



PHILLIPS OPPENHEIM

# CURRENTS

PROVIDING EXCELLENCE IN NONPROFIT LEADERSHIP

## Nonprofits Leading the Way

With nonprofits taking an ever more prominent role in our society and economy, it is increasingly important that nonprofit boards and executives focus on managerial excellence. Entrusted with missions that range from providing quality education to providing quality health care, advancing the arts, advocating for our freedoms, fighting poverty and protecting our environment, nonprofit leaders daily confront the issue of how to do more with less.

Anyone wanting a real education in innovation and entrepreneurship should visit a successful nonprofit. These organizations have stories to tell and lessons to impart as compelling as any found through the Harvard Business Review. Great nonprofits create value from a mix of ideas, commitment, hard work and philanthropy. These are organizations that deliver results to their constituents and stakeholders at a modest cost. Their stories invariably adhere to old-fashioned themes of hard work, dedication to ideals, and a respect for others.

It is no secret that most top nonprofit boards and executives spend an inordinate amount of time thinking about money. They face a sales proposition that would make any sane business professional blanch —“give us funds so that we can benefit society.” Challenged by funders to fulfill their mission and expand services despite scarce resources, nonprofit executives are finding new, innovative and cost-efficient ways to deliver on their promise and demonstrate the success of their programs. Successful nonprofits can teach even the most accomplished business executive a thing or two about lean management.

At the same time, foundations, individual donors and other philanthropic investors face the challenge of evaluating their return on investment. Some pundits are critical of funders in this regard, likening the challenge to that of evaluating profitability in a business. It is an inapt comparison. How does one efficiently measure ROI when the return is not financial? Nonprofits and their funders are faced with the challenge of tracking an enormously complex range of outcomes, and the cost of tracking those outcomes can overwhelm program budgets. Counting inventory, sales and profitability is one thing; counting the impact of anti-poverty programs, broader education opportunities or new environmental initiatives is quite another. Nonprofits and boards heroically confront such problems on a daily basis.

We are often asked how boards can assure that their nonprofit leaders possess both a commitment to mission and truly exceptional management skills. The counsel provided by our most successful nonprofit clients is perhaps most instructive. These nonprofits select leaders with the management skills and judgement required to deliver results in complex environments, with few resources, and often against impossible odds. And these leaders never choose between management excellence and mission. Their only choice is excellence, excellence, excellence.

*Phillips Oppenheim helps nonprofit leaders to share their experiences with the boarder community through the Currents newsletter.*

## → Inside...

**Raising the Bar** discusses the founding and leadership strategy of the Helios Education Foundation, the nation's largest conversion of a student loan provider into an educational foundation.

**Trendline** highlights the evolving issue of governance of nonprofit organizations, with a particular emphasis on the role of board leaders for strengthening and guiding nonprofits as they pursue their mission.

**Nonprofit Leaders** highlights the accomplishments of leaders recruited by Phillips Oppenheim.

# Raising the Bar

## → Helios Education Foundation *Phoenix, AZ*



Founded in 2004, the **Helios Education Foundation** makes grants that support education initiatives in Arizona and Florida. Created through the conversion and restructuring of the Southwest Student Services Corporation, a nonprofit provider of student loan products and services, Helios has a \$600 million endowment. With a projected annual grant budget of \$25 million, it is the largest education endowment fund in Arizona and one of the largest in Florida.

Working closely with his board during the reorganization process that gave birth to Helios, Chairman and CEO Vince Roig has been instrumental in shaping its vision. After an intense two-year period of restructuring and research, Roig and his board have identified four primary program thrusts for Helios, and will distribute resources accordingly:

- 55% of grants will support initiatives for the middle and high school years;
- 20% will be dedicated to early childhood research and programs;
- 20% will provide scholarships to Arizona and Florida students; and
- 5% will fund seed grants and innovative, even experimental, R&D activities.

From its inception, the leaders behind Helios envisioned it as an unconventional foundation – one that would move beyond a traditional grantmaking role to focus proactively on identifying educational issues of critical concern in Arizona and Florida. More than just a grantmaking foundation, Helios strives to be a community impact organization – one that maximizes its funding impact by creating sustainable, long-term change and using carefully defined metrics to measure its success.

To help achieve this ambitious goal, Helios needed to find an exceptional

leader to serve as its President – someone who could work closely with its board to shape the foundation's emerging mission and who brought frontline experience in organizational transformation. When Phillips Oppenheim was selected to conduct the search, its mandate was exceptionally challenging: Not only did Helios want a national search, it also wanted a diverse candidate pool to choose from with a special emphasis on visionary leaders who had taken their organizations through an evolutionary growth process.

As Vince Roig notes, "From the very beginning, we knew that we didn't want to limit the search to conventional candidates from the foundation field or educational institutions, and we didn't want to limit the candidate pool to Arizona or Florida. We wanted a broad national search that would help us find someone who was comfortable with change and had brought an organization through a major transition."

It was Vince Roig himself who suggested that Paul Luna be added to the list of potential candidates. As a member of the board of the Valley of the Sun United Way, Roig had seen Luna in action for several years as its President. He was especially impressed with Luna's ability to move beyond a narrow fundraising focus and expand his organization's mission to encompass community involvement in key areas such as education.

From Luna's perspective, it was through discussions with Phillips Oppenheim during the search process that "I began to see a vision for Helios that I could share. It was a very consultative process where I felt free to voice my questions, explore my own passion, and even express some doubts I had." Luna found the emphasis on innovation to be particularly attractive. The commitment of the Helios board to create a nontraditional foundation with strong community impact and measurable goals was also very similar to the approach and positioning that Luna

had introduced at United Way. "Over time I came to believe that I was a good fit for Helios, and that Helios was a good fit for me."

According to Vince Roig, Luna's leadership skills, his passion for making a contribution to the community, his team-building ability, and his experience in managing change all emerged as key attributes. "What really sets Paul apart is the combination of his exemplary leadership style and his humility. Paul is a highly effective leader, but he has no need to be in the spotlight. He prefers that spotlight to shine on his team, board, and grantees."

Building on his experience in guiding the Valley of the Sun United Way through a major transformation, Luna will be involved in every aspect of defining the mission and goals of Helios, charting its strategic direction, designing its programs and procedures, and building its staff and infrastructure. He embraces his new position with a mixture of enthusiasm and anticipation.

"The excitement for me is twofold," says Luna. "There is the opportunity to be part of a great team of visionary education leaders in Florida and Arizona, and I will have a chance to work with the board to shape an innovative, effective grant making foundation. Our board and staff team has the opportunity to build Helios from the beginning, charting a path to create a foundation that meaningfully touches the lives of children and families across Arizona and Florida, especially those who are in greatest need or face significant barriers. This is a very important cause and I am honored to be part of this foundation's work."

Vince Roig agrees. "We don't want to reinvent the wheel, but neither do we want to simply do what is safe." Noting that Luna balances both practicality and innovation he points to another attribute important to Luna's selection as President. "Paul's commitment to advancing education is personal and heartfelt." Roig notes that the board was impressed not only by Luna's abilities, experience and style, but also by this quality. "Being effective is important to Paul in the same way that it is important to the Helios Board. He is an exceptional choice for us."



## Governing the Nonprofit Sector

The US nonprofit sector is the sixth largest economy in the world. America's 835,000 nonprofits represent more than \$1.76 trillion in assets and \$945 billion in annual expenditures, making our nonprofit economy larger than the economies of Brazil, Russia, Canada, Mexico, and South Korea.

The sector's explosive growth, oversight and regulatory initiatives like Sarbanes-Oxley in the business world, and the growing importance of nonprofits as essential partners to business and government have all led to unprecedented scrutiny of nonprofit organizations and their boards. Phillips Oppenheim hosted a meeting of senior business and nonprofit executives to discuss nonprofit governance; this article offers an overview of their perspectives.

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### Great Expectations

Nonprofits are confronting unprecedented demands on every front: clients and the public demand meaningful services with breadth and depth, funders demand process efficiency and tight controls, and both demand operational excellence and flexible response. It is not surprising that nonprofit boards are playing an ever more active role in monitoring the programs and finances of their organizations. Nor is it surprising that boards themselves are being held to higher standards of performance and accountability.

"In these post-Enron days," notes Roger Goldman, President of Ignite, Inc., "there is a feeling that reform of the nonprofit sector will happen, either voluntarily or by fiat. And, as it should be, the focus will be on the board, because it's the board, not the CEO, that has the ultimate responsibility to stakeholders: to customers or service recipients, shareholders or donors."

As board accountability looms ever larger, the selection process for nonprofit boards has become more disciplined. Increasingly, board searches focus on attracting individuals with diverse perspectives as well as specific experience and skills. Such individuals must be willing and able to accept demanding fiduciary, ethical, and program oversight responsibilities. Group dynamics also play an important role: People need to get along with one another and be able to work through complicated issues even when tensions arise.

According to consultant Sue Lehmann, board involvement and organizational success go hand in hand: "If you want to have impact, your board has to move along with you. Every time you have a new plan, the board needs to go through a process of self-examination and analyze the skills, experience, and access required by that plan. This means establishing a board culture that embraces change." Lehmann believes that to be resilient and successful over the long term, boards must be able to manage rapid change in governance and operational models, be deeply engaged in helping their organizations achieve their missions, and must be willing to periodically reconstitute themselves in order to balance continuity with fresh perspectives.

According to Ana Oliveira, President and CEO of The New York Women's Foundation, the best-managed organizations share a common characteristic: the board chair and CEO work closely as partners in defining a vision and strategic agenda for their nonprofit. "Our mission is the background music we all dance to. In governance, the centrality of that mission is key." This high-level partnership provides organizations with stability and continuity; it also encourages long-term planning over short-term crisis management. Strategically managed nonprofits focus on a few priorities, develop plans for achieving priority objectives, and understand their resource needs. Their operating plans are built around milestones and metrics that are tied to financials. They measure and fine-tune performance. A board that excels at strategic governance can play a pivotal role in all these areas.

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### Accountability – and Responsibility

Integrity, ethics, and fiduciary oversight are intertwined. As nonprofits adopt Sarbanes-Oxley like accountability standards, the balance of power is shifting from the CEO back to the board, underscoring the importance of its fiduciary role. Yet many organizations have not caught up with this reality. According to William Donaldson, former Chairman of the SEC, "...the nonprofit world tends not to pay much attention to the aspects of Sarbanes-Oxley that might apply to it." Donaldson emphasizes that fiduciary responsibility extends beyond the CEO to the board. "It's the board's ultimate responsibility, fiduciary as well as moral, to monitor financial controls and manage conflicts of interest."

Today, many nonprofit boards are struggling to redefine their governance responsibilities. Boards are grappling with complex issues of strategy and programming; they are becoming involved in the evaluation of alternative delivery strategies, management of financial risk, and oversight of processes and financial controls. The range of concerns is daunting. As Roger Goldman points out, "How many boards look at 990s and understand them? How many boards review all existing and new programs? How many boards understand their budgets or the quality of their human resources?"

Boards also have another, less tangible, responsibility: setting the highest possible standards of integrity and ethics. “Every business and nonprofit must foster its own DNA,” observes William Donaldson, “not just a set of objectives, but a cultural DNA that says, ‘this is the way we do things – this is how we function as an organization.’” According to Donaldson, it is the role of organization leaders - including board members - to embed this DNA culturally. The board sets the tone through its approach to governance: “It’s the board’s CEO, not the CEO’s board,” stresses Donaldson. How a board handles conflicts of interest, evaluates its own effectiveness in supporting program objectives, and adjusts to changing organizational and client needs are all critical facets of the governance process.

## Building a Stronger Board

Board development is a complicated and rewarding task. The search for the right board – one whose members and chair have complementary skills and experiences that are relevant to the nonprofit’s mission – is as critical to the organization’s ultimate success as the search for the right chief executive and staff. “You can build a strong board only if you have the right chemistry,” observes Sue Lehmann. “You need the right skills and the best match. You also have to ask, ‘Will people like each other? Will they have a good time together? Will this board be fun and interesting?’ Smallness in a board is key. If you’re over 15 members, you’re in dangerous territory.” Lehmann also feels that communication is critical – and that standards for attendance, responsiveness, and expertise must be conveyed clearly so that prospective board members know exactly what is expected of them.

Board development is not just about competence, it is about seeking out diverse perspectives and strategically positioning an organization within the community being served. Retirees form a particularly rich potential pool of board members. “Many of these people are running at 100% of intellectual capacity,” observes Roger Goldman. “If you have friends in their 60s, 70s, or even 80s who have left corporate America and are still alert, you will find a deep sense of frustration. They have all this knowledge, all this wisdom, and all this shrewdness. They have made every mistake in the book, sometimes twice. They want to impart what they’ve learned. But no one is asking.”

“Having been an educator,” notes William Donaldson, “I know that there are some fabulous young people who have innate leadership capabilities. They would make terrific leaders if nonprofit boards were willing to take a bit of risk by bringing on someone with a little less gray hair and a little more drive.” Lance Lindblom of the Nathan Cummings Foundation agrees, suggesting that boards look to leaders in mid-career. “The number of people who come into my office saying, ‘I need meaning in my life, have you got any suggestions?’ is just unbelievable.” Lindblom cites law firms as an example. “You have mid-level partners dying to do something. There are whole pools of people who really want to serve. You just have to go out and ask them.”

As nonprofits face escalating expectations about program results and fiscal management, astute guidance from their boards will prove essential for success. This makes developing a clearly articulated governance model and board team a priority for every organization seeking to achieve its mission with impact and efficiency.

## → Our Panelists

**William Donaldson** has served most recently as Chairman of the Securities and Exchange Commission. He previously served as Chairman and CEO of Aetna, Chairman and CEO of the New York Stock Exchange, Co-founder and Chairman of Donaldson, Lufkin & Jenrette; and as a board member of the Ford Foundation, Lincoln Center, Yale University, and the Carnegie Endowment for International Peace.

**Roger Goldman** President of Ignite, Inc., a management consulting firm, Chairman of the Board of Lighthouse International, and past Chairman of the Juvenile Diabetes Foundation. Mr. Goldman has also held executive positions with a number of banking concerns, including National Westminster Bancorp and Citicorp.

**Sue Lehmann** has spent more than 25 years working with nonprofit, business and government executives and boards on governance, strategy, business development, and communications issues. She serves on the Executive Committees of the Boards of Teach for America and New Visions for Public Schools.

**Lance Lindblom** President and CEO of the Nathan Cummings Foundation, and has also served as a Program Officer at the Ford Foundation, as Executive Vice President at the Soros Foundation’s Open Society Institute/ Open Society Fund, and as Executive Director, President and CEO of the J. Roderick MacArthur Foundation.

**Ana Oliveira** Ana Oliveira is President & CEO of The New York Women’s Foundation. She has worked in the health and human services field for over 20 years, served as the first woman and Latina Executive Director of Gay Men’s Health Crisis, and directed innovative community-based programs at Samaritan Village, the Osborne Association, Kings County and at Lincoln Hospitals.

*For a more detailed discussion, please visit our Web site: [phillipsoppenheim.com](http://phillipsoppenheim.com).*

## → Nonprofit Leaders

Recruited by Phillips Oppenheim

### **Maxwell Anderson** **Director, Indianapolis Museum of Art**

Anderson leads a newly-expanded art museum that also includes the historic Oldfields-Lilly House & Gardens and the 100-acre Virginia B. Fairbanks Art & Nature Park. He previously served as Director of the Whitney Museum of American Art, the Art Gallery of Ontario and the Michael C. Carlos Museum in Atlanta. ([www.ima-art.org](http://www.ima-art.org))

### **André Bernard** **Vice President and Secretary, John Simon Guggenheim Memorial Fund**

Bernard assumes responsibility for the Fund's two fellowship competitions, providing awards to enhance the work of scientists, scholars, and artists. He was most recently Vice President and Publisher of Harcourt, Inc., and he has been an editor at Viking Penguin, David Godine, Simon & Schuster, and Book of the Month Club, where he was Executive Editor and Director of Acquisitions. ([www.gf.org](http://www.gf.org))

### **Sam Cobbs** **Executive Director, First Place Fund for Youth**

The First Place Fund helps foster care youth to make the difficult transition to independent living through supported housing, emancipation training, and other support services. Cobbs will lead the organization after tenures with Juma Ventures and as Director of Program Services at Larkin Street Youth Services. ([www.firstplacefund.org](http://www.firstplacefund.org))

### **Alexa Cortes Culwell** **CEO, The Stupski Foundation**

Established by Larry and Joyce Stupski, the foundation advances advance education reform in school districts with the greatest need. Culwell comes to lead the foundation after her tenure as CEO of the Charles and Helen Schwab Foundation, where she directed initiative-based grantmaking programs in homelessness, poverty prevention and substance abuse. ([www.stupski.org](http://www.stupski.org))

### **Patricia Dandonoli** **President and CEO, WaterAid America**

WaterAid America helps people living without safe water and sanitation. Patricia Dandonoli has held senior positions at the American Museum of Natural History, the Sundance Institute and in the Office of Her Majesty Queen Rania al-Abdullah of Jordan. As a consultant she has also served the American Cancer Society and the Rock & Roll Hall of Fame in the areas of financial, program and capital campaign planning. ([www.wateraid.org.uk/usa](http://www.wateraid.org.uk/usa))

### **Deborah de Santis** **President and CEO, Corporation for Supportive Housing**

CSH is a national supportive housing nonprofit with offices across nine states and Washington DC. De Santis has a background as Executive Director of the New Jersey Housing and Mortgage Finance Agency, Executive Vice President for a private real estate development company, and as the Director of the New Jersey office of CSH. ([www.CSH.org](http://www.CSH.org))

### **Nicholas Elsishans** **CFO, Fine Arts Museums of San Francisco**

FAMSF is San Francisco's largest public arts institution and includes the de Young and the Legion of Honor. Reporting John Buchanan, who we recruited to be the Director of the Museums, Elsishans assumes

responsibility as CFO after serving as Managing Director for the Edgewood Center. ([www.FAMSF.org](http://www.FAMSF.org))

### **Margaret Hempel** **Vice President of Programs, American Jewish World Service**

The AJWS is an international development organization dedicated to alleviating poverty, hunger and disease among the people of the developing world regardless of race, religion or nationality. Hempel most recently was the Vice President of Programs at the Ms. Foundation for Women and prior to that served as Deputy Director of the Human Development and Reproductive Health Unit at the Ford Foundation. ([www.ajws.org](http://www.ajws.org))

### **Paul Meecham** **President and CEO, Baltimore Symphony Orchestra**

A native of Britain, Paul Meecham has served as Executive Director of the Seattle Symphony, and in senior management positions with the New York Philharmonic and the San Francisco Symphony. Paul and Music Director Designate Marin Alsop will be working to increase the world-class Orchestra's visibility nationally and internationally. ([www.baltimoresymphony.org](http://www.baltimoresymphony.org))

### **Kathryn St. John** **Director of Communications, Homes for Working Families**

A newly-created national bi-partisan organization, Homes for Working Families increases access to affordable, good quality homes for America's working families. St. John's background includes posts with The WadeGroup, Inc., Burson-Marsteller, BSMG Worldwide and several senior communications roles for the Republican National Committee. ([www.homesforworkingfamilies.org](http://www.homesforworkingfamilies.org))

### **Eric Stensvaag** **Associate Director for Institutional Giving, San Francisco Symphony**

Led by Maestro Michael Tilson Thomas, the San Francisco Symphony sets the highest possible standard for excellence in musical performance at home and around the world. Stensvaag assumes his new position after tenures with the John F. Kennedy Center for the Performing Arts, the Washington Chorus and the Phillips Collection. ([www.sfsymphony.org](http://www.sfsymphony.org))

### **Doug Stewart** **Executive Director, Max M. and Marjorie S. Fisher Foundation**

As the foundation's first Executive Director, Stewart will help the organization address issues facing the City of Detroit while shaping programs to advance education, the arts, health and HIV/AIDS, Jewish affairs and Israel. He previously served as Director of Development for Children's and Women's Health at the University of Michigan.

### **Tom Vander Ark** **President, X Prize Foundation**

The X PRIZE Foundation is an educational non-profit prize institute offering multi-million dollar awards for breakthrough innovations that benefit humanity. Prior to joining X Prize, Vander Ark was the Executive Director of Education for the Bill & Melinda Gates Foundation. ([www.xprize.org](http://www.xprize.org))

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