

**PERSPECTIVES ON PHILANTHROPY**

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**THE BOARD IS WHERE IT ALL STARTS**



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## **ORGANIZING FOR MAXIMUM IMPACT: THE ROLE OF THE BOARD**



### **I. THE BOARD IS WHERE IT ALL STARTS**

Effective philanthropy starts with effective governance. It is the members of the governing board who have the ultimate authority and accountability for management and disposition of a foundation's assets, for setting the organization's directions and policies, and for assuring that they are implemented in such a way as to maximize progress toward achievement of the foundation's mission and goals. Yet, relatively little attention is paid to the role of the board in philanthropy, and how that role can be performed in the most effective way. Philanthropy is not like other societal enterprises, and foundations are not like other organizations. For both to succeed, their distinctive features have to be recognized and taken into account by governing boards, then translated into appropriate governing principles, processes, and styles.

This is not to say that philanthropy cannot benefit a great deal from borrowing some of the practices that have been effective in business, academia, and other eleemosynary organizations. However, their wholesale transfer to this distinctive setting seldom leads to salutary outcomes. Examples include: (i) the imposition on grantees of strict financial accountability measures, as a surrogate for what we really care about, i.e., program impacts; (ii) attempts to establish quantitative outcomes and milestones for foundation programs, in spite of the woeful state of our ability to measure social change, and to attribute any change detected to a foundation's efforts; (iii) the use of financial incentives to motivate program staff, despite the lack of appropriate measures of the effectiveness of staff as grantmakers; and (iv) more recently, the application to philanthropy of the strategies of venture capital, despite the huge differences in the two enterprises, and the lack of evidence that such strategies add value to the relationship between foundations and their grantees.

Like effective philanthropy, effective foundation governance doesn't just happen. Taking full advantage of a foundation's high purpose, independence and flexibility, and financial and other assets requires attention to the extraordinary opportunities open to foundations to do good, diligence in the prudent and thoughtful application of foundation resources to exploiting those opportunities, and loyalty to the organization and the protection of its status, resources, effectiveness, and integrity. Since members of foundation boards\* are part time, meeting only a few times a year, exploiting the opportunities open to them and fulfilling the obligations they have assumed are particularly difficult challenges. Yet, they must meet those challenges, for the stakes are too high to do any less. At a minimum, members of foundation boards must debunk the myth widespread among foundation staff that the board room doorway contains a device that blurs the judgment of directors as they enter and erases their memories as they leave!

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\* While foundation board members are, in some cases, directors, and in others, trustees, in this volume, they are referred to as directors.

## II. BOARD ROLES AND RESPONSIBILITIES

Foundation governing boards are stewards of a public trust whose financial resources are protected from taxation as long as they are managed prudently and expended to benefit the public good, and whose independent status is honored as long as it is managed with integrity and wisdom.

Essentially, a foundation board has five principal obligations.

**Asset Management.** Foundations, even small ones, are significant corporate entities with substantial financial resources. The protection, management, and expenditure of those resources is the board's principal legal and moral obligations. This fiduciary responsibility includes:

*Prudent Investment* – protecting and managing the foundation's financial assets responsibly and prudently so that they produce the growth and return necessary to meet or exceed distribution requirements over the long term. Boards serve as trustees of foundation assets. As such, they have a duty to make prudent investment decisions in the acquisition or sale of any assets. This duty includes, but is not limited to: (i) development of asset management policies consistent with the foundation's long-term goals and payout requirements; (ii) diligence and vigilance in overseeing the implementation of those policies and assessing their effectiveness and appropriateness; (iii) diversification within the investment portfolio; (iv) avoidance of speculative investments, waste, unnecessary taxes, and penalties; and (v) compliance with state and federal requirements.

*Wise Expenditure* – allocating a foundation's financial assets as effectively as possible to advancing its mission and attaining its goals, so that: (i) grantmaking programs and other mission-related activities are on target, knowledge-based, well designed, and professionally implemented; (ii) administrative and capital expenditures are prudent, reasonable, and consistent with the organization's status as a non-profit, eleemosynary entity; and (iii) annual plans and budgets are carefully developed, based on sound reasoning and financial principles, and faithfully adhered to.

*Careful Accounting and Reporting* – assuring that the organization has in place the systems needed for careful monitoring of expenditures, highly professional accounting and record-keeping, regular external audits, and assiduous adherence to all reporting requirements.

*Involvement of Every Board Member* – Making sure that *every* member of a foundation board shares in the responsibility for protecting and managing the foundation's assets and overseeing their expenditure. While directors can delegate certain functions to committees or staff, and can rely on outside experts for advice and counsel, they can neither delegate their ultimate fiduciary obligations, nor depend on others to fulfill them. Recent scandals at non-profit organizations, including foundations, demonstrate what can happen when board members are asleep at the fiduciary wheel.

**Establishment Of Directions, Priorities, And Policies.** The Board creates the operational framework which governs everything a foundation does: (i) articulating the direction in which the foundation heads; (ii) setting the priorities it pursues; (iii) establishing the policies under which it operates; and (iv) defining the boundaries within which the CEO and staff can act.

**Oversight Of Staff Implementation.** With the operational framework in place, the Board monitors and oversees its implementation by the organization's chief staff officer. This includes the hiring and firing of that officer; regular assessments of his or her performance; measurement of progress in meeting financial, programmatic, and operational goals; and remedial actions intended to improve the organization's overall effectiveness and efficiency.

**Keeping the Foundation's Collective Eye on the Prize.** The board is the keeper of the foundation's mission, constantly reminding each other, the staff, and others why the foundation exists, and flying the banner behind which everyone is expected to march in pursuit of the organization's goals. In fulfilling this responsibility, directors represent a tremendous asset to the foundation, serving as critical linkages between the foundation and the communities and constituencies it exists to serve, as eyes and ears on the outside world, and as ambassadors to that outside world for the foundation.

**Being Accountable.** Perhaps the most daunting of a foundation board's obligations is its accountability for expending the foundation's limited resources in such a way as to have maximum impact on the problems it chooses to address. The independence that frees a foundation from externally imposed constraints imposes on the board the responsibility for: (i) establishing clear goals, expectations, and priorities; (ii) deciding how best to deploy resources to meet them; (iii) creating criteria and measures of performance; (iv) implementing appropriate assessment strategies; and (v) applying the lessons learned from those assessments to improving overall performance, impact, and outcomes. While the board may employ outside experts to evaluate the foundation's performance, and may value the views of others concerning its success, in the end, directors are answerable to themselves. Depending on how you look at it, this can be seen as either a blessing or a curse!

### III. PRINCIPLES OF GOOD GOVERNANCE

Taken as a whole, these role and responsibilities constitute a significant challenge for any foundation director, no matter how committed, prepared, or engaged he or she may be. Fulfilling them in a way that maximizes the effectiveness of the foundation's governance, programs, and operations means that foundation board members must:

- Come to grips with the full ramifications of what it means to exercise fiduciary responsibility for a public trust;
- Consider the implications and consequences of today's decisions for the foundation's long-term integrity, effectiveness, and impact;
- Balance personal beliefs and agendas with the foundation's long-term mission, and with their responsibility for protecting the integrity of the foundation's governance and operational processes;

- Remember that they are members of a board which, *as a group*, is responsible for advancing the foundation's mission and meeting its goals. While they bring to the board their distinctive perspectives of particular population groups – whether racial or ethnic minorities, social or economic classes, age cohorts, or geographic areas – they do not *represent* those groups as though they were their constituents;
- Operate in a trusting, cohesive, and collegial manner, able to resolve contentious issues and concerns as a team, not as a federation of interest subgroups, and to speak to the outside world with a single voice;
- “Steer not row,” assiduously avoiding the temptation to get involved in program implementation and operations management, and respecting the roles, responsibilities, and prerogatives of the staff;
- Adhere to a policy of strict confidentiality concerning *all* board discussions, actions, decisions, and materials; and
- Recognize and deal with actual, potential, or apparent conflicts of interest promptly and openly.

## **IV. CONDUCT AND BEHAVIOR**

### **A. CONCEPTUAL FRAMEWORK**

Along with the a foundation's programmatic reach and prominence come increased opportunities for conflicts between the responsibilities of board members to the foundation, and their interest in, and loyalties to, other organizations and individuals. Accordingly, it is important that boards adopt standards of conduct and behavior designed to: (i) protect the integrity of their decision making and governance processes; (ii) preserve the quality, fairness, and openness of foundation program development, review, funding, and oversight mechanisms; and (iii) shield board members from inappropriate intrusions on their time, privacy, and other personal and professional interests and responsibilities.

A foundation's credibility, integrity, and capacity to engage the partners with which it must work to achieve its goals depend on the degree to which its policies, practices, and procedures are characterized by fairness and equity. It is the responsibility of the staff to assure that this fundamental principle is translated into practice through the development and consistent application of grantmaking policies and procedures. It is the responsibility of the board to assure that this fundamental principle is adhered to, by: (i) being familiar with the policies and procedures established by the staff, and supporting their conscientious and rigorous implementation; (ii) maintaining the “thick line” between the board and the staff, communicating issues and concerns with, or through, the chief staff officer; (iii) maintaining the even “thicker line” between the foundation and the organizations with which it does business, communicating issues and concerns with, or through, the chief staff officer; and (iv) minimizing conflicts between their other personal and professional activities and affiliations and their responsibilities and obligations to the foundation.

## B. PRACTICES

Fulfilling the board's guidance and oversight functions requires that each director jealously protect board objectivity and impartiality by maintaining an arms-length distance from the design of specific initiatives, the preparation and submission of specific proposals, the review of proposals, and the review and oversight of funded projects, and from foundation-related activities of prospective or actual foundation grantees. The following practices are designed to help foundation directors protect their standing as objective and impartial judges of where the foundation is going and of how best it can get there, and to shield them from the importunings of organizations and individuals wishing to exploit their relationships or access for the purpose of gaining an advantage in obtaining or maintaining foundation funding.

**Avoid Commenting.** Directors should do what they can to avoid situations in which they are asked to: (i) comment on ideas, concepts, or projects, in terms of their merit or appropriateness; (ii) review written letters of intent or proposals being considered for submission to the foundation for funding; or (iii) respond to complaints about foundation funding decisions or staff handling of letters of interest, proposals, or ongoing grants. Acceding to such requests *almost always backfires*, putting board members in extremely awkward situations vis-à-vis other directors, staff members, and outside organizations.

**Deny Influence on Review Processes.** When approached, board members should stress: (i) the impossibility and inappropriateness of board involvement in individual proposals and projects; (ii) the board's role in providing *overall* direction and oversight to foundation programs, rather than in designing, reviewing, or overseeing individual projects; and (iii) the reliance of the board on a professional staff charged with implementing impartial, fair, and objective processes for program development, proposal review, and grant oversight.

**Refer to Published Guidelines.** Directors can, in the long run, be more helpful by: (i) assisting prospective grantees in obtaining copies of the foundation's published program guidelines; (ii) putting the onus on the organization to determine the degree of fit between the proposed work and the foundation's interests and requirements; (iii) stressing the importance of adhering to the processes through which the foundation identifies projects it wishes to pursue; and (iv) pointing out that attempting to short-circuit this process serves only to delay, and perhaps jeopardize, the foundation's consideration of what may be worthy ideas.

## C. CONFLICTS OF INTEREST

**The Policy Imperative.** Members of a foundation's board are capable, prominent, and active individuals with multiple areas of personal and professional interest and involvement. It is *inevitable* that situations will arise in which the board must reach a decision about an organization or activity in which one of its members has an actual or apparent conflict of interest. For this reason, it is

imperative that, as early in its existence as possible, every foundation adopt a conflict of interest policy (see the section on Tools for model policy). To reinforce the importance of this policy and the objectivity and fairness of board decision making, it is recommended that board members:

- Adhere to the practices discussed above with respect to avoiding involvement with organizations seeking foundation funding;
- Be highly sensitive to those situations in which there is any actual or apparent conflict between one's responsibility to the foundation and his or her personal or financial betterment and/or involvement with another organization;
- Disclose any and all such real or apparent conflicts, in writing, via the annual disclosure form (see section on Tools for model disclosure form), supplemented by letters to the board chair and the chief staff officer, when appropriate; and
- Identify such conflicts prior to any consideration, discussion, or decision by the full board or board committee and *absent themselves from the room during deliberations directly related to decisions and votes*. While the board may wish to obtain the views of the conflicted director concerning the organization in which he or she is involved, once that information is imparted, the involved member should *leave the room* (i.e., recuse himself or herself) until a decision has been reached. *It is unacceptable for a board member to observe the votes of his or her colleagues on a transaction in which he or she has a conflict.*

**Elements of an Effective Policy.** There are three critical elements to policies designed to minimize the consequences of such conflicts of interest – awareness, disclosure, and disinterested review.

*Awareness* – It is the responsibility of each director to be vigilant and sensitive about situations that represent actual or apparent conflicts between his or her obligation to the foundation and an interest in another organization or activity.

*Disclosure* – When a conflict is identified by a director, it should be disclosed well in advance of any board or committee discussion or action in which the conflict is a factor.

*Disinterested Review* – Upon disclosure, it is the responsibility of the board to assure that its decisions are based on objective review by disinterested parties.

## **D. BOARD PROTOCOL**

Maximizing the value of governance requires that a foundation board – individually and collectively – operate in a manner that is consistent with certain behavioral norms. This implies:

*Regular Attendance* – It is expected that, when an individual agrees to serve on a foundation board, he or she accepts the responsibility of participating in all board meetings, and in all meetings

of the committees on which he or she serves. While it is understood that circumstances will arise that preclude board members from attending occasional meetings, it is expected that this will be a rare exception, with foundation meetings accorded high priority when conflicts arise.

*Preparation for Meetings* – The smooth and efficient operation of a board depends on directors arriving at meetings fully prepared for the discussions to be held, decisions to be made, and actions to be taken. Board materials should be sent out well in advance of each board or committee meeting, to allow ample time for members to review them – and to raise questions or concerns with the chief staff officer – prior to their arrival at the meeting.

*Maintenance of Open Communications* – The effectiveness of each director, as well as of the board as a whole, depends upon open communications among members, and between the board and the staff, primarily via the chief staff officer. As stated earlier in this section, fulfilling their considerable obligations and responsibilities requires that directors interact in a way that is respectful of each other’s opinions and perspectives, and work as a group to make policies, decisions, and actions that are, *in all cases*, in the best interest of the foundation.

*Respectful Board-Staff Relations* – While the board bears ultimate responsibility for the management and expenditure of the foundation's assets, it is the staff who have the responsibility for its day-to-day financial transactions, administration, operations, and grantmaking programs. It is critical that there be developed and sustained a relationship between the board and the staff characterized by mutual trust, respect, and collegiality, and an organizational climate in which staff are respected and their work for the foundation valued.

## **V. BUILDING AN EFFECTIVE BOARD**

### **A. EFFECTIVE BOARDS AREN'T AN ACCIDENT**

Effective Governing Boards Don't Just Happen! They are carefully and assiduously designed, built, nurtured, and supported. While that assertion holds true for all organizations, it needs to be firmly imprinted in the minds of everyone involved in the operation of a foundation. All foundation board, staff, and outside constituents should understand that the success of the foundation they serve, or are served by, depends on the quality of its governance. In this case, quality implies:

- Commitment to philanthropy as a means of improving the human condition, and to the foundation as an instrument for pursuing that vision;
- Single-minded pursuit of the foundation’s mission and goals;
- A solid vision and understanding of the board’s roles and responsibilities, and what it takes to fulfill them;

- Involvement of individuals representing the perspectives, expertise, and experience the board needs to fulfill its governance obligations;
- Strong fiduciary, programmatic, and operational direction and oversight;
- A major focus on ongoing learning as a means of: (i) knowing as much as possible about the environment in which the foundation operates, emerging issues, progress toward achievement of the foundation's goals, and the performance of the board itself; and (ii) using that knowledge to improve the foundation's programs and operations and strengthen its governance.
- Obtaining and listening to input from a variety of internal and external sources; and
- Strong, responsive support systems, structures, and operating styles.

## **B. DEVELOPING A LONG-TERM VISION**

The founding boards of new foundations are preoccupied with creating organizations from scratch, establishing initial program foci, strategies, and operating styles, reviewing early grants, recruiting the first chief staff officer, and assuring the appropriateness and effectiveness of organizational management and administration, all under the pressure to make payout. And, once foundations are established, their boards become fully occupied with carrying out their significant governance roles, letting slide the kind of self-reflection and planning they need to remain effective as the organization grows and matures. As a result, foundation boards generally evolve in response to problems as they emerge, rather than by proactively addressing their roles, operational styles, and composition.

At some point, however, members of foundation boards must stop and take a hard look at themselves, establishing a regular process for thoughtful and deliberate reflection on how they have operated to date, what they have learned from that experience, and where there is room for improvement. This self-reflection establishes the basis on which to formulate a plan for building on their strengths and correcting their weaknesses. The first step in that process is articulation of a vision of the board's obligations, responsibilities, and capabilities. With that vision in mind, the board can manage its capabilities in ways that are consistent with, and appropriate for, maximizing its long-term effectiveness as a governing body, and establish the most appropriate and effective working relationships among themselves, and with the chief staff officer, the staff, and the external world.

## **C. BOARD COMPOSITION**

**The Need for a Systematic Approach.** Building and sustaining a board with the diversity, professional competence, and mission it needs for high quality governance requires an intensive, focused effort involving all directors. This implies a systematic approach to developing a board comprising just the right mix of people needed to fulfill its full range of roles and responsibilities. Such an approach should include: (i) analysis of the implications of the board's long-term vision for

board composition, in terms of diversity of perspectives, expertise, and experience; (ii) formulation of a list of what the board needs to carry out its roles most effectively; (iii) establishment of criteria for use in selecting new members; and (iv) an intensive process of candidate identification, vetting, and recruitment.

**Criteria for Recruitment and Retention.** Foundation board members should be elected or re-elected on the basis of criteria that reflect the board's vision of its obligations and roles, and what it needs to fulfill them, rather than on cronyism, favoritism, or elitism. In general, members of a foundation board should be selected or retained on the basis of:

- *What They Know* – Solid competence and experience in one or more critical areas of board function, such as: knowledge of the communities in which the foundation works and of the people the foundation serves; organizational leadership; program direction and oversight; asset management; finance; law; and the workings of the non-profit sector;
- *Who They Are* – Their stature in their communities; the breadth of their contacts and interactions in those communities; the perspectives they bring to the board from their racial, ethnic, and cultural backgrounds, training, personal experiences, and professional lives; and their personal and professional integrity;
- *How They Interact with Others* – Their ability to work well as one member of a governance team, treat other board members with respect, and sublimate their own biases, interests, and passions when it is in the best interest of the foundation to do so.
- *Their Level of Commitment* – A strong commitment to the foundation's vision, mission, and grantmaking programs; the willingness and ability to devote the time and energy required to meet their responsibilities as board members; the capacity to act first and foremost as sound stewards of the foundation and its resources;

**Diversity.** Increasingly, the people served by foundations represent a diversity of racial, ethnic, and cultural backgrounds. This reality has huge implications for all foundations – no matter the origin of their assets, their size, their substantive focus, or their location or geographic purview – and for the design and implementation of all their programs. And, since to be able to govern most effectively, foundation boards must reflect the diversity of the people the foundation exists to serve, this reality has implications, too, for the composition of the board (as well as that of the staff).

In the end, a foundation board should comprise individuals who bring to its deliberations: (i) a richness of perspectives that assures that the foundation's eye is always on *The Prize* of improving the condition of *all* the people it exists to serve; (ii) an independence of thinking that assures that basic assumptions are challenged, alternative points of view are introduced, and questions from outside the box are raised; and (iii) the ability to work as part of a governance team in which every member, opinion, and idea is accorded equal attention and respect.

Building and maintaining such a board requires vigilance and thoughtful planning throughout the foundation's existence. An important product of the systematic approach to board composition and operation described above should be the development of an overall sense of what the board ought to look like in order to carry out its obligations to its principal constituents. A major challenge is building and maintaining an appropriately diverse board without reserving "slots" for representatives of specific groups of people. Instead, boards should implement a process for searching far and wide for individuals who bring to the board the expertise and experiences it needs to do its business in the most effective way, making sure that, in meeting the criteria it has established for selecting members, the board reflects, to the degree possible and appropriate, the diversity of the people served by the programs it supports. If the board's search process goes beyond the "usual suspects" to individuals of every racial, ethnic, and culture group, and economic class, the foundation will end up with the diverse board it needs to carry out its governance functions most effectively.

An important, but often overlooked aspect of diversity is social and economic class. There is a strong tendency among foundation boards to be attracted to elites – highly educated, articulate, and socially adept individuals who represent a class of people used to, and comfortable with, serving on such boards. However, there are many people who, while from the opposite end of the class spectrum from these elites, are bright, capable, and able to hold their own on a foundation board. Because the usual nomination processes fail to identify such individuals, foundations must employ candidate search strategies capable of going beyond the "usual suspects." This is particularly important for those foundations whose programs primarily address the needs of the poor and underserved.

Another challenge is making sure that critical expertise competencies, perspectives, or experiences reside in more than one person. When boards have only one person – or one dominant person – with a particular viewpoint, expertise, or background, there is the danger that such a person will come to be seen as *the* expert in, or *the* spokesperson for, a particular topic, issue, or group. Gradually, discussions, decisions, and actions become dominated by the views and biases of such individuals. For the board, the danger is that it will become too easy for members to defer to, and depend on, a particular colleague when considering an issue in his or her area of expertise or interest. For the individual, the danger is that he or she becomes the token spokesperson, coming to feel that he or she *must* speak up for that issue every time.

An effectively diverse board is one that, over time, becomes multi-cultural. On such a board, *all* members are concerned with *all* the people and issues the foundation exists to serve; directors represent perspectives, not single issues or groups of people; those perspectives reflect sensitivities to particular characteristics, cultures, and situations derived from the directors' distinctive backgrounds and experiences; and all issues are fair game for in-depth exploration.

## **VI. MAINTAINING AN EFFECTIVE BOARD**

Just as building an effective board requires care and diligence, so does its nurturing and maintenance. Keeping a board's collective eye on *The Prize*, sustaining its vitality and effectiveness, and keeping it in touch with reality represent significant challenges that must be met if the foundation governed by the board is to live up to its potential as an instrument of social improvement. The following are elements of a comprehensive strategy for keeping foundation boards productive and on target.

## **A. REGULAR TURNOVER**

Turnover in the membership of foundation board is essential to its continued relevance and effectiveness over the long term. While well-functioning boards constantly learn and grow, regular changes in composition help keep a board “fresh,” preventing the staleness, comfort, and complacency that eventually threaten the creativity, productivity, and aptness of all governing bodies. No matter the substantive focus of a foundation’s grantmaking, the programmatic strategies it employs, or the communities it serves, the environment in which it operates is constantly changing. Recent examples include: the huge economic swings of the last decade; the ongoing shifts in the makeup of the country’s population; recent upheavals in this country’s systems of health care; advances in deciphering the human genome, in applying stem cells to reducing the suffering due to disorders such as spinal cord injury and Parkinson’s Disease, and in understanding the long-term effects of global warming; and the extraordinarily rapid growth in the use of electronic communications such as the Internet, the World-Wide Web, and wireless technologies.

While the need for regular turnover in membership is generally accepted in theory, the reduction of that theory to practice is often problematic, particularly when it applies to the founding board of a new foundation. For several reasons, current board members of foundations are often reluctant to step aside for the next class of members. Serving on a foundation board represents an unparalleled opportunity for an individual to contribute to the solution of important social problem; it is prestigious; and it may represent a source of income. But, perhaps even more important, board members often come to identify themselves with the foundation, to feel that retaining their special understanding of the foundation and its origins and purposes outweighs the need for fresh perspectives, ideas, competencies, and experiences, and to value the relationships they have formed with other board members. These are all valid considerations. However, they reflect a failure to put the best interests of the foundation before the personal interests of its board members. In the long term, an institution whose ultimate purpose is improving social conditions must: (i) establish and enforce board terms; (ii) constantly be on the look-out for the kinds of new members it needs to remain relevant and effective; and (iii) put in place mechanisms for maintaining institutional memory and culture, and for orienting new members.

## **B. ORIENTATION OF NEW MEMBERS**

A key element in the acculturation of new board members is systematic and effective orientation. The purpose of orientation is to bring new members up to speed as rapidly as possible about the foundation and its programs; to impart the knowledge and experience gained by current and past board members; and to sustain, to the degree possible and appropriate, the board’s modus operandi and culture. Most foundations devote little attention to orientation of new members, assuming that they will learn on the job. However, a formal and systematic orientation process will help minimize the disruption of the ongoing work of the board and accelerate the assimilation of new members. Such a process should include, at a minimum, information on:

- Philanthropy as a social institution;

- Foundations as instruments of that institution;
- The roles and responsibilities of foundation boards, in general;
- This board's vision of its purpose, modus operandi, composition, and operational style; and
- This foundation's history, mission, values, and priorities; grantmaking programs; organizational structure; and operational modus operandi.

Orientation is part of the board's ongoing process of learning, involving, at a minimum, sessions before board meetings, individual meetings with current and past members and key staff, and the maintenance of a comprehensive board manual containing important documents, policies, procedures, and program materials.

### **C. BOARD STRUCTURES, PROCESSES, AND INFORMATION**

To be effective, governing boards must have in place the structures and processes they need to get their work done. As a rule, these evolve absent an overall plan, responding to needs and problems as they arise. As a result, many foundation boards lack the supports, mechanisms, and information they need to be maximally effective. Early in the development of new foundations, and regularly through the life of established ones, attention should be focused on defining, developing, and institutionalizing the policies, structures, and processes the board needs to support its governance roles and responsibilities. This process should be derivative of the one the board goes through to establish and reassess its vision, roles and responsibilities, its governance strategies, and its relationships with the chief staff officer, other staff, and the outside world.

**Board Committees.** Committees represent a strategy for delegating to a smaller number of directors, responsibility for oversight of specific aspects of the organization's functioning. When implemented appropriately, this strategy can make a major contribution to a board's capacity to carry out its numerous functions efficiently. When abused, the strategy leads to diffusion of authority and responsibility, fewer people with knowledge of all aspects of a foundation's programs and operations, and inappropriate intrusion into the operational domain of the staff.

Ultimately, boards need to develop an approach to committee number, size, and purview that assures that: (i) each committee is serving its function; (ii) the system of selecting committee membership and chairs is judged to be fair and equitable; (iii) the balance of what committees decide and what comes to the full board for decision is appropriate; (iv) members not on a particular committee feel comfortable that it has done its work and reached an appropriate decision or recommendation; and (v) committees are neither assuming too much power nor running ahead of the board.

Recognizing the potential dangers of overdoing both the number and the level of involvement of committees, foundation boards are increasingly taking a minimalist approach to delegating its responsibility to subgroups, establishing only those committees judged to be absolutely necessary,

and doing the remaining work of the board as a committee of the whole. A basic set of foundation board committees might include:

*Executive Committee.* Usually comprising board officers and committee chairs, this committee acts with the full legal authority of the full board between its meetings. It also may: review and approve the board's annual operational budget; monitor the work of the chief staff officer, conduct his/her annual performance review, and establish performance goals for the subsequent year; and provide the chief staff officer with ready access to a subset of the board.

*Finance and Investment Committee.* This committee insures the continued financial health of the foundation by overseeing those processes and mechanisms through which its assets are safeguarded and invested and its finances are managed.

*Audit Committee.* Consistent with growing scrutiny of the non-profit sector, most foundations are electing to establish a separate committee of the board responsible for overseeing their annual audits and assuring that the findings of those audits are attended to, and any adverse findings corrected. Audit committees often have external (i.e., non-board) members who bring to the work of the committee not only specific financial expertise but also an objective, arms-length perspective.

*Governance Committee.* Replacing the traditional nominating committee, a governance committee oversees the work of the board, itself, developing standards and criteria for the operation of the entire board, board committees, and individual members. This includes: monitoring the operations of the board and its committees and recommending strategies for improving them; monitoring the contributions of individual members and helping increase the effectiveness of those whose contributions don't measure up; and nominating candidates to fill board vacancies.

Since grantmaking is what a foundation is all about, boards are increasingly eschewing the creation of separate program committees, opting instead to make program decisions at the board level, and using a "consent agenda" approach to approving slates of recommendations from the staff, discussing only those on which there are significant questions or conflicts of interest. If a program committee is established, it is important to assure that its review processes don't overly burden the staff, extend the duration of the overall review process, or intrude on staff roles and prerogatives.

## **D. BOARD LEARNING**

**Measure, Learn, Improve.** Continuous learning is an integral element of a foundation board's efforts to remain informed, knowledgeable, and effective. For this reason, boards should develop regular and varied opportunities to be exposed to a diversity of ideas, issues, people, organizations, and settings. Effective learning opportunities help make board members: (i) better stewards of the foundation's assets; (ii) more informed about the topics that represent its funding agenda; (iii) more aware of important forces that shape the world in which it operates and influence the foundation's future directions; and (iv) better able to assess progress and use that information to improve the foundation's performance and enhance its impacts. Such opportunities inform not only board

decisions, but also the questions they ask about effectiveness, impact, and outcomes, and the way in which they use answers to those questions to help the foundation do a better job.

**The Quantity and Quality of Information.** An important element in a board’s capacity to learn is the information it receives from the staff and from other sources about foundation programs, finances, and operations, about the organizations with which the foundation partners to achieve its mission and goals, and about the world in which the foundation operates. Keeping boards informed is a difficult challenge for all involved: the staff, as it struggles to educate and inform the board without overburdening its members; and the board, as it struggles to select and digest the large amount of information it receives, from both internal and external sources.

Finding the balance between not enough and too much information is a challenge. While it is important that board members have the information they need to make informed decisions, they should not be overwhelmed with too much. Overly thick board books are daunting for members and require a great deal of preparation on the part of the staff. As part of a board’s effort to strengthen its effectiveness as a governing entity, it should develop criteria to guide what information it needs and wants, including guidance on the balance between materials about organizational issues, and provocative materials designed to stimulate thinking and learning among members.

**Remaining Open to Outside Voices.** There is an unfortunate tendency among foundations, as they mature, to gradually come to believe that all valuable information and wisdom resides “in the building,” to close in on themselves, and to lose track of what is actually going on in the communities they exist to serve. Being truly responsive to community values implies constantly seeking out, and being open to, the broadest diversity of sources of information, knowledge, and experience within communities of interest.

Boards use a variety of mechanisms for obtaining outside perspectives, including: site visits to communities, organizations, and programs related to foundation interests; board meetings in locations representative of those in which the foundation works; and panel discussions by people whose perspectives and experiences are germane to foundation programs. Members of foundation boards generally appreciate the opportunity to hold board meetings away from the foundation, seeing them as chances to have direct contact with people and organizations affected by, and working on, the issues being addressed by the foundation. While such “away” meetings are expensive in terms of money, staff preparation, and board member time, they are almost always worth it.

**Learning About Other Funders.** Foundation boards wish and need to have information about the level of attention being paid to issues by other funders, both public and private. Absent such information, they are being asked to make decisions concerning the allocation of significant resources to address specific issues, without knowing what other resources are being devoted to the area. This need is most often met through the inclusion, in every staff funding recommendation, of an analysis of the level of resources and attention being devoted to that issue by other funders.

**The Views of Constituents.** Foundation board members also wish to know more about how various constituencies feel about how it is doing. This most often takes the form of a “customer

satisfaction survey” to determine how the foundation is perceived by those who have been funded, those who have been turned down, and those who feel excluded from the foundation’s programs. The goal is to find out how the foundation is being perceived by external audiences, and to use that information to improve its programs and operations.

**Evaluation of Foundation Programs.** Accountability for the outcomes of funded programs is part of a foundation board’s fiduciary responsibility, equal in importance to its accountability for asset management. For this reason, part of the information a board needs to be effective relates to progress, productivity, and impact of projects and programs, and performance of the foundation as a whole. Evaluation is a window on the value of a foundation’s philanthropic activities, and as a basis for learning about what works and what doesn’t. Ultimately, board members should be concerned less with the performance of individual grants, than with what clusters of grants, entire programs, and the work of the foundation, as a whole, add up to in terms of progress toward achieving its goals and advancing its mission.

Making evaluation serve the purposes of learning and program improvement requires: (i) a clear board policy on the rationale for assessment, when and how it will be conducted, and how resulting information will be used; (ii) development, by the staff, of strategies for implementing the board’s policy; and (iii) organizational structures and processes for analyzing and interpreting assessments, and for feeding the resulting information back to the foundation and its grantees in such a way as to facilitate its use in improving program funding and implementation.

**Evaluation of Board Effectiveness.** An integral part of a foundation’s learning agenda should be regular assessments of its own performance, as a way of helping the board do a better job of governance. The first element of assessing board performance is looking at the board as a whole. This starts with the development of expectations, criteria, and standards for use in judging the performance of the board as a governing body. These help the board assess the degree to which it has, *as a body*: governed effectively; operated efficiently; met its goals; handled relationships among each other, the chief staff officer, other staff, and outside constituencies in a sensitive manner; managed turnover with as little disruption as possible; and managed conflicts of interest. This kind of assessment can involve regular internal reviews and assessments conducted by the governance committee (see above), supplemented by more in-depth processes of self-reflection facilitated by outside consultants.

The second element of board assessment is looking at the contributions of individual members. This can be accomplished through the development of performance criteria, standards, and measures for assessing the performance of board members, individually, and the application of those measures fairly, equitably, and courageously to improving performance and dealing with members who are not pulling their weight. All boards, especially smaller ones, depend on the full engagement of *all* its members. Every seat at the board table is critical and should be filled by someone who contributes fully. While not every director can contribute equally to board deliberations and processes, there is a level of attendance, preparation, and, especially, engagement to which every member should be held accountable.