

## **Chancellor Davis' Remarks at Fall Meeting of the Georgia Conference, AAUP**

Thank you very much and good morning to you all. Dorothy (President Leland introduced him) was going to sleep in this morning. You actually saved me from my ritualistic fifty mile bike ride, on Saturday, so I appreciate that.

I know most speakers, when they talk to you, say that they're "happy to be here with you" and its sort of a pro forma politeness to do that, but let me suggest that as an ex utility executive, I am happy to speak in front of reasonable friendly crowds these days.

During the eight months that I've been on the job, and it was eight months yesterday, I have had the opportunity to visit all 35 of the campuses within our system. I certainly haven't had the opportunity to meet our almost 40,000 employees or really the vast majority of our 260,000 students. I have met with a number of system groups, various academic groups. I have certainly met with all the Presidents, their direct staffs, faculty senates at every university, students, community leaders, foundation leaders, and I feel a lot as if I am drinking from the proverbial fire hydrant, or sometimes I feel a little giddy like the dog who caught the car but I'm not sure just yet what to do with it. But I have been energized by this experience. I have been energized by all the people with whom I've come into contact, and certainly by my colleagues, with whom I work on a daily basis. We have a great deal of talent on our campuses, and we're making a real difference in the lives of young people and in the lives of our communities.

This group, of course, is certainly special from a talent perspective. You represent faculty at both public and private colleges here across Georgia. Collectively, your sense of the academic universe extends far beyond our system, or just a single campus here in Georgia. One of the more compelling reasons for my interest in meeting with you today, however, is that you represent the heart and soul of our mission, our core missions of teaching and research along with, of course, public service. This is a theme that I want to develop very briefly today, and that is, what makes us unique, what makes higher education unique, and how can we protect that, and how can we strengthen the work that we do so well. Now I understand this group, based on some of the questions that were pre-submitted, have some additional concerns, and so I want to take an opportunity to touch upon those as well. Some of the topics that were pre-submitted to me included issues of shared governance, of tenure, of salary levels, of retirement programs. So before I get into the issue that I want to talk about, let me get into the issues that you want to talk about instead.

The first is shared governance, and I recognize that in higher education, there exists a very well established culture of shared governance, and you of course recognize I did not grow up within that culture. But I do realize the importance of a broad representation of interests providing input to the decision-making process, and it really isn't that different in commercial or corporate environments. Good decision makers solicit input and they sift through and synthesize that input. I also believe that while input is welcome, and certainly while shared decision-making has a place and a role, its also critical to establish clear accountability for decisions. My operating principle over the years has been that the individual who will be held accountable for the decision is in the end the person who has the sole responsibility and the right to make that

decision. Please understand, this is not about my authority or wanting to surround myself with more authority. In fact, I am engaged in a rather elaborate exercise, at the moment, to push as much authority away from me as possible down to the campus level. I have four task forces headed by eight Presidents who are reviewing all my delegations and authorities and I am trying to get rid of all the administrative things that come to me to which I add no value and that I believe should be made at the institutional level. So my philosophy does not suggest that I want to be the supreme authority, but it does suggest that those who are accountable for the decisions should make the decisions. I also have made it clear that as I push authority and approvals down to individuals that they are responsible and therefore they are accountable. I do believe in that well-worn adage that when every one is responsible no one is responsible. So, as we move forward, I'll be working with our Presidents, I'll be working with our staff and certainly our faculty to explore how we can set clear lines of accountability while preserving at the same time the collegial culture that gives us the needed input for the critical decisions that we have to make going forward.

Another area of concern to the faculty is that of tenure and that was raised in the context of our newest university, Georgia Gwinnett College. In creating Georgia Gwinnett, the university system envisioned a somewhat different institution from the start. I'm not quite sure what they envisioned. No one has made it quite clear to me yet, but one of the differences, at least from the outset, is that faculty is under contract there. Its interesting to me that approximately half of the faculty, and the faculty is I think up to a whopping eleven, or maybe seventeen, at this point, about half of them have given up tenure at other institutions to move to Georgia Gwinnett College because of the exciting future of that institution and the things they believe may happen there. So its obviously attractive to some faculty members for reasons other than the granting of tenure there. I would not, however, interpret, as I think some of the questions did, the institutional decisions at Georgia Gwinnett regarding faculty contracts to constitute any kind of system signal. The Board, my bosses, understand the importance of this system's national reputation in attracting the best instructors and the best researchers, and rightly understood tenure is part of this tradition of the academy, and the university system clearly stands in that tradition. But, we do need your help, though, in making sure the public understands the proper role of tenure, because the public sees tenure as a lifetime contract without supervision and without accountability. That's how it is viewed from the outside. Now, we know that is not true, but, and I think that this organization in particular has a role to play in changing this misperception, in changing the language of the public debate from one of entitlement to one of preserving academic values, and I believe you can play a key role in that debate.

Another issue that always comes up, I probably should have mentioned it first 'cause it always gets to me first, and that is the issue of compensation, and on this coin I think I represent a much more friendly face. I come from a world where it is de rigueur to pay competitive salaries, that you must pay competitive salaries in order to get the best people, so I certainly recognize and understand the importance of compensation in both attracting and retaining quality people. After all, our primary asset is our people. While public higher education operates under many unique constraints due to the relationship, particularly in our system, of our state funding partners, we're going to continue to make, and I had a meeting this week that we need to more vocally and forcefully and visibly make, the case for compensation packages that are competitive and that do reward excellence as well within our system. But, here again, I want to stress that you are, in fact,

part of the solution to that issue. My job, as I see it, is to make sure that the people whom I'm privileged to supervise, have the tools, have the training, have the equipment, have the insight to our strategies that they need to get their jobs done. So I really cannot just cruise by here periodically and throw money over the transom to eagerly outstretched hands. It doesn't work that way. You need to work with your leaders to provide me with compelling indicators of performance to put in my hands, and then I have to take these indicators and I have to show them to someone outside of the academy and they have to say "Wow, I want more of that, and I am willing to pay for it!" And so, I cannot have indicators that are so arcane and esoteric that, you know, they make each of you happy as you exchange them among yourselves. I have to separate people from their money. And so, they have to clear, they have to be understandable, and they have to have a wow factor to them. The simple reality is we're not going to be able to generate increased revenues merely because you happen to be here or you happen to be a lot smarter than the average person outside the academy. Its just going to take a lot more than that these days to separate people from their money.

Related to compensation, of course, is the issue of retirement and this has been quite a topic over the last several months within the university system, particularly for those who are under our optional retirement program, or ORP, as , indeed, I am, and I certainly understand your level of concern regarding new employer contribution levels. Let me take this opportunity to state that we have listened, I have listened, I've actually even learned a thing or two about this program, and we're going to be pursuing legislative remedies this session to address a number of the concerns that you've raised. I could go on here and talk about our optional retirement program, ORP, but I won't do that right now. I'm going to save some time for questions and answers later, and I'm sure in the finest traditions of AAUP, you will have many of those and many of them will address ORP, and I see we do have, I don't know whether you call it a blackboard anymore, its not quite black, a board here and I may be able to shed a bit of light on what has happened recently. So, with that, and I am going to leave some time for questions, because as I am fond of saying, I am also an amateur semanticist and the question and answer period is where you always learn the semantic difference between a visibility and exposure.

So, let me, if I might, turn a bit to my larger theme which is what makes the academy unique and how we can work together to not only to protect that but to strengthen it as well. Now, our efforts to do that, our efforts in this area, are not only critical, they are always critical, but they have also taken on a new sense of urgency because of the heightened profile given to higher education, of course, by the release of what is popularly known as *The Spellings Report*, the recommendations of the bipartisan commission on the future of higher education. This commission identified as the most serious concerns in higher education the issues of accessibility, the issues of affordability, and the issues of accountability. I sort of commended the commissions for its findings because, unbeknownst to me, I had adopted exactly the same agenda before they announced what their most serious concerns were, and so again, at least I felt that I was headed in somewhat of the correct direction. It is clear that our higher education system in this country continues to be a key strength for this nation. It is, it remains, better than the higher education system in other countries, but other countries have made, and are continuing to make, great strides in improving their higher education system. You've, in many ways, been more successful than you would have ever dreamed of, because outside of the academy they recognize the importance of higher education, in that it is, in fact, the engine that will drive the economic growth of this nation. So,

therefore, it is valued, it is valued by the body politic. In the State of Georgia, we are one of the few states for example where the share of the state budget given to higher education actually is increasing instead of decreasing, and this is in the face of just voracious demands by the K-12 system, by the health and human services system, as well as, unfortunately, the penal system, and again I am hopeful we do not get a governor who decides that their view of economic development is to build prisons around the landscape as has been the case in a number of states, in which case we will become a lower priority in terms of allocations. Getting back to *The Spellings Report*, the Secretary did note that other nations and I quote “other nations educate more of their young adults to more advanced levels than we do.” It was pointed out in the report that two-thirds of the high-growth jobs in this country will require college degrees, and today, only one-third, of course, of our population does have college degrees, and that percentage is moving up but only slightly. This has implications for us, both in public and in private education. It means that, and I’m going to use this word and watch for the cringing body language, that our customers – whether they’re political leaders, whether they’re alumni, whether they’re business leaders or whether they’re students – are looking more than ever to higher education to meet the nation’s needs for an educated workforce. They’re looking to us more than ever for more basic research. They’re looking for the knowledge to help this nation maintain its competitive edge. We are, in fact, important, we are the solution, and we have to capitalize on that position of importance. With this increased performance on the academy and on our performance, the expectations that we will address, and we must address those we can’t really deprecate the findings of the study, again we have to address the concerns of accessibility, of affordability, and accountability for what we do, and we have to turn out more and we have to turn out better prepared graduates.

As I have moved around the state and learned more about the University System of Georgia, and I have also had the pleasure and opportunity of visiting a number of private institutions as well, not as many as I would like at this point, but I have visited Oglethorpe and I have visited Emory and several others, but through these visits it has become clear to me that we have a great opportunity here to make some significant improvements that will address many of the issues raised in *The Spellings Report*. In doing so, by addressing those, we will also be able to get more resources flowing to the academy, those resources that all of you covet, and that we can use to strengthen our teaching mission to strengthen our research and our service missions as well. While most of my observations, in my limited experience of eight months, has been in the University System of Georgia, my sense is that my observations may have some modest applicability to private institutions as well.

My first observation is that we need to understand what it is we do that is unique and different from other organizations, and equally importantly what is not unique and what is not different, because we tend to meld the two and do not tend to put a bright line between the two. There is no question in my mind that our teaching, that our research and our service missions are, in fact, unique. It is what makes us special. The creation and the dissemination of knowledge is the single most important activity of any civilized society. As my father used to suggest to me what differentiates us from animals is the ability to pass information from one generation to another. I seem to have failed with my children in that, but again, that supposedly is what differentiates us. You understand this mission all too well.

As I look back on my own college experiences, they were amazingly transformative ones. As a young man, I may not have fully appreciated the power of that experience upon me, but I did understand that something was happening. New worlds were being opened to me, and I was being challenged in very new and very different ways. I had, as was mentioned by Dr. Leland, wonderful educational experiences. I had the pleasure of working with, directly with, future Nobel Laureates at Carnegie-Mellon, and then when I went to the University of Chicago I was literally surrounded by them, and I went to school a long time ago, but it was a time when a lot of things that we take for granted today were changing. When I talk to my kids and tell them that I actually walked inside of a 5K memory unit, they look at me like “what on earth are you talking about” and they, of course, have no idea what a vacuum tube is. This was an uplifting and humbling experience for me all at the same time, and when I left college I took away much more than just multiple degrees, I took away a very deep appreciation of what a unique place this is and what a wonderful environment it is and its an environment that should be provided to all who enter the academy’s portals and this appreciation has only become stronger over the years as I have worked in Wisconsin on the University System Board of Regents there, as I had the privilege of chairing the board at Carnegie Mellon for a number of years and continue on that board as I do at my other alma mater, The University of Chicago. So, I do begin to understand, certainly none of us have a full understanding, the very unique and special role that higher education plays in the lives of our students and also in the fortunes of our communities.

My first goal is to do all that I can to preserve, protect and strengthen that mission. While this core mission is unique and can not and should not be viewed in the same light as other commercial businesses, those activities that support this mission are not as unique – keeping the lights on, keeping the roof repaired, making payroll, soliciting bids, construction, paying invoices, contracting for health services, running retirement plans – these operations are the same regardless of the setting. This is an important distinction and we must understand that distinction, and the reason why is that if we understand that we can position ourselves, I think, to put in a culture of continuous improvement, particularly in those operations and we can reap the benefits of those processes. By analyzing our back office operations to ensure our processes and procedures conform to the highest standards, we can actually address some of the key issues of accessibility affordability and accountability. From my vast, or past, experiences, and unfortunately the older you get the more experiences you have, I can say, without any hesitation, as I walked around the campuses we do not seem to have a lot of world class back office operations. I have not seen, quite frankly, any. I’ve seen some that are a lot better than others, but the commercial enterprises of excellence work at a different standard in their back offices than we are. We have, at the University System, a number of actions underway, and a lot more planned, to strengthen our effectiveness and our efficiency. Fundamentally, some cultural change is going to be necessary. To achieve that, we are going to move faster, we’re going to be on a fast track to create a culture geared toward utilizing all of the System’s combined resources on behalf of this state and on behalf of our employees and our students. I am keenly aware that I have to do more than make the operation run efficiently. As I am fond of saying, Mussolini made the trains run on time. I have to do more than that. I also am keenly aware, and I am going to use this word again, customers, that our customers are demanding maximum efficiency and total focus on meeting those challenges for our institution. They do not understand our academic mission. They understand maintenance, they understand how roofs should be repaired, how vehicle fleets

should be run, how purchasing should be run, and their understanding of our operation is such that they look at those operations which they can understand and then they make generalizations about our entire operations. One of the things I want to be able to say is what do you mean we're not efficient or productive, here are the metrics, here are the standards, they're world class, they're six sigma quality, what do you mean. So, give me more. This will be a mantra – give me more – I know you know that one already, but again I will be asking for that as we move forward. If any one has any doubts of the expectations of the public of us, I would, and I know most of you have, either read *The Spellings Report* or a summary of this, and we are going to be responsive. We're going to be responsive, and time number three, to the needs of our customers, all of them, and we are going to meet and exceed their expectation.

I was trying to draw analogies for what we need to do and the best I could come up with was to look at *The United Way*. This is a great organization with a very important mission, but its an organization that has undergone, over the last ten years or so, great cultural change and shift. If I compare *The University System of Georgia* to *The United Way*, right now it more closely resembles the old united way. But like the new united way, we are changing and we are going to become more strategic in what we do. If you remember the old united way model, it was really sort of a convenience function to collect funds for agencies and disseminate funds, and its easier just to give to *The United Way* and *The United Way* will then just distribute the funds and it will save you the trouble of making the choices. The new one is a little different. The new one collects money to fund programmatic and strategic thrusts at the agency levels. They will often put out bids, requests for proposals, for agencies It has a sense of what its strategic mission and focus should be, and it also is a facilitator and it is an enabler. It helps agencies manage better. It helps them plan better. It helps them focus better. So it has assumed a newer and strategic role. Delivery still remains done at the agency level, but again there is a strategic focus within most communities – whether it is on enabling people to be more self-sustaining or whether again its on youth or aged issues – the community priorities have been set, resources are flowing to those community priorities.

I look upon that not as an identical model, but a sense of what we need to do at the system. We're doing a great deal correctly as a system, but we should be flexible enough to embark upon whatever necessary cultural changes we need and whatever continuous improvement processes we need to put in place. When all is said and done, we are stewards of multi-billions of dollars of state resources, and certainly priceless intellectual capital. We must use system resources to advance the state both educationally as well as economically. That is the role, one of the roles, of a state system. Its important for us to address change in order to provide the additional resources that we can first harvest and then reinvest into the things that do make us unique, our academic mission. We'll not become more productive in our purchasing in order to do better purchasing. We will use the funds saved there to put them into our academic mission. We can then focus on the bottom line. The bottom line for me is improving student success. We need more students who are better prepared before we get to our institutions. We are spending in our system thirteen million dollars a year in, I'm told the politically correct term is learning support and not remediation any more, but it is thirteen million dollars I would prefer not be spent. Back in my old life, I would make a bargain with the K-12 system to split that money with them if they could eliminate the need for me to spend it. We can't do that under state structures, but I am working very closely with the superintendent and we are going to address K-12 issues. This is a key part

of what we do, and whether you like the terminology or not, I view students as our core customers.

Hopefully, if you have listened, and I know you have, to what I've been saying, I hope you have come to the conclusion that I am going to work on your behalf. I am going to work on your behalf to get you the resources you need to perform the things that you do so exceptionally well in the classroom, the transformational things that you do. I believe that is why we exist - to do that - to get you those resources. But, as I suggested earlier, you have to play a role in that process. The folks, under whom I am lighting the most fires, are probably our chief business officers and our administrative staffs as I ask them to look for new and more cost effective ways of operating so I can take money out of those areas and put money into our core focus admission areas.

We have a great opportunity here. We have a University System created and sustained and appreciated and loved for 75 years by the people of Georgia. We have a system with clear strengths in a number of areas, and we have certainly the talent on our campuses to build upon our legacy and these strengths, and we have good partners. We have good partners in both the government and the private sector to support our efforts to change in ways that best serve the state. We have an excellent private school network, and it also receives substantial support from the state. My view is with these positive factors, there is no reason, there is no reason not to act to create an even more robust and even more dynamic and responsive education system – a system that fully utilizes all of the resources available to us. Its going to require hard work, its going to require some honest reassessments, and its going to require changes. I have been around long enough to understand that no one likes to be changed. Only babies like to be changed. But, you have to give people reasons for change. You have to open and honest and transparent, and if you do, they will change. It will not be easy. It cannot be done in little tiny incremental steps. One of my favorite manager gurus is Shelia Shineburg and she once said that you can't leap a cultural chasm in three baby steps.

The University System will be up to this. All of higher education can achieve new levels of effectiveness, whether it is public or whether it is private. We're going to look to our resources, to our staff, to our faculty – particularly our faculty for the creativity and the knowledge and the ideas to help us make the needed transformation. Our faculty will play a key role. Let me rephrase that. You will play the key role, and you do play the key role in fulfilling our core mission.

Let me end by again reiterating what my job is, and my job is, to get you what you need – to provide the context, to provide the environment, to provide the tools, the equipment, the training, the insight to our strategies that you need – to get your job done. You have a responsibility as well and that is to keep us focused on our core mission. I certainly appreciate what you do. Let me close with a little story. As I was transitioning out of my old job – I was CEO for 15 years at Allied Energy and I was chairman, president, and CEO – and I started the slow glide path of relinquishing one title after another until I was finally chairman, and during this process, a lot of opportunities were put in front of me for my next life. One of the opportunities was to be a distinguished service professor at Carnegie Mellon with a joint appointment in the schools of engineering and public policy, electrical computer engineering and the environmental sciences

area, and I looked at this for about thirty seconds and I was just totally petrified because it occurred to me that I know a little about a lot of things, and my knowledge is about this deep over a lot of things, and that in order to subject myself in the classroom each and every day to the wisdom and judgment of young inquiring minds, I would have to have a depth and core of knowledge that I knew that I couldn't reasonably acquire in any short period of time, and so I respectfully declined that opportunity, and sought others and I wound up with this one. As I said, I am still feeling a bit like the dog who caught the car. I, again, appreciate what you do, I appreciate your past contributions, I look forward to your future contributions, because we do have a shared goal, we do have a shared effort, and that is to create one more set of educated Georgians. So, again, thank you very much for your time and your attention.

#### Questions (Q) and Answers (A)

Q1. Reappointment of University Presidents, hope the faculty voice in the decision can still be significant.

A1. The University Presidents hold one year appointments that are renewable. The current process is one page summaries supplied by the University Presidents themselves. Change in the process – seek input from wide variety of sources (direct reports, students, faculty, community, local political leaders, etc, some of which may be University Presidents).

Q2. Regional University Presidents no longer are direct reports to the Chancellor.

A2. I can provide effective administration to forty direct reports, but cannot provide effective leadership for forty direct reports. It makes more sense to have fewer direct reports.

Q3. Position of anti-intellectual is somewhat prominent in Georgia.

A3. To this point, I am stunned by level of support of communities and particularly legislative fiscal support.

Q4. Part-time vs. full-time faculty – are there too many part-timers?

A4. This distribution is a university level decision, not a system level decision. This may have an impact on the quality of academic advising. Some institutions have made these decisions most intentionally. Every process should have an owner: that is not the case as prominently in the university system as it should be. Without an owner, the process can degrade and require reinvention of the wheel.

Q5. AAUP promotes joint effort and shared responsibility for the budget for faculty and administration – what is the role of faculty in the budget process?

A5. Transition to zero-based budgeting rather than incremental budgeting, more transparency in the budget at the university level is needed. Budgets should be strategy implementing documents. Why not fund those things you prioritize highest with your first dollars?

Q6. Value of liberal arts is not understood by the public, students, legislators – do the faculty have an important role in this education?

A6. I believe that all education should begin with three years of the liberal arts. If the public does not understand the value of the liberal arts, that is our responsibility. When talking to potential employers of our student, I tell them I am not here to train your employees, but provide you employees that can be trained. The faculty should be able to articulate the value of the liberal arts in the language that the public can understand.

Q7. Retirement ORP vs. TRS

A7. ORP (defined contribution) and TRS (defined benefit at the end)

ORP is portable and pot of real money (originated in 1990 at 4% fixed; 1995-1996 not rich enough, higher contribution level, 1997 change to tie the two rates (employer rate of ORP to normal contribution rate of TRS) together as State of Georgia statute.)

TRS contribution is comprised of three factors (actuarial adjustment (basic contribution), accrued actuarial liabilities, and normal contribution).

There is a statute that mandates the rules of the system.

Will try and introduce legislation to decouple the two.

Should Ten year vesting be reduced? Should there be a one time point to change? The world is moving toward a defined contribution plan at a more modest rate, typically at most 6%.

Q8. Who asked for this and what was the process by which it changed in 1997?

A8. The authors of “bad” decisions are quite often elusive.

Q9. Sometimes, institution exhibit high quality in spite of administration not because of it. Quality administration is important at all levels. What are your thoughts on this?

A9. I believe very strongly in leadership and power of leadership, but the quality of leadership must be evaluated. I will enter into frank and candid dialogue resulting in clear and specific guidelines for behavioral changes. I take the responsibility of recommending renewal of one year appointments of University System Presidents very seriously. We will have a good set of leaders in front of people over time.

Q10. Enormous costs for delivery of math and English remediation, any ideas on how to avoid the need for this?

A10. This is one of my major areas of focus. Mike Valmer, Cathy Cox, and Chancellor Davis are already discussing this issue. I spend thirteen million on this initiative that I don't want to spend. That said, if we have remediation, we should have high quality programs. What sort of value are we adding to addressing the challenges of remediation?