

BOARDS as Game

CHANGERS

BY TERRY MACTAGGART



TAKEAWAYS

- 1 Colleges and universities must constantly evolve to avoid mediocrity and maintain their competitive standing. Trustees must understand their institution's context and draw on their distinct strengths and experience to help create and lead change.
- 2 The board can't change the game alone. Its most important partner is the president, and other constituencies—especially the faculty—are essential allies.
- 3 Boards can manage change successfully by contributing intellectual capital that catalyzes the change and by assuming oversight authority that keeps the process on track.

MANY COLLEGES AND UNIVERSITIES NEED TO change, either to reverse a gentle glide into mediocrity or simply to survive. Even relatively well-financed and highly regarded institutions are confronting more-intense competition for students, donor support, and government appropriations. Trustees must better understand their institution's context and become more engaged in leading change, whatever form that change may take.



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Main financial data table in the middle section, featuring a grid of stock prices, market movements, and company names.

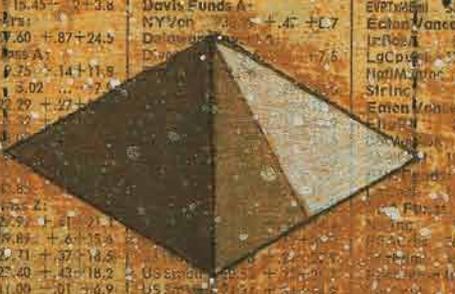
Financial data table at the bottom of the main section, continuing the grid of market information.

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Topics for Board and President Discussion

Intellectual capital. How well do we as board members apply our intellectual capital and perspectives, along with our governance authority, in fostering positive change?

Partners in leadership. How effective are we as a board-president team in orchestrating the board's contribution of ideas to guide change and its assertion of authority to bring about change?

Board change behavior. How has the board adjusted its leadership behavior to reflect the beginning, middle, and ending stages of the change process?

Lending board talents. How effective is the board at enabling members with special talents to assist the change process without becoming inappropriately involved in operations?

Change leadership style. To what degree is our board averse, adept, or overly prone to encourage change?

The concept of the board's fiduciary responsibility increasingly includes not only a glance in the rearview mirror at past financial performance, but also a serious look forward at alternative scenarios.

By exerting the right pressures in the right ways at the right times, board members can make a college or university a better place. The University of Dubuque in Iowa, for example, might well have gone under if board members had not committed themselves and their resources to a turnaround of the beleaguered institution. Thanks to their actions in partnership with their exceptional new president, the university has experienced one of the nation's most remarkable turnarounds.

With its large Coca-Cola holdings, Agnes Scott College probably would have survived as a business entity, but its plunging enrollments would have meant a diminished academic experience for students and faculty members. The incisive board action that halted and then reversed the decline illustrates a board carrying out its responsibility to preserve educational integrity. The Thunderbird School of Global Management faced fall-

ing enrollment and sharply declining revenues after the September 11, 2001 terrorist attacks. The board and faculty changed the business model and found a sustainable equilibrium between what it cost to deliver a high-quality business education and what students were willing to pay for it.

Like the Roman Centurion who could order soldiers to come or go at his command, occasionally board members exercise blunt authority. But much more often, they employ a mix of toughness, sensitivity, and, like the Centurion, humility. Board change leaders also step into different roles at different times for different purposes. Trustees are most successful as change agents when they choose tools from their repertoire that match the demands of the situation and the pace of change.

Board leadership in change must be both active and reflective. In *Leadership Without Easy Answers* (Harvard University Press, 1994), Ronald A. Heifetz underscores this duality with the metaphor of the balcony overlooking the dance floor. When "engaged in the dance," he points out, "it is nearly impossible to get a sense

of the patterns." To perceive the larger picture, "we have to stop moving and get to the balcony." Boards should commit their intelligence and experience to active involvement in change, but at the same time they should maintain objectivity and some distance—look on from the balcony—to ensure that energetic change activity leads to real results.

The board can't change the game alone. Its most important partner is the president, and other constituencies—especially the faculty—are essential allies. There are a few changes only the board can accomplish, such as improving its own processes and evaluating and developing its membership. In other instances the board may determine the outcome—hiring a new president, for example—but almost always, it operates with the advice and usually the implied consent of other stakeholders.

Setting strategic direction is another illustration of collaborative decision making that encourages contributions from many stakeholders while making it clear who makes the final call. Board leadership and engagement are essential, but so is working with the president, other administrative and academic leaders, faculty members, students, and people in the community. The board may approve major curriculum changes and the addition or elimination of academic programs, for example, but it defers to the faculty voice. It sets institutional budget priorities, but only after extensive discussion with the president and with deference to his or her recommendations about resource allocation.

Change-adept boards help create better institutions in two complementary ways: by contributing the intellectual capital that stimulates or forces change and by assuming the oversight authority that keeps the change process on course.

Intellectual Capital: Brain Power and Perspective

The conceptual contributions of board members derive from their experience outside and within the academy. Trustees who are or have been leaders of complex organizations, or academics with firsthand understanding of change in colleges

and universities, can offer knowledge and intelligence. Those with ties to alumni, taxpayers, political leaders, and the external community in general can provide an astute read on how a proposed change will play in the outside world.

Board members with the savvy to span the boundaries between the college and its environment bring important insights to discussions of change by:

Forming or contributing to a fresh vision. Sometimes a visionary board member who cares deeply for the institution or cause will imagine a new mission or way of operating that transforms a college or university. Daniel Ritchie, the board chair and later president of the University of Denver, offers a striking example. He first envisioned an exceptional institution in the Rockies and then invested millions of his own dollars and years of his life in making that aspiration a reality. In the process, he transformed a debt-ridden institution into a financially stable and academically robust university. Ritchie was unusual because he moved from the boardroom to the president's office. But his personal generosity and intense devotion to the university are typical of exceptional board leaders who contribute time, wisdom, and resources to advancing the institutions they govern.

Focusing attention. By influencing the meeting agenda, demanding good answers to tough questions, and returning as often as necessary to the unresolved difficulties facing the institution, board members can concentrate attention at the leadership level on the problems at hand. Sometimes one or two persistent people gradually force the whole board, and eventually the institution, to look at a crucial issue.

For example, board leaders at Hendrix College are properly credited with realizing

early on that, if their liberal arts institution was to prosper, attention should be paid to a reduction in state scholarship aid to students, a stronger and more-competitive nearby public university, and the effects of September 11 on the college's endowment. Another case in point: Board members at Thunderbird, many of them alumni and experienced business leaders, demanded that the sudden drop in enrollment of international students following the September 11 attacks and the SARS epidemic receive top priority from administrators and faculty members.

Challenging prevailing wisdom. A few board members at Johnson & Wales University, the national hospitality, culinary, and business university, questioned the assumption that JWU should con-

tinue to pursue growth in numbers. Throughout its modern history, the institution had been run like a business, emphasizing growth along three dimensions: enrollment, degree offerings, and geographic reach. This one-time secretarial school had as many as eight instructional locations and offered everything from certificates to doctoral degrees. In a bold departure from that strategy, board members challenged the president to pursue improvements in quality. As a result, the

university raised the bar for incoming students and began looking at metrics like retention and graduation rates to gauge success.

Importing new perspectives. Board members who have led major enterprises often are the best people to contribute fresh ideas on the business side of a college or university. When it comes to rebuilding a broken or fractured business model, engineering an operational turnaround, or making strategic financial decisions, current or former senior executives with experience in strategic plan-

ning, finance, marketing, or information systems have much to offer.

To return to the example of Thunderbird, the board realized that conventional institution-wide cuts would not make up for a 50-percent drop in enrollment at the tuition-dependent graduate school. Trustees led the way in major initiatives—reducing the faculty from 120 to 40 (mostly by eliminating world-languages positions) and developing market-oriented new programs in executive business education—that eventually put Thunderbird on a more stable fiscal base.

Partnering in testing and creating new ideas. “I need time to ‘think out loud’ with the board,” explained one public-university president in describing how he used small private meetings with board members to explore innovations and test ideas. To promote the exploration of sensitive topics without the chilling effect of publicity from an open meeting, he reached an agreement with journalists that they would not attend, with the understanding that they would be informed quickly as discussion moved closer to decision making.

The questions at these sessions were important ones to the future of the university: If we were designing the university today, how would it be different? Should we develop an online unit without the usual departments and full-time staff? If the college continues to lose enrollment, and its graduates have difficulty finding jobs, is it time to phase it out? Thinking out loud around such questions allowed the president to get the board's best thinking on politically and operationally complex issues.

The University of Dubuque formalizes this give-and-take in two-day annual educational seminars at which the president and the board vigorously debate alternative futures for the institution. In addition to engendering a strong sense of participation in the university's strategic directions, these meetings give both the board and the president a clearer sense of their respective views and help them reach consensus on important choices involving admissions policies, branding strategies, and academic programs.

By exerting the right pressures in the right ways at the right times, board members can make a college or university a better place.

How Boards Contribute to Change

	Least Engaged	Change Adept	Overactive
	Change Reluctant (or Averse)	Change Adept	Change Prone
Relationship with President	Relies on president to initiate and lead change Reluctant to conduct in-depth presidential assessment	Challenges and supports the president	Creates a “coping” response from the president
Role of Chair	Chair focused exclusively on board harmony	Chair sees change leadership as major responsibility	Chair fails to rein in overly creative members Board fails to rein in overly creative chair
Board Dynamics	Small number of board members control board and institution Seeks to avoid blame and criticism	Adjusts behavior in tune with stages of change Regularly discusses board-president’s role in change process	Pursues hobby horses Intolerant of criticism of board proposals
Other Stakeholders	Supports constituent interests over institutional needs	Engages faculty and others in change process	Little attention to the views of stakeholders
Understanding of Strategy	Tied to current business model	Insists on measures of performance and forecasts Alert to need for change in competitive environment	Cannot distinguish between strategy and operations
Approach to Change	Prefers “peace in the valley” to stress of change Satisfied with incremental improvement	Experienced in change management in complex organizations Recognizes that greatest risk may lie in no change Sees change as key to long-term institutional vitality Actively contributes ideas and proposals for change	Prefers change for its own sake Generates too many ideas too often Lacks a filter to evaluate new ideas More intrigued with a new idea than evaluating current ones

Oversight Authority: The Buck Stops with the Board

Contributing first-rate, fresh ideas to discussions of strategy and tactics is one vital part of the board’s role in change. Even more significant is the power inherent in the board’s governing authority. Boards may lack the aura attributed by Lloyd’s of London to the ship’s master—“captain under God”—but they do have potent moral and legal authority. When the board devotes visible attention to a challenge—such as the enrollment and financial decline at Thunderbird or the prospect of the same at Hendrix—the

institution takes notice. By the same token, a board that blithely ignores signs of trouble engenders a similar passivity.

Change-oriented boards can exercise their informal and formal authority by: **Monitoring progress.** Academics are famous for devising grandiose plans and then proceeding to skip the essential steps that convert ideas into reality. Boards and presidents working together can insist on metrics and progress reports to show that change is actually taking place. One option is dashboard reports, which monitor key performance indicators in a consistent format that highlights

warning signs, such as a sudden drop in applications or acceptances of students. Other measures include longer-term trend lines that track past performance and forecast likely future trends.

At Hendrix College, after trend forecasts revealed that a newly competitive state university could have a negative impact on Hendrix’s ability to continue attracting top students, the board worked with the new president and faculty members to develop Hendrix’s signature Odyssey program. That program encourages students to engage in educational pursuits tailored to their interests and tal-

ents in areas including global awareness, artistic creativity, and undergraduate research. Experts say that this distinctive learning experience has enabled the college to maintain its appeal to superior applicants.

Galvanizing others to action. When no president is in place, or the president is unable to lead in the face of urgency, it is up to the board to galvanize action. Failure to step into the leadership vacuum in dire circumstances is a breakdown in the board's duty to preserve the institution. Thunderbird's engaged board brought key players together to deal with an emergency that threatened institutional survival. The decision to make drastic reductions in world-language faculty, coupled with a new requirement that incoming students display foreign-language competence, was a fresh way of reinforcing Thunderbird's international character without the costs associated with language instruction.

To make this idea work, however, the board needed the decision-making authority to eliminate 80 faculty positions. It was an example of one way a board's intellectual and authoritative roles can reinforce one another.

Good ideas coupled with the power to make them happen represent the combined effects of the cognitive and authoritative strengths of an effective board.

Making the tough calls. Hard and courageous decisions by a responsible board can jump-start change, help sustain momentum, or even, as with Goddard College in Vermont, force solutions to dire problems. Goddard, the one-time icon of progressive education, had fallen on hard times as competition for students increased and career preparation replaced revolutionary ideas in the minds of undergraduates. The termination of the institution was a distinct possibility.

The board—led by the chair, who was a graduate of the historic undergraduate program—chose to eliminate the residential option in favor of a low-residency alternative for adults. The college began to grow, and its budget moved safely into the black. This relative prosperity would not have come about, however, without hard decisions by responsible board members.

Knowing when to say no. “No” is not a bad word when it comes to turning down an ill-considered proposal. And depending on the author of the proposal, it may be that only the board can say it. At the University of Dubuque, for example, the board and the president discussed the option of affiliating with a proprietary college to secure needed additional revenue.

After much debate, the board chose to remain true to the mission—to “be what we were created to be,” in the words of the chair—rather than to engage in a joint venture with a partnership that many felt was inconsistent with Dubuque's faith-based culture. The college went on to accomplish a splendid turnaround by emphasizing what made it worth preserving in the first place. For example, its externally funded Wendt Character Initiative

enables Dubuque faculty members to inculcate a culture of character study and development throughout their students' educational experience.

Healing the wounded. Bringing significant change to famously change-averse organizations can be a dangerous business for college presidents. “Push-back” can be a euphemism for vicious personal attacks, public demonstrations, and highly publicized votes of no confidence. Boards can, and should, take some of the heat that the stress of change engenders. Individual trustees can also provide personal support to a belea-

guered president and other members of the change team who have put their careers and their academic standing on the line for the sake of positive, if painful, change.

Confirming the new order. At the end of the change process, and at points in between, it is the board that must vote on and endorse the adjustments in programs, policies, and organizational structure that emerge. Short of the courts and the legislature (in the case of public colleges and universities), the board is the final governing authority. Its formal approval, recorded in the minutes and often reported in the news media, makes permanent the new order of things. Most of the functions that I've described are collaborative efforts. This final act is the board's responsibility alone.

In sum, if colleges and universities are to resolve serious problems or achieve greater excellence, board members must become more engaged in bringing about change. Without active board leadership, much crucial change simply will not occur or will fall short of institutional goals. The board-president relationship is the essential one in moving the institution to a better place, and in any transformation involving teaching and learning, the faculty is an essential partner. But change generally will not happen if the board is not an active contributor. ■

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T'SHIP LINKS: Leo I. Higdon, “In Troubled Waters, Steady as She Goes.” March/April 2006. Stephen Pelletier, “Toward Transformative Change: Finding a Path to Systemic Reform.” March/April 2009. Clara M. Lovett “Strategic Thinking Needed for Transformational Change.” March/April 2010.

OTHER RESOURCES: “How Boards Can Lead Change,” a session at AGB's National Conference on Trusteeship, April 2, in Los Angeles, CA, www.agb.org/conferences-and-workshops. AGB Knowledge Center, www.agb.org

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