

## The Art and Science of Running Universities like Businesses

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### Putting it in Perspective

Good stewardship of our state's universities requires promoting efficiency while simultaneously upholding the academic values that have made these institutions great.

Main Text Word Count: 864

A recent survey found that some 93% of the American public agreed with the proposition that "colleges and universities are among the most valuable resources to the U.S." In the same survey, 90% of respondents expressed confidence in America's four-year public state-supported colleges and universities – a higher level of confidence than expressed for churches and religious organizations, health care providers, national and local media and government at all levels.

That's the good news. But beyond this general high level of confidence, the public seems, at times, deeply ambivalent about universities.

On the one hand, there is a cherished and somewhat sentimental view of universities as – well – as academic places where caring teachers mold young minds through unhurried and probing conversations about poems and politics, the human condition and the forces of nature. A university's classes are supposed to be small, tutored by sage and patient scholars; juvenile errors and excesses are gently but firmly corrected; and, of course, football games are always won. And in this romanticized view, lush and leafy campuses are supposed to be sanctuaries for eccentric scholars to think deep thoughts and develop whimsical theories and indulge in the time-consuming trials and errors of research.

On the other hand, when talk turns to matters of state funding or, even worse, tuition, sweet sentimentalities are replaced by a fulminating for universities to become ruthlessly efficient – no time or treasure squandered on small classes or idle contemplation or tending to pretty flowers on campus. Things must be run as "lean" and "agile" as business would have us believe it has become; fat must be excised; indolence must be punished mercilessly; unnecessary processes must be re-engineered and unnecessary people banished. And so on and so forth.

The truth is, of course, that public universities are hardly strangers to frugality and are regularly implementing efficiencies in countless ways.

A few examples might be helpful:

- Universities are constantly seeking creative ways to manage the ever-increasing costs of providing health care to employees. The University of Michigan, for example, which has been absorbing annual employee health care costs increases of about 14%, has restructured its employee health insurance plan and expects to save some \$20 million per year by 2005.
- In the past three years, Saginaw Valley State University has added nearly 300,000 square feet of additional campus space in response to growing student enrollment, but has not added a single employee to service this space. These savings have allowed the University to maintain small class sizes and to offer the course sections that students demand and deserve.

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*The answer is clearly "yes." But...*

*Continued*

- Since engaging a private energy services firm to implement energy conservation measures across its campus, Oakland University now saves nearly \$500,000 annually in utility costs.
- A new consortium involving state universities and the Department of Management and Budget (DMB) allows participants jointly to pursue contracts for goods and services. Just one example of savings under this new alliance is a contract between the State of Michigan, three of our universities, and Consumers Energy, which should result in \$2.25 million in combined energy savings over the next two years.

So . . . can a university be both academic and efficient, both humane and businesslike? The answer is clearly “yes.” But this is a tricky business, for the very things that produce a university’s greatest value – intellectual freedom, personal attention to students, time for contemplation and the cultivation of imagination, the mistakes and missteps that necessarily precede achievements in research and learning – these things do not always conform perfectly to the imperatives of tidy management and brutal cost-cutting.

What universities produce are not goods or even services – not really. Universities offer a different and more complicated value proposition. Their “core business” is the development of human potential, their “products” are ideas and discoveries and the professionals who teach our children and treat our sicknesses and manage our businesses and create wealth and create art. Human beings are, alas, sometimes untidy, vexatious, troublesome; and humane values sometimes require more patience than might best serve some bottom line.

This is not a justification of waste or an excuse for wastrels. Universities buy things – computers and lawn mowers, microscopes and toilet paper, books and even footballs – and they should be expected to spend money sensibly. And universities should seek savings on energy expenses and health care benefits and needless paperwork.

But in the rush to economize, even during hard times, we ought not lose sight of the primary value we seek and expect from our universities. The reason universities have earned the public’s confidence, the reason hundreds and hundreds of thousands of alumni of Michigan’s public universities are proud of their alma maters, the reason families sacrifice to send their sons and daughters to our campuses is not because universities function as well-oiled machines, not because they trim every expense and fill every idle minute in the academic day and year. It is because these unique and special and fragile institutions are there at the very instant when people, at their most promising and vulnerable moments, come seeking their futures, come ready to become something more, something better.

And as they become more, and better, so do we all.

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