

DOWN AND OUT: FACULTY DOWN-SIZING AT CU

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CASE DESCRIPTION

The primary subject matter of this case concerns higher education leadership and handling personnel (particularly faculty) expenses during challenging financial times. Secondary issues examined include HR (Downsizing), organizational culture, Business Ethics, Change Management, and finance. The case has a difficulty level of six, appropriate for second year graduate level. The case is designed to be taught in two (2) class hours and is expected to require two (2) hours of outside preparation by students.

CASE SYNOPSIS

CU ("Case" University) provides an interesting example of higher education leadership and handling personnel (particularly faculty) expenses during challenging financial times. This case will explore the history of CU; the context of the financial challenges; the leadership actions taken toward faculty, particularly the faculty in the College of Business (COB); and ramifications for organizational culture and possible lessons learned for corporate (organizational) governance. We will focus on the events of the 2008-2009 school year in particular since this time frame provided the context for the down-sizing actions covered by this case. Hopefully the example and lessons learned can be applied widely to other institutions as a case study of what not to do in handling the down-sizing that can result from a financial crisis.

CASE BODY

CU was founded in in the later part of the 20th century through the vision and generosity of a small group of businessmen who wanted to establish an urban university with high moral character. The founding President served for 25 years and was known for his energetic and visionary leadership. During his tenure, CU grew to 3,000 undergraduate and graduate students. CU enjoyed NCAA Division I status and competed nationally in golf and track. However, vision had outstripped fiscal reality and it was time for a new president to steady the financial boat.

The second president served for almost 20 years. He had a business background and balancing the budget became his passion. CU's financial position solidified and a major project was funded; a new state of the art theatre/chapel/museum facility. However, there was a cost. To meet budget, The President moved CU from pricey NCAA Division I status. Faculty salaries were kept at a more affordable level and professional development was available but not stressed. Also, faculty did not have tenure. Faculty could receive up to a three year contract but many faculty maintained one or two year contracts. CU's culture could be characterized as friendly, yet politically motivated and confusing at times with some individuals wielding unusual power and influence for their background and qualifications. For example, one individual with only a Master's degree in Accounting who had served as the administrative assistant to the COB MBA program was established as the Dean for COB for a total of 3 1/2 years.

After 2005, the CU Board felt like it was time to return to the aggressive, energetic earlier days of CU by hiring a new President from a nationally known, major university. The new President was a known scholar and advanced an aggressive strategic plan at his previous school including new buildings, a changed curriculum and different faculty. His goal was to create an exemplary liberal arts institution in the vein of a school like Notre Dame by introducing a rigorous liberal arts curriculum, enlisting quality faculty, and building state of the art facilities. Though many lauded his efforts, the faculty senate showed a no-confidence vote. Under pressure, he finally stepped down as president but remained as chancellor for another year.

When the new President came to CU, he seemed to want to avoid the problems with faculty that had surfaced at his previous institution. During his first six months, he met personally with CU faculty by groups to discuss issues and to take suggestions as to what the university should be. These faculty discussions were summarized and formed the foundation of the CU vision document. The President also helped resolve faculty disputes in a positive way which encouraged faculty. He was readily available and allowed for much communication with faculty. He took other practical steps to support faculty including free tuition for faculty (and staff) who wanted to take courses at CU and reimbursement even if faculty attended elsewhere. He sought for and received approval from the Board to significantly raise faculty salaries. So after his first year, momentum was high with the CU faculty. Most faculty supported the new Vision whole-heartedly and looked forward to a bright future.

One example of the empowerment faculty felt was reflected in the COB. A Professor in Management with 20 years experience in higher education leadership, was moved from the Associate Dean position to the Interim Dean for COB. Through an external contact, she was inspired to develop a Center for Business Ethics (CBE) which would act as a clearing house for research and community involvement and fellowship for people seeking to combine high ethical standards and business. The President approved the idea and the COB Dean (though an interim Dean) felt empowered to move forward, seeing the Center as a good fit with CU's Vision. Later that Fall, the CBE carried out a mentoring and leadership program in partnership with a nationally known non-profit for all Junior and Senior business students participating and over 40 business leaders from all over the country, including local leaders. Feedback about the event was very positive with several COB faculty saying it was the finest event they had experienced on the CU campus in the previous ten years.

Meanwhile, financial obligations were increasing. Along with the rise in faculty salaries, two new buildings (an academic building for the fine arts faculty and Honors College and a large student dorm building) were planned and built (in addition to the new fine arts building where pledges for funding had been raised by the previous president). The CU President brought in a number of new staff to help implement his new plans. CU sought a return to NCAA Division I status and hired a number of new personnel to help with the transition. Because of its interim status, CU's sports teams had to travel extensively (with few home games) to find teams to play which greatly increased expenditures. CU initiated a lawsuit to reduce its probation period at a cost of tens of thousands of dollars. CU started an honor's college with low faculty to student ratios and with a need for new space. A continuing studies program was initiated and led by a long-time CU faculty/staff member with no experience in this area costing tens of thousands of dollars and taking more than a year to produce any income at all and then was closed several years later.

Another major issue reared its head. For approximately 30 years, CU faculty reported to the Vice President (VP) of Academic Affairs. He had helped establish a basic liberal arts

curriculum which gave students the flexibility to choose among a number of options for meeting this (approximately 60 hour) requirement according to major. He stepped down and a search committee was formed to find a new VP of Academic Affairs (now Provost) who could implement the President's curriculum agenda based on the Vision. After a nine month search CU announced the hiring of their new Provost. The new Provost had a PhD in Political Science; served as Dean of academic affairs at a small, specialized university in rural Virginia; and before coming to CU served in various capacities in the State Department. This hire would prove to be critical to the events that unfolded in the next academic year.

As the new academic year began, CU was facing an immediate challenge. For two years the VP for Enrollment Management had done a superb job (hired by the President from his previous university) raising the level of activity and enrollments generated by the CU admissions office. Student contacts and enrollment grew significantly over the previous year. Using solid statistics, he had made best estimates of how many students would enroll at CU for fall of the new academic year and for the entire academic year. The budget was supposed to have been based on these enrollment estimates. For whatever reason, there seemed to be a disconnect between how many students actually enrolled at CU for the Fall semester and the numbers which formed the basis for the academic year budget. This created a financial problem as raising expenses (as detailed above) were met with lower incomes (even though there were record CU enrollments). To complicate matters, the new (and very costly) student living facility was not filling up because the rent was more expensive than the other student living areas on campus so students did not participate.

Then two other events added fuel to the fire of financial failure facing CU. Like every other organization, a national economic down turn hit hard. At the same time, a major storm slammed into the area and crippled two key buildings on the CU campus including the student life center (and bookstore) and the main administration building. The campus shut down for one week. Initial assessments put the damage at \$8 to \$10 million or more. CU had an immediate short-term cash flow problem as they had to pay to reorganize the campus without the use of two important buildings as well as begin cleanup efforts.

At this point, the CU leadership appeared to realize that they had a major financial crisis that was much worse than anyone could have anticipated. Evidently plans were made to resolve the problem but the majority of faculty were not informed. Let's examine how the CU leadership responded to this financial crisis.

It was well known that the Provost had a mandate to establish an aggressive liberal arts curriculum for all undergraduate students at CU. The Provost (at the CU Fall Faculty meeting) had stated publically that students were too inexperienced to make their own choices for liberal arts courses, so it was decided to establish a list of required liberal arts courses for all students. A committee of faculty members with at least one representative from each CU college began working diligently to come up with the list of required liberal arts courses. The goal was to adopt and apply this new liberal arts requirement for students as quickly as possible (for the next academic year). This required hiring more liberal arts faculty including faculty needed to run the new Scholars Program.

It also meant other changes for specific academic areas. Historically, well-known schools (like Harvard or Rice) focused on rigorous liberal arts courses and did not include professional programs in their undergraduate curricula. It was not certain whether the conscious decision had been made to eventually end CU's undergraduate Bachelor of Business Administration (BBA) program. Certainly the majority of the CU faculty were not informed one way or the other.

COB's status was changed from a College to a School. What was clear (through the actions that transpired) was that with the financial challenges CU faced, faculty salaries had to be cut somewhere. The business school appeared to be particularly targeted as a source of "financial relief" as 1/3 of the COB faculty were let go over the next 18 months. Faculty from other colleges were also let go as well. Starting in December through February of the next year, approximately 10% of the entire CU faculty were let go. More faculty were let go in May. Ironically in a March article in the local newspaper, CU was discussed along with several other private universities in the state. CU was the only school to dismiss faculty as a response to the financial challenges presented by the economic downturn of the time.

Sometimes hard decisions have to be made in organizations about who will be let go and why. This is called down-sizing. Best practices are readily available on how to do it in a humane manner. At CU, there was no record that any research, planning or consideration was given on how to down-size in the most professional way. Thus an organizational problem emerged from how faculty were evaluated, treated and let go. There seemed to be no strategy, no working with faculty, little regard for basic business professionalism and respect of faculty in the process.

To start with, the CU faculty had spent a great deal of time and effort to recommend procedures for faculty evaluations which had been adopted. However when it came to determining who would be let go, the faculty evaluation process became confusing. For example, the interim Dean of COB for the previous year and had done an outstanding job. She was fully qualified and applied for the vacant COB Dean's position. The faculty was supportive of her and her accomplishments. However, she was not accepted as Dean by the Provost. No reason was given as to why she was not selected.

Within days another CU COB faculty member applied for the Dean's job and within a month was appointed the Dean of COB by the Provost despite reservations about this candidate from several COB faculty member and the fact that this individual had no real higher education experience (except the past 9 months as head of the CU MBA program), weak credentials, no publishing experience, and no training in management. It was surmised by a number of faculty members (although not officially confirmed) that this faculty member had been interacting with the Provost about COB matters during the interim dean's tenure and being considered for Dean, a clear conflict of interests since he, himself was being considered for the job. In any case, this dean hire impacted faculty evaluations that followed.

The COB faculty assumed that the interim Dean would be completing the faculty evaluations since she had served as COB Dean for the previous year, the time basis for the evaluation. The new Dean was simply to meet with faculty members along with the outgoing Dean and make recommendations for future goals and plans. However, this is not what happened.

Two COB faculty members received letters of dismissal in December shortly after the new Dean had taken office. The outgoing interim Dean gave one a Steller evaluation and recommendation for promotion. This evaluation was never considered. The new Dean had even gone through the motions of "looking" at the individual's promotion package (which took a number of hours to compile) even though a decision for dismissal had evidently been made a number of weeks earlier. But despite these problems, these actions were somewhat understandable from a financial standpoint since both of these two faculty members for political and other reasons had short-term contracts and thus could create a short-term cost savings for CU.

The rest of the COB faculty evaluations appeared suspect. The new Dean personally carried out the interviews (without the interim Dean's input as was promised) and was critical of several faculty for what appeared to be disingenuous reasons. For example, he reprimanded one of the management faculty for not publishing in "prestigious enough" journals when this faculty member led COB in research awards and publications during the evaluation year and had started an international business program that had enrolled more students than any other business major except for marketing. The business faculty saw the hypocrisy of this new Dean with no publications and no sign of working on any publications assessing other faculty on research. The confusion continued in February when four other faculty were told that they were being dismissed, including the afore-mentioned management faculty member and an associate professor who taught law for COB who was on sabbatical at the time (a high academic honor). This announcement infuriated the COB faculty because no one could understand the actual bases for these dismissals. Theoretically faculty were to be evaluated based on teaching, university service, and professional activity (according to previous policy). All of these faculty members were solid teachers, were active colleagues and were active in publishing and other professional activity. The people who were not renewed were people who expressed opinions, who were leaders but who may have created apparent political problems for the new Dean at some point in the past. It appeared that the entire evaluation process was simply a pretext for "finding problems" with faculty members so that they could be dismissed. Faculty who were seen as high performers by the rest of the COB faculty were "all of a sudden" not effective according to the Dean.

None of the dismissed faculty were told why they were let go. In fact, the faculty handbook which normally would detail how faculty evaluations were to be carried out and also detail the appeal process was removed in December when the dismissals began. A visit to CU's HR department revealed that somehow the Provost was "working" on revising the handbook at this critical time. So there were no guidelines in place to protect faculty. They simply received letters of non-renewal from the CU President citing that they were being let go based on the "recommendation of the Provost and Dean." This afforded another problem. How could this new Dean make recommendations for non-renewal (i.e. in December) when he had only been Dean for two weeks prior to the dismissals. The new Dean tried to argue that it was "really the Provost" who had done this and he had little to do with it but the COB faculty did not buy this weak argument.

When faculty started being dismissed in December, the faculty were sad and concerned. As mentioned earlier, the CU faculty were a supportive family for the most part especially in COB and there was concern for those who would be leaving. So, naturally there were discussions about why, about how evaluations were being handled, and about (in COB) the confusing way that the new Dean was appointed. Soon emails were sent out from the Provost office "not to discuss" these things. It was well known that there were "moles" among the staff who quickly reported any disparaging words to the Provost. A CU faculty meeting was held in early January before the start of the Spring semester and the Provost spent over two hours speaking about new policies and at least four times indirectly criticized CU and CU faculty (for not being "normal" like other schools) to the point that a faculty member stood up to defend the CU faculty and remind the assembly that there were some positives. At no time did the Provost speak about vision and values except to woodenly say that "all" that we do must be in line with the updated university vision statement.

Faculty continued to confer about the dismissals. In February, as noted above, a second round of dismissals took place which led to faculty discussing the matter at Faculty assembly. One COB faculty member was chided by the new Dean via email for bringing up the matter in faculty assembly and ostensibly breaching confidentiality of the dismissed faculty. Immediately the dismissed faculty (who though were not renewed were serving out the remaining few months of their contracts) emailed the entire COB faculty giving permission to discuss. In response, the Provost set up a faculty meeting for COB. The "meeting" lasted approximately five minutes. It consisted of the Provost lecturing the COB faculty to quit talking about the dismissals and that they had been "unprofessional" and "unethical." A COB faculty member (of over 20 years) apparently had the "wrong" expression on their face during the tirade so the next day they received a dismissal letter from the Provost making a total of seven (out of 21) COB faculty members who had been dismissed with another one leaving for personal reasons (bringing the total to eight). In none of these cases did the Provost meet with the faculty members under consideration for dismissal to give them the chance to defend themselves and to present a different point of view. A new clause was introduced by the Provost into faculty contracts which insisted on loyalty and declaring that "insubordination" was grounds for dismissal.

The former interim Dean symbolized the apparent hypocrisy and confusion in the CU culture for faculty. The previous COB interim Dean with no credentials and no experience was fully supported by CU administration in hiring and firing decisions and was treated as a de facto Dean for 3 1/2 years and actually promoted by doing little or nothing of strategic substance. The most recent interim Dean came with stellar credentials including an PhD in field, over 20 years of effective service in higher education, a strong ethical character and multiple publications; and she was dismissed "for cause" in late May for taking initiative to resolve a pressing student problem in her then role as Associate Dean.