

STRATEGIC PLANNING

AND TRUSTEE RESPONSIBILITY



AMERICAN COUNCIL OF TRUSTEES AND ALUMNI
Institute for Effective Governance

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ACTA's Institute for Effective Governance, founded in 2003 by college and university trustees for trustees, is devoted to enhancing boards' effectiveness and helping trustees fulfill their fiduciary responsibilities fully and effectively. IEG offers a range of services tailored to the specific needs of individual boards, and focuses on academic quality, academic freedom, and accountability.

Strategic Planning and Trustee Responsibility

by Candace de Russy, Ph.D. and
Mitchell Langbert, Ph.D.

As a trustee, you are a fiduciary who bears responsibility to the beneficiaries of your institution: students, parents, donors, and public agencies. Paradoxically, as a trustee you do *not* owe a fiduciary duty to the two constituencies with the greatest professional and economic stake in your institution: the administration and faculty. The administration and faculty, like you, owe a fiduciary duty to the institution's beneficiaries. They are your co-fiduciaries.

The objectives of a university are manifold. Unlike businesses, there are no simple measures such as profit or share price to summarize performance. But there are multiple measures that can give you a picture of how well the institution is achieving its goals relative to the costs. Such measures ought to be a part of the institutional strategic plan. Some experts have called this a *balanced scorecard* approach to strategic planning and management control.¹ Thus, the strategic planning process can document how the institution views its strengths, provides indicators of its current strength, and addresses its weaknesses.

Who Develops the Strategic Plan?

The development of the strategic plan is the primary responsibility of the board, working with the faculty and the administration. To satisfy their fiduciary duties, the trustees have a responsibility, based on discussions with the administration and faculty, to clarify the mission and set broad strategic goals for the institution.

¹ Robert S. Kaplan and David P. Norton, "Using the Balanced Scorecard as a Strategic Management System," *Harvard Business Review* (January-February 1996): 75-85, and Alice C. Stewart and Julie Carpenter Hubin, "The Balanced Scorecard: Beyond Reports and Rankings," *Planning for Higher Education* 29 (2) Winter 2000-2001.

Contents of Strategic Plans

Because of their public interest mission and business background, trustees can make a valuable contribution to the development of a sound strategic plan.

For example, trustees could help to decide whether resources have been correctly committed to one department or another based on the advantages that resource allocation confers upon institutional beneficiaries. If few students have chosen to study in a given discipline, an administration that has recommended adding faculty lines to that discipline should be expected to present a justification to the trustees such as extraordinary research output.

A good strategic plan should include a review of the university's mission and organizational structure. In addition, the degree to which the institution has executed the mission with respect to the following five targets should be assessed.

- Teaching, research and community service
- Academic freedom and intellectual diversity
- Financial performance
- Capital assets and facilities
- Resource acquisition and enrollment

Of course, each institution is different, and additional factors may need to be added. But trustees should be aware of the institution's *specific, quantified* goals with respect to the mission, organizational structure and the five targets, and how the institution aims to improve. Moreover, the targets should flow from the mission. Both *costs* and *quantified* outcomes with respect to the targets should be compared with data from other institutions.

Other institutional control systems should flow from the strategic plan and management control systems. For example, budgets and the president's performance appraisal should be linked to the plan's targets.

Mission

The institutional mission should reflect the values and vision of the faculty and administration. It should also integrate the concerns of key stakeholders such as donors, alumni, learned societies, accreditation bodies, government agencies, and the public. Size plays a role in how clear a mission can be. Smaller institutions can and should have a more integrated mission than larger institutions. Larger institutions with above 20,000 students might have to break assessments of mission into divisions or schools.

Staffing and Organizational Structure

It is appropriate for trustees to review ratios of expenditures to revenues and to compare the ratios to those of similar institutions. The plan should also present ratios of numbers of personnel to student full-time enrollment equivalents (FTEs) and compare those figures with the ratios of similar colleges and universities.

External or third-stream funding has become increasingly important. Third-stream funding includes donations, revenues from sports or artistic performances, royalties from patents, grants, and income from research. Trustees need to determine whether the current departmental and administrative structures facilitate resource acquisition and adaptability. Some ways that organizational structure can be reformed to improve resource acquisition include:²

- Strengthening the administrative center so that it can better respond to opportunities and threats
- Expanding the periphery of the institution so that it can better interface with the external community
- Integrating academic departments so that they are stimulated to engage in interdisciplinary research and increasingly look for entrepreneurial opportunities

² Burton R. Clark, *Creating Entrepreneurial Universities: Organizational Pathways of Transformation* (New York: IAU Press/Pergamon/Elsevier Science, 1998).

- Encouraging an entrepreneurial culture on campus that supports new ideas.

New faculty hiring should be based on merit, i.e., teaching and research, without “cronyism” or political bias. Trustees also should call for strategies to promote intellectual diversity among the faculty.

Teaching, Research and Community Service

With respect to teaching and student engagement, most extant strategic plans offer good teaching and improved student engagement as important goals. *Quantitative* measures and targets also should be included. One set of targets that might be added is objective measures of student achievement in broad skill areas such as writing, reading, and mathematics. Such measures would need to be taken with standardized tests of samples of students *before* they enter the institution and *after* they complete their degrees. Also, institutions should track job placement and rates of acceptance into graduate schools. The rates should be compared with those of other institutions.

Another important indicator is the extent to which the institution motivates students to participate in extracurricular activities that encourage a robust cultural environment such as faculty research projects, chess clubs, and sports. Rates of participation should be provided, and a plan for improvement of student engagement should be developed.

With respect to research, strategic plans should include specific documentation of the current quantity and quality of faculty publication, specific examples of faculty research achievements, aims for the future, and an analysis of specific investments of resources by department. The research outcomes and cost information should be disaggregated by academic department or unit to provide insight as to where resources are being used productively. Objective targets should include departmental rankings and data about publication rates with respect to refereed journal articles, books, conference presentations, performances, grant acquisition, and similar outcomes.

In addition to teaching and research, many institutions emphasize service to the public as a primary goal. If so, strategic planners need to identify the key constituencies that the institution has served in the past and the constituencies that it aims to serve in the future. Key past and projected programs need to be identified with their results, and the resources expended and planned need to be documented. Insight as to what value the institution has provided to the constituencies in the past and what it might contribute in the future should be documented. Numbers of people affected by each key program and how they have benefited also should be documented.

Academic Freedom and Intellectual Diversity

Higher education depends on freedom of inquiry and speech and an atmosphere of tolerance and openness for a wide range of viewpoints. In recent years there have been increasing numbers of complaints about suppression of free speech on campus. Trustees should ensure that strategic plans stress the importance of free expression and intellectual diversity.

Trustees should themselves respect and encourage a wide range of viewpoints, many of which they personally oppose. Diversity of views is an important target that needs to be anticipated in a strategic plan. Administrators should be charged with developing strategies to enhance intellectual diversity, especially in the humanities and social sciences. One practice that has sometimes inadvertently restricted diversity of opinion is the granting of tenure to faculty who publish only in journals reflecting a narrow point of view. Tenure decisions should encourage publication in a broad range of journals.

Financial Performance

A strategic plan should include historical financial performance data that summarize past performance with respect to the foregoing targets. It should include *pro forma* projections based on data that anticipate future performance. Revenues, expenses, and capital investments that are reconcilable to the targets in the stra-

tegic plan should be presented. Subsequent variances need to be analyzed and corrected. The rationale for projections should be clear. The financial projections should be reconcilable to the operations and capital budgets as well. Control and reward systems should be integrated with the strategic plan.

Capital Assets and Facilities

Capital assets and facilities are essential resources that, like human resources, offer a critical leverage point for universities. Campus planning should be done in light of the institution's values and history. It is important to assess the usefulness of facilities in attracting students and in meeting their and the faculty's needs.

In some institutions, the need for interdisciplinary research and increased interaction is changing the way faculty offices need to be designed. Contiguity and meeting space have become increasingly important to enhance community. Moreover, the issue of the integration of technology with traditional program delivery may influence design considerations and complement the issue of contiguous work spaces.

The trustees should analyze construction costs per square foot. Costs per square foot can be compared to construction costs in comparable institutions relative to regional wage differences.

Maintenance and cleanliness are important factors in how students perceive the campus. Some institutions have neglected maintenance in favor of more newsworthy campus improvements. Students, faculty, and administrative personnel should be surveyed periodically to determine their reaction to the quality and cleanliness of facilities.

Space allocation (for example, the allocation of classroom space) needs to respond to student demand. Ratios of classroom space allocated per student by department or institution should be included in the strategic plan, and projections should include an explanation of how variances from enrollment projections will be addressed.

Resource Acquisition and Enrollment

Increasingly, institutions of higher learning must leverage their core competencies to develop sources of income above and beyond tuition and public support. Naturally, traditional fundraising through donors and alumni are important sources of income, and related data and plans need to be developed. Alumni donations, grants, and revenues from alternative third-stream sources should be compared to equivalent supports at comparable institutions.

Most institutions now pay some attention to marketing, but some lack an integrated marketing strategy. For elite institutions, marketing is not so great a problem, although marketing may be appropriate for specialized programs. Elite institutions tend to defend their market position by hiring well-known research faculty and selecting the best applicants.

For less elite institutions, it often is important for the president to have thought through a plan for enhancing enrollment. Such a plan should be integrated with the institution's strengths. An undergraduate college that focuses on teaching liberal arts, for example, probably should not think of enhancing enrollment by developing a Ph.D. program. Rather, it should consider programs that are of interest to current or similar target populations. Moreover, the costs and benefits of proposed academic programs should be assessed as part of any strategic plan.

Attracting new enrollment is related not only to the institution's strengths, additional program and product offerings, but also to promotional strategies, tuition level, availability of scholarships, program quality, time of delivery (when classes are offered), and location.

Past enrollment performance and projections of future enrollment performance should be assessed as with any business. The degree to which marketing tactics involving product, program delivery, tuition level and promotion have been successful should also be assessed.

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ACTA's Institute for Effective Governance supplies information trustees can use in making decisions for their institutions, including best practices from across the country. Drawing on a broad network of higher education experts, IEG also offers a wide range of services including orientations and retreats, board management seminars, institutional assessments and presidential searches and evaluations, at little or no additional charge.

To learn more, go to www.goacta.org or call 202/467-6787.

Candace de Russy, Ph.D.

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