THE ENDLESS GOOD ARGUMENT: STRATEGIC CHOICES BY LIBERAL ARTS COLLEGES IN AMERICA DURING "THE GREAT RECESSION"

by

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(Under the Direction of Charles Knapp)

ABSTRACT

Liberal arts colleges today are faced with challenges such as a) declining number of students, b) acute financial situation, c) intensifying competition, and d) pressure to keep academic offerings updated. Furthermore, the recent recession stressed flaws in every learning institution's business model forcing them to wrestle with the essential strategic questions that for decades have pitted academic and social commitments against financial realities, and do so while operating under significant stress. Given such problems, it is paramount to investigate how these colleges make effective strategic choices that would affect their institution's current and future performance.

This dissertation will chronicle and measure the effectiveness of the strategic choices that three liberal arts colleges made during the recession, from the end of 2004 to the end of 2011 and what variables affected those choices.

The key questions are: What strategies were used to manage the effects of recession? What impact did leadership make? Were the outcomes different? If so, was this as a result of the strategy and/or the implementation? What lessons can be learned from this study that will provide guidance for leaders of other institutions?

The three schools selected represent different perceived outcomes – Birmingham-Southern University, Greensboro College, and The University of the South: Sewanee. Each institution felt the same effects of the "Great Recession," which began in 2007, yet their resulting financial position and academic standings vary greatly. An understanding of their choices and outcomes during this critical period can be used to inform the strategic direction of other liberal arts colleges in the current and future economic climates.

A case study methodology was utilized to analyze and document each school's approach to their own strategic process and measure the outcomes of their choices.

The necessary information was attained through gathering empirical data and through a structured interview process of key stakeholders at each institution. The “Endless Good Argument” is the ongoing discussion that happens between all stakeholders, particularly as stakeholders wrestle with strategic choices and attempt to predict financial outcomes.
INDEX WORDS: Strategic Choice, Board Governance, Recession, Small Liberal Arts College

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DEDICATION

I dedicate my dissertation to my children (Chelsea, Cardin, Heather, Michael and Avery) who are my inspiration for taking on this challenge; Beth, the love of my life, without whose support I would have never made it through; to Colleen D'Alessandro for her friendship, interest and edits; and to Larry Schall, my friend and mentor, whose leadership and guidance allowed me to find my life's work.

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CHAPTER 1

INTRODUCTION

Background of the Study

The deepest recession since the Great Depression of the 1930s began at the end of 2007 when, amongst other things, the world credit markets panicked because of the sub-prime mortgage defaults and the fall of many of the derivatives traders and financial institutions that had been thought to be untouchable. During this time, the U.S. lost a staggering eight million jobs, and an unprecedented 40% or 6.3 million of the unemployed remained without work for more than six months (Grusky, Western, & Wimer, 2012). Further aggravating the situation, unemployment and consumer confidence affected sales tax as well as personal and corporate income tax revenues at the federal, state, and county levels. The net result was lower revenue for the government, with serious implications for higher education, since institutions could no longer count on historical federal and state funding levels.

The overwhelming loss of jobs and unemployment, coupled with the loss of home equity and the influence of the market instability on savings, meant that students and families had increasing difficulty paying for education. Furthermore, the availability of student financial aid from government agencies and foundations was limited at a time when more and more families needed assistance (Coy, 2012).

In terms of income, the family unit in America has seen their incomes drop to 1989 levels. A U.S. Census Bureau survey showed that the median level income at the end of 2011 for a family was $50,054, which was $579 lower that what it was in 1989 (Census 2011). To make things even tougher for the family unit, on average, home prices decreased by 13% during this same period (Case-Schiller, 2012).

This lack of available resources and decrease in family unit income forced families to narrow their selections to the best school available at the lowest cost to fit their reduced budget. Students were also pressured to graduate with a degree that could lead to an immediate job. This can be observed in Table 1 where the enrollment before, during, and after the 2007 recession indicate that state community and technical colleges thrived, while liberal arts schools suffered (IPEDS). Another explanation for such phenomena could be the unemployed workers who often return to school to re-tool themselves for a better job during times of recession and job loss (Katz, 2010).

Table 1

Average Enrollment Growth Rates

	Average Enrolment Growth Rates (%)				
Year	2006	2007	2008	2009	2010
Associates degree institutions	0.27	2.75	5.33	9.14	4.07
Liberal Arts Colleges & Universities	-1.06	0.57	-0.2	2.85	2.77

The acute financial situation caused by the recession was amplified at liberal arts colleges by significant declines in enrollment, intensifying competition, and the need for fundamental changes in the academic offerings. The need arose from the acknowledgement that conventional liberal arts education is not adequate for the mature world (Freeland, 2009). Thus, liberal arts colleges today are focusing on linking their academic programs with the outside world and in creating career opportunities. All these issues mixed together to fuel “good arguments” as schools were forced to ask what strategic choices must be made to survive. The “Endless Good Argument” is the heart of the strategic planning process, and it occurs as stakeholders engage in outcomes. In a 2005 study on mission statements at liberal arts colleges, "the endless good argument" described the decision process to admit students of all races and endorse social programs (Hartley & Schall, 2005). In 2013, the "endless good argument" continues, as these stakeholders wrestle with strategic choices and attempt to predict financial outcomes. Keller (1983), provided guidance for the 'argument' when he suggested that colleges need to look at themselves and ask:

1. What special role do they play in America's higher education network?
2. What attractive and important set of services does their institution provide that people cannot obtain elsewhere better, faster, cheaper?
3. What comparative advantages do we have over similar institutions?
4. What academic fields and services will be most needed by the country and our region in the next decade?
5. With their traditions, endowment, location, and collection of faculty and administrators, what should their campus be building toward?
6. What should their college aspire to be 10 years from now? (p. 121)

Almost thirty years later, the questions and themes remain the same, although the answers to the questions in today's world are more global in nature, student-centered, and expected to yield immediate results in the job market. The recent recession forced schools to become more focused on the questions posed by Keller (1983).

The questions that Keller posed thirty years ago would be the guiding principles to assess the strategic planning of the chosen liberal arts colleges. These questions were created by Keller to aid academic institutions in the formulation of their overall academic strategy; these became a framework whereby colleges could create their long-term strategy. The Keller questions served as ingredients to formulate academic strategy, but not everyone would be able to devise an effective strategy and implement it well. Thus, with the Keller questions as a guide, this research study would evaluate the process by which the chosen institutions were able to create their academic strategy, as well as the steps taken to come up with such strategy, and how it was implemented. This study would be investigating the critical success factors in creating and implementing academic strategy, which is based on the questions of Keller. Furthermore, this study would evaluate how well the institutions were able to achieve their goals through their formulated strategies.

A case study methodology was utilized to analyze and document the strategic planning process and measure the outcomes of three distinctly different liberal arts colleges: Birmingham-Southern University, Greensboro College, and Sewanee: University of the South. The study sought to answer four overall questions regarding strategic planning in each school:

RQ1. Did the three schools selected for this study use different strategies to manage the effect of recession?

RQ2. What impact did Leadership make?

RQ3. Were the outcomes different? If so, was this as a result of the strategy and/or the implementation?

RQ4. What lessons can be learned from this study that can provide guidance for leaders of other institutions?

To accomplish this, the analysis followed Keller’s process towards academic strategy (Keller, 1983, pp. 152-162). Keller suggests that an institution needs to examine the internal traditions, values, and states of mind of the organization, the strengths and weaknesses of its programs, faculty, location, size, finances, and the qualities and desires of the stakeholders, within the context of the external world. An institution needs to compare this information against what it might do and should do. An academic strategy should exude from this compound of internal and external considerations.

Birmingham- Southern University, Greensboro College, and the University of the South: Sewanee represent three similar institutions in size and academic offerings, and yet it is perceived that each attained distinctly different outcomes. Each of the schools selected chose a very different path during the period selected. A brief background of each institution's case can be seen below.

Birmingham- Southern

In 2010, the college announced that it would cut spending by as much as $10 million, about 20 percent of its budget, in part because it had for years erroneously awarded millions of dollars in extra financial aid. The school's financial woes were exacerbated by the recession, which has drained their endowment from $110 million at the end of 2007 to $70 million at the end of 2010. Birmingham- Southern is currently on warning status with the Southern Association of Colleges (Birmingham- Southern College, 2010).

Greensboro College

In the years leading up to 2009, Greensboro College was leveraging its balance sheet to buy properties in downtown Greensboro in order to accommodate expanded program offerings. In addition to this growing debt, the college was relying on a bank-issued credit line to fund a significant portion of its daily operations. Throughout this time, the college consistently overestimated its enrollment numbers, while also underestimating its attrition rate and operational expenses, which increased its reliance on its credit line. During this time, Greensboro's endowment has declined from $23 million to $17 million at the end of 2008.

Igniting the perfect financial storm, Greensboro College faces a difficult time recovering (Stripling, 2009). Greensboro College has just been put on its second year of probation by the Southern Association of Colleges, their accrediting body.

Sewanee: University of the South

For Sewanee, the years preceding the recession were financially stable with significant growth in the endowment and plant assets. At the time, the primary issue was the need to rebrand in order to increase diversity and drive awareness beyond the region, as its history was largely tied to that of the "Old South." However, by 2010, key indicators important to admissions pointed to a changing environment with conversion rates dropping below that of peer schools and net tuition growth showing a steady decline due to changes in the discount rate. To combat this, Sewanee enacted a ten percent reduction in tuition, fees, room and board for the 2011-2012 academic year. Additionally in 2012, the university announced a four-year tuition, room and board guarantee for the incoming class. While the tuition reduction took its toll on the operating cash flow in 2011, for fiscal year 2012 the cost from the tuition cut was less than expected. Overall, during the period studied, Sewanee experienced tremendous growth in its endowment and plants assets without adding a lot of debt.

Summary

This dissertation sought to answer four distinct questions:

Q1 Did the three schools selected for this study use different strategies to manage the effect of recession? As the recession approached, each of the three schools found themselves in very different positions financially. Birmingham-Southern was in the midst of building an environmental park and two dorms with money that was margined against the endowment. Greensboro College was financially fragile as a result of the additional debt that was taken on earlier in the decade and the continued operating losses from operations that had plagued the school for a number of years. Sewanee had been what appeared to be overly conservative in their approach and was in the strongest financial position going into the recession. Sewanee built over $70 million in capital projects but had funded them through a capital campaign and only 10% through debt. The recession hit Birmingham-Southern and Greensboro College hard and both were forced to cut employee's pay and programs. The recession also forced both presidents to resign due to the financial catastrophes that both schools faced. Sewanee felt the impact of the recession through the increase in the amount of scholarship that it had to award students to get them to enroll and the decrease in their yield rate on admitted students. In 2010, Cunningham stepped down as president; McCardell replaced him. He addressed the effects of the recession by decreasing tuition by 10% and then the next year freezing rates for each freshman class for four years.

Q2 What impact did leadership make? Having the right leadership at the right time made a huge difference in the outcomes of the strategies. Birmingham-Southern had a board that was built for philanthropy and was not engaged in what was happening from an operational standpoint, coupled with a president who likened himself to "Plato" leading a university that was in a severe financial state. The result was a reduction in their endowment of $53.8 million an increase in long-term debt of $29.4 million and the loss of 148 students to their overall population. Greensboro College's leadership consisted of a very autocratic president and a board that was full of the presidents' friends. This chemistry lead to some failed strategies early on and put them in an extremely weak financial position. The culmination of these poor choices landed them on academic probation by the accrediting agency. Sewanee it turns out had the right leader for the right time in Cunningham. He was collegial in his approach with all of the stakeholders on strategic decisions and very conservative in his execution. When the recession hit, Sewanee was financially fit and was able to adjust to the pressures that the recession brought. They were able to pull through the recession and in 2011, had increased their endowment by nearly 50%, added $75.6 million to their plant assets and were only $6.2 million in debt.

Q3 Were the outcomes different? If so, was this a result of the strategy and or implementation? Birmingham-Southern faced financial disaster and worked on a turn-around strategy, Sewanee reduced their tuition by 10% in order to be more competitive in their marketplace and worked on strengthening the core of its institution, while Greensboro College attempted an expansion based on debt and faced financial disaster with their accreditation in 2013 at risk. The strategies for all of the schools made sense, it was the lack of strategic discipline at Birmingham-Southern and Greensboro College that lead to their failed outcomes.

Q4 What lessons can be learned from this study that will provide guidance for leaders of other institutions? The result of this study is a detailed description of the steps these institutions implemented in reaction to their own competitive situation within the context of the market downturn. It chronicled how these strategic choices were made, how they were executed, and the ultimate outcomes. Those choices and their outcomes during this significant period can be used to better equip other liberal arts colleges for more effective strategic planning, particularly when facing substantial financial pressure.

CHAPTER 2

LITERATURE REVIEW

The adage "there is nothing as constant as change" applies more today to higher education than it ever has. The need for change has been further triggered by the recession, and has changed the way higher education institutions operate. The "new normal" is concerned with learning to survive in an aggressive, dynamic, and economically tough marketplace. In this new climate, an institution must have a keen grasp of the external and internal environment in which it is operating, and be able to delineate its unique position in that market. This understanding is captured in a well-designed strategic planning process.

The purpose of this review is to identify and discuss research studies and related literature regarding strategic planning and its practice. This review includes a survey of the prominent research in leading academic and management journals and books. This review began with a survey of articles and books on the impact of the 2007 recession on liberal arts colleges, as well as more general literature on the challenges that liberal arts colleges faced. Townsley (2009) noted that in 2002, the big issues facing independent colleges were the stock market crashes of 2000 and 2001, tuition pricing, demographics, market competition, and institutional size. He showed that these issues were still significant in the recession of 2007, but additionally colleges had to consider the impact of the credit crunch and the reliance on endowment spending as part of a business model (Townsley, 2009).

Challenges for Liberal Arts Colleges

The financial markets deteriorated so quickly during the first half of 2008 that many private institutions were blindsided by the banks who were recalling their debt issues, the inability to gain access to the debt markets, the sharp declines in endowments, loss of donor gifts, and severe strains on liquidity.

According to Moody's Higher Education Outlook for 2009 (Moody's Investor Service, 2009), financial pressure on private colleges will come from:

- Threats to tuition and financial aid, because parents and students will select less expensive public institutions, which will force private institutions to increase financial aid awards to attract the same number of students that enrolled the prior year. They noted that less selective schools are the most vulnerable, as students switch to public four-year colleges or community colleges.
- Losses of value in endowment funds have forced private colleges to cancel large capital projects that were planned to attract more students. Investment losses have a direct influence on financial ratios that are required in debt covenants.
- Investment losses also impacted liquidity, especially for schools that relied on endowment draws to fund scholarships. The impact of this loss in liquidity forced schools to cut expenses by cutting programs, faculty, and staff lines.

When considering the information disseminated thus far, it would appear that Moody's (2009) assessment was correct. What Moody's research did not uncover was the long-term effects that this recession has had on private colleges. This recession was different and reached deeper than anything the country had experienced since the Great Depression. The world credit markets panicked because of the sub-prime mortgage defaults, and the fall of many of the derivatives traders and financial institutions that had been thought to be untouchable. During this time, eight million job losses were recorded in the U.S. alone, and an unprecedented 40%, or 6.3 million, of the unemployed remained without work for more than six months. The overwhelming loss of jobs and unemployment, coupled with the loss of home equity and the impact of the market instability on savings, meant that students and families had increasing difficulty paying for education (Grusky & Wimer, 2011).

The following charts developed by Human Resource Capital Corporation (2012) give a clear picture as to the effect of the recession on families and higher education.

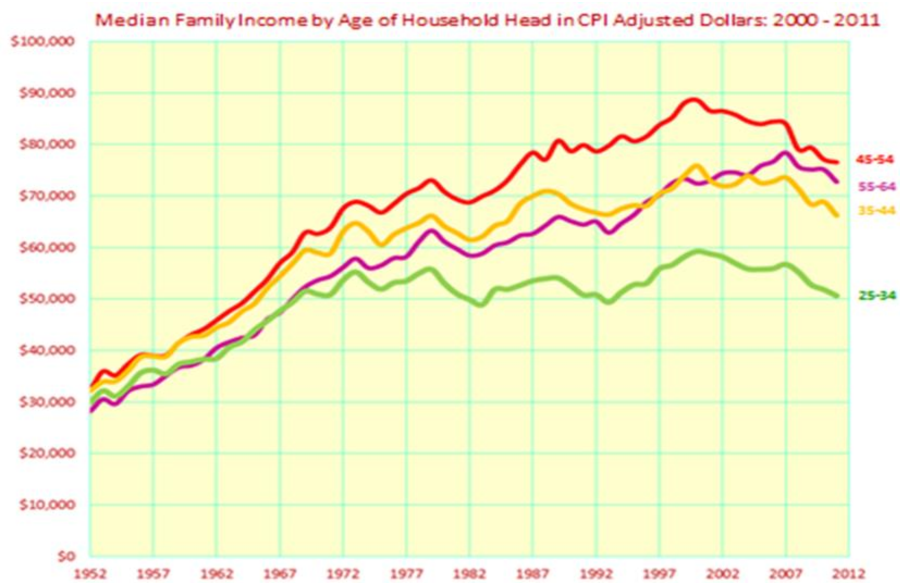

Figure 1. Median Family Income by age of Household Head.

Figure 1 shows that the baby boomers lost nearly a decade worth of earnings growth through the recession. This group's children are of college level age, and they had the most influence on higher education insofar as student recruiting and retention were concerned.

The Case-Shiller home price index (Case-Schiller, 2012) reported that, on average, homeowners experienced a 30% drop in average home values from a high in 2007. This has influenced higher education, since parents used to borrow against the equity in their homes to pay for their children's college education. Today, many of those homes are "under water" in value and credit is tighter, rendering this option no longer available to many. During that same period, the Dow Jones Industrial Average grew only 1.82%, and experienced a 37% drop between 2008 and the end of 2009, a low that had not been seen since 2003 (Finance, 2012).

The influence on higher education is that many families lost significant portions of their savings, and were forced to look for cheaper options in the education of their children, which pushed many to public schools and community colleges. Endowments also suffered, and the draws from those endowments were dramatically decreased.

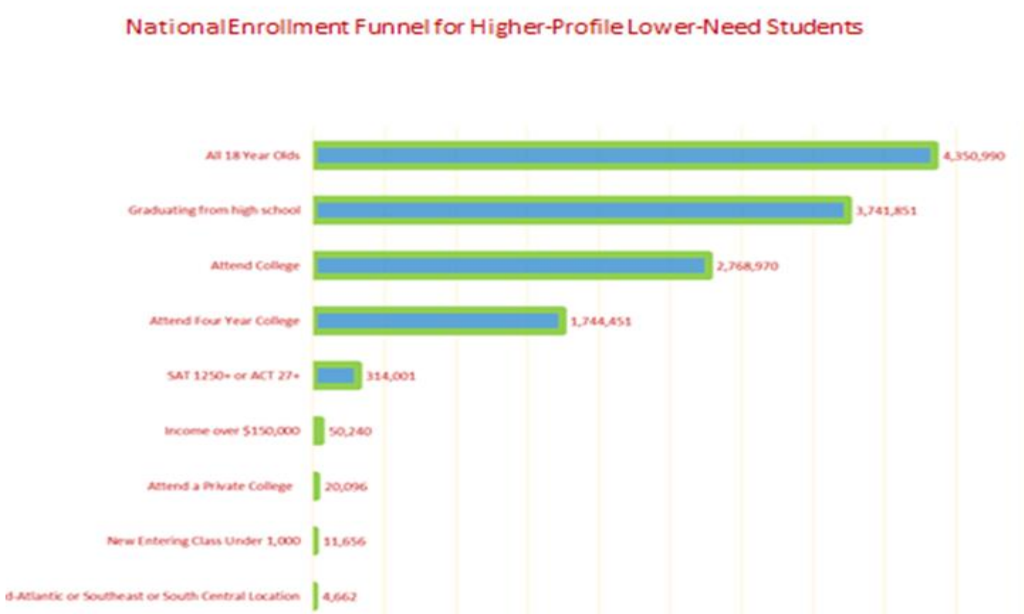

Figure 2. National Enrollment Funnel.

Most private non-profit higher education institutions are looking to attract the best and brightest students. Students whose parents can afford to pay the full price of attendance; these are the “holy grail” students for whom all 226 schools in this category are competing. Figure 2 shows that in 2011, there were 4.3 million 18 year olds. 3.7 million of those 18 year olds graduated high school, and of that pool, 2.7 million went to college. Only 314,000 of the students that attended college had an SAT or ACT score that put them in the “best and brightest” category, and of those, only 50,000 were lower need students. Out of that 50,000, 40% attended a private college, and 11,000 of them attended a small private college. Of that 11,000, 4,662 attended a school in the south (Human Resource Capital Corporation, 2012).

Private colleges have resorted to what some call the “amenities arms race.” The term was coined to describe colleges and universities that seek to one-up their peer institutions with shiny, new facilities aimed, in part, at luring prospective students.

College administrators say the structures and the amenities provided are necessary to help students achieve, but they're also used as tools to attract - and beat out other institutions - for the best and brightest. “We really are competing against one another, so having good stuff does matter – that’s how you get enrollments,” said Jim Bachmeier, GVSU’s vice president for finance and administration (McVicar).

Sally Vander Ploeg, Calvin College's vice president for administration and finance, said many students expect schools to have top-of-the-line amenities, and institutions must do their best to meet that demand. “When you look at students coming in, even from high schools, the level of the facilities that they have and that they’ve grown accustomed to is just incredible, and that’s a wonderful blessing,” she said. “But it does put pressure on the higher education institutions.”

The result of this is an increase in debt burden which has added additional risk on to institutions balance sheets. Experts say debt could become a burden at some schools because the number of high school graduates is projected to shrink, possibly leading to declining enrollment and therefore reducing most college’s biggest source of income: tuition revenue (McVicar).

Figure 3 from Human Resource Capital Corporation (2012) summarize all of the points detailed above. In this highly competitive environment in which family income has declined, the yield on student acceptances has also declined. In order to combat this, colleges have increased the total cost of attendance, only to see those increases being given back to the students in the form of scholarships. Net tuition per student has remained constant for the last decade.

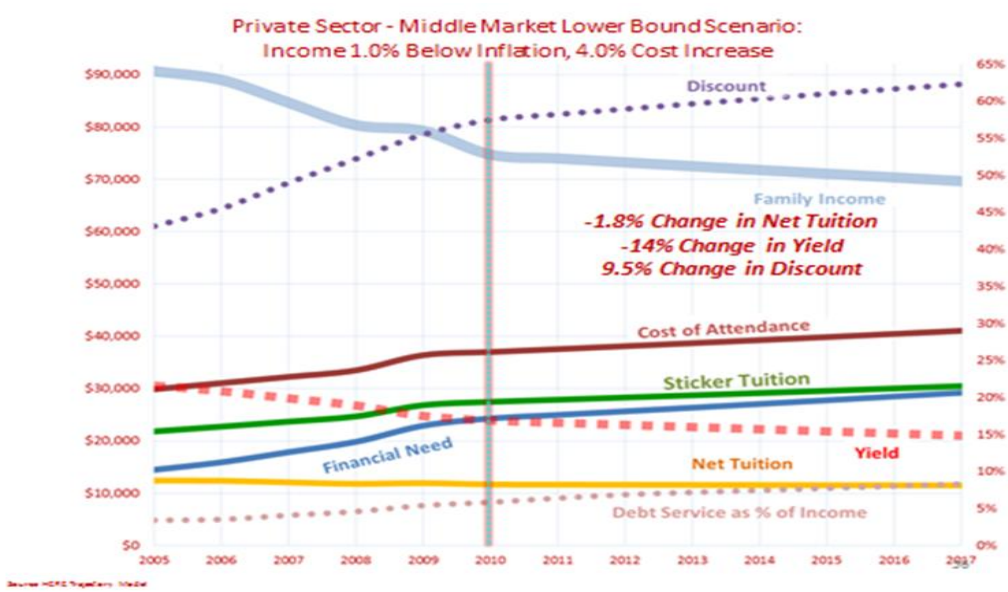

Figure 3. Private Sector – Middle Market Lower Bound Scenario.

Institutions need to find a way to grow their net revenue through tuition fees in order to accommodate their increase in expenses. The Higher Education Price Index (HEPI) is an indicator of changes in costs for colleges and universities. It measures the average relative level of prices in a fixed basket of goods and services purchased by colleges and universities each year through current fund educational and general expenditures, excluding research. The compound annual growth rate for HEPI during this period was 13.25% versus a growth rate in the CPI (consumer price index) of 10.7% (CommonFund, 2012).

Given this competitive milieu, private institutions appear to have managed financial decisions primarily by reacting to short-term needs, substantially limiting their ability to plan for long-term challenges.

David Gergen, in his keynote address at the "Smart Leadership in Difficult Times" conference, made the following observations on the future of higher education:

1. There will be no return to the pre-recession status quo in higher education. In fact, the new normal confronting higher education is not driven by the economic recession but rather by demographics and globalization.
2. The environment of the new normal is constrained resources, fundraising difficulties, slow endowment recovery, and increased pressure against tuition increases.
3. Innovation in higher education must involve partnerships with K-12, two-year and four-year institutions.
4. We need to rethink the development and delivery of curriculums to a student generation that communicates and learns differently than any prior generation.
5. Engaging faculty will be crucial for any change strategy. (Breneman & Yakoboski, 2011, p. 2)

Each of these factors need to be part of that “endless good argument,” since an institution’s envisioned future is created by the stakeholders and communicated through a strategic plan. As noted above, strategic planning deals with an array of factors: the changing external environment, competitive conditions, the strengths and weaknesses of the organization, and the opportunities for growth. The process of analyzing this information should give management a good indication as to the changing environment and that institution’s role within that environment.

Governance

Governance in an academic non-profit institution starts with the board of directors; they have the ultimate power in the decision-making and direction that an institution takes. There is a lot cynicism about how effect this governance system is or can be. Skeptics believe that boards can never get beyond being spoon-fed by their presidents and that because of their nature; boards must remain fundamentally reactive. They believe that the realities of group decision making forever destine boards to be incompetent groups of competent people (Carver, 1997).

Thomas and Gottfried (Strom-Gottfried, 2011) say that the main function of a non-profit board is to set the tone and communicate the organization’s commitment to integrity, ethical values, financial transparency, and accountability for compliance with laws and regulations. They state that knowledge and capacity for giving are important but insufficient ingredients in organizational compliance and those board members must have the courage to act responsibly. They believe that it takes more than a passion for the mission; it takes the knowledge, skills, and courage to:

1. Identify factors in the environment that affect the entity
2. Read and analyze financial information

3. Understand the laws and regulations so that the entity will be in compliance

4. Assess the risk to the organization

In a *2009 National board Governance Survey for Not-for-Profit Organizations* that was conducted by the accounting firm Grant Thornton (Thornton, 2009), the role and structure of the board was discussed as follows:

Board Focus: According to survey respondents, the most important focus of the board is either strategic planning (30%), fundraising (21%), ensuring effective programs (19%), or planning beyond the recession (8%).

Board size: Overall, board size in 2009 was largely consistent with our 2008 findings. Nearly four in 10 (39%) of the organizations surveyed have between 16 and 30 board members, followed closely by boards comprising six to 15 board members (37%). Fifteen percent have relatively large boards, comprising 31 to 50 members. A small number (6%) have more than 50 members. The study noted that the size and structure of the board should be sufficient to allow for good deliberation and diversity in point of view.

Board Make-up – In an article in the Chronicle (Fain 2010, April 29) called *Governing Boards should look beyond Alumni for trustees*, Fain argues that the common wisdom that alumni are better prepared to be trustees because they understand their alma mater's culture doesn't hold up anymore. The article stresses that alumni can make excellent trustees but they tend to suffer from "blind loyalty." He says boards would do better to seek out a diverse set of trustees, with their alma maters being part of the mix along with ethnic, age, and gender diversity.

Academic Strategy

Keller (1983) challenged liberal arts institutions to define their purpose and market value through a series of questions on: a) role, b) services, c) advantages, and d) offerings – current & future, and aspirations. He noted that there are six features that distinguish strategic planning from systems analysis, incrementalism, management science, and long-range planning:

1. Academic strategic decision making means that a college, school, or university and its leaders are active rather than passive about their position in history;
2. Strategic planning looks outward and is focused on keeping the institution in step with the changing environment;
3. Academic strategy making is competitive, recognizing that higher education is subject to economic market conditions and to increasingly strong competition;
4. Strategic planning concentrates on decisions, not on documented plans, analysis, forecasts, and goals;
5. Strategy making is a blend of rational economic analysis, political maneuvering, and psychological interplay;
6. Strategic planning concentrates on the fate of the institution above all else. (Keller, 1983, pp. 143-152)

Keller's (1983) analysis is even more relevant for institutions today. The analysis has become even more prudent in recent times, since the 2007-2009 recession highlighted weaknesses within the financial framework of many institutions, which had been camouflaged by a strong economy. The institutions that were affected the most were the ones that were already notably at risk or whose objectives were centered on history and saga and on current and future students. It is apparent from the literature that for an institution to be successful, it must analyze the competitive environment that they operate in, identify a segment or segments of that market that they can successfully attract, and adjust their mission and goals to reflect that change. It is this mission-centric message that is evidenced in several relevant articles.

Lisensky (1988) defined mission as distinctive strengths, the aims it desired to fulfill, and the principles that will direct valuation and dissemination of resources. A clearly defined mission that is centered on the students allows an institution to establish organizational goals, the ability to measure those goals, and the ability to make corrections along the way. Institutional clarity begins with mission, providing a collective understanding of the institution, and informing the community of what an institution can and cannot do (Chaffee & Tierney, 1988). Rice and Austin, (1988) in their study on exemplary liberal arts colleges, found that the single most important characteristic was that each possessed a clearly articulated mission and a distinctive culture. Organization theory also suggests that the existence of a mission enables groups to function coherently, efficiently, and to plan strategically (Schein, 1985).

The problem with mission statements is that they often consist of stock collections of vague and aspirational phrases and fail to convey any meaningful sense of an institution's unique identity (Delucchi, 1997). Hartley and Schall (2005) believed that the focus needs to be on a core ideology and envisioned future, which requires institutional members to commit to collective, sustained discussions about the core purposes of their institution. It is this on-going debate, referred in this study as the "endless good argument," that allows mission statements to evolve over time and to remain centered on the student. The literature supports this, and recognizes that this process has to be more formalized and must become part of the fabric of the organization.

The process is dramatically improved when all the stakeholders are involved, and this must include the faculty (Breneman & Yakoboski, 2011). One of the unique aspects in planning for a higher education institution is the significant power that resides with the faculty. “If the corporate model of organization may be described as hierarchical, the college model might be described as hieratic, a priesthood of the faculty” (Bogue & Aper, 2000, p. 18). Since 1915, when the AAUP came into existence, the faculty began to exert increasing power and authority – especially in matters related to academic program.

The academic program and how it is delivered to the student rests in the hands of the faculty – the faculty controls the product that is being sold, especially in small liberal arts institutions. Under this model, successful planning requires that leadership use political skills that compliment management skills. Practical political skills require timing, persistence, coalition building, negotiating outcomes, and humility. The president has to be persistent with change, if he/she abandons a plan at the first sign of opposition, and then nothing will be accomplished (Townsley, 2009, p. 206).

Strategic Planning

A number of elements of the strategic planning process employed in the business community can be applied directly to academic institutions. The first of these elements is the willingness to engage and study one’s competitors. Ohmae’s (1982) definition of strategic planning is to empower the company to increase, as proficiently as possible, a maintainable superiority over its competitors. This, in turn, denotes an effort to amend a company’s strength comparative to that of its competitors in the most effective way (Ohmae, 1982). Ohmae believed that in order for institutions of higher education to become competitive, the institution must improve itself; therefore, it must begin by identifying it strengths. In order to do this, Ohmae set out three routes for strategic advantage, which will subsequently be explained.

Business strategy based on key factors for success. This would require an institution to reallocate their resources in order to strengthen its capabilities, to grow its market share and profitability.

Business strategy based on relative superiority. This is when a relative advantage can be achieved by exploiting any difference in competitive conditions between the institution and its competitors. This can be done using technology, use of products that do not compete directly with its target competitors, or the exploitation of any other differences between the institution and its competitors.

Business strategy based on aggressive initiatives. The object of this strategy is to produce ideas or innovations that will introduce new life into the institution's market situation, its resource allocation system, or anywhere else its existing practices have become rigid.

Blue Ocean Strategy

Private liberal arts colleges have routinely engaged in head-to-head competition in search of sustained and profitable growth. They have fought for competitive advantage, battled over market share, and struggled for differentiation. Kim and Mauborgne (2005) believed that businesses have to reconstruct market boundaries to break from competition and create blue oceans (uncontested market space). They identified six basic approaches to doing this, which will be subsequently explained.

Look across alternative industries. An institution competes with not only the other private non-profit colleges, but also public and for-profit institutions. In selecting a college or university, students and parents weigh the alternative, especially in today's difficult circumstances.

Look across strategic groups within industries. The key of this approach is to look beyond the typical families an institution draws its freshman class from, with the aim to discover the factors affecting these families' decisions to trade up or trade down in their educational decisions.

Look across the chain of buyers. In higher education, competitors converge around a common definition of who the target buyer is. In reality, there is a chain of "buyers" who are directly or indirectly involved in the buying decision. The purchasers of the product or service may differ from the actual user, and in some cases, they are also important influencers.

Look across complimentary product and service offerings. Few products and services are used in a vacuum. In most cases, other products and services affect their value. For example, offering a babysitting service for the non-traditional student or inexpensive food for that same student might be helpful.

Look across functional or emotional appeals to buyers. An institution's behavior affects a buyer's expectation, and it becomes a reinforcing cycle. Is the perception of the institution (its brand) accurate?

Look across time. Most institutions adapt incrementally and somewhat passively as events unfold. Most institutions pace their actions to keep up with the trends they are tracking. Differentiation rarely comes from projecting the current trends. Instead, differentiation will arise from business insights into how the trend will change value to customers and influence the institution's business model. By looking across time – from the value a market delivers today to the value it might deliver tomorrow – the stakeholders in the planning process can actively shape their future.

As mentioned earlier, and underscored in looking for that "Blue Ocean," the decision process in higher education can be more challenging, since there are multiple decision-makers. The faculty members are political partners in the management of the enterprise, governing its academic portion (Keller, 1983, p. 126).

Market Analysis and Change Management

In this regard, two additional business books have direct application to college business plans, as they focus on market analysis and change management. Kotter (1996) underscored that successful transformation in any institution is based on one fundamental insight, "major change will not happen easily for a long list of reasons" (p. 21). Even if the objective observer can clearly see that even a handful of these possible objectives, such as costs are too high, products are not good enough, or shifting customer requirements are not being adequately addressed needed change can still stall. It can be caused by an inwardly focused culture, paralyzing bureaucracy, parochial politics, a low level of trust, lack of teamwork, arrogant attitudes, a lack of leadership in middle management, and the general human fear of the unknown. To be effective, a method designed to alter strategies, re-engineer processes, or improve quality must address these barriers and address them well.

To successfully react to windows of opportunity, regardless of the focus, whether it is innovation, growth, culture, cost structure, or technology, a new methodology of change leadership is required. Kotter (1996) developed a list of factors that he believed would lead to successful changes, and those that lead to failure. He devised an eight step method to de-freeze, change, and re-freeze an organization: First would be to de-freeze the organization: a) establish a sense of urgency, b) form a powerful guiding coalition team, c) create a clear vision expressed simply, and d) communicate the vision. Next would be to change the organization through: e) empowering others to act on the vision, f) planning for and creating short-term wins, and g) consolidating improvements and producing still more change. Finally, h) re-freeze by institutionalizing the new approaches.

Finally, Porter's (1998) work on competitiveness issues will be reviewed concerning its applicability to academic strategy. He believed that an institution can gain competitive edge over its competitors, thereby establishing market superiority, by implementing one of the following three strategies.

Overall cost leadership. In a business environment, cost leadership requires aggressive construction of facilities, pursuit of cost reductions, tight cost, and overhead control, avoidance of marginal customer accounts, and cost minimization in areas like research and development, customer services, recruitment, and many more factors. Having a low cost position can yield the industry above-average return in customer retention and business performance, despite the presence of strong competitive forces.

An institution's cost position can be an asset to defend against rivalry. For this cost position to be an asset, it has to be part of the fabric of the organization, has to be sustainable, and has to be meaningful enough to make a difference in a competitive situation. Implementing the low-cost strategy may require capital investment in equipment, aggressive price rates, and start-up losses to build market share. Once achieved, the low-cost position provides high margins that can be re-invested in new equipment, materials, supplies, and modern facilities to maintain cost leadership.

Overall cost leadership in higher education means the institution must analyze how its resources are being spent, and make decisions about how to invest its resources wisely. This implies delivering good quality at a lower cost than competitors do. A low cost position would require an institution to keep payroll low using part-time faculty, focused curriculum, and a lean support staff.

Differentiation. To follow this strategy, an institution must become known for doing something in the industry that is unique, and sustain that uniqueness. Approaches to differentiating can take many forms: changing product image, developing new research outcomes, new state-of-the-art technology, or customer service uniqueness.

The differentiation strategy does not allow the institution to ignore costs, but costs are not the primary strategic target. Achieving differentiation implies a trade-off with the cost position if the activities required in creating it are inherently costly. This strategy in higher education means developing a program, department, or service that is unique to the academic market.

Focus. In this strategy, an institution's mission is focused on a very particular buyer group, segment of the product line, or geographic market in order to gain a competitive edge. The entire focus strategy is built around serving a particular target well, and each product and policy is developed with this in mind.

This strategy rests on the premise that the industry is thus able to serve its narrow strategic target more effectively or efficiently than competitors who are competing more broadly. As a result, the industry either achieves differentiation from better meeting the needs of a particular target, or lowering the costs to service this target, or both. The focus strategy always implies some limitations on the overall market share.

Porter's (1998) generic competitive strategies require different styles of leadership, which can translate into very different academic cultures and environments. Porter warns that a number of institutions are "stuck in the middle" of two of these strategies. Such a position places an institution in an extremely poor competitive position compared to an organization that is focused on just one strategy.

A growing number of private colleges are adopting the old car salesmen's trick of setting high sticker prices then clinching sales by offering nearly everyone who walks in the door a special discount—or, in college terms, a scholarship. A new College Board report on colleges' tuition price-setting strategies reports that in the 2008-2009 academic year, the last year for which data is available, private colleges only collected about 67 percent of the tuition they would have received if they charged everybody their advertised prices. In other words, while private colleges' average advertised tuition was a little more than $27,000 that year, students paid, on average, about $18,000—a 33 percent discount. In 2000, the typical private college advertised a tuition sticker price of $16,300 but the typical student paid about $11,700, an average discount of 28.6 percent (Clark, 2010).

College administrators and financial aid experts say the private college scholarship bonanza accelerated during the recent economic troubles. As a result, many incoming freshmen at private colleges are paying less in tuition this year than they would have a year or two ago when sticker prices were lower and scholarships were smaller.

Other research shows just how widespread the "high price, high discount" strategy is among private colleges. Federal statistics show that the average scholarship offered by private colleges rose from $6,600 in 1999 to $9,500 in 2007. A 2009 survey by the National Association of College and University Business Officers (NACUBO) found that the percentage of full-time freshmen at private colleges who received scholarships rose from 76 percent to 82 percent in the decade ending in 2009. As a result of the rise in scholarship largesse, despite higher advertised prices, the average private college's tuition revenues dropped from 2007 to 2008, NACUBO found College officials fear that Walmart-esque everyday low pricing would actually drive more applicants away because many students and parents assume that higher tuition prices mean a higher quality education, a phenomenon known as "the Chivas Regal effect." In addition, many admissions officials believe parents and students increasingly want to be able to boast to friends about receiving a scholarship, even if the end result is that they'll pay more for the degree (Clark, 2010).

Once a decision to restructure, leaders must begin the arduous task of determining how much must be conserved or eliminated and how it will affect institutional performance. Age-old questions must be answered: Can we do more with less? Can we do the right things right? Are there better ways to deliver our services more efficiently and effectively?

Administrators should have anticipated the need to right-size well before they implement any strategies. They should have solicited, developed, and implemented cost-saving measures at the operational level. If it is then determined that staff reductions are essential, they must see that those reductions are considerate of the institutional culture and allow the organization to retain its quality and vitality — no small task (Butterfield & Wolfe 2008).

Conclusion

The theorists above all seem to lay out the same themes that underlie strategic and competitive planning. The themes include: a) assessing market trends, b) intimately knowing an institution’s strengths and weaknesses as well as those of its competitors, c) working within an environment that embraces change that is based upon empirical data, and d) the need for leadership to be proactive, not reactive.

In assessing the market trends, the institution is able to discover where the missing niches are in the market and determine if they are equipped or even willing to fill them. The ability to understand strengths, and weaknesses and how these relate to the market place, puts an institution in a much more competitive position.

Strategy formulation and execution has to be disruptive as opposed to incremental to innovation in the future; technology is driving the pace of this change. Strategic plans in higher education cannot be focused on accreditation, it has to be about product differentiation and low cost, while creating a new uncontested market space and thus making the competition irrelevant.

At the end of the day, if leaders lose sight of the necessary connection between mission, services, markets, and price, institutions of higher learning will not achieve the success that the leadership team aspires to. Success requires vigilance by all parties at the institution engaging in that “endless good argument.” In relying on a strong strategic planning process with all stakeholders actively engaged, institutional leadership will be able to stay in tune with the market place, its long-term direction, and make strategic choices based upon their mission and real trends. All of this must be done while maintaining a keen eye on performance.

CHAPTER 3

METHODOLOGY

This dissertation chronicled and measured the effectiveness of the strategic choices that three liberal arts colleges made during the period from the end 2004 to the end of 2011 and the variable that affected those choices. The key questions are: What strategies were used to manage the effects of the recession? What impact did leadership make? Were the outcomes different? If so, was this because of the strategy and/or the implementation? What lessons can be learned from this study that can provide guidance for leaders of other institutions? The three schools selected all used different strategies during this time, and all represent different outcomes. The liberal arts colleges chosen for the study are: a) Birmingham-Southern University, b) Greensboro College and c) University of the South: Sewanee. Each institution felt the same effects of the "Great Recession" of 2007, yet their resulting financial position and academic standings vary markedly. This study utilized exploratory methods and analysis in order to determine how three liberal arts institutions dealt with their own economic realities in the recession. It focused on the strategies and the policies adopted by these institutions during this critical time, how they implemented those strategies, and their ultimate success.

Research Method

A case study methodology was utilized to analyze and document each college's approach to their own strategic process and measure the outcomes of their strategic choices. According to Yin (2003), case studies are the favored approach when 'how' or 'why' questions are explored, when the researcher has minimal influence on the events studied, and when the emphasis is on a contemporary phenomenon within some real-life context.

Yin (1989) suggested that a choice of case over other empirical methods might be rationally made based on three conditions:

1. the type of research question being posed;
2. the extent of control a researcher has over actual behavioral events; and
3. the degree of focus on contemporary as opposed to historical events.

The first condition is surmised in the simple “who, what, where, when, why and how” questions of most research. While any of these questions can be handled by most research approaches, this is accomplished with varying degrees of efficiency. For example, “who,” “what,” and “where” questions are well addressed through surveys and historical accounts. Case studies are well suited for the more interesting “how” and “why” questions, which are explanatory rather than exploratory or descriptive in nature. Another method would be to do a historical account investigation. Historical accounts are best used when there is no scope for control over or insight into contemporary events.

Qualitative research looks at the participant in natural settings and asks these individuals to participate in the data collection. Qualitative methods allow for the researchers to bring their personal-self into the research along with their researcher-self. Biases, values, and interests are acknowledged and included in the reporting (Creswell, 2003; Merriam, 1988).

Qualitative research looks at the research setting from the viewpoint of deep understanding rather than micro-analysis of limited variables. The interest is in the stories and the experiences of people in the natural setting. This goes beyond what the statistics infer to examine the story behind the numbers. This might include a possible outlier, and the one who had a very different experience than most. Instead of trying to prove or disprove a hypothesis, qualitative research looks for themes, theories, and general patterns to emerge from the data. Qualitative research "is hypothesis-generating" (Merriam, 1988, p. 3) rather than serving to test a hypothesis.

An appropriate niche for case study methods is in research situations that deal with contemporary events in which the behavior of the people or systems at the center of the research problem cannot be manipulated (Yin 1989, 1993). This is done through two techniques that are of limited use to other methods: direct observation and systematic interviewing. Both of these can be combined with other sources of evidence (e.g. documents, archival materials, surveys etc.) to provide a more complete picture with multiple sources of evidence (i.e. the third technical characteristic of case study methods).

Case study methods using multiple sources of evidence are important in investigating strategic decisions, which are typically complex and influenced by multiple management decisions. Limited feedback and structure make this process more dynamic and change-driven, characteristics which can be explored by the case study method, while other techniques are not as appropriate.

Therefore, the case study method is regarded as a holistic research approach, offering solutions for answering dynamic research questions. This dissertation relied on a multi-case study approach to best analyze the variations in how three liberal arts colleges individually coped with the financial downturn of the 2007 recession. This study included empirical and ethnographic components that analyze and document each college's approach to their own strategic process and measure the outcomes of their strategic choices.

Sample Selection

The sample selected are the three U.S. liberal arts institutions – more specifically, the private non-profit schools that are governed by the independent bodies that are considered liberal arts schools under the Carnegie Classification system (Carnegie Foundation, 2004). The three schools were determined to represent different perceived financial outcomes to limit the sample size.

Research Design

This dissertation chronicles and measures the effectiveness of the strategic plans of these three liberal arts colleges from the end of 2004 through 2011 during a severe economic recession. This study answers four overall questions regarding strategic planning in each school:

RQ1 What strategies were used to manage the effects of recession?

RQ2 What impact did leadership make?

RQ3 Were the outcomes different? If so, was this as a result of the strategy and/or the implementation?

RQ4 What lessons can be learned from this study that will provide guidance for leaders of other institutions?

The purpose of the research was to shed light on an institution's strategic decision-making process during a time of economic crisis, and to understand the strategic process and the environment (external & internal) that led to such decisions. Achieving such purpose requires an interactive and in-depth study, which can best be achieved through a case study approach.

The defining feature of a case study is its holistic approach—it aims to capture all of the details of a particular individual or group that are relevant to the purpose of the study, within a real life context. The study can be explanatory, exploratory, or descriptive (Gall, et al., 2007;

Yin, 2003). All three elements are incorporated in this research. The evaluation distinguishes between “context” and "phenomenon,” whereby the subject (the institution) of evaluation may be considered the phenomenon of interest and the surrounding events (the recession) will be its context. At the same time, one strength of the case study method is its ability to tolerate the real-life blurring between phenomenon and context (Yin, 2003). This is a necessity when analyzing decision-making processes by varying levels of authority within an organization.

The initial state of each institution was assessed using Keller’s chart (see Figure 4) as a guide (Keller, 1983). The analytical elements selected within each category were explicitly chosen for this study. The initial analysis, based on each institution’s standing at the end of 2004, established a baseline. This baseline was compared and contrasted to the same measures as recorded for the end of 2011 to measure the progress made.

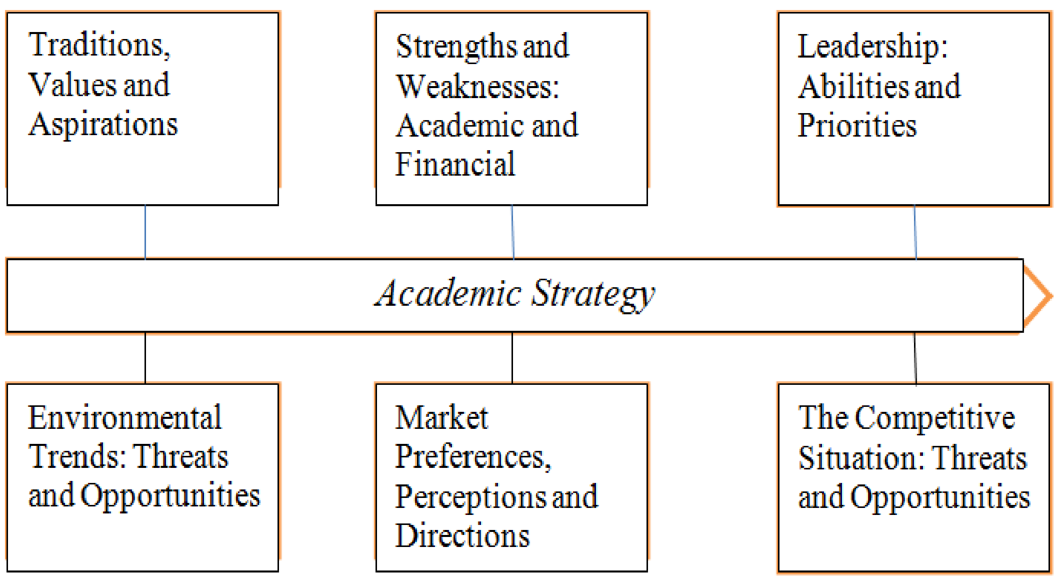

Figure 4. Keller’s Academic Strategy Evaluation Framework.

Traditions, values, and aspirations. Every institution has embedded in its organization an intangible set of traditions, values, and hopes. These were assessed through an interview with the president and the chairman of the board.

Academic and financial strengths and weaknesses. Academic strengths were assessed using Integrated Postsecondary Education Data System (IPEDS) and internal annual audit reports, and address the following:

Conversion yield for first year freshmen versus the institutions IPEDS peer group. Yield rates compared to an institution's peer group and the trends in those rates gave an indication as to whether the institution has become more or less desirable, whether the school might have widened the funnel by going to open enrollment or tightened the funnel by becoming more selective.

Graduation rates versus the institutions IPEDS peer group. Low graduation rates versus the peer group "churn" is costly to the institution; not only because of the expense to recruit, but also due to the loss of future revenues.

Tuition discount rate versus its IPEDS peer group. High discount rates indicate that a school has not differentiated itself enough in the market place, so it has to compete on price.

Average scholarship given versus its IPEDs peer group. In dollar terms, the more academic scholarship that you have to give versus your peers in order to attract students to your campus, is a reflection of the college's success in differentiating themselves in the market place. Competing on price as a commodity in the marketplace is a very difficult business model for success.

Percentage of total faculty that hold terminal degrees versus its IPEDS peer group. This strategy may reflect a choice to either cut costs using adjuncts or to improve quality in the academic program but add costs. It could reflect an on-line move that would explain a shift away from the peer group. Financial strengths were assessed based on the following, and rely on IPEDS data, unless otherwise noted:

Net tuition growth. Net tuition grows (Tuition minus funded and unfunded scholarships) at a higher rate than expenses. There may be growth in tuition, but if that growth is given away in scholarships, real growth would be limited or negated. Especially for tuition-dependent schools, net tuition has to grow at a rate that is higher than expenses in order to fund normal cost increases. The institutions IRS 990 filings were used for this analysis.

Tuition dependency as a % of total revenue. Tuition dependent schools do not have the flexibility to make long-term decisions at the expense of the short-term.

Total debt service as a % of total revenue. This is a measure as to how much risk an institution has in its financial model. A percentage that exceeds 10% is generally considered excessive (Martin & Samels, 2009). The institutions' audited financial statements were used to develop a trend analysis.

Cash flow from operations, on average over the last three years, compared to debt service and operational capital needs. This showed if the institution was able to generate enough cash flow internally to execute its mission. Cash flow statements from the institutions' audited financial statements were used.

The abilities and priorities of the leaders. The strategic choices for an institution emanate from the president and cabinet, even though the final approval must come from the board. This was assessed through interviews with the president, board chair, provost, and vice president of finance.

Environmental trends: **Threats and opportunities**. These issues were the same for each institution, and are summarized and provided as context for the environment in which these institutions were operating.

Market preferences, perceptions, and directions. Market preferences are what students are looking for in a college. Perceptions indicate the brand recognition of the school by comparing student preferences and how the school has addressed those preferences. This was developed through interviews with the president, the vice-president of admissions, and the provost.

Competitive situation: **Threats and opportunities.** This represents the competitive strategy the school selected (overall cost leadership, differentiation, focus). Given their strategic choice, how well did the school compete against those who made the same strategic choice? In order to assess this, the school's president was interviewed. Empirical evidence was used relative to tuition discount rate, which was used to help determine strategic choice. A high tuition discount rate (relative to the institutions IPEDS peer group) would suggest an overall cost leadership position. A low discount rate would suggest differentiation or focus. Additionally, total expenses per FTE student were evaluated. A lower expense per FTE student versus your peer group, would suggest that the institution is competing on price and a higher expense per FTE would suggest differentiation or focus.

The following items below represent the process that was used to achieve the outcomes that were assessed at the end of 2011:

Strategy selection. Data gathering, dissemination, and stakeholders roles, as well as responsiveness to the macro-environment and awareness of the effects on the institution.

Process. Benchmarks for success and how these were assessed and communicated to the stakeholders.

Outcomes. Goals achieved and causes, and impact of the macro-environment, as compared to other possible choices.

Interviewing is one of the most popular qualitative research forms when it is not possible to observe certain phenomenon directly and there is a need to rely on others to relay the information (Denzin & Lincoln, 1994). Personal interviews tend to make interviewees feel important and underscore their relevance to the research. The usefulness of data gathered from interviews not only depends on the relevant respondents, but more importantly, how willing and able they are to recall certain events that are crucial for the research conducted. As has already been discussed, the case studies conducted for this work were a combination of interviews, observations, and archival records. This research assumes that each of the respondents defined the world in their own unique way during the time period studied. The appropriate interview method would be to use open-ended questions (Merriam, 2009, p. 90)

The determination of the success of the implemented strategies was based upon the 2011 positioning of the institution, as well as the accomplishment of the initial goals. The current research paper identifies whether the institutions met the stated objectives, and determined the reasons for the success or failure of each strategy implemented. In this way, a complete method for the analysis can be obtained.

Data Collection Procedure

Interviews

Interviews were conducted with the President, Cabinet members, and Board members. Qualitative research interviews are necessary when we cannot directly observe behavior, feelings, or how people interpret the world around them (Merriam, 2009). Interviews allow a researcher to understand the subjects' point of view and to uncover the meaning of their experiences. Interviews should remain informal conversations, but should be structured conversations with a defined purpose controlled by the researcher. Structured conversations allow people to convey to others a situation from their own perspective and in their own words. Therefore, interviewing allows the researcher to understand the other person's perspective (Patton, 2002). This type of research interview does not provide objective information; rather it captures qualitative information and draws upon meaningful relations to be interpreted.

The interviews were based on open-ended questions that are designed to gather holistic responses to the institutions reactions to the financial downturn and the coping mechanisms employed.

A minimum of 2-5 interviews were conducted prior to August 2013 at each institution. In addition, follow-up interviews were conducted after the initial data analysis was completed and preliminary findings were determined.

All interviews were tape-recorded and varied in length. The interviews were informal and open-ended, and carried out in a conversational style.

Archival Data

Archival data from the three liberal arts colleges would also be collected to support the data gathered from the interviews and to answer some of the questions posed for this study. The archival data, such as strategic plans, annual reports, and financial statements, would provide concrete and quantitative evidence to support the qualitative data gathered from the interviews. Such data would be collected through the institution's websites or through their library. If these are not easily accessible, permission would be asked from the persons with authority to grant access to such data.

In addition to the archival data from the institutions, information would also be gathered from IPEDS to aid in the analysis.

Data Analysis Procedure

The goal was to present an intensive, holistic description and analysis of the three institutions; each were looked at as a single bounded unit. This paper offers a cross-case analysis, which leads to generalizations about the strategic methods that universities use in times of crisis.

All of the research gathered (interview logs, field notes, reports, transcripts, records, field observations, and reflective memos) were entered in HyperResearch, a software tool that helped to organize and interpret the data (Patton, 2002). This software helped look for insights as to which situations, settings, styles, images, meanings and nuances are key topics (Altheide, 1987). This process involved the simultaneous coding of broad data and the construction of categories that captured the relevant characteristics of the study.

In a single bounded unit on each institution, each case was treated as a comprehensive study in and of itself. Data was gathered to learn as much as possible about the pertinent contextual variables. Once the analysis of each case was completed, a cross-case analysis and a general explanation that fits all of the individual cases was built using qualitative research (Yin, 2008).

This provides a comprehensive data collection and analysis approach (Rossman & Rallis, 2003) that resulted in a detailed description of the internal and external environment that each institution competed in, the strategies they chose in order to compete, and the effectiveness of those strategies as determined by the goals.

Limitations

In order to effectively develop a clear result, this case study was limited to the bounded unit of the institution, the period between the end of 2004 and the end of 2011 and the sample size of three liberal arts colleges that reside in two southeastern states. There is also the potential that the researcher has certain prejudice on the topic that may affect the result of the research. Another limitation was the access constraints for the researcher. At Greensboro College, the past president Williams declined to be interviewed for this research. In his place I interviewed the chief financial officer and the vice president of student affairs who were there during his tenure. At Birmingham-Southern University, I was not able to interview the board chair during the time period studied and was unable to contact the past vice president of finance. At all three schools I took the information obtained during the interviews and corroborated it with audited financial information and outside media reports.

The final limitation of this dissertation is that validity of the information acquired from the original interview sources, as well as any secondary data.

Trustworthiness

Validity, reliability, and ethics are of major concern in any research study. It is important that researchers, especially qualitative researchers, convey the steps they will take to check for the accuracy and credibility of their findings (Creswell, 2003). These checks help determine if the findings are accurate from the standpoint of the researcher, the participant, or the readers of an account. How well this is accomplished lends an air of trustworthiness and authenticity to the study (Creswell, 2003).

By using multiple sources of data, such as interviews, observations, and documents, the credibility of the study is strengthened. In addition, redundancy of data gathering was considered to help clarify meaning and verify the repeatability or saturation of an interpretation (Creswell, 2003).

The communication of the findings is a critical phase of case study research. The case study final report generally takes the form of a rich, descriptive narrative that attempts to reconstruct the respondents' reality and enhances the authenticity of the research. The presentation style of the findings should draw the reader closely into the respondents' world and give the discussion the feel of shared experiences (Creswell, 2003).

Ethical issues such as informed consent, confidentiality, and consequences for the interviewee were taken into account with any qualitative interview. Research subjects were informed about the purpose of the investigation and the main features of the design. Finally, the subjects agreed to the release of the identifiable information so the risk of harming someone would be mitigated.

CHAPTER 4

RESULTS

The purpose of this case study was to determine the effectiveness of the strategic choices that three liberal arts colleges made during the recession period, and what variables affected those choices. The key questions were: Did the three schools selected for this study use different strategies to manage the effect of recession? What impact did leadership make? Were the outcomes different? If so, was this a result of the strategy and/or the implementation? What lessons can be learned from this study that will provide guidance for leaders of other institutions?

The liberal arts colleges chosen for the study are: a) Birmingham-Southern University, b) Greensboro College, and c) University of the South: Sewanee. This study utilized exploratory methods to analyze the strategies adopted by these institutions during the recession, factors that influenced the effectiveness of their choices, how they implemented those strategies, and the outcomes.

This chapter is presented in four sections: a description of the analytical process, the relevant history and events of each institution, the findings or themes that emerged from the research, and a brief summary.

Data Collection, Organization, and Analysis

Eleven face-to-face interviews were completed between April 15 and August 15, 2013. Table 2 below is a list of the participants interviewed. It was critical to this research to have representation and input from a diverse group of individuals who were present during the period studied to gather differing perspectives. While the goal was to interview any president and board chair in place at the time, where this was not possible, others in positions of authority were substituted. For instance, Williams, the past president at Greensboro College, declined the invitation to be a part of this study, the vice president of finance and the vice president of student affairs during his tenure were interviewed. These interviewees were able to talk about the strategic choices that were made during the Williams' presidency. At Birmingham-Southern, the chairman of the board at the time and the vice president of finance declined participation; however, both the past and current presidents were interviewed. Additionally, school issued documents and media reports corroborated the information obtained.

Table 2

Study Participants

Institutions	Interviewees
Birmingham-Southern College	Dr. David Pollick – Past President General Charles C. Krulak – President
Greensboro College	Dr. Lawrence Czarda – President Dr. Robin Daniel – Vice President of Student Affairs Marci Peace – Past Vice President of Finance Walter Newton – Current Board Chair Ed Sanz – External Consultant
Sewanee: University of the South	Dr. John McCardell – Vice Chancellor and President Dr. David Cunningham – Past President Chuck Nabit – Board Chair Dr. Jerry Forrester – Vice President of Finance

The researcher audio recorded all interviews after obtaining the consent from the participants. Prior to conducting the interviews, the researcher collected the demographic information of the participants and ensured that they met the criteria to participate in the study. A guide questionnaire containing open-ended questions was used in conducting the interviews.

In data analysis, codes were developed, sorted, and categorized as identified during the interviews and in reviewing the transcripts. A table of categories was prepared of the themes emerging from the eleven interview transcripts (Hedrick et al., 1993). The three institutions and the codes emerging from the transcripts were analyzed and used to generalize the strategic methods that universities used to manage the recession crisis. In sorting and identifying the codes from the eleven transcripts, HyperResearch qualitative software was utilized for a more systematic data analysis process. All codes were grouped into similar meanings and categories. From the identified codes, the researcher developed the themes.

The transcripts were reviewed to determine and count the frequencies of these themes. Five thematic categories emerged in the data analysis using the framework of Keller's (1983) Academic Strategy Evaluation Framework: a) role of governing boards, b) environmental trends/risk assessment, c) organizational and academic strategies, d) critical nature of leadership, and e) outcome of the strategies. More information on each of these themes follows a discussion of the historical context of each institution.

Historical Context

Each of the three institutions was influenced by a combination of historical, cultural, and economic events. As background for the interviews and the analysis of the themes, the story of each institution, Birmingham-Southern, Greensboro College, and Sewanee: University of the South, is provided below.

Birmingham-Southern College

Founded in 1856, Birmingham–Southern College (BSC or "Birmingham-Southern"), a private liberal arts college in Birmingham, Alabama, is the result of a merger of Southern University, founded in Greensboro in 1856, with Birmingham College, opened in 1898 in Birmingham. These two institutions were consolidated on May 30, 1918, under the name of Birmingham–Southern College. Affiliated with the United Methodist Church, BSC is accredited by the Southern Association of Colleges and Schools. Phi Beta Kappa, the nation’s oldest academic honor society, established the Alabama Beta chapter at Birmingham–Southern in 1937. Only 10% of the nation's institutions of higher education have Phi Beta Kappa chapters, and BSC remains one of only three such institutions in the state of Alabama, along with the University of Alabama and Auburn University.

Dr. David Pollick accepted the presidency at Birmingham-Southern College in 2004. He followed Dr. Neal Berte, who had served as President of BSC for 28 years. Prior to joining BSC, Pollick held administrative and academic positions at Saint John’s University, the College of Saint Benedict, Seattle University, and Lebanon Valley College. During his nearly eight-year tenure as president at Lebanon, enrollment increased by 30%, significant facilities projects were completed, and a $50 million capital campaign had surpassed 80% of its goal. Additionally, seven new graduate and undergraduate degree programs were instituted.

Based on the above, Pollick determined that the lack of student growth and heavy scholarship outlays would severely affect BSC’s financial future. He believed that BSC could not continue to absorb cash flow deficits. In 2005, he informed the Board that BSC was facing significant financial difficulties, including a substantial deficit, and dramatic action would be required. He specifically cited the need to “invest in the drivers for enrollment. Those drivers are multiple… new programming, facilities upgrades, and additions – work that has to be done. There has to be investment in the institution.” He continued, “They asked me to develop a strategic plan that would do this, and I did.”

An initial action proposed by Pollick to the board, and later implemented, was a realignment of academic and athletic scholarships. In 2004 as a Division I school, BSC awarded 117 athletic scholarships and only one purely academic scholarship. “Our world is upside down” was Pollick’s description of the scholarship allocation. In his estimation, Division I athletics did not fit with Birmingham-Southern’s reputation as a high quality, regional school known best for academics. Trustees reviewed the financials of the athletic program and found that the size of the investment required for a Division I athletic program did not strategically align with the future of the school. The college was spending nearly half of its $6.5 million athletics budget on scholarships, and enrollment had stalled. It was Pollick’s recommendation to move the school from Division I to Division III, effectively eliminating all athletic scholarships and substantially reducing the cost (an estimated $3 million) of the athletic program. His one warning was that joining the Southern Collegiate Athletic Conference would require adding football and necessitate an investment to build a stadium and field a team. These costs would turn out to be substantially more than anticipated.

In March 2006, in the middle of the restructuring by Pollick, BSC was headline news. Three BSC students were arrested and charged in connection with a string of Alabama church fires. Pollick immediately suspended the students and barred them from campus. He also pledged that Birmingham-Southern would help rebuild the churches. Pollick promised, “We are rebuilding all of the nine churches with our own labor, our resources, and with our own community.” It was a substantial, financial commitment made without board approval. While it would generate substantial positive national media coverage and prompt donations for rebuilding from across the country, the board believed it was too risky. The unilateral decision by Pollick to proceed set the tone for his presidency with the board and the community.

In May of 2006, the 78 member Board of Trustees voted to switch from Division I to Division III non-scholarship sports and announced the addition of football. Along with the added enrollment and anticipated revenues from football, Pollick felt having football, particularly in the

South, was beneficial. "Football within an athletic program generally is the anchor or the measure of success of the program, rightly or wrongly," he said. "In our case it will play the same role, plus it adds to the fun of the campus, which is a legitimate value." The change from Division I to Division III meant the temporary shutdown of BSC's basketball and baseball programs as scholarship athletes left. Lacrosse and track teams were added. BSC immediately began building a “state of the art” stadium that would eventually cost $14 million and be fully funded through debt.

With the media generated by the move from Division I to Division III, addition of football, and the rebuilding of the churches, enrollment began to rise in 2006. Pollick expected the student body to reach 2,000 in fairly short order.

In 2007, the college obtained an unsecured line of credit for $9.9 million to finance the purchase of a 146-unit apartment complex to be used for student housing. The floating interest rate on that line of credit was 7.32%. Later that same year, student enrollment actually dropped to 1389 students. Then, in 2008, the recession hit.

One of the enrollment drivers in the strategic plan, according to Pollick, was the addition of new programs. In 2009, in the midst of the economic downturn, BSC added an Urban Environmental Studies program and built an Urban Environmental Studies laboratory park for leisure, recreation, and academic use. It was built on a 10-acre site at the end of the campus and included a 1.5-acre lake, amphitheater, walkways, a fountain, and rain gardens for storm water management. Simultaneously, the board authorized work on two residence halls that would provide suite-style living for 167 men and women overlooking the lake slated to open in fall 2010. The cost of the housing was $11 million, and the cost of the lake was a projected $3 million. These projects were also completely funded through debt. Student enrollment had resumed growth and under Pollick would rise from 1453 in 2004 to 1542 by the end of 2010.

During the enrollment-facilities push, financial records were restated reflecting greater than realized operating deficits. In April of 2009, $31.7 million of BSC's debt was downgraded from a score of Baa3 (moderate credit risk) to Ba1 (substantial credit risk) by Moody's Investor Service. Moody's stated "The downgrade reflects deep and continuing operating deficits during a period of major restructuring, expected continued decline in unrestricted financial resources and a competitive student market environment which could hamper plans to increase enrollment and tuition revenue."

By June of 2010, new auditors discovered the school had been mistakenly adding Pell grants to the financial aid package awards without adjusting the college's own contribution. That error and other financial aid irregularities found by Pollick in June 2010 would cost the school about $5 million.

In August of 2010, Pollick stepped down as president. Following his resignation, the Board of Trustees undertook a full review of the events surrounding the college's finances that led to the announcement of more than $10 million in budget cuts, including staff layoffs, reductions in salaries and benefits, and the elimination of five majors and 29 faculty over the following year. On August 11, 2010, the Board of Trustees for Birmingham-Southern College issued the following statement:

> Many have asked in recent weeks, "What really caused the financial difficulties at Birmingham-Southern College that have been the focus in recent months?" The answer is a simple one, but must be taken in context. Birmingham-Southern College, as almost all private colleges, technically runs a deficit every fiscal year. This has happened for many, many years. The financials are balanced each year with withdrawals from the endowment and from current-year gifts to the college from alumni and other interested donors.

Upon Pollick's recommendation, the board agreed that the path to a stronger financial position was to grow enrollment, thereby increasing student tuition revenues. To do this, there first was a need to improve the condition of the facilities on campus. Normally, any improvements to facilities require fundraising for that purpose or withdrawals from the endowment and the income from the endowment. As the commitments were made to improve facilities, the early effects of 'the great recession' began, thus lowering the value of the endowment, the income from these investments, and donors' confidence in their ability to donate to the college. This resulted in increased debt/borrowing to pay for the facilities improvements to beyond historical levels, thus creating higher borrowing costs and higher depreciation costs. All of this occurred at a time when, due to the deteriorating economic conditions, students needed increased financial aid.

At the same time, unbeknownst to the Board of Trustees, the scholarship monies being paid to students was in excess of budgeted amounts and was inaccurately shown in internal financial reports; not just Pell grants as has been widely reported, but scholarships and discounts to tuition, all in efforts to increase enrollment. As the situation worsened during this immediate past fiscal year (2009-2010), the college's Finance Department (also unbeknownst to the Board of Trustees) began to increase borrowings to meet the college's financial obligations.

The internal misstatements were discovered in early spring 2010. The Finance Department overstated the revenues and understated the expenses purely on internal projections and not in any audited past fiscal years. It took the past four months to truly "peel back the layers of the onion" to see the total causes and ultimate degree of deficient funding.

BSC's financial situation at the end of 2011, in comparison to 2004, can be seen in Table 3.

Table 3

BSC 2004/2011 Financial Comparison

	FY 2004	FY 2011	Variance
Endowment	$106 million	$52.2 million	($53.8 Million)
Plant Assets	$163 million	$209.8 million	$46.8 million
Long-term Debt	$37.8 million	$67.2 million	$29.4 million
Operating Cash Flow	($1,712,856)	($7,848,454)	($6,135,598)
Discount Rate	59.6%	57.9%	(1.7%)
Tuition Dependency	32%	48%	16%
Student Enrollment (FTE)	1453	1305	(148) students
Composite SAT Score*	1310	1250	(-4.6%)

Note: See appendix A for full financial analysis.
* SAT Composite Score is the sum of critical reading and mathematics. Writing was not included since it was not part of the SAT score until 2006. Source - IPEDS database.

In March of 2011, General Charles "Chuck" Krulak, retired commandant of the U.S. Marine Corps and former member of the Joint Chiefs of Staff, became the 13th president of Birmingham-Southern College. He immediately announced that he would forgo his first year's salary in allegiance to the college and its fiscal health.

In June of 2011, the Southern Association of Schools and Colleges put BSC on warning for its financial missteps. The college was cited for problems in compliance in the core requirement of financial resources, as well as for not meeting comprehensive standards for financial stability, institutional effectiveness in educational programs and for not having qualified administrative and academic officers.

Greensboro College, Greensboro, North Carolina

Located in the historic district of College Hill near downtown Greensboro, North Carolina, Greensboro College is an independent, coeducational, liberal arts institution. Founded in 1838, Greensboro Female College ("Greensboro" or "the college"), has a long-standing affiliation with the United Methodist Church. During the 1930s, the college merged with Davenport College, another North Carolina school affiliated with the Methodist Church. The merged entity was named Greensboro College. Men were admitted in 1954; and as of the end of 2011, enrollment was evenly divided between male and female students.

The college historically operated in a highly competitive geographic area of North Carolina, with 13 well-established colleges within a 40-mile radius, including The University of North Carolina Greensboro just two blocks away.

In 1993, the Reverend Dr. Craven Williams was named president at Greensboro College. Before his tenure at Greensboro, Williams served nearly 10 years at Gardner-Webb University and held senior administrative positions at Davidson College and Mary Baldwin College. An ordained minister, Williams holds a doctorate in theology. In addition, Williams served as chairman of the Greensboro Chamber of Commerce and led a successful $200 million "Bonds for Schools" campaign.

During the period under study, the Board of Trustees consisted of 28 members who met twice a year for a Thursday night dinner at the President's house and a 90-minute Friday session. The information that was presented to the Board was thoroughly scrubbed by Williams beforehand, so that any controversial or negative issues would be taken out. In the interviews, the relationship between the chairman of the board and the president was described as "chummy."

Although the period studied begins in 2004, it is important to understand the strategies that were invoked in 2003 at Greensboro. It was during this time, under Williams' leadership, that the college began a growth initiative intended to increase recognition and enrollment, eventually doubling its acreage and significantly increasing debt. On February 27, 2003, the college executed a promissory note payable to the YMCA for $4 million to finance the purchase of what was planned to be the student activity center. It was located two blocks from campus. The purchase price was $8 million; half would be paid by a donor.

On July 2, 2003, the college borrowed $15.4 million in variable rate revenue bonds. These bonds were secured by a letter of credit issued by Bank of America (BOA). The funds were used to re-finance current bond debt in the amount of $9,355,000; purchase a sports park complex located five blocks from the campus for $1,822,000; purchase, renovate, and convert an Inn (approximately $3 million) adjacent to campus for student housing; purchase a house for the president located in a golf community; and renovate the YMCA/future student center building.

Due to the campus expansion and renovation efforts, the college accumulated a significant increase in debt by 2004, which put them in “non-compliance” with their BOA debt covenants.

In 2008 and 2009, in the face of the economic recession, and with concerns about the debt load and enrollment shortfalls, the institution faced a larger than normal budget shortfall. It was due to declining donations, a sharp reduction in the market value of the endowment, and cost-conscious families seeking cheaper higher education alternatives (i.e., public universities, community colleges, etc.).

In response, in 2009 the college increased tuition, room, and board by 5%, reduced faculty and staff salaries by 20%, and eliminated 13 faculty and staff positions. The cuts reduced benefits, including retirement matching, dental insurance, and sabbaticals.

Bank of America, which held the debt, moved Greensboro’s account to the special assets department. Due to the ongoing shortfall in operating cash flow, BOA required the college to liquidate their endowment in June of 2009 (which was at Wachovia Bank) and move those monies to BOA. To secure their debt position, BOA kept the funds, which were now only $13.3 million (down from $19 million due to the market decline and the fees required to liquidate), in very liquid, low interest investments. BOA made continued financial support conditional based on the resignation of the president, chairman of the board and the chief financial officer, and the hiring of a restructuring consulting firm to assess and implement improvement initiatives.

On July 7, 2009, the Board of Trustees announced William’s retirement, concluding 16 years of service to the college. The Board then elected a new chairman, Carter Pate, and an interim president until the current president, Dr. Lawrence Czarda, began his tenure in April

2010. In addition, the administration team was reorganized with the installation of a new Vice President of Finance and a new Vice President of Enrollment Management and Marketing.

In December of 2009, the SACS Commission on Colleges put Greensboro College on warning for failure to comply with the core requirement on financial resources and the comprehensive standard for financial stability. Greensboro's financial situation at the end of 2011, in comparison to 2004, can be seen in Table 4.

Table 4

Greenboro College 2004/2011 Financial Comparison

	FY 2004	FY 2011	Variance
Endowment	$18.9 million	$14.5 million	($4.4 Million)
Plant Assets	$36.3 million	$35.4 million	($.9 million)
Long-term Debt	$19.4 million	$19.7 million	$.3 million
Operating Cash Flow	($626,768)	$331,123	$957,891
Discount Rate	43.5%	56.5%	13%
Tuition Dependency	42.4%	42.1%	(1.3%)
Student Enrollment (FTE)	1226	1200	(26) students
Composite SAT Scores*	1090	1030	(5.5%)

Note: See appendix A for full financial analysis.
* SAT Composite Score is the sum of critical reading and mathematics. Writing was not included since it was not part of the SAT score until 2006. Source - IPEDS database.

To maintain liquidity and to pay off some of the debt, the sports park and the renovated Inn were put up for sale. At this point, the assets were written down to market value on their books at a loss of over $3 million.

The SACS Commission on Colleges continued the warning status for Greensboro and in December of 2011, downgraded that status to probation for non-compliance with the same rules listed earlier.

Sewanee: University of the South

The University of the South was founded in 1857 by clergy and lay delegates from Episcopal dioceses throughout the south. The site selected, on the western section of the Cumberland Plateau between Nashville and Chattanooga, was in Sewanee, Tennessee. It originally encompassed nearly 10,000 acres donated by local landowners and the Sewanee Mining Company. Construction was slated to begin in 1860, but due to the Civil War, the university would not open until 1868 with nine students and four faculty members. Women were first admitted as full-time students in 1969; and the university would grow to a peak of 1500 students, evenly divided between men and women. Today, the campus encompasses 13,000 acres in what is called the Domain, and includes both the College of Arts and Sciences and The School of Theology.

Sewanee's governing structure is dictated by its ownership and ongoing relationship with the Episcopal Church. Twenty-eight dioceses of the Episcopal Church share ownership of the university and govern through a two-tiered system. The umbrella governing body is a Board of Trustees (150 members), most of whom are elected from these dioceses. The second tier is a board of regents (20 members), which acts as the executive board of the trustees. The chief executive officer for the institution is the vice-chancellor and president. The chancellor, elected from among the bishops of the owning dioceses, serves as a chair of the board of trustees and, together with the vice-chancellor, is a member of the board of regents, *ex officio*.

In 2000, Dr. Joel Cunningham was named the 15th vice chancellor and president of the University of the South. Cunningham holds a doctorate in mathematics, and served as president of Susquehanna University in Pennsylvania for 16 years prior to returning to his home state of Tennessee. At Susquehanna, Cunningham had served as vice president of academic affairs, dean of the faculty, and professor of mathematics. During his time there, the endowment grew from nearly $4 million to almost $100 million. Cunningham referred to his tenure at Susquehanna as formative in his cautious approach to resource management. He noted that his successor, Dr. John McCardell, who took office in 2010, utilized a more ‘confident’ resource strategy.

During Cunningham’s tenure, campus renovations would take precedent. All Saints’ Chapel, Gailor Hall, and St. Luke’s Hall were substantially renovated. New construction included Humphreys Hall (the first new residence hall in more than 30 years), Spencer Hall (a new science building), the Nabit Art Building, an addition to Snowden Hall (the forestry and geology building), and an architecturally striking new dining hall located in the middle of campus. The Snowden Hall project was a direct outgrowth of Sewanee’s strategic plan objective to be a national leader in environmental studies and sustainability.

Cunningham’s tenure included a successful capital campaign, The Sewanee Call, which exceeded its $185 million goal by $20 million, raising $205 million.

Cunningham’s vision was to extend the reach and recognition of the university beyond the region. “It was not so much to differentiate as to strengthen,” Cunningham said. He noted that Sewanee has a “central core of students that it attracts, so we wanted to build the recognition more widely.” This would be done through program extensions, such as the sustainability initiatives and facilities updates in what Cunningham referred to as a “weaving together or a quilting together of initiatives” that supported the key points of a strategic master plan. The plan called for Sewanee to grow its student base by becoming a more national, selective and racially diverse university. At the time, 4.5% of the 1,400 undergraduates were black, 2% were Hispanic, and 2% were Asian-American.

In 2005, in an effort to expand the brand, the university name was changed to Sewanee: The University of the South, with a decided emphasis on “Sewanee.” In an attempt to remove any stigma attached to the university, a number of physical symbols of the south were removed. The flags from Southern states disappeared from the chapel. The ceremonial baton dedicated to a Confederate general who helped found the Ku Klux Klan was replaced. The effort to rid the school of its southern stigma had mixed results in increasing the diversity of the student population. In the fall of 2011, the student body population was 86% White, 3.9% Black (a loss of .6%), 3.6% Hispanic (a gain of 1.6%) and 2% Asian (no gain or loss).

Dr. Cunningham had a conservative approach to the management of the school’s finances. From the beginning of this study in 2004 until 2010 when he retired, this approach increased the financial stability of the university, which can be evidenced in the growth of endowment (increase of $43.5 million) and the addition of $61 million in plant assets. The institution also began to see erosion in key indicators important to the admissions process. At the close of Cunningham’s tenure, the conversion rate of admitted to enrolled students dropped from 30% to 23%, 6% lower than their peers. Net tuition growth had declined steadily from 11% in 2004 to .65% in 2010, due primarily to an increase in the discount rate from 23.6% in 2004 to 37% in 2010.

In 2010, The Board of Trustees elected John M. McCardell Jr. as the university’s 16th President and Vice Chancellor. McCardell holds a doctorate in history and served as president of Middlebury College for six years prior to his tenure at Sewanee.

While the name of the university was expanded from The University of the South to Sewanee: The University of the South in 2005, McCardell believed it was still limiting. He said, “One of the first things I would need to confront was the name, the University of the South, and the Confederate history, which was still part of the place." In McCardell's invocation on July 1, 2010, he asked, "What does it mean to be the University of the South, and what South are we the university of?" That was the start of his administration and a number of later events, both public and private, would substantiate his statement that "We once were but no longer are the University of the 1860 South, University of the 1920 South. They made us who we are, but we're no longer that."

McCardell believed the university to be a "too well-kept secret." Facing certain declining enrollment trends, the lack of diversity in the student body and the lack of brand awareness beyond the region, McCardell proposed a bold new strategy - a significant reduction in tuition.

In February 2011, the University's Board of Regents approved a 10% reduction in tuition and fees at the college. The 10% price reduction would apply to tuition, fees, room, and board for the 2011-12 academic year; it represented a $4,600 overall reduction. Sewanee projected that the drop in tuition would help it compete with the public universities that were siphoning off a growing share of the students it accepted, and with other private colleges.

The school expected that a substantial portion of the financial impact from this decrease would be absorbed in reduced scholarships to their students. For fiscal year 2012, the cost in net tuition from this cut was approximately $1.5 million, less than they expected. In December 2012, the school made yet another major announcement: it would guarantee tuition, room, and board for four years for the college class entering the university the following fall.

Overall, during the period studied, the university experienced tremendous growth in their endowment and plant assets without adding much debt. The tuition reduction took its toll on operating cash flow in 2011.

Table 5

Sewanee: University of the South 2004/2011 Financial Comparison

	FY 2004	FY 2011	Variance
Endowment	$242 million	$351.8 million	$109.8 million
Plant Assets	$130 million	$205.6 million	$75.6 million
Long-term Debt	$34 million	$40.2 million	$6.2 million
Operating Cash Flow	($569,830)	($4,783,280)	($4,213,450)
Discount Rate	23.6%	40.2%	16.6%
Tuition Dependency	40.7%	42.9%	2.2%
Student Enrollment (FTE)	1467	1540	73 students
Composite SAT Score	1330	1260	(5.3%)

Note: See appendix A for full financial analysis. * SAT Composite Score is the sum of critical reading and mathematics. Writing was not included since it was not part of the SAT score until 2006. Source - IPEDS database.

Findings

Using Keller's (1983) Academic Strategy Evaluation Framework, five thematic categories emerged in the data analysis: a) environmental trends/risk assessment, b) organizational and academic strategies, c) outcome of the strategic plans and actions, d) role of governing boards, and e) the abilities and priorities of the leaders. While one of the elements within Keller's Evaluation Framework (market preferences, perceptions, and directions) was mentioned in the transcripts, the information related to this element was mentioned so infrequently by the participants it was not relevant to the overall study. A number of sub-themes also emerged in the interviews, but were not mentioned enough to be meaningful to the results and therefore are not included in the findings. Each of the five themes that emerged correlate with one of the four questions driving this study as seen in table 6 below.

Table 6

Theme and Research Question Correlation

Research Questions	Thematic Category
What strategies were used to manage the effects of the recession?	Environmental trends / risk assessment Organizational and academic strategies
What impact did leadership make?	Role of governing boards The abilities and priorities of the leaders
Were the outcomes different? If so, was this as a result of the strategy and/or the implementation?	Outcome of the strategic plans and actions
And, what lessons can be learned from this study that will provide guidance for leaders of other institutions?	To be addressed in Chapter 5

What follows is a discussion of the five thematic categories and related sub-themes revealed in the data analysis related to the research questions. The first two themes address the factors influencing the selection and implementation of strategies to manage the effect of the recession.

Table 7

Thematic Category 1: Environmental Trends: Risk Assessment

	Environmental trends: Risk Assessment Sub-themes	No. of participants to offer this experience	Percent (%) of participants to offer this experience
1	Changes in the pattern of business operation	8	73%
2	Limited information	5	45%
3	Level of financial risk	9	83%

The first thematic category is *environmental trends: risk assessment.* Strategic planning deals with an array of factors, such as the changing environment, competitive conditions, and the strengths and weaknesses of the organization. This category explores how each institution became aware of their own competitive environment and how they matched that up with the strengths and weaknesses of the school. This category had three predominant themes related to how leadership was prepared to address the conditions they encountered: a) changes in patterns of business operations, b) limited information given to the president, c) level of financial risk.

The first sub-theme, *changes in the pattern of business operation*, relates to the strengths and weaknesses that leadership discovers within the existing structure as it pertains to the emerging business environment. Eight of the participants revealed that school leadership was challenged to come up with strategies to counter balance the impact. Forester commented on the changing environment at Sewanee and its response:

> When we crept the discount rate from 30% to, say, 37%, 38% … let's call it upper 30s … it's exactly what we wanted to do. It was working as the plan had imagined, and then '08, '09 rolls in. We changed admissions director. The recession is hitting, and this strategy that said, "hold our discount rate at the upper 30%" jumped to low to mid-40s. Like, "Oh! Okay." Something changed significantly … certainly from the global recession and people's attention to price tags, and net tuition, etc.
>
> So, there was a lot of noise for us … the recession, the change in leadership for admissions, how much of it was recession, how much of it was just overall leadership change. So Dr. McCardell's rolling in there after we had back-to-back years where the increase to the discount rate offset the increase in the price tag. So, once again, in a very easy mathematical way, the market was telling us, "Hey, you can increase your tuition five percent, but you had to increase your discount rate to keep up with the headcount and the net tuition revenue that you were pursuing.
>
> But, after back-to-back years of that, that's when Dr. McCardell comes in replacing Dr. Cunningham and says, "Hey. I want to make a bigger statement on just selective private Higher Ed. in general," and that's when we rolled back not just tuition, but room and board … and not just new students, but returning. So, we rolled back from a tuition, room, and board comprehensive fee of $46,000 to $41,500.
>
> That will become a crisis 40 years from now maybe if that trend continues, but it's not a good trend. Discount rate had risen from about 38 or 39% to 46% for the entering class, once again, a disturbing trend, not a crisis, but you can't just let that go.

In all of the interviews of past and current presidents, it appeared that the Board gave the incoming president *limited information* (the second sub-theme under assessment of the environment) on the school's financial standing, not because they were hiding something, but rather because they were also unaware of the situation. Each president was surprised by the size of the gap between where the Board said the school was and actuality. Pollick commented:

> There was a 6.5 million dollar nut that I discovered in the budget that wasn't lined up with the discount rate. When I went to the CFO to ask about it, I said, "What is this?" and he said, "Oh, that's the money you have to raise this year." I said, "What do you mean?" I said, "You can't just take a new person coming into Birmingham and expect him to find an extra 6.5 million from strangers."
>
> I said, "What do you do if we don't raise this?" He says, "We take it out of the endowment." I said, "Have you been doing that?" He goes, "Yes. If we don't raise it we take it out of the endowment." I said, "That means your discount rate is really more, over 12%." He said, "Yeah.
>
> At the very first board meeting, I let the Board of Trustees know. There were 72 Trustees at that time. I let them know that they were 6.5 million in the red and we were either going to have to downsize the institution to meet the actual budget here, or fundraise our way out and/or grow our way out, or some combination of these things. You can't keep eating your own flesh like that.
>
> When I got there, the Moody's stuff, they had been downgraded a couple times. That information hadn't been given to the candidates either. If I'd have been a CFO type that had come to a presidency, I might have seen that, might have ferreted that out on my own. But I didn't. Most of us aren't… So you rely upon your business office and your board to make this stuff public to you.

The third sub-theme, also revealed in 75% of the interviews, was the *level of financial risk* that an institution could handle. Some presidents feared not taking on enough risk given their competitive environment and others were much more risk adverse. One of the more conservative presidents interviewed was Cunningham. In talking about the amount of risk an institution should take on and what signs to look for when having gone too far, he stated:

> I think that, from what I've seen, and that might be one of the hardest things that a president has coming in, and maybe during his tenure, is understanding where that edge is and really understanding the risk of getting close to that edge.
>
> Yes. Of course, it's not exactly a sharp edge. The whole question is, "What risks do you want to take? Do you want to take the risk of not being able to do some things that could move the institution ahead and might, in the long run, be to its considerable advantage?" It might strengthen it. It might make for better finances. Or, do you want to protect

> against the downside? In our case, we moved the needle a little bit. Looking back, that probably was a good choice.
>
> If the economic turnarounds that occurred in the early part of the decade, from 2000 to 2010, and then more severe in the late part of that decade had not come along, then we would probably think of ourselves as having missed an opportunity to swing for more homeruns. But, as it turned out, we were able to slide through some of the difficulties, and I think positioned the university to be ready to take some additional, more adventuresome steps in this decade.
>
> Then, that might not have been as likely if we hadn't, in some sense, lucked up and landed in a place that allowed us to slide through without severe difficulty. That's not to say there weren't times when we felt a little stressed. October of 2008 was not an entirely comfortable time, but it turned out that the protective edges that we had created were sufficient, if not excessive, but sufficient to let us slide through that without great difficulty.

McCardell approached risk from more of a gut reaction than a mathematical one, he stated:

> If you have to stop periodically and take soundings and measurements in order to answer that question … I don't know how to finish that sentence without being offensive … you may not be as good at what you're doing as you should be. So much of it is instinctive, I think. You know. You can tell. You can go on to a campus and tell pretty quickly if things are going well or not, what the morale is. A practical matter, you need people who can manage their budgets and who are reliable in doing what you expect them to do. In good economic times, there is always the impulse, I think, to think we can grow our way out of this, or something good may turn up, and sometimes it does.

Pollick talked about the time when he knew he was "close to the bone" financially but not as close as it turns out he actually was:

> Based upon the numbers we had, we were doing things that were close to the bone, but were the things that the institution needed to strategically move ahead. We all felt okay, we're tight here, campaign is coming forward nicely … and then, when the recession hit, we had the recession hit and about the same time I noticed the discount rate wasn't dropping the way it should, because our discount rate was so high when the Division I athletes were there. It wasn't dropping at the rate that I thought, and I asked people to dig into it more deeply. As we did, that's when we started to uncover the peculiarities, the financial peculiarities of the institution that went back decades, as well as some of the things the CFO had been doing.

Table 8

Thematic Category 2: Organizational and Academic Strategies

	Organizational and Academic Strategies Sub-themes	No. of participants to offer this experience	Percent (%) of participants to offer this experience
1	Assessing the environment	5	45%
2	Strategic risk	6	55%
3	Branding	4	36%
4	Institutional strategy	9	82%
5	Crisis strategy	8	73%
6	Tactics to achieve strategic goals	9	82%

The competitive strategies selected by each institution studied were based on a number of perceived and real factors. Presidents interviewed, came into their position with a vision for the future; they knew in what direction they wanted to take their institution. The second thematic category, *organizational and academic strategies,* looks at how environments were assessed and what strategies emerged from that assessment. Six sub-themes surfaced: a) assessing the environment, b) strategic risk, c) branding, d) institutional strategy, e) crisis strategy, and f) tactics to achieve strategic goals.

The first sub-theme, *assessing the environment*, was evident in the remarks by the chairman of the board at Greensboro College, Walter Newton, regarding how the board and the administration reviewed the landscape in order to develop their competitive strategy:

> We are continuing to focus on how we spend our time and effort and energy in terms of attracting and retaining the kinds of students that make sense to go to Greensboro College where we get the best return for our efforts. You know the kind of student that goes to High Point isn't the kind of student who goes to Greensboro College, isn't the kind of student that goes to Elon, so where do you focus?
>
> In our market, in North Carolina in particular, you've got a lot of public universities, and you got many community colleges. I think there're 58 campuses or the 58 institutions and multiple campuses. We're having to compete with publics, and as we look at the people

> that are accepted but don't come, we see many of them going to the publics. It's a very competitive, difficult market to be in. You're working through the issues with SAC's (Southern Association of Colleges and Schools) and you're working through the issues with Bank of America. Of course, with our probation, people are using that as competitive advantage for them and disadvantage for us. You don't want to play softball at Greensboro College. They're not going to make it. Come play with us.
>
> There are 50,000 students in the greater Greensboro area so you've got a great recruiting location. You got some of these small privates that are literally, if not in the middle of nowhere close to being in the middle of nowhere, and we've got a vibrant place, a destination if you will, but then when you look at UNCG, North Carolina AMT, Guilford College, Elon University, High Point University, we're different. We know the students that we do well with that we can get in and make a change, make a difference in their life, but how do you get to them because they're in many cases first college attendees. Just the price of what our product is and where it goes, it's interesting. It's an interesting set of circumstances.

Strategic risk, the second sub-theme, addressed the weighing of risk in the decision-making process. No dynamic strategy is without its risk. Forester talked about the risk involved in reducing Sewanee's tuition by 10%:

> Let's say he took this strategy to reduce it $4,500 and his new headcount was flat. What if it had stayed flat at 400? Ooh, big trouble. So, right? The first thing you got to ask, right when the decision was made two years ago, "Will we go up from 400 to 450?" The answer is, "Yes." When the discount rate dropped from 45% to 40%, the answer was, "Yes." In the second year, where we once again hit 450 or more, the answer was, "Yes. We'll go to 500." Well, the discounts hold … I think the discount rate did creep to the low 40s, this year, for the new. So, anyway, the risk of enrollment staying flat with the discount rate staying high was very real, and the good news, it didn't happen. The new students came.

The third sub-theme in the category of assessing the environment that emerged dealt with *branding*. For example, Pollick knew that for Birmingham-Southern to grow, he had to work on its branding. One of the ways he did this was to get the message out as to what the proper role for athletics was:

> …The Division I athletics was also a branding thing. It had to do with what is the proper role of athletics in higher education today and how do we get out of this morass we're in, where athletics is driving us in so many different ways … certainly in the Division I campuses, and to some degree in Division III. There's wars over that as well, as you know.

> I wanted to be able to make a very strong statement philosophically about the proper role of athletics in higher education, and also about financial responsibility, where money ought to be going. What I focused on there was the fact that we had a hundred and … oh, I don't know … 104, 105 full ride scholarships for athletes. We had one full ride scholarship for academics. That I used very, very heavily and said our world is upside down here. On top of it, we can't afford this sort of thing.

McCardell felt that his move to reduce rates would also help build his brand and give him a national forum in which to tell Sewanee's story:

> The article ran on the Wall Street Journal, the New York Times. That worked, and there was a value in the advertisement part of that. We felt that Sewanee was the best kept secret … that we knew of all these top notch Northeastern liberal arts colleges that were still as selective as ever, and why was it that Sewanee wouldn't get the quantity of applications that some of those schools had? So, we felt, "Hey. Put us under the limelight. People will come look at us. The closer they look at us, the better they'll consider applying." Connected to the higher application number, which they did increase big time. I can't remember how many … 20%? Yes, maybe we were sitting there at … whatever, 2,600, 2,700, 2,800 applications, and it shot to 3,400.

Cunningham focused on trying to get the word out about Sewanee. During his tenure, he worked on getting rid of the "Southern" stigmatism that stuck to his institution when it was called The University of the South. Now, the focus has been put more on Sewanee. He also spent time on building the brand and what it stood for:

> It was not so much to differentiate as to strengthen. Sewanee is a strange place, in that it has a lot of people who know it and love it, and so the kind central core of students that it attracts, it has been strong for many years. We wanted to build it recognition more widely and have it known, even more, outside of its space.
>
> A lot of what we did, in terms of facilities and new faculty positions and an added focus, such as a program that was cast as a minor in business, was to build on the strength of historic strength and recognition that Sewanee had. But, also allow it to be able to draw in students who weren't already in the Sewanee fold or didn't already have strong ties through their high school faculty or their families to Sewanee.

McCardell shared his feelings as to how athletics plays an important role in your brand image:

> Athletics is marketing, first of all. If you think about it in any other way, you're apt to wind up in the wrong place or a bad place. Athletics is marketing. There are other

> benefits, yes, teamwork, good friendships, but there are other ways of encouraging those traits. You don't need an athletics program to do those things. Athletic program enhances that, but athletics is marketing.
>
> I've always believed that. I've always believed that athletic success and academic reputation are reinforcing rather than mutually exclusive. I saw that happen at Middlebury. We started winning national championships, and our academic reputation went up. The line at the admissions went up. It's dependent on your coaches. Once you establish a winning tradition and you got a coach that doesn't have to bring in the bad apples because they're good goalies, they're' good tight ends, you go somewhere else.

Pollick's decisive action and commitment to building back the churches burned down by students of his institution was all about brand.

> They asked immediately, "How are we going to do this?" I said, "That's not the question now. The question is … focus on the fact that we <u>are</u> doing this, and then you work everything backwards to it." I said, "This will be a huge win for us when all is said and done if we can pull this thing off." It was a branding thing, because it was tied to the original issues and questions that brought me to Birmingham, and I wanted to tie it back to that.

An institution can also do much to destroy its brand image in a very short time. Czarda shares what happens when you end up on the front page of the paper:

> You're in a small college and you end up on the front page and their on probation and there on. He acknowledged that SACS staff understands that the rules are the rules but once that happens it impacts your enrollment, it impacts your fundraising, it impacts your Alumni relations, it often causes faculty or staff flight because their unsure of their futures.

The next sub-theme in assessing an environment surfaced as the ability to establish a broader *institutional strategy*. In essence, institutional strategies were built at all three institutions based on whether they were operating from a perceived or real position of strength or weakness. When institutions believed they were in a position of strength, their strategic thinking tended to be more forward looking; conversely, when they believed were operating from a weaker financial standpoint, it was defensive.

When Pollick took the reins at Birmingham-Southern, he quickly realized that he was not in the position of strength that he had thought when he took the job and confronted the board on what needed to be done:

> The board, not surprisingly, wanted to enroll their way out. They weren't all that keen on downsizing and the bloodshed that can go with that. I said, "That's fine. But there are conditions, and those conditions are that this board give at the same level it gave in the last campaign in this next campaign" … which was about 30% of the campaign … "and that we invest in the drivers for enrollment. Those drivers are multiple. It's new programming. It's certain facilities' work that has to be done." I said, "There has to be some investment. You can't just act as if you can wave your hand and enrollment's going to come. It's not going to happen." They agreed to that.

In looking back at the strategies that he focused on during his career, he was convinced that he took the right path:

> The larger question here's of strategies … the strategies were the right ones. The strategies have to be on multiple fronts in our institutions. You can't say, "Well, I know, we'll go try this one thing and if that works, then we'll try another thing." It's like with the football field, that he told me ultimately that I could do that for $2 million. I said, "Yeah, we'll build 80 yards and if the students come, then we'll build the other 20." I said, "This doesn't work. It doesn't work that way." I said, "You've got to come out and do things right from the beginning all the time."
>
> Institutions like ours can't do everything, but everything we do has to be excellent. We hit it on the athletics front. We hit it on the grounds front in general, the academic programming, the fundraising, the rebranding of Southern ... all of that was what had to be done strategically … not just pick one or two of those sorts of things. That was all, as I say, all working, all working beautifully.

In trying to figure out what the best mix is between risk and reward in strategic thinking, Cunningham believed that there is a right strategy for the right time:

> Well, and if the world hadn't dealt some bad cards that might well have worked out splendidly. It's kind of the if you take … If you make the bet that financial resources are going to continue to grow at about the same rate that they've been growing, in either 2001 or 2005 or 2006, that's not an outrageous bet. The trouble is it's not an entirely safe bet. Looking back, one sees that it was a dangerous bet. But, I don't … I think "myopic" might be a way to say it. We're all, to some degree, myopic. But, I guess I would call it, in terms of Birmingham-Southern, maybe not enormously more myopic at least until late in the game. But, in the 2005, 2006, 2007, early 2008 … optimistic, confident, believing in the future.

> If the 2008/2009 financial stresses had not occurred, and in 2008, 2009, and 2010, that then more like in 2005, 2006, 2007, they would probably could well look like a hero at this point. By comparison, those of us that were somewhat less risk taking could look like we'd missed opportunities. So, you have to be a little careful in deciding what the right approach is. It's nice to have landed in a good place. I wouldn't say it's exactly luck, but there is some element of providence in whether the strategy that you put in place is optimum for the period you put it in place for.

The fifth sub-theme was the development of *crisis strategies.* In times of financial crisis, it appears from the interviews that the first order of the day is to steady the ship. At Greensboro College, Czarda talked about how they took on the challenge, stabilized the ship, and began to look forward to try to figure out how to re-build:

> We had a pretty firm base, we had taken wire brush and with the may board meeting a year ago we took a number of actions. We eliminated six tenured faculty positions, we had majors in German, Spanish and French, we had six faculty members in those areas and we had a handful of majors. We're still teaching languages but students were not coming to Greensboro College to major in a language, it's just not what students come here for. We had a minor in economics and a very strong business program but we don't have the students to justify that.
>
> We had a Special Ed teacher who was of retirement age anyways but that didn't really factor in whose student load had gotten so small it was embarrassing frankly. It was just drying up and about eight staff members went at that time. Then this just this last year, knowing that we had to cut further because we didn't make our aspirational enrollment goals; there were some mistakes in the budget. We knew we had to save a certain amount of money from the academic budget for next fiscal year and beyond, to have it truly balanced. According to our faculty handbook the academic council which are the eight academic division leaders were charged with finding $935,000 worth of reductions on the academic side.

Looking back on all the Greensboro College has been through, Daniel commented on the downsizing and what might have been a better approach:

> ….To me, if you just downsize, that's just like the government talking about cross the border cuts. That's the stupidest thing in the world. Don't cut something you're doing very well and efficiently, cut the things that don't have the value. Everything has to be a valued decision. That's not what always happens.
>
> Decisions made out of convenience will always bite you in the ass, decisions made on principle usually end up being good. I think there should have been much more emphasis on looking at the market first." Okay, where is this going?" what are we good at? What

> are the strengths that we have to sell? Let's make that better, let's market those areas. And let's cut the crap that nobody wants anymore, nobody's majoring in Philosophy, except people that can afford to. I love reign of Nietzsche and all of that stuff, but that's not what the marketplace is tempered to these days.

Pollick talked about his thought process when he was charged with balancing the budget at Birmingham-Southern:

> It's a very, very difficult thing when you have to say, okay, we've got to change here, but we don't want to gut ourselves. When they put together a plan that says, well, we get rid of X bodies … that's what it amounts to … it's like a body bag count in Vietnam … each one has a dollar amount died to it.
>
> But the sense of the future gets lost. The sense of purpose for the institution is lost, because they take the position "the institution has failed, obviously, so we have to do this the way we would do this" and out comes the broad axes before it's done.
>
> In our particular case, a lot of the numbers that you described are somewhat, a little bit generic. You say 29 faculty, that wasn't 29 full-time tenure-track faculty. You've got part-time and stuff like that that gets mixed in too. But it's up to … before it's done. That's severe.

Finally, in assessing the environment, the sixth sub-theme focused on the *development of tactics used to achieve strategic goals*. Cunningham talked about his overall philosophy toward strategic initiatives:

> That involved some new initiatives, but also just some kind of steady blocking and tackling of when openings occurred, hiring outstanding faculty members; encouraging and supporting outstanding faculty members; getting their facilities to where it was attractive to first rate people to come and be a part of the place; supporting summer programs for both the college students, but also high school students … things like an initiative in the environment, which was already beginning in the 90s; to have substantial resources and a summer institute; and have students that are drawn to it as it becomes more and more visible.
>
> A Writers' Conference that has considerable visibility, that we added programs for young writers to kind of spend time in the Summer, and become familiar with the literature component that Sewanee offers and the writing component that Sewanee offers. So, it's more of a weaving together or a quilting together of initiatives than it is … or that it was a clear, strategic plan that had a few main points that we then just followed up on.

When McCardell took over after Cunningham retired, one of his tactics was to look at the value proposition that Sewanee afforded students and how, in his opinion, that was holding them back from growing to a student base of 1,500:

> I was reared to believe that the last thing the American public wants in higher education is value. Once they start to look at schools, they've made up their mind what they're going to pay, and they are willing to pay it, and they will pay it if they believe the degree has worth. High tuition, high discount is the way to go. Middlebury College is now charging close to $60,000. They are able to do it.
>
> Sewanee, that wasn't working here. It just wasn't working. We needed a different approach, and so we said we're going to be the value proposition … That's when we started talking about the tuition and the cut and trying to reign in the discount rate, getting away from excessive awarding of merit scholarships, getting back to meeting full need, and is there a way to think about that that can bring in a larger number of students. We had the capacity for enrollment of 1,500, and we had about 100 fewer students, so we had the capacity for some.

At Greensboro, Daniel explained why they decided to invest in the purchase of new facilities and upgrades to their current ones:

> Guilford has every facility I want and they're struggling to get the numbers they want. They have lowered their academic bar to keep their numbers where they need them to be. Methodist down the road, they have some nice facilities, and they're recruiting heavily against us and they're winning. They have better stuff. Everything else is perceived as equal and if you got better eye candy, you're going to win.

At Birmingham-Southern, Pollick realized how much his school was spending on Division I athletics, and believed those dollars were responsible for the deficit the school was running. He noted that they gave out over 100 athletic scholarships versus one academic scholarship. He spoke about that change below:

> We were spending the $6.5 million in athletics that year. We were in Division I and I wanted to take us to Division III, out of scholarships altogether. I said, "All the institutions we cross with for enrollment, whether it's Sewanee, Oglethorpe, or whatever, these are our kind of institutions." I said, "You're sitting here recruiting students in athletics that have nothing to do with the kinds of students you have in this kind of institution, a national liberal arts college."

> We made the move, reduced our budget down to a little over $3 million for athletics a year. We had to add football; otherwise we couldn't have gotten into the Southern Collegiate Athletic Conference because the presidents there were emphatic. They needed another football program, and they weren't going to take a college that didn't have that.
>
> I was happy to add it, because I knew it would give us 120 students with a incredibly improved discount rate. The flip on that, when we did that, when we went to Division III and added the football, we improved ourselves by about … over $3.5 million a year.

Role of Governing Boards

The ultimate leadership authority resides at virtually every institution with the governing board and therefore their impact can be enormous or negligible based on their engagement. The third thematic category, the *role of the governing boards,* assesses their involvement at each institution and looks at their effectiveness. Five sub-themes emerged to define the scope and influence of each of the three boards studied.

Table 9

Thematic Category 3: Role of Governing Boards

	Governance Sub-themes	No. of participants to offer this experience	Percent (%) of participants to offer this experience
1	Size of board	7	64%
2	Selection of board members	8	73%
3	Management of the board and engagement	8	73%
4	Function in institutional issues	7	64%
5	Transparency and accountability	5	45%

The first sub-theme deals with the *size of the board,* which came up in interviews with each of the presidents and both board chairs. Pollick commented on his 72-member board at BSC:

> It's absurd! ... When we had that vote on Division I athletics, everybody wanted to vote on that. It had spread all over the world. We were conferencing in people in that meeting. It was like a five hour meeting. Press was outside waiting to see the result and all that sort of thing. Everybody wanted to be involved. They were coming from all over the world. I

> had one guy on oxygen bottles and his wife was having to translate for him … from his bed!

McCardell, current president of Sewanee, described the make-up of the board as follows:

> We have a board of trustees that number somewhere between 140 and 150. We're owned by 28 Episcopal dioceses. What ownership means exactly has never been clarified, but from the very first day of founding, we have been owned by what were then 10 and what are now 28 [diocese]. Each of those diocese is entitled to four trustees: the bishop of the diocese, a clergy person from the diocese, and two lay trustees. Four times 28 is 112, so there are 112 diocese and trustees. In addition, there are alumni trustees. There are faculty trustees. There are student trustees. You have over about 140.
>
> They are the official governing board. They are the corporate entity. They elected me. In the end, they have the ultimate say on whatever they choose to have the ultimate say on. They meet now only once a year, and while they do need to sign off on strategic plans and on major policy decisions, they have delegated to a board of regents the work that most boards of trustees at most institutions do. There are 18 regents. That composition is somewhat problematic too: three bishops and three clergy. That leaves 12. Twelve of the 18 are non-clergical. Of those 12, six are chosen by the trustees. Board of regents thus has the ability to choose only one-third of its membership. No board would relinquish that authority willingly. Two-thirds of its membership, it does not control the election of, and to top it all off, the maximum term of service is six years.

When asked about what the perfect board size was, McCardell further stated that:

> Every president would answer that question the same way by saying, "Whatever ours is not." Ours is either too big or too small. I've been in those discussions many times. I'm not sure I know. We are 18 plus two, the chancellor and I, so our regents are 20. I think that's a little too small ideally.
>
> When I was at Middlebury, we were at 28, but we always kept a slot or two open. That was a pretty good size. You get up much beyond the mid-30s and I think it's a lot harder to manage in a lot of ways. I would say somewhere between 25 and 35, but I would always keep a slot or two open for the opportunity.

Cunningham, who preceded McCardell, reflected on their dual board, by stating that "the physics of the bumblebee, supposedly, are that it can't fly. But the damn thing does. I think that's probably true of Sewanee's system of governance."

The second sub-theme, *selection of the board members*, was instrumental in preserving the culture and controlled by limiting nominations to the president or current members. Czarda commented that his predecessor had “handpicked” board members that he believed would not qualify as a board member in the current environment. He said:

> They failed the organization, not him because the chairman was an old buddy of his. Basically, he filled the board with people that he picked, he invited on. ...The chairman was an old friend of his. Basically there wasn't much governance going on there. In addition to that, they weren't acting like a board probably should have.

Each president had a different approach to the selection and list of qualifications for good board members. Ed Sanz, an outside consultant hired by Bank of America to help Greensboro College turn its financial situation around, said:

> It's always a hunt for time, treasure and talent. That can be different ... that can mean different things at different points in time, depending on what strengths and weaknesses are already present on the Board of Regents. That can mean anything from accounting expertise to health care expertise, mental health expertise to legal expertise to finding people with deep pockets ... I think it amounts in many respects to looking at a totality of what an individual brings to the table and making judgments accordingly.

Pollick commented on how the board that he inherited at BSC was not the board he would have selected, but that it had served its purpose in prior times:

> This particular board was built by a president who had to build an institution that was very, very weak when he came there, 28 years earlier. He needed friends. He needed friends in Birmingham. He needed friends in business. Many of those people that did not give at the end, when I asked them why they weren’t giving, they said, “When we were brought on the board … I’m not an alum, I don’t have any particular attachment, I was brought on the board, I was told I didn’t have to give by the president.” Because what they really wanted was the head of Protective Life, or the head of EBSCO or whatever. He wanted the name stuff.
>
> I think this board was built very consciously based upon social standing, professional standing. Then it was always a rainy day and the sky is falling as the president tries to raise money and he would go begging to them. That’s kind of how they were built up. For that reason, there wasn’t a mandatory retirement if he wanted to keep those names around.

At Sewanee, Cunningham stated that a core attribute for board membership was alignment with the shared values and governance of the Episcopal Church:

> ...if you have the kind of richness of tradition that Sewanee has and you have the ownership by the Episcopal Church that Sewanee has, then the ideal board for Sewanee is going to look different than the ideal board for an institution that we might go out and try to start today with entirely different roots. But all that said, the ideal board would have a substantial number of people who had substantial wealth and either were or were capable becoming committed to the view that the institution would be one of their major philanthropic purposes.
>
> It would have people who can listen to each other and respect each other. It would have people that have some diversity of backgrounds … some people out of business; some people out of perhaps academe or not-for-profit, corporate life. It would have a mix of men and women. It would have a mix of racial backgrounds. It would have a mix of ages. It would have, more than anything else, the ability of the people involved … at least if almost all of them.

The third sub-theme, *management of the board and keeping them engaged,* came up in 75% of the interviews. The balance of engagement versus micro-management was a recurring concern. Cunningham described his philosophy as “noses in, hands off” and further detailed the ideal board member and how he kept them engaged:

> If somebody happened to be a spectacular, major donor and wasn’t prepared to work, you could live with one or two. But, you’d like the substantial majority to be people that are interested in the operation; people who are able to read what they’re given by the administrators or anybody … faculty, students, whatever; people who are willing to get into the details, but at the same time people who are not so headstrong that they are inclined to grab the reins and substitute their judgment for the judgment of senior administrators. So, you want ideally … the phrase that’s been used is, “Noses in, hands off.”
>
> I think the biggest gift that board members contribute is often the gift of listening thoughtfully, asking questions, rephrasing … saying things like, “Well, am I right that what that means is …” and then fill in the blank. It’s often true, I think the good administrators learn from conversations with board members. At the end of the board meeting, the board hasn’t told them to do something different, but between the administrators and the board members, or the board committees, or the full board, an insight is developed that didn’t exist on any of their parts going into the conversation … or didn’t exist for the senior administrator.

Conversely, Pollick shared a story of the board involvement when he recommended that Birmingham-Southern move from Division I to Division III:

> We did have to build athletic facilities because we didn't have the football facilities before. I told the chair of the Board of the Trustees, I said, "This is going to cost you if you go down Division III road here." I said, "You're not going to see your real return for up to three years probably." I said, "Because you're going to have to build this stuff. There's nothing you can do to avoid that."
>
> He said, "Oh, it's no problem. We can build this. I had my man look at it." He said, "I had my man look at it. He said it would be $2 million to build a field." I said, "You're out of your mind." I said, "There's no way you're going to be able to build a field of the level that you need to for that."
>
> He announced that we were going to Division III right after we came out of the board meeting (on getting out of Division I) … he did that to the press without asking the board to vote on it and without telling me he was doing it.

McCardell stated that the dynamics of engaging a board can be exhausting, but essential. He suggested, "You've got to figure out a way to involve those folks in a meaningful way outside your governing boards. We've done some things with visiting committees and the like that keep them involved." While this is not the same as "being on the inside making the decisions" according to McCardell, it brings familiarity and that leads to greater engagement.

The fourth sub-theme, *board members function when there are institutional issues*, was demonstrated in the tendency of board members to become fully engaged predominately in crisis and to make recommendations based on personal expertise. For example, prior to the financial crisis, Pollick described soliciting opinions from board members with professional knowledge on certain operational issues; and, did not receive the professional guidance he felt was needed. When the financial crisis occurred, he saw a change in the responses:

> …when something breaks, all of them become who they are, very naturally. Your accountant becomes an accountant, your lawyer becomes a lawyer, your CEO of Protective Life Insurance becomes that. They all start functioning in that way. The way they would function in their own organization is so different from the collegium that it can create chaos very quickly.

McCardell noted that while the size of his governance system was large and at times unwieldy, it could be managed. As an example, he described asking the board to support his recommendation of a ten percent reduction in tuition:

> This tuition decision, it was a unanimous vote when it happened, but I would cite that as a very good example of board performance, asking good questions, insisting on data, combing through that data. In the end, it was a leap of faith, but they were confident that they had made a good decision when they made that decision.

The fifth sub-theme, *transparency and accountability*, refers to a presidents openness and transparency with the academic community. It also deals with the ability of a board to be effective in their governance role, when they spend so little time on campus. Czarda commented that the limited time and frequency of the Greensboro board meetings affected their ability to provide a "good check and balance."

> We also went from a pattern where the board meetings were twice a year, essentially for 90 minutes. … The evening before there would be something very nice, entertaining either at the country club or at the house at the country club. Might have some of our student performers … Might or might not have a committee meeting and then the board report would be all the good news about Greensboro College.
>
> Some have said that the board only knows what it knows of what it's told and if you're only told that the sky is blue and everything was beautiful then that's all you know. I heard that everything was scrubbed pretty hard before it went to the board.

Pollick echoed this concern:

> They all saw the world through the eyes of the president. The board … what they knew about faculty, it's what the president sold them. And vice versa. It was a very, very different kind of environment than many of us are accustomed to…

McCardell talked about how he keeps his board informed on industry issues as well as institution issues:

> They all receive the AGB Magazine. I don't know if they all read it, but that's a pretty good publication. I read it only because we say to them, "You have to find most of the questions you should be asking us in this magazine. If you read this, you'll know at least what the issues in higher education are, and you can find out whether those are problems or issues or concerns here."

> There is that regular communication with them between meetings about everything, from mundane as sending them the student newspaper and other on-campus publications to e-mail monthly or every six weeks reports to them just about things that are going on. Having a website helps because they can go on the website and ask us questions, and we'd encourage them to do that. Then when we're here, we're making the best use of their time that we possibly can.
>
> Why do you have committees that go off five of them here, five of them there? … then they all come back and they're reporting to the rest of the group. … [Now we] do everything as a committee of the whole …When the time comes to decide, we ask committee members to vote. Anybody can participate in the discussion, and so these things are aired once, not twice. It makes you much more efficient, and everybody knows what's going on. There is no, "Gosh, I wish I had been in that meeting to hear the give and take."
>
> Everybody is in the meeting. They hear the give and take. We can get through it much more efficiently and at the same time much more thoroughly, which then allows time for the touring in your building, the opportunity to meet with the admissions staff at a lunch to go have lunches, go sit with students un-orchestrated, unorganized. We'll find you a table. Sit down and talk to students. Find out what's going on. Then to do what we do once a year in June, take an extra half day for deliberation on a particularly interesting subject.

Table 10

Thematic Category 4: The Abilities and Priorities of the Leaders

	Leadership Sub-Themes	No. of participants to offer this experience	Percent (%) of participants to offer this experience
1	Ability to realize a vision	7	64%
2	Level of collaboration in strategic planning	8	73%
3	Speed and accuracy in hiring	5	45%
4	Right person for the right time	4	36%

The strategic choices for an institution emanate from the president and his/her team, with board input and approval. This fourth thematic category looks at the people involved and whether the right skill sets were available, given the economic conditions that each school faced. The impact that these leaders had on the organization was directly related to their ability to execute. Four sub-themes emerged: the *ability to realize a vision, level of collaboration in strategic planning, speed, and accuracy in hiring,* and the *right person for the right time*.

The first leadership sub-theme, *ability to realize a vision* varied greatly at the three institutions. As mentioned, each institution had bold plans in place prior to 2008, but distinctly different post-recession results. When McCardell began his tenure, he believed Sewanee was "too well-kept a secret" and was underperforming in enrollment while the discount rate was too high. He felt the school "needed to be better exposed" and was "better than it and many other people thought it was" and said so in his first public address. He envisioned a Sewanee that was national versus regional and would build programs and make changes to the university based on this vision. McCardell described that initial presentation as follows:

> I knew that one of the things that any new president at a place like this would need to confront is the name, the University of the South, and the Confederate history, which is still part of the place. In my very first public pronouncement, 1st of July … I set up a ceremonial succession so that we acknowledge the outgoing Vice Chairman. We exchanged robes and each made statements. That sort of ritual is important.
>
> I said, "What does it mean to be the University of the South and what South are we the university of?" The first thing anybody ever heard me say here was that, and I said, "I don't know the answer to that, but one of the things we're all going to have to start working on today is the answer to that question." That's hardly a vision for the institution, but it does make clear to people that you are aware of at least one of the things that makes this place special to them, particularly members of the extended family.

It was the McCardell's vision for a more aggressive pricing strategy (a 10% reduction in tuition) that brought substantial national attention. Sewanee Board Chair, Chuck Nesbitt, described how McCardell did a "dress rehearsal" with him to test the water and discussed how to build consensus before "pitching the executive committee" and how the executive committee was viewed as the "sounding board" and expected to air concerns. In Nesbitt's estimation, the successful implementation of the tuition strategy was the ongoing vetting of the idea as it "was honed and scrubbed and polished" with the executive committee and, although to a lesser degree, with the Board of Regents. According to Nesbitt:

> John [McCardell] is a very persuasive, eloquent, and convincing advocate. His prior track record of advocating, for example, for things such as alcohol awareness and alcohol use and abuse on campuses… says to me, that he understands the big issues. He understands being able to present those big issues in a manner that is able to build consensus and make them really people behind him and around him. That's what happened."

In a similar fashion, Pollick referenced the goals and set a tone at his inauguration speech titled "*Forward, Ever.*" He stated that it was time to "expand their academic vision," and in so doing, extend BSC's role from a regional to a nationally recognized institution. He would do so by drawing on the positive side of the civil rights history of Alabama:

> It was our intention to increase the recognition of Birmingham-Southern College in other parts of the nation and abroad. I envisioned a global Center for Human Dignity that through teaching, research, and service would position Birmingham-Southern as a world leader in the study of human rights and the issues that surrounded them.

As it turned out, this vision and his approach to consensus building would get national attention with the church-burning incidents. On March 9th, 2006, he announced that the university would take complete responsibility for rebuilding. He did so without getting approval from his board. It was a positive, yet unilateral decision. In recalling the announcement, Pollick said as president "it's not our job to keep our job, it our job to do our job and this has to be done." While the shift from Division I to Division III was initially more process driven according to Pollick, the announcement by the board chair was also a unilateral action, with many members of the board and community surprised.

Cunningham's desire to avoid surprise (while also a governance issue) was a factor in the effectiveness of his vision at Sewanee. According to Forrester, Cunningham was very detailed:

> He wanted extensive information shared with key faculty and staff routinely. It's all part of his shared governance theory, or not theory – shared governance mechanism. So he always wanted an abundance of data shared with these folks routinely so that after a

> board meeting or after decisions were made, he didn't want faculty coming up, in particular, and saying "hey, I wasn't at the table. I didn't know you made that decision. I wouldn't have supported it.

Consequently, the second sub-theme, a *skilled strategic planner*, was the most evident at Sewanee under Cunningham. While he cautioned, "it's a little hard not to be swept up in optimism" when strategic planning, his approach to leadership built on the practice of ongoing broad-based planning:

> I think all schools benefit from leadership that thinks through, "What are the opportunities of the time? What are the right risks to take? What are the right protections to take or to create?"
>
> One would be broad conversation; a fairly high level of openness about numbers, budgets, and financial circumstances and so forth; very active engagement of donors in both the thinking about the future and in securing gifts for that future; and a fair amount of stuff written down and argued about so that there would be … You'd have notes of meetings. You'd have drafts of plans. You'd go through workings and re-workings until people got kind of tired of it.
>
> You want the strategic plan to be energizing, and you want it to be positive, and you want it to draw people to a successful future. That can sometimes lead to a expectation that the future will be at least as good as the recent past. If the recent past has been pretty good, with things like stock market growth and other marks of strength, you can sometimes be led into over optimism.

As Cunningham demonstrated, strategic planning was a disciplined practice of leadership versus a single event and was used as a tool to build consensus around the allocation of resources to achieve shared institutional goals.

The vision at Greensboro was described in a derogatory fashion by Sanz as "classic empire building" and as "just growing… none of it really spread the mission." While his comments were made in hindsight as an outside consultant, members of the cabinet at the time viewed the leadership as "autocratic" and described significant discrepancies in personal and institutional spending, fueling distrust, and a belief that information was selective.

The third sub-theme, *speed and accuracy in hiring,* suggests that with the limited financial resources, the president must effectively appoint people whom he or she can depend on in the operation of the institution, without sacrificing the quality of the services provided to the students.

Conversely, firing is part of the "right people" equation and also requires speed and accuracy, and is often the first response in crisis. Czarda said, "I probably in retrospect would have asked for every Vice Presidents undated resignation." In discussing the crisis at Greensboro, Peace echoed Czarda's sentiment when she said,

> Once we were in trouble, we just continued on. We didn't cut … those decisions could've been made five years ago and we would have been better off. But not one had the stomach to cut personnel. We didn't make those cuts early enough."

Also talking about the financial crisis at Greensboro, Daniel said, "If you don't throw out the dead wood, that to me is the biggest morale killer of this whole thing." Sanz, talking generally about the impact of turn-arounds, described how people become 'jaded' and 'cynical' if the process was gradual, and cited speed as critical. There was a word of caution and degree of cynicism is expressed by Pollick.

> If you're willing to go through and assassinate a good number of people you can make your bottom line look better. We've learned that in Corporate America. If you just want to go in and gut the place, you can make the bottom line look real good.

The last sub-theme, *right person for the right time*, speaks to the need of a board to select a president based on how his or her skills and experiences fit the needs of the institution at a set time in history. All three schools studied experienced a leadership transition; two were under duress. The Pollick to Krulak and Williams to Czarda moves were about restoring financial health to their respective schools, and necessitated the boards to select a leader equipped to do so. Birmingham-Southern is the clearest illustration of a board's decision to change course aggressively; shifting from the self-proclaimed 'poet' Pollick to a highly decorated military officer, Krulak. BSC was in a financial crisis, the time called for a certain skill set. The Williams to Czarda transition, while also happening in a financial crisis, had the advantage of an interim president. In recalling the events, Czarda credits the interim president, Brent Tagore, with making most of the cuts, commenting that it was "in his very nature" to do so. He was hired by the board chair for this purpose. Czarda would also make changes in staffing and budgets. Both Czarda and Krulak visibly demonstrated their 'fit' to the times by taking no salary or a significantly reduced one. Czarda referred to himself as a "Jesuit coming in" and being ready to "drive a six year old Honda," a self-imposed austerity matched to the crisis at the university.

The Cunningham to McCardell transition best illustrates *the right person for the right time* when an institution is not in crisis. Cunningham's conservative financial policies and commitment to improving and expanding the Sewanee campus became the springboard for McCardell to take the risky step of reducing tuition.

Table 11

Thematic Category 5: Outcome of the Strategic Plans and Actions

Outcome of the strategic plans and actions Sub-Themes	No. of participants to offer this experience	Percent (%) of participants to offer this experience
Implementation	11	100%
Results	10	91%

The preceding analysis shows that every institution implemented multiple strategies to attract and retain students during the period studied, and all had different outcomes. The last thematic category, *outcome of the strategic plans and actions*, addresses the research question as to whether the similarities and/or differences in their choices alter the outcomes. Two distinct sub-themes materialized from the interviews: *implementation* and *results*. In other words, the theme addresses the ability to execute and the effects on the institution.

The sub-theme on *implementation* was key to the success at each of the institutions. Sanz, the higher education turnaround specialist, discussed the challenges of implementing any new strategy at Greensboro College:

> The real crux of any turnaround is changing the culture. It's changing the cynicism and you have jaded people, people who just came off a 20% pay cut, my god. You just got to do everything decisively, quickly and then you tell everyone else "Okay, you're here. You're part of this thing. The train is leaving the station. We hope to God you're on it and you want to stay on it. We want you." When you nickel and dime over time it's like Chinese water torture and never works.

Czarda talked about the challenges of trying to implement a "going forward" strategy after you have taken your institution through a dramatic downsizing:

> ...But a lot of the psychology at the time was that the college had made very difficult decisions and reduced expenditures substantially. All the energy had to be into re-energizing everyone and grow the revenues. Which is perfectly true but the reality was that was not going to be realistic within a three year time period. We had to reduce expenditures further and from the time I arrived to now we've reduced faculty and staff by about 35%.
>
> Now we are looking towards the future. Last year as part of a new strategic planning exercise I put together an Academic Program Review Commission. All internal people but a lot of energy behind it and I had it co-chaired by Paul Leslie whose VP for Academic Affairs and Marci whose VP for Finance, the co-chair. Very serious work was done during year, day to day to day. Even the faculty began to say, oh. Certain patterns here. We need to grow in business and athletic training and the sciences. We need to shrink in education and English and even they saw it. We then brought in an external third party reviewer just to verify what we had said internally and also asked him for kind of ratchet it up. Make some strong recommendations and I have a copy of that if you're interested.
>
> Another task force will look at partnerships. What should we be doing with the Guilford County public schools, all the private school in the area? Should we be apart with the community college do more or whomever? Then the third is to look at returning to our roots as a Christian college. Not a church related college but a Christian. Not a bible college but a Christian college. Their starting to be populated network will start shortly

> and I believe by the time the SACS special committee is here in late September we'll have, if not finalized and polished, we'll have here's the new vision. Here's we grown. Then we get back to growing the enrollment again.

Cunningham shared his approach to systematic change at Sewanee. This methodical approach seemed was targeted to avoid any financial crisis at Sewanee:

> When I started at Sewanee, and Jerry (Forrester) shortly thereafter, we decided, with the help of an advisory group of faculty and staff that met every week or two, for an hour or so, to look at planning questions or budget questions, strategic issues … We decided that we would like to have a little more margin than Sewanee had had … recognizing that we can give up some advantages of initiatives, and staff size, and some extras by creating a little more margin. So, we built plans and budgets that had a reduced chance that we would have to dip into reserves if things didn't go as we hoped.
>
> ...but, not a big change … The whole issue of how far to go, we did it as it had been done before. We did a campus master plan. We did a strategic plan that had a financial component to it. But, I think the main difference, if any, was that we allowed … We were a little more pessimistic, or at least a little more open to the possibility that the economy, or the challenges of enrollment, or other uncertain prospects could be less satisfactory than we hoped, and so we built a bit of a margin.
>
> When things were good, we tended to want to save some. When things were bleak, we tended to want to take some risk that they were going to get better. The only problem with that is it could've turned out that bleak was just the beginning of bleaker, in which case I don't think we would've had quite the exposure that some places had. But, we would've had some painful exposure if things had gotten worse and worse in 2010, 2011.

The second sub-theme addresses *results.* In the interviews, this was reflected most often in the "if I could do it again" scenario. A number of the people interviewed noted that if given the chance, they would have done at least one thing differently. Sanz had these thoughts:

> I think I would have liked to have sold the excess assets sooner to get that capital back quicker to use, even if it meant selling it for a little less, just to be able to get that capital to deployed back on the campus. Again, back to student experience and to reduce some of the debt and do some of those things. I think I'm probably, if it was up to me and it wasn't just up to me, but I probably would have made bigger reductions in the workforce than happened then. It was done gradually. I think this past fall they let a number of the folks go.

One of the initiatives that Sanz recommended had mixed results. His comments on the tactic and the outcome were:

> …on the recruiting side, on new students, there were a bunch of initiatives put in to try to raise enrollment. One of those was to go after higher performing students with scholarships where they were offered a free ride if they just paid room and board and fees. They picked up another 40 or 50 students that way. You can imagine, the retention wasn't great, but it sure helped for the first year or two because even if you're there for a free ride, you're still paying $15,000 for room and board and everything else

Peace had a different take on the Sanz's strategy and the results:

> I know when Ed was bringing in people that couldn't pay anything, they walked in with no ability to pay, give them help, give them loans. What is your ethical obligation at that point? And even now, I know that I struggle with it. I'm sure Robin struggles with how do you bring in a class of students? How do you recruit people to move? How do you do that? On the other hand, how do you not, because you're trying to survive. So you're in this catch 22. They all left. Either by first semester or by the end of the year, they were gone.

Sanz mentioned some of the property acquisitions that Williams made in 2004. Greensboro College was land locked and Williams was looking to increase the footprint of the school to make it more marketable. Sanz described the reasons for and results from those acquisitions.

> He bought a big property that was on the market that was basically, athletic fields and an old school, an old historically black neighborhood. It was actually the very first … Wernersville, it was the first settlement of post slavery blacks in the area and then they had their own school. It was groundbreaking back then and so there's a big tradition.
>
> Craven thought he could turn it into something to help Greensboro have their athletic activities out there, soccer field, baseball fields. He bought it and maybe a little too quickly and he realized everyone there said, "Whoa. What are you going to do to keep the historical character of this place a life?" I don't think he thought through that. That just hit a wall. Like so many things, it never turned out the way he had envisioned. He bought an inn, and old motel right near campus. It was basically converted into a dorm.
>
> He would have been better off spending that money on campus and outfitting the facilities he did have. I don't know that he was really so full that he had to have additional space. In the past couple of years all of those properties have been sold at a net loss to the College.

Forester spoke of the results achieved from the 10% cut in tuition that Sewanee instituted:

> So, the first year after the 10% drop in price tag … which was only a less than five percent drop in net revenue because of more new students and headcount, and a

> recalibration of the discount rate for returning … it only dropped four-and-a-half percent in gross net revenue, in total net revenue … total net revenue, not gross, and it rebounded this year. So, they're already back. Their net revenue for tuition, room, and board's already back to where it was, and next year it'll be even higher. If they have record net revenue the Fall coming up, they'll have a record headcount, 500 … 500 new students, 1,500 total. They'll have a record in all of that … record headcount for new, record headcount for total, and record net tuition, room, and board revenue.

Summary

At Birmingham-Southern Pollick tried to carry on a conversation with stakeholders, but was faced with an unengaged board that had been selected for philanthropic reasons and therefore had little personal investment in the success of the institution. During Pollick's tenure, BSC continued to rely on the endowment to fund not only operating losses but to margin against for new building projects. As a consequence, the BSC endowment decreased by a little more than 50% and long-term debt almost doubled. Upon taking over as president, Krulak immediately revamped the board and reengaged it through transparency and communication; yet as a result of the decisions made previously, the college was placed on warning by the regional accreditation agency in 2011. Two years later, in June 2013, the college was taken off SACS warning. Their success was in part due to new collaboration between the board and college leadership. While there are still important issues to solve, BSC is now in a rebuilding mode.

Table 12

Summary 2004/2011 Financial Comparison

	FY 2004	FY 2011	Variance
Endowment:			
Birmingham-Southern	$106 million	$52.2 million	($53.8 million)
Greensboro College	$18.9 million	$14.5 million	(4.4 million)
Sewanee	$242 million	$351.8 million	$109.8 million
Plant Assets:			
Birmingham-Southern	$163 million	$209.8 million	$46.8 million
Greensboro College	$36.3 million	$35.4 million	($.9 million)
Sewanee	$130 million	$205.6 million	$75.6 million
Long-term Debt			
Birmingham-Southern	$37.8 million	$67.2 million	$29.4 million
Greensboro College	$19.4 million	$19.7 million	$.3 million
Sewanee	$34 million	$40.2 million	$6.2 million
Operating Cash Flow:			
Birmingham-Southern	($1,712,856)	($7,848,454)	$(6,135,598)
Greensboro College	($636,768)	$331,123	$957,891
Sewanee	($569,830)	($4,783,280)	($4,213,450)
Discount Rate:			
Birmingham-Southern	59.6%	57.9%	(1.7%)
Greensboro College	43.5%	56.5%	13%
Sewanee	23.6%	40.2%	16.6%
Tuition Dependency:			
Birmingham-Southern	32%	48%	16%
Greensboro College	42.4%	42.1%	(1.3%)
Sewanee	40.7%	42.9%	2.2%
Student Enrollment:			
Birmingham-Southern	1453	1305	(148)
Greensboro College	1226	1200	(26)
Sewanee	1467	1540	73
Composite SAT Score:			
Birmingham-Southern	1310	1250	(4.6%)
Greensboro College	1090	1200	(5.5%)
Sewanee	1330	1260	(5.3%)

Greensboro College had a different experience; Williams overtly excluded the board from any ongoing dialogue, provided whitewashed information and autocratically made decisions. As a result, it appears that the college will fare the worst. Greensboro was put on a second year of probation by their regional accrediting agency for the lack of financial resources to effectively execute their mission. Greensboro tried to execute an "if you build it they will come" strategy from which the incremental student growth never materialized. During the recession, Greensboro was forced to sell the buildings and land that it had previously purchased at a loss. The school remains financially fragile, and faces ongoing accreditation issues.

Sewanee fared the best of the schools studied. The relationship between the board and school leadership was always one of inclusion and transparency. The on-going conversation with stakeholders on strategic options was encouraged and welcomed, reflective of the history and culture of the university. Cunningham's conservative approach to finances added almost $76 million in plant assets while only increasing the debt load by $6 million. He was also able to increase the Sewanee endowment by more than $100 million. His conservative strategy started to show some weakness as the discount rate at Sewanee grew by 16%. McCardell reduced tuition rates to try and stem that tide. While it will take several years to assess the full effect of the tuition decrease and freeze implemented, these decisions were made after serious dialogue and with all constituents engaged. Sewanee has built strategic discipline into their culture, and it has become a way of doing business that will serve them well into the future.

In this chapter, the strategic choices of three liberal arts colleges during the recessionary period of 2004 – 2011 were discussed in light of the themes that emerged from the analysis of 11 primary interviews and the analysis of secondary supporting data In addition, the historical context and relevant events that occurred at each institution were detailed to provide a framework for the decisions made by the participants. Through this exploratory method, the strengths and weaknesses of each of the three liberal arts institutions decisions in dealing with their own economic realities in the recession were evident. These results will be further explored in chapter five.

CHAPTER 5

CONCLUSIONS

The president, senior staff, and boards of small, private liberal arts colleges and universities are often under pressure, uncoordinated, and ill informed. There are, however, schools that succeed despite all of the pressures. This study set out to answer a series of questions about how institutions dealt with the enormous challenges they faced, particularly declining enrollment, intensifying competition, and academic relevance, amid the financial upheaval of the recent recession. The prevailing business model was severely battered during the recession. Some schools held their ground, some made gains, and others no longer exist. It is in this context that this study investigated how three liberal arts colleges coped with "The Great Recession." The questions this study set out to answer are:

RQ1. What strategies were used to manage the effects of the recession?

RQ2. What impact did leadership make?

RQ3. Were the outcomes different? If so, was this as a result of the strategy and/or the implementation?

RQ4. What lessons can be learned from this study that will provide guidance for leaders of other institutions?

Because of this research, four conclusions became apparent about life in the fragile world of small private institutions:

1. Strategic planning has to be more than a plan,
2. Board governance is crucial,

3. Right person for the right time, and
4. Action is important, but execution will define you

The following is an extensive discussion of how the answers to three of the research questions led to each of these conclusions, as evidenced in the interviews and research of this study.

Research Question 1

Based on the historical findings and the theme results, each of the three schools adopted a fairly bold plan beginning 2008 or later. All of them understood that in this highly competitive market, they could not sit still. No school can hold onto the same place by doing nothing.

Sewanee had a transition of leadership during this time that shifted the university from a fairly conservative strategy that had started to fail to a bold pricing plan. It is evident that they were aware of their financials, meaning they had a clear understanding of their financial health and that enabled them to act.

BSC also adopted a bold plan, but of a different kind - build it and they will come. The problem with this plan was twofold: first, BSC was not on top of their finances going into this plan; second, they executed at a time when increased debt and rising interest rates plagued this country. Both problems were not conducive to this strategy.

Greensboro was more complicated. Marked by an inattentive board, leadership transitions and a suggested weakness in the leadership role, they too tried to execute a build strategy but were not positioned to do so. The university was already financially vulnerable when they embarked on this strategy, and the purchases and building decisions would further worsen their problems.

In all three cases, each institution had a strategic plan in place at the time of the recession. Yet at the onset of the recession, none of them initially reacted to it or made any changes to these plans. In fairness, the full impact of the recession did not reveal itself all at once but unfolded in stages - first the endowment was impacted; then there were cut backs in state funding; lending tightened making it difficult for parents to borrow for a child's education; the unemployment rate began to skyrocket; then as schools began to see parental need increase, they began to offer more "unfunded" scholarships in order to retain students. By the time the full impact of the recession became evident, institutions were in a reactive mode rather than a planning mode.

These findings lead to the first conclusion- *strategic planning has to be more than a plan.* An institution must also have the strategic discipline to quickly assess the opportunities and threats that face it and make educated decisions that fall within the purview of the strategic plan.

Virtually every college and university in the nation has an elaborate strategic plan. This is partially driven by requirements of the regional accrediting agencies but also clearly a good business practice. These strategic plans tend to be lengthy documents that attempt to articulate the college's mission, its vision of the future, and the various steps that are needed to achieve its goals. Such a plan typically presents concrete objectives, a timetable for their realization, an outline of the tactics that will be employed, a precise assignment of staff responsibilities, and a budget. The typical plan takes six months to two years to write and is often subject to annual revision to take account of changing circumstances. Despite all of this thought, effort and work, it appeared that at each institution the plans were rarely used as an ongoing guide or working document.

For example, while all three schools had a strategic plan, none of those plans took into account the possible impact of a recession. Each school was caught "flat footed." Only one school had the strategic discipline built into the organization enabling it to respond in a more strategic way. The other two had to react to the serious financial consequences that the recession exposed in their business models. Pollick may have said it best:

> We are just not designed to be PT boats. That's just not the nature of a college. Most of the decisions that will really, really move you, require speed and ability. That's one of the advantages small liberal arts colleges have if they use it.

In the case of Sewanee, Cunningham was clearly working his strategic plan, but almost every other strategic move at each of the institutions was as a result of an unexpected opportunity or condition and not the plan. The buildings and land that Williams purchased were not part of a strategic plan. McCardell cut tuition and fixed rates, Czarda cut budgets and headcount, Pollick added dorms and an environmental park. Again, none of these came out of a strategic plan but were instead strategies that each used when the leader saw an opportunity or had to react in crisis. The success or failure of these strategies came not from the strategies themselves, but from the execution and the strategic discipline applied to each situation.

In today's highly competitive environment, presidents need to be able to take advantage of opportunities that present themselves, but they need to have the strategic discipline to assess each situation on its own merits. When McCardell decided to cut tuition, he convened a group to assess a number of different "what if" scenarios. These scenarios were based upon empirical data that looked at who his customers were and their needs. They also took into account an analysis of their competition. From that data, they looked at what the worst case situation might be financially and made a decision as to whether they could absorb the impact. The worst case never materialized, but they were prepared for it if it did. McCardell showed strategic discipline. He knew Sewanee had priced themself out of the market, and he acted.

Williams on the other hand, believed that he had to grow the footprint of the college and decided to buy an old YMCA that was three blocks away for his student center. The cost of the purchase was $8 million of which a donor paid half, the rest financed through debt. He never examined in sufficient detail what the cost to renovate was going to be, or the on-going maintenance, or whether the students would be willing to walk three blocks off campus to the student center. His lack of strategic discipline set this project up for failure from the very beginning.

For Pollick, the failure to shift course at Birmingham-Southern when necessary resulted in a serious problem for the institution. Pollick envisioned the environmental park from his first visit to the school. Even though there were numerous signs, like the downgrade in the BSC bond rating, that warned him that the institution was not financially strong, he pushed forward. He did not exercise the strategic discipline necessary to reevaluate the situation based upon the current economic situation. He built the park during the height of the recession and financed the entire project with monies borrowed from the endowment.

Schoemaker suggests that leaders who exhibit strategic discipline tend to do six things well (Schoemaker):1) They anticipate well. When the market crashed and Lehman and others went out of business, not one of these institutions pulled a team together to discuss the impact of the recession on their institution and the responses that might be considered. 2) Think Critically. McCardell is the best example of this as he worked through the issue of reducing Sewanee's tuition by 10%. He worked with the board and his team to come up with the best solution that fit their business model. 3) Interpret. There is a lot of ambiguity around an institution’s strategic choices in normal economic times, it is magnified in a time of crisis. Institutions need to exercise the discipline to evaluate the possible options and make a decision without getting caught up in the ambiguity. Each president in the study seemed to confront ambiguity in almost every decision they faced, what lead to a better outcome was their approach to these issues. 4) Decide. Leaders need to wade through all of the ambiguous data and finally make a decision. When the three BSC students burned down the churches in Alabama, Pollick made the decision that the BSC community would build them back. He made that decision without consulting the board, because he felt that was the right thing to do. While this actually turned a negative into a positive for BSC, he did not show much strategic discipline since he made the decision, announced it and then figured out how he was going to do it. 5) Align the institution. Cunningham took great pride in transparency and collegiality as he moved Sewanee forward. Williams made a concerted effort not to bring stakeholders in and therefore none of the principals at Greensboro ever really understood what the overall strategy was. 6) Learn. When interviewed, Czarda was extremely interested in learning from the findings of this study. It was important to him to try every strategy available in order to save Greensboro College.

The strategies that institutions use to differentiate themselves are very similar, what isn't similar, is the approach and the execution of those strategies, which ultimately leads to success or failure.

If strategic options arise out of opportunity or crisis, they are generally not part of a strategic plan that has gone through months of review. The resulting decisions need to be made in a very short timeframe. If institutions are to be more successful with these types of decisions, they need to embed strategic discipline into the process. If done effectively, the chance of any one decision throwing an institution into financial crisis is greatly reduced.

The strategic plan is still a very important tool that can rally stakeholders around a common vision and can provide a sanity check as to which strategic options should be considered. Cunningham was the most effective in the use of a strategic plan. He made a point to keep it "front and center" with all of the constituencies and used it as a filter as they assessed different strategic options available to them. The strategic plan has to act as the colander that you run the strategic options through. That "run through" would include an open and honest discussion with all of the stakeholders before a decision is reached.

Research Question 2

One might reshape this question by asking if leadership matters or maybe better yet, when does it matter? Leadership should have a profound influence over the mission, strategies, structures and culture of an institution.

Liberal arts institutions face increasing competition for a limited pool of students, operate with undersized endowments, are facing serious affordability issues, struggle to create brand recognition outside of their region, and must address market confusion over what defines the liberal arts. Put simply, liberal arts institutions face enormous challenges, they are under-endowed and under resourced. Any combination of poor leadership, unwise strategies or badly executed plans can bury it very quickly.

Ultimately the leadership at most institutions resides with the board who hires the president to handle the day-to-day operations of running the institution and act on the board's behalf. This one act and the impact it can have on an institution leads to my second conclusion that *Board governance is crucial.*

Governing boards can have several names, such as board of directors, board of trustees, or board of regents. No matter what it is called or whether its members are elected or appointed, the main objectives of the governing board are to hire the president and monitor his/her progress, ensure compliance with laws and regulations, set strategic objectives, and serve as content matter experts (Thomas & Strom-Gottfried, 2012, pp. 11-12).

Given this mandate and the scope of change on campuses and the fast-evolving realities of the external environment, governing boards need to pay close attention to a wide range of interrelated factors. These factors include, but are not limited to, market and mission, globalization, student aid/debt, education delivery, productivity and efficiency, and overall financial health.

For boards to be effective in this role they need to be educated by the institution as to what the issues are and what the competitive environment looks like. This needs to be an on-going discussion and not one when we dust off the strategic plan. Krulak believed in keeping the board updated and sent out a bi-weekly missal to every board member and laid out the "good the bad and the ugly" for them. McCardell made sure each board member received the Association of Governing Boards monthly magazine. The reality is that as a group every board member is on campus maybe three times per year, the only way for them to be effective in the decision making process is to follow the lead of Krulak and McCardell.

If the education piece is done right, the board can enhance a president’s (and therefore the institution’s) success, or if not managed well, both the president's tenure and the school's future are at risk. Every president had a different idea as to how much to share with the board on an on-going basis. At one end of the spectrum, Williams scrubbed everything the board received and had board meetings twice a year that lasted only four hours. At the other end, McCardell insists his board members are kept up-too-date on the issues facing higher education and has every board person in the room when committees meet.

Cunningham uses the phase "noses in and hands off" to describe the interplay between board members and university leadership. He was clear it is not the board’s role to get involved in day-to-day activities, but to “stay at the 90,000 foot level” and give strategic advice. My research suggested that when a board got involved in the daily operations of the school, it was generally in a time of crisis.

It was also apparent from the interviews that the relationship a president has with their board is largely a function of how they perceive the board, ranging from nuisance to threat to partner. Every president in the study appears to have a strong relationship with their board chair. In some cases that relationship was perceived to be too friendly. Sanz talked about the relationship between Williams and his board chair when he said that "the chairman was an old friend of his that basically there wasn't much governance going on there. In addition to that, they weren't acting like a board probably should have."

Every president interviewed talked about their board the make-up of that board and the construction of its members. Not one of them said that they had the "perfect" board but they all thought that if they could build it from scratch, its size would be around 30 members and that it would be diversified in such a way to include skills such as: accounting, investment, academia, public relations, marketing, legal, human resources and technology. Cunningham talked about how you need to have philanthropic members on the board, but they also need to possess some of the skills discussed above. Sanz noted that finding the right board members to serve is often called “the hunt for time, treasure and talent”. Finding that perfect trifecta in one person to serve on the board is difficult, so diversity can make a board more effective.

As discussed above, one of the board’s most important responsibilities is hiring a president. My research shows that it is critical to the success of the institution that a board hires *the right person for the right time,* which is my third conclusion. It appears that in almost all cases, boards were ill informed as to what the schools true financial situation was and therefore often failed to hire the right person for the environment. Additionally, at some point in a president's career the competitive environment will present challenges that will need a different skill set than what the current president is capable of. The way successful presidents manage through these periods is by tapping into the diversity of their board members.

Board members and search committees are charged with trying to match the skills of a future president to the needs of the institution at a given point in time. Virtually all new presidents bring skills and experience to the job, but the ultimate success of a president has more to do with their timing at an institution then any abstract set of skills or experiences. Each of the institutions studied experienced a change in leadership: Sewanee transitioned from a financially conservative Cunningham to a more aggressive McCardell. Under duress Greensboro removed Williams and, after an interim leader, hired Czarda. Birmingham-Southern's Pollick stepped down as Krulak took a more centralized command and control role for the university. While each situation was different in terms of the financial stress surrounding the transitions, each changeover of leadership impacted the institution.

While Pollick delivered on a number of major objectives, the situation at BSC called for a financial forensics expert, which was not one of Pollick's strengths. As a philosophy major, he referred to himself as "Plato" and acknowledged feeling ill prepared to understand the breadth of financial challenges he inherited.

> If your auditors aren't catching this stuff, and your finance people that are these billionaires that are running these major corporations aren't catching it, then I'm sitting here going, "I don't think Plato's going to catch it!"

> I keep looking back on that and uncomfortably I keep asking, “Where is it I could have caught this thing? Where could I have caught it?” I haven’t had an answer to that one yet, to tell you the truth.

Pollick ultimately was asked to step down. The transition at Sewanee was not imposed by a bank or a board, but instead a well timed retirement. Cunningham said his “instincts were informed by being at institutions that were less wealthy than Sewanee, and ones that couldn’t afford to make too big a mistake.” As a result, he was naturally conservative, and was able to pass to McCardell an institution that was well positioned “to take some additional, some adventuresome steps.” McCardell’s bold pricing strategy was built on Cunningham’s strong, recession proof balance sheet, a solid example of right person for the right time and that leadership does really matter.

Research Question 3

The fourth conclusion addresses the third question in my research and looks at the outcomes of the strategies that were enacted, and why they achieved the outcome that they did. My fourth conclusion is that *Action is important, but execution will define you.* As has already been stated, in this competitive environment sitting still is not an option, and every one of the schools studied made multiple moves based on their actual or perceived environment.

The success of each of the strategies depended on a number of factors, some of which have already been discussed, such as the strategic discipline that was infused into the process, leadership, and the engagement of the board. Factors that are equally important are the ability to assess the financial health of the institution and the institutions ability to absorb risk.

When the recession hit, the hangover of good disciplined management was clearly one of the main factors as to why each school experienced such different outcomes. Cunningham said it was just "dumb luck" that he had been so conservative and therefore had positioned Sewanee to take on the impact of the recession with minimal impact. Cunningham built $70+ million in plant assets during his tenure at Sewanee, increased the debt only $8 million and increased net tuition by $6 million. Was it dumb luck or just good management? He took action, but in a very disciplined and collegial way.

Pollick took action at Birmingham-Southern. He knew that he couldn't cut the deficits by cutting programs and people, so he and the board adopted a build strategy. A new football field, two new dorms and an environmental park were built and paid for it out of borrowings from the endowment. Yes he took action, but the action that he took was not in alignment with the financial health of the college. During Pollick’s tenure he had negative operating cash flow every year and Moody's downgraded them twice. The signs were there, so it shouldn't have been a surprise when the market collapsed and their financial situation turned into a crisis. Pollick was betting on student growth that never showed up to pay back the monies borrowed. He took a high risk strategy and matched it up with a low risk financial environment.

Williams knew that in order for him to compete, he had to increase the foot print of the college. Greensboro College was land locked. When the opportunities to buy the sports complex three miles away for their sports teams and the YMCA for student center arose, he felt he needed to act quickly. He purchased both of these and believed these purchases and the addition of a football team would grow the student body. With a larger student body, Greensboro would need more dorm rooms, so he bought an “old inn” next to campus and spent millions renovating it. This total strategy cost Greensboro $11 million in debt.

Williams, who had his doctorate in divinity, had been a president since he was 35 years old. He had the experience to clearly understand that his institution’s cash flow had been negative each year that was studied. He wanted to make his college more attractive to new and existing students and that motivated him to make these decisions. His failure was in the execution. The Sports Park turned out to have an historic black elementary school building on it, which kept him from achieving his vision. Czarda, said that by the time they has finished renovating the inn, it would have been cheaper to build it from scratch. The purchase of the YMCA was probably the worst decision. According to Peace, it was three blocks off campus and no money was ever set aside to renovate it. Williams' failure was not the chosen strategy, it was his failure to engage stakeholders in decisions and do the due diligence that each of these decisions deserved.

Every one of the presidents interviewed took action when opportunities or a crisis confronted them. Each one of them met different outcomes. In all cases, the strategies employed made sense, it was the execution of those strategies that affected the outcomes. Not one of the presidents interviewed shied away from taking action, but their execution of those strategies in the end is what has defined their presidencies.

Summary

Liberal arts colleges today face multiple challenges including: a) declining number of students, b) acute financial situations, c) intensifying competition, and d) pressure to keep academic offerings updated. Additionally, the recent recession stressed flaws in the business model of each learning institution studied, forcing them to wrestle with the essential strategic questions that for decades have pitted academic and social commitments against financial realities, and to do so while operating under significant stress.

This dissertation chronicles and measures the effectiveness of the strategic choices that three liberal arts colleges made during the recession, from the end of 2004 to the end of 2011. It identifies the outcomes of the strategies and the lessons learned:

1. Ongoing dialogue has to happen between all stakeholders.
2. Strategic plans are a good tool to get stakeholders on board with vision and long-term strategies, but the most benefit comes at the time of construction.
3. Strategic discipline aids a president in making the right decisions for the right time.
4. Ill-informed boards make ill-informed decisions.
5. Board diversity should be a huge asset.
6. While important for the president and the board to have a good working relationship, the board must remain objective.
7. Presidents are most successful when the environment aligns with their skill set.
8. Action is important, but execution will define you.
9. Knowing an institution's risk tolerance is paramount to success.

In this research, it was apparent that the lack of an "Endless Good Argument" between all of the stakeholders can spell disaster for a small liberal arts college. All of the lessons learned would have had better out comes if that discussion took place.

This body of work is intended to serve as a point of reference for leaders at other institutions, highlighting the need to ensure that the "endless good argument" becomes a part of the culture of every institution. It is clear that through transparency and communication among all stakeholders, the use of strategic discipline, and ensuring that right skill sets are in place to tackle the current environment in all areas of governance, institutions of higher learning have a better opportunity to succeed.

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APPENDIX A

BIRMINGHAM-SOUTHERN FINANCIAL AND ACADEMIC ANALYSIS

Academic Strengths & Weaknesses:	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Conversion yield:										
Birmingham Southern College	27.0%	24.0%	25.0%	28.0%	31.0%	30.0%	23.0%			
Peer Average	25.5%	26.8%	31.0%	30.0%	30.1%	31.1%	34.3%			
Variance	1.5%	-2.8%	-6.0%	-2.0%	0.9%	-1.1%	-11.3%			
Graduation rates:										
Birmingham Southern College		63.0%	63.0%	72.0%	66.0%	71.0%	69.0%	69.0%	70.0%	
Peer Average		71.5%	71.1%	71.7%	72.0%	71.6%	71.0%	70.0%	68.6%	
Variance		-8.5%	-8.1%	0.3%	-6.0%	-0.6%	-2.0%	-1.0%	1.4%	
Tuition Discount rate:										
Birmingham Southern College	56.87%	57.86%	61.58%	59.29%	54.79%	56.33%	59.71%	59.43%	59.61%	60.06%
Peer Group Average		49.71%	50.99%	53.38%	54.44%	54.47%	55.36%	55.06%	54.56%	
Performance vs. peer group		8.15%	10.59%	5.91%	0.35%	1.86%	4.35%	4.37%	5.05%	
Average Scholarship Given:										
Birmingham-Southern College		$ 18 487.67	$ 15 829.05	$ 13 742.92	$ 11 596.05	$ 10 127.13	$ 13 178.29	$ 11 598.35	$ 10 287.91	
Peer Group Average		$ 16 664.40	$ 15 598.37	$ 14 077.41	$ 13 164.11	$ 12 228.25	$ 11 480.56	$ 10 987.56	$ 10 421.32	
Performance vs. peer group		$ 1 823	$ 231	$ (334)	$ (1 568)	$ (2 101)	$ 1 698	$ 611	$ (133)	
% increase vs. Peer		10.94%	1.48%	-2.38%	-11.91%	-17.18%	14.79%	5.56%	-1.28%	
% of Instructional Staff Non-Tenure or Tenure Track Faculty										
Birmingham Southern College		13.75%	8.51%	17.27%	10.68%	10.00%				
Average for Peer Group		17.04%	16.03%	15.90%	17.61%	19.59%				
Variance to Peer group		-3.29%	-7.52%	1.37%	-6.93%	-9.59%				
Student FTE (Full Time Equivalent) Growth:										
Birmingham-Southern College		1305	1542	1549	1458	1389	1256	1411	1453	
% increase		-1.15%	-3.96%	-1.17%	8.39%	-4.30%	0.24%	0.33%		
Peer Group Average		1542	1515	1511	1500	1493	1471	1462	1446	
% increase		2.32%	4.76%	3.64%	0.44%	-5.34%	-0.32%	0.88%		

Academic Strengths & Weaknesses:	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Performance vs. peer group		-3.47%	-8.71%	-4.81%	7.95%	1.04%	0.56%	-0.55%		
Financial Strengths & Weaknesses:										
Net Tuition Growth:										
Birmingham-Southern		4.72%	7.95%	2.19%	20.19%	-1.47%	3.82%	9.91%		
Peer Group Average		2.57%	1.11%	2.54%	7.94%	3.44%	6.84%	8.30%		
Performance vs. peer group		2.14%	6.84%	-0.34%	12.25%	-4.91%	-3.02%	1.60%		
Tuition Dependency:										
Greensboro College	41.75%	48.60%	43.85%	50.58%	48.66%	42.94%	45.47%	42.60%	40.82%	42.42%
Peer Group Average		53.35%	56.45%	41.26%	56.30%	64.64%	64.90%	63.29%		
Performance vs. peer group		-4.75%	-12.60%	9.33%	-7.64%	-21.71%	-19.43%	-20.69%		
Debt Service as a % of Total Revenue:										
Total Debt service	$3 179 004	$1 873 190	$1 547 531	$1 770 965	$1 982 806	$1 856 218	$1 835 035	$1 747 665	$3 319 141	
Total Debt Service as a % of Total Revenue	14.22%	9.89%	7.68%	9.58%	10.21%	7.56%	8.11%	8.06%	16.29%	
Cash Flow from Operations:										
Birmingham-Southern College	$(2 212 792)	$(7 848 454)	$(15 757 974)	$(10 757 341)	$(14 737 106)	$(14 803 106)	$(10 683 273)	$(8 293 377)	$7 208 860	$(1 712 856)
Student FTE (Full Time Equivalent) Growth:										
Birmingham Southern		1305	1542	1549	1458	1389	1256	1411	1453	
% increase		-15.37%	-0.45%	6.24%	4.97%	10.59%	-10.99%	-2.89%		
Peer Group Average		1 542	1 515	1 511	1 500	1 493	1 471	1 462	1 446	
% increase		1.78%	0.26%	0.73%	0.47%	1.50%	0.62%	1.11%		
Performance vs. peer group		-17.15%	-0.72%	5.51%	4.50%	9.09%	-11.60%	-4.00%		

Source: IPEDS and Annual Audits

APPENDIX B

BIRMINGHAM-SOUTHERN AUDIT ANALYSIS

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Accounts Receivable	$1 392 248	$1 298 861	$1 604 730	$1 399 107	$1 068 926	$1 106 272	$740 452	$915 969	$802 996	$490 698	$552 596
Student Loans	$294 370	$475 527	$200 615	$205 513	$234 650	$264 582	$310 065	$398 758	$418 295	$465 954	$494 426
Total Owed by Students	$1 686 618	$1 774 388	$1 805 345	$1 604 620	$1 303 576	$1 370 854	$1 050 517	$1 314 727	$1 221 291	$956 652	$1 047 022
as a % of net tuition	10.40%	10.10%	11.85%	10.98%	8.82%	11.26%	9.19%	11.77%	12.06%	10.03%	11.37%
Tuition & Fees	$37 619 207	$41 697 769	$39 640 086	$35 903 249	$32 676 939	$27 881 389	$28 377 176	$27 535 657	$25 076 844	$23 885 934	$22 495 007
Scholarship	$21 394 432	$24 126 412	$24 408 396	$21 287 790	$17 902 067	$15 705 168	$16 944 509	$16 365 277	$14 948 330	$14 345 764	$13 282 695
Net tuition	$16 224 775	$17 571 357	$15 231 690	$14 615 459	$14 774 872	$12 176 221	$11 432 667	$11 170 380	$10 128 514	$9 540 170	$9 212 312
	56.87%	57.86%	61.58%	59.29%	54.79%	56.33%	59.71%	59.43%	59.61%	60.06%	59.05%
Total Revenue	$46 530 776	$49 642 104	$63 096 029	$34 703 303	$47 028 312	$41 457 897	$43 485 184	$50 460 502	$59 566 573	$57 142 844	$37 177 842
Instruction	$10 617 287	$10 058 547	$12 959 807	$12 799 821	$ 11 440 939	$11 268 645	$12 342 172	$10 888 626	$9 540 618	$10 869 544	$10 938 595
Student Services	$13 530 755	$12 491 218	$18 599 577	$16 954 191	$ 16 384 116	$14 645 029	$12 862 759	$11 686 734	$11 706 387	$11 994 621	$11 439 136
Institutional Support	$13 678 259	$12 621 485	$14 492 873	$13 562 146	$ 13 498 680	$13 930 325	$13 759 372	$12 323 377	$10 752 219	$10 428 871	$8 806 094
Library	$1 031 778	$981 458	$1 155 802	$1 062 569	$ 1 012 257	$1 075 479	$793 040	$778 697	$853 400	$1 204 951	$753 893
Total Educational and General Expenses	$38 858 079	$36 152 708	$47 208 059	$44 378 727	$42 335 992	$40 919 478	$39 757 343	$35 677 434	$32 852 624	$34 497 987	$31 937 718
Cashflows From Operating Activities	$(2 212 792)	$(7 848 454)	$(15 757 974)	$(10 757 341)	$(14 737 106)	$(14 803 106)	$(10 683 273)	$(8 293 377)	$7 208 860	$(1 712 856)	$(2 355 677)
Property Plant & Equipment	$210 979 936	$209 835 558	$199 003 336	$192 443 690	$187 959 975	$179 822 873	$170 028 504	$166 205 100	$163 273 744	$145 781 962	$115 180 207
Plant additions (sales)	$1 144 378	$10 832 222	$6 559 646	$4 483 715	$8 137 102	$9 794 369	$3 823 404	$2 931 356	$17 491 782	$30 601 755	
Investments											
Cash	$3 165 562	$2 319 156	$2 987 158	$5 222 427	$14 830 351	$6 009 059	$7 163 893	$5 044 647	$11 299 101	$11 593 095	$ 11 088 831
Equities	$25 038 917	$31 129 381	$28 412 449	$28 008 351	$54 396 884	$75 744 475	$71 017 427	$74 376 306	$84 538 441	$ 61 151 412	$ 69 506 677

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Fixed Income Securities	$10 951 813	$10 436 484	$13 693 189	$ 22 507 886	$ 17 012 972	$ 18 481 989	$ 27 808 082	$ 28 407 077	$ 26 397 680	$ 32 994 717	$ 49 064 737
Other	8 031 487	8 225 844	11 543 734	$ 10 638 179	$ 14 776 784	$ 15 114 444	$ 16 415 125	$ 15 765 818	$ 260 000	$ 260 000	
Total	$47 187 779	$52 110 865	$56 636 530	$61 154 416	$101 016 991	$115 349 967	$122 404 527	$123 593 848	$122 495 222	$105 999 224	$129 660 245
Change	$(4 923 086)	$(4 525 665)	$(4 517 886)	$(39 862 575)	$(14 332 976)	$(7 054 560)	$(1 189 321)	$1 098 626	$16 495 998	$(23 661 021)	
Draw	$3 482 128	$3 751 548	$18 445 461								

Debt:											
Line of Credit	$0	$11 794	$16 806	$15 000 000	$10 269 731	$0	$0	$0	$0	$1 893 451	$3 897 935
Notes Payable	$40 570 679	$18 773 130	$17 399 974	$2 091 064	$1 839 590	$21 835 713	$13 989 703	$4 979 931	$4 337 382	$4 790 000	$0
Bonds Payable	$26 315 000	$48 404 114	$50 098 265	$40 205 000	$41 465 000	$31 025 000	$31 883 000	$32 709 000	$33 505 000	$34 271 000	$35 202 000
Total Debt	$66 885 679	$67 189 038	$67 515 045	$57 296 064	$53 574 321	$52 860 713	$45 872 703	$37 688 931	$37 842 382	$40 954 451	$49 099 935
Change in Debt	$(303 359)	$(326 007)	$10 218 981	$3 721 743	$713 608	$6 988 010	$8 183 772	$(153 451)	$(3 112 069)	$(8 145 484)	
Interest Expense	$ 2 938 610	$3 829 857	$3 754 874	$2 654 541	$3 536 214	$3 125 091	$2 508 056	$2 343 746	$2 148 987	$1 928 000	
Blended Interest rate	4.39%	5.70%	5.56%	4.63%	6.60%	5.91%	5.47%	6.22%	5.68%	4.71%	
Bond Principal Payments	$2 367 738	$2 285 958	$950 000	$1 353 886	$3 686 630	$1 388 000	$1 341 000	$1 279 000	$1 218 000		
Total Debt payments	$ 5 306 348	$ 6 115 815	$ 4 704 874	$ 4 008 427	$ 7 222 844	$ 4 513 091	$ 3 849 056	$ 3 622 746	$ 3 366 987		
% of Total Revenue		12.32%	7.46%	11.55%	15.36%	10.89%	8.85%	7.18%	5.65%		

Source: Annual Audits

APPENDIX C

GREENSBORO COLLEGE FINANCIAL AND ACADEMIC ANALYSIS

Academic Strengths & Weaknesses:	2011	2010	2009	2008	2007	2006	2005	2004	2003
Conversion yield:									
Greensboro College	22	23	23	23	30	33	30		
Peer Group Average	32.79	35.92	34.88	41.63	38.08	39.96	41.13		
Performance vs. peer group	-10.79	-12.92	-11.88	-18.63	-8.08	-6.96	-11.13		
Graduation rates:									
Greensboro College	40%	43%	45%	41%	41%	38%	46%	44%	
Average Peer Group	45.7%	46.6%	48.3%	52.1%	46.7%	47.3%	44.1%	45.2%	
Variance to Peers	5.7%	3.6%	3.3%	11.1%	5.7%	9.3%	1.8%	1.2%	
Tuition Discount rate:									
Greensboro College	56.48%	52.02%	48.26%	46.42%	38.30%	35.83%	40.06%	41.27%	43.54%
Peer Group Average	46.65%	43.55%	48.74%	43.70%	35.36%	35.10%	36.70%		
Performance vs. peer group	9.83%	8.47%	-0.48%	2.72%	2.94%	0.73%	3.36%		
Student FTE (Full Time Equivalent) Growth:									
Greensboro College	1200	1214	1264	1279	1180	1233	1230	1226	
% increase	1.15%	3.96%	-1.17%	8.39%	-4.30%	0.24%	0.33%		
Peer Group Average	1 113	1 087	1 038	1 002	997	1 053	1 057	1 048	
% increase	2.32%	4.76%	3.64%	0.44%	-5.34%	-0.32%	0.88%		
Performance vs. peer group	-3.47%	-8.71%	-4.81%	7.95%	1.04%	0.56%	-0.55%		
Financial Strengths & Weaknesses:									
Net Tuition Growth:									
Greensboro College	-13.62%	-5.51%	-1.02%	-10.37%	2.41%	11.43%	11.05%	15.16%	14.34%
Peer Group Average	6.56%	5.59%	5.54%	4.14%	1.02%	3.92%	6.76%		
Performance vs. peer group	-20.18%	-11.10%	-6.56%	-14.51%	1.39%	7.51%	4.29%		
Tuition Dependency:									
Greensboro College	42.11%	43.85%	50.58%	48.66%	42.94%	45.47%	42.60%	40.82%	42.42%
Peer Group Average	53.35%	56.45%	41.26%	56.30%	64.64%	64.90%	63.29%		
Performance vs. peer group	-11.24%	-12.60%	9.33%	-7.64%	-21.71%	-19.43%	-20.69%		
Debt Service as a % of Total Revenue:									
Total Debt service	$1 873 190	$1 547 531	$1 770 965	$1 982 806	$1 856 218	$1 835 035	$1 747 665	$3 319 141	
Total Debt Service as a % of Total Revenue	9.89%	7.68%	9.58%	10.21%	7.56%	8.11%	8.06%	16.29%	
Cash Flow from Operations:									
Greensboro College	$331 123	$(1 252 453)	$(724 970)	$(1 761 677)	$(228 360)	$(2 414 307)	$(1 467 044)	$(1 432 663)	$(626 768)

Source: Annual Audits and IPEDS

APPENDIX D

GREENSBORO COLLEGE AUDIT ANALYSIS

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Accounts Receivable	$2 806 788	$2 860 726	$2 710 083	$2 761 458	$2 569 000	$2 226 224	$1 794 298	$1 647 008	$1 339 248	$1 199 835
Student Loans	$3 249 627	$3 275 900	$3 095 328	$2 939 258	$2 187 224	$2 148 447	$2 078 302	$1 920 183	$1 893 693	$1 900 457
Total Owed by Students	$6 056 415	$6 136 626	$5 805 411	$5 700 716	$4 756 224	$4 374 671	$3 872 600	$3 567 191	$3 232 941	$3 100 292
as a % of net tuition	75.92%	69.46%	62.09%	60.35%	45.13%	42.51%	41.93%	42.89%	44.77%	49.09%
Tuition & Fees	$18 330 036	$18 413 222	$18 070 737	$17 629 658	$17 080 017	$16 036 467	$15 407 739	$14 159 765	$12 790 171	$11 544 028
Scholarship	$(10352572)	$(9 578 368)	$(8 721 185)	$(8 184 048)	$(6 541 464)	$(5 745 481)	$(6 172 667)	$(5 843 439)	$(5 568 936)	$(5 228 418)
Net tuition	$7 977 464	$8 834 854	$9 349 552	$9 445 610	$10 538 553	$10 290 986	$9 235 072	$8 316 326	$7 221 235	$6 315 610
Discount Rate	-56.48%	-52.02%	-48.26%	-46.42%	-38.30%	-35.83%	-40.06%	-41.27%	-43.54%	-45.29%
Gifts - (non-restricted)	$1 130 556	$1 669 648	$3 936 315	$2 606 144	$2 915 696	$3 350 661	$4 174 760	$2 910 867	$3 142 683	$5 084 064
Total Revenue	$18 943 954	$20 149 066	$18 483 669	$19 412 704	$24 545 037	$22 633 397	$21 679 461	$20 372 153	$17 024 112	$16 168 901
Instruction	$8 478 078	$8 129 085	$10 723 619	$11 178 495	$10 334 295	$9 506 253	$8 749 749	$8 567 367	$7 891 095	$7 577 821
Student Services	$4 237 258	$3 950 427	$4 201 162	$4 585 958	$4 435 814	$4 157 393	$4 341 249	$4 164 824	$3 406 345	$3 486 829
Institutional Support	$3 564 369	$3 527 323	$5 603 608	$3 822 921	$2 764 390	$2 835 896	$2 457 523	$2 411 040	$2 409 055	$2 474 861
Library	$335 943	$251 005	$263 631	$329 548	$308 236	$291 625	$319 764	$298 811	$288 653	$268 207
Total Educational and General Expenses	$16 615 648	$15 857 840	$20 792 020	$19 916 922	$17 842 735	$16 791 167	$15 868 285	$15 442 042	$13 995 148	$13 807 718
Cashflows From Operating Activities	$331 123	$(1 252 453)	$(724 970)	$(1 761 677)	$(228 360)	$(2 414 307)	$(1 467 044)	$(1 432 663)	$(626 768)	$(106 561)
Property Plant & Equipment	$35 455 106	$35 167 412	$37 089 078	$42 118 888	$41 738 796	$41 018 504	$40 497 677	$40 140 626	$36 373 416	$28 267 808
Plant additions (sales)	$287 694	$(1 921 666)	$(5 029 810)	$380 092	$720 292	$520 827	$357 051	$3 767 210	$8 105 608	
Loss on Sale	$(1 916 624)	$(1 276 624)								
Investments	$14 455 532	$14 003 558	$13 302 895	$20 242 263	$21 974 895	$19 835 150	$20 931 744	$20 867 809	$18 866 715	$19 061 527
Restricted Cash	$1 022 292	$7 597 650	$10 961 997	$999 074						
Equities	$4 700 036	$1 399 514	$692 655	$12 448 904						
Fixed Income Securities	$8 733 204	$5 006 394	$1 648 233	$6 794 288						
Debt:										
Line of Credit	$6 682 033	$5 900 000	$4 050 000	$5 573 000	$3 876 000	$3 456 000	$2 722 000	$2 630 000	$1 738 000	$1 792 100
Notes Payable	$1 176 648	$1 815 838	$2 322 369	$2 865 334	$3 524 140	$4 169 358	$4 804 393	$5 386 058	$8 310 347	$1 319 989
Bonds Payable	$11 810 000	$12 350 000	$12 865 000	$13 360 000	$13 830 000	$14 285 000	$14 720 000	$15 135 000	$9 355 000	$9 530 000
Total Debt	$19 668 681	$20 065 838	$19 237 369	$21 798 334	$21 230 140	$21 910 358	$22 246 393	$23 151 058	$19 403 347	$12 642 089
Change in Debt	$(397 157)	$828 469	$(2 560 965)	$568 194	$(680 218)	$(336 035)	$(904 665)	$3 747 711	$6 761 258	
Interest Expense	$694 000	$526 000	$733 000	$854 000	$756 000	$765 000	$751 000	$647 000	$477 000	
Blended Interest rate	3.53%	2.62%	3.81%	3.92%	3.56%	3.49%	3.38%	2.79%	2.46%	
Principal Payments due	$1 179 190	$1 021 531	$1 037 965	$1 128 806	$1 100 218	$1 070 035	$996 665	$2 672 141		
Total Debt service	$1 873 190	$1 547 531	$1 770 965	$1 982 806	$1 856 218	$1 835 035	$1 747 665	$3 319 141		
Total Debt Service as a % of	9.89%	7.68%	9.58%	10.21%	7.56%	8.11%	8.06%	16.29%		

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Total Revenue Tuition Dependency:	42.11%	43.85%	50.58%	48.66%	42.94%	45.47%	42.60%	40.82%	42.42%	39.06%

Source: Annual Audits

APPENDIX E

SEWANEE: UNIVERSITY OF THE SOUTH FINANCIAL AND ACADEMIC ANALYSIS

Academic Strengths & Weaknesses:	2011	2010	2009	2008	2007	2006	2005	2004	2003
Conversion yield:									
Sewanee - University of the South	24.0%	23.0%	24.0%	26.0%	26.0%	30.0%			
Peer Average	27.6%	28.8%	29.0%	31.7%	32.0%	33.5%			
Variance	-3.6%	-5.8%	-5.0%	-5.7%	-6.0%	-3.5%			
Graduation rates:									
Sewanee - University of the South	86.0%	81.0%	82.0%	77.0%	78.0%	77.0%	82.0%	79.0%	
Peer Average	72.4%	72.9%	72.5%	72.9%	71.8%	72.5%	72.2%	71.9%	
Variance	13.6%	8.1%	9.5%	4.1%	6.2%	4.6%	9.8%	7.1%	
Tuition Discount rate:									
Sewanee - University of the South	39.93%	36.81%	34.78%	32.59%	33.52%	32.36%	32.08%		
Peer Group Average	45.63%	44.27%	42.43%	40.90%	40.39%	39.75%	39.77%		
Performance vs. peer group	-5.70%	-7.46%	-7.64%	-8.31%	-6.88%	-7.39%	-7.69%		
% of Instructional Staff Non-Tenure or Tenure Track Faculty									
Sewanee - University of the South	11.45%	6.62%	9.02%	15.50%	19.12%				
Average for Peer Group	16.23%	15.97%	16.17%	16.62%	15.67%				
Variance to Peer group	-4.78%	-9.35%	-7.15%	-1.12%	3.44%				
Student FTE (Full Time Equivalent) Growth:									
Sewanee - University of the South	1540	1515	1530	1547	1546	1596	1509	1467	
% increase	1.65%	-0.98%	-1.10%	0.06%	-3.13%	5.77%	2.86%		
Peer Group Average	1805	1804	1769	1743	1731	1722	1777	1763	
% increase	0.05%	2.00%	1.50%	0.68%	0.51%	-3.09%	0.80%		
Performance vs. peer group	1.60%	-2.98%	-2.60%	-0.62%	-3.64%	8.85%	2.06%		
Net Tuition Growth:									
Sewanee - University of the South	-1.70%	0.65%	3.34%	5.25%	8.69%	11.15%			
Peer Group Average	2.68%	2.14%	3.69%	4.68%	4.96%	4.51%			
Performance vs. peer group	-4.38%	-1.49%	-0.34%	0.57%	3.74%	6.65%			
Tuition Dependency:									
Sewanee - University of the South	46.19%	47.44%	46.80%	46.33%	46.40%	46.46%	41.47%		
Peer Group Average	51.89%	52.12%	51.33%	51.40%	51.84%	52.10%	52.55%	51.13%	
Performance vs. peer group	-5.70%	-4.68%	-4.53%	-5.08%	-5.45%	-5.64%	-11.08%		
Debt Service as a % of Total Revenue:									
Total Debt service	$3 316 815	$3 117 277	$3 026 312	$3 020 229	$3 915 246	$3 014 105	$2 126 723	$2 169 153	$1 873 505
Total Debt Service as a % of Total Revenue	4.13%	3.92%	3.78%	3.86%	5.27%	4.42%	3.09%	3.04%	3.09%
Cash Flow from Operations:									

Academic Strengths & Weaknesses:	2011	2010	2009	2008	2007	2006	2005	2004	2003
Sewanee - University of the South	$(4 783 280)	$(2 232 456)	$(6 245 976)	$2 766 677	$2 550 202	$454 647	$979 657	$450 246	$(569 830)

Source: Annual Audits and IPEDS

APPENDIX F

SEWANEE: UNIVERSITY OF THE SOUTH AUDIT ANALYSIS

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Accounts Receivable	$3 696 501	$3 902 485	$3 772 163	$4 366 283	$4 196 230	$4 872 198	$4 854 360	$4 747 604	$4 953 535	$4 658 435
as a % of net tuition	10.73%	11.10%	10.75%	12.82%	12.97%	16.37%	18.13%	16.34%	20.20%	19.59%
Tuition & Fees	$57 629 334	$55 771 929	$54 080 885	$50 762 914	$48 905 285	$44 198 984	$40 246 684	$38 036 786	$35 338 006	$33 618 225
Scholarship	$(23 182 055)	$(20 628 407)	$(18 978 139)	$(16 717 457)	$(16 559 486)	$(14 435 050)	$(13 473 439)	$(8 980 633)	$(10 819 676)	$(9 839 238)
Net tuition	$34 447 279	$35 143 522	$35 102 746	$34 045 457	$32 345 799	$29 763 934	$26 773 245	$29 056 153	$24 518 330	$23 778 987
Discount Rate	-40.23%	-36.99%	-35.09%	-32.93%	-33.86%	-32.66%	-33.48%	-23.61%	-30.62%	-29.27%
Gifts	$4 443 364	$4 153 173	$3 865 571	$4 441 042	$4 183 359	$4 011 351	$4 087 421	$3 756 087	$3 962 466	$5 331 700
Total Revenue	$80 285 540	$79 533 412	$80 090 391	$78 297 389	$74 273 386	$68 241 771	$68 777 870	$71 310 185	$60 724 014	$58 995 766
Instruction	$26 666 981	$24 374 035	$25 461 527	$24 128 021	$22 992 195	$21 554 613	$20 525 991	$19 676 644	$19 310 196	$19 729 005
Academic Support	$8 692 866	$8 155 167	$5 702 136	$8 064 136	$7 711 467	$6 959 049	$6 933 567	$6 573 542	$6 227 994	$5 993 799
Research	$200 766	$319 470	$112 355	$136 396	$211 521	$213 136	$292 421	$426 499	$526 194	$724 302
Student Services	$12 400 656	$11 840 558	$12 987 385	$11 396 218	$10 905 225	$10 050 972	$9 864 036	$9 085 559	$9 178 028	$8 330 363
Institutional Support	$17 006 896	$16 793 709	$16 295 115	$16 553 192	$15 277 004	$14 277 760	$13 769 762	$12 722 148	$11 814 670	$12 632 718
Auxiliary Services	$13 159 775	$13 117 740	$13 395 911	$13 244 836	$12 937 984	$11 474 285	$10 952 271	$10 598 598	$10 289 932	$9 638 947
Total Educational and General Expenses	$78 127 940	$74 600 679	$73 954 429	$73 522 799	$70 035 396	$64 529 815	$62 338 048	$59 082 990	$57 347 014	$57 049 134
Cashflows From Operating Activities	$(4783280)	$(2232456)	$(6245976)	$2 766 677	$2 550 202	$454 647	$979 657	$450 246	$(569 830)	$2 203 722
Property Plant & Equipment	$205641543	$199979101	$189844854	$186736877	$164901973	$160486845	$150279505	$139089254	$130 252 459	$122687 471
Plant additions (sales)	$5 662 442	$10 134 247	$3 107 977	$21 834 904	$4 415 128	$10 207 340	$11 190 251	$8 836 795	$7 564 988	
Investments	$351827190	$312977253	$286439811	$357996076	$366617191	$310562476	$279707928	$269476574	$242069576	$238062908
Restricted Cash	$24 229 161	$10 251 456	$11 246 213	$4 979 098	$4 311 874	$5 684 402	$7 496 052	$7 203 987	$11 078 452	$5 615 877
Equities	$103382751	$135837297	$117127463	$158674815	$168508791	$137120576	$131239302	$129160086	$108884800	$117233082
Fixed Income Securities	$77 514 404	$44 924 583	$41 797 812	$50 350 390	$46 192 630	$45 239 128	$46 361 705	$41630098	$40 108 779	$45 290 011
Hedge	$116210931	$84 136 942	$77 321 384	$70 724 923	$98 055 118	$90 901 463	$68 077 545	$59753266	$49 003 777	$56 706 314

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Debt:										
Bonds Payable	$40 270 012	$42 242 937	$39 601 415	$41 144 339	$42 572 263	$43 885 188	$31 785 000	$32 965 000	$34 135 000	$24 970 000
Total Debt	$40 270 012	$42 242 937	$39 601 415	$41 144 339	$42 572 263	$43 885 188	$31 785 000	$32 965 000	$34 135 000	$24 970 000
Change in Debt	$(1972925)	$2 641 522	$(1542924)	$(1427924)	$(1312925)	$12 100 188	$(1180000)	$(1 170 000)	$9 165 000	
Interest Expense	$1 351 815	$1 425 282	$1 152 312	$1 072 028	$1108106	$1 260 963	$870 105	$903 855	$949 305	$1 038 505
Blended Interest rate	3.36%	3.37%	2.91%	2.61%	2.60%	2.87%	2.74%	2.74%	2.78%	4.16%
Principal Payments due	$1 865 000	$1 550 000	$1 535 000	$1 420 000	$1 305 000	$1 290 000	$1 180 000	$1 170 000	$1 873 505	
Total Debt service	$3 216 815	$2 975 282	$2 687 312	$2 492 028	$2 413 106	$2 550 963	$2 050 105	$2 073 855	$2 822 810	
Total Debt Service as a % of Total Revenue	4.01%	3.74%	3.36%	3.18%	3.25%	3.74%	2.98%	2.91%	4.65%	
Tuition Dependency:	42.91%	44.19%	43.83%	43.48%	43.55%	43.62%	38.93%	40.75%	40.38%	

Source: Annual Audits