

A large iceberg floats in the dark ocean under a cloudy sky. The letters 'S O S' are written in white, bold, sans-serif font across the top of the iceberg. A horizontal dashed line with small circular markers runs across the middle of the iceberg, passing through the 'O'.

S O S

Assessing Nonprofit Leadership Crises and Finding the Way Forward



BWB SOLUTIONS

## S O S: Assessing Nonprofit Leadership Crises and Finding the Way Forward

Over the past few years, foundations and nonprofit boards have called upon BWB Solutions with increasing frequency to help address leadership crises. While the issues appeared simple on the surface, they proved to be quite complex and involved formal and informal relationships, structures, systems, policies and practices.

### The Problem

Program, management and financial problems within an organization are likely to continue—and even worsen—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 relations with stakeholders, such as private and public funders, clients, and staff, suffer long-term damage. Another “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 loss of clients and/or income, and voiced concerns of dissatisfaction by the organization’s clients or other stakeholders.

The assessment process outlined here 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 program 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 people with disabilities and at a charter school, BWB Solutions assessed situations where the longstanding Executive Director no longer demonstrated the ability to lead the organization. In both cases, staffs were calling on the Board for help. These calls stimulated calls to BWB Solutions 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 necessary to address

the needs of a larger and more complex organization. Following a thorough assessment in both of these cases, BWB Solutions gave two recommendations: 1) replace the Executive Director with someone capable of leading the organization into the next phase of its growth and 2) strengthen the Board. In one case, the Board did not want to replace the Executive Director. BWB Solutions advised the Board to establish “sink or swim” standards of performance for the Executive Director. After a short period, the Board assessed the Executive Director’s performance, noted that there was a failure to comply with the standards and hired a new Executive. In the other case, the Executive Director had given signs that retirement was around the corner, and this provided the means for making a transition.

A second set of crises can present organizations with more ambiguous situations. In the case of a food rescue organization and a childcare council the Board was unhappy with the Executive Director’s performance due to lack of communication, unclear outcomes and inadequate fundraising. After conducting an internal assessment, it was not clear if the organization’s

stage of growth had moved its needs beyond the abilities of the Executive Director. In both cases, BWB Solutions set up performance standards. 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 their problems with the Executive Director. This situation is particularly pronounced in organizations where the Executive Director is the founder or a long-term staff member. In some organizations the Executive Director is an entrenched figure who 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, BWB Solutions has developed a multi-stage Leadership/Management Assessment process. These stages are:

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

BWB Solutions conducts interviews with staff, board, clients and funders to assess the validity, nature and extent of the initially-identified problem. This assessment process does not question the appropriateness or effectiveness of the program delivery or service strategy of the organization. During the assessment, BWB Solutions identifies and evaluates the systems and structures to determine A) the nature of these structures (relational/informal vs. institutional/formal) and B) how the organization's culture, structure, and strategy fit together. BWB Solutions also locates the organization in an appropriate stage of organizational development, which allows us to more accurately assess the appropriateness of the structures and the challenges that lie ahead for the organization.

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

After conducting the assessment, BWB Solutions develops recommendations to the Board to address the problem. If the primary finding from the assessment points to the Executive as the source of most of the difficulties (as it has in our most recent studies) the main 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 Two will determine what is done in Stage Three.

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

Each of the three possible answers as to whether the Executive should be retained requires a different implementation plan.

If the answer is **“Yes”** (the Executive plays a major role but is not singularly responsible for identified dysfunctions), our task is to develop recommendations for formal systems and structures—including planning and evaluation processes and communications—to support the board, the executive and the staff in addressing issues.

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), BWB will work with the organization to set in place some “sink or swim” standards against which Executive performance can be measured and future staffing decisions can be made.

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) and may also rebuild the Board of Directors.

## 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.

As BWB Solutions has witnessed, 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.



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250 West Main Street, Branford, CT 06405 ■ 203 481-4199, fax: 203 481-9536 ■ [www.bwbsolutions.com](http://www.bwbsolutions.com)

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