Keeping Our Balance:

Strong Governance in Challenging Times

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In the much-loved musical, *Fiddler on the Roof*, Tevye's soliloquy likens the condition of his people in Anatevka to a fiddler on the roof, trying to keep his balance while scratching out a simple, pleasant tune.

Tevya asks us, "And how do we keep our balance?" He can of course tell us in one word as he bellows, "Tradition!"

I thought about how we in the Jewish community and especially at the Jewish Community Foundation in San Diego are keeping our balance. Admittedly our times cannot compare with the ravages of the pogroms. As a local leader once observed, "It's a long way from the shtetl to La Jolla." Yet the lyrics of this old song made me wonder just how we are keeping our balance in a time that many of us have never experienced before.

What traditions have we created within the world of Jewish organizations that can help sustain us and strengthen us during these turbulent times? Jewish communal workers are certainly famous for our response to emergencies and our dedication to going beyond what is expected. We have a tradition of compassionate, caring service to our communities. Yet these established traditions may not be enough today.

This article discusses three traditions—management practices, legacies and endowments, and governance—that have allowed the Jewish Community Foundation (JCF) in San Diego to be innovative and strong. It further reflects on how Jewish organizations in general can apply these practices in the current recession.

By no means do we have all the answers in our community at the very southwest corner of the continent. Over the past 15 years, however, we have enjoyed success, building our assets significantly and now awarding more grants than any other foundation in San Diego—$67 million last year. JCF has applied discipline and focus to create a culture that is helping us keep our balance. My intent in this article is twofold: to be helpful to others as they develop their strategies during these difficult times and to generate new ideas that go beyond the scope of this article.

MANAGEMENT PRACTICES

At JCF, we have created a tradition of thoughtful planning, staff development, and strategic deployment of resources.

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Luckily for me, I had management experience before accepting this assignment. At Bank of America headquarters in San Francisco, I managed an Employee Relations Division that served more than 30,000 employees. My responsibilities included coaching managers, legal compliance, and labor relations issues, as well as managing a large staff of my own. In other corporate positions, I had taught basic supervision classes, managed layoffs, developed compensation programs, and recruited executives.

As I built the foundation in San Diego, I began to apply best practices in management and was enthusiastically cheered on by the board. They themselves were entrepreneurs and leaders, eager for a professional and positive approach. Our key management practices include a rigorous planning process, goal tracking, customer service measures, and disciplined documentation and reporting.

Much attention is paid to staff—to their selection, orientation, communication, recognition, compensation, and development. Particularly gratifying in the past few years has been the formation of a talented, highly effective senior management team.

A few years ago, the University of San Diego established a master's degree program in nonprofit management. As a member of the curriculum development committee, I was asked to teach a class that summed up my approach to management; it was entitled *Building Positive Workplaces*. Class materials included a quiz (see Table 1) that guides the evaluation of management practices. The students found the questions illuminating and helpful in their efforts to make changes in their own environments.

Affirmative answers to these questions will keep an organization balanced in good times and bad. The turbulent markets and negative signs in the economy present powerful incentives to revisit the way we run our organizations and to stay focused on the ingredients of long-term success.

At JCF, these are creative, high-energy times. For example, we decided early on in the recession that we would encourage grant making at all costs—even at the risk of lowering our revenues from a declining corpus. In a time when the community needs us the most, we are encouraging our donors to be strategic and generous. We have engaged donors in many discussions, presented seminars, communicated over the Web, and published articles in the local press. The results are gratifying: JCF has awarded more grants in the first 6 months of our fiscal year than in any year on record—more than $40 million.

Table 1.
Questions to Evaluate Management Practices

1. Do the people in your organization have a clear understanding of the organization's vision and find it compelling and important?
2. Does your organization hire or engage competent, qualified people who share the organization's values and have a healthy approach to their work?
3. Does each staff member set goals that relate to the overall organizational plan and is each monitored regularly with meaningful discussions?
4. Are staff meetings upbeat and meaningful? Do people leave the room feeling better than when they came in?
5. Does the staff generally avoid working in an emergency mode with last-minute deadlines and constant time pressure? Do they spend enough time planning and communicating with each other?
6. Is the staff encouraged to learn new things—both on the job or through classes—that will help them succeed at their work? Are they given the tools, training, and resources to attain their goals?
7. Are staff members proud of the service they provide to each other, clients, donors, or others who are important to the organization?
8. When a problem arises, is the effect lessened because of the positive relationships based on trust and respect?
9. When there is a problem or mistake, do people generally consider it a learning experience? Is there a complete avoidance of blaming and criticizing in public?
10. Does the workplace encourage employees to make healthy choices related to balancing their work and personal lives?

Last October, in an effort to stay in close touch with our donors, we decided to call 500 donors by year's end. Donors warmly welcomed our contacts. They were eager to hear how the community was faring and how they could help. Many conversations turned to legacy giving, which is discussed in the next section.

Management gurus Ram Charan and Geoffrey Colvin advised during the last recession, "In doing all that must be done, the most effective managers follow simple advice that others ignore in troubled times: Be bold. Act soon. Move fast. Do all that, and when the slowdown ends, you'll come out stronger. That's your goal" (Charan & Colvin, 2001).

LEGACIES AND ENDOWMENTS

Our second tradition seeks to build a culture of legacies and endowments.

In April 2004, the JCF initiated the Endowment Leadership Institute (ELI), partnering with 20 agencies, day schools, and synagogues. In less than 5 years, 650 families have established current or future legacies totaling more than $150 million.

The key element of the ELI program is maximizing the positive relationships that organizations already have with their donors. JCF provides each organization with a focused course of study that includes group sessions and individual coaching. Each organization develops an implementation plan with specific annual goals. Upon attainment of these goals, the organization receives a JCF unrestricted grant of $12,000 a year for the first three years. Highly motivating, these incentive grants recognize the good efforts of our organizations and help them celebrate their success.

In addition, JCF funds a community marketing initiative to create an awareness of bequests, endowments, and other planned gifts. In December 2008, for example, the *San Diego Jewish Journal* published three pages of names of families and individuals leaving legacies.

Through ELI, all types of Jewish organizations and all denominations are working together with a cooperative and collaborative spirit. Participants have improved their relationship-building skills and activities. Many donors are reporting that they are being thanked and appreciated more regularly and in more meaningful ways. There is an overall positive impact on both annual and capital campaigns.

San Diego is eager to share our success with the North American Jewish community. Gail Littman, our Director of Endowments, lectures widely. Harold Grinspoon is one of our biggest advocates and has brought Littman and the program to Jewish camps and day schools through PEJE, the Partnership for Excellence in Jewish Education. We collaborate regularly with the United Jewish Communities (UJC). In fact, the most recent UJC Star of David Society newsletter described successful legacy programs in three communities—Richmond, Greensboro, and Kansas City. All three cite San Diego as their model. At last count, 12 communities have adopted programs similar to ours.

The recession has not interrupted the momentum. Local estate planners tell me that their business is steady, and we certainly feel the results here at JCF. Just since July, 55 families have notified us that they are leaving legacy gifts to the community. Personally, I am working with six families whose bequests and endowments total in the tens of millions.

Just as the recession was deepening, several agencies received generous bequests from loyal, valued donors. One can imagine the celebration at the board meetings when these gifts were announced, gifts that can balance the negative results of the remainder of the fundraising report. Yet, these bequests were not surprises: they had been solicited, documented, and stewarded over the years.

It is time we in the Jewish community stop looking longingly over our shoulders at the university and health care models of planned giving. We have the community, the connections, and the shared values to engage countless families in leaving legacies. Why are so many of us waiting to do so?

The enormous transfer of wealth is happening, recession or not. How many communities are cutting back their planned giving staff because of limited resources? How many do not even have development professionals in planned giving? How many communities are missing this unique opportunity to help our elders create legacies for the organizations that have shaped their lives? These future endowments can free organizations from relying solely on current fundraising efforts, the all too typical hand-to-mouth resource development approach that threatens to topple organizations during tough times.

GOVERNANCE

Although bequests and endowments continue to be a top priority in San Diego, the natural next step is to help ensure strong governance of the organizations receiving these major gifts. We launched the Governance Leadership Institute (GLI) in April 2008 in collaboration with the Wexner Heritage Program alumni, led by the vision of Jane Scher, a Wexner alumna and member of JCF's executive committee. The GLI kickoff session featured Dr. Jeffrey Solomon, president of the Andrea and Charles Bronfman Philanthropies, who discussed the often-misunderstood role of board trustee and challenged the organizations to improve their selection of board members (see "**The Sacred Task of Trusteeship**" by Jeffrey Solomon).

GLI has a simple premise: donors are more likely to leave legacies if they are confident that their funds will be managed carefully within well-governed organizations with effective oversight. Outstanding governance not only promotes healthy organizations with an enhanced ability to serve the community but also keeps philanthropy strong (see the **interview with James S. Farley**).

The 10 governance mandates are shown in Table 2.

Through GLI, JCF offers to the participating organizations membership in

Jeffrey Solomon: The Sacred Task of Trusteeship

With the combined impact of a deep recession and the Bernard Madoff Ponzi scheme that has dramatically affected nonprofits, there are some interesting questions of which we should remind ourselves. Sitting on an organizational board is a sacred trust—a stewardship that is built around helping that organization achieve its mission and sustaining it for future generations.

In a study of failed organizations I conducted a number of years ago, the most common response of board members to the organizational failure was, "I knew something wasn't right, but I trusted the officers (or the chair) because they were more committed volunteers and worked harder than I did."

There is a sad reality to those quotes, one that does not integrate the lessons of governance and leadership that are being seriously delivered in the San Diego community through GLI. Today, we are aware of how some boards let social prominence trump due diligence. Organizational investments like all other decisions made by a board should be based on this prudent principle: What would a prudent person do with this set of facts that are being presented? In the case of investments, in the past two decades we have seen radical change in the philosophy of nonprofit investment. We have gone from the norm being one of little risk tolerance and recognition that the downside consideration was more important than the upside consideration to a norm of treating the organization's investments as if they were personal. That does not represent the prudent person principle.

Good governance begets good governance. The habits instilled in well-functioning boards, which focus on overall agency policies, performance of the chief executive officer, budget determination and oversight, and stewardship over the physical and financial assets of the organization, are still the core principles that should not be subjected to change. Boards are not clubs, rewarding individuals for their social achievements. Those that have created that kind of culture need dramatic change.

We are blessed with a very strong sense of community as a result of our heritage. At times like this it is imperative that we import that historic sense of community to a 21st-century sense of responsibility and stewardship.

BoardSource, a national nonprofit resource for board development; JCF governance seminars; and ongoing consulting and coaching. With access to a consultant hired by JCF—the former COO of San Diego's Rady Children's Hospital and a highly respected expert in board governance—each participating organization has completed a board self-assessment and established a plan to strengthen its governance practices.

The organizations themselves are a source of best practices. In November 2008, more than 100 lay leaders and professionals gathered to address specific strategies in response to the recession. The goal of the session was clearly defined: each organization's team would leave the room with at least three or four key strategies for facing the downturn. Overwhelmingly, the participants gave the session high marks. The resource material we distributed, including Solomon's (2008) article on coping with the recession, was good, but even better were the organizations' participation, solutions, and commitment to work together. A full recounting of the session can be found at www.jcfsandiego.org.

As I write this article, the San Diego Jewish Academy is receiving the 2009 Excellence in Governance Award from the University of San Diego. The judges stated, "The San Diego Jewish Academy has demonstrated excellence in governance through insightful strategic thinking, staying focused on their core mission and forging a strong partnership with leadership to position the organization for success in even the most challenging of times." Other Jewish organizations will be applying and going through the rigorous application and review process for next year's award. Incidentally, JCF was the first recipient of this award three years ago.

The next GLI session will focus on legal issues. We intend to present a format for a legal self-audit, covering all the areas of nonprofit legal compliance. For example, how many organizations understand the legal and human resources implications of a layoff or a staff restructuring? They go well beyond calling a labor attorney in the final hour.

INVESTMENT IN INNOVATION

Endowment and governance programs, if done well, require substantial investments. Some days, my job feels more like a venture capitalist, seeking funding for innovation that will transform our community.

For its first 6 years of operation, the Endowment Leadership Institute cost more than $2 million for marketing, incentive grants, and consultants and staffing. Many local families invested in the program, especially when they saw the early return on their investment (see the comments from **Murray Galinson**).

To fund the Governance Leadership Institute, the Wexner alumni stepped forward. Their stamp of approval caught the attention of other families. Now that

Table 2. Ten Governance Mandates

1. Determine the organization's mission and purpose.
2. Build constructive partnerships; support the professional staff and assess performance.
3. Provide proper financial and investments oversight.
4. Ensure adequate resources.
5. Ensure transparency and legal and ethical integrity; maintain accountability.
6. Ensure effective organizational planning and strategic planning.
7. Ensure board succession and assess board performance.
8. Determine, monitor, and strengthen the organization's programs and services.
9. Encourage continuous learning.
10. Enhance the organization's public standing.

An interview with James S. Farley, president of the Leichtag Family Foundation, an independent private foundation in Carlsbad, CA.

As the recently appointed president of the Leichtag Family Foundation, you have demonstrated a serious commitment to strong governance. Why have you focused your energy in this area?

A: We are committed to implementing the intent of our founders by embracing "best practices" in the governance of the foundation, thereby assuring compliance with our primary duties as the fiduciaries of a public benefit corporation. The manner in which we drive the foundation's mission, manage the foundation's finances and assets, and distribute our grants to nonprofit organizations for public benefit remain our manifest responsibilities as foundation governors.

How have you promoted accountability and engagement among the trustees of the Leichtag Family Foundation?

A: Ultimately, understanding our responsibilities as governors is the catalyst for accountability and engagement. In this regard, we have formed what we believe is a unique relationship with JCF, which serves as our primary professional advisors. We have benefited profoundly from this relationship. Not only does it serve as an effective and efficient business model for our operations, but it also supports the important, ongoing educational processes that are necessary to our efforts. I believe that our relationship with JCF has been the most important single factor in our evolution as a foundation. It has allowed the members of our board to understand the needs as well as the opportunities for their engagement individually and collectively and given all of us the confidence that we can pursue strategies that promote the greater good.

Why do you believe so strongly that the Leichtag Family Foundation should be transparent in its governance?

A: In my view, the development, care, and feeding of a collective vision of our charitable purpose form the core of our work, which, in turn, is critically dependent upon our integrity. To me, transparency is the heart of the justice we seek in our mission. It is dependent upon it. Simply stated, without transparency, our mutual respect for, and satisfaction of legal responsibilities to each other as board members, as well as our credibility in the community we serve and the partners with whom we work would be a nonstarter.

Part of governance is evaluating the effectiveness of an organization. How can foundations best assess their social impact?

A: This is a difficult question and does not lend itself to simple answers. I certainly wouldn't attempt, at this early stage of the evolution of our foundation, to answer this question in the global landscape for other foundations. It seems to me that the strategic initiatives that address the "big questions" of our day—that is, where we see our greatest opportunities for community building—are oftentimes matters for which we need to have great diligence and patience. Oftentimes, small, incremental advances are made that can be very important. And, we will have our misses. To me, the most important factor in assessing our social impact at the end of the day will be in the way in which we made our decisions at the beginning of the day. Stated differently, as a grantor, did we execute responsibly as an agent for change?

How important is the governance of the nonprofit organization when the Leichtag Family Foundation makes funding decisions?

A: I believe that the governance of our prospective grantees is as important to our mission as it is to theirs. It is counterintuitive to think otherwise. We would not knowingly fund an organization that failed to embrace a "best practices" culture.

JCF's revenues are lower because of the weak economy and our robust grant making, we have a strategy and plan for keeping both ELI and GLI going strong. To do otherwise would be shortsighted and foolish.

INSPIRED LEADERSHIP

Both Moses Maimonides and Warren Bennis talk about successful leadership not in terms of any particular traits or characteristics. Leadership emerges more often "as a result of an individual's ability to adapt to a crisis or challenge" (Lewis, 2006). How we respond to the immense challenges ahead will be the ultimate test of our leadership. As Proverbs 3:21–22 tells us, "Hold on to resourcefulness and foresight. They will give life to your spirit."

The economic downturn is a time for change, for a reordering. Jewish organizations can create new traditions. We can become stronger with new wisdom gained through our management and governance. We can build major endowments to sustain us through economic cycles for decades to come.

Murray Galinson, Chair, Jewish Community Foundation of San Diego and Chair, Jewish Funders Network

My family foundation at the Jewish Community Foundation was the first to invest in the Endowment Leadership Institute (ELI). We knew from the start that it would produce major payoffs. The results have been remarkable. The community is truly working together—and these tough times make it all the more important.

On a personal note, my wife Elaine and I were pleased to create a charitable estate plan, naming both Jewish and secular organizations. After our lifetimes, 12 different organizations will have endowments in our name housed at JCF. JCF will be our charitable trustee, making sure the endowments are properly invested, audited, and administered.

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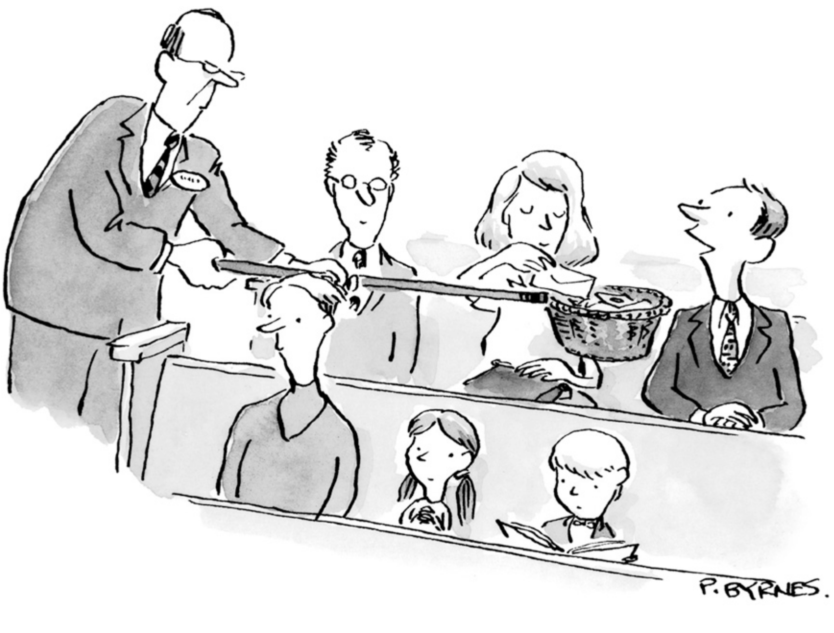

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