

# Higher-Education Chief Executives and Service on Corporate Boards

BY MERRILL P. SCHWARTZ

College and university chief executives as well as board leaders have sought advice from AGB concerning whether presidents should accept positions on corporate and other external boards, what limitations might apply, and whether and how to codify board decisions in either a contract or additional policy. To answer those questions, AGB conducted a survey of 1,298 chief executives of member colleges, universities, and systems regarding their service on for-profit corporate boards. Of those, 293 chief executives participated—about one-third from public institutions and two-thirds from independent ones.

The survey focused on service on *for-profit* corporate boards for several reasons:

- In 2008, Sen. Charles E. Grassley, the top Republican on the U.S. Senate Finance Committee, investigated and criticized the service of research university presidents on corporate boards, recommending that boards consider whether the costs in terms of time away or conflicts of interest were worth potential benefits;
- Presidents have been disparaged in the press for serving on multiple corporate boards and earning compensation for their service that rivals or exceeds their university salaries;
- Whenever compensation is involved, the potential for conflicts of interest increases; and
- Volunteer service on nonprofit boards doesn't provoke the same level of controversy.

## Who Serves on Corporate Boards? What Do They Earn?

Fewer than one-third of chief executives (30.5 percent) served on the board of a for-profit corporation: 16.5 percent served on one, 8.2 percent served on two, 3.1 percent served on three, 1.7 percent served on four, and 1.0 percent served on five or more. More than two-thirds of respondents did not serve on any corporate boards. More chief executives of public institutions (38.4 percent) than independent institutions (26.7 percent), and more chief executives of research and doctoral

universities (51.6 percent) served on at least one for-profit board.

*Serving on for-profit boards was more common among presidents with more years of service.* Among respondents who served on one or more for-profit boards, 9.3 percent had served in their current position as chief executive less than three years, 33.7 percent had served three to six years, and 57.0 percent had served seven or more years.

*Among those who served on at least one for-profit board, about one-third received no compensation for their service in the prior year, about one-third earned less than \$50,000, and about one-third earned \$50,000 or more.* Of the latter, 15.3 percent received \$50,000 to \$99,999, 13.0 percent received \$100,000 to \$299,999, 2.4 percent received \$300,000 to \$499,999, and 1.2 percent received \$500,000 or more. (About 6 percent declined to answer.)

## What Guidance Is Provided to Chief Executives?

*More than half of respondents' institutions did not have a policy that addressed service on corporate boards.* We included a model policy from *Presidential Compensation in Higher Education* (AGB, 2008) and asked whether their institutions had a similar one. Of the respondents, 53.4 percent did not, 30.1 percent did, and 16.4 percent had a related policy with different provisions.

*One-quarter of respondents reported that their contract or employment agreement established guidelines for service on boards of outside organizations, and about the same number reported that the governing board must approve outside directorships or that they discussed such service with the board.* About one-fifth of respondents reported they had received no guidance from any source at their institution.

## Costs and Benefits of Service on Corporate Boards

Chief executives found great value in service on corporate boards, including enhanced understanding of board members, improved governance practices for their institution's board, opportunities for fund

Chief executives found great value in service on corporate boards, including enhanced understanding of board members, improved governance practices, opportunities for fund raising, and better management, finance, and investment strategies.

**Table 1. How many corporate boards do you currently serve on?**

	All %	Independent %	Public %	AA %	BA %	MA %	RDU %	Specialized %	System %
0	69.4	73.3	61.6	54.5	74.4	68.2	48.4	64.5	70.8
1	16.5	13.4	23.2	18.2	12.8	15.0	22.6	16.1	12.5
2	8.2	8.6	7.1	22.7	9.3	12.1	17.7	16.1	16.7
3	3.1	2.1	5.1	0.0	1.2	2.8	8.1	0.0	0.0
4	1.7	2.1	1.0	0.0	1.2	0.9	3.2	3.2	0.0
5 or more	1.0	0.5	2.0	4.5	1.2	0.9	0.0	0.0	0.0
Total	99.9	100.0	100.0	99.9	100.1	99.9	100.0	99.9	100.0

**Table 2. In your current position, what guidance were you provided, if any, on the conditions for accepting outside board directorships?**

Multiple answers were allowed:	%
I have discussed with the governing board, a board committee, or member of the board whether I should serve on corporate boards	26.9
Contract/employment agreement/policy established guidelines for my service on outside boards	25.2
The governing board must approve outside directorships I wish to accept	23.4
I have received no guidance from any source at the college/university/system regarding service on corporate boards	21.3
I must disclose to the governing board (or a board committee or member of the board) any compensation I receive as a corporate director	20.3
I have declined or resigned a corporate directorship <i>on my own accord</i> , in my current position	10.5
The system chief executive must approve outside directorships I wish to accept	5.2
I have discussed with the system chief executive whether I should serve on corporate boards	5.2
I am specifically not allowed by the governing board to serve on any corporate boards	2.8
I have declined or resigned a corporate directorship <i>at the request or advice of my governing board</i>	2.1

raising and university advancement, and better management, finance, and investment strategies. Some developed a broader perspective of social and economic conditions that informed planning at their own institutions. They also found interaction with leaders outside of higher education complemented their professional-development opportunities. Many also used the opportunity to raise the visibility of their colleges and universities.

Chief executives also noted pitfalls: real, potential, or seeming conflicts of interest; time away from a demanding job; exposure to personal liability; reputational risks associated with a potential corporate scandal; and negative public opinion about the time spent on or money received for such service.

### Suggestions for Best Practice

- Employment agreements and board policies should address terms for outside service of chief executives.

- Chief executives should seek board approval before committing to service on boards of outside organizations and disclose any related compensation and potential conflicts of interest.
  - Chief executives should use personal leave for time spent on compensated directorships.
  - Boards should discuss the costs and benefits of outside commitments with chief executives as part of annual performance reviews.
  - Board members should refrain from inviting the chief executive of their institutions to serve on a board of a for-profit organization where they currently serve as a director or executive.
- Complete results of the survey on “Chief Executives and Service on Corporate Boards” are available at <http://www.agb.org/reports>.

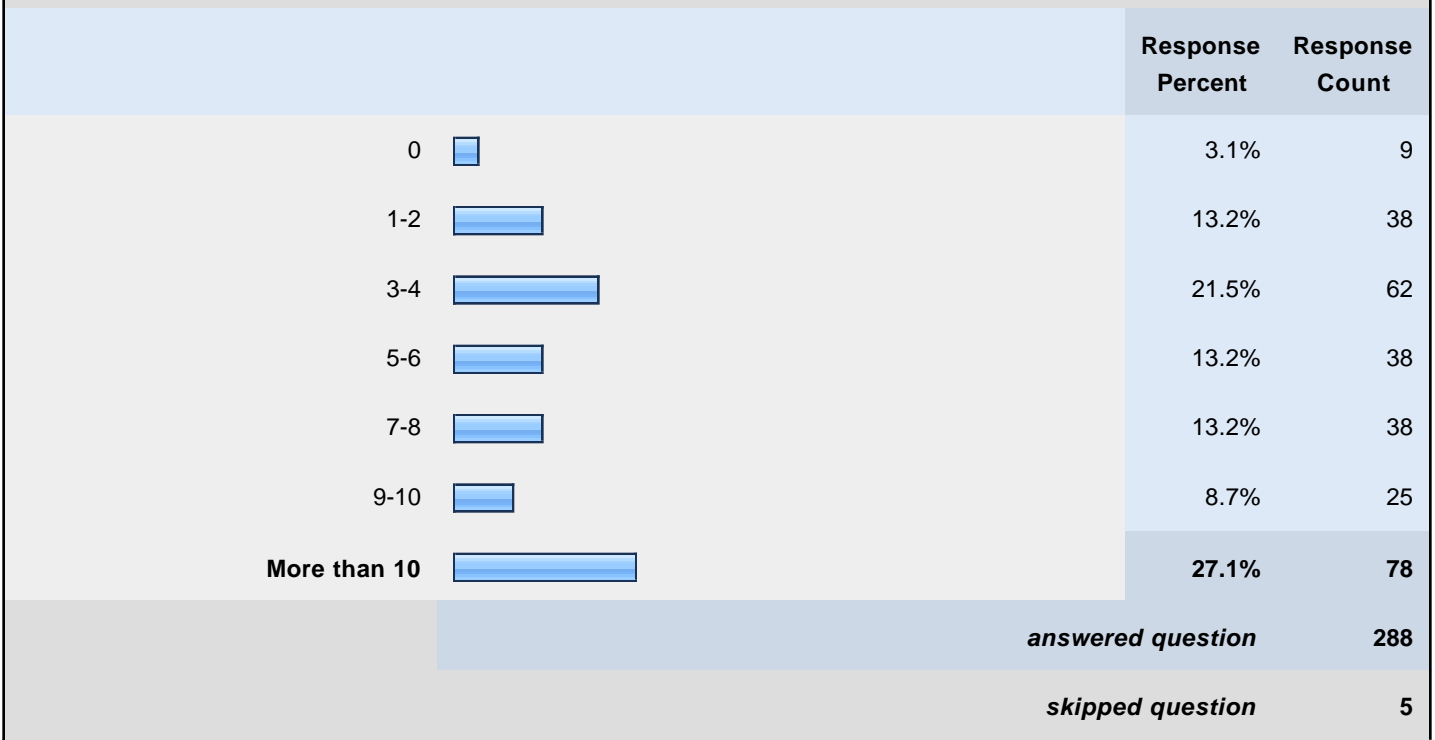
**Merrill P. Schwartz** is the director of research for AGB ([merrills@agb.org](mailto:merrills@agb.org)).



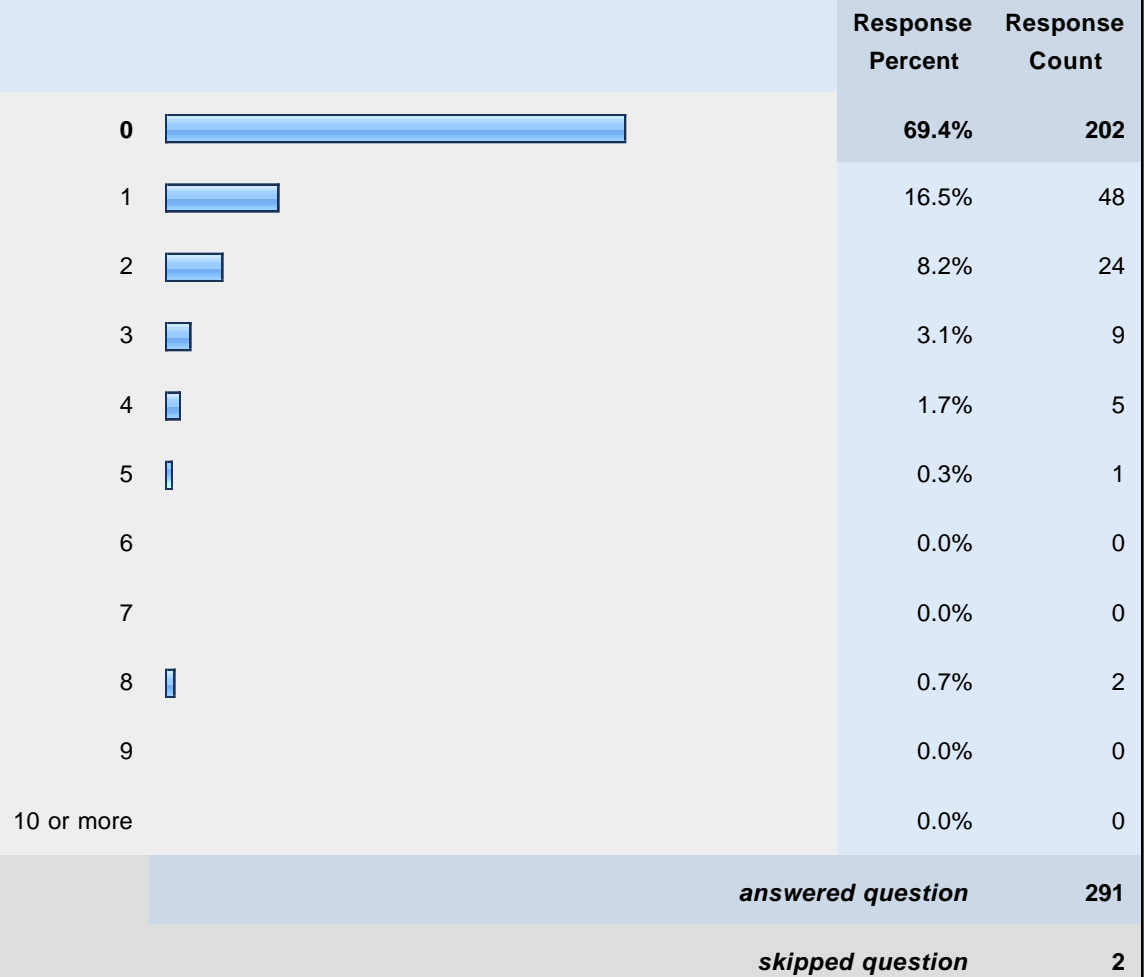
They also noted pitfalls: real, potential, or seeming conflicts of interest; time away from a demanding job; exposure to personal liability; reputational risks associated with a potential corporate scandal; and negative public opinion.

AGB Survey on Board Policies Regarding College and University CEOs Serving on Corporate Boards

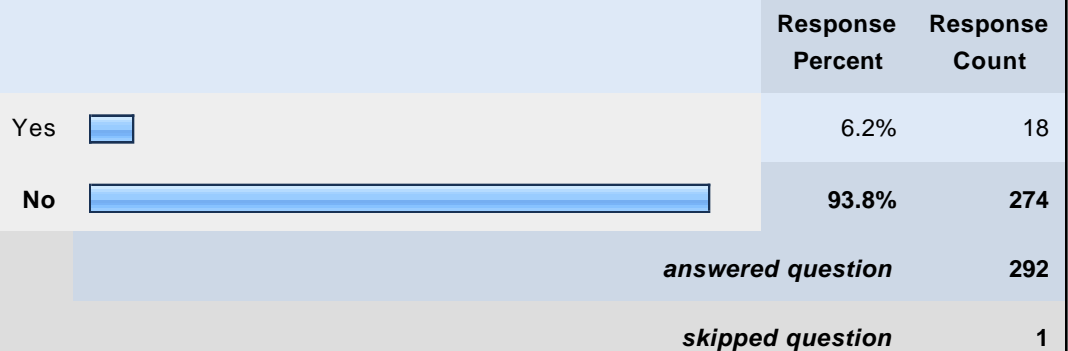
**1. How many years have you served in your current position as chief executive of a college, university, or system?**



## 2. How many corporate boards do you currently serve on?


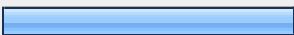


## 3. Have any members of your governing board invited you to serve on the board of directors for a corporation at which they currently serve as a director or executive?


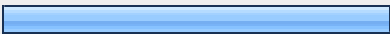









**4. In your current position, what guidance were you provided, if any, on the conditions for accepting outside board directorships? (check all that apply)**



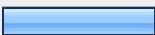

	Response Percent	Response Count
Contract/employment agreement/policy established guidelines for my service on outside boards	25.2%	72
I am specifically not allowed by the governing board to serve on any corporate boards	2.8%	8
The governing board must approve outside directorships I wish to accept	23.4%	67
The system chief executive must approve outside directorships I wish to accept	5.2%	15
I must disclose to the governing board (or a board committee or member of the board) any compensation I receive as a corporate director	20.3%	58
I have discussed with the governing board, a board committee, or member of the board whether I should serve on corporate boards	26.9%	77
I have discussed with the system chief executive whether I should serve on corporate boards	5.2%	15
I have received no guidance from any source at the college/university/system regarding service on corporate boards	21.3%	61
I have declined or resigned a corporate directorship <i>at the request or advice of my governing board</i>	2.1%	6
I have declined or resigned a		

corporate directorship <i>on my own accord</i> , in my current position		10.5%	30
<b>I haven't served on any corporate boards while chief executive (skip to question 8)</b>		<b>44.1%</b>	<b>126</b>
		Other (please specify)	17
		<b>answered question</b>	<b>286</b>
		<b>skipped question</b>	<b>7</b>


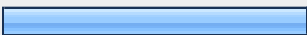
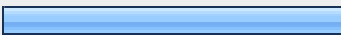
**5. If you served on any corporate boards from July 1, 2009 to June 30, 2010, please estimate your earnings during that period for that board service:**

		Response Percent	Response Count
I choose not to provide this information		3.5%	5
<b>Not applicable or \$0</b>		<b>58.5%</b>	<b>83</b>
Less than \$50,000		19.0%	27
\$50,000 - \$99,999		9.2%	13
\$100,000 - \$149,999		1.4%	2
\$150,000 - \$199,999		0.7%	1
\$200,000 - \$299,999		5.6%	8
\$300,000 - \$399,999		1.4%	2
\$400,000 - \$499,999		0.0%	0
\$500,000 - \$999,999		0.7%	1
\$1,000,000 or more		0.0%	0
		Comments:	15
		<b>answered question</b>	<b>142</b>
		<b>skipped question</b>	<b>151</b>

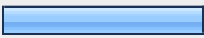


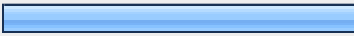


## 6. Do you use personal leave when doing corporate board work?

	Response Percent	Response Count
Always 	13.9%	11
Sometimes 	5.1%	4
Never 	22.8%	18
N/A 	58.2%	46
<b>answered question</b>		<b>79</b>
<b>skipped question</b>		<b>214</b>

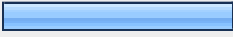
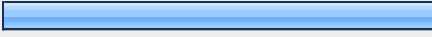

## 7. In assessing comparability of your compensation and that of other college and university presidents, has the board considered income you receive from outside directorships?

	Response Percent	Response Count
Yes, the board has considered income from outside directorships in comparing my compensation to other college and university chief executives. 	2.9%	5
No. 	45.9%	78
Not applicable or don't know. 	51.2%	87
<b>answered question</b>		<b>170</b>
<b>skipped question</b>		<b>123</b>



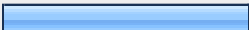





## 8. In regards to the above language:

		Response Percent	Response Count	
My institution/system has a similar policy		30.1%	84	
My institution/system has a better policy		1.8%	5	
My institution/system has a related policy, but not as good or helpful		8.2%	23	
<b>My institution/system has no such policy</b>		<b>53.4%</b>	<b>149</b>	
My institution/system prohibits such service		1.4%	4	
Other		5.0%	14	
	Comments or suggestions regarding policies		30	
			<b>answered question</b>	<b>279</b>
			<b>skipped question</b>	<b>14</b>

## 9. What is the control of the institution/system of which you are the chief executive?

		Response Percent	Response Count	
Public		34.5%	99	
<b>Independent not-for-profit</b>		<b>65.2%</b>	<b>187</b>	
Independent for-profit		0.3%	1	
			<b>answered question</b>	<b>287</b>
			<b>skipped question</b>	<b>6</b>

**10. What is the type of institution of which you are the chief executive?  
(check all that apply)**

	Response Percent	Response Count
Associates College 	7.6%	22
Baccalaureate College 	29.7%	86
<b>Master's University</b> 	<b>36.9%</b>	<b>107</b>
Research or Doctoral University 	21.4%	62
Specialized College or University 	10.7%	31
System Administration 	8.3%	24
Institution within a college or university system 	1.4%	4
Other 	1.0%	3
<i>answered question</i>		<b>290</b>
<i>skipped question</i>		<b>3</b>

**11. Please comment on how your service (or potential service) on a corporate board has enhanced, or would enhance, your work as chief executive or benefited, or would benefit, the college/university/system, if at all:**

	Response Count
	115
<i>answered question</i>	<b>115</b>
<i>skipped question</i>	<b>178</b>

**12. Please comment on any concerns or negative impact, if any, related your service (or potential service) on a corporate board:**

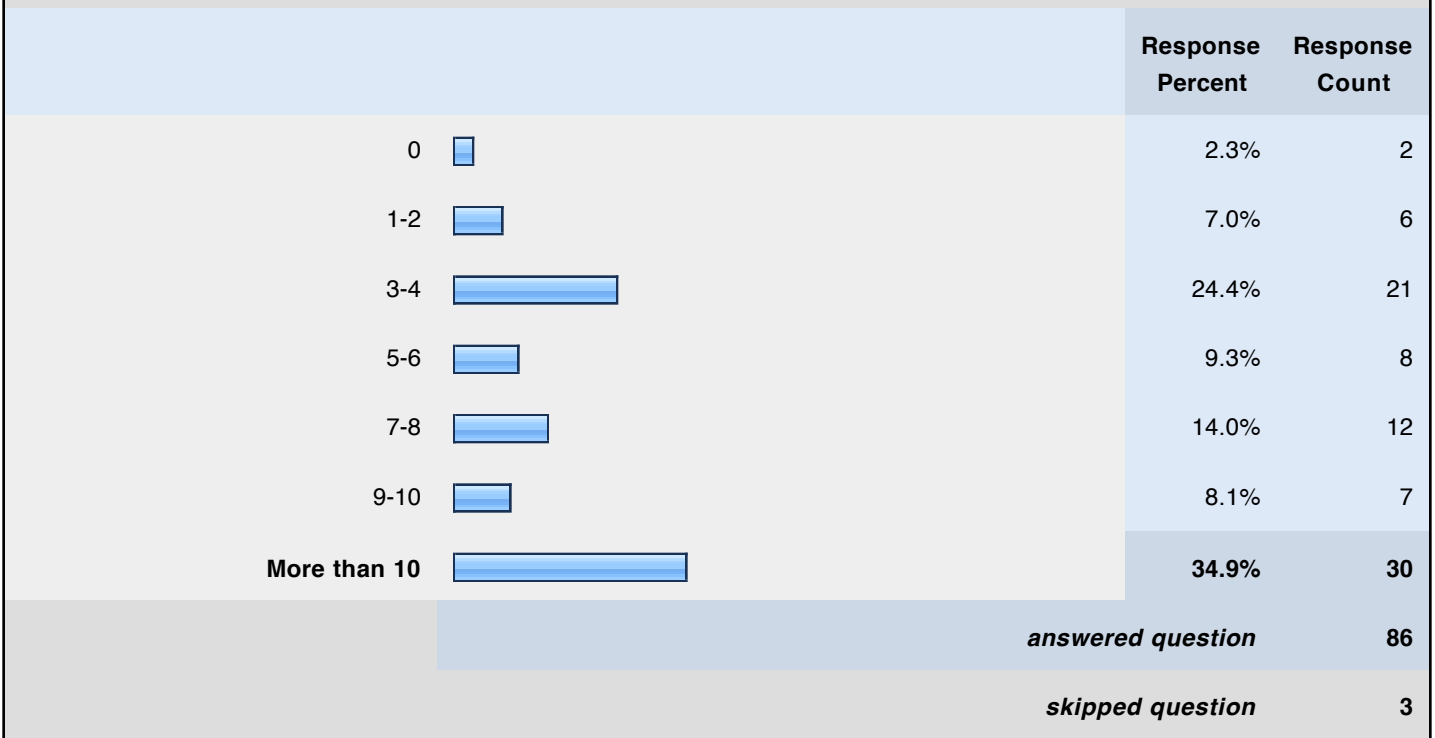
	Response Count
	93
<i>answered question</i>	93
<i>skipped question</i>	200

**13. Your comments and suggestions are welcome.**

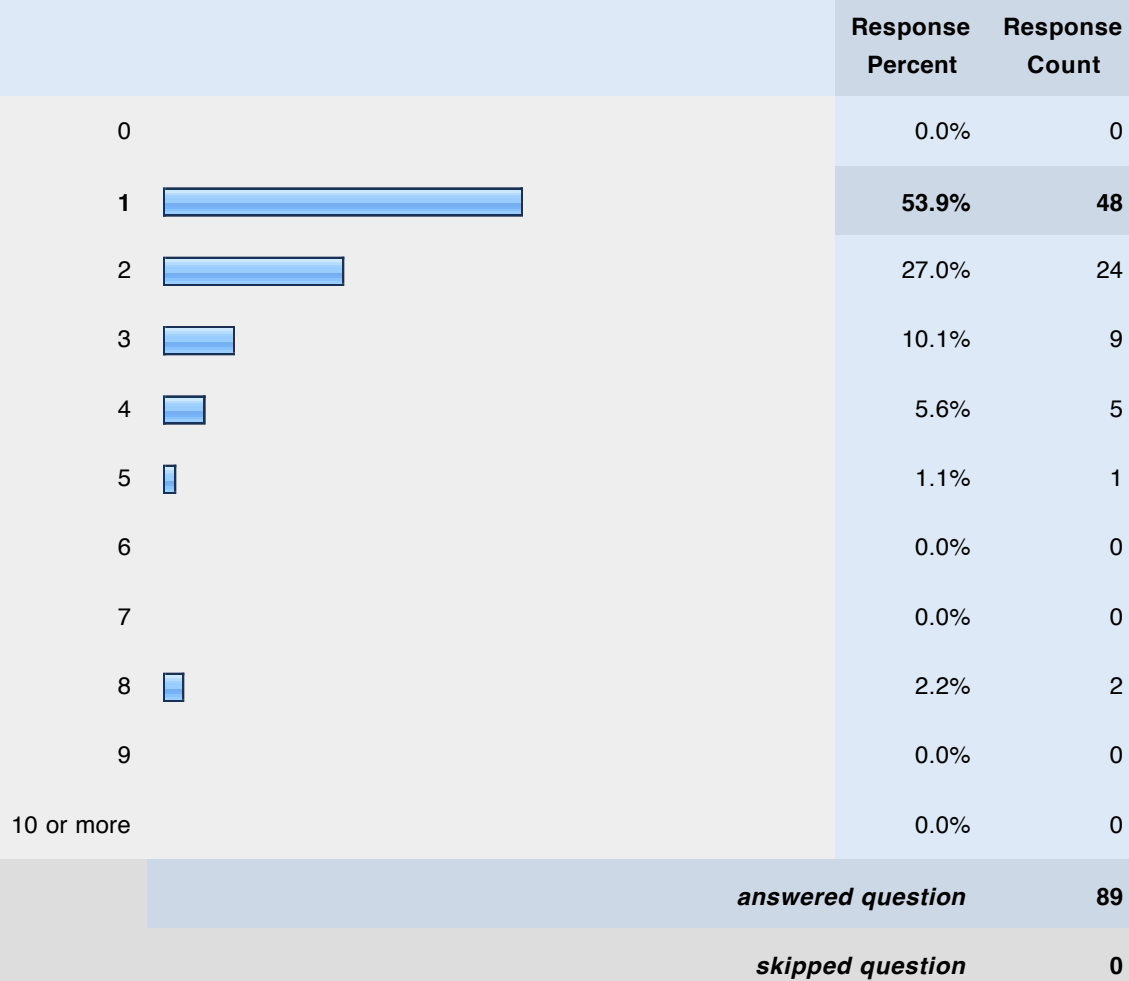
	Response Count
	33
<i>answered question</i>	33
<i>skipped question</i>	260

# AGB Survey on Board Policies Regarding College and University CEOs Serving on Corporate Boards

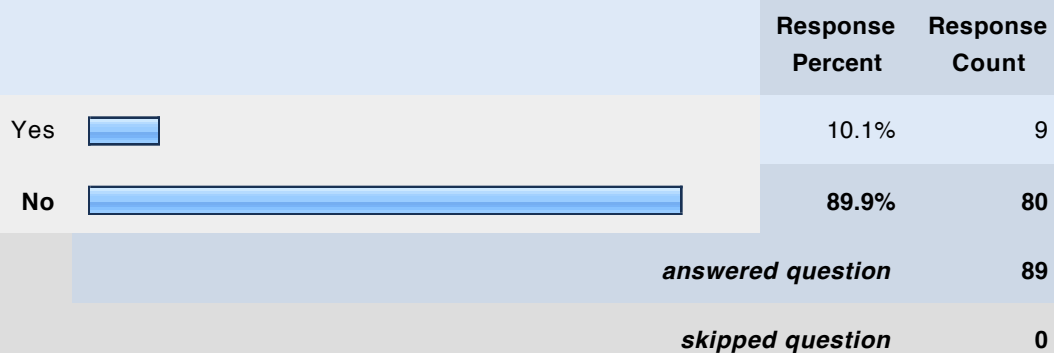
## 1. How many years have you served in your current position as chief executive of a college, university, or system?



## 2. How many corporate boards do you currently serve on?

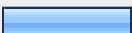



## 3. Have any members of your governing board invited you to serve on the board of directors for a corporation at which they currently serve as a director or executive?


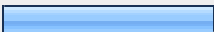
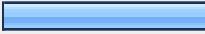








**4. In your current position, what guidance were you provided, if any, on the conditions for accepting outside board directorships? (check all that apply)**

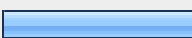

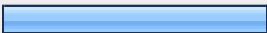
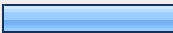
	Response Percent	Response Count
Contract/employment agreement/policy established guidelines for my service on outside boards	32.6%	29
I am specifically not allowed by the governing board to serve on any corporate boards	0.0%	0
The governing board must approve outside directorships I wish to accept	19.1%	17
The system chief executive must approve outside directorships I wish to accept	6.7%	6
I must disclose to the governing board (or a board committee or member of the board) any compensation I receive as a corporate director	20.2%	18
<b>I have discussed with the governing board, a board committee, or member of the board whether I should serve on corporate boards</b>	<b>50.6%</b>	<b>45</b>
I have discussed with the system chief executive whether I should serve on corporate boards	11.2%	10
I have received no guidance from any source at the college/university/system regarding service on corporate boards	23.6%	21
I have declined or resigned a corporate directorship <i>at the request or advice of my governing board</i>	4.5%	4
I have declined or resigned a		

corporate directorship <i>on my own accord</i> , in my current position		19.1%	17
I haven't served on any corporate boards while chief executive (skip to question 8)		2.2%	2
	Other (please specify)		8
<b>answered question</b>			<b>89</b>
<b>skipped question</b>			<b>0</b>


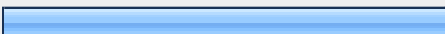
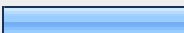
**5. If you served on any corporate boards from July 1, 2009 to June 30, 2010, please estimate your earnings during that period for that board service:**

		Response Percent	Response Count
I choose not to provide this information		5.9%	5
<b>Not applicable or \$0</b>		<b>31.8%</b>	<b>27</b>
Less than \$50,000		30.6%	26
\$50,000 - \$99,999		15.3%	13
\$100,000 - \$149,999		2.4%	2
\$150,000 - \$199,999		1.2%	1
\$200,000 - \$299,999		9.4%	8
\$300,000 - \$399,999		2.4%	2
\$400,000 - \$499,999		0.0%	0
\$500,000 - \$999,999		1.2%	1
\$1,000,000 or more		0.0%	0
	Comments:		11
<b>answered question</b>			<b>85</b>
<b>skipped question</b>			<b>4</b>

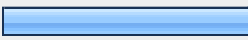


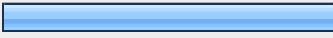

## 6. Do you use personal leave when doing corporate board work?

	Response Percent	Response Count
Always 	28.6%	10
Sometimes 	5.7%	2
<b>Never</b> 	<b>40.0%</b>	<b>14</b>
N/A 	25.7%	9
<i>answered question</i>		<b>35</b>
<i>skipped question</i>		<b>54</b>

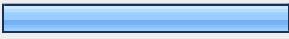
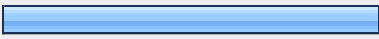
## 7. In assessing comparability of your compensation and that of other college and university presidents, has the board considered income you receive from outside directorships?

	Response Percent	Response Count
Yes, the board has considered income from outside directorships in comparing my compensation to other college and university chief executives. 	5.9%	5
<b>No.</b> 	<b>67.1%</b>	<b>57</b>
Not applicable or don't know. 	27.1%	23
<i>answered question</i>		<b>85</b>
<i>skipped question</i>		<b>4</b>



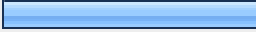




## 8. In regards to the above language:

		Response Percent	Response Count
My institution/system has a similar policy		36.9%	31
My institution/system has a better policy		3.6%	3
My institution/system has a related policy, but not as good or helpful		6.0%	5
<b>My institution/system has no such policy</b>		<b>50.0%</b>	<b>42</b>
My institution/system prohibits such service		0.0%	0
Other		3.6%	3
	Comments or suggestions regarding policies		13
<b>answered question</b>			<b>84</b>
<b>skipped question</b>			<b>5</b>

## 9. What is the control of the institution/system of which you are the chief executive?

		Response Percent	Response Count
Public		43.2%	38
<b>Independent not-for-profit</b>		<b>56.8%</b>	<b>50</b>
Independent for-profit		0.0%	0
<b>answered question</b>			<b>88</b>
<b>skipped question</b>			<b>1</b>

**10. What is the type of institution of which you are the chief executive?  
(check all that apply)**

	Response Percent	Response Count
Associates College 	11.2%	10
Baccalaureate College 	24.7%	22
<b>Master's University</b> 	<b>38.2%</b>	<b>34</b>
Research or Doctoral University 	36.0%	32
Specialized College or University 	12.4%	11
System Administration 	7.9%	7
Institution within a college or university system 	3.4%	3
Other	0.0%	0
<i>answered question</i>		<b>89</b>
<i>skipped question</i>		<b>0</b>

**11. Please comment on how your service (or potential service) on a corporate board has enhanced, or would enhance, your work as chief executive or benefited, or would benefit, the college/university/system, if at all:**

	Response Count
	55
<i>answered question</i>	<b>55</b>
<i>skipped question</i>	<b>34</b>

**12. Please comment on any concerns or negative impact, if any, related your service (or potential service) on a corporate board:**

	Response Count
	45
<i>answered question</i>	45
<i>skipped question</i>	44

**13. Your comments and suggestions are welcome.**

	Response Count
	13
<i>answered question</i>	13
<i>skipped question</i>	76