



**Report of the ACC Governance Task Force to the Board of Trustees**

## **Preamble**

Subsequent to the August 2005 Board of Trustees governance retreat a special Board Task Force was charged to identify the principles and philosophy of optimal governance for the College. Since August 2005, the Governance Task Force ("GTF"), co-chaired by Immediate-Past President Michael Wolk, MD, MACC and Immediate Past Chair of the Board of Governors James Fasules, MD, FACC, with the participation of Trustees Roberta Williams, MD, FACC, Bruce Lindsay, MD, FACC, and William Zoghbi, MD, FACC, has worked to achieve this objective.

The GTF's work can be viewed as a successor to the College's Task Force on Board Effectiveness conducted in 2000 under the leadership of Past President George Beller, MD, MACC. The GTF began its work by discussing at length issues of optimal governance with reference to a number of external sources, including Douglas C. Eadie's book *Boards That Work*, particularly chapters 8 and 10, the results of the August Board governance retreat, and consultations with Tom Gilmore of the Center for Advanced Research and Josh Mintz of Cavanaugh, Hagan & Pierson, Inc. The GTF then focused its work on a review of the College's principal governing documents.

## **Background**

There are a number of factors, both internal and external, driving the College's focus on governance over the last several months. As a general matter, the College faces a critical but exciting time in its history. The last few years have been marked by significant growth in the breadth and complexity of the College's activities. These changes have necessitated a rapid increase in the number of staff and greater demands on member time to stay current and informed about College activities. As a result, the College is undergoing a rapid and necessary evolution toward a more complex, sophisticated, professional and influential organization compared with ten, five, and even three years ago.

Equally important as these external factors is the primacy of member leadership as the driving force in the College. For such leadership to succeed, information to leadership must flow in a sufficiently timely manner to allow Trustees a thorough and considered review of the issues and activities to allow informed judgments and decisions about the College's ongoing activities. Similarly important is the relevance and completeness of the information provided as requested. This information is critical to the member leadership's ability to remain sufficiently engaged in ongoing oversight and assessment of College's programs and activities.

While recent advancements in reporting and more frequent executive committee meetings have improved the quality and scope of the information flow, the GTF feels that it is critical to reiterate that this level of communication must be sustained over time to ensure a healthy and collaborative interaction between member leadership and the staff.

Although there is consensus that many of these governance principles and practices already are outlined in the bylaws, in spirit if not to the letter, governance issues are now coming to the fore as a result of pressures building on the College's members, leaders, and governing bodies because of the College's rapid growth and evolution. In light of the foregoing, as well as the exemplary standards for informed governance and accountability established by the Sarbanes-Oxley Act, the ACC Board recognized at its August 2005 meeting the need (1) to review its governance, (2) to play a more active and responsible role in monitoring programmatic performance on an ongoing basis, and (3) to continue to improve and maintain the flow of information between members and staff leadership.

## **Charge**

The GTF's charge is to propose recommendations about optimal philosophy and principles of governance for the ACC, including:

- Have initially reported to the Board by December 15, 2005 and:
  - a. Compile notes from the Board's August 2005 governance retreat and make recommendations regarding the CEO reporting relationship.
  - b. Recommend Bylaws amendments, if any, resulting from the Board resolution regarding the Executive Committee's authority to act on behalf of the Board in between Board meetings.
- Review and redefine the roles and responsibilities document (R&R) describing the Executive Committee ("EC"), Board, President, and CEO roles.
- Review and define the appropriate role and title of the principal ACC staff leadership position and clarify the optimal reporting relationship for this position, as well as senior staff, to the Board, and EC.

- Make recommendations regarding tools to ensure that the desired staff/volunteer leadership balance is preserved, including but not limited to annual evaluations of the CEO and senior staff and to maintaining consistency between any staff/volunteer contracts and the College's bylaws and other principal governing documents.

The GTF has fulfilled its charge and this report reflects the GTF's proposed recommendations and suggested future steps.

### **Approach and Process**

The GTF believes that effective governance requires balance, trust and collaboration among member leaders, the CEO and staff. Such effective governance understands and respects the culture of the organization and the distinction between member oversight and member supervision. Effective governance also requires clear definition and general recognition of the leadership roles and responsibilities and that ultimately all authority and accountability rests with the Board, whose exercise of such authority requires timely, complete information allowing leadership to make informed decisions with confidence.

The GTF has endeavored to approach its work in a dispassionate, objective manner without a pre-ordained conclusion or regard to the results its review may generate. Equally important to the integrity of the GTF's review, as well as its long term impact, is the GTF's focus on pure governance issues rather than personalities and the persons currently exercising governing authority and occupying leadership roles in the College.

To work through these issues, the GTF held seven lengthy conference calls, and a face-to-face meeting. In addition, the GTF consulted with Tom Gilmore of the Center for Advanced Research and Josh Mintz of Cavanaugh, Hagan & Pierson, Inc. Both individuals have long consulting relationships with the College regarding governance and leadership issues. Most importantly, the GTF endeavored to work closely and constructively with the College's current CEO, Chris McEntee, to solicit her views on College governance generally, including her comments on the revised R&R document. In this regard, the GTF recently met for over three hours with the CEO to discuss these issues and review the GTF's initial recommendations and the CEO's related comments. This recent meeting in Washington, DC was also attended by an observer/facilitator, Bob Stump, a colleague of Josh Mintz, to ensure the integrity, productivity, efficiency, and fairness of the meeting process.

The GTF also focused on critically reviewing and, where necessary, revising the R&R document to ensure consistency with the Bylaws and governance philosophy discussed during the August 2005 Board retreat. The revised R&R specifically defines the roles and responsibilities of the College's principal governance instruments – the Board of Trustees, Executive Committee, and Presidential Team and its leadership positions - the President and Chief Executive Officer. In the course of its work, the GTF also examined the sources and lines of decision making authority and advisory roles and their interplay within the College's governance structure to ensure these were clearly defined and consistent across the organization. The R&R document was then further revised in an effort to describe the ideal interaction and lines of authority between and among the principal governance instruments.

### **Summary of Recommendations**

After considerable critical review and discussion, the GTF developed a number of recommendations to optimize the College's governance structures and activities. Generally, the GTF recommends that the College reaffirm that it is a member "owned," driven, and led organization. As such, the College should ensure that its governance model flows from and is informed by this governance philosophy and that the Bylaws and R&R documents reflect a member driven but collaborative relationship among the CEO, senior leadership team, and staff. This relationship supposes a continuous, informed and collective oversight of the College's programmatic activities so that the member leadership will be in an informed and timely position to assess whether the established benchmarks and metrics are met throughout the development and operations of College programs and activities and to judge whether a mid-course correction or reassessment is needed.

Based on the GTF's discussions and an extensive review of the College's current Bylaws, the GTF is proposing a number of recommendations to achieve optimal governance consistent with the Board's governing philosophy and ensure internal consistency among the governing documents. The GTF also believes it is important that this work be member driven to engender Board and member support and their ownership of the process and results.

The recommendations, however important, do not require Bylaws amendments nor represent a dramatic revision or reworking of the established R&R document. They also do not envision or suppose a weakened

authority of the CEO, or limited participation of senior staff. Although improved governance and oversight processes may require greater reporting and member/staff collaboration, the Board reiterates the importance of employing high-level, empowered, professionals with the technical, management, and communication skills required to (1) meet the demands of the College's increasingly complex operations and (2) respect and function with the level of collaboration and oversight required under the College's optimal governance model.

Indeed, the reporting and communication process between the Board/EC and CEO requires a strong CEO to critically evaluate, question and challenge the Board. Moreover, the GTF recognizes the importance of a strong CEO presence to senior staff morale and effective performance. Particularly in a time of increasing concern about elevated staff turnover and retention issues, and the move to a new Heart House, the GTF believes it is critical that the CEO maintain a strong and ongoing presence at Heart House now and in the future. The GTF also recognizes the importance of CEO's travel and external activities in maintaining relationships and developing new ones beneficial to the College provided, however, that CEO Heart House presence is primary and represents the vast majority of CEO time spent on behalf of the College.

### **Recommendations**

The GTF proposes that the Board of Trustees:

- Recognize that the College's culture is important to its members and that it embodies the philosophy and primacy of "member driven-ness" and a spirit of collaboration among leadership, members and staff.
- Affirm that the CEO shall report to the Executive Committee in between Board meetings in accordance with the unanimously approved Board resolution dated August 6, 2005, and reaffirmed by the BOT's unanimous written consent on or about September 1, 2005.
- Affirm the importance of quarterly reporting of the College's strengths and weaknesses and bi-weekly Executive Committee conference calls.
- Affirm that operational oversight of activities is not only appropriate but essential. Operational oversight does not mean a greater role or involvement in management or operations than is necessary to provide the leadership with the information and opportunity to set and adjust as required the strategic direction and/or particular initiatives of the College; only then can the Board be accountable for the implementation of its strategy.
- Affirm the critical value of staff empowerment to the operations of the ACC, and of the importance of close collaboration between staff and leadership to fulfill the College's mission.

The GTF proposes that the Board approve the revised R&R document clarifying and defining the principal governance positions and relationships. A summary of some of the clarifications, definitions, and their implications follow:

- The Board shall delegate to staff the management and operational functions of the College, although it retains oversight responsibility for these functions.
- Where staff decision-making under this authority significantly impacts members of the College, its major organizational structure, or its fiscal stability, staff should inform and seek the input of the appropriate member leadership prior to exercising such decision making authority in recognition of the importance and value of membership leadership input and to facilitate the appropriate exercise of the Trustees' fiduciary duty.
- The job descriptions for College elected and appointed positions, their roles and responsibilities should be reviewed and revised to ensure consistency with the Bylaws, R&R and other governing documents.
- The hiring and firing of senior staff is the responsibility of the CEO. The critical importance of this responsibility however suggests that the Board expand its annual senior staff assessment. The Board should have a constructive role in the periodic review of senior staff and be a thinking partner with the CEO about senior staff development and deployment. Such feedback can only make the College stronger and provide additional valuable input to strengthen decision making.
- To fulfill its other charges the GTF also recommends that the BOT:
  - Defer until January, 2006 the CEO evaluation and approve revisions to the CEO Assessment process schedule and the addition of Supplemental Questions on Board Engagement and the additional Personal Quality Questions.
  - Not change the title of the CEO or change CFO reporting

### **Conclusion**

The GTF recognizes that the foregoing revisions to the R&R document and other recommendations are

essential, but also understands they are but blunt instruments in trying to increase trust, collaboration, and the quality of the working alliance between staff and member leadership. Solutions to trust and collaboration cannot be found on paper. The GTF acknowledges that these changes, whether perceived as significant or not, are changes nonetheless and that they will take time to work-out. The GTF therefore understands that further communication and work will be needed to operationalize aspects of the foregoing recommendations and the GTF is prepared to work closely with the EC, BOT and CEO in this regard. More critical, however, to the success of these governance recommendations is the spirit and will underlying their acceptance and the good faith that is necessary to give these recommendations an opportunity to succeed, in the hope of benefiting the College and improving the fulfillment of its mission.