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Don't Do This
10 Mistakes New Foundation Boards Make, and How to Avoid Them

The philanthropic sector has seen steady growth over the past decade, with the total number of foundations increasing roughly 25% from 2003 to 2013, according to the Foundation Center. That means thousands of new boards have been formed — including a number of "health legacy foundations" created by the sale of nonprofit hospitals or health systems to private companies.

A new foundation board may be made up of veteran philanthropists, but I'll wager that, more often than not, many of those entrusted are taking on the job for the first time. It's a big responsibility, and many of the early choices made by a new board can determine whether the new foundation will move forward smoothly and effectively or become mired in a culture or in policies that stifle effectiveness.

With that in mind, here are 10 mistakes that new foundation boards often make, and how to avoid them.

1. Making the simple complex

Our goal should be to make the complex simple, not the simple complex. Yet many foundation boards unintentionally "complexify" the foundation. They assume that complexity is a means to ensure stewardship, or fairness, or inclusion. But what complexity really does is create chaos and frustration. Too many board or committee members can make for a cumbersome decision process. An overly complex board meeting preparation process can shave years off the lives of all involved. (I know of foundations whose preparations are so complex that the entire staff is unavailable for a full month leading up to each quarterly board meeting. That's four months of the year when this foundation isn't making any progress; meanwhile, a third of the staff salary budget is spent on preparing documents that few will thoroughly read.)

Likewise, an overly complex grantmaking process can overburden staff, board, and grantees and keep your charitable investments from finding their best targets. A $10,000 grant shouldn't require a 15-page proposal, nor demand that the recipient conduct an evaluation and provide quarterly updates. One foundation I know has 14 pages of instructions for an 8-page grant application — that's a sure sign of overcomplexity!

There are also levels of complexity to avoid in terms of hiring vendors or vetting partners. Do you really need to conduct an RFP process if you already know a talented consultant?

As tempting as it may be to adopt another foundation's practices, ask yourself, "Is this approach really going to provide benefit for our operation?" Just because a more established foundation is doing something, such as conducting site visits with all applicants or requiring weekly staff meetings, doesn't mean you have to. Let common sense be your guide and do what is most useful to you!

2. Managing instead of governing

Remember, the role of a board is governance: clarifying mission and vision, setting strategic direction, setting policy, and providing financial stewardship. You've (hopefully) hired a CEO to manage your foundation and any staff you may have, so one of the best things you can do to ensure the health and effectiveness of your foundation is to let your staff do their jobs. Avoid the temptation to manage staff or micromanage staff leadership. It's your job to create the foundation's vision and plan, and your staff's job to implement it.

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On the flip side, do make sure your services, wisdom, or expertise are available when staff requests it. And also, recognize that there are times when your board may need to roll up its sleeves and be a "working board" in addition to a "governing board." This particularly may be the case in early days, before you've hired staff. But once staff are in place, they may call on you to help network and build relationships in the community, study a particular aspect of community need, or participate in a special training relevant to the work of the foundation.

3. Failing to manage and support the CEO

While managing staff is not a board role, you do hold responsibility for managing the CEO. This can be a delicate dance — you want your CEO to bring his or her specific expertise and creativity to the job. At the same time, you want to feel confident that things are moving in the direction, at the pace, you desire.

Open and honest communication with the CEO is critical to maintaining balance. You must be receptive to the CEO's ideas and instincts and put measures in place to support his or her work within a framework that you both consider appropriate. There are several ways to do this:

- Conduct annual CEO evaluations.
- Schedule regular calls or meetings to share information and questions, and avoid "popping in" whenever the mood strikes you.
- Identify areas where the CEO might need help, and provide her with what she needs to be successful. (For example, help position her in the community if she's moved in recently to take the helm, provide an executive coach, or include time and funds to send her to conferences where she can connect with peer leaders and learn on behalf of your foundation.)

Of course, even the most clever and talented CEO can't handle everything on his own. Be on the lookout for opportunities to provide assistance, and make it clear that asking for help is not an admission of failure or weakness. As the board, you set the tone for the CEO relationship, so finding a healthy balance between freedom and support is your responsibility. If you do it right, it will pay off exponentially in the caliber of the leadership you can attract and retain.

4. Operating with a poverty mentality

In my opinion, one of the worst things a board can do is confuse thrift and stewardship, or mistake austerity for efficiency. Saving money is not the same as growing it. (If it were, we wouldn't have the stock market.) A poverty mentality means not investing in your foundation's own internal resources for growth and development. While this may appear to be a prudent way to reserve your assets for grantmaking, in actuality you're stunting the growth and abilities of your organization.

For example, I know of one foundation that did not allow staff to use its laptops on business trips for fear of theft, which meant program officers lost days of productivity when traveling. Another, wanting to keep salary expenses low, refused to hire enough support staff, which in turn siphoned hours of program officer time into administrative duties rather than into engaging with community and building the networks and partnerships that would better serve the foundation's mission.

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Foundations with an abundance mentality understand that dollars and time invested in training, technology, capacity, relationship building, and professional development make their operations more efficient, intelligent, and effective for the communities they serve.

5. Misunderstanding fiduciary and legal obligations

While much of the responsibility for operations falls to the CEO, it is the fiduciary responsibility of the board to ensure that the foundation follows the laws and regulations that govern private foundations. An experienced CEO may bring substantial knowledge about issues such as self-dealing, the 5% payout requirement, and conflicts of interest, but her knowledge is no substitution for your own, and it is the board — not the CEO — that must assume responsibility for failure to comply with laws and regulations. Penalties can be stiff, and problems can be complicated and expensive to resolve. Better to find seasoned, professional legal advisors to help your board fully understand its obligations and responsibilities. You can also learn a great deal from foundation membership associations, such as your state or regional association of grantmakers or the Council on Foundations.

6. Failing to learn

The point just above may be all you need to hear to emphasize the importance of learning in a board member's role, but the opportunity to expand your knowledge doesn't stop with what you have to know. Instead, consider all of the aspects of governance, visioning, planning, collaborating, and grantmaking that you could learn because you want to know. If your foundation focuses on a particular interest area, such as education or health or social justice, consider all the content knowledge that is out there that could greatly enhance your work, your effectiveness, and your ultimate satisfaction as a grantmaker!

There are myriad ways to learn. Conferences, trainings, reading, conversations, and consultations with experts — these and other opportunities are all available to you as a board member. All you need to do is be willing to invest the time and attention to learn.

Additionally, foundation boards can reflect and learn from their own experiences. New foundation boards can test out their new application and decision-making processes, and 6 to 12 months later debrief what worked, what didn't, and what can be improved.

Good boards never stop learning. Great boards embrace the idea of being a learning organization — where ongoing inquiry and exploration are the norm.

7. Misunderstanding the power dynamic

Many quip that once you work for or serve on a foundation board, you never have to pay for lunch and everyone laughs at your jokes. While this observation is amusing, it is true that a very real power dynamic exists between a foundation and the nonprofit community it serves. Nowhere is this power dynamic more apparent — and more dangerous — than between a board member and his community.

Being in a position of power means that people are inclined to be more deferential to your opinion, even if they disagree. As a board, you must be your own critical thought partner and examine ideas — especially your own — from

every angle. You must also strive to create an environment where those who know more about your community needs and opportunities — namely, your grantees — feel absolutely safe and comfortable in sharing their honest and candid opinions and ideas with you.

No one has all the answers, but people often equate money with knowledge. Be the first to admit when your board is unsure of an idea it has surfaced, when you feel you need someone else to be the expert, or when you've made a mistake. This type of humility and candor will help rebalance the power for change and collaboration in your community and move everyone further, faster.

8. Letting it go to your head

Similar to the point above, arrogance, bossiness, or condescension on the part of a board member can have devastating effects on relationships between the foundation and nonprofits. It can make the difference between grantee organizations that work as true partners versus those that say what they think a foundation wants to hear in order to receive funding. Here are three red flags to avoid:

- Believing it's your money. It's not. It legally and technically belongs to the community. You are a trustee, and therefore you assume responsibility for ensuring that community assets are used appropriately. It's no more your money than it is the guy's sitting next to you at the bus stop. Never forget that.

- Playing favorites. No doubt you have causes you believe in most passionately. There are organizations to which you feel an abiding loyalty. But as a foundation board member, you must leave those feelings at the door. Your job is to be objective, strategic, and judicious in making grants. Playing favorites can easily undermine your community's trust in the foundation's mission and operations and thereby diminish your hopes for effectiveness.

- Thinking others need to prove themselves. I have worked with board members who thought so much of their positions that they felt others needed to prove themselves worthy of attention. One did so by making surprise site visits to potential grantees. (How would you like a surprise home inspection by the county health department?) Another believed firmly that a nonprofit should have to "work for the money," and so she created an incredibly long and excessively detailed application form. The foundation staff didn't need all that information; it was merely to make grantseekers jump through hoops, as if a nonprofit staff doesn't have more than enough to do already to provide services to those in need.

Please, please don't be one of these people.

9. Failing to seek community input

No matter where your board comes from, there are always people in your community who will know a heck of a lot more about teen pregnancy, substance abuse, mental health, violence, early childhood education, or any topic than you will. There are also those who truly know what it means to live in a certain neighborhood, or attend a certain school, or spend time behind bars.

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No matter what issue you are hoping to address or what entrenched social problem you want to tackle, there are those who are in the midst of the struggle, who feel the need on a daily basis, and who will feel the impact of your work most deeply. The smart path is to seek input from the people you are trying to help about what they experience, what they desire most, and what you might be able to do. The answers may well surprise you — and your grantmaking will be all the more effective because of it.

Gathering community feedback can be as simple as having informal conversations or as formal as hosting focus groups or task forces that include community members. Just make sure that you create an environment where they feel comfortable speaking frankly about their views, and be ready to follow up quickly in a small but meaningful way to let them know you appreciated their time and their willingness to share. Then check back regularly to share progress and gather more feedback to continue to guide your efforts.

10. Failing to hold one another accountable

No one serves on a board alone. By design, a board is meant to ensure that the will of one does not outweigh the overall judgment of the group. However, politeness and decorum often prevent board members from addressing conflict in constructive ways. As a result, boards can become divided, schisms can disrupt the proceedings, and vision and goals can get seriously sidetracked.

To avoid situations like these, create a policy for airing differences respectfully and thoughtfully, preferably as they arise and within the confines of a board meeting, so that feelings of distrust or resentment have no opportunity to grow. Agree at the outset that you will not always agree. Understand that you don't have to be best friends, but you do have to work together as a cohesive unit.

You also should have an established way of identifying and addressing any board member actions that are inappropriate (such as micromanaging or abusing power with grantees) or downright illegal (such as self-dealing).

Remember that, as a new foundation board, you — unlike corporate boards or government officials — have very little enforced accountability. Your success or failure depends a great deal on how seriously you take your role as a governing body and as a community asset and partner. It can seem intimidating, but with the right advice, training, and attitude, you can create a lasting legacy for the community you serve.

Want to learn more about effective foundation boards? Browse a range of board-related topics at putnam-consulting.com.

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