Published on *The National Law Review* https://natlawreview.com

Major Nonprofit Leadership Controversy

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A recently resolved controversy involving a nationally renowned charity provides a colorful example for nonprofit health systems of the potential risks of concentrating governance and operational authority in a single, charismatic individual, and of the attorney general's willingness to investigate what it perceives to be potentially problematic expenditures by a charity.

The **controversy had its roots** in the long time commitment of a highly prominent philanthropist to the charity, her interest in continuing to serve in a combined chair/president (*i.e*., operations leader) role, and the aggressive manner in which she dealt with other board members opposed to some of her positions. The controversy was fueled by the charity's settlement with a former CFO, who claimed the philanthropist had fired him for raising allegations that she had unilaterally authorized (*i.e*., no board approval) a $450,000 payment to a former staff member who had experienced illness. The state attorney general investigated the payment. According to **media reports on a recent meeting**, the charity's board addressed these concerns through bylaw amendments and other actions that changed the philanthropist's title and role, named a new chief executive officer and appointed an expanded board leadership group. The board is also **reportedly considering** implementing three year renewable terms for board service to replace what it referred to as an "open-ended service" arrangement.

These are themes that are not unusual for many health systems, large or small. The exercise of concentrated authority by dominant officers or directors—no matter the extent of their devotion to mission or best intentions—can create undesirable operational and governance controversy. They can disable the effectiveness of the board, cause rifts in the governance/management relationship and, in certain circumstances, prompt whistleblower activity and attract the attention of charity officials. Most health systems separate the board chair and CEO positions. Yet, it is not out of the realm of experience that some system boards suffer from other forms of individual officer and director dominance, *e.g*. a major donor, an influential business leader, a prominent physician, or a "legacy" board member. In these situations, as with the charity in question, it can be helpful to have in place such protections as bylaw provisions that require separation of the Chair/CEO positions; spending authorization protocols; individual board evaluation procedures and fitness to serve/disruptive director policies.

National Law Review, Volume VI, Number 284