

GOVERNANCE REPORT

June 2015

Eight years ago, in response to congressional and media assertions of lax oversight, the Smithsonian Institution's Board of Regents ("Board") instituted a comprehensive program of governance reforms. The Board's Governance Committee and the United States Government Accountability Office ("GAO") recommended 46 reforms aimed at improving operational policies and controls; executive compensation, benefits, and ethics; the transparency of Board operations; the flow of information to the Board; the Board's relationship with stakeholders; and the Board's responsibilities, structure, and performance.¹ In 2011, the Board concluded—and GAO agreed—that all of the recommendations had been implemented.²

The Board remains committed to maintaining trust in its operations and aspires to be a leader in non-profit governance. The Board now utilizes BoardSource's Twelve Principles of Governance That Power Exceptional Boards as a benchmark for evaluating its own practices and procedures. With these 12 principles as a guide, this report highlights the major governance developments in 2011-2014 that have increased accountability, improved the performance of the Board, and advanced the mission of the Smithsonian Institution ("Smithsonian").

1. CONSTRUCTIVE PARTNERSHIP *Exceptional boards govern in constructive partnership with the chief executive, recognizing that the effectiveness of the board and chief executive are interdependent.*

Working hand-in-hand with Secretary G. Wayne Clough, the Board regained the trust of a broad range of stakeholders and set the stage for ambitious innovation. When Secretary Clough announced his intention to retire in 2014, the Board formed an ad hoc committee to conduct an international search for a new Secretary. The Board elected Dr. David J. Skorton, president of Cornell University and a board-certified cardiologist, as the 13th Secretary of the Smithsonian, effective July 2015. Dr. Skorton has been president of Cornell University since July 2006 and previously served as the president of the University of Iowa from 2003 to 2006.

John G. Roberts, Jr., Smithsonian Chancellor and Chief Justice of the United States, said that, "David Skorton has demonstrated keen vision and skilled leadership as the president of two great American universities. His character, experience and talents are an ideal match for the Smithsonian's broad and dynamic range of interests, endeavors and aspirations." The Board looks forward to collaborating with Dr. Skorton to strengthen the Smithsonian's reputation as a global leader in the arts, sciences, and education.

¹ U.S. Gov't Accountability Office, GAO-10-190R, Smithsonian Institution: Implementation of Governance Reforms is Progressing, but Work Remains (2009).

² U.S. Gov't Accountability Office, GAO-08-632, Smithsonian Institution: Board of Regents Has Implemented Many Governance Reforms, but Ensuring Accountability and Oversight Will Require Ongoing Action (2008).

2. MISSION DRIVEN *Exceptional boards shape and uphold the mission, articulate a compelling vision, and ensure the congruence between decisions and core values.*

Over the past three years, the Board has strongly supported management initiatives to further the Smithsonian's core mandate—"the increase and diffusion of knowledge"—through the implementation of its first-ever strategic plan for fiscal years 2010-2015. The strategic plan provides a basic architecture for current research and educational initiatives by identifying four "grand challenges" that integrate and coordinate the Smithsonian's core strengths: natural history and science; global cultural studies; astrophysics; and American art and history. On June 23, 2014, the Board voted to extend the plan to 2017.

Recognizing that digitization could exponentially broaden access to the Smithsonian's vast collections, the Board continues to endorse the Smithsonian's digitization efforts, which are making millions of the Smithsonian's objects available to people across the nation and around the globe. The Smithsonian's Digitization Strategic Plan is an ambitious plan that outlines ways to convert the Institution's collections to digital form and share them through virtual devices, equipment, and networks. This preservation and exchange of information, objects, and expertise is fundamental to the Smithsonian's mission and, in the years ahead, the Board will be focused on helping the Smithsonian excel in both the physical and digital worlds.

The Board has also supported the enhanced visibility of the Smithsonian's education and learning programs. During the past three years, new education spaces have opened on and off the National Mall that foster exploration and creativity through hands-on experiences. In November 2013, for example, the National Museum of Natural History opened a first-of-its-kind customizable, interactive learning spaces for teens. The space, called Q?rius (pronounced "curious") combines the properties of a scientific lab, collections vault, and creative studio to inspire and connect teens with science. By providing unparalleled access to Smithsonian scientists and the largest teaching collection in the world, Q?rius enables teens to develop the skills to become the scientists of tomorrow. Off the Mall, the Smithsonian Affiliates' Spark!Lab National Network program is taking the National Museum of American History's popular Spark Lab to communities across the country.

The Board also monitors the progress of the Youth Access Endowment, established by the Bill and Melinda Gates Foundation, to underwrite new education projects and further extend the Smithsonian's reach into underserved audiences. Since 2011, these grants have generated over \$10 million in total funding for innovative new programming.

3. STRATEGIC THINKING *Exceptional boards allocate time to what matters most and continuously engage in strategic thinking to hone the organization's direction.*

Board meetings are structured to ensure adequate time is provided for both governance responsibilities and major strategic priorities, such as overseeing the financial strength of the Smithsonian and critical facilities efforts. In the past few years, the Regents have overseen construction of the National Museum of African American History and Culture, the stabilization

of the Arts and Industries Building, and the development of a master plan to reinvigorate the South Mall campus—the museums and gardens along Independence Avenue Southwest, from Seventh to Twelfth streets.

The Regents also have worked to improve communication and relationships with the over 600 members of the Smithsonian advisory boards, who serve as a key link between the Board, the museums, libraries, research centers, and the public. To this end, the Chair of the Board emails the chairs of the Smithsonian advisory boards with quarterly reports describing significant activities of the Board. The Board is aware that the Smithsonian's growth and improvement depends on having committed and engaged advisory boards and has worked with directors and units to identify candidates to fill vacancies on the advisory boards. Additionally, the Chair holds an annual meeting with the advisory board chairs to discuss the key issues facing their units and the Smithsonian as a whole. With this foundation, the Smithsonian's governing and advisory boards are poised to position the Smithsonian as a 21st century source of knowledge, expertise, and discovery.

4. CULTURE OF INQUIRY *Exceptional boards institutionalize a culture of inquiry, mutual respect, and constructive debate that leads to sound and shared decision making.*

On the Regents' annual self-assessment, respondents agreed that Regents participate substantively at meetings by posing probing questions, challenging assumptions, and asking for additional information when needed. High meeting attendance promotes engagement and deliberation. Since 2012, Regent attendance has ranged from 68-93 percent of Board members participating in person.

A considerable portion of the Board's work is carried out by its nine standing committees. Regents recognize that good governance requires that leadership be cultivated and distributed across the Board rather than concentrated in a single committee. Typically, each citizen Regent is asked to chair a committee. The membership of the Executive Committee is rotated to ensure interested Regents have an opportunity to serve in a leadership role and allow for fresh perspectives.

The Bylaws of the Board of Regents specify the number of Regents who must serve on each committee of the Board, and note that committees may include citizens who are not members of the Board. Pursuant to the Bylaws of the Board of Regents and at the recommendation of the Governance and Nominating Committee of the Board, committee capacity has been broadened by prudently adding non-Regents to select committees of the Board. Thirteen non-Regents serve on six committees to ensure that committees are populated with the skills and experience necessary for a dynamic board.

5. INDEPENDENT-MINDEDNESS *Exceptional boards are independent minded. When making decisions, board members put the interests of the organization above all else.*

The Regents have a fiduciary obligation to act in the best interest of the Smithsonian without regard to their personal interests. The Bylaws of the Board of Regents require that members of the Board “adhere to ethics guidelines setting forth appropriate standards of conduct, provisions to avoid potential conflicts of interest, and requirements for disclosure of personal interests that may relate to the Smithsonian.”³ Consistent with the ethics guidelines, all Regents file an annual disclosure form.

At the suggestion of the General Counsel, the Board revised their annual disclosure statement to better manage Regent interests and affiliations that could be construed as having a relationship to the Smithsonian. The new disclosure statement, which will be implemented in 2015, will augment existing efforts to avoid any actions that might conflict, or appear to conflict, with the interests of the Smithsonian.

6. ETHOS OF TRANSPARENCY *Exceptional boards promote an ethos of transparency by ensuring that donors, stakeholders, and interested members of the public have access to appropriate and accurate information regarding finances, operations, and results.*

As responsible stewards of a public trust, the Regents believe the Smithsonian should be open and accessible to key stakeholders, including Smithsonian staff, Congress, and the public. To that end, the Board conducts an annual public forum, maintains a Regents’ website that contains detailed and up-to-date information about Board activities, and regularly communicates with Congress.

Since 2008, the Board has held an annual public forum that is open to the media in order to provide an opportunity for direct public input to the Board. The forums are webcast and archived on the Smithsonian website. The topics of the past three public forums were *Strength in Austerity* (Sept. 13, 2011); *Staying Relevant: The Smithsonian in the 21st Century* (Oct. 15, 2012); and *The Smithsonian Campaign* (Oct. 20, 2014).

Due to the Federal Government shutdown in 2013, the Regents’ annual public forum was cancelled in light of concerns about a lack of venue if the Smithsonian facilities were closed on that date and the need for advanced notification to the public. The forum’s agenda was to be devoted to soliciting public input on the search for the 13th Secretary of the Smithsonian. As a result of the cancellation, John W. McCarter, Jr., the ad hoc search committee chair, instead led a staff conversation on the search at the Hirshhorn’s Ring Auditorium on November 22, 2013. That conversation, along with a web-based public survey, substituted for the public meeting.

³ Bylaws of the Board of Regents of the Smithsonian Institution §2.13 (2014).

7. COMPLIANCE WITH INTEGRITY *Exceptional boards promote strong ethical values and disciplined compliance by establishing appropriate mechanisms for active oversight.*

The Board demonstrated commitment to ethical conduct and accessibility has strengthened the culture of accountability at the Smithsonian. Policies are continually assessed to meet or exceed best practices in non-profit governance. One effective mechanism for oversight is holding “gatekeeper” sessions at each meeting of the Board, which provide an opportunity for the Inspector General, General Counsel, and Chief Financial Officer to bring matters directly to the Board. Additionally, the Compensation and Human Resources Committee has an independent consultant review the annual compensation decisions to ensure compliance with IRS regulations.

The Board oversaw the search for a new Inspector General and on June 23, 2014, announced Cathy L. Helm as the new inspector general for the Smithsonian. Before joining the Smithsonian, Ms. Helm served as deputy inspector general at the Government Accountability Office since 2008. Prior to that, she was assistant director of GAO for the Office of Inspector General (2004–2008), assistant director for the Human Capital Office (2002–2004) and assistant director for the Natural Resources and Environment Team (1998–2002).

8. SUSTAINING RESOURCES *Exceptional boards link bold visions and ambitious plans to financial support, expertise, and networks of influence.*

The Regents recognize their responsibility to secure the financial resources necessary for the Smithsonian to remain relevant and strong. The Board has worked with management to develop and monitor a portfolio of income streams. That portfolio includes the federal budget, fundraising, the Smithsonian’s endowment, and revenue-generating activities.

On the federal budget front, the Board, guided by the congressional Regents, has made the Smithsonian’s case for increasingly scarce federal resources. The Regents have also dedicated significant time to fundraising efforts benefitting the Smithsonian.

The Regents oversaw the planning of a \$1.5 billion fundraising campaign, the largest in history for a cultural institution. Co-Chairs, Regents Barbara Barrett and David Rubenstein and Regent Emeritus Alan Spoon, announced that over two-thirds of the Smithsonian Campaign’s \$1.5 billion fundraising goal had been met by October 2014 through gifts from individuals, foundations, corporations, and other donors. The Board also actively engages with the managers of the Smithsonian endowment and has created a new subcommittee to bolster oversight of Smithsonian Enterprises.

The Board also recognizes its responsibility to care for the Smithsonian’s infrastructure. In addition to developing a strategic facilities investment plan that charts a course toward revitalizing the Smithsonian’s facilities over the next two decades, the Regents welcomed the opening of new, energy-efficient facilities at the Smithsonian Conservation Biology Institute and the Smithsonian Environmental Research Center.

9. RESULTS-ORIENTED *Exceptional boards are results-oriented. They measure the organization's advancement towards mission and evaluate the performance of major programs and services.*

The Board utilizes a variety of internal and external reports to monitor the Smithsonian's performance. At each meeting, the standing committees report on the actions taken by and the business pending before the committee. These reports include updates on the Smithsonian's facilities, the progress of the Smithsonian's endowment, and major gifts to the Institution. The Board also reviews quarterly the Smithsonian's progress toward its annual goals and regularly reviews reports from independent auditors and compensation consultants. There is wide agreement among the Regents that the format of board meetings and content of meeting materials meaningfully advance their oversight role.

10. INTENTIONAL BOARD PRACTICES *Exceptional boards intentionally structure themselves to fulfill essential governance duties and to support organizational priorities.*

The Board regularly evaluates the roles, responsibilities, and jurisdiction of its standing committees in order to best serve the Smithsonian's evolving needs. In October 2014, the Board voted to change the name of the Strategic Planning and Programs Committee to the Strategy, Innovation, and Technology Committee. At the same time, the committee charter was amended to state that the committee's responsibilities include: (a) overseeing the development and implementation of the Smithsonian's innovation and technology strategies and initiatives; (b) assisting the Finance Committee and the Board of Regents with evaluating management proposals for strategic investments, partnerships, and collaborations; and (c) assisting the Board of Regents in fulfilling its oversight responsibility of Smithsonian Enterprises. These revisions reflect the Board's commitment to the oversight of the Smithsonian's innovation and technology initiatives as well as the Board's willingness to adapt to fit the changing needs of the organization.

As provided in Regent Bylaw 4.09, the Board has created special committees to assist with specifically defined functions. In 2012, the Board created an ad hoc committee to provide guidance and oversight for the development and implementation of a Smithsonian campus master plan. In 2014, the Board created a subcommittee of the Finance and the Strategy, Innovation, and Technology Committees as a vehicle for increased Regent input and oversight of Smithsonian Enterprises.

11. CONTINUOUS LEARNING *Exceptional boards embrace the qualities of a continuous learning organization, evaluating their own performances and assessing the value they add to the organization.*

In order to assess its strengths and weaknesses, the Board annually reviews on the size, structure, composition, and effectiveness of the Board and acts to improve any perceived deficiencies in its role and structure. Board members share strong agreement that the Regents currently are fulfilling their responsibilities as necessary to advance the Smithsonian's mission and maintain the public trust.

12. REVITALIZATION *Exceptional boards energize themselves through planned turnover, thoughtful recruitment, and inclusiveness.*

By statute, the Board consists of nine citizens, the Vice President, the Chief Justice of the United States, three Members of the Senate, and three Members of the House of Representatives.⁴ Each Regent is fully engaged in the work of the Smithsonian and brings a unique set of skills that contributes to its governance. The Board has recruited several new citizen Regents over the past several years, including Steve Case of Virginia, Ambassador Barbara Barrett of Arizona, John Fahey of the District of Columbia, Dr. Risa Lavizzo-Mourey of Pennsylvania, and Michael Lynton of California.

The Regents recognize that turnover is essential for fresh perspectives and for the Smithsonian's continual growth. The Board recently addressed the issue of committee term limits, and in October 2014, the Board adjusted the term limits for Regent committee members. Regents may serve on a committee for their entire statutory terms (up to 12 years). Non-Regents may serve on Regent committees for up to six years, except on the Investment Committee where they may serve up to eight years, and Regents Emeriti may serve up to three years on all committees. Enforceable committee term limits for non-Regents and Regents Emeriti provide the Board with a mechanism to ensure it is rotating members who will bring new perspectives to their respective committees. These limits will become effective in 2016 except for current members of the Advancement Committee, who will be permitted to serve through 2017 to coincide with the end of the Smithsonian Campaign.

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The Smithsonian Institution stands at the center of this Nation's rich scientific, artistic, and cultural heritage as a result of the leadership of the Board of Regents and twelve successive Secretaries. Their collective efforts over 169 years have produced the world's largest museum and research complex. Maintaining excellence in the next century demands innovative solutions to focus and extend the Institution's national and global preeminence in the arts and sciences. The Board of Regents remains energized and focused on the future opportunities to direct the continued ascendance of a great American institution.

⁴ See 20 U.S.C. § 42.