

TEN ESSENTIAL RESPONSIBILITIES OF FOUNDATION BOARD CHAIRS

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AN INTRODUCTION TO FOUNDATION LEADERSHIP

Foundations make an incredible difference in our communities. They educate children and care for the elderly, shelter the homeless and make health care accessible, advance the arts, and protect the environment. They do this through philanthropic support to a vast array of charitable causes and organizations. Their results are not easily measured, but their contributions shape society.

Few, if any, roles are more significant in ensuring a foundation's success than that of the board chair. This may be why many people find assuming this position a daunting prospect. And yet the successful businessperson who serves as chair of a family foundation dedicated to a cause that was dear to his parents' hearts or the community leader who serves as chair of an independent foundation that provides deserving youth with life-changing opportunities will tell you that few roles are more rewarding. The accomplishments of a foundation that is wisely and conscientiously led can provide its board chair with a great sense of satisfaction and enjoyment.

In February 2007, BoardSource conducted a survey of foundation board chairs, asking them to identify both the challenging and rewarding aspects of the role. One board chair said it all when he replied, "I get to take a lead role in molding an organization that has the potential to make a substantial positive impact in my community. I get to learn from the other trustees and staff, and I get the pleasure of seeing how many bright, engaged, and hard-working people there are in my community who truly want to make a meaningful difference." If you are like most foundation board chairs, you too will "get" a lot from the position.

You also will be challenged. Being board chair means learning the idiosyncrasies of the nonprofit sector, overseeing the foundation's administrative functions, and mentoring the chief executive. It means leading a team in group decision making, dealing with difficult trustees, and representing the foundation in public. In the process, as you are pushed and pulled in many different directions, do not lose sight of the greater good you are creating in your community.

Where to begin?

In many ways, a foundation board chair serves as coach, captain, and quarterback. As coach, your role is to provide guidance to the foundation, trustees, and staff. As captain, your role is to provide support, encouragement, and leadership, both within the foundation and more publicly in the community. As quarterback, you have a critical role leading the team — your fellow trustees — on the field or, rather, in the boardroom. Consider this primer your play book so that you can be a role model for your fellow trustees and so that your foundation can model the behavior it seeks from the nonprofit organizations you support.

If you are new to nonprofit leadership, you may not know what is expected of a board chair. This primer is designed to increase your understanding of the role by presenting a brief introduction to nonprofit governance and foundation leadership. We offer a list of 10 essential responsibilities for board chairs, practical tips for carrying them out, and recommended reading. The appendices include questions you may be asked and resources for finding additional information.

While the areas of responsibility are common to all foundations, you may need to adapt them to your particular situation. For example, family foundations often have constraints related to board composition; community foundations have slightly different legal requirements because they are public charities; and other private, independent foundations may have unique circumstances related to their origins. Furthermore, the ten responsibilities outlined in this primer also apply to board chairs of foundations with no paid staff. However, carrying out the responsibilities may be complicated by the fact that the board itself handles both the governance and administrative functions.

TEN ESSENTIAL RESPONSIBILITIES

1. Be Faithful to Mission

The reason for a foundation's existence lies in the donor's intent in establishing it. He or she may have expressed it broadly, leaving wide discretion to the board, or been very specific as to purpose, providing stringent guidelines for the future. Donor intent helps define the foundation's mission, which in turn should guide every decision the board makes — it is the board chair's job to ensure that it does. Trustees often can avoid disagreeing with each other about grantmaking if they share an understanding of donor intent and mission.

Clarify donor intent

When donor intent is unclear, trustees may find it difficult to agree on the mission and in turn make apt decisions. It then becomes your responsibility, as chair, to help the board articulate donor intent. Start by reviewing the founding documents, such as a will or deed of trust. If they do not provide guidance, other documents might, such as correspondence, memoranda, or a record of the donor's past giving. You also might obtain outside advice, possibly from the donor's attorney or members of the donor's family. If the donor is living, go straight to the source, asking him or her for clarification. In addition to clarifying donor intent, the foundation's founding documents also may provide guidance on other operating requirements, such as whether the donor requested anonymity and the intended lifespan of the foundation.

“Looking back at what our founder, C.S. Mott, intended for this foundation is a vital part of our board's ongoing planning efforts for the future.”

— William White, Board Chair
Charles Stewart Mott Foundation

Be passionate about mission

Because the board chair is responsible for ensuring that the foundation's mission guides every board decision, you must be more than simply knowledgeable about the mission. You should be able to articulate and demonstrate a real passion for it and encourage your fellow trustees to show the same commitment. One way you can connect yourself and the board with the mission is to include “mission moments” in board meetings. Consider having someone who has benefited from one of your foundation's grants give a short testimonial, sharing correspondence from individuals impacted by another grant, or conducting a site visit. Some boards print the mission statement atop the meeting agenda as a reminder.

Practical tips for mission focus

- Start every board meeting by sharing an inspiring story about a grant that is forwarding the foundation's mission.
- Dedicate one part of a meeting annually to reviewing the mission statement. Use this time to step back and determine if the foundation is meeting the needs it was created to meet.
- If faced with a need or desire to adapt the foundation's focus, based on the changing demands of the world, review the founding documents to determine if they are flexible.
- To increase your knowledge of the foundation and its history, converse with past board chairs.

Recommended reading

"Articulating the Foundation's Mission." Council on Foundations.

Angelica, Emil. *Crafting Effective Mission and Vision Statements*. Fieldstone Alliance, 2001.

Bork, Robert H., and Waldemar Nielsen. "Donor Intent." In *The Philanthropic Prospect*.

The Philanthropy Roundtable, 1993.

Miree, Kathryn W. "Perfecting Donor Intent: Legal Lessons and Practical Advice." Kathryn

W. Miree & Associates, Inc.

2. Guide the Grantmaking Strategy

In many ways, determining donor intent and supporting the foundation's mission are the first steps in setting the foundation's grantmaking strategy. The grantmaking strategy describes the foundation's areas of giving, the types of grants the foundation makes, and its approach to grantmaking. It provides a long-term framework for giving that is based on a clearly articulated purpose, an understanding of the larger environment in which the foundation operates, and carefully defined grant programs. While small- and medium-sized foundations engage in varying levels of planning, all should develop a grantmaking strategy. As chair, you will lead the board in developing and reviewing this strategy.

"Establishing basic grantmaking policies has made life easier for all of the board members — both in working with nonprofits in the community and having set guidelines to refer to for family members who sit on boards of other nonprofits."

— Steve Upton, Board Chair
Frederick S. Upton Family Foundation

Develop and follow a grantmaking strategy

If your foundation employs a chief executive, he or she is responsible for implementing the grantmaking strategy and should have considerable input in determining it. The chair, therefore, should ensure that the chief executive is included in board deliberations regarding the foundation's grantmaking strategy. These deliberations can take place during board meetings, or you may assign them to a task force or committee for more in-depth exploration before bringing them to the board for consideration. Either way, the chair should make sure that the board addresses both new initiatives and the elimination or modification of existing programs.

Put grantmaking policies and processes in place

The chair also ensures that grantmaking policies are congruent with the grantmaking strategy. The board should set clear policies regarding the number, size, duration,

COMMUNITY FOUNDATION BOARD CHAIRS: WHAT IS YOUR ROLE IN RAISING FUNDS?

Like all members of a community foundation board, the chair should help build the foundation's assets. To do this well, you need to know your potential donors, the kinds of funds your foundation holds, the kinds of gifts that help build those funds, and your role in raising money. As chair, you should guide the board in understanding the fundraising aspects and expectations of community foundation leadership.

Building your foundation's assets is a joint venture between board and staff. Trustees work with senior staff to design a long-range plan that has measurable financial and marketing goals. But your board must also ensure that the development plan is tied to the foundation's strategic plan. Although development and fundraising require a partnership between board and foundation staff, the entire board has the ultimate responsibility for the foundation's financial resources. This means the board cannot pass the buck — or the need to find the assets — to anyone else.

Adapted from The Guide for Community Foundation Board Members. BoardSource/Council on Foundations, 2003.

geographic scope, and types of grants (i.e., general or operating, project or program, capital, research, scholarship, endowment, seed money, matching, technical assistance).

A clearly defined grantmaking process will streamline foundation operations. The board, led by the board chair, also should set guidelines for attracting, receiving, acknowledging, reviewing, and responding to grant applications. These policies and processes should provide clear guidance for foundation staff as well as for grant applicants and should be communicated through annual reports, brochures, and the foundation's Web site.

Practical tips for setting and overseeing grantmaking processes

- Review the foundation's grantmaking history to understand and refine the causes you support, the kinds of activities you fund, and the impact your grants have had.
- Outline the grantmaking process for grantseekers and for staff and/or the board. Specify the steps and timing of the review process, requirements and expectations of grantees, and ongoing communications.
- Communicate in a clear and timely fashion with grantseekers. Acknowledge their inquiries and submissions promptly. Use grant agreement letters to outline mutual expectations.

Recommended reading

Bailin, Michael A. "Focusing In on an Effective Grantmaking Strategy." The Center for Effective Philanthropy, 2003.

Best Practices in Grants Management. Council on Foundations, 2001.

Kibbe, Barbara, Fred Setterberg, and Colburn S. Wilbur with Jan Masaoka. *Grantmaking Basics: A Field Guide for Funders.* Council on Foundations, 1999.

Orosz, Joel. *The Insider's Guide to Grantmaking: How Foundations Find, Fund, and Manage Effective Programs.* Jossey-Bass, 2000.

"Principles and Practices for Effective Grantmaking." Council on Foundations.

3. Map Out the Future

Developing and/or affirming the foundation's mission is also the first step in strategic planning — two words that often scare smaller foundations. They shouldn't. A strategic plan

is a road map. It defines what the foundation as a whole plans to accomplish within the next three to five years, why it is important to do so, and how it will do it.

During the planning process, the board translates the mission into goals and strategies that can be accomplished and measured. It seeks the strategic fit between the foundation's mission and vision, its internal strengths and external opportunities, and its grantmaking strategy and impact in the community. The planning process itself can yield huge benefits, such as a recommitment to the foundation's mission, an understanding of its history, the identification of existing strengths, an opportunity to change the foundation's processes, and a commitment to continuous improvement.

The basic steps in a strategic planning process are

- develop or reaffirm mission statement
- conduct an internal organizational assessment
- conduct an environmental scan
- examine strategic issues
- formulate strategic goals and priorities
- create action plans
- monitor and evaluate implementation of the plan

The chair, in partnership with the chief executive, should encourage the foundation to develop a strategic plan if it does not have one. If one exists, you and the board should monitor the foundation's progress to ensure that it is on track, or evaluate the plan if it is coming to conclusion. Boards often initiate a new plan when the foundation is experiencing a critical turning point, such as a change in its financial situation or leadership. The planning process frequently culminates in a full-day retreat involving all trustees, the chief executive and key staff, and an outside facilitator.

Practical tips for specifying future direction

- Determine whether to include an outside consultant in the planning process.
- Form a strategic planning task force to oversee the process. Members typically include the chair, some trustees, the chief executive, and key staff members. Designate the responsibilities of the task force, which may include conducting research, obtaining key information, and producing the final document.
- Be inclusive in developing a strategic plan. Involve stakeholders, such as grantees, other nonprofit organizations, and community leaders.

Recommended reading

Allison, Michael, and Jude Kaye. *Strategic Planning for Nonprofit Organizations: A Practical Guide and Workbook, Second Edition*. John Wiley & Sons, 2003.

Barry, Bryan W. *Strategic Planning Workbook for Nonprofit Organizations*. Fieldstone Alliance, 1997.

Bolduc, Kevin, Ellie Buteau, Greg Laughlin, Ron Regan, and Judith A. Ross. "Beyond the Rhetoric: Foundation Strategy." The Center for Effective Philanthropy, 2007.

Mittenthal, Richard A. "Ten Keys to Strategic Planning for Nonprofits and Foundation Leaders." TCC Group, 2002.

4. Stay Focused on Financial Oversight and Legal Compliance

Oversee financial operations

Trustees are stewards of the foundation's assets. Their financial responsibilities include regular oversight of the foundation's financial activity, approval of the budgeting process, acceptance of the annual audit, and review of investments. As board chair, you set the tone and lead the board in the following four activities:

- *Approve the annual budget.* The board must make sure that the budget is aligned with the foundation's mission and organizational priorities. As board chair, you must ensure that the board is given complete budget information for review prior to board deliberations and that the board has a meaningful conversation about the budget.
- *Review financial performance regularly.* In addition to approving the budget, the board monitors its implementation. As the chair, you are responsible for ensuring that the board regularly sees financial reports and that all trustees understand the financial condition of the foundation.
- *Accept the annual audit.* The full board approves the appointment of the external auditor, who should present a final report to the full board for acceptance when the audit is complete. The chair should see to it that all trustees receive the audit report prior to the meeting at which it will be discussed and voted upon and that any exceptions are dealt with satisfactorily.
- *Establish investment policies and monitor investment performance.* The board is responsible for developing policies governing investment strategies and asset allocation. Many small- and medium-sized foundations hire professional investment managers. If your board chooses to do so, it must monitor his or her performance. You should make sure that the full board receives and discusses regular and timely investment reports.

As chair, your role is to make sure that adequate oversight mechanisms are in place and that the full board is kept apprised of the foundation's financial situation. Because foundation finances can be complicated, you should tap into the expertise of staff, trustees, and professional advisors. As one board chair noted, "I am challenged by the complex financial aspects of our foundation. However, I believe that you surround yourself with experts where you have weaknesses — and I have some experienced people in financial roles whose talent and skills I respect."

"Having an annual audit is a standard operating practice for our foundation, and it is important as chair that I make sure the trustees take the time to review and understand the audit."

— Paul Doyle, Board Chair
Grand Rapids Community Foundation

Smaller foundations often establish a finance committee to oversee all financial operations, and larger foundations may have separate finance, audit, and investment committees. To stay informed, the chair may want to attend all of these committee meetings in an ex officio capacity. Staff, including the chief executive and/or the chief financial officer, will often

prepare reports and participate in these committee meetings. It also is helpful to ensure that at least one trustee has expertise in fiscal matters.

CONFLICTS OF INTERESTS AND SELF-DEALING

Conflicts of interest occur when the financial or personal interests of trustees or foundation managers are, or may appear to be, inconsistent with the interests of the foundation. Most foundation conflicts of interest arise in the context of financial transactions, such as engaging a trustee's law firm for professional services, selling foundation property to a trustee's grandchild, or making grants to a charity run by a trustee's wife. Some of these are outright prohibited by law and others can be managed through bidding processes and disclosure.

Private foundations must be particularly aware of the Internal Revenue Code's self-dealing rules, which prohibit financial transactions between foundations and their trustees, managers, certain family members, and affiliated companies, regardless of whether the transactions are fair or even advantageous to the foundations. For example, if your foundation plans to lease office space from the father of a trustee at below-market rent, the lease would be an act of self-dealing, even though the terms are favorable, because the parents of trustees are disqualified persons.

A conflict-of-interest policy should define a consistent process for dealing with conflicts. This process should include, at a minimum, disclosure and recusal. It also often includes the expectation for the trustee in question to leave the room for the discussion and voting and, in extreme situations, to resign.

Adapted from "Conflicts of Interest at Foundations: Avoiding the Bad and Managing the Good." BoardSource, 2005.

Comply with legal and regulatory requirements

The board also is responsible for ensuring that the foundation is in compliance with legal and regulatory requirements, and the board chair often leads the way in the following activities:

- *Ensure that all conflicts of interest are disclosed.* The chair should ensure that a conflict-of-interest policy and process are in place and that all trustees disclose all conflicts, real or perceived. If a trustee neglects to disclose or does not recognize an existing conflict, it is the chair's responsibility to address the situation promptly.
- *Ensure that taxes and forms are filed.* Private foundations must pay excise taxes based on a complicated formula involving capital gains, income, and administrative expenses. As the head of the board, you should make sure that these taxes, as well as the IRS Form 990-PF, are filed. (You may delegate this to other trustees, such as the treasurer or the finance committee.) You should also review the IRS Form 990-PF or 990 to ensure that it accurately reflects the foundation's health and activities.
- *Encourage transparency.* Nonprofits operate in a public setting, and a spirit of fiscal transparency and full disclosure should permeate the work of the board. The board chair can ensure this by making the foundation's Form 990-PF and audited financial statements available to the public. The easiest way to do this is to post them on the foundation's Web site or other sites, such as those belonging to GuideStar or the Foundation Center.

Practical tips for attentive oversight

- Before the board makes any financial decisions under your watch as chair, make sure that every trustee is educated in fiscal matters. If necessary, arrange a board training session.
- Send monthly financial statements to trustees showing progress relative to budget. Send quarterly investment reports to all trustees in advance of meetings.

- Schedule an executive session with the board and auditor without staff when the audit is complete.
- Educate the board on what constitutes a conflict of interest. Create a written policy identifying transactions that raise concerns and have it signed annually by all trustees.

Recommended reading

Bryson, Ellen, and Andrew Schulz. *Top 10 Ways Independent Foundations Get into Trouble*. Council on Foundations, 2003.

Bryson, Ellen, and John A. Edie. *Top 10 Ways Family Foundations Get into Trouble, Second Edition*. Council on Foundations, 2002.

Fry, Jr., Robert P. *Minding the Money: An Investment Guide for Nonprofit Board Members*. BoardSource, 2004.

Hopkins, Bruce R. *Legal Responsibilities of Nonprofit Boards*. BoardSource, 2003.

Ruppel, Warren. *Not-for-Profit Accounting Made Easy, Second Edition*. John Wiley & Sons, 2007.

5. Master the Art of Facilitating Meetings

As board chair, you are responsible for making sure that the board uses its meeting time effectively. The chair takes on multiple tasks in meeting this responsibility: planning meeting agendas, communicating with trustees and committees between board meetings, and leading and facilitating actual board meetings.

Plan the agenda

The board chair sets meeting agendas in coordination with the chief executive. A tool to help you guide the meeting, the agenda should list the main items needing attention and indicate whether they are there for information, discussion, or action (see below). Consider including the most important business at the beginning of the agenda to ensure that the board does not run out of time or miss the input of those trustees who may need to leave meetings early. You may want to allot a set amount of time for each agenda item.

Substantive items that might be on an agenda include the following:

- *Financial reports*. Include updates on grant payouts and outstanding obligations. Address administrative expenses at least annually.
- *Grantmaking*. Allow time for both recommended grants and projections for future grants.
- *Administrative issues* regarding staffing and operations. If you lead a small foundation, an occasional discussion of the adequacy of the present arrangements for carrying out the foundation's work is in order. For example, does the chief executive need temporary help to prepare the annual report? Encourage suggestions for improvements while taking the budget into consideration.
- *Board issues* concerning recruitment, committees, officers, attendance, and assessments.
- *Community context*. Discuss the implications of political, economic, demographic, or technological changes that may impact your grant programs or foundation operations.
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AGENDA ITEMS: FOR INFORMATION, DISCUSSION, OR ACTION

Information items require the least amount of time. They include committee reports and updates on grant programs. You may want to include alerts about items that will take on greater significance in a future meeting as an information item; most trustees do not enjoy surprises. A consent agenda — a compilation of items that need no discussion and can be approved with one vote — is one way to take care of some items quickly, leaving more time for discussion items.

Discussion items require the most amount of time. For example, the board should allow sufficient time to discuss a high risk/high reward grant proposal or a change in its investment strategy. Healthy discussions and debate promote thoughtful decision making. They engage trustees by allowing them to share their opinions and expertise, to explore all sides of an issue, and to propose solutions or options for action. Without a thorough discussion, it is difficult for the board to arrive at a sound and grounded decision.

Action items require a board vote. These items include grant approvals, the budget, and major expenditures. They also may include new program initiatives or policy issues, such as adopting a socially responsible investing policy, changing auditors, or including a green objective in all construction projects.

Board chairs of small foundations with no paid staff can find it difficult, as one chair noted, to “effectively deal with the administrative aspects of foundation business without spending an inappropriate amount of the board’s time on these issues.” Board chairs in these situations should consider handling administrative matters — scheduling site visits, corresponding with grantees, and bookkeeping — with appropriate individuals outside of formal board meetings.

Lead and facilitate the meeting

It is up to the chair to run the meeting in such a way that the objectives in the agenda are achieved. To do this, you should have a basic knowledge of parliamentary order, even if the board does not adhere to strict parliamentary procedure. If an agenda item demands more time and attention than anticipated, you should judge whether the discussion should continue or be delegated to a committee for further study. You must determine when a topic has been adequately addressed and it is time to vote. Or, if it is impossible to reach a decision, you can suggest the board table the discussion and bring it back at a later time.

Working within the time constraints of a board meeting requires the board chair to have skills as a group facilitator. You should strive for consensus by facilitating, not dictating. At the same time, you need to make it clear that you will exercise authority when needed. Lead by example and encourage everyone to actively participate, listen attentively, pose questions to achieve clarification and shared meaning, and respond with respect and courtesy. Maintain confidentiality so trustees feel secure in speaking freely when dealing with sensitive matters. This enables trustees to have difficult conversations more comfortably.

Because they are legal records, the chair ensures that the foundation keeps careful minutes of all board actions. You should distribute them to all trustees for review in advance of their approval at the subsequent meeting of the board.

Tame troublesome behavior

An amalgam of personalities and skill sets that meets only occasionally, a board requires strong leadership if the trustees are to effectively work together to achieve the foundation’s mission. Many board chairs find that managing group dynamics is one of the most challenging aspects of their jobs. When a trustee displays troublesome behavior, you as board chair must intervene. You may need to speak privately with a trustee who frequently

speaks out of turn, dominates discussions, is verbally aggressive, or brings personal issues into the boardroom. Address the behavior, not the person. If not addressed, these behaviors can create a dysfunctional working environment. As board chair, you are responsible for maintaining appropriate decorum in the boardroom and for helping develop good working relationships between trustees.

In the case of family foundations, the board chair will need to be particularly sure that all family members understand that they are there to further the foundation and serve a public interest. As one board chair admitted, “Working with family members can be a challenge at times.” Another said, “Old sibling rivalries can raise their heads from time to time.” If interactions between family members seem to be affected by personal rather than foundation matters — which can sometimes occur when trustees are not clear about the mission of the foundation or when the board does not include nonfamily members — you may need to have a private conversation with those involved, reminding them to approach board discussions with an open mind, to be thoughtful and intentional about board work, and to focus on what is best for the foundation. In extreme cases, you may have to invite an outside facilitator to handle the situation.

Practical tips for productive meetings

- Create a code of conduct and manage the board with a gentle but firm hand: No cacophony tolerated. No personal attacks allowed. Listen attentively and respect differing opinions.
- Distribute the agenda and support materials in advance of each meeting. Include thought-provoking articles to stimulate discussions.
- If the foundation does not have any paid staff, focus on governance matters during board meetings. Handle administrative matters in a separate meeting that might follow the board meeting.

Recommended reading

Flynn, Outi. *Meet Smarter*. BoardSource, 2004.

Gilbertsen, Beth, and Vijit Ramchandani. *Developing Effective Teams*. Fieldstone Alliance, 1999.

Hamilton, Deborah Brody. “Managing Conflicts and Family Dynamics in Your Family’s Philanthropy.” *Passages*, National Center for Family Philanthropy, Vol. 4.2, July 2002.

6. Connect the Dots between Committees

Many small foundations choose to not have standing committees and to operate as a committee of the whole. Larger foundations often have several standing committees, which are likely to include finance, audit, nominating or governance, executive, and sometimes grant committees. Committees can make the work of a board more efficient by doing the legwork for the board or digesting materials into a manageable format. The chair sometimes has discretionary authority to appoint ad hoc committees or task forces to carry out temporary assignments that do not fit into the existing board structure.

“Having all of our trustees serve on at least two committees has been a good way to engage them more deeply in the foundation’s work.”

— Eugene Miller, Board Chair
McGregor Fund

The chair is often responsible for coordinating the various committees, making sure that each committee has a clearly defined charter and annual work plan, managing overlap between committees, and ensuring that the full board is informed of each committees' activities. You and the chief executive are the only ones who are aware of what is happening in all the committees. Like a conductor, you must orchestrate things. If a committee is not progressing with its work, it is up to you to speak with the committee chair and remedy any obstacles that might exist.

In staffed foundations, committee chairs and trustees often work closely with staff. You should see to it that all committee chairs handle board/staff interactions with respect to the roles and responsibilities of each. Working with the chief executive, make sure the distinctions between board and staff are appropriate, defined, understood, accepted, and followed by all. In the absence of staff, some committees function more like teams of volunteers and carry out operational and administrative functions — such as responding to grant proposals, conducting site visits, drafting the annual report, developing the Web site, making arrangement for the annual board retreat. In the absence of staff, your role as board chair is to serve as the committee supervisor, making sure that the work of the foundation is carried out in a timely and professional manner.

It is also worth noting that the board chair almost always chairs the executive committee, if one exists. Best used in emergency situations or possibly for carrying out the process of evaluating the chief executive, executive committees are often not needed by small boards; the board itself handles all issues as they arise. If your board has an executive committee, make sure you understand and respect the differences in function between it and the full board and communicate all executive committee actions to the full board.

Practical tips for coordinating committee work

- Lead the board in assessing the need for committees. If you don't have them, do you need them? If you have them, do you have the right committees?
- If the board does not have standing committees and operates as a committee of the whole, be deliberate about identifying committee work as such during the course of a meeting.
- Use your trustees. Rely on their special skills, expertise, and interests when composing committees and task forces. But don't assume that an accountant wants to sit on the finance committee.
- Determine with the chief executive which committee reports need special attention during the board meeting and which should be included in the consent agenda (see Responsibility 5).

Recommended reading

Bobowick, Marla, Sandra R. Hughes, and Berit M. Lakey. *Transforming Board Structure: Strategies for Committees and Task Forces*. BoardSource, 2004.

7. Build a Board That Is Strong and Engaged

Compose the board thoughtfully

Building an effective board depends on the thoughtful and deliberate recruitment of new trustees and should be based on a careful assessment of the skills and experience needed to strengthen the board. It also should take into account a potential trustee's availability,

genuine affinity for the mission, diversity, and compatibility with the existing board. Even when turnover is slow, the identification of new trustees should be an ongoing concern. It is greatly helped when the chair and trustees actively participate in the community and have a broad range of contacts. A foundation board needs trustees with impeccable reputations who are respected for their integrity and wisdom.

“Listening is central to my success as board chair. But I have also found that a job description for the role of the trustee is helpful in managing the expectations of new trustees.”

— John Colina, Board Chair
Colina Family Foundation

The above comments about board composition also apply to family foundations. Most family foundations begin their board membership within the family, which engenders a strong sense of cohesion among trustees who share a common set of values and traditions. Over time, the board may expand to include spouses and partners, as well as the next generation. Many family foundations also consider adding

nonfamily members to the board to bring additional expertise and diversity to the board, as well as to mitigate family tensions.

Set expectations

On behalf of the foundation, the board chair often issues invitations to join the board. If you do, be sure to explain what being a trustee entails and convey enthusiasm for the foundation’s work. When new trustees join the board, arrange for their welcome and orientation. To demonstrate active leadership and direct involvement, you should participate in the formal orientation. It is helpful to have a written “trustee statement of understanding” explaining expectations of attendance, standards of conduct, confidentiality, conflicts of interest, and relationships with staff. Ensure that all new trustees have copies of the following documents:

- founding documents (articles of incorporation or trust agreements)
- bylaws and policies
- strategic plan and goals
- grantmaking guidelines
- most recent annual report
- audited financial statements
- IRS Form 990-PF or 990
- board roster

Cultivate future leadership

The chair should look for opportunities to develop and use the leadership skills of trustees by assigning special tasks to them or asking them to serve as committee chairs. Consider rotating their membership on committees. This is particularly helpful in giving future board chairs exposure to more of the foundation’s work. Even if you are new to your position as board chair, you should be mindful of the need to plan for future leadership.

“A key function for the chair is determining who should be the next chair and cultivating that leadership. Providing leadership opportunities for the next generation is vital to the future of the foundation.”

— Ranny Riecker, Board Chair
Herbert H. and Grace A. Dow Foundation

If leading a family foundation, you also should give thought to how to prepare the next generation for the responsibility of family philanthropy and board membership. There are various opportunities for doing so. For example, you could assign younger members of the family a board mentor, assign them to committees, allow them to observe or participate in board meetings, and invite them to attend foundation association meetings.

Practical tips for building a strong board

- Create a board profile grid that identifies desired skills. Measure the existing board against it and identify gaps to fill when recruiting new trustees.
- Consider race/ethnicity, age, and gender when recruiting new trustees. Build a diverse board. Consider setting aside a certain number of board seats for members of the younger generation to ensure continuing interest in the foundation's work.
- Provide time for trustees to get to know one another and have shared experiences. Schedule board dinners the night before a board meeting or use a retreat for strategic issues *and* board bonding.

Recommended reading

Gersick, Kelin E. *Generations of Giving: Leadership and Continuity in Family Foundations*. National Center for Family Philanthropy and Lexington Books, 2004.

Hallett, Anne C. "Grantmaking and Diversity." Council on Foundations.

Lahey, Berit M. *The Board Building Cycle: Nine Steps to Finding, Recruiting, and Engaging Nonprofit Board Members, Second Edition*. BoardSource, 2007.

Strauch, Carol. "Getting Oriented." Council on Foundations.

8. Communicate with the Community

It is your responsibility, as board chair, to champion the foundation as you move through your personal and professional life. Take advantage of the opportunities you have at work and at social events to educate the community about the foundation's value and build public support for its mission. You can inspire the same enthusiasm in fellow trustees by developing a common message and talking points that they can use when acting as ambassadors.

The chair and chief executive should agree on how to handle external communications. In some instances, chairs choose a low profile, allowing attention to focus on the chief executive; other times, chairs play a more active public role on behalf of the foundation. There are occasions when the chair must speak for the foundation, such as the retirement of a chief executive and the appointment of a new one. In the event of an organizational crisis, you or the chief executive should speak for the foundation and ensure that trustees do not, unless you have instructed them to do so; this is to ensure that the foundation is not unintentionally misrepresented.

"As a small family foundation, we have found our newsletter to be an important communications tool for both foundation trustees and our grantees."

— Bruce Cook, Board Chair
Cook Family Foundation

As the designated spokesperson for the board, you should be aware that members of your community perceive statements made by you differently than they do statements made by other foundation representatives or other trustees. Therefore, you need to be judicious when

addressing the foundation's constituencies, which include the media and grantees. What you say will be interpreted as official and reflect upon the image of the foundation.

If your foundation is unstaffed, the board chair officially notifies grantees of awards. Grantseekers may occasionally approach you for special attention or information regarding their proposals. You should courteously refer them to the normal grantmaking procedures and criteria of the foundation, taking care not to raise expectations, and inform them that they will hear from the foundation in the near future regarding their requests.

Practical tips for representing the foundation

- Brief trustees on external communication etiquette. At all times, reflect loyalty, discretion, and enthusiasm when dealing with the public.
- When a need arises, identify who the point of contact is for the foundation and make that information public.
- Ensure that an annual report on the foundation's grantmaking and finances is disseminated to the appropriate organizations and officials.

Recommended reading

- "Beyond the Jitters: When Foundations and the News Media Connect." Burness Communications and The Urban Institute, 2002.
- Bonk, Kathy, Henry Griggs, and Emily Tynes. *Strategic Communications for Nonprofits*. Jossey-Bass, 1999.
- Huang, Judy. "Foundation Communications: The Grantee Perspective." The Center for Effective Philanthropy, 2006.
- Patterson, Sally J. *Generating Buzz: Strategic Communications for Nonprofit Boards*. BoardSource, 2006.

9. Oversee Administrative Work

A strong partnership between the board chair and the chief executive is the single most important determinant of a strong organization and is based on mutual respect, trust, and support; reciprocal communications; and shared purpose. If your foundation does not employ a chief executive, it is of vital importance that the chair develop a strong working relationship(s) similar to the one outlined below with the person(s) responsible for handling the foundation's administrative work — be that person(s) an outside advisor, such as a lawyer or accountant, who is paid for his or her work, or several volunteer trustees.

Clarify roles and responsibilities

At small foundations, the board chair often is involved in budgeting, legal work, and other areas where the staff may lack expertise. These are the gray areas of organizational leadership — areas where confusion can exist about who should be doing what. In order for the foundation to achieve its goals and for you and the chief executive to build an effective partnership, it is essential for you to eliminate the confusion by defining separate and shared responsibilities. You can do this by preparing and then adhering to written job descriptions.

Find common ground

Outside variables, such as differences in personality, temperament, work style, communication style, and time commitment, can complicate the board chair–chief executive partnership. Building a collaborative relationship requires finding common ground from

which to operate while respecting your differences and understanding each other's perspectives. That common ground is based on clear mutual expectations, shared purpose, mutual respect and trust, and support for each other and the partnership.

Hire and manage the chief executive

Perhaps the most important task a chair might have is overseeing the hiring of a new chief executive. No matter if your foundation is hiring its first chief executive or replacing its 10th, you should work with the board, often through an appointed search committee, to identify the qualifications needed, craft a job description, and decide how to conduct the search (e.g., using a search firm or doing it yourself). As the board chair, you need to ensure that the full board understands the process, the need for confidentiality, and the expenses allotted to this task.

The chair, on behalf of the foundation, often negotiates the compensation for the chief executive. Salary and benefits should be benchmarked to avoid excessive compensation and allow for future increases. You also should clarify what is expected and how performance will be evaluated annually (see Responsibility 10). Once the negotiations have been successfully concluded, you should inform all trustees and then announce the appointment to relevant constituencies, such as grantees, other foundations and nonprofits, the media, and community leaders. Board chairs often welcome new chief executives by introducing them personally to the community's movers and shakers and escorting or securing invitations for them to community events. It also is important to facilitate the transition by providing the new chief executive with support during his or her first year of employment.

“While each trustee is an experienced grantmaker, we realized when our father passed on that we needed to hire an executive director to coordinate our different interests and look for strategic opportunities where we could really make a difference.”

— Julie Fisher Cummings, Board Chair
Max M. and Marjorie S. Fisher Foundation

Open lines of communication

The chair should meet regularly with the chief executive — monthly for some foundations, weekly for others — to talk candidly and on a confidential basis. You are the chief executive's sounding board and chief supporter. Be a good listener, and make it clear that you should be apprised of problems as they occur as well as opportunities or threats to the foundation.

Also ask the chief executive to bring any difficulties he or she may be experiencing with trustees to your attention to be addressed. In turn, you should share any board concerns about the operations of the foundation or the board itself with the chief executive. Instruct all trustees to bring any concerns they might have to you rather than the chief executive.

The chair supports and encourages the chief executive while being constructively critical if need be. This can be difficult when a friendship develops or, in the case of a family foundation, when the chief executive is a family member. It must be remembered, however, that the board chair-chief executive relationship is first and foremost a professional one when it comes to the best interests of the foundation. The chief executive reports to the board, and the chair is the voice of the board.

Practical tips for collaborating with the chief executive

- Ask the chief executive to suggest a process for your regular communication. It could be by e-mail, phone, or meeting for lunch.
- Encourage the chief executive to suggest ways you can support him or her.
- Regularly include KPAWN (What Keeps the President Awake at Night) sessions in board meetings to allow the chief executive to air his or her concerns in a less formal way.

Recommended reading

“Competencies for Chief Executive Officers of Private Foundations.” Council on Foundations.

Cooley, Martha. *Management*. Family Foundation Library Series, Council on Foundations, 1997.

Gilvar, Barbara. *The Art of Hiring Leaders: A Guide for Nonprofit Organizations*.

Healy, John, Paul Brest, Robert Joss, and Michael Klausner. “Money Talk: Top Foundation Leaders Reveal How They Set Payout Rates, Executive Salaries, and Trustee Compensation.” *Stanford Social Innovation Review*, Summer 2004.

10. Assess Performance

The foundation should occasionally review how well it is accomplishing its mission. Periodic assessments of the board’s performance, the chief executive’s performance, and the foundation’s impact afford the board an opportunity to step back, reflect on the past, and look to the future. Assessments reveal strengths and weaknesses and provide a basis for improvement. Because they often are unpopular, the chair may need to champion their purpose and seek the full cooperation of the board and the chief executive.

Evaluate the chief executive’s performance

The board should evaluate the chief executive’s performance on an annual basis. The chair is often responsible for facilitating this evaluation and involving the full board in the process. It should be based on mutually agreed upon goals, as well as on how the chief executive handled unplanned events. You should handle the evaluation professionally and confidentially, communicating clearly strengths and areas for improvement. The process requires both sensitivity and skill as compensation decisions should be consistent with the findings. Also be sure to report outcomes to the board as a whole.

Assess the board’s performance

A board assessment allows a board to step back from routine governance matters to candidly reflect on how well it is meeting its responsibilities and to identify areas that need improvement. The findings also provide you, the chair, with insights on how you might better focus your efforts and leave a great legacy for the next generation of foundation leaders.

There are numerous tools available to assess board performance. Some can be customized to meet your board’s particular needs. All trustees should participate, and the chair should make every effort to solicit candid responses. Assuring confidentiality is one way to do this. Once the results have been calculated and areas for improvement identified, you should lead the board in developing an action plan for improvement.

Assess grantmaking impact

To assess the foundation's success at adhering to its grantmaking strategy and fulfilling its mission, the chair should encourage the board and/or the chief executive to regularly evaluate the foundation's grantmaking programs. Outcomes should be reported to the full board. In some instances, results are obvious, such as in the construction of a new facility. In other instances, precise measurement of grant outcomes can be expensive, difficult, and sometimes impossible, but even anecdotal evidence can be informative. The foundation should require grantees to submit thoughtful reports on grant progress and results. The opinion of an outside evaluation expert also may be instructive. The board should use evaluation results to inform strategic and program planning.

Assess community impact

If the foundation is committed to taking stock of the overall impact that it is making in carrying out its mission and how it is perceived in the community, it should embark on doing an in-depth foundation assessment. Measure your success not by the amount of money the foundation has awarded but rather by the success of your grants in achieving your mission. The chair can use this information to focus the board on understanding the foundation holistically and developing an action plan for improvement.

Report progress

The publication of an annual report provides the foundation with an opportunity to gather year-end information and report on its progress. The chair should ensure that the board sets aside time to do this every year. The report, which should be shared publicly, contains an accounting of the foundation's financial condition and grants made during the year. It also contains a summary introduction addressing how the foundation is fulfilling its mission by making those grants. Both the chair and the chief executive should consider contributing to this introduction.

Practical tips for meaningful assessments

- Ask the chief executive to help determine the goals that you use to assess his or her annual performance. There is more incentive to be successful when goals are not dictated.
- When undertaking a board assessment, agree ahead of time to create an action plan. This ensures that the exercise actually brings results.
- Periodically, ask the board: "Which grants are we most proud of? Which grants failed and why? Which grant do we wish we had given?" The ensuing discussion can be enlightening and inform future grantmaking decisions.
- Post on your Web site the format you would like grantees to use when reporting outcomes. By doing so, your grantees know from the beginning what information to track and how to present it.

Recommended reading

Connolly, Paul M. "Maximizing Foundation Effectiveness." TCC Group, 2008.

"Indicators of Effectiveness: Understanding and Improving Foundation Performance." The Center for Effective Philanthropy, 2002.

"Listen, Learn, Lead: Grantmaker Practices That Support Nonprofit Results." Grantmakers for Effective Organizations, 2006.

Mintz, Joshua, and Jane Pierson. *Assessment of the Chief Executive, Revised Edition*. BoardSource, 2005.
Self-Assessment of the Board. BoardSource.

CONCLUSION

The board chair position is demanding, and at times you may wonder why you agreed to assume this responsibility. Fortunately, there are many rewarding aspects. Other foundation board chairs have described their sense of accomplishment in “Being able to see the donors’ vision being carried out to an even greater extent than they had imagined” and “Being part of changing the world to a better place one child at a time.”

As you assume the board chair position and start tackling the 10 essential responsibilities presented above, we encourage you to adopt the following three rules as your own:

1. **Lead by example.** The board chair sits in a highly visible seat at the foundation, and you set the tone and tenor for the board. Uphold ethical and legal standards of conduct, and insist that your colleagues do as well. Build a culture that is positive, respectful, and inclusive — of trustees, staff, grantees, and the community.
2. **Delegate.** You don’t need to be an expert on everything. A board is a team, and every trustee brings different strengths to the table. Utilize those strengths by delegating tasks and offering support when needed. In turn, others will take personal pride in their role and share in contributing to your foundation’s legacy.
3. **Have fun!** There should be real pleasure in philanthropy. Bring that good will and a sense of humor into the boardroom. You and the foundation are making an incredible difference, so don’t forget to occasionally stop and revel in your success.

APPENDIX 1: NINE QUESTIONS FOUNDATION BOARD CHAIRS DREAD BEING ASKED — AND RESOURCES FOR ANSWERING THEM

1. Do you pay your trustees?

“At Issue: Voluntary or Compensatory Boards — Which Is the Better Policy?” Council on Foundations, August 2003. http://www.cof.org/files/Documents/Governing_Boards/Board_Briefs/BBBoardComp8.20031.pdf

“Determining Reasonable Compensation for Foundation Directors and Trustees.” Council on Foundations, 2002. http://www.cof.org/files/Documents/Governing_Boards/trusteecomp2003.pdf

Strengthening Transparency, Governance, Accountability of Charitable Organizations: A Final Report to Congress and the Nonprofit Sector. Panel on the Nonprofit Sector, June 2005, p. 61. www.nonprofitpanel.org

2. Do you have term limits?

Korngold, Alice. “Term Limits: Only Dysfunctional Boards Need Them.” *Nonprofit Times*, October 15, 2002. www.findarticles.com/p/articles/mi_hb5629/is_/ai_n23645934

“Term Limits Are For Cowards.” *Don Kramer’s Nonprofit Issues*, June 16-30, 2005. <http://www.nonprofitissues.com/public/features/ready/2005jun2rr.html>

Wyland, Michael. “Term Limits: Only ‘Perfect’ Boards Can Do Without Them.” http://www.sumptionandwyland.com/nonprofit_Topics/term_limits.html

3. Do you allow spouses to serve on your family foundation board?

Stone, Deanne. “Who’s on the Board?” *Foundation News*, Council on Foundations, July/August 1993. http://www.cof.org/files/Documents/Family_Foundations/Board_Composition/FNC_Whos_on_the_Board.pdf

4. Do you have nonfamily members on your family foundation board?

Brody, Deborah. “Not in the Family.” *Foundation News & Commentary*, Council on Foundations, May/June 1995.

http://www.cof.org/files/Documents/Family_Foundations/Board%20Composition/FNC_Not_in_Family.pdf

Coy, Cissie. “Always in the Family?” *Foundation News*, Council on Foundations.

http://www.cof.org/files/Documents/Family_Foundations/Board%20Composition/FNC_Always_in_Family.pdf

5. Are your trustees allowed to award discretionary grants?

Born, Jason C. “Discretionary Grants: Encouraging Participation ... or Dividing Families?” *Passages*, National Center for Family Philanthropy, September 2001.

<http://www.ncfp.org/publications-passages-current.html>

Draper, Lee. “Using Discretion.” *Foundation News & Commentary*, Council on Foundations, January/February 2004.

<http://www.foundationnews.org/CME/article.cfm?ID=2750>

Nober, Jane C. “Discretionary Grants.” *Foundation News & Commentary*, Council on Foundations, January/February 2006.

<http://www.foundationnews.org/CME/article.cfm?ID=3519>

6. Why didn't you award my organization a grant?

Grants Management Forms. Council on Foundations.

<http://www.cof.org/learn/content.cfm?itemnumber=1451&navItemNumber=2675>

“Saying Yes/Saying No to Applicants.” GrantCraft.

<http://www.grantcraft.org/index.cfm?fuseaction=Page.viewPage&pageID=690>

7. Do you use an outside investment management firm?

Dobbs, Richard. “Pros & Cons of Hiring an Outside Investment Manager.” Wilmington

Trust, March 2008. <http://www.wilmingtontrust.com/wtcom/index.jsp?fileid=3000107>

Principles of Nonprofit Investment Management: The Key Issues Facing Trustees and

Financial Officers. Commonfund Institute, January 2005.

http://www.commonfund.org/Common/RESOURCE_REQUEST/target.pdf?RES_GUID=CAB0290-1E05-40D4-98BA-1AEBF9BF533E

8. Do you use consultants?

Find a Consultant/Service Provider. Alliance for Nonprofit Management.

http://www.allianceonline.org/Provider_Search

“How Do We Choose the Best Consultant for Our Nonprofit Board?” BoardSource.

<http://www.boardsource.org/Knowledge.asp?ID=3.365>

9. When is the foundation going to hire a chief executive?

Corlett, Bob. “Ten Best Practices for Non-Profit Hiring.” Work for Nonprofits.org, March

2003. <http://www.workfornonprofits.org/Media/Articles/10best.pdf>

Draper, Lee. “Managing the Workload.” *Foundation News & Commentary*, Council on

Foundations, January/February 2006.

<http://www.foundationnews.org/CME/article.cfm?ID=3518>

“Ensuring New Employees’ Success: Best Practices for Employee Onboarding.” GuideStar,

2007. <http://www.guidestar.org/DisplayArticle.do?articleID=1121>

APPENDIX 2: OTHER RESOURCES

Books

Foundation Management Series, 12th Edition. Council on Foundations, 2006.

Freeman, David F., John A. Edie, Jane C. Nober, and staff. *The Handbook on Private*

Foundations, Third Edition. Council on Foundations, 2005.

Gross, Jr., Malvern J., John H. McCarthy, and Nancy E. Shelmon. *Financial and Accounting*

Guide for Not-for-Profit Organizations, Seventh Edition. John Wiley & Sons, 2005.

Hopkins, Bruce R., and Jody Blazek. *Private Foundations: Tax Law and Compliance, Third*

Edition. John Wiley & Sons, 2008.

The New Foundation Guidebook: Building a Strong Foundation. Association of Small

Foundations, 2003.

Orosz, Joel. *Effective Foundation Management: 14 Challenges of Philanthropic Leadership*

— And How to Outfox Them. AltaMira Press, 2007.

Wertheimer, Mindy R. *The Board Chair Handbook, Second Edition.* BoardSource, 2007.

Organizations

Association of Small Foundations. www.smallfoundations.org

BoardSource. www.boardsource.org

The Center for Effective Philanthropy. www.effectivephilanthropy.org

Council on Foundations. www.cof.org

Council of Michigan Foundations. www.michiganfoundations.org

Forum of Regional Associations of Grantmakers. www.givingforum.org

Foundation Center. www.foundationcenter.org

Foundation Source. www.foundationsource.com

Foundation Strategy Group. www.fsg-impact.org

GivingNet, Inc. www.givingnet.net

GrantCraft. www.grantcraft.org

Grantmakers for Effective Organizations. www.geofunders.org

National Center for Family Philanthropy. www.ncfp.org