Essays in Perspective

Metrics for Effective Governance

by G. L. “Peter” Alcock, Jr.
Launched in 1995, the American Council of Trustees and Alumni (ACTA) is a non-partisan, non-profit educational organization dedicated to working with alumni, donors, trustees, and education leaders across the country to support liberal arts education, high academic standards, the free exchange of ideas on campus, and high-quality education at an affordable price.

ACTA’s Institute for Effective Governance, founded in 2003 by college and university trustees for trustees, is devoted to enhancing boards’ effectiveness and helping trustees fulfill their fiduciary responsibilities fully and effectively. IEG offers a range of services tailored to the specific needs of individual boards, and focuses on academic quality, academic freedom, and accountability.
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November 2008

American Council of Trustees and Alumni
Institute for Effective Governance
About the Author

Peter Alcock is a trustee and former board chair of Fitchburg State College, as well as the vice chair of the Massachusetts Board of Higher Education. He is also a member of the Massachusetts State College Building Authority.

Mr. Alcock has significant experience with metrics and performance measurement. With his assistance, the Massachusetts Board of Higher Education is preparing an Internet-based “dashboard” that will use the metrics outlined in this paper to give the public important data about the performance of Massachusetts state colleges. The Massachusetts example may provide a template for other systems and institutions.

Through Essays in Perspective, ACTA’s Institute for Effective Governance seeks to stimulate discussion of key issues in higher education. The opinions expressed are those of their authors.
Effective governance of colleges and universities requires a set of performance indicators that enable a governing body to measure institutional success in attaining agreed-upon goals. This article presents college trustees with primary metrics for that purpose.

**Introduction**
It is easy to get overwhelmed by the vast amount of data generated by and for professional educators and public policy wonks—so trustees should stay with the basics. Start by requesting that your institution provide you with the metrics recommended here. These metrics are designed to focus on drivers of academic quality and continuous improvement. The Internet also has a wealth of information about comparative metrics, current issues, and best practices in higher education. Armed with an Internet connection, a PC, and a few days of due diligence, you can obtain the information you need to make a positive contribution to your institution. Please also see the list of resources at the end of this essay.

**Mission and Strategic Plans**
The first issue to understand is the mission and purpose of your institution. What educational needs are you filling: liberal arts and science, work force development, professional education, or some specialty training like military science? There are no exact comparisons; however, there may be other institutions whose mission and performance offer examples to emulate.

The institution’s mission can be implemented through a well-defined five-year strategic plan. Ultimately, the board is responsible for the development of the strategic plan. But all constituencies, both on campus and off, should have input in creating this plan and determining the direction the institution should go. Yearly progress toward the plan’s goals can help the board assess the president’s performance.
To put the institution in context, the board should thoughtfully discuss and determine the performance of peer institutions and institutions to which they aspire. Admittedly, choosing peers can be a touchy issue. Private colleges are free to choose their peers, but at public colleges peers are often chosen by the state governing boards without institutional input. As a general matter, choosing peers by geographic Carnegie Classification is less subjective and more valuable to college trustees and governing boards. The ultimate goal, of course, is to be able to assess how your institution is doing vis-à-vis similar institutions.

Once you and your fellow trustees define the college mission, write its strategic plan, and agree about peers, you can obtain key metrics. Begin with (1) student characteristics and (2) student selectivity. Next consider (3) cost of attendance and financial aid to illustrate affordability, then (4) financial resources and performance, and (5) alumni giving. Indicators of student success include (6) graduation and retention rates, (7) faculty resources applied to enable student success, and (8) academic quality metrics. The order of these presentations is less important than their inclusion.

To measure institutional progress, metrics should be illustrated over three- to five-year time periods and compared with performance targets.

**Metric #1: Student Characteristics**

Demographics describe the student geographic distribution, the balance of males to females, the diversity and age of the student body, and enrollment trends. Student residency status, on campus and off, and the percent of residents to commuters are key indicators for trustees to monitor; any changes should be examined, understood, and analyzed to ensure that trends are consistent with institutional priorities and strategic goals and objectives.

**Metric #2: Student Selectivity**

Start with the undergraduate and graduate admission requirements for acceptance into the institution or its programs. Then obtain the incoming student averages on ACT or SAT scores. Having a clear, accurate,
comprehensive, and annually updated description of the student characteristics is an immensely important tool for trustees.

Increasingly, college governing boards believe that open enrollment and remedial academics should be focused in the non-residential community colleges. Monitoring the selectivity measure helps the board understand the trends in academic quality and helps it determine whether modifications are necessary to meet the board’s stated strategic goals for its student body and enrollment management.

**Metric #3: Cost of Attendance and Financial Aid**
The college also needs to present the real net costs of attendance, how students finance that cost, and how much debt a student will incur on average over four years. Cost of attendance is the rubric used to calculate federal and state financial aid and includes housing, books, living expenses, and more. Trustees should know in-state and out-of-state tuition and fees, and room and board. On the issue of affordability, it’s important to know the percent of the students receiving financial aid, average student loans, average financial aid dollars awarded, percentage using debt to pay for college, and the realized revenue stream from tuition. A breakdown of federal, state, local, and private gifts, grants, and/or aid would be useful.

**Metric #4: Financial Resources and Performance**
Ratio analyses enable you to determine your college’s financial resources and performance, provide comparisons with peers, and set financial benchmarks. These ratios should be tracked over three to five years to detect negative trends, an improving financial position, or achievement of financial goals. The following four ratios should be adequate for most trustee oversight.

The **primary reserve** is the ratio of unrestricted reserves to total operating expenses. Generally, a target primary reserve is 40%, which means the college could operate for five months with no other revenues. The **viability ratio** is the expendable net assets to debt. Here the viability ratio target is for net assets to exceed debt by a ratio of more than 1 to 1. The **return on net assets** indicates whether a college’s
resources are growing and if it is financially stronger than in previous years. The financially healthy college’s resources grow at 3% to 4% plus the rate of inflation per year. The **net operating revenue** indicates whether the college made or lost money on operations in a given year. A positive net operating revenue of at least 2% to 4% per year ensures that the college is living within its means. The board should also establish a debt policy, which will vary depending on the size and needs of the college, and should advance the mission of the college. At a minimum, the board should recognize the impact of new debt on the ratios discussed above.

Note also the spending per student on instruction. Providing a quality education using fewer resources requires focusing on productivity. It also means ensuring that the institution is dedicating more support to instruction and academics than to administrative support. Key measures are the ratio of administrative staff to total staff, and measures of classroom and laboratory space utilization. Knowing what percent of classroom seats are filled and during what hours helps trustees discern whether classrooms and labs are being used to capacity. If they are not, any additional requests for capital outlay should be questioned and justified by the institution.

**Metric #5: Alumni Giving Rate**

Boards need to debate and decide what volume of alumni giving is possible at their institution. Metrics include alumni giving rates and endowment per student. Private colleges (except some public Ivies) tend to have substantially higher alumni giving rates than public colleges. This measure can be an indicator of alumni satisfaction.

**Metric #6: Graduation and Retention Rates**

The graduation rate is the percent of first-time full-time students who graduate within six years. While six-year graduation rates are easy to find, it is important to look at the four- and five-year graduation rates. If a large number of students cannot graduate within four years, the board may want to examine the reasons for this and request initiatives to aid on-time graduation.
The retention rate is the percent of first-time full-time students who return to their original college for a second year. This measure depicts whether or not the student continues from the freshman to sophomore year.

The easiest way for a college to improve these rates is to become a more selective institution; better-prepared students have higher graduation and retention rates. However, any changes in this regard should be consistent with the college’s mission.

In addition to graduation and retention rates, other important measures of student performance are the student initial pass rates on national licensure exams such as teaching, law, nursing, medical, dental, and other health related fields, as well as results on standardized graduate school admission tests such as the LSAT, GMAT, GRE, and MCAT.

In the current student applicant boom, baby boomers’ children, called echo boomers, are going to decline substantially in number by 2015. This will leave colleges competing for students rather than the other way around. A college should fully understand its competitive position in attracting students, for both now and 2015. To do so requires an institution-wide focus, starting with the board of trustees. Given a declining number of available students, increasing retention and graduation rates may become a long-term survival strategy for colleges that are less in demand.

**Metric #7: Faculty Resources**

Key measures of faculty engagement are the percentage of first-year classes taught by full-time faculty (this measure helps determine full-time vs. adjunct or part-time faculty), average teaching load by discipline (credit hours taught per student), and average class size and student-faculty ratios.

**Metric #8: Academic Quality**

While most college trustees can readily understand graduation and retention rates, assessing academic performance is like entering the Land of Oz. There is no road map to get you there, which is why *U.S. News* uses peer review. However, there are more informative ways to assess your college’s academic offerings.
Why is quality academic performance important, and why should a trustee spend time to understand it? Think of it this way—academics are what the college delivers to its students, and educated people are what the college delivers to society. If you were a director of General Motors, you would be intimately informed about your company’s products and how they fare against the competition. Why, then, settle for little knowledge about the academic product that your college is providing to its students? You need to understand clearly what quality of education your college is delivering to satisfy its mission.

In reviewing academic offerings, trustees need to focus on two areas. The first is core curriculum, also known as general education. The core curriculum varies by institution, and its details are developed and controlled by the faculty. These are the courses required of all college graduates outside their major, generally in the first two years. In the late 1960s and early 1970s, the traditional core curriculum was replaced in most places by what are known as “distribution requirements.” These so-called requirements allow students to pick and choose from hundreds of courses. As a result, curricula now expose students far less than they once did to key subjects they need so that they can have a comprehensive view of the world and be informed and thoughtful citizens. Recent studies conclude that American students are not competitive internationally, particularly in the areas of math, science, and economics.

Trustees—in consultation with faculty and administrators—have an obligation to make sure that general education is being done effectively. When it comes to core requirements, trustees—successful individuals with a wide range of experience—are well positioned to understand what students should know so that they emerge as educated young men and women when they graduate.

Here are just a few of the questions you and fellow trustees might raise in exploring the essential goals of general education.

- Is the general education program providing a common foundation of knowledge for students to share?
- Will course options be sufficiently small in number to ensure that students are exposed to central areas of knowledge including literature, science, math, American history and civics, economics, and foreign languages?
Is the general education program providing a common foundation for the teaching of upper-level courses? Ask the president to have the faculty examine your existing curricula according to these criteria. Ensure that your curriculum gives students fundamental exposure to key subjects including composition, literature, language, American government and history, economics, mathematics, and science.

Trustees should also explore measurements of student engagement and achievement. Do students who graduate from college actually know more when they graduate than when they entered? For starters, former Harvard president Derek Bok’s book, *Our Underachieving Colleges*, advocates using the National Survey of Student Engagement (NSSE) to determine if students are reasonably engaged at their college. NSSE was developed as an initiative of the Pew Charitable Trusts to survey undergraduate students directly about their educational experiences. In addition, two relatively new tests of college learning are worth considering. They are the Collegiate Learning Assessment, developed by the RAND Corporation in conjunction with the Council for Aid to Education, and the Measure of Academic Proficiency and Progress (MAPP), developed by the Educational Testing Service. Both tests claim to measure student progress in attaining critical thinking, writing, analytical reasoning, reading, and problem-solving skills. These tests were developed in response to the growing public demand for evidence of progress in learning and academic growth. Colleges that use these instruments of assessment show they are seriously working on continuous improvement. Trustees should promote the use of these or similar tools and should know how students are faring at their institution.

Trustees should also focus on the quality of their undergraduate and graduate professional programs such as engineering, the health professions, teacher education, business, computer science, social work, and criminal justice. National accrediting agencies approved by the U.S. Department of Education, known as secondary accreditors, offer assessments of these programs applying certain minimum academic standards.

Over the last few years, the Spellings Commission and other experts have called for transformation of accreditation, raising concerns about
declining academic quality under the accreditors’ watch. Given these concerns, it’s important that board members actively engage the accreditation process, ideally using accreditation visits as an opportunity to review program strengths and weaknesses.

To quote Derek Bok from Our Underachieving Colleges:

Who else [but the trustee] is capable of altering the current system of incentives and rewards to hold deans and presidents accountable for the quality of their educational leadership? No faculty ever forced its leaders out for failing to act vigorously enough to improve the prevailing methods of education. ... If trustees ignore the subject, there may be no one to press academic leaders to attend to those aspects of the educational program that are in greatest need of reform. Fortunately, the risks of unwise intervention are fairly low, so long as trustees do not try to dictate what courses should be taught and what instructional methods employed but merely ask for reports on the procedures used to evaluate academic programs and encourage innovation.

Bok’s words should inspire all trustees to take their position and responsibilities more seriously than they have ever done in the past. These metrics should facilitate your efforts.

**Resources**

I recommend that trustees consider formats outlined in The College Board’s *Trends in College Pricing*, [www.collegeboard.com](http://www.collegeboard.com); *U.S. News and World Report’s America’s Best Colleges*, [www.usnews.com](http://www.usnews.com); the Voluntary System of Accountability’s (VSA) *College Portrait* [www.voluntarysystem.org](http://www.voluntarysystem.org); and in the case of some public state colleges, the annual performance report from their respective states. The *College Navigator* from the Institute of Education Sciences division of the National Center for Education Statistics, [www.nces.edu](http://www.nces.edu), is also helpful. Ultimately, all of these resources have as their basis data collected by IPEDS, the U.S. Department of Education’s Integrated Postsecondary Education Data System. Combined and edited, these sources can provide trustees with many measures they need to help govern their colleges.
These formats are not identical. Neither state governing board reports, nor *U.S. News*, nor *Trends in College Pricing*, has any input from faculty and campus leadership beyond responding to questionnaires. These three organizations report data collected for their own purposes. The state reports present data on enrollment, graduation rates, costs, workforce development and other issues of local political interest. *U.S. News* provides helpful data but is dogged by criticism due to the nature of its ranking system, including its dependence upon a “peer” ranking system to measure academic quality. *Trends in College Pricing* details only college costs and expenses and presents them in a form most usable to the colleges themselves. However, all three unanimously agree on 80% of commonly desirable metrics like graduation rates. If we add the metrics recommended by the Voluntary System of Accountability (VSA) to the measurements common to the other two or three, I believe we have a useful reporting system that is available, easy to understand, and includes inputs from all possible constituencies.

The American Council of Trustees and Alumni is dedicated to helping boards promote academic excellence and accountability and has many resources in these areas. I urge you to contact them to obtain their trustee guides on topics ranging from strategic planning to evaluating a president, as well as general reports on curricula, grade inflation, and other matters. ACTA has recently begun to issue state report cards on higher education governing systems. These, too, offer helpful indicators of effective governance and can be located at ACTA’s website, www.goacta.org.

The National Endowment for the Humanities study, *50 Hours: A Core Curriculum for College Students*, is a very comprehensive model of the ideal courses to make up a core curriculum program. ACTA also has two excellent publications on this topic: *The Hollow Core: Failure of the General Education Curriculum* and *Becoming an Educated Person: Toward a Core Curriculum for College Students*, which discuss challenges in general education and outline various curricula adopted by institutions—large and small, public and private—around the country.

If trustees have concerns about the financial condition of the college, they should seek opinions from experts in college finance. Experts like KPMG and the investment banking firm of Prager, Sealy & Co. (PS&C) use the four ratios as major components of a Composite Financial Index (CFI) they developed to measure the financial viability of colleges. The CFI uses the four ratios but assigns a weight to each under various circumstances. KPMG, www.kpmg.com.
and PS&C, www.prager.com, provide outside counsel to boards concerned about the financial viability of their college or matching the college’s financial resources to strategic performance goals. Opinions on a college’s financial condition can also be sought from Moody’s, www.moodys.com. By determining the college’s debt rating, Moody’s provides an overview of the college’s financial resources and performance. Moody’s Municipal Financial Ratio Analysis (MFRA) provides financial and operating data points and ratios to analyze trends and perform peer group analysis for colleges public and private.

*Trends in College Pricing* provides an analysis of where colleges derive revenue and how they spend it by category, such as instruction. It also includes the financial impact of tuition, fees, and room and board on students in all states, at all income levels, and in all types of institutions. This report includes extensive benchmark material for determining the financial performance of your institution and is easily accessible on the Internet at www.collegeboard.com. *Trends in College Pricing* does an excellent job of illustrating national and regional college expenditure averages and differentiates between private and public college expenditures in these areas, providing comparative metrics.

At the Education Trust website “College Results Online,” www.collegeresults.org, you will find your institution’s graduation rate along with the top three of twenty-five most similar national institutions and the average of the top five in your public/private Carnegie classification. It also presents additional background information, including median SAT scores, percent of students on Pell grants, and graduation rate by race, for fifteen of the most similar institutions in your Carnegie classification. *U.S. News* lists both graduation and retention rates, but they do not provide the additional comparisons, nor do they break out the rates by race. Alexander Astin’s groundbreaking work in predicting graduation rates based upon high school grades and SAT/ACT test scores is published by the Higher Education Research Institute at UCLA, www.gseis.ucla.edu/heri. You can find what other states have done to increase graduation rates at the State Higher Education Officers’ website, www.sheeo.org.

The National Survey of Student Engagement, an initiative of the Pew Charitable Trusts can be reviewed at www.nssse.iub.edu.
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