The Hidden Role of AACSB in College Resource Allocation

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Abstract

This paper models how the growing importance of professional education credentialing has enabled business schools to overcome the unwillingness of faculty governance to respond to the changing demands of students. To maintain the financial health of liberal arts colleges in the face of student demand for business education, college administrators expanded staffing in business. However, the governance structure of colleges that retained their liberal arts general education requirement was unable to respond since Business school faculty were unable to achieve a political voice proportionate to the student interests they now represented. After modeling the forces that led to the failure of faculty governance to allocate resources in response to shifts in student demand, this paper develops a theoretical model that links the rise of administrative reallocation of resources and accrediting. Finally, it will explore the empirical support for this hypothesis.

Introduction

The 1970's and 1980's were a difficult time for tuition driven liberal arts colleges. In response to changes in the 1970's labor market, student interest began to shift towards professional curricula (Breneman, 1994; Delucchi, 1997) and the trend towards offering studies related to work accelerated (Knox, Lindsay, & Kolb, 1993). In this environment, less selective liberal arts II institutions found it harder to attract students while colleges and universities with other professional emphasis experienced robust growth (Lesile, Grant, and Brown, 1981). By 1980, schools offering professional programs increased from 25.6 (in 1970) to 37.2 percent of the population of all colleges participating in the Higher Education General Information surveys (HEGIS) while the number of liberal arts colleges declined from 18.9 to 10.5 percent of the population (Zammuto, 1984). The problems faced by liberal arts institutions that relied on student enrollment to provide the majority of their revenue further intensified, as the number of students eligible to attend college declined (Penn, 1999). The dual financial challenges of shifting demand and a falling student population led to institutional changes in operating procedures that altered the role of faculty in college governance.

Prior to this period, Corson (1960) had observed that the collective faculty had significant control in determining the scope of educational programs. Whether through a faculty senate or other sorts of collegial decision sharing frameworks (Brinbaum, 1988; Baldridge, et al., 1978), faculty generally exercised professional authority over curriculum and key institutional issues including program size. The relative faculty size remained fixed, with the political power of each area roughly paralleling the number of student majors. This resulted in faculty governance being representative of the academic interest of the faculty and students, once they accepted an available major.

This political equilibrium began to unravel when under financial pressure to maintain enrollment, administrators sought to attract and retain students by offering the programs they demanded. If a program was full, the administration would accommodate students by increasing its size (Litton, 1989). Since student demand had shifted towards professional education, the adoption of "market driven scheduling" by administrators caused liberal arts colleges to expand their business and other professional education programs. Despite this shift in program emphasis, Liberal Arts institutions resisted the adoption of a pure student-preference directed academic structure. Through general education (core curriculum) requirements of social sciences, natural sciences, and humanities for all students, Liberal Art Institutions stayed true to their founding vision (Vars, 1982). However, such a college core has a significant impact on the abilities of faculty governance to allocate resources in the face of changing student enrollments.

General Education and Governance

To understand the impact of the growth of professional education and the retention of the college core, we offer a modification of a simple model first proposed by (Kopp and Rosetti, 2004). Assume that there is a college that only requires students to complete 3 credits in their major and a 3 credit liberal arts core to receive a degree. Also, assume that this elite school maintains a student body of only ten students, 1 majoring in business and the rest in liberal arts. Given this distribution of student interest, the college will employ a staff to teach 30 credits of liberal arts core, 27 credits of the liberal arts major and 3 credits of the business major. If each faculty member teaches only three credits per semester, there will be 1 business faculty and 19 liberal arts faculty on the staff. Under these conditions, staffing in the professional school is solely a function of the size of its student body, where as the school of liberal arts' staffing results from both the size of its own student body in addition to the size of the general education requirement imposed on professional school students. Therefore, assuming faculty members vote in their own self-interest, faculty governance whether in the form of a senate or one with elected representatives will result in a balance of power that mirrors the interests of the student body.

Now assume that the interests of students shift towards business and that the administration in an effort to maintain enrollment allows the size of programs to respond. If business students grow to represent 50% of the student body, the college will employ a staff to teach 30 credits of liberal arts core, 15 credits of the liberal arts major and 15 credits of the business major. If each faculty member continues to teach three credits per semester, there will be 5 business faculty and 15 liberal arts faculty on the staff. Thus under most faculty governance models, the interests of the majority of faculty will not in the aggregate correspond to the academic interests of students. To place this in perspective, consider a college where there are 4,000 students taking five three credit courses per semester towards a 120 credit degree, with a general education core comprising 50% of those credits. If the college maintains an average class size of 25 students and each faculty member teaches three courses per semester, there would be 67 business and 200 liberal arts faculty available to participate in governance activities. Despite representing the academic interests of half of students on campus, the business school's faculty comprise only one-quarter of the faculty. If as Ehrenberg (1999) found, faculty vote in their own academic self-interest, this helps to explain why Baldridge (1980) & Lindquist (1974) observed that support for expanding programs might not be forthcoming as they compete with the old programs for support, finances and administrative attention. It also offers a theoretical basis for Slaughter's (1993) observation that administrators rather than faculty make the decisions when colleges reallocate internal resources. Student choice may drive staffing, but it will not drive the decisions made through shared faculty governance.

Market Forces versus the Campus Culture

While student demand has motivated many colleges to allow their professional schools to grow, the retention of the college core simultaneously inhibits the ability of faculty governance to facilitate the reallocation of campus resources necessary to support this educational transition. Lindholm (1965) identified this withholding of resources as an unwillingness of the liberal arts to accept true interdisciplinary education that would value the insights attained from the business perspective. In many respects the real issue becomes one of acquiring the resources necessary to maintain standards in a growing professional school from a governance structure whose core values evolve from the very flagships program that must relinquish the funds. Despite the fact that per student cost of educating business majors often falls well below liberal arts majors, historically business school funding has focused on providing the courses necessary to meet enrollment demand, rather than through allocating the resources sufficient to provide a high quality program.

This reluctance has not been a significant factor at large universities. Ten years ago, The College and University Professional Association for Human Resources had already reported for six consecutive years that due to the shortage of doctorates, business professors were amongst the most highly paid group on campus, while English and fine arts professors were among the worst paid (Smallwood, 2004). History and foreign language professors also found themselves at the bottom of the list, despite the fact that all four of these disciplines have and generally continue to be a component of the college core and therefore dominate faculty governance. However, while many universities have been willing to pay market salaries to acquire qualified business professors, liberal arts faculty do not always embrace this position.

In a particularly telling article demonstrating the historical foundation of this tug and pull between faculty governance and administrative decision making, Mangan (2003) reported that a fine arts professor at the University of Alabama at Tuscaloosa, after discovering that the average assistant professor in their business school earned $72,691 and the average full professor of humanities earned $63,531, persuaded the faculty senate to endorse a proposal to limit raises to the highest paid professors (i.e. business). Clearly, such incidents indicate that administrators face considerable pressure to resist allocating the resources sufficient to attract qualified business faculty. Simultaneously, the ability of market forces to shape the decisions of college administrators can be seen in the response to the University of Alabama's faculty senate proposal to restrict salary. The College president responded: "I do not believe that outstanding scholars in these fields will accept positions at the University of Alabama if they know that subsequent salary increases will not keep pace with the salary increases of their peers at comparable institutions" (Mangan, 2003). A similar view was echoed by the provost at Rutgers/Camden: "It's not like the young Finance professor is working any harder than the English professor or that that she's any more qualified." However, he adds, "unfortunately, we have to pay these salaries to attract quality faculty. We can't fight the markets." (Mangan, 2003)

A Pragmatic Rationale for Pursuing Accreditation

Between the publication of the widely cited Mangan article and 2014, the U.S. suffered the most severe economic downturn since the great depression and yet the reluctance of faculty governance to support the allocation of resources necessary to provide a quality program, steadfastly continued to create pressure to circumvent the system.

Wiley and Zald (1968) concluded that control mechanisms within a society limit the availability of resources to organizations that are not highly valued. If by not including business courses in the college core, liberal arts faculty are signaling that the discipline has little real perceived value, then we would expect that it will be difficult for schools of business to command sufficient resources beyond minimal hiring. The college while willing to meet student demand can be expected to be reluctant to meet the expenses of equalizing quality across campus.

To circumvent the unwillingness of faculty governance to redirect the resources necessary to maintain the quality of expanding business programs, administrators must be motivated to act. Slaughter (1993) identified this as a common approach when a college must reallocate resources in response to shifts in student demand. This strategy requires schools of business to motivate internal administrative leaders to impose budget changes without simultaneously creating unmanageable internal upheaval within institutions. Wiley and Zald (1968) found that public colleges used regional accrediting bodies to escape classification as just another group that needed government funding, and become a member of accredited educational institutions that legislators must fund to maintain standards.

Glenny (1972) found support for the position that accreditation was a mechanism capable of motivating administrators to bypass traditional budget mechanisms. Glenny went so far as to suggest that as accrediting bodies expand their roles, both the college presidents and even the board of trustees would lose control over resource allocation. This he argued was dangerous because accrediting bodies were attaining considerable power over college budgets while not having to be responsible for the welfare of the college.

Enhanced Resource Acquisition and AACSB Accreditation

While college officers often cite market forces for the growth of business salaries, it appears that it is accreditation standards that has driven the demand for doctoral qualified business professors. There is considerable evidence that in the late 1970's through the 1980's business schools that pursued and attained AACSB accreditation where able to increase their budgets faster than non-accredited schools (Agarwal and Yochum, 2000). However, since this was before mission based accreditation, those schools were primarily research driven academic institutions, which would probably have hired doctorally qualified faculty even without accreditation. AACSB's adoption of mission-based standards as far back as 1991, opened the door for business schools within liberal arts colleges to use accreditation and enrollment management as a means to escape from the budgetary grasp of the campus governance (White, 2005). Through joining the society of accredited schools that require adequate resource allocation, business schools often managed to get administrators to usurp faculty driven budgetary processes. However, even if administrators accept the fact that they must pay market based salaries to attract and retain qualified business professors, liberal arts faculty will often resist (Mangan, 2003).

Despite this resistance, the pressure to meet doctoral "quotas" is so great that new hires in business receive a sizable premium if they are hired by accredited as compared to non-accredited schools. This "accreditation premium" is in addition to the "market shortage premium" that results in new hires earning much more than many associate and full professors who do not enter the job market (AACSB, 2006).

The market shortage of new Ph.D.s led to what AACSB referred to as a salary inversion, where new doctorates were earning more than full professors at many schools (LeClair, 2004). However, as far back as the 2005-2006 AACSB salary survey suggested and in spite of being at the door step of a great recession this issue was already being addressed. New Ph.D. salaries rose only 1.3%, while average salary rose 4 percent. In addition, the data suggests that a significant portion of the new hiring and salary increases have taken place at the associate professor level, who have used the job market to regain what they have lost to new Ph.D.s. This activity appears to account for the growing premium at AACSB accredited schools for associate as well as full professors. The accreditation premium for new hire associate professors grew to $29,900, clearly indicating that the shortage of new Ph.D.s and the salary inversion stimulated competition for faculty in other ranks as well.

Conclusions

This research suggests that the growth of professional schools within liberal arts colleges pose serious challenges for these institutions. While expansion of professional schools in response to shifts in student demand can stabilize the financial health of tuition driven liberal arts institutions following the circa 2008 great recession, the structure of faculty governance suggests that the resources necessary to maintain quality remains a considerable hurdle. One response to this is for business schools to use AACSB accreditation to prompt administrators to by-pass faculty governance, and allocate the necessary resources. The data suggests that accredited schools have access to resources adequate to hire qualified faculty in a very competitive market. In addition, the data further suggests that accreditation gives schools of business the political influence necessary to resist attempts to limit their access to campus resources as the market for qualified faculty intensifies. Thus, accreditation clearly helps business schools acquire resources in proportion to the student majors they serve. Within liberal arts institutions that have a significant business school presence, business accreditation can be a valuable tool to overcome the inherent flaws in faculty governance.

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