

MARCH CEO UPDATE

Time to Read: 4.5 minutes

Dear Colleague,

You and the other members of your board have, I expect, read and discussed the steady drumbeat of stories about the challenges threatening the sustainability of many colleges and universities: the broken business model, declining enrollments that will be aggravated by the impending “demographic cliff,” inflation and other economic and market factors that will impact institutional budgets and fundraising, rising tuition and increased student needs, and the “Great Resignation” and competition for talent.

Even though foundation boards may not have direct oversight of these issues, they should have a solid understanding of their institution’s business model and potential market disruptions, and the implications for foundation functions, including fundraising, endowment management and spending, and real estate projects.

Annual board assessments provide a valuable opportunity to take stock of what your board knows about institution and foundation business models and associated risks, to identify where gaps exist and to determine what trustees need to know as part of the board’s learning journey.

As part of your board assessment, I suggest you adopt the following practices that will help your board be prepared for business model challenges and market disruptions:

Drill down: Board assessment questions can be high-level or narrowly tailored, depending on the circumstances.

- Moreover, if the assessment reveals that the board has a knowledge gap, the chief executive officer and board leaders should rectify that by preparing a curriculum of pertinent readings for each board meeting, scheduling regular educational workshops as part of each meeting, and encouraging board member to read [Trusteeship magazine](#) and other higher education news sources.

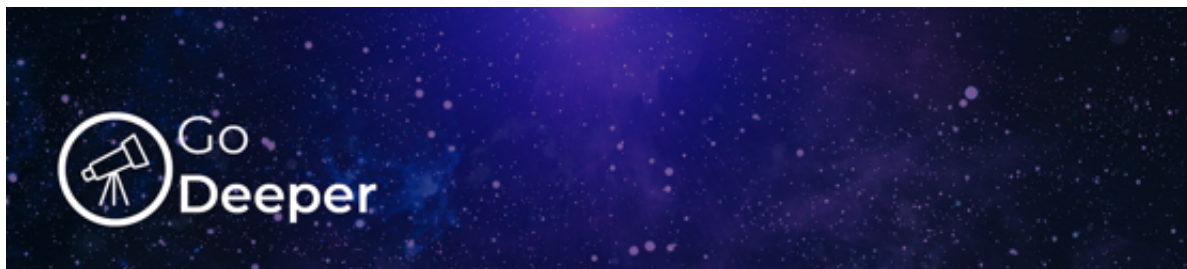
Speak up: Group dynamics can intimidate some board members and prevent them from admitting that they don’t know something. Board and committee chairs, chief executives, and board “mentors” should create a board culture in which all members are encouraged to ask questions and seek additional information.

- They should, in fact, emphasize that much of a board's strength lies in the diverse knowledge, experiences, and perspectives of board members from a wide array of careers and backgrounds. They should make it clear that it is acceptable when some board members know more or less than others. Cultivating a welcoming and collaborative board culture is key.

Don't wait for a crisis: Board assessments create an excellent opportunity for the board to annually consider the business model and other potential risks and trends before they impact the foundation's operations. Too many boards wait until the institution is facing a crisis to address strategic priorities and outcomes and it is too late to make important adjustments.

Stay at the board level: In addition to its fiduciary role, the board's "sweet spot" should be what Richard Chait, Barbara Taylor, and William Ryan in their 2004 book, *Governance as Leadership*, identified as strategic and generative governance. The board should rely on the chief executive and administrators to manage and implement plans while it focuses on high-level strategy and on framing the critical questions the institution should be asking.

Keep an eye on the horizon: Foundation boards are stewards of endowments and other assets intended to support the institution in perpetuity. It can be tempting to focus on immediate challenges, but foundation boards have a responsibility to maintain future-oriented mindsets. When discussing the institution's and foundation's business models, consider what may need to change in one year, five years, and 10 years.



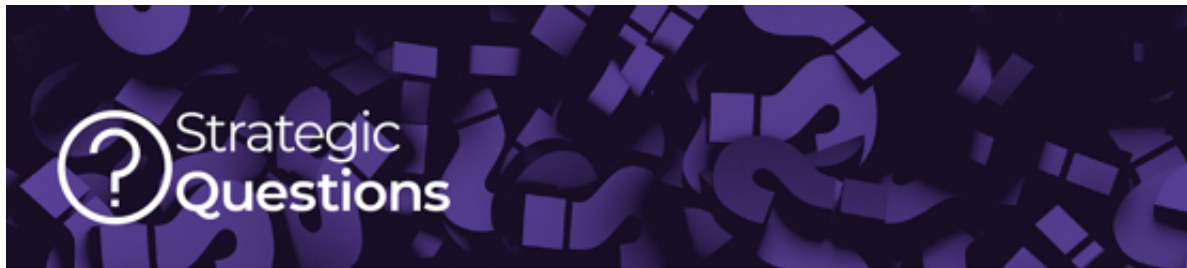
Go deeper:

- Join us for the [AGB Institute for Foundation Board Leaders and Chief Executives](#), June 11–13, 2023, at the Four Seasons Minneapolis in Minneapolis, Minnesota. The institute affords a unique opportunity for foundation CEOs and their chairs or chairs-elect to develop a shared strategy to address the challenges and opportunities facing their foundations.
- Review more information about [board assessment](#) in the AGB Knowledge Center and contact AGB at consulting@AGB.org to discuss options for your next board assessment.
- Read the January/February 2023 *Trusteeship* magazine article "[Foundation Board Assessments](#)" by Lynnette M. Heard, AGB senior fellow and senior consultant.

- Peruse the AGB publication [Assessing Board Performance: A Practical Guide for College, University, System, and Foundation Boards](#).
- Reflect on how challenges to the business model fit into your strategic risks and opportunities, as identified in AGB's [Top Strategic Issues](#).

AGB has your back: With [three different options for assessment support](#), AGB is your go-to governance partner for board and presidential assessments.

The bottom line: The assessment process is useful in so many ways. In my view, establishing your board's comfort with the business model and the potential for disruption is an effective use of time and resources.



Questions for board and committee chairs

- What issues should the board's assessment process address annually and also this year?
- Does the composition of the board provide a mix of knowledge and experiences?
- How can your board benefit from its diversity, including generational, gender, ethnic, and perhaps geographical diversity?

Questions for board members

- What is your comfort level with your foundation's business model?
- Are you maximizing your participation during board and committee meetings? If not, what obstacles prevent you from speaking up and engaging at the level you would prefer?

Questions for chief executives and leadership teams

- What guidance and support can you offer the board when going through the assessment process?
- What key finance and business model metrics should be regularly shared with the board? When should this occur?

I hope you have a prosperous season, and I look forward to seeing some of you at the

Institute for Foundation Board Leaders and Chief Executives in June.

Best,

Henry



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