# Effective Boards/Committees

## Governance that works!

ADRA Board Retreat 2016
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Presenter: Lowell C Cooper

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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 lead efficient meetings

# Why board processes matter:

1. <u>Institutional success</u> is ultimately the responsibility of the board/exec comm.
2. The <u>most important decisions</u> of the organization are made by the board.
3. <u>Effective group decisions</u> do not arise <u>spontaneously</u>. They require deliberate designs in structure and social dynamics.
4. Good governance <u>builds membership trust</u>.
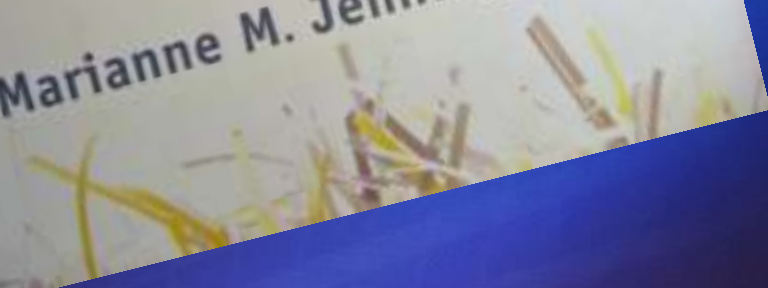
# The most important
# human resource for the Church is
# TRUST

# 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
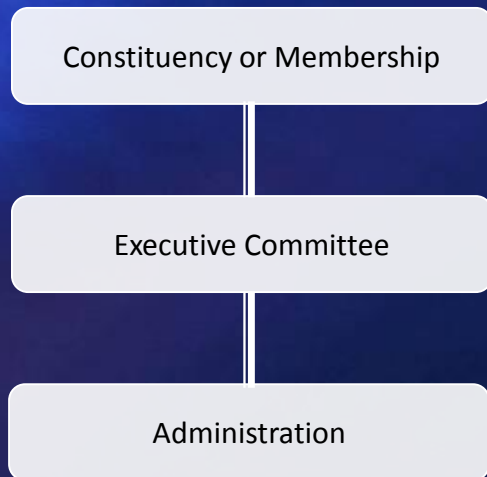
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│  Constituency or Membership     │
└─────────────────────────────────┘
                │
┌─────────────────────────────────┐
│      Executive Committee        │
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│         Administration          │
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## Institutional System

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┌─────────────────────────────────┐
│  Constituency or Membership     │
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│       Board of Trustees         │
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                ├──────────│  Executive   │
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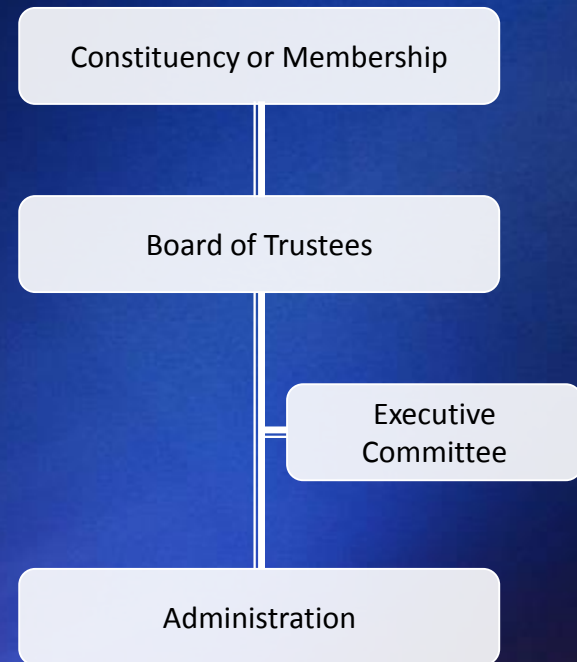
# Two SDA governance systems:

## 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
- Ex Com chair—internal
- 3 officers accountable to Exec Comm
- More involved—mngmnt
- 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—mngmnt
- 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:

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

# 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)

In the early 1870's General Conference Presdient George Butler authored a pamphlet entitled *Leadership* (1873) built upon the premise of "authority centralized in one person" He presented it at camp meetings and preaching appointments to rave reviews by hearers who were accultured to the "Great Man" model of governance. The essence of this tract communicated that "one person was in charge and other leaders were subordinate to that person." All were to acquiesce to the decision of one man.

The 1873 General Conference Session affirmed by majority vote that the position proposed by Butler reflectred the view of the General Conference on leadership.

Butler did not argue that he, the GC President, should have this authority. Instead he advocated this for James White who had such a foundational role in the development of SDA structure.

But neither James nor Ellen White were in favor of such an arrangement. Ellen White informed Butler:

"When this power which God has placed in the church is accredited to one man, and he is invested with the authority to be judgment for other minds, then the true Bible order is changed...

Satan's efforts upon such a man's mind will be most subtle and sometimes overpowering, because through this mind he thinks he can affect many others.

Your position on leadership is correct, if you give to the highest organized authority in the church what you have given to one man. God never designed that His work should bear the stamp of one man's mind and one man's judgment.

—E. G. White communication to G I Butler, *Testimonies to the Church*, Vol 3. p. 493

# 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

# 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 member education agenda
- Consider the value of staggered terms
- Factor the effect of board size

# 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/EthnicGender

# The effect of group size



Group size | Engagement

# Look for board members who:

1. Attend meetings regularly
2. Do their homework, come prepared
3. Disclose potential conflicts of interest
4. Understand the organization and its work
5. Recognize and respond to warning signals
6. Maintain confidentiality of 'inside' info
7. Challenge assumptions and refrain from excessive deference to management

# Governance basics:

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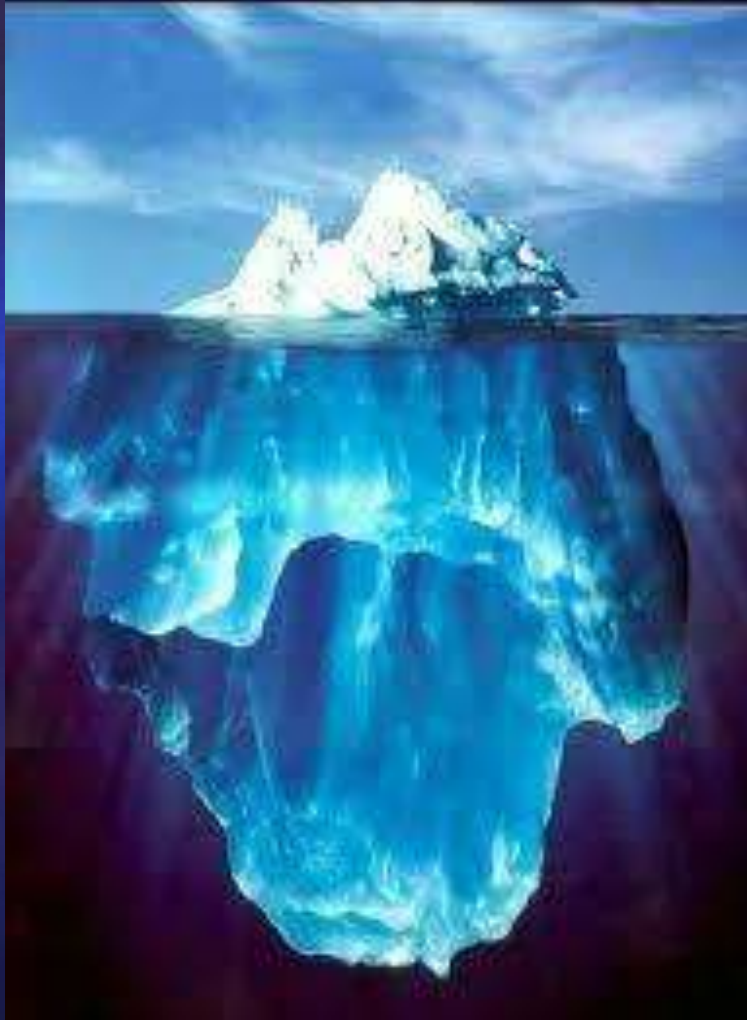
Strategy/Procedures/
Programs/Policies

Organizational culture

"I really had some strong convictions on that matter but I didn't say anything about it…"

"...the highest-performing companies have extremely contentious boards that regard dissent as an obligation and that treat no subject as un-discussable." —Sonnenfeld

# 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

# 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 disclosures
Undivided allegiance when making decisions
Maintaining confidentiality of privileged info

# 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
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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 

# 3 Windows in the Board meeting:



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

# 3 Windows in the Board meeting:

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

# 3 Windows in the Board meeting:

3. Window to the future
    - Reviewing/updating strategic plan
    - Timely decisions about the org's future
    - Capital needs and planning
    - Succession planning/leadership development

# 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

# Develop boards that:

1. Maintain institutional focus on mission
2. Display good group dynamics
3. Represent range of expertise needed
4. Respect and monitor compliance with law
5. Select competent management—and hold management accountable
6. Shape the future, not idealize the past
7. Protect, utilize and build resources
8. Exhibit mindset for continuous improvement

# The Bottom Line:

The complexity of organizations and their conduct in society requires an increasing sophistication and attentiveness to governance. Board members need to <u>work harder, faster, smarter and longer</u>.

Time for Q&A