Appraising the CEO

Report on Breakfast Briefing

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The Breakfast Briefing was attended by 13 people from 10 organisations, as well as by two representatives from our host company.

Opening presentation

Feedback collected during board development workshops indicates that only approximately 20% of arts organisations have a formal CEO appraisal process in place.

Why do boards avoid it?

1. the organisation may not have thought of it
2. board members may be fearful of confrontation
3. unpaid board members, often from outside the industry, are not confident to appraise a professional staff member (even though it is not the industry skill that is being appraised)

Does appraisal matter?

– when a new CEO comes into an organisation, it is important to create systems for good, ongoing communications, so that reviews can be based on evidence, not personal opinion
– appraisal is not usually based around a position description, which is a document that is developed when searching for the right person to appoint
– once the appointment is made, the person may bring new & different skills that can change the focus of the position
– preferable to base the appraisal on the Strategic Plan, which has targets embedded in it, against which performance can be measured
– position description can be referred to in order to ensure nothing has been missed
– if there are difficult areas where targets have not been met, it is important to identify the problem, remove any apportioning of blame and focus on fixing the problem
– focusing on difficulties/problems is not the board’s role

Four phases of appraisal

1. Preparation:
   – board and CEO must want to undertake appraisal (most CEOs want the feedback)
   – if there is no existing process, then it is important that board and CEO document the process the first time
   – documents such as appraisal forms should be designed at the start of the process
– decide who will be involved: it is recommended that there should be a small panel together with the Chair (ensures continuity in case Chair leaves) and avoids ‘inquisition’ atmosphere if there are too many in the room
– having a formal structure involving more than just the Chair in the process also provides protection
– invite input from other board members into issues for discussion (results to be discussed at the next board meeting, in the absence of CEO)
– not recommended that inputs be sought from others such as funding agencies or other staff unless there are particular reasons for doing so

2. The meeting:
– set the date and time several weeks in advance, including the length of time the meeting will take
– think about the meeting environment – comfortable, not inquisitorial
– the meeting should be run by the Chair (a replacement, e.g. Deputy Chair or Chair of HR sub-committee, could be nominated if there was any reason why the Chair could not attend)
– the process should motivate and push the CEO, while still making them feel valued and considering them as a whole person, with legitimate aspirations

3. The documentation
– BoardConnect has some templates available (see handouts), and there are many more online
– can include open, generic questions that will generate good discussion
– it is preferable that the appraisal not be linked directly to remuneration (too much temptation to embellish achievements)
– important for the CEO to have an opportunity to raise any of his/her issues
– appraisal should start from the premise “what can the board do to help the CEO to do the job?”

4. Follow-up
– ensure that notes are taken during the appraisal, so that any tasks are identified, with someone assigned to follow through (e.g. on organising formal professional development, or if it is personal development, then who will create the space for that to happen and who will cover the job in the meantime?)

**Formal appraisal**
– should happen at least every year; some organisations do it every six months
– will be more valuable and effective if that is not the only time there is a conversation between CEO and Chair – there should be regular, informal discussion on progress
– should be a relaxed occasion, with a focus not only on the task, but also on the person and his/her own personal and professional development
– frame the appraisal around the Strategic Plan, which is a valuable document that usually represents investment of a great deal of time and effort

**Case Study**
– an organisation that had been operating for 17 years
– there had been difficult relationship between an authoritarian Chair and a forthright, assertive CEO
– during the tenure of that CEO, there had not been a formal appraisal
when a new Chair took over, an appraisal framework was developed, based on the Strategic Plan, so that it was objective and respectful

to avoid any surprises for either Chair or CEO, the Chair scheduled a 30-minute phone conversation with the CEO every week - any issues from these conversations were included in the appraisal

before the appraisal, the CEO was given a document setting out in detail the issues that would be discussed

the first appraisal involved a panel of Chair, Treasurer and lawyer with experience of employment law (for the second appraisal, the executive committee formed the panel – they were part of the preparation process which improved all-round communication)

CEO was made to feel comfortable, with offer of board support for anything that needed to be improved

there was recognition that it is hard to define the CEO’s role in a small organisation (because the job encompasses whatever needs to be done to keep the organisation going), but a process was established through which the CEO could ask the board for clarification if she was unsure

any areas for improvement were identified and support provided to assist the improvement process (e.g. training)

the metrics listed in the Strategic Plan were tested

question asked: “What does the CEO need from the board to enable her to do the job?”

the process validated the board’s own governance processes

Discussion

What can go wrong? What if the CEO’s belief about his/her performance does not match the board’s perception?

Chair should ensure that there are no surprises – written notes are kept from regular conversations and included as part of the pre-meeting documentation

different opinions can be noted and can produce robust discussion, but the ultimate responsibility lies with the leader (whether Chair or CEO, depending on whether the forum is board room or operational area)

if there is disagreement about any issue, the “get out of gaol” card is: this is the perception – how can you address/reverse the perception?

little can go wrong if there is a culture of continuous communication and continuous improvement – CEO will be well aware of what the Chair and board are thinking

for the board to keep track of progress, a few vital KPIs should be reported against at each board meeting

The board employs the CEO to run the business and should support him/her to deliver. However, ‘support’ does not mean ‘never challenge’: there must be room for robust dialogue and constructive criticism.

Terms for CEOs and board members: it is good to have steady renewal of board membership. The CEO or AD will usually stay longer, as they are harder to find and replacement involves high risk. However, it is important to recognise when enthusiasm/energy is starting to run down

Accountability of board to CEO - what expectation should the Chair have of other board members?

this may depend on the quality of the meetings over the previous 11 months

two-way communication between board and CEO, so each knows how the other is perceived