JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS

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14. "Overcoming the Obstacles to Education", Journal of Real Estate Education, Winter, 1983/1984

# Overcoming the Obstacles to Education

BY JAMES A. GRAASKAMP

Man is the only animal who manufactures a totally artificial environment for himself, and this building process is the subject of real estate. Real estate and land economic principles are therefore a crucial topic, and should be part of the college core curriculum to develop more discriminating consumers and more informed citizens who are sensitive to land-use policies. Professionalism for the real estate industry will occur only with intensive training of the consumer, so that the marketplace for real estate services can weed out the charlatan and the self-serving.

## A Prototype

Real estate education in the 1980s is where insurance education was in 1960 when the author first began teaching risk management and real estate. In 1960 a few educators had recognized that a primary concern of business school education should be to teach insurance from the consumer's viewpoint, rather than as narrow preparation for an insurance career.

Risk management took the larger view of control of variance in the plans, expectations, and assumptions in any organized undertaking and saw insurance as simply one of the tools to improve decision-making. Buyers of insurance trained in this manner now control premium budgets as corporate and public risk managers and are revolutionizing the insurance product and its methods of distribution.

Likewise, the only way to improve the real estate product and replace its obsolete methods of distribution is to create consumer managers of space and environment who are trained to get the most for their real estate budget. Only then will the real estate industry be forced to market through consumer research and sound capital planning, as opposed to selling by means of a monopoly of information, reciprocity, and grossly inefficient investment selection and appraisal methods.

In 1958 the author wrote a book on feasibility analysis which had almost no impact on project development. Later

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came the realization that feasibility is ethics, i.e., it is concerned with the needs and limitations of the physical, social, and community environment. The industry, on the other hand, builds anything it can finance. Their basic concern is financial viability rather than system feasibility, because, in the opinion of the author, American financial institutions tend to be amoral. Surely financial solvency is critical, but it is only the minimum threshold. Capital efficiency, social equity, and environmental impact sensitivity should be the real objectives.

## The Insurance Model

The real estate industry, like the insurance industry, has a vital need to improve education and professionalization, but the insurance industry has the better model. The American College of Life Insurance and the American College of Casualty and Property Insurance have shown the way toward standardizing the quality and content of courses, examinations, and professional designations. Indeed, they have developed an exciting Master of Science program format which combines classroom and field training into a program approved by the American Assembly of Collegiate Schools of Business (AACSB).

The colleges of insurance are loosely affiliated with the University of Pennsylvania, administered by a Ph.D. with legitimate credentials as a dean and staffed by visiting academics on two to three-year assignments as part of their academic career development sequence. Insurance education has been removed from the parochial politics of its trade organizations and lobby groups.

Professionalism and education both require integrity. If the integrity of education and thus the advancement of professionalism are to survive, real estate educators must remain independent of the politics involved in the industry. While educators must rely on a certain amount of financial help from the outside, the choosing of instructors, texts, and subject matter should rest wholly with an independent body of real estate educators.

## The University of Wisconsin and the Industry

When the late Professor Ratcliff refused to research mundane matters, such as how many inches of classified space were required to sell a house, the Wisconsin Association of REALTORS® lost confidence in the university program. The only financial support came from a memorial fund for Paul E. Stark, funded by his family and friends in Wisconsin and by individual contributions from graduates of the program who went on to careers in real estate.

In 1981 the state association granted four $250 scholarships to the University, as opposed to the technical schools. But, unlike any other source of financial help, they reserved the right to pick the recipients by means of ponderous committee review. Only the American Society of Real Estate Counselors within the National Association umbrella have supported the Wisconsin program consistently and without conditions.

We have watched the outstanding programs at the University of California at Los Angeles and Berkeley, but unfortunately over the years California REALTORS® have politicized the distribution of license fees to schools. We have watched our friends at the University of Connecticut dissipate their considerable teaching talents attempting to pay for a share of state license fees with research time and time-consuming committee involvements. We are also observing our colleagues in Texas, who have used state funds so effectively to date, to see if they dare to research the controversial, to question the laissez faire practices of Texas tycoons, or to describe the environmental degradation of further development of Westheimer and Post Oak Road.

Educators are short on funds and political sophistication and therefore are vulnerable to those with money who would proselyte their own point of view through education. I believe we have the best program at the University of Wisconsin because we have been free to search, to speak, and to teach without any debts to the industry. And now we have six hundred graduates from our master's program and more than a thousand from all our other real estate programs who can analyze real estate objectively and thoroughly. If the industry would pay us 50 percent of the headhunting fee they pay others to pirate this young talent from competitive firms, our university's real estate programs would have all the financial support they need.

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## A Multidisciplinary Approach

A more integrated multidisciplinary approach is also needed to strengthen the integrity of real estate education. In general, business schools teach financial spread, tax leverage, and unit cost as traced by historical accounting transactions. Design schools teach social and environmental impact devoid of financial realities. Public administration schools teach fiscal impact and political

sensitivity without regard for the business profitability on which the tax system depends. How then can real estate education achieve a multidisciplinary approach in the school of business?

Planning is the integration of the many subsystems of problem solving into a larger totality. Problem solving involves the exploration of many issues in terms of feasibility, but feasibility in a business finance department is confused with financial solvency and financial rates of return rather than being concerned with nonquantifiable institutional constraints and limitations. Business ethics are generally confined at the low end to discussion of whether shortchanging a customer must be shared with your partner or at the high end to a discussion of whether capital efficiency requires social and political brutality.

Business schools and finance departments have become too narrowly specialized to teach land economics with integrity to the land and to the consumer. Real estate taught by finance professors at best leaves students ignorant of planning issues or polarized in

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terms of capitalism versus social planning versus environmental engineering. However, universities are supposed to provide a platform for resolution of social conflict—not train students for a single viewpoint.

Several innovations are needed. First, business school curriculum standards must recognize the need for cross-pollination of majors by means of cross-listing required courses outside the business school. At the University of Wisconsin at Madison, real estate courses are cross-listed in economics, urban

planning, agricultural economics, engineering, and the law school. As a result, more than 50 percent of our students are non-business majors. In contrast, most business schools treat outside courses as electives not fundamental to a major.

Secondly, business school faculty hiring and tenure standards must relent from the emphasis on Ph.D.s to a recognition of the teaching and research credentials of outstanding practitioners in real estate and other fields who wish to return to full-time teaching. Statistics show that business school faculty lack realistic levels of business experience, and even the AACSB has recently recommended recognition of degrees in architecture, law, public administration, or the Master of Business Administration (MBA) of an experienced executive as appropriate for tenure consideration.

Thirdly, business schools must recognize the desirability of intensive project problem courses or role-playing courses in negotiation, sales, and communication arts, such as are traditional in design school labs and trade school courses. Thus, a capstone course for seniors or graduate students might be a nine credit design lab or work study semester with selected employment situations.

Business education has shown a fifty-year trend towards quantitative specialization and abstract administrative technique. By the same token, trade associations within the real estate industry generally have been self-serving, reactionary, and anti-intellectual.

## A Public Perspective

In the future most good real estate will result from a partnership between a municipality and a developer. Therefore, sensitivity to the collective consumer operating politically will be as important as the liquidity needs and locational preferences of the consumer. Stringent capital limitations and cash solvency will also limit the designer, while the public administrators will be looking for certain multiplier benefits to the fiscal position of the community. Also, regulation will move closer to the density zoning and public consortium concepts being developed in the east.

As a result of this social emphasis, one might argue that it would be easier to teach planners, architects, and public administrators about real estate finance than it would be to introduce political science, economic redevelopment, and environmental planning into business schools in order to reduce the polarization between business and planning school viewpoints. The proper departmental base for university real estate education, therefore, may actually be in the schools of planning, physical design, and public administration, which have a tradition of multidisciplinary treatment of subject matter. They only need additional rigor in matters of business strategy, finance, and marketing.

The real growth in real estate education will occur in multidisciplinary programs that introduce business forecasting, market survey, and other financial techniques into schools of physical planning and public administration. An additional possibility would be an "American College of Real Estate," separately endowed by the industry, including the NATIONAL ASSOCIATION OF REALTORS®, the Urban Land Institute, and the life insurance industry. Design schools and the "American College of Real Estate" would be able to employ experienced developers with a master's degree and rich experience—the people who are effectively screened out of AACSB schools of business because of counterproductive accreditation standards and tenure practices and the impotent intellectualism of academic finance.

Real estate professionals take pride in getting the job done. Real estate professionals, as well as truly professional real estate educators, will simply bypass these traditional barriers to excellence. We will exploit the intellectual freedom of design school formats or create our own college institution.

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To this end, the Urban Land Institute (ULI) has been financing the introduction of real estate economics into design schools at Harvard and Berkeley. In addition, ULI has financed a seminar each summer to teach the faculty of physical planning and public administration schools how to introduce real estate economics and finance into their curriculum. This seminar has been held for the past two years at the University of Wisconsin at Madison.

Simultaneously with the shift of creative real estate development, regulation, and operation outside of schools of business, business school courses will shift their emphasis toward the managerial decision process of when and how to use, acquire, and finance real estate. In addition, the consumer will be taught real estate from a financial asset management point of view, in contrast to the real estate professional who has traditionally approached real estate from a project feasibility context. This way the lambs will have the abilities needed to deal with the lions, and the lions will have the consciousness of the professional in dealing with the lambs.□