Board of Directors Structure, Function & Responsibilities: An Alternative Approach

Ghauth Jasmon
19th Dec 2018, Pullman, KLCC.

- Appointment of Univ Board Members
- KPIs for Board Members
- Student Debt Crisis
- Univ Endowment
- Fund Raising/Income Generation
The Burgeoning Student Loan Crisis in the US

• Based on the most recent trends, it seems likely that by 2023, about 40% of borrowers may default on their student loans, amounting to about $560 billion in unpaid debt.
• Nationwide, borrowers collectively owe $1.5 trillion in student loan debt.
• At a congressional hearing in March, Federal Reserve Chairman Jerome Powell warned policymakers that rising default rates will impact the national economy, apart from influencing the economic lives of individuals.

https://qz.com/1367412/1-5-trillion-of-us-student-loan-debt-has-transformed-the-american-dream/
By Ephrat Livni August 24, 2018
Student loan debt rose from $480.1 billion (3.5% GDP) in Q1, 2006 to $1,490.8 billion (7.6% GDP) in Q4, 2017.
The Rising Cost of College, 1988-2008 (based on increases in current dollar amounts)


Tuition Fees Driving The US Education System Unsustainable

Malaysian Higher Education System is A Close Parallel
The number of for-profit colleges in the higher education landscape declined dramatically in the last 4 years, with the rate of decrease increasing from year to year, with more than 100 institutions closing between the 2016-17 and 2017-18 academic years, according to new data from the U.S. Department of Education.

Nonprofit public and private institutions, however, remained relatively stable, with 20 closing in each sector during the same period.

It is perhaps the data around credentials awarded that is most damning for for-profits: From 2012-13 to 2016-17, the number of higher ed credentials conferred across the board rose by 1.2%, but the for-profits awarded 29.2% fewer credentials — 518,956 versus 367,529.

It is expected 50% of institutions will close in the next 10 – 15 years.
Year 2015 Univ Budget Cuts Was a Serious Warning Sign ... Signalled the Huge Problem That Was Looming
Private universities facing major financial crisis, need help

Geoffrey Williams - December 2, 2018 7:45 AM

Private higher education is largely overlooked in the current debate on reform of higher education in Malaysia. Nonetheless, private higher education institutions (HEIs) account for almost half of the student and academic populations and absorb large amounts of government subsidised loans through the PTPTN loan system. In 2016, PTPTN allocated RM2.6 billion or 60% of its funds to private HEIs which made up around half of the revenue for the sector.

The lack of attention to private HEIs is concerning.
Anyone Interested to Purchase a Private University?

Universities Going Cheap!!
Public University Income Sources

- Government Grant: 80%
- Endowment: 8%
- Business: 2%
- Tuition Fees: 10%
For Yale, a More Complex Mix

Its endowment's target asset allocation each year shows a steady shift toward investments with bigger risks and rewards.

In 1999, natural resources like oil, gas and timber were reclassified from private equity into real assets, which previously had been only real estate. In 2011, natural resources was spun off into its own category. In 2015, private equity was split into leveraged buyouts and venture capital.
For Yale a Complex Mix:

“Its endowment target’s asset allocation each year shows a steady shift toward investments with bigger risks and rewards”
Harvard University has purchased thousands of acres of California vineyards worth an estimated $305 million.

The vineyards’ prime access to groundwater makes them increasingly valuable during a drought.

The investment has fueled concerns that Harvard is using its $34 billion endowment to hoard water rights amid rising global temperatures.

Oxford and Cambridge colleges collectively own more land than the Church of England and have a portfolio of properties across the UK worth £3.5bn, a Guardian investigation has found.
Endowments and the Future of Higher Education

- Prominent universities rely heavily on endowments to support their many academic missions.
- A significant endowment makes the university better, allowing the institution to recruit top faculty and students, while funding research and outreach.
- There is a new urgency in seeking better endowment funding across the United States. In 2013, student loan debt for current students and graduates topped $1.08 trillion, but in 2018 it has grown to $1.5 trillion.
- Colorado decreased state funding from 2002 to 2012 by 48 percent.
- The future of higher education depends to a large degree on how successfully we can build major endowments.
- Ultimately, U.S. competitiveness and leadership in the global knowledge economy depends on this as well.

Stephen Leigh, Dean of Arts & Science, University of Colorado Boulder

According to a survey by ACE, the top 5 challenges facing university presidents are:

- Never enough money (60.8%)
- Faculty resistant to change (45%)
- Lack of time to think (44.1%)
- Problems inherited from previous leadership (34.5%)
- Belief by others you are infinitely accessible (31.3%)

[Key themes in a survey of 1,546 presidents by the American Council on Education (ACE)].

[ACE, January 31st, 2018]

President as Chief Fundraiser

Where there is agreement among presidents—no matter the size of the institution or their tenure in the position—is on the outsized role fundraising plays in their job and how many of them still feel unprepared for it. Clark Kerr first recognized the need for the president to be chief fundraiser in the 1970s, when state and federal support for higher education began to wane. The trends Kerr identified have only accelerated since then, and have been made worse by the flatlining of wages in the US that have made it difficult for even middle-class families to afford rising tuition prices.

Presidents told in the survey that “fundraising/alumni relations/donor relations” and “strategic planning” rank as the most important responsibilities in their daily job.
Four Ways AI is Changing the Education Industry

1) The Automation of Administrative Tasks
2) The Addition of Smart Content
3) Smart Tutors and Personalization
4) Virtual Lecturers and Learning Environment

https://towardsdatascience.com/4-ways-ai-is-changing-the-education-industry-b473c5d2c706
Karl Utermohlen, Tech writer, April 2018.
We believe AI is a new scientific infrastructure for research and learning that universities will need to embrace and lead, otherwise they will become increasingly irrelevant and eventually redundant. Universities have sown the seeds of their own disruption.

Applied in science, AI can autonomously create hypotheses, find unanticipated connections, and reduce the cost of gaining insights and the ability to be predictive.

AI can combine ideas across scientific boundaries. There are strong academic pressures to deepen intelligence within particular fields of knowledge, and machine learning helps facilitate the collision of different ideas, joining the dots of problems that need collaboration between disciplines.

[Mark Dodgson, Univ Queensland & David Gann, Imperial College London](WEF, 9th Aug 2017)
In the past 6 years, 800 universities worldwide have created 10,000 MOOCs courses.
• Anant Agarwal, an MIT computer science professor and edX’s first president, told the Los Angeles Times, “MIT’s and Harvard’s mission is to provide affordable education to anybody who wants it.” The biggest mistake a university could make today is to spend lavishly to expand its physical space.

• Smart universities should be investing in online technology and positioning themselves as leaders in the new frontier of open-source education. Creating the world’s premier, credentialed open online education platform would be a major achievement for any university.

• Old attitudes and business models are set to collapse as new ones rise. Severe financial contraction in the higher-ed industry is on the way.

• But if our goal is educating as many students as possible, as well as possible, as affordably as possible, then the end of most universities is something to celebrate.

http://www.the-american-interest.com/2012/12/11/the-end-of-the-university-as-we-know-it/
PH’s belief is that education must be free, especially in public universities and institutes of higher learning.

In addition, these institutions must also have autonomy to carry out their responsibilities.

UNISEL is a perfect example of this, and under our administration in Selangor, in which it has begun offering free education in stages, despite having to bear the burden of debt, from the previous administration.
Commitment 4: Provide Free Quality Educational Opportunities

1. Guaranteeing good quality free public education at all levels, from pre-school, primary, secondary and tertiary education.
2. Provide subsistence allowance to students from low-income families who secure places to public higher education centres.
3. Repeal Universities and University Colleges Act (AUKU).
4. Foster creative thinking, critical and analytical thinking of the younger generation and prepare them with social, civic and leadership skills.
Abolishment of Existing Acts

• The PH Government will abolish Universities and University Colleges Act (1971) and other IPT Acts, and replace them with comprehensive and better laws, to guarantee high quality of education and academic freedom as well as freedom of speech and association. These will be achievable by granting autonomy to these public institutions of higher learning.
Appointment of the University’s Top Management Team

- The Board of Directors (BOD) of the University will be given autonomy and authority to appoint their Vice-Chancellor and Deputy Vice-Chancellors based on their merits and in a transparent and competitive manner.

- The BOD will also be empowered to determine performance indicators, evaluating achievement and determining salary ladders and other rewards for senior staff of the university, and managing the financial allocation.
• PH realises the PTPTN loan has now become a burden to students. We will **overhaul the repayment structure** of PTPTN loans so that the total repayment will be based on the borrower's salary.

• We will undertake to **delay the loan repayment** for those who earn less than RM4,000 per month and repeal the practice of black listing borrowers who are unable to repay their loans.
The PH Government will increase educational opportunities using recognised and accredited Massive Open Online Courses (MOOC), so young people can use modern technology to continue their studies in their areas of interest.
Why is the Board of Directors or the VC Not Able to Attract/Create ‘Big’ Funds?

1. Board Members don’t think this is their job?
2. Board Members do not think they have enough power to make business decisions?
3. Board expects the VC & Top Management to do it?
4. Board expects the univ staff to do it?
5. VC don’t think it is their job?
6. VC does not have ideas on how to generate money?
7. Board and VC thinks it is the government’s responsibility.
8. Everyone not exposed and lacks business knowledge?
Who Do You Think is Responsible For Creating New ‘Big’ Income Sources?

- Board of Directors
- Senate
- Vice Chancellor
- Academics
- Support Staff
1) Appointment Process of the University Board?

2) Performance Evaluation of the University Board Members?

(1) Minister of Education
(2) Univ Top Management
(3) Academic Staff
Do You Think Board Members Should 
Have KPIs, especially Financial?

Do You Think Board Members Should 
be Given Financial Incentives For 
Attracting Funds?

Do You Think that the VC Should 
Have a KPI on Raising Money?
Proposed New Act to Govern Both Public and Private Universities

- Emergence of new **Higher Educational Act**.
- Autonomy and self determination in appointment of the management team, policies, student intake, medium of instruction, financial management.
- Offering of free quality education by Public Univ or capping of Tuition Fees of Private univ.
- Private university may be given access to government grants if they meet certain criteria.
- Appointments of Board members and VC and their revised duties.
Appointment of Public University Board & VC

Current System

Proposed System

Minister

VC

Board Members

University Community

Minister

Board Members

VC
Proposed Changes to Board

12 Examples of KPIs for Board Members to Increase Your Fundraising Revenue

- More Responsibility For Board Members
- Monetary KPIs for VCs and Board Members on Raising Funds
- Appropriate Remuneration for Board Members
- Shift of Responsibility for VCs
- Performance Evaluation of Board Members

https://www.askright.com/12-examples-kpis-board-members-increase-fundraising-revenue/
THE END