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Assessing Infrastructural Health

Optimizing Return on Investment in HBCUs

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A quarter century ago, in his book *Head to Head*, MIT economist Lester Thurow predicted, “In the 21st century, the education and skills of the workforce will end up being the dominant competitive weapon” (Thurow 1992, p. 51). I was a mere 7 years into my young career at MIT, and in my 16 years there, I occasionally heard Dr. Thurow and other remarkable professors make predictions about the way we will eventually live, work, and compete. Sometimes Thurow’s accuracy was hard to assess, but regarding this “brain race” projection, he could not have been more prescient.

We live in a world where an individual’s cultivated intelligence can be an increasingly powerful determinant of their life chances and lifestyle. And despite many complicated histories, much of the anticipated success of institutions, communities, regions, and nations can all be largely tied to the quality of the education and skills of those who populate them. In today’s knowledge-based world economy, since it is true that a high-quality education can yield both a high-quality workforce and a promising future, then the best way to invest in a nation’s workforce and future is to make strategic investments in the education system that generates talent for them.

But what constitutes a smart, strategic investment in education? How much of the nearly \$60 billion in private charitable giving to all of America’s educational institutions (pre-K through college) in 2016 (Giving USA 2017) is poised to yield impressive investment returns, especially where workforce quality is concerned? And was a meaningful, measurable difference made by the \$41 billion, or two-thirds of the 2016 giving total, which specifically targeted American higher education (Council for Aid to Education 2017)? How can we know? What is

the best way to invest in America's workforce via America's colleges and universities?

I want to draw on my 32-year career in higher education to offer a helpful way to think about making these investments, specifically in Historically Black Colleges and Universities (HBCUs). But first, it is important to highlight how our nation will benefit if we develop a new and broader approach to investment.

INVESTING IN AMERICA'S WORKFORCE IS ABOUT OUR NATIONAL COMPETITIVENESS

The future of America's status in the world is tied directly to how well we prepare our workforce to compete globally and live nobly. In this quest, the underlying demographics in this country may need to frame and drive strategy in ways that are unfamiliar and untested. Why? Since the fall of 2014, the majority of our nation's public school students are of color (Hussar and Bailey 2014, p. 33). Yet, genius is more evenly distributed among America's racial and ethnic groups than are the opportunities to discover, nurture, and benefit from it. Educational preparation that many Americans of color now receive can and should be more compatible with what the country's bright future requires. While our emerging diversity is not at all a threat to the nation's future, our failure to democratize and optimize our structures and systems for harvesting such diversity is.

This need to improve access to a high-quality education is not a new challenge. It is an old one bursting with new urgency. Decades of national and regional reports and initiatives, spanning from *A Nation at Risk* in 1983 to the final grants of the Obama administration's \$4.3 billion "Race to the Top" initiative in 2016, have addressed how various education reforms must improve both student achievement and workforce competitiveness. Many of these past efforts also targeted support for students who traditionally have been underserved by the nation's educational systems, including racial/ethnic minorities, students from low-income families, and English-language learners. Yet, as achievement gaps have persisted, the nation's alarm about the need for gap closure still seems insufficiently amplified, and the consequences of

further delays are increasingly obvious. The least well-served segments of America's citizenry are expanding, while the long-standing structural impediments remain largely in place. It therefore stands to reason that brightening the nation's future hinges on empowering those institutions that can do the best job of systematically removing those impediments and closing those gaps.

This is a mission-critical "readiness challenge." Meeting it will require larger and wiser investments and adjustments in both our K-12 and postsecondary systems. In my view, while the U.S. Department of Education should focus on innovative investments in K-12 education that yield more college-ready students, the private corporate and philanthropic sectors should focus on innovative investments in higher education that yield more student-ready colleges. And a key to readying America's colleges for a more diverse student population is investing in those with demonstrated effectiveness in educating students of color.

I had the privilege of being appointed by President Barack Obama to serve our nation as the executive director of the White House Initiative on Historically Black Colleges and Universities ("the HBCU Initiative") between 2009 and 2013. Both President Obama and Education Secretary Arne Duncan were of the firm belief that, in a brainpower-dependent world economy, nothing matters more than a high-quality education. A generation before Barack Obama took office, America led the world in having the highest college graduation rate, but by 2010 America slipped to twelfth place among developed countries. Our analysis revealed that the pathway to becoming number one again would require us to spend the next decade shifting from 40 percent of Americans having college degrees or certificates to approximately 60 percent. We called it "the 2020 goal" (Duncan 2010).

When the 2020 goal was established, the 105 HBCUs were graduating approximately 36,000 students per year. Reaching the overall 2020 goal would require them to reach or exceed a new annual base of 50,000. A clear message was sent to black higher education and to the entire nation—namely, it will be impossible to return to our privileged status as the most educated, diverse, and competitive workforce in the world without the vital additional contribution HBCUs can and must make.

On President Obama's watch, federal investments in HBCUs were generally viewed as synonymous with investment in the long-term

quality of the nation's future. The first term of the Obama presidency featured "rising tide-style" general increases in all federal financial aid, including an increase in the core, transactional funding to HBCUs, which went from \$3.97 billion in 2008 before he took office to \$5.3 billion by 2012. Every source of annual federal funding to HBCUs—grants, contracts, appropriations, and student aid—increased during President Obama's administration, and their total annual federal funding still exceeds \$5 billion today (Toldson 2017).

Fundamentally driven by the need to improve America's workforce quality, diversity, and competitiveness, the Obama-era increases in federal funding to all of education, and especially to HBCUs, included a confidence that the private sector might provide a similar boost in gifts, recognizing that HBCUs have a great track record for preparing minorities for work and life. But the private sector never followed suit. During my tenure as director of the White House HBCU Initiative, at a time when capital campaigning in American higher education was attracting billions in private-sector investments, we concluded that HBCUs were receiving very little of it. In 2010, when the Council for Advancement and Support of Education reported that private-sector contributions (including from corporations, foundations, and private individuals) to higher education totaled \$28 billion (CASE 2011), the HBCU Initiative staff determined from the National Center for Education Statistics 2011 report that the combined total raised by all HBCUs that year was roughly \$194 million, or 0.7 percent. Although few in the private philanthropic sector have heavily funded HBCUs to date, there are indeed good reasons to target them for more investment.

WHY IT MAKES SENSE TO INVEST IN THE WORKFORCE VIA HBCUs

Understanding how HBCUs might play a larger investment-aided role in America's future should build upon the profoundly important role they played in the past. America's ability to emerge from the Civil War and become the most powerful nation on earth would have been compromised had HBCUs not been such a stabilizing force. These insti-

tutions were principally responsible for converting a previously illiterate population to 70 percent literate by 1915 (LeMelle and LeMelle 1969, p. 33). Through 1969, HBCUs extended well beyond the standard training of preachers and teachers. They shaped a new middle class of doctors, lawyers, and leaders in business and politics. Countless HBCU students and graduates were the generals and foot soldiers of the civil rights movement, leading to the demise of “Jim Crow” apartheid across the southern states.

Today, HBCUs continue to play a fundamental role in shaping the nation’s increasingly diverse workforce. While they represent only 3 percent of higher-education institutions, 14 percent of the bachelor’s degrees earned by African-Americans in 2015–16 came from HBCUs (National Center for Education Statistics 2018). In addition, HBCUs produce close to 18 percent of African-Americans awarded STEM degrees, including the nearly 20 percent of the African-Americans earning engineering degrees, and 30 percent of those with mathematical science degrees (Nguyen 2015). This talent, produced by HBCUs including and especially Morehouse College, Spelman College, North Carolina A&T University, Morgan State University, and Howard University, is critical to the nation’s long-term health. Technology hubs around the world should think strategically about building talent pipelines from HBCUs known for such productivity. And while only 2 percent of the nation’s K–12 teachers are African-American males (Walker 2015), HBCUs also remain among the top producers of black male teachers, some of whom are focused in science, technology, engineering, arts, and mathematics (STEAM).

When I served as president of Morehouse College from 2013 to 2017, among our most compelling workforce-readiness narratives was the story of a student named Paul Judge from New Orleans. He enrolled in Morehouse in 1995 with a profile that reflected many of the opportunity and achievement gaps endemic among students from underserved urban areas. Yet Paul “drank the Morehouse high-achievement Kool-Aid” and ended up graduating in three years, heading to Georgia Tech for advanced degrees, culminating with a doctorate in computer science. Applying his brilliance to create, build, run, and sell multiple companies, he is now one of the most highly respected cyber-security experts in the country. His story encouraged my team and me to work

aggressively to deepen our STEAM curriculum to enrich the preparation of over 800 African-American male STEAM majors on campus at any given point.

STEAM sector strength is only one facet of the current value proposition of many HBCUs. When companies and philanthropies consider investment in institutions, they will consider a wide array of measurable strengths and outcomes. As an example, while directing the HBCU Initiative, I was told by a senior executive from a major high-tech company that he and his team were looking to invest generally in a category of educational institutions. Once they focused on realizing higher-impact outcomes, they decided to conduct a more scrutinizing quality scan of that sector. They tried to identify differentiating factors and target the most optimal institutions, heightening both their investment per campus and their return per investment. This refined assessment led them to invest in institutions with strong leadership and vision, and where the curriculum and pedagogy aligned with their company's workforce needs. They felt rewarded by both the process and the outcomes.

This extra scrutiny serves as a guide for HBCUs as they consider new and more meaningful engagement with investors in the broader private and philanthropic community. In the last three decades, individual colleges and universities have already made significant headway through multibillion-dollar capital campaigns to elevate their institutional strength and competitive profile. Many of the most ambitious institutions now have endowments that dwarf their annual expenses by an order of magnitude, stable and well-aided enrollments, faculty with competitive salaries and robust academic support, state-of-the-art living and learning facilities with minimal deferred maintenance, and technology-supported and data-driven administrative cultures. As a result, their investment worthiness is both clear and compelling.

Yet, as the HBCU Initiative staff determined in early 2013, while most of America's strongest liberal arts colleges have completed capital campaigns of at least \$400 million each, only 5 of the HBCUs had even attempted campaigns for over \$100 million.¹ That is in part why no HBCU has made such a comparably scaled shift to this new, competitive profile. No HBCU is likely to enter this coveted echelon of institutional strength until key leaders in the business and philanthropic communities begin to think anew about investing in these institutions, and until HBCU leaders create the infrastructure to attract such investment.

HOW TO THINK ABOUT INVESTING IN THE WORKFORCE VIA HBCUs

So, what variables should prospective donors consider when thinking about whether and how to significantly invest in a new growth strategy for aspiring HBCUs, which ultimately will increase the competitiveness of the nation's workforce? In advance of investing, prospective donors should assess an institution's strengths and weaknesses in three critical areas to optimize the investment return: cultural infrastructure, capital infrastructure, and governance infrastructure.

The Cultural Infrastructure

Does the institution have the cultural infrastructure for optimizing the return on a major investment?

In this context, *culture* refers not to that of individuals or races but to organizational culture, or the degree to which those who lead, manage, and staff each corporation, college, or university are alert and responsive to the threats and opportunities surrounding their institutions. Their alertness, or lack thereof, can often be more consequential than their organizational strategy. MIT professor Edgar Schein spent decades clarifying the roots, development, and profound influence of organizational and occupational cultures. The importance of culture in facilitating or preventing change once led him to assert: "The only thing of real importance that leaders do is to create and manage culture. If you do not manage culture, it manages you, and you may not even be aware of the extent to which this is happening" (Schein 1985, p. 11).

As with any aspiring organization, if new investment-fueled strategies are to yield meaningfully scaled outcomes for HBCUs, they may have to include fundamental shifts in campus cultural norms as well. In the same way that narrow thinking in the philanthropic community may explain some of the resource gaps between America's wealthiest colleges and the less wealthy HBCU sector, key aspects of the organizational culture on each campus may also be at the root of that gap. The fact that only five HBCUs have taken on \$100 million-plus capital campaigns may relate to how organizational dynamics can stifle change and growth.

The January 2018 cover story of the *Harvard Business Review*, “The Culture Factor,” describes the methods for assessing organizational culture and emphasizes the critical relationship between strategy and culture and, in turn, between culture and outcomes (Groysberg et al. 2018). A strong institutional culture aligned with strategy and leadership can drive positive outcomes. However, if the leader and strategy are more forward looking than the culture, building a meaningful capital campaign to attract investment will be more difficult, and the pathway to a competitive institutional profile may be impossible to navigate.

Prospective investors may consider requesting that institutions first perform an assessment of their cultural infrastructure. Such assessments can reveal valuable information relevant to investment worthiness. Campus leaders can only bring transformation to an institution where the culture is aligned or can be adapted to the imperatives of institutional competitiveness and associated strategies for investment. The notion that culture is often fundamentally incompatible with strategy is at the root of the business truism popularly attributed to the late management guru Peter Drucker: “Culture eats strategy for breakfast.” Prospective donors should be aware that making an investment of any size in an institution’s new strategy without prior appropriate attention to the campus cultural infrastructure could very well end up paying only for breakfast.

The Capital Infrastructure

Does the institution have the capital infrastructure for optimizing the return on a major investment?

Investors should assess both hard capital (financial and human resources) and soft capital (social systems and culture) to determine the caliber of campus infrastructure. *Hard capital* refers to the quality of an institution’s human, academic, financial, physical, and information foundation for providing a solid educational experience. Factors include the quality and drive of the faculty and students; the sophistication and sharpness of the leadership and staff; the caliber of the curriculum and pedagogy; student enrollment; size, stability, and growth prospects of the endowment; financial management capacity; advancement operations and alumni giving returns; age of campus facilities, along with the patterns of deferred maintenance; and quality of technology-based, data-driven systems. Obstacles across a combination of these

areas may compromise student outcomes and create a riskier environment for investment.

In 2004, when Achieving the Dream (ATD), a national nonprofit organization, set out to improve community college student outcomes, they determined that scaled results would require the targeted colleges to “engage in bold, holistic, sustainable institutional change” (ATD 2018).² Since not every community college interested in receiving an investment was capable of such change, ATD developed an Institutional Change Assessment Tool to identify the most investment worthy among them. The tool measures how an institution’s partners, policies, and practices related to the factors listed above can improve the success of all students, but especially those who are low-income or of color. With some adjustments, the tool could also be used to help determine the investment worthiness of HBCUs (Manning 2016).

While hard capital is a crucial consideration for investment, an institution’s *soft capital* may provide a more important differentiator. In this context, investors should assess what might be called the “character arc” of the campus, which leads to questions such as: Is there a long-term vision that galvanizes those who live, learn, and work on the campus? What is the strategic plan guiding them toward a new future? Are the vision and strategy appropriately ambitious, and are the advancement plans scaled to realize them? What traditions and practices shape campus life and help inform and inspire students into becoming productive citizens of the world? Is the campus delivering an educational experience that will produce graduates who are not only able to live well but also inclined to provide service and investment so others have the means to live well, too?

It is worth noting that many HBCUs are known for the strength of their soft capital, particularly measured by the remarkable and exemplary servant leadership by many of their graduates. For instance, it is well known that the students of these institutions were on the front lines of the civil rights movement of the 1960s (Wolff 2016). Institutions that possess strong soft capital and institutional character should have an edge in any assessments of investment worthiness. As investors consider expanding their reach, assessments of institutions’ capital infrastructure will determine the extent to which additional funding will meaningfully, measurably, strategically, and sustainably elevate the nation’s future workforce.

The Governance Infrastructure

Does the institution have the governance infrastructure for optimizing the return on a major investment?

When Clark Kerr served as the first chancellor of the University of California, Berkeley, he observed that “no institution can ever be better than its board” (Kerr and Gade 1989, p. 94). Since significant deficiencies in a campus infrastructure tend to be unwittingly authored by significant deficiencies in its governance, prospective investors should include an assessment of the governance infrastructure, basing it on two of the key roles that trustees play.

First, investors should assess how well a board of trustees selects and supports a president. The Association of Governing Boards (AGB) is the recognized authority on what constitutes “great governance.” Relying on AGB principles, investors will find it appropriate to determine whether and how the “board partners with the president and senior leadership to achieve the mission, sustain core operations, and attain the strategic priorities of the institution” (AGB 2010, p. 1). Among other information requests, investors can ask for specific examples of how the campus-trustee partnership has enriched and advanced the institution’s capital infrastructure.

AGB also insists that a board “must establish conditions that generate success for the president” (2010, p. 1). That is measured best not only by how much the trustees provide and attract funding but also by how much they adhere to healthy governance practices like honoring term limits, avoiding conflicts of interest, holding board leadership accountable, and respecting the line between governance and management. Any prospective investor should also examine the fitness of the president—that is, her or his experience, vision, strategic plan, financial and managerial acumen, and investment-worthy ideas. Clear and accurate data on the culture, leadership, and partnership between the board and president can meaningfully inform both investment and partnership decisions.

Beyond clarifying board structure and fitness of the president, prospective investors should determine the degree to which trustees have either strengthened or diminished *the presidency*. Some context here is important.

The strongest colleges and universities in America today may all be challenged, but rarely do they face existential threats stemming from basic infrastructural decay. That is the case largely because most have benefitted from infrastructure-enhancing presidential leadership. Capital campaigns have become centrally important in higher education, as presidents use them to bolster the hard and soft capital of the institutional infrastructure in legacy-worthy ways.

Many of these stronger institutions can point to one or more eras in their history when high-quality presidents helped build a high-performance campus culture. In such settings, institutions become insulated from hard and soft capital infrastructural instability and uncertainty. If an institution has had a series or tradition of effective, infrastructure-enriching presidents, then this usually means their *presidency* is strong. And the singular entity charged with ensuring that an institution's presidency becomes and remains strong is the board of trustees. Prospective investors should understand that the health of the presidency is a primary indicator of the health of the board.

High presidential turnover among HBCUs and other smaller institutions is among the starkest indicators of a profound governance failure in today's disrupted higher education industry.

In recent years, at least 16 of the public and private HBCUs have actively searched for a new president at any given point (Gasman 2012). This pattern of short-term presidents and fundamentally unstable presidencies deters not only new and transformational leadership but also new and transformational investments.

Prospective investors should understand that the condition of the presidency of an institution should wisely be regarded as a central part of what makes it investment worthy. They should understand that there is no such thing as a broken presidency and a healthy board. They should also understand that only briefly can any institution, president, or presidency be better than its board.

THE WAY FORWARD

At America's more prestigious colleges and universities, donations add up to the tens and hundreds of millions, rather than the tens and

hundreds of thousands. With increased investment, many HBCUs and other minority-serving institutions are poised to do a much better job of enhancing our nation's competitiveness. The long-standing productivity of the HBCU sector, as well as the continued diversification or "browning" of America, elevate the importance of the role to be played by these institutions. For the sake of the nation's future, institutions that can more effectively clarify and market their ability to educate for workforce competitiveness should be rewarded with the same substantial investments that flow to the top tier of the industry. Some HBCUs are singularly worthy of far more than the entire 0.7 percent of America's annual private-sector philanthropic generosity that recently flowed to all HBCUs.

Investments should be based on preassessments of the quality and growth patterns of the cultural, capital, and governance infrastructures. Thoughtful and strategic scrutiny can lead to more substantial investments in HBCUs, thereby improving educational outcomes and enhancing the competitiveness of the nation's workforce.

Notes

1. As of 2013, the White House Initiative on Historically Black Colleges and Universities listed these five HBCUs as having completed capital campaigns in excess of \$100 million: Claflin College, Hampton University, Howard University, Morehouse College, and Spelman College.
2. For more information, visit <http://achievingthedream.org/our-approach>.

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