AMBASSADOR INSIGHTS Compilation

GRACEFUL EXIT:

Succession planning for high-performing CEOs

SHOULD I STAY OR SHOULD I GO?

Navigating the complicated role of a departing iconic leader

IS A NONPROFIT BOARD

Really Best-Suited to Evaluate its CEO?

Developed collaboratively by the

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Graceful Exit

More than a decade ago, Bridgespan Group Chairman and Co-Founder Tom Tierney predicted a nonprofit leadership deficit due to sector growth and baby boomer retirements. One of the consequences of this trend is an increase in CEO successions—an often-dreaded process. It's also a process that many organizations aren't prepared to address. In its 2017 National Index of Nonprofit Board Practices, BoardSource found that only 27% of nonprofit boards have a written executive leadership succession plan in place. But it doesn't have to be this way.

We can't claim to have all the answers, but lessons from members of the Leap Ambassadors Community and other thought leaders provide some helpful guideposts for a successful, planned transition. With reflection, planning, communication, and time, a change in nonprofit leadership can be a positive experience for organizations of all sizes.

Bob Rath, who served as CEO of Our Piece of the Pie for 23 years, initiated the conversation among Leap Ambassadors by sharing his personal succession journey with refreshing honesty (see Appendix). His post triggered **Ken Berger**, **Chip Edelsberg**, **Linda Johanek**, **Bridget Laird**, **Amy Morgenstern**, **Lou Salza**, and **Rick Wartzman** to share their own stories and advice.

We provide a summary of their insights below. But we'll kick off this synthesis with some words of encouragement from Laird, the current CEO of WINGS for Kids: "When I was going through the process of CEO succession, I kept hearing negative things, summed up mostly as, 'Ugh, it was such a nightmare.' It was the complete opposite for me."

Lesson One: Proactively plan for future leadership.

Succession planning is one of the most important responsibilities of a nonprofit board of any size, and it's critical to high performance. Yet many boards still don't prioritize this work. Morgenstern, a leader in nonprofit governance and planning, shares:

"I have encountered some boards who think that if they address succession planning they are signaling that the current CEO needs to depart, and they do not want to send the wrong message. In other cases, to circumvent prompting a top leadership change, they avoid carrying out this governance responsibility. Having a succession plan in place is an essential high-performing board practice (for the current CEO, too). Organizations should do so well before beginning to address the current CEO's departure date."

10 Lessons for CEO Succession Planning

1. Proactively plan for future leadership
2. Put the plan into action
3. Look for the right time
4. Allow time… lots of it
5. Ensure continuity
6. Establish a committee (or leader) to oversee the transition process
7. Create a defined set of deliverables
8. Communicate often and honestly
9. Exit (or transition to a new role) like you mean it
10. Remember it's about more than you

Lesson Two: Put the plan into action.

Succession planning isn't a one-time exercise or a pesky compliance item to check off a to-do list. The real purpose of succession planning is to ensure the organization prepares for what leadership transitions involve and develops its internal talent pool, long before a succession occurs. A principle from the Performance Imperative's Courageous, Adaptive Executive and Board Leadership pillar describes it best:

"Executives and boards engage in succession planning for CEO, board chair, and other senior leadership roles. They place leaders in roles to challenge and prepare them for greater responsibility."

For example, one organization's succession plan called for giving promising leaders additional responsibilities or special assignments—some outside their comfort zone—to assess their capacity for executive leadership roles. Long before it was time for leadership changes, the organization had insights on the capabilities of potential internal candidates.

Lesson Three: Look for the right time.

CEOs who lead with the best intentions can struggle with the hard decision to depart an organization. As Johanek, a Leap support team member who served for nine years as CEO of the Domestic Violence and Child Advocacy Center in Cleveland, OH, affirms, "A CEO, especially a long-serving CEO, needs to be aware when the time is right to exit and make way for a new visionary."

In 2015, Salza, then head of school of the Lawrence School, decided he would be ready to make the transition into retirement in 2018. So he reached out for guidance. He says, "I have a wonderful network of colleagues and friends across the country. There are colleagues who are a few steps ahead of me on the escalator. I always ask, 'What was that like for you? What worked? What didn't work? What advice might you give me?' I go into this next phase of my life with my eyes open. And I'm not particularly worried about it."

For others, like Rath, the decision takes more time. As he describes:

"My personal journey started 11 years ago, and my biggest barrier was denial. I didn't believe I was ever going to need to leave. Once I broke that barrier, which took several years, I moved rather quickly through anger (I'm generally not an angry guy). Then I took some time bargaining with myself and others about how it could work, spent a little time being depressed, and then moved into acceptance.

"For me, acceptance is a clear-headed state where there's no regret. Once I got there two years ago [2015], I initiated a conversation with our board chair, with my exit date clearly framed and an outline of a plan for how we'd get there."

Lesson Four: Allow time … lots of it.

Successful transitions, from the first thought an outgoing CEO has about departing to the time when a new CEO is in place and ready to lead, can take from six months to four years or more, depending on the complexity and size of the organization.

Even with a generous six-month overlap with the outgoing CEO, Laird still wished for more time. "I wish we would have had more time navigating donor relationships. I would love to see some thought pieces on best practices for managing and handing off relationships."

In retrospect, she believes, "The key to our success was time. This process was not done in a rush. It probably took about four years from when the discussions really began in earnest until day the founder exited."

Rath's transition allowed plenty of time as well. He says, "This public portion of the succession timeline began approximately nine months prior to my expected exit, including a built-in four-month cushion. Milestones in our timeline of activities for succession include announcement in January, search process commences in February, candidate interviews in April and May, offer in June, and successor at the organization in September."

Lesson Five: Ensure continuity.

Once the succession process is underway, it's important for organizations to try to avoid other leadership transitions (e.g., board chair) to safeguard organizational stability. As a result, an important component in Rath's succession plan was "firming up board leadership for the period of transition." When Laird was promoted from COO to CEO, she and the founding CEO asked the board chair to serve an additional term. Laird was initially named executive director for six months while the founding CEO remained. "I was [our outgoing CEO's] shadow during that overlap period," Laird says. "I went to all meetings and listened to discussions. I was able to debrief with her after each meeting and learn the 'why' behind her decisions. It was invaluable to me and the organization."

Lesson Six: Establish a specific committee (or leader) to oversee the transition process.

Make sure everyone knows who is in charge of the process and pick the right person (or people).

Rath outlines one approach: “I asked for a small board committee with whom I could talk openly ... and a trusted consultant to help navigate the entire process. This [consultant] role was critical during the 18-month private discussion period.”

A designated leadership structure to manage the transition helps alleviate staff and stakeholder anxiety. And functionally, it allows the organization to think critically about the needed skills and characteristics in the next CEO. This group should set a schedule, communication norms, and benchmarks, and manage continuously toward those ends until the transition is complete.

Lesson Seven: Create a defined set of goals and deliverables.

Establishing a detailed set of goals and deliverables for the transition period helps retain institutional knowledge and makes the most of the outgoing CEO’s time.

In an effort to pass on institutional knowledge during the final ten weeks of the transition, Johanek made a special effort to include the Interim CEO in a variety of meetings and tasks. “I was still CEO and had the decision-making authority but knew the Interim CEO would have to live with the results. So, in many of our meetings, I would say, ‘This is my opinion, but what do you want to do since you will be making these decisions on your own soon?’” she explains. “It was a great process that allowed for rich discussions. It was a letting-go process for me and an empowering process for her—an important part of the transition.”

When Edelsberg decided to step down from his role as executive director of the Jim Joseph Foundation, he used a series of meetings to achieve transition goals. “We brought [the incoming CEO] into the office on occasion.... I conferred with board members—as I did anyway—on a regularly scheduled basis about the transition. You don’t want your board members being surprised, even if it’s just a rumor. He and I met around the strategic plan items, board meeting agendas, governance documents, by-laws, employee performance reviews, etc. And, he, of his own accord and with some introductions from me, went about the process of getting himself acquainted with the CEOs of the major grantees of the Jim Joseph Foundation.”

Sometimes, significant overlap with an outgoing CEO isn't possible. Yet even in short transitions, CTC Academy Executive Director Berger, who's been both an incoming and departing CEO, advises, "There must be board involvement in developing a formal transition plan with action steps and metrics for leadership hand-off."

Lesson Eight: Communicate often and honestly.

Almost every ambassador we interviewed—and several thought pieces we reviewed—stressed the importance of ensuring confidence through clear, consistent, and honest communication with all stakeholders—from clients to staff to community partners. As Berger explains, "The more stakeholders know, understand, and see that there is a clear plan and process in place, the better an organization will weather the succession process."

Johanek underscores the importance of having a detailed communications plan. "We spent a great deal of time discussing levels of communication and priority order regarding major donors, other funders, project partners, general community partners, staff, board, and volunteers.... We paid great attention to timing and created a schedule for reaching out to each group. My greatest fear was that the news would leak somehow, and staff would learn from someone else off the record. Fortunately, that didn't happen, partly because of the integrity of those I told and partly because of the detailed schedule we developed."

Johanek and team carefully developed and deployed core messaging around her transition. "It was important to provide details about my resignation, effective date, and future plans to indicate that it was my choice to leave—a positive outcome rather than being fired and having no plans," she explains. "We included a quote from the board chair about the board's confidence in the agency's succession plan. We provided details about the interim CEO's credentials and experience to explain clearly who was in charge. And finally, we ended with a positive message about the agency's ability to continue to thrive."

Salza knows the importance of early and often communication. In fact, he made his retirement official with a letter notifying the board 18 months in advance. But before making it public, he met with the school faculty. "Of course, because it was so far in the future, people thought I was leaving at the end of June 2017. 'No, I'll be here for the whole 2017-2018 school year,'" he clarified. "I think that helped to allay some feelings. And, of course, kids are amazing. I was at the lower school not long ago, and a third grader in the art class looked up and said, 'Are you overtired yet?' I'm still thinking of an answer!"

Lesson Nine: Exit (or transition to a new role) like you mean it.

Some believe that it's best for a CEO to make a clean break from the organization. Staying on in some capacity has been described as having a "ghost in the attic." Rath agrees. "It's about exiting. Not tethering. Some might be tempted not to exit entirely [and] instead to find an ongoing role. This is not an exit."

Laird's experience embodies this "clean break" philosophy. After a lengthy transition period, the outgoing CEO insisted on a 45-day moratorium on all communication with her. Though difficult, "This break helped me really come fully into the leadership role and learn to trust my own decision-making. The outgoing CEO also dropped off the board for three years. This was critical in preventing them from having a built-in person to judge me against and second-guess my leadership."

In some cases, however, ongoing ties between the outgoing CEO and the organization are healthy and innovative.

As founding executive director of the Drucker Institute, Wartzman hired a COO he admired and respected. Regular check-ins about the COO's development as a leader were a norm. Over the course of these conversations, he realized that the COO was ready to run something on his own. Wartzman was also ready for a new professional challenge.

Wartzman, with the encouragement of a supportive board, stepped down as executive director and became director of a Drucker Institute initiative. Upon reflection, he thinks one of the most important reasons this transition succeeded was because of the clearly defined new role. As he puts it, "My new position wasn't a 'pity' role. I had clear, important things to work on, which was key to our success. Defined work and objectives were critical, allowing me to advance strategic projects."

Lesson Ten: Remember it's about more than you.

As Dawne Bear Novicoff, COO of the Jim Joseph Foundation, wrote in the Adidas & Ascots: Effective Leadership Comes in Many Styles blog post, "A successful transition is not only about the two individuals but about the readiness of the team to rise to the occasion and support the leadership change."

Helping staff navigate the often-murky waters of a leadership transition can be difficult. "Change is not easy, and staff tend to wonder how the change will impact them and their role at the agency," Johanek says. "I heard from staff who were afraid that we would change from a victim-advocacy organization to a mental health organization and other fears.... Helping staff to manage change and manage fears is critical. Beyond acknowledging fears and having a healthy dialogue, we received a grant for change management funds as part of our succession plan to support staff, board, and agency operations. For example, we planned to use funds for a facilitator to lead staff group dialogues around transition issues."

Edelsberg set office hours for staff to ask questions about current projects or other work-related items and established "coffee hours" to discuss questions and concerns about an employee's future or career path. These coffee hours, conducted outside the office and work hours, established a clear break between his counsel as boss and his guidance as a mentor and empathetic leader.

Salza and his team made the transition a learning process for the entire staff and an opportunity for them to help develop leaders beyond self and school. He says, "I think retirement is kind of about you, but it's not all about you. I think it's mostly about the organization. And it's mostly about people focusing on what the imperatives for the school will be going forward. You don't let the cult of a personality or the shadow that's cast by a strong leader get in the way of people seeing that clearly. I think that's the dance you have to do. You have to be willing to accept the responsibility you have for what's going on right now and be as gracious and accommodating as you can be."

Conclusion

Succession planning is often associated with feelings of angst, fear, and sometimes even outright panic. Berger summed it up best: "Generally, succession planning has more of a duck-and-cover tendency rather than a proactive, positive approach. Nonprofits need to develop a culture of succession thinking from the top to the bottom of the organization."

Additional Tools and Resources:

- Adams, Tom. "Blending Nonprofit Succession Planning and Executive Transition: A Successful Case." *Nonprofit Quarterly*. March 2017.
- Annie E. Casey Foundation. "Executive Transition Series."2004-2008.
- Bridgespan Group. "Leadership Succession Planning." 2015.
- Ciampa, Dan. "After the Handshake." *Harvard Business Review* December 2016.
- Tuomala, Jari, Donald Yeh, and Katie Smith Milway. "Making Founder Successions Work." *Stanford Social Innovation Review*. Spring 2018.

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About the Leap Ambassadors Community

The Leap of Reason Ambassadors Community is a private community of nonprofit thought leaders, leader practitioners, forward-looking funders, policy makers, and instigators who believe that mission and performance are inextricably linked. The community's audacious purpose is to inspire, support, and convince nonprofit and public-sector leaders (and their stakeholders) to build great organizations for greater societal impact, and increase the expectation and adoption of high performance as the path toward that end.

"Exit, Stage Left"

Bob Rath, CEO
Our Piece of the Pie

Editor's Note: Bob Rath, CEO of Our Piece of the Pie® since May 1994, publicly announced his retirement plans in 2017. Here's a behind-the-scenes look at how he and his board prepared.

Succession planners and consultants suggest that CEOs planning to leave their organizations allow six to nine months to plan the announcement. In my experience, this just isn't enough time.

The reality is that retiring and leaving an organization to which you are deeply and personally committed resembles stages similar Kubler-Ross descriptions of death and dying. (I'm not kidding.) Expect to journey through denial, anger, bargaining, depression, and acceptance.

This takes time. But first, a few rules for the road:

- First, do no harm. Find a way to exit that does not destabilize or in any way damage the organization—recognizing that staying too long can also be harmful.
- It's not about you. The decision-making process should shift from being CEO-centric to Board Governance-centric.
- It's about exiting. Not tethering. Some might be tempted not to exit entirely, but instead to find an ongoing role. This is not an exit.

My personal journey started 11 years ago, and my biggest barrier was denial. I didn't believe I was ever going to need to leave. Once I broke that barrier, which took several years, I moved rather quickly through anger (I'm generally not an angry guy). Then I took some time bargaining with myself and others about how it could work, spent a little time being depressed, and then moved into acceptance.

For me, acceptance is a clear-headed state where there's no regret. Once I got there two years ago, I initiated a conversation with our Board Chair, with my exit date clearly framed and an outline of a plan for how we'd get there.

The components of the plan included:

- Firming up Board leadership for the period of transition. We were slated to have a Board Chair transition and we wanted to be sure that the incoming person was ready for the CEO transition. We agreed in advance on who would be Board Chair, Vice Chair, Treasurer, and Secretary.
- I requested two things
  - Employment until a date certain that I specified
  - A small Board committee with whom I could talk openly and with complete confidence that I was not talking to Board members beyond the small group. We decided this would be the Executive Committee and we met monthly for a year and a half with 100% attendance before the public announcement. There were detailed and energetic discussions about my strengths and weaknesses and the characteristics to seek in the next CEO. Eventually, the Executive Committee, plus three additional Board members, were appointed as the Search Committee.
- A trusted consultant to help navigate the entire process. This role was critical during the 18-month private discussion period. Remarkably, the secret stayed a secret until the public announcement date. The consultant's duties included documenting agendas and meeting minutes; orchestrating and performing an organizational assessment with extensive internal and external stakeholder interviews all under the guise of a strategic plan refresh; preparing messages with public relations professionals to cover situations if the news leaked ahead of time and the planned announcement; interviewing the CEO multiple times to unpack knowledge and relationships; researching the recruitment and recommendations on search strategies and selection of search team; writing proposals for funds to support the search; and drafting the position profile; and providing research support to the search effort.

The end of the private discussion period began with my announcement of pending retirement to the full Board during an executive session. And immediately following, the Board Chair outlined the plan of activities.

A month later, I informed my direct reports with an admonition to keep the information private and outlined the plan of activities. Another month later, as scheduled, the Board Chair and I met with all staff in a day-long road show at organization work locations.

Simultaneously, select Board members called key individuals, and I distributed the official press and social media releases. This public portion of the succession timeline began approximately nine months prior to my expected exit, including a built-in four-month cushion.

Milestones in our timeline of activities for succession include announcement in January, search process commences in February, candidate interviews in April and May, offer in June, and successor at the organization in September. If a CEO cannot be found within the timeline, the Board will hire an Interim CEO.

The overall plan has stood up to some unexpected glitches, and, though it is not complete, it is moving forward essentially on schedule. One new feature we've added along the way is a role we have labeled the "Transition Executive," which we have assigned to our CFO, who participates in key decision-making activities to strengthen organizational continuity.

Orchestration is a core function of the CEO that must be performed up to, and including, my exit.

Mission (soon) accomplished.

Should I Stay or Should I Go?

"The best thing to give an outgoing leader is a suitcase." While most boards have received some variation of this advice when transitioning from a long-time chief executive to a newly hired leader, the Leap Ambassadors Community has found that a clean break isn't always the best advice.

Tess Reynolds and Alexa Cortes Culwell were wrestling with this question at New Door Ventures as Reynolds prepared to depart after serving as CEO for 16 years. Before Omar Butler was named as the new CEO, Cortes Culwell, a board member at New Door Ventures, turned to the Leap Ambassadors to ask for insights, experiences, and pitfalls to avoid during the transition.

Committed to ensuring that New Door Ventures continues to thrive during this season of transition, Cortes Culwell specifically asked, "Should the board offer Tess a small contract so the new CEO can benefit from her wisdom and experiences after her last day of employment? What advice do others have for making such an arrangement work?"

What's right for any one organization depends on a few factors, counsel Leap Ambassadors. Outlining an ongoing role for the outgoing leader isn't easy, but thoughtful preparation increases the likelihood of ongoing success.

Ongoing relationship or clean break?

A transition should always involve a period of overlap so the outgoing leader can transfer knowledge and relationships to the successor, but it's never easy to follow an iconic CEO. Chip Edelsberg, former CEO of the Jim Joseph Foundation, confirmed Reynolds's inclination not to be present on the successor's first day: "It is going to be challenging for the new CEO to step out of Tess's bright, broadly-cast shadow; having to do so literally in Tess's presence I think would be uncomfortable and not a desirable way, from an optics point of view, to begin one's tenure." Former Latin American Youth Center CEO Lori Kaplan, on the other hand, felt it's "important for the outgoing CEO to greet the new CEO" and suggested that there's no one-size-fits-all solution.

When an outgoing leader is available and willing to play an ongoing role after the transition, several factors should play into the decision:

- Organizational needs. In most cases, "it's critical that the new leader have an unencumbered runway to do it their way without the shadow of their predecessor," Mario Morino noted. "The new leader gets the freedom to respect what was achieved before without being compromised by 'we do it this way,'" Mimi Clarke Corcoran, former president and CEO of the National Center for Learning Disabilities and

Andrus, said. Yet Morino has seen ongoing relationships work when certain conditions are in place: "The successor CEO was a protégé of the departing leader; the organization needed continuity, not a strategic change or turnaround; and they enjoyed a close relationship and mutual respect."

- The predecessor's personality. New leadership inevitably brings change, and the board should set that expectation, Corcoran stressed. The stronger the predecessor's personality, the more reason there is to make a clean break. Morino said, "If she stays on, people with close relationships to the predecessor have the opportunity to involve her and potentially—even if unintentionally—undermine the new leader." Jeff Bradach shared the Stanford Social Innovation Review (SSIR) article "Making Founder Successions Work"(subscription required), in which Bridgespan's Jari Tuomala, Donald Yeh, and Katie Smith Milway pointed out that any ongoing arrangement requires that the predecessor genuinely wants the successor to succeed and that both sublimate their egos—never an easy task.
- Chemistry and choice. When the successor is a protégé of the outgoing CEO or they already have a good relationship, there can be benefits to an ongoing relationship—if the successor wants it. The incoming CEO's desire is key. Leadership succession consultant Don Tebbe stresses in "What to Do When Your Executive Director Leaves" that boards considering an ongoing engagement for the outgoing CEO should disclose it to candidates and make clear that the successor will have control over any proposed contract/working arrangements.

What makes an ongoing, post-transition relationship work?

In "Making Founder Transitions Work" Bridgespan found that, among organizations whose founders stepped down voluntarily, three out of five extended the founders' role in some way. By the measures of higher revenue growth, reported success of the transition, and successor tenure of more than three years, "The most successful leadership transitions paired an internal successor with an extended role for the founder," Tuomala, Yeh, and Smith Milway wrote. That's a powerful argument for boards to invest in internal talent development and engage in ongoing succession planning long before the CEO decides to leave.

Kaplan was succeeded by Lupi Quinteros-Grady, a strong, long-term member of the leadership team at the Latin American Youth Center. She continued in a volunteer capacity, which worked well, because Quinteros-Grady's learning curve wasn't as steep, staff anxiety was minimal, and staff loyalty easily transferred to the new leader. Tiffany Gueye shared her experiences as both the incoming and departing CEO at BELL in

Bridgespan's "Groom to Grow." In both transitions, Bell's secret to success was grooming internal talent. (For additional insights from the Leap Ambassadors Community into the importance of long-term CEO succession planning, see Graceful Exit: Succession Planning for High-Performing CEOs.)

When boards believe—and the incoming CEO agrees—that inviting the outgoing CEO to continue in some ongoing role will be beneficial, there are several conditions that can help make it successful:

- The successor has control over the arrangement. An incoming CEO must have complete control over a predecessor's continued involvement. Upon leaving the Jim Joseph Foundation, Edelsberg continued in an advisory capacity to new CEO Barry Finestone: "I offered counsel and advice only when asked to do so by my successor and always in the strictest of confidence."

- The outgoing CEO has clearly defined projects and role. Edelsberg stresses the importance of making certain there is agreement among the incoming CEO, board chair, and the outgoing CEO as to what exactly the transition will entail. Executing a written onboarding plan enhances the likelihood that the leadership transition will be effective for the organization as a whole. The same goes for the outgoing CEO's continued role. In Graceful Exit, Rick Wartzman describes taking on a specific initiative, a clearly defined role he believes contributed to a successful CEO transition at Drucker Institute.

- Clear physical and role separation are present. There's broad agreement that separation with the predecessor must be created to allow the successor to settle in and staff to begin developing relationships with her. The predecessor needs to work off-site or in an office away from that of the new CEO and be prepared to turn away anyone who brings up an issue that should be directed to the new CEO. Kaplan didn't have an office at the anchor site, and she didn't "just wander in." Hedy N. Chang, executive director at Attendance Works, stresses the importance of telling "folks that is not a matter for me to deal with," so that people develop relationships with the new leader. Mario Morino, who continued as CEO and chairman after relinquishing operational management to a new president, learned the hard way: "Our offices were next door to each other, but I had to exert hard discipline when senior members of my old team would 'drop in' to talk. I had to put my hand up in a stop gesture and point them to the president's office. This was tough to do!"

- Engage a coach to navigate the transition. Corcoran's experience is that engaging a coach to support both leader and board can increase the chances of transition success. Wartzman credits coaching with part of the success when he transitioned out of the CEO role at the Drucker Institute. Similarly, Emily McCann, found the assistance of a coach invaluable when she took the helm at Citizen Schools and worked through the transition with the outgoing CEO. "She led the two of us through this transition in a way that allowed us to feel like our relationship was on solid ground, and that we were able to put any frustrations or pain or anxiety aside for the sake of the organization," she said in SSIR's "Making Founder Successions Work." In "New Leader, Endless Possibilities," Jill Blair shares a detailed account of creative coaching and its benefits.

What's the bottom line? Don't go straight for that suitcase. Whether an outgoing leader should stay or go after the transition depends on several factors. And while staying presents challenges, it can be done well with thoughtful preparation.

Resources and tools:

- The Leadership in Leaving
- Making Founder Successions Work
- What to Do When Your Executive Director Leaves
- Graceful Exit: Succession Planning for High-Performing CEOs (Insights from the Ambassadors)

Is a Nonprofit Board Really Best-Suited to Evaluate its CEO?

Editor's Note: The name of the nonprofit executive director is withheld at his request since he's conducting the experiment on his own time and will make a proposal to the board when he has a proof of concept.

"The first 30 years of my career, I assumed I had just had a string of bad luck," was how a nonprofit executive director described his experience with nonprofit board supervision and evaluation. But after another decade and the opportunity to connect with nonprofit leaders across the country, he "realized that almost all of us had at least one, if not more, bad experiences in the working relationship with our boards." Eager to find a better path forward, he recently turned to fellow ambassadors to vet an inventive proposal.

The pervasive problem of inadequate CEO supervision

The causes of unhelpful supervision are complex, but first and foremost, boards are usually made up of volunteers without experience working in or running a nonprofit—and the CEO/executive director (ED) reports to every one of them. If some are significant donors, which is often the case, "keeping them happy" can become a disincentive to candor about organizational problems, the executive director noted.

In this executive director's experience, "Sometimes the board gets into the weeds and doesn't have appropriate boundaries within their role of setting the overall course of the agency. At other times, the board is nothing more than a social club and defers virtually everything to the CEO/ED. There is a built-in incentive for the executive," he argued, "[to] provide minimal information to the board so as to maximize their power and independent authority."

Since the source of the problem isn't simply a lack of knowledge, training alone can't solve it. As he put it, the dynamics of ego, power, and control are "more complicated and nuanced than a training program can handle!"

Peer supervisors or improved board capacity?

So, the executive decided to experiment. Since the board typically doesn't do executive supervision well, he wondered if other CEOs/EDs—peers—could be "supervisors" instead. Wouldn't they be better qualified? To seek answers, the executive director offered himself up as the guinea pig and asked for ambassadors' advice.

Chip Edelsberg, consultant and former CEO of the Jim Joseph Foundation, warned that "ineptitude notwithstanding, I think it ill-advised for boards to abrogate their

CEO/ED assessment responsibility." The executive director agreed that the board must be responsible and described the idea as a board's "honest and humble assessment as to who has the best expertise and process to do the evaluation."

Agreeing that supervision is ultimately the board's responsibility, "An explicit part of the solution should be a design that helps build the capability of the board to do a robust performance review of their CEO," **Alexa Cortes Culwell**, co-founder of Open Impact, wrote. "There needs to be a way to give the board a process they can own and manage."

The executive director's concern, however, was that "the time horizon for implementing a transition to building the internal board capacity to lead a process like this can be a long one."

With the shared understanding that the board has ultimate responsibility but also needs to find a more effective way to evaluate its CEO/ED, a few possible solutions emerged:

- **Include at least one board member.** Edelsberg suggested that the executive director's peer-supervision experiment include at least one board member to allow the board to stay involved and learn.

- **Draw from common standards.** Cortes Culwell suggested that peer supervisors should be sourced from an independent group of individuals committed to excellence and common standards. "Lacking commonly accepted standards of excellence for this critical activity lead professionals too often to experience an unsatisfactory—even counter-productive—performance review process," Edelsberg agreed.

- **If possible, supplement with a coach.** If a nonprofit can afford it, Cortes Culwell recommended hiring a consultant, ideally one who has walked in the same shoes, because pairing independent assessment with a coaching relationship can be a worthwhile investment.

- **Rethink board members ... or create a working group.** Alternatively, the board could retain the supervision and evaluation role. An essential ingredient to success, **Dave Coplan**, Executive Director of the Human Services Center Corporation, said is "to include the right people... who can help to manage a good review." If no board members have the right expertise, Cortes Culwell suggested forming a committee or working group. Just like boards often have finance, audit, or development committees, they can have one focused on delivering a meaningful and robust performance review of the CEO/ED. Working groups could include people from outside the board who bring added expertise and capacity.

Continuous improvement means culture change

What the process looks like is just as important as *who* conducts it. Boards should frame CEO/ED supervision and evaluation in terms of continuous improvement, consultant **Debra Natenshon** said. Natenshon often uses the "Culture of Learning" pillar of the Performance Imperative to help her clients along the path to the learning culture that goes hand-in-hand with an ongoing focus on continuous improvement.

Coplan shared advice from one of his mentors: "Go meet individually with each board director and ask a few basic questions: Are you pleased with where the agency is, where it is heading, the role of the CEO/ED and senior team in getting us there....ask these not just upon becoming the CEO/ED but along the way for the input that an annual review may not achieve."

"In addition to an annual review," Natenshon said, "it's important to develop a feedback culture over time, where the board president is providing feedback to the CEO and the board members are assessing their own engagement. That way, the annual review is taken in the context of an ongoing relationship and ongoing reflection—increasing the chance of real change."

Natenshon suggests that a feedback culture is "a moral and professional obligation" and believes that board members should:

- Give "real-time" feedback (within 24 hours) in a sensitive manner
- Provide suggestion(s) for improvement as part of the feedback
- Encourage the CEO/ED to start asking for feedback with a specific question
- Help the CEO/ED practice being open to receiving feedback and showing responsive results.

Recommendation: Two-way, honest feedback

The executive director, Edelsberg, and Natenshon agreed that feedback should be a two-way street. The executive director argued that board members should also ask for feedback, be open to receiving it, and show responsive results to address the power imbalance. Natenshon uses the Performance Imperative's Courageous and Adaptive Executive and Board Leadership pillar to help boards "engage in what is expected from a high-performing CEO and, at the same time, reflect on their own accountability."

Natenshon also recommends CEO/ED reflective practice to redefine their job description (based on the strategic plan) and include specific annual goals. That way," she said, "the job description serves as an active document [and] a basis for self-reflection as well as outside/board assessment."

Edelsberg—making the case that organizational performance is a joint responsibility of the CEO/ED and board—argued that an annual CEO/ED evaluation in *conjunction* with a board self-assessment make up "an essential year-end activity which compels the organization to confront the extent to which it has achieved high levels of performance." Edelsberg has found that "high quality, honest assessment does mitigate against tendencies to inflate claims of organizational effectiveness," a frequent occurrence, in his experience.

How to conduct high-quality assessment

How, then, does one conduct "high-quality, honest assessment"? In Edelsberg's experience, "...specifying in one's contract the purpose and character of one's annual review as well as ensuring the board is required to conduct a performance self-assessment provides a framework within which it is not only possible but necessary to agree on terms which represent the most promise for making these two review processes productive."

Several ambassadors recommended using a 360-degree stakeholder feedback process, which Coplan described as "probably the best tool (when used correctly with diligence) for both truly engaging the board and providing the CEO/ED with useful feedback." He suggested considering whether it's appropriate to include staff, key partners, or other stakeholders to provide a wider lens/voice to the evaluation.

In a 360-degree feedback scenario, Cortes Culwell recommended using "a rubric that reflects what is expected of the executive that everyone is aligned around." She noted that "the pillars of performance would be a great framework to anchor an assessment tool. Then how the information is synthesized and shared with the executive is key—so that it is affirming and constructive. It should ideally also come with the offer of an executive coach or some support person to help make any necessary improvements in performance."

Without an effective working relationship between CEO/ED and board, and a good feedback process, an organization's ability to deliver meaningful, measurable, and financially sustainable results are at stake. Courageous and adaptive executives and boards aren't afraid of seeking new ways to hold each other accountable. The executive director's quest for a new path forward, and the rigorous feedback ambassadors provided, exemplifies this kind of leadership. At last report, seven colleagues had offered to participate in the executive director's experiment. Stay tuned for further developments.

Additional Tools and Resources:

- *Nonprofit Quarterly*: Problem Boards or Board Problem?, William P. Ryan, Richard P. Chait, and Barbara E. Taylor, April 20, 2018
- *ThirdSector Today*: 5 Habits of Highly Effective Nonprofit Boards by Sara Daxton, June 4, 2014
- Becoming a More Effective Nonprofit Board The Bridgespan Group, 2009
- *VentureBeat*: 8 Steps to building a strong board of directors, Bo Ilsoe, July 2, 2017 (focused on corporate boards)
- Performance Imperative's Courageous and Adaptive Executive and Board Leadership pillar and Culture of Learning pillar