

Insights

Responsibility and Accountability: Thoughts on Board Responsibility in Private, Nonprofit Higher Education

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"Tone at the top" is the accounting profession's language to describe the effectiveness of the internal controls, governance and oversight responsibilities carried out by a board of trustees. When tone is good (trustees insist on high ethical, financial and academic standards and hold management accountable), institutions of higher education are able to weather the storms of adversity. When tone is bad, not only can colleges and universities be hit hard with financial losses, they can also lose the reputations they have built, sometimes over many decades.

In light of recent admissions scandals, cybersecurity failures, sexual abuse and harassment claims, and other scandals involving colleges, this is a particularly good time to reflect upon the factors that tend to strengthen and depress the effectiveness of college oversight. These factors are applicable to public universities and private nonprofit universities alike.

Factors Strengthening Board Oversight:

- 1. Training in higher education** – Boards well trained in the unique aspects of higher education institutional performance are more likely to be healthy boards with good tone at the top. Such boards tend to monitor academic standards and ensure healthy financial performance, even in difficult economic times. They ask great questions on all aspects of university performance. They insist on clear, accurate and timely reporting. They focus on student outcomes, not just inputs.
- 2. Training in board leadership principles** – College and university boards populated with board members that understand their roles and exercise them diligently contribute to top flight institutional management. They are able to work through difficult issues with more efficiency and effectiveness than those that do not fully understand the role of the board. These are boards that have good structures and handle difficult or controversial issues, and conflicts of interest, well. When boards fully understand their roles, they know where the line is between strong governance and meddling, and focus on careful oversight without falling victim to micromanagement. They help steer the institution toward success in the right way, based on the right reasons. That becomes especially important during times of scandal and crisis.
- 3. Seasoned Board Leadership** – The best boards we have seen are those that have expended significant effort to carefully choose and groom board leaders. They do not stop at the typical board training sessions. They work to develop board leadership and diversity of perspective, in order to ensure good decision-making. Well-trained board chairs know how to manage the President and Board Chair relationships. It may be said that they follow the advice of former President Ronald Reagan: "Trust, but verify." With that knowledge and understanding, they take the time to make the relationship effective. They are normally rewarded with smoother operations and smoother transitions through difficult times.

Factors Depressing Board Oversight:

1. **Size** – Boards that have too many members tend toward a lack of accountability based on sheer numbers. When everyone thinks someone else is minding the store, it often turns out that no one is.
2. **Selection** – Boards without robust and thoughtful board selection criteria based on member skills tend toward weakness. The key issues for board selection can be summarized as competency, character and chemistry. Homogenous boards with little to no diversity are also at risk of weak performance. Another important factor in the selection process is choosing members who have adequate time to execute on important board responsibilities.
3. **Delegation** – Boards without a well thought through structure of committees and board framework tend to be weaker. They are not as effective as boards with strong structures and disciplined delegation and execution of committee responsibilities.
4. **Relationship** – Boards dominated by relationships that are too friendly and trusting tend to “look the other way” and not hold key people accountable for bad performance on the part of university administrators, faculty and/or staff. This is a recipe for disaster.

Work on these seven factors and strengthen your board. When the inevitable crisis arises, you will be glad you did.