

Performance Appraisal Process for the CEO¹

Note: This process and appraisal tool – along with Joyaux’ CEO job description – applies, in general to any organization. You would change references to “organization” to your agency’s name. You would likely specific the type of mission-based information to know, e.g., environment, healthcare, etc.

Importance of performance appraisal

Performance appraisal / evaluation is the regular process of both formally and informally providing feedback about an individual’s implementation of his / her responsibilities. The position being evaluated may be a paid employee or a volunteer.

All employees deserve and expect ongoing feedback, whether formal or informal. And all employees should expect a formal appraisal, conducted annually by the supervisor. (And, in general, the same holds true for volunteers.)

The appraisal process begins first with the job description. Supervisor and employee must be clear about the responsibilities, scope of authority and limitations, and standards and expectations of each job.

The process is clearly explained to all, is transparent, and is executed in a timely matter. In addition to written materials, dialogue between supervisor and employee is critical.

Self-appraisal is an important component of the process. Each employee completes a self-evaluation, using the Performance Factors Tool, which reflects the job description. This is the same tool used by the supervisor. The supervisor considers the employee’s self-evaluation during the review of performance.

At the conclusion of the process, the forms are filed in the employee’s file. The previous year’s results are used for the new year’s evaluation.

The formal performance appraisal for all employees is conducted during the same timeframe. The appraisal results form the basis for merit increases. Merit increases are formulated during the budgeting process and institute at the beginning of the fiscal year.

The CEO assures proper and timely appraisal for all organization employees. The CEO is responsible for an effective process that retains and supports the best employees, and provides appropriate intervention with those requiring improvement.

Elements of the performance appraisal process

- The appraisal process facilitates a careful review of the following for each employee:
- Accomplishment of goals for the review period (Section 1)
 - Performance on key responsibilities in the job description (Section 2)
 - Additional performance/management factors (Section 2a)
 - Goals for upcoming review period with ample input from supervisor and incumbent (Section 3)

¹ CEO, the chief executive officer, is the principal staff person of the organization. This position is often called executive director. And sometimes, in larger institutions, the position is called President and CEO. No matter the title, the lead staff person is the CEO.

- Performance improvement plan that is set jointly with the supervisor and employee², with monitored target dates as needed (Section 4)
- Development plan that is set jointly, and includes monitored target dates (Section 5)
- Potential for advancement to greater responsibilities

CEO performance appraisal process

A committee³ or ad hoc task force of the Board of Directors manages the performance appraisal process of the CEO and conducts the performance appraisal interview.

Typically, the Chair of the Board establishes this task force or committee. Considerations for the task force include: experience with the CEO including chairing a committee, working on a project; someone with HR expertise; possibly experience managing a nonprofit.

Oftentimes the Board Chair serves on the task. It's also useful to include the incoming Board chair, if that person has been identified.

To assure continuity, at least two members of the task force who participated in the immediate prior year review should participate in the process in the subsequent year. To assure new perspective, at least two of the members of the task force should change every year or two.

The task force must remember that it works on behalf of the Board. The task force can neither assume – nor can the Board delegate – its authority regarding the CEO. The total Board serves as the evaluator and final arbiter of any issues related to performance of the Executive Director.

Task force responsibilities

- Draft and secure Board approval for the CEO job description⁴. Design the CEO Performance Appraisal Process, including the various tools. Then recommend to the Board for discussion and action. The Board formally approves the process and tools.⁵
- Initiate the formal Performance Appraisal Process, typically 2 – 3 months prior to the start of the new fiscal year. This time period allows completion of the appraisal process, format review and action by the Board of Directors, meeting with the CEO, and then budget action.
- Recommend a merit increase to the Board in concert with the Finance Committee following the annual performance appraisal.

² In the case of the CEO, this work is typically done by an ad hoc performance appraisal task force or some other Board committee, e.g. Personnel Committee or Executive Committee.

³ Most personal work belongs to management and does not warrant a Board Personnel Committee. I see this more as an ad hoc task force for a period of time that sunsets.

And since I'm on a worldwide mission to destroy all Executive Committees, no such body would exist to conduct the performance appraisal process for the CEO.

To make this more complicated, the CEO has no "supervisor." The Board provides general direction and oversight to the CEO, within the scope of authority and limitations of good governance. The Board works diligently to focus on governance and avoid management. Most specifically, the Board chair is not the CEO's supervisor.

The CEO is hired, appraised, and if necessary fired by the Board. The Board authorizes a task force or committee to carry out the appraisal process and bring the report back to the Board for action.

⁴ See sample at www.simonejoyaux.com. Click on Resources and then Free Library. Once established, the job description and appraisal process would likely benefit from a formal review every 3 – 5 years. Naturally, during the appraisal process, the task force may identify areas of job description (and hence appraisal process) that need change. Such changes should be discussed with the CEO and require Board action.

⁵ In other words, your Board would approve this document – which outlines the process and provides the tool.

- Review and endorse the CEO's Annual Goals and Professional Development Plan and inform the full Board.
- Based on periodic compensation analyses, recommend (in concert with the Finance Committee) a salary and benefits adjustment to the Board for action.
- Regularly review the job description, any relevant policies, and the appraisal process – and recommend enhancements for review and action by the Board as necessary.

Steps in the CEO performance appraisal process

1. Task Force reviews Performance Appraisal Process, informs the Board of the process start, and invites Board members to provide any comments to the task force.
2. CEO completes same tool and submits to task force.
3. Task force meets and conducts appraisal process – Sections 1 – 4, comparing results to CEO self-appraisal.
4. Task force prepares final forms and then drafts a cover memo for Board review and action. The task force memo summarizes strengths and weaknesses, goals, improvement and development plans, and recommends the overall performance status.
5. The task force sends the confidential memo to each Board member – and convenes an executive session⁶ of the Board to discuss the results and recommendations. The Board discusses the appraisal memo and merit recommendation – and makes changes as it desires. The Board then acts and minutes reflect action and are filed in the permanent record.
6. The task force (or a representative thereof) then meets with the CEO to discuss the results of the appraisal process, and the resulting Board decision. The CEO comments on the Goals for the new year, may suggest modifications, and then helps outline the Performance Improvement and Development Plans.

Performance appraisal ratings

- **Exceeds expectations** – The individual is making an exceptional, significant contribution to the organization. This person constantly accepts responsibilities beyond those of the job held and continuously exceeds expectations regarding completion of work assignments. There are few areas regarding performance of job responsibilities in which she could improve.
- **Meets expectations** – The individual is a steady, consistent, dependable performer and carries out duties in a fully responsible and effective manner. Meets and occasionally exceeds expectations regarding job responsibilities and completion of work assignments. Even though present performance is acceptable, there may be areas regarding performance of job responsibilities in which the person should improve.
- **Needs improvement** – The individual falls below standards or expectations. It is expected that with the appropriate improvement plan, performance will reach a fully satisfactory level within a specified time period.

⁶ Recusal of staff, including the CEO.

CEO name: _____

Date hired: _____ Current evaluation period _____

Date evaluation completed _____ Date of Board action _____

Section 1: Achievement of goals from last review period

Use ratings described on page 2 of this document: EE, ME, NI. When using NI, please give specific example(s) below the goal statement.

Goals (Type in the agreed-upon goals decided during the last review period, as specified in Section 3. Include any commented below the goal statement.)

Rating

Comments and overall evaluation for achievement of annual goals – EE, ME, BE, IIR

Section 2: Performance on key responsibilities of the job description: Use ratings described on page 2 of this document: EE, ME, NI. When using NI, please give specific example(s) below the goal statement.

| Responsibility | Rating |
|---|---------------|
| <u>Legal and regulatory compliance</u> | |
| 1. Files legal and regulatory documents and complies with relevant laws and regulations. | |
| <u>Mission, policy, planning</u> | |
| 2. Helps Board determine values, mission, vision and goals. | |
| 3. Helps Board monitor and evaluate organization's relevancy, effectiveness, and results. | |
| 4. Keeps Board fully informed re: organization's condition and all important factors influencing it. | |
| 5. Keeps informed of developments in the organization's mission area, general business management including the nonprofit focus, governance, philanthropy and fund development. | |
| 6. Assures that appropriate policies are in place to guide the organization's work in all areas. | |
| <u>Management, administration</u> | |
| 7. Provides general oversight of all agency activities, manages day-to-day operations, and assures a smoothly functioning, efficient organization. | |
| 8. Assures program quality and organizational stability through development and implementation of standards and controls, systems and procedures, and regular evaluation. | |
| 9. Assures a work environment that recruits, retains and supports quality staff and volunteers. | |
| 10. Assures process for selecting, developing, motivating, and evaluating staff and volunteers. | |

| Responsibility | Rating |
|---|---------------|
| 11. Recommends staffing, compensation, and financing to Board. Recruits personnel, negotiates professional contracts, and assures development and maintenance of appropriate salary structures. | |
| 12. Specifies responsibilities and accountabilities for personnel; evaluates performance regularly. | |
| Governance | |
| 13. Works effectively with Board, its officers and committees to define their roles and responsibilities; helps evaluate their performance regularly. | |
| 14. Works with Board Chair to enable Board to fulfill its governance functions and manages Board's due diligence process to assure timely attention to core issues. | |
| 15. Works with Board Chair to focus Board attention on long-range strategic issues. | |
| 16. Works with Board officers and committee chairs to get best thinking and involvement of each Board member & to stimulate each Board member to give his / her best. | |
| 17. Frames significant questions and complex issues in ways that facilitate Board dialogue and action. | |
| 18. Recommends volunteers to participate in the Board and its committees. | |
| Finance | |
| 19. Promotes programs and services that are produced in a cost-effective manner, employing economy while maintaining an acceptable level of quality. | |
| 20. Oversees the fiscal activities of the organization, assures adequate controls. | |
| 21. With Board, ensures financing to support goals, including effective fund development program. | |
| 22. Fosters a culture of philanthropy, and assures a donor-centered organization that nurtures loyalty through a comprehensive relationship-building program. | |

| Responsibility | Rating |
|--|---------------|
| Philanthropy and fund development | |
| 23. Assures an effective fund development program by serving as the chief development officer or hiring and supervising an individual responsible for this activity. | |
| 24. Assures a comprehensive gift management system, analysis and reporting to support quality decision-making. | |
| 25. Assures the availability of materials to support solicitation. | |
| 26. Provides leadership in developing and implementing the organization's fundraising plan and monitoring the plan's progress. | |
| 27. Helps ensure that Board members carry out philanthropy and fund development activities. | |
| 28. Participates actively in identifying, cultivating and soliciting donor prospects. | |
| Relationship building | |
| 29. Identifies the key relationships necessary to support an effective organization and assures proper planning, relationship building and communications to develop and maintain these. | |
| 30. Facilitates the integration of the organization into the fabric of the community by assuring the use of effective marketing and communications activities. | |
| 31. Acts as an advocate, within the public and private sectors, for issues relevant to ABC, its services and constituencies. | |
| 32. Listens to clients, volunteers, donors and the community in order to improve services and generate community involvement. Assures community awareness of the organization's response to community needs. | |
| 33. Serves as agency's chief spokesperson and acts as advocate for issues relevant to the agency. | |
| 34. Listens to s stakeholders in order to improve services and generate community involvement. | |

| Responsibility | Rating |
|--|---------------|
| 35. Works with legislators, regulatory agencies, volunteers and representatives of the nonprofit sector to promote legislative and regulatory policies that encourage a healthy community and address the issues of the organization's constituencies. | |
| Leadership | |
| 36. Demonstrates initiative and creativity in identifying and addressing strategic issues facing the organization. | |
| 37. Effectively manages continuity, change and transition. | |
| 38. Sets and achieves clear and measurable goals and reasonable deadlines. | |
| 39. Deals effectively with demanding situations and designs and implements effective interventions. | |
| 40. Consistently displays integrity and models the organization's values. | |

As appropriate, additional factors not in job description:

Section 3: Goals for the next review period

Section 4: Performance improvement plan: *Outline any areas where the CEO needs improvement to reach higher levels of performance.*

Section 5: Development plan: *Outline training / development that will enhance CEO's contribution to the organization. Also specify areas of support and action that the Board can do to help the CEO.*

Overall performance rating / comments for CEO for this evaluation period

Action and approvals

Performance appraisal results (through memo) acted on by Board of Directors on: _____

Authorizing signature / date from Performance Appraisal Task Force: _____

CEO signature and meeting date: _____

Please write any comments from CEO on the other side of these pages.