



In pursuit of excellence...

# BOARD RESPONSIBILITIES AND TRUSTEE EDUCATION

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# Institutions—GC Working Policy Summary

1. Composition of constituencies (BA 50 05)
2. Board elected by constituency (BA 50 10)
  - ◆ Use title of the president/CEO/administrator
3. Board appoints administrators (BA 50 15)

Constituency or Membership

Board of Directors/Trustees/Governors

President/CEO/Vice  
Chancellor

Vice-President

Vice-President

Vice-President

*GC Working Policy* statements regarding institutions reflect an intentional and strong relationship of the institution with the Church.

The structure of institutions operating under a government charter often differ somewhat from the model described in *GC Working Policy*. However the expectation is that the institution will always demonstrate a Seventh-day Adventist identity.

# Institutions—GC Working Policy Summary

1. Composition of constituencies (BA 50 05)
2. Board elected by constituency (BA 50 10)
  - ◆ Use title of the president/CEO/administrator
3. Board appoints administrators (BA 50 15)
4. Provision for local board/admin comm with clearly defined limits of authority (BA 55 20)
5. Authority of the board—full authority to control and manage (BA 55 15)

# Board independence:

...the constituency's confidence and expectation that the board, relying upon its own processes and commitments to quality education and to the Seventh-day Adventist Church, will ensure that the operations of the institution serve the educational mission of the Church and provide practical benefit to the community and the world.

# Institution's relationship to Church

The Board of Trustees, established in harmony with relevant institutional governance documents, is the group responsible for linking the educational focus of the institution with the interests, mission and educational objectives of the Church.

# Why board processes matter:

1. Most leadership training is for individualized positions of responsibility. Most major decisions are made in groups.
2. Institutional success is ultimately the responsibility of the board/exec committee.
3. Effective group decisions do not arise spontaneously. They result from deliberate designs in structure and social dynamics.
4. Good governance builds membership trust.



The most important  
human resource for the Church is  
**TRUST**



# Two SDA governance systems:

## Ecclesiastical system

- "Executive Committee"
- Each entity part of a chain of organizations
- Many employees--voting members of exec comm
- Ex Com chair—internal
- 3 officers accountable to Exec Comm
- More involved—mngmnt
- Unincorporated status

## Institutional system

- "Board of Trustees"
- Each entity a 'stand-alone' organization
- Few employees—voting members of board
- Board chair—external
- CEO primarily accountable to board
- Less involved—mngmnt
- Incorporated status

# The bottom line

- Both systems can function effectively
- Effective functioning requires:
  - Skilled leadership in group decision-making
  - Group members with diversity of competencies appropriate to the business
  - Intentionality about mission

# Our challenge:

"...there is one thing all boards have in common, regardless of their legal position. They do not function."

—Peter Drucker



# Board diseases:

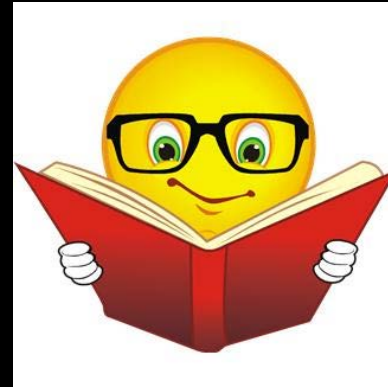
1. Shakes and tremors (time consumed with unproductive activity)
2. Dialog deficit disorder (leads to irritable trustee syndrome)
3. Dizziness and disorientation (decision-making without sufficient information)
4. Astigmatism (cloudy vision, shortsighted view of mission)
5. Paralysis (inability to address most urgent matters)

# What good Boards do:

1. Shape mission and strategic direction
2. Maintain SDA identity of organization
3. Establish key policies and strategies
4. Select, develop, and evaluate officers
5. Ensure adequate financial resources
6. Build/enhance organization's reputation
7. Provide adequate risk management
8. Assess performance against mission
9. Improve board performance

# 10 Commandments about Boards

1. Thou shalt appoint boards having competency-based membership.



Bylaws generally do not address skill sets required among trustees.

Common practice is to focus on employee/laity, proportional representation and gender balance.



# Encouraging change...

- Administration may need to identify for Nominating Committee the range of competencies needed.
- Governance committee of the board adopts trustee competency grid for use in recruiting potential trustees.
- Constituency session nominating committees charged with responsibility to include trustee competencies in board nomination process.

# Director competency

## Personal

- Reputation (integrity)
- Time and commitment
- Objectivity in thinking
- Ability to function beyond 'self-interest'
- Team member or soloist
- Social behavior

## Professional

- Training/education
- Experience
- Skill and judgment



# 10 Commandments about Boards

2. Thou shalt conduct trustee orientation and on-going education.



# Expectations of Trustees:

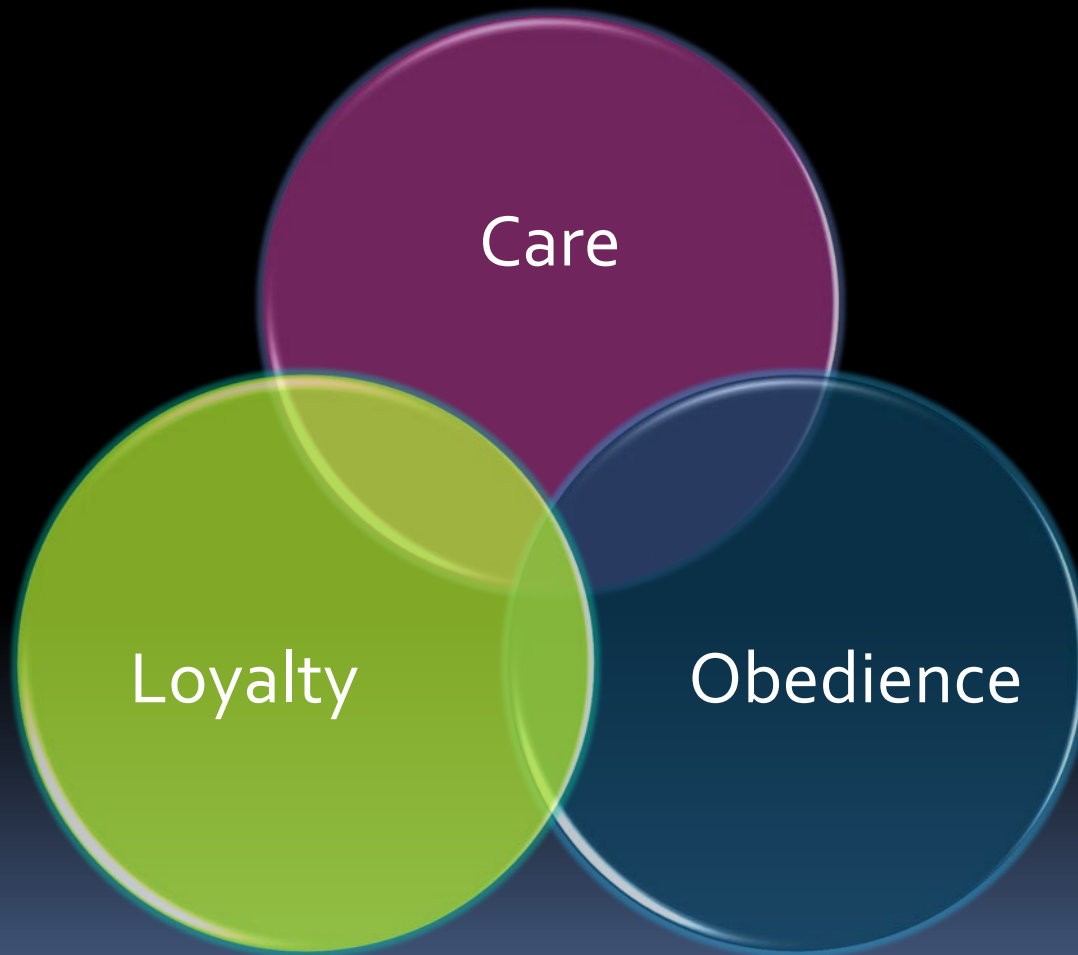
Unless new trustees receive orientation it will take several board meetings before they begin to understand their role and how to contribute.



# What Trustees need to know:

- Selection process and term of service
- Expectations of trustees
- Organization's mission/purpose/policies
- Organizational chart(s)
- Constituencies served
- Existence of corporate documents
- Protection against director liability
- Director/member rights—access to management and records, attendance at meetings, right to speak and vote

# Fiduciary obligations of trustees



# The duty of care

- Refers to the level of competence expected
- Common standard: "ordinary prudent person"
- Duty to attend meetings regularly
- Duty to show independent judgment in voting
- Duty to be informed
- Duty to rely on/delegate to trusted sources
- Duty of diligence (perfect judgment not required)
- Duty of risk management ...



# The duty of loyalty

- Corporate position not for personal advantage
- Standard of faithfulness to the organization
- Undivided allegiance when making decisions
- Duty of loyalty breached when members use organizational property for personal purposes
- Maintaining confidentiality of privileged info

# The duty of obedience

- Making sure the organization remains obedient to its purpose and role (i.e. faithful to SDA mission, beliefs, culture, policies and practices)
- Duty of compliance with laws
- Fulfilling commitments, including previous ones

# Board education system

1. Trustee orientation—at time of joining the board (Use of a board handbook.)
2. Periodic board retreats (e.g. 2-3 days off-campus twice per quinquennium)
3. Trustee education segment on every board agenda
4. Resources for trustee self-education—attendance at trustee education conference, provision of trustee publication, etc.

# Board education—sample agenda items

- Organizational structure and chart
- Constitution and bylaws—role of board
- Admin chart of reporting relationships
- Governance responsibilities of board
- Fiduciary duties of trustees
- Student life
  - composition of student body
  - indicators of student success—time to grad, recruitment, retention, placement of grads, costs

# Board education—cont'd

- Faculty and staff—SDA percentages
- Trends in education (national, regional, denominational)
- Legal and regulatory environment
- Accreditation—denominational and other
- Financial trends and projections
- Mission, vision, values—and future plans
- Board performance and self-evaluation
- Board policies

# 10 Commandments about Boards



3. Thou shalt make decisions and assess performance in light of the organization's mission, vision, and values.

Long-term plans are often impacted by changed circumstances before the plan is fully implemented. Boards need to adjust to circumstances without losing orientation to institutional mission.



Mission

Defines fundamental purpose

Vision

Values



**Mission**

Defines fundamental purpose

**Vision**

Defines future state

**Values**

**Mission**

Defines fundamental purpose

**Vision**

Defines future state

**Values**

Defines culture and priorities

# 10 Commandments about Boards

4. Thou shalt focus on the future while learning from the past



- Use the



more than the



# 3 Windows on the Board Agenda

## 1. Window to the past

- Minutes of last meeting
- CEO report (written summary preferred)
- Financial statements



# 3 Windows on the Board Agenda

## 2. Window to the present

- Administrative or staff appointments
- Current operational issues
- Board member education
- Reports from various board committees
- Policy approval
- Legal/regulatory environment



# 3 Windows on the Board Agenda

## 3. Window to the future

- Reviewing/updating strategic plan
- Capital needs and planning
- Succession planning/leadership development



"Long range planning does not deal with future decisions. It deals with the future of present decisions."

—Peter F. Drucker (1909 - 2005)  
U.S. management consultant and author.

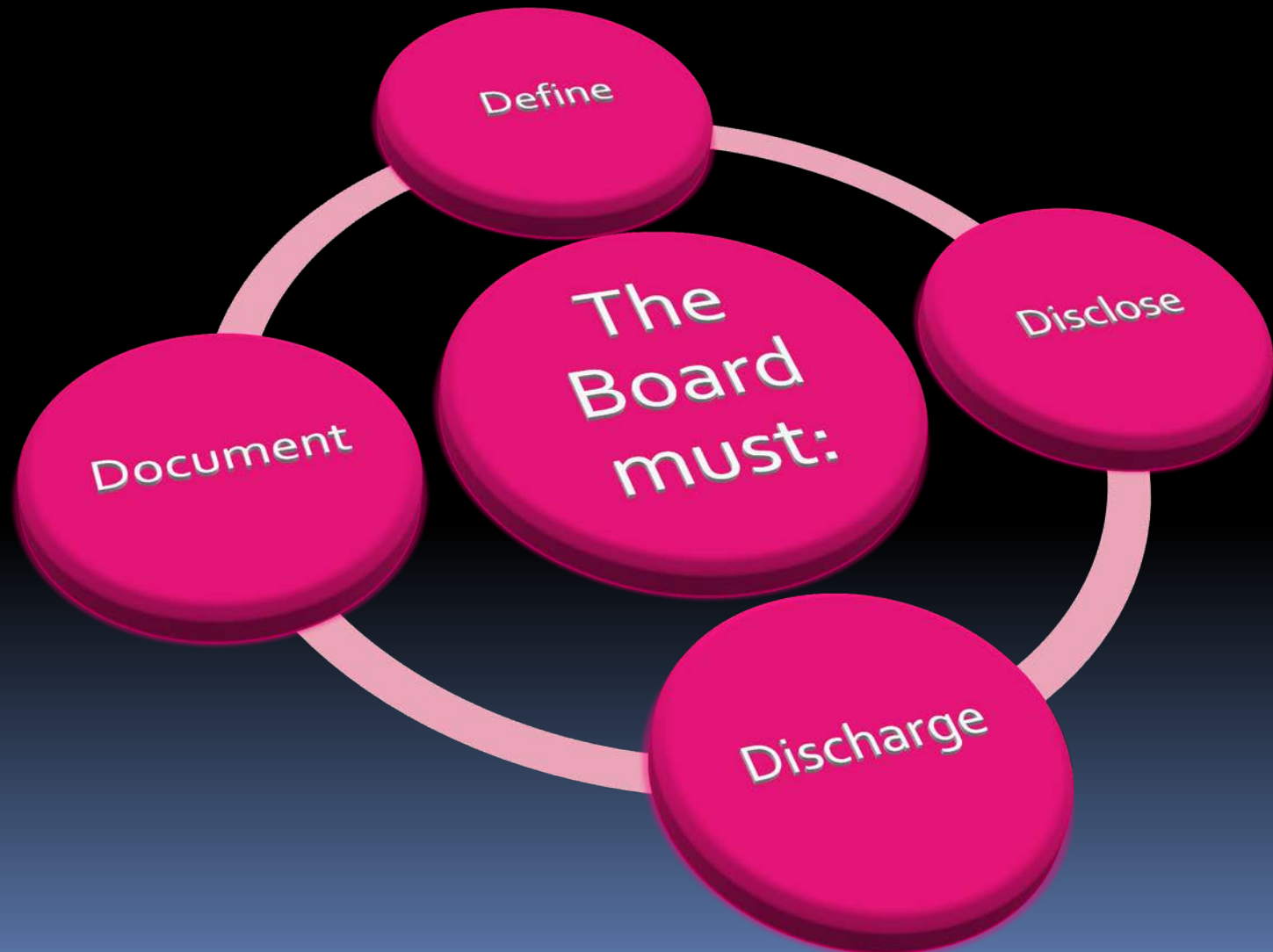


# 10 Commandments about Boards

5. Thou shalt manage conflicts of interest.



# Conflict of Interest



Because of the common objectives...membership held concurrently on more than one denominational committee or board does not of itself constitute a conflict of interest provided that all the other requirements of the policy are met. However, an officer, trustee, or director serving on an organization's board is expected to act in the best interest of that organization and its role in denominational structure.

# Independent director/conflict of interest

## Independent director

- A structural matter
- Director's positional relationship to the organization

## Conflict of interest

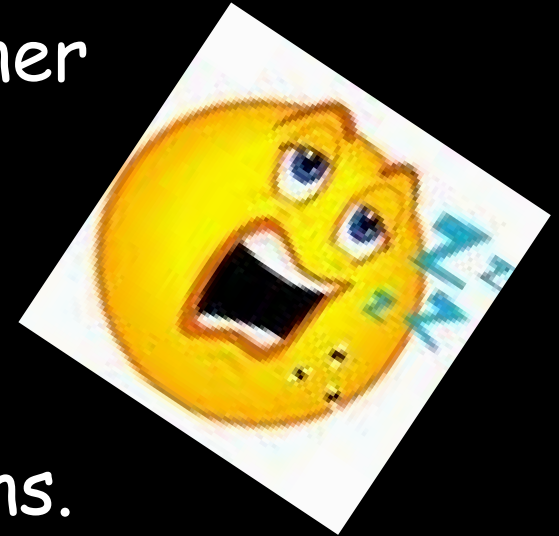
- An episodic matter
- Director's potential for bias in a specific decision

# 10 Commandments about Boards

6. Thou shalt act in a timely manner



and record decisions.



# Board minutes:

- Accurate, official and legal record
- Front line of defense—“Where was the board?”
- Offer guidance for future board action
- Document compliance with fiduciary duties
- Contemporaneous evidence in regulatory or judicial proceedings
- Provides summary for trustees not present

# 10 Commandments about Boards

7. Thou shalt schedule and hold meetings regularly.



- Board calendar - dates known at least one year in advance
- Calendar of annual agenda items
  - Items at each meeting
  - Yearly items
  - Trustee education

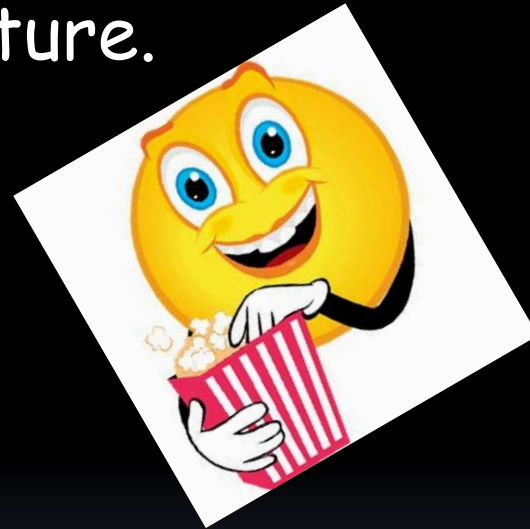


# Types of Board Sessions

- Regular sessions
  - Cover routine and general institutional matters
  - Administrative invitees present
- Executive sessions
  - Only board members and those requested by Chair or administration are present
  - Used for sensitive matters when open discussion is needed
- Privileged sessions
  - Legal Counsel present
  - Use for items where protection of information from discovery in litigation is needed
  - Only board members may be present

# 10 Commandments about Boards

8. Thou shalt establish an efficient board committee structure.



# Committees—Board “workhorses”

- Enhance board effectiveness & efficiency
  - Break down complex issues/tasks
  - Perform groundwork needed by board
  - Ensure issues discussed thoroughly
  - Engages members' professional skills
  - Can be ad hoc or standing



# Most common Board Committees:

- Finance
- Development
- Trustees/Nominating/Governance
- Executive
  - meets between boards to address special issues
- Academic Affairs
- Audit
- Student Affairs/Campus Life
- Buildings and Grounds
- Investment

Association of Governing Boards 2010 study (listed in descending order)

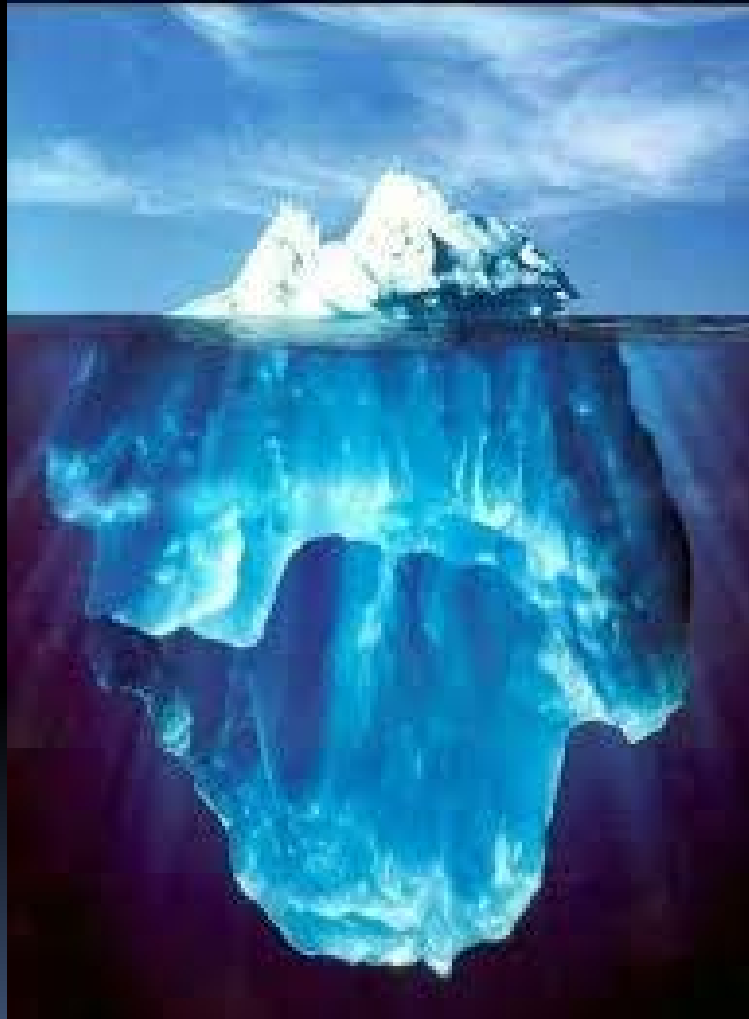
# Well-functioning Committees:

- Written charter
  - Purpose and authority
  - Committee's responsibilities
  - Desired competencies of those who serve
  - Reporting requirements
- Balance role of committee & board
  - Work on behalf of board
  - Report information to board in way easy to grasp
  - Board shouldn't re-hash committee's work
- Well-managed information flow
  - Don't overwhelm with information

# 10 Commandments about Boards

9. Thou shalt maintain an effective boardroom culture.





Strategy/Procedures/  
Programs/Policies

Organizational  
culture

# Elements of boardroom culture

Attitude

Attention

Atmosphere

Altitude



# Elements of boardroom culture

Attitude

- Commitment to excellence
- Enthusiasm about mission

Attention

Atmosphere

Altitude

# Elements of boardroom culture

Attitude

- Commitment to excellence
- Enthusiasm about mission

Attention

- Effective use of time
- Focus on strategic issues

Atmosphere

Altitude

# Elements of boardroom culture

## Attitude

- Commitment to excellence
- Enthusiasm about mission

## Attention

- Effective use of time
- Focus on strategic issues

## Atmosphere

- Safe to talk
- Good group dynamics

## Altitude

"I really had some strong convictions on that matter but I didn't say anything about it..."



"...the highest-performing companies have extremely contentious boards that regard dissent as an obligation and that treat no subject as un-discussable." —Sonnenfeld



# Creating Good Social Dynamics:

- Physical arrangements (seating, lighting, sound) of the meeting place.
- Make the board room a safe place to talk.
- A virtuous cycle of respect, trust and candor.
- Minimal impact of political factions.
- A culture of open dissent encouraged. (Be careful not to confuse dissent with disloyalty.)

# Creating Good Social Dynamics: cont'd

- Deliberately develop/examine alternatives. Challenge cherished roles and assumptions.
- Give board members meaningful tasks that involve accountability.
- Regular evaluation of a group's performance.

# Elements of Boardroom Culture

## Attitude

- Commitment to excellence
- Enthusiasm about mission

## Attention

- Effective use of time
- Focus on strategic issues

## Atmosphere

- Safe to talk
- Good group dynamics

## Altitude

- Governance not management
- Big picture/future perspective



# Conducting effective meetings:

- Conduct meetings on a regular basis.
- Supply agenda info and reports in advance.
- Use of consent agenda.
- Sequence of items (most important—early)
- Opportunity to think out loud.
- Establish basic rules of conduct.
- Encourage good social dynamics.
- Focus on decision-making informed by mission.
- Draft recommendations in advance.
- Conduct orientation for new board members.
- Involve all members.

# 10 Commandments about Boards

10. Thou shalt pursue excellence by indentifying where governance improvements can be made.



The Board must assume responsibility for itself—its own effective and efficient performance. This includes its structure, design, direction and discipline.

# Board self-evaluation:

“The purpose of engaging in a self-assessment process is to give the board an opportunity to reflect on how well it is fulfilling its responsibilities and to identify opportunities for continuous improvement.”

- *Elements of Governance: Board Self-Assessment, A Core Responsibility*, The Governance Institute

# Board self-evaluation:

- In era of accountability, must show continual improvement in board operation
- Should be done on a regular cycle
- Should identify:
  - Areas of excellence
  - Areas for more discussion
  - Top areas to address for improvement
- Follow-up action plan developed
- Monitor progress

# "999" Plans

What can be done to improve Board functioning in the next 9 days?

What can be done to improve Board functioning in the next 9 weeks?

What can be done to improve Board functioning in the next 9 months?

# Ten commandments for Boards:

1. Competency-based membership
2. Director orientation and education
3. Mission/vision/values-based decisions
4. Focus on future, learn from past
5. Manage conflicts of interest

# Ten commandments for Boards:

6. Timely action, accurate records
7. Regular meetings
8. Efficient board committee structure
9. Effective boardroom culture
10. Pursuit of excellence