Published on *Association of Governing Boards* (http://www.agb.org)

Coming to a Boil

By *Ellen Chaffee*
Created *06/07/2010 - 9:50am*

The economic downturn that began in 2008 could prove to be the wake-up call that higher education needed. A growing number of universities and colleges are now feeling the heat and gathering themselves to jump out before they boil.

The trend lines of revenue and expense have been diverging for many years, but most institutions had enough flexibility in one area or another to make incremental adjustments year after year in order to balance the budget. For many, that is no longer the case. Precipitous drops in key traditional revenue sources have starkly illuminated growing financial instabilities.

The last year saw institutions of higher education seizing every available short-term option and making very painful decisions. Many of those decisions helped the budget but made the institutions more vulnerable, for example, by postponing essential infrastructure projects or losing human horsepower and morale needed for recovery.

As panic recedes and new realities become clear, boards and presidents are increasingly determined to align all their resources strategically for their institutions to achieve quality and long-term vitality. This approach is becoming known as strategic finance.

The strategic finance pathway differs for each institution, but some elements are common: a clear consensus on the mission and vision; a keen shared understanding of the desired future and the indicators that will show whether the institution is on track to achieve those indicators; support for the causes that drive toward those indicators; systematic strategies to remove costs from the equation; and on-going monitoring with course corrections as needed. Leaders must understand even better than before how much change is required, which changes can be most effective in sustaining quality and reducing cost, and where the innovative opportunities to transcend current difficulties lie.

Much of that innovative opportunity is on the academic side. More distance delivery is not enough and may not even be wise in every case. The relative costs and benefits of distance delivery differ depending on cost, capacity, market, and brand strength, for example. Cutting programs only helps if the programs are unimportant to the mission and vision and if cutting the program equates to cutting faculty positions. Three-year degrees help with throughput and productivity, but not with cost unless the fast-track students fill existing course sections rather than overflowing into otherwise unnecessary sections.

On the other hand, what about course proliferation? Do we really need all those options? Could we actually condense and strengthen the curriculum at the same time? If we were to start with learning outcomes and design the best ways to achieve them, would we change almost everything? Have we fully capitalized on what technology can do best, leaving faculty free to do what only they can do?

These are the times and the issues that underscore why AGB supports "integral leadership," in which boards, executive leaders, and faculty have strong working relationships that are dedicated to achieving the best interests of the institution. Feeling the heat is only the first step toward getting out of hot water.

Ellen Chaffee, Ph.D., is AGB Senior Fellow and Project Director on AGB's Governance for Student Success initiative [1], which is supported by Lumina Foundation for Education. She is also a consultant for AGB Consulting [2]. She is President Emerita, Valley City State University.

Finance and Endowment Board Leadership Presidents

Source URL: http://www.agb.org/blog/2010-06/coming-boil

Links:
[1] http://www.agb.org/governance-student-success
[2] http://www.agb.org/board-education-and-consulting-services