When I became the acting president of Hamilton College in 1999, I already knew a lot about the college. I am a 1996 Hamilton graduate, the parent of a former student, and I have served for 12 years on the college's governing board. Still, when Hamilton President Eugene Tobin took a much-deserved sabbatical, I learned more about Hamilton during my six months in the presidency than in all my previous time associated with the college. Much of what I learned will make me — and, I expect, my fellow board members — better in the future.

An unusual level of alumni involvement distinguishes Hamilton. Typically, more than 55 percent of alumni contribute every year to the annual fund, and more than a third volunteer to recruit students, raise funds, counsel undergraduates about careers, provide internships, conduct alumni events, and participate in other activities. As is the case at other colleges, Hamilton's board sets the tone for financial and volunteer support.

Yet despite this high level of alumni involvement and my own active participation with my alma mater, I had a superficial understanding about many important facets of the college and wondered whether my fellow board members did as well. Naturally, I recognize it is unrealistic to expect that board members who typically visit the campus just three or four times a year will ever have the same breadth and depth of knowledge as the president and senior administrators who are charged with the daily operations of the institution.

A New Understanding of the College

Soon after I became president, the impact of policy decisions became clear to me — much more so than when I was a board member. For example, deciding to admit an additional 20 to 30 students from the waiting list or planning for a larger class, though attractive from a financial point of view, had significant ramifications in the day-to-day life of the campus. Admitting more students means hiring more staff members. Where would we find additional housing? And if the new hires were adjuncts, how could we be certain they would be as qualified and as committed to the institution as full-time faculty members?

This level of detail rarely makes it to the boardroom, but as president, I could see how a tempting financial solution might create an irritant in campus life.

My experience as a college president has made me much more aware of the nuances of board decision making. Many issues that boards are asked to consider require much broader scrutiny. Switching roles for six months taught me five fundamental lessons that may help boards and board members become more effective.

1. Balance the membership of board member committees.

Hamilton's board of directors, like many governing boards, consists disproportionately of business executives, investors, and successful entrepreneurs. Their acumen is in finance and in running a business, so they tend to be most interested in the issues — fund-raising, endowment performance, and investments — with which they are most familiar and where results are tangible. They tend not to be so comfortable with the other components that make a college successful such as its staff, programs, and facilities. The tendency among board members to gravitate toward finance is understandable. After all, board members have a fiduciary responsibility to the college, and given today's fiscal pressures, no board can be blamed for being preoccupied with an organization's assets. But a balanced budget and a growing endowment are only two measures of an organization's health.

It is equally important that all board committees have the appropriate firepower if the mission of the institution is to be fulfilled. The committee on board members should look carefully at the distribution of talent and influence among the various standing committees to ensure that every function has an important voice at the boardroom table.

2. Seek, within limits, close encounters with leaders of the organization.

In my six months as president, I met and spent time with most of the faculty, the swimming coach, the chair of the chemistry department, the director of the career center — people board members typically would not encounter. Yet the insights and opinions of such individuals can give board members a much broader understanding of an institution.

Recognizing this untapped resource, we restructured board weekends at Hamilton to facilitate even greater informal interaction between the board and various college
One of the main responsibilities of board members is to maintain financial accountability of their organization. Board members act as trustees of the organization's assets and must exercise due diligence to oversee that the organization is well-managed and that its financial situation remains sound. Here is an outline on how board members can fulfill their role as fiduciaries.

**What does fiduciary mean?**
Fiduciary duty requires board members to stay objective, unselfish, responsible, honest, trustworthy, and efficient. Board members, as stewards of public trust, must always act for the good of the organization, rather than for the benefit of themselves. They need to exercise reasonable care in all decision making, without placing the organization under unnecessary risk.

**Understanding financial basics**
Not every board member can be a financial wizard. Every board member, however, needs to be a financial inquisitor. It is essential to understand basic terminology, be able to read financial statements and judge their soundness, and have the capacity to recognize warning signs that might indicate a change in the overall health of the organization. If a board member does not understand something, he or she must be willing to find out the answer.

Specific questions board members should ask:
- Is our financial plan consistent with our strategic plan?
- Is our cash flow projected to be adequate?
- Do we have sufficient reserves?
- Are any specific expense areas rising faster than their sources of income?
- Are we regularly comparing our financial activity with what we have budgeted?
- Are our expenses appropriate?
- Do we have the appropriate checks and balances to prevent errors, fraud, and abuse?
- Are we meeting guidelines and requirements set by our funders?

**Setting up and monitoring key financial indicators**
Having the proper tools to monitor and evaluate financial performance strengthens the board's capacity to judge the health of the organization. Board members need to agree on general guidelines and standards to measure the effectiveness of organizational accomplishments. Appropriate policies must be in place to guide management and board decision making.

**Ensuring adequate control mechanisms**
Control mechanisms are not intended to detect fraud but rather to prevent it. Ensuring clarity in job descriptions and responsibilities; defining financial and accounting procedures (signing checks, handling of cash, approving expenses, outlining parameters for credit card usage); managing potential conflicts of interest with a clear policy; and requesting regular external audits are all manifestations of fiduciary responsibility.

**Approving the budget**
The budget creates the framework for program management and overall administrative decisions. The annual budget approval process helps curb any tendency for the board to micromanage. Securing necessary funding is part of a viable budget. Examining financial statements regularly, comparing actual figures to the projected ones, allows the board to verify that the general guidelines stay on track. The board should question any major variances.

**Overseeing the organization’s legal obligations**
The board verifies that all filing requirements and tax obligations are completed. The organization must fill out Form 990 completely and file it on time. It must regularly withhold and pay employment taxes. To avoid intermediate sanctions, the board must document and justify its executive compensation and any financial transactions.