CHAPTER 14

Leadership and Governance — How to 'Manage' Change in Universities?

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"The two greatest gifts to the University of California have been the institutional autonomy given to its Board of Regents in the Constitution of 1878 and the unprecedented grant of authority the board assigned to the Academic Senate in 1920." Clark Kerr, September 1997

BERKELEY CASE STUDY PART I: PAST ACCOMPLISHMENTS

The University of California was established in 1868. Within 50 years, it became one of the best universities in the US, whether public or private. Indeed, by the middle of the 20th century, it had more top ranked departments, schools, programs and colleges than any other university, including Harvard. Before the University could emerge as a serious contender among American universities, however, it had to weather a major political crisis, in which the fundamental purposes, and governance, of the university became the grist for sustained political turmoil and struggle.

Henry Durant, the inaugural President, aimed to create a "comprehensive" university. This vision was reinforced in 1872 when Yale's Daniel Coit Gilman took up the Presidency with a vow to develop a modern university in California, based on Yale's liberal curriculum, but wide in its scope and offerings, and adapted to the state's "public and private schools, to its peculiar geographical position, to the requirements of its new society and its undeveloped resources" (Gilman, 1872).

Very soon after Gilman took the helm of UC, however, the director of the university's college of agriculture, Ezra Carr, mobilized the agricultural interests in California and pressed the state legislature to condemn the university for neglecting the study of farming and the mechanical arts. In the political struggle that followed, Gilman became profoundly disillusioned as he realized that every one of his initiatives could be questioned if not undone by external forces with little understanding of either academic affairs or scientific inquiry. He lamented that, "however well we may build up the University of California, its foundations are unstable, because it is dependent on legislative control and popular clamour". He left in 1875, after only three years in California, to become the first president of Johns Hopkins University.

Gilman's quick departure constituted a warning to many legislators of the need for greater clarity about university governance. It was doubtless part of the reason why, when the new California constitution was finally passed in May 1879, the university was named a "public trust" — that is, formally "subject only to such legislative control as may be necessary to insure compliance with the terms of its endowment and the proper investment of and security of its funds". So, although the university lost a fine leader in Gilman, it acquired the necessary foundation for what was to become a great educational institution: autonomy from political interference and independent governance.

Gilman's anxieties gave way to a subsequent history of extraordinary success, but they never disappeared entirely. The loyalty oath controversy of the post-World War II years made it clear that political interference could take different forms, and the politically charged governor's race of 1966, during which Ronald Reagan ran on his pledge to clean up the mess at Berkeley, demonstrated how easy it was to mobilize public opinion against the University at a time of growing student unrest in the 1960s.

In recent years, however, the objective of curtailing the university's constitutional autonomy has surfaced again on several occasions in the state legislature, fed in large part by a pervasive sense on the part of politicians and the public that the university's commitment to academic excellence is not sufficiently tethered to the direct concerns of taxpayers in the state of California. Although political autonomy is widely seen as critical for excellence, the university is regularly under attack, whether around the increasing selectivity of its admissions process, its growing number of "out of state" students, a succession of largely media-driven "scandals" or simply the general misunderstanding of how a great research institution must function if it is to remain excellent and compete with peer private universities. All of these issues are used to argue for increasingly less autonomy. Paradoxically, at the same time criticism mounts, the campuses of the University of California are ranked higher and higher both for their academic excellence and for their demonstrated commitment to educating large numbers of students from low socio-economic backgrounds.

These crises, whether across the university system or at Berkeley, have been driven largely, if not entirely, by economic issues. After multiple cycles of cuts, especially since the early 1990s, the percentage of state appropriation making up university budgets steadily declined, though not yet at the same rate that affected most other public universities at the time. The great recession of 2008, however, hit the university system in California particularly hard. Berkeley lost more than half its state funding between 2008 and 2010, and, even after the recovery of the state economy, today receives only 11% of its budget from the state appropriation (down from 33% in 2004), only a little more than half what it received before the recession. While the immediate shortfall was made up by dramatic increases in tuition and students from out of state, the lack of public support for both led first to a six-year tuition freeze and then to a cap on out-of-state students.

The long-term structural financial strains have in turn created a governance crisis for the university, now more dependent than ever on its own entrepreneurial capacity and its campus specific initiatives rather than on claims for greater state funding. The governance crisis consists of issues related both to the administration of the "system" from above and governance of each campus from below. At a time when the preponderance of funding came from the state, the old governance system worked well. Now, however, each campus needs more attention from a governing board than the Board of Regents as a single board for ten campuses can provide, and more autonomy for its operations given both the differences of each campus and need for greater local administrative authority and control in order to cope with the new — and highly differentiated — financial environment.

At the same time, the remarkable and historically critical system of faculty governance, which emerged out of a faculty revolt against the autocratic "rule" of Benjamin Ide Wheeler in 1919, has struggled to accommodate itself to the enormity of the financial and institutional challenges ahead. The role of the Academic Senate has been critical to the development of Berkeley's academic excellence, playing a significant role not just in curricular and faculty affairs, but in setting academic priorities across the institution. And yet the changed budgetary realities of the university have been causing disruption to traditional ways of managing not just budgets but issues of faculty participation in financial governance as well.

BERKELEY CASE STUDY PART II: PRESENT CHALLENGES

I accepted an offer to become the 10th Chancellor of UC Berkeley on 7 November 2012, the day after Proposition 30 passed in California. The proposition was to increase taxes for education and, from afar at least, suggested very good news for the University of California, still reeling from budget cuts after the great recession of 2008. Unfortunately, it turned out that the passage of this proposition did not increase the state allocation to higher education, but rather only ensured that another precipitous round of cuts would not take place. And yet, the financial outlook seemed promising, and the state of California was finally showing pronounced economic growth and vitality after the great recession.

When I came to Berkeley some months later, however, I realized that there would be serious headwinds. First, the Governor, Jerry Brown, was adamantly opposed to any further tuition increases (he was fond of saying that when he went to Berkeley the tuition had only been $70 a semester, as if it should go back to those days without the ample state funding that made a virtually tuition free education possible), and that he wished to find a way to bend the cost curve of higher education. He was convinced that salaries were too high, teaching workloads too low, research too irrelevant, bureaucratic processes too byzantine and administrators too numerous, while betraying little understanding of or interest in the institutional realities of major public research universities.

Second, as I studied the budget, I learned that Berkeley was almost out of additional debt capacity and had begun to show alarming financial trends. Institutional contributions to the retirement program had skyrocketed from zero to 12% (now at 14%). A new formula for the allocation of state funding meant that Berkeley was left with a smaller share of the total pie than it had received earlier. New building (including renovating the football stadium, as well as several other projects that relied heavily on debt) had been necessary given the age and seismic vulnerability of the campus, but had been done without any state funding. Tuition increases and increased out of state enrolment had made recovery possible, but in a precarious way.

Six months after I had arrived in Berkeley, my Vice Chancellor of Administration and Finance, John Wilton, published a two-part paper entitled, "Time is not on our Side" (Wilton, 2013), arguing that without greater control over tuition and enrolment, UC Berkeley would face an increasingly difficult financial future. Wilton had already co-written, along with former Chancellor Robert Birgeneau and Executive Vice Chancellor and Provost George Breslauer, a paper arguing for greater political autonomy for Berkeley (and, by implication, for all the UC campuses), now making a similar argument by different means, showing that without control over the principal revenue levers, Berkeley's finances would founder, portending growing problems for the entire sector of public higher education.

Thirty per cent of Berkeley's revenues were provided by tuition (almost three times as much as state support), and we were in the third year of a tuition freeze that the Governor had endorsed as part of his own re-election platform for 2014. It was therefore deeply encouraging that in November 2014, on the day after Jerry Brown was re-elected for his last term as Governor, President Janet Napolitano announced that UC would propose 5% tuition increases for each of the next five years (Los Angeles Times, 2014). This move alone would have overcome close to two thirds of the structural deficit Berkeley would be facing. While it still would have been necessary to cut the budget and focus on raising new forms of revenue, the task would have been manageable. The only problem with this proposal, which was approved later in November by the Regents, was that the governor opposed it, and instead entered into direct negotiations with the University of California over financing.

On 20 January 2015, in the wake of a heated exchange in the November Regents' meeting, Napolitano had little choice but to accept Brown's invitation to form the "Committee of Two" to hammer out a "compromise". Negotiations took place behind closed doors over the next four months. On 14 May 2015, Napolitano and Brown announced their "Budget Framework Agreement" (SFGATE, 2015).

This agreement entailed a two-year extension of the tuition freeze, bringing the period of flat tuition to six years. In exchange, Brown promised to increase appropriations from the state by 5% for two years, and 4% thereafter. This sounded generous, but not only was it precisely what the state had been proposing in the fall (now with conditions), it was on a base that was still (for Berkeley) little more than half of what the state allocation had been back in 2008. Napolitano was able to persuade Brown to invest some of the state's "rainy day funds" into the UC retirement program, important given the underfunded level of the pension fund. And yet, especially for Berkeley and other heavily tuition dependent campuses, the increases in state funding were insufficient to cover rising expenses.

It was now clear that Berkeley would have to take dramatic action to curb expenditures and maximize revenues. Throughout the summer and early fall, I met with the Cabinet and the leadership of the Academic Senate to draw up scenarios of potential strategic initiatives that could help shift the financial direction of the campus without compromising our twin commitment to excellence and access. These ranged from administrative streamlining to reduction in the size and scope of the athletics budget, from the possible consolidation of administrative services for some smaller departments and professional schools to the development of new revenue-generating professional (and other) Master's degree. Given the number of initiatives and the complexity of the decision-making processes, in November 2015 the administration created a bespoke governance structure, supported by a small staff in an Office of Strategic Initiatives (OSI).

OSI represented an effort to set up an inclusive analytic and decision-making process — not to make any immediate decisions. The proposal to begin a strategic planning exercise was initially welcomed enthusiastically and broadly by faculty who attended workshops and special meetings, and we were encouraged by senate leadership to think aggressively and outside the box about academic as well as administrative restructuring. The fact that this conversation was taking place in relationship to a major budget deficit, however, produced a growing sense of nervousness across the campus. Besides, OSI looked to many on campus to be far too similar to the office that had been created for Campus Shared Services in the previous administration (which had not yet lowered costs or provided better service, as promised). The administration nevertheless attempted to design a community-wide process that would look well into the future, and seek to determine which areas were the keys to the long-term excellence of the university. With encouragement from the leadership of the academic senate, this was an opportunity to reconsider, and restructure, some of the key components of university life to adapt to a new and changing future.

As much as this process was to put everything on the table, it was to focus principally on finding new sources of revenue: developing new professional (and other) Master's programs, and soliciting more private support, both through philanthropy and through partnerships of different kinds. Since these deliberations were commenced in the context of a shrinking budget, however, they were seen as entailing significant cuts in programs that had entrenched constituencies. The administration thus confronted the reality that it was easy and attractive to create new areas of focus, but much more difficult to discontinue areas that might have (at least in relative terms) outlived their initial relevance and excitement.

On 10 February 2016, we formally announced the scale of the deficit and the general plan to confront it, warning that it could and doubtless would require "serious pain", including the reduction of hundreds of administrative positions (Berkeleyside, 2016)

As Clark Kerr once wrote, however, "the status quo is the only solution that cannot be vetoed". Discussions in departments and around the lunch tables of the faculty club rumbled with declarations of concern about any changes that might made to academic programs before the last drop of blood had been squeezed from the administrative stone. The institution of shared governance was in short order overtaken by a generalized set of antibodies designed to fend off major change. And some faculty began to mobilize not just against the idea of any kind of academic restructuring, but against other initiatives that had been launched to use new and promising measures to enhance university revenues and funding opportunities (including in the global arena), even as the administration and faculty struggled to cope with urgent issues ranging from sexual harassment among Berkeley faculty and administrators to the strength and training program of the football team.

Much of the roiling disaffection was expressed through faculty groups that were already generally and broadly sceptical about the role of any administration in managing change. The Berkeley Faculty Association, an informal group with no structural relationship to the Academic Senate, hosts faculty "list-servs" that raised alarms, while being chaired by two faculty leaders who professed to believe that government funding was the only acceptable revenue stream, that fundraising was categorically at odds with the fundamental purposes of the university, and that the administration should be run by faculty committees. At this stage, Senate leaders began to be petitioned to hold ad hoc meetings to ventilate faculty concern. In the spring of 2016, one such meeting eventuated in the passage of a resolution that, "all proposals for mergers or closures of academic programs, departments, schools, and colleges shall be removed from current plans by the UC Berkeley administration to reduce UC Berkeley's structural deficit."

While I subsequently disbanded the Office of Strategic Services, I felt that we had to continue with a strategic exercise to guide budget decisions. Given growing resistance even to this, and a small though coordinated campaign — using a direct line to the local media — to discredit my administration, I decided to step down as chancellor at the end of the subsequent academic year. Explaining this whirlwind of events to the student newspaper, "former UC Berkeley chancellor and current physics professor Robert Birgeneau, who himself faced backlash during his tenure, said in an email that the chancellor's multiple responsibilities — compounded by outside pressure from the UC Board of Regents, the UC president, professors, union leaders and politicians, among others — make the job 'impossible…There are too many forces operating on the Chancellor coming from too many directions', he said in the email. 'Further, the Berkeley Chancellor does not have control over enough of the basic variables like student tuition, faculty and staff salaries, the make up of the undergraduate student body'." (Dailycal, 2016). And a commentator from the Harvard Business School, taking the situation at Berkeley as a case study, asked whether indeed UC Berkeley had become "ungovernable" (Kirby & Eby, 2016).

During my last year as Chancellor, when I worried less about faculty resistance, we succeeded in cutting over 500 administrative positions, reducing the deficit from \$150m to \$110m and setting a course to reduce it by the end of the subsequent year to \$56m, in large part through new plans for revenue generation. By the end of the year, the faculty — and for that matter the campus at large — genuinely began, for the most part anyway, to recognize and accept the need to address the structural conditions of the deficit, no longer content to wait for the state of California or the Office of the President to bail us out.

However, when I finally left office, my successor still confronted the need to make many more painful cuts, while working with as many academic units as possible to reorient themselves to programs and activities that could create new revenues.

The Berkeley administration has to do all this, however, even as it is structurally positioned between two struggling governance regimes. On the one side, while shared governance with the faculty through the Academic Senate has been a critical ingredient in Berkeley's excellence in academic matters, it has to take greater responsibility for addressing new budgetary and institutional realities, as well as capturing the concerns and participation of significant groups of faculty in parallel informal organizations who believe the senate is overly bureaucratized and under representative. On the other, while the system office has been appropriately preoccupied with the task of securing political support for the university both in the state legislature and across the public at large, it has not only been fully absorbed by that political challenge, it is simply not in a position to manage or support significant change in the face of current challenges on a campus-by-campus basis.

LESSONS FOR THE FUTURE OF HIGHER EDUCATION

In their recent book entitled *Locus of Authority: The Evolution of Faculty Roles in the Governance of Higher Education*, William Bowen and Eugene Tobin (2015) argue that modes of faculty governance are indeed ripe for rethinking across institutions of higher education, public and private. They suggest that "shared governance" should direct itself to new modes of shared responsibility, stressing collaboration rather than, as they document in a number of cases, their own separate authority. Given the scope and nature of issues confronting universities in the 21st century, faculty need to be partners with, rather than antagonists to, university administrations. While the authors stress the importance of "trust", they give examples that show how easily that trust can be eroded when an organization has a culture of mutual suspicion about the motives and priorities of other groups.

Using my experience at Berkeley as a case study, I believe there should be increased consideration at many universities of possible reforms of governance both from "above" and from "below", with genuine collective scrutiny of the role of administrative leadership at times of massive challenge and change. It is clear that functional organizational cultures are dependent on robust and appropriate forms of governance. Ineffective governance structures and sceptical cultural predispositions around the work of administrations produce significant liabilities for academic institutions as a whole, not just the administrations themselves. While academic leaders are often criticized for being reactive rather than proactive, and for not being genuinely visionary voices both for their institutions and for higher education at large, it is not always obvious how that could be any different under current governance regimes.

To be sure, administrations must do everything possible to be inclusive and transparent, while sponsoring widespread participation and active engagement. Shared governance traditionally entails a necessary recognition of the extent to which faculty are the core constituency of the university. However, changing financial models, as well as innovative institutional strategies, invariably open up the spectre of different groups, units, departments, colleges and schools competing over resources in ways that do not serve the collective interests of the university as a whole. Accordingly, at a time of major financial challenges, questions of governance come quickly to the fore.

In part, the institutional conservatism of universities protects against passing fads and undue political pressure. When online MOOCS (massive open online courses) were introduced to great fanfare in 2011, some university leaders proclaimed that a tsunami was going to hit the university as we knew it. This turned out not to be the case, both because of the continuing draw for students of residential college life, and because online courses operated better as supplements than as substitutes for more traditional teaching methods (not to mention the thorny issues around credentialing and accreditation). And when political leaders have called disciplines into question for their apparent irrelevance (as Florida Governor Rick Scott did with anthropology a few years ago), institutions resist simply (and necessarily) by virtue of their powerful commitment to traditional disciplines and bodies of knowledge.

And yet, we know that all universities in the early 21st century (a period not unlike the decades after World War II in this regard) are at a time of critical transformation. This is especially so for public universities in the US, almost all of which are struggling to adjust to the ongoing realities of public de-funding. Within universities, both public and private, academic structures must continue to adapt to a world that is changing at ever greater velocity. Technology will increasingly change how we educate students — on campus and off. And the changing world around us will require a re-evaluation of the traditional structures of knowledge creation and reproduction across the academy. Not only do traditional disciplines often set arbitrary boundaries around their fields of study (with separate journals, separate criteria for evaluation and modes of professional reference that tend to insulate each discipline from the other), most important discoveries and insights, in the sciences and the social sciences as well as the humanities, come from scholars and researchers interacting across disciplines. In addition, changes in technology — ranging from machine learning and artificial intelligence to automation and the internet of things — have already begun to eclipse older forms of "knowledge work", while globalization has accelerated at a pace that requires global literacy for most highly skilled employment in the future. Clark Kerr's prescient vision of the 1960s university as a site for training future workers in the knowledge industry seems increasingly outmoded. The university is now a site that must both create the new knowledge-scape of the future and produce ideas and frameworks to help us navigate a world in which everything — from the kind of work we do to the relationships of work and leisure, the local and the global, the climate and the planet, and the human and the non-human — will be changing quickly.

We cannot know what the university of the future should or will look like, but we do know that we should orient ourselves as much towards the future as towards the past. To do this in ways that will best position universities to lead in the years ahead, however, requires broad acceptance of the need to consider fundamental change, not just the incremental and minor changes that have often been the default parameters set by most university communities for too long. This must also entail the willingness to engage in serious collective efforts to rethink issues not just of leadership, but of governance, and the inherent responsibilities of all members of the community to play constructive roles in this process. Change is coming, and universities will be part of this change whether we like it or not. The point here, however, is that if universities are to fulfil our public mission — to change the world to make it a better place — they must be prepared to change themselves as well.

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