



2017 Annual Report

AGB ASSOCIATION OF
GOVERNING BOARDS
OF UNIVERSITIES AND COLLEGES

“We remain firm in our belief that American higher education is one of our nation’s most vital forces, if not the most vital force, for advancing society and the common good. This bright promise still holds, even if it has dimmed in the turbulence of the times. It is our obligation to **illuminate** it again for the world to see.”

—David W. Miles
—Richard D. Legon

The moment is upon us. After decades of advancements in knowledge nearly unparalleled in human history, of global intellectual and social leadership, and of growth in enrollment and infrastructure, American higher education today faces rising tides of cynicism and skepticism that are eroding the stature of what was once an unquestioned public good. The environment we now inhabit reflects the widening gulf between higher education’s value proposition and public opinion.

In this, we are not unlike other societal institutions whose traditions and authority are being challenged by rapid economic, political, cultural, and technological change. Our sector is struggling to assert its value proposition, to reimagine the way education is delivered, and to redefine its commitment to access and inclusion for all who seek higher learning and the benefits that accrue to self and to community.

For nearly a century, AGB’s fundamental commitment has been to the attainment and success of students. We do this by elevating the unique model of board governance in the United States—women and men, many from outside of the academy, who assume the responsibilities of leadership. In their fiduciary roles of care, loyalty, and obedience, trustees serve more than their institutions and systems. They also are advocates of a much broader platform for the public trust in higher education.

AGB sees the potential in the nation’s 40,000 volunteer trustees to invigorate and recast the promise of higher education, and is working on multiple fronts to inspire and provoke them to enhance the value of their service to their institutions and to the sector writ large. We are

in the midst of one of the most ambitious public service projects in our history, The Guardians Initiative™: Reclaiming the Public Trust, a national advocacy campaign to engage governing board members in lending their collective voice for higher education and to change the tone and substance of the public conversation. A stellar group of nationally prominent corporate and government leaders, who themselves serve as trustees and provide insight and leadership to the campaign, have coalesced around the project.

We also continue to address topical issues through publications and educational programming. *The 21st-Century Presidency: A Call to Enterprise Leadership* is the most recent of our reports about the challenges facing chief executives today, offering guidance for boards and presidents alike to embrace change and work as partners. This past year also brought the release of our *Board of Directors’ Statement on Campus Climate, Inclusion, and Civility*, which led us to publish *Freedom of Speech on Campus: Guidelines for Governing Boards and Institutional Leaders*.

This report tells the story of our continuing work in advocacy, leadership, and innovation—endeavors that aptly capture our aspirations for higher education governance and the individuals who have committed their energy, intellect, and experience to the public good. The moment has indeed arrived for renewal. We remain firm in our belief that American higher education is one of our nation’s most vital forces, if not the most vital force, for advancing society and the common good. This bright promise still holds, even if it has dimmed in the turbulence of the times. It is our obligation to illuminate it again for the world to see.

David W. Miles
Chair, Board of Directors

Richard D. Legon
President

Advocacy

JOHN LUND / GETTY IMAGES

40,000 Trustees, One Voice

The Guardians Initiative equips board members to be more visible and vocal champions of higher education's value.

Ellen Stofan is no stranger to the question: Why does college cost so much?

Stofan is former chief scientist at NASA, co-chair of the World Economic Forum's Council on the Future of Space Technologies, a former trustee at the College of William and Mary—and the parent of two former college students and one current one. When she talks with other parents, she often hears concern, and lately, skepticism.

“People are worried about the cost and they're also asking, ‘Is it worth it?’” she says. “As a parent, I understand the sticker shock. But as a trustee and an academic, I think it's important to step back and say, ‘That's not the whole story.’”

Stofan recently joined AGB's Guardians Leadership Group, an advisory group that's part of the broader Guardians Initiative. The initiative's goal: to engage the 40,000 college and university trustees across the country to be outspoken champions of higher education and its value proposition.

“Right now, you have college presidents, faculty, and higher education advocates out there making the case for higher education,” Stofan says. “Let's get trustees out there as well. We have a unique perspective to offer.”

Guardians of a Great Trust

The initiative launched in April 2017 and takes its name from the late Clark Kerr, former president of the University of California, who described college and university trustees as “guardians of a great trust.” AGB developed it in response to increasing skepticism about the value of higher education.

Burdensome student loan debt, media reports about coddled students, and a tough job market paint a less than appealing picture of what parents will get for their money

“Let's have more than just academics making the case for academia.”

as they weigh the financial costs of sending their kids to college.

Coupled with public policy threats including state disinvestment in public education and proposed federal tax regulations that may affect charitable deductions, endowments, and deductions on student loans, the higher education sector found itself in 2017 in the unaccustomed role of defending what was once an unquestioned societal good.

A conversation is in motion, and a narrative has taken shape. With the Guardians Initiative, AGB wants to be sure trustees are vocal participants in that conversation, offering facts to temper the fear.

“Trustees are generally people of power and influence in their communities,”

says Kevin Reilly, senior fellow at AGB and president emeritus of the University of Wisconsin System.

“What if we gave them information to support some of the really big issues affecting higher education and marshal their energies? Instead of limiting their focus to their own institutions, what if we looked at trustees as a unified group who can speak with one voice about higher education? That's something we've never done before, and it's really exciting.”

Recognizing a broader role for trustees is just the first step. The Guardians Initiative is developing a range of communication tools to help trustees be effective storytellers.

The initiative already has released the first two in a series of research-rich white papers, which explore some of the most fundamental challenges confronting higher education today and offer facts to seed a more constructive discussion. The first paper focuses on the business model

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On the Issues

AGB advises policymakers and trustees across the country through published reports and documents that outline AGB positions on key topics. Documents published in the past year include:

- *Top Public Policy Issues for Higher Education 2017-18*
- Letter from AGB President Richard D. Legon to congressional offices on FY 2018 budget
- 2016 State Governance Action Report
- Sunshine Laws in Higher Education
- AGB Public Policy Agenda for the 115th Congress



of higher education, including facts about the prevailing financial model and its challenges. The second explores the return on investment of an undergraduate degree.

Other tools include sample op-eds on pressing issues, talking points to embed in speeches and presentations, the *Higher Education Nation* podcast, a website (agb.org/guardians), and a Twitter account to build community and promote efforts of individual campuses (@AGBGuardians).

The initiative gives trustees compelling data points and facts they can use to fill in gaps and add real-world depth to the ongoing conversation about higher education. Stofan says it also gives trustees opportunities to bring their own experiences to bear, creating entry points to share observations from their time on campuses across the country.

“Universities are teaching our kids more than skills,” Stofan says. “They’re teaching them how to deal with a changing world, how to think critically, how to formulate ideas, how to work in teams, how to solve problems. These are skills kids need to succeed, especially in this world that’s changing so rapidly.”

Although the Guardians Initiative was developed to counter growing doubts about higher education’s value, its intent is not to put trustees on the defensive. Rather than fuel divisiveness, it’s designed to defuse it, using the influential voices of trustees to help people see that higher education pays off for more than the individual—it has fundamental value for society.

As the initiative’s first two briefs note, leading economists assert that higher education has enormous benefits to society as a whole. College graduates enjoy individual benefits like living healthier, longer lives and earning more income. But they also use their skills to foster democracy and human rights and advance technology. In addition, having more college graduates in a society reduces economic inequality and lowers the costs of welfare, medical services, and prison incarceration.

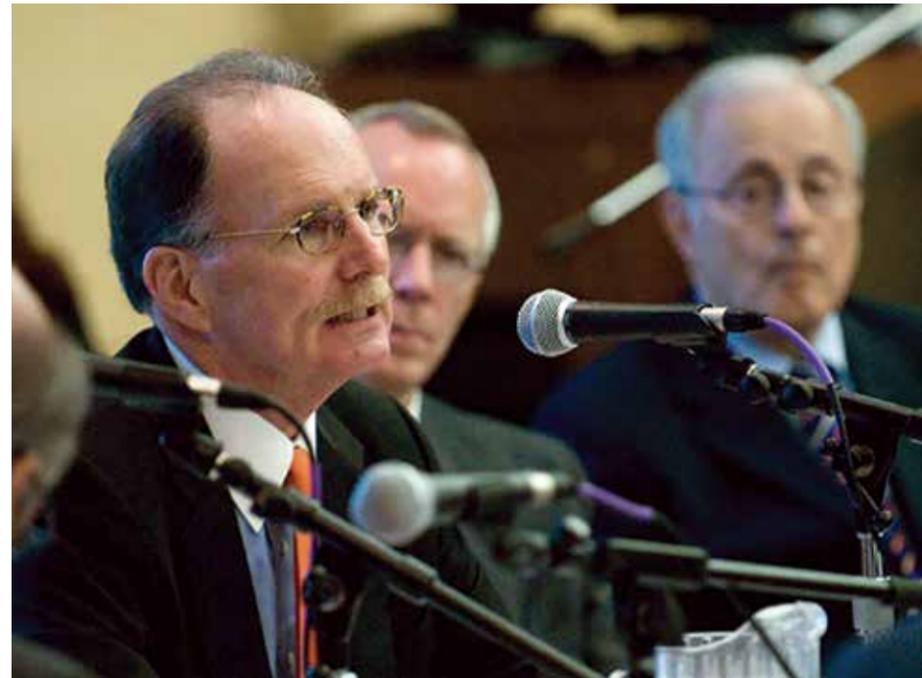
“Trustees sit on the border between institutions and the general public,” says Reilly. “They can acknowledge

the real challenges and talk about how we’re working on them while emphasizing that we can’t lose sight of the value of this enterprise for the whole country.”

Stofan agrees and points to the real experiences students are having on college and university campuses today. They’re working in groups with people from different backgrounds every day, she says, and they’re having civil, respectful discussions with people of different points of view. These, she says, are the skills we need in the nation’s future government, corporate, and academic leaders, and trustees are in a unique position to drive the point home.

“Let’s have more than just academics making the case for academia,” she says. “Let’s have people from the business community and from multiple professions coming forward and saying, there’s a value proposition here. These institutions are critical for moving this country forward. They’re critical for maintaining economic strength and advancing innovation. Trustees are an important voice in the conversation.” ■

Senior Fellow Kevin Reilly is leading AGB’s advocacy efforts through the Guardians Initiative.



“Trustees are an important voice in the conversation.”

Eyes on Education Policy

AGB doubled down on its advocacy efforts in the past year with more aggressive engagement of its board members and the establishment of a full-time office for public policy and government relations to address both federal and state policy affecting higher education.

“If we’re asking governing board members to take a stand on behalf of higher education, then AGB also needs to be certain it is doing its part to advocate for the sector,” said AGB President Richard D. Legon. “It is imperative that we raise our voice in Washington and in state houses across the nation.”

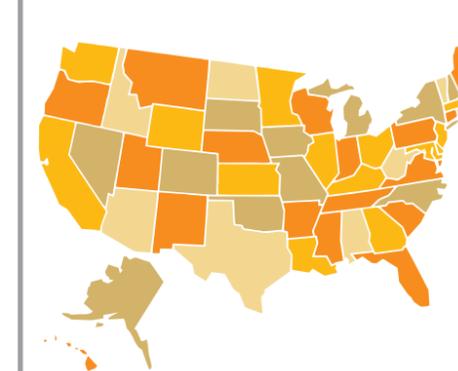
The strategies include taking a more aggressive approach to building awareness among policymakers of the value of higher education, the importance of the role of trustees, and the impact policies have on colleges and universities across the country.

AGB also continued its work to educate policymakers, institutional leaders, and trustees through a variety of channels, including blog posts, articles in *Trusteeship* magazine, in-person meetings, informational alerts, and focused reports. ■

Media Attention

Over the past year, dozens of news stories cited AGB or quoted AGB representatives on issues ranging from campus security and free speech to college affordability and the value proposition of higher education. Among the news outlets that featured AGB’s perspectives were *The New York Times*, *The Washington Post*, *Associated Press*, *The Chronicle of Higher Education*, *Inside Higher Ed*, *Diverse Issues in Higher Education*, and *Rewire*.

Focus on State-level Issues



- The value proposition of a postsecondary degree or credential
- State higher education structures and master plans for higher education
- Public funding
- Student aid programs: investment and affordability
- Campus safety
- Free speech
- Campus climate
- Open record and open meeting laws
- Governing board autonomy

“It is imperative that we raise our voice in Washington and in state houses across the nation.”

Championing Higher Education

A new administration in Washington and increased scrutiny at the state level intensified fading public confidence in the value of a four-year degree and sparked a whirlwind of advocacy activity in 2017. From deferred action for childhood arrivals (DACA), tax reform, and reauthorization of the Higher Education Act to student aid programs, free speech, and governing board autonomy, AGB sharpened its focus on public policy at both the federal and state levels.

Remaining steadfast in its belief in DACA, the association issued a statement in response to the president’s decision to rescind the program. “The roughly 800,000 individuals who have registered under this policy have passed rigorous tests and are already working and serving the communities in which they live,” AGB said. “These are hardworking, bright, young people—embodying traditional American values.” In addition, AGB President Richard D. Legon joined association board officers in signing letters to both President Trump and congressional leaders, urging them to find a permanent solution. To strengthen the effort, AGB encouraged institution board members to engage with their members of Congress to ensure swift, bipartisan support for legislation protecting the affected students and ensuring the viability of the program.

On the tax front, strong, targeted advocacy—bolstered by higher education institutions rallying their employees and supporters—helped prevent many of the most punitive provisions of the House and Senate bills from being included in the final Tax Cuts and Jobs Act that the president signed into law. However, several problematic tax changes for higher education survived the conference committee and are part of the new law. Among the provisions are limiting state and local tax deductions to \$10,000 and doubling the standard deduction—dampening

the impact on fundraising. In addition, the law imposes an endowment excise tax on private colleges and universities with 500 students or more and assets of at least \$500,000 per full-time student. AGB continues to watch for proposals to tax the endowments of a larger number of institutions.

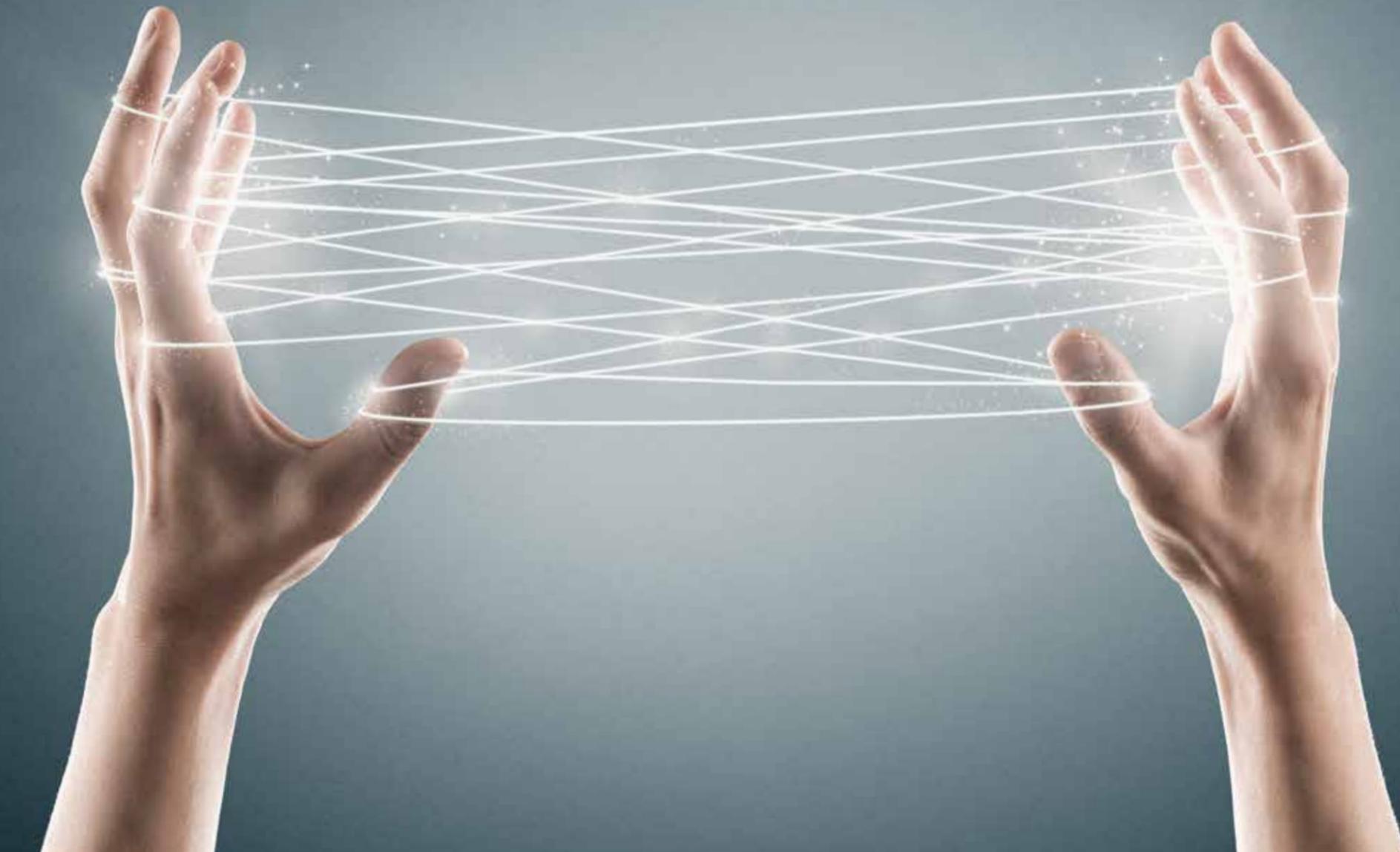
As ongoing policy debates shape the future of higher education, AGB will continue to work with its member institutions to rebuild trust in the central value proposition of postsecondary education. ■



LEARN MORE

about the Guardians Initiative at agb.org/guardians

Innovation



Creativity, Culture, and Commitment

With increasing costs and pressure on revenue, leaders in higher education look to spark innovation.

For the vast majority of colleges and universities, tuition payments remain the leading source of revenue to support operations, and for many years, steady annual increases in tuition could reliably fund growth in academic programs, student services, and facility improvements.

Today, that's no longer the case. There are fewer college-aged students overall. The cost of operating a college or university continues to rise as institutions add new academic programs and course offerings to meet new demands and keep pace with change. And while colleges and universities have taken measures to control costs, the numbers still don't pencil out.

As chief executives and board members seek new and creative ways to decrease costs and raise revenue, AGB's Board of Directors entered the arena with a "Statement on Innovation," which promotes "a culture... that prizes and rewards creative thinking. It empowers constituents—staff, faculty, administration, students, and community members—to think creatively about solutions and to implement them."

To aid this creative thinking, AGB also released an online toolkit for innovation (agb.orb/innovation), which includes everything from a practical checklist to hands-on resources for trustees. Case studies allow board members to see exactly how a variety of institutions, large and small, public and private, have approached ongoing challenges.

The board statement further encourages institutions to establish both a commitment to and culture of innovation, beginning with an understanding that "the status quo is no longer sufficient for continued viability."

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“Whatever path an institution takes, understanding the need for innovation and committing to the process should lead the way.”

—from “AGB Board of Directors’ Statement on Innovation”

AGB Consulting: Meeting the Challenges of the 21st Century

AGB Consulting served 166 institutions in FY 2017, an increase of 20 institutions over FY 2016. Services have grown in depth and complexity, far beyond its core work in helping boards understand their roles and responsibilities, their fiduciary duties, and the relationship between the board and the administration. As the consulting arm of AGB, the practice helps build stronger, more effective boards for the 21st century, with services ranging from diagnostic governance reviews and enhancing shared governance to leadership coaching.

“It was especially satisfying to work with several institutions in two states to establish brand-new boards, orient new members, and create good governance documents, policies, and practices,” said Merrill Schwartz, senior vice president for AGB Consulting. “The culture they established for their boards and expectations they set for board members set the tone for relationships throughout each of these universities.”

Themes that emerged from the year's engagements include:

Becoming “consequential”

In today's tough higher education environment, no institution can afford to have a disengaged board. AGB Consulting worked with boards to help elevate their capabilities out of the tactical weeds and into a more strategic mode of thinking. The result: Board members came away with a clear understanding of their fiduciary responsibilities and learned how they can add value by focusing on decisions related to scarce resources and future investment.

Strengthening value

University and college presidents face increasing pressure to get more value out of limited resources across their institutions. AGB Consulting helped its clients meet the challenge and, in the process, build support and goodwill among faculty and staff.

Responding to campus activism

As student demographics have changed, so has student activism for equity and inclusion on campus. Student activists want to be heard, and they're able to amplify their voices as never before. AGB Consulting is working with institutions facing demonstrations and occupations on campus to find solutions that work. A valuable resource is AGB's recently released *Board of Directors' Statement on Governing Board Accountability for Campus Climate, Inclusion, and Civility*, including leadership recommendations and a reaffirmation of higher education's core values: diversity, inclusion, and freedom of expression. A related paper, *Freedom of Speech on Campus*, provides guidelines for governing boards and institutional leaders.

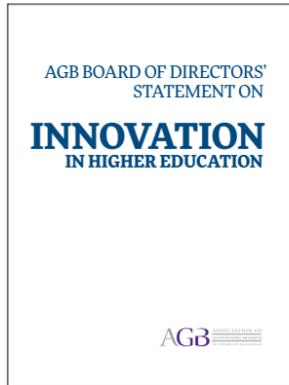
The statement presents six principles:

- Innovation in higher education requires a focus on current and long-term priorities and aspirations.
- Innovation depends on an active commitment to building and sustaining a culture of institutional collaboration.
- In fostering a culture of innovation, the governing board should be clear in its support for presidential leadership.
- Innovation requires a governing board's readiness for change, a willingness to accept and monitor risk, and a structure that ensures proper oversight and participation in innovation.
- Innovation requires a sufficient commitment of resources.
- Successful innovation demands the governing board's attention to the strategic role of technology.

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 REGISTER FOR

AGB workshops and other events at agb.org/events



Beyond Survival: Smart Strategies for Small Colleges

Small colleges play an essential role in America's higher education landscape. They offer rigorous liberal-arts education, close-knit academic communities, and the kind of personalized experience that can be hard to find on larger campuses.

But in many ways, they're more vulnerable to the challenges their larger counterparts are reckoning with: declining enrollment, increasing costs, and widespread skepticism about the value of a college education in general, and a liberal-arts and sciences education in particular.

"The imperative for most campuses is to adapt to the changed environment by adapting a business and educational model that reflects emerging realities," writes Mary Marcy, president of Dominican University. "For most, this will require institutional transformation."

In *The Small College Imperative*, *From Survival to*

Transformation, the first of two papers dedicated to the distinctive needs of America's private colleges and universities, Marcy urges small colleges and universities to think beyond short-term tactics such as hiring freezes, reliance on adjunct faculty, and outsourced nonfaculty positions. These quick fixes aren't enough to keep an institution financially solvent—much less relevant—in an era of shifting demographics and priorities.

Instead, Marcy calls for making fundamental changes to the way colleges operate to ensure their sustainability for the long term. She defines sustainability as a three-pronged goal that involves financial stability as well as sustainability of mission and educational quality.

In the white paper, she explores how small colleges and universities across the country have developed new approaches to their support systems, course offerings, and educational focus. In the process, they've created a range of business models for other small institutions to



NBK/THINKSTOCK

consider as they navigate a changing landscape.

Complementing Marcy's insights, the second white paper shares lessons learned from innovative efforts at the University of Charleston over almost 30 years. *Embedded Creativity: Building a Culture of Innovation*, written by Edwin H. Welch, the university's president, points out that many private colleges and

universities are held back by their own culture and history as they confront the headwinds of today's higher education environment.

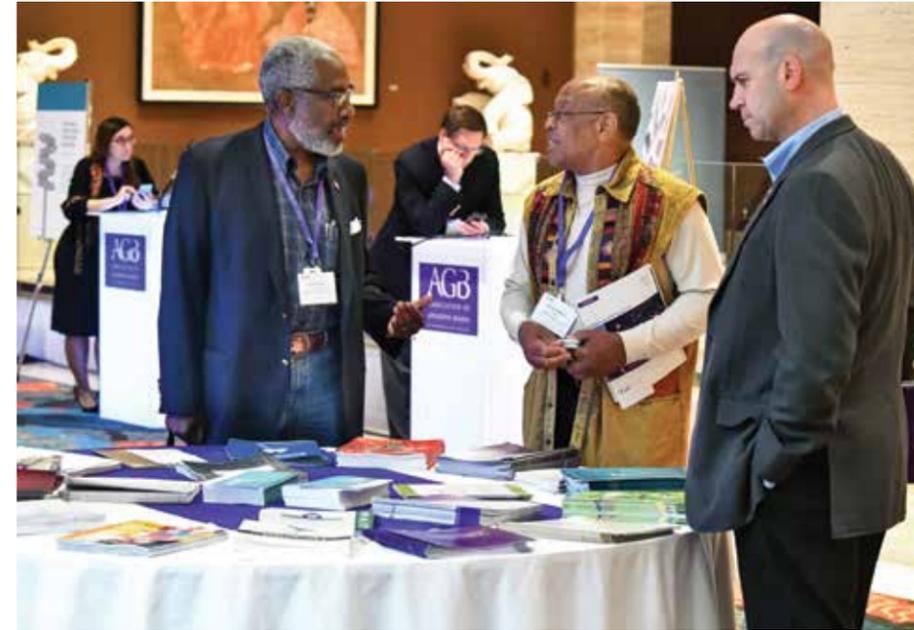
"Changing that culture is the biggest hurdle for any institution seeking to adjust, grow, and innovate," Welch writes. "Each institution, nevertheless, has the option to change its condition, its actions, and its operational course."



DOWNLOAD

The Small College Imperative at agb.org/imperative

Embedded Creativity: Building a Culture of Innovation at agb.org/creativity



More than 1,000 higher education leaders gathered in Dallas for the 94th annual National Conference on Trusteeship in April. Trustees, board members, presidents, chancellors, and other higher education leaders discussed the critical issues facing higher education, and the consequential role of governing boards in responding to these challenges and opportunities.

The opening plenary at the National Conference on Trusteeship in April addressed the meaning and practice of innovation in higher education. Claudio Sanchez (left), education correspondent, National Public Radio, led a lively discussion that featured Rebecca Chopp, chancellor, University of Denver, and Angel L. Mendez, board member, Lafayette College, and member of the AGB board of directors, among other panelists.

AGB's efforts to address the business model found a strong complement in the work of AGB Institutional Strategies (AGBIS), a nonprofit consulting arm of AGB.

AGBIS focuses on key issues through hands-on events. For instance, AGBIS offered a February 2017 workshop in Los Angeles to help leaders push their thinking even further, extending the value of what colleges and universities offer today and creating entirely new revenue streams.

"New Business Models for Higher Education: A Focus on Prosperity in a Challenging Competitive Environment" examined the macro trends affecting higher education—the trends putting stress on their business models today. Participants walked away with strategies they could apply at their respective institutions.

"We talk through the business model, how it's not working, where we see growth and opportunities, and we ask institutions to see themselves within those opportunities," says Jim Hundrieser, AGBIS managing principal, who led the workshop. "We look at strategies that might be easy to implement, some that would take some work, and some that really feel like a stretch."

Hundrieser also led participants in a modeling exercise to understand the implementation costs and return on investment of such strategies. The workshop ended with case studies revealing how businesses in other industries, beyond higher education, have adjusted their models in the face of new challenges.

"My favorite part is when people start to envision possibilities they had never thought about and really start thinking seriously about what it would take to put them into action," says Hundrieser. ■



DOWNLOAD

the AGB Board of Directors' Statement on Innovation and access the toolkit at agb.org/innovation

Leadership

“AGB advocates the fundamental values and principles of higher education.”

Climate of Change

What part should trustees play in navigating change, freedom of speech and expression, and the volatile climate on campuses across the country?

Today’s college and university students demand a voice. More than consumers of higher education or residents of a campus, they see themselves as constituents with a critical role to play in shaping the character of an institution and framing what can and can’t happen on campus.

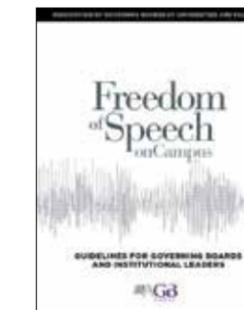
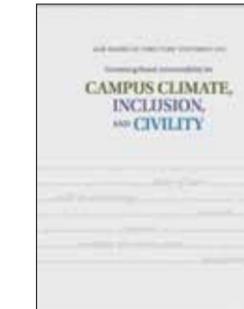
In demonstrations for equality and inclusivity; protests against policies deemed racist, sexist, or discriminatory; and explicit lists of demands for changes in policy and curriculum, students across the country are challenging campus leadership to change with—and sometimes catch up with—the times. The result is a campus climate in which the tension between inclusiveness and intolerance of opposing views can reach a fever pitch.

To help governing boards and chief executive officers navigate such volatile times, AGB published the *AGB Board of Directors’ Statement on Governing Board Accountability for Campus Climate, Inclusion, and Civility* and a related publication, *Freedom of Speech on Campus: Guidelines for Governing Boards and Institutional Leaders*.

The campus climate statement calls on boards to balance the mission and history of the campuses they serve with current campus community values and principles. As the statement acknowledges, “Institutions may need to come to terms with new realities, and while these situations are rarely easy, strong leadership is essential.”

The statement lays out values and principles boards should adhere to as they address issues of campus climate, diversity, inclusion, and civility. It also offers recommendations and discussion questions for boards to consider as they work to develop effective policies that uphold institutional missions, values, and responsibility for delivering quality education amid growing student concerns.

AGB advocates the fundamental values and principles of higher education, including institutional independence, academic freedom, diversity, inclusion, and freedom of expression.



To ensure the integrity of these values and principles, the board developed a set of recommendations for college and university leaders to implement. The recommendations range from ensuring CEOs have board support to act decisively, to encouraging board members to engage directly with the campus community.

Similarly, in *Freedom of Speech on Campus*, AGB addresses the polarizing subject of free speech on college campuses, responding to headline-making incidents over the past year. AGB offers a set of guidelines to help board members and institutional leadership unravel complex considerations such as the relationship between freedom of speech and academic freedom and the role governing boards should play in developing clear policies and modeling civil dialogue. The publication also includes guidance for how to have a productive discussion on the matter and practical questions for boards and presidents to work through together.

AGB’s publications put a fine point on the fundamental responsibilities of governing boards to the institutions they serve and, more broadly, to the institution of higher education itself. With the sets of recommendations and discussion questions, AGB offers guidance to help board members live up to their fiduciary duties of care to protect the assets they’re responsible for, loyalty to the institutions they serve, and obedience to comply with federal, state, and local laws.

For a more detailed look at AGB’s recommendations and discussion questions on campus climate, see agb.org/climate-statement. To read AGB’s guidelines for addressing freedom of speech on campus, see agb.org/free-speech-book.

Reimagining Leadership

AGB works on many fronts to help higher education institutions across the country face transformative and often turbulent new challenges. Over the past year, AGB has zeroed in on the ways leadership must evolve to tackle these new challenges through smart, strong governance. The following pages include just a few of the ways AGB is working to reimagine what it means to lead in higher education today.

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GARY LANDSMAN

AGB Board of Directors

AGB's 20-member governing board includes currently serving trustees and two university presidents from the nation's institutions, systems, and foundations boards. *From left:* David W. Miles, Drake University (chair); William E. Trueheart, Johnson and Wales University; Leo Lambert (public member); Shauna Ryder Diggs, University of Michigan; Mary K. Hughes, University of Alaska System and Willamette University (life trustee emerita); Jeffrey L. Humber Jr., Gallaudet University; Eric P. Blackhurst, Alma College; Nelson A. Carbonell, George Washington University; Monroe Miller, Johnson C. Smith University; Juliet V. Garcia (public member); Charles A. Shorter, City University of New York (vice chair); Eleanor V. Horne, The College of New Jersey; Joyce M. Roché, Dillard University (vice chair); Beverly Seay, University of Central Florida; Horacio A. Valeiras, Virginia Polytechnic Institute and State University; Angel L. Mendez, Lafayette College (secretary); Richard D. Legon (AGB president); Verne O. Sedlacek, Valparaiso University. *(Not pictured:* Karen W. Bearden, Kentucky State University; Kathleen A. Dore, University of Iowa Foundation; Diane Yu, Oberlin College.)

Shared Governance: More Essential Than Ever

In October 2017, the AGB Board of Directors released a new *Statement on Shared Governance*, including guidance for governing boards and institutional leaders. The statement revisits a critical but often misunderstood strategy for effective leadership: the division of responsibilities among governing boards, institutional leaders, and faculty. With the statement, AGB calls on board members to learn more about shared governance, actively promote its value, and help develop policies to support it. In a time when higher education institutions face evolving challenges and growing demands for accountability and transparency, AGB asserts that shared governance is more important than ever. Beyond a means of delegating and delineating responsibilities, it provides a road map for how the different groups of leaders within an institution can work together to support a common mission. Read the full statement at agb.org/shared-gov-statement.

Initiative on Strengthening HBCU Governance and Leadership

Historically black colleges and universities (HBCUs) make up less than 3 percent of higher education institutions in America, but they award more than 28 percent of baccalaureate degrees, 40 percent of the STEM degrees, and 60 percent of the engineering degrees earned by African-American students. They are also particularly vulnerable in this era of shrinking public and sometimes private investment in higher education. Funded by a grant from the Kresge Foundation, AGB's two-year initiative to address challenges and create positive change at HBCUs involved two phases: an initial phase to provide leadership and governance training for presidents and board chairs at almost two dozen institutions, and a second phase to provide select institutions with a year of comprehensive consulting services to enhance governance. In the white paper *Strengthening HBCU Governance and Leadership*, we report on key lessons learned during the initiative. We continue to support HBCUs through AGB Institutional Strategies and other arms of AGB. Read the report at agb.org/hbcu-report.

Institute for Board Chairs and Presidents

AGB's signature Institute for Board Chairs and Presidents of Independent Colleges and Universities, now in its 33rd year, brings chair-president teams together to deepen partnerships, uncover answers to emerging challenges, and collaborate on a focused agenda to help both the board and the institution make progress. A record 27 teams registered for the January Institute in Naples, Florida, and an additional 20 teams attended the June Institute in Aspen, Colorado.

Workshops for Strengthening Leadership

At AGB's November 2016 Strengthening Board Committees workshop in Boston, 139 attendees explored issues related to key standing board committees including academic affairs, student life, finance, governance, and a special track for participants interested in rethinking board committee structure. AGB President Richard D. Legon also led an additional half-day workshop modeled on the Institute for Board Chairs and Presidents. The workshop, titled "Developing Leadership for High-Performing Boards," included 30 board and institutional leaders representing 13 institutions.

Rising to the Challenge of the 21st-Century Presidency

The pace of change in the 21st century requires more than adaptation for the nation's colleges and universities. Keeping up simply isn't enough in the face of souring attitudes about college degrees, rising expectations, intense competition, and massive technological advances.

"The current environment for presidents is more dynamic, challenging, and threatening—yet full of potential—than at any time over the past 50 years or more," writes AGB Senior Fellow Terrence MacTaggart in the most recent AGB report on the presidency. Meeting those challenges and capitalizing on that potential requires redefining how institutional chief executives and boards work together to lead the way forward.

In *The 21st-Century Presidency: A Call to Enterprise Leadership*, MacTaggart argues that chief executives can no longer think of boards as another set of stakeholders to appease, and *continued on p. 14*





boards can't see chief executives as individuals to oversee. A president must act boldly and decisively to lead an organization through change, and a board must present a unified front in supporting executive decisions.

MacTaggart, former chancellor of the Minnesota and Maine university systems, calls on institutional leaders to take on the challenge of enterprise leadership, which he defines as "the vigorous exercise of authority in guiding an institution through a comprehensive adaptive process that positions it to prosper in a competitive, fast-changing environment."

To succeed, presidents must have a clear-eyed understanding of the dynamic challenges facing institutions today and an ever-evolving awareness of their implications. An eroding value proposition, divisive partisan politics on campus, emboldened student activists, paradigm-shifting technology such as social media and artificial intelligence—these aren't clear-cut challenges, and they don't come with easy solutions. Beyond an intellectual understanding of the challenges at hand, MacTaggart says enterprise leaders must be tough-minded realists with sophisticated interpersonal skills and courage.

And to make these presidents successful, boards must intensify efforts to collaborate. Board behaviors MacTaggart identifies as key to this collaboration include:

- Regular communications
- Full transparency
- Partnership with the president on a change agenda
- Clarity of expectations
- Demonstrations of public support for the president

On the flip side, boards must combine persistent involvement with restraint in not crossing the lines between strategy, policy, and management.

Achieving all of this requires hard work and a shift in mindset about what it takes to lead the modern college or university and what that leadership looks like in practice. The payoff, according to MacTaggart, goes beyond survival in an age of change; it's a leap forward for the nation's educational institutions and, as a result, for society at large. ■



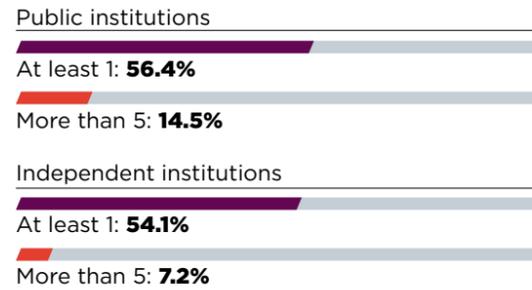
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The 21st-Century Presidency at agb.org/enterprise

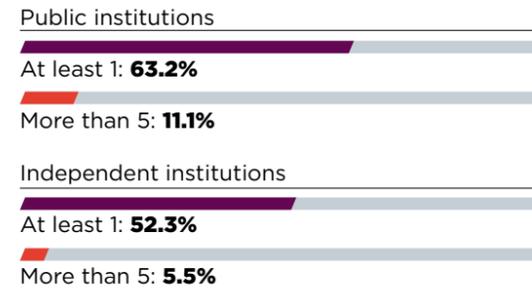
SURVEYING THE CLIMATE

Building on the *AGB Board of Directors' Statement on Governing Board Accountability for Campus Climate, Inclusion, and Civility*, AGB conducted a survey of college and university board members across the country to gauge engagement with campus climate issues. Here's a snapshot of findings from the more than 1,000 responses received.

1. Reports given to board on diversity-related harassment on campus in the past two years*



2. Reports given to board about protests regarding campus diversity and inclusion*

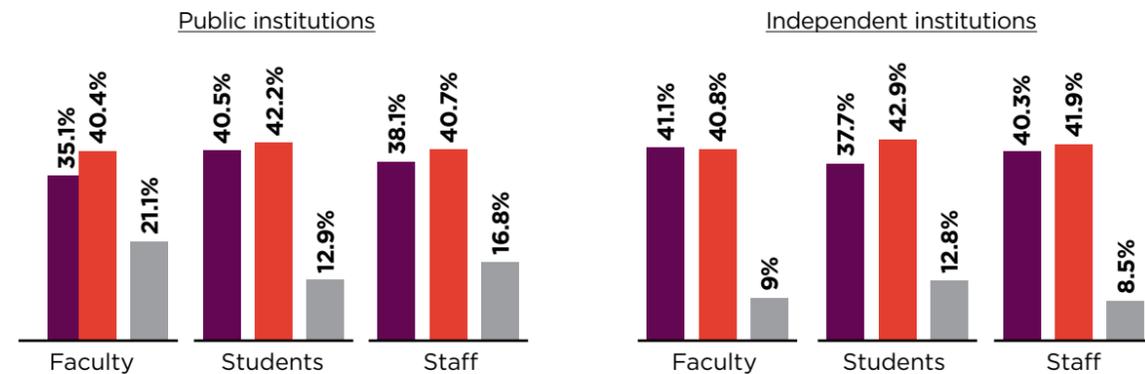


*Based on reports received by the board

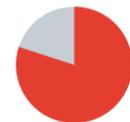
3. Nearly 70% of board members at public institutions and more than half of board members at independent institutions believe protests about campus diversity and inclusion are likely over the next two years.

4. Faculty, students, and campus staff are frequently, but not always, invited to attend and engage in board discussions about campus climate, diversity, and inclusion.

■ Always ■ Sometimes ■ Never



5. Are boards making policy changes to promote positive campus climates?



More than 80% of board members at public and independent institutions say their boards have made policy changes over the past two years to promote a positive campus climate.

Creative Solutions to Critical Challenges

The changing competitive landscape presents a serious challenge for colleges and universities across the country and, as a result, institutions are forced to address their long-term business models.

The greater the financial challenge, the higher the need for creativity and innovation in forging a sustainable business model. Revenue growth and diversification are required. This is more difficult than cutting expenses and requires an element of operational execution that may challenge the institution.

In October 2016, AGB Institutional Strategies (AGBIS), a nonprofit consulting arm of AGB, received a \$1 million grant from the Kresge Foundation to support business-modeling processes for four HBCU institutions. While HBCUs face the same problems as other universities—specifically, the change in competitive environment—historic patterns of underinvesting have added to their challenge.

"Among the areas we worked on with the HBCUs were developing and strengthening their operational procedures to address the changing demographics of transfer students and for the migration of students who seek to learn via digital delivery," says Rick Beyer, managing principal of AGBIS.

Beyer says 75 percent of college students today will attend two or more institutions before they graduate. But like most institutions, HBCUs' recruitment and operating processes tend to revolve around the needs of traditional high school students. Adult transfer students

expect a different experience, both before and after matriculation.

Similarly, when it comes to digital delivery, Beyer notes that about one-third of students seeking higher education have already experienced some form of digital curriculum. To meet their expectations and give them the modern experience they're looking for, colleges and universities need to do more than implement

new technology. They also need to update and revise internal policies, operational processes, and rhythms of service to support new delivery methods.

Beyer says AGBIS is currently in the implementation phase of its work with the HBCUs participating in the grant, helping them do the work of turning

strategies into action.

AGBIS completed a strategic plan earlier in 2017 and has already launched three new offerings:

- Transforming the fundraising process
- Developing new delivery models for higher education
- Advising on mergers and consolidations

"There's no one-size-fits-all strategy for colleges and universities," Beyer says. "The work we do is to align institutional mission, aspirations, and the macro trends shaping higher education to form long-term, prosperous business models." ■



Rick Beyer, Managing Principal, AGB Institutional Strategies

“There’s no one-size-fits-all strategy for colleges and universities.”

AGB Search 2.0

Rod McDavis, managing principal of AGB Search, believes effective leaders of today's—and tomorrow's— institutions have one trait in common: an entrepreneurial streak.

"There's no single personality profile or standard job description," he says. "But with the challenges higher education is facing today, creativity and innovation are going to be key."

McDavis joined AGB Search in March 2017 after 13 years as president of Ohio University. In an interview, McDavis talked about AGB Search's approach and his vision for the only executive search firm in the country focused exclusively on higher education leadership.

What do you think leadership search requires?

With declining financial resources, there's a significant financial gap to fill. We have to look for leaders who understand how to generate revenue outside of offering academic programs. They need to be great fundraisers out in the private sector, absolutely, but they also need to be entrepreneurial

about new and different possibilities.

They also need to be good ambassadors for higher education. What is that value? What is the public good in a college or university education? Why is it worth it?

Where does a leadership search begin?

We begin by listening. In the pre-search phase of our work, we spend a great deal of time with everyone in the university community. We ask them: What are the qualities the new president ought to have? And what are the challenges?

Then we try to find people who fit those qualities to give the board and the search committee a diverse pool. And not just diverse in terms of including men and women, people of color, and identity. We look in the academy but also in the private sector or in state or federal government positions.

How do you know you've made the right match?

After we help get the right person in place, we work



Rod McDavis, Managing Principal, AGB Search

with that person for a year to help him or her transition. If a president is going to have a problem, it's going to be in year one.

One of your priorities is cultivating the next generation of leaders. How are you going to accomplish that?

We're in a time of significant opportunity. One recent report indicated that 54 percent of college presidents plan to leave their current post in the next five years. Where will those leaders come from?

One idea we've talked about is developing a leadership institute. Those of us who work at AGB Search come from academia. We thought it would be good not to just search for new leaders but actually help develop them. ■

FINANCIAL

Financial Health

For the fiscal year ending June 30, 2017, general operating revenues (including transfer from the Quasi-Endowment Fund and net assets released from grant restrictions of \$1,343,279) totaled \$12,904,007. Dues from member boards provided approximately 51.6 percent of AGB's general operating revenues prior to the release of assets from grant restrictions. Dues accounted for 46.2 percent of revenues from all sources, which include new grant revenues of \$51,000 in support of special programs.

As of June 30, 2017, net assets were \$11,124,528, compared with \$11,694,804 on June 30, 2016. Total assets were \$16,600,353 (including reserves of \$8,973,692 at fair market value), compared with total assets of \$18,384,172 on June 30, 2016.

Association of Governing Boards of Universities and Colleges

Statement of Activities for the year ending June 30, 2017

	Operating Fund	Other Unrestricted	Temporarily Restricted	TOTAL
REVENUE, GAINS, AND OTHER SUPPORT				
Membership dues	\$5,964,408			\$5,964,408
Programs, consulting, publications	3,997,628			3,997,628
Grants and gifts	818,985		93,250	912,235
Other income	156,949			156,949
Investment income (realized and unrealized)	285,324	1,266,939	524	1,552,787
Total revenues	\$11,223,294	\$1,266,939	\$93,774	\$12,584,007
Transfer from Quasi-Endowment Fund	320,000			320,000
Net assets released from restrictions	1,343,279		(1,343,279)	-
Total revenue, gains, and other support	\$12,886,573	\$1,266,939	\$(1,249,505)	\$12,904,007

EXPENSES

Program services				
Membership services	\$5,238,323	\$317,242		\$5,555,565
Grant programs	1,343,279			1,343,279
Government and public affairs	1,203,541	86,426		1,289,967
Total program services	\$7,785,143	\$403,668	-	\$8,188,811

Supporting services

Management and general	\$3,183,074	\$42,773		\$3,225,847
Member development	773,448	19,010		792,458
Fundraising	422,029	9,505		431,534
Marketing	503,751	11,881		515,632
Total supporting services	\$4,882,302	\$83,169	-	\$4,965,471

Total expenses

Transfer from Quasi-Endowment Fund		320,000		320,000
Total expenses and allocations	\$12,667,445	\$806,837	-	\$13,474,282

CHANGES IN NET ASSETS

Transfers	(538,300)	538,300		-
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Net assets, beginning of year	1,040,377	9,310,590	1,343,837	11,694,804
NET ASSETS, END OF YEAR	\$721,205	\$10,308,991	\$94,332	\$11,124,528

A summary of accounting policies and notes to these financial statements are a part of the independent auditors' report. A copy of the printed financial statements will be provided on request.

AGB BY THE NUMBERS

1921:
Year of AGB's founding

1,300:
Boards represented by AGB

1,900:
Colleges, universities, and institutionally related foundations represented by AGB

40,000:
Individuals served by AGB

167:
Institutions served by AGB Consulting in 2016-17

\$12.9 million:
Total revenue, gains, and other support

15:
Visits with lawmakers

20-plus:
Publications created, from research reports to board statements to issues of *Trusteeship*

4:
Number of episodes for AGB's new podcast series, *Higher Education Nation* (agb.org/podcast)

1,034:
Registrants at the 2017 National Conference on Trusteeship

539:
Attendees at the 2017 Foundation Leadership Forum

30-plus:
Conferences, workshops, webinars, and other live and virtual events

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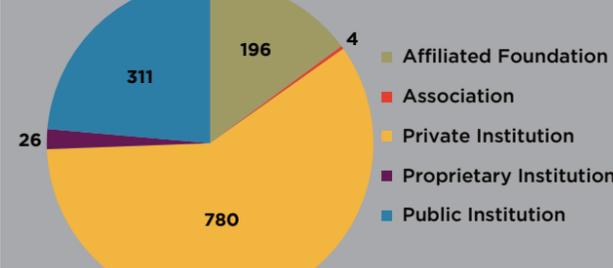
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