

Information Asymmetry and Governing Boards in Higher Education: The Heat Map of Information Asymmetry Across Competencies and the Role of Training in Mitigating Information Asymmetry

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Abstract : Successful and effective governing boards play an essential role in higher education by providing essential oversight and helping to steer the direction of an institution while creating and maintaining a thriving culture of stewardship. A well-functioning board can also help mitigate conflicts of interest, ensure responsible use of an organization's assets, and maintain institutional transparency. However, boards' functions in higher education are inhibited by the presence of information asymmetry between the board and management. Board members typically have little specific knowledge about the business side of the higher education, in general, and an institution under their oversight in particular. As a result, boards often must rely on the discretion of the institutional upper administration as to what type of pertinent information being disclosed to the board. The phenomenon of information asymmetry is not unique to the higher education and has been studied previously in the context of both corporate and non-for-profit boards. Various board characteristics have been analyzed with respect to mitigating the information asymmetry between an organizational board and management. For example, it has been argued that such board characteristics as its greater size, independence, and a higher proportion of female members tend to reduce information asymmetry by raising levels of information disclosure and organizational transparency. This paper explores the phenomenon of information asymmetry between boards and management in the context of higher education. In our analysis, we propose a heat map of information asymmetry based on the categories of board competencies in higher education. The proposed heat map is based on the assessment of potential risks to both the boards and its institutions. It employs an assumption that a potential risk created by the presence of information asymmetry varies in its magnitude across various areas of boards' competencies. Then, we explore the role of board members' training in mitigating information asymmetry between the boards and the management by increasing the level of information disclosure and enhancing transparency in management communication with the boards. The paper seeks to demonstrate how appropriate training can provide board members with an adequate preparation to request a sufficient level of information disclosure and transparency by arming them with knowledge of what questions to ask of the management.

Keywords : higher education, governing boards information asymmetry, board competencies, board training

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