

# HOW TO CONDUCT A CHIEF EXECUTIVE PERFORMANCE ASSESSMENT IN 10 STEPS

There is no single method for conducting a chief executive assessment, but boards and chief executives are more likely to find the assessment constructive if it is implemented in a thoughtful and planned way. BoardSource encourages boards and chief executives using BoardSource's chief executive assessment tool to follow these ten steps:

- STEP 01** **COMPILE BACKGROUND MATERIALS**
- When conducting an assessment, it is important to have a clear understanding of the criteria on which the assessment is based. Tools that identify the responsibilities of the chief executive should be completed in the context of
- the chief executive's job description
  - the vision and mission of the organization
  - the annual goals and objectives for the organization established by the board and the chief executive
  - the chief executive's individual performance goals

If you do not have these elements in place, the assessment process can be used as an opportunity to establish, clarify, or revise them. Attach a copy of each of these documents when distributing the assessment tool to board members so they can keep them in mind when responding to the questions.

- STEP 02** **BUILD SUPPORT FOR THE PROCESS AND ENCOURAGE FULL PARTICIPATION**
- Engage the board in a discussion of the critical importance of the evaluation of the chief executive for the organization. It is one of the board's most important governance responsibilities and a primary vehicle for carrying out the board's oversight and stewardship functions. The process can be initiated by either the board or the chief executive; but no matter who starts it, everyone involved should be engaged and informed from the very beginning. The board and the chief executive should have an opportunity to discuss the assessment, and the chief executive should help design the process. The chief executive should also be familiar with the assessment instrument so he or she will understand the performance areas on which the assessment will be based. The goal should be 100 percent participation by the board and the chief executive.

- STEP 03** **DECIDE WHO WILL LEAD THE ASSESSMENT PROCESS**
- Usually the assessment process is facilitated by the chair of the governance committee or the board chair. Some boards use an external consultant to assist in the assessment. A competent, disinterested third party can add credibility and perspective to the process. Due to the sensitive nature of the information in a survey, asking a staff member to facilitate, no matter how trustworthy he or she is, can compromise the confidentiality of the responses and provide information to staff that should stay with the board and chief executive.

### STEP 3 CONTINUED

The facilitator's job includes

- gathering background information
- setting deadlines
- distributing the surveys and background materials
- sending out reminder notes
- taking receipt of the completed surveys
- tabulating the results

STEP

04

### PROVIDE THE BOARD WITH AN OVERVIEW OF THE PROCESS

At a board meeting, take the opportunity to discuss with board members what they should expect during the assessment process. Provide them with timelines for when the assessment will begin and end. Explain why a timely response is so important and let them know when the results of the assessment will be brought back to the full board for discussion.

Determining an end date for survey completion is often helpful in motivating people to respond more quickly. An open-ended process can go on forever. Set an official due date — and then build time into the process for an extension.

Despite the facilitator's best attempts to remind participants about deadlines, some board members will inevitably be slow in responding. It is typical to provide board members with two weeks to respond and then an additional one-week extension for follow up. To increase the response rate and to encourage candor, emphasize that the information will be compiled in a composite summary report and that individual responses will be anonymous. Of course, when the results are presented, the responses from the chief executive will not remain anonymous.

STEP

05

### PREPARE THE CHIEF EXECUTIVE'S ANNUAL GOALS

Assessments ask board members to rate how well the chief executive has met their expectations in pursuing or achieving predetermined annual goals. This is the board's opportunity to assess the chief executive on the specific performance criteria set for him or her by the board. When distributing the assessment tool, be sure to attach a list of these annual performance goals specific to your chief executive to each questionnaire. If the board does not have a set of established performance goals, skip this step and use the assessment process as an opportunity to begin the discussion about goals for the upcoming year.

STEP

06

### DISTRIBUTE THE ASSESSMENT TOOL

Distribute questionnaires to each of the assessment participants. The chief executive and board members should complete the same questionnaire in order to provide a common language for discussion and a basis for comparison between the board's and the chief executive's perceptions of the chief executive's strengths, limitations, and performance over the past year. Make sure that the background documents listed above are included with the questionnaire. A firm deadline for completion and return of the survey should accompany its distribution. If the questionnaires are distributed by a third party, a follow-up letter from the board chair repeating the overall assessment process and the importance of individual participation in the survey can help generate enthusiasm for the process.

STEP

07

### TABULATE AND ANALYZE THE ASSESSMENT RESULTS

When all questionnaires are returned, the comments and responses are compiled into a survey report. Because responses are to remain anonymous, it goes without saying that the chief executive (or another assisting staff member) should have no role in the compilation and tabulation of results. The facilitator, another unbiased board member, or an external consultant should be tasked with this job.

**STEP 08** **DISCUSS THE RESULTS WITH THE BOARD**  
Once the assessment results are available, discuss the key findings in an executive session at the next board meeting. Review the overall ratings and the key themes from the open-ended questions. The board needs to agree on what it perceives to be meaningful in the results.

The board also should agree on the key messages to be brought to the chief executive and discuss any adjustments to compensation, if appropriate. The outcomes of the assessment are only one critical point in decisions about adjustments to the chief executive's compensation. However, there is no "magic formula" that correlates specific ratings on the assessment to specific changes to compensation. Compensation decisions are complex and need to take into account the organization's policies and approach to compensation, the terms of the chief executive's contract, market-based benchmarking data, and specific performance metrics or bonus criteria, in addition to the outcomes of the assessment process.

**STEP 09** **REVIEW THE RESULTS WITH THE CHIEF EXECUTIVE AND DEVELOP ACTION PLANS**  
For the assessment process to have real value, it is essential that the board chair, the chair of the executive committee, and/or other representatives of the board sit down with the chief executive to discuss the results and the highlights. The purpose of the meeting is to discuss what major strengths can be built upon and what areas of weaknesses need to be addressed. This is also the time to talk about the critical priorities for the coming year, as well as the implications of these strengths and limitations for the future of the organization.

**STEP 10** **SUPPORT THE CHIEF EXECUTIVE'S FUTURE DEVELOPMENT**  
The main objective of the assessment process is to encourage self-discovery and improvement. Assessment results provide a starting point for discussion. The conversation should focus on the future: What will the chief executive do over the next year to address the issues brought to light in the assessment and improve his or her performance? How can the board be supportive in this effort? This is also the time that any changes to compensation may be discussed. Change can be a difficult process, and the board should encourage the chief executive's personal and professional development.

*See next page for sample timeline >>*

# SAMPLE TIMELINE

Completing the assessment process typically takes 6 to 8 weeks from launch to the board's discussion of the results. The following is a sample timeline for handling the logistics involved in conducting the assessment.

