

Coaching Nonprofits back to Good Health after a Global Pandemic

How to sharpen the focus on effective CEO and Board Chair Partnerships

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The stakes for leading and governing nonprofit organizations have never been higher.

Snapshot: What can be learned

The global pandemic and racial justice movement of 2020, opened a new window to see a simple fact: society's basic needs are greater than ever. Now, the nonprofits who serve those basic needs are significantly stressed. Economists predict the stress will linger for a decade. For non-profits to thrive in this challenging new era, the CEO and Board Chair need to have a strong partnership where the two leaders are thriving together, so the organization can grow and prosper.

In this article, Paul Batz and Jim Rice detail how nonprofit CEOs and Board Chairs can lead effectively despite this significant new disruption with three areas of focus:

1. **ASPIRE HIGHER** – raise expectations, and seize the opportunity to create the Board Chair and CEO as the highest performing team in the organization.
2. **BEWARE OF COMMONPLACE THREATS** – become aware of, and steer clear of, the pitfalls which can easily creep into the CEO and Board Chair partnership.
3. **EMBRACE SUCCESS HABITS** – invest time together in learning from and repeating what really works for the highest performing CEO and Board Chair partnerships.

THE SHIFTING LANDSCAPE

In the best of times, nonprofits struggle to meet the world's most pressing needs. But as the needs rise exponentially, the revenue of nonprofits is falling precipitously. As the economy falters, the tax base shrinks, and state and municipal governments face budget shortfalls and bankruptcy. Individuals and institutions curtail giving as well. "We're striking a delicate and desperate balance," said Julie Bluhm, CEO of Guild, the largest mental health nonprofit in the state of Minnesota. She also notes:

"Society now sees the need for our services with much more clarity and intensity, and securing more funding to meet the growing needs is much more difficult."

A global pandemic and intense social unrest following the murder of George Floyd created a wave of unemployment, anger over racial injustice, human isolation, and toxic political dialogue. Any one of these forces can put immense pressure on nonprofit organizations whose mission is to improve the lives of marginalized populations. With all of these factors interwoven together, the future of many nonprofits is in jeopardy – and that's bad news for everyone. Because nonprofits bridge gaps for people and communities that slip between the work of commercial services (the "First Sector") and government (the "Second Sector"). As the "Third Sector" of society, nonprofits are often the first place people turn for needed food, housing, healthcare, spiritual, and cultural resources.

- Approximately 1.3 million 501(c)3 organizations are based in the United States,¹ accounting for 10 percent of the U.S. employment.²
- As of 2016, Americans contributed more than \$193 billion in time and \$390 billion in charitable giving.³
- Globally, nearly 5.6 million nonprofit organizations exist.
- International dependence on nonprofits is seen with many labels: Non-governmental Organizations (NGOs), Civil Society Organizations (CSOs), and the Third Sector.⁴

The Third Sector is so essential to our collective wellbeing that any weakening in this sector brings severe consequences. Economists predict the Third Sector will spend a decade recovering from COVID, throwing both the organizations and the people they serve into chaos. Simply put, needs are rapidly going up while funding and one-to-one human contact are going down. In terms of nonprofit survival, those are two dire challenges.

THE UNEXPECTED CHALLENGE

But an unexpected third challenge has emerged from the pandemic, with lasting repercussions. It's a leadership breakdown that is as concerning as any financial shortfall. Because without good leadership, nothing really works – especially in these fragile times affecting the Third Sector.

While some Boards are closing ranks around their mission, many others are unraveling. The pandemic has polarized the Board experience. People are either becoming more passionate, committed, and satisfied—or very quickly the opposite direction. One executive notes that she began the pandemic serving on three Boards, however the opportunity for her to make impactful contributions has declined because of poorly run virtual Board meetings. By her own choice, she now serves on just one.

Eager new Board members enter into Board service with the expectation the organization will be clear about their mission, organized for service, and well-led. But virtual meetings are bringing out the weaknesses of fragile Boards. Strong CEOs with good Chairs and effective processes create a highly satisfying Board service. But a poor leader with an unfocused Board and bad process is unbearable. It's easy to see how when leadership falters, so does the organization and its ability to carry out the mission.

The conviction at the heart of this work is an opportunity to rethink leadership and sharpen the focus on this idea:

The Board Chair and the CEO need to be the highest performing team in the organization.

Three specific development areas can bring an effective sense of partnership and teamwork at the top of the organization into focus.

1. ASPIRE HIGHER

Every leader and business owner knows that nothing significant ever happens alone. However, many nonprofit top executives routinely feel as if they are alone in their leadership—somehow separated and distant from the Board Chair. While many nonprofit top executives don't call themselves "CEO", their purpose is to provide insight into how anyone with the top job—that is, responsibility for mission-driven profit and loss, with titles like President, Executive Director, General Manager, or even COO—can take the lead in forging a stronger, more mutually-rewarding partnership with the Board Chair. The ongoing success of the organization is much more likely when both of these leaders *thrive together* before, during, and after board meetings. If that is not the case, it is recommended that the CEO aspire to a higher level of partnership with their Board Chair – and vice versa.

Strengthening the CEO and Board Chair partnership yields stronger pursuit of mission via these six organizational benefits:

- An engaged Board, with endless energy to advance the mission
- Reduced liabilities caused by inconsistent governance
- Faster, better decisions when presented with financial difficulties
- Engaged employees (including the CEO) who respect and trust the board
- Increased influence in the communities the organization serves
- Full pipeline of qualified future Board members

What CEO wouldn't want these benefits? If today is not a good time to improve the CEO and Board Chair partnership, then when? The shifting landscape is exactly the reason to step back, acknowledge the importance of working together, and create a new roadmap to a successful CEO and Board Chair partnership.

CEOs who have a strong partnership with their Board Chairs describe their time spent managing the Board as "energizing." They have discovered this simple truth:

Harmony is the enemy of high performance.

The best nonprofit CEOs don't want a warm and fuzzy with the Board Chair relationship. Rather, they seek out a *cohesive partnership* where two strong leaders respectfully speak their minds, challenge one another, and stimulate a mutually satisfying professional friendship.

Harmony in the context of Board leadership means people don't say what they are thinking. Boards who value harmony silently punish people for speaking up, or they bore themselves into submission with trivial dialogue that sucks the life out of the (virtual) boardroom. Either way, that

culture pushes away the best and brightest Board members and muddies the most valuable decision-making.

Great Boards are fueled by thoughtful and proactive Chairs who are never satisfied with the status quo. They continuously stimulate and embrace **healthy tension** with both the CEO and the Board. Healthy tension is where people are encouraged to ask sharp questions about problems, behaviors and ideas, without criticizing people personally. Healthy tension feels respectful to everyone around the table - it's tension that feels good, keeps the Board engaged, and the organization continuously improving. Healthy tension avoids the well-known but destructive nonprofit board to leadership pattern of "good job, good job, good job—gone!"

Getting started: Consider these three development ideas to **aspire higher** for the Board Chair and CEO partnership at the top:

- 1. Solicit the observations of others.** A skilled interviewer can engage the Board and Executive Team members in confidential Discovery Interviews that will provide data to help both the CEO and the Board Chair improve. It is best to interview mid-year, to identify development plans for the CEO, the current Board Chair, and the incoming Chair-elect. The use of an online survey is also an easy idea to implement. Over the past 11 years, nonprofit CEOs have benefitted from measuring the **Alignment, Commitment, and Open Accountability** of their executive teams by using the **Good Leadership Team Momentum Survey**.
- 2. Demonstrate effective governance.** The best CEOs and Board Chairs lead by the mantra: *Our policies are our friend*. Most Boards have at least one lawyer who enjoys reviewing policies, bylaws, and procedures. It is a good idea to have a small task force review the policies to ensure they are aligned with the mission, vision, and priorities. Especially when the landscape is shifting, aligning the policies is the oxygen of good board leadership.
- 3. Role-model trust-building behaviors.** Trust is an outcome of people who work together effectively in ways that stimulate the goodness in one another. Strong teams develop when the people cultivate a genuine sense of care and concern for one another. When the CEO and Board Chair treat one another with mutual respect – especially in front of the Board – the focus of the Board members can be fully on executing the mission effectively. Not on figuring out the complex social-political quirks which plague weaker boards.

Each of these team development suggestions honors the obligation of Board members who take their "duty of care" seriously. Because when the CEO and Board Chair are a tight team, the Board spends its best energy driving the organization forward – instead of political posturing.

2. BEWARE OF COMMONPLACE THREATS

Difficult, unexpected changes in the market landscape bring strong CEO and Board Chair partnerships closer together. Fragile partnerships derail with the slightest economic hiccups, public health challenges, and increased funding competition. But most importantly, when the top two leaders aren't getting along, the board culture erodes into confusion and suspicion. Especially with new Board members.

When CEO and Board Chair partnerships are strained, one or both often blame policies for their difficulties. The best Board Chairs are deliberate in creating clarity about the difference between "Governing," "Volunteering," and "Managing." Governing involves *professionally worrying* about what

could derail the effectiveness of the organization and crafting policies to ensure the mission stays on track. Volunteering is pursuing one's personal passions to help in the delivery of the mission. Fundraising is 'volunteering,' not governance. Managing is the operational work of leveraging people and resources to accomplish the organizations' plans and budgets. It is best to keep the three lines separate.

New Board members are a classic "good problem to have," but this outflow of experienced Board members, coupled with an inflow of inexperienced Board members, adds to the complexity of today's nonprofit leadership. Recently many boards are experiencing:

- Waves of experienced but disenfranchised Board Members exiting Board service
- Waves of enthusiastic but inexperienced Board Members inspired to enter Board service
- Increased difficulties weaving together a dozen or more Board volunteers with individual quirks and strengths
- Sorting through helpful or unhelpful experiences on other Boards
- Well-intentioned, passionate believers in the organization who mean well but lack good governance experience or judgment to avoid unforced errors

One veteran nonprofit CEO shared, "My Board Members are highly successful at work. They act like the professionals they are. But in this environment when they show up on the Board, they often behave like children, bickering and posturing to get their own way."

Consider this real-world example:



A bold young executive, Rob, campaigned hard to become the chair of his favorite health and wellness nonprofit Board. And Marlie, the mid-career CEO, let it happen against her better judgment.

Like most nonprofit executives, the CEO has a warm heart and a forgiving soul. Marlie prides herself on looking for goodness in everyone. Even though she considered the young leader Rob to be situationally naïve and overly ambitious, she endorsed him. She believed the role would be a good development experience for the young man. Marlie liked the idea of a young leader leading the path forward because the Board had recently adopted a new mission/vision statement and organizational strategy. The management team created a simple public scorecard to guide decision-making that energized a tired employee base.

The Board followed Marlie's endorsement and elected the youngest Board Chair in the organization's history. Almost all the organization's constituents were excited to see the young executive become a passionate spokesperson for the organization.

Then the Covid-19 pandemic hit. Out of character, the bold young Chair spoke passionately about the need to exercise “an abundance of caution.” He immediately called a Board vote to close the offices and put vital services on hold. The vote was 9 for his proposal, and 8 against—a house divided.

Then the racial justice movement threw the nonprofit’s core service population into a new state of chaos. The honeymoon period was over quickly for the Board Chair-CEO partnership.

With vital services on hold, the bold young Chair Rob started quietly asking managers, employees, and individual Board Members whether they were really committed to the newly adopted mission and vision. People were confused. He hinted at his intention to formally reconsider the two years of mission/vision work, citing the current cultural context as the rationale for reconsideration. As word spread of his clandestine activity, trust plummeted. Tempers rose.

The CEO, Marlie, reached out for some coaching because she had never experienced anything so difficult. She knew she needed to intervene, but the dialogue between her and the Board Chair had become strained. “Nobody prepared me for a rogue Board Chair,” she thought. She was frozen with indecision: What should I do?

The explosion happened when Rob suddenly called for an Executive Session of the Board—a private meeting for Board Members to freely explore specific topics without the CEO in the room. The Board had fallen out of the discipline of holding Executive Sessions as part of every Board meeting, and the sudden request for a private Board meeting sent shock waves through the CEO, her management team, and the Board.



Nonprofit Board and CEO relationships aren’t always as difficult as Marlie experienced, but they can be. The situation was resolved with CEO-Chair coaching including a crash course in effective governance, a revamped Board Member Code of Conduct, and an abundance of teachable moments. The good fortune in this situation came from three very savvy, senior Board members who had the experience, knowledge, and courage to wrestle the situation into a healthy place.

Getting started: Consider these three ideas for *avoiding commonplace pitfalls*:

- 1. Root out blind-side, rogue Board member behavior:** ensure both the Chair and the CEO meet one-on-one with each Board member once a year to discuss their satisfaction with the Board and the progress of the organization. Share and compare notes – use triangulation as a health-check for the Board.
- 2. Craft a specific behavioral Board Member Code of Conduct:** articulate what’s expected for Board members in relation to the Board, the Staff, and the Community. The Board Chair and the CEO can lead by example by completing and openly sharing annual self-assessments.

3. **Discuss the Say/Do continuum to avoid trust-breaking misunderstandings:** trust can be destroyed by what we say or don't say, or what we do or don't do. The CEO and Board Chair partnership is best-served when both agree on what they will say or not say, and do or not do. It's a simple and powerful strategy to avoid festering mistrust.

The Say/Do Continuum

	Say - Share with others	
Do - Take specific action	Will	Won't
	Won't	Will

3. EMBRACE SUCCESS HABITS

Marlie realized she previously managed her Board Chair relationship for *harmony*, working hard behind the scenes to smooth over rough edges. She put her best energy into managing her personal brand with the Board. Marlie mistakenly thought any conflict would ruin their good impression of her, causing her to look out of control and incompetent. With coaching, she learned how to speak up, create clear policy guidelines, negotiate shared commitments with her Chair, and create healthy tension with the Board—healthy tension that would keep the well-being of the organization front and center.

She also discovered that like any healthy relationship, the partnership between CEO and Board Chair requires intentional nurturing. Previously Marlie was careful to not get too close to her Board Chair because the person in that role changes every year. As she shifted her attention to the idea that the Board Chair/CEO needed to be the highest performing team in the organization, she began investing in three Chair relationships: an advisory relationship with the immediate past Chair, day to day coordination with the current Chair, and developing the Chair-elect. In broader thinking about relationships with the “Chairs” she focused most on maintaining continuity with the organization’s strategic plan.

Before *team-thinking* about her Board Chair relationships, she was startled by the previously mentioned emergency Executive Sessions called by her rogue Board Chair. Her immediate thoughts were: “I’m going to get fired!” And then, “I’m furious that they would fire me...why would they fire me?” The simple act of calling an unexpected Executive Session created a downward spiral of mistrust that would take weeks to heal.

Looking back, she realized she was stuck in short-term, survivalist thinking. With help from their coach, the Board adopted a 20-7-3-1 aspirational framework for their visioning, planning, and accountability. All three of Marlie’s “Chairs” helped to get this work started:

20 = What is our vision for how we will improve the world for our children 20 years from now?

7 = What is the Big Opportunity we are facing, to change the landscape of the market we serve?

3 = What are the goals and strategies that will ensure progress toward our 7-year Big Opportunity?

1 = What are the Top 3 Can't-Miss Priorities for the organization we have to measure and accomplish this year?

With this longer-term orientation, Marlie's board stopped behaving like the tail wagging the dog, and she enjoyed more stable, continuous board relationships.

Getting Started: Here are three growth strategies to *Embrace Success Habits*:

1. **Partner with the Board Chair to involve the Board in establishing a long-term vision and strategic framework:** the aspirational model 20-7-3-1 is simple and effective in helping the staff, Board members, and key stakeholders see a similar future.
2. **Track the Top 3 Can't-Miss Priorities with a Public Scorecard:** choosing three priorities creates an invigorating sense of focus, and using a scorecard that's openly shared with the Board, staff, and key stakeholders creates a contagious culture of transparency, accountability, and confidence.
3. **Standardize Executive Sessions into every Board meeting:** the repeated use of this important part of good governance reduces extra emotional energy that can be caused by ad hoc decisions to "call an Executive Session." At the very least, the Chair can use Executive Sessions as an opportunity to ask Board members in private: "How satisfying was this use of your time today?" The answers to that question shape how future agendas will be shaped, and how the CEO and the Board can develop together for future leadership.

A SENSE OF URGENCY

As the world begins to adjust to life after a global pandemic, there's a sense that most people are craving the return to things that feel like "normal." But in the non-profit leadership world that's not a good idea. The needs are rising, and the resources continue to fall short. In terms of the calendar of Board service, time moves quickly. As many Board Chairs turn over annually, non-profit leaders can't take a wait-and-see approach to the CEO/Board Chair relationship. It requires immediate attention—for every incoming Board Chair, the partnership-building can start a year in advance.

THE ART AND SCIENCE OF GOODNESS

The underlying assumption is an idea that lives naturally in the Third Sector, non-profit world: goodness pays. In 2015, Good Leadership rallied the financial and influential support of Cargill and U.S. Bank to study the results of business leaders whose employees described their leadership as being consistent with the word "goodness." Nearly four years of research (literature review, in-depth interviews, and an online survey of 900 leaders) provided two significant findings.

First, the research revealed a definition of goodness that works in business and nonprofit leadership:

Goodness is when people thrive together in a culture of encouragement, accountability, and positive teamwork.

In this definition, the word "people" refers to employees, customers (including clients or patients), owners, shareholders, and leadership (Board, Executives, and Managers). And "thrive together" means "No person will win at the expense of another, because we're in this together." When everyone benefits from success, momentum and engagement only increase.

Second, the research showed how goodness helps business and nonprofit leaders chart a course forward to better financial results **faster and easier** because people are working together to help the organization thrive.

In the most basic of terms, working intentionally on the CEO and Board Chair partnership allows the two leaders to role model the thrive together idea organization in ways that shape culture. And it proves out this fundamental truth:

Trust is an output, not an input.

Trust is never automatic. When a Board member rises to the role of Board Chair, their level of trust is shaped by the complex series of interactions they've had with the CEO since they first met. That includes everything in the written and unwritten job descriptions. When people feel well-informed, well-treated, and confident, they enter into the partnership at the top with a bias towards trust. And as the two leaders begin to thrive together, the goodness pays mantra seeps into how things get done throughout the organization.

This makes sense because Goodness is naturally baked into the mission of nonprofits. Thriving together is at the core of goodness. This can only happen when Board Members are growing personally and professionally together. A vibrant CEO and Board Chair partnership is essential to nonprofits thriving over the tumultuous decade to come.

If you are interested in learning more about this topics discussed in this paper, reach out to Paul Batz at info@goodleadership.com or Jim Rice at Jim_Rice@ajg.com.



About Paul Batz

Business transformation and good leadership is a team sport. Paul Batz has ushered in the golden era of executive team coaching, changing the conversation about how modern leaders create great results. He founded Good Leadership to help CEOs, business owners, executives, and community leaders grow and thrive with the idea goodness pays. Paul's not-so-secret sauce teaches how alignment, commitment, and open accountability within teams are rewarded with great business results. Paul's personal mission is to help teams weave goodness into their work, achieving more together than they ever could alone. He uses goodness as the subject for team coaching, training, speaking, and inspirational programming.



About Jim Rice

Jim Rice, PhD, FACHE is Senior Adviser with the Governance & Leadership service line of Gallagher's Human Resources & Compensation Consulting practice. He focuses his consulting work on strategic governance structures and systems for high performing, tax-exempt nonprofit, credit union and health sector organizations and integrated care systems; visioning for large and small not-for-profit organizations; and leadership development for Physicians, Boards and C-Suite Senior Leaders.



Do-It-Yourself Leadership Resources Available from Good Leadership Enterprises and Gallagher:

1. How to Run an Effective Board Meeting
2. Mid-Year Development Process
3. Governance Resources
4. Goodness Pays Score
5. Ten Goodness Pays Predictors
6. 20-7-3-1 Aspirational Thinking
7. Good Leadership Challenge – Toolkit
8. Gallagher 2020 Great Governance: A Practical Guide for Nonprofit Boards
9. Gallagher 2020 The Board-CEO Partnership: CEO Performance and Appraisal.

Sources:

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³ <https://givingusa.org/see-the-numbers-giving-usa-2017-infographic/>

⁴ Third Sector: <https://thirdsectorcompany.com/> Europe See: <https://ec.europa.eu/social/main.jsp?catId=330> and Asia see: <https://asiafoundation.org/2007/09/05/contrasting-the-nonprofit-sector-in-asia-and-the-us/> and Latin America: <https://orb.binghamton.edu/cgi/viewcontent.cgi?article=1077&context=governar#:~:text=In%20Latin%20America%2C%20citizens%20and%20the%20third%20sector,or%20they%20can%20engage%20actively%20in%20collective%20decision-making>