



Overstepping? When Should Foundations Weigh in on Grantee Governance

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Cause Strategy Partners, LLC | BoardLead

In Partnership with:





Agenda

- Introductions
- Four Reasons this Topic Matters
- A Snapshot of Nonprofit Boards Today
- Ascertaining Board Effectiveness
- How *You* Can Help
- Case Studies

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Brief Introductions

- Your Name
- Your Organization
- Your Role

Opening Question

What is something you have observed in board governance at grantee organizations that has caused you anxiety or concern?



Why does this topic matter?
Four good reasons



1.
A strong and engaged board is critical if organizations are to successfully address the increased challenges and pressures they face.



2.

Research clearly establishes that nonprofit board effectiveness is a significant predictor of an organization's financial health.

Source:

<https://www.haasjr.org/sites/default/files/AdvancingGoodGovernance.pdf>





3.
Today's grantmakers
and grantees operate in
a context that demands
increased focus on
accountability.

Source:

<https://www.haasjr.org/sites/default/files/AdvancingGoodGovernance.pdf>



Board performance is an ongoing issue. We have to recognize that nonprofits need to do governance well on a continuous basis. Board development opportunities have to be provided. It is rudimentary to building the sector.

- Karen Whalen, Program Director (former), W.K. Kellogg Foundation



“For us, it is really simple. Board governance is a major determinant of organizational efficiency and effectiveness and always has been.”

- Chuck Hamilton, Exec. Dir. (ret.), The Clark Foundation

For all of these reasons, funding for capacity building and investing in nonprofit leadership has never been more important.





A Snapshot of Nonprofit Boards Today



Average Number of Board Members

15

Average Number of Board
Member

Three Baseline Questions

1. Why do nonprofits have boards?

- IRS-designated 501(c) tax exempt organizations
- Surplus revenues used to achieve mission
- Vary greatly in size, purpose and operations

2. Who serves on those boards?

3. Who is *really* leading the organization?

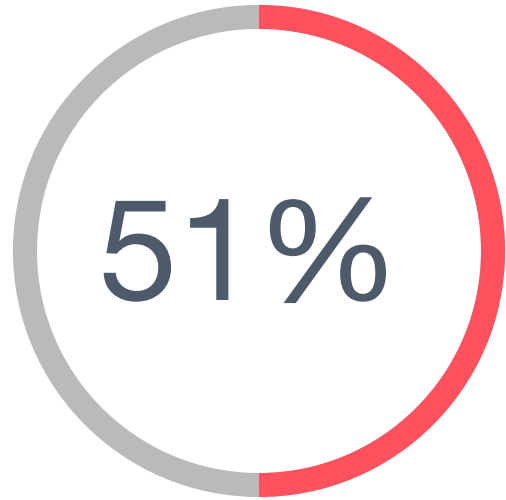


Three Baseline Questions

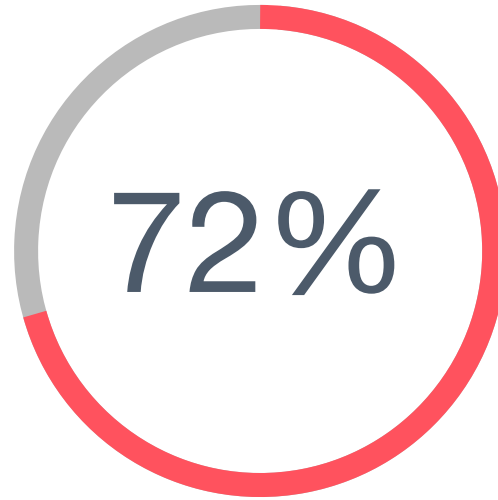
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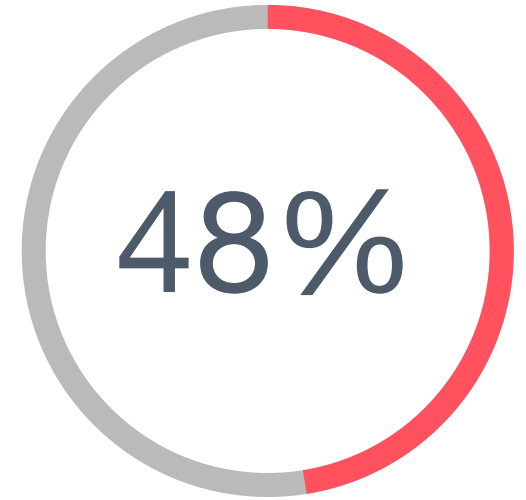
Nonprofit Boards: Gender



of the US
population is
female

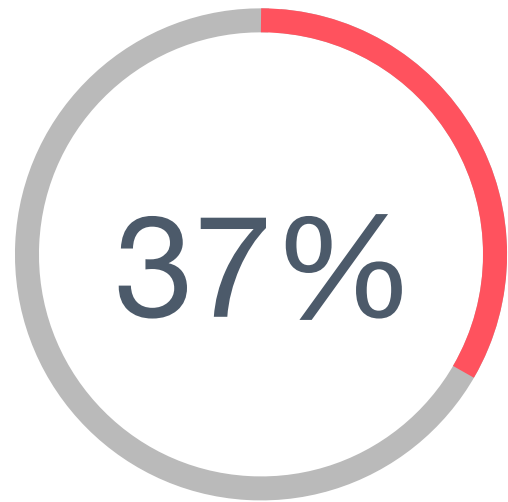


of nonprofit
CEOs are female

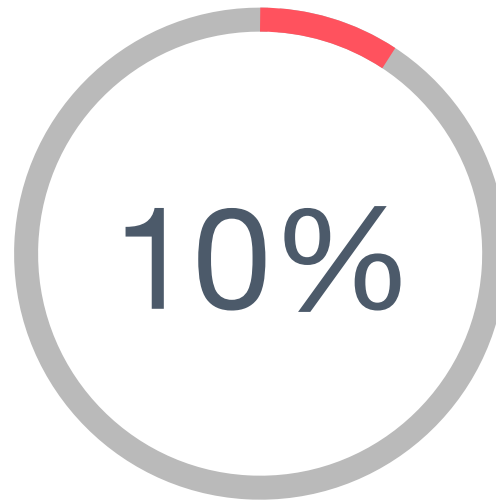


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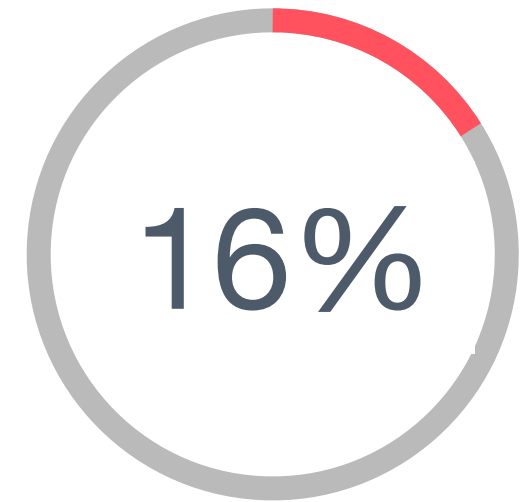
Nonprofit Boards: Race/Ethnicity



of the US
population are
People of Color

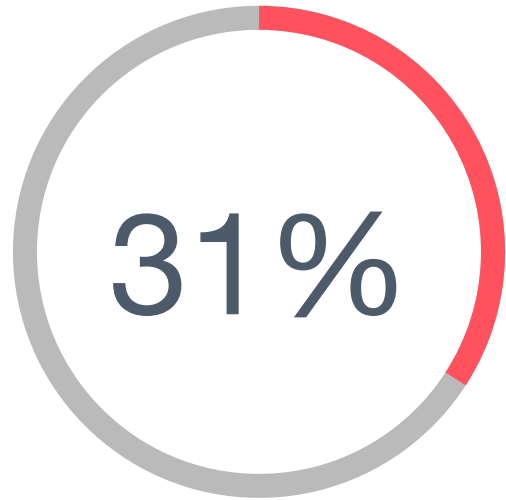


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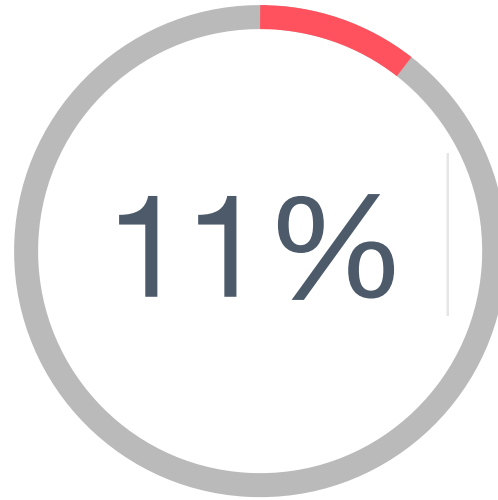


of nonprofit board
members are
People of Color

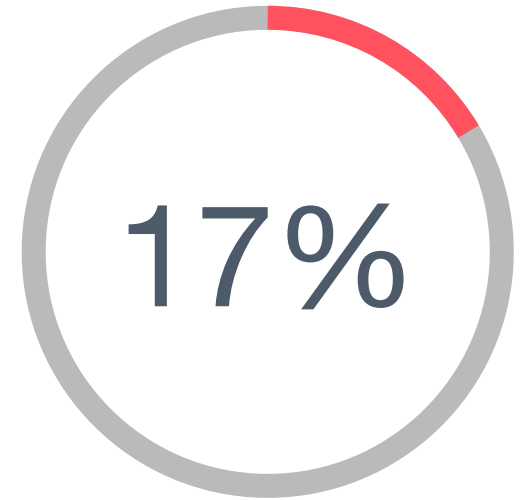
Nonprofit Boards: Age



of Americans are
25-44



of nonprofit
CEOs are < 40



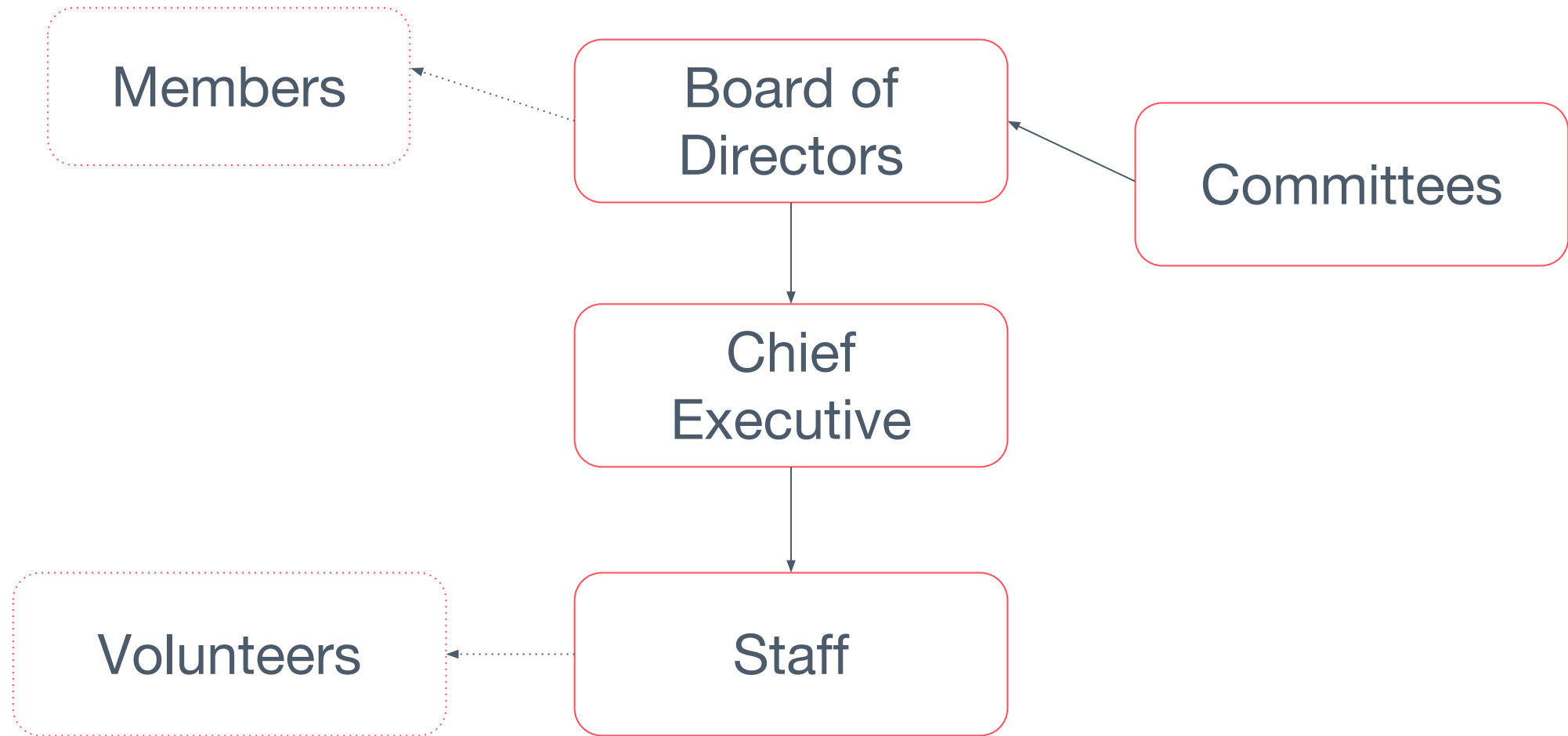
of nonprofit
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are < 40

Three Baseline Questions

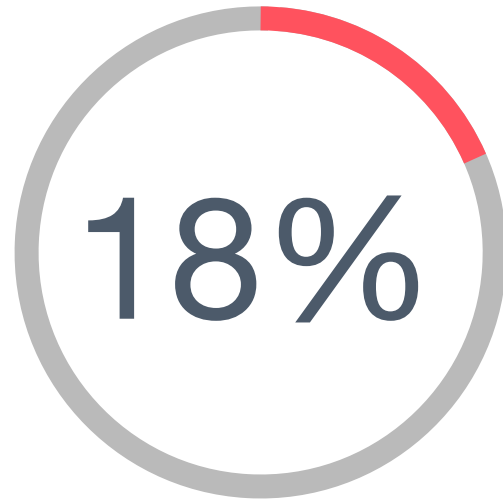
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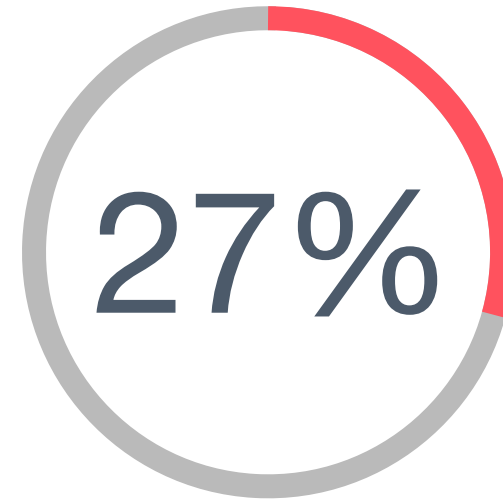
Diffuse Leadership Structure



CEOs: We have the Right Board Members to Accomplish the Mission



“Strongly Agree”



“Strongly Disagree”

C+

Grade Board Chairs Assign to
Their Board's Composition

Board Roles and Responsibilities

- Determine **mission & purpose** of the organization
- **Select** the Executive Director
- **Support & evaluate** the Executive Director
- Develop effective **strategy**
- **Monitor & strengthen** programs and services
- **Advocate** for your mission
- Provide **financial oversight**
- Ensure **adequate resources** & manage them effectively
- Ensure **legal & ethical integrity**
- Serve as an **Ambassador**



Discussion Questions:

- 1. As a grantmaker, in evaluating a grantee board's performance:**
 - Which of these responsibilities is the easiest for you to assess? Why?
 - Most difficult for you to assess? Why?
- 2. Which one keeps you up at night?**



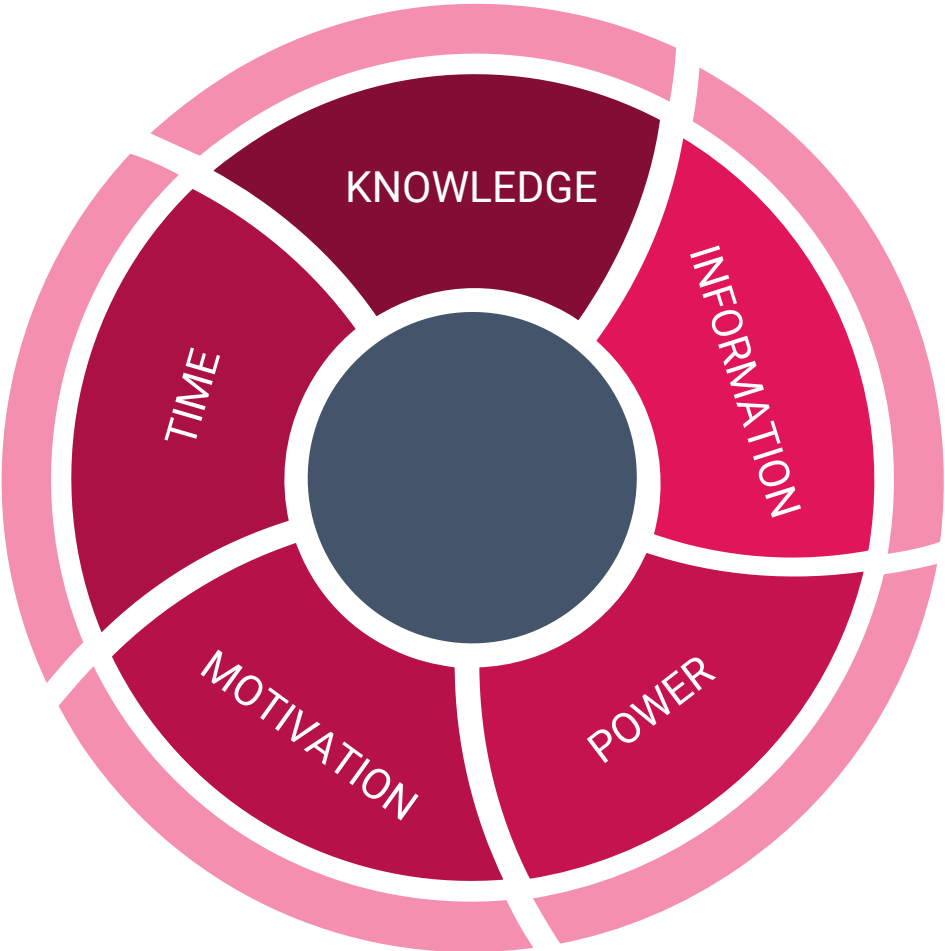
Ascertaining Board Effectiveness



Question

In your experience, what makes a great board?

Harvard Business Review: What Do Boards Need to be Effective?



Harvard Business Review: What Makes Great Boards Great

Great Boards are “Robust, Effective Social Systems”

“So if following good-governance regulatory recipes doesn’t produce good boards, what does? The key isn’t structural, it’s social. The most involved, diligent, value-adding boards may or may not follow every recommendation in the good-governance handbook. What distinguishes exemplary boards is that they are robust, effective social systems.”

- Jeffrey A. Sonnenfeld, Yale School of Management

What information are you currently gathering?

- Board member role & responsibilities description
- List of board member names, titles & organizations
- Professional bios of board members
- Board meeting minutes
- Board meeting attendance rates
- 100% board giving
- Give and Give/Get requirements
- Bylaws
- Strategic Plan
- List of each board member's personal contribution
- List of what each board member is asked to do beyond personal giving and fundraising (e.g. pro bono service, introducing five donors, etc.)

Markers of an Unhealthy Board (that you can readily identify)

- ❑ Organization is not following its bylaws
- ❑ Poorly attended meetings
- ❑ Mission statement is weak or nonexistent
- ❑ No strategic plan in place
- ❑ Frequent chief executive turnover
- ❑ Frequent staff turnover
- ❑ Lack of CEO turnover despite poor or flat org performance
- ❑ Lack of turnover in officer roles (esp. Board Chair)
- ❑ Lack of diversity and inclusion

Markers of an Unhealthy Board (more difficult to identify)

- ❑ Schisms
- ❑ Concentrated power in chief executive / founder / board chair
- ❑ Meetings after the meeting
- ❑ The leaky board
- ❑ The silent start
- ❑ The frantic beg
- ❑ The dominator
- ❑ The great escape
- ❑ The paper chase

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“Do Something Now” Concerns

- Questions arise about inappropriate use of funds
- Questions arise about legal or ethical improprieties
- Questions arise about satisfaction with programs and services





What can and should a funder do
when a grantee's governance is
worrisome?

Two Viewpoints...

“CEOs of community-based organizations are not demanding enough from their boards. Funders have an important role to play in ratcheting up the level of board commitments.”

- Peter Sloane, President & CEO,
The Heckscher Foundation for
Children



“Sometimes raising issues or making capacity building suggestions, even when responding to a nonprofit leader’s desire to build organizational capacity, can be perceived as, ‘We grantmakers know best.’ We find those circumstances particularly dangerous around the power dynamic.”

- Anna Pond, Anna Pond Consulting
and Jenn Bokoff, Foundation Center



Where do you fall on the continuum?

1

5

10



Are you a
Pond/Bokoffian?

Are you a
Sloaneian?

A Healthy Board Governance Checklist (Adapted from The New York Foundation)

- ❑ The board meets regularly, has a plan for recruitment of new members, has expanded from the original founding board, and has brought in a range of expertise.
- ❑ The board participates in setting the direction of the organization and evaluating its progress.
- ❑ The board holds the director accountable for his/her performance.
- ❑ The board understands the organization's resource needs and is engaged in fundraising.
- ❑ The budget is developed and reviewed by staff and board. The board reviews financial reports.
- ❑ Commitments to racial and gender equity are reflected in the organization's leadership, staffing, and activities. The organization monitors the diversity of its board and takes appropriate steps to increase it.

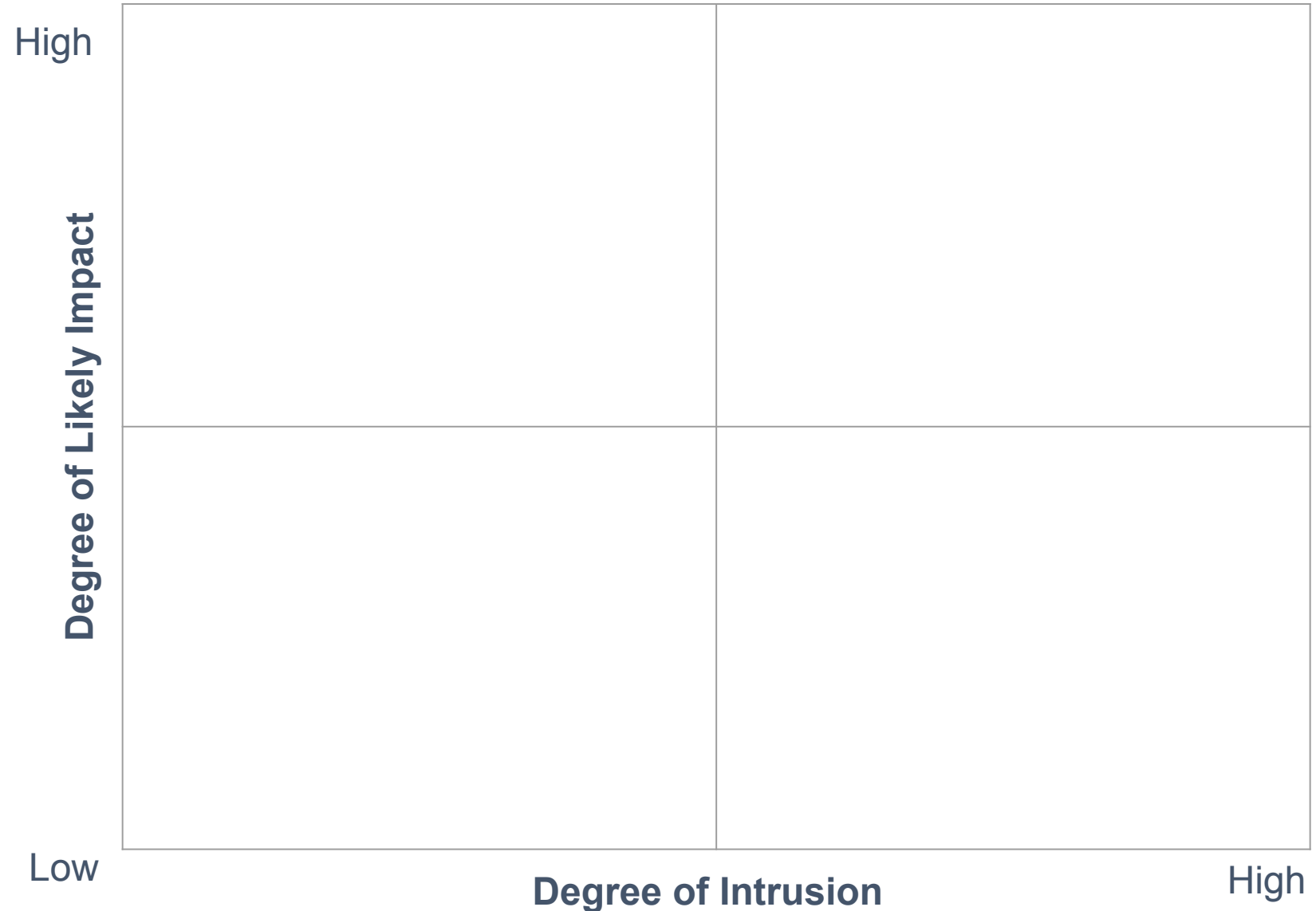


What We Can Do To Help (Without Overstepping)



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1. Important Factor in App/Renewal Process
2. Productive Conversation
3. Capacity Building Support
4. Establish Milestones for Improvement
5. Offer Governance Training
6. Offer Governance Coaching
7. Sponsor for Board Matching



1

Make effective governance an important part of the grant application and renewal process.



Listen. Learn. Act.

Lead a productive conversation that encourages grantees to invest in their boards.



Offer capacity building support.



Establish milestones for board performance improvement.

5

Offer grantees a governance training series in partnership with experts in the field.

Governance Topics for Nonprofit CEOs and Boards

- ❑ Basic Role and Responsibilities of Nonprofit Board Service
- ❑ Board-Centered Leadership (for CEOs)
- ❑ Top Ten Characteristics of Great Board Leaders
- ❑ Six Things You Can Do Right Now to Boost Your Board's Performance
- ❑ How to Build a Better Board Meeting
- ❑ Demystifying Fundraising for Nonprofit Boards
- ❑ The Role of the Board in Financial Oversight
- ❑ Nine Challenging Moments Every Board Will Eventually Face & How to Prepare for Them



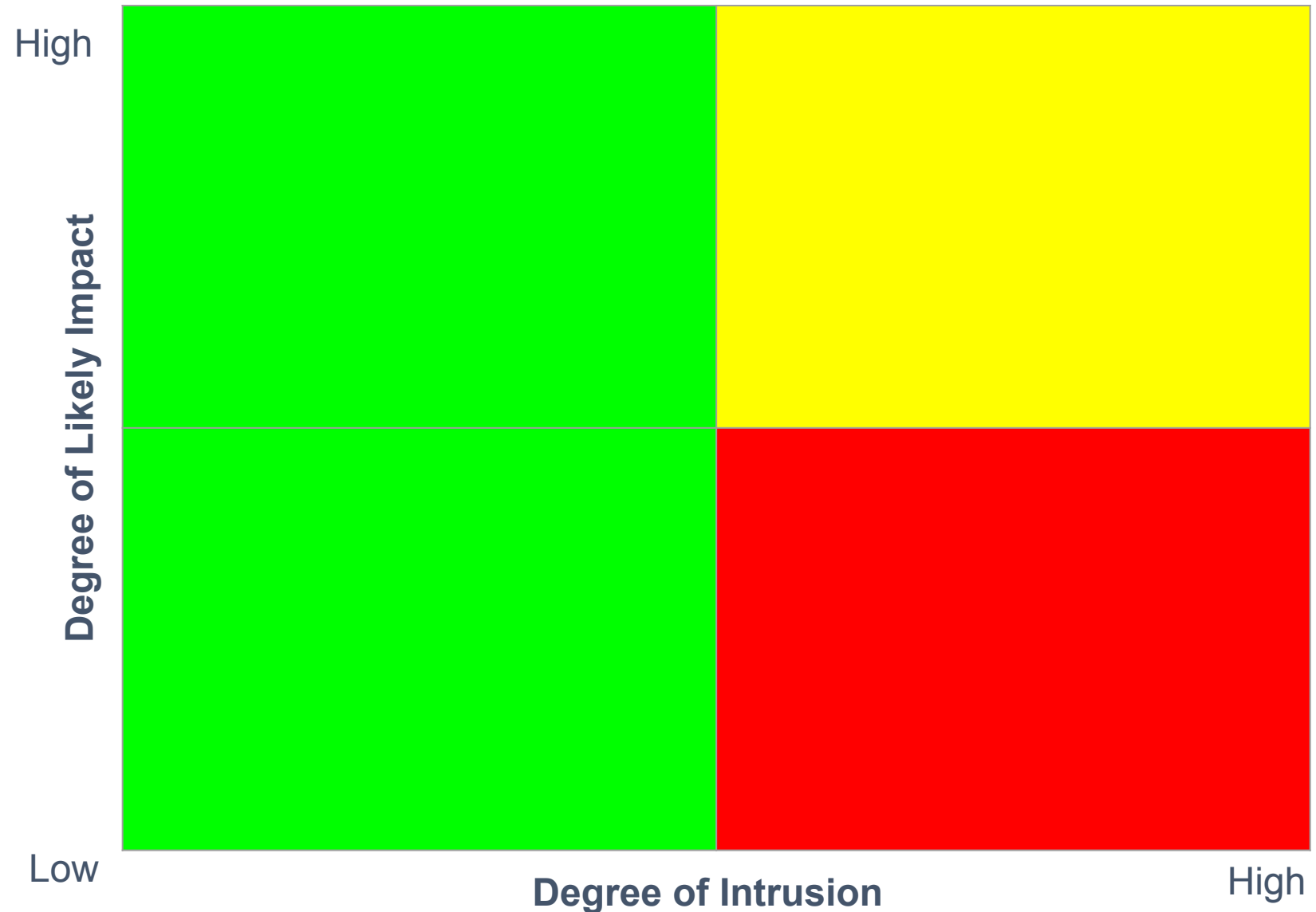
Encourage (and even pay for) CEOs and board chairs to have access to governance coaching.



Sponsor organizations to participate in effective board matching programs.

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Case Studies

Overstepping? Or...
Not Overstepping?

You be the Judge!



Case Study #1: Funder Felicia

Two senior staff members of an arts organization ask Funder Felicia for a private meeting at the foundation's offices. When the three sit down together, Funder Felicia asks whether their boss -- CEO Sally -- is aware of the meeting. They indicate she isn't. The staff members go on to express their frustrations with what they view as CEO Sally's overly autocratic leadership style. They give two primary examples. First, she refuses to allow staff to attend board meetings. And second, they describe her as "mean-spirited" and "power hungry" and say that staff morale is at an all-time low. Funder Felicia personally believes senior staff members should attend board meetings. She also worries that the Board of Directors is asleep at the wheel and has no idea what's going on. She calls the Board Chair, asking for a private meeting with him, so she can suggest that senior staff be included in future meetings while also passing along the staff members' concerns.

Overstepping? Or Not Overstepping? You be the judge.

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Case Study #2: Funder Phil

Funder Phil receives word that a homeless shelter in the community told city officials that they would clear the shelter of clients on Christmas Eve and Christmas Day if a city contract wasn't awarded before the holiday break. The source of information is unclear whether and to what extent the board was involved in the decision to use shutting the shelter's doors as a negotiation tactic with the city. Outraged, Funder Phil calls the Board Chair and demands a full explanation.

Overstepping? Or Not Overstepping? You be the judge.

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Case Study #3: Funder Flo

Funder Florence engages in annual grant renewal site visits with her grantee organizations and always asks that both the Board Chair and CEO participate. Based on a review of the grant application and past board minutes, Flo has ascertained that board performance is in steady decline. In the most recent fiscal year, just 35% of board members made a personal contribution and the average board attendance rate has dipped to 69%. In the hopes of pushing the organization's leadership to refocus on building a strong board, Flo tells them that this will be their last grant from the foundation unless next year's grant application shows 100% giving by board members and at least an 85% average board attendance rate.

Overstepping? Or Not Overstepping? You be the judge.

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