

The CEO Evaluation: Making CEOs the Best They Can Be

Too often, assessment of CEO performance is limited to judgments regarding the financial achievements or disappointments of the previous year. While this is an important part of the story, it is only a part; and such a limited view tends to dwell too much on the past, where little can be done to change things.

In reality, the most significant effects produced by a CEO's evaluation should relate to the organization's future. A good process clarifies the direction of the organization, gives it momentum, and advances the development of its leader — the person most in need of the board's counsel and support if the individual is to become the best CEO possible.

By depending less on an "in-house" process and relying more on an independent evaluation specialist, the board can take a giant step toward a positive, forward-thinking assessment plan of action. An outside analyst broadens the scope of the evaluation and helps the board by:

- Putting into place an effective evaluation structure
- Providing clear, objective information
- Promoting open communication among all parties
- Enhancing the relationship between the board and CEO.

CEO Evaluation Process

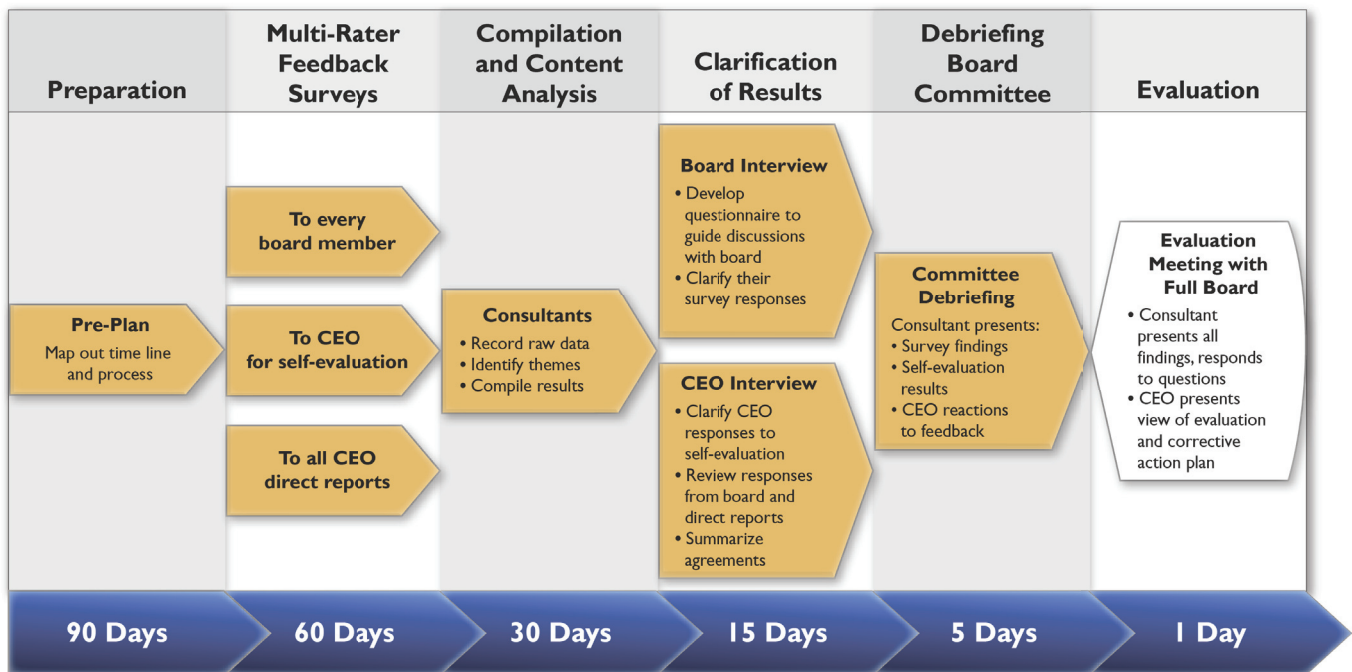


Figure 1

An Effective Structure

As Figure 1 illustrates, the consultant provides an efficient structure to facilitate the evaluation. This includes pre-planning; feedback surveys; analysis of data; a series of interim meetings to clarify and communicate results; and, finally, the formal evaluation meeting with the board and CEO. By the time the final meeting takes place, the performance critique has been completed, areas of agreement and disagreement have been identified, and the CEO has developed an action plan to address questions regarding both organizational performance and personal development. These actions maximize the productivity of the final evaluation meeting. But the structure offers other benefits beyond efficiency.

Implementation of a timetable. From the very beginning, as part of the planning stage, the consultant, the board, and the CEO agree on a time line. The consultant ensures that the process adheres to the board's calendar with timely delivery of services and materials.

CEO acceptance. An experienced evaluation specialist makes certain that the CEO understands how the process works. The consultant provides detailed feedback throughout the process that ensures a level of comfort and agreement every step of the way.

Red-flag warnings. The clear performance targets established during evaluation provide a schedule of measurable benchmarks throughout the year. When the organization's pace falls short of these benchmarks, there may still be time to revise plans or counteract the problem with appropriate action.

Pathway to other board responsibilities. This CEO evaluation process provides direction for compensation, succession planning, future CEO evaluations, and other essential CEO/board obligations.

Information

Decisions that have such sweeping influence on an organization should not be based upon information gleaned solely from in-house financial figures, the CEO's self-evaluation, or other internally generated statistics. The lifeblood of a truly effective evaluation process consists of objective and reliable data that is best supplied by an outside specialist. The evaluation specialist or consultant enriches the information available to the directors in several ways.

More clarity, less ambiguity. How many directors think identically about their CEO's performance? Do all board



members feel the same about the organization's goals? Probably not. The consultant gathers data and opens up discussions in a way that captures the diverse views of all participants, thereby clarifying both opinions about the CEO's performance and the performance expectations of the board.


More comprehensive information. The consultant employs a systematic method of gathering information about the CEO from a variety of sources. The core of this process is the multi-rater feedback survey. This survey is developed only after sufficient input from the board and CEO. It contains a series of questions that cover three general topics: financial objectives, non-financial objectives, and leadership effectiveness. Each question contains opportunities for both quantitative responses (typically a numerical rating) and additional qualitative information (a space to express their thoughts or justify a rating).

These surveys are sent to the CEO for a self-evaluation, and to every board member. Surveys containing only the non-financial and leadership effectiveness components are distributed

to each of the CEO's direct reports, providing the board with the rare opportunity to learn how direct reports, as a group, feel about the job their boss is doing.

Objective analysis. Providing accurate and valid information is the overriding concern of evaluation specialists. They have been trained to compile and evaluate raw data in a completely objective manner. Their experience with other organizations enables them to identify significant ideas and

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themes that emerge from the information they collect. Their results are issued in a clear, concise report that provides the directors and the CEO with valuable, unbiased information that may not be obtained otherwise.

Communication

To be of greatest value to the organization, the process of CEO evaluation should be a collaborative, consensus-building experience. So, the goal of the evaluation specialist is to encourage frank and open communication with all participants, creating a positive communication climate.

Building CEO receptivity. Success is directly influenced by the CEO's acceptance of the evaluation process. It is quite natural for the subject of such an appraisal to feel defensive or anxious. From the beginning, it is the job of the consultant to minimize those feelings by making certain the CEO clearly understands what will happen, when it will happen, and that the outcome will enhance his/her professional growth and effectiveness. Such an approach makes the CEO comfortable — even encouraged and optimistic about the process.

Protecting confidentiality. Under no circumstances will an evaluation specialist compromise a CEO, board member, or the organization by revealing the source of a particular remark. When compiling comments from feedback surveys, for example, the consultant looks for recurring themes or issues, and then captures their meaning with representative remarks that conceal the original source(s).

Meetings, whether with committee or individual, are conducted with the same resolute consideration for privacy. This leads to greater candor on the part of all participants, making the information produced uncommonly precise and honest. When the board and CEO find themselves in delicate discussions that can potentially become confrontational, the consultant's skill to facilitate such encounters by defusing sensitive issues keeps the conversation on track.

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CEO/Board Relation

Without the evaluation process, how would the CEO know what the board wants?

Simply posing this question makes the spirit and power of evaluation immediately apparent. The objective is not merely to measure the CEO's performance. Nor does the objective just spell out specific performance targets for the coming year. An effective evaluation process produces a dialogue about the organization's short-term goals and long-term direction that forges a genuine working partnership between the board and the CEO.

By going through the process, the CEO receives explicit insight regarding personal strengths and critical improvement areas. Though the board measures the CEO's performance, it is the CEO who develops the action plan that addresses those developmental needs and organizational expectations. Evaluation becomes a reward for the CEO by providing an unambiguous path toward greater effectiveness and accomplishment in his/her professional life.

Finally, the process becomes a part of the organization's culture. The annual review of performance, establishment of mutually approved performance targets, and development of an effective action plan provide the means to measure performance during next year's evaluation. As a result, the plan and the process are in place to carry the organization toward the successful outcomes that both the board and CEO envision.

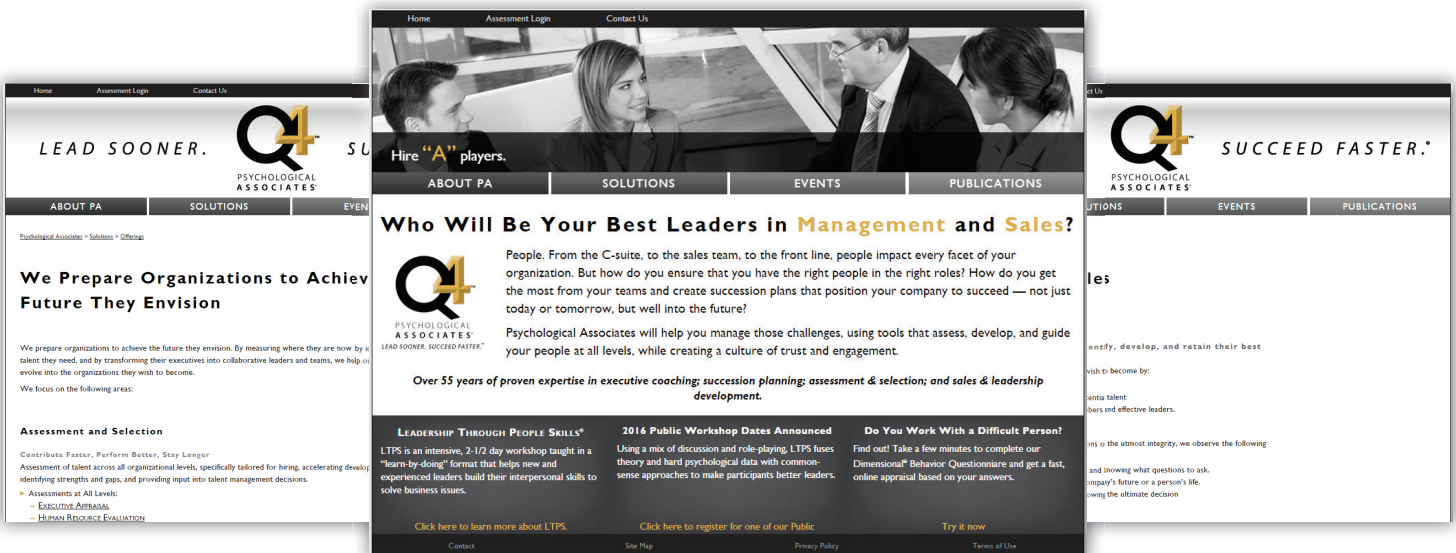
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