



LEADING EDGE

Alliance for Excellence in Jewish Leadership

CEO SUCCESSION

Case Study of Excellence from
the Jewish Nonprofit Sector



CASE STUDY

JCC IN THE MIDWEST



Former CEO
30 years on the job



New CEO
Present

The U.S. labor market is the tightest it's been in more than half a century. The unemployment rate is at its lowest in nearly 50 years. A record number of job seekers are unemployed fewer than five weeks. The number of job openings has surpassed the number of job seekers. So in today's climate, finding and recruiting talented individuals can be especially daunting.

Factor in geography and recruiting challenges become even more magnified. Not surprisingly, talent has always been clustered in major cities such as New York, Chicago, San Francisco, Los Angeles, Seattle, and Boston. But today, that dominance is even more extreme, as the past few decades have seen a mass relocation of highly skilled, highly educated, and highly paid Americans to a relatively small number of metropolitan regions. When it comes to talent, America's economic geography is increasingly a winner-take-all proposition.

It is in this context that, in 2016, a Jewish Community Center (JCC) in the Midwest embarked on a search for a new CEO. Although not located in a major metropolitan city, this JCC still served a relatively strong economy. But the location's tight labor market—as well as its small Jewish community (roughly 18,000 Jews, compared to 290,000 in Chicago, for example)—presented significant challenges in finding a CEO. Adding to the challenge was the fact that this JCC had a very specific need: a turnaround CEO capable of reversing budgetary decline and other shortfalls.

In the end, the JCC board learned that the key to luring the right talent to its city was not to paper over the apparent cracks or try to put a positive spin on the opportunity. Rather, it was to approach candidates with honesty: to be upfront about the opportunities and challenges of living and working in the Midwest, and of managing a beloved but stagnating organization that was in need of new energy and direction. This

honesty of board members was rewarded with an executive whose profile at first blush might seem unlikely for a JCC deep in the middle of the country: an Orthodox Jew from the Northeast. This is their story.

When It's Time for the CEO to Go

In 2015, the board of the JCC recognized it was time to deal with its challenges. Its CEO had been the head of the organization for over 30 years. But after a period of strong growth throughout the bulk of his tenure, the organization's performance had steadily declined. The organization had run budget deficits for over 10 years. Its main funder, the local Jewish Federation, was becoming impatient with the organization's mismanagement. Philanthropic fundraising was "almost nonexistent," one board member recalls, and many of the JCC staff were disgruntled and demoralized.

Allowing a CEO to stay on despite poor performance is a common problem both in the nonprofit and for-profit sectors. Even at corporations, where shareholder oversight should theoretically put continuous scrutiny on CEOs, it is common for leaders to continue in the corner office even after their ability to add value drops off. A study by Booz & Company, for example, found that companies in the lowest decile of stock price performance underperform industry peers by 45 percentage points over a two-year period, and yet the probability that the CEO is forced to

resign only increases by 5.7%. The authors commented that "boards are giving underperforming CEOs more latitude than might be expected."

Forcing out a CEO is a difficult thing for boards to do, especially when directors/trustees have social ties with the CEO (as is common at nonprofits, especially in smaller communities)—but an ability to act decisively is a key indicator of governance quality. Legendary business consultant and author Ram Charan sums it up this way: "I can't think of a time when a board fired an underperforming CEO prematurely. But I can think of many instances when they waited too long." Aware that it had probably delayed appropriate action, by spring 2016, the board reached its threshold. It nominated a new board chair who it felt could assess the situation and act decisively. This new chair had experience both as a past chairman of the JCC and as the CEO of a successful, for-profit technology company, which gave him ample experience in hiring and firing.

The board chair didn't act immediately, though. Instead, he conducted his own due diligence regarding the correct course of action. In September 2016, he met with all nine executive committee members and asked for their support in moving to replace the CEO. To bolster his case, he invited one past president and one lifetime board member, who also felt it was time for the CEO to step down. He never once used the word

“termination” but instead discussed how the board should ask the CEO, then well into his late 60s, to “go into retirement.” The board chair received the committee’s full support, and the board (a larger group of 25 members) immediately agreed to the executive committee’s recommendation.

“Terminations can be difficult for nonprofit organizations—you don’t own the business and often you are in the same social circles as the CEO,” the board chair recalls. “But if you’re staggering, you have to act decisively.”

The board chair and one of his officers met with the long-serving CEO and discussed the path forward, explaining that the board hoped he would agree it was time to retire. The board chair related that he, too, once had to recognize the end of his own leadership tenure. “When I sold my business, I did it because the creativity wasn’t coming out of my head as well as it had been 10 years earlier. I shared that with him, which I think helped,” he says.

The CEO graciously agreed to the board chair’s suggestion to go into retirement. But here the board chair feels that he made a mistake. He asked the outgoing CEO to stay on for six months while the board undertook a search for his successor. The CEO signed on with good intentions. But it’s not uncommon for motivation to sag during a lame duck session, and the organization’s performance slipped further. The board chair admitted that he should have hired

an interim CEO—someone who could have started gathering information needed for the financial turnaround and made decisions around low-hanging fruit to begin the process.

The result of this misstep was that the challenge became even greater for whoever would become the next CEO, and the stakes grew even higher.

Passing on Insider Candidates

JCC Association (JCCA) is the continental organization of the JCC movement; it offers consulting services to JCCs to assist with many aspects of the JCC business, including governance issues—particularly CEO transitions. To help with its search, this local JCC’s board enlisted the support of a vice president—and certified governance consultant—at JCCA. This VP was a logical pick: She was an East Coaster by birth who resided in a major city in the Midwest, so she could speak from experience about being a transplant in the Midwest. What’s more, she had previously worked with this JCC and knew many of the personalities and key stakeholders.

At the outset, the JCCA VP felt optimistic about the search. She felt the board was committed to a professional process and had assembled a search committee with a strong mix of ages and experiences. “This was a community that hadn’t done an executive search for over 30 years, so the whole process was new,” the VP recalls. “But it was

INTERIM CEOs

What the research says

Writing for BoardSource, nonprofit consultant Don Tebbe says that an interim CEO can take a variety of different forms:

- An "acting" CEO (for instance, an internal manager with no aspirations for the top job);
- An interim CEO (often a retired nonprofit CEO); or
- A transition CEO

The transition CEO appointment is like an interim CEO, but often with a longer tenure. Tebbe writes that a transition CEO is often a former or serving CFO or accountant who can be brought on to put finances in order.

also a community that really wanted to do it right. They appointed two up-and-coming leaders to co-chair the search, a member of the local federation, and a board chair that was going to be heavily involved. It's the kind of community I love to work with because they listen and make smart decisions."

At the same time, she saw significant headwinds to landing the right candidate. Awareness of the JCC among other executives at Jewish nonprofits was low. Although this JCC had a good deal to boast about—the previous CEO had overseen the funding and construction of a modern 150,000-square-foot facility that included a fitness center, two

indoor pools, and four indoor tennis courts, as well as a variety of cultural programming—it was largely off the radar. The JCCA VP also feared the location would be a challenge to luring strong candidates. "We sometimes struggle in the Midwest to attract talent; people want to go to the coasts or they want to go south for the weather. Candidates look at the Midwest and they think it's sort of 'parve'—neither meat or milk, just uninspiring. I love the Midwest, I think it's America's best-kept secret, but searching for candidates here can be more difficult," she says.

Her mind was focused initially on finding an insider candidate. Research suggests that, all things being equal,

insider promotions outperform externally appointed CEOs. The challenge of recruiting to the Midwest made an internal promotion even more appealing, and the JCCA VP soon discovered two credible insiders.

She would eventually put the two insiders into a finalist pool of four candidates. The JCCA VP suggested that the four finalists be interviewed by video conferencing first. Following best practices for “structured” interviews, she asked that the insider candidates also use video instead of appearing in person despite being local; when it comes to interviews, ensuring a consistent experience is key to assessing candidates compared to one another.

During the interviews, it became clear to the search committee that the insider candidates were not the right fit. The committee had a strong vision of the profile it was seeking, which trumped any benefits that came from experience within the organization. It wanted a turnaround CEO—someone who had experience reversing a cycle of decline, shoring up finances, and charting a new direction at a struggling organization. This was a narrow profile. Through good fortune and its own actions, however, the search committee would eventually recruit a candidate with exactly the skills and experience it was looking for.

¹“Debra Cohen” is a fictional name. All identifying attributes of the protagonists in this case study have been altered to ensure confidentiality.

AN IDEAL SEARCH COMMITTEE

...will have a mix of past and future leadership as well as representatives of key constituencies.

Here is a sample committee:

- Incoming board chair
- Past board chair
- A member of the executive committee
- Financial chair
- A member of the board with deep hiring experience and expertise
- A board member from a partner organization with which the nonprofit works closely

A Particular Profile

In early 2017, when Debra Cohen¹ received a call from the JCCA VP about the opening at the JCC, she was in her sixth year as CEO of the JCC in a small but centrally located community in the Northeast. The timing was fortuitous. Cohen’s youngest child had recently

WHAT THE RESEARCH SAYS: PERSONAL EXPERIENCE AND CEO PERFORMANCE

Researchers have made various efforts to find relations between the personal or professional attributes of the CEO and outcomes. For example, Benmelech and Frydman (2015) found that CEOs with a military background are less likely to engage in fraudulent activity. Bernile, Bhagwat, and Rau (2014) found that CEOs who witnessed minor natural disasters in their youth are “desensitized to risk” and lead organizations that adopt more aggressive corporate policies, whereas CEOs who witnessed major natural disasters that led to large loss of human life subsequently manage corporations more conservatively. Davidson, Dey, and Smith (2013) found that CEOs who spend lavishly on their own personal lives oversee corporations with loose internal controls. The authors concluded that “measures of executives’ ‘off-the-job’ behavior capture meaningful differences in managerial style.”

left for university, freeing up Cohen to move without uprooting her family. She had entered a period in her career during which many executives feel eager to take on a new challenge—a fact that many potential employers often overlook. Careers often follow a predictable trajectory: Executives start out mobile and open to chasing opportunities that will further their career; they favor stability in middle age (as they build their experience and demonstrate their ability to create value); and then later in life, they look for new challenges in which to apply their wisdom and experience (a period

that often coincides with an “empty nest” in the executive’s personal life). “My husband and I were mobile because our two young adults were no longer at home,” Cohen explains. “I was looking for a new and bigger challenge. So it just happened to come to me at the right time.”

When organizations undertake CEO searches during periods of adversity, they may be tempted to try to hide the severity of the crisis and paint a rosy picture. This approach runs the risk of hiring the wrong fit for the role and having to undertake the cost of another search. The emerging consensus among

experts is that transparency in the hiring process paradoxically can help attract talent more effectively. In his book “Principles: Life and Work,” Ray Dalio, founder of the Bridgewater Associates hedge fund, articulates this view succinctly: Show candidates your warts.

Nothing was hidden from Cohen about the need for serious change at the JCC. “Here in the Midwest, we don’t hide anything,” the JCC board chair told Cohen in one of their first conversations. The JCCA VP was also forthcoming; she presented Cohen with benchmarking figures for similar-sized JCCs that showed the JCC in last position in terms of budget deficit, near the bottom for staff morale, and lower for fundraising and board development. The bad news was music to Cohen’s ears. “I actually find it more exciting to go to an organization that really wants help and wants to be turned around and wants change,” she explains.

Cohen identifies herself as a CEO who prefers JCCs that need turning around. At her previous job, she had taken over organizations in difficult financial condition with low staff morale. “So this role posed a question I wanted to answer: Can I take the things that I’ve done previously and at a place that is a little larger with bigger problems? That was attractive to me.”

The fact that Cohen had experience turning around a troubled JCC was very attractive to the board and search committee, as this was a capability

they were hoping to find in a CEO. “I think what partially attracted her to our community was the challenge,” the board chair says. “Let’s say we had a CEO that had done a great job and everything was in good shape, I don’t know if she’d want this job. I think she would have been bored. It was just the right fit for both sides.”

The board chair and committee members were thrilled. To be sure, they understood that turnaround CEOs usually prefer shorter, bounded appointments where they can make an impact and then move on. They often don’t feel challenged when their organization is in maintenance mode. But the board was willing to take the risk that Cohen would see her new JCC appointment as a tour of duty. Perhaps Cohen might work out over the long term. Perhaps she would move on after a few years. However, they had bigger problems to worry about than Cohen’s longevity.

The On-Site Visit

Cohen seemed to be the right candidate at the right time. But the JCCA VP and the board still had doubts about whether a lifetime East Coaster would be willing to relocate to the Midwest. During some of her first meetings with the search committee, the JCCA VP had run an informal SWOT analysis of the job, asking committee members to answer the question, “Why would someone want to move to our city for this job?” The committee felt it had a good pitch for why the city could be an

attractive place to relocate (affordable cost of living, excellent schools and universities, pro sports teams, good restaurants, and so on), but it had not anticipated a seemingly important complication: Cohen is an Orthodox Jew. While the city has two Orthodox synagogues, it has only one kosher restaurant—the cafeteria at the JCC. This raised more than just a concern about whether Cohen could enjoy the local restaurant scene with her husband; the board worried about how she would entertain potential donors.

When the JCCA VP reached out to Cohen about relocating, the JCCA VP was surprised by how much information Cohen already knew about both the JCC and the city where it is located—a phenomenon that many employers experience today, as candidates access information about institutions and locations online. Cohen knew which Orthodox synagogue she was likely to join, and she had already scoped out potential properties in the Eruv—an urban area enclosed by a wire boundary

that symbolically extends the private domain of Jewish households into public areas, permitting activities that are normally forbidden in public on the Sabbath. She seemed very comfortable with the move. Because one of her children has food intolerances, Cohen had become accustomed to avoiding restaurants and eating at home. When it came to entertaining donors, Cohen said she could entertain at her home or at the JCC cafeteria.

“Some board members still had concerns about whether Cohen could be happy,” the JCCA VP recalls. “I told them, ‘It’s not up to you to decide. She’s a senior professional; if she says it’s not an issue, we have to take her word for it.’”

The JCC arranged an on-site tour of the city to coincide with Cohen’s final, in-person interview. While some organizations plan such visits on the fly, JCCA recommended that the board arrange to set Cohen and her husband up with a realtor to show housing options and arrange meetings with leaders at the Orthodox synagogue, as well as with



Show candidates your warts.

RAY DALIO, AUTHOR, *"PRINCIPLES: LIFE AND WORK"*

board members, staff, donors, and other community stakeholders.

But the board members didn't push too hard. Rather, they let Cohen come to her own conclusions. "I had done a lot of research, but there were still surprises," Cohen says. "For instance, it's a big city, but I can be downtown in 15 minutes, and if I drive to a sports game, I always find cheap, convenient parking. That surprised me. In the last place I lived, I couldn't even go shopping at Marshalls or T.J. Maxx because of parking." Cohen's husband, who had fond memories of his time doing graduate work in the Midwest, was excited about the prospect of the move. "My husband's feeling was that Midwest people have really nice values. And then on our visit we took a beautiful tour of downtown. We just thought, 'Wow, this place is great.'"

While Cohen enjoyed the site visit, she still had doubts about the role. In a previous career move, Cohen ended up kicking herself because she didn't do more due diligence about whether the board was serious about using her as a turnaround CEO or just paying lip service to its desire for change. On the trip, Cohen made discreet inquiries to prominent members of the community; she pressed the JCCA VP on her experiences working with the board; and during her interview with the board, she made sure to make clear that she was only interested in a true partnership. "There were times during

the interview when the board would say, 'What are you going to do?' and I would actually interrupt and correct them and say, 'No, it's what are we going to do together,'" Cohen recalls. "I was very prescriptive that together we can achieve almost anything, but if you're just looking for me to be the person to turn your organization around by myself, I'm not interested in that kind of a job."

Cohen soon came to feel that she had strong partners in both the board and, in particular, the board chair, who had a bias for action and wasn't shy about making tough decisions. Leadership scholars have long debated whether hierarchical or flat leadership structures are more effective—and thus whether it's better for a leader to be domineering or focus on consensus. But emerging research from Lindred Greer at the Stanford Graduate School of Business suggests that the answer depends on context. During times when execution is paramount (for instance, during a turnaround), a hierarchical power structure in which leaders are empowered to make tough decisions is optimal. During periods of stability when innovation and creativity is needed, egalitarian structures are more effective. Cohen felt she had the backup needed—in the board chair and the rest of the board—to take action at the struggling JCC. She accepted the job.

The Move to the Midwest

In June 2017, Cohen and her husband

stepped off the plane in the Midwest to move into their new home. (The JCC covered their relocation expenses.) The board chair had a plan in place for Cohen's onboarding that involved meeting with key staff, board members, and past presidents. But when the board chair moved to set up the interviews, he discovered that Cohen had already set up meetings with important stakeholders. It was clear that Cohen was ready to get to work. "It's like watching a barracuda in the water," he says approvingly of Cohen's leadership. "She doesn't stop."

In the early days after her arrival, Cohen remembers one gesture that she felt was particularly meaningful for her onboarding. The board organized a welcome barbecue for Cohen, attended by all JCC staff—and the board members did the cooking themselves. Cohen remembered a document that the board had sent her about the community, highlighting its hospitality. "It's really in the DNA of the people here to be welcoming. That barbecue just confirmed what I had read about and heard in my conversations with people. It was a very meaningful gesture."

Cohen has felt supported by the board and the community in more important ways, too. Early in her tenure, when it became clear that she needed to terminate the employment of a well-liked but underperforming member of staff, she received the board's full support. She has been direct and

honest about the over-optimism baked into the yearly budget, and she has been given permission to be more aggressive about reducing spending and attempting to end a 10-year streak of deficits. She and the board chair meet once a week and support each other to reach shared goals.

Cohen and her husband's adjustment to their new setting has been smooth. Recently, Cohen's mother-in-law passed away, and representatives from her local synagogue sat shiva with her family. She and her husband feel like they have space to breathe in their new life. "When you live in the Northeast, you get used to paying \$30,000 for a kid to go to day school, you get used to outrageous home prices. You don't realize the stress you're under until you are living somewhere else," she says.

Her biggest complaint so far? She's finding it difficult to recruit talented employees. "Unemployment here is super low, so recruiting is a real challenge," she says. "And getting quality Jewish staff to come to the Midwest is challenging because they perceive it's not a major center of Jewish life." Fortunately for Cohen, when it comes to convincing talented candidates to come to the Midwest, she can rely on personal experience to make the sale.

APPENDIX: JCCA EXECUTIVE CANDIDATE'S ESSAY QUESTIONS**Executive Candidate's Essay Questions**

Please answer questions one and two and either question three or four, in essay form, by typing the question at the top of a blank sheet, and creating a response that does not exceed one side of one sheet each.

Please upload your three essay pages to your Executive Profile on jccworks.com.

- 1.** All candidates: Identify three strategic challenges your current agency/company will face in the next five years, and indicate what you are doing to help meet these challenges.
- 2.** All candidates: What do you see as your role, both professionally and personally, in helping a JCC fulfill its Jewish mission and build Jewish community? How have you done this?
- 3.** For those who currently are employed in a nonprofit organization, including a JCC: What have you done in the past five years to assist your volunteer leadership in reaching their potential as effective decision-makers?
- 4.** For those currently employed in the for-profit sector: This position seems to take you along a different career path than your background suggests:
 - a.** What are the different qualities and skills that are necessary to lead a Jewish Federation as compared to running a for-profit business?
 - b.** What do you offer to the JCC field?
 - c.** What do you need to learn to be successful?

AUTHOR

Eben Harrell is a senior editor at Harvard Business Review (HBR). Before joining HBR, Harrell worked as a foreign correspondent in the London bureau of TIME; as an associate at the Harvard Kennedy School; and as the head of thought leadership for L.E.K. Consulting, a strategy consultancy. An award-winning reporter, writer, and editor, Harrell has published articles in TIME, The Economist, The Washington Post, Sports Illustrated, and other major titles. In 2017, Harrell and UC Berkeley professor Dacher Keltner won the Warren Bennis Prize, which is awarded each year by the USC Marshall School of Business to the editor and author of the best article on leadership in Harvard Business Review. Harrell holds a master's degree from the University of St. Andrews and a bachelor of arts from Princeton University.



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Founded in 2014, Leading Edge seeks to influence, inspire, and enable dramatic change in attracting, developing, and retaining top talent for Jewish organizations so that the Jewish nonprofit sector may thrive.

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