



THE JAMES BEARD
FOUNDATION

Memorandum

To: Beard Foundation Board President
From: Wilson Wong, Consultant
Date: December 4, 2007
Re: Beard Foundation Governance

“Recipe for Scandal” accentuates the significance of the roles governance and leadership play in organizational operations, while underscoring the necessity for transparency and accountability. Len Pickell, an outsider to the James Beard Foundation, took advantage of a trusting Board that possessed negligible administrative experience or management oversight. While Pickell was successful in building and sustaining the fledgling Beard Foundation’s funds and brought in nearly \$4.5 million towards the end of his tenure, he was also able to skim off the top, stealing hundreds of thousands of dollars to finance fancy gifts, overseas trips, and lavish meals. In the end, not only was the Beard Foundation’s finances in jeopardy, but its reputation and role in the culinary world was on the line as well.

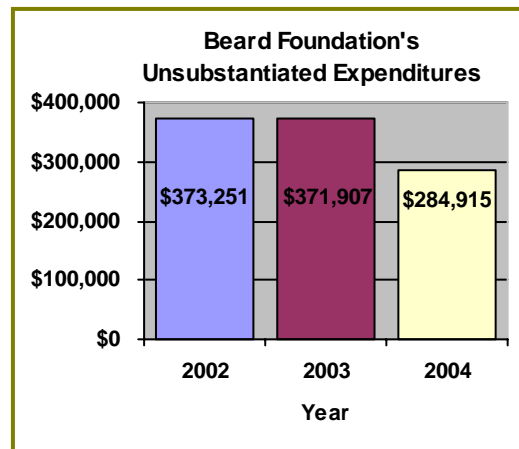


Figure 1- Ottaway & Stephens, 2003

Analysis

Pickell is easily identifiable as a “con-man” and a scapegoat in this case, however the issues of misguided governance are more complicated than it first appears and the scandal is the result of multiple factors each contributing to the scandal. Aside from Pickell’s own mismanagement of funds, the Board of the Beard Foundation and the structure of the organization are components that facilitated misconduct and failure to regulate any scandal.

“Why should I care?”—Executive “Outsider”

Superficially, Pickell was a successful, and in some respect, competent leader—he was an effective fundraiser and expanded the Foundation's reputation as a culinary institute where chefs paid an honorarium out of their own pocket to cook at the Beard House. The Board of Trustees took Pickell's worthwhile leadership-like qualities of charisma, confidence, sociability, and fundraising competence as signs of a “good” leader, qualities which Collins also prescribes for effective leadership (Collins, 2001).

Yet, as an “outsider” who came in as a dinner guest one evening, Pickell inherently held no loyalty or investment to the Foundation. He did not have any personal accountability towards the Foundation or its mission to advance the culinary arts. In fact, the Board merely selected Pickell out of convenience since he had administration and financial experience and due diligence was not performed in properly selecting a competent and effect leader. One of the primary roles of a board is to select the Executive staff, particularly one who is invested in the organization, its cause, and the spirit of a non-profit. Though not required for being simply a leader, an *effective* leader will often be passionate about their work and have intimate knowledge of the organization's internal workings. Pickell was quite the opposite as a “toxic” leader, one who was successful and transactional, but not transformational (Collins, 2001). His “gargantuan personal ego” besmirched the Beard name and its reputation so he could further personal gains instead of benefiting the Foundation.

"It was a very cool place to be associated with..."

-Ottaway & Stephens, 2003

“Who's Watching Anyway?”—Lack of Accountability and Oversight

Pickell is not solely to be blamed—in this case, the Executive Board should be partially held accountable for Pickell's actions since they possess ultimate oversight of the Executive and the organization's operations and finances. One of the principal responsibilities of a non-profit board is to maintain fiduciary duties of the organization, including monitoring compliance for stated laws, regulations, or tax guidelines. The Board of Trustees erred in failing to sustain

basic supervision of the Foundation's financial statements or even place checks or safeguards on Pickell's actions and activities.

A board has responsibility for monitoring the performance of the Executive and developing and cultivating this person for the role. Conversely, they are responsible for firing the Executive, should this person not fulfill their duties with satisfactory conduct (Dees et. al, 2002). The Board failed to fulfill either duty in critically managing the Foundation's longevity and success; thus, Pickell openly abused his privileges without any supervisory checks or balances.

To Be a Board Member...Board Duties and Responsibilities

Perhaps the ultimate pitfall in the scandal is not the failure to execute essential board functions, but that Pickell echoed the Board's sentiments and actions. It is little wonder that Pickell was able to get away with so much, since he apparently embodied the Board of trustee's own greed who cared more in their own personal gain. Most of the members admit to being more interested in "prestige [rather] than financial statements". As one board member stated, "It was a very cool place to be associated with..." Several members of the Executive Board also personally benefited from their association with the Foundation and Pickell, which is a clear conflict of interests and duties. Board members were entrenched with Pickell's spending, accepting extravagant gifts, enjoying entertainment at luxury restaurants, and traveling with Pickell on the Foundation's expenses. Such actions cripple members' ability to preserve objectivity or fulfill difficult fiduciary responsibilities where board membership implies loyalty to the organization and serving its needs over his/her personal needs. Effective Board governance relies not only on investment in the organization's welfare, but also a degree of independence from the executive staff to limit "opportunism and self-serving behavior of executives... and to more effectively monitor and assess the performances of senior managers" (Frederick, 2001).

Recommendations

As the Board prepares to move forward, they can undertake several measures to ensure an effective leader is hired, such as formalizing the position of the Executive and seeking out specific leader qualities. General best practices, be it the reorganization of the Board or promoting staff from within, can help ensure accountability and that the Executive's behavior is appropriate and beneficial to the organization.

Board Involvement—Board Accountability and Fiduciary Responsibilities

Increasing transparency in the Foundation is a broad encompassing strategy, which facilitates Board management and fiscal accountability. Beyond making financial statements readily available, principal agents must follow-through and periodically review the Foundation's financial health. The Board should hold annual budget and expenses review, analyzing past year's expenses and have a part in approving the following year's budget. Finally, objective analysis and review of the Foundation's finances should be conducted through annual independent audits, with auditors rotated on a regular basis. These essential financial practices facilitate Board accountability and fulfill part of the basic fiduciary responsibility.

Moreover, while the Board as a whole has fiscal responsibility, they can subdivide fiscal reviews and other continual oversight tasks to board committees (Eadie, 2005). Subcommittees allow undivided attention on different aspects of board governance, focusing greater detail on organizational decisions. A budget or finance board committee can function as a constant check on the Foundation's finances, tasked with reviewing expenses and budgets on a frequent basis—quarterly or even monthly. An additional citizen oversight committee (composed of a mix of studying chefs, Beard Foundation patrons, and other invested parties who would have a varying interests and perspectives) can function as a safeguard on a board's responsibilities. Dividing tasks improves overall quality of decision-making and enhances a board's ability to facilitate high-level management and operational functioning.

Effective Leadership

Houle, as cited by McClusky, acknowledges a shared responsibility of authority and responsibility by the board and the executive (McClusky, 2002), through which effectual leadership coincides between their dyadic relationship.

Selection of an effective leader with compelling leadership qualities is a critical component that facilitates a successful

relationship. Collins identified great leaders as “Level 5 leaders”, people who possessed key traits such as confidence, competency, humility, and trust, but in particular an “ambition first and foremost for the company and concern for its success rather than for one’s own riches and personal renown” (Collins, 2001). The Beard Foundation should seek out these transformational leaders who are invested in the organization and who can propel the organization’s interests.

To facilitate selection, boards can promote and cultivate an Executive Staff from within the Foundation. Current employees already have a degree of loyalty and investment in the organization and intimate technical knowledge and information, qualities that are time-consuming to develop in new employees. Furthermore, as part of the Board’s responsibility to develop the leadership role, employees groomed for the executive position can develop new skills required to run an organization, driving initial skill sets to become a secondary selection factor.

Board Reorganization

Effective board governance is complementary to proper leadership selection. Reorganization and institution of new board membership rules can sometimes revitalize and enhance a board’s ability to manage operations, while sustaining its independence from the executive staff. Rotating executive board membership, followed by membership reprieves (2 years on the board ensued by 1 year off) helps ensure the board’s objectivity in fulfilling their

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-Collins, 2001

fiduciary responsibilities. The Board would be able to increase impartiality, while infusing new ideas from new members.

Conclusion

The Beard Foundation has faced tremendous governance challenges, but has the potential to rectify its issues. The issues of an ineffective board and a dishonest leader are symptomatic of a lack of accountability within the organization, failure of the Board to fulfill its fiduciary duties, and an untrustworthy Executive. These deep-rooted problems ensue as a lack of independence between the Board and the Executive, which can be remedied through reorganizing the Board's membership and developing a leader from within the Foundation. Improved governance is further facilitated by following through with the Board's duties and roles. Keeping key leadership qualities in mind, the Board can move forward in the future to help ensure effective governance and the success of the Foundation.

References:

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