



FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

Leadership and Fiduciary Responsibilities for School Business Officials

October 2022

Leadership

“The supreme quality of leadership is unquestionable integrity. Without it, no real success is possible.”

-Dwight Eisenhower

Expectations

Expectations for the governance team, leadership team and especially the superintendent and CBO regarding district business practices:

- Integrity
- Accuracy
- Competency
- Trustworthy
- Alignment to Plan
- Honesty
- Stewardship
- Credibility
- Legal

School Business Leadership

“School business administration is not an end in itself. It exists for the sole purpose of facilitating the educational program of a school and school district. It should operate to support the teacher in the classroom, the principal in the school, the school board and central administration as each strives to fulfill its responsibility toward the accomplishment of the required educational mission.”

-Anonymous

Characteristics Of Outstanding CBOs

Major themes revolve around:

- An understanding of the district's educational mission
- An ability to integrate technical and policy skills
- Exceptional interpersonal and technical skills
- An ability to communicate clearly – both the written and spoken word
- Strong analytical, problem-solving, creative and innovative skills
- An ability to prioritize – to say “yes” and “no”
- A commitment to focused objectives, strong results and accountability

Characteristics Of Outstanding CBOs (Cont.)

- An unwavering personal and professional ethical standard
- Possess leadership skills not only as a team leader of business services but also as a key districtwide leader (Cabinet/executive team member)
- Expert fiscal orientation
- Ability to see and promote major concepts and see the big picture
- Give and inspire loyalty
- Be honest and creditable – always be above reproach
- Be committed

Personal Characteristics

- Honesty, integrity, trustworthiness, credibility
 - Transparent, no “cover ups”
 - “I don’t know” is an acceptable answer; but then follow up with answer
- Solutions oriented
- Ability to work well / get along with others
 - Understanding, caring, empathetic
 - Our work is about people
 - Relationship builder, diplomat
 - Supervision (building capacity), evaluation (constructive)

Personal Characteristics (Cont.)

- Communication skills
 - Accurate, timely, clear written and verbal
 - Transparent, honest
 - Listen as much as speak (experts in the field, student voice)
 - Presentation skills – narrative, story telling, keep it simple
 - Superintendent and board – first to know, summarization
- Accessible, inclusive, connectedness
- Educator – educate board, cabinet, site and central office personnel, associations, public on complex issues

Personal Characteristics (Cont.)

- Demonstrates confidence / assuredness, but also humility
 - Knows what he/she is doing and why
 - Capable
 - Has courage
- Team builder – people want to be on your team, trust your team
- Grounded in vision; grounded in mission of the work with students
- Self-aware, find fulfillment in work
- Committed to self-improvement; always something to learn
- Have fun, smile

Technical Characteristics

- Finance and budgeting
 - Accounting, auditing, compliance
 - Area of expertise, how many hats have you worn / do you wear?
- Good steward of the public's funds / resources
- Ability to apply technical skills through leadership
 - Know district and its needs
 - What's the impact of a request on operations, budget, multiyear plan?
 - Sometimes “no” is the right answer – but when it isn't, provide alternative solution or path to “yes”

Technical Characteristics (Cont.)

- Analytical / problem solving
 - Creative (within limits)
 - Provides timely alternatives and options
 - Takes acceptable risks
 - Detail orientation – the devil is in the details
 - Ask the “why?”
- Resource allocation (not simply budgeting)

Technical Characteristics (Cont.)

- Interpretation
 - Shall/must vs. may
 - State perspective and plan
 - Regulations (sometimes you are law enforcement)
 - CBO and CHRO are the ones that keep the superintendent and board out of jail
- Teamwork
 - Network of resources – people, sources
 - Right tools

Leadership Characteristics

- Leader first, business expert second
- Followed, trusted
- Sets a measurable, meaningful and strong vision (shares the organization's vision)
 - Understands that the primary focus is student success
 - Aligns to strategic plan and mission (LCAP)
 - Bridge technical to the work of schools
 - Equity focus
- Understands the “temperature of sites”

Leadership Characteristics (Cont.)

- Observant, give recognition, empowers, can't do it all yourself
- Ensures fairness in decision making
- Strong planning and forecasting skills
 - Ability to prioritize in the context of resources and demands
- Seeks out and surrounds him/herself with quality people
- Understand the competency of each person on the team
 - Maximize their competency, but don't let it hinder their growth
 - Builds professional capacity – for self and team
- Systems orientation

Leadership Characteristics (Cont.)

- Enables others to act and grow (*“It is amazing what you can accomplish if you do not care who gets the credit.”* – Harry Truman)
- Leads by example
 - Active visitor / participant on campuses and in the community, visible
 - Mentor and coach, facilitator, creates safe environment
 - Culturally aware
- Celebrates what is working, is a change agent for what is not working
- Possess core values (mindfulness, selflessness and compassion)
- The position of CBO is not the leader, the person is

Tone Is Set At The Top

- Ethical leadership is the first and most important element of school district financial success
- Leaders must exhibit the characteristics they hope to engender in their staff
- There is no substitute for attitude, motivation, energy and enthusiasm – all should be organizational characteristics
- Integrity and ethics shape the entire district
- Leadership – good or bad – is emulated at all levels and becomes the expectation and organizational standard

Tone Is Set At The Top (Cont.)

- Competent leaders don't "shoot from the hip," know how things should be done and get them done
- Effective communication results in shared vision
- The organization chart is more than a document
 - Strategic planning, operational decision-making structures and financial management should follow the organizational chart
 - At the same time, teamwork is essential, and silos are harmful to organizational success
- Continuity is important – make a commitment and stick to it

What are some signs of leadership problems?

- A crisis in governance
- Board or superintendent micromanagement
- Exodus of staff and students
- Frequent litigation against the district
- Difficult to attract quality employees
- Systems break down
- Fiefdoms sprout in the organization, silos become hardened
- Morale is low

See: FCMAT Indicators of Risk and Potential Insolvency

What are some signs of leadership problems? (Cont.)

- Interagency cooperation is poor
- Employee associations unduly influence the board
- Special interests have the ear of the board
- Employees act like free agents with ineffective supervision
- Inadequate community participation
- Audit exceptions or repeat audit findings
- Board policies and administrative regulations are outdated, routinely ignored
- Inability to consider long-term implications or decisions (e.g., collective bargaining)

See: FCMAT Indicators of Risk and Potential Insolvency

Competency

- Competence is a function of training, effort, talent and ability
 - Personal competence must be achieved by employees if they are to be relied upon
- Staff development is expensive in both time and money
 - Failure to make this investment will be even more expensive
- Competent employees provide consistently reliable results
 - They make fewer mistakes – and catch those that are made
 - They work efficiently and get more done in fewer hours / with fewer resources
- Competence is an important element of the organization's system of internal controls

Competency (Cont.)

- Technical skills can be taught, but you must hire personal character
 - Motivated employees with good basic skills can learn nearly any business task
 - Personal traits like ethics, integrity, energy, enthusiasm, motivation and loyalty are almost impossible to instill in people who do not have them
 - Poor leadership can kill those traits or cause the best employees to move on
- Cross-training employees provides backups and flexibility, it also helps you to grow your next generation of leaders
- Training and retention of qualified employees does not happen without effort

Resources

- Ongoing, integrated strategic planning (LACP+) and financial planning (MYP+) is essential
 - Well-run districts have a strategic and financial plan that is clear, assessible, and adequately communicated to all partners
- All problems – sooner or later – manifest themselves in terms of resources
 - Throwing more money at problems is rarely possible and usually ineffective
- Preservation of resources is a much better strategy than restoration of depleted revenues and reserves

Leading with Data

- Financial data is just as essential as student data for making decisions
 - We are very adept at looking at the dashboard and other student data to drive planning and decisions
 - We need to become adept at looking at financial data in the same way – budget, cash, projections, balance sheet, audit, comparative data, trends
- The effects of today's operations and financial decisions are indelibly printed on the future – multiyear financial projections and cash flow projections are critical

Leading with Data (Cont.)

- The cause of most school district insolvencies can be traced to a bad financial decision made during prosperous times that came back to bite the district during lean financial times – exercise caution (think about the current massive infusion of funds, what’s the plan in BY+2?)
 - During good times, MYPs generally don’t get as much attention
 - During lean times, MYPs generally serve as an important decision-making tool
 - During all times, MYPs should be crafted with care and used to vet all long-term decisions
- It is not all about budget; cash is king, and cash shows no mercy

Stages of Development for a CBO

- Successful CBOs build on past experience to achieve future success
- A background in business or finance helps, but many successful CBOs have a different career path
- Leadership skills are transferable; technical skills can be learned
- CBOs learn to rely on staff experts, but be prepared to lead, guide, train, mentor, coach, empower and step aside when time
- Successful CBOs never stop learning

Environmental Context for CBO

- The CBO must work successfully in each of these environmental elements
 - Cultural, political, legal, regulatory, financial, technological, economic, natural and competitive (and now, public health environs)
- Local Control and Accountability Plans (LCAPs) must take each of these environmental elements into consideration, and also think in terms of total resources (all funds) and their allocation
- The budget must align to the LCAP and also consider:
 - The economic and political cycles (*e.g., up, down, up...; election*)
 - State budget policy (*e.g., local reserve caps are triggered*)
 - Local operational challenges (*e.g., IS, health & safety, new programs*)

One Superintendent's Expectations

- Integrity
- Honesty
- Commitment
 - “You cannot make a real commitment unless you accept that it’s a choice that you keep making again and again and again.”
 - “Commitment is what transforms a promise into reality.” (Lincoln)
- Keep me informed – no surprises
 - “Warn me before I step in it. If you warn me and I do, it’s my responsibility.”

One Superintendent's Expectations (Cont.)

- Know your stuff
 - “If you think you know the answer, check again.”
 - “Don’t fake it – blubbering and blabbering are unattractive.”
 - “Keep up to date... sharpen the saw.”
- Accuracy
- Be the financial conscience of the district
- Check the leading indicators of the day
- Visit a site per day
- Make work fun; have a sense of humor

Fiduciary Duty

Fiduciary Basics

- Faith, a fiduciary duty is based on faith, to act faithfully
- Holding something in trust, entrusted, held in trust, trust, confidence, reliance, pledge, security, one who holds something in trust
- When someone holds a fiduciary duty to another, the person with the duty must act in a way that will benefit the other; they hold a legal and ethical relationship to another
- Loyalty, reasonable care

Fiduciary Duty

Components of Fiduciary Duty

- Duty of Care
 - Due diligence through the collection and reviewing of all evidence and information available. Do not simply accept the information as it is presented; assess the information critically. Ask *who, what, when* and *where*?
- Duty of Loyalty
 - Act solely in the interest of the beneficiaries (district) without personal conflict (conflicts of interest, self-dealing, appearance of, transparency)

Fiduciary Duty

Components of Fiduciary Duty

- Duty of Good Faith
 - Advance the interests of the district, fulfill your duties and responsibilities, do not violate the law
- Duty of Prudence
 - Be trustworthy, exercise good judgement; use wisdom and the degree of care and skill that a prudent trustee, executive, fiduciary would exercise
- Duty of Confidentiality
 - Keep confidential matters confidential

Fiduciary Duty

Components of Fiduciary Duty

- Duty of Disclosure
 - Act with candor, be open, sincere, honest and transparent