Effective Boards and Committees

Governance that works!
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Objectives

1. To understand governance systems in the SDA Church
2. To know four key components to effective board/committee meetings
3. To know how to ensure efficient meetings
Why committee processes matter:

1. **Organizational success** is ultimately the responsibility of the Exec Comm.
2. The **most important decisions** of the organization are made by a group.
3. **Effective group decisions** do not arise spontaneously. They require deliberate designs in structure and social dynamics.
4. Good governance **builds membership trust.**
The most important human resource for the Church is TRUST.
The Seven Signs of Ethical Collapse
How to Spot Moral Meltdowns in Companies...
Before It's Too Late

Marianne M. Jennings, J.D.
Seven signs of ethical collapse:

1. Pressure to maintain those numbers
2. Fear and silence (dissent not tolerated)
3. Bigger-than-life president/CEO, aspiring colleagues
4. Weak boards
5. Conflicts of interest not addressed
6. Success is all that matters
7. Goodness in some areas atones for evil in others
Ecclesiastical system

“Executive Committee”

Institutional system

“Board of Trustees”

Two SDA governance systems:
Two SDA governance systems:

**Ecclesiastical system**
- “Executive Committee”
- Membership elects Exec Comm and officers
- Each entity part of a chain of organizations
- Many employees—voting members of exec comm
- Exec Com chair—internal
- 3 officers accountable to Exec Comm
- More involved in management
- Unincorporated status

**Institutional system**
- “Board of Trustees”
- Membership elects board, board appoints officers
- Each entity a ‘stand-alone’ organization
- Few employees—voting members of board
- Board chair—external
- CEO primarily accountable to board
- Less involved in management
- Incorporated status
The Bottom Line:

- Both systems can function effectively
- Effective functioning of the system requires:
  - Skilled leadership in group decision-making
  - Group members with diversity of competencies appropriate to the business
  - Intentionality about mission
The Governing Board:

- Has ultimate corporate authority
- Total authority matched by total accountability
- Can be superseded only by organization’s owners or by the state
- In SDA structure the owner is the constituency, or “membership” defined in the bylaws
Our challenge:

“...there is one thing all boards have in common, regardless of their legal position. They do not function.”

—Peter Drucker
Common board diseases:

1. Shakes and tremors  (time consumed with unproductive activity)
2. Dialog deficit disorder  (leads to irritable trustee syndrome)
3. Disorientation  (making decisions without sufficient information)
4. Glassiopia  (cloudy vision, shortsighted decisions)
5. Paralysis  (inability to address most urgent matters)
Better Governance
Better Performance
Better Results
Governance basics—4 keys:

1. Competency of directors/trustees
2. Culture of the boardroom
3. Care of fiduciary obligations
4. Conduct of essential functions
Board structure

- Composition of the board
- Appointment of board committees
Board committees

Board committees enhance effectiveness & efficiency of full board by aiding in fulfilling its responsibilities
- Break down complex issues/tasks
- Accomplish groundwork needed for board
- Ensure issues discussed thoroughly
- Allow members to substantively contribute
Board structure

- Composition of the board
- Appointment of board committees
- Distribution of authority (governance vs. management)
“We can’t improve the quality of our prisons until we get a better class of inmates.”

--Ex-governor of Georgia
Director/Trustee competency

**Personal**
- Reputation (integrity)
- Time and commitment
- Objectivity in thinking
- Ability to function beyond ‘self-interest’
- Team member or soloist
- Social behavior

**Professional**
- Training/education
- Experience
- Skill and judgment
Skill set requirements (Loma Linda University Health Board)

- Church representation
- AHC Administration
- Health Care Admin
- Clinical practice/tech
- Education/Academics
- Nursing
- Research
- Strategic Planning
- Finance and Investments
- Information Technology
- Legal affairs
- Human Resources
- Community Reps.
- Government Relations
- Philanthropy
- Population health
- Diversity
- Cultural/Ethnic/Gender
Board composition

- Compliance with governance documents
- Appropriate expertise/diversity range
- Establish constituency representation pattern
- Outline expectations of directors
- Select people with qualifications and time
- Create a trustee education agenda
- Consider the value of staggered terms
- Factor the effect of board size
The effect of group size
Look for board members who:

1. Provide necessary expertise
2. Attend meetings regularly
3. Do their homework, come prepared
4. Disclose potential conflicts of interest
5. Understand the organization/purpose
6. Recognize/respond to warning signals
7. Maintain confidentiality of ‘inside’ info
8. Challenge assumptions and refrain from excessive deference to management
Governance basics:

1. Competency of directors
2. Culture of the boardroom
Strategy/Procedures /Programs/Policies

Organizational culture
Elements of boardroom culture:

- **Attitude**
  - Commitment to excellence
  - Enthusiasm about mission

- **Attention**
  - Effective use of time
  - Focus on strategic issues

- **Atmosphere**
  - Safe to talk
  - Good group dynamics

- **Altitude**
  - Governance not management
  - Big picture/future perspective
“...the highest-performing companies have extremely contentious boards that regard dissent as an obligation and that treat no subject as undiscussable.”

—Sonnenfeld
Risk of ‘Groupthink’

1. Deference to the view of the leader or influential spokesperson for an idea
2. Uncritically supporting an idea because it appears to be popular
3. Unwillingness to listen to dissent
4. Unwillingness to express dissent in order to retain a favorable opinion of others
“I really had some strong convictions on that matter but I didn’t say anything about it...”
Governance basics:

1. Competency of directors
2. Culture of the boardroom
3. Care of fiduciary obligations
Fiduciary obligations of trustees:

- Care
- Loyalty
- Obedience
Someone who acts for and on behalf of another in a relationship of trust.

Requires action at all times for the sole benefit and interest of the one who trusts.

Therefore, a ‘board of trustees’ acts not in its own interest but in the interest of the ‘owners’ of the institution.
The duty of care:

What does it mean:
The manner in which the board makes decisions and oversees the institution.

What to look for:
- Board education and orientation for new trustees
- Trustees attend meetings regularly
- Trustees receive background material ahead of time
- Decisions reflect best interest of the organization
- Timely presentation of materials
- Access to experts and opinions
The duty of loyalty:

What does it mean:
Faithfulness to the organization and its mission

What to look for:
Position not used for personal advantage
Conflict of interest awareness and disclosures
Undivided allegiance when making decisions
Maintaining confidentiality of privileged info
Conflict of Interest—Multiple Boards:

Because of the common objectives embraced by the various organizational units and institutions of the Seventh-day Adventist Church, membership held concurrently on more than one denominational committee or board does not of itself constitute a conflict of interest provided that all the other requirements of the policy are met.
Conflict of Interest—Multiple Boards:

However, an officer, trustee, or director serving on an organization’s board is expected to act in the best interest of that organization and its role in denominational structure.

—General Conference Working Policy E 85 05
The duty of obedience:

What does it mean:
Faithfulness to corporate purpose and mission

What to look for:
Compliance with governance documents
Compliance with laws
Fulfilling commitments (to owners, to employees, to clients, to community, to government)
Governance basics:

1. Competency of directors
2. Culture of the boardroom
3. Care of fiduciary obligations
4. Conduct of essential functions
What good boards do:

1. Set strategic direction based on mission
2. Maintain SDA identity of organization
3. Establish key policies and strategies
4. Select, develop, and evaluate officers
5. Ensure adequate financial resources
6. Build/enhance organization’s reputation
7. Provide adequate risk management
8. Assess performance against mission
9. Improve board performance
The Board Meeting:

- Use the

more than the
Three windows in the Board meeting:

1. Window to the past
   - Minutes of last meeting
   - CEO report (written summary preferred)
   - Financial statements
Three windows in the Board meeting:

2. Window to the present
   - Administrative or staff appointments
   - Policy approval
   - Board member education
   - Reports from various board committees
Three windows in the Board meeting:

3. **Window to the future**
   - Reviewing/updating strategic plan
   - Timely decisions about the organization’s future
   - Capital needs and planning
   - Succession planning/leadership development
Timeliness in recording of minutes:

And while the Great Ones repair to their dinner, the Secretary stays, growing thinner and thinner. Racking his brains to record and report what he thinks they will think they ought to have thought.

London Institute of Directors
Governance efficiency:

1. Adequate frequency of meetings
2. Agenda development and management
3. Appointment and delegation of responsibility to committees
4. Use of board-focused technology
5. Board policy formulation
6. Board member orientation and training
7. Board self-assessment
Ten Commandments for Boards:

1. Make the boardroom a safe place to talk.
2. Reserve prime time for the most important item.
3. 
4. 
5. 
6. 
7. 
8. 
9. 
10.
The complexity of organizations and their conduct in society requires an increasing sophistication and attentiveness to governance. Board members need to work harder, faster, smarter and longer.
Q&A Time