Evaluating the Chief Executive

One of the most important jobs a Board of Directors faces is hiring, supporting, and evaluating the Chief Executive Officer (CEO). Regular evaluations can be a springboard for good communication between the board and CEO, which makes for a stronger organization. It's an opportunity to both recognize and support good work that is being done, as well as the chance to discuss concerns that can improve job performance and assure accountability. When feasible, evaluating the CEO should be done on an annual basis.

Here is a sample process you can adjust to fit your organization:

1. **Assign an individual or small group** from the group to lead the process. This can be a Board officer or the governance committee, but someone on the Board needs to champion the process.

2. **Decide on the evaluation instrument to be used.** Most evaluations use some combination of the specific items within the CEO's job description or the organization's strategic plan, as well as universal aspects of good leadership. Often these include questions about the CEO's skills and accomplishments related to:
   - Vision, Mission and Strategy
   - Achieving results
   - Managing staff and programs
   - Effectiveness with fundraising
   - Fiscal and operations Management
   - Managing external relationships
   - The Board/staff relationship

   The CEO should have the chance to review both the process and the evaluation instrument with the group, so that there are no surprises.

3. **Ask the CEO to prepare a self-evaluation.** The Chief Executive can be asked to provide his/her perspective on the past year using the same criteria on which the evaluation itself is based. Often, board members are not aware of the full range of the CEO's activities, and

this can be a good chance for the CEO to use examples of both successes and challenges faced in the past year. S/he might also be asked to set goals for the coming year in this document.

Many organizations will provide a copy of this self-evaluation to board members prior to them being asked to fill out the CEO evaluation form; other organizations prefer to keep both processes separate.

4. **Decide who will provide input.** Every board member should be provided with the opportunity to provide feedback on the Chief Executive's job performance. The way that many organizations handle this is to create a survey to which respondents can give feedback. In reality, most organizations don't see a 100% rate of return on these surveys – nor should the process be held up waiting for a 100% return – but at least every board member should be given the opportunity for input.

   In addition to all board members, some organizations use a 360-degree approach and ask for feedback from key staff, donors or other community leaders. And the process may vary from year to year, for example by asking for community feedback only every few years. The organization should decide how the information will be used and what questions or expectations it may raise to decide what is the best fit in this situation.

5. **Collect the input and create a report.** Electronic surveys can make the job of collecting the data from the surveys simple. But don't forget to fold in the input from others who have been asked for feedback but may have provided it in the form of a separate email or in conversation.

   However, keep in mind that it's the job of the person creating the report to find the broader themes and context that emerge from the surveys, not just to report on the numbers. The results of a broad survey may have wide ranges, and a small number of respondents on either end of a question may not hold much value. Also remember that respondents may write things in the comments section in a brusque way., not expecting that the quote will be used verbatim. Find the themes of what they're trying to say, and use verbatim sparingly, as they can sometimes lead to hurt feelings. After the report is prepared, the board and/or Executive Committee may wish to meet separately to discuss the results and decide which themes to emphasize when they meet with the CEO.

6. **Meet with the CEO**. A small group of board members (approximately 3 – 5) should meet with the Chief Executive to discuss both the self-evaluation and the report. This is a time for a give-and-take conversation for both the board and CEO. Specific themes can be discussed, accomplishments noted, and steps for improving performance set in motion. Also, the nature of the relationship between the board and the CEO should be discussed. Are there ways the board can be more supportive, for example? Do board members need something more specific from the CEO? Adequate time should be allocated for this discussion, since important themes may emerge. If specific action steps are decided on during this conversation, they should be documented and shared with the full board.

7. **Report back to the full board on the results of the conversation.** A verbal report based on the written report of the small group conversation should be provided to the full board with time allowed for questions. However, don't re-open the entire conversation if someone neglected to return a survey or disagrees with the overall themes. Remember that you set up a process with key input points, and the process should be followed.

8. **The full board should discuss appropriate compensation adjustment.** Often, the evaluation discussion is tied to a possible raise for the CEO. The results of the report can be good justification for that. Remember that Sarbanes- Oxley specifically recommends that boards should base their Chief Executive's salary on community norms. Can you find the salaries of the Chief Executives of two or three comparable organizations (usually you find this on the Form 990 via Guidestar)? Use this as your rationale and outline this process in any memo that adjusts the compensation of the Chief Executive. Make sure that if a reporter called to ask about why you are paying your CEO this amount of money, you can justify the decision.

9. **Document the outcome** of the evaluation and a board vote related to any salary adjustment in your meeting minutes. This is a key part of the transparency that Sarbanes-Oxley

promotes, and the final step to assure that the Board is fulfilling its role in a responsible way.