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New Dimensions: Finding Depth with a Smaller Board

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TAKEAWAYS

A smaller board with fewer committee meetings can allow the entire board to focus more on strategic priorities and truly become the president's thought-partners.

With no "insiders" or "outsiders," everyone is working from the same playbook, with access to the same information, and bringing their A-game to meetings.

A smaller board might lead to a decline in fundraising or individual expertise, making the selection of new board members that much more important.



Among the many things I try to be grateful for in my life and work as a college president is the fact that my board of trustees numbers only a dozen members, down from the 26-member board I inherited upon my arrival at Southern New Hampshire University (SNHU) in 2003. If we had known how much a smaller board would improve SNHU's governance, we never would have waited until 2012 to make the switch.

Don't get me wrong. Our larger board was composed of good, committed people, with the usual committees, and we worked hard to conform to best practices. At any given time, about one-third of the board were superstars, one-third were very useful in focused areas (say, legal or accounting matters), and one-third were less effective or contributed less (often because of other commitments and a struggle to

attend meetings, and sometimes because they enjoyed the role more than the work). In short, we looked a lot like any of the other boards with which I've worked or on which I've served. My team spent a lot of time preparing for committee meetings, while a fair bit of the full board's time was spent hearing committee chairs report out from those meetings, leaving many in the room with a sense of *déjà vu*. In any given board gathering, there was more "dog and pony" than genuine strategic discussion—the "red meat" for which governance expert Dick Chait says boards are starved.

However, in 2012, my new board chair, Mark Ouellette, and I attended AGB's Institute for Board Chairs and Presidents of Independent Colleges and Universities. While Mark was an SNHU alum and long-serving trustee, we thought the institute would be a good opportunity to spend some time together, embark on this new relationship, and get AGB's expert guidance on how to increase our impact. At that meeting, Rick Legon, AGB's president, said, "At some point, an institution will decide the fundraising benefits of a large board are not worth the inefficiency and lack of impact and will move to having a smaller board." A light bulb went off for us.

We have since made that shift. SNHU has now operated for three years with a 12-person board of trustees, and it has been a *transformational* change. The board unanimously agrees and would never go back to a larger size (our newly revised by-laws allow us to fluctuate between 10 and 15 members). What's changed? Everything. Most importantly, from my perspective, I now have a group of 12 thought-partners who engage with me in thoughtful and genuinely impactful ways around all of the key strategic questions with which my team and I wrestle.

NO MORE INSIDERS AND OUTSIDERS

That engagement now takes more forms than it could with a larger board. With just 12 members, we can quickly pull together a dinner or a conference call. While not everyone can make these impromptu conversations—thus we do not do "official" business or take votes—nine to 10 members typically join in. These discussions have become so rich and interesting, they are "hate to miss" events for the board. With a smaller group, we have now dedicated one meeting annually to traveling somewhere to stretch our thinking and to learn. One year it was Washington, D.C., where the board met with policymakers, higher

education journalists, and officials from the Department of Education and the White House. Another year was Boston, with a visit from Harvard Business School's Clayton Christensen, the "disruptive innovation" expert, and a visit to the MATCH Charter Public School. This year it will be San Francisco and Silicon Valley, with a focus on technology. Those traveling meetings, hard to organize and fund with 26 trustees, are quite workable with 12.

Our formal meetings are now much better. Whereas we used to spread our A-team board members across our committees, we now operate as a committee of the whole, eliminating all but the committee on leadership and the audit and compliance committee. The former manages the board, conducts my annual evaluation, and operates as our compensation committee (although all board members review and vote on executive compensation). The latter is self-explanatory. Everything else comes to the board as a whole, our sense being that if something is important enough for some trustees to hear about it, then it is important enough for all trustees to hear about it and weigh in. There are no longer any "power" committees or an "insider" executive committee.

Commensurate with that increased focus on the strategic, all of our operational leaders provide operation reports in the board book and do very brief highlights from those reports at the meeting, with an opportunity for trustees to ask questions. In our typical two-day meeting, operation reports and discussions now take up no more than two hours in total. The rest of the time is spent on larger, more complicated strategic questions; often, we simply want the board members to give us better questions and share their experiences. Because the meeting dynamic of 26 people is mostly one of turn-taking and ensuring that everyone is heard, there was less of the discussion and genuine give and take that characterize our meetings today. As one board member commented, "We now go deep on important topics, and the give-and-take is much more robust."

Conversely, important topics were previously detailed in committee meetings with only a portion of the board present, then presented in much more abbreviated fashion in the general meeting. Finance is a good example. Members of the finance committee might take three hours to really understand a proposed budget, but the subsequent discussion with the full board might be less than one hour. That left some non-finance committee members feeling that they were fulfilling their fiduciary responsibility to vote on a budget based as much (or more) on the word and recommendation of their peers as on their own independent analysis. As a current board member commented, "I believe that finance is too important to every single board member to relegate to a subset of the board. I'm glad we don't have a finance committee."

Indeed, not only have we moved away from a sense of "insiders" and "outsiders" (or at least, those less in the know), the chemistry and quality of interaction among board members has improved. It is one of the tangible benefits of the shift to a smaller size, and the board values it greatly. One said, "At times it feels like a big family dinner, where we all know each other well and there is a relaxed intimacy that makes disagreeing easier than before. I think we are making better decisions, or at least have a better process for decision making, and a lot of that has to do with how well the group works together." Researchers Albert Kao and Iain Couzin back up that notion in their piece, "Decision accuracy in complex environments is often maximized by small group sizes":

In only a minority of environments do we observe the typical wisdom of crowds phenomenon (whereby collective accuracy increases monotonically with group size). When the wisdom of crowds is not observed, we find that a finite, and often small, group size maximizes decision accuracy. We reveal that,

counterintuitively, it is the noise inherent in these small groups that enhances their accuracy, allowing individuals in such groups to avoid the detrimental effects of correlated information while exploiting the benefits of collective decision making.

Not only has the quality of interaction among board members improved, but the quality of interaction with my leadership team has improved, as well. My team has gone from a focus on preparing for their respective committees, working with the committee chairs and making sure there was enough information to present, to truly engaging in the thought-partnership mentioned earlier.

Finally, the quality of that thought-partnership is enhanced since we moved from that rule of thirds composition for our board. We no longer have only one-third of our members operating at the highest level; today, everyone is a starting player. Better yet, a smaller board is a more exclusive board, and we now find ourselves with a larger pool of board candidates for a smaller number of seats. When a prospective board member looks at our current list of members, he or she wants to be part of this group. A higher performing board, of necessity, also demands higher performance from my team and me. As a result, our meeting book is much improved (as well as shorter and more focused), our meetings are more carefully constructed for impact, and everyone comes with his or her A-game. No more getting by with a good dog and pony show.

That said, we're not saving an enormous number of hours for my team of already very busy people, but they know the members of this smaller board much better and engage them with greater ease, with trustees often acting as a resource for individual leaders on my team. Not infrequently, one of my team members will ask if it is OK to reach out to a trustee on a question he or she might be working through in which that trustee has particular expertise. Conversely, I have more than once asked a trustee to step in and help with a project, coach someone through a challenge, or join a discussion. All of those activities were available to us before, but it feels like whereas before we were undertaking board *management*, now we have board *engagement*. Part of that is the agility that comes with a smaller number of members, and some of it comes from the way people now interact as a result.

THE DOWNSIDE

So what doesn't work? For many institutions— typically those more elite and/or more dependent on philanthropy than SNHU—there is an expectation of substantial annual giving on the part of trustees and thus the prospect of a decline in fundraising with a move to fewer board members. Not only was that not an issue for us, but an interesting thing also has happened since we went to a smaller board. We are now getting *more* large gifts from board members than we did previously. How to account for this development? My sense is that current board members have a greater level of engagement, more interaction with campus stakeholders, and a stronger sense of “ownership” such that they are now more fully partnering in building the institution.

With a board of only 12, any new member has greater power to influence or alter the working chemistry of the group, so we must choose our members wisely. I like to think we always did so, but now there is less buffer for absorbing any mistakes. Also, to the extent that any one board member addresses a key need or brings particular expertise, there is less opportunity to have bench strength. For example, we currently do not have an attorney on the board, a role we always valued. In the past, we often had two; if one left the board, the need was still addressed by the remaining member. We also must be sensitive to not having a group so tightly knit that we subsequently fall prey to group think (although our experience thus far and

the aforementioned research both reassure us on this topic) or less diversity than is healthy. Two of our members, who are also people of color, recently finished their terms, leaving us with an all-white board. We are actively recruiting to replace them, with diversity as a priority.

One board member said she feels more “accountable” and realizes she can’t easily miss a meeting in the way she might have when the board was quite large. She is right, and while it has not happened yet, if more than two board members miss a meeting, the remaining group would feel too small. The good news is that trustees do all they can not to miss board meetings because they are so much better.

In preparing this piece, I asked my board members for their reflections, including any “cons” that might come to mind. One member does feel that when we had more committees, she learned more about the day-to-day “life on the ground” experience of the campus through the reports. That was the sole concern raised. Some “cautions” were noted, such as making sure we attend to diversity, and that, with a smaller number, we have to make sure we have the “right mix” of people. Overall, though, the sentiment has been, “My belief is it is all upside” and “Nothing seems to be lost with a smaller board.” From my perspective as president, I now have a board that is smart, strategic, engaged, and agile. It is my *partner* in moving SNHU forward.

MAKING THE TRANSITION

How did we make the transition? When Rick Legon originally made his comment at the institute, Mark and I looked at each other, simultaneously recognizing that the SNHU board had never been a potent fundraising entity and we could be that institution that transitions to a smaller board. By the time the institute ended two days later, we had a plan. We started with research, pulling together a list of universities with smaller boards (Harvard with its corporation, the University of Akron, Florida State University), a look at corporations and their boards, and what research we could find on the question of board size. We brought up the topic with our board and shared the research, outlining it as a question we were simply exploring.

We then reviewed the terms of current board members—who serve three three-year terms and then time out—to see what a transition might look like. It turned out that we had a “bubble,” a larger than usual group of board members who had come on at the same time and would be capping out their third three-year term over the next two years. This made the task of reducing our number much easier. We could see our path to halving the board by 2015 and shared the numbers, removing all names. We wanted board members to consider the question without their own status in mind (although a couple of members did call my office, seeking their term dates). They voted unanimously to make the shift to a smaller size.

An unsung hero in that process was Howard Brodsky, the chair of the committee on leadership. An accomplished CEO, Howard has high emotional intelligence and is well liked by his peers. We had some board members who were good colleagues, but struggled to make meetings and were simply not very productive. Howard and Mark were willing to have those delicate conversations and counseled people to consider separating from the board, allowing us to hit our target number in 2014. There were some bruised feelings, but we did all we could to make them feel connected and valued. For example, ex-board members continue to get copies of the board meeting book so they can remain informed.

Not every institution can go down this route. Some are convinced that they would lose too much financial support from wealthy and now alienated board members. Many public institutions have smaller board boards already, to their credit, but are afflicted with political dynamics from which we are blissfully

insulated as an independent institution. In the private sector, any number of my fellow presidents, hearing about our transition, have called to ask how it is working and how we pulled it off. Again and again, they share their frustration with having very large boards with myriad committees and the sheer amount of time and other resources they spend managing them. In a few cases, they have asked me to present to their boards on the topic.

Here is what I tell them. When we had a 26-member board, we did great work, and a lot of SNHU's growth and success happened during that time. Some of the best board members to have ever served did so when the board was larger, people I greatly valued and still value today. I always had thought-partners on the board then, but not 26 of them. In reality, our most impactful trustees chaired the committees and, by dint of those roles, served on the executive committee. They were, in many ways, the insider group with whom I shared my most vexing questions, from whom I sought my best counsel, and who really shaped the work and thinking of the larger group. Today, my whole board functions that way. Selfishly, that is what stands out most to me. The many other benefits have been described above: better board chemistry, better decision making, better meetings, better use of university resources, and the ability to meet, travel, and think more easily.

In this time when our institutions have to navigate uncertainty and enormous change, they must be agile and smart. This is particularly true for tuition-dependent independent institutions, perhaps the most at-risk sector of higher education (although there is enough misery to go around, as poorly supported publics would readily attest). Agile and smart can start at the top, with the board. When it does, as it has at SNHU, the institution is better served and better led. For that, I give constant thanks and wish we had made the change earlier in my tenure.

REFERENCES ▶

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