




# EXCELLENCE IN BOARD GOVERNANCE

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## ESSENTIALS FOR EXCELLENCE IN BOARD GOVERNANCE



**EMBRACES**

*Embraces the value proposition of the institution, its mission & culture*



**UNDERSTANDS**

*Understands and exercises steward board authority*



**ENSURES**

*Ensures the sustainability of the institution via strategic thinking and planning*



**PRACTICES**

*Practices strategic board development and evaluation*



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## ESSENTIAL 3: ENSURES SUSTAINABILITY VIA STRATEGIC PLANNING

- ▶ Modes of governance as leadership – fiscal, strategic & generative
- ▶ Accurate assessment of institutional SWOT
- ▶ User friendly dashboard of institutional KPI's
- ▶ Compliance, risk assessment and crisis management



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## AGB PRINCIPLES OF TRUSTEESHIP

Highly effective trustees are a prerequisite for a highly effective board. While the authority of a governing board lies in the collective action of its members, each individual trustee contributes to—or limits—the effectiveness of the board as a whole.

(The *Association of Governing Boards* provides resources and serves all types of institutions of Higher Education in the U.S.)



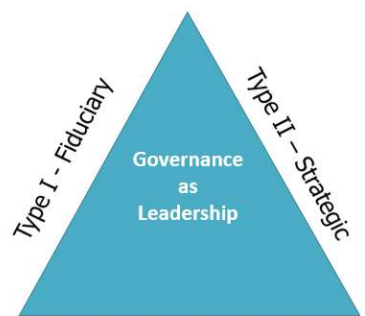
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## THREE TYPES OF GOVERNANCE

- ▶ **Type I – Fiduciary:** the focus is on control and conformance.
- ▶ **Type II – Strategic:** the focus shifts to direction, policy, performance, and mission fulfillment.
- ▶ **Type III – Generative:** the focus is more on problem solving and realizing potential for the organization.



GOVERNANCE AS LEADERSHIP by Chait, Ryan, & Taylor

*The best boards engage in all three modes.*



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## STRATEGIC PLANNING

- ▶ What is a strategic plan?
- ▶ Why engage in planning?
- ▶ Who is responsible?
- ▶ When is it necessary?
- ▶ How should it be done?



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## BOARD PARTICIPATION IN STRATEGIC PLANNING

- ▶ Strategic Planning is a **collaborative** process of Christian stewardship that identifies the best way to accomplish a compelling vision for the future of the college as it fulfills its mission.
- ▶ The board's role is to **set direction** and with the chief executive, determine and fine-tune the mission, vision, and values of the organization. It works in close partnership with the president, but it must own the final results.



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## STRATEGIC THINKING

**Strategic Thinking** is a key attribute of an exceptional board. It keeps the board one step ahead in identifying priorities and strategic issues to close the gap between the status quo and a strategic future.



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## STRATEGIC THINKING

“Create a **healthy board-CEO relationship** coupled with an **effective board governance structure** . . . These organizations will be more strategic, better positioned to make difficult decisions, will be able to pivot faster when necessary, and will be more competitive attracting top talent at the senior leadership and board levels.”

*The CEO and the Board*; Kurt Senske, p. 18.



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## THE ELEPHANT IN THE ROOM



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## THE ELEPHANT IN THE ROOM

“The role of the board and CEO is to collectively identify and address their organization’s current unique elephants in the room. This review requires courage, trust, and honesty. This exercise is also nonnegotiable. If you ignore your unique elephant, you are not fulfilling your fiduciary responsibilities as leaders of your organization.”

Senske, p. 19



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## A BIBLICAL PERSPECTIVE ON PLANNING

“Have I not commanded you? Be strong and courageous. Do not be afraid; do not be discouraged, for the Lord your God will be with you wherever you go.” Joshua 1:9

### ► From Genesis to Revelation

- Moses
- Nehemiah
- Jesus’ Ministry
- The Church

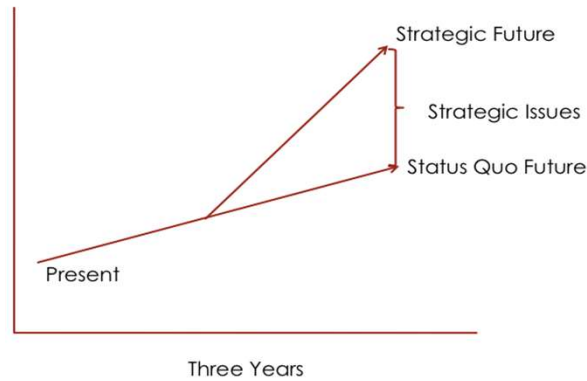
### ► Our vision or God’s vision

- Jeremiah 29:11
- Proverbs 16:9
- James 1:5, 4:13-15



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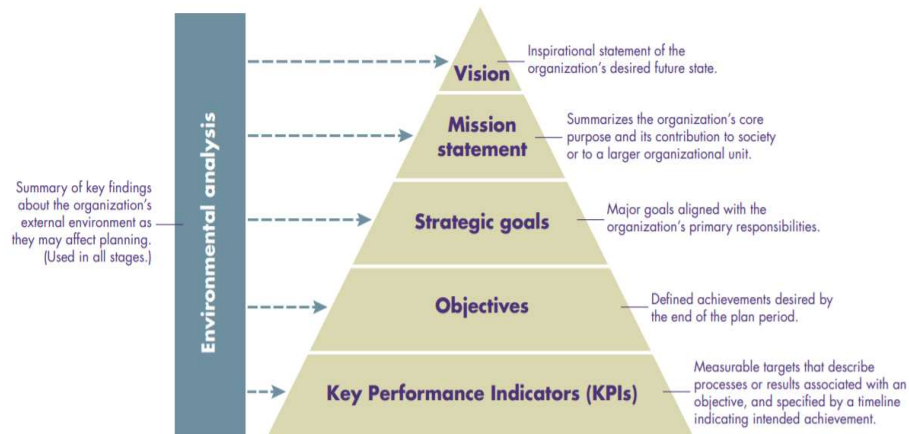
## Framing the Issues



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## General structure for strategic plan



Source: Rand Corporation; [www.rand.org](http://www.rand.org)



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## STRATEGY vs. OPERATION

- ▶ A Strategy without a Plan is Wishful Thinking. A Plan without a Strategy is Status Quo
- ▶ Strategy Focuses on the Right Things to Do, Operation Focuses on How to Do Things Right
- ▶ Strategy is the Compass; Planning is the Map
- ▶ Strategy is the Link Between Mission and Reality
- ▶ Strategy Forces Us to Confront the Future and Make Tough Choices



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## COMPONENTS OF A STRATEGIC PLAN

- ▶ **Mission** – *Why does this college exist?*
- ▶ **Core Values** – *What is important to us?*
- ▶ **Vision** – *Where are we going?*
- ▶ **Environmental Analysis** – *What forces are impacting our efforts?*
- ▶ **Strategic Initiatives** – *How do we get there?*
- ▶ **Goals, Action Steps, and Metrics** – *How will we measure progress?*



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## The SWOT ANALYSIS

“Yes, leadership is about vision. But leadership is equally about creating a climate where the truth is heard and the brutal facts confronted.

Jim Collins, *Good to Great*

- ▶ **Look Outside (External)** – Opportunities and Threats
- ▶ **Look Inside (Internal)** – Strengths and Weaknesses



## ASK THE RIGHT QUESTIONS

- ▶ **The Status Quo Question** – *Where will your college be in three years if you do nothing different?*
- ▶ **The Vision** – *Where do we want to be? What will make us distinctive and competitive in the future?*
- ▶ **The Goals** – *How can we get there?*
- ▶ **Resource Allocation** – *What is required to achieve our goals?*
- ▶ **Evaluation** – *How are we doing? Can we improve?*
- ▶ **Outcomes Assessment** – *Are we making a difference?*



## WHY PLANS SUCCEED OR FAIL

- ▶ Spiritual Discernment (Openness to Leading of Holy Spirit)
- ▶ Effective Leadership Team (Experienced People in Right Position)
- ▶ Accurate Assumptions (Based on Analysis of Sufficient Data)
- ▶ Compelling and Motivating Vision (Inspiring to Stakeholders)
- ▶ Realistic Measurable Goals (Report Progress in KPI's)
- ▶ Sufficient Resources (Personnel and Budget)
- ▶ Proper Implementation (Responsibility & Accountability)
- ▶ Flexibility (Able to Adjust Annually as Needed)



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## RISK MANAGEMENT RESEARCH

- ▶ 60% of boards do not have a way to assess major risks to mission success
- ▶ Less than half actively discuss institutional risks with senior administrators
- ▶ Only 5% have exemplary practices to manage major risks

Association of Governing Boards



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## The Board's Responsibility

- ▶ Establish risk assessment and crisis management as a priority
- ▶ Establish a process for identifying and assessing risk
- ▶ Monitor institutional health, performance, and outcomes



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## DEFINING RISK

- ▶ Operational
- ▶ Safety and Security
- ▶ Legal and Regulatory
- ▶ Financial
- ▶ Political and Reputational
- ▶ Academic and Student Life
- ▶ Cybersecurity
- ▶ Student Press



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## TOP TEN RISKS SURVEY

1. Enrollment
2. Data Security
3. Operational Pressures
4. Recruitment and Hiring
5. Regulatory & Legal Compliance
6. Student Mental Health
7. Funding
8. Facilities / Deferred Maintenance
9. Public Safety
10. Political Pressures

(Source: See United Educators Survey [www.ue.org](http://www.ue.org) for mitigation suggestions)



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## CONDUCTING A RISK ASSESSMENT

1. Clearly Identify the Risk
2. Rate the Impact and Likelihood
3. Describe the Mitigation Actions Taken
4. List the Frequency the Risk is Reviewed
5. Name the Office that Monitors the Risk
6. Assign a Grade (A to F)
7. Indicate Changes from Previous Year

| Scale | Impact             | Likelihood            | Score* | Mitigation             |
|-------|--------------------|-----------------------|--------|------------------------|
| 1     | Minor Changes      | Not likely in 10 yrs. | A      | Risk is well mitigated |
| 2     | Maintain Operation | Not likely in 5 yrs.  | B      |                        |
| 3     | Moderate Adj.      | May occur in 5 yrs.   | C      |                        |
| 4     | Major Shifts       | May occur in 1 yr.    | D      |                        |
| 5     | Mission Impaired   | High probability      | F      | Risk is not controlled |

\* = Decrease from previous year \*\* = Increase from previous year



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## Risk Assessment Spreadsheet

| Risk                               | Impact | Likelihood | Mitigation Activities                                               | Monitored by                                | Frequency | Score |
|------------------------------------|--------|------------|---------------------------------------------------------------------|---------------------------------------------|-----------|-------|
| Residence Hall Safety and Security | 4      | 3          | Cameras, 24/7 Campus Security, Card Access Doors, Resident Training | Residence Hall Staff and VP Student Affairs | Weekly    | A**   |

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## COMPLIANCE AND REPORTING

- ▶ Federal Financial Aid, EPA, Title IX, Form 990, etc.)  
Resource: <https://www.higheredcompliance.org/>
- ▶ State (Incorporation, SARA, etc.)
- ▶ Accrediting Associations (Conflict of Interest, Student Outcomes)
- ▶ Constituents, Churches, Foundations (Audit, Annual Reports)
- ▶ Consequences of Non-compliance

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## CONDUCTING A COMPLIANCE AUDIT

1. The Compliance Item
2. Month and Due Date
3. Regulation Code
4. Why it is Required
5. How/Where it is Reported
6. Focus of the Requirement
7. Office and Position Responsible
8. HEOA Requirement
9. Posted on Web Site
10. Date Completed



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## Compliance Monitoring and Audit

| Item                                            | Description                                                                                                                                                                                             | How Reported                                                 | Responsible Office                             | Date Posted | HEOA Requirement |
|-------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|------------------------------------------------|-------------|------------------|
| Graduation Rates<br><br>(20 USCode, 1092 a.1.L) | By July 1, notice must be distributed to current and prospective students about completion rates, from previous year ending August 31, through appropriate publications, mailing, and electronic media. | Notice emailed to students.<br>Data link posted on web site. | Registrar and Office of Institutional Research | By July 1   | Yes              |



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## CONSUMER INFORMATION PAGE

This webpage provides a gateway to consumer information for prospective and current students, members of the campus community, and the general public. The information is presented in compliance with the Higher Education Opportunity Act of 2008 (HEOA) which contains numerous federal reporting and disclosure requirements with respect to various institutional policies, procedures, operations, and costs.

Please click subject heading to access consumer information. If you desire any of the following information in written form, please contact \_\_\_\_\_.



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## CONSUMER INFORMATION - Institutional

- Academic Support Services
- Accreditation
- Career and Job Placement Services
- Catalog
- Common Data Set
- Copyright Infringement Policy
- Equity in Athletics
- Family Educational Rights and Privacy Act (FERPA)
- Filing A Complaint
- Learning Accommodations
- Misrepresentation Policy
- Peer to Peer File Sharing
- Religious Organization Exemption Disclosure
- Student Handbooks
- Student Outcomes - Graduation & Retention
- Teach-Out Policy
- Title IX Compliance and Coordinator
- Transfer of Credit Policies and Articulation Agreements
- Voter Registration



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## RISK & COMPLIANCE OBSERVATIONS

Risk Management and Regulation Compliance are two areas that can be easily pushed to the back burner.

Procrastination and neglecting to give attention can subject your college to increased liability.

Please ensure your board has a policy to at least annually request an updated report from the Administration.

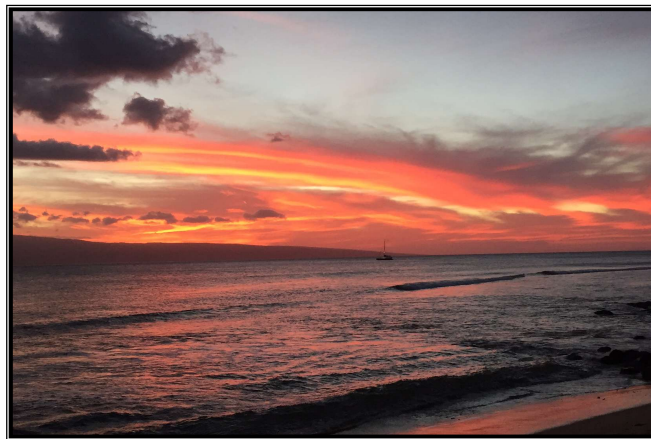


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Change often comes in waves.



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## Sometimes it's a Tsunami.



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## CRISIS MANAGEMENT

- ▶ A **crisis** is “a situation with significant newness or novelty where one must solve problems and make decisions in real time with rapid innovation under stress embedded in fear. (Harvard Business School)
- ▶ Crisis **management** is a series of steps an organization performs to deal with a catastrophic event. A crisis disrupts business operations, threatens to harm people, damages your reputation, and negatively impacts your finances.
- ▶ **Types of Crises**
  - Emergency
  - Controversy



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## PRINCIPLES OF CRISIS MANAGEMENT

- ▶ Survey the range of potential crises
- ▶ Consider the consequences
- ▶ Identify appropriate responses to a crisis



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## TRUSTEES ROLE IN CRISIS MANAGEMENT

- ▶ Establish a Crisis Management Policy
- ▶ Ensure the President has Appointed a Crisis Management Team
- ▶ Review the Crisis Management Plan/Handbook with the Administration
- ▶ Consider the Risk Assessment Study for High Impact Scenarios
- ▶ Determine the Best Way to Keep Trustees Informed



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## PREPARING FOR THE NEXT CRISIS

- ▶ The Quality of Governance Leadership is Revealed in Crisis
- ▶ Good Decisions in a Crisis Require Collaborative Wisdom
- ▶ Productive Paranoia - Expecting the Unexpected
- ▶ Without a Crisis Management Plan the College is Vulnerable
- ▶ A Crisis can be an Opportunity to Strengthen the Institution

*"This is not the time for motivational speeches or a pep talk. This is a time to be totally authentic and serious and confront the reality that exists. Great leaders don't really get paid for what they do in good times. You get paid for what you do in hard times. Just make peace with that."*

Marshall Goldsmith, author of *What Got you Here Won't Get You There*



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## THE DASHBOARD OF KEY PERFORMANCE INDICATORS

Effective boards rely on consistent, carefully curated, comprehensive data that enable them to evaluate and ensure mission achievement for the short and long term.

How would you characterize the condition of your college?

- ▶ Sustaining and Strategic
- ▶ Surviving
- ▶ Life Support

What do you need to know to answer that question?



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## DASHBOARD INFORMATION AND METRICS

- ▶ Essential High-Level Facts
- ▶ Visually Presented for Quick Comprehension
- ▶ Consistently Provided at Each Board Meeting
- ▶ Aligned with Mission and Sustainability
- ▶ Executive Summary/Narrative as Appropriate

**Reminder:** *The Dashboard is NOT an exhaustive recap of activity and developments in all areas of the college.*



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## SOURCES OF GENERAL INFORMATION

- ▶ The College Scorecard: <https://collegescorecard.ed.gov/>
- ▶ The College Navigator: <https://nces.ed.gov/collegenavigator/>
- ▶ IPEDS: <https://nces.ed.gov/ipeds/use-the-data>
- ▶ Education Analytics Software: Tableau  
<https://www.tableau.com/solutions/education-higher-ed-analytics>



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## THE BALANCED SCORECARD MODEL ADAPTED FOR HIGHER EDUCATION

|                                                         |                                                                                                                       |                                                                                        |                                               |
|---------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|-----------------------------------------------|
| <b>Financial or Stewardship</b>                         | <ul style="list-style-type: none"><li>Financial Performance</li><li>Effective Resource Use</li></ul>                  | <b>Debt Endowment Net Tuition</b>                                                      | <b>Composite Score Default Rate Donations</b> |
| <b>Customer &amp; Stakeholder</b>                       | <ul style="list-style-type: none"><li>Customer Value</li><li>Satisfaction and/or Retention</li></ul>                  | <b>Graduation &amp; Retention Rates Placement Rates Student Satisfaction Inventory</b> |                                               |
| <b>Internal Process</b>                                 | <ul style="list-style-type: none"><li>Efficiency</li><li>Quality</li></ul>                                            | <b>Tuition Discount Enrollment and Yield Rates Accreditation Status</b>                |                                               |
| <b>Organizational Capacity or Learning &amp; Growth</b> | <ul style="list-style-type: none"><li>Human Capital</li><li>Infrastructure &amp; Technology</li><li>Culture</li></ul> | <b>Facility Capacity/Occupancy Employee Status Faculty/Student Ratio</b>               |                                               |

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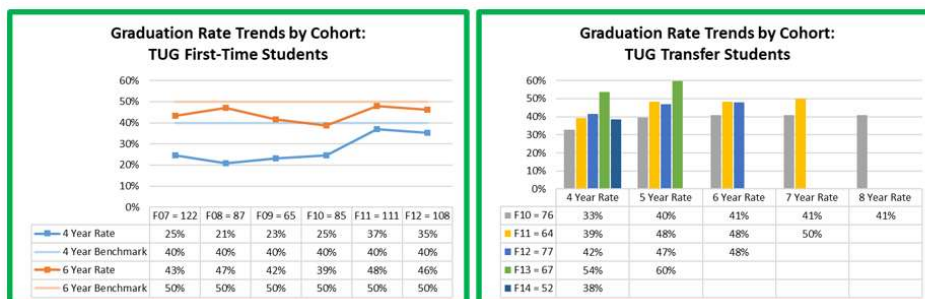
## DIGITAL DASHBOARDS



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## LOW-BUDGET DASHBOARD



Graduation rates are reported for each incoming fall cohort of both first-time, full-time and first-time transfer students for four, six, and eight-year completions.

6 year benchmark: 50%; **GREEN** = >45%; **YELLOW** = 35% to 45%; **RED** = <35%.

Retention and graduation rates are key indicators that are monitored by both accrediting associations and government agencies. In addition, these figures provide necessary information for academic, budgetary, and other elements of strategic planning. Federal reporting for these rates applies only to first-time, full-time students who enter in the fall semester. Both the four and six-year rates are presented for first-time, full-time students. Also shown are the graduation rates for transfer students. While these students vary in the amount of credits they transfer in from different institutions, they demonstrate a comparable six-year graduation rate to first-time students.

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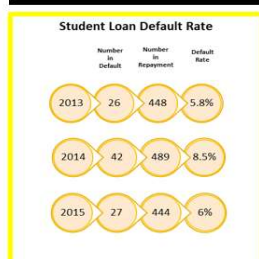


## LOW-BUDGET DASHBOARD



**Measures**

**Income Statement:** net loss or gain at the end of the fiscal year.  
**GREEN** = >\$100K; **YELLOW** = >\$50K and <\$100K; **RED** = <\$50K  
**Tuition Discount Rate:** unfunded scholarships as a percentage of tuition revenue, benchmark is regional peers.  
**GREEN** = <40%; **YELLOW** = 41% to 45%; **RED** = >46%  
**DOE Composite Score:** based on cash reserves, assets, debt, etc. monitored for Title IV eligibility. Below 1.5 is in the failing range.  
**GREEN** = >1.8; **YELLOW** = >1.5 and <1.8; **RED** = <1.5  
**Endowment Principal:** book value of HIU's endowment funds.  
**GREEN** = increase in value >4%; **YELLOW** = increase or decrease <4%; **RED** = decrease >4%



Monitoring financial indicators is essential for ongoing fiscal health. These four metrics, as well as a fifth – Student Loan Default Rate – are very instrumental. The 2017-18 fiscal year ended with a net surplus. This has a significant bearing on the DOE Composite Score that is currently estimated at 2.0. The Student Loan Default rate has seen a slight yet steady climb that is consistent with national trends. The Student Loan Default Rate is based on a three-year cohort. Schools with a default rate of 30% or greater in three consecutive years or 40% in the most recent fiscal year may be subject to sanctions in the school's Title IV program participation.

**GREEN** = < 5%; **YELLOW** = 5%-15%; **RED** = > 15%

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## MONITORING INSTITUTIONAL HEALTH: Compliance, Risk, Crisis, and KPI's

In this rapidly changing environment, it is imperative that trustees ensure there are systems in place to track those forces and outcomes that can impair the achievement of the college's mission and be prepared to take corrective steps if necessary. Business Intelligence in higher education can lead to quality improvement and increased effectiveness.



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## THE BOARD'S RESPONSIBILITY

### Policy Statement Examples

- ▶ Annually at the fall board of trustees meeting, the administration will provide to the executive committee a risk management assessment report identifying the status of the risks monitored and measures taken to mitigate those risks.
- ▶ The administration will maintain a record of regulation compliance and ensure the required reports, policies, and procedures are in place by the appropriate deadlines each year.
- ▶ The administration will maintain a comprehensive crisis management plan and conduct appropriate preparedness drills and training.
- ▶ Prior to each trustee meeting, the administration will provide the board with a concise report of key metrics that indicate the status of institutional health and effectiveness.



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## Discussion Questions and Assessment Exercise



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### Assessment Statements:

Please evaluate your board on each of these items, using the scale below to assign a number according to the level of follow-up needed. 1 = This is a current board practice, no work needed. 2 = This is perhaps an area of need; further study might be warranted. 3 = This is a significant issue we need to address. 4 = This is an urgent issue that needs to be addressed soon. 5 = This is the most significant and urgent issue, and our board needs to follow up in a timely manner.

- 1. Our board has confidence in the soundness and sustainability of our business model.
- 2. Our board has a good balance between the fiduciary, strategic, and generative modes of governance.
- 3. Our board members can articulate a compelling vision to our constituents.
- 4. We have a strategic plan that effectively meets the needs of the college.
- 5. There is a standing agenda item for our board meetings when progress on the strategic plan is reviewed.



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## Assessment Statements Continued:

- 6. Our board is well-informed and apprised of developments in the higher education environment that directly impact our current and future operation.
- 7. We have a Risk Management and Compliance Policy that meets the needs of the college with reports that are reviewed at least annually.
- 8. We are confident that our college is in compliance with accreditation, state, and federal regulations.
- 9. Our college has a Crisis Management Plan that is readily accessible and a Crisis Management Team that we are confident can handle an emergency.
- 10. We have a comprehensive and user-friendly Trustee Dashboard of Key Performance Indicators that we review regularly.



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