

# Reflections in the wake of the Silicon Valley Community Foundation: 4 Questions for nonprofit and foundation boards to protect their organizations

By Anne Wallestad and Aaron Dorfman

Recent events at the Silicon Valley Community Foundation (SVCF) have rocked the philanthropic community and left many wondering why things went so terribly wrong. They have also shed light on the challenges that governing boards face as they work to understand the realities of a CEO's leadership and the culture he or she fosters within the organization.

In the case of the SVCF, we have no inside knowledge about what the board did and did not know, what role it may have played in enabling dysfunction, or what signals it may have missed in its governing role. But, regardless of those specifics, this is a cautionary tale for other boards about what can go wrong, why it is important for boards to build systems and practices that create the space for staff feedback and reporting of wrongdoing, and how to take action as a board when there is a clear need to do so.

## 4 IMPORTANT QUESTIONS FOR EFFECTIVE CEO OVERSIGHT

We offer boards the following four questions for reflection:

### 1. Are we embracing – or avoiding – our role in protecting the safety and well-being of the staff?

As Anne wrote in a *Nonprofit Quarterly* article that pre-dated headlines about SVCF:

*“When it comes to the board’s role in staff oversight, many like to point out that the board has exactly*

*one employee: the chief executive. While true in many ways, this sentiment obscures the fact that the board has a very important role in providing leadership and oversight of the entire organization, including protecting one of its most important resources – its people.”<sup>1</sup>*

A board that thinks it has no role in protecting employees is confusing management – a staff-level role that is squarely within the CEO's purview – with oversight, which is an essential board function. Boards play a crucial role in ensuring that the CEO is providing strong leadership to the organization and its staff and to ensuring that the CEO's power doesn't go unchecked if there are issues of abuse or mistreatment.

Indeed, when the CEO is condoning – or is at the center of – an organization's harm of its employees, board-level action may be the only recourse. And that's a responsibility boards must take seriously.

### 2. Do we have appropriate channels for staff to share feedback and report issues?

Establishing policies and practices to guide the board's engagement with the staff helps ensure that the board is surfacing issues while respecting the distinct roles of the board and CEO. This includes:

- **Whistleblower policy:** Every organization should have a formalized whistleblower policy that enables staff to report issues of abuse or

wrongdoing at any time. This should include a direct reporting line to the board so that reports related to the CEO's leadership cannot be suppressed by the CEO as well as a protocol that alerts the board of any reports made at the staff level and how they are being addressed.

- **Annual review:** Boards should invite staff feedback about the CEO's leadership in an annual review process, as is described more fully in the next section. Boards that fail to invite team feedback as a part of these annual reviews (including the 40 percent of boards that do not do annual CEO evaluations at all<sup>2</sup>) are missing a huge opportunity to better understand the CEO's leadership.
- **Board-endorsed feedback systems:** While not recommended as a standard practice, some circumstances may prompt a board to establish a formalized mechanism for ongoing staff feedback. Typically, this stems from identified challenges or issues and a sense that the board needs to invite and listen to staff feedback to better understand what board-level action may be needed.

Outside these formal channels, board members should avoid inviting, listening to or sharing feedback about the CEO's leadership with employees. This can be difficult to observe in practice, especially if a staff member signals that he or she has a concern. Board members should not ignore these attempts but instead di-

rect the employee to one of the formalized systems of feedback.

Additionally, the board member should alert the board chair to ensure that – if there are numerous signals of concern or complaints from staff – the board has the opportunity to observe the trend and address concerns proactively as a part of a formalized, board-endorsed process.

### 3. Do our evaluation systems ensure that we are reflecting on staff feedback about the CEO's leadership?

Because the board has very little exposure to the CEO's day-to-day leadership of the team, it is important that it invites staff feedback as a part of the CEO's annual review rather than relying solely on its own impressions. Boards should consider some combination of the following:

- **Direct, 360 feedback:** BoardSource recommends that – at minimum – each CEO review includes feedback from those employees who report directly to the CEO.
- **Staff surveys:** Staff surveys can be a helpful window into the CEO's leadership of the team as well as the overall health of the organization.
- **Staff retention metrics:** Boards should work to understand how the organization's staff retention compares with that of other organizations, paying attention to any spikes in attrition or significant variances within different demographic categories, which could be a signal of challenges.
- **Publicly available commentary & feedback:** Boards can take advantage of publicly available commentary on sites like Glassdoor.com, which enable employees (and former employees) to share candid feedback about the organization's work environment.

Boards must be thoughtful about how these inputs are invited and interpreted. Three things to keep in mind are:

- **Beware of unintended consequences.** Thoughtfulness about how feedback is invited helps boards to avoid negative, unintended consequences. One of the reasons that we recommend the incorporation of 360 feedback into the evaluation process is that it is one of the only opportunities that boards have to invite staff feedback in a way that is respectful of the CEO and does not signal a lack of confidence from the board. It also encourages honest feedback by protecting staff members' confidentiality.
- **The full board should be involved.** Each and every board member should be involved in evaluating the CEO's performance by providing input and reviewing the collective feedback from the board, the staff and the CEO. This ensures that the full board has a holistic view of the CEO's leadership and that po-

tentially alarming feedback cannot be ignored or deemed insignificant based on one person or subgroup's judgment.

- **Context is everything.** What's happening within an organization and its operating environment can have a significant impact on the staff experience. For example, an organization that is going through major changes or is in financial distress may have staff members who are feeling anxious about their job security, limited in terms of their budget or programs, or frustrated by changes that are happening around them as a part of efforts to right the ship. All of these things can have an impact on the feedback that is shared.

If staff members (or former staff members) share pointed feedback about a CEO's leadership, board members should avoid knee-jerk reactions to what could simply be complaints from a frustrated or disgruntled employee. Instead, focus on broad themes that may



**“What makes you think we're on a sinking ship?”**

be worthy of exploration with the CEO, keeping in mind that the CEO's job is to navigate the organization through challenging or complex situations and make decisions that are measured not by their popularity but by the extent to which they advance the organization's goals and impact.

#### 4. Are we observing things that could be signals of problematic leadership?

Subtle signals can sometimes be incredibly illuminating. For example:

- **The willingness of the CEO to engage senior staff leaders with the board:** A CEO's extreme aversion to contact between the board and staff – including in board meetings and committee meetings – may be a signal of underlying challenges that the board may need to better understand. It could reflect a lack of transparency around organizational performance, a loss of confidence in the CEO's leadership within the team, a weak or dysfunctional senior leadership team, generalized leadership insecurity or paranoia, or something else.
- **The way that employees act in the CEO's presence:** When team members – particularly at the senior team level – are afraid to speak up, look to the CEO before saying anything, or tense up whenever the CEO is around, that could be a signal of a potential challenge.
- **The way a CEO talks to (or about) the team:** Boards should be wary about a CEO who sends signals that he or she doesn't appreciate or value the team. The signs could be subtle such as by speaking only

in the "I" when talking about the organization's work. They could also be more overt by speaking rudely or dismissively to or about the team or individual team members. Either way, these could indicate that the CEO devalues the team, which could be playing out problematically within the organization.

- **The failure to recruit and retain talented people of color or women:**

Finally, an organization's failure to recruit and retain talented people of color and women could be a warning sign for the board about the organization's culture and its CEO's leadership. Paying attention to hiring and promotion patterns, retention rates and average tenures in a way that disaggregates by demographic categories may help the board to detect if there are issues of bias, hostility or abuse.

#### IT'S HARD TO GET IT RIGHT, BUT WE MUST.

While it's easy to blame a board when things go wrong, the signs of a potentially dysfunctional organizational culture (and the CEO's role in it) are nuanced. Boards are wise to be cautious about making assumptions about what things do – or do not – mean. However, boards need to avoid ignoring or explaining away signals that could be indicators of real organizational distress and dysfunction, particularly when they could be the result of the CEO's leadership and management and therefore can only be addressed by board intervention.

In the case of the Silicon Valley Community Foundation, it is unclear what, if anything, the board should have done

differently. As outsiders, it is impossible for us to know what went on within that boardroom. And even when board governance and leadership are done "right," things can still go wrong within an organization.

For all those reasons, the board's role in CEO oversight is not a straightforward or easy role to play, but it is an absolutely critical one.

As social sector organizations – whether we are foundations or non-grantmaking nonprofits – the board's role in CEO oversight is essential to our missions; to the people and communities we serve, and to the team members who rely on us to intervene when they are being harmed or are at risk. And, in our minds, those are very good reasons for boards to work hard to get it right. ■

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## Notes

1. Anne Wallestad, "It's Time for Nonprofit Boards to Have a Conversation About Sexual Misconduct," *Nonprofit Quarterly*, February 22, 2018, <https://nonprofitquarterly.org/2018/02/22/time-nonprofit-boards-conversation-sexual-misconduct/>.
2. BoardSource's most recent *Leading with Intent* study found that 40 percent of CEOs were not being evaluated on an annual basis. A full 15 percent of CEOs reported that they had never received a formalized evaluation from the board. Visit <https://leadingwithintent.org/>.

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