Planning for Non-Profit Executive Transitions

Introduction

As the more than 76 million baby boomers begin to retire no sector will be harder hit than the non-profit sector. Recent surveys predict that 85% of all non-profit executive directors will be replaced within the next seven years.[1] Sixty-one percent to seventy-eight percent will leave within five years, and 15% to 35% are expected to depart within the next two years. Further compounding this problem is the fact that many non-profit executive directors have either founded the organization or have been in charge for extended periods of time.

This pending mass exodus of experience, knowledge and leadership has spurred a new industry of consultants specializing in non-profit executive transitions. While there is no lack of advice regarding executive transitions, this paper will attempt to synthesize many of the ideas of leading experts in the industry and present those ideas in an easy to digest format for the board of directors as well as the incoming and outgoing executive directors.

Section one will examine not only the risks of failing to properly prepare for the coming turnover but also outline some of the benefits and opportunities from bringing in new leadership and re-examining the vision and mission of the non-profit. Section two will describe in detail the board's step-by-step process for bringing in new leadership and potentially shifting the direction of the organization. Section three will examine the roles of the former and new executive directors and provide some advice for making the transition as smooth as possible. Although executive transitions are costly, they are also inevitable; therefore, the only way to mitigate tomorrow's costs is to begin planning today.

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The term "non-profit" will be used throughout this document to represent 501(c)(3) organizations defined by the Internal Revenue Service (IRS) as those organized for a charitable purpose. The term "nonprofit sector" will refer to the group of organizations granted tax-exempt status by the IRS.

The material provided in this paper is for educational purposes only, and is not intended as legal advice

[1] Annie E. Case Foundation. 2001 Community based organizations and Executive Leadership: A survey of Annie E. Casey Foundation Grantees. Baltimore.

Section One: Overview of the Transition Process

Risks and Rewards

The amount of risk a non-profit faces as a result of the departure of a chief executive is directly related to the size of the organization. Whereas a larger, more stable organization may be able to absorb the costs of a mistake during the hiring of a new executive, smaller non-profits, where the executive director often assumes multiple roles and has a direct effect on day to day operations, cannot afford a single misstep. Even a simple error can have a disastrous effect on the non-profit's bottom line or even prove fatal to the organization. Regardless of the size of the non-profit, it is the duty of the board to minimize the costs of transition. To reduce the non-profit's risks during transition, the board must fully understand the sources of those costs.

During an executive transition a non-profit incurs two types of costs. Direct costs are those associated with finding and hiring the new executive. Those costs include but are not limited to:

- Advertising costs for hiring both an interim and permanent executive director
- Consulting costs of hiring outside transition experts to manage the process
- Costs of contracting with executive search agencies
- Volunteer hours of the board of directors
- Potential costs of increase in pay or benefits of new director
- Relocation costs for the new director

While direct costs can often range in the tens of thousands of dollars, they are controllable and to a certain degree predictable. Indirect costs, however, can be far more damaging to a non-profit and, if not managed correctly, can cause an organization to falter or fold. Indirect costs include:

- The loss of key staff or board members who were loyal to the prior director
- The loss of benefactors and donors who have personal relationships with the former director
- Missed opportunities for growth because the staff and board are overly focused on the transition
- Failure to provide critical services to the public while the staff becomes acclimated to the new director
- The cost of replacing a new director because he or she did not fit with the vision, culture or direction of the non-profit

Although these costs can be mitigated by prior planning, it is important to recognize that the benefits of a properly planned transition can far exceed the costs. Instead of focusing exclusively on mitigating the costs of the transition, a board can use the opportunity to re-evaluate the vision, mission and goals of the organization. Only after reassessing the direction in which the non-profit is heading can a board make a sound decision as to who should lead the organization. A transition provides a perfect opportunity for the board to take a second look at the direction the non-profit is heading and decide whether or not to continue on the same course the previous director had envisioned. After re-examining the vision for the organization, the board could decide to shift the focus of the non-profit and bring in someone who has a set of skills completely different than the predecessor. This shift in the vision of the organization can often generate substantial financial and strategic rewards, which include:

- Increased private contributions
- New cost saving measures
- New or improved services for clients
- Less staff and board member turnover
- Improved reputation in the community
- Improved fiscal stability
- New opportunities for federal, state and local grants

These are just a few of the measurable benefits of a smooth transition. However, some of the benefits which cannot be measured, such as improved morale and a renewed commitment to the vision by staff and board, can have just as much of an impact on a non-profit's ability to carry out its mission as the more tangible benefits.

All of the benefits listed above can more than outweigh the costs associated with the transition. Therefore, the board should approach the task of choosing a new director as an opportunity to create a stronger and more viable organization. Section two will describe the steps necessary to minimize the risks while maximizing the benefits.

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Section Two: The Role of the Board

Step 1: Keeping the Lines of Communication Open

The easiest way to create mistrust and discontent within an organization is to fail to provide timely and accurate information to the stakeholders. This principle is particularly true during the stressful and often unpredictable events surrounding the resignation, retirement, or termination of an executive director. It is, therefore, important that the board provides objective and accurate information on a regular basis. Rumors may circulate during the transition process, and therefore, it is the board's responsibility to be the primary source of trustworthy and timely information. Although the board should not meet every rumor with a response, regularly scheduled meetings with the stakeholders regarding the status of the executive search will help to calm fears and dispel rumors.

There are a number of critical questions the board must answer when it first knows that the executive director is departing:

- Who has a right to know?
- When should we tell the stakeholders?
- How should the information be disseminated?

The Board of Directors: Typically in the case where the executive director has decided to resign or retire, the director approaches one of the board members, usually the chairman. Some members will want to control the information and not share it with the entire board. Although this tactic may seem advisable to some because it reduces the chance that the resignation will be leaked to the public prior to a plan being formulated, keeping this information regarding the retiring or resignation of the executive director from other board members is never a good idea. Board members have a duty to oversee the organization. Inherent in that duty is the right to information regarding the status of the executive director. Therefore, the entire board should be informed as soon as possible. This may require an emergency board meeting to inform the board members and to develop a plan for communicating the information to the other stakeholders.

Internal Stakeholders: Other than the board, internal stakeholders include both the senior management as well as the general staff. As soon as the board has a plan in place to deal with the new departure, it should communicate that plan to all internal stakeholders. The means of communicating that plan will depend largely on the size of the organization. While a smaller organization may only require a single meeting to address any concerns, larger organizations may require the board to create a committee which can share the information in a series of meetings as well as receive feedback from the internal stakeholders. Although in rare circumstances, such as in the case of a large organization operating in more that one state, notification by letter or memorandum is required, it is never preferred.

Another issue, which often arises, is how and when senior management should be informed regarding the executive director's departure. Depending on the relationship between senior management and the executive director, the management may already know about the pending departure before the board. Regardless of the degree of knowledge of senior management, the board should make it clear that the board will lead the transition process. While management's input in the selection process is critical to success, it is important to establish early that the board ultimately has the responsibility and duty to select the new the director. Furthermore, a manager may assume that he or she is heir apparent to the organization. As discussed more fully in section three, the previous deputy director is not always the best choice to replace the departing executive. Therefore, the board must set expectations early that there will be an open and competitive search for the next executive director and that all resumes will be considered.

External Stakeholders: This third category of stakeholders includes donors, investors, partners, collaborators, customers, clients, and other beneficiaries of the organization. It is not enough to merely inform the external stakeholders that the executive director is departing. The board must also clearly define the plan to find a successor and solicit help and advice from those external stakeholders. By giving the external stakeholders a forum to express their ideas regarding the strategic direction of the non-profit, the board will not only benefit from the input but will also generate goodwill and confidence in the community.

Final thought about communication: Communicating effectively with all of the stakeholders in a timely manner is the first priority of the board after receiving word that the chief executive is departing. However, the most common mistake made by those boards that do not have a succession plan in place is to act hastily. Boards should quickly inform the stakeholders regarding the process of selecting a new director and solicit feedback, but the board should not immediately establish a hard timeline for a replacement or name a successor too quickly. As discussed in detail below, quickly naming an interim director in the case of an emergency will keep the organization on solid footing during the search for a permanent replacement. However, appointing a new permanent executive director too soon will forfeit the board's opportunity to reassess the direction of the organization and reap those benefits outlined in section one.

Step 2: Filling the Gap

Once the board has established a plan of action for communicating the departure to the stakeholders, the next step is to form a transition committee which will oversee the entire process. While the committee members should have direct management experience, it is also necessary that they be available for the next four to eight weeks in order to execute the search for the new executive. The committee must have clearly established goals, objectives and rules with regard to confidentiality and decision making authority.

The first issue the transition committee will have to address is the day to day operations of the non-profit during the search process. Preferably the committee will be able to negotiate with the outgoing director to remain on the job during the course of the search; however, in the case of a sudden resignation, the committee may be forced to appoint an interim director. The most logical choice for such a position would be a senior executive familiar with the day to day operations of the non-profit. In some cases, selecting an interim director may cause animosity in the ranks of the senior staff or there simply may not be anyone in senior management who is up to the challenge. In those cases, the board may be forced to advertise the position of interim director.

Regardless of whether the interim director is selected from within or outside the organization, the board should not only clearly document the role of the interim director but also establish up front in writing that the interim director will not receive special consideration in the selection of the permanent director.

Often merely appointing an interim director will not be sufficient to fill the gap caused by the departure of a hands-on executive. The transition team should also re-evaluate whether some of the day to day responsibilities of the former executive should be spread among senior executives thereby lessening the load on the new interim director. Such a tactic may reduce the risk of the interim director being overburdened, especially when the interim director has kept his or her previous position. However, the transition team should be cautious when reducing the role of the executive director. When certain responsibilities are delegated to lower management, they are often difficult to reclaim without creating ill feelings among the staff. Therefore, a seemingly temporary delegation of authority can easily become permanent.

Regardless of whether an interim director is appointed or the staff is given additional duties, the transition team can take a number of specific steps to make sure that the organization runs effectively and efficiently during the transition process.

Tasks for the Outgoing Executive Director

- **Document key dates:** The former director should create a schedule of all major activities during the course of the year, which should include performance reviews, special events, staff meetings, one on one meetings, lease/contract expiration dates, and pay periods, among others.

- **Prepare lists of major stakeholders :** The former director should prepare a list of major external stakeholders. This list should include funding sources, legal contacts, association leaders, lobbyists, and other important contacts. The director should also include in the list any idiosyncrasies associated with each stakeholder (e.g., appreciates receiving handwritten thank you notes).

- **Personnel status/performance reviews:** It is the responsibility of the transition team to make sure that the former director has properly documented any outstanding personnel issues. Also, the former director must complete all performance reviews prior to his or her departure.

- **Status reports for management and key staff:** The former director should also prepare a list of pending issues facing the organization. This list should include a task list from each of the former executive director's direct reports.

Tasks for Transition Committee

- **Emergency contacts:** The transition committee should provide the interim staff with contact information for at least two members of the transition team. As stated above, should any emergency arise, the transition team should immediately inform the entire board and not attempt to compartmentalize an issue.

- **Office Review:** Members of the transition committee should take a tour of the chief executive's offices to ensure that all files are properly labeled and that thestaff has the proper keys, passwords, and combinations to access needed files.

- **By direction authority**: It is also critical that the transition committee decide which staff members will have authority to execute documents such as contracts and paychecks in the absence of an interim director. Often the CFO/ reasurer or corporate secretary will fill this role; however, regardless of the person selected, the grant of authority must be well documented.

For the transition team to have the necessary time to devote to planning and recruiting, the organization must be in good hands and all aspects of the day to day operations must be addressed. Once the organization's staff understands its roles and responsibilities during the interim, the board's transition committee can turn its attention to finding a new director.

Step 3: Reassessing the Strategic Direction of the Non-profit

Often the interim period from the time the former director leaves until the new director is hired is viewed as a void which must be filled as soon as possible. Instead, the transition committee should view this time as a tremendous opportunity to reassess the direction of the organization. The strategic reassessment is not just a valuable byproduct of the director search, it is a necessary step in redefining the role of executive director.

Before the board can decide who should lead the company it must first define the skill set of the new executive director. The most common mistake boards make when defining the new director's responsibilities is to look at the old director's job description. In most cases, the previous executive director was in his or her role for upwards of ten or even twenty years. Unless the job description was frequently updated, it may not bear much resemblance to the actual duties and responsibilities of the outgoing executive director. Instead of defining the new executive director by the actions of the outgoing executive director, the board must instead assess what type of leader is needed to achieve the future goals.

The strategic assessment consists of three phases. In the first phase, the board must assess where the organization stands today. With the help of senior management the board should define the strengths of the non-profit. Those could include contacts with the community, a strong and experienced staff, a stable fundraising base, or even a good reputation. In contrast the board must also take stock of the non-profit's weaknesses. By fully understanding the non-profit's assets and liabilities, the board can better examine opportunities associated with those strengths and weaknesses. For example, a small financially weak association, which nevertheless has a good reputation in the community, may have an opportunity to merge with a larger more stable organization. Furthermore, if the board understands the weaknesses of the non-profit, it can plan for future threats to the organization.

Once the board fully understands the non-profit's current position, it can reassess the organization's mission and values. The mission is merely a concise statement of the activities the non-profit is engaged in today. The mission statement should describe the people or groups that the organization serves, what services it provides, and how it provides those services. Although the mission statement will change over time as the client's mix of services change, the values of an organization are timeless. For example, the Navy's and Marine Corps' core values are honor, courage and commitment. Regardless of whether the mission shifts from peacekeeping to combat, the fundamental ideals remain unchanged. Once the transition committee has a complete picture of where the non-profit stands today with its current values, mission, strengths and weaknesses, it can begin to plan for the future.

The second phase in the strategic process is to establish both long and short term goals. Goals can either be strategic (such as increasing the number of services, improving service quality, and increasing the number of individuals served by the non-profit) or financial (such as increasing the size of the grants or reducing costs).

The third and final phase is to develop specific strategies to accomplish the goals. Understanding the strategies the non-profit will have to execute in the short and long term, will enable the board members to draft a job description for a new executive director capable of executing those strategies. For example, a non-profit may recognize that it is financially weak but has strong ties to leading local businesses. Its new strategy may be to work with those local businesses to provide added services. With this new strategy in mind, the board should look for a candidate who has strong ties to the business community.

Even beyond the selection of a new executive director, the transition committee's re-evaluation of the non-profit's strategic direction may lead to other actions which could be executed together with the hiring of an executive director. The organization could change the number of directors on the board, hire a new deputy director, or partner or even merge with another organization. The board must address these critical decisions about the direction and focus of the organization before beginning its executive search. Otherwise, it could end up hiring a new executive director perfectly suited to the old strategies but not equipped with the necessary skills to lead the non-profit into the future.

Step 4: Recruiting a Leader for the Long Run

Once the transition committee and board have a clear vision of the road ahead, they can then begin the work of drafting a comprehensive job description for its new executive director. The job description consists of three parts: salary and benefits, minimum criteria, and roles and responsibilities.

Salary and Benefits: Determining the compensation for the next executive director is typically handled by the board's compensation committee. Recent articles in major publications have shed a new light on non-profit executive compensation packages. The former director's compensation package is a good starting point for setting a baseline for executive compensation and benefits; however, the board should use the opportunity to re-evaluate the entire compensation package. The IRS uses a variety of factors to determine the reasonableness of an executive compensation package. These factors include the amount ordinarily paid for like services, by like enterprises, under like circumstances. While a thorough discussion of executive compensation is beyond the scope of this paper, the IRS recommends that organizations consider the following facts and circumstances:

- Compensation levels paid by similarly situated organizations, both taxable and nontaxable, for functionally comparable positions;
- The availability of similar services in the geographic area of the applicable tax-exempt organization;
- Current compensation surveys complied by independent firms; and
- Actual written offers from similar institutions competing for the services of the disqualified person.

Therefore boards must conduct adequate due diligence to determine if in fact the compensation package is comparable to other non-profit executives who run similar size operations in the relevant labor market.

Minimum criteria: Although certain skills and attributes will be driven by a non-profit's particular strategy, leaders of non-profits must possess certain basic skills. The trust and support of the board is essential for any executive director to govern effectively. Therefore, a general consensus among the members that the new director is one who will complement the board is a good threshold requirement for any potential executive director. Likewise, the ability to effectively inspire and motivate the current management team and staff is a necessary quality for any potential leader. While these qualifications are for the most part common sense, they are often difficult to judge objectively. Therefore, to screen the potential candidate pool, the transition committee should develop certain minimum criteria such as work experience and education.

Roles and responsibilities: The roles and responsibilities of the new executive are a function of the new vision, goals, and strategies developed by the board in cooperation with the transition committee. Those responsibilities should be addressed independently of the previous executive's job description.

With a completed job description, the transition committee can then begin the process of actively recruiting. Aside from posting the description in local newspapers, the transition committees should advertise the position with all internal and external stakeholders. Senior management must understand that they are eligible and will be considered for the position but are not assured of being chosen. Similarly, clients, fundraisers, and service providers are all good networking sources for finding talent. Professional organizations are also good sources of potential applicants. If the board approves, the organization could hire an outside executive firm that specializes in seeking capable directors. By casting a wide net, the transition committee will help to ensure that a group of candidates with a diverse set of skills and backgrounds apply for the position.

Once the position has been advertised, the committee can start reviewing resumes. All members of the executive search team must fully understand which criteria they may use to screen resumes. Acceptable criteria include minimum number of years of work experience or minimum education level. However, under no circumstances should any candidate's resume be screened based on age, race, religion, disabilities, familial status, nationality or gender. Because of the myriad of state and federal anti-discrimination laws, a non-profit should always have a labor law expert review the criteria for screening resumes.

After the initial resumes are screened, initial candidate interviews may begin. To ensure fairness, interviewers should ask the same questions of all candidates. It is always a good idea to have more than one person conduct the interview. As with the screening of the resumes, interviewer should never ask about the candidates' age, race, disabilities, familial status, nationality, gender, or any other information that may not legally be considered in making hiring decisions. To do so could incur substantial liability for the non-profit. Instead, the interviewer should focus all questions on how the candidate would perform the duties of the job and the direction in which he or she would lead the non-profit. The transition committee should draft interviewer questionnaires to be filled out directly after the interview. These questionnaires should include spaces for references, which should always be fully investigated.

Having completed the initial interviews, the transition committee should recommend from three to five candidates to be further screened by the entire board of directors. Informal social gatherings are often a good way to fully assess whether these finalists fit with the company and the board. It is important for the board to rank the final candidates so that the transition committee has a plan in place if the first candidate fails to agree to the offer.

Two common problems often come to light at the end of the executive search process. First, some boards simply cannot come to a conclusion as to who is the best candidate for the position either because two candidates are equally qualified or none of the candidates have the necessary mix of skills. Carter McNamara, who has written extensively on the subject of executive searches, recommends first re-evaluating the job description. Often one of the candidates possesses necessary skills which may have been overlooked when originally drafting the job description. When none of the candidates seem up to the task, the board can hire the most qualified candidate with a plan to provide the necessary training. The third option is to hire a consultant or human resources professional for a limited time. Because the issue is well defined, the cost of bringing in outside help should be kept to a minimum.

The second common problem often faced by board members is if none of the final candidates accepts the position. Mr. McNamara recommends questioning the candidates on why they turned down the position, (e.g. low compensation, lack of authority, no corporate vision,) take into consideration their reasons, correct the problem and resubmit the offer to the finalists. If the non-profit is unable to correct the problem, the board should consider starting the process again. Assuming that a transition team is in place, the board should not rush the process simply to find a replacement at any cost. The most common mistake boards make is rushing the process and hiring someone who is not a good fit. Re-advertising the position may attract candidates who are better suited for the position in the long run. It is better to take the time to find the right candidate than create instability in the organization by repeating the process over and over again.

Once the candidate has accepted the position, the board should follow up with an offer letter outlining the compensation, benefits, and starting date. The board must also decide whether to hire the new director pursuant to an employment contract. Should the board decide after consulting with legal counsel to enter into an employment contract, the letter should also contain a copy of the contract for the new director’s review. Attached as checklist B is a list of issues the contract should address. However, at a minimum the contract should state the term of employment. A six month probationary period is often recommended. Other terms the contract should include are the executive’s roles and responsibilities, performance evaluation, salary and benefits, allowed business expenses, and the penalties for breach of the contract.

Step 5: Bringing the New Executive Onboard

The first few weeks of a new administration can set the tone for the tenure of the new executive director. It is therefore the responsibility of the board to ensure a smooth transfer of authority from the interim director to the new director. The most important task the board has in the first few weeks is to ensure that the new director is properly trained in all aspects of the organization.

The transition committee should work with the new incoming director to develop a program to quickly and efficiently get the new director up to speed. The program should be designed to introduce the new executive to all aspects of operations. The first meeting should be with the board of directors to discuss the overall strategic direction of the non-profit. Although the non-profit strategy should have been previously addressed during the interview process, the new director may feel more comfortable to speak openly and critically about the organization after he has been brought on board. Also, the board can work with the new director to develop three and six month goals for the organization. Each of the section heads of the non-profit should also plan to make a formal presentation not just to the incoming director but also to select members of the board. The transition committee can also help sponsor a formal tour of all the organization's facilities. Finally, it is the responsibility of the transition committee to make sure the new director has copies of all internal procedure manuals prior to the new director's start date.

Often the simple actions can have a dramatic effect on a new director's performance during those crucial first weeks. Some examples of actions the transition committee and board can take to ease the transition include assigning a board member as a mentor to the incoming director and sending a letter to the stakeholders announcing the new director.

Although counterintuitive, the most important thing a board can do to help the new director is to provide the former director an opportunity to make a grand exit. Military change of command ceremonies are centered on the departure of the previous commanding officer with less recognition given to the arrival of the new officer. While the former commanding officer is given an ample amount of time to speak, the incoming commander usually keeps his remarks brief and to the point. The reason for the emphasis on the departing executive is recognition that the troops must have an opportunity to reflect on their time with the former commander in order to make a clean break from the old regime.

Finally, the transition committee must evaluate the company's transition process. This evaluation should include not only an assessment of the completed process including lessons learned but also an assessment of the board's emergency succession plan. Regardless of the caliber of the newly hired executive, it is inevitable that the search process will have to be repeated in the future. Therefore, documenting all of the steps taken by the transition committee will serve as a "how to" manual for the next transition committee.

The board should also be prepared in case the new executive must make an untimely departure. Attached as checklist C is a list of issues which the emergency plan should address. The plan provides a strategy for dealing with either a short or long term unexpected departure of the executive director. Once the new director has taken the helm, the transition team has assessed the lessons learned from the transition process, and an emergency plan is in place, the transition committee can report to the board that it has accomplished its mission.

Section Three: Lessons for Executive directors

Making a Graceful Exit

The departure of a former executive can cause stress and turmoil within the organization. Regardless of the relationship with the board or staff, a senior executive's loyalty should remain with the organization and the successful execution of its mission. Therefore, even if the departure is not on good terms, the former director can still have a substantial impact on the non-profit's ability to carry out its mission by exiting gracefully.

The first mistake many departing executives, especially founders, make is to try and groom or name a successor. Tom Adams, project manager for the Annie E. Casey Foundation Executive Leadership Transition and Capacity Building Project, has written numerous books and articles on the subject. His research indicates that internal successors rarely succeed for a number of reasons. First, because the board has the right and responsibility to hire the new executive, a successor hand picked by the former director, seldom has full support of the board. Second, a good deputy does not necessarily have the skills to be a good leader. As a result, the new director often lives in the shadow of the former director even after his predecessor has left the organization. Third, organizations benefit from bringing in talent with a fresh perspective and new ideas.

While the departing director should take a secondary role in the selection of his or her successor, the director has a responsibility to strengthen the company prior to leaving. The director's focus should be on those short term goals which can be accomplished prior to departure and creating a comprehensive turnover manual for the incoming executive. The turnover manual should include at a minimum a list of stakeholder and contacts, an executive calendar of important dates, short and long term goals, and detailed description of outstanding personnel issues. The former executive should also work closely with the transition committee and staff to ensure that all of the executive's responsibilities are covered during the selection process.

Finally, a departing executive should not underestimate the importance of a formal farewell ceremony to the health of the organization. As stated above, a formal send-off gives the staff the opportunity to reflect on past accomplishments. It also provides a definitive point of departure for the outgoing executive, allowing his or her successor to have a clean start.

Advice for New Directors

There are three primary tasks for any newly appointed director. First, the director must fully understand where the company stands today. Second, he or she must reach out to the stakeholders of the company and begin the process of creating those interpersonal relationships which allow any executive to get things done. Third, the executive must begin to plan for the future setting and prioritizing three month, six month, and annual goals for the company.

To understand where a company stands today, the executive must first review all of the rules, regulations and policies that govern the company. Preferably prior to starting with the non-profit, the new executive should at a minimum review the following items:

- The articles of incorporation
- Organization bylaws,
- Annual reports and audits from the last three years,
- Board member and staff resumes,
- Board minutes,
- Key contracts with grantors etc.,
- Recent news reports and articles about the company and industry,
- Company policy manuals regarding employment, operations, finance etc.
- The corporate strategic plan

Also, the director should have in writing the board's priorities and expectation's of the new executive for the first year. Once the new executive has reviewed this material, he or she should then schedule one-on-one conferences with all senior management in order to review those policies and procedures. These conferences are the first step in reaching out to the stakeholders.

The most effective asset an executive has to accomplish the organization's mission is the interpersonal relationships with the stakeholders. A director should focus on establishing good interpersonal relationships with not only his or her senior staff and board but with all the external stakeholders as well. While formal meetings and informal social gatherings are great opportunities for status reports and introductions, they can never replace one-on-one meetings that build the necessary esprit de corps within the organization.

Once the director has taken stock of the company's current situation and has begun the process of forging relationships with the key stakeholders, the director should turn his or her attention to working with the board to set three month, six month and annual goals. Goals which are tied to tangible performance measures are the foundation for any performance evaluation. By working with the board to set realistic goals, a new director can chart an achievable path in the short run thereby building confidence for the long haul. The new executive should focus not only on three and six month goals but should begin the process of reviewing the corporation's long term strategic plan as well. If the company has a plan in place, the director should assign a team consisting of senior management to review the plan to make sure that it fits with the new director's vision for the organization. If the company does not have a strategic plan in place, the new executive should make the creation of a plan his or her top priority.

The new director's first few months can easily overwhelm even a seasoned manager; however by focusing his or her efforts on the three tasks outlined above, the executive can lay the foundation for a successful transition. Armed with a thorough understanding of where the company stands today while building the necessary interpersonal relationships with the stakeholders, a new director will build a foundation necessary to create a long term vision for the company.

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Employment Contracts

Term of Contract

___ Does the contract specify the term of the contract in years?
___ Does the contract set forth the specific start and end dates for the contract?
___ Does the contract address whether or not it can be extended and the length of any extension?

Duties

___ Does the contract specify the duties and responsibilities of the incoming director?
___ Does the contract describe the fiduciary duty owed by the director to the organization?
___ Does the contract specify the reporting relationship between the board and the incoming executive director?

Performance Evaluation

___ Does the contract state whether performance evaluations are performed monthly, quarterly, or annually?
___ Does the contract address the criteria for performance evaluation?
___ Does the contract address how the criteria will be modified?
___ Does the contract specify what actions will be taken if the new director fails to meet the performance criteria?
___Does the contract provide a mechanism for rewarding the director for accomplishing or exceeding the performance criteria?

Salary & Benefits

___ Does the contract specify the base annual salary for the new director?
___ Does the contract provide a means for increasing the salary annually to compensate for inflation?
___ Does the contract address the following benefits?
___ Pension plan/ 401K?
___ Annual leave
___ Sick leave
___ Personal leave
___ Bereavement leave
___ Health insurance
___ Life insurance
___ Disability insurance

Business Expenses

__ Does the contract limit the amount of business expenses?
__ Does the contract describe those expenses which are legitimate business expenses?

Termination

__ Does the contract specify what would happen in the event of death of the new executive or

__ Does the contract specify what would happen in the event of the dissolution of the nonprofit?
__ Does the contract specify what would happen in the event that the new director becomes disabled?
__ Does the contract specify the circumstances under which board may cancel the contract?
__ Does the contract specify the notice necessary for cancellation?
__ Does the contract state the amount of compensation in the event of cancellation?
__ Does the contract address whether unused sick leave will be compensated upon the expiration, cancellation or termination of the Agreement?
__ Does the contract specify the amount of notice required before the executive director may terminate the contract?

<u>Successors</u>

__ Does the contract specify whether it would survive the merger, consolidation or reorganization of the nonprofit?
__ Does the contract state that it is binding on the nonprofit and new executive, their heirs, executors, administrators, successors, and assigns.
__ Does the contract stat that the contract is not assignable?

Issue Paper
Planning for Executive Transitions

Emergency Succession Plan Checklist

<u>Duties of the Executive Director</u>

___ Does the plan set forth the overall duties and responsibilities of the executive director?
___ Specifically, does the plan establish the duties of the executive director with respect to the board, the management team and the public at large?
___ Does the plan describe the executive director's duties with respect to strategic planning?

<u>Temporary Absence</u>

Short Term

___ Does the plan specifically define a short-term absence in terms of months away?
___ Does the plan distinguish between the procedures for an unplanned leave versus a planned leave?
___ Does the plan establish who has the authority to appoint an interim director in the case of a plan or unplanned absence?
___ Does the plan establish who will take over immediately in the event of an unplanned absence?
___ Does the plan establish first and second alternates in case the designated alternate executive director is unable to immediately fill the vacancy?
___ Does the plan set forth who is responsible for training the alternates so that they will be prepared if the executive director is incapacitated?
___Does the plan address the salary and benefits of the acting executive director?
___ Does the plan specify who should be notified in the case of a short-term absence?

Long Term

___ Does the plan define a long-term absence?
___ Does the plan set forth how the long term plan differs form the short term plan?

<u>Permanent absence</u>

___ Does the plan define a permanent absence?
___ Does the plan set forth how the permanent absence plan differs from the long-term plan?