Executive Summary

A series of sociocultural, technological, and economic forces occurring during the early years of the 21st century have led postsecondary leaders to reexamine the appropriate balance between continuity and change. Tension between these two conditions is especially acute among small and mid-sized, private, nonprofit colleges and universities. The very attributes that distinguish these institutions from other sectors of American higher education—a strong general education in the liberal arts, dedication to classroom teaching, purposefulness about moral and civic values, small classes, close partnerships between the campus and its surrounding community, and governing structures that are not part of state government—have been called into question. Institutional sustainability in this environment will depend on successful adaptation to new realities, but it also will require preservation of core character. Understanding what is essential to small and mid-sized liberal arts colleges—and what is incidental—can provide a framework for exploring the ways in which America's independent colleges and universities might develop new models for operations and governance. In this white paper, the Council of Independent Colleges traces the contours of the independent college sector, outlining current knowledge about these institutions and their distinctive contributions to American higher education. The paper then describes some of factors that may threaten the future of liberal arts colleges and universities and suggests topics for research that could lead to promising solutions.

Key Take-Aways

• The current high price/high aid model of small college finance may prove difficult to sustain given the steady increase in dependence on net tuition as a percentage of total expenses and the residual decrease of endowment earnings due to the 2008 market decline.

• Liberal arts colleges may be able to leverage new teaching and learning technologies to improve institutional performance—without sacrificing the fundamental advantages of a residential college experience.

• Small and mid-sized liberal arts colleges—proven, cost-effective agents of upward mobility—serve the national interest by contributing to the national college completion agenda.

• Contemporary economic and cultural pressures pose challenges to the structures and values of mission-driven, traditional liberal arts colleges and their distinctive workforce model.

• There is a need for more effective and efficient forms of shared governance that equip faculty members with a better understanding of the external factors affecting colleges and acquaint trustees with the traditions and values of independent colleges.
Introduction

Higher education has experienced considerable turmoil during these early years of the 21st century. Some of the turmoil has resulted from a weak economy that has produced higher operating costs and unstable enrollments for many colleges and universities. The changing demographic profile of students who are eligible for college has introduced new challenges to institutions of higher education, and most colleges have increased institutional support of financial aid to help the growing numbers of new-to-college, first-generation, low-income, and minority students. Other changes are proving to be “disruptive” to traditional forms of higher education—MOOCs (massive online open courses), the rise of interest in competency-based measures of learning, separation of teaching from assessment, the unbundling of other dimensions of the college experience and college degrees, and adaptive learning software.

The confluence of disruptive forces has led campus leaders to consider anew the appropriate balance between continuity and change. This tension is felt especially acutely among one particular group of postsecondary institutions: small and mid-sized, independent, nonprofit colleges and universities. Indeed, the very attributes that distinguish these institutions from the whole of American higher education—a strong general education in the liberal arts, dedication to classroom teaching, purposefulness about moral and civic values, small classes, close partnerships between the campus and its surrounding community, and governing structures that are not part of state government—have been called into question.

To be sure, institutional sustainability in this environment will depend on successful adaptation to new realities. But it also will require preservation of core character. Understanding what is essential to the educational experience for students at small and mid-sized liberal arts colleges—and what is incidental—can provide a framework for exploring the ways in which America’s independent colleges and universities might craft new models for their operations and their governance. Within this framework, an analysis of recent trends can suggest prudent paths forward for independent higher education.

This white paper begins by tracing the present contours of the independent college sector. It describes what we currently know about these institutions and their distinctive contributions to higher education, and then discusses factors that may threaten the future of liberal arts colleges and universities and suggests topics for research that could help in formulating solutions.

Support of Private, Nonprofit Colleges and Universities

The Council of Independent Colleges (CIC), the major national service organization for small and mid-sized, private, nonprofit colleges and universities in the U.S., focuses on providing services to campus leaders through seminars, workshops and programs that assist institutions in improving educational effectiveness, administrative and financial performance, and institutional visibility. Since 2004, CIC has produced two annual national benchmarking reports for member presidents designed to enhance institutional effectiveness and decision making through the use of comparative data. CIC’s Key Indicators Tool (KIT) contains 20 indicators of institutional performance for small and mid-sized private not-for-profit colleges and universities, including measures related to students, faculty, resources and expenditures. CIC’s Financial Indicators Tool (FIT) presents an assessment of an institution’s financial performance over time in the areas of resource sufficiency, debt management, asset performance, and operating results. In recent years, CIC has been able to provide both KIT and FIT to member presidents free of charge because of the continuing sponsorship of TIAA-CREF. In addition, through its Making the Case website, CIC has created a clearinghouse of information regarding the quality and effectiveness of small and mid-sized independent colleges and universities. CIC also periodically undertakes topical research projects to add to the body of knowledge about independent higher education. Recent examples include studies of the career paths of independent college presidents and chief academic officers, and of the learning outcomes of underrepresented students who attend private colleges.

Character of Private, Nonprofit Higher Education

To many, it is evident that small and mid-sized independent colleges and universities are modestly-resourced and market-sensitive, yet highly effective providers of high quality education. These colleges have been leaders in the voluntary assessment of student learning outcomes. Furthermore, the independent college ranks include a diverse array of institutions, from those informed by particular faith traditions (for example, Catholic colleges, evangelical Christian colleges), to those committed to serving a particular type of student (for example, HBCUs, women’s colleges), to those seeking to cultivate a distinctive student experience (for example, work colleges, “great books” colleges). Although the interests and populations served may vary from institution to institution, one factor is a constant across the sector—a mission-centered approach to educating students.
Less well-known, perhaps, are the positive effects of this mission-centered approach to American higher education. CIC’s research has documented several hallmarks:

1. Private, nonprofit liberal arts-oriented colleges and universities are affordable.

As evidenced by recent proposals to tie institutional eligibility for federal student financial aid to such performance measures as affordability, public attention to the issue of college costs has reached an all-time high. Many believe that private higher education is a main culprit driving out-of-control tuition increases and placing a liberal arts education out of reach of the vast majority of Americans. Yet the facts tell a very different story:

- Slightly more than one-third of students who graduated with a bachelor’s degree from an independent college or university in 2011–2012 had no educational debt. The average student loan debt of graduates of private nonprofit four-year colleges and universities is $19,500, whereas the average debt of all graduates is $15,800.1

- Independent colleges and universities give students more than six times as much grant aid, from their own institutional funds, as the federal government gives them in grant aid programs.2

2. Liberal arts-oriented colleges and universities provide access and academic success for students, including first-generation, low-income, and minority students.

The stereotype of private liberal arts colleges as serving only an elite group of privileged students persists despite significant evidence to the contrary:

Access

- Approximately one-third of all undergraduates at four-year independent colleges and universities are students of color (36.7 percent), a proportion that is comparable with the national average (35.4 percent).3

- Slightly more than 16 percent of students enrolled at independent colleges are from low-income backgrounds (annual family income less than $25,000). Upper-income students (annual family income of at least $105,000) make up only 32 percent of enrollments at independent colleges.4

- Independent colleges and universities serve other diverse groups of students as well. More than one-quarter of students at independent colleges and universities are 25 years of age or older, and almost one-quarter attend college part-time.5

Academic Success

- Graduation rates at independent colleges and universities are strong. The six-year graduation rate at independent colleges is 65 percent compared with a national average of 58.8 percent.6

- The median time-to-degree for graduates of independent four-year colleges is 45 months.7

- Students of color, first-generation students, and low-income students are all likely to graduate from independent colleges and universities. Consider the following:

  - The six-year graduation rate of African American students enrolled at independent colleges and universities is 43.8 percent compared with the national average of 39.9 percent.8

  - The six-year graduation rate of Hispanic students enrolled at independent colleges and universities is 60.4 percent compared with the national average of 51.0 percent.9

  - The six-year graduation rate of first-generation students at independent colleges and universities is 70.10

- Students with multiple “risk factors” (for example, delayed enrollment after high school, no high school diploma, part-time enrollment, financially independent, having dependents, single parent status, and working full-time while enrolled) are more likely to succeed at independent colleges and universities than their peers at other institutions.11

3. A liberal arts education prepares students for success in life and career.

- An overwhelming majority of employers (80 percent) surveyed in 2013 agreed that, regardless of major, every college student should acquire broad knowledge in the liberal arts and sciences.12

- Nearly all employers (93 percent) in the survey agreed that “a candidate’s demonstrated capacity to think critically, communicate clearly, and solve complex problems is more important than their undergraduate major.”13

- Young people who are enrolled in independent colleges and universities are likely to volunteer their service to the community: 64 percent of 16–24-year-olds at independent colleges and universities volunteered compared with 22 percent of all 16–24-year-olds in the general population.14
• Young people enrolled in independent colleges and universities are likely to register to vote: 77 percent of 18- to 24-year-olds at four-year independent colleges and universities registered to vote in the 2008 presidential election, compared with 53 percent of all 18- to 24-year-olds in the general population.15

Emergent Challenges to Liberal Arts Colleges and Universities

What follows is an overview of the most pressing challenges on the horizon and recommendations for how they might be addressed.

1. How can independent small and mid-sized colleges develop new business models in response to the current economic pressures?

Recent years have witnessed a public disinvestment in higher education. Decreases in public funding of higher education have taken the form of both smaller state appropriations to public institutions and cuts to portable state grants to students. To compensate for recent shortfalls, independent colleges and universities have provided a larger amount of institutional aid to students each year. This trend, combined with the steady increase in dependence on net tuition as a percentage of total expenses and the residual decrease of endowment earnings due to the 2008 market decline, has led many college leaders to ask whether the current high price/high aid model of small college finance is sustainable. Identifying new revenue streams to support independent colleges and universities is especially challenging given their almost singular focus on teaching rather than research that might be funded by government or industry.

Key questions to guide future research that could help to inform leaders of liberal arts colleges and universities include:

• The sources of institutional revenue at small and mid-sized independent colleges are fewer and less diverse than at public colleges and universities. What lessons can small private colleges learn from the business models of large research universities? Do untapped revenue streams exist that align well with the missions of small and mid-sized liberal arts colleges? If so, how can these revenue streams be accessed effectively?

• Which innovative approaches to new business models for independent colleges are proving most effective and why? Some private colleges have drastically reduced their tuition and eliminated most merit-based financial aid. Does this strategy increase market demand by attracting a greater number of debt-averse applicants, or does it sacrifice the consumer surplus that could be captured through differential pricing, as some economists have argued?16 Others have experimented with charging differential tuition for different major courses of study. What effect does this approach have on net tuition and a student’s choice of major?

• Small and mid-sized independent colleges and universities make an economic contribution to their local communities by providing services and employment opportunities. As these institutions seek to increase their economic impact, how can they develop synergies with their regions’ economic development plans? What are the costs and benefits of local tax exemptions for colleges and universities? What are the benefits of relying less on state governments’ subsidies? How can effective new business models, such as corporate/college partnerships, be identified and implemented across the sector of independent higher education?

2. How should new learning technologies be utilized in the liberal arts college context?

In recent months, there has been a flood of interest in a phenomenon that did not exist even two years ago. When MOOCs burst onto the higher education scene, they stimulated consideration of several new approaches to online learning, including open online courses, closed online courses, online courses for college credit, disaggregated online courses for certificates and badges, online courses with and without tuition, and assessment of student learning separately from the instructor’s evaluation of student performance. However, CIC tends to agree with Thomas Friedman, who wrote:

“There is still huge value in the residential college experience and the teacher-student and student-student interactions it facilitates. But to thrive, universities will have to nurture even more of those unique experiences while blending in technology to improve education outcomes in measurable ways at lower costs. We still need more research on what works, but standing still is not an option.”17

On the one hand, liberal arts colleges emphasize low student-faculty ratios and close interpersonal relationships between faculty members and students, and among students, as key elements of the distinctive educational experience and the strong record of student success that they offer. On the other hand, MOOCs in particular and online learning more generally, are demonstrating the potential for many thousands, and even tens of thousands, of students to take the same course without personal interaction with either the professor or other students. Are these two teaching and learning approaches hopelessly in conflict? Can liberal arts colleges embrace aspects of the new teaching
and learning technologies without sacrificing fundamental advantages of a residential college experience?

It has been well documented that online alternatives to very large lecture courses at the introductory level can lead to increased student learning, decreased costs of instruction, and reduced attrition in these “gatekeeper” courses to popular majors. This is especially true for courses in the sciences and professional fields that are inherently sequential and cumulative. Far less is known, however, about the value of online pedagogies for intermediate and advanced courses in the humanities and social sciences. Given the relative lack of capacity for small academic departments in small liberal arts colleges to offer a range of upper-level courses, the greatest potential benefits of online pedagogies for these colleges may be in the more specialized courses in the humanities and social sciences.

Now, while still in the early stages of the use of new learning technologies, is the time to learn more about their effect on teaching and learning than is currently known. As William G. Bowen said recently, “The world of educational technology continues to develop very rapidly and could go in a great many directions. While we cannot afford to remain totally on the sidelines right now, we need to proceed with caution, and may, at times, find ourselves having to wait to see how developments unfold.”

Key questions to guide future research include:

- Two-thirds of all colleges already offer some form of distance education, such as online and hybrid courses. How have these institutions fared in such ventures? How do the learning outcomes of students who enroll in online or hybrid courses compare with those of students who take traditional courses? Do distance learning offerings augment or merely cannibalize student enrollments? What innovations are worth adopting or adapting to suit the traditional model of independent higher education?

- Widespread concern persists that alterations to traditional forms of instructional delivery will ultimately undermine the traditional liberal arts college. How can such apparent threats as unbundling co-curricular components of education and MOOCs be used to support higher learning in private colleges and universities? How will the role of faculty members be transformed by the new institutional models? What will be the impact of a decline in the number of full-time faculty members on student learning, quality of academic and career advising, undergraduate research, service learning, shared governance, and other important elements of a college education that depend upon active faculty engagement?

- Scholars of web-based learning environments, such as Ross Strader and Candace Thille, have noted that care must be taken when designing online courses to ensure that technology is used to design a better system rather than simply replicating current modes of instructional delivery. As leaders in instructional design and measurement of student learning outcomes, what role could small and mid-sized private colleges play in translating the hallmarks of a small private college experience, such as small classes and personal attention to students, to online learning platforms? MOOCs have been launched almost solely in the large research university context. As they continue to develop online course offerings, what lessons could these institutions learn from small and mid-sized private colleges regarding optimal ways to foster student success?

3. How can independent higher education serve the national interest and contribute to the national college completion agenda?

The American system of higher education has fostered an increase in the rate of college-going students from less than half of all high school graduates 50 years ago to more than two-thirds today. The federal government, several major foundations, and higher education itself have set as their highest priority increasing further the number of citizens, especially first-generation, low-income, and students of color, who hold high quality college degrees. Independent higher education intends to continue to invest in educational practices that have proven to be most effective in admitting, retaining, and graduating so-called “at risk” student populations, including adult, transfer, low-income, and first-generation students as well as students of color. Students in independent colleges today pay less than half the published tuition price on average, and these facts bear repeating: private scholarship funds total six times the amount of federal funds awarded, and low-income students account for about 30 percent of all students.

Key questions to guide future research include:

- What are the structures that support effective partnerships between K–12 education and independent liberal arts colleges and universities? Could programs designed to create pathways to college for low-income and first-generation students, such as the federal TRIO program, Upward Bound, and summer bridge programs, serve as models to increase educational opportunities for first-generation students, students from low-income backgrounds, and students of color?
• What are the most common barriers and challenges faced by community college students before, during, and after transferring to independent four-year institutions? How can the best transfer practices in independent higher education, especially those that have been proven to overcome the most common challenges, be identified and disseminated throughout higher education?

4. How can the traditional liberal arts college experience be sustained as economic and demographic pressures increase?

CIC member institutions have relatively small student populations and low student-faculty ratios: In fall 2011, the median enrollment for the sector was 1,771 students and the median student-faculty ratio of 14:1. Students who attend small and mid-sized independent colleges and universities are more likely than their peers in other sectors to report high-quality interactions with their professors, such as discussions of grades or assignments, discussions about personal career plans, prompt written or oral feedback on academic performance, and conversations with faculty members outside of class. Moreover, independent college alumni are four times as likely (62 percent vs. 15 percent) to say that they benefited very much from many small classes with fewer than 20 students, and nearly twice as likely (54 percent vs. 30 percent) to say that they benefited very much from high-quality, teaching-oriented faculty members.

However, CIC’s research shows that the median percentage of part-time faculty at independent colleges and universities has steadily increased over the past fifteen years, from 18.3 percent in fall 1997 to 22.8 percent in fall 2011. Less clear is the extent to which this traditional liberal arts college workforce model is sustainable—will adjustments at the margins be sufficient? In addition, faculty demographics suggest a coming wave of retirements across higher education that could increase competition for future faculty members and leave small and mid-sized independent colleges increasingly vulnerable to poaching by research universities.

Key questions to guide future research include:

• What impact do increased numbers of adjunct instructors have on fulfillment of the institution’s mission? How is the student experience affected?

• Small institutions have limited redundancy in faculty expertise. What steps can be taken to ensure continuity of quality in critical subject areas upon the retirement of long-serving faculty members? What opportunities exist to manage coming transitions through partnerships with graduate programs at research universities that develop and place the best doctoral students in faculty vacancies?

5. How can the governance of independent colleges and universities adjust to new realities by leading from their institutional missions?

The transformational changes of the 21st century have required leaders of small and mid-sized independent colleges and universities to expand their vision in order to navigate an uncertain milieu, leading some to question the essential characteristics of the liberal arts college, such as shared governance and a robust core curriculum. Regrettably, in recent years, there has been a spate of articles, speeches, conference presentations, and letters to newspaper editors attacking the value of the liberal arts and the colleges whose curricula are based in the liberal arts disciplines. Accumulating evidence indicates that the diatribes against the liberal arts by state governors, state and federal legislatures, reporters, and others are affecting public opinion and public policy. Some state policy makers, for example, are recommending that students pay higher tuition for liberal arts courses and offer less state aid for students who concentrate in liberal arts fields.

Among the sobering results of this disaffection with the liberal arts: nearly 90 percent of this year’s first-year students said they are going to college to “get a better job” and more than two-thirds said the goal of going to college is to “make more money.” Further, fewer than 12 percent of all bachelor’s degrees are awarded in the humanities.

Contemporary economic and cultural pressures compel leaders of small and mid-sized liberal arts colleges to understand and clearly articulate the mission-centered nature of the institutions they serve. Institutional innovations must serve both bedrock purposes and the bottom line, and the stewards of independent higher education will need a unique skill set to meet this mandate.

A recent trend among boards of trustees is to request that college leaders make plans for their succession. On the one hand, succession plans help assure continuity in the leadership direction of the institution and smooth leadership transitions. On the other hand, leadership appointments from within the institution could lead to institutional stagnation.

Key questions to guide future research include:

• Jim Collins has argued that “[w]e must reject the idea...that the primary path to greatness in the social sectors is to ‘become more like a business’. How can governing boards shepherd adaptation to economic realities and the possibilities presented by new technologies in a manner consistent with the structures and values of the mission-driven nonprofit sector?
Widespread adoption of online delivery of course content poses important questions regarding shared governance. Who owns course content? Does standardization of online courses threaten the role of the faculty and their academic freedom?

Are there new approaches to shared governance that enable independent colleges to adapt quickly to changing environmental and economic conditions yet remain consistent with core principles and academic mission? Are there governance structures that support administrators’ judgment, honor faculty expertise, and maximize board stewardship that are both efficient and effective?

How can succession planning be accompanied with allowances for fresh ideas and perspectives? When do institutions call on a vice president to lead the institution and when do they appoint presidents-elect to vice presidencies? Are qualities an institution needs in a president necessarily those that it needs in its vice presidents?

Conclusion

At a time when most of higher education is on the defensive, private, nonprofit colleges and universities have had remarkable success on a small scale. If these lessons are to be instrumental in policy discussions, more needs to be understood about these institutions, especially in light of the present challenges that threaten their current financial equilibrium, their high-cost/low student-to-faculty educational approach, and their ability to contribute disproportionately to the solution of high priority national challenges. The Council of Independent Colleges hopes to undertake and contribute to some of the research that will help answer these important questions.

Council of Independent Colleges

The Council of Independent Colleges (CIC) is an association of 645 nonprofit independent colleges and universities and 90 higher education organizations that has worked since 1956 to support college and university leadership, advance institutional excellence, and enhance public understanding of private higher education’s contributions to society. CIC is the major national organization that focuses on providing services to leaders of independent colleges and universities as well as conferences, seminars, and other programs that help institutions to improve the quality of education, administrative and financial performance, and institutional visibility. CIC also provides support to state fundraising associations that organize programs and generate contributions for private colleges and universities. The Council is headquartered at One Dupont Circle in Washington, DC.
7 National Center for Education Statistics (NCES), 2011. 2008-09 Baccalaureate and Beyond Longitudinal Study (B&B:08/09). Time to degree for 2007–08 first-time bachelor’s degree recipients.
9 Ibid.
11 Ibid.
15 Ibid.
28 Ibid.