Resource Sheet: Case Study - What went wrong?

Read the following scenario and answer the questions at the end.

Laurentian University, officially Laurentian University of Sudbury, is a mid-sized bilingual public university in Greater Sudbury, Ontario, Canada. It was incorporated on March 28, 1960, and offers a variety of undergraduate, graduate-level and doctorate degrees.

Despite claiming to have run balanced budgets in eight of the previous nine years, on February 1, 2021, Laurentian University filed for insolvency*. A total of 69 programs were cut and 195 staff and faculty were laid off with little notice and severance.

What happened?

In 2014, the university expanded its physical presence rapidly. The construction of a $45 million school of architecture and several other new buildings on campus put “significant strain” on the university’s cash flow. At the same time, its costs associated with senior administration grew by 75% between 2010 and 2020. Some senior employees were paid salaries in excess of the limits set by legislation and the amount of money allocated for discretionary expenses for senior administrators and for special advisors increased. It reached a point where the university did not have enough revenue coming in to support the payments on the principal and interest of its debts.

Rather than reach out to the provincial government for financial assistance, the board of governors decided to go through the Companies’ Creditors Arrangement Act for restructuring. This is a costly process and involves going to court. This action was seen by some as unnecessary and inappropriate. In December 2021, the university announced that it would receive a bailout from the province and that 11 members of its board of governors had resigned, including the board chair and vice-chair.

The provincial Legislature asked the Auditor General to look into the situation. A preliminary report by Ontario’s Auditor General stated that Laurentian University’s capital expansion from 2010 to 2020, along with poor management of its financial affairs, were big factors in the school’s insolvency. The university’s board of governors failed to provide proper oversight and the Ontario Ministry of Colleges and Universities did not intervene in time.

Reaction to the Auditor General’s preliminary report was swift. “It is absolutely scandalous that the university leadership used money intended for employee health benefits and academic research for its capital projects and other purposes,” said the Canadian Association of University Teachers executive director, David Robinson.

*Insolvency means that the institution was unable to pay its debts.

Sources for this case study include articles published by CBC News and Globe News Wire between December 2021 and November 2022.

Case study, continued

Questions

1. What came to mind first after reading this case study?

2. If you were a member of the board of governors, and if you could turn the clock back, what would you have done and when?

3. What policies did the university likely ignore that could have prevented this situation?

4. What measures could you put in place to avoid this from happening?

5. Which topics covered by the CBPRO curriculum does this case study touch on?

6. What lessons can you take away from this case study?