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Special Section Introduction: ARNOVA Governance Symposium Case Studies for Use in the Classroom and Practitioner Training

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Special Section Introduction:
ARNOVA Governance Symposium Case Studies
For Use in the Classroom and Practitioner Training
Ruth Bernstein, D.M., and Judy Freiwirth, Psy.D. Co-Editors

On behalf of the Governance Section of the Association for Research on Nonprofit Organizations and Voluntary Action (ARNOVA,) we are pleased to present this special section of the Journal of Nonprofit Education and Leadership which consists of seven governance case studies. The cases were developed as part of two Governance Symposiums organized during the 2015 and 2016 ARNOVA conferences; the 2015 Symposium was co-sponsored by *The Nonprofit Quarterly* and the 2016 Symposium was co-sponsored by the Alliance for Nonprofit Management, the national organization of capacity-builders. Written and presented by leading scholars in the field, these case studies provide wonderful learning tools focused on governance in the classroom and in training workshop settings and are designed for instructors, consultants, students, board members, and executive directors. In addition to the case “story”, each case study includes an instructor-trainer guide and a student-training participant study guide, including a list of activities and discussion questions; and a list of printed and electronic resources.

There has been increasing interest within the governance field for new and innovative frameworks that offer nonprofits and networks new approaches to become more responsive to the challenges of an ever-changing environment than traditional models of governance. Engaging constituents and other stakeholders in governance beyond the confines of the board structure, is an emerging framework gaining national interest. At the same time, many communities have been experimenting with a wide range of networked governance approaches in which multiple organizations come together in coalition, such as “collective impact” to

address community problems. In other communities, others, particularly when boards become insular and isolated from the communities they serve, stakeholders are pushing the boundaries of the traditional board as the sole locus of governance and demanding a role in decision-making. To highlight some of the newest thinking and practices in the field, the 2015 Governance Symposium focused on research and practice applications of *“Governance Beyond the Board”* as its focus.

Three of the cases from the session are included in this special section. The first case, written by Chao Guo, Seongho An, and Viviana Wu describe the dramatic turn of events at Sweet Briar College in which the stakeholders (students, alumni, staff, faculty, parents, and community) organized after hearing the board of directors’ announcement that they planned to close the college in three months. The case provides an excellent example of the ramifications of excluding key stakeholders from important governance decision-making. Through multiple organizing strategies, including legal actions, social media, and a fundraising campaign, the stakeholders successfully demanded a role in governance decision-making and through their mobilization, successfully reversed the decision.

The second case, written by Judy Freiwirth, examines an emerging, innovative governance framework, Community-Engagement Governance™, in which different governance responsibilities are shared beyond the board and across an organizational system or network of key stakeholders – that is, constituents, important community members, board, and staff. It is based upon principles of participatory democracy, self-determination, genuine partnership, and community-level decision-making as a foundation of true democracy. This case describes the experience of one of the participating groups, who designed and is currently implementing this new approach as part of a national Action Research project conducted by the author. The case

explores some of the early findings and results including the challenges the nonprofit faced in shifting the power dynamics within the organization.

The final case in the *Governance Beyond the Board* series is written by David Renz and focuses on network governance. Although coalitions and community-wide networks who share some governance responsibilities are clearly not new to the sector, this case describes an initiative in which two large funders launched a “collective impact” governance approach, with a goal of addressing homelessness in their community. The funders were concerned that after more than a decade of funding work in this area, the region seemed to be making little progress in decreasing homelessness. Attracted to the collective impact model, they decided to fund a collective community-wide effort with 31 nonprofit and governmental agencies, in an attempt to be more impactful. Renz provides a very useful review of the context and empirical background for network governance, including some of the key research in this area.

“Hot Topics in Governance: Voices from the Field and Implications for Research” was the theme of the 2016 Governance Symposium. The year 2016 provided governance scholars and practitioners with multiple opportunities to examine significant governance issues experienced by well-known organizations who received unwanted attention due to lax and fraudulent governance and few internal controls.

The Wounded Warriors Project, written by Ruth Bernstein and Jeff Aulgur, and the American Legacy Foundation, also written by Ruth Bernstein, discusses how funds were abused or stolen because of poor governance and internal controls. In these two cases, the lack of governance led to an absence of internal controls necessary to limit exposure to financial abuse and fraud. Both cases describe well-respected nonprofits with large budgets. The case of The Wounded Warriors Project focuses on the fraudulent behaviors uncovered at the one of the

largest United States' largest veteran's organization. Within five years of incorporation trouble with the top leadership ultimately led to resignation of the founder and CEO. Under the new CEO, revenues soared, to over \$342 million, but few veterans benefited from their limited programing, rather there was excessive spending on extravagant parties and events, with little spent on the veterans. Only after the media revealed excessive spending on extravagant parties and events, with very little moneys flowing to the veterans themselves, the board took action. Only time will tell if, and when, the Wounded Warriors Project will be able to regain the public trust.

The American Legacy Foundation (Legacy) was a celebrated nonprofit in Washington DC with a mission to convince young people to reject tobacco use, failed to adequately monitor itself. This case provides an example of how one employee, in an organization with poor governance and a lack of internal controls can create significant damage. Soon after the Legacy's inception, their Vice-President stole more than \$3.4 million using a system that included false invoices. Three years prior to this coming to light, an internal whistle-blower reported the fraudulent actions, but was rebuked. A Washington Post investigation brought the failures of the organization's governance and controls to the public. The damage was so significant that American Legacy Foundation felt that it had to change its name and rebrand itself in order to continue pursuing its important mission.

The DC Children and Youth Investment Trust Corporation (DC Trust), written by Chris Thompson, provides another example of excessive greed by nonprofit and government leaders, exacerbated by a leadership that steadfastly refused to learn the significance of good governance and the importance of establishing internal controls. For 16 years, from its inception to its dissolution, the DC Trust, a nonprofit dedicated to strengthening DC

communities, saw repeated internal control issues, lack of governance and inadequate financial reporting, and multiple fraud allegations. Money was diverted to pet projects of board members and elected officials, and even used by leadership to pay for personal expenses such as credit card charges and travel. The final outcome was that six DC officials were found guilty, prison sentences were handed out, and fines were levied. But, the real crime, was the bankrupting and dissolution of the DC Trust and the elimination of the services program they provided to the youth and families of the District of Columbia.

In another fraud case, the Cancer Charities, written by Judy Freiwirth, describes the largest legal actions brought against a nonprofit for charity fraud. In 2015 the Federal Trade Commission and 50 states' attorney's general filed a civil complaint against a group of four cancer charities for bilking donors of \$187 million. The governance of these four charities were controlled by a single family and each of the boards was insular and isolated from the communities to whom they were accountable. The charities spent the vast majority of their donations, not on providing services to cancer patients, but instead on providing extremely large salaries and bonuses to staff or family members and paying for cruises, college tuition, cars and other luxuries for family members and friends.

As co-editors of this special section, we hope these cases will not only be useful in your classes, workshops and seminars, but also will help advance the governance field.

Ruth Bernstein and Judy Freiwirth

Co-Editors, ARNOVA special case study section