

*The Voice of the Donor
for a Cure*

Juvenile Diabetes Cure Alliance

October 1, 2014

Board Accountability May Be the Key to a Cure

Contributors

P. Shaw

K. Latham

C. Murphy

N. Masercola

Contact:

212.308.7433

info@thejdca.org

Conclusions:

- Members of the boards of directors at major diabetes non-profits are much less accountable for performance than their for-profit counterparts.
- Boards of directors at the major diabetes non-profits do not set or communicate clear annual performance metrics.
- At over 30 members, the non-profit boards of directors are 4 times the size of the for-profit benchmark, which inhibits effective governance.
- Reporting on the non-profits' progress and finances is not as comprehensive, transparent, and timely in comparison to for-profit entities.

TAKE ACTION NOW

Ensure it's for a Cure



- ✓ **Specify** for Practical Cure research.
Use our letter at www.thejdca.org/
- ✓ **Call us** for an advisory meeting at
212-308-7433

The JDCA and its employees seek to maintain independence from organizations covered in its research reports. The JDCA and its employees are free from conflicts of interest, receive no compensation from the organizations discussed in its reports, and seek to avoid any relationships with any organizations that could influence its objectivity and independence. Please see Analyst Certification and Other Disclosures at the end of this report.

Board Accountability May Be the Key to a Cure

The boards of directors at the major diabetes non-profits have a greater ability than any other single group of people to accelerate a T1D cure. As the highest governing body at the non-profits, board members set the organization’s overall strategic direction and hold the final vote on where the organization focuses resources. They are the ones who can decide whether to bear down on a cure or concentrate on other things.

This report will review the role of the boards at the non-profits and recommend some ways to optimize their effectiveness. For-profit board duties stand as the benchmark because they have been honed to drive performance and accountability. By comparison, non-profit boards of directors are far less accountable for their organization’s performance, a situation which must materially change in order to have a chance at a T1D cure in the near future.

While there are many similarities between the boards of directors at for-profits and the major diabetes non-profits, the differences (highlighted in bold in the chart below) are substantial and important.

Boards of Directors Comparison: For-Profit Norms vs. Major Diabetes Non-Profits

| | For-Profit Norm | JDRF | ADA |
|--------------------------------|---|---|---|
| Accountability | ➤ Accountable to shareholders | ➤ Accountable to other board members | ➤ Accountable to other board members |
| Number of Board Members | ➤ Typically 6-12 | ➤ 34 (see appendix A) | ➤ 38 (see appendix B) |
| Appointment/Election | ➤ Elected by shareholders | ➤ Appointed by executives or board members | ➤ Appointed by executives or board members |
| Composition of Boards | ➤ A range of relevant, specialized skills and experiences | ➤ Primarily fundraisers (individuals who either make or raise substantial donations) | ➤ 2/3 scientific or medical experts; 1/3 fundraisers |
| Main Duties | ➤ Strategic direction | ➤ Strategic direction | ➤ Strategic direction |
| | ➤ Annual key performance indicators | ➤ No annual key performance indicators | ➤ No annual key performance indicators |
| | ➤ Hiring/firing CEO | ➤ Hiring/firing CEO | ➤ Hiring/firing CEO |
| | ➤ Executive compensation, particularly performance pay | ➤ Executive compensation, but minimal use of performance pay | ➤ Executive compensation, but minimal use of performance pay |
| | ➤ Annual budget approval | ➤ Annual budget approval | ➤ Annual budget approval |
| Financial reporting | ➤ Quarterly performance updates | ➤ No quarterly performance updates | ➤ No quarterly performance updates |
| | ➤ Annual financials filing: Within 90 days of year end | ➤ Annual financials filing: 3+ months after year end | ➤ Annual financials filing: 5 months after year end |
| | ➤ Publish annual report within 3 months of year end | ➤ Publish annual report 10 months after year end | ➤ Variable depending on year |

In nearly all cases, the non-profits would benefit from adopting or at least moving closer to the for-profit norm. A few highlights are as follows:

- **Board members must be externally accountable.** Whereas for-profits boards of directors are directly accountable to shareholders who have the power to elect and remove board members, non-profit board members can only be appointed or removed by fellow board members, which consolidates power in an insulated bubble. As other JDCA reports have contended, the non-profits would do well to create a structure that makes the board of directors directly accountable to the non-profit’s broad base of donors, who are the closest equivalent to shareholders.
- **The non-profit boards are too large for highly effective leadership.** For-profit boards are sized to be large enough to reflect a desirable range of skills and experiences, but small enough to allow for highly-engaged group discussion. As a result, roughly half of all for-profit boards have 7-9 members (according to the National

Board Accountability May Be the Key to a Cure

Association of Corporate Directors). The diabetes non-profits have 4 times that amount, with JDRF at 34 members and the ADA at 38, which makes it difficult to achieve high levels of engagement and unified focus.

- **Boards should adopt and make transparent annual key performance measures that demonstrate progress toward a cure.** Ensuring that key performance indicators are in place is absolutely fundamental to any high performing organization, and is a key responsibility of the board of directors in the for-profit environment. Without setting such metrics on an annual basis, an organization is unfocused and unable to evaluate whether it is making progress towards its goals. The non-profits do not set annual performance metrics for cure progress. We strongly believe that before each operating year, such measures should be identified, implemented, and shared with the general public.
- **Reporting on progress should be more frequent, timely, and comprehensive.** The non-profits communicate much less frequently and in a less timely fashion than for-profit companies. For-profit companies publish performance reports on a quarterly and annual basis, and do so quickly after the close of the quarter and year. By contrast, the non-profits only communicate performance on an annual basis and do so many months after the year-end. More regular and comprehensive reporting on progress toward the annual key performance measures improves accountability, and ultimately performance. Communicating with donors as if they were shareholders is a win-win. Donors win because they are kept up to date about progress and can make informed giving decisions; the non-profits win because they deepen trust with donors, which ultimately boosts giving.

Recommendations for the major type 1 diabetes non-profits

We urge JDRF and the ADA to adopt five recommendations in how they utilize their boards of directors:

1. *Make the board of directors accountable to donors. Nominated by leadership; elected by the donor base.*
2. *Reduce the size of the boards to under 15. Large enough to represent all necessary skills; small enough to have a meaningful discussion.*
3. *Implement key performance metrics on an annual basis. Enhanced transparency and accountability.*
4. *Tie a meaningful portion of executive compensation to these key performance metrics. Clear direction and accountability.*
5. *Publish an annual report within 90 days of the year-end. More informed = more trust.*

A common reaction to this discussion about the role of the board of directors is to point out the clear differences between for-profit and non-profit companies. However, the recommendations above have little downside other than to challenge the way things have historically been done. And they have the enormous upside of increasing accountability, focus, and, ultimately, performance. The non-profit boards have operated the old way for 50 years with no cure in sight. It is time for productive change, and there is no better place to start than by updating the role of the boards of directors.

Board Accountability May Be the Key to a Cure

Appendix A: JDRF Board of Directors

Officers

Mary Tyler Moore

International Chairman

Robert Wood Johnson IV

Chairman of JDRF

John Brady

Chairman, International Board of Directors

Karen Case

Treasurer/Chair, Finance

Max C. (Tom) Chapman III

Secretary/Chair, Nominating & Governance

International Board of Directors for Fiscal Year 2015

Diane Adams

Randy Anderson

Karen Case

Matthew Cohn

Nanette DeTurk

Michelle Griffin

Red Maxwell

Preetish Nijhawan

Lisa Reed

Lorne Shiff

Lorraine Stiehl

Shannon Allen

Grant Beard

Max C. (Tom) Chapman III

Rebecca Davies

Pam Edmonds

Nicole Johnson

Scott McCormick

Carol Oxenreiter

David Rehr

Larry Soler

Wendy Wood

Lisa Altman

John Brady

Timothy Clark

Maarten de Groot

Mark Fischer-Colbrie

Mike Lee

Stephen Newman, MD

Bill Parsons

Pam Sagan

Timothy St. Clair

Board Accountability May Be the Key to a Cure

Appendix B: ADA Board of Directors

Dwight Holing

Chair of the Board
Orinda, CA

Marjorie Cypress, PhD, C-ANP, CDE
President, Health Care & Education
Albuquerque, NM

Elizabeth Seaquist, MD
President,
Medicine & Science
Minneapolis, MN

Robert J. Singley, MBA
Secretary/Treasurer
Rockaway, NJ

Suzanne Berry, MBA, CAE
Interim Chief Executive Officer
Alexandria, VA

Nina Agbayani, RN, BSN
Board Member
Phoenix, AZ

John E. Anderson, MD
Immediate Past President,
Medicine & Science
Nashville, TN

Samuel Arce, MD, FAAFP
Board Member
Jamaica, NY

Brian Bertha
Board Member
South San Francisco, CA

Anthony J. Cannon, MD, FACE
Board Member
Mt. Laurel, NJ

Michael Ching, CPA
Board Member
Honolulu, HI

Kieth Cockrell
Board Member
Troy, MI

Samuel Dagogo-Jack, MD, FRCP
President-Elect,
Medicine & Science
Memphis, TN

Jay Dunigan
Board Member
Londonderry, NH

Richard Farber, MBA
Secretary / Treasurer-Elect
Pacific Palisades, CA

Lurelean B. Gaines, RN, MSN
Immediate Past President, Health Care & Education
Monterey Park, CA

Gina Gavlak, RN, BSN
Board Member
Sheffield Village, OH

David A. DeMarco, PhD
Board Member
Wakefield, RI

George L. King, MD
Board Member
Dover, MA

David G. Marrero, PhD
President-Elect,
Health Care & Education
Indianapolis, IN

Alvin C. Powers, MD
Board Member
Nashville, TN

Aida L. Giachello, PhD
Board Member
Chicago, IL

Jay A. Jimenez
Board Member
New Brunswick, NJ

[Henry Rodriguez, MD](#)
Board Member
Tampa, FL

Kevin Ryan, CPA
Board Member
Holland, PA

[J. Russell McClellan, MBA](#)
Board Memeber
Simi Valley, CA

Desmond Schatz, MD
Vice President,
Medicine & Science
Gainesville, FL

Margaret (Maggie) Powers, PhD, RD, CDE
Vice President,
Health Care & Education
Minneapolis, MN

Jane E.B. Reusch, MD
Board Member
Denver, CO

Robin J. Richardson
Vice Chair of the Board
Tigard, OH

Patrick L. Shuler, CPA
Immediate Past Secretary/Treasurer
Virginia Beach, VA

Karen D. Talmadge, PhD
Immediate Past Chair of the Board
Los Altos Hills, CA

Guillermo Umpierrez, MD, FACP, FACE
Board Member
Atlanta, GA

Patti Urbanski, MEd, RD, LD, CDE
Board Member
Cloquet, MN

Umesh Verma
Board Member
Houston, TX

Janel Wright, JD
Chair of the Board-Elect
Anchorage, AK

Roniece Weaver, MS, RD, LD
Board Member
Windermere, FL

Wendy A. Wright, RN, MHS
Board Member
Nashville, TN



**Juvenile Diabetes
Cure Alliance**
The Voice of the Donor For a Cure

14 East 60th St, Suite 208
New York, NY, 10022

Phone: 212-308-7433

Email: info@thejdca.org

Website: thejdca.org

The JDCA and its employees seek to maintain independence from organizations covered in its research reports. The JDCA and its employees are free from conflicts of interest, receive no compensation from the organizations discussed in its reports, and seek to avoid any relationships with any organizations that could influence its objectivity and independence. Please see Analyst Certification and Other Disclosures at the end of this report.

Analyst Certification

The JDCA analyst responsible for the content of this report certifies that with respect to each organization covered in this report: 1) the views expressed accurately reflect his own personal views about the organizations; and 2) no part of his compensation was, is, or will be, directly or indirectly, related to the specific views expressed in this research report.

Other Disclosures

All Rights Reserved. The JDCA and its employees will not be liable for any claims or lawsuits from any third parties arising from the use or distribution of this document. This report is for distribution only under such circumstances as may be permitted by applicable law. All information expressed in this document was obtained from sources believed to be reliable and in good faith, but no representation or warranty, express or implied, is made as to its accuracy or completeness. All information and opinions are current only as of the date of this report and are subject to change without notice.