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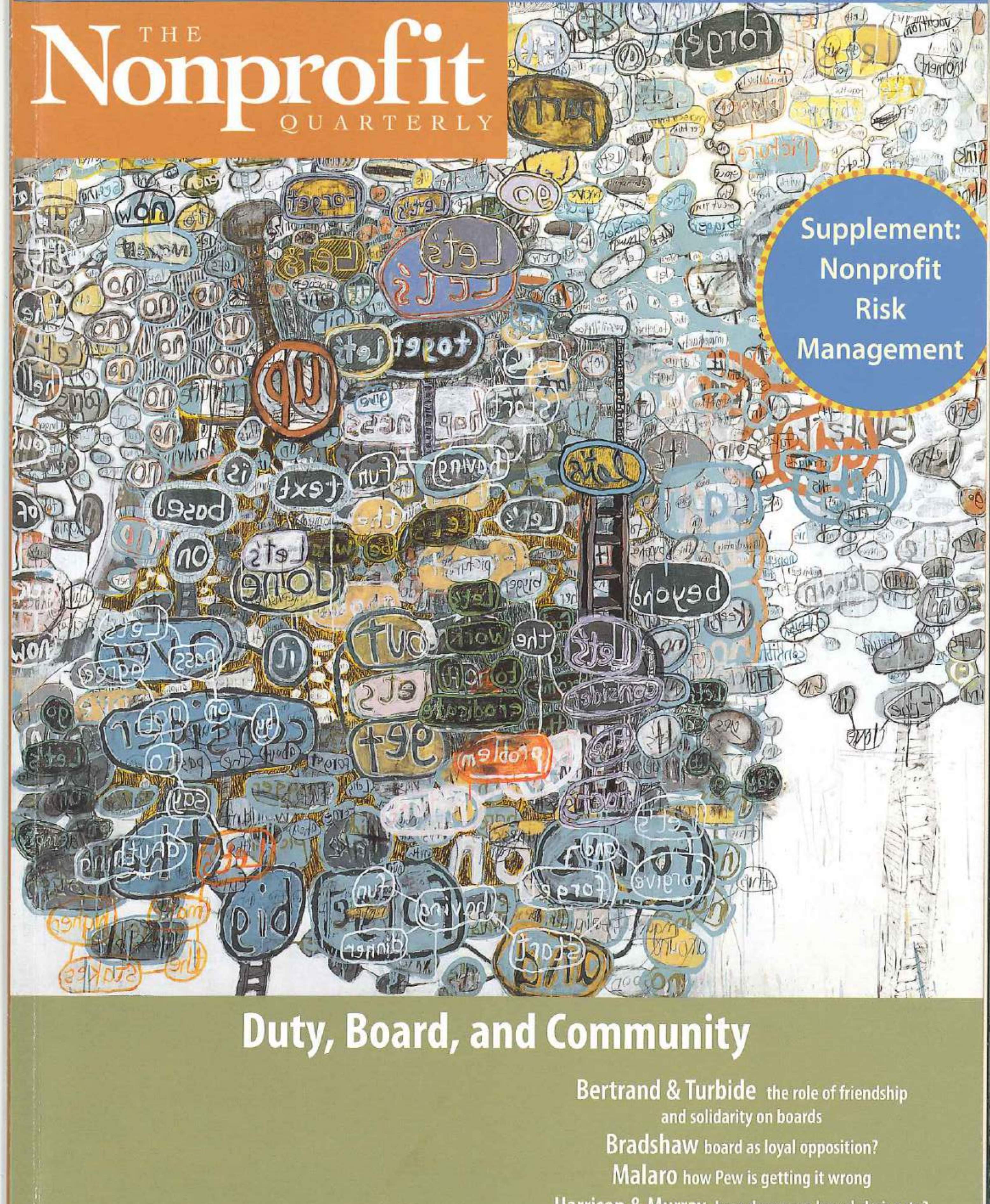
THE Nonprofit QUARTERLY



Supplement: Nonprofit Risk Management

Duty, Board, and Community

Bertrand & Turbide the role of friendship and solidarity on boards

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Malaro how Pew is getting it wrong

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Summer 2007

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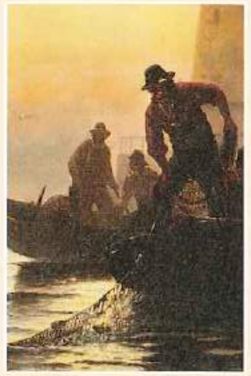

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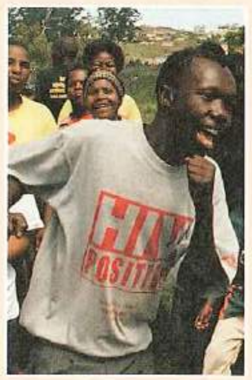

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Special Supplement

ALEXANDRA GRANT. LET'S (AFTER MICHAEL JOYCE'S "LADDERS," 2004), 2005.
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Mission:
The *Nonprofit Quarterly* strives to provide nonprofit leaders at every level, paid or voluntary, a forum to exchange innovative ideas and informational resources—so that they can more fully realize their organizations' missions.

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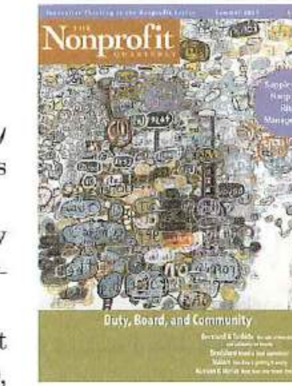
Welcome



THIS ISSUE OF THE *Nonprofit Quarterly* focuses on governance, and the topic is apropos for two reasons:

• the IRS has recently issued a draft of a new Form 990 that for the first time includes governance-related questions; and

• an independent report on a lack of oversight at the Smithsonian Institution was released on June 20, and it's a doozy.

Like many such forensic reports, it's a sordid tale of intrigue, self-enrichment, and *quid pro quo* relationships at the highest level—and all on the public dime. The transgressions involve many of the areas that the IRS has questions about: increasingly problematic interrelationships with business, hidden and overgenerous employee compensation, and conflicts of interest—not to mention whistle-blowing policies.

While it is critical for your board to pay attention to this stuff, there is much more to board effectiveness. This issue delves into several of these governance concerns such as the following:

• the inadequacy of standard best-practice prescriptions in addressing board design and culture and in meeting the needs of small organizations;

• the characteristics of highly effective and highly ineffective board chairs;

• the oppositional role of the board;

• the primary responsibility of the board to create the best possible outcomes for program beneficiaries.

We are also proud to host a "new" governance model (see "Engagement Governance for System-Wide Decision Making" on page 38). We use the word *new* with a caveat, because we believe that this model of distributed governance is natural to our sector and many communities have used this model in modified form. Unfortunately, the governance literature doesn't address how distributed governance might work better.

In this issue, you will also find an installment of the Nonprofit Ethicist (page 4), a critique of the Pew Foundation, an update by National Correspondent Rick Cohen on the group of foundations famously exposed for their misdeeds in the *Boston Globe* Spotlight series (page 57), and a memo from Jon Pratt of the Minnesota Council of Nonprofits proposing an online project to censure those who make millions of dollars exploiting the poor and who then attempt to redeem themselves through philanthropy (page 75).

And as a special treat, we've created our very own board horoscope in handy placemat form, which you can tear out and use. Bon appétit, and many thanks to our friend and mentor David Renz for this concept.

1945-2007

NPQ lovingly dedicates this issue to our dear friend **Joe Breiteneicher.** He was both good and beautiful and a blessing to us all. NPQ is deeply grateful for his friendship.

The Nonprofit Ethicist

by Woods Bowman

Dear Nonprofit Ethicist,

I am looking for advice on how to handle a longtime board member who has become very difficult. He has his own ideas about our mission and how we should execute it and is really on a different page from everyone else. He badgers people at board meetings and goes on and on about what he wants us to do. People are very polite but frustrated with him. Recently he has started to meet with board members individually to put forth his ideas and persuade them to buy into them. Some board members told him they were too busy to meet; others called me and said they didn't know how to say no to meeting with him but were uncomfortable about it. Our board president has asked him not to keep bothering people, but he does it anyway. One board member suggested we institute term limits just to get rid of him.

If we were to institute term limits, we would also lose several excellent board members. I oppose creating a new system just to deal with one problem. Several board members have told me that they believe this board member needs to go. He is taking the enjoyment out of being on the board, and no one wants to serve on a committee with him. We have already lost one good board member who got tired of dealing with him, and I worry that we might lose more.

Frustrated in Phoenix

Dear Frustrated,

The Ethicist has seen a lot of situations where no one wants to do a necessary but unpleasant job and either waits for someone else to act or bails out. This sounds like one of them. But you must follow your bylaws. If there is a proper way to remove the difficult board member, encourage the excellent board members to stick their necks out and use it. The Ethicist is a strong believer in term limits, so don't think of this solution as creating a new system just to deal with one problem. You might lose some excellent board members, but it is important to get a constant supply of new ideas, and no one should think that one is indispensable. This attitude is probably why the difficult board member is throwing his weight around. You can bring the other board members back after a hiatus. Keep them on the letterhead by placing them on an advisory board but remove them from the governing board. Who knows, they may even appreciate a vacation of sorts.

Dear Nonprofit Ethicist,

When our association receives a large donation designated for a specific program, such as domestic violence prevention, the CEO directs accounting staff to deposit such funds into the general operating fund to cover overhead, usually upcoming payroll. Should these funds be set aside in separate operating accounts and designated for the specific program area rather than used for overhead? On one level, funds received make the programs possible because they are staff driven, but are we using the money to forward the intentions of the donor? Is our stewardship role compromised by this method of handling the donation?

Association Steward

Dear Association Steward,

It is OK to deposit all income in one bank account. (Otherwise, you would need to open a new account for every gift and grant with strings attached.) It is incumbent on an organization's managers, however, to properly account for every gift and grant and not use money given for X purposes on Y purposes. That said, because contract reimbursement practices sometimes do not jibe with reasonable nonprofit cash flow, many organizations use the cash they have in hand to tide them over during lean periods until other—already committed—money arrives. But this can be a slippery slope. Problems occur when restricted money is used for impermissible purposes without the firm commitment of other money to cover those purposes. Hopeful speculation on grant requests that you merely "feel good about" is a dangerous game that can end in ruined careers and defunct organizations. People who run Ponzi schemes share the same fate for the same reasons.

Dear Nonprofit Ethicist,

After our founder retired in 2000, my organization floundered under a nonsupportive board that hired and fired at least a half-dozen interim directors while it hunted for a permanent replacement. Some directors quit because they were underpaid and micromanaged by the board.

I was hired in September 2002 and inherited the board from hell. The founder refused to provide any help. There were no donor records to speak of, except for the corporate/family foundation files, which were a mess; funding had been reduced by some of those foundations and cut off by others. The organization had a little more than $350,000 in reserves. I don't know where it came from; but there were no viable programs other than homework assistance, no quality staffing or technology, antiquated phone systems, and no management systems or program evaluations.

The board, however, believed that all was well. To keep the doors open and maintain some cash in hand, I suggested we get a line of credit while we rebuilt the organization. Board members refused and said that I was trying to get the organization into debt. We ate up our reserves trying to keep the doors open and pay salaries, taxes, insurance, and so on. Even though the organization had substantial reserves, the operating budget had developed a growing deficit before I arrived, and no one was listening to the accountant. Not surprisingly, that deficit grew to almost $150,000.

Well, four years later, that board is gone, as are two subsequent boards that we built. But the organization has survived, funding is on the rise, and this year we might just break even. This has been the most stressful four years of my life, and there are other directors out there with similar experiences. What can executive directors like me do in these situations?

Survivor

Dear Survivor,

Well, to begin with, the six interims might have been your clearest clue to a less-than-satisfactory situation. I have two words for you: due diligence. *There is no substitute for asking the right questions up front. (When people buy a house, they usually hire someone to check it out for termites, drainage problems, etc. The same principle applies here.) At a minimum, every candidate for an executive director position should review the past three years of an organization's financial statements and the associated management letters provided by the organization's auditors. Just walking around and chatting up the staff privately would probably reveal a lot as well. If an organization does not have financial statements, does not want to share them, or does not want an executive director candidate talking privately to staff, it is a bad sign.*

Now, on another note, I'm not letting you off scot-free. First, it is dangerous to make use of reserves if you're not sure where they come from, because nonprofit revenues are often restricted in some way. No one needs to be brought up on charges of misspending. Second, unless you were earning more on your reserves than your line of credit would have cost you, the board's position on borrowing money likely made good financial sense. Nonetheless, congratulations on pulling through this crisis point.

Dear Nonprofit Ethicist,

What are the important steps for senior nonprofit executives to take when contracting and collaborating with consultants—whom they hire to facilitate events that will include large numbers of staff during times of great internal change—to ensure that the open dialogue and inclusive methods promoted in announcement will not be overridden with micromanaging the process? How ethical is it to offer employees hope that their voices will be heard and then to coerce consultants to silence them or neglect the emotional side of their experience?

Quizzical

Dear Quizzical,

I'm glad you brought this up, although the problem is as much about the ethics of consulting as it is about the ethics of hiring a consultant. If a consultant is hired by an executive director who would like to establish a long-term relationship with the organization, for instance, is it reasonable to expect that the consultant will act without pandering to the interests of that position? If a consultant identifies leadership as a blockade to progress, should the consultant unwaveringly call the situation into question? There may be an inherent conflict of interest in many of these relationships. Even so, it is the Ethicist's opinion that too many organizations hire consultants without giving clear and consistent guidance. This kind of sloppiness is expensive and results in findings that are vague and unhelpful. As for soliciting input from stakeholders, organizations get the kind of product they deserve. If they don't ask for input, or if they ask for it and don't use it, they risk producing a consulting report that can't be implemented because it lacks stakeholder buy-in. It is also a bad idea to say one thing and do another.

Woods Bowman is associate professor of public service management at DePaul University.

Board Stories Involving Humans

By Ruth McCambridge

Even in the most institutional of nonprofit boards, with a standardized board design and plenty of administrative support, it is not unusual to find trustees in a kind of mild-to-severe fog.

GROUP DECISION MAKING IS AS OLD AS tribal councils, used by societies in every century on every continent. Even in ancient times, tribes and clans delegated some decisions to the deliberation and exchange of a leadership group, which (when they work well) can lead to better and more widely accepted decisions.

Present-day decision-making groups share many of the goals of the prehistoric wise councils assembled around the campfire and seek to build their own traditions, legitimacy, and experience. But humans being humans, all such groups face the challenges of consensus building, politics, and other hurdles common to the decision-making process.

Recommendations on board recruitment often suggest that people are essentially interchangeable parts, only differing in their professional training. Plug in an accountant, a lawyer, a human resource professional, a number-savvy business drone, and some other good-hearted souls with time on their hands; schedule some meetings; and let the governing commence!

This strategy, of course, provides little of the visceral connection of lived common cause. There is something random and naive about the way many organizations go about building their boards—and it shows. Even in the most institutional of nonprofit boards, with a standardized board design and plenty of administrative support, it is not unusual to find trustees in a kind of mild-to-severe fog. A survey by the *Chronicle of Higher Education* finds that 40 percent of university trustees admit to feeling "slightly" or "not at all" prepared to carry out their duties.[1] No organization would aspire to this state of affairs at the staff level, yet an energetic but badly focused board member can leverage more control and cause more disruption than most staff. And a low-energy board is just a drain.

In what ways do nonprofits need to elevate the thinking about the development of their boards? Do we focus on the wrong stuff? This article suggests that we do and presents a series of stories that focuses the reader on critical but neglected aspects of board development.

Those Pesky Human Beings

"No [board] design is automatically great," says David Renz, a national expert on nonprofit boards. "It's just a start, and then you add the people—and then it often gets really weird, and that's the way it is. Structure does not and cannot guarantee performance, although it can certainly get in the way. The reality is that a group of talented and committed people can make even the lousiest structure work because they develop processes—sometimes very informal ones—to get around the flaws." The same is true in the reverse, of course: a talented group driven more by individual ego than collective mission can make even the most rational of structures a joke.

This observation probably resonates with

RUTH MCCAMBRIDGE is *NPQ's* editor in chief.

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What makes this board work? Each board member is well versed in the realities of life for the women whom the organization serves because board members have actively learned about these challenges.

many readers and explains in part why simple structural approaches to board development so often fall short of desired outcomes. Is it possible that the characteristics and orientation of board members matter more than skill sets and contacts? The answer to this question might actually excite us out of rote stupor, revealing more potential for the diversity of board design.

Constituents Above All Else

A battered women's shelter based in a small Midwestern town has a 60-member board that is consensus based and comprises only active volunteers, who contribute at least four hours a week to the organization. Few of these volunteers have overwhelming individual influence—they are a motley crew, from full-time students to carpenters and accountants—but the board can and does mobilize on a moment's notice. The board is not always in accord. There are no term limits: when board members object to the organization's direction, they vote with their feet. Decisions are made by modified consensus. To outsiders the board structure might seem untenable, but it has some characteristics that make it work quite well: all board members have the common experience of having participated in a 36-hour training program that focuses not only on the practice at the shelter but on the theory behind the practice. This is required for any volunteer (and therefore any board member), and all board members have direct experience with the women who stay at the shelter.

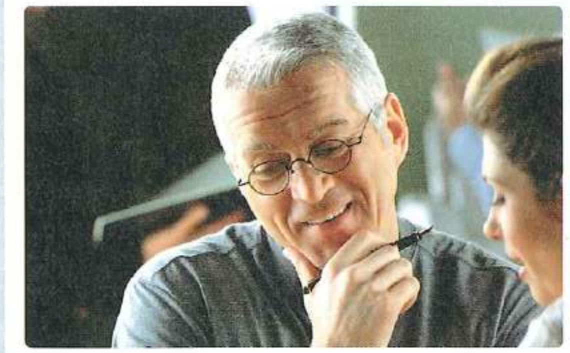
What makes this board work? Each board member is well versed in the realities of life for the women whom the organization serves, because board members have actively learned about these challenges. They watch how situations unfold over time, the women's interactions with the police, the courts, the schools and their batterers. They are adept at judging the impact of budget decisions and organizational strategies because they have this knowledge and because their training gives them a grasp of program options in general and puts the theory of this particular program in context.

This board framework would not work everywhere, but it has some intriguing elements in terms of board members' deep understanding of program, constituents, environment, and a design that is well suited to the particulars of the organization. A description of the "structure" sounds ominously untenable to many. But when this organization suddenly lost most of its funding, the board mobilized itself and all of its friends and, within six months, had significantly improved the organization's financial position from where it was pre-crisis.

Agreements on the Focus and Role of the Board are Mutable

The Sailors' Beacon Preservation Group is dedicated to restoring and maintaining a lighthouse in the Pacific Northwest. The board is a mix of local blue- and white-collar professionals, including fishermen, architects, insurance agents, and farmers. The organization has a strong founder who is now the executive director, and the board struggles to provide a balance through its governance function. Some new board members rotate out quickly in frustration over a lack of board control, especially if they have had experience on other boards. Others remain on the board for years at a time—there are no term limits—and are highly engaged in helping the grassroots effort to maintain the lighthouse and develop education programs for the public on maritime history. These board members provide flexibility for the strong founding leader and engage in high-level conversations that ensure a focus on mission. They sometimes lock horns with one another or with the director, but in general the board members who stay enjoy serving on a board that has developed a culture that reflects the needs of the lighthouse and of the public.

This group was not always effective in its governance role, however. During the mid-1990s, there was intense conflict between the founding executive director and board members, who wanted to share the reins. An organizational consultant helped the board with some classic role definition, enabling members to recognize that there was quite a bit of board business that they had neglected and that they could strike a balance if they defined their governance work within parameters rather than focusing solely on the work of the executive director. There was a seminal planning meeting on a cold winter's day at the lighthouse, where the board and executive director agreed to a strong vision and mission. For the next decade, board members were deeply oriented toward the mission, and every boardroom decision was made with this mission



Each board fits its nonprofit in a slightly different way, and many board types and patterns work. In some cases, the fit may work for a while and then need some revision. This is not a failure unless we cast it that way.

as the key screen. Finally, the group created an annual check-in on its own performance and worked to improve the governance function. The strong-minded executive still posed some challenges to work with, but rather than tear and claw at the strengths of the founder, the board strengthened its own role, held itself accountable, and worked to improve itself incrementally and to create accountability with its publics, its mission, and among each other.

Again, this structure doesn't work in every organization. But according to the organizational consultant hired to improve the maritime nonprofit, when the board placed the mission at the center of the conversation, everything else fell into place. Each board fits its nonprofit in a slightly different way, and many board types and patterns work. In some cases, the fit may work for a while and then need some revision. This is not a failure unless we cast it that way. If anything, the sector is lacking in creative board design.

Negative Effects of a Well-Intentioned Structure

The board of a statewide coalition of local activist groups meets quarterly, often just barely making quorum. Among the board members, levels of knowledge, energy, and interest vary considerably, which is not surprising given that the coalition's 30-plus member organizations each appoint a representative, some of whom care deeply about public policy and some of whom are just plain disinterested. There is also a mix of executives and line staff members on the board, reflecting the orientation of the member group to the coalition. Meetings take place in the middle of the state and often start late because of the delayed arrivals of the less motivated. The coalition spends a lot of time and psychic energy on dead-end discussions and on conflicts among the members. Sometimes individual board members bring their conflicts with their home groups to the meeting, which only confuses things. Members often resort to reciting the bylaws to one another. Still the coalition gets the work done, breaking new ground in law and policy and lobbying successfully for funding streams. Its accomplishments are attributable in part to a small group of committed staff and also to a small core of active board members and independent stakeholders. Participation may not be equal, but invested groups create organizing capacity sufficient to the statewide purpose of social change.

This example raises the issue of appointed board members, which over time often looks much better in theory than in practice. The idea behind appointing board members is that certain kinds of organizations need buy-in from other partner organizations for their boards to function well. This leads some small-scale social engineers to require that seats on the board be reserved for appointed members from those organizations. This structure does not, of course, indicate whether there is any heartfelt participation among individuals or whether there is any chemistry of mutual attraction to a goal that makes a group really sing.

In "Boards Behaving Badly," Owen Heiserman discussed the unfortunate legacy of a mandated policy of "inclusion" in community antipoverty agencies.[2] One national organization I know of said it was fine idea, as long as the board retained its original liaison board members. But with each successive representative, the purpose of board membership became more vague; indeed, showing up at all was more about what a representative was required to do for the home-appointing organization than about a sense of commitment to the organization. This is clearly not a good dynamic for any board, and it creates a two-class system of board members. In this case, the result was pretty much the antithesis of the women's shelter board mentioned previously: distantly connected, unmotivated, and uninformed members do not an exciting board make. It's not that appointed board members are necessarily a bad thing, but they bring some significant challenges to team building.

If appointed board members come from an agency that funds the organization, it can add another layer of complexity. Another organization I encountered was established with an appointed board comprising middle-management staff in state agencies that work with women making the transition from welfare to work. The charge of the organization: advocacy for better practice at those agencies. The organization's first director was a tireless critic of the unwillingness of state agencies to cooperate with one another. But at some point, they proved him wrong with a well-coordinated campaign to oust him from his job. The organization then limped along as a service group. State-agency representatives stopped coming to meetings, and eventually the mandate for their participation was removed from the organization's bylaws. Certainly, questions should have been raised up front about the sustainability of a board that included members appointed from agencies that were the target of the group's criticisms. But the private funding source involved saw inclusion as a way of selling the idea to the then-administration—which changed after the next election, of course—along with agency heads.

We have all seen these appointed and partially appointed boards flounder and fail, but precious little research has been done on this design issue, and little in general has been written about it. Again, a few committed humans can overcome these kinds of structural barriers, but it almost always means that an organization has a titular board and a group of behind-the-scenes players who make things happen.

Imprisoned by Board Culture

The board in a low-income community organization is a stickler for process. Forty years ago, the organization started out as an innovative collection of community activists, but now it offers a standard menu of service programs whose parameters are defined by the state. Board members are recruited for their technical skills and their political and social contacts. The board is dysfunctional, with opposing cliques attempting to capture new members to their point of view. Mean-spiritedness is the order of the day. Each meeting starts with a lavish dinner and then the presentation of an executive report, which is usually lengthy and defensively structured. Defensiveness is reasonable, considering that board performance reviews of the executive are either overly effusive (during the honeymoon stage, the new executive director is greeted as organizational savior) or highly critical (once the director has inevitably fallen from the perch), with great detail provided on the executive's failings. Formal language and Robert's Rules paper over any acknowledgement of the depth and chronic nature of the board's problems. Executive staff at the CEO and CFO levels circulate in and out of the agency through a revolving door, often leaving tangles of financial and relationship problems with funders.

What makes this board malfunction? During its formative years, two well-respected individuals led the organization. The board supported but also depended on them as the glue and public face of the organization. Subsequent executives were less able to bring cohesion or excite loyalty from the board as a whole, and the board inevitably splintered into two camps: one for and one against whoever happened to occupy the executive's chair at the time. Thus the boardroom is a space locked in conflict and fraught with danger. People either stay out of the line of fire or join a side. Real conversations take place in the parking lot on the way out. No amount of retreat is going to affect the tenor of the room until those who inhabit it admit that they are the problem—and that's a tall order. After all, they are volunteers and each of them, with some legitimacy, views himself as a community-minded individual. As they squabble with one another, many of the programs and relationships with funders are in a free fall. This board is in the habit of offloading responsibility and has instituted a "Love ya now, hate ya later" cycle with all executives. A steady stream of consultants enters and leaves without effect.

The boardroom is a space locked in conflict and fraught with danger. People either stay out of the line of fire or join a side. Real conversations take place in the parking lot on the way out. No amount of retreat is going to affect the tenor of the room until those who inhabit it admit that they are the problem . . .

Look around any community, and you will see sad boards; happy boards; focused, aligned, thoughtful, and mission-centric boards; pedantic, self-satisfied, and tiresome boards; sloppy boards; and obsessive-compulsive boards. When humans come together, they create a whole of the parts, which can seem confounding when the whole is much less than the sum—a common complaint of boards. But the group may have created its own invisible limitations—a very human characteristic.

There is little attention paid to the gestalt of boards, but of course each board has one. A gestalt involves three sets of attributes: the entity in all its own complexity, the entity's context, and the relationship between them. So an organizational gestalt—and when it is functionally separated, a board gestalt—can reflect the culture of the organization's sector, its geographic area, the governance preferences of the local United Way , or all of the above. It can also be deeply affected by the "creation story" of the organization. Did the organization have to fight its way into existence? Was it the product of a large, ill-informed grant from a national foundation that later abandoned the infant effort?

Human beings tend to carry epic stories forward as fables with morals, and they will force-fit outcomes to their expectations, even when that means repetitive failure. Does the board tend to lead, or does it follow a strong executive? Does the board appoint members, or does its membership elect board representatives? Not only do these questions matter, but the stories that explain how the organization arrived at its present state also matter.

Human beings tend to carry epic stories forward as fables with morals, and they will force-fit outcomes to their expectations even when that means repetitive failure.

Cultural attributes cannot always be structured in or out, but acknowledging them provides a board with more control. As Edwin Nevis, the president of Gestalt International Study Center, says, "Awareness is the precursor to effective action. Awareness leads to choice."

I have discovered that people can be shy about naming such stuff—opting instead to banish a few purveyors of disturbance from the room—only to find this troublemaking mysteriously replicated by others shortly thereafter. You may recognize this dynamic from family systems therapy. The board is, after all, a group of human beings.

There is No "Away"

One *NPQ* reader writes: "There is a bit of a disconnect in the cultural approaches [between board and staff]. It's not a real issue, but my board does not play a major role in the heart of the organization. While I could recruit new board members onto our board who think differently, I also have to keep our public credibility in mind. It's very handy to have a well-respected lawyer or businessman on the board for that reason. It does not feel right, in terms of our real ethos, so it's a fudge. [I] don't know what the solution is yet."

One rule of systems thinking is that there is no "away." If we dump hazardous waste, it will come back to haunt us. The same goes for sliding our boards to the side. We are often confused when staff acts out of one set of motivations and the board out of another. Sometimes this is a function of a board's belief that it should take a certain stance to counterbalance staff behavior, but sometimes it is just a function of relative isolation (which can easily happen if the executive is the only point of contact). This duality—and the tendency of boards to be insufficiently familiar with the details of the work of the organization—often leads to executives' attempts to "manage" (read: marginalize and contain) the board.

An attempt to "manage" the board often leads to its members being the last to know about organizational problems. The programs can have a terrible reputation, the funders can lose trust, and the surrounding community may have an opinion of the organization that belies its mission intentions—without the board really accepting that this is the case. The board may have a heroic view of the organization, even if that view coexists with a sense of discomfort about things left undone.

This, of course, can lead to a revelatory moment when the board finally "hears" negative information that has been building over time. Such revelatory moments can be brutal and bloody. In one case, the attorney general cited an organization for a questionable fundraising strategy after the board had been told repeatedly that the organization might have hosted a wealth of other ethical lapses. But it was not until the staff led an open rebellion that the board had an epiphany. Until the mutiny, the board acted as though it had been unfairly singled out by the IRS and that the internal alarm sounders were merely expressing personal agendas. Board members took no steps to ensure that protective protocols were in place.

An attempt to manage the board often leads to its members being the last to know about organizational problems.

On the other hand, a failure to manage how a board receives and interprets information may cause its members to focus on relatively unimportant details and lose sight of core organizational strengths. Executive directors worry that their boards won't balance the big picture with the details. This inability to rank organizational issues can waylay an organization, sometimes interminably, and that's why the basic proposition of the policy governance model is inviting to some boards and executives (a colleague recently described the Carver method to me as the "executive empowerment model").

For an executive to feel comfortable in relinquishing the bad habit of "managing" the board, he must depend on the board chair and committee chairs to frame and manage conversations, and that requires that the character, background, and, most importantly, the alignment of board members with the mission are primary criteria for recruitment and leadership. The women's shelter exemplifies this principle. All its board members were steeped in the theory and practice of the organization. Three months of volunteering at the shelter sorted out who worked well with others. And, as Harrison and Murray's article on page 24 notes, the characteristics of the board chair are particularly important. In the case of the shelter, the board chair was an unassuming, humble woman, respectful to everyone, not a gossip, quick to laugh—but steady as all get-out.

> It has always struck me as next-to-insane to bring people on to a board when they have no significant experience in the work of the organization.

In Conclusion

People are strange: some for better and some for worse. So it has always struck me as next-to-insane to bring people on to a board when they have no significant experience in the work of the organization. It's a swift way to borrow trouble. How do we know how they work in a team setting? Do they like to build cliques and secret allies, or do they care enough about the work to spend time selflessly on it? What better way to test such things than to organize people into working committees. Do they produce? Do they follow through and bring others to the work? Are they self-aware or quick to defensiveness ("Who are you calling defensive? I'm not defensive!")?

Creating committees that involve people who are interested in what you do and are well charged has so many benefits. But among them are more advocates, more long-term donors (volunteers tend to give), more creativity, and more connections. Such committees make the organization more dynamic and give it higher profile, and they are a wonderful testing ground to identify those humans who can be trusted to be thoughtful, enthusiastic stewards.

Here is my first suggestion: build these committees, and dedicate real staff time to them. Make them a part of your engagement strategy. Mix up the members between staff, constituents, and interested others, and watch who rises to the surface as a prospect for board service. Use them to encourage the appropriate mélange of community activists and leaders who might productively populate a board that can be trusted with the organization's future.

My second suggestion is to think more creatively about governance in general. What role could it ideally play in your organization, and what board design facilitates that? Get past the default mindset of "boards must do this" and "boards should do that" to find the truly imaginative and inspired functions your board can and should fulfill. Most obviously, don't rely on fundraising prowess and connections as the lens for board recruitment. You may be conditioned to believe that connections are your key to a healthy budget, but recent research finds no proof that organizations that recruit for connections are any better off than those that do not. Moving away from a myopic focus on rote board functions can reveal potential for additional board contributions—beyond fundraising—and the strange, wonderful, and insightful people who might be recruited to realize these board visions.

There is lots of room for variation. Little is written in stone regarding the shape and use of boards. Yet decades of consulting would have groups believe otherwise, and so good people waste inordinate amounts of time trying to fit their unique organizational cultures into prescriptive models. Governance is not a structure but a process. That process must remain responsive not only to what the constituents and the organization need but to what the dynamic in the boardroom and between the board and the executive needs to be to get the work done in the most optimal way possible.

Finally, the dedication of each board member to the accomplishment of the mission and best interests of the organization's constituents should be unquestionable. This is hard to ensure without each board member having spent considerable time in the work of the organization and with a variety of constituents. It only makes sense to create testing grounds elsewhere in your organization for the quality decision makers and advocates you really need on your board.

Endnotes

1. Jeffery Selingo, "Trustees: More Willing Than Ready," the *Chronicle of Higher Education*, May 11, 2007.
2. Owen Heiserman, "Boards Behaving Badly," the *Nonprofit Quarterly*, Vol.12, No. 2, 2005 (www.nonprofitquarterly.org/section/727.html).

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Boards in Small Nonprofits: *What About Friendship and Solidarity?*

by Christine Bertrand and Johanne Turbide

The connection between objectives, means, and aims—as well as alignment between stakeholders' and a nonprofit's objectives—are more difficult to identify in third-sector organizations.

Since the early 1980s, numerous works have focused on governance in nonprofit organizations. Researchers' interest in nonprofit management stems from the many differences between for-profits and nonprofits, particularly regarding the concept of ownership, the availability of resources, and the assessment of performance. These differences ensure that the connection between objectives, means, and aims—as well as alignment between stakeholders'[1] and a nonprofit's objectives—are more difficult to identify in third-sector organizations. These differences explain in part why nonprofits cannot be managed with the same principles as those used in the for-profit sector.

As some of the titles within the literature suggest, many works on governance are norma-

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HIV POSITIVE PROTEST. "HIV-POSITIVE T-SHIRTS ARE WORN BY MANY SOUTH AFRICANS IN SOLIDARITY WITH ALL PEOPLE LIVING WITH HIV/AIDS."

Research on third-sector governance tends to articulate the one "best way" for nonprofits to approach governance.

tive and prescriptive.[2] Some literature, however, looks critically at the relevance and usefulness of newly proposed models, and researchers have suggested that, because the models in question are poorly adapted to the third sector, they are for the most part unusable in practice.

This article investigates whether there is a discrepancy between the recommendations of the literature and the realities of nonprofit operations. We wanted to focus on smaller nonprofits and observe how board members exercise governance in each of three small community organizations located in Montreal.

We have compared the use of so-called best practices—which are often prescribed in a one-size-fits-all mode—with what Lucie Bégin refers to as "the solidarity perspective," which is "the values and beliefs to which the stakeholders in various sectors subscribe in order to give meaning to what they are doing."[3]

Nonprofits' Use of Intentional or Best-Practice Mechanisms

In the literature, defining organizational mission and strategic planning are central responsibilities. Others include defining the organization's long-term objectives and focusing on external issues in order to clearly identify the needs of the market; understanding the needs of various stakeholders; acting as the organization's guardian of values; conducting the organization's affairs ethically and legally; not interfering with organizational operations; and assessing the risks that the organization faces. Some research suggests that administrators should set an example by making financial contributions to an organization.[4] In addition to setting an example, having administrators donate their own money to a nonprofit prompts them to take their management role seriously.

Researchers also emphasize that board meeting attendance is important; when administrators attend these meetings, they become more actively involved in the organization, and their attendance increases the nonprofit's performance. It is therefore essential to keep an attendance record to discourage absenteeism.

Other researchers stress the importance of orientation sessions for new members in order to develop a common vision; others recommend ongoing training, such as assigned reading, interacting with other boards, presenting cases, offering courses, and so on.

But the research on third-sector governance tends to articulate the one "best way" for nonprofits to approach governance. At present, the empirical findings reflect a completely different reality, and several researchers question the one-size-fits-all formulas that are adapted mainly from for-profit practices.

John Carver, for example, says that few of the organizations he has studied could even account for the best practices they use. "Fewer than 5 percent of the boards I have encountered over the past decade were able to furnish me with board policies!" he writes.[5]

Based on a field study of 12 nonprofit boards in New York, Judith Miller concludes that board members have a tendency to manage according to personal and professional skills rather than use the organization's mission as a reference point.[6] In a study by William Brown, 30 percent of 66 executive directors say that their boards do not consider the interests of various stakeholders.[7] Thomas Holland's findings are similar (where a large number of study participants could not identify a single group of "constituencies"[8]), and Holland concludes that this may explain why communication with stakeholders is frequently lacking or haphazard.[9] In fact, many respondents to Holland's survey believed that external communication is not a board task, but rather the responsibility of the director or staff. Of course, reality often differs from the best practices identified in the literature.

While the research recommends that nonprofits should have a diversified board in order to best represent the community, a survey conducted by K.B. Fletcher reveals that members' age, race, and education don't significantly influence the performance of a board.[10] Furthermore, the current profile of nonprofits is inconsistent with the diversified image of boards recommended in the literature. In fact, according to a survey conducted by Martha Golensky, the typical nonprofit board member is a white male

between the ages of 41 and 50 years old who holds a management or professional position in a for-profit company.[11]

While an advisory committee should select a nonprofit board to ensure proper control, Hansmann notes that "in some nonprofits this control is really only formal: in practice, the organization's board of directors nominates its own successors."[12]

The literature also recommends that nonprofits have a dismissal policy to address frequent absenteeism. But the reality is that organizations often don't have the luxury of observing this best practice. In fact, Golensky found in her 2000 study that dismissal policies are rarely applied. "Many of the respondents," she writes, "admitted that policies allowing for the removal of a board member who has missed too many meetings are rarely enforced."

Finally, case studies and other empirical research on board performance evaluation in third-sector organizations reveal similar conclusions. While best practices recommend the evaluation of board meetings and performance, the majority of organizations in these studies don't evaluate the process, lack evaluation criteria, and don't have time for these efforts, given that members are often volunteers.

Our Findings: Three Small Nonprofits

With annual revenue of less than $250,000 and five or fewer permanent employees, our three case-study nonprofits are representative of the majority of organizations in Canada, where 85 percent of nonprofits have even less annual revenue. We compared the practices of these organizations with the literature on best practices in nonprofit governance. For the purposes of this study, we term these formal best practices under the rubric of "intentional." Under the heading of "spontaneous," we group practices that involve a nonprofit's more immediate drive for survival.

We collected data over a three-month period. For each of the organizations studied, we interviewed three individuals, attended one or two board meetings, and reviewed relevant documents (such as minutes of proceedings, financial statements, and budgets). Although the cases presented here are real, we have changed the names of the organizations at their request.

Our findings suggest that small nonprofits don't use best practices for governance as prescribed in guidebooks and training programs. Instead these organizations are driven more by spontaneous mechanisms that evolve from the two pillars of the nonprofit environment:

- the organizational culture (the sharing of values and the commitment of members); and
- mission- and purpose-related activity (i.e., the solidarity perspective).

In the three organizations we studied, the intentional roles, responsibilities, rules, and regulations are at best considered theoretical principles that do not apply to the day-to-day reality of coping with cash-flow problems, staff turnover, and the difficulty of serving constituencies.

The Reality of Small Nonprofits

Founded in 1998, the New Immigrants Network (NIN) helps immigrant family members reunify. NIN's mandate is to develop a support network for families arriving in Montreal. There are three full-time employees and a chief coordinator. The organization's budget is approximately $120,000. At the time of our study, the seven positions on the board were filled by six external members from the area and one member representing beneficiaries (who was often absent from meetings). Members often did not respect their mandates because they did not have enough time to give to the organization. The coordinator manages the agenda of board meetings, provides a report and feedback on past activities, and presents upcoming events. According to board members, their roles consist mainly of attending board meetings, trying to find new sources of funds from government or other donors, and assisting the coordinator in the supervision of activities offered to beneficiaries.

Founded in 1997, Drop-in Center (DC) is a walk-in care center for underprivileged members of the neighborhood. Originally, the founders hoped to create a facility with full accommodations, but lack of funds prompted DC to open a daily care center instead. The staff has six part-time employees, including a part-time director. The operational budget is approximately $230,000. At the time of our study, the organization faced a serious financial crisis. The size of its board has varied over the years, from three founding members to a maximum of 17 positions. At the time of the study, however, 11

Our findings suggest that small nonprofits don't use best practices for governance as prescribed in guidebooks and training programs. Instead these organizations are driven more by spontaneous mechanisms.

The solidarity perspective allows small nonprofits to operate without all the material incentives that for-profits offer.

volunteers sat on the board, and members were trying to enlist additional recruits. The board comprises mainly businesspeople. Opinions differed among volunteers as to whether the organization should operate as a daily center or fight to establish a full-accommodation center. The importance of the mission statement, financial factors, board responsibilities, and controls were also perceived differently by the interviewees.

In 1986 a group of parents from a poor area of Montreal created Snowdon Family Circle (SFC). The mission is to support parents of young children and to develop collaboration and friendship among underprivileged families. Two full-time staff members—neither of whom hold the position of director—work for the organization, which has a budget of approximately $100,000. In 1999 the organization almost closed because of a major financial crisis, but the government sent a consultant to help it recover and become better organized. The board is made up of nine members, six of which must be nominated by the beneficiaries (in concert with the consultant's recommendations). During interviews and meetings, we observed that board members had an operational agenda, in part because a director had not yet been identified.

The Solidarity Perspective

If nonprofits are not conforming to norms of best practice, should we impose a standardized approach to their governance, particularly in the case of smaller organizations? According to Lucie Bégin, principles of solidarity differentiate nonprofits from for-profits:

> The community sector is run based on a solidarity perspective that characterizes the organizations' relationships to their environment: the solidarity of donors who voluntarily contribute to the funding of services of which they are not the primary beneficiaries; the solidarity of volunteers who donate their time for the betterment of the community; the solidarity that makes cooperation and consensus the preferred coordination methods.[13]

The solidarity perspective allows small nonprofits to operate without all the material incentives that for-profits offer. At least in smaller nonprofit organizations, the monetary reward of the for-profit sector is replaced by the value of mutual aid and a willingness to improve the community. So how is governance exercised in this context?

Using our analytical framework,[14] we attempted to answer this question and capture the degree to which small organizations use an intentional versus a spontaneous approach and to shed light on the natural benefits of solidarity, an issue ignored in much of the literature.

In our three case-study organizations, none of the recommended practices were consistently observed, with the exception of including external members on each of the boards. The management approach concentrates on survival, thus formal requirements often fall by the wayside in the face of the demands of survival and service—and those demands can be severe. The lack of financial resources, for example, leads to a significant change in the mission for NIN in order to be eligible for Emploi-Québec grant programs.

In some cases, board members were hard to come by, and the lack of availability of current members were the main reasons for SFC's failure to respect the rules regarding the selection of members and length of tenure. Two board members from two different organizations argued that the most important criterion for board members is a willingness to contribute to a nonprofit's well-being rather than professional background. For the NIN coordinator, who is actively involved in the recruitment of board members, her main concerns were to find board members who can help the organization get more funding, who get along well with fellow board members, and who support the organization's activities by contributing financially or by contributing free time. In her view, such board members are difficult to find and nonprofits should retain board members who fit the criteria as long as they can, regardless of suggested tenure rules.

In all three cases, board members believed that their key role was to attend meetings. One DC board member noted that nonprofits should look for board members that can contribute financially too, but admitted that he had been unsuccessful in convincing his own colleagues to make yearly donations.

> The intentional governance mechanisms suggested in the literature do not apply to smaller organizations to any significant extent.

Our results show that there are no risk assessment and control analysis mechanisms in place. Administrators are not very concerned about their nonprofit's relationship with resource providers and do not have reservations about insurance coverage. Little emphasis is placed on budgeting, even in the case of DC, which is experiencing serious financial difficulties. It is worth noting that DC has the most businesspeople on its board of any of the three organizations. Lastly, with the exception of DC—whose several board members from the business community generally know their legal obligations—most of the board members we interviewed aren't well versed in statutes and regulations.

On the other hand, for all three organizations, spontaneous mechanisms such as organizational culture, shared values, and member commitment are high priorities. All three organizations cited a culture of friendship, which confirms research by Jill Mordaunt and Chris Cornforth.[15] The respondents even said that while the consensus dynamic is time-consuming and can undermine decision making, it is respectful and emphasizes the importance of many points of view, so they still valued it. These findings are in line with Bégin's solidarity perspective, which suggests that cooperation and consensus are central to smaller and less-resourced organizations. Roméo Malenfant's research reveals similar results; he found that shared values makes management less hierarchical.[16] This reinforces organizations' need to be nimble in an unstable environment.

Our study also validates characteristics such as members' mutual trust and commitment. But these spontaneous mechanisms do not necessarily guarantee effectiveness and efficiency. In DC, which is experiencing financial difficulties, members realize that too much confidence, coupled with few intentional controls, have led to the fraudulent behavior of staff members.

These organizations also validate other spontaneous mechanisms such as competition and legitimacy. Competition is a decisive factor for each of the three nonprofits, since their survival depends on it. Respondents criticized the lack of funding requirements, which has led to an increasing number of organizations having to rely on the same pool of funding. Legitimacy is an important mechanism in nonprofit governance, because any doubts regarding the legitimate use of funds or the quality of work can threaten a nonprofit's existence. After SFC was sued in 2000, its revenues decreased by half. Subsequently, the board established a task force to better control the hiring of employees and volunteers and the handling of finances.

Limitations and Future Research

Our research of small nonprofits confirms our hypothesis: the intentional governance mechanisms suggested in the literature do not apply to smaller organizations to any significant extent. That's unsurprising given that these mechanisms don't apply to many other nonprofits as well. Our study has also allowed us to better understand why certain practices recommended in the literature may be difficult to apply in small nonprofits. Among the many determining factors, the institution of formal procedures can be seen as a threat to informality and as a challenge to the cohesion created by trust and friendship. Additionally, the instability of small nonprofits means that management spends a great deal of time fighting for the organization's survival rather than implementing formal control mechanisms. These nonprofits are driven by values and interests that are far removed from what books say about how to "efficiently govern a nonprofit."

Nonetheless, the exclusive use of spontaneous mechanisms may place small nonprofits at a serious disadvantage. Future research should focus on the distinctive characteristics of a nonprofit's context. Then it may be time to advance some of the good-governance principles associated with the solidarity perspective (and a graduated adoption of intentional practices). The solidarity practices of small groups are an important asset for small nonprofits to govern with a realistic grasp of their context.

Endnotes

1. The term *stakeholders* refers to all parties to whom an organization is indebted: sponsors, employees, clients, suppliers, the community, and so on.
2. See, for example, Ginette Johnstone, *Nonprofits: Understanding Governance: What Every Board Needs to Know* (Kemptville: Johnstone Training & Consultation, Inc., 2002); John Carver, *Boards That Make a Difference: A New Design for Leadership in Nonprofit and Public Organizations, 2nd ed.* (San Francisco Jossey Bass, 1997); and Thomas Wolf, *The Nonprofit Organization: An Operating Manual* (Upper Saddle River: Prentice-Hall, 1984).
3. Lucie Bégin, "L'Allocation des Ressources dans une Organisation Communautaire: Le Cas de Centraide du Grand Montréal," École des Hautes Études Commerciales, 2000.
4. David Olson, "Agency Theory in the Not-for-Profit Sector: Its Role at Independent Colleges," *Nonprofit and Voluntary Sector Quarterly*, Vol. 29, No. 2, 2000.
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6. Judith Miller, "The Board as a Monitor of Organizational Activity : The Applicability of Agency Theory to Nonprofit Boards," *Nonprofit Management and Leadership*, Vol. 12, No. 4, 2002.
7. William Brown, "Inclusive Governance Practices in Nonprofit Organizations and Implications for Practice," *Nonprofit Management and Leadership*, Vol. 12, No. 4, 2002.
8. The word *constituencies* may be defined as "all the stakeholders within a given organization."
9. Thomas Holland, "Board Accountability: Lessons from the Field," *Nonprofit Management and Leadership*, Vol. 12, No. 4, 2002.
10. K.B. Fletcher, "Effective Boards: How Executive Directors Define and Develop Them," *Nonprofit Management and Leadership*, Vol. 2, No. 3, 1992.
11. Martha Golensky, "Board Governance: Perceptions and Practices: An Exploratory Study," Grand Valley State University, September 2000.
12. Henry Hansmann, *The Ownership of Enterprise* (Cambridge: Belknap Press, 1996).
13. Bégin, 2000
14. Our framework is inspired by Gérard Charreaux, who developed a typology of governance mechanisms for for-profit organizations in which he considers both intentional and spontaneous aspects. We significantly adapted the components of his framework to reflect a nonprofit's conditions.
15. Jill Mordaunt and Chris Conforth, "Rising to the Challenge or Running for the Door? The Role of Governing Bodies in Dealing with Organizational Crises," delivered at ARNOVA Conference, November 13-16, 2002.
16. Roméo Malenfant, "La Gouvernance Stratégique d'un Organisme sans but Lucratif : sa Dynamique, ses Composantes," Éditions D.P.R.M., 1999.

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The *Best* and *Worst* of Board Chairs

by Yvonne Harrison and Vic Murray

Respondents perceive highly effective chairs as assets to their organization. Conversely, they view ineffective chairs as problematic for boards and the organization as a whole.

Most experienced observers of nonprofit governance agree that board chairs can have considerable influence on board operations. But not much research focuses on the critical position of board chairmanship and the factors that determine its potential for positive or negative impact.

To better understand how board chairs affect their organizations, we recently completed two phases of a research project (and have plans for a third). In 2006 we undertook the first phase of this pilot study, conducting in-depth interviews with 21 respondents in Seattle, Washington, and in Victoria, British Columbia. Respondents were split nearly evenly between experienced nonprofit board members and CEOs. In 2007 we launched the project's second phase, which consisted of an online survey of 195 nonprofit leaders representing a variety of perspectives (including those of board chairs, board members, CEOs, staff service volunteers, and stakeholders) from across the United States and Canada to verify the results of the study.

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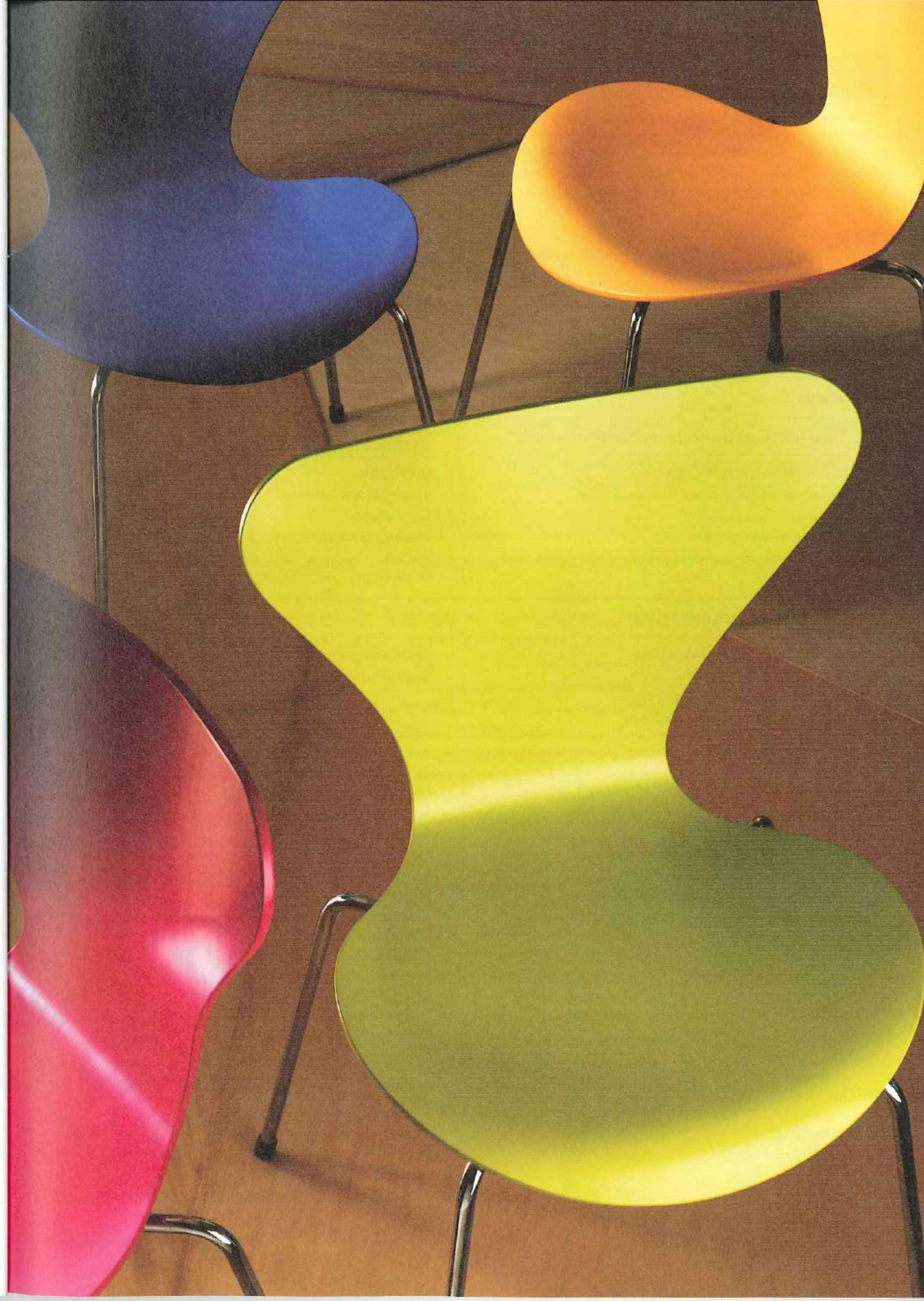
Our research identifies three groups on which board chairs have influence: (1) other board members; (2) CEOs and management teams; and (3) external stakeholders, such as funders, regulators, and clients. Although our exploratory research doesn't touch on this, we have developed a framework that outlines the factors that might shape the behavior of chairs, such as background (i.e., age, gender, education, and previous leadership experience); characteristics of other members in the relationship, such as the CEO; and characteristics of the organization (such as the age, mission, and culture). The organization's larger environment—such as economic and political factors, the organization's climate of competitiveness or cooperativeness, and so on—can also affect board chair behavior.

Phase-One Findings

Our preliminary research findings suggest that there is considerable commonality among those qualities respondents perceive as hallmarks of effective and ineffective chairs. Respondents perceive highly effective chairs as assets to their organization. Conversely, they view ineffective chairs as problematic for boards and the organization as a whole. The table on pages 26-27 features some of these common characteristics.

Findings from the Online Survey

In terms of the personal qualities of exceptional board chairs, the findings of the online survey



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The Highly Effective Chair*	The Highly Ineffective Chair*
The Chair's Attitudes and Values (as perceived by board members and CEOs)	
• Is committed to organizational mission; is passionate, enthusiastic, and engaged • Is knowledgeable about the organization's activities and challenges • Can see the big picture	• Is too focused on details and unable to see the big picture • Doesn't convey a commitment to the organization • Uses the board chair position mainly to advance personal career or agenda
The Chair's Personality Traits (as perceived by board members and CEOs)	
• Is charismatic and communicates a broad vision with which others can connect • Is extroverted but not bombastic; is at ease with people of all types • Is trustworthy and calm • Is intelligent and grasps complex situations quickly • Has a sense of humor	• Is egotistical and dictatorial (ineffective chair personality type one) • Is introverted and well meaning but unable to inspire others; is uncomfortable in a leadership position (ineffective personality type two)
The Chair's Conduct (as perceived by board members and CEOs)	
• Is proactive; takes initiative in raising issues • Takes time to interact with others; doesn't rush others • Listens, doesn't argue or criticize • Clarifies and helps to redefine issues • Finds common ground when differences arise; manages conflict well	• Listens poorly • Doesn't take sufficient action • Micromanages • Vacillates and takes different positions depending on whom he interacts with last • Creates or avoids conflict
The Chair's Qualities (as perceived by CEOs)	
• Mentors and coaches other board members • Is always available when needed • Is nonjudgmental and collaborative • Is always enthusiastic about the organization	• Doesn't respect or trust the CEO • Tends to be critical and unsupportive
The Chair's Relationships with Board Members (as perceived by board members)	
• Is always well prepared for meetings • Conducts productive meetings that are on topic, on time, and action oriented • Is clear about the role of the board and can communicate it to others • Serves as a facilitator rather than a superior • Delegates and works as a team player and team builder • Makes individual board members feel valued and appreciated	• Chairs meetings but fails to lead • Runs meetings poorly, is disorganized, and allows meetings to drift from the topic • Contributes to confusion over the board's role • Isn't proactive; doesn't focus on key issues, and avoids confronting problems • Is too protective of the CEO and staff; doesn't push the board to assess the performance of the organization or itself
The Chair's Relationships with Stakeholders (as perceived by all respondents)	
• Has strong contacts with key people outside the organization • Is willing to use contacts to help the organization	• Isn't proactive in reaching out to stakeholders • Doesn't have, or make use of, external contacts • Uses the board chair position for personal benefit
The Chair's Impact on the CEO	
• Increases the CEO's feelings of competence and boosts morale • Contributes to the improved decision making of the CEO	• Increases turnover of valued staff • Inhibits needed change; contributes to the "slow death" of the organization

The Highly Effective Chair*	The Highly Ineffective Chair*
The Chair's Impact on the Board	
• Ensures that meetings are focused, efficient, and produce clear decisions • Increases board commitment to the organizational mission • Produces clear plans • Reduces unwanted board turnover • Attracts high-quality members to join the board	• Increases board turnover • Fails to resolve major problems, such as a poorly performing CEO or lost funding, until it's too late
The Chair's Direct Impact on Stakeholders	
• Facilitates funding by helping to get grants or contracts • Improves relationships with existing or potential partners	• Loses the support of key stakeholders
The Chair's Indirect Impact on the Organization	
• Takes the organization in a new direction • Creates a paradigm shift in the organization's thinking and behavior • Saves the organization from insolvency by helping it to renew a major grant • Helps improve staff morale	• Respondents did not provide examples of the behavior of ineffective chairs resulting in serious damage to the organization. The direct impact cited above can do larger damage, of course, but respondents indicate that problems were fixed before permanent damage was done.

*Responses indicated greater diversity when respondents were asked about their experience with ineffective chairs; responses for effective chairs were more uniform.

mirror first-phase findings. Trustworthiness, intelligence, and good listening skills are the highest-rated qualities for board chairs; being dictatorial, critical, and motivated by self-interest are the lowest-rated qualities.

With the benefit of a larger database, we used factor analysis to identify which characteristics of effective and ineffective chairs hang together. Our analysis yielded five clusters of effective board chair leadership characteristics and one cluster of qualities common to ineffective chairs.

1. *Relationship competencies:*
   - Is flexible
   - Is comfortable with people of all types
   - Is nonjudgmental
   - Has strong listening skills
   - Has a calm demeanor
   - Has a friendly persona
   - Is humble
2. *Commitment and action competencies:*
   - Has a strong commitment to the organization
   - Has a clear commitment to getting things done
   - Uses a proactive approach
   - Devotes time to the organization
3. *Analytic skill competencies:*
   - Can see the big picture
   - Can clarify and resolve issues
   - Can handle contentious issues
4. *"Willingness to create" competencies:*
   - Has high intelligence
   - Is an innovative thinker
   - Has confidence
5. *Ability-to-influence competencies:*
   - Has connections and influence with key people
   - Uses connections to advance the organization

The two lowest-rated characteristics of board chairs were combined to form one indicator of chair *in*effectiveness, which we call "dominating behavior":
- Is dictatorial and domineering
- Pursues a self-serving agenda rather than contributing to an organization's well-being

Discussion

This article highlights the characteristics of

Trustworthiness, intelligence, and good listening skills are the highest-rated qualities for board chairs; being dictatorial, critical, and motivated by self-interest are the lowest-rated qualities.

Experience Base of Respondents to the Study

Respondents in the first set of 21 interviews had a minimum of five years of experience in their role and had worked with at least three board chairs. These respondents came from a diverse group of organizations in terms of organizational mission, budget size, staff size, and dependence on volunteers. In our subsequent online survey of 195 nonprofit members in the United States and Canada, a majority of survey respondents reported they had interacted with at least three different board chairs.

highly effective and highly ineffective board chairs as perceived by those who work with them. The behavioral and personality characteristics of highly effective chairs are remarkably similar among the various groups of respondents to the online survey.

Respondents highlight the same qualities and skills of effective chairs as those the literature cites as desirable characteristics of nonprofit leaders in general. Our findings are also consistent with several leadership theories. Ralph Stogdill, for example, suggests that effective leaders are charismatic, cooperative, and sociable and know how to influence others, while Shelley Kirkpatrick and Edwin Locke cite cognitive ability, motivation, and confidence as essential leadership qualities.

The literature also cites the following characteristics of effective leaders, which parallel our findings:

- Being goal directed
- Having emotional maturity, self-, and social awareness (also known as "emotional intelligence")
- Being creative, flexible, and persistent
- Being committed and independent-minded and understanding the big picture; being compassionate and proactive (also known as "spiritual intelligence")

Our findings are also consistent with the findings of Richard Leblanc and James Gillies, who conclude from a 2005 study of 39 corporate boards and interviews with 194 board members that there are two types of board chairs. The first, which the authors refer to as "conductors," are effective managers because they

> [R]elate very well to management, have a keen interest in good governance and serve as the hub of all-important board activity. They understand group and individual dynamics and possess remarkable leadership skills, both inside and outside the boardroom. They relate exceptionally well to the CEO (if a nonexecutive chair), committee chairs and other directors. They lead the setting of the agenda, run meetings effectively, moderate discussion appropriately, manage dissent, work towards consensus and, most importantly, set the tone and culture for effective corporate governance.

The second type, known as "caretakers," are ineffective because they either exert too much influence or not enough.

So What? The Practical Implications

The aim of our research was to learn more about the characteristics of outstanding board chair leadership. But we can also draw some conclusions about how a nonprofit organization can better select highly effective chairs.

The most important step is to develop a position description for the chair's role. This should include specific responsibilities of the position vis-à-vis (a) the board, both as individuals and as a group during formal meetings; (b) the CEO and other members of the management team; and (c) external stakeholders. The results of our research can serve as a foundation for the elements these statements should contain.

A position description should also include the qualifications for the job, such as the required level of knowledge about the organization as well as the desired leadership characteristics and interpersonal skills. Again, the results of our research provide some guidelines on the kind of person one should look for.

One of the best ways to develop qualified board members for promotion to the chair position is by establishing a clear system of succession. Future chairs would be appointed to the

position of chair elect or vice chair. The understanding would be that the person holding such a position would move into the chair position within a year or two. Those in such roles can then consciously understudy the chair role.

Finally, it is possible to improve the chances of selecting top-notch chairs if boards are willing to carry out formal evaluations of their own performance. In such a process, members can be asked, "Which board member do you think has the greatest potential as a future chairperson, and why?"

In short, the secret to consistently appointing highly effective board chairs lies in making the process more formal and thoughtful by identifying the kind of person you want and by making a conscious effort to find and develop that person for the role.

What's Next? Future Research

While phases one and two of our research have yielded important information about the qualities that define effective board chair leadership, we have much to learn about this important position. A key unanswered question is, Which factors are most important in creating an effective board chair? Is a board chair's personality the most important factor, or is it partly a function of the kind of people s/he has to work with or characteristics of the organization within which the chair and the other key actors work? The third phase of our research will address these questions in greater detail. To this end, we are looking for current board chairs, executive directors, board members, and external stakeholders who can discuss their experience of being, or relating to, board chairs. The problem is that there are very few publicly available lists of such people, which is why we are turning to the readers of *The Nonprofit Quarterly* for help.

If you are the kind of person who finds such research worthwhile and are willing to help us gather future data, you can take a brief two-minute questionnaire that indicates your willingness to assist in the next phase of this research. The link is accessible from the Center for Nonprofit Leadership on Seattle University's Web site at www.seatleu.edu/artsci/npl.

It is possible to improve the chances of selecting top-notch chairs if boards are willing to carry out formal evaluations of their own performance.

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Loyal *Opposition*

by Patricia Bradshaw and Peter Jackson

The true value of governance lies neither in leadership nor in followership, but in the unique role of "loyal opposition."

WHEN IT COMES TO GOVERNANCE, boards of directors tread a very fine line. Those who seek to lead the organization run the risk of usurping the role of the CEO. Those who follow the CEO's lead run the risk of abdicating their responsibility and joining the ranks of management. In fact, the true value of governance lies neither in leadership nor in followership, but in the unique role of "loyal opposition."

For many years, boards of directors of Canadian corporations and public institutions were criticized as being "parsley on the fish" (decorative but not useful) or an old boys' club, where protection of fellow members and mutual back-scratching ranked ahead of any other obligation. Largely ignored by organizational theorists until 10 or 15 years ago, boards are now intuitively understood to be important, but their function is still not fully conceptualized. This lack of clarity is problematic for individual directors striving to exercise due diligence and fiduciary responsibility and for regulators and quasi-regulators seeking to establish guidance on good practice.

Certainly, it is no longer appropriate (if it ever

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Every strong leader needs a sounding board, an outside mirror that will help in monitoring the increasingly unpredictable environment.

The concept of *loyal opposition* means being opposed to the actions of the government or ruling party of the day without being opposed to the constitution of the political system. In Japan, the United Kingdom, and many other Commonwealth countries, the leader of the party possessing the largest number of seats in Parliament while not forming part of the government is termed the *loyal opposition*. Their constitutional function is to scrutinize government legislation and actions. While frequently opposing the ruling party policies at every turn, the leader of the opposition is not opposed to the government's right to rule.

was) to rubber-stamp every senior management proposal. But, boards that seek to exert more control and influence over the executive team may only escalate political maneuvering. As a result, power either remains with the executive team or shifts into the hands of the board—or there is like-thinking among the two groups. While organizational politics are a reality, power struggles of this type are detrimental to the board's ability to exercise its mandate most effectively.

Rather than look at the role of the board of directors, it's helpful to focus on the functions of governance, leadership, and management. If an organization is to operate effectively, each of these three functions must be performed by someone or some group.

Organizational theory recognizes that the leadership function is about creating a transformational vision of the direction in which the organization should be heading and "telling the story" in a compelling fashion. Power comes to leaders who create a cohesive, inspiring story that all will follow and believe, and strategic direction falls out of that vision. The more compelling the story, the less the vision is questioned and the stronger the leader. John Roth's ability to create a story about Nortel that so few questioned or doubted is an example of both the power of charismatic leadership and the risks of being believed too much.

The management function is to implement the vision and bring the strategy into operation. Together, leaders and managers must ensure that stakeholders, both inside and outside the organization, see the strength and wisdom of the direction established and that the confidence of shareholders is never shaken.

So what is the function of governance within this framework? Directors know that they should not meddle in management, but they might not understand that governance is distinct from leadership. Many directors are also strong leaders in their own right and may see little alternative to the board fulfilling or supporting the leadership function. Well-intentioned, sincere, and committed, they slide into the leadership function by creating the vision themselves or by guiding the CEO, especially if the CEO is seen as weak.

The function of governance is to protect the organization from a too-successful leadership role. The compelling vision created by a charismatic leader can become a type of prison—a tunnel vision. Leaders become the hero or heroine in the drama of their own creation. As

Board Vsperer's Ge

The U.S. Internal Service, the U.S. Senate—everyone pic nprofit boards. Once roaming the civic landscap y free and unfettered, there is now an attempt to domestic noble beasts. The IRS wants to count them and many talk of the egulate the size of the herds. The Consultant Full Employment Progra gnized board development as a constant cornerstone in its business plan how, many boards manage to escape all attempts to corral them by normal mean

It probably should come as no surprise, the hear of a rather hidden yet fascinating side to the nonprofit board development world, ost no one is willing to admit exists! Yes, as you probably have guessed by now, we're talk that underground phenomenon that has come to be known as "The Board Whisperer."

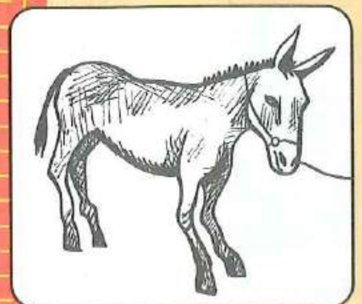
Perhaps you've heard stories about them. Like th amous cousins, the horse whisperers, these shadowy figures of the nonprofit board world help bad damaged boards master their inner demons. To paraphrase the words of a well-known movie horsrer, these sages don't help people with board trouble, they help boards with "people trouble." Far fing the boards they help, board whisperers understand that some boards simply suffer the bad gove rma that comes from years of difficult experiences. Even very good people, when immersed in that wit that we call "nonprofit governance," can act badly.

Board Whisperers are guarded about the strategie roaches that they employ. You won't find them, for instance, promoting their tactics in the classrooms shops in the field, just as you won't find them hanging around Alliance for Nonprofit Management con looking for more of the latest in best practices.

While picking through a roadside jumble sale in t est, we happened across a rare copy of one of the Board Whisperer's most basic guides to practice a rilled. We paid a pittance for it and hightailed it out of there.

Handed down from generation to generation of hisperer, the Nonprofit Board Zodiac is a general guide to personality type: a dimension slo er by the conventional labels of "policy governance board," the "traditional board," the "fu g board," and others. It helps explain how we can possibly have two dramatically differen even though both are described to be of the same type.

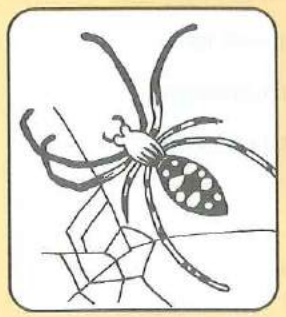
We recognize the field's seemingly ins unger for additional board assessment tools, so we are pleased that we are bring a printed version of this unique resource to light. While no doubt n me of the richness embodied in the verbal traditions articulated by experienced Board Whisperers, this basic version of the No oard Zodiac helps all leaders of nonprofit boards as uggle to understand and cope with the ch of nonprofit board effectivenes



The Mule

Organizations formed in 1954, 1962, 1970, 1978, 1986, 1994, 2002 and 2010

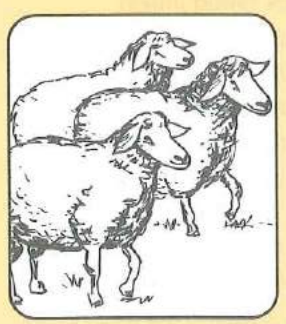
Mule Boards are capable of carrying large loads for long distances (sometimes only to be found unexpectedly expired one morning; mules don't always know their limits). Stubborn and plodding, the Mule Board seldom changes direction unless forced to do so, but may stop dead in its tracks if asked to diverge from a path well-trodden. Observers sometimes wonder at its ability to survive the ages, while predators just love to get one of these off on its own.



The Spider

Organizations formed in 1955, 1963, 1971, 1979, 1987, 1995, 2003 and 2011

The Spider Board is an agile creature, the spider creates complex webs of strategic relationships, understanding that these are sometimes transient structures but critical to their ability to survive. This board is especially good at drawing on the resources and capacities of others it attracts to the web and it tends to take conflict in stride.



The Sheep

Organizations formed in 1956, 1964, 1972, 1980, 1988, 1996, 2004 and 2012

The Sheep Board is happy to follow the herd, protesting "baas" notwithstanding. The Sheep Board's barking border collie is generally a government funder. A docile "go along to get along" type of being, Sheep Boards tend to be good company in relationships, and understand that there is danger afoot when one gets separated from the rest.

The Beaver

Organizations formed in 1957, 1965, 1973, 1981, 1989, 1997, 2005 and 2013

Hard working, the Beaver Board is willing to take on difficult tasks and thankless jobs. The Beaver Board instinctively understands that its strength is not to adjust to prevailing forces, but to bend or stop them wherever possible. It focuses on substance, building, and layering structures one on another over time. Sometimes all their hard dam work gets wiped out by external forces, but they leave behind an essential ethos: that which is considered impossible, often is not.

The Peacock

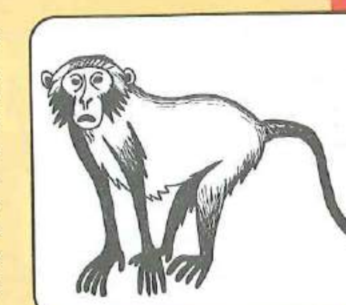
Organizations formed in 1958, 1966, 1974, 1982, 1990, 1998, 2006 and 2014

Accomplished and satisfied, the Peacock Board may be found sunning on the lawns of the well-heeled. Peacock Board members are drawn to glitz and festivity, and tend to be attractive creatures that add cachet to those already inhabiting competitive social circles. Image is substance to the Peacock Board. Their vocalizations are considered annoying by others.

The Skunk

Organizations formed in 1959, 1967, 1975, 1983, 1991, 1999 and 2007

The Skunk Board can be heard at the start of board meetings tearing open unread sets of board materials, paying critical attention to lunch arrangements and board reimbursements. At the times these board members do pay attention, they make commitments but fail to follow through—yet few call them on it because it'll just make a big stink. Maybe the next set of board members will be better?



Macaque

Organizations formed in1960, 1968, 1976, 1984, 1992, 2000 and 2008

Inquisitive, intelligent, and quick to turn its head and act on judgments, the Macaque Board seeks and perceives significance and importance in everything in its world. This sensitive board is high-strung with a short attention-span: too long confined, this board resorts to spinning endlessly, rocking, and self-mutilation.

Wolf

Organizations formed in 1961, 1969, 1977, 1985, 1993, 2001 and 2009

The Wolf Board is aggressive and entrepreneurial. Well-attuned to exploiting the weaknesses or distress of others, it is not unusual for these boards to hunt smaller or injured organizations and then go in for the acquisition. Hungry for action, the Wolf Board's aggression is "results-oriented," though it may mask its own ailments and problems that, untreated, may be the source of its own demise.

Governance should be a "radical" function that seeks to challenge the root assumptions of leadership.

Where Loyal Opposition Fits

	Leadership (championing)	Management (implementing)	Governance (challenging)
Stakeholder relations	Align dominant stakeholder coalitions	Inform stakeholders	Scan stakeholders and represent views
Vision	Tell and sell the vision	Implement the vision and give feedback on progress	Challenge the vision
Power	Exercise power and reinforce existing structures	Be accountable and require accountability from subordinates	Expose and question existing power structures

both the producer and the star, they cannot step back from the script that continually unfolds to see if the story line is still coherent. In a world of uncertainty, rapid change, and environmental chaos, plots can quickly become outdated, but the writer may not notice. Business schools teach case studies of companies that misread changes in their environment, in technology, in the demographic profile of customers, or in society's values. Aspiring managers are taught to monitor and scan their environment and also to be self-critical and aware.

The challenge, of course, is that a truly visionary and compelling leader has to believe his own vision. Ambivalence is quickly detected, and leaders who express doubt are accused of not walking the talk or of not being strong and dynamic. If you are seen as a winner and a leader of distinction, it is almost impossible not to be caught up in your own myth. We can say, "Reflect, be humble, share your weaknesses and be self-conscious," but this is asking leaders to be heroic beyond what is reasonable or even realistic. One person simply cannot do it all.

Instead, every strong leader needs a sounding board, an outside mirror that will help in monitoring the increasingly unpredictable environment. Reflection and questioning, reframing and reassessing are key responsibilities of the governance function. Therefore, a board's performance of that function can challenge the leader's vision, ask whether it is in alignment with the environment, assess the risks implicit in it, and obtain assurances that management is implementing it effectively. A board can also confront the leader with different interpretations of the script. The story line will grow stronger and more compelling as the leader defends the vision and adjusts it based on the meta-level critique of the board of directors.

Governance should be a "radical" function that seeks to challenge the root assumptions of leadership, to address those matters that are normally taken for granted or are not discussed. Governance involves deconstruction of the deep structures of power (the glass ceilings, the unspoken privileges, the inequities that are so familiar as to be invisible). It involves generating alternative visions or scenarios and testing to see if they are more robust and resilient than is the current vision. It also involves asking what-if questions and celebrating diversity and multiplicity of views.

A robust governance function is a challenge to the vision from which the leader derives power, and some leaders may find this personally threatening. Loyal opposition is not always voiced in friendly tones, but the clash of opposing ideas can be as productive as *sotto voce* suggestions. Far greater than the risk of offended sensibilities is the risk to the organization when no governance function is being performed. Governance is absent if the board sets the direction and fulfills the functions of leadership itself, or if the board and executive share the leadership, or if the board merely rubber-stamps the executive's vision. No governance is being performed if the board unquestioningly believes the vision and sees it as an objective reality. The outcome is an organization that risks being limited by an outdated view of the world, under a leadership blind to certain events taking place around it.

Top management is not the only place where leadership functions can be performed; middle and lower management are not the only place for performance of management functions, and the board of directors is not the only place for governance. Each function can be performed at many levels. Employees, for example, can deliver invaluable critiques of the existing vision (if the leader is humble enough to listen), based on their day-to-day, front-line experience in working with customers, suppliers, competitors, and other critical stakeholders. As well, different organizations at varying stages of development may assign functions differently. For example, a volunteer-driven nonprofit agency may have members of its board of directors play a key role in shaping the organization's vision. There is nothing wrong with that, as long as the board recognizes that it (or someone) must also step back into the governance challenge role.

However, board members should examine the governance function of their organization and assess whether it is being performed adequately. In these increasingly uncertain times, both strong leadership and engaged, effective governance are required, as is diligent management. Leadership, management and governance must be brought to bear on the key aspects of work throughout any organization.

Top management is not the only place where leadership functions can be performed

More Than Monitors: *The Board's Role in Sustainability*

If the board has to think about the short-term financial health of the nonprofit, then its survival is probably at risk, and cash is always the first place to go.

Editors' Note: *The following* NPQ *interview with Richard Brewster, executive director of the National Center on Nonprofit Enterprise NCNE (www.nationalcne.org), highlights some of the critical but often overlooked aspects of board leadership in ensuring short- and long-term sustainability.*

NPQ: In your experience, how do nonprofit boards generally approach discussions of organizational finances?

Brewster: Well, the danger is that boards—or rather, individual board members—concentrate on what is of particular concern to them to the exclusion of everything else. You often end up with a bunch of oppositional conversations, where various board members champion their points of view or the particular services they care about, with the overall welfare of the nonprofit placed somewhere in the distant background. A good board, led by its chair, will instead focus on what is necessary to achieve short-term financial health—if that is an issue—and long-term sustainability.

NPQ: To guard the short-term health of the organization, what should boards pay attention to?

Brewster: Cash—pure and simple. If the board has to think about the short-term financial health of the nonprofit, then its survival is probably at risk, and cash is always the first place to go. The board may not need to be involved in cash management, although when the risk level is high, those board/staff roles can and sometimes should mix, but it needs to assure itself that it is being done well.

Besides asking for a cash projection (the amount of money slated to come in and go out of an organization and when), the board should look at the following: (1) whether and for how long the organization can make payroll, (2) whether and when the organization can reasonably expect to pay creditors for planned expenditures, and (3) how to ensure that the nonprofit doesn't take on debt it can't afford—using lines of credit, for example, or by dipping into endowment or investments inappropriately. When an organization is under stress, staff may be tempted to cut corners in the way it manages money. This tactic is generally motivated by hope, but the board needs to help play a guardianship role with the development of well-crafted policies that protect the organization from falling off a cliff.

A lot of times the board of an organization in short-term financial trouble will first be called on to do emergency fundraising. If a member of the board has easy access to money that will solve the problem—especially if it is unrestricted—and this will not disrupt the nonprofit unduly, then fine. But the first responsibility of a board is oversight, not fundraising, and to spend time on this effort to the exclusion of ensuring fiscal discipline is a failure of accountability.

NPQ: What should boards focus on if they are concerned about long-term sustainability?

Brewster: This may be counterintuitive, but the central question is the quality of the program. In other words, the worst threat to nonprofit sustainability is when your program is crap. A nonprofit's only reason for keeping going is to change people's lives, communities, the environment, and so on for the better. If a nonprofit is not making the biggest difference it can with the resources available, it is being wasteful. From an economist's perspective, it is not putting its resources to best use and is inefficient. I'd find it odd to apply the word *sustainable* in any really meaningful way to such an organization.

I once visited an agency that provided disability care services. I walked into a foyer with a frayed linoleum floor on which, in a corner, a client with cerebral palsy was sitting kind of splayed out. A staff person was talking to me as if there was nothing out of the ordinary, and other staff members were walking around, paying him zero attention. At some point, I asked about the man, and the staff member reacted a bit defensively but gave me to believe that I should not concern myself with him. This organization had enough money to continue this kind of demeaning service, but it was not what the National Center on Nonprofit Enterprise would call "economically sustainable." It was not putting its resources to best use in terms of its mission.

NPQ: This is an unusual answer from a financial—sorry, economic—wonk. But how exactly can a board ensure that a nonprofit is "putting its resources to best use?"

Brewster: Wonk? I think not. This is a challenging aspect of board leadership. The usual answer these days is to introduce outcome reporting. Many nonprofits have to do this anyway for funders, but in terms of good governance it is a complete waste of time unless the board has taken a number of steps first. The most important of these is for the board to clearly identify the "moral owners" of the organization, as John Carver might call them. In a human services organization, they would be the users of services. The second is to establish what the best possible quality of experience would be for service users in the types of service or activity in which the nonprofit is engaged—primarily, of course, by having extensive contact with users. The key principle is "Do unto others." Many nonprofits provide service users with a fantastic quality of life, but some organizations' board members and staff (and annual reports) extol services and premises that they wouldn't put their cat in—never mind live in themselves.

I believe that the board's role is to keep this desired quality of life front and center for both its members and staff. Staff has the challenge of converting this picture into nuts-and-bolts services that deliver this quality of service and therefore put resources to their best use.

Board members can be disruptive when they represent key stakeholders' experience and views in this way, but it can also lead to highly productive and innovative interaction between board and staff. I recall one thorn-in-the-side board member who had a son with severe developmental disabilities. The board member had what many would consider an unrealistically high expectation of service quality. He hammered on and on for a policy change by which all decision-making committees in the organization should include an advocate who would speak for those who couldn't speak for themselves. Needless to say, he created a great deal of tension, but in the end that tension was productive. The other board members agreed that such a policy would be a powerful expression of the nonprofit's values, and staff found a way of creating and financing such a service.

NPQ: What other steps can a board take to ensure long-term sustainability?

Brewster: The main one is to set in place and carefully monitor a policy that requires a significant level of reserves. It's stating the obvious, but reserves provide a nonprofit with the money to invest both in the continuation of its current activities and to improve quality and innovate in the way I've just described. Indeed, it would be quite wrong for a board or board member to insist on quality of life in the way I've just described if he has not also paid attention to creating a pot of unrestricted money—a part of the nonprofit's reserve—to allow for innovation.

The worst threat to nonprofit sustainability is when your program is crap.

REPRINTS of this article may be ordered from store.nonprofitquarterly.org, using code 140206.

Engagement Governance *for* System-Wide Decision Making

by Judy Freiwirth, Psy.D.

Because nonprofits are ultimately organized to benefit their constituencies, they have a responsibility to include their primary stakeholders—their constituents—in organizational decision making.

Increasingly nonprofits have come to recognize that traditional governance models are inadequate to respond effectively to organizational challenges. This article argues that the structure of most boards of directors prevents nonprofits from being effective and causes them to lose their connection and accountability to those they serve.

Why is a more inclusive governance framework native to nonprofit work? With their roots in this country's early voluntary associations, nonprofits are vehicles for ordinary people to accomplish common interests. Thus nonprofits have natural constituencies that can advocate the organization's work with funders and government, subsidize the organization's work through voluntarism, and direct the organization's perspective on how to address problems and move into the future.

Even though many nonprofits have become professionalized, these qualities provide organizations with programmatic accuracy and visibility. And because nonprofits are ultimately organized to benefit their constituencies, they have a responsibility to include their primary stakeholders—their constituents—in organizational decision making.

But the hierarchical structure of many nonprofit boards ignores this central fact and in many cases does not allow constituents direct involvement in the decision-making process. This can rob organizations of their programmatic accuracy, legitimacy, and most convincing champions.

Traditional nonprofit governance approaches are modeled after corporate governance systems, creating a strong demarcation between board and staff, with the executive director serving as the only link between them. Traditional approaches also create a class system within nonprofits. The executive director often becomes the sole connector to the external world and filters information about an organization's constituency, which can result in board disconnection and inhibit effective governance. Moreover, the trend toward professionalized boards comprising "experts" can deepen the class differential between the board and the community, further exacerbating the board's disconnection from those it ultimately serves.

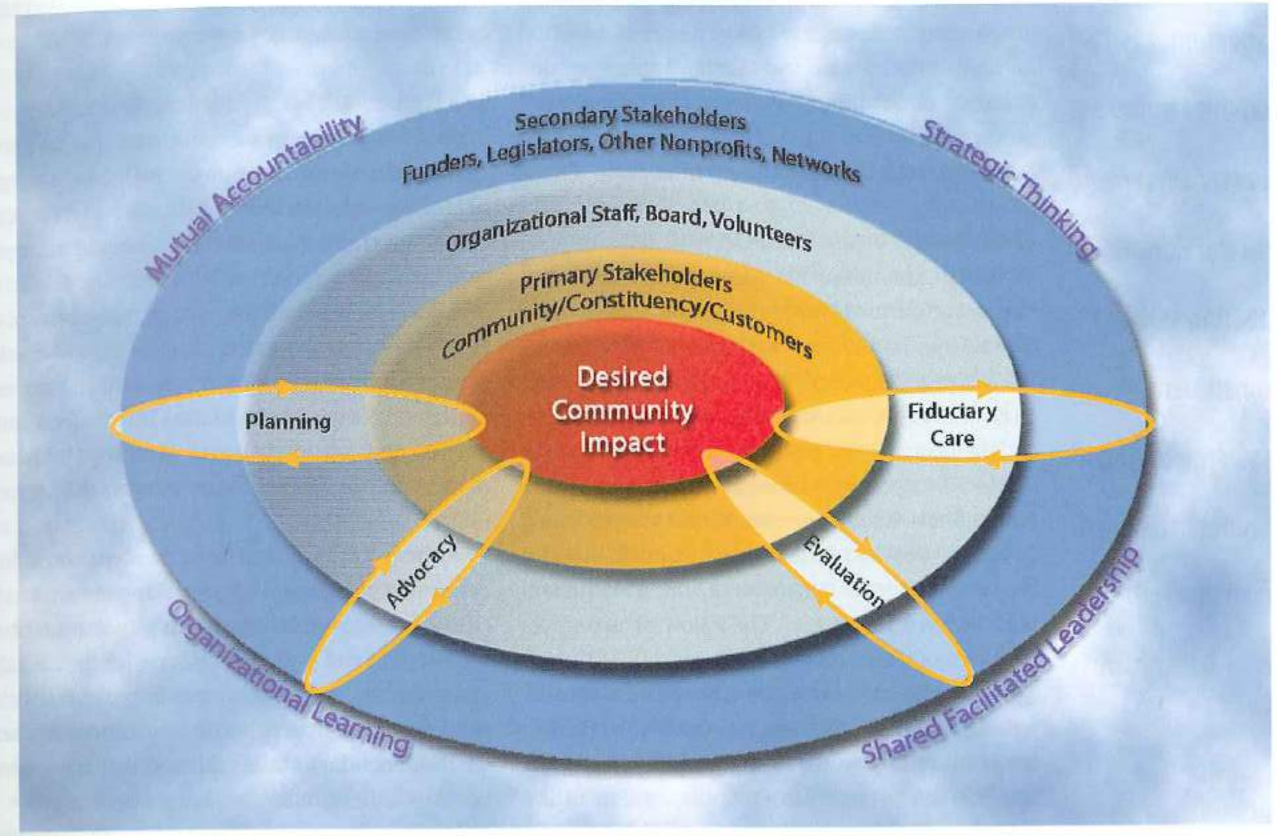
Beyond the Board

Responding to the need for new governance models, a network of practitioners and researchers from across the country has developed an expanded notion of governance that is built on participatory principles and moves beyond the board of directors as the sole locus of governance.

Although it is still a work in progress, "engagement governance" is a framework in which governance responsibility is shared throughout an organization's key sectors: that is, constituents, staff, board, and other commu-

Judy Freiwirth, Psy. D., is an organizational consultant and founder/coordinator of the Alliance for Nonprofit Management's national network, which focuses on developing new models of governance.

Community-Engagement Governance



Legend

Desired community impact = primary purpose of governance

Concentric circles = stakeholder groups engaged in shared governance
The circles represent the different layers of engagement in governance, with the primary stakeholders (the constituency/community) serving as active participants in meaningful decision making

Dotted lines between circles = open communication flow and transparency

Elliptical circles = governance functions
The diagram identifies four governance functions: planning, advocacy, evaluation, and fiduciary care. The circular arrows represent the engagement continuum. Within each governance function, the extent to which each stakeholder group (constituents, staff, board, other stakeholders) is engaged in shared decision making may vary; leadership responsibilities within these functions may also vary among the stakeholder groups, depending upon the nonprofit.

The four governance functions are the following:

- *planning functions* range from whole-system strategic direction-setting, and coordinated planning to input on trends and priorities;
- *advocacy functions* range from joint decisions about policy and distributed advocacy activities to participation in needs assessment;
- *evaluation functions* range from shared participation in design and implementation and lending resources and expertise to feedback on quality; and
- *fiduciary care activities* range from stewardship and resource development to defining resource needs.

Labels outside of circles = governance competencies
Competencies intertwined with all areas of effective governance

The Alliance for Nonprofit Management's Governance Affinity Group members who contributed to this framework development are: Michael Burns, Anne Davis, Jane Garthson, Sue Hamersmith, Mary Hilard, Michael Kisslinger, Steven Klass, Jeanne Kojis, Tim Lannan, Rae Levine, Deborah Linnell, Debbie Mason, Diane Patrick, Regina Podhorin, Brigette Rouson and Terrie Temkin.

Engagement governance more closely reflects the essence of nonprofits by creating vehicles for constituent empowerment and community change.

nity stakeholders. It is based on principles of participatory democracy, self-determination, genuine partnership, and community-level decision making as the building blocks of true democracy. Although no governance model fits all nonprofits, we believe that engagement governance more closely reflects the essence of nonprofits by creating vehicles for constituent empowerment and community change.

The Premises of the Framework

Above all, the nonprofit sector should advance democracy and self-determination rather than dependency and disempowerment, and the framework of engagement governance uses this premise as its starting point. Our group defines governance as "the provision of guidance and direction to a nonprofit organization so that it fulfills its vision and reflects its core values while maintaining accountability and fulfilling its responsibilities to the community, its constituents, and government with which it functions." The following are some premises of the framework:

• Because nonprofit governance frameworks tend to replicate outdated, top-down structures, they often run counter to democratic values and impede an organization's achievement of its mission. If those directly affected by a nonprofit's actions are left out of decision-making processes, the resulting decisions can be incongruent with constituency needs, let alone organizational mission.[1]

• Governance is a function and a process, not a structure, so its functions need not be located solely within the confines of a board. Traditionally, governance literature has centered on boards of directors. But legally, there are few requirements about who can partner in governance or participate in a board. Thus a nonprofit has leeway in deciding who will serve on a board, how members will be selected and elected, and which decisions will fall under a board's purview.[2] Application of engagement governance depends on many factors, including the organization's constituency, mission, stage of development, adaptive capacity, size, and community readiness.

• Governance is about power, control, authority, and influence. With engagement governance, decision making—and thus power—is redistributed and shared, creating joint ownership, empowerment, and accountability. As a result, those closest to the organization's work—constituents and staff—are partners with the board. This redistribution of power makes nonprofits more resilient and responsive and creates a dynamic community presence.

The Framework's Design Principles

While this framework is meant to encourage a variety of governance approaches based on organizational needs, there are a basic set of design principles that any organization should incorporate into a new system of governance.

• *A results-oriented approach.* In contrast to traditional governance models in which the primary focus is the effectiveness of the organization, our framework situates the desired community impact at its core. This reprioritizes results as the central focus of nonprofit governance.

• *Shared authority among stakeholders.* In a community-engagement governance framework, there are three layers of an organizational system: (1) the primary stakeholders (i.e., the constituency that the nonprofit serves; (2) the organizational board, staff, and volunteers; and (3) the secondary stakeholders (i.e., funders, legislators, other nonprofits, and networks).

As depicted in the Community-Engagement Governance diagram on page 39, each layer plays a significant role in this shared-governance system. The framework allows for various kinds of participation by all three layers in the system. An organization determines, along a continuum, which layers of the organization currently make governance decisions, which participants should be involved in future decision making, and how decisions will be made. Policy changes, for example, might first be discussed within groups representing the interests of each layer and then by the group as a whole or, in very large organizations, within a cross-sectional group chosen to represent each sector. Critical organizational and strategic decisions—such as key strategic directions or new initiatives—are generally made together by active constituents, staff, and board members.

• *Open systems, ready access.* An open system provides ready access to information needed for effective decision making at every level. The "Community-Engagement Governance" diagram illustrates an open system between concentric circles, representing the

ongoing information flow, transparency, and communication among the stakeholders and organizational components. After experimenting with this framework in various organizations, we've learned some key lessons, including the importance of ongoing communication and transparency at all organizational levels.

• *Redistributed decision making.* Rather than focus on the common list of governance roles and responsibilities, it is more useful to focus on governance functions and then look creatively at how they can be redistributed. The Community-Engagement Governance diagram identifies four key governance areas to explore: planning, advocacy, evaluation, and fiduciary care. In the diagram, these governance functions are shared by the different groups of participants, as represented by the "slices" within the concentric circles in the diagram. These functions represent a decision-making engagement continuum. The level and design of shared decision making will vary given organizational type. It may be appropriate for a board to take a greater role in fiduciary care to ensure an organization's sound financial management and resource development.

• *Competencies.* Organizations must have individual and organizational competencies for an effective shared-governance system. Outside the concentric circles in the diagram, four governance competencies appear: strategic thinking, mutual accountability, shared facilitative leadership, and organizational learning. These competencies are intertwined with all areas of governance work and organizational components and contribute to organizational adaptability to environmental changes.

Making the Framework Work

Where does a board fit into this shared-governance system? How does an organization manage the decision-making process so all organizational layers effectively participate in decision making? Doesn't redistribution of decision making get unwieldy and inefficient?

As we have experimented with this framework in several organizations, we have learned that an organization must designate one group to be responsible for coordinating the different layers and components of governance.

This approach also addresses how a board can fit into the new system. In some organizations, the board can take on the role of coordination. Although the extent of a board's role will vary among organizations, in some cases a board may design and coordinate the governance decision-making process for the organization. For a board to be effective in this role, however, its composition must truly reflect the organization's constituency.

We have also learned that it can be more effective to organize a cross-sectional team (comprising the board, staff, and primary and secondary stakeholders) to serve as a coordinating council. This team coordinates governance responsibilities by determining the key governance decisions as well as who should be involved and how decisions should be made.

In many cases, a board will continue to assume the fiduciary care role by overseeing the financial management and resource development functions. It may also coordinate an executive director's evaluation process.

Next Steps

The engagement governance framework continues to evolve as we get feedback from practitioners and governance experts. We hope that you will offer your thoughts and experience. We have already received thought-provoking feedback about engagement governance, including questions about the definition of "community" and the makeup of stakeholder layers, how to set up systems for shared accountability, how best to resolve differences in inclusiveness, and how to address issues of cultural competency and class differences in this shared-governance model. Our next step in developing the framework is to design processes that help organizations shift to this new governance framework.

We look forward to your feedback on how to help nonprofits become more inclusive, accountable, democratic, and influential.

Rather than focus on the common list of governance roles and responsibilities, it is more useful to focus on governance functions and then look creatively at how they can be redistributed.

Endnotes

1. Judy Freiwirth and Maria Elena Letona, "System-Wide Governance for Community Empowerment," the *Nonprofit Quarterly*, Vol. 13, No. 4, 2006.

2. Internal Revenue Service "Good Governance Practices for 501(c)(3) Organizations," February 2, 2007.

Nonprofit Risk Management: Insurance and Beyond

by Melanie L. Herman

Many organizations give the process of assessing risk and creating a plan to manage that risk short shrift. When nonprofit leaders buy insurance coverage, they may believe that doing so is equivalent to managing organizational risk. But buying insurance just finances risk exposure; it doesn't manage risk.

Melanie L. Herman is executive director of the Nonprofit Risk Management Center, a nonprofit resource center based in Washington, D.C., that helps nonprofits address risk management concerns. She welcomes feedback about this article and can be reached at *Melanie@nonprofitrisk.org*.

While executive directors live and breathe their organizational mission, they are understandably less enthusiastic about tending to the business transactions that could introduce risk exposure, such as purchasing property and liability insurance or leasing office equipment. Indeed, pondering the numerous what-ifs and combing the lengthy documents associated with an organization's risk management activities can be mind-numbing. But a commitment to understanding and protecting an organization from risk can be the difference between surviving the incident and being destroyed by it.

That said, nonprofits also need to educate themselves about purchasing insurance and

The risk of harm to reputation exists not only for organizations that are poorly run but also for those that are well run and pushing the boundaries in their work

look beyond the details of insurance policies to understand the risks that jeopardize their survival (see "More Than Monitors: the Board's Role in Sustainability" on page 36 for examples of such behavior). Insurance policies may provide the funds to compensate victims, replace damaged or destroyed property, and cover the cost of a legal defense. In turn, a broader risk management strategy enables a nonprofit to sidestep avoidable accidents, respond with compassion when a consumer or volunteer suffers an injury, and cope effectively with the intense media scrutiny that may follow a scandal. The risk of harm to reputation exists not only for organizations that are poorly run but also for those that are well run and pushing the boundaries in their work.

That puddle of water on the floor at headquarters is an accident waiting to happen. The practice of allowing minimally screened volunteers one-on-one access to vulnerable clients creates a gaping hole in your safety program. Nuts-and-bolts issues—such as proper training of staff and implementing accountable processes—are primary concerns for most managers, but equally important are some foundational interests, such as how an organization represents constituency interests and whether it brings intellectual rigor to its programs. While on the surface these issues don't seem related to risk, they contribute to the reputation of the organization and program quality, which in turn can help a nonprofit weather the storm of damaging events.

Risk Management and Nonprofit Claims

At the Nonprofit Risk Management Center, we contend that risk management is a discipline for dealing with uncertainty. The discipline of risk management encompasses several perspectives and activities, including planning for contingencies; minimizing carelessness, accidents, and mishaps; and examining past losses to avoid similar situations in the future.

Contrary to common perception, the kinds of claims filed against nonprofits often involve ordinary events and circumstances such as these:

- an elderly client breaks a hip after tripping on loose carpet in a nonprofit's adult day-care lounge;
- a parent threatens legal action when his teenage son is dismissed for bringing cigarettes to an after-school recreation program;
- a member of a volunteer-run support group threatens legal action after being ousted from the group for posting unflattering comments about members on a personal blog;
- the owner of a station wagon brings a claim against a nonprofit after the organization's van backs into her car, causing $2,000 in property damage; and
- a former office manager of a nonprofit claims that her dismissal violated state and federal civil rights laws.

Thankfully, catastrophic claims—those alleging serious harm and seeking millions in damages—are rare in the nonprofit sector, and most nonprofits will never face them. Large and complex nonprofits are far more likely than their smaller counterparts to confront a claim alleging negligence in the delivery of professional services, a violation of civil-rights laws, or a claimant seeking six-figure damages.

Why Purchase Insurance?

No matter how well they plan for a bright future, all organizations must prepare for situations beyond their control. In these cases, an insurance policy may provide funds to defend a nonprofit and compensate an injured party. In addition to contractual and statutory insurance requirements, nonprofits purchase insurance so that they have a source of funds to compensate those who have been harmed while participating in the nonprofit's activities and programs, to protect board members and other volunteers from personal liability, and to meet requirements and expectations of funders and other stakeholders. I disagree with the cynics who say that purchasing insurance makes a nonprofit a target for litigation; an organization's exposure to risk doesn't increase just because it pays insurance premiums. But an organization's investment in insurance does improve its ability to recover from a loss.

Getting the Most from Your Premium

As we've discussed, understanding potential harm to a nonprofit means weighing possible risks in the context of an organization's mission and environment. Purchasing insurance is no different. In order to get insurance coverage that makes sense for your nonprofit, you need to weigh various considerations, including the agent and company in charge of your policy, your organization's sector and needs, and the conditions of the market. I have outlined some of the most important purchasing dos and don'ts below.

Insurance Buying Dos

- *Find an agent or broker who specializes in nonprofits and whose guidance you trust.* Few nonprofit boards would accept unresponsive or unprofessional service from an outside attorney or auditor, yet too many leaders accept poor service from insurance advisers. There are top-quality local, regional, and national firms. Don't settle for less-than-professional service.

- *Take the time to understand what you're buying.* Many nonprofits purchase insurance with little understanding of what they have bought. Many executive directors readily admit that they have limited understanding of key features of their organization's coverage. Seek help from your agent, broker, or insurance consultant, and insist that answers to your coverage questions be submitted in writing.

- *Ask your agent for a schedule of insurance.* Your schedule of insurance should itemize your policies, limits of insurance, premiums, special policy exclusions, and policy features. The schedule should also list recommended coverage not in force.

- *Ask about a better deal.* Unless you inquire about your premium, the cost of your insurance renewal is *not* likely to go down. Before submitting your renewal applications, ask your agent or broker about the average renewal premiums of organizations with operations similar to yours.

Before submitting your renewal applications, ask your agent or broker about the average renewal premiums of organizations with operations similar to yours.

The statement "Don't worry, you're covered" is never true 100 percent of the time.

You should also ask your agent about how you can obtain a reduction. In many cases, the best option is to shop around. If your current agent or broker claims that only one insurer will write your account, it's time to find a new adviser—someone with better contacts in the industry. Also, keep in mind that you are looking for the best value, not the lowest premium. Changing carriers to save a few dollars may be an unwise move.

• *Stay up to date on market conditions ("hard" versus "soft" insurance markets).* Currently nonprofit insurance buyers are facing soft market conditions; that is renewal prices are generally steady or decreasing and companies that specialize in nonprofits will compete to write your account. Contact your agent a couple months ahead of your renewal date to find out what your agent expects regarding renewal premiums and whether he plans to approach more than one market or company specializing in nonprofits.

Insurance Buying Don'ts

• *Don't assume that your carrier is committed for the duration.* Unfortunately, common causes of a walkaway carrier (i.e., a nonrenewal) include filing a claim or reporting the possibility of a claim. In other instances, a carrier may lose interest in a segment of the nonprofit sector (such as foster care, for example) after facing a large claim. Even though your nonprofit wasn't the agency filing the claim, you may suffer the consequences.

• *Don't assume that your premium will go down over time just because you're claim-free.* Price reductions are often reserved for those who ask or threaten to shop elsewhere.

• *Don't be too trusting.* Nonprofit leaders who are truly committed to protecting an organization's assets and reputation take time to understand their insurance coverage. Fulfilling your duty to the organization you serve requires no less. The statement "Don't worry, you're covered" is never true 100 percent of the time. Don't wait until you have filed a claim to learn this.

REPRINTS of this article may be ordered from store.nonprofitquarterly.org, using code 140208.

The *Nonprofit Quarterly* Insurance and Risk Management Service Providers Directory 2007

The following directory lists insurance and risk management companies. The information was either sent by the service provider or taken from their Web site.

Armfield, Harrison & Thomas Inc.
South King St, Leesburg, VA 20175; (703) 737-2212
AH&T makes insurance a comfortable process. Since 1921 the company has been going above and beyond expectations to help clients feel confident and in control of their insurance and risk management programs. We offer the product and services breadth of a national mega brokerage with the detail-oriented, caring, one-on-one attention of a regional brokerage. For more information, go to www.ahtins.com.

Arthur J. Gallagher & Co.
Two Pierce Pl, Itasca, IL 60143-3141; (888) 285-5106
The world's fourth-largest insurance brokerage and risks management services firm, AJG—an international service provider—plans, designs, and administers a full array of customized, cost-effective property/casualty insurance and risk management programs. The company also furnishes a broad range of risk management services—including claims and information management, risk control consulting and appraisals—to help corporations and institutions reduce their cost of risk. In addition, the company assists clients in all areas of their employee health/welfare and retirement plans, including plan design, funding and administration.

B. F. Saul Insurance
7501 Wisconsin Ave Ste 1500, Bethesda, MD 20814; (301) 986-6007
B. F. Saul Insurance has been serving clients in the Washington metropolitan area and throughout the country since 1892. As an independent broker, our primary responsibility is to represent the interests of our clients. Our success is a result of a commitment to personal service, exacting professional standards and a superior knowledge of the marketplace. As a privately held firm, we respect our client's desire for confidential service.

Chapman & Associates
Founded in 1973, Chapman & Associates is the largest insurance broker in California providing insurance and risk management services exclusively to nonprofit organizations. Exceptional customer service and exclusive Workers' Compensation, Liability and Employee Benefit programs have led over 1,800 social service agencies to choose Chapman. In addition, the C&A Foundation has provided grants in excess of $4 million to these clients since 2000. Main Office: 265 N. San Gabriel Blvd., Pasadena, CA 91107; 800-288-3095, www.chapmanins.com

CharityFirst
One Market, Spear tower, Suite 200, San Francisco, CA 94105; (800) 352-2761, www.charityfirst.com
Charity First puts your Charity First. We are a national company dedicated to insuring your organization. Our products and services are provided by the nation's best known and respected insurance companies.

David Szerlip & Associates
391 Springfield Ave, Berkeley Heights, NJ 7922; (800) 508-3808
Licensed in 30 states, David Szerlip & Associates is a specialty insurance agency, specializing exclusively in property and casualty insurance for nonprofits. We serve a wide range of nonprofit clients, from large international associations to small start-ups.

First Nonprofit Mutual Insurance Company
111 N Canal St Ste 801, Chicago, IL 60606-7204; (800) 526-4352
At First Nonprofit Insurance Company, we understand that nonprofit organizations are increasingly asked to do more with fewer resources. By offering quality, affordable insurance protection and an array of cost-cutting services, First Nonprofit Insurance helps you protect your organization, your clients, your employees and your volunteers.

Great American Insurance Group
49 E Fourth St, Dixir Terminal Bldg Soth 400, Cincinnati, OH 45202; (513) 287-8275
Our vision is to deliver financial solutions that fulfill today's needs and tomorrow's dreams—to be a trusted partner delivering long-term value to our customers, employees and investors.

Heffernan Insurance Brokers
12012 South Shore Blvd, Wellington, FL 33414; (888) 281-6527
Heffernan Insurance Brokers, formed in 1988, is one of the largest full service insurance brokerage firms in California. The firm provides comprehensive insurance and financial services products to a wide range of business and individuals. Heffernan is headquartered in Walnut Creek, California with additional offices in San Francisco, Petaluma, Palo Alto, Los Angeles, Orange, California; Portland, Oregon; Plantation, Florida and West Palm Beach, Florida.

Irwin Siegel Agency Inc.
P.O. Box 309, 25 Lake Louise Marie Rd, Rock Hill, NY 12775-0309; (800) 622-8272
ISA is a leading insurance and risk management organization serving the Human Service field and insuring service providers in 49 states and the District of Columbia. ISA continues to set the standards of quality, innovation and value when it comes to developing new programs that meet the dynamic nature of the Human Services field.

Markel Insurance Company
PO Box 3870, Glen Allen, VA 23058-3870; (804) 965-1724
Markel Insurance Company develops and underwrites specialty insurance products and programs for a variety of niche markets, including: children's camps, Boys & Girls Clubs, Scouts, YMCAs, child care centers, Historic homes, human services and nonprofits, museums and private libraries. For further information, go to www.markelinsurance.com.

National Insurance Professionals Corporation
PO Box 834, Poulsbo, WA 98370-0834; (360) 697-3611
A Division of Risk Placement Services, NIPC provides retail and wholesale insurance brokers access to specialty insurance carriers with which they are not contracted directly. For more information, go to www.nipc.com.

Nonprofits Insurance Alliance Group
A Head for Insurance . . . A Heart for Nonprofits. As 501(c)(3) nonprofits ourselves, we exist solely to provide a stable source of liability insurance to other 501(c)(3) nonprofits. Currently insuring more than 7,500 nonprofits, we provide liability insurance tailored exclusively for 501(c)(3) nonprofits in 21states and DC. Broad coverage, competitive pricing with free, effective loss control and risk management tools.

Philadelphia Insurance Companies
One Bala Plaza, Ste 100, Bala Cynwyd, PA 19004-0950; (800) 873-4552
Philadelphia Insurance Companies adds value to the risk management process. We offer comprehensive policy forms, custom designed for non-profit organizations' unique exposures. Additionally, our expertise in loss control and claims helps you to maintain lower loss ratios. And, in a market like this, that's what counts! We offer A.M. Best A+ rated security, coupled with exceptional service through our national network of strategically positioned offices.

Public Entity Risk Institute [PERI]
11350 Random Hills Rd, Fairfax, VA 22030; (704) 366-7655
Serving as a resource to enhance the practice of risk management throughout organizations and communities, the PERI provides relevant and high quality enterprise risk management information, training, data, and data analysis.

Riverport Insurance Company
PO Box 948, Minneapolis, MN 55440-0948
Serving human service organizations for more than 15 years, River Insurance Company offers exceptional property and liability coverages to nonprofit and for-profit human service organizations.

Unum Provident
Unum is a company of people serving people. As one of the world's leading employee benefits providers, Unum helps protect more than 25 million working people and their families in the event of illness or injury. See www.unum.com.

Corrections to this directory should be sent to info@npqmag.org.

RISK MANAGEMENT EMPORIUM

Corporate Philanthropy 2007: Finding the Compatible Intersection

by Andrew Crosby

Billions of dollars are donated each year through a combination of corporate foundations, and corporate offices, and those figures are on the increase (see "Trends in Corporate Philanthropy" on page 52), but is the price of entanglement potentially too high? Government regulators such as state attorneys general express concern about "cause-related marketing" relationships in which much higher paybacks accrue to corporations than to nonprofits,[1] and recently the Senate Finance Committee issued a report criticizing pharmaceutical companies' grantmaking to medical schools.[2] Outside of government, nonprofit watchdogs have warned grant seekers about the explicit and implicit strings attached to corporate support and the potential damage such support can inflict on the reputations of unsuspecting nonprofits.[3] Thus nonprofits are wise to approach these relationships as a mature partner with a realistic understanding of the exchange proposition.

Corporate fixation on "strategic" philanthropy[4] means that potential partner companies, from the local furniture store to the biggest corporation, will try to extract the greatest value they can from their grants. Nonprofits need to maximize benefits and protect against potential risks with the same vigor as their corporate partners.

To help you with your consideration of risk versus benefits, we have provided a partial checklist in the box on page 54, but first some discussion from nonprofits that have benefited from corporate money.

What's It All About?

"We as nonprofits have to do our homework," says Tim Sheahan, president and CEO of the Boys & Girls Clubs of Metro Denver. For those that do, the rewards

Organization	Boys & Girls Clubs of Metro Denver, Denver, Colorado	The Center for Arts in Natick (TCAN), Natick, Massachusetts	Minnesota Council of Nonprofits, St. Paul, Minnesota
Name	Tim Sheahan, president and CEO	David Lavalley, executive director	Leslie Nitabach, development and membership manager
Geographic area of service	Metro Denver	Natick and surrounding areas	Minnesota
Budget	$6,000,000	$800,000	$2,000,000
Corporate donations	10 percent	25 percent	10 percent (100,000 grants plus 120,000 sponsorships)
Years in operation	45	10	20
Members	8,000	1,000	1,780
Web site	www.bgcmd.org	www.natickarts.org	www.mncn.org

Trends in Corporate Philanthropy

Navigating the shoals of corporate philanthropy might require some good mapping of the shoreline and landscape. The following facts may serve as a cartographic survey of the world of corporate philanthropy today:

- In 2006, total foundation grantmaking topped $40 billion, with some $4 billion coming from corporate foundations. But that's less than 30 percent of the nearly $14 billion in charitable giving from the corporate world. In 2005, in terms of foundation giving, corporate grantmaking increased 16.5 percent, in part because of Hurricane Katrina- and tsunami-related grantmaking, the largest one-year proportional increase since 1997. In 2006, corporate philanthropy continued to climb another 6 percent.[6]
- An increasing chunk of corporate grantmaking comes from the pharmaceutical industry. In 2005 a dozen pharmaceutical foundations accounted for more than $3 billion in donations for medications for people in need. Four of these pharmaceutical foundations now rank in the top 10 largest grantmaking foundations in the United States.[7] Some critics might suggest that the high prices of prescription drugs render their manufacturers' charitable deductions for in-kind donations a dubious form of philanthropy.
- Overall and in cash grantmaking terms, the largest corporate grant maker continues to be Wal-Mart Stores, Inc.; in 2005, Wal-Mart became the first corporation to give away more than $200 million in cash in one year.[8] Other big corporations ranking among the top 50 grant makers are Ford Motor Company, Wells Fargo, and Citigroup.[9] Among the largest corporate grant makers overall—regardless of whether they use corporate foundations as their vehicles—are Bank of America, Altria, Wachovia, Exxon Mobil, Target, and Johnson & Johnson.[10]

> One study of nearly 3,000 corporations in 50 cities indicates that 77 percent of corporate charitable giving stays within corporations' headquarter communities.[15]

- Corporate philanthropy is dominated by a relatively small number of large corporations. In 2002, 95 C corporations with net income of more than $1 billion accounted for 40 percent of corporate charitable deductions; 10 corporations alone accounted for almost 20 percent.[11] Corporations that are particularly open to philanthropic grantmaking are "consumer sensitive" retail firms that see corporate giving as increasing their market sales and revenue growth,[12] corporations that advertise extensively, and highly regulated firms.[13]
- Not only do a relatively small proportion of corporations account for a large proportion of corporate grantmaking, corporate philanthropy doesn't necessarily reach all geographies evenly: one study of nearly 3,000 corporations in 50 cities indicates that 77 percent of corporate charitable giving stays within corporations' headquarter communities.[14] In 2004, corporate funding priorities emphasized health and human services and education: health and human services received 44 percent of funds; education received 14 percent; international efforts got 19 percent; civic and community received 8 percent; and culture and the arts received 4 percent.[15]
- There is significant growth in corporate "cause-related marketing": that is, attaching a corporation's name and brand to nonprofit activities through marketing, advertising, purchase-triggered giving, licensing of charitable logos, and sponsorships. Between 2002 and 2006, cause-related marketing sponsorships in the United States alone increased from $816 million to $1.34 billion.[16] More than 80 percent of Americans say that they would switch corporate brands, with price being constant, to help support a "cause," and 75 percent say corporate commitment to causes is an important factor in deciding which products and services to purchase.[17]

can be significant. "We actually have the Denver Broncos funding a Boys & Girls Club location, as well as providing broader support to our organization," Sheahan says. "We have a five-year commitment—we're in year four of it already—and they are very interested in renewing it. This partnership has been a win-win for both the Boys & Girls Clubs and the Denver Broncos and a phenomenal investment in our local youth." Naturally, the Broncos didn't decide to support just any Boys & Girls Club, but the Denver Broncos Boys & Girls Club branch in particular. A key attraction was the public identification of the Broncos' brand with philanthropy; explicit identification meant publicity, credit, and value.

The Center for Arts in Natick, Massachusetts (TCAN), also successfully collaborates with local businesses. "Our recent partnership with a high-end furniture chain that just opened a new location nearby has provided the store with good local publicity, and TCAN with a new way to reach potential members. The company's focus on the aesthetics of interior design, combined with our focus on the arts, makes the partnership a great fit," says David Lavalley, TCAN's executive director.

Taking a slightly different approach, the Minnesota Council of Nonprofits (MCN) partners with a wide variety of local businesses and larger corporations through foundation grants, event sponsorship, ad placement, and special-membership categories that bring company representatives closer to its members. "Part of our strategy is to carefully discern where the joint interest is and to pursue those mutually beneficial relationships while being careful to protect the interests of MCN and its members," says Leslie Nitabach, the council's development and membership manager. "Does this mean that we will sometimes turn down an opportunity? You bet."

As tempting as this potential pool of investment might be, each of these nonprofit leaders cautions that corporate contributions come with some obligations, expectations, and associations that nonprofits must consider before sealing any partnership. "It used to be, from the corporate fundraising side, 'Sure, we'll sponsor a kid, and it makes us feel good,' and that kind of thing," Sheahan says. "But now we're seeing corporations want more bang for the buck. They want to know what they're going to get out of it and whether it will come out of the marketing budget or philanthropy budget."

A recent study conducted by the Center on Philanthropy at Indiana University and sponsored by the Target Corporation entitled "Corporate Philanthropy: The Age of Integration" concurs: "Overall, the companies consider support for nonprofit organizations a key business function, not a marginal activity."[5] The report identifies several trends within corporate philanthropy, including the following:

- a representation of the essence of what the company stands for rather than an effort to boost revenue in direct ways;
- a way to strengthen the corporation's internal and external linkages, with different goals for internal and external relationships and, frequently, different management strategies applied to these relationships ;
- a "trialogue" among corporations, nonprofits, and the public (comprising consumers and community members), with all participating at nearly equal "volume";
- negotiation with nonprofits as formal, multiyear partnerships with contracts and terms and with both partners participating in the responsibilities; and
- an approach that emphasizes building capacity or changing a field of knowledge or practice rather than supporting change in the lives of individuals.

These corporations want to maintain a positive image and want various constituencies within the public to view them as good corporate citizens.

According to the report, corporate philanthropy is one way to help build loyalty. Giving may be focused on strengthening close links such as on employees, customers, suppliers/vendors, shareholders/owners and local community (sites); while other giving may be focused on strengthening more distant links such as the global community/inter-

Look Before You Leap

Often the hardest part is beginning the conversation and getting the attention of a potential business supporter. How should nonprofits go about deciding whether to get involved in corporate partnerships and philanthropy? There are several questions to consider:

1. Does seeking and accepting corporate funds clearly fit your agenda and give you desirable flexibility in their use?

2. Do corporate funding and sponsorships come with a quid pro quo to support the business and its products? If so, consider this carefully, not only in the present but in the long term as well, because your nonprofit and the corporation will be exposed to the failures and successes of each other.

3. Does your organization have a process for conducting due diligence in researching potential corporate funders to ensure that it is appropriately informed about issues and is prepared to reject potential funding?

4. Does your organization have the human resources to establish and maintain a corporate partnership? Many corporations require nonprofits to deliver on a range of activities and report on their outcomes in detail.

5. Consider what standards your organization requires from its partner. Does the corporation support sustainable development? Does the company place women and minorities in management positions and on its board of directors? Does the company have progressive policies regarding purchasing from or investing in women- and minority-owned businesses? Does it have hiring programs for the disabled? Does it have progressive policies toward the treatment of gays and lesbians in the workplace? Does the corporation show a commitment to and history of fair labor negotiations? Does it show respect for the environment in its conduct of day-to-day business?

national public, regulators/policy makers, opinion makers/media/stock market, and the general public.

"We're finding that corporations are much more targeted and have defined their interests a lot more than in the past," says Lavalley. "And, they have also more narrowly defined their philanthropic interests as well. For example, in education or health care they might seek programs more closely aligned with their business mission. They still participate in philanthropy, but they're looking for something much more connected to their business objectives." According to the Center on Philanthropy at Indiana University's report, companies are focusing corporate giving programs into efforts that show the essence of what they stand for. For example, Procter & Gamble espouses the motto "Live, learn, and thrive"; Wachovia's is "Employee engagement, stronger communities, diversity"; and IBM's is "Innovative use of technology to solve problems." So, explains Nitabach, "if a corporate donor wants to reach moms with kids, because that's who buys most of their stuff, and they say that that's their brand, and they're pretty clear about that. Not every organization can go in and get general operating support from that donor. It has to be about 'How are you going to reach moms and kids?' And it can be through the arts, and it can be through other means; but at the end of the day, the organization must clearly demonstrate how they are going to help the company appeal to moms and kids, because that's who the company wants to impress."

Step Right Up

"Matching the organization's needs with the strategic goals of the donor—that is paramount," says Lavalley. "We think carefully about the partnerships that we enter into as well to make sure that it's going to feel right to the people who are supporting us currently. This is where a competent development organization can add value, by researching your own donor or patron base and seeing if you have existing relationships with the donor organization, individuals who might provide a better understanding of the things that are important to the donor. Often these are right in front of us. Also, connecting with the local chamber of commerce, you'll find a number of businesses large enough to be very interested in some level of philanthropy, but maybe less than that huge, megacorporation that happens to have a headquarters in your area."

Timing is also important, notes Lavalley. "Understand the business cycle. There are times of the year when they spend this money, and if they don't spend it, they lose it. So if you miss that window of opportunity, you're probably out of it until the following year."

What's in a Relationship?

Nonprofit-corporate partnerships pose their own communication challenges. Differences in style and process, combined with the changing field of grant-making toward more automated processes mean that nonprofits entering this area will have to adapt. Increasingly, larger companies are using online applications and screening as well as relying heavily on Web sites to communicate grant and partnership priorities. According to the Center on Philanthropy at Indiana University's report, many funders see these mechanisms as a way to be "more transparent in their decision making about corporate support for nonprofits." Yet for some organizations, the establishment of a relationship before an application is submitted is critical in developing a partnership. "We've had limited success with those kinds of online applications," says Lavalley. "What we've been most successful with is where we have some sort of personal relationship with the foundation or the organization."

He adds that once a relationship is established, "it's important that the executive director not be the only point of contact. Bringing board members into the discussion at the right time can really impress the corporate donor and help put the request for funds over the top." Sheahan notes that it is also important to "have almost an account manager-type person that knows that if the partner has a question about what's going on, they have one main contact to begin with once the deal is cut."

Check for Rocks Before You Dive In

"Be sure your prospective partner is not involved in something that might be in conflict with your mission," says Lavalley. Then take it slowly, advises Sheahan. "If you're a new organization diving into this lake, move slowly and understand the way it works so you don't go after a whole bunch of corporations at once and then can't hold up your end of the stick." Nitabach also advises a pragmatic approach. "It's really important for nonprofits to be realistic about planning and clearly articulate what their organization can accomplish—what's reasonable given the time frame and other constraints—and keep in mind that businesses expect this. In an organization I worked for previously, my predecessor overpromised what we could deliver, and we definitely burned some bridges and had to work very hard to repair the relationships, which was a terrible use of our limited resources—never a good thing."

Lavalley agrees that nonprofits need to be realistic about what this kind of giving means down the road. "There is a day of reckoning with this stuff," he says. "And you know, after you've had the champagne toast of getting the nod or getting the check, there are meaningful check-ins later on down the line where they want to make sure that if they felt you were going to help them touch 20,000 more customers, they're going to want to measure that. Or if there was some program that you promised to implement, they're going to want to see that you've delivered. So I think it's important not to overcommit in the fervor of these campaigns and make sure they understand what your limits are."

Soliciting corporations for grant support, sponsorships, or other kinds of organizational support requires that a nonprofit knows not only what it wants and needs but also under what conditions it would be willing to accept the support if offered. The advice from *NPQ*'s nonprofit experts can be summarized this way: take a hard look before you leap into the corporate pool.

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Almost Crimes: The *Boston Globe*'s Foundation Exposés Revisited

by Rick Cohen

THIS ARTICLE UPDATES FOUR sordid stories of corporate misdeeds. They have all the usual hallmarks of such tales: bad blood between siblings, nefarious self-dealing, and interlocked directorates, as well as exuberant spending and personal gain disproportionate with the stakeholder value produced. The organizations in question inhabit a sector that is largely hidden from public scrutiny: charitable foundations. In these institutions, ethical misbehavior is particularly disappointing to the public, which would like to think well of philanthropic organizations. They are, after all, working with a good deal of money afforded by tax breaks and are therefore in the business of acting in the public trust.

In 2003, the *Boston Globe*'s award-winning Spotlight Team published a series of investigative articles on philanthropic foundations across the country. The series brought a laser-like focus to the ethical lapses of these public-benefit institutions and alarmed many in organized philanthropy, causing the then-president of the Council on Foundations to predict philanthropic "perp walks," with foundation bigwigs traversing the gauntlet of courthouse reporters on their way to indictment.[1]

While this humiliating specter undoubtedly raised alarm, in the larger scheme of the evolution of philanthropy it should have been seen as a necessary way station. Organizations that control large caches of publicly or government-subsidized funds must be held to reasonable standards, and the first step to establishing the right standards is to shine a light on existing practices that may flout the public's expectations. This article follows up on some of the *Globe* cases in an attempt to keep these ethical issues front and center on legislative and enforcement agendas.

Between October and December 2003, the *Boston Globe* foundation Spotlight series included front-page stories detailing the open hubris of a few foundations when confronted with possible ethical lapses, and it provided updates on government agency responses in 2004. Massachusetts-based foundations such as the Paul and Virginia Cabot Charitable Trust; the Copeland Family Foundation, Inc.; and the Amelia Peabody Foundation received yeoman coverage, but the series also looked at foundations in 15 states, from Connecticut to California. As frequently happens, the exposés of the press attracted lawmakers' attention. Former Senate Finance Committee Chairman Charles Grassley, a Republican senator from Iowa, credited the *Globe* articles with bringing Enron-type abuses within nonprofits to the surface.[2]

Some fines were paid and some restitutions were levied, but there were few perp walks to speak of. This relative lack of government action and subsequent prosecution has led some to conclude that the *Globe* series exaggerated the problem, that the reporters didn't understand philanthropy well enough, and that the coverage scared

The Foundation Issues/Abuses Highlighted in the *Boston Globe* Series

- Personal loans to foundation CEOs
- Staff/trustees' "profit sharing" in foundation
- High foundation compensation and expenses compared with low grantmaking
- High/excessive levels of trustee compensation
- Foundation funds for personal use
- Acquisition and use of aircraft and luxury cars for executives and trustees
- Use or purchase of costly office space
- High or skyrocketing CEO salaries
- Trustees engaged in self-dealing as vendors
- Grantmaking to trustees' own charities
- Foundation stock investments in trustee-owned or trustee-related businesses

readers (and members of Congress) into overestimating problems among foundations. An alternative interpretation is just as plausible: the *Globe* series demonstrates the inadequacy of the existing regulatory framework, since so many of the examples were beyond the scope of government oversight and enforcement; and even for the few instances where foundations may have crossed the line into potential illegality, enforcement of the laws applicable to foundations is uneven at best.

This review highlights three kinds of foundation accountability stories that followed the *Globe* series: where strong enforcement and prosecution led to real consequences; where a family whistleblower exposed exorbitant trustee fees or other misuse of foundation funds; and where a group of people intermingled business and nonprofit entities, creating a web of corporations that invested in one another with philanthropic funds. The individuals involved received benefits from multiple corporations tangled in these webs. There seem to have been few checks and balances in the *Globe* cases, and in one instance the foundation boardroom comprised only a wife (acting as CEO) and a husband (acting as board chair).

These stories are not the only follow-ups that could have pursued from the series. There are others that could have also been profiled with comparable tales of less-than-admirable behavior and accountability. The purpose of examining what happened to some of the cases highlighted by the *Globe* series is not to sensationalize; in light of the aftermath of these cases, the public should be concerned about some continuing questionable practices, which should raise a red flag for enforcement agencies and legislators alike.

Cabot: Yankee Gall

The avatar of the *Globe* series has to have been Paul C. Cabot of the Paul and Virginia Cabot Charitable Trust. In 2001, Paul Cabot paid for his daughter's $200,000 wedding in Boca Raton with foundation funds. Hardly hurting for money as an investment banker, Cabot supplemented his wealth between 1998 and 2003 with more than $6 million in trustee fees. He must have liked his performance as a trustee, awarding himself hefty annual increases.

> Hardly hurting for money as an investment banker, Cabot supplemented his wealth between 1998 and 2003 with more than $6 million in trustee fees.

The *Globe* team noted that the 2001 increase coincided with the cost of Cabot's daughter's wedding, after which he was able to take a small salary cut. To the *Globe* reporters, Cabot politely acknowledged his compensation as "a little more than reasonable" and noted that his two sisters on the board were unaware of his postmillennium million-dollar compensation. Apparently they never saw the 990s; their brother provided them with only an annual grants list.

Cabot Update

Between 1998 and 2002, the foundation's average annual grantmaking was $400,000, more than $100,000 less than the lowest trustee fee Cabot received during this period. In 2003 the foundation upped its grant total to $540,000, but Cabot took only nine months of fees; he resigned from the board in October and handed the foundation over to his unpaid sisters. In a footnote to the foundation's form 990-PF, however, he took pains to note that he had been the foundation's full-time manager and administrator.

It is hard to imagine that no one at the IRS noticed that Cabot's personal compensation during some years was

Cabot Trust Grants and Executive Compensation, 1998–2005

Year	Paul Cabot's Trustee Compensation	The Trust's Annual Grants
1998	$510,202	$383,000
1999	$880,263	$570,000
2000	$1,058,233	$327,000
2001	$1,418,278	$464,000
2002	$1,318,240	$401,000
2003	$1,195,248	$540,000
2004	n/a	$270,000
2005	n/a	$165,000

more than three times the amount of grants paid out. It is the kind of information that jumps off the page of a 990. By Cabot's making hash of the foundation's investments and taking the bulk of the institution's resources to maintain a lavish lifestyle, the foundation's assets plunged annually, visible even from a cursory 990 review by the IRS.

But it took the *Boston Globe*, and then the Massachusetts attorney general, to dig into the Cabot Charitable Trust and force change.

Not only did Cabot leave his own foundation before the end of 2003; in 2004 the attorney general got Cabot to agree to repay the foundation $4 million. To make the required restitution, Cabot consented to selling his multimillion-dollar homes in Florida and Massachusetts. But apparently, life got in the way. The IRS went after Cabot for self-dealing and excessive compensation, taking Cabot's $1 million share of the home sales. The Cabot children also sued to block the attorney general's agreement in order to recapture foundation funds as their inheritance. As of 2006, the state had gotten a $900,000 up-front payment, with additional recovery likely stymied by the IRS and Cabot family interventions.[3]

Notwithstanding the financial penalties, the state got Cabot to "voluntarily" resign from the foundation and be replaced temporarily by his two sisters (who were described in the press as "appalled"). The attorney general not only removed Cabot from the foundation's board, but he was involuntarily prohibited for life from any role in Massachusetts charities.[4] Despite all the attention given to Attorney General Eliot Spitzer for his efforts to clean up

nonprofits in New York, this Massachusetts enforcement action (along with actions against the Copeland Family Foundation and others profiled in the *Globe* series) may well be the nation's most aggressive and comprehensive state government effort to clean up foundation abuses, largely due to the *Globe*'s articles. But the attorney general's call for more powerful legal tools to deal with unethical foundations died in legislation and never got a vote in the Massachusetts legislature.

The Chatlos Foundation: Proclaiming "the Glory of God"

Although by its own admission the Chatlos Foundation was established to proclaim "the Glory of God" through grantmaking to nonprofits around the world, the *Globe* found that the CEO of the foundation, William J. Chatlos (grandson of the founding Chatlos), was making not only a part-time $170,000 salary at the foundation but an even heftier one heading the Chatlos family's real estate development firm (Sun Ray Homes, Inc.). This was recorded not only on the foundation's 990 but in litigation filed against Chatlos and the foundation by his sister, alleging that he had improperly taken compensation not revealed to other foundation trustees and also invested foundation funds in Sun Ray Homes.[5]

The sister appealed to the Florida Supreme Court, litigating as a "whistle-blower" who had in part lost her position on the Chatlos board precisely because she complained about her brother's allegedly improper financial compensation and investments with foundation funds. She revealed that her brother had taken $188,000 annually in additional secret compensation from the foundation and undisclosed six-figure payments. Further, undisclosed "discretionary" cash payments were made to two of the Chatlos sisters. According to her petition, the foundation reacted to the suit as follows:

> Ms. D'Arata was then wrongfully terminated. The Foundation without explanation cut off her salary in October 2001, and later cut off her medical insurance as well as that of her diabetic husband and child. It then threatened her with prosecution for extortion... and attempted to intimidate her with numerous pleadings filed the very day the complaint was filed. . . . The Foundation has done everything possible to try to keep her from bringing this suit, and has spent over a *half-million dollars* in legal fees on behalf of Respondents. As the trial court noted, Respondents are doing all they can, using Foundation funds, to "smother" the whistle-blower.[6]

The Florida case did not address Chatlos's alleged misuse of funds or its effect on the public mission of the foundation. Rather, D'Arata was petitioning the court to require the foundation to provide indemnification to her as a foundation trustee, as it had done for her brother.

Chatlos Update

So did the court battle cause the Chatlos Foundation to reform its practices? In the Chatlos Foundation's 990 for the year 2005, it was still enmeshed in this litigation, running up $262,000 in legal and accounting fees connected with the case.

The foundation continues to carry a heavy administrative load, spending $2.7 million in administrative and operating expenses to make $4 million in grants. William Chatlos's full-time foundation salary and benefits have increased to $241,000, apart from what he may also have pulled down at the development company. A trustee board member got $143,000 for her part-time board service, and others got smaller amounts. Finally, as of 2005, the foundation still held a large amount of non-marketable stock in the real estate development firm owned by the brother

of this board member: 15.8 percent of the foundation's total $69 million investment in securities.

What happened to the suit? The foundation's 990 for the year 2005 classifies an $830,500 expenditure as "other professional fees"; this amount equals the litigation settlement and presumably is the reason why the D'Arata suit disappeared from the court dockets after the Florida Supreme Court remand and why the entire payment was counted toward the foundation's charitable qualifying distributions.

A Web of Self-Dealing: Franklin Holding Company

The *Globe* also reported extensively on the Franklin Holding Company, a foundation that owned a small San Francisco hospital. It paid its CEO between $300,000 and $400,000 annually—not illegal conduct, though perhaps questionable. The foundation, however, sold the hospital to a health care company for $29 million in 1998, and Gregory Monardo, its CEO, walked off with a $3.5 million payout. The remainder was deposited in the foundation for public-benefit grants. This occurred some years before the California attorney general began, like most of his peers, to examine the phenomenon of health care conversions, where some nonprofit managers were acting like for-profit corporate raiders. None of the Franklin Holding Company board members contacted by the *Globe* remembered having authorized the payment. Monardo also benefited from a personal home loan from the foundation for $350,000—a clear violation of IRS rules—but appears not to have been sanctioned.

What happened to the "foundation" in the aftermath of the sale and the Monardo payout? The *Globe* reported that, in 2001, Franklin Holding made small grants to the 9/11 Fund and to the Junior League of San Antonio, Texas (the hometown of a Franklin trustee). In 2002 the foundation went through more than $900,000 in operating and administrative expenses ($338,000 attributable to investment expenses) to make a grand total of $50,000 in grants to Franklin Benefit Corporation. This should come as no surprise: Franklin Benefit *is* Monardo and his colleagues

> Monardo also benefited from a personal home loan from the foundation for $350,000—a clear violation of IRS rules—but appears not to have been sanctioned.

operating another foundation that provides some grant support for health-related programs, including to the hospital where some of the Franklin trustees work as medical staff.

Franklin Update

In 2003, Franklin Holding spent $988,000 in administrative and operating costs and handed out $57,000 in grants. Then suddenly, Franklin Holding disbanded, with its remaining $22 million corpus absorbed into an entity called the Metta Fund, boosting the Metta Fund's fund balance up to $65 million.

Why the Metta Fund? On the Metta Fund's 990 in 2004, the officers are listed as J. Edward Tippetts, the chair (working two hours a week for $19,000 a year); Dr. Cherie Mohrfeld (working two hours a week for $18,850); James Uyeda (working two hours a week for $19,500); Lutz Issleib (working 1.5 hours a week for $10,500 a year); and Gregory Monardo, receiving a lower compensation rate than his board peers, working four hours a week for $19,500. Based on a 35-hour week, that's a salary of more than $171,000 for Monardo.

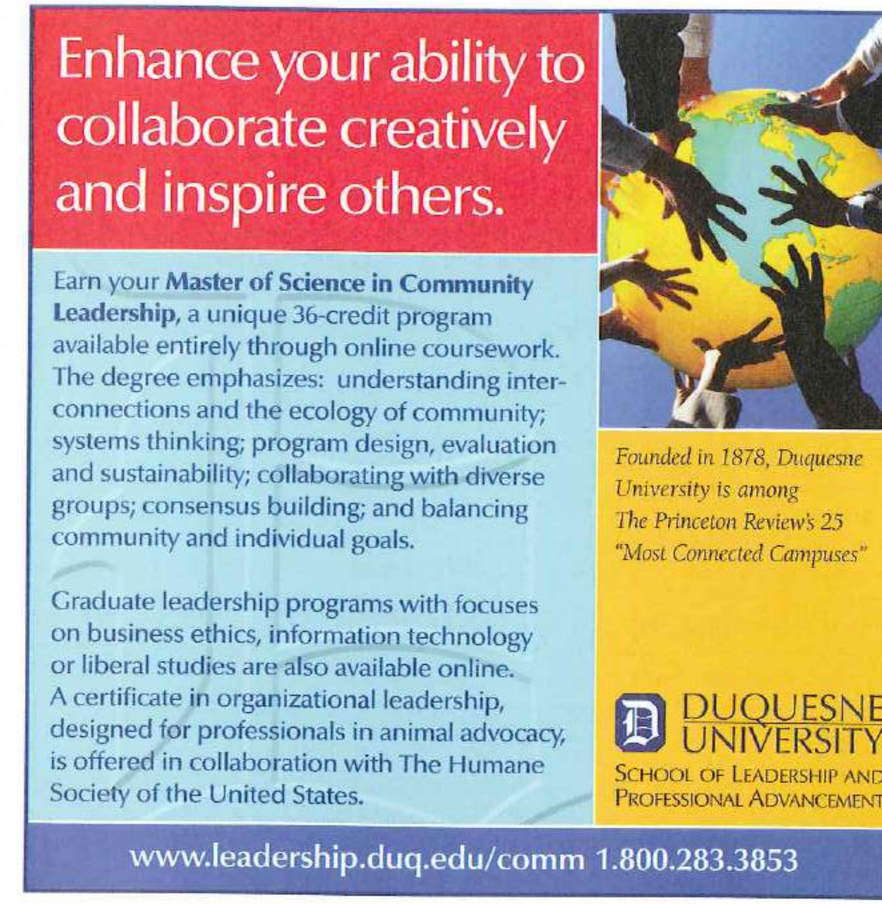
For the year 2004, in the 990 filed for Franklin Holding the officers and trustees were Issleib as chair (working two hours a week for $34,500); Tippetts (working six hours a week for $43,500); Uyeda (working six hours a week for $54,000); Dr. Mohrfeld (working three hours a week for $29,000); H. Marcia Smolens (working three hours a week for $20,000 a year); and, of course, Monardo (working six hours a week for annual compensation of $43,500). Monardo's Franklin compensation that year was the equivalent of a $254,000 annual salary on a 35-hour workweek.

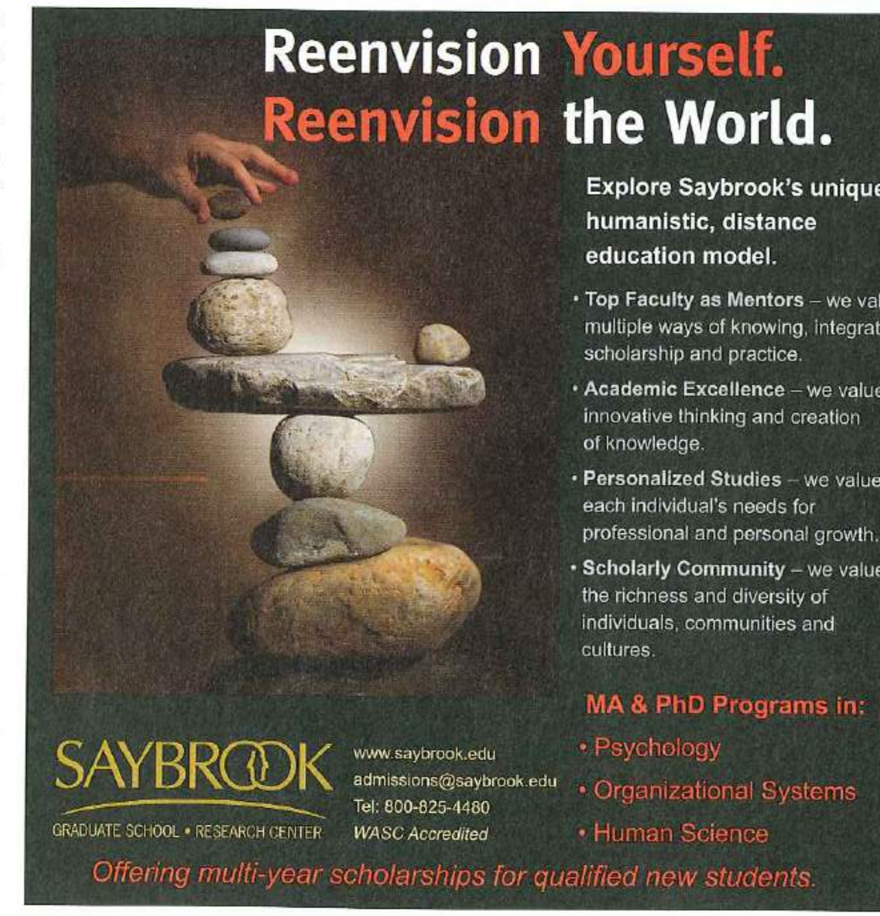
And they're all on the board of Franklin Benefit, though listed as not receiving compensation there (except for Mohrfeld who receives a tiny consulting fee of some sort). Although quoted by the *Globe* as having been uninformed about the 1998 payout to Monardo, despite her role as an anesthesiologist who represented the doctors on the Franklin board, Dr. Mohrfeld continues to be one of the participating compensated beneficiaries in the network of Monardo health charities.

Franklin Holding, Franklin Benefit, the Metta Fund, these are entities governed by largely the same people whose lavish compensation per hour adds up to a heavy administrative load for foundations that distribute—or distributed—relatively minimal levels of grants and don't seem to do much else. Add on Franklin's annual payments of $336,000 in 2003 and $232,000 in 2004 to the Millennio Group for administrative services, in addition to expensive dollops of lawyers and accountants, and another interesting interrelationship emerges. The Millennio Group doesn't show up on a Google search, but it is listed in the California secretary of state's business registry as a limited liability corporation (LLC) with Greg Monardo named as Millennio's "agent."[7]

A Web of Self-Dealing: The Berger and Auen Foundations of California

A rare local newspaper follow-up on one story in the *Globe* series ran in the *Desert Sun* which briefly mentioned the





Compensation and Hours Worked by Berger Foundation Officers and Directors/Trustees			
Director	Hours/week	Salary, benefits, and deferred compensation)	Hourly rate (with all holidays included as workdays)
Ronald Auen (officer)	Full time	$718,511	$345
Ronald Auen (director)	1.38 (72/year)	$54,000	$750
John Berger (officer)	16	$96,074	$115
John Berger (director)	.69 (36/year)	$27,000	$750
Darrell Burrage (officer)	Full time	$331,310	$159
Darrell Burrage (director)	.69 (36/year)	$27,000	$750
Joan Kalimanis (officer)	29	$234,856	$156
Joan Kalimanis (director)	.69 (36/year)	$27,000	$750
Christopher McGuire (officer)	full time	$472,809	$223
Christopher McGuire (director)	.69 (36/year)	$27,000	$750
Douglass Vance (officer)	Full time	$442,735	$213
Douglass Vance (director)	.69 (36/year)	$27,000	$750
Lewis Webb (director)	.69 (36/year)	$27,000	$750
Dean Palumbo (director)	.69 (36/year)	$7,250	$201
Mike Rover (director)	.69 (36/year)	$7,250	$201
Francis Wong (director)	.69 (36/year)	$7,250	$201

H.N. and Frances C. Berger Foundation of Palm Desert, California.[8] The *Sun* recounted the details of the *Globe*'s take on the Berger Foundation, which had $21.6 million in administrative and operating expenses, compared with only $16.2 million in charitable distributions. It noted that there was a special allocation of extra compensation to the president of the foundation, Ronald Auen, to the tune of $1.4 million and nearly $2.8 million was awarded to the foundation's other trustees due to "extraordinary real estate gains" in 2001. While the article quotes a couple of national experts who suggest that the board payments were "outrageous," it also quotes a local expert who affirmed that Auen's and his colleagues' conduct was on the up and up and that they would never do anything that hadn't been scrutinized and approved by attorneys and accountants.

The *Globe* actually noted that Auen, the former son-in-law of Berger, also received a salary of nearly $460,000 as executive director and $54,000 as a Berger trustee in addition to his real estate profit-sharing fees. Auen also runs his own foundation, the second largest in California's so-called Inland Empire area of wealthy communities that include Palm Desert, Palm Springs, and Rancho Cucamonga in Riverside and San Bernadino counties. According to the *Globe*, in 2001, Auen didn't receive compensation from his personal foundation because he was paid by Berger. His defense of his generous compensation package at Berger? "We have to take a salary," he told the *Globe*.

A Berger / Auen Update

What do the Berger and Auen foundations look like in today's world? Auen remains well compensated by the Berger Foundation; his salary has increased to $693,000 for his full-time work (the foundation's 990-PF says he routinely works 50- to 60-hour weeks). He still receives no compensation at his own foundation, but his wife, Sherrie, took in $137,000 there as director of programs. The board meetings must not be difficult (or they may be very difficult): Auen is listed as the only board member and trustee of his foundation. This gives a whole new slant to the discussion on board chair/CEO relationships. The assistant director of programs listed as one of the two staff people paid more than $50,000 on the 990 is, according to the Auen Foundation's Web site, the recipient of grant applications, but her e-mail address is listed at the Berger Foundation. With Auen at the helm of both, the Berger and Auen foundations operate quite closely; Berger's grants focus on support for youth programs and colleges, and Auen's emphasize services for the elderly.

Perhaps the trustees work hard for their 36 hours a year, but is it worth $750 an hour? Is that the message that the nation's nearly 1 million public charities need to hear?

The Berger/Auen scorecard reveals some hefty compensation packages for these Inland Empire philanthropists, though nothing as large as their 2001 profit-sharing arrangement:[9]

Using 40-hour full-time workweeks as the basis for calculation, counting every weekday of the year as a workday, and assuming everyone works holidays, the hourly salaries of Berger officers and trustees are comfortable. Most board members get paid as much as $750 an hour for showing up to do a job that their counterparts at hardworking, grassroots nonprofits do for nothing other than their commitment to their organizations and communities. Presumably, most of these players have other jobs or other sources of wealth and income. Perhaps the trustees work hard for their 36 hours a year, but is it worth $750 an hour? Is that the message that the nation's nearly 1 million public charities—most of which are struggling to pay livable salaries to everyday employees—need to hear from well-heeled foundations based in the wealthiest communities of the nation?

In these foundation's communities, people seem to turn a blind eye to the

Auen/Berger excesses, because the Berger Foundation plays a huge role in filling a philanthropic need. The foundation has been lauded for giving the Jesuits 96 acres for the construction of a Catholic high school, the first Catholic high school in the nation to be established without diocesan funding.[10] Berger gave $3.4 million for the creation of a fiber-optic network connecting the area's various colleges and tech schools, a state-of-the-art, hot-wired project of sorts.[11]

It was even rumored that one state attorney general's office that had wanted to pursue a case—but lacked the funds to do so—considered seeking foundation funding.

The foundation also took a golf course that it had leased to the Bob Hope Chrysler Classic and decided to donate it—the largest grant in the history of the foundation—making the event the only one on a facility owned and operated by the PGA Tour.[12] In 2005 the 296-acre donation of the Classic Club golf course accounted for almost $75 million of the foundation's $79 million in contributions. Interestingly, the Bob Hope Classic Charities, Inc., doesn't have a 990 posted on GuideStar, a database of nonprofits, because the organization only received its tax-exempt ruling in 2006.[13]

Berger didn't donate all its golf club holdings. The foundation retained ownership of another 190 acres surrounding the golf club for future development, reflecting a distinctive element of the foundation's operations and finances: like its founder, H.N. Berger, the foundation is in the real estate business, developing "charitable" housing and owning substantial stock in real estate companies. According to the foundation's 2005 990-PF, it purchased more than $2.1 million in nonpublicly traded stock in the Berwood Title Holding Company that's now worth a fair market value of only $1,103; the registered agent for Berwood with the California secretary of state's office was none other than Berger trustee Lewis Webb.[14]

The other nongraded corporate stock constituted a purchase of $12.3 million of the stock of Fairfield Homes Title Holding Company, with a fair market value of only $6.1 million. The registered agent for Fairfield Homes was also Berger trustee Lewis Webb.[15] While the Webb-related stocks performed somewhat poorly, the numbers suggest a financial interrelationship between the foundation and corporate entities associated with one of the foundation's board members, a fact that is not readily apparent from the 990. Nothing here should be taken to suggest that it is an illegal relationship, but these holdings don't look much more attractive to an outsider than the foundation's generous compensation of its officers and trustees.

Conclusion

As these stories reveal, much of what the public thinks might be disreputable and repugnant behavior by some foundations' leaders may be legal. Scandalous behavior that strikes readers as beyond the pale of decency in the stewardship of tax-exempt resources does not necessarily mean crossing the line of existing laws and regulations. The *Boston Globe* series and this update should make clear the need to overhaul public policy so that some of the truly appalling practices in the series are deemed not only morally objectionable and unacceptable but also illegal.

Within the philanthropic community, some believe that foundation money is not in the public domain. To the contrary, it is, of course; but it is held in trust by groups who are bound to use it in the best interests of the public and those of an organization's mission. When this trust is abrogated, consequences should be swift and sure. In the absence of tougher regulatory standards, however, several factors stand in the way.

• First, *enforcement* varies greatly from one state to another (as you can infer from the cases cited above) and from one attorney general's tenure to the next. Some of the charity units within those offices are ill funded and do not have staff dedicated to pursuing charity abuses. In the cases explored by the *Globe*, evidence of governmental intervention was generally scarce. The Massachusetts attorney general had long taken an activist posture toward oversight and enforcement. Consequently, it was no surprise that the attorney general and the state's chief charity officer at the time quickly looked into the profiled philanthropic miscreants, got a couple to restore some of their ill-deserved booty, and floated legislation to put some teeth into standards for foundations doing business in the Bay State.

But other state attorneys general haven't reached the level of their Massachusetts counterparts. Despite some of these states' decent reputations for nonprofit oversight, they generally failed to take action on these foundations. It was even rumored that one state attorney general's office that had wanted to pursue a case—but lacked the funds to do so—considered seeking foundation funding. Whatever the reasons, state attorneys general did not seem inclined to do much formal inquiry here.[16] The response may be no better on the federal side, with scant resources devoted to oversight. There are also questions about which issues are the purview of the states and which fall to the feds and whether the IRS—fundamentally a tax collection agency—is really suited to examining and enforcing questions of philanthropic accountability and ethics. The reality may be that limited resources, combined with paltry laws and regulations, allow miscreants like those cataloged here to go scot-free.

It was even rumored that one state attorney general's office that had wanted to pursue a case—but lacked the funds to do so—considered seeking foundation funding.

• Second, *transparency* continues to be an issue; the 990 and the 990-PF can be difficult to interpret. Even if the IRS thoroughly read the thousands of 990s it receives, some the size of telephone books, staff would be hard-pressed to find the information it needs to reveal philanthropic perfidy. Many national efforts are under way to revisit and revise the 990. The Urban Institute has long hosted a Web site (Quality 990),[17] dedicated to making the current form more navigable. Simple accuracy and completion would be welcome improvements in the art of the 990, since many

> It is good but insufficient for foundations to promulgate standards by which they can govern themselves.

of these documents are submitted replete with errors such as missing attachments, schedules, and signatures.[18] Nonprofits also criticize the form for its limitations as a financial report rather than a true reflection of the extent to which an organization is carrying out its mission. The 2006 recommendations of the IRS's Advisory Committee on Tax Exempt and Government Enterprises attempt to address this concern; they call for the 990 to "be redesigned in its entirety and implemented as quickly as possible."[19] But the IRS's draft redesign of the 990, released this June for comments, not only falls short of adequately addressing some generic conflict of interest and self-dealing abuses that have been repeatedly covered in *Nonprofit Quarterly*, but omits, at least for the moment, any proposed modifications of the 990-PF filed by private foundations.[20]

The efforts to revise the 990 and 990-PF as solid forensic tools for nonprofits and foundations should be speeded up and implemented.

• Third, *the press* isn't sufficiently focused on this area and may not believe that it has the background to interpret what it sees. In all but a handful of instances, the *Globe* articles received no follow-up in the hometown newspapers of these foundations.

But the *Globe* should be proud of its dogged pursuit of these foundation malefactors and for the actions the coverage sparked, at least on the part of the Massachusetts attorney general. Following the *Globe* series, some of the foundations' 990-PF filings grew far more detailed, perhaps spurred to change because of fears about reporters peeking into their operations, even if some questionable behavior continued. In a few cases, the excessive salaries and trustee fees diminished. State regulators can be criticized for failing to act because of resource constraints or the lack of the necessary legal tools and regulations. But for its part, the *Globe* series lived up to the watchdog role of the press, shining a light on some foundations' accountability shortcomings.

It is good but insufficient for foundations to promulgate standards by which they can govern themselves. In the cases highlighted by the *Globe*, there was little evidence that the foundation sector's trade associations took action against philanthropic malefactors. It will take more than blind faith in the self-correcting DNA of the nonprofit sector to clean up these kinds of abuses. As the series and its aftermath show, government regulators have to get up to speed, the nonprofit sector's self-regulating advocates have to swing into action, those on the inside of troubled institutions have to blow the whistle, and the press has a crucial role in pursuing accountability in philanthropy. In due time, unless self-regulatory efforts are bolstered with government regulation and the capital to support oversight and enforcement, there will be more *Globe*-like stories about foundations.

Endnotes

1. Francie Latour and Beth Healy, "AG in Conn. Begins Probe: 2 Foundations for Charities Are Eyed," the *Boston Globe*, November 11, 2003 (www.boston.com/news/local/connecticut/articles/2003/11/11/ag_in_conn_begins_probe).

2. Michael Rezendes and Sacha Pfeiffer, "Legislation Eyed to Fight Abuses at Foundations," the *Boston Globe*, March 1, 2004.

3. Francie Latour and Walter Robinson, "Trustees to Reimburse Charitable Foundation," the *Boston Globe* April 14, 2006.

4. Walter V. Robinson and Michael Rezendes, "Head of Boston Charity Agrees to Repay over $4 Million He Spent on Himself," the *Boston Globe*, December 16, 2004.

5. Beth Healy et al. "Foundations Veer into Business," the *Boston Globe*, December 3, 2003 (www.boston.com/news/nation/articles/2003/12/03/foundations_veer_into_business).

6. *Joy Chatlos D'Arata v. the Chatlos Foundation Inc. et al.* (www.floridasupremecourt.org/clerk/briefs/2004/2001-2200/04-2097_JurisIni.pdf).

7. California Secretary of State Web site (kepler.ss.ca.gov/corpdata/ShowLpllcAllList?QueryLpllcNumber=199818110091).

8. Jim Sams, "Valley Foundation's Practices Draw Scrutiny," the *Desert Sun*, December 5, 2003.

9. Compensation figures for officers and directors taken from the 2005 990-PF filed by the H.N. and Frances C. Berger Foundation, Schedule 17.

10. Editorial, the *Desert Sun*, March 28, 2007.

11. Steve Moore, "Spreading Technology Net: Link for Education, Research Expands to Reach Desert Area; Coachella Valley: The High-Tech Link Is Expected to Boost Learning and Research," *Press Enterprise* October 24, 2006.

12. Larry Bohannon, "Given the Gift of Golf," the *Desert Sun*, January 18, 2006.

13. GuideStar database (www.guidestar.org).

14. California Secretary of State Web site (http://kepler.ss.ca.gov/corpdata/ShowAllList?QueryCorpNumber=C0251278).

15. California Secretary of State Web site (http://kepler.ss.ca.gov/corpdata/ShowAllList?QueryCorpNumber=C0193279)

16. *NPQ*'s efforts to follow up with its inquiries made to the offices of the attorney general in California, Illinois, and New York were unsuccessful. The attorney general's office in Texas responded to *NPQ* with commentary about its pursuit of foundation CEO misbehavior at the Carl B. & Florence E. King Foundation.

17. Quality 990 (www.qual990.org/background.html).

18. Jane Searing, "Understanding the 990," NAVREF Teleconference, November 9, 2004 (www.navref.org/development/Conference_Calls/990/NAVREF_990_Presentation.ppt#275,7,Common Errors on IRS Form 990).

19. IRS Advisory Committee on Tax Exempt and Government Entities "Report of Recommendations," June 7, 2006 (www.irs.gov/pub/irs-pdf/p4344.pdf).

20. www.irs.gov/charities/article/0,,id=171216,00.html). In light of the scandalous discoveries of the *Globe* series, the failure to revise the 990 to be an effective forensic tool on foundation spending is grossly disappointing.

Rick Cohen is *NPQ*'s national correspondent.

Reprints may be ordered from store.nonprofitquarterly.org, using code 140210.

The New Goals at the Pew Charitable Trusts and the Fate of the Nonprofit Sector

by Marie C. Malaro

Editors' Note: *Nearly everyone in the nonprofit sector is familiar with the Pew Charitable Trusts. With assets of approximately $5 billion*[1], *it is one of the largest foundations in the United States. Yet beyond this clear brand recognition lies a complex and poorly understood transformation and an approach to grantmaking that rankles some observers.*

According to Marie Malaro, recent actions on the part of the Pew Charitable Trusts, such as its efforts to move the Barnes Collection, illustrate a worrying lack of understanding among nonprofit leaders about the purpose of the nonprofit sector and may herald unanticipated and perhaps dangerous trends for the sector.

"NONPROFIT SECTOR DECLARED Irrelevant, Privileges Revoked." I see this headline appearing in the not-too-distant future. I hope I am wrong, but experience leads me to believe otherwise.

The cause of my concern is the apparent lack of comprehension on the part of many nonprofit leaders of some very basic information—specifically, a clear understanding of *why* we have a nonprofit sector in this country. I say this because there are many in the sector who consistently engage in actions that undermine the very justifications we have for supporting this third sector of our society, and I can only assume they are doing this through ignorance. Nearly every week one can find news reports that demonstrate this major gap in the education of many operating within the nonprofit sector. This blind spot is seriously impacting the quality of governance within the sector.

Let me start my explanation with an example. An article in the February 8, 2007, issue of the *Wall Street Journal* featured an interview with Rebecca W. Rimel, the well-known president and CEO of the Pew Charitable Trusts.[2] Rimel explained her vision for the trusts following the organization's transformation from a grantmaking foundation to a 501(c)(3) public charity dedicated to using its resources to carry out its own programs. Rimel's plans for her "new" organization should raise serious concerns for all who care about the future of the nonprofit sector.

In her interview, Rimel said that one of her major goals was to make Philadelphia—her adopted city—a national art center that rivals New York City in its ability to attract the museum-going public. Toward this end, she takes credit for using the trusts' resources to help coordinate and support a high-powered assault on the Barnes Collection, one of the most unique nonprofit art organizations in the country, to force the removal of the magnificent Barnes art collection from its donor-designated location to "museum row" in Philadelphia. She noted also that she used the same tactics to intervene in the sale by Thomas Jefferson University of its Thomas Eakins painting "The Gross Clinic" to prevent the removal of that masterpiece from the city of Philadelphia.

Other goals attributed to Rimel in the article include the following:

- the creation of a "national cultural policy;"
- the standardization of the grantmaking process among organizations that fund the arts; and
- the promotion of a broad-based data collection program designed to gather information from art organizations that can be used to develop centralized art programming and policy.

Why should these goals alarm those interested in the future of the nonprofit sector? The answer is simple: They undermine the very reasons why the United States supports a nonprofit sector and affords it many privileges.

The Origins of the Nonprofit Sector

Our country is unique in that it fosters a large, nonprofit sector. Most countries make do with only a government sector and a for-profit sector and thus their citizens must look either to the government or to a commercial entity for their goods and services. In our country, however, there is another option available to all: goods and services provided by nonprofit organizations.

We can trace the development of our third sector back to the early settlers to this country. Most of these settlers were fleeing governments they found too controlling, and they wanted to be sure that in this new land they reserved certain freedoms for themselves. They acted on this desire by making it a practice to join together voluntarily to provide certain community needs rather than wait for a governmental entity to step in and fill the void. Soon all kinds of volunteer organizations sprang up: fire departments, cemetery associations, schools, library societies. Before long our country was marked by a commitment to volunteer organizations. And as the country developed, our laws and customs accommodated this segment of our society we now call our nonprofit sector. It is important to note here that the "accommodations" provided to nonprofits (such as exemption from certain taxes, tax provisions that encouraged philanthropy, the ability of nonprofits to utilize volunteers, etc.) were designed to enable these organizations to function so as to provide the benefits our society expects of them.

What Benefits Must Nonprofits Provide?

The nonprofit sector generates many benefits that our government and business sectors cannot realistically provide. Three of the most important of these benefits are the following:

Provides an alternative to majority rule. Our democratic form of government must respond to the will of the majority, and it can promote only one policy at a time. These constraints leave those in the political minority, or those with new or unpopular ideas, with few avenues of expression. The nonprofit sector steps in and fills the gaps. Any group of individuals can band together and form a nonprofit organization to promote its ideas as long as the organization has a "public purpose" and can garner sufficient assets to support its work. In effect, the nonprofit sector provides a practical way for our citizens to share a great diversity of ideas and opportunities—far more than even a democratic government can provide. Just consider this one example. We now have in this country approximately 9,000 museums and historical societies that are large enough to be listed in a professional directory. These organizations range from great art museums to museums devoted to something as mundane as the potato. Truly this mix offers something for every taste and is a public resource no government could duplicate because of fiscal and political constraints.

Softens the harshness of capitalism. Another benefit provided by the nonprofit sector is that it can offer the public certain services and products that are easily compromised if left to the business sector. Under capitalism the central purpose of every business is to make a profit. But we all recognize that in certain areas such as health, education, and child care for example there is concern when providers must answer to stockholders. The nonprofit sector offers a comfortable environment for these more sensitive services. A nonprofit has no stockholders to answer to, it can accept donations and volunteer help, it is exempt from many fees and taxes, and it is expected by law to focus its attention on carrying out its particular public mission. Hence it is far easier for a nonprofit to concentrate on quality of service or product. In this way the nonprofit sector can expand in important ways the quality of services and products available to the public in areas where users are particularly vulnerable.

Promotes citizen participation. A third benefit the nonprofit sector provides is that it satisfies our very American desire to take a personal interest in shaping our communities. It does this by offering us endless opportunities to participate in public causes we care about. In other words, it perpetuates our early settlers' dream to have a country that operates effectively by majority rule yet offers the individual a measure of individual freedom.

Rimel's Goals versus Nonprofit Goals

Now let us look at the goals articulated by Rimel for the Pew Charitable Trusts. Are these goals in accord with societal expectations of nonprofits?

With the blessing of her board, Rimel wants to make Philadelphia a Mecca for museum-goers and has already given examples of how she expects to accomplish this goal. In these examples trust assets are used to interfere in the management of other nonprofit organizations in order to divert their assets to her Mecca goal. Certainly this type of activity does not further the diversity benefit expected of the nonprofit sector. There is a wise saying that goes as follows: "Our third sector is not working if there are no nonprofits one does not like." This saying reminds us that one of the reasons we have a nonprofit sector is to give a voice to things that may not be popular at the moment. Thus, steps taken to silence or alter the mission of a legitimate nonprofit undermine one of the very reasons our society supports a nonprofit sector.

Rimel also sees the development of a national cultural policy as an appropriate goal for the Pew Charitable Trusts. But has she ever questioned why, in contrast to most other countries, the United States has never seen fit to have such a policy? If she did, she would realize that a national cultural policy, whether promulgated by government or by a nonprofit entity, would inhibit the great diversity we currently enjoy because of our nonprofit sector.

There is a similar problem with Rimel's goals to bring uniformity to grantmaking processes used by art-funding organizations and to create broad-based data banks that collect information from art organizations for use in developing art programming and art policy. Once again, these goals demonstrate little tolerance for diversity and individual ingenuity when it comes to art and culture and little appreciation for our very American desire to allow the individual some freedom in shaping one's community.

Why the Concern?

Perhaps the most worrisome problem in all of this is that many share Rimel's lack of understanding of why we have a nonprofit sector. Consider these examples:

• We have board and staff members of many nonprofit organizations tripping over each other in their rush to establish their brand and compete in attracting paying customers. When questioned about succumbing to marketplace pressures, these nonprofit leaders claim emphatically that their business ventures in no way affect their organizations' dedication to mission. What, then, might these individuals say if government decided to revoke many of their nonprofit privileges, which are granted on the assumption that a need to engage in commercial activities inhibits the ability of a nonprofit to focus on mission? Nonprofits cannot have it both ways.

• We have more and more for-profit organizations treating nonprofits as business partners (the now-common corporate sponsorship arrangement) rather than practicing true, no-strings, corporate philanthropy. This drift from corporate philanthropy to corporate sponsorship could not have happened if nonprofit leaders understood how important "true philanthropy" is for the nonprofit sector to retain its integrity.

• And then there is the problem of the media remaining strangely silent as to what is really happening to the nonprofit sector.

This growing tendency to blur, out of ignorance, the role of the nonprofit sector does not bode well for our society. Of necessity, our government and business sectors are here to stay regardless of how much they are abused, but not our nonprofit sector. This third sector is fragile. It was designed to be guided by those who were willing to put public service before power and personal wealth and who appreciate why the sector has many privileges. Without informed leadership our nonprofit sector could become irrelevant by failing to offer society its unique benefits and by merely mimicking what government and for-profit companies offer. In effect, it could forfeit its very reasons for being.

What Can Be Done?

We need to improve the education of those who assume major positions in our nonprofit sector. We need to include instruction in the school systems on how our nonprofit sector came about and the role that it is supposed to play in society. We need members of the media who are well qualified to comment on issues affecting nonprofits. Those who really care about the future of our nonprofit sector should push for these changes now. Without a better-informed public we could wake up one morning to the headline that began this piece. Just think how different our lives would be.

Endnotes

1. "Statement of Financial Position," the Pew Charitable Trusts, June 30, 2006 (www.pewtrust.org/pdf/PP_07_Financials.pdf).
2. Judith Dobrzynski, "A Cultural Conversation With Rebecca W. Rimel," the *Wall Street Journal*, February 8, 2007.

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REPRINTS of this article may be ordered from store.nonprofitquarterly.org, using code 140211.

ARNOVA Abstracts

ADVOCACY

Community Catalyst (2006) Consumer Health Advocacy: A View from Sixteen States. Boston, MA: author, 168 pp. Available at http://foundationcenter.org/gainknowledge/pubhub/

"Examines the political, economic, and organizational factors that affect consumer health advocacy efforts in sixteen states to identify the elements that are effective. Includes recommendations for developing strong, organized systems in all fifty states." [from PubHub website]

Showalter, Amy (2006) Grassroots lobbying for change: Mobilizing your community, *Grassroots Fundraising Journal* 25(6): 12–15.

"This article explains how to find, train, and motivate volunteers to carry out advocacy efforts and demystifies the lobbying limitations on 501(c)(3) organizations."

ARTS

Adler, Nancy J. (2006) The arts and leadership: Now that we can do anything, what will we do? *Learning and Education* 5(4): 486–499. *[Ed. Note: This article headed a special section entitled Art Design and Management Education, Neal M. Ashkanasy, section editor; other articles commenting on Adler's article are not abstracted.]*

This article investigates "why an increasing number of companies are including artists and artistic processes in their approaches to strategic and day-to-day management and leadership."

Greater Philadelphia Cultural Alliance (2006) Portfolio 2006. Philadelphia: author, 68 pp. Available at http://foundationcenter.org/gainknowledge/pubhub/

"Interprets a wide range of data from 218 organizations—including revenue, employment, attendance, and fundraising—to evaluate the economic and social contribution provided by the arts and cultural community in Southeastern Pennsylvania." [from PubHub website]

Jackson, Maria-Rosario; Joaquín Herranz & Florence Kabwasa-Green (2006) Cultural Vitality in Communities: Interpretation and Indicators. Washington, DC: Urban Institute, 104 pp.

"Provides national and local measurements of arts and cultural assets, reflecting a wide range of community activity. Compares selected U.S. metropolitan areas, and discusses integration of cultural vitality indicators into policy and planning." [from PubHub website]

James Irvine Foundation (2006) Critical Issues Facing the Arts in California. San Francisco: author, 35 pp. Available at http://foundationcenter.org/gainknowledge/pubhub/

"Examines demographic, economic, and technological trends shaping California's artistic and cultural communities, and outlines five major themes essential for identifying strategies to ensure the future of the state's arts sector." [from PubHub website]

Wolf, Thomas (2006) The Search for Shining Eyes: Audiences, Leadership and Change in the Symphony Orchestra Field. Miami: John S. and James L. Knight Foundation, 59 pp. Available at http://foundationcenter.org/gainknowledge/pubhub/

"Describes the impact of the Magic of Music program, which supported fifteen orchestras in addressing the decline in audiences, exploring and evaluating new programmatic ideas, and fostering new forms of joint activity. Includes lessons learned." [from PubHub website]

CIVIL SOCIETY

Armstrong, Chris (2006) Global civil society and the question of global citizenship. *Voluntas* 17(4), 349–357, "Theorizing Civil Society," Rupert Taylor, special issue editor.

This paper questions whether "a global form of citizenship is indeed emerging, and if so whether 'global civil society' is well-equipped to stand in as its political dimension."

Bond, Patrick (2006) Civil society on global governance: Facing up to divergent analysis, strategy, and tactics. 259–371.

The author concludes that "The World Social Forum provides hints of a "potentially unifying approach within the global justice movements based upon the practical themes of "decommodification" and "deglobalization" (of capital)."

Nwosu, B.U. (2006) Civil society and electoral mandate protection in southeastern Nigeria, *International Journal of Not-for-profit Law* 9(1): online, not paginated. Available at www.icnl.org/knowledge/ijnl/vol9iss1/art_4.htm

This article argues that "civil society itself could create an environment conducive to true democracy, if it became a social force and participated in the electoral process to protect the popular mandate. The solution lies in stimulating civil society to rise beyond episodic activities and become a continuing force."

Thörn, Håkan (2006) Solidarity across borders: The transnational anti-apartheid movement. 285–301. *Voluntas* 17(4), 349–357, "Theorizing Civil Society," Rupert Taylor, special issue editor.

"The paper argues that the history of the anti-apartheid struggle provides an important historical case for the analysis of present day global politics," particularly mobilization in response to the World Trade Organization, International Monetary Fund, and the World Bank.

Wang, S.G. (2006) Money and autonomy: Patterns of civil society finance and their implications, *Studies in Comparative International Development* 40(4): 3–29.

"Based on an analysis of data from the Johns Hopkins Comparative Nonprofit Sector Project, [this study] shows that the pervasive myth of civil society self-sufficiency has no factual base. There is no country where private giving is the dominant source of revenue for civil society organizations."

DEVELOPMENT & INTERNATIONAL

Dyal-Chand, Rashmi (2006) Reflection in a distant mirror: Why the West has misperceived the Grameen Bank's vision of microcredit, *Stanford Journal of International Law* 41(2): 217–306. Also available at SSRN http://ssrn.com/abstract=962374

This article argues that the Grameen bank model is "largely a reflection of Western values, which had previously been exported around the world. The indigenousness that the Western development community perceives is in fact a more dubious hybridity that fails to incorporate the true values of the target population."

Kajimbwa, Monsiapile (2006) NGOs and their role in the Global South, *International Journal of Not-for-profit Law* 9(1): online, not paginated. Available at www.icnl.org/knowledge/ijnl/vol9iss1/art_7.htm

"In the era of governance reform, one of the NGO's key mandates is to advance social, political, and economic development. To succeed at this, NGOs must reassess their operations. NGOs in the South ought to shift from implementing their own programs to building the community's capacity to achieve sustainable livelihoods."

ETHICS & VALUES

Borkman, Thomasina (2006) Sharing experience, conveying hope: Egalitarian relations as essential method of Alcoholics Anonymous. *Nonprofit Management and Leadership* 17(2), 145–161, "The Centrality of Values, Passions, and Ethics in the Nonprofit Sector," Joyce Rothschild and Carl Milofsky, special issue editors.

This is a study of the six factors responsible for AA being able to sustain a collectivistic-democratic voluntary organization in contrast to hierarchical and bureaucratic structures that are typical of organizations.

Christiansen, Rachel A. & Alnoor Ebrimam (2006) How does accountability affect mission? The case of a nonprofit serving immigrants and refugees. 195–209.

"Upward accountability of donors does not necessarily yield improved mission achievement." The authors identify strategies that "nonprofit executives and staff use to manage the tensions between upward accountability and mission."

FOUNDATIONS

Patrizi, Patricia (2006) The Evaluation Conversation: A Path to Impact for Foundation Boards and Executives. New York: Foundation Center, 23 pp. Available at http://foundationcenter.org/gainknowledge/pubhub/

"Explores changing the role of evaluation in philanthropy, from a method for measuring program outcomes to a tool for achieving foundation effectiveness and accountability. Part of the series Practice Matters: The Improving Philanthropy Project."

Woodwell, William (2006) Listen, Learn, Lead: Grantmaker Practices That Support Nonprofit Results. Washington, DC: Grantmakers for Effective Organizations, 21 pp. Available at http://foundationcenter.org/gainknowledge/pubhub/

This paper "identifies opportunities to strengthen grantmaking practices and extend grantee impact. [It] emphasizes a more collaborative approach that builds on the knowledge and experience of nonprofits, with a focus on improving the grantmaker-grantee relationship."

GIVING & PHILANTHROPY

Brooks, Arthur C. (2006) The great divide in American giving, *International Journal of Not-for-profit Law* 9(1): online, not paginated. Available at www.icnl.org/knowledge/ijnl/vol9iss1/special_2.htm

This is a summary of the key ideas in the author's book: politically conservative individuals are more likely to give because they are more likely to have the characteristics (religiosity) and beliefs (opposition to government policies that redistribute income) associated with giving behavior.

LEADERSHIP & GOVERNANCE

Bates, James O. (2006) Public leadership and change: A community leadership education framework, *Journal for Nonprofit Management* 10(1), online not paginated. Available at www.supportcenteronline.org/resources-articlesandpublications.php

"Building upon years of work in the federal government, [the author] offers two basic leadership theories, path-goal and leader-member exchange, that can be used to frame the process of implementing programs and acquiring needed political, social, and economic resources."

Copeman, Caroline (2006) Picture this: a guide to scenario planning for voluntary organisations. London: The National Council for Voluntary Organisations, 24 pp. Available at www.ncvo-vol.org.uk/publications/index.asp?id=3534

"Aimed at anyone in a leadership role interested in getting their organisation involved in strategic thinking and implementation, this practical guide is full of information, suggestions, tips and a series of templates and tools to help you plan and run scenario planning workshops, engage your organisation, and build your learning from the process into future strategies."

Curran, Carolyn J. (2006) Build better communities with better management, *Journal for Nonprofit Management* 10(1), online not paginated. Available at www.supportcenteronline.org/resources-articlesandpublications.php

This article presents a user-friendly adaptation of an academic and research based Transformational Leadership model that has proven effective with many nonprofit organizations." [from the Support Center's website]

MANAGEMENT

Fann, Donald (2006) Organizational healing: New hope for nonprofits in crisis, *Journal for Nonprofit Management* 10(1), online not paginated. Available at www.supportcenteronline.org/resources-articlesandpublications.php

The author "offers a change process called *organizational healing*—a solution that involves identifying and addressing the symptoms or indicators of an unhealthy or at-risk organization and addressing the core issues that created those symptoms in the first place."

Ruebottom, Trish & John Baker (2006) Creating an Innovative Organization, *Journal for Nonprofit Management* 10(1), online not paginated. Available at www.supportcenteronline.org/resources-articlesandpublications.php

The authors "describe ways to create innovative organizations that can deal with change, foster staff creativity, and leverage their assets." *[from the Support Center's website]*

MARKETING

Dato-on, Mary; Mary Joyce & Chris Manolis (2006) Creating effective customer relationships in not-for-profit retailing: The Ten Thousand Villages example. 319–333. *International Journal of Nonprofit and Voluntary Sector Marketing* 11(4)

This is a case study of one store to "assess if and how CRM [customer relations management] strategies might be successfully implemented. The analysis considers the use of a volunteer retail sales force and how volunteers might successfully interface with customers."

VOLUNTEERING & VOLUNTARISM

Anderson, Ben & Jayne Cravens (2006) ESRC/NCVO seminar series: Engaging citizens' mapping the public policy landscape'. London: The National Council for Voluntary Organisations, 24 pp. Available at www.ncvo-vol.org.uk/publications/index.asp?id=3385

"The publication looks at how new technologies impact on social connections and networks, and focuses particularly on online communities and online volunteering."

Cheung, Francis Yue-Lok; Catherine So-kum Tang & Elsie Chau-wai Yan (2006) Factors influencing intention to continue volunteering: A study of older Chinese in Hong Kong, *Journal of Social Service Research* 32 (4):193–209.

The authors interviewed 318 older Chinese volunteers. "[M]ultiple regression analysis indicated that fulfillment of self-oriented motives was the most salient factor in predicting the persistence of volunteer activities when shared variances of various factors were also considered."

Easwaramoorthy, M.; Cathy Barr, Mary Runte & Debra Basil (2006) Business Support for Volunteers in Canada. Toronto: Imagine Canada/Knowledge Development Centre, 40 pp. Available at www.nonprofitscan.ca/Files/kdc-cdc/imagine_business_support_report.pdf

This extensive survey found, among other things, that 49% of businesses in Canada "encourage employees to volunteer on their own time and more than a third (35%) accommodate employee volunteer activities during regular working hours. However, just 18% encourage employee volunteering during regular working hours."

Meijs, Lucas C.P.M.; Esther M. Ten Hoorn, and Jeffrey L. Brudney (2006) Improving societal use of human resources: from employability to volunteerability, *Voluntary Action* 8(2): online, not paginated. *[Ed. Note: "Volunteerability" is analogous to "employability."]*

"The article suggests that, on the supply side, organisations could increase volunteerability by publicising volunteering more effectively, reducing the obstacles to involvement and training would-be volunteers; on the demand side, they could offer more flexible assignments and a system of rewards for volunteering."

Tang, Fengyan (2006) What resources are needed for volunteerism? A life course perspective, *Journal of Applied Gerontology* 25 (5):375–390.

"Using secondary data analysis of three waves of data from the Americans' Changing Lives surveys, this study examines what resources in terms of human, social, and cultural capital are needed in volunteerism . . . The findings show older cohorts relied more on human capital and social integration to expand volunteer hours and organizational involvement, whereas younger people needed more spiritual and social supports to increase volunteer commitment."

ARNOVA is the leading U.S.-based national association—with international members as well—of scholars and practitioners who share interests in generating deeper and fuller knowledge about the nonprofit sector and civil society. This ongoing work of inquiry, conversation, and practical improvement is carried on through its network of over 1000 members, its journal (*Nonprofit and Voluntary Sector Quarterly*), and its annual conference. See www.arnova.org.

ARNOVA
Association for Research on Nonprofit Organizations and Voluntary Action

VultureList.Org: A Charity Exploitation Prevention Project

Editors' Note: *The* Nonprofit Quarterly *is seeking a network-savvy social-justice entrepreneur for the following project. This person will receive the domain name VultureList.org and assistance with startup; responses will be held in confidence.*

TO: An angel investor
FROM: Jon Pratt
RE: VultureList.org, a charity exploitation prevention project

SUMMARY: Seeking $550,000 to $750,000 for startup and five-year operating costs for operation of an innovative Web service, www.vulturelist.org, to reduce economic predation by tracking anti-social individuals—that is "vulture donors"—who have increased personal net worth by $10 million or more by decreasing the net assets of 10,000 or more low-income persons.

VultureList.org will serve as a disincentive for future exploitive economic practices by vulture donors by making their actions a matter of public record and thereby preventing charitable organizations from unwittingly being used as public foils to cleanse or burnish the reputations of these donors.

Problem Statement

Predatory businesses that exploit vulnerable low-wage workers for unnecessarily high-cost credit, mortgages, and other services contribute significantly to global poverty. A key element that perpetuates these business practices is the knowledge that, at any time, the perpetrators can cleanse their records with a nonprofit "halo" by donating funds to a willing charity. VultureList.org seeks to end that practice.

The VultureList borrows its name from "vulture funds," which the International Monetary Fund defines as companies that buy up poor nations' debt cheaply when it is about to be written off and then sue for the full value of the debt plus interest, which can be 10 times the amount a company paid for the debt. While technically legal, these businesses use reprehensible business practices that take advantage of unsophisticated and vulnerable communities, levying punitive and disadvantageous terms to which more sophisticated consumers would never agree.

The following are some prospects for nomination to the list:

• *Michael Sheehan*, founder of Debt Advisory International, sued the nation of Zambia for $40 million for an about-to-be-forgiven old debt to Romania, which was snapped up for $3.5 million. "Profiteering doesn't get any more cynical than this," Caroline Pearce of the Jubilee Debt campaign told the BBC's *Newsnight*. "Zambia has been planning to spend the money released from debt cancellation on much-needed nurses, teachers, and infrastructure: this is what debt cancellation is intended for—not to line the pockets of businessmen based in rich countries."[1]

• *Paul Singer* stung the nation of Peru for $58 million for a debt he bought for $11 million. Now his company, Elliot Associates, is suing Congo-Brazzaville for $400 million for a debt bought for $10 million.[2]

• *James Devoe, Jr.*, CEO of J.D. Byrider, the largest American used-car franchise, locates its 130 dealerships in low-income neighborhoods, selling and financing 700,000 vehicles to the working poor at interest rates of between 18 percent and 25 percent.[3]

• CompuCredit founder *David G. Hanna* built a fortune marketing 28 percent interest MasterCards to low-income consumers.[4]

• Sallie Mae CEO *Al Lord* used a $72-billion mountain of student debt, federal subsidies, and a high-pressure referral network to build an enormous personal fortune. By 2006 he even had plans to construct his own golf course.[5] We refer to the founders, owners, and partners of predatory businesses as "vultures" because of this kind of exploitative behavior. Until the launching of VultureList.org, lack of public knowledge or media follow-up on these companies' practices meant that an individual company's harmful behavior was never systematically connected to the injuries it has caused. Lack of public attention has helped fuel a permissive atmosphere that condones these actions.

While close-knit communities would reject predatory businesses as falling outside the bounds of good behavior, complex ownership structures and globalization have made business responsibility increasingly diffuse and subject to personal judgment alone. Unlike environmental harms that are frequently tracked to their source and where remediation can be sought, economic harm is too often attributed to the vagaries of the marketplace or to the poor decision making of those who should "know better," even when exploitive actions and actors can be identified. This is particularly true in the case of business methods that target low-income markets.

Vulture business owners sometimes use charitable organizations to excuse exploitive business practices. These donations seemingly prove the compassion and public spirit of the donor, independent of the source of the funds. Objections about the use of "charity" for absolution has a long history, going back to Martin Luther's protest of the sale of indulgences (forgiveness of temporal sin) by Pope Leo X. Luther rejected the need for intermediaries to speak to God and attacked the dictum attributed to Johann Tetzel that "as soon as the coin in the coffer rings, the soul from purgatory springs."[6]

Charities and universities commonly seek to protect their liability and their reputation through the use of gift-acceptance policies: that is, use of internal rules designed to ensure that the source and conditions of contributions are in the best interests of the institution. But charitable institutions often lack knowledge about the hundreds of thousands of giving businesses, which puts charitable organizations at a disadvantage in vetting contributions. And regrettably, some organizations accept contributions from virtually any source, necessitating the exposure of their ties to vulture donors. Hence the need for VultureList.org.

The effort to systematically assemble data on community members has its roots in the early history of American philanthropy, when organizations recognized that—in order to direct resources where they were most needed—they sometimes also needed to track donor worthiness. In 1870 the New York Society for the Prevention of Pauperism created a list to reduce indiscriminate giving to the poor, which business leaders believed only encouraged idleness and deceit.[7] In Minnesota, community leaders created the Central Registration Bureau, and by 1895, General Secretary James Jackson reported that the bureau had more than 7,700 names listed. "We feel warranted

Regrettably, some organizations accept contributions from virtually any source, necessitating the exposure of their ties to vulture donors.

in saying," Jackson wrote, "that there are few cities in the country where the individual condition of the unfortunate, the shiftless or the fraudulent is so well known as in St. Paul."

Implementation

VultureList.org involves a rigorous process of nomination and fact checking, reviewed by a nominations committee devoted to fairness and accuracy. Members of the public can submit names that meet the list's criteria for inclusion, which must be substantiated with publicly available information from verified public records or reliable media reports.

VultureList.org will maintain an online searchable database and a mapping system to identify and publicize any charitable contributions, board memberships and charitable activities of vulture donors, which will help prevent charitable organizations and their volunteers from becoming entangled with vulture donors. VultureList.org creates a real-time feedback loop so that nonprofits have advance knowledge before they risk legitimizing these poor business practices.

VultureList.org will encourage donors to think twice before donating to any organization that accepts funds, publicity, or volunteer labor from "vultures" until the vulture donor makes restitution to its victims. Using the principle of denying criminals profit from their crimes, VultureList.org seeks to prevent charitable halo effects from its targets.

Consider this example. Bob Cole and Ed Gotschall, founders of New Century Financial, the now-bankrupt and second largest U.S. pioneer of the subprime mortgage market, left 7,000 employees jobless and facilitated the movement of hundreds of thousands of low-income homeowners into mortgages they couldn't afford and sometimes lost to foreclosure.[8] Cole and Gotschall left the firm and sold most of their stock six months before its collapse.

When the *Orange County Register* asked Cole and Gotschall, "What are you doing these days?" they responded that they "are very involved in philanthropy and are focused on giving back to the community," publicly promoting their contributions to the Christopher Reeve Paralysis Foundation, the Children's Hospital of Orange County, the Ocean Institute, the Boys & Girls Club of Laguna Beach, the Orange County Council of the Boy Scouts of America, the Outdoor Education Center in Irvine, South Coast Repertory, and Santa Margarita Catholic High School.[9]

VultureList.org will not permanently list individuals such as Cole and Gotschall. But when those who gain great wealth leave destruction and misery in their wake, it is inappropriate for them to become overnight philanthropists. In the spirit of the eighth step in Alcoholics Anonymous's 12-Step Program (i.e., "Make a list of all persons we have harmed, and be willing to make amends to them all"), when donors on VultureList.org make restitution, their information will be moved to a sister Web site, AngelList.org.

Reinforcing Virtue

With its millions of relationships, this fragmented yet networked modern age requires checks and balances to communicate the difference between acceptable and unacceptable behavior. Accountability mechanisms work best when they are widely understood, and this is the ethic of VultureList.org.

Since it's not costly to maintain the site, the principal expense of launching VultureList.org will be to educate the public and charitable organizations about its existence and purpose.

Clearly no charitable organization would intentionally whitewash the image of those who have their fortunes from predatory business practices. As the subjects of VultureList.org become widely known and cited in the media and on the Web, charitable organizations will be discouraged from accepting philanthropy from vulture donors and protected from potentially adverse public reaction. In the unlikely event that an organization accepts vulture donor contributions after that person's public listing on VultureList.org, the recipient organization will automatically be nominated for inclusion on a third Web site, VultureCharity.org.

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Jon Pratt is an *NPQ* contributing editor.

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The Take-Away

by the editors

Board Stories Involving Humans
by Ruth McCambridge
Why do some boards that seem to do everything right fail so miserably, and how can a seemingly ragtag group of board members so effectively support their organizations? This is the conundrum posed and illustrated by the author in several case studies about what works and what doesn't in nonprofit boards. The answer is not in the structures, but in the mix of personal and group chemistry and the skills of board members to interact with constituents and each other, keeping and maintaining the work of the organization intact and a singular priority.

Boards in Small Nonprofits: What About Friendship and Solidarity?
by Christine Bertrand and Johanne Turbide

When is "best practice" not best? A study of three small organizations in Montreal indicates that boards of small organizations do what they must and that best practice has missed an essential feature of organizational life in such nonprofits: namely the importance of bonds and working relationships—or solidarity—on which these small organizations depend for survival.

The Best and Worst of Board Chairs
by Yvonne Harrison and Vic Murray

Which characteristics make a good board chair and which make a terrible one? The authors ask those who should know: executive directors, fellow board members, and the public. Not surprisingly, the answers are an active, facilitative leadership style that engages fellow board members, reaches out to constituents, and supports the director. By contrast, those who are controlling or inattentive don't make the grade among colleagues. This research is ongoing and readers are encouraged to contribute to it.

Loyal Opposition
by Patricia Bradshaw and Peter Jackson
"The true value of governance lies neither in leadership nor in followership, but in the unique role of "loyal opposition." This concept of parliamentary governance focuses on providing a constructive critique of the ruling party's policies. Applied to nonprofits, the authors suggest that such a function can be instituted in several places within an organization, for example between a board and CEO. "Governance should be a 'radical' function that seeks to challenge the root assumptions of leadership, to address those matters that are normally taken for granted or are not being discussed."

More Than Monitors: The Board's Role in Sustainability
Richard Brewster, executive director of the National Center for Nonprofit Enterprise discusses what board members must do to ensure an organization's long-term sustainability. Board members must be wary of getting side-tracked by pet projects. Keeping track of cash flows in the short term and maintaining a relentless focus on program quality in the long term are essential to these objectives.

Engagement Governance for System-Wide Decision Making
by Judy Freiwirth, Psy.D.

What would governance look like if instead of focusing on prescribed roles of board and management, stakeholders distributed different governance functions throughout the system so that decision making was more inclusive and occurred not only at board level, but also among constituents and staff? This shared decision making model has community impact at its center and strongly advocates for ensuring that form follows function and not the other way around.

Nonprofit Risk Management: Insurance and Beyond
by Melanie L. Herman
Some banana skins are impossible to avoid and even with insurance the consequences on an organization's reputation and its role in the community can be severe. With this in mind, Herman provides readers with an approach to thinking about risk management and then buying insurance as critical consumers.

Corporate Philanthropy 2007: Finding the Compatible Intersection
by Andrew Crosby
Like all sources of income, corporate support comes with strings attached. These partnerships are judged on the financial and reputational benefits they bring to the corporation. Interviews with three organizational leaders indicate that nonprofits must be equally exacting to ensure that they are able to get what they want and that they are able to satisfy the demands of their partners. A common interest and the organizational capacity to manage such relationships is essential, along with a clear view of the downsides that might come when the drive for profits comes in close proximity with a nonprofit's mission.

Almost Crimes: The *Boston Globe*'s Foundation Exposés Revisited
by Rick Cohen
After the *Boston Globe* laid bare the distorted ethics and destructive management of several philanthropic organizations in 2003, large-scale investigation might have been expected. But what has actually happened? Not much, reports Cohen. Unfortunately, in too many cases timid prosecution and legal loopholes did little to prevent the illegal and even less to prevent the immoral.

The New Goals at the Pew Charitable Trusts and the Fate of the Nonprofit Sector
by Marie C. Malaro
What's wrong with foundations taking charge in the nonprofit sector? According to the author, when foundations get carried away and lose sight of the value of diversity by trying to streamline and rationalize the way the sector works, the result is a disservice to the creativity and reason for nonprofits in the U.S. Recent actions of the Pew Charitable Trusts indicates a disturbing trend that could damage this unique role.

VultureList.Org: A Charity Exploitation Prevention Project
by Jon Pratt
Why should nonprofits continue to accept donations from those who have made their millions from impoverishing others? Pratt says it's time to stop this practice. VultureList.Org is a simple and effective approach to making sure that such donors don't benefit from the halo of giving unless they redeem themselves and atone for their abusive business practices.

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