

## Executive Compensation and the University, Inc.

### Bryan Denham

The corporatization of universities in the United States is nothing new.<sup>1</sup> Boards of trustees often consist of business executives who recruit academic executives of like mind. When the latter meet performance expectations, they receive handsome salary increases. In October 2017, the chief executive officer at Clemson received a pay increase of \$100,000,<sup>2</sup> moving his annual salary to \$901,330. The Clemson CEO is currently one of the highest paid executives at public universities in the United States, and that status is based on his salary prior to the recent pay raise.<sup>3</sup>

Curious about executive compensation, I gathered some data on schools in the Atlantic Coast Conference (ACC), the athletic league in which Clemson teams compete. I collected data on university rankings, endowments, research expenditures, and executive salaries. While schools vary in size and mission, they also share many similarities. Here are some numbers.

#### University Rankings

Historically, Clemson has focused on undergraduate education, and while the university has taken steps to increase research and innovation, figures suggest it remains very much an undergraduate institution. Consider, for example, three sets of rankings for 2018, as assembled by *U.S. News & World Report* (USN). The first column in Table 1, USN Global, focuses on research, with global research reputation accounting for 12.5%, regional research reputation 12.5%, publications 10%, and so forth.<sup>4</sup> Here, CU ranks #618 out of 1,250 universities.

**Table 1. University Rankings**

School	USN Global	USN National	USN Public	THE Global	THE US National	THE US Public
Duke	21	9	*	17	12	*
North Carolina	34	30	5	56	29	3
Pittsburgh	48	68	24	100	42	15
Georgia Tech	71	34	7	33	21	9
Virginia	107	25	3	113	45	10
Miami	171	46	*	186	59	*
Notre Dame	181	18	*	150	50	*
Florida State	190	81	33	201-250	63	52
NC State	222	81	33	251-300	72	28
Virginia Tech	250	69	25	301-350	85	26
Wake Forest	333	27	*	251-300	72	*
Syracuse	390	61	*	251-300	72	*
Boston College	421	32	*	301-350	85	*
Louisville	583	165	87	1,000+	154+	99
Clemson	618	67	23	1,000+	154+	42

\* Private school, not ranked

<sup>1</sup> <http://time.com/108311/how-american-universities-are-ripping-off-your-education/>

<sup>2</sup> I do not use individual names here, as the focus is on structural factors, not personal matters.

<sup>3</sup> See [https://www.chronicle.com/interactives/executive-compensation?cid=FEATUREDNAV#id=table\\_public\\_2016](https://www.chronicle.com/interactives/executive-compensation?cid=FEATUREDNAV#id=table_public_2016)

<sup>4</sup> <https://www.usnews.com/education/best-global-universities/articles/methodology>

The second column in Table 1 includes rankings for national universities. As indicated in the table, CU ranks 67 (out of 311), with metrics focusing on graduation and retention rates, assessment by administrators at peer institutions, faculty resources, admissions selectivity, and so on.<sup>5</sup> These are the measures Clemson has focused on since 2000. Based on numbers in the third column, the focus continues to place Clemson in the top 25 among public schools.<sup>6</sup>

For comparative purposes, Table 1 also includes the 2018 *Times Higher Education* (THE) World University Rankings.<sup>7</sup> THE is generally well-regarded, and from a rank perspective, it appears consistent with USN. Clemson appears solid based on student-centered metrics used in (USN and THE) analyses of public universities, but it appears less competitive as a research institution.

### Wealth

To provide a sense of university wealth, Table 2 contains endowments for fiscal year 2015,<sup>8</sup> as reported in the *Chronicle of Higher Education*. In the ACC, Notre Dame and Duke, two private universities, appeared the richest, and Virginia and Pittsburgh led among public. Virginia Tech, Clemson and Florida State appeared at the opposite end. Nine of 16 schools had endowments in the billions, seven in the millions. In relative terms, Clemson is not a wealthy university. Moreover, it must compete with the University of South Carolina and other schools for an increasingly small share of state allocations to higher education.

**Table 2. Endowment rankings, research expenditures, and AAU memberships**

School	University Endowment 2015 Fiscal Year	2016 Research Expenditures	AAU Member
Duke	\$7,296,545,032	\$1,055,778,000	*
North Carolina	\$2,988,805,508	\$1,045,338,000	*
Pittsburgh	\$3,588,775,000	\$889,793,000	*
Georgia Tech	\$1,858,977,016	\$790,706,000	*
Virginia	\$6,180,515,111	\$397,458,000	*
Miami	\$887,329,315	\$358,411,000	
Notre Dame	\$8,566,952,000	\$202,216,000	
Florida State	\$605,275,025	\$268,288,000	
North Carolina State	\$983,979,000	\$489,918,000	
Virginia Tech	\$817,759,471	\$521,773,000	
Wake Forest	\$1,167,400,346	\$170,006,000	
Syracuse	\$1,166,108,676	\$84,651,000	
Boston College	\$2,219,600,000	\$54,469,000	
Louisville	\$844,287,952	\$182,454,000	
Clemson	\$648,610,563	\$183,965,000	

<sup>5</sup> <https://www.usnews.com/education/best-colleges/articles/how-us-news-calculated-the-rankings>

<sup>6</sup> <https://www.usnews.com/best-colleges/rankings/national-universities/top-public>

<sup>7</sup> [https://www.timeshighereducation.com/world-university-rankings/2018/world-ranking#!/page/0/length/25/sort\\_by/rank/sort\\_order/asc/cols/stats](https://www.timeshighereducation.com/world-university-rankings/2018/world-ranking#!/page/0/length/25/sort_by/rank/sort_order/asc/cols/stats)

<sup>8</sup> <https://www.chronicle.com/article/Sortable-Table-College-and/235074>

## Expenditures for Research and Development

To offer an indication of research productivity, Table 2 also displays data gathered from the Higher Education Research and Development Survey (HERD) for the 2016 fiscal year. Figures indicate total amounts of research and development expenditures at U.S. colleges and universities.<sup>9</sup> I note that nearly all schools in the ACC are considered “R1: Doctoral Universities – Highest Research Activity”<sup>10</sup> in the Carnegie Classification. Additionally, five universities belong to the Association of American Universities (AAU), a group of schools that consistently demonstrate excellence in research and innovation.<sup>11</sup> The university listed at the top of Table 2, Duke, expended the most on research and development in fiscal year 2016, followed by North Carolina and the University of Pittsburgh. Clemson did not appear in the ACC top tier, but in fairness, it does not have a medical school. It also continues to increase its numbers in both applications and awards.

## Executive Compensation

Table 3 contains a list of salaries provided ACC chief executive officers. In 2016, the Clemson CEO received the second-highest salary among executives at ACC public universities. As noted earlier, the Board of Trustees recently approved a \$100,000 pay raise, moving the CEO salary to \$901,330.

**Table 3. University CEO salary rankings**

School	Chronicle of Higher Education Salary Data for Chief Executives at United States Universities	
	2016 CEO Compensation and Rank at ACC Publics <sup>12</sup>	2015 CEO Compensation and Rank at ACC Private <sup>13</sup>
Duke		\$1,257,980 (3)
North Carolina	\$573,995 (6)	
Pittsburgh	\$536,520 (9)	
Georgia Tech	\$720,192 (3)	
Virginia	\$562,258 (7)	
Miami		\$1,472,442 (2)
Notre Dame		\$1,006,249 (4)
Florida State	\$576,431 (5)	
North Carolina State	\$796,236 (1)	
Virginia Tech	\$562,257 (8)	
Wake Forest		\$4,004,617 (with bonus) (1)
Syracuse		\$840,110 (5)
Boston College		*
Louisville	\$673,908 (4)	
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Clemson	\$793,764 (2)	

\* Data not available.

<sup>9</sup> [https://ncesdata.nsf.gov/herd/2016/html/HERD2016\\_DST\\_05.html](https://ncesdata.nsf.gov/herd/2016/html/HERD2016_DST_05.html)

<sup>10</sup> <http://carnegieclassifications.iu.edu>

<sup>11</sup> <https://www.aau.edu/who-we-are/our-members>

<sup>12</sup> [https://www.chronicle.com/interactives/executive-compensation#id=table\\_public\\_2016](https://www.chronicle.com/interactives/executive-compensation#id=table_public_2016)

<sup>13</sup> [https://www.chronicle.com/interactives/executive-compensation#id=table\\_private\\_2015](https://www.chronicle.com/interactives/executive-compensation#id=table_private_2015)

This salary adjustment likely makes the Clemson CEO the highest paid chief executive at all ACC public universities. Based on the data in Table 3, CEOs at the top public research institutions in the ACC – North Carolina and Pittsburgh – received 72% and 68%, respectively, of the \$793,764 salary received by the Clemson CEO. Among the top public research institutions in the ACC, only Georgia Tech paid its CEO more than \$700,000.

## **Conclusion**

Clemson has not reached the scholarly stature of most ACC institutions, and Clemson does not possess the wealth of most schools. Paying its CEO upward of \$1 million per year thus appears questionable. Moreover, the Board of Trustees opted to raise the CEO's salary by \$100,000 at a time when faculty and staff received no raise due to problems with the state pension system. Such salary actions lead to resentment and minimalism in effort and performance, which in turn result in stagnant scholarly rankings and poor relationships between faculty, staff, and administration.

As indicated at the start of this article, there is nothing especially new about the corporatization of universities in the United States. The question, at this point, is how long such a process can sustain itself without bankrupting the entire college enterprise.

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