MEMORANDUM

TO: The Special Committee on Governance and Engagement:

John E. Nau III, Co-Chair
Timothy B. Robertson, Co-Chair
Frank B. Atkinson
Hunter E. Craig
Marvin W. Gilliam Jr.
John A. Griffin
Victoria D. Harker
Bobbie G. Kilberg
George Keith Martin, Ex Officio

and

The Remaining Members of the Board and Senior Advisor:

Allison Cryor DiNardo
Helen E. Dragas
Kevin J. Fay
Frank E. Genovese
Marvin W. Gilliam Jr.
William H. Goodwin Jr.
Stephen P. Long, M.D.
Edward D. Miller, M.D.
Linwood H. Rose
Leonard W. Sandridge Jr.

FROM: Susan G. Harris

SUBJECT: Minutes of the Special Committee on Governance and Engagement Meeting on February 20, 2014

The Special Committee on Governance and Engagement of the Board of Visitors of the University of Virginia met, in Open Session, at 8:35 a.m., Thursday, February 20, 2014, in the President’s Reception Room of the Rotunda; John E. Nau III and Timothy B. Robertson, Co-Chairs, presided. All Board members were invited to participate in the discussion.

Present were Frank B. Atkinson, Hunter E. Craig, Marvin W. Gilliam Jr., John A. Griffin, Victoria D. Harker, Bobbie G. Kilberg, and George Keith Martin.

Also present were Allison Cryor DiNardo, Helen E. Dragas, Kevin J. Fay, Frank E. Genovese, William H. Goodwin Jr., Stephen P. Long, M.D., Linwood H. Rose, Blake E. Blaze, and Leonard W. Sandridge Jr.
Rector Martin opened the meeting by welcoming everyone and thanking Mr. Chait, the facilitator of the governance discussion, for coming to Charlottesville. He said he was hoping for a dynamic discussion. He also thanked both of the co-chairs for all the work they have done in preparing for this session.

Comments from the Co-Chairs

Mr. Nau said he thought that a good way to set the tone for this meeting was to look into the thoughts and wisdom from our founder. Mr. Jefferson said, "Nothing can stop the man with the right mental attitude from achieving his goal; nothing on earth can help the man with the wrong mental attitude." Mr. Nau said today is about planning for the future of our great University which is our shared goal. It is not to reflect or dissect on any particular issue and it is not to be critical of this Board or any previous Boards. In reviewing the roles and responsibilities as a Board over the past several months, several things were identified as either a void or gap with regard to governance. Mr. Nau said we are not currently in any situation but there is a need to address these critical areas. The governance role of a Board, especially at a public university, is the Board’s most critical role. He said it must be clearly defined and then put into practice. The Board must have a thorough understanding of the importance of governance, the definition of governance, and the impact it has on the Board’s effectiveness.

Mr. Robertson said he was very excited to have Mr. Chait here at the University and he was impressed by the whole concept of generative governing, meaning that the Board works with the administration to generate new ideas, new thoughts, and new strategies. He said we were very fortunate to have Mr. Chait with us, and he looks forward to his guidance.

Mr. Nau gave brief background information on Mr. Chait, emphasizing his experience with nonprofit boards and governance.

Governance Workshop

Mr. Chait said the aim is to do better work and work better; are we making an impact? The goal is consistently, constructively, consequential governance. There are four components: context, modes, dynamics, and mechanics. Most boards dwell on mechanics, but it is the least powerful lever; it is not as consequential as the other three.
Mr. Chait compared the corporate world with the university world. There are significant differences in focus. For instance, corporations maximize profits mindful of social responsibility, whereas universities maximize prestige mindful of public benefit. Corporations compete on output, but universities compete on input (students). With corporations, new is generally better; for universities, older is generally better; universities sell legacy and stability. Corporations exit unprofitable lines, but universities have a duty to continue unprofitable lines; there are other values that trump making money. Corporations have precise performance metrics, whereas universities have indicative performance metrics. Corporate boards are made up of prominent peers and focus on shareholder value, while university boards are prominent citizens grappling with multiple missions. Mr. Chait said trustees view the academy as either driving on the other side of the road or as driving on the wrong side of the road, and there is a big difference in perspective.

Mr. Chait said companies come and go, but universities last. The top 25 public universities average 152 years. Although universities don't disappear, they lose altitude, particularly public universities in recent times.

Mr. Chait gave Visitors a survey with hypothetical situations and asked for hypothetical whether the board should decide, the board should be informed, or the administration should decide. Some members objected to completing the survey because the surveys are publicly available. Mr. Chait said the surveys are anonymous and he would collect, keep them, and summarize the answers.

Mr. Chait spoke about the modes of governance, which is the way we think, which affects how we organize what we see. What does it mean to think as a trustee? He gave an example using the Boston Museum of Fine Arts to illustrate the role the board would play in the fiduciary mode, the strategic mode, and the generative mode.

In the fiduciary mode, the board's central purpose is stewardship of tangible assets. This is a guardian/oversight role which is critically important. In the strategic mode, the board works as a strategic partner with senior management, providing foresight. Their role is most valuable in stress testing the strategy developed by the administration. The value is in raising strategic issues. Good strategic thinking does not come from "SWOT" analysis, but from the active brainpower of board members, administrators, and staff — it is collective thinking.

In the generative mode, the board's central role is to decide what merits attention and what it means. "Generative" comes from "genesis" — the beginning. The board finds and frames problems and opportunities and contributes insight, making sense of circumstances. Generative thinking is not "out of the box" thinking and it is not "loose guy" thinking, but it does require tackling questions that do not have obvious answers and it requires making values-based decisions. The
single biggest challenge is how to decide what to decide – to focus on the “main thing”.

Mr. Chait said the fiduciary mode is the minimum a board must do, but it should be doing so much more.

Board culture is about behavior; nothing matters more than how a board works together, norms of behavior, and the shared values and beliefs that delineate acceptable behavior. Mr. Chait said a healthy culture has team players, distributed influence, collective wisdom, institutional perspective, charismatic listeners, constructive dissent, candid exchanges, confidentiality, diligence, mutual accountability, respect, and trust, and clear expectations. On the other hand, unhealthy behavior includes a huddle of quarterbacks, a dominant inner circle, individual convictions, personal preferences, assertive speakers, back channel complaints, reticence or deceit, seepage, disengagement, collective impunity, disregard and distrust, and ambiguous expectations. He said governance is collective work — have to do the work together and have mutual accountability.

Mr. Chait said the board needs to develop and apply mutual expectations – a social compact. He read a portion of the Ohio State University board’s social compact. At Texas, they developed rules and procedures for interaction between the board and administration. If there is no collective set of norms and guidelines, the board will not work effectively.

The board should orient newcomers to board culture, and self-assess board, committees, and overall performance. They should set goals and benchmarks for the board, and on a yearly basis seek management’s assessment and collectively interpret and utilize results. The governance committee should be given the authority to institute these practices, and establish a position description and succession for the chair. The board should epitomize performance accountability for the University.

Organizing the work should be done so that strategy drives structure, and not vice versa. The board’s work and university’s priorities should be synchronized. Meetings should have specific objectives and be organized around strategic themes. The administration should highlight opportunities for the board to add value. Certain structural efficiencies can conserve time such as flash reports, consent agendas, etc. Finally, the board should seek real-time feedback from management – are we being helpful?

Mr. Chait said robust discourse should be encouraged. Management should not occupy air time regurgitating what the board members should have read in advance. Catalytic questions should be asked to promote discussion. Mr. Chait summarized the behavior of effective boards including partnering with the president and sharing ownership of problems, and a focus on fusion thinking not demarcation of territory. Boards should accept individual responsibility and collective
accountability. Boards should model the behaviors trustees want the university to exhibit. He said the payoffs are more macro-governance and less micro-management; the board is more active and less intrusive; the board adds more value and derives more value; better work is done better; there is a greater return on investment for the board and for management; and improved performance for both board and management.

Mr. Chait said the Board has an opportunity to leave a legacy and be an exemplar of effective governance.

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Upon motion, the meeting was adjourned at 11:45 a.m.

SGH:dr

These minutes have been posted to the University of Virginia’s Board of Visitors website. http://www.virginia.edu/bov/specialcommminutes.html