

Governing Board Forum

Missouri Coordinating Board for Higher Education

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Consequential Boards (And Fiduciary Duties) Adding Value Where It Matters Most

Two recent reports from AGB:

- *Consequential Boards: Adding Value Where It Matters Most* (AGB, 2014)
- *AGB Board of Directors' Statement on the Fiduciary Duties of Governing Board Members* (AGB, 2015)
- *Consequential Boards* sees RISKS for boards and institutions, and recommends that boards help their institutions RECONFIGURE to move those risks toward opportunities

At risk are:

- Accessibility and degree attainment for current and future students
- Institutional fiscal sustainability
- Educational quality
- Economic development and social equity
- Service to communities
- Knowledge creation

Reconfigure to recognize:

- New student populations
- Altered educational delivery methods
- Basic changes in financing
- Rising expectations from the public

Consequential Boards

- Offers seven “good practice” recommendations for boards taking on the challenge of confronting those risks and reconfiguring to move beyond them
- Boards will be most effective in doing that if they are grounded in a clear, fundamental understanding of their fiduciary duties
- So let’s go to a look at those fiduciary duties first

Questions To Be Thinking About

- Does your board operate in these ways?
- If so, how does it work?
- If not, how does it work?

Ever present: Fiduciary Duties of Directors and Officers

What is a Fiduciary?

- Someone with special responsibilities in connection with the administration, investment, monitoring, and distribution of “property.”

College/University Trusteeship...

- **The Assets** – The college/university you govern, including mission and identity, property, human resources, educational product, endowment, and reputation.
- **For Whom** – The institution: students and their families (current and future), faculty, staff, donors, alumni.
- **Others?** – The community? The public? The taxpayers?

Fiduciary Duties

- **Duty of Care**
 - Act in good faith for best interests of institution
 - With that degree of diligence, care and skill which ordinarily prudent persons would reasonably exercise under similar circumstances in like positions.
- **Duty of Loyalty**
 - Put interests of institution before personal interest
 - Do not act from self interest; no self-dealing
 - Conflicts of interest

Fiduciary Duties

- **Duty of Obedience**
 - Obligation to act consistently with mission
 - Obligation to cause the institution to act in compliance with law

Consequential Boards recommendations

1. Improve value in their institution and lead a restoration of public trust in higher education.

Consequential Boards recommendations

2. Add value to institutional leadership and decision making by focusing on their role as fiduciaries.

Consequential Boards recommendations

3. Ensure the long-term sustainability of their institutions by addressing the imperative to deliver high-quality education at a lower cost.

Consequential Boards recommendations

4. Improve shared governance and relations with faculty, and attend to leadership development for presidents and faculty.

Consequential Boards recommendations

5. Improve board capacity and functionality with a focus on qualification of board members, orientation, composition, and removal of members for cause.

Consequential Boards recommendations

6. Focus time on issues of greatest consequence, reducing time spent reviewing routine reports and redirecting attention to strategic issues.

Consequential Boards recommendations

7. Hold themselves accountable for their own performance, upholding the same behaviors and performance they expect from others in their institution

Questions

- General ones?
- Does your board operate in these ways?
- If so, how does it work?
- If not, how does it work?