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HIGHER ED

Phoenix, Ownership, and Control

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Life happens when it happens, but I picked a hell of a week to take a blogging break. The University of Phoenix has been informed that it's likely to be put on probation by the Higher Learning Commission of the North Central Association, its regional accreditor.

We already knew that it was likely to be put "on notice." When I mentioned that previously, and noted the possible consequences, one commenter insinuated that I was trying to short the stock. I wasn't -- I have no financial interest either way -- but I found the accusation interesting. Now it's going from "on notice" -- which is serious enough -- to "on probation." No amount of ad hominem will get around that.

But what's really interesting is the grounds for the finding. Although the academic interwebs are rife with schadenfreude, the basis for the finding doesn't seem to be any of the usual hobbyhorses. It's not overreliance on adjuncts, or insufficient outcomes assessment, or the profit motive itself that motivated the probation: it's "insufficient autonomy relative to its parent corporation..."

The Apollo group is the holding company that owns and controls the University of Phoenix. Apparently, the accreditors are concerned that the University is insufficiently independent of the holding company.

Whatever you think of the U of P, this is a fascinating standard. I'll be curious to see whether this standard gets applied to state systems.

In the public sector, the traditional mechanism for ensuring some level of campus autonomy from the state is the Board of Trustees. Some Boards are more independent than others, and different states organize them differently, but the general idea is that Board members are supposed to be more than just mouthpieces for the governor. They're supposed to bring independent judgment to bear on the question of whether the college (and specifically the president) is fulfilling the mission of the college successfully and ethically.

In the classic model, a Board is comprised of influential and accomplished people who take the long view of the mission and success of the college. (Historically, they also tend to be donors to the college.) The Board has to be cognizant of resources, which in public systems necessarily entails paying attention to the state and/or local government. The Board selects and evaluates the president, which involves setting high-level goals for the college, but it generally doesn't intrude on daily operations. Those are understood to be the responsibility of the college administration.

Boards act as buffers between short-term political pressures and local administration. Given the speed with which political offices turn over, it's important to have some level of consistency over time to allow local innovations and program a chance to flourish.

Over the past few years, there has been a move afoot among states to clamp down on Board independence, even while state funding has dropped. Connecticut is the most prominent example, but it's hardly alone. From the perspective of a state legislature, local autonomy can look a lot like high-minded foot-dragging. When there's a public policy goal to achieve, it's easy for legislators to think of campuses as simple extensions of the state, subject to state control just like any other agency.

In this case, though, the HLC is trying to draw some sort of line between the folks who write (some of) the checks and the folks who make academic decisions. (In reality, most of the checks come from the students, with or without federal financial aid.) In other words, they're challenging trustees to do what trustees are supposed to do, and by implication, they're challenging both states and investors to back off a bit.

The acid test for me will be to see whether this same standard gets applied to public colleges. (By "applied," I mean that someone gets sanctioned for not following it.) Ironically enough, in the early twentieth century, serious social thinkers saw the defining character of the modern corporation as the separation of ownership from control. The HLC, in its way, is challenging a modern corporation to get back to its roots. Allow some academic autonomy as a form of quality control, so the competition that does happen is on quality, rather than just marketing. And even more ironically, the HLC may well wind up mandating that states act more like modern corporations once did, separating ownership from control. And for much the same reason.

I don't think it was either Phoenix' or HLC's intention to get us back to the foundations of corporate governance. But if that's what it takes to restore the insulation between financial and academic decisionmaking, I'll take it.