

National Association of University Board Chairs and Secretaries
April 30, 2010
Response to Frank Iacabucci's Keynote Address

His Honour has given a fine context for university governance in 2010 and addressed at the 30,000 foot level issues which are facing our boards of governors. My response is going to be at the 2000 foot level and will be in the context of some of the risks boards face in addressing these issues. I've chosen four: recruitment, culture, oversight and change.

First, recruitment. We spend a lot of time talking about recruiting the very best faculty, staff and students for our universities but how common is our discourse with respect to recruiting the very best governors for our organizations. Given the power and responsibility vested in university boards of governors by university acts, and given the complex context in which today's universities operate, it should be a sine qua non that best efforts should be made to cultivate and to recruit the very best external representatives possible to our boards. And so a question to ponder is this: consider the efforts that are put into recruiting senior administration -- presidents, deans, vice-presidents -- and ask yourselves are your institutional efforts to recruit governors commensurate with these other efforts? And once you've succeeded in recruiting the very best for your institution, how effectively do you use their talents...or is this too a risk -- a risk of lost opportunity both for them as individuals and for the institution as beneficiary of their talents.

The second risk has to do with culture. There's a story of a trustee at Duke University who said that if he learned the end of the world were at hand he'd go immediately to Duke because everything takes a year longer there. My sense is this is a sentiment shared at times by our own governors: things do seem to take longer to effect in universities than in the private sector.

Let me suggest the reason. Universities have a convergence of cultures which include the corporate, as manifested in the administrative structure, and the collegium, comprised of the professoriate.¹ The university as corporation is probably the easier to understand for anyone outside the academy. Universities are legal corporate entities created by provincial statute and have powers common to corporations. The corporation has a hierarchical structure with authority vested in the board and delegated to designated officers. The corporation cannot operate as a consensual community. It has governors, officers, employees and clients and in the corporate sense must deal with them as such. The corporate body is also a vehicle providing the environment in which the business of the academy is conducted.

Contrast that with the collegium comprised of the professoriate with its complex network of assumptions, traditions, protocols and structures within the university -- all of which permit the professoriate to control and conduct the academic affairs of the institution. What is at the heart of the collegium is academic freedom. For the individual it means a reasonable measure of autonomy in the performance of academic duties so the pursuit of truth can be guaranteed. For the collectivity, it means the right of faculty members conferring together through department faculty and university councils to determine the academic content and character of their institution. Any faculty member may speak her mind with impunity, any objection may be

raised, any argument made, any decision challenged. And it is through this time-intensive process that consensus is formed which, in universities, is so essential to concerted action.

The culture of the corporation and of the collegium will vary from institution to institution, but where these cultures are played out is in the two chambers of governance -- the board, the purview of governors and senate, the purview of the academy. At the nexus of these cultures is the president who has a critical and pivotal role: to be the interpreter of one to the other and the facilitator between these bodies, and I'd suggest that any board that attempts to operate absent an understanding of and sensitivity to this culture is at risk of misstep.

The third area of risk arises in various ways with board oversight and relates to complexity, information, indicators, and risk itself.

Boards are now overseeing institutions with not only complex cultures and governance but also very complex agendas. Within the last decade, we've seen universities embrace complex partnerships, internationalization and commercialization. It's incumbent on boards to be satisfied that the decisions to embrace these initiatives are sound, the business model is robust, and the exit strategy feasible. There's also the accountability piece: who is accountable for the initiative and how will success be measured? The skill sets required for these initiatives are varied and it's incumbent on boards to ensure the institution has the skill sets necessary or can access the necessary skill sets to execute successfully against these initiatives.

Which gets me to information as it relates to decision-making and what I'll call information risk. A big challenge is to provide boards with informative content and reasonable quantity. And to a certain extent, what is provided depends too on culture. At UW, the operating budget for 2010-11 which was submitted to the board for approval and which the board approved was 22 pages. Waterloo has been able to operate this way because there is a high level of trust. Folks know that if they want to drill down, they can; they also know that if they drill down, they won't uncover surprises. Most of the reports that go to the board for approval are equally and comparatively lean and where there are recommendations for board approval, they contain the requisite indicators of risk / mitigation and congruence with the strategic plan.

I recently read a compelling statement: a recommendation is a decision in disguise. Which begs the question that each governor has to answer for himself: is the information provided sufficient to enable him to make an informed decision and bring to bear on the decision the diligence required of a governor? Does he understand the reasons underpinning the recommendation that is being made along with what was considered and rejected and why? This is very pertinent because, irrespective of the probing that may have occurred within the committee that is bringing the recommendation to the board, in the end, when a decision is rendered by the board, the responsibility of that decision falls with each individual governor.

Just a few words on indicators and risk. We seem to be blessed...or cursed with a plethora of performance indicators, key indicators, comparative indicators, leading indicators, trailing indicators. We don't lack for charts and graphs and statistics that can show all kinds of comparisons and are malleable to all kinds of manipulation. The risk with so much available is the risk of relevance -- or perhaps more accurately, the not relevant. Boards need to decide what

comparators are important to their institution (i.e., if key performance indicators really define what's important to your institution and its strategic plan, what are those five key indicators and will they take first call on resources as necessary; if you're benchmarking how were the comparators chosen and are they realistic or aspirational -- and those aren't mutually exclusive) and what accountability to hold management to if KPIs / benchmarks are not being achieved or are not going in the desired direction.

And now to risk itself.

There's a story about a monastery in Europe perched high on a cliff several hundred feet in the air. The only way to reach the monastery was to be suspended in a basket which was pulled to the top by several monks who pulled and tugged with all their strength. The ride up the steep cliff in that basket was terrifying. One tourist got exceedingly nervous about half way up as he noticed that the rope by which he was suspended was old and frayed. With a trembling voice he asked the monk who was riding with him in the basket how often they changed the rope. The monk thought for a moment and answered brusquely, "Whenever it breaks."

Risk appetite has become an in phrase which, to me at least, seems to boil down to this dichotomy: what are you willing to do and why and what are you not willing to do and why. On the operational level -- going back to many of those things which fall under the university as corporation and are matters of compliance, one would expect the appetite for risk would be low. But there are other areas, for instance in academic planning, internationalization and partnering, where there will be risk, albeit calculated risk and so there needs to be not only understanding of the consequences of failure but equally the opportunity costs of not proceeding. Because if an institution is a risk-taker, there are likely, at some point, to be failures and if the institution is risk averse, there are likely to be lost opportunities and the board has to be robust enough to be prepared to weather the consequences either way.

The last risk I want to deal with is change. The monograph, *Academic Transformation: The Forces Reshaping Higher Education in Ontario*², was published last year under the aegis of the Higher Education Quality Council of Ontario. The thesis of this book is that the present approach to the provision of baccalaureate education in Ontario (i.e., the research university model with the teacher researcher ideal where undergraduate students are taught only by professors who are active researchers) is not sustainable and is in need of significant modification. The conclusion the authors (highly accomplished and credible) reach is that there must be greater differentiation among post-secondary institutions including the establishment or emergence of new types of post-secondary institutions and measures that would lead existing institutions to concentrate more on certain kinds of activities and less on others. The authors of the report offer that the design change that would do the most to enhance the current system would be the creation of degree granting institutions that are highly focused on undergraduate education. The degree programs offered by these institutions would be solely at the baccalaureate level and the emphasis of the institution would be on teaching rather than research. The responsibilities of faculty, therefore, would be primarily undergraduate education.

Change brings with it both risk and opportunity. It usually brings some degree of discomfort and a period of uncertainty. Other jurisdictions in Canada have adopted models similar to what the

authors are proposing and just as Ontario eventually adopted the four year high school diploma, I expect that Ontario's current model of delivery for post-secondary education will change. When or how remains a question. But institutional readiness for change is a risk and boards will want to understand the nature of that risk at their institutions and how it is being mitigated.

Which brings me back to where I started: that in the dynamic complexities that universities have become the appointment of governors is, in the first instance, a critical risk to be addressed.

Let me close with this: It has been observed that there are 70 institutions in the Western world that have been in continuous existence since the Reformation. Two are the Catholic and Lutheran churches. Another two are the parliaments of Iceland and the Isle of Man. The remaining 66 are colleges and universities. I'd suggest that whatever the risks facing universities and their boards, there is every reason to believe universities will prevail.

¹ James Downey, *The University as Trinity: Balancing Corporation, Collegium, and Community* (Athens, Georgia: University of Georgia, 1996).

² Ian D. Clark, Greg Moran, Michael L. Skolnik, David Trick, *Academic Transformation: The Forces Reshaping Higher Education in Ontario* (Montreal & Kingston, McGill-Queen's University Press, 2009).

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