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Organizations, Policies, and the Roots of Public Value Failure: The Case of For-Profit Higher Education

Abstract: *While public value theory has emerged to offer important insights into the evaluation of social enterprises, little is known about the origins of public value failure and even less about the role that organizations and public policy play in creating public value failure. Accordingly, this analysis explores the origins of public value failure using examples from for-profit higher education. A selection of organization and public policy concepts are integrated into a public value mapping framework to develop a theoretical basis for public value “failure drivers.” In addition to advancing public value theory, an understanding of the origins of public value failure and the role of failure drivers has important implications for the design of public value–maximizing strategies and institutions.*

Practitioner Points

- Many social enterprises are justified in terms of public value but evaluated through market-driven frameworks.
- Public value mapping offers a mechanism for relating public value theory to organizational and policy outcomes.
- In addition to understanding the types of public value failures, it is important to understand the root causes of public value failure if remediation is a priority.
- Public value failure drivers are the attributes of public policies and organizations that play a role in creating public value failure.

A wide spectrum of social enterprises, especially but not exclusively public policies and programs, are typically justified in terms of their prospects for advancing or preserving public value. Yet these same enterprises are generally evaluated through the more narrowly focused logic of market success or failure. In an attempt to reconcile this discord, public value theory has emerged as a supplement to prevailing market-based evaluative paradigms. According to public value theory, an enterprise may be evaluated along dimensions of market failure or success as well as public value failure or success (Bozeman 2007). Despite application in assorted policy and organizational domains, important theoretical and practical critiques make the case that public values research neglects consideration of the origins of public value or the threats to the creation of public value (Jacobs 2014). In response to this criticism, the research presented here explores some of the structural origins of public value failure. Using examples from for-profit higher education, this article asks, how do public policy and organizational factors contribute to specific instances of public value failure? We focus specifically on public value failures relating

to imperfect public information, distribution of benefits, provider scarcity, and short time horizons.

The case of for-profit higher education is particularly relevant to theory and practice. For-profit universities have been the subject of considerable public ire, legal scrutiny, and regulatory inquiry. Yet little attention is paid to the extent to which the reasons for this unfavorable attention can be placed on the organizations and their strategies or the policy and regulatory environments in which they are situated.

Public value failure drivers are the attributes of public policies and organizations that play a role in creating public value failure. To develop a theory of public value failure drivers, a selection of organization and public policy concepts are applied to the case of for-profit higher education. The twofold objective here is to (1) establish a basis for a theory of public value failure drivers and (2) to examine the differential and interactive roles aspects of public policies and organizations may play as drivers of public value failure. Concepts from institutional logic and organizational goal theories are used to examine the organizational aspects of public value failure. Concepts

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pertaining to misplaced policy precision and policy compliance are used to examine the policy aspects of public value failure.

An understanding of the origins of public value failure is important for both theory and practice. In the first place, studies in public policy and organization theory have much to learn from each other. This article answers calls for public values research to explore the organizational and managerial limits to fostering public value (Bryson, Crosby, and Bloomberg 2014, 450) and to make links between the nature of organizations, institutions, and policy (Williams and Shearer 2011, 1381). Second, if public value failure is a condition worthy of remediation, a detailed understanding of its origins will play an important role in crafting effective remediation strategies and design models for public value maximization.

The Policy and Organizational Origins of For-Profit Higher Education in the United States

The growth of for-profit higher education demonstrates how public policies and organizational strategies can shape the growth of an industry. While profit-centric modes of education have existed for centuries, the roots of what is now termed “for-profit higher education” date back only a few decades (Coleman and Vedder 2008). In 1972, the Higher Education Act (HEA) of 1965 was reauthorized to allow federal tuition subsidies, including Pell Grants, to be used by students attending for-profit institutions (Bennett, Lucchesi, and Vedder 2010, 9). As a result, federal resources were made available to enable industry growth (Kinser 2006). From the mid-1970s to the mid-2000s, annual enrollment at for-profit colleges increased about 11 percent per year (Coleman and Vedder 2008, 5). From 1998 to 2008, enrollment at for-profit colleges grew 225 percent, considerably higher than the 31 percent growth in higher education generally (U.S. Senate 2012a, 21).

In the mid-1990s, Apollo Education Group, Inc., an industry bellwether, became a publicly traded company (Ruch 2001, 60–61), commencing an invigorated Wall Street focus on education (Kinser 2006). Public policies continued to promote growth. The “85-15 rule” was amended in the 1998 reauthorization of the HEA to what is now known as the “90-10 rule,” which requires for-profit colleges to obtain at least 10 percent of their funds from sources other than federal Title IV programs (FinAid n.d.). The growth of for-profit colleges continued into the 2000s as the 50 percent rule, which stipulated that no more than half of a program’s students could be taught through correspondence or distance learning, was repealed in 2006.

Public policy has not always led to for-profit college industry growth. For example, in the late 1980s, the U.S. Department of Education initiated cohort default rate regulations to draw attention to trade schools that were preying on students who would struggle to repay their loans by linking federal funding to the proportion of a college’s alumni who defaulted on loans (FinAid 2010). As a result, hundreds of small for-profit colleges whose students had high loan default rates closed in the early 1990s (Lederman 2007). In 1998,

Congress changed the default rate threshold, thereby weakening the regulation and artificially lowering cohort default rates. Under the 2008 reauthorization of the HEA, Congress enhanced cohort default rate regulations, once again shedding light on predatory college loans (FinAid 2010).

Similar to cohort default rate regulations, Congress passed so-called gainful employment rules that cut federal funding to schools whose graduates’ earnings are systematically inadequate to repay average program student loan debts (U.S. Department of Education 2014). Specifically, students who complete a program would need to spend, on average, no more than 8 percent of their annual income, or 20 percent of their discretionary income, on their student loan repayment (U.S. Department of Education 2014). Such changes may have far-reaching effects on colleges that rely heavily on federal funding. Together, cohort default rate and gainful employment regulations stand as policy design choices that are likely to threaten the growth trajectories of the industry.

Public Value Theory

Public values have been characterized as “the prerogatives, normative standards, social supports, rights and procedural guarantees that a given society aspires to provide to all citizens” (Bozeman and Sarewitz 2005, 22). This definition distinguishes public values from more concrete tangibles such as public goods and implies that they can draw different meaning across cultures and time. Public values are expressed in assorted domains of social enterprise and used to justify public involvement and investment in assorted domains of social, economic, and scientific enterprise. Public value theory has an intellectual heritage that spans several decades and draws from or responds to a number of important social scientific and philosophical themes (Van der Wal, Nabatchi, and de Graaf 2015).

Public value is a concept that is relevant to public and private enterprise. Moulton’s (2009) theory of realized publicness goes beyond equating publicness with the proportion of revenue from government funding and considers how external and internal institutional aspects of organizations lead to public outcomes. In Moulton’s view, publicness is operationalized through the public values of the institutional environment, both internal and external, of an organization (see also Bozeman and Moulton 2011; Moulton and Bozeman 2010). Accordingly, education (irrespective of sector of provision) may be considered an inherently public institution. At the very least, education provides positive externalities for communities and society (Friedman 1962). As examined in this article, the normative environment of higher education sometimes stands in sharp contrast with the logic of corporatism and/or the profit goal orientation. Such conflict strengthens the argument that for-profit higher education is a worthy case with regard to public value theory, because the outcomes of these conflicts often determine whether public value failure occurs.

Welfare economics is often used as a counterpoint to public values research. While the general proclivity of both welfare economics and

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public values research is to protect societal norms about well-being, some important differences distinguish the two. Moore (1995, 328–29) suggests that while welfare economics captures and measures value through the satisfaction that individuals derive from the activities of society, in practice, it is focused on the production of goods and services that individuals consume and gives less attention to the satisfaction that would come from living in a just society or one that looks beyond the individual for satisfaction. Public values research gives public policy and administration researchers who confront concepts of justice and collectivism a centralized locus for research. While inroads have been made to get away from normative and philosophical arguments and measure public values at the individual level (see Witesman and Walters 2015), the struggle to include ideas such as justice and collectivism into public policy analysis is still a major problem for public values research, but one that distinguishes it from welfare economics.

Bozeman’s (2002, 2007) public value mapping framework provides a set of analytical heuristics for deliberation of public value that are built on here. Versions of this framework have been applied in a number of policy domains, including agricultural biotechnology (Bozeman 2007), cancer research (Slade 2011), green chemistry (Logar 2011), flu vaccines (Feeney and Bozeman 2007), federally funded climate science (Meyer 2011), university technology transfer (Valdivia 2011), and federally funded nanoscale science and engineering (Anderson and Slade 2013; Fisher et al. 2010).

Public Value Failure in For-Profit Higher Education

Given the recent highly contentious and public scrutiny of for-profit higher education, (U.S. Senate 2012a, 2012b), a deeper understanding of the interplay between the organizational and policy aspects of specific public value failures stands to provide important clarification on the topic. For-profit higher education is an industry of multiple actors and complex stakeholder groups. Accordingly, it is important to note that the examples provided here sometimes characterize the behavior of single organizations or small sets of organizations, but there is at least some evidence (Lewin 2012) that many of these behaviors are common throughout the industry. With this in mind, the objective of this section is to provide brief examples of public value according to Bozeman’s (2002, 2007) public value failure criteria and then describe each failure’s corresponding policy or organizational drivers. We focus here on a selection of public value failures, including imperfect public information, distribution of benefits, provider scarcity, and short time horizons.

Failure criterion: Imperfect public information. Information pertaining to student costs and student performance plays an important role in shaping successful learning systems, and public value failure can occur when the interests of the public are hindered because of insufficient access to information (Bozeman 2007, 148). In the case of higher education, the Integrated Postsecondary Education Data System (IPEDS) plays an important role in collecting, validating, and distributing information about universities that participate in federal student aid programs.

According to at least one report, some for-profit colleges systematically manipulate IPEDS through such strategies as combining data from multiple campuses to mask program-specific inadequacies (Institute for College Access and Success 2013). Another report shows that some for-profits systematically manipulate loan forbearance status to preemptively mask high default rates (Lewin 2012).

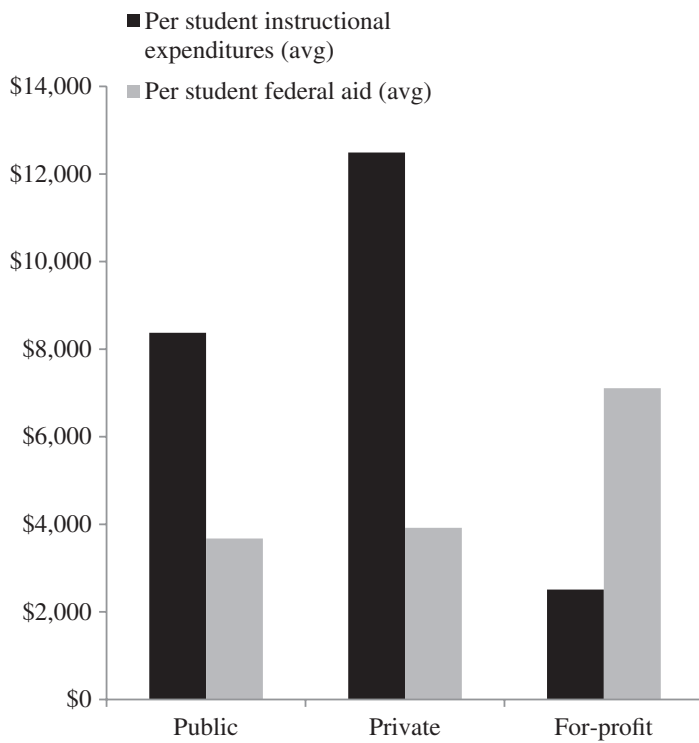
For-profit colleges are largely absent from popular ranking regimes because they do not supply enough information in order to be ranked. Furthermore, testing by undercover applications from the U.S. Government Accountability Office found that information provided by some for-profit colleges to prospective students was misleading (GAO 2010). The provision of misleading or inaccurate information was a major factor in legal and regulatory action against Corinthian Colleges in 2014–15 (U.S. Department of Education 2015a) and served as the basis for a Federal Trade Commission suit against DeVry in early 2016 (FTC 2016). Thus, efforts to manipulate or withhold information and efforts to mislead prospective consumers can be classified as public value failures pertaining to imperfect public information.

Failure criterion: Distribution of benefits. Public value failure can occur when access to public domain benefits or public resources is restricted or hoarded (Bozeman 2007, 149). Thus, public value is created when those who qualify for public domain benefits receive the benefits, and public value is threatened in instances in which public resources are systematically allocated to unintended beneficiaries. In 2014, the federal government appropriated \$28.9 billion in federal Pell Grants for low-income student support (U.S. Department of Education 2015b, 46). The for-profit higher education sector consumes far more student aid than public and private universities on a per-student basis and allocates far less toward student instruction, as shown in figure 1. It is true that traditional universities—through public subsidies and donations—tend to have more diverse revenue streams than for-profit universities (Belfield 2012), leading for-profits to rely more heavily on federal revenues to support operations not related to instruction. This

suggests that Title IV benefits at for-profit colleges do not contribute as directly to the instruction of the students as they do at traditional colleges, thus creating a distribution of benefits public value failure situation.

Failure criterion: Provider availability. Public value failure may occur if a crucial good or service is inadequately provided because providers are unavailable (Bozeman 2007, 146–50). Once again, provider scarcity has complex manifestations in the case of for-profit higher education. Traditional higher education is a highly rigid industry that has historically been unresponsive to certain segments of the education market, including career, adult, distance, and vocational education. Early for-profit colleges targeted these markets almost exclusively. Thus, by addressing the needs of neglected markets, for-profit colleges have offered a remedy to a provider scarcity and filled the demand for higher education in the United States.

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Source: Adapted from Bozeman and Anderson (2014a)

Figure 1 Federal Student Loan and Grant Aid versus Instructional Expenditures by Sector, 2010–11

In the years following the 2005 reauthorization of the HEA, which made federal student aid resources available to wholly online colleges, many for-profits expanded to capitalize on high-profit-margin areas of traditional higher education such as graduate business, professional scientific, and technical or general undergraduate studies (e.g., Croix n.d.; Holtzman 2010). This expansion of education programming explains much of the growth in for-profit higher education in recent years. While expanding educational programming to areas long successfully executed in traditional universities, for-profit colleges rejected some proven but expensive learning models, instead holding tight to low-cost strategies such as employing minimal full-time, professional faculty (Gilpin, Saunders, and Stoddard 2015). The fact that credits earned at many for-profit institutions are not transferable (Jacobs 2015) to traditional universities is one form of evidence that there is a quality disparity between the two models. Thus, the for-profit strategy to offer low-cost alternatives to traditional degree programs effectively increased the volume of college participants, but not necessarily the volume of high-quality teachers or programs, and created a type of provider scarcity public value failure.

Failure criterion: Time horizons. Many public problems, such as public safety, occasionally require prioritization of short-term over long-term interests. But public value failure may occur when the short term is *unnecessarily* prioritized over the long term (Bozeman 2007). In the case of for-profit higher education, time horizon public value failures are seen in the management strategies

Organizational factors related to goals lead to short time horizon public value failures, and organizational factors related to institutional logics lead to provider availability and imperfect public information public value failures.

that prioritize student recruitment over student learning and retention. Many of the largest for-profit universities have developed sophisticated recruitment strategies. Because the costs of educating and retaining students are sometimes higher than the cost of recruiting new students, many large for-profit universities have developed strategies that prioritize recruiting new students over educating and retaining current students (Lewin 2012).

This is a perfectly reasonable strategy if profit is the priority. For example, one government report found that “[a]mong a group of 15 of the largest publicly traded for-profits, the average company in 2009 spent 23 percent of its budget on advertising, marketing and recruitment ... By comparison, nonprofit institutions on average spend less than 1 percent of their budgets on marketing, according to the committee” (Fain 2012). At some of these institutions, per-student marketing- and recruitment-related expenses far exceed instructional costs. According to the same government report, in 2009, DeVry University spent \$4,054 per student on marketing and only \$2,989 per student on instruction (U.S. Senate 2012b, 415). The evidence on marketing and recruitment expenditures, coupled with the data on retention and graduation, characterize a complex, differentiated strategy among for-profits to prioritize the short term over the long term. While this certainly constitutes a business success, it characterizes an important time horizon related public value failure.

Organization and Policy Driver Model for Public Value Failure

Public value theory is a domain with considerable promise for spanning policy and organizational studies. Perhaps not coincidentally, a number of important public value studies include dual policy-organization considerations. Examples include Spano’s (2009) research on management control systems to create public value, Wallis and Gregory’s (2009) research on leadership and public values, and Andersen and colleagues’ (2012) work on organizational design principles and governance public values. However, none of these studies examines directly how organizations and policy both independently and sometimes interactively function to create public value failure. Thus, the central assertion here is that public value failure may come about through either policy or organizational failure drivers. Figure 2 illustrates how a selection of organizational and policy public value failure drivers are manifest in the case of for-profit higher education. Two organizational factors (institutional logics and organizational goals) and two policy factors (misplaced precision and compliance) lead to a number of different conditions that then lead to public value failure.

Policy factors pertaining to misplaced precision lead to both distribution of benefit and short time horizon public value failures. Organizational factors related to goals lead to short time horizon public value failures, and organizational factors related to institutional logics lead to provider availability and imperfect public information public value failures. Specific evidence for each organizational and policy failure driver are provided in the sections that follow. Figure 2 is helpful for the present case because it shows (1) that a single failure driver can be associated with multiple types

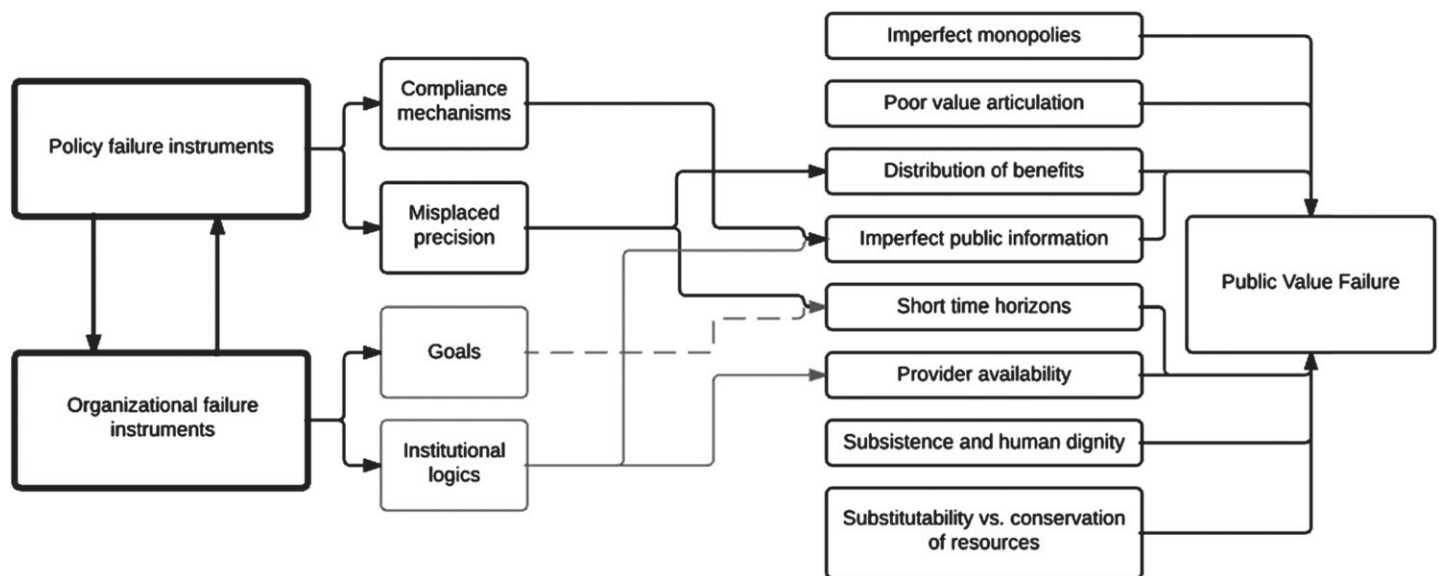


Figure 2 Organizations and Policies as Drivers of Public Value Failure

of failures and (2) that we do not need to provide examples of every type of public value failure in order to develop a meaningful theory of public value failure drivers.

Organizational public value failure driver: Institutional logics.

Thornton and Ocasio define institutional logics as “as the socially constructed, historical pattern of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality” (1999, 804; see also Jackall 1988). Higher education organizations have been described as highly institutionalized (Meyer and Rowan 1977); this article contends that traditional and for-profit higher education organizations advance different institutional logics that guide the meaning and consequences of power as well as decision making, identity, strategies, and cognition (Friedland and Alford 1991). These important differences, as well as how these logics evolve together (Kraatz, Ventresca, and Deng 2010), have implications for the realization of public value.

Unlike for-profit higher education, traditional universities follow a guild logic of management and operations. Guild systems are generally characterized by reliance on knowledge accumulation through experience by specialists, who then pass this knowledge to apprentices through formalized processes. The guild logic of traditional higher education dates back centuries—perhaps as early as the thirteenth century, when students in Bologna and masters in Paris formalized their guilds into places of learning that became universities (Rashdall 1895).

It has been observed that the guild logic guides at least some of the faculty in traditional universities (Rindova 2008). Like professions (Parsons 1939), guilds have social authority and autonomy because of their ability to accumulate and apply specialized knowledge and skills (Abbott 1989). Research in higher education finds that faculty determine their own agenda for teaching, research, and service (Hattie and Marsh 1996); self-govern (AAUP 1994); and generally have loosely coupled relationships with administrative

superiors (Anderson and Slade 2015), all of which supports the general claim that traditional universities operate according to a guild logic.

Unlike traditional universities, for-profit colleges are in fact businesses, and therefore they follow a corporate logic. This logic is characterized at least in part by a clear organizational objective of profit maximization and development of strategies (i.e., marketing strategies) and organizational structures (i.e., sales or enrollment departments) to fulfill this objective. In this logic, managerialism is the dominant operational paradigm, and supervisor–subordinate relations are more meaningful than they are in traditional higher education (Anderson and Slade 2015). Many for-profits have high-pressure sales environments (see Coutts 2011; Kirkham 2011), and some of the most profitable for-profit colleges spend more money on marketing than instruction on a per-student basis (Stratford 2012). The application of many aspects of corporate logic to higher education comes with mixed support. For example, the so-called Harkin Report (Lewin 2012) contends that certain aspects, including the high-pressure sales, are ill suited for higher education, while others say that the responsiveness to environmental stimulation and managerial efficiency of private enterprise offer important complements to the traditional model (Crow and Dabars 2015). Indeed, it would be unfair to characterize higher education providers as pure adherents to one institutional logic, and research suggests that working professionals are guided by a constellation of logics (Goodrick and Reay 2011). Nevertheless, it is clear that, at present, the two dominant logics presented in this current study are competing for influence in higher education (see also Kraatz, Ventresca, and Deng 2010).

Institutional logics operate as drivers of the provider availability public value criterion. The guild logic, with its strong focus on faculty governance and autonomy, for many years held nonprofit universities from expanding offerings to new markets, content areas, and nontraditional students. As discussed previously, the move of for-profits into traditional degree-oriented education programs was accompanied by a resistance to adopt expensive teaching

solutions that those education programs required to be successful. Instead, for-profits have relied heavily on less expensive part-time and nontraditional faculty. Arguably, this commitment to low-cost programming is a function of corporate logic.

Institutional logics also operate as drivers of public value pertaining to imperfect public information. The guild logic in traditional higher education has evolved to include a tendency toward overcompliance with at least some federal accounting rules (Bozeman and Anderson 2014b).

Accordingly, government collection of important performance data used to ensure compliance with federal student aid programs relies heavily on voluntary self-reporting protocols, a strategy that is generally effective for traditional colleges and universities. However, the institutional logics that inform for-profit colleges are different, relying less on transparency and more on monetizing the benefits of information asymmetries. Because for-profit colleges are currently not required to report on many aspects of their spending that are unique to their for-profit status (Cochrane 2013), the threat of public value failure looms in the absence of imperfect information for key stakeholders. In this case, institutional logics and the absence of effectively designed compliance mechanisms can be identified as public value failure drivers.

Organizational public value failure driver: Organizational goals. Traditional universities derive funding from various sources, including government subsidies, charitable donations, and tuition revenue from students. For-profit colleges also receive funding from various sources but are less diversified; in some cases, federal funding through grant, loan, and veterans programs make up more than 90 percent of overall college revenue. Increased political influence from groups or actors who share formal power over a public agency has been found to affect organizational goals, making them less clear (Pandey and Wright 2006). Thus, the more diversified the interactions with external entities, the more goal ambiguity, at least in part as a result of the need for legitimacy

Cohen and March described the situation of purposive goal ambiguity at nonprofit universities: “College presidents live within a normative context that presumes purpose and within an organizational context that denies it” (1986, 197). Regarding the internal organizational structure, universities have been termed “organized anarchies” (Cohen and March 1986) and described as “loosely coupled” (see Weick 1976). Two situations generate loose coupling: diversity of interests among members and uncertainty about means–ends connections (Hannan and Freeman 1984). This organizational approach of nonprofit universities purposefully creates ambiguous goals, which also help the university maintain legitimacy in the face of outcomes that are all but impossible to measure accurately (Meyer and Rowan 1977, 357). Accordingly, there is a wide difference between the goals externally placed on a university and its internal goals, which largely stem from the academic leadership’s contempt for managerial corporatism (see Winter 2009).

The growth of for-profit universities into new markets was a combination of the goal clarity of the profit motive as well as a break from the guild logic that had, for centuries, guided higher education decision making on what was appropriate strategy.

Organizational goals and institutional logics are intertwined, but they are also distinct concepts with different effects on colleges. For example, the guild logic of organizing is not synonymous with being a nonprofit, but both have intertwined yet distinctly separate influences on organizational goal ambiguity at universities. As we elaborate later, the guild logic contributed to faculty power, organizational structure, and loose coupling that has long guided governance and decision making in higher education organizations. The guild logic strongly influenced provider availability and distribution of benefits for centuries by creating a model of the university that provided services for only a select few. At research universities, where the guild logic is strongest, widespread student access has never been at the forefront of goals until recently (Crow and Dabars 2015). Thus, the growth of for-profit universities into new markets was a combination of the goal clarity of the profit motive as well as a break from the guild logic that had, for centuries, guided higher education decision making on what was appropriate strategy.

Organizational goals can operate as public value failure drivers pertaining to time horizons. While the inherent goal ambiguity in public and nonprofit universities creates a checks and balances system for opposing goals, it is important to note that the for-profit model, with its high relative level of goal clarity, is not always opposed to public values in higher education. For businesses, though, the need to exist by making a profit takes precedence over other goals (Milgrom and Roberts 1992). While it is debatable whether the profit motive has a negative effect on other public value criteria listed in this article (mechanisms for values articulation and aggregation, imperfect public information, distribution of benefits, provider availability), the case for testing goal ambiguity has a more direct effect on the public value criterion of *time horizons*. Stakeholders at for-profit universities—namely, investors—have much shorter time horizons for their outcome of focus than stakeholders of other types of colleges (de Alva 2014). Whereas nonprofit and state universities and community colleges are worried about their bottom line, they are also worried about the impact that their institution has on the economic development of both their students and the region in which they reside, enabling them to focus on long-term goals in addition to short-term goals such as balancing their budgets. Moreover, as discussed earlier, the clarity of profit-driven goals creates an (arguably perverse) incentive for for-profits to prioritize recruitment of new students over graduation and retention of current students.

It is important to recognize that according to this case, relative goal ambiguity alone does not affect public value outcomes. The fundamental nature of the goal is an important factor. In this case, it is not just the clear goal that leads to public value failure but the clear, singular focus on profit maximization as the goal. Presumably, narrowly focused, equally clear goals pertaining to student graduation and job placement would not result in the same public value failure outcomes described here. Accordingly, it is important

to consider not just goal clarity as a failure driver but organizational goals more generally as *possible* failure drivers.

Policy public value failure driver: Misplaced precision in policy design and implementation. Public policies are often crafted in response to or in anticipation of a problem or set of problems (Anderson and Slade 2013). The concept of misplaced precision describes a condition in which the design features of public policy are well specified but inadequately oriented toward remediation of the core problem that the policies aim to address. For example, Bozeman and Anderson (2014b) discuss the role of misplaced precision in university research accounting policies in the aftermath of the so-called Stanford Yacht scandal. In this case, a single event led to a proliferation of regulations requiring university research accountants to document, verify, and report large volumes of information pertaining to university overhead expenditures on federal research accounts, not all of which served a clear and useful purpose. For example, while the aim of the provisions was to ensure appropriate use of federal resources, the policies eventually evolved to include complex systems for rotating expenditures through account types, development of methodologies for assessing eligible depreciations and allowances, and rules for negotiating institution specific overhead rates (Bozeman and Anderson 2014b). Ultimately, universities began underreporting overhead expenditures to federal accounts, thus misplacing the precision of the policies and undermining their core functions.

We contend that misplaced precision operates as a driver of public value failure related to benefit distributions and time horizons. In both cases, the misplaced precision pertains to policies regarding the use of federal student aid resources, which provide modest guidelines for how federal student aid may be spent by students but relatively little specification as to how federal student aid revenues are to be spent by the institutions that receive these funds on behalf of students. Title IV of the HEA of 1965 and its subsequent reauthorizations are more or less silent on how federal student aid revenues shall or shall not be invested in instruction and support services by universities for the benefit of current students. Because university accounting is a complex enterprise and virtually all institutions are required to make investments in areas secondary to their student-centric missions, it may be unreasonable to expect that all federal student aid revenues be spent on student instruction and services. However, the evidence linking improved student outcomes with instructional expenditures (Gansemer-Topf and Schuh 2003; Lawal 2008; Ryan 2004) and student services (Webber and Ehrenberg 2010) could suggest that at least some greater level of specification connecting Title IV monies with relevant inputs is merited.

Similarly, because the Department of Education does not prohibit (or limit) universities from spending federal student aid revenues on marketing, we contend that policy imprecision plays a role in public value failures as they pertain to time horizons. As discussed earlier, many for-profit universities have developed robust marketing machines to drive new student enrollment at the expense of current student retention and graduation. Thus, a strong and arguably unnecessary preference is placed on short-term priorities of recruiting rather than the long-term priorities of student

performance. By failing to prohibit or limit the use of federal student aid for marketing and recruitment, and instead ensuring quality through 90–10 and gainful employment rules, misplaced policy precision operates as a driver of time horizon public value failure.

Policy public value failure driver: Ineffective compliance mechanisms. Regulation through public policy traditionally uses government authority to “permit, prescribe, or prohibit” private actors’ behavior (Potoski and Prakash 2005, 236). The federal government can use incentives (i.e., access to resources) and penalties (i.e., restricted program participation) to affect compliance with policies and regulations. Public value failure may occur when the compliance mechanisms are ineffectively designed. In some industries, third parties arise to promote public values in ways that interact with policy compliance behaviors. For example, some voluntary regulatory regimes provide benefits to participants who comply with environmental standards that promote sustainable behavior. While complying with program requirements induces costs, achieving third-party certification gives organizations the ability to publicize membership and reap the benefits of reputation (Potoski and Prakash 2005). Failures in the higher education sector to comply with public policies are not as well articulated as they are with environmental problems.

Third-party ranking systems exist in higher education, but none has the ability to provide any sort of certification that leads to reputational benefits for the for-profit sector, as in the nonprofit higher education sector. For example, in *U.S. News & World Report’s* 2015 National Universities Rankings, for-profit colleges did not supply enough information in order to be ranked. Furthermore, the third-party ranking systems that do exist in higher education alter behavior in ways that might hinder innovation and creativity that is integral to knowledge production. University ranking systems such as that of the *Times Higher Education Supplement* and the Shanghai Academic Ranking of World Universities shift control of strategy and normalize universities, which, some would argue, hinders their ability to create new knowledge (Marginson 2007). Some within the guild logic have even counseled universities to determine the minimum amount of goal specificity to satisfy external demands and internal policy planning in order to preserve their fundamentally creative character and purpose (see Patterson 2001). The ability to nudge behavior in one direction or another can have far-reaching effects on public value (Thaler and Sunstein 2008) and an increasingly strong call from the public demands for accountability with public money (Cowan and Kessler 2015). However, fulfillment of these demands is only as strong as the compliance mechanisms that enforce policies.

Ineffective compliance mechanisms can operate as public value failure drivers pertaining to public information. Information pertaining to student performance and success plays an important role in shaping an effective higher education system. While universities that participate in federal student aid programs are required to report some information to IPEDS (the primary government system for collecting, validating, and disseminating college and university performance information), much of the information is self-reported and not systematically verified. Perhaps most problematically, many key measures—such as those pertaining

to student attributes—are not required to be reported. As a result, higher education stakeholders, including students, prospective students, parents, and regulators, are left with incomplete or inaccurate data-driven characterizations.

Discussion

The notion of public value failure drivers provides important insight into the origins of public value failure. By thinking of aspects of organizations and aspects of policies as drivers of public value failure, we can better understand public value failures as processes, or at least phenomena that do not occur randomly. This article presents only two classes of failure drivers: organizational and policy drivers. Other factors can play important roles in creating public value failure, and therefore other types of drivers are sure to exist. For instance, one can easily envision political drivers playing an important role in failures related to value articulation or regulatory drivers playing a role in failures pertaining to substitution and conservation of natural resources.

It is important to note that the case of for-profit higher education presented here has some limitations. One limitation is that it does not easily lend itself to consideration of the full spectrum of hypothesized public value failures. Veterans of public values research will notice the absence of reflection on failures related to ensuring substance and human dignity as well as conservation versus substitutability of resources, not to mention the array of newly hypothesized forms of failure such as those presented by Bozeman and Johnson (2015). While failure status can be achieved without the manifestation of all failure criteria, we are cognizant of the fact that any single case study is limited in the scope of failure criteria that can be meaningfully examined.

Importantly, we also note that there are instances in which failures exist but corresponding organizational or policy failure drivers are not altogether easy to identify. For example, one form of public value failure occurs when public values are misrepresented or not accounted for in the policy-making process (Bozeman 2002). In the case of higher education, there is strong public support for policies and programs that provide for the specific higher education needs of military veterans and their families (Herrnson and Weldon 2014). While there is agreement that many for-profits place a considerable emphasis on marketing to veterans

(Davidson n.d.; Wong 2015), there is some disagreement as to whether they do enough to provide for their specific needs (see, e.g., Lipton 2010). Adding no small amount of confusion to this matter is a strong system of lobbyists and special interest advocates that are tremendously successful at effecting change on behalf of for-profits (at least in recent years) (Lichtblau 2011), sometimes even adopting advocacy strategies that make it difficult for veterans to make sense of the risks and benefits of attending a for-profit (Shane 2013; Stratford 2013; Dakduk 2012). While there are many political theories to explain the emergence of these strategies, it is difficult to identify how these relate to specific organizational or policy factors.

In further developing the theory of public value failure drivers, the case of for-profit higher education is useful in that it demonstrates how a single type of driver may behave differently across specific instances of failure. We see this in the case of institutional logics, in which the corporate and guild logics operate differently to create imperfect public information and provider availability public value failures. Conversely, this case also shows that a single failure driver may lead to entirely different types of public value failures. For example, the lack of precise rules pertaining to the use of student aid revenues leads to both failures of distribution of benefits and time horizons.

Table 1 provides a summary of how each failure driver presented here is manifest in the case of for-profit higher education. Table 1 only includes examples for which this case study provides explication. While only some of the matrix is filled in, it is important to recognize that the table can still be helpful as a conceptual tool for identifying how these policy and organizational failure drivers could affect other types of public values successes or failures. For example, the issue of extremely high executive compensation (Schwartz 2010) at for-profit universities could relate to the public value criterion distribution of benefits while being more or less justifiable though the corporate logic. Similarly, the corporate logic has been attributed to a problematic focus on short-term priorities in strategy development at for-profits that, in turn, according to the former president of the University of Phoenix, leads to neglect of social purpose (de Alva 2014). This could connect both the corporate logic and organizational goals to time horizon related public value failures.

Table 1 Specific Public Value Failure Examples from the Case of For-Profit Higher Education

Public Value Criteria	Failure Drivers			
	Organizational Failure Drivers		Policy Failure Drivers	
Imperfect public information	Institutional logics The corporate logic supports profiting from information asymmetries	Goal ambiguity	Misplaced precision	Ineffective compliance mechanisms Policy does not make access to resources contingent on reporting important performance results
Distribution of benefits			Policy does not require that federal student aid be spent on student instruction	
Provider availability	The lack of traditional faculty at for-profits disables their capacity to generate high-quality learning outcomes			
Time horizons		Profit goals prioritize recruitment over retention and graduation	Policy does not prohibit universities from using federal revenues on marketing	

Conclusion

Public values have been characterized as “the prerogatives, normative standards, social supports, rights and procedural guarantees that a given society aspires to provide to all citizens” (Bozeman and Sarewitz 2005, 22). By offering an alternative to market-based evaluation of social enterprise, public value theory has tapped into some of the core lines of inquiry that link seemingly disparate fields of social inquiry. Cognizant of the need to operationalize public value in terms of practice and objective measures (see Brodsky 2014), public value mapping takes a forward step toward systematizing public value assessment.

Existing forays into public value mapping offer important practical and theoretical contributions by identifying instances and categories of public value failure. This article extends this important body of work to ask, what are the factors that contribute to specific instances of public value failure? Considerably more attention to understanding the origins of public value failure is warranted. The notion of “failure drivers” offers a step in this direction. This same concept contributes to practice by identifying public value failure as a product of familiar systems and processes.

The case of for-profit higher education provides an opportunity to study an example in which both for-profit and nonprofit providers compete for the same service provision. Scholars have long recognized that government has a special role in the provision and promotion of public values but that government is not the sole responsible party (Jørgensen and Bozeman 2007). The case of for-profit higher education demonstrates interactive roles for diverse stakeholders, including government, business, special interest groups, and citizens. Also, the focus on drivers helps underscore the important role that policies and their environments play in creating public value failure, even as many of these failures are tremendously high profile and generally attributed to bad businesses or the behaviors of bad people in business. Thus, the focus on drivers helps systematize public values focused evaluation schemes while also informing the design of effective public value failure remediation strategies.

While this article offers important contributions to public value theory, we are especially cognizant that in so doing, we also reveal new imperatives for theory development. For example, in an effort to understand the origins of public value failure, we neglect to consider in any meaningful way the origins of public value success. It is not necessarily the case that all of the failure criteria presented here are dichotomous opposites of some sort of public value success. However, it may be the case that all of the so-called failure drivers presented here could easily operate as drivers of public value success. Accordingly, an important next step in theory development—and practice—pertains to the incorporation of public value success criteria into public value mapping enterprises. From these criteria, we can then develop more meaningful insights into how these organizational and policy factors operate as drivers of public value success. Another set of questions for theory development pertain to the generalizability that various organizational and policy factors may have as drivers of public value failure. It is reasonable to expect that all of the factors presented here may play important roles in contributing to public value success or failure in different domains of social enterprise. For example, the design of compliance

mechanisms may play a role in public value failures of a financial or environmental nature.

In addition to offering important theoretical contributions, this reflection on public value failures in for-profit higher education has important practical implications. The issue of for-profit higher education is one of considerable controversy. Emotion, opinion, assumption, normative bias, and political rhetoric inform and empower for-profit critics and champions alike. Despite availability of empirical data and opportunities for systematic social scientific inquiry, relatively little research has been done comparing public, private, and for-profit universities, and therefore critics and champions have little choice but to rely on emotions, opinions, assumptions, and normative biases in making their cases. If the proliferation of nonscientific perspectives is problematic for policy making around complex issues, it is even more dangerous when the proliferation of such perspectives seems to also lack systematization, organization, and structure. The present article provides an important contribution by adding systematization, organization, and structure to a contentious social discussion. It has the added benefit of incorporating mechanisms for integrating empirical and normative perspectives while highlighting the merits and limits of the normative and the need for more empirical evidence. This is a nontrivial contribution to a world in which policy issues are increasingly complex and the need to effectively merge normative and empirical perspectives is inestimably important.

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