

Report of the Task Force on Trustee Orientation and Development March 23, 2007

In July 2006, Chair of the Board of Trustees Cynthia A. Baldwin announced the establishment of a Task Force on Trustee Orientation and Development. The purpose of the Task Force is to review the current orientation materials and schedules, review our educational programming efforts as it pertains to our better understanding of Penn State, and to identify steps or suggestions that we can implement or incorporate to ensure that we are, in fact, using the best practices possible to educate ourselves.

Chair Baldwin met with the members of the Task Force on Saturday, September 16 to deliver the charge to the group. Members of the Task Force are: George T. Henning, Jr. (chair), Marianne E. Alexander, Eugene B. Chaiken, Galen T. Foulke, Walter N. Peechatka, and Gerald L. Zahorchak; other participants included Paula R. Ammerman, Cynthia A. Baldwin, James S. Broadhurst, Wendell V. Courtney, and Stephen J. MacCarthy.

History

The orientation process for members of the Board of Trustees has evolved over the years. Typically, schedules permitting, new Board members are invited to meet with the members of the senior administrative team of the University. Additionally, a meeting is arranged for the new members to meet with the Chair and Vice Chair of the Board.

It is recognized that, more recently, greater emphasis has been placed on the responsibility and accountability of governing boards, both for-profit and non-profit. Additionally, it is recognized that some members may join our Board without any prior knowledge of Penn State or experience as a student. Penn State is a complex, \$3.2 billion enterprise, with twenty-four campus locations, and a presence in each of the sixty-seven counties within Pennsylvania, as well as our involvement in a myriad of activities nationally and internationally.

Penn State's legacy is 152 years in the making. The Board of Trustees is charged with the duty to exercise its fiduciary responsibilities in protecting that legacy to ensure the future of this institution and fulfillment of our land-grant mission. It is essential that all available resources are utilized to ensure that the new members are provided with the appropriate background to make those determinations that fall within the Board's prescribed responsibilities. It is important for the Board to have a keen understanding of its fiduciary responsibilities and its role in supporting the President and policy setting. Additionally, it is necessary for the Board to have educational opportunities to keep abreast of the issues in higher education at the national level, and maintain a University-wide perspective rather than a single special-interest focus.

Charge

The charge of the Task Force on Trustee Orientation and Development was ". . . to review the current orientation materials and schedules, review our educational programming efforts as it pertains to our better understanding of Penn State, and to identify steps or suggestions that we can implement or incorporate to ensure that we are, in fact, using the best practices possible to educate ourselves."

Review

The Task Force met in September, November and January and reviewed a sample administrative orientation schedule as well as the current materials distributed to new members of the Board of Trustees. Discussion was held regarding the vast amounts of material provided at the time of orientation. It was recommended that the materials be streamlined and organized into a notebook form for easy and future reference of new and incumbent Board members. It was suggested that this include an administrative synopsis of each administrative and academic unit. Additionally, it was agreed that a follow-up process should be implemented by the Director of the Board of Trustees Office immediately following the first meeting attended by a new Board member, and at a six-month mark to evaluate the need for additional orientation. Additional follow-up would be as required or desired by the individual Board members.

The Task Force reviewed the orientation provided to new members by the leadership of the Board. This included a review of the current schedule and the general topics that were covered in the meeting. Discussion was held regarding the need for greater emphasis by Board leadership on the role of a trustee and how the Board functions (as a committee of the whole). The culture of the Board must be communicated by the Board leadership. It was noted that, if a new member is assigned to a standing committee, involvement of the respective committee chair in orienting the new trustee to the function of the committee and future committee agenda topics may be helpful.

The AGB Trustee Survival Kit should be distributed to each new trustee. The kit contains a series of Board Basics pamphlets including:

- Strategic Responses to Financial Challenges
- Institutional Ethics and Values
- The Board's Responsibilities for Academic Affairs
- Policy Making and Administrative Oversight
- Trustee Responsibilities: A Guide for Governing Boards of Public Institutions
- Governing and Foundation Board Relationships
- Trustee Portfolios which includes articles focused on the governance of public higher education.

It was noted that the materials in the survival kit do not specifically address the governance structure at Penn State, however, the materials are useful in providing an overview of public higher education issues and approaches.

During the orientation by the leadership of the Board, special emphasis should be placed on the partners' program. Partners of the Board members are included in many activities and are encouraged to participate as fully as schedules and interests permit.

It was suggested that information regarding seminars and the purpose of the seminars be conveyed at the orientation as well as explanation of committee meetings and committee seminars; architect/engineer selection subcommittee; subcommittee on audit; and the role of academic freedom at a public university.

It was generally agreed that trustee mentors should be assigned to assist in the orientation of new Board members as they could be helpful in making introductions, providing assistance and guidance as requested, and in answering general questions regarding the operation of the Board.

Discussion was held concerning continuing development and education of incumbent Board members. This included a review of a few of the conditions facing higher education, as noted by the Association of Governing Boards of Universities and Colleges (AGB), which included:

- A loss of public confidence in the integrity and governance of major corporations;
- Changes in the legal and regulatory environment (most prominently, Sarbanes-Oxley legislation) designed initially to address corporate scandals, though not totally irrelevant to the nonprofit sector;
- Disturbing questions about the integrity and governance of certain sectors of the nonprofit community;
- Adverse publicity about lapses and failures in the governance of higher education, chiefly with regard to executive compensation;
- Challenges from the Internal Revenue Service and the Senate Finance Committee to the autonomy and authority of college and university governing boards;
- A litigious environment affecting colleges and universities;
- A fragmentation of views and policies among organizations that represent and serve the academic community at a time when unity is especially vital.

Additionally, AGB also provided a statement of "A Board's Basic Responsibilities" which notes that Board accountability naturally flows from its basic responsibilities to:

- Approve the mission and purpose of the institution.
- Recruit, appoint, support and evaluate the chief executive officer.
- Fulfill the fiduciary responsibilities of the board:
 - consider and approve the institution's budget
 - monitor the resources and productivity of the institution
 - manage the institution's endowment
 - participate in fund-raising, both through personal philanthropy and advocacy
 - meet the expectations of board accountability and transparency in the conduct of board affairs
- Oversee and participate in periodic strategic planning and advocate on behalf of its outcomes.
- Be aware of educational, research, and service programs and help ensure that the institution's academic priorities are being met.
- Engage with the institution's major constituencies on a regular basis, in coordination with the administration.
- Preserve institutional independence through participation in the institution's accrediting process.
- Remain informed about institutional issues and the challenges confronting higher education.
- Serve, as necessary, as a final court of appeals on matters relating to governance and on institutional policies in accordance with campus grievance procedures.

In order to focus on issues in higher education and to assist in developing educational opportunities for the Board, a governance group could be formed to evaluate ongoing issues in higher education and make recommendations for programs, seminars, external speakers and the like.

Discussion was also held regarding the Board retreat and self-assessment conducted in January 2006. This was deemed to be a highly beneficial exercise and it was recommended that similar exercises be conducted at three year intervals for Board development purposes.

To develop a further understanding of the complex Penn State enterprise, it would be helpful to schedule tours of academic and other units, and of the University's physical plant as interest and schedules permit. Additionally, when meeting at locations other than University Park, focus should be placed on the academic programs and the physical plant at that location as much as possible.

Summary of Recommendations

The Task Force on Trustee Orientation and Development recommends the adoption of the following as measures to enhance and build upon the best practices and processes with respect to the orientation of new trustees and the ongoing development of current Board members:

1. Administrative orientations are essential to provide a better understanding of the institution and all new trustees are encouraged to attend and participate in the meetings with the senior administrators. All materials provided to new members should be streamlined and organized into a notebook form for easy and future reference of the Board members (including administrative synopsis of each administrative and academic unit). The notebook should be offered as a reference tool to current Board members as well. The Director of the Board of Trustees Office should ensure that all information is provided in a uniform and consistent manner.
2. A follow-up process should be implemented by the Director immediately following the first meeting attended by a new member, and at a six-month mark to evaluate the need for additional orientation. Additional follow-up would be as required or desired by the individual Board members.
3. Orientation by the leadership of the Board of Trustees is essential and should include special emphasis on the role of a trustee and the culture of the Board. Information should also be conveyed regarding the functioning of the Board. If a new member is assigned to a standing committee, involvement of the respective committee chair should be solicited to orient the trustee about the role of the committee, including review of future committee agenda topics.

Special emphasis should be placed on the partners' program. Partners of the Board members are included in many activities and are encouraged to participate as fully as schedules and interests permit.

Information regarding seminars and the purpose of the seminars should be conveyed at the orientation, as well as an explanation of committee meetings and committee seminars; architect/engineer selection subcommittee; subcommittee on audit; and the role of academic freedom at Penn State.

4. The Chair of the Board should assign a trustee mentor to each new Board member to assist in the orientation process. Trustee mentors could be helpful in making introductions, providing assistance and guidance as required, and in answering general questions regarding the operation of the Board.
5. In order to focus on issues in higher education and to assist in developing educational opportunities for the Board, a group focused on Trusteeship should be formed to evaluate ongoing issues in higher education and make recommendations for programs, seminars, and external speakers.

6. The Board of Trustees should engage in a self-assessment activity, similar to the Board retreat conducted in January 2006, at three year intervals for Board development purposes.
7. To develop a further understanding of the complex Penn State enterprise, tours of academic and other units, and of the University physical plant should be scheduled as interest and schedules permit. Additionally, when meeting at locations other than University Park, focus should be placed on the academic programs and the physical plant at that location as much as possible.