



10 Essential Roles of Good Foundation Boards

When you think of what makes a foundation most effective, you may think of the CEO, program staff or maybe the founder. But the key to a truly effective (and indeed, fully functional) foundation is its board. Good boards understand their roles and responsibilities. They know their limits, but they also embrace leadership. As a result, everyone who works within a foundation with a strong board is better positioned and supported to achieve that foundation's mission.

What separates a ho-hum board from a truly good one? Here are 10 essentials:

1. Set direction and strategy

Good boards carefully consider the foundation's mission, vision, guiding principles, values and strategic plan. They set the tone for the foundation's culture. For example, some boards may create a foundation in which data and academics drive every decision. Others may set a top value on building and maintaining strong relationships with grantees. In any scenario, effective boards set the stage and clearly define their vision, purpose and goals for staff. They make it easy for everyone to understand where the foundation is headed and how every role fits into the big picture.

2. Create and maintain a healthy board

Strong boards recognize that they must pay attention to their own health and abilities. They are thoughtful and intentional about identifying the skills, experiences and qualities needed among board members to lead effectively. They recognize that leadership of any community asset requires voices from the community served, and thus they make an effort to learn from those the foundation wishes to help.

Good boards have well-defined processes for recruiting new board members and for orienting them to their responsibilities — both to the foundation and to the community. They provide training in philanthropy overall and in the specific program areas in which the foundation invests. They also provide ongoing opportunities for all board members to be engaged in the leadership of the foundation.

And of course, the best boards hold themselves accountable. They are clear about their roles and expectations for themselves, as a group and as individuals. And, although the need may be rare, they have protocols for asking non-contributing or overly disruptive board members to step aside.

3. Successfully make grants

A large part of foundation activity revolves around grantmaking, and conscientious boards make a point of doing that well. They invest time and thought into how their grantmaking focus and process will deliver the most value to the community.

In addition to creating a clear mission and goals, as mentioned above, smart boards also spend time working with staff to develop clear grantmaking strategy. While program staff often have the needed expertise to inform decisions about priorities, guidelines and practices, good boards make sure they ask questions and completely understand staff recommendations before approving them.



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Boards also have a role to play in deciding how the foundation will review and respond to proposals. Skilled boards strive for a balance between collecting needed information from applicants and overburdening them with a needlessly laborious process. They also work with staff to identify the ways in which they will track the progress and impact of their grantmaking.

Most importantly, effective boards realize the value of learning from each grant experience, and from the community served. They have systems in place to help them do so. They use the knowledge they gain to continually hone, refine and improve their grantmaking.

4. Oversee investments and finances

It is absolutely the board's responsibility to manage and oversee the foundation's financial condition and its investment portfolio. While it is perfectly OK (and often wise) to delegate day-to-day investment management to a finance committee or outside managers, never forget that the board has ultimate responsibility for the foundation's assets.

Strong boards set the parameters for risk and return, identify the investment vehicles with which they are comfortable investing, create profiles for the kinds of managers they desire, choose investment managers and oversee the performance of investment portfolios. These boards are not afraid to speak up if they detect that a foundation's assets are being managed in a way that is counter to their wishes.

Boards also are ultimately responsible for overseeing a foundation's budget and expenses, although the daily aspects of that task most often fall to the CEO and senior staff. Effective boards recognize that they are an important part in a system of budgetary checks and balances with the CEO, and that they have the final say in how foundation funds are spent.

5. Be ethical and legal

It should go without saying, but foundation boards assume all responsibility for making sure they, and the foundation's staff, adhere to legal and regulatory standards. Creating a set of clear governing documents, such as articles of incorporation, bylaws and operating policies, at the outset can give the board long-term guidance and a touchstone for all decisions. (I know of one foundation board that listens annually to a reading of its entire founding document.)

Of course, a board is also bound to comply with all federal and state requirements governing private foundations. This includes a wide range of Internal Revenue Service regulations, including paying excise tax on net investment income, meeting the 5% annual payout requirement and avoiding self-dealing. (Self-dealing is a complicated issue. It can be generally defined as a transaction between a foundation and a person closely connected to that foundation from which the person in question derives inappropriate benefit. However, there are many aspects and exceptions to self-dealing rules, so I strongly suggest that any board seek legal consultation and take advantage of training to fully understand this aspect of governance.)



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While legal issues may be fairly clear, setting standards for and adhering to ethical behaviors can be more murky. Savvy boards have documents that set forth ethical guidelines, such as conflict of interest statements and codes of conduct that keep ethics in the forefront. And, of course, wise boards consistently remember that they are operating in the public interest and make decisions accordingly.

6. Operate an effective board

Nothing speaks to the quality of a foundation board like a board meeting. These gatherings are where a great deal of a board's work gets done. Unfortunately, it's also where dysfunctional relationships and poor management practices often rear their ugly heads. Effective boards gather with a clear understanding of the purpose of each meeting, the work that must get accomplished during that meeting and the "rules of engagement" (aka policies and procedures) that will guide discussions. These practices allow board members to build positive, supportive relationships with one another that provide immense value when difficult conversations arise.

In addition, high-quality boards recognize that board meetings are just one way to carry out board business. They form committees to dive deep into specific areas of responsibility, such as finance or board recruitment. When possible and appropriate, they invite community stakeholders to take part in committee discussions, so as to better inform the board's understanding of issues and to avoid myopia. These boards also recognize the value of retreats that take them away from other distractions for a day or two so they can focus intently on the deeper issues of vision, mission and strategy.

Finally, good boards regularly evaluate their own performance, honestly considering their effectiveness, asking for feedback from staff leadership and setting their own goals for development, both as a board and as individual board members.

7. Plan for future board and staff leadership

Although I can point to several foundations for whom this is not the case, I strongly believe that good boards have term limits and plan continually for future leadership. Even family foundations can benefit from opening board positions to a rotation of siblings, children or cousins — and also to nonfamily community members.

Effective boards have a clear plan of transition for leaders who come up through the ranks. For example, newer board members are groomed for executive committee service; and within the executive committee, vice chairs learn from and then become chairs, who in turn learn from and then become chairs emeritus. Good boards pay attention to providing necessary preparation and coaching every step of the way for all members, from new arrivals to retiring leaders.

In addition to carefully considering and grooming their own successors, these boards apply the same consideration to developing executive leadership among foundation staff. Smart boards also recognize that tomorrow's needs might be different from today's, and that the types of leadership they seek and cultivate may need to change to meet those evolving needs.



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8. Ensure that the work of the foundation is accomplished

Great boards understand that the buck stops with them. They also understand that just because they are responsible for making sure the work gets done, that doesn't mean they (and foundation staff) have to do every piece of the work themselves. They know their own capacity and that of the foundation staff. They realize when to delegate and when to bring in outside support or expertise.

For example, very few foundation boards insist on internal capacity for legal guidance or investment management. However, there are far too many that insist that all knowledge and expertise connected to a grantmaking initiative must be the purview of staff. Forward-thinking boards realize that program staff can benefit from outside assistance and that the foundation's work will be better and more efficiently accomplished in that manner.

9. Serve as community leader

Effective foundation boards think about their leadership role not just within the foundation itself but as a whole in the communities they serve. By their own actions and investments, foundations can draw attention to specific community issues, rally a broad base of support and even help change a community's mind-set or conversations.

Foundation leadership may look very different from one foundation to the next, depending on the mission, the culture and the community. For example, a foundation board may choose to make a big bet and invest heavily to tackle one seemingly intractable issue, galvanizing other investors and partners along the way. Or it might intentionally use its relationships with key city leaders to identify trends and encourage partnerships among business, government, philanthropy, and nonprofits to work together on specific issues or a common vision. Yet another option for a foundation board is to focus heavily on policy change and advocacy (within legal boundaries) in order to shape systems that impact the community.

How a board leads outside the foundation depends on its tolerance for reputational risk, the nature of its existing relationships within the community and whether it prefers to be more responsive or more strategic in its grantmaking.

10. Serve as neutral convenor

Many boards often overlook one of the most powerful and effective ways that foundations can serve communities: by serving as a neutral, supportive convenor. Savvy foundation boards recognize that their foundations are generally seen as inherently nonbiased about issues, where other community organizations or individuals may take strong stances. Because of their neutral reputation, foundations can create a "safe place" for community members to discuss sticky issues in a way that makes them feel heard, respected and valued. Smart foundation boards do everything they can to maintain neutrality (to a point that feels right), including paying for accessible space for community gatherings or for professional, objective facilitators.

A foundation's convening power isn't limited to mitigating arguments. The best foundation boards understand the value of bringing grantees together for capacity building or professional development. They invite outside experts to present on topics that are important to community members. And they convene potential partners to discuss new ways of working together to increase effectiveness.



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While these are 10 essential roles that apply universally, effective foundation boards will likely identify others based on their specific communities, structure and missions. And here is one last thought: All great foundation boards are made of great foundation board members. The roles of individuals ultimately shape the quality of the board and should not be taken lightly. For more on individual board members, read “10 Essential Roles for Foundation Board Members” at putnam-consulting.com.

Creating a good foundation board is hard work, but it is essential for effectively stewarding the charitable assets with which the foundation is entrusted — and it ultimately shapes the impact a foundation will have on the community it serves.

Want to learn more about the role of foundation boards? Content for this article was adapted in part from *The Trustee Handbook*, published by Exponent Philanthropy (2014). I highly recommend this publication for any board, veteran or new. You can also browse other board-related topics at putnam-consulting.com.

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