

**Remarks delivered by  
Rose M. Patten, Chair of the Governing Council,  
University of Toronto  
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It's an honour for me to be here today and be a part of this 20<sup>th</sup> annual conference. I welcome the opportunity, not only to share some of my thoughts with you, but also to hear your views as well.

I'd like to speak to you today about what I regard as the three most important issues now facing universities and colleges: **governance, funding, and, accountability and autonomy**. In discussing these, I will draw some parallels (where appropriate) that I see between the academic world and the corporate sector.

#### **BMO Overview**

As you heard during that very generous introduction, my day job is with BMO Financial Group. For a little context, BMO is a highly diversified financial services organization with over 34,000 employees and \$298 billion in assets. Approximately one-third of our revenue comes from the United States, so that means we must take a trans-national view on rules and regulations, competition and currency, people and policy.

#### **Corporate Scandals –Sarbanes Oxley**

As you well know, the corporate world has recently been rocked by scandals caused by fraudulent accounting practices and the failure of leadership. It's hard to recall a time when corporations engendered such scepticism, because of what happened at the likes of Bre-X and Enron, Tyco and WorldCom.

In response, the United States Congress passed the Sarbanes-Oxley Act of 2002, an important piece of legislation that matters to all Canadian companies that, (like BMO Financial Group) are publicly traded in the U.S. And while, at BMO we were already doing most of what Sarbanes-Oxley required, we nevertheless welcomed the tougher standards that now apply across-the-board.

## Commonality

The academic world may never see quite the same level of rigorous outside scrutiny that corporations must face by regulators, investors, analysts, and competitors ... however, by reflecting on the changing landscape surrounding our public institutions, it is becoming very clear that what matters most to all is **accountability**. In my opinion, it has become the highest priority, and it must be seen to be the underpinning, or at the heart of everything we do – whether that is at a public institution or in private industry.

In fact, in recent years I have observed that governance practices and the characteristics that define good governance in the two worlds are becoming more similar, evolving as they do from their boards ... accountable custodianship and oversight, transparency, and objectivity. I would even suggest that, increasingly, corporate models are moving more towards the university model, whereby they now see more than just **shareholders**, and are thinking more broadly of **stakeholders**.

## Personal Accountability

If the future is to be defined by greater accountability, as directors, as custodians, as governors, and as administrators, I believe all leadership must begin with personal accountability ... and the expectation that everyone **accept and demonstrate personal accountability**. Ethical and responsible leadership is grounded in accountability at the individual level.

## My Experience

In addition to my long corporate career that includes executive positions across all areas of the financial services industry, I have fourteen years experience in university governance. It is wearing that hat, that I am with you today although, I believe you want me to draw on my experience and expertise in both of these worlds in my comments.

## Characteristics of BMO's Governance Structure

First, a few words on BMO's governance structure, its guiding principles, and its practices. At BMO, sound governance and ethical behaviour begin with our 15 member Board of Directors, which represents and is accountable to shareholders and more broadly speaking -- to our many stakeholders. Either directly, or through Board committees, they are responsible for the oversight of the management of the business and affairs of the Bank.

## Committee Structure

At BMO, we have 5 committees that cover all aspects of governance. For example, the **Audit Committee** oversees the integrity of the Bank's financial reporting, its internal controls, disclosure, compliance and, of course -- audit. The **Conduct Review Committee's** oversight responsibilities cover areas such as conflict of interest, use and disclosure of confidential information, and standards of business conduct.

The **Human Resources and Compensation Committee** is responsible for overseeing how effectively our people strategies align with our business strategies – including the management of talent and succession, diversity, training and development, and ensuring that there is a clear linkage between pay and performance. Our **Risk Review Committee** oversees the identification, measurement and management of risks to the company.

Finally, we have a **Governance and Nominating Committee** that is responsible for reviewing and assessing on an ongoing basis the Bank's system of corporate governance – to ensure that we are maintaining our high standards and leadership position when it comes to best practices. They are also the committee that is charged with identifying and recommending candidates for appointment to the board, orientation of new Board Members, and annual performance reviews of Directors.

## Annual Director and Committee Reviews

The effectiveness of the Board's operations is monitored by annual evaluations of the Board, its committees and each director. The director evaluations are carried out through a "peer" performance review – one of the first of its kind in Canada – which is a comprehensive survey requiring all directors to assess the contribution of each of their peers on measures including ethics, strategic insight, financial literacy and business judgment.

## Charter of Expectations

This brings me back to the foundation of leadership and good corporate governance --- which is personal accountability. At BMO, we have established a comprehensive *Charter of Expectations* for members of our Board of Directors. This *Charter* carefully sets out the typical things that Boards do, but goes beyond that, and is linked to our governing documents (such as our Corporate Values). The *Charter of Expectations* also stipulates the personal and professional characteristics of directors and details the recruitment model for use in screening and selecting board nominees.

In short, at BMO, we consider good corporate governance one of our major strengths and one of our fundamental responsibilities.

### **UofT – Bicameral to Unicameral**

Turning to the University of Toronto, as you might know, our governing structure is quite unique among Canadian universities. In 1972 the bicameral system of a Senate and a Board of Governors was changed to a unicameral system with a Governing Council that has fifty members who represent all aspects of the university community and the outside community.

### **Outsiders and Insiders**

One half of the council consists of “outsiders” who are lay people appointed by government (16), as well as alumni representatives (8). The other half is comprised of “insiders” or university people including: members of the university appointed by the President (2), faculty(12) , administrators (2) and both graduate and undergraduate students (8).

Notwithstanding this unique structure and organization of the University of Toronto’s Governing Council membership, the principles which guide its governance are the same as the previous bicameral system.

### **The Structure**

We have 3 Boards (the Academic Board, Business Board, and the University Affairs Board), and various standing and special committees that report back directly to the Governing Council or to one of the Boards. They undertake detailed reviews of proposals and alternatives developed by the administration, then formulate their recommendations. They also, in certain cases, have full delegated authority to act on behalf of the Governing Council. I am also proud to say that in our governance system, almost all deliberations occur in public meetings as opposed to -- in camera.

### **How Committee Structure Works**

There is a fourteen-member Executive Committee that reviews those recommendations and/or report backs, to ensure that the investigation has been thorough. Only then, do matters come before the full Governing Council -- sitting in open session -- with the opportunity for everyone to have a voice in the final deliberations. This can include written submissions or statements, or requests to address the Governing Council in session on a particular item.

## **Decision-making**

To my mind, it is the great strength of the UofT Governing Council that we can make decisions with the full and active participation of representatives from both academic and fiduciary backgrounds. Coming from a corporate world that can often be characterized by fast decision making, and being at least a bit less consensus oriented, I am amazed how smoothly this more complex structure works.

## **Parallels**

Not unlike in the corporate world, I believe leadership values in governance are the critical underpinnings of “how” fiduciary responsibility is fulfilled. At UofT we believe that interactions between Governors and, more particularly, with the administration, must be driven by trust, constructive verification and effective communication. We also believe that inclusion and transparency must be the mantra.

## **Balance**

There must also, in any deliberations, be a balance in perspectives, conclusions, and judgements. At UofT for example, Governors are asked to look beyond their own constituency and to their greater responsibility to the university as a whole. They are asked to ensure that in discussions and debates there is a balance between long-term goals and short-term challenges, and that as Governors, they are fully engaged in understanding the realities of the fiscal requirements, and the implications of those on advancing the university’s mission.

Most importantly, I believe that as governors they are personally accountable for ensuring that issues are clearly stated and debated vigorously.

## **Orientation**

These guiding principles and perspectives are brought to life each year at an annual session for all Governors. This retreat provides a refresher for returning Governors and acts as an orientation to governance for new members. The session goes beyond reviewing the governance structure, beyond the responsibilities and rewards that come with being members of Governing Council, and moves to discuss themes such as: how Governor’s should think about issues, the information they should or should not need, role clarification, and the interfaces among Governors and the administration.

In short, the focus is not just on roles and responsibilities, but on the way we operate or the behaviours that have a significant impact on our effectiveness as

Governors. I would also, note that a similar, thorough, orientation takes place at BMO.

### **Leadership selection**

Another similarity between the corporate and academic worlds, that you might find interesting, is in the area of leadership selection. During the past year I have been actively involved in two key recruiting roles ... one -- replacing the President at University of Toronto, and two --- assisting the BMO Financial Group Board with CEO succession planning.

In both cases, I placed significant emphasis on defining the leadership requirements – based on the landscape – and looking out to the next 5-10 years. At BMO, we looked at our competitive landscape, the business challenges and opportunities we faced, and then we carefully defined the leadership requirements and established a profile.

In selecting David Naylor as the new president of the University of Toronto, we applied all of the same rigorous techniques that we use in the corporate world. First, we defined our requirements against what we saw as the external environment in the medium to long term, we then conducted a global search, consulted widely with our various constituencies, and undertook lengthy due diligence.

Obviously, in each role we sought very different backgrounds with specific skill sets, but, the underlying need for personal principles was the same, as we carefully took into account character, integrity, and leadership capacity.

### **Equity & Diversity**

Another area of similarity between the corporate and academic worlds, is how both are embracing the importance of equity and diversity in the leadership ranks.

### **Diversity at BMO**

At BMO, since we began our efforts in earnest in the early 1990s, the percentage of women in senior management roles at BMO has risen from nine per cent to thirty-seven percent. And while we have a ways to go before we're where we want to be, I believe we have made some significant progress. In fact, we are currently in the process of renewing and reinvigorating our diversity strategies at the Bank, and I have made it one of my top priorities this year

### UofT: Advancement of women

At UofT, not unlike many post-secondary institutions, we have been focused on increasing the proportion of tenured female faculty. I am proud to say that we have made some real measurable progress in the last 2 years. For example: 3 of 5 Vice Presidents are now women, and of the 29 Principals and Deans at UofT --- 14 are now women -- including faculties which have traditionally been headed by men (such as Engineering, Law, Medicine, and Graduate Studies). And, on the non-academic side, 51% of the middle management positions are now filled by women.

So as you can see the focus on equity and diversity of talent is another area where there are parallels between the corporate and academic worlds. In fact, I would say that the focus on **accessing the widest and deepest pool of talent available** – acquiring, developing, and retaining it -- is one of the highest priorities for senior management and for the Board, it is central to their governance responsibilities.

### Getting the right people into the right roles

And, while on the corporate side, getting the right people into the right roles and having them perform at the top of their game – is critical to the successful execution of business strategies; in the academic world – it is the foundation of a high quality education and overall student experience.

### Employer of Choice

At BMO Financial Group, we believe that in this highly competitive marketplace for talent, being attractive to the widest pool, means that we need to be, and be seen as an **“employer of choice.”** It is in fact, one of top 7 priorities that, both the senior leadership and the Board have set. And, I am proud to say -- and not to be boastful – but, this year on the *Canada’s Top 100 Employers* list -- both BMO and the University of Toronto were recognized for our people practices. So the commonalities of a well led institution, be it corporate or academic – are pretty central.

### Funding of Post-secondary education

Let me move now to next part of my remarks – another important area where accountability matters ... the future of **funding** of Canadian post-secondary education. While I intend to use the province of Ontario as my example, the theme I want to explore with you is universal because the source and stability of long-term funding ... where it will come from, and how it will best be used ... is something that’s real and relevant to us all.

## Bob Rae Report

As you may know, we have just come through an intense study of post-secondary education. Bob Rae, the former NDP premier of Ontario, chaired a review that produced a thoughtful report last year calling for a halt to the steady decline of a system that saw Ontario fall to last place among the provinces in funding per student.

This was not one of those studies that was placed on a shelf to gather dust. The government responded with their “Reaching Higher” plan for post-secondary education. In last year’s provincial budget, the government committed to an investment of an additional \$6.2 billion for post-secondary education and training over the next five years, the largest single infusion of funds in the sector during the last forty years. This much-needed investment will help enrich our students, support our scholars, and elevate the province into a more competitive position internationally.

## Reaching Higher Priorities

In earmarking this sizeable sum of money the Ontario Government has also brought more clarity to its priorities. They include: improving accessibility, increasing competitiveness through investments in graduate education, medical expansion and research, and enhancing quality and accountability.

## Specific Targets

The government also established specific targets such as a 23 per cent increase in undergraduate medical enrolment, four new undergrad medical campuses, and a 65 per cent increase in graduate enrolment.

## Tuition

Through a new multi-year tuition framework, both universities and students now also have a degree of predictability regarding tuition increases. Tuition fees, which had been frozen, are now set to rise over the next four years ... but it’s important to note that the \$6.2 billion figure I mentioned a moment ago also includes an additional \$1.5 billion for student financial aid and a commitment to improving accessibility.

For our part, at UofT we believe that the government’s “Reaching Higher” plan and related multi-year framework for tuition is both sound and sensible. And, we are committed to working with **all levels** of government to achieve the highest standards in teaching, research and the student learning experience.



As full partners in this endeavour – we believe we can make significant and steady progress in improving the student educational experience, further enhancing accessibility, expanding graduate education, and continuing to build our research enterprise.

### **Accountability and Autonomy**

I spoke earlier about personal accountability, and by extension institutional accountability. This is a good example of how we must perform our oversight roles and apply the rigors of personal accountability for this increased funding commitment and for producing measurable results.

But let me sound a note of caution. None of the promised money headed our way, no matter what the source ... public or private ... comes with any ironclad guarantee. Bob Rae has talked about the need for a framework in which governments can create a culture that includes incentives and investment.

### **Can't create culture from the centre**

But, just as Boards cannot create those organizational cultures and run the institutions from the centre at the same time – nor can governments. As Mr. Rae has said, and I quote: "If a government tries to do this – and instinctively they do because there is tremendous political pressure to do this – they won't do it well and they will miss the opportunity to allow the institutions to define better their own future and how they can be great."

While each of us represents different institutions...each dynamic – with unique challenges, goals and aspirations, I believe we all share the view that we can only be successful if we have post-secondary **systems** that celebrate the differences between institutions, and allow each to define and seek to achieve its own vision.

### **Early Signs**

I believe, and I am encouraged by early signs that our government in Ontario understands and embraces this equilibrium among responsibility, the freedom to act, and the need to be held accountable. Forging the link between autonomy and personal accountability will require all of our focus and discipline, leadership and governance -- and that link will need to be grounded in performance measures that will accurately reflect progress in this process of renewal.

### **UofT Ready...**

I think most of our university's governing system is positioned to assume greater personal accountability and make decisions about such matters as admission

standards or class size with the joint participation of both the academic and fiduciary representatives.

### **Financial discipline and rigour**

The real onus is on ensuring that our academic decision-making takes the financial side consistently into account – with discipline and rigour – because the reasonable expectation of government, and the public at large -- is that we will use any increased public funding wisely and well.

### **Competing Demands on Finite Public Funds**

Yet, if we as members of university governance, do not act in a reasoned manner, with care and considered judgement, longer-term commitments by governments can be put at risk. After all, there are many competing demands on finite public funds, and if we cannot bring proper oversight to agreed-upon priorities and well understood milestones ... or if post-secondary institutions fall short in meeting the public's needs and fulfilling their expectations ... then governments can consider other priorities for those funds, or alternatively, impose greater central controls over how we as institutions operate and build for the future.

In Ontario, I believe we have a government that understands the critical balance between responsibility, the freedom to act, and being held accountable.

### **Earned autonomy**

In this regard, Ontario has adopted an “earned autonomy” approach – similar to the one applied in Britain. Under that approach, schools were given greater flexibility, including allowing them to set their own curriculum and teachers' pay rates. In return, the institutions made specific guarantees in areas such as accessibility, and committed to more clearly defined performance standards.

This change in the U.K., has been difficult, and there have been bumps along the road -- proving that mutual understandings can be difficult to achieve, but, for us -- our challenge is to work toward that essential equilibrium between personal/institutional accountability through sound governance – and autonomy.

In my opinion, if we have learned anything from the past, it is that the one-size-fits-all model has delivered diminished outcomes. I believe, our institutions and our students deserve better. Education is fundamentally about a journey of excellence.

## Conclusion

In conclusion, I believe that success will come from the greatest appreciation of the differences between the systems and full agreement by all parties of the milestones that must be met. And that this can only happen through strong management and wise leadership starting at the top with the Board and with the senior leadership of our institutions, and with accountability and transparency throughout the process.

My vision is for governments to see us as full partners in governance, who can provide the oversight, foresight and objectivity that are the touchstones of accountable custodianship, the principles that yield the best results for all of our stakeholders ... including the public at large.

As members of university governance, I believe our role is to act thoughtfully and independently, not simply as messengers. Governing boards should not be passive bodies. We can and rightfully should, be champions of excellence in post-secondary education, and, act as the conscience of responsible choices.

Thank you.