



Published on *Inside Higher Ed*
(<https://www.insidehighered.com>)

[Home](#) > Faculty should be a key part of financial decision making (opinion)

Faculty should be a key part of financial decision making (opinion)

Authored by
Mark Podgorny and Kristine Southard
on December 7, 2021 - 3:00am

Before the COVID-19 pandemic, a number of financially stressed higher education institutions initiated certain actions in efforts to survive. Those actions included: rightsizing the workforce, restructuring debt, reviewing and reimagining program curricula, increasing space utilization, offering faculty and staff retirement incentives, and making other difficult yet essential decisions. Thus, it is no surprise that COVID-19 has inspired a sharp uptick in articles in industry journals and periodicals reflecting a sense of deep apprehension among traditional tenured faculty members who recognize their vulnerability in this most recent blow to an already fragile industry. How can an institution endure the impact of a global pandemic on enrollment and maintain a similar number of faculty members when payroll is the largest single operating expense?

One of the potential answers to the question above is to declare financial exigency, and a number of colleges and universities have been exploring that option. “Exigency” was once a term that represented a nearly impossible academic and financial state. Prior to the pandemic, institutions that turned to exigency frequently bore the stigma of academic and financial failure and most often closed. Today, and throughout the next few years, exigency will probably become a process that colleges, in fact, use to avoid closing their doors. At the same time, for some colleges, declaring exigency will not be a possibility or a benefit as they find themselves unable to regain solvency through any means and will simply close. For others, a merger, sale or other transaction may be the best option to preserve the institution and its mission.

While declaring exigency is one of the tools in the toolbox for survival, it can also be an incredibly challenging, and potentially disagreeable, path forward. The American Association of University Professors created a definition of financial exigency and related standards and procedures that institutions can follow to ensure due process and safeguard academic freedom when colleges encounter financial difficulty.

Over the years, the AAUP has investigated faculty terminations based on financial exigency and reported its findings. In reviewing its writings on this subject, we identified several key takeaways that can guide colleges and universities, regardless of whether or not they are experiencing financial stress.

Faculty should be an integral part of the decision-making process. In many institutions, the administration, the faculty and other groups have formed their own silos and created cultures with little interaction or history of working together. Weak communication and tenuous working relationships have led to distrust. The result: problem solving is nearly impossible, especially when the chips are down and the stakes are high.

In contrast, in institutions where the faculty has a history of being meaningfully involved in budgeting and strategic decision making, the faculty buy-in is significantly higher. Further, the faculty's perspective can be invaluable in considering options, developing solutions and identifying issues—which otherwise might not have surfaced or been adequately addressed.

Colleges and universities can and should develop policies and procedures that establish formal mechanisms for faculty and administrators to work together. And they should then enforce them to ensure that it happens.

Faculty representatives should be knowledgeable about their institution's financial health. Institutions, especially those that are contending with financial stress, have a natural tendency to closely guard information about their financial health. Administrations have valid concerns about information leaking out that might impact enrollment, fundraising, alumni relations, staffing and vendors, among other concerns. In institutions without a

close working relationship between the faculty and administration, those concerns can be addressed via nondisclosure agreements, but the best way to address confidentiality issues is build up a legacy of mutual trust over time.

Sharing the “right” information is crucial to understanding and obtaining buy-in. What is the right financial information? It really depends on the college or university and the situation, but generally the shared information should be sufficient and straightforward enough that a layperson can understand the institution’s financial condition. For example, several years of historical audited financial statements, current budgets and actual performance to budget, short- and long-term cash flow forecasts, and supporting analyses are standard requests. In addition, financial and operational metrics like program profitability and admission yields are insightful, and they should be shared.

For institutions facing financial stress or distress, the key to the financial picture is often viewing the long-term liquidity picture and understanding how much financial runway, converted into years and months, is available. For those looking to get buy-in for controversial future action steps, it is important to provide details regarding historical action steps taken—such as cost reductions, capital expenditure deferrals, efforts to increase income—and their results.

Don’t start from scratch—benchmark. Coming up with the best way to work with faculty members and to share information may seem daunting, but you don’t have to reinvent the wheel. Each college or university needs to introduce policies and practices that work on its particular campus, but those ideas can be found not only in-house but also elsewhere. Colleagues at other institutions where the faculty and administration have a good relationship can share best practices. People at institutions that have managed to effectively navigate financial duress, as well as outside professionals who have aided institutions in implementing best practices, can also offer helpful advice.

It is never too late for faculty and administrators to develop strong working relationships. If a good working relationship hasn’t existed at your institution, now is the time to start developing one. It will pay off.

Author Bio:

Mark Podgorny is a managing director at Getzler Henrich & Associates, where he heads the education practice. Kristine Southard has more than 25 years of experience as an associate vice president of academic affairs, dean and assistant professor of literature at several colleges in the New York City metro area.

Source URL: <https://www.insidehighered.com/views/2021/12/07/faculty-should-be-key-part-financial-decision-making-opinion>