CEO EVALUATION

OUTLINE OF GOVERNANCE TOOL BOX

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- Characteristics of Board Member - Click here to download
- What materials to be shared with the Board Members - Click here to download
- Board Members commitment sheet (to be reviewed every year) - Click here to download
- Areas to be covered in Board Orientation process - Click here to download
- Board Diversity Matrix - Click here to download
- Board Size - Click here to download
- Source for Potential Board Members and Creating a support database - Click here to download

Vol 2. Job description (Including do's and don'ts)

- Chairperson (Including do's and don'ts) - Click here to download
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- Secretary - Click here to download
- Treasurer - Click here to download
- Board Members - Click here to download

Vol 3. Board Evaluations

- Board Evaluation - Click here to download
- **CEO performance appraisal**

Vol 4. Board Committee

- Executive Committees
- Audit Committee
- Finance Committee
- Human Resource Committee
- Program Committee

Vol 5. Policies

- Human Resource Policy
- Finance Policy
- Conflict of Interest Policy
- Gender Policy

Vol 6. Conducting Meetings/Making Decisions

- Notice
- Setting the Agenda
- Writing Minutes
- Taking Resolutions
- Attendance
- Following up on Decision
- Evaluating a Board Member

Vol 7. Creating a Board Manual

- Need for the Board Manual
- Organization Essentials
- Board Structure and Processes
- Board – ED Relations
- Executive Parameters
- Review of Board Manual

BOARD EVALUATIONS

For private circulation only

CEO EVALUATION

CONTENTS

1. INTRODUCTION

The board members of an organization collectively referred to as Board set the vision, mission, strategy and structure of the organization. However, the board vests the responsibility of management and day-to-day operations of the organization to the Chief Executive Officer (CEO) (here CEO refers to the Chief Functionary)

The chief executive officer is the key link between the organization and the board. The primarily responsible is to carry out the strategic plans and policies as established by the Board.

Since the CEO is the head of management there is generally a relationship of trust between the board and the CEO. On one hand the board holds the CEO accountable for running the organization and on the other hand the board also sets the mandate of the CEO by providing set of guidelines and roles/responsibilities. The board should also provide a clear reporting framework to the CEO to be accountable. Generally, on behalf of the board the Chairperson acts as the reporting officer for the CEO.

The CEO owes the board accurate, thorough and timely information about the organization, its environment and its activities by providing quarterly/ six monthly reports. Further, processes like evaluation and appraisal of the CEO can also act as mechanisms for ensuring his/her accountability to the board.

The CEO's performance should be measured in relation to his or her job description, and the evaluation may cover the following activity areas:

- staff relations;
- administration;
- planning;
- leadership;
- fiscal management;
- external public relations;
- effectiveness in working with the board to fulfill the annual plan;
- and, effectiveness in helping the board fulfill and demonstrate its accountability to external stakeholders.

2. CEO's BOARD OR BOARD's CEO

This is an issue which has plagued the nonprofit sector for many years. This is also due to the way in which the NPOs evolve. In the evolution of NPOs, sometimes it is founder driven. The founder has the vision, the ideas and the connections to bring success to the organization. At the same time the founder also leads the organization as CEO. In such a scenario, the board plays a more supportive and advisory role and it becomes a CEO's board. On the other hand when the board appoints, manages and evaluates the CEO then it is a Board's CEO.

The success of CEO's evaluation depends on the relationship between CEO and Board and vice-versa. It is important to understand the level of involvement of CEO in the Board matters. Similarly, the Board's level of involvement in day to day affairs of the organization which fall under the domain of CEO, would determine the success of the evaluation process. Ideally, the role of the CEO in the board is to proactively communicate, to have transparency, to seek Board's input on strategic matters and demonstrates commitment to the organization and not policy making. Thus, if the CEO leads rather than being led by the board, the purpose of evaluation fails.

While the Board and the CEO are on the same team, they do not have the same roles. The Board's job is to govern and the CEO's job is to manage. It is important not to confuse the two. The healthiest Board/CEO relationships occur when both parties work closely together with a common aim of furthering the organization's goals and objectives.

The CEO and the Board share responsibility for leadership within the organization but they fulfill this responsibility in different ways. The Board has the authority to set the vision, mission, strategies, policies etc whereas CEO's role is more immediate, involving day-to-day management. It is important that both the Board and the CEO are fully aware of where their roles begin and end. If there is any confusion in an organization about roles and responsibilities, it can lead to conflict, inefficiency and low morale.

Board members need to have enough confidence in the CEO to trust that the operational issues are managed well and they do not pay too much attention on operational issues while neglecting their governance role.

Thus, the Board/CEO has to play an act of balancing and be aware of the line i.e. where their roles and responsibilities start and end.

3. WHY EVALUATION OF CEO IS IMPORTANT?

The evaluation process identifies areas of strength and weakness and suggests opportunities for improvement. The performance of the CEO, and the relationship between the CEO and the Board, are critical factors in successful governance and fulfillment of the organization's vision & mission.

CEO performance evaluation requires asking key questions in terms of what the objectives were and whether they were achieved, what is working well, and what needs improvement.

The evaluation brings the CEO and the board together to discuss how the performance and priorities contribute to the effectiveness of the organization.

The CEO evaluation process should be designed to:

- Assess how well the organization's vision and mission are fulfilled

- Examine and reset, if necessary, goals for the organization and the CEO

- Support the CEO by providing constructive feedback on performance

- Develop plans to address issues that arose during the evaluation process

- Foster communication between the board and CEO

Through evaluation, boards can systematically ensure accountability for the actions of the CEO. The evaluation process should be a regular and formal to avoid or reduce subjective judgments of performance. By employing a formal evaluation process, performance expectations can be made clear for CEO.

You have 4 Hours on "Self Assessment" and your time starts now........

4. TYPES OF CEO EVALUATION

The CEO evaluation can be conducted at two levels. At the first level it can be done by the Board and at the second level, evaluation of CEO at 360 degree.

4.1. EVALUATION BY BOARD

A good practice for conducting an evaluation is to appoint a Committee to lead the evaluation process. The board must clearly understand its role in order to set up the most appropriate system to achieve the best results from the process.

A template of the self assessment form and questionnaire is given in the *Annexure A & Annexure B.*

There are two stages to the evaluation process. In the first stage a written Self Assessment form is prepared based on the objectives and agreed-upon goals. The self evaluation gives the opportunity to the CEO to be a part in the evaluation and have a voice in the process.

In the second stage a questionnaire is designed to assess the CEOs performance. The questionnaire covers a wide range i.e. from the CEO's role in achieving the vision and mission of the organization to the staff relationship. The Board members are asked to fill in the questionnaire, individually. After filling up the questionnaire, it is collected by the evaluators. At the end of the second stage, the evaluation Committee sits together and analyzes the questionnaires as well as self assessment form. Then the evaluation Committee comes up with a short report and key recommendations which is presented in a formal discussion with CEO.

4.2. 360° DEGREE EVALUATION

In the 360 Degree evaluation process, the board invites multiple people to provide feedback about the CEO. Feedback may be requested from the board, senior staff or any staff under the CEO, donors etc.

A 360 degree evaluation takes a good deal of time not only from the board but from everyone who is asked to give input, and it makes the most sense to use the opportunity not only to learn about the CEO, but about the organization. The 360° evaluation can be practiced over a period of time as it is very helpful for a board to get a sense of how it's CEO and the organization as a whole is perceived by volunteers, staff, patrons, clients, members, funders, collaborative partners, and others.

The questionnaire used for evaluation by Board can be used in this process or it could be modified based on the needs of the organization.

The process of conducting evaluation is the same as discussed in the first method.

5. WHEN TO CONDUCT CEO EVALUATION

The CEO evaluation is the primary and most formal process the Board has for measuring CEO performance. The evaluation should include reference to the responsibilities listed in the job description and goals for the year.

Ideally, the evaluation should be conducted once in two years, as it provides sufficient time to a CEO to perform. However, for a newly appointed CEO, the evaluation can be done annually for the first 3 years as the initial years are crucial and it is important to provide feedback on job performance regularly

6. CONCLUSION

The objective of a CEO evaluation process is to enhance the relationship between the CEO and the board, performance measurement and in addition improving the overall performance of the organization. The feedback from the CEO performance evaluation process is important to the CEO as well as the Board. Through the evaluation process the CEO gains a clear understanding of the Board's goals, receives feedback on accomplishments, and gets an opportunity to clarify the Board's expectations around performance of the CEO role. However, it should be kept in mind that evaluation is a learning process and not a fault finding process.

Annexure A

SELF ASSESSMENT FORM

(A)

S.NO	Key Result Areas	Key Activities This includes the specific responsibilities assigned to the CEO *To be filled by the Board*	Key Result Indicators This includes the indicators to measure the performance *To be filled by the Board*	Achievements To be filled by the CEO
1.	Compliance to the Board Requirement			
2.	Strategic Planning and Management			
3.	Personnel Quality Development- Self and Staff			
4.	Resource Mobilization- Knowledge, negotiation and direction and new initiatives			
5.	Linkages external and face in the larger society			
6.	Standards Setting			
7.	Linkages between various departments and units			

SELF ASSESSMENT FORM

(B)

1. **What are the primary objectives and responsibilities of your position as chief executive, as you understand them?**
2. **What have been your major accomplishments of the last year?**
3. **What difficulties did you have in achieving your job expectations and objectives over the last year? What prevented you from achieving these goals?**
4. **In what ways could the board better support you in your work?**
5. **What are your short-term personal development goals for the next year? How do you plan on achieving them?**
6. **Any Other, Kindly Specify**

Annexure B

QUESTIONNAIRE

1- Vision, Mission, and Strategies

Sl. No.	Particulars	5 Very High	4 High	3 Moderate	2 Poor	1 Very Poor
1.	The chief executive has worked with the board to develop a clear vision for the future of the Organization and understands his or her own leadership role?					
2.	The chief executive, working with the board, translates the organization's mission into realistic goals and objectives?					
3.	With input from the board and staff, the chief executive has created an effective process for long-range or strategic planning for the organization?					
4.	The chief executive has a sense of what must change and what must remain the same in order to accomplish the organization's mission and realize its vision?					

2- Accomplishment of Management Objectives/Programs

Sl. No.	Particulars	5 Very High	4 High	3 Moderate	2 Poor	1 Very Poor
1	The chief executive selects and cultivates qualified senior staff, models effective behaviors and skills, and builds morale among staff and volunteers?					
2	The chief executive ensures that there are appropriate systems in place to facilitate the day-to-day operations of the organization in the areas of development and delivery of programs?					
3	The chief executive has made progress in accomplishing the personal and organizational management objectives established by the board (or appropriate committee) during his or her last annual review?					
4	The chief executive demonstrates substantive knowledge regarding the organization's programs and services?					
5	The chief executive works with the board to develop appropriate policies to ensure the efficiency and effectiveness of programs?					
6	The chief executive, through effective oversight and staffing, sets high standards of quality for the organization's programs?					

3- Financial Management

Sl. No.	Particulars	5 Very High	4 High	3 Moderate	2 Poor	1 Very Poor
1	The chief executive is knowledgeable regarding financial planning, budgeting, management of the organization's investments and endowment, and understands the place of each in the organization's overall financial picture?					
2	The chief executive has established a system linking strategic and operational planning with the organization's budgeting process?					
3	The chief executive presents financial reports to the board on a regular basis and submits an annual budget for board review, revision, and approval?					
4	The chief executive ensures that a clear and accurate accounting system is maintained, allowing the board to monitor the organization's finances and operations in relationship to the approved budget and to make informed financial decisions?					

4- Operations Management

Sl. No.	Particulars	5 Very High	4 High	3 Moderate	2 Poor	1 Very Poor
1	The chief executive is knowledgeable regarding the operations of an effective office environment?					
2	The chief executive has assured the organization has in place:					
	Appropriate personnel policies and systems for staffing?					
	Accounting, payroll, and cash management systems?					
	A sound risk management policy, including adequate insurance coverage?					
	Appropriate space management plans, which help build an efficient and harmonious work place?					
	Plans for the appropriate use of technology and technological systems?					
3	The chief executive ensures compliance with all legal and regulatory requirements?					

5- The Chief Executive/Board Partnership

Sl. No.	Particulars	5 Very High	4 High	3 Moderate	2 Poor	1 Very Poor
1	The chief executive and the board are clear about the differences between their respective roles?					
2	The chief executive is treated as a respected professional by members of the board?					
3	The chief executive has been delegated the authority necessary to manage the organization effectively?					
4	The chief executive raises issues and questions and provides adequate information to the board for discussions?					
5	The chief executive receives the annual review to which he or she is entitled in a timely and thoughtful way that articulates specific strengths and areas for improvement?					

INTERPRETING RESULTS

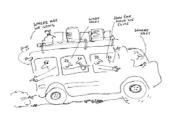| Score	Interpretation	Action Taken
40 and More	Highly Effective	Well Done. Keep it up
30 to 40	Effective	Can still do better
20 to 30	Average	Identify areas to work further
Below 20	Poor	Require serious intervention

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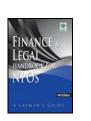LIMITED SEATS!!!

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