Higher education needs to reassess its leadership

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Letters from Academia

Early last month, Sweet Briar College announced that it was going to close down by the end of the spring term, "as a result of insurmountable financial challenges." The news came as a big surprise to many due to a number of reasons. This 114-year-old institution had not given any warning that such a move was coming. Not even the U.S. Department of Education, which monitors the financial health of institutions of higher education in the country based on financial data provided by those institutions, saw it coming.

Sweet Briar is a small liberal arts college for women located in rural Virginia. It has an endowment of about $85 million and had recently completed a nearly $9 million renovation of its library. It has always been considered a college for people with certain wealth, meaning that a lot of its graduates have financial means.

The immediate reaction in the media and in some postsecondary education circles was similar: There is no future for women-only colleges in this country. After all, of the 230 in operation 50 years ago, there are only about 45 left. Further, some even pointed to the announcement as another example of the growing difficulties that private, liberal arts colleges, which are essentially dependent upon tuition money to survive, are experiencing in this economy.

The real question is what happened to Sweet Briar? And could this have been prevented?

Although it is true that there are fewer and fewer women-only liberal arts colleges, some have been able to survive – even flourish – by taking a number of actions. Although some of them have become co-educational, others have kept their gender exclusivity by creating new programs, embarking on more creative marketing and being more proactive in increasing their endowments. In fact, it is surprising that Sweet Briar, with such a long history and wealthy alumnae base, had such a small endowment. To make things worse, about two-thirds of that endowment was earmarked for specific purposes, meaning that it could not be used as an unrestricted cash cow account. That points out to years of bad planning and fundraising efforts by the part of the college's administration.

The way this move was made, in total secrecy from students, faculty and staff, raises a number of questions. When did the board of trustees (which has a fiduciary responsibility over the institution) know about the dire financial condition? Why they did not detect early signs of trouble? Why were no other alternatives to closing tried?

The fact that in the United States there are still 11 private, liberal arts colleges that offer free tuition means that anything is possible. Antioch College, for example, closed down in 2008 only to reopen three years later thanks to the commitment of its different constituencies.

Although the cost of college is always a point of contention in today's society, a number of postsecondary institutions have been able to increase tuition and fees through better promotion strategies, being more explicit about the discount rate (what the students actually pay vs. the actual cost of attendance) and better financial structures.

The other issue is whether the leadership of those institutions is really paying attention to the changes in demographics that are taking place in this country. To expect that they will continue to serve basically the same white, middle-class kids they served for years is illusory. The problem is that most of the leadership lacks the knowledge and sensibility on how to attract new segments of the population to college. Additionally, many college leaders remain blind to the fact that the number of international students coming to this country continues to increase every year. Yet they don't tap that resource. What is required is a more sophisticated view of the data. The idea that "if you build it they will come" will not work in higher education.

The other aspect that some administrators forget is that the easiest way to keep the headcount of students up is by retaining them. Given the high drop-out rate in higher education in this country, it is surprising that no more emphasis in placed on that.

Finally, there is another aspect of college leadership that is usually overlooked but that can have serious consequences in the long run. It has to do with how many financially savvy people are at both the leadership and trustee levels.

In a recent article written by Alan Smith of the Roosevelt Institute, he described that part of Sweet Briar's financial problems had to do with "predatory banking practices and bad financial deals." In other words, the college ended up paying unnecessary fees in unwise financial arrangements. One wonders to what extent this kind of financial mishandling is affecting the economic bottom line of other postsecondary institutions.

It seems that the demise of Sweet Briar College was due to a combination of factors that created the perfect storm: poor fundraising, bad enrollment management practices and lack of financial acumen. The bottom line is bad leadership over the years. Management of postsecondary institutions in the U.S is in general very poor and this is not surprising. According to some studies, between one half and three quarters of all managers in the U.S. do not have the skills required for their jobs. Imagine colleges and universities whose leadership lacks the appropriate training to deal with complex issues such as predatory practices by lenders.

That is why we need better leadership in higher education to avoid cases like Sweet Briar College.

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The opinions expressed in this column are those solely of the author.