

MARCH CEO UPDATE

Time to Read: 5 minutes

Dear Colleague,

You and the other members of your board have, I expect, read and discussed the steady drumbeat of stories about the challenges threatening the sustainability of many colleges and universities: the broken business model, declining enrollments that will be aggravated by the impending “demographic cliff,” escalating tuition discounts, inflation, the “Great Resignation,” and, of course, the pandemic. I suspect that some of you have also talked about possible mergers, partnerships, and other strategic transformations.

Although such challenges have not affected every system and campus equally, if at all, AGB encourages all boards to periodically evaluate their system’s business model and whether their board, in partnership with the president and senior leadership, has prepared for both anticipated and unanticipated market disruptions.

All governing boards must consider these matters as part of their annual board assessment process, which itself is a best practice and part of the board’s fiduciary responsibility. Doing so helps the board take stock of what it knows, to identify gaps and appropriately tailor its learning journey.

As part of your board assessment, I suggest you adopt the following practices that will help your board be prepared for business model challenges and market disruptions:

Drill down: Board assessment questions can be high-level or narrowly tailored, depending on the circumstances.

- Moreover, if the assessment reveals that the board has a knowledge gap, the chief executive officer and board leaders should rectify that by preparing a curriculum of pertinent readings for each board meeting, scheduling regular educational workshops as part of each meeting, and encouraging trustees to read [Trusteeship magazine](#) and other higher education news sources.

Speak up: Group dynamics can intimidate some board members and prevent them from admitting that they don’t know something. Board and committee chairs, chief executives, and board “mentors” should create a board culture in which all members

are encouraged to ask questions and seek additional information.

- They should, in fact, emphasize that much of a board's strength lies in the diverse knowledge, experiences, and perspectives of trustees from a wide array of careers and backgrounds. They should make it clear that it is acceptable when some board members know more or less than others. Cultivating a welcoming and collaborative board culture is key.

Don't wait for a crisis: Board assessments create an excellent opportunity for the board to annually consider the business model and other potential risks and trends before they impact system and campus operations.

- Too many boards wait until their system is facing a crisis to address strategic priorities and outcomes and it is too late to make important adjustments.

Stay at the board level: In addition to its fiduciary role, the board's "sweet spot" should be what Richard Chait, Barbara Taylor, and William Ryan in their 2004 book, *Governance as Leadership*, identified as strategic and generative governance.

- The board should rely on the chief executive and administrators to manage and implement plans while it focuses on high-level strategy and on framing the critical questions the system should be asking.

Keep an eye on the horizon: Governing boards are the guardians of their system's future. It can be easy to focus on the past, and it is the board's responsibility to maintain future-oriented mindsets. When discussing the business model, consider what may need to change in one year, five years, and 10 years.

Collaborative Leadership for Higher Education Business Model Vitality



AGB's latest publication: AGB partnered with three other organizations to publish a new report, [Collaborative Leadership for Higher Education Business Model Vitality](#). This resource includes a series of eight recommended "leadership conversations" that higher education governing boards, presidents, and chief financial officers need to have to prepare for major business model challenges.

- Our report partners included Baker Tilly, the Council of Independent Colleges (CIC), the National Association of College and University Business Officers (NACUBO), and a distinguished [advisory group](#).
- These conversations range from fundamental ("Do we have a working

knowledge of our business model?") to more nuanced and strategic ("How do we develop situational awareness?"). Consider how your board can tackle these conversations while engaging in your board assessment.

Looking ahead: AGB will soon publish a new book, [Assessing Board Readiness to Lead Change in Public Higher Education Systems](#), that will help guide public higher education system boards to understand how prepared there are to lead strategic change at the system level.



Go deeper:

- Join us next month at the [National Conference on Trusteeship](#) (April 2–4 in San Diego, California) to chat with peers and experts in the session “Strategies for Leveraging Board and Presidential Assessment.”
- Review more information about [board assessment](#) in the AGB Knowledge Center and contact AGB at consulting@AGB.org to discuss options for your next board assessment.
- Peruse the AGB publication [Assessing Board Performance: A Practical Guide for College, University, System, and Foundation Boards](#).
- Dive into another AGB publication devoted to higher education finance and business models, [Higher Education Business Models Under Stress: Achieving Graceful Transitions in the Academy](#).
- Reflect on how challenges to the business model fit into your strategic risks and opportunities, as identified in AGB’s [Top Strategic Issues](#).

AGB has your back: With [three different options for assessment support](#), AGB is your go-to governance partner for board and presidential assessments.

The bottom line: The assessment process is useful in so many ways. In my view, establishing your board’s comfort with the business model and the potential for disruption is an effective use of time and resources.



Strategic Questions

Questions for board and committee chairs

- What issues should the board's assessment process address annually?
- Does the composition of the board provide a mix of knowledge and experiences?
- How can your board benefit from its diversity, including generational, gender, ethnic, professional, and perhaps geographical diversity?

Questions for board members

- What is your comfort level with your system's business model?
- Are you maximizing your participation during board and committee meetings? If not, what obstacles prevent you from speaking up and engaging at the level you would prefer?

Questions for chief executives and leadership teams

- What guidance and support can you offer the board when going through the assessment process?
- Which key administrators should be available to answer finance and business model questions to the board? When should this occur?

I hope you have a prosperous season, and I look forward to seeing many of you at the National Conference next month.

Best,

Henry



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