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Hello and welcome to Mission + Markets, a podcast by CAPTRUST, where we explore trends and best practices for endowments and foundations related to mission engagement, fiduciary governance and investment management. Hosted by CAPTRUST's Heather Shanahan, director of the Endowments and Foundations Practice, each episode shares research, resources and recommendations from industry insiders so your nonprofit can focus on what's most important: the mission.

Heather Shanahan:

Welcome back to Mission + Markets. I'm your host, Heather Shanahan. Glad that you're joining us this month. If you have not taken the time to listen to last month's episode, you need to grab that one as well. We are joined by the team from the YWCA of Greater Charleston, South Carolina, and we are discussing board member development, retention, turnover, all of those issues that boards face. This month we are talking about CEO succession. That is a challenge certainly in the for-profit space. It's not always done well and rarely considered in the nonprofit space. So we are joined this month by David Ludwigson and Karen Pearl from God's Love We Deliver, an amazing organization, and their story is really powerful of how they planned and the timeline and also board engagement. The board leadership was really instrumental in helping to navigate that change as well. So let's dive on in.

It is my pleasure to spend some time today with current CEO David Ludwigson and past CEO Karen Pearl. Thank you both so much for being with us today. Looking forward to our conversation and would first want to ask, is there anything you would add about your organization, about your mission, about what you do that you would want folks to know?

David Ludwigson:

Thanks for having us, Heather. I'm sure it'll come out, but the one thing I would note, because it is something that we're dealing with every day, is just growth, growth, growth. The number of meals we cook and deliver every day is growing by leaps and bounds and it's putting all kinds of interesting pressure on the organization and something Karen and I are spending a great deal of time working through.

Heather Shanahan:

Give us maybe year to date, last year's numbers. How many meals are we talking about?

David Ludwigson:

Well, in just the first six months of this fiscal year, we're up 33% over the first six months of the past fiscal year, which is almost 450,000 extra meals annualized, nearly a million meals more this year than last year.

Heather Shanahan:

Wow, that is significant. Well, I think the work that you do is so important and it feels cutting edge in terms of access to care and impact on social determinants of health, and yet it's something so basic, food and good food and healthy food when someone is in a time of crisis. Well, beyond what you do, I'm so impressed with you from an organizational standpoint as well. You, I think, are in somewhat of an unusual situation in terms of your planning for a CEO transition, that you were able to be thoughtful and methodical and take the time and I guess are still kind of in the middle of that as well, and that's

something that we don't see done successfully a lot of times in for-profit organizations, and we really don't see it done successfully in many cases in nonprofit organizations.

Maybe I think it'd be helpful for our listeners if both of you shared a little bit of background about yourselves personally, about where things are with this transition and how things are going so far.

Karen Pearl:

I'm going to just circle back to your first question first before I introduce myself more formally, which is do we have anything to add to that narrative about how we got our start? Because I think it's pretty remarkable when you think about one woman delivering one meal to one man who was dying of AIDS, and here we are from '85 now to 2023 and we're serving about 11,000 people a year, three and a half million meals and people living with over 200 diagnoses. For people who are listening, a germ of an idea, a start is so important, and how that grows over time to something that nobody — we're all astonished by it in some ways — nobody conceived of, is really speaking to how organizations can stay vital over time.

I think that to me is the bridge to our successful transition and what started as a germ of an idea that maybe we had an internal person who could in fact take on after a longtime CEO, I was the CEO for longer than any other, I was the fourth CEO, but I served longer than anyone else. To think that maybe we could actually have that capacity inside and then to build on that and to figure out how to get there, which I know we will talk about.

Heather Shanahan:

What led you to this crossroads between the two of you? Was it a sudden change? Karen, you woke up one morning and said, "I've arrived ready to transition," or is this something that's happened over a period of time?

Karen Pearl:

Oh, it's clearly something that's happened over a period of time. I didn't want to be, which I think sometimes happens in the CEO world, somebody who kind of stayed at the party too long and then people start to kind of whisper like, "Oh, maybe it's time. Has anybody talked to her about what her plans are?" I just felt that I'd been there for a really great ride. Our organization was at the absolute top of the game. [inaudible] to say there won't be a higher top, but our staff is great, our board is great, our fundraising is great. We're doing more and more contracting with health plans and hospitals. We were in a really good place to be able to turn over the leadership. There wasn't a problem that was brewing that somebody else was going to have to come clean up some mess. A mess.

This would've felt like the right time, but the conversations that David and I had about him potentially moving into the CEO world, into the CEO role, happened before that. It happened over a period of years actually, where not only did he and I start talking about it, but over that time we talked with current chairs and former chairs of our board because it's not really a decision for David and me to make. We can say we want it all we want, but it's ultimately for the board to make. We together figured out when we wanted to talk to each person, what we wanted to talk about, what advice we wanted to get from them, and then how we would then continue on the journey to making what we hoped would be the reality, which is that I would hand over the reins to David as CEO and then stay in an important leadership role for the organization for some period of time afterwards.

Heather Shanahan:

I want to talk about the board piece in a minute, but let's stay on the conversation between the two of you for a little bit longer as well. You couldn't have run an organization that's the size of yours without a decent amount of planning. It's not a fly-by-the-seat-of-your-pants opportunity. So what does that strategic process look like in a normal year-to-year standpoint, and then what was the strategic process for that transition and then mapping out what those conversations would look like as you approach the board?

David Ludwigson:

Well, one thing I would mention was we adopted an emergency succession plan. In working through that with the board, and I think we had an attorney help us with that, and then having the board adopt that, which named me as ... we don't say hit by a train, we say when you win the lottery and Karen is gone, then I would step in until a permanent successor was found. In some ways, and Karen, I think we did that five, six, seven, eight years ago, I don't even remember now, and I think Karen mentioned Karen and I, I think, started talking about it informally a couple of years ago and then slowly brought the right people in the board chair and then it got more serious and then we put some timing to it and a strategy to make it happen.

Because as you said, there's absolutely no guarantee. It wouldn't matter how good I was or how long I've been here, there's no guarantee that I'm going to become the next CEO, both because in some ways, having been here so long, I think sometimes that can work against you. You're just such a well-known quantity, and they might be looking for some bright shiny thing out there. It's also not necessarily a straight path from a fundraising role to the CEO role, and sometimes that happens, but often it doesn't. I think with those things kind of maybe stacked against us, I think it was really important though, the really thoughtful work and the strategy and lining up all the right people that led to us being able to do this.

Heather Shanahan:

That's an interesting segue then. When you look at your skillsets and your experiences, they weren't the same. Did you go through a formal needs analysis in terms of David, your experience and where you wanted to round things out? Certainly not to say that you needed to come in and be Karen — you brought different things to the table — but what did that look like between the two of you?

David Ludwigson:

Well, I think in fact we were quite clear that I am not going to come in and be Karen. Karen is Karen and David's David, and they both have done good work, but they're different. In terms of skillset, I think the kind of interesting thing was — and maybe that's the reason we're talking to you — it's very unusual for the legendary 16-, 17-year CEO to stay with the new CEO. I think that would only work with one person, me. If it was anybody else, Karen wouldn't be here. The beauty of that is that the things that Karen is really good at, she's still doing for God's Love. It takes the pressure off of me from having to overnight try to become an expert in foodist medicine, right? Because that's not going to happen. I get to do some of the things that I am good at. Karen gets to continue to do some of the things Karen is good at, and I think one plus one makes two and a half or three.

Karen Pearl:

The way that that conversation really got crystallized is we knew that the board was going to want to know how the organization chart would be different under David. When we took apart all the building blocks of the organization's chart, all the different leaders and who reports to who, and we looked at

that, it became very clear that there would be some change in that based on our different skillsets. For instance, policy since the beginning ... I developed our policy department, it always reported to me because I loved policy and I spent a lot of time thinking about it because I ultimately believe that if we don't change policy, we will never be able to create greater access. It's all about the client, as is much of what we do at God's Love, but it's a really important piece for me. It was very clear that David would love if I continued on working on that, which freed up for him a space for something else to report to him.

We tend to do this on Post-it Notes, and when we move the Post-it Notes around, we could say, "Yep, that's right up David's alley, and that's an important thing," and then we could play with that so that by the time we talked with the board — this was way down the road — about what the organization might look like, it was very reflective of who David is because that was the most important thing at that point. That was just a really concrete way of saying, "You do this well, I do this well," or "I like this, you like that," to really lay it out in terms of how would it all work?

Heather Shanahan:

I don't think we've gotten to this in our discussion or my introduction. Can you clarify timelines here? David, when did you start? Karen, when did you transition and then when will you ultimately transition finally so that David stands alone? Or will you?

Karen Pearl:

We kind of thought about it. If you think about an X, just bear with me for a moment. If you think about an X, if you start on the top left and you go down, that was my line. If you start at the bottom left and you go up, that was David's line. The point where they crossed is when we switched CEOs, and David became CEO on January 1 of 2023. It's only been four months. Happy anniversary, David. Then my tale — the beauty of all of this, and I imagine we'll talk more about this — but David and I agreed we would be honest with each other throughout, say whatever it is that we were thinking, feeling, hearing, whatever. We don't have an end date and we agreed we would talk in June and we'll look forward and plan that out.

Heather Shanahan:

June's [inaudible].

Karen Pearl:

I know.

Heather Shanahan:

Let's talk about what role the board played in early discussions. Where are they now? How has that gone? Just kind of map that out a little bit.

Karen Pearl:

Well, I can start with the early years because those conversations with were with me, and I'll turn it over to David to talk more about where they are in these last numbers of months. One of the things that I am a firm believer in is that in some ways the most important relationship you have as a CEO is with your board chair. I have developed very, very close relationships with my board chairs over time and I'm trying to remember David, probably two years ago, maybe a little bit more even, I talked with our then

current board chair and the two prior and said, "David and I are having this ..." David knew I was doing this. We agreed, that "David and I have been talking, and my time as CEO is coming to an end. There's no timeline on that, but in planning, we think it would be a really great thing if David became the next CEO. What do you think?"

Then I listened and they had some feedback about things that they thought would be helpful if Davidcaptr added to his portfolio, and so whenever we had an opportunity either because of somebody leaving or some reorganization as we grew, that David stepped into those different roles to demonstrate that he could add that to his portfolio. He had knowledge, he had the skills and the relationships to support people in those ... for him to support people in those roles as the leader of those different departments, and David very conscientiously took on those challenges, whatever they were, whether they were running another department or planning for a particular presentation or whatever it might be.

Over time, I think the board developed confidence that ... two things. One is David could do those disparate things. There wasn't that many. It's not like it was a real long Magna Carta list. There wasn't that, but he could do those things. But more importantly, they developed confidence that he could rise to a challenge that perhaps was outside of fundraising. They knew for sure he could rise to every fundraising challenge, but that he could rise to other challenges. I think that's an important ingredient in being a CEO, is that your board has confidence that when faced with something difficult, complex, challenging, that you're not going to wither, you're going to rise. That actually was a really good thing because I feel like if we hadn't been talking with them, this might not have happened.

But hearing what they were looking for helped both David and me plan for him to have that experience separate from me. I mean, I stepped back, "This is yours," and so then I think they really did develop that kind of much bigger view of who David is and what he can do. That was a real opportunity and I'm very grateful to them for having done that because it enabled us to add that to our planning.

David Ludwigson:

It was kind of serendipitous in a way because what made that happen was our COO resigned and she had found a new position, and so in the interim I agreed to manage programs, which is the area that he didn't have any experience in, and then — if I'm remembering this right, Karen — COVID hit, so recruiting became more difficult and then I ended up keeping that for something like 18 months. It was more than just kind of dabbling. I actually had an opportunity to really get in there and understand, which kind of rounded out the skills and the knowledge a person needs to manage and deliver.

Heather Shanahan:

I think boards have sort of a personality of their own and that changes over time depending on your board leadership, and so even though you were with the organization, you've essentially inherited this board and this relationship. So what have you done to have continuity there and maintain these relationships or maybe change things as you've transitioned in this role?

David Ludwigson:

I think it might be a little different for us for a couple reasons. One, I think some CEOs really keep the board to themselves, and Karen really isn't like that. I've had tremendous amount of interaction with the board for years and years, and I've worked with our nomination and governance committee since we've had it to recruit new members, so I've personally helped to recruit lots of the people that I now report to. I think that certainly made it easier and just like any board, you're closer to some than others and you have a few champions that are out there so that as you start thinking about making this transition,

they can be helpful to you and you should do this or that or don't do that, or here's some things that I'm hearing that you might want to work on or that kind of dialogue.

Heather Shanahan:

How about from a staff perspective, how has that gone? David, was there anybody else that raised their hand and said, "I'd like to be considered." Has everyone been supportive? Have you made changes? How do things look at this point?

David Ludwigson:

We really didn't have any internal candidates, so that made things simpler. Then as Karen said, the two people on the board formed a two-person search committee and actually did a very intense — we talked for about three hours — interview. That went very well, and it was a little weird at first because the three of us know each other really well, yet I'm sitting for this serious interview for this job. So we talked for a while and then it kind of, I guess, devolved into just three friends sitting around talking about how can we make God's Love better and things like that. As far as interviews go, it was actually quite fun, and I think initially, if I could use one word ... no, I'll use two words: great relief. Because as you know, when there's a change at the top, sometimes it doesn't go that well and the board could bring in somebody from the outside that makes a lot of changes in personnel, for instance, and that doesn't always go so well.

I think the team knew I wasn't going to do that, and it's not like a caretaker administration, but it kind of was ... if you like what you've seen for the last 16 years and you want to see more of it, then it's the David and Karen show, and people like that. I think the staff liked that. The move created a domino effect that gave opportunities for other people within the organization to be promoted, which we thought was really nice, and so far so good. Again, four months and a day in.

Heather Shanahan:

That's great. There's so many takeaways, if I were listing from another organization, that I would want to think about in terms of best practices, but in your own words, what guidance would you give to an organization that's at this crossroad?

Karen Pearl:

I've been thinking a lot about that because I feel like there are a lot of lessons and somehow we should be able to distill some of them. But I think one of the most important things — and I talk with a lot of my CEO colleagues about this — in my role, the former CEO role, when you're thinking about seeing the end of your time in an organization, it is so important — and I mean really far out a couple of years, I don't mean six months — it's really important to think through whether you have somebody in your organization who you think has the potential to step into your role, and if so, to really consciously nurture that person. Because it is a C difference being a very senior even right-hand person to the CEO than being in the CEO seat, and it's hard for people to understand that because particularly if you do it with some amount of ease, it all looks so simple and it's really complex and I think it's ...

You need to figure out if you have that person and nurture them. If you don't have that person, you need to think about whether you ought to be hiring that person because the continuity that comes from having the correct person available, as David just said, it's not, you go from A to B as if nothing has changed. A lot of things change, but you keep a vision and a direction for the organization and for the board and for the staff, and in our case for the volunteers, that everybody still feels grounded. They still feel like they know what they're doing every day and they know why they're doing it and they know

where the organization is going. That continuity really sets up the organization for a much smoother transition than somebody from the outside. Even if they end up being a fantastic CEO, it is disruptive for probably a year or so as they learn, they learn the people, they learn the mission, they learn all the different funding sources, whatever it may be.

So to the degree that people feel that they can find somebody internally or nurture somebody from the outside when there's still enough time to learn feels to me like a really critical decision. Again, the CEO doesn't get to make that decision, but assuming there is that person or somebody's hired to theoretically become that next CEO to engage with the board, I think that cannot be ignored or understated because it's ultimately the board's decision and they need to be brought along as you're bringing along this next leader, because boards always start with the position or with the assumption that they have to search, and they don't have to.

Heather Shanahan:

David, what would you add to that advice to other nonprofits? Are there things that surprised you?

David Ludwigson:

Not so much surprised. I guess it was surprising how quickly time flew by. You think you've got lots of time and you don't, so I guess my advice would be if you're not talking about it, you should be. If you're not talking about it because it's uncomfortable or you don't want the CEO to feel like you're trying to move them out or something, I think you have to screw up the courage to start the conversation, especially if the person's been there for a really long time because we worked on this for two years and it felt like just a minute. The time just absolutely flew by.

Heather Shanahan:

Good words of wisdom. Karen, you're still carrying a piece of this with the legislative piece that you're working on. Will there be someone that comes in after you to do that? David, do you pick that up at some point? How does that go?

David Ludwigson:

Well, somebody has to do it, but I don't know that we've gotten that far along in the conversation. As Karen mentioned, it's an open-ended gig and Karen could stay as long as she wants, and hopefully that's a long time, but there's nothing imminent. It's not like we have to be preparing for that right now.

Heather Shanahan:

That's helpful.

David Ludwigson:

I'm sure when the time comes, just like in this transition, Karen will give us lots of notice and we'll have a plan in place.

Heather Shanahan:

Good.

Karen Pearl:

It's another lesson learned for me is that the same kind of honest and direct conversation that we had in all of this planning, you can't just switch and then not continue that because ... well, let me say it positively. It's really been important to continue that so that I'm clear about what David is doing and therefore I can support that. Not only supporting him directly, but also supporting the people who do report to me in continuing to share that vision and that direction, but also because invariably there are things that potentially could be really rocky that we just don't allow to be rocky because we talk about it. It's kind of like most relationships: the more you don't talk, the harder it is to be mutually supportive. The more that you do, the more smoothly that goes, and your work is not really all that different from life in that regard.

Heather Shanahan:

What's next on the horizon for the organization?

David Ludwigson:

All the growth that we mentioned at the beginning of the conversation has led to us being completely out of space in our facility. We're in the quiet phase of a capital campaign to acquire another building that'll allow us to continue to grow and cook and deliver medically tailored meals, which is really important because not only do they work, but we're the only organization in New York City that offers medically tailored meals. If you believe in them and you believe that everybody deserves a medically tailored meal who would be helped by them, then we have to continue to grow.

Heather Shanahan:

Anything that we haven't covered that I should have asked that you would think would be important for people to know?

David Ludwigson:

I have my standard three things. One, if you want to make an investment, God's Love is a great place to do it. Two, if you want to volunteer, we use 14,000 volunteers a year, and we always need more. You can go on our website, glwd.org and click volunteer. Three, and probably most importantly, if you know somebody that would benefit from our program, please send them our way. If they're too sick to shop or cook for themselves, we will be there for them.

Heather Shanahan:

That's awesome. Karen, how about you? Anything that you would add?

Karen Pearl:

I think the only thing I would add is — and I think I've touched on this a lot — but the third person who should be on this call with us is our board chair or our then board chair, he's now co-chair because his term was up but he's staying on for a year of transition, because the board chair is really critical to making this successful. At first in leading the board through the process of making the decision or the selection and then in working with earlier on, both David and myself, because we would then meet ... I used to meet with him every week, and at some point David joined us so that David could hear what we were doing. The role of the board chair in any leadership transition inside or out, doesn't really matter, is really key to the success and to kind of keeping the board at peace because they will perceive all sorts of things.

Who knows? Depends upon how involved they are or not involved, and I don't want to understate that. The other thing I would just say from the ... this is not [inaudible] experience, but the experience of many of my CEO colleagues who have transitioned, if boards decide to do an external search, it always takes much longer than they think, and they are then often in a leadership crisis because their former CEO has left and there is some interim, we're not always in interim, and so taking this whole CEO transition really seriously with giving it the time and attention it needs in all directions, from the current CEO, potentially an inside candidate or a search, really needs to be taken seriously because it takes a while to get it all figured out.

I mean, while we say our board didn't do a search, in some ways they were searching, meaning looking at David for two years.

Heather Shanahan:

Still a very thoughtful process.

Karen Pearl:

It takes a long time to find the right person, and I think that's really important and often gets forgotten because it's different than just doing a search for a staff person.

Heather Shanahan:

A quick question just about cadence of meetings with your board co-chairs now, that weekly cadence, has that always been your pattern? It wasn't just this transition period, it is a weekly meeting that you have. That's interesting too.

Karen Pearl:

I would say with vacations and whatever, it's probably, I don't know, 48, 49 weeks a year, but that's pretty good.

Heather Shanahan:

Close enough. Absolutely. Definitely. Well, thank you both. As the title of our podcast is Mission + Markets, I always ask my guests a final question, and that is mission impact: what does that mean to you personally? I'd love your feedback there as well.

David Ludwigson:

I guess for me, at least as it applies to God's Love We Deliver, the mission or the vision here is that every single person who is sick and hungry and needs a medically tailored meal, we believe they should get one, and we will continue to work incredibly hard to be able to provide them to everybody in our area in the New York City area.

Karen Pearl:

I would've said exactly what David said because that's how aligned we are around the vision. What I will add to that, though, so I don't repeat it, is that we have an obligation as an organization to focus on research policy and practice and the intersection of all of them, because that is the only way that we will continue to grow and thrive because the research fuels the policy and the policy makes it possible to increase access for people who need our services.

Heather Shanahan:

That is awesome. Well, I mean, there's so much truth in you are what you eat and when you're not, well, even more important, so it's phenomenal. The broad impact and all that you're doing and how many people you serve, and the longevity of the organization too and how it's changed. It's so impressive. So grateful to both of you for your time today and for sharing how this transition has gone. I think you've given some great best practice ideas to folks listening and thankful for the thoughtful intention, for the continuity of your organization, your mission that you have put into this. I appreciate both of you.

Karen Pearl:

Well, thank you for the opportunity.

David Ludwigson:

Thank you, Heather.

Heather Shanahan:

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