

# The 10 Habits of Highly Effective Boards

BY RICHARD D. LEGON

## TAKEAWAYS

There are 10 characteristics and habits of boards that meet the test of strategic governance. 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 an effective governance committee.
- 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.

MOST BOARDS OF COLLEGES AND UNIVERSITIES DON'T reach their fullest potential for effective governance. In fact, many may suffer from boardroom dysfunctions that might not be fully apparent. Yet now, more than ever, boards need to strive toward a higher level of performance. Today's challenges and expectations demand nothing less.

Policy makers, corporate leaders, accreditors, and others are asking much more of higher education and increasingly questioning its quality, efficiency, and effectiveness. They are at the ready to offer advice, comments, and critiques; leverage their influence; and expand their oversight in order to ensure that higher education institutions are achieving their missions and meeting their public purposes. Calls for increased accountability demand a greater degree of transparency, trust, and independence—as well as a boldness that only comes from a smarter and more focused level of engagement by boards and true collaboration with college and university

administrators. Getting governance right calls for boards to hit their own “refresh” button as they adapt to changing expectations.

Boards are made up of successful leaders, mostly from outside the academy, who need to respect the culture of the institution they serve. At the same time, they must also recognize that the pace of change requires a new level of fiduciary engagement. In an environment of constant challenges, boards must move to “strategic governance”—which means, primarily, forming a far more robust partnership with institutional leaders.

In fact, the success of any college or university ulti-

mately depends on an effective working relationship between the board and the president. Unfortunately, that relationship has grown strained at too many institutions. In a number of conversations recently, I've sensed the increased pressures of leadership and the related tensions that often result between chief executive officers and their governing bodies. Whether in the traditional areas of board oversight or in other, more expansive aspects of board engagement, we at the Association of Governing Boards see boards asking more questions and presidents wondering whether the line between policy and administration has become so frayed that it has largely disappeared.

Voluntary boards can't and shouldn't be trying to manage the complex structures and issues of higher education. At the same time, however, presidents and chancellors shouldn't be seeking to limit board involvement in the strategic challenges confronting their institutions. The stakes for higher education today are too high, and boards, which hold ultimate authority, should expect to be full partners.

The truth is that presidents can't succeed in a vacuum, and visionary leadership requires support as well as a sense of partnership—between the board and the president, and with the participation of faculty members and other key stakeholders—to meet institutional goals. Higher education is grappling with some fundamental shifts that require new, entrepreneurial thinking. How that plays out in the boardroom requires a willingness on the part of boards to take, and administrators to welcome, a fresh look at how governance is implemented.

The men and women who serve on a college, university, or system governing boards would do well to recognize that they must collaborate with and support campus administrators in order for their institution to achieve its mission and succeed. For their part, presidents and chancellors, who depend on board support, must recognize that we are in a moment (one that is unlikely to change any time soon) when board members will assert their thoughts and expectations. A new standard of board engagement—reflected through broader awareness, curiosity, imagination, and input—will enable boards to meet the realities of reduced state support for public institutions, tuition and other revenue challenges at all institutions, and new and disruptive approaches to delivering an academic program. Boards will be better positioned to consider and assess risk. And, they will come to understand that their most essential value during these times of change may be as the story tellers of their institution's mission, value, and impact.

The goal is to make this higher level of board engagement work—for the students who expect our institutions to meet their needs, for policy makers who want to be sure that the public's investment in higher education

is providing collective societal benefits, and for others among our stakeholder groups who care about the product that we offer.

## The Art of Getting Governance Right

High performance should be the goal of the governing bodies of all institutions and systems. So, how can boards become more effective? AGB's National Commission on College and University Board Governance, under the leadership of former Governor Philip N. Bredesen (D-TN), is working to ensure that boards have the capacity and awareness to meet their responsibilities in an era that often calls for answers to challenging problems. We will share the commission's recommendations this fall.

In the meantime, based on my experience of more than 30 years working with boards and their institutions, I'd like to share a list of 10 characteristics and habits that I believe meet the test of strategic governance through high performance. High-performing boards:

### 1. Create a Culture of Inclusion

The importance of board culture shouldn't be overlooked by boards committed to making a difference. Highly effective boards have a culture of engagement built upon a commitment to inquiry—knowing that it is better to ask the hard questions within the structure of the board's meetings than to publicly critique board decisions after the fact. Establishing a culture within the board that facilitates the kind of strategic consideration and decisions so essential for the times requires that all important issues be put on the table and that all board members become aware of those issues. Such a culture relies upon a structure that encourages smart engagement—based on dashboards, metrics, and other meaningful data that inform decisions and provide transparency—especially between the board and the administration.

Strategic governance works best when boards understand the business of higher education and the stakes involved. That requires a commitment to what matters most: the priorities of the business model in an environment where revenue and expense decisions are increasingly uncertain, strategies for teaching and learning are changing quickly, and the public's trust in higher education is eroding and must be reclaimed.

### 2. Uphold Basic Fiduciary Principles

The legal expectations of the duties of care, loyalty, and obedience are the essentials of board responsibility. Board members should be aware of what each principle requires of them as individual trustees as well as part of the board as a whole, and how those principles relate to the hard work of serving on a governing body of a college

or university. Those basic principles should, along with more specific institutional issues and priorities, frame the board's orientation program. They reinforce that the board is accountable for the reputation and independence of the institution it serves.

The principles call upon boards to recognize that they hold ultimate authority and should act both independently and prudently in making policy decisions and meeting their responsibilities. Board members should be informed about, and focus their actions on, what is in the best interests of their college or university. The institution and its mission and needs—not the interests of any other party and especially not a board member's personal interests—should inform the decisions of the full board.

Certainly, individuals who are appointed or elected to boards of public institutions have a responsibility to meet state interests and broader statewide agendas; serving the public interest is always an element of a board's fiduciary responsibility. However, loyalty and commitment to institutional priorities and interests should remain paramount.

The fundamental fiduciary principles also serve to remind board members that the parameters of their voluntary commitment are not unlike the decision-making standards of corporate law: Members should not presume any individual authority to make policy decisions. Asking the hard questions, demonstrating periodic skepticism when merited, and even expressing strong and dissenting views are all appropriate and welcome elements of board-member engagement. Yet the board acting as a whole must make the final decisions and meet its fiduciary responsibility to hold the institution in trust. Boards should enforce a process of principled discipline when one of their members presumes a level of personal authority to which fiduciary authority does not extend.

### **3. Cultivate a Healthy Relationship with the President**

Today, we need boards and presidents to work actively to establish a strong working relationship—again, perhaps the most fundamental element of achieving a higher level of board performance. Strategic governance is about the board as a “thought partner” with the chief executive.

Many presidents, however overwhelmed by the nature of today's expectations, express concerns that their board is less a partner and more a hindrance. Yet, policy makers and an increasingly skeptical public are demanding that presidents be inclusive in addressing today's difficult challenges. I go back to my opening comments: Successful institutional leaders are those who meaningfully involve their governing body so that it is in the best position to offer full support, help frame bold decisions, and then advocate on the institution's behalf with the public.

That said, boards that are most effective understand the scope and the limits of their responsibilities. Thomas Jefferson referred to board members of his beloved University of Virginia as “visitors.” His was a healthy reminder that board members must be smart in balancing their interest, engagement, and authority—their role in oversight and policy setting—with a clear understanding that the actual management of the institution should be left to its top administrators.

Effective boards, while strategically engaged, will look to the CEO to set a course and establish a vision. Ultimately the objective of strategic governance is to achieve a level of mutual objectives, but effective boards must put a high degree of trust in the leadership they selected with the expectation that strategic goals will be achieved.

It is a balancing act: Boards should enhance engagement in the areas where they must participate and be accountable for overall outcomes, while also supporting strong presidential leadership.

### **4. Select an Effective Board Chair**

Board chairs are selected for a variety of reasons: stature, trust, leadership skills, external connections, length of service, gubernatorial influence, personal philanthropy, and others. But such criteria may not be what's needed in this era of constant change. A high-performing board requires a leader who can support and facilitate a model of strategic governance, develop an essential and candid relationship with the chief executive officer, have the respect of his or her board colleagues, understand and respect academic culture, and ensure that the full board is focused on issues that matter.

The board chair and president must have a relationship that allows for candor yet is also mutually supportive. The specific traits of a board chair of a highly effective board include:

- A sense of partnership with the chief executive;
- Experience leading voluntary boards of complex organizations;
- An understanding of the challenges and opportunities facing the institution;
- A willingness to focus the board and its members on issues that matter rather than those that are neither the province of the board nor necessarily the most important strategic challenges;
- A familiarity with the interests of the institution's internal and external stakeholders, and the ability to represent the board to those groups; and
- A readiness to be the voice of the board as both an advocate and a storyteller to key external constituents, in coordination with institutional leadership.

## 5. Establish a Strong Governance Committee

As state and federal policy makers, accreditors, and external critics shine a spotlight on board governance and accountability, it is essential that boards own the oversight of their own performance. Today's board committee structures require an active governance committee that oversees effective board governance, whether at a private institution, public institution, or system.

While boards of public institutions are likely to have less direct influence on new board appointments, they, like their private-institution peers, should delegate oversight of board effectiveness to a governance committee. No other board committee is as essential to overall board structure and accountability as this one. And, the selection of the governance committee's chair should be no less important than the selection of the chair of the board. Done correctly, the governance committee can have an enormous impact on strategic governance and improve board performance significantly.

Boards must monitor their own overall performance and take seriously the behavior and ethics of their members. High-performing boards ensure that institutional policies about trustee responsibilities, ethical behavior, and conflicts of interest are current and enforced. An active governance committee should monitor and act upon any lapses.

Related to the work of the governance committee is a focus on building the board that is needed to meet an institution's current priorities. Boards that can influence board appointments (mostly those at independent institutions) should focus on breadth of expertise and commitment among the people being considered to serve on the board. Carefully and intentionally building a board profile with a mix of skills and expertise, and developing future board leadership from among respected and knowledgeable board members, can make a significant difference to a board's ability to achieve a higher level of performance.

Public and private boards should be sure that their makeup addresses the full breadth of expertise necessary to contribute to the strategic issues confronting institutions. Including men and women on the board who understand the business of the academy should be a priority.

## 6. Delegate Appropriate Decision-Making Authority to Committees

Boards that engage in strategic governance allocate a span of policy-making authority to standing committees while enabling the full board to focus on more strategic issues. Boards should trust that committees will do important work and have a substantial ability to present

action decisions and recommendations that are fully vetted.

Committee agendas should focus on issues that matter to the strategic direction of the institution; committee meetings that are repetitive and committees with overly restricted authority invite limited engagement and interest. Rather than structure committee meetings merely to receive staff reports, administrators and committee chairs should work together to frame strategic agendas.

How often should the full board meet? Enough meetings should be scheduled to adequately address the business of the institution and the board, and to meet public expectations. Boards of independent institutions that meet fewer than four times each year plus a periodic retreat are likely going to underperform. Boards of public institutions that meet almost monthly may be overdoing their oversight responsibility and ultimately diminishing their effectiveness, while limiting the capacity of the administration to lead with confidence. It should also be noted that substituting executive committee meetings for full board meetings as a pro forma process, while perhaps facilitating decision making, will send signals that will lead to limited interest and engagement among board members. It is also less likely to lead to the level of performance and collaboration that is essential for today's expectations for board accountability.

## 7. Consider Strategic Risk Factors

Effective boards should look at key challenges through the prism of "risk." Enterprise risk management (ERM), a common business practice used by many board members in their day jobs, facilitates a smart model of decision making for boards. The process of assessing risk factors and making policy decisions based upon them allows boards to ask questions and make choices in collaboration with senior administrators in line with the level of risk tolerance that the institution might have concerning a specific initiative. That can include anything from investing in change by accepting the upside of a bold initiative to mitigating threats or avoiding some initiatives that might run too high a risk to the business model.

## 8. Provide Appropriate Oversight of Academic Quality

*In Making the Grade: How Boards Can Ensure Academic Quality* (AGB Press, 2nd Edition, 2012), Peter T. Ewell says that a board's oversight of the academic quality and outcomes of an institution is as important as oversight of its fiscal conditions. AGB board chair Jim Geringer often reminds boards that they are responsible for ensuring that their students have learned what they were promised

they'd learn upon admission. Their statements highlight the fact that, as colleges and universities face challenges and questions about how best to deliver upon the promise of higher education, boards must recognize their ultimate responsibility for ensuring a high-quality learning experience for students.

As a result, boards must become as aware of issues that define quality and educational outcomes as they are about fiscal concerns. Strategic academic affairs committees that call for and analyze metrics about quality and outcomes will help boards engage in an area that they have avoided too often.

The quality of our academic programs also mandates that boards understand and engage with academic administrators and faculty members in more meaningful discussions. This isn't about boards substituting their authority for that of faculty members in designing academic programs or courses. Rather, it is a recognition that boards need to understand the essential purpose of the institutions that they oversee.

## 9. Develop a Renewed Commitment to Shared Governance

Bold change requires a sense of teamwork and collaboration, and high-performing boards need to recognize that their authority for strategic decision making is a multi-stakeholder process. Boards that choose to act precipitously or presume a top-down management style in making decisions will likely reap only counterproductive results.

AGB's advocacy of "integral leadership" as a means for collaborative decision making emphasizes the basic tenets of shared governance. There is a long and often contentious history about how best to engage all parties in institutional strategies, especially boards and faculty members. Today, those challenges of collaboration are compounded by a changing faculty makeup (for instance, the growing number of adjuncts) and that faculty's commitment to institutional governance.

The need for an inclusive process to factor in all the implications of fiscal, academic, and human-resource challenges is apparent. Effective boards will, along with senior administrators, seek to establish meaningful methods of engagement and recognize the importance of collaboration with each other and the faculty.

## 10. Focus on Accountability

Ultimately, highly effective boards recognize that they are accountable for higher education's most fundamental principles: institutional autonomy and independence, the protection of academic freedom, and service to a public purpose. Governmental efforts to increase over-

sight through institutional ratings and major changes to accreditation, while designed to address essential concerns about cost and value, must not infringe upon these most essential values of higher education. How well boards meet their own responsibility to be accountable will significantly influence American higher education's future. Ours is a unique model of institutional policy setting; it depends upon boards and their individual members being fully aware of the stakes associated with being accountable and demonstrating a strong commitment to protecting the inherent principles that define their work.

These are uncertain times for higher education. While we in the United States have the world's most outstanding and varied higher education system, calls for significant change abound. Responding to those calls will require a new level of collaboration, inclusive of presidential vision, faculty participation, and focused board engagement. Whether a board moves to a higher level of strategic governance will require new understandings, with presidents who are open and willing to partner with their boards, and with boards that demonstrate they comprehend the task ahead.

How we do governance is getting a lot of attention. We need to work together to get it right. ■

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**SHIP LINKS:** Stephen G. Pelletier, "High-Performing Committees: What Makes Them Work?" May/June 2012. "Making Metrics Matter: How to Use Indicators to Govern Effectively." January/February 2011. Merrill Schwartz, "Building Effective Boards at Public Institutions." March/April 2010.

**OTHER RESOURCES:** Peter Ewell, *Making the Grade: How Boards Can Ensure Academic Quality*, 2nd edition (AGB Press, 2012). E.B. Wilson and James L. Lanier, *The Governance Committee (Independent Institutions)* (AGB Press, 2013). Janice Abraham, *Risk Management: An Accountability Guide for University and College Boards* (AGB Press, 2013).