

Higher Ed Watch

A Blog from New America's Higher Education Initiative

Exclusive: Former Career College Chief Explains Why the Sector Deserves Scrutiny

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Issues: [For-Profit Colleges](#)

[Editor's Note: Today, at Higher Ed Watch, we are running a guest post from Neal Raisman, who served as the chancellor of the Career Education Corporation's Briarcliffe College from 2001 to 2005. In this post, he explains why the for-profit college sector is deserving of the heightened scrutiny it has been receiving.]

By Neil Raisman

Career-college officials should be asking themselves some hard questions right now, such as: How did the sector end up being the focus of the U.S. Congress? Why are legislators singling out career colleges for special scrutiny? And what can be learned to try to keep this from becoming an on-going activity?

In examining these questions, it is important to acknowledge that the examples given and the problems cited at the Senate hearings on for-profit higher education so far may not apply to every school and company, but they do for too many. The sector needs to stop patting itself on the back all the time and do something to stop the worst offenders from harming and maybe even destroying the whole industry.

So far the Career College Association, its members, and even some of their accreditors have mostly responded to the criticism by trying to downplay the differences between their schools and traditional colleges and universities. But these differences are real. Career colleges that are publicly held must be answerable to their stock holders and thus need to maximize their profits -- which causes many of the issues Congress is looking at.

In other words, schools need to focus on bringing in new sales to "grow the business." This means ever-increasing pressures to expand population, increase tuition and fees, reduce operational costs, and maximize revenue. This calls for marketing aggressively, focusing on initial enrollments (sales), introducing new programs that could sell, maximizing Pell and Stafford federal money, firing employees to reduce costs, cutting programs to cut costs, reducing the number of sections to cut costs, and so on. This is ultimately all to show a good set of numbers and talking points for quarterly earnings calls. Even if a school is not publicly traded, they tend to operate as if they were in the hope perhaps of going public at a later date.

Yes, much of what is above is similar to any college or school, no matter what its tax status -- i.e. marketing, initial enrollments, offering popular programs and majors, cutting costs and people, etc. In fact, the major difference between a good non-profit and for-profit school is an accounting system -- fund balance versus cash accrual. But there are also differences in four significant areas: the people who run the schools and who carry out the operations; the way people are compensated; the intensity of the efforts; and how the operations are accomplished.

For the most part, the people who run the companies and the individual schools are drawn from the "school business" not from education. There is a difference. Yes, career colleges focus on learning and training and some do it exceedingly well and have done so for quite a while. Others, if we are honest about it, do not do a very good job. They do not understand the larger \$470 billion sector of higher education and do things that call attention to how career colleges are different.

In my personal history as a chancellor and consultant to career colleges, I have observed some leaders of companies, schools, and departments doing things to make numbers that were to be polite, very questionable. And yet, they were rewarded for doing so. In the business, we all know of schools that are "shaving the edges" of the rules to hit financial goals with little regard to how these actions would affect student learning or the industry at large should the "shaving" draw public blood. Granted, this is not the behavior of everyone in career colleges. But because the leaders of companies, schools, and departments do not typically see their main function as furthering the education of students and their success, some do things that put finances over learning

and that's when trouble, the media, and politicians strike.

If the people acted to better the education and success of their students, they would be seen as leaders in the field and would be lauded by others, rather than written about in newspapers, for radio and TV, and by Congressional staffers. So why do they do they engage in questionable practices? Simple. Their success depends on them hitting their numbers and get their bonuses. Further, they may have a vested interest in seeing share value rise if they are also stockholders. Those who work at not-for-profit colleges generally cannot get monetary bonuses for doing their jobs and are certainly not stockholders with a personal stake in the schools' quarterly earnings. They get a promotion or a raise for doing a good job but not a separate check, and their admissions officers do not get cash bonuses.

At career colleges, the cash bonus creates an incentive for people whose base salary is often not all that high compared to that of parallel positions at non-profit schools to hit their numbers. That is why there are bonuses after all, but the bonus all too often becomes something that must be obtained and some people will do almost anything to make sure they hit their bonuses. These are the people who cause companies and schools major problems when their actions are uncovered.

After their activities come to light, one of two things happens to these people. At well run,ethical schools and colleges, these individuals are either let go for violating procedures or policy or more often, if the violation is not major, corrected and trained to do things correctly. However, at all too many schools, they are congratulated for coming up with a new way to shave the rules, and their approach is quietly conveyed as an example for others to follow.

(Stay tuned for next week, when we will run a second post from this author explaining how many for-profit higher education companies have succeeded in turning their employees into whistleblowers.)

Neal Raisman is a leading consultant and solution provider for academic customer service, administrative leadership and retention solutions. He has assisted over 400 schools, colleges and universities in the US, Canada and Europe. From 2001 to 2005, he served as chancellor of the Career Education Corporation's Briarcliffe College. Previous to that, he served as president at two community colleges, and as the associate provost at the University of Cincinnati. His views are his own and does not necessarily reflect those of the New America Foundation. Portions of this essay have also run on Career College Central.

SUGGESTED READING

[Senator Harkin Lays Out His Case and, for the First Time, Names Bad Schools](#)
[How Much Evidence of Career College Abuses Do They Need?](#)
[Obama's Bid to Change the Incentives that Drive For-Profit Higher Ed](#)
[A Long Overdue Examination of For-Profit Higher Education](#)

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 **Trace Urdan** 2 days ago

Neal --

The point of your post as I understand it, is to set up the debate regarding for-profit education as a moral dispute between the ethical, student-minded, education-devoted actors and those that are greedy, cynical, and amoral. As a corollary you present financial success as being in direct opposition to product quality. I strongly

disagree with both of these constructs.

Nothing that we've seen through the Congressional, GAO or OIG oversight even begins to make the case that a substantial number of the actors in the sector are supplying a sub-standard product to the marketplace and here the direct comparison to non-profit participants is perfectly apt. Of course critics make and believe that the product is sub-standard but they have presented no evidence to support that case other than to look at levels of spending and draw conclusions (you seem to do this as well.)

Rather the data suggests that the majority of the explanation for outcomes results from the profile of the students themselves. And expanded access in the form of loans and aid has expanded the size of the addressable market where many risky students have been brought into the system. Now with the bar being raised on outcomes, the schools are likely to be more restrictive in who they admit. The desire on the part of you, the general press and consumer advocacy groups to make this a battle of good vs. evil is just silly. If the rules are changed regarding acceptable levels of default and graduation, then schools will be more careful about credit scores, pre-existing college credit and life circumstances. Many have already begun with ATB students. Again, given the similar outcomes for similar populations among similar programs at different types of schools makes the comparison with not-for-profit and state-funded schools apt.

Are there bad guys cynically enrolling students they know will never benefit? I suppose. But to suggest this is a natural outgrowth of a profit motive, the source of Congressional and administration scrutiny, or even a serious problem across the sector is both unproven and irresponsible.

Respectfully, Trace Urdan

1 person liked this. [Like](#) [Reply](#)

 **forprofited** 2 days ago in reply to Trace Urdan

Urdan: "He seems to baldly assert that businesses concerned with growth and profit can only achieve those aims by selling a shoddy product to a dim-witted consumer."

It is clear that most publicly traded for-profit schools **are** selling a shoddy product to many students who are misinformed and duped into enrolling often on false pretenses. With all due respect Mr. Urdan, you seem to throw around terms like "dim-witted" quite often. This and your other comments come off as **pompous**. Students who are convinced to enroll in for-profit colleges seldom have the option of attending Yale, as you did. Yet many of them were told by admissions representatives that the for-profit online college they were being sold on retained the same accreditation as Yale -- Ivy league name dropping regarding accreditation is a standard part of the sales pitch given by recruiters at these schools.

Why do the publicly traded for-profit colleges with the largest enrollments use the sleaziest lead generators? example: 10kmilitaryscholarship.com and scholarships4moms.net

The for-profit schools with the **largest YOY enrollment growth between 2005-2010** comprise those with the highest 90/10 ratios, largest draw on military based aid, the highest CDRs, the lowest repayment rates, the lowest graduation rates, the lowest retention rates, highest proportion of students using federal aid and highest cost.

Care to enlighten us as to why? It seems clear they have built their businesses models on marketing shoddy online programs to low income students, including many in need of remediation, special attention, tutoring and student services these schools either do not offer, charge for or make difficult to obtain. Now that revenues at these institutions are skyrocketing to over 90% in FSA funds they wonder why they cannot attract cash payers! This brought about the unprecedented efforts to recruit those with military aid or their spouses eligible for TEB. Now that some in Congress are looking at the outcome of the many billions invested, they scramble for excuses and others scramble to salvage their investments in these companies by hiring people like Lanny Davis or working with Melanie Sloan.

There is nothing wrong with a publicly traded business or a profit motive. **It is the fact that the profits are derived almost entirely from Federal Funds and American taxpayers, that brings about the well-deserved criticism. This is what changes the game completely and it is a fact you continue to ignore in your defense of the for-profit college industry.**

1 person liked this. [Like](#) [Reply](#)

 **steveburd** ★ 2 days ago in reply to Trace Urdan

Trace, the author of this post ran a school owned by one of the largest publicly traded corporations for four years. He has seen this industry from the inside. With all due respect, perhaps he knows a thing or two about how some of these institutions operate.

1 person liked this. [Like](#) [Reply](#)

 **NealR** 2 days ago

Wow!! I haven't seen such a leap in poor logic in a while. Thank you>>>

Nowhere did I say that there are not good players in the for-profit world; only that there are more not so good players. There are some schools that are operated extremely well and with ethics and concern for students and their success. I would say that we did our best at Briarcliffe for example and I can quickly point to an excellent school such as Monroe College and good companies such as Herzing. But there are also some quite questionable operators who have hurt the whole sector.

Is there a disconnect between a profit motive and proper operation of a college or school? There does not have to be but for some, too many, there has been. When the profit comes before the proper and legal operations, there have been and likely are times when profit wins out. There are too many operators who go into the school business without any idea of what the school side and regs demand versus what they think business is. Proof, just check out the history of violations, fines and penalties brought onto some schools and their operations.

As for your citing a 38% default rate in loan repayment, that may or may not be correct but if it is there is a clear sign that students were sold programs they could not afford or that they might have gotten jobs that did not pay enough to repay loans. Are you arguing the side of those who are pushing Gainful Employment?

And your claim that good schools are valued more than "nongood"? No the schools that are valued are the ones that turn the most profit not necessarily those that operate properly and within the regs and ethics. The market rewards profit and so schools do all they can to make that profit whether it is legal or within regs or not. Just ask those that have been fined and whose stock market value has tumbled. In fact if I follow your argument, the whole sector is judged as weakened since all the stock values have fallen. High fliers have been brought down to earth as fines gouge out from profits.

Finally, Soviet? What in the world are you talking about? Soviet comrade?

Keep in mind that my comments are not to hurt the sector but to bring forward some of the reasons the sector is in trouble and make it better. I make equally focused remarks on all educational sectors. Sort of a lover's quarrel with college. Check out my blog if you want www.academicmaps.blogspot.com and you'll see that I am pro-student and will point out flaws when they harm education and students independent of the sector. You will even find when I point out the good things for-profits do and suggest that not-fors emulate..

 forprofitd liked this Like Reply

 **Trace Urdan** 2 days ago

As is common with critics of the sector, Mr. Raisman seems to completely discount the role of market economics. He seems to baldly assert that businesses concerned with growth and profit can only achieve those aims by selling a shoddy product to a dim-witted consumer. The implication, in the great Soviet tradition, is that only government can properly allocate goods and services to the masses.

The notion that a profit motive, or a responsibility to shareholders is antithetical to running a high quality institution is absurd. It is also clearly not borne out by the evidence of the publicly-traded operators, where those schools that are perceived as higher quality, with better outcomes, trade at higher valuations.

So Mr. Raisman's entire premise is patently, and provably false.

As for credibility, I note that the four year trailing repayment rate for Briarcliffe, which includes the period of his stewardship, is 38%, which would place it on the government's would-be list of bad actors in need of dire student warnings regarding sub-standard outcomes and restricted enrollment.

There may be good actors and bad actors, but Mr. Raisman might want to reconsider to whom he cedes the power to draw that distinction.

1 person liked this. Like Reply

 **Rob** 1 day ago

There used to be an old saying "You don't go into education for the money". Sadly, for-profit education changed that. Now there's nothing wrong with making a buck. However, when it comes at the expense of our most vulnerable, that's when I take issue. I also appreciate the fact that you have been in for-profit education in the past, as I'm sure we could swap some horror stories (telling admissions representatives to fake placement percentages to boost enrollments for instance). Personally, I have received cash bonuses for performance (albeit legitimately) for finding graduates jobs, and I have seen counterparts also receive those bonuses for 'faking' verifications for employment. As you said, there are some good organizations out there, and so many more 'not-so-good'.

Like Reply

 **Martha_Sherwood** 2 days ago

The high proportion of temporary and part-time employees at public Universities creates a similar incentive for "shaving", but of a negative complexion. The incentive there is not a bonus, but a better chance at a real job paying a living wage. The competition is fierce, and the people in the lower level positions are poorly trained. If/when the gross natural product hits the fan, the people on top can always blame the expendable underling.

Like Reply

 **NealR** 2 days ago

The comments are not specific to Briarcliffe College at all. At Briarcliffe we did things correctly and ethically while I was there. The comments are from my work with colleges and schools as a consultant and from research, some of which is available to anyone who wants to do a bit of digging in the news, talking with career college people and in investigations into career colleges. They are not meant to harm but reform.

Like Reply

 **forprofitd** 2 days ago in reply to NealR

If that is the case, I'd like to hear your opinion on industry wide recruiting methods including the David Sandler "pain funnel".

Like Reply

 **NealR** 2 days ago

I have nothing to be contrite about. This is not a PR attack but a bit of the truth that the sector needs to deal with or it will continue to be under scrutiny. And I should add that this is not about Briarcliffe College where we did things correctly but from my work with many schools over the years in my capacity as a consultant. This piece is not about what we did in a CEC school but what the sector does.

Like Reply



forprofited 2 days ago in reply to NealR

I said "PR tactic" as in stunt. In other words I was suspicious of you and wondering if you were working with the industry in an attempt to pretend like there is some change occurring, when in fact they are only changing their methods on paper, not in reality. I know many of these schools are changing what they call things, but not changing what they do. "Graduation Teams" for example ... simply a PR stunt.

Perhaps I was wrong about you Mr. Raisman. I am sorry if I jumped to conclusions regarding your objective. I'm certainly willing to give you the benefit of the doubt, however I remain curious about your motives.

Like Reply



dallaspetersen 3 days ago

It's refreshing to see someone from within the for-profit sector coming clean about what goes on behind the scenes. The time to regulate where our tax dollars are going is long overdue.

Like Reply



forprofited 3 days ago in reply to dallaspetersen

I agree, but I do question motives. Given Mr. Raisman was in a high level position at CEC for 5 years, I'd like to see him point out precise for-profit education industry industry flaws with specificity, more so than executive compensation packages. I fear he will attribute it to "poor customer service" in an industry boasts it's record revenues are attributable to "customer service".

Mr. Raisman should define "questionable practices".

Like Reply



Who_Profits 3 days ago

"At well run ,ethical schools and colleges, these individuals are either let go for violating procedures or policy or more often, if the violation is not major, corrected and trained to do things correctly. However, at all too many schools, they are congratulated for coming up with a new way to shave the rules, and their approach is quietly conveyed as an example for others to follow."

Consider this <http://media.corporate-ir.net/>... Note the Consequences of Non-Compliance (p. 9). One would think that EDMC schools are not in favor of unethical behavior based on this publication but does this document mean anything or is it just window dressing? How can students know who to trust?

Like Reply



forprofited 3 days ago

It sounds like Mr. Raisman is on a reconnaissance mission. This seems like a premeditated PR tactic rather than an act of contrition, following the modus operandi of Norton Norris.

Like Reply

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