



I've Been Thinking about ...



Board Governance

Is there an accountability gap in the nonprofit sector? What can you and your board do about it? New research suggests some ideas.

By Martha Golensky

Once again, the American Red Cross is in the news, but for all the wrong reasons. The board has dismissed its latest high-profile CEO, Mark W. Everson, after just six months in office, and this hire was supposed to erase from memory the relatively short tenures of the previous two executives as well as concerns about how core services are being handled (think: its post-Katrina performance and problems in managing the blood supply).

The reason given for Mr. Everson's dismissal was an affair with a subordinate, which, according to a Red Cross statement, "reflected poor judgment on [his] part and diminished his ability to lead the organization in the future." But did

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the punishment fit the crime? Suspicious minds, such as mine, have to wonder whether the board used the affair as an excuse to get rid of someone who had started making much needed changes in operations, offering a simple explanation for a more complex discontent with their chief executive.

For over 20 years, I've studied nonprofit leadership and decision-making practices, with an emphasis on the board-executive relationship. In general, I find that boards don't handle the hiring, nurturing, and firing of the CEO very well. Regarding the Red Cross, the

consensus of leading newspapers was that the organization now needed to act quickly to find a new leader to replace Mr. Everson: "Someone like Colin Powell" was one expert's recommendation.

Let me suggest that timeliness and name recognition aren't the main considerations in making such an important decision. My research has identified three principal elements influencing the board-executive relationship:

- **Executive Assets:** the sum total of an individual's professional qualifications and personal attributes

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- **Board-Executive Congruence:** the fit between the board and CEO regarding management philosophy and leadership style

- **Agency Context:** the composition of the organization's internal and external environment.

In my experience, few boards take all three factors into account. The tendency is to place most of the emphasis on executive assets. Often, however, it's insufficient board-executive congruence that derails the relationship.

I've combined the three key elements into a Power Application Model (PAM). This model posits the following: The success of the board-CEO relationship will be determined by the degree of congruence between the board and executive, coupled with the board's perception of the CEO: Board members must perceive the CEO as strong enough to maximize positive environmental forces and minimize forces threatening the organization's resources.

Succession planning is too crucial to leave to such a hit-or-miss approach.

In nonprofits, a common practice after the incumbent leaves is to look for someone as similar as possible to the former executive (if he or she was perceived to have enhanced the organization) or to seek an entirely different management style (if the organization attributes some setback to the ousted leader). Furthermore, although selecting a CEO is arguably the board's primary responsibility, the process is frequently delegated to an ad hoc committee. The full board may conduct individual interviews only with the final candidates or, even worse, simply ratify the selection committee's decision. Succession planning is too crucial to leave to such a hit-or-miss approach.

My bet is that Red Cross board members never explored their fit with Mr. Everson before hiring him. A simple way to determine fit is to ask candidates during interviews how they would handle hypothetical but typical organizational problems. Then the board can compare candidates' responses to board members' opinions of what the preferred actions would be.

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In the wake of the Sarbanes-Oxley Act, it's vital for nonprofit boards to reexamine their roles. Board members must accept the full weight of accountability that goes with the position, especially with respect to selecting and retaining their most important employee. ■

Resources

Koch, Fern, "Building a Strong Board-Exec Relationship," *Nonprofit World*, Vol. 21, No. 4.

Santora, Joseph, "Planning for Leadership Succession: Are You Ready?," *Nonprofit World*, Vol. 22, No. 4.

Smith, James Monroe, "How to Hire the Ideal Executive: Advice to the Board," *Nonprofit World*, Vol. 12, No. 5.

Whitehouse, Sheldon, "The Sarbanes-Oxley Act & Nonprofits: But I Thought That Didn't Apply to Us," *Nonprofit World*, Vol. 22, No. 5.

These resources are available at www.snpo.org.

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