Do Governance Structures Matter?

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Much of the research on governance focuses on two apparent needs that are often assumed to be conflicting: the need to preserve faculty authority and influence, and the need for decision-making systems that respond efficiently to change. Implicit in both of these needs is a presumption that governance has a significant impact on decisions. Despite an extended body of policy analysis and recommendations proceeding from this assumption, its underlying validity has rarely been examined or challenged.

This chapter examines the relationship between governance structures and outcomes at a broad array of four-year institutions in the United States. It reviews analysis of data drawn from a national Department of Education survey of academic governance and outcomes. The paper finds few significant relationships between how governance organizes and vests authority, on the one hand, and outcomes, on the other. In fact, the few significant relationships that it does unearth challenge the expectations of models that presume diverging interests between faculty, administrators, and boards. The implications for future research are explored in conclusion.

Background

Governance refers to the means and actions by which a collective entity decides matters of policy and strategy. Among scholars of higher education, consideration of these processes and procedures of decision making take precedence over the decisions themselves. In general, the governance system is understood to consist of the explicit and implicit procedures that allocate to various participants the authority and responsibility for making institutional decisions (Hirsch and Weber, 2001; Benjamin, 1993). In this
chapter, the focus is not on the culture of governance at a given institution, nor on the attitudes and norms suggesting how decisions ought to get made. Rather, my emphasis is on the actual decision-making structures that are chosen and how these structures relate to the implementation of decisions.

In higher education, the powers allocated to faculty, to the public’s representatives, to students and parents, and to other participants vary greatly across public and private nonprofit institutions. There is extensive evidence that the ownership form of the institution significantly shapes its decisions (Kaplan, 2002a). Furthermore, there is evidence that, among public institutions, a great deal of the variance among outcomes is correlated with a state’s systems for organizing public higher education (Kaplan, 2002a and 2002b; Lowry, 1998).

Do these differences persist at the institutional level? Do colleges and universities that vary in their decision-making structures also demonstrate predictable and patterned kinds of decisions? Can we identify the governance mechanisms that account for patterns of correlation? More specifically, do schools with representative senates tend to decide matters differently than schools in which all faculty members participate in a council? Do the decisions of schools in which the faculty has authority over one policy area differ much from schools where that authority rests with the administration? Typically, governance of higher education is subject to two kinds of criticisms. The first claims that academic governance has become too corporate and capitalistic and that decision-making models increasingly mimic the centralized powers of corporate management in the for-profit sector. The second criticism contradicts this view, arguing that shared governance is too arcane in its traditions and that it remains unresponsive to the economic pressures and demands of the modern world.

Unfortunately, such arguments circulate in an environment distinguished by a dearth of systematic and comprehensive information. Much that gets written about governance in higher education rests on anecdote or, at best, a handful of institutional case studies (Leslie, 1996). Although most studies in social science tend to be corroborative, negative findings can often be highly significant in policy analysis, influencing reform proposals that depend on untested assumptions and incomplete analysis. When it comes to governance, it would be most useful to know whether the various structures and systems that are in place yield varying outcomes.

This chapter seeks to fill the void in this area by reviewing survey data on governance structures. It singles out some of the findings of a comprehensive study of shared governance and its effects. It has been some time—roughly thirty years—since the last national efforts to collect governance data from a wide number of both public and private colleges and universities were completed (see American Association of University Professors (AAUP), 1971; Blau, 1973; Trow, 1977; and Ladd and Lipset, 1975). But in the past few years, several national studies have reinvestigated this issue (Kaplan, 2002a,
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2002b, and 2004; Tierney and Minor, 2003). Such data allow us to look closely at both mechanisms of governance and allocations of power and authority. Combining this information with data on spending and resource allotment allows us to make inferences regarding the relationships between decision-making structures and organizational performance.

Hypotheses

The scope of the study that underlies this chapter goes beyond what is possible to cover in a short essay. The statistical results discussed here are available elsewhere, and those interested in the conclusions in full can find them by consulting the original research (see Kaplan, 2002b; Kaplan, 2003). Given the specific focus of this chapter, I will limit my discussion to findings in three areas: the significance of board structures, the role of faculty governing bodies, and the effects of vesting faculty with authority.

My investigation presumes that individuals are cognizant of their interests and seek to maximize their welfare within the constraints of their environment. Constraints come in various forms, but of particular interest here are the governance structures at a particular institution and how these structures distribute rights of decision making and participation among stakeholders. This rationalist approach draws heavily from what political economists have termed public choice or rational choice theory (McCubbins, Noll, and Weingast, 1989; Moe, 1990). It emphasizes that rules, procedures, and the assignment of authority play a key role in shaping the kinds of collective choices yielded by political structures. Much of this research has been confined to political bodies at the governmental level; rarely have its predictions been extended to the kinds of democratic participatory structures common at institutions of higher education (Lowry, 2001). When applied to the latter, rational choice theory presumes that such decision-making structures will shape the kinds of choices a school will make.

Governance structures in higher education can be said to matter in a predictive fashion only if they distinguish between faculty and other stakeholders, and only if stakeholder groups have divergent interests over certain issues. For instance, we might assume that, holding all other factors constant, faculty would have an interest in reducing teaching loads so they can focus on areas with more direct benefits, such as research. Lighter teaching loads, however, increase delivery costs and should be less desirable for both students and official overseers.

What components of the governance structure distribute authority in such a way that outcomes in specific areas will differ depending on who wields power? The corporate governance literature gives primacy to boards and the rules governing their function. Research in this area has focused on the size of boards, the rules of selection, the exclusion or inclusion of internal stakeholders, and the frequency of meetings (Blair, 1995; Lorsh, 1989).
In higher education, the governing board has a fiduciary duty to represent both the public’s and the institution’s interest. But because these interests are often ill-defined, boards delegate aspects of this authority to other parties. Nevertheless, the board’s primacy suggests that reviewing the governing board policies is a vital aspect to understanding governance. This suggests the following hypothesis:

**HYPOTHESIS 1.** Mechanisms that allocate board power to internal stakeholders will result in decisions that are favorable to faculty while those that allocate power to external stakeholders will yield decisions less favorable to faculty.

The decisions that confront an institution at any given time can be broad and varied. Colleges and universities confront issues involving academic matters, financial planning and policy, and routine operations. Boards rarely retain authority and management responsibility over all of these areas. When boards delegate their authority to other stakeholders they have several options: they can decide which parties will have power over what areas, and they can also decide how formal that authority will be.

Regarding the first option, the assignment of authority over a particular area entails the allocation of power and, if actors pursue their interests, should yield outcomes favorable to those parties—or at least reflective of their interests and values. When administrators and boards guard their authority tightly, they help to move the institution in a direction far different from what might result if faculty were awarded more power. This suggests a second hypothesis:

**HYPOTHESIS 2.** From a faculty perspective, more favorable outcomes in certain decisions will result when there is greater participation than when there is more limited involvement.

Faculty participation, however, can take a variety of forms. Faculty can go about their jobs without formal day-to-day authority, intervening only when the party designated to decide a matter is perceived to overstep its bounds. When the designation of faculty authority is more formal and specific, the resulting structures elevate faculty power by creating procedural channels that must be followed, as well as by creating legally enforceable expectations about privileges and responsibilities (Weeks and Davis, 1982). Faculty power can become routinized and institutionalized, leading to an altered perception of who should be consulted on matters and whose opinions will count. This suggests a final hypothesis:

**HYPOTHESIS 3.** More favorable outcomes for faculty will result from formalized systems of faculty influence in governance than from decision-making systems that devalue formal faculty participation.
Data and Methods

My analysis used data that combined a national survey of governance structures with financial surveys compiled by the U.S. Department of Education (Computer-Aided Science Policy Analysis and Research (CASPAR), 1999; Kaplan, 2002a and 2002b). The former survey, the 2001 Survey of Higher Education Governance, was an effort to revisit and replicate earlier studies of governance while at the same time using contemporary work to formulate research questions that would shed light on current implementations of academic governance. The comprehensive data set that emerged from combining the governance survey with the Department of Education financial data allowed me to assess the correlation between the assignment of decision-making authority and the distribution of benefits such assignments produced.

**Independent Variables.** I used two econometric models that allowed me to control for institutional characteristics that could account for variation in higher education outcomes—characteristics such as the institution’s mission, its public or private status, its possession (or lack of) a medical school, its selectivity, its insulation or dependence on the market, and the extent to which it was affected by regional differences. As experimental or control variables, the analysis focused on a large number of variables that record particular institutional features of the governance structure. Rather than discussing each variable here, I will analyze them within the context of the discussion regarding the results from each model.

**Dependent Variables.** In terms of dependent variables I focused on a number of institutional outcomes that are of interest to many observers of higher education, addressing in particular three areas: the president, finances, and strategic decisions.

**The President.** The survey provided data about the number of presidents each institution has had since 1970. Absent a more valid measure of institutional stability, this statistic provides an indication of the decision-making environment’s volatility at a given institution and helps anticipate the possibility of gridlock among administrative and faculty stakeholders. The survey also recorded current presidents’ professional backgrounds. Presidents who have a background in business or the military are often hired to import a different, more hierarchical ethic to the institution, while proponents of shared governance and faculty have traditionally favored leaders with a background in academia. Hence, the decision to hire a president with one background versus another can reveal stakeholder influence.

**Institutional Finance.** Few topics in higher education today draw as much attention and controversy as issues of finance (Selingo, 2003). Institutions are caught between the desires of parents, the public, and elected officials on the one hand (all of whom wish to keep operating costs and tuition low), and on the other, the aspirations of faculty for more resources and improved financial rewards. The analysis used two measures of financial
status—average faculty salaries and expenditures per student—to assess the role of governance in shaping institutional outcomes. Schools that spend more per student provide amenities with obvious rewards for faculty. Higher wages should also be seen as desirable.

*Strategic Policy Decisions.* From time to time institutions must decide whether to adopt the latest managerial innovations or change organizational routines. The survey data allowed me to assess the governance structures’ relationship to decisions regarding program closure, adopting merit pay policies, or setting faculty teaching loads. Faculty with power should be interested in preventing the closure of programs and departments. Programs for competitive distribution of cost-of-living adjustments are viewed with hostility by unionized educators, and we might presume that faculty might be no different. And, all other things being equal, faculty should prefer lighter teaching loads. If governance structures significantly differ in the way they allocate power to stakeholders, then they might be expected to shape decisions in these matters.

**Results**

The results from the statistical models I ran provided only weak support at best for some kind of effect between the kinds of governance structures adopted and the results observed on campuses. The following three sections explain these findings with respect to the three preliminary hypotheses.

*Board Policies.* Theories about effective board practices suggest a number of independent variables to explore how board structures influence outcomes in higher education. For instance, research on corporate governance has argued for limitations on board size in order to render board processes more coherent and effective. Boards that meet more frequently are better able to monitor their managerial agents. Research has called for excluding internal stakeholders such as employees from board membership so that boards do not neglect their fiduciary duties in favor of a particular group. Properly insulated boards, then, are expected to select their own members and preserve their disinterested position. Self-perpetuating boards are likely to be more homogeneous and consistent. Members selected by the governor are likely to be more attuned to public sensibilities; that is, these members are likely to push an institution away from academic norms and toward those more common among the general populace. My analysis, therefore, encompassed the rules surrounding governing board composition, board size, meeting frequency, selection mechanisms, and faculty, student, and administrator representation.

None of the board policies were associated with greater turnover in executive leadership. Nor were they associated with either an increase or reduction in teaching loads. Vesting internal stakeholders with a role in board selection increased the likelihood of an academic president at the helm and reduced the likelihood of program closure, but this was the only
board policy that had any significant effect on these decisions. None of the other aspects of board composition—including faculty participation in board activities—seemed to matter.

Larger boards were associated with a modest increase in faculty salaries, but faculty membership on the board was associated with lower salaries. None of the other practices had any significant relationship to wages. Only in the area of total expenditures were board practices noteworthy, and here again the direction of these effects went against expectations. Self-perpetuating boards tended to spend more money, not less, than boards appointed by external agents and boards selected by internal stakeholders. Student membership on the board was associated with higher expenditures and operating costs, while faculty membership was associated with lower expenditures. This suggests that faculty membership may be used as a remuneration strategy to compensate faculty who are likely to experience lower levels of pay and fewer professional amenities.

Apart from these findings, the most significant result was how few of the variables proved to be significant in the models. Out of nine econometric models, three indicated that only one board policy was significant in its effects, and two indicated that no characteristics were significant in shaping outcomes. Even in the area of expenditures, more than half of the board practice variables had little effect on outcomes.

The Allocation of Influence and Authority. The new governance survey drew questions from its thirty-year-old predecessor; the older survey had broken faculty influence into five categories, asking respondents to use these categories to classify faculty participation in fifteen decision-making areas (American Association of University Professors, 1971). Both surveys indicated that faculties tend to have significant responsibility for academic and appointment matters, and that they tend to be less involved in matters of financial and institutional planning. And the responses to the survey questions tended to be uniform across the educational sector, regardless of size, ownership form, and even mission.

Using those responses, the analysis assessed the relationship between the fraction of faculty with significant influence in a given area and the outcomes surrounding the presidency, institutional finance, and strategic planning. The findings suggested that faculty participation and influence in governance was only modestly related to institutional outcomes. The proportion of faculty participation in all examined areas had no relationship to the likelihood of program closure or of a president with a background in academia. In five other models, there was only one area in which faculty involvement proved to affect outcomes. Greater faculty participation in appointments was associated with an increased likelihood that the institution adopted merit pay policies. Greater faculty involvement in decisions about construction was associated with lower levels of per-student expenditures. Faculty involvement in the appointments of deans was correlated with lower rather than higher faculty salaries—although this effect
was limited. Despite the perception that faculty would be inclined to push for institutional expansion, the evidence here supports the notion that faculty interests may lie in other areas.

Unsurprisingly, perhaps, faculty participation in setting average teaching loads was associated with lower teaching loads. However, this was the only decision area in which faculty involvement appeared to affect teaching loads. Only with respect to the issue of faculty salaries did faculty participation in several decision-making areas appear to be important. Faculty involvement in faculty appointments was positively associated with faculty salary levels. Faculty involvement in setting salary scales appeared to be associated with higher faculty salaries. Nevertheless, these effects remained quite small. Overall, the effects from involving faculty in decision-making areas around academics, finance, and operations were rather modest.

**Institutional Practices of Shared Governance.** A third set of evaluative models examined the role formal and informal structures played in enabling faculty to participate in governance. One set of variables recorded whether the locus of faculty authority was at the departmental level, the division level (such as college or school), the institution-wide level, or the union level. The level at which faculty influence operates may indicate the degree to which decisions are decentralized. If Massy and Zemsky (1997) are correct, decentralization of decision making at the departmental level is one of the mechanisms responsible for ratcheting up costs. Another set of variables recorded whether the institution had a faculty senate, a campus senate for its stakeholders, full meetings of the faculty, or divisional units of governance. Responses in this area provide an indication of the formality of faculty governance and the weight of faculty voices relative to those of other participants. Formal decision-making structures might be expected to be more facile and less parochial in nature, while those with a broader range of participants might be less focused on faculty-specific concerns.

A third set of variables assessed the administration’s role in the faculty governance body, since defenders of shared governance argue that administrative participation can potentially inhibit faculty expression (AAUP, 1995). Finally, the models employed variables that recorded how survey respondents characterized the faculty’s role in governance. Respondents could characterize faculty as playing an advisory role, a policy-influencing role, or a direct policymaking role. Once again, in six of the models, only one measure proved to be significantly related to an outcome. The level at which faculty most directly influenced an institution’s governance—department, division, campus, or union—proved to be insignificant in all of the models. The number of presidents in the last thirty years was unrelated to all of the factors that captured the formality of faculty governance. Full faculty meetings were associated with lower faculty salary levels, while academic senates were associated with lower expenditures. In governance bodies that operated at the division level, it was less likely that the president came from academia and more likely that a school adopted merit pay. The
only results that fit neatly with the expectations of the rationalist hypothe-
ses were in the area of decisions about teaching loads and program closures. The latter were more likely if the faculty role in governance was weaker. Closures were least likely when faculty played a direct role in policymak-
ing. An academic senate was associated with lower teaching loads. However, if the president had authority to chair the faculty governance body, this also was associated with a reduced teaching load. Despite the fears of some that administrative participation in governance weakens faculty voice, the find-
ings here appear to suggest otherwise. In no case was administrative par-
ticipation in governance associated with outcomes faculty might view less favorably.

Once again, the most striking results from this analysis echoed the ear-
lier findings. Few of the variables proved to be significantly associated with the outcomes measured here. Of the variables tested, roughly 87 percent proved to be insignificant.

**Discussion**

The findings from this study demonstrate only a moderate relationship between institutional decisions and the assignment of authority for those decisions. Faculties with significant authority appeared to be no more likely than administrators with significant authority to make self-interested deci-
sions. The research also found little relationship between governance struc-
tures—such as faculty senates, academic senates, faculty advisory councils, and others—and the decisions that institutions subsequently implemented. Salaries, teaching loads, financial health, and expenditures appeared to have only a small correlation with structures of governance and the relative influence of parties. But the scope and consistency of these effects was slight. If faculty influence over policy had only a small effect on outcomes, faculty par-
ticipation on the board was associated with lower wages and expenditures.

Two major points seem clear from this analysis. First, structures of governance do not appear to account, in a significant way, for variance in outcomes among institutions of higher education. Second, where effects could be observed, they often ran counter to predictions based both on the self-interested behavior and conflicting interests of all groups, and on models of adversarial relations among faculty, boards, and administrators. For instance, where faculty control could be observed, it was related to lower wages and expenditures and higher teaching loads. Administrative influ-
ence—such as giving a president voting rights on the board—was associ-
ated with higher levels of expenditures. Self-perpetuating boards may have been more favorably disposed to merit pay programs but they were also associated with higher expenditure levels.

These findings suggest several possibilities. First, explicit forms of gov-
ernance may not matter that much. Despite our current preoccupation with getting structures of governance right, the rewards for altering structure are
not likely to be as radical as models developed in political economy would suggest. Our concern for and focus on governance structures may be misplaced, or at least overemphasized.

Second, outcomes in higher education may be more significantly related to factors beyond structural arrangements. Resource dependency theory suggests that it is the composition of external resources that matters here. Resource flows may lead to a divergence between explicit authority (that is, the vested right to make a decision), and actual power (the ability to influence the decision taken) (Pfeffer and Salancik, 1978).

Another possibility is that cultural conditions specific to a campus may trump structural arrangements. Gumport’s work on retrenchment (1993) highlights the idea that governance may or may not be important in outcomes. In her analysis, the governance structure mattered on one campus where faculty were able to use governance structures to voice opinion and influence outcomes. But on another campus, the governance structure was not used as a vehicle for redressing grievances about program termination and department closures. Because faculty and administrators on this second campus were not uniformly opposed to each other, faculty in one area of a school could side with the administration rather than with the colleagues whose programs were threatened. Gumport’s study showed that the fault lines were not between faculty and administrators, but between those aligned with national science policy, who possessed political power—and connections to resources—and those who were not so aligned.

What seems clear is that mechanisms of governance by themselves do not necessarily empower one group to bend the institution toward purposes that are uniformly held across that group. Faculty interests and views are likely to be as diverse among themselves as they are between faculty and administrators. Similarly, administrators and administrative interests are not more likely to be uniformly oriented toward budget containment, efficiency, and cost minimization. In other words, instead of trying to understand the effects of these groups individually, a more useful focus of research, policy analysis, and implementation might be on process writ large. The implicit understandings shared by parties in governance animate and give life to the structures of decision making. Where faculty, boards, and administrators all share the same values, institutions are likely to pursue the same policies regardless of who wields the greatest power. It is not, then, structures such as the faculty senate that give voice to the faculty. Rather, it is a commitment on the part of administrators and boards to hear the voice of the faculty. When values are not aligned, then the board may assert its prerogatives regardless of faculty sentiment, ignoring the structures that give voice to faculty sentiments.

None of the variables collected in the survey provide an accurate assessment of institutional values, norms, and commitments to particular traditions and processes. It is not possible, therefore, to corroborate the above suggestion. However, the failure to corroborate our expectations regarding
the role of structures suggests that a more fruitful avenue for future research on governance would be to explore the processes by which institutions engage the structures that they have in place. My hunch is that the guiding force in the implementation of shared governance is institutional culture, along with the geniality or hostility of the surrounding environment.

References


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