

# Ethical Issues for College/University Boards of Trustees

**L**ike their public and non-sectarian counterparts, Seventh-day Adventist colleges and universities are governed by boards of trustees that are legally responsible for accomplishing the mission of their college or university. In Seventh-day Adventism, these institutions are operated under certain fundamental principles based on the church's philosophy of education. Members of the governance group are bound by ethical principles, sometimes specified in their constitution or bylaws, other times not so clearly spelled out. The purpose of this article is to identify a number of current ethical issues as described by present board chairpersons and secretaries (college/university presidents) and suggest alternatives for dealing with these issues. We will also make some suggestions regarding the development and review of ethical requirements for boards.

In order to identify issues relating to ethics at the board of trustees level in Adventist higher education, the authors of this article conducted in-depth interviews with eight board chairpersons or secretaries of Seventh-day Adventist colleges and universities in the North American and Southern Asia-Pacific divisions.

The administrators were promised anonymity. Participants could refuse to answer any question and could terminate the interview at any time. Administrators were encouraged to comment on the questions if they considered the topic to be an important one for college/university boards. Interviews lasted one hour on average and included questions such as:

- “What should be the first and greatest concern of a board member?”
- “If you were to rank the basic ethical guidelines for board members, which would be the top two or three?”
- “How important is it for board members to be familiar with how the college/university functions?”
- “Are board members active between meetings?”
- “What should a board member do when she/he hears rumors of mismanagement at the college?”
- “Have you experienced problems with having board members of various cultural backgrounds?”
- “How do you deal with cultural diversity on the board?”

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**By Julian Melgosa and Eugene Hsu**

• “What should a board member do to ensure ethical financial management?”

• “Can you share an ethical conflict or dilemma you have experienced on your board?”

As we analyzed the interviews, four themes emerged: *function/role conflict, attendance/participation, finances, and confidentiality.*

### Function/Role Conflict

Seventh-day Adventist college and university boards of trustees have traditionally consisted of representatives from the college/university and its community plus church representatives, most of them serving on the board because of the ecclesiastical position to which they have been elected (“ex-officio”). The latter group is generally larger than the first. Ex-officio members are often officers of local conferences/missions or unions. Sometimes, they are heads of sister educational institutions or hospitals. This has the potential for creating conflicts of interest. The following potential role conflicts were identified in the interviews:

1. *Ex-officio members wear at least two hats.* Conference/mission presidents are generally ex-officio members of the union college board. Union presidents are generally ex-officio members of the division college/university board. These presidents may also be chairpersons of their local college board of trustees. In addition, the heads of a number of institutions also serve as board members at other colleges in the same territory.

2. *Finances may be sufficiently inter-related to produce conflicts of interest.* Many of these board members represent organizations that share in and receive funds from the same source—the union conference or division of which they are a part. When acting on a financial matter, they may be worried about safeguarding their own subsidy or appropriation instead of

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In our interviews, all participants admitted that these areas pose great challenges and ethical conflicts. However, when asked how to deal with these problems, all respondents (except one who favored change) agreed that the current representational system should not be changed. One of the participants suggested that further study be given to reducing the number of ex-officio members on col-



being concerned about the welfare of the college/university on whose board they are serving at that moment.

3. *There is a risk of rivalry.* When college presidents/board chairpersons sit as a board member of a sister institution, they may vote for policies that safeguard the interest of their own college rather than the welfare of the college on whose board they are serving.

4. *Unethical copying of ideas and plans may occur.* An employee of College A who serves on the board of College B may learn about a newly voted program such as a marketing strategy for College B. Months later, this same plan is implemented at College A, to the dismay of those who originated the idea for College B.

lege/university boards. But the majority agreed that the current system provides ample representation and seems necessary as long as colleges are philosophically and financially tied to church divisions and unions. It is, however, essential to educate board members about the purpose and mission of the college or university they serve.

### Attendance and Participation

Failure to attend board meetings was perceived as a problem at all schools studied, especially absence of some ex-officio members. Lack of participation was considered an issue in the Asian context, but not in America. Statements like “Mission/conference presidents lack interest,” “Many

are passive,” “Less than 40 percent of trustees are active,” “Some do not come, and those coming do not speak up, although they do vote,” were quite common. When asked what to do about uncooperative members, the respondents suggested electing someone more willing to help. However, board constitutions state that ex-officio members cannot be replaced as long as they occupy their elected position. So it is not just a matter of looking for new trustees, but also of encouraging the existing ones to attend and participate. The survey respondents’ most frequent recommendation was to use formal orientation, combined with occasional retreats, in order to educate board members about their role and function and to encourage them to be active advocates for their college/university. Other advice included:

- Send written reminders to board members regarding their role and duty to attend and participate.
- Establish a system to record attendance, with the minutes specifying those present, those absent, and those with excused absences.
- Permit a limited number of absences to meetings, and include this policy in the bylaws.
- Assign specific tasks to board members to encourage them to support the school—not only during board meetings, but also throughout their entire term. An example would be to ask them to develop and present seminars or sermons on Christian education in the community and constituent churches.

• In the Asian context, it is acceptable for the chairman of the board to address a particular member at the meeting and say: “Brother B., what do you think of this matter?” or “Elder S., you have not expressed your opinion, and it would be useful for us to know what you think. . . .”

• Also in the Asian context, where mediation is widely used, respondents recommended that board members who are hesitant to speak (perhaps intimidated by the many people with

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the board leaders are approachable, open to suggestions, and not defensive, this will remove any sense of intimidation and promote positive interpersonal relationships.

### Finances

Financial mismanagement, especially when it involves personal gain, is one of a board’s most grievous violations. Improper handling of financial resources undermines public trust<sup>1</sup> and tarnishes the image of the church, which, in most people’s minds, should be more scrupulous about these matters than other kinds of organizations.

The board has an ethical mandate to prevent unethical financial prac-



Ph.D.s on the board) should ask another board member to present their views.

In certain cultures, confronting the chairman of the board (or the college/university president) is seen as a sign of flagrant disrespect. As a result, board members with urgent concerns may choose not to speak up. Survey participants agreed that the problem is often caused by the attitudes of the chairman and the board secretary, rather than the board members’ opinions or their cultural background. If

tice, both at the college and within the board. Respondents suggested the following ways to prevent financial irregularities:

• *Internal Control.* Institutions with an internal system of financial control are less likely to have unethical incidents. Patti Mills<sup>2</sup> outlines the importance of internal control in not-for-profit environments and describes how weakness in this area causes poor management and unethical practices. Internal control should include but not be limited to: specific caps on ex-

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penses, required authorization for purchases beyond agreed amounts, more than one signatory for payments, not allowing members of one family to work at the same financial office, and regular financial reports presented at board meetings. Above all, it is necessary to nurture an ethos of collegiality and transparency regarding financial transactions.

- *External Control.* Colleges and universities normally undergo periodic audits by church personnel, who inspect all accounts and procedures. These audits help to identify inconsistencies between policy and practice and to correct mistakes. Auditors also recommend suitable policies where these are lacking. In addition to external (denominational) oversight, there is a growing tendency to use independent auditors (i.e., not employed by the university or the church) who can take a fresh look at the entire financial system and issue a report and recommendations.

- *Board of Trustees Control.* It is virtually impossible for the board in session to exert true financial control.

However, many Adventist college and university boards have established finance subcommittees.<sup>3</sup> These are normally made up of trustees with qualifications and experience in financial matters, the board chair, the college president and financial officer, as well as one or two additional experts who may not necessarily be on the board, but who are familiar with the Adventist institutional mission. This subcommittee studies the items under consideration and makes recommendations to the full board.

### **Confidentiality**

Boards of trustees handle a great deal of confidential information, including: hiring and dismissal of teach-

ing staff, salary audits, health issues affecting employment, etc. Confidentiality was often mentioned by survey respondents, although there was not a question specifically dealing with it in the interview. Participants expressed a great deal of concern about this area.

Our church employees and boards belong to a very small circle and know each other well. They discuss items that tend to be familiar to them, along with matters about people whom they know personally. These often become topics of conversation outside the board meeting because they are more meaningful than if they involved unknown persons.

Survey participants mentioned a number of solutions to confidentiality concerns:

- Organize orientation seminars for new members. Don't assume that members know about their obligation to guard confidentiality; instead, instruct them about this duty.

- In order to avoid information being shared outside of the boardroom, remind all members, perhaps at the beginning of each meeting, that



they are bound by confidentiality and that minutes will become the official report of the session.

- To prevent discussion of personal matters, present issues and circumstances without making reference to real names. (This may not be possible if an action needs to be taken regarding a specific individual.)

### Reviewing (or Developing) the Board of Trustees Code of Ethics

Survey respondents strongly agreed about the need for a clearly written set of ethical guidelines by which all trustees should abide. This article will not try to set up a code of ethics that is valid for each board of trustees. Rather, the authors would like to pose a number of questions for schools to consider as they review previous codes of ethics or develop new ones:

1. *Is board member attendance and participation a problem?* If so, in the board's code of ethics, there should be a specific statement regarding the duty to attend meetings and actively participate in business.

2. *Are trustees active outside of board meetings?* Trustees tend to be professionals who are employed full-time by an organization other than the college/university on whose board they serve. A general statement about the need to supply ongoing support (time, money, etc.) can be helpful.

3. *Are trustees familiar with the Seventh-day Adventist educational philosophy and church policies?* This may sound like an absurd question, but there are parts of the world where most trustees have not attended Adventist schools/colleges and do not see any problem with having a large number of non-Adventist instructors. Therefore, including the obligations of trustees to uphold and promote the Seventh-day Adventist educational philosophy may be appropriate.

Trustees also have a moral, spiritual, and ethical obligation to make themselves aware of and to follow church policy regarding accreditation, creation of new programs, and

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funding. Failure to follow proper procedures can lead to the school's being put on probation by the Adventist Accrediting Association, or even loss of denominational accreditation.

4. *Do trustees understand that their conduct transcends the boardroom?* This may call for an item within the code of ethics requiring board members' attitudes and personal conduct to be in harmony with Seventh-day Adventist Church principles and life-style.

5. *Is confidentiality clearly understood and practiced?* This should be spelled out in some detail within the code of ethics.

6. *Has the difference between governance and management been defined?* The function of the board of trustees is to govern the college/university, not to manage it. The board hires the president and officers of the institution to carry out management tasks. Trustees set the general direction and ensure that the mission is accomplished. The board also evaluates the work of the president. Reference to this governing role, and forbidding meddling in the business of the school, may need to be included in the code of ethics.

7. *Are trustees careful to avoid conflicts of interest?* This needs to be included in every board's code of ethics. Clarification of what constitutes (or may give the appearance of) a conflict of interest is necessary in order for everyone to understand and practice this principle.

8. *Do trustees support board actions even if they do not fully agree with them?* After issues have been carefully discussed and received a majority vote,

every board member should support the action.

The code of ethics should be brief (fit onto one typewritten page) and clearly understood by all members. But it is not enough to develop and publish it. The document needs to be discussed, agreed upon, and embraced by the entire board if it is to become part of the board ethos. Doing this will smooth current interpersonal interactions and prevent unethical practices. /



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### NOTES AND REFERENCES

1. Richard E. Thompson, "So Greed's No Good After All," *Trustee* 56 (January 2003), pp. 28, 29.

2. Patti A. Mills, "Milianaw University: An Instructional Case in Internal Control and Ethics," *Issues in Accounting Education* 10:2 (Fall 1995), p. 387.

3. The same applies to academic matters. Board members with appropriate backgrounds in higher education serve on an academic subcommittee. It is their job to examine new program proposals, curricular changes, qualification of personnel, ranking, etc. Subcommittees can deal more skillfully and efficiently with these kinds of issues than the entire board, but the full board in session should carefully examine their findings and recommendations and take final action.