

STATE OF SOUTH CAROLINA            )  
  )  
COUNTY OF RICHLAND                ) **SECOND SUPPLEMENTAL AFFIDAVIT**  
  ) **OF CHALMERS EUGENE TROUTMAN, III**

PERSONALLY APPEARED BEFORE ME, CHALMERS EUGENE TROUTMAN, III,  
who, upon being duly sworn, deposes and states as follows:

Having read Scott Ludlow's Supplemental Affidavit with enclosure, I wish to supplement my previous Affidavits.

1. During the entire time I served as Executive Secretary to the Board of Trustees from May 9<sup>th</sup>, 2005 to July 16<sup>th</sup>, 2007, no Board action was ever requested, proposed or taken to approve or endorse the accumulation of unrestricted cash balances or reserve funds. The first time I learned that Clemson University's growing cash reserves were intentional and approved was when I read the remarks of Board Chairman Bill Hendrix in The Greenville News on August 30, 2007. In that article, he is quoted as saying the \$80 million was gathered to protect Clemson University "against that rainy day we knew was coming." I know of no corroborating documents which would vouch for the accuracy of this statement. No other Trustee ever said anything like this. Other statements made by Mr. Hendrix in my presence contradict this quoted remark.

2. I was first made aware of the University's growing cash reserves very soon after my employment at Clemson began in May 9, 2005. I recall I was told in guarded confidence by the University Budget Director, Alan Godfrey that "the University is sitting on a time bomb." Mr. Godfrey explained that Clemson was in the fifth year of significant growth in our Unrestricted Fund Balances. He stated that this proved to him that either the funds budgeted had not been necessary, or that the projects or initiatives requested were not being undertaken or implemented. I thought I would be acting in the best interest of Clemson University if I could help defuse that time bomb.

3. Mr. Godfrey explained to me that the absence of a unified, coordinated operational effort to oversee performance allowed initiatives to go unchecked. I asked him why it had not been discovered by Internal Audit. He explained it had more to do with management oversight than fiscal impropriety and that Internal Audit was way too understaffed to check anything but standard accounting issues. Further, he explained that because the University was

so decentralized, each separate college or department has the ability to control funds and to obfuscate the issue if they were ever challenged. He added that, paradoxically, the University Executives were actually claiming the surpluses as savings resulting from greater efficiencies. Mr. Godfrey explained his concern was that tuition increases and state appropriation requests were being calculated and presented for approval without consideration of the growing cash reserves. This concern is the same concern expressed by Mr. Ludlow in his Supplemental Affidavit.

4. Within the first two months of my employment, prior to the 2005 summer quarterly, I approached the subject of these surpluses or so-called "budget carry forwards" with Chairman Hendrix. I pointed out that it had come to my attention that not all past budgeted funds had been expended. I told him this could indicate that performance goals were not being met. He responded that it could also indicate frugal management. He agreed it should be looked at. I was too new in my new job and not prepared with specific numbers to speak definitively. I said I would get better data. I was of the opinion even at this early stage that the Trustees urgently needed to be better informed.

5. My position of Executive Secretary to the Board positioned me as an intermediary between the Board and the Administrative Council in the development of the agenda for the upcoming summer quarterly Board of Trustees meeting and retreat. I suggested that the status of reserve funds be added as an agenda item for this meeting.

6. In developing a presentation for the Retreat, the Administrative Council members discussed the risk of telling the Trustees too much about reserve funds. The Administration feared that too much information about the reserve funds could lead some Trustees to not support future budget requests and future proposed tuition increases. It was in these discussions that it was decided the term "performance credits" would be used instead of "surplus cash." President Barker and provost Helms expressed concern that the trustees would regard budget carry forwards as surplus cash if the matter was "over explained."

7. Mr. Alan Godfrey was given the responsibility of drafting and making the presentation. It was decided that the presentation would be euphemistically titled "Strategic Earmarked Balances." It is attached as Exhibit A. Mr. Godfrey was instructed to frame the presentation and make the argument that the surplus was not really a surplus because the money was still needed. He was instructed not to go into a lot of detail. Following the presentation I

was disappointed to learn from General Counsel Mr. Clay Steadman and Business Officer Mr. Brett Dalton, that they thought Mr. Godfrey's presentation was a tremendous success because they perceived from the Trustees' questions that "the Trustees really *don't get it*," meaning they believed that the Trustees really did not understand the significance of the unrestricted reserve funds. I was of the view that the Trustees were entitled to know and fully understand everything about these funds because they were Mr. Godfrey's "time bomb."

8. In the months following this summer 2005 Presentation, the Administrative Council became more relaxed about talking about the "performance credits" both in Administrative Council meetings and individually outside of the meetings. It was acknowledged that the problem of accumulating all this cash without the Trustees' knowledge and approval was over. Mr. Dalton stated the remaining risk was to make sure that the General Assembly did not learn about Clemson's true financial picture. I was witness to numerous comments by Mr. Steadman and Mr. Dalton that if the General Assembly knew Clemson had the kind of surplus cash in our unrestricted fund balance that we would not get more appropriated funds from the General Assembly. Ms. Angie Leidinger, Executive Director of Government Affairs made the statement to me that her own reputation would suffer serious losses in credibility if the General Assembly knew that Clemson had these significant cash reserves. Aside from Mr. Godfrey, no one on Administrative Council appeared to be bothered by the openly expressed "we-against-them" attitude of the Administration toward the General Assembly. It was a rationalization that what Clemson University was doing was okay, and they, the General Assembly, "would just not understand."

9. In the early months of my new job, I had numerous conversations with Chairman Hendrix regarding the pending retirement of Michael Hughey, Director of Internal Audit. In these conversations I presented my ideas to strengthen and improve Internal Audit. Mr. Hendrix agreed that Internal Audit was weak and ineffective. The Chairman agreed that Internal Audit should be more active in determining and demonstrating Clemson's performance on accountability goals. The Chairman agreed that Mr. Alan Godfrey would be a good addition to the Internal Audit organization to work toward those goals. The Chairman agreed that Mr. Godfrey's extensive experience as Budget Director would enable him to make Internal Audit more effective and meaningful. The Chairman did not disagree at that time with the changes I proposed. I understood I had his approval and, with his approval, based on my understanding of

how the Board worked, I had all the approval I needed from the Trustees. I communicated extensively with many others over the next twenty seven months about my vision and plans to reorganize Internal Audit.

10. As the Chairman's eyes and ears, I felt obligated to correct any misleading or erroneous opinions the Chairman could conclude if he was provided with incomplete information by the administration. I considered it my responsibility to make every effort to discharge that duty as his eyes and ears neutral of any bias or personal opinion. I quickly learned that the biggest obstacle to overcome to assure full disclosure to the Trustees was the Administration's reluctance to engage the Board in open discussion and the Trustees' near total acceptance of Administration reports. The Administration preferred that the Trustees know only what the Administration told them. Coincidentally or not, my office resources and Internal Audit were woefully understaffed. I learned that additional resources dedicated to the trustees were required. I applied myself to the task of learning the State's and University's personnel policies and procedures which had to be followed to create a new position. I studied the resources allocated to fellow administrative organizations and found significant disparities between workload and staffing when I compared my office to these other administrative offices.

11. As Executive Secretary, I learned early in my employment through one-on-one interviews with each Trustee that while all stressed the importance of cost management, many were also vocal on cost accountability. They reminded the Administration of the expectation that they should demonstrate operational efficiency and budget vigilance through the "Discovery Process," a lean management approach popularized in the private sector. I also learned, however, that the Administration did not accept this process as applicable to academic institutions. The Administration resisted it while appearing to comply with the Trustees' wishes. Budget reallocations were fabricated and presented as budget reductions. Budget increases were presented as part of the quest for "Top Twenty" recognition.

12. Despite the Chairman's approval of my plan to reorganize Internal Audit, I learned that actual implementation required adherence to university policies and procedures for personnel actions. For this, I needed the Administration's support. I was instructed and coached on all required administrative procedures by Mr. Steve Copeland the Interim Chief Business Officer. With his help I set out to improve and secure resources dedicated to the Trustees that could achieve the larger goal of assuring that more complete and accurate information was

provided to the Trustees. Clemson's best interest was served by my working toward these goals carefully and methodically to minimize unnecessary damage to either Clemson's public image or the public's trust in Clemson. Per the Trustee Policy Manual and the laws of the State for public agencies I developed and pursued a course of corrective action for the University within my stated job responsibility for Internal Audit.

13. I sought the support of the Administrative Council. I learned this could be difficult, because in the words of the Provost and her business officer, Mr. Brett Dalton, they did not want to put anyone in Internal Audit with a "badge and a gun." As part of my effort to enable the trustees to be provided with more complete and accurate information, I had to simultaneously deal with lack of support from fellow administrative council members who did not believe they should be "checked" by Internal Audit. I had to continually assuage concerns from fellow administrators who did not want the effectiveness of the business systems within their areas of responsibility reviewed by any outside department. I learned that their greatest means to thwart any effort they perceived as against their interest was to discredit the person making the proposal more so than the proposal itself. I took extra measures to assure my colleagues that my efforts were for the good of Clemson University. I was pleased to be told by some fellow administrators that my efforts marked a high point of distinction for the position of Executive Secretary.

14. Late on the afternoon of July 15<sup>th</sup> 2007 I had a long telephone conversation with Provost Dori Helms. I shared with her that I had had a disturbing encounter with some of the Trustees that morning as a result of their reaction to my installing Mr. Godfrey in the new position of Executive Director Fiscal Control/Policy Compliance. I explained to her that Chairman Hendrix had advised me that many of the Trustees thought I was "making my job bigger than it should be" and that "he didn't think (my job) was going to work out." I sensed from these remarks that some Trustees wanted to silence me. Ms. Helms responded that "she could not believe that." She told me she "believed cooler heads would prevail." She explained that I "was doing much more in the position than my predecessor," and that she could "help me to become warm and fuzzy like Thornton Kirby." She said she would "take me under her wing and turn me into 'a Thornton.'" She said she thought "everything would smooth out in short order and that she would talk to President Barker." She advised me to call President Barker in the morning to make an appointment to talk to him and ask him to intervene on my behalf. On

Monday morning July 16<sup>th</sup> 2007 I called my office and requested Ms. Jeannette Brine-Sperry, my Administrative Coordinator, work with President Barker's Administrative Coordinator, Sandy McKinney to schedule and appointment for me to meet with him at his convenience.

15. Mr. Clayton Steadman shared with me in a work related conversation on the deck of my residence in Clemson that he was purposefully making disparaging remarks about fellow administrators in conversations with one of his direct reports, Ms. Erin Swann, with the hope that she would repeat his comments to her father, Trustee Joe Swann. Mr. Steadman explained that he regarded his hiring of a Trustee's daughter a shrewd move on his part. He said he carefully weighed the advantages against the disadvantages and concluded that he thought it was a matter he could control with what he described as the "right programming." I found this disturbing and concluded that I would immediately start distancing myself from Mr. Steadman. When Mr. Steadman later falsely claimed he had a basketful of unfavorable emails about me, I considered this to be a part of his practice of purposefully making disparaging remarks about others.

16. In the spring of 2007, Trustee Emeritus Allen Wood suggested to me that I should encourage Bill Hendrix to stand for a third term as Chairman. Mr. Wood explained that Mr. Hendrix's willingness to serve had been significantly diminished as a result of the public outcry against Clemson's refusal to accept scholarship athletes with poor academic records while other schools appeared to do so. I was aware that this issue resulted in the Chairman being the focus of some public criticism. Mr. Wood further explained that he and Trustee Joe Swann were working to get others to encourage Mr. Hendrix to serve another term as Chairman.

17. In response to Mr. Wood's request, I prepared and sent a memorandum to Mr. Hendrix on April 19, 2007 encouraging him to stand for re-election. This letter is attached as Exhibit B. As part of my suggestion that he run, I took the opportunity to point out why his continued leadership would be beneficial. I also responded to his earlier request that I serve as his eyes and ears on campus and provide him with my insights.

18. I included in my April 19, 2007 letter that after two years in the job as Executive Secretary to the Board of Trustees, I had concluded that sound practices were missing at Clemson University. I told him there was no operational discipline in place, and that the organization was decentralized to a fault. I told him that overall the University lacked any checks and balances in its organizational structure and lacked business leadership. The letter was

a part of my continuing effort to speak out about serious deficiencies at Clemson with the hope that corrective action would be taken.

19. While I was Executive Secretary, I saw no regard for project management practices or cost management principles by the administration. The Administrative Council routinely took initiatives and endorsed projects outside of the annual and normal budget and planning process. Funds appeared to always be available for any initiative or employment issue the mission Vice Presidents or President promoted. The business office did not function to advise the administration or the President of their financial limits; rather, it functioned to deliver the funds they were instructed to provide. My disapproving comments on these matters were not welcomed.

20. During my twenty-seven months as Executive Secretary, I witnessed what I considered extremely high annual pay increases awarded by the President to those who reported directly to him. From 2003 to 2006, the annual pay for each of the three mission vice presidents, Dori Helms, Chris Przirembel, and John Kelly, increased 39% to an average annual salary each for the three of them of \$229,537. During the same period, other University executives received large raises as well. The VP for Advancement was up 35% to \$197,259. The Executive Director for Public Relations was up 51% to \$151,140. The Executive Director for Government Affairs was up 41.6% to \$143,355. The Executive Director for CU ICAR was up 26.8% to \$196,689. The General Counsel was up 23% to \$184,755. (See Exhibit C, Top Leadership Salary Analysis). To the best of my knowledge, these increases greatly exceed the raises, if any, received by others at the University, including the members of the faculty.

21. After I brought my analysis of executive pay raises to the attention of the Chairman, he formed a task force to develop Board policies for executive compensation. The Administrative Council was very concerned about future Trustee oversight of salary and compensation issues. I heard them say that the Trustees involvement could hamper the Administration's efforts to hire "Top Twenty" faculty. Members of Administrative Council were not pleased with me for bringing this matter to the Trustees' attention. I maintained that executive increases were not consistent with market factors or analysis. Provost Dori Helms stated that she could not hire the faculty or deans she needed to hire if the trustees' proposed compensation committee was established. Ms. Helms had numerous conversations with me giving me reasons I should prevail upon the Trustees not to establish an executive compensation

committee. Ms. Helms complained to me that the trustees were micromanaging the administration. While I understood her position, I very much disagreed.

22. During the period I was Executive Secretary, I heard many references to Clemson's "Road Map" and "The Plan." Slide presentations were presented to the Board that referenced these concepts, and many public statements mention Clemson's progress on "the road map" and "the plan." None of the presentations made, however, can be fairly described as financial or business plans supported by time lines, budgets, and detailed execution plans. They were conceptual and promotional presentations created to cultivate and foster support. They were not the documents required to successfully accomplish a major, complex campaign. I believe the accumulated cash reserves balance described in Scott Ludlow Supplemental Affidavit illustrates the fact that there are no blueprints and no "road map" that leads to "Top Twenty." While I was Executive Secretary, I saw "wish lists" and Power Point presentations, not business plans.

23. While I was Executive Secretary, I observed that there was a concentrated, well staffed, and well funded effort to pursue improving the University's ranking by US News & World Report. Although this effort was stated as justification for the need to increase tuition, the money generated was accumulated instead of being utilized. A special task force was commissioned by the Chairman called the "Communications Task Force" comprised primarily of selected Trustees, Institutional Advancement, and public relations leaders to consider strategies and ways and means to launch public relations plans to fight the efforts by the General Assembly to impose tuition caps and develop justifications for tuition increases.

24. While I was Executive Secretary, I often heard the claim made that as a result of the University's efforts to achieve "Top Twenty" ranking by US News and World Report, Clemson had risen from a US News and World Report ranking in the seventies to a ranking in the thirties. In fact, Clemson was ranked in the seventies only one year after. I am advised by



those more knowledgeable that this poor rating was the result of the University not timely submitting their data for that year's ratings.

FURTHER, YOUR AFFIANT SAYETH NAUGHT.

  
CHALMERS EUGENE TROUTMAN, III

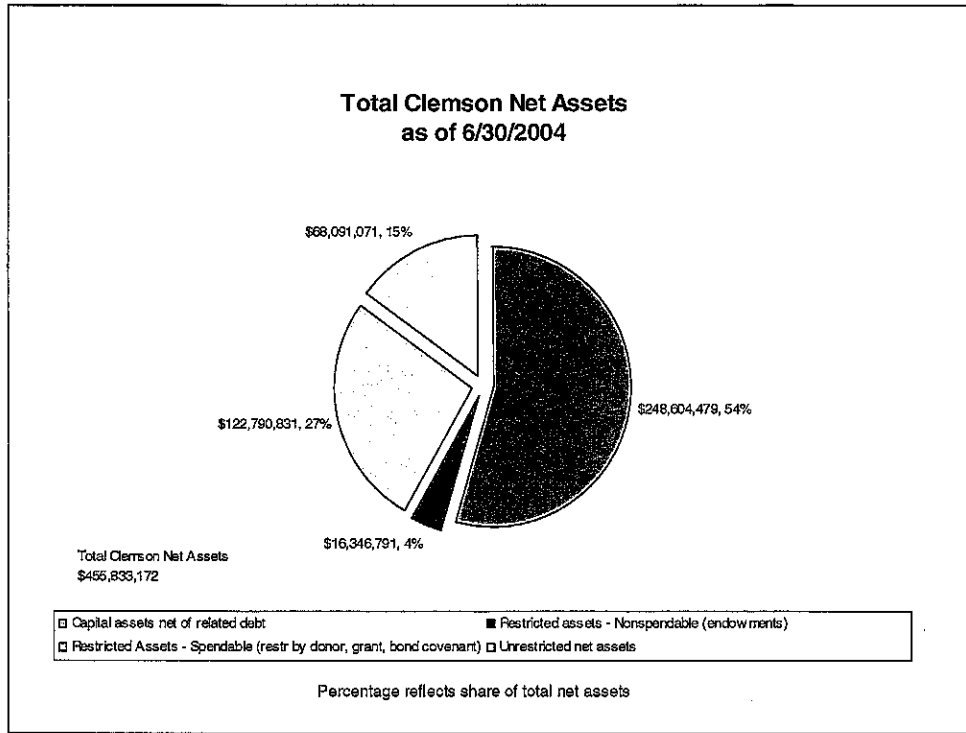
SWORN to and SUBSCRIBED before me  
this 1ST day of OCTOBER, 2007

 (L.S.)  
NOTARY PUBLIC for South Carolina

My Commission Expires: 1-28-14

## Strategic Earmarked Balances

This presentation is intended to convey an understanding of our Fund Balances as of the last year end. First, we will go over the external view of our balances, known as net assets on our audited financial reports. The private sector equivalency of the term "fund balance" is "net worth"



At this highest level view, Clemson University has total tangible net assets of \$455million. This chart gives the breakdown of these net assets.

The largest portion represents our capital assets...buildings, infrastructure, major equipment less debt related to these assets.

The next portion is restricted assets cannot be spent, i.e. the endowment funds that reside within the University (Does not include the Foundation as it is a separate entity)

The third portion is restricted, but spendable, assets. These include scholarship funds restricted to that use by donors as well as funds restricted for capital projects by bond covenants.

The last portion is what we will continue to focus on, that is the \$68 million in unrestricted spendable net assets.

### Breakdown of Unrestricted Net Assets

Unrestricted net assets \$68,091,071

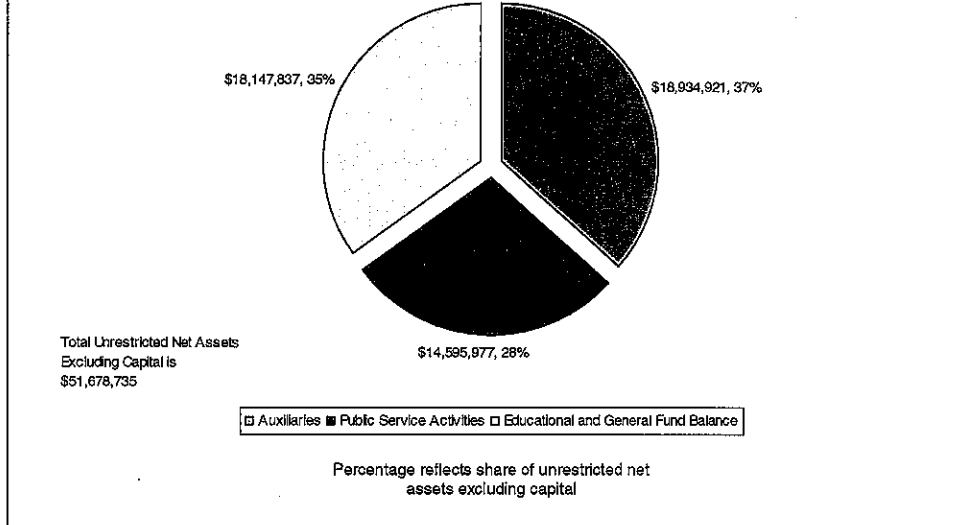
This total is made up of both current and non-current funds.

The non-current funds portion is unrestricted capital funds	\$16,412,336
Current funds portion is unrestricted non-capital funds	<u>\$51,678,735</u>
Unrestricted net assets	\$68,091,071

The remaining \$68 million has two components. The first is non-current funds used for capital projects generally coming from internally funded initiatives and revenues.

The remaining \$51.6 million represents the sum of E&G, PSA and Auxiliary fund balances as of June 30, 2004. All figures discussed thus far come directly from our audited financial statements and supplemental information issued with those statements.

### Non-Capital Unrestricted Net Assets Break-down



The \$51.6 million is attributable to our unrestricted fund activities as follows:

(BLUE) \$18.9 million in our Auxiliaries <22% of FY06 budget>

(Magenta) \$14.6 million in PSA activities <24% of FY06 budget>

(Yellow) \$18.1 million in E&G activities <over 7% of FY06 budget>

### **External View of Fund Balances**

- Represents current assets less current liabilities per accounting requirements
- Accrued leave is shown as a current liability on external financial statements
- Accrued leave at Clemson is charged to departmental expense as taken rather than to a central funded pool

What we have seen so far is the external view of our Fund Balances as audited and represented in our publicly issued financial statements.

These fund balances are not necessarily cash, but represent current assets (cash, AR, Grants receivable) minus current liabilities (accounts payable, payrolls payable, capital lease payments, etc)

Accrued leave is also shown as a current liability on our external statements, but it truly is not a current liability internally as we charge leave to departmental expense as it occurs.

This is an important distinction as we internally manage our balances ignoring the effect of showing accrued leave as a reduction or encumbrance on available balances

## Internal View of Fund Balances

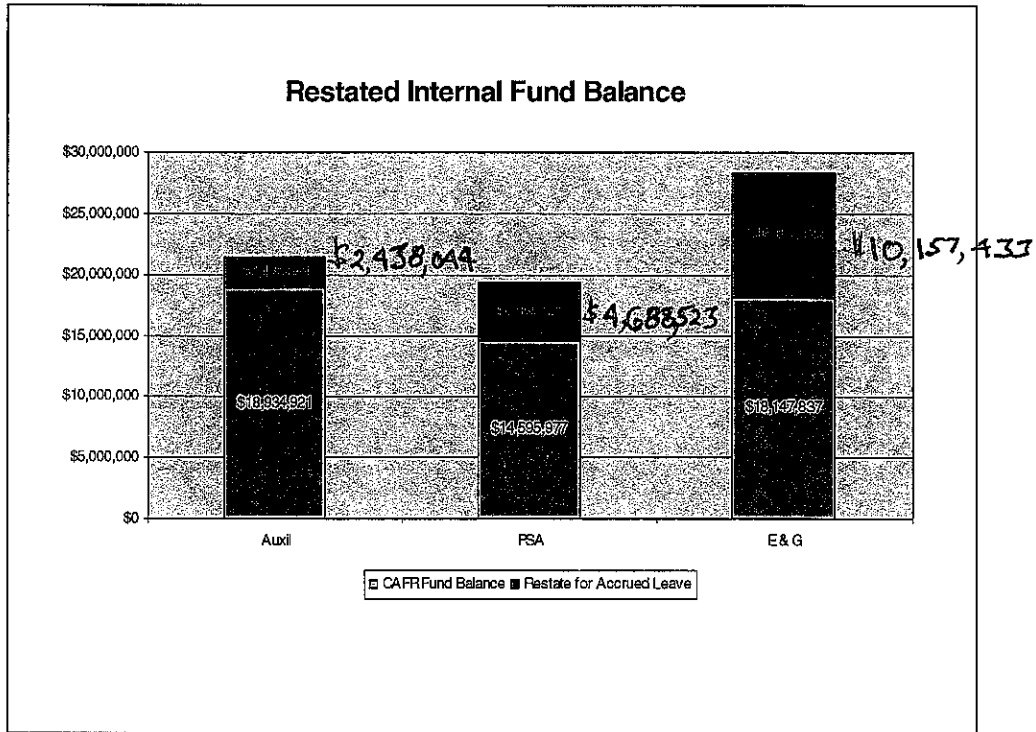
- In the late 80's, we spent all balances before year-end to achieve a near zero fund balance level (external view)
  - Created "panic" spending at year end with no carry-over program
  - Left resources unemployed (approx \$8-10M offset by leave liability)
- Performance Credit program began in 1991 to permit budget savings to carry over in fund balance
- Accrued leave began to be considered as available resources
- Performance Credit program matured to allow carryover to exceed leave balances (i.e. began to show positive fund balances)
- Available fund balances for E&G and PSA as internally viewed are restated for accrued leave

In the late 80's, our policy was to show fund balances as close to zero as possible. The departments and budget centers lost any budget savings and could not carry over funds. This common practice in higher education created "PANIC" spending at year end just to not lose any budget savings.

Achieving a zero fund balance also left significant resources unemployed as we could easily justify internal carryovers of \$8-10 million by saying it is encumbered for accrued leave

We began the Performance Credit (currently referred to as Earmarked Balances) in 1991 to allow management flexibility for budget savings as we began to consider accrued leave as a non-current liability

Over the years, budget carryovers grew to exceed the accrued leave amount as the state reduced scrutiny of year-end balances and we managed our funds to show all balances as non-general fund (i.e. state appropriated) balances



Shown on this chart are our financial statement fund balance figures (BLUE) with the addition of Accrued Leave (magenta) amounts as of June 30 2004

These fund balances represent the cumulative budget savings since the carryover program began in the early 1990's. They increase or decrease as each fiscal year closes based on revenue and expenditures that year for each fund group.



## Internal Fund Balances

	CAFR Supp'l p.5	Restate Leave	Internal Target FB
Educational and General Fund Balance	\$18,147,837	\$10,157,433	\$28,305,270
Public Service Activities	14,595,977	4,688,523	19,284,500
Auxiliaries	18,934,921	2,438,044	21,372,965
	\$51,678,735	\$17,284,000	\$68,962,735

**Educational and General Fund Balance** \$28,305,270

Central Campus/Misc \$2,153,497  
 \$2 million target established for central reserve for revenue exposures

VP Research - F&A Incentive \$3,559,472  
 Primarily committed for CU-ICAR Startup, see Exhibit #1 for spending plan

Strategic Initiatives \$902,535  
 Cumulative carryover of President's Strategic Initiative fund and the Innovation Fund

Budget Center Performance Credit Carryovers \$21,689,766  
 see Exhibit #2 for Spending Plan

**Public Service Activities** \$19,284,500

Components: Land and Timber Sales \$2,513,297  
 PSA Central Reserves \$6,242,270  
 PSA Budget Center Performance Credits/County Funds \$10,528,933  
 see Exhibit #3 for Spending Plan

Looking at the previous chart data in tabular form, we show our internal target balances for E&G, PSA, and Auxiliaries.

Focusing on the green E&G balance, we show its components as follows:

Central

VP Research – carryover by default, generated at the very end of the fiscal year

Strategic Initiatives/Innovation fund

Budget Center Performance credits – Annually reviewed after year end by the administration. Beginning last fall, we instituted a formal five year planning process for utilizing these funds

PSA's total balance of \$19.3 M is apportioned to it's components. Land and Timber is internally treated as a quasi endowment supporting land management activities, with the remainder in PSA Central Reserves or PSA Budget Center performance credits/county funds.

Exhibits #1, 2 and 3 detail spending plans for E&G VP Research, E&G Budget Centers, and PSA respectively.

## Rationale for Strategic Earmarked Balances

- University Road Map only reflects required permanent funding for the five year period
- One time funding issues in the five year plan are addressed with these one-time balances
- Formal review process documents spending plans and enables coordination with central funding
- Benefits
  - The University can operate with lower central balances
  - Funds are controlled by those closest to operations
  - Enables long term funding strategies and levels out required funding over time

This slide shows our rationale for maintaining these balances

### Example: Strategic Uses

- Start-up packages for faculty new hires and replacements (critical)
- Bridge funding of initiatives until permanently funded
- Enables local funding of annual leave payouts with timely refill of the position
- Initial funding for programs until they mature (revenue or grant supported)
- Allows for funding non-annual expenditures
  - Accreditation cycles
  - Equipment and minor renovations

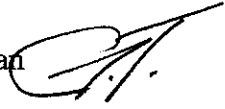
This slide shows examples of strategic uses for these balances

# Strategic Earmarked Balances

Analysis as of June 30, 2004

**Personal & Confidential**

To: Bill Hendrix

From: Gene Troutman 

Date: April 19, 2007

Dear Bill,

As you approach completion of your second term as chairman of the board and contemplate your decision whether or not to stand for a third term, I wish to offer these observations and professional opinions I have been privileged to develop as your executive secretary. I believe it is my responsibility to provide you as chairman with insights from within the university. It is also my hope that this information will help you fully appreciate that Clemson needs the continuity of your leadership now more than ever.

I wish to note first one of your and the board's own observations. You have expressed concern about the demands a major capital campaign will place on the President's time and the risks that could result from changes that, in turn, could dilute his leadership style. Past Boards have determined that the dynamic of a capital campaign alone is enough to warrant continuity of the chairmanship. The risks inherent in two significant and simultaneous changes involving both the chairman and the president are so serious and compelling that it could be proposed that the need for a third term is beyond debate.

The Board is at a critical junction. You and the president currently enjoy a healthy and mutually trusting relationship. This puts you both on the threshold of those opportunities that come only after that degree of personal communication is achieved.

The path of continuity avoids risks and offers unique opportunities not available at this time to others. The following three examinations offer some of those opportunities as I see them. No real recommendations are made, but I believe that every situation noted is a case for either improvement or even better success. Nothing should be construed as critical; my only intent is pure analysis for constructive gain. If something is good, how can it be better; if something is great, how can it be outstanding; and if something is excellent how can it be stellar.

**Academically Focused, but Out of Balance with Operations**

One of the compliments and distinguishing characteristics of Jim's administration is an absence of open conflict or strife between the administration and the faculty. The President's experience as an academic and college dean serves him well; missteps are not made with the faculty. But, the faculty does not so much support the administration as it does not oppose it. The faculty by nature expects to be regarded as more important and superior to the administration and uses the metrics of allocation of resources to read if the scales are in their favor. The "resource race" between the faculty and the administration

for non academic resources is reminiscent of the global super power's arms race during the cold war. The faculty effectively leverages their pledge of "no complaint against the administration" to bargain for resources and keep the administration in check. The cost of this detente is at significant expense to the effectiveness and efficiency of the administration. The current good faculty relationship could be taken as an opportunity to successfully secure the faculty's support for the importance of improving the "business effectiveness" of the university.

Strong management and executive practices are missing (this omission was addressed by the Trustees at the summer 2005 quarterly when the President was advised to install a COO). Numerous indicators point to this need. There are strong conceptual ideas, but no engine to develop them. Critical objectives have been identified but no dedicated resources commissioned to achieve them. There is no administrative agenda, or clearly delineated approval cycles. The business office as it exists is given no real support or attention. It lacks both the support and capability to "check" the provost office; it is virtually subordinate to it. The Chief Business Officer has been an interim position since 2004. To this administration's credit, before 2004 there was not even a clear "Business Office" that stood within the administration. But it still lacks direction. One of the major obstacles to attracting a strong CFO candidate is the vagueness and lack of clarity in the purpose of the position. It may also be speculated that another obstacle is that the provost office does not want a strong CFO position. If organizational areas do not get what they want from the Business Office they take the license to circumvent them and claim the authority to assume whatever business responsibilities they choose.

The university is enjoying the fruit a visionary leader can deliver but is nearing the critical point when that style of leadership must be underpinned with good governance practices, especially detailed plans and resources committed to strategic initiatives.

### **Inclusiveness via Administrative Council, but No Operating Structure or Discipline**

From a distance there may be the perception that the governance model employed by the President is one of micromanagement and hands on consensus building exercised through an inordinate number of direct reports. Although this is the structure of the President's organization ("everybody" is a direct report), its purpose is not control in a management sense. President Barker does not manage his direct reports; he utilizes this direct reporting structure to stay apprised of his subordinates activities and then primarily (and often only) through the audience provided by the administrative council meetings. Day to day, it is at the prerogative of the individual executive to keep him briefed. All reporting executives are fully empowered to chart their course. They are very much not micromanaged. The key for each direct report is to maintain a problem free relationship without conflict.

Unfortunately, the distance between Jim and top leadership lends itself to easy exploitation by those who seek and maintain regular audiences and speak for or about those that do not. When negative information or specific agendas at the expense of others are delivered, they are permitted without the threat of challenge or verification. The desire to avoid conflict enables information to be conveyed without question.

Disagreement is considered counter productive. Team work is the paramount law, and team work is measured by harmony. Rank is subordinate to the mission and teamwork. Hierarchy is deemphasized. The mission is to do all things thoroughly.

But, the mandate to do all things thoroughly, combined with the insistence that no one should disagree, results in the indiscriminate use of high end resources for low end projects. The prioritization of issues becomes the province of the author or main proponent of the issue. Another result is that many digress to working just their own agenda. Harmony is maintained by ignoring problems, not by resolution.

Although, it is promulgated that all success to date has been because of team work, it is actually a product of exceptional individual players. The reality, too, is that dissention has been silenced, and efforts and tasks are fragmented and work is pursued in isolation.

The administrative council is comprised of sixteen university executives and directors. It does not function as a board or cabinet; there are no supporting subcommittees or departmental representatives. In practice it may be characterized as an Italian Renaissance Medicean Court. All council members are publicly held to be regarded as equal around the table, yet are actually pitched against each other (often by each other) in vying for favor and attention from the one, clearly titled "ruler." They must constantly struggle not only for their agenda, but their survival, or acceptance. Ironically, teamwork is preached, but competition is promoted.

### **Organizations Empowered, but Decentralization Results in Duplication & Voids**

President Barker has noted that one of the reasons for Clemson's transformation is a product of Clemson improving its self image. President Barker has inspired Clemson to get past thinking "why we can't" and focus on "why we can." Everyone is expected to "think big, be proactive, get the job done, be empowered." This charge has been enabled by emphasizing a bottom up culture. This is a powerful motivator as opportunity is everywhere for the aggressive. It also creates dynamics and inertia that may give life to many unintended organizational enterprises.

Clemson's cultural and philosophical changes that promote decentralization have been compounded exponentially when combined with new software systems for business functions. The majority of all purchasing and accounting functions are now decentralized. This phenomenon has created an overall organization composed of a conglomeration of silos. The overall university budget has doubled in the last ten years, but the resources allocated by the university to the board to assure fiscal discipline have remained constant. It may be that each silo has the proper controls in place; serious breeches in that control are not evident, but the extent of duplication from silo to silo is unknown.

## Summary

The obvious is that there are natural inherent differences in the governance models most appropriate for different entities such as public political government bodies, public companies, private companies, and public institutions. Within each there are further differences required determined by their purpose, a school or a church for example. What may not be so evident is that in the best of all of them you will find an effective system of "checks and balances" that assure the success of their overall mission.

Clemson's model could be improved with the adoption of better checks and balances. The world of business may be the best source to seek best practices for accountability and transparency. The modern university is under close public scrutiny and the suspicion is that they need better accountability. They do. Clemson is fortunate to have a board full of the kind of experience that Clemson needs.

You understand that experience and are in a position to best communicate it. A change of chairmanship at this time would lose that opportunity.



**CURRENT TOP LEADERSHIP ANALYSIS AND HISTORICAL TRENDS**

Position	Name	Salary					Total Increase						
		2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2001	2002	2003	2004	2005	2006
VP and Provost	Helms, D	\$ 168,000	\$ 168,000	\$ 168,000	\$ 183,422	\$ 203,598	\$ 234,138	6.1%	0.0%	0.0%	9.0%	10.7%	15.0%
VP for Res & Econ Devel	Pzirembel, C	\$ 163,648	\$ 163,648	\$ 163,648	\$ 178,670	\$ 198,324	\$ 227,749	15.0%	0.0%	0.0%	9.0%	10.7%	14.8%
VP for PSA	Kelly, J	\$ 162,680	\$ 162,680	\$ 162,680	\$ 177,614	\$ 197,152	\$ 226,725	11.5%	0.0%	0.0%	9.0%	10.7%	15.0%
Athletics Director	Phillips, T D	\$ 145,330	\$ 145,330	\$ 145,330	\$ 158,670	\$ 188,645	\$ 198,645	0.0%	0.0%	0.0%	9.0%	10.7%	12.0%
VP Advancement	Cameron Jr, N	\$ 128,077	\$ 128,077	\$ 128,077	\$ 137,196	\$ 154,500	\$ 165,000	0.0%	0.0%	0.0%	0.0%	3.0%	6.8%
VP Student Affairs	DiSabatino, G	\$ 133,204	\$ 133,204	\$ 133,204	\$ 150,000	\$ 184,755	\$ 196,689	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
VP Student Affairs	Jacks, A	\$ 150,767	\$ 150,767	\$ 150,767	\$ 155,290	\$ 165,000	\$ 184,755	17.9%	0.0%	0.0%	3.0%	0.0%	0.0%
Exec Sec to the Board	Troutman, E	\$ 81,247	\$ 81,247	\$ 81,247	\$ 110,378	\$ 118,512	\$ 129,348	1.1%	0.0%	0.0%	0.0%	33.4%	9.1%
Exec Sec to the Board	Kirby, T	\$ 137,088	\$ 137,088	\$ 137,088	\$ 141,200	\$ 155,000	\$ 196,689	2.0%	0.0%	0.0%	3.0%	0.0%	0.0%
General Counsel	Steadman, C	\$ 101,200	\$ 101,200	\$ 101,200	\$ 109,448	\$ 121,487	\$ 143,355	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Chief Business Officer, Interim	Copeland, S	\$ 111,227	\$ 111,227	\$ 111,227	\$ 136,989	\$ 142,469	\$ 154,303	2.0%	0.0%	0.0%	0.0%	19.6%	8.1%
Chief Business Officer	Ludlow, S	\$ 100,049	\$ 100,049	\$ 100,049	\$ 125,000	\$ 136,500	\$ 151,140	7.2%	0.0%	0.0%	0.0%	24.3%	3.0%
Exec Director of Govt Affairs	Leidinger, A	\$ 147,900	\$ 147,900	\$ 147,900	\$ 165,000	\$ 184,755	\$ 196,689	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Exec Director IEA/IR	Jackson, D	\$ 108,000	\$ 108,000	\$ 108,000	\$ 116,802	\$ 121,474	\$ 125,118	0.0%	0.0%	0.0%	0.0%	8.0%	4.0%
Chief Public Affairs Officer	Sams, C	\$ 100,050	\$ 100,050	\$ 100,050	\$ 103,051	\$ 111,832	\$ 120,300	26.3%	0.0%	0.0%	0.0%	3.0%	7.3%
Chief IT Officer	Duckenfield, C												
Chief IT Officer	Bottum, J												
Chief HR Officer	Nichols II, L												
Director of Financial Aid	* Carmichael, M												

**Breakdown of Total Increase**

Position	Name	Cost of Living Percent					Merit Percent							
		2001	2002	2003	2004	2005	2006	2001	2002	2003	2004	2005	2006	
VP and Provost	Helms, D	1.7%	0.0%	0.0%	3.0%	4.0%	0.0%	0.0%	0.0%	0.0%	4.4%	0.0%	6.0%	15.0%
VP for Res & Econ Devel	Pzirembel, C	0.0%	0.0%	0.0%	3.0%	4.0%	0.0%	0.0%	0.0%	0.0%	15% <sup>1</sup>	0.0%	6.0%	6.7%
VP for PSA	Kelly, J	3.0%	0.0%	0.0%	3.0%	4.0%	0.0%	0.0%	0.0%	0.0%	8.5%	0.0%	6.0%	6.7%
Athletics Director	Phillips, T D	2.0%	0.0%	0.0%	3.0%	4.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
VP Advancement	Cameron Jr, N	1.5%	0.0%	0.0%	3.0%	4.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	6.7%
VP Student Affairs	DiSabatino, G	2.0%	0.0%	0.0%	3.0%	4.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	12.0%
VP Student Affairs	Jacks, A	1.5%	0.0%	0.0%	3.0%	4.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	6.8%
Exec Sec to the Board	Troutman, E	2.0%	0.0%	0.0%	3.0%	4.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.8%
Exec Sec to the Board	Kirby, T	2.0%	0.0%	0.0%	3.0%	4.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	8.9 <sup>2</sup>
General Counsel	Steadman, C													
General Counsel	Anderson, B													
Chief Business Officer, Interim	Copeland, S													
Chief Business Officer	Ludlow, S													
Exec Director of Govt Affairs	Leidinger, A													
Exec Director IEA/IR	Jackson, D													
Chief Public Affairs Officer	Sams, C													
Chief IT Officer	Duckenfield, C													
Chief IT Officer	Bottum, J													
Chief HR Officer	Nichols II, L													
Director of Financial Aid	* Carmichael, M													

<sup>1</sup>Additional duties increase.  
<sup>2</sup>Additional duties and merit increase.  
<sup>3</sup>Additional duties and a correction

MARCH 7, 2007