

## Understanding a College or University's Operational Sustainability

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Monday, July 8, 2024

What do St. Augustine University, American Academy of Arts College, Birmingham-Southern College, and slews of other colleges and universities have in common? These are higher education institutions that are having financial issues, on the verge of shutting down, or have recently shut down due to issues with operational sustainability. Many more colleges and universities will experience growing concerns about their operational sustainability in the upcoming months and years.

### **What is the issue?**

Many higher education institutions are facing growing operational sustainability. Operational sustainability is among the lifeblood for colleges and universities from things like offering program degrees, research and development, partnerships with governments, non-profits, and private sector. For many, some of the reasons for failing operational sustainability include lower enrollments, increased operation costs, and less funding from state governments and other sources. Another possible reason could be that there is more supply of colleges and universities than the demand warrants.

### **Why does it matter?**

Colleges and universities experiencing operational sustainability issues impacts everyone in an indirect and direct way. From a direct impact, students and faculty feel the effects of the college and university's operational issues. Cutbacks in services, classes, and other areas can lower morale and the reputation of the college or university. Another impact is on the community where the college or university is located. For many communities, the college or university tends to be an economic hub that provides revenue, research and development opportunities, jobs, and other opportunities. Growing operational sustainability issues among colleges and universities could have a negative impact on these communities and their coffers.

### **What to look for?**

Operational sustainability issues can occur for various reasons. It is important to pay attention to the actions that create risks for the college and university's operational sustainability. Here are some ways to identify risks that can impact a college and university's operational sustainability.

- Cryptic or vague messaging from the administration or board about the finances of the college or university,
- News reports or social media posts that highlight issues at the university before any responses from the administration,
- Accreditation issues,
- Cutbacks on sports programs with emphasis on the popular programs,
- Failing to issue "refunds" or provide excess financial aid amounts to students,
- Cutbacks on essential services,

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- Surprise increases in fees,
- Delays in payments to vendors,
- Faculty and staff paychecks are delays,
- Heavy emphasis on increases student enrollment without the capacity and resources to handle the increase,
- Board meetings are restricted from public viewing,
- Questionable partnerships touted to generate revenue, but results in transfer of assets, and
- Sudden departures of key individuals responsible for oversight, compliance, and finances.

This list is not inclusive as there may be other risks that create issues for a college or university's operational sustainability.

### **Takeaway**

Operational sustainability is an important part of keeping colleges and universities operating with the resources needed to meet their mission. Part of understanding operational sustainability, is to identify, assess, and address the risks to the college or university. And this calls for colleges and universities to take a more proactive approach to protecting their operational sustainability. Unfortunately, there will be colleges and universities that will have failed operational sustainability that results in being shuttered. On the other hand, those colleges and universities that identify, assess, and adapt their operational sustainability will thrive in challenging times.