

An AGB White Paper
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Key Issues Confronting Campus CEOs: Recommendations from the Field

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INTRODUCTION

The Association of Governing Boards of Universities and Colleges convened its Council of Presidents, an advisory group of 35 college leaders from a wide variety of institutions across North America, on October 15-16, 2016. Given the depth and breadth of experience among those assembled, and the fact that they represented such a diverse cross-section of leaders, the meeting was an exceptional opportunity for them to share their experiences and insights on some of the most challenging issues confronting higher education today.

This white paper briefly summarizes some of the issues the presidents discussed, which included: 1) higher education's business model, 2) the regulatory environment and current state of accreditation, 3) campus climate, and 4) intercollegiate athletics. The presidents also engaged in a brief discussion about the impact of the impending November national elections which, given the speculative nature of forecasting, is not included here. After each issue, we've outlined the recommendations that emerged for fellow presidents—both in general and specifically when working with boards. AGB is distributing this paper in hopes it proves useful as you and your board grapple with these issues on your own campuses.

1: HIGHER EDUCATION'S BUSINESS MODEL

One of the most regularly discussed issues among presidents and boards is the business model of their specific institution. Virtually all aspects of the model are under stress: colleges and universities must contend with tuition prices rising faster than families' incomes and institutional expenses outpacing revenues, as well as deep tuition discounting, diminished public funding, uncertain philanthropic support, volatile endowment returns, and limited institutional debt capacity.

In response, some colleges and universities are embarking on entrepreneurial revenue-generating initiatives or forming new partnerships—sometimes with for-profit enterprises. Several institutions have partnered with real-estate investment trusts to develop student housing and retail space; the companies financed the projects and are now paying rent to the institutions. Other institutions are making significant cuts and trying to reduce expenses by, for example, hiring more part-time and adjunct faculty or outsourcing some operations.

Almost all colleges and universities are being forced to consider new arrangements and alignments. For instance, cooperative agreements are proliferating among many institutions, through which they realize savings and economies of scale in procuring supplies, in fulfilling administrative functions, and by sharing academic programs.

The financial challenges are also pressuring colleges and universities to adopt a new mindset. Although most institutions aren't inherently entrepreneurial, they must learn to be responsive to changing demands. To that end, some are hiring outside consultants to work with administrators and faculty members to help inculcate a more entrepreneurial way of thinking.

In its discussion of the issue, AGB's Council of Presidents made the following recommendations:

For Presidents

- Presidents should work with their boards, cabinets, and key constituencies to clearly define the mission of their institution. A college or university today can't afford to be all things to all people. It is vital that the institution clarify what it is, what kind of educational experience it wants to offer, and where it hopes to be in the future.
- Campus leaders can't merely tweak the current business model, which is increasingly unsustainable. In keeping with the established mission of the institution, presidents and other senior administrators should seek to add relevant new revenue streams. As part of that, they should diversify their institutions' product mix, adding new programs that fit with, and balance out, the current portfolio of offerings. Depending on only one product line—for example, liberal-arts courses—is increasingly less viable in today's environment.
- When conducting any assessment of new product lines or revenue-generating initiatives, presidents should be clear-eyed about their institution's true market. They should avoid being under any illusions and carefully consider the institution's business proposition in terms of its location, demographics, competing institutions, and other key trends.
- In such a challenging financial environment, institutions must be as efficient as possible. Poor organization, for example, can lead to overstaffing, so presidents and their cabinets should review operations with an eye for weeding out redundancies and less-efficient business processes. In addition, when it comes to cutting expenses, presidents would be well-advised to focus on those operations that support the institution's core mission and then outsource or make cuts in the others. Such an approach would allow the institution to reinvest the added revenue in mission-related areas.

- Given the changing demographics of potential students, presidents and boards should also consider extending the institutional mission to educate new populations. Many students coming to higher education are less affluent and less prepared than students in the past. These new demographics will have a direct impact on the higher education business model; as a result, institutions should not raise tuitions so high that they leave many low-income students out. Higher education must continue to innovate in order to provide access to learners in each new generation of students, whatever their backgrounds, and be prepared to educate them “where they are.”
- Communication is the key to bringing all key constituencies on board when it comes to streamlining and re-energizing the business model. Presidents should educate everyone who works on the campus about why certain steps are being taken. They also need to lead in transforming the campus culture so that people won’t simply assume that things should be a certain way because they always have been so in the past.
- Higher education is a public good as well as a private one; it contributes significantly to our entire society, not just to each individual who earns a degree. Presidents from various institutions should work together as a sector to emphasize to government leaders and others the need for greater public investment.

For Presidents and Their Boards

- Gone are the days when board meetings were predominantly cheerleading sessions or simply an arena for pro-forma reports from various committees. Board members must be educated in depth about their institution’s business model and the issues surrounding it.
- Boards can’t understand the business model of the institution if they don’t understand its mission—and vice versa. They need to be clear about both, as they can’t make key decisions without such knowledge and perspective.
- Boards, often made up of people with business expertise, can tend to focus on making cuts as the most direct and efficient way to sustain financial health. But they should be made aware that too much cutting can damage the quality of the institution as well as limit its ability to serve less-affluent students and needy segments of society. As one president put it, “We can’t cut our way to success.”
- At the same time, people in higher education should not just assume that business is so different that none of its principles can be applied to higher education. An open dialogue with board members should always be encouraged.
- Boards should consider restructuring their committees so that they are strategically aligned to think about the fundamental relationships among mission, goals, budget, markets, and other financial concerns. For instance, one university has established a financial health committee of the board, which focuses on issues related to admissions, fundraising, and other key areas.

Related Resources

- Stephen G. Pelletier, “Stress Testing: How Can You Ensure Your Institution’s Fiscal Health?” (*Trusteeship*, September/October 2015).
- Natalie Krawitz, *The Board’s Role in Financial Oversight* (AGB Press, 2015).
- Stephen M. Jordan, Charles A. Shorter, and Iris Weinshal, “A Tale of Two Cities: Using Public-Private Partnerships to Create Higher Education Opportunities” (*Trusteeship*, January/February 2013).

2: THE REGULATORY ENVIRONMENT AND CURRENT STATE OF ACCREDITATION

For many years, higher education has been bearing the burden of rapidly increasing regulatory activity at both the federal and state level. Colleges and universities have had to adapt to ever-growing demands for accountability from policymakers, regulators, and the public—including heightened scrutiny of their operations and outcomes. Often, the policies that have been put in place have done more harm than good, and recent initiatives by the American Council on Education, with the support of U.S. Senator Lamar Alexander (R-Tenn.), have highlighted some of the most expensive, time-consuming, and onerous requirements, in hopes that the most egregious over-regulation might be curtailed.

Meanwhile, higher education's own system of self-regulation—accreditation—is undergoing key changes and facing multiple challenges. The federal government's authority over accreditation is expanding significantly, which will ultimately have a major impact on the independence of the system as a whole, as well as on the individual colleges and universities that are accredited. In addition, policymakers and the public are pressuring accreditors to play a much stronger role in holding higher education institutions accountable. Some legislators, for instance, have called on accreditors to focus more on student success, higher graduation rates, lower student debt, and better jobs and earnings.

The next Congress will probably take up the reauthorization of the Higher Education Act, which contains proposals to both streamline accreditation and add outcomes measures to the regional accreditation process. That process has already been shining a brighter light on board governance, as boards are increasingly being seen as agents for ensuring an institution's accountability to its constituencies and the public.

In its discussion of the issue, AGB's Council of Presidents made the following recommendations:

For Presidents

- Colleges and universities should collaborate in a more strategic way to educate legislators and government officials on the issues. Often, such policymakers aren't aware of the many lines of operations that higher education institutions are involved in and the negative repercussions that so many regulatory burdens can have. As one possible step, presidents might work more collaboratively with government leaders such as Sen. Alexander in efforts to help ease the regulatory burden.
- At their individual colleges and universities, presidents and other senior administrators should try to identify metrics around the cost of compliance to help demonstrate the institutional investment required to comply with so many regulations.
- They should also work within their institutions to identify redundancies and other unnecessary investments required to comply with regulations, and share these with key policymakers. For example, a university led by one of the presidents at the council meeting discovered that 14 different agencies oversee animal research.
- When making the case to policymakers and the public, messaging matters. Rather than emphasizing the cost to the institution, campus leaders should explain that filling out forms and complying with regulations requires time and money that could otherwise be invested in educating students.

For Presidents and Their Boards

- Presidents should help educate boards about issues related to compliance and accreditation, including how they relate to the institution's business model. While boards are growing increasingly aware of those issues, and the stakes, they often remain removed from the process rather than engaging at an appropriate level.
- As accreditors increasingly hold boards accountable, presidents should continue to help their trustees understand their role and their duties as fiduciaries to their institution. AGB and the accreditors themselves can be helpful in this regard.
- Colleges and universities should enlist board members as advocates to help explain to policymakers the concerns about over-regulation and inappropriate government involvement in institutional operations.
- Boards should rethink their committee structures to deal with emerging issues in compliance and accreditation. For instance, one college expanded its audit committee into an audit, risk, and compliance committee.

Related Resources

- Wesley T. Dellinger, "Navigating Accreditation Issues with a New President and Board Chair" (*Trusteeship*, July/August 2014).
- Peter F. Lake, "Welcome to Compliance U: The Board's Role in the Regulatory Era" (*Trusteeship*, July/August 2013).
- "AGB-CHEA Joint Advisory Statement on Accreditation & Governing Boards" (AGB, 2009).
- "What Does the 'Federalization' of Accreditation Mean for Boards of Institutions?" (*Trusteeship*, May/June 2001).

3: CAMPUS CLIMATE

A fundamental role of higher education is to help students learn to understand and value different perspectives, and colleges and universities have traditionally been environments where many points of view can be expressed and discussed with respect. Yet campuses have recently been sites of highly visible campus protests around the issues of social justice, inclusion, and free speech, as well as a wide-ranging set of other topics including racism, religion, and curriculum content. A survey conducted by the Higher Education Research Institute of the University of California at Los Angeles suggests that the unrest will probably continue: almost 1 in 10 incoming freshmen in America said they planned to participate in student protests while in college—the highest percentage since the survey was first conducted five decades ago.

For presidents, the ongoing campus unrest is a leadership issue that will require continuing attention and fresh ideas. They must work with their boards to make sure their institutions are providing a respectful and inclusive learning environment for all students long before the protests occur. Presidents should take a broad view and understand the relationships between the issues being raised on campuses today and the missions of their institutions. They should see their students' need to voice their concerns as an opportunity for dialogue and education.

Boards must also play a role, as well. The "AGB Board of Directors' Statement on Governing Board Accountability for Campus Climate, Inclusion, and Civility," published in summer 2016, encourages boards to become knowledgeable about the root causes of those heightened concerns. It also calls on boards to ensure that policies are in place to protect higher education's most salient values, while grappling with emerging problems in a proactive manner.

In its discussion of the issue, AGB's Council of Presidents made the following recommendations:

For Presidents

- Presidents are often seen as either for or against campus protests or other incidents at their institutions. Instead, they should work to be leading spokespersons on how change happens at their college or university, who gets to lead that change, and what roles key constituencies—such as students and faculty members—should play. Presidents should also speak out on controversial topics like misogyny, racism, inequity, and other key matters; they should become models for how to talk about such issues.
- Presidents and other campus leaders should make a point of listening to students and their concerns, of understanding their experiences and cultures. They should be open to the ways their college or university might change—rather than simply expect students from increasingly diverse backgrounds to adapt themselves to the institution.
- Presidents and other campus leaders need to be honest about the real history and narrative of their individual institutions. They should not try to sugarcoat the past or ignore parts of it that don't comport with an idealized view. All colleges and universities are, and should be, continually evolving as institutions.
- College leaders must also help educate students on how to appropriately express themselves. While protests and loud words can gain attention, often what is missing is a philosophical framework in which to ground them. Students need education on the broader context of their concerns, as well as on some of the real risks that can accompany speaking out.

- Presidents might want to consider conducting a risk-management audit of their institution, in which a risk is defined as anything that gets in the way of student success. That includes racism and other campus-climate issues. If students feel that the institution is working to help remove any such barriers to their success in college, the conversation can change dramatically. One president who participated in the meeting noted that engaging an outside organization to conduct an audit of campus climate can be very helpful.
- It is easy and all-too-human to react in the moment to incidents on campus rather than considering the larger context in which those incidents occur. Senior administrators from various colleges and universities should meet together regionally or nationally to examine the common issues being raised at their individual institutions and explore the longer-term implications of the various isolated, yet similarly motivated, student demonstrations. Faculty members and students should also be invited to participate.

For Presidents and Their Boards

- Boards have a vital role to play in ensuring that the institutions they serve maintain cultures in which people on the campus can express and discuss differing opinions. That entails welcoming diverse populations with many points of view and encouraging them to come together where free and open discourse can occur in a civil environment.
- As AGB's recent statement on the topic has noted, "Boards should periodically review campus climate policies and ensure those policies are up-to-date and consistent with institutional mission and relevant laws and regulations" regarding matters of diversity, inclusion, freedom of expression, and academic freedom.
- The statement also recommends that the chief executive regularly inform the board about challenges concerning campus culture and any instances of protest and engagement by various constituencies, as well as potential risk areas.
- Chief executives should also encourage boards to have direct engagement with students and other stakeholders to help them understand their sensitivities, concerns, and priorities. This can be facilitated during board meetings on campus by inviting constituents to take part in social opportunities at which board members will be present.

Related Resources

- Julianne Basinger, "Campus Unrest" (*Trusteeship*, November/December 2016).
- "AGB Board of Directors' Statement on Governing Board Accountability for Campus Climate, Inclusion, and Civility" (AGB, 2016).
- Marc A. Nivet, "Diversity Questions for Boards" (*Trusteeship*, May/June 2014).
- "Why Boards Must Become Diversity Stewards" (*Trusteeship*, May/June 2014).
- Kevin P. Reilly, "We Must Build a Culture of Civility on Campus" (*Trusteeship*, March/April 2011).

4: INTERCOLLEGIATE ATHLETICS

Well-run intercollegiate athletics programs offer some clear benefits to colleges and universities, and their students. They can provide growth opportunities for individual student athletes, build cohesiveness and a sense of community within the student body, and engage alumni and other constituencies in the life of the institution beyond just athletics. They present opportunities to introduce new audiences to the institution's academic offerings and achievements that those audiences might otherwise be unaware of. Some colleges and universities have intentionally invested in athletics programs to refresh their institutional brand.

But intercollegiate athletics can also present problems and challenges across almost all sectors of institutional life, in a myriad of ways. Very few institutions gain net revenue from the overall effort, and the expenses related to college sports—often quite significant—can directly undercut any initiatives to contain costs, creating not only financial but public relations problems. At the same time, court decisions and other pending issues are having a pronounced impact on how colleges and universities fund their sports programs. Recent legislation in Virginia, for example, limits the percentage of athletic program budgets that can be paid for through mandatory student fees. In addition, intercollegiate athletics programs bring risks, including poor academic performance, breaches in academic integrity, concussions and other injuries, and sexual assaults, among others.

For their part, boards remain among many institutions' biggest boosters of intercollegiate athletics programs. AGB has encouraged board members to understand their appropriate fiduciary role in college sports. The pressure to field winning teams in an environment of overall disruption to the higher education sector creates challenges that presidents and boards must address. The president and board should carefully review the athletic program's impact on their institution's mission and budget, student well-being, and other important considerations.

In its discussion of the issue, AGB's Council of Presidents made the following recommendations:

For Presidents

- Presidents should consider whether, and to what degree, the institution's athletics programs align with its mission.
- Presidents must also stay on top of the financial challenges that intercollegiate athletics programs raise. They must grapple with how to obtain and sustain resources for their athletics teams to compete regionally and nationally, as expenditures on coaches' salaries, equipment, and facilities continue to skyrocket. At a time when the business model is under such stress, they can't expect resources to keep pace, nor can they simply raise student fees to cover their costs—a practice that is increasingly controversial.
- Presidents must also be aware of growing legal challenges related to intercollegiate athletics, such as the O'Bannon case (an antitrust lawsuit filed against the National Collegiate Athletic Association that challenged the use of images of former athletes for commercial purposes), class-action suits regarding concussions, and investigations into sexual assaults by athletes conducted by the U.S. Department of Education's Office of Civil Rights.
- Presidents should view athletics as one part of a student-centered environment. A number of institutions have been making a conscious and significant effort to improve the graduation and retention rates of student athletes. They've also been putting in place other policies, for example, requiring athletes to commit to a certain number of hours of community service in order to play.

- Presidents can also emphasize and support the role that athletics programs, whether intercollegiate or intramural, should play as educational vehicles for students. For example, one president at the meeting spoke of how sports can be integral to creating vital and unparalleled leadership and growth opportunities for student-athletes. Another president described how institutions can use athletics to help students build career paths in fields like orthopedic medicine and kinesiology. Colleges and universities can also help prepare students to be professional athletes, if they choose such a path, through programs on personal financial planning and other relevant topics.

For Presidents and Their Boards

- Chief executives should educate and inform their boards about issues concerning intercollegiate athletics at their institutions and make sure that they are aware of their responsibilities in this arena. For example, one president at the meeting described how his university's board established an athletics committee in order to be appropriately involved. As the "AGB Statement on Board Responsibilities for Intercollegiate Athletics" states, "The governing board is ultimately accountable for athletics policy and oversight and should fulfill this fiduciary responsibility." It goes on to say, "Effective oversight requires that the board be informed about the risks and challenges of intercollegiate athletics programs and engage in questions of policy concerning intercollegiate athletics."
- Boards should ensure that the institution's mission steers its intercollegiate athletics programs, rather than vice versa, and that those programs are integrated appropriately into the culture and structure of the institution.
- The chief executive should provide the board with relevant financial information concerning intercollegiate athletics, along with indicators of the academic progress of student athletes and student well-being.
- Boards should also be informed about whether the institution is in compliance with the regulations of the various athletic conferences and the National Collegiate Athletic Association, and annually certify that it is.

Related Resources

- John T. Casteen, "What Does HB 1897 Mean for Athletics?" (*Trusteeship*, July/August 2016).
- John T. Casteen and Richard D. Legon, "Governance and Intercollegiate Athletics: Boards Must Know the Score" (*Trusteeship*, November/December 2012).
- "Trust, Accountability, and Integrity: Board Responsibility for Intercollegiate Athletics" (AGB, 2011).
- "AGB Statement on Board Responsibilities for Intercollegiate Athletics" (AGB, 2009).

