

## GOVERNANCE PROPOSAL 2008

### Background

Following the June 2004 Board meeting I was directed, as the Institute President, to appoint the Governance Task Team. The team was charged to review the Institute governance structure and determine if the current structure provided for effective oversight of the Institute, according to the stated mission, and protecting the interests of the membership.

Included in the review:

- Board size and composition
- Director election/selection
- Leadership development and succession

In the spring of 2006, CSI engaged Greenway Consulting to assist the Governance Task Team in finalizing its recommendations for a new governance structure. Greenway provided research, benchmarking, and background information, and collaborated with the task team in the development of the governance recommendations.

At the November 2006 Board meeting, CSI's Board of Directors modified the task team's recommendation and unanimously approved authorizing the governance revision by-laws amendment to go before the full membership for a vote. The proposed amendment received 60.7 percent affirmative vote, falling short of the 2/3 affirmative vote required for passage.

At the Executive Committee-elect meeting this spring, it was decided that the governance initiative should be given another opportunity. The committee kept the original members of the task team and added three new members. Since mid July, the task team has worked to revise the governance proposal. Their focus has been on maintaining the goals of the original proposal while adjusting the governance structure to respond to the concerns of members.

### Why Change

The task team has identified several problems CSI's current structure presents in today's construction industry.

1. The current decision-making process inhibits responsiveness and growth.
2. In an industry based on information and communication, CSI is too slow to respond to opportunities.
3. Leadership and staff are mired in "process" and unable to make strategic decisions.
4. Institute directors have no clear focus because of their dual Institute Board and Region roles and responsibilities.
5. The dual leadership roles are too burdensome for many, resulting in resignations or the frustration of ineffective performance.
6. Our legacy process results in doing the same things repeatedly and expecting different results – the definition of insanity.

Among the most compelling arguments for change collected by Greenway were the perceptions of current and former CSI leaders about how well the Institute is keeping pace with the industry. When asked how fast CSI was traveling in relation to the rest of the construction industry, the average response was that CSI is traveling at 35 miles per hour, while those surveyed felt the

industry was cruising at 70 or more. Nearly all board members and executive staff agreed with this assessment. This laggard pace is not sustainable in an industry seeking relevance, responsiveness, and timely action to paradigm shifts.

The deliberations of the task team and its recommendations are based on several assumptions:

1. Strong governance is needed and desired.
2. The proposed governance of CSI should be a structure that gives stability and continuity, but is also a governance system that is continually resilient, adaptable, responsive, networked, distributed, and flexible.
3. The CSI Board should simply make policy, articulate the vision of the organization, and evaluate the services, programs, and product outputs of the organization.
4. The CSI Board should spend its time on outcomes and forward thinking.
5. The CSI Board needs to have an external focus into the needs of the A/E/C industry and on CSI members' needs rather than on internal mechanics.

## **Governance Revisions**

We are proposing three separate recommended by-law revisions that modify CSI's governance structure.

**Revise the way members participate at the annual meeting.** In place of the current delegate system, which requires members to register as delegates in order to vote at the Annual Meeting, we recommend allowing any member in good standing in attendance at the Annual Meeting to vote. The current system is flawed and sends a message that some members are more empowered and have more voice than others.

**Revise the method of making nominations by petition.** In most organizations there is an alternate nomination method to placing names before the Nominating Committee, such as taking nominations from the floor at a meeting of the membership. Our current method is flawed because it requires petitions to be filed *prior* to the Nominating Committee naming its suggested slate of candidates. Voters have generally come to expect that the slate would be made public and then an opportunity for additional nominations would be provided. Currently, nominations by petition require 1 percent of the members from 6 of the 10 regions to sign a petition. We recommend requiring 2 percent of the members from 4 of 10 regions sign a petition, and to change the date of submittal from October to December.

**The heart of the governance proposal -- changing the size and structure of the Board as well as revisions to the Nominating Committee.**

The surveys indicated considerable support for reducing the size of the Board. A smaller Board will streamline the decision-making process and result in a more nimble organization. Board members are not to directly represent regions, but instead govern the direction of the total organization.

We propose a board of 18;

- 10 directors elected, 1 from each of the 10 regions
- 6 officers including President-elect, President, Immediate Past President, Secretary, Treasurer, and 1 Vice President

- 2 Directors-at-Large or National Directors that are members of CSI and elected by the full membership

Terms for directors and officers other than President-elect would be for 2 years with the option that they would be able to succeed themselves once (in other words, be elected to 2 consecutive terms). Directors' terms would be staggered so that 5 are elected every other year. Director-at-large terms would be staggered so that 1 is elected every other year. Officer terms would be staggered, Treasurer and Vice President elected one year, Secretary the next. President-elect is traditionally elected to run unopposed and succeed automatically to the positions of President and Immediate Past President at the end of their terms.

Maintaining diversity of member classification on the Board is important. The task team recommends:

- The Board create a limit of at least 3 of the officers and Directors-at-Large be either professional members or industry/associate members.
- For Directors elected by regions, the Board create a policy that a member with alternate member classification serve at least one of three consecutive terms.

In the governance proposal from last November, the Directors-at-Large were appointed by the board and did not need to be members of CSI at the time of their appointment. In this recommendation, directors-at-large would be nominated by the Nominating Committee and elected by the full membership, and they **would** be CSI members. The intent is to provide the opportunity to bring additional expertise, industry experience, representation of a segment of the construction industry not currently represented on the Board, or specific skill sets to the Board at the director level that may not be otherwise present. It provides the Board additional flexibility and opportunities for members to serve.

We recommend eliminating the Executive Committee. There is overlap and inefficiency of governing roles, and the Executive Committee of CSI is redundant in most ways, and therefore is not required in the future as an operational level of governance. With a smaller Board and the advances in communication and virtual meeting technologies, the need for an Executive Committee to act on behalf of the Board is no longer needed. In the past, there has been friction between the Executive Committee and the Board – the two groups can easily develop a “them vs. us” mentality that is time- and resource-consuming. Eliminating the Executive Committee creates a more horizontal organization.

Our consultant's surveys of current and former leaders indicated a strong consensus that the nominating process for leadership positions needed to change. The approval rating of the process was 46.6 (out of a possible 100) when, according to our consultant, the established rate for effective nominating committee credibility is to be no lower than 83.5. Quality leadership is the key to future success, and the Nominating Committee's job is to replenish leadership. An understanding of the strategic direction of the Institute is critical to the successful completion of the committee's work. In order to accomplish this, a direct connection to the Board is desirable.

We recommend keeping the current rotation of 5 members of the Nominating Committee from regions serving 2-year terms, with the addition of 2 Board members selected by the Board to serve on the committee for 1-year terms. This would bring the Nominating Committee's headcount to 7 members. While serving on the committee the Board members would become ineligible to be nominated to leadership positions that succeeding year. These 2 additional members provide the needed connection with the Board and provide additional manpower as we anticipate the workload of the committee increasing as it takes on the role of ensuring the

development of quality leadership. It also ensures that, with 5 members from the regions, the board can't "run away" with the committee.

Though not reflected in the by-laws, the primary concept of the proposal is the separation of the responsibility for region administration from that of the Institute Director. It is not our intent to change administration of regions; they would still elect a president and vice president of the region (if incorporated). But those elected as Region president or vice president would not be Institute Directors. It is expected that those serving roles in region administration will develop skills and leadership abilities that would provide a qualified pool of future director candidates.

CSI's current governance structure has served us well for more than three decades. However, it was created when the primary mode of communication was the US Postal Service. Construction moved at a slower pace. The model supported a strong Executive Director and an Executive Committee that looked to the corporate issues of the Institute, and the Directors served more as a communications link between chapters and the Institute. In order to remain relevant in today's construction industry, CSI needs to adapt, evolve, and develop a governance structure that allows quick reaction to the changing needs of its members and the industry.

CSI's governance needs to evolve from a constituency-based, inwardly focused Board, a Board that is distracted by region administration issues and spends an inordinate amount of time on process and doing the "work" of CSI, to a Board that has a strong and consistent vision of the future, is focused on the "business" of CSI, and ensures the Institute is providing products and services that exceed the expectations of our members.

Respectfully Submitted for Member Review and Comment,

Gary Betts FCSI, CCS, AIA  
Chair Governance Task Team