

**Institute for Governance  
of Private and Public Organizations**

**Report of the  
Working Group  
on  
University Governance**

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# MEMBERS OF THE WORKING GROUP

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**Jean-Marie Toulouse**, Professor, HEC Montréal, Chair of the Working Group on University Governance

**Yvan Allaire**, Chair of the Board of Directors, Institute for Governance of Private and Public Organizations

**Michel Belley**, Rector, Université du Québec à Chicoutimi

**André Caillé**, Corporate Director and Chancellor, Université de Montréal

**Alban D'Amours**, President and Chief Executive Officer, Desjardins Group and Chairman of the Board of Directors, Université de Sherbrooke

**Richard Drouin**, Counsel, McCarthy Tétrault and Chair of the Board of Directors, Université Laval

**Claude Lajeunesse**, President, Concordia University

**Bernard Lamarre**, Chair of the Board of Directors, École Polytechnique de Montréal

**Monique Lefebvre**, Corporate Director and Business Coaching Psychologist

**Heather Munroe-Blum**, Principal and Vice-Chancellor, McGill University

## FOREWORD

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The Institute for Governance of Private and Public Organizations (IGPPO) created the Working Group on University Governance in December 2006. The mandate of the group was to propose principles of sound governance that would be relevant and effective in the context of Quebec universities. This undertaking is consistent with the Institute's mission of enhancing governance practices in public institutions as well as in private organizations.

The mandate of the Working Group was to propose general principles to promote university governance rather than to pass judgment on the current governance practices in Quebec universities.

The Institute is confident that the recommendations of this Working Group would contribute to a significant improvement in the governance of Quebec universities. The Institute hopes that boards of directors of Quebec universities will assess their current governance practices in light of the principles proposed in this report.

I wish to thank the members of the Working Group for their active participation and vigorous discussion during the course of the Group's deliberations. Their long experience in governance matters and their intimate knowledge of the university environment have been invaluable in shaping the measured recommendations and conclusions in this report. I extend my special thanks to Professor Jean-Marie Toulouse for chairing the Working Group in such an effective manner.

Yvan Allaire, PhD, FRSC

Chairman of the Board of Directors

# Process

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The suggestions and recommendations contained in this report are the result of a process that unfolded in several steps.

First, group members, informed by their experience as well as by the considerable literature relevant to university and public sector governance in Quebec and elsewhere, sketched out some of the difficult issues the Group should address.

Second, using a standardized questionnaire, some 39 interviews were conducted with individuals selected for their extensive experience in university administration or for their familiarity with governance issues in universities.

The Working Group decided, as per the mandate given to it by the IGOPP, that it would focus its efforts on coming up with general principles of governance relevant to all universities rather than try to assess the governance status of any particular institution. The Group firmly believes that this sort of evaluation should be conducted by the institutions themselves.

Third, as a result of these consultations and discussions, the Working Group defined **twelve principles** of governance for universities in Quebec. These constitute the heart of this report.

Two background documents were also produced, which support the recommendations of the final report:

1. *Structures de gouvernance des universités québécoises*,” by Michel Lespérance, Former Secretary General, Université de Montréal (1983 – 2005).
2. *Rapport de recherche sur la gouvernance des institutions universitaires* by Jean-Marie Toulouse.

These two documents are available at the IGOPP website ([www.igopp.org](http://www.igopp.org)).

# OBSERVATIONS AND GOVERNANCE PRINCIPLES

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## **ISSUE #1**

### **The mission as the touchstone of governance**

The effective governance of any organization should begin with its mission. It is the mission that defines what the organization is about and shapes the accountability of the board of directors.

Despite recurrent pressures and calls for change, most Quebec universities<sup>1</sup> have maintained their mission of higher education and research, as defined in their charter or act of incorporation.

Some institutions have added a “community service” component explicitly in their charter. However, all universities consider “community service” as an integral part of their mission. The Working Group believes that this concept of the university mission is relevant and deserves constant affirmation.

<b>Principle #1 – A clear mission to guide decisions</b>
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The Working Group therefore believes that sound university governance is underpinned by the fundamental mission of the university, which comprises three inseparable elements: higher education, research and community service. Universities must clearly and unhesitatingly affirm this mission and ensure that it serves as a guide for their fundamental choices, the objectives they set, and the initiatives they undertake and as the basic criteria to arbitrate between alternative objectives, given resources constraints as a result. It is ultimately by fulfilling their core mission that universities can best serve the community and meet society’s expectations.

## **ISSUE #2**

### **Sound governance and diversity**

The Working Group observed that Quebec universities are governed by legal and institutional frameworks that can vary widely from one institution to the next, although this is certainly not limited to Quebec. These frameworks reflect the unique characters, experiences, traditions and values that have developed in each institution over time.

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<sup>1</sup> Universities include schools, research institutes and other similar academic institutions.

## **Principle #2 – Governance that reflects the specific character of each institution**

University governance must recognize the diversity of the histories, traditions, cultures and values specific to each university. Consequently, the application of the principles of governance proposed in this report must be tempered to the particular character of each institution. However, this flexibility must not interfere with the ultimate goal of implementing high-quality governance mechanisms inspired by the principles proposed in this report.

### **ISSUE #3**

#### **Governance and autonomy of universities**

The Working Group found that the principle of university autonomy is widely supported. However, it remains that Quebec universities are not independent when it comes to the important task of setting tuition fees. Because they are publicly funded, their autonomy regarding fees and other issues is inevitably circumscribed by numerous administrative rules issuing from public authorities.

Obviously, the more autonomous an institution, the greater the responsibility of its board of directors and the greater the need for transparency and accountability. As Yvan Allaire, chair of the board of directors of the IGOPP, wrote, “Although it is true that good governance depends on a reasonable level of autonomy, it is also true that an institution cannot demand greater autonomy without demonstrating a high quality of governance. In short, there can be no good governance without autonomy, and no autonomy without good governance.”

Lastly, the Working Group observed that some people equate academic freedom with institutional autonomy. As this debate exceeds the scope of governance issues per se, it will not be explored further in this report.

## **Principle #3 – Governance founded on autonomy and responsibility of universities**

Sound governance of universities is anchored in institutional autonomy. It is contingent on making board members, university executives<sup>2</sup> and administrators responsible and accountable for carrying out the mission of the university and managing the use of resources made available by the government, students and the public (through donations and other means).

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<sup>2</sup> Rectors, presidents, vice-chancellors, principals, directors.

## **ISSUE #4**

### **Good governance and functions of boards of directors**

The Working Group found that the texts of the incorporating acts of universities are generally limited to describing the roles and functions of the boards of directors in terms of rights and powers, but make few references to the mission, culture and values. University charters are typically silent on such concepts as the efficient and effective use of resources and accountability. This is contrary to the spirit and principles advocated by the Parent Commission.<sup>3</sup>

The Working Group also ascertained that it is common in university governance structures to draw a clear distinction between daily management tasks, which are incumbent on the administration, and higher decision-making and supervisory responsibilities, which fall on the board. This confirms the need to maintain a healthy distance between the board of directors and the day-to-day management of the university.

<b>Principle #4 – Specific responsibilities for boards of directors</b>
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The Working Group believes that good governance of universities is contingent on the commitment of boards of directors to at least the following core functions:

1. Ensuring compliance with the mission and values of the institution. This includes taking steps to guarantee that the mission and values serve to guide and orient the choices of the executives of the institution.
2. Ensuring that university management formulates and implements a participative approach to developing and defining strategies. Boards must carefully assess the strategic plan proposed by executives prior to approving its content and establish workable and valid performance measures.
3. Regularly monitoring the financial situation of the institution and ensuring that appropriate controls are in place to preserve its financial health over the short and long term.

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<sup>3</sup> Report by the Commission royale d'enquête sur l'enseignement dans la province de Québec. Éditeur officiel du Québec, tome I - 1963, tome II - 1964 et tome III - 1966.



4. Receiving and discussing with the University head (rector, principal or president) to determine the working objectives, establish his or her compensation (including incentives) and develop valid performance appraisal metrics.
5. Ensuring transparency and complete accountability.
6. Establishing and overseeing the executive appointment process.

The Working Group believes that good governance depends on these six functions, along with clear accountability on the part of executives and the members of their teams in the administration of the institution. Day-to-day management tasks are the domain of university executives. Good governance strives to strike a fair balance between these and the responsibilities of the board.

#### **ISSUE #5**

#### **Quality governance and a board of directors made up of independent members and internal members**

The Working Group found that the average university board has 20 members (the median is 16). It observed one case where the number of members was significantly higher. It also noted that the sizes observed in Quebec are comparable to those found elsewhere.

The Working Group was surprised to note that the number of institutions where the majority of board members are independent<sup>4</sup> is relatively small: **5** institutions have a board on which the majority of members are independent, whereas on **14** boards internal membership ranges between 52% and 65%. Note that the board is usually chaired by an independent member.

<b>Principle #5 – The board of directors should be diversified, yet representative; the majority of its members should be independent</b>
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To be effective, university governance requires a board of directors made up of members with diverse experience and skills that reflect the points of view of all stakeholders. In its concept of governance, the Working Group considers that boards should include a strong majority of independent members who have no personal or professional ties to the institution.

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<sup>4</sup> The Working Group deliberately uses the concept of “independent member” rather than “external member” because this concept was retained by the Québec government in its act relative to the governance of state-owned enterprises.

The total number of board members should be between 12 and 20. The optimal number put forth by the Working Group is 15; studies show that beyond this number, boards quickly become less efficient. In addition, the Working Group is convinced that a majority (60% to 66%) of board members should be independent, including the chair.

The Working Group feels that the inclusion of non-voting observer members, with or without the right to speak, is not conducive to sound governance. The Group contends that this practice violates the principle of responsibility and accountability and tends to hamper board effectiveness.

Of course, boards may invite anyone to join in their discussions depending on the subjects addressed, but it is understood that these people should not be present when decisions are made and should not hold permanent status as observer members.

## **ISSUE #6**

### **Selection of board members**

The Working Group noted that the provincial government appoints most of the board members (or their equivalent) in the Université du Québec network. At various other universities, the government has the right to appoint up to eight board members. In some cases, the government appoints no members at all.

The Working Group observed that boards are currently made up of independent members, ex officio members, professors and students. Some institutions have also included representatives of non-tenure, managerial, professional and support staff on the board.

Certain institutions have adopted their own definition of what constitutes an “independent” member. In some cases, this may be an alumnus, a professional from the socioeconomic field or a person working at the college (CEGEP) level. Other institutions delegate this definition to a board committee. The Working Group also noted that some board members are elected using a process specified in the university’s charter.

<b>Principle #6 – Legitimate and credible independent members</b>
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Sound governance is sustainable with boards whose independent members are perceived as legitimate and credible. Their **legitimacy**, and the perception of their legitimacy, is directly related to the process that leads to their appointment or election. The **credibility** of individual

board members is a result of their relevant experience, their expertise, their reputation for integrity and the confidence they inspire.

The board of directors must define and publicize the profile of experience and expertise that it wants to assemble on the board. All independent members should be selected based on the experience and expertise required as per the profile established by the board.

The Working Group concluded that very different processes are in place in different universities to elect or appoint board members. At some institutions, a single entity is responsible for appointing all “external” members of the board. In other universities, board members are selected through various mechanisms. The Working Group recommends that board members be appointed or elected by several different entities rather than a single one.

The Working Group recognizes that non-independent members will be chosen because of their position (e.g., university administrators) or because they have been appointed or elected by a given group (professors, students, etc.). In the latter case, it is crucial that the appointment or election process be such as to give a high degree of legitimacy to members so chosen.

Regardless of whether or not they are independent, all board members bear the same fiduciary duties and responsibilities, the same obligation to make decisions in the interest of the entire institution and are fully accountable for their stewardship.

## **ISSUE #7**

### **Board stability, renewal and director compensation**

The Working Group found that, in most universities, board members have a three-year mandate, although the conditions for renewing mandates vary considerably. The Working Group noted with concern the long lead-time and delays in proceeding with board appointments. The Group also took note of the fact that, as in the rest of Canada, board members of universities receive no monetary compensation for their board membership.

<b>Principle #7 – Three-year mandates and reasonable appointment times</b>
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The Working Group recommends that independent directors should be given a three-year mandate, with the possibility of two renewals, thus limiting the tenure of any one person on the board to nine years. The Working Group strongly believes that appointments and mandate renewals should be conducted in a diligent and timely fashion. In this sense, boards must establish reasonable timeframes in keeping with the provisions of their charter or act.

The Working Group has duly noted that the Quebec government has decided to start compensating the board members of the six largest State-owned corporations .Notwithstanding arguments in favour of such compensation, the Group believes that the time-honoured tradition of commitment and public service that has motivated people invited to join the board of directors of a university must be upheld.

### **ISSUE #8**

#### **Assigning mandates to committees while protecting the overall responsibilities of the board**

The Working Group noted that all boards of directors of universities have formed an audit committee and an ethics committee. These committees may comprise independent members exclusively, a mix of independent and internal members or, in some cases, a majority of internal members.

The Working Group found that governance issues are rarely entrusted to a specific board committee. The situation seems to run counter to the current public debate about the overall quality of corporate governance. These governance issues are precisely the reason the Quebec government has introduced codes and guidelines for its appointees to various boards of directors, including those of universities.

The Working Group shares the opinion expressed by several external interviewees that three committees are essential for university governance. Other committees may be created for specific purposes, for example when the institution undertakes major real estate development projects or encounters exceptional financial problems. Nonetheless, the Working Group advocates that this be done sparingly and cautiously, as too many committees may dilute the role and responsibilities of the board.

The creation of an executive committee raises some complex issues, not the least of which is the ambivalence surrounding its very role and mandate. Some Working Group members believe that the executive committee is useful when it comes to coordinating tasks, fact-finding, providing follow-up and managing emergencies. These members feel that the executive committee represents a productive interface between the responsibilities of the board and those of the university head.

In contrast, others maintain that executive committees may well create two classes of board members, that the practice is a consequence of an overly large board and of the absence of the

three statutory committees to address pertinent issues. They contend that were the governance principles proposed in this report adopted, there would be no need for an executive committee.

It is interesting to note that the recent legislation on the governance of Quebec's State-run corporations does not make any mention of executive committees. This is consistent with the general trend toward attributing these responsibilities to the entire board, backed by three statutory committees (audit, governance and ethics, and human resources).

### **Principle #8 – Creation of three essential committees**

The Working Group endorses the principle of good governance requiring the creation of three statutory committees: audit, governance and ethics, and human resources. All universities are urged to put these board committees in place. Members of these committees should be independent board members. Senior management may, indeed must, participate to the deliberations of these committees. However, the committee should set aside a discussion period exclusively for committee members.

The board must define a clear mandate for each of the committees and transmit these mandates to all stakeholders. The committees are formed by and are an extension of the board, but they have no decision-making powers. They simply report and submit proposals to the board, which then makes the decisions.

The Working Group proposes the following three committees:

- **AUDIT COMMITTEE:** All members of this committee are independent members. Some, and preferably all, should possess pertinent experience in accounting or finance. The mandate of this committee should include the following elements: produce an internal audit plan, ensure that control mechanisms are in place and effective, monitor risk management and ensure the quality of financial statements and relations with external auditors. This proposal assumes that universities have an internal auditor or the equivalent and that this auditor, while reporting to the executive on the administrative level, receives his or her mandates from, and reports to, the audit committee.
- **GOVERNANCE AND ETHICS COMMITTEE:** All members of this committee are independent members. The mandate of this committee should include the following elements: establish and oversee the rules of governance and code of ethics, in particular the provisions that apply to members of the board; define the desired qualifications for new board members and propose this profile to the group that appoints new members;

develop and propose mechanisms to assess the board's performance; examine all situations of conflict of interest involving board members and propose means to resolve these conflicts.

- **HUMAN RESOURCES COMMITTEE:** This committee is made up of independent members and should oversee the following: ensure that human resources management policies are formulated; monitor the application of procedures for appointing the university head; make recommendations on the university head's compensation and performance appraisal methods to the board; obtain the names of proposed by the university head to fill positions under his or her immediate authority; evaluate all candidates; establish compensation and formulate a proposal to be approved by the board; receive a proposal from administration related to mandates during collective bargaining, examine this proposal and define the mandate conferred on administration.

## **ISSUE # 9**

### **Governance and the common good**

The Working Group has carefully considered the arguments raised by several observers that the participation of board members who represent key stakeholders may trigger a conflict of interest.

The Group believes that these concerns reflect the difficulty in reconciling the fact of being appointed by a specific group with the obligation to act in the interest and common good of the institution.

<p><b>Principle #9 – Board members' collective and individual responsibility for the overall welfare of the institution</b></p>
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All board members are responsible for the overall welfare of the university. Regardless of which body appoints them, members all share this duty. The Civil Code of Quebec requires board members to fulfil this duty with impartiality, independence and loyalty to the institution. It is in the interest of good governance that universities adopt a code of ethics, regularly review this code and ensure its rigorous application.

## **ISSUE #10**

### **Good governance and multiple decision-making bodies: a paradox or a challenge?**

The Working Group noted that the governance prevailing in several Quebec universities is overseen not only by several decision-making bodies, but also by certain sovereign authorities: in some cases there are two bodies (most frequently a senate and a board of directors); in other cases there are four (for example the academic council, board of directors, executive committee and university assembly).

In these situations, the question of coordination is an obvious concern. Coordination is sometimes assumed by the university head and senior executives or by the cross-appointment of various members.

However, in some cases coordination entails the ratification of all recommendations by the board of directors. The Working Group is not convinced that ratification should be the single or main coordination mechanism.

The Working Group believes that many decisions can be simultaneously administrative, financial and academic in nature. Decisions that are purely academic, administrative or financial are much less common than one would think. In this sense, coordination is crucial, and the quality of this coordination should be continually monitored.

The Working Group recognizes that the presence of several sovereign bodies with decision-making powers poses a challenge to the role and responsibilities of the board of directors. And coordination between these bodies and the university administration can add another level of complexity to the issue.

<b>Principle #10 – Fewer authorities and better coordination</b>
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To function effectively, the various entities within a university need to be overseen by a central management unit, backed by an authority with ultimate decision-making powers and effective coordination mechanisms. This is the only way that the mission and the administrative, financial and academic aspects can be taken into account and reconciled within the decision-making process.

As part of this essential coordination, the board may delegate some decisions to other bodies, but must retain responsibility for decisions concerning the six essential functions described in Principle 4 above.

## **ISSUE #11**

### **Governance that gives the board an important role in selecting the top executive of the university.**

The Working Group notes important differences between universities regarding procedures and processes leading to appointment of the university head. It acknowledges that differences are often attributable to the public aspect of the process: some procedures entail broad consultation on the candidates, the names of the candidates are publicized and public debates are organized

Clearly, such processes discourage external candidates, a situation which the Working Group considers to run counter to the best interests of universities. The Working Group recognizes the need to consult the university community in the broad sense of the term, but it is surprised to observe that this consultation often takes the form of a vote whose results are made public.

<b>Principle #11 – A new approach to selecting the top executive of the university</b>
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Good governance at the university level is inextricably linked to the legitimacy and credibility of the process used to select university heads. They must be perceived as legitimately qualified to hold the position both by the academic community and by the members of the board. Given the challenges and issues that the institutions face, university heads must also be highly credible, possess the appropriate expertise and experience and have a reputation for integrity.

The Working Group is convinced that the process for selecting a new head should invariably centre on the following objectives:

1. Choosing the best candidate.
2. Ensuring that both internal and external candidates are considered and that the search process is equally open to both.
3. Preserving the confidentiality of candidates and examining their nominations confidentially and with due respect.

The Working Group acknowledges that various processes can be used to attain the objectives proposed here and to ensure that the executive appointed enjoys solid legitimacy and credibility. Nevertheless, the appointment process below could contribute to attaining these objectives:



- First, a consultation committee should be established with members of board of directors, representatives of the highest academic authority (e.g., the senate or academic council), professors and other individuals that reflect the culture of the institution. This committee would be in charge of consulting the university community (including alumni) on the challenges and issues the institution faces and compiling the profile of skills and experience for the next university head; taking into account the particular challenges of the institution, presenting to the university community (and to the board of directors) its conclusions on the results of the consultation; receiving suggestions for candidates and transmitting the resulting findings to the nominating committee, together with the names of other candidates proposed during the consultation.
- Second, a nominating committee composed of independent board members should be created to receive nominations; elicit external and internal nominations; draw up the list of candidates it wishes to examine; examine these nominees respectfully and rigorously according to a process that ensures full confidentiality; retain candidates who are found to possess all the essential qualities; and recommend candidates to the board.
- Next, it is essential that the board carefully examine the nominating committee's report and recommendations of the consultation committee.
- Finally, the board must choose and appoint the future university head in an expeditious manner.

## **ISSUE #12**

### **Good governance requires accountability and transparency**

Working Group members ascertained that there was a widespread consensus that accountability is essential and that it should be exhaustive, easy to understand and transparent.

**Principle #12**  
**Extensive transparency and accountability**

Autonomous, responsible institutions require exhaustive and transparent accountability. Such accountability must demonstrate how the institution is accomplishing its mission and must demonstrate that public funds have been used efficiently and effectively. This accountability must start with the board of directors and extend to other decision-making bodies, all according to a process established by the board to ensure open access and dialogue in this respect. In this

sequence, the board may pay particular attention to government reporting requirements, given the extent to which Quebec universities are publicly funded.

The Working Group believes that accountability and reporting must enable universities to express their particular characteristics, allow the government to appraise the performance of institutions and their use of public funds and make it possible to compare Quebec institutions to their counterparts elsewhere in North America.

These processes must include:

- accounting data and indicators (quantitative or qualitative) that measure the efficiency of the institution's use of resources
- indicators (quantitative or qualitative) that assess the quality of teaching
- indicators (quantitative or qualitative) that evaluate research activities and performance
- two comparisons: year-end results versus the strategy adopted by the board, and year-end results and those of the two previous years versus the results of similar institutions (each university will choose its reference institution)
- a statement by the administration and the board on the results for the year relative to the mission, values and objectives of the institution.

The number of indicators for each of the aspects (i.e. financial, teaching and research) must be limited; ideally, some indicators should be common to all universities in Quebec whereas others could be specific to each institution.

Good governance dictates that indicators be determined jointly with the board of directors and established according to proven, valid methods. The performance of an institution must be evaluated using the same indicators over a sufficiently long period of time.

# CONCLUSION

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In conclusion, the Working Group once again invites each university to examine its governance practices in light of the twelve principles proposed in this report. The Group is convinced that these principles will contribute significantly to the quality of university governance.

The principles proposed by the Working Group constitute a holistic governance system that, when fully implemented, will maximize the efficiency and effectiveness of university governance.. However, the Group cautions against the temptation of piecemeal adoption of whichever principles are most convenient and easiest to implement.

Implementing sound governance principles should be the goal of all boards of directors. It is a fundamental commitment made to all stakeholders of the institution as well as a means to reinforce the legitimacy and credibility of our universities.

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**Institute for Governance of Public and Private Organizations**

3000 Chemin de la Côte-Sainte-Catherine

Montréal, Québec H3T 2A7

514-340-6398

[www.igopp.org](http://www.igopp.org)