University Governance
There is more than one model

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Background

• Public debate on University Governance increased due to:

• Corporate failures in US and Australia

• Changing nature of Australian Universities
  ➢ Less reliance on Government income
  ➢ Increase in international activities
  ➢ Greater complexity of operations
  ➢ Broad range of stakeholders

• Spectacular success of Australia’s Universities in developing an export industry
Comparisons with the corporate world

Many similarities with corporate world – but significant differences

• Not for profit – no “shareholders”

• Diverse range of stakeholders
  ➢ State and Commonwealth Government
  ➢ Industry partners
  ➢ Staff and Students
  ➢ Community

• Many non-financial measures of success
  ➢ National and regional development
  ➢ Social change
  ➢ Knowledge creation
  ➢ Policy debate etc.
Australia - composition

- Broad representation of stakeholder interests met by diverse Board membership

<table>
<thead>
<tr>
<th>Member Category</th>
<th>Average in 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ex officio</td>
<td>4</td>
</tr>
<tr>
<td>Academic staff</td>
<td>3</td>
</tr>
<tr>
<td>General staff</td>
<td>1</td>
</tr>
<tr>
<td>Students</td>
<td>2</td>
</tr>
<tr>
<td>Parliamentarians</td>
<td>1</td>
</tr>
<tr>
<td>Convocation</td>
<td>2</td>
</tr>
<tr>
<td>Govt./Ministerial appointees</td>
<td>6</td>
</tr>
</tbody>
</table>

- Average size of Board gradually reduced, typically 22

- On average 55% of members external to University
Australia - role

• Role defined by Chancellors/AVCC joint statement:
  ➢ Appoint the VC and monitor performance
  ➢ Approve, mission, strategic directions and budget
  ➢ Oversee and review management and performance
  ➢ Establish policy and procedural principles
  ➢ Approve and monitor systems of control and accountability
  ➢ Assessment and management of risk
  ➢ Oversee and monitor academic activities
  ➢ Approve significant commercial activities

• Members of Board should:
  ➢ Act always in the best interests of the University as a whole, rather than the group/body which elected or appointed them
Australia - role

• Operational good practice requires:

  ➢ A joint understanding between Board, executive management and academic board of their respective roles and responsibilities

  ➢ A “partnership” of Chancellor and Vice-Chancellor which is vital for the working success of any governance model
United States -composition

• Three general governance structures:
  
  ➢ Single governing board for a single university
  ➢ Single governing board for multiple universities, each with a local board
  ➢ Single governing board for multiple universities, but with no local board

• Size of boards (Board of Trustees or Board of Regents) vary significantly
University of California system

• System governed by 26 member Board of Regents
  ➢ appointed by Governor of the State of California
  ➢ student members with no voting rights
  ➢ individual Universities do not have a local board
  ➢ strong system of shared governance within Universities
    with staff (faculty) consulted on major issues
United States - examples

State University of New York (SUNY)

• 15 member of Board of Trustees appointed by Governor
• 1 student member

• Role of Board:
  ➢ Appoint president
  ➢ Grant all degrees
  ➢ Regulate the admission of students
  ➢ Regulate tuition fees
  ➢ Oversee the operation of the administration of the University
United States - examples

Stanford University

• Board of Trustees (self appointed) – max size 35

• Role
  ➢ Appoint President who is responsible for management of university
  ➢ Act as custodian of the endowment
  ➢ Administer the investment funds
  ➢ Approve the annual budget and policies of the University
United States - examples

Harvard University

• Two governing Boards

• Harvard Corporation (President and Fellows)
  ➢ Executive Board
  ➢ 7 members – President and Treasurer plus 5 others
  ➢ Responsible for day-to-day management of University
  ➢ Finances and business affairs

• Board of Overseers (size 30)
  ➢ Elected by graduates of Harvard
  ➢ Approves important actions of the Corporation
United States – general comments

• Broad range of governance models

• Large variation in size of Boards and method of appointment

• Strong tradition of shared governance

• Lombardi et al (2002) find no correlation between the board structure and performance of University
Europe - structure

• Boards mostly appointed by city, state or federal govt. responsible for University

• High level of political input to decisions

• No consistent structure across Europe
Europe - example

Technical University of Delft – The Netherlands

• Supervisory Board of TU Delft consists of 5 appointed by Minister

• Role:
  ➢ Appoint executive, which manages University
  ➢ Approve governing and management regulations
  ➢ Approve University Plan
  ➢ Approve University Budget

• Students and staff consultation on major issues
Common themes

• Significant differences in governance structures across Australia, US and Europe

• Common key issues:

  ➢ Role of board is one of oversight and risk management, rather than direct management, which is role of University executive

  ➢ All systems include some form of shared governance, achieved either by representation on the board or through consultation on significant issues

  ➢ Success of governance structure rests heavily on the “partnership” between board and executive, rather than the structure of the board
Business Model

• Debate has centred on Universities adopting a more Business Board structure with:

  ➢ Smaller governing Board
  ➢ No/little internal representation

• Few examples of such structures in other countries

• Strong evidence that Board structure does not necessarily correlate with University performance
Business model – common ground

• Statements by Business Council of Australia and Chancellors/AVCC yield significant common ground

• Irrespective of structure – Board should:
  
  ➢ Guide strategic direction of University
  ➢ Manage risk
  ➢ Monitor and report on university performance
  ➢ Appoint and oversee performance of VC

  ➢ Must be a clear understanding that governance role does not include day-to-day management
  ➢ Members must act in best interests of University rather than group which appointed/elected them