

# A Theory of Shared Governance in Higher Education

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**Abstract** This paper proposes a model that studies the functioning of universities board of trustees. It allows us to endogenously define how the decision making power is split between faculty members and outside stakeholders, namely the extent of shared governance. The work of Harris and Raviv (2008) on board control in the corporate context is adapted in order to fit with some of the specificities of higher education institutions. The interactions between faculty and outside board members are studied in a setting where a decision has to be taken for which both group members have a private and complementary information. Due to divergence in the preferences, nobody will have an incentive to truthfully reveal his own private information. While we assume that outside board members are freely informed, faculty members have to spend time in order to become informed. Because this time can then not be spend on other activities such as doing research or teaching, they will have an incentive to free ride. Therefore, the choice of the composition of the board can help mitigate the agency and information acquisition problem related with this strategic game. Based on this approach, we are able to offer an explanation to the recent evolution of the governance structure of higher education institutions throughout Europe.

**KEYWORDS :** Higher Education, multitasking, board of trustees, non-corporate governance.

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