

EFFECTIVE MATTERS

The Center for Effective Philanthropy Newsletter

Five Keys to Board Effectiveness: A Message from CEP's Vice President - Research



Foundation governance is distinctly challenging. After all, foundation board members are responsible for organizations whose performance is inherently difficult to assess.

Our research on the experience of hundreds of foundation trustees suggests five keys to foundation board effectiveness:

- Appropriate mix of trustee capabilities and utilization of those skills
- Engagement in strategy development and impact assessment
- Focus of discussions on important topics
- Positive relationship with the CEO
- Opportunity for influence and respectful dissent in board members

This all sounds intuitive — obvious, even. Of course these are the keys to foundations board effectiveness. But doing well on each of these dimensions requires taking real steps that many foundation boards are not taking today.

This special issue of *Effective Matters* is devoted to shedding light on the challenges of performing well in two of the five areas listed above — **focus of discussions on important topics and opportunity for influence and respectful dissent** — and what we've learned about how foundations can be effective in each.

What we discuss here draws on analysis of surveys of hundreds of foundation trustees, discussed in our 2005 report [Beyond Compliance: The Trustee Viewpoint on Effective Foundation Governance](#) and on a recently completed rigorous analysis of in-depth interviews with 25 trustees and 20 CEOs. We also draw on our experience delivering our foundation-specific board self-assessment tool, the [Comparative Board Report \(CBR\)](#), to a wide array of foundations and presenting results and facilitating discussions about what's working and what isn't.

We hope you find this useful.

Please don't hesitate to contact me at (617) 492-0800 ext. 212 or lisaj@effectivephilanthropy.org to discuss how CEP could be helpful to your foundation's board.

Lisa R. Jackson, PhD
Vice President – Research

A Common Boardroom Challenge: Wrong Topics, Unconstructive Dynamics, Frustrated Trustees

Susan Marsh, CEO of Montana's Drift Foundation, was preparing for Drift's quarterly board meeting. She was determined to focus the board discussion on whether Drift's current program strategy was right given its goals. She knew it would be a challenge to engage trustees on this topic because they often became bogged down in discussions about foundation operations.

Meanwhile, Stu Shepard, Drift's board chair, had just finished a phone call with Ed Jones, one of Drift's trustees. Not only was Ed dissatisfied with the substance of Drift's board meetings, he did not feel as though the other trustees valued his input. "I can barely get a word in edgewise," he complained. "The same folks always have the floor, and when I do try to voice my opinions, I am largely ignored."

Stu shares Ed's pain. He, too, is frustrated with the quality of Drift's board discussions. He and Susan work hard to create effective agendas. But even when the board doesn't get mired in minutia, the conversations never seem to focus on the most important issues.

Stu took a deep breath and then dialed Susan's number. When she picked up, he said, "Listen, this board is not nearly as effective as it could be. We are spending way too much time down in the weeds when we should be taking a strategic view of the foundation and its work. We also have to find a way to improve the way board members relate to one another during meetings — Ed just told me that he feels as though other board members do not respect his views. What should we do?"

Beyond Board Drift: The Right Topics, Healthy Dynamics, Productive Trustees

Foundation boards cannot be effective if they spend their time in meetings with poorly focused agendas and unconstructive group dynamics. By making a few small changes, foundation leaders can improve the quality of their boards' discussions, enhancing board performance and thus boosting their foundations' impact.

CEP's research identifies five keys to effective foundation governance, and one is that meetings focus on the **topics of greatest importance to the board**. This hardly seems surprising — few of us would set out to focus on inconsequential topics. Yet, too often, discussions on the topics of greatest importance simply aren't happening.

Our research and experience suggest that the discussions board members characterize as important focus on the following issues:

- Foundation strategy
- Assessing the foundation's impact and performance against strategy
- Evaluating the CEO

Equally crucial is what topics do not emerge as most important to trustees:

- Grant approval
- Operational decisions
- Operational policy

Yet it is these very items — grant approvals and operations — that often comprise significant portions of board agendas. To be most effective, boards and staff must work together to structure agendas that focus on the items of greatest importance to the board, dealing with other necessary business in as efficient a manner as possible.

Teeing Up Important Discussions: The Right Materials, the Right Agenda

Materials need to be streamlined and focused. The goal should be to enlighten, not to overwhelm.

Poorly structured agendas and voluminous, unfocused materials are enemies of foundation board effectiveness. In our survey of 550 trustees, only two reported that they received "too little" in the way of board materials, and more than half said they received "too much."

It's no surprise, then, that fewer than half reported reading all board materials.

Materials need to be streamlined and focused. The goal should be to enlighten, not to overwhelm, so discussions are richer, better questions are asked, and better decisions are ultimately reached.

Agendas should be structured to mirror the board's sense of what the most important issues are — with these issues receiving the most time and attention. Board agendas often allocate much more time to grant approvals than questions of strategy or assessment of foundation impact and performance. Yet the latter two areas are the only ones in which a significant proportion of board members feel more board involvement is warranted.

Foundation board members describe their best board discussions as the ones that were on crucial topics, supported by the right information, and structured to allow for adequate time full participation — without a feeling that time was too limited to discuss the issue fully.

As one trustee told us, the best discussions were ones where "everybody had... the pertinent facts. We would go around the room and we would talk. It would take as long as we wanted. And then... we would have a vote and... live with the outcome."

CEP Vice President - Research Lisa R. Jackson, PhD, says the role of those who staff the board is often overlooked in discussions of board effectiveness. "Who prepares the materials? Who types up the first draft of an agenda?" Jackson asks. "Almost invariably, it's staff, and they need to understand the crucial role they are playing."

Sometimes, of course, staff seek to keep the most important issues off the board agenda, in an effort to maintain control and keep the board relegated to roles that staff see as less threatening to their autonomy. "This isn't good for board effectiveness," says Jackson. "And it almost never works in the long term. When boards sense they are being controlled, and kept out of the important, strategic issues, they eventually rebel. It may take years, but it happens eventually."

The Perils of Politeness

Simply focusing on the important topics isn't enough. Survey research and interviews we conducted with trustees and CEOs suggest that the very best discussions share another element: **the opportunity for influence and respectful dissent**.

- Board members praise dynamics when they see that respectful conflict is encouraged, because they perceive that it leads to better decision making.
- On the other hand, board members frustrated with the quality of board discussions often point to a "culture of politeness" that inhibits substantive discussions even when the right topics are on the agenda.

What prevents better dynamics? One challenge is that the person in the best position to address problems — the chair — is also the least likely to be able to see them. Another is that problematic dynamics often go undiscussed: No one wants to be the first to raise concerns about board dynamics.

That's why we have found that the best way to identify how trustees really feel about board dynamics and other issues related to board effectiveness is a confidential, comparative self-assessment. Knowing how board members really think it's going — and how their assessment compares to what is typical — is the only way to chart a path to improved effectiveness.

Board Chair Myopia

"Board chairs need to be self-aware enough to know that, unless they are proactive, they'll be the last to know how board members really think it's going."

Analyzing hundreds of surveys of foundation board members, we noticed a curious fact. Chairs rate their perceptions of key measures of dynamics, such as equality among members and comfort in trustees challenging each other, higher than do other trustees.

Chairs, it seems, are least likely to be able to see the boardroom dynamics clearly.

That's a problem, because they're also the ones in the best position to shape — and improve — dynamics. We were struck in our interviews with trustees by how frequently board members, in describing their best boardroom discussions, recalled

how the board heard from, as one board member put it, "everybody who had anything to say." Equally important was this board member's emphasis on the freedom board members felt to "to be candid about their reactions."

Full participation and candor, then, are keys to board effectiveness, and there are simple steps chairs can take to ensure that everyone has a say and honesty prevails.

- Chairs need to recognize that it is their role to create the environment in which everyone can contribute, not just those predisposed to talk the most — or the loudest.
- Chairs also need to take steps to be sure no one holds back their substantive questions or concerns in the interest of "being polite."

There is a wide range of techniques that too few chairs utilize, from going around the room to hear from each member without reacting, to taking polls of board members on key questions, to assigning board members to advocate for particular positions, to gathering anonymous feedback.

The difficulty is that most foundation board chairs are accomplished, high-powered professionals — used to being in charge, but not necessarily accustomed to dealing with the peculiar challenge of facilitating a discussion among a similarly high-powered group of equals.

"In our work with boards, we have observed that effective chairing is often not really about leadership in the traditional ways we think of that term," says CEP President Phil Buchanan. "Those qualities of leadership — vision, inspiring others to act — are what is needed in the CEO, but being chair requires different skills."

"Chairs more often need to subjugate their traditional leadership qualities and instead become the guardians of process, ensuring that each board member feels fully utilized and heard," says Buchanan. "And board chairs need to be self-aware enough to know that, unless they are proactive, they'll be the last to know how board members really think it's going."

To find out more about CEP's [Comparative Board Report \(CBR\)](#), the only board self-assessment that includes foundation-specific comparative data, contact CEP Manager Romero Hayman at (617) 492-0800 ext. 211 or romeroh@effectivephilanthropy.org.

What's Race Got to Do With It? Effectiveness in Numbers

"Foundation boards should understand that checking a box doesn't mean you're getting a full contribution from everyone."

Many foundation boards worry about diversity. Too often, they think their work is done once they have recruited one or two people of color to join them.

Not so. CEP's research indicates that that the number of minorities on a board is related to ratings of equality of opportunity to influence the board — with members of minorities who are one of only one or two minorities in the boardroom perceiving less equality of influence than their white colleagues. Once there are three or more people of color on a board, the difference in perceptions of equality of influence disappears.

In an interview, one CEO described the board's struggle with this issue:

"The decision the board made to expand... they made that decision on their own, believing that they needed greater diversity on the board. It would have been very comfortable and very easy for them to have continued as a small, self-contained board, and there was nothing pushing them in any broader direction except their own sense of their stewardship and what they needed to be as effective as possible. So I think [it was] an exceedingly thoughtful discussion about how to expand the board, the process by which they would expand the board, the way that new board members would be integrated, what skills, what strengths they needed."

CEP's experience is that many foundation boards are not even having the discussion.

"Foundation boards should understand that checking a box doesn't mean you're getting a full contribution from everyone," says Lisa R. Jackson, PhD, CEP's Vice President - Research. "Really getting the most out of each board member requires an understanding of the dynamics in the foundation boardroom. The facts of our analysis about race in the boardroom are tough to face, but for boards to be most effective, those facts need to be faced — and faced squarely. "

How Is Your Board Doing? Assessing Board Effectiveness



CEP launched the Foundation Governance Project in 2003 to investigate the distinct challenges of foundation governance. Prior to this effort, virtually no large-scale research on foundation boards had been conducted, and the assumption was often made that lessons learned in the nonprofit board room could be applied to foundation boards.

But foundation governance is different because foundations are unique institutions — with unusual freedoms from competitive pressures or worries about resource generation. These differences make governance more challenging.

Over the past four years, we have worked to document foundation board structures and practices; explore the ways in which CEOs and trustees define board effectiveness; and address board involvement in a range of areas, such as strategy development, performance assessment, public accountability, and board development. Along the way, we have released two major research reports: [Foundation Governance: The CEO Viewpoint](#) (2004) and [Beyond Compliance: The Trustee Viewpoint on Effective Foundation Governance](#) (2005).

We also developed a new board self-assessment tool, the [Comparative Board Report \(CBR\)](#), piloting it in 2004 and 2005 and making it broadly available during the past two years. [Foundations](#) including the W.K. Kellogg Foundation, Marguerite Casey Foundation, The Commonwealth Fund, Lucile Packard Foundation for Children's Health, and Kalamazoo Community Foundation have obtained CBRs.

What did they get?

- First, a detailed report that puts their board structure and practices in a comparative context, relative to a set of 60 other foundation boards, and gauges board members' views on effectiveness. The CBR is based on confidential surveys that explore board functioning in a number of areas, including board dynamics, capabilities and expertise of board members, and the board's role in strategy development.
- Second, a facilitated discussion that uses the CBR results as a basis for improvement. With the assistance of experienced CEP staff or our partner facilitators, boards move from reflection to action — charting what needs to change for them to maximize their effectiveness and how they will get there.

"The Comparative Board Report was helpful because it focused our governance discussions." says Jim Hoolihan, president of the Blandin Foundation. "While we have always recognized general areas of responsibility and distinction in our respective board and staff roles in governance and management, the CBR helped move us toward more clarity and resolution on our unique roles in specific areas, such as strategy and assessment. The CBR was a tool that helped move us from discussion on the topic to action and progress."

To find out more about CEP's [Comparative Board Report \(CBR\)](#), the only board self-assessment that includes foundation-specific comparative data, contact CEP Manager Romero Hayman at (617) 492-0800 ext. 211 or romeroh@effectivephilanthropy.org.

[About this Newsletter](#)

Effective Matters is a quarterly newsletter published by the [Center for Effective Philanthropy](#) (CEP), a nonprofit organization focused on the development of comparative data to enable higher-performing foundations. CEP's mission is to provide management and governance tools to define, assess, and improve overall foundation performance.

If you have questions about this newsletter or would like general information about CEP and its activities, please contact [Alyse d'Amico](#) at 617-492-0800 ext. 206.

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