

**AGB** CONSULTING

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June 11, 2016

**Becoming an  
Effective Board  
Member and High  
Performing Boards**

# Agenda

- Introductions and a Thought Starter
- Becoming a More Effective Board Member
  - Consequential Boards
  - Fiduciary Duties
  - High Performing Boards
- Effective Committees
- Wrap up, Adjournment and Evaluation

# Objectives

- To provide new board members a basic understanding of board member roles and responsibilities.
- To introduce new board members to three critical areas of board work: a) board roles and responsibilities, b) consequential boards and c) fiduciary duties.
- To enable new board members to consider and practice how best to address the issues they will confront.
- Consideration of new approaches to board governance at Florida A&M University.

# Introductions and A Thought Starter

- Colleges and universities can't be better than their boards
- The chair and the president have primary influence on board effectiveness
- Boards can be reluctant to change
- Effective Boards take their work seriously

# Challenges Confronting Higher Education and Governance

## 1. Making the Case

- Value Perception with the public
- Policy makers
  - Public funding
  - Regulation & compliance
  - Concerns about:
    - Completion
    - Access/Affordability
    - Workforce Preparedness
    - Attainment (International rankings)

## 2. Change

- Disruptive?
- Higher Education Business Model
  - Iron Triangle: cost (price/expense); access; quality
  - Productivity & Efficiency
    - Formerly:  
**Productivity** ↑ / **Cost** ↑
    - Today:  
**Quality** ↑ / **Cost** ↓
  - Academic Quality

# Challenges Confronting Higher Education and Governance

## 3. Economic Realities

- Post Recession economic structural change
  - Employment (& opportunity)
  - Economic confidence
  - Student Aid/Student Debt
  - Permanence of Reduced Public Funding
  - Demographic Change
- Competition
  - Other Institutions
  - New Providers
  - New Delivery Models

## 4. Board Governance

- Threat to Board Independence (External Influences)
- Regulatory
  - State level
- Accreditation

## 5. Public Policy Issues

- HEA
- CASA
- Athletics
- Regulatory Environment
- Tax Reform
- Federal Budget

# Challenges for the Future

- What are the implications for the University?
- Are our institutions sustainable/affordable?
- Can we ensure the public trust?
- Does our model of governance work for the 21<sup>st</sup> Century?
- What are state and federal policy makers most concerned about in higher education?

# The Roles and Responsibilities of a Governing Board



# Support and Advocate Institutional Mission and Purpose

- The charter statement of the college or university
- The ultimate reference point for board decision making
- Board should feel ownership

# Broadly Speaking, Governing Boards are Responsible for:

- Making policy
- Monitoring progress toward objectives
- Assuring Presidential success
- Supporting and advancing the mission
- Ensuring financial sufficiency
- Being the voice and ears for the institution
- Keeping the long view

# Advise the President on the Advancement and Development of the Institution

- The president is the professional expert in higher education, yet board members bring diverse expertise
- Advice goes both ways
- Board members should be well connected to the larger community

# Review, Approve and Monitor Progress on the Strategic Plan

# Performance Indicators: How Board Members Know About Institutional Success

Performance in institutions is a complex issue.  
A range of indicators is needed:

- Retention and completion rates
- Time to completion
- Accreditation
- Rankings and ratings
- Program review
- Licensure and certification
- Student surveys
- Alumni surveys
- Employer surveys

# Accreditation

- Board engagement in institutional accreditation is critical
- Regional standards now require that colleges and universities adopt a culture of evidence regarding educational effectiveness

# Effective Governing Boards

1. Ensure the institution's mission is kept current and aligned with public purposes.
2. Select a chief executive to lead the institution.
3. Support and periodically assess the performance of the chief executive and establish and review the chief executive's compensation.

# Effective Governing Boards

*(continued)*

4. Charge the chief executive with the task of leading a strategic planning process, participate in that process, approve the strategic plan, and monitor its progress.
5. Ensure the institution's fiscal integrity, protect its assets, and engage in fundraising and philanthropy.



# Effective Governing Boards

*(continued)*

6. Ensure the educational quality of the institution and its academic programs.
7. Preserve and protect institutional autonomy, academic freedom, and the public purposes of higher education.
8. Ensure that institutional policies and processes are current and properly implemented.

# Effective Governing Boards

*(continued)*

9. In concert with Senior administration, engage regularly with the institution's major constituencies.
  
10. Conduct the board's business in an exemplary fashion. Ensure currency of board policies, and periodically assess the performance of the board, its committees, and its members.

# Consequential Boards: An Expanded Perspective

- Major changes have occurred in the landscape we inhabit and serve. Higher Education is at risk of losing substantial political and social support; re-earning the public trust in institutional leadership is necessary to build support for the future.

# Consequential Boards: An Expanded Perspective

- Higher Education governance currently spends too much time, resources, and talent on insular issues of preserving the status quo, institutional advantage, and internal governance struggles. Boards must focus their time on issues of greatest consequence to the institution.

# Consequential Governance

1. Focus on accountability and fiduciary principles
2. Board structure should facilitate to focus on things that matter
3. Strategy over reports—future over past
4. Lead in advocacy for higher education—value proposition
5. Board-presidential leadership and institutional governance
6. Defend board independence

# Consequential Boards

1. Improve value in their institution and lead a restoration of public trust in higher education.
2. Add value to institutional leadership and decision making by focusing on their role as fiduciaries.
3. Ensure the long-term sustainability of their institutions by addressing the imperative to deliver high-quality education at a lower cost.
4. Improve shared governance and relations with faculty, and attend to leadership development for presidents and faculty.

# Consequential Boards

*(continued)*

5. Improve board capacity and functionality with a focus on qualification of board members, orientation, composition, and removal of members for cause.
6. Focus time on issues of greatest consequence, reducing time spent reviewing routine reports and redirecting attention to strategic issues.
7. Hold themselves accountable for their own performance, upholding the same behaviors and performance they expect from others in their institution.

What are the 5 most critical issues for the University?



Is the board organized to effectively address the Big 5?

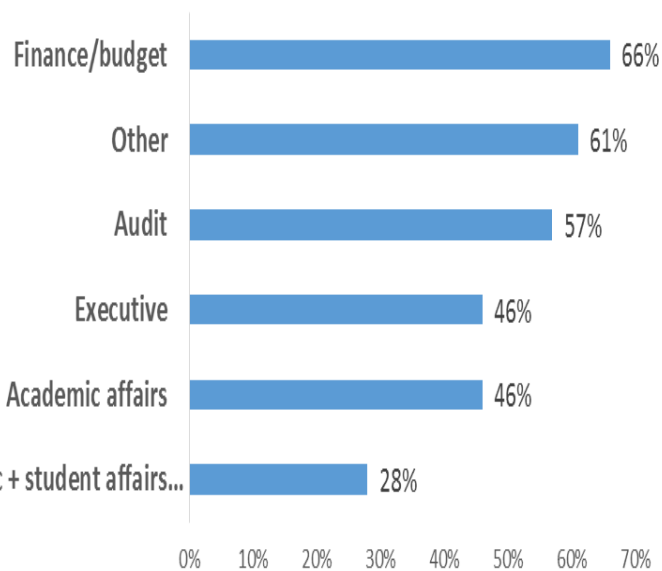
# Basics About Board Committees

- In 2015, public college and university boards had an average of **5 standing committees**
- Independent college and university boards had an average of **8 standing committees**

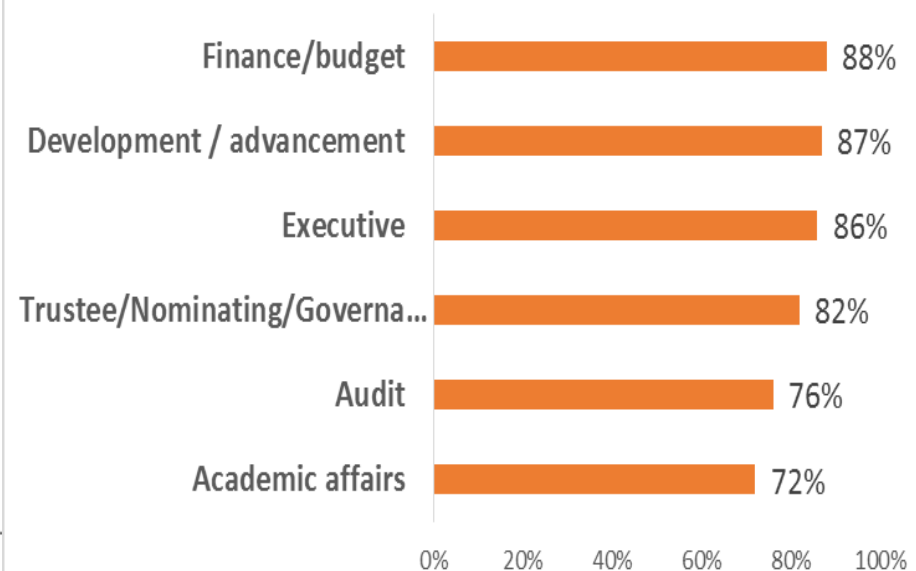
# Basics About Board Committees (continued)

- Board committee structures have traditionally been aligned with institutional functions.
- In 2015, the top six committees for publics and independents were:

Public College, University, and System Boards



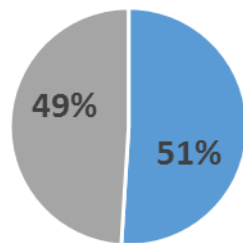
Independent College and University Boards



# Board Restructuring

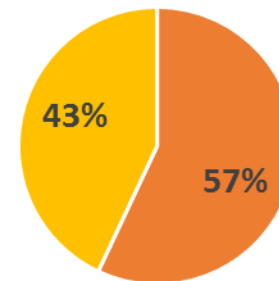
- Many boards are starting to rethink and redesign their existing committee structures.
- In 2015, over half of public and independent boards reported that their board had restructured its committees in some form.

Publics College, University, and System Boards



■ Yes ■ No

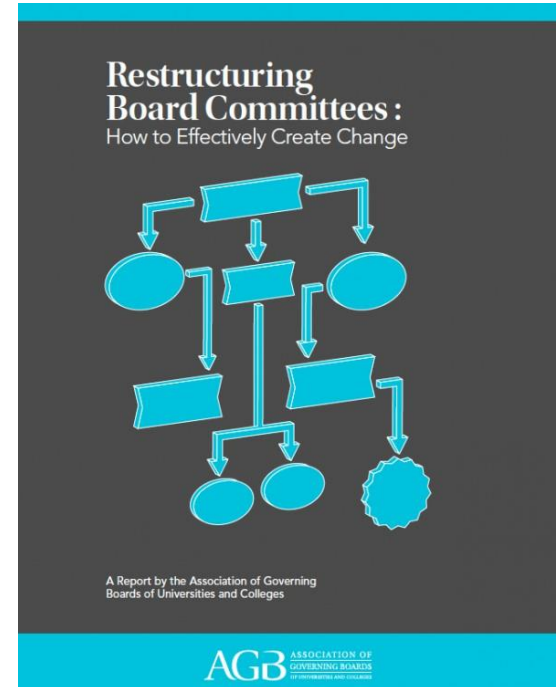
Independent College and University Boards



■ Yes ■ No

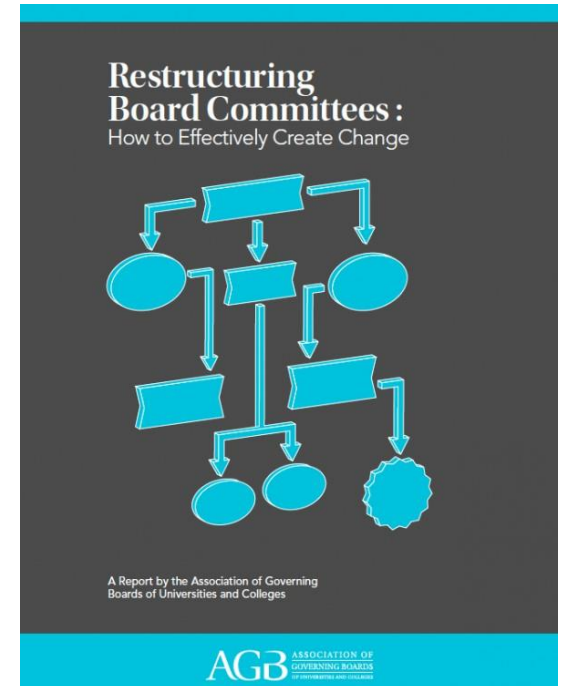
# Board Restructuring

- In 2015, AGB interviewed representatives from 19 boards who restructured their board committees in the past five years.



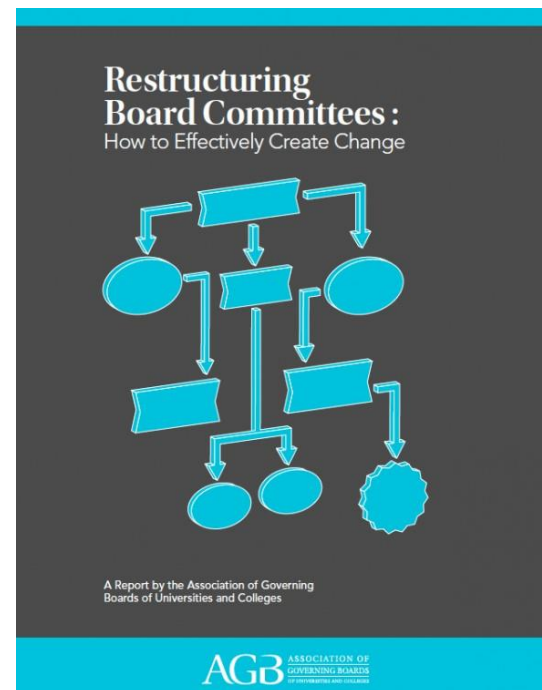
# The Process of Restructuring

1. Identify the impetus for change
  - a. Who or what is the driving force behind this change?
2. Assess current board committee structures
  - a. Do we have the right number and types of committees?
  - b. Do our committee meeting schedules and committee agendas create opportunities for optimal engagement and strategic discussions and decision-making?



# The Process of Restructuring (continued)

3. Research best practices or seek out resources and consultation.
  - a. Are there examples of peer institutions who have successfully restructured their board committees?
4. Identify the type of changes needed
  - a. What types of changes will make our committees more effective?
  - b. What are our overall goals?
5. Evaluate outcomes
  - a. Have the changes we made to our committee structure achieved the intended goals?



# Benefits of Strategic Realignment

- Creating a time away from routine business allows deeper thinking and an opportunity to explore ways to be more effective, assuming willingness on the part of the Board members.
- Board members become more engaged and satisfied with their contribution to the work of the Board.
- More strategic discussions keep the focus on the most important things, which benefits the institutions.



# Fiduciary Duties of Governing Board Members

# Trustees as Fiduciaries

- Fiduciary: One who holds some asset(s) in trust for another and is charged to act beneficially on behalf of the other in managing that asset.
- The Asset – The college/university you govern, including mission & identify, property, human resources & educational product
- For Whom – Founders and sponsors, students and families, donors, alumni (public)

# Fiduciary Duties

## 1. Duty of Care

- Act in good faith for best interests of institution
- Act reasonably, competently, and prudently

## 2. Duty of Loyalty

- Put interest(s) of institution above all else
- Do not act from self interest; no self-dealing
- Conflict of loyalty

# Fiduciary Duties

*(continued)*

## 3. Duty of Obedience

- Obligation to advance mission
- Duty to act ethically and consistent with mission

## 4. Serve a Public Purpose

# High Performing Boards

- Change adept
- Thought partners
- Engaged and informed
- Forward/critical thinking
- Opportunity for meaningful deliberation (and appropriately skeptical)

# High Performing Boards

*(continued)*

- Creative and inquiring
- Apply risk assessment
- Collaborative partner with CEO
- Focus on strategy

# Getting Governance Right: Habits of Highly Effective Boards

1. Create a culture of inclusion
2. Uphold basic fiduciary principles
3. Cultivate a healthy relationship with the president
4. Select an effective board chair
5. Establish a strong governance committee

# Getting Governance Right: Habits of Highly Effective Boards

(continued)

6. Delegate appropriate decision-making authority to committees
7. Consider strategic risk factors
8. Provide appropriate oversight of academic quality
9. Develop a renewed commitment to shared governance
10. Focus on accountability



# Hallmarks of Highly Effective Boards

1. Engage in governance, not management
2. Operate with a high level of trust and candor
3. Focus on strategic issues that matter most
4. Do not tolerate personal agendas
5. Take time to listen to opposing views

# Hallmarks of Highly Effective Boards *(continued)*

6. Recognize the student and the quality of education as the highest priorities
7. Assume responsibility for both advocacy and oversight
8. Commit to due process and academic freedom
9. Balance institutional needs with state's needs and priorities

# Hallmarks of Highly Effective Boards *(continued)*

10. Impose and insist on the highest ethical standards
11. Openly debate important issues but speak with one voice once decisions are made
12. Make comprehensive board orientation and continuing education a priority

# Why It Is Important to Focus on Board Committees

- **Insures** all members operate on same page
- **Develops** a shared understanding of committee roles and responsibilities
- **Enhances** committee effectiveness
- **Spreads** continuous improvement culture throughout committees

# Increasing Committee Importance to Overall Board Effectiveness

- Not enough time for full board to carefully review all important university issues and concerns
  - Allows greater focus on more issues
- Escalating requirement for additional specialization
  - Allow certain members to specialize (fundraising/financing/telecommunications)
- Rising importance of risk assessment
- Growing size of constituencies
  - Allows board to interact with greater number
- Increasing board requirement to use
  - Committees to study issues in advance and propose recommendations for board review and approval

# Functions of a Board Committee

- **Within the committee domain** (as outlined in the bylaws)
  - Oversee university mission activities
  - Conduct risk assessment analysis
  - Focus board activities and efforts
  - Research & frame policy issues for board discussions
  - Prepare recommendations for board-wide decision
  - Monitor institutional strategic progress
  - Review key performance indicators
  - Gain additional understanding of
    - specific institutional challenges, opportunities, policies, processes, and programs
    - industry-wide challenges, opportunities, and trends
- Provide informal advice and wisdom to administration
- **Committees do not act unilaterally.** Study issues in advance. Develop recommendations for board consideration and action.

# A Plug: AGB Effective Committee Series

- Available on each of committee areas
- Chapter topics
  - Purposes
  - Responsibilities
  - Composition and Structure
  - Tips and Key Trends
  - Sample Charters
  - Resources
- 35-45 pages in length

# Sample Executive Committee Charter

The principal purposes of the Executive Committee are to **act on behalf of the board, as needed, between meetings, or, as assigned by the BOT, or, to assume specific responsibilities not otherwise assigned to standing or ad hoc committees, or reserved to the full board by the by-laws**, such as amendments to the bylaws.



# Sample Committee Responsibilities

## Executive Committee

- As needed, act on behalf of the board between board meetings
- Facilitate the engagement in strategic planning and oversight of the strategic plan
- Serve as a sounding board for the president and the chair
- Facilitate the presidential assessment and compensation process
- Serves as the coordinating/planning council for the board

# Sample Governance Committee Charter

The Governance Committee is responsible for: (a) establishing and maintaining standards of board conduct; (b) identifying the expertise and experience needed by the board, as appropriate; (c) recommending a slate of officers for board approval; (d) ensuring that board members have adequate orientation and continuing education; (e) regularly assessing the performance of the board and its members; (f) monitoring compliance with policies regarding conflicts of interest; and (g) periodically reviewing bylaws compliance.

# Sample Committee Responsibilities

## Governance Committee

- Identify, recruit, orient, develop, assess, and recognize current and past service of members who possess the talents required to serve university needs
- Ensure a timely orientation program for new members
- Manage a board assessment program
- Provide board leadership opportunities through the committee leadership assignment process
- Develop board succession policies and procedures
- Ensure currency of board policies and bylaws

# Committee Relationships (I)

- **Board Chair, President, & Executive Committee**
  - Propose committee work priorities and agenda to Executive Committee for review and integration into a board wide work plan
  - Keep EC informed of committee actions/progress
  - Collaborate with chairs of other committees
- **Board Chair, President and Administration**
  - Work closely together to develop committee agendas, and materials for board consideration
  - Keep administration informed of committee work
  - Solicit administration inputs to work agenda and projects
  - Serve as “communication” bridge and link

# Committee Relationships (II)

## Board Chair and Committee Members

- Assign responsibility for recording and dissemination of minutes
- Develop meeting agenda, and presides over meetings
- Prepare to introduce each meeting agenda item, facilitate discussion, identify and record action items, and track progress
- Keep entire board informed of committee progress
  - Prepare recommendations/reports for board consideration
  - Recommend professional development activities
- Serve as “communication” bridge between board, other committees, administration, and own committee

## Individual committee members

- Prepare for and attend all meetings
- Actively participate in committee discussions
- Carry out committee and board responsibilities

# Steps to High Performance Committees

## A Quick Summary

- Clear Articulation of
  - Charter
  - Responsibilities
  - Expectations
- Development of annual work goals
- Wise committee chair selection
- Effective chair-committee communication
- Productive meeting agenda
- Creation of clear-cut board recommendations
- Establishment of culture of continuous improvement
  - Frequent committee assessment

# Additional Resources at AGB.org

AGB Statements: Complimentary publications about important topics in higher education that include and recommendations for boards and governance best practices.

1. Board Accountability
2. Educational Quality
3. External Influences
4. Institutional Governance
5. Intercollegiate Athletics
6. Sexual Misconduct
7. Conflict of Interest with Compelling Benefit
8. Fiduciary Duties
9. College Completion

# Additional Resources at AGB.org

## Knowledge Center:

- “AGB U”, your guide to good governance
- Videos, Podcasts, Governance Briefs, Data Files, Governance Database



# Questions?