periodic intervals. Sustaining these initiatives going forward is of particular importance.

Implications for Leadership

For more than a century and a half, the University's mission has been grounded in values that embrace respect for diverse individuals and ideas; strive for quality and integrity in academic programs, decisions and relationships; and safeguard personal and institutional responsibility, and accountability. These same values will guide Penn State going forward.

Given this history, what personal qualities are important for Penn State's next president? Personal integrity and strength of character rank at the top of the list. A highly developed capacity to communicate, not just to speak – but equally important – the capacity to listen, is essential. In a frequently ambiguous and challenging environment, Penn State needs a president of vision who has the facility to inspire; one who can think and act strategically and is able to move plans and dreams to reality. Penn State's president must be able to exercise power wisely and prudently and share it with others productively. The demands of the presidency are unrelenting and call for a person of patience, persistence and resilience; a leader who empowers others, who loves learning and the life of ideas, and is committed to excellence and academic integrity.

Penn State's next president will face challenges, but the new leader will also have a stellar opportunity to lead a great University to even greater heights and to do so in an exciting era. More than any other person, the next president must be one who can envision, shape and interpret the University's distinct mission; an individual capable of inspiring and leading the entire University community – trustees, faculty, staff, students, alumni and friends – toward academic greatness and societal impact. While hopes and expectations are high, we must also remember that no president is a solo performer; rather, great presidents are trusted leaders who inspire and empower others to do great things in the context of a coherent strategic vision and in an environment permeated by high standards of integrity, trust, and accomplishment.

Penn State Moving Forward

Penn State is a treasure, *“a global university, committed to excellence, with a passion for creating knowledge and educating students to be leaders for a better tomorrow.”* It offers multiple pathways to success, reaching every corner of the Commonwealth and around the globe. In a very literal sense, for well over a century, Penn State has changed lives, conserved and created knowledge and molded character. The University has a proud and distinguished heritage and is entering a new era, one that offers the opportunity to craft a brilliant future. In spite of its many challenges, and maybe because of them, plus the steadfast loyalty of our Penn State students, faculty, staff, alumni, and friends, the University remains on an upward trajectory. Penn State's vision and steadfast commitment remains unchanged: namely, to be among the very best centers of learning in the world, transforming and enhancing lives, creating knowledge and sparking creativity and innovation. This is the vision; and this must be the promise.

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