

The Incalculable Benefits

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TAKEAWAYS

- 1** A board-effectiveness study at DePaul University resulted in multiple changes to revitalize the board, including pushing decision making from the executive committee to the full board and from the full board to the committees, focusing on recruiting new members to fit strategic initiatives, and providing board education at every meeting.
- 2** Healthy governance, like personal health, requires good habits and regular monitoring. It is good practice for a board to get regular governance checkups to assess whether it needs major treatment and to ask a governance expert to help provide that treatment.
- 3** Such a restructured board will see an institution that has better leadership and is more effective in meeting today's challenges of change and accountability. In addition, board members will have greater satisfaction and fulfillment in their work.

DEPAUL UNIVERSITY HAS GROWN IN SIZE AND stature in the last decade. Chicago's "little school under the El," as DePaul was once known, is now the nation's largest Catholic university and the largest private, nonprofit university in the Midwest. We have established 55 new academic programs, created three new schools or colleges, increased enrollment by 4,000, built or purchased a building every year, opened an additional campus, shifted nearly 10 percent of our enrollment online, and grown our endowment from \$190 million to \$450 million. Along the way, DePaul's board has played an active role in aiding the university's growth and academic rise.

of **Revitalizing Your Board**



That was not always the case. And, over the course of our recent growth and achievements, we have learned some lessons that might be helpful to other boards as they lead their institutions through rapid and dramatic change, if not disruption, in higher education.

Ten years ago, fewer than half of the 49 board members at DePaul attended the quarterly meetings. They would show up for the meeting, watch a presentation about the university's activities, and then go home. That was it. They were not involved in fundraising, and they did not interact with the university in between meetings. Frankly, we gave them no reason to do so. Their lack of engagement was a response to our unspoken message to them: "Stay out of our way."

A board-effectiveness study—led by a prominent board member—became the platform upon which multiple changes were made, including a clear statement of trustee responsibilities, board member

we assigned many of our board members responsibility for leading some component of the campaign.

And slowly, as we repopulated the board and educated the members, we shifted the board's conversation to strategy. The annual budget approval process is now a strategy conversation. Questions about investments in athletics, the arts, new faculty lines, new programs, online education, and even retrenchment are all deeply rooted in strategic questions of market position, penetration, reputation, product mix, and return—even if the language used for the conversation is never so corporate. And as a Catholic institution with a defining commitment to identifying and educating bright, first-generation students, the board's annual evaluation of senior administrators is tied to the measurable achievement of this all-encompassing mission as well as the traditional measures of a university's strength.

fellow leaders and subject-matter experts. Only smart, engaged board members can ask the right questions and, in doing so, elevate the entire board's performance and contributions to the institution.

Thus when we started rethinking governance at DePaul, we addressed board composition from the outset. We knew that we needed expertise in key areas to help the university grow and achieve new levels of academic excellence. Using the traditional vehicle of a trusteeship committee, or what some other institutions call a governance committee, we started by asking what we needed the board to accomplish. The answers shaped the way we thought about populating the board.

We intended to move into key areas of health care, technology, hospitality, and real-estate development, and it helped us to recruit board members with knowledge of those industries. They advised us. They introduced us to major players in their fields who would serve on college-based advisory boards and help us arrange key internship opportunities for students. At times, they took the lead in fundraising among those communities. We didn't seek and recruit content experts as board members for every new major or academic program, but we sought board member assistance when entering broad and entirely new product lines where trustees could guide our way. In that sense, we sought board members who could help us with our immediate and mid-range strategic goals.

Longer range, we have needed to think about DePaul's footprint. We are developing online capacity, but the university intends to retain a physical presence well into the future, and we must plan accordingly. DePaul has built or acquired 15 major buildings in 15 years, and we have further expansion goals in the Chicago region. We clearly have needed urban real-estate development expertise, but not only to advise the administration—we could have hired consultants for that purpose. We have needed real-estate sophistication on the board because the conversation among the board members themselves has had to be knowledgeable and informed. The task has been to create smart decision making, where board

evaluation and self-evaluations, annual trustee engagement reports, an age-based limitation on reelection, and a strict conflict-of-interest policy to free the institution of questionable board involvements from the past.

We pushed decision making from the executive committee into the full board, and from the full board down into the committees, all to better engage board members. We focused on recruiting new members to fit the specific strategic initiatives of the university and created a stream of ad hoc, short-duration task forces to advance various key strategic initiatives. We began providing board education at every single meeting. We created and committed to an iPad-based, state-of-the-art board information system, so the committees have a range of tools to better inform their decision making. When we went into full capital campaign mode,

None of these changes occurred overnight, and they involved the work of many dedicated people. Today, we have 44 board members, the vast majority of whom now attend the meetings, and they are engaged in a way that they never have been before. DePaul is a better university for it. Here is how we did it.

Recruiting the Right People

As a president, I often joke that the "secret" of my career has been hiring people who are smarter than I am. But the joke has a lot of truth in it. The maxim that any administrator is only as good as the team of people around him or her applies also to the board. Administrators with great ambitions for their institutions must risk recruiting board members who know more about certain aspects of the business than they do, and then learn to lead them in the context of a room of



members turn to acknowledged experts among their own number for reassurance and advice on what has been proposed by the administration. That principle has become a guiding star as we have populated the board with several types of expertise based upon the institution's goals.

Our endowment has needed to be managed in increasingly sophisticated ways, and it has been crucial that we build a powerhouse of a board investment committee that could oversee our managers. Yet, again, there has been a secondary purpose afoot. As president, I feel entirely comfortable scouring financial reports, but I prefer to defer to the experts when it comes to evaluating hedges or master limited partnerships. DePaul has excellent in-house investment expertise, but it does not have a president who can ask hard questions and suitably play an oversight role. It is common practice to ask a board to trust a president's judgment, but in this matter, the board should not trust my

why the faculty might be correct when they raise various concerns of their own. Just as important, when the board goes into executive session, a president feels a bit more secure to know that there are experts remaining in the room who can inform board members from other industries of the implications of their decisions.

A decade ago, the university experienced a rather public set of financial embarrassments, convincing all of us of the wisdom of building an independent audit function inside the institution, reporting around the central administration and directly into a revitalized board audit committee. To move quickly and immediately, we turned to a board member—a recently retired managing partner of one of the nation's leading accounting firms—and several other senior trustees with competence in this field to get the committee started. Strategically, however, we needed to prepare for the obvious day when these experts would retire from

reflects the racial and gender composition of our highly diverse student body, recognizing that a board's diversity sends a powerful signal to our students and broader community. We do not limit our recruiting to alums. In fact, we have learned that alumni status does not necessarily equate with board engagement. Belief in the mission and being asked to take leadership in some manner more than suffices in that regard.

Potential board members, we have found, respond more readily to being recruited when they can be told exactly why and for what purpose they are being sought for the board. Recruiting for the university's immediate- and medium-term strategic goals has clearly improved our decision making, our implementation of those strategies, and the board's sense of being engaged and useful. And yet, it was another change—namely, shifting the authority matrix of the board away from the executive committee and down

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judgment. Done correctly, a board committee can, at times, step in and supplement a given president's weakness. We have made sure it can through these key board appointments.

We have learned that it is also vital to have experts in higher education at the table at all times. Current or former university presidents, heads of prestigious foundations, scholars, and analysts of higher education have all accepted our invitation to trusteeship at various times. The reason is as simple as the principle that a board should always contain knowledgeable experts of the industry that the board is governing. A president cannot always satisfy a board that certain approaches will not work well in a shared-governance context. A knowledgeable expert-in-the-room can explain current trends in government oversight of higher education, changes in accreditation standards, and

our board, and so we recruited and transitioned a younger managing partner of another leading accounting firm as the new chair, with the goal of further populating the committee with other young board members.

As many universities do, we recruit board members for their political acumen and connections. We recruit for their deep connections into various industries. We recruit for knowledge of the complexities of operating as a church-sponsored institution. We recruit for philanthropy, but not merely because of the size of a potential personal gift, but because we are looking for full-out leadership of the board's philanthropic efforts.

In all cases, we recruit individuals who understand and will fiercely protect the institution's religious mission, even while we intentionally recruit board members of many faiths. We recruit a board that

toward the committees—that created an even more notable improvement in board engagement.

Pushing Down the Decision Tree

In 2004, a board-effectiveness study revealed broad dissatisfaction among the trustees that the board's executive committee met two weeks before every single meeting and essentially predetermined the outcomes of the major decisions brought before the board. The study also revealed that the executive committee members themselves felt that the decisions were largely predetermined by the board's chair and two vice chairs, who in turn felt the administration was choreographing the board leadership's work.

Everyone was frustrated, and they were pretty much correct in their assessment of the situation. To be fair, this centralized

When to Take a Second Look at Your Board

A Q&A with Theodore Long of AGB Consulting

Q: Most boards think they are doing a decent job. Are there some telltale signs as to when a board should seriously consider revitalizing itself like DePaul has?

A: Except for severe crises, the place to start looking is in the *regular* activity of the board. Pay attention to routine activities that signal either *poor teamwork* or *meaningless meetings*. Poor teamwork may involve membership misaligned to the board's needs, poor coordination and communication, a lack of common purpose, members who act on their own apart from the board, a weak partnership between the board and the president, or failures of solidarity outside the board room. Meaningless meetings are those where few people contribute, usually only board leaders; there is little questioning, debate, or discussion; the agenda is not focused on significant institutional issues; or pre-packaged reports consume most of the time and nothing much is really accomplished that advances the institution.

Q: When are boards most likely to get complacent in ways that disadvantage their institutions?

A: Like many organizations, boards become complacent when there are no crises and things seem to be going smoothly, at least on the surface. They mistake a lack of distress for healthy governance. Board members may have supreme self-confidence that they know how to do board work and how to handle most difficulties. They believe they don't need coaching to become effective. Finally, boards often think they are governing well because they have *satisfied the necessary requirements* of board practice—bylaws, policies, etc.—when there is actually much more to effective governance.

Q: As an AGB consultant who has worked with many boards, what are some of the most common mistakes made by boards that need rethinking and restructuring?

A: Often boards *blame difficulties on a small group of individuals* when their actions actually reflect the character of the board as a body. They neglect the more difficult, time-consuming work of changing the overall pattern of board behavior. That work also takes time, far longer

than an afternoon workshop, and many boards simply *do not set aside the time* necessary to change the equation. Many boards also operate with a *limited conception of fiduciary responsibility*, believing that balancing the budget, getting a clean audit, and avoiding trouble are sufficient. Important as those are, the neglect of mission, program, long-term sustainability, and adaptation to changing environments may jeopardize the institution just as much.

Q: How do boards know when they need to make just a few adjustments in how they operate and when they need to radically overhaul themselves?

A: Healthy governance, just like individual health, requires good habits and regular monitoring. It is simply good practice to *get regular governance checkups* (perhaps every three to four years) with an outside assessor to determine if there are any significant problems. And when boards do see a problem, they should *consult a governance professional at once* to best assess whether it needs major treatment. Best practices for a bygone era may be insufficient for the dramatic challenges of change and

accountability we face today, and all of us need to develop effective “next practices” of good governance.

Q: How can restructuring and revitalizing a board make the institution's governance better—so it becomes a strategic asset and provides a competitive advantage for the college or university?

A: Major overhauls of board practice take some time to develop and to become embedded in continuing board work. To some extent, that *process is its own reward*, as boards reflect on how they have worked and how they can work, inventing productive new futures for themselves. Such restructured boards will see three types of benefits: an institution that is more adaptive and effective in meeting the challenges of the day, better leadership and management of the institution, and greater satisfaction and fulfillment in board work itself. Those are the fruits of building the far-sighted and powerful practices needed by boards today.

Theodore Long is president emeritus of Elizabethtown College.

assertion of authority by the board leadership effectively filled a leadership vacuum during a one-year period between presidential administrations, but the effect on the larger board remained. Few, if any, of the board members felt that their opinion was genuinely being sought or that their votes mattered. It showed in their attendance, with fewer than half ever participating in any given meeting.

To address these concerns directly, the executive committee's scope of authority

was retained in principle, but its activity was reduced to one scheduled meeting per year to conduct the university officers' evaluations. The committee remained empowered to act with full board authority in situations that could not reasonably wait until the next scheduled board meeting. (In the nine years since, this has occurred four times.) Otherwise, the executive committee has no role, and it no longer operates as a “shadow government” or “court of first instance.”

By thus eviscerating the former role of the executive committee, nearly all major decisions are directed to the board itself. The board members have been thrilled by this change, commenting regularly on the importance and substance of the meetings—and thereby the importance of their attendance and participation.

To keep the board meetings clear for deliberation on large strategic topics, many of the ordinary decisions formally brought to the board have been assigned

to the relevant committees. At times, those decisions go to the full board for ratification, but in fact many of the decisions are simply made at the committee level. For example:

- The **finance committee** sets the budget parameters for the upcoming year without further recourse to the full board. The eventual proposed budget is approved by the full board, to be sure, but without revisiting the original parameters set by the committee.
- The **executive compensation committee** makes all decisions regarding executive compensation without further recourse to the board.
- The **audit committee** directs the university administration to pursue various operational improvements on its own authority.
- The **investment subcommittee** chooses the endowment's managers, sets overall investment strategy, and approves major allocation-readjustment decisions.
- The **compensation subcommittee** reviews and decides adjustments to the university's compensation and benefits strategies.
- The **mission committee** reviews and adjusts the administration's mission efforts, including enrollment goals for the number of Pell-eligible students, first-generation students, students of color, and students from Chicago public schools.
- The **trusteeship committee** decides whom to propose for membership. On its own authority, it judges matters concerning any trustee conflicts of interest, conducts the annual evaluation of board members, and contacts individual board members who are not performing at a high level.

In addition, the **academic and student affairs committee** reviews investments in significant new academic programs, such as our recent partnership with Rosalind Franklin Medical School or our new partnership for our film students with Chicago-based Cinespace, which has the largest film lots and studios outside of Hollywood. The committee reviews all plans and votes approval for the erection of new colleges

within the university structure, including our recent additions of a College of Communication, College of Science and Health, and School of Hospitality.

On the board's behalf, the committee also formally reviews the athletic program and all campus-safety reporting and initiatives. In addition, it meets with students annually to determine the students' well-being, hear their concerns, and make recommendations accordingly—for which it asks the administration to report back at the next meeting. The committee hears and approves major changes to academic policy, such as our recent move toward test-optional admissions or our decision to pilot the new alternative accreditation process offered by the Higher Learning Commission. The full board is eventually informed of such matters but does not generally vote approval unless the change required has significant financial implications.

Those are just a few examples. There are more. In the end, all major strategic and financial decisions bubble up to the full board's consideration at some point. Even in those cases, decisions that are a normal course of doing business at a large university are ratified quickly, as the full board relies heavily on the work already done in the committee. Only rarely will such matters be second-guessed and debated by the full board. That reliance, rather than any bylaw provision, forms the basis of the committees' broadened scope of power and activity. And that committee activity and range of authority creates excellent attendance and participation on the board.

Creating Task Forces and "Ad-hoc-cracies"

To further engage various trustees usefully, ad hoc task forces and advisory groups are regularly set up to work on various strategic projects. When the university was setting its strategy for its public reputation, for example, a marketing committee was established composed of board members

with great knowledge in the fields of marketing and public relations. The task force was continued during the early years so the board could monitor its work and suggest refinements, but eventually the committee was discontinued once the activity moved toward ordinary implementation. Another task force was given the unhappy job of recommending how DePaul should best divest itself from the ill-considered acquisition of a small local Catholic college. And board members with political and real-estate experience have recently been helping us to pull together and foster key partnerships in order to build a major sports arena in the center of Chicago.

DePaul also regularly organizes advisory boards of non-trustee members for new academic programs that it intends to establish. Our computer gaming advisory board includes the head of gaming for Disney. Our hospitality program's advisory board includes senior leaders from Hyatt, Hilton, Rosewood, and more.

When we decided to pursue an aggressive move into health care—an area in which DePaul had not traditionally been a player—we first turned, however, to selected trustees as a task force and only later set up a more traditional advisory board of non-trustees to provide ongoing advice. The move into health care and its allied fields, such as health business, law, communication, and IT, however, required significant investment across five of our 10 colleges and the establishment of a strategic partnership with a Chicago-based medical school. We recruited board members with deep knowledge of health

care, and formed a small task force to review and advise the administration as the plans were set. When the larger board discussed the new strategy, members heard not only from the administration, but from members of their own body who had been deeply involved in the strategy's formation. For a brief time, outsiders might have characterized the board as "micromanaging," since they were deeply involved in negotiations, but the short-term nature of the task force



10 Important Reasons to Revitalize

Governing boards and top institutional administrators who recognize that mutual and collaborative leadership is the essential driver of success will want to move to the next level of board practices because, among other things:

1. The pressures and expectations for board leadership and engagement are growing significantly in a period of change.
2. A governing board must conduct its responsibilities in a manner that responds to a more demanding regulatory environment.
3. Policy makers are increasingly monitoring board accountability.
4. A governing board must meet heightening accreditor standards for fiduciary behavior.
5. A governing board must understand its role in a shared governance structure.
6. A governing board should be prepared to engage in framing strategic directions for its institution's business and academic models.
7. A governing board should delegate sufficient authority to a committee structure that reflects the institution's strategic priorities.
8. A governing board should apply risk assessment practices to the process of decision making.
9. A governing board must commit to a standard of high performance as a facilitator and contributor to its institution's success.
10. Simply meeting the minimum expectations of an effective board is no longer acceptable.

—Richard D. Legon, president of AGB

mitigated any long-term concerns, and the advantages far outweighed the fears of losing “administrative control.”

More typically, a campaign leadership committee was also formed to make key campaign decisions and lead the board members' own work in this area. That committee, too, will “sunset,” as the campaign comes to a happy close next year, and a more traditional philanthropy committee will resume its ordinary work at that time.

Most recently, five board members were assigned to lead a search for a new provost and formed the majority nucleus of a larger search committee containing faculty, staff, and student representation. A board member who herself had come from academe before moving into a successful business career served as chair. Other trustees have been members of or led search committees for the executive vice president, the general counsel, and the men's basketball coach.

Board members like to be appointed to such task forces because they see the results of their labor and feel that their expertise is being put to good use. They also enjoy the opportunities to get to know the university in specific and deeper ways. Their involvement

in the campaign, for instance, has been exemplary, not just because they helped lead it, but because of their active participation in the university's major decisions.

Making Board Members Matter

When I first came to DePaul, I met with our long-retired board members, one by one. Four of them told me that they were “the one responsible” for bringing the famed Goodman School of Drama into DePaul as our theatre school. Three told me they were the one responsible for convincing the university to purchase what is now the eastern half of our Lincoln Park campus from another college that was next door to ours. Another three told me they were the one responsible for building the deal that led the city to sell DePaul a former department store on State Street for back taxes, and then use city funds to turn it into a showcase for our esteemed Driehaus College of Business. All of them told stories of having to convince a skeptical board to make a risky decision, and all of them were correct. Each played a key role at a key moment. Each of them has continued to be proud of that involvement over the years.

Today I send periodic e-mails to our board members, passing along news-media coverage as new programs are recognized and ranked, as new buildings rise, as major partnerships take wing, and as our students succeed in new fields. I want them to see those accomplishments for what they are—the fruits of their labor—and to feel as proud of their collective work as those who have come before them have.

Indeed, board members are proud and engaged when their work matters. Ten years ago at DePaul, we decided to get better at putting them all to work, and, at least in our case, it's paying off. Everyone's happier. Our board members are helping DePaul reach new levels of academic excellence. They see the results of their efforts every time they set foot on campus, and we are so much the better for it.

An active, engaged board, firing on all cylinders, makes a true difference in the life of a college or university. Restructuring the board, sharpening its assemblage of talent, assigning important work, and shifting its subgroups to fit the task-at-hand can free up a board to smartly set, support, advance, and govern an institution's strategy. The board becomes, quite literally, a strategic asset to be deployed. Board attendance rises, to be sure, and not for the sake of good attendance, but rather because the members have come to see their collective activity as the competitive advantage for the institution that it is. ■

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T-SHIP LINKS: Terrence MacTaggart, “Boards as Game Changers.” March/April 2011. Alice P. Gast and Daniel E. Smith, “Five Keys to Unlocking the Value of Your Board.” May/June 2011. Michael M. Crow, “Toward Institutional Innovation in America's Colleges and Universities.” May/June 2010. “Overcoming Inertia: Can Higher Education Change?” July/August 2010.

OTHER RESOURCES: AGB Consulting (consulting@agb.org). The Effective Committees Toolkit (agb.org/store/effective-committees-toolkit).