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By NANCY MANN JACKSON

University trustees become more active in wake of new challenges

Boards of trustees are enduring rough waters, churned by scandals at prominent public universities. Last year the University of Virginia board tried to oust a popular president, in 2011 the investigation into allegations of long-term child sexual abuse and a cover-up raised questions about board oversight at the Pennsylvania State University, and a *Chicago Tribune* investigation revealed that applicants with connections to trustees at the University of Illinois received preferential consideration between 2005 and 2009. In the wake of these cases of institutional turmoil, board members at U.S. public universities are navigating myriad challenges facing higher education, including funding shortages, technological changes that are reshaping the way teaching and learning happens, and widespread concern about the affordability and value of higher education.

The primary role of a board member at a U.S. public university remains to maintain “ultimate responsibility for the fiscal integrity of the institution and to oversee its operations by hiring the best possible people as president and provost and allow them to make day-to-day decisions,” says Hunter Rawlings, president of the Association of American Universities and former president of the University of Iowa and Cornell University in New York. However, the methods in which many boards are approaching their role are changing as institutions face new challenges.

“Because of the many financial stresses and the increasing cost of tuition, which has caused a lot of public resentment and put board members on the firing line, many trustees are perhaps more actively involved than they were in the past,” Rawlings says.

Rick Legon, president and CEO of the Association of Governing Boards of Universities and Colleges, adds, “There is a growing recognition that the stakes are high and there has to be a renewed level of cooperation. Increasingly, presidents and chancellors are looking to their governing bodies to take an even more substantial leadership role in addressing the urgency of change.”

Presidents such as Eduardo Padrón of Miami Dade College are developing more transparent relationships to give board members firsthand knowledge of college operations. “There is no question that the role of board members is changing,” he says. “Board members are citizen volunteers assuming a serious governance responsibility for increasingly complex institutions.”

Although engagement and cooperation have always been desirable, more challenging times call for strong leadership across the board, says Clyde Allen, a member of the Board of Regents of the University of Minnesota and AGB’s Council of Board Chairs. During good times, a university with strong administrators could survive even if every board member didn’t offer effective, focused leadership. “A strong chair and some key trustees might suffice,” Allen says. “Today, the seas are rough. All

hands are needed on deck. Trustees must be chosen for the diverse skills they have and their willingness to spend time offering the president their very best counsel at every opportunity. The necessity for each and every trustee to give their very best effort is now mandatory.”

CHANGING VIEWS

Many trustees see their jobs differently than they did a few years ago. “The issues boards face today are radically different than they were a decade or so ago,” says Jeff Trammell, a rector at the College of William & Mary in Virginia. “Today, virtually every public university’s board is looking at the sustainability of its financial model. They are looking at what is required to prepare students to thrive in a globalized economy. They are scrambling to ascertain how technology will reshape their institutions.”

For the past several years, the financial picture has changed drastically for public institutions. A prolonged economic recession means endowments have shrunk, states have significantly reduced their traditional funding, and fundraising has become more difficult. The effort to continue completing their missions in the face of decreased funding has led many public universities to raise tuition, creating new concerns for trustees. For instance, during the past 25 years, tuition at U.S. universities—public and private—has increased 570 percent, according to the Committee for Economic Development. At the same time, student debt is mounting and more than

in short

TAKE NOTICE. A project requiring fundraising support gets the board’s blessing. Trustees endorse it with comments such as “This sounds good,” and “Go for it.” They appear to be on board, but to fundraising consultants Ted Grossnickle and Angela White, such tepid consent is a red flag for an effort that’s likely to founder. Listen closely. Trustees have not taken ownership of the project and may approve only because they assume others will provide financial support, the consultants write in a post at the Giving Institute (bit.ly/Trustee_Fundraising). When suffering from “Unanimous Approval Syndrome,” trustees fail to ask critical, probing questions about how the project furthers an institution’s mission, what could derail its success, and whether each trustee will make a gift and actively raise funds.

HABIT FORMING. Fundraising is an increasingly important part of a trustee’s job, even if it isn’t his or her favorite responsibility. Jerold Panas’ revised edition of *The Fundraising Habits of Supremely Successful Boards* helps volunteers make generating financial support second nature and also serves as a broader guide to effective board membership. Panas highlights 25 habits, including letting integrity guide decision-making and pushing the institution to excel without micromanaging its leaders. The last trait, which recognizes the temptation to balance the books through deep cuts, sums up the importance of trustee philanthropic support to fund mission-driven activities: “No money, no mission.” The book is available in the CASE bookstore at www.case.org/publications.

40 percent of students do not graduate in six years, according to the U.S. Department of Education's National Center for Education Statistics.

These current challenges have more board members requesting training, both AGB and the Association of Community College Trustees report. "We've always had a lot of interest in governance training, but with the new focus on funding and student performance, we are seeing more requests for programs that deal specifically with those issues," says Noah Brown, president and CEO of ACCT.

As universities' challenges mount, trustees must adapt, says Charles Shorter, a trustee at the City University of New York. "Any thoughtful trustee should see his or her role as an evolving one," he says. "[I now have] a more in-depth understanding of my institution—its issues, its approaches to meeting those issues, and its role in the world of higher education. At the same time, I also understand the role of higher education nationally and internationally and how CUNY contributes to that role of growth."

The broad range of constituents to whom they must answer represents one reason why public university trustees have had to adjust, says Kate Pew Wolters, chair of the board at Michigan's Grand Valley State University. "At a public university, our constituents are not only students, parents, faculty, and staff but also taxpayers," she says. "And the added group that may not have been as prominent 10 years ago are also donors."

BALANCING GOVERNANCE

Institutions vitally need increased board involvement in certain areas, but experts say there is a fine line between the appropriate level of engagement and overstepping boundaries. "Trustees tend to reflect larger trends within the public, and the public as a whole has become less entranced with universities, largely because of the tuition squeeze," says Derek



“The temper of the times and public opinion of universities make it almost inevitable that boards will be more involved.”

Bok, former president of Harvard University in Massachusetts and a former University of Massachusetts trustee. "Trustees are reflecting [the public sentiment that] universities are too expensive and are really run for their own enhancement rather than to serve students and the state. As a result, trustees could become more inclined to be intrusive and less inclined to take the university administration on trust. The temper of the times and public opinion of universities make it almost inevitable that boards will be more involved."

To govern effectively, boards must be appropriately engaged and fully aware of institutional issues in

DO NO HARM. In the wake of the Penn State scandal, which raised questions about board oversight and skewed priorities favoring big-time collegiate sports, Rick Legon, president of the Association of Governing Boards of Universities and Colleges, penned a column about the basic duties of governing boards. In "Some First Principles," in the November/December 2011 issue of *Trusteeship* magazine, Legon contends that the interests of the greater institution must factor foremost in decision-making and the board should model, expect, and demand ethical behavior throughout the institution. "When board members become part of the 'story,' it can do irrevocable harm to the institution. Once at risk, institutional reputation is, at best, difficult to reclaim." Find the article at bit.ly/First_Principles.

READ IT AGAIN. Do you treat your board members like hot potatoes, unwilling to handle them because you consider trustees an elite group not to be bothered with fundraising? Or maybe you're hands off because you consider these leaders so clueless about advancement that it's easier to keep your distance. The article "Arm in Arm," in the April 2011 issue of *CURRENTS*, offers guidance on working more effectively with board members—some of the institution's most generous, loyal, and passionate supporters. Topics addressed include how to help trustees become better fundraisers and the role of development staff in identifying and recruiting major donors to the board. Don't drop such an important asset; go to www.case.org and search for the title.

order to set policies and strategic plans, but they also must trust the president and faculty to do their part to make the institution successful. Bok recommends the rule of “noses in, fingers out,” meaning board members should ask good questions and be involved but keep their fingers out of running the university on a day-to-day basis.

“Boards always need to resist the temptation of becoming too hands-on,” says ACCT’s Brown. “We are seeing some efforts for boards to focus more on the academic side of things. The trick is [for trustees] to understand what’s going on in the academic side of the house, understand the data, and then through policy, set guidelines and parameters for the president to follow. There’s a difference between understanding and setting benchmarks and in micromanaging.”

BUSINESS IN THE BOARDROOM

Many public university boardrooms are filled with successful businesspeople, so it’s not surprising that numerous boards are tackling today’s challenges with a businesslike approach. At Temple University, for instance, one of the board’s top priorities is to control and reduce operating costs. During the past

three years, the board at the Pennsylvania institution has reduced operating costs by more than \$100 million, says Lewis Gould, a trustee and chair of the finance committee. In 2015, Temple will switch to a decentralized budgeting process, giving deans and department chairs direct responsibility for the financial management of their respective schools. Because each school will be credited with the tuition brought in by the students in its programs,

academic leaders “will have the opportunity to be entrepreneurial, strategic thinkers about driving demand for students,” Gould says. “This process will give deans and chairs a market focus they may not have had before.”

In the University of North Carolina system, trustees are striving to increase the percentage of North Carolinians with a college degree using a strategic

plan adopted from corporate America. The system plans to implement performance funding in which various departments will receive funding based on their success in reaching benchmarks in academic and operational performance, says Peter Hans, chairman of the UNC board. The plan also expands online learning and increases coordination with community college partners.


In addition to managing effectively, some boards are helping resolve their institutions’ budget difficulties by making fundraising a board priority. “The most dramatic change affecting board members in public institutions right now is the increasing expectation that they make it possible to raise private philanthropic funds to replace declining state dollars,” says Tom Ingram, president emeritus of AGB. “Fundraising has to be a priority. Not all board members are or should be wealthy, but they must set an example in personal giving.”

Many boards are also prioritizing the generation of new resources, drawing on entrepreneurial skills to build partnerships with private interests. Temple’s board is investing in increasing returns from research conducted at the university, its medical school, and a recently acquired cancer center, Gould says. The board plans to pursue partnerships with the private sector to develop small companies and business incubators based on Temple’s research and, hopefully, profit from the returns.

SHARING GOVERNANCE

With trustees taking a more active role and asserting their authority in more areas, what does the future hold for the shared decision-making model that has governed higher education for so long? The recent high-profile failures in governance at some institutions focused increased attention on the sometimes rocky relationships between boards and their administrations. Of the 34 presidents of public institutions who are members of AAU, 13 have left their jobs in the past 18 months. While some were planned retirements, many were dismissals or resignations due to difficult relationships between trustees and administrations, Rawlings says. In the current environment, it seems much “harder to make shared governance work,” he says. But it isn’t impossible.

“Trustees and the public must keep in mind that higher education started with faculty,” says



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Minnesota's Allen. "Administration and trustees became necessary [but] clearly, without faculty, trustees and administrators have no ship to navigate. Shared governance is the model and it is crucial. Faculty, administrators, students, and trustees must put excellent systems in place for communicating and working together. A lot of work? Yes, but it is the only way that works day in and day out, especially in time of crisis or opportunity."

Developing the necessary level of trust may be particularly challenging in the current environment. "When legislatures provide less money they tend to substitute more regulations and become more intrusive in the affairs of higher education," Padrón says. "That can influence trustees and provoke the temptation to micromanage. ... It's up to the institution's leadership and the trustees to maintain effective communication and avoid that circumstance."

As the public and the higher education community look to boards to overcome current challenges, collaboration will be more important than individualism. "There is a growing recognition that [universities] are huge enterprises that need to be run by professionals," says Christopher Kennedy, chairman of the board at the University of Illinois. "But there's still a temptation to be the hero board member who makes a difference individually—in the football program or the university hospital or whatever. Those kinds of movements by boards drive out great managers."

POLITICS IN THE BOARDROOM

To help boards run more effectively, many taxpayers and other stakeholders are calling for changes in the way board members are selected. In most states, public university trustees are appointed by the governor or through a legislative process, causing concerns about the politicization of trustee boards.

For instance, the governor of Vermont recently organized a special committee to consider the state's relationship with the University of Vermont, and the committee recommended changing the structure of the board to include fewer politically appointed trustees. Because state appropriations now make up less than 10 percent of the university's revenue, it's no longer appropriate for state leaders to make about half of the board appointments, the committee said. "The state of Vermont's support for UVM versus its governance role needed to be reconsidered and




Private Lessons

As public university boards struggle to meet today's challenges, they can learn some survival skills from their counterparts at private institutions. Here are three lessons worth studying:

Make fundraising a board priority. "Along with the overall stewardship of the institution's mission and selecting, supporting, and evaluating the president, governance boards in private colleges also hold fiduciary responsibility for these institutions," says Cynthia Woolbright, president of the Woolbright Group, a board development consulting group for private colleges and schools. "No private institution is able to provide sufficient funding through tuition nor perform the responsibilities related to their mission through tuition. Thus, governing boards are responsible for raising philanthropic support." Commonly, board members at private institutions, led by the board chair, each provide their own financial support and then participate with the president and the advancement team in raising private funds from alumni, parents, friends, foundations, and other sources.

Take a hint from corporate America. After Congress passed the Sarbanes-Oxley Act of 2002, which requires corporate boards to take more active responsibility for their companies' financials, the boards of private institutions took notice, Woolbright says. "While Sarbanes-Oxley was aimed at public reform, the impact was seen in private education," she says. "That caused our boards to stand and take notice that it is no longer acceptable to be reactive, but [they must be] proactive, in their overall board responsibilities. As a result, today's boards are much more engaged and hopefully effective in partnering with the president and the leadership team of the institution."

Train and recruit board candidates in advance. In private higher education, board members are cultivated, often for years, before being appointed to the board. That cultivation includes serving on committees, philanthropic support, and other activities that serve as evidence that the person is committed to the institution and knows how to play well with others. The extent to which public board members can be recruited and cultivated will depend on each state's process and each governor's openness to university input, but it is worth pursuing. "While institutions will vary in tactic, each governance board should strategically follow a process of effective recruitment that includes some testing points along the way," Woolbright says. "Full disclosure of all responsibilities, expectations for providing philanthropic support, and other commitments are critical to then appointing trustees to serve on [the] board."



appropriately modified as [that relationship is] brought into focus and balance,” says Nicholas Donofrio, former executive vice president for innovation and technology at IBM and chairman of the governor’s special committee.

While Donofrio believes that political appointments may be, “in many cases, just what the board needs,” his committee agreed that in Vermont, the



“Being able to control costs as well as raise revenues requires unbiased and open thinking.”

board would benefit from more members who are not linked to the governor. “Given the many challenges faced by university boards, all members must be capable and enabled to do whatever is required in a balanced way. ... Doing what is right for the state as well as the university, and being free to move from one vantage point to another, is key. Being able to control costs as well as raise revenues requires unbiased and open thinking,” he says. The governor’s committee’s recommendations are still under review.

Even if most states continue to fill university boardrooms through gubernatorial appointments, the process can be improved. “Our hope has been for 20 years that governors go beyond politics in their appointments,” says AGB’s Legon. “Within a political structure, you can build a board that’s balanced with regard to experience and backgrounds, including respected individuals who have experience or familiarity with the complexities of a college or university.”

Some boards may benefit from more representation of trustees with academic experience, Bok says. “My sense is that whereas trustees are very well meaning, in many cases they really don’t have a background in universities and the chances for friction [with administration] are multiplied,” he says.

Whatever the selection process, trustees can still put aside politics to move the university forward. “Public boards by their very nature are political; we’re either appointed or elected,” says GVSU’s Pew Wolters. “I am amazed at Grand Valley how our board has been

able to come together for the good of the university regardless of the lack of control we have over our membership.”

MOVING FORWARD

Nobody in higher education expects the trend of decreasing state appropriations to be reversed anytime soon. Trustees must continue to find ways to provide a quality education and rebuild the public trust without relying on state funding or tuition increases. For the 2012–2013 academic year, Temple trustees froze base tuition while increasing financial aid by \$8 million, a move that helped recruit students and demonstrated the university’s commitment to serving first-generation and economically disadvantaged students, Gould says.

In trustees’ efforts to balance providing cutting-edge education and maintaining reasonable costs, William & Mary’s Trammell expects to see more emphasis on entrepreneurship and innovation. “Institutions of higher education will change substantially in the coming years,” he says. “Determining new revenue streams, renegotiating state restrictions, and leveraging the best use of new technologies will be core challenges for boards. ... [Everyone] should expect substantial change in funding and teaching models.”

Board members may also focus more on defining their specific responsibilities and the protocols for working more effectively, says CUNY’s Shorter. That may include bringing in consultants or other outside experts to enhance the board’s capabilities in areas that are lacking among members. Shorter also predicts that more public university boards will be carefully designed to choose individuals who bring specific skills, such as financial stewardship or technology expertise.

As local communities, the workforce, technology, and national interests evolve, all these concerns “will affect the makeup of boards of trustees,” Padrón says. “But the fundamental questions of the quality of the teaching and learning dynamic, our connection to the needs of the workforce and the community, and the quality and relevance of our learning options remain the core issues for our institutions. This should be the foundation for our growth and the focus for our boards.” ■

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