

Strategic Change and Innovation in Independent Colleges:

Nine Mission-Driven Campuses

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A REPORT FOR



THE COUNCIL OF
INDEPENDENT COLLEGES

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Preface

The authors of this report provide compelling evidence that the leaders of America's private liberal arts colleges have faced the future with optimism and willingness to try innovative approaches and implement promising new strategies for change while preserving the essential missions of their institutions. They have not, as some assume, spent the recent past "waiting passively for an inevitable tide of change to wash over" their institutions.

This report is a companion to *Mission-Driven Innovation: An Empirical Study of Adaptation and Change among Independent Colleges*, published by the Council of Independent Colleges in 2015 and prepared by James C. Hearn and Jarrett B. Warshaw at the University of Georgia's Institute for Higher Education. The first report took a broad view of mission-driven innovation by presenting the results of a national survey of presidents of CIC member colleges. The results demonstrated impressive adaptability to the shifting landscape of American higher education, with more than 90 percent of presidents reporting new approaches to containing costs or diversifying revenues in the previous five years. (The report is available on the CIC website at www.cic.edu/ResearchFuture.)

Nine institutions are featured in this report. They exemplify the change efforts underway at dozens more independent colleges and universities. The case studies include examples of critical self-assessment and of institutions engaging with stakeholders, identifying new programs and revenue streams, introducing new organizational structures, clarifying institutional missions, and fostering cultures of innovation.

Both reports are part of CIC's Project on the Future of Independent Higher Education. The project was launched in 2014 to explore the challenges facing higher education, to examine alternative college business models, and to highlight the characteristics of smaller private colleges and universities that have prepared so many generations of their students for lifelong success. The goal is to help CIC member colleges and universities prepare for the future by providing information needed to reconsider their institutional missions, pursue new financial models, and develop new strategic initiatives while retaining the student-centered nature of independent colleges that has been a key to their demonstrable success.

Richard Ekman

President

Council of Independent Colleges

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Executive Summary

As part of the Council of Independent Colleges' Project on the Future of Independent Higher Education, this study advances understanding of four questions with answers that illuminate the path of this essential sector of American higher education:

1. What are the challenges independent colleges face as they seek to adapt and prosper?
2. What innovations are these colleges undertaking?
3. What factors are driving or are associated with innovation efforts on these campuses?
4. What are the effects of these innovations?

These same questions were addressed in an earlier survey analysis published by CIC in July 2015 as *Mission-Driven Innovation: An Empirical Study of Adaptation and Change among Independent Colleges*. This report follows up on that analysis, focusing now on innovative actions implemented at nine CIC member

institutions especially active in adaptation and change. Each of these colleges was chosen for further analysis because of its high level of innovative activity in cost containment and reduction, in revenue enhancement and diversification, or in both arenas. Together the case analyses provide a rich resource with applicability for leaders of other colleges and universities seeking to align innovation and mission.

The nine distinctive institutions profiled here show substantial variation in the challenges they faced, in the ways they organized to address those challenges, and in their eventual substantive choices. Yet six overarching themes emerged that characterize change efforts across the cases. All of the colleges studied exhibited:

1. **A Bias for Action.** Each of the case-study institutions was selected for analysis based on its adoption of numerous innovations in recent years, relative to peer institutions.

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- 2. A Drive to Connect Locally, Regionally, and Beyond.** Each of the colleges assertively engaged with its external stakeholders, its campus constituencies, its supporters, and its current and potential markets.
 - 3. Realistic Self-Assessment and Adaptation.** In choosing innovations, each institution paid close attention to what was feasible and likely to prove successful.
 - 4. Structuring for Innovation.** Leaders at each of the colleges thoughtfully created organizational processes and forms fitting the particular changes being pursued.
 - 5. Assertive Leadership within Shared Governance Traditions.** Leaders of the institutions regularly cited their efforts to tie chosen innovations to their colleges' historical roots and traditions.
 - 6. Alignment of Mission and Innovation.** Leaders uniformly emphasized the importance of preserving or expanding their colleges' missions, rather than forsaking or compromising those missions.

Currently, the conventional wisdom for independent four-year colleges points toward a decline in coming years. That narrative, however, may presume heedless emulation of familiar models in those institutions. In the 1980s and 1990s, astute four-year colleges disrupted an earlier, widely accepted narrative of decline. They survived and, in fact, many institutions in the sector have subsequently prospered. Evolving contexts and emerging challenges do not necessarily compel mission abandonment or collapse. There is no reason for contemporary colleges to accept passively the dominant storyline today. The cases profiled here present useful examples of energetic, and in some cases bold, changes undertaken by independent colleges and universities to adapt and ensure future financial health and viability.

Case Studies of Nine Innovative Institutions

Many observers have recently characterized U.S. higher education as being in crisis, and perhaps no part of the enterprise has attracted more attention than the independent four-year college sector. From critics' perspectives, these colleges feature dubious curricula, entrenched resistance to change, over-attention to climbing walls and coffee shops at the expense of educational fundamentals, and prices well out of the reach of most students and families. In short, the critics argue, these institutions employ broken business models that, without substantial disruption, may lead many to extinction (Biemiller 2015; Tierney 2015; Woodhouse 2015). The familiar example for these arguments is Sweet Briar College, an institution whose recent troubles are viewed by many as a harbinger for the sector as a whole. So go the arguments of the critics.

In reality, the conventional wisdom about these colleges and universities requires adjustment. There is no question that the challenges they face are substantial, or that closures and mergers could lie ahead for some institutions. Still, many four-year independent colleges are financially and academically healthy, and most others are in no imminent danger (Hearn and Belasco 2015). Also missing from some critics' views is faith in the capacity for strategic change in this sector. Many of these institutions are survivors of several earlier waves of doom-saying regarding the sector, and they owe their ongoing survival to adroit adaptations to changing conditions.

One need only look to some familiar examples for evidence. Ruin was forecast for Washington and Lee

University, when, in response to dire enrollment and financial forecasts, it moved to admit women in the 1980s. One disgruntled professor and alumnus spoke for many when he commented, "A break with what has built up in the course of 235 years amounts to an alteration of personality and a discarding of values, many of which I consider worthwhile" (Givens 1984, 29). But, in fact, much of the distinctive mission, culture, and character of Washington and Lee survived intact, while its enrollments and finances surged. Now, the college regularly appears in listings of the top liberal arts colleges. Similarly, in the early 1980s, Centre College in Kentucky faced extremely low faculty salaries, unprecedentedly low enrollment, and a rapidly mounting deficit (McMillen 1988). It fell directly in the demographic storm's projected path, yet aggressive strategic action soon turned the college around. Currently, enrollment is almost double that of the early 1980s, selectivity level is high, and finances are robust. Centre annually competes successfully for students with some of the nation's most esteemed colleges and universities. When they are willing to act thoughtfully and aggressively in response to challenges, institutions in the independent four-year sector have a long history of surprising their doubters (Pfnister 1984).

With this resilient history as background, the Council of Independent Colleges launched the Project on the Future of Independent Higher Education in 2014. The Project's research initiative was designed to address four important questions:

1. What are the challenges independent colleges face as they seek to adapt and prosper?
2. What innovations are these colleges undertaking?
3. What factors are driving or are associated with innovation efforts on these campuses?
4. What are the perceived effects of these innovations?

To begin examining these questions, the first phase of this research effort explored the extent and nature of adaptation and innovation in small independent colleges. All CIC member institutions' presidents were surveyed. The resulting report, *Mission-Driven Innovation: An Empirical Study of Adaptation and Change among Independent Colleges*, revealed frequent and varied innovative activity in the sector (see Hearn and Warshaw 2015).*

As indicated in that report, the survey was designed to examine the challenges and innovations associated with the academic, operational, and financial aspects of CIC member institutions. Two definitions lie behind properly understanding the survey design and the interpretation of the findings. "Innovation" was defined as an approach or effort new to the organization that adopted it (Rogers 1983). Thus, what we identified as an innovation was not necessarily new or unique in a broader sense (for example, to all CIC member institutions). Instead, an innovation was defined as a new initiative within the local setting of a specific institution. "Recent" was defined as an initiative or set of initiatives implemented in the past five years.

Nearly every responding CIC president reported that their institutions were pursuing some form of cost containment and reduction or some form of revenue enhancement and diversification—92 percent of respondents reported pursuing both. Notable majorities reported leaving faculty positions unfilled, freezing salaries, and restructuring academic programs. To be clear, these efforts may not necessarily be highly "innovative" in and of themselves, but they are change initiatives that can

widen financial margins and allow for more distinctive moves toward revenue enhancement and diversification. For example, a striking 83 percent of institutions reported creating new undergraduate programs, 74 percent reported creating new graduate programs, and 64 percent reported creating new online programming. Substantial majorities also reported revamping their admission practices, financial aid policies, and fundraising approaches, as well as expanding athletic investments and international recruitment efforts. The typical small college president, at any one time, appears to oversee a wide variety of initiatives and innovations to lower costs and boost revenues.

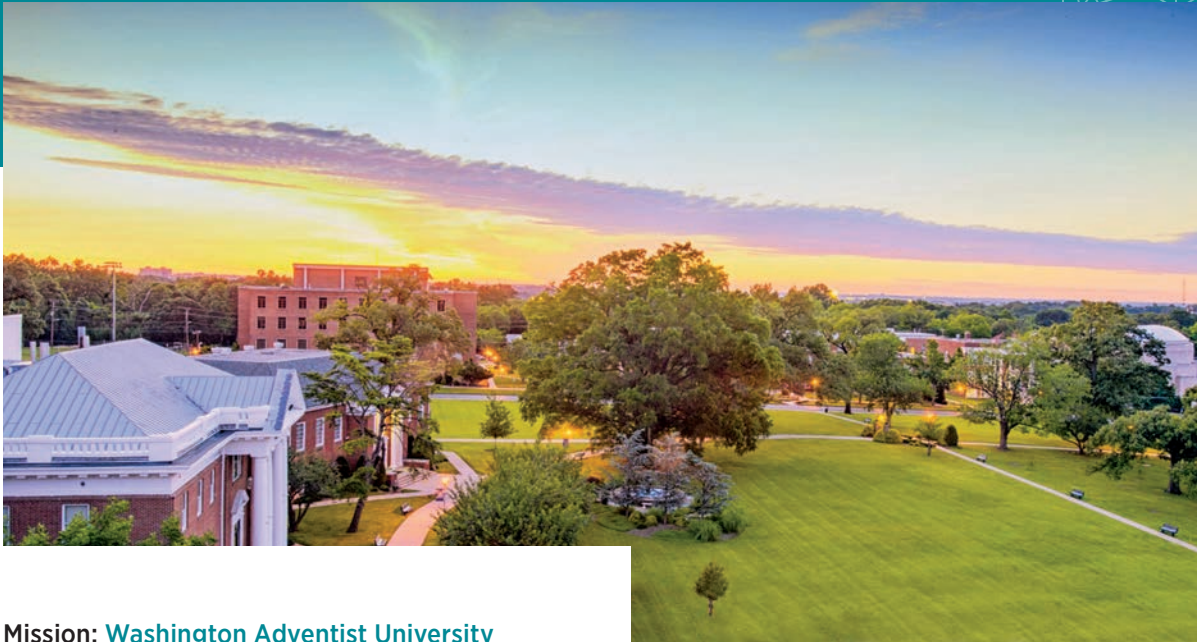
Most presidents viewed innovations as congruent with their institutions' existing missions and reported favorable acceptance of their change efforts among diverse constituencies. Clearly, the heightened marketplace vulnerability of many of these institutions is creating powerful incentives for change. Leaders are not merely waiting passively for an inevitable tide to wash over their colleges. Whether all will be able to steer clear of danger remains to be seen, but the first-phase findings suggest that few can be blamed for a lack of trying.

To address further the strategic changes and innovations taking place on these campuses, this second phase of the project focuses on case studies of selected CIC member institutions. Using the first-phase survey results, we identified a set of institutions reporting high levels of initiatives and innovations in cost containment and reduction, in revenue enhancement and diversification, or in both categories. Among those institutions, we next identified a set of colleges whose institutional characteristics reflected the educational and regional diversity of CIC membership and whose presidents had volunteered their campuses as potential case studies.

This report presents the results of those second-phase case studies. Specifically, we profile nine especially active CIC institutions and then draw some overarching themes from the actions and experiences of those colleges and universities. For further details on the design of this analysis, please see Appendices A and B.

*The report is available as a free download from the CIC website at www.cic.edu/Programs-and-Services/Programs/Documents/CIC-Hearn-Report-2015.pdf.

Washington Adventist University: “Moving the Needle” on Institutional Relevance



Mission: Washington Adventist University is a learning community committed to the Seventh-day Adventist Christian vision of excellence and service. This cosmopolitan institution challenges students to seize the opportunities for learning in the nation’s capital in order to become moral leaders in communities throughout the world.

Located in Takoma Park, Maryland, within the sprawling Washington–Baltimore metropolitan area, Washington Adventist University (WAU) faces a highly competitive student market. Threatened to the brink of nearly closing in 2005, the institution has since undergone an aggressive repositioning in order to differentiate itself in its region. As a religiously-affiliated master’s-granting institution, it targets a diverse array of students with associate, baccalaureate, and graduate degree programs. While WAU continues to offer its 1,000 students some traditional liberal arts programs, it has increasingly emphasized and expanded its pre-professional programs in the health sciences, business, and other areas. As a sign of improving institutional resources, a music building was constructed in 2010 that marked the first new building at WAU in 40 years.

WAU represents *aggressive cost-control and revenue-focused innovation at a Mid-Atlantic master's-granting institution*. In summer 2015, we conducted individual interviews with Weymouth Spence, president, and Janette Neufville, associate vice president for institutional research and effectiveness. Documentary materials collected for this report were the campus's "Strategic Plan—Strategies and Imperatives" and "Balanced Scorecard and Key Performance Indicators." Both documents illuminated further the core areas of emphasis for strategic change and the metrics and benchmarks employed to track and evaluate success. The respondents and documentary materials suggest efforts to ensure the university's solvency while strengthening and demonstrating WAU's institutional relevance.

Washington Adventist University has developed six pillars for strategic change: Quality, People, Finance, Growth, Service, and Community. Initiatives within each of these areas aim to balance institutional mission and financial viability.

In 2005, three years before Spence's 2008 inauguration, the institution was on the verge of closing. Declining enrollment, exacerbated by the market crash of 2008 that led into the Great Recession, squeezed the financial margins around which WAU operated. As Spence recalled at the time of his appointment, "People were saying, 'Sir, I don't know if I should say condolences or congratulations,' because the institution, with its current enrollment and financial conditions, was not sustainable."

Yet, institutional data had suggested to Spence that there was an opportunity to restructure and reposition the university to match the regional climate and leverage its proximity to Baltimore and Washington, DC, to increase enrollment. The president developed six pillars for strategic change: Quality, People, Finance,

Growth, Service, and Community. Initiatives within each of these areas aim to balance institutional mission and financial viability, for "though [WAU is] a faith-based institution," Spence explained, "we must have a financial bottom line and consistently exceed the expectations of our students and the standards of our regulatory and accrediting agencies."

Restructuring has entailed numerous cost-related and revenue-focused efforts to move WAU toward improved financial health. To control and reduce costs, institutional leaders closed under-enrolled programs and made some workforce reductions. Internal controls on operational spending were tightened. Tuition had increased over the years to generate needed revenues; however, these same tuition hikes dissuaded some students and families from considering WAU. In response, tuition levels were held relatively steady, with more modest increases, reducing some costs for students and families and contributing to efforts to increase enrollment—and ultimately tuition and fee revenue. As a group, these efforts aimed to stabilize then widen the campus's financial margins.

Overlapping with such initiatives, certain academic programs became increasingly prominent on campus in order to attract students. For instance, the health sciences (e.g., nursing), business, and music programs were enhanced to tap into local and regional student, industry, and employer markets. Yet to improve student success—demonstrated through retention and graduation rates—WAU has pursued several creative approaches. Recently, WAU offered its students their eighth semester free, while working to reduce the number of credit hours needed for graduation from 128 to 120. This combination of efforts aims to increase the graduation rate. Supporting retention efforts, the WAU faculty made phone calls to all first-year students at the end of the academic year to encourage them to return. Neufville explained, "There's been no 'silver-bullet' to achieving the improvements we've seen in these [retention and graduation] rates. It's been a multi-faceted approach. We galvanized our community to come up with actions that move toward

those goals, and all these actions together, collectively, have made the difference.”

Documentary materials examined for this case study revealed WAU’s ambitious goals for close measurement of progress and community-wide involvement. For instance, the “Strategic Plan—Strategies and Imperatives” describes seven core strategies, numerous related imperatives, and individual action items grouped by functional area (for example, athletics, provost, ministry, and academic units). As the “Balanced Scorecard and Key Performance Indicators” document reveals, institutional leaders have taken Spence’s six pillars—Quality, People, Finance, Growth, Service, and Community—and folded into each several metrics by which to track success. For example, Quality includes the key performance indicator of licensure/certification rates of graduates, and the target goal is a 100 percent pass rate. “If we don’t say 100 percent,” Spence said, “that means we’re telling our students that we expect some of them to fail.” These restructuring and assessment efforts, when strategically aligned, can foster student success. “We say [to students], ‘Look to your left, look to your right, it’s very likely that you’ll be graduating with that student next to you,’” Spence said.

Without doubt, WAU has been actively aggressive in a number of fronts. Yet gaining the support of the campus community can be challenging. As Spence observed:

The biggest challenge that I get is from the faculty who say, “You’re a businessman; you’re not an academician.” Well, I’m trying to convince them that education is a business—some of them don’t quite understand that yet. Because, I point out to them, that the last time I checked, we have a product we have to market, we have people, we have infrastructure, we have everything that a business has; therefore, we *are* a business. And our product is knowledge and intellect. And therefore our focus must be to satisfy the goals of our students by getting them into a career-based program and/or into a graduate or professional program.

Indeed, the efforts under Spence’s leadership to measure and evaluate institutional effectiveness also prompted some resistance. “Virtually all institutions have underlying tensions between administration and faculty,” Neufville explained. “When you add corporate-type language like ‘Balanced Scorecard,’ ‘Key Performance Indicators,’ and ‘customers,’ this terminology can be like gasoline on a smoldering fire.” Yet the business mentality, coupled with assessment of institutional effectiveness, appears to be associated with some promising results. Enrollment is now the highest it has been in the institution’s 104-year history.

WAU structures its strategic planning and implementation to operate through two separate committees, each with particular leaders and sets of goals. The Strategic Planning Committee, which Spence leads, is forward-looking: It focuses on the future of the institution. The Institutional Effectiveness Committee, which Neufville leads, evaluates past actions. “You might think: Is that just a bunch of bureaucracy for doing the same thing?” Neufville said. “I think accountability is different from forward-thinking, and I think it’s allowed us periodically to sit back and say, ‘What’s working?... All of this activity, is it really moving the needle on these things?’”

With so many overlapping changes on campus, it may be difficult to pinpoint the precise cause of movement of the “needle” on outcomes such as enrollment, retention, and graduation rates. But the multifaceted plan, which calls for active implementation of many initiatives at once, seems to have helped WAU expand and solidify its financial base for the future. “The current higher education environment that we’re going through is not unique to Washington Adventist University,” Spence said. “We’re just one of many. Some [institutions] are closing, and we are progressing from survival to thriving. So, we have to continuously be proactive in addressing the issues impacting independent higher education institutions and solicit from experts, internally and externally, innovative solutions.”

Overview

The study of innovation and change at small- and mid-sized private colleges and universities for CIC's Project on the Future of Independent Higher Education has featured two phases. In the first phase, a survey was administered in October 2014 to the presidents of all CIC member colleges and universities (at the time, 632 presidents). The survey captured information about the (1) challenges facing independent colleges and universities, (2) innovations these institutions have undertaken, (3) factors associated with change and adaptation on campuses, and (4) perceived effects of innovations. At that time, 206 presidents—32.6 percent—responded.

In this second phase, case-study analyses of selected institutions from the survey were conducted in spring and summer 2015. As part of the 2014 survey, 96 presidents—46.6 percent of respondents—volunteered to have their institutions included in the follow-up research. From this group, we then sampled nine institutions that were especially active innovators. Table 1 below shows the number of initiatives and innovations by institution and domain-area. A description of the sampling procedure for this report is discussed in the next section of this appendix.

We use a few terms throughout this report that may have varied meanings. To clarify, we define each of the

nine institutions in this report as a “case.” Consistent with the initial survey phase of the project, we define “innovation” as an approach or effort new to the institution (i.e., case) that adopts it (Rogers 1983). Thus, an innovation may not necessarily be new in a universal sense in relation to the population of CIC members and others, but it is new in relation to its local, campus context of a specific institution. Finally, we define “strategy” as the guiding vision and related changes and adaptations by which an institution's leadership seeks to differentiate the campus to compete. The goal of this report has not been to determine what is and is not strategic; instead, it has been to highlight innovations and initiatives that institutional leaders view as strategic.

Sampling

From the 96 presidents who volunteered to participate in the case analysis, we narrowed down the group of institutions to those that were especially prominent innovators in revenue enhancement or diversification, in cost control or reduction, or in both of these domains. Then, from within that subsample, we chose our nine final case-study institutions on the basis of their representativeness of various aspects of the CIC membership in terms of enrollment, region, curricular focus, Carnegie Classification, and financing. These institutions may not necessarily generalize to all CIC members or other

TABLE 1

Initiatives and Innovations, by Institution and Domain Area

Institution	Cost Initiatives: Human- Resources	Cost Initiatives: Operations	Academic Innovations	Operational Innovations	Financial Innovations	Other Innovations
Benedictine University	0	3	7	9	3	2
Bethany College	9	4	4	8	6	3
Dillard University	6	3	0	4	1	1
Houghton College	9	4	1	6	2	2
New England College	7	3	5	9	3	2
Stetson University	2	4	6	7	5	6
Valparaiso University	5	5	6	9	4	4
Washington Adventist University	9	5	6	8	10	3
William Jessup University	--	--	7	8	6	2

Note: Academic, operational, financial, and other innovations are efforts to enhance and diversify institutional revenue streams. In the table, “--” indicates missing data. Source: *CIC survey of member presidents, fall 2014*.



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