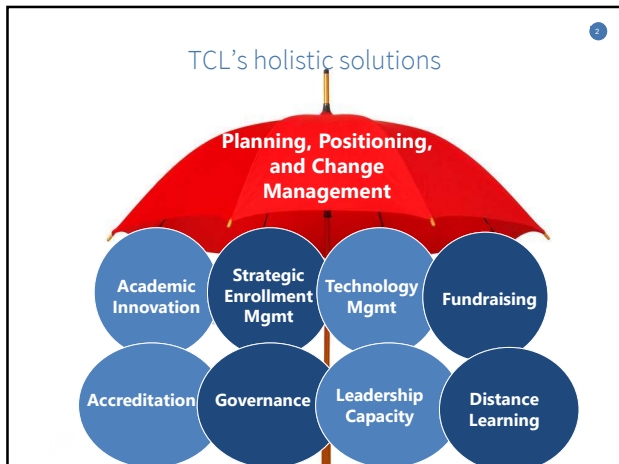


THE CHANGE LEADER, INC
Transforming Organizations

The Board, Administration, and
Strategic Planning:
A Valued Partnership (or not?)





RTP The Change Leader



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GW

Southeast Missouri State University

TRIDENT UNIVERSITY

AGB GOVERN WITH CONFIDENCE

South Carolina

THE MASTERS UNIVERSITY

Georgia State University

Western Michigan University

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Today's presentation

- Overview of the higher ed climate today
- Board duties and responsibilities
- Eight characteristics of high performing boards
- Strategic planning and the board's role
- Enterprise risk management
- Board committees
- Summary

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Financial crises changed governance

- 2000s -> greater changes in corporate governance / operations
 - Enron -> Sarbanes/Oxley
 - 2008 Great Recession -> Dodd/Frank
- Governance is changing
 - BRT statement on purpose of corporations
BUT...
- **Boards still (should)**
 - Manage finances to satisfy shareholders / stakeholders
 - Set direction and tone, determine institutional mission and set high-level strategy
 - Assess long term risk management
 - Practice good governance

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University boards have followed suit

- Boards focus on revenue generation
- Boards still hire and fire presidents / chancellors / CEOs
- Boards also actively participate in
 - Institution-wide policy setting
 - Setting strategic goals and objectives
 - Governance at every level
 - Risk management

How else should university boards respond to the new realities?

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A new board mandate

- Think big picture (strategically)
 - Regularly assess what's working, what isn't
 - Mandate a rigorous strategic planning process tied to budget allocations
 - Focus on how the board can help the president and his/her administration
- Ensure the president and his/her administration develops and faithfully implements the strategies and policies the Board approves (tactically)
- Work *collegially* with the administration and staff, and do not micro-manage

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Duties of the board

- Duties include:
 - Hire, evaluate, and hold the president accountable for results;
 - Review and adopt or reaffirm the institution's mission and vision statements, goals and objectives, and key institutional policies;
 - Approve strategic plans and annual budgets;
 - Regularly monitor the accomplishment of these plans and budgets;
 - Regularly monitor student achievement indicators such as retention and graduation rates, student learning, and job placement; and
 - Review annual financial audits and reports to ensure the adequacy of financial management and controls and to promote financial sustainability.

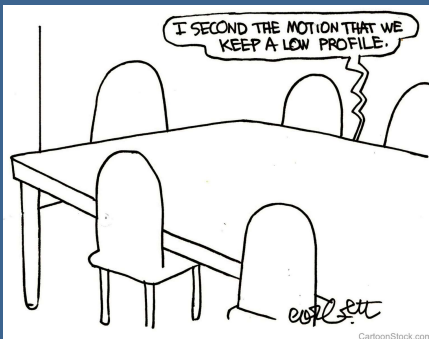
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It's not the board's role to micromanage but...



This model doesn't work either . . .



Eight Characteristics of High Performing Boards

8 Characteristics of high performing boards

High performing boards:

- Understand the difference between governance and management
- Focus on long-term fiscal stability and academic quality and relevance
- Ensure governance practices are relevant and improving
- Improve their capacity and functionality
- Make meetings meaningful
- Add value to the institution by gaining and ensuring public trust through adherence to *fiduciary duties*
- Set goals annually aimed at improving their performance and impact
- Conduct periodic evaluations of their performance

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Characteristics of high performing boards

Boards understand the difference between governance and management

- Presidents recommend and boards act on recommendations
- Presidents manage operations and boards set direction, goals and objectives, and policies
- Boards set expectations for presidents and hold them accountable for result
- Boards work through their president
- Boards inquire and probe, and presidents respond
- NIFO

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Characteristics of high performing boards

Boards focus on long-term fiscal stability and academic quality and relevance. They:

- Hire, evaluate, and hold the president accountable
- Constantly monitor and prepare for changing fiscal circumstances
- Set the direction of the institution by setting goals and objectives
- Oversee (but not necessarily participate in) a meaningful strategic planning process and ensure budget allocations align with (board approved) institutional priorities
- Periodically review existing degree programs to ensure they are meeting student learning outcomes and workforce needs, and are relevant to institutional mission and state needs
- Ensure development of new programs to meet workforce demands

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Exemplary boards operate in three modes

Oversight

- Hire and hold the university president and through the president, the staff, accountable for results
- Review and adopt or reaffirm the institution's mission, vision, and faith statements and key institutional policies
- Broadly oversee (monitor) implementation of the university's strategic direction and policies
- Maintain institution's financial and governance strength
- Monitor student achievement indicators, including retention and graduation rates, student learning, job placement, etc.
- Ensure integrity and compliance
- Monitor performance and set a culture of continuous improvement
- Assess corporate culture and risk, including cyber security

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Exemplary boards operate in three modes

Foresight

- Set institutional goals and objectives
- Probe and approve plans and strategies
- Insist on and review future environmental and SWOT analyses
- Ensure resource allocations are aligned with priorities
- Ensure board composition is aligned with strategies and future needs

Insight

- Raise potential problems and issues
- Identify opportunities
- Ensure different perspectives are heard

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Strategic Planning

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Poll

Does your institution have a strategic plan?

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Holistic approach to planning

Five strategic questions

A. Where do we want to be? (i.e., what are our ends, outcomes, purposes, goals, holistic vision)

B. How will we know when we get there? (i.e., what are the customers' needs and wants in a quantifiable feedback system)

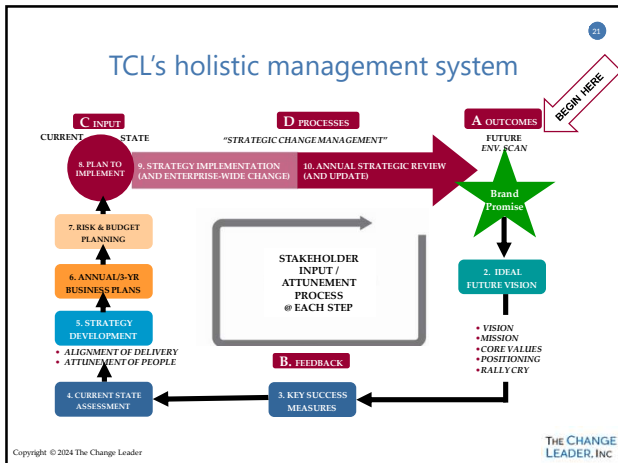
C. Where are we now? (i.e., what are today's issues and problems)

D. How do we get there? (i.e., how do we close the gap from C to A in a holistic way) and ongoing

E. What will / may change in our environment in the future?

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Poll

Did you do risk / scenario planning
as part of the planning process
BEFORE
you approve the strategic plan?

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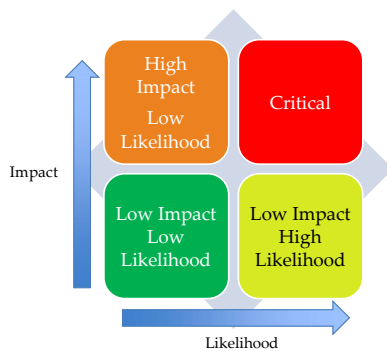
Higher ed faces "disruptions"

- Enterprise risk management
- Disruptions
- Categorizing risks
 - Governmental
 - Societal
 - Technology
 - Hazards and accidents
- Tools for forecasting risks
- Determining how much risk appetite you have
- Planning your steps forward

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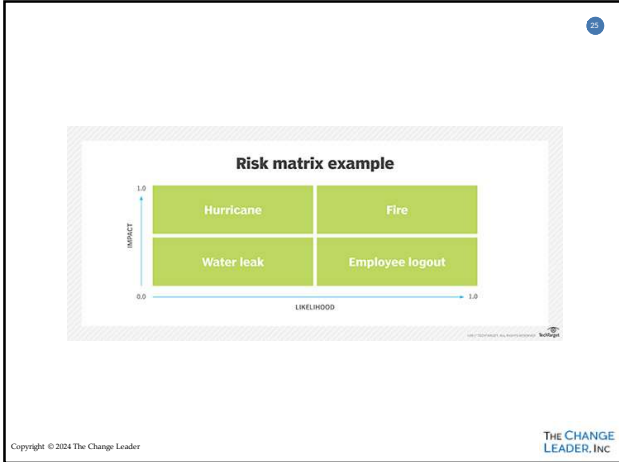
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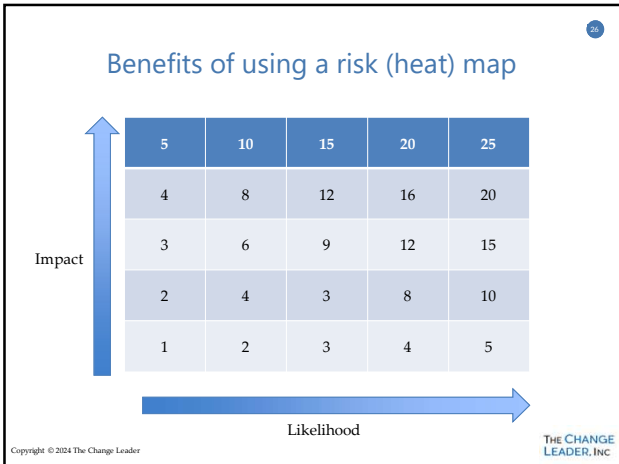
Risk planning and risk (heat) maps



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Risk oversight: Integrating strategy & risk

Key questions

- How does your board evaluate whether a strategy is too risky or to risk adverse? How frequently do conduct this assessment? Or do you at all?
- Has the board in the appropriate board committees reviewed the incentive structure with strategy and risks in mind?
- Is there a consensus among directors about the risks related to the institution's future risk strategy?

Source: National Association of Corporate Directors
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Risk oversight: Integrating strategy & risk

Red flags:

- Strategy conversations with management lack a rigorous examination of the validity of underlying assumptions and failed to consider different risk scenarios
- Only the audit committee, and not the full board, reviews risks
- The projected impact of the institution's risk profile on strategy and business objectives is not measured either quantitatively or qualitatively
- Discussions about strategy, risk, and performance are held as separate events, without cross reference among the three

Source: National Association of Corporate Directors
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Questions to consider

- How much risk are we willing to accept?
- What constitutes a material risk to our institution?
- What is the range of acceptable variance from our key performance and operating metrics?
- How will we define our terms to evaluate the likelihood of risk events and the impact that they might have on our institution, so that we can map our potential risk events to our heat map?

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Teamwork Makes the Dream Work

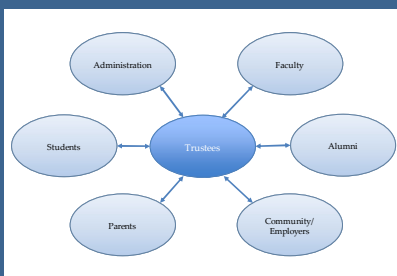
Typical board committees

- Finance Committee
- Audit Committee
- Academic Affairs Committee
- Nominating and Governance Committee
- Strategy and Marketing
- Fundraising
- Facilities / Real Estate Committee

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Boards have many constituencies







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Boards should

- Think strategically, not tactically
- Set goals and objectives for the institution
- Approve the institution's strategies and strategic plan
- Broadly manage university finances
 - Approve the annual budget
 - Fundraising
 - Financial controls in place
 - Audit committee
- Set institution policies
- Conduct risk oversight
- Monitor the institutional and board culture
- Respect the administration

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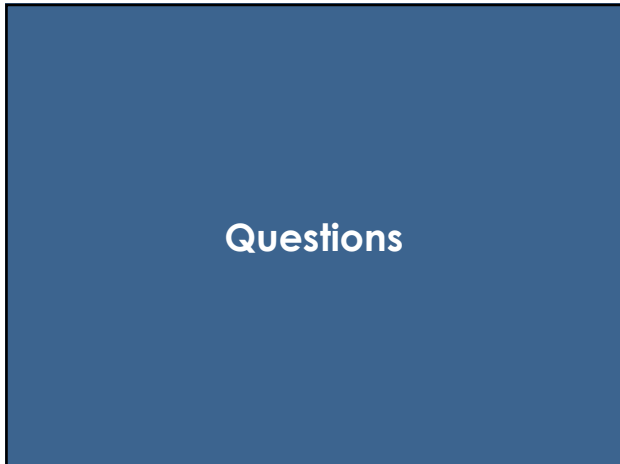
Administration should

- Familiarize themselves with university bylaws, policies and mission
 - Are the appropriate committees in place and functioning?
- Attend Board meetings and conference calls
 - Come prepared and weigh in
- Create the institution's strategic plan based on the board's direction, goals, and objectives
- Conduct risk planning

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Thank you for your participation!

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