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ABSTRACT

State coordination and control of higher education has increased and will continue to increase. "Points of promise" are: (1) effective statewide planning can extend equal opportunity for postsecondary education throughout an entire State; (2) unnecessary and expensive duplication of programs can be avoided; (3) gaps in availability of needed programs can be pinpointed; (4) the needs for expensive low-enrollment laboratory and technical programs can be justified and adequate opportunities provided; (5) minimum standards for funding of programs can be established and funding levels maximized for well-planned and documented programs; and (6) comprehensive information systems based on common data can be developed so that the colleges in a State system can communicate using a common language. Some of the "peril points" are (1) State coordinating agencies, particularly those with governing responsibilities, may conclude that they provide education; (2) educators in central State agencies may be more inclined to assume operational educational decision-making roles, which should be left to the colleges; (3) the development of comprehensive informational systems may attempt to include a viable and complete value system; (4) the political representation may be a problem; and (5) centralized purchasing, personnel, building construction, and course control procedures can lead to problems. A model for a statewide coordinating board or commission is provided. (DB)

STATE COORDINATION: PROMISE OR PERIL?

(Speech presented by Fred F. Harcleroad, President, The American College Testing Program, at the Summer Seminar for Community College Presidents of the Center for the Study of Higher Education of the University of Michigan at Northwestern Michigan College, Traverse City, MI, June 28, 1974.)

The question of state coordination of higher education is not "Will we have it?" but "How will it work?" Clearly, most persons concerned with postsecondary education expect it to continue and to expand. Vaughn Huckfeldt's study, for National Center for Higher Education Management Systems at Western Interstate Commission for Higher Education, forecasts probable changes in postsecondary education. He used a delphi technique with 385 leaders including federal congressmen, state governors and legislators and their critical staff members, members of state coordinating boards, officials of national education associations, students, faculty, and college and university administrators. One of the key change statements in the study was "operations and administration in postsecondary education will become more consolidated and centrally controlled." 81% of the respondents thought this change was virtually certain to occur and a comparable percentage thought it would occur by 1978-1979. Significant numbers in each of the various responding groups thought its impact would be "very great." Even 57% of the faculty members agreed that this would be true (Huckfeldt, Vaughn E., A Forecast of Changes in Postsecondary Education, 1972, p. 210).

Wattenbarger and Cage in a soon-to-be published book on community college finance indicate that...

> a state cannot expect to have a complete state system of the junior college level of education without making

> provision for a coordinating agency. The agency would play an important role in making junior college education widely available in the most economical manner possible. The state coordinating agency would be responsible for advising the legislature and seeing that there was a state-wide system of the junior college level of education (Cage and Wattenbarger Manuscript, p. 53).

They further indicate that the reason for this need is as follows:

> The state has some responsibility for making junior colleges accessible to the state's population. An agency at the state level would be able to make an assessment of the proper geographical location of junior colleges. The same agency would have responsibility for determining if the junior colleges' budgets were fiscally sound. At the same time the state agency needs to determine whether the budgets are consistent with the state educational plan and with the purposes of the educational program (Cage and Wattenbarger Manuscript, p. 53).

However, this should not come as a surprise since public higher education has never known a time with no coordination. Some form of coordination or control always follows directly with the allotment of public monies. For example, in 1850 Harvard University was in dire straits and requested additional funds from the General Court (the Legislature) of the Commonwealth of Massachusetts. Edward Everett, Harvard's President at that time, pleaded successfully for an additional million dollars. He

recognized the educational coordination responsibility of the General Court and specifically requested that the funds be available after specified needs of the elementary schools had been funded.

State boards of education have served in a coordination role since 1837 when the first system of normal schools was established, also in Massachusetts. In many states the state board of education has had a continuing coordinative responsibility for the state teachers colleges (now regional state colleges and universities) and for community colleges which were established as part of the secondary education system of the state.

During the past century the history of higher education is replete with examples of political decision making in legislatures regarding the establishment of new institutions, their locations, the functions they would perform, and the programs which they would provide. For a century the competition for funds has required state coordination at some level--with most of it being provided by legislature itself, often through a political, log-rolling process.

The proportion of state funds going into higher education has become so great in the past 40 years, and the intricacies of assigning these funds and coordinating the institutions have become so great that legislatures and governors have finally agreed to establish new regulatory agencies. In this way they have protected themselves, to a certain extent, from the increasing political pressures placed upon them.

One other form of coordination and control needs to be mentioned, that of the executive offices of the governor. McConnell has emphasized this as follows:

> If coordination is not exercised by formal or voluntary bodies created for the purpose, it will be effected by

external agencies. The two most likely outside sources are legislatures (in making appropriations or in establishing new institutions) and state departments of finance. Legislatures find it increasingly difficult to resolve competitive claims for financial support. State departments of finance are usually pleased to take over the coordinating function....Deficiencies in the procedures of the educational institutions themselves present an open invitation to state budget officers to intervene in their affairs (quite legally in most instances, probably). These deficiences include failure of public institutions to support their requests for legislative support with objective data where possible, aggressive competition of institutions for public funds, lack of systematic administrative procedures, and inefficient planning and use of plant and facilities. Because of such shortcomings, institutions have lost autonomy by default, and the best way for them to avoid further external control by executive agencies is to improve their own administrative operations. But this, it must be admitted, may not forestall undesirable incursions by finance departments....There is no assurance that the officials who exercise these detailed and rigid controls are competent to make and impose educational policy. And make and impose educational policy they often do by their financial decisions (Glenny, Autonomy of Public Colleges, 1959, pp. xiii-xiv).

Most community colleges have been much freer of executive controls, and of certain legislative controls than other state institutions until the post World War II period. Most of their funds came from local districts, and, in the main, the local boards controlled program development, taxation levels, and planning responsibilities for the local junior college district. The needs for greatly expanded postsecondary education opportunities in the 1950s and 1960s led to the development of state systems in many states. Prime examples are those in Florida, Illinois, and Virginia. As state financing has partially replaced local financing, the proportional control has moved to the central agency, and community colleges have been faced with the same problems which the regional state colleges and universities--and even the major state universities--had faced for decades.

These problems surfaced most dramatically in the middle 1950s and Glenny's study of The Autonomy in Public Colleges and Moos and Rourke's study of The Campus and the State emphasized the problems that were developing. Basically, state executive agencies exerted operating control over higher educational institutions. Much of this was done by state agency offices, working with the legal authority provided to the governor. This was justified as being necessary for efficiency which demanded a tightly-knit system of administrative centralization with direction and control imposed from above. At that time and even now many state officials believe...

> that institutions of higher education should be brought under the state's system of uniform administration. Influential state officers argue that if central controls can be applied successfully to such activities as highways, conservation, and other regular state programs,

> they are equally valid for higher education. Beyond question, centralized budget-making is the most powerful of the devices created as instruments of central control (Efficiency of Freedom, 1959, p, 11).

The real decision-making power residing at a remote spot in a state bureaucracy was quite possible in the 1950s--and even today. The most distressing control mechanisms were, and are, (1) the pre-audit of budgets by officials in departments of administration or finance, after the legislative approval of fund levels, (2) centralized purchasing, (3) statewide personnel control systems, and (4) state building controls.

Fortunately, one of the great promises of state coordination in the 1970s is the move to decision making by educationally-oriented persons in these new regulatory agencies, rather than by accountants and budget officials with little understanding of the educational process and the effects of their detailed decisions.

The Education Commission of the States has just received a large grant for almost $600,000 from the W. K. Kellogg Foundation to contribute to the strengthening of the educational backgrounds and understanding of staff members of the agencies which now exist in 47 states. 27 are coordinating agencies and 20 have governing responsibilities and almost one-half of them have been established since 1960. More and more, the professional staffs of these agencies are persons with academic rather than political backgrounds. But there is a continuing need to expand the perspectives and overall competence of this increasing cadre of critical

decision-making educational persons. Certainly, the increasing professionalism of the persons making judgments about state expenditures and programs holds "promise" for the future, in contrast to decision-making by bureaucrats in distant executive or administrative officies of non-educational state agencies.

Clearly, state coordination and control of higher education has increased and undoubtedly will continue to increase. Recently, a number of states have moved from coordination to statewide governance systems. The trend is apparent and potential "points of promise" and "peril points" are coming more clearly into focus. First, consider a few of the "points of promise." Some of those which have been suggested and are apparent are: (1) effective statewide planning can extend equal opportunity for post-secondary education throughout a entire state. (2) Unnecessary and expensive duplication of programs can be avoided. (3) Gaps in availability of needed programs can be pinpointed. (4) The needs for expensive low enrollment laboratory and technical programs can be clearly justified and adequate opportunities in such fields can be provided. (5) Minimum standards for funding of programs can be established, at the same time that funding levels may be maximized for well-planned, documented programs. (6) Comprehensive information systems, based on common data elements, can be developed and segments or campuses in a state system can "speak" to each other in a common language. If all of these "points of promise" can come true and innovation and change can continue to take place on individual campuses, coordination can have positive effects.

Unfortunately, the number of "peril points" is significant and could lead to a stifling of creativity, a lack of flexibility and change,

and to deterioration in the quality of postsecondary education as a whole. Some of the peril points are as follows: (1) State coordinating agencies, particularly those with governing responsibilities, may get the idea that they themselves provide education--when in fact they are quite a distance removed from the real educational process. (2) Educators in central state agencies, because they feel they know the educational process, may be more inclined to assume operational educational decision-making when it should be left on the campus or extended campus. (3) The development of comprehensive information systems, desirable as it may be, has a number of perils involved. Varying value systems of diverse groups can lead to different value judgments based on similar data. Some of the sophisticated data systems now being developed are designed to provide decision-makers with options and possible alternatives. However, specialists in the development of information systems confidently predict that the information system will "optimize" the data and spew out the option which should, or must be, selected. There is great danger in attempting to include in a comprehensive information system a viable and complete value system. "It is critical that people in the institutions involved continue to supply the value judgments which are a necessary prior determinant in the final analysis of the available data and selection of the most promising option or alternative." (4) The political representation may well be a problem as organizational structure is piled upon structure. Approximately one half of the states have a special board or agency for community college coordination. As additional boards or "1202" commissions are "shoe-horned" in between the two-year college commissions and the legislature, problems of funding community colleges may become even more serious. The responsiveness of the community college to its immediate area has been

its greatest strength during the past quarter century. This has led to their enormous expansion and dependence on these institutions to meet growing needs for educational opportunity. The homogenization of the community college as it becomes one unit within a huge state system can be a real peril point, both for these institutions and for the society. The movement of typical community college students into private, profit-making proprietary institutions is one strong indication that this process is already taking place (See Martorana, State-Level Planning for Community Colleges, p. 16.).

A fifth peril point includes centralized purchasing, centralized personnel procedures, centralized building construction and even centralized course control which have resulted from some state coordination efforts. This is terribly debilitating for capable teachers and administrators on institutional campuses and can lead to erosion of morale and to lack of willingness to make the effort to be creative and adaptive.

Arthur Cohen recently cited the case of two faculty members in a California community college who...

> decided to build a laboratory where students could use self-instructional devices to learn mathematics. During the eight months they spent attempting to develop the project, they learned how strictly their professional lives depended on the state. Until state-level agencies (1) approved the title (2) and outline of the course, (3) the pattern of student attendance, (4) the type of equipment to be installed, and (5) the methods of awarding credit to students, their district could not be reimbursed for their

> salaries. No administrator tended even to entertain the notion that the laboratory might be opened prior to clearing everything with the state, even though this is certainly within the law. All the departmental and college-level committee approvals were dwarfed in importance by one overriding factor: if the state board did not accept the course, the district would have to find the money locally (Change, June 1974, p. 52).

Other horror stories of this type circulate as common knowledge in many state systems.

What can be done about this? I would like to suggest that you consider very seriously some of the important organizational ideas that are developing in some large businesses, the multi-companies. Certainly, these businesses are interested in the most efficient use of the dollars which they have to spend. Successful ones have to provide a profit to their shareholders. As a consequence, their organizational systems are designed for efficiency, effectiveness, and optimum production. Basically, they are moving to a decentralized organizational model and have several common characteristics.

A number of large, diversified and geographically-spread companies illustrate the decentralized model. Some of these companies with their annual incomes are as follows: Textron ($1.9 billion); Interco ($1.1 billion); Jim Walters Company ($1 billion); McGraw-Edison ($825 million); Amfac ($750 million); Safeway Stores ($7 billion); General Electric ($10 billion); and Koppers ($612 million). All of these companies share the decentralized mode of operation and, in many cases, are highly successful in their operation, in great contrast to centralized competitors. For example,

Interco has been extremely successful in contrast to Genesco, a comparable-sized, centralized organization which had declining profits for four years and a huge loss during the past year. Safeway Stores, with its decentralized system of operation, has been highly successful while the comparable-sized Great Atlantic and Pacific Tea Company has been described as "close to being a corporate disaster."

All of these successful decentralized multi-companies have similar characteristics in their methods of operation. First, they have relatively small, central office staffs. Interco, for example, has only 40 employees on its total headquarters' staff. Textron has a headquarters staff of 135 people. In essence, many of these multi-companies are described as "federations" and with relatively flat organizational design. (Harcleroad's First Law of State Coordination applies here. It goes as follows: The efficiency and autonomy of the individual college is inversely proportional to the size of the central office staff.)

Although central offices' functions vary somewhat between the companies, several common characteristics, in addition to the small size of the central office staff, can be instructive for the planning of other large, diversified and geographically-distributed organizations, such as state systems of higher education.

Central offices in a decentralized system are responsible for the development of overall policy, master planning, large capital costs, fiscal controls, and evaluation of each division's success in meeting its objectives. Executive structures are streamlined to facilitate fast decision-making on important policy issues which do have to be discussed with central offices. However, operating decision-making on important issues is placed at the divisional level(comparable to the individual campus). One of the Textron's company presidents has been quoted as saying the following:

"Our real happiness with Textron is the way Providence (the headquarters office) manages, which is to say without interference. Other than that we are left alone. It is a...lot different from Litton and others I have bumped into." Typically, the Presidents of the internal companies of a multi-company meet monthly as an operating board. Monthly reports are filed with the central office, with quarterly visits by the senior central office staff to the operating divisional company. Central management is normally by "exception" rather than through standard, required procedural handbooks. The hands-off "decentralization" system serves as a motivator to people in the individual institutions.

Among the most important procedural responsibilities assigned to separate units are the following: (1) local planning of the goals, programs, and alternative possibilities, which are submitted along with the fiscal plan to the central office. Objectives for the near-term and the long-term are worked out cooperatively, and these objectives are used as the basis for later evaluation through analysis and auditing. (2) The units normally maintain their own accounting, personnel, and payroll systems and records. (3) In addition, they do their own purchasing, and (4) they conduct their own minor construction programs. (5) They operate their own "production" facilities, set local standards of achievement and establish internal procedures needed to achieve them.

Some large companies, of course, operate on a centralized and far more authoritarian basis, and with considerable effectiveness. For example, Northwest Industries with Ben W. Heinaman as President (formerly President of the Illinois Board of Higher Education) was basically run from the central office and by the President. In spite of the fact that his operation was described as "one-man rule", he stated that his philosophy was "strong decentralization of day-to-day operations and very strong

controls over goals, planning, and capital expenditures." He further stated that "if the conglomerate entity has a genuine goal, it is based on a rigorous theory of diversification coupled with management in the interest of the individual companies." Thus, in spite of the strong centralized structure of Northwest Industries, it still provides decentralized operation based on four-year plans with a formal annual budget reviewed three times a year.

With the increasing size and diversification of the higher educational enterpise and the strong movement toward coordination or governance by multi-institution governing boards and headquarters offices, the decentralized pattern of these successful companies may well serve as a model to be followed by legislators and boards of trustees. In making the ultimate decisions regarding actual methods of policy determination and operation, the evidence over the last 50 years from these multi-unit companies should be extremely helpful in determining the levels of educational decision-making, providing for operational autonomy in higher educational institutions and thus, the most effective use of the resources provided for these critical social institutions. The model which I have developed for a statewide coordinating board or commission corresponds very closely to the successful multi-company organizational theory. Although it was developed separately over a 15-year period, the similarities are striking. McConnell evaluated my model as "excellent, and lacking only a statement about the powers necessary to accomplish the functions." Certainly, the increasing control over the budget will provide whatever power the central coordinating office will need. Instead, individual

institutions are more likely to need protection against usurping of the institutional operational prerogatives by central office staff.

A MODEL FOR A STATEWIDE COORDINATING BOARD OR COMMISSION

1. Leadership and coordination in (a) formulation of statewide needs and policies, (b) long-range and short-range planning, (c) program development with statewide implications, and (d) establishment of statewide and institutional master plans for the development of programs and physical facilities at individual institutions. This includes the development of guidelines, standards, and, occasionally, basic procedures to guide the operations of individual institutions.

2. Approval of institutional objectives on which to base yearly institutional budget requests, consistent with statewide planning, guidelines, and previously approved college master plans. Recommendation of the agreed-upon budget to the statewide board and organization of the presentations and support of the budget requests to the executive and legislative branches of government.

3. Appraisal and evaluation of institutional achievement of approved objectives, including fiscal postaudit and analysis of institutional application of statewide policies and guidelines. This includes a periodic review of institutional progress in achieving agreed-upon objectives and in solving problems inherent in the local situation.

4. Advice to individual institutions, as needed and requested, on operational matters. Responsibility and authority for operational decisions necessary for institutional implementation of systemwide policies and programs, as well as institutional policies and programs, should be located on each campus. Statewide officers have an obligation to restrict their role to statewide activites.

For community colleges as well as other types of higher educational institutions, the decentralized business and educational systems which have been described provide clear directions in which the organization of state systems should go. The evidence seems clear that state coordination will expand in the future. Implemented in this decentralized way the peril points which have been emphasized can be diminished and the promise of state coordination for the 1970s can come true.