Overstepping? When Should Foundations Weigh in on Grantee Governance

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In Partnership with:

philanthropy new york
Agenda

- Introductions
- Four Reasons this Topic Matters
- A Snapshot of Nonprofit Boards Today
- Ascertaining Board Effectiveness
- How You Can Help
- Case Studies
Cause Strategy Partners helps social good organizations achieve their missions fueled by great leadership, great strategy and, most importantly, great results.

Consulting Services:

- BoardLead: Our Signature Program
- CSR & Corporate Foundations
- HR / Talent: Leadership Development
- Board Governance
- Board Placement, Training & Support
- Board - CEO Coaching
Brief Introductions

- Your Name
- Your Organization
- Your Role
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
A strong and engaged board is critical if organizations are to successfully address the increased challenges and pressures they face.
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

Source: 2017 BoardSource: National Index of Nonprofit Board Practices
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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

- 51% of the US population is female
- 72% of nonprofit CEOs are female
- 48% of nonprofit board members are female

Source: 2017 BoardSource: National Index of Nonprofit Board Practices
Nonprofit Boards: Race/Ethnicity

37% of the US population are People of Color

10% of nonprofit CEOs are People of Color

16% of nonprofit board members are People of Color

Source: 2017 BoardSource: National Index of Nonprofit Board Practices
Nonprofit Boards: Age

- 31% of Americans are 25-44
- 11% of nonprofit CEOs are < 40
- 17% of nonprofit board members are < 40

Source: 2017 BoardSource: National Index of Nonprofit Board Practices
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Diffuse Leadership Structure

- Members
- Board of Directors
- Committees
- Volunteers
- Chief Executive
- Staff

Source: The Bridgespan Group.
CEOs: We have the Right Board Members to Accomplish the Mission

18% "Strongly Agree"

27% "Strongly Disagree"

Source: 2015 BoardSource: National Index of Nonprofit Board Practices
C+

Grade Board Chairs Assign to Their Board’s Composition

Source: 2015 BoardSource: National Index of Nonprofit Board Practices
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?
In your experience, what makes a great board?
Harvard Business Review: What Do Boards Need to be Effective?

TIME
INFORMATION
POWER
MOTIVATION
KNOWLEDGE
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.)

Adopted from: http://www.grantcraft.org/blog/nurturing-nonprofit-boards-funders-can-do-more
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
“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.

Source: http://www.grantcraft.org/takeaways/healthy-nonprofit-checklist
What We Can Do To Help (Without Overstepping)
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
Make effective governance an important part of the grant application and renewal process.
Lead a productive conversation that encourages grantees to invest in their boards.

Source: http://www.grantcraft.org/takeaways/recognize
Offer capacity building support.
Establish milestones for board performance improvement.
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

Source: http://www.grantcraft.org/takeaways/healthy-nonprofit-checklist
Encourage (and even pay for) CEOs and board chairs to have access to governance coaching.
Sponsor organizations to participate in effective board matching programs.

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

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