

Hiring, Evaluating and Working with Your Executive Director **By Bill Welsch**

Congratulations!

You've just been informed by the board president of the "Help a Kid Foundation" that you are invited to serve on the board of this well respected and widely loved organization. As you pour over the 6 inch binder of "Board Member Materials," you are instantly overwhelmed: What have I agreed to? There is so much to contribute, where do I start? What do I do?

Here's your first big test. Choose the correct answer below.

As a not for profit board member, my most important responsibility is to:

- (A) *Arrange my board materials in a neat and orderly fashion*
- (B) *Participate in the annual bake sale*
- (C) *Attend the annual holiday party and board installation*
- (D) *Consistent with legal and ethical practices, support the organization in achieving its mission*

It may appear obvious that the answer is "D" but the fact is, many board members get so wrapped up in the busy work of being on a board that they forget that their primary job is to support the organization in achieving results consistent with the mission.

In some not for profits, much of the organization's duties are performed by volunteer board members while in others, paid staff take care of daily operations under the guidance of the board and executive director.

The purpose of this chapter is to present proven strategies to help you fulfill your responsibilities as board member when the work of the organization is done primarily by paid staff under the leadership of an executive director.

Finding Mr. or Ms. "Right": Hiring

Time for another quiz.

Is the board on which you serve:

- *Consist of 15 or more members*
- *One that has few people with the time to screen candidates*
- *Politically complex*
- *One that has many members who have rarely made management hiring decisions*

If you said "yes" to any of the above, I urge you to *at least consider* hiring a search firm to assist you in the hiring process. Many search firms that specialize in not for profit searches are trained to deal with committees and boards making hiring decisions. An effective search firm can assist

the board to clarify what they are looking for and has the expertise to locate a number of prospects. By having someone else manage the logistics of the search, the board is free to spend more time on selecting the right candidate.

If the board elects not to use a search firm, someone with formal human resource training should be added to the search committee. This strategy not only provides the committee with the expertise it needs in the human resource area, it introduces your not for profit to a corporate human resource leader in your committee.

Whether the board elects to use a search firm or not, here are some suggestions for the search process:

- *Who's going to do what?* One of the first steps is for the full board to discuss and ultimately decide who will do what with regard to the search and hiring decision. There's no magic to any one approach, but the key thing is that the board agree on a process. In most situations the process can be fairly straightforward:
 - A small committee (3-7 members) is empowered to solicit for prospects and to conduct initial interviews. Consideration should be given to inviting non board members to participate on the search committee such as a human resource professional as discussed earlier.
 - Following this initial screening of candidates, the committee then recommends 2-3 candidates to be interviewed by the full board.
 - The final hiring decision is then made by the full board of directors.
- *What are you looking for?* The Search Committee and board need to discuss what skills, talents and experience they are looking for in the executive director. This is an area where it is beneficial to get a lot of input from different sources. Representatives from the search committee, for example, might want to call some of the key stakeholders such as funding sources, state agency heads, licensing bodies, to get their input. The final product will be a list of skills, talents and experience the board is looking for in its executive director.
- *Conflicts of interest* Each board will handle potential conflicts in different ways, but it is critical that the board know how it will handle potential conflicts that might arise in the search and hiring process. Board members should be encouraged to invite qualified friends (and even relatives) to apply, but must know how, for example, the board will handle the issue of the chairperson of the search committee reviewing the application of his own son in law. It is always easier if decisions on how such conflicts will be handled are discussed before they come up and not after.
- *The Search: Where to advertise* In addition to the obvious approaches such as placing ads in newspapers, it is advisable to publish the position opening in professional journals or similar periodicals read by potential candidates. The internet has become a resource for listing openings making it possible to communicate your position availability to people all over the world for very minimal investment.
- *Interview Questions* Once the initial search has begun, the Search Committee needs to put together a list of interview questions. Given that there are possible legal concerns

in the area of interview questions, it is advisable to prepare the questions in advance and have them reviewed by an attorney.

- *First Screening* Someone will need to be responsible for receiving the resumes and keeping them in order. In most searches, a preliminary screening is done (prior to the Search Committee becoming involved) and the prospects are sorted in some manner such as:
 - Those who do not meet the minimum qualifications
 - Those who meet the minimum qualifications but don't appear to have the credentials you're looking for
 - Those that you would like to interview
- *Second Screening* Following this initial screening, the Search Committee should review the screened resumes. Despite the fact that there has been an initial screening, all of the sorted resumes should be made available for review by committee members.
- *Initial Interviews* Once a few (3-6) candidates have been selected for an interview, a representative from the Committee (or a staff member assigned to support the Search Committee) should contact the prospect to arrange an interview. It is quite acceptable to conduct these interviews by telephone if it is more convenient. Once all of the interviews have been conducted, the Search Committee needs to discuss each one and decide who they want to call back for additional interviews.
- *Search Committee Recommends to Board* Once the Search Committee has narrowed the prospects, the candidate(s) should be invited to interview with the full board of directors. If the Search Committee elects to refer multiple candidates to the board for an interview, it is important that the Committee is comfortable with any of those candidates being considered for the position.
- *Board Approval* The full board of directors is ultimately responsible for formally approving any offer made to a potential candidate including the proposed salary and benefits package (see "Compensation" section later in this chapter).

The Bottom Line: Managing Results/Evaluating Performance

What can you do, as an individual board member, to make a difference with regard to the executive director's performance? The most profound way for the board as a whole, and for you as an individual board member, to support the executive director in being successful is to first be very clear regarding the results to be accomplished by the organization and hence by the executive director.

Here's another test.

Check all that apply:

- (A) *Our organization has clearly stated goals and results for the current fiscal year*
- (B) *The role of the executive director has been clearly defined in regard to these goals*
- (C) *Our board has a process for regularly reviewing progress made thus far toward accomplishing these goals*
- (D) *The role of the board has been clearly defined and measurable goals set*

How many did you say “yes” to? As a not for profit board member, it is your responsibility to be sure the organization is clear about the results it intends to produce and the role the executive director is expected to play in producing those results. Once this is clear, the job of evaluating the executive director is relatively easy to manage.

In the absence of using such objective criteria to assess the executive director, it can be too easy to focus on work habits and work processes. As long as the executive director behaves in an ethical, honest manner, the board should really have little in interest in *how* things get done, but should be very concerned with what he or she accomplishes.

As your board works to create such goals and intended results, pay attention to the following:

- *Is the goal or result objective and measurable?* To avoid confusion, it is critical that the goals and results identified be stated in a manner which is clear to anyone. “Improve money management skills” is a worthy and important goal but without further information, it is impossible to agree on whether the goal has been achieved or not. If the goal is stated as “ninety percent of the budget categories will have no more than a 5% variance” it is clearer.
- *Does it measure something that is important?* This is where you do the “smell test” for goals that are simply petty or self centered. “My desk will be clean by the end of the month” is certainly measurable and observable, but does achieving that goal really make a difference? What’s the real intent of such a goal? Most likely it is something like “all project reports will be filed by the first of each month to each funding source 100% of the time.”
- *Is the goal a process or an outcome?* When developing goals it is easy to get caught up in measuring activities versus results. One of the executive director’s goals, for example, may be to “work with the Finance Committee to obtain three bids for the audit.” This is certainly a measurable and important activity but it’s a process that leads to a more significant outcome, having a cost effective audit.
- *Is it attainable?* This part of goal setting can be tricky because sometimes the purpose of a goal is to fulfill a promise (such as the “goal” to make the mortgage payment by the first of each month) whereas some goals are, by their very design, intended to have us seeking a new level of performance (such as “the revenue in my department will increase by 20% over last year.”) As we work on setting the goal, it is important to ask such questions as:
 - *To whom are we making the promise implied in the goal we are setting?* If, for example, the goal is being set as part of a grant to a funding agency it would make sense to be more conservative. If, on the other hand, you work for an entrepreneurial board which expects you to take risks and try new things, it might work to set goals that stretch you and the organization to new levels.
 - *What will be the consequences of not achieving the goal?* In some settings, staff pay is tied directly to goals set as part of the performance appraisal. There are significant consequences, therefore, to not achieving the goal which

have a bearing on how carefully the goal needs to be set. One alternative is to see that the executive director has some goals that are “expected” and others that are “dreams.”

→ *Is it too attainable?* Some goals are so attainable they are downright mundane and uninspiring. Few of us, for example, would get excited about a goal to “maintain the current number of clients served.” Such a goal may meet the standard of being measurable, but it’s not worthy of being identified as a goal.

Once clear and measurable goals and outcomes are addressed, the process of evaluating the executive director’s performance becomes straightforward. Representatives of the Board sit down on an annual basis with the executive director, review each of the goals and progress toward them. Gaps in achievement are discussed (large and recurring gaps may require further intervention. See “The Dreaded ‘F’ Word” later in this chapter) and new goals, consistent with the organization’s strategic plan, are set for the upcoming year. By doing the work of rigorously agreeing to goals and outcomes up front, the process of evaluating progress thus becomes virtually automatic.

Who Does What?

Recently I got a frantic call from a client, the executive director of 3.5 million per year not for profit that provides group homes and other programs in support of people with disabilities.

“I’m gonna kill him!” were the first words I heard as I picked up the phone. “He’s gone too far this time!”

Fortunately I recognized the voice as my friend and client and realized that a homicide was not, most likely, eminent.

“Well, hi there” I said, “sounds like your board president is up to old tricks.” We had been down this road before.

The executive director then launched into a lengthy tirade about how the board president, an older gentleman who had recently retired from his job as a high level executive, was making the rounds to the group homes of the organization checking for inadequate lawn care, shrubs that had not been pruned, driveways that needed sealing, etc. My friend and client raged on.

“When will he realize he’s the board president and that checking on the homes is not his job?”

One of the most common reason for rancor between a board of directors and the executive director is conflict regarding who is responsible for what. Ironically, this situation is even more complex when you have board members who are capable and, as was the case with my friend’s board president, have time on their hands. Short of drastic remedies such as homicide, this problem can be resolved with relative ease by following a straightforward formula.

In some cases the process described here can be done without the assistance of an outside consultant. In other situations it may be necessary to bring in someone from the outside to assist. This is especially true in circumstances such as my friends where things have deteriorated and emotions are running high.

Here’s the formula. The process can be initiated by anyone. In most cases the executive director prepares a draft which is then discussed, and ultimately approved, by the board. It is possible for the board president, the head of the Personnel Committee or any other knowledgeable party to get the process started. The important thing is to get a draft down on paper so the discussion can begin. Remember, however, it is only a draft until it is reviewed and approved by the full board of directors.

1) *Make a list of “typical decisions”* Make a list of examples of typical decisions. I have listed a few in the table below. As you make the list, think of as many as you can, especially those that may have caused conflict in the past. My friend’s list, for example, would include “inspect group homes.”

2) *Identify levels of accountability for decisions* In the table below we have shown three kinds of decision making authority including:

- The executive director has full authority to make the decision
- The executive director has authority to make the decision but must inform the board after the decision
- The board makes the decision

Other levels of accountability might include such things as the authority of the board president. This may be a necessary component for certain boards, especially those where the board president’s role can be confused with that of the executive director.

TABLE 1: Executive Director/Board Decision Accountability (Sample)

	Exec Dir Decides	Exec Dir Decides Informs Bd After	Board Decides
Lease new copier	XX		
Buy property			XX
Hire/fire executive staff		XX	
Hire/fire other staff	XX		
Spend \$ within approved budget	XX		
Spend \$ not within budget			XX
Develop/approve strategic plan			XX
Rearrange offices (within budg)		XX	

3) *Decide who decides* The final step in this exercise is to then “fill in the blanks” and decide who has the authority to make various decisions. What is ultimately agreed upon should be formally adopted by the full board of directors. It is not so important to rush to formalizing this process as it is to have the discussions that lead to the final decision. It is these discussions that will reduce the conflict down the road.

IMPORTANT TIP: There are few “right” or “wrong” answers in this process. Some decisions must be made by board because it says so in the by laws, but beyond that its up to each board to resolve who they want accountable for various levels of decisions. The point is not to get the “right” answer, but to clarify everyone’s expectations.

In the case of my friend, for example, it might be decided that one of the board president’s roles is to do a visual inspection of the group homes once per week and report his findings to the executive director. This is a little unconventional, and I wouldn’t necessarily advocate that approach, but the real issue is not that the board president’s behavior is “wrong”, it is simply not consistent with what the executive director is accustomed to. Once the issue has been discussed and everyone’s accountabilities clarified, the conflict will diminish.

4) *Revise as needed and communicate* It is important that this exercise be revisited when there are changes in key board or staff positions. It is also important that the approved decision matrix be communicated to all board members and be included as part of orientation training for new board members.

Who’s The Boss?

Have you grown sick of my sophomoric quizzes? I hope not, because here’s another.

Pick the correct answer:

- A) *The executive director reports to the Board president who is “the boss”*
- B) *The executive director reports to the Executive Committee of the board of directors*
- C) *The executive director reports to the Personnel Committee*
- D) *The executive director reports to the full board of directors*

The correct answer is “D” except in a few rare cases. The only variation might be if the organization’s by-laws specifically delegate the supervision of the executive director to another entity *or* if the full board has formally adopted a resolution delegating that authority to a committee of the board. And even in such cases, remember that you as a board member are *still* responsible for decisions made by any individual or sub committee of the board.

The bottom line is that as a member of the board you are part of the group collectively responsible for being the “boss” of the executive director.

The problem is, it is not convenient for a large group of people to be effective as “the boss.” As a result, not for profits have developed a number of strategies to address this issue by having the executive director report to a committee or the board president. Such approaches can work as long as the board and executive director have established measurable goals and outcomes as discussed earlier. In this situation, the board (as “boss”) has clarified what it expects in the form of the goals and outcomes and the role of any sub committee or the board president then becomes one *of facilitating a board defined process.*

In the absence of clearly stated goals and outcomes, however, all sorts of potential mischief is possible. Suddenly the executive director finds that they are taking direction from the Board president or the Executive Committee rather than from the board as a whole. This leads to confusion and can ultimately impair the organization’s ability to achieve its results.

Who’s The Boss Part II: The Board as Meddler

Please take a moment and locate the staff organizational chart for the agency on which you serve as a board member. If you didn’t get such a chart, ask for one. As you review it, make note of the following:

The executive director reports to the board. All other staff report, ultimately, to the executive director.

As a board member you will have contact with a number of staff in the organization. This is a good and desirable thing. In the course of interacting with these people, they may voice a concern they have about the organization and its operations. What you say to handle this when it occurs is not complicated. Repeat the following after me:

“You will need to speak to (insert name of executive director here) about that.”

That’s all there is to it.

In the unlikely event that the issue being raised revolves around legal or ethical misconduct, then you must insist the issue be immediately brought to the full board’s attention. In the vast majority of cases, however, you will simply refer the matter to the person responsible for addressing the problem, the executive director.

Dollars and Sense: Executive Director Compensation

Compensation is another area where seeking outside input, either from knowledgeable volunteers or from consultants, should be considered. Information and advice on compensation is also available from organizations such as the United Way, Independent Sector, The Non Profit Times and Guidestar.

There are a number of factors to be considered as the board reviews compensation including the following:

The organization's compensation system As your board begins to work on executive director compensation issues, it is important that the board members involved in the process know the following:

- Does our organization have a compensation system?
- Is the executive director position included in that system (In some pay delivery systems the highest paid positions are excluded to provide maximum flexibility in recruiting for those positions—but you need to check to be sure).
- If there is a system in place, how do the parameters of that system affect the board's ability to determine the executive director's compensation?

If the existing compensation system is one that does not serve you as you are making compensation decisions for the executive director, then change the system or exempt the executive director position. *Don't just ignore the system that is in place.*

External Competitiveness One of the key areas to research in determining compensation are the pay scales in other organizations. Thanks to the internet, this can be completed with relative ease by contacting the websites of the organizations mentioned above. At websites such as Guidestar.com, for example, it is possible to access compensation and benefits information for the highest paid executives of some 700,000 not for profit organizations.

When you conduct such a survey, in addition to gathering salary information, you will also want to find out about other benefits such as:

- Health Insurance coverage
 - Does organization pay all or part?
 - Is dependent coverage included
- Mileage reimbursement and/or agency car
- Paid time off: Number of vacation days, sick leave, holidays
- Club memberships
- Travel reimbursement for out of town meetings
- Professional memberships, continuing education

As you evaluate executive director salary and benefit information from other organizations, this data must be looked at within the context of the responsibilities and duties of that particular executive director. Referred to as “compensable factors,” these are the aspects of a job which make it worth a certain amount of money. This includes such things as:

- *Annual Budget* The overall size of the organization's budget is often an issue considered in determining executive director pay. This can sometimes be deceiving since the amount of money in the budget doesn't always correlate to skills and talents needed by the executive director, but it is nevertheless an issue that needs to be considered.
- *Number of persons served* It would seem that a “bottom line” measure of an organization's impact (and hence the pay its executive director should receive) is the number of people served. Although an important factor to look at, this one

can also be deceiving. A hospice which operates 24 hours per day serving 50 seriously ill people per day, for example, is probably a bigger job than serving 50 kids one week per year at a camp. In both cases the organization “serves 50” but it’s the type of service they provide that makes a difference in what is expected of the executive director.

- *Number and type of staff* Another measure of organizational complexity, and hence executive director compensation, is the number of staff employed as well as the positions they hold. Few would argue that as the number of employees increases, so do the talents required from the executive director to provide the leadership necessary.
- *Specialized Skills Needed* Some not for profit organizations require that their executive director have certain specialized skills or training such as an MBA, MSW, CPA or MPH.
- *Scope of Operations* This category includes such things as:
 - *24 hour per day?* Is the executive director expected to be available 24 hours per day on a regular basis?
 - *Number of sites* If the agency programs are located in a number of sites, this impacts the kinds of management skills expected from the executive director.
 - *Volatility* Some not for profit organizations work in difficult environments with clients who face significant challenges. Expecting an executive director to skillfully handle such issues day in and day out affects their compensation.

Once you have obtained this information for a number of not for profits considered comparable to yours, you will be able to judge whether your executive director’s pay is competitive with others in similar positions. Remember: Compensation is an art not a science. This analysis provides you with useful information regarding the pay of other people doing work similar to your executive director. It is a guideline for reference not a hard and fast rule.

Deciding on Compensation OK, enough messing around. Now that you have the background information you need, its time for the board, through a few representatives, to work with the executive director and address the issue of compensation. The exact manner in which your board chooses to proceed is up to you and your board, but it is important to pay attention to the following:

- *Annual review* The board should address the issue of the executive director’s compensation and benefits at least annually.
- *Performance and compensation* Few would argue that pay should be correlated with job performance. How your board chooses to do this has to be handled skillfully. If, for example, pay increases are tied directly to the accomplishment of specific tasks, it is essential that these tasks be carefully identified and agreed to by all parties including the executive director.

- *Sit down and talk* Representatives from the board should meet with the executive director to discuss compensation. As discussed earlier, if the executive director position is included in the agency compensation system, then the board will need to follow the guidelines outlined in that system. It is also important at this meeting to ask the executive director what, if any, changes he or she wants in their compensation. Your job as a board member in supporting the executive director is to find out what the executive director wants. This does *not* mean that the board must approve this request.
- *Make a recommendation* This committee of board will want to deliberate and decide on what changes in compensation, if any, are appropriate.
- *Final board approval* Once the board committee has determined what, if any, changes are to be made in the executive director's compensation, the package is presented to the board for approval. It is essential that the *entire board* approve this decision. Although a committee may have done most of the ground work, the final decision is one the entire board needs to make.

The Dreaded “F” Word: Firing

It's impossible to have a discussion about a not for profit board effectively managing the executive director without discussing the “F” word. The reality is that sometimes the performance of the executive director does not measure up to the standards of the organization and the executive director must be fired.

FREE TIP: If termination of the executive director is being contemplated or even faintly considered, call a labor attorney or human resource professional. This one is not negotiable. Labor law is complicated and potential litigation lurks in all sorts of mysterious places. Although asking an attorney to advise you does not relieve the board of its responsibility to ultimately decide what it wants to do, moving forward without legal advice is ill advised.

So, you ask, if I'm advising you to consult with an attorney in such circumstances, what's the point of this section of the chapter? Great question.

Here's the scoop: In my experience, some not for profit boards that are otherwise capable, hard working and effective, struggle mightily with the issue of terminating an ineffective executive director. A few do it too quickly, a few do it for insufficient cause, but most simply procrastinate hoping whatever problems are present will magically fix themselves. This is rarely the case. I recently watched as a local not for profit struggled for years trying to deal with their long term director who, after years of effective leadership, was not succeeding. It was tragic to watch the needless suffering on both sides.

Because you will have retained an attorney and you will, of course, *LISTEN TO THEM* as you work through this issue, the point of this part of the chapter is to provide a few guiding principles to support you and your board as you move forward with this difficult task:

- *Your job is to be responsible for the organization's mission and results* As a board member, it is your duty to support the executive director in being effective accomplishing the organization's results. If those results are not happening, then intervention with the executive director is called for. If the results continue to not to happen then further intervention, up to and including possible termination, is appropriate.
- *You aren't doing anyone any favors by delaying* A common misconception is that delaying disciplinary action with the executive director is somehow "goodhearted" or "generous." Failing to deal with the issue is not only *not* in the best interest of the organization, it is not in the best interest of the executive director. No one becomes a leader in the not for profit world because they want to fail. For a board to neglect its duty of telling the executive director when and how his or her performance is not up to standards does not serve that person in their commitment to be an effective leader.
- *It's about current results, not history* Even if the executive director was effective in years past, if he or she is not being effective *now*, your job as a board member is to take action to correct the situation. All of that wonderful history is just that: history. As a board member you must insist, on behalf of the people served by the not for profit, that results are happening now.
- *Manage the executive director, don't "shadow manage" the executive director.* Its tempting when things are not going well for the board to involve itself in things it should not be involved in. The job of the board is to support the executive director in achieving results for the organization. If that isn't happening, then let the executive director know where his or her performance is not consistent with agency standards and the changes you expect to take place. It may be tempting to jump in and try to "fix things" but that's not your job.

Epilogue: Keeping Your Eye On The Goal

Serving on a not for profit board is one of the most important and fulfilling duties a person can undertake. As a board member you will be asked to attend all sorts of meetings, participate in fund raisers, read volumes of materials and otherwise perform a myriad of tasks.

Your challenge, however, is to not allow yourself to be distracted from your primary responsibility which is to vigorously support the organization's mission by:

- Assuring that the organization's activities meet legal and ethical requirements
- Clarifying the goals and results to be accomplished
- Clarifying the roles the executive director will play in achieving those results
- Supporting the executive director in achieving results identified

The people who benefit from the services provided by the not for profit organization on which you serve expect nothing less.