Part I

Being an Effective President

1

Some Cautionary Tales

I have been privileged throughout my career to work with and learn from some exemplary presidents who, among other things, created and executed data-informed, mission-based, and financially sound strategic plans; were committed to teaching and learning; fostered teamwork; encouraged creativity; and communicated effectively both to internal and external audiences, thereby inspiring commitment from both groups. I have been equally privileged to work with exceptional trustees who provided their presidents with support and counsel, saw themselves as the president's strategic partner, and gave generously of their time, their talent, and their resources to the institutions they served. I have also worked with faculty leaders who, in addition to being exemplary teachers and sometimes admirable scholars, thought institutionally and collaborated with the administration to advance the college or university.

At the same time, I have been saddened and dismayed by the number of colleges and universities that have been damaged by ineffective presidents or indifferent or incompetent boards. Specifically, far too many colleges and universities—despite their talented faculty and promising students, and despite well-meaning presidents and trustees—have, in my judgment, suffered from a significant and sometimes devastating failure of presidential leadership and trustee oversight. As a result, many of these institutions have encountered

P1: TIX
JWBT556-c01 JWBT556-Pierce August 18, 2011 17:55 Printer Name: Yet to Come

serious financial problems, declining enrollments, and tarnished reputations.

Leo Tolstoy began *Anna Karenina* by observing, "Happy families are all alike; every unhappy family is unhappy in its own way." And so it is with presidents and boards. Despite the diversity of the institutions they serve, successful presidents and effective boards exhibit common behaviors, whereas unsuccessful ones are unsuccessful in a variety of different ways. Thus, with apologies for beginning with the negatives, let me offer some cautionary tales before turning in the next chapters to how presidents, trustees, senior administrators, and faculty leaders can avoid making these mistakes, and even more importantly, how they can be highly effective instead.

Presidential Missteps

The world of higher education is replete with stories of presidents who have floundered, often in their first several years. (Fortunately, there are many more examples of presidents who succeed in the first year and beyond, but as John Milton demonstrated so brilliantly in *Paradise Lost*, it is the character who suffers a fall that often is the more compelling.) In many of these instances, the presidents used poor judgment, acting without first consulting their boards, thereby losing the confidence of their trustees and often losing their presidencies. In only a few cases did the presidents act out of anything other than the best of motives, but their unilateral decision making had serious if not disastrous consequences for their institutions.

In other examples, well-meaning and committed trustees deferred too much to presidents whom they judged to be successful, failing to ask questions, request important data, require effective strategic plans, insist on balanced budgets, and hold presidents accountable. These trustees often defined their fiduciary responsibility quite narrowly to financial matters, serving diligently on the finance, facilities, audit, and investment committees but

P1: TIX
JWBT556-c01 JWBT556-Pierce August 18, 2011 17:55 Printer Name: Yet to Come

considering each of those functions as separate from the institutional mission or strategic priorities. The presidents in each of these examples did not educate their boards about institutional problems, challenges, and opportunities or about the national landscape of higher education. The trustees, many of whom were successful corporate executives, accepted behaviors from the administration that they would not tolerate in their own companies.

On campuses, there is often a lack of understanding of what the president does (and should do) beyond raising money and about the larger issues facing the institution, issues that the president grapples with daily. This lack of understanding tends to be accompanied by confusion about the appropriate role and responsibilities not only of the faculty but also of the president and the trustees. On some campuses, there is also a tradition of faculty opposition to the administration, regardless of the issue. I have witnessed myriad examples where the faculty and the administration and sometimes the faculty and the board find themselves at odds over governance. The resulting conflict often paralyzes institutions and in some instances leads to a failed presidency.

Many of the specific examples I cite have been covered in the press. The others I've either learned about from friends and colleagues or observed firsthand as a member of an accreditation team or the administration, or as a consultant. In all instances, I have tried to disguise the identities of the institutions and the presidents—sometimes but not always changing the gender of the individuals or the nature of the institution. Taken as a whole, these examples illustrate the need for more effective presidential leadership, more effective board oversight, and a better understanding on the part of boards and campuses of what presidents do.

Judgment

Prominent among the presidents who alienated their campuses and lost the confidence of their boards are those who have spent excessive and sometimes even exorbitant sums on renovating the president's house prior to or immediately after arriving on campus, thereby worrying the board and alienating the campus. One such president of a financially strapped college overspent the budget for the president's house renovation by 50 percent and then defended himself by arguing illogically that since he would be living there, it would have been a "conflict of interest" for him to have overseen the renovation budget. A second president similarly justified the overspending by pleading that the board had approved some of the renovations and that he had not been involved in all the spending decisions. A third president spent more than $1 million renovating what the campus thought was an already-lovely residence at a time when the college was cutting departmental budgets and constraining salaries. Each of these individuals was ultimately terminated.

Other presidents have created problems for themselves by announcing plans to change their institution in ways that the current board, faculty, staff, students, or alumni found disparaging. In one widely publicized incident, a new president announced his plan to upgrade the quality of the students, implicitly denigrating the university's alumni by asserting that without such an improvement, the university would not be able to transform its students into high achievers but rather would simply turn "mush into mush." Another began his tenure by announcing that the college, which historically had attracted students because of its emphasis on teaching and which had a minimal endowment and limited resources for faculty development, would base all future tenure and promotion decisions on publication in prestigious journals and presses. Another new president at a top-tier institution squandered his honeymoon period by unceremoniously firing longtime staff members, many of whom had the respect of the board and the affection of the faculty. Then there was the first-semester president who announced his plan to downgrade athletics and eliminate the Greek system, somehow overlooking the fact that many of his trustees had themselves been student-athletes and members of fraternities and sororities.

Communication

In contrast, some presidents overstate their institution's successes. I've known several cases where sitting presidents have persuaded their boards that their institution is poised for national prominence because of what they characterize as the college's unique commitment to such commonplace initiatives as civic engagement, service learning, global education, social justice, student-faculty research, and close relationships among and between students, faculty, and staff. They represent their institution as being a pathfinder and a national leader in one or more of these areas. In one such instance, it took a presidential candidate to encourage the trustees to review the websites of the university's peer institutions—all laying claim to the same initiatives and some actually doing a great deal more than this college was. In this case, the trustees came to understand that what the college was doing was indeed praiseworthy but just was not unique or even distinctive and certainly would not bring it the prominence that the retiring president had promised.

Other presidents have made decisions that may well have had merit but angered their trustees because they neglected to consult or communicate with them about the decisions. In two such cases, influential trustees were angered when they learned about a significant presidential decision not from the president but in the press. By ignoring the principle that presidents should never surprise their boards with bad news, these presidents lost the confidence of their trustees and ultimately their presidencies.

There are also presidents who have damaged their presidency by viewing the faculty as their adversaries. For example, one former president became so enraged at his faculty colleagues that he stormed out of a faculty meeting, telling them as he slammed the door behind him, "You're incorrigible. You're all children." Another equally unhappy president resigned, telling his board that the faculty "wouldn't let him do anything" and that they needed to get the faculty under control. The faculty members at these institutions were equally unhappy and felt disenfranchised.

Management Style

Some presidents fail to advance their institutions because of their management style. Some are motivated by a desire for popularity rather than respect. Some refuse to draw the wrath of the faculty by recommending to the board that it deny tenure or promotion to a faculty member. For example, a relatively new president announced to the faculty that he would deny tenure to any candidate that he or they deemed questionable. He privately directed the provost to be "tough." Most of those considered for tenure that year had, in the provost's judgment, clearly earned it. In two cases, however, the departments had been split (something unusual at this small college, where the faculty historically endorsed all candidates for tenure) and the elected faculty tenure and promotion committees had been split as well. The provost, having taken seriously the president's directive that she be "tough," recommended against tenure for both. Her recommendation was greeted with anger on the part of the candidates' friends and supporters. In the face of intense lobbying, the president overruled her. The provost, feeling undercut, went on the market, and in what seemed a moment of poetic justice, became president of a competitor college.

Other presidents, seeking popularity, approve most requests for resources without regard to mission or finances. One such individual, in a year when there was an enrollment shortfall and debt already close to the size of the endowment, nevertheless borrowed several million dollars and overspent the operating budget by $2 million. He was simply unwilling to say no to any new idea. Another president, in the face of significant budget deficits, announced that he did not want the budget to inhibit planning. In so doing, he inadvertently gave the message that the funds would be there for every good idea. In both cases, there ultimately was huge campus disappointment and disillusionment. Yet other presidents have persuaded their boards to approve an increase in the size of the student body with the intent of gaining more tuition and room and board revenue, only to learn that the additional students did not materialize.

There are also some presidents who are simply afraid to make decisions. Some prefer ongoing conversation about alternatives. Some simply prefer planning to action. Their paralysis inevitably paralyzes those who report to them because they cannot move forward without presidential approval. One president was unable to recommend a set of fundraising priorities to the board—despite campus consensus that the greatest needs were additional financial aid endowment, new faculty positions, a new library, and a new academic building—delaying the beginning of the campaign by at least a year.

There are also many examples of micromanaging presidents whose insistence on being involved in all decisions inevitably stifles creativity and initiative. My favorite example of micromanagement is this: the president who insisted on reviewing and approving the food served for all catered events on campus. He worried about the menu, even down to the quality of the salads being served at luncheons.

Some micromanaging presidents foster competition rather than collaboration among their senior staff. These presidents tend to tolerate, if not encourage, silos rather than teamwork. They work in a spoke-and-hub way, with they themselves being the hub. This model requires each of the president's direct reports to work directly with him or her, thereby dividing the senior staff. In one memorable instance, a senior administrator told me that no one at her institution would willingly share information. Rather, she said, if required to do so, people would "throw the information over the transom" of the door of those with whom they were sharing. They would, however, refuse to interpret or analyze that information.

Planning

Presidents need to be wary of developing strategic plans that are neither strategic nor plans but rather constituency-driven wish lists. Such documents always seem to have titles that envision a bright future for the institution. Unhappily, these plans generally do not derive from the institutional mission, establish strategic priorities, tie the identified hopes and dreams to budgets (current and future), offer time lines, assign responsibility for actions, hold people accountable for results, or suggest methods of assessment. Nor do they differentiate between the strategic and the tactical.

The strategic planning document developed at one regional university is a case in point. This nearly forty-page list of desired initiatives and programs was to be the institution's blueprint for the future. The problem: everything in the plan was something that someone or some group wanted, but there was no effort to prioritize the items or differentiate between institutional imperatives and things that would simply be nice to do if the college someday secured the resources to do them. By blurring the strategic and the tactical and giving equal weight to all goals, the plan suggested that improving the quality of the student body and buying equipment for the art department were, like all goals, of equivalent value. Nor did the document identify the costs (much less the benefits) of each item noted, the time frame in which things were to happen, the method of assessment, or the people charged with making each one happen. Moreover, the president had instructed the planning teams not to worry about resources but rather to describe the university of their dreams in twenty years.

There was a similar situation at a small private college where the president announced that the budget would not drive planning but that planning would drive budget. He was right, of course, but his message was heard very differently from what he intended. What the campus and the CFO heard was that the college should dream big and worry about resources later. As a result, neither the college's operating budget nor its five-year financial plan allocated funds for the strategic initiatives that the president and board had approved. Over time, the faculty felt betrayed that the new faculty lines they had been promised to mount the new core curriculum were not materializing.

Then there are those presidents who plan in a piecemeal fashion. One announced that the academic vice president and faculty needed first to develop an academic strategic plan and, only when that was approved, would the campus turn to the resource question and planning in other areas. The result: the campus spent a good deal of time planning in the abstract but eventually learned that they lacked the resources to implement the plan and that a number of their goals were mutually contradictory.

Other institutions have found themselves in trouble because their strategic plans and three- to five-year financial plans were based on overly optimistic assumptions. Rather than building these budgets conservatively—on numbers they were confident they could achieve, for example—some institutions created long-term problems for themselves by predicating their planning on hoped-for increases in such revenue lines as enrollment, the annual fund, and income from the endowment. Some have done so even when their institutions had experienced declining numbers in one or more of these areas in recent years. When the anticipated revenues did not materialize, these colleges and universities have faced budgetary shortfalls, sometimes of a significant magnitude.

Finally, there are those situations when the presidents did not monitor or perhaps even understand the budget, simply accepting the word of their CFO that everything was fine. For example, the financial vice president of a college suffering declining enrollments repeatedly reassured his financially naive president that he should not worry that they had just enrolled one hundred fewer freshmen than budgeted because, the CFO insisted, the budget was based on a three-year rolling average. It took a new provost to explain to the president that although it made sense to calculate the endowment payout based on a three-year rolling average, a hundred-student shortfall at an institution that charged $40,000 per year for tuition and room and board was an immediate and very serious financial problem. She also explained that this shortfall would affect total enrollment for the next four years. The president put the provost in charge of the budget, including making the necessary cuts.

The retiring president and the financial vice president of another troubled institution had persuaded the board that the institution was not ready for a strategic plan that included a realistic long-term financial plan and fiscal discipline. This is an interesting case study because both the president and the CFO understood that to balance the college budget, the university—like many others—was going to need to do some combination of the following: reduce staff, freeze salaries and all hiring, decrease department budgets, put capital projects on hold, and reduce benefits, including contributions to retirement funds. Concerned about the president's popularity, however, neither wanted to make the hard choices. Instead, they persuaded the board to make another bad decision: to fund the deficit by increasing the draw on the endowment, which had decreased significantly because of the economic downturn, to more than 9 percent. This decision, which harmed the institution's long-term economic viability, also postponed the problem by only one year. The next president's first months were spent eliminating faculty and staff positions and reducing spending across the institution.

Visibility

Presidents who refuse to socialize with the campus community create other problems for themselves. They appear remote and

P1: TIX
JWBT556-c01 JWBT556-Pierce August 18, 2011 17:55 Printer Name: Yet to Come

uninterested. Here are a few of my favorite stories about such presidents:

- When an out-of-touch president was invited to a dinner party at the home of a department chair, he first responded by telling the chair that he was thrilled with her invitation because this was the first time he had ever been invited to a faculty member's home. Unfortunately, he then provided the following condition to his accepting: his hostess must not invite other faculty members to the dinner.
- A long-term president drove from his on-campus home to his office, scurried into the building, and left only at the end of the day to drive home. When he attended campus events, he came late, sat in the back, and left early. The student government leaders joked that if he showed up at one of their meetings, no one would know who he was.
- Four now-former presidents spent all their on-campus time in their offices, all located on the top floor of a building seldom frequented by students and faculty. Each of these presidents refused to eat in the student dining hall. One, however, went so far as to close the faculty-staff dining room in the student center and in its place create a president's dining room, complete with an extravagant chandelier and expensive china. His only guests were trustees, potential donors, and visitors to the campus. The campus referred to him as an "imperial president." He enjoyed no support.
- Yet another president, who had been in office for more than twenty years, similarly stayed in his office when he was on campus. He became outraged when, on his way to a reception for donors in the rare book room, he was denied entrance to the library because he did not have a campus ID and the staff

member at the door did not recognize him. His solution was not to become more visible on campus; instead, he distributed his 9 by 12 inch photograph to every office on campus.

Presidents Who Deceive Their Boards

Perhaps the most serious problems occur when presidents deliberately mislead their boards. In several such cases, the presidents were so averse to delivering bad news that they held off sharing problems with the trustees until they had no choice but to do so. The result: they not only undermined their relationship with their trustees—and by extension, their institution—but failed to benefit from the advice that their trustees might have given them.

- One admired president established a practice of reporting inflated SAT scores to *US News and World Report.* Several of his senior staff members were involved in the deception. His successor had the unhappy task of disclosing the dishonest reporting to the board. For what she considered to be the health of the institution, the new president chose not to share the information that the numbers had been inflated with the campus. Unfortunately, she had to preside over the decline in ratings that accompanied the now-honest reporting.
- The president of an institution that had done a great deal of borrowing, without consulting with his board, loaned an alumnus $10 million on the promise of a 12 percent return in six months. The story illustrates the cliché that "if it seems to be too good to be true, it is too good to be true." At the end of the six months, the company declared bankruptcy. Eventually, the story hit the papers, and the president resigned.

- The president of an NCAA Division I university and his financial vice president deceived the board about the millions of dollars the athletic program was losing annually by hiding the salaries of the coaches in the budgets of academic departments. The departments and the academic dean did not know this was happening because the budget reports they received did not include the coaches. Shortly after discovering this deception, the dean quietly chose to leave the institution. The president named a crony to the deanship.

As troubling as these examples are, the most egregious failures of presidential responsibility have resulted when presidents created a culture of fear and control on their campuses in order to manipulate their boards.

In one case, a second-term president warned the members of his cabinet that if they told the board the truth about certain situations or in any way did not enthusiastically support him, he would immediately fire them. These vice presidents kept their own counsel for several years. For example, they did not tell the trustees that they were to a person opposed to a major and expensive presidential initiative that led to significant presidential travel overseas. Ultimately, they shared their concerns with a consultant who had been hired to facilitate a trustee retreat. The consultant shared this information with the board leadership, who immediately investigated the charges and began a search for a new president.

Another president similarly demanded that the vice presidents join him in hiding information from the trustees, in this case the institution's unusually high attrition rate and the fact that, in order to balance its budget, the university was admitting but not reporting large numbers of transfers. The administration routinely gave presentations to the board about programs they said the university was offering successfully. These programs did not exist. An

P1: TIX
JWBT556-c01 JWBT556-Pierce August 18, 2011 17:55 Printer Name: Yet to Come

accreditation team discovered the dishonesty and reported it to the board, which immediately asked for the president's resignation.

The Importance of Board Oversight

A popular president, credited with enhancing the quality of the university he led and significantly increasing the size of its enrollments and its endowment, was unexpectedly asked to resign because of financial irregularities. As a press release from the institution explained, the institution was awarding scholarships over the amount allocated in the budget, and in some cases, greater than that permitted by federal guidelines. Then, to cover the costs of this additional financial aid but without board knowledge or approval, the university borrowed money. Only after the fact did the board chair recognize that the board, in part because it had more than sixty members serving on twelve committees, had not fulfilled its fiduciary responsibilities.

This board was not alone in failing to provide appropriate oversight:

- The trustees of a midsize regional college were proud of their balanced budgets. Mistakenly assuming that benchmarking was taking place, they accepted the president's assertions that all decisions tied in any way to operations were under his purview. They did not ask to see comparative data. Moreover, this board came together only twice a year for two-hour meetings during which the president regaled them with glowing reports of the college's successes. When the president retired, the board and the campus celebrated his many achievements. The next president found herself burdened with the task of telling them that the college's tuition discount had grown to more than

50 percent, its net tuition revenue was inadequate, and the campus had significant deferred maintenance.

- The board of a small and once-thriving college had for a number of years feared that the institution was barely viable. Its reputation was in tatters, its enrollment under budget, and many of its buildings visibly crumbling. A new president, who, by partnering with the local community, had implemented some revenue-producing programs, was widely viewed as the campus savior. Thus, the board didn't question his assertion that the college was unique—with no other comparable schools in the country—and rubber-stamped his recommendations because, as one trustee put it, "The recommendations just felt right." Riding the wave of reputed success, this president moved on to a more affluent university. Only then did the board learn that the college was still very much on the edge, having spent down much of its endowment principle to fund programs that were neither cost-effective nor central to its mission.
- The board of a comprehensive regional university assured presidential candidates that the campus had absolutely no deferred maintenance. The longtime chair of the finance and facilities committee was especially proud that this modestly endowed university was, in his judgment, unique because of its fulsome investment in the physical plant. The outgoing president and the financial vice president told candidates the same story. On her first day in office, the new president asked the director of facilities to give her a tour of the campus, pointing out places needing maintenance. Learning that the sum for such repairs came to more than $200 million, she asked the financial vice president for an explanation. His response: since he and the previous president had decided they were never going to spend money on maintenance, it hadn't been deferred. When the president told the board about the new reality, she suggested that the phrase used should actually have been "denied

maintenance." With no small measure of embarrassment, the finance and facilities committee members admitted that they had never asked for an audit of campus buildings and none of them had toured faculty offices, classrooms, or residence halls, all of which screamed out for renovation.

- Finally, the board of an elite university believed that its longtime and widely praised president had earned the right to focus on whatever he wished. He had, after all, in his first decade raised lots of money, transformed the campus, and improved the quality of the students and faculty. Thus, the board was accepting when he turned his attention away from the campus and became a player in the local community, the state capital, and Washington, DC. They were unaware that the faculty and senior staff had begun to talk about mission drift. They did not know that the loyal financial vice president lost sleep worrying about a dramatic increase in the financial aid discount, the growing list of deferred maintenance and infrastructure problems, and the amount of resources being deflected from campus priorities to the president's pet projects. The 2008 economic downturn made it clear to the president that cuts would need to be made. But rather than doing unpopular things, and wishing to preserve his legacy as a builder, he gave notice. His successor was handed the list of concerns.

Endowment Payout and Borrowing

As in the preceding case, the trustees on a number of campuses have in the last decade naively assumed that their institution's endowment would continue to produce handsome returns. They therefore readily authorized spending down the quasi-endowment in order to fund presidential recommendations. Many other colleges failed to consider the long-term impact on the institution of not adhering to a reasonable endowment payout—usually 4 to 5 percent—and not requiring a balanced budget. I know of several institutions that, having enjoyed a handsome return on their endowment, year after year authorized payouts ranging from 8 to 12 percent. Today, the operating budgets of these institutions are suffering for two reasons. First, their endowments did not grow during the years when the market was climbing and so they created no cushion for themselves for difficult financial times. Second, when their endowment dropped in value in 2008, they not only had to contend with reduced principle but also understood that they could no longer continue such large payouts. In other words, they suddenly were able to allocate to the operating budget only 4 to 6 percent of a substantially smaller endowment.

Other boards, including those of some of the most prestigious colleges and universities in the country, approved building projects to be funded by borrowing rather than through fundraising or institutional reserves. Over time, this approach had a devastating impact on their endowments and operating budgets. *Liquidity and Credit Risk at Endowed U.S. Universities and Not-for-Profits*, a June 14, 2010 report put out by Moody's, describes the negative consequences of what has become an increasing reliance across higher education and other not-for-profits on borrowing, often with variable rate debt, creating significant liquidity problems for these institutions.

Jack Stripling, writing for *Inside Higher Ed* in a June 16, 2010 piece, "Moody's Probes Colleges on Cash," summarized the report this way:

> The report notes, for instance, that college leaders were often convinced impressive investment returns would cover operations, and they were inclined to borrow money to fund capital projects, rather than tap endowment funds that were making money in real estate, private equity, hedge funds and other strategies.

> To finance capital projects, colleges increasingly hoped to lower borrowing costs by issuing variable rate debt. While that seemed like a good idea at the time, issuing variable rather than fixed rate debt later subjected colleges to volatile interest rates when the credit markets contracted. As debt financing demands grew, and investment dollars were increasingly tied up in long-term instruments, problems emerged for many colleges—as evidenced by the need to borrow more money or tighten belts just to pay the bills. The problems were particularly pronounced at large endowment institutions, which were heavily reliant on investment returns to fund operations and also had significant illiquid investments.

The reality is that colleges can no longer assume—as they did for many years—that their endowments will continue to grow, generating ever-greater revenue for their operating budgets. They also can no longer predicate their future budgets based on past performance because of new uncertainties about enrollment. Some private colleges, for instance, are suffering from decreased enrollment because students who would previously have chosen them have instead enrolled at public institutions or community colleges. Ironically, many public institutions have found these increased numbers a problem, because many state legislatures have significantly reduced funding for higher education.

The Importance of Clear Expectations

Many of these cases suggest that if the presidents had simply used common sense and the boards had been more attentive to what was happening on campus, the institutions would have avoided significant problems. I think this is true, but I also have to believe that the great majority of these unhappy situations could have been avoided if—at the time of the presidential appointment—the trustees and president had come to an understanding about how they would work together, who was responsible for what, what sort of information the board wanted to review routinely, and what sort of actions would require board approval.

Such situations also could have been avoided if both the president and the board had been clear about the board's expectations for what constitutes a strategic plan. Instead, as mentioned earlier and discussed in more depth in the next chapter, far too many presidents lead processes that produce nothing more than wish lists, and far too many boards enthusiastically endorse the documents that emerge from such processes.

Most presidents do want to do the right thing for the colleges and universities they serve, and most trustees are eager to make a difference in the institutions on whose boards they sit. But many presidents have no one to turn to for guidance, and many trustees have not served on other college or university boards and so simply assume that the way that this board functions is how it's done. The next chapters will seek to answer the question of what presidents and trustees need to do to be effective.