The Buck Stops Here: Increased Accountability in the President’s Office
In *The Presidency* magazine, September 2004

By Dr. John Roush, President, Centre College

In Ecclesiastes we read that “unto everything, there is a season.” But there are exceptions to this piece of wisdom. Some principles are so powerful, they are always in season. Martin Luther King affirmed this when, writing from the Birmingham Jail, he said “the time is always right to do right.” Many leaders and former leaders in business, politics, and education would be better off today if they had heeded this injunction over the last few years. The actions of CEOs in all fields are coming under intensified scrutiny for a number of reasons. The economy, the attacks of 9/11, the threat and reality of war, the ongoing effort to thwart terrorism, and the now well-established tendency of the media to focus on an unending series of scandals—some of which could have been made for Hollywood—all are contributing factors. Individuals in positions of high responsibility are increasingly faced with demands for accountability—both corporate and personal—that are relatively new to the great majority of these men and women. They are in many cases being introduced to a measure of mistrust that is exceedingly uncomfortable to them. And while most leaders have been able to cope with this intrusion into their lives and their organizations, it has spelled professional ruin for some.

**Follow the Money.** Frequently the problems arise around financial issues, and while problematic business practices in academe have not captured the attention of the nation as have those of corporate entities—Enron, ImClone, Tyco, WorldCom, for example—it is clear that boards of trustees are taking a new and more serious interest in the financial matters of the colleges and universities. I would argue that this is an appropriate area of concern for board members, given the size, complexity, and affluence of a great many American institutions of higher education. Trustees, governing boards, and elected officials are asked to hold our nation’s colleges and universities—one of America's greatest treasures—in trust, and it is altogether appropriate that they ask tough questions about the institution's financial dealings. Indeed, for several years they have been asking questions for several years that have been difficult for some to answer, as evidenced by scandals in educational institutions around the country. In Florida, Idaho, Louisiana, Maryland, Ohio, Oregon, Tennessee, Texas, Vermont, and Wisconsin, to name a few, leaders at institutions public and private, large and small have been censured, placed on leave, or forced to resign due to inquiries into financial matters. The controversies involved a range of issues, from personal expense accounts to construction projects to renovations of living quarters to financial record keeping.

**The Sarbanes-Oxley Factor.** In coming years this scrutiny from trustees is likely not only to continue, but to intensify. A prime reason is the Sarbanes-Oxley Act, passed by Congress in 2002 in response to corporate accounting scandals and bankruptcies. This “public company accounting and investor protection” act imposes strict accounting standards on publicly held companies and requires CEOs and CFOs to sign financial reports, certifying their accuracy. While Sarbanes-Oxley does not apply to nonprofit colleges and universities, virtually all boards include trustees who must deal with the
requirements of this legislation, and they are bringing the increased-accountability mindset to the educational arena. Drexel University, for example, has recently voluntarily adopted many of the reporting requirements of Sarbanes-Oxley and a number of institutions are currently considering similar actions.

But beyond the changing relationship between presidents and those to whom they are accountable, a more fundamental reason exists for exemplary conduct in financial matters. Colleges and universities have a duty to produce students who are good citizens; college presidents, therefore should lead by example and model the kind of fiscal responsibility and good judgment they would hope to see in the student activities committee chair or the student body president. We teach business ethics in the classroom, and our walk should be congruent with our talk. Actions provide the most vivid and longest-lasting lessons.

The Decision to Disclose. Given the current environment and the trend toward even greater accountability, what is best practice for the college president who judges it is appropriate to share more of the institution's financial dealings with a broad audience? How can the president best do this with matters involving his or her personal situation? And, what are the risks of venturing down this trail of disclosure?

For the CEO who has been acting in good faith, the risks of disclosure are largely unimportant—having mostly to do with misplaced personal pride. The far greater risk is choosing not to disclose. The slightly lesser risk is for the president to resist disclosure only to come forward later and indicate that he or she will “cooperate.” When a president, for whatever reasons, resists the inevitable in this area of board concern, he or she loses the moral high ground and never gets any credit for deciding to comply later. Best practice demands that the president take the initiative on this one, and what follows are concrete suggestions that may be helpful in doing this.

Collaborate on Compensation. What should a president do about his or her contract and the details associated with his or her initial appointment? How should the CEO’s compensation on a continuing basis be handled? Many institutions, perhaps most private colleges and universities, have long allowed the president’s compensation to be handled by the board chair or a very small group of board officers. In practice, a great many trustees serving on boards have no idea what their president makes or how his or her compensation is established. If that is the habit at your place, it is time to change. For public college presidents much, but not all of this, may be a matter of open record. Given today’s environment, it is time to change the rules in the private sector, too.

In this regard, the distinctions to be made between small and large institutions are slight. Issues of sponsorship, size, and mission may require some institutions to vary their policies in minor technical ways, but the overriding principle is the same: Presidents should provide enough information to their boards so that no sense of intrigue or mystery surrounds the president’s compensation. (In larger institutions, disclosure may be in some contexts easier, because the president’s financial remuneration will often be significantly less than that of one or more coaches or high-ranking professors.) Let me suggest three
actions—two of which fall into the category of best practice and a third that represents my personal point of view. First, best practice would call for the board chair to be the person, perhaps assisted by one or two other board members, to negotiate the president’s contract—new or continuing. But he or she should review these plans with some smaller group of trustees, perhaps the members of the executive committee. Then, the board chair should plan to share the basic information regarding the CEO’s compensation with the full membership of the board each year. The chair, after consulting with the president, should stand prepared to share with the other members of the board the details of the CEO’s contract, to include any special arrangements involving deferred compensation, spouse compensation, or other agreements. I do not think it is necessary to “broadcast” the president’s salary and other details of remuneration—this will come out one year later in The Chronicle of Higher Education anyway—but the president and the board leadership should be prepared to have this information shared with the others who hold the institution in trust.

Second, the board chair and the president should present comparative data that allows the board members, some of whom are encountering this information for the first time, to understand how the chief executive officer at their college or university “compares” with other CEOs at similar institutions. This information is easily assembled, and, while it may not be totally complete for each president in the listing, it will make the point. The downside, of course, is that a president’s contract may seem too rich when compared to like CEOs. If that is the case, then it is a matter for board consideration. More often than not, the data make it clear that the president is being fairly compensated.

Third, the college or university president needs to be prepared to address questions about his or her compensation that may arise on campus. Here is where the board chair and other members of the board may be of help to the CEO by indicating that he or she is at liberty to discuss only those aspects of his or her contract that appear in The Chronicle of Higher Education each fall. Or, the board may wish to be more complete in its reporting to the community. In any case, the board should give the president direction in this area of concern. Not to do so puts the president at risk with both his or her academic community and the members of the board. This policy is common sense from my point of view.

An Audit of the President's Office. Another area of common and, perhaps, justified interest involves what it costs to operate the president’s office. This has become another lightning rod for criticism. So, how is a president to handle expenses associated with the president’s travel, entertainment, and the like? This is also an easy one to answer. The president, if he or she has not done so, should ask that the college’s or university’s business office conduct an audit of the office’s expenses, particularly those that have to do with the CEO’s travel and entertainment.

Recognizing that the demands are different for different institutions, the president should be able to assemble a record of expenses and a common-sense approach to expenditure that meets the expectations of the institution. What is appropriate from school to school will vary depending on such institution-related factors as location, constituency, and
whether the college or university has a regional or national profile. While the presidents of large, prominent institutions may generate greater travel and entertainment expenses than their counterparts at smaller institutions, they should still conscientiously record and report their expenses. The numbers may vary, but the principle remains the same.

I should also point out that what is reasonable at one point in time may be questionable at another, depending on factors such as the national economy, budgetary conditions on campus, and the strategic goals of the institution. The president should let all these variables influence his or her analysis in determining a sound policy.

The report on the president’s office should be shared with the board on an annual basis. If there are corrections that need to be made, and this may be the case at many places, then the president needs to be alerted to this situation. It is not too much to expect that presidents keep accurate records of expenses associated with their work. It is not too much to expect that presidents use good judgment in handling the financial demands of their office. It is not too much to expect that presidents ask themselves this question: “If this were my money and not the institution’s, would I choose to spend it this way?”

Other Areas of Concern. Additional potential trouble spots for college and university presidents, all of which, in my view, it can be avoided by a common-sense approach that stresses moderation and basic fairness. I will mention three perennial pitfalls:

- Physical surroundings. These include the president's home, office, and off-campus retreats. A fundamental requirement of leadership is to pay attention to the style in which one lives or works: Those you lead are watching. Temperance and a keen sense of the overall needs of institution are a key. Projecting a sense of quality and taste is, of course, desirable, but most major donors will be more impressed by good stewardship of the institution’s resources than by lavish settings.
- Staffing in the president's office. Regular hiring procedures should be followed and careful thought should be given to need, diversity, and staffing levels elsewhere on campus.
- Conflicts of interest. Presidents should avoid not only the obvious “red zones,” but the gray areas as well. They should steer clear of any business dealings whatsoever on behalf of the institution that have the potential to bring personal gain from investments, holdings, or assets of any type. Opportunities for “insider deals” are less frequent in the world of academic CEOs, but they are no less wrong and no less damaging when disclosed.

In this time of heightened scrutiny, leading an educational institution has in many ways never been more complex. But the advice Martin Luther King Jr. provides the basis of simple yet powerful policy: Do the right thing and meet the increased demands for accountability with candor, openness, and confidence.

John A. Roush is president of Centre College. He writes frequently on issues of leadership, NCAA reform, and holistic education.