CEO Evaluation Template

From Conscious Governance and BoardPro

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## Table of Contents

[2. CEO Performance Review Form: 3](#_Toc182827093)

[Developing the KPIs 4](#_Toc182827094)

[Iterative process for developing the KPIs or Success Measures 4](#_Toc182827095)

[3. Template: Section A: Feedback from CEO of performance against the agreed Performance Areas, including KPIs: 5](#_Toc182827096)

[4. Template: Section B: Feedback from CEO on the role: 7](#_Toc182827097)

[5. Section C: Feedback to CEO from Chair / Governance Committee 8](#_Toc182827098)

[6. Allocation of Performance-related Payments for CEO 9](#_Toc182827099)

[Agree on the total amount available for Performance-related Payments 9](#_Toc182827100)

[The Allocation of the % of Performance-related Payments against the Agreed KPIs 10](#_Toc182827101)

[7. Template: Reporting Performance-related payments against agreed KPIs 11](#_Toc182827102)

[8. 360 Feedback and Pulse Check on Organisational Culture 12](#_Toc182827103)

[The Process 12](#_Toc182827104)

[The Survey Tool 12](#_Toc182827105)

[9. Template for Email: CEO Feedback and Culture Survey Tool 13](#_Toc182827106)

[10. Template: Survey Tool 14](#_Toc182827107)

[Consultation: 360 Feedback and Pulse Check on Organisational Culture 14](#_Toc182827108)

[11. Template: Reporting Survey Findings, Themes and Issues from Respondents to the 360 Survey Tool and Culture Pulse Check 15](#_Toc182827109)

## CEO Performance Review Form:

Below is the template supplied to the CEO for completion of Sections A and B. There is also a Section C to be completed by the Board Chair, or the Chair of the Governance Committee.

The suggested process is as follows:

1. Cut and Paste from the template for Sections A and B and send these to the CEO.
2. Modify any of the items so that they more closely consider the needs of your organisation
3. The CEO provides succinct feedback inside the boxes for each of the KPIs in Section A. They are invited to respond to the questions in Section B. Encourage them to cover the highlights from their perspective. Ask them to limit it to no more than 10 bullet points. This is sent to the Board Chair (or the Chair of the Governance Committee if they lead the CEO Appraisal).
4. The Board Chair (or Chair of the Governance Committee) assemble draft responses to Section C, after consulting Board colleagues. This can include feedback from a 360-feedback process if this is undertaken.
5. CEO meets with Chair, Governance Committee and some Directors to discuss the responses from the CEO (sections A and B), and the feedback from the Chair (Section C). They also discuss possible allocation of performance-related payments (if applicable).
6. The Chair and the Governance Committee meet with the CEO to explore the CEO Statements (For Sections A and B). They also explore the Feedback in Section C, as drafted by the Board.
7. Upon reaching agreement, the CEO and Chair both sign the documentation. This confirms the acceptance of the content of the comments (and performance-related payments, if applicable).
8. We recommend the whole Board receives a copy of the Appraisal documentation and confirms acceptance of it.
9. This authorises the release of the documentation to the CEO (i.e. after endorsement by the full Board)
10. Chair authorises payment of the performance-related payment/s agreed, thereby recognising the achievements of the CEO in the appraisal period just completed
11. It is also prudent to review the KPIs at this time to see if they are still relevant for the next CEO Appraisal Period. It is important to reach agreement with the CEO about the KPIs against which they will be measured for their next appraisal.

### Developing the KPIs

Strategic KPIs – 2 or 3 of these

Leadership/Behaviour/Culture KPIs – 1 or 2 of these

Compliance KPIs – 1 or 2 of these

### Iterative process for developing the KPIs or Success Measures

1. What does a great job look like? (Or, as an example, if we are world leaders in this area, what would it look like?)

2. How do we measure it? (note, everything is measurable)

3. At what level of performance would we be happy? At what level would we be thrilled to achieve (i.e. a ‘stretch target’)?

4. Use these iteratively until you get a KPI that measures the outcomes, not the activity

5. CEO does first draft, Chair/Governance committee amend as required

## Template: Section A: Feedback from CEO of performance against the agreed Performance Areas, including KPIs:

Amend this section to represent the core business of your organisation: It may be member engagement and education services; it may be advocacy and lobbying supports.

|  |  |
| --- | --- |
|  | **Discussion Areas for CEO Performance and Results** |
| 1 | **Financial Sustainability and Financial Management:** On budget as at 30 Jun 202x achieving Board approved surplus of 3%, (Excellent performance is achieving a surplus of 5%), Capital Expenditure projects running on time and on or under budget, quality financial reports to Board (as evidenced by the average rating of all Board Directors), all financial delegations are adhered to, Efficiencies achieved (as agreed) as indicated by lower overhead costs as % of total Op Budget.  Comment and evidence of achievements:  <<CEO inserts comments and evidence here>> |
| 2 | **Effective support to the Board Chair, Board, Board Committees and Project Committees:** Regular meetings with Chair, Board and Chair rate the support as effective. Board materials are timely, meet information needs of Directors and are aligned to Strategic Priorities, size of Agenda pack is well managed for both conciseness and relevance.  Comment and evidence of achievement:  <<CEO inserts comments and evidence here>> |
| 3 | **Leadership of staff and volunteers:** Results of the 360-degree feedback, quality paper to Board on 5-year staffing strategy (as evidenced by the average rating of all Board Directors), Satisfactory results from Exit Interviews of departing staff, Excess Annual Leave balances is actively managed, finalise and document strategy for succession planning for the Executive Team including skills analysis and identification of gaps.  Comment and evidence of achievements:  <<CEO inserts comments and evidence here>> |
| 4 | **Patient Safety and Satisfaction:**  CEO to insert available measures Measure 1; Measure 2; Measure 3; Patient Survey participation rate increases by 10%, achieve improvement in Net Promoter Score of at least 5 points, develop a system for short surveys of more patients (beyond government survey measures).  Comment and evidence of achievements:  <<CEO inserts comments and evidence here>> |
| 5 | **Enhanced Community and Patient Engagement:** Community Engagement Strategy is developed and Board Approved, Evidence presented on patient engagement in service design and service delivery.  Comment and evidence of achievements:  <<CEO inserts comments and evidence here>> |
| 6 | **Effective Partnerships, Industry Leadership and sector Lobbying:** Contribution to partnerships is rated highly (Evidenced by responses to 360 Degree Survey responses from Partners), Increased the importance of the organisation in providing industry leadership, and advocacy with Governments in the sector (Invitation to sector and govt panels, etc)  Comment and evidence of achievement:  <<CEO inserts comments and evidence here>> |
| 7 | **Effective Management of Risk**: risk register maintained, quality and strategic Risk Reports to the Board (as evidenced by the average rating of all Board Directors), develop Risk Appetite Framework and Statements, evidence of compliance with all significant regulatory and legislative compliance requirements  Comment and evidence of achievement:  <<CEO inserts comments and evidence here>> |
| 8 | **Effective Communication:** improved quality of communications with the industry, enhanced communication with members  Comment and evidence of achievement:  <<CEO inserts comments and evidence here>> |
|  | Signed: CEO: Date: DD MM YY |

## Template: Section B: Feedback from CEO on the role:

|  |  |
| --- | --- |
| 1 | What aspects of my work are enjoyable?  Comparison to last year: |
| 2 | What aspects of my work would I like to change?  Comparison to last year: |
| 3 | How I can be more effective?  Comparison to last year: |
| 4 | What I have achieved in the year |
| 5 | What I would like to achieve next year |
| 6 | Suggestions for ways the Organisation can be more effective |
| 7 | What I would like to be doing in this role in 2 years |
| Signed: CEO: Date: DD MM YYYY | |

## Section C: Feedback to CEO from Chair / Governance Committee

|  |  |  |
| --- | --- | --- |
| 1 | Overall comments on performance of CEO over the assessment period:  <<Board Chair or Chair of Governance Committee includes relevant comments in this form. Remember to include positive acknowledgements, as well as areas where the CEO could improve.>> | |
| 2 | The areas of performance that warrant attention over the coming year: | |
| 3 | Professional Development opportunities to be pursued over the coming year:  <<Include suggestions for PD courses or activities the Board feels the CEO may benefit from undertaking.>> | |
| Chair Signature: | | Date: DD MM YYYY |
| Signed for and on behalf of the Board: Chair Name: | | Date: DD MM YYYY |

## Allocation of Performance-related Payments for CEO

Conscious Governance has developed the following process for developing defensible recommendations for the payment of the discretionary, performance-related payments. Some organisations may use the term incentive payments, or bonus payments. Conscious Governance prefers to use the phrase ‘performance-related payments’ as this links any payment to the level of performance achieved.

These performance-related payments should be developed between the CEO and the Board Chair (or Chair of the Governance Committee). These recommended allocations should ideally be discussed and endorsed by the Board of Directors. After this, the Board authorises the Board Chair to offer these payments to the CEO.

The key steps are:

1. Agree early on the KPIs. Ideally, this should be done at the start of the appraisal year. This will allow the CEO to align their performance to these agreed measures.
2. Agree on the relative weighting for each of the performance-related payments to be allocated to each KPI. More important KPI areas should be acknowledged with higher levels of payments available.
3. Board to rate the CEO on each KPI by nominating a % for the level of performance achieved.

The percentage recommended for the performance-related payments in the table below is based on an assessment by The Board (or Governance Committee) of the relative strength of the CEO performance against each of the KPIs.

### Agree on the total amount available for Performance-related Payments

In addition to the base salary, Superannuation Guarantee payments, and other benefits, the Board may choose to offer performance-related payments to the CEO to recognise the achievement against the agreed KPIs. The total amount available should be discussed and agreed at (or before) the commencement of the Appraisal Period.

It is important to have absolute clarity between the CEO and the Board about the amount available for performance-related payments, as well as the KPIs to be assessed, and the % allocation process. Without alignment of the expectations between these two parties, Conscious Governance believes this could likely lead to tension, poor relationships, and even disputes. In some cases, it has led to CEO resignations and sometimes has involved bitter and costly legal claims.

Many non-profit organisations will allocate performance-related payments equivalent to around 10% of the CEO Total Remuneration Package (TRP). Ambitious non-profits and commercial enterprises may allocate performance-related payments equivalent to 25% or 50% of TRP.

### The Allocation of the % of Performance-related Payments against the Agreed KPIs

The following simple framework is proposed by Conscious Governance to guide the discussion between the CEO and the Chair, and the Governance Committee when undertaking the CEO Appraisal. The score and the % allocation will be applied to each of the agreed KPIs, in turn.

|  |  |  |
| --- | --- | --- |
| Score out of 5 | Description of level of performance achieved | % Allocation of Available Performance Payment |
| 0 | Not achieved | 0% |
| 1 | Only partially achieved, or fair performance | 30% |
| 2 | Good performance | 60% |
| 3 | Very Good performance | 80% |
| 4 | Wholly achieved, exceeded expectations, or world-class performance | 100% |
|  |  |  |

Note: It is ultimately in the interests of the organisation to get the allocation of the Performance-related payments agreed by the CEO and the Board. If the CEO remains unhappy with the allocation of Performance-related payments, this can lead to significant issues in the short-term and longer-term.

## Template: Reporting Performance-related payments against agreed KPIs

The Table below, shows how a Board might communicate with the CEO about the views of the Board around the offer of proposed Performance-related payments.

You can insert the details agreed between you and the CEO about KPIs for your organisation

Boards should be careful to agree in advance with the CEO about how performance will be measured (KPIs) and rated (%). The recommended process for rating the performance of the CEO is included above (see The Allocation of the % of Performance-related Payments against the Agreed KPIs Page 9, above).

Table One:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **KPI area and results** | **Maximum Performance-related payment** | **Recommended** | | |
| **Score (out of 5)** | **% Offered** | **$ offered** |
| 1 | List the six to eight KPIs agreed between CEO and Board | $4,000 | 4 | 80 | $3,200 |
| 2 |  | $3,000 | 5 | 100 | $3,000 |
| 3 |  | $3,000 | 5 | 100 | $3,000 |
| 4 |  | $2,000 | 3 | 60 | $1,200 |
| 5 |  | $2,000 | 3 | 60 | $1,200 |
| 6 |  | $3,000 | 4 | 80 | $2,400 |
| 7 |  | $2,000 | 4 | 80 | $1,600 |
| 8 |  | $2,000 | 3 | 60 | $1,000 |
|  | **Totals:** | $21,000 | - | - | $16,600 |

Insert score and % to be offered to the CEO, based on actual performance, as perceived by the Board

For each Cell here, multiply the performance-related $s, by the % offered

Insert Amount for each KPI. Offer more for the KPIs that are more important to the Board and the success of the organisation

## 360 Feedback and Pulse Check on Organisational Culture

### The Process

Conscious Governance often recommends a 360-degree feedback survey as part of the CEO Appraisal. This can be a useful way for the Board to check in briefly on the views of staff and stakeholders on the culture of the organisation. It also can disclose how the behaviours of the CEO aligned with and actively supported the organisational culture desired by the Board. It may even uncover issues from people who believed the behaviours of the CEO did not align with or support the desired organisational culture.

The consultations can include some or all the following:

Directors

Direct reports of the CEO (senior staff)

Other staff throughout the organisation

Other internal stakeholders, such as Members, customers, clients, service users. Include founders, if appropriate

External stakeholders who have opinions that you value and are important to the success of the organisation. These might include funding partners, contract holders, consortium or alliance partners, industry peak bodies, local municipal authorities, planning or regulation partners

### The Survey Tool

A Survey Tool has been developed by Conscious Governance and used for 360 Degree Feedback on the Performance of the CEO. It also includes a ‘Pulse Check’ on the Organisational Culture. This has been refined over a few decades of experience delivering Frameworks for CEO Performance Reviews.

Below is an email template. You can use this email and modify it to cover the arrangements in your organisation and the CEO Appraisal Process.

## Template for Email: CEO Feedback and Culture Survey Tool

Modify the following text to suit your own arrangements!

**360 Feedback and Pulse Check on Organisational Culture**

**CEO Performance Review for XYZ Ltd**

(2-minute read; 6 to 10-minute response time)

Conscious Governance has been engaged by the Board of XYZ Org to undertake an independent assessment of the performance of the CEO. This process involves consultations with all staff, including those reporting to the CEO. In addition, they have identified key stakeholders to include, such as Members and Founding Members, Chairs of selected Branches and Special Interest Groups.

In addition to feedback on the performance of the CEO, the Board has asked us to undertake a ‘Pulse Check’ on the Organisational Culture. This includes information on how the CEO guides and develops an appropriate culture.

This Short Survey generally takes six to ten minutes to complete. Please feel free to email me if you have any questions about this process. We thank you in advance for your co-operation on this important matter.

Conscious Governance will assemble the information from these Consultations. The themes arising from the comments will be presented to the Board and CEO. Your individual comments may be shared, but the board and CEO will not have access to the respondents' details. There may be times when Conscious Governance may change the words used by respondents. This may be done to protect the anonymity of the respondent.

Additionally, if you would like to speak with me, my telephone number is XXX XXX XXX.

**Deadline:** We would love to receive your response by 9pm Thursday DD MMM YYYY.

Thank you in advance for your assistance with this important matter.

Regards,

## Template: Survey Tool

### Consultation: 360 Feedback and Pulse Check on Organisational Culture

Confidential

**Note**: please limit your answers to 25 words or less for each question

1. What are the top two strengths of the CEO from your point of view?

⚫

⚫

2. What two skills do you think the CEO could improve from your point of view?

⚫

⚫

3. What two things might the CEO do to be more effective from your point of view?

⚫

⚫

4. From your point of view, how has the overall performance of the CEO changed over the last twelve months?

⚫ Comment:

5. Are there any skills or Professional Development you might recommend that the CEO consider?

⚫

6. Does the CEO behave and lead the organisation in a way that is in line with the Vision and Values of the organisation? (Insert Vision here)

⚫ Comment:

7. Do you feel the culture within the organisation is where it needs to be?

⚫ Comment:

8. What is your role with the XYZ?  Board Director

(check the relevant box)  Senior Staff (directly report to CEO)

Other Staff member

Internal Stakeholder (Member, Founder, Etc)

External Stakeholder (Funding partner,

Alliance Member, Regulator, etc)

Optional Detail:

Email address: (will only be used to contact you for clarification of your comments)

## Template: Reporting Survey Findings, Themes and Issues from Respondents to the 360 Survey Tool and Culture Pulse Check

**Please Note**: Chair to offer feedback to the CEO in a manner where comments from individual respondents cannot be identified.

#### Number of Respondents

Describe the number and nature of responses received.

|  |  |  |  |
| --- | --- | --- | --- |
| **Stakeholder Group** | **Surveys Distributed** | **Responses Received** | **% Received** |
| Directors | S1 | R1 | X% |
| Direct reports to CEO (Senior staff) | S2 | R2 | Y% |
| Other Staff | S3 | R3 | Z% |
| Internal Stakeholders (Founders, Members, Committee participants) | S4 | R4 |  |
| External Stakeholders | S5 | R5 | A% |
| Totals | Total1 | Total 2 | B% |

Insert overall comments here

#### Themes or issues arising from Question One: CEO Strengths

Insert comment here. Disclose number of respondents in brackets (if interested) as per the example below…

Professional presence and style, presentation skills, communication skills (3)

#### Themes or issues arising from Question Two: Areas for CEO Skill Improvements

Comment (Number)

#### Themes or issues arising from Question Three: Additional Action Areas for CEO

Comment (Number)

#### Themes or issues arising from Question Four: CEO Professional Development

Comment (Number)

#### Themes or issues arising from Question Five: Change in CEO Performance in 12 months

Comment (Number)

#### Themes or issues arising from Question Five: CEO behave in line with Vision and Values

Comment (Number)

#### Themes or issues arising from Question Six: Is Culture where it needs to be?

Comment (Number)