



# BOARD WORKS

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## ◆ THE CEO APPRAISAL

CEO appraisals – how should they be done? Typically, questions about CEO appraisals come from one of two sources: CEOs who are frustrated that the board has not done one or from board chairs who don't know how. Both parties can benefit from an appraisal when it is viewed as an opportunity for growth – both for the CEO and the organization as a whole.

The quality of the board-CEO relationship is crucial to the well-being of an organization. Seldom, if ever, can an organization be highly successful if the board-CEO relationship is dysfunctional. I've encountered many CEOs who yearn for good feedback about their performance. I have worked with several CEOs who were asked to resign because of implicit and unarticulated board expectations about performance that should have been addressed in an earlier appraisal.

A well-designed executive appraisal can contribute to a strong and healthy relationship between the CEO and board. In addition, a thoughtful appraisal will usually lead to more effective long-term organizational performance.

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## ◆ BEST PRACTICES IN CEO APPRAISALS:

- **Schedule the appraisal on a regular basis.** Some type of executive performance review is important at least once a year.
- **Use professional resources.** Although occasionally a review can be handled informally and in-house, the use of well-designed resources adds depth and quality to the appraisal process and its outcomes.
- **Designate leadership.** It is essential that the board clarify which board member or members will provide leadership for the appraisal process. Such board leadership demonstrates board commitment to excellence and support of the CEO. It is difficult for CEOs to lead their own evaluation process and a burden on them to ask them to do so.
- **Request a CEO self-assessment.** The appraisal process should provide a way, from the many available, for the CEO to assess his or her own performance. Such a self-appraisal will include evaluating performance against expectations, stating potential goals going forward, outlining needs for ongoing growth and development, and offering ideas on how the board might strengthen its own performance to complement the performance of the CEO.
- **Focus on results.** Too many evaluations result in affirmation but offer little clarification about specific expectations going forward. The point isn't to add to the volume of expectations but rather to be very clear about expectations.

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## CEO Appraisal (cont'd)

A poorly designed appraisal process can diminish trust and performance.

A well-designed executive appraisal provides an opportunity to review the CEO's performance against expectations or goals, to clarify future expectations, to plan for growth, and to build trust in relationships.

The process will provide an opportunity for all board members to offer their input. It will include a CEO self-assessment and comments on the work of the board itself.

Finally, a CEO appraisal sets an example for the senior staff and other managers that openness to feedback and improvement is important.

By Rick Stiffney

## ◆ BEST PRACTICES (CONT'D)

- **Link compensation.** Most CEOs of not-for-profit organizations are not motivated primarily by compensation. However, neither is compensation irrelevant. Opinions vary on the issue of linking compensation to specific performance results (performance-based compensation). However, good practice suggests holding discussions about compensation and benefits soon after the appraisal has been conducted.
- **Keep Talking.** While regular executive appraisals are important, equally important is ongoing real talk about expectations, performance, successes, setbacks, and concerns. In this sense and annual appraisal has no surprises and is an occasion to sum up and plan for the future.

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## ◆ RESOURCES AND TOOLS

MHS Alliance has a range of resources and tools to assist boards and CEOs in shaping an effective appraisal process. These resources include:

- Guidelines for designing the process
- Assessment instruments as part of an on-line survey that can be tailor-made to fit organizational requirements
- Summary reports from the evaluation process – quantitative, qualitative, and executive summaries for use by board leadership
- Facilitation support, if desired

To request these resources, contact [Emily@mhsonline.org](mailto:Emily@mhsonline.org)

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To be a community of vibrant Anabaptist health and human service ministries committed to God's work of healing and hope in Jesus Christ.

### OUR MISSION

MHS Alliance strengthens and extends Anabaptist health and human service ministries in faithfully and effectively fulfilling their missions.

For further information or to suggest topics for future issues of Board Works, please contact MHS Alliance at [Emily@mhsonline.org](mailto:Emily@mhsonline.org).



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