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# Universities are not businesses and should not be run as if they are

*By Diether Haenicke  
September 30, 2009*

A large university in the South recently appointed a president who has served all his adult life in business, mainly in the utility industry. I deem it most unlikely that a university president would ever be asked to become the CEO of a bank or a manufacturing company. But, conversely, university boards find it perfectly suitable to trust people who have not been inside a university since their students days with leading these highly complex institutions.

I have often asked myself why that is so. University boards are mainly peopled by representatives from business, and one might assume that they think everything should be run like a business - universities, symphony orchestras, art museums and opera houses included.

Or is choosing businessmen as university presidents a sign of disrespect? Is a college president's job falsely considered so easy that someone who has built and sold lawnmowers or refrigerators most of his life can also competently lead a university that deals with the complex issues of teaching young people and with preserving and creating knowledge for our society?

In many circles the perception reigns that universities, with their enormous budgets, have become ever more like businesses and need leaders with the business skills that match the size of the operation. And it is true. The business aspects in universities are overwhelming. Major physical plants must be maintained. Thousands of students are to be housed and fed. And financial resources must be managed.

I am fully convinced that in all these particular areas a solid knowledge of best business practices is mandatory. The business aspects of our large universities are indeed enormous and pressing, but they are not at the core of the university. Unlike businesses, universities are not out to make a profit. That alone makes them fundamentally different. Good finance people can be hired, plant managers, too, and housing and food experts. But the core activity of each university worth its name is education - and that means teaching and research.

The university is an intellectual institution, a place of reflection, argument, experiment, and it thrives only if it dedicates itself to these core values. Like in most other areas of human endeavor, quality is the essential characteristic of an institution of higher education. There is no substitute for intellectual or artistic quality, and all quality has its price. It never comes cheap.

I think many of the problems of American universities stem not from poor business practices. It rather seems to me that we too often forget that our core focus should be high-quality education that demands very hard work from the students and that must be taken very seriously by all involved — learners and teachers alike.

For too long we have tried to be all things to all people. We took on chores outside our core and expertise. Not unlike the public schools, we are expected to solve too many problems that were once more appropriately handled by home and family, social and mental health agencies, churches or chambers of commerce. I would bet that most of the offices and functions on our campuses today were not there 40 years ago. That's why in most schools and universities not even half of the expenditures find their way into the classroom.

When I read that the chairman of American Axle gets a multi-million dollar bonus for settling a bitter strike that ended in wage reductions and layoffs; when I hear about the collapse of banks because of poor judgment coupled with the greed of their leaders; or when I hear that corporations cook their books in collusion with once-reputable audit firms — then I am no longer convinced that universities should behave more like businesses.

In fact, I am proud that universities have much more humane personnel practices. We do not move our “business” to another town leaving thousands of unemployed workers in the wake. We don't restructure, rightsize, downsize, provide leisure options or what

other silly euphemisms businesses have invented. We don't merge and we don't move our headquarters out of town. We may not always follow established business practices, but on the whole, I think, we are doing pretty well.

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