

MINUTES OF THE REGULAR MEETING

of the

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

Held in Varsity Hall II
Union South
University of Wisconsin-Madison
Madison, WI 53715

Thursday, December 8, 2011
9:30 a.m.

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-President Spector Presiding-

PRESENT: Regents Jeffrey Bartell, Mark Bradley, Judith Crain, Tony Evers, Michael Falbo, Tim Higgins, Edmund Manydeeds, Katherine Pointer, Charles Pruitt, Gary Roberts, Troy Sherven, Brent Smith, Michael Spector, Mark Tyler, and Gerald Whitburn

UNABLE TO ATTEND: Regents John Drew, José Vásquez and David Walsh

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PRESIDENT'S GREETING

Welcome to New Regents

President Spector announced that he was pleased to convene the Regents' December meeting, hosted by UW-Madison. He thanked Chancellor Ward and his team for their warm hospitality and encouraged attendees to explore the new Union South building.

Regent Tim Higgins

Saying that his first task of the morning was one of the best parts of his job, President Spector said that he was pleased to introduce the three newest members of the Board. The first introduction was Regent Tim Higgins, owner and principal of ChiRho Services, a consulting firm based in Appleton, which is focused on health care payment, reform issues, and the integration of complimentary and traditional medicine. He earned his Bachelor of Arts Degree in Economics from UW-Madison and his law degree from IIT Chicago-Kent College of Law. President Spector said that Regent Higgins had served two terms on the Wisconsin Alumni Association (WAA) National Board of Directors and was honored as the Alumni Advocate of the Year in 2005.

President Spector invited Regent Higgins to make brief remarks. Regent Higgins related a story about when he was a graduate student in 1977 on the UW-Madison campus in the Department of Educational Administration. His graduate advisor, Professor Joseph Kauffman, a wonderful mentor, who helped Sargent Shriver start the Peace Corps, served as dean of students at UW-Madison, and served as president of Rhode Island College, asked Regent Higgins why he was pursuing his degree. Regent Higgins joked that the question may have been a subtle hint that he would not make it as a high school principal. Regent Higgins said that he thought he surprised the professor when he told him he thought the degree would be good preparation because he wanted to be a UW Regent. Regent Higgins said that he never completed that particular graduate program because job commitments took him away from Madison, but in the intervening years he tried to stay close to the UW.

Through the Wisconsin Alumni Association (WAA), Regent Higgins said, he had the opportunity to participate in promoting diversity on the Madison campus as a member of the WAA's Diversity and Inclusivity Council, and in legislative advocacy as a participant in the Alumni for Wisconsin Group. Regent Higgins said that he was most proud of a program that he and his wife, Jonna, started in 1998 through a local WAA chapter. He said that they raised \$10,000 from local businesses to begin a recruitment effort targeting Hmong high school students from the Fox Valley. Working with the Hmong-American Partnership of Fox Valley, they bring more than 100 students to visit UW-Madison, where they meet with the admissions office staff and with their older sisters, brothers, cousins, and friends who are already UW students. The result has been that more than 100 students have matriculated at Madison, and the vast majority of those have graduated. Regent Higgins observed that it had been a great pleasure to follow the successes of those first-in-the-family college graduates, because many of them return to their adopted roots in the Fox Valley.

Regent Higgins expressed the hope that his ongoing connection with the UW would help him learn more quickly about the System, so that he could participate productively in its governance during these trying times. He said that he was proud to be placed among such a distinguished group of citizen volunteers and hoped to live up to the responsibilities that go with the honor of serving.

Regent Gary Roberts

President Spector introduced Regent Gary Roberts of Onalaska, President and CEO of Morrison Creek Cranberry Corporation, based in Warrens, Wisconsin. He has extensive experience managing and owning restaurants, including the 1990 National Restaurant of the Year, Piggy's Restaurant, in La Crosse. President Spector said that Regent Roberts was an alumnus of UW-La Crosse, where he earned a Bachelor of Science Degree in Political Science and Psychology. He has served on several boards in the Cooley Region, including the La Crosse Area Convention and Visitors Bureau and the La Crosse Chamber of Commerce.

Regent Roberts thanked President Spector and began his remarks by saying that his career started as an entrepreneur, and being an entrepreneur is what he brought to the Board table. He said that when he was 10 years old, he was not old enough to be a paper boy. He wanted to work, so he told his father that he was going to the swimming pool, and instead he hitchhiked to Fort McCoy to shine shoes. On a good day he would get a quarter for a pair of

shoes, and on a bad day it was a nickel. Ever since then, he had had a job, Regent Roberts said, and he had been creative in developing an entrepreneurial attitude in life.

Regent Roberts said that one of his most proud service opportunities was through Riverfest in La Crosse, about 25 years before. He said he gathered together three or four people and suggested that a festival should be held, because it was quiet in La Crosse over the Fourth of July, with festivals going on all over the state and country. Since a river runs through the downtown, he suggested the festival be called Riverfest. There were “a million roadblocks” in the way; the mayor, the council, and others said that it could not be done, and since La Crosse already had Oktoberfest, it was suggested that another festival was not needed. Regent Roberts said he persuaded people to find a way to make the new festival happen, and Riverfest is now at least the second-most-successful festival in La Crosse.

Therefore, Regent Roberts said, his strengths lie in not accepting “no” for an answer. His restaurants were not all as successful as Piggy’s in La Crosse, but his goal was to exceed expectations, and that was what happened. Regent Roberts said that he was honored to be on the Board with such a distinguished group of people.

Regent Jerry Whitburn

President Spector next introduced Regent Jerry Whitburn of Wausau, Chairman of the Board of Church Mutual Insurance Company in Merrill. He has an extensive background in business and government, having served as Labor Secretary in Wisconsin and Secretary of Health and Human Services in both Wisconsin and Massachusetts. He received his Bachelor’s Degree in Political Science and History from UW-Oshkosh and Master of Arts Degree in Political Science from UW-Madison. He is a Director of the Wisconsin Policy Research Institute and the Natural Resources Foundation in Wisconsin and serves on the National Advisory Council of the Marshfield Clinic.

Thanking President Spector, Regent Whitburn said that this was a high honor. He mentioned his service on the Board of Visitors for Political Science at UW-Madison, which meets at North Hall, the oldest building in the whole System. Contrasting that with Union South, he said it was nice to be present in one of the newest buildings in the whole System.

Regent Whitburn said that for many years he served on the Board of the Wisconsin Center for Academically Talented Youth, the principle advocate for gifted and talented in Wisconsin. The entity had now been merged into the School of Education at UW-Madison. Regent Whitburn said that he would leave both of these assignments if confirmed by the Senate.

Regent Whitburn said that he came to Wisconsin immediately following undergraduate school to do graduate work and to serve on the Governor’s staff. In 1968, Martin Luther King was assassinated, and the Governor had to bring the National Guard onto the UW-Madison campus for the first time in the history of the campus. These were very electric days. People like himself learned a great deal. He said that people have continued to learn much in this ever-evolving organization. Regent Whitburn said that the UW System enjoys a wonderful reputation worldwide. More Fortune 500 CEOs across America come from Wisconsin than any other system, which is a wonderful tribute to the System’s excellence. Regent Whitburn concluded his

remarks by saying that it was a high honor to have an opportunity to join with the other members of the Board to try and make the System even better.

President Spector noted that Board members' three new colleagues would be going to the Capitol that afternoon for their confirmation hearing. He wished them the best on behalf of the Board, welcomed them, and thanked them for contributing their time, efforts, and wisdom to Wisconsin public higher education.

Other Introductions

President Spector called upon President Reilly to offer some additional welcomes. President Reilly welcomed the new Regents and said that he looked forward to working with each of them in the years ahead.

President Reilly also acknowledged that UW-La Crosse Provost Kathleen Enz Finken, who was present at the meeting, would be leaving UW-La Crosse later in the month to become the provost at Cal-Poly University in San Luis Obispo, California. He said that it was a wonderful opportunity for Provost Enz Finken, but she would be deeply missed at UW-La Crosse, in the System, and in the state. President Reilly thanked Provost Enz Finken for her service and wished her the best in California.

President Reilly added that Chancellor Gow had asked Betsy Morgan to serve as interim Provost and Vice Chancellor for Academic Affairs at UW-La Crosse. Dr. Morgan has three years of experience in the Provost's Office there, having served as Faculty Assistant to the Provost from 2005 to 2008. She also has more than seven years of experience as Chair of UW-La Crosse's very well regarded Psychology Department. President Reilly said that he looked forward to working with Ms. Morgan in her new role.

President Spector called Regents' attention to visitors who would be joining the committee meetings later in the day, participants in the UW Colleges and UW-Extension Leadership Academy. He said that he had the interesting experience of meeting them for an hour the day before and talking about leadership and how the Board works. President Spector asked that Regents welcome the participants when they saw them.

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UW-MADISON PRESENTATION BY INTERIM CHANCELLOR DAVID WARD: "A STRATEGIC APPROACH TO RESOURCE STEWARDSHIP"

Turning to the day's business, President Spector said that UW-Madison, the System's extraordinary flagship institution, would be the host presenter. Its quality, influence, and deserved acclaim happened neither by accident, nor overnight. They resulted, in significant part, from the kind of careful, forward-thinking planning about which Interim Chancellor David Ward would be speaking.

President Spector introduced Interim Chancellor Ward, who offered three prefatory comments. First, he noted that the music playing as people entered the meeting room was from the Pro Arte Quartet, which was celebrating its 100-year anniversary and which was the longest continuously-performing quartet in the world. It was founded in Brussels and, in 1941 or 1942, was performing in Madison. Hitler invaded Holland and Belgium, so the then-president, one of the chancellor's predecessors, invited them to stay in Madison. They have been a fixture in the Madison musical scene.

Second, the chancellor said that Union South, which was only an idea when he left Madison in 2000, was now a reality. Interim Chancellor Ward said that the administration had nothing to do with it; rather, the building was the result of the good taste of UW-Madison students and was creatively put together with program revenue and their own commitments. It is a remarkable building that all can enjoy. The chancellor noted that about 20 or so students would be at lunch at various tables for those who "wish to sample the precocity and the extraordinary vitality" of some UW-Madison students.

Third, a shuttle will be available to take attendees the four or five blocks to the Chazen Museum for the evening reception. The Chazen is a truly remarkable addition to the campus, as well, within the framework of the arts.

Background

Interim Chancellor Ward commented that he was now obviously back at UW-Madison, for barely four months. Being back is a little like wearing old clothes, he said, in that it is a very familiar place. On the other hand, it is a very different fiscal environment, one that is extremely challenging. He said that he would speak about a strategic approach to the current fiscal situation.

Experience with ACE

First, Dr. Ward noted that when he was President of the American Council on Education (ACE) – which includes a broad range of 1,800 institutions, such as comprehensive research universities, small private institutions, Ivy League universities, and community colleges – one of his roles was to try to speak with one voice about all of American higher education. What struck him was the fact that the environment had changed in all of the institutions in that they were having to adapt. At the institutional level, and even at the state level, there is a certain myopia about the problems being faced. National and global problems have local expression, but the broader context is being faced by everybody in different, creative, and impressive ways.

Dr. Ward said that while at ACE, one of the advantages he had was to have once been Chancellor of UW-Madison. It was amazing how much credibility that gave him. He said he didn't realize that he would once again gain that credibility. He did not know whether it was deserved or not, but the association was critical to him in working not only with comprehensive research universities, but with the full range of American higher education. The credibility came from being in a system which also had national credibility, and the combination of a major research university embedded within a system gave him plausibility as he advocated for higher education in Washington.

Purpose of the Presentation Title

The chancellor offered comments on “a strategic approach to resource stewardship.” He said that by “strategic” he meant moving away from a preoccupation with the arithmetic of econometric and fiscal challenges, and asking what is the strategy to deal with these challenges. Much of the dialogue, both in the political sector and, to a lesser degree, in the higher education sector is about the magnitude of the changes. The magnitude is understood, but there is less clarity about the nature of the response. The core of that response is a concept of joint stewardship, between the governing board; faculty, staff, administrators and students; and the political sector, which has a significant equity interest in the enterprise. The word “stewardship” is used to try to create a more neutral language about a serious funding problem that has to be solved in relation to higher education. It is not only a state problem, but is truly a national and global problem.

History of Distribution of Revenues

The problem is one of the distribution of revenues and the magnitude of revenues, the chancellor said. Throughout the post-World War II period, from about 1945 to 1960, there was a democratic idealism, and also a Cold War, that gave credibility to the advancement of science and knowledge. There was a deep commitment to access and low-cost higher education. There was an idea that both low cost and high quality were possible. This was a very deeply embedded value, at a time when about 20 percent of the college-aged group normally went to college. College was affordable.

What is being faced now is the limits of mass higher education; well over two-thirds of the age group that traditionally go to college is going to college. The demands of the knowledge economy have costs that would have been unimaginable to the Congress and the state legislatures that had this idealism back in 1945. Since 1945 to about 2000, a sort of pendulum of good times and bad times existed. It was possible to survive the bad times because the good times would return.

Interim Chancellor Ward said that beginning in the late 1990s, and throughout the last decade, the pendulum has fallen off its pin. It is no longer swinging; it is lying on the ground. Whether there is any blame for that is irrelevant. It is a reality that has to be faced. If the pendulum is not swinging, then what other concept is there to look at in terms of good times and bad times? The sum of the state subsidy and tuition together is now declining. The core budget is no longer simply trading tuition for state funding but, instead, there is probably an absolute decline.

This pendulum presents a real problem. For a long time only special tuition increments provided a revenue gain. Federal and philanthropic funds, which are incredibly important to UW-Madison – 45 percent federal and perhaps 15 percent philanthropic – are designed and given to the university as the margin of excellence. They are not really designated or organized to be the core budget. What has occurred is an impoverishment of the core budget, even though the total revenues have gone up. It is difficult to complain that during the last decade the university

was in pain; the revenues have actually gone up. However, that composition has changed dramatically.

Public universities with very different missions are facing a challenge of the adequacy of the core budget. They can ask for more money. They can think of different tuition policies. They can find private gifts. However, the core budget is, in fact, the challenge. It is necessary to imagine how to address that issue.

Stewardship

This leads to the idea of stewardship, Dr. Ward said. When dealing with strategic planning on campuses, the purposes are considered – e.g., education, research, outreach, regional economic development, and democratic values. However, deep down, there is a resource challenge. In the 50 years following World War II, there was not great worry about resources. The fixation was on doing the things institutions wanted to do, and invariably new money was found to do that. The core budget was taken for granted.

Revenue Challenges

The core budget can no longer be taken for granted. The old money is now challenged, and it is the source of the leverage. Thus, the nature of the core money is critical. The idea of public-private partnership, and the critical role of alumni and friends of the university over, above, and beyond legislative appropriations, becomes more important. How to be a steward of multiple resources is the collective challenge. Dr. Ward suggested that the discussion needs to be about a public investment grounded on a public-private partnership, and a commitment to the future, with a long-term pay-off. The idea of “stewardship” provides a language of discourse that suggests a look forward to figure out collectively how to be stewards of our future, because higher education is indispensable to it.

Dr. Ward showed a diagram of a funding graph of UW-Madison’s operating budget. Tuition and state funding are probably less than one-third of total revenue now. Buildings are additional, and almost 80 percent sustained by private activity.

What makes UW-Madison and other institutions different from their peers and creates the margin of excellence is philanthropy. Most donors want to make a difference to the margin of excellence. Research and technology transfer are growing, as well, but federal funding will be challenged, and technology transfer is changing in its nature. In the business world, without adequate core funding, the leverage is impoverished.

Dr. Ward suggested that in many state universities, the sum of state funding and tuition may become too low to entice the kind of funding from the federal government or from philanthropists that dramatically affects the margin of excellence. This balance is of concern.

The chancellor posed the question of how to attract this funding and said that, depending on the institution’s mission, there may be a variety of strategies. Whatever the strategy, resource stewardship – the stewardship of multiple resources – should be in the plan. Both philanthropy

and research in technology transfer in different ways will have to be a creative part of the core budget. By this, Dr. Ward said that he meant that most named shares given by donors provide supplementary research support, very rarely salary support. He suggested that this needed to change, and that support would be needed for salaries.

With respect to technology transfer, WARF and the UW Foundation are important donors that will increasingly have to figure out how to seed research. To be successful in technology transfer, not only is current research important, but when young professors arrive on campus, their capacity to be future leaders in technology transfer is being seeded. Seed money is core money. Core money used to come from the state or from tuition, the conventional revenues.

The chancellor also mentioned educational innovation and administrative streamlining, in the context of self-generated savings. With respect to educational innovation, there are many things that can be done regarding “reform of learning and the acquisition of knowledge.” In administration there are a variety of things that can be done to streamline operations.

Describing some possible changes, Dr. Ward said that in changing philanthropy, changing research, or changing administration, it is still necessary to make sure that the two sources that are critical – the equity interest of the state and the interest of students and their families – remain critical. Providing moderate but targeted tuition increases may be necessary. He said he would no longer place student loan levels as one of the highest priorities; there is a loan bubble being created by tuition and the substitution of loans for grants, which means tuition policy must be developed very prudently. There are areas on UW campuses where there could be targeted increases. They have to be value-added areas; the tuition increases should not be entitlements. Sustained state support is also important, because it leverages other funds.

Autonomy to be Entrepreneurial

State and System flexibility, something that was discussed a great deal in the spring, relates to autonomy. Autonomy does not mean independence, but rather the elbow room to be creative in an entrepreneurial sense within the institutional mission. The UW System is great, not because all institutions are the same, but because in different ways the institutions have defined their missions within a niche. This serves the purposes of the state at large. For UW-Madison, in many respects, access is a very challenging issue and yet others are providing access in far more creative ways. There should be an indelible connection between UW-Madison and other campuses. There are inter-institutional relationships in engineering between UW-Milwaukee and UW-Madison, and in nursing and social work between UW-Eau Claire and UW-Madison. Inter-institutional linkages are going to be indispensable to campus survival in the 21st century. Institutional autonomy in a narrow sense does not work, but the autonomy to create direct inter-institutional relationships is critical.

Personnel Systems

Addressing personnel systems, Dr. Ward said that in a state system, a university runs like a state agency and thus, in general, “the more people that report to you, the greater your seniority.” However, the university prefers to reward people by brain power. Referring to Dr. Thomson’s stem-cell research, Chancellor Ward said that “if nobody reports to Jamie Thomson,

and he gets the Nobel Prize, why should I care how many people report to him?” The critical thing is the brain power, the leverage of the brain power, and a better understanding of the knowledge economy and what a personnel system is in a knowledge economy. A high-tech company would be a better model than a state agency, he concluded.

Base Funding

Regarding the reallocation of base funding, the chancellor said that there are legacy items in base budgets, entitlements that have built up over the years. The last budget offered more flexibility with respect to personnel and also a greater degree of flexibility on base reallocation. It will take time to develop the capacity to make major structural changes; it needs to be a five-year cycle so that students in programs that may be more vulnerable are not harmed. There has to be a cycle to the kind of reform demanded by reallocation, which is not a cycle of six months or one year, but rather is the cycle time of education.

Educational Innovation

The chancellor noted the need for increased investment in the base budget and need-based aid to ensure access. He said that need-based aid is something that his predecessor had paid a lot of attention to, and that he would, as well. Also needed are fully-endowed professorships and funds for educational innovation.

Educational innovation and administrative excellence are two areas that the university could undertake on its own, as its own steward. Educational innovation involves re-thinking how to educate. Blended delivery, distance learning fused with residential learning, could be used to a greater degree. There are areas that could be examined based on an understanding of cognition, and there are breakthroughs in understanding the brain and the different ways in which 18-year-olds learn. This does not pertain to standards, but rather to providing customized and variable delivery. The genius of technology is the avoidance of standards, which are frequently lower than the top part of the curve of talent among students. In mass higher education, variability must be addressed. There need to be minimum standards, but also a consciousness of different ways in which individuals learn. The university can take advantage of the research on its own campuses to understand learning in relation to new knowledge about how the brain evolves.

Dr. Ward indicated that there were opportunities to rethink academic structures, which are currently discipline-related structures; some interdisciplinary structures do exist, but “they run horizontally across a deep set of silos.” This has been said for many years, but there are ways to rethink academic structures; it is not a matter of eliminating them, but more likely of how to merge creatively into 21st-century knowledge categories.

Providing an example, the chancellor said that since the mid-19th century, the medical school started with anatomy, physiology, and pharmacology; everybody went into those disciplines. However, these are no longer disciplines which are the essence of the frontier of medical research. The medical school considered whether these are the right subjects for new medical students to be taking and then merged the three programs and divided them in two 21st-century categories: one of them is regenerative medicine, and the other one is neuroscience.

Anatomy and physiology are embedded within those larger, more conceptual delivery arrangements; and a different structure of people and resources was the result. The chancellor said that from what he understood, the quality of the infrastructure of the two programs, compared with the original three, is infinitely better, having been raised up to the level where there are certain economies of scale in the infrastructure that departments require.

Dr. Ward also suggested re-thinking comprehensiveness. This is a critical issue because not all programs can be delivered everywhere. The genius of the System has been that redundancy and duplication are far less than in most other states. However, comprehensiveness should be reconsidered when resources are diminishing or new areas of study (e.g., microbiology or media studies) are developing. The intellectual configuration of knowledge is changing. The chancellor opined that the existing extent of comprehensiveness was at an outdated level; it is important to re-think a level of comprehensiveness that makes sense for the current time. This is occurring, but on a small scale.

Following up on this point, the chancellor suggested there is a need to scale best practices for maximum gain. He noted that the opportunities for reform that he mentioned were currently occurring on the UW-Madison campus. The amount of innovation is overwhelming, as is the response to flexibility; however, the chancellor said he was underwhelmed by the university's capacity to scale these things upward. Instead, work is done "as independent contractors at a cellular scale." Although it is very hard to scale up in the university culture, departments that have reformed themselves should be models for others. Best practices should be scaled upward, not invented.

Administrative Excellence

In addition to educational innovation, the other area in which institutions can be stewards of themselves is administrative excellence. Information technology on most campuses does not look the same way in the corporate world. It is very idiosyncratic, built from the bottom up, and rarely conceived from the top down. Considerations are space management, a reduction of lease space, and the computer programming necessary to allocate space to classrooms and not have courses that students are required to take offered at the same time. Most large comprehensive research institutions do a very poor job of handling space assignment.

Demand management of supplies is another area that could be done better. Savings from coordinating facilities and streamlining the grants management process, for example, have to be reinvested in educational innovation. There need to be internal ways of retaining savings for reinvestment. Cuts to funding destroy the savings, affect morale, and break the cycle of innovation.

Dr. Ward noted that UW-Madison has a major research commitment. Nationally and globally, much of UW-Madison's identity is the volume, magnitude and impact of its research. He said that even in the research area, systemic changes were needed to become better stewards. From good stewardship of the state's interests, the students' commitment can be preserved. Rather than looking only at the magnitude of the cuts, it is important for the university to be able

to say that it is a key part of the solution. And out of that, perhaps a public partnership in stewardship and reinvestment can occur.

The chancellor turned to UW-Madison Paul DeLuca to speak next, saying that even though UW-Madison receives accolades for research, there are opportunities to enhance the institution's research excellence.

Opportunities to Enhance Research Excellence

Provost DeLuca referred to three mechanisms for changing course: efforts in academic excellence in the education area, which would be discussed during the afternoon at the Education Committee meeting; improvements in the administrative infrastructure, to be discussed in the Business, Finance, and Audit Committee meeting; and the importance of what needs to be done in the research enterprise, which Provost DeLuca said he would be discussing.

National Context

He began his remarks by providing a national context. He referred to data on the Gross Domestic Product (GDP) from the fourth quarter of 2007 through the third quarter of 2011 and said that it is contraction and devaluation of the workforce in very specific areas that led to recovery of the GDP. Data from the National Bureau of Statistics show the impact of education. The higher the number of degrees, the more immune a state is from downturns in the economy. That represents systematic movement toward a knowledge-based economy.

Current Situation

Provost DeLuca made several observations about the economic impact of research. First, the impact of the Madison campus on the economy of the region and the state is in the billions of dollars. It is critical to not only maintain this impact, but to grow it. He also referred to total base research funding, marveling that in a state of 5.5 million people, an engine of discovery has been ranked in the top five in the nation for the last 25 years, which is astounding. More importantly, those numbers have been going up.

Second, UW-Madison has been highly competitive in federal research funding and will remain so. Where there is a margin for improvement is on the non-federal side.

Third, UW-Madison has two major and significant partners. The first partner is the University Research Park. The visionary effort to create the research park is going to grow and be recognized as one of the seminal moments that took place. The space, size and complexity of that organization are a proving ground for the University's ability to take discovery into commercialization, which reflects the degree to which UW-Madison can generate additional revenue streams for its core budget. The other major partner is the Wisconsin Alumni Research Foundation (WARF). The impact of WARF is shown in \$1.25 billion in research support being returned for UW-Madison since the creation WARF. WARF is an enormous resource that has allowed UW-Madison to leverage itself to the position of second, third, and fourth in the nation with respect to its research enterprise.

Provost DeLuca showed a slide illustrating the tremendous growth of the WARF endowment since 1991-92 (although WARF has existed since the 1930s). The licensing revenue that comes from patents and relicensing is another feeder in the enterprise. The result has been a tremendous increase in commercialization, or WARF start-ups. These are companies in which WARF licensed royalties, and WARF also participated in their commercialization. This is being driven in an entirely high-technology, knowledge-based economy.

Possible Improvements

Provost DeLuca, saying that the various indicators he had described suggested great success, made a comparison between the University of Wisconsin-Madison and the University of Utah. The provost said that UW-Madison has triple the number of disclosures to WARF with respect to the discovery process. Where the problem lies is the commercialization aspect. Utah is generating as much commercialization as is UW-Madison, with half the disclosures. "Discovery to product" is a golden opportunity that UW-Madison can pursue. UW-Madison has laboratories throughout the campus that can actively pursue the movement of discoveries to patent disclosure and subsequently to commercialization.

Presently, what generally happens is that intellectual property that comes from UW-Madison scientists, faculty, staff, and laboratories is disclosed to WARF; the most likely outcome is that patents are filed and obtained and then subsequently relicensed to industry and society. The institution could do more, in partnership with WARF, to pay closer attention to direct commercialization.

Current activities, while rather extensive, generally address a specific problem or make a specific change. There is no cohesive matrix by which assets are moved to a higher degree of commercialization. Working together with WARF, UW-Madison could reach into laboratories and improve the disclosures which could easily be accomplished, identify among that set of disclosures those discoveries that have a particular application that would benefit from commercialization, and actively pursue commercialization to increase the yield that comes out of the institution. It would be almost effortless to accomplish this, Provost DeLuca said. It is exactly the process that the University of Michigan, Stanford University and, to a certain extent, Utah, have been actively pursuing with great success. They have done a much more effective job of leveraging their resources, and UW-Madison has a unique opportunity to pursue that.

In closing, the provost reviewed the avenues through which the core budget can be enhanced: (1) to improve effectiveness and efficiency with respect to administrative infrastructure; (2) to increase efficiency in the academic area by developing a form of instruction that is much leaner, more flexible, and more effective; and (3) to make dramatic improvement in moving discoveries into the marketplace and providing a high impact on the state of Wisconsin and the region.

Regent Discussion

President Spector thanked Interim Chancellor Ward and Provost DeLuca for their presentation, and they were greeted with applause. He asked Regents if they had questions.

Regent Crain asked for greater specificity about what other universities are doing that this university has not yet accomplished. Provost DeLuca provided examples, saying that one issue is the interface between high-technology industry and the university's discovery and educational process and how to create a closer relationship between the two. For example, Stanford brought public and private facilities and scientists and researchers into close proximity to each other to enhance the movement of creativity into the marketplace. The University of Michigan has also pursued such activity. In comparison, southern Wisconsin lacks serial entrepreneurs, people who have brought an idea to commercial success and then done so repeatedly. Michigan has such resources and has also put serious effort into the education and training of those individuals, the provost said.

President Spector recognized Regent Tyler, who asked whether the university typically retains ownership of patents or intellectual property, whether there is joint ownership, or whether property is sold outright, and how this impacts an organization's willingness to contribute.

Provost DeLuca responded that at UW-Madison, intellectual property is owned by the faculty and staff, not by the university. As a result of the Buy Dole process, intellectual property created through federally-funded research is assigned to WARF, which takes ownership of the intellectual property. WARF subsequently commercially licenses it. From the funding stream of the royalties associated with that licensing, a component goes back to the investigators. The remainder goes to build the WARF "endowment," and a very significant component comes back to the institution in an annualized process. Thus, there is clear feedback between licensing revenue and the support of the infrastructure.

President Spector commented that WARF was one of the great innovations in the history of the United States. Provost DeLuca cited Vitamin D and the medical diagnostic area as two examples, saying that virtually everyone in the room would at some point benefit from intellectual property created at UW-Madison.

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PRESENTATION BY TERRENCE MacTAGGART: "REGENT RESPONSIBILITIES AND LEADERSHIP ROLE IN A TIME OF CHANGE"

President Spector observed that higher education systems, like so many entities, normally survive at a high level only through adaptation to changing circumstances. He said that Board members would continue their discussions on the evolving roles and responsibilities of the Board, the changing landscape, adaptations already made, and future change. He turned to President Reilly to provide an overview of recent changes.

Background

President Reilly noted that change was not only a Wisconsin phenomenon; the broader national landscape of higher education is changing and evolving, and Wisconsin is part of the evolution. The current economic climate presents public colleges and universities with

challenges that cannot be ignored or set aside without compromising the university's reach and quality.

As in other states, challenges include continued declines in state funding. The 2011-13 state budget reduced taxpayer support for UW System institutions by \$250 million over two years, including a specific requirement to make major reductions in System Administration offices. State funding was reduced by another \$90 million, or \$45.3 million per year, to reflect higher employee contributions to retirement and health insurance benefits. That results in a total impact on the UW System of more than \$340 million. The proposed budget lapse calls for the UW System to prepare for the loss of \$65.6 million more over two years.

At the same time, President Reilly noted, the UW System had been given unprecedented new operational flexibilities, which was good news. These flexibilities are not everything the UW System requested in the Wisconsin Idea Partnership, but are a good step in the right direction. President Reilly listed flexibilities that were gained: (1) in budgeting, the ability to reallocate savings from one area in the budget to another, using all or almost all of the financial resources to address educational needs; (2) in financial management, the authority to manage revenues and retain interest earnings; (3) in personnel systems, the freedom to develop new personnel systems, one for UW-Madison and another for other institutions, that will fit the UW System's needs more efficiently; (4) in purchasing, the ability to enter into contracts for materials, supplies, equipment or services that relate to higher education; (5) in tuition, the authority to increase resident undergraduate tuition without restriction, subject to a two-year 5.5-percent cap on tuition increases; and (6) in construction, the authority to manage building projects that cost less than a half-million dollars that are entirely funded with gifts and grants, without approval by the State Building Commission.

As to the tuition authority, President Reilly said that there is a contradiction in terms. The authority to increase resident undergraduate tuition without restriction is subject to a two-year, 5.5-percent cap on tuition increases. He added that the UW System is very conscious of using tuition authority very responsibly and that tuition increases are not going to fund the majority of what the System does. As to construction authority, President Reilly said that the new flexibility is narrow, because most projects cost more than \$500,000 and many of them are not entirely funded with gifts and grants. Therefore, more work is needed here.

President Reilly also remarked that the authority and flexibilities that had been gained could be taken away as quickly as they were granted. Thus, part of the goal in the first year is to exercise them very responsibly.

As he presented in September in his response to the President's Advisory Committee on the Roles of UW System Administration, President Reilly identified a number of strategic changes that must be made to take full advantage of the newfound freedoms and reshape the relationship between UW System Administration and the UW institutions. These include new ways to involve chancellors in developing systemwide policies. For instance, three chancellors serve on President Reilly's cabinet; two other chancellors are involved in regular discussions with the board president and vice president. System Administration as a whole is implementing a new management philosophy that calls for more consultation earlier on, and more local control. Responsibility for some personnel decisions has been moved to the chancellors, for instance.

Also, a review of all Regent policies is underway to eliminate policies that are out of date and change policies that may impose excessive authority over the campuses.

In September, the conversation focused on three major areas where responsibility and accountability are being moved to the institutions, while UW System Administration works harder to connect the resources of the entire UW System to the needs of the state: (1) restructuring the process for approving new degree programs, leaving the responsibility for academic quality with UW institutions, their faculty members, provosts, and accrediting agencies, with the Board of Regents focusing on the state's array of degree program options; (2) moving to refocus UW System Administration's auditing resources on work that relates to overseeing board policies and fiduciary responsibilities; and (3) adopting a more targeted approach to the UW System's investment in economic development through a partnership with the new Wisconsin Economic Development Corporation, focused on job creation and new industry sustainability.

President Reilly said that the guiding premise of all this was to transform the UW System in substantive, intentional, and visionary ways and to work to encourage the evolution of a System that is more effective, efficient, nimble, innovative, and entrepreneurial. This was only the beginning of a long-term change process, he said. The Regents and UW System staff would be refocusing their priorities and asking chancellors and colleagues across the 15 UW institutions to do the same.

Introduction of Guest Presenter

President Spector noted that as part of navigating uncharted waters, consideration had begun of which aspects of Regents' roles and responsibilities might change and which would not change. The first step in that process was the creation of two ad hoc committees, one focused on Regent roles and responsibilities and the other on System structure and governance. The timing of the latter committee would likely coincide with that of the legislative Task Force chaired by Regent Falbo. President Spector expressed the hope that recommendations from the Roles and Responsibilities Committee would be considered at the Board's February meeting.

With the purpose of better informing that conversation, Dr. Terry MacTaggart, a nationally recognized expert on such things, had been invited to the meeting to share his knowledge and experience. Dr. MacTaggart served as the facilitator for President Reilly's Advisory Committee on the Roles of UW System Administration. He is a former chancellor of UW-Superior and a former CEO of two other public university systems, the Minnesota State University System and the University of Maine System.

President Spector said Dr. MacTaggart's research and publications focus on higher education system governance, improving relations between such institutions and the public, and restoring institutional vitality. Calling upon his own personal experiences and his work with the President's Advisory Committee, Dr. MacTaggart was asked to speak with Regents about "Responsibilities and Leadership Roles in a Time of Change." President Spector noted that he had asked that Dr. MacTaggart provide comparative and other information that would help the

Board's ultimate decision-making and avoid any conclusory recommendations or discussion on what those decisions should be.

Dr. MacTaggart expressed pleasure at being in Madison, and in such a remarkable facility, Union South. He commented to his former-colleague UW System chancellors that one would be hard pressed to find a system in which the comprehensive universities are of as uniformly high quality as in Wisconsin. Not many rise above the UW System.

Saying that his job was straightforward, Dr. MacTaggart said that the goal would be to engage Regents in a discussion about what it means to make a difference as a Regent in bringing positive change to the System. Referring to Interim Chancellor Ward's earlier remarks, he said that presentation had underscored the point that if the System moves forward, the state moves forward, and if the System does not move forward, the state does not either.

How Boards Contribute to Positive Change

Dr. MacTaggart noted that three questions would be discussed and that he would introduce them and then look forward to Regents' questions, criticism, and thoughts. He emphasized that the conversation would be an "upstream" discussion, with the results of the two ad hoc committees and subsequent debates leading to specific actions and changes.

First, Dr. MacTaggart posed the questions, which pertained to: (1) what it means to be a high-performing board today; (2) how to assert leadership that will improve the quality of students' experience, ability to pursue a career, and ability to be great citizens of the state, without micromanaging; and (3) how to align Regents' understanding of their roles and responsibilities in Chapter 36 with the changes that must occur if Regents are going to make a difference.

Dr. MacTaggart said that he would use a triangle to try and illustrate the growth and change in responsibility for boards of trustees that emerged in the past ten years. The base foundation role of boards is fiduciary. If fiduciary responsibilities are not met, and if the people of the state lose confidence in the Board's oversight of the finances and ability to make correct budget decisions, then anything else that the Board does is not going to matter much.

Something implicit in the work of boards, but now more explicit after recent events in Athletics at Penn State, is the protection and advancement of the brand and reputation of the institution or System. Dr. MacTaggart asked about the availability of polling results or a scientific social science research-based understanding of what the people of Wisconsin think about the Board and the System Administration, asking about Regents' intuitive understanding of how they would like to be regarded in the minds of the public. Regents' role is not only about managing resources, student tuition, and federal grants, but is also about managing the reputation of the System and the Board itself. Every board should be attentive to this kind of thing.

The next level is to develop a culture of dissent and agreement. Dr. MacTaggart said it is important to have someone who asks tough questions, who challenges conventional wisdom. In many cases, newcomers on a board play this role. Citing an author named Richard Chase, Dr.

MacTaggart said that robust conversations before decisions are made can prevent mistakes, develop buy-in, and develop better ideas. This is not enough, however. The new expectation of the last decade, and particularly in the last three years, is to play a role in “change leadership” – to not only preside over a large system, but to figure out a way to use brain power and governing authority to help the system move forward. This is not recentralization, but rather a more devolved, decentralized model. Dr. MacTaggart said that the question becomes how the Board of Regents can add value, and how it can make a difference. He paused and asked for comments, questions, disputes, or queries about the framework he was discussing.

President Spector said that he thought it was helpful. Dr. MacTaggart asked Regent Crain if it made sense for her, and she replied that she was not sure she understood the “change leadership” idea. Dr. MacTaggart said that he hoped to have part of the answer to this as the discussion progressed. Referring to a document entitled, “How Boards Contribute to Positive Change and How They Don’t,” Dr. MacTaggart said that a mantra in higher education lately has been “the engaged board.” Every president or head of a university wants a board, or at least says they want a board, that is more engaged with the workings of the institution. It is a general feeling that the more the board is intelligently involved in the working of the institution, the better long-term strategies will result.

One way to think about “change leadership” is to draw a distinction between the results of one’s experience and training, intelligence, brain power, success and experience in business, government, or the social sector, and one’s governing-authority role within the UW System. If both of these roles are brought to the table, this is one way to impact change. Four Regents served on the Advisory Committee to the President; that was the brain-power part. The Regents could have cut to the conclusion that they were going to try to create a more entrepreneurial or more innovative decentralized System, but they did not do that. They thought about what was the right way to accomplish change; this is an example of brain power.

Another example is in Maryland. The board there, in concert with system head Brit Kirwan, has done more to reform itself and the operations of the system than perhaps any in the country. One of the many things that happened there was that the chair of the board realized there was a deteriorating relationship with the legislature. The reputation of the system became one of its being too expensive, too slow moving, and not responsive to the needs of the state. The regent president said that it was necessary to change the game dramatically, including changes in the third rail of higher education – teaching loads and tuition increases – so that more students could be educated in measurable ways, without additional resources from the legislature. They were successful.

Dr. MacTaggart said that the board, and particularly its chair in that case, stepped up to the plate and then worked with an extremely able chief executive to bring about those changes. The core thing was not so much their governing authority, but their political savvy. They realized that the usual arguments to the legislature weren’t going to work anymore. As it happens, the board chair at the time was a developer, and he knew both the business side and the political side.

In addition to brain power, the next step is the assertion of governing authority. Dr. MacTaggart provided an example from a private institution in Pennsylvania, Widener University, where the board also played a key role. Widener is located in Chester, Pennsylvania, which had been left behind in post-industrial changes in our country. The biggest reason people did not attend Widener was its location in Chester. For years the institution had ignored its neighborhood, wanting to be regarded as a prestigious institution not associated with a bleak urban environment.

The board had the good insight to realize that it should embrace its neighborhood, rather than turn its backs on the neighborhood. The board hired a president to carry out that responsibility. After about two years, a delegation of faculty members went to the board and said they were losing confidence in the president; the civic engagement was not academic enough for them, was not what they were trained to do. The board responded, however, that it did have confidence in the president.

Dr. MacTaggart said that the changes that lie before the Board of Regents would surely create push-back at times from legislators or in the media, not only with the president, but with the chancellors, who will need the backing of the board if dramatic changes are to occur.

Where problems arise is in board members' confusing the two ideas, mistaking intellectual capital and good ideas for their governing authority. Contributing an idea about a marketing strategy, for example, is the contribution of an idea, but not the assertion of governing authority and bringing about change.

Dr. MacTaggart paused again for questions or criticisms. Vice President Smith posed a question about whether these concepts were most applicable to the forthcoming changes associated with the new management flexibilities. Dr. MacTaggart responded by saying that he had worked with about 17 systems, focusing on six of them which had gone through major change. In most cases, they went through something like what the UW System went through 40 years ago, a merger of pre-existing systems or institutions and the creation of a new board. He said that this was happening presently in Connecticut, where the community college and comprehensive university merged. It happened eight or nine years ago in Minnesota, where they merged the technical colleges, community colleges, and comprehensives. They started with a new board so that they could begin to fashion new policies and a new approach. They had a new agenda, with goals partly articulated by the state. In the Wisconsin instance, the change is occurring within the existing System. Dr. MacTaggart said that he was proposing the Board think about changing the way it operates more fundamentally than thinking, "our responsibilities have shifted a bit."

President Sector said that he thought that the Board of Regents had operated, to a certain extent, in the way that Dr. MacTaggart described. However, the approach being described now provided a more stark conceptual distinction, which he said was helpful to consider. Dr. MacTaggart said that he had interviewed Regent Bradley and others related to a book in which he discussed the *Growth Agenda for Wisconsin*. The *Growth Agenda* was an ideal example of applying brain power with executive authority to bring out something good.

Regent Crain remarked that she was struggling with the ideas being presented, because her commitment was not to “change,” but to “improvement.” Dr. MacTaggart said that he used the word, “change,” partly because it is more dramatic. He posed a question about whether change would be incremental, but perhaps at a faster rate, or more dramatic. The more dramatic option is not identified yet, but it could be argued that the times do not allow for marginal adjustments. Regent Crain responded that she did not mean to sound as though she was supporting “marginal.” Dr. MacTaggart said that the word, “change” gets people’s attention and sends a more dramatic message.

Decision-making Domain

Dr. MacTaggart continued his remarks, saying that a shift would be needed in the answer to the question of “who does what,” now and in the future, between the Regents and the president. He asked Regents to imagine three categories of decisions: (1) decisions in which they dominated the decision-making, listening to President Reilly, the chancellors, and others, but ultimately making the decision; (2) decisions in which the Board and the president work very closely together; and (3) decisions in the domain of the president, without significant Regent involvement. Dr. MacTaggart asked Board members to think of examples in each of these three categories.

As an example of the first category of decisions, it was suggested that the Regents control their own operations, selecting a president of the Board, officers, and committees.

In the second category, in which Regents work closely with the System President, Regent Bradley suggested that an example was the statutory requirement to determine the higher education needs of the state. Regent Whitburn suggested the allocation of capital and decisions about resources. Vice President Smith referred to the public advocacy role.

Regent Higgins mentioned the issue of disinvestment in higher education, in Wisconsin and around the country, and said that Board members could choose to handle this issue in two different ways: by wringing their hands and saying there would be no progress and no change until funding is available, or by empowering the UW institutions to find creative ways to use current funding to accomplish what change they can. President Reilly and the chancellors have obviously taken indications from the board already in this area. This is the kind of governing decision that should be made. Dr. MacTaggart responded that this description of a fork in the road was expressed well.

President Reilly noted that Governor Walker had signed a bill earlier in the week that would make the selection of Regents in the future regionally based. He observed that success in advocacy for the UW System had been based on third parties, such as individuals that chancellors identified in their regions, who spoke on behalf of the UW. In the future, the Board may be more regionally conscious than in the past. He queried how the Board could be effective with local third-party advocates and the chancellors in the future.

Regent Pruitt commented that the evolution in the Board’s role seems in part connected to the movement from a board that perhaps micromanaged a little too much and was more

focused on process, to a board that is more focused on outcomes and accountability. This may mean the Board would focus more on things like the annual accountability report, because as responsibilities are devolved, accountability is important, as well.

In conjunction with this point, and also related to advocacy, Dr. MacTaggart asked whether advocacy means putting together a coalition or caucus, with the university chancellors and their local business, civic and political leaders, to look after funding and operational independence. Some states have done this. He asked whether it is important to put together a campaign and to breathe fresh life into the *Growth Agenda for Wisconsin*. Aims McGuinness, who addressed the legislative Task Force the day before the Board meeting, observed that devolution to the institutions for its own sake may not be a bad idea, and streamlining may not be a bad idea; however, if these things do not advance Wisconsin, help people get an education, create jobs, or help a business grow, what is the purpose? Dr. MacTaggart opined that part of advocacy is not old-fashioned lobbying. It calls for a more comprehensive and sophisticated approach, because the resources are not there.

President Spector suggested that if the Board of Regents as a board, rather than as individuals, has prestige in the state, then one could argue that it is incumbent upon the members to be advocates in areas in which it is right for them to be advocates. He said that one area that came to mind was the change in culture that had been discussed. This is not particularly within the academic role of the university or the expertise of only some. Regents have expertise from their life experiences, their businesses, etc. They should perhaps do more during this transitional time to convey a message about the roles of those in university leadership and about being entrepreneurial. President Reilly commented that speaking more loudly, more often, or more broadly would send a message in itself about how seriously Regents take the situation.

President Reilly said that he would like to link the advocacy discussion to Regent Pruitt's issue of accountability and to Dr. MacTaggart's question about whether it is time for a fresh campaign to breathe new life into the *Growth Agenda*. He said that also in the budget bill, the Legislature for the first time gave the System a set of performance indicators, consisting of eight general areas with sub-indicators under them. President Reilly said that the System should make much of this when thinking about accountability and about a new campaign for the *Growth Agenda*. Some of the new indicators were like the ones on which the System has already been reporting in its accountability report; but now the System knows what the people of the state, through their elected representatives, are saying they would like the university to do. The university is going to do its very best on each of the indicators. The Board, the chancellors, and he should all be involved in thinking about the indicators and setting goals based on the performance indicators. For example, if the university meets certain goals, it should receive fresh investment for the *Growth Agenda* to do more for the people of the state.

Dr. MacTaggart, referring to previous conversations with chancellors involved in the President's Advisory Committee process, noted that based on the process President Reilly described, chancellors would be part of the conversation about how to work in partnership without giving up accountability. He also noted that, based on the Board's agenda, it appeared that much of its current work was bound up in negotiations and trying to work through the major issue of the budget lapses. The *Growth Agenda*, for example, did not appear to be on the table

for the current meeting. As the Board thinks about aligning its work with where it wants to go, it may be necessary to shift attention to considering how to “move the needle” in Wisconsin.

President Spector asked if the implication of this comment was that the Board should consider a separate long-range, strategic planning committee to examine where the Board has been and where it wants to go. Dr. MacTaggart responded that this would be one approach, and President Spector and his predecessors had named ad hoc or longer-term committees as the need has arisen. Some consideration could be given by the whole board to the alignment question. It is necessary to fight battles with advocacy and intelligence. However, this should not be all the Board is doing. Rather, Dr. MacTaggart suggested a focus on revitalizing the state of Wisconsin through conversations over the next few months. He said that breaking old habits is the hardest thing to do.

Moving on to the category of actions the System president could take on himself, Dr. MacTaggart asked for illustrations of such items. He returned to Regent Whitburn’s earlier point about allocation and budget priorities and posed the question of whether there is a point at which the role of Regents stops. Budget allocation is a significant part of Regents’ fiduciary responsibilities, but he wondered where the responsibility stops and should be left to the president and his staff.

Regent Whitburn said that Regent Pruitt had been accurate in his statements about accountability. In an organization where expectations are extremely high across all stakeholders, the margin for error, whether on the fiduciary side or elsewhere, is extremely narrow. Therefore, Regents’ expectations need to be high, with an understanding by the President and among the chancellors that appropriate performance must be the law of the land.

Dr. MacTaggart commented that the world had changed from the time when vignettes and anecdotes were sufficient. He said he did not know of any board in the country that was not attentive to metrics. It is important to not have too many and to pick the right ones. Metrics are the watch word of the day.

Regent Pruitt spoke in support of cohesion and coherence among goals, measurements, accountability standards and outcomes, not only internally, but in whatever advocacy role the Board plays in the future with the System’s partners in the Capitol and with people across the state. Aligning himself with President Reilly’s comments, he said that the paradigm should be that the goals would be stated, and if the university achieves them, reinvestment in higher education in the state would follow. Dr. MacTaggart agreed with the idea that old-fashioned lobbying and core improvement should be brought together to increase the chance of success.

Regent Crain commented on Dr. MacTaggart’s observation about the Board’s agendas and President Spector’s suggestion about a long-range planning process and committees. She said that one challenge is to do this as an entire board, as well as with appropriate input from others. A number of years ago, the Board changed from a monthly two-day meeting to a more abbreviated schedule. There were good reasons for that, but these are the kinds of conversations that require the entire board to be together for a substantial period of time.

Regent Sherven asked if it would be fair to say that as many decisions as possible should be in the category of high involvement by the president, with low involvement by the board, and with accountability. This would free up Board members to do other tasks. Dr. MacTaggart expressed agreement, saying that it was a matter of what could be devolved to the president and what the Board would do with more time. He asked for President Reilly's reaction.

President Reilly concurred, saying that it would be necessary to agree on what the "what" is and then to decide who does each piece. Part of this relates to the comfort level of the leadership and membership of the board, and that changes every year and has to be renegotiated on a regular basis. However, being clear about expectations is a good way to be effective and stay out of trouble with each other and the public.

President Spector added that, based on long experience with public boards, he found it sensible to err on the side of the board's knowing more rather than less, in order to have a cohesive board that works well together. While it is possible to conceptualize giving President Reilly things to do that the Board does not get involved in, the Board still would like to know in a general way what is going on. They do not want to be surprised. They want to make sure there is oversight occurring, even on things that to an outsider would seem quite minimal.

Dr. MacTaggart observed that as trust dissipates, questions increase. President Spector said that when that happens, people may assume that the board leadership is in conspiracy with the president, it does not work well. This is one reason to spend time examining items in committees.

President Reilly agreed, saying there is a difference between knowing and doing. He said that there is a conscious effort to spend a lot of time informing the Board and getting advice. Some things the Board needs to do. Other things the Board needs to know about and provide advice on. President Spector said that President Reilly sometimes takes actions without asking, as he should, but he is wise enough to let Board members know what has happened.

President Reilly observed that the decentralization model was the culture that he and the chancellors were developing, as well, allowing him to be informed while chancellors are doing many more things than they were in the past.

Board Culture

Turning to board culture, Dr. MacTaggart suggested some things the Board may want to consider during a longer board workshop. He asked whether there is some way, without becoming tedious, to measure what the board culture is now. He said that his sense was that there was a high level of conversation, trust, and mutual respect, which was not always the case many years before. He asked what the Board wanted the culture to be in the future. Would it be more like that of corporate boards that some members serve on or work for? He asked Regents how their work would change and how their interaction with the chancellors and the universities and colleges would change. He observed that this was more fundamental than saying the Board would do more or less of certain things.

Dr. MacTaggart referred members to an article by Jeffrey Sonnenfeld, a Yale Professor, called "What Makes Great Boards Great." The article addresses relationships and the trust that the author thinks makes a difference between high-performing companies and those that are not.

Dr. MacTaggart also asked about the System Administration office culture, using the example of how the staff answer the phone. He said that he had found that there is a culture of helpfulness in the UW System office, but it may not always be perceived that way on the other end of the line. This is something to which to be sensitive.

President Spector said that he had learned recently that in a time of cultural change, it is important for people serving on the Board to get out and talk with those who deal with the System. The nature of institutions is such that the System often will not be fairly critiqued. Without trying to micromanage anything, it is important to listen and report back. If there are issues between those with whom the System office deals and the System personnel, this should be reported. He said that he, Regent Bartell, and Regent Falbo had met recently with some UW-Madison governance groups, and during the course of the meeting, there were discussions about relationships, which were very helpful. Dr. MacTaggart remarked that at Maryland, there was an effort to manage the balance between understanding what was happening at the university and not becoming captive and losing perspective.

Advocacy for the future requires more thought, as does brand, Dr. MacTaggart said. It is important for the Board not to have its image defined by somebody else, particularly when there is competition for resources and the tenor of the political debate has become tighter. Boards often make the mistake of overlooking this because they know that they are doing good things, they assume that everybody else believes the same thing, and they are wrong.

Dr. MacTaggart identified some other common missteps, based on his experience with other boards. Some boards make decisions without listening to the people that have to make things work or who are better informed. The University of Alaska System some years ago assumed that they would have different bargaining units once they merged the community colleges and the universities. It turned out the faculty at the two-year institutions ended up getting paid and having the same teaching loads as those at the research universities, which is a dramatic example of the dangers of Board members thinking they know more than they do.

Alaska was an illustration of moving too fast. Some places acted too slowly. It took four years in Minnesota, and they made no progress during that period because some people thought they would have another opportunity to overturn the merger. In Wisconsin, the pace seems to reflect a better balance between thinking it through, starting with the Advisory Committee in the summer, and then taking action.

As a final point, Dr. MacTaggart noted that structural issues are not nearly as important as relationships, trust, and talent. Other systems have hired new executives during periods of change who did not understand the culture. The UW System has tested leaders and veteran board members and, therefore, its talent pool is in good shape.

President Spector thanked Dr. MacTaggart for his helpful presentation, and Dr. MacTaggart received a round of applause.

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REPORT OF THE PRESIDENT OF THE BOARD

President Spector said that he had altered the usual agenda order because of a business commitment on Friday, a rare instance of a conflict between two of the boards on which he serves, and would be giving his report during the Thursday-morning meeting instead.

Educational Communications Board, Higher Educational Aids Board, Hospital Authority Board, and Wisconsin Technical College System Board Reports

Written reports for the Educational Communications, Higher Educational Aids, Hospital Authority, and Wisconsin Technical College System Boards were provided. There were no comments or questions.

Board-Related News

In Board-related news, President Spector reported that Governor Walker visited UW Marathon County earlier in the week to sign Senate Bill 28, requiring regional representation on the UW System Board of Regents. President Spector reminded Regents that the Board endorsed the idea of regional representation in the spring, and the Board was currently within one congressional district of meeting the standard of the eight regional representatives.

President Spector noted that on Friday, Regent Falbo would be providing an update on the work of the legislative Task Force, which he chairs. President Spector had attended the Task Force's meeting the day before.

Returning to the subject of the Board's ad hoc committees, President Spector said that the Committee on System Structure and Governance is composed of several Regents and chancellors and chaired by Vice President Smith, who would present a status report on Friday morning. The Ad Hoc Committee on Board Roles and Responsibilities is chaired by Regent Bradley. He called upon Regent Bradley to present an interim report on behalf of the committee.

Interim Report of Ad Hoc Committee on Board Responsibilities

Regent Bradley said that the Ad Hoc committee on Board Roles and Responsibilities included himself, Regents Manydeeds, Walsh, and Spector; Board Secretary Radue; Chancellors Van Galen from UW-River Falls and Ward from UW-Madison; and Vice President Debbie Durcan. The group met once in November, and it was a very productive meeting.

President Spector had charged the committee with examining the roles, responsibilities, and internal structure of the Board, in light of recent statutory changes giving more flexibilities to UW institutions, as well as the ongoing efforts to decentralize some administrative authority.

President Spector had asked the committee to commit to writing the key roles and responsibilities of the Board and also to examine how the Board can best exercise those functions and responsibilities, including considering new standing committees or a modified committee structure.

Regent Bradley said that, initially, the committee was asked to have its final report ready for the current Board meeting, but because of difficulties in scheduling a second meeting, the committee was granted special dispensation to come to bring forward its final report in the month of February. The committee would meet again on December 21, draft a written report, and be ready to report at the February board meeting.

At the conclusion of this report, President Spector adjourned the meeting.

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The meeting was adjourned at 11:53 am.

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Submitted by:

/s/ Jane S. Radue

Jane S. Radue, Secretary of the Board