

Stakeholder Revolts and Successful Comebacks

02.13.19 | Linda J. Rosenthal, JD



Back in 2015, we featured two stories about troubled nonprofit institutions on opposite coasts. The common thread in each tale was a stakeholder revolt which successfully challenged the board's apparent emergency decisions to shut down operations.

The rebel force in each organization (bolstered by supporters in and beyond the local communities) not only averted a dissolution but also quickly regrouped. Old leadership was shown the door; new board members and senior staff got the group back up and running.

First up in our reporting, in [*Sweet Briar College: Saved – At Least For Now*](#), was a post about Virginia's Sweet Briar College. Those events reminded us of a similar situation the year before in our own neck of the woods, so we wrote [*Drama at the San Diego Opera: A Dynamic Different Than Sweet Briar*](#).

At the beginning of 2016, we took a look at the progress of these institutions in [*Lessons in Charity Governance, Courtesy of Sweet Briar and San Diego Opera*](#). Six months later, we revisited these stories again in [*Corporate Governance Redesign: A Sweet Briar College & San Diego Opera Update*](#).

There were issues unique to each organization as well as common to both; most particularly, whether an organization's board of directors always has the final say in matters even of the highest importance. To what extent can and should interested stakeholders have a voice in the institution's direction or future?

Now – again – we update these success stories.



Update: Sweet Briar College

In *Back from the Brink: Sweet Briar Called One of Nation's Most Innovative Schools* (September 11, 2018), The Nonprofit Quarterly happily reported eager the good news about the apparently once-moribund women's college located in the beautiful foothills of the Blue Ridge Mountains. Three years after it was prematurely declared deceased, "Sweet Briar College has been singled out as one of the nation's Most Innovative Schools," according to the "Best Colleges 2019" rankings of U.S. News & World Report. "In fact, Sweet Briar ranked higher than any other college or university in the Commonwealth of Virginia."

Founded in 1901, this institution was by no means assured of coming back from that brink. Though the newly constituted board and administration, backed by the stakeholder group including loyal alumnae, had survived the emergency events, the school faced a new academic year with no freshman class signed up. Many of the previously accepted high school seniors had to scramble at the eleventh hour to secure acceptance at an alternate institution.

Now, Sweet Briar College has a total annual undergraduate enrollment of 319. That student-body size is somewhat smaller than before the 2015 crisis, but one of the reasons cited by the prior board for the need to close was a trend of declining enrollment that plaguing small, single-gender, liberal arts institutions for many years. So this downsizing may well be in the college's long-term best interest; in any event, the current figure is a 42-percent jump from the past year.

According to a recent Sweet Briar publication, "innovation has been comprehensive and multilayered." which likely accounts for the favorable U.S. News & World Report rating of "tied at #21" for "Most Innovative Schools."

Remarkably, also, Sweet Briar offers tuition of \$21,000 per academic year – a figure much lower than most other institutions of higher education. "In addition to curating an academic curriculum built on its areas of excellence, the College reduced tuition to make the superlative education at Sweet Briar affordable and the true cost more transparent. A sustainable budgetary restructuring positioned the size of the College's administration to grow alongside student enrollment over the long term."

Update: San Diego Opera

In July 2018 the San Diego Union-Tribune proudly ran a feature story that seemed all but impossible to imagine in 2014. In *Four years later, downsized San Diego Opera is stable, growing*, the reporter described a new era for the prestigious performing arts organization.

There had been many problems plaguing this community institution in the period leading up to the crisis, not the least of which was a renowned CEO/musical director who had grandiose ideas for the organization which he apparently ruled with an iron fist.

The successful stakeholder revolt "... was a Cinderella story that briefly made international headlines, but the company's challenges did not disappear right away. Many old-guard board members walked out along with their checkbooks and a new management team was tasked with downsizing and reimagining the company for 21st century audiences."



The San Diego Opera has “stabilized,” finishing its most recent season “in the black.” “(T)he office is fully staffed, its edgy 2-year-old Detour series is a hit, and ticket sales for next season are significantly higher.” General Director David Bennett was hired in July 2015 and has successfully “rightsized the organization.” His contract has just been renewed for another three years.

Conclusion

More and more, interested parties beyond the duly constituted board of directors of community organizations believe they should have a say in major decisions and have asserted these unofficial but, nonetheless, important “rights.” The stakeholder revolts vary widely in terms of success, but this type of participation is certainly the trend of the future.

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