

To: John Wilson, President, and Bob Davidson, Board Chair
Morehouse College

From: Rick Legon and Alvin Schexnider, AGB Consultants

Subject: A Summary of Reflections and Recommendations Resulting from AGB's
Assessment (Self-Study) of Morehouse College Leadership and Board
Governance

Date: May 14, 2014 (updated September, 2014)

This memo presents a series of recommendations that we propose be given timely consideration by the president and board leadership of Morehouse College. It is being shared now in this form because we are concerned that important steps are still awaiting action at the college, and we feel obligated to submit a final summary of our work. Our initial plan was to present the findings during an in-person meeting with you following the May workshop, working from a “draft” memo. A hoped for meeting to report on our recommendations did not take place.

A final summary of our work was expected, and we decided to share our findings and recommendations in this form as a record of our opinion, based on broad input. Our findings mirror the collective input from the board’s own self-study assessment, as well as our other conversations and policy review. Our conclusions indicate that it is time to take action and, it is our hope that these recommendations can serve as a road map to a healthier governance structure and a more productive board culture. We urge you to review these recommendations with other board members in order to continue an important conversation on the best way to move forward.

We offer these findings and recommendations based on our careful review of policy documents, as well as interviews with board members, the president and chair, and several senior staff members. In addition, a number of meetings were held leading to the board self-study workshop to review those inputs. Our recommendations are informed by current best practices in institution governance. Also, we urge recognition that most of these recommendations are linked—that is, they lose impact if only selectively implemented. Governance must tell a “story” about institution mission and mutual expectation, and a commitment to the future—it must hold together in ways that work holistically and that are supported by all institution stakeholders.

Since our original work with Morehouse it has become increasingly clear that fundamental governance weaknesses need immediate attention. The structure and effectiveness of board governance and a board's relationship with its institution chief executive leave little room for error. That relationship must function based on a high degree of trust and a mutual understanding of priorities. In addition, boards must recognize the balance between their fiduciary authority and their support for strong and effective administrative and academic leadership. In today's environment, mission clarity and ensuring the value proposition of our institutions mandate a refresh of board and institution governance; the old ways of meeting governance responsibilities will not work and may actually exacerbate already challenging times. Morehouse is no exception; the board must recognize the need for comprehensive and courageous change lest the college business model become weakened and more uncertain. Today, board governance has the attention of policy makers and accrediting agencies; too many institutions are cited for weak or ineffectual board governance. There really aren't many options to hitting a proverbial governance refresh button at Morehouse.

Our concerns reflect those persistent practices that are getting in the way of strategic governance at the college—a more positive tone between the board and the president, appropriate board engagement and structural reform. Our objective is to help Morehouse College recommit to a new level of high performance at the board and presidential level. [Note: AGB's offer to assist was made following the board assessment workshop and prior to board leadership's decision to seek guidance on governance issues from a different resource.]

The rationale for implementing a bold commitment to governance renewal is our belief that institutions today, most especially those that face a pattern of under-capitalization, enrollment challenges and other financial concerns, are in need of strong and effective governance. For institutions to have a chance to recharge or change their business model, to clarify their mission, and to ensure quality, they must understand the inter-relationship that is essential across a culture of shared governance—board, administration, and faculty. Failure to act on these areas of stakeholder accountability and respect puts the institution and its current (and future) students in jeopardy. Boards must be careful not to mistake their own individual interests and priorities with their fiduciary responsibilities of putting the needs of the institution first. Resisting bold governance change at Morehouse can be construed as an abrogation of fiduciary responsibilities.

So, while there are a number of areas of governance and management change that Morehouse College should consider, the recommendations below focus on the following areas: the president's relationship with the governing board; the relationship that exists between the president and board chair; areas of board structure and practice that need to be rethought through adjustments to the board's bylaws and other governing policy documents; and staff-board support and relations. Changing and strengthening governance won't occur overnight, but time is of the essence; it will require constancy and commitment.

President's Relations with the Board

The president at Morehouse College has expressed some specific views about his expectations of governing boards—some of those views seem to have created tensions with board members and the administration. While some board members have taken extreme and unrelenting positions about presidential communications (and trust), the president should rethink his outreach and communications with all members of the Morehouse College board. Specifically, we urge the president to move to a more open and communicative strategy along the following lines: [Note: we have been informed that some changes in the relationship have been implemented since the board self-study workshop; we applaud such progress and encourage it to be made permanent.]

- No Surprises and Full Transparency-- President Wilson must be more intentional about sharing information with all members of the board on a timely basis. Some information will ultimately require action and other information about those issues/policies that are being addressed for future consideration should be shared with fiduciaries as appropriate. It is clear that the board expects more details from the administration on issues that it sees as fundamental to policy. The process of communication between the president and the board should be formal as well as informal, such as periodic update memos from the president and regular calls and visits with all members of the board (sharing information with trustees broadens potential commitment to fund-raising assistance and personal philanthropy and support for bold presidential leadership).

There will be issues and information that are best shared with the board during committee or full board meetings; the president's judgment on when to share, and how, should prevail. But while the commitment to information and transparency is a must, the board must continue to respect the distinction between its policy oversight role and management's role; not every administrative matter rises to the level of board oversight.

Part of the issue rests with senior staff members and their understanding of how to support the board. We sense some concern about cabinet members working with committees and committee chairs on strategic agendas and the metrics needed to inform strategic direction setting. Staff should be trained to support board and committee needs and by doing so, to learn how to support the president and his agenda as it relates to keeping the board engaged and informed.

- The president should have an easy and candid relationship with the board chair as well as all board officers. We have specific recommendations about this relationship below, but it is one that can make or break board governance and institutional success. For example, the president should be consulted (not as the final voice, but as a courtesy) about his thoughts about board leadership succession, and that view should be part of the Trustee and Governance Committee's considerations. Trust and advocacy on behalf of the president should define this relationship; yet currently those criteria appear to be missing from this most essential of relationships. The relationship that we encountered between

the president and chair is an untenable one; we would urge candor and consideration of alternatives to either dramatically improve the situation or to reconsider board leadership.

Governance Policies

- Overall issues concerning board make up and board structure are a significant problem for Morehouse College—the board isn’t well positioned to do the “thought partner” work that is required in today’s environment of change. There are lots of reasons for that, but most can be improved by starting with the bylaws (and other relevant governance policies) and rethinking board traditions and current practices. Some challenges that can and should be immediately addressed include:
 - Bylaws: these need a fairly significant redrafting effort; and while some of the changes would be a clarification and update in order to be consistent with best practice, it appears to us that there are elements of the bylaws that are in need of reconsideration. Savvy board member prospects look at governance policies prior to accepting appointment to a board—Morehouse College deserves to have bylaws that meet the test of a high performing and strategically focused board, while recognizing both the scope and limits to fiduciary responsibility. Some of the most pressing bylaws issues that we recommend be addressed include the following sections:
 - Board Officers: The role of an assistant secretary serving as an officer of the board seems unclear and likely unnecessary. Also, the treasurer position points to a portfolio of responsibilities that border on management responsibilities: “monitoring” institution investments seems to intrude on the role of the CFO and the board’s Investments Committee; and “establish” and “manage” fund accounts should not be authority held by a single board officer. The implications need to be clarified or rethought.
 - Executive Committee: The full board is clearly sensitive to an insider group of board leaders who are seemingly making the key decisions—here appearance matters as much as reality; data from the board self-study made that clear across a number of questions and responses. This isn’t unique to Morehouse College, but it should be addressed in order to change the culture of overall board member engagement and trust going forward. An Executive Committee with a more limited and focused role should be among the priorities of a board culture change and considered amendments to the bylaws.
 - Governance Oversight: We recommend a name change to the committee (“Governance Committee” should suffice). Also: it appears that officers will serve parallel terms; this should be intentionally changed to provide for rolling terms so that not all board officers complete their terms simultaneously. In addition, while there is a 10-day lead time called for in the bylaws regarding informing board members about individuals to stand for election to the board, there appears to be less transparency than implied by the stated process with a fair number of board members not sufficiently

aware of the process or qualifications of prospective trustees. The recruitment and election process of prospective board members should be more transparent.

- ◆ In addition, strategic boards should limit board officer service on the Trustee and Governance Committee—for obvious reasons. While it isn't always feasible to meet such a standard, there is good reason to preclude current board officers from also serving as either the chair or vice chair of the Trustee and Governance Committee. This should be reconsidered at Morehouse College.
- ◆ Also, with a significant number of current board members having served over 10+ years on the board, it has created the need for new and fresh expertise, and to rethink the resetting of terms that is imbedded in the 1/'13 bylaws. Adding a potential for three additional terms for long-serving board members limits the capacity to add new trustees and makes it more challenging to build the board that is needed to tackle current challenges and seize future opportunities. There can and should be a process of phasing longer standing board members off the board—of course, provision for emeritus board status and other honorary designations can be considered so long as the standards are clear and NOT automatic. But new times mandate fresh thinking and new expertise.
- ◆ Board make-up—independent institutions tend to have over 50 percent of their trustees come from the ranks of alumni, neither surprising nor necessarily a bad thing. And yet, the overweighting of alumni trustees at Morehouse College strikes us as an issue worthy of reconsideration, especially when coupled with the duration of their service. Current challenges call for a broad array of voices; many alumni trustees display a fondness for what they remember from their days on campus. While not surprising, it might not be what is best for Morehouse College—can only alumni care about the future of the College? Some fresh thinking about structure must be considered. A board profile should be established—one that reflects an aspirational picture of the board that would best serve the college going forward. Boards are mandated to look forward; alumni dominated boards often look out the rear view mirror.
- Other areas of policy that likely need review and refresh include: compensation review authority of the board, and the currency of the board's conflict of interest policy—including, perhaps, using AGB's "Compelling Benefits" standard as a guide for this important board oversight policy.

President-Board Chair Relationship

Ultimately, governance of private institutions is made or broken based on this relationship. While Bob and John have had some candid discussions with the assistance of outside expertise and AGB consultants—it is abundantly clear that current leadership lack the essential elements

of trust to make this work going forward. In the one relationship that needs to work well, their relationship is a recipe for failure. [Note: these are observations made in advance of, during, and subsequent to our engagement; we would happily amend our critique if progress in this essential relationship has been made in recent months.]

Changing presidential leadership at this point is exactly the wrong recipe for Morehouse, therefore, we encourage the chair to work with the Trustee and Governance Committee on an expedited board leadership succession process. We don't make this recommendation lightly; both leaders are truly passionate about the college's future, however if the relationship is not one that can be repaired then we reluctantly conclude that the Trustee and Governance Committee might appropriately explore alternative options (and, if so, the chair, who currently serves as the chair of that committee should recuse himself from that process).

- In addition, it is essential for any remnant of the previously scheduled regular conference calls for board officers and the president (as a means to closely monitor the president's leadership) be terminated. They send precisely the wrong signals about presidential leadership and they are inconsistent with a board that should be focusing on policy and strategy. Presidents must be enabled to lead and to assume the risks inherent to a CEO's position—that is they should be allowed to succeed or fail without an intervening management oversight process. This practice (even if not actually operational) should be removed immediately. [Note: it may be that this pattern of meetings has been discontinued since our direct engagement, an action that we would applaud.]

The issues and recommendations contained in this memo are actually not all that difficult to address as long as individual egos can be set aside, individuals are willing to put the college before personal interests, and there is the will to fix governance. Revising governance structures will be a positive start along the road of moving toward a level of strategic governance, however, they should be seen as requisite to provide Morehouse College with the best opportunity for success.