

Memorandum of Understanding Between J Eric Smith, President/CEO and the TREE Fund's Board of Trustees .

Introduction

The Tree Research Education Endowment Fund (Fund) is about to enter a new and exciting phase in their history with the hiring of a new President/CEO (CEO) after ten years of dynamic leadership from their retiring CEO. As the new CEO, J. Eric Smith assumes the responsibilities of the position and the Board of Trustees adjusts to a new staff leader, they will be establishing a working relationship that is essential to their mutual goal of leading the organization to fulfill its mission and accomplish its strategic and development goals.

The CEO and Board leadership agree to review the following important areas of governance and management:

- **The Trust Agreement and Other Operating Procedures.** Both parties agree to review and mutually agree to the expectations identified provided in the Trust Agreement and the organization's operating procedures. The CEO agrees to assist the Board's leadership in fulfilling their responsibilities in complying with the Trust and operating policies of the Board and organization.
- **Employee Handbook:** The Board and CEO agree to review **mutually** this important document. The Board agrees that the administration of these policies and procedures rests with the CEO. Both parties agree that the Board's role is to review and revise policies/procedures when needed, in consultation with the CEO.
- **Financial Management Operating Policies:** The Board agrees that the day-to-day operational and financial management of the organization's fiscal affairs rests with the CEO. However, the Board, through its Treasurer and the Finance Committee, ~~also~~ understands **that** it has the fiduciary responsibility of overseeing and assuring that the organization is being managed in a prudent and efficient manner. Both CEO and Treasurer agree to review **mutually** the organization's fiscal policies and procedures. It is critical that both agree on which reports are to go **to** the full Board, **and** ~~versus~~ which are to go the Finance Committee. The Treasurer and the CEO agree to establish a specified time to talk about the most recent financial reports at least quarterly. The two partners agree that the organization's financial status must be transparent to the Board and the agency's stakeholders.

Trust & Respect = Successful Board/CEO Relationships

All relations are based on two basic factors, Trust and Respect. Without one or the other the relationship will be strained and may be dysfunctional. The Board and CEO agree their distinct and sometimes overlapping roles and responsibilities require ~~s~~ that each will work hard to establish and maintain a mutual Trust and Respect as the foundation of their working relationship. Considering that each must earn the others trust and respect, the following provides guidance in establishing a trusting and respectful relationship:

Trust requires:

Communication that is open and candid
Expectations clearly defined
Consistency
Honesty
Reliability
Accountability
Transparency

Respect requires:

Seeking and open to other's opinions
Recognize accomplishments and contributions
Return phone calls **and e-mails** promptly
Maintain their respective roles as a board member or as a staff member

**Trust and Respect are Like an Eraser,
They Get Smaller and Smaller
After Every Mistake!**

Two guiding principles that may help both the new CEO and Board to start off on the right foot are described in two – two word phrases that sum up how a trusting and respecting relationship is built and maintained.

**NO SURPRISES!
FULL DISCLOSURE!**

Shared Leadership

The relationship between the Board and CEO is often described as one of sharing the leadership responsibilities. This shared leadership relationship is a critical factor in assuring that the organization has coordinated governance and management functions. The sharing of leadership also creates a dynamic tension that is somewhat unique to a nonprofit organization. The Board & CEO share leadership responsibilities yet at the same time the employer and employee relationship is also always present. Both parties need to be sensitive to that dynamic factor and its implications.

In addition to trust and respect the following represents other components of a successful working relationship.

Communication: Communication is the key to all relationships. It must be open, consistent and concise.

- The CEO and the Board agree to keep an open and consistent line of communication.
- The CEO and the Board's Chairman agree to a scheduled time to discuss issues of importance. These meetings in person or via phone should take place at least weekly during the first three months after the hire. They may become less often as soon as both parties feel it appropriate (probably after the first three months).

- During the first six months the new CEO agrees to provide the Board with a monthly report on key activities and accomplishments.
- The CEO understands the importance of informing the Board of any issue that may become a fiscal or legal problem in the future.
- The CEO understands that the Board expects him to communicate the organization's vision, mission and core values to the community and stakeholder groups.
- The CEO agrees to be responsible for maintaining a continuous line of communication with key stakeholders: such as donors, sponsors, liaison chairman, partners in the arboriculture/green community and staff. Keeping these groups informed about the accomplishments of the organization is a critical factor in building on the organization's positive image and name recognition.

Candor: An open communication process must include the ability to be honest and forthright with each other. Both parties accept the responsibility that they will feel free to express their opinion on subjects without hesitation or concern. They also agree that they will listen carefully to the other party's opinion and consider them within the context of what is best for the organization.

As mentioned previously the relationship between the CEO and the Board is one of an employee and employer. At times it may not be easy to be candid with one's employer. The Board agrees to be aware of this dilemma and to provide opportunities where the CEO may express opinions on any subject that may be sensitive and confidential. The Board Chairman agrees to be a mentor and confidant and encourage the CEO to express his opinion without fear of reprisal or breach of confidence.

Collaboration and Cooperation: The CEO acknowledges the asset of the extensive institutional knowledge base that exists within the membership of the Board. He also recognizes that there is a wealth of expertise in a variety of areas that are represented within the diverse Trustee's membership. The availability of this knowledge and expertise provides opportunities for consultation and collaboration.

The Board in turn agrees to respect the professional expertise and experiences the CEO brings to the position. His knowledge of fundraising, nonprofit and personnel management, fiscal administration and his relationships with colleagues provides an important perspective when decisions are being considered.

Seeking the other partner's opinion is an important part of a shared leadership and a cooperative relationship.

The Board and CEO agree to work in concert with each other in order to assure that the organization in advancing the accomplishment of the Fund's mission, vision and related strategic goals in an orderly and timely manner.

The following are a few of the expectations the CEO has of the Fund's Trustees:

- Be an advisor and mentor
- Involve CEO in all matters the board is considering
- Leave everyday management to CEO
- Provide their expertise when needed
- Establish policies that are relevant & reasonable, considering the CEO's recommendations
- Establish clear job performance goals for CEO
- Provide leadership in fundraising

n.b. I do not like this one. The CEO is full-time, none of us are. I think the CEO should provide the leadership in fundraising, especially given Eric's experience.

The following are a few of the expectations the Fund's Trustees have of the CEO:

- Have the professional expertise and abilities to lead the organization
- Be knowledgeable of the changing landscape
- Initiate issues for policy consideration
- Provide the Board with all information necessary for them to make informed decisions
- Identify opportunities for growth
- Provide the visionary and change leadership necessary for the effective and efficient day-to-day programmatic and financial operations
- Recruit, train, and retain competent staff
- Assist (lead?) the Board in conducting a comprehensive fundraising campaign per the Fund's Development Plan
- Provide accurate & timely reports
- Provide technical and logistical support for efficient Board operations
- Provide professional guidance and expertise enabling the effective participation of strategic thinking and planning process
- Assist the Board in finding ways to build consensus and compromise when differences of opinion exist

Specific Goals for the CEO

Both CEO and Board agree that a cooperative relationship is fostered through establishment of mutually agreed to goals. The Board and the CEO agree that the following specific goals are to be accomplished during the **first six months** on the job. They also agree that the status of these goals will be reviewed every month, thereafter. At the end of the first six months, another set of performance goals will be mutually agreed to for the second six months of the CEO's first year on the job. Annual goals will be established every year thereafter on the anniversary date of the CEO's employment.

**USE THIS SPACE TO INSERT SPECIFIC GOALS FOR THE CEO
(It Is Recommended That They Not Exceed Three To Four Goals)**

DRAFT

Performance Appraisal

The CEO’s overall performance is based in part on how the agreed goals are being accomplished. The Board agrees to convey to the CEO how they perceive his performance, in a timely, honest, concise and supportive manner. The input should be addressed as a learning experience. The Board agrees that constant and consistent feed back to the CEO is the best way to keep the evaluation process an ongoing part of the CEO and Board Chairman’s relationship.

It is understood that the CEO will receive a scheduled written evaluation from the Board, via its Chairman after the first six months and twelve months on the job. Annual evaluations will then be the usual timetable for evaluations.

Summary

This document is meant to establish a few basic principles as to how the Board and CEO will work together as partners. It is not intended to be all-inclusive. It is intended to start the dialogue. Other items of agreement and expectations may be added now or in the future.

On behalf of the Board of Trustees of the TREE Fund, I, Randy Miller, do hereby approve and agree to the above Memorandum of Understanding

_____ **Date**

Randy Miller, Chairman

I, J. Eric Smith, do hereby approve and agree to the above Memorandum of Understanding between the Board of Trustees of the TREE Fund and myself.

_____ **Date**

J. Eric Smith, President/CEO

