

The Flogging of For-Profit Colleges

Richard P. Hassler

In recent years, negative commentary about for-profit colleges has become commonplace in respectable academic literature. I am no longer surprised when a well-respected professor or academic leader publishes an article condemning the missions, operations, or academic practices of postsecondary for-profit schools. In certain cases, some of their negativism may have merit. Indeed, there may be some smaller, privately-owned for-profit schools whose operations prioritize the bottom line, thus raising suspicions in the larger academic community. But the negative press does not typically mention these smaller schools. The disapproving discourse usually targets the large, publicly held for-profit institutions.

These school/corporations, owned by their stockholders, operate dozens, and in some cases hundreds of separate campuses in almost every state in America. This alone is a tall order. In fact, as publicly held companies, these institutions deal with many operational challenges beyond those of their smaller privately owned counterparts. However, the obstacles created by these challenges are not insurmountable, and for-profit schools do provide a badly needed avenue to degree completion for students interested in a quick start to a potentially rewarding career. Sadly, rare is the case that a corporate executive or other key player from one of these for-profit institutions dives into the prevailing, usually negative, academic dialog to defend that which he or she so passionately leads. This commentary is my attempt at such a defense, which I will undertake by tying together those misunderstood fragments of fact that are usually examined alone, and too often give rise to what I call “flogging the for-profits.”

Higher Education vs. Postsecondary Training

It has become increasingly obvious to me that most faculty and administrators working in major colleges and universities share a common misconception about the role of postsecondary for-profit institutions. Some of these pessimists believe the for-profits offer their programs of study in a predominantly online format, which simply is not the case. There is actually an imbal-

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ance in favor of campus-based instruction throughout the proprietary school industry. Many of these academics also believe that the for-profit conglomerates tout themselves as equivalent to the colleges and universities to which they belong. For example, in speaking against the consumerist approach of the for-profits, Michael Potts argued that, "the fundamental end of the college or university is to impart knowledge, including particular intellectual virtues such as free inquiry, intellectual honesty, and academic excellence."¹ Here, he makes an indisputable point, but his perception is misplaced. To illustrate, consider these excerpts from the mission statements of the following for-profit conglomerates:

ITT Educational Services, Inc.

The mission of ITT Educational Services, Inc. is to provide a quality postsecondary education and the services that can help a diverse student body to prepare for career opportunities in various fields involving technology.²

Career Education Corporation

Our mission is to serve students from diverse backgrounds, seeking to enhance their individual worth and professional potential, by delivering quality educational programs and services. Our faculty and staff are committed to promoting student success as measured by graduation and career achievement.³

University of Phoenix

The Mission of University of Phoenix is to provide access to higher education opportunities that enable students to develop the knowledge and skills necessary to achieve their professional goals, improve the productivity of their organizations, and provide leadership and service to their communities.⁴

Strayer Education, Inc.

Our mission is to make high quality, post-secondary education achievable for working adults.⁵

Corinthian Colleges, Inc.

Our mission is to help students prepare for careers that are in demand or advance in their chosen career.⁶

DeVry, Inc.

The mission of DeVry University is to foster student learning through high-quality, career-oriented undergraduate and graduate programs in technology, business, and management.⁷

Now consider the following mission statement excerpts from some major universities from around the country. Some of these excerpts are from research universities, and some are from teaching universities. I draw from both because those who flog the for-profits hail from both.

Columbia University

Columbia University is one of the world's most important centers of research and at the same time a distinctive and distinguished learning environment for undergraduates and graduate students in many scholarly and professional fields.... It expects all areas of the university to advance knowledge and learning at the highest level and to convey the products of its efforts to the world.⁸

Rice University

As a leading research university with a distinctive commitment to undergraduate education, Rice University aspires to pathbreaking research, unsurpassed teaching, and contributions to the betterment of our world. It seeks to fulfill this mission by cultivating a diverse community of learning and discovery that produces leaders across the spectrum of human endeavor.⁹

The Johns Hopkins University

The mission of The Johns Hopkins University is to educate its students and cultivate their capacity for life-long learning, to foster independent and original research, and to bring the benefits of discovery to the world.¹⁰

Youngstown State University

The University is dedicated to outstanding teaching, scholarship, and service and to forging connections among these three interactive components of its mission;

fostering student-faculty relationships that enrich teaching and learning, develop scholarship, and encourage public service;

promoting diversity and an understanding of global perspectives;

advancing the intellectual, cultural, and economic life of the state and region.¹¹

Methodist College

The purpose of Methodist College is to provide an undergraduate and graduate education firmly grounded in the liberal arts tradition that nurtures moral values and ethical decision making; to provide distinctive professional and graduate programs that complement the undergraduate programs; to provide educational and cultural services and resources to the community; and to prepare students for a variety of careers and educational pursuits.¹²

University of Denver

The mission of the University of Denver is to promote learning by engaging students, advancing scholarly inquiry, cultivating critical thought, and creating knowledge. We empower the lives and futures of students by fostering productive synergies between intellectual and personal development, research and teaching, disciplinary and interdisciplinary perspectives, classroom and experience-based learning, and theoretical knowledge and professional practice. Our engagement with diverse local and global communities contributes to the common good.¹³

What are the common threads found in each set of excerpts, and how are the two sets different? Mission statements from the for-profit schools mention career opportunities, career achievement, achieving professional goals, programs geared toward working adults, preparation for careers, and programs that are career-oriented. On the other hand, mission statements from the universities mention the advancement of knowledge, learning at the highest level, diverse communities of learning, fostering independent and original research, developing scholarship, nurturing moral values and ethical decision making, advancing scholarly inquiry, cultivating critical thought, and creating knowledge. These excerpts make clear that Potts' "fundamental end of the college or university" is a good match for the latter set of mission statements and not a match at all for the former. If Potts is right, and I believe he is, then his misconception is thinking that all postsecondary education is tantamount to the education offered by the academy, which the mission statements above clearly indicate is not the case. In reality, the for-profit conglomerates are the first to make public their desire to prepare students for careers, while carefully avoiding any suggestion that they are research or teaching universities. Moreover, a for-profit school that uses the words, "college" or "university" in its name does not by default make it a college or university in the traditional sense, nor do I believe that students who attend these for-profit institutions think they are attending a traditional university, even if it is in the name.

Accreditation and Title IV

Educators across the country are intimately familiar with the challenges of gaining and maintaining accreditation. Accreditation influences not only the day-to-day operations, but also the long-term strategic planning of all institutes of higher education. However, since this is a topic of immense depth, I will only discuss why all institutions need accreditation and why those who flog the for-profits often justify their lashings by incorrectly citing accreditation as a reason to do so.

A very important reason why most postsecondary institutions seek and maintain accreditation is to gain access to Title IV HEA funding programs. According to the U.S. Department of Education, "most institutions attain eligibility for Federal funds by holding accredited or preaccredited status with one of

the accrediting agencies recognized by the Secretary.”¹⁴ The key to this statement is “recognized by the Secretary.” At the federal level, the Secretary of Education—currently Margaret Spellings—and her staff are responsible for recognizing accrediting agencies as outlined in the Federal Register, Part 602.¹⁵ Since the federal government also manages Title IV HEA programs, this is a sensible if not necessary first step. Once the Secretary recognizes an agency, any school accredited by that agency has the authority to allow qualified students to apply for Title IV HEA funding programs. These programs have become a vital part of the fiscal operations of all postsecondary institutions. Most students, whether they attend a public university or a for-profit conglomerate, participate in Title IV programs. However, the number of attending students who *must* rely on access to Title IV is different at public institutions than at the for-profits. Although the amount of state support for public universities has been decreasing recently, the tuition numbers at most universities are still reasonable enough to allow some students to minimize if not eliminate their participation in Title IV programs. This is not the case for the for-profits. These institutions generate revenue almost entirely from tuition and fees—no endowments, no donations, no state support. Accordingly, the tuition for a two-year associate’s degree at a for-profit school may be 20, 30, or even 40 thousand dollars. It is, therefore, exceedingly rare to find an attending student in a for-profit school who is *not* taking advantage of what Title IV has to offer. Because of this reliance on Title IV, there is a heavy burden on for-profit schools to maintain an exemplary record in the eyes of both the accrediting agencies and the Secretary. Yet those who flog the for-profits often cite these extraordinary tuition numbers as evidence that the for-profit conglomerates are unfairly and incorrectly taking advantage of students and the federal government. Moreover, it has been suggested that money directly from, or secured through, Title IV programs should not be used, even indirectly, to profit shareholders. Unfortunately, these are misguided perceptions. The federal government is fully aware that qualified, accredited for-profit schools take advantage of these programs and that federal money eventually ends up in the pockets of shareholders. In addition, Title IV sets well-defined limits on how much money the government will guarantee at various degree levels, and for an associate’s degree, that limit is *far* below the tuition number I mentioned. As a result, many students who attend for-profit institutions simply maximize their Title IV eligibility and seek private funding to make up the difference. This does not pervert the system, nor does it take advantage of students. In fact, to flog the for-profits with such claims of impropriety is very much the same as accusing both the accrediting agencies and the U.S. Department of Education of allowing such bad behavior to continue, which is highly unlikely.

Another item often mentioned in the for-profit floggings is the issue of accreditation type. In American postsecondary education, not all accreditation is alike. The Council for Higher Education Accreditation (CHEA) delineates

accreditation by type as Regional, Faith-Based, Private Career, or Specialized and Professional.¹⁶ In many cases, for-profit floggings come from scholars working in regionally accredited institutions, with their “concerns” directed toward one or more institutions holding private career accreditation. This is an interesting phenomenon, given the fact that most public colleges and universities hold regional accreditation, but the for-profit conglomerates hold an almost even mix of regional and private career accreditation. The mystery deepens when we remember that both the academy and for-profit institutions need accreditation recognized by the Secretary. Since this is true, it makes no sense to flog a for-profit school for reasons related to its accreditation type. However, this may be due in part to recent scholarly rhetoric that has endeavored to dilute the credibility of private career accreditation when compared to its regional counterpart. It is true that there are differences between the accreditation criteria from the regional commissions compared to the criteria published by the private career agencies. These differences, however divergent, do not preclude the fact that both regional and private career accrediting agencies march to the beat of the Secretary. In fact, a careful read of Part 602 reveals the paradigm around which all accrediting agencies engineer their criteria. The bottom line is that the Secretary, through Part 602, establishes guidelines for all accrediting agencies to follow for recognition. Since both regional and private career accrediting agencies need this recognition, they follow the guidelines published in Part 602, thus establishing sets of accreditation criteria that are quite similar. It therefore becomes exceedingly difficult to understand how anyone could justify flogging a for-profit for reasons related to accreditation alone.

Defending Customer Service: An Operational Model

Even the title of Michael Potts’s article, *The Consumerist Subversion of Education* suggests a kind of intentional undermining of the entire higher education system. Potts sets out a series of difficulties associated with a customer service approach to education (customer service strategies are what the for-profits practice), the most serious of which is the claim “that the consumer model of higher education marks a fundamental assault on higher education, destroying it from within.”¹⁷ Potts believes that viewing and treating students as customers compromises the authority of faculty and administrators and “encourages the student to forgo honesty and free inquiry in favor of ‘doing what it takes’ to ‘succeed.’”¹⁸ It is true that when schools promote student/customer operations, for-profit or not, they soon discover unique and often difficult challenges associated with such a posture, and therefore Potts would be correct if he suggested a *potential* subversion of education. For Potts, however, the subversion *is* treating students like customers, even in schools that manage their customer service operations successfully. Potts’s position is common, al-

beit misplaced, because of a fundamental misunderstanding of the correct—and I might add, ethical—way to operate a student centered, for-profit postsecondary institution, which I will outline in this section.

It took over a decade of full-time faculty employment working for proprietary schools before I began to understand the dynamics of the postsecondary for-profit education industry. I now believe that those who flog the for-profits do so primarily because of a similar misunderstanding. At first, the words “proprietary education” to me seemed mutually exclusive—a kind of oxymoron, the intricacies of which escaped me. It was not until circa 1990, and a number of years teaching at a large for-profit institution, that I saw a consistent approach to customer service in every department in the school. I was quite impressed with the way this organization managed what seemed to be an insurmountable dichotomy—corporate business vs. postsecondary education. I now realize this is not an impossible dilemma to overcome—forcing business to intermingle with education. In fact, for-profit postsecondary schools can maximize the possibility of their success by doing exactly what the floggers still claim cannot work, or at least what they say does not belong in the halls of academia. This all begins with the proverbial question, why—why do the for-profits insist on, and in some cases mandate, a customer service posture toward their students? The answer lies in what I call the *Fiscal Chain*.

The Fiscal Chain

Link One

Stock shareholders own the for-profit conglomerates unlike public colleges and universities. This places an extra burden of responsibility and accountability on the Board of Directors and the corporate managers of the institution. They must meet shareholder and market expectations lest they face the wrath of Wall Street and the FTC. This defines the fiscal responsibility of the corporation.

Link Two

This brand of fiscal responsibility can only happen if all operations in the organization work toward this common goal. All departments are obligated to operate in a manner consistent with maintaining shareholder value. Any operation that might jeopardize this aim is unacceptable because of Wall Street and FTC scrutiny.

Link Three

One good measure of shareholder value is stock price. Ideally, a continuously increasing stock price improves shareholder value, which in turn reflects fiscal responsibility and keeps Wall Street and the FTC happy.

Link Four

A key variable affecting stock price is company revenue. In general, with expenses under control, continuously increasing revenue numbers will yield a continuously increasing stock price.

Link Five

The for-profits generate revenue almost entirely from tuition. This strong reliance on income gives rise to solid and effective marketing strategies coupled with open or minimally restrictive enrollment practices. These practices are not uncommon in community colleges and at many public universities. This is a prime flogging target. If an institution misrepresents any aspect of the educational services it provides, the chain is broken. Misrepresentation includes, but is not limited to, guaranteed employment after graduation, guaranteed or unrealistic starting salaries after graduation, and promises of academic performance before the fact.

Link Six

The for-profits sustain revenue by retaining students in their chosen programs of study for as long as possible, ideally until graduation. Herein lies what I see as the predominant operational difference between the academy and the for-profits. Most for-profit floggers draw from their experiences in public higher education. Accordingly, they only know how to relate to students in ways consistent with the missions and operations of the academy, and perhaps the faculty unions to which they may belong. Moreover, Potts is clear, and I agree, that "the fundamental end of the college or university is to impart knowledge, including particular intellectual virtues such as free inquiry, intellectual honesty, and academic excellence."¹⁹ Since the college or university to which Potts refers is tuned to develop such attributes, it becomes quite difficult if not impossible in the academy to justify implementing aggressive retention strategies, such as contacting and advising every student who misses even one class meeting.

Link Seven: The Transition to Customer Service

At this point, many of those who lack direct experience working for a postsecondary proprietary school draw a critical and incorrect conclusion. They believe revenue generation (Link Five) is primarily a marketing and admissions function, while sustaining revenue, (Link Six), because of its student retention overtones, is the sole responsibility of academic affairs. Unfortunately, it can take many years of direct work experience in the for-profit school industry to understand that this is not the case. In reality, retention begins at the front door and continues even after graduation. This not only involves all departments in the school, but also serves as the framework within which customer service resides. Only from here (Link Seven) can we truly understand

and hopefully appreciate how a customer service posture spells success for the institution and its students.

Universal Customer Service

To a certain extent, it is understandable why the academy resists employing the customer service strategies that have become the operational hallmark of so many for-profit institutions. It is also fair to say that some colleges and universities understand, and occasionally rely on, customer service principles in some of their departments. However, such a posture is inconsistent with the academic rather than career-focused missions of these universities. On the other hand, the for-profits are free to integrate customer service into all of their departments, mainly because their missions target career preparation rather than academics. Those who flog the for-profits generally do not understand the dynamics of this integration. I will, therefore, endeavor to give a generic explanation of how most postsecondary for-profit schools successfully achieve this, and why this approach actually helps rather than subverts higher education.

Most postsecondary proprietary institutions operate under a highly centralized structure, typically made up of dozens if not hundreds of individual campuses under the guidance and direction of a central office or headquarters. Although a customer service attitude predominates the organization at large, its end result plays out in the daily operations of each individual campus. These campuses normally include four departments, each of which has a unique way of implementing the customer service policies mandated by the corporation.

Admissions

Few would argue against the importance of first impressions—how long they last and how difficult they are to change—and nowhere are these impressions formed more concretely than during the admissions process. This may begin with the telephone, an unsolicited visit to the campus, or a direct-mailing invitation. In each case, the prospective student will eventually experience an initial personal contact, which will create that all-important first impression. With most for-profits practicing open or minimally restrictive enrollment, it is imperative that this initial impression be positive, so the enrollee looks forward to attending school. In reality, the enrolling student is the admissions department's customer, and if satisfied, the new student will start school with the positive attitude necessary to succeed. It is difficult to understand how this customer service approach undermines any aspect of higher education.

Financial Aid

In most for-profit schools, the finance department has two primary responsibilities that interrelate. This department not only helps students navigate the labyrinth of forms and regulations associated with gaining and maintain-

ing financial assistance, but also must manage the day-to-day fiscal operations of the local campus. Although the latter may only carry a far-reaching and indirect relationship to customer service, a customer service attitude toward students in need of financial assistance is essential. With such heavy reliance on tuition as revenue, maintaining cash flow from tuition payments becomes a top priority for the finance department. The success of this operation hinges on the department's ability to assess each student's financial aid eligibility, assist these students in gathering and completing stacks of paperwork, and make sure all students, especially the few who are self-pay or receive minimal outside assistance, meet their financial aid obligations. It seems clear that approaching these students as customers could only help the finance department satisfy its responsibilities. An effective customer-service technique not uncommon in the for-profits, but largely absent in the academy, is staffing the department so that students have access to financial aid administrators during all hours that classes are in session. This allows students to get the help they need with a minimum of inconvenience. Anything less runs the risk of dissatisfying students and, like customers patronizing a business, causing them to question the personalized attention these institutions so ardently promote. If implemented properly and consistently, this customer service approach should not undermine any aspect of higher education.

Career Services

A department of career services—sometimes called placement—serves two customers. These departments not only assist graduates and attending students with job placement, but also help current and prospective employers understand the benefits of hiring students from the school. Solid customer service strategies are very important to these two departmental objectives. On the one hand, students typically need part or full-time employment while attending school, and if these jobs relate to their discipline of study, all the better. However, many students are ignorant of the tactics necessary to search successfully for these jobs. Career services should use its resources to equip in-house students for meaningful and efficient job-search activities. In doing so, these students are acting as customers of the department, much the same as if they had enlisted the services of an employment agency. It is not unreasonable for these students to expect the career services department to be attentive and available, not unlike the customer service approach of the aforementioned finance department.

On the other hand, most for-profit schools consider helping in-house students subordinate to graduate placement assistance. This requires the department to match the needs of employers to the skills, training, education, and abilities of both prospective and recent graduates. This is a challenge for the career services department because there are now two customers in simultaneous view, the prospective employer and the pending or recent graduate.

Prospective employers deserve, and should expect, knowledgeable interaction with career services, especially with respect to the student referrals for which they are responsible. In addition, pending and recent graduates deserve, and should expect, adequate, accessible, and professional career advice to maximize the possibility of getting hired. In each case, adopting and maintaining quality customer service strategies keeps students and employers satisfied, which enhances the institution's image. It makes little sense to claim that such a customer service posture runs the risk of destabilizing higher education.

Academic Affairs

Notwithstanding the three previous departments, those who flog the for-profits tend to target academic affairs more than any of the other departments. These lashings come in many forms, but inevitably articulate the position that it is impossible for postsecondary institutions to regard students as customers *and* maintain academic quality. More often than not these pessimistic analyses point out the prevailing beliefs that although customers are always right, students are not, and that a consumerist view "corrupts students" and accordingly, "students will leave a college or university with less intellectual virtue (and perhaps even less knowledge) than they had when they started."²⁰ As true as this may be for the colleges and schools of the academy, this is simply not the case for the for-profits. In fact, a predominant reason why these corporate schools enjoy the financial success they do is because they have mastered the integration of customer service into academic affairs. Moreover, it is entirely incorrect to claim that any department of academic affairs may knowingly compromise academic quality in favor of consumerist ideologies, for to do so would spell the ultimate demise of any institution.

What is even more intriguing is just how simple it is to implement this integration. Moreover, when this is done consistently, worries about student retention all but disappear in favor of an atmosphere that promotes true concern for student success. The objective is to challenge students academically while maintaining a learning environment that is supportive, accessible, and relevant to all disciplines offered at the school. The for-profits do this by involving faculty in all aspects of the student's experience. For example, it is not uncommon for faculty to meet prospective students during the enrollment process, call every student who is absent with sincere concerns about the course material he or she missed, take an active role in advising high-risk students, and tutor struggling students at times other than the normal published office hours. These would be highly unusual practices in the academy. Again, it is difficult for me to understand how this approach undermines higher education.

In conclusion, I do not disagree that those who work in academia, including myself, view the academy as an institution whose primary objective is to impart knowledge and bestow intellectual virtue. I also agree that the issues raised by the floggers are important. However, the for-profits are not the acad-

emy, nor do they publicize themselves as such. Moreover, because of their traditions, the floggers tend to judge the for-profits through the filtered eyes of the academy, which is an unfair and often invalid basis for comparison. It is true that there are both academic and for-profit institutions whose operations are questionable. But to flog an entire segment of postsecondary education because of operational strategies that are inconsistent with your own is not unlike bashing all liberal arts colleges because of the limited career opportunities available to bachelor's degree graduates with majors such as English, sociology, history, and psychology. Students who earn these degrees, like the institutions that offer them, hold their unique place in higher education and no more deserve a flogging for their lack of career focus than the for-profits do for treating their students as customers.

Notes

1. Michael Potts, "The Consumerist Subversion of Education," *Academic Questions*, vol. 18, no. 3 (2005): 62.
2. Annual Report, ITT Educational Services (2004), 2.
3. Annual Report, Career Education Corporation (2005), 2.
4. See the University of Phoenix web site at http://www.phoenix.edu/about_us/mission_purposes/
5. Annual Report, Strayer Education, Inc. (2005), 3.
6. Annual Report, Corinthian Colleges, Inc. (2005), 2.
7. See the DeVry University web site at http://www.devryinc.com/investor_relations/annual_report/mission_statements.jsp
8. See the Columbia University web site at http://www.columbia.edu/about_columbia/mission.html
9. See the Rice University web site at http://professor.rice.edu/professor/Mission_Statement.asp
10. See The Johns Hopkins University web site at http://webapps.jhu.edu/jhuniverse/information_about_hopkins/about_jhu/mission_statement/index.cfm
11. See the Youngstown State University web site at <http://www.yosu.edu/mission.shtml>
12. See the Methodist College web site at http://www.methodist.edu/Home/wel_history.htm
13. See the University of Denver web site at <http://www.du.edu/upac/vvm.html>
14. See the Department of Education web site at http://www.ed.gov/admins/finaid/accred/accreditation_pg3.html#Recognition
15. Accrediting information is available from the Department of Education at http://www.ed.gov/admins/finaid/accred/accreditation_pg12.html
16. The Council for Higher Education Accreditation at <http://www.chea.org>.
17. Potts, "Consumerist Subversion," 54.
18. *Ibid.*, 62.
19. *Ibid.*
20. *Ibid.*, 62–63.