

ATLANTIC UNION COLLEGE

A case analysis

By

Donald Paul, Brady, Rosemarie; Daisley, Bernard; Ferary, Reynold

Strategic Management

April 29, 2018

# Introduction

**Background:**

An objective understanding of Adventist education will allow diagnosing the serious challenges facing this renown worldwide educational system. The Atlantic Union College had its roots planted by Stephen Nelson Haskell on February 5, 1882 as a preparatory school to serve Adventist in the Northeastern United States and Bermuda. On April 19, 1882 this preparatory educational institution officially had the first day of class with nineteen (19) students enrolled. The foundation of Adventist education was laid in the final quarter of the nineteenth century, which represented a major shift from the teachings and practices of the young emerging and aggressive Seventh-day Adventist religious organization (AUC, 2016).

**Location:**

The college is located in a little town in the northeast state of Massachusetts, called South Lancaster, where the population according to the 2000 US Census, Bureau is 1,894, and the “racial make-up of the town was 90.30% [White](https://en.wikipedia.org/wiki/White_(U.S._Census)), 6.43% [African American](https://en.wikipedia.org/wiki/African_American_(U.S._Census)), 0.06% [Native American](https://en.wikipedia.org/wiki/Native_American_(U.S._Census)), 1.26% [Asian](https://en.wikipedia.org/wiki/Asian_(U.S._Census)), 1.49% from [other races](https://en.wikipedia.org/wiki/Race_(United_States_Census)), and 0.46% from two or more races. [Hispanic](https://en.wikipedia.org/wiki/Hispanic_(U.S._Census)) or [Latino](https://en.wikipedia.org/wiki/Latino_(U.S._Census)) of any race was 5.45% of the population” (Wikipedia, South Lancaster, 2018).

The South Lancaster Academy, as the school was originally named, was incorporated on December 12, 1883 and later renamed thirty-five years later as the Lancaster Junior College and in 1922 was renamed, Atlantic Union College. The rights to confer the Bachelor of Arts (B.A) degree was granted on February 9, 1933, followed twelve years later became a member of the New England Association of Schools and Area Colleges (NEASC), the accreditation regional authority. The Bachelor of Science (B.S) was authorized and added to the school’s range of degrees offered (AUC, 2016).

South Lancaster is “home to the Southern New England Conference of Seventh-day Adventists and the Atlantic Union Conference of Seventh-day Adventists, along with the SDA church owned Browning Elementary School and South Lancaster Academy. The college music department is housed in the Nathaniel Thayer Estate, which was placed on the National Register of Historic Places in 1976 and is now the Thayer Performing Arts Center” (Wikipedia, South Lancaster, 2018). Outside of Atlantic Union College the Adventist owned facilities, the town does not seem to have much going on for itself in terms of religion and education.

The college’s achievements celebrated a new height when it was authorized to grant Master of Education degree (M.Ed.). This authorization possibly was the driving force that propelled the college to have a student body of over one thousand in 1992. Though this period in the college’s history can be viewed as glorious and exciting times of the college, the large percentage of the student body’s (82 %) dependence on financial aid created serious economic woes for institution, to which they apparently have never been able to recover (Mazzaglia, 2015).

**Target Population:**

Today, in the northeast of the United States, Seventh-day Adventist membership surpasses one hundred thousand (123,000), with over five hundred and ninety-eight (598) churches, seventy-eight (78) groups/missions, eight (8) academies and fifty-four (54) elementary schools (Atlantic-Union.org)**.** Outside of the Seventh-day Adventist membership in the Northeast US and overseas, the market potential from the surrounding area is poor given the small population and highly competitive educational institutions in surrounding counties and states.   
**Status:**

AUC in Lancaster, Massachusetts has been in operation for almost 140 years. It has moved from being an Adventist education pillar to one which in the last 2 decades in last that struggle through leadership, financial, ethical and spiritual challenges to its final closure in June of this year.   
**Purpose of case study**:

This case study will attempt to use the limited data available to the public to assess the problems leading to the closure of the Atlantic Union College, the cause and make recommendation of possible solutions to resolve its closure. It is important to note that obtaining information directly from the College and its administering Union proved extremely difficult. Nonetheless, great efforts were made to access and utilize as much available and reliable information as possible.

**Legal**

**Accreditation and Memberships:**

Atlantic Union College was, prior to its first closure in 2011, authorized by the Massachusetts State Department of Higher Education to offer three (3) degree programs:

* Bachelor of Arts in Theology/Religion;
* Bachelor of Science in Health Science/Biology; and
* Masters of Education

Students graduating from AUC, prior to the College receiving Accreditation will have graduated from a College Authorized by the Commonwealth of Massachusetts, Department of Higher Education. Some Colleges may or may not accept the degree credits earned, for transfer, or in application for advanced study.  This decision is made by each individual College (AUC, 2016).

For Federal Financial Aid purposes, the credits earned will not be counted toward eligibility for funds. Some branches of the Federal Selective Services may or may not accept the College credits earned.

All students registered at Atlantic Union College in an approved program on the effective date of the grant of accreditation can be considered as graduating from an accredited institution. Accreditation allows the student to:

* Apply for Federal Financial Aid;
* Transfer the College Credits, according to each College's policy.

Atlantic Union College is currently pursuing accreditation. A process that can take approximately two (2) or more years.

**Partnerships:**

**A**tlantic Union College in its quest to regain accreditation and increase its student body population has sought to develop partnership relationships with two established Adventist educational institutions, Andrews University and Southwestern Adventist University.

* TRACS Accreditation; and
* Andrews University Transfer Partnership.

Another methodology explored to regain accreditation was the use of Articulation Agreements. Southwestern Adventist University. God never abandoned them. They were sustained by Jesus’ words: “I am with you always, even to the end of the age” (Matthew 28:20). We are also sustained by that promise every day. We are “more than conquerors” through Jesus (Romans 8:31-39)

**Enrollment**

At its peak enrollment, nearly nine hundred (900) students attended the college, though average enrollment in the 1970s and 1980s was approximately seven hundred (700) full-time students.

1992, recorded the highest enrollment, with a student body population over one thousand (1,000) taking classes at the Atlantic Union College. It was noted as a ‘flourishing’ period. One notable alumni, Schumacher-Hardy, recalled this period as active with spiritual and social programs and a diverse student body. He proudly claimed to be glad when he attended college during this period (Welker, 2017).

“By 1993, with eighty-two percent (82%) of its students receiving financial aid, the college’s debt soared to six million, two hundred thousand dollars ($6.200,000.00), forcing the institution to use its endowment funds for operational costs, until those too were exhausted,” reported the Metro West edition of the *Daily News*. The debt continued to grow reaching a staggering eleven ($11) million in debt in 1995.

The following year Atlantic Union College negotiated a merger arrangement with Andrews University. This merger arrangement was turned down by the Atlantic Union College Board. A move that disappointed many at both institutions. Two years later, in 1998 the regional accrediting body (New England Association of Schools and Colleges (NEASC) after a campus visit issued twenty-eight (28) citations of weaknesses that needed immediate attention. It is apparent that either the citations were ignored or much was not done to address the issues. In 2001, the accreditation authority issued a warning to the college with the intent to move them into action to avert possible serious consequences. The saga continued, and in 2003 Atlantic Union College was placed on probation. The probationary period climaxed in 2010, when the accreditation body mandated that the college’s accreditation will end as of July 2011 (AUC, 2016).

Atlantic Union College after being in operation for almost 140 years, closed its doors in July 2011 after losing its accreditation. When the school closed its doors, there were over four hundred (400) members of the student body. The school however displayed enormous faith by reopening in 2015 under the leadership of Dr. Avis Hendrickson, the first female president and second African-American president, only attracted fewer than fifty (50) students to its enrollment. This small student body proved inadequate to sustain the operations of the college and to regain accreditation (Williams, 2018).

The school has struggled to attract students since reopening in 2015. Without accreditation, students are ineligible for federal financial aid. Basically, “Lack of accreditation means no students loans, Pell grants, or accredited degrees earned by the students” (Williams, 2018).

In an interview with *Spectrum* in 2015, newly elected president Avis Hendrickson said the school had 11 students enrolled for the fall semester. By fall 2016, that number had risen to 31 enrolled students, according to AUC’s enrollment report (Williams, 2018).

Accreditation from the association once more is still several years away, and not until 2019 can students earn a degree from Atlantic Union College. Until then, students earn credits and transfer elsewhere. The college remains heavily reliant on church subsidies and has fewer than 50 students, who are still unable to earn degrees from the school or receive financial aid.

**Closure:**

Atlantic Union College announced on February 21, 2018, it will close at the end of the current semester (AUC News, 2018). According to the Worcester Business Journal, the current students, who number fewer than 50, were informed yesterday about the decision (Welker, 2017).

The news outlet *Sentinel & Enterprise* reported that “Atlantic Union spokesman Emmanuelle Ortiz said Wednesday that the most recent closure was because of financial backers pulling their support from the school” (Jasinski, 2018). In April 2017, the Southern New England Conference voted to end its nearly $800,000 per year subsidy to Atlantic Union College. The college appealed the decision, but the SNEC stood firm (Williams, 2018).

Some observers also cite the difficult 1983 decision to close Pioneer Valley Academy, a sizable Adventist boarding school in New Braintree, Massachusetts, which annually provided several dozen students to AUC, as a continuing reason for the college’s enrollment difficulties (Williams, 2018).

**Financial Operations**

**Atlantic Union College: Finances (Unavailable)**

**Parent Union: Atlantic Union Conference of Seventh-day Adventist**

**Constituent Conferences: Subsidies**

Each conference within the union gave annual financial contributions to the college as part of their educational development program. This income source provided most of the annual budget, with a small student body, tuition contributed less than ten percent (10%) of the annual income.

When two conferences voted to withhold their annual subvention, one conference voting to reduce subsidy by fifty percent (50%), and a small student body contributing less than ten percent (10%) of the annual income, the college was plunged into financial chaos.

**Debt Crisis:**

Financial reports imply that the college troubled financial experience began in the school’s pinnacle years. It is reported that in 1993, eighty-two percent (82%) of the enrolled students received student aid. There was a very high default rate on student loans and consequently, enrollment dropped way below projections. An auditor’s report revealed that the college was “essentially bankrupt” with a $ 3 Million debt.

By the fall of 1994 the college experienced another enrollment drop which forced them to borrow another $ 2 Million to get them through the 1994/95 school year. It is important to note that this action was a violation of the North American Division working policy which stipulates that money should not be borrowed for operations.

In May 1995 AUC was $ 6.2 Million in debt. About $ 3 Million was owed to the Atlantic Union Revolving Fund; and $ 2.4 Million was owed to the General Conference.

Due to greater financial difficulties, by August 1995 AUC began dipping into its endowment funds to meet payroll. This was repeated in November and December the same year until the endowment funds were exhausted.

In 1998, the New England Association of Schools and Colleges issued 28 Citations to the Atlantic Union Conference. Most had to do with financial problems, fund raising, the curriculum, student services, and faculty pay.

A focused evaluation in 2001 by the Massachusetts Commission on Institutions of Higher Education resulted in a recommendation to the Board of Trustees for NEASC that the college’s accreditation be terminated in December 2003. The College was then placed on probation.

In 2008, NEASC placed AUC on probation due to its failure to meet its standard on financial resources.

In February 2011, notice was given that AUC would lose its accreditation on July 31, 2011.

Lack of accreditation implies:

* No Federally funded student Loans.
* No PELL grants.
* No accredited degrees earned by the Students.

The 2016 Financial Report reveal that church subsidy made up ninety percent 90% of Atlantic Union College’s 4.5M income in 2015, and Atlantic Union College having one of the highest levels of subsidy of any Adventist college in the world may have caused the individual conferences to reconsider their giving obligations. It is heartening that the Atlantic Union College fulfilled all financial commitments with outside creditors and paid down its debt by 3.8 Million as of May 2017.

The Executive Committee of the Atlantic Union Conference of Seventh-day Adventist and the Board of Trustees of the Atlantic Union College voted February 2018 to suspend the Baccalaureate program at AUC at the end of the current academic semester and phase out the certificate programs in a teach-out manner no later than December 2018, due to financial exigency. This decision was reached after receiving the report of the Independent Task Force that was commissioned in 2017 by the Executive committee of the Atlantic Union Conference to conduct a feasibility study of the college.

**Reasons for closure**:

* Loss of accreditation and financial hardships.
* Key areas of consideration
  + - Benefactors
    - Students
    - Federal Aid
    - Accreditation

**Race Relations**   
 Researching the relationship between members within the Atlantic Union College community and its external community at large, proved incredibly difficult. attempts to secure reliable written documentation on the subject proved futile. This fact was not surprising, given the existence of racism in the United States and the silent implications or avoidance of this fact even within our faith-based Seventh-day Adventist organizations.   
 In all of the written literature reviewed, Wikipedia provided an interesting breakdown of the Atlantic Union College student body ethnicity in 2011 as “65.7% Black or African American, 16.7% Hispanic/Latino, 6.9% White, 5.9% Asian, 3.9% Race and/or Ethnicity unknown and 1.0% Two or more races non-Hispanic/Latino”; and also referred to the College as being a “Minority Serving Institution as defined by the Office of Civil Rights, as well as a Hispanic Serving Institution, for federal financial aid purposes.” Nowhere else in the history of the Atlantic Union College in local newspapers or the Atlantic Union Gleaner, or any school publication, was it ever publicly noted that it was a “Majority White Serving Institution” in the earlier years of the College, when the percentage of Caucasians were consistently close to 100%.   
 Another point worthy of note is that Wikipedia reports claims of racial discrimination during the 1990’s. there were also such claims even during the tenure of the first black president, Dr. Sylvan Lashley, of the College. To the extent where mention was made of the AUC Board approving a "Reconciliation and Unity" committee to address the lingering effects of past tensions, both social and personal” and also a declaration to "create a new and safe culture at AUC that includes graciousness, dignity, respect and love", and a plan to "schedule town hall meetings throughout the Atlantic Union territory to share the principles of reconciliation and unity". Whether these claims can be substantiated or not, the implications from a written report on “Racial and Ethnic Profile” for the college suggest that there are underlying race relation problems, internal and external to the college.  
 Furthermore, due to the limited reliable race relation information available, this part of the case study will only attempt to provide an overview of available data in terms of the ethnicity of the College presidents, student body and the community of Lancaster over the years since 1882 when the school was founded.   
 In Table 1, showing the surmised ethnic make-up of the College, based upon findings from the Atlantic Union Gleaner archives, Atlantic Union Webpage and the USA Census Bureau, it could be seen that there was a major ethnic shift in the College population (faculty and students), possibly during the 1990’s. This major shift was referred to as the “White Flight” by interviewed affiliates or former students of the College. However, although this ethnic shift took place internally over a short period of time with the student body as well as faculty as described by the interviewees, the South Lancaster Community remained the same with Whites/Causations being majority in the 90 percentiles of the city’s population.   
 Without any in-house details of the governance of the Atlantic College and its cultural dynamics over the years, it would be difficult to access the cultural web on the College over different periods to determine exactly what caused such a drastic shift and if it is directly linked to the fall of the peaked enrolment of 900 students (Wikipedia (2018) over the years to less than 50 students (Worcester Business Journal, 2018). However, based upon our basic knowledge that organizational culture and strategy are influenced by an organization’s cultural web, we can assume that any change in culture as a result of the “White Flight”, would also have caused shifts in the development, implementation, and continuous evaluation of any strategy for the College’s overall performance, if not done correctly to achieve sustainable successful business outcomes while keeping pace with its changing environment to avoid strategic drift.   
 Furthermore, not having vital information to analyze the governance of the Atlantic Union College (e.g. control systems, organization structure, etc.) to determine its institutional influences, also limits this case study from conducting a thorough research using a cultural web of the Atlantic Union College to fully understand historically, the path-dependent processes that were crucial to the success and failure this organization. Thus, providing evidence-based reasons why this College failed financially and will have to close in June 2018.   
 Nonetheless, other factors such as change in key stakeholders including investors and their affiliates from alumni and the community would be considered to link their impact on the overall dynamics resulting from the significant changes in the Atlantic Union College’s organizational culture, and the socio-economic and demographic makeup of its students and faculty.

**Forecast of PESTEL Analysis and Porter’s Five Forces**

Organization’s Strategic Success and Failures

**Success**

The college’s ability to reduce its debt during the period 2015 to 2017 is testament fiscal management and prudence. Religious tertiary educational institutions need urgent and serious overhaul to realize strategic success. Unlike some other institutions, colleges and universities need creative methods to reduce cost, hire and keep qualified teaching professionals while attracting talented students. Atlantic Union College’s mix of online and in-class lectures linked to market demands that caters for the working student along with the regular student population.

**Failures**

The inability to create structural changes at all levels of administration, including the contributory conferences and the nursery institutions impacted the college. The inability to shift some courses from full ‘brick’ classrooms to online classrooms excluded the adult and working student.

**Recommendations:**

Alisa Williams, the managing editor of Spectrum Magazine, breaks the news, “Atlantic Union College announced today, February 21, it will close at the end of the current semester. The Adventist college in Lancaster, Massachusetts has been in operation for almost 140 years. It closed in 2011 after losing its accreditation, and re-opened in 2015 with the hope of regaining accreditation, but that did not happen.” And According to the Worcester Business Journal, the existing students, fewer than 50, were informed yesterday about the decision. The two bachelor’s degrees the college offers will be discontinued at semester’s end, while the six continuing education certificates will end no later than December.

Williams also said that, the news outlet *Sentinel & Enterprise* reported that “Atlantic Union spokesman Emmanuelle Ortiz said Wednesday that the most recent closure was because of financial backers pulling their support from the school.”

The Southern New England Conference voted in April 2017 to end its nearly $800,000 per year subsidy to Atlantic Union College. The college appealed the decision, but to no avail. The conference cited lower-than-expected enrollment and what it called an unsustainable trend of rising staffing levels, and said it found Atlantic Union was not able to service the college-age youth of the conference.”

Ortiz told the *Sentinel* that "There are two [more] conferences that want to pull out completely and a third that wants to cut its funding by half…We did a feasibility study and there's no way for the school to continue on financially."

After reviewing the situation, we have come up with the following recommendation: The faculty and the alumni association board should get together and come with a decision to halt the impending closure of the school.

Mark Roosevelt, who is a great-grandson of President Theodore Roosevelt, spent a portion of his career as a politician in Massachusetts and served as superintendent of the Pittsburgh public school system, said that, “A 10-year plan is essential to reopening a college, and it will probably take 15 or more years to get the institution steadied” (Holden). Therefore, we recommend that AUC remains opened.

A Study committee should be formed to study the financial states of the institution. Teachers, Administrators, alumni, constituency members, conference, union, and division members should be permitted to participate on the Study Committee. The Study committee also should strive to find new income streams, and study ways for the school to be less dependent on tuition.

Come up with a fundraising initiative to raise money for the school. Find and compel the alumni to be involved to move the institution forward. Alumni are to be encouraged to make a deep and sustained commitment to AUC. Emotional and financial support from alumni is crucial to keeping the college alive.

We recommend that tuition be free for the next 4 years. High tuitions make an institution susceptible to fluctuations in enrollment. No tuitions for the next 4 years will boost enrollment.

According to Welker, A small liberal arts school in Ohio, Antioch College, could give Atlantic Union hope. Antioch closed in 2008 but reopened in 2011 after an alumni-led group bought the campus for $6 million from its owner that had forced it to close, Antioch University. By 2011, the school reopened with 35 students and didn't charge tuition for the first four years, when it was still unaccredited. Atlantic Union charges $17,998 for residents and $11,498 for commuters as of last year.” "Someone along the way found out that we were giving out free tuition, and we were inundated with applications." (Holden, 2017).

We recommend that leadership within the board and administration are replaced.

“An alumnus, an active Seventh-Day Adventist who still closely follows how the school has been doing, attributed the decline in the past quarter century to a natural ebb-and-flow and unpopular choices by administrators”. And one of the basis on which the Southern New England Conference withdrawn its subsidy is what they called “an unsustainable trend of rising staffing levels”. This could be attributed to poor management.

We recommend that the school work tirelessly and determinedly to regaining its accreditation. Accreditation is critical and vital to an institution because it allows its students to receive financial aid from the government; in addition, some employers won't hire applicants who don't come from an accredited school.

As institutions attempt to advance in this new economic climate for higher education, we stress that AUC be mindful of both short-term and long-term plans, mission orientation, ability to adapt, and fiscal responsibility to not only sustain their operations but thrive in the modern higher education environment.

# **References**

Alvarez, M. C. (2012, March). Retrieved from atlanticunion.cor: http://atlantic-union.org/wordpress/wp-content/uploads/2012/03/The\_Buzz\_February\_2010.pdf

AUC. (2016, February). *Our College History* . Retrieved from Atlantic Union College Website.

AUC News. (2018, February 27). *Atlantic Union College* . Retrieved from Atlantic Union College Website: https://www.auc.edu

Francis, J. (2018, February 28). The Enduring Light in Massachusetts: Adventists in New England Invent and Reinvent Themselves. *Adventist Review*. Retrieved April 22, 2018, from https://www.adventistreview.org/1803

Holden, M. (2017, April 24). The Fall and Rise of a College: A Small College in Ohio was able to Reopen Three Years after Closing. Could St. Joseph's College do the Same? *Journal & Courier Online*.

Jasinski, P. (2018, February 21). Atlantic Union College Announces it is Closing after 140 Years of Operation. *Sentinel & Enterprise*.

Mazzaglia, F. (2015, June 28). Mazzaglia: A College Born Again. *The MetroWest Daily News*.

Welker, G. (2017, June 26). Atlantic Union Relying on Faith in Seeking College Revival. (B. Kane, Ed.) *Worcester Business Journal*. Retrieved April 2018

Williams, A. (2018, February 21). Breaking: Atlantic Union College Will Close. *Spectrum*.

**Appendix**



Table 2: SOUTHWESTERN ADVENTIST UNIVERSITY

TRANSFER EQUIVALENCIES

