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State Higher Education Executive Officers

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# The Case for Coordinated Systems of Higher Education

James R. Mingle

Statewide coordinating and multi-campus system boards for the public sector have had their share of critics in recent years. James Fischer of the Union Institute, in a recent *Chronicle* article, characterized boards as inefficient bureaucratic roadblocks which add little or no value to the educational process. Pat Callan of the California Higher Education Policy Center has accused the system boards in California as being unresponsive to the needs of the public for affordable access. Most recently in an editorial in the *Los Angeles Times*, Callan noted the hubris and isolation of the California Regents who head the University of California System. State boards also have come under attack from politicians. Seeking a leaner, more efficient state government, legislators have turned their attention to public higher education governance. State boards, both coordinating and governing, have been reorganized or seen their budgets cut.

Governor Christine Whitman of New Jersey led the charge by abolishing the Department of Higher Education and dismissing its chancellor. Then in 1994, the Illinois legislature abolished two of its public university systems and in their place created individual campus boards.

Coordinating boards, especially those closely linked to state government, have been especially vulnerable. With no natural constituency, they have been subject to significant financial cutbacks and attacks on their regulatory responsibilities. The latest to be reorganized was the Minnesota coordinating board which was stripped of its planning and regulatory responsibilities and reorganized into a student aid "services corporation."

All state boards are not alike, so responding to broadside charges is difficult. Boards vary in the scope of their responsibilities as well as their approach to problem solving. Some are effective, others are not. Statewide governing boards and multi-campus systems tend to be aligned more closely with institutional interests, while coordinating boards often represent a gubernatorial or legislative perspective on higher education. But there also is much which unites these diverse boards – their approaches to coordination and program development, their tendency to take a "system" approach to problem solving, their responsibilities to reflect the public interest in their policy development.

In fact, it is these common elements of coordination among institutions with different missions all seeking claims on the public treasury, which has led to what we might call the predominant mode of governance in the public sector, namely, lay boards charged with the oversight and governance of multiple entities, not single campuses. In the fall of 1994, there were nearly 15 million students enrolled in higher education, with 11.5 million in the public sector, Clark Kerr noted a few years ago that about 70% of these public sector students were enrolled in institutions which were part of multi-campus systems.

It is not by accident that the extraordinary expansion of higher education since World War II took place within the context of a "system" framework. The public needs of the 1950s and 1960s required significant investments at both the federal and state levels – investments which simply would not have been made without the coordination and political focal point which state – boards both coordinating and governing – brought to the debate. The tools they developed for planning, coordinating, and equitably distributing this extraordinary outpouring of public financial support were an essential quid pro quo condition imposed by political leaders. With higher education once again faced with extraordinary public demand for access, especially from adults and employed workers, there is no less a need today for such a focal point for rational planning, accountability and advocacy.

But a certain mythology has grown up around the organizational structure issue in higher education. Ernest Boyer refers to the myth of the "colonial college" in our idealized view of the

college campus – the halls of ivy, the splendid seclusion of a bucolic setting, the intimate contact with wise men and women on the faculty. It is, in our idealized view, a cottage industry, small and free of the sins of bureaucracy.

A comparable myth can be found behind much of the criticism of systems – the myth of an autonomous public institution operating without the constraints of hierarchy and oversight from above. We envision the individual president working with his own board to grow the institution into the next "Harvard of the West" or South or North.

If the virtues of autonomy – of acting alone, if you will – are so great, why have we apparently willingly chosen another path, the path of coordination and, yes, centralization within a "system" framework? No aliens from another country or planet imposed such an arrangement on us. For that matter, I would argue, more often than not, the forces for consolidation into systems came as much from within the academy as from without. We may have been pressed to centralization by governors and legislators seeking a "single voice" instead of the cacophony of competing interests, but many within the academy saw the advantages as well. Regional institutions joined the umbrella of the system, not only to protect themselves from external intervention, but to gain the economic, political, and educational advantages of the system. Salaries improved, working conditions improved, new programs were obtained, federal support was leveraged, and access was extended to the masses of students rejected by the small elite autonomous campus of our colonial past. The system might have been the single-board model of the consolidated "super-board" or the more loosely confederated "system" headed by a coordinating body. The effects, in many cases, have been identical – namely, greater public support and the more intangible benefits of synergy and coordination.

Campus leaders may rail against the tyranny of the "system" publicly, but they also quietly praise it and work within its framework for they know what virtues it brings. Beyond the political and economic benefits, it frees them to do the job of leading their faculty, leaving the lobbying, the board relations, the public relations, and the legal relations to those at the state level.

All of the above does not suggest that system and coordinating board heads should be complacent about change or reform. I can assure you they are not. Their world is changing and many are actively rethinking their priorities, their organizational structures and processes from the bottom up. They have made mistakes and they know it. More importantly, their political world is shifting beneath their feet and they are ready and willing to respond.

One way that state boards and multi-campus systems are responding is by asking tough questions about what they do and who they serve. What value is added by the system? What public purposes are served? What constituencies should they respond to and which ones are being neglected? Another way of thinking about priorities and reorganization is to ask this question: What strategic advantages do systems hold in the marketplace? Conversely, what weaknesses do they have in this rapidly changing environment?

## **Strategic Assets**

Sometimes our strengths turn out to be what our critics claim are weaknesses. Sometimes, they are not so obvious.

1. **Size is an asset, not a liability.** Much of the criticism of public higher education systems has emerged from what Terry MacTaggart, former chancellor of the Minnesota State College System, calls the "merchants of reform" in the business community. Tom Peters is probably the best known of the advocates of "smaller is better." Blow up the center, argues Peters. Create the small, "nimble" organization that is responsive to a changing market which demands "customization." But Peters' frame of reference is usually the volatile electronics components

market which may not be the best model to compare with public higher education. Peters' view of the corporate world also is out of sync with the reality of merger, consolidation and "mega-systems" which characterizes much of today's corporate world.

Many public university systems have the mission of serving a "mass" market and they should make no apologies for it. Without them, we could not meet the needs of the employment market in this country for the teachers, engineers, nurses, salesmen, and managers that our economy demands. The development of large coordinated systems of higher education have extended the reach of quality public higher education to within commuting distance of nearly every valley, hollow, and small town in America. Students flock to these systems, with those downstate enjoying the benefits of the affiliation with the flagship and the joint programs and sharing of resources.

Systems can bring enormous financial and intellectual resources to bear on an issue. Over the past decade, the quality and capacity of the University System of Florida grew enormously. That growth was no accident. It was built through the tireless work of its chancellor and the staff of the coordinating board which gained the commitment of state taxpayers to system goals and then used those state financial resources to leverage the work of campuses and individual faculty to gain additional federal support. It was the system which gained public support for the Eminent Scholars program, bringing 150 distinguished faculty to Florida. Without this state support, acting as a unified system, it seems highly unlikely that the two flagship universities in that state could have beat out the best of the private research universities for a national lab.

**2. Systems have a leg up in the "partnering" business.** The buzz word in strategic planning in the business world is "partnering," a concept which suggests that confederations of institutions come together to solve a problem which no single institution might tackle alone. What is a system but a partnership? When IBM Corporation of Vermont sought a partner to provide the education and training for its entire workforce, they looked to the "system" of public higher education in that state, namely the University of Vermont and the Vermont State College system.

This is an area where coordinating boards excel. They exist on the "border" of higher education, constantly seeking ways to bring schools and colleges together to solve the problems of remediation and improve the success of at-risk youth. Their data collections provide feedback to schools on how their students are performing and their "report cards" on higher education suggest ways in which colleges can work more closely with business and the professions to improve student skills and success. At the state level, boards are constantly looking for "political" partners to gain the public support higher education needs. Quietly working behind the scenes, coordinating boards like those in Illinois, Kentucky, Ohio and California have brought the right players to the table to move forward ambitious agendas – on minority success, on improved workforce preparation programs with local businesses, on support for targeted programs of excellence, on gaining new funds for student aid and affordable access through sensible tuition policy. The State Council on Higher Education for Virginia, an agency which many on campuses may have considered the "enemy," managed to gain the business and legislative support needed to turn back a governor's draconian cuts. The Council was able to do this because it had years of credibility as a change agent in higher education, having staffed the influential University of the 21st Century Commission and led the charge on restructuring.

**3. Systems serve as "utilities" for their members.** It is no accident that the delivery of local telecommunications services remains dominated by large companies – the former Bell companies and the new big players like Sprint and MCI. They bring economies of scale to bear on the utility problem as well as brand-name recognition. Whether it is overcoming the political boundary problem, creating "purchasing cooperatives," or raising capital for the enormous up-front costs of digital networks, coordinated systems have several natural advantages. Already, it is the multi-campus system offices which are leading the development of these digital networks.

The Utah State Board of Regents, the California State University System, the Oklahoma Board of Regents (a coordinating board), the Oregon State System, and the Georgia Board of Regents all are providing leadership in connecting their campuses to broad-band digital networks which provide voice, video, and data to their members. Stephen Portch, chancellor of the Georgia System, has set a goal for a single integrated library system which greatly enhances the quality of materials available electronically to the regional institutions. Barry Munitz in California has established a goal for "anytime, anyplace" offerings in his far-flung system, while Cecelia Foxley and the Utah Board is leading that state's initiative to connect the universities to the schools in a high quality interactive video system.

And this is only the beginning. The leaders in distance education and "distributed learning" are likely to be large public university systems or emerging federations of institutions (in other words, newly constituted systems) to meet the explosion of demand, especially among adult learners, created by technology. Academic program development is likely to be a partnering exercise, with the system offices leading the charge, pushing institutions and academic departments to look beyond the isolation of a single discipline in a single institution.

Students will increasingly expect system offices to provide "single provider" services – course registration through common numbering systems, common calendars and easily transferable credits since they conceivably will be taking courses from many members of the system and enrolling in joint or shared courses and programs.

Utility functions can also be found on the administrative side. In North Dakota, a system reorganization in 1990 created a stronger chancellor system with the presidents in a line relationship. But that system has provided strategic direction for campuses with a very small central staff. They have done this in part by creating initiatives where lead campuses service other members of the system with administrative services such as purchasing, hiring, and staff training.

4. **Systems build trust.** Francis Fukuyama, in his insightful book *Trust: The Social Virtues and the Creation of Prosperity*, reminds us of the enormous economic value created by "trusting strangers." It is the high-trust societies of Japan, Germany and the United States which have broken away from the "family business" model to create professional organizations of enormous size and economic clout (they're called bureaucracies and they work!). It is the decline of trust and the inevitable "social transaction" costs found in the legal and regulatory framework of the United States which most concerns Fukuyama, not the size per se of institutions.

Systems of higher education, whether under a coordinating or consolidated governing structure, can, and do, create the conditions where "transaction costs" can be reduced and differences can be resolved with a minimum of regulation and a maximum of trust. Among their great successes is the area of articulation, where the provinciality of individual campuses and faculty prevent students from moving easily across institutional and system borders. Coordinating and governing boards are constantly beating the theme of cooperation, most of it outside the mandates of legislation or regulatory reform.

Admittedly, there is still much to be done in this arena. George Connick of the Education Network of Maine tells the story of "educating Amy," a hypothetical student in his distance learning network who has to contact up to 28 offices on four different campuses to register and pay for classes. This is an example of a system which is not yet fully operational. The solution lies within the system however, not in autonomous campuses.

Many of the critics of multi-campus systems point to the failure of the system to deal with weak units. Fukuyama notes that all organizations producing "public goods" suffer from the free rider problem – the larger they become, the greater the tendency for individual members to take advantage of the organization's productivity while failing to contribute. Some members of systems are clearly free riders and often the response from legislators is to increase regulation of all. The

dilemma for systems is this: the more rules created, the lower the trust in the system. But without the rules, free riders cannot be controlled. The answer for systems is to create a new modus operandi within a system framework. In a recent seminar for the president and chancellor of the University of Wisconsin System, I asked the campus chancellors to list the "value added" by the system president. "Civility," they responded. What they were saying is that the system creates, in the words of Fukuyama, "social solidarity" against a hostile environment. The chancellor creates trust among the campus presidents and that reduces their "transaction costs" and makes their work easier. A system staff, can also head off those transaction costs by early intervention to solve a financial or academic problem before it becomes a public issue and the subject of legislative intervention.

Some system leaders are better at building trust than others. Unfortunately boards and public officials are often short to recognize personal shortcomings and are sometimes inclined to "reorganize" when a personnel change would suffice.

## **Our Strategic Weaknesses and How to Overcome Them**

Our critics are not entirely wrong. University systems can fall victim to the sin of hubris. They can be slow to respond to changing conditions, preferring to protect the status quo in the name of efficiency and the prevention of "proliferation." Their decision-making structures are often too elaborate and cumbersome, brought about ironically from their commitment to collegial decision making, not hierarchical structures. Lay boards especially struggle with how to responsibly conduct business in an "open-meeting" environment. Their communication skills are lacking and they often show a distinct lack of discipline in their decision making. Their conception of the "public good" can be narrow and provincial leaving them subject to political log-rolling. Driven by the desire to avoid tough decisions, they too often turn to revenue solutions, like tuition increases, rather than reorganization and restructuring.

Coordinating boards can suffer from a different disease. Pushed by hostile legislators, they can fall into a regulatory mode and forget their advocacy responsibilities. Too often, they fail to build a positive agenda in the midst of the pressure for accountability.

Both multi-campus systems and coordinating boards suffer from their connections to state government and in that regard are not masters of their own fate. Subject to the excessive oversight and regulation of state agencies, they are unable to position themselves to take advantage of their strategic assets. Instead, in today's political environment, they must constantly defend themselves against a growing, and ultimately destructive legislative attitude, "that all things governmental are inherently inefficient and ineffective."

I do not believe, however, as some critics have suggested that we should abolish system offices and coordinating boards and substitute destructive competition of an uncoordinated system and the inefficiency of small educational operations. Nor do I believe that a completely privatized system of higher education will respond adequately to the demands and needs of the public. Instead I would suggest the following reform agenda to overcome our strategic weaknesses:

**Reform State Government First.** One of the disappointing realities of the political changes wrought by the Republicans in the 1994 elections is the fundamental "sameness" in their attitude about public agencies. Democrats wanted big-government they could micro-manage; apparently too many Republican legislators just want a smaller government that they can also micro-manage. Too few are interested in the enterprise-oriented, customer-driven system of public agencies proposed by Osborne and Gaebler in *Reinventing Government*. Public university systems need the freedom to establish their own personnel systems, independent of state civil service systems; to contract, within broad public guidelines, for the goods and services they need

to operate efficiently; and to create new entrepreneurial "profit centers" on the perimeter which can replace the core support being lost in state tax dollars.

These are reforms which most state boards, both coordinating and governing, have long supported. Most campuses know that the intrusion they are likely to suffer from the budget office, the legislative audit staff, and the state department of administration is far greater than the voluntary cooperation and trust-building activities of system offices and coordinating boards.

**Establish accountability and funding systems which are responsive to customers, such as students and employers, not just a small clique of legislative leadership.** Unfortunately, coordinating board heads and system CEO's must often spend an inordinate amount of time on the concerns of a relatively small number of disaffected legislators. Yes, this disaffection reflects in part the concerns of the public, but as the surveys of the Public Agenda Foundation have shown, the public is far more positive about the value of higher education than the political leadership. Politicians, for example, tend to undervalue "access" and overvalue "efficiency." They want system heads to solve "their" problems – and their problems are mostly financial and created by inefficiencies, not in higher education but in other social institutions, such as the health care and criminal justice system.

What we need are accountability and funding systems which will increase the responsiveness of institutions to the end customers of higher education – namely, students and employers – not just intermediary interpreters of the public need such as legislators. Imagine, for example, what it will mean in Vermont for accountability when the universities have to meet the needs of its IBM contract.

There is considerable, and justifiable, interest in public systems of higher education providing more and better information on student outcomes (a data collection job that can only be carried out in a coordinated system). But why should such information gather dust on the shelf of the chairman of the Senate Education committee? Instead, multi-campus systems and coordinating boards should be sending outcomes information – and politicians should be insisting that it be sent – to the consumers of education: students, parents, guidance, and employment counselors.

Changing accountability structures also implies a change in the way dollars flow. Supporters of vouchers argue that the only solution to the accountability problem is to put the entire public subsidy into the hands of students and let them carry their money to the best providers. However, our history with the voucher programs of the federal government, where student aid funds can be carried to nearly 8,000 public, independent, and proprietary institutions, should give us pause. Students, using third-party payers, are notoriously poor consumers, resulting in tremendous opportunities for unscrupulous entrepreneurs to engage in fraud and abuse of the funding system. If we are to move to greater use of vouchers we will need far better gatekeeping activity on the part of the federal government, the states and accrediting bodies. And state boards will have to greatly expand their data collecting and reporting devices so that students can make more informed choices.

Selective use of vouchers for some functions (such as career counseling and education planning) may be a good idea (as suggested by the Public Strategies Group of Minneapolis). So would greater state commitment to portable student aid funds commensurate with increases in college tuition and other costs. As these costs rise, so too would the size of the state student aid budget. Portability of this state aid should extend across state lines to both accredited public and independent colleges, an objective that the federal government may need to leverage through a restructured block grant program to the states.

Direct commitment of state tax dollars to institutional infrastructure should remain, however. A fully privatized higher education system is likely to fragment into small inefficient units, units which are most likely to engage in "cream skimming" and not meeting the needs of a population demanding more and more postsecondary education.

The nature and type of direct investments in public higher education need to change. System heads, coordinating board CEOs and their political allies should use their funding policies to leverage consortial development of curriculum. They should constantly seek ways to invest in "learning productivity" – shortened time to degree, self-paced learning, more productive academic calendars – to mention a few objectives. At the same time, they should sustain the restructuring agenda of institutions to take advantage of the productivity gains available through technology, not as a bolt-on but as a transforming tool in the teaching/learning process.

Peter Drucker says that the purpose of all organizations lies outside the organization, a perspective which is at the heart of system values. Mediators between the suppliers of funds (taxpayers and tuition payers) and consumers of funds (faculty and programs), state boards constantly seek to connect the two in a common agenda – economic development for the state, improved teaching and learning for students, greater service to the communities in which they exist. State boards can and should be a force for both change and stability. They can push the members of the system to look externally in defining their goals and shaping their programs and they can build the trust which will sustain public support for the enterprise. "Change without chaos," said one system board chair. This is what we are about.

The value added by multi-campus system boards and by the more loosely structured systems led by coordinating boards are many. They add up to what the sociologist Jane Coleman has called "social capital" – the ability of people to work together for common purposes in groups and organizations. The accumulation of social capital has, in fact, very tangible economic assets. This is the reason that we have collectively created these "systems" of public higher education. I suspect they will be with us for some time to come.