Successful Strategic Management in Small Private Colleges

"The test of a first-rate intelligence is the ability to hold two opposed ideas in mind at the same time and still retain the ability to function," observed F. Scott Fitzgerald [13]. His observation has found its way into two recent books on strategic management—one for the business sector and the other for higher education, both highly readable, sensible, and well grounded in theory and practice [29, 48]. Both books reinforce the distinction between two implicit trains of thought in the strategic management literature that preceded them. The two ideas are fundamentally different from one another, and they are seldom juxtaposed either in theory or in practice. But, echoing Fitzgerald, the successful practice of strategic management may require the ability to function simultaneously in the context of both ideas.

Each of the two trains of thought is based on one of two premises: (1) the organization is an entity with its own goals and coherent, goal-directed actions, or (2) the organization is a network of participants who use their association to pursue their individual goals. The model of strategic management founded on the first premise, here called the "adaptive" model, involves attuning the organization to changes in market demands and reorienting the organization as needed in order to maintain or increase the flow of resources from the market to the organization. On the basis of this model, colleges and universities have been advised to conduct market research, monitor trends in their environment, increase their flexibility (hiring part-time faculty, limiting tenure awards, relaxing regulations), and update their program offerings [12, 22, 23, 35, 57]. In what may be the clearest illustration of the adaptive model as applied to higher education, Kotler and Murphy stated that "with the growing shortage of students, the challenge facing the president is to develop a marketing orientation with the faculty in which everyone sees his or her job as sensing, serving, and satisfying markets" [30, pp. 486–87].

The other model of strategic management, here called the "interpretive" model [69], arises from the premise that an organization is a network of self-interested participants. According to the interpretive model, successful strategic management requires skillful use of all forms of communication and of the symbols used to portray the collective reality of participants—in short, the management of meaning. Hoke Smith, president of Towson State University, expressed the idea of the interpretive model when he commented that strategic management is the "buying of an institutional story," and he proposed describing the president as a troubadour or bard [61].

The strategy literature typically does not differentiate between the two models and their assumptions. The models have not been subjected to empirical comparison that could determine the extent to which their assumptions are warranted and whether one yields more satisfactory organizational outcomes than the other. In an effort to begin addressing this deficiency, this study examined the behaviors and subsequent situations of two sets of colleges that experienced severe financial difficulties in the mid-1970s. One set made a dramatic recovery; the other set did not. In attempting to account for the divergence in success, the sets were compared in many respects but were found to consistently differ in only one. Although both groups took advantage of environmental opportunities, the less resilient group was guided only by such opportunities. The more resilient group, on the other hand, was selective in responding to opportunities and invested heavily in conceptual and communication systems that guided and interpreted any organizational change. Through the comparison of the two groups, the existence of two basic models of strategy became clear. The less resilient colleges were more likely to have pursued a pure adaptive
strategy. The more resilient were more likely to have pursued a combination of adaptive and interpretive strategies. The study suggests that following the adaptive strategy alone is less effective than a combined approach. Because the study was exploratory, based on intense investigation of only fourteen colleges, the results must be considered indicative rather than conclusive.

Three Illustrative Cases

Before proceeding to the specifics of the study itself, it would be useful to illustrate the differences among strategic responses by examining the experiences of three "prototypical" colleges. For purposes of this illustration, "More College" typifies those more resilient colleges that employed a combination of adaptive and interpretive strategies, "Less College" typifies less resilient institutions that pursued a pure adaptive approach, and "Rising College," still in the midst of recovery, exemplifies an in-between approach. All three colleges were classified by Carnegie as liberal arts colleges in the mid-1970s, but Rising College was reclassified as a comprehensive college by 1980.

Both More and Less College were founded about a century ago; both had about eight hundred students in 1982; and both have drawn students primarily from their locale and region. Although they are both in the same section of the country, they are not in direct competition with one another. Less College is currently declining—it had grown to 1,550 students in the mid-1960s but contracted again starting in 1972. More's current enrollment, in contrast, is the highest in its history, but growth is partly attributable to relaxed admissions standards for the past ten years.

Like Less, More began to decline in 1972, reaching a crisis state in 1975. But in the next year a new president arrived who turned the college's fortunes around by concentrating on improving the way it was perceived both from within and without. This president's first major act was to purchase an adjacent campus from a school that had failed, despite widespread rumors that More's financial and enrollment situation was so desperate that its own closure was imminent. This purchase, backed by a wealthy alumnus, signaled to all constituents that More College had no intention of going out of business.

The new president next encouraged significant changes among the trustees in their perception of their own importance to the college. The net result was (1) more involvement with the college by trustees, (2) more commitment to and capacity for fund raising among the trustees, and (3) a stronger relationship between the president and the trustees than had existed earlier. Several of the new trustees were top executives in major national and international firms who provided both credibility and access to sources of funding. The president effectively communicated her primary goal for the college, and she was able to inspire commitment to that goal among trustees and faculty. In her emphasis on language and social interaction, she exemplified the interpretive model of strategy.

More College also made two changes that may be considered "adaptive," albeit tempered by an overall "interpretive" strategy. First, More established an adult degree program, despite its residential, traditional-age clientele. But the program remains administratively separate from the "real" More College, and its enrollments are relatively small. Also, the program was tailored so that it would be highly compatible with the liberal arts mission of the college and with the president's goals for the college. Second, More created a business administration major, despite its liberal arts mission. However, the program's development was overseen by current faculty, its department head had a strong background in philosophy, and its curriculum included heavy liberal arts requirements.

The "turnaround" president at More did everything but hang out a sign saying "under new management" when she arrived. She insisted on letting bids for major purchases, which displeased several local businesses. She released nearly all of the top administrators, many of whom had been inexperienced in and untrained for their functions, and she hired professionals in each area. She raised the standards for student behavior, but she also improved dorm life and recreational opportunities for students.

All of these changes, taken together, increased participants' confidence in the college without essentially changing its character. Further, the change in perception, though intangible, has been accompanied by a dramatic change at the material level. The value of endowment has quadrupled in the last seven years, past operating deficits have been funded, and enrollment is at an all-time high. As subsequent analysis will show, More's spectacular success is attributable to a well-conceived rendering of the interpretive model of strategy, coupled with some judicious adaptive-strategy changes.

Less College, on the other hand, attempted to combat its enrollment decline and serious financial problems exclusively through an adaptive strategy. The attention of administrators was focused chiefly on creating and promoting attractive academic programs. This move was
encouraged by the report of a consultant in 1974, recommending that
Less establish career-oriented programs to offset decline in teacher
education and in liberal arts.

Led by an academic dean who was labeled a “product development
man,” Less established twenty-five new programs in seven years, some
of them quite distinctive and most of them high in apparent potential
to attract students. Program development was supported extensively
by government and foundation grants, and development costs were
kept as low as possible. In many cases, new programs involved only
minor changes in curricular structure or course content and labeling.
Many of the faculty members taught courses outside their disciplines
in order to help start new programs. One respondent remarked: “If
we thought it would bring us 3,000 students, we’d have 3,000 pro-
grams.” Further evidence of an adaptive strategy involved expansion
of the branch campus Less had founded twenty years earlier in a nearby
town and establishment of off-campus course offerings in two other
cities fifty miles away. The branch campus was used largely for voca-
tional training, much of it in connection with Less’s role as a sub-
sponsor for the Comprehensive Employment and Training Act
(CETA).

Programs proliferated so rapidly that, as will be shown, Less College
resembled a caricature of the adaptive strategy. But though the college
followed the adaptive strategy in catering to the tastes of its clientele,
administrators did not take measures necessary to improve efficiency
as the model requires. For example, some of the new programs were
very expensive to operate; concern for admissions precluded efforts
to improve retention; deferred maintenance was so serious that the
campus was not a pleasant place to be; and the trustees were gener-
ally either indifferent to the college or acted counterproductively to
its interests. Consequently, despite the energy and funds that poured
into new programs, Less’s enrollment has declined to about half its
1970 level, and its current financial status is perilous.

In contrast with Less’s experience, however, that of Rising College
suggests that following adaptive strategies need not be disadvantageous
and may even be fruitful if combined with interpretive strategies.
Rising, although better off than Less, is not in as good circumstances
as More. In the early 1970s, Rising went on a spending spree, pur-
buying properties unjustified by its enrollment potential and incur-
ing an exceptionally large capital debt. It also affiliated with such
high-quality (but also high-cost) groups as the local ballet and
symphony, increasing its cultural profile but jeopardizing its long-range
educational commitments.

Such excesses led to a financial crisis, made public in 1973, that
undermined the confidence of students, faculty, alumni, and the com-
munity. Rising still has past deficits that have not been funded; its
endowment is small and has remained constant; enrollments have
stabilized but not rebounded; and the college shows signs of continu-
ing strain such as proportionally low investment in the library.
Nevertheless, Rising has achieved improvements in the quality of student
life, faculty morale, relations with leaders in its city, and relations with
alumni. It has demonstrated to these previously skeptical audiences
that it has an important role to play in the city. Revenues from gifts
and grants are steadily increasing. In short, the prognosis is good for
Rising if it is able to sustain its efforts long enough to overcome the
burdens of past mistakes.

When the existence of a crisis at Rising was recognized, the first
reaction of the new administration was efficiency oriented. Costs
were cut, creditors placated, and legal disputes settled. Concurrently,
however, the mission of the college was redefined; as a result, the adap-
tive strategies were tempered by interpretive approaches. Rising Col-
lege had only recently become a four-year liberal arts college, having
previously served as a two-year college and business training school.
Mission redefinition took the form of examining the college’s oppor-
tunities for serving its clientele, particularly individuals who lived and
worked in the city center where Rising is located and individuals who
wanted academic programs that were related to internship and employ-
ment opportunities in the city. Academic priorities were established,
and programs were supported or disbanded as those priorities and cost
considerations directed.

So many changes occurred in the types of programs offered at Rising
that it was reclassified in the new listing of the Carnegie Council from
“liberal arts” to “comprehensive.” Yet the number of programs offered
did not increase dramatically as had been true at Less College because
Rising College changed by substitution and modification, not by addi-
tion alone. The intention of administrators was that all new programs
enhance Rising’s distinctiveness vis-à-vis other area colleges. In this
way, Rising combined two strategic response patterns: it took advan-
tage of opportunities (adaptive), but it also tempered such choices by
a clear effort to refocus its mission (interpretive).

Most of Rising’s interpretive efforts can be traced to the individual
who has been president since 1973. The president was a highly regarded
member of the philosophy faculty but had virtually no prior adminis-
trative experience. This lack of administrative experience, which ordi-
narily would have been viewed as a liability, was outweighed by the
search committee's knowledge of and confidence in him—a judgment that has been vindicated over the last nine years by his ability to communicate Rising's purpose in ways that elicit understanding and enthusiasm. He is called a "conceptual thinker" by those with whom he works, and this trait is evident in the ways he sets, explains, and adheres to priorities. He has been able to establish a framework of understanding among all the major constituents at Rising that guides decisions so that they tend to be consistent and thorough. In this way, adaptive and interpretive strategies become synergistic. Rising has not reached the plateau of More, but if the thesis presented in this article is tenable, colleges in Rising's position will do well because their strategy integrates adaptive and interpretive strategies.

The Conceptual Foundations of the Two Models of Strategic Management

The apparent dichotomy underlying the two models of strategic management is described in a 1980 article by Keeley [28]. Keeley suggests that two fundamentally different analogies have been used for conceptualizing organizations: the organization as an organism and the organization as a social contract. Drawing on the philosophical ideas of the sophists, Plato, Locke, Rousseau, and others, Keeley outlines each of the two analogies.

In the widely adopted organismic analogy, the organization is an entity consisting of functionally differentiated roles through which the aims of the organization are sought. Returns to members for performing the roles are considered costs to the organization. In the social contract analogy, the organization is a compact entered into by individuals for the purpose of fostering their individual welfares. The organization has no identity apart from its members, whom Keeley suggests might more aptly be called "participants." The organization clearly has no aims other than those of its members, although members may have aims for the organization. Returns to members are the very reasons for the organization's existence.

Keeley further characterizes the contrast between the two models, stating: "In the contractual view, social arrangements are rational if the participants (each, but in joint activities) actrationally with respect to their own ends. In the organismic view, social arrangements are rational if the collective (as though it were a single person) acts rationally with respect to collective ends" [28, p. 347]. Keeley points out that what holds the organization together in the organismic view is agreement on the results of joint action, which is difficult at best to achieve; the social contract organization is held together by agreement on actions themselves because of what participants individually derive from association. Keeley concluded by urging organization theorists to recognize the "intellectual poverty" of the commonly assumed organismic analogy and to adopt the social contract analogy as a more nearly adequate conceptualization of organizational behavior.

Although several authors have described models that are related to the organismic and social contract view of organization [18; 29, chapter 5; 41] the field has not yet settled on consistent labels for the two models as they apply to strategic management. For this article, the adaptive strategy model is viewed as expressive of the organismic view of organizations, and the social contract view of organizations underlies what is here called the interpretive strategy model. The adaptive model prevailed during the first decades of writing on strategic management. Although the seeds of the interpretive model are apparent in several earlier works, it did not gain widespread acceptance until the 1980s.

The adaptive model, consistent with the organismic analogy, assumes organizational rationality—that collective ends exist. More specifically, the organization is assumed to aim for its own survival and for the resources that will ensure survival. The organization faces a changing and uncertain environment, and it must adapt to changing environmental demands in order to elicit sufficient resources. The strategic problem is to anticipate the future, monitor key factors in the environment, recognize opportunities and threats, and maintain enough flexibility and slack resources to allow the organization to capitalize on opportunities and evade threats. Some authors subscribe to this view in its fairly pure form [6, 24, 34, 37, 59, 67].

Variations on the organismic viewpoint allow for proactive as well as reactive responses to the environment: reshaping apparent demand, reshaping the organization's response, or anticipating so far into the future that organizational response precedes environmental demand [16, 19, 20, 25, 26, 42, 63]. Other authors clarify the idea that the organization can influence the environment, not just be influenced by it [8, 21, 65]. Still others point to the important roles of consti-

The same conclusion is reached by very different reasoning in Pondy and Mitroff [54]. A discussion that parallels Keeley's, but on the topic of quantitative versus qualitative research philosophy, is found in Smith [62]. The social contract view is also adopted in White [70] and Weick [68].
tenuents or stakeholders in what may be a highly politicized process of decision making, and adaptations [42, 43, 44, 45, 46, 56]. Finally, several authors combine adaptation with a number of modifications such as proactivity, influence on the environment, and constituent participation [2, 39, 58, 71]. Variations such as these are useful both for accurate description of what organizations have done and for highlighting options that are available to strategic managers. However, they still essentially anchor the idea of strategic management in the adaptive strategy model or the organic model of organizations. The organization is still seen as a single entity with multiple functional parts that interact with the multiple facets of a changing environment. The purpose of interaction remains extraction of resources so that organizational survival and intermediate organizational aims are achieved.

The interpretive strategy model, on the other hand, corresponds to the social contract view of organizations. Generally speaking, the interpretive model depicts strategy as disjointed, unintegrated, and multifaceted. Such characteristics are inevitable in a system that exists only because participants have consented to act together as long as their individual interests are satisfied. In this model, reality is socially constructed [4]. Symbols and communication are the tools with which organizational participants create, reiterate, alter, circumscribe, and interpret their interactions and their sense of satisfaction.

Two major themes are discernible within the social contract/interpretive tradition. The first [18, 29, 43] is that strategic management is consistent with disjointed incrementalism [1, 9, 33, 47]. The purpose of interaction is to jockey for positions in which participants achieve their individual aims [14]. A related point of view allows for this kind of untamed interaction but injects an important role for cooperation, coordination, and leadership. The second major theme among adherents of the interpretive strategy model is the importance of the culture, symbols, or myths to the organization [3, 7, 10, 11, 27, 36, 38, 40, 48, 50, 53, 66]. These authors and others tend to emphasize the importance of a leadership function they often refer to as the "management of meaning" [49, 51, 52, 60]. These ideas—the salience of the political process and of organizational culture and the management of meaning—are logical extensions of the social contract view of organizations. When participants are understood to be autonomous, willful, self-interested social beings, communication of all kinds becomes the medium through which the organization exists. Therefore, the management of meaning is a prime opportunity for the exercise of leadership, and organizational culture and politics is an important symptom that the organization is functioning.1

Table 1 summarizes the main points of this discussion as they pertain to the research reported herein. In the adaptive model of strategic management, the organic model of organization applies. The organization is viewed as an entity that seeks resources and takes substantial actions to obtain them. The fundamental issue in the organization is the nature of its activities, represented by the question: "What are we doing?" Adaptive strategic management is designed to answer that question so that resources to the organization will be maximized. Strategy will be changed if the input of resources suddenly slows or ceases or when the organization becomes aware of actual or impending changes in environmental demand. Strategic action typically consists of changes in organizational products or services, either diversification with the intention of attracting new resource providers or program additions, modifications, or deletions that will appeal to the market. Creating organizational slack by improving efficiency or obtaining more resources than necessary also supports an adaptive strategy for it is through the availability of slack resources that flexibility and innovation are feasible. The ultimate aim of strategic adaptation is for the organization to acquire more resources.

In the interpretive model of strategic management, the social contract view of organizations applies: Participants enact the organization through their symbolic communications. The fundamental requirement of the organization, legitimacy, is obtained when participants perceive satisfactory answers to the question: "Why are we together?" The trigger for a major change of interpretive strategy is the lack of satisfaction among participants regarding their reasons for organizing—a credibility crisis. However, strategic action, like all other organizational action, changes constantly at the margins as participants flow in and out of the organization and as they learn, become bored, change their minds, or otherwise disturb the system. Strategic action rests significantly on the extent and nature of concepts and symbols available.
for orienting the participants as well as on the extent and nature of their communications both within and outside of the organization. Organizational leadership seeks to improve the satisfaction of participants and to increase the credibility of the organization in their eyes.

Given these two strategic management models, the purpose of the research reported here was to determine the extent to which recovery from financial decline in a set of colleges could be explained by either model.

**Research Method**

The basic purpose of this project was not to test theory in the usual sense but rather to look for regularities in the real world and determine whether they could be explained by existing concepts or by developing new ones. In-depth observation of real cases was critical to the project. The number of cases included had to be small enough to be practical yet large enough to provide the opportunity for discerning cross-case patterns. Lijphart’s [31, 32] suggestions for structuring case data so that cases become comparable in theoretical terms and Glaser and Strauss’s [17] suggestions for developing theory from empirical observations were helpful in guiding the research method.

As a first step, all private liberal arts and comprehensive colleges that had at least 650 students in 1979 and had experienced a rapid decline in total revenues from 1973 through 1976 were identified using data from the Higher Education General Information Survey (HEGIS). On average, the revenues of the forty institutions so identified decreased by 20 percent, adjusted for inflation, over the three-year period. From the list of forty colleges, fourteen were selected on the basis of their total revenues in the three years after the 1973–76 crisis period. The fourteen were divided equally between those that made the greatest relative total revenue recovery from 1976 through 1979 and those that continued to decline in total revenues.

Twelve of the fourteen schools were in the northeast, central Atlantic, and midwest sections of the country; two were in the far west. Nine were church-related. According to the Carnegie classification, twelve were liberal arts schools and two were comprehensive in 1973; two were reclassified from liberal arts in 1973 to comprehensive in 1980. Three of the twelve liberal arts colleges were in the more selective Liberal Arts I category. Three schools were urban, four were rural, and the remaining seven were in towns of varying size.

The primary source of data was interviews with from six to fourteen individuals at each college who were chosen for their familiarity with strategies used during the 1970s and for the expected diversity in their points of view. A standard interview protocol for respondents dealt with the strategies used by the college to recover from decline, causes of decline, significant coincidental events, and the current conditions of the college. Data also were collected from published documents on the college and its history, unpublished internal memorandums, newspaper clippings, accreditation self-study reports, and other archival materials that were available and relevant. These documents were used to suggest specific questions for interviews and to verify the accuracy of facts and impressions gained through the interviews. The last source of data was the Higher Education General Information Survey, especially the annual financial and enrollment data on each college from 1972 through the most recent available year—typically 1980 or 1981.

Following collection, the data were examined in a search for patterns of strategic management response. The search yielded, in embryo, the outlines of the two models of strategic response identified above to which an examination of the literature added further definition. It was then possible to return to the individual cases and check the developing models of strategic response directly against the data. Although this method does not constitute a test of the validity of the concepts (models), it provides the opportunity for a relatively objective examination of the fit between the data and the concepts (models) inductively developed from the data.
In an effort to determine whether these conceptual models of strategic management related to the recovery experiences of the sample colleges, the sample was divided into two subsets—those colleges that were in a better position in 1982 than they had been before their decline episode (the more resilient group) and those that were not in a better position (the less resilient group)—with a view toward comparing the strategic response patterns of both groups. To ensure that any differences in resiliency that might be associated with patterns of strategic response were not spurious (i.e., attributable to any inherent advantages of the more resilient group prior to the decline), the two groups were examined on several relevant characteristics in 1973. Those group comparisons are displayed in Table 2. They suggest that, although similar in most respects in 1973, the two groups did have some distinctive characteristics. The more resilient group was less dependent on tuition, had larger endowments, was more likely to be selective in admissions and to be church affiliated, and was less likely to be located in rural areas than the less resilient group. At the same time, the more resilient group was disadvantaged by the larger size of their average operating deficits and by their smaller size vis-à-vis the less resilient group.

However comparable their situations were in 1973, the more and less resilient groups differed considerably on several dimensions by 1981. As shown in the 1981 columns of Table 2, the more resilient group held steady in enrollments while the less resilient group dropped 28 percent to an average that is smaller than that of the more resilient group. More resilient colleges reduced their operating deficit by an average of 96 percent, but the less resilient group repaid only about one-third of deficits that had been smaller in 1973 than those of the more resilient group. In 1981, less resilient colleges owed ten times as much in operating debts as did more resilient colleges. Less resilient colleges had a greater increase in total revenue per student, but this result is a combination of factors that do not augur well for the colleges: a smaller denominator (fewer students), a disproportionate increase in income from gifts and grants which are temporary sources of income that require a great deal of energy to acquire, and an increased reliance on the proportional contribution of tuition. The more resilient colleges, on the other hand, were able both to fund their deficits and to build endowment while maintaining enrollments and slightly decreasing tuition dependence. With constant size, almost no operating debt, and a healthy increase in endowment value, the more resilient colleges had clearly outpaced their less resilient counterparts.
Although there remains some question of the comparability of their positions in 1973—and one cannot rule out the possibility that the less resilient colleges were handicapped—the sheer magnitude of 1981 status differences between groups in comparison to the smaller 1973 intergroup differences suggests that the more resilient colleges were doing something right in the 1973–81 interim, something the less resilient colleges were not doing.

The study therefore turned to an examination of the behaviors of the colleges in the 1973–81 interim and found, not surprisingly, that they could also be divided into two distinct groups. There seemed to be a correspondence between more resilient colleges and social contract theory and between less resilient colleges and the organizational analogy. But the task remained to define the two strategic management models and to devise two sets of measurable variables that would operationalize them. The concepts listed in Table 1 as descriptors of the nature of strategic action proved useful. Variables chosen to operationalize the interpretive model were concept development and communication, both inside and outside of the college. Measures of these are presented in Table 4.

The specific measures for the two models came from two sources—HEGIS reports and on-campus interviews. Measures from the interviews, such as changes to attract students as a measure of anticipating markets, were constructed inductively by adding together all of the actions a college took that were related to the concept being measured. All of the measures are described in detail in the Appendix.

### Results of the Study

The operational measures for the adaptive model and the results of comparing the more resilient and less resilient colleges on these measures are presented in Table 3.4 These results show large differences between the more and less resilient groups on only two indicators of “adaptive” strategic management: proportion of professional degrees and change in the number of programs from 1973 to 1981—measures of diversity and market anticipation, respectively. In both cases, the less resilient group scored higher than the more resilient colleges. That is, the less resilient colleges show greater diversity and market anticipation on these two measures than do the more resilient colleges.

Among the remaining seven indicators, the less resilient group scored marginally higher on three: number of academic programs, proportion of part-time students, and efforts to conserve operating funds. However, the more resilient colleges actually scored higher than their less resilient counterparts on two indicators: they showed 42 percent more increased receptiveness to change than the less resilient colleges and 18 percent more changes intended to attract students. Not only did the more resilient colleges conform better than the less resilient colleges to the adaptive model on these two measures, but they also conformed equally well on two others—one a measure of organizational slack and the other a measure of diversity.

The disparities between the more and less resilient colleges on the measures of the adaptive model of strategic response appear relatively small when the scores in Table 3 are compared with those in Table 4, which deals with use of the interpretive model of strategic management. The smallest proportional difference between means in Table 4—60 percent—is larger than any of the nine differences reported in Table 3. Furthermore, all five differences are in the direction predicted by the interpretive model. That is, on every measure of interpretive strategy, the more resilient colleges scored higher than the less resilient colleges. The more resilient colleges were much more likely to develop organizational concepts and to make extensive use of communication channels both inside and outside the organization.

4Appropriate t-tests of means for ratio data and Mann-Whitney U-tests for ordinal data were conducted. These formal tests of statistical significance are not reported here because of the small sample size, but the proportional differences between means indicate both the direction and the relative amount of difference between more and less resilient colleges on each measure. Details are available from the author.

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### Table 3

<table>
<thead>
<tr>
<th>More Resilient versus Less Resilient Groups: Adaptive Model</th>
<th>Mean for More Resilient</th>
<th>Mean for Less Resilient</th>
<th>Proportional Difference between Means</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change products/services: diversify</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of academic programs</td>
<td>14.4</td>
<td>16.3</td>
<td>13%</td>
</tr>
<tr>
<td>Proportion of professional degrees</td>
<td>43.0</td>
<td>66.9</td>
<td>56%</td>
</tr>
<tr>
<td>Number of discipline areas offered</td>
<td>3.6</td>
<td>3.7</td>
<td>3%</td>
</tr>
<tr>
<td>Proportion of part-time students</td>
<td>16.9</td>
<td>20.4</td>
<td>21%</td>
</tr>
<tr>
<td>Change products/services: anticipate markets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Made changes to attract students</td>
<td>3.9</td>
<td>3.3</td>
<td>(18%)</td>
</tr>
<tr>
<td>Number of programs, change from 1973–81</td>
<td>1.7</td>
<td>4.2</td>
<td>56%</td>
</tr>
<tr>
<td>Increased receptiveness to change</td>
<td>4.4</td>
<td>3.1</td>
<td>(42%)</td>
</tr>
<tr>
<td>Create organizational slack</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Efforts to conserve operating funds</td>
<td>5.3</td>
<td>6.3</td>
<td>19%</td>
</tr>
<tr>
<td>Ratio of fixed expense to total expense</td>
<td>0.1</td>
<td>0.1</td>
<td>0%</td>
</tr>
</tbody>
</table>

Note: Variables are defined in the Appendix.
TABLE 4
More Resilient versus Less Resilient Groups: Interpretive Model

<table>
<thead>
<tr>
<th></th>
<th>Mean for More Resilient</th>
<th>Mean for Less Resilient</th>
<th>Proportional Difference between Means</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop concepts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Focus for the academic program Symbolic events (see Table 5)</td>
<td>3.4</td>
<td>2.1</td>
<td>60%</td>
</tr>
<tr>
<td>Communicating outside the organization Initiative with external groups improved and involved trustees</td>
<td>5.4</td>
<td>1.6</td>
<td>245%</td>
</tr>
<tr>
<td>Communicating inside the organization Communication and cooperation Failure to show respect (negative)</td>
<td>3.4</td>
<td>1.3</td>
<td>167%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Note: Variables are defined in the Appendix.</td>
<td></td>
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</tbody>
</table>

Given the difficulty of quantitatively operationalizing the models, one additional indication of the interpretive model is presented in Table 5. Congruent with the interpretive model, Starbuck, Greve, and Hedberg have asserted that, in crisis management, "perhaps the greatest need is for dramatic acts symbolizing the end of disintegration and the beginning of regeneration" [64, p. 125]. Respondents in the fourteen colleges reported on whether the college had had experiences that now had symbolic value and, if so, what they had meant to people. The results are presented in Table 5. Six of the seven more resilient colleges reported having had symbolic events, all of them bringing optimism and affirmation to the college. Five of the less resilient colleges reported symbolic events, four of them bringing negative consequences for morale.

In summary, the results of these analyses suggest that the adaptive model of strategic management does not account for the fact that one group of colleges was more resilient than the other. Both groups took actions that reflected the adaptive model. However, every measure of the interpretive model of strategy showed large differences between the two groups in the expected direction. The more resilient colleges were consistently more likely to take actions that reflected the interpretive model.

Discussion

The tentative conclusion of this analysis is that turnaround management in private colleges is most effective when participants think of the organization simultaneously as an organism and as a social contract. Based on this perception, strategic management will combine aspects of the adaptive and interpretive models of strategic manage-
the magnitude of the effects of the two models of strategic management.

However, a number of problems qualify the conclusion. First, the study made no attempt to control for diverse causes of decline in the colleges. To the extent that different causes require different strategic responses, this study is not instructive. The problem is especially acute inasmuch as the colleges in this study faced decline a decade ago when the environment may have been less hostile than it is for many colleges today. What constituted effective strategy in the 1970s may be insufficient for the 1980s.

Furthermore, the research method imposes certain caveats on the findings. First, the sample contained only fourteen colleges of only one broad type; universities, community colleges, proprietary schools, and all public institutions were excluded. If the findings could be generalized, it could only be to other private colleges. Second, since an explicit purpose of the study was to generate a theory, a priori definitions of hypotheses and relevant variables were not possible. In another study, more satisfactory measures of the two models of strategic management could be defined before going into the field. Finally, critical factors in achieving recovery from decline may have been overlooked in the analysis and therefore omitted from the study altogether.

The fact that the study involved quantifying several qualitative variables is both an asset and a liability. All of the variables that did not come from HEGIS are scores developed from participants' reports of past behavior. The variables enable systematic analysis of much information that would otherwise be either cumbersome or unavailable. However, the qualitative variables bring two problems. First, they depend on the long-term memories and collective wisdom of fallible human beings. The magnitude of this problem increases with one's willingness to believe in the importance of the interpretive model of strategy. If the interpretive model works, leadership's efforts to manipulate participants' interpretations of what was happening over the past decade will bias participants' responses to questions about what happened, why, and what it meant. The second problem with the qualitative variables is that they are ordinal at best. A single symbolic event or one specific action to communicate with outside groups may have been more effective in turning around the welfare of the college than all other actions combined. The use of the variables in the preceding analysis assumes that each behavior was equally effective.

Implications

The central finding of this study is that the interpretive model of strategic management, derived from a social contract view of organizations, plays a significant role in determining whether a college rebounds quickly from financial decline. Furthermore, an adaptive model of strategy, based on the "organization-as-organism" analogy, seems to be an important aid to recovery. Taken together, these findings suggest that successful strategic management, like first-rate intelligence à la Fitzgerald, requires the ability to function within the context of two opposed ideas. What does the central finding tell administrators?

First, it argues for a particular emphasis regarding the use of the models. Some of the current prescriptive literature for administrators leaves the impression that administrators should use an adaptive model of strategic management without forgetting their institutional mission and identity. When a proposal for a new high-demand program is presented, the burden of proof seems to be on the administrator to show that the program runs counter to the mission or is otherwise infeasible. However, if the central finding of this paper is correct, the emphasis of the prescription should be reversed. Administrators should use an interpretive model of strategy without forgetting the demands of their constituents. When a proposal for a new high-demand program is presented, the burden of proof should be on the proposer to show that the program expresses the institution's mission.

Second, the central finding suggests the need for institutional self-definition. Without a clear understanding of the basis of its integrity, a college may make wrong decisions. Although the importance of institutional priorities may seem self-evident, two problems often arise. One problem is the failure to recognize, articulate, and act on priorities; the other is allowing survival to become the sole priority when the institution is seriously threatened. At the more resilient colleges in this study, faculty and administrators understood the basic premises on which the integrity of their institution rested and made decisions accordingly. Not only did they not allow survival to become the sole priority, they did not permit their fear of going out of business to compromise fundamental institutional premises.

The third point that can be derived from the central finding has to do with the role of the president. As president, an individual needs to base decisions and actions at least as heavily on symbolic values as on substantive ones. Many administrators have observed that just
one small issue or one minor managerial slipup can cause disproportionately large problems. Amplification of the problem is often due to its symbolic content. A president learns this lesson when he or she makes a decision believing that it represents the will of the faculty but forgetting to wait for the final report of the faculty ad hoc committee on the subject. The point is not a new one, but it takes on added significance in the context of strategic management. By consciously dealing with both the substantive and symbolic content of an issue, administrators may be able to achieve synergies and reduce dissonance within the organization. The result should be increased understanding among all participants about the goals and priorities of the organization and about the level of the leaders' determination to achieve stated goals and priorities. Better understanding improves the quality of decisions and allows all efforts to be aimed in the same direction.

Fourth, the central finding suggests that the number of variables an organization might manipulate in creating its management strategy is almost limitless. By contrast, some authors on strategic planning have defined lists of areas within which strategy is formed. Shirley [59], for example, has suggested seven areas in which strategic decisions occur: basic mission, geographic service area, product mix, customer mix, goals and objectives, competitive advantage, and outside relationships. Finding a place in this typology for More College's purchase of the adjacent campus is difficult, although the action constituted an important strategic move for the college. The significance of the purchase rests largely on its symbolic value. Nearly any action or event may have strategic symbolic value, even if it is outside the realm of adaptive-model strategy.

Many adaptive-model treatments of strategy for higher education emphasize two of the areas from Shirley's list: product mix and customer mix. The frequent assumption is that changing academic programs and attending to recruitment are the primary levers for improving the condition of a college. The fact that nearly all of the colleges in this study increased the number of academic programs they offered and made structural changes in order to attract students suggests that colleges often use those levers. But the important role of an interpretive strategy in achieving rapid recovery implies additional considerations:

1. Changing academic programs in response to decline may be unnecessary and even harmful; other actions may be the keys to recovery.

2. A college may change its academic programs or improve its recruiting efforts and do this very well but still find that these actions do not produce an enduring solution.

3. A change in programs or recruitment that expresses the interpretive strategy is likely to be highly effective, but a change that is contradictory or irrelevant to interpretive strategy may bring more cost than benefit.

4. Identifying the primary levers for improving the condition of a college is a function intrinsic to the college that can only be performed with reference to that college.

This last item leads into the fifth and final observation derived from this study: effective turnaround strategy needs to be unique to an institution [5]. A productive strategy arises from the collective heritage and current manifestation of perceptions and purposes for each individual organization. The patterns of such phenomena are as idiosyncratic as fingerprints. What worked for the college down the road has no necessary correlation with what will work here.

Certain patterns may exist within organizations and correspond to a typology of viable strategies just as certain patterns exist in fingerprints and allow for initial classification by type. But the definition of a successful strategy seems also to allow for the highly improbable: the elite, long-standing liberal arts college successfully implementing programs for adult part-time students and for professional career preparation or the nonelite liberal arts college clinging firmly to its liberal arts curriculum, choosing to get smaller and better rather than yield to pressures for vocational preparation. However, such actions are improbable only when taken out of context. When one knows more about the specific organization involved, they make perfect sense.

What may be more disquieting than an improbable success story is the case in which many prescriptions for management were followed without success—the treatment worked, but the patient died. That may have been the reaction of those who observed some of the less resilient colleges that have been actively engaged in an adaptive model of strategy for the past eight to ten years. This study indicates that sincerity, diligence, and even sophisticated analyses of demand cannot overcome the absence of a shared perception of what the college is about and why it matters or a shared conviction that it is capable of making good on its promises.
Summary and Conclusions

In a study of fourteen colleges attempting to recover from serious financial decline, half of the colleges were more resilient than the other half. The adaptive model of strategic management, based on the need for the college to be responsive to the individuals and groups who supply its most critical resources, was followed by most members of both sets of colleges. The adaptive model appeared to assist the colleges in their recovery efforts, but it did not account for the faster recovery of the more resilient set. The interpretive model of strategic management, based on the theory that the organization is a network of participants who construct reality from their perceptions of the system, was followed consistently by the more resilient colleges to a greater extent than by the less resilient colleges. The interpretive model seems to have facilitated rapid recovery.

The utility of the interpretive model of strategic management in fostering rapid recovery suggests a number of observations for improving turnaround management. First, establishing an interpretive strategy that guides the adaptive strategy is preferable to using an adaptive strategy alone. Second, establishment of an interpretive strategy requires a strong and clear sense of organizational identity as well as a willingness to make decisions on the basis of that identity. Third, presidents who base their actions on symbolic as well as substantive concerns will be more effective turnaround leaders than those who are not conscious of symbolic implications. Fourth, colleges have a wide range of strategic moves they might make productively. Finally, specific components of effective turnaround strategy evolve from and are unique to the institution.

Appendix

Definitions of Variables

The variables are of two types: ratio scale and ordinal scale. The ratio scale items are measures or counts from the Higher Education General Information Survey (HEGIS). The ordinal scale items are constructed from observations made during the site visits.

For the constructed ordinal-scale items, each college was given one point if it had engaged in an activity listed during the course of its recovery attempt. For the purpose of these scales, an event occurred if (1) it was documented in archival materials from the college or (2) it was mentioned without interviewer solicitation by two or more individuals at the college and was consistent with any corroborating data that were available. The score for each college on each variable is the sum of the number of activities within the variable that the college had engaged in.

Adaptive Model

Number of academic programs

Number of academic programs at the 2-digit level of the HEGIS taxonomy, 1979–80 academic year

Proportion of professional degrees

Ratio of number of degrees awarded in professional fields to total number of degrees awarded, 1979–80 HEGIS data

Number of discipline areas offered

Number of discipline areas (humanities, physical and life science, social science, professional physical and life science, other professional) in which more than 5 percent of degrees were awarded in 1979–80 (HEGIS)

Proportion of part-time students

Ratio of number of part-time students to total number of students, 1979–80 HEGIS data

Made changes to attract students (total possible score = 12)

Expanded days and times when courses were offered

Added graduate level programs for the first time

Established cooperative programs with other agencies

Added required courses to bolster the curriculum

Added new applied programs

Retained courses/programs primarily to serve the community

Increased general sensitivity on campus to market demands

Offered courses at new locations off campus

Created new majors through small changes in existing programs

Reviewed programs continuously, making changes as needed

Kept tuition hikes low

Added new majors to meet emerging societal needs

Number of programs, change from 1973–81

Difference between the number of academic programs (2-digit HEGIS level) in 1973 and the number in 1981

Increased receptiveness to change (total possible score = 7)

Released incompetent managers and hired professionals

Decentralized governance

Increased use of part-time faculty

Reduced boundaries to promote the flow of information

College had unusually flexible organizational structure
Tendency to initiate truly innovative policies/programs
Used consultants in recovery efforts
Efforts to conserve operating funds (total possible score = 11)
  Large scale faculty terminations
  Reduced faculty/staff through nonreplacement
  Initiated efficiency measures in facilities, utilities, and so on
  Scrutinized and corrected faculty productivity problems
  Used cross-teaching in other disciplines to a great extent
  Deferred maintenance
  Used faculty members part-time in administrative posts
  Gave low salary raises for several years
  Instituted tight tracking between costs and charges
  Had presidents keenly aware of budgets
  Initiated rigorous accounting, budget control procedures
Ratio of fixed expense to total expense
  Ratio of the sum of tenured faculty salaries and debt service to
total current expenditures in 1980-81 (HEGIS)

Interpretive Model

Focus for the academic program (total possible score = 5)
New programs were outgrowths of existing ones
Reaffirmed existing mission
Did not create multiple majors from existing courses
Did not pursue new mission that was outside expertise of faculty
Constant program review and refinements
Initiative with external groups (total possible score = 9)
  Demonstrated unique/useful roles in community to citizens
  Tapped alumni as donors
  Tapped major donors
  Made deliberate efforts to substitute raised money for tuition income
  Hired better admissions director
  Strong initiative in creating admissions strategy (two dimensions)
  President had credibility with local leaders
  President had important external contacts
Improved and involved trustees (total possible score = 5)
  Formalized and cemented president/trustee relations
  President got full support of trustees
  Had strong trustees, during crisis and before
  Crisis efforts created a strong board
  President communicated fully with board about finances

Communication and cooperation (total possible score = 8)
President put constant emphasis on recovery priorities
President found effective language to convey mission
President had strong conceptual skills
President was democratic, open with information
Business function and academic function strongly integrated/ cooperative
Used curricular interdependencies to bolster lagging departments
Reduced boundaries to promote flow of information among people
Fostered faculty/administrative collaboration, defused adversarialism
Failure to show respect (negative indicator, total possible score = 9)
  Did not raise standards for student behavior although this was needed
  Heavily used part-time faculty in administrative positions
  Long periods when no or token-level raises were given
  Defined new institutional mission that was outside current faculty
  expertise
Adversarial administration/faculty relations
President not known as one who cares about people
President not known as one who listens, asks questions, enjoys people
Extensively used cross-teaching without faculty development
Dishonest recruiting practices used with potential students

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