

## **ESFNA Needs Restructuring & Reengineering Not Face-lifting**

June 27, 2014

By LJD

“The hardest thing to explain is the glaringly evident which everybody had decided not to see.”  
Ayn Rand (The Fountainhead, 1943)

First off, I wish the Ethiopian Sports Federation in North America (ESFNA) a very successful 31<sup>st</sup> anniversary because it has done a good job of bringing people together.

Though the ESFNA has successfully brought people together over a long period, its thirty-year journey was embroiled in hearsay about its executives' inability to match box office results with attendance. Because of a recent generational shift in the composition of the federation's board, the board acquired new board members (BMs) with an entirely different outlook for the federation. The new BMs reminded their non-transparent and non-accountable executives' to adhere to the bylaws – an unprecedented act in the federation's 31-year history that continues to create a fireball of controversy with the executives and also the placement of the board at a crossroad. As a result, the board is more polarized now than ever before. In my view, the precursor for the board's disunity was a reflection of its failure due to a pattern of ineffectiveness and negligence while some did not want to strengthen it.

I see the federation as a charitable organization for Ethiopians and friends of Ethiopians that is desperately in need of restructuring and reengineering because it is in jeopardy. Since 2010, I have written articles to call attention about changes the federation needed for good governance but so far to no avail. However, I keep hoping for change. As with my prior articles, this article's purpose is to articulate the federation's systemic and cultural problems and to propose solutions. Put differently, this piece looked at the federation's history and eyed solutions for its future. It did not look to shame or blame its members. It never had, and it never will. This commentary is not intended to promote a group's interest either, but to promote good governance for the federation's interest, and by extension, Ethiopians' interest. If one takes this article otherwise, it is due to a weakness. Or a particular desire of protecting an environment that foster corruption, which is showcased to the advantage of those who promoted good governance.

### **Did ESFNA's Board Fail?**

Each ESFNA's board member individually and collectively is responsible to establish good governance. But they failed to do so because they assigned too many unchecked responsibilities to one person – the president and chairperson of the board. To compound their problem, they made the internal auditor (IA) a member of the executive committee, which in turn made the president its supervisor.

The president marginalized the IA and made it perform non-audit menial work. Without protest, the IA benignly played its downgraded role hand in glove with the executives including the president – which further complicated the problem and made the relationship between the executives and the board anything but trust. Moreover, the IA's undervalued roll failed in fostering good governance to the board, and by extension, failed the board fulfilling its fiduciary

duties, which opened doors for corruption and rumors. Surprisingly the BMs appeared muzzled by strong presidents from questioning the IA's marginalized role for decades.

In the cover up, the president allegedly concealed information from the board, including legal cases, contracts, financial, tax returns and meeting-videos. Put differently, the president kept the board in the dark. He made it his rubber stamp board. He alienated it from the federation. And he subjugated it into being a submissive servant and/or sycophant of its corrupt executives. Then he, who crossed the line, became an autocratic [non-transparent](#) and [non-accountable](#) president that in turn bred resentment and created a firestorm that doomed the board and its presidents for years.

Since 2010, however, due to the BMs increased awareness about personal risks of serving on a charitable board and turning a blind eye, an anti-corruption movement was lead by 16+ soccer clubs within the federation. The association's goal appeared to establish good governance – a novel coalition! Though the movement presently appears ineffectual due to the unchecked power of an autocratic president, it has an upper hand because it is on the right side of legal, ethical and moral lines plus it might be armed with courage, knowledge and information.

On the one hand, a onetime outspoken critic of the ESFNA who made efforts to dismantle it and criticized the writer in December 2010 for suggesting to consider strengthening our local team by getting involved in its activities shifted from the ESFNA critic to defender “I have seen [tremendous improvement](#) in almost everything I used to criticize about ESFNA.” In passing, the writer was highly impressed by Center for the Rights of Ethiopian Women's (CREW's) strict accountability and transparency as to how it spent [the \\$4,500 the ESFNA gave it](#) in 2013. CREW might consider counseling the federation about the virtues of accountability and transparency.

On the other hand, supporters of the ESFNA continued to [regard the executives as an obstacle](#) in the way of the federation's progress. For instance, I think the ESFNA's status quo cannot be maintained because it does not have a culture and a system that fosters trust, transparency and accountability. I believe building trust among the federation's members is vital. So I call upon president Getachew Tesfaye to consider contributing positively to the federation's need of change. He should also think joining force with those who are calling the ESFNA to establish good governance instead of branding them with all sorts of names typically used to describe [Ethiopian haters](#) such as Woyane, Banda, etc. Most are aware that some use the name-calling tactic to provoke fears due to weakness.



## **The Corruption Red Flags Flown at the ESFNA**

A red flag is a circumstance of an event that raises suspicion that something might be wrong. It does not indicate guilt or innocence until investigated. But it indicates a need for “immediate action” – which the federation is at least two decades late. For decades, the federation flew the following red flags: The board's indifference to promote good governance, its tolerance for high-risk ineffective financial controls, its non-transparent and non-accountable executives' reckless violations of segregation of duties, contempt of the board, and:

1. The drama “who would vote and be obedient for the president”: Rumors had it that the president orchestrated takeovers of soccer clubs’ leadership resulting in him putting in his puppets and cronies for leaders. In other cases, he refused to recognize leadership change made by players of soccer clubs. *Looked like the TPLF’s drama!*
2. Allegedly, Soccer clubs’ members brutally compete for their club board seats, and by extension, for the federation’s board seats. Note that some clubs never let players elect their leaders so a few cling on to the federation’s board for decades. *The brutal competition calls for further study of the perks that come with being a BM.*
3. Board members patently wait for years and fiercely compete for executive seats. *What are the upsides of serving as an executive without a salary besides rumored sticky fingers?*
4. Rumors about the executives’ failure to match box office results (BOR) with attendance have become a standard fare. To illustrate, the 2013 Silver Spring, MD attendance appeared declined by 22,858 people from the 2008 Washington D.C. attendance, according to the ESFNA executives’ financial reports. *Since the executives cannot explain the alleged discrepancy, they took a shield under an old proverb "Don't dignify a rumor with a response." A sequel to this article “Where is the Money?” will discuss further ESFNA’s box office results.*
5. Trust between the board and the executives are anything but trust. *Is money the root of all evil?*
6. Something was allegedly OK because a lawyer, an accountant, et cetera said so. *Enron flew this red flag.*
7. To cover up, the president allegedly concealed various records and information from the board. *Arthur Andersen LLP flew this flag*
8. The federation was not audited by its internal auditor for years due to a marginalized internal audit that submitted to perform everything but an audit and a board that turned a blind eye. *The CEOs’ of the 80’s and 90’s style, but is now criminalized.*
9. The bylaws became symbolic. The executives including the president violate them on regular basis and impose their decision on the federation. Some BMs encourage the president’s violations, and they “praise him to the sky” while other BMs never took action to rectify due to fear of repercussion. *For example, changing the ticket sales policies and procedures (PP) requires amending the bylaws, which requires the board’s vote. However, without giving the board due process, the president replaced the manual tickets sales PP with an online and an electronic ticket PP for the 2014 tournament. To justify his violation of the bylaws, he said that the executives approved the PP change though the executives collectively or individually have no authorization to do so.*

*Although I am not aware, the service agreement the president signed with Ticketleap, the idea of selling tickets online and electronically has great advantages, including being eco friendly. However, the president’s habitual act of overriding the bylaws is disturbing; it exhibits his contempt to the board, and by extension, to the rule of law.*

## **Fight Corruption with Restructuring and Reengineering not by Face-lifting Bylaws**

On the one hand, more than seventeen board members who expressed lack of confidence in president Getachew Tesfaye's leadership alleged that Tesfaye failed to demonstrate character. They asserted that his inability to lead in an inclusive and transparent manner divided the board and failed to protect the federation. For instance, they said that he exposed its box office for skimming. He made it vulnerable to lawsuits. And he caused its 2013 vendors to lose money; for example, one of the federation's vendors alleged that [“አረ አባዘህን እነሱ አይናቸውን በጨው አጥበው የመጡ ቀማኛ ዘራፊዎች ናቸው!](#) By the way, since 2010, I am gathering data for an article about the pros and cons of food vending for the federation; this might help future food vendors to make decision that is more informed.

On the other hand, a few BMs continued flattering Tesfaye to the sky. And he continued giving the appearance of wanting to fix the federation's problems by giving its bylaws a face-lift, which was allegedly an effort to push a personal agenda and curry favor for his sycophant.

In my opinion, the [federation's problems are both cultural and systemic](#), which means there is a need for a new approach to restructure and reengineer its corrupted culture and broken systems so that all its members will have mutual trust and confidence in them. Fixing the systemic problems is an easy job because they are technical problems. However, fixing the cultural problems is a daunting task because they are caused by a culture of corruption.

Understanding the cultural causes of corruption and providing solutions is beyond the scope of this commentator. But, in general, disentangling a culture of corruption requires a strong anti-corruption social norm. For example, the sixteen soccer-club's movement that called for good governance to change the federation's control environment. A control environment is the integrity and mentality of the ESFNA's BMs. To operate with integrity, accountability and transparency, the board needs to be forced by a legal framework to establish good governance. It also needs to be imposed by anti-corruption social norms and must have a change of heart.

1. The legal framework to force nonprofit organizations to establish good governance is not yet as strong as for-profit organizations. However, nonprofits are highly encouraged to establish good governance by governmental agencies, which take complaints about nonprofit organizations' corruption seriously. In fact, there is a personal risk for sitting on a nonprofit board and failing to act appropriately.
2. A change of heart might be gained by reminding the ESFNA's families the virtues of a system of checks and balances.

A system of checks and balances insure no individual has excessive power over decisions, and encourages collaboration in completing assignments. An effective checks and balances system mitigates risks of power abuse by one person. Though a system of checks and balances requires skilled labor, and costs more and effects efficiency, it prevents rogue executives from bringing down the federation. Remember that Enron and Arthur Andersen were brought down by rouge

executives who thrived on fraud. Why was the Ethiopian Community Services in San Jose, CA brought down?

***Check the President:*** To mend the distrustful relationship among the ESFNA's board, to strengthen the federation, to check the president's authority, consider separating the two functions the president held – which are operational and administrative. For example, let the president continue running the operational functions of the federation and have a chairperson of the board handle the administrative functions of the federation.

To do so, I propose the following; Elect a chairperson of the board by a majority vote within the board members. Consider making the chairperson of the board the most powerful position in the federation because it is meant to be the voice of the board and the go-to person for the executives, the internal and external auditors, the public, including

- ✓ Call special board meeting and/or group or individual executives meeting
- ✓ Subject to the board's approval: develop strategic plans in cooperation with the executives, assess lawsuits and contracts with president, receive and authenticate letter of credence from in-coming BMs, and issue a guest of honor invitation letter.
- ✓ Approve the contents of the federation's website and radio
- ✓ Monitor ticket office results and text the daily revenue to BMs
- ✓ Solicit external sponsors in teamwork with the president
- ✓ Publish bylaws, Form1099, among others on the federation's website

**Rightsizing the Board and Setting Mandatory Term to Refresh It:** Board size matters and the smaller the better. The ESFNA's board has sixty members: thirty with voting power and thirty without voting power. To let everyone participate meaningfully in a board meeting, it is too large. Its size might be the largest in the USA. According to various literatures, USA's for profit and nonprofit corporation median board size is 9.2 and 14 people respectively. More telling, Wal-Mart, the largest US Company that generated \$476 billion annual revenue, has a board with only sixteen members. Without drama, they make others count their \$476 billion. However, the ESFNA's sixty BMs are disputing because the executives appeared to have under counted the \$1.6 million annual revenue – which is only 0.0003% of Wal-Mart's annual revenue – somewhere between \$289K and \$649K.

Consider rightsizing the board and adding new blood into it. For instance, retire the thirty nonvoting BMs. To infuse new blood in the board, vacate the seats of those who rotated from the executives to the board and fill them through a special election declared by the federation. Also, set a term limit for board membership. Perhaps, stagger the board into three classes of ten for continuity. Impose three-year terms renewable once with reelection by players. For reappointment of a BM, require a two-year hiatus and never let a reappointed BM hold an executive seat. Halt rotation from an executive seat to a board seat and vice versa because it

would end up stacking the board with yes men/women such as the current board. Lastly, consider looking for a way to encourage active players to become members of the federation's board.

**Enabling the Internal Auditor (IA):** Assisting the board in fulfilling its fiduciary responsibilities by giving it its independent professional opinion is one of the prime duties of the IA. To do so, it has to be independent of both the board and the executives. To make the IA independent and a source of solutions rather than rumors, remove it from the executive committee. Make it report to the chair of the board, and expect from it operational and financial audit reports regularly.

**Final Statements Worth Highlighting:** To strengthen the potentially good federation, this writer candidly articulated its unarticulated needs since 2010. Back in December 2010, I naively thought it lacked expertise. However, in 2013, I learned it did not lack expertise but good honest leaders. In 2014, I learned ignorance, fear and submission are trademarks of the ESFNA's board members. Anyhow, it is up to the board members and players to maintain the federation's status quo and wait for a turn to become its next rumored unethical sticky fingered executive. Or pick up the ball from here and dribble it across the goal line. Put differently, tailor and implement new culture and systems to strengthen the federation.

Adhering to the guidelines of the new culture and systems are daunting because they require the ESFNA families' – [African's Children](#) – change of heart, which will be quite a challenge that requires a miracle. Until a great miracle takes place, remember the precursor of all evil is violating segregation of duties with unchecked authority. When you see one with unchecked authority violating segregation of duties and working harder than you work, be alarmed because you witnessed a red flag – a key fraud indicator.

[According to the Washington Post](#), the Rev. Raymond Moreland, Maryland Bible Society said, "You go out of your way to trust a nonprofit. People give their money and expect integrity. And when the integrity goes out the window, it just hurts everybody. It hurts the community, it hurts the organization, everything. It's just tragic."

*The writer can be reached at [LJDemissie@yahoo.com](mailto:LJDemissie@yahoo.com)*