Readings

There are countless readings available on shared governance. The book listed below contains a collection of essays, and you may want to order a copy for the Committee. I have attached an eclectic collection of other essays and book chapter excerpts, which examine the issue from a variety of perspectives. The very brief excerpt from my own book is simply included to note that there are aspects of a university's organization that resemble our political governance structures, and aspects that resemble corporate governance structures. A university is a complex blend of both. The Bain report, which is more about finance than shared governance as such, and which, like all of these efforts, may include certain judgments or assumptions upon which reasonable people could disagree, is included because it demonstrates the relationship between shared governance issues and financial challenges on modern campuses, public and private.

Books:

Restructuring Shared Governance in Higher Education: New Directions for Higher Education (J-B HE Single Issue Higher Education), William G. Tierney & Vincente M. Lechuga (editors) (2004)

Articles and Book Excerpts:

Rodney A. Smolla, *The Constitution Goes to College*, Chapter 7 (New York University Press 2011)

Gary Olson, *Exactly What is 'Shared Governance'?* Chronicle of Higher Education, July 23, 2009

Faculty, Governing Boards, and Institutional Governance, Association of Governing Boards (2009)

Bain & Company, *The Financially Sustainable University* (2012)

Shared Governance in Colleges and Universities: A Statement by the Higher Education Program and Policy Council, American Federation of Teachers Higher Education

THE CONSTITUTION GOES TO COLLEGE

Five Constitutional Ideas That Have Shaped the American University

Rodney A. Smolla

NEW YORK UNIVERSITY PRESS
New York and London

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Conclusion

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First Amendment freedom to explore novel or controversial ideas in the classroom is closely linked to the freedom of faculty members to express their views to the administration concerning matters of academic governance.

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The *1940 Statement of Principles on Academic Freedom and Tenure*[1] provides an excellent vehicle for concluding this book's exploration of the influence constitutional ideas have had on the identity of public and private American colleges and universities. The *1940 Statement* was crafted by representatives of the American Association of University Professors, an organization dedicated to the interests of higher education faculty, and

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The *1940 Statement of Principles on Academic Freedom and Tenure*[1] provides an excellent vehicle for concluding this book's exploration of the influence constitutional ideas have had on the identity of public and private American colleges and universities. The *1940 Statement* was crafted by representatives of the American Association of University Professors, an organization dedicated to the interests of higher education faculty, and also by the Association of American Colleges, an association of universities and colleges led by college presidents and other senior administrators, representing the institutional interests of colleges and universities. The *1940 Statement*, which is a sort of labor-management pact, has over the years been "endorsed" by hundreds of other academic organizations representing a wide range of academic constituencies, and may thus make a solid claim to embodying a broad and enduring consensus that academic freedom is a core defining value of American higher education.

The *1940 Statement* begins with an elegant fusion of the ideals of Aristotle and John Stuart Mill, declaring that institutions of higher education "are conducted for the common good and not to further the interest of either the individual teacher or the institution as a whole." In turn, the "common good depends upon the free search for truth and its free exposition." Academic freedom, the *1940 Statement* proclaims, is essential to both teaching and research. Academic freedom is "fundamental to the advancement of truth," and "fundamental for the protection of the rights of the teacher in teaching and of the student to freedom in learning." Perhaps because the document was created both by professors and administrators, perhaps because the document recognized the natural link between "rights" and "duties," perhaps because the document accepted that a university is a *community* of teachers and learners, the *1940 Statement* acknowledges that academic freedom "carries with it duties correlative with rights."

These general statements of principle and purpose are followed in the *1940 Statement* by three aspects of academic freedom:

1. Teachers are entitled to full freedom in research and in the publication of the results, subject to the adequate performance of their other academic duties; but research for pecuniary return should be based upon an understanding with the authorities of the institution.
2. Teachers are entitled to freedom in the classroom in discussing their subject, but they should be careful not to introduce into their teaching controversial matter which has no relation to their subject. Limitations of academic freedom because of religious or other aims of the institution should be clearly stated in writing at the time of the appointment.
3. College and university teachers are citizens, members of a learned profession, and officers of an educational institution. When they speak or

> write as citizens, they should be free from institutional censorship or discipline, but their special position in the community imposes special obligations. As scholars and educational officers, they should remember that the public may judge their profession and their institution by their utterances. Hence they should at all times be accurate, should exercise appropriate restraint, should show respect for the opinions of others, and should make every effort to indicate that they are not speaking for the institution.

The *1940 Statement* continues to exert a powerful and important influence on higher education in the United States, grounding American colleges and universities in a fundamental commitment to academic freedom. Yet, like many other broad proclamations of rights and freedoms—phrases such as "all men are created equal," or "due process of law," or "freedom of speech"—the litany of "shoulds" contained in the *1940 Statement* lacks the concrete bite of hard law, which would have required many more "shalls" and "shall nots" to effectively resolve campus conflicts. Perhaps this is why the *1940 Statement* is not principally enforced by courts, but instead by the political pressure applied by the AAUP through its committees, investigations, and published reports. As Professor William Van Alstyne has explained, the *1940 Statement* is at best "soft law," in that it is typically not "policed by courts."[2]

The *1940 Statement* acknowledges, as it should, that there is a necessary tension between academic freedom and academic responsibility, but it does little to provide guidance as to how the balance among these competing values should be struck. And finally, the *1940 Statement* is clearly a professor-centric document, phrased almost entirely in terms of the rights of teachers, with the rights of students included almost as an afterthought. It does not comprehensively address the complexity of the modern campus world, and the dynamic interactions of university trustees, alumni, donors, presidents, senior administrators, tenured faculty, nontenured faculty, nontenure-track faculty, students, and support staff. Nor does the *1940 Statement* contain much more than a faint hint, in the cryptic phrase dealing with "religious or other aims of the institution," that colleges or universities *as institutions* may possess certain rights of academic freedom.

For all its limits, however, the *1940 Statement* is an elegant and resonant summary of American custom regarding our widely shared commitment to academic freedom and shared university governance. As emphasized throughout this book, it is not sound constitutional law to presume that the ideals of academic freedom and shared university governance are constitutionally compelled. In *Minnesota State Board for Community Colleges v. Knight* (1984),[3] for example, a labor law decision, the Supreme Court rejected the claim that there is a constitutional right, derived from academic freedom principles, entitling university faculty members to participate in policy-making at academic institutions.[4] Even if the values of the *1940 Statement* are not constitutionally compelled, however, those values, as explained throughout this book, are certainly constitutionally influenced.

Harking back to Daniel Webster's argument in the *Dartmouth College* case,[5] universities have long held a special place in both our corporate and constitutional law. Universities are curious legal creatures. Private universities are typically nonprofit corporations, while public universities are agencies of government, often part of larger state systems of higher education. Yet the private university is not just any nonprofit, and the public university is not just any government agency. Setting aside for the moment the distinctions between the publics and the privates, virtually *all* modern American universities partake of a peculiar blend of corporate and political organizational structure; they have qualities that resemble both companies and political democracies.

On the corporate side of the ledger, universities are legally controlled by governing boards—boards of trustees, boards of regents, boards of rectors, boards of visitors. Whatever they are called, these boards are usually vested with powers similar to for-profit corporate boards directors. University boards normally choose the university president, just as corporate boards choose the corporate CEO. University boards oversee fundamental financial decisions, and establish or endorse major institutional priorities and policies.

And at the higher executive level, the organizational structure of a complex modern university does indeed resemble that of a complex modern company. There will be a president and multiple vice presidents: chief financial officers, chief academic officers, chief administrative and operating officers, and so on. "Senior management" will also typically include deans, athletic directors, directors of human resources, campus security, and facilities management. These are the "corporate faces" of the university, and many of those who occupy positions within this corporate hierarchy get hired and fired, promoted and demoted, much like their counterparts in the for-profit corporate sector. Authority originates at the top, first through a board, then through a president, and spreading outward and downward across the expanding hierarchical pyramid.

As suggested throughout this book, however, universities are also "constitutional creatures" of sorts, entities that resemble political and governmental organizations. Aside from civil rights and civil liberties, there are many striking parallels between the *structural* elements of the American constitutional scheme and the typical arrangements of university organization and governance. The framers of the Constitution were not concerned only with constitutional rights *as rights*, they were also acutely attuned to issues of process and structure. Before the Bill of Rights was drafted and adopted, the framers set out to establish processes and structures of government grounded in our famous systems of "checks and balances" and "federalism," dividing power between the national government and the states. James Madison stated the challenge elegantly: "In framing a government which is to be administered by men over men, the great difficulty lies in this: You must first enable the government to control the governed; and in the next place, oblige it to control itself."[6]

The parallels between the procedural and structural elements of our Constitution and a modern university are perhaps more metaphorical than literal, but the analogy is deep nonetheless. Our constitutional notions of checks and divided power is mimicked in higher education through our tradition of shared governance. While universities are certainly corporations, they are thus not just any corporations. They are a fascinating blend of the corporate and the political. A university is part corporation and part federal republic.

In the United States, our political institutions differ in several critical respects from our corporate institutions. Sovereignty rests with the people, who elect legislatures and executives through popular vote. Unlike the corporate sector, where money literally and lawfully buys voting power through the accumulation of corporate shares, in the political system every voter has one vote, and buying votes is a crime. Unlike the corporation, where ultimate power is concentrated, power in government is divided through a system of checks and balances, with power distributed among the executive, legislative, and judicial branches.

Universities partake of many of the values and governing principles of constitutional democracies. University faculties exercise authority in faculty meetings or through elected representative bodies (such as faculty senates), where they are granted substantial authority and autonomy over many of the mainstay elements of the academic mission. Students elect student body presidents and student government associations, which at some universities exercise significant legal authority, including the dispensing of funds to various student organizations and publications, and control of certain student disciplinary functions, such as honor counsels that adjudicate charges of plagiarism, cheating, and other forms of academic dishonesty. Most significant, faculty and students alike hold tenaciously to certain legally enforceable "academic freedom" rights that correspond to the rights of freedom of speech, freedom of religion, and due process of law enjoyed by citizens under the Constitution.

To extend the simile, if universities are in part democracies, they are also democracies in the model of "federal republics." Universities typically have many constituent units, often operating with some measure of independence and sovereignty, not unlike states and localities within the complex American federal system. Larger universities have multiple schools or colleges—in arts and sciences, business, engineering, medicine, law, architecture, or journalism—each with their own deans, faculties, staff, students, directors, chairs, advisory boards, budgets, or endowments, many of which are in turn broken down into numerous departments, institutes, and centers.

American political life is characterized by a perpetual competition over the allocation of scarce resources, and fights for influence, power, and autonomy among different states, localities, and agencies of the government. Anyone who has ever spent time working on an American campus knows that competition for scarce resources among different campus units is a staple of university governance as well. So too, a large part of university decision-making involves difficult judgments over the distribution of resources, and the working out of complex cultural, legal, and economic relationships among different academic disciplines and units, and between each unit and the larger central campus authority.

The exercise of adapting and translating constitutional norms to the world of higher education, public and private, does not yield any mechanistic or formulaic set of answers that push inexorably toward any specific balance among the competing norms of freedom, morality, and order. What the exercise does do is provide us with a vocabulary, with a set of tools for analysis, analogy, comparison, judgment, and introspection, that help us to marry the "idea of the university" with the "idea of America."

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July 23, 2009

Exactly What Is 'Shared Governance'?

By Gary A. Olson

At a recent conference of college administrators, several of us had an impromptu discussion over lunch about the meaning of "shared governance." The consensus? That term is often invoked but much misunderstood by both faculty members and many administrators.

"Some of my faculty believe that shared governance literally means that a committee votes on some new plan or proposal and that's it—it gets implemented," said a seasoned department head. "There is no sense of sharing, of who is sharing what with whom."

A dean chimed in that a faculty leader at her institution actually told her that shared governance means that professors, who are the "heart of the university," delegate the governance of their universities to administrators, whose role is to provide a support network for the faculty. "He said, in all seriousness, that faculty have the primary role of governing the university and that administrators are appointed to spare them from the more distasteful managerial labor," said the dean with incredulity.

That may be a more commonly held notion in academe than it at first appears. I know several faculty senators at one institution who regularly refer to faculty as "governance," as in "You're administration, and we're governance." That expression reveals a deep misunderstanding of the mechanism of shared governance—and presupposes an inherently adversarial relationship.

The phrase shared governance is so hackneyed that it is becoming what some linguists call an "empty" or "floating" signifier, a term so devoid of determinate meaning that it takes on whatever significance a particular speaker gives it at the moment. Once a term arrives at that point, it is essentially useless.

Shared governance is not a simple matter of committee consensus, or the faculty's engaging administrators to take on the dirty work, or any number of other common misconceptions. Shared governance is much more complex; it is a delicate balance between faculty and staff participation in planning and decision-making proc-esses, on the one hand, and administrative accountability on the other.

The truth is that all legal authority in any university originates from one place and one place only: its governing board. Whether it is a private college created by a charter, or a public institution established by law or constitution, the legal right and obligation to exercise authority over an institution is vested in and flows from its board. Typically, the board then formally delegates authority over the day-to-day operation of the institution (often in an official "memorandum of delegation") to the president, who, in turn, may delegate authority over certain parts of university management to other university officials—for example, granting authority over academic personnel and programs to the provost as the chief academic officer, and so on.

Over time, the system of shared governance has evolved to include more and more representation in the decision-making process. The concept really came of age in the 1960s, when colleges began to liberalize many of their processes. In fact, an often-cited document on the subject, "Statement on Government of Colleges and Universities," was issued jointly by the American Association of University Professors, the American Council on Education, and the Association of Governing Boards of Universities and Colleges in the mid-60s. That statement attempted to affirm the importance of shared governance and state some common principles.

The fact that the primary organization championing faculty concerns, the body devoted to preparing future academic administrators, and the association promoting best practices in serving on governing boards together endorsed the statement illustrates that university governance is a collaborative venture.

"Shared" governance has come to connote two complementary and sometimes overlapping concepts: giving various groups of people a share in key decision-making processes, often through elected representation; and allowing certain groups to exercise primary responsibility for specific areas of decision making.

To illustrate the first notion of how shared governance works, I'd like to revisit a 2007 column, "But She Was Our Top Choice," in which I discussed the search process for academic administrators and attempted to explain why hiring committees are commonly asked to forward an unranked list of "acceptable" candidates. I wrote that shared governance, especially in the context of a search for a senior administrator, means that professors, staff members, and sometimes students have an opportunity to participate in the process—unlike the bad old days when a university official often would hire whomever he (and it was invariably a male) wanted, without consulting anyone.

"Shared" means that everyone has a role: The search committee evaluates applications, selects a shortlist of candidates, conducts preliminary interviews, contacts references, chooses a group of finalists to invite to campus, solicits input about the candidates from appropriate stakeholders, and determines which of the finalists are acceptable. Then it's up to the final decision maker, who is responsible for conducting background checks and entering into formal negotiations with the front-runner, and who is ultimately held responsible for the success (or failure) of the appointment.

"Shared" doesn't mean that every constituency gets to participate at every stage. Nor does it mean that any constituency exercises complete control over the process. A search cannot be a simple matter of a popular vote because someone must remain accountable for the final decision, and committees cannot be held accountable. Someone has to exercise due diligence and contact the front-runner's current and former supervisors to discover if there are any known skeletons that are likely to re-emerge. If I am the hiring authority and I appoint someone who embezzled money from a previous institution, I alone am responsible. No committee or group can be held responsible for such a lack of due diligence.

That's a good example of shared governance as it daily plays out in manyareas of university decision making. No one person is arbitrarily making important decisions absent the advice of key constituents; nor is decision making simply a function of a group vote. The various stakeholders participate in well-defined parts of the process.

The second common, but overlapping, concept of shared governance is that certain constituencies are given primary responsibility over decision making in certain areas. A student senate, for example, might be given primary (but not total) responsibility for devising policies relevant to student governance. The most obvious example is that faculty members traditionally exercise primary responsibility over the curriculum. Because professors are the experts in their disciplines, they are the best equipped to determine degree requirements and all the intricacies of a complex university curriculum. That is fitting and proper.

But even in this second sense of shared governance—in which faculty members exercise a great deal of latitude over the curriculum—a committee vote is not the final word. In most universities, even curricular changes must be approved by an accountable officer: a dean or the university provost, and sometimes even the president. In still other institutions, the final approval rests with the board itself, as it does for many curricular decisions in my own university and state.

Clearly, when it comes to university governance, "shared" is a much more capacious concept than most people suspect. True shared governance attempts to balance maximum participation in decision making with clear accountability. That is a difficult balance to maintain, which may explain why the concept has become so fraught. Genuine shared governance gives voice (but not necessarily ultimate authority) to concerns common to all constituencies as well as to issues unique to specific groups.

The key to genuine shared governance is broad and unending communication. When various groups of people are kept in the loop and understand what developments are occurring within the university, and when they are invited to participate as true partners, the institution prospers. That, after all, is our common goal.

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Faculty, Governing Boards, and Institutional Governance

ASSOCIATION OF GOVERNING BOARDS OF UNIVERSITIES AND COLLEGES

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This paper was also published by TIAA-CREF Institute in December 2009 in the *Advancing Higher Education* series.

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Executive Summary

Research reveals that college and university presidents, chief academic officers, and board chairs view faculty-board engagement and relations as generally healthy and constructive. Just as important, presidents and chief academic officers express understanding of the causes for less-productive interaction, even if solutions remain elusive. One challenge is the increasing number of part-time, contingent, and non-tenure track faculty who lack either the time or the opportunity for meaningful participation in institutional governance. The vitality and viability of institutional governance are threatened when faculty-board relations suffer; as demands for greater accountability continue, especially with respect to educational quality, boards will benefit from efforts to obtain faculty insight.

Barriers to successful board-faculty interaction include insufficient time, lack of mutual understanding and respect, governance policies and practices that are unclear or out-of-date, the complexities of higher education, and a general lack of interest. Recommendations to address these barriers include: better orientation and continuing education of trustees and faculty; opportunities for faculty and trustee service on key committees and work groups; frequent communication, especially by the president; greater transparency in decision-making and clarity about respective responsibilities of faculty, administrators, and the governing board; current and accessible governance polices; and presidential leadership in facilitating shared institutional governance.

Many good practices seem practical and generally applicable to a wide variety of colleges and universities, such as adding trustees to the board who have experience working in higher education and including faculty presentations at board meetings. Any attempts to enhance faculty-board interaction will have to be tailored to the particular history and culture of the institution and will rely to a great extent on the leadership of the president.

Introduction

How boards, presidents, and faculty contribute to and engage one another in institutional governance speaks to the health of a particular college or university as well as to the broader principles of autonomy, self-regulation, and accountability of higher education. The findings presented here from the Project on Faculty and Institutional Governance offer insights about governance policies and practices and the state of faculty-board relationships as viewed primarily by board chairs, presidents, and chief academic officers. The project was undertaken by the Association of Governing Boards of Universities and Colleges (AGB) with generous support from the TIAA-CREF Institute. Findings suggest that governance works well at most institutions and that these relationships are relatively healthy. At the same time, there is room for concern as well as improvement on some points. Governance of colleges and universities depends upon the appropriate participation of faculty, administrators, and governing boards; this is not easily achieved and some institutions fall short.

A convergence of economic and societal forces has increased pressure on higher education institutions and heightened the tension in relationships among boards, faculty, and presidents. Concern about access, affordability, and achievement as well as the competitiveness of the American labor force has increased expectations for colleges and universities to do more with less, and this during an economic crisis. These forces and pressures present challenges to institutions because they more often than not entail changes—sometimes significant changes and often changes to well-established practices and policies, such as the terms of faculty employment and shared governance.

Just as intense are the calls for increased accountability from colleges and universities. Higher education institutions are challenged, for example, to explain rising prices and to justify their independence, self-regulation through voluntary accreditation, and tenure for the professoriate. Many such calls are legitimate and important precisely because they address fundamental higher education principles, such as institutional autonomy and citizen trusteeship.

Greater public scrutiny of higher education policies and practices is likely to persist, and governing boards, presidents, and faculty need to respond thoughtfully and effectively. They also need to address together the circumstances that prompt scrutiny, examine how they conduct themselves, and act where change is warranted.

In this context, this study of board-faculty relations is a well-timed examination of the relationship between boards and faculty and the role of presidents in facilitating this relationship. Surveys and focus group comments from board chairs, presidents, and chief academic officers provide insight into the current state of affairs.

Research Design

This project examined those institutional policies and practices involving faculty and the board in particular, but also the president, collaborating on matters of strategic importance. Specific objectives were to:

- identify factors that promote or deter successful collaboration as well as patterns of problems that detract from productive engagement;
- examine activities that constitute "good practice";
- offer recommendations for improving institutional governance and leadership; and
- produce knowledge that can be shared with institutions.

For the purposes of this study, the focus was on governance at the institutional level where faculty and the board are most likely to interact directly, and on such areas as institutional priorities, strategic planning, and budgeting. Research included a review of the literature as well as focus groups, interviews, meetings, and surveys involving trustees, presidents, chief academic officers, higher education researchers, and faculty. Two lead questions were: How might faculty, boards, and chief executives develop a collaborative strategic relationship (which AGB has referred to as "integral leadership")? Is it possible, worthwhile, and politically feasible to advance such a message? In addition, the project considered updates to the 10-year old AGB Statement on Institutional Governance which informs the perspectives of the nearly 1,300 AGB member-boards.

Presidents, board chairs, and chief academic officers were interviewed by telephone and in person regarding what was and was not working on their campuses, including:

- factors related to successful collaboration and patterns of problems;
- successful models and best practices;
- involvement of the faculty senate and its leaders; and
- recommendations for improving institutional governance and leadership.

The insights gained from these interviews informed the surveying of presidents, board chairs, and chief academic officers of AGB member institutions to learn how faculty and boards are collaborating on institutional governance.[1]

1 In May 2009, surveys were sent to 2,033 individuals at 2,007 AGB member institutions. Usable surveys were completed by 532 participants at 417 institutions, a response rate of 26%. This included 232 chief executive officers (28% response rate), 182 chief academic officers (32%), 98 board chairs (18%), and 20 system heads (30%). Participating institutions included 337 independent colleges and universities (142 baccalaureate, 108 master's, 51 specialized, 28 research and 8 associates) and 80 public colleges and universities (31 research, 30 master's, 9 associates, 8 baccalaureate, and 2 specialized). This was generally representative of higher education, other than two-year colleges.

Faculty Governing Body

Most colleges and universities (90%) have an institution-wide faculty governing body and describe its role as "policy-influencing" (59%); less common is a role that is "advisory" (29%) or "policy-making" (13%). The influence of the faculty governing body is described by most as either "important" (50%) or "very important" (42%). Faculty governing bodies were more often described as "advisory" in public institutions (40%) than in private institutions (26%), and more often described as "very important" in independent institutions (44%) than in public institutions (32%). While many critics have expressed concern regarding faculty senates that lack influence, these presidents, chief academic officers, and board chairs said they are ubiquitous and influential.

Promotion and Tenure

While promotion and tenure recommendations are traditionally the result of a peer review process, governing boards are typically involved in granting promotion and tenure to faculty (68%). A majority of boards (61%) routinely approve the recommendations of the administration, with 23% reviewing the qualifications of candidates as part of this process, while 7% of boards confine their review to resource implications. Boards of public institutions were less apt to review qualifications of candidates (8%) than were boards of independent institutions (26%).

New Faculty and Trustee Orientation

According to presidents and chief academic officers, more than 95% of colleges and universities conduct an orientation for new faculty.[2] Most orientations (about 70%) include a review of the roles and responsibilities of faculty in institutional governance as well as opportunities for faculty participation. Only about 30% cover the roles and responsibilities of the governing board. About three-quarters of the respondents said the typical faculty member understands the authority of the governing board "fairly well" (45%) or "slightly" (29%), and about one-quarter "well" (23%) or "very well" (3%). Faculty of independent institutions were more likely than their counterparts at public institutions to understand the responsibilities and authority of the board "well" (24% versus 14%) and less often "slightly" (27% versus 38%); the large scale of many public institutions or their governance by system boards may contribute to this lack of faculty familiarity.

Similarly, most new trustees (over 90%) are provided an orientation that almost certainly (88%) includes roles and responsibilities of the governing board. More than half also include the roles and responsibilities of faculty in institutional governance (56%) and the culture of academic decision-making (60%). More than one-third cover promotion and tenure (37%) and academic freedom (39%), though more independent than public institutions do so. The typical trustee's understanding of the role of faculty in institutional governance is comparable to that of the typical faculty member's understanding of the role of the governing board: about three-quarters of respondents said "fairly well" (54%) or "slightly" (21%), and about one-quarter "well" (20%) or "very well" (3%).

Not including the president or other employees, the average number of governing board members with experience working in higher education is 3.3. The mean for public boards is 1.3 and independent boards is 3.7; since the average size of independent boards is about three times the size

2 Responses of board chairs were excluded due to the large number who responded "don't know."

of public boards, the proportion of members with experience working in higher education is about the same.

Selection of Faculty for Service

Faculty can influence policies and interact with board members through service on institution-wide committees. Respondents reported the ways faculty are selected to serve on their college or university's most prominent institution-wide committees and councils. Multiple responses were allowed since methods of selection may vary.

Faculty are most commonly elected by the faculty governing body (68% of the time) to serve on prominent institution-wide committees and councils, and appointed by a senior administrator with faculty consultation (54%). Faculty are also nominated (45%) and appointed (46%) by the faculty governing body, and appointed by senior administrators (52%), nominated by senior administrators with faculty consultation (45%) and nominated by senior administrators (40%).

Collective bargaining impacts faculty selection for participation in institutional governance in a minority of institutions, primarily public: 38% of public institutions and 4% of private institutions. Faculty at public institutions are selected for this service by a collective bargaining organization by appointment (15%), nomination (9%), or election (7%).

Recognition for Faculty Service in Governance

Respondents reported that most faculty (74%) are "recognized for their service" in institutional governance, less than half (41%) have release time from work load, and a few (15%) receive additional compensation. Faculty in public college or university systems are almost twice as likely to have release time from workload (75%) and to receive additional compensation (35%) for their participation in governance.

Conditions, Policies, and Practices for Shared Governance

The climate for interaction among faculty, administrators, and trustees appears generally good. Most respondents agreed (43%) or strongly agreed (54%) that trustees, administrators, and faculty typically demonstrate collegiality, respect, tolerance, and civility towards each other. They were positive, but slightly less so, in reporting that typically discussion and communication among trustees, administrators, and faculty are open, carried out in good faith and in an atmosphere of trust (52% agreed and 39% strongly agreed). More respondents at independent than public colleges and universities strongly agreed in both questions.

Most respondents agreed (54%) or strongly agreed (20%) that policies and practices of shared governance are known, understood, and accepted by trustees, administrators, and the faculty; system heads were more likely to strongly agree (26%). Still, about one-quarter "don't know" (10%) or "disagreed" (15%); board chairs were more likely to respond "don't know" (15%).

How trustees, presidents, administrators, and faculty develop their understanding of shared governance is important and may define how they view their own and others' roles and responsibilities. This study found that most institutions model their policies for shared governance after the AAUP Statement on Government of Colleges and Universities (1966) as described in the survey—that shared governance may be understood as the principle that final institutional authority resides ultimately in the governing board, and that the board entrusts day-to-day administration to the president who then delegates specific decision-making power to the faculty in their areas of expertise, namely "curriculum, subject matter and methods of instruction, research, faculty status, and those aspects of student life which relate to the educational process."

In response to a question about the extent to which the AAUP concept of shared governance describes their own policies and practices in regard to board and faculty participation in governance, almost all respondents reported that their policies were similar (36%), very similar (56%), or the same (4%) and that their practices were similar (39%), very similar (51%), or the same (3%).

Faculty Influence and Joint Engagement of Faculty and Trustees

Most respondents regard the faculty governing body as "important" (35%) or "very important" (58%) in those areas for which it has been delegated authority. Most also report that faculty are engaged "enough" (78%), though 18% reported "not enough" and 5% "too much."

There are many ways in which faculty and governing board members interact, be they social or more substantive (Table 1). About one-fourth of the respondents include faculty as members of the governing board (27%) or the head of the faculty senate as a member of the governing board (14%). Faculty membership on board committees was reported by more than half of respondents (56%). It was almost twice as common for faculty to serve on committees of boards of independent colleges and universities (61%) as on boards of public institutions (32%).

Table 1: Most Common Ways that the Governing Board and Faculty Interact	%
Academic ceremonies, athletic contests, and other social events	92
Faculty membership on presidential search committee	88
Faculty presentations to the board	87
Meals, receptions, and social events in conjunction with board meetings	86
Faculty membership on president-established organizations (planning, budget, etc.)	81
Faculty advice on presidential searches	73
Faculty and trustee involvement in alumni activities	69
Faculty and trustee involvement in fund raising	60
Faculty membership on board committees	56
Trustee classroom, laboratory, or studio visitation	50

Substantive interaction occurs most often in connection with presidential search committees (88%) or advice on presidential searches (73%), faculty presentations to the board (87%), faculty membership on president-established budget, planning, and other entities (81%), fundraising (60%), faculty membership on governing board committees (56%), and trustee visits to classrooms, labs, or studios (50%). Social interaction is most common at academic ceremonies, athletic contests, and other social events (92%); meals, receptions, and social events in conjunction with board meetings (86%); and alumni events (69%).

There are some differences by sector. Faculty and trustees are more likely to interact by serving as members of a committee or board of an institutionally related foundation of a public institution (35%) than an independent institution (10%), while interaction related to fund-raising is more common among faculty and trustees of independent institutions (62%) than public institutions (49%), as is involvement in enrollment activities (40% of independent institutions and 23% of public institutions).

Fourteen percent of institutions reported that faculty, administrators, and board members interact through a committee established for the purpose of improving or maintaining communication among the parties. This is more than twice as common at systems (30%), where perhaps distance and size create a greater need.

The most common issues faculty and trustees are engaged in addressing together are curricula, presidential search, budget/finance, student assessment, enrollment management, student diversity and access, and degree requirements (Table 2). Two issues that jointly engage faculty and trustees more often in public systems are student diversity and access and online teaching and learning.

Table 2: Issues that Faculty and Trustees Address Together

	All	Independents	Publics	Public Systems
	%	%	%	%
Curricula	61	61	59	60
Presidential Search	59	58	63	50
Budget and/or financial matters	55	55	55	40
Student outcomes assessment	46	46	46	60
Enrollment management	45	48	33	30
Student diversity and access	41	41	44	70
Degree requirements	40	38	47	55
Presidential assessment	30	30	30	20
Student conduct	30	30	30	30
Campus safety	29	28	37	40
Organizational Restructuring	28	28	28	40
Public/community needs	27	26	33	40
Intercollegiate athletics	27	28	24	25
Online teaching and learning	25	24	33	50

Characterization of Faculty and Board Interactions

About half of the presidents characterized the relationship between their governing board and faculty as good or positive.[3] Another 20% or so were neutral or described it as satisfactory, including answers such as "fine," "polite," "professional," and "cordial but limited." About 15% described either bad relationships or relationships that are struggling but showing signs of improvement. Many respondents suggested that relationships could be better if there were time for them to be cultivated. Whether describing healthy or poor relationships, 15% of presidents said that contact between the two parties was limited or infrequent.

Comments of chief academic officers were similar in tone to those of presidents. More board chairs (about two-thirds) were positive in their characterization of board-faculty interactions.

Common themes were found among all respondents' comments describing negative or bad interactions:

- interaction between faculty and trustees is infrequent and contentious when issues arise;
- trustees are viewed by faculty through an adversarial labor vs. management lens;
- faculty are viewed by trustees as privileged, too powerful, and overpaid;
- there's no structure to develop strong relationships or to interact;
- the faculty body isn't structured properly and fails to make meaningful recommendations to the board;
- the contact faculty do have with trustees is used to lobby for personal interests or to complain, which turns trustees off;
- there's not enough time—board members are out of town between board meetings, and agendas leave little time for interaction at meetings;
- there's confusion about respective roles and lack of knowledge about respective activities; and
- faculty respect the board, but sense that the board doesn't respect the role of faculty in governance.

Below are representative quotations from presidents, characterizing negative faculty-board interaction:

> *The quality of the interactions is not great, because we seldom seek such opportunities for the interaction. There is certainly no hostility; there is just no structured form for strong relationships or interactions.*
>
> *Strained—new governing board members believe faculty have too much power, too many rights and are overpaid.*
>
> *Faculty wish to complain instead of bringing ideas to solve problems.*

Not surprisingly, the characteristics of positive or good interactions between faculty and boards were typically the inverse:

- faculty have frequent, effective, official ways to communicate with the board that limit "back-channel" interference;

3 This question was open-ended allowing the participant to respond in his or her own words.

- the board invites or initiates faculty interaction;
- relationships are cordial and respectful;
- faculty serve on the board or board committees and there are additional faculty who interact with the board;
- faculty and trustees express mutual respect for each other's work and dedication;
- there are official channels for communicating board activity to the faculty;
- governance documents are kept up-to-date and their revision educates faculty about governance and the governing board;
- trustees and faculty know their own and respective roles;
- trustees learn about everyday lives of faculty and understand faculty careers by meeting with faculty and spending time on campus; and
- mutual respect and frequent communication make it possible to discuss contentious issues productively and resolve problems.

Below are quotations from presidents characterizing positive faculty-board interactions:

> *Interaction at appropriate level and frequency. Board is respectful of faculty and vice versa. Board believes our faculty does a very good job. Periodically we create opportunities for board members and faculty members to interact. At most recent board meeting, we held a two-hour session on the "life cycle" of a faculty member, including presentations from three faculty members at different career stages. Last fall we held a similar session on shared governance, with faculty participation.*
>
> *Our board makes regular outreach efforts to the faculty to include them in their meetings and social events. I regularly report on board actions at faculty meetings. While newer faculty members admittedly don't know much about the governing board, the more senior members are quite well informed. I would characterize trustee-faculty interaction as good.*

You Just Don't Understand

Mutual respect and understanding undergird successful communication and decision-making in any relationship. Faculty and trustees generally share a common commitment to the institutions they serve, and while they may not share the same priorities or agree on the means to achieve them, they generally want what is best for their institutions. Disputed turf—priorities and the means to achieve them—encompasses much of the decision-making terrain for institutional governance.

Faculty and trustees bring very different backgrounds, responsibilities, and skill sets to the table. Trustees, as fiduciaries, bear ultimate responsibility for ensuring sound financial decisions as well as sound academic quality, but most trustees have business backgrounds and few have ever worked in higher education. They are dependent upon the administration for leading and managing the institution and for the expert professional judgment of faculty in regard to curricula, degree requirements, and peer review. Trustees are generally more familiar with decision-making processes in a traditional business environment of managerial authority. Frustrated by the pace of decision-making in the academy, they may expect the president to make decisions quickly with other administrators and "get results." Trustees usually learn about shared governance on the job.

Faculty participation in institutional governance isn't a privilege; it's a necessary part of decision-making in colleges and universities. Faculty are accustomed to decision-making by collegial bodies and often take on leadership roles in addition to their work responsibilities, with little recognition for the time involved. They are usually elected or nominated by their peers, senior administrators, or both for service on institution-wide committees. In many ways, like trustees, they volunteer their time for this governance work. Also like trustees, they learn on the job about institutional governance.

Institutional governance is important work, often voluntary, and often unfamiliar to those who participate. What can presidents and chief academic officers, trustees, and faculty do to enhance the participation of faculty in institutional governance and to support productive faculty-board engagement? The research findings suggest several areas for improvement.

Trustee and Faculty Orientation

Participants consistently expressed the importance of faculty and trustees understanding their own and each other's responsibilities for governance. Faculty and trustees need to get to know one another and understand the work each contributes to the institution. This was seen as a way to combat cynicism of faculty who view trustees as out of touch or unnecessary, to help trustees leave behind corporate perspectives and appreciate the workload of typical faculty, and to build trust and respect. It was important, too, for faculty and trustees to respect the role of the administration and recognize when faculty could expect to make decisions, offer recommendations, or be consulted, and when trustees were treading on responsibilities of the administration. In addition, there should be transparency about the way decisions are made.

Good orientation programs for new trustees and faculty are one way to start building this foundation of understanding. Trustee orientation could be enhanced by including information about promotion and tenure. Although promotion and tenure are governing board responsibilities at most institutions, relatively few include this topic in trustee orientation. Even fewer involve faculty in the orientation of new trustees. Discussion of promotion and tenure could also be an appropriate topic for continuing education of trustees as part of a board meeting. The level of understanding the typical trustee has of the work and responsibilities of faculty suggests that this would help board members better understand the academy.

Faculty orientation is even less likely to delve into the work and responsibilities of the governing board. Importantly, for faculty who are part-time, untenured, or not tenure-track, opportunities to participate in governance may be limited or non-existent; it's unclear whether this will change, despite their growing numbers in the academic workforce. If orienting faculty to governance responsibilities doesn't occur early on, other ways need to be found to communicate to faculty about their own governance responsibilities as well as about the responsibilities of the governing board.

Orientation programs for new faculty may not be the ideal occasion for discussion of their own responsibilities for governance or the responsibilities of the governing board, beyond a cursory overview. Nonetheless, it's important to start here, and to continue the process. Professional development programs about institutional governance and faculty responsibilities may have greater impact later in the careers of faculty, once technical expertise is established and particularly when tenure is conferred. It is at this stage that faculty may be most committed to the institution and the institution to individual faculty. Programs for recently tenured faculty should inculcate the values and ethics of the profession and the expectations for faculty to be good citizens in their college and university communities, including participation in governance.

It may be best to think about orienting faculty and trustees to governance responsibilities as an ongoing process, not a one-time event. Faculty development and board education programs that build understanding over time may work best.

Typical comments and suggestions for board and faculty orientation included:

> *Better instruction, orientation, and professional development of the board on what faculty work is like and how institutions of higher education are similar [to] and more importantly how they are different than businesses.*
>
> *Faculty members often have difficulty looking beyond their view of the institution or their department. They look at the college as an insider. Conversely, board members bring the broader perspective but often lack the knowledge of the institutional culture that must be considered and dealt with whenever change is to be implemented.*

Governance Policies and Practices

Another important facet of understanding governance is familiarity of trustees, administrators, and faculty with the institution's policies and practices for institutional governance. While most agreed that there was such understanding, one-quarter did not. This question received fewer favorable responses and signaled a greater concern than the quality of relationships or communication among faculty, administrators, and trustees and may indicate a need for improving the quality and accessibility of information about governance. Increasing knowledge and understanding of policies and practices for institutional governance among faculty, administrators, and trustees is an important, achievable goal.

Chief academic officers specifically mentioned the need for up-to-date faculty handbooks. Revising handbooks regularly, as problems are identified and board policies and faculty resolutions are passed, was one suggestion to avoid the nearly overwhelming task of occasional and massive updating. Those who described it as a living document seemed most satisfied. The process of making changes was considered a valuable educational experience, for trustees and faculty.

In talking about the importance of the faculty handbook, one provost commented:

> *Any changes to the Faculty Handbook, which governs all aspects of the structure and conduct of the faculty (and is, in essence, the detailed contract between the institution and the faculty) must be approved by both the faculty as a whole and the board of trustees. This leads to fruitful discussions and give-and-take between these two bodies, with eventual buy-in by both on policies and practices.*

One president also cited the handbook as well as other policies as important for reminding board members when consultation with faculty was required. He found involving board members in the revision of these documents to be an important learning experience.

Faculty Service on Board Committees and Other Interactions

Faculty service on boards is relatively rare and is not recommended by AGB or the authors, unless it is current practice. Taking away faculty representation on the governing board is not recommended, either. However, including higher education expertise on the board is highly desirable. Corporate boards are often made up of industry experts. The survey found that the average number of members with experience working in higher education was one on public boards and three on independent boards; this includes those reporting faculty representatives (but not the president). An infusion of higher education expertise can be achieved while upholding the principle that the board should represent the long-term interests of the whole institution rather than constituent interests by seeking outside experts. The addition of a former president, faculty member, or CFO from another college or university can be invaluable to the board as well as to the president and faculty, and can avoid the conflict of interest inherent in including as board members faculty from the same institution.

Faculty service on board committees where policies are developed is another matter. It is hard to imagine a well-informed academic affairs, finance, or student affairs committee without the membership of faculty. The value of faculty service on board committees was noted by many respondents, particularly chief academic officers. Roughly 40% of independent boards and two-thirds of public boards do not include faculty as committee members, and this is something they might consider. Membership with "voice but not vote" might work for public boards with restrictions.

Respondents mentioned the value of faculty-trustee interaction in social situations and as part of substantive work. Inviting faculty to make presentations at board meetings, inviting trustees to attend classes and events on campus, and creating task forces that include faculty and trustees all provide opportunities to learn about respective responsibilities and build understanding.

Presentations at board meetings were mentioned in survey responses and focus groups as particularly useful when they helped trustees understand faculty work and student learning; this was valued even more than those presentations highlighting outstanding faculty work. One focus group participant said, “Don't limit it to showcasing prize-winning stars, though that is valuable. Have faculty talk about every day, real work.” One president described a discussion at a board meeting led by a faculty member who used his appointment calendar to describe day-by-day, hour-by-hour a typical work week. He said that helped trustees appreciate the work faculty do beyond the hours they teach. Another president described round table discussions about service learning led by faculty as part of the social hour at a board meeting. Rather than their typical informal interaction, faculty and trustees enjoyed refreshments while they talked about substantive issues in small groups. Another president had faculty talk to the board about the ways in which email had changed their work. These and many other examples were offered as means to help trustees understand faculty work in a more complex way, build mutual respect, and enhance understanding.

The Right People in the Right Places

Another important facet of faculty participation was described as having the right people in the right places. This related to faculty governance bodies as well as faculty on the governing board, board committees, and other campus-wide committees. Faculty who were respected leading scholars and who were able to see the needs of the whole institution, broadly represent faculty views, and get beyond personal interests were especially valued. Having broader participation, not just the same few faculty, was also suggested to spread more evenly experience in governance and information throughout the institution:

> *Broader participation by more members of the faculty would bring greater understanding to those who may be marginalized (often through their own choices). If more members of the faculty were directly involved in governance issues, there would be fewer occasions when confusion or anger results from misinformation.*

The collective bargaining environment appears to present many additional challenges for governance. Confusion about leadership roles in the faculty governance body and leadership roles in the bargaining unit were especially problematic when the same faculty members served as leaders in both bodies or when leaders moved back and forth between the two. Presidents and provosts emphasized the importance of attracting leading scholars to serve in the faculty governance body and the need to provide clear processes for that body to contribute to decision-making with the administration and board. These were recommended as ways to strengthen and clarify the work of the faculty governance body, which holds true for all types of institutions but especially in a collective bargaining environment.

The President as the Nexus of Communication

The president was mentioned in this research as the person most responsible for determining the quality of interaction between the board and faculty, and the main means for communicating information to the faculty, board, and campus community. In small institutions and large ones, those with a history of conflict, lethargy, or success, whether governance worked well or not was seen to rely in large measure on the president.

Asked one trustee (who was a former college president), “What role is the president willing to play?” He indicated that some presidents are eager to engage faculty and boards while others want to keep them apart. Trustees also expressed concern about undermining the president by creating avenues for communication between faculty and board members. Presidents appeared particularly interested in clarifying the respective responsibilities of governing boards and faculty, and mentioned this whether it was to bring them together without confusion about overlapping authority, or to cleanly divide the responsibilities of faculty and trustees so they could work well separately. Faculty-board interaction makes many uncomfortable; the president will play a key role in creating agreed-upon means for engagement.

On a cautionary note, one president offered: "Our practice of leaving faculty completely alone to address curriculum and standards is salutary. Leaving the faculty and administration alone to address promotion and tenure is salutary. I am reluctant to risk those benefits in pursuit of greater engagement that trustees do not want and for which faculty are ill prepared." And another said: "Faculty have areas in which they are very engaged and make decisions (curriculum, admissions, etc.). The board really has a separate set of responsibilities that are heavy in the area of finance—budget, endowment, etc. The governance is shared, but not necessarily integrated."

Another concern raised was the relationship between the president and the faculty governance body, including whether the president had status as a member of the faculty. In some cases, the president was not "allowed" to address the faculty senate and had a contentious relationship; in another situation, the president was the head of the faculty senate and wanted to develop stronger leadership among the faculty and relinquish that position. In addition to having a workable formal relationship, it mattered greatly whether the president had strong ties to the faculty, included faculty effectively on key decision-making committees and task forces, communicated well, and was known to respect and value the faculty.

Suggestions for making governance work well included frequent and consistent communication by the president. In particular, participants recommended the president use the same language in describing situations to faculty and to trustees, and speak well about one to the other. One chief academic officer said that the president or faculty representatives always addressed the faculty senate after board meetings to report on the board's activities. Said another chief academic officer, "What causes problems? Talking in two ways to faculty and trustees—blame one when talking to the other—not respectful of faculty and trustees. Common reason for breakdown." Mutual respect was identified by many as a key factor. In addition, be candid—tell the whole truth about a situation, not selective facts. For example, one president described making a special effort to be transparent during the economic crisis in fall 2008. He included faculty members of board committees in what otherwise would have been a closed executive session of the board. He was concerned about appearances and didn't want faculty wondering what was really being said about the budget in such difficult times.

What Matters

Higher education is increasingly important to the nation, and support for colleges and universities depends upon the confidence and trust of the public, government, philanthropists, students, and parents. Achieving and maintaining educational quality, affordability, and access will take the full cooperation of trustees, presidents, faculty and administrators. Making institutional governance work may make higher education more responsive as well as more accountable. Boards need to be able to look to faculty for expertise and advice on a wide range of issues, from assessing student learning and educational quality to long-range planning. Boards and presidents can't govern without the faculty. As one scholar noted in assessing the current economic crisis and the changing role of faculty, "The role of faculty in [institutional learning] is generally under-appreciated in our management-oriented culture. What needs to be more fully recognized is that faculty expertise cuts across all fields necessary to manage institutions and to meet challenges well, and that faculty cooperation and collaboration is essential for optimal organization efficiency and effectiveness."[4]

This research offers means by which board-faculty engagement can work well. Presidents identified many ways in which faculty participation in governance was consequential and paid important dividends—in strategic planning, academic program review, curricular changes, policy development, accreditation, budgeting, facilities planning, implementation of program or campus closures, and more. Board chairs added presidential search and assessment to the list. In several instances, dramatic claims were made for the importance of faculty involvement, including the survival of the institution:

> *Strategic plan discussed, drafted and implemented which resulted in "saving the school" and [accreditation] sanctions were lifted, five year accreditation realized.*
>
> *The plan developed in 1999-2001 was literally a life saver for the institution, and faculty played a major role.*
>
> *It is significant when faculty effectively influence board decisions, particularly when unpopular actions are taken. The decision to terminate a program or close a campus was accepted by faculty when they were consulted and able to affect implementation. For example, the date for closure was changed to accommodate currently enrolled students.*
>
> *Can't do anything strategic or transformative without the faculty. Need their positive insights and knowledge.*

4 Berberet, J. "Toward the Professoriate of the Future." Advancing Higher Education. (New York: TIAA-CREF Institute, 2008), p. 7.

Barriers, Recommendations, and Questions for Future Research

Recommendations for improving board-faculty interaction were born of frustration and failure as well as a vision of a well-functioning college or university.

Barriers to Effective Governance

- Among the most commonly cited barriers is **inadequate time.** This is mentioned in regard to trustees, faculty, and administrators. Faculty work load, busy board meeting agendas, distance of trustees from campus, complexity of issues, and urgency of budget decisions are all factors.
- The **lack of mutual understanding and respect** is another obstacle. Pejorative views, role confusion, minimal interaction, and lack of information perpetuate stereotypes and make it harder to reach agreement on decisions, especially in a difficult economic environment.
- **Governance policies and practices** that aren't accessible, up-to-date, or understood create confusion about process and roles and hamper governance.
- **Higher education is a complex industry.** Naïveté about the culture of the academy, on one hand, and the business of running a multi-million (or billion) dollar college or university, on the other, is evident. There is an enormous amount to learn in order to govern well.
- Interaction is hampered by **presidents who can't or won't engage boards and faculty.** The quality of interaction—communication, understanding, and work accomplished—is dependent upon the president. It takes the interest and support of all parties to make it work, but interaction in governance work can be thwarted by a president who doesn't see the value or is unable to overcome existing problems.
- In addition to some uncommitted presidents, there is a **lack of interest among some trustees and faculty.** This means there is neither the will to commit the needed time and energy, nor the best people attracted to serve in governance positions.

Comments about Barriers:

- *Faculty and trustees approach the institution with differing perspectives: the faculty tend to look at the present—the students, current programs, their effectiveness. The trustees' responsibility is to approach the institution with a view toward the long-term—the resources, facilities, programs, personnel, students, and alumni—to ensure that the institution moving forward has the ability to deliver its education in increasingly effective ways and with the resources to ensure long-term well-being. That difference in perspective can lead to conflict. Clearly necessary to educate the faculty to take a longer view, and to educate trustees to understand the faculty lens. More engagement and education will be important. (Board chair)*
- *Hyper-negative attitudes of most senior faculty toward anything remotely resembling modern corporate governance. (President)*
- *Board members unable to avoid seeing most issues as labor/management issues; faculty unable to transcend personal or departmental focus. (President)*
- *Faculty confusion of "shared governance" with "independent authority." Board impatience with slow pace of academic deliberations, lack of business pragmatism, esoteric scholarly interests. (President)*
- *There can be breaches between the cultures, where board members expect a sense of urgency and flexibility that may be difficult to achieve in academic channels. But the board that understands*

and respects academic culture will not try to force issues that need more time. We have such a board, thank goodness. (President)

- *Faculty do not have an institution-wide perspective. Nor are they accountable for the outcomes of decisions related to governance and finances. They lack the ability and experience necessary to run a multi-million dollar business. (President)*

Recommendations for Successful Engagement

1. Enhance mutual understanding and respect through:
    - Orient new faculty and trustees regarding board, faculty, and administrative responsibilities for shared governance, and expectations about faculty involvement in governance;
    - Continuing education of trustees about faculty work, academic culture, and the academic management of the institution (commensurate with that provided trustees about financial issues);
    - Professional development for faculty regarding faculty responsibilities for governance, particularly when tenure is granted;
    - Recognition of faculty for service on governance bodies, including in promotion and tenure decisions;
    - Opportunities for faculty and trustees to interact in meaningful ways, in formal as well as informal settings;
    - Faculty membership on board committees or participation in committee meetings;
    - Joint trustee and faculty participation in strategic planning, accreditation, and other key work groups;
    - Regular reports by the president or designees about the work of the board to the faculty and the work of the faculty to the board;
    - Experienced educators as members of the board;
    - Participation of leading faculty scholars in the faculty governance body, institutional planning, presidential search, and other important committees.

2. Clarify governance policies and practices by:
    - Establishing comprehensible and accessible policies, procedures, and structures for institutional governance;
    - Reviewing and updating essential governance documents, including the faculty handbook;
    - Ensuring transparent decision-making ;
    - Clarifying the decision-making process and the role of faculty, administrators, the president, and board;
    - Acknowledging in the governing board's policies the expectation that faculty exercise expertise and responsibility in certain areas of institutional operations, such as assessing and attesting to the quality of learning;
    - Asserting the board's responsibilities, accountability, and authority, along with the limits of faculty prerogative.

3. Enhance presidential leadership
    - Find constructive ways to highlight and explain shared governance in meetings and conversations with faculty and board members.
    - Ensure meaningful participation of faculty in important decisions regarding planning,

budgeting, personnel, and mission; structure such work to include board members, when appropriate.
- Be consistent in communicating the same message to the board and faculty.
- Build in educational opportunities for trustees and faculty as part of their work in governance.

Questions for Future Research

Concern was expressed about the increasing proportion of contingent faculty, their role in governance, and the critical mass of full-time tenured faculty needed to make governance work. How are contingent faculty involved in institutional governance? Is a sufficient proportion of faculty contributing to governance? What are the consequences of this continuing shift to a contingent faculty work force? Will the concept and practice of shared governance need to change as the nature of the faculty workforce changes? These issues are worthy of further research.

Also, to better understand faculty and board engagement in governance, this research could be extended to examine the perspectives of faculty leaders. How do faculty views differ from those of chief academic officers, presidents, and board chairs? What do faculty recommend for improving governance?

Conclusion

The diversity of American higher education is regarded by most as one of its greatest strengths. It demands that any governance solution be nuanced and tailored to fit the culture of a particular institution. Faculty roles and responsibilities vary as do those of trustees. Small elected boards, with frequent meetings, whose trustees live nearby, and which work with a largely contingent faculty typically found in community colleges will require different approaches from those of the large boards that meet three times a year, with trustees from across the country, and a largely full-time faculty of prominent scholars typical of private research universities. Many participants reiterated that varying types of institutions will each confront uniquely different challenges in engaging faculty in institutional governance.

We hope that the solutions offered inspire attempts to engage faculty and boards in new and creative ways in governing colleges and universities. Finally, we acknowledge the often impossible position of presidents in mediating this contested turf. As the late Clark Kerr said, "presidents make a difference."

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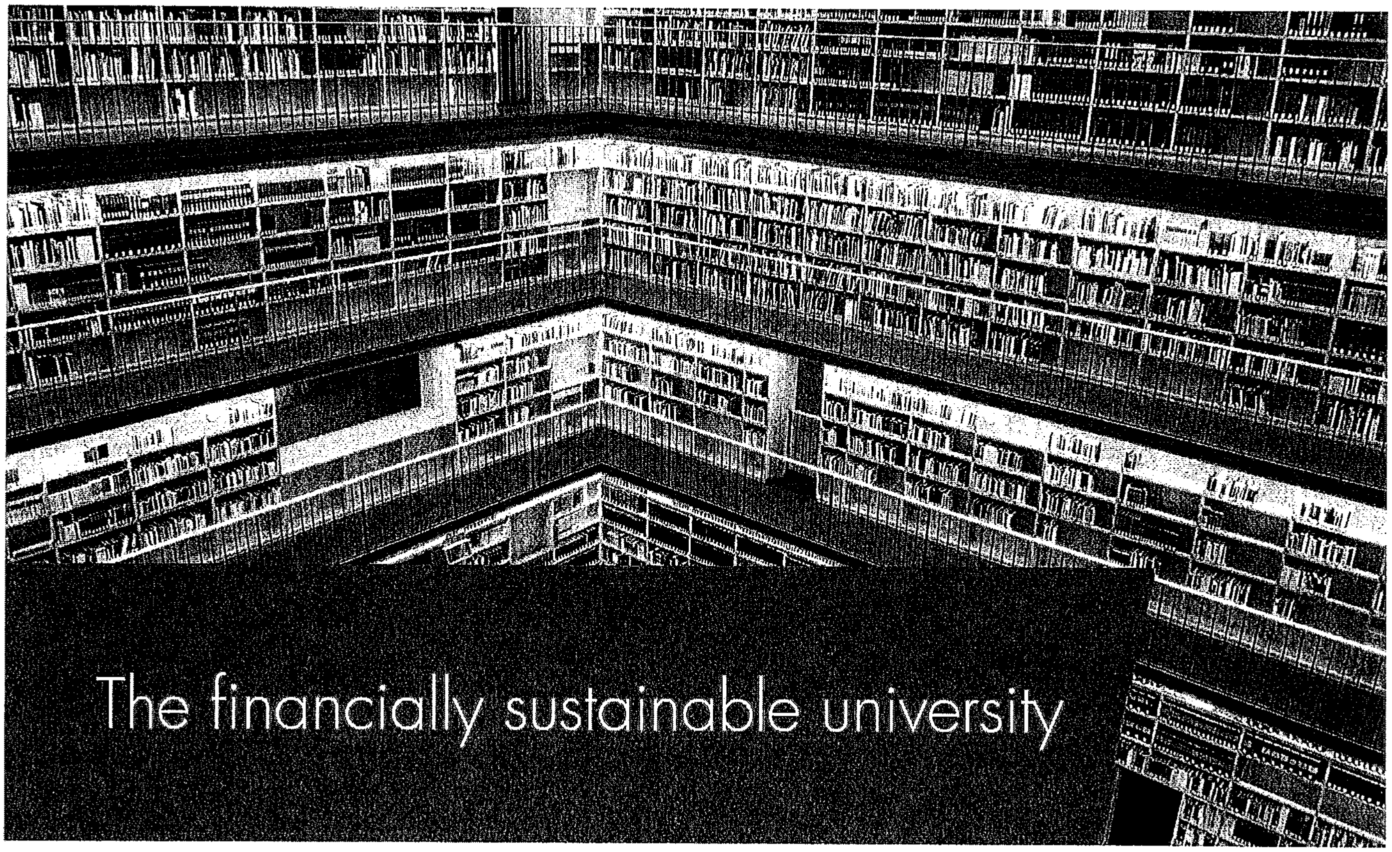

The financially sustainable university

A focused strategy can help colleges and universities reinvent their industry and stop spending beyond their means

By Jeff Denneen and Tom Dretler

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The authors would like to thank Jeff Selingo for his contributions to the report. Jeff Selingo frequently writes about higher education and is the author of the forthcoming book *College (Un)Bound: The Future of Higher Education and What It Means for Students,* due from Amazon Publishing/New Harvest in spring 2013.

Few industries in the United States have achieved unquestioned global leadership as consistently and effectively as our higher education system. US colleges and universities are the cornerstone of our economic prosperity and the key to realizing the American dream. Thirty years of growth have confirmed the sector's leadership and vibrancy—the result of demographic and economic factors combining to lift higher education even higher.

Despite this success, talk of a higher education "bubble" has reached a fever pitch in the last year. The numbers are very familiar by now: Annual tuition increases several times the rate of inflation have become commonplace. The volume of student loan debt has surpassed $1 trillion and is now greater than credit card debt. Most college and university presidents, as well as their boards, executive teams and faculty members, are well aware that a host of factors have made innovation and change necessary.

Still, at the majority of institutions, the pace of change is slower than it needs to be. Plenty of hurdles exist, including the belief that things will return to the way they always were. (Note: They won't.) But the biggest obstacle is more fundamental: While leaders might have a sense of what needs to be done, they may not know how to achieve the required degree of change that will allow their institution not just to survive, but also thrive with a focused strategy and a sustainable financial base.

Leading change is challenging in any organization. But in higher education, it's markedly more difficult. If the stakes weren't so high, incremental improvements might be enough. But they aren't, and that's become abundantly clear. Change is needed, and it's needed now. What follows is a road map for college and university presidents and boards of trustees, explaining the scope and depth of the situation, the key actions required and—most important—what it will take to succeed in leading change.

The liquidity crisis facing higher education

If you are the president of a college or university that is not among the elites and does not have an endowment in the billions, chances are cash is becoming increasingly scarce—unless you're among the most innovative.

The reason is simple: Approximately one-third of all colleges and universities have financial statements that are significantly weaker than they were several years ago (see Figure 1).

On the balance sheet side, the equity ratio (equity as a percentage of assets) is down—sometimes way down.[1] On the income statement side, the expense ratio (expenses as a percentage of revenue) is significantly up.[2] And, to make matters worse, endowments have taken a major hit and are not likely to see the type of year-over-year growth they were accustomed to seeing in the decade before the recession.

The translation: Institutions have more liabilities, higher debt service and increasing expense without the revenue or the cash reserves to back them up.

In the past, colleges and universities tackled this problem by passing on additional costs to students and their families, or by getting more support from state and federal sources. Because those parties had the ability and the willingness to pay, they did (see Figure 2). But the recession has left families with stagnant incomes, substantially reduced home equity, smaller nest eggs and anxiety about job security. Regardless of whether or not families are willing to pay, they are no longer able to foot the ever-increasing bill, and state and federal sources can no longer make up the difference (see Figure 3).

Financial fade

Which schools are spending more than they can afford? Explore the data in our interactive graphic at www.thesustainableuniversity.com

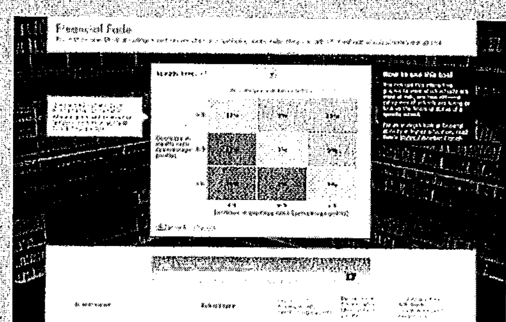
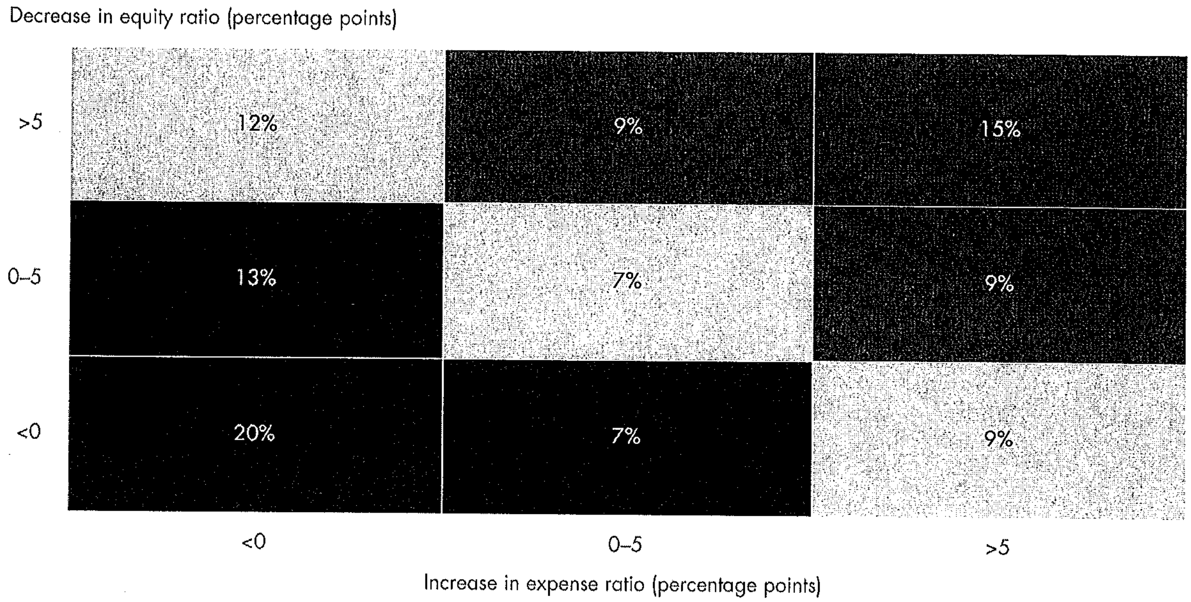
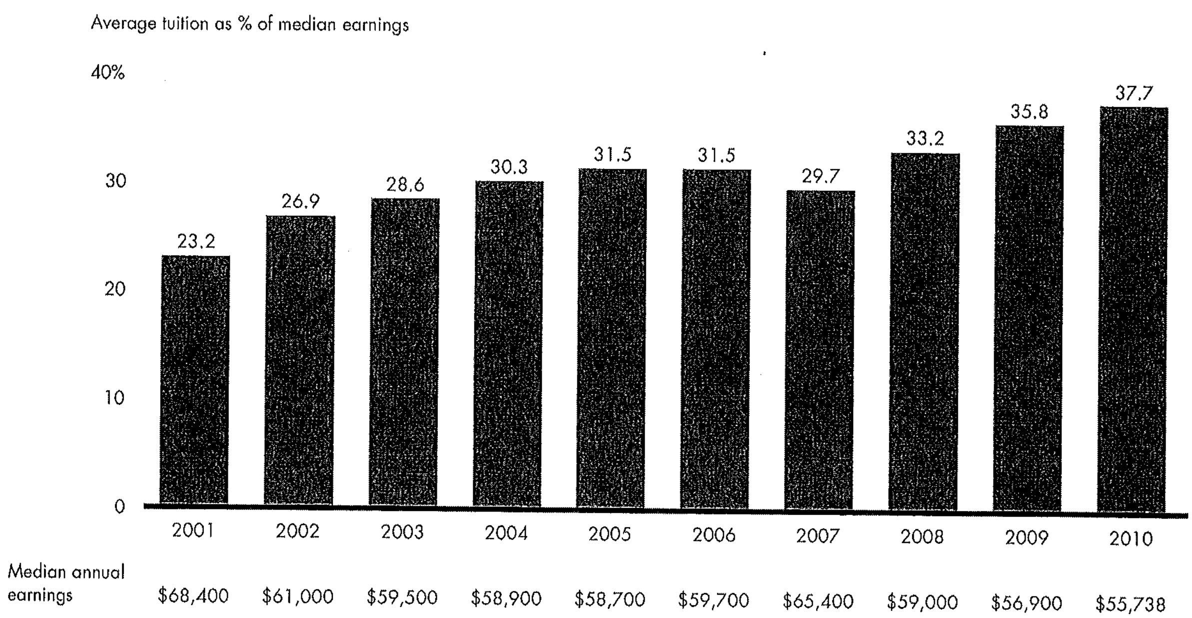


Figure 1: Change in equity vs. expense ratios for US colleges and universities



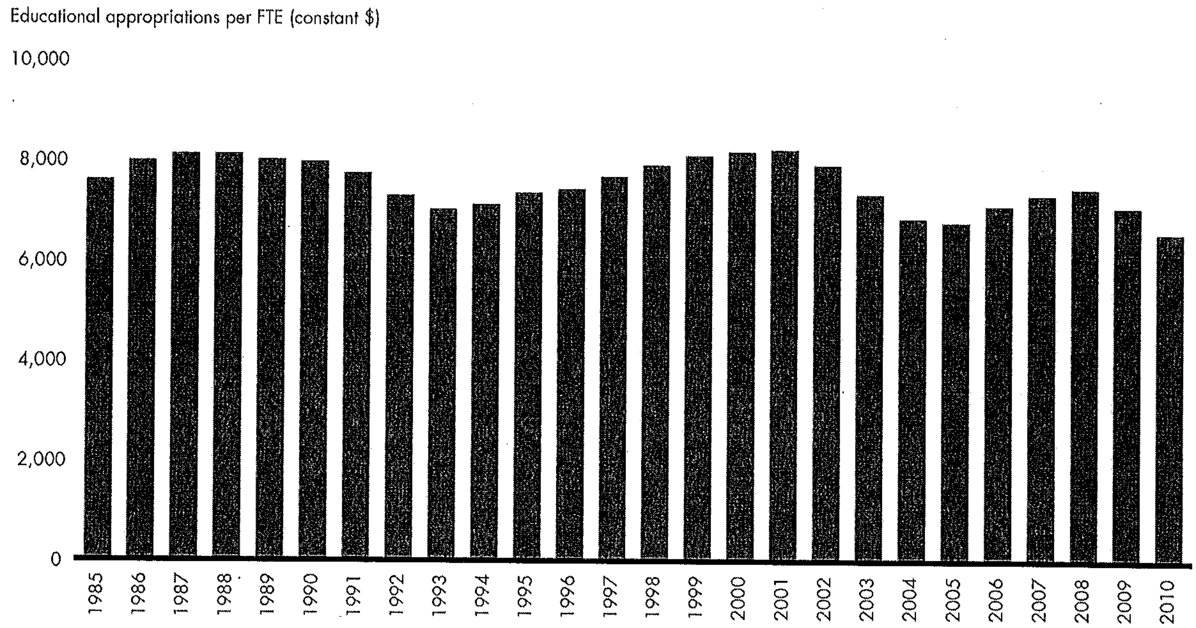
Note: To see which schools are in each segment, go to www.thesustainableuniversity.com
Sources: Integrated Postsecondary Education Data System (IPEDS) 2006–2010; Bain & Company and Sterling Partners analysis

Figure 2: Higher education inflation (2001–2010)



Sources: US Bureau of Labor statistics (BLS); IPEDS; Bain & Company and Sterling Partners analysis

Figure 3: Educational appropriations per FTE, US (fiscal 1985–2010)



Source: State Higher Education Executive Officers

Which institutions are at risk?

Presidents who want to give their institution a stress test can simply refer to the list of questions provided in the box on page 7 (see sidebar). From a financial perspective, highly selective institutions don't need to worry because they possess pricing power (although they may be concerned that their mission will suffer if they must make compromises to the need-blind admissions policy). Well-endowed institutions or those with strong financial statements through prudent financial management are also fine, because they have ample resources to serve as "shock absorbers."

But what about the others? The data is clear: A growing percentage of our colleges and universities are in real financial trouble. And if the current trends continue, we will see a higher education system that will no longer be able to meet the diverse needs of the US student population in 20 years (see Figure 4).

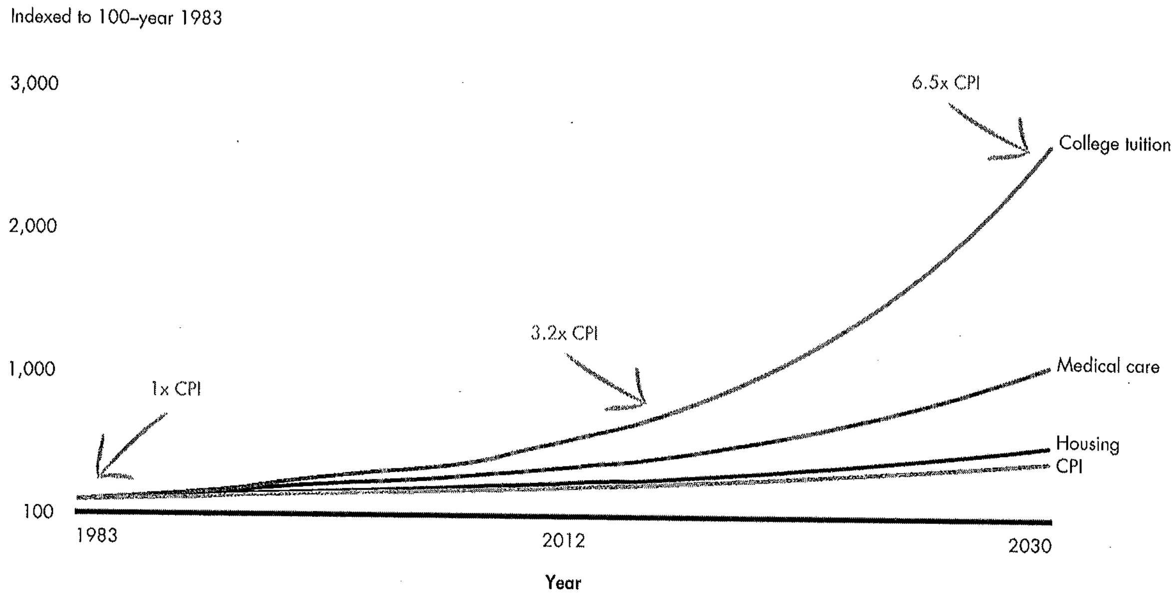
The social and economic implications of that are staggering.

Reversing the "Law of More"

Much of the liquidity crisis facing higher education comes from having succumbed to the "Law of More." Many institutions have operated on the assumption that the more they build, spend, diversify and expand, the more they will persist and prosper. But instead, the opposite has happened: Institutions have become overleveraged. Their long-term debt is increasing at an average rate of approximately 12% per year, and their average annual interest expense is growing at almost twice the rate of their instruction-related expense (see Figure 5). In addition to growing debt, administrative and student services costs are growing faster than instructional costs. And fixed costs and overhead consume a growing share of the pie (see Figure 6).

This cost growth is at odds with the concept of the experience curve, which holds true in almost every industry. The experience curve indicates that as a company's or an industry's cumulative output goes up, cost per unit of production will go down. A prime example of this is

Figure 4: Projected tuition levels based on historical trends



Note: Housing costs—owner's equivalent rent; all metrics based on US city averages and are seasonally adjusted; forecast based on compounded annual growth 1983–2010
Sources: BLS; Bain & Company and Sterling Partners analysis

"Moore's Law," the principle that the number of transistors on a computer chip will double approximately every two years. The semiconductor industry has maintained this pace for decades, leading to consistent increases in computing power and cost reductions for the technology that is at the heart of the digital revolution.

The natural question for higher education, then, is what incremental value is being provided for the incremental cost?

To reverse the Law of More and create a more differentiated and financially sustainable institution, innovative college and university presidents are doing four things:

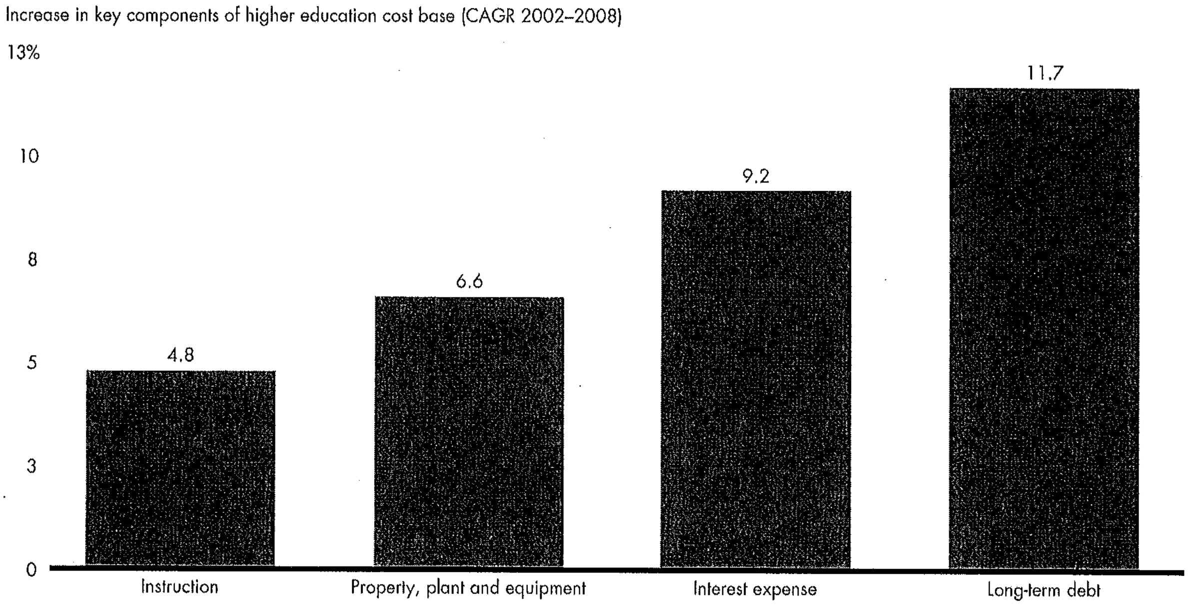
1. Developing a clear strategy, focused on the core
2. Reducing support and administrative costs
3. Freeing up capital in non-core assets
4. Strategically investing in innovative models

You might think you're doing many of those things through your strategic planning process, but too often that is not the case. Colleges and universities frequently aspire to be the same thing, with a focus on moving up to the next level and gaining greater prestige. It can be far more about "me-too" as opposed to carving out a unique strategic position. As a result, most of the strategic planning that happens in higher education is on the margins and not focused on making the hard decisions that will ultimately lead to success.

Focusing on the core

The healthiest organizations—from Fortune 500 companies to start-ups to academic institutions—operate with a discipline that allows them to stay true to their core business. The core is where high-performing institutions invest the most and generate the greatest returns. It is the area where they are the clearest about the value they add. It is the domain where they are the most differentiated and the place from which they derive their identity. In

Figure 5: Higher education and the "Law of More"



Sources: BLS; IPEDS; Bain & Company and Sterling Partners analysis

short, the core is the strategic anchor for the focused company or the focused university.

In any industry, there are three primary paths to competitive advantage: differentiation, low cost or structural advantage. The trick in pursuing a differentiation strategy is truly understanding your unique core and then focusing resources on it. An implicit part of having a focused strategy is not only defining what you are going to invest in, but also clearly articulating what you are not going to do. If institutions try to pursue too many areas of differentiation, they're likely to invest too broadly and, thus, reduce the return on investment for precious capital.

We recognize that focusing on the core is hard to do, given the history and culture of universities—authority is often diffuse and people don't like to say "no," especially in the absence of any definition of value. But the worst-case scenario for an institution is to be relatively expensive and completely undifferentiated. Who will pay $40,000 per year to go to a school that is completely undistinguished on any dimension?

Unfortunately, many institutions seem to be headed down that path. But by focusing on the characteristics that are truly distinctive and channeling resources to them, institutions can positively improve their performance and get on the path to long-term sustainability.

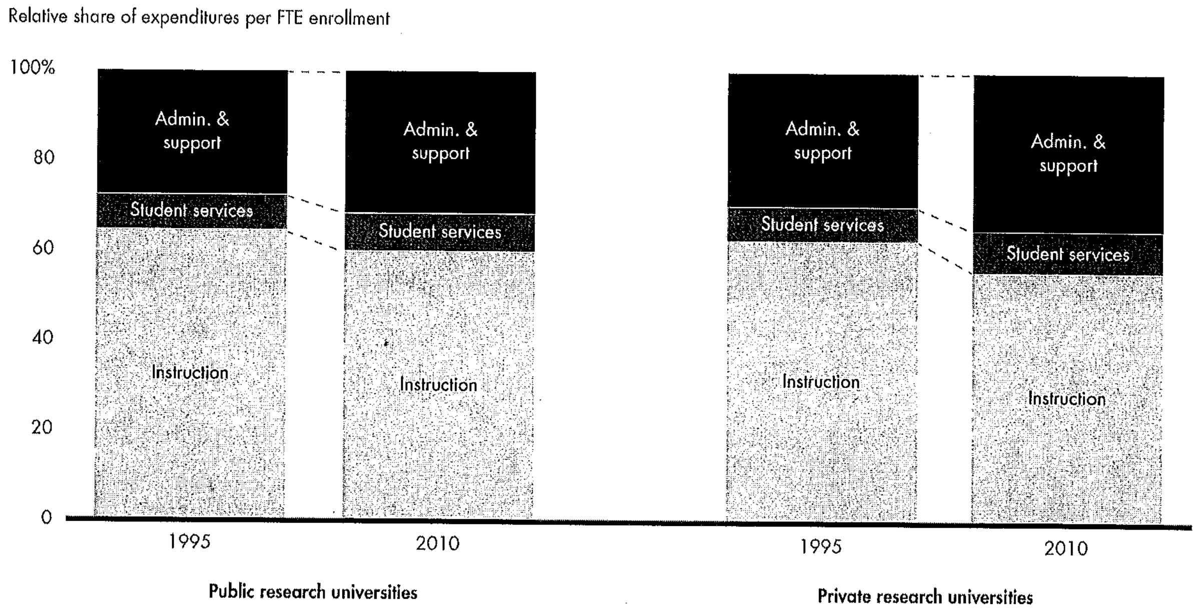
Reducing support and administrative costs

Boards of trustees and presidents need to put their collective foot down on the growth of support and administrative costs. Those costs have grown faster than the cost of instruction across most campuses. In no other industry would overhead costs be allowed to grow at this rate—executives would lose their jobs.

As colleges and universities look to areas where they can make cuts and achieve efficiencies, they should start farthest from the core of teaching and research. Cut from the outside in, and build from the inside out.

Growth in programs and research, increasing faculty and student demands, and increasingly cumbersome compli-

Figure 6: Relative expenditures in US higher education (1995–2010)



Sources: IPEDS; Bain & Company and Sterling Partners analysis

ance requirements have all contributed to the growth of administrative costs. The reasons are often very legitimate.

But as new programs are added, old programs often are not curtailed or closed down. The resulting breadth of campus activities creates too much complexity for staff to manage with any efficiencies of scale. Units don't trust one another or the center to provide services, and incentives are not aligned across the campus. These issues ultimately manifest themselves in multiple ways:

- **Fragmentation.** Data center management is a good example of fragmentation on campus. At the University of North Carolina at Chapel Hill (UNC), the central IT group managed fewer than half of the servers on campus in its data center. For the servers located in the colleges, fewer than half were managed by college IT groups—the rest were considered "hidden" at the department or faculty level. Despite the inherent data and security risk of having so many unmanaged servers on campus, faculty members were very skeptical about turning over control to the university's central IT department. In similar cases, outsourcing data centers would be a good solution. Third-party data centers, whether they are managed or cloud-based, could provide more sophisticated solutions, higher levels of security, greater flexibility in capacity and lower cost than internal solutions—all with greater accountability and less politics.
- **Redundancy.** At the University of California at Berkeley, as on many other campuses, procurement was managed at the department level. There were no product standards, and each department negotiated its own vendor contracts. A sample of purchase orders showed that the same item was being bought for as much as 36% more in some departments than in others. By centralizing and standardizing more of its procurement going forward, Berkeley expects to save more than $25 million per year.
- **Unneeded hierarchy.** Most campuses have too many middle managers. Before it reorganized, Berkeley had average spans of control (the number of employ-

You might be at risk if....

1. **You are not a top-ranked institution**
    - Your admissions yield has fallen and it's costing you more to attract students
    - Median salaries for your graduates have been flat over a number of years
    - Your endowment is in the millions not billions, and a large percentage is restricted
2. **Your financial statements don't look as good as they used to**
    - Your debt expense has been increasing far more rapidly than your instruction expense
    - Your property, plant and equipment (PP&E) asset is increasing faster than your revenue
    - You have seen a decline in net tuition revenue
    - Tuition represents an increasingly greater percentage of your revenue
    - Your bond rating has gone down
    - You are having trouble accessing the same level of government funding
3. **You have had to take drastic measures**
    - You are consistently hiking tuition to the top end of the range
    - You have had to lower admissions standards
    - You have had to cut back on financial aid
    - You have reduced your faculty head count

ees reporting directly to a manager) of around four, compared with more than six for average companies and closer to 10 for best practice companies. Fixing spans and layers, as well as better defining roles, empowers an organization, reduces bureaucracy and significantly boosts productivity.

- **Misaligned incentives.** Unlike the corporate world, where profit and share price (mixed with a pinch of anxiety about pay and job security) ultimately help create alignment, there are fewer mechanisms within a university to improve alignment across the campus. Universities tend to operate as a federation of colleges, and colleges as a federation of departments. Budget models are complex and the flow of funds convoluted. The people who manage budgets often have limited options to influence the entities responsible for consumption and, ultimately, costs (e.g., many campuses don't charge departments for electric power based on consumption). Despite a culture of openness, there is surprisingly little transparency because data is poor, silos are strong and performance management is virtually nonexistent.

- **Complexity.** Simply put, campuses engage in too many activities that require too broad a skill set to effectively deliver in-house. Take IT application management, for example. Not only does it need to support classroom and research needs across a diverse set of disciplines (history, music, law, engineering, biomedical sciences), it also has to cover functions (finance, HR, research administration, registrar, libraries, student services). If that weren't enough, IT also has to serve industries beyond the core academics, including bookstores, retail food, debit cards, hotels, museums, stadiums, publishing houses, veterinary hospitals and power plants. A single IT group would have a hard time managing all of that well, given the expertise required, leading to either poor service delivery or fragmented, subscale and costly delivery.

Outsourcing more of the non-core activities would reduce campus complexity and cost. Third-party providers typically have greater scale capability and skill because the outsourced service is *their* core business, enabling them to deliver the same or better service at a lower cost.

Ultimately, in order to reduce administrative costs without diminishing service—and perhaps even enhancing it—campuses will need to consolidate subscale operations by creating shared services or outsourcing; improve processes by eliminating low-value work and automating more; refresh the organization by streamlining spans and layers and improving performance management; and strengthen controls by updating the budget model, modifying policies and increasing transparency.

Freeing up capital in non-core assets

Another significant opportunity for institutions to strengthen their cash position is to better manage their assets. Whether it is real estate, physical assets or intellectual property, colleges and universities are involved in a number of activities where partnerships with third-party providers would allow for financial relief and improved performance.

Real estate

US colleges and universities collectively have more than $250 billion worth of real estate assets on their balance sheets. In other real estate–intensive industries, such as lodging, restaurant and healthcare, organizations have consistently found ways to turn a portion of these assets into cash by selling and leasing back, without losing their ability to use the real estate in the same way as before. At some colleges and universities, real estate represents the single largest asset on their balance sheet. The former president of a large land grant institution in the Pacific Northwest expressed one of his biggest frustrations during his tenure: He had been sitting on $2 billion worth of real estate assets, but he hadn't had the opportunity to use any of it to improve his university's financial situation. Converting even a small portion of an institution's real estate assets to cash could change its strategic trajectory.

Physical assets

Many institutions own other physical assets that could also be converted to cash through sale and leaseback arrangements or outsourced service contracts. In most IT outsourcing deals, for example, the service provider buys the client's IT assets (infrastructure, equipment, facilities and so on) up front and then provides service on a long-term contract.

Hard assets like power plants and cogeneration facilities offer campuses another opportunity to free up capital, as commercial power companies may be interested in acquiring those assets. There is also a growing class of private equity investors looking to infrastructure investments to provide low-risk, stable cash flows to balance out their portfolios. By selling these assets, campuses could free up tens of millions of dollars in capital.

Intellectual property

Many college and university presidents feel that technology transfer offices are the custodians of some of their institution's most underleveraged assets. Indeed, US colleges and universities spend some $92 billion each year in R&D and realize approximately a $2 billion annual return on those investments. Conversely, intellectual property companies that manage the patent portfolios of technology giants such as Microsoft typically get returns of several times their clients' original R&D investment. Some of those companies are beginning to look at the higher education sector as an area where they can make a major impact and bring innovative products to market. By partnering with intellectual property companies in the private sector, colleges and universities could tap into a lucrative new source of revenue to strengthen their balance sheets and support other mission-focused organizational activities.

Strategically investing in innovative models

College and university presidents are well aware of the "disruptive innovations" that are changing the landscape within higher education. According to a 2011 survey by the Babson Survey Research Group in collaboration with the College Board, online enrollment grew at a compound annual growth rate of more than 15% per year between fall 2002 and fall 2010, increasing from less than 10% of all higher education enrollments to just more than 30% during that period. A recent Bain survey of 4,500 students also indicates growing online enrollment: Approximately 45% of respondents had taken an online course.

The rapid growth of online education has changed the game in a number of areas: value proposition (flexibility for students), economics (higher fixed-cost percentage, but lower fixed-cost dollars), marketing and recruiting (increasing reach) and outcomes and assessment (better tracking and measurement). Nearly two-thirds of the college and university leaders at more than 2,500 institutions surveyed by the Babson Survey Research Group said that an online strategy is critical to the long-term success of their institution. Yet surprisingly, less than 50% of responding CEOs had included online programs in their campus strategic plan.

There is no question that the online market is rich with opportunity, but until you have defined your core strategy and identified significant capital to invest in creating academic value, you will not survive in the online arena. For some institutions, rushing into the online space too rapidly to grow enrollment and create new revenue is another me-too strategy. There are already too many entrenched players and new entrants with significant capital in the market for an undifferentiated strategy to succeed.

As online courses enter the market and employers begin to accept "badges" and other credentials (further decreasing demand for traditional degrees), the price students will be willing to pay for undifferentiated brands will continue to fall. While this won't be a problem for elite institutions like Harvard and MIT, it represents a significant challenge for most colleges and universities.

Leading the change necessary to be successful

Creating change on campus is harder than creating change in a corporate setting. In the corporate ecosystem, power resides largely with the executive team and cascades down. In academia, power usually emanates from the faculty and works its way toward the central administration. The concept of shared governance, combined with academic autonomy and tenure, leads to an organization where broad change cannot be mandated. Instead, change on a large scale can only be achieved by working with the faculty to build a compelling case and a clear path forward—one that supports the mission of the institution, but copes effectively with fiscal constraints.

Based on the many conversations we've had with campus leaders, it's clear that they generally know what to do, but really struggle with how to do it. To implement a strategy that allows the organization to focus on the core, reduce costs, outsource and monetize assets, and develop online and lower-cost programs, institutional leaders need to bring key stakeholders on board and be clear about roles and accountability.

Bringing key stakeholders on board

One university chancellor told us, "20% are always going to be on board with me and 20% are always going to oppose, regardless of what the change is. The trick is getting the 60% in the middle to first engage and then buy into the change."

By nature, faculty members tend to have a low tolerance for business administration and change that disrupts their routines. But most faculty members are also evidence-based decision makers who care deeply about the educational mission of the institution they serve, and this is an area where the president and the faculty can find common ground. There are a few truths that may or may not be self-evident to faculty, but that the president should have ample evidence to support. These truths are 1) there is no status quo; 2) effective change needs to be institution-wide; and 3) budget doesn't always correlate with value.

There is no status quo

Too often, stakeholders believe that the current cash crunch and need for change is a temporary phenomenon that will subside as the economy continues to improve. But those who see things this way probably haven't been exposed to the data presented here and in other reports that show convincingly that this time is different. Faculty and other key stakeholders must be shown clear and compelling facts to disprove the "return to the status quo" notion and to clarify the corresponding negative implications and consequences of inaction.

Change needs to be institution-wide

The magnitude of the challenges being addressed is too great and the organization is too complex for changes to be restricted to certain corners of the campus. Scale matters when you are trying to minimize the cost of administrative functions, and few departments or colleges on a campus have enough scale to achieve real benefits. The support of key stakeholders must be elicited across the organization.

At UNC, the central facilities administration spearheaded a clear example of what can be achieved by working together. The project's goal was to improve classroom utilization in order to accommodate a growing student body without the need to build new buildings or renovate old ones. Based on an analysis of classroom utilization, the current space could meet anticipated demand, with a higher degree of coordination among the departments, the faculty and central administration. Many classrooms on campus had been scheduled and managed at the department level in nonstandard blocks, and some faculty had been starting their classes on the half-hour on days when the format for other classes started on the hour—effectively taking two time slots for a single class. The administration offered an inducement: In exchange for standardizing class schedules and allowing nondepartmental usage of their classrooms, the administration would pay for technology upgrades. It was a win-win situation: The cost of the additional technology was significantly lower than the cost of building new classrooms, and the departments got upgrades they couldn't have funded from their own budgets. Beyond capital savings, the teamwork and standardization saved the university $800,000 and gave it more flexibility in negotiating its overhead rate with federal grant-making agencies.

In other cases, it may be necessary to apply a set of consequences in order to effect change. Given the scarcity of resources and corresponding competition for those resources, discretionary budget allocations are typically the most effective tool. At one university, the provost provided two budget alternatives to each dean and supervisor. The first was to move forward with the changes suggested by the administration's "transformation team." The second offered a flat cut to all units if they did not want to participate in the transformation program. The flat cut in the second alternative was significantly higher than the savings that would be achieved by participating in the transformation. The logic behind this was simple: If any unit abstained, savings would go down for everyone. But by working together across the institution, more could be achieved with less pain.

Budget does not always correlate with value

But working together across the institution does not mean that all campus activities have equal value. Part of a president's vision for change will need to address where the institution will place priorities that are consistent with its mission and differentiated strategy. For example, in an organization that plans to reduce overall costs, it's quite possible that some departmental budgets will increase, while less strategic ones will be cut more significantly.

On the administrative side, budget cuts are always perceived as service cuts. Given the way services have been delivered—fragmented and subscale—that's probably true. But going for greater cost efficiency does not necessarily mean that effectiveness has to decline. Poor operations take longer to perform the same task, require more people to get the work done and tend to have significant quality issues, leading to rework and customer frustration. By building scale operations with the right expertise, process and tools, campuses can reduce cost while actually improving service levels.

On the academic side, given how difficult it is to define and measure value, the underlying rationale supporting academic budgets is rarely called into question. In the normal budgeting process, all departments typically receive what they were awarded the year before, plus a small increase for inflation. This is how one department at a world-class university ended up with a faculty-to-student ratio of greater than five to one, including majors and doctoral students.

Given the concentration of power and autonomy in the individual departments, the tendency within many colleges and universities is simply to assume that all departments should cut equally from their budgets and return those funds to central administration. While this approach is politically defensible as being "fair" and leaves autonomy with the units for deciding how to achieve savings, it is not particularly strategic and creates distorted incentives for managers. In this model, highly effective managers who run lean operations are forced to cut muscle while less effective managers simply trim fat. This leads to a culture where people unnecessarily hoard resources so that they have something to give back when asked.

Another example of budget versus value can be found by looking at Cornell University's decision to consolidate five different economics departments, which had been spread across multiple schools within the university. All departments were well regarded, but some were stronger than others. When the decision was made to create one top-ranked economics department, some of those departments were essentially eliminated, while others were fortified in the transition. This change enabled Cornell to further its mission and to better serve its students, while also producing significant overall cost savings.

Being clear about roles and accountability

One of the biggest challenges in academia is the lack of alignment and trust that frequently permeates campus environments. There is a perception that departments and units can't effectively collaborate because they don't understand one another's objectives, priorities and needs. The mistrust is compounded by a sense that outcomes aren't measured appropriately, which leads to a lack of confidence in other departments. All of this contributes to academic units desiring independence and adds to the level of difficulty in driving coordinated institutional change. But this can be corrected by taking needed steps to clarify roles and create a culture of functional and individual accountability.

Role clarity

Several years ago, at one major research university, a plan that made the organization more efficient and saved it money was put in place. Then it was undone. Countless hours and millions of dollars were lost due to a lack of clarity about roles and responsibilities.

For some time, multiple departments at the university had been managing their own unique contract with the same learning management system (LMS) vendor. Each unit had an independent software license, a different software update version, its own server to run the application and an independent employee to manage the system. It was fragmented, redundant and inefficient, but it allowed for independence. Then as part of a campus change initiative, all the departments agreed to have the central IT office manage a single university-wide contract with the vendor. As part of the move, the central office renegotiated a single license, put all units on the same software version, had them share server space and gave a single employee the task of managing the system. The result was significant savings for the university and better operability.

But then things broke down. What hadn't been made clear during the change was who had ultimate decision-making authority over classroom technology within individual departments. Approximately one year after the change, when central IT informed the departments that the university would be switching LMS vendors, the departments were irate. Feeling that it wasn't central IT's call, the departments demanded their individual contracts back—and got them. The savings were erased and trust was eroded. However, if at the outset it had been established which party was being given decision rights over vendor selection, the collaboration would have been much more likely to succeed.

Accountability

While faculty members have incredibly high standards around teaching, research and publishing, which are reinforced through peer review, grading and win rates on grants, they tend not to apply those standards and rigor to the administration in their own departments. Although many of them are quick to point out the flaws of central service providers, they do not recognize the same shortcomings within their own units.

Creating functional accountability is the best solution to breaking down issues of alignment and trust so that institution-wide solutions can be implemented. First, as the LMS example highlighted, it is critical to articulate roles and responsibilities, including decision rights, for each functional unit. Once that is clear, service-level agreements can be negotiated between the functional service provider and the units. These agreements should clearly spell out what level of performance is expected. Finally, service quality dashboards can be created. These dashboards can be broadly published to create transparency about actual operating performance versus agreed-upon goals. This transparency can help overcome suspicion and distrust about how decisions are being made.

Beyond functional accountability is individual accountability. Because of the decentralized nature of colleges and universities, many roles cross functional boundaries. Universities also tend to be culturally averse to providing critical feedback to staff. At one university, of the more than 6,000 performance reviews on file from the prior couple of years, fewer than 10 were rated as not meeting expectations. Based on subsequent interviews with campus managers, it was clear that there were more than 10 underperformers on campus! Colleges and universities can put more rigor behind individual performance management by developing metrics for evaluation that everyone can understand and apply consistently.

Conclusion

The Law of More needs to be overturned. Universities simply cannot afford to increase costs in nonstrategic areas and take on more debt, if they want to survive. It is imperative that universities become much more focused on creating value from their core. That will require having a clear strategy, streamlined operations, a strong financial foundation, trust and accountability, and a willingness to invest only in innovations that truly create value for the institution.

Higher education in the United States is at a tipping point. In its time of need, the leaders of our colleges and universities have a tremendous opportunity to reshape and reinvent an industry that is directly linked to our economic prosperity and the hopes and dreams of millions.

That time is now.

1 Equity ratio = total net assets (assets – liabilities) divided by total assets

2 The asset ratio is calculated by dividing net assets by total assets and measures the strength of an organization's balance sheet. Net assets is a term that indicates the remaining assets on an organization's balance sheet after removing liabilities. The expense ratio is calculated by dividing an organization's expenses by its revenues and indicates the financial sustainability of a business. Simply put, an organization's expense ratio is an indication of its ability to cover the expenses endured by cash inflow.

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Shared Governance in Colleges and Universities

A Statement by the
Higher Education
Program and
Policy Council

A Union of Professionals
AFT Higher Education

A Union of Professionals

AFT Higher Education
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Foreword

For a number of years, we have been hearing calls for a new, more "efficient" way of administering our institutions of higher education. It is said that:

- times have changed;
- colleges and universities ought to be run more like businesses;
- the rapid technological changes taking place—computerization, the Internet, Web-based courses—require adaptability;
- the marketplace of higher education is rapidly changing, with wholly online institutions and for-profit universities creating competitive challenges to our traditional ways;
- faculty are too slow to make decisions to adapt to change and cling to outmoded models of deliberation and reflection when action is required;
- faculty resist efforts to keep the curriculum up to date and inappropriately inject politics—multiculturalism, liberalism—into it; and
- the tenure system stands as an obstacle to greater accountability and improved performance.

Because an ever-growing number of board members and administrators with this mindset have reached positions of responsibility on campus, a direct assault is being launched on the practice of shared governance in higher education. There is a feeling among political leaders, boards of governors (regents or trustees) and top administrators (chancellors, presidents and the like) that any sharing of authority impedes their "right" to make the big decisions. They believe that they know what is best and that faculty and staff should step aside and let the managers take charge.

The American Federation of Teachers, on the other hand, believes this is exactly the wrong way to run a successful college or university. **We believe that all college and university employees—top tenured faculty, junior faculty, temporary and part-time/adjunct faculty, graduate teaching and research assistants, professional staff with and without faculty rank, the classified and support staff that keep the educational enterprise going—should have a guaranteed voice in decision-making, a role in shaping policy in the areas of their expertise.**[1]

[1] Throughout this document, terms such as "faculty," "professional staff" and "staff" (which includes classified and support staff as well as professionals) will be used to refer to the wide variety of college and university employees listed above. The broad range of job titles, nomenclature and ranking systems at each institution makes it impossible to use more specific or uniform terminology.

The Shared Governance Crisis

What Is Shared Governance? Why Is It Important?

Shared governance is the set of practices under which college faculty and staff participate in significant decisions concerning the operation of their institutions. Colleges and universities are very special types of institutions with a unique mission—the creation and dissemination of ideas. For that reason, they have created particular arrangements to serve that mission best. For example, academic tenure protects the status, academic freedom and independent voice of scholars and teachers. Shared governance, in turn, arose out of a recognition that:

- academic decision-making should be largely independent of short-term managerial and political considerations;
- faculty and professional staff are in the best position to shape and implement curriculum and research policy, to select academic colleagues and judge their work; and
- the perspective of all front-line personnel is invaluable in making sound decisions about allocating resources, setting goals, choosing top officers and guiding student life.

It is widely understood that broad participation in decision-making increases the level of employee investment in the institution's success. As a result, organizational theorists for many years have recommended shared decision-making as a key strategy to improve productivity in all kinds of organizations. In higher education, due to the high turnover rate of top administrators, the faculty and staff are often in the best position to provide the institutional history so valuable to institutional planning. Without that institutional history, institutions are apt to repeat past failures.

Why Is Shared Governance Under Attack?

Until recently, top college administrators, boards of trustees and political leaders could be counted on to recognize and defend the right of individual faculty and staff members and their representative assemblies to participate in the design and implementation of the educational goals and policies of the institution. But no longer. Why?

Increasing numbers of public officials, institutional board members and administrators have come to view higher education as a multi-billion-dollar industry, with money and power to be amassed and used for purposes remote from core academic values such as contemplation, reflection, neutrality, objectivity and critical thinking. To exploit the commercial and political potential of this industry, they seek to run our colleges more on a "corporatized" business model. The corporate model is characterized by commercializing and breaking apart the elements that make higher education great.

The corporatized college president has become the CEO, no longer the academic leader. The agendas of the top administrators in public colleges often are informed by political considerations, not academic ones. The educational mission is seen as just one aspect of a multi-faceted "business" in which the institution is engaged, which may include job training, entertainment, sports, housing, health care, and private corporate research and development. Under the guise of efficiency and confidentiality, top administrators are being recruited by professional search firms with a diminished faculty role in their selection. The voice of the faculty and staff is relegated to an advisory role rather than that of a full partner in the institution's success.

The Real Crisis In Shared Governance

The corporatized model of college governance has engendered a real crisis in higher education. It threatens the integrity of the key educational and research functions that faculty and staff perform, through:

- outsourcing jobs essential to instruction, including the design of courses and introduction of computer-based teaching elements;
- redirecting the teaching of courses from full-time dedicated professionals to exploited part-time and temporary faculty, graduate teaching and research assistants, with low pay, little security and no academic freedom;
- re-orienting the curriculum toward business-oriented coursework, including more courses designed to "train" students for the "real-world." Traditionally "academic" courses are pressured to be more "practical," and generally there is less concern for a broad-based liberal arts curriculum intended to help students develop and mature intellectually into critically thinking democratic citizens;
- buying and selling "courseware," through the appropriation of computer-based intellectual property for purposes of commercial exploitation;
- developing for-profit teaching and/or research subsidiaries of colleges and universities, which are out of the reach of public scrutiny; and
- forming commercial consortia with other universities and private investors.

Increased workloads, restrictive tenure standards, pressures to incorporate new technologies in teaching and demoralization resulting from top-level assertions of power have had the predictable, if perverse, effect of decreasing the willingness of faculty and staff to participate in the shared governance of their institutions.

The erosion of shared governance imperils the elements that produce quality education and scholarship. Shared governance is like the system of checks and balances in state and federal government. Excessive power and control concentrated in any one level of the institution virtually guarantees that there will be a distorted perspective on crucial aspects of the academic enterprise. When politicians, boards and administrators seek to "corporatize" higher education, they hurt the recipients of educational value, namely students and the public.

Shared Governance Should Be Strengthened and Expanded

The interdependence among constituent groups at all levels of the college requires complex coordination, excellent communication among the levels, and appropriate joint planning and execution. Faculty and administrators depend on a wide variety of specialist co-workers to perform their academic functions. In the increasingly complex world of higher education, many of the traditional duties of those holding faculty rank have been reassigned or shared with other professionals. For instance, many groups of specialists assist in key ways:

- student counselors provide academic and career guidance;
- information technologists help enhance teaching, learning and research; and
- laboratory managers and assistants maintain and teach scientific work in laboratories.

Part-time/adjunct faculty used to be literally adjunct to the central instructional function, but they have become indispensable and ubiquitous, though overused and exploited, in many colleges. Classified and support staff, traditionally not represented at the table, also deserve representative participation in making decisions related to their areas of expertise.

Employees of all kinds have long sought vehicles for effective voice in workplace decisions, often through unions and professional associations. In some states and institutions, staff members without faculty rank have been explicitly included—sometimes mandated by statute—in representative decision-making and planning committees, task forces and assemblies. At hundreds of institutions, academic and classified staff have expressed their right to be heard through engagement in collective bargaining. In still other cases, their voice is ignored. When their influence is denied a place in policy making, the institution and its students suffer.

Six Principles of Shared Governance

The following are six basic principles of shared governance that should be observed in establishing, maintaining and strengthening our institutions.

Faculty and professional staff set academic standards and curriculum

Faculty and professional staff, particularly those directly involved in teaching and conducting research, should have the lead role in determining the content of the curriculum, degree and certificate requirements, standards of instruction, student achievement standards, grading, and all matters relating to student progress in academic programs. To fulfill this responsibility effectively, faculty and professional staff must be given access to information and resources. Their judgments should be subject to overrule only rarely, with compelling reasons provided in writing and with an opportunity for response by the faculty and professional staff.

Faculty and professional staff require academic freedom

Faculty and professional staff must be able to exercise independent academic judgment in the conduct of their teaching and research. Administrators should not interfere in these matters except in proven cases of academic incompetence or wrongdoing. A strong tenure system is the bulwark of protecting academic freedom against intimidation and arbitrary dismissal. Beyond that, protections of free expression should be extended to all staff to ensure openness, objectivity and creativity.

Faculty and professional staff should have primacy in decisions on academic personnel and status

Faculty should have the primary role in interviewing and recommending candidates for academic appointment to the faculty, for tenure and promotion, research support, sabbaticals, and other incentives and measures of academic quality. Similarly, professional staff should have the primary role in interviewing and recommending candidates for appointment to their ranks, for advancement in academic status and promotion and for other incentives and measures of professional quality. Administrative overrule of these decisions should be rare and for compelling reasons, given in writing, and be subject to individual and collective response.

Participation in shared governance should be expanded

A well-functioning college or university is one that ensures that *all* faculty and *all* staff—from full professors to adjunct lecturers, from librarians to departmental support staff—

have suitable arrangements for their voices to be heard and given proper weight in decisions that affect the mission and operation of the institution. For example, all faculty and staff should play a direct and prominent role in developing and advising on institutional budgets. All faculty and staff should have a leading role on institutional committees, task forces and decision-making bodies that affect their work and are within their areas of expertise, including search committees for choosing presidents and administrators.

Given the growing interdependence among faculty, staff, students, administrators and institutional boards, all of those who aid in the design and/or implementation of the academic mission of the college or university have a stake in shared governance. While full-time faculty have traditionally been able to claim a central role along with top administrators and boards, a number of trends, accelerating since the last quarter of the twentieth century, favor the expansion of governance roles to other staff. For instance, the increased specialization of traditional academic functions, away from active faculty involvement and toward professional and technical personnel, necessitates the inclusion of these experts into appropriate roles in shared governance. Similarly, the enlargement of the role of non-tenure-track and part-time/adjunct faculty, as well as of graduate employees (teaching and research assistants) calls for the development of appropriate means and mechanisms to draw them into shared governance.

The forms of shared governance and degrees of participation will vary according to the particular institutional arrangements currently in place, but each group whose work contributes to the academic enterprise should be involved in a manner appropriate to its institutional function and responsibilities.

Unions, representative assemblies and faculty senates all can have significant roles in shared governance

The organizational forms of shared governance differ among institutions, depending on institutional history, norms and customs. In many institutions, these forms are called senates or assemblies, though these terms are not definitive, for faculty senates may include or exclude administrators, non-teaching professionals, non-tenure-track and part-time faculty.

In many colleges and universities, faculty and staff have turned to collective bargaining, both as a way to increase the influence of their voices, to provide institutional means for their voices to be heard and represented in the absence of pre-existing roles for them in shared governance, or to support and bolster the existing structures of shared governance. Unionization is a basic democratic right of all employees. Higher education unions are democratically elected representatives of these employees with a legitimate role in shared governance.

A standard management tactic, however, is to attempt to convince faculty and staff—especially during campaigns to establish collective bargaining—that the existence of a faculty or staff union will destroy the "collegiality" of the shared governance process. In particular, the argument goes, the union will take over the powers and responsibilities of the faculty senate or whatever the governance body is called.

The position of the American Federation of Teachers has always been that the functions of the union and the governance bodies *complement*, rather than compete with, each other. Despite predictions by opponents of unionization that the presence of a faculty or staff union would destroy the shared governance body and shatter collegiality, this observation is unfounded. In fact, the opposite is often true.

Unions and collective bargaining do not and should not supplant effective structures of shared governance, i.e., those structures that derive their legitimacy from genuine representation of faculty and staff. When faculty and staff choose unions and collective bargaining, they do so because a clear majority believe that the existing structure is not sufficient to guarantee full and true collegiality—the kind that comes from working with top administrators and board members as equal partners on the basis of legally enforceable rights and responsibilities.

Specifically, collective bargaining strengthens collegiality by establishing and enforcing contractual ground rules supporting it. Typically, committee procedures developed in the institution's shared governance traditions have been incorporated into union contracts, strengthening the senate's (or other body's) role and preserving collegial practices. One can think of it in the following way: the union itself is *one form* of shared governance, but one that is able to create the conditions under which other shared governance mechanisms like the faculty senate can operate successfully and without administrative interference. In the end, we believe that the strongest shared governance systems are based on sound collective bargaining contracts that clearly delineate an active role for faculty and staff at the institution.

On a college-by-college basis, it is important that the respective roles of the union and the shared governance structures be understood mutually. There is no one template for shared governance for all institutions of higher education, nor should there be. Differences among colleges will be based, among other things, on the federal, state and local legal mandates governing particular colleges and universities, on the requirements of applicable labor laws, on institutional traditions, on the terms of the collective bargaining agreement and on the institution's circumstances of labor-management relations.

Accrediting agencies should support fully the concept of shared governance in their standards

Regional and specialized accrediting agencies, whose role it is to establish standards for higher education institutions, should guarantee that enforceable shared governance procedures are not only included in written institutional policies, but also are practiced in reality. For instance, as institutions shift more course work into a distance education medium, accrediting agencies should ensure that faculty and staff remain as deeply involved in setting curriculum and academic standards as they are in traditional courses and that their teaching continues to be protected by academic freedom.

Conclusion

In whatever shared governance structures exist or are created, faculty and staff must have representatives of their own choosing. They must respect the rights of other participants in shared governance.

Institutional structures of shared governance should be constructed to incorporate the views of faculty and staff at all levels of decision-making. The institution's administrators must provide the participants in shared governance time, encouragement and the information necessary to be effective.

Shared governance is vital to maintain the academic integrity of our colleges and universities, to prevent the pressures of commercialization from distorting the institution's educational mission or eroding standards and quality, and to uphold the ideals of academic freedom and democratic practice. Strengthening shared governance is the responsibility of all colleges and universities, and a *priority* of our union.

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