

Report of the Ad Hoc Committee on Governance
September 3, 2015

Committee Members: Ron Butt (Chair), Victoria Allen, Bob Benson, Steve Campbell,
Pam Feldhoff, Bruce Henderson, Angela Lewis-Klein

The Ad Hoc Committee on Governance met on April 23, May 14, and August 3, 2015, and after thoroughly reviewing supporting information and discussion of such, makes the following

RECOMMENDATIONS:

1. The Board of Trustees needs to update its statement of roles and responsibilities for individual members, as well as for the Board as a whole.
2. The Board needs to consider a mentoring program of veteran volunteer Trustees matched with new Trustee members for the initial years of service (establish guidelines, pairing procedure, etc.).
3. Using best practices from other universities, the Board needs a peer-to-peer evaluation procedure for individual Trustees and an annual assessment of the Board's performance.
4. The Board needs a robust Conflict of Interest procedure and individual member declaration statement that is tailored to Trustees' duties and responsibilities.
5. The University needs to proceed with an amendment to state statute to permit all "voting" Trustees the right to vote for all officers of the Board.

Background: (with attribution to AGB materials provided by S. Campbell)

The Committee reviewed volumes of supporting information and observations by professionals in board governance. Members reflected that a hallmark of an effective governing board is the presence of well-qualified board members who understand and uphold their role as fiduciaries for the institution they serve. As Trustees heard from Ed Glasscock about this time last year, it is important for new and prospective board members to be apprised appropriately of expectations for their board service and roles and responsibilities (**Recommendation No. 1**). Our Trustee Orientation program provides an excellent opportunity to share such information and to convey the requisite roles and responsibilities. Additionally, a mentoring program between a veteran volunteer board member and a new board member has potential and should be strongly considered (**Recommendation No. 2**).

Understanding fundamental academic principles of higher education is essential to each Trustee's role and responsibilities. Shared governance, academic freedom, and institutional autonomy are the building blocks of the Board's governance policies in The Redbook. All board members should respect these basic tenets and how they affect governance at UofL.

Board members need to understand the tenure process and academic accreditation. UofL will soon be reaffirming its university-wide SACS accreditation for another decade—critically important to the university’s reputation and operation.

Boards advance from assessments as a board and as Trustees. Providing a clear system of feedback and accountability benefits individual members and helps to cultivate and enhance the overall effectiveness of the board (**Recommendation No. 3**). Self-assessment will allow this board to review overall performance as it pertains to our specific goals and areas of responsibility. A peer-to-peer procedure would be very beneficial to measuring the success of the Board’s fiduciary duties.

The Board of Trustees makes the decision related to the president’s compensation. Its discussion should include comparative compensation data based upon marketplace analysis, documentation of the entire process used to make its determination, assessments, and approval of the compensation package by the entire board. Parameters for presidential compensation that include a broad array of monetary and non-monetary compensation and benefits—housing, deferred compensation, bonuses, and consulting—are essential in policy and practice.

The Board of Trustees needs to assure its Bylaws, Code of Ethics, Statement of board member roles and responsibilities, confidentiality statements, and conflict of interest statements (to ensure the board operates within the bounds of its duty of loyalty standards) are reviewed and updated regularly (**Recommendation No. 4**).

The Board of Trustees needs to be appropriately engaged in the strategic issues impacting our institution. To do this, Trustees need to intentionally focus on big picture strategies and policy and not on day-to-day management and operations. Over-engagement or under-engagement in one or several areas can inappropriately impact productivity and prevent us as a board from fulfilling our fiduciary responsibilities.

President-board relations continue to be a critical area, and one of the most important relationships in the governance of a university. It is imperative our board works with the president in ways that respect and support his leadership and advance the mission of the institution. The board needs to form a robust partnership and an effective working relationship between the board and the president.

Fundraising continues to be the top area in which many board members are the least engaged. As we consider starting another capital campaign to expand the University’s endowment, all Trustees need to lead in this important function, and should be willing to provide personal philanthropic support in fundraising efforts. Personal giving should be a component of the fiduciary duties and responsibilities of membership on the Board of Trustees. We also note that highly effective boards:

1. **Create a culture of inclusion.** Strategic governance works best when boards understand the business of higher education and the stakes involved.

2. **Uphold basic fiduciary principles.** The legal expectations of the duties of care, loyalty, and obedience are the essentials of board responsibility. The board acting as a whole must make the final decisions and meet its fiduciary responsibility to hold the institution in trust.
3. **Cultivate a healthy relationship with the president.** Strategic governance will achieve a level of mutual objectives, but effective boards must place a high degree of trust in the president with the expectation that strategic goals will be achieved.
4. **Select an effective board chair.** Specific traits of a board chair 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;
 - A familiarity with the interests of the institution’s internal and external stakeholders;
 - A readiness to be the voice of the board as an advocate.
5. **Establish a strong board governance committee.** High-performing boards ensure that institutional policies about trustee responsibilities, ethical behavior, and conflicts of interest are current and enforced.
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 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.
7. **Consider strategic risk factors.** 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.
8. **Provide appropriate oversight of academic quality.** Strategic academic affairs committees that analyze metrics about quality and outcomes will help boards understand the essential purpose of the institutions they oversee.
9. **Develop a renewed commitment to shared governance.** Boards need to recognize that their authority for strategic decision making is a multi-stakeholder process. Effective boards will, along with senior administrators, seek to establish meaningful methods of engagement and recognize the importance of collaboration with each other, the faculty, students, and staff.
10. **Focus on accountability.** Highly-effective boards recognize they are accountable for higher education’s most basic tenets: institutional autonomy and independence, the protection of academic freedom, and service to a public purpose—which means demonstrating a strong commitment to protecting the inherent principles that define their work.