Effective Boards and Committees

Governance that works!

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Objectives

1. To understand <u>governance systems</u> in the SDA Church
2. To know four <u>key components</u> to effective board/committee meetings
3. To know how to ensure <u>efficient meetings</u>

Why committee processes matter:

1. <u>Organizational success</u> is ultimately the responsibility of the Exec Comm.
2. The <u>most important decisions</u> of the organization are made by a group.
3. <u>Effective group decisions </u>do not arise spontaneously. They require deliberate designs in structure and social dynamics.
4. Good governance <u>builds membership trust</u>.

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

Two SDA governance systems:

Ecclesiastical system

- "Executive Committee"

Institutional system

- "Board of Trustees"
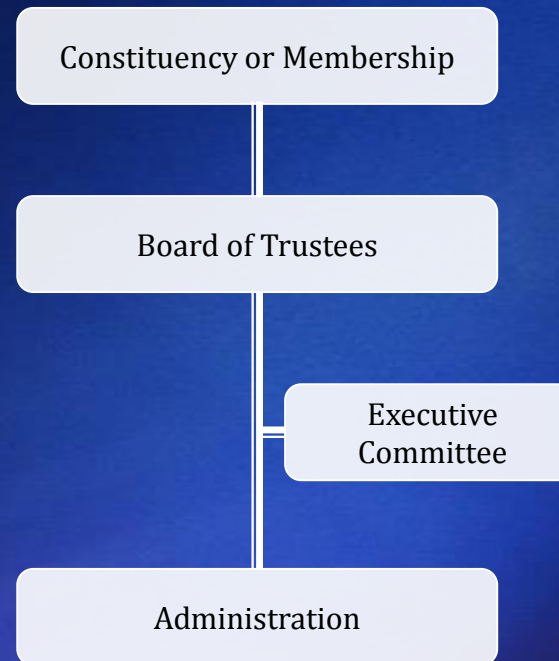
Exec Comm—different place and role

Ecclesiastical System

Constituency or Membership

Executive Committee

Administration

Institutional System

Constituency or Membership

Board of Trustees

Executive Committee

Administration

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)

Governance basics—4 keys:

1. <u>Competency</u> of directors/trustees
2. <u>Culture</u> of the boardroom
3. <u>Care</u> of fiduciary obligations
4. <u>Conduct</u> 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

Group size | Engagement

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. <u>Competency</u> of directors
2. <u>Culture</u> 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

Governance basics:

1. <u>Competency</u> of directors
2. <u>Culture</u> of the boardroom
3. <u>Care</u> of fiduciary obligations

Fiduciary obligations of trustees:

Care

Loyalty

Obedience

Fiduciary—defined

- 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. <u>Competency</u> of directors
2. <u>Culture</u> of the boardroom
3. <u>Care</u> of fiduciary obligations
4. <u>Conduct</u> 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
1971 Standard Manual

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 Bottom Line:

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