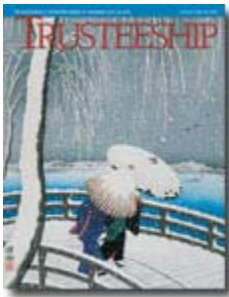


# ASSOCIATION OF GOVERNING BOARDS OF UNIVERSITIES AND COLLEGES



**Trusteeship** magazine is published by the Association of Governing Boards of Universities and Colleges. It reports trends, issues, and practices in higher education to help board members and chief executives better understand their distinct and complementary roles and to strengthen board performance.

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## **In Troubled Waters, Steady as She Goes**

*Governing boards sail a sea of constant change, with shifting winds for funding, new competition, and student expectations.*

**BY LEO I. HIGDON, JR.**

**HIGHER EDUCATION GOVERNANCE** is difficult enough in stable times, so its complexity nowadays creates immense challenges for trustees. Even before the overwhelming natural disasters of 2005, Americans were dealing with an uncertain economy, widening global unrest, and public skepticism toward higher education.

Though the reasons for this volatile climate may be apparent, the ways to steer a college or university through it are not. Traditionally, new board members have taken up roles that were established and well-defined long ago. This sense of continuity, coupled with steady adherence to time-honored practices, served as a stabilizing force for colleges and universities—even amid the extensive changes occurring outside.

Globalization swiftly and utterly changed that mindset. Institutions now are directly affected by events occurring thousands of miles away. Think, for example, of how American colleges and universities now approach campus security, academic freedom, and study abroad. The upshot of all this is that we no longer can rely solely on long-standing, accepted board practices to provide good governance.

Now the continuum for higher education is *change*, and the environment fluctuates faster than we can rewrite the rules. And though all of the traditional responsibilities of the board remain, there's a much greater chance today that significant and unforeseen issues will appear on the board's agenda.

As a result, boards are confronting duties and tasks that never were anticipated or even hinted at in the trustee's job description. More and more, the board and the president must work together to determine the weight of each task, its significance in relation to other issues, and how much of the board's attention is appropriate for each one—even as they continue to adjust their bearing.

Many of these issues affecting the larger environment—such as our rapidly changing economy—have always been present to one degree or another. But in my years of experience as a trustee and university president in both the private and public sectors, I've never witnessed an atmosphere more difficult, challenging, and charged with complexity than the one we must navigate today.

The combination of natural disasters and financial instability has created a roiling economic wake. The federal budget deficit has contributed to a weak stock market, rising interest rates, looming inflationary pressures, and concerns over consumer confidence. Moreover, these challenges come at a time when many states are struggling to balance their budgets in the face of falling revenues. As a result, the way the public perceives higher education is profoundly changing. Worries about an unpredictable economy have focused concern on access and affordability, issues that are central to providing a high-quality education for all.

As our various stakeholders look for institutions to be more accountable to the public, some are questioning the value of higher education and are urging it be measured in purely commercial terms. Meantime, Congress is considering new federal approaches as it reauthorizes the Higher Education Act and examines nonprofit governance, and many states are placing greater emphasis on how colleges and universities can better support their economic agendas.

Further complicating this scenario is the fact that funding considerations have overtaken the traditional board agenda. With pressure on tuition rates, uneven endowment returns, and reduced state-appropriation levels, colleges and universities are being forced to seek alternate funding sources. And while all sources of revenue are under pressure, capital intensity is increasing.

Just to meet just students' basic educational needs, universities increasingly must seek support for faculty, merit and need-based financial aid, program renewal, information technology, improved facilities, and new research. Of course, the intense competition for the best students and faculty shows no sign of abating, creating advantages for institutions with the largest endowments.

Add to the mix the fact that many students and parents approach higher education with a consumer mindset. They view professional programs as better preparation for entry-level jobs, mistakenly questioning the value of a liberal arts and sciences education, which I believe is often a far better preparation for life and career. Parents also are more heavily involved in the details of how universities manage their children's education and development, and there's a higher demand among parents and students alike for increased counseling and student services, recreational facilities, and more sophisticated residence halls.

All this has led to greater capital requirements as universities struggle to meet expectations while maintaining reserves for unforeseen problems. Obviously, boards will be dealing with these dynamics for a long time. So as unexpected issues and challenges arise, how

do we adapt the traditional tasks of university governance to handle them? After serving on both sides of academic administration and trusteeship, I've learned there are few easy answers. There are, however, certain guidelines that can help:

**1. Recognize the importance of a comprehensive board orientation.** Traditionally, orientation for new trustees has consisted of a brief discussion of how the institution conducts its business, along with information on its academic departments, the endowment, finances, and fund-raising. Because many trustees come from a business background, they are accustomed to this frame of reference.

But there are key differences between the business world and the academy. The power structures, organization, and motivating factors of the business world differ from those of an academic institution, where organizational lines often blur, and the requirements and methods of advancement are not always fully understood by those new to the governing board. So in addition to their business acumen, today's trustees need an appreciation of the *culture* of an institution—how it's led, managed, and influenced by its constituencies—to avoid time-consuming conflicts arising out of different expectations and perspectives. A comprehensive orientation should cover traditional topics as well as questions regarding the institutional culture and values, and it should incorporate frank discussion about the distinction between oversight and management.

For example, what are the expectations of faculty and administration in setting policy? How does the mission-driven outlook of faculty and staff differ from the bottom-line orientation of the business world? How do we balance fiscal limitations with academic goals? What does shared governance really mean on our campus?

**2. Maintain continuing education as a board priority.** Given the uncertainty and complexity of today's environment, sustained board education is critical to an institution's success. This education can be accomplished through board retreats, outside speakers, attendance at conferences (such as those sponsored by AGB), or frequent, informal briefings on topical issues. Staying informed and regularly discussing academic, financial, and governance issues, both internally and at meetings with trustees from other institutions, will keep board members up to date and effective in their deliberations. Most important, the president and senior administrators need to ensure that the board's continuing education is in alignment with the institution's strategic plan.

**3. Establish board and committee work plans and streamlined meeting agendas.** As board agendas become more crowded, it is vitally important to create work plans for the board and each standing committee. These plans should be clearly communicated to all trustees, and they should reflect the goals of the strategic plan. In preparing these plans, senior administrators will need to meet with their respective committee chairs to determine the key issues and timing for their discussions.

To streamline agendas and ensure the board addresses the essential strategic issues over the course of the year, the president and the chair will need to work closely. Executive summaries of issues the administration wishes the board to consider can be sent to trustees in advance to help them prepare to contribute. For certain straightforward items, consent agendas can be used.

**4. Monitor and evaluate the strategic plan.** This has always been central to institutional governance; in times of instability, however, this focus is absolutely critical. A good strategic plan is derived from an open, transparent process that includes all university constituencies, is integrated with resource requirements, and outlines clearly measurable outcomes. The board's

role is to monitor various metrics—admissions numbers, fund-raising totals, and so forth—and to review progress on them regularly.

These progress reports, presented in clear language and graphics, will allow the board to be attuned to any developments that require mid-course corrections. And because instability heightens the chance that adaptations will be needed, boards periodically will need to step back and assess how well execution of the strategic plan is working, whether adjustments are necessary, whether the pace of implementation is satisfactory, and even whether the ultimate goals remain realistic. Fine-tuning a college or university plan is a continuous process, and trustees have a singular responsibility to harness these changes constructively.

**5. Use ad hoc committees as appropriate, and enlist outside experts to assist standing board committees.** When a board faces an issue that requires in-depth investigation, ad hoc committees and outside professionals can be useful.

For example, the College of Charleston last year undertook an extremely complex construction project that, because of its scope and size, involved a number of zoning, regulatory, architectural, and funding issues. The board created an ad hoc committee that included three trustees with real estate development and construction expertise to assist the college in reviewing the proposal. In other situations, a board might bring in outside professionals to help its standing committees, such as investment professionals to help with managing endowments or accounting professionals to assist the board's finance or audit committee.

**6. Perform board self-evaluations on an annual basis.** Self-assessment is a straightforward way to measure a board's overall effectiveness. It can be either a formal or informal process, as long as the review covers the basic questions: Is the board well-supported by the institution? Is it spending enough time on the right issues? Are the materials being supplied adequate? Do individual members have the right experience and skill set? Are members contributing and participating at appropriate levels?

The purpose of this evaluation is twofold: to review the board's progress in relation to its own goals and to assess its contribution to the success of the institution. Regular board self-assessment can help ensure the institution is served by engaged, informed board members who monitor progress collectively in support of the institution.

The foregoing elements have long been a part of effective institutional governance. But now these same areas have to be revisited, redefined, and refocused in light of today's uncertain environment. Boards and chief executives that place higher priority on these matters have a much better chance of successfully navigating through these difficult times.

*Leo I. Higdon, Jr. (higdonl@admin.cofc.edu) is president of the College of Charleston in South Carolina.*