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## **Nonprofit Crises, Executive Leadership, and an Assessment Process to Help Restore an Organization's Footing**

Over the past few years, foundations and nonprofit boards have had to address leadership crises with increasing frequency. While the issues initially appear simple on the surface, they prove to be quite complex and involved formal and informal relationships, structures, systems, policies and practices.

This article describes one approach to helping Boards address these moments of "crises". This article begins with a review of four (classic) crises. Next, this article presents a process used to both understand the situation and develop recommendations for action. Finally, this article examines the common findings and learnings that can possibly serve funders and nonprofits.

### The "Problem"

Program, management and financial problems within an organization are likely to continue when communication between the Board and Executive Director is poor and the Board is left unaware of how poorly the organization is functioning. One "worst case" scenario is when the organization underperforms for an extended period of time and long-term damage results in relations with stakeholders, such as private and public funders, clients, and staff. An alternative "worst case": the mismanagement is so extensive that the survival of the organization is jeopardized.

Some typical signs that the Executive Director is not performing to expected levels are:

- An unhappy staff that contacts board members directly and individually to share "problems";
- Poor organizational performance reflected in a drop of clients and/or loss of income; and
- Voiced concerns of dissatisfaction by the organization's clients or other stakeholders

The assessment process outlined in this article proves particularly helpful when the organization's board realizes that there is a problem, but cannot determine what the cause is or recognizes the cause and needs documentation to defend action.

Commonly identified problems signaling the need for a review include:

- No trust between Staff/ Executive Director, Board/ Executive Director, and Funders/ Executive Director.
- Financial crisis for which the Executive Director has primary responsibility
- Legal failures including not delivering on obligations
- Blatant failure to meet organizational goals.

### *Examples of Nonprofit Leadership Crises*

Executive Directors serve as the bridge between the Board of Directors and administrative staff, transforming policy and strategy into action. If an organization has not implemented its policies or strategies successfully and fails to meet its mission, Boards are likely to hold the Executive responsible. When the Board has not been a party to developing the policy or strategy in question, it is the Executive who is often blamed.

At an organization serving individuals with disabilities and at a charter school, a longstanding Executive Director no longer demonstrated the ability to lead the organization. In both cases, staffs were calling on the Board for help. Both organizations had grown considerably during the tenure of the Executive Director. However, in both cases, the Executive was not able to develop the formalized structures and systems that to address the needs of a larger and more complex organization.

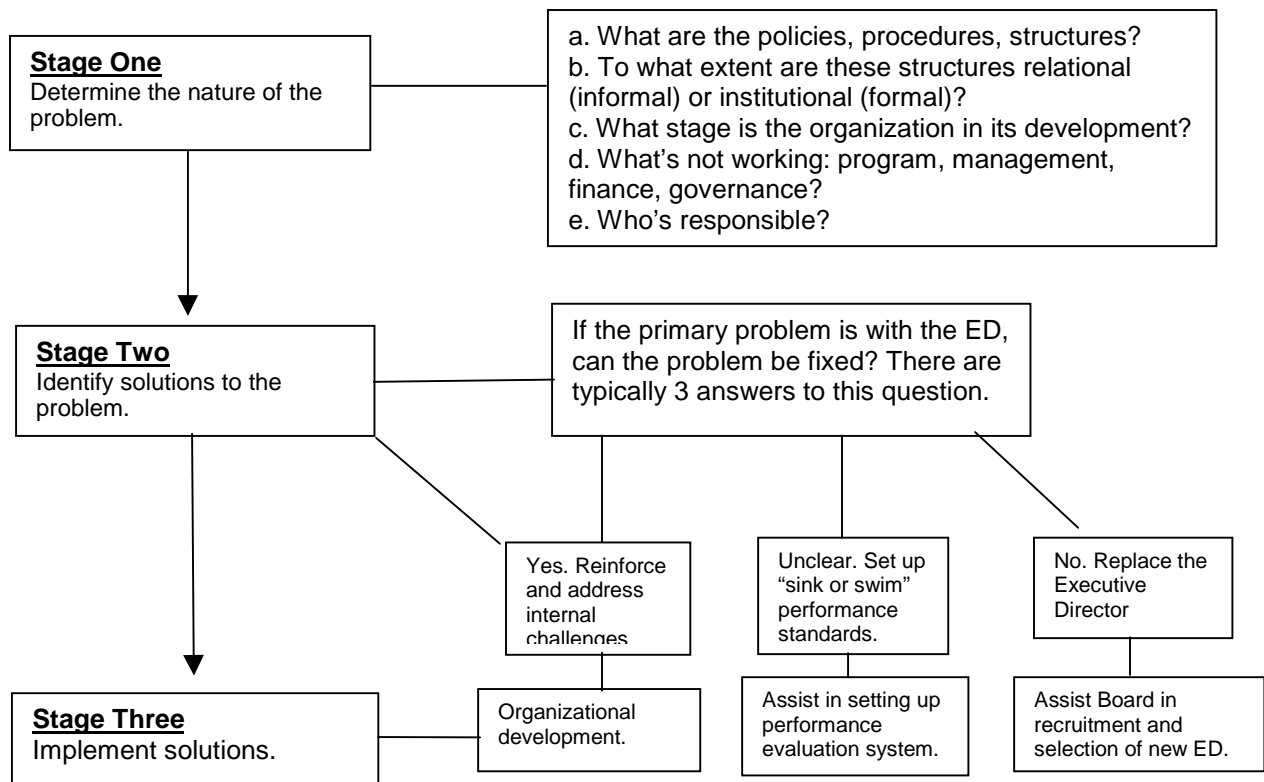
In both of these cases and following a thorough assessment, two recommendations are generally proffered: replace the Executive Director with someone capable of leading the organization into the next phase of its growth and strengthen the Board. In one case, the Board did not want to replace the Executive Director. As an alternative, the Board could establish “sink or swim” standards of performance for the Executive Director. Pursuing the “sink or swim option” does not take long to test the potential for retaining an executive in this condition. After a short period, the Board assessed the Executive Director’s performance, noted that a failure to comply with the standards, and hired a new Executive. In the other case, the Executive Director had provided signs that retirement was around the corner and this process provided the means for making a transition.

A second set of crises presents organizations with more ambiguous situations. In the case of a food rescue organization and a child care council the Board was unhappy with the Executive Director’s performance due to lack of communication, unclear production, and inadequate fundraising. After conducting an internal assessment, it was unclear whether the organization’s stage of growth had moved its needs beyond the abilities of the Executive Director. In both cases, setting up performance standards establishes a norm for understanding how to fix and identified challenge. In one case, the Executive Director failed to meet those standards and was replaced, and in the other, the Executive met the standards and established a new relationship with the Board.

## The Process

Many boards have a hard time identifying problems with the Executive Director. This situation is particularly pronounced in organizations where the Executive Director is the founder or long-term staff member. In some organizations, the Executive Director is an entrenched figure that has selected and possibly even mentored some or all of the board members. For obvious reasons this type of dynamic can cloud a Board's perspective of Executive Director performance. Furthermore, when the Board becomes aware of performance shortcomings, it is in an awkward position to address this situation. Thus, it is often easier for a trained outsider to assess the Executive Director's role in scenarios where organizations have run into trouble.

In the course of these engagements, a multi-stage Leadership/Management Assessment process can provide solutions. These stages are:



### Stage One – Determine the nature of the problem

When “suspicion” strikes, the first task is to determine if a problem really exists and the nature, depth and breadth of that “problem.” This assessment will identify the reality of a reported or perceived problem through individual and group interviews of management, staff and board members, clients, and funders. Interviews focus on identifying the nature, adequacy and appropriateness of management and governance systems and structures. More specifically, the assessment determines:

- a. Which, between the informal and relational or formal and institutional systems and structures are the actual way or culture for operations to be managed by those with the title of manager;
- b. What, if any, strategies are being used to manage and inform decision making, especially around service delivery; and,
- c. The nature of these structures, systems and culture in relation to organizational stage of development
- d. What if any specific “problems” are perceived throughout the organization and the origin of the problems

While the assessment process does not focus specifically on the appropriateness or effectiveness of the program delivery or service strategy of the organization it can discover that customers are not satisfied and this dissatisfaction may serve as another indicator of systemic problems. The assessment can be conducted by volunteers, board members or paid consultants. Each of these sources has unique costs and benefits.

### **Stage Two – Identify solutions to the problem**

Findings from the assessment serve as the basis for developing recommendations to address identified problems. Frequently, given that it is the board that initiates the assessment, the primary finding from the assessment points to the Executive as the source of most of the situation. The primary question in identifying a solution is: “Is the relationship between the Executive Director and the organization worth saving?” There are three possible answers to this question:

- Yes.
- Maybe.
- No.

The findings from Stage 2 will determine what is done in Stage Three.

### **Stage Three – Implementation of solutions**

As noted above, there are three possible answers as to whether the Executive should be retained. Each answer requires a different implementation plan.

- A. If the answer is “Yes” (the Executive plays a major role but is not singularly responsible for identified dysfunctions), recommendations for developing more formal systems and structures, including planning and evaluation processes and communications should be developed to support the board, executive and staff in addressing issues. Joint board and staff committees can be one vehicle for taking this route.
- B. If the answer is “Maybe” (it’s highly possible the Executive is primarily responsible for the problems, but the Board is uncomfortable making a decision to replace the Executive), the board can position itself strongly by setting in place some “sink or swim” standards against which Executive performance can be measured and future staffing decisions can be made. The board should establish a firm timeline for “checking-in” on progress applying the goals and measures clearly and firmly.

- C. If the answer is “No” (all signs indicate that the organization would continue to fail if the Executive remains), then the organization replaces staff as necessary (usually at least the Executive Director). Depending on the size of organization, a board member, often the chair, may need to step-in as executive during the recruitment process. A committee will need to work with staff to develop a clear job description and participate in recruitment and hiring. The board may have also learned that their own capacity does not meet organizational needs and it may need to begin a process for building a board that will better serve the organization.

### *Conclusion*

Executives play a critical role in translating Board policy into organizational action. As organizations grow and develop, the demands on the Executive shift. Most commonly, the leadership traits, such as vision, charisma and energy, required to start an organization need to be balanced with increased management skill as the organization grows and develops. However, the “discipline” of management can be perceived to be too constraining by many “entrepreneurial leaders”. The best Executives understand that as the organization develops, structures must transition from an informal and relational to a more formal and institutional mode. Even more importantly, these individuals possess the management know-how to implement (or at least delegate implementation of) new structures that fit with the organizational culture and strategy.

Many leaders have trouble taking the necessary steps to transform organizational structures so that they better fit with the organization’s stage of development and strategy. Remember, change can be good for all in the end. If an organization’s services are truly valued, the commitment to change and being changed must be a priority.

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