Webinar Transcript – Developing CEO KPIs and Performance Management Frameworks

So hi, everybody. Welcome to our governance made easy webinar today titled developing CEO KPIs and for performance management frameworks. Today, we're having a great discussion with our special guests, Stephen Bowman, Nigel Scott, and David Greenslade.

My name is Sean McDonald, and I will be your moderator for the next forty odd minutes.

Firstly, thank you for attending today live. We always appreciate the effort you make to be here for our live events.

During the session, if you have any questions for the panel, please feel free to use the q and a button on your toolbar.

We'll be answering as many of these as we have time for during the session. And finally, if you stay through till the end, which we hope you will do, and as is customary for our webinars, we have a special treat for you. By answering our one minute survey at the end of the webinar, you'll go into the draw to win a beautiful gift hamper worth over four hundred dollars. And last week's winner was Katie Russell of Australian Museums and Galleries Association.

Katie, I know you're on the call this morning, so congratulations again, and thanks for leaving us with feedback on the survey.

Now for those, who are, not too familiar with BoardPro, we're our board software provider sometimes called a board portal, and we serve just over thirty thousand users across about thirty nine different countries.

We enable organizations to prepare for and run their board meetings more effectively with less time and deliver more impact and value for the organization.

And as much as we are a software provider, part of our wider mission is to make the fundamentals of governance free and easy to implement for all organizations, especially those with resource constraints.

Constraints. Now the slides from today, a recording of the webinar and also the transcript plus the CEO evaluation performance template will all be sent to you tomorrow. So just relax, listen, and feel free to ask as many questions as you would like.

So let me now hand over to the panel who will introduce themselves, starting with you, Steven.

Hi, everyone. Steve Bowman from conscious governance.

I've been working with boards and CEOs either as a director, chair, or CEO for the last forty odd years and have picked up a lot of very, very good stuff along the way. So one of the things I enjoy with these BoardPro webinars is being able to share some of the fantastic practices out there that boards have either shown me they're using and I can pass along or ones that we've developed ourselves. So I look forward to this conversation.

David?

Yeah. Hi. Dave Greenslade from Strategize.

So I'm I own and chair a number of businesses, all of which are in the financial services industry. So my experience is more in firstly, financial services, which is heavily governance focused and compliance focused with strong expectations from the regulators around how boards and CEOs should perform and the behavior they should drive. And, also, it's at the smaller end of the business spectrum. So most of the companies I'm involved with don't have more than about fifty odd employees.

So over to you, Nigel.

Thanks, David. So, Nigel Scott. So I'm a, professional director and an investor. I'm a director of BoardPro and currently the interim CEO of BoardPro as well.

My sort of corporate career was in in, banking and and wealth management.

I think this is a really, really important topic that a lot of people get wrong and don't necessarily need to get wrong because it can be quite simple and, you know, simple simplification works in this regard and and some of the tools and things we're gonna talk about, will hopefully showcase that as well. So we're really looking forward to the session today. Back to you, Steven.

Thanks, guys. Steven, over to you.

Okay. Well, thanks for that, Sean. So here's what we're gonna cover today. So what I wanna do is chat with you about, what happens when a CEO appraisal goes wrong. And we'll we've got all sorts of war stories to share with you about that. And then talking a little bit about the process, including setting KPIs, which essentially is the the one of the most important things, but it's done so badly.

Then looking at that measuring that performance, how do we actually measure that? Looking at the appraisal framework that goes work goes with it. And depending on the appetite for it from the audience, talking a little bit about the performance payments performance related payments as opposed to bonus or incentive payments, which I don't like. But we'll talk about that a little bit, and then any questions as they come up. So please feel free to pop the questions in the in the question box, and, David and Nigel will keep their eye on that as well as Sean.

Okay. So what I'd like you to do is just to, take a thirty seconds or so and just put in the chat box, where you are at the moment with your CEO performance appraisal system or framework. You know, don't know where to start. You're ready and want some help to improve it or you have long overdue or your CEOs just left because they're really upset with the way you've done it or you, the CEO, are trying to get the board to to to start the focus on it. Where are you at the moment with all of that? And we'll just keep an eye on that to make sure that we we cover those off as we go through.

Okay. Next one, Sean.

Okay. So what happens when a CEO appraisal goes wrong? I'll tell you a very interesting statistics.

Sixty four percent of all CEOs, and this was Australia and New Zealand, when they were researched a few years back, sixty four percent of CEOs that had left of their own accord, I. E. They weren't sacked, sixty four percent said the main reason they were leaving their position as a CEO was because they were really frustrated with their performance management style of the board.

Sixty four percent left because of the way that their performance management and their contract, renewals or negotiations and their key performance indicators were being handled by either the chair or the board.

So guaranteed, if you wanna lose a really good CEO, mess that up. That's what's gonna happen. So one of the things is that, often, boards don't have skills in this area.

And and the chair may or may not have any skills in the area. It may not even live with a governance committee. So what often happens is people with all the best intention of the word in the world really make this difficult and personal.

Nigel, what have you seen in this space?

Yeah. It's it's an interesting dynamic because, one thing with the CEO and the board, the board are generally, you know, four, five, or six people.

Right? And we're all used to being in a corporate career where you you, you have this sort of very, singular relationship with your line manager. And that's quite a different dynamic when you get up to the board level because suddenly it's multiple personalities that the chair or the governance remuneration could have said, they've got a filter and then present themselves with one voice. And that in itself is a bit of a challenge. And I think a lot of boards struggle with that element alone.

Have a look at all of the comments that people have put already in the chat there. It's the biggest I've seen. It's huge. David, what have you come across that happens when something goes terribly wrong?

Okay. So so, normally, what we're finding is a company will have all of its performance, structures in place and say six monthly or annual performance reporting. But when it gets through to the board, that seems to be sadly lacking because the assumption by the the directors is that the CEO is the font of all knowledge and seems to miraculously know exactly what the board wants and we'll deliver on that.

Sure. Thanks. David, back to you.

So so we find that that that performance management and regular formal discussions don't occur. Or, alternatively, in board time, we will discuss and and do a a CEO appraisal. But then once the chair or the nominated individual goes and sits on a one on one with the CEO, that seems to evolve into something, not quite what the board sort of agreed upon. And that's often because the CEO, particularly in smaller businesses, is a very strong dominant personality, and the board, may not want to challenge some of that or doesn't have the skills because the board is collectively often made up of of very experienced people, but not necessarily with a strong HR experience. So, basically, they don't do good performance management reviews at all.

Yep. Cool. Okay. Now, Sean, people are saying that they can't see the webinar chats because it's only going to hosts and panelists.

So if you can have a look at that. So let's get into it. Let's have a look at this sort of appraisal framework. Look.

It's very simple.

I've been through this many times as a CEO with my boards, and I've got trained by some of the very best. I've been, CEO of the Institute of Banking and Finance, Society of Corporate Treasurers, deputy at the, what used to be the Australian Society of Accountants, which is now CPA Australia, and got taught by some of the best. And it can actually be quite a simple yet really highly focused and effective process. So what does that look like?

First of all, let's agree on what the KPIs and the framework are. So we'll go through that as as we go through this discussion. Then the CEO comments on their view of the performance. It's gotta start somewhere.

So once we've agreed on what the KPIs or the key performance indicators are, then when it comes to the review time, the CEO has first go at, here's how I think I'm going against my KPIs.

Then the board provide feedback to the CEO from their perspective on how they think the CEO is getting to, going towards those KPIs. And if there's a mismatch, that's part of the conversation that either the governance committee or the the chair has with the CEO.

Then also looking at three sixty degree feedback surveys of staff and key stakeholders, and we've got examples of all of these for you.

And that particularly is around culture and leadership and those types of things, and then how that gets fed back into the appraisal process.

Then you document it, which is really interesting because I'm looking at some of the comments that came through, They say we did all this, but we forgot to document it. So we'd have to do it all again next time. So you document all of this and you get the CEO's, endorsement of it, and then you review them and set up the next twelve months process. So that's pretty much the the framework. It's very, very simple, but the documentation is probably the key part. Sean.

So let's have a look at this. The the appraisal framework really all it means is let's write down the process. Let's just write down the process of how we're going to do this so that we and we called it a framework so that we know from year to year how we're going to go about doing it. So for example, you know, in such and such a month, we will, sit down with the CEO and develop up these KPIs.

The CEO will have the first, go at what they think of the KPIs, and we'll we'll cover that in a bit more detail in a minute. And then we, as a board, will reflect upon those KPIs or possibly the governance committee, and we reserve the right to either provide others or to change some out, some that we think are more relevant.

Now we will then, in six months' time, sit down with the CEO and ask them how are things going. Yeah. It's not a formal, review of performance. It's just a, okay, CEO. Here are your KPIs. How are you going? What are the roadblocks?

What can we as a board do to help you get there? What are some of the things that we need to know that will assist you? It should be at that sort of level of conversation about, you know, what is happening out there? How can we help?

The last thing you want is at the end of the year, sitting down with the CEO, and all of a sudden, there's a bit of a, oh my goodness. We didn't get this done. We didn't get that done. This one didn't this this one didn't pan out the way we thought, and that's the first time you hear about it.

It should be more of a regular basis. I think, David mentioned that he's come across people that do this every, three months or four months. David, what what about that, review side of things? How do you find the cadence of that?

I I I find that it's less frequent than what it should be. So in many cases, it's it's annual at best in in the smaller businesses, whereas in some cases, it just doesn't happen at all.

Yep.

Yeah. Okay. Alright. So let's let's talk about KPIs. Alright?

My view is that they should be minimal, between five to seven KPIs tops.

And of those KPIs, the key performance indicators, there should be two or three that are based around your strategic plan. I mean, the strategic plan is here's the difference we wanna make in the next three years that'll help drive us to our vision. So there should be two or three that are directly related to the strategic plan but with a bit of stretch associated with them. So, for example, if one of your strategies is to increase, key stakeholder engagement, I'm seeing that more and more these days.

And in there, there's a performance measure for how we would know. You know, it could be that, you know, ninety percent of the key stakeholders that we approach have rated our relationship them as being strategically useful. Okay? So it might be ninety percent.

Your KPI CEO is ninety five percent. Bit of stretch behind it. So what you're doing is saying, look. Your strategic plan is your job.

This is what you're doing. Your budget is your job. That's why you keep your job. You meet budget, and you help deliver against the strategic plan.

But your performance indicator is two, maybe three of the elements from the strategic plan that you can have some sort of influence on with a bit of stretch associated with it. Now a good example of that when I was heading up Institute of Banking and Finance, the, k one of the KPIs that was set for me was that we increase our membership because it was a membership organization, increase our membership from eighty, membership retention from eighty nine percent up to ninety two percent.

So from eighty nine up to ninety two percent. And the board said this is really important to us because we don't want that leaky hole in the bucket happening with members coming in, but then they're going out again. So your KPI, Bowman, is ninety five percent.

And I said to the governance committee, well, you know, what do you mean by that? They said, look. It's easy. The strategic plan says as part of this, we want at least ninety two percent retention of members, but we want you to go above that.

So you need to put in place the stuff that's actually going to help that. So that made me really sit down and think. I actually then sat down with each of my staff members and said, look. We've been given I've been given this KPI of ninety five percent.

The strat plan says ninety two.

What can we do? What can we do as a receptionist? What can we do as an education manager? What can we do to actually increase retention of our members?

And having sat down with each of the staff members, the ideas, the innovation that came out from that very simple process of actually sitting down and saying, hey. What can we do together to actually help increase this? And we actually got up to about ninety six percent retention of members. But it wasn't just me.

It was everyone working, but I was the one who instituted that process.

So strategic KPIs. So it might be around, mergers and acquisitions. So, you know, the strat plan says we're going to merge with another organization.

Your KPI is that the board rates it as a seamless, well perfect well managed and professional, merger, whatever it might be. Now we'll talk about how to measure that in a minute too. So two, maybe three around strategy.

The next level is the leadership behavior or culture KPI. So what are the one or two key KPIs for the CEO around the leadership that we want from them or the behavior that we want to see from them or the culture that we want to see created that the CEO has a major influence on? One of the most dramatic examples of this was one CEO who'd been there for a long, long time had, started to take all criticism as personal.

And so the board was starting to find itself having to walk on eggshells around the CEO who'd been there for something like fifteen years.

They wanted to give her the chance to change that because they said if this doesn't change, she doesn't have a a career here as CEO, we cannot be walking on eggshells, wondering whether or not she's gonna go off because of some perceived criticism.

So the KPI setting for her was that she was able to receive any implied criticism and treat it as an insight rather than a criticism.

Now she'd she asked me, how am I gonna do that? And I said, well, maybe you check-in with your directors. Maybe just be a little bit more aware of how your body language and your language is affecting this and maybe dig down deeper about what you perceive as criticism. Maybe it's not criticism. Maybe it's something else. But check-in with your directors. Find out from them how they're doing.

She did that over a twelve month period checking in with the chair, and she had totally turned around the way that she dealt with the board.

If she hadn't done that, it wouldn't have been a good career move for her. So leadership behavior or culture that the board wants to see from that CEO. And then the third type is one or two KPIs that are around compliance. These are just so important. You cannot not have this. So when I was with the Institute of Banking and Finance, one of the compliance KPIs was that we have an unqualified audit.

Now you might ask, well, who in the world would want a qualified audit? And I said that to the chair who was David Murray then, the head of the Commonwealth Bank here in Australia. And he said, Steve, you're missing the point.

An unqualified audit is what we're after but we want to make the point that this is non negotiable because who's sitting around your board table? And I said well you know the CEOs of the major financial institutions and their two ICs. And he said what do you think the Financial Review newspaper would do if there was even a hint of a qualified audit on the organization on whose board we sit? I said, ah, okay.

I've got the point. So what that meant is that I actually spent extra time with the auditors making sure that not only do we have an unqualified audit, but the we were one of the best audit customers they had because we got ourselves audit ready. We started to develop up really good relationships and, you know, quality control around our things. We would ask the auditors in advance how they would like to run it.

So we had this very strong, relationship with the auditors to make sure that when they came in, it was actually a pleasure for them. So these are the three types of KPIs, strategic KPIs, two or three at the most with a bit of stretch.

Leadership behavior or culture KPIs, you know, what is it for this year for the CEO?

Compliance KPIs, what are these one or two key compliance issues that are so important that we actually have to make sure that we get this right. If you're a housing provider, for example, often the housing register, you've gotta you've gotta pass the audit.

But not only should you pass it, but one of your KPIs mean that we could we should be in the top ten percent of audit results.

Whatever it is, this is the conversations you need to have. Sean, we got some questions?

We do. Let's see if we can get through a few of these because there are a number. From Honing, is it the sole responsibility of the board chair to facilitate the CEO performance appraisal?

Nigel, do you wanna have a go?

Yeah. Absolutely. Look. No. No. It's not. And and and to the earlier point around the cadence of this performance review and you do your annual thing, now we should get to the end of the year where there's a surprise.

Right? And this is a bit of a challenge because your CEO and your chair should be, have a have a, like, a weekly cadence for an hour or maybe it's a hour or two every fortnight, but they will be having regular catch ups. You can't mistake those for performance reviews and get to the end of the year and go, oh, by the way, you haven't achieved this and this, and we've caught up every week or every fortnight or what it happens to be. So that performance check-in whether it's quarterly or it's six monthly, it's gotta be taken out of that other type conversation that they regularly have.

But, no, the director sorry. The the the chair is the spokesman, and everyone, in that room and this is the challenge is that the CEO does have a relationship with four or five directors, whatever the number is, who may have different views and and perspectives on the performance, and the chair has really gotta try and synthesize that. But they're really the the the go between. And some boards do that.

They sort of go, I assume it's the responsibility of the chair to go and have that awkward discussion or pass on my feedback. Like, everybody's gotta be into it together. And if you don't want the chair to do it, then have a, you know, a governance and remuneration committee. Maybe there's two or three members.

There's a couple of ways to do it.

Yeah. Spot on, Nigel. David, anything to add to that?

Yeah. So so in some of the companies I'm involved with, the the chair has the one on one, the performance review. But on others where the chairman isn't necessarily the right person because they're intimately involved, they could be like a a majority shareholder or something like that. They'll have, one of the other, board members will be part of the, the performance sort of review, but we don't have it with the whole board because that becomes too intimidating from that sort of perspective. So it's normally just the chair or a maximum of two is the way that seen it work pretty well.

I'm I'm just I'm just gonna add a quick war story. So one of the boards I was on, there's a lot of tension between the chair and and a and a particular director sorry, the CEO and the particular director, and they went and had lunch one day. And this director then gave feedback to the CEO that, basically, they weren't up to it, which then resulted in a quasi resignation. So that was a director essentially going off the reservation outside of what the framework had been agreed and created a huge amount of problems for us as a board.

That feedback really should have been discussed as a board and director only time and then, you know, massaged on across everything else. And and having those random conversations to the site can really undo a lot of, a lot of good work.

Thanks, Nava.

So the the the insight, that I'd like to invite everyone on this call to look at is have a look at your current KPIs that you've got set up. I have seen where there are fifteen, twenty KPIs, which directly reflect the the job description of the CEO.

Have a look at it through the lens. Look. There should only be two or three that are directly related back to the strategic plan with a bit of stretch associated. There should be one, maybe two, that are around the behavior or the leadership of the culture of the CEO that the board want to actually really fine tune and hone in on, and there should be one or two that are around compliance.

The behavior culture and, and, leadership one, I think is absolutely critical because it can become very, creative. I still remember to this day with with Bob Joss, who's the head of Westpac at that stage, said to me, Steve, one of your KPIs we've got your list of KPIs. Thank you. We agree with four of them, and we don't agree with three of them. So the other three that we want to add into it, one of them was the, the, retention of, of members. But the other one was, he said, one of the things we want to do is, put a KPI in there that says that the CEOs of our major financial institutions think that you're a strategic asset as a CEO to this organization.

And I looked at him and I said how are you going to measure that?

And his response I'll never forget. His response was, easy. I'll give them a call and ask them, is Bowman a strategic asset from your point of view as the CEO of a major financial institution with the work he does in the Institute of Banking and Finance?

And I said, well, how am I gonna do that? And he said, that's your job.

That's what we want you to do.

And the the the the the power of that was that it forced me to sit down and really think about what is it that that that I need to have as a relationship with these CEOs because they're the ones who signed off on the membership fees. And so at the at the stroke of a pen, I could lose thirty thousand members because the CEO of that bank didn't think that I was actually doing a good job. Therefore, the institute wasn't doing a good job, so therefore, they wouldn't pay membership fees. So that was really critical to them.

So I would go and visit them three times a year. Now one of the things we know about top level CEOs is that they can smell rubbish a mile away. So you couldn't go in there and just fluff the pillows. You had to go in there with something that was really powerfully useful for that CEO to know and provide them with feedback and insights.

So that fundamentally changed my relationship with the the CEOs of these major organizations.

And I actually got there because I checked in with them. You know? What else could we be doing that would make us even more strategically useful? But it was it was painful.

Steve, we have a number of questions. If we can just fire through another two of them, then let's move on. Don't mind? Yeah. This one from Alan. Should we be getting direct feedback by the CEO management team as well as workers on the CEO role over the previous twelve months? David, do you wanna answer that one?

Yes and no. But you've gotta be careful where the feedback's coming from because particularly at the more junior levels, they their perception around what the CEO does could be quite different from what the board is asking the CEO to do.

And and so, yeah, you've you've gotta be measured. So it needs to be filtered up through the chain. So it's better for it to come via the board rather than via everyone else. But the board can have done some form of survey, not specifically around the CEO, but around how the overall culture, and then that will identify very quickly for the board how well the CEO is going.

Thanks, David. This one from Beth.

Okay. Let's let's before we move off on that one, and this is why we have the panel. I don't necessarily agree with David on that one because, you can actually ask the staff, doesn't just mean seniors, but those in charge of areas about, about questions about the CEO. Not not specific, but what is it that, what is it the CEO could be doing that would make, my job even more effective?

So there there there's a range of questions that we've put in the template for you that you might wanna consider when you're looking at, doing a three sixty degree review. But it's how you ask them and what it is that you're asking that is important. It's not just about whether they, know, whether they like them as a CEO, but there's have a look at some of those questions, but it can be a very powerful process. Okay, Sean.

Just a second.

Okay. From Beth, how important is feedback from direct reports to the CEO in terms of culture and leadership? Nigel.

Oh, look. I think it's extremely important, you know, depending on the size of your organization and your CEO. If you're if you're kind of large enough, you know, you'll you'll start managing the business through your executive team or your senior leadership team. Right?

And so things can get lost in translation and, you know, these these different relationships and sometimes people find, talking to the CEO quite daunting and will tell them what they wanna hear. So I think it's important that you use your SLT and your execs, in a in a smart way for telling you what you need to hear, not necessarily what you want to hear. Nice. And, look, I've been a part of organizations before where we've taken out, different members from across the organization, different different teams in that out to lunch with the CEO, and we've actually just sat down and had an open session.

And, you know, what feedback have you got for us, or what do you think we could improve, and those sorts of things. And that helped with, the open communication as well.

Right. Thanks, Nigel. Steven, let's move on, Steven.

Yeah. So, what I wanna do is to very briefly take you through the process of developing KPIs because it really is quite simple, and it's a three question iterative process that we find works the best. The first question is, you know, developing up, the KPI is, what would a great job look like with this? If we were to get this really well and if we were to do a fantastic job with this, what would it look like?

The second question is now how do we measure that?

Everything is measurable. So how do you measure people's perceptions? You ask them. It can be as simple as that.

It doesn't have to be a statistical, retrograde analysis of the mean and mode of it doesn't have to be that at all. So it can actually be perceptual or social measures as well too, but you've got to think about it. So how do we measure it? And everything is measurable.

And then the last one, which people most often miss out is at what level would we be happy with. So let's say, for example, one of your key events that you've got is a conference, and, one of the KPIs that the the board have set is that we have a very successful conference because we relied on it for a whole lot of money and a whole lot of stakeholder engagement and member engagement.

So, you could start off with what would a great job look like? Well, we have a thousand people as our conference. Okay. Well, if you had a thousand people at your conference, what if all of them thought it was rubbish?

Well, Well that's not what I meant. Well what did you mean? What would a great job look like? Well a thousand people at our conference that actually thought this was a really good conference.

Okay. Well how would you measure that?

Oh I'm not sure.

We wouldn't have the time to talk to each of them to say, well, how would you measure it? Well, we'd probably survey a a random sample, maybe face to face or some other way of doing it. Alright. So if you had a thousand people and you randomly surveyed them in in a way and they came back and they said this is a really good conference, are you gonna get a hundred percent?

No. Well, what would you be happy with? At what level would you be happy? Fifty percent?

Half of them thought it was rubbish and half of them thought it was good? No. Well, what would you be happy with? So you might end up with, you know, ninety five percent of the randomly selected conference attendees have braided this conference as actually having been strategically useful to their day job.

And that's you start to iterate there. What would a great job look like?

How would we measure that?

And at what level would we be happy? Until you come up with a measure that actually says, wow. If we got that, that would be awesome.

So don't overcomplicate things and don't just measure activity. It's not about activity. It's about what are the outcomes that we're after.

So agree on the KPIs that you want and then sit down and work it. Have the CEO come up with what they would regard as their top seven KPIs under those three headings we mentioned. These are just examples.

And then when it comes to the actual process of measuring those, then the CEO has first go at that. So this is to, as part of the appraisal process. The CEO inserts their cost. You'll get all this as part of the, of the of the download downloadable template that you'll get. So that's the, process KPIs, Sean.

Then the next one is looking at the the, CEO commenting on it, and then the board has a comment. What are their views on it? The next one, Sean.

So this is where the board will provide comment back to the CEO. So you've got two documents essentially. Here's what the CEO says. Here's how I think of getting here's how I think I've gone against these KPIs and their evidence for that. And then here's the board's response to what the CEO has said. And if there's any disagreement in there, then that that's a conversation that needs to be had by either the chair or whoever's having these conversations on behalf of behalf of the governance committee.

And then you can tie into that then the three sixty degree feedback. So here are the two top strengths from the CEO that the that the, stakeholders have mentioned.

Here are the, the key skills that they think the CEO could possibly improve upon. Here's how they think the CEO could be more effective in their role. This is powerful insight, and very, very useful for the, the CEO to reflect upon.

And then documenting that process as you go through. So if you can imagine, six months in, sit down with the chair. Here's how we're going. Here's the KPIs. How are you going? Are there any roadblocks? Then as you get closer towards the end of the year, there's a formally appointed time where the CEO is given the template with the already agreed, KPIs on there.

Give us evidence of how you think you're going. And then at the same time, the board through the governance committee will, develop their own insights into that, look at what the CEO has provided as their response to that, and then also look to see if there's any differences in there.

Then at the same time, you then review and agree on the KPIs for the next year. So it's, again, a fairly simple process.

Nigel, do you want to add anything to that before we move on to the performance related I think I think a couple of the most common mistakes that I've seen is one is too many.

You know, fifteen to twenty, I've seen that before, a bunch which can't be measured. I always look at these things and go, well, what gets measured gets done.

Mhmm.

There should be a handful of things that are gonna drive the organization forward, not fifteen to twenty, little things. Right?

Mhmm.

I've also been in the situation where I reported to a guy in Singapore in the night before my performance with you was met. He sent me the framework, and said filled us some including the KPIs. It was a hundred percent blank, which is, pretty demotivating. Right? So Yeah. The time to this because it doesn't matter.

Yep. David, any word of interest on that?

Yeah, the main one is, align it to the strategic plan and then, obviously, to the annual business plan as well in some shape or form.

The the areas that I see that have done reasonably well, on the financial and on the compliance KPIs, but appallingly bad around the culture and the behavior simply because the board hasn't got a clear vision of what that should be. And then they they can't articulate that through to the CEO properly, and they leave that to the CEO to morph into something in reality. So they have difficulty documenting the KPIs.

Yeah.

To review at the moment is actually have a look at what you've currently got and say, I've got ten or fifteen or nine. What if there are only five or seven? What are the big ones? What are the two or three big strategic ones? What are the one or two big behavior leadership or culture ones? What are the one or two big compliance ones?

Now In all there, Steven.

Okay.

In all the No.

You're breaking up, Steven. Let me, interject with a couple of questions while we're waiting for Steven to get back online.

This one from Shamir.

If the CEO is an acting CEO, do we have some guiding guidelines that hold the ACEO accountable? Are these are the KPIs the same? Nigel, do you wanna tackle that one?

Yeah. Look. I'm in that situation myself, and and and, broadly, no, they're not.

And it depends on what your arrangement is. So, you know, the one I'm in, I'm an interim. We're we're pointing a going through a recruitment process for a full time CEO, which, you know, I could take, say, six months.

And I'm a director that sort of step back into the CEO role. So my mandate from the board is quite different than if it was a CEO talking about the things that Steven's talking about is those are the things that we wanna achieve over the next three years. In that acting role, my time horizon is a lot shorter, and the things that the board have sent me to do are a lot more immediate knowing that the reins will get handed over to someone in the near term.

This one is an anonymous, question that's come in. So what happens if you have co chairs, I e, two bosses, and they have different views about their CEO performance? David, do you wanna try that one?

I think that'll be just an absolute nightmare. Yeah. Yeah. Yeah. I think it'll be Yeah.

Yeah. So so, Steven, you're you're back online. Do you wanna add something to that where you got two?

Yeah. Look. It's I I would have someone independent of those two coaches potentially doing it. So it's just the one person that you're talking with.

Co chairs I haven't seen work terribly well unless it's actually managed. So, yeah, it's an interesting one.

Neil is asking, do we really need three sixty degree feedback? Is that a sound process, question mark? Steve?

I would suggest that you probably do because in the end, it's, you know, if you're looking at behavior leadership and culture KPIs, how are you gonna get that information otherwise? But keep it simple. It doesn't need to be a long drawn out process, and it should be something that, actually you you instigate in the rest of the organization as well. So everything we've talked about here about CEO KPIs, you should actually then devolve down into each of your various operational departments. The same sort of process, the same sort of thinking. Minimal number of KPIs and and, very much looking at, the evidence for achieving, those KPIs that is both measurable, but also adding to the strategy or the leadership or the compliance of the organization.

I might just add to the three sixty because I'm a big fan of them. And where I've used them in the past, which has been quite good, is when there's a point of disagreement between the CEO perhaps and the board and, oh, that's your perception. You're biased. You don't like me.

Whatever. There's some kind of, defense put up by the person going, well, I don't agree with what you were saying. And, like, any sort of evidence for sorry. KPI is measuring, and particularly if there's a there's a disagreement, it's really important to point to evidence.

Right? And I find that the three sixty is quite a good circuit breaker going well. We've gone out to these people at these various levels and whatever, and here's the collective feedback and those sorts of things. And if it substantiate, the the board's view, then you've got a good piece of evidence to to work off.

Yep. I see. Someone's made the comment about the the performance payment side of things that they they're all financial at this stage. I think one of the things has have gotta be it's gotta be fit for purpose. Now performance payments is look. Here, we are, going to reward the achievement of these stretch KPIs that we've associated.

And to do that, you've got actually at some at risk components. You're not guaranteed any of these. If you achieve them, then here's what the performance payment is likely to be. And that can be a dollar amount, and it can be through achievement of the whole thing or partial achievement.

But it also can be some people have said, look. Rather than dollar amounts, I'd rather have an extra week's leave or holiday or something along those lines. So it can be as creative as you want. But the key thing is it has to be, it has to be obvious.

It has to be measurable. And it's about achievement of the performance.

One of the things that I learned early on is things like bonus schemes don't work because if everyone does a really good job, then you've got less in your bonus pool for everyone to actually achieve. You're better off looking at here are the performance payments based on you achieving these, agreed KPIs.

And, typically, they're funded out of increased revenue or decreased costs. So in the end, it doesn't really cost the organization anything because it's actually being funded out of the activity.

So in summary, the key thing is performance, the KPIs, performance management should be a planned process. Please document it. Use the stuff that the the three of us have said to you today and and the the framework that we provide you, but make it your own. Make it fit for purpose for what you do and ensure that it's an ongoing process of respectful conversation with some insight and some data that drives it.

And then your performance reviews become actually quality rather than, people worrying about it and sweating over it and then getting really upset because it wasn't done well. So, the template that you'll get has a lot of really good stuff in there. Can my my my strong hope for you is that you take the template and make it your own. Change it, amend it, but at least you got something to work with.

Check it against what you currently use. See whether there's anything missing.

This has been developed over many, many years, and we've used it in many, many hundreds of CEO reviews. So please make use of it, but the most important thing is make it fit for purpose and useful for you.

Right.

So Thanks, David.

Thanks, Nigel. You'll receive an email from myself. You'll receive that probably tomorrow morning now, which will include, a a link to today's webinar recording, the slides from today, the templates as well, the CEO valuation template and the three sixty degree template.

So just as you leave the webinar, don't forget to complete the one minute survey. Go into our draw to win our gift hamper. We'll announce the winner shortly. That'll be tomorrow as well.

So thank you everybody for your attendance today. I hope you enjoyed the session. It was pretty fast and furious. We only had forty five minutes to get through what is a very complex topic.

So, I hope that was valuable to you.

Look forward to seeing you on our next webinar, everybody.

Nigel, David, Steven, thanks very much for your discussion today.

Have a great day, everybody.