



Research Spotlight: Strategy and the Foundation Board

By Lisa R. Jackson, PhD, Associate Director

New analyses of 46 interviews conducted as part of CEP's Foundation Governance Project suggest that CEOs struggle with how best to engage their boards in strategy development. They seek board involvement but fear that trustees lack the programmatic knowledge to contribute. Trustees, for their part, want to get their "hands and feet wet" so they can heighten their understanding and ability to add to strategy discussions, but they are concerned about blurring the boundaries between staff and trustee roles – and about the time involved.

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- Foundation CEO

New Analyses Shed New Light on Beyond Compliance Findings

This qualitative research effort follows on a quantitative analysis of survey responses from 550 trustees of 53 foundations, and all of the CEOs of those foundations, described in the 2005 report *Beyond Compliance: The Trustee Viewpoint on Effective Foundation Governance*. That report, based on the largest-scale research ever conducted regarding private and community foundation boards, revealed that the two strongest predictors of board member perceptions of board effectiveness are appropriate mix of trustee capabilities and utilization of those skills – a composite based on three questions in CEP's trustee survey, including one on clarity of the trustee role; and engagement in strategy development and impact assessment – also a composite based on three highly correlated questions in the survey.

The latest qualitative analyses shed new light on the findings discussed in *Beyond Compliance* and, in particular, the relationship between definition of the board role and engagement in strategy development. Our analyses suggest that CEOs want trustees to be more involved in what one describes as "big picture" thinking – but they want that thinking to be informed by field-based experiential knowledge. As one CEO put it:

"What's hard is... figuring out how we're going to serve a bunch of different communities and how we're going to build ourselves an organization. And I'm not sure that they [trustees] have skills that specifically meet that need. I'm sure they've got experience in components that would be helpful. I don't find my board all that interested in it. I think they're interested in the big picture of it but not the blood and guts of doing it."

Another CEO finds it can be difficult to convince trustees that more "ground-level" work would be beneficial:

"...we're still struggling to find ways in which our board would feel it useful to be involved in site visits or actual interface with the foundation's work."

Our analyses suggest that CEOs want more involvement by trustees in what one describes as "big picture" thinking - but they want that thinking to be informed by field-based, experiential knowledge.

Trustees Seek Deeper Understandings

But trustees say they do want more experiential understanding of grantees and the programs their foundations support. Several expressed a desire to participate in more site visits, sit on program committees, and get to "know grantees better." They are interested, they say, not to be more involved in operational activities of the foundation, but rather to be better able to make the kind of connections between the "macro and micro levels" that will allow them to contribute more fully to strategy discussions. Trustees want to understand the impact of the work they fund as well as the larger challenges, including relevant policy debates. Said one trustee:

"You know, certainly if you had more time, you would like to get... your hands and feet wet in these different projects, and ... see how it's really working...."

Another trustee put it this way:

"...there is the macro [overarching state policy and related politics] and the micro level of involvement [ground level community experience], and I think we struggle with how to balance that. ... I guess as one person I would like to see the board get stronger in its being able to connect those two."

These findings speak to the "hands on – noses out" challenge that trustees often face when they try to be actively and responsibly involved in the work of the board but not get too close to the work of the foundation staff. Conventional wisdom suggests that clear lines should be drawn between board and staff roles, but both CEOs and trustees are frustrated by strategy discussions that are not rooted in experiential knowledge. The challenge comes in finding the right balance. One trustee described the balance between staff and trustees as:

"...always a moving line. You want to empower the staff so they can be partners with you. At the same time, the staff may be narrowly focused on one program area, whereas the board has to be much more general or, you know, at 30,000 feet. There's a little tension between board and staff when the board doesn't see some programs as important as that individual staff member."

While CEOs do not want trustees "meddling" in the operations of the foundation, they do value the knowledge and expertise they bring to the table and want to use their expertise in the development of foundation strategy. However, given that boards meet infrequently – and that when they do meet they

are often narrowly focused on grantmaking – it can be very difficult to engage trustees in strategy conversations effectively. One CEO had this to say about the dilemma:

"I mean, the intelligence quotient is very high. The capacity to connect ideas at high speed is generally very high. And so the capacity to learn is there, but the time and the desire to learn about everything that the staff is engaged in... there is the rub."

CEOs and Staff Can Sometimes Undermine Board Involvement in Strategy

Sometimes CEOs and staff interfere with their own efforts to better and more fully engage their trustees by overmanaging their boards, or by filling the agenda with less important items, precluding deeper strategy discussions.

- Most CEOs and trustees describe strategy development as a process driven by the staff and reacted to by the board. This positions the trustees not as "generators" of strategy, but as "responders." This can limit the utilization of trustees' capacity and expertise. It can also circumscribe board discussions in ways that limit board understanding of strategic issues.
- Many CEOs and staff continue to structure the board agenda such that individual grant discussions dominate, sometimes to the exclusion of larger strategy discussions about how the individual grant decisions fit together into a coherent whole. As one CEO put it:

"Well, I think we've got to get more strategic.... We have very, very complete board materials in advance, but they're grant by grant by grant, and...there's a fair amount of discussion about most grants. So I think, if anything, we've [gone] a little bit overboard on getting into the individual grants at the board level, but we probably have not been strategic enough."

New Questions

This analysis of the CEO and trustee interviews raises new questions about how best to define roles so trustees gain the knowledge necessary to be significant contributors to strategy development. How can this be achieved in a way that is not too burdensome or time consuming for trustees? How should trustees and staff define their roles in ways that are respectful of the appropriate differences – but not so rigid as to marginalize trustees or leave them as mere "responders" to staff recommendations? What is distinct about boards in which trustees and CEOs are more satisfied with the trustee role in strategy development?

CEP plans to continue to explore these and other questions and release a new report on foundation governance in 2007. For more information on CEP's Foundation Governance Project, contact Associate Director Lisa R. Jackson, PhD at (617) 492-0800 ext. 212.