

HARVARD
UNIVERSITY



Office of the Governing Boards

Harvard Corporation Governance Review Committee
REPORT TO THE UNIVERSITY COMMUNITY

December 6, 2010

Cambridge, Massachusetts



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Harvard Corporation Governance Review Committee Report to the University Community

We write to report to the University community on the work of the Harvard Corporation governance review committee and to announce a number of resulting changes in the Corporation's composition, structure, and practices.

Three hundred sixty years ago, Harvard received its official corporate charter as the American colonies' first institution of higher learning. Ever since, principal fiduciary responsibility for Harvard's institutional well-being has been vested in the President and Fellows of Harvard College, more familiarly known as the Harvard Corporation. According to the terms of the Charter of 1650, the seven-member Corporation has comprised the president, a treasurer, and five fellows, whose election by the members is subject to the counsel and consent of the Board of Overseers. The Corporation, which the charter designates as the legal owner of all of Harvard's property, has overarching responsibility for the University's academic, financial, and physical resources and its fundamental institutional health and progress. Within Harvard's system of governance, the Corporation is joined by the Board of Overseers, consisting of 30 members elected by Harvard degree holders, as well as two ex-officio members, the University's president and treasurer. The Overseers provide essential strategic direction and counsel to the University and its leadership, are called upon to consent to certain actions of the Corporation, and direct the visiting committees that periodically review a wide array of Harvard's Schools and departments.

In the fall of 2009, the Corporation decided to undertake a review focused on assuring its capacity

to fulfill its role as effectively as possible. The review seemed timely for several reasons. It is a matter of good practice for any fiduciary board to step back from time to time and examine its responsibilities and workings in a thoughtful and forward-looking way, with an eye toward improvement. In addition, the financial crisis of recent years has led virtually every part of the University to take a hard look at its role and operations, and the Corporation thought it should not be an exception; indeed, it should set an example of willingness to contemplate and pursue new and better ways of achieving its aims. Finally, the past decade has been a time of unusual challenge, growing complexity, and consequential change both for Harvard and for higher education at large. It has seemed to us not merely appropriate but necessary to ask what such change implies for a governing body created in the 17th century and now facing the opportunities and demands of the 21st.

The Corporation built the foundation for the review during the fall and winter of 2009-10 by devoting substantial time during each of its regular meetings to a consideration of its evolving roles and responsibilities. Jamie Houghton, the Corporation's senior fellow from 2002 until he stepped down in June 2010, played a key leadership role in this early phase of the review. Between meetings, members of the Corporation and supporting staff solicited candid observations and advice from a wide range of deans, senior administrators, recent members of the governing boards, interested alumni and faculty, and others with perspectives on the workings of the Corporation. By the spring of 2010, with the shift to a more focused and intensive phase of the review, the Corporation invited three colleagues with experience

on the Board of Overseers to join the effort: Frances Fergusson, president emerita of Vassar College and president of Harvard's Board of Overseers in 2007-08; Robert Shapiro, a lawyer and experienced nonprofit trustee who is former president of the Harvard Alumni Association and current chair of the Overseers Committee on Institutional Policy; and Seth Waxman, former Solicitor General of the United States and the Board of Overseers president for 2010-11. Our committee also has benefited at critical junctures from the expertise and thoughtful counsel of Richard Chait, research professor at the Graduate School of Education, who is one of the nation's preeminent authorities on higher education boards and who combines an understanding of Harvard with a wealth of knowledge about governance practices elsewhere. His perspective has, among other things, helped us to consider how we can learn from the experience of other institutions while assuring that our governance structure and practices suit Harvard's distinctive environment.

The full committee had a series of meetings during the spring. It then gathered for a two-day retreat at the end of August to focus on the fundamental responsibilities and work of the Corporation, as they have recently been understood and as we see them evolving, and then to consider the concrete implications as we look forward. Since the retreat, we have met several more times to test and refine a number of key propositions. In addition, the president and the senior fellow have outlined some of the review's focal points in an interview with the Harvard Gazette, and we have continued to benefit from the perspectives of deans, Overseers, interested faculty members and alumni, and others.

On Saturday, December 4, the Corporation and the Board of Overseers met in joint session for a detailed report and discussion regarding the work of the governance review committee. In light of that meeting and the actions taken there, we now wish to report to the larger community on a number of important changes affecting the Corporation's

composition, structure, and practices.

As we have reflected on the Corporation's evolving role — both among ourselves and in conversation with others — we have been especially mindful of several broad considerations.

- First, the Corporation's collective capacity needs to be commensurate with the University's scale, scope, and complexity. We should be willing to challenge the assumption that a structure devised for a fledgling college centuries ago is optimally suited to meet the needs of today's University.
- Second, the principal fiduciary body of a university such as ours needs to place special emphasis on the stewardship and development of the institution's financial and physical resources, as well as its organizational design and dynamics, to assure that the academic enterprise continues to thrive. Fulfilling our core academic purposes depends integrally on securing and maintaining the resources entrusted to us, and on continually seeking a proper balance between serving immediate needs and assuring the institution's long-term health.
- Third, while fulfilling core fiduciary responsibilities and paying needed attention to pressing issues of the moment, it is imperative that the Corporation assure ample time on its agendas to weigh the major strategic challenges and opportunities facing Harvard. Recognizing that urgent issues of the day can at times deflect attention from the matters most important for the long run, the Corporation must take special care to see the big picture and take the long view, and to avoid an over-allocation of time and attention to matters transactional, transient, or tactical.
- Fourth, although over decades the Corporation has sometimes been described as a sort of

“multiple executive,” it is fundamentally a governing board, not a management committee. As we envision how the Corporation can best serve Harvard, we should bear in mind the important if not always easily articulated difference between management and governance — and consider how governance can monitor, guide, and enable sound management, without conflating the two.

- Fifth, the Corporation must be ever attentive not only to opportunity but also to risk, in its various dimensions. What Harvard has achieved over decades derives largely from its sense of ambition and drive and a restless determination to resist complacency. At the same time, ambition and innovation must go hand in hand with carefully calibrating and managing risk, especially as the University navigates a more constrained and volatile economic environment and faces rising outside scrutiny of higher education.
- Finally, we take seriously the desire on the part of many members of our community to understand better what the Corporation is and what it does. In addition, we recognize the value the Corporation derives from its members’ opportunities to hear and learn directly from people across the Harvard community.

With these broad considerations as a guide, with the benefit of the helpful counsel we have received, and in the light of this past weekend’s joint meeting of the governing boards, the Corporation will now move forward with a number of consequential changes.

First, the Corporation will roughly double in size. In its new steady state, the President and Fellows will consist of the president and not six but 12 other members, including the treasurer. We believe such an enlargement will substantially expand

the Corporation’s collective capacity — widening its expertise and perspective without eroding the active, candid, collegial engagement within the group that has long been a defining strength. The plan is to achieve the full enlargement within the next two to three years. The Corporation will soon launch a process to identify additional members, with a view toward staggering the additions in ways that balance continuity and change.

Second, there will be prescribed periods of service for Corporation members other than the president. In the new steady state, we envision that ordinarily members will serve for six years with the prospect of their service being extended for up to six more. This should help assure a continual flow of fresh insights and experience onto the Corporation, while also preserving the group’s capacity to take the long view and to contribute to both innovation and stability in proper measure. (In the near term, as the Corporation grows to its new size, some adjustments will likely be necessary to assure appropriately staggered periods of service.)

Third, the Corporation will form several new committees to advance its work. Historically, with only seven members, the Corporation has had a strong natural tendency to conduct its business as a committee of the whole, with quite limited exceptions. The newly enlarged Corporation will have greater capacity to maintain a number of committees, especially in areas at the core of its fiduciary responsibilities. In particular, we intend to create a new Committee on Finance, as well as a new Committee on Facilities and Capital Planning. Each will consist principally of Corporation members, but we envision that each may also enlist the service of others with especially helpful professional expertise, drawn from among accomplished alumni, including current or former Overseers, and others. While the Corporation as a whole aims to assure due attention to matters of strategy and high-level policy, these committees will enable more in-depth review of financial and capital planning matters

warranting close attention. In addition, we will create a Committee on Governance, chaired by the senior fellow, to deal with matters of trusteeship, to help smooth the flow of work between and among the Corporation and its committees, and to assure periodic future assessments of the Corporation's operations. The existing Corporation Committee on Shareholder Responsibility will carry forward.

We should note that we considered the creation of an additional committee, on academic affairs. Our judgment at this time is that these matters tend to be so much at the heart of the enterprise, and so interwoven with all other aspects of University governance, that we will continue to engage with them as a committee of the whole rather than assign them to a discrete subgroup of the Corporation. We also recognize the Board of Overseers' special role in academic oversight through its extensive visitation process, and we hope to evolve ways for the Corporation to benefit even more from the fruits of that process in the time ahead. Separately, we note that the board of directors of Harvard Management Company will continue to have direct fiduciary oversight of the investment of the University's endowment and certain other assets, subject to the Corporation's ultimate authority.

Fourth, the governing boards will create a new Joint Committee on Alumni Affairs and Development, comprising Corporation members, Overseers, and selected others. In recent decades, the Overseers have maintained their own standing committee in this area, while the Corporation has not. The new joint committee is intended to affirm the two boards' shared commitment to this vital aspect of their work, to integrate the boards' complementary efforts, and to create a more focused forum to address matters of strategy and policy as Harvard prepares to mount an ambitious University-wide campaign. The Joint Committee on Alumni Affairs and Development will take its place alongside several committees that already bring together the members of the two boards: the Joint Committee on Inspection, which

serves as Harvard's audit committee and envisions an increasingly robust role in risk management; the Joint Committee on Appointments, which approves key executive appointments and considers select matters of appointments policy; and the Advisory Committee on Honorary Degrees, which joins board members and faculty members in the annual effort to nominate worthy candidates for honorary doctoral degrees.

Fifth, as a number of the above points suggest, the Corporation will continue its efforts to strengthen its working relations with the Board of Overseers. Within the past decade, the two boards have taken purposeful, productive steps to interact more regularly and to take greater advantage of one another's complementary strengths. We intend to sustain and build on those efforts. The present governance review has itself reinforced the benefits of such enhanced collaboration.

Sixth, the role of the Corporation's senior fellow will be better defined to reflect status as a lead player within the board. Working in concert with the president, the senior fellow will be expected to take a more active part in framing Corporation agendas and setting priorities for its work, and will chair the new Governance Committee, as noted above. Our deliberations have also confirmed the understanding that the senior fellow is to be chosen for that role by the members of the Corporation; "senior" reflects designation as a lead trustee, rather than longevity of service.

Seventh, the Corporation and its members will engage more with a broader range of University constituents, in both formal and informal settings, and keep the community informed about the essence of the Corporation's work. Pursuing a mix of opportunities to hear from people across the community will have implications for both the Corporation's meeting time and its members' time outside meetings. In addition, we envision that the president or senior fellow will pursue various ways to report to the community at least four times a year on key aspects of the Corporation and its work.

Eighth, in planning its schedules and setting its agendas, the Corporation will — as suggested above — increasingly focus its attention on strategic priorities and plans, high-level policy matters, and core fiduciary concerns. In addressing questions of institutional strategy at this moment in Harvard’s history, we envision that the Corporation will place special emphasis on ways in which the different parts of the University can not only flourish individually, but draw still greater strength from one another. Along with the Board of Overseers, the Corporation has an overriding responsibility for the progress of Harvard as a whole, and for stimulating the most productive relationships and beneficial interplay among the University’s diverse parts, both academically and administratively. We intend to make that a more deliberate focal point of the Corporation’s future work.

While this is not an exhaustive account of the changes we contemplate, we hope it provides a clear sense of the major outcomes of our review. There

Respectfully submitted,

MEMBERS OF THE HARVARD CORPORATION GOVERNANCE REVIEW COMMITTEE

Drew Gilpin Faust	President
Frances D. Fergusson	President, Board of Overseers, 2007-08
Nannerl O. Keohane	Fellow
Patricia A. King	Fellow
William F. Lee	Fellow
Robert D. Reischauer	Senior Fellow
James F. Rothenberg	Treasurer
Robert E. Rubin	Fellow
Robert N. Shapiro	Chair, Committee on Institutional Policy, Board of Overseers
Seth P. Waxman	President, Board of Overseers

is much effort still ahead: to identify new members of the Corporation, to populate the envisioned new committees and clearly define their responsibilities, to assure that changes affecting the Corporation’s structure and practices dovetail with the University’s evolving internal planning processes, to recalibrate agendas in light of the directions we have outlined, and so forth. We look forward to embracing these tasks with energy and care. And we look forward to the continuing input of members of the Harvard community as we progress to implementation.

As members of Harvard’s governing boards, we share a special trust — the stewardship of an institution that, through centuries of continual change and occasional storm, has consistently challenged itself to be a beacon for higher learning. Fulfilling that trust is our singular obligation and privilege, as we aim to serve an institution whose capacity to reflect and adapt, to inquire and learn, to stay true to its timeless ideals and look always forward, is our constant and paramount concern.

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