Overview

• Evaluation of the Federal Reserve Board’s organizational governance
  • Origination
  • Approach
  • Lessons learned

Governance Insights Paper
Evaluation:
The Board’s Organizational Governance System Can Be Strengthened
Origination

• The Board’s governance system has been a major management challenge since 2014
  • Autonomous divisions
  • Communication challenges
  • Internal control issues
The Board’s Governance Structure
Planning (cont’d)

• Objectives
  • Describe the Board’s organizational governance system
  • Compare with benchmark organizations and governance principles
Planning (cont’d)

• **Scope**
  
  • Focused on select aspects of governance: organizational structure; delegations of responsibility, authorities, and decision rights; communication; transparency
  
  • Focused on the highest levels of the organization: the Board, division directors, and their respective committees
Fieldwork (Objective 1)

- Methodology
  - Reviewed the Board’s governance-related documents
  - Reviewed the Board’s delegations of roles, responsibilities, authorities, and decision rights
  - Interviewed senior Board officials
  - Reviewed the budget process
Fieldwork (Objective 2)

- **Methodology**
  - Reviewed public websites and interviewed officials from benchmark organizations
  - Researched governance principles
  - Compared the Board’s governance systems to those of benchmark organizations and relevant governance principles
Reporting

- Socialized draft findings and recommendations with Board leadership
- Identified officials to coordinate the Board’s response
- Sent drafts to all division directors; identified
Reporting (cont’d)

- Our final report contained 5 findings with 14 recommendations related to:
  - Assessing committee structures and purposes
  - Orienting Governors to their roles and responsibilities
  - Improving internal communication
  - Increasing the effectiveness of administrative functions
Lessons Learned

- Consult with other organizations who have conducted these types of reviews.
- Select relevant areas of review.
- Stay flexible with the scope and methodology.
- Benchmark with similar organizations to help capture senior leadership’s attention.
Strengthening Organizational Governance

• Shares insights from our 2017 evaluation
• Intended for organizations looking to strengthen their organizational governance system
Insights

1. Adapt governance processes and structures to fit organizational needs
2. Define and communicate delegated roles, responsibilities, and authorities
3. Set expectations for internal communication
4. Ensure transparency to stakeholders
5. Periodically review the organizational governance system
1. Adapt Governance Processes and Structures to Fit Organizational Needs

- No one governance system fits all organizations
- Practices
  - Consider various types of board and executive committees to help senior leaders focus on specific aspects of the organization
  - Senior leaders should establish a desired organizational culture by setting a “tone at the top”
2. Clearly Define and Communicate Delegated Roles, Responsibilities, and Authorities

- Helps to ease the transition of new senior leaders
- Promotes common understanding to others in the organization
- Practices
  - Determine how much authority to delegate to senior leaders based on organizational needs
  - Develop a thorough orientation program for new senior leaders
3. Set Expectations for Internal Communication

- Without clearly defined expectations, information sharing can be insufficient, inconsistent, or even excessive
- Practices
  - Support communication through organizational culture
  - Create overlap between committee members to foster communication
4. Ensure Transparency to Stakeholders

- Can help to build public trust and satisfy legal requirements
- Practices
  - Institutionalize accountability by building it into the structure of the organization
  - Make disclosures easily accessible to stakeholders, for example, through the public website
5. Periodically Review the Organizational Governance System

• Governance should evolve along with the organization

• Practices
  • Delegate responsibility for monitoring and assessing the organizational governance system
  • Review the design of the governance system and senior leaders’ ability to fulfill their roles within the governance system
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